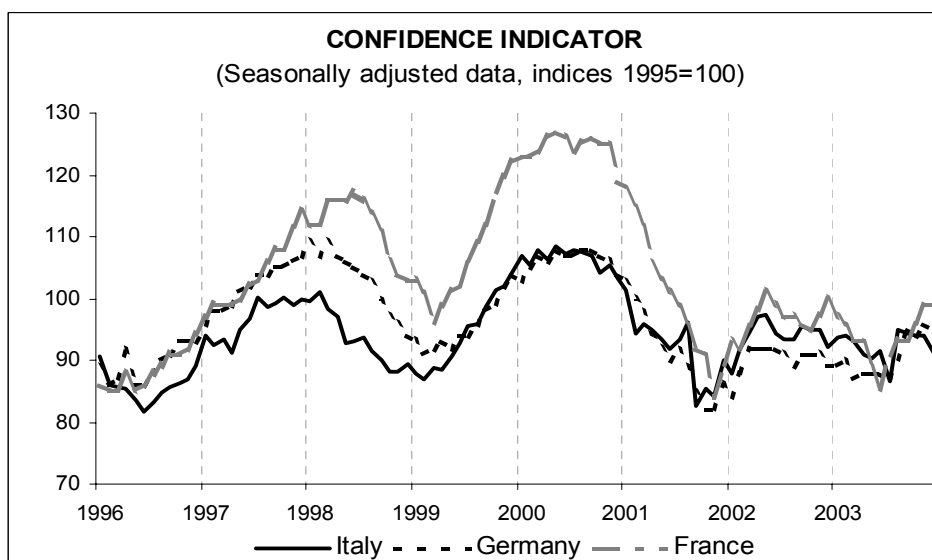




THE DECEMBER CONFIDENCE CLIMATE OF MANUFACTURING FIRMS SLIGHTLY DECREASES IN GERMANY AND ITALY, WHILE IT REMAINS UNCHANGED IN FRANCE

- The ISAE monthly comparison of seasonally adjusted indexes shows that the French confidence indicator (elaborated by INSEE) stabilises at 99, which is one of the peaks of the year, while the German index (surveyed by IFO) slightly falls from 96 to 95, thus remaining above the figures of the first half of the year. In Italy - as already outlined in the data distributed by ISAE on December 22 - the indicator goes from 94 to 91.2
- In France, the entrepreneurs' evaluations on order books remain stable on the high November values, while short-term expectations on production improve. Furthermore, signals emerge that inventories are growing
- Also German assessments on order books remain unchanged, even though a worsening is observed in short-term expectations on production. Firms also signal a slight reduction in their inventories, which remain above what are considered as "Normal" levels
- In Italy, the entrepreneurs' assessments on their current order-book levels continue to improve, as do most assessments on the current trend of the main firm variables. However, as it often happens in the initial recovery phases, short-term forecasts are still uncertain and expectations on production are falling
- Selling prices are expected to rise in Italy and in Germany, while in France entrepreneurs expect selling prices to fall



Data on January shall be diffused on **February 3, 2004**.

Next ISAE Surveys are scheduled as follows:

January 22, 2004: ISAE Monthly Consumer Survey (Reference month: January)

January 28, 2004: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: January) and ISAE Quarterly Elaboration by Geographical Partition of Consumer and Business Surveys on Manufacturing and Extractive Firms (Reference period: IV quarter 2003)

January 29, 2004: ISAE Monthly Trade Survey (reference month: December) and ISAE Monthly Service Survey (Reference month: January)

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site www.isae.it)

General results

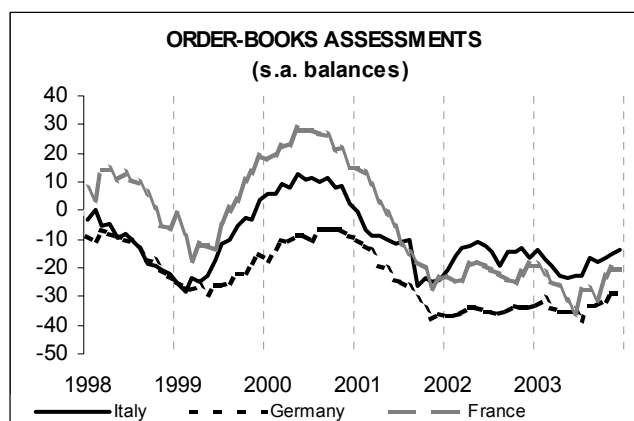
In December, the confidence climate of manufacturing and extractive firms falls in Germany and in Italy, while it remains unchanged in France. The INSEE indicator, seasonally adjusted by ISAE, stabilises at 99, which is one of the peaks of the year, while the IFO index, always seasonally adjusted by ISAE, slightly falls from 96 to 95, thus remaining above the figures of the first half of the year. In Italy - as already outlined in the data distributed by ISAE on December 22 - the indicator goes from 94 to 91.2.

In France, the entrepreneurs' evaluations on order books remain stable on the high November values, while short-term expectations on production improve. Furthermore, signals emerge that inventories are growing.

Also German assessments on order books remain unchanged, even though a worsening is observed in short-term expectations on production. Firms also signal a slight reduction in their inventories, which remain above what are considered as "Normal" levels.

In Italy, the entrepreneurs' assessments on their current order-book levels continue to improve, as do most assessments on the current trend of the main firm variables. However, as it often happens in the initial recovery phases, short-term forecasts are still uncertain and expectations on production are falling.

Selling prices are expected to rise both in Italy and in Germany, while in France entrepreneurs expect selling prices to fall.



IFO and INSEE Surveys for Germany and France

In Germany, assessments on the current order-book level stabilise in December: the seasonally adjusted balance equals -29 in December, which is close to the highest values ever registered since August 2001. With regard to the foreign demand component, the balance slightly deteriorates from -24 to -25, probably also because of the euro appreciation against the dollar. Unfavourable indications come from short-term expectations on production: the balance decreases from 7 in November to 4 in December and inventories tend to diminish. With regard to prices, expectations for new inflationary tensions are confirmed (the seasonally adjusted balance passing from 1 to 2).

In France too, assessments on the current order-book level remain unchanged as against the previous month: the seasonally adjusted balance remains stable at -21, which is near the early-2003 levels, though the foreign demand component is slightly recovering (from -11 to -10 in terms of balance). However, French entrepreneurs show rosy short-term expectations on production (the seasonally adjusted balance going from 8 to 11). Finished products inventories slightly increase, though remaining above what are considered as "Normal" levels. With reference to prices, the share of those expecting a further selling price reduction in the next few months is growing from -5 to -8.

Manufacturing firms' confidence climate (seasonally adjusted data, indices 1995=100)

	Italy	France	Germany
September 2003	94.4	93	95
October 2003	94.0	96	94
November 2003	94.0	99	96
December 2003	91.2	99	95

Sources: ISAE and ISAE elaborations on IFO and INSEE data.