

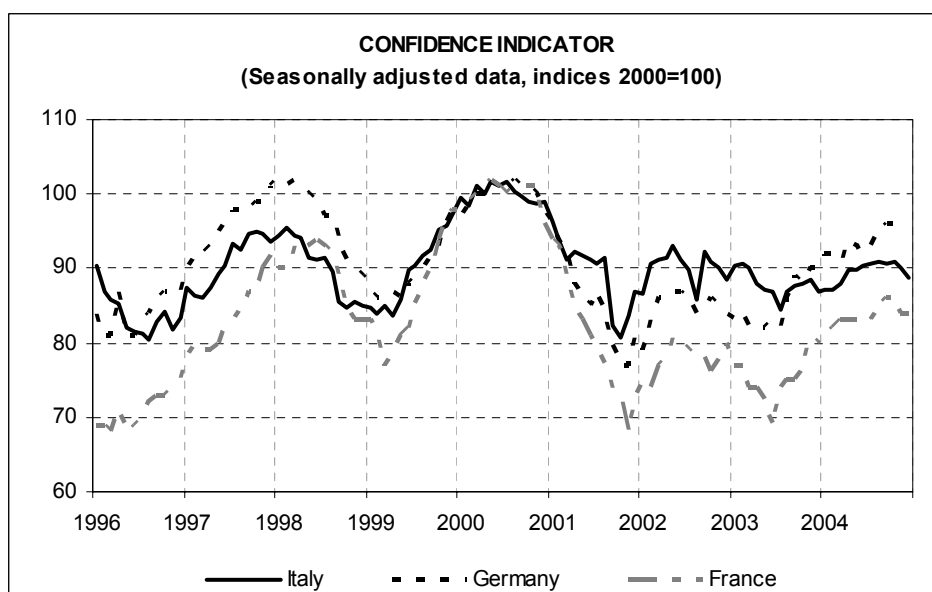


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THE DECEMBER CONFIDENCE OF MANUFACTURING FIRMS REMAINS STABLE IN FRANCE AND IN GERMANY, WHILE IT FALLS IN ITALY

- In Germany the IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – stabilises at 96 in December for the fourth month in a row. In France too, the INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – remains at 84, which is close to the June figures. In Italy, as already outlined in the data distributed by ISAE on December 28, confidence decreases from 90.1 to 88.9, which is close to the minimum values ever reached since March 2004
- Inventories – which had considerably diminished in 2004 - grow again in France and Italy, within a framework characterised by a substantial order-book stagnation, probably linked to the further euro appreciation against the dollar. On the contrary, expectations on production are increasing in France and slightly diminishing in Italy and Germany
- With regard to prices, entrepreneurs in the three countries expect further inflationary thrusts in the next few months



Data on January shall be diffused on **February 1, 2005**.

Next ISAE Surveys are scheduled as follows:

January 25, 2005: ISAE Monthly Consumer Survey (Reference month: January)

January 27, 2005: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: January)

January 31, 2005: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: December) and ISAE Monthly Business 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 stabilises in France and in Germany, while it contracts in Italy.

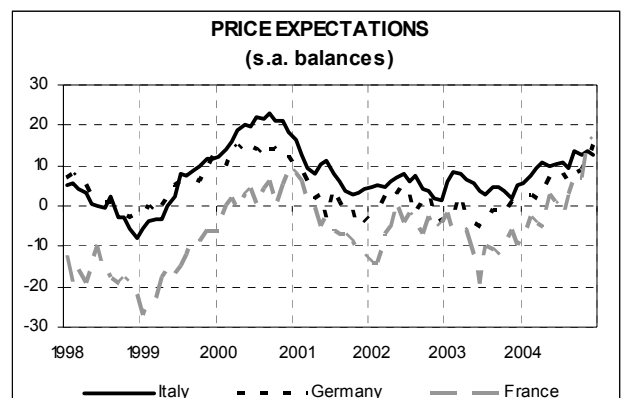
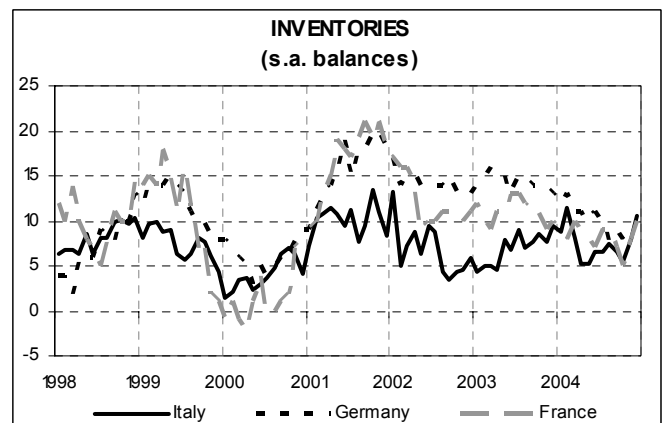
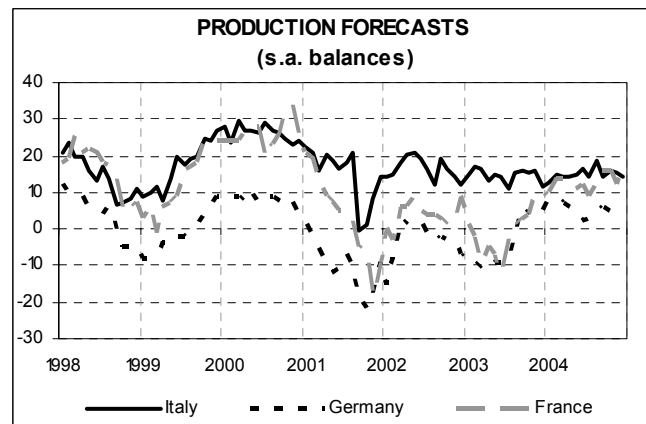
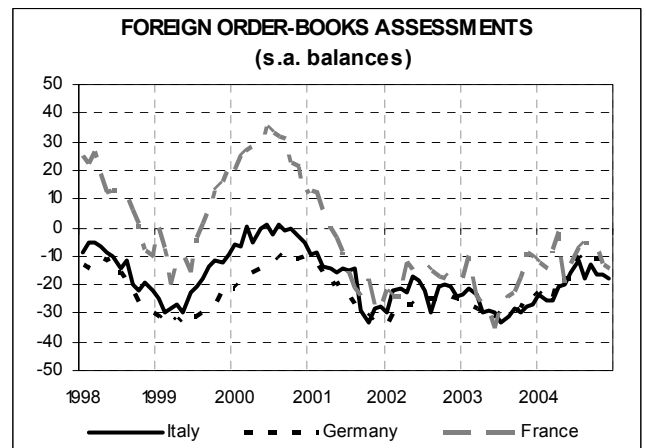
In particular, the French INSEE index – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – remains unchanged at 84, as in the previous month, while the German IFO indicator – seasonally adjusted by ISAE and computed on the basis 2000 = 100 – equals 96 (which is a cyclically high level) for the fourth month in a row. In Italy, as already outlined in the data distributed by ISAE on December 28, confidence decreases from 90.1 to 88.9, which is close to the minimum values ever reached since March 2004.

French entrepreneurs' expectations on their productive activities are rosier, though a slight contraction is observed in order books and inventories are growing.

In Germany, assessments on the present demand level improve, while less favourable prospects on the production trend are emerging. Moreover, inventories remain unchanged compared to the previous month.

In Italy, the confidence contraction is mainly due to the end of the stock-decreasing phase¹, in the presence of still cautious evaluations on the order-book trend and of slightly darker forecasts on production compared to November.

With regard to prices, entrepreneurs in the three countries considered expect further inflationary thrusts in the next few months.



¹ Starting from November 2004, the balance of inventories is computed as the difference between the share of “Above Normal” and “Below Normal”, pursuant to the European Commission Harmonised Programme.

IFO and INSEE Surveys for Germany and France

In December, the German entrepreneurs' assessments on the order-book level recover (the balance growing from -15 to -12, which is close to the higher figures ever attained since February 2001), in spite of a slight worsening in the foreign component, probably affected by the further euro appreciation against the dollar (from -11 to -12). Short-term expectations on the production activity slightly fall from 3 to 4, while inventories stabilise on the November values (9, in terms of balance). With reference to prices, entrepreneurs expect a further and considerable rise in industrial prices (the balance passing from 12 to 15, which is close to the highest levels since November 2000).

In France, assessments on the order-book level slightly worsen (the balance passing from -12 to -13, thus coming back to the low levels of June 2004). With regard to the foreign component, the seasonally adjusted balance decreases from -13 to -14. Rosier prospects are looming ahead for the production trend (from 12 to 16), though new stock rises emerge after the decreasing phase observed in 2004. Finally, with reference to selling prices, further industrial price rises are expected and the balance jumps from 15 to 17, which is one of the peaks ever registered since March 1995.

Manufacturing firms' confidence climate (seasonally adjusted data, indices 2000 = 100)

	Italy	France	Germany
September 2004	90.6	86	96
October 2004	90.9	86	96
November 2004	90.1	84	96
December 2004	88.9	84	96

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