



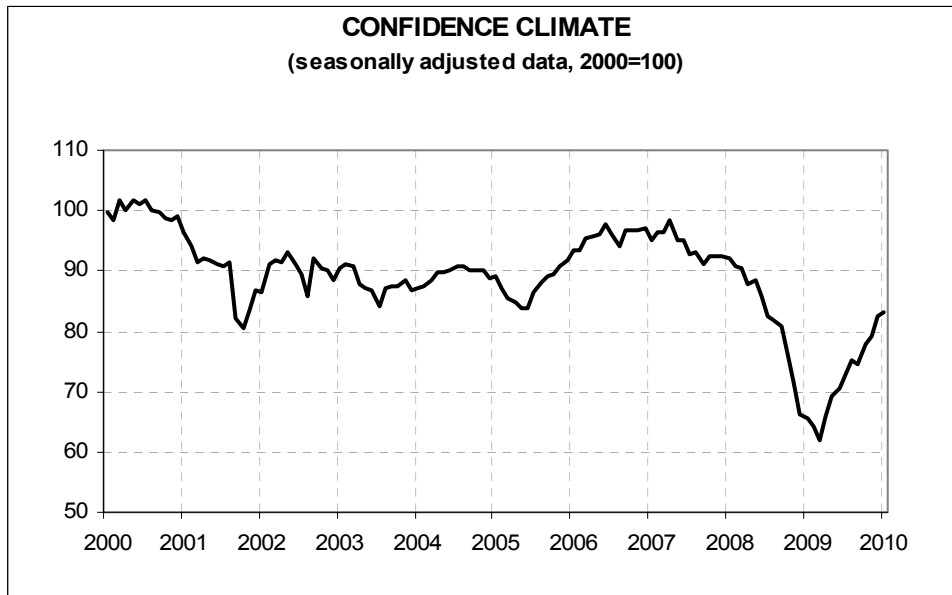
Date: January 28, 2010

MANUFACTURING FIRMS' CONFIDENCE RISES IN JANUARY

- The seasonally adjusted confidence index (2000=100) increased to 83.2 from 82.4 in the previous month, going back to its 2008 average level
- Growth was prompted by the recovery of demand in general – mainly due to domestic orders – and by the de-stocking of inventories of finished products
- Confidence clearly improved in the investment goods sector, where the index increased from 77 to 78.6. It rose more moderately for intermediate goods (from 80 to 80.2). The indicator suffered instead a slight setback in the consumer goods sector, declining from 89.8 to 89. This information was consistent with the hold-up emerged from the recent ISAE survey on Italian consumers
- Moderate optimism spread throughout the country, except for the North West. In this area, the index lowered from 84.5 to 82.6. The indicator increased instead from 77.5 to 80.2 in the North East, from 84.7 to 85.9 in the Centre, and from 84.2 to 86.8 in the *Mezzogiorno*

IN THE FOURTH QUARTER OF 2009 THE RATE OF INDUSTRIAL PLANT UTILIZATION CONTINUED TO RECOVER

- According to the traditional ISAE quarterly survey, the rate of industrial operating capacity expanded from 66.5% to 67.2%, the year's highest level
- Gradual recovery also distinguished the flow of new orders and export prospects
- Obstacles limiting productive activity shrank, mainly thanks to a decrease in the role of financial constraints. However, the share of firms which considered demand an impediment to production remained high
- Firms' competitive position also sent signs of recovery. It improved in domestic and non-EU markets, but worsened slightly in EU ones



Data on February shall be released on February 25, 2010

The next ISAE surveys are scheduled as follows:

February 23, 2010: ISAE Monthly Consumer Survey (reference period: February)

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

General results

According to the ISAE Survey, carried out between January 4 and January 19 on a panel of about 4,000 firms, the seasonally adjusted confidence index of manufacturing and mining firms (2000=100) rose in January to 83.2 from 82.4 in the previous month.

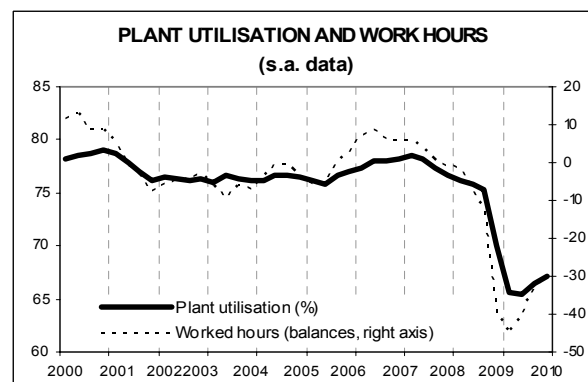
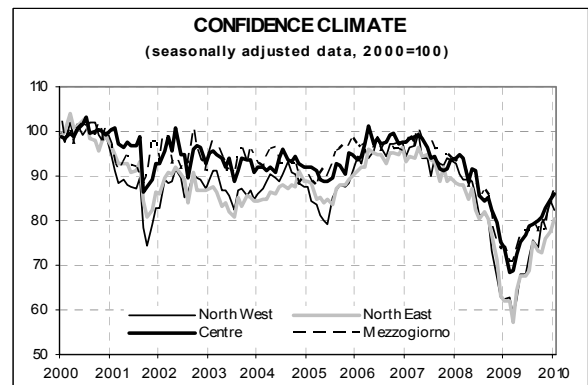
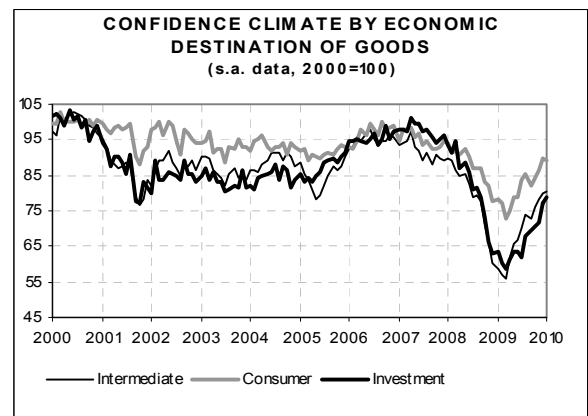
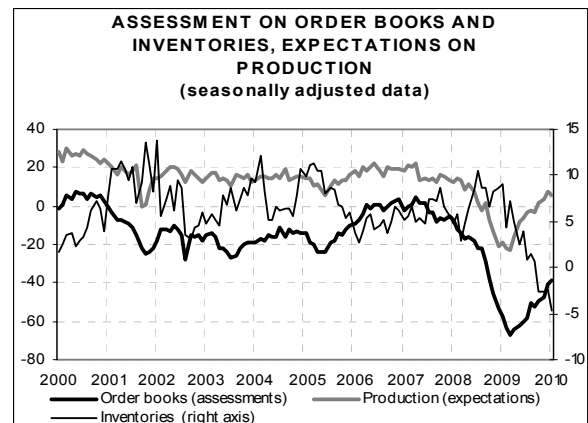
The increase pushed the index to its 2008 average level. Growth in January was prompted by the recovery of demand in general – mainly due to domestic orders – and by the de-stocking of inventories of finished products. As for the other variables excluded from the calculation of the confidence indicator, firms improved their expectations for the economy in general and forecast an increase in selling prices. Lastly, they continued to predict a worsening in employment, below its 2009 average.

Confidence clearly improved in the investment goods sector, where the index increased from 77 to 78.6. It rose more moderately for intermediate goods (from 80 to 80.2). The indicator suffered a slight setback for consumer goods, for which it declined from 89.8 to 89. This information was consistent with the hold-up emerged from the recent ISAE survey on Italian consumers.

Moderate optimism spread throughout the country, except for the North West. In this area, the index lowered from 84.5 to 82.6. The indicator increased instead from 77.5 to 80.2 in the North East, from 84.7 to 85.9 in the Centre, and from 84.2 to 86.8 in the *Mezzogiorno*.

According to the traditional ISAE quarterly survey, in the fourth quarter of 2009 the rate of industrial operating capacity continued to expand, rising from 66.5% to 67.2% and reaching the year's highest level. Gradual recovery also distinguished the flow of new orders and export prospects. Obstacles limiting productive activity diminished, mainly thanks to a decrease in the role of financial constraints. However, the share of firms which considered demand an obstacle to production remained high. Lastly, firms' competitive position also sent signs of recovery. It

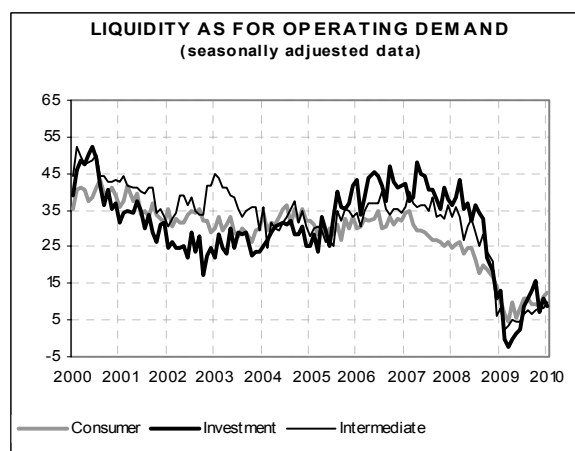
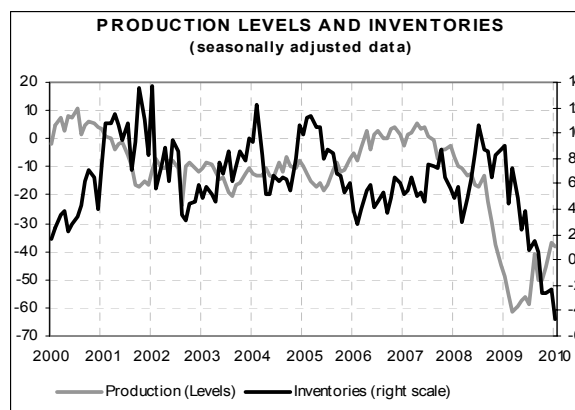
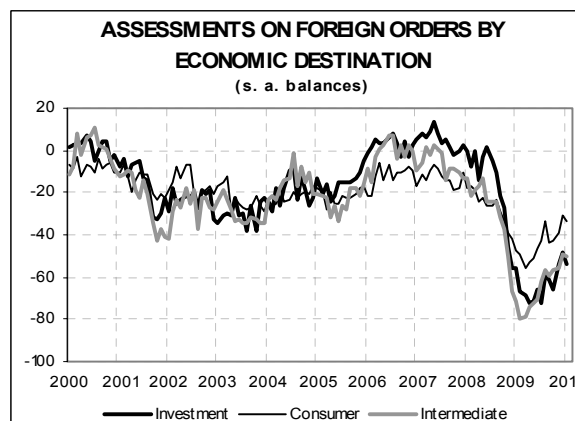
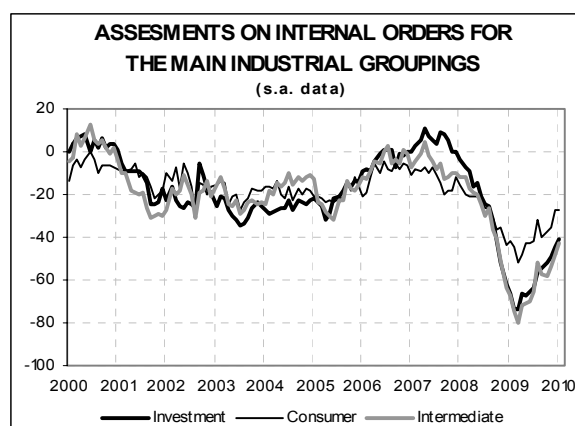
improved in domestic and non-EU markets, but worsened slightly in EU ones.



Situation in the reference period (January 2010)

In January, manufacturing firms' assessments on the level of overall demand bettered (from -41 to -39). Higher optimism was however essentially due to the recovery in domestic orders (the balance grew from -40 to -37), as against a new fall in foreign demand (from -41 to -44). Firms considered a slight decline in the level of production (from -37 to -38) and inventories (from -2 to -5), whereas they judged a moderate increase in liquidity available for operational needs (the related balance came in at 11, compared to 10 in the previous month).

At sector level, producers of investment goods indicated a recovery in domestic demand (from -44 to -41), along with a marked reduction in foreign demand (from -48 to -54). As a result, the overall level of orders deteriorated (the balance lowered from -45 to -50). Also the opinions on the level of production and on available liquidity for operational requirements slightly worsened (from -46 to -47 and from 11 to 9, respectively). Inventories diminished once more (from -3 to -8). With regard to demand, the best indications came from the intermediate goods sector. Firms reported an improvement, compared to the previous month, for the level of orders, for which the balance increased from -48 to -44 (from -48 to -43 for the domestic component and from -49 to -50 for the foreign one). Also the ratio of available liquidity to operational needs picked up (from 8 to 10) and inventories shrank further (from -3 to -4). Firms gave instead slightly negative assessments on the level of production, which they considered to have turned down a little (from -42 to -43). The consumer goods sector showed an opposing trend. Firms indicated a modest deterioration of demand, for which the balance declined from -27 to -28, because of a fall in foreign orders (from -31 to -34) while domestic orders remained unchanged (the balance came in at -27, as in December). Stable and still very negative opinions distinguished the level of production (-26). Also inventories and the ratio of liquidity to operational requirements held steady (at -2 and 12, respectively).



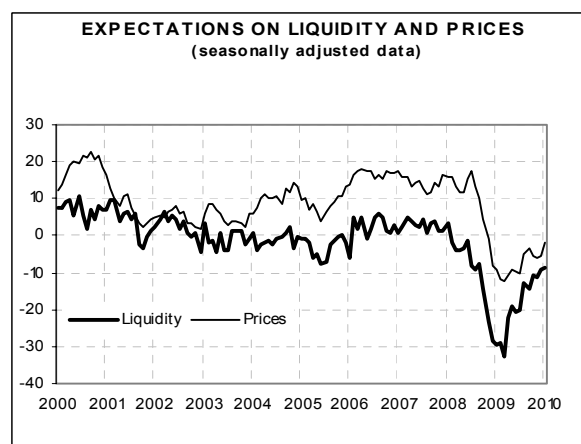
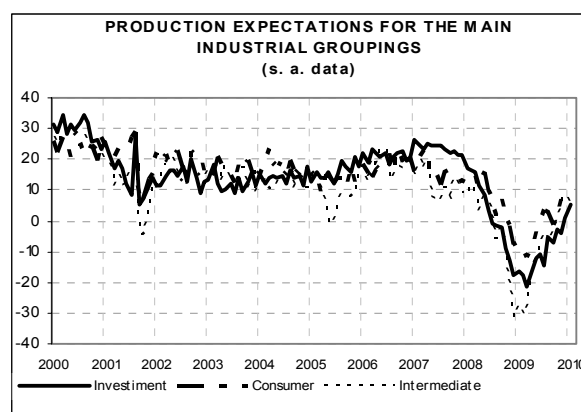
Outlook for the following three months

In January, firms were more pessimistic about the trend in main company variables, though they forecast a modest recovery for the overall economy (from -15 to -14). The balances for expected orders and production diminished from 7 to 4 and from 7 to 6, respectively. Firms also predicted a fall in employment in the following three months (the balance moved from -17 to -19) and a recovery in future selling prices (the related balance moved from -6 to -2, the highest level in the last year). Expectations for company liquidity held instead steady (the balance stayed at -9).

Firms in the investment goods sector recorded clearly better prospects. Improvement over the previous month characterized their expectations for demand in general, production, and the ratio of liquidity to operational requirements (the balances moved from 2 to 4, from 1 to 5, and from -14 to -11, respectively). Finally, strong recovery distinguished firms' prospects for employment (the balance rose from -18 to -11). Entrepreneurs were also less negative about selling price expectations (the balance moved from -6 to -2). For consumer goods, forecasts slightly worsened for orders (from 8 to 6), production (from 9 to 6) and employment (from -16 to -20), while those for the overall economy and liquidity markedly improved (from -17 to -14 and from -7 to -4). Firms in this sector started to expect once more a rise in selling prices (the balance increased from 0 to 3). In the intermediate goods sector, predictions for orders, production and employment clearly deteriorated (the balances lowered, in the order, from 10 to 6, from 9 to 6, and from -18 to -21). Firms forecasts for the country's general economic situation recovered instead (from -19 to -17). Also expectations for selling prices and company liquidity bettered (from -9 to -5 and from -13 to -11).

Manufacturing firms' confidence climate and balances of indicator-building series

	Confidence climate	Order-book level	Inventories	Expectations on production
Oct. 2009	77.8	-50	-3	1
Nov. 2009	79.3	-47	-3	4
Dec. 2009	82.4	-41	-2	7
Jan. 2010	83.2	-39	-5	6



Regional breakdown of ISAE survey results

In January, the recovery posted by the general confidence index of manufacturing firms mirrored moderate optimism throughout the country, except for the North West, where the index decreased from 84.5 to 82.6. Confidence instead rose from 77.5 to 80.2 in the North East, from 84.7 to 85.9 in the Centre, and from 84.2 to 86.8 in the *Mezzogiorno*. The analysis of the single components of the confidence climate showed a de-stocking of inventories of finished products in all areas (mainly in the *Mezzogiorno*), excluding the North West (where the balance rose one point over the previous month), and a moderate improvement in production expectations concentrated in the Centre and the South. Orders sent instead contrasting signals.

North West

The confidence indicator declined nearly two points with respect to the previous month. The fall was essentially due to the worsening in the opinions on orders caused by a collapse in the foreign component (from -44 to -54), whereas domestic orders remained stable (at -39), in the presence of a slight restocking of inventories of finished products (from -9 to -8) and a marked deterioration in production expectations (from 7 to 4).

North East

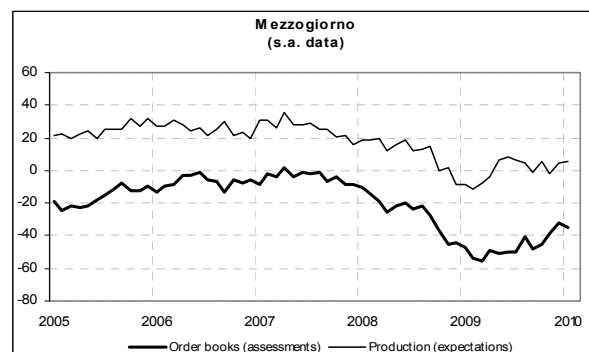
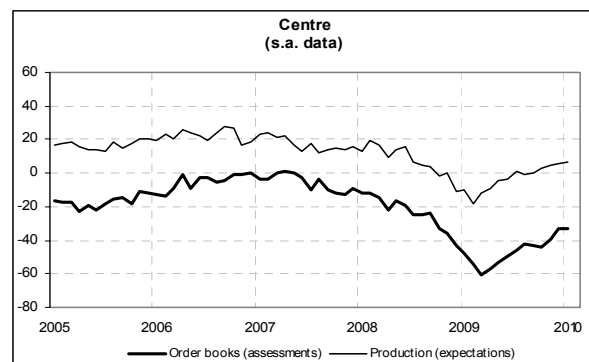
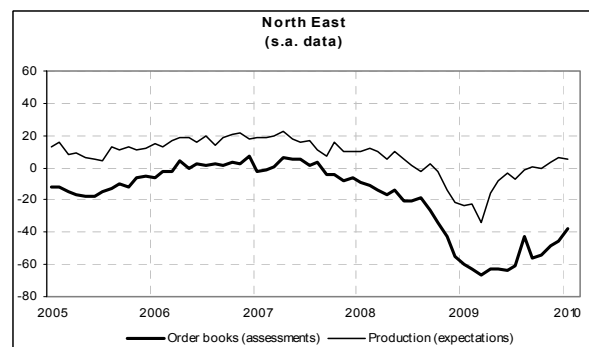
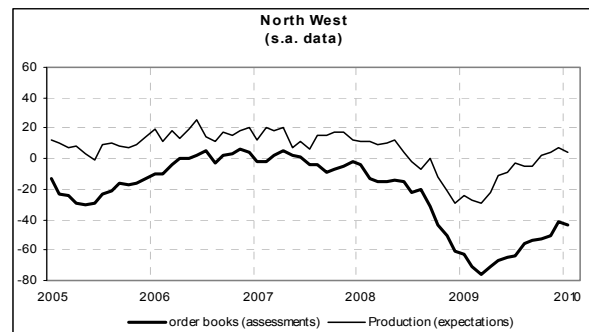
The confidence indicator recovered about three points because of the sharp improvement of the level of orders (from -46 to -38) in both foreign and domestic markets (from -47 to -43 and from -46 to -38, respectively). A modest worsening characterised instead production expectations (from 7 to 5), while inventories were considered to have shrunk markedly (from 3 to 0).

Centre

In this area, the index rose just over one point, remaining above the 2009 average. This was due to the stability of the opinions on the level of orders (the balance stayed at -33), the improvement of production forecasts (from 6 to 7), and the net de-stocking of inventories of finished products (the balance fell from 1 to -2).

Mezzogiorno

The marked improvement in confidence was prompted by both the strong recovery for the opinions on the level of domestic orders, notwithstanding strong pessimism about the level of foreign demand (from -37 to -47) and the sharp de-stocking of inventories (from 2 to -9). Also production expectations were considered to have improve moderately (from 5 to 6).



Main quarterly operating capacity survey results (fourth quarter 2009)

The traditional ISAE quarterly survey on operating capacity indicated that in the fourth quarter of 2009 the rate of industrial plant utilization continued to improve moderately, in a situation characterized by a gradual recovery in new orders and export prospects and by fewer obstacles and competitive difficulties. More in detail, the industrial plant operating rate increased from 66.5% to 67.2%, the highest level in 2009. Consistently, also the balance for hours actually worked recovered (from -33 to -31). The share of firms believing that their current level of capacity utilization was “more than enough” stabilized instead. The gradual recovery of productive capacity was the result of a less negative general economic climate than in the recent past. For the first time since the fourth quarter of 2008, the percentage of firms considering that production was not hampered outpaced those that confirmed the existence of obstacles limiting their activity (51% compared to 49% of the sample). At the same time, the flow of new orders and the volume of expected exports recovered (from -26 to -23 and from -6 to -4, respectively). The length of production assured by current order books stabilized instead at 2.8 months. Also firms’ competitive position in domestic and non-EU markets bettered (from -2 to -1 and from -7 to -5). In contrast, firms perceived a slight worsening of their competitiveness in EU markets (the balance fell from -4 to -6). Lastly, the opinions on inventories of raw materials and semi-finished products remained practically unchanged (moving from -18 to -17).

