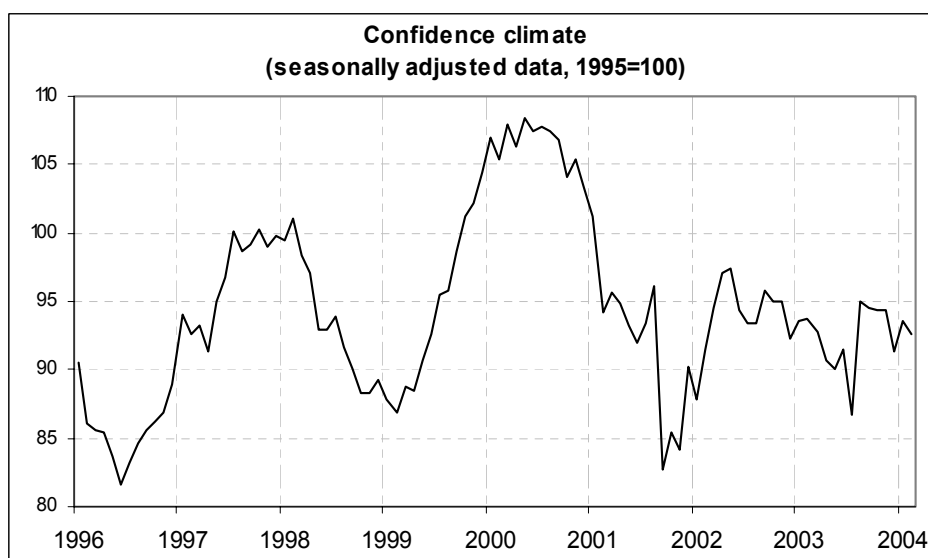




Date: February 25, 2004
TEL.: 06/444821

IN FEBRUARY GROWING INVENTORIES REDUCE THE CONFIDENCE CLIMATE OF MANUFACTURING AND EXTRACTIVE FIRMS

- The seasonally adjusted confidence climate of manufacturing and extractive firms decreases from 93.5 to 92.6, which is however above the depressed levels of the late-2003
- Favourable signals come from the other confidence-building variables: indeed assessments on the present order-book level recover and short-term expectations on production grow
- Firms express rosier indications also on their short-term forecasts on order books and on the general economic situation
- Conversely, expectations on employment worsen (though slightly) and selling price tensions are emerging
- The confidence worsening is not homogenous in all productive sectors: the indicator grows in investment goods (from 89.9 to 90.8), while it falls from 95.9 to 93.4 in consumer goods and from 93 to 91.7 in intermediate goods



Data referring to March shall be diffused on **March 24, 2004**.

Next ISAE surveys are scheduled as follows:

February 26, 2004: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: January) and ISAE Monthly Business Service Survey (Reference period: February)

March 2, 2004: Comparative Business Surveys for Italy, Germany and France (Reference month: February)

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

According to the ISAE Monthly Survey carried out between February 2 and 19 on a panel of about 4,000 firms, the manufacturing and extractive firms' confidence indicator (seasonally adjusted data) falls in February from 93.5 to 92.6. The worsening is exclusively due to the new growth in finished products inventories, which are again above what are considered as "Normal" levels. Conversely, assessments on the present order-book level recover and short-term expectations on production grow again.

Among non confidence-building variables, also short-term expectations on order books improve, as do those concerning the general economic situation of the country. Indeed, expectations on the employment trend for the next few months slightly decrease and selling price tensions emerge again.

Turning to single sectors, the indicator passes from 95.9 to 93.4 in consumer goods, from 93 to 91.7 in intermediate goods, while signals of recovery are emerging in investment goods (from 89.9 to 90.8) for the first time since October 2003.

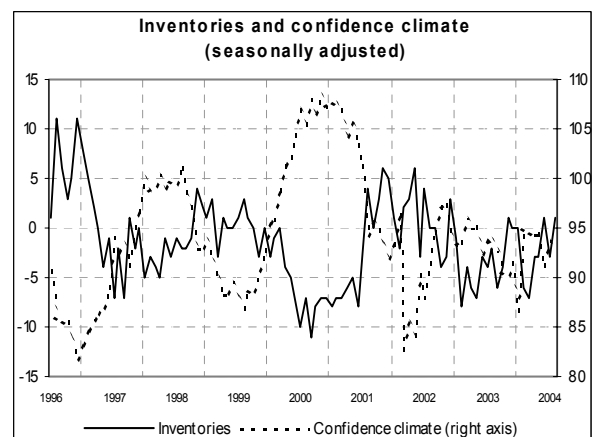
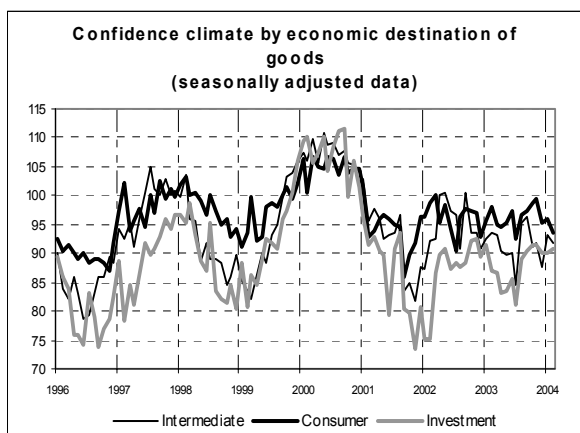
Situation in the reference period (February 2004)

In February, assessments on the current order-book trend improve, the entrepreneurs' evaluations on their production levels worsen and inventories grow again.

The seasonally adjusted balance of assessments on order books equals -17 (-18 in January), which is above the unfavourable average figures of 2003. The foreign component slightly diminishes (from -18 to -19 in terms of balance), while the domestic component remains stable (at -19).

Firms signal a worsening in their production levels and their seasonally adjusted balance equals -14 (from -11 in January). Inventories grow again (the balance passing from -3 to 1).

Unfavourable indications on the current production trend come from all sectors. Indeed, rosier signals emerge from the productive activity, with the only exception of intermediate goods. With reference to order books, diverging trends emerge: the only favourable signals stem from intermediate goods, as the balance of assessments on order books worsens in consumer goods (from -14 to -16 , owing in particular to a strong reduction in the foreign component) and the one of investment goods remains unchanged (at -16).



Forecasts for the next quarter

In February, cautious assessments on the current industrial situation go alongside with generally rosier forecasts: indeed, expectations on order books, production and the general economic situation improve, while those concerning employment slightly worsen and new price tensions are looming ahead.

The balances of expectations on production and order books equal 18 and 21 respectively (from 17 and 19), those concerning the short-term economic prospects of Italy go from -4 to -2. ISAE respondents express their concerns on the employment trend (the raw balance passing from -2 to -3). With regard to prices, inflationary tensions emerge and the balance equals 9 (6 in January), which is above the average figures of 2003.

Looking at single sectors, investment operators and, to a lesser extent, consumer goods producers express generally favourable expectations on their main firm variables. Conversely, intermediate goods producers express worsening evaluations. Concerning production, the balance passes from 16 to 20 in investment goods and from 14 to 15 in consumer goods, while a contraction is observed in intermediate goods (from 20 to 15). The balance of order-book prospects increases from 16 to 22 in investment goods, remains stable in consumer goods and diminishes in intermediate goods (from 21 to 17).

With reference to employment, the improvement is much more evident in investment goods (the raw balance going from -6 to -2), while a worsening is emerging in consumer goods (from -2 to -5) and in intermediate goods (from -2 to -3).

Finally, less favourable indications come from prices and from the general economic situation in investment and consumer goods. With reference to the former variable, the balance equals 6 (from 0) and 18 (from 15, which was close to the peak since April 2003). In intermediate goods, no inflationary thrusts emerge and the balance remains stable at 2. With regard to the country's general economic situation, the balance equals -2 (from 5) in investment goods and 1 (from 4) in consumer goods. Conversely, intermediate goods operators express rosier expectations and their balance passes from -11 to -6.

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

	Confidence climate	Order-book level	Finished goods inventories	Expectations on production
Nov. 2003	94.3	-16	-3	17
Dec. 2003	91.3	-15	1	11
Jan. 2004	93.5	-18	-3	17
Febr. 2004	92.6	-17	1	18

