

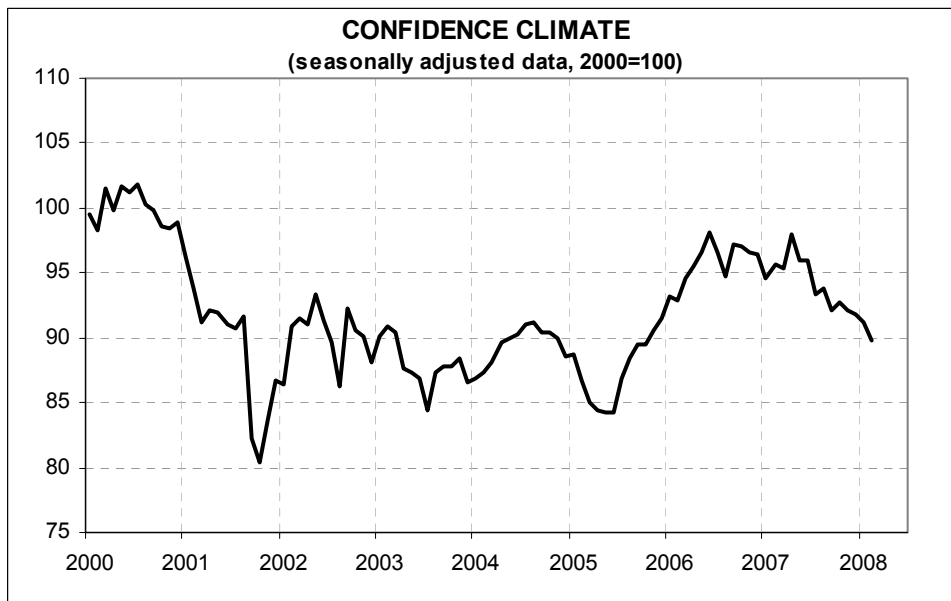


Date: February 26, 2008

TEL.: 06/444821

IN FEBRUARY MANUFACTURING FIRMS' CONFIDENCE GOES BACK INTO A DECLINE

- The seasonally adjusted confidence index (2000=100) came in at 89.8, compared to 91.3 in the previous month, reaching its lowest reading since October 2005
- The fall was mainly due to the decrease in the level of orders, both domestic and foreign. Inventories and production expectations stabilized instead
- The industry breakdown showed that confidence lowered in all sectors, though at different rates: the fall was sharper for consumer and investment goods (where the index decreased from 94 to 91.2 and from 94.1 to 91.8, respectively). The index inched down also for intermediate goods (from 88.5 to 88.1)
- However, the sorting out of data by areas pointed to some disparities: the index clearly lowered in the North West (from 92.4 to 89.7), crept down in the North East and the Centre (from 87.4 to 87 and from 93.7 to 93.2), but improved slightly in the *Mezzogiorno* (from 93.3 to 93.6)
- According to the traditional ISAE quarterly Focus on data by firms size, the fall in confidence recorded between November and February at the aggregate level (more than two points) was particularly strong for large firms (with more than 250 employees), for which the indicator progressively lowered from 92.2 in November to 88 in February. It was more moderate for small firms (with fewer than 100 employees), for which it recorded a decline from 92.7 to 90.2. Confidence remained instead virtually stable for medium-sized firms (reaching 90.2 in February compared to 90.4 in November), though it wavered slightly on a monthly basis (inching down in December, recuperating in January, and falling back again in February)



Data on March shall be released on March 26, 2008

The next ISAE surveys are scheduled as follows:

February 27, 2008: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: February), ISAE Monthly Business Services Survey (reference period: February) and ISAE Monthly Survey on Construction (reference period: January)

March 6, 2008: ISAE International Comparison of Consumer and Business Surveys (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)

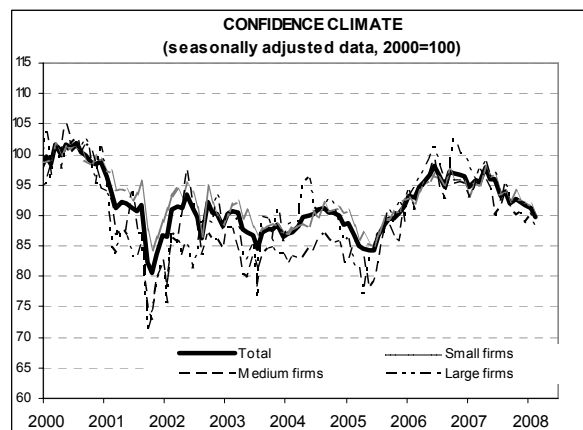
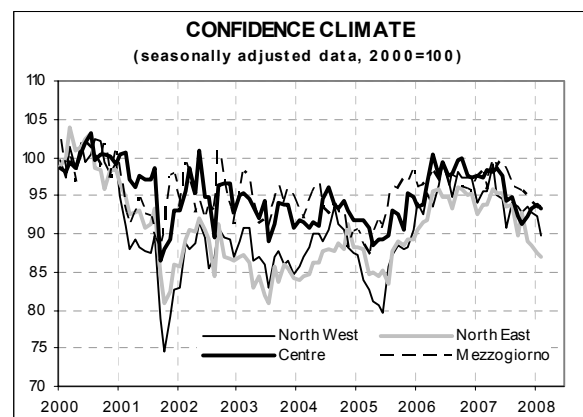
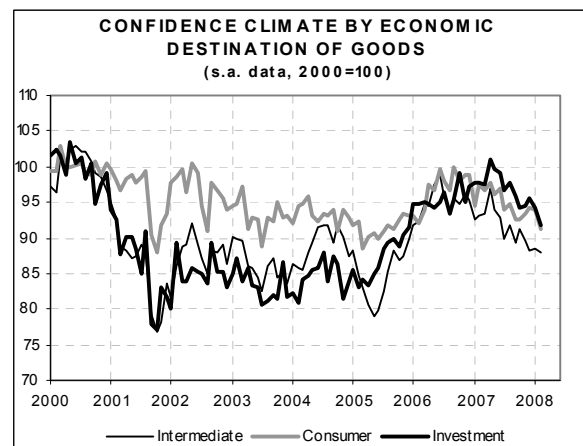
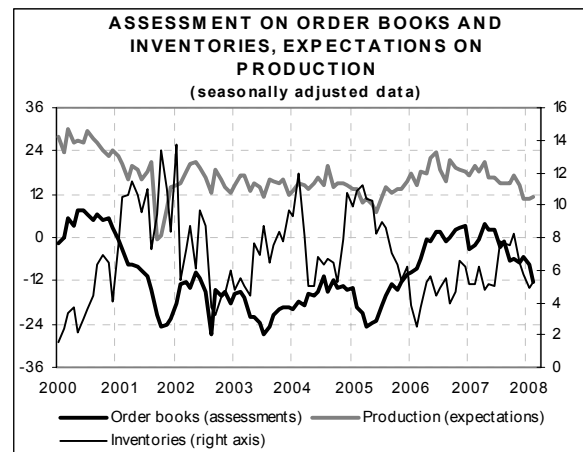
General results

The ISAE Survey, carried out on a panel of about 4000 firms between February 1 and February 20, pointed to a new decline in the confidence index of manufacturing and mining firms. In February, the indicator lowered from 91.3 in the previous month to 89.8, its lowest reading since October 2005. The fall was mainly due to the decrease in the level of orders (both domestic and foreign). Inventories and production expectations stabilized instead.

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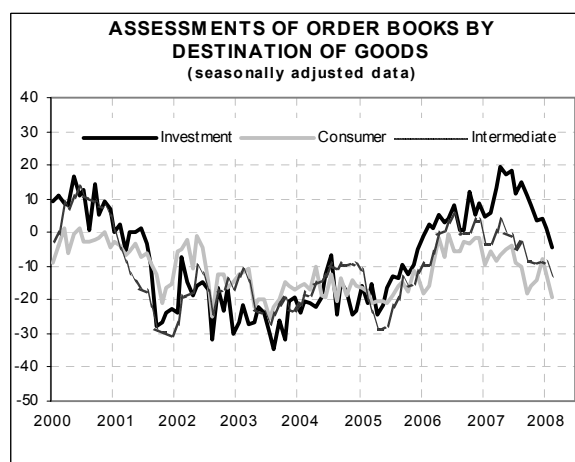
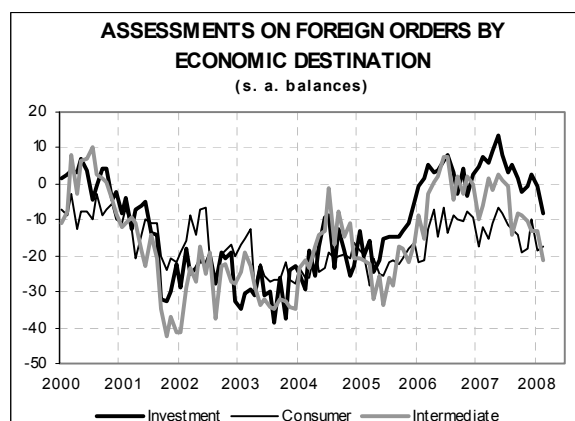
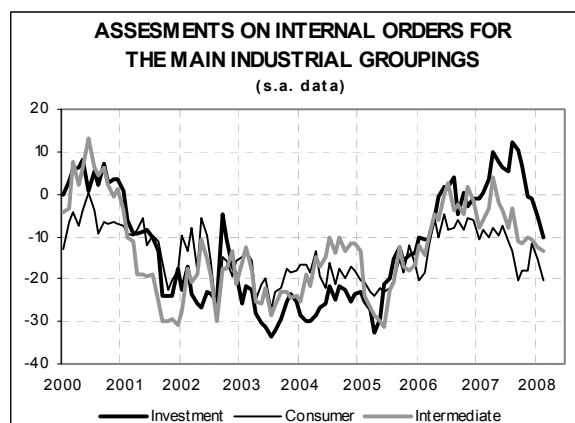
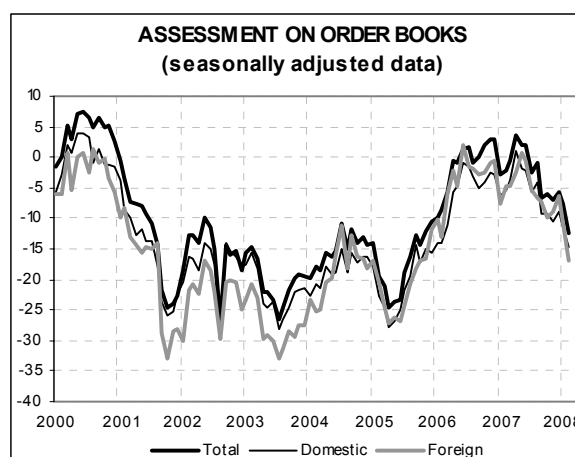
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Situation in the reference period (February 2008)

In February, firms' evaluation of the current level of orders and production continued to deteriorate. The opinions on inventories and company liquidity stabilized instead. The balance for the assessments on orders fell to -13 (from -8 in January), reaching the lowest level since October 2005. Both the domestic and, above all, the foreign component fell (from -12 to -15 and from -11 to -17, respectively). Also the balance for the opinions on the level of production declined (from -7 to -11). Inventories held steady at 5, below their long term average. Company liquidity showed instead some signs of moderate recovery (the balance rose from 32 to 33).

The worsening in the current situation characterized all main sectors. For consumer goods, opinions on orders markedly worsened, moving from -12 to -19: the balance lowered for domestic orders (from -15 to -20), but recovered slightly for foreign orders (from -19 to -18). Assessments on the level of production also deteriorated (from -11 to -15), whereas those on inventories and company liquidity stabilized (at 7 and 25, respectively). For investment goods, the evaluation of orders went back in negative territory for the first time since January 2006, lowering from 1 to -4, due to a decline in both domestic and foreign demand (from -5 to -10 and from -1 to -8, respectively). The balance for the level of production declined (from 3 to -1) and inventories built up again slightly (from 4 to 6). Company liquidity retraced instead the fall posted in the previous month (from 36 to 38). For intermediate goods, the opinions on orders decreased from -9 to -13, reflecting virtual stability for the domestic component (from -12 to -13) and a sharp fall in the foreign one (from -13 to -21). Production levels also declined (from -9 to -11) and inventories remained stable (at 4), whereas company liquidity recovered slightly (from 34 to 36).



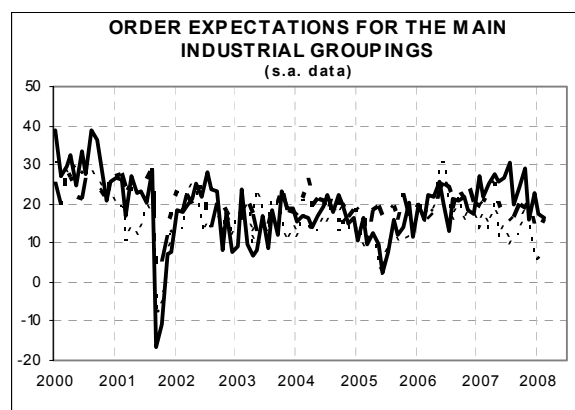
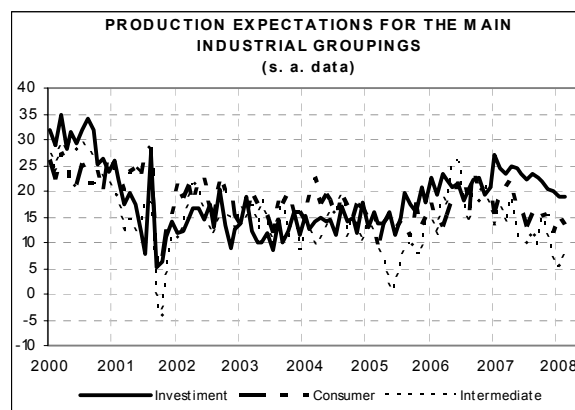
Outlook for the following three months

In February short-term prospects for all main company variables (production, orders, employment and prices) stayed basically stable over the previous month. Uncertainty about short-term forecasts for the international economic cycle and, most likely, the ongoing Italian political crisis contributed to the sharp deterioration in short-term expectations for the Italian general economic situation as well as for company liquidity. Expectations for orders, production and selling prices remained stable or, at most, worsened only slightly compared to the previous month. The balances for orders and production held steady at their January levels (at 12 and 11, respectively), while the balance for selling price inflation increased from 15 to 16. Employment expectations recovered slightly (from -2 to -1), but a deterioration characterized predictions for liquidity (from 3 to -2) and, mainly, the Italian general economic situation (from -26 to -34, the lowest showing since June 2005). At the sector level, developments were rather homogenous: for consumer goods, surveyed firms were slightly less optimistic than in the previous month about prospects for demand (the balance lowered from 17 to 15), production (from 15 to 13) and company liquidity (from 5 to 3). However, entrepreneurs expected a moderate recovery in the level of employment (from -4 to -3) and an easing of inflationary pressures (from 15 to 13). Nevertheless, the balance for the general economic situation continued to decline (moving from -30 to -35). In the investment goods sector, expectations were basically stable: the balance for orders came in at 17 (from 18), the ones for production and employment remained unchanged at 19 and 4, respectively. Forecasts for liquidity declined from 7 to 5 and those for the general economic conditions from -17 to -24, in a situation also characterized by practical stability for expectations regarding selling price inflation (the balance moved from 15 to 16). Virtual stability also distinguished short-term expectations of producers of intermediate goods: expectations for orders and production recovered from 6 to 7 and from 5 to 8, respectively, but

those for employment and company liquidity declined from -3 to -4 and from 1 to -3. In this sector, entrepreneurs confirmed the markedly more pessimistic forecasts of the other sectors with respect to the general economic situation (the balance moved from -26 to -38) and repeated last month's indications about selling prices (the balance remained stable at 18).

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

	Confidence climate	Order-book level	Inventories	Expectations on production
Nov. 2007	92.2	-7	6	15
Dec. 2007	91.7	-6	6	11
Jan. 2008	91.3	-6	5	11
Feb. 2008	89.8	-13	5	11



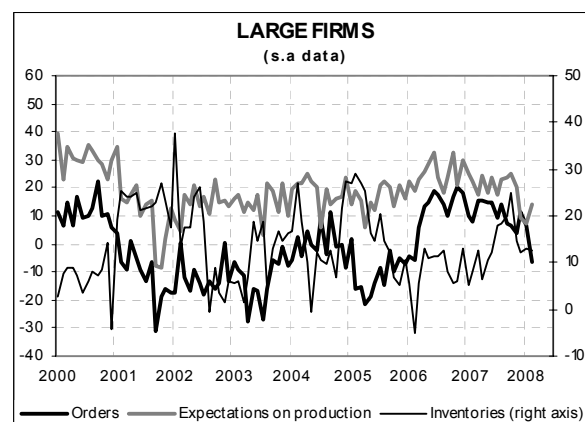
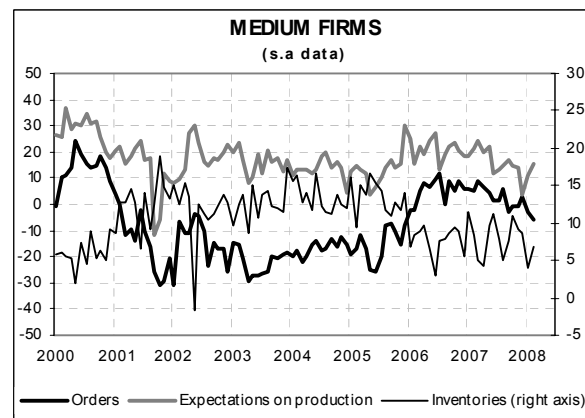
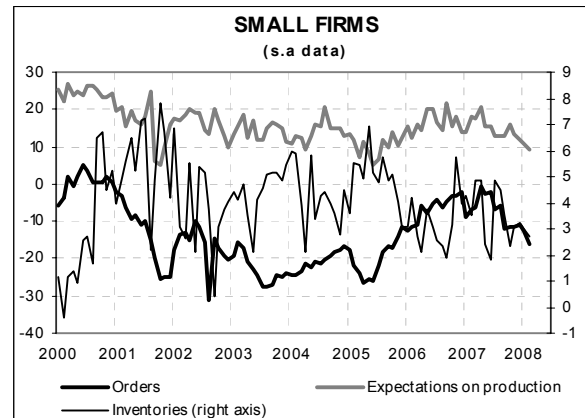
Focus: Confidence trend by firm size

In the period December 2007 – February 2008, manufacturing firms’ confidence suffered a setback, coming in at 2.3 points below its November reading. The splitting out of data by firm size showed a particularly sharp downturn for large firms (with more than 250 employees). The index declined also for small firms (with less than 100 employees), but remained instead practically unchanged for medium-sized ones (between 100 and 250 employees). In particular, for small firms confidence inched down in December (from 92.7 to 92.2) and continued to deteriorate in January and February, when it reached 90.2. For medium-sized firms, following the fall posted in December, the indicator recovered in January and went back into a decline in February, when it reached 90.2, nearing its November level (90.4). Lastly, for large firms confidence posted a sharp decline in December (from 92.2 to 91.9), followed by further deterioration in January and February, when the indicator stood at 88, more than four points below its November value.

With regard to the variables included in the calculation of the confidence indicator, in the last three months the opinions on the level of orders posted a sharp decline in all size groups, reaching the lowest levels recorded since the start of 2006. Inventories diminished, instead, for medium and large firms, but remained practically stable for smaller ones. Lastly, production expectations recovered slightly in medium-sized firms, whereas they showed signs of worsening in small and large ones.

Confidence climate by firm size

	Confidence Climate	Small Firms	Medium Firms	Large Firms
November	92.2	92.7	90.4	92.2
December	91.7	92.2	88.7	91.9
January	91.3	91.7	90.6	89.8
February	89.8	90.2	90.2	88.0



Regional breakdown of ISAE survey results

The fall in confidence recorded at the national level was the result of differing trends across areas: the seasonally adjusted index worsened in the North (from 92.4 to 89.7 in the North West and from 87.4 to 87 in the North East) and the Centre (from 93.7 to 93.2), while it improved slightly the *Mezzogiorno* (from 93.3 to 93.6). The analysis of the various components of the confidence climate showed widespread deterioration in the opinions on demand, whereas the evaluation of inventories and production expectations sent contrasting signals.

North West

In February, the confidence climate continued to decrease for the third month running: the index dropped more than two points, reaching the level posted at the end of 2005. The deterioration mainly stemmed from the sharp fall in the balance for the opinions on orders (which summarized the negative assessments on both domestic and foreign demand), and, to a lesser extent, in the balance for production expectations. The evaluation of inventories of finished products, which were considered to have diminished, sent instead positive indications.

North East

In this area, since last October the confidence index recorded a downward trend: in February the indicator hit its lowest reading since July 2005. The setback in confidence was mainly due to the deteriorated in the opinions on orders (which characterized foreign demand only) which came along with a de-stocking of inventories of finished products. Production expectations sent instead positive signals.

Centre

Following the moderate improvement recorded in the previous month, in February the confidence indicator started to deteriorate again. Also in this case, the worsening derived from the decline in the opinions on orders (which affected only foreign demand) and also from the restocking of inventories of finished products (the number of entrepreneurs considering inventories to be above generally accepted normal levels increased).

Also in this area, production expectations gave positive indications.

Mezzogiorno

The falling trend in confidence of entrepreneurs in this area, which started last July, stopped in February, when the index rose regaining nearly half a point. The improvement in the indicator was essentially driven by the more favourable opinions on inventories of finished products, while production expectations and demand (only domestic demand) gave instead pessimistic indications.

