

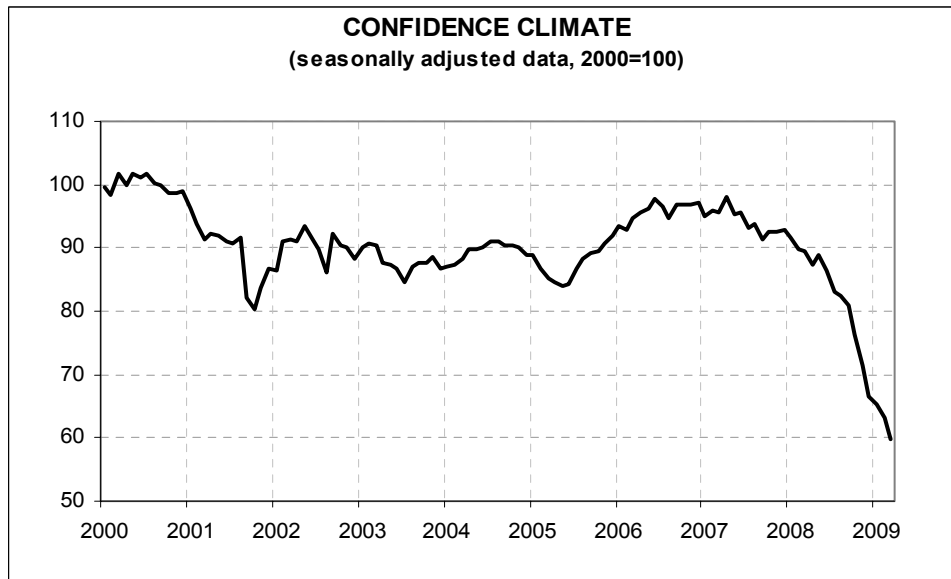
Date: March 26, 2009

MANUFACTURING FIRMS' CONFIDENCE DROPS FURTHER IN MARCH

- The seasonally adjusted confidence index (2000=100) continued to decline in March, coming in at 59.8 from 63.2 in the previous month
- The decrease was mainly due to the contraction of order books which distinguished both domestic and foreign markets. Also production expectations decreased and inventories started to build up once more
- Economic prospects and the trend in company liquidity worsened over the previous month. Employment expectations, instead, slightly improved
- Developments were diversified across productive sectors. The decline in confidence was sharper for consumer goods (from 76.8 to 72.1) than for investment and intermediate goods (where the index declined from 58.7 to 56.5 and from 56.2 to 54.1, respectively)
- Some differences emerged also at the regional level. The index clearly fell in the North (from 61.1 to 56.9 in the North East and from 62.3 to 57.5 in the North West), but diminished moderately in the Centre (from 68.0 to 67.9) and the *Mezzogiorno* (from 70.3 to 69.6)

IN THE 1Q 2009 OPINIONS AND FORECASTS ON EXPORT TURNOVER CONTINUE TO WORSEN SHARPLY

- The export to domestic price ratio lowered for the third consecutive quarter
- However, the share of respondents indicating the presence of factors limiting export activity declined slightly, mainly thanks to lower difficulty in raising funds
- Germany was again perceived to have outstripped China as the main competitor on domestic and foreign markets
- Lastly, among export markets, the role of the EU countries, other than France, Germany, Benelux and the United Kingdom, markedly increased



Data on April shall be released on April 28, 2009

The next ISAE surveys are scheduled as follows:

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

April 7: ISAE International Comparison of Consumer and Business Surveys (reference period: March)

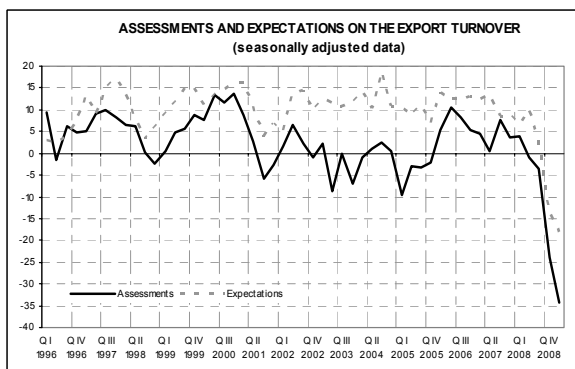
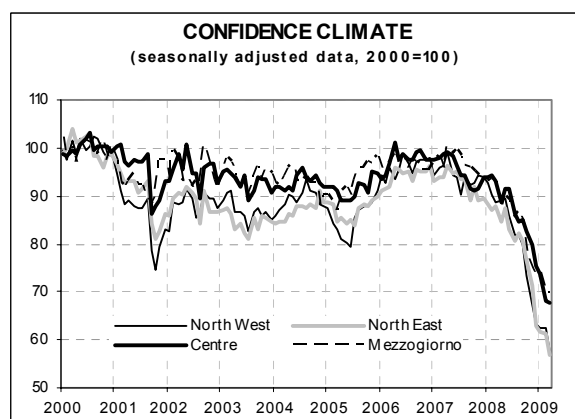
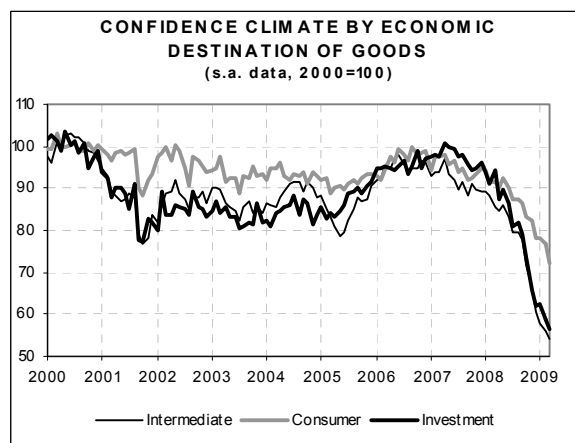
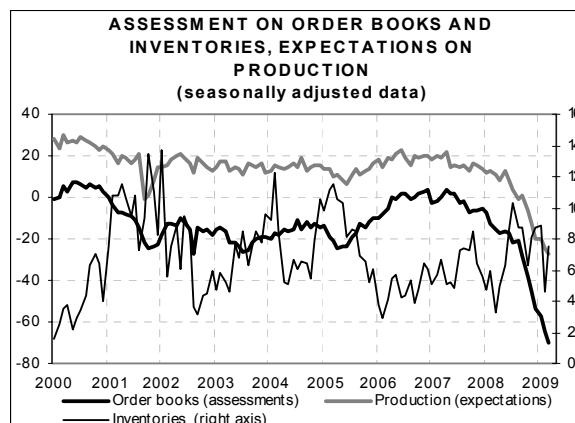
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

According to the ISAE Survey, carried out between March 2 and March 20 on a panel of about 4,000 firms, the confidence climate of manufacturing and mining firms declined further in March, reaching 59.8 (from 63.2 in the previous month). The decrease was mainly due to the contraction of order books which distinguished both domestic and foreign markets. Also production expectations declined and inventories started to build up. Economic prospects and the trend in company liquidity worsened over the previous month. Employment expectations, instead, slightly improved.

However developments were decidedly diversified across productive sectors. Confidence edged down slightly in the investment and intermediate goods sector (where the index lowered from 58.7 to 56.5 and from 56.2 to 54.1, respectively), while it dropped markedly for consumer goods (from 76.8 to 72.1). Some differences emerged also at the regional level. The index clearly fell in the North (from 61.1 to 56.9 in the North East and from 62.3 to 57.5 in the North West), but diminished moderately in the Centre (from 68.0 to 67.9) and the *Mezzogiorno* (from 70.3 to 69.6).

According to the traditional ISAE quarterly survey on exporting firms, in the first quarter of 2009 opinions and forecasts on export turnover continued to sharply worsen. However, the share of respondents indicating the presence of factors limiting export activity declined slightly, mainly thanks to lower difficulty in raising funds. Moreover, the export to domestic price ratio diminished for the third consecutive quarter. According to surveyed firms, Germany again outstripped China as the main competitor on domestic and foreign markets. Lastly, among export markets, the role of the EU countries, other than France, Germany, Benelux and the United Kingdom, markedly increased.



Situation in the reference period (March 2009)

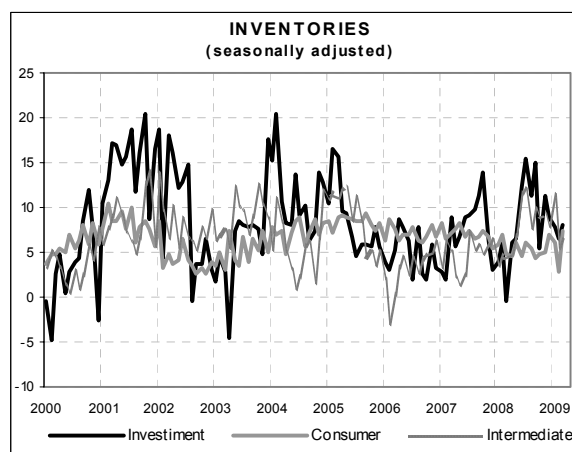
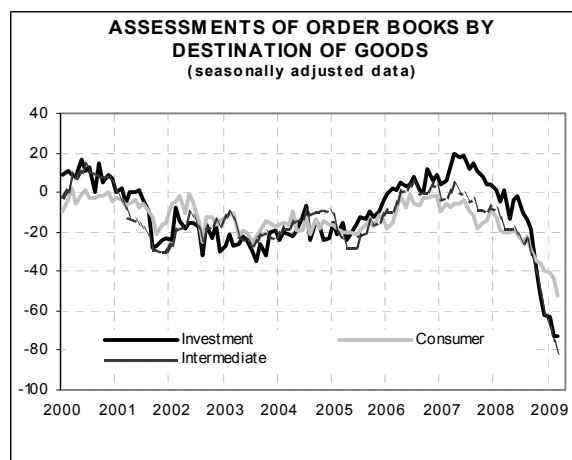
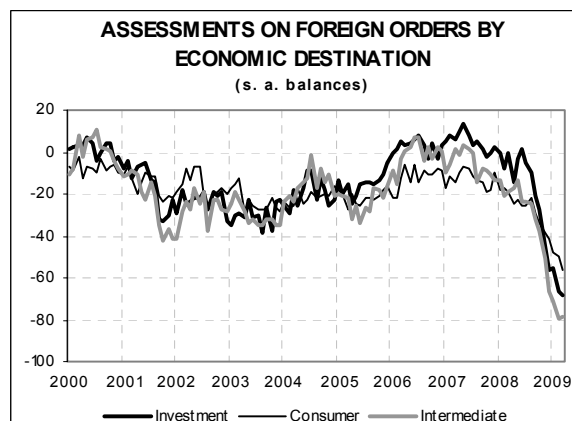
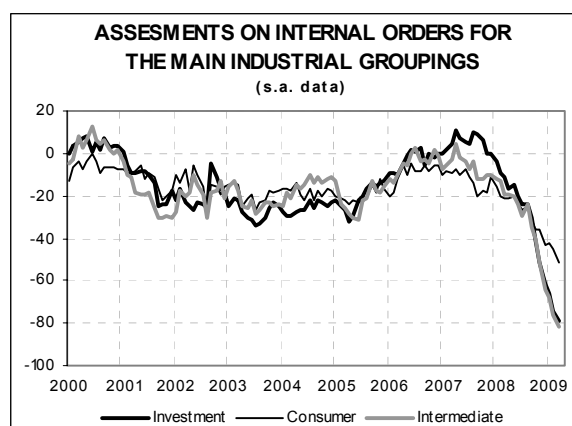
In March, firms' opinions on current orders, production and company liquidity continued to deteriorate. Following a break in February, inventories started to build up once more.

In March 2009, the balance for the opinions on orders declined to -70 (-65 in the previous month). Both the domestic and the foreign components of demand dropped (moving from -66 to -71 and from -67 to -71, respectively). Also firms' assessments on the level of production and on company liquidity worsened (from -57 to -63 and from 3 to 2). Inventories slightly increased instead (the balance rose from 5 to 8).

Some discrepancies emerged at sector level. Producers of consumer goods gave markedly unfavourable indications. The opinions on orders, which lowered from -44 to -52, distinguished both the domestic and the foreign components (from -45 to -52 and from -50 to -56). Consequently, in this sector the current level of production and company liquidity diminished (from -39 to -43 and from 6 to 4). Lastly the balance for inventories of finished products increased (from 3 to 7).

Also the opinions of operators in the investment goods sector were mostly negative. On the whole demand remained unchanged with respect to the previous month (the balance stood at -73), while the domestic component sharply fell (from -75 to -79). In this sector, the level of production plunged (to -56 from -62), inventories inched up (from 7 to 8), and company liquidity diminished (from 0 to -2).

Lastly, in the intermediate goods sector, firms gave more unfavourable assessments on orders with respect to the previous month (the balance fell from -76 to -81), due to a slight recovery in the foreign component (from -80 to -79) and to a noticeable drop in the domestic one (from -76 to -82). Firms' opinions in this sector worsened more regarding the level of production (from -68 to -76) than for inventories (from 5 to 6). The evaluation of company liquidity improved slightly instead (from 2 to 3).



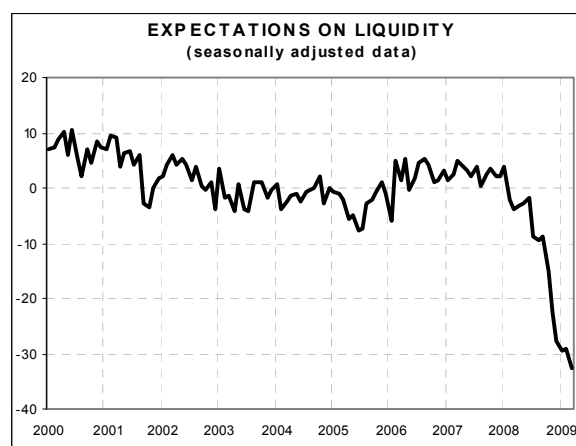
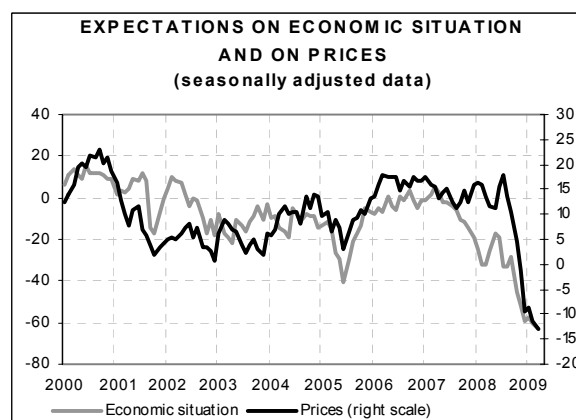
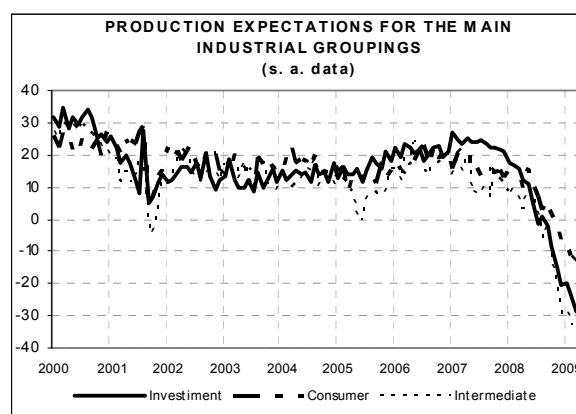
Outlook for the following three months

In March, short-term forecasts for main company variables (production, orders, employment, company liquidity, and prices) and for the country's economic situation worsened over the previous month. Compared to February 2009, the balance related to expectations for orders, production and liquidity decreased from -24 to -28, from -24 to -27, and from -29 to -33, respectively. Firms continued to forecast a decline in selling prices (from -12 to -13). Moreover, prospects for the general economic situation diminished (from -60 to -63), whereas those for employment remained stable at the very low level posted in February (-28).

The trend was rather mixed across sectors. Producers of investment goods were much more pessimistic. In detail, in this sector expectations for demand dropped seven points (from -27 to -34) and those for production six points (from -23 to -29). Prospects for company liquidity and for the overall economy diminished instead five points (from -30 to -35 and from -62 to -67, respectively). Price expectations lost four points (from -7 to -11) and those for employment three points (from -26 to -23). Also the outlook of firms in the consumer goods sector markedly worsened. In this sector, expectations for orders, liquidity and employment deteriorated (moving from -10 to -13, from -17 to -20, and from -21 to -24). Prospects for production and selling prices declined more moderately (from -11 to -13 and from 1 to -1). Firms also revised sharply down their forecasts for the country's economic situation (from -60 to -64). Lastly, in the intermediate goods sector firms' expectations on orders, production and selling prices declined one point (in the order, from -34 to -35, from -33 to -34, and from -20 to -21). Forecasts for employment and the country's economic trend deteriorated more sharply instead (from -35 to -33 and from -64 to -68).

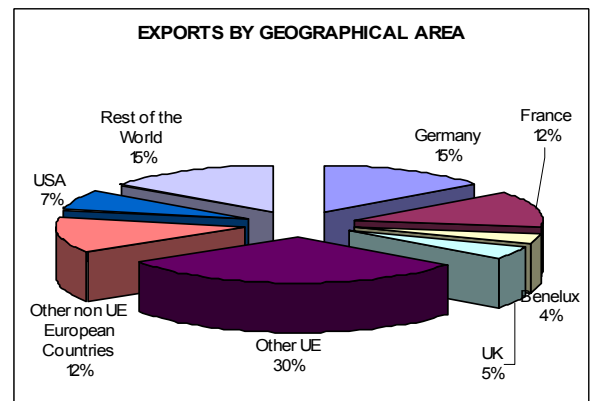
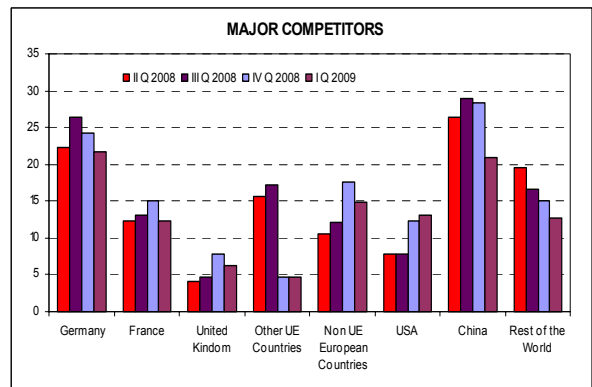
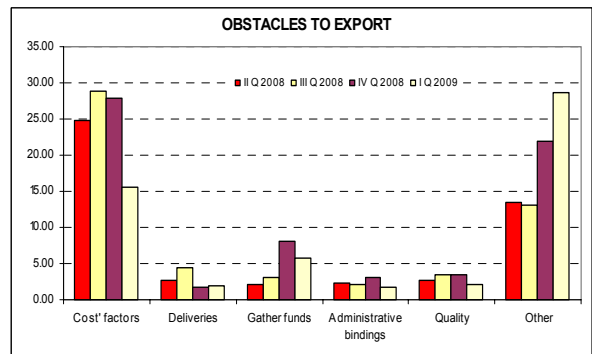
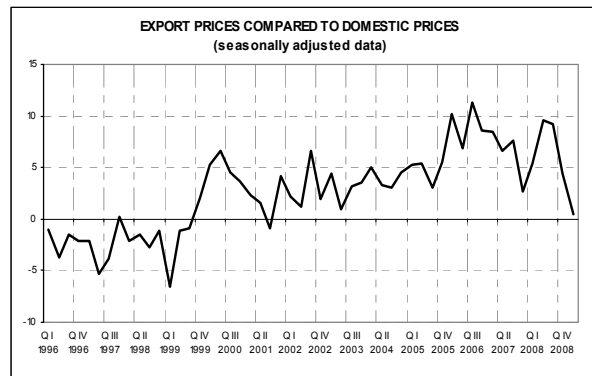
Manufacturing firms' confidence climate and balances of indicator-building series

| | Confidence climate | Order-book level | Inventories | Expectations on production |
|-----------|--------------------|------------------|-------------|----------------------------|
| Dec. 2008 | 66,6 | -54 | 9 | -20 |
| Jan. 2009 | 65,3 | -58 | 9 | -20 |
| Feb. 2009 | 63,2 | -65 | 5 | -24 |
| Mar. 2009 | 59,8 | -70 | 8 | -27 |



The ISAE quarterly survey on exporting firms

In the first quarter of 2009, the traditional ISAE quarterly survey on exporting firms (for which exports accounted on average for about 37.4% of total sales, lower than the 38.7% recorded in the previous survey), pointed to a continuous worsening in respondents' assessments on present and future export turnover. The balance for the current situation plunged from -24 to -34 and the one for the following three months hit -18 (from -14). Furthermore, the ratio between export and domestic prices extended its downward path (the seasonally adjusted balance went down from 4 to 0). However, the share of surveyed firms reporting the existence of considerable obstacles limiting their export activity declined slightly from 50.4% to 47.3%. In particular, a sharp drop distinguished the proportion of firms signalling constraints due to credit access (from 8% to 5.7% of the sample) and to cost and price factors (from 27.9% to 15.7%), while the share of those mentioning other causes increased (from 21.9% to 28.6%), at this stage probably as a result of demand shortage. Germany was again perceived to have outstripped China as the main competitor on domestic and foreign markets. Among export markets, the role of the EU countries, other than France, Germany, Benelux and the United Kingdom, markedly increased.



Regional breakdown of ISAE survey results

The fall in confidence posted at the national level was not evenly spread across the country. In March, the confidence climate clearly dropped in the North (from 61.1 to 56.9 in the North East and from 62.3 to 57.5 in the North West), but diminished moderately in the Centre (from 68.0 to 67.9) and the *Mezzogiorno* (from 70.3 to 69.6). In particular, the opinions on the level of orders deteriorated everywhere and inventories generally built up. Prospects for production and the economy in general sent contrasting signals. Lastly, as for exports, the opinions on turnover in foreign markets worsened in all areas, whereas with regard to expectations respondents in the North East and the *Mezzogiorno* were less pessimistic. Also assessments on the trend in export prices gave divergent indications.

North West

Confidence continued to decline for the fourth straight month (from 62.3 to 57.5). The worsening in the opinions on demand (the balance decreased from -71 to -78) came along with a sharp restocking of inventories of finished products (from -2 to 4) and deterioration in production prospects (from -28 to -31). Opinions and expectations on export turnover clearly diminished, whereas the ratio of export to domestic prices moderately increased (from 1 to 2).

North East

In this area, the confidence index lowered nearly four points with respect to the previous month (from 61.1 to 56.9), mainly because of the worsening in the opinions on demand and production expectations (from -25 to -33). While orders and production were still deteriorating, inventories marginally built up (from 9 to 10). Lastly, the opinions on export turnover tumbled (from -22 to -42) and the ratio between export and domestic prices declined (from 5 to -1). Export prospects continued to deteriorate (from -18 to -20).

Centre

The confidence index diminished slightly for the second month running because of the worsening in demand and orders in general (from -54 to -61), which contrasted with a slight destocking of inventories (from

8 to 7) and an improvement in production expectations (from -19 to -14). Exports sent negative signals with regard to both turnover in the last months (from -17 to -27) and forecasts (from -11 to -17), as well as prices (from 9 to 4).

Mezzogiorno

Confidence worsened slightly (from 70.3 to 69.6) due to a moderate fall in demand in the domestic market (from -57 to -58) and a clear improvement in foreign markets (from -53 to -49). Inventories built up (from 7 to 9) and production expectations recovered (from -12 to -9). In this area, entrepreneurs held their opinions on export turnover unchanged (at -17), but viewed a decline in the export to domestic price ratio (from 8 to 2). As in the North East, southern entrepreneurs gave positive indications regarding future export turnover (from -5 to -1).

