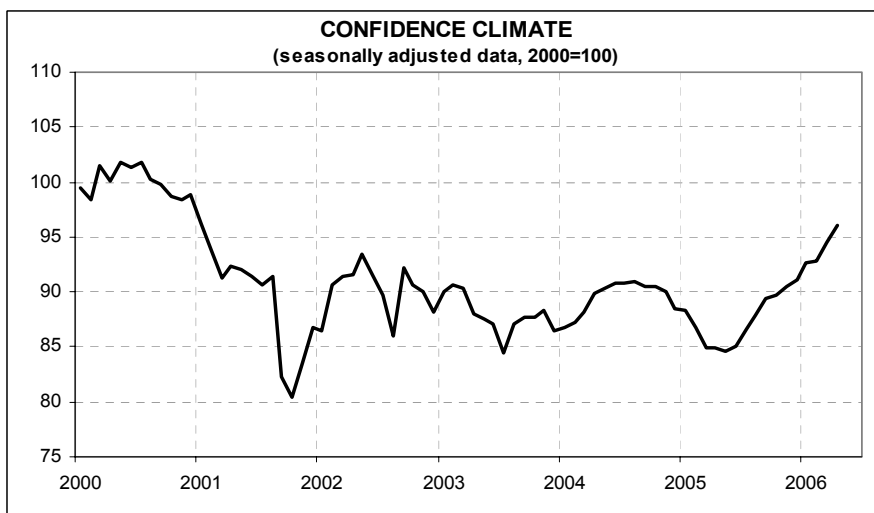


MANUFACTURING FIRMS' CONFIDENCE CONTINUES TO RISE IN APRIL

- The seasonally adjusted index (2000=100) grew from 94.5 in March to 96.1, its highest level since January 2001. Signs of improvement were especially evident in the assessment on orders, the balance of which came back to non-negative territory for the first time since December 2000
- Accordingly, the judgment on the current level of production turned positive, while expectations on orders and employment stabilized. As for the country's economic situation, for the first time since May 2002, the proportion of respondents reporting favourable forecasts outnumbered the share of pessimistic ones
- Confidence improved at all industry and regional levels, with the only exception of the North West, but the strength of the recovery was uneven across sectors and regions
- The index markedly increased for consumer goods (from 94 to 97.7, its highest score since September 2002) and for intermediate goods (from 94.4 to 95.1, a level not seen since December 2000), while it remained virtually unchanged, for the second month running, for investment goods
- On a regional basis, confidence noticeably improved in the North East (where the index soared to 96 from 91.8 in March) and in the Centre (to 100 from 96.8). The index also rose in the *Mezzogiorno* (to 98.5 from 96.5), whereas the improvement suffered a setback in the North West (the indicator lowered to 93.9 from 94.9)

IN THE FIRST QUARTER OF 2006, INDUSTRY PLANT UTILIZATION HITS ITS SPRING 2001 HIGH

- Firms reported a substantial flow of new orders and anticipated favourable developments in the volume of exports for the following months
- The improvement in current and expected demand was matched by an increase in capacity operating rates – which regained the levels recorded four years earlier – and in labour force utilization (work hours)
- Surveyed firms viewed fewer obstacles to production, mainly thanks to lower demand constraints



Data on May shall be released on May 25, 2006

The next ISAE surveys are scheduled as follows:

April 28, 2006: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: March), ISAE Monthly Business Services Survey (reference period: April) and ISAE Survey on Construction (reference period: March)

May 5, 2006: ISAE International Comparison of Consumer and Business Surveys (reference period: April)

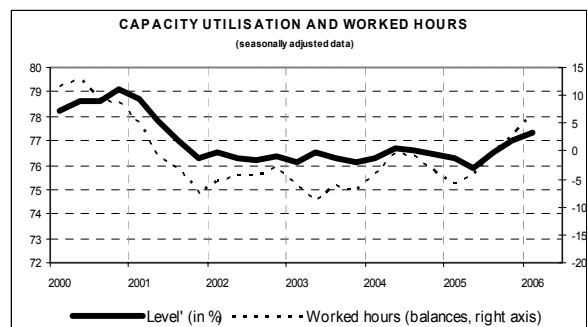
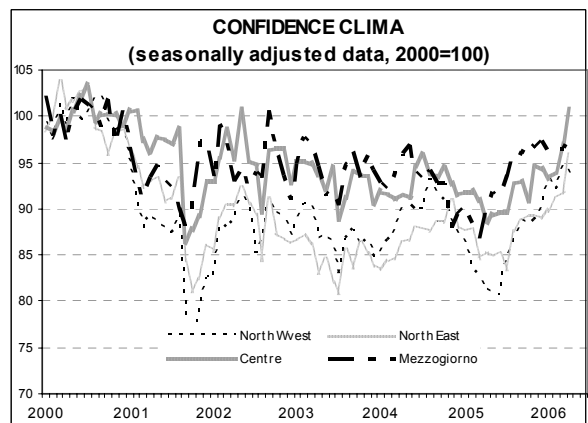
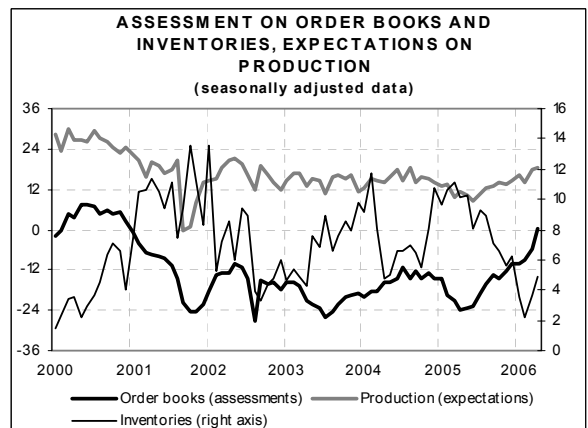
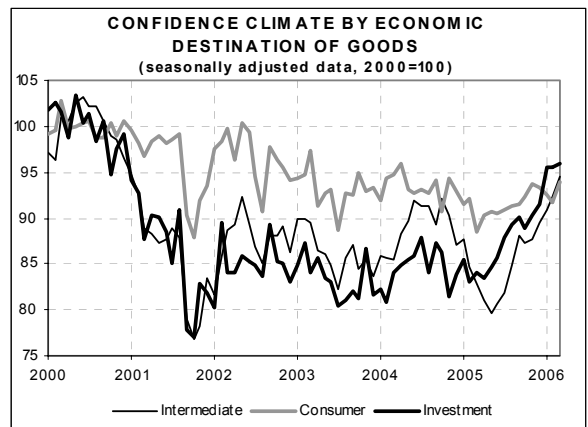
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE Survey, carried out on a panel of about 4,000 respondents between April 3 and April 20, pointed to a continuing rise in the seasonally adjusted confidence index of manufacturing and mining firms, which moved from 94.5 in March to 96.1 in April, the highest level since January 2001. The strongest improvements were observed in the judgment on new orders, for which the balance returned to non-negative territory for the first time since December 2000. Furthermore, a moderate rise characterized production expectations and inventories. Accordingly, the judgment on the current level of production turned positive, and the assessment on orders and employment stabilized. For the first time since May 2002, the proportion of respondents reporting favourable forecasts on the country's economic situation outnumbered the share of pessimistic ones.

Confidence improved in all sectors and regions, with the only exception of the North West, but the strength of the recovery was uneven. The index markedly increased for consumer goods (from 94 to 97.7, its highest since September 2002) and for intermediate goods (from 94.4 to 95.1, a level not seen since December 2000), while it remained virtually unchanged, for the second straight month, for the investment goods sector. On a regional basis, confidence noticeably improved in the North East (where the index soared to 96 from 91.8 in March) and in the Centre (from 96.8 to 100). The index also rose in the *Mezzogiorno* (from 96.5 to 98.5), whereas it suffered a setback in the North West (the indicator lowered from 94.9 to 93.9).

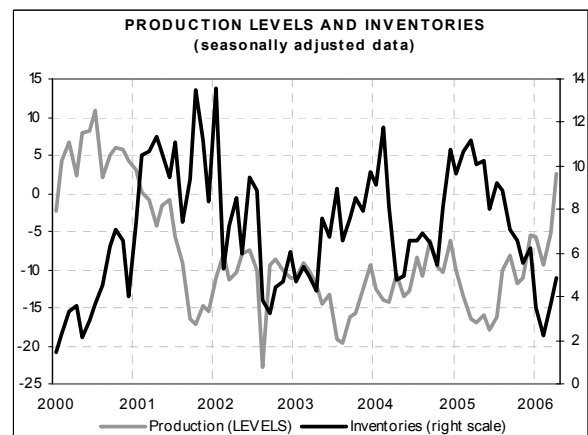
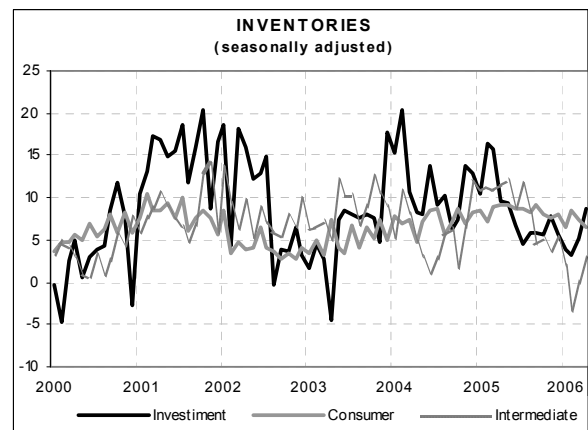
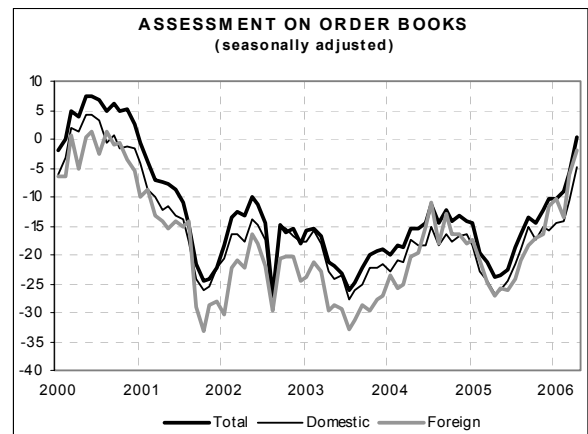
According to the traditional ISAE quarterly survey, firms recorded a substantial flow of new orders and expected favourable export volume developments: improvements were matched by an increase in productive capacity and labour force utilization. Surveyed firms viewed fewer obstacles to production, mainly because of lower demand constraints.



Situation in the reference period (April 2006)

In April, the manufacturing firms' assessment on orders and demand developments returned to non-negative territory: the seasonally adjusted balance rose to 0 from -6 in the previous month. Following a strong improvement in March, foreign demand extended the upward path (moving from -6 to -2), and also domestic orders recovered (from -11 to -5). A similar trend was posted by the appraisal of the level of production, for which the balance turned positive, reaching 3, from -5 in the previous month. At this point, firms seemed to anticipate a favourable trend in demand, and thus they slightly increased inventories (the related balance rose to 5 from 4 in March). Finally, also the balance for the ratio of liquidity to operational requirements grew.

The evaluation of current demand and production recovered in all sectors: as for demand, the strongest improvement occurred among producers of consumer goods for which the balance soared from -9 to -1 (compared to a rise from -6 to 0 for intermediate goods, and from 1 to 5 for investment goods). Growth generally characterized both domestic and foreign demand. Also production increased in all sectors: the balance turned positive for investment goods (moving from -3 to 5) and for intermediate goods (from -4 to 4), and it recovered from -7 to -2 for consumer goods. Growth in inventories resumed in the investment and the intermediate goods sectors (the balance rose from 5 to 9, and from 0 to 3, respectively), while inventories remained practically unchanged according to producers of consumer goods (the balance edged up from 6 to 7). The ratio of liquidity to operational requirements remained virtually stable for intermediate and consumer goods, while it decisively increased for investment goods.



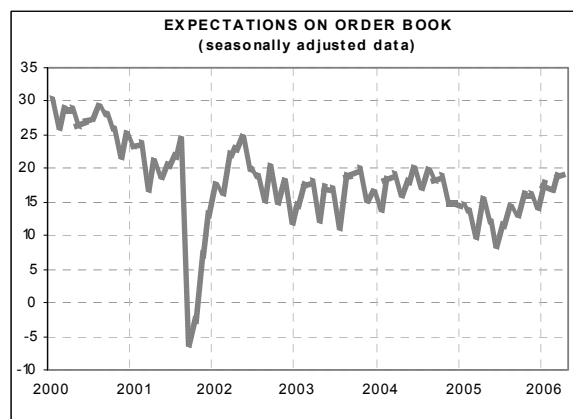
Outlook for the following three months

In April, firms did not change their short term expectations on the main company variables, while they expressed greater satisfaction with the general situation of the Italian economy. Expectations for orders remained stable on balance at 19, production edged up slightly from 18 to 19, and the liquidity trend increased from 1 to 5. Instead, the balance of expectations for employment declined slightly (from 3 to 1) and that on selling prices peaked out. For the first time since May 2002, firms on average became optimistic with respect to the general economic prospects of the Italian economy (the related balance rose to 1 from -8 in March).

Producers of consumer goods reported favourable prospects, while in the intermediate and investment goods sectors firms did not change their forecasts for main company variables with respect to the previous month. As for balances, in the investment goods sector expectations on orders and liquidity rose from 22 to 23 and from 5 to 9, respectively, those on production and employment declined, instead, from 26 to 25 and from 5 to 4. Finally, in this sector prospects on future selling prices remained virtually stable (the balance moved from 19 to 18) and those on the Italian economy decisively improved (from -2 to 5). For consumer goods, firms expressed more favourable expectations on demand (from 16 to 18) and production (from 13 to 16), and the balance of the outlook for the general economic trend recovered sharply (from -14 to 2). Furthermore, growth in selling prices slowed down (the related balance moved from 10 to 9), expectations on liquidity improved (from 2 to 4) and those on employment worsened (from 1 to -2). Lastly, in the intermediate goods sector, prospects on demand, production and selling prices remained virtually unchanged, those on employment slightly edged down (from 4 to 2), while firms improved their outlook on liquidity and, mainly, on the general economic trend (from -1 to 2 and from -8 to 7, respectively).

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

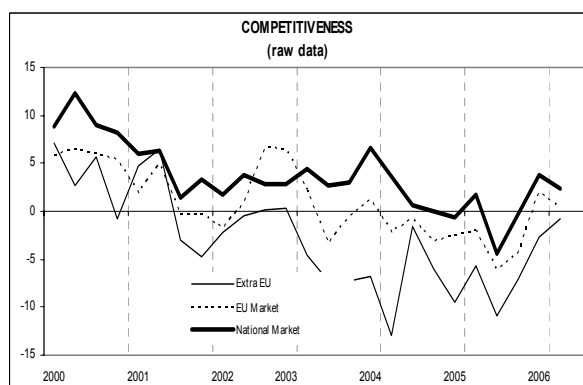
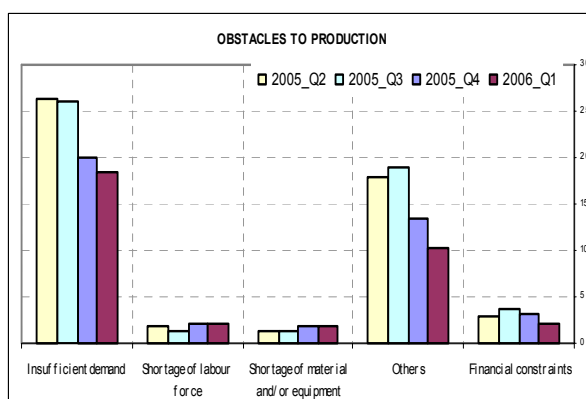
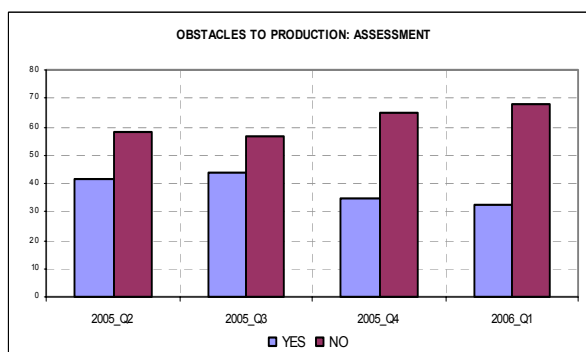
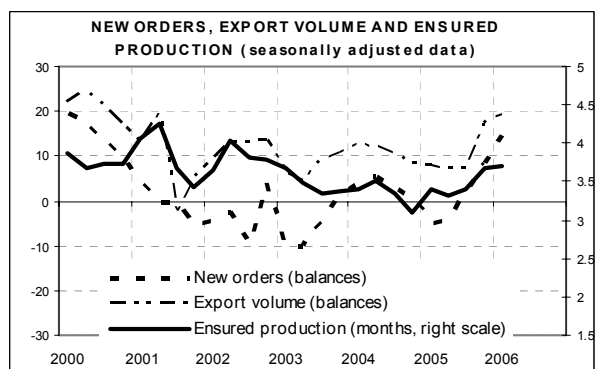
	Confidence climate	Order-book level	Finished goods inventories	Expectations on production
Jan. 2006	92,7	-10	4	16
Feb. 2006	92,7	-9	2	14
Mar. 2006	94,5	-6	4	18
Apr. 2006	96,1	0	5	19



Main quarterly survey results (first quarter 2006)

According to the ISAE quarterly survey, in the first quarter of 2006, firms gave a favourable assessment on current and future production and demand.

Particularly, surveyed firms posted a rise in new orders (the related balance increased from 8 to 15) and an improvement in expectations on export volumes (from 17 to 19). Accordingly, the rate of capacity utilization and the number of work hours increased (the balances moved from 77 to 77.3 and from 3 to 6, respectively). The length of production assured by current order books remained stable at 3.7 months, and the share of respondents that considered current operating capacity to be “more than sufficient” declined (on balance, from 28 to 22). The relevance of obstacles to production also decreased: particularly, there was a fall in the share of respondents that placed at the top of the list of the factors limiting production insufficient demand (from 20% to 19% of firms recording obstacles), financial constraints (from 3% to 2%) and other factors (from 13% to 10%). Instead, the proportion of firms that considered that scarcity of labour force (2%) and shortage of capacity (2%) were limiting production remained virtually unchanged. As for the firms’ competitive position, the raw balance at both the national and the European Union levels worsened (from 4 to 2, and from 2 to 0, respectively), whereas it improved with respect to the non-European Union countries (from -3 to -1). Finally, the balance for inventories of raw materials and semi-finished products increased from -9 to -7, nonetheless remaining well below the so-called normal levels.



Regional breakdown of ISAE survey results

On a regional basis, confidence surged in the North East and the Centre, where the seasonally adjusted index increased from 91.8 to 96 and from 97 to 100.8. The index moved from 96.5 to 98.5 in the *Mezzogiorno* and fell, instead, one point (from 94.9 to 93.9) in the North West. The rise in orders and demand was widespread, while expectations on production and inventories of finished products sent opposing signals. The rate of capacity utilization increased in the Centre and the South, and edged down in the North East.

North West: in this region, the worsening in confidence was due to both a slight decline in production expectations and a rise in inventories of finished products. Instead, firms gave a positive assessment on the level of orders and demand.

North East: the recovery in confidence was the result of an improvement in the assessment on orders and demand (both in domestic and foreign markets) and of a more moderate rise in production expectations. De-stocking of finished products also contributed to this favourable picture.

Centre: the sharp recovery in confidence was due to both a rise in orders (mainly foreign ones) and an improvement in production expectations. Negative signals came, instead, from inventories because of a renewed increase in the number of entrepreneurs that considered them to be above normal levels.

Mezzogiorno: the improvement in confidence of entrepreneurs in this region was backed essentially by the favourable trend for orders (mainly in the domestic market) and by de-stocking. Production expectations worsened instead, though remaining high in terms of balance.

