

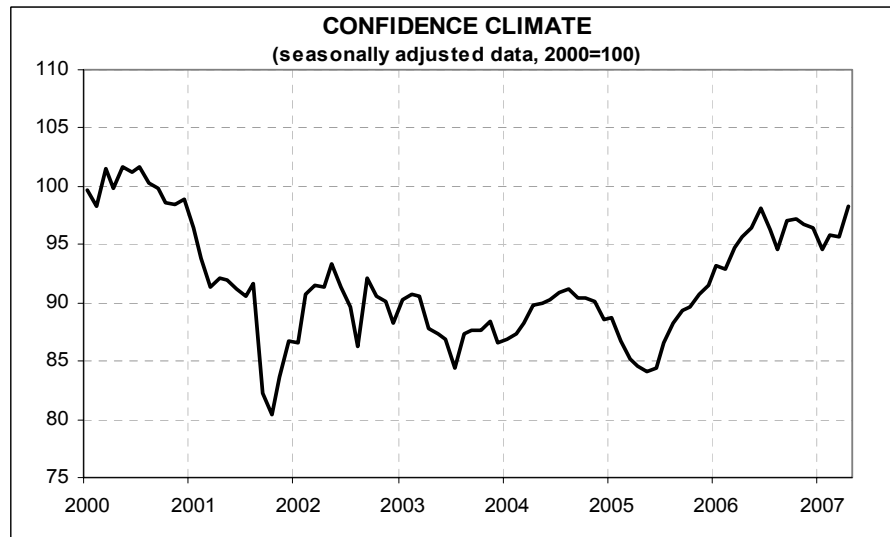


IN APRIL MANUFACTURING FIRMS' CONFIDENCE BOUNCES TO THE STRONGEST SHOWING OF THE LAST YEARS

- The seasonally adjusted confidence index (2000=100) increased from 95.6 in March to 98.2, the highest level since January 2001
- The rise was driven by more favourable opinions on the current level of demand which came along with a slight de-stocking of inventories and a recovery in production expectations
- Surveyed firms were more optimistic also about present production levels and short-term prospects for orders and employment. Lastly, expectations for the trend in selling prices declined
- The rise in confidence was particularly strong for investment goods for which the index grew from 97.7 in March to 101.3, the best result since July 2000. Confidence increased also for intermediate goods (from 93.8 to 97.5, the highest level over the last twelve months) and for consumer goods (from 97.1 to 98.2, the best reading recorded in 2007)
- Confidence improved all over the country but at different rates: it markedly bettered in the North West (from 95.7 to 99.3) and the *Mezzogiorno* (from 95.7 to 99.9), while it increased more moderately in the North East (from 94 to 95.9) and remained virtually unchanged in the Centre (moving from 98.6 to 98.5)

IN THE 1Q 2007 INDUSTRY PLANT UTILIZATION CONTINUES TO INCREASE

- In line with the favourable results of the ISAE monthly survey, the rate of industrial plant utilization reached 78.7%, the highest level since the first quarter of 2001
- Firms also indicated a reduction in factors limiting production, due to the decline in financial and demand constraints (along with other obstacles). The length of production assured by current order books slightly edged up
- Short-term forecasts for the volume of exports and the flow of new orders remained practically stable. Raw materials inventories declined
- The sole negative indications came from the slight decrease in work hours, the rise in the share of firms considering "more than sufficient" the current level of productive capacity and the moderate worsening in the respondents' perception of their competitive position on domestic and non-EU markets (as opposed to an improvement on EU markets)



Data on May shall be released on May 24, 2007

The next ISAE surveys are scheduled as follows:

May 2: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: April), ISAE Monthly Business Services Survey (reference period: April) and ISAE Monthly Survey on Construction (reference period: March)

May 8: ISAE International Comparison of Consumer and Business Surveys (reference period: April)

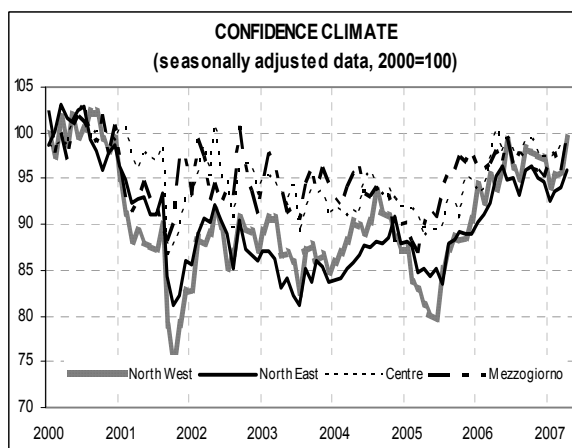
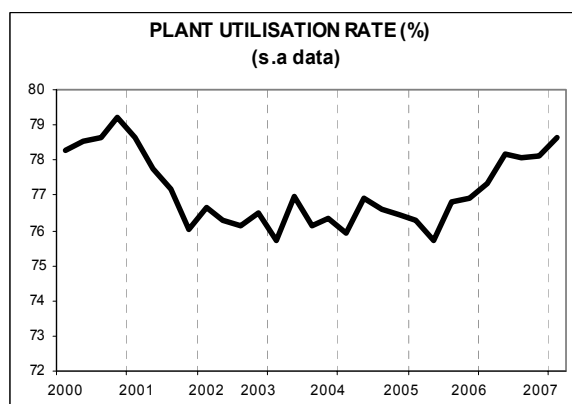
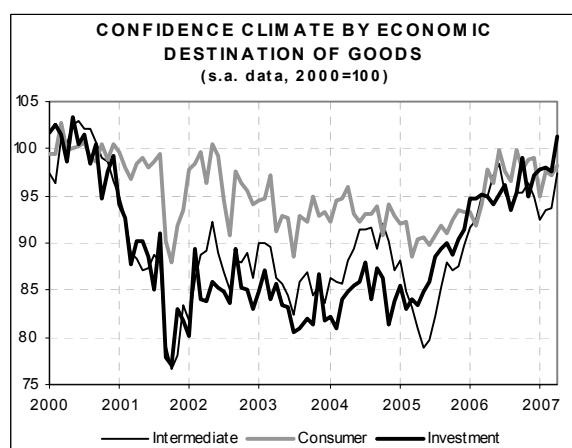
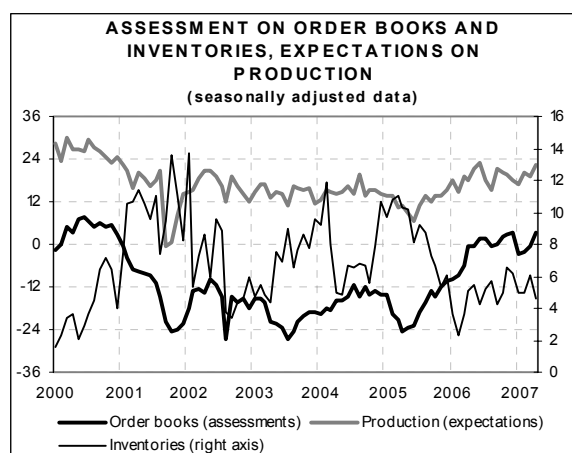
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE Survey, carried out on a panel of about 4,000 respondents between April 2 and April 20, pointed to a surge in the seasonally adjusted confidence index of manufacturing and mining firms. In April, the indicator jumped from 95.6 in March to 98.2, the best result since January 2001. The improvement was driven by more favourable opinions on current demand, summed to a slight de-stocking of inventories and a recovery in production expectations. Surveyed firms were more optimistic also about the current state of production and short-term prospects for orders.

Growth was strong above all in the investment goods sector: the index increased from 97.7 in March to 101.3, the highest level since July 2000. Confidence also improved for intermediate goods (from 93.8 to 97.5, the highest reading in the last twelve months) and for consumer goods (from 97.1 to 98.2, the best result in 2007). Confidence improved throughout the country, though at different rates in the various areas: the index strongly increased in the North West (from 95.7 to 99.3) and in the *Mezzogiorno* (from 95.7 to 99.9). It rose more moderately in the North East (from 94 to 95.9) and remained virtually unchanged in the Centre (from 98.6 to 98.5).

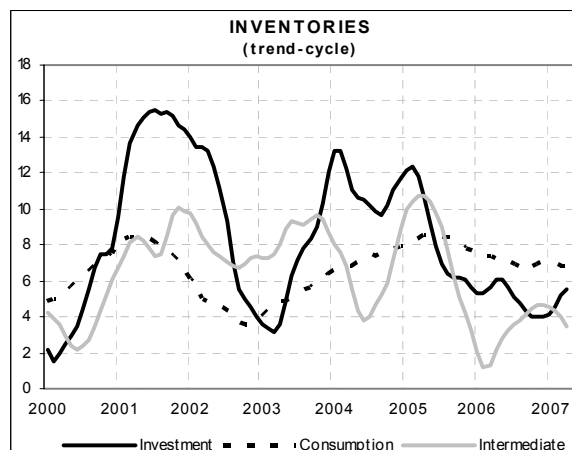
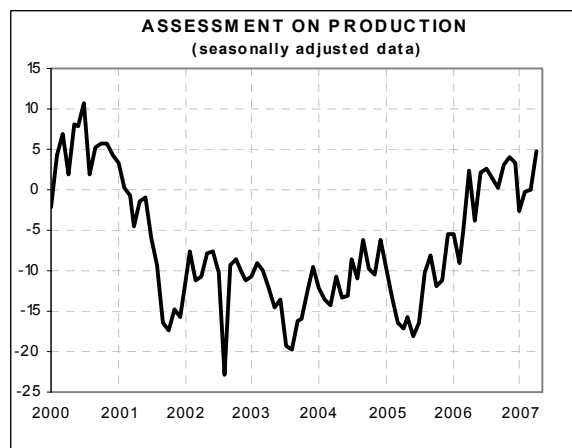
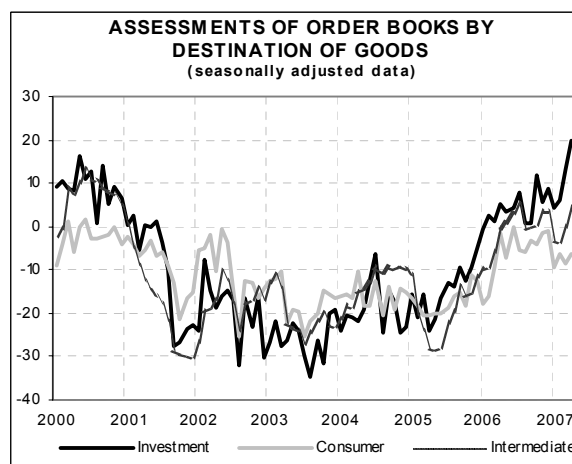
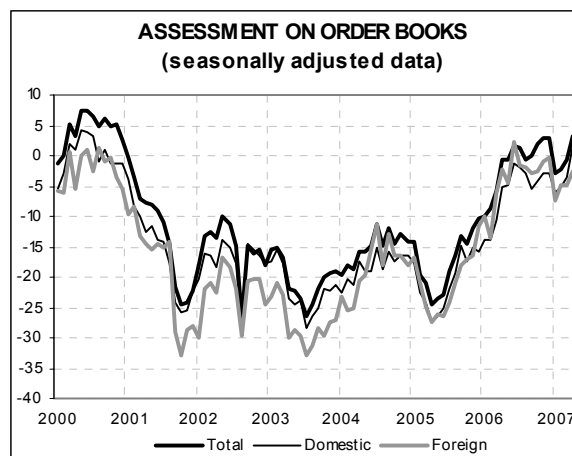
According to the traditional ISAE quarterly survey, in the first quarter of 2007 the rate of industrial plant utilization increased to 78.7%, the highest level since the first quarter of 2001. Firms also pointed to lower obstacles to production due to the decline in financial and demand constraints (along with other obstacles). The length of production assured by current order books slightly inched up. Short-term forecasts for the volume of exports and for the flow of new orders remained practically stable. Raw materials inventories diminished. The sole negative indications came from the slight decrease in work hours, the rise in the number of firms considering “more than sufficient” the current level of productive capacity and a moderate worsening in the respondents’ perception of their competitive position on domestic and non-EU markets (as opposed to an improvement on EU markets)



Situation in the reference period (April 2007)

The opinions on the trend in current orders and demand strongly bettered: the related balance went back in positive territory, reaching 3, as against -1 in March. The balance for domestic orders rose from -3 to 2, and the one for foreign demand recovered from -5 to -3. The evaluation of current production developments improved as well (the related balance rose from 0 to 5), and inventories showed a modest de-stocking (from 6 to 5). Lastly, the ratio of available liquidity to operational requirements remained unchanged (the balance stayed at 36).

Producers of investment goods were the most optimistic. They gave a favourable assessment on both foreign (the balance increased from 6 to 9) and mainly domestic demand (from 3 to 10). The overall balance bounced from 20 to 24, its best result over the last twelve months. In this sector, also the opinions on production and on company liquidity improved (from 7 to 10 and from 39 to 48, respectively). The balance for inventories diminished from 9 to 6. The intermediate goods sector also sent positive indications. The assessment on demand turned positive (rising from 0 to 4), due to a sharp improvement in the domestic component (from -2 to 4) which more than offset the worsening posted by the foreign one (from 2 to -2). The opinions on production markedly rose as well (from 0 to 8), but company liquidity declined (from 37 to 35). Finally, inventories diminished (from 5 to 2). For consumer goods, the recovery in demand was less sharp (the balance rose from -9 to -6). It was fairly evenly distributed between the domestic and foreign components (which rose from -10 to -8 and from -15 to -11, respectively). The level of production slightly recovered as well (from -4 to -3) and the ratio of liquidity to operational requirements barely moved (edging down from 31 to 30). Lastly, inventories remained stable at a high level (the balance stayed at 7).



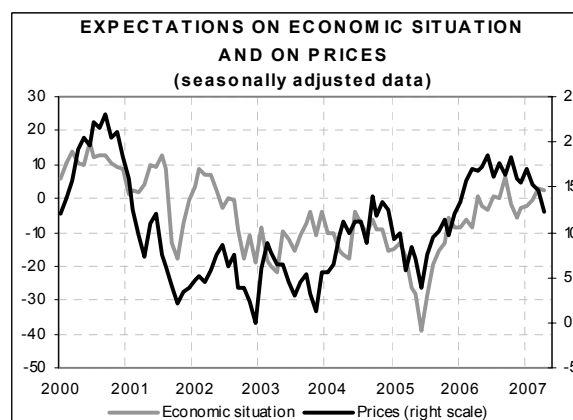
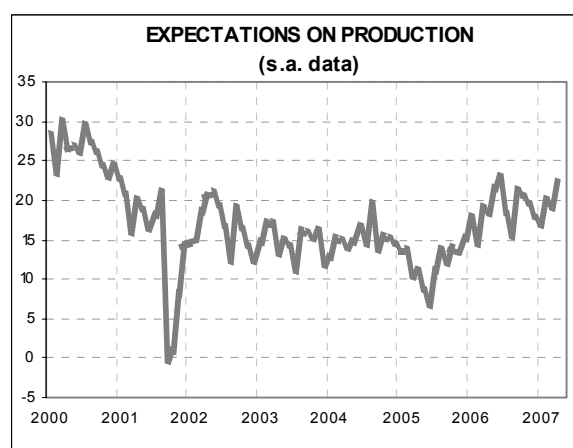
Outlook for the following three months

Forecasts for main company variables also gave favourable indications: an improvement actually characterized expectations for production, orders and employment (the related balances rose, in the order, from 19 to 22, from 20 to 24 and from 2 to 3). Expectations for the trend in selling prices also declined (from 15 to 12) and those for liquidity remained stable at a high level (at 4). Firms were nevertheless slightly less optimistic, compared to the previous month, about short-term prospects for the Italian economy (the balance lowered from 3 to 2). From this standpoint, indications were very different at the industry level. Producers of consumer and, mainly, investment goods were decidedly more optimistic with respect to the previous month (the related balances rose from 6 to 8 and from 4 to 12, respectively), whereas producers of intermediate goods recorded a slight deterioration (from 0 in March to -1).

Furthermore, the industry breakdown showed that producers of investment goods were more optimistic also with regard to prospects for production (the balance rose from 24 to 26), orders (from 25 to 27) and employment (from 7 to 8). They also expected a moderate decline in liquidity (from 2 to 1) and selling prices (from 12 to 11). In the consumer goods sector, expectations for orders, production and employment improved (from 25 to 27, from 22 to 23 and from -1 to 0), while those for liquidity slightly diminished (from 8 to 7). Finally, for intermediate goods, forecasts for orders, production and employment strongly bettered (from 14 to 21, from 15 to 20 and from 2 to 4), while those for liquidity remained stable (at 3) and the ones for selling prices diminished (from 20 to 15).

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

	Confidence climate	Order-book level	Inventories	Expectations on production
January	94.6	-3	5	17
February	95.8	-2	5	20
March	95.6	-1	6	19
April	98.2	3	5	22



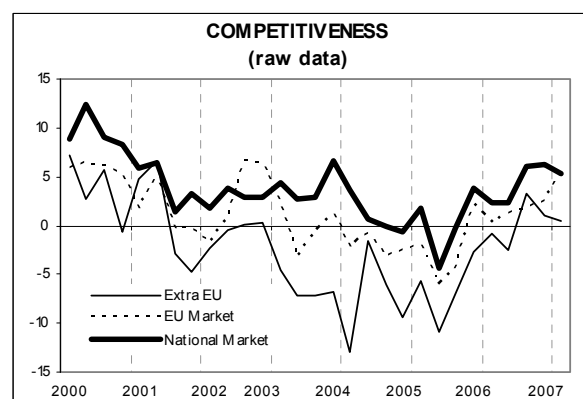
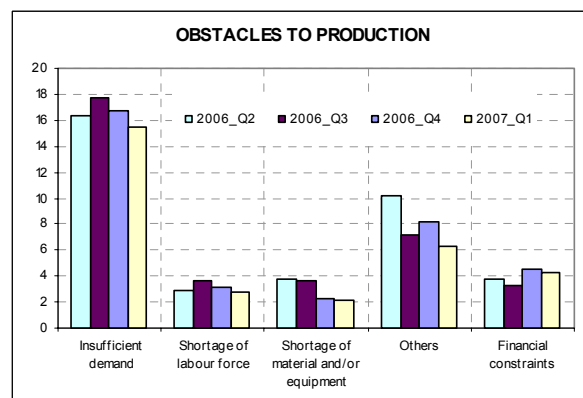
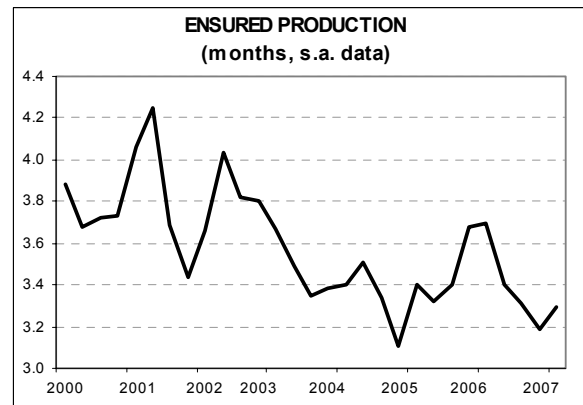
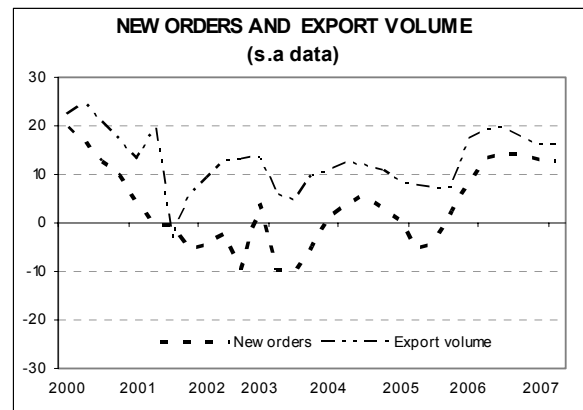
Main quarterly survey results (first quarter 2007)

According to the traditional ISAE quarterly survey, in the first quarter of 2007 the rate of capacity utilization reached 78.7%, its highest level since the first quarter of 2001. Furthermore, firms recorded a fall in factors limiting production: the share of respondents indicating insufficient demand, financial constraints and other factors as major obstacles to productive activity decreased (in the order, from 17% to 15%, from 5% to 4% and from 8% to 6%). Firms also recorded a slight rise in the length of production assured by current order books (to 3.3 months from 3.2 months in the previous quarter).

Basic stability characterized expectations for the level of new orders (the balance remained at 13) and for the volume of exports (at 16). The balance for inventories of raw materials and semi-finished products diminished to -9 from -7.

On the other hand, the moderate decline (from 6 to 5) in the balance for the number of work hours was a quite unfavourable indication. Moreover, the number of respondents considering “more than adequate” the present level of productive capacity increased (from 25 to 26).

Lastly, with regard to competitiveness, firms signalled a worsening in the balance referring to their own competitive position on domestic and non-EU markets (the related balances declined from 6 and 1, in the previous quarter, to 5 and 0, respectively). The perception for EU markets improved instead (the balance increased from 3 to 5).



Regional breakdown of ISAE survey results

In April, the favourable trend in manufacturing firms' confidence recorded at the national level was not evenly spread across geographic areas. In the North West, the North East as well as in the *Mezzogiorno*, confidence strongly recovered, moving in the order from 95.7 to 99.3, from 94 to 95.9 and from 95.7 to 99.9. In the Centre, instead, the confidence climate remained practically unchanged (moving from 98.6 to 98.5). The opinions on demand bettered throughout the country, whereas production expectations and the opinions on inventories of finished products sent contrasting signals. Finally, the rate of capacity utilization increased anywhere but in the Centre.

North West

The sharp improvement in confidence stemmed from greater optimism about present demand (characterizing both domestic and foreign markets), which came along with a de-stocking of inventories (at their lowest level since last October) and an increase in production expectations. The rate of plant utilization climbed to the highest level since last July.

North East

In this area, recovery was related to the improvement in demand (domestic and foreign) and, for the fourth month running, to production expectations. Inventories, instead, started to built up once more. The rate of plant utilization stayed at its previous quarter level.

Centre

The balance referring to the opinions on demand remained unchanged (domestic demand improved and foreign demand held steady). Also the balance for inventories of finished products stabilized. Production expectations and the rate of operating capacity, instead, slightly worsened.

Mezzogiorno

The surge in confidence reflected the improvement in the opinions on orders, which reverted to positive territory for the first time since October 2000. The improvement covered both domestic and, mainly, foreign markets. Also production expectations sent positive indications. The related balance increased to

its highest level since the year 2000. Nevertheless, inventories continued to build up. Lastly, in line with the optimistic results of the analysis of the overall confidence indicator, the rate of plant utilization increased.

