



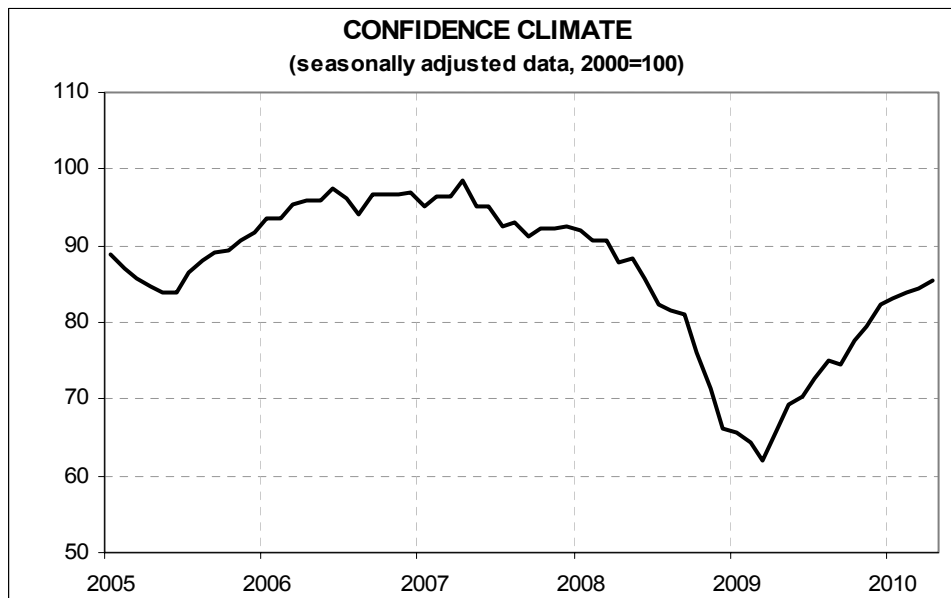
Date: April 28, 2010

### MANUFACTURING FIRMS' CONFIDENCE CONTINUES TO EXPAND IN APRIL

- The seasonally adjusted index (2000=100) increased to 85.5 from 84.4 in the previous month: this was the seventh consecutive rise, which brought the index nearly twenty points higher than a year earlier, at a peak last reached in June 2008
- Firms' opinions on the level of orders improved, whereas production expectations slightly worsened. Also inventories inched up again, remaining however below considered normal levels
- Progress in confidence mainly distinguished producers of investment and consumer goods (the related indices rose to 79.5 from 77.1 and to 91.2 from 89.2, respectively). The increase was instead more moderate in the intermediate goods sector (to 85.0 from 83.6)
- Differences were even more pronounced at the regional level: in the North East the confidence climate increased by four points over the previous month (the index rose from 79.4 to 83.5). In the North West and the Centre progress was more moderate (from 85.0 to 86.2 and from 88.1 to 90.2, respectively). In the *Mezzogiorno*, instead, the index moved down from 80.4 to 79

### THE RATE OF INDUSTRIAL PLANT UTILIZATION SENDS FAVOURABLE SIGNALS

- The traditional ISAE quarterly survey on operating capacity gave overall favourable indications. In the first quarter of 2010, manufacturing firms further expanded plant utilization. They also reported lower production difficulties and improved their assessments on the flow of new orders and on export turnover
- The length of production assured by current order books stabilized and inventories of raw materials and semi-finished products declined slightly
- As for sales markets, a worsening in firms' competitive position in the domestic market came along with an improvement in both EU and non-EU markets



Data on May shall be released on May 27, 2010

The next ISAE surveys are scheduled as follows:

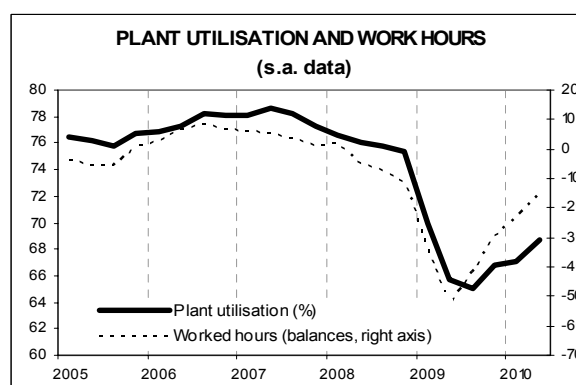
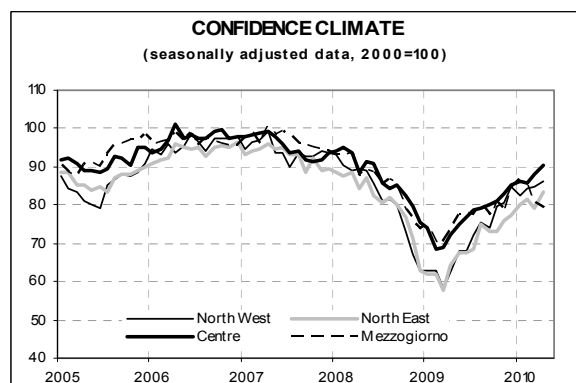
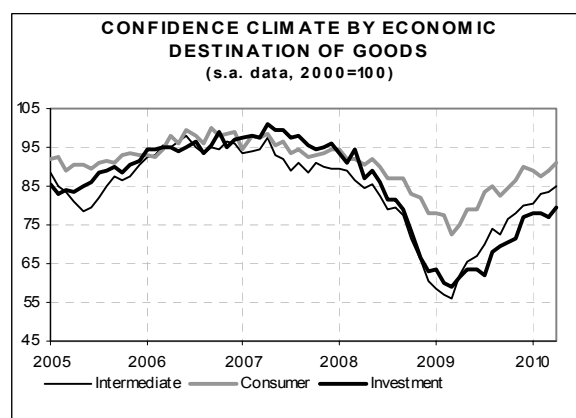
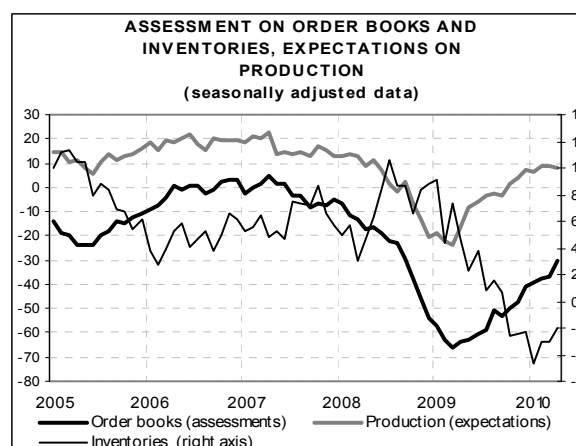
May 25, 2010: ISAE Monthly Consumer Survey (reference period: May)

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](http://www.isae.it))

## General results

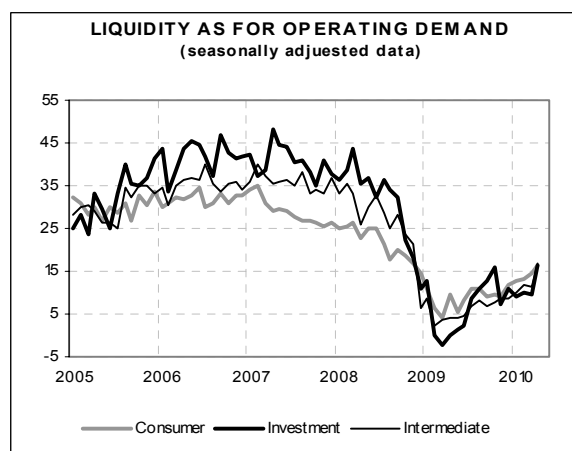
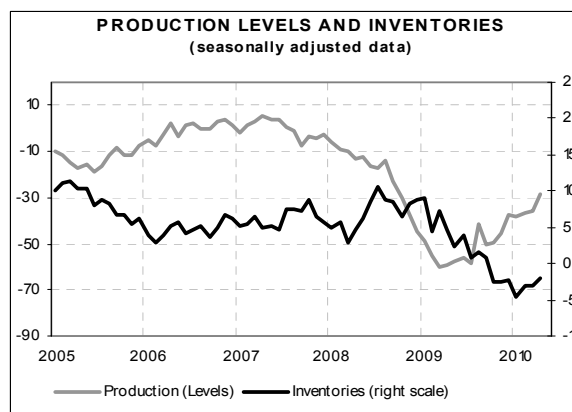
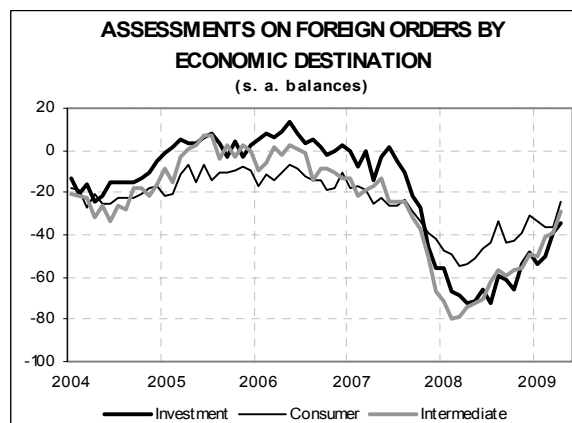
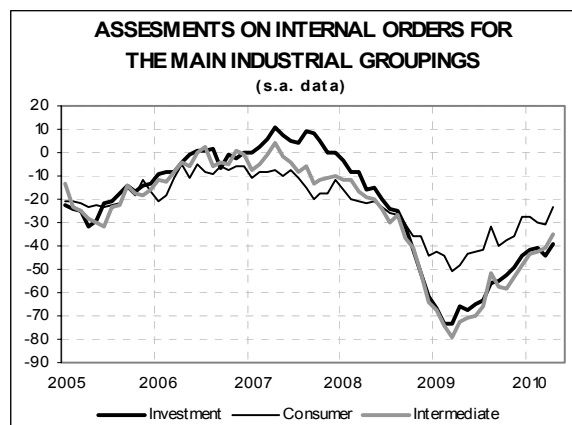
According to the ISAE Survey, carried out between March 31 and April 20 on a panel of about 4,000 firms, in April the seasonally adjusted confidence index of manufacturing and mining firms showed an improvement, reaching 85.5 from 84.4 in the previous month: this was the seventh consecutive rise, which brought the index to a peak last reached in June 2008. Firms were less pessimistic about the current trend in orders and production. Production expectations, instead, worsened slightly and inventories started to moderately build up (remaining however below considered normal levels). Optimism characterized all main productive sectors, albeit at different levels. Progress in confidence mainly distinguished producers of investment and consumer goods (the index rose to 79.5 from 77.1 and to 91.2 from 89.2, respectively), whereas the improvement was more moderate in the intermediate goods sector (to 85.0 from 83.6). Differences were instead rather pronounced at the regional level: marked optimism characterized the North East, where the confidence index increased by four points over the previous month (from 79.4 to 83.5). In the North West and the Centre, entrepreneurs were more cautious and progress in confidence was more moderate (from 85.0 to 86.2 and from 88.1 to 90.2, respectively). In the *Mezzogiorno*, instead, the index started to diminish once more, moving from 80.4 to 79.

According to the traditional ISAE quarterly survey on operating capacity, in the first quarter of 2010 manufacturing firms expanded the rate of plant utilization. They also reported lower production difficulties and sharply improved their assessments on the flow of new orders and on export turnover. The length of production assured by current order books stabilized and inventories of raw materials and semi-finished products declined slightly.



### Situation in the reference period (April 2010)

In April, manufacturing firms gave better assessments on most main company variables compared to the previous month. In detail, the balance for the opinions on orders rose to -31 (from -37 in March), while the one for domestic demand increased from -37 to -32 and the balance for foreign demand bounced up from -38 to -29. Also the opinions on the level of production and company liquidity improved (from -36 to -29 and from 12 to 16, respectively). Moreover, firms indicated a minor restocking of inventories (from -3 to -2), which remained however below their long-term average. The improvement in the current economic situation characterized all main productive sectors, but mainly consumer and intermediate goods. At sector level, producers of investment goods recorded an increase in orders and in demand in general (in April the balance rose ten points over the previous month, moving from -46 to -36). Such progress resulted from the recovery of both domestic and foreign demand (from -44 to -39 and from -39 to -34). Investment firms also improved their assessments on the level of production (from -44 to -34) and liquidity (from 10 to 16), but gave somewhat negative indications for inventories (the balance edged up from 1 to 2). Also consumer goods firms were optimistic. Their opinions on orders rose eight points over the previous month: the rise in the foreign component was higher than for the domestic one (from -36 to -24 and from -31 to -23, respectively). Assessments on the level of production and company liquidity also recovered (from -28 to -25 and from 14 to 16), while inventories increased somewhat (from -2 to -1). In the intermediate goods sector, firms' opinions on orders rose six points (from -40 to -34), mirroring growth in the domestic component (from -41 to -35) and, mostly, in the foreign one (-39 to -29). Also assessments on the level of production and company liquidity improved (from -38 to -30 and from 11 to 17), while the balance for inventories remained unchanged (at -6).

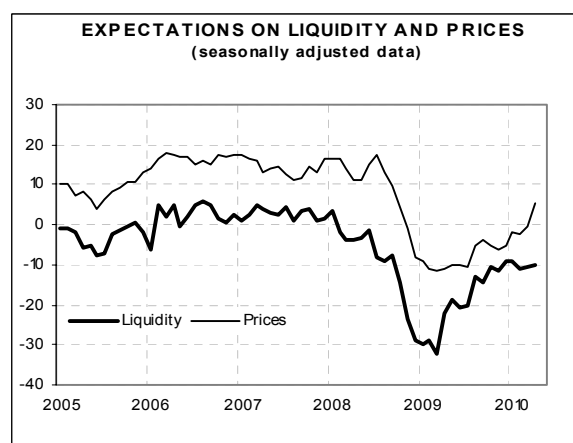
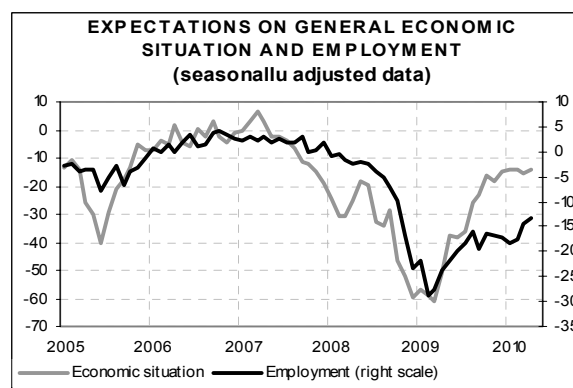
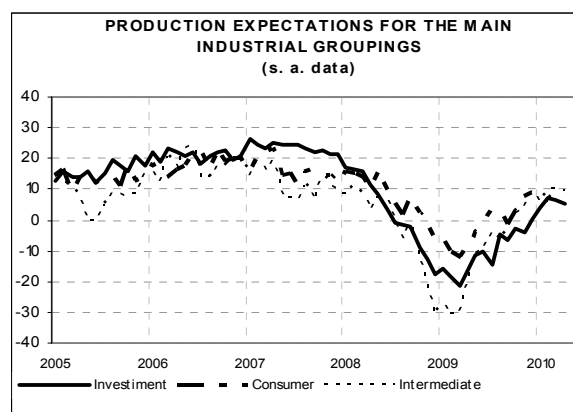


### Outlook for the following three months

In April, short-term prospects for demand in general were more optimistic compared to the previous survey. Expectations for employment and the country's economic situation grew more markedly. Production prospects were instead slightly lower and those for selling prices increased (in the latter case, the balance turned positive for the first time since October 2008). As for expectations, the balance for orders moved from 8 to 10, the one for production from 9 to 8, the balance for employment from -14 to -13, and the one for the country's overall economic situation from -15 to -14. As for inflation prospects, the balance surged, shifting from -1 to 6. Developments were not homogenous at sector level: producers of consumer goods were more cautious than in the other sectors. In detail, for investment goods, expectations for demand, production and company liquidity diminished (from 4 to 1, from 6 to 5, and from -11 to -13, respectively). Firms in this sector were instead less pessimistic about the overall economic trend (from -17 to -15) and projected a modest improvement in the level of employment (from -12 to -8) and virtual stability for prices (from -3 to 0), following the declines foreseen in the last months. In the consumer goods sector, expectations for orders and production remained stable (at 12 and 9, respectively). Forecasts for liquidity and, above all, the country's economic situation showed an improvement (from -6 to -5 and from -22 to -13). Prospects for selling prices and employment worsened instead (from -1 to 3 and from -8 to -9). Finally, producers of intermediate goods forecast an improvement for orders (from 10 to 11), company liquidity (from -10 to -9) and, mostly, for the country's overall economic situation (from -20 to -11). Firms in this sector made, instead, negative predictions for production (from 10 to 9) and projected a strong upturn in prices (from 0 to 11).

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

	Confidence climate	Order-book level	Inventories	Expectations on production
Jan. 2010	83.0	-40	-5	6
Feb. 2010	84.0	-38	-3	9
Mar. 2010	84.4	-37	-3	9
Apr. 2010	85.5	-31	-2	8



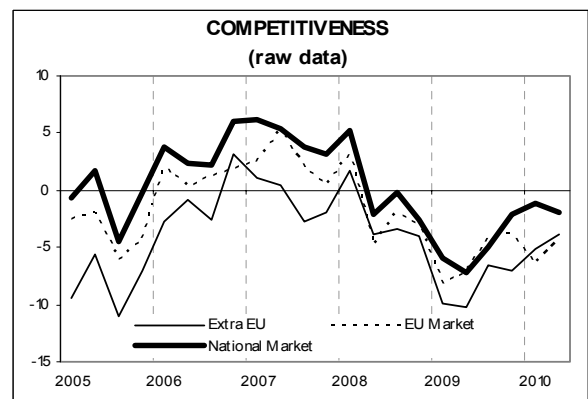
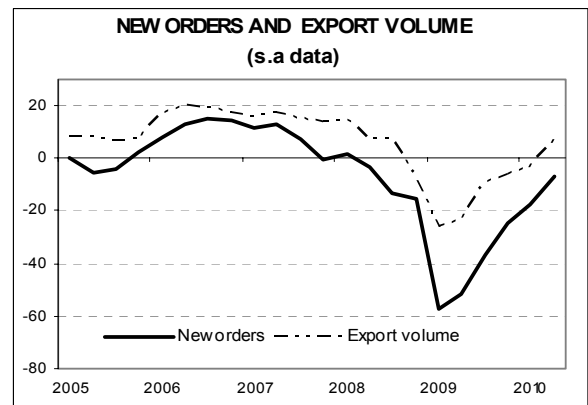
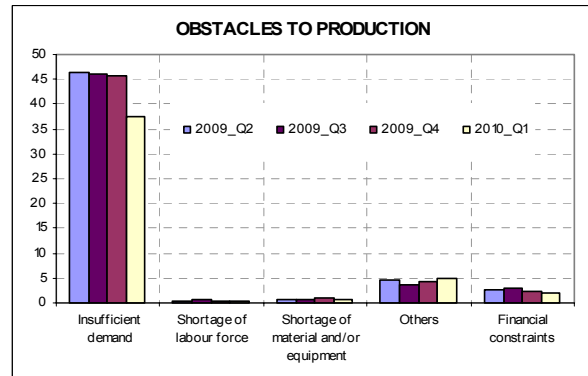
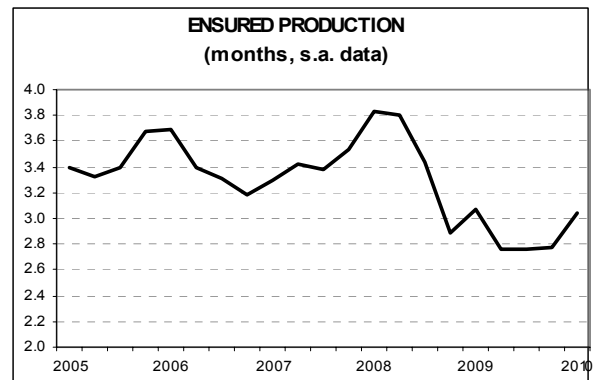
## Main quarterly operating capacity survey results (first quarter 2010)

The traditional ISAE quarterly survey on operating capacity also showed favourable indications. In the first quarter of 2010, manufacturing firms further expanded plant utilization. They also reported lower production difficulties and improved their assessments on the flow of new orders and on export turnover. The length of assured production held steady.

More in detail, the industrial capacity utilization rate continued to increase, moving from 67% to 68.7%. Consistently, also assessments on hours actually worked improved markedly (the balance surged from -23 to -15) and the share of firms believing that their current level of capacity utilization was “more than enough” diminished (from 45 to 41). The percentage of firms considering that insufficient demand hampered production diminished as well, going from 46% to 37%. Also the opinions of the flow of new orders improved (from -18 to -7) and the length of production assured by order books increased (from 2.8 to 3 months). Moreover, expectations for the volume of exports recovered (from -3 to 7), due to a worsening in firms’ competitive position in the domestic market (from -1 to -2) which was more than offset by the improvement in both the EU markets (from -6 to -4) and the non-EU ones (from -5 to -4). Lastly, inventories of raw materials and semi-finished products declined (from -17 to -18).

## Regional breakdown of ISAE survey results

On a regional basis, confidence clearly improved in the North East (the indicator rose from 79.4 to 83.5) and more moderately in the North West and the Centre (from 85.0 to 86.2 and from 88.1 to 90.2, respectively). In an opposing trend, the indicator fell instead in the *Mezzogiorno* (from 80.4 to 79). The improvement in the opinions on production was widely spread.



Assessments on demand and inventories sent instead contrasting indications. As for demand, stability distinguished the *Mezzogiorno*, whereas the remaining areas posted a sharp improvement. Inventories increased all over the country, except in the North East. As for production expectations, forecasts showed a moderate decline in the North West and the *Mezzogiorno*, while the other areas reported an improvement. Lastly, in the first quarter of 2010 the rate of capacity utilization increased all over the country, though at different rates.

North West

Confidence of entrepreneurs in the North West bettered, mainly thanks to strong recovery in the opinions on orders (the balance rose from -40 to -32). Inventories built up slightly (from -7 to -4), and production expectations sent negative signals (from 10 to 8). Capacity utilization increased (from 67.3% to 69.7%).

North East

Confidence clearly improved owing to the recovery in the opinions on demand (from -40 to -30) and to stability for inventories (at -2). Also prospects for orders and production were more favourable (from 4 to 7 and from 2 to 6). The rate of capacity utilization recovered slightly (from 66.9% to 67.6%).

Centre

In this area, the index increased due to the improvement in the opinions on orders and in production expectations (from -32 to -24 and from 10 to 12). The share of entrepreneurs considering a restocking of inventories increased (from -3 to 0). Lastly, the rate of operating capacity rose over the previous quarter (from 68.1% to 69.4%).

Mezzogiorno

Deterioration characterized production expectations (from 5 to 2) and, above all, opinions on foreign orders (from -31 to -36). Inventories continued to accumulate. To complete the picture, the rate of industrial plant utilization remained stable over the previous quarter (moving from 65.3% to 65.7%).

