ISTITUTO DI STUDI E ANALISI ECONOMICA
ISAE COMUNICATISTAMPA

May 27, 2010

Data on June shall be released on June 30, 2010

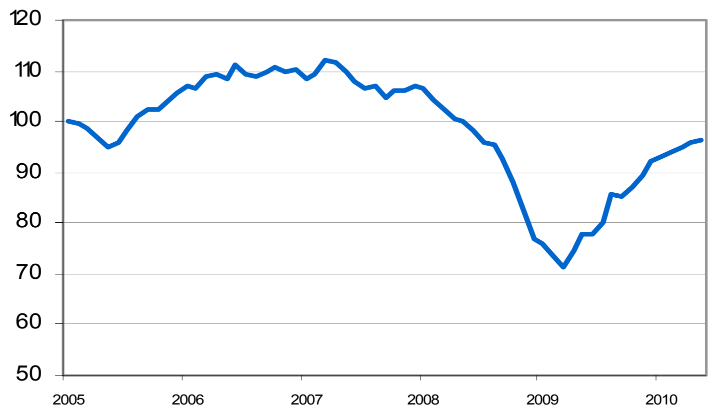
The next ISAE surveys are scheduled as follows:
June 23, 2010: ISAE Monthly Consumer Survey (reference period: June)

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

MANUFACTURING FIRMS' CONFIDENCE IMPROVES FURTHER IN MAY

- **Starting this month, ISAE disseminates Italian Manufacturing Firms' Confidence Survey data elaborated according to the ATECO 2007 classification of economic activities. A detailed description of the changes which have been introduced is contained in the Press Release "The new series of ISAE business surveys", published together with this document**
- **The seasonally adjusted index (2005=100) increased to 96.2 from 95.9 in the previous month, reaching the highest level since June 2008**
- **The recovery was mainly due to a new de-stocking of inventories and to the improvement in the opinions on orders and overall demand. Production prospects slightly diminished instead**
- **Firms also expressed more negative expectations with regard to the future volume of orders, employment and, mainly, the country's economic trend**
- **At sector level, the more optimistic firms were above all producers of investment and intermediate goods (the related indices rose from 88.7 to 92 and from 97.9 to 98.9, respectively). Confidence remained instead virtually unchanged in the consumer goods sector (moving from 98.9 to 98.7)**
- **At the regional level, the recovery was particularly strong in the North West (from 83.9 to 88.3) and more moderate in the *Mezzogiorno* (from 80.5 to 82.0). Firms in the Centre, instead, were slightly more pessimistic (the index lowered from 87.7 to 86.9), while in the North East confidence remained practically stable, coming in at 81.5 (compared to 81.8 in April)**
- **According to the breakdown of data by firm size, confidence sharply increased in medium-sized firms (employing 50-249 people), for which the index moved from 94.5 to 101.3, whereas it worsened in small firms (with 10-49 employees), diminishing from 95.5 to 94.2**

CONFIDENCE CLIMATE (index 2005=100, seasonally adjusted)



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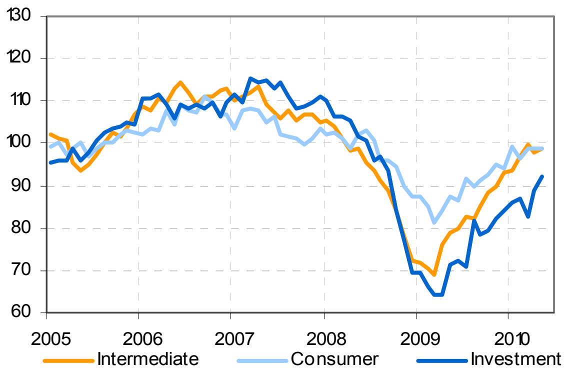
Manufacturing firms' confidence

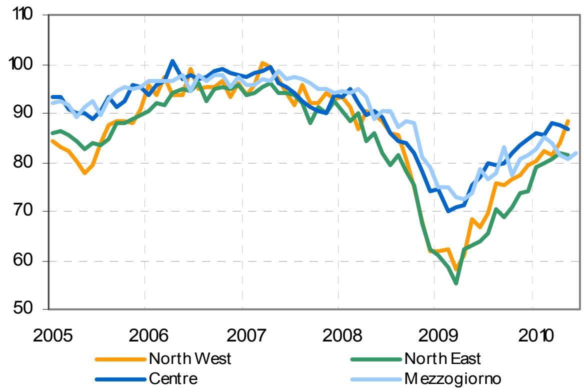
According to the ISAE Survey, carried out between May 3 and May 18 on a panel of about 4,000 firms, in May the seasonally adjusted confidence index of manufacturing and mining firms further improved. It rose to 96.2 from 95.9, reaching the highest level since June 2008. Firms were less pessimistic about the current trend in orders and production. Inventories started to diminish once more, but production expectations declined slightly. Moreover, moderate pessimism characterized prospects for employment and selling prices. Forecasts for orders worsened more markedly.

At sector level, producers of intermediate goods and above all investment goods expressed optimism: the index increased from 97.9 to 98.9 and from 88.7 to 92.0, respectively. Confidence remained instead virtually stable for consumer goods (the index moved from 98.9 to 98.7). At the regional level, the recovery in confidence was stronger in the North West, where the index bounced from 83.9 to 88.3. The index rose moderately in the Mezzogiorno (from 80.5 to 82). Firms in the Centre sent instead slightly unfavourable indications (the index lowered from 87.7 to 86.9), while in the North East confidence remained practically unchanged, coming in at 81.5 (compared to 81.8 in April).

CONFIDENCE IMPROVES FOR INTERMEDIATE AND INVESTMENT GOODS, DECLINES SLIGHTLY FOR CONSUMER



CONFIDENCE BETTERS IN THE NORTH WEST AND THE MEZZOGIORNO, REMAINS STABLE IN THE NORTH EAST, LOWERS IN THE CENTRE

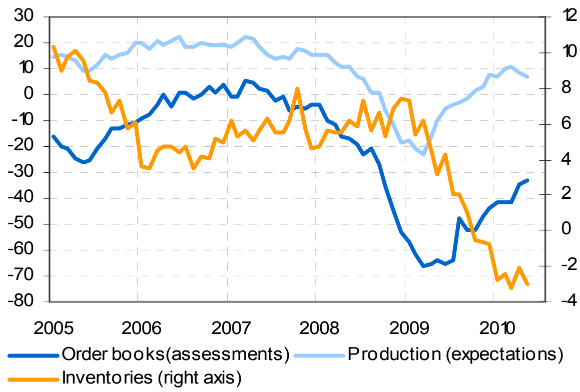


Situation in the reference period (May 2010)

In May, manufacturing firms gave slightly better assessments on main company variables, confirming the signs of recovery already emerged in the previous month: the balance for the opinions on orders moved to -33 (from -35), showing stability for both the domestic and the foreign components of demand (the balance stood at -37 and -34, respectively). Compared to the previous month, firms also indicated a slight de-stocking of inventories (from -2 to -3). The opinions on production instead worsened slightly (from -34 to -35), but liquidity increased (from 13 to 15).

Intermediate goods firms were the most optimistic: in this sector, entrepreneurs expressed clearly more positive indications for overall orders (from -37 to -32), whereas they considered stability for the level of production (at -31) and viewed a moderate decline for company liquidity (from 14 to 13) and inventories (from -3 to -5). For investment goods, the opinions on orders recovered from -40 to -39 (from -43 to -40 for domestic demand and from -41 to -42 for foreign orders). Moreover, firms reported virtual stability for the level of production (at -40), a de-stocking of inventories (from 0 to -2) and a clear improvement for company liquidity (from 12 to 17). Lastly, producers of consumer goods judged orders slightly more negatively (from -27 to -28), mainly with regard to foreign demand (from -31 to -32). Firms in this sector considered a fall in the level of production (from -29 to -

ORDERS RECOVER FURTHER, INVENTORIES DIMINISH, PRODUCTION EXPECTATIONS SUFFER A SETBACK



30), a marked de-stocking of inventories (from 2 to -1), and an improvement in company liquidity (from 11 to 12).

Outlook for the following months

In May, short-term prospects showed uncertainty with regard to the trend for main company variables, while forecasts for the country's overall economic situation deteriorated. In detail, the balance related to expectations for orders lowered from 10 to 8 and the one for production from 9 to 7, while prospects for company liquidity recuperated (from -9 to -6) and the ones for employment remained practically unchanged (moving from -11 to -12). Also expectations of higher selling prices diminished (from 7 to 5) and prospects for the country's economic situation deteriorated (from -14 to -19).

CONFIDENCE CLIMATE AND BALANCES FOR THE INDEX-BUILDING SERIES

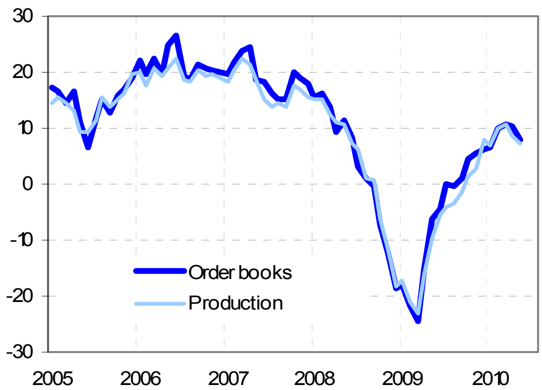
(seasonally adjusted data)

Month	Confidence climate	Level of orders	Inventories	Production forecasts
Dec. 2009	92.0	-44	-1	8
Jan. 2010	93.2	-42	-3	7
Feb. 2010	94.3	-41	-2	10
Mar. 2010	94.8	-41	-3	11
Apr. 2010	95.9	-35	-2	9
May 2010	96.2	-33	-3	7

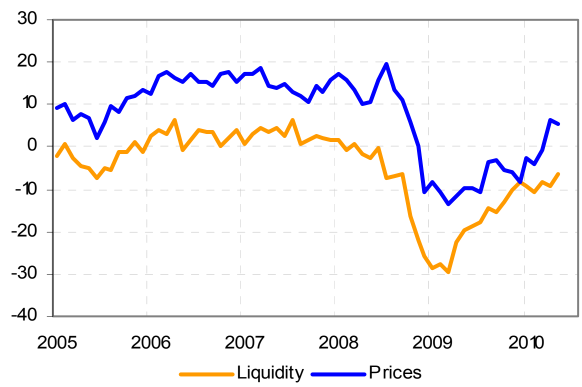
At sector level, producers of investment goods were again the most optimistic: forecasts for orders, production and company liquidity improved (the balances rose from 1 to 7, from 0 to 7, and from -13 to -9, respectively), and expectations for employment held steady (at -11). Moreover, a decline distinguished expectations for prices (from 1 to -1) and, mostly, the overall economic trend (from -17 to -20). Prospects for employment stayed the same instead (at -11, as in the previous month).

Producers of consumer goods clearly cut down their expectations for demand (from 16 to 12) and the country's overall economic situation (from -10 to -19). Deterioration also characterized prospects for production (from 13 to 10), selling prices (from 8 to 7), and employment (from -9 to -12). Forecasts for company liquidity improved instead (from -7 to -4). As for producers of intermediate goods, pessimism increased with regard to expectations for orders (from 13 to 8) and production (from 11 to 7). The balances related to the forecasts for overall economic conditions and for selling prices decreased (from -12 to -18 and from 9 to 8, respectively), whereas the ones for liquidity and, above all, employment recovered (from -8 to -7 and from -14 to -11).

FORECASTS FOR ORDERS AND PRODUCTION DECLINE...



... THOSE FOR LIQUIDITY RECUPERATE, WHILE PROSPETS FOR SELLING PRICES DIMINISH



Focus: Confidence trend by firm size

According to the breakdown of data by firm size, confidence sharply increased in medium-sized firms (employing 50-249 people), for which the index moved from 94.5 to 101.3, whereas it worsened in small firms (with 10-49 employees), diminishing from 95.5 to 94.2. Lastly, in larger firms (with 250 employees or more) confidence rose from 99.9 to 101.7.

For small firms, it was the second consecutive decline, following the moderate recovery posted in March. For medium and large firms, the recovery, underway since the start of the year, continued.

As for the variables included in the definition of the confidence indicator, in May recovery mostly stemmed from the improvement in the opinions on the level of orders; higher optimism mainly characterized medium and large firms. Production expectations clearly recovered for medium-sized firms, in contrast with small and large ones, where prospects continued to worsen. Lastly, inventories were considered to have stockpiled somewhat in small and large firms, whereas medium firms, instead, indicated a clear de-stocking of finished products.

CONFIDENCE CLIMATE BY FIRM SIZE

(seasonally adjusted data)

Month	Overall total	Small firms	Medium firms	Large firms
Dec. 2009	92.0	91.7	85.3	94.6
Jan. 2010	93.2	93.3	89.2	97.9
Feb. 2010	94.3	93.5	94.3	98.7
Mar. 2010	94.8	95.0	92.3	99.4
Apr. 2010	95.9	95.5	94.5	99.9
May 2010	96.2	94.2	101.3	101.7

CONFIDENCE IMPROVES IN MEDIUM AND LARGE FIRMS AND DETERIORATES IN SMALL ONES