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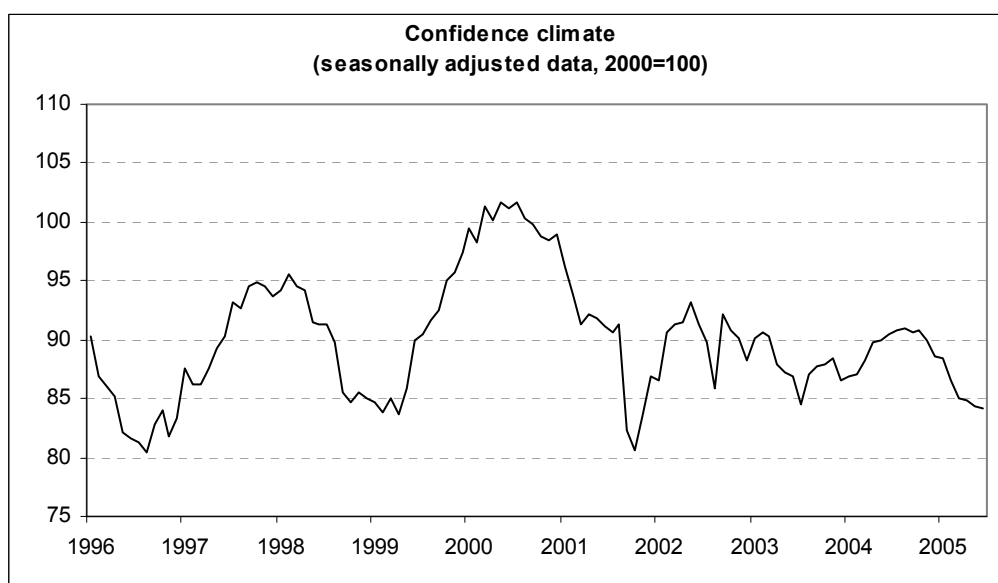
Date : June 28, 2005
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THE MANUFACTURING FIRMS' CONFIDENCE IS STABLE IN JUNE

- In June, the seasonally adjusted confidence index (base year 2000 = 100) passes from 84.3 to 84.2, thus remaining on the November 2001 troughs; order books stabilise, production expectations decrease while inventories show a reverse of trend and reach again the November 2004 levels
- Turning to single sectors, confidence is recovering in investment and intermediate goods, where the indexes grow from 83.8 and 79.3 to 84.5 and 80 respectively. Conversely, confidence diminishes from 90.9 to 90.5 in consumer goods
- Among non confidence-building variables, evaluations on the short-term expectations for the Italian economic situation suddenly fall down to the minimum figures reached in the past decade. In financial terms, firms expect a contraction in their available liquidity and in the cost of money

EXPORT TURNOVER SHOWS SIGNALS OF RECOVERY BOTH IN Q 2 AND IN Q 3

- Less unfavourable indications come from the traditional ISAE Survey on exporting firms: the export turnover of Q 2 shows signals of recovery and a further rise is expected in Q 3
- Positive signals also come from assessments on export constraints, which are diminishing compared to the previous quarter, particularly because of the lower pressure from "other reasons", probably linked to the exchange rate depreciation. Price pressure is growing, probably because of the international price trend of energy raw materials
- Firms also signal a fall in the competitive pressure from Germany, United Kingdom and the U.S.A., while competition from France, other EU countries and the remaining non-EU countries is increasing. Even the role of China is growing, as 30% of the ISAE respondents mention China as their major competitor



Data referring to July shall be diffused on July 26, 2005.

Next ISAE surveys are scheduled as follows:

June 30, 2005: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: May) and ISAE Monthly Business Service Survey (Reference month: June)

July 4, 2005: Comparative Business Surveys for Italy, Germany and France (Reference month: June)

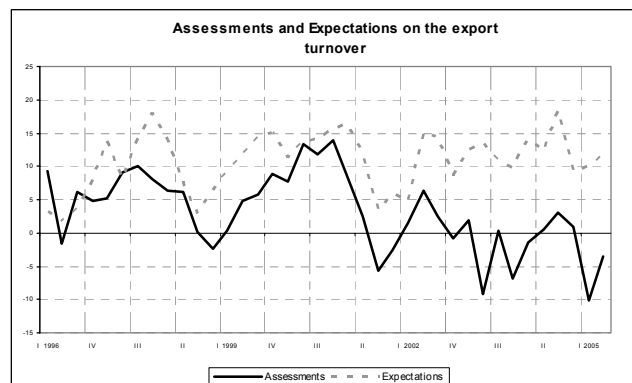
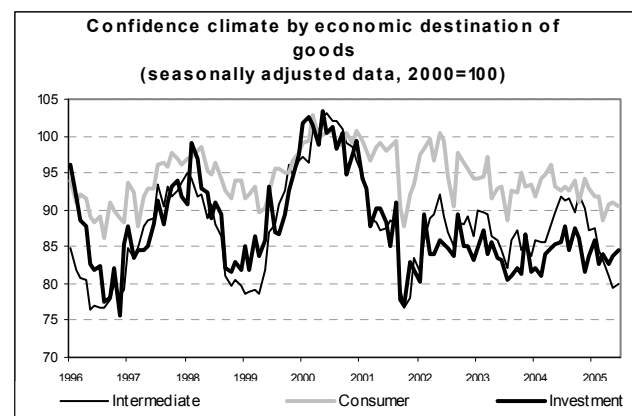
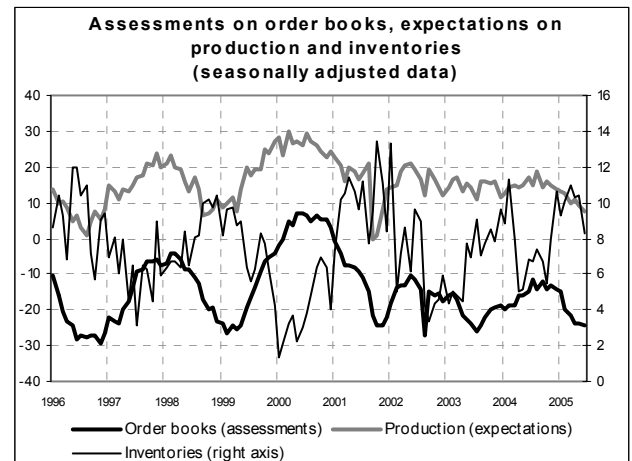
The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site www.isae.it)

General Results

According to the ISAE Monthly Survey carried out between June 1 and 18 on a panel of about 4,100 firms, the manufacturing and extractive firms' confidence indicator remains substantially stable in June, passing from 84.3 to 84.2. Order books stabilise and production expectations slightly decrease (and remain on the lowest levels since November 2001) while inventories diminish. Among non confidence-building variables, evaluations on the short-term expectations for the Italian economic situation suddenly fall down to the minimum figures reached in the past decade. In financial terms, firms expect a contraction in their available liquidity and in the cost of money.

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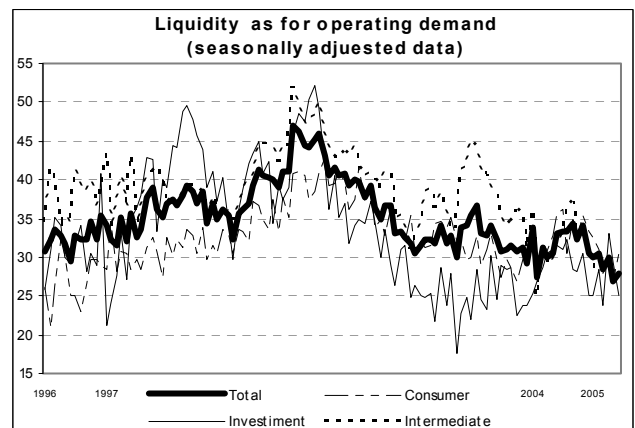
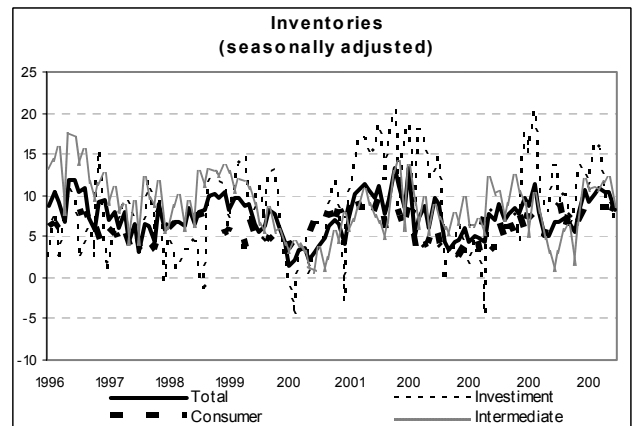
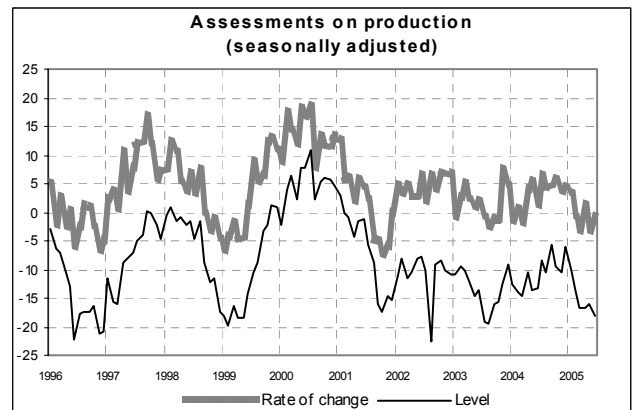
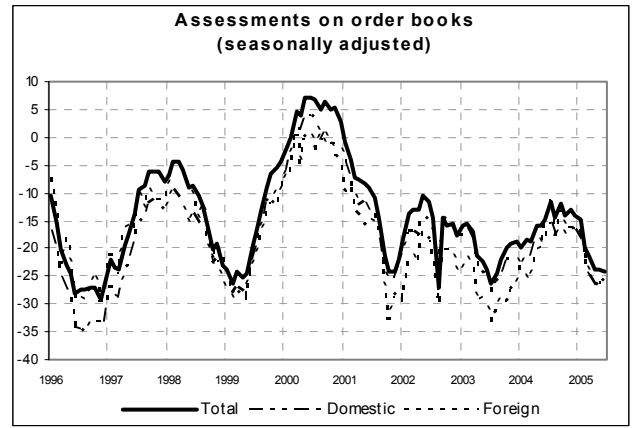


Situation in the reference month (June 2005)

In June, ISAE respondents give signals of substantial stability in their order-book trend, while assessments on production and inventories slightly decrease and the available liquidity for current operational needs slightly increases.

The seasonally adjusted balance of the order-book portfolio remains unchanged at -24 in the face of a substantial stability of both the domestic (-26) and of the foreign component (passing from -26 to -27). Conversely, the balance concerning production levels falls from -16 to -18, which is close to the minimum figures since August 2003, and the one referring to the current production variation improves from -3 to -1. Inventories diminish and their balance goes from 10 to 8, thus getting close to the trough since November 2004. Finally, firms indicate that their available liquidity for operational needs is growing compared to May and the balance goes up from 27 to 28.

Looking at single sectors, assessments are however not homogeneous: assessments on demand improve in investment goods (the balance growing from -21 to -16), with a gain both on the domestic (from -29 to -21) and on the foreign (from -21 to -15) markets. However, production levels worsen (from -11 to -16), while the current production variation improves (from -4 to 2) and the balance of inventories decreases (from 9 to 7). Consumer good producers signal an order-book stability (at -20) - which comes from both domestic and foreign demand (equalling -22 and -25 respectively) - as well as a slight contraction in inventories (from 9 to 9) and in the production levels (from -15 to -14). Indeed, the current production variation remains null for the third month in a row. The situation of intermediate goods is negative: the balance of order books falls from -28 to -29 (passing from -30 to -32 on the domestic market and from -26 to -34 on the foreign one), as does the one referring to the production level (from -20 to -23). The current production variation shows a considerable improvement and passes from -9 to 0, within a framework characterised by decreasing inventories (the balance diminishing from 12 to 9).

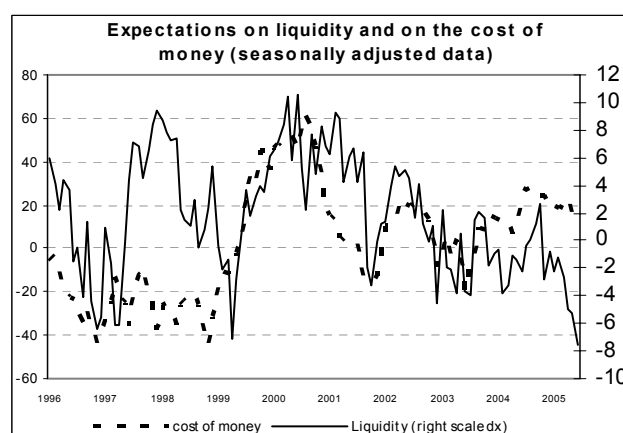
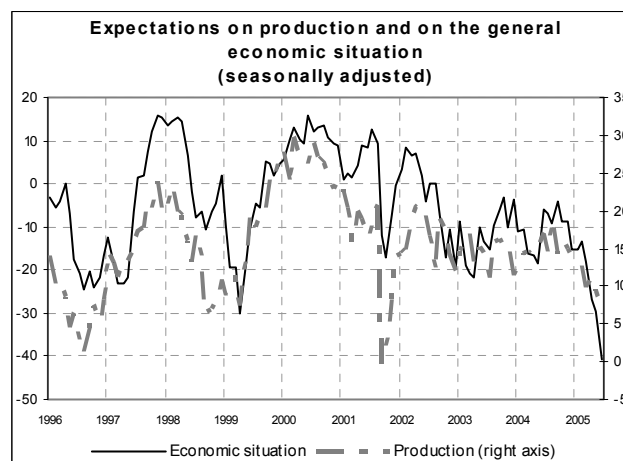
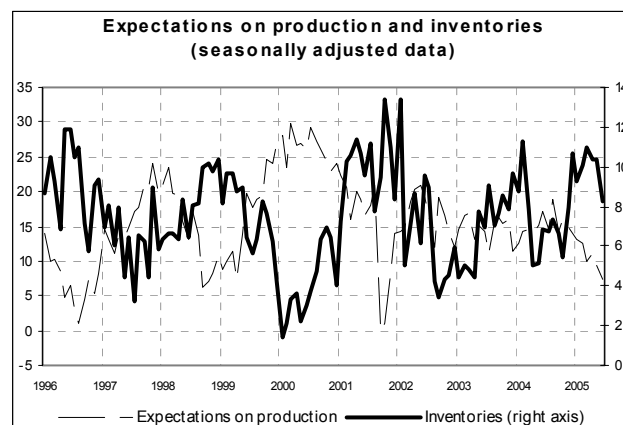


Forecasts for next quarter

In June, ISAE respondents are definitely more pessimistic than in May both on their main firm variables and – in particular - on the general economic trend. In financial terms, the available liquidity and the cost of money are both expected to decrease.

The balances of order-book and production expectations both diminish from 11 and 9 to 8 and 7 respectively, which are among the lowest levels ever reached since October 2001. Indeed, firms also expect an employment contraction for the next few months (the raw balance passing from -2 to -7), alongside with a selling price reduction (the balance falling from 6 to 4). The general economic expectations for Italy are particularly negative and the balance deteriorates from -41 to -30, which is the lowest figure since August 1993. Expectations on the available liquidity decrease from -5 to -8, while expectations on the cost of money slightly fall from 17 to 14 (in terms of balance).

All in all, forecasts are rather homogeneous in the various sectors: in investment goods, the balances referring to expectations on order books and production clearly decrease from 10 and 12 to 2 and 7, those on prices diminish from 11 to 6 and forecasts on the general economic prospects fall from -23 to -29. Indeed, entrepreneurs also expect a contraction in employment (the raw balance passing from -4 to -8), liquidity (the seasonally adjusted balance decreasing from -7 to -9) and the cost of money (from 25 to 17). In consumer goods, expectations worsen with reference to order books (from 20 to 16), to production (from 15 to 13) and, in particular, to the country's general economic situation (from -26 to -40). Also in this sector, employment, the available liquidity and the cost of money are expected to go down (from 2, 0 and 20 to -4, -4 and 16 respectively). Expectations on order books, production, employment and cost of money worsen also in intermediate goods. Indeed, the worst deterioration is observed in expectations on the country's general economic situation, passing (in terms of balance) from -42 to -27).



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

	Confidence climate	Order-book level	Finished goods inventories	Expectations on production
March 2005	85.0	-21	11	10
April 2005	84.8	-24	10	11
May 2005	84.3	-24	10	9
June 2005	84.2	-24	8	7

The main results of the Survey on exports

The export turnover clearly improves in Q2 2005 more than in the previous quarter: indeed, the seasonally adjusted balance goes from -10 to -4 and for Q3 as well entrepreneurs expect a slight growth in their export turnover (the balance passing from 10 of Q1 to 12 in Q3). Besides, the number of those reporting significant export constraints diminishes from 49 to 46%, thanks in particular to the decreasing role of the item “other reasons” (signalled by 21% of respondents as against 24% in the previous Survey) due to the euro-dollar exchange rate depreciation. Conversely, the role of cost factors is growing (from 30 to 32% of the sample mention it), maybe linked to the international price trend of energy raw materials. Indeed, financing costs and delivery delays, as general problems referring to the product quality, are not perceived as fundamental, even though their share is slightly increasing.

Among the major competitors, the role of China (which is an important competitor for 31% of respondents, as against 26 in the previous Survey) is further growing, as are the shares of France (mentioned by 16% of respondents compared to 14% in the previous Survey) and of other EU countries (other than France, Germany and the United Kingdom), passing from 16 to 18% of the sample. Quite the reverse, a contraction is observed in competition from Germany, while the shares of the USA, the United Kingdom and of other countries remain stable. With regard to exports by geographical area, a fundamental (though diminishing) role is played by France and Germany, while the remaining EU countries receive about 32% of exports, 8% go to the USA and 17% to the rest of the world. Finally, according to the ISAE sample, the ratio between export and producer prices remains stable in Q2.

