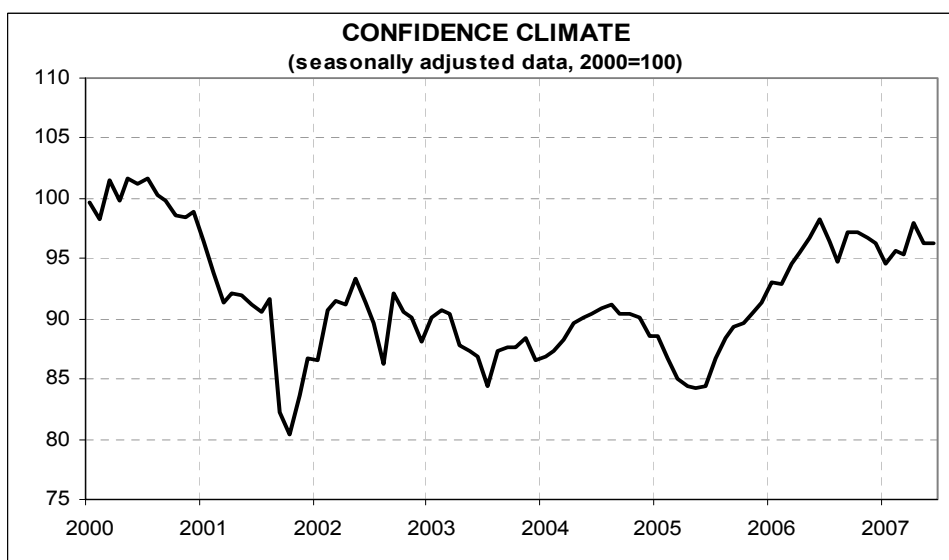


MANUFACTURING FIRMS' CONFIDENCE REMAINS VIRTUALLY STABLE IN JUNE

- The seasonally adjusted confidence index (2000=100) came in at 96.3 (96.2 in May), staying above its first quarter average
- Assessments on the current level of orders slightly bettered, and inventories of finished products and production expectations remained unchanged. The opinions on the trend in production also continued to improve (reaching a twelve-year high in the investment goods sector)
- Confidence bettered among producers of consumer goods (from 96.4 to 97.3) but declined in the investment and intermediate goods sectors (from 99.9 to 99.3 and from 94.1 to 93.1, respectively)
- Virtual stability recorded at the national level was the result of a slight worsening in confidence in the North and the Centre and a marked improvement in the *Mezzogiorno*

IN THE 2Q 2007, FORECASTS FOR EXPORT TURNOVER START TO IMPROVE ONCE MORE, BUT EXPORT CONSTRAINTS INCREASE

- As for export turnover, assessments on the trend in the last three months worsened, but short-term forecasts improved. The export to domestic price ratio slightly lowered as well (compared to the high levels hit in the previous quarters)
- Among the factors limiting export activity, higher pressures were connected to prices and costs (probably due to the exchange rate appreciation) and to red tape
- With regard to export destinations, the proportion of exports going to France and Germany improved at the expense of those directed towards the other European Union countries. The share of the rest of the world remained, instead, basically stable
- The number of firms identifying France, Germany and the United Kingdom as main competitors on international and domestic markets diminished. On the contrary, the share of those perceiving higher competitive pressures from the other European countries increased. Likewise, the proportion of firms complaining about strong competition from the United States and China decreased, whereas respondents signalling competitive pressures from other unspecified countries in the rest of the world rose



Data on July shall be released on July 25, 2007

The next ISAE surveys are scheduled as follows:

June 27: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: June), ISAE Monthly Business Services Survey (reference period: June) and ISAE Monthly Survey on Construction (reference period: May)

July 5: ISAE International Comparison of Consumer and Business Surveys (reference period: June)

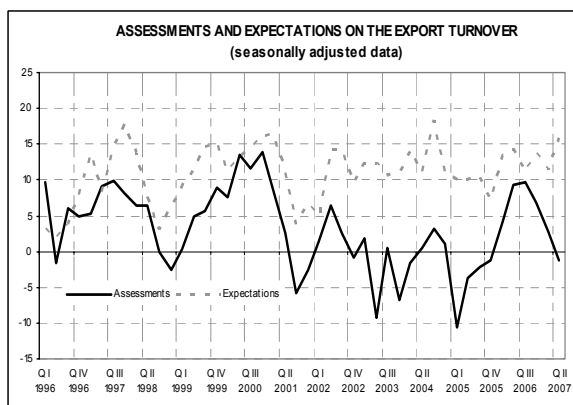
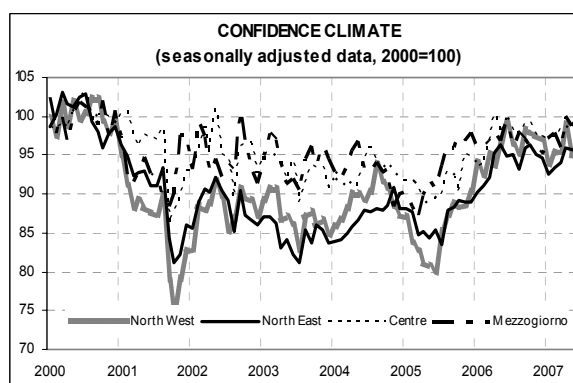
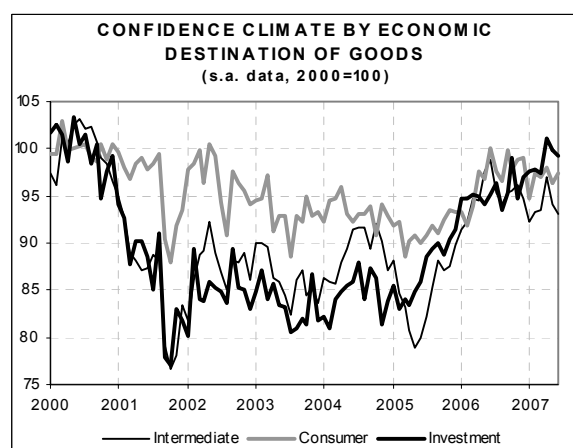
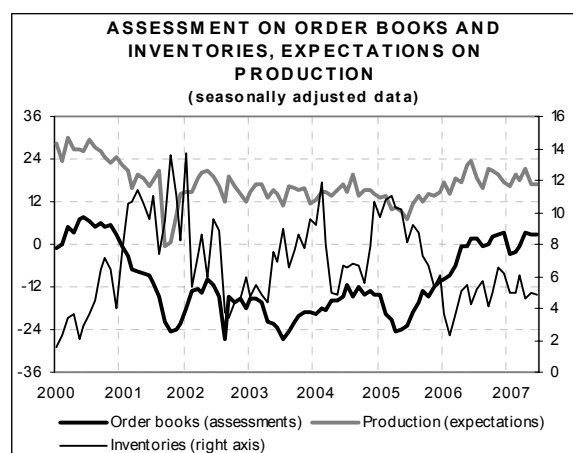
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE Survey, carried out on a panel of about 4,000 respondents between June 1 and June 19, pointed to stability in the seasonally adjusted confidence index of manufacturing and mining firms. In June, the indicator stood at 96.3 (compared to 96.2 in May), above its first quarter average. The opinions on current orders edged up slightly, while inventories and production expectations remained unchanged.

Confidence improved among producers of consumer goods (from 96.4 to 97.3), but deteriorated in the investment and intermediate goods sectors (from 99.9 to 99.3 and from 94.1 to 93.1, respectively).

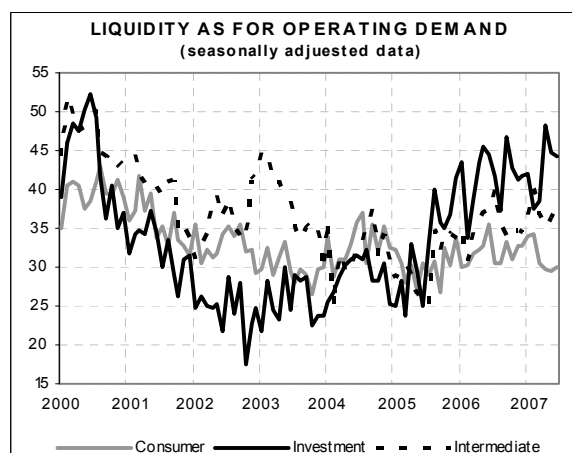
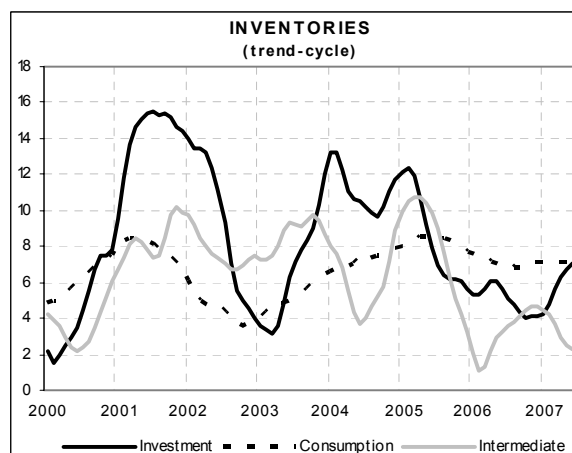
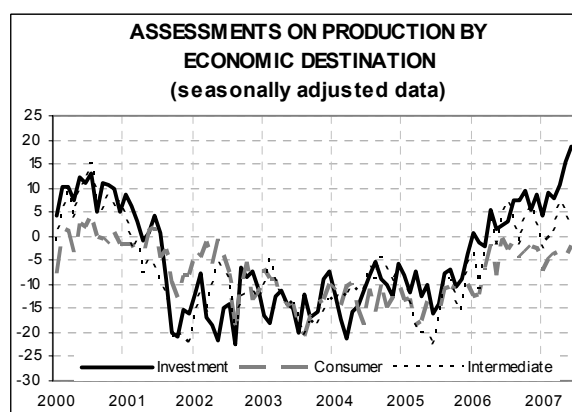
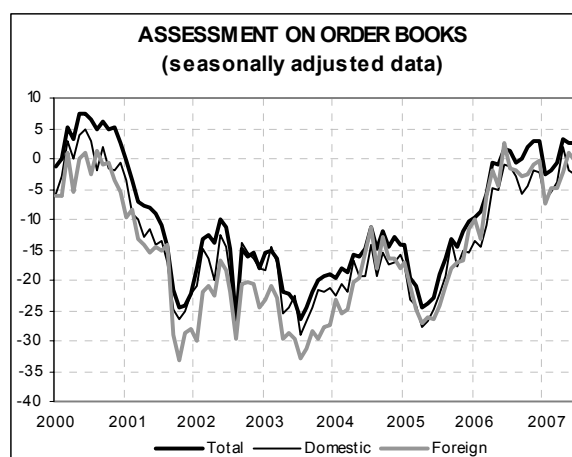
According to the traditional ISAE quarterly survey, for export turnover the evaluation of the trend in the April-June period worsened, but forecasts bettered. Moreover, the export to domestic price ratio slightly diminished (compared to the high levels hit in the previous quarters). However, firms signalled an increase in factors limiting exports, mainly due to price constraints (probably in connection with the appreciation of the exchange rate) and red tape. As for export destinations, the proportion of exports going to France and Germany increased at the expense of those directed towards the other European Union countries. The share of the rest of the world remained, instead, basically stable. Finally, the number of firms identifying France, Germany and the United Kingdom as main competitors on international and domestic markets diminished. On the contrary, the percentage of those perceiving competitive pressures from the other European countries increased. Likewise, the proportion of firms complaining about strong competition from the United States and China decreased, whereas the respondents signalling competitive pressures from other unspecified countries in the rest of the world rose.



Situation in the reference period (June 2007)

The balance for opinions on the trend in current orders increased to 2 from 3, though (due to seasonal adjustments) both the domestic and the foreign components of demand diminished (from -2 to -3 and from 1 to 0). Moreover, the recovery in the opinions on the level of production was confirmed (the balance rose from 4 to 5, the highest level since the end of 2000), in the presence of stability for inventories and for the ratio of liquidity to operational requirements (the balances stayed at 5 and 36, respectively).

At the industry level, demand showed signs of recovery in the consumer goods sector: the balance for orders grew from -5 to -3, prompted mainly by the rise in domestic demand (from -9 to -7; as against a fall from -7 to -8 in foreign demand). Accordingly, inventories inched down (from 8 to 7), the opinions on production improved (from -5 to -2) and company liquidity remained stable (at 30). For investment goods, the evaluation of the overall trend in orders was positive (the balance rose from 17 to 19), even though respondents were more cautious about the trend in the individual markets (the balances for domestic and foreign demand declined from 8 to 6 and from 13 to 8, respectively). At this stage, investment goods firms continued to increase production (the balance rose from 15 to 19, the highest level since 1995), thus also restocking inventories (the related balance increased from 7 to 9), in the presence of basic stability, at a high level, for company liquidity. Lastly, in the intermediate goods sector, a decline characterized the opinions on orders (from 1 to -1: from -1 to -4 for domestic demand and from 3 to 1 for foreign demand), as well as those on production (from 4 to 3). Inventories started to build up again (from 1 to 3). Lastly, in an opposing trend, the level of liquidity for operational requirements moderately increased (from 36 to 37).



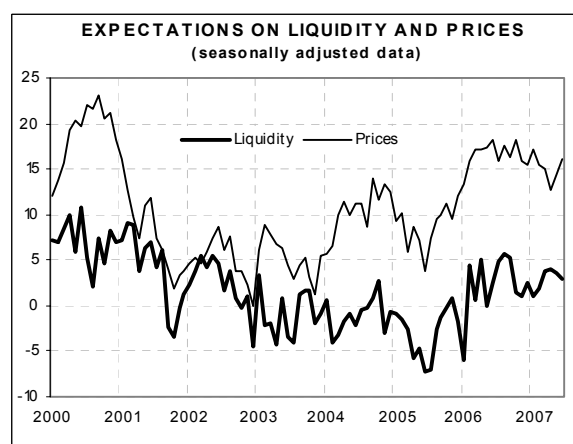
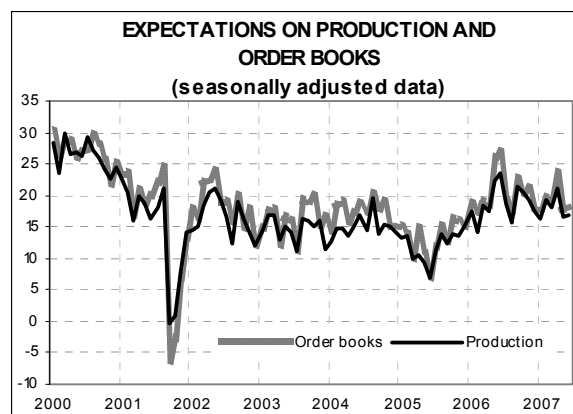
Outlook for the following three months

In June, forecasts for the main company variables and the general prospects for the Italian economy held basically stable at their previous month levels. Expectations for orders edged up slightly (the balance rose from 18 to 19), while those for production, employment and liquidity stagnated (at 17, 3 and 3, respectively). Prospects for industrial selling prices started to increase once more (the balance rose from 14 to 16). As for the Italian economy in general, firms remained cautious and the balance stayed at 0 (as in the previous month).

At the industry level, producers of intermediate goods gave more favourable indications, whereas firms in the final goods sector were more cautious. In detail, for intermediate goods, prospects for orders improved from 12 to 15, while those for production came to a standstill (at 11). Expected selling price pressures increased (the balance rose from 17 to 20, the highest value since March), and expectations for employment and for liquidity diminished slightly (the balances lowered from 1 to 0 and from 2 to -1, respectively). Finally, firms in this sector were clearly more pessimistic over the previous month about short-term prospects for the Italian economy (the balance moved from 1 to -4). In the consumer goods sector, expectations for orders, liquidity and the general economic trend declined (in the order, from 21 to 17, from 2 to -1 and from 4 to 2), while those for selling prices remained stable (at 11). Entrepreneurs in this sector were instead more optimistic with respect to the previous month for employment prospects (the balance rose from 1 to 3). Lastly, for investment goods, virtual stability characterized anticipations for orders, production, employment, company liquidity and selling prices, as well as those for the general economic trend.

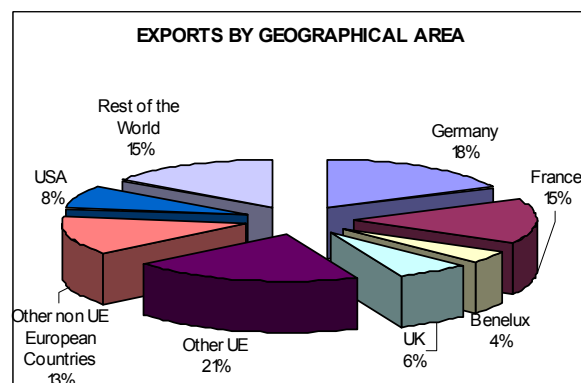
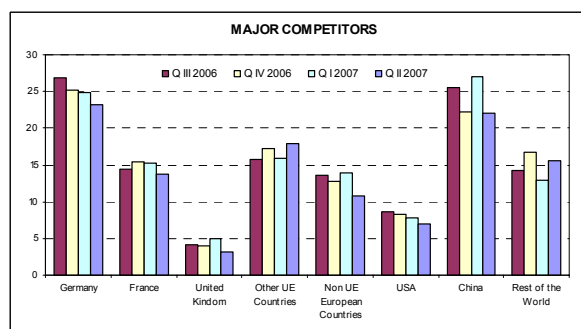
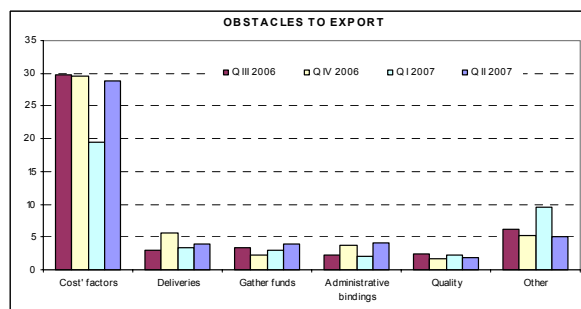
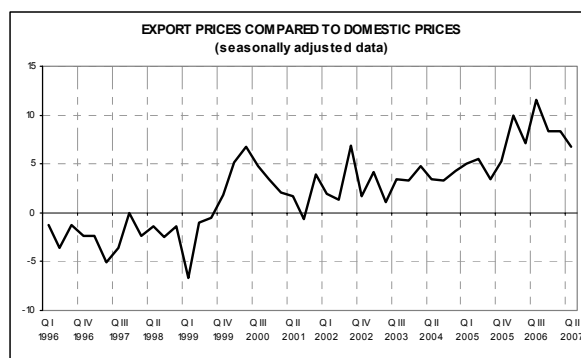
Manufacturing firms' confidence climate and balances of indicator-building series

	Confidence climate	Order-book level	Inventories	Expectations on production
March 2007	95,3	-1	6	18
April 2007	97,9	3	5	21
May 2007	96,2	3	5	17
June 2007	96,3	3	5	17



The ISAE quarterly survey on exporting firms

According to the ISAE quarterly survey on exporting firms (for which exports accounted on average for about 38% of total sales), in the second quarter of 2007 respondents worsened their assessments on current export turnover, but improved their prospects for the following three months: the seasonally adjusted balance for the present quarter actually declined from 3 to -1, while that for short-term expectations rose from 11 to 16. However, firms indicated higher export constraints, and the share of those reporting considerable obstacles increased from 30% to 37.9% (following the sharp decline recorded in the previous quarter): in particular, the percentage of firms signalling “cost”, “red tape” and “financial” constraints started to increase once more (moving in the order from 19.5% to 29%, from 2% to 4% and from 3% to 4%). The ratio between export and domestic prices lowered slightly (compared to the high levels hit in the previous quarters). Moreover, the proportion of firms identifying Germany, France and the United Kingdom as major competitors diminished, while the share of those perceiving higher competitive pressures from the other European countries increased. Likewise, the proportion of firms complaining about competition from the United States and China decreased, whereas respondents signalling competitive pressures from other unspecified countries in the rest of the world rose. Finally, the breakdown by main export destinations showed an increase in the share of exports going to France and Germany (at the expense of the other European Union countries) and stability for exports to the United States and the rest of the world.



Regional breakdown of ISAE survey results

In June, virtual stability recorded by confidence at the national level was the result of a slight deterioration in the North and the Centre (the seasonally adjusted index moved from 95.1 to 94.8 in the North West, from 95.7 to 95.6 in the North East and from 98.8 to 97.8 in the Centre) and of a steady improvement in the *Mezzogiorno* (in this case the indicator grew from 98.8 to 99.8, reverting to the level reached last April). The decline recorded in the North and the Centre was due to the worsening in the assessments on orders, whereas production expectations and inventories of finished products sent contrasting signals. Furthermore, export turnover declined in the North and increased in the Centre and the South. On the whole positive indications came from expectations for turnover, while export prices were considered to be rising in the North East and the Centre and declining in the rest of the country.

North West

Confidence worsened slightly: the opinions on the level of demand deteriorated (pessimism distinguished both domestic and foreign markets), and inventories built up. Production expectations sent positive indications. As for exports, the opinions on turnover sharply worsened (the balance went back in negative territory for the first time since the fourth quarter of 2005) and prices lowered. Instead, expectations for export turnover markedly improved.

North East

The slight decline recorded by confidence in this area was essentially the result of a worsening in production expectations, which came along with stability in the evaluation of the level of orders (in this case the opinions on orders improved for the foreign markets and deteriorated for the domestic one) and with a de-stocking of inventories. Moreover, for the third quarter running, the opinions on export turnover worsened, while expectations for the following quarter improved. Export prices were instead considered to be rising.

Centre

The deterioration in confidence was due to increasingly negative assessments on orders and to less favourable production expectations. The balance for inventories of finished products remained instead stable at a historical low level. On the other hand, a general improvement characterized the opinions on export turnover, while the balance for expectations declined. Export prices were considered to be slightly edging up.

Mezzogiorno

The improvement in entrepreneurs' confidence in the *Mezzogiorno* stemmed from a clear recovery in both the assessments on the level of orders (optimism characterized only the domestic market) and production expectations. The opinions on inventories of finished products remained on the whole stable. Lastly, for exports both assessments and forecasts on turnover improved, whereas the balance for the evaluation of export prices sharply diminished.

