

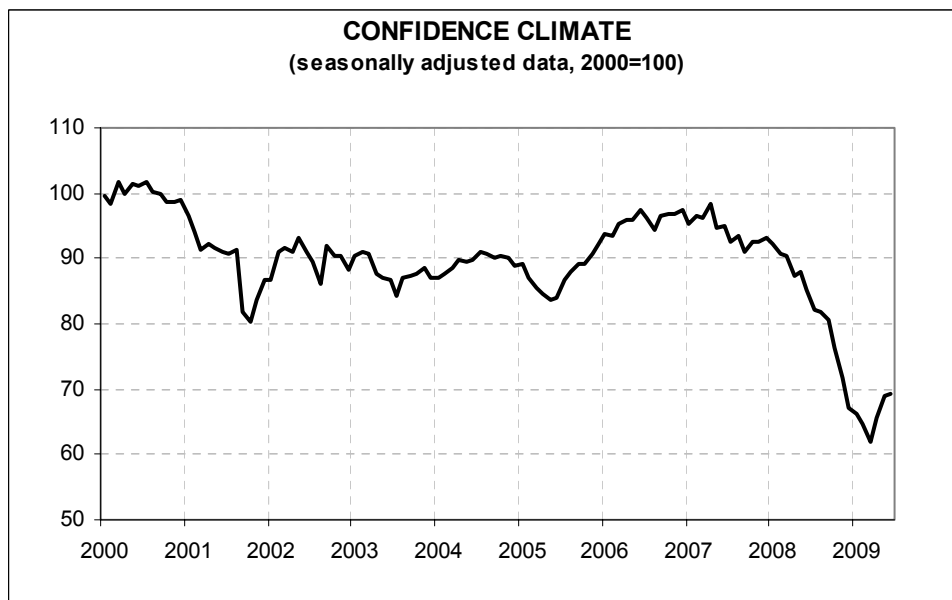
Date: June 25, 2009

IN JUNE MANUFACTURING FIRMS' CONFIDENCE IMPROVES FURTHER

- The seasonally adjusted confidence index (2000=100) increased to 69.3 from 68.8 in the previous month
- Growth was mainly due to a moderate improvement in the opinions on the current state of demand and on production expectations. However, inventories started to inch up again
- At sector level, the most optimistic firms were mainly the producers of intermediate goods (from 65 to 65.7). Confidence, instead, slightly worsened in the investment goods sector (from 63.2 to 62.5) and remained practically unchanged for consumer goods (moving from 78.5 to 78.4)
- At the regional level, confidence bettered in the North East (from 67 to 67.2) and the Centre (from 74.7 to 76.1), stayed virtually stable in the *Mezzogiorno* (from 77.4 to 77.3), and edged down in the North West (from 67.8 to 67.5)

IN THE 2Q 2009 OPINIONS AND FORECASTS ON EXPORT TURNOVER ALSO SEND SIGNS OF RECOVERY

- The export to domestic price ratio recuperated as well
- However, the share of respondents indicating the presence of factors limiting export activity started to increase once more, mainly because of difficulties related to costs and also “other factors”, probably connected to the current sluggishness of demand
- Germany and China were again perceived as main competitors on domestic and foreign markets
- Lastly, among export markets, the role of Germany and the United Kingdom strengthened at the expense of the other EU countries. Entrepreneurs also considered a rise in the share of exports going to markets other than Europe and the United States



Data on July shall be released on July 29, 2009

The next ISAE surveys are scheduled as follows:

July 28, 2009: ISAE Monthly Consumer Survey (reference period: July)

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)

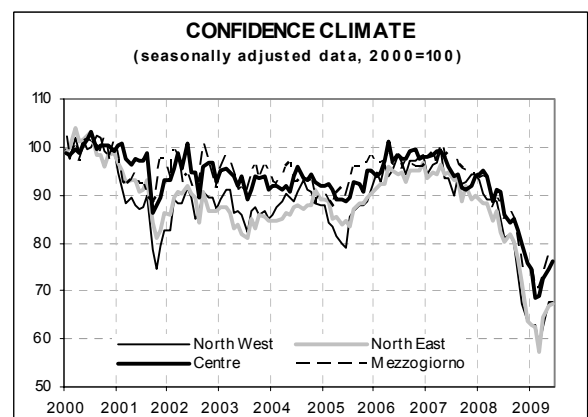
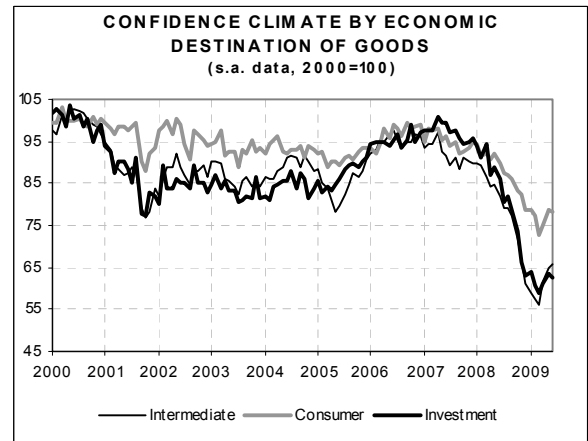
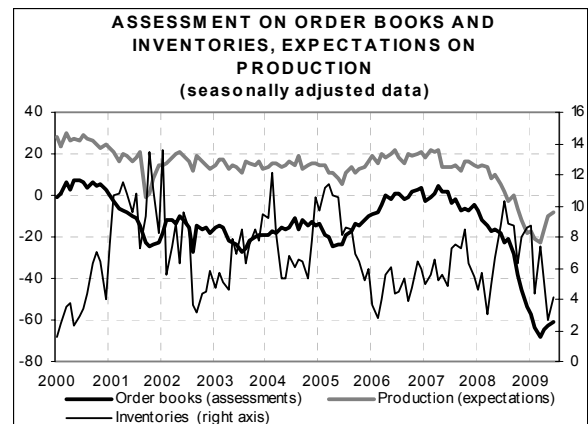
General results

According to the ISAE Survey carried out between June 1 and June 19 on a panel of about 4,000 firms, the seasonally adjusted confidence index of manufacturing and mining firms (2000=100) rose in June from 68.8 to 69.3, about four points above the average of the first five months of the year. Moderate signs of recovery came from the current state of demand (higher for foreign demand) and the level of production, but inventories started to build up once more. The re-stocking of inventories was consistent with the improvement of expectations for orders and production. Also employment prospects sent signs of recovery. On the other hand, firms downgraded their forecasts for selling prices.

Entrepreneurs' assessments showed a mixed picture at both sector and regional levels. Confidence mostly increased for intermediate goods (the index moved from 65 to 65.7), but worsened for investment goods (from 63.2 to 62.5). For producers of consumer goods the index remained virtually stable (moving from 78.5 to 78.4). At the regional level, signs of optimism emerged in the Centre (where the index bounced from 74.7 to 76.1) and the North East (from 67 to 67.2). Confidence remained instead practically unchanged in the *Mezzogiorno* (moving from 77.4 to 77.3) and, lastly, moderately declined in the North West (from 67.8 to 67.5).

The traditional ISAE quarterly survey on exporting firms also showed signs of recovery. In the second quarter of 2009, opinions and forecasts on export turnover improved and the export to domestic price ratio recuperated once more. However, the share of respondents indicating the presence of factors limiting export activity started to increase again, mainly because of difficulties related to costs and also "other factors", probably connected to the current sluggishness of demand. Moreover, Germany and China were again perceived as the main competitors on domestic and foreign markets. Lastly, among export markets, the role of Germany and the United Kingdom strengthened at the expense of the other EU countries.

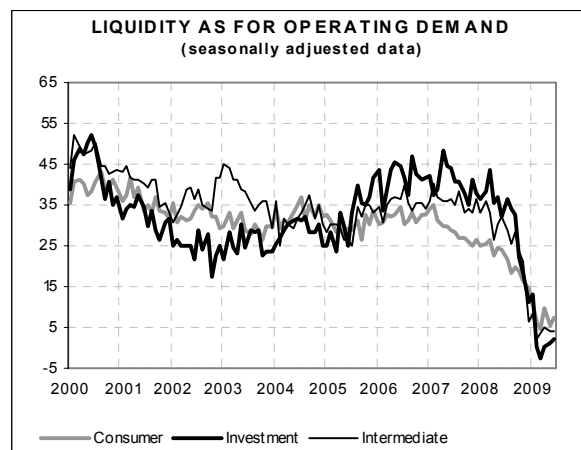
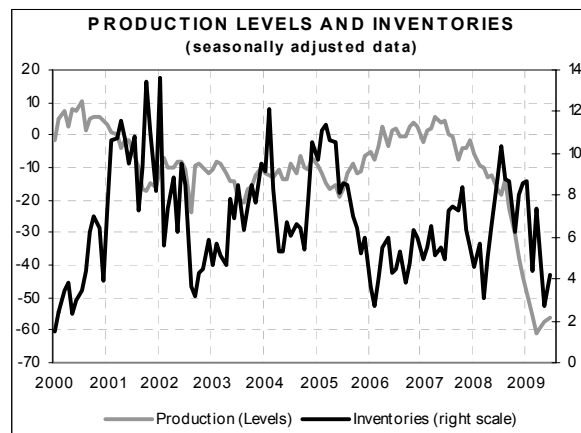
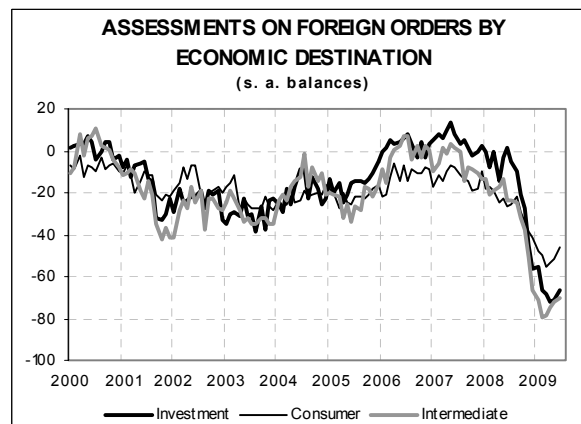
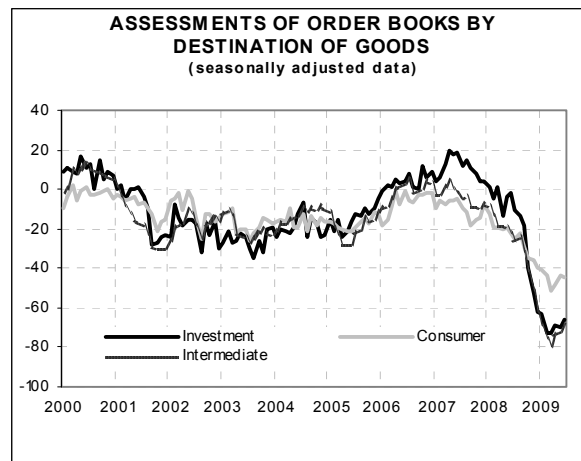
Entrepreneurs also considered a rise in the share of exports going to markets other than Europe and the United States.



Situation in the reference period (June 2009)

In June, manufacturing firms gave a more confident appraisal of main company variables, confirming the very modest signs of recovery emerged in the previous month. The balance for the opinions on orders reached -61 (from -62 in May), thanks to a strong recovery in foreign demand (from -67 to -63) and a more moderate rise in the domestic component (from -61 to -60). Compared to the previous month, entrepreneurs recorded a recovery in the level of production (the balance rose from -58 to -56) and in company liquidity (from 3 to 5). However, they signalled a moderate restocking of inventories (from 3 to 4).

At sector level, investment goods firms were the most optimistic: their opinions on orders recovered four points (rising from -70 to -66). The improvement in this sector was prompted by firms' decidedly more positive assessments on foreign demand (the balance increased from -72 to -66); also liquidity rose slightly (from 1 to 2). The level of production remained instead stable (at -65) and inventories strongly built up (from 5 to 11). Entrepreneurs in the intermediate goods sector were instead more cautious. They gave favourable opinions on overall orders (the balance moved from -71 to -69; from -71 to -70 for domestic demand and from -72 to -71 for foreign demand). Firms in this sector reported stability for company liquidity and inventories (at 4 and 1 respectively), but viewed a recovery, for the third month running, for the level of production (from -67 to -65). Unlike firms in the other sectors, producers of consumer goods considered a net recovery in foreign demand (the balance increased from -51 to -46) and stability for the domestic component (at -43). They also viewed an upturn in the level of production (from -42 to -40) and a moderate restocking of inventories (from 4 to 6). Also company liquidity was considered to have improved (from 5 to 7).



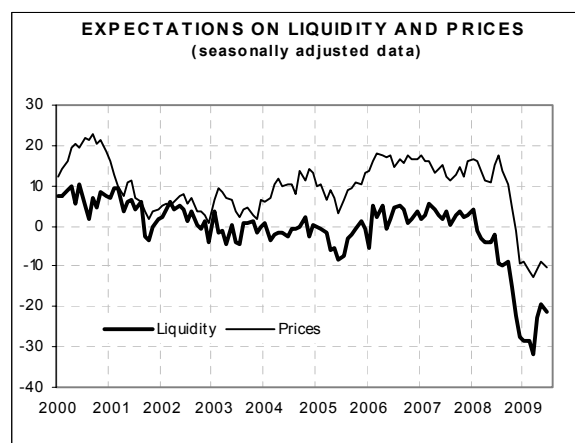
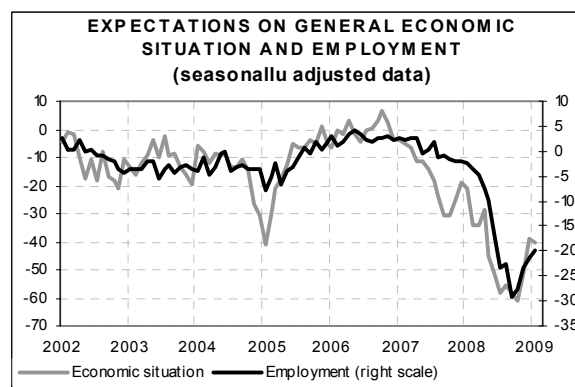
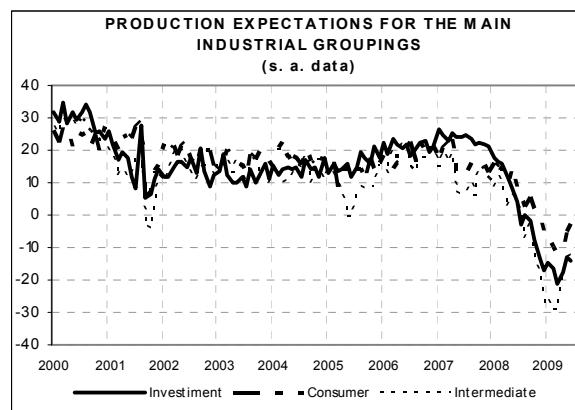
Outlook for the following three months

In June, for the following three months firms made mixed forecasts for developments in main company variables and the Italian economy in general. The balance for expected orders remained stable at -5, while the one for production and employment improved slightly (from -10 to -8 and from -22 to -20, respectively). Instead, prospects for selling prices, the country's general economic situation, and company liquidity declined somewhat (in the order, from -9 to -10, from -39 to -40, and from -20 to -21).

At sector level, overall forecasts gave contrasting signals: producers of investment and intermediate goods were more optimistic than producers of consumer goods. In detail, in the investment goods sector, firms' prospects for demand improved slightly (from -3 to -2), those for production worsened (from -13 to -14), and the ones for prices and company liquidity tumbled (from -9 to -12 and from -21 to -27). Forecasts for employment moderately bettered (from -20 to -17) notwithstanding a plunge in prospects for the overall economy (from -27 to -32). For intermediate goods, stability in the balances for orders and selling prices (at -11 and -15, respectively) came along with a slight improvement in production expectations (from -13 to -12) and a sharp deterioration in prospects for the country's general situation (from -38 to -42). Firms in this sector also predicted a moderate worsening in the trend for company liquidity (from -27 to -28) and an improvement for employment in the following three months (from -24 to -23). Lastly, in the consumer goods sector, firms showed marked optimism about expectations for orders and production (from -3 to -1 and from -5 to -3). However, forecasts for the general economic situation and company liquidity deteriorated (from -26 to -29 and from -13 to -15). The balance related to expectations for selling prices increased (from -3 to -5), whereas the one for employment remained stable (at -20, as in May).

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

	Confidence climate	Order-book level	Inventories	Expectations on production
Mar. 2009	61.9	-68	7	-23
Apr. 2009	65.6	-64	5	-17
May 2009	68.8	-62	3	-10
June 2009	69.3	-61	4	-8



Regional breakdown of ISAE survey results

In June, the moderate recovery in manufacturing firms' confidence posted at the national level was the result of diverging patterns across regions. The country was practically divided into two areas: one optimistic, comprising the Centre and the North East, and the other more conservative, formed by the North West and the *Mezzogiorno*. In detail, the index improved sharply in the Centre (from 74.7 to 76.1), more moderately in the North East (from 67 to 67.2), remained virtually stable in the *Mezzogiorno* (moving from 77.4 to 77.3), and went down slightly in the North West (from 67.8 to 67.5). Lastly, the traditional ISAE quarterly survey on exporting firms showed an improvement in the opinions and, above all, in the forecasts for export turnover. In the second quarter of 2009, the balance for the latter variable turned again positive, following two consecutive quarters in which pessimistic firms outweighed optimistic ones.

North West

In this area, the confidence index lowered, reaching its November 2008 level. The opinions on the level of orders improved only moderately (from -67 to -66), hampered by stagnant domestic demand and a sharp restocking of inventories (from 0 to 4). Production expectations sent moderately positive signals (from -12 to -11). Moreover, short-term expectations for export turnover bettered (from -19 to -10), though the opinions for the trend in the second quarter remained negative (from -34 to -35).

North East

The confidence indicator continued to improve mainly thanks to better prospects for production (from -8 to -4). The opinions on orders remained practically unchanged (from -63 to -64), but inventories started to accumulate (from 6 to 9). The traditional quarterly survey on exporting firms showed an improvement for both opinions (from -43 to -24) and forecasts (from -19 to 2) for export turnover.

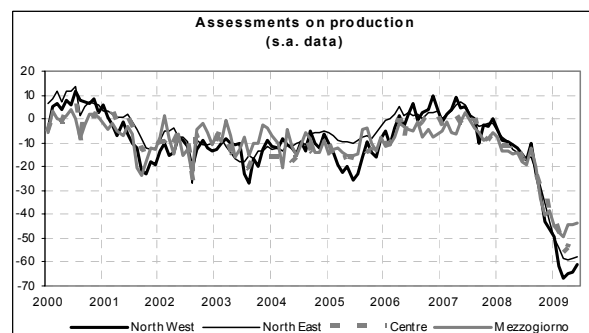
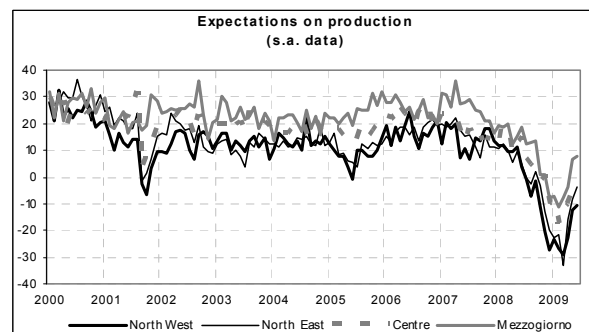
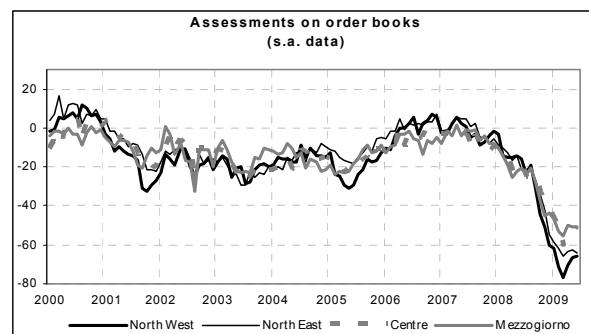
Centre

The indicator picked up once more, going four points above the average of the first six months of 2009. The

improvement distinguished both the opinions on the level of orders (from -54 to -51) and production expectations (from -6 to -5). Assessments on the level of inventories remained unchanged (at 0). According to the traditional quarterly survey, also in this area opinions and forecasts for export turnover picked up (rising from -27 to -21 and from -16 to -1, respectively).

Mezzogiorno

More negative indications on the level of orders (from -50 to -51) were offset by a slight recovery in production expectations (from 7 to 8). Inventories remained stable (at 7). According to the ISAE quarterly survey, also in this case opinions and forecasts on export turnover recuperated (from -17 to -11 and from -1 to 9, respectively).



The ISAE quarterly survey on exporting firms

In the second quarter of 2009, the traditional ISAE quarterly survey on exporting firms (for which exports accounted on average for about 36.5% of total sales, lower than the 37.4% recorded in the previous survey) pointed to a recovery in respondents' assessments on present and future export turnover. The balance for the current situation picked up from -34 to -26 and the one for the following three months hit -6 (from -16). Furthermore, the ratio between export and domestic prices started to increase once more (the seasonally adjusted balance rose from 1 to 5). However, the share of surveyed firms reporting the existence of considerable obstacles limiting their export activity grew slightly. In particular, the rise distinguished firms signalling constraints deriving from costs and price factors (from 15.7% to 18.8% of the sample) and from the quality of goods (from 2.1% to 4.5%). Also the share of firms citing other factors remained elevated, probably due, at this stage, to the current sluggishness of demand (27.4% of the sample, compared to 28.6% in the first quarter). Germany and China were considered Italy's main competitors in domestic and foreign markets. Lastly, among export markets, the role of Germany, the United Kingdom and the non-European countries, other than the United States, increased.

