

**June 30, 2010**

Data on July shall be released  
on July 29, 2010

The next ISAE surveys are scheduled as  
follows:

**July 23, 2010:** 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 website  
[www.isae.it](http://www.isae.it))

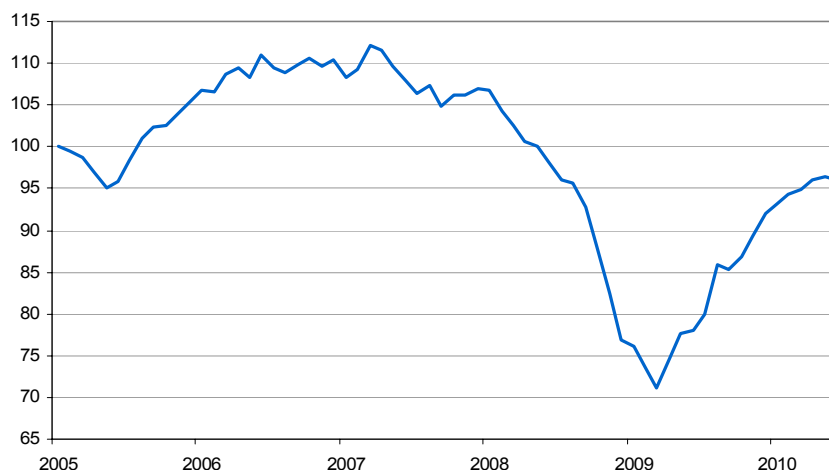
## MANUFACTURING FIRMS' CONFIDENCE REMAINS VIRTUALLY STABLE IN JUNE

- The seasonally adjusted overall confidence index (2005=100) moved to 96.1 from 96.4 in the previous month
- The fall in orders and demand (which was concentrated in the domestic component) contrasted with a further de-stocking of inventories and more optimism in production expectations
- Firms also expressed better forecasts for the future volume of orders, employment, and mainly the country's economic trend
- Differences emerged at both sector and regional level. Confidence actually improved in the intermediate goods sector (from 98.8 to 101.3), remained virtually stable for consumer goods (from 98.5 to 98.8), and diminished instead for investment goods (from 91.7 to 91)
- As for macro-regions, confidence lowered in the North West and the *Mezzogiorno* (from 88 to 85.1 and from 81.9 to 80.2, respectively) and rose instead in the Centre (from 86.8 to 87.3) and especially in the North East (from 81.7 to 84.1)

## OPINIONS AND FORECASTS FOR EXPORT TURNOVER IMPROVE IN 2Q 2010

- The share of respondents indicating the presence of factors limiting their export activity also diminished. The export to domestic price ratio recovered
- Germany and China were again perceived as main competitors on domestic and foreign markets. Moreover, concerns over China's role as a competitor for Italian firms increased
- Among export markets, the share of exports to Germany grew at the expense of those headed to the United States and the rest of world

**CONFIDENCE CLIMATE** (index 2005=100, seasonally adjusted)



## Manufacturing firms' confidence

According to the ISAE Survey, carried out between June 1 and June 17 on a panel of about 4,000 firms, in June the seasonally adjusted confidence index of manufacturing and mining firms remained basically unchanged, moving to 96.1 from 96.4 in the previous month. Firms were pessimistic about the current trend in orders and production. However, inventories continued to diminish and production expectations moderately increased. Firms also expressed better forecasts for the future volume of orders, employment, and mainly the country's economic trend.

Some differences emerged at both sector and regional level. Optimism improved mostly among producers of intermediate goods (from 98.8 to 101.3). Confidence declined instead in the investment goods sector (from 91.7 to 91) and remained virtually stable for consumer goods (from 98.5 to 98.8). At the regional level, firms in the North West and the *Mezzogiorno* were more pessimistic than in the previous month (the index moved from 88 to 85.1 and from 81.9 to 80.2, respectively), unlike those in the Centre (where confidence rose from 86.8 to 87.3) and especially in the North East (from 81.7 to 84.1).

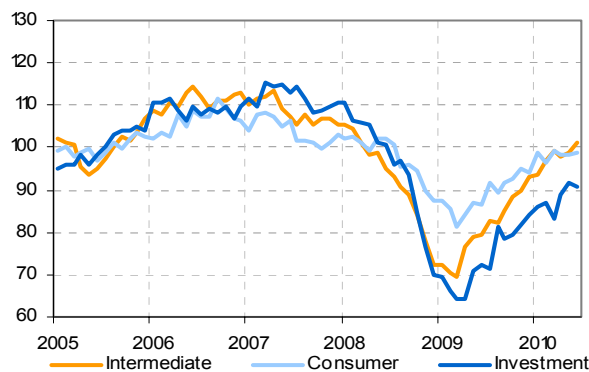
### Situation in the reference month (June 2010)

In June, manufacturing firms gave considerably more negative assessments on orders in general (from -34 to -38), mainly because of the deterioration in the domestic component of demand (from -37 to -39) which was not compensated by the modest recovery in its foreign component (from -35 to -34). Compared to the previous month, firms continued to indicate a fall in inventories (from -3 to -4) and in the level of production (from -35 to -36), as well as a slight increase in liquidity (from 15 to 16).

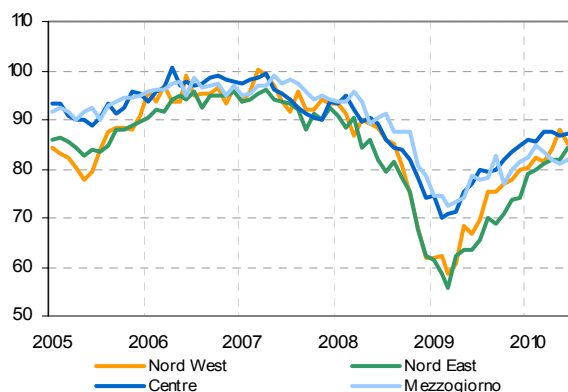
Intermediate goods firms were again the most optimistic: in this sector, entrepreneurs kept these assessments on overall orders stable (the balance remained at -33), whereas the level of production lowered slightly (from -31 to -32) and inventories dropped more markedly (from -5 to -8). Firms also considered a sharp improvement in liquidity (from 13 to 17).

In the investment goods sector, assessments on orders held steady (the balance stayed at -39). Firms reported also a moderate increase in the level of production (from -40 to -39), a de-stocking of inventories (from -1 to -3), and deterioration in company liquidity (from 17 to 14). Lastly, producers of consumer goods judged orders more negatively (from -28 to -32), mainly with regard to domestic demand (from -28 to -34). Firms in this sector acknowledged

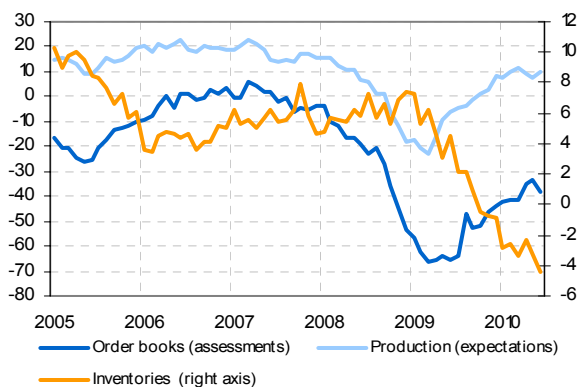
#### CONFIDENCE IMPROVES FOR INTERMEDIATE GOODS, WORSENS FOR INVESTMENT ONES, AND REMAINS STABLE FOR CONSUMER GOODS



#### CONFIDENCE DETERIORATES IN THE NORTH WEST AND THE MEZZOGIORNO, BETTERS IN THE CENTRE AND MOSTLY IN THE NORTH EAST



#### ORDERS AND PRODUCTION EXPECTATIONS WORSEN; INVENTORIES CONTINUE TO DIMINISH



a decline in the level of production (from -30 to -33), a slight de-stocking of inventories (from -1 to -3), and an improvement in company liquidity (from 12 to 15).

### Outlook for the following months

In June, prospects for main company variables and the country's economic situation bettered. In detail, the balance related to expectations for orders rose from 8 to 11 and the one for production from 8 to 10, while prospects for the country's economic situation recovered from -18 to -13. Also forecasts for company liquidity and employment recuperated slightly (from -6 to -5 and from -12 to -11, respectively). Lastly, expectations of price increase remained stable (at -5).

At sector level, producers of investment goods left their forecasts for orders and employment unchanged (at 7 and -11). However, production expectations worsened (from 6 to 4), while prospects for company liquidity improved (from -9 to -8). Expectations for prices and mainly the overall economic trend increased (from -2 to -1 and from -19 to -16, respectively). In the consumer goods sector, firms' forecasts for demand and company liquidity moderately recovered (from 12 to 13 and from -4 to -3). Prospects for production and the country's overall economic situation considerably bettered instead (from 10 to 13 and from -19 to -15). Nevertheless, deterioration characterized expectations for employment (from -12 to -13) and, above all, selling prices (from 7 to 3). Producers of intermediate goods were sharply more optimistic about prospects for orders (from 8 to 13), production (from 8 to 12), and overall economic conditions (from -18 to -11). Also the balances related to forecasts for selling prices and employment increased (from 8 to 10 and from -11 to -9, respectively).

### CONFIDENCE CLIMATE AND BALANCES FOR THE INDEX-BUILDING SERIES

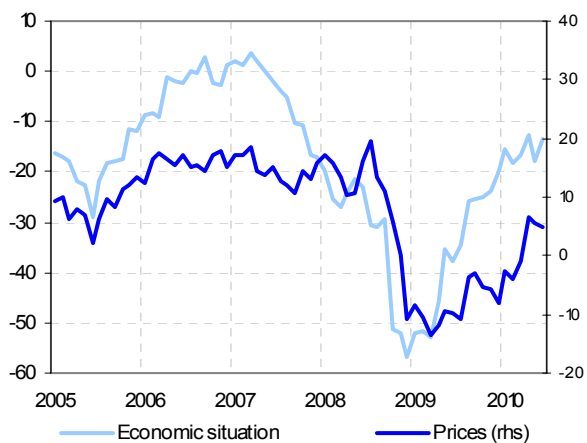
(seasonally adjusted data)

Month	Confidence climate	Level of orders	Inventories	Production forecasts
Feb. 2010	94.4	-41	-3	10
Mar. 2010	94.9	-42	-3	11
Apr. 2010	96.0	-35	-2	9
May 2010	96.4	-34	-3	8
June 2010	96.1	-38	-4	10

#### FORECASTS FOR ORDERS AND PRODUCTION IMPROVE...



#### ... THOSE FOR THE ECONOMIC SITUATION RECUPERATE, WHILE PROSPECTS FOR SELLING PRICES STABILIZE



## Focus: The ISAE quarterly survey on exporting firms

In the second quarter of 2010, the traditional ISAE quarterly survey on exporting firms (for which exports accounted on average for about 37.4% of total sales, lower than the 38.9% share recorded in the previous survey) pointed to a recovery in respondents' assessments on present and future export turnover. The related balances rose from -8 to 0 and from 5 to 6, respectively.

The export to domestic price ratio started to increase once more (the related seasonally adjusted balance moved from 1 to 3). Moreover, also the share of surveyed firms lamenting the existence of important obstacles limiting their export activity diminished somewhat (from 40.7% to 38.2%).

However, the percentage of firms

signalling constraints deriving from costs and price factors and delivery delays increased further (from 17.9% to 19.9% and from 2.2% to 4.1% of the sample, respectively). The number of entrepreneurs attributing constraints to "other factors" diminished instead, but remained high. The fall (to 18.8% of the sample from 21.6% in the first quarter) was probably due to the trend in demand. Italian firms continued to perceive Germany and China as major competitors in both domestic and foreign markets. Lastly, with regard to export destinations, the share of exports headed to Germany and, to a lesser extent, to the United Kingdom increased, to the detriment of the United States and other non-European countries.

### EXPORTS: PRICES, TURNOVER, AND VARIATIONS IN EX-POST AND EX-ANTE TURNOVER

(seasonally adjusted data)

Quarter	Export turnover	Change in ex-post export turnover (seasonally adjusted balance)	Change in ex-ante export turnover (seasonally adjusted balance)	Export prices: assessments (seasonally adjusted balance)
2Q 2009	37.4	-27	-5	3
3Q 2009	36.7	-14	0	2
4Q 2009	39.3	-13	1	2
1Q 2010	38.9	-8	5	1
2Q 2010	37.4	0	6	3

#### GERMANY AND THE UNITED STATES ARE ITALY'S MAIN COMPETITORS ...

#### ... WHILE THE EUROPEAN UNION COUNTRIES ARE ITS MAIN EXPORT MARKETS

