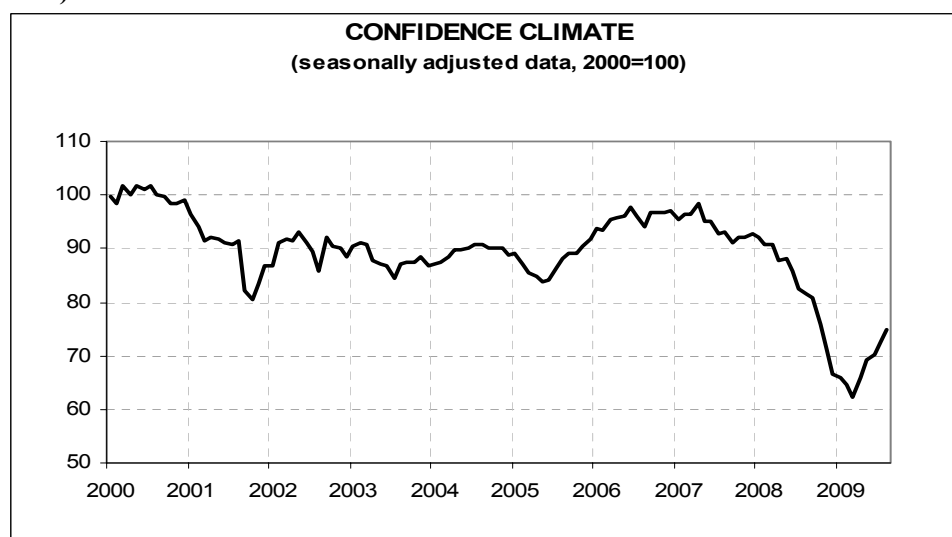




Date: 1 September 2009

THE CONFIDENCE OF MANUFACTURING BUSINESSES CLIMBS HIGHER IN AUGUST

- The index jumped to 74.8 from 72.4 last month, reaching its highest level since October 2008. The figure is computed net of seasonal factors, with the base year of 2000 = 100.
- With the inventory reduction phase having run its course, the rebuilding of stocks this month was mainly driven by a solid rebound in perceptions about order trends, from both the domestic market and abroad; expectations about production in the near term instead remained stable.
- The confidence was higher in all main sectors: the index rose from 61.9 to 67.4 for investment goods, from 82.2 to 83.5 in the case of consumer goods, and from 69.5 to 73.3 for intermediate goods.
- Signs of greater optimism have been seen in general across the board, including at a regional level and with regard to company size: a strong rebound in confidence was seen in the northwestern regions (from 71.6 to 75.1) and the northeastern regions (where the index went from 68.2 to 74.7); an increase was also seen in the southern regions (from 77.4 to 79.9) while the index for the central regions was essentially stable (from 78.4 to 78.5)
- As shown by a breakdown of the data according to company size, the indicator's growth between May and August was particularly pronounced for small businesses (up to 99 employees) and medium-sized businesses (100-250 employees), whereas the gain was more modest for large businesses.
- The data about the access to credit show a decrease in the number of rationed businesses, including those having severe and moderate difficulty in obtaining credit. In comparison with May (date of the most recent report), the businesses having severe difficulty (i.e. those for which the bank refused financing) went from 5.6% to 5%, whereas those experiencing moderate difficulty (i.e. those which refused financing because of excessively costly conditions) declined from 1.9% to 0.6%.



The data in relation to the month of September are to be published on 29 September 2009

The next planned ISAE surveys are:

28 September: ISAE monthly survey of consumers (month of reference: September)

The complete text of the ISAE surveys (in paper and electronic form) is available for sale, at the conditions indicated on the site: www.isae.it

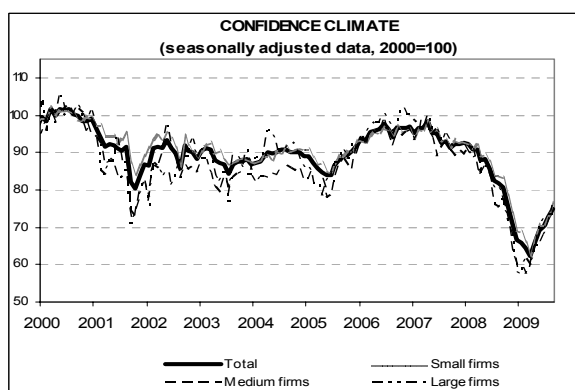
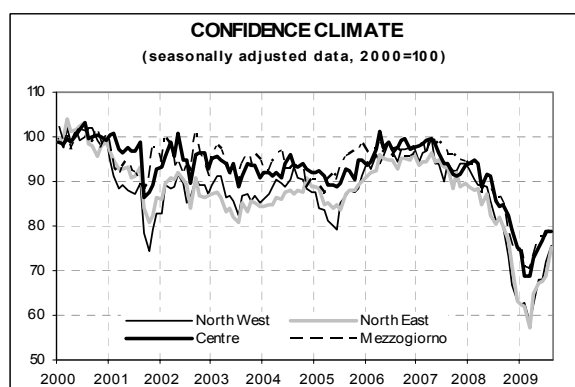
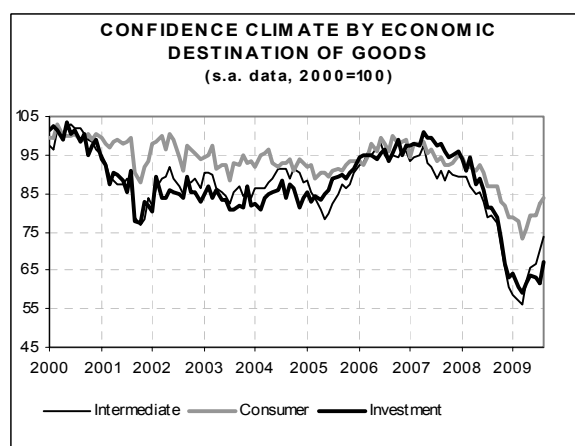
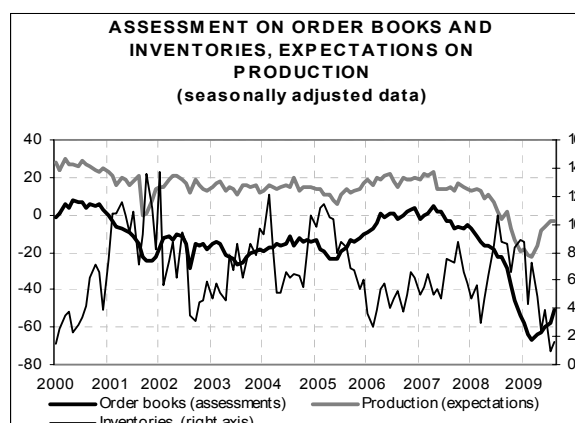
General results

The confidence climate in the manufacturing and mining sector received a significant boost during the month of August, with the index rising from 72.4 to 74.8, coming close to the level reported last October. The result is based on a survey of around 4,000 businesses conducted by ISAE from 29 July to 21 August.

The increase is mainly due to improvement in perceptions about the current status of orders with regard to both the domestic and foreign markets, and was particularly intense in the markets for intermediate and investment goods. After contracting in recent months, inventories were deemed to be slightly expanding, though remaining close to levels considered normal. At the same time, the short-term prospects for production held stable at the levels indicated last month. Significant improvement was also seen in the perceptions about production levels, the expectations about demand and employment and, more importantly, about the country's economic situation in general.

Confidence appeared to be gaining momentum in all of the productive sectors considered: the index for intermediate goods went from 69.5 to 73.3; the gain was smaller with regard to consumer goods (from 82.2 to 83.5), while the index was also higher for investment goods (from 61.9 to 67.4). Signs of greater optimism across the board were also evident in the figures at a regional level and with respect to company size: northwestern regions (from 71.6 to 75.1) and northeastern regions (where the index went from 68.2 to 74.7); the index was higher for the southern regions (from 77.4 to 79.9), while it remained stable with respect to the central regions (78.5 as in the previous month). As shown by a breakdown of the data according to company size, the indicator's growth between May and August was particularly pronounced for small businesses (up to 99 employees) and medium-sized businesses (100-250 employees),

whereas the gain was more modest for large businesses.

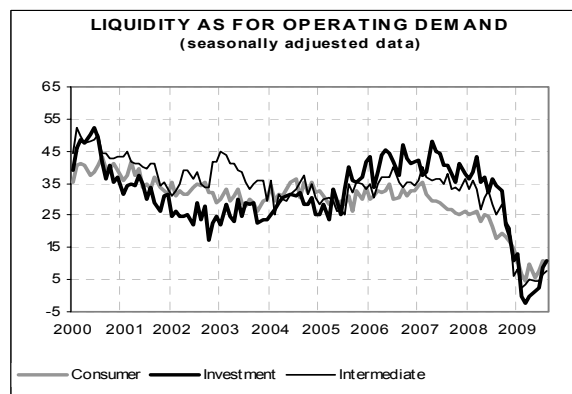
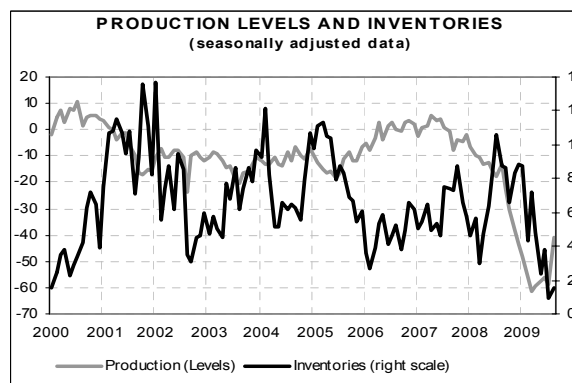
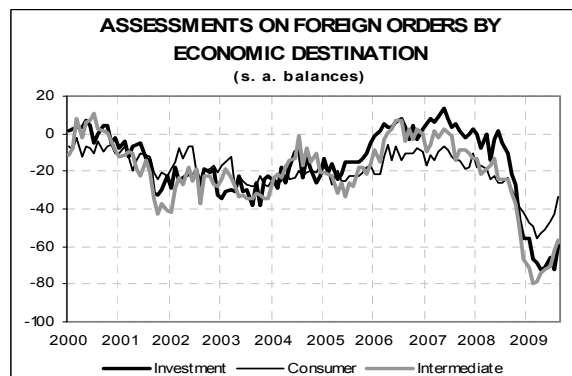
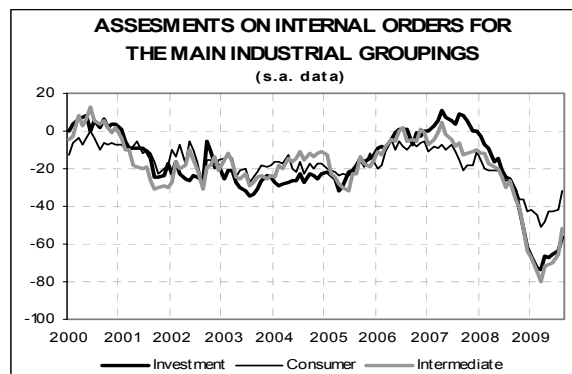


The data about the access to credit show a decrease in the number of rationed businesses, including both those having severe and moderate difficulty in obtaining credit. In comparison with May, the businesses having severe difficulty obtaining credit went from 5.6% to 5%, whereas those experiencing moderate difficulty obtaining credit declined from 1.9% to 0.6%.

Situation during month of reference (August 2009)

The perceptions of businesses about the level of demand in general improved dramatically in August, following modest signs of a rebound in the previous month: the balance in relation to orders recovered from -58 to -49, with an increase of domestic demand and more importantly, foreign demand (respectively, from -56 to -47 and from -61 to -49). Businesses also discern a strong rebound in current levels of production (from -59 to -41) and virtually no changes in finished product inventories (from 1 to 2) and corporate liquidity (from 8 to 9).

The perceptions are particularly favourable in the case of producers of intermediate goods: the improvements mainly regard the assessments about the current order levels (to -52 from -64), thanks to a sharp upturn in domestic demand (to -51 from -65) and a more limited increase in foreign demand (to -57 from -63). The picture is rounded out by sharp growth of productive levels (to -47 from -65), and reduction of inventories (to -4 from 0); liquidity for operating needs instead remained stable (8). The improvement in the perceptions about orders is more limited in the case of consumer goods (from -42 to -34), with a better performance for the domestic market (from -41 to -32) and a strong gain for the foreign component (from -43 to -33). The perceptions about productive levels also yield more optimism (from -43 to -24); inventories rise only slightly (from 2 to 5) and corporate liquidity remains stable (balance at 11, as during the preceding month). A similar pattern is seen with respect to investment goods: demand improves (from -69 to -63)



essentially due to the strong rebound of demand from abroad (from -72 to -59), whereas the gain for domestic demand is more limited (from -64 to -57); production levels are significantly higher (from -70 to -59). As a

final point, slight increases were observed in inventories (from 8 to 4) and liquidity for operating needs (from 9 to 11).

Outlook for the next three months

Businesses appeared more cautious in August than in July with regard to the trend of key corporate variables, but they were more optimistic in the case of the trend of the economy overall.

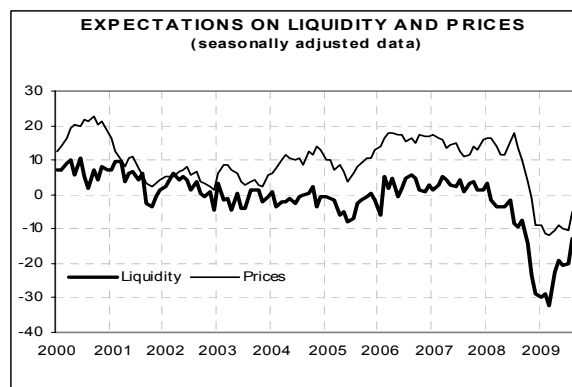
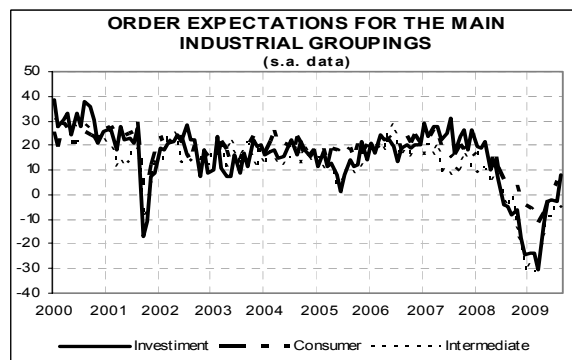
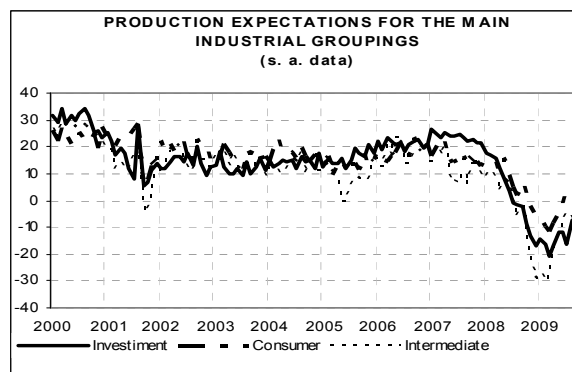
The balances with regard to the expectations about orders and liquidity recovered respectively from 0 to 1 and from -21 to -14, whereas the figure for production was stable (-5). Though remaining negative, the expectations about selling prices were on the rise once again (with the balance going from -11 to -4); expectations about employment were slightly better (from -17 to -15). The general expectations about the country's economic prospects improved for the second month in a row, with the balance of -27 (versus -37), recouping the fall recorded in the first quarter of 2009.

At a sector level, the forecasts are rather uniform for the producers of consumer goods and intermediate goods. With regard to consumer goods, there are slightly weaker expectations about demand (from 5 to 3) and production (from 3 to 2), whereas there is marked improvement in the expectations about prices (from -7 to -1) and the economy in general (from -32 to -21). This sector is also marked by a rebound in the forecasts of employment (from -17 to -14) and corporate liquidity (from -16 to -11). In the case of intermediate goods, businesses are expecting a decrease in the level of orders (from -5 to -7 the balance) and production (from -6 to -9), while they perceive a recovery of prices in the months ahead (from -13 to -5), improvement in the country's situation in general (from -38 to -22), and modest recovery of corporate liquidity (from -26 to -23) and employment (from -21 to -20). Turning to investment goods, the businesses appear very optimistic in their expectations about orders (from -2 to 9) and production (from -16 to

-7). The forecasts are also better with respect to the economic situation in general (from -32 to -20), selling prices (from -15 to -11) and liquidity (from -24 to -4), while the perceptions about employment are almost stable (from -15 to -16).

Confidence climate and seasonally adjusted balances of the series making up the index

	Confidence climate	Order Levels	Inventories	Expectations of production
May 2009	69.1	-63	2	-9
June 2009	70.0	-60	4	-7
July 2009	72.4	-58	1	-5
August 2009	74.8	-49	2	-5



The results of the ISAE survey at a regional level

The boost in confidence indicated at a national level is reflective of the optimism seen in almost all of the regional areas, although the seasonally adjusted index experiences varying degree of improvement. Greater optimism is seen in the northwestern and northeastern regions where the indices respectively went from 71.6 to 75.1 and from 68.2 to 74.7. Confidence was also on the rise in the southern regions (from 77.4 to 79.9) while it remained essentially stable in the central regions (78.5). Perceptions about demand improved across the board, but there were conflicting signs in terms of expectations about production and perceptions about finished product inventories.

Northwest Italy

Confidence improved by almost four points, with a significant increase in terms of perceptions about orders, with respect to both the domestic market (from -62 to -53) and orders from abroad (from -61 to -57). Signs of recovery were also seen in terms of inventories, which are deemed to be falling (from -2 to -6 the balance); the expectations about production were less favourable (from -4 to -6).

Northeast Italy

The strong upturn in confidence (which grew by more than six points with respect to July) is partly due to the region's greater optimism about the present state of demand, with respect to both the domestic markets (from -62 to -43) and the markets abroad (from -65 to -43). Unlike the other regional segments, businesses in the northeastern regions have positive expectations about production (from -8 to -2); conversely, it is expected that inventories are again on the rise (from 4 to 6).

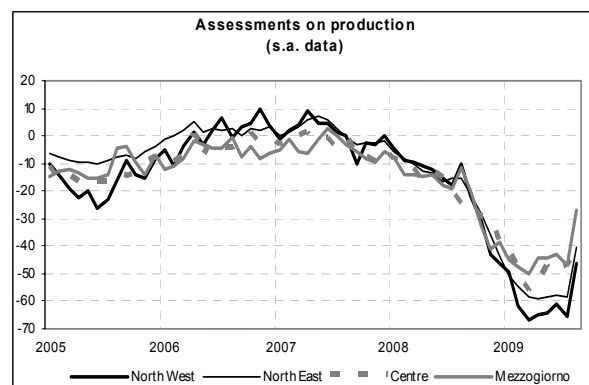
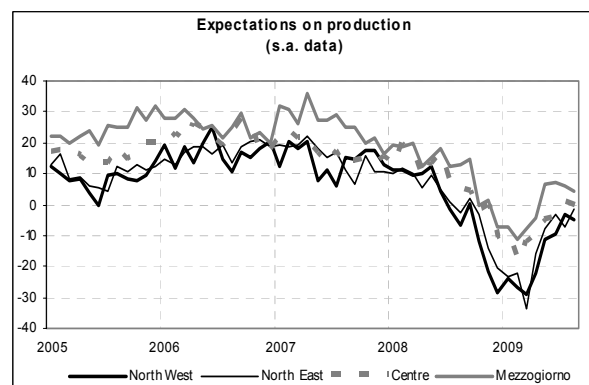
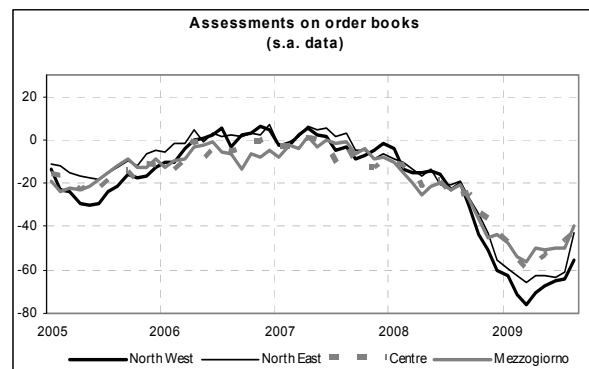
Central Italy

The confidence index for the central regions remained flat, despite better perceptions about order levels (improved domestic demand, but foreign demand almost at a standstill). Going against the tide, the expectations of production grew weaker (from 0 to -2)

and inventories were perceived to be expanding once again (from 2 to 4).

Southern Italy

The confidence was moderately stronger, thanks to better perceptions about orders in general (from -50 to -40), mostly driven by the recovery of domestic demand (from -47 to -28). The expectations of production were instead slightly worse (from 6 to 4) while inventories were deemed stable (7).



Credit access conditions

Starting in August 2009, ISAE amended the questions in relation to conditions for accessing credit. More specifically, the possible responses to the question about securing credit were increased in number¹ and a question was added in relation to the reasons why credit conditions grew worse².

Based on the findings from the survey, the perceptions of businesses about conditions for accessing the credit market improved during the May-August period: the percentage of businesses which believe such conditions got worse stood at 23.3% of the sample (versus 28.2% as of May), with an especially pronounced reduction for small businesses (from 28.9% to 24.9%) and large businesses (from 25.2% to 14.4%). Looking at breakdown by region, it is the businesses in the northwestern and central regions that reported more favourable credit conditions.

The businesses declaring that they had not obtained financing from financial institutions in recent months also decreased in number (going from 7.5% to 5.7%), however with notable differences in terms of the responses broken down by company size. The small- and medium-sized businesses indicating difficulty in obtaining credit were down in number, whereas large businesses reported that accessing credit was more difficult, though there were no substantial differences from one regional segment to another. Some 26.2 % of the sample state that it was possible to obtain the financing requested, with more than 18% indicating that it was obtained at the same conditions and 7% at more costly conditions. More specifically, medium-sized and large businesses were the ones mainly complaining of higher interest rates in securing credit,

whereas on a regional basis, more costly conditions were indicated for the northeastern and northwestern regions.

The inability to obtain financing is mainly due to the bank's refusal to provide the funds according to 5% of the sample (down from 5.6% in May). Instead, the number of businesses in the central regions that reported inability to obtain financing at any conditions was higher (from 4.9% to 8%). The businesses refusing more costly conditions (so-called "weak rationing") decreased from 1.9% to 0.6% of the total surveyed.

Finally, businesses reported that higher interest rates represented the main hurdle in obtaining credit as reported; other factors cited were greater demand by banks for unsecured guarantees and higher costs (commissions or ancillary expenses).

Credit Obtained – Yes				
	Total	Small	Medium	Large
March 2008	34.7	34.9	36.4	32.4
June 2008	30.5	29.5	36.1	32.2
September 2008	30.5	31.3	35.7	24.5
November 2008	23.6	23.3	26.1	24.0
December 2008	23.9	23.3	25.2	26.3
January 2009	26.1	26.7	22.8	26.1
February 2009	22.6	21.9	23.3	26.7
April 2009	25.5	22.6	32.2	36.2
May 2009	23.9	22.3	22.1	33.9
August 2009	26.2	25.4	28.2	29.9
- same conditions	18.5	18.4	16.7	19.7
- more costly	7.7	7.0	11.5	10.2

Reasons why conditions were worse				
	Total	Small	Medium	Large
Rates	0.9	0.7	1.9	2.1
<i>Unsecured guarantees</i>	0.4	0.3	1.4	0.0
<i>Secured guarantees</i>	0.3	0.2	0.0	1.2
<i>Limitations</i>	0.3	0.2	1.1	0.7
<i>Costs</i>	0.4	0.3	1.7	0.3

¹ More specifically, the question about securing credit now contemplates the following responses: Yes, at the same conditions; Yes, but a more costly conditions; No; I was at the bank to request information.

² The question regarding the reasons why the credit conditions grew worse allows for the following explanations: higher interest rates; greater unsecured guarantees; greater secured guarantees; limitations on the amount of credit disbursed; costs (commissions, ancillary fees).

Focus: The trend of confidence based on the size of the business

In the last three months, the confidence of manufacturing businesses showed signs of rebounding, and this was due to: the return of inventories to near normal levels; the gradual improvement in expectations about production; and, as of August, the upturn in levels of demand. Looking at the May-August data broken down by company size, the growth of the indicator was particularly pronounced for small businesses (up to 99 employees) and medium-sized businesses (100-250 employees), while remaining more modest for large businesses.

More specifically, the confidence of small businesses rose progressively between May and August, climbing in the latter month to 76.2, or the highest level since October: inventories returned to normal levels and expectations about production showed strong signs of recovery; starting in August, even the assessments about demand became less pessimistic, with the index moving back to the level seen in December. In the case of medium-sized businesses, the confidence in August measured 75.5, or more than 10 points higher than the May level. In this case, the expectations about production were already back in positive territory as of July, while the perceptions about orders showed major signs of recovery. As to large businesses, the recovery of confidence was more modest, with the index hitting 73.6 in August versus 70.4 in May. The expectations about production have gradually turned more favourable in this case, as have the perceptions about the strength of the order portfolio; new signs of inventory building emerged in the months of July and August.

Confidence climate by company size

	Total	Small Firms	Medium-Sized Firms	Large Firms
May 2009	69.1	70.3	65.3	70.4
June 2009	70.0	70.4	68.4	72.3
July 2009	72.4	72.6	71.6	73.5
August 2009	74.8	76.2	75.5	73.6

