

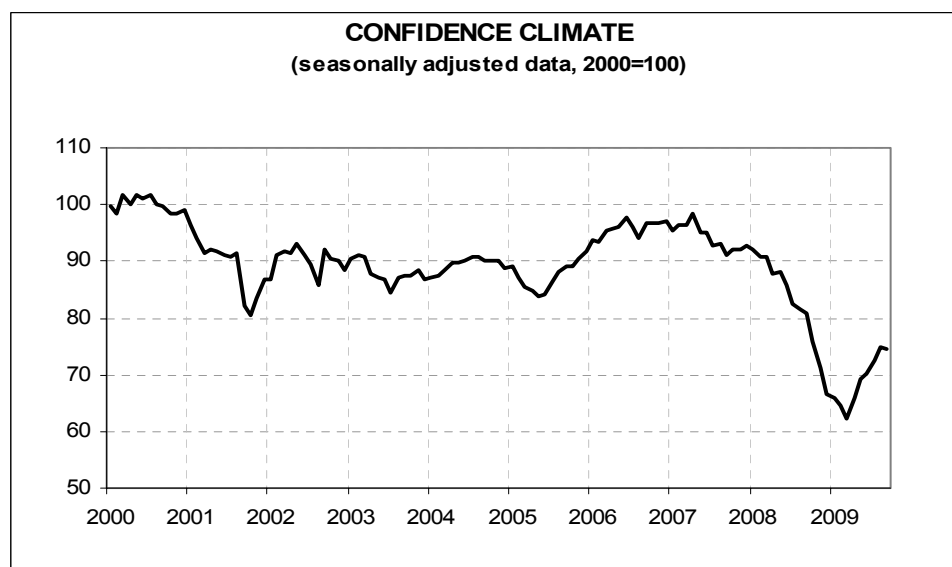


## THE CONFIDENCE OF MANUFACTURING BUSINESSES RECEDES SLIGHTLY IN SEPTEMBER

- After five consecutive months of increases, the index descended from 74.4 to 74, though it still remained above the average for the first half of the year. The figure is computed net of seasonal factors, with the base year of 2000 = 100
- Italian businesspeople are more pessimistic about the current status of demand and the future prospects for production; on the other hand, inventories are decreasing
- The businesses furthermore perceive decreases in both employment and selling prices in the months ahead. In the meantime, a recovery is seen in expectations about the country's economy in general
- With regard to credit access, the signs are less than encouraging, with an increase in the number of businesses indicating that they have not obtained financing requested
- Turning to the individual sectors, the index rose in the case of investments (from 67.1 to 68.4), but it decreased with respect to consumer goods (from 83.3 to 80.4) and intermediate goods (from 73 to 71.9)
- Some differences are also seen in regional results: the confidence was slightly higher in the central regions (from 78.6 to 79.3), while it receded in the northwest (from 75.1 to 73.7), the northeast (from 74.7 to 72.7) and the south (from 79.2 to 77.1)

## SIGNS OF RECOVERY INSTEAD COME FROM THE PERCEPTIONS AND EXPECTATIONS ABOUT EXPORT SALES

- The percentage of businesses indicating obstacles to exports is again contracting, thanks to fewer problems related to the trend of costs and product quality; the businesses instead report a slight worsening of limitations due to financing difficulties
- Germany and China continue to be perceived as the greatest competitors on domestic and international markets; the non-EU European countries, France and the United States are the next in order of importance
- As far as end markets are concerned, the percentages of exports to the EU and other European markets remained constant quarter on quarter, whereas the percentage to the USA rose slightly (from 6 to 8%) and the percentage for the rest of the world remained stable



The data in relation to the month of October are to be published on 28 October 2009

The next planned ISAE surveys are:

**27 October:** ISAE monthly survey of consumers (month of reference: October)

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](http://www.isae.it)

## General results

After five straight months of gains, the confidence climate in the manufacturing and mining sector worsened in September, with the index going from 74.4 to 74, which is still above the average for the first half of the year. The result is based on a survey of around 4,000 businesses conducted by ISAE from 1 to 17 September.

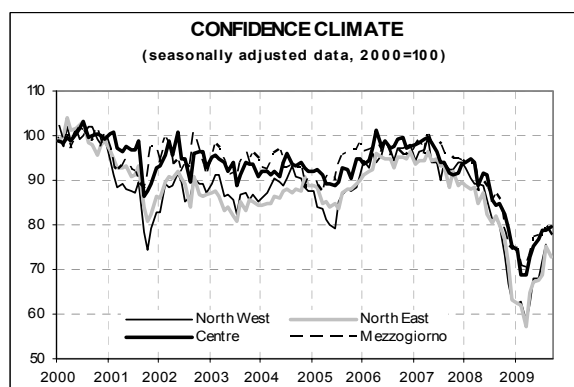
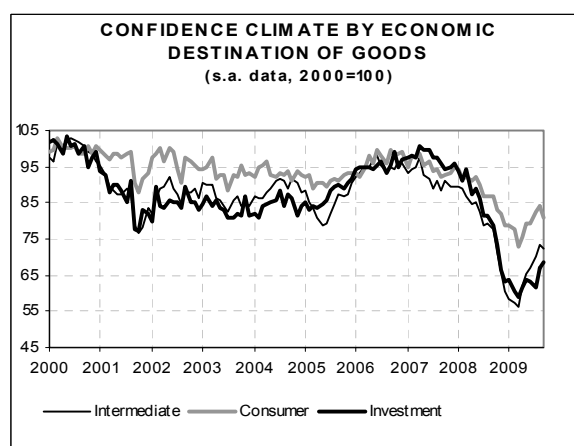
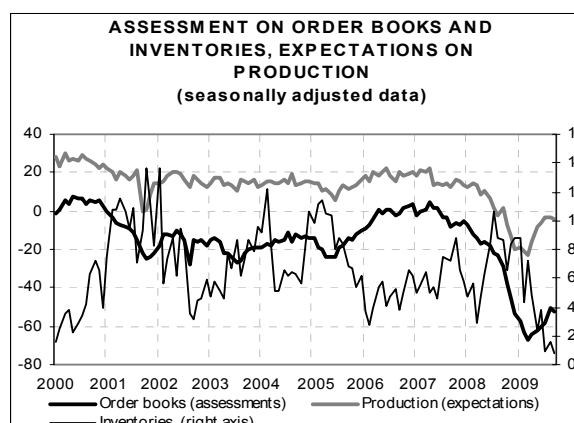
The decrease in confidence is due to weaker perceptions about the current status of orders, especially orders from abroad, and proved particularly intense in the consumer goods sectors. Inventories are once again falling slightly, and expected production levels are declining.

The index again increased with respect to investment goods (from 67.1 to 68.4) while it declined with regard to consumer goods (from 83.3 to 80.4) and intermediate goods (from 73.0 to 71.9). Some differences are also seen in regional results: the confidence was slightly higher in the central regions (from 78.6 to 79.3), while it receded in the northwest (from 75.1 to 73.7), the northeast (from 74.7 to 72.7) and the south (from 79.2 to 77.1).

Perceptions and forecasts about export sales instead show signs of recovery, against a backdrop where the relationship between export and domestic prices is essentially stable. The percentage of businesses indicating obstacles to exports is again contracting, thanks to fewer problems related to the trend of costs and product quality; the businesses instead report a slight worsening of limitations due to financing difficulties.

Germany and China continue to be perceived as the greatest competitors on domestic and international markets; the non-EU European countries, France and the United States are the next in order of importance. As far as end markets are concerned, the percentages of exports to the EU and other European markets remained constant quarter on quarter, whereas the percentage to the USA rose slightly (from 6 to 8%) and

the percentage for the rest of the world remained stable.

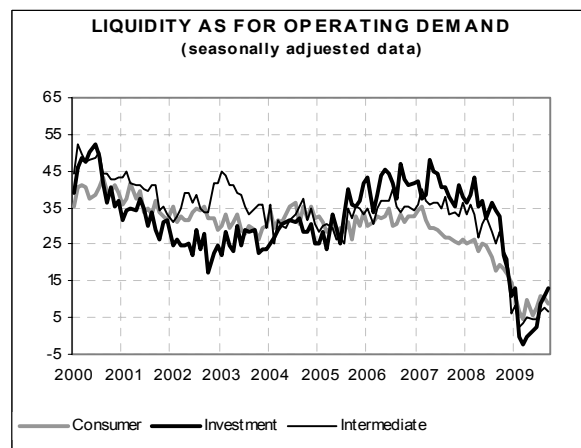
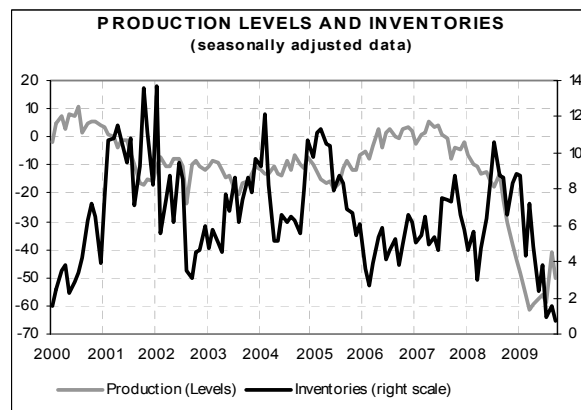
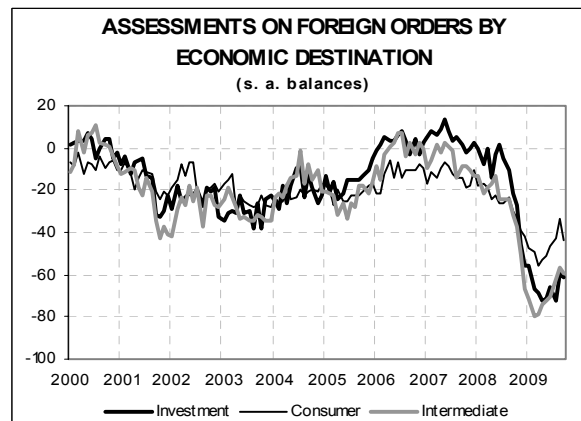
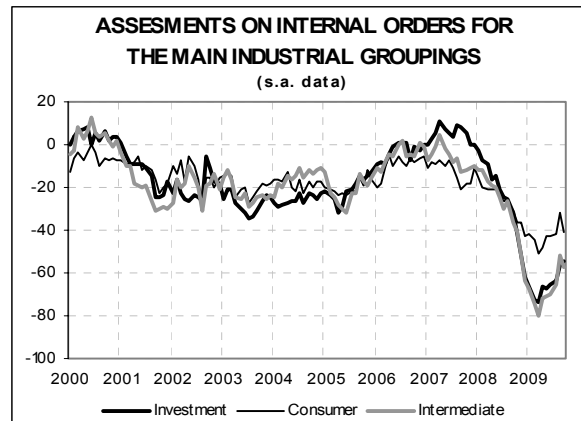


## Situation during month of reference (September 2009)

September marked an abrupt end to the gradual improvement seen in the past months in the perceptions about key business variables: the balance in relation to orders went from -50 to -52, with a decrease of domestic demand and more importantly, foreign demand (from -49 to -51 and from -50 to -55,

respectively); the decrease is more pronounced for current production levels (from -42 to -50), and consequently, the balance referring to inventories of finished products once again declined (from 2 to 1). The corporate liquidity index was instead stable (9).

The greater pessimism about the current situation applies with respect to consumer goods and intermediate goods. With reference to consumer goods, the weaker assessments about the current level of orders (from -34 from -40) are related to a sharp decrease in the balances referring to both domestic demand (from -32 from -41) and foreign demand (from -33 to -44). Such movements have been accompanied by a sharp drop in productive levels (with the balance going from -24 to -34), and a slight reduction of inventories (from 5 to 4); the index referring to liquidity for operating needs also descended (with the balance going from 11 to 9 the balance). The indications of producers of intermediate goods were slightly more favourable: the perceptions about orders decreased from -54 to -55, with a drop registered in the case of both domestic markets (from -52 to -57) and foreign markets (from -57 to -59); the perceptions about production levels also got worse (with the index going from -47 to -55), while inventories were viewed as once again expanding (from -4 to 1). The corporate liquidity index is only slightly lower (from 8 to 7). A different situation was instead seen with respect to investment goods: the perceptions of businesses about orders are slightly better (from -63 to -61) thanks to the domestic demand component (whose balance went from -56 to -55); instead, the index regarding foreign demand was weaker (from -59 to -61). As in the other sectors, the production level index was down (from -60 to -65) while the decrease in the inventory index was stronger than in the other sub-segments (from 4 to -1). The findings about corporate liquidity indicate a slight recovery (from 11 to 13).



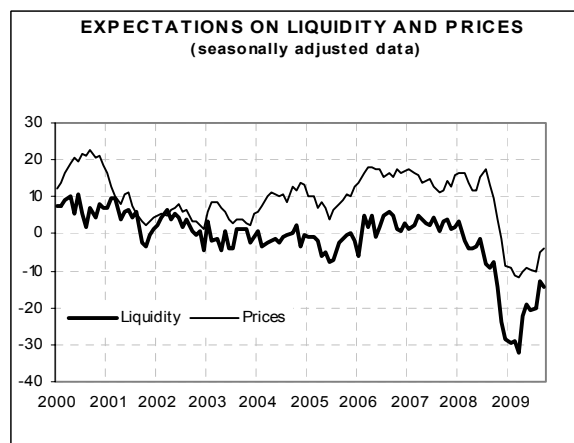
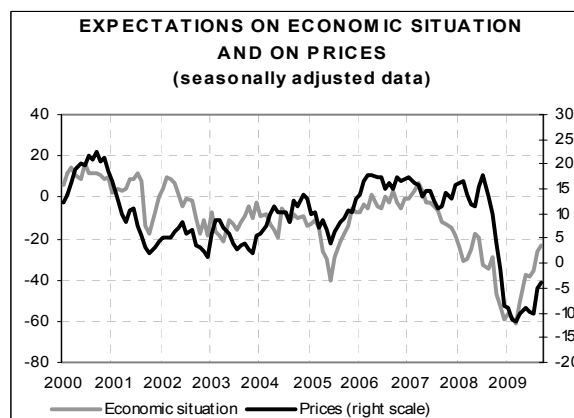
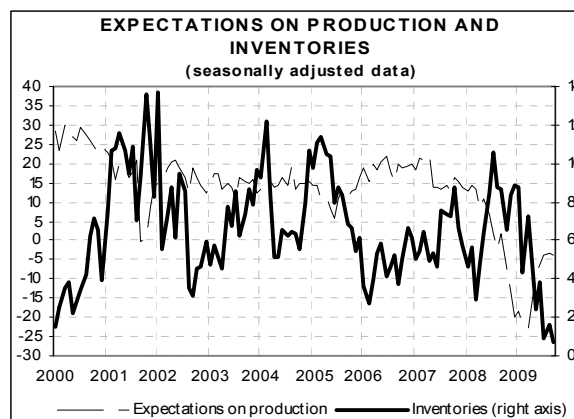
### Outlook for the next three months

In September, the forecasts about almost all key business variables grew slightly worse, whereas the expectations were better about the nation's economy in general. The balance relative to the expectations about orders decreased from 0 to -1 and that for production fell from -5 to -6; the expectations were also worse with respect to employment (from -16 to -19) and corporate liquidity (from -14 to -16). On the other hand, the expectations improved with respect to the country's economic situation (from -27 to -25), while there was slight improvement with regard to selling prices (from -4 to -3).

At a sector level, the results were mixed: with reference to investment goods, a sharp decrease was seen in expectations about demand (from 9 to 2) and flanked by a less pronounced decline in expectations about production (from -8 to -10); after a strong rebound last month, the outlook for employment dissipated (with the index going from -16 to -19) while the general expectations about the country's situation were weaker (from -20 to -22); instead, the forecasts about prices were more optimistic (from -10 to -7). With reference to consumer goods, setbacks were seen in the expectations about demand (from 3 to 0), production (from 2 to -3), and corporate liquidity (from -11 to -12); future expectations of even lower selling prices were more pronounced (with the balance going from -1 to -4). The forecasts about the economy in general remained stable (-21), but were accompanied by significant pessimism about the trend of employment in the next three months (from -14 to -19). With reference to intermediate goods, the respondents showed modest optimism in terms of their expectations about orders (from -7 to -4) and production (from -9 to -6). The forecasts of selling prices rose slightly (from -5 to -2), whereas the expectations about the economy in general were almost stable (from -22 to -21). As in other sectors, the expectations about employment were decidedly weaker (from -20 to -23).

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

	Confidence climate	Order Levels	Inventories	Expectations of production
June 2009	70.0	-60	4	-7
July 2009	72.2	-58	1	-5
Aug 2009	74.4	-50	2	-5
Sept 2009	74.0	-52	1	-6



### The results of the ISAE survey at a regional level

The waning confidence was not a nationwide phenomenon: the seasonally adjusted index rose slightly in the central regions (from 78.6 to 79.3), but descended in the northwest (from 75.1 to 73.7), the northeast (from 74.7 to 72.7) and the south (from 79.2 to 77.1). As to levels of demand in general and inventories, the perceptions are negative across the country, with the exception of the northeastern regions. The expectations of production have a pessimistic propensity in the southern regions and northeastern regions, whereas they are improving in the central regions and northwestern regions.

#### Northwest Italy

Confidence receded in light of an accumulation of inventories (from -6 to -1); instead, the perceptions about orders slightly improved, while expectations about production remained stable (-7).

#### Northeast Italy

The sharp setback in confidence (more than two points with respect to August) is also due here to greater pessimism about the current state of demand, with respect to both domestic markets (from -43 to -58) and foreign markets (from -43 to -58). Positive signs are instead seen with regard to the expectations of production (from -2 to -1) and, more importantly, the perceived strong reduction of inventories (from 6 to 2).

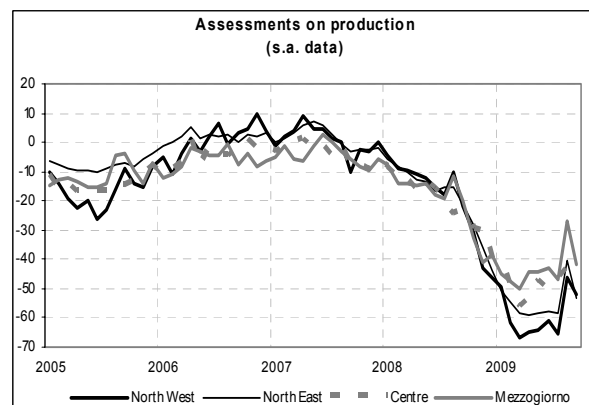
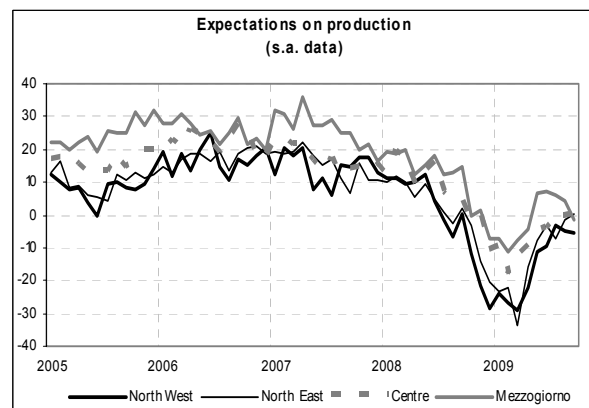
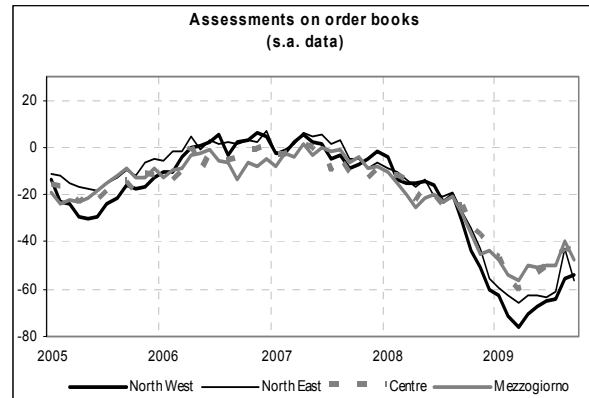
#### Central Italy

The confidence index for this area was virtually stable, despite negative perceptions about order levels. Inventories are falling (from 4 to 1), and unlike the rest of the nation, the expectations of production in this area remained stable (-1).

#### Southern Italy

The confidence has waned as a result of the sharp deterioration of perceptions about orders in general (with the balance going from -42 to -49) and a consequent decrease in expectations of production (from 4 to -2). The survey participants reported a

dramatic reduction in the levels of inventories of finished products (with the balance declining from 7 to 1).



## Credit access conditions

In September, manufacturing and mining businesses expressed slightly better views about the conditions for accessing the credit market, but the percentage of rationed businesses increased.

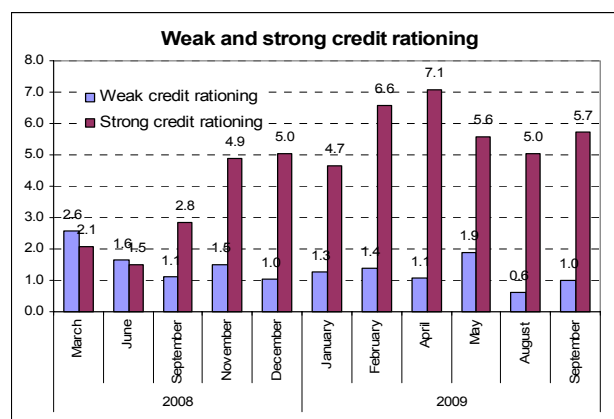
The businesses that believe the conditions got worse amounted to 22.1% of the participants (from 23.3% in August), with a particularly pronounced decrease for small businesses (from 24.9% to 22.7% of the sample); instead, in the case of large businesses, such percentage was higher than in the previous survey, going from 14.4% to 18% of the sample. Looking at the data broken down by region, improvement in credit conditions was reported mainly in the northwest, whereas the opinions in the other areas were slightly more negative.

On the other hand, an increase was reported in September in the percentage of businesses indicating the inability in recent months to obtain the financing requested from financial institutions (from 5.7% to 6.7%). From the standpoint of company size, the difficulties for large businesses were less (2% of the sample being rationed versus 4% for the preceding month), whereas the difficulties increased for smaller businesses. The percentage of rationed businesses decreased in the central regions (from 8.5% to 6.5%) and increased in the other regional areas. Some 27.7% of businesses surveyed stated they were able to obtain the financing requested (versus 26.2% for the preceding month); more than 20% stated they had obtained the financing at the same conditions, while more than 7% declared that they obtained credit at more onerous conditions. More specifically, it is the large businesses to complain of a higher cost of credit, without any particular differences on a regional basis.

The inability to obtain financing is still mainly attributed to a bank's refusal to grant credit, with an substantial increase in the businesses in the northwest that consider they cannot obtain any credit (from 4.8% to 7%); the percentage of businesses indicating the

refusal to accept new, more onerous conditions is also higher (from 0.6% to 1%).

Finally, businesses reported that higher interest rates represented the main hurdle in obtaining credit; 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
September 2009	27.7	26.9	32.8	31.7
- same conditions	20.3	20.0	25.2	20.3
- more costly conditions	7.4	6.9	7.6	11.4

### Reasons why conditions were worse

	Total	Small	Medium	Large
Interest rates	0.8	0.7	0.3	1.8
Unsecured guarantees	0.5	0.4	0.9	0.6
Secured guarantees	0.3	0.2	0.6	0.5
Limitations	0.3	0.2	0.4	0.5
Costs	0.3	0.2	0.1	1.0

## Quarterly survey of exporting businesses

Based on the regular survey of businesses engaged in exporting (which, according to the survey findings, export an average of 35.8% of their turnover, down from 36.5% for the preceding quarter), improvement was reported in perceptions about the current and expected trends of export sales: the assessments about the current quarter went from -25 to -11, consistent with the positive indications in the forecasts expressed by businesses three months beforehand. On the other hand, the balance in relation to expectations for the next three months also improved, going from -4 to 0. The balance with regard to the relationship between export and domestic prices was instead virtually stable (going from 5 to 4).

The percentage of businesses indicating obstacles to exports was down (from 59% to 44.4%): declines were reported in the percentage of businesses indicating the existence of obstacles related to the trend of costs and prices (from 18.8% to 17.8% del sample), product quality (from 4.5% to 2.8%) and other factors likely related to the trend of demand (from 27.4% to 25.7%); increases were instead reported in problems related to difficulties in accessing financing (4.4% versus 3.1% during the previous quarter).

Germany and China continue to be perceived by Italian businesses as the greatest competitors on domestic and international markets; the non-EU European countries, France and the United States are the next in order of importance. In terms of outlet markets, the percentage of exports to the EU (64%) stayed constant with respect to the previous quarter, with some slight shifting of the quotas therein (France went from 13% to 15%, to the detriment of Germany, whose quota dropped from 18% al 16%). The quota of exports to non-EU European countries remained almost flat (13%), whereas the percentage to the USA rose slightly (from 6 to 8%) and the percentage for the rest of the world remained stable.

