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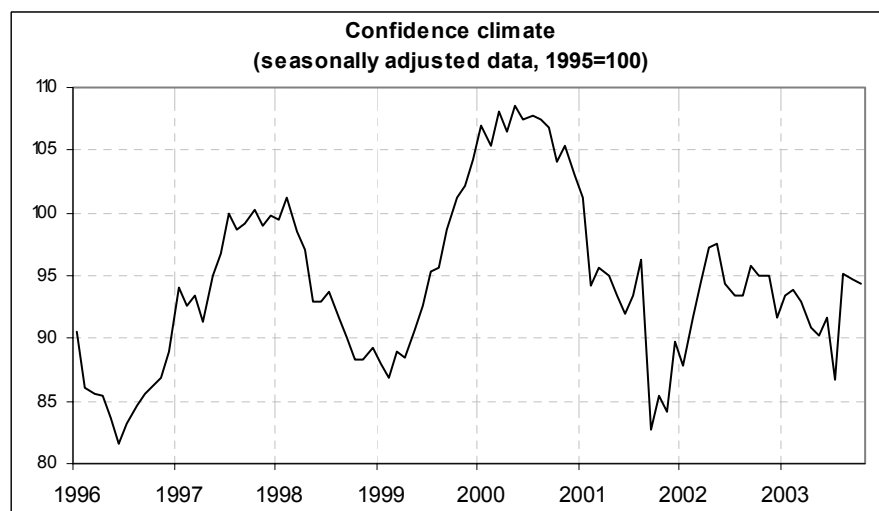
Date: October 28, 2003
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IN OCTOBER, THE CONFIDENCE CLIMATE OF MANUFACTURING AND EXTRACTIVE FIRMS SLIGHTLY FALLS

- The seasonally adjusted index equals 94.3 (from 94.6 in September), through it remains definitely above the average figures of the first nine months of 2003
- Turning to single sectors, the index markedly improves in consumer (from 97.7 to 99.2) and in investment goods (from 90.6 to 91.5), while it considerably worsens in intermediate goods (from 96.5 to 91.1)
- Assessments on the current order-book level remain stable, while expectations on production slightly improve: conversely, inventories tend to diminish less than before
- Among the non confidence-building variables, expectations on order books and on the country's general economic trend become less pessimistic, while expectations on selling price rises decrease

IN THE III QUARTER, THE DEGREE CAPACITY UTILISATION FURTHER DECREASES

- According to the quarterly ISAE questionnaire firms report a moderately unfavourable trend in new order books and a substantial stability on low levels in the length of the ensured production on the basis of the present order books. Indeed, short-term expectations on exports are relatively rosier than in the past
- The degree of capacity utilisation falls from 76.7 to 75.8%, and a growing share of respondents consider it "More than sufficient". According to respondents, the productive capacity finds a growing number of obstacles, mainly due to insufficient demand



Data referring to November shall be diffused on **November 26, 2003**.

Next ISAE surveys are scheduled as follows:

October 29, 2003: ISAE Monthly Business Service Survey (Reference period: October) and ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: September)

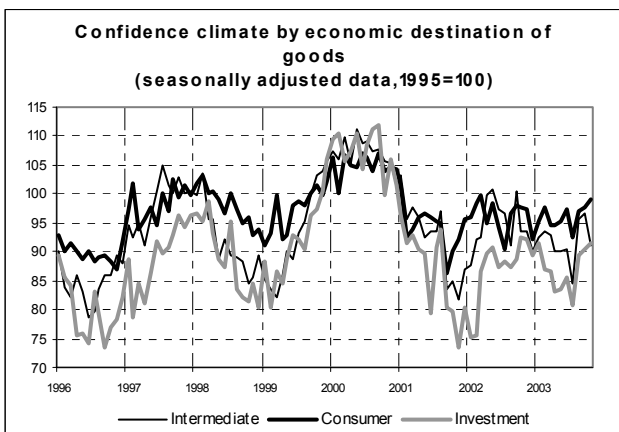
October 30, 2003: Comparative Business Surveys for Italy, Germany and France (Reference month: October)

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

General Results

According to the ISAE Monthly Survey carried out between October 1 and 17 on a panel of about 4,000 firms, the manufacturing and extractive firms' confidence indicator (seasonally adjusted data) slightly decreases in October from 94.6 to 94.3, which is however definitely above the average figures of the first nine months of 2003. Assessments on the current order-book level remain stable, while expectations on production slightly improve and inventories tend to diminish less than before. Among the non confidence-building variables, expectations on order books and on the country's general economic trend become less pessimistic, while expectations on selling price rises decrease.

However, the confidence trend is not homogeneously distributed in all sectors: indeed, the index markedly improves in consumer goods (from 97.7 to 99.2) and in investment goods (from 90.6 to 91.5), while it considerably worsens in intermediate goods (from 96.5 to 91.1).



Situation in the reference period (October 2003)

In October, ISAE respondents' order books roughly stabilise on the figures registered in the past two months: the seasonally adjusted balance goes from -18 to -17 , in the face of a higher improvement of domestic markets (from -20 to -18) compared to foreign markets (from -22 to -21). The slight demand recovery goes alongside with a smaller inventories' contraction: the seasonally adjusted balance recovers from -7 in September to -3 in October, though remaining below what are considered "Normal" levels. Firms do not signal variations in their productive levels compared to the previous Survey, and their seasonally adjusted balance stops at -14 , on the December 2002 levels.

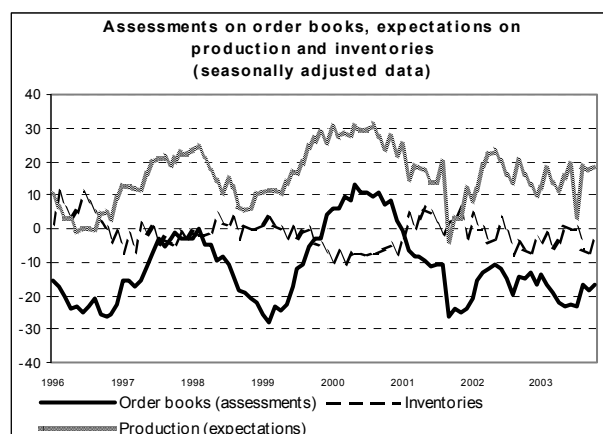
Assessments are not homogeneous for all sectors: the seasonally adjusted balance concerning order books improves in investment goods (from -16 to -14) with reference to both the domestic (from -20 to -17) and the foreign (from -19 to -18) market. Unfavourable signals come from inventories, where the balance rises from -8 to -7 . Also in intermediate goods, the balance of order books recovers (from -20 to -17) in the face of an improvement in the domestic component (from -23 to -20) and of a slight worsening on the foreign markets (from -23 to -24). In this case, inventories are above what are considered "Normal" levels (the balance passing from -9 to 1) for the first time since June 2003. Conversely, in consumer goods, assessments on order books are more pessimistic (from -15 to -18) looking either at the domestic component (from -17 to -18) and, in particular, at the foreign one (from -21 to -24). Favourable signals come from inventories which remain below what are considered "Normal" levels (from -4 to -5).

Forecasts for the next quarter

In October, expectations on production, order books and the country's general economic prospects reach better average levels than those registered in the first nine months of the year. In terms of production, the balance rises from 17 to 19; in terms of order books, the balance considerably recovers and grows from 20 to 24. Finally, the prospects on the country's general economic situation, passing from -5 to -1, get close to the June 2002 level. On the price side, a significant reduction is signalled in inflationary tensions, even though the balance goes from 9 in September to 5, which coincides with the August 2003 figure. Unfavourable signals come from expectations on employment, showing a rise from 15 to 19% in the share of those expecting an employment reduction: the balance (raw data) decreases from -6 to -10.

Turning to single sectors, short-term expectations are not homogeneous: with reference to production, the balance improves in investment and consumer goods (from 20 to 22 and from 20 to 28 respectively), while it worsens in intermediate goods (from 21 to 11). Accordingly, expectations on order books in final goods recover (from 18 to 24 in investment goods and from 22 to 25 in consumer goods), while those referring to intermediate goods diminish (from 22 to 16). Conversely, on the employment side, expectations improve in investment goods (from -11 to -10), while a worsening is observed in the other sectors, particularly in intermediate goods (the balance going from -1 to -10). With regard to prices, operators in intermediate and consumer goods register an easing in the tensions observed in the past few months. Their balances, though remaining positive, fall from 14 and 10 to 8 and 3 respectively. Indeed, in investment goods, the seasonally adjusted balance passes from 3 to -2, which is close to the April 2003 level.

Finally, the prospects of the country's general economic situation improve, with the exception of intermediate goods: the seasonally adjusted balance passes from -8 to -4 in investment goods and from -3 to 2 in consumer goods (this value is positive again for the first time since August 2002). In intermediate goods, the balance passes from -8 in September to -10 in October.



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

	Confidence climate	Order-book level	Finished goods inventories	Expectations on production
July 2003	86.7	-23	0	3
August 2003	95.2	-17	-6	18
Sept. 2003	94.6	-18	-7	17
Oct. 2003	94.3	-17	-3	19

The main quarterly results (III quarter 2003)

The replies to the quarterly questions ISAE usually poses to firms provide moderately unfavourable trend in new order books (the balance passing from 0 to -2) and a substantial stability (3.8 months, as in the previous quarter) in the length of the ensured production. Short-term expectations on exports are however relatively rosier (the balance going from 2 to 15).

In the III quarter, firms report a fall in their degree of capacity utilisation from 76.7 to 75.8%. Besides, a growing share of respondents consider their capacity “More than sufficient” (precisely, 36% of the sample as against 31% in the II quarter), which might bring about further contractions in the next few months. More favourable indications come from working hours, which recover compared to the previous quarter in terms of seasonally adjusted balance.

Conversely, unfavourable signals come from assessments on possible constraints to production (which are relevant for 37% of respondents, as against 34% in the previous quarter). In particular, the share of firms complaining “insufficient plants” decreases (from 6 to 4%), while the number of those indicating “other reasons” (apart from the lack of demand and manpower) as the main obstacle to production rises from 34 to 37%. Finally, inventories of finished and semi-finished goods continue to diminish (from -1 to -2 in terms of balance).

