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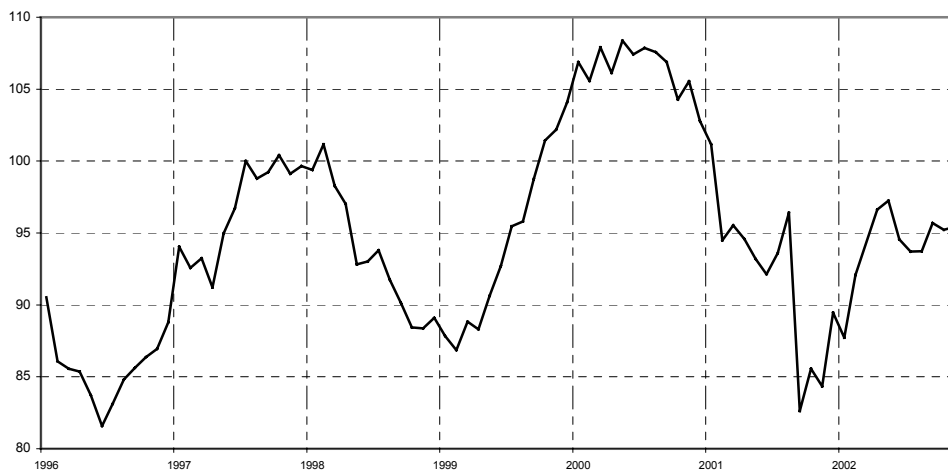
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MONTHLY ISAE BUSINESS SURVEY ON MANUFACTURING AND EXTRACTIVE FIRMS

Reference period: November 2002

- According to the ISAE Monthly Survey carried out between November 4 and 18, the manufacturing and extractive firms' confidence indicator (seasonally adjusted data) slightly increases in November (passing from 95.2 to 95.4), thus remaining one percentage point above the average values of the III quarter 2002
- The confidence improvement is due to the order-book recovery, which is particularly intense in intermediate and investment goods. Also the decreasing phase of finished goods inventories is going on
- Expectations on production, though remaining favourable, are slightly less optimistic compared to October: in particular, a worsening is signalled in investment goods
- For the next three months, respondents expect a further order-book growth, which should go alongside with a gradual improvement in the overall economic framework and with a substantial selling price stability

Confidence climate
(seasonally adjusted data, 1995=100)



The present survey provides qualitative information directly surveyed from firms on the trend of the main firm variables and on entrepreneurs' confidence. The qualitative data anticipate by months the official ISTAT data and provide complementary information as against the official quantitative ISTAT data.

Data referring to December shall be diffused on **January 2, 2002**.

Next ISAE surveys are scheduled as follows:

November 29, 2002: ISAE Monthly Survey on Trade (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

The Survey carried out by ISAE between November 4 and 18 on a sample of about 4,000 manufacturing and extractive firms shows that in November the seasonally adjusted confidence climate rises from 95.2 to 95.4, thus reaching values one-percentage-point higher than the average figures of III quarter 2002.

The confidence growth is due to the improving assessments on order books which - after the contraction registered over the past few months - reach again last June's figures (seasonally adjusted data). Finished goods inventories diminish again: indeed they fall short of what are considered "Normal" values for the fifth month in a row. Indeed, slightly negative signals come from expectations on production which, though remaining generally favourable, slightly decrease as against October.

For the next three month, ISAE respondents expect a further order-book increase and an improvement in the overall economic situation, within a framework characterised by a substantial stability of selling prices.

Turning to the different sectors, the November confidence climate slightly worsens for final goods producers (both consumer goods and investment goods) and grows for intermediate goods, which often anticipate the overall industrial cycle.

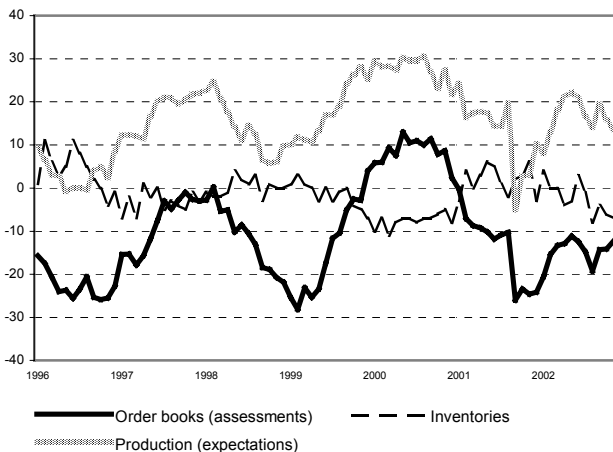
Situation in the reference period (November 2002)

ISAE respondents indicate that their November order books point to a recovery: their seasonally adjusted balance rises from -14 in October to -12 in November. Investment and intermediate goods producers report a demand growth, as the seasonally adjusted balance for the former goes from -11 to -6, and for the latter from -19 to -16. Conversely, consumer goods producers express less favourable assessments compared to the previous month (the balance passing from -10 to -11).

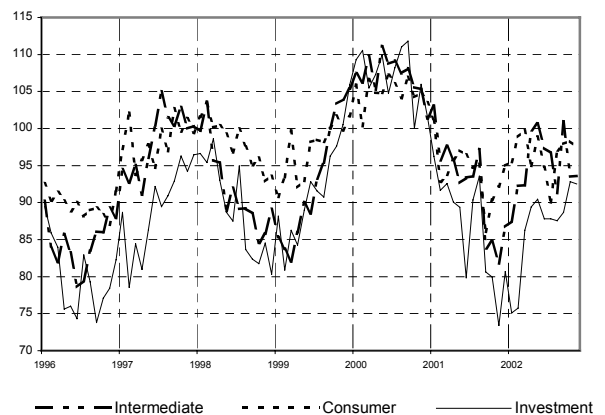
Assessments on the current production level deteriorate: their seasonally adjusted balance falling from -8 in October to -10 in November. Negative signals come in particular from consumer goods producers (whose seasonally adjusted balance becomes negative again, passing from 1 to -6) and from intermediate goods producers (whose seasonally adjusted balance falls from -10 to -18). However, the reduction is modest in investment goods (the seasonally adjusted balance of which passes from -8 to -9).

The inventories reduction phase is going on: the seasonally adjusted balance of assessments on finished goods inventories decreases from -6 in October to -7 in November, thus remaining negative for the fifth month in a row. Inventories remain below what are considered "Normal" levels in all the main productive sectors.

Assessments on order books, expectations on production and inventories
(seasonally adjusted data)



Confidence climate by economic destination of goods
(seasonally adjusted data)



Forecasts for the next quarter

In November, ISAE respondents are slightly less optimistic on the production trend, which is expected to remain favourable; while expectations on demand and, more generally, on the short-term prospects of the Italian economic situation improve, within a framework where a substantial selling price stability is expected.

The seasonally adjusted balance of short-term expectations on production falls from 16 to 14. The demand deterioration is homogeneously distributed among all major sectors, but it is particularly intense for investment goods (their seasonally adjusted balance falling from 20 to 13, while the one of consumer goods passes from 19 to 17 and the one concerning intermediate goods from 14 to 12).

For the next few months, entrepreneurs expect a further order-book increase: their seasonally adjusted balance increases from 15 to 20, particularly thanks to the favourable investment goods trend (whose balance passes from 10 to 19). Positive signals also come from consumer goods producers (where the seasonally adjusted balance passes from 20 to 21) and from intermediate goods producers (from 11 to 16).

The more optimistic short-term prospects of demand go alongside with better expectations on the general Italian economic situation: in this case the seasonally adjusted balance - which had brusquely fallen down to -14 in October - recovers up to -6. The rosier expectations for the general economic situation are homogeneously diffused in all sectors.

Finally, ISAE respondents expect a substantial industrial price stability: their balance concerning expectations on selling prices further decreases from 4 to 2, thus reaching the minimum May 1999 levels. In investment goods, a price decrease is expected for the second month in a row, while prices of final and intermediate goods are expected to moderately rise.

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

	Confidence climate	Order-book level	Finished goods inventories	Expectations on production
July 2002	93.7	-15	-1	16
Aug. 2002	93.7	-19	-8	14
Sept. 2002	95.7	-14	-4	19
Oct. 2002	95.2	-14	-6	16
Nov. 2002	95.4	-12	-7	14

Source: ISAE