

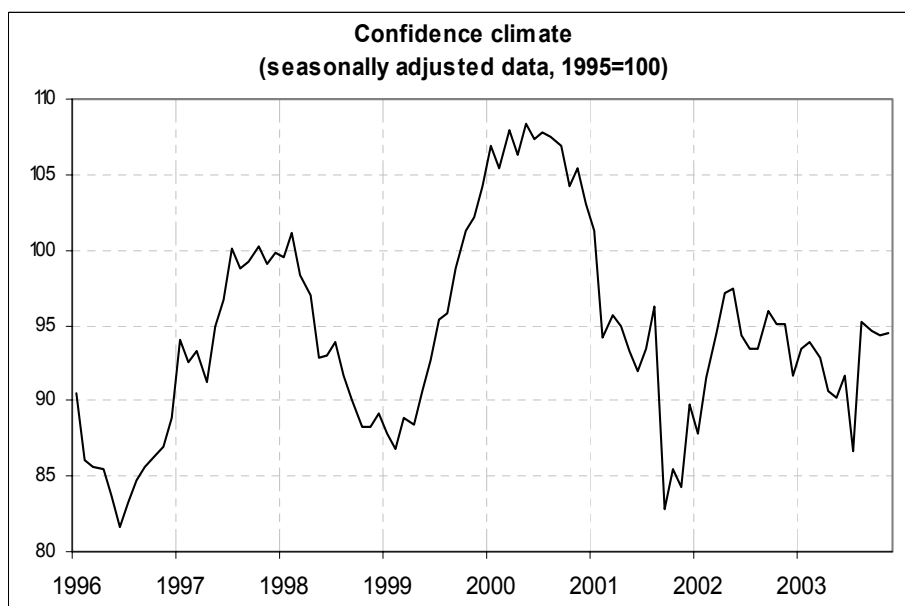


ISTITUTO DI STUDI E ANALISI ECONOMICA
Piazza dell'Indipendenza, 4 00185 Roma tel.: + 39-0644482.1 fax: + 39-0644482325

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TEL.: 06/444821

IN NOVEMBER, THE CONFIDENCE CLIMATE OF MANUFACTURING AND EXTRACTIVE FIRMS RECOVERS

- Unlike what happens in the Consumer Survey, the seasonally adjusted confidence climate of manufacturing and extractive firms slightly recovers in November, passing from 94.4 to 94.3
- Assessments on the current order-book level improve and inventories remain stable below what are considered “Normal” levels. Indeed, expectations on production for the next quarter stabilise on high levels
- Among the non confidence-building variables, expectations on selling prices further decrease
- Turning to single sectors, the confidence improvement is mainly due to the good trends of consumer (the index passing from 99.2 in October to 100 in November) and intermediate goods (from 91.1 to 91.7), while the confidence climate of investment goods producers is slightly worsening (from 91.3 to 90.9)



Data referring to November shall be diffused on **December 22, 2003**.

Next ISAE surveys are scheduled as follows:

November 27, 2003: ISAE Monthly Business Service Survey (Reference period: November) and ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: October)

December 2, 2003: Comparative Business Surveys for Italy, Germany and France (Reference month: November)

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 November 3 and 17 on a panel of about 4,000 firms, the manufacturing and extractive firms' confidence indicator (seasonally adjusted data) recovers in November from 94.3 to 94.4, which is above the average figures of the first ten months of 2003. Assessments on the current order-book level improve and inventories remain stable below what are considered "Normal" levels. Indeed, expectations on production for the next quarter stabilise on high levels.

Among the non confidence-building variables, expectations on order books become less pessimistic, while expectations on selling price further diminish.

However, the confidence improvement is not homogeneously distributed in all sectors: the seasonally adjusted index markedly improves in consumer goods (from 99.2 to 100) and in intermediate goods (from 91.1 to 91.7), while the confidence climate of investment goods producers is slightly worsening (from 91.3 to 90.9).

Situation in the reference period (November 2003)

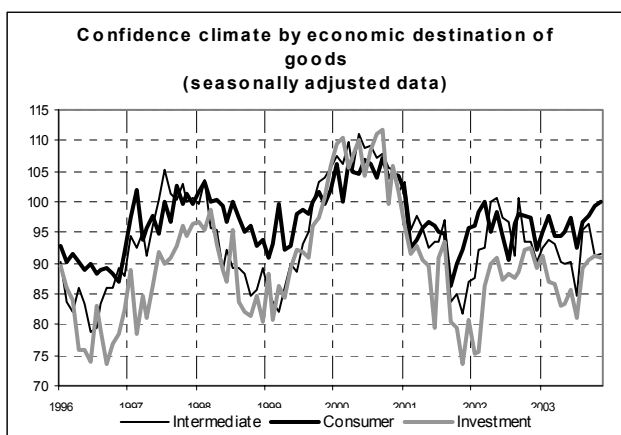
In November, the firms' indications on the current situation are generally improving. ISAE respondents' assessments on order books slightly recover: the seasonally adjusted balance goes from -17 to -15, in the face of a higher improvement on foreign (from -20 to -14) compared to domestic markets (from -18 to -17).

Conversely, inventories remain unchanged compared to the previous month: their seasonally adjusted balance equals -3, thus remaining below what are considered "Normal" levels. Indeed, firms also signal a current production recovery (their seasonally adjusted balance rising from -13 to -9).

Turning to single sectors, the seasonally adjusted balance of order books considerably improves in consumer goods and passes from -18 to -7, which is the highest figures since May 2002. The improvement concerns both the domestic (from -16 to -9) and the foreign markets (from -24 to -8), while the inventories-reducing trend decreases (the balance passing from -5 to -1), though remaining below what are considered "Normal" levels. With regard to assessments on the current situation alone, unfavourable signals come from intermediate goods: the seasonally adjusted balance of order book passes from -17 to -20 alongside with a worsening in the domestic component (from -20 to -23) and an improvement in the foreign one (from -24 to -19). Indeed, inventories reach what are considered "Normal" levels. Evaluations on order books of investment goods producers become less critical: in this case too, a slight recovery is emerging in the foreign component (from -16 to -14). With reference to inventories, the reducing trend is confirmed (from -7 to -15), which is by far below what are considered "Normal" levels.

Forecasts for the next quarter

In November, expectations on order books worsen (though remaining positive), while those on production remain substantially stable on high levels (their seasonally adjusted balances passing from 24 and 18 to 19 and 17 respectively). ISAE respondents' prospects on the general economic situation of the country become more pessimistic (the balance passing from -1 to -5, thus getting close to the September figures). Favourable signals come from employment expectations: indeed, the share of those expecting an employment reduction passes from 19 to 18% and the balance (raw data) remains unchanged at -10.



Turning to prices, in keeping with what emerged from the ISAE

Consumer Survey, a further inflationary tension easing is signalled: the balance is not positive (passing from 4 to 0) for the first time since May 1999.

The analysis of single sectors highlights that short-term expectations are not homogeneous everywhere: with reference to production, the balance improves in intermediate goods (from 11 to 15), while it worsens in investment (from 22 to 15) and in consumer goods (from 27 to 22). Accordingly, expectations on order books recover in intermediate goods (from 15 to 17) and diminish in final goods (from 24 to 18 in investment goods and from 23 to 19 in consumer goods). On the employment side, expectations worsen in investment goods (from -10 to -12) and in intermediate goods (from -10 to -11), while they remain unchanged compared to the previous month in consumer goods.

With regard to prices, the price reduction is common to all sectors: indeed, the balance diminishes from 10 to 7 in consumer goods, from -2 to -3 in investment goods and from 3 to -5 in intermediate goods.

Finally, the prospects of the country's general economic situation worsen, with the exception of investment goods: the seasonally adjusted balance passes from 2 to 1 in consumer goods, from -10 to -16 in intermediate goods (thus getting close to the February 2003 level) and from -4 (September) to -3 in investment goods.

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	94.7	-18	-7	17
Oct. 2003	94.3	-17	-3	18
Nov. 2003	94.4	-15	-3	17

