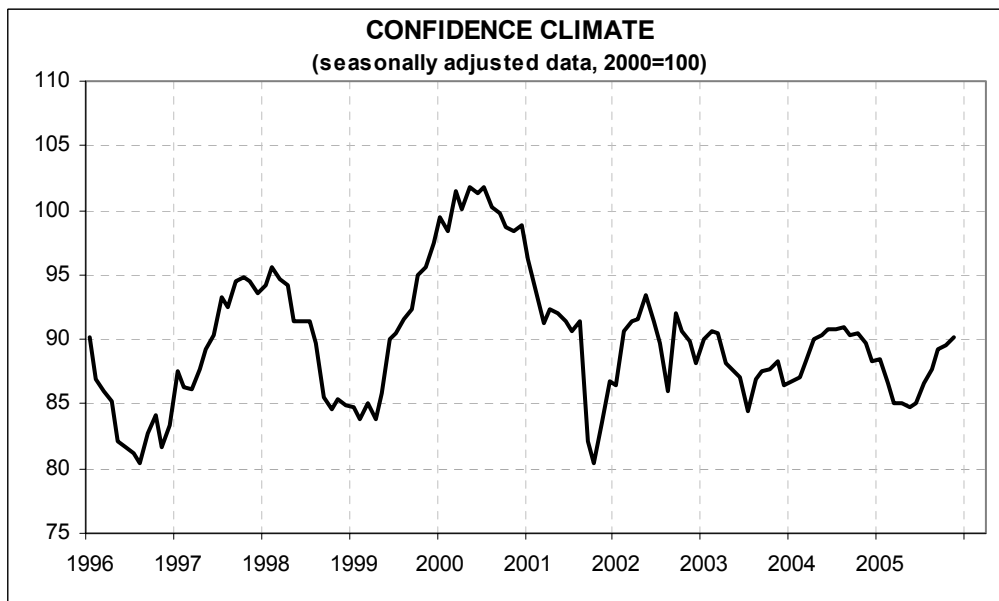




Date: November 25, 2005
TEL.: 06/444821

THE MANUFACTURING FIRMS' CONFIDENCE GROWS AGAIN IN NOVEMBER

- In November, the seasonally adjusted confidence index (base year 2000 = 100) rises from 89.5 to 90.1, thus reaching one of its best score since October 2004
- The improvement is observed both in assessments on order books (particularly on the domestic market) and in inventories, while short-term forecasts on production slightly worsen
- Among non confidence-building variables, evaluations on the production level and variation grow, as do short-term forecasts on the general economic framework. However, entrepreneurs expect a rise in the cost of money
- The November confidence growth is particularly intense in consumer goods (where the index rises from 92.3 to 93.6) and in investment goods (from 88.5 to 89.7). The indicator rises relatively less in intermediate goods, where it increases from 86.7 to 86.9
- Breaking down data by level of technology, the confidence recovery is particularly strong in high-tech and mid-tech sectors, while it is smaller in medium-tech sectors, accounting for more than half of the ISAE sample. Looking at data by firm size, the November confidence index strongly grew in small firms (up to 99 employees) and in large firms (over 250 employees), while it decreased in medium-sized firms



Data referring to December shall be diffused on **December 22, 2005**.

Next ISAE surveys are scheduled as follows:

November 29, 2005: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: October) and ISAE Monthly Business Service Survey (Reference month: November)

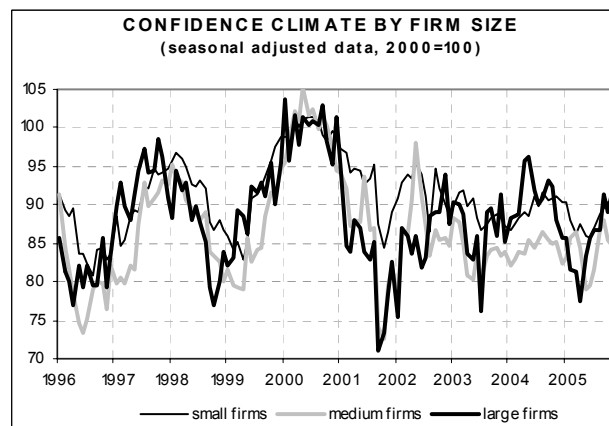
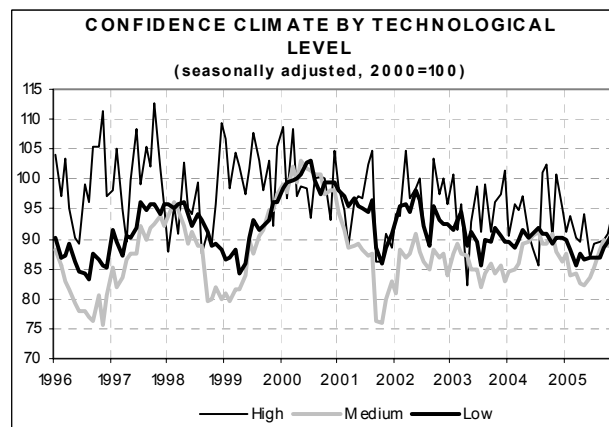
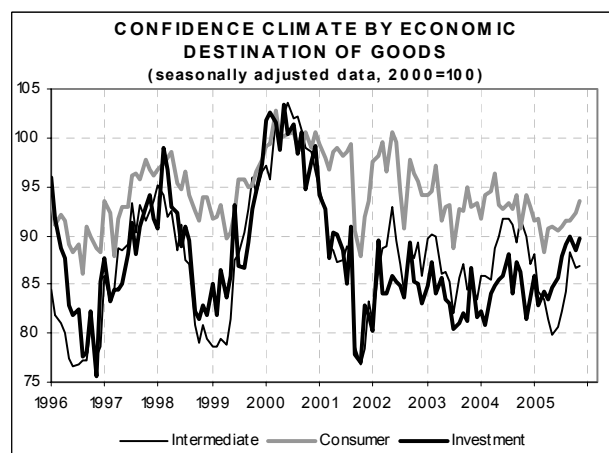
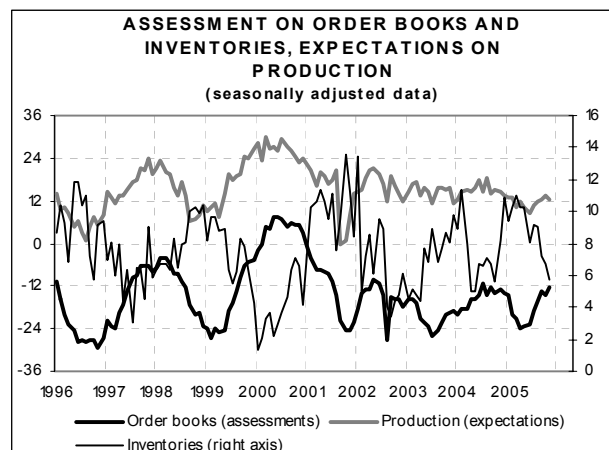
December 1, 2005: Comparative Business Surveys for Italy, Germany and France (Reference month: November)

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 1 and 18 on a panel of about 4,000 firms, the seasonally adjusted confidence index of manufacturing and extractive firms rises from 89.5 to 90.1. That score is the highest since October 2004 and it is due to the recovery observed in assessments on order books (particularly on the domestic market) and to a reduction in inventories. Among non confidence-building variables, evaluations on the production level and variation grow, as do short-term forecasts on the general economic framework. Finally, selling price rise expectations slightly diminish, while the cost of money is increasing.

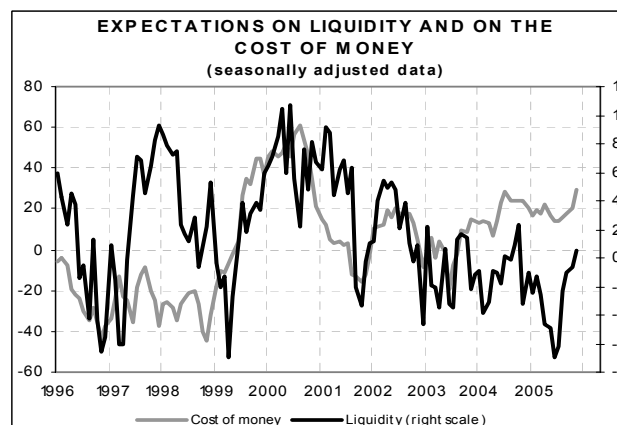
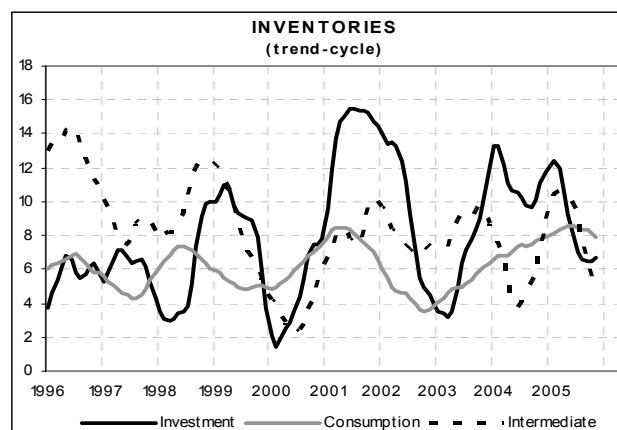
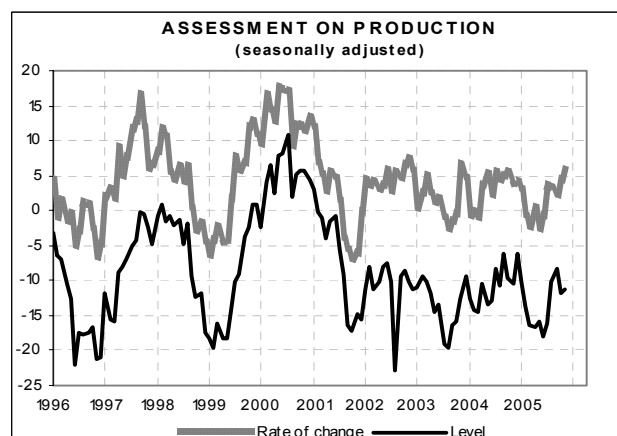
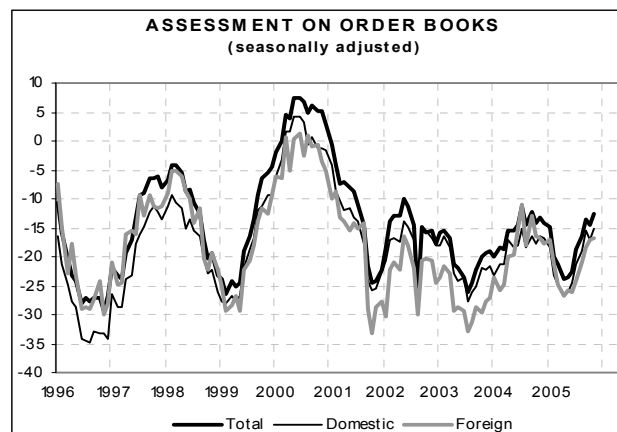
The November confidence rise is particularly intense in final demand goods: indeed, the index in consumer goods increases from 92.3 to 93.6, while the one referring to investment goods goes from 88.5 to 89.7. The indicator grows relatively less in intermediate goods, passing from 86.7 to 86.9. Breaking down data by level of technology (according to the OECD distinction between high-tech, medium-tech and low-tech sectors), the confidence recovery is particularly strong in high-tech sectors and it is smaller in low-tech sectors, while medium-tech sectors remain stable on the high late-Summer figures. Finally, looking at data by firm size, confidence in November strongly grew in small firms (up to 99 employees) and in large firms (over 250 employees), while it decreased in medium-sized firms (between 100 and 249 employees).



Situation in the reference month (November 2005)

Assessments on the main variables improve in November. Indeed, the order-book balance recovers from -14 to -12 thanks to the domestic market growth (passing from -17 to -15, while the balance on foreign markets remains at -17). Also evaluations on the current production level and variation increase (from -12 and 4 to -11 and 6 respectively). Finally, finished products inventories fall from 7 to 6, while the balance of the liquidity available for operational needs remains unchanged.

Assessments are particularly favourable in consumer goods, thanks in particular to the demand recovery (from -19 to -11) both in its domestic (from -19 to -12) and in its foreign (from -21 to -18) components. The balance of inventories remains stable at 8, while the production variation worsens (its balance worsening from 5 to 2) and liquidity for operational needs remains at 30. A favourable trend is observed in investment goods: demand improves from -12 to -9 (the domestic component remaining at -15, while the foreign component grows from -13 to -11), while the production levels stops at -10. Inventories increase from 6 to 8 (which is partially against the general trend) and the production variation decreases from 13 to 6. In this sector too, liquidity remains stable (at 36). The order-book balance in intermediate goods slightly rises compared to other sectors and passes from -17 to -16. Indeed, the production level remains constant (at -15), while the production variation grows from 1 to 4 in terms of balance. Inventories decrease from 5 to 4 and liquidity for operational needs slightly grows from 33 to 34 (in terms of balance).



Forecasts for next quarter

In November, the balances of expectations on order books and employment remain stable at 16 and -6 respectively, while those on production deteriorate from 14 to 13 and inflationary tensions coming from selling price rises are easing (the balance diminishing from 11 to 9). The cost of money is expected to rise (from 22 to 29), while the overall general economic prospects definitely improve and the balance grows from -13 to -7, which is the highest peak since September.

Forecasts in the various industrial sectors are rather diversified: investment goods producers are optimistic in their forecasts on order books, production (the balance passing from 15 to 19 in both cases) and employment, and foresee a substantial selling price stability. Conversely, in intermediate and consumer goods, negative indications prevail, except for production expectations in intermediate goods, which are improving. All in all, expectations for the general economic situation grow in all sectors: the balance goes from -21 to -6 in investment goods, from -17 to -6 in consumer goods and from -19 to -13 in intermediate goods. Finally, regardless of the industrial sector, firms expect a rising cost of money and a stable liquidity.

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

	Confidence climate	Order-book level	Finished goods inventories	Expectations on production
Aug. 2005	87.8	-16	9	12
Sept. 2005	89.3	-13	7	12
Oct. 2005	89.5	-14	7	14
Nov. 2005	90.1	-12	6	13

The confidence trend by level of technology

The OECD suggests an industrial sector classification enabling to distinguish between high-tech, medium-tech and low-tech sectors. According to the OECD, high-tech sectors comprise aircraft and spacecraft, pharmaceutical products, office machinery, computers and software, radio, TV and communication apparatus, medical, precision and optical instruments. Those sectors account for 6% of the ISAE index. Medium-tech sectors include electrical machinery and material, transport, chemistry (except pharmaceuticals), naval and railway construction, machinery and equipment, rubber and plastic products, manufacture of coke and refined petroleum products, iron and non-iron metallurgic products: those sectors account for 56% of the ISAE sample. Low-tech sectors comprise sundry manufacturing products, wood, paper and publishing, graphic arts and reproduction, foodstuff and beverages, tobacco, textiles and clothing: they account for 38% of the ISAE sample.

Over the past few months, confidence has considerably grown in high- and low-tech sectors. In high-tech sectors, the index rose from 86.9 in June to 95.5 in November, with a 4.5-point bump in the past month. In low-tech sectors, the index increased gradually but constantly, and passed from 82.3 in June to 88.8 in November. A relatively smaller growth was observed in medium-tech sectors, where the indicator went up to 90 in September (86.5 in May) and then fell down to 88.8 in October and remained unchanged in November.

The confidence trend by firm size

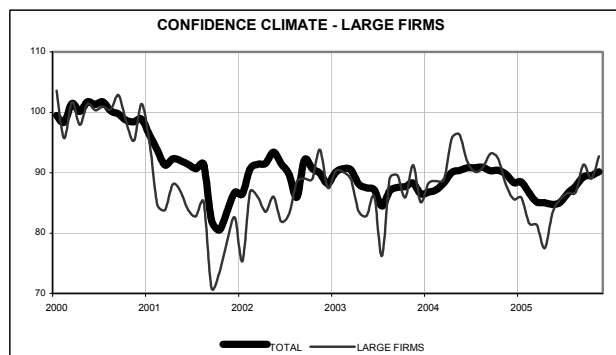
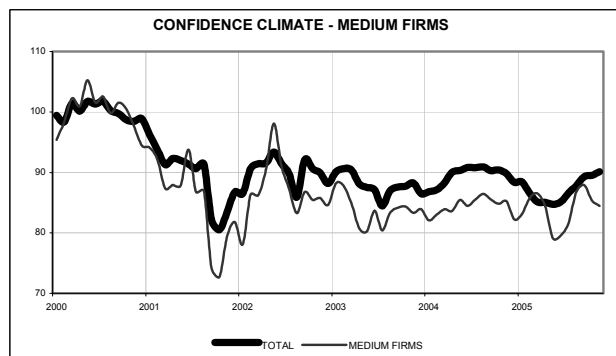
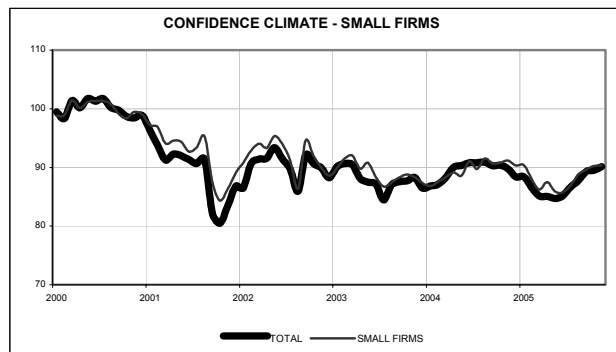
The confidence improvement which has been going on since June and was confirmed in November is not common to all size levels: indeed, small and large firms are growing in keeping with the overall trend, while in the past two months medium-sized firms have run counter the general situation.

In particular, small firms (up to 99 employees) witness a continuous improvement in their confidence indicator ever since June 2005: in November their index equalled 90.3, which is close to the early-2005 figures. Confidence in medium-sized firms (between 100 and 249 employees) has constantly grown from June to September - reaching its best score of the past few years - and then has been deteriorating in October and November, when the index fell down to 84.5. Even in large firms, the confidence recovery was particularly intense between June and September (when the index gained 6 percentage points), and then came to a stop in October and started growing again in November, when the indicator equalled 92.7, which is close to its highest peak since October 2004.

Confidence climate by firm size

	Total	Small firms	Medium-sized firms	Large firms
July 2005	86.6	86.9	81.7	86.7
Aug. 2005	87.8	88.9	86.7	86.7
Sept.2005	89.3	89.6	87.9	91.3
Oct. 2005	89.5	90.2	85.4	89.0
Nov. 2005	90.1	90.3	84.5	92.7

CONFIDENCE CLIMATE BY FIRM SIZE



Source: ISAE - seasonal adjusted data