



Date: December 29, 2008

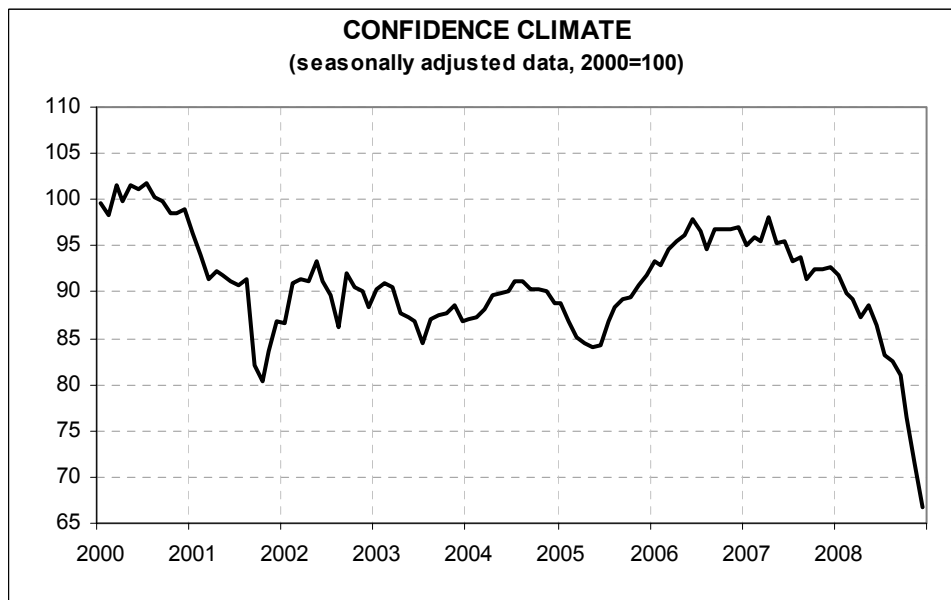
TEL.: 06/444821

IN DECEMBER MANUFACTURING FIRMS' CONFIDENCE PLUNGES TO AN ALL-TIME LOW

- The seasonally adjusted confidence index (2000=100) fell to 66.6 from 71.6 in the previous month
- Both the opinions on the current level of demand and short-term production expectations slumped. Inventories of finished products continued to accumulate
- Firms confirmed their difficulty to access credit, which already emerged in the previous month's survey. About 13% of firms which had recent contacts with banks did not obtain the funding they hoped for (compared to slightly over 14% in November). In most cases, the failure to obtain credit was caused by explicit denial by banks
- The crisis affected all main productive sectors and was also widespread across the country. The index actually dropped from 65.7 to 62 for investment goods, from 82.5 to 78.9 for consumer goods, and from 66.3 to 60.7 for intermediate goods
- Lastly, confidence decreased from 67.6 to 63.8 in the North West, from 71.4 to 63.1 in the North East, and from 80.0 to 75.8 in the Centre. Basic stability characterized instead the *Mezzogiorno*, where the index moved from 75.9 to 75.5

IN THE 4Q 2008 OPINIONS AND FORECASTS ON EXPORT TURNOVER ALSO MARKEDLY WORSEN

- The share of respondents indicating the presence of factors limiting export activity swelled, mainly because of "other factors", linked at this stage to the ongoing international crisis and to increasing difficulty in raising funds
- The export to domestic price ratio lowered for the second consecutive quarter
- Among main export markets, the role of Germany and the United States diminished, to the benefit of exports headed for the other European countries



Data on January shall be released on January 28, 2009

The next ISAE surveys are scheduled as follows:

December 30, 2008: *ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (reference period: December), ISAE Monthly Business Services Survey (reference period: December), and ISAE Monthly Survey on Construction (reference period: November)*

January 13, 2009: *ISAE International Comparison of Consumer and Business Surveys (reference period: December)*

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

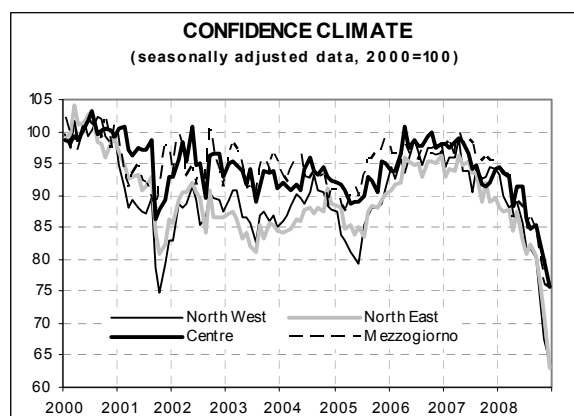
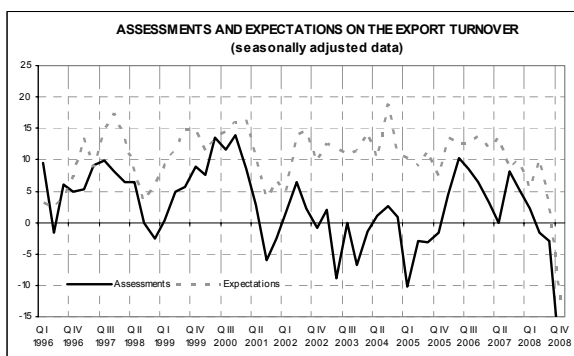
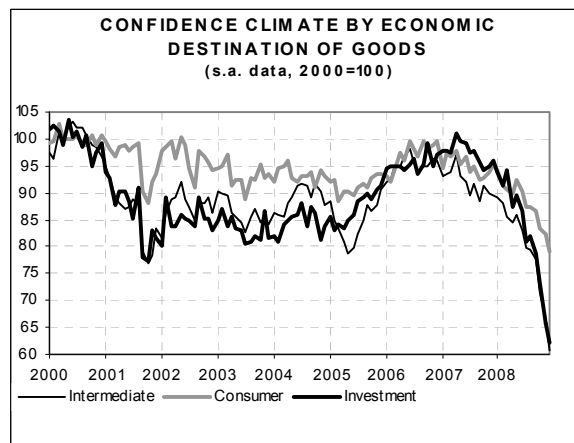
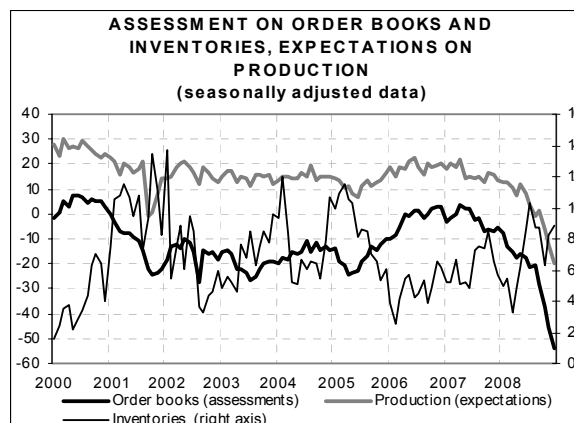
General results

According to the ISAE Survey, carried out between December 1 and December 18 on a panel of about 4,000 firms, the confidence climate of manufacturing and mining firms decreased in December to 66.6 from 71.6 in the previous month, reaching the weakest level since the ISAE survey started.

The fall may be principally traced to the deterioration in the opinions on the current level of orders and of demand in general. Entrepreneurs were pessimistic also about the expected level of production. Inventories of finished products continued to accumulate, though only moderately. Firms confirmed their difficulty to access credit, which already emerged in the previous month's survey. About 13% of firms which had recent contacts with banks did not obtain the funding they hoped for (compared to 14% in November). In most cases, the failure to obtain credit was caused by explicit denial by banks.

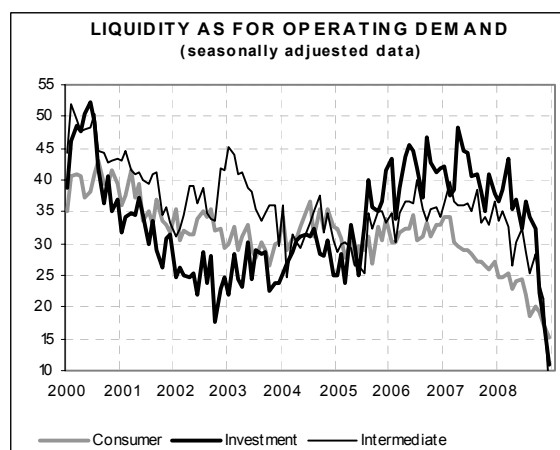
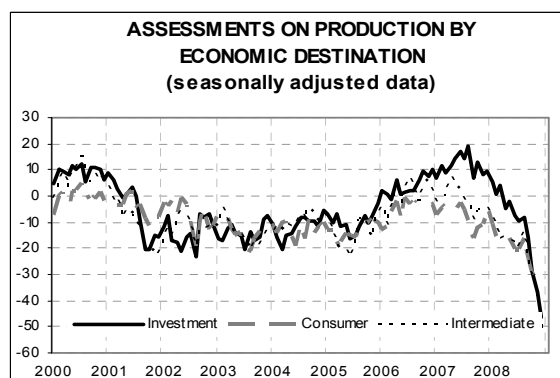
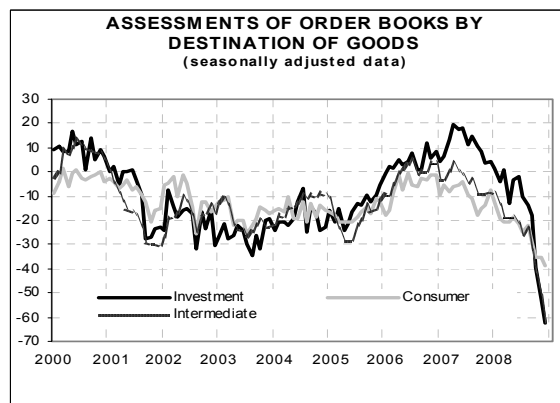
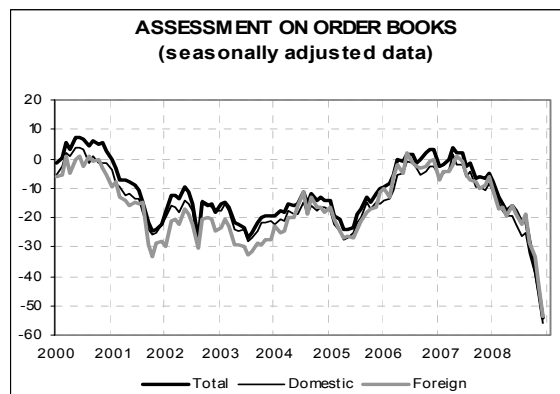
The crisis affected all main productive sectors and was widespread across the country. The confidence index actually dropped from 65.7 to 62 for investment goods, from 82.5 to 78.9 for consumer goods, and from 66.3 to 60.7 for intermediate goods. Lastly, at the regional level the index decreased from 67.6 to 63.8 in the North West, from 71.4 to 63.1 in the North East, and from 80.0 to 75.8 in the Centre. Basic stability characterized instead the *Mezzogiorno*, where the indicator moved from 75.9 to 75.5.

According to the traditional ISAE quarterly survey on exporting firms, in the fourth quarter of 2008 opinions and forecasts on export turnover also clearly worsened. The share of respondents indicating the presence of factors limiting their export activity swelled, mainly because of "other factors", linked at this stage to the ongoing international crisis and to more difficulty in raising funds. The export to domestic price ratio lowered for the second consecutive quarter. Among main export markets, the role of Germany and the United States diminished, to the benefit of exports headed for the other European countries.



Situation in the reference period (December 2008)

In December, manufacturing firms were clearly more pessimistic compared to the previous month. The balance for the opinions on orders decreased nine points (from -45 to -54), prompted by the deterioration in both domestic and foreign demand (the related balances diminished from -47 to -56 and from -44 to -54, respectively). Firms' assessments on the level of production and company liquidity declined as well (from -37 to -43 and from 19 to 11). Accordingly, inventories increased, though moderately (from 8 to 9). The worsening in the opinions on the current situation was particularly sharp among producers of intermediate goods. Assessments on demand moved from -51 to -62, due to the fall in both the domestic and foreign components (from -51 to -64 and from -50 to -67, respectively), the opinions on the level of production fell eight points (from -43 to -51) and those on company liquidity lost fifteen points (from 21 to 6), whereas assessments on inventories edged down slightly (from 9 to 8). Also producers of investment goods were clearly pessimistic. The evaluation of demand worsened (from -52 to -62), showing the worst result in foreign demand (from -45 to -56). In this sector, opinions on the level of production dropped nine points (from -37 to -46) and those for company liquidity lost seven points (from 18 to 11). Inventories slightly edged down (from 11 to 9). For producers of consumer goods, demand recorded a more moderate fall compared to the other sectors (from -35 to -39). The decline was subdued in both domestic and foreign demand (from -36 to -43 and from -39 to -41). The opinions on the level of production and on company liquidity diminished two points, while those on inventories of finished products rose two points (from 5 to 7).

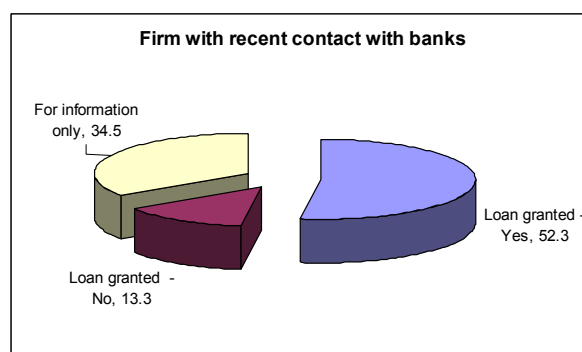
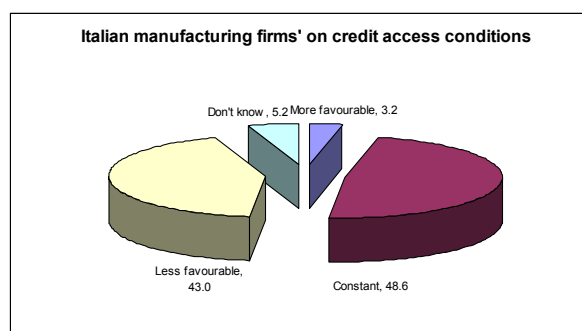


Credit access conditions

Following the sharp increase posted in November, the share of firms complaining about deteriorating credit access conditions remained virtually stable in December (43% of the sample, compared to 43.5% in the previous month). Firms reporting increasingly worsening credit conditions were those in the North West (46.4% of the sample, as opposed to 42.5% in November). In the North East, the Centre and the South firms gave less negative assessments. According to firm size, large firms considered a worsening in credit conditions, while medium-sized firms posted an improvement and small ones recorded stability. In most cases, assessments were based on personal opinions, but about 46% of sample firms stated they actually had recent contacts with banks.

Among the latter, 52.3% of firms obtained a loan (compared to 53.3% in November), 13.3% were refused credit (14.4% in November) and 34.5% contacted credit institutions for information purposes only (32.3% in November). The share of firms which did not obtain credit declined in the North West (from 15.2% to 12.7%) and the Centre (from 13.9% to 11.9%), held steady in the North East, and increased instead in the *Mezzogiorno* (from 12.4% to 14.7%). According to firm size, the share of large firms which contacted banks for information purposes only increased (from 16.2% to 35.8%), while on the other hand the percentage of those which failed to obtain credit declined (from 14.2% to 5.6%). The percentage of small and medium-sized firms which were refused credit remained instead virtually stable compared to November (at 13.7% and 20%, respectively).

The failure to obtain bank credit continued to be mainly caused by explicit denial by banks (for 11% of the cases, as in November). A slight decline characterized instead the share of firms which rejected funding because of too onerous credit terms (from 3.4% to 2.3%: the sharp fall recorded by large firms more than offset the increase posted by medium-sized ones).



Reasons for credit refusal

	March	June	September		
Denied by the bank	Total	4.3	3.3	5.8	
	Small	4.3	3.3	5.9	
	Medium	5.6	3.2	7.6	
	Large	4.5	5.7	4.8	
Client's refusal	Total	5.3	3.6	2.2	
	Small	5.6	3.9	2.4	
	Medium	1.8	2.4	0.0	
Client's refusal	Large	4.3	0.0	1.6	
				November	December
	Total		11.0	11.0	
Denied by the bank	Small		10.9	11.6	
	Medium		16.7	14.5	
	Large		7.0	3.4	
	Total		3.4	2.3	
Client's refusal	Small		3.0	2.2	
	Medium		2.2	5.5	
	Large		7.2	2.2	

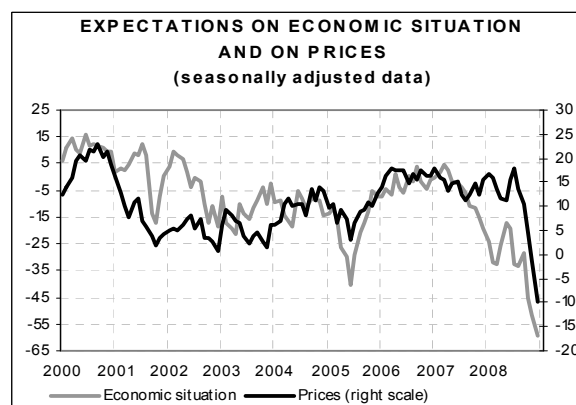
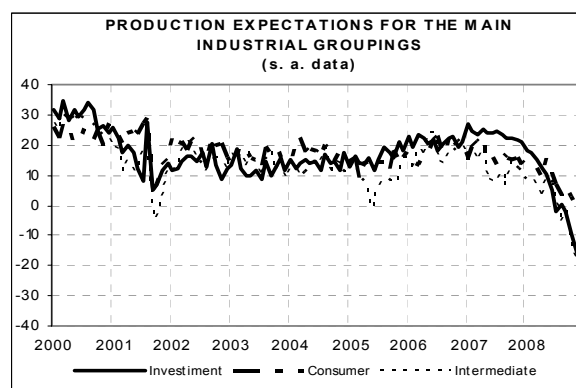
Outlook for the following three months

In December, firms' short-term prospects for main company variables and for the country's general economic conditions continued to worsen. The balances related to expectations for orders, production and company liquidity diminished (from -12 to -20, from -13 to -20 and from -22 to -28, respectively). Also employment expectations worsened again (moving from -17 to -23). Moreover, firms expected a fall in their industrial selling prices (the balance declined from -1 to -10) and predicted a further deterioration in the country's economic situation (from -52 to -60).

At the sector level, expectations of manufacturers of intermediate goods came in sharply worse than in the other sectors, with respect to both demand and production (from -18 to -31 and from -21 to -29, respectively). Also prospects for company liquidity worsened (from -24 to -26) and employment forecasts sharply deteriorated (from -18 to -28). The outlook for the investment goods sector got noticeably worse as well. Firms cut their expectations for orders, liquidity, employment and production (in the order, from -19 to -26, from 18 to 11, from -17 to -20, and from -16 to -20). Prospects for the general economic situation and for prices tumbled too (the balances fell from -61 and from 7 to -1). Lastly, in the consumer goods sector firms gave less negative indications. Expectations for demand, production and the general economic situation edged down (from 0 to -3, from 0 to -5, and from -51 to -57). Forecasts for liquidity and employment also declined (from -18 to -20 and from -14 to -18). In this sector as well, expectations for selling prices eased slightly (the balance lowered from 4 to 2).

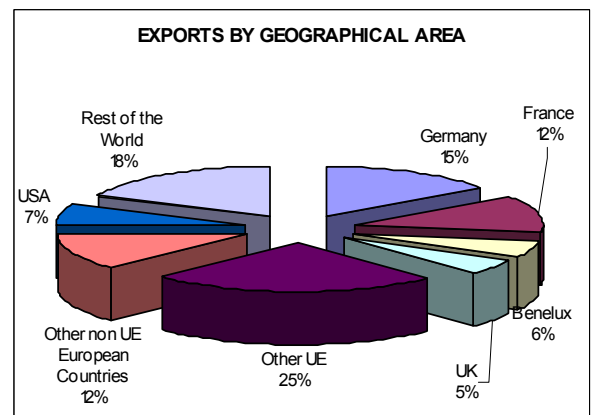
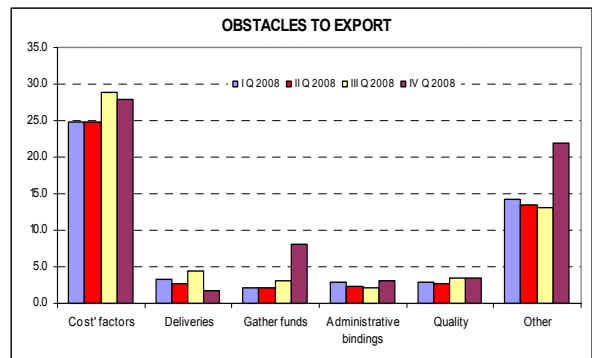
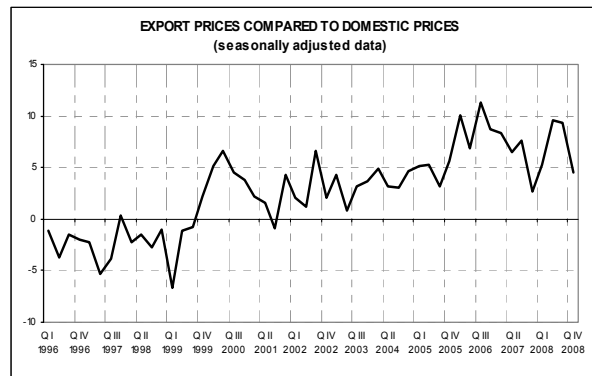
Manufacturing firms' confidence climate and balances of indicator-building series

	Confidence climate	Order-book level	Inventories	Expectations on production
Sept 2008	81.0	-28	9	1
Oct. 2008	76.4	-38	6	-6
Nov. 2008	71.6	-45	8	-13
Dec.2008	66.6	-54	9	-20



The ISAE quarterly survey on exporting firms

In the fourth quarter of 2008, the traditional ISAE quarterly survey on exporting firms (for which exports accounted on average for about 38.6% of total sales) pointed to a slump in respondents' assessments on present and future export turnover. The seasonally adjusted balance for the current quarter actually fell from -3 to -22 and the one for the first quarter of 2009 decreased from 3 to -12, reaching in both cases a record low since 1991. Furthermore, the ratio between export and domestic prices extended its downward path (the seasonally adjusted balance went down from 9 to 4). Accordingly, for the first time since 1991, over 50% of surveyed firms (more precisely, 50.4%) reported the existence of considerable obstacles limiting their export activity. In particular, a sharp increase distinguished the proportion of those signalling constraints related to financing (from 3% to 8%) and "other factors" (from 13% to 22%), at this stage probably mainly because of the weakness in demand. China and Germany, along with France, were again considered major competitors. Finally, with regard to main countries of destination, the share of exports going to Germany and the United States diminished, to the benefit of those headed for the other European countries.



Regional breakdown of ISAE survey results

The brisk deterioration in confidence was widely spread across the country, though at different rates. Pessimism was particularly strong in the North East and the Centre (where the index lowered from 71.4 to 63.1 and from 80 to 75.8, respectively), and was slightly more moderate in the North West (from 67.6 to 63.8) and, above all, the *Mezzogiorno* (from 75.9 to 75.5). In particular, assessments on demand and production expectations markedly worsened. Inventories of finished products gave, instead, contrasting indications. As for exports, opinions and forecasts on export turnover worsened everywhere and the export to domestic price ratio diminished.

North West

The confidence index decreased nearly four points, reaching the lowest showing since the ISAE survey started to include a regional breakdown (January 1991). The fall was mainly due to a marked decline in orders (both domestic and foreign) and in production prospects. The opinions on inventories of finished products sent instead some positive signals. Lastly, quarterly questions regarding exports showed a worsening in both assessments and forecasts on turnover and a fall in the ratio between export and domestic prices.

North East

In this area, the drop in confidence was the sharpest. The indicator hit its historical low, mainly due to the worsening in the opinions on demand and in production expectations. Moreover, inventories built up. Marked pessimism also distinguished both the opinions and the prospects for export turnover. The export to domestic price ratio noticeably diminished.

Centre

Also in this case, the index fell because of the significant decline in production expectations, which came along with negative opinions on orders, notwithstanding the de-stocking of inventories of finished products. Opinions and forecasts for export turnover also recorded sharp pessimism and the ratio between export and domestic prices decreased.

Mezzogiorno

In partial contrast, the confidence index in this area practically held steady with respect to November, remaining at its lowest level since August 1993. Production expectations declined, but both orders and inventories posted a more positive trend. However, opinions and prospects for export turnover recorded a sharp deterioration and the export to domestic price ratio lowered.

