



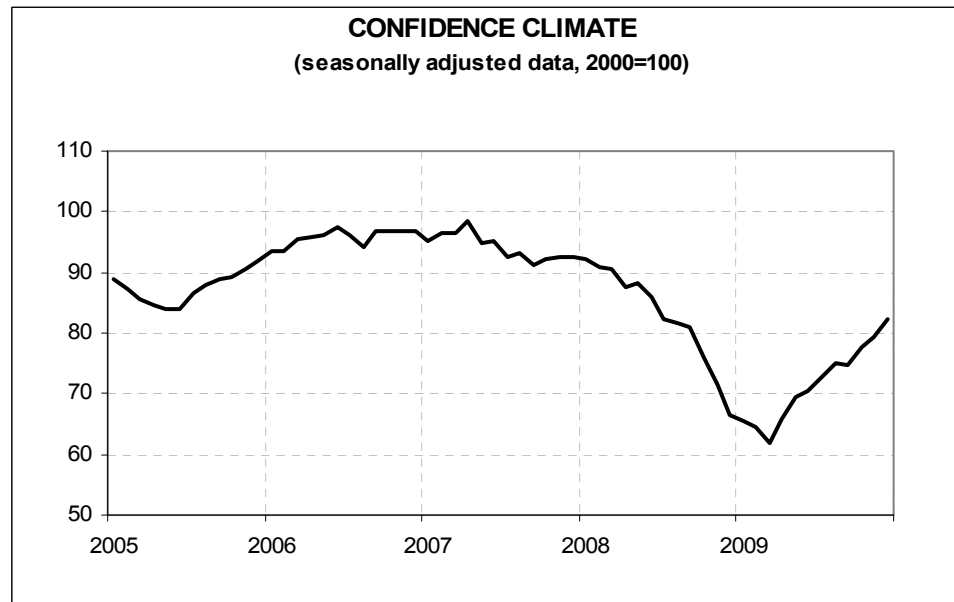
Date: 29 December 2009

MANUFACTURING FIRMS' CONFIDENCE RISES FURTHER IN DECEMBER

- Considered net of seasonal factors, the index climbed from 79.4 to 82.6, hitting the highest level since June 2008
- The increase was due to the sharp recovery in production expectations and order books (mostly from foreign markets); inventories held steady and, in any case, below standard levels
- Moreover, access-to-credit conditions improved; a sharp reduction in "strongly rationed" firms was also reported
- Confidence recovered in all sectors, albeit to different extents: the strongest increase was recorded in investment goods (from 70.9 to 76.2) and consumption goods (from 86.2 to 89.6); the index climbed from 78.1 to 80 in intermediate goods
- Confidence recovery was unevenly spread at national level: the index sharply increased in the *Mezzogiorno* (from 77.9 to 84.2) and the North West (from 80.6 to 84.8) and rose at a lower pace in the Centre (from 82.6 to 84.5) and the North East (from 76.1 to 77.5)

MODERATE SIGNS OF RECOVERY WERE REPORTED IN THE 4Q FROM JUDGMENTS AND EXPECTATIONS ON EXPORT SALES

- The share of firms declaring to find obstacles to their exporting activity newly decreased as a result of lesser restraints in access-to-credit conditions and product quality
- The perception of strong competitive pressures from Germany and the United States increased in the quarter; on the contrary, pressure from the role of France, the United Kingdom and China seemed to recede
- As to the market outlets, the share of exports to EU markets (especially to small countries), slightly increased at the expense of exports to the United States and the rest of the world



Data on January shall be released on 28 January 2010

The next ISAE surveys are scheduled as follows:

26 January: ISAE Monthly Consumer Survey (Reference period: January)

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

General results

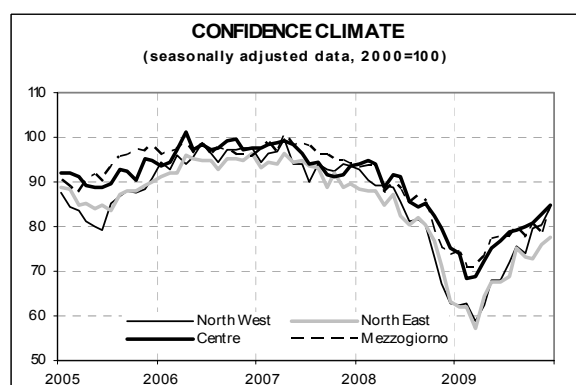
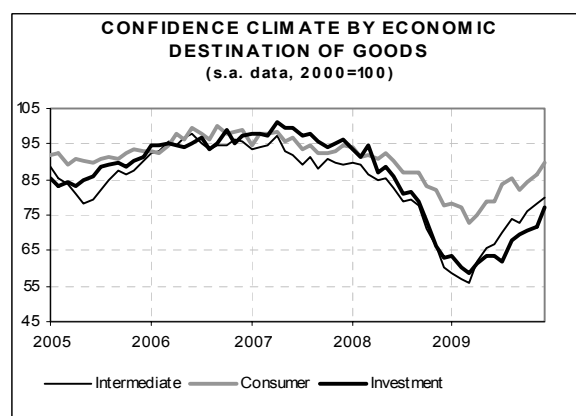
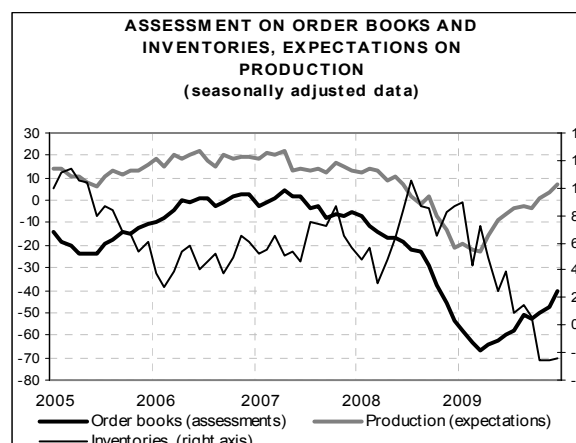
According to the ISAE survey carried out between December 1 and 18 on a panel of roughly 4,000 firms, the confidence climate in the manufacturing and extractive sector, considered net of seasonal factors, climbed from 79.4 to 82.6, hitting the June 2008 values.

The optimistic trend was the result of improved production expectations and bettered opinions on book orders (especially from foreign markets); inventories held steady, and, in any case, below standard values. Short-term forecasts on the Country's economic conditions and order books also improved, whereas the expected pressures on prices held steady; labour expectations hit the same low values as the last months'. The access-to-credit conditions also bettered, with the share of "strongly rationed" firms strongly reduced.

Confidence growth particularly affected the producers of investment goods, where the index bounced to 76.2 from November's 70.9, and the producers of consumption goods (to 89.6 from 86.2); confidence from the producers of intermediate goods rose to a lower pace, with the index moving from 78.1 to 80. Growth was unevenly spread at national level: confidence sharply recovered in the *Mezzogiorno* (from 77.9 to 84.2) and the North West (from 80.6 to 84.8) and gradually rose in the Centre (from 82.6 to 84.5) and the North East (from 76.1 to 77.5).

As to the customary questions addressed to export firms on a quarterly basis, moderate signs of recovery were posted in the fourth quarter from judgments and expectations on export sales. The share of firms affirming to find obstacles to their export activity also shrunk, as a result of lesser restraints in access-to-credit conditions and product quality. The perception of strong competitive pressures from Germany and the

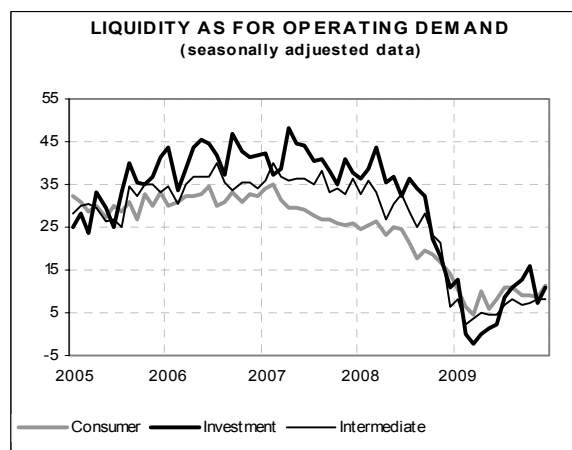
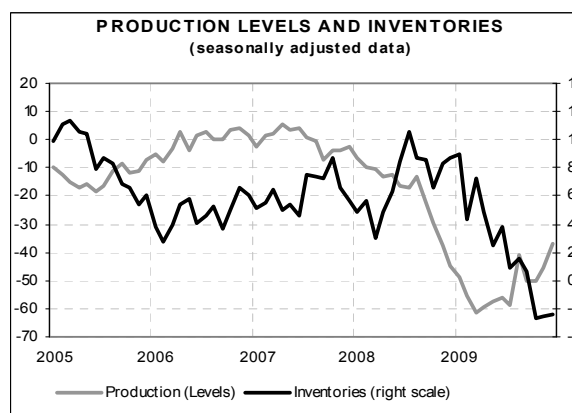
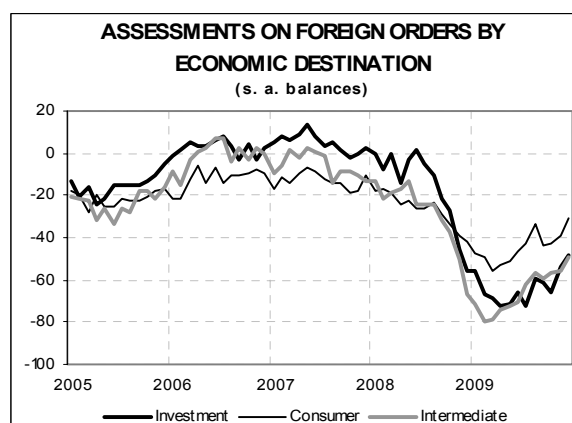
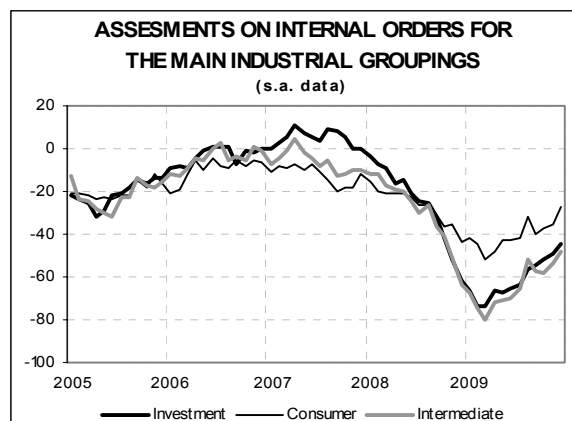
United States increased in the quarter; on the contrary, pressure from the role of France, the United Kingdom and China seemed to recede. As to market outlets, exports to UE markets slightly increased (especially towards small countries) at the expense of exports to the United States and the rest of the world.



Situation in the reference period (December 2009)

Judgments on the state of corporate variables improved in December: the balance for book orders recovered, moving from -47 to -40, as a result of increased foreign demands (balance up from -49 to -41; the balance for domestic demand, instead, moved from -46 to -40). More favourable opinions were also expressed with regard to the current level of production (balance rose from -45 to -37); inventories held steady below standard levels (-2). Balances for liquid funds finally increased with respect to operating needs (from 9 to 10).

At sector level, growth affected all production sectors with particular reference to investment goods, where the balance for order books increased 11 points, jumping from -56 to -45 (from -49 to -45 on domestic markets and from -54 to -48 on foreign ones). The balance for the production level recovered 5 points, moving from -51 to -46 whereas the inventory balance fell from -3 to 0. The availability of liquid funds for operating needs finally increased (balance from 7 to 11). Judgments also sharply recovered across the producers of consumption goods: the balance for order books recovered 8 points, moving from -36 to -28, as a result of the positive trend affecting both domestic (from -36 to -27) and foreign demand (from -39 to -31); moreover, the production level of this sector was also deemed to strongly recover (from -36 to -26); improvements were also reported as to the availability of liquid funds with respect to operating needs (balance from 9 to 11). Inventories finally reduced moving from 0 to -1. The balance for the demand of intermediate goods increased 5 points with respect to November levels, moving from -53 to -48, mainly as a result of the sharp increase recorded in foreign demand (from -56 to -49). Judgments on the level of production also bettered (from -50 to -42), and inventories recovered below normal levels (balance from -7 to -3). Liquid funds with respect to operating needs were deemed to hold steady (balance at 8, like in the previous month).



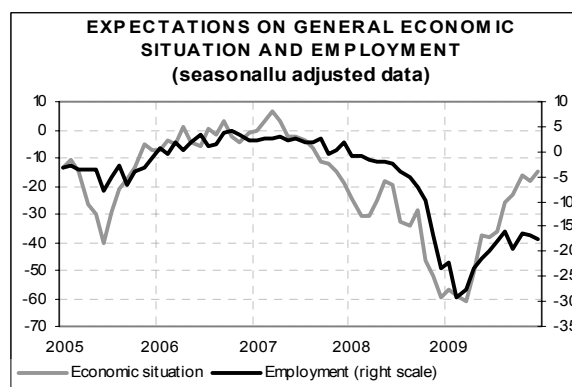
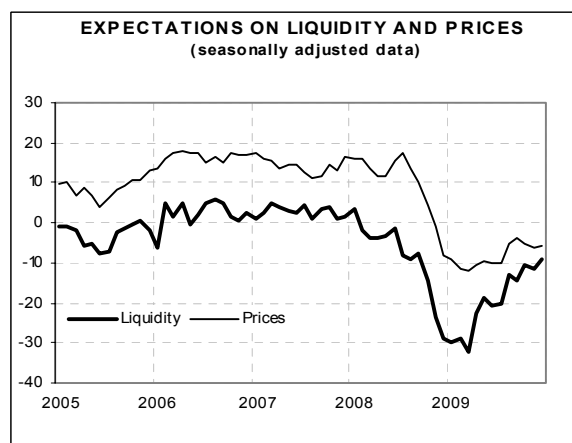
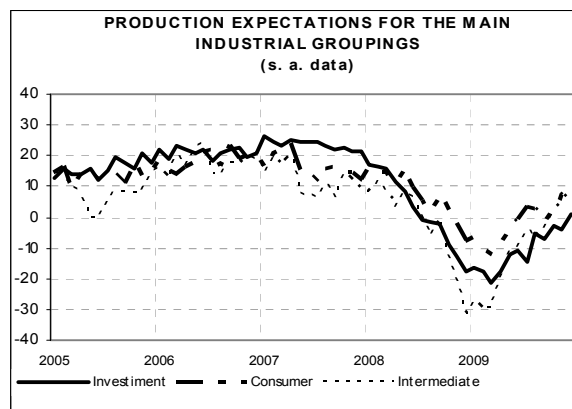
Forecast for the following three months

Short-term expectations on demand and production levels slightly increased, with the respective balances moving from 6 to 7 and from 4 to 8. Expectations on the general economic situation also recovered (from -19 to -15), whereas expectations on selling prices (balance to -7) as much as employment forecasts (balance -17, all-time low value) held steady. Prospects on corporate liquid funds improved with respect to operating needs (balance from -11 to -9).

At sector level, production expectations sharply recovered across the producers of investment goods (from -7 to -2); improvements were also observed in forecasts on the country's economic conditions (from -26 to -20); expectations on book orders went back to positive levels (from -2 to 2) whereas expectations on low employment levels held steady (balance to -18). Producers also expected a reduction in selling prices (albeit less important) (balance from -10 to -6) and an increase in corporate liquid funds (from -18 to -14). As to consumption goods, expectations on order books (back to positive levels, balance at 9) and employment (still negative, balance at -16) held steady. Firms also suffered a further drop – though less widespread – in price lists (from -3 to -1) but a slight recovery in production levels (balance from 7 to 9) was reported. Less pessimistic hints characterized the sector's economic trend for the future (from -25 to -17). Expectations on production levels (from 5 to 9) and order books (from 7 to 11) also bettered across the producers of intermediate goods, but a deterioration in the expected general economic conditions was observed (from -18 to -19). More optimistic hints were sent on corporate liquid funds (balance from -17 to -14) and expected price reductions (from -8 to -9).

Confidence climate and balances of the index-building series

	Confidence climate	Level or order books	Inventories	Expectations on production
Sept. 2009	74.6	-52	1	-3
Oct. 2009	77.8	-50	-3	2
Nov. 2009	79.4	-47	-2	4
Dec. 2009	82.6	-40	-2	8



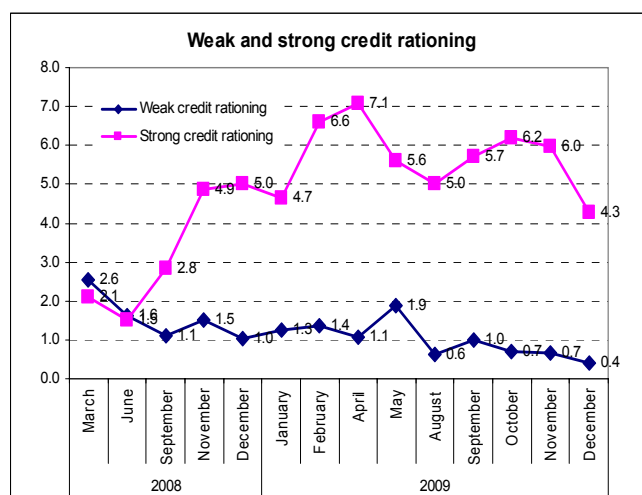
Access-to-credit conditions

Assessments from manufacturing and extractive firms improved in terms of access-to-credit conditions in December: the share of firms considering such conditions less favourable moved from 22.3% to 20.5%, with the sharpest increase affecting large-sized firms (from 16.2% to 11.5%, against the lowest values recorded at the beginning of the survey). At regional level, a general improvement in credit conditions was observed with particular reference to the firms seated in the *Mezzogiorno*.

Moreover, the share of firms declaring not to have obtained the loan from the banking institution decreased in December, with no significant differences at dimension and geographical levels. 28.3% of manufacturing firms declared to have obtained the requested loan (against 26% of the previous month); a 22% share of these declared to have obtained the loan at the same conditions and a 7% share affirmed to have accepted the loan at more expensive conditions. In particular, medium-sized firms lamented highest rates associated to the granting of the loan, with the strongest rise reported from the firms in the Centre.

The non-assignment of loans was still essentially due to the bank refusal which, in any case, seemed to decrease with respect to the previous month (from 6% to 4.3% of “strongly rationed” firms); the share of firms (now amounting to 0.4%) refusing new and more expensive credit conditions (the so-called “weakly rationed” firms) also decreased.

Finally, among the extra burdens indicated by those which had been granted the loan at less favourable conditions, firms highlighted an increase in the restraints associated to the allocated funds, especially for firms seated in the North West and the Centre.



	Granted Loan – Yes			
	Total	Small	Medium	Large
Mar-08	34.7	34.9	36.4	32.4
Jun-08	30.5	29.5	36.1	32.2
Sept-08	30.5	31.3	35.7	24.5
Nov-08	23.6	23.3	26.1	24.0
Dec-08	23.9	23.3	25.2	26.3
Jan-09	26.1	26.7	22.8	26.1
Feb-09	22.6	21.9	23.3	26.7
Apr-09	25.5	22.6	32.2	36.2
May-09	23.9	22.3	22.1	33.9
Aug-09	26.2	25.4	28.2	29.9
Sept-09	27.7	26.9	32.8	31.7
Oct-09	30.0	28.8	34.0	33.1
Nov-09	26.0	24.4	27.9	33.7
Dec-09	28.3	27.4	35.0	29.7
- same conditions	21.4	21.0	28.4	20.2
- more expensive conditions	6.9	6.4	6.7	9.4

Reasons for extra burdens on credit conditions

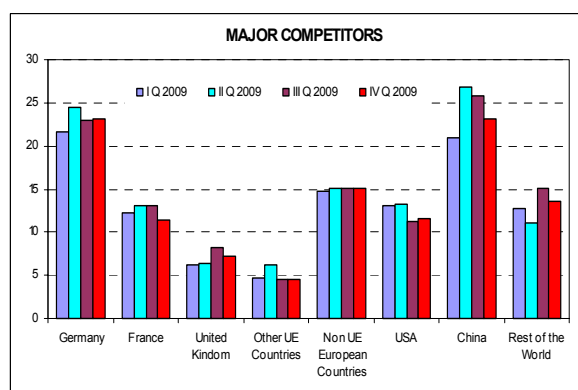
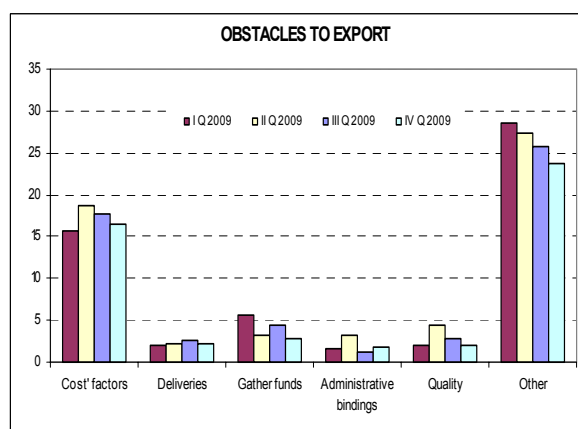
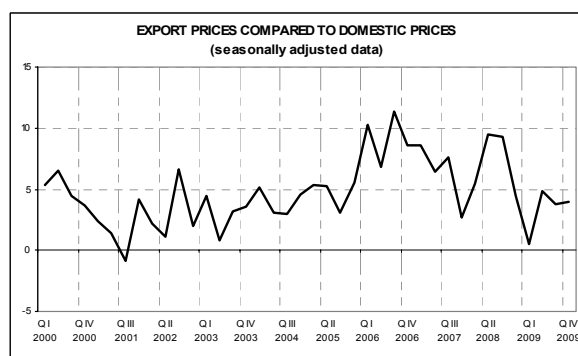
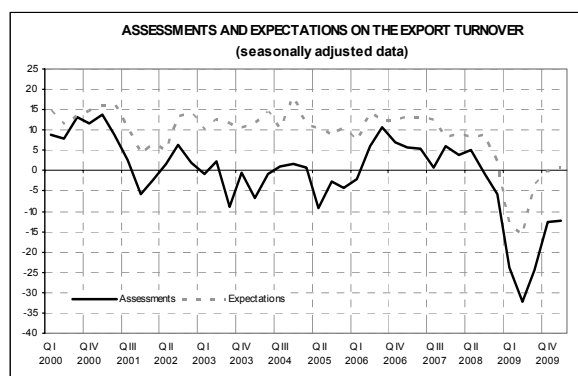
	September	October	November	December
Rates	5.0	5.0	4.0	4.0
Eligible guarantees	3.0	2.0	2.0	2.0
Collateral	1.8	2.0	1.4	0.0
Restraints	1.7	3.0	1.5	2.1
Costs	1.8	2.8	2.0	2.0

Quarterly survey on exporting firms

According to the customary questions addressed to the exporting firms on a quarterly basis (which, according to the inquiry exported on the average 37.8% of their turnover, showing a recovery with respect to the average 35.8% recorded in the previous quarter), the assessments on current and prospective trends for export sales recovered in the fourth quarter: assessments on the current quarter increased from -13 to -12, in line with the positive indications formulated by the firms three months before, at the prediction stage. On the other hand, the balance concerning the expectations for the following three months continued to improve, going back to positive values (from 0 to 1) for the first time in the third 2008 quarter. The balance for export/domestic price ratio held steady (at 4).

More favourable indications were also expressed as to the decreased share of firms lamenting the existence of important obstacles to the exporting activity (from 44.4% to 42.8%): in particular, the share of firms underlining the existence of access-to-credit restraints fell sharply (from 4.4% to 2.8%).

The perception of strong competitive pressures from Germany (which 23.1% of firms considered as a competitive factor) and the United States (11.5% of firms) also increased; on the other hand, pressures from the role of France, the United Kingdom and China receded. As to market outlets, the share of exports to the UE markets, especially small countries, which, today, comprises about 25% of total exports against 23% of last quarter, slightly increased; on the contrary, a decrease was reported in the share of exports to the United States (from 8% to 7%) and to the rest of the world (from 16% to 15%).



Regional breakdown of ISAE survey results

At regional level, the seasonally adjusted index sharply increased in the *Mezzogiorno* (from 77.9 to 84.2) and the North West (from 80.6 to 84.8) and gradually rose in the Centre (from 82.6 to 84.2) and the North East (from 76.1 to 77.5). Production expectations and judgments on order books increased almost everywhere but contrasting signals were sent on end-product inventories.

North West: Confidence increased four points compared to the previous month. The rise was mainly due to a sharp recovery in the assessments on order books (from -50 to -41), to a moderate de-stocking in end-product inventories (from -8 to -9) and to the slight recovery in production expectations (from 5 to 8).

North East: Confidence slightly recovered, but major optimism affected the current national trend: the index rose by little more than one point –in any case, above average levels of 2009 – reflecting the sharp recovery in the judgments on the level of orders (balance from -49 to -43) and in production forecasts (from 3 to 7); a moderate accumulation of end-product inventories (balance from 2 to 3) was also reported.

Centre: Confidence climbed by nearly 2 points as a result of the remarkable rise in the level of orders (from -40 to -33) on both foreign (from -41 to -32) and domestic markets (from -41 to -33). Production expectations recovered slightly (from -36 to -34) and a moderate increase was recorded in the level of inventories (from 0 to 1).

Mezzogiorno: Following the November contraction, the index climbed six points hitting back the minimum levels of the previous year. The increase was due to the sharp increase in production expectations (from -2 to 4), and to the improved judgments on order books (from -38 to -31), particularly on foreign markets (from -45 to -37). More favourable hints were shown on end-product inventories, which were deemed to strongly reduce (from 8 to 2).

