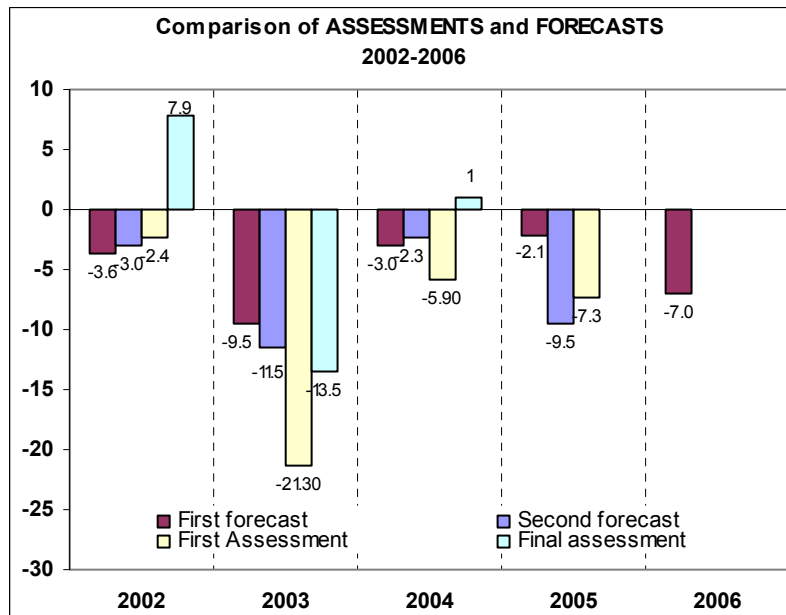




THE MANUFACTURING FIRMS SURVEYED BY ISAE SLIGHTLY INCREASE THEIR INVESTMENT PLANS FOR 2005 COMPARED TO LAST SPRING'S FORECASTS, BUT THEY ARE STILL PESSIMISTIC ON 2006

- The Bi-Annual ISAE Investment Survey, carried out between October and November 2005 and limited to firms which made or planned investments in the three years 2004-2006, signals an investment contraction in manufacturing and extractive firms equalling a nominal 7.3% in 2005, which marks a rise compared to last Spring's forecasts (-9.5%)
- Similarly, 21% of firms declare they upward revised their forecasts, 16% of respondents report they downward revised the investment projections and the remaining 63% left them unchanged. Among the factors that stimulated the revision, a particular role was played by the changing demand structure
- For 2006, the ISAE respondents foresee they will further reduce their expenditure by a nominal 7%, which shows that the short-term cyclical recovery is still uncertain. Besides, the forecasts made at the end of 2004 on the investment trend for 2005 are based on limited information and may be subject – as the past experience shows - to (even considerable) revisions in the following Surveys
- Moderately favourable indications come from (qualitative) forecasts on 2007, where most firms expect they will increase or at least leave the investment unchanged with respect to the previous year
- Most investment expenditure for the two years 2005-2006 is aimed at enlarging productive capacity (within the existing programmes or with the introduction of new products) and at renewing the existing plants; those are followed by expenditure for rationalisation (to automatize the productive process), environmental protection and other destinations



Next Bi-Annual Investment Survey will be published in May 2006.

Next ISAE Surveys are scheduled as follows:

December 21, 2005: ISAE Monthly Consumer Survey (Reference month: December)

December 22, 2005: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: December)

January 3, 2006: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: November) and ISAE Monthly Business Service Survey (Reference month: December)

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

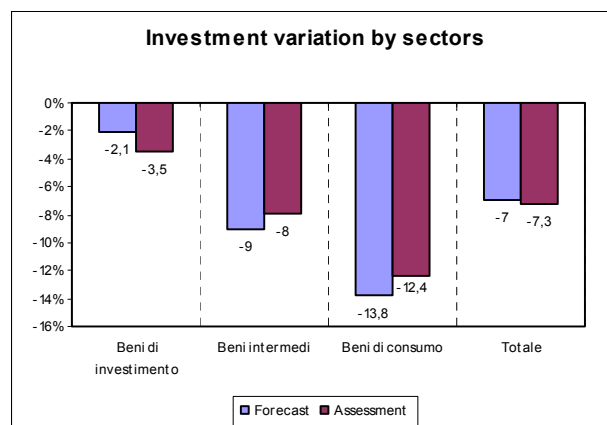
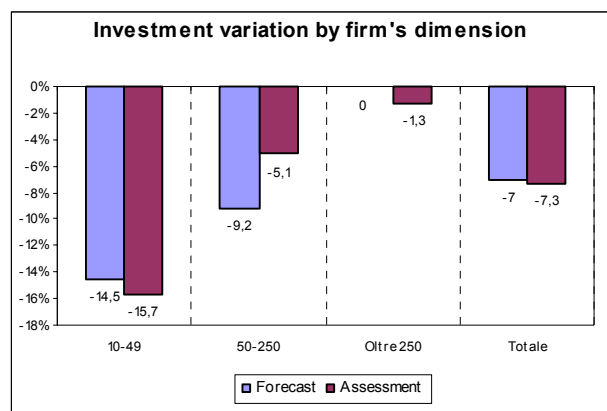
General results

Between October and November 2005, ISAE carried out its traditional Bi-Annual Investment Survey on Manufacturing and Extractive Firms, which surveyed – by phone or by mail - 1869 out of the 4,000 firms composing the ISAE monthly sample, namely those declaring they made investments in the three years 2004-2006.

According to the Survey, investments in the manufacturing and extractive sector decreased by a nominal 7.3% in 2005; in March, the ISAE respondents foresaw an expenditure reduction by more than 9% for 2006. A further 7% reduction is expected for 2006: besides, the forecasts made at the end of each year on the investment trend for the following year are based on limited information and may be subject – as the past experience shows - to (considerable) revisions.

Looking at data by firm dimension, the contraction is particularly marked for small firms, which should reduce their expenditure by 14.5% in 2005 and by a further 15.7% in 2006. Also the situation of medium-sized firms is negative, as they should reduce their investments by 9.2% in 2005 and by a further 5.1% in 2006. Finally, large firms predict a substantially investment stability in 2005 and a contraction by 1.3% in 2006.

Breaking down data by sector, the situation is particularly negative for consumer and intermediate goods, registering a contraction by 12.4% and 8% respectively. Both sectors expect a further worsening in 2006 (-13.8% and -9% respectively). Conversely, the situation in investment goods is less negative, as expenditure decreased by 3.5% in 2005 and is expected to fall by 2.1% in 2006.



Forecasts for 2007

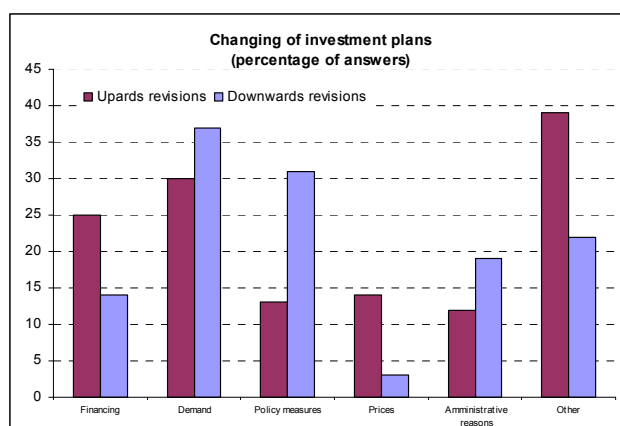
Moderately favourable indications come from qualitative forecasts on the investment trend for 2006. 69% of respondents expect they will increase (16% of the sample) or at least maintain (53%) their investment expenditure, while 31% of the sample expect a further investment reduction.

Data broken down by firm dimension show a rosier situation in large firms (28% of them expect a rise compared to the previous year and 46% an unchanged investment expenditure), while a wide share of small firms expect an investment contraction in 2007 (39% will maintain their expenditure unchanged as against 52% in the previous Survey and only 9% intend to raise it). Finally medium-sized firms' evaluations are substantially in keeping with the overall trend.

Changes to investment plans for 2005

According to the ISAE Survey, during 2005, 37% of manufacturing firms reviewed their investment plans: most of them (21%) revised them upwards, while 16% reduced them. 39% of respondents who raised last Spring's investment forecasts quote "other reasons" as the main cause, while 30% indicate changes in the demand structure as the main reason. 25% of firms report higher financing opportunities as the reason for the investment rise and 14% quote prices. Conversely, the demand rise is one of the main cause for investment reduction (which is important for 37% of respondents). A major role is also played by economic policy provisions (according to 31% of the sample) and by other (non specified) reasons (mentioned by 22% of respondents).

Most entrepreneurs in small firms declare they did not change their investment plans (46%), while among those who did review their plans the share of firms increasing the investment expenditure (31%) exceeds the percentage of those who reduced it (23%) mainly because of the demand structure and for "other reasons". The share of respondents reporting they reviewed their investment plans prevail in both medium-sized and in large firms (70% of the sample in both cases: 40% increased their investments and 30% reducing them). As for large firms, upward revisions are affected by other reasons and by larger financing opportunities, while in medium-sized firms they are influenced by "other reasons" and by the demand structure.

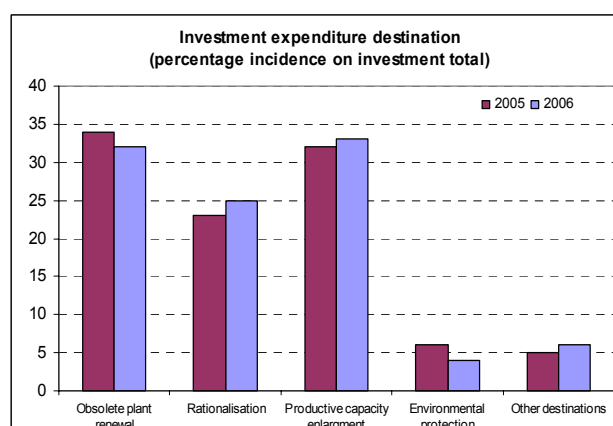


Factors influencing investments

Among the main investment-influencing factors, the current and expected demand trend played a major role both in determining the 2005 results and in affecting forecasts for 2006. 26% of firms consider the 2005 demand evolution as very stimulating and 42% deem it stimulating; as for 2006 the two percentages become 26% and 39% respectively. The list of factors continues with technical factors linked to technological development, with the availability of manpower and its adaptability to new technologies: those elements are very stimulating for 25% of firms both in 2005 and in 2006 and are stimulating for 46% of respondents in 2005 and 42% in 2006. The availability of financial means is considered very stimulating by 18% of the sample in 2005 and by 20% in 2006 and stimulating by 42% of firms in both years.

Main investment destination

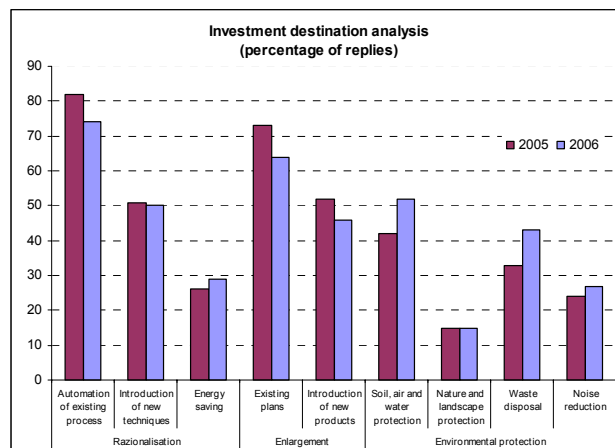
Both in 2005 and in 2006, most expenditure is aimed at enlarging productive capacity and renewing obsolete plants (32% and 34% in 2005 and 33 and 32% in 2006 respectively). That is followed by rationalisation expenditure (23% and 25% respectively), by expenditure for environmental protection (6% and 4%, which is smaller than in the previous Survey) and by sundry investments (5% and 6%). The analysis by firm size shows that investments for obsolete plant substitution and renewal and for productive capacity enlargement prevail in small and medium-sized firms – as indeed in the whole sample – with figures consistent with the overall trend.



Conversely, expenditure for rationalisation (31% and 29%) and productive capacity enlargement (25% and 31% in 2005 and 2006 respectively) take up a particular importance in large firms.

Expenditure for productive capacity rationalisation and enlargement and for environmental protection

Compared to the previous Survey, the share of investment expenditure aimed at the automation and mechanisation of existing productive processes is growing, to the detriment of the allocations meant for process and product innovation. Indeed, investing firms signal their intentions to allocate funds to automatize and mechanize the existing productive process (82% and 74% of replies for 2005 and 2006 respectively). The second relevant goal is expenditure to introduce new productive techniques (51 and 50% of the sample in the two years) and save energy (26% and 29% of respondents in the two years respectively). Signals in this direction are common to firms of all sizes. Turning to plant enlargement, 73% and 64% of firms in 2005 and 2006 respectively resort to those investments within the existing productive plans, while 52% and 46% of entrepreneurs adopt those investments to introduce new products. Turning to environmental protection, most investments (53%) in 2005 are aimed at the remaining items, followed by soil, air and water protection (42% of respondents). Those items rank first also in 2006 (52%). According to the Survey, expenditure for nature and landscape protection are less important (only 15% of respondents quote them in the two years).



Breaking down data by firm size, the introduction of new products brings about investments in large firms in particular (68% of large firms in 2005 and 45% in 2006 allocate part of their investments to enlarge plants with the aim of introducing new products).

Looking at environmental protection, most investments (53%) in 2005 are aimed at the remaining items, followed by soil, air and water protection (42% of respondents). Those items rank first also in 2006 (52%). According to the Survey, expenditure for nature and landscape protection are less important (only 15% of respondents quote them in the two years).