



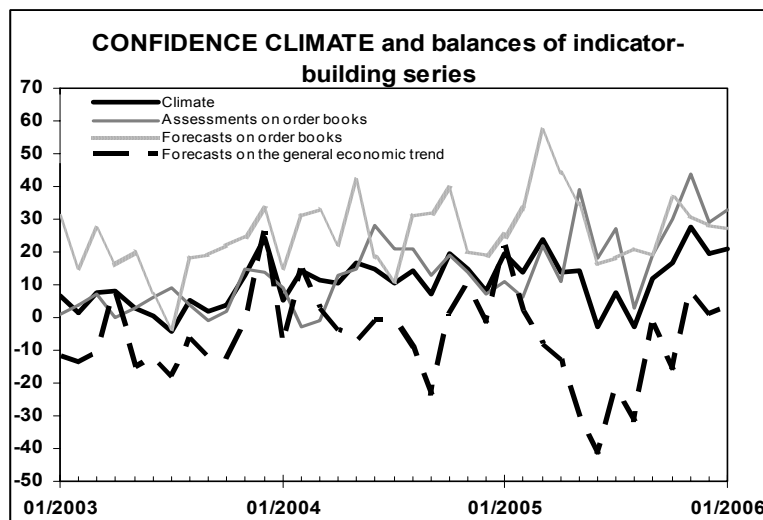
Date: January 31, 2006
TEL.: 06/444821

CONFIDENCE EDGES UP AMONG MARKET SERVICES FIRMS IN JANUARY

- The raw confidence index increased to 21 from 19 in December, backed by the positive assessment on orders and by the recovery of the balance for the overall economic situation. The year-on-year change in confidence - which is not affected by seasonal factors - confirmed this trend (in January 2005, the index stood at 19)
- Among the variables excluded from the confidence indicator, both the assessment and the forecasts on turnover improved. On the other hand, the view on employment worsened once more, but was offset by the modest improvement in employment prospects for the following quarter
- The industry breakdown highlighted divergent trends: following the sharp fall in December, the raw confidence index improved for household services firms (from 7 to 17), supported by all underlying components, while it decreased for financial (from 28 to 9) and business services (from 28 to 24). In January 2005, confidence among households, financial and business services firms was equal to 20, 11 and 20, respectively
- On a regional basis, confidence increased in the North East (from 4 to 13) and in the Centre (from 8 to 19), while it edged down in the North West (from 29 to 27), and posted a sharp decline in the South (from 22 to 3)

OBSTACLES TO BUSINESS ACTIVITY CONTINUE TO DIMINISH IN THE FOURTH QUARTER OF 2005

- According to the traditional ISAE quarterly survey, in the 4Q 2005 the proportion of firms which perceived the existence of obstacles to production markedly decreased. The percentage declined to 23%, from 38% in the previous quarter
- Financial constraints (for 35% of respondents, compared with 3% in the previous survey) and scarcity of demand (26% as against 21%) were largely considered the main obstacles to production. Also other "unspecified factors" remained relevant (at 38%). Moreover, for the first time in the last few quarters, 4% of firms declared that inadequate space and machinery constrained their activity (they had not mentioned this factor since the 3Q 2004). Finally, the proportion of firms that judged labour shortage to be an obstacle to production remained stable (at 1%)



Data on January shall be diffused on **February 28, 2006**

The next ISAE surveys are scheduled as follows:

February 6, 2006: ISAE International Comparison of Consumer and Business Surveys (reference period: January 2006)

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

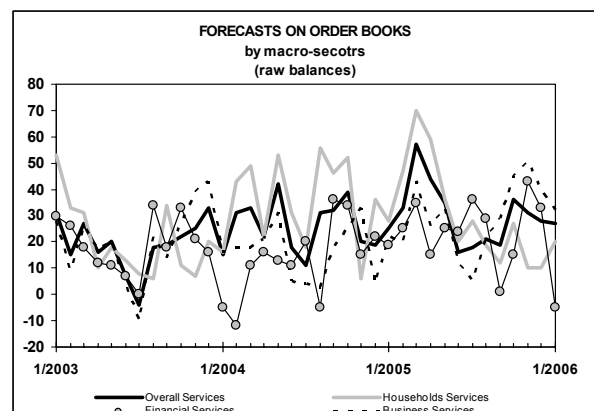
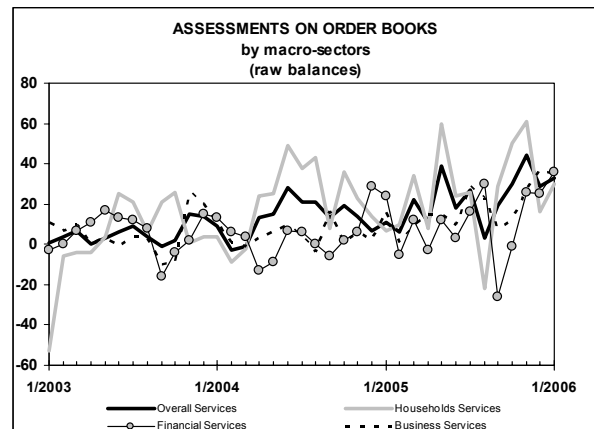
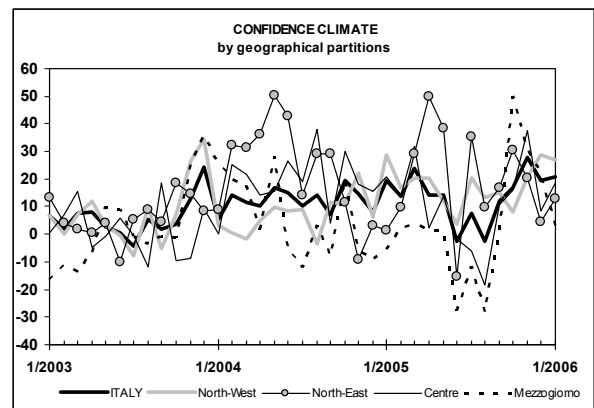
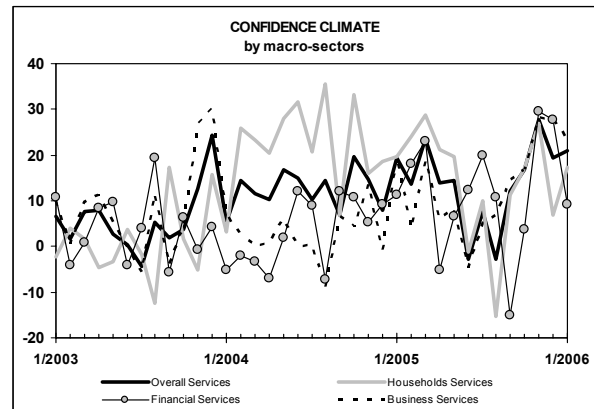
General Results

The ISAE Survey, carried out on a panel of around 2,000 firms in the market services sector, pointed to a moderate increase in confidence in January. The raw index increased from 19 to 21, backed by the positive view on orders and by the recovery of the balance for the economic trend. The year-on-year change in confidence - which is not affected by seasonal factors - confirmed this trend (in January 2005 the index was equal to 19).

The industry breakdown pointed to some highly diverging trends. Following the sharp fall in December, the raw index improved for household services firms (from 7 to 17), supported by the rise in all its underlying components, whereas it declined for financial and business services. In January 2005, confidence among households, financial and business services firms was equal to 20, 11 and 20, respectively.

On a regional basis, the index increased in the North East (from 4 to 13) and in the Centre (from 8 to 19), while it showed a moderate decrease in the North West (from 29 to 27), and markedly worsened in the South (from 22 to 3).

According to the traditional ISAE quarterly survey, in the 4Q 2005, the percentage of firms perceiving obstacles to production markedly decreased to 23%, from 38% in the previous quarter. As most significant obstacles to production firms mentioned financial constraints (the percentage increased to 35% from 3% in the previous survey) and scarcity of demand (rising to 26% from 21%).



Situation in the reference period

In January, the majority of market services operators posted a positive evaluation of current orders (the balance rose from 29 to 33) and turnover (from 15 to 27), partly offsetting the negative view of the previous month. Nevertheless, the balance for employment further deteriorated (from 13 to 7).

At the industry level, households services firms made positive evaluations mainly of orders and turnover, while the balance for employment sizeably fell. Financial services firms were optimistic on all surveyed components. For business services, the balance for orders moderately decreased, while that for turnover improved and the balance for employment remained positive.

On a regional basis, in the North West and in the North East market services operators positively appraised all the considered variables. In the Centre the balance for orders improved and the one for turnover remained positive. However, firms posted a much more gloomy assessment on employment. Finally, in the South the balance for orders marginally decreased, while those for turnover and employment recovered.

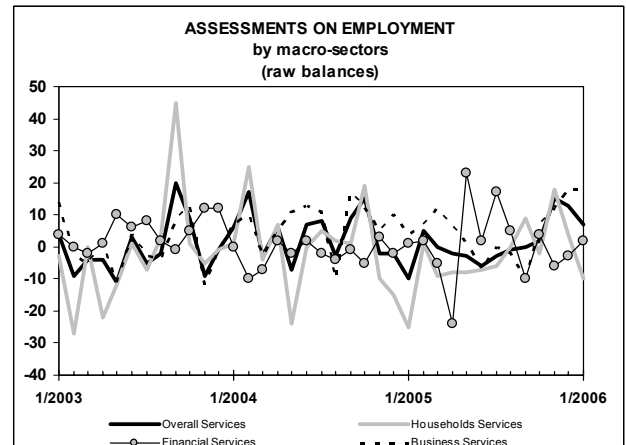
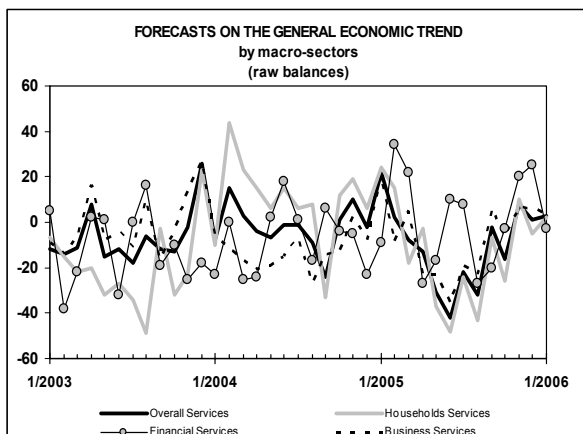
Outlook for the next three months

Forecasts for the next quarter were moderately optimistic. The predictions on turnover, employment and the overall economy improved (on balance, from 25 to 30, from 15 to 16 and from 1 to 3, respectively).

On the contrary, prospects for orders edged down (from 28 to 27). With regard to prices, most operators stated that they would keep selling prices unchanged (91%), 6% foresaw a cut, and only 3% planned a rise: on the whole, the balance decreased from 15 to -3.

The industry classification showed that in the household services sector operators were optimistic with regard to both company variables (orders, turnover and employment) and the overall economy. In the financial services, the balance for new orders, turnover and the economic trend decreased, while that for employment reverted to positive territory. Business services firms, instead, turned out to be more pessimistic than in December on orders, employment and the economic trend, while the balance for turnover improved.

Also the geographical breakdown exposed some diverging trends. In the North West, the indicator for orders and the overall economy on balance decreased, while the ones for turnover and employment improved. In the North East, instead, the balance for orders recovered, whereas the ones for turnover and employment posted a decline. Finally, expectations on the general economic trend improved significantly. In the Centre, operators were optimistic on orders, turnover and the economic trend. Nevertheless, the balance for employment decreased. Finally, in the *Mezzogiorno*, expectations on orders and turnover were negative, while the balance for employment and the economic trend edged up slightly.



Quarterly Survey results (4Q 2005)

According to the traditional ISAE quarterly survey, in the 4Q 2005 the proportion of firms perceiving the existence of obstacles to production markedly decreased (to 23%, from 38% in the previous quarter). Financial constraints (for 35% of respondents, compared to 3% in the previous survey) and scarcity of demand (26% as against 21%) were considered the main obstacles to production. Also other “unspecified factors” remained significant (at 38%). Moreover, for the first time in the last few quarters, 4% of firms declared that insufficient space and machinery constrained their activity (they had not mentioned this factor since the 3Q 2004). Finally, the proportion of firms that judged labour shortage to be an obstacle to production remained unchanged (at 1%).

Results were though fairly divergent at the industry level. In particular, in the household services sector, firms perceived financial constraints as the main obstacle (64% of respondents), while only a small percentage felt hindered by the scarcity of demand (10%) and by labour shortage (1%). In business services, instead, scarce orders hampered 42% of total operators, inadequate space and machinery 7%, financial constraints 4%, and labour shortage only 1%.

