ISTITUTO DI STUDI E ANALISI ECONOMICA
Piazza dell'Indipendenza, 4 00185 Roma Tel.: + 39-0644482.1 Fax: + 39-0644482229

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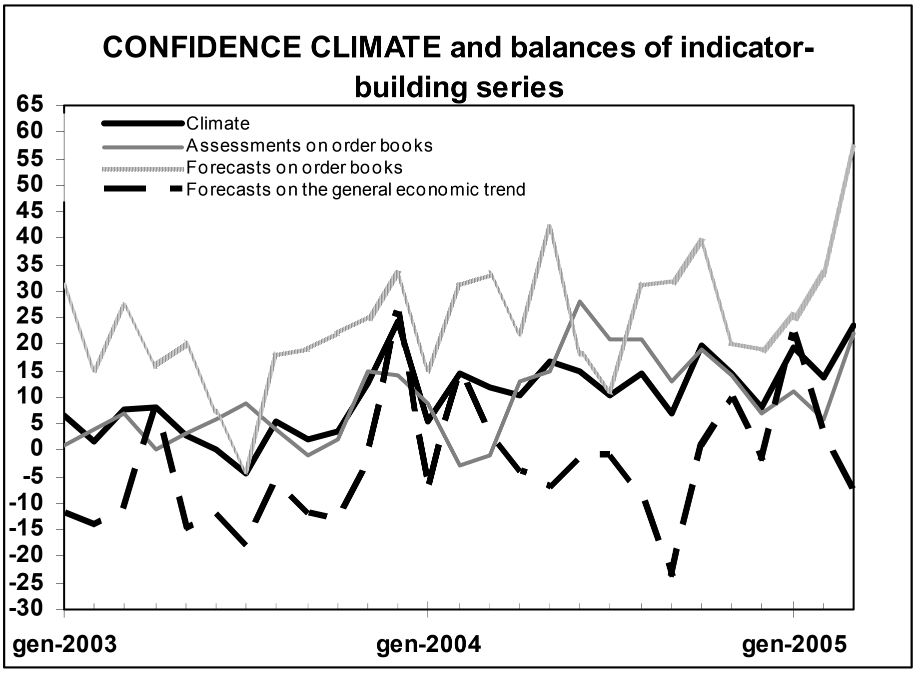
TEL.: **06/444821**

MARCH CONFIDENCE GROWS IN THE MARKET SERVICE SECTOR

- **The raw index rises from 14 to 24 (close to the maximum figures reached since December 2003), thanks to rosier assessments and expectations on order books. A comparison with the March 2004 figure (12) shows a considerable improvement of the y/y confidence climate (no seasonal adjustment is needed)**
- **The improvement is common to all sectors: indeed confidence grows in households services, where the raw index grows from 24 to 29, and in financial services (from 18 to 23). In business services, compared to the previous month, all confidence-building variables considerably recover and the index increases from 4 to 19. In March 2004 the confidence indicators in households, financial and business services equalled 23, -3 and 0 respectively**
- **Turning to geographical partitions, the index increases in all the major areas: a more detailed balance analysis however shows that the index improvement in the South is mainly due to rosier expectations on the Italian economy, while order-book expectations deteriorate**
- **With regard to prices, the inflationary tensions which have been looming ahead since December 2004 are confirmed; however the rising selling price trend mainly affects households services**



Data on April shall be diffused on ***April 27, 2005.***

Next ISAE Surveys are scheduled as follows:
April 5, 2005: *Comparative Business Surveys for Italy, Germany and France (Reference months: March)*

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 Survey on Market Services carried out between March 1 and 18 on a panel of about 2,000 firms, the confidence climate grows in March and reaches the highest figures ever reached since December 2003. The raw index rises from 14 to 24, thanks to rosier assessments and expectations on order books. A comparison with the March 2004 figure (12) shows a considerable improvement of the y/y confidence climate (no seasonal adjustment is needed). The improvement is common to all sectors: indeed confidence grows in households services, where the February raw index grows from 24 to 29, and in financial services (from 18 to 23). In business services, compared to the previous month, all confidence-building variables considerably recover and the index increases from 4 to 19. In March 2004 the confidence indicators in households, financial and business services equalled 23, -3 and 0 respectively.

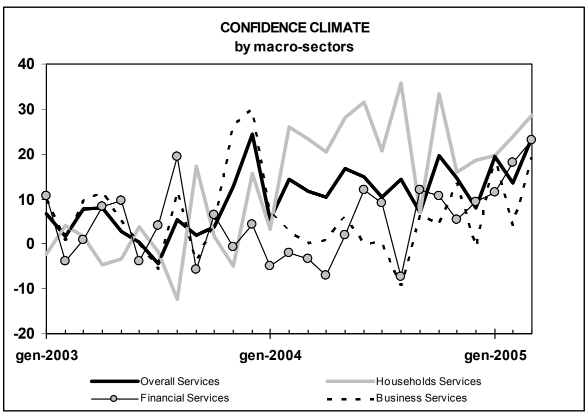
Turning to geographical partitions, the index increases in all the major areas: indeed, it rises from 17 to 20 in the North-east, from 10 to 29 in the North-west, from 14 to 32 in the Centre and from 2 to 4 in the South. However, a more thorough analysis shows that the index improvement in the South is mainly due to rosier expectations on the Italian economy, while order-book expectations deteriorate.

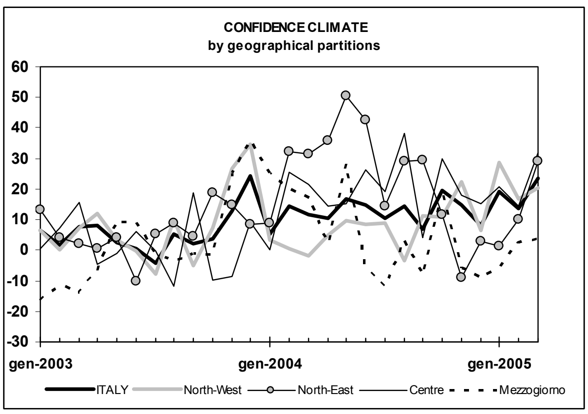
Situation in the reference month

In March, the current order-book and turnover situations improve (the balances growing from 6 and 8 to 22 and 17 respectively), while assessments on employment slightly deteriorate from 5 to 0.

The analysis by sectors shows that, in March too, operators in households services show an optimistic approach towards order books and turnover. Indeed, the improvement is particularly strong in tourism-connected sectors (hotels and restaurants, travel agencies), while the employment balance falls in that macro-sector. Also operators in financial services express favourable assessments on order books and turnover, while the employment balance worsens. Conversely, favourable assessments prevail in business services with reference to all the surveyed variables: in particular, the current situation of software-related industries is improving.

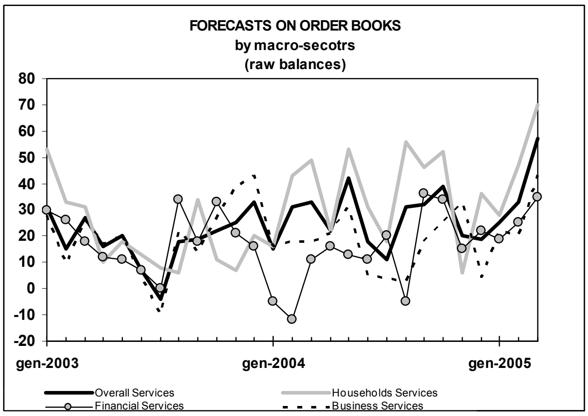
Looking at geographical partitions, operators are optimistic on order books and turnover in the North-west and in the North-east, while the employment balance is diminishing. In March too, operators from the Centre express favourable evaluations on all variables. Finally, in the South, the balances of order books and turnover recover, while the employment balance is worsening.



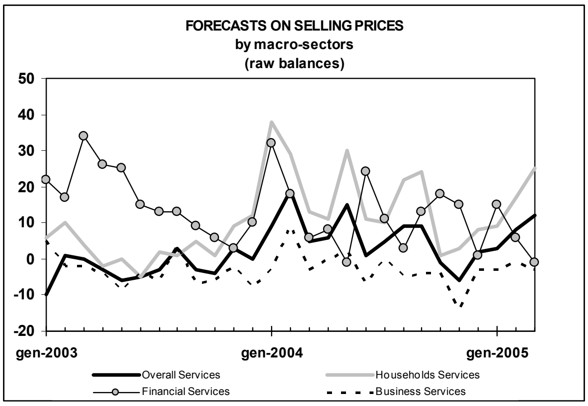


Forecasts for next quarter

Expectations on order books (the balance passing from 33 to 57), turnover (from 30 to 49) and employment (from 2 to 9) are rosier for the next three months, while the balance of the general economic trend is worsening from 2 to -8. With regard to prices, the inflationary tensions emerged since December 2004 are confirmed and the balance rises from 8 to 12; however the rising selling price trend mainly affects households services.



Looking at single sectors, operators in households services show an optimistic approach to order books, turnover and employment, while the balance of the general economic trend clearly deteriorates. Particularly favourable signals come from tourism-related sectors. Favourable expectations on order books prevail in financial services, while the balances on turnover, employment and the general economic trend are worsening. Finally, operators in business services are rather optimistic on all the surveyed variables.



Looking at geographical partitions, operators in the North-west express favourable assessments on order books and turnover; the employment balance recovers and the one referring to the general economic trend considerably falls. In the North-east, the balances of order books, turnover and general economic trend are growing, while the one of employment is diminishing. Operators from the Centre are optimistic on order books, turnover and employment, while the balance of the general economic trend worsens as in the whole country. Expectations on order books, turnover and employment improve in the South, while the balance of the general economic trend is recovering.