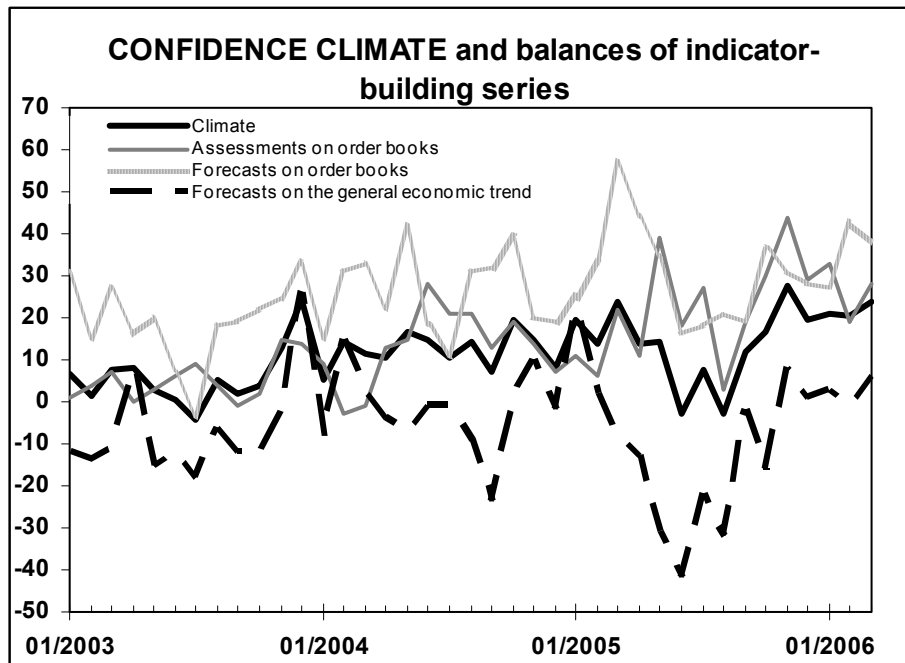




Date: March 29, 2006  
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## FOLLOWING A WORSENING IN FEBRUARY, CONFIDENCE AMONG MARKET SERVICES FIRMS RECOVERED IN MARCH

- The raw confidence index increased to 24 from 20 in February, thanks to the sharp improvement in the assessment on orders and to the recovery in expectations for the economic situation. The year-on-year change in sentiment (which is not affected by seasonal factors) portrayed stability. In March 2005, the index actually stood at 24
- With regard to the variables excluded from the confidence indicator, the assessment on turnover improved while that on employment worsened again this month. Firms were cautious instead about expectations on company variables. The balances for orders, turnover and employment decreased, in a situation characterized by an extended easing in inflationary pressures, which started the previous month
- For household services firms, the confidence index rebounded (from 11 to 33), reaching its highest level since autumn 2004. Operators in this sector mainly held favourable assessments and expectations on demand in tourism, ground transportation, as well as in post and telecommunications. Confidence increased also for financial services (from 9 to 15), but declined for business services (from 27 to 17), principally due to a worsening in expectations for orders (mainly in the IT services and consultancy sectors, which had recorded a remarkably strong improvement the previous month)
- On a regional basis, confidence declined in the North West (from 30 to 23) and the South (from 6 to -12). The index improved instead in the North East (from 24 to 26) and the Centre (from 4 to 37)



Data on April shall be released on April 28, 2006

The next ISAE surveys are scheduled as follows:

March 30, 2006: ISAE Survey on Construction (reference period: February)

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

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](http://www.isae.it))

## General Results

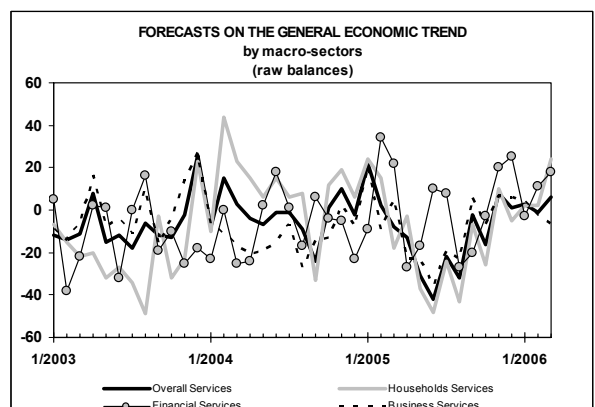
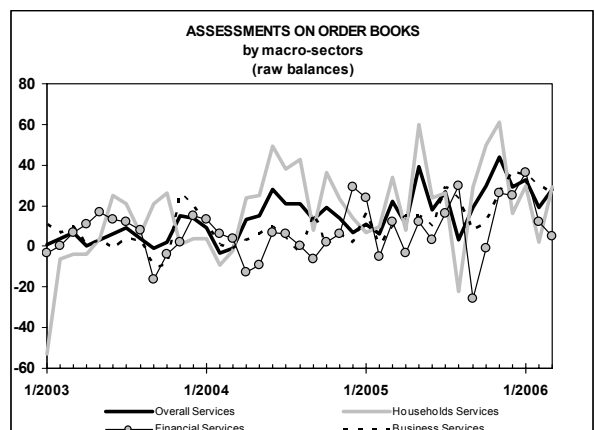
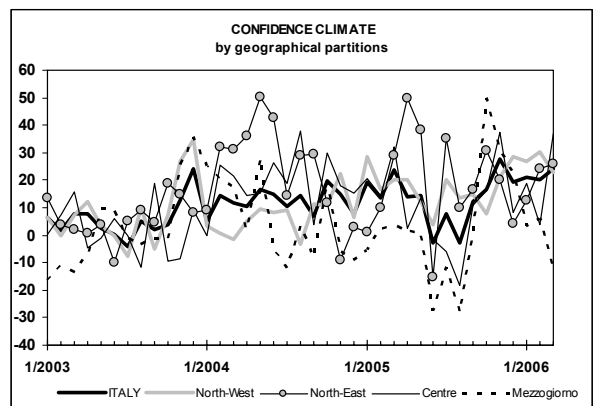
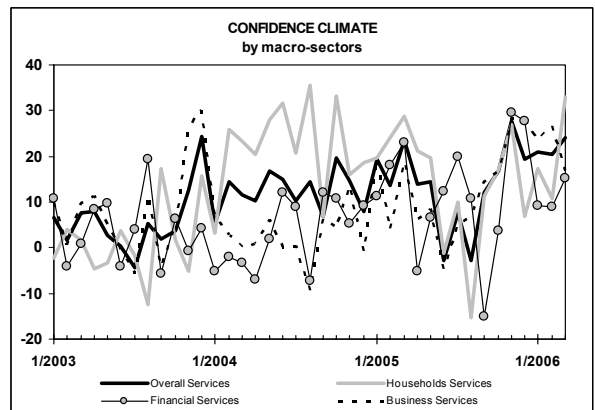
The ISAE Survey, carried out on a panel of around 2,000 firms between March 1 and March 20, pointed to an improvement in confidence in the market services sector, which more than offset the fall posted the previous month. The raw index actually increased to 24 (from 20 in February), thanks to the marked enhancement in the assessment on orders and to the recovery in expectations for economic situation. Nevertheless, the year-on-year change in confidence, which is not affected by seasonal factors, showed a flat reading (in March 2005 the index was also equal to 24).

The industry breakdown painted a mixed picture for the trend in confidence. The index rebounded to its highest level since autumn 2004 for household services firms (from 11 to 33), in the wake of favourable assessments and expectations on demand in both the tourism and the post and telecommunications sectors, as well as in ground transportation. Confidence increased also among the financial services firms (from 9 to 15), but decreased for business services (from 27 to 17), mainly because of the worsening in order expectations. In March 2005, confidence among household, financial and business services firms was equal to 29, 23 and 19, respectively.

On a regional basis, sentiment deteriorated in the North West (from 30 to 23) and the South (from 6 to -12). The indicator improved, instead, in the North East (from 24 to 26) and the Centre (from 4 to 37).

## Situation in the reference period

In March, the assessment on orders and turnover picked up (the balance rose from 19 to 28 and from 9 to 16, respectively). In contrast, the balance for employment declined again this month (from 6 to -3).



At the industry level, household services operators gave a favourable assessment on orders and turnover, partly compensating the worsening posted the previous month. On the other hand, the balance for employment fell, mainly in tourism related sectors (probably also because of seasonal factors). For financial services firms, the balance for orders declined, while those for turnover and employment improved. Finally, even this month, business services firms were more pessimistic about all surveyed variables.

On a regional basis, in the North West the balance for orders, turnover and employment decreased. Market services operators in the North East and the Centre gave a more favourable appraisal, with respect to February, of orders and turnover, while they were pessimistic about employment. In the South, the balance for orders remained unchanged, whereas those for turnover and employment recovered.

### **Outlook for the next three months**

In March, surveyed firms worsened their expectations about orders, turnover and employment: the related balances declined from 43, 49 and 13, in February, to 38, 31 and 10, respectively. In contrast, signs of improvement came from general expectations regarding economic developments (the balance rose from -1 to 6).

As for prices, inflationary pressures, which had emerged in February, eased and the related balance dropped from 16 to -2.

The industry classification showed that, even this month, household services operators were optimistic about orders, turnover and overall economic prospects, while the balance for employment remained unchanged. In the financial services sector, firms were optimistic about all surveyed variables. Business services firms, instead, became more pessimistic, compared to February, about both company variables and the economic trend. The industry breakdown nevertheless shows that the deterioration in confidence largely stemmed from a worsening in short-term economic prospects for sectors which in the previous month had recorded a sharp rise in balances (IT services, market research, and management and administration consultancy).

Also the geographical breakdown disclosed some diverging trends. In the North West, the balances for orders, turnover and employment declined, while that for economic situation recovered. In the North East, the balance for orders remained stable, whereas those for turnover, employment and the economic trend deteriorated compared to the net improvement in expectations posted in February. In the Centre, firms were optimistic about orders, turnover and the Italian economy. The balance for employment declined instead. Finally, in the *Mezzogiorno*, operators gave more pessimistic evaluations regarding expectations for orders, turnover and the economy, whereas the balance for employment improved.