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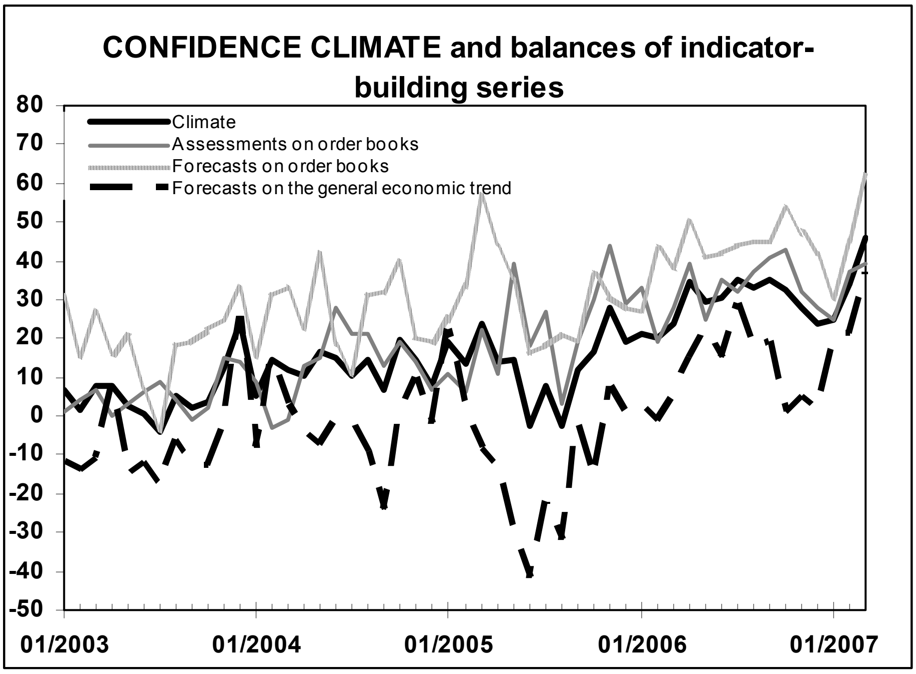
CONFIDENCE AMONG MARKET SERVICES FIRMS STRONGLY INCREASES IN MARCH

- **The raw index rose to 46 in March (from 34 in February), reaching the highest level since January 2003, when the survey was set to cover the entire sector. The year-on-year change in the indicator – which is not affected by seasonal factors – confirmed the strong improvement in confidence for the sector (in March 2006, the index stood at 24)**
- **The rise in confidence was homogeneous across sectors and regions. At the industry level, for household services - in line with the results of the ISAE Consumer Survey - the index surged to 54 (from 39). The indicator also increased for financial and business services (to 15 from -18 and to 40 from 31). In March 2006, the confidence climate for household, financial and business services came in at 33, 15 and 17, respectively**
- **On a regional basis, the indicator rose to 36 (from 29) in the North West, to 28 (from 17) in the North East, to 60 (from 46) in the Centre and to 67 (from 42) in the *Mezzogiorno*. In March 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 23, 26, 37 and -12**
- **Among the variables excluded from the confidence indicator, opinions and short-term prospects on turnover also sent moderately favourable signals**
- **As for prices, the cooling of inflationary pressures, which already emerged in February, was confirmed**



Data on April shall be released on April 30, 2007

The next ISAE surveys are scheduled as follows:
April 5, 2007: *ISAE International Comparison of Consumer and Business Surveys (reference period: March)*

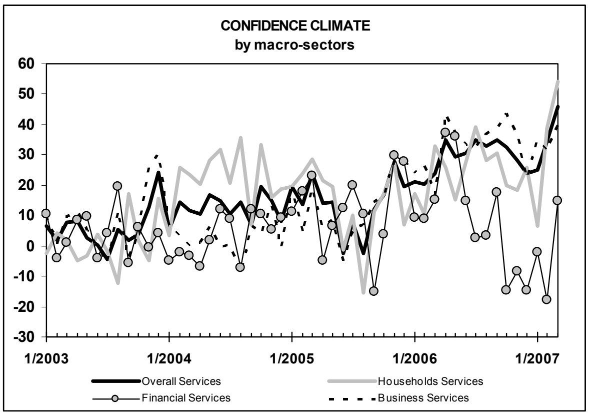
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

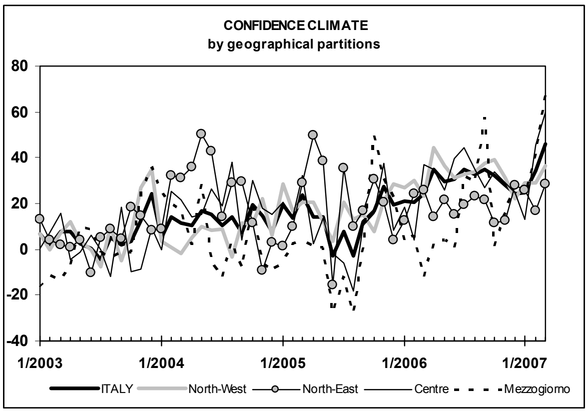
General results

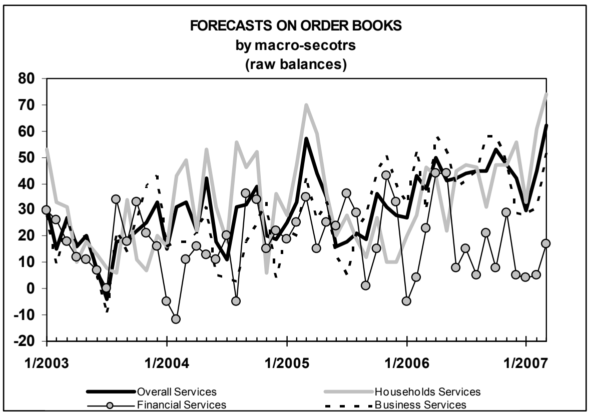
The ISAE Survey, carried out on a panel of around 2,000 firms between March 1 and March 19, showed a further rise in confidence for the market services sector in March. The raw indicator expanded to 46 (from 34 in February), reaching the highest level since January 2003. The strong improvement in confidence was mainly ascribable to better expectations for orders and the general economic situation. The year-on-year change, which is not affected by seasonal factors, confirmed the steady strengthening in confidence (in March 2006, the index stood at 24).

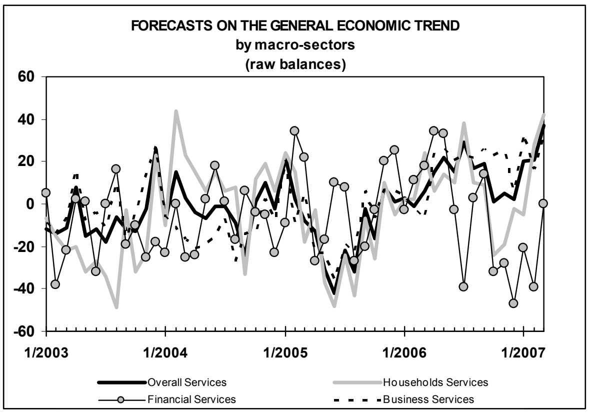
The improvement in confidence was homogeneous across sectors and regions. At the industry level, for household services - in line with the results of the ISAE Consumer Survey - the index reached 54 (from 39), backed by the improvement in all its underlying components. The indicator rose to 15 (from -18) for financial services and to 40 (from 31) for business services. However, in the latter macro-sector the improvement in confidence was entirely due to the increase in the balances for short-term prospects for orders and the economy, which contrasted with the slight deterioration in current orders conditions. In March 2006, the confidence climate for household, financial and business services came in at 33, 15 and 17, respectively.

On a regional basis, the confidence indicator rose to 36 (from 29) in the North West, to 28 (from 17) in the North East, to 60 (from 46) in the Centre and to 67 (from 42) in the *Mezzogiorno*. In March 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 23, 26, 37 and -12.









Situation in the reference period

In March, market services operators gave a moderately favourable assessment on main company variables. In detail, also this month the balances for orders and turnover improved (to 39 from 28 and to 37 from 25, respectively), whereas the opinions on employment remained stable (at 12 for the raw balance).

However, the industry breakdown painted a mixed picture. In the household services sector – probably also because of seasonal factors – the balances for orders and turnover markedly increased, while the one for employment went back in negative territory. Also in the financial services sector firms were optimistic about orders and turnover, but the balance for employment decreased instead. In contrast with the trend for the national average, business services operators gave a more pessimistic assessment on orders and turnover with respect to February. Instead, the balance for employment increased.

Also at the regional level, the current situation seemed rather patchy. In the North West the balance referring to the assessment on orders slightly edged down, the one for turnover markedly declined and the balance for employment improved instead. In the North East, operators were more optimistic about orders and turnover. However the balance for employment diminished. In the Centre, also in March firms continued to give a confident appraisal for orders and turnover, but the balance for employment turned negative. Lastly, in the South, operators expressed clearly favourable opinions on all surveyed variables.

Outlook for the next three months

Also in March, short-term expectations were optimistic. The balances for orders, turnover and the general economic situation markedly improved (to 62, 62 and 37 from 45, 45 and 21, respectively). Expectations on employment, instead, extended their downward trend (the balance lowered to 11 from 18). Lastly, as already recorded in the February survey, inflationary pressures continued to decline (the balance diminished to 8 from 9).

Also with regard to forecasts, the situation was rather mixed at the industry and the regional levels. For household services, operators gave favourable assessments on orders, turnover and the Italian economy and the balance for employment recovered, though remaining in negative territory. In the financial services sector, the balance for orders bettered, the one for employment continued to remain positive and the balance for the economy recovered. However, operators were more pessimistic about turnover developments. For business services, operators expressed a more optimistic assessment on orders, turnover and the economic trend. The balance for employment plunged instead.

At the regional level, in the North West, operators gave an optimistic appraisal of orders, turnover and the economy. Expectations for employment worsened instead. In the North East, prospects for orders, turnover and employment deteriorated once more. The balance for the overall economy, instead, reached the highest level posted in 2006. In the Centre, the balances for orders, turnover and the economy increased, whereas the one for employment declined. Finally, in the South, the balances related to orders and turnover slightly edged down, while those for employment and the overall economy markedly recovered.