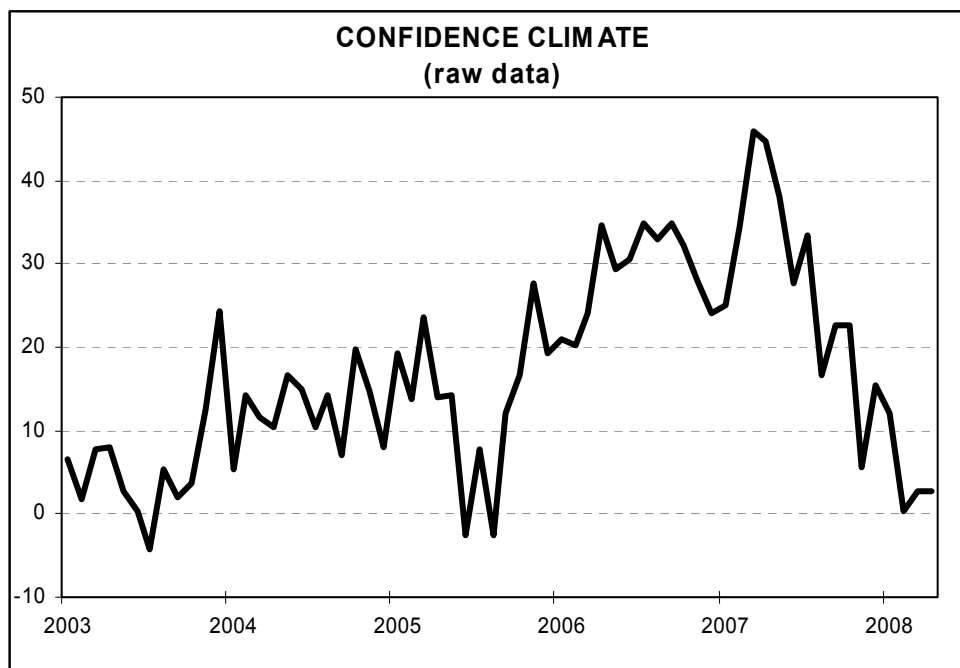




Date: March 27, 2008
TEL.: 06/444821

CONFIDENCE AMONG MARKET SERVICES FIRMS RECOVERS IN MARCH

- The confidence indicator came in at 3, compared to 0 in the previous month. Firms viewed a decline in the current level of orders, but predicted a recovery in the following months. However, short-term forecasts for Italy's general economic situation worsened
- Among the variables excluded from the calculation of the index, entrepreneurs' evaluation of the present trend in employment bettered, and selling price pressures continued to ease. As for turnover, opinions markedly worsened, but expectations for the following three months improved
- On a sector basis, the confidence climate worsened for household services (from -4 to -11), but bettered for business (from 4 to 13) and, mainly, financial services (from -29 to -16)
- At the regional level, confidence rose in the North West (from 5 to 13) and the *Mezzogiorno* (from -29 to -20), but showed signs of deterioration in the North East (from -7 to -18, the lowest value since 2003) and the Centre (from 0 to -15, a value last reached in August 2005)



Data on April shall be released on April 29, 2008

The next ISAE surveys are scheduled as follows:

April 8, 2008: *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

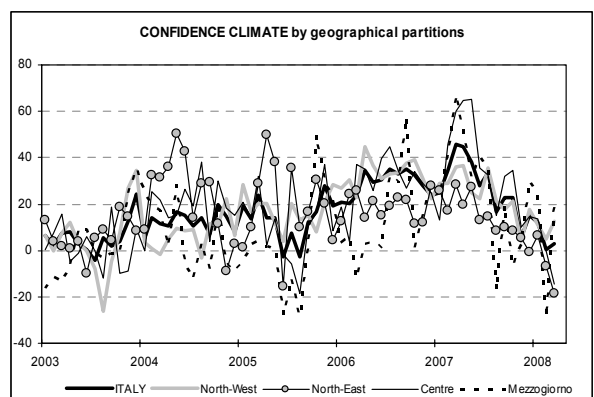
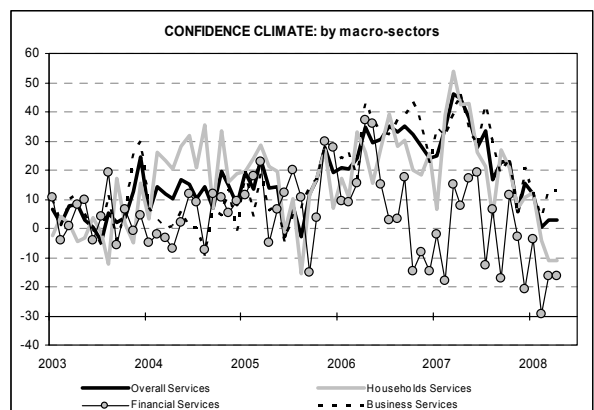
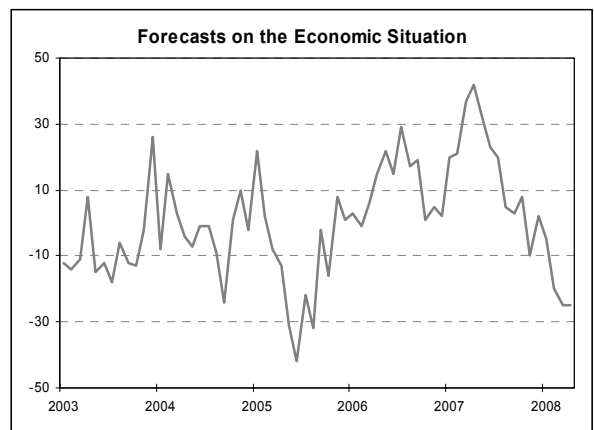
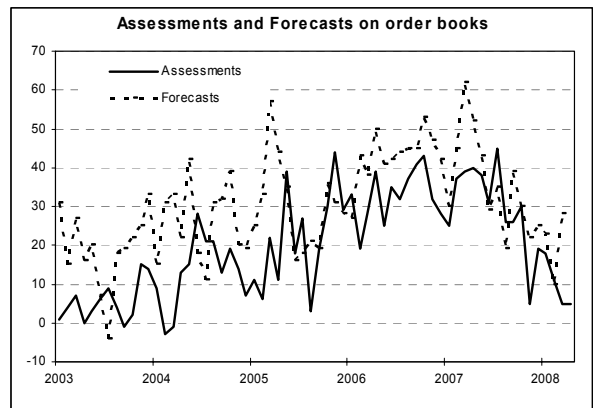
The ISAE Survey, carried out on a panel of about 2,000 firms between March 3 and March 18, showed that confidence among market services firms increased in March to 3 from 0 in the previous month. Firms viewed a decline in the current level of orders, but predicted a recovery in the following months. However, short-term forecasts for Italy's general economic situation worsened.

Among the variables excluded from the calculation of the index, entrepreneurs' evaluation of the present trend in employment bettered, and selling price pressures eased (once more, the share of respondents expecting a rise in prices came out lower than for those envisaging a decline, and the balance stood at -9, compared to -8 in February). Lastly, with regard to turnover, opinions markedly worsened, but forecasts for the following three months improved.

The recovery in confidence was not evenly spread across sectors: the confidence climate actually worsened for household services (from -4 to -11), but improved for business (from 4 to 13) and, mainly, financial services (from -29 to -16). Also at the regional level developments were mixed: confidence actually rose in the North West (from 5 to 13) and the *Mezzogiorno* (from -29 to 20), but showed signs of deterioration in the North East (from -7 to -18, the lowest value since 2003) and the Centre (from 0 to -15, a value last reached in August 2005).

Situation in the reference period

In March, pessimism characterized the opinions of market services firms on orders and turnover: the balance for the current trend in orders and demand declined from 11 to 5 (a value unseen since March 2004), the balance for turnover reached 1 (compared to 18 in the previous month, hitting the lowest level since August 2005). Firms were instead more optimistic about the present level of employment (the balance rose to 5 from -4 in February).



The industry breakdown showed that in household and business services the opinions on orders and turnover worsened, while the evaluation of employment improved. In financial services, instead, assessments on orders and turnover abruptly fell, while those on employment eased moderately.

At the regional level, the opinions on orders bettered slightly in the North and the *Mezzogiorno*, but deteriorated markedly in the Centre. The evaluation of turnover worsened everywhere, except in the North East. Lastly, opinions on employment improved all over the country and, in particular, in the southern regions.

Outlook for the next three months

Prospects for main company variables (orders, turnover and employment) improved in March with respect to the previous survey. Also anticipations of a rise in inflation eased, but short-term prospects for the Italian economy worsened. More in detail, the balance for future orders, turnover and employment increased from 10 to 28, from 12 to 17 and from -2 to 3, respectively. The balance for the economy in general, instead, declined from -20 to -25 (the lowest reading since August 2005).

At the industry level, in all three sectors respondents expected a recovery in orders and employment. Expectations for turnover basically worsened in financial services, but improved in business services, whereas the forecasts for the Italian general economic situation deteriorated in household services (from 21 to -41, a low last recorded in August 2005), but recovered in business and financial services (from -20 to -13 and from -36 to 2, respectively). Lastly, with regard to prices, firms in all three sectors predicted lower inflationary pressures.

At the regional level, expectations for orders, worsened in the North East, but recovered in the North West, the Centre and the *Mezzogiorno*. Prospects for turnover improved in the North West and the Centre, but deteriorated in the North East and the South, while

those for employment recovered in the North East and the South and deteriorated in the other areas. With regard to prices, inflationary pressures were expected to ease everywhere, except in the South, whereas for the overall economy expectations worsened in the North East (from -14 to -31, the lowest level since June 2005) and the Centre (from -25 to -39, a level last reached in the summer of 2005), but improved in the *Mezzogiorno*.

