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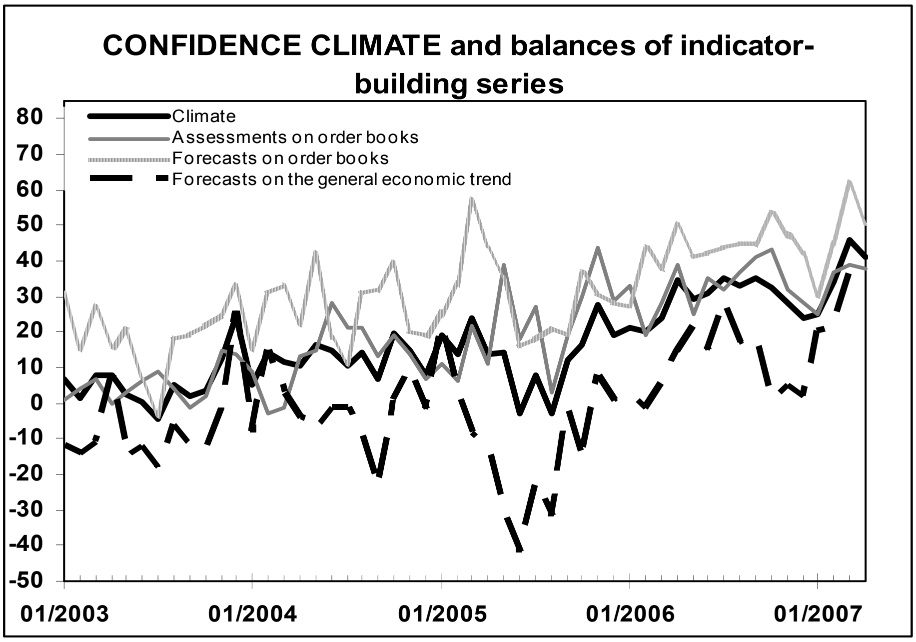
IN APRIL CONFIDENCE AMONG MARKET SERVICES FIRMS NOTCHES DOWN SLIGHTLY

- **The raw index declined to 41 (from 46 in March), though remaining above its previous quarter average. The year-on-year change in the indicator – which is not affected by seasonal factors – confirmed the improvement in confidence which already emerged in the previous months (in April 2006, the index stood at 35)**
- **The trend in confidence was homogeneous across sectors. For household services - in line with the results of the ISAE Consumer Survey - the index lowered to 46 (from 54). Moreover, the indicator decreased to -2 (from 15) for financial services and to 38 (from 40) for business services. However, on a year-on-year basis, confidence continued to improve strongly in all three sectors. In April 2006, the confidence climate for household, financial and business services came in at 26, 37 and 43, respectively**
- **On a regional basis, the indicator declined to 29 (from 36) in the North West, to 18 (from 28) in the North East and to 59 (from 60) in the Centre, whereas it increased to 70 (from 67) in the South. In April 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 45, 14, 35 and 3**

IN THE FIRST QUARTER 2007, THE PERCENTAGE OF FIRMS PERCEIVING THE EXISTENCE OF FACTORS LIMITING BUSINESS ACTIVITY STABILIZES

- **The percentage of firms perceiving the existence of obstacles to business activity held steady at 36%. Among the considered factors, the relevance of insufficient demand and shortage of labour force declined sharply (to 26% and 1% from 56% and 12% in the previous survey). On the contrary, the importance of financial constraints and, to a lesser extent, of "other unspecified factors" increased (to 60% and 14% of the sample from 24% and 12%)**



Data on May shall be released on May 29, 2007
The next ISAE surveys are scheduled as follows:
May 8, 2007: *ISAE International Comparison of Consumer and Business Surveys (reference period: April)*

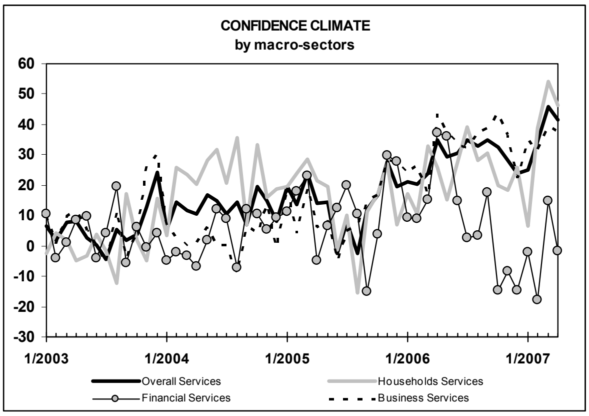
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

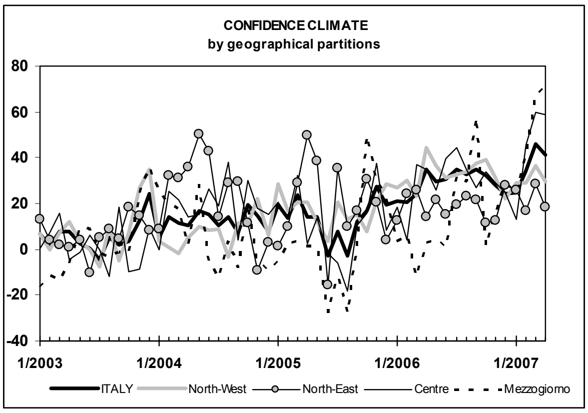
General results

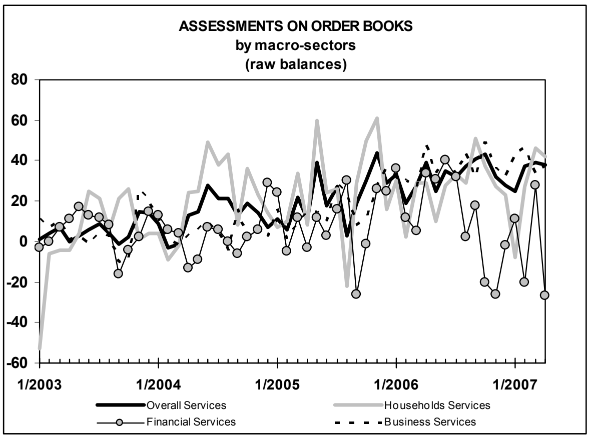
The ISAE Survey, carried out on a panel of around 2,000 firms between April 2 and April 20, showed a lowering in confidence in the market services sector in April. The raw indicator declined to 41 (from 46 in March), remaining nevertheless above its previous quarter average. The year-on-year change, which is not affected by seasonal factors, confirmed, instead, the strengthening in confidence on an annual basis already pointed out in the previous months (in April 2006, the index stood at 35).

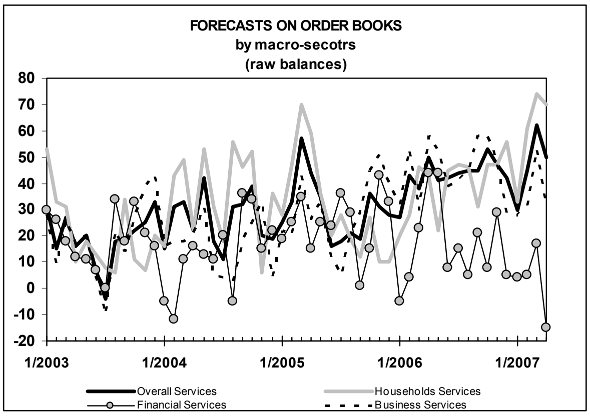
The trend in confidence was homogeneous across sectors. For household services - in line with the results of the ISAE Consumer Survey - the index lowered to 46 (from 54). The indicator also declined for financial and business services to -2 and 38, respectively, from 15 and 40). In April 2006, the confidence climate for household, financial and business services came in at 26, 37 and 43, respectively. On a regional basis, some disparities emerged. The indicator eased to 29 (from 36) in the North West, to 18 (from 28) in the North East and to 59 (from 60) in the Centre. On the other hand, confidence improved in the South, where the index rose to 70 (from 67). In April 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 45, 14, 35 and 3.

According to the traditional ISAE quarterly survey, in the first quarter of 2007 the percentage of firms perceiving the existence of factors limiting production stabilized at 36%. Among the main obstacles to business activity, the importance of insufficient demand and shortage of labour force sharply shrunk compared to the previous survey (moving to 26% from 56% and to 1% from 12%). On the other hand, the role of financial constraints and, to a lesser extent, of “other unspecified factors” increased (to 60% from 24% and to 14% from 12%, respectively).









Situation in the reference period

According to surveyed firms, in April the assessments on orders worsened (the balance edged down to 38 from 39), those on turnover improved (to 39 from 28), while the ones on employment sharply deteriorated, reverting to negative values (to -10 from 12).

The industry breakdown painted a mixed picture. In the household services sector, the balances for the assessments on orders and employment worsened, whereas, also in April, the one for turnover bettered. In the financial services sector, operators were more pessimistic with respect to March about orders and turnover, while the balance for employment moderately edged up. In line with the results of the ISAE Manufacturing Firms' Survey, business services operators gave favourable assessments on orders and turnover. However, the balance for employment inched down slightly.

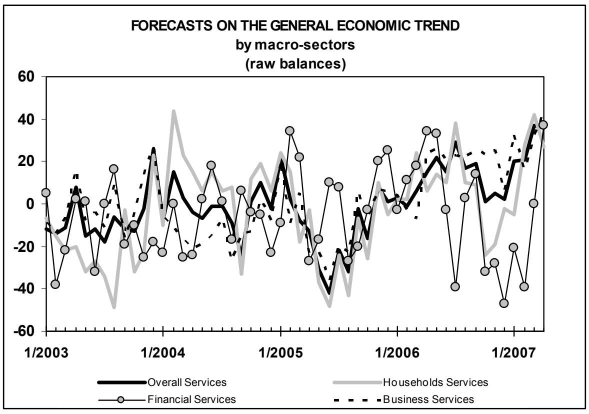
Also at the regional level, the current situation seemed rather patchy. In the North West, the balance for the assessments on orders and employment deteriorated, whereas the one for turnover slightly edged up. In the North East, operators viewed all surveyed variables unfavourably. In the Centre and the South, instead, firms gave a confident appraisal for orders and turnover, but the balance for employment sharply lowered.

Outlook for the next three months

Surveyed firms scaled down their expectations for both company variables and the general economic situation. In detail, the balances for orders, turnover, employment and the economy declined, in the order, to 50, 47, 1 and 36 (from 62, 62, 11 and 37). Moreover, the balance for prices increased slightly (to 9 from 8).

Also with regard to forecasts, the situation was rather mixed at the industry and the regional levels. For household services, operators expressed less favourable expectations, with respect to March, on all surveyed variables. In the financial and business services sectors, instead, the balances for company variables lowered, while the one for the economic trend markedly improved.

At the regional level, in the North West operators were moderately pessimistic about orders, turnover and employment. The balance for the general economic trend, instead, clearly bettered. In the North East, prospects for orders and employment further deteriorated, the balance for turnover held steady in positive territory and the one for the Italian economy declined, though remaining above its previous quarter average. In the Centre, the balance for orders improved, whereas the ones for turnover, employment and the economy worsened. Finally, in the South, also in April the balances for orders and turnover bettered. Nonetheless, those for employment and the general economic trend deteriorated.

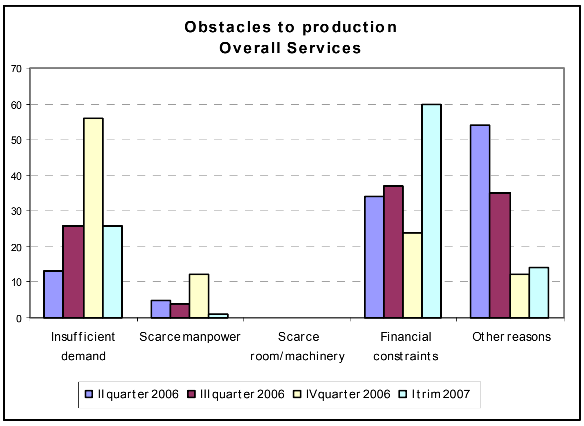


Quarterly survey results (first quarter 2007)

According to the traditional ISAE quarterly survey, in the first quarter of 2007, the percentage of firms perceiving the existence of factors limiting production remained unchanged at 36%.

However, some difference emerged at the industry level. In detail, the share of firms recording the existence of obstacles increased in the household and financial services sectors (to 56% and 34% from 40% and 14% in the fourth quarter of 2006). For business services, instead, the proportion declined (to 18% from 35%).

Among the obstacles to business activity, the importance of insufficient demand and shortage of labour force markedly lowered (respectively to 26% and 1% from 56% and 12% in the previous survey). On the contrary, an increase characterized the role of financial constraints (to 60% from 24%) and, though to a lesser extent, the one of "other unspecified factors" (to 14% from 12%).



Obstacles to production -I Quarter 2007 (Percentage Values)					
		Overall Services		Financial Services	
		YES	NO	YES	NO
2006	I	32	68	10	90
	II	33	67	18	82
	III	51	49	40	60
	IV	36	64	14	86
2007	I	36	64	34	66
		Household Services		Business Services	
		YES	NO	YES	NO
2006	I	49	51	16	84
	II	46	54	23	77
	III	47	53	54	46
	IV	40	60	35	65
2007	I	56	44	18	82