



ISTITUTO DI STUDI E ANALISI ECONOMICA

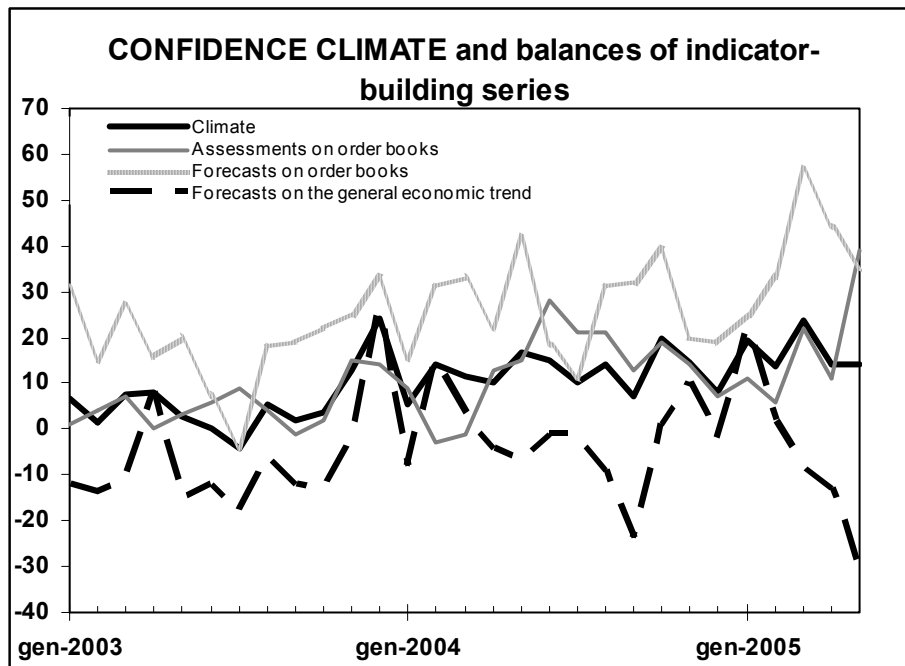
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## THE M/M MAY CONFIDENCE IN THE MARKET SERVICE SECTOR REMAINS STABLE, THOUGH IT SHOWS A SLIGHT WORSENING ON A Y/Y BASIS

- The raw index remains at 14, as strongly optimistic evaluations on current order books are offset by unfavourable expectations on order books and on the overall economic situation
- The y/y comparison with the May 2004 figure (17), needing no seasonal adjustment, shows that confidence decreases because of the sudden worsening of expectations on the overall economy
- Confidence further diminishes in households services (from 21 to 20) given the deteriorating expectations on the economic trend; conversely, following upon favourable expectations on demand, the indicator recovers in business services (from 6 to 8) and grows again in financial services (from -5 to 7). In May 2004, the confidence climate in households, financial and business services equalled 28, 2 and 6 respectively
- Turning to geographical partitions, confidence increases in the Centre and worsens in the other partitions
- With reference to prices, a strong contraction is registered in the balance, which is negative again after the growing phase observed since December 2004. The fall is particularly marked in households services where inflationary tensions were particularly intense



Data on June shall be diffused on **June 30, 2005**

Next ISAE Surveys are scheduled as follows:

**June 1, 2005:** Comparative Business Surveys for Italy, Germany and France (Reference months: May)

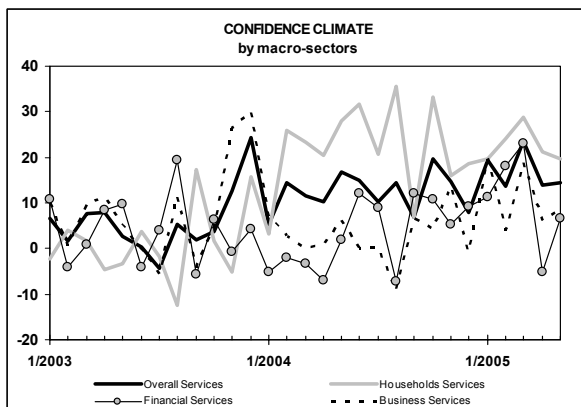
The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site [www.isae.it](http://www.isae.it))

## General results

According to the ISAE Survey on Market Services carried out between May 1 and 20, on a panel of about 2,000 firms, the May confidence remains stable at 14 (raw data), as strongly optimistic evaluations on current order books are offset by unfavourable expectations on order books and on the overall economic situation. The y/y comparison with the May 2004 figure (17), needing no seasonal adjustment, shows that confidence decreases because of the sudden worsening of expectations on the overall economy.

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Turning to geographical partitions, confidence increases in the Centre (from 2 to 14) and worsens in the North-east (from 20 to 12), in the North-west (from 50 to 38) and, to a lesser extent, in the South (from 2 to 1).

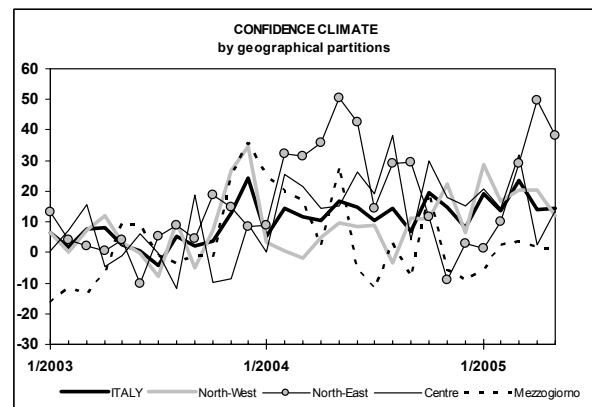


## Situation in the reference period

In May, assessments on the current order-book trend clearly improve (the balance growing from 11 to 39), as do those on turnover (from 15 to 29); the employment balance falls in this month as well (from -2 to -3).

The analysis by sector shows some discrepancies, particularly with reference to employment. Turning to details, operators in households services express favourable assessments on order books and turnover, though the employment balance remains negative. Conversely, the order-book balance remains stable in business services, while the one on turnover improves and the employment one further decreases. Operators in financial services are optimistic towards all the variables considered.

Looking at geographical partitions, North-western order-book and employment balances decrease, while turnover balances rise. Balances of order books and turnover deteriorate in the North-east, while the employment one recovers. Firms from the Centre are markedly optimistic on order books and turnover, while the employment balance decreases. Finally, Southern operators are rather optimistic on all variables.



### Forecasts for next quarter

In May, ISAE respondents express less rosy expectations on the m/m trends of the main firm variables. Indeed, the raw balances referring to order books, turnover and employment fall from 44, 38 and 7 to 35, 29 and -1 respectively. Similarly, the balance referring to the general economic trend decreases from -13 to -31, in keeping with what identified by the ISAE Survey on Manufacturing Firms. With regard to prices, the balance is negative again (falling from 12 to -10) after the growth observed since December 2004.

Discrepancies emerge in expectations as well. Indeed, operators are pessimistic on all variables in households services; the balance deterioration of firm variables (order books, turnover and employment) seems to stem from a cautious approach (most entrepreneurs signal the variable level will be “Normal”), rather than from negative forecasts. In financial services, balances on order books and turnover grow, while the balance on the general economic trend recovers and the one on employment decreases. Conversely, in business services, operators are optimistic on the order-book trend, while the balances on turnover and employment diminish and the one on the general economic trend remains stable, even though it is negative.

Looking at geographical partitions, the order-book balance improves in the North-west, while the ones on turnover, employment and the general economic trend fall. Operators in the North-east are more pessimistic on order books, turnover and the general economic trend, while the employment balance definitely improves. Finally, entrepreneurs in the Centre and in the South express less favourable expectations compared to the previous month on all the surveyed variables.

