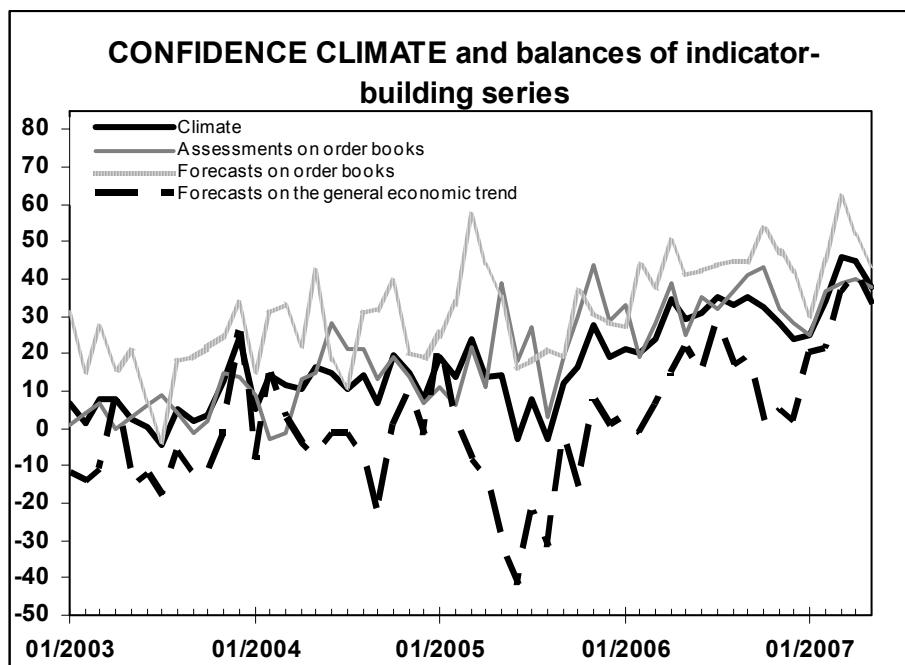




Date: May 29, 2007
TEL.: 06/444821

IN MAY CONFIDENCE AMONG MARKET SERVICES FIRMS DECLINES

- The raw index diminished to 38 (from 45 in April), mainly prompted by less favourable expectations for orders and the economy. However, the year-on-year change in the indicator – which is not affected by seasonal factors – recorded an improvement (in May 2006, the index stood at 29)
- The trend in confidence was rather patchy across sectors and regions. For household services, the indicator retraced part of the decline posted in April, reaching 43 (from 42). Confidence improved also for financial services (to 17 from 8), but, on the contrary, declined for business services (to 34 from 47), in line with the results of the ISAE survey on manufacturing firms. In May 2006, confidence among household, financial and business services firms amounted to 15, 36 and 37, respectively
- Among the variables excluded from the confidence indicator, the opinions on employment and the assessments and forecasts on turnover also sent negative signals. However firms were moderately optimistic about employment prospects
- As for prices, the mild inflationary pressures, which emerged at the start of 2007, eased further
- On a regional basis, confidence declined in the North West (to 25 from 37) and in the South (to 31 from 51). The indicator increased, instead, in the North East (to 27 from 20) and remained unchanged (at 65) in the Centre. In May 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 37, 21, 26 and 4



Data on June shall be released on June 27, 2007

The next ISAE surveys are scheduled as follows:

June 6, 2007: ISAE International Comparison of Consumer and Business Surveys (reference period: May)

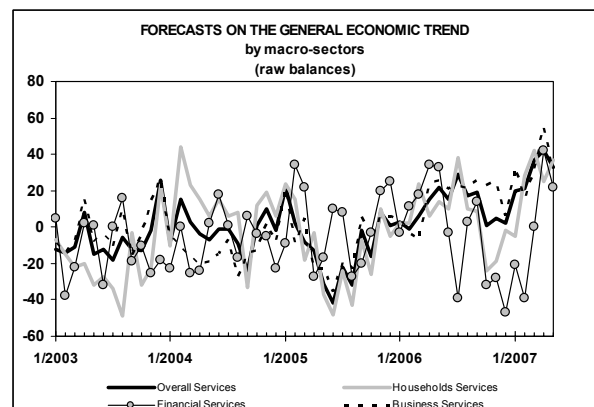
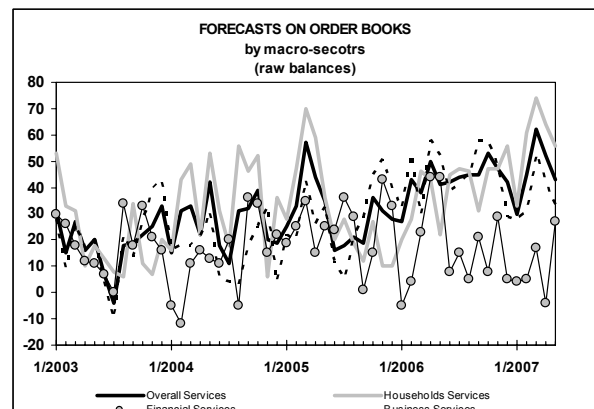
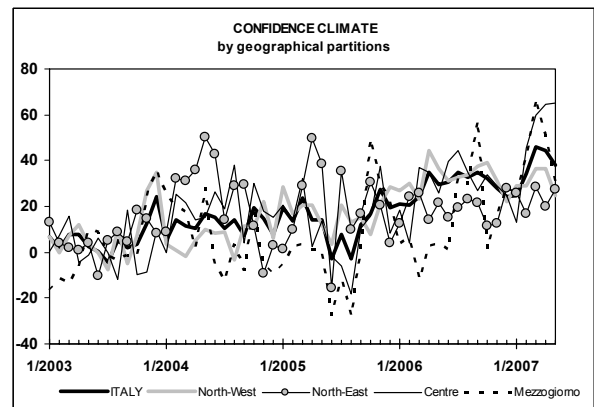
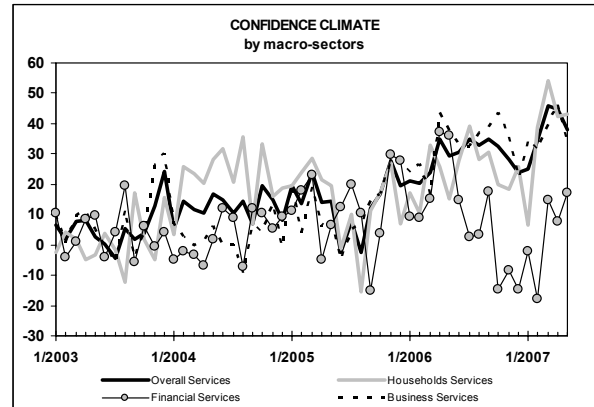
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

General results

The ISAE Survey, carried out on a panel of around 2,000 firms between May 2 and May 21, showed a decline in confidence in the market services sector in May. The raw indicator lowered to 38 (from 45 in April), mainly due to less favourable expectations for orders and the economy. The year-on-year change, which is not affected by seasonal factors, posted, however, an improvement in confidence (in May 2006, the index stood at 29).

The trend in confidence at the industry and regional levels showed some important differences. For household services, the indicator retraced part of the decline posted in April, reaching 43 (from 42). Confidence improved also for financial services (17 from 8), but, on the contrary, deteriorated for business services (to 34 from 47 in April), in line with the results of the ISAE survey on manufacturing firms. In May 2006, confidence among household, financial and business services firms amounted to 15, 36 and 37, respectively.

On a regional basis, confidence declined in the North West (to 25 from 37) and in the South (to 31 from 51). The indicator increased, instead, in the North East (to 27 from 20) and remained unchanged (at 65) in the Centre. In May 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 37, 21, 26 and 4.



Situation in the reference period

According to surveyed firms, in May the assessments on orders, turnover and employment worsened. In detail, the related balances declined to 38 (from 40), to 33 (from 38) and to -10 (from -6), respectively.

The industry breakdown showed that in the household services sector the balances for the assessments on orders and turnover slightly worsened, whereas the one for employment recovered, though remaining in negative territory. In the financial services sector, operators gave more favourable assessments on orders and turnover. The balance for employment declined instead. On the other hand, business services operators were less optimistic than in April about all surveyed variables.

Also at the regional level, the current situation was rather patchy. In the North West, operators were pessimistic about all surveyed variables. In the North East, instead, in contrast with the trend for the national average, the balances for orders and turnover improved. The assessments on employment continued to deteriorate instead. In the Centre, the balances for orders and turnover slightly edged down, but the one for employment recovered. Lastly, in the South, operators gave a confident appraisal for orders and turnover, but the balance for employment declined moderately.

Outlook for the next three months

In May, market services operators were in general less optimistic than in the past about both future orders and turnover (the balances lowered to 43 and 40, from 52 and 48) as well as the general economic trend (to 33 from 42). Prospects for employment improved instead (to 16 from 8), in a situation characterized by expectations of lower selling prices (the balance moved to 1 from 4).

Also with regard to forecasts, the situation was rather mixed at the industry and regional levels. For household services, the balances for orders and

turnover declined. On the contrary, operators expressed more favourable expectations on employment and the economy. In the financial services sector, the balances for orders and turnover improved, but those for employment and the overall economy deteriorated. For business services, operators gave rather pessimistic assessments on the prospects for both company variables and the overall economy.

At the regional level, in the North West firms were moderately pessimistic about forecasts for orders, turnover and the economy. The balance for employment, instead, remained stable in positive territory. In the North East, prospects for orders and employment bettered, the balance for turnover deteriorated and the one for the Italian economy remained at a high value. In the Centre, as opposed to a worsening in the balance for orders, expectations for turnover, employment and the overall economy improved. Finally, in the *Mezzogiorno*, the balances for orders, turnover and the economy lowered, but the one for employment turned positive.