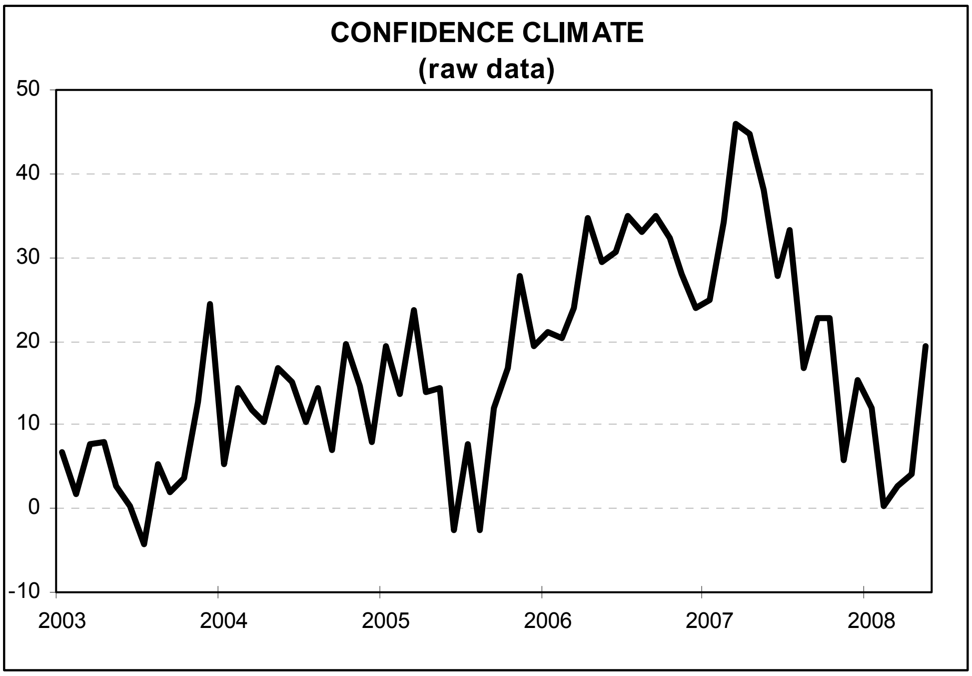
ISTITUTO DI STUDI E ANALISI ECONOMICA
Piazza dell'Indipendenza, 4 00185 Roma tel.: + 39-0644482.1 fax: + 39-0644482229

Date: **May 28, 2008**
TEL.: **06/444821**

CONFIDENCE AMONG MARKET SERVICES FIRMS IMPROVES IN MAY

- **The raw confidence indicator increased to 19 from 4 in April, thanks to an improvement in all its underlying components. In May, firms were mostly optimistic assessments and forecasts on order books, and the balance for the general economic situation recovered. The year-on-year change in the indicator – which is not affected by seasonal factors – still showed, however, a fall in confidence (in May 2007, the index stood at 38)**
- **The improvement in confidence climate, which was widespread across macro-sectors, was particularly sharp in business services (the climate surged to 34, from 8). In household services the index stood at 3 (from 2) and in financial services it also came in at 3 (from -14). In May 2007, the confidence climate among households, financial and business services firms amounted to 43, 17 and 34, respectively**
- **At the regional level, confidence improved in the North West (to 25 from -4) and the Centre (to 25 from 11), whereas it deteriorated in the North East (to -1 from 1) and the South (to -15 from 20). In May 2007, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 25, 27, 65 and 31**
- **Among the variables excluded from the calculation of the index, turnover and employment sent positive signals, both for the current situation and future conditions**

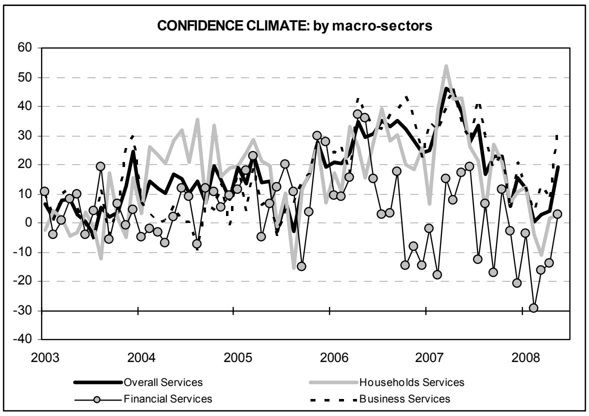


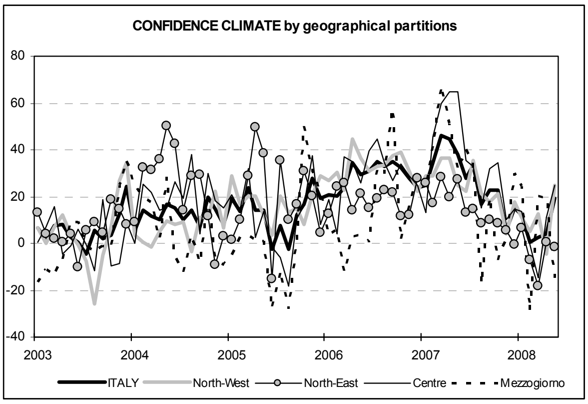
Data on June shall be released on June 27, 2008
The next ISAE surveys are scheduled as follows:
June 5, 2008: *ISAE International Comparison of Consumer and Business Surveys (reference period: May)*

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

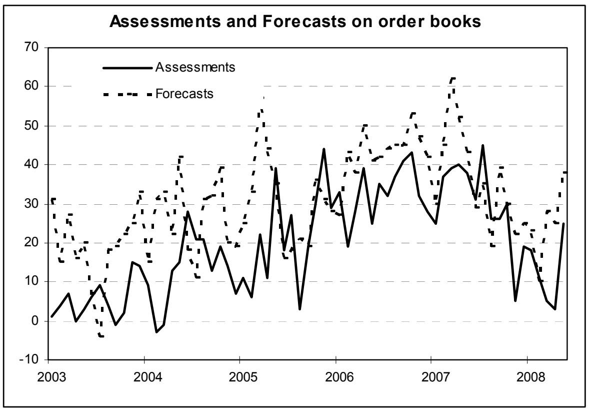
The ISAE Survey, carried out on a panel of about 2,000 firms between May 1 and May 20, showed that confidence among market services firms bettered in May. The confidence indicator increased to 19 from 4 in April, thanks to an improvement in all its underlying components. In May, firms were more optimistic about assessments and forecasts on order books and about short-term prospects for the Italian economy. The year-on-year change in the indicator – which is not affected by seasonal factors – still showed, however, a fall in confidence (in May 2007 the index stood at 38).





The improvement in confidence climate, which was widespread across macro-sectors, was particularly sharp in business services (the climate surged to 34 from 8). In household services the index stood at 3 (from 2) and in financial services it also came in at 3 (from -14). In May 2007, the confidence climate among households, financial and business services firms amounted to 43, 17 and 34, respectively.

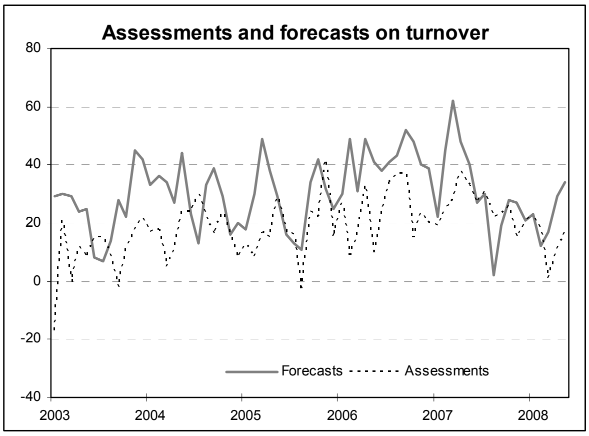
At the regional level, confidence improved in the North West (to 25 from -4) and the Centre (to 25 from 11), whereas it deteriorated in the North East (to -1 from 1) and the South (to -15 from 20). In May 2007, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 25, 27, 65 and 31.



Situation in the reference period

In May, the current situation for market services firms improved. In detail, the raw balances for orders, turnover and employment increased from 3 to 25, from 11 to 17 and from -7 to 3, respectively.

However, the industry breakdown showed heterogeneous results. In household services, firms gave favourable opinions on orders and employment, but the balance for turnover worsened. In financial services, assessments on orders and turnover deteriorated, while the balance for employment recovered, though remaining in negative territory. In line with the overall indicator, business services



operators gave a particularly optimistic appraisal of orders and turnover. The balance for employment diminished instead.

Some differences emerged also at the regional level. Firms in the North West posted an improvement in the opinions on orders and turnover, but the balance for employment declined. In contrast, entrepreneurs in the North East gave negative assessments on orders and turnover, while the balance for employment recovered instead, though remaining negative. In the Centre, the balances for orders and employment bettered, while the one for turnover edged down slightly. Lastly, in the *Mezzogiorno* the balances for orders and employment improved, whereas the one for turnover deteriorated.

Outlook for the next three months

Growing, moderate optimism distinguished short-term forecasts of surveyed firms. The balances for orders, turnover and employment actually improved, rising to 38, 34 and 5 (from 25, 29 and -6). Furthermore, the balance for the country's economic situation recovered (to -5 from -16). As for prices, some firms started to anticipate a moderate rise in selling prices (the balance moved to -4 from -10), but they were offset by those who wanted to keep prices unchanged (84% of firms).

At the industry level, also forecasts were somewhat different. Only firms in business services gave decidedly favourable indications. In this sector, entrepreneurs were optimistic about all surveyed variables. On the contrary, in household services the balances for orders and turnover deteriorated, the one for employment recovered, and the balance for the country's economic situation declined further. In financial services, operators were pessimistic about orders and turnover, the balance for employment recovered, and the one for the country's economic prospects went back in positive territory.

At the regional level, in the North West the balances for both company variables (orders, turnover and employment) and the Italian economy bettered. In the North East, operators were optimistic about all surveyed variables. In the Centre, the balances for orders, turnover and the economy improved and the one for employment recovered. In the South, in opposite trend with what observed at the national level, the balances for orders, turnover and the economic trend declined. The balance for employment remained instead firmly positive.