



ISTITUTO DI STUDI E ANALISI ECONOMICA

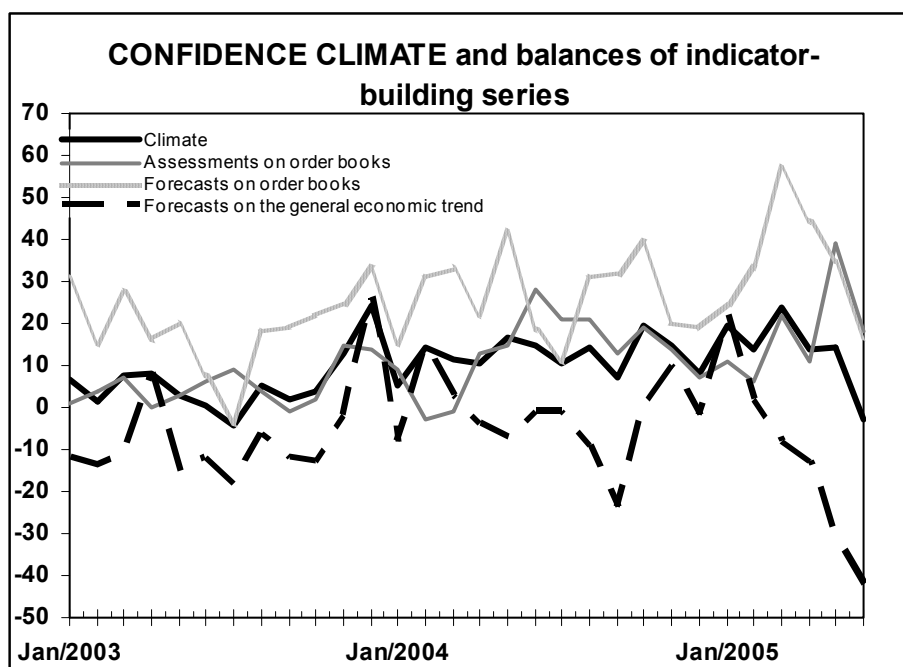
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STRONG CONFIDENCE DETERIORATION IN THE MARKET SERVICE SECTOR

- The raw index strongly falls from 14 to -3 in the m/m comparison and also decreases in the y/y comparison (needing no seasonal adjustment) with June 2004, when it equalled 15
- The contraction concerns all confidence-building series: order-book assessments and forecasts decrease from 39 and 35 to 18 and 16 respectively (in terms of balance). The balance referring to short-term expectations on the country's current economic situation diminishes from -31 to -42
- Among non confidence-building variables, unfavourable signals come from assessments and expectations on turnover and employment
- With reference to prices, a further balance reduction is registered, though it only affects services to households
- The confidence contraction is particularly marked in services to households (passing from 20 to -1), but the index also falls in business services (from 8 to -5), while it grows in financial services (from 7 to 12), thanks, in particular, to favourable expectations on the general economic trend. In June 2004, the confidence climate in services to households and in financial and business services equalled 32, 12 and 0 respectively
- Turning to geographical partitions, confidence worsens in all areas, passing from 12 to 4 in the North-west, from 38 to -15 in the North-east and from 1 to -28 in the South



Data on July shall be diffused on **July 27, 2005**.

Next ISAE Surveys are scheduled as follows:

July 4, 2005: Comparative Business Surveys for Italy, Germany and France (Reference months: June)

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

General results

According to the ISAE Survey on Market Services carried out between June 1 and 21 on a panel of about 2,000 firms, the June confidence climate in market services strongly worsens in June, reaching its lowest level since July 2003. The raw index falls from 14 to -3, owing to the worsening in all confidence-building variables. The y/y contraction is confirmed by the comparison with the June 2004 figure (equalling 15), needing non seasonal adjustment.

The confidence contraction is particularly marked in services to households (passing from 20 to -1) and, to a lesser extent, in business services (from 8 to -5), while confidence grows in financial services (from 7 to 12), thanks, in particular, to favourable expectations on the general economic trend. In June 2004, the confidence climate in services to households and in financial and business services equalled 32, 12 and 0 respectively.

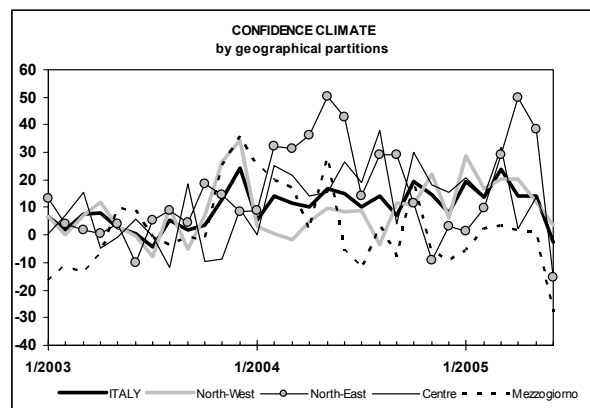
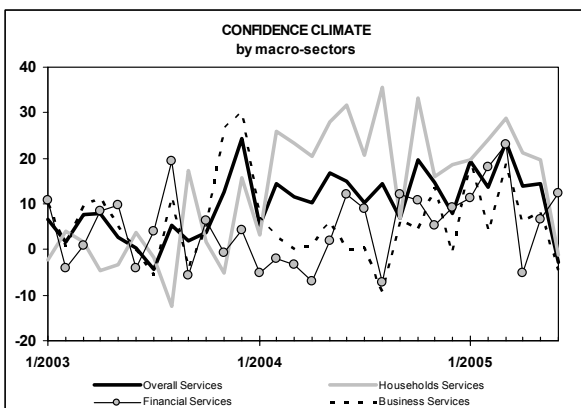
Turning to geographical partitions, confidence worsens in all areas, passing from 12 to 4 in the North-west, from 38 to -15 in the North-east and from 1 to -28 in the South.

Situation in the reference period

In June, market service operators express negative evaluations on the current trends of order books (the balance passing from 39 to 18), turnover (from 29 to 17) and employment (from -3 to -6).

Looking at single sectors, unfavourable assessments prevail in order books and turnover, while the employment balance slightly recovers, though remaining negative. Financial and business service operators give negative assessments on all variables.

Breaking down data by geographical partitions, the order-book balance improves in the North-west, thus running counter the national average trend, while the turnover and employment balances worsen. Operators in the North-east express negative evaluations on all variables: in particular, the share of those feeling the number of employed is diminishing compared to May is strongly increasing (from 5 to 23%). Finally, entrepreneurs in the Centre and South are pessimistic on order books and turnover, while the employment balance grows, particularly in the *Mezzogiorno*.



Forecasts for next quarter

Expectations on the m/m trends of the main firm variables worsen in June as well. Indeed, the raw balances referring to order books, turnover and employment fall from 35, 29 and -1 to 16, 16 and -8 respectively. Besides, a further contraction is observed in the balance of the general economic trend (passing from -31 to -42), which attains the lowest figure ever seen since January 2003. The balance referring to the selling price trend further decreases from -10 to -14, though the deterioration only affects services to households, while slight inflationary tensions emerge in the other two macro-sectors.

Turning to single sectors, operators are pessimistic on all variables in services to households. Conversely, in financial services, the balance of order books slightly falls, while the employment one recovers and the balances of turnover and the general economic trend both improve. Operators in business services are also pessimistic on all variables.

Looking at geographical partitions, entrepreneurs are more pessimistic than in May in the North-west and in the North-east on their firm variables and on the general economic trend. In the Centre, the balances of order books, turnover and employment fall, while the one referring to the general economic trend recovers. Finally, in the South, operators express less rosy expectations on order books, turnover and the economic trend than in May, while the employment balance remains stable.

