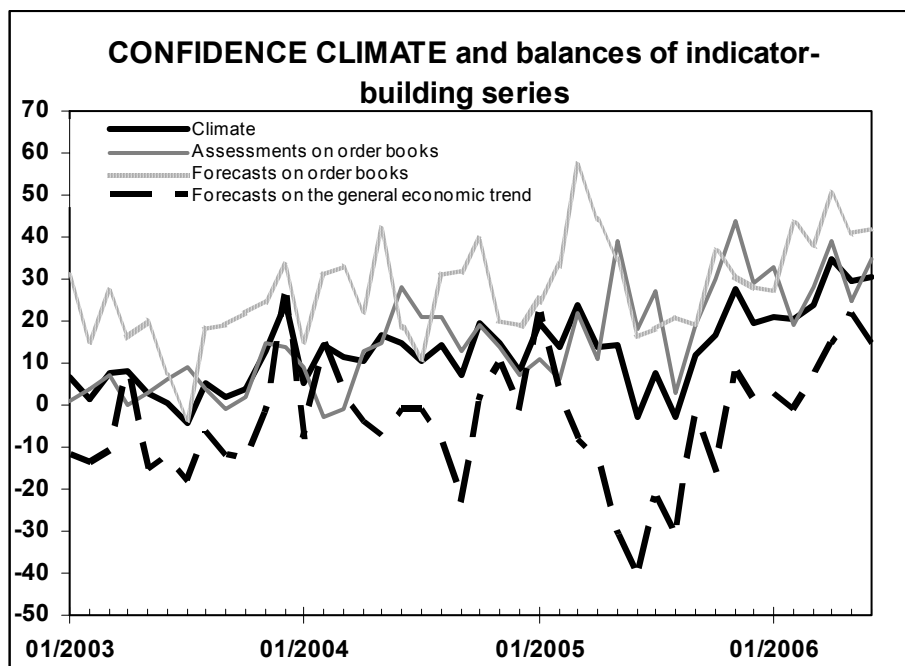




Date: June 28, 2006
TEL.: 06/444821

CONFIDENCE AMONG MARKET SERVICES FIRMS IMPROVES IN JUNE

- The raw balance increased to 31 (from 29), mainly owing to a decidedly positive evaluation of demand. In line with the results emerged from the ISAE surveys on consumer and business confidence, the balance for the general economic trend worsened instead
- The year-on-year change in sentiment – which is not affected by seasonal or random factors – confirmed the clear improvement in confidence (in June 2005 the indicator stood at -3)
- The balance rose to 28 (from 15) for household services, while it lowered for financial and business services (moving from 36 to 15 and from 37 to 33, respectively). The comparison with the June 2005 data showed however that, also at the industry level, confidence continued its upward trend (in June of last year, the balance for household, financial and business services firms amounted to -1, 12 and -5, respectively)
- On a regional basis, confidence improved in the Centre (from 26 to 40) and worsened in the North West (from 37 to 31), the North East (from 21 to 15) and the South (from 4 to 1). In June 2005, the confidence indicator in the North West, the North East, the Centre and the South amounted, in the order, to 4, -15, -2 and -28
- The variables excluded from the confidence indicator sent negative signals for current and future employment. With regard to turnover, instead, respondents gave a more favourable evaluation of the current situation, while the balance for expectations declined
- As for prices, operators reported the intention of cutting selling prices



Data on July shall be released on July 26, 2006

The next ISAE surveys are scheduled as follows:

July 6, 2006: ISAE International Comparison of Consumer and Business Surveys (reference period: June)

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 June 1 and June 20, pointed to an improvement in confidence in the market services sector in June. The balance rose to 31 from 29 in May.

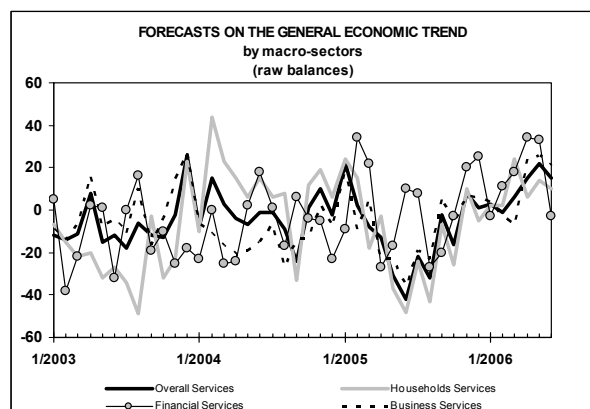
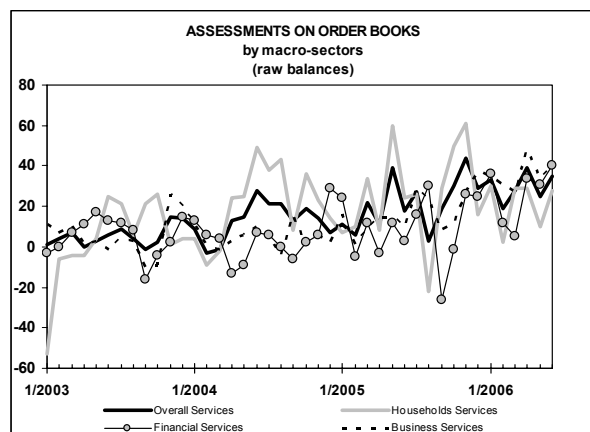
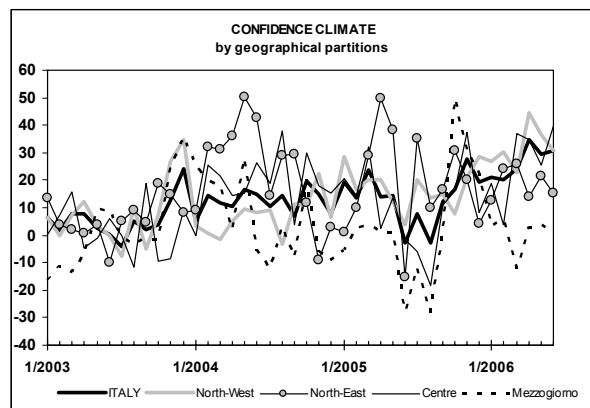
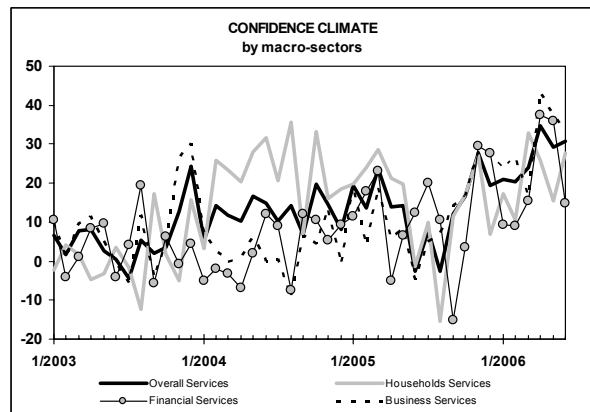
The assessment and, to a lesser extent, favourable expectations on demand contributed to the rise in the index. In line with the results already emerged from the ISAE surveys on consumer and business confidence, the balance for the economic trend edged down. The year-on-year change in sentiment, which is not affected by seasonal factors, indicated a net improvement in confidence (in June 2005, the indicator stood at -3).

At the industry level, the indicator rose to 28 (from 15) for household services – more than offsetting the fall recorded in the previous month – and declined for financial and business services (from 36 to 15 and from 37 to 33, respectively). The comparison with the June 2005 data nevertheless showed that, also at the industry level, confidence confirmed its upward trend (in June 2005, confidence among household, financial and business services firms amounted, in the order, to -1, 12 and -5).

Finally, the indicator improved in the Centre (from 26 to 40) and declined, instead, in the North West (from 37 to 31), the North East (from 21 to 15) and the South (from 4 to 1). In June 2005, the confidence indicator in the North West, the North East, the Centre and the South amounted to 4, -15, -2 and -28, respectively.

Situation in the reference period

In June, market services operators gave an optimistic appraisal of orders and turnover (the raw balances rose from 25 and 9 to 35 and 23, respectively). Nevertheless, the balance for employment posted a set-back in June as well (from 12 to 7).



The industry breakdown pointed to a mixed picture. In the household services sector the balances for orders and turnover recorded a clear improvement, while the balance for employment declined. Particularly, widespread optimism characterized transportation and, for orders and turnover only, hotels and restaurants (which were probably also affected by seasonal factors). In the financial services sector, operators gave a positive evaluation of all recorded variables. For business services, optimistic views prevailed with regard to orders (mainly in the advanced tertiary sectors), and the balance for employment remained unchanged, while that for turnover declined.

The changes in the balances were not homogenous across regions as well. The current situation for orders, turnover and employment improved in the Centre and the *Mezzogiorno*. In the North West, respondents mainly expressed an optimistic evaluation of orders, whereas the balances for turnover and employment declined. Finally, in the North East firms were more pessimistic about orders and turnover, whereas the balance for employment reverted to positive territory.

Outlook for the next three months

Surveyed firms expressed moderately favourable expectations on orders (the related balance rose from 41 to 42), whereas expectations on turnover, employment and the overall economy worsened (falling from 41 to 38, from 27 to 8 and from 22 to 15, respectively), in a situation characterized by a sharp reduction in selling prices (the related balance plunged from 10 to -8).

In line with the indications coming from the assessment on the current situation, at the industry level the outlook was mixed. In the household services sector, operators were optimistic with regard to orders and turnover (mainly in the transportation and telecommunications sectors), while the balances for employment and the economic trend decreased. For financial and business services, instead, operators were pessimistic about both company variables and the Italian economy.

Finally, the geographical breakdown showed that the deterioration in expectations was widespread in the northern regions and in the South. On the other hand, in the Centre, in contrast with a worsening in the balance for employment, the balances for orders, turnover and the economic trend improved.