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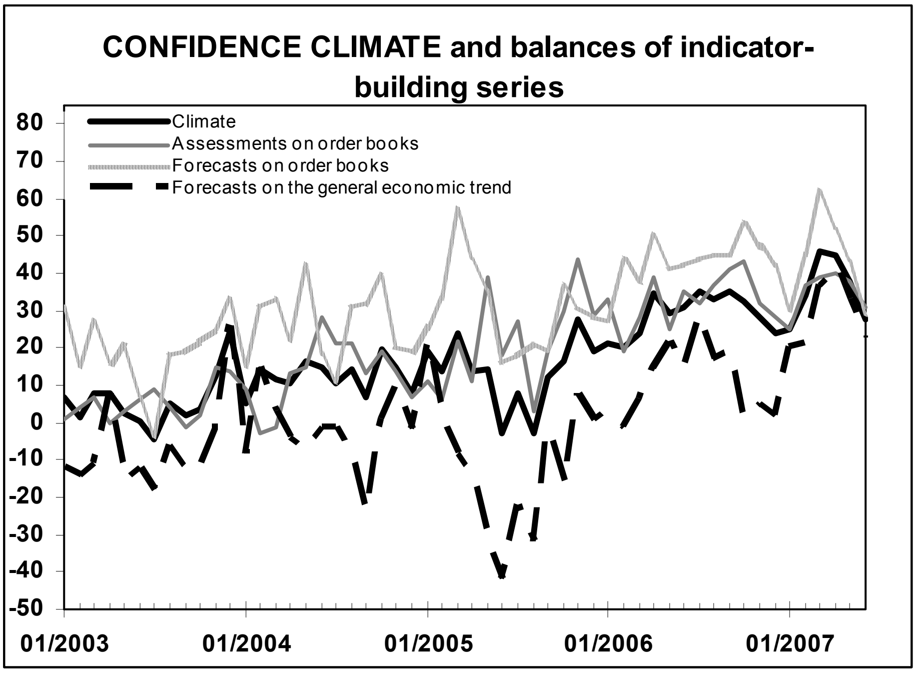
IN JUNE CONFIDENCE AMONG MARKET SERVICES FIRMS CONTINUES TO DECLINE

- **The raw index diminished to 28 (from 38 in May), prompted by a worsening in all its underlying components. Also the year-on-year change in the indicator – which is not affected by seasonal factors – recorded a slight decline in confidence for the first time since October 2005 (in June 2006, the index stood at 31)**
- **The trend in confidence was rather patchy across sectors and regions. For household services, the indicator posted a slump – in line with the results of the ISAE Consumer Survey – and came in at 26 (compared to 43 in May). Confidence declined also for business services (to 28 from 34), but improved for financial services (to 19 from 17). In June 2006, confidence among household, financial and business services firms amounted to 28, 15 and 33, respectively**
- **On a regional basis, confidence diminished in the North West (to 22 from 25), the North East (to 13 from 27) and the Centre (to 36 from 65). The indicator increased instead in the South (to 40 from 31). In June 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 31, 15, 40 and 1**
- **Among the variables excluded from the confidence indicator, the opinions on employment gave less unfavourable indications. The balances for current and future turnover declined instead, in a situation characterized by the return of moderate inflationary pressures**



Data on July shall be released on July 26, 2007

The next ISAE surveys are scheduled as follows:
July 5, 2007: *ISAE International Comparison of Consumer and Business Surveys (reference period: June)*

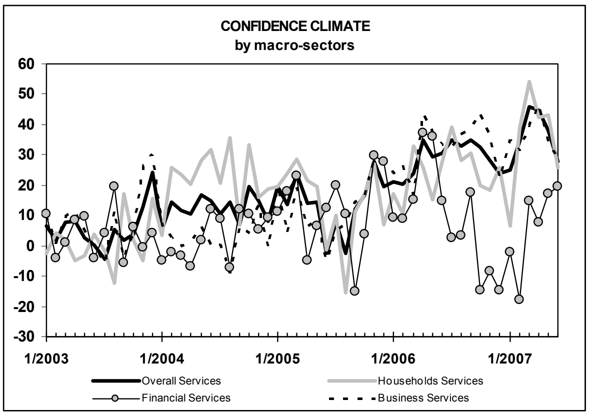
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

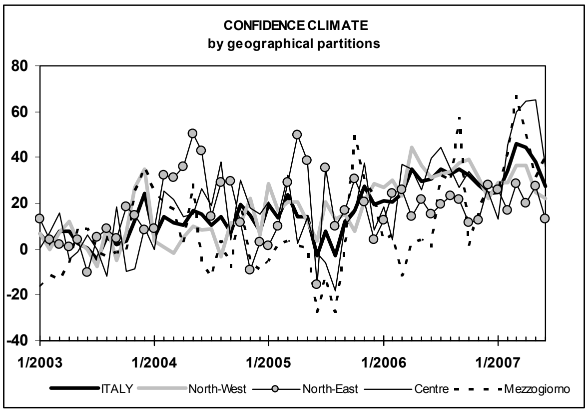
General results

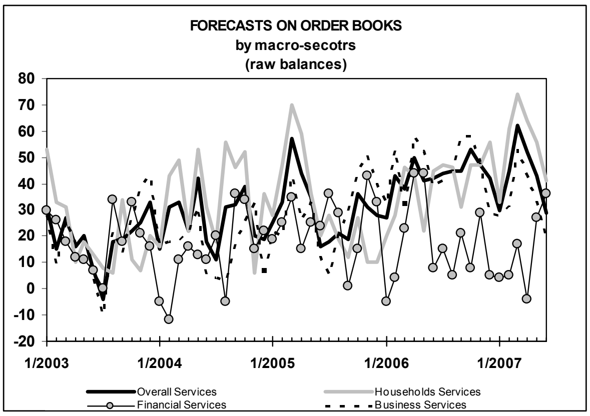
The ISAE Survey, carried out on a panel of around 2,000 firms between June 1 and June 20, showed that confidence in the market services sector declined also in June. The raw indicator lowered to 28 (from 38 in the previous month), due to the worsening in all its underlying components. Also the year-on-year change - which is not affected by seasonal factors – recorded a moderate decline in confidence for the first time since October 2005 (in June 2006, the indicator stood at 31).

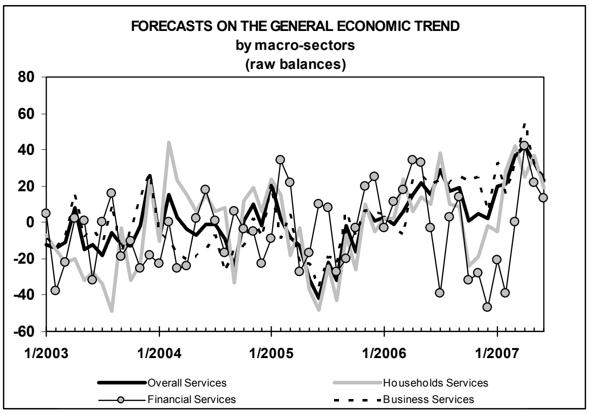
The trend in confidence at the industry and regional levels showed some differences. For household services, the indicator diminished sharply – in line with the results of the ISAE Consumer Survey – coming in at 26 (compared to 43 in May). Confidence worsened also for business services (to 28 from 34), but improved for financial services (to 19 from 17). In June 2006, confidence among household, financial and business services firms amounted to 28, 15 and 33, respectively.

On a regional basis, confidence declined in the North West (to 22 from 25), the North East (to 13 from 27) and the Centre (to 36 from 65). On the other hand, the indicator increased in the South (to 40 from 31). In June 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 31, 15, 40 and 1.









Situation in the reference period

According to market services operators, the opinions on orders and turnover deteriorated again in June. Assessments on employment recovered instead slightly. In detail, the balances for orders and turnover lowered to 31 (from 38) and to 27 (from 33), respectively, while the one for employment rose to -3 (from -10).

However, the industry breakdown showed that the current situation worsened only for household services. In this sector, operators actually gave unfavourable assessments on all surveyed variables. In particular, in contrast with the trend at the aggregate level, the opinions on employment were sharply negative. On the other hand, for financial services the balances for orders and turnover improved, and the one for employment held steady. Business services operators, instead, were moderately optimistic about all surveyed variables. Above all, the balance for employment posted a rise of 22 percentage points.

Also at the regional level, the current situation was patchy. In the North West, operators were optimistic about all surveyed variables. In the North East, instead, the opinions on orders and turnover were negative; the balance for employment recovered instead, though remaining negative. In the Centre, firms gave unfavourable assessments on orders, turnover and employment. Lastly, in the South, the balance for orders remained virtually unchanged, while those for turnover and employment bettered.

Outlook for the next three months

Among surveyed firms, unfavourable expectations prevailed for both orders and turnover, as well as employment (coming in at 29, 27 and 13 from 43, 40 and 27 for raw balances). Also expectations on the general economic trend gave negative indications (the balance declined to 23 from 33).

Forecasts posted some differences across sectors and regions too. For household services, deterioration characterized the balances for both company variables – orders, turnover and employment – and the general economic trend. On the contrary, in the financial services sector, the balance for orders improved, those for turnover and employment remained stable, whereas the one for the overall economy worsened. In the financial services sector, operators were pessimistic about orders, turnover and the economy, but employment sent favourable signals.

In detail at the regional level, in the North West, the balances for orders and turnover deteriorated, but those for employment and the general economic trend improved. In the North East, the balances for orders, turnover and the economy worsened and the one for employment sharply bettered. In the Centre, operators were pessimistic about both company variables and the overall economy. Finally, in the South, the balances for orders, turnover and the Italian economy improved, but the prospects for employment deteriorated.