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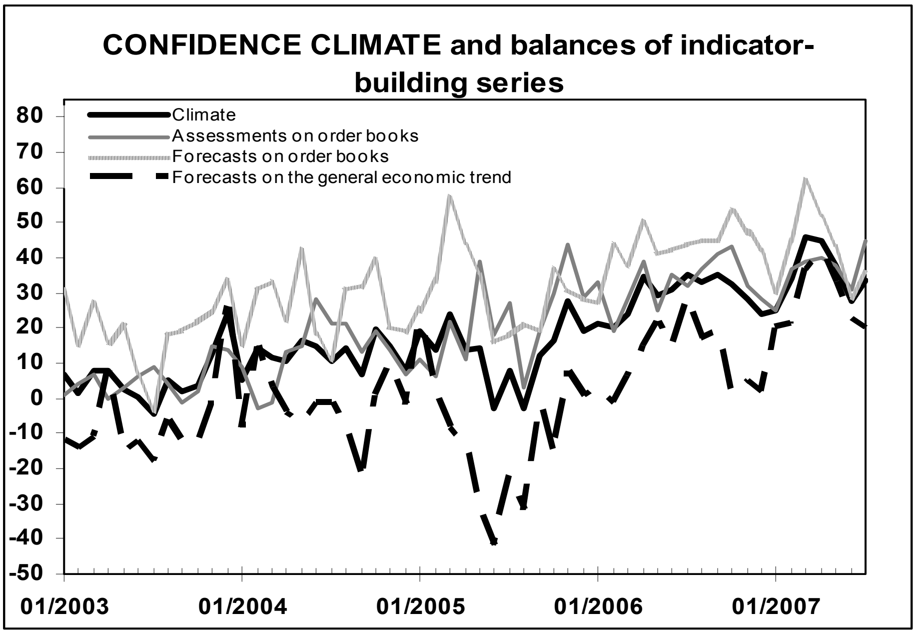
IN JULY CONFIDENCE AMONG MARKET SERVICES FIRMS RESUMES ITS UPWARD PATH

- **The raw index increased to 33 (from 28 in June), driven by favourable opinions and expectations on orders. On the other hand, the balance for the overall economy continued to worsen. However, the year-on-year change in the indicator – which is not affected by seasonal factors – recorded, also in July, a slight decline in confidence (in July 2006, the index stood at 35)**
- **The picture was mixed at the sector level. The indicator declined for household services (to 21 from 26, due to decidedly negative expectations for the economy), as well as for financial services (to -13 from 19). The confidence climate improved instead for business services (to 42 from 28), returning above the average value posted in the last quarter. In July 2006, confidence among household, financial and business services firms amounted to 39, 3 and 32, respectively**
- **On a regional basis, confidence diminished in the Centre (to 33 from 36) and the South (to 35 from 40). The indicator increased instead to 36 (from 22) in the North West and to 15 (from 13) in the North East. In July 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 33, 19, 45 and 32**

IN THE SECOND QUARTER 2007, THE PERCENTAGE OF FIRMS PERCEIVING THE EXISTENCE OF FACTORS LIMITING BUSINESS ACTIVITY REMAINS STABLE

- **According to the traditional ISAE quarterly survey, carried out on the same sample surveyed monthly, the percentage of firms perceiving the existence of obstacles to business activity held steady also in the second quarter (at 36%). Among the considered factors, insufficient demand recouped a decisive role (rising to 84%, from 26% in the first quarter). The relevance of the shortage of labour force also increased (to 6% from 1%). At the same time, the importance of financial constraints and "other unspecified factors" declined (to 38% from 60% and to 5% from 14%)**



Data on August shall be released on September 5, 2007
The next ISAE surveys are scheduled as follows:
August 7, 2007: *ISAE International Comparison of Consumer and Business Surveys (reference period: July)*

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)

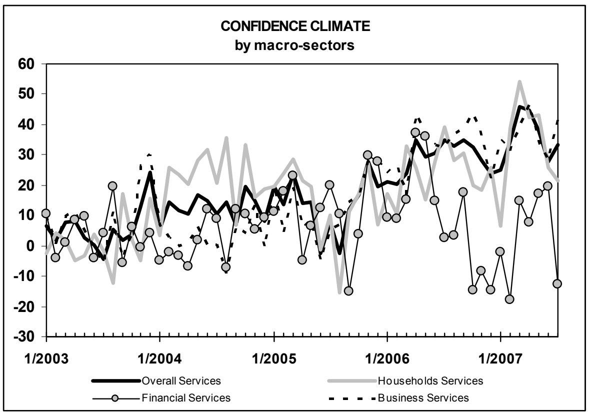
General results

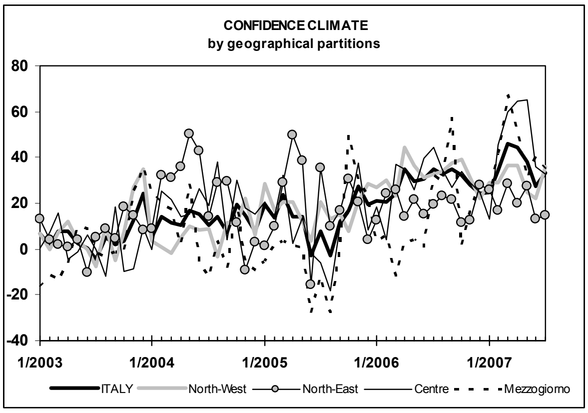
The ISAE Survey, carried out on a panel of around 2,000 firms between July 2 and July 21, showed that confidence in the market services sector started to rise once more. The raw indicator increased to 33 (from 28 in June), due to favourable opinions and expectations on orders. On the other hand, the balance for the overall economy continued to worsen. The year-on-year change in the indicator – which is not affected by seasonal factors – recorded, also in July, a slight decline in confidence (in July 2006, the index stood at 35).

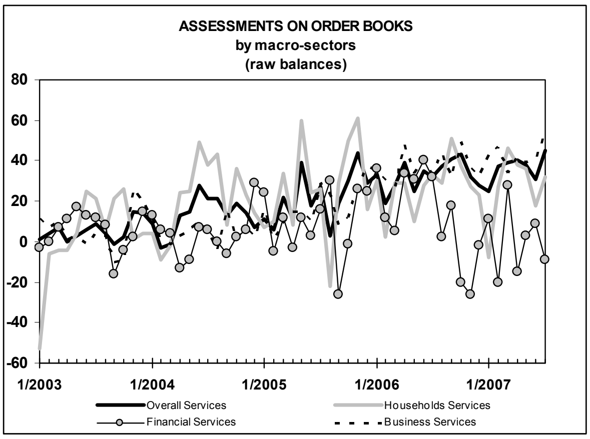
The picture was mixed at sector and regional levels. Confidence declined for household services (to 21 from 26, due to decidedly negative expectations for the economy), as well as for financial services (to -13 from 19), a sector which, in the ISAE survey, is often affected by high volatility. On the contrary, the confidence climate improved markedly in the business services sector (to 42 from 28), returning above the average value posted in the last quarter. In July 2006, confidence among household, financial and business services firms amounted to 39, 3 and 32, respectively.

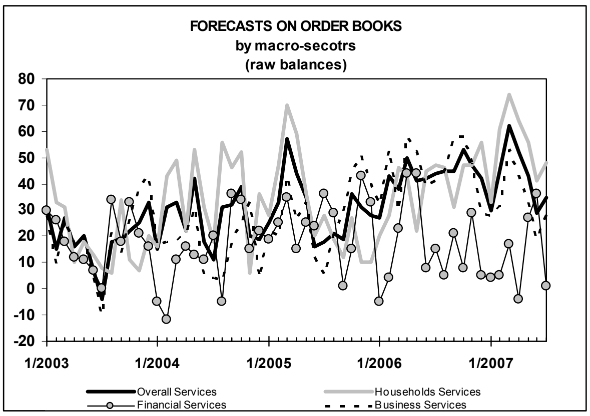
On a regional basis, confidence diminished in the Centre (to 33 from 36) and the South (to 35 from 40). The indicator increased instead to 36 (from 22) in the North West and to 15 (from 13) in the North East. In July 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 33, 19, 45 and 32.

According to the traditional ISAE quarterly survey, also in the second quarter of 2007 the percentage of firms perceiving the existence of factors limiting production remained stable at 36%. Among the considered obstacles, insufficient demand recouped a decisive role (rising to 84% of the sample, from 26% in the first quarter).









Situation in the reference period

Following the sharp fall recorded in the last two months, market services firms' appraisal of the current situation improved in July. In detail, the balances for orders and turnover rose to 45 (from 31) and to 31 (from 27), respectively. Moreover, the balance for employment turned positive (rising to 4 from -3), after three months of negative indications.

At the industry level, the current situation improved markedly in the household services sector, partly offsetting the fall recorded the previous month. Operators gave positive assessments on both orders and turnover. The balance for employment recovered, though remaining negative. For financial services, instead, the balance for orders and turnover declined, while employment started to send more favourable signals. For business services, optimism which emerged last month, increased further on, but the balance for employment edged down slightly, after a surge of 20 percentage points in the previous month.

Also at the regional level, the current situation was patchy. In the North West, also in July the balance for demand continued to improved, while that for turnover held steady in positive territory, and the one for employment deteriorated. In the North East, instead, the opinions on orders bettered, the balance for turnover remained unchanged and the balance for employment recovered, turning positive. In the Centre, firms gave clearly favourable assessments on orders and turnover, while the balance for employment recovered, though remaining negative. Lastly, in the South, operators were confident about all surveyed variables.

Outlook for the next three months

Surveyed firms were moderately optimistic about the future trend in orders, turnover and employment (the raw balances rose, in the order, to 35, 30 and 16 from 29, 27 and 13), in a situation characterized by the easing of the inflationary pressures which emerged in June (the balance moved to -4 from 4). However, the balance for the overall economic prospects deteriorated (to 20 from 23).

Also forecasts were mixed across sectors and regions. For household services, operators where optimistic about company variables, but the balance for the overall economy sharply deteriorated. For financial services, the balances for orders, turnover and the economy posted an abrupt fall, while the one for employment marginally recovered. In the business services sector, operators were moderately optimistic about orders and turnover, the balance for the economic trend increased markedly, whereas the one for employment worsened.

In detail at the regional level, in the North West, the balances for orders and the overall economy rose, and the ones for turnover and employment remained firmly positive. In the North East, the balances for company variables (orders, turnover and employment) worsened slightly and the one for the overall economy remained positive. In the Centre, the balances for orders and the economy declined, whereas expectations for turnover bettered and employment prospects recovered. Finally, in the South, deterioration characterized both the balances for company variables and the one for the economic trend.

Quarterly survey results (second quarter 2007)

According to the traditional ISAE quarterly survey, in the second quarter of 2007, the percentage of firms perceiving the existence of factors limiting production remained stable at 36%.

However, some differences emerged at the industry level. In detail, the share of firms recording the existence of obstacles declined in the household services sector (to 48% from 56% in the previous quarter), but increased for business and financial services (to 28% from 18% and to 52% from 34%, respectively).

Among obstacles to business activity, insufficient demand recouped a decisive role (rising to 84% of the sample, from 26% in the first quarter) and the relevance of the shortage of labour force also increased (to 6% from 1%). At the same time, the importance of financial constraints and "other unspecified factors" declined (to 38% from 60% and to 5% from 14%).

Obstacles to Production - II QUARTER 2007 (Percentage values)					
		Overall Services		Financial Services	
		YES	NO	YES	NO
2006	II	33	67	18	82
	III	51	49	40	60
	IV	36	64	14	86
2007	I	36	64	34	66
	II	36	64	52	48
		Households Services		Business Services	
		YES	NO	YES	NO
2006	II	46	54	23	77
	III	47	53	54	46
	IV	40	60	35	65
2007	I	56	44	18	82
	II	48	52	28	72