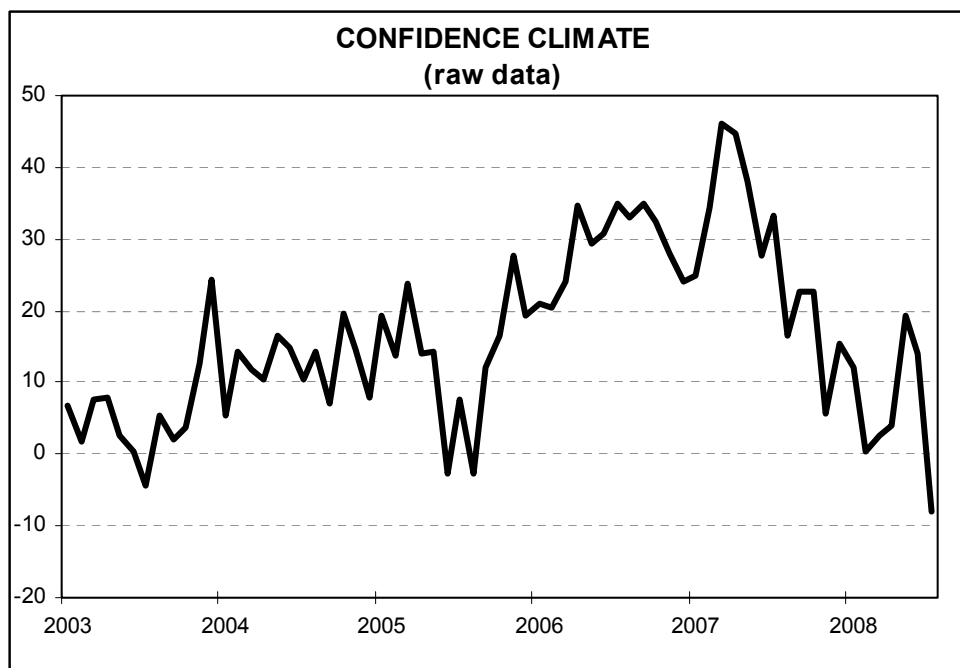




Date: July 25, 2008  
TEL.: 06/444821

## IN JULY CONFIDENCE AMONG MARKET SERVICES FIRMS DROPS TO ITS LOWEST LEVEL SINCE 2003

- The raw indicator deteriorated in July, lowering from 14 to -8, the lowest showing since the survey was extended to the entire market services sector in January 2003. Confidence sharply declined also with respect to its year-earlier level, a comparison which is not affected by seasonal factors. In July 2007 the index stood at 33
- The evaluation of current and future orders and short-term forecasts for the country's economic situation worsened. Expectations for turnover and employment also decreased, whereas assessments on the same variables slightly recovered
- The worsening evenly spread across sectors. The indicator lowered from 7 to -5 in business services, from 21 to -10 in consumer services, and from -9 to -23 in financial services. In July 2007, the indicator came in at 42, 21 and -13, respectively
- At the regional level, confidence worsened in all four geographic areas: it declined from 5 to -24 in the North West (the lowest showing since August 2003), from 4 to -4 in the North East, from 22 to 1 in the Centre, and plunged from 39 to 22 in the *Mezzogiorno* (the level recorded last March). In July 2007, the indicator stood, in the order, at 36, 15, 33 and 35



**Data on August shall be released on September 4, 2008**

*The next ISAE surveys are scheduled as follows:*

**August 5, 2008:** 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](http://www.isae.it))

## General results

The ISAE Survey, carried out on a panel of about 2,000 firms between July 1 and July 21, showed that confidence among market services firms markedly worsened in July. The confidence indicator lowered from 14 (in the previous month) to -8, the lowest level since the survey was extended to the entire market services sector in January 2003. Confidence sharply declined also from its year-earlier level, when the indicator came in at 33. Firms considered the level of current orders to have worsened, and expected a negative trend also in the following three months for both demand and the Italian general economic prospects. Also expectations for turnover and employment deteriorated, though opinions on their current trend recovered slightly over the previous month.

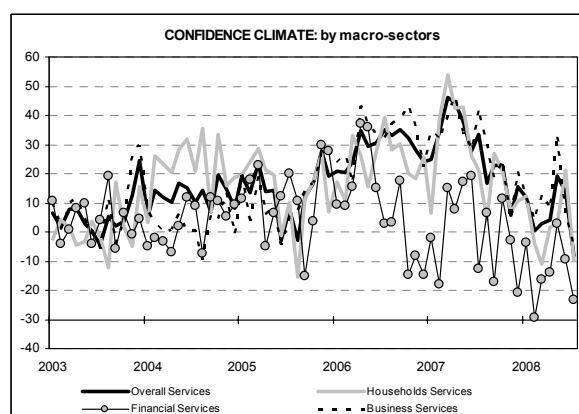
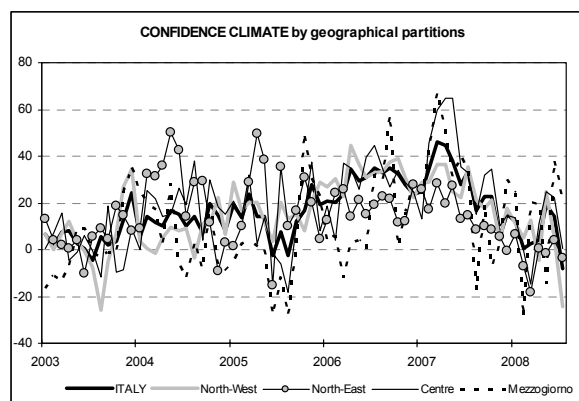
The worsening was homogenous across sectors. The indicator declined from 7 to -5 for business services, from 21 to -10 for household services, and from -9 to -23 for financial services. In July 2007, the indicators stood at 42, 21 and -13, respectively.

At the regional level, confidence worsened in all four geographic areas. In the North West the indicator diminished from 5 to -24 (the lowest level since August 2003), in the North East it moved from 4 to -4, in the Centre from 22 to 1, and in the *Mezzogiorno* it slumped from 39 to 22, the level posted last March. In July 2007, the indicator came in, in the order, at 36, 15, 33 and 35.

## Situation in the reference period

In July, market services firms' opinions on orders worsened over the previous month. The related balance declined from 23 to 12. Firms gave instead slightly more favourable assessments on turnover (the balance rose from 13 to 18) and employment (from -5 to -3).

The industry breakdown showed that in household and financial services evaluation of orders and turnover worsened. In business services, the opinions on orders



deteriorated, whereas those for turnover and employment bettered. At the regional level, assessments on orders worsened in all areas, apart from the North East, opinions on turnover decreased in the South, but improved in the North and the Centre, whereas those for employment deteriorated in the Centre, but bettered in the North and the South.

## Outlook for the next three months

Forecasts for main company variables (orders, turnover, and employment) and short-term prospects for the Italian economy worsened with respect to the previous month. Expectations of an acceleration of inflation also increased. More in detail, the balance for future orders amounted to 6 (from 24), those for turnover came in at 12 (from 27), the one for employment declined to -15 (from 0), and the balance for prices increased to 1 (from -1). In line with the results of the ISAE survey on manufacturing firms and with the scenario of a deteriorating global economic environment, expectations for the Italian general economic situation practically collapsed (the balance

plunged from -5 to -42, a minimum last seen in June 2005).

Pessimism evenly spread across sectors. Prospects for orders, turnover and the economic situation were expected to decline in household, financial and business services. Employment forecasts worsened in household services, but recorded a slight recovery in financial and business services. Lastly, as for prices, higher inflationary pressures were expected in the household services sector.

At the regional level, in the North and the Centre deterioration characterized both the balances for company variables (orders, turnover and employment) and for the country's economic situation. In the South, in an opposing trend with the national data, the balance for orders improved, whereas the ones for turnover, employment and the economic trend deteriorated, in line with the national average. As for prices, an acceleration of inflation was expected in the North East and the South.

