

July 29, 2010

CONFIDENCE AMONG MARKET SERVICES BETTERS IN JULY

Data on August shall be released on August 31, 2010

The next ISAE surveys are scheduled as follows:

August 26, 2010: ISAE Monthly Consumer Survey (reference period: August)

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

- **The seasonally adjusted confidence indicator (2005=100) increased to 98.9 (from 95.5 in June)**

- **The improvement in confidence was due to favourable expectations for demand and to the recovery in prospects for the country's overall economic situation. Opinions on orders worsened instead**

- **At sector level, some differences emerged for the trend in confidence: the index bettered for Transportation and storage (to 98.7 from 91.2) and Tourism services (to 95.9 from 93.9), remained virtually stable for Information and communication (to 90.5 from 90.6), but declined instead for Business services and other services (to 101.6 from 102.5)**

- **On a regional basis, confidence improved in the North and the Centre, reaching 99.8 (from 96.7) in the North West, 93 (from 90.3) in the North East, and 98 (from 95.7) in the Centre. In contrast, confidence declined in the South (to 106.4 from 108.1) because of unfavourable expectations for the economy**

- **With regard to the variables excluded from the calculation of the confidence index, evaluation of employment deteriorated and assessments on business activity recovered, whereas employment prospects improved**

- **According to the traditional ISAE quarterly survey, in the second quarter of this year, the share of operators perceiving the existence of factors limiting their business activity diminished to 53% (from 63% in the previous survey). Among main obstacles, insufficient demand was considered the main limitation (75% of the responses), followed, in the order, by "other unspecified factors" (20%), financial constraints (13%), and inadequate space and machinery (1%)**

CONFIDENCE CLIMATE (index 2005=100, seasonally adjusted)



Market services firms' confidence

The ISAE Survey, carried out on a panel of about 2,000 firms between July 1 and July 20, showed that market services firms' confidence improved in July. The seasonally adjusted confidence indicator (2005=100) actually increased to 98.9 (from 95.5 in June). The improvement was due to more favourable expectations for orders and the economy. Opinions on orders worsened instead.

At sector level, the index recovered for Transportation and storage and Tourism services, remained stable for Information and communication, and deteriorated instead for Business services and other services. On a regional basis, confidence improved in the North and the Centre and, on the contrary, declined in the South.

Situation in the reference month (July 2010)

In July, respondents' opinions on orders and employment deteriorated: the related seasonally adjusted balances both declined to -4 (from -2 and -1, respectively, in the previous month). In contrast, the balance for the trend in business activity recovered (to -1 from -2).

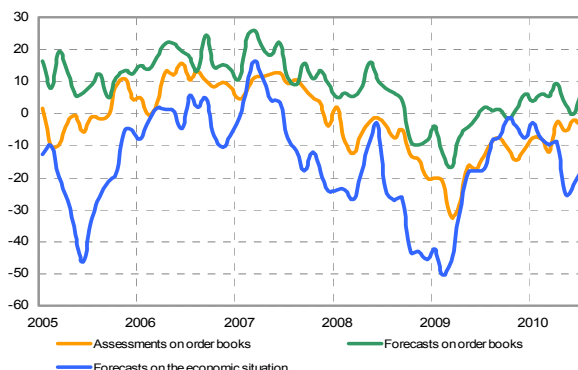
Outlook for the following months

In July, signs of cautious optimism prevailed. In detail, improvement distinguished forecasts for orders, employment and the economy. The related seasonally adjusted balances rose to 7 from 0, to 2 from -2 and to -18 from -22. As for prices, operators declared they intended to cut selling prices and the balance declined from -3 to 0.

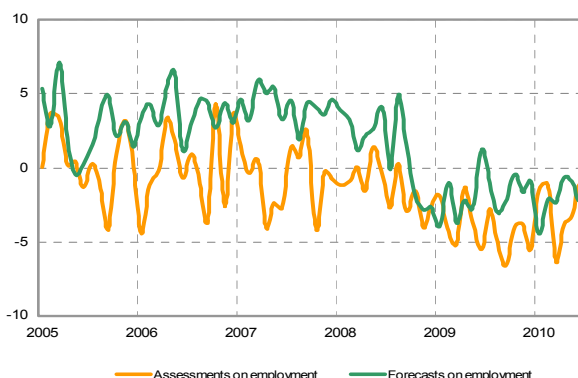
Quarterly survey results (2Q 2010)

According to the traditional ISAE quarterly survey, conducted among the same panel of firms interviewed monthly, in the second quarter of this year, the share of operators perceiving the existence of obstacles limiting their business activity diminished to 53% (from 63% in the previous survey). Among main obstacles, insufficient demand was considered the main limitation (75% of the responses), followed, in the order, by "other unspecified factors" (20%), financial constraints (13%), and inadequate space and machinery (1%).

THE BALANCES FOR EXPECTED ORDERS AND THE ECONOMIC TREND RECUPERATE; CURRENT ORDERS DETERIORATE



FOR EMPLOYMENT, PROSPECTS RECOVER BUT ASSESSMENTS WORSEN SLIGHTLY



THE BALANCE FOR THE TREND IN BUSINESS ACTIVITY MODERATELY RECUPERATES



Firms' confidence at sector level

The confidence climate improved in all main macro-sectors, apart from Business services and other services, where unfavourable opinions on orders and negative expectations for the economy prevailed.

In **Transportation and Storage** sectors, the indicator rose to 98.7 (from 91.2), thanks to the improvement in expected orders (the seasonally adjusted balance rose to 13 from -1) and to the recovery in the overall economic trend (to -34 from -47). However, the balance for current orders diminished (to -4 from 1).

In **Tourism services**, the confidence climate reached 95.9 (from 93.9). In this macro-sector, in contrast with the aggregate indicator, the opinions on current orders recuperated significantly (to -3 from -21), the balance for expected orders remained unchanged (at 8), and the one for the economy declined instead (to -23 from -10).

The confidence climate stabilized in **Information and Communication** (at 90.5 from 90.6). In this macro-sector both the opinions on orders and forecasts for the economy deteriorated (to -6 from -1 and to -19 from -16). The balance for expected orders improved instead (to 5 from -1).

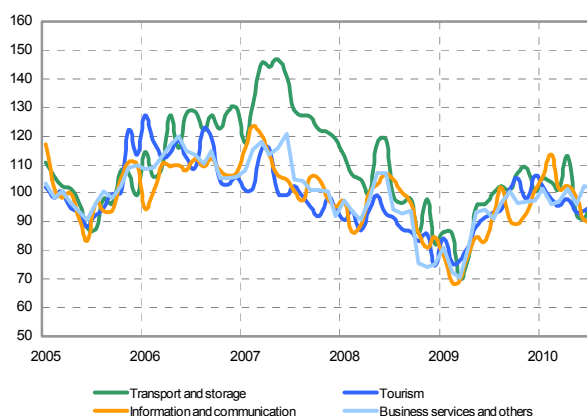
In **Business services and other services**, the fall in confidence (to 101.6 from 102.5) stemmed from the deterioration in the opinions on orders (to -7 from -3) and the forecasts for the Italian economy (to -7 from -5). The balance for expected orders rose instead to 2 (from -2 in June).

demand (to 2 from -8). The balance for the overall economic trend declined instead (to -22 from -19).

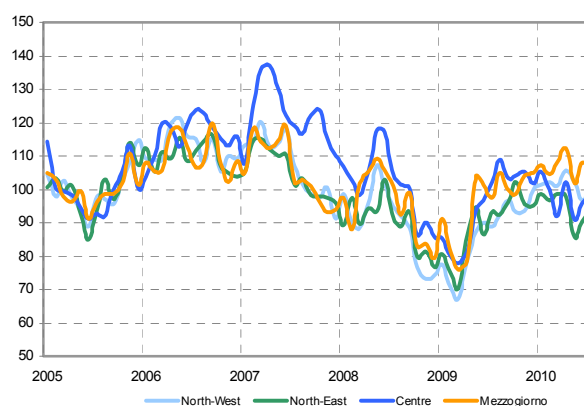
In the **Centre**, the confidence climate grew to 98 (from 95.7 in the previous month). The balance for both expected orders and the overall economic trend improved (to 11 from -1 and to -32 from -37, respectively). The balance for current orders diminished instead (to -1 from 10).

Lastly, for firms in the **South**, the fall in the indicator (to 106.4 from 108.1) was due to the deterioration in the balance for the Italian economy (to -16 from -5). On the contrary, the balance for current orders recovered (to -6 from -9) and the one for expected ones increased (to 10 from 7).

CONFIDENCE BETTERS IN TRANSPORTATION AND TOURISM, STABILIZES IN INFORMATION AND COMMUNICATION, LOWERS IN OTHER SERVICES



CONFIDENCE IMPROVES IN THE NORTH AND THE CENTRE, WORSENS IN THE SOUTH



Confidence on a regional basis

Confidence improved in the North and the Centre and declined in the South, where negative expectations for the economy prevailed.

In the **North West**, the indicator increased to 99.8 (from 96.7), thanks to the improvement in assessments and expectations for orders. In detail, the balance for current orders increased to -5 (from -9) and the one for expected orders to 2 (from 0). The balance for the Italian economy diminished instead (to -5 from -8).

In the **North East** the confidence index rose to 93 (from 90.3 in June). The improvement derived from the recovery in the opinions on orders (to -7 from -9) and more favourable expectations for