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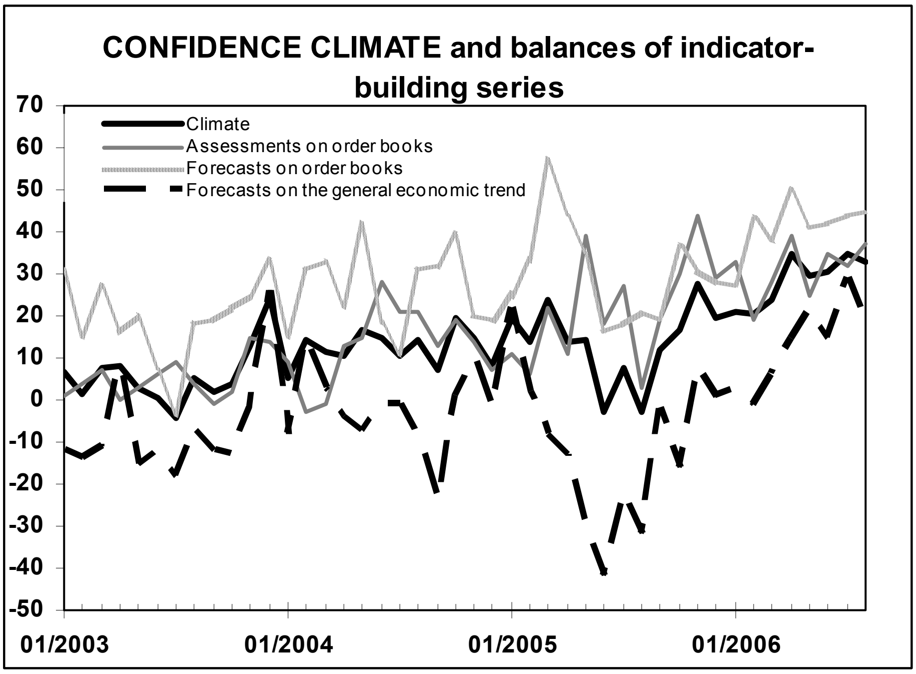
IN AUGUST CONFIDENCE AMONG MARKET SERVICES FIRMS STABILIZES AT HIGH LEVELS

- **The raw balance edged down to 33 (from 35), due to the worsening in expectations for the general economic trend. The year-on-year change in sentiment – which is not affected by seasonal factors – recorded, instead, a marked improvement in confidence (in August 2005 the indicator stood at -3)**
- **At the industry level, the balance deteriorated (to 28 from 39) for household services, remained unchanged for financial services (at 3) and significantly improved for business services (to 37 from 32). The comparison with the August 2005 figure confirmed the upward trend in confidence for both household and business services (in August of last year, the confidence climate came in at -15 and 7, respectively). On the contrary, confidence for financial services extended its downward trend on a year-on-year basis (in August 2005, the indicator amounted to 11)**
- **The regional breakdown pointed to a rise in confidence for entrepreneurs in the North: the indicator actually improved to 34 (from 33) in the North West and to 23 (from 19) in the North East. The confidence indicator retrenched, instead, in the Centre (to 35 from 45) and the South (to 30 from 32), although remaining above its second quarter average value. In August 2005, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 13, 10, -18 and -28**
- **Finally, opinions and expectations on turnover sent positive signals. In contrast, the balances for current and expected employment declined, in a situation characterized by slight inflationary pressures**



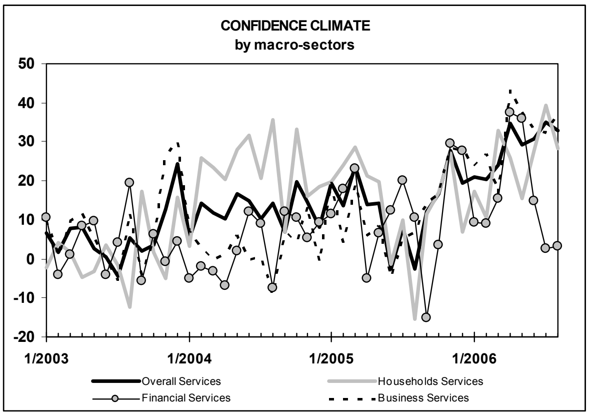
Data on September shall be released on September 28, 2006
The next ISAE surveys are scheduled as follows:
September 6, 2006: *ISAE International Comparison of Consumer and Business Surveys (reference period: August)*
September 18, 2006: *ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (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)

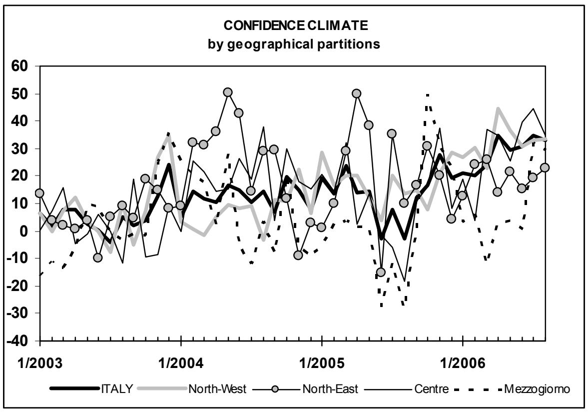
General results

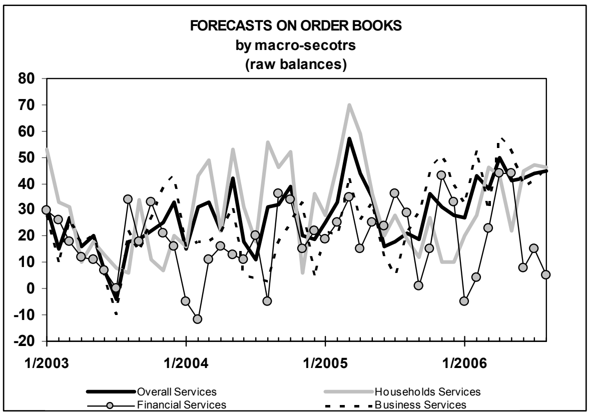
The ISAE Survey, carried out on a panel of around 2,000 firms between August 3 and August 25, pointed to a slight decline in confidence in August for the market services sector. The raw balance actually decreased to 33 (from 35), due to the worsening in expectations for the general economic trend. The year-on-year change in sentiment – which is not affected by seasonal factors – showed nevertheless a marked improvement in confidence (in August 2005 the indicator stood at -3).

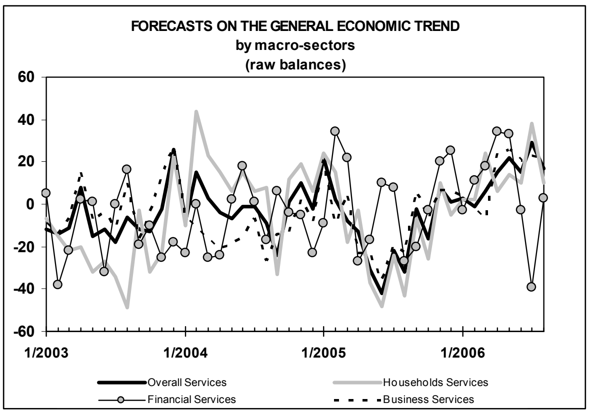
At the industry level, confidence worsened for household services (the balance declined to 28 from 39), remained stable for financial services (at 3) and significantly improved for business services (to 37 from 32). The comparison with the August 2005 figure confirmed the upward trend in confidence recorded in the last months in both household and business services (in August, of last year the balance was equal to -15 and 7, respectively). By contrast, with regard to financial services, confidence extended its downward trend on a year-on-year basis (in August 2005 the indicator amounted to 11).

The regional breakdown pointed to a rise in confidence for entrepreneurs in the North: the indicator actually rose to 34 (from 33) in the North West and to 23 (from 19) in the North East. Confidence declined instead in the Centre (to 35 from 45) and in the South (to 30 from 32), although remaining above its the second quarter average values. In August of last year, the indicator in the North West, the North East, the Centre and the South amounted, in the order, to 13, 10, -18 and -28.









Situation in the reference period

In August, market services operators in general gave an optimistic appraisal of orders and turnover (the related raw balances both rose to 37, from 32 and 34, respectively). The balance for current conditions in employment posted a decline instead (to 9 from 15).

Nevertheless, the industry breakdown portrayed some markedly diverging trends. In the household services sector, the balances for orders and employment deteriorated, while the balance for turnover improved. Also in August, probably due to seasonal factors, highly optimistic opinions characterized the sectors related to tourism (hotels and restaurants, travel agencies). In the financial services sector, operators were pessimistic about all surveyed variables. Entrepreneurs in the business services sector, instead, gave a highly positive assessment on current orders – especially for machinery rental and information technology – whereas the balances for turnover and employment decreased.

On a regional basis, in the North West operators mainly held an optimistic assessment on orders, and the balance for employment slightly improved, while the one for turnover declined. In the North East, respondents were optimistic about all surveyed variables. In the Centre, firms expressed a favourable evaluation of orders and turnover, whereas the balance for employment lowered. Finally, in the South the evaluation of turnover and employment improved, but the raw balance for orders declined.

Outlook for the next three months

Surveyed firms expressed favourable expectations for orders (the balance rose to 45 from 44) and turnover (to 43 from 41). After reaching its highest level in July, the balance for the economic trend plunged (to 17 from 29), though remaining around its second quarter average value. The balance for employment, instead, remained virtually stable (moving to 8 from 9). As for prices, also in August slight inflationary pressures were recorded, particularly in the household services sector.

At the industry level, in the household services sector the balance for orders remained basically unchanged, the one for turnover significantly improved, while the balances for employment and the economy worsened. Financial services operators were pessimistic about orders and turnover, whereas they improved their expectations for employment and the economic trend. Business services operators were optimistic about orders and employment, but the balance for turnover and the economy worsened.

The picture was mixed also at the regional level. In the North West, firms were pessimistic about orders, turnover and the economy, while the balance for employment increased. In the North East, negative forecasts for company variables (orders, turnover and employment) prevailed, whereas the balance for the economic trend markedly improved. In the Centre, operators were pessimistic with respect to both company variables and the economic trend. Finally, in the *Mezzogiorno* the balances for orders and turnover improved, but those for employment and the Italian economy deteriorated.