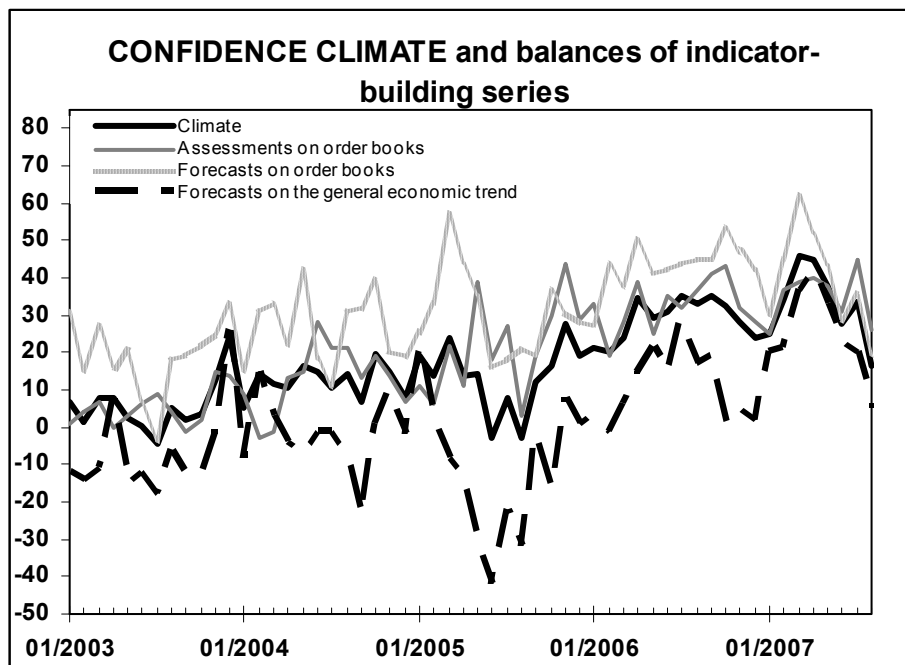




Date: September 5, 2007  
TEL.: 06/444821

## CONFIDENCE AMONG MARKET SERVICES FIRMS DECLINES IN AUGUST

- The raw index decreased to 17 (from 33 in July), prompted by the deterioration in all its underlying components. The year-on-year change in the indicator – which is not affected by seasonal factors – confirmed the decline in confidence (in August 2006, the index stood at 33)
- However, in August the change in the indicator was probably affected by some seasonal factors as well as by the decrease in the number of firms replying to the survey (about 1,500 instead of the usual 2,000 ones), a factor which is typical for this month of the year and is due to summer closure
- Different pictures emerged at the sector level: confidence declined for household and business services (to 4 from 21 and to 30 from 42, respectively). The indicator increased instead for financial services (to 7 from -13). In August 2006, confidence among household, financial and business services firms amounted to 28, 3 and 37, respectively
- On a regional basis, confidence diminished to 21 (from 36) in the North West, to 9 (from 15) in the North East, to 15 (from 33) in the Centre and to -17 (from 35) in the South. In August 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 34, 23, 35 and 30
- Among the variables excluded from the index, opinions and expectations on employment gave slightly more favourable indications, in a situation characterized by even lower inflationary pressures



Data on September shall be released on September 27, 2007

The next ISAE surveys are scheduled as follows:

**September 6, 2007:** ISAE International Comparison of Consumer and Business Surveys (reference period: August)

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 the usual panel of firms between August 1 and August 17, showed that confidence in the market services sector declined in August. The raw indicator actually lowered to 17 (from 33 in July), prompted by the deterioration in all its underlying components. Also the year-on-year change in the indicator – which is not affected by seasonal factors – confirmed the decline (in August 2006, the index stood at 33).

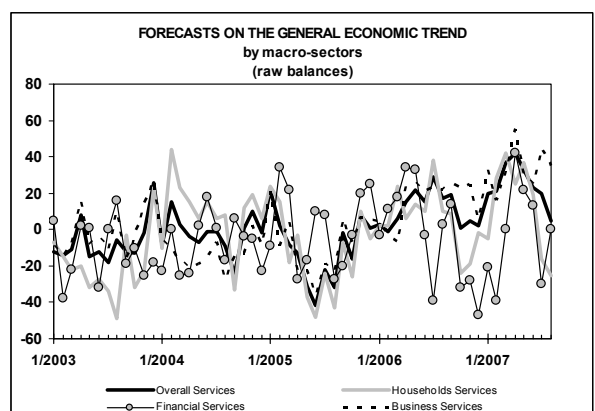
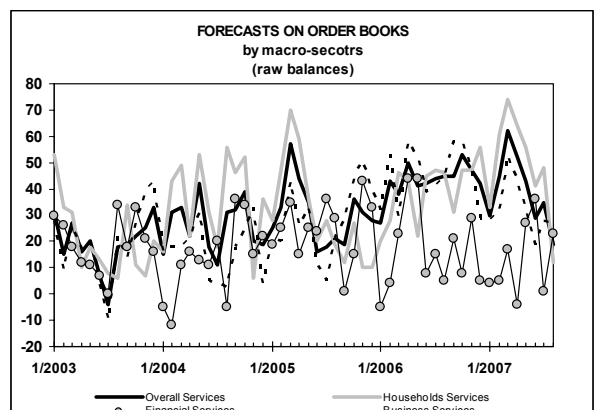
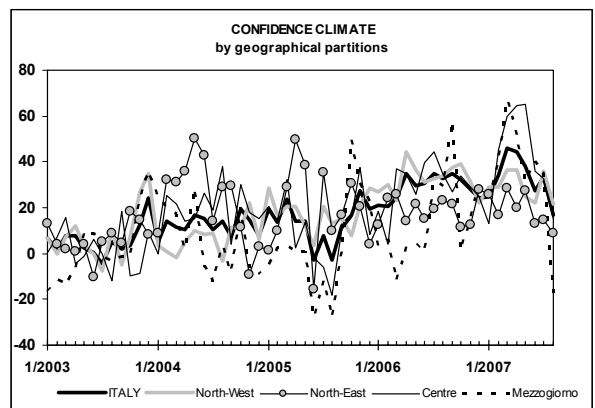
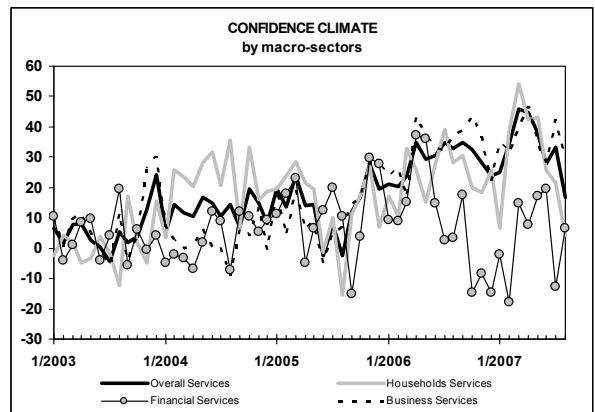
However, in August the change in confidence was probably affected by some seasonal factors (which cannot be identified because of the low number of observations for the analysed series), as well as by the decrease in the number of firms replying to the survey (about 1,500 instead of the usual 2,000) due to summer closure of many firms.

Different pictures emerged at the sector level: confidence declined for household and business services (to 4 from 21 and to 30 from 42, respectively). The indicator increased instead for financial services (to 7 from -13). In August 2006, confidence among household, financial and business services firms amounted to 28, 3 and 37, respectively.

On a regional basis, the confidence climate diminished to 21 (from 36) in the North West, to 9 (from 15) in the North East, to 15 (from 33) in the Centre and to -17 (from 35) in the South. In August 2006, confidence in the North West, the North East, the Centre and the South stood, in the order, at 34, 23, 35 and 30.

## Situation in the reference period

In August, market services firms' appraisal of orders and turnover worsened (to 26 and 22 from 45 and 31 respectively for the raw balances). On the other hand, the balance for employment moderately improved (to 6 from 4).



The industry breakdown showed some differences. In the household services sector, the fall in the balance for orders contrasted with the improvement in turnover and employment. In particular, the balance for employment posted a bounce, going back in positive territory for the first time since February 2007. For financial services, the balance for orders recovered while those for turnover and employment worsened. For businesses services, firms scaled down their highly favourable opinions on orders, turnover and employment which emerged in the last two months.

Also at the regional level, the current situation was patchy. In the North West, the balance for orders, turnover and employment deteriorated. In particular, the balance for turnover declined sharply, turning negative for the first time since October 2006. In the North East, instead, the balance for orders remained stable and the one for turnover and employment edged down slightly. In the Centre, instead, the balance for turnover dwindled and the one for orders and employment bettered. Lastly, in the South the balance for orders and turnover recorded a sharp drop, while the one for employment increased.

### **Outlook for the next three months**

In August, surveyed firms were moderately pessimistic about short-term prospects for orders, turnover and the economy (the raw balances declined, in the order, to 19, 2 and 5 from 35, 30 and 20). On the other hand, the raw balance for employment increased (to 18 from 16), in a situation characterized by firms' intention to further reduce selling prices (the balance moved to -14 from -4).

Also forecasts were mixed across sectors and regions. For household services, the balances for both company variables and the overall economy decreased. For financial services, the balances for orders, turnover and the economy improved, while the one for employment marginally lowered. In the business services sector, in contrast with the overall trend, the balances for orders and turnover remained practically

unchanged, and the one for employment markedly increased. The balance for the economy declined, instead, though remaining clearly positive.

In detail at the regional level, in the North West, the balances for orders, turnover and the economy deteriorated. The one for employment staged instead a marked increase. In the North East, operators were optimistic about orders and turnover. However, the balances for employment and the general economic trend declined. In the Centre, operators became more pessimistic with respect to July about both orders and turnover as well as the overall economy. The balance for employment recovered instead, though remaining negative. Finally, in the South, also in August the balances for orders, turnover and employment worsened, and the one for the economy remained stable in negative territory.