



ISTITUTO DI STUDI E ANALISI ECONOMICA

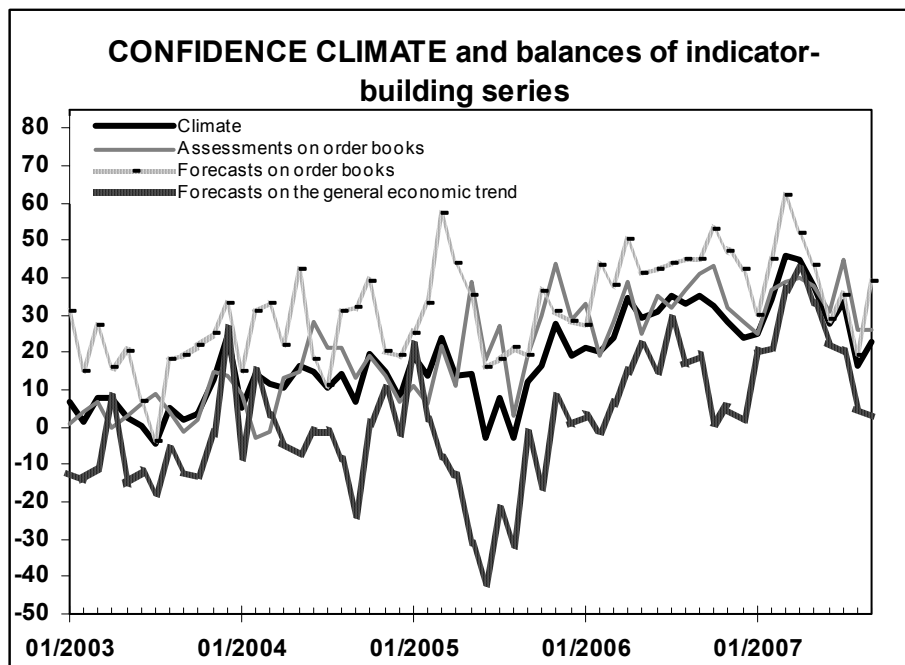
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## CONFIDENCE AMONG MARKET SERVICES FIRMS RECOVERS IN SEPTEMBER

- Following the sharp drop posted in August, the raw index increased to 23 (from 17), mainly driven by the improvement in expectations for orders. The year-on-year change in the indicator – which is not affected by seasonal factors – showed, however, a new fall in confidence (in September 2006, the index stood at 35)
- Different pictures emerged at the sector level. After the decline recorded in August, confidence increased to 27 (from 4) for household services. However, the indicator worsened for financial services (to -17 from 7) and, in line with the results of the ISAE Manufacturing Firms Survey, for business services (to 19 from 30). In September 2006, the confidence climate among household, financial and business services firms amounted to 30, 18 and 39, respectively
- The regional breakdown pointed to some minor differences: confidence diminished to 18 (from 21) in the North West, but the indicator increased in all the other areas, reaching 10 (from 9) in the North East, 32 (from 15) in the Centre and 20 (from -17) in the South. In September 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 38, 22, 27 and 58
- Among the variables excluded from the calculation of the index, opinions and expectations on turnover sent moderately optimistic signals. However, the balances for current and expected employment diminished



Data on October shall be released on October 25, 2007

The next ISAE surveys are scheduled as follows:

**October 4, 2007:** ISAE International Comparison of Consumer and Business Surveys (reference period: September)

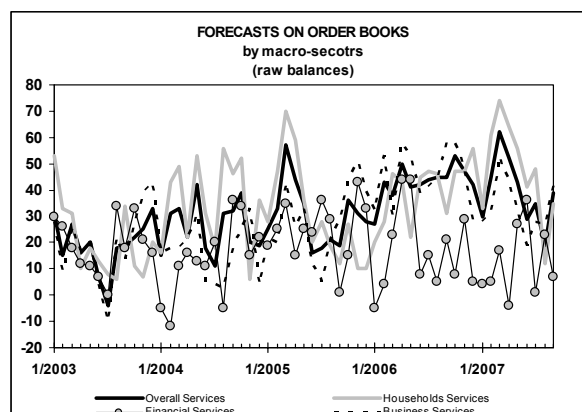
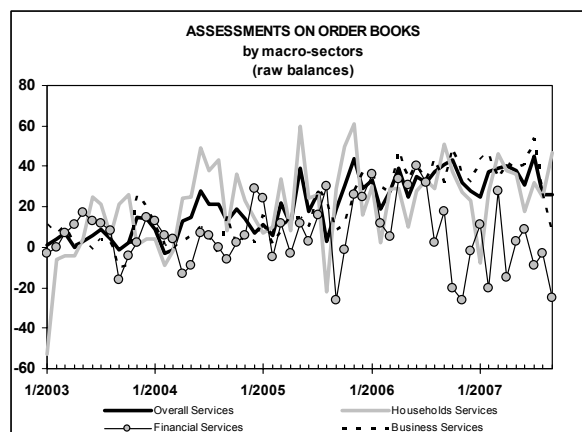
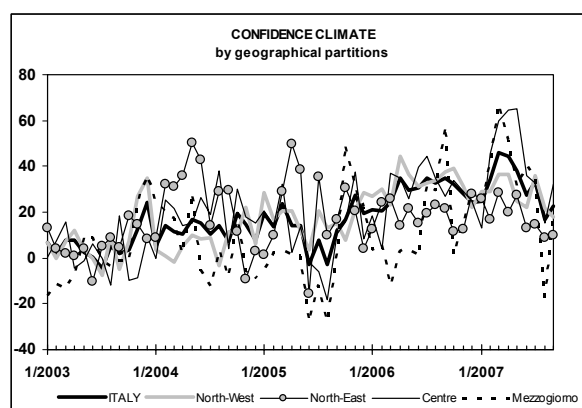
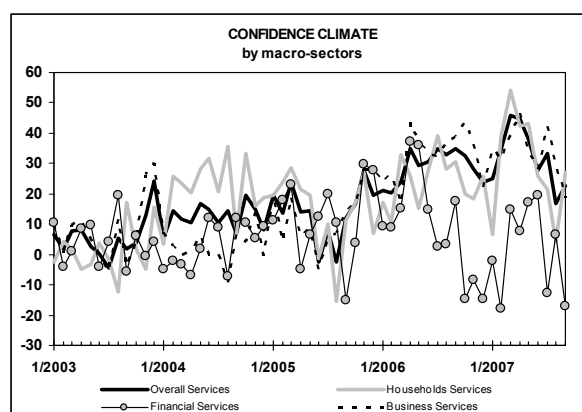
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site [www.isae.it](http://www.isae.it))

## General results

The ISAE Survey, carried out on a panel of about 2,000 firms between September 3 and September 21, showed that confidence in the market services sector recovered in September. The raw indicator actually hit 23 (from 17 in August), nearing the level reached in the last December-January period. The best improvement over the previous month was posted by expectations for orders. The year-on-year change in the indicator – which is not affected by seasonal factors – showed, nevertheless, a decline in confidence (in September 2006, the index stood at 35).

Somewhat different pictures emerged at the sector level. Following the fall recorded in August, confidence increased to 27 (from 4) for household services. However, the indicator worsened for financial services (to -17 from 7) and - in line with the results of the ISAE Manufacturing Firms Survey - for business services (to 19 from 30). In September 2006, the confidence climate among household, financial and business services firms amounted to 30, 18 and 39, respectively.

The regional breakdown pointed to some minor differences across the country: confidence diminished to 18 (from 21) in the North West, but the indicator increased in all the other areas reaching 10 (from 9) in the North East, 32 (from 15) in the Centre and 20 (from -17) in the South. In September 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 38, 22, 27 and 58.



### **Situation in the reference period**

In September, the appraisal of orders remained stable (at 26), the balance for turnover edged up slightly (to 23 from 22) and the one for employment deteriorated sharply (lowering to -9 from 4), following the improvement staged in the last months (probably also for seasonal factors).

The industry breakdown showed some important differences. In the household services sector, the balance for orders and turnover improved, more than offsetting the fall posted in August. In contrast, the balance for employment went back in negative territory. For financial services, operators were decidedly pessimistic about orders and turnover, and the balance for employment decreased somewhat. In the businesses services sector, once more firms scaled down their opinions on orders, turnover and employment.

Also at the regional level, the current situation was patchy. In the North West, the balance for orders and employment deteriorated, whereas the one for turnover improved. In the North East, instead, the opinions were positive for all surveyed variables. In the Centre, the balance for orders remained stable at a high level, but the ones for turnover and employment deteriorated. Lastly, in the South the current situation for orders and turnover bettered, while the one for employment worsened instead.

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

In September, surveyed firms were in general moderately optimistic about short-term prospects for orders and turnover (the raw balances increased to 39 from 19 and to 19 from 2, respectively). On the other hand, the balances for employment and the economy worsened (to 4 from 18 and to 3 from 5), in a situation characterized by firms' intention to moderately increase selling prices (the related balance moved to -4 from -14).

Also forecasts were somewhat mixed across sectors and regions. For household services, the balances for orders and turnover improved markedly, the one for the general economic trend recovered and, in contrast, the balance for employment deteriorated. For financial services, the balances for orders, turnover and the economic trend plunged, whereas the one for employment marginally increased. In the business services sector, positive signals mainly characterized expected orders. However, the balances for turnover, employment and the economy declined.

In detail at the regional level, in the North West, the balances for orders improved, but expectations for turnover, employment and the economy deteriorated. In the North East, operators were more pessimistic than in August about company variables (orders, turnover and employment). The balance for the economy edged up instead. In the Centre, the balances for orders, turnover and employment improved, but the one for the general economic trend was marginally lower. Finally, in the South, the balances for orders and turnover recovered, whereas expectations for employment and the economy worsened.