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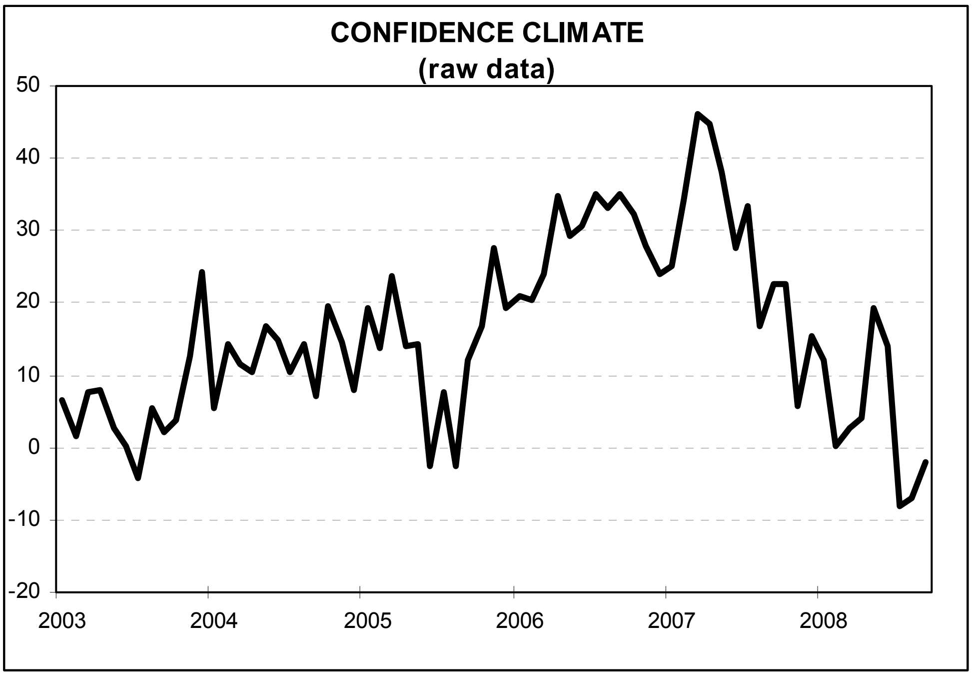
CONFIDENCE AMONG MARKET SERVICES FIRMS RECOVERS IN SEPTEMBER

- **The indicator rose to -2 (from -7), recuperating part of the fall posted in the previous two months. However, the year-on-year change in confidence, which is not affected by seasonal factors, continued to stage a decline (in September 2007 the index stood at 23)**
- **The improvement was barely due to the recovery in expectations for the country's economic situation. Opinions and forecasts for orders remained instead virtually stable. Assessments on present and future employment started to send unfavourable indications**
- **The sector breakdown showed some important differences: the index slightly recovered in household services (to -14 from -15), remained stable (at 4) in financial services and recorded a clear upturn in business services (to 10 from -2). In September 2007, the indicator came in at 27 in household services, -17 in financial services, and 19 in business services**
- **Indications were somewhat mixed also at the regional level: confidence bettered in the North West (to 7 from -4), recovered in the North East (to -3 from -6) and the Centre (to -6 from -11), and worsened in the South (to -30 from -15). In September 2007, the indicator stood at 18, 10, 32 and 20, respectively**



Data on October shall be released on October 28, 2008
The next ISAE surveys are scheduled as follows:

October 7, 2008: *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)

General results

The ISAE Survey, carried out on a panel of about 2,000 firms between September 1 and September 20, showed that confidence among market services firms recovered in September. The confidence indicator actually rose to -2 (from -7), retracing part of the fall posted in July. However, the year-on-year change in confidence, which is not affected by seasonal factors, continued to stage a decline (in September 2007, the index stood at 23). However, the improvement was barely due to the recovery in expectations for the country's economic situation. Opinions and forecasts for orders remained instead virtually stable.

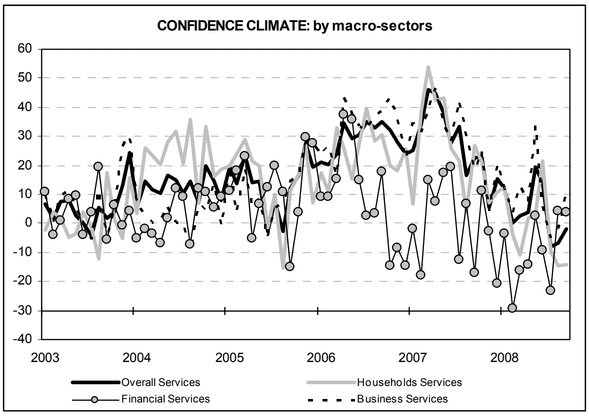
The sector analysis showed some important differences: the index recovered moderately in household services (to -14 from -15), remained stable (at 4) in financial services, and recorded a clear upturn in business services (to 10 from -2). Also at the sector level, the year-on-year change in confidence confirmed for household and business services the deterioration posted by the industry as a whole (in September 2007 the index amounted to 27 in the former sector and to 19 in the latter one). In financial services, instead, confidence improved over the year earlier (when the indicator stood at -17).

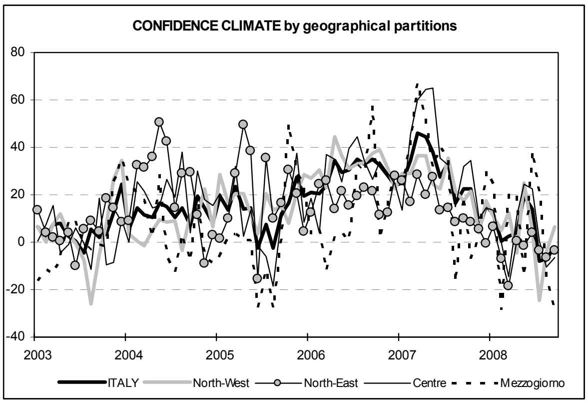
Indications were somewhat mixed also at the regional level: confidence bettered in the North West (to 7 from -4), recovered in the North East (to -3 from -6) and the Centre (to -6 from -11), and worsened in the South (to -30 from -15). In September 2007, the indicator stood at 18, 10, 32 and 20, respectively.

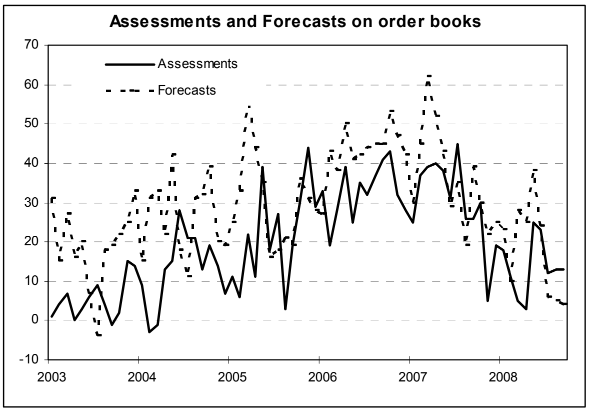
Situation in the reference period

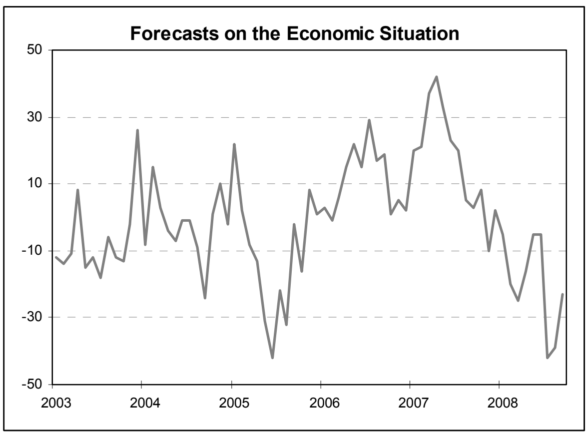
In September, opinions on orders remained stable at the positive value recorded in August, when the raw balance amounted to 13. On the contrary, assessments on employment worsened (the balance lowered to -2 from 8).

However, among the various sectors, the opinions on the current situation were mixed. In household and financial services, the balance for orders actually









improved, but the one for employment worsened, turning negative. In business services, in an opposing trend with the overall indicator, the opinions on orders deteriorated, whereas those on employment improved for the third consecutive month.

The regional breakdown also showed some discrepancies. In detail, assessments on orders worsened in the North West and the South. On the contrary, the balance for orders remained stable, in positive territory, in the North East and improved markedly in the Centre. Instead, opinions on current employment worsened in the Centre and the South. The balance deteriorated, though remaining positive, in the North West and fairly recovered in the North East.

Outlook for the next three months

Also in September, forecasts for main company variables deteriorated. The balances for orders and employment actually declined to 4 from 5 and to -2 from 8, respectively. The balance for the overall economic trend recovered instead (to -23 from -39), remaining however in negative territory. As for prices, the moderate inflationary pressures, which emerged in July, eased and the balance decreased to -6 (from 6 in August).

Also with regard to expectation for the following quarter the situation was heterogeneous. In household services operators expected a moderate fall in orders and predicted a sharp reduction in employment. Also the balance for the overall economy turned deeply negative. In financial services, instead, the balances for company variables (orders and employment) improved. The one for the Italian economy dropped instead sharply. In an opposing trend with the overall indicator, operators in business services were fairly optimistic about orders and employment, as well as the country's economic trend.

At the regional level, instead, in the North West both company variables and the overall economy gave favourable indications, while in the North East expectations for orders and the economic trend improved, whereas those for employment further deteriorated. Firms in the Centre became instead more pessimistic, with respect to August, about all surveyed variables. Lastly, in the South, the balances for orders and employment deteriorated and the one for the economy recovered slightly, remaining however negative.