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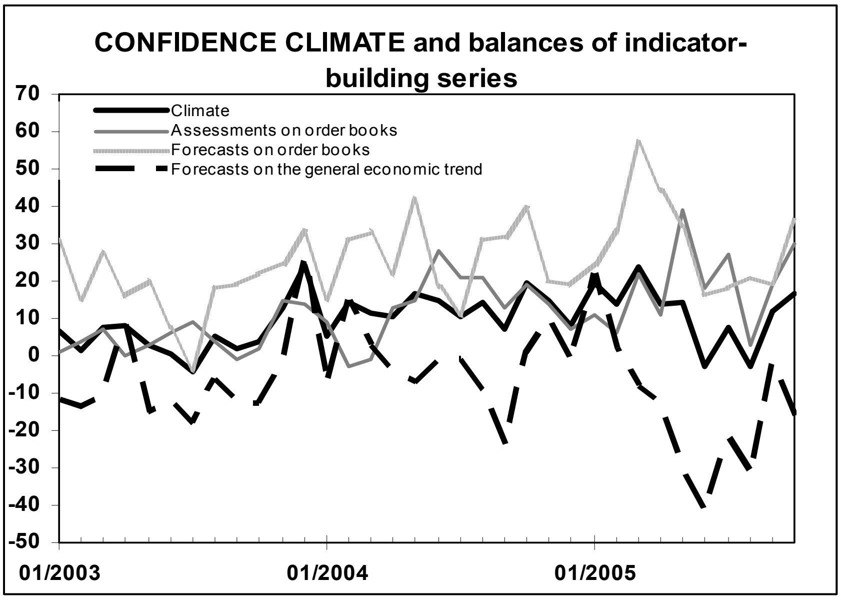
OCTOBER CONFIDENCE GROWS AGAIN IN THE MARKET SERVICE SECTOR

- **The raw index rises from 12 to 17 thanks to the improved assessments and expectations on demand; indeed the comparison with the October 2004 figure – needing no seasonal adjustment – shows a slight contraction on a y/y basis (the indicator was worth 20)**
- **The m/m improvement is common to all sectors: the index rises from 11 to 17 in households services – in keeping with what emerged from the ISAE Consumer Survey – from -15 to 4 in financial services and from 14 to 17 in business services. Indeed, in October 2004 the confidence climate in households, financial and business services was worth 33, 11 and 4 respectively**
- **Breaking down data by geographical partitions, confidence grows in the North-east (from 17 to 31), in the Centre (from 11 to 16) and in the South (from 2 to 50), while the index worsens in the North-west (from 15 to 8) owing to the unfavourable expectations on order books and on the general economic trend**
- **Looking at prices, the inflationary tensions emerged in September diminish in all sectors**

OBSTACLES TO PRODUCTION SLIGHTLY DECREASE FOR THE THIRD QUARTER IN A ROW

- **According to the usual quarterly Survey, the share of firms perceiving the existence of obstacles to production slightly falls (from 39 in Q2 to 38% in Q3 2005)**
- **Among the major obstacles to production, the lack of demand seems to be less binding (quoted by 21% as against 22% in the previous quarter), while the role of financial constraints definitely diminishes (from 24 to 3%) as does the percentage of firms considering the lack of manpower as their major obstacle (1% compared to 5%). Finally, there is a wide share of firms mentioning "other (unspecified) reasons" as a major obstacle**



Data on November shall be diffused on ***November 29, 2005***
Next ISAE Surveys are scheduled as follows:
November 2, 2005: *Comparative Business Surveys for Italy, Germany and France (Reference month: October)*
November 3, 2005: *ISAE Quarterly Business and Consumers Surveys: Territorial Aspects (Reference period: Q3 2005)*

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site www.isae.it)

General results

According to the ISAE Survey between October 3 and 20 on a panel of about 2,000 firms, confidence in market services grows again. Indeed, the raw index rises from 12 to 17 thanks to the improved assessments and expectations on demand; indeed the comparison with the October 2004 figure – needing no seasonal adjustment – shows a slight contraction on a y/y basis (the indicator was worth 20).

The m/m improvement is includes all sectors: the index rises from 11 to 17 in households services – in keeping with what emerged from the ISAE Consumer Survey – from -15 to 4 in financial services and from 14 to 17 in business services. Indeed, in October 2004 the confidence climate in households services, financial and business services was worth 33, 11 and 4 respectively.

Breaking down data by geographical partitions, confidence grows in the North-east (from 17 to 31), in the Centre (from 11 to 16) and in the South (from 2 to 50), while the index worsens in the North-west (from 15 to 8) owing to the unfavourable expectations on order books and on the general economic trend.

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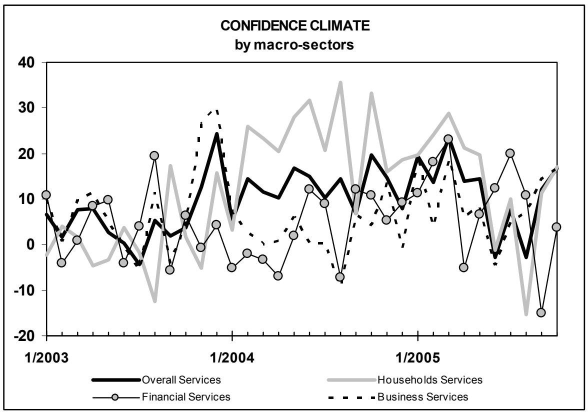
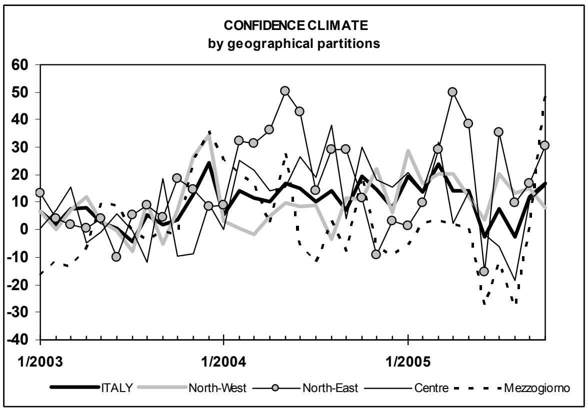
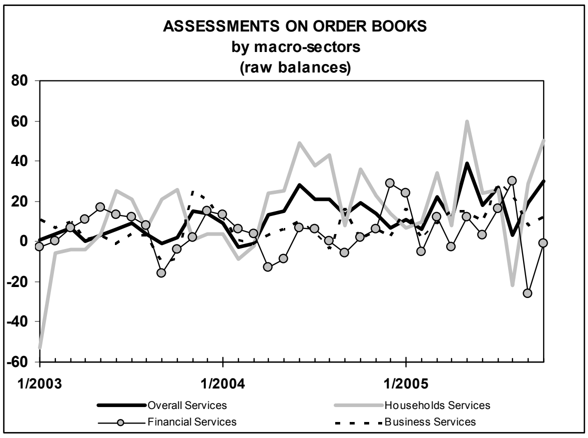
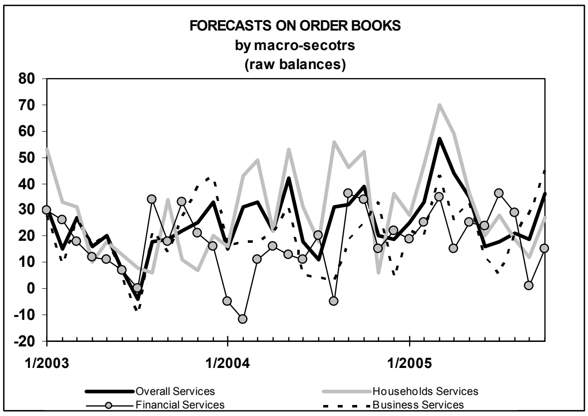






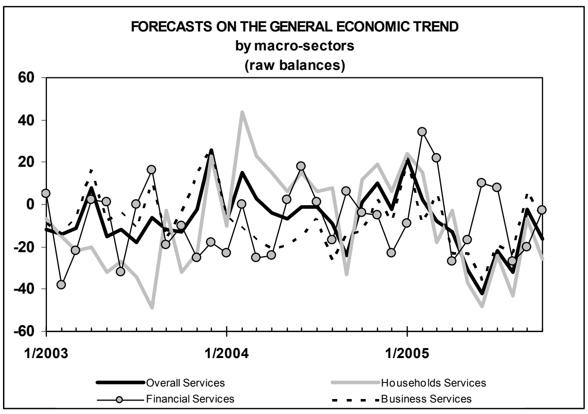


Situation in the reference period

In October, market service operators express favourable assessments on order books (the balance growing from 19 to 30) and on employment (from 0 to 2), while – after the September recovery - evaluations on turnover are rather cautious (from 24 to 22).

Looking at single sectors, assessments on order books are favourable in households services, while the balances referring to turnover and employment decrease. The improvement in the current situation only concerns road transport, mail service and telecommunications and – to a lesser extent – real estate. Conversely, unfavourable signals come from hotels and restaurants and from travel agencies. Assessments on order books and employment recover in financial services, while the turnover balance slightly decreases. Business services operators are optimistic on all variables, in keeping with the information which the ISAE Survey on Manufacturing and Extractive Firms has been providing for some time.

Breaking down data by geographical partition, the balances of order books and turnover rise in the North-west while the one on employment is falling. Entrepreneurs are optimistic on all variables in the North-east and in the South, while assessments on order books and turnover deteriorate and the employment balance improves in the Centre.



Forecasts for next quarter

ISAE respondents are optimistic on their order books and turnover (the balances passing from 19 and 34 to 36 and 42 respectively), while their employment balance continues to diminish (from -1 to -5) and the balance on the general economic trend worsens from -2 to -16 after the September recovery. Looking at prices, the inflationary tensions emerged in September diminish and the balance falls from 7 to -1.

Turning to single sectors, expectations on order books and turnover improve in households services, while the balances on employment and on the general economic situation fall. Financial service operators are more optimistic on all variables. Favourable expectations on order books and turnover prevail in business services (in keeping with the rosier assessments expressed on the current situation). Conversely, the balances on employment and on the general economic trend decrease.

Looking at geographical partitions, North-western operators are more pessimistic on all the surveyed variables. The balances on order books and turnover improve in the North-east, while those on employment and on the general economic trend deteriorate. Operators in the Centre are more optimistic on order books and turnover, while their employment balance remains stable and the one on the general economic trend falls. Finally, Southern balances on order books, turnover and employment improve, while the one on the general economic situations slightly diminishes.

The main quarterly results (Q3 2005)

According to the usual quarterly Survey, the share of firms perceiving obstacles to production in Q3 2005 slightly falls from 39% of Q2 to 38%. Among the production-hampering factors, the lack of demand seems to be less binding than in Q2 (21% compared to 22%), while the role of financial constraints definitely decreases (from 24% of replies to 3%) and the number of firms quoting the lack of manpower as a major constraint also diminishes (from 5 to 1%). Finally, a wide share of entrepreneurs quote "other (unspecified) reasons" as a fundamental obstacle.

There are, however, few differences in the various sectors: indeed, in households services, the share of operators perceiving obstacles to production increases from 32 to 38%, while that percentage strongly decreases (from 49 to 39%) in business services. In both cases, firms cannot describe the very reason for their growing or decreasing production difficulties (as the rise or fall are mainly due to "other reasons").