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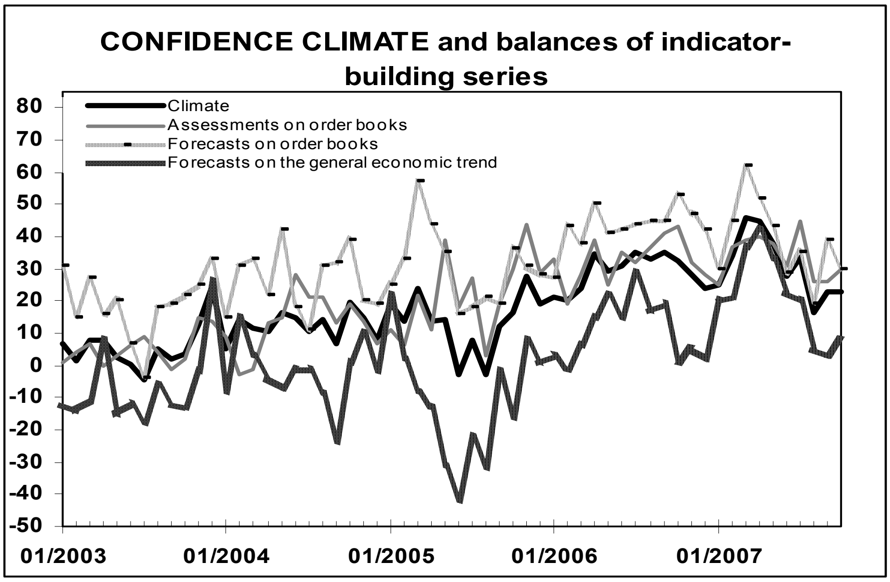
CONFIDENCE AMONG MARKET SERVICES FIRMS REMAINS STEADY IN OCTOBER

- **The raw index stayed constant at 23, slightly below its third quarter average level. The year-on-year change in the indicator – which is not affected by seasonal factors – showed, however, a fall in confidence (in October 2006, the index stood at 32)**
- **Somewhat different pictures emerged at the sector level: the confidence climate worsened for household services (to 21 from 27) but improved for financial services (to 11 from -17) and – in line with the results of the ISAE Manufacturing Firms Survey – for business services (to 25 from 19). In October 2006, the confidence climate among household, financial and business services firms amounted to 20, -15 and 43, respectively**
- **The regional breakdown pointed to an increase in confidence in the North West and the Centre (to 21 from 18 and to 34 from 32, respectively). The indicator deteriorated instead in the North East and the South (to 9 from 10 and to -7 from 20). In October 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 39, 12, 34 and 1**
- **Among the variables excluded from the calculation of the index, opinions and expectations on turnover and employment sent more optimistic signals**

IN THE THIRD QUARTER 2007, THE PERCENTAGE OF FIRMS PERCEIVING THE EXISTENCE OF FACTORS LIMITING BUSINESS ACTIVITY INCREASES

- **According to the traditional ISAE quarterly survey, carried out on the same sample surveyed monthly, the percentage of firms perceiving the existence of obstacles to business activity rose in the third quarter (to 42% from 36%). Among the considered obstacles, insufficient demand had also in this quarter an important role (65%, compared to 84% in the second quarter). The relevance of the shortage of labour force increased further, moving to 25% from 6%, and the one of "other unspecified factors" reached 7% from 5%. At the same time, the importance of financial constraints declined (to 6% from 38%)**



Data on November shall be released on November 28, 2007
The next ISAE surveys are scheduled as follows:
November 7, 2007: *ISAE International Comparison of Consumer and Business Surveys (reference period: October)*
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)

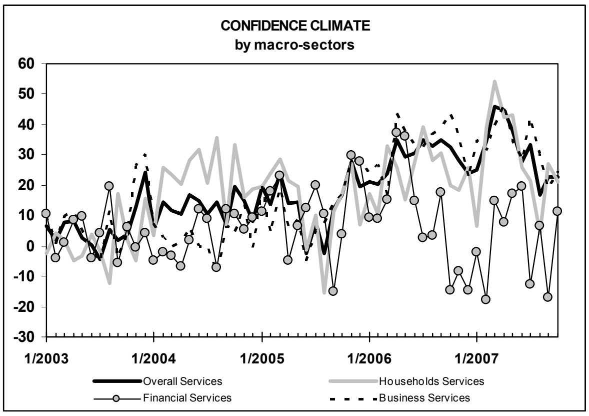
General results

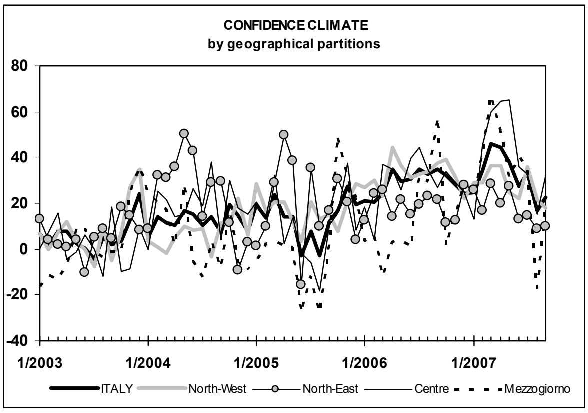
The ISAE Survey, carried out on a panel of about 2,000 firms between October 1 and October 18, showed that confidence remained unchanged in the market services sector in October. The raw indicator actually stabilized at 23, slightly below its third quarter average. The year-on-year change in the indicator – which is not affected by seasonal factors – showed, nevertheless, a decline in confidence (in October 2006, the index stood at 32).

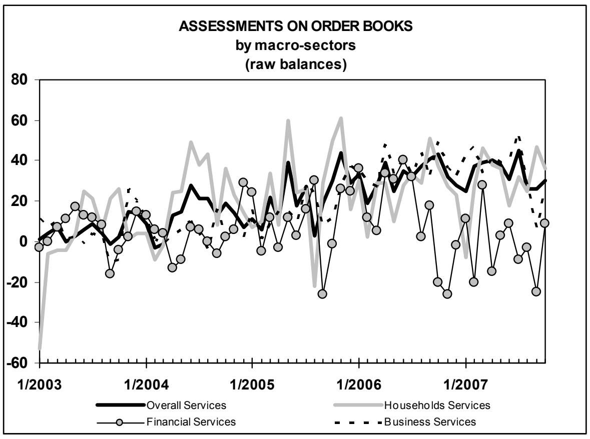
Somewhat different pictures emerged at the sector level: the confidence climate worsened for household services (to 21 from 27) but improved for financial services (to 11 from -17) and – in line with the results of the ISAE Manufacturing Firms Survey – for business services (to 25 from 19). In October 2006, the confidence climate among household, financial and business services firms amounted to 20, -15 and 43, respectively.

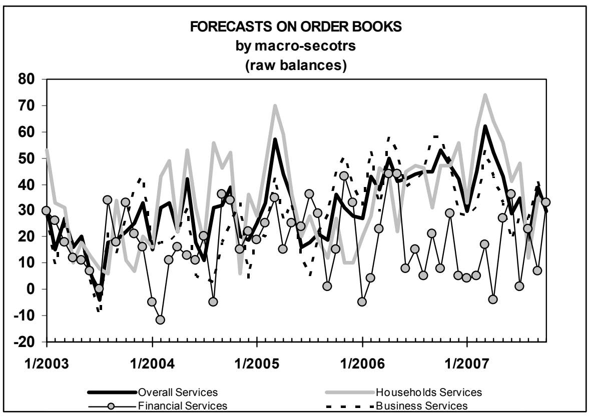
The regional breakdown pointed to an increase in confidence in the North West and the Centre (to 21 from 18 and to 34 from 32, respectively). The indicator deteriorated instead in the North East and the South (to 9 from 10 and to -7 from 20). In October 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 39, 12, 34 and 1.

According to the traditional ISAE quarterly survey, carried out on the same sample surveyed monthly, in the third quarter the percentage of firms perceiving the existence of obstacles to business activity increased (to 42% from 36%). Among the considered factors, insufficient demand had also in this quarter a decisive role (it was mentioned by 65% of the respondents).







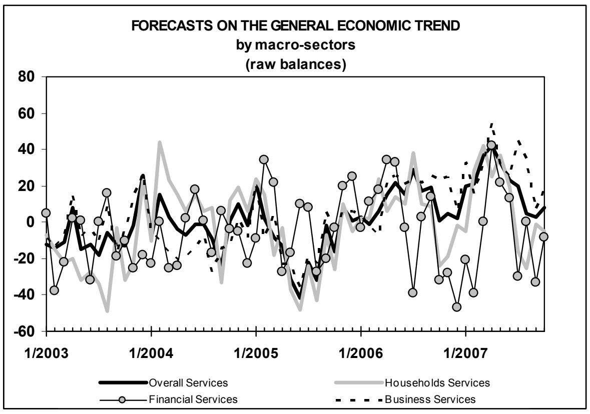


Situation in the reference period

In October, in the market services industry the current situation improved and the balances for orders, turnover and employment came in, in the order, at 30, 26 and 1 compared to 26, 23 and -9 in the previous month.

However, the industry breakdown showed some important differences. In the household services sector, negative indications prevailed for all surveyed variables. In contrast, operators in financial services gave favourable assessments on orders and employment, and the balance for turnover recovered, though remaining in negative territory. Lastly, in the businesses services sector, clearly favourable opinions prevailed with respect to all surveyed variables.

Also at the regional level, the situation was rather patchy. In the North West, operators were optimistic about all surveyed variables. In contrast, in the North East, operators viewed orders, turnover and employment unfavourably. In the Centre, instead, the clear improvement in the balance for orders and turnover contrasted with a further decline in the one for employment. Lastly, in the *Mezzogiorno*, following the favourable results posted the previous month, the balances for orders, turnover and employment worsened markedly.



Outlook for the next three months

In October, surveyed firms were in general moderately optimistic about short-term prospects for turnover, employment and the overall economic trend (the raw balances increased to 28 from 19, to 7 from 4 and to 8 from 3, respectively). On the other hand, the balance for orders worsened (to 30 from 39), in a situation characterized by firms' intention to cut selling prices (the related balance moved to -9 from -4).

Also forecasts were somewhat mixed across regions. For household services, in contrast with the national results, the balances for orders, turnover and the economy diminished. The balance for employment recovered instead, though remaining in negative territory. For financial services, operators were markedly optimistic about orders and turnover. The balance for employment marginally lowered, and the one for the economic trend recouped, though remaining negative. In the business services sector, the balance for orders declined, the one for employment continued to remain steadily positive, while expectations for turnover and the Italian economy improved instead.

In detail at the regional level, in the North West, the balances for orders and employment diminished, but expectations for turnover and the economy improved. In the North East, operators were more optimistic about both company variables (orders, turnover and employment) and the Italian economy. In the Centre, the balance for orders lowered and the ones for turnover and employment remained firmly in positive territory, while the balance for the economic trend recovered. Finally, in the South, the balances for orders, turnover and the economy worsened. In contrast, the balance for employment recovered.

Quarterly survey results (third quarter 2007)

According to the traditional ISAE quarterly survey, carried out on the same sample surveyed monthly, in the third quarter of 2007, the percentage of firms perceiving the existence of factors limiting business activity increased (to 42% from 36%). Among the considered obstacles, insufficient demand recorded also in this quarter an important role (65%, compared to 84% in the second quarter). The relevance of the shortage of labour force increased further, moving to 25% from 6%, and the one of "other unspecified factors" reached 7% from 5%. At the same time, the importance of financial constraints declined (to 6% from 38%).

However, some differences emerged at the industry level. In detail, the share of firms stating the existence of obstacles lowered also in this quarter in the household services sector (to 41% from 48% in the previous quarter), and inched down in financial services (to 51% from 52%). The percentage of firms considering the existence of obstacles to growth in business activity surged instead in the business services sector (to 41% from 28%).

Obstacles to Production - III QUARTER 2007
(Percentage values)

		Overall Services		Financial Services	
		YES	NO	YES	NO
2006	III	51	49	40	60
	IV	36	64	14	86
2007	I	36	64	34	66
	II	36	64	52	48
	III	42	58	51	49
		Households Services		**Business Services**	
		YES	NO	YES	NO
2006	III	47	53	54	46
	IV	40	60	35	65
2007	I	56	44	18	82
	II	48	52	28	72
	III	41	59	41	59