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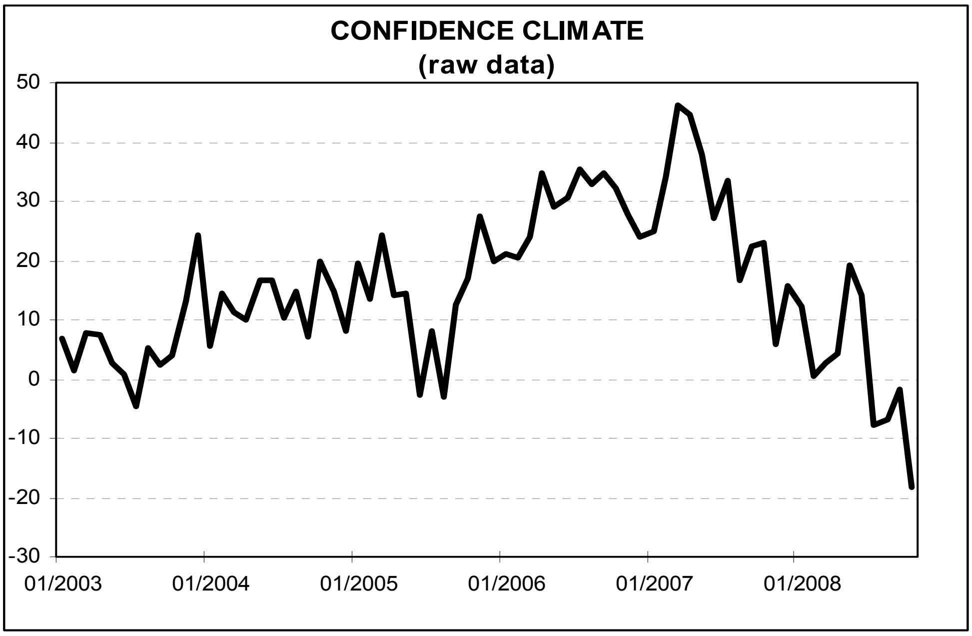
CONFIDENCE AMONG MARKET SERVICES FIRMS SINKS IN OCTOBER

- **The confidence indicator dropped to -18 (from -2), because of the fall in all its underlying components. In particular, the balance for the overall economy was sharply lower**
- **The deterioration in the monthly index, which hit the lowest showing since January 2003, confirmed the downward trend in confidence observed - despite some short-term fluctuations - since March 2008. Also the year-on-year change in confidence, which is not affected by seasonal factors, staged a sharp decline (in October 2007 the index stood at 23)**
- **In line with the results of the latest ISAE Surveys on consumers and manufacturing firms, the worsening in confidence was widespread across sectors. The index lowered to -33 (from -14) in household services, to -27 (from 4) in financial services, and to -4 (from 10) in business services. In October 2007, the indicator came in at 21, 11, and 25, respectively**
- **The fall in confidence was homogeneous also at the regional level: confidence declined to -9 (from 7) in the North West, to -18 (from -3) in the North East, to -22 (from -6) in the Centre, and to -54 (from -30) in the South. In October 2007, the indicator stood, in the order, at 21, 9, 34 and -7**

IN THE THIRD QUARTER 2008, THE PERCENTAGE OF FIRMS PERCEIVING THE EXISTENCE OF FACTORS LIMITING BUSINESS ACTIVITY INCREASES

- **According to the traditional ISAE quarterly survey, in the third quarter of 2008 the percentage of operators perceiving the existence of obstacles to business activity markedly increased (to 66% from 46%). Also in this quarter, they stated insufficient demand was the main limitation (56%, compared to 57% in the second quarter). A less important role is instead attributed to financial constraints (to 29% from 43%) and to "other unspecified factors" (to 27% from 23%)**



Data on November shall be released on November 27, 2008

The next ISAE surveys are scheduled as follows:
November 5, 2008: *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 20, showed that confidence among market services firms sharply dropped in October. The confidence indicator actually decreased to -18 (from -2), because of the worsening in all its underlying components. In particular, the balance for the overall economy plunged further. The deterioration in the monthly index, which hit the lowest showing since January 2003, confirmed the downward trend in confidence observed since March 2008. Also the year-on-year change in confidence, which is not affected by seasonal factors, staged a sharp decline (in October 2007 the index stood at 23).

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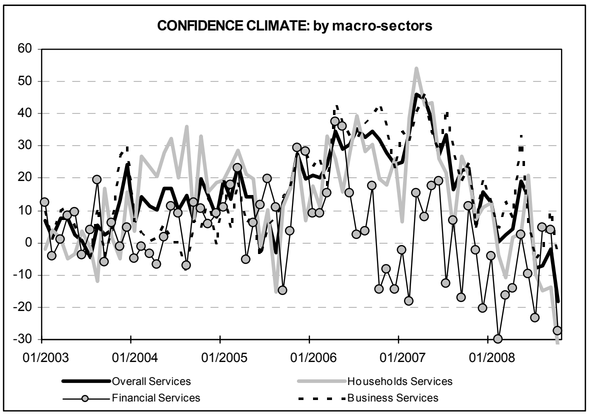
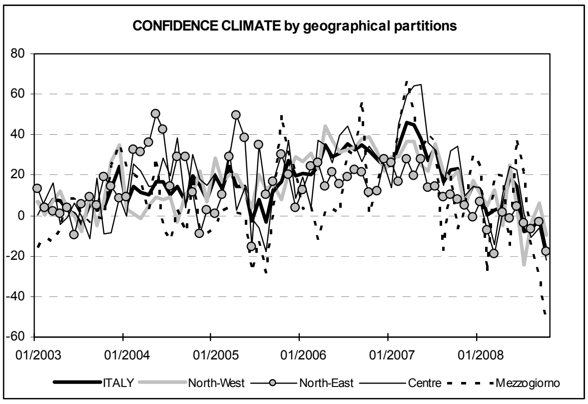
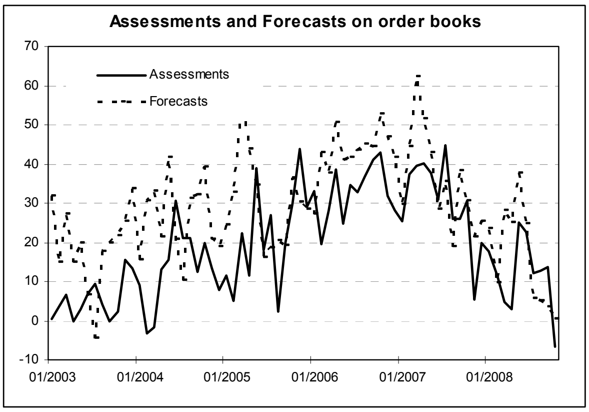


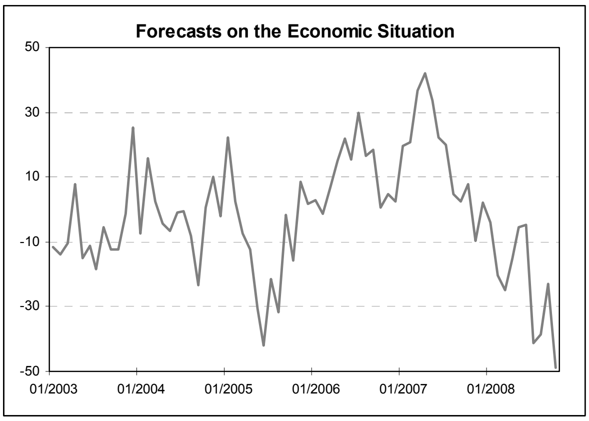
CONFIDENCE CLIMATE: by macro-sectors



CONFIDENCE CLIMATE by geographical partitions



Assessments and Forecasts on order books



Forecasts on the Economic Situation

Situation in the reference period

In October, assessments on orders and employment worsened. In detail, the raw balance declined to -7 (from 13) for the former variable and to -4 (from -2) for the latter one.

The deterioration in the current situation was widespread across sectors. The balance for orders actually fell in all macro-sectors. In particular, for household services the balance went back in negative territory, reaching its March low. Slight differences emerged for the employment current situation. The raw balance worsened (thus remaining negative) in household services, recovered in financial services, and deteriorated in business ones.

The regional breakdown also showed some discrepancies. In detail, the balance for orders and demand was negative in all areas. On the contrary, opinions on employment deteriorated in the North West, clearly worsened in the Centre, and recovered in the North East and the South.

Outlook for the next three months

Forecasts of market services operators were moderately pessimistic about main company variables. The balances for orders and employment actually worsened (to 0 from 4 and to -11 from -2, respectively). However, most operators considered that orders (57% of the respondents) and employment (77%) will remain stable. Moreover, the balance for the Italian economy posted a strong decline, reaching the worst result since January 2003 (to -48 from -23). As for prices, firms reported they had plans to further reduce selling prices (the balance lowered from -6 to -11).

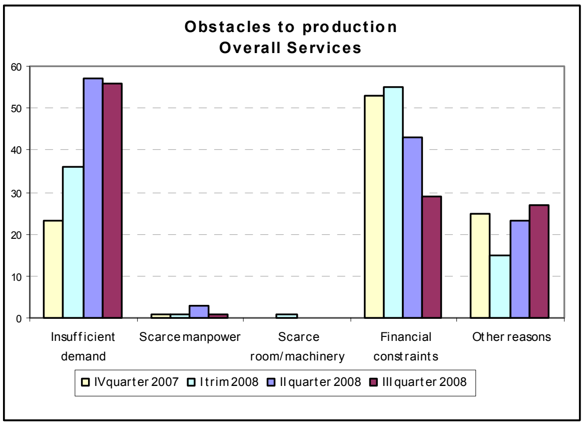
At the sector level, the situation was heterogeneous also with regard to expectation for the following quarter. In household services, operators predicted a new fall in orders. The balance for employment recovered and the one for the economy plunged. In financial services, operators discounted the effects of the ongoing financial crisis and were pessimistic about both company variables and the Italian economy. In an opposing trend with the overall confidence indicator, also in October business services operators were moderately optimistic about orders. In contrast, the balances for employment and the Italian economy decreased.

At the regional level, in the North West and the Centre firms forecast a slight increase in orders, a fall in employment and deterioration for the overall economic trend. In the North East, instead, firms were pessimistic about both company variables and the Italian economy. Lastly, in the *Mezzogiorno* the balances for orders and the economy decreased, while the one for employment recovered, remaining however negative.

Quarterly survey results (third quarter 2008)

According to the traditional ISAE quarterly survey, carried out on the same sample surveyed monthly, in the third quarter of 2008, the share of firms perceiving the existence of factors limiting business activity increased markedly. The percentage actually reached 66% (from 46% in the previous quarter), the highest level since January 2003. Among the considered obstacles, insufficient demand was again the major constraint (56%, compared to 57% in the second quarter), while the share of “other unspecified factors” increased further (to 27% from 23%), probably due to the difficulties related to the ongoing financial crisis.

At the industry level, the share of firms reporting the existence of obstacles increased everywhere. In detail, the rise was particularly strong in the household services sector, where the percentage surged from 47%, in the previous quarter, to 76%. The share also increased markedly in financial and business services (from 10% to 32% and from 47% to 56%, respectively).



Obstacles to Production - III QUARTER 2008 (Percentage values)					
		OVERALL SERVICES		FINANCIAL SERVICES	
		YES	NO	YES	NO
2007	I	35	65	40	60
	II	36	64	52	48
	III	42	58	51	49
	IV	42	58	75	25
2008	I	37	63	60	40
	II	46	54	10	90
	III	66	34	32	68
		HOUSEHOLD SERVICES		BUSINESS SERVICES	
		YES	NO	YES	NO
2007	I	59	41	17	83
	II	48	52	28	72
	III	41	59	41	59
	IV	57	43	29	71
2008	I	48	52	22	78
	II	47	53	47	53
	III	76	24	56	44