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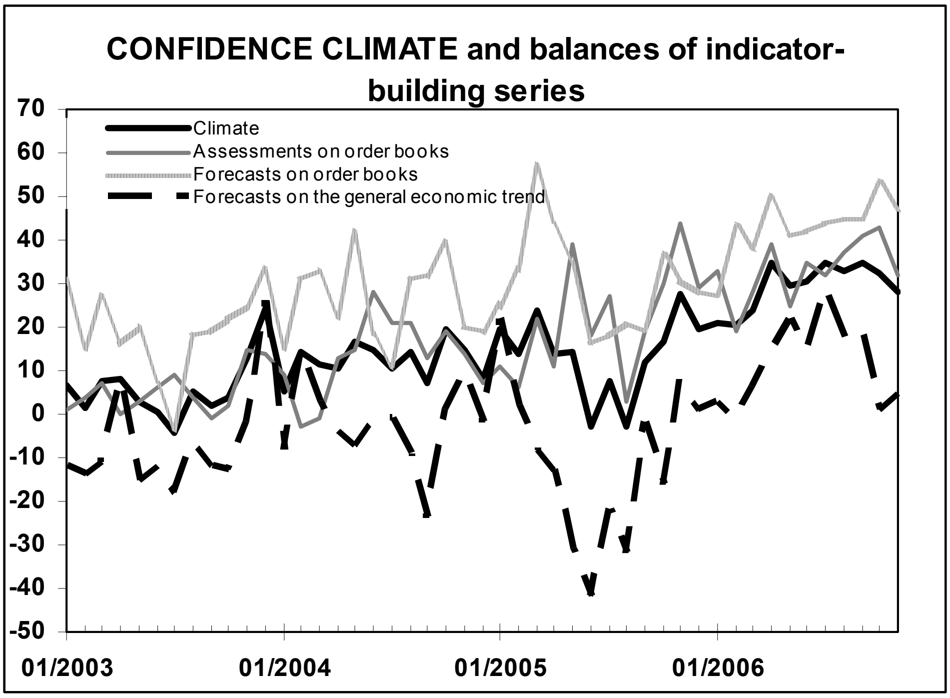
IN NOVEMBER CONFIDENCE AMONG MARKET SERVICES FIRMS EXTENDS ITS DOWNWARD PATH

- **The confidence climate lowered to 28 (from 32) and returned to the same level posted in November 2005. Assessments and forecasts on order books worsened, while short-term prospects for the Italian economy improved**
- **The trend in confidence was barely homogenous across sectors: the indicator declined to 18 (from 20) for household services and to 36 (from 43) for business ones. On the contrary, it recovered for financial services, reaching -8 (from -15). In November 2005, the confidence climate for household, financial and business services came in at 27, 30 and 28, respectively**
- **Some important differences emerged at the regional level: confidence worsened in the North West (to 31 from 39) and the Centre (to 29 from 34), whereas the indicator remained unchanged in the North East (at 12) and recovered in the South (to 16 from 1). In November 2005, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 21, 20, 37 and 31**
- **Among the variables excluded from the confidence climate indicator, the assessments on turnover and employment sent favourable signals in a situation characterized by basically stable prices**



Data on December shall be released on December 27, 2006

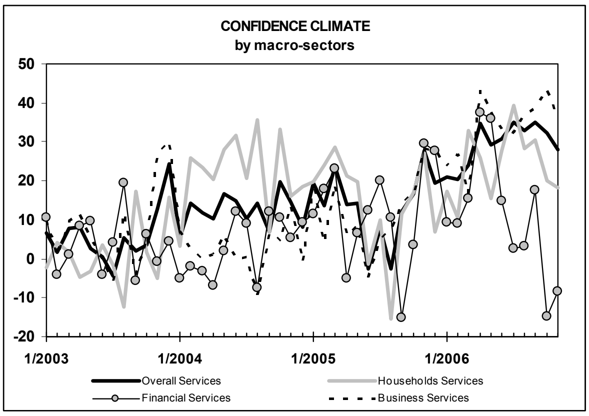
The next ISAE surveys are scheduled as follows:
December 5, 2006: *ISAE International Comparison of Consumer and Business Surveys (reference period: November)*
The full text of ISAE Surveys (either hardcopy or electronic format) is available for sale (for further information see the web site www.isae.it)

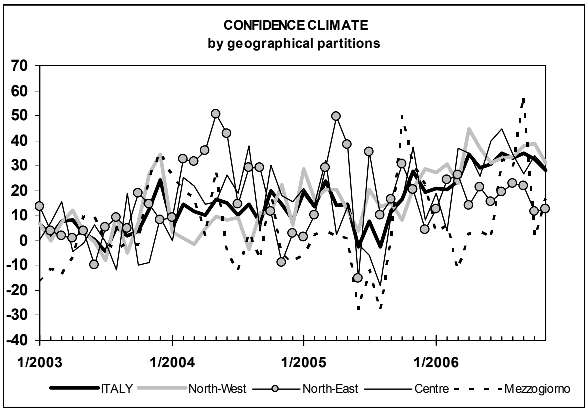
General results

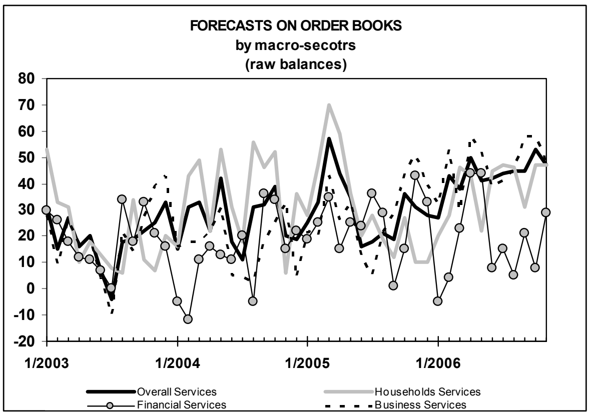
The ISAE Survey, carried out on a panel of around 2,000 firms between November 2 and November 20, showed a decline in confidence for the market services sector in November. The indicator actually lowered to 28 (from 32), due to the worsening in assessments and forecasts on order books. On the contrary, prospects for the Italian general economic trend improved. The fall posted in November by the overall indicator brought it back to the same level recorded in November 2005.

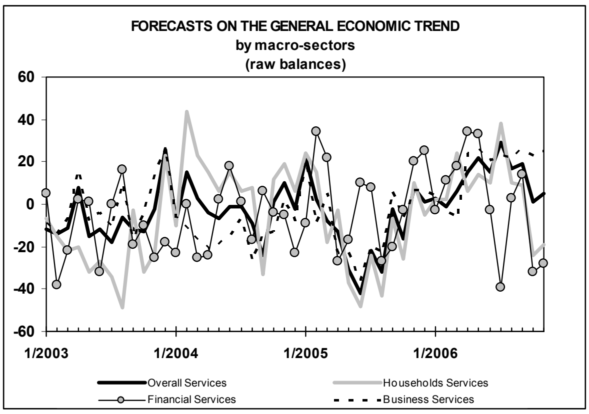
The trend in confidence was barely homogeneous across sectors: the index lowered to 18 (from 20) for household services and to 36 (from 43) for business services; it recovered, instead, for financial services, reaching -8 (from -15). In November 2005, the confidence climate for household, financial and business services came in at 27, 30 and 28, respectively.

The regional breakdown showed some important differences: confidence deteriorated in the North West (to 31 from 39) and the Centre (to 29 from 34), whereas it remained steady in the North East (at 12) and recovered in the South (to 16 from 1). In November 2005, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 21, 20, 37 and 31.









Situation in the reference period

In November, market services operators gave a moderately optimistic appraisal of turnover (the related balance grew to 24, from 15) and employment (to 13 from 7). On the contrary, the balance for orders worsened (to 32 from 43).

The assessments on the current situation were patchy at the industry level. In the household services sector, the assessments on orders and turnover worsened and those on employment bettered. Financial services operators were pessimistic about orders but improved their assessments on turnover and employment. In the business services sector, following the marked improvement recorded in the previous month, the balance for orders deteriorated. Nevertheless, operators gave positive assessments on turnover and employment.

On a regional basis, in the North West the balance for orders worsened, that for turnover recovered and the one for employment rose for the second month in a row. In the North East, the balance for orders improved also in November and the one for employment reverted to positive territory following the sharp decline recorded in the previous month; the one for turnover deteriorated instead. In the Centre, operators were more pessimistic than in October about all recorded variables. Lastly, in the South the balances for orders and turnover worsened also in November, while that for employment recovered.

Outlook for the next three months

Short-term prospects for main company variables became less favourable. The balances for orders, turnover and employment declined to 47, 40 and 9 respectively (from 53, 48 and 13), in a situation though characterized by the easing of inflationary pressures (the balance went down to 0 from 3). Following the abrupt fall posted in October, the balance for the Italian economy improved instead (to 5 from 1).

At the industry level, in the household services sector the balances for orders and employment still remained positive, but that for turnover declined and the one for the economic trend recovered. In the financial services sector, operators were optimistic about company variables, and the balance for the economy recovered, staying however in negative territory. Business services firms gave a less favourable evaluation than in October of prospects for company variables, while the balance on the Italian economy improved.

The picture was mixed also at the regional level. In the North West, forecasts for company variables worsened and the balance for the economy increased somewhat. In the North East, forecasts for orders and employment improved, while the balances for turnover and the economic situation markedly worsened. In the Centre, the balances for orders and turnover slightly declined, that for employment rose and the one for the general economic trend clearly lowered. Finally, in the South operators were more pessimistic than in October on company variables. The balance for the Italian economy recovered instead, remaining nevertheless negative.