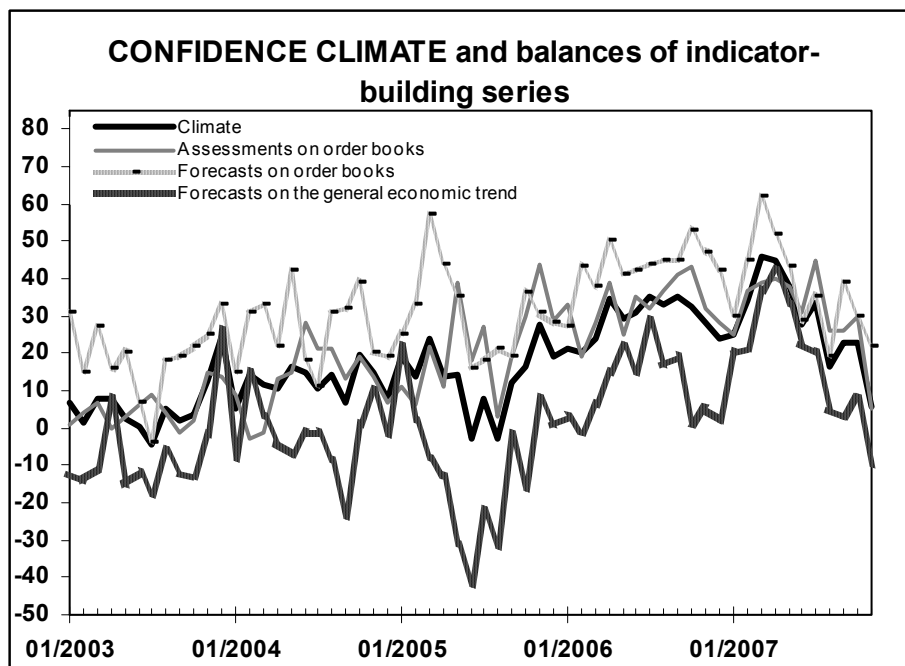




CONFIDENCE AMONG MARKET SERVICES SLUMPS IN NOVEMBER

- The raw confidence index lowered to 6, reverting to the low level posted in mid-2005. The year-on-year change in the indicator – which is not affected by seasonal factors – confirmed the fall in confidence (in November 2006, the index stood at 28)
- The deterioration was widespread across macro-sectors: the confidence climate worsened for household, financial and business services declining, in the order, to 7 from 21, to -3 from 11 and to 4 from 25. In November 2006, confidence among household, financial and business services firms amounted to 18, -8 and 36, respectively
- The regional breakdown pointed to a decline in confidence to 4 (from 21) in the North West, to 5 (from 9) in the North East and to 10 (from 34) in the Centre. The indicator recovered instead in the South (to 3 from -7). In November 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 31, 12, 29 and 16
- Among the variables excluded from the calculation of the index, short-term prospects for employment sent more favourable signals, in a situation however characterized by the return of inflationary pressures



Data on December shall be released on December 27, 2007

The next ISAE surveys are scheduled as follows:

December 6, 2007: 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 about 2,000 firms between November 2 and November 21, showed that confidence declined sharply in the market services sector in November. The raw indicator lowered to 6, reverting to the low level posted in mid-2005. The year-on-year change in the indicator – which is not affected by seasonal factors – confirmed the fall in confidence (in November 2006, the index stood at 28).

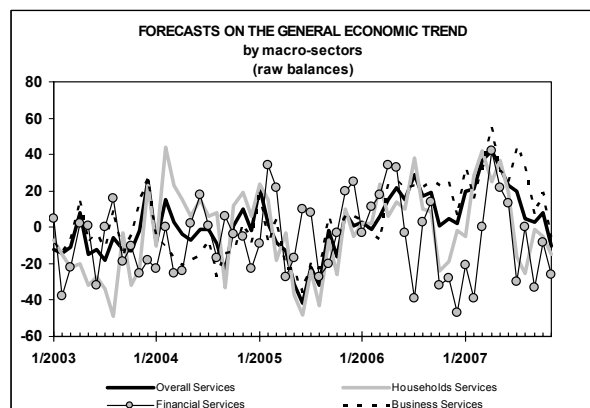
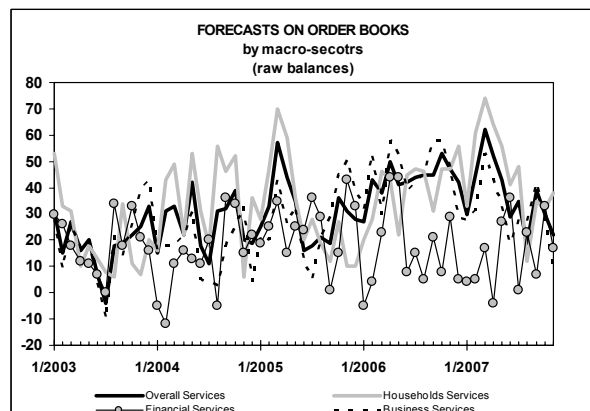
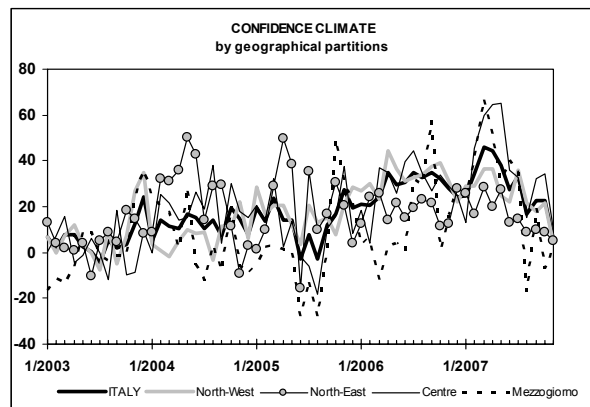
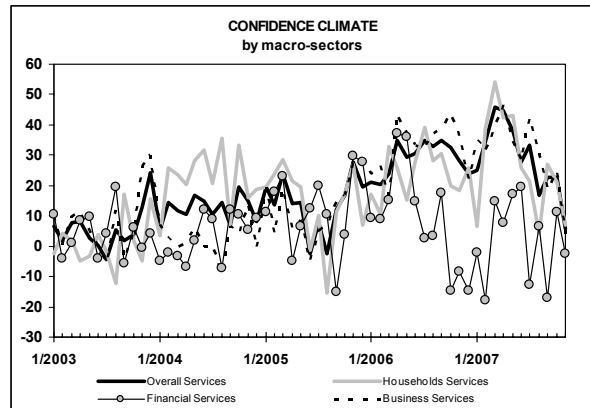
The deterioration in confidence was widespread across macro-sectors: the confidence climate declined to 7 (from 21) in household services, to -3 (from 11) in financial services and – in line with the results of the ISAE Manufacturing Firms Survey – to 4 (from 25) in business services. In November 2006, the confidence climate among household, financial and business services firms amounted to 18, -8 and 36, respectively.

The regional breakdown pointed to a decline in confidence to 4 (from 21) in the North West, to 5 (from 9) in the North East and to 10 (from 34) in the Centre. The indicator recovered instead in the South (to 3 from -7). In November 2006, the confidence climate in the North West, the North East, the Centre and the South stood, in the order, at 31, 12, 29 and 16.

Situation in the reference period

In November, the current situation worsened in the Market Services sector. In detail, the raw balances for orders, turnover and employment declined, respectively, to 5, 15 and -2 from to 30, 26 and 1 in the previous month.

However, the industry breakdown showed some differences. In the household services sector, negative indications prevailed for orders and turnover. In contrast, the balance for employment recovered, though remaining in negative territory. For financial services, the opinions on orders and employment deteriorated, but the balance for turnover increased. Operators in business services gave negative assessments on all surveyed variables.



Also at the regional level, the situation was patchy. In the North West, the opinions on orders and employment worsened, and the balance for turnover also edged down, though more moderately. In contrast, in the North East operators viewed all surveyed variables positively. In the Centre, the balances for orders and turnover deteriorated, while the one for employment held steady at a decidedly negative value. In the *Mezzogiorno*, the balances for orders, turnover and employment resumed their upward trend.

Outlook for the next three months

In November, cautiousness characterized short-term prospects. On the one hand, the balances for orders and the economy deteriorated (to 22 and -10 from 30 and 8, respectively), on the other the balance for employment continued to increase. Turnover forecasts remained instead virtually stable (at 27, compared to 28 in the previous month). As for prices, in November most firms expressed the intention of raising selling prices. The related balance increased to 4 (from -9).

Also forecasts were somewhat mixed across sectors. For household services, in contrast with the national results, the balances for orders and turnover improved. Those for employment and the economy deteriorated instead. For financial services, operators were pessimistic about all surveyed variables. In the business services sector, the balances for orders, turnover and the general economic trend worsened, while the one for employment improved markedly.

In detail at the regional level, in the North West, the balances for orders, turnover and the Italian economy diminished, but expectations for employment improved. In the North East, operators were pessimistic about orders and the economic trend. The balance for turnover remained stable in positive territory, and the one for employment increased further. In the Centre, the balances for orders, employment and

the economy deteriorated, whereas the one for turnover improved. Finally, in the South operators were more optimistic with respect to October about orders and turnover. On the contrary, the balances for employment and the general economic trend diminished.