

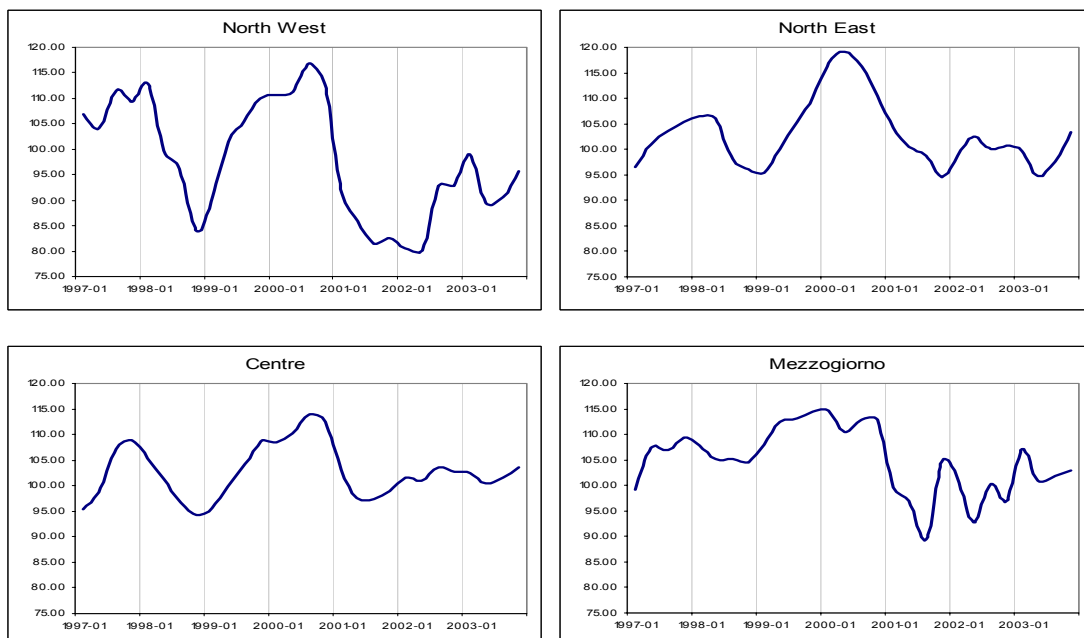


Date: January 28, 2004

IN THE FOURTH QUARTER 2003, THE MANUFACTURING FIRMS' CONFIDENCE CLIMATE IMPROVES IN ALL FOUR PARTITIONS, WHILE THE CONSUMERS' CONFIDENCE INDICATOR SHOWS SIGNALS OF DETERIORATION

- The manufacturing firms' confidence improves in the fourth quarter 2003 throughout the whole national territory. Particularly favourable trends are registered in the North-west (where the seasonally adjusted index rises from 90.5 to 96.5) and in the North-east (where the indicator passes from 97.5 to 103.5). The positive trend is less marked in the Centre (from 101.7 to 103.6) and in the *Mezzogiorno* of Italy (from 102.0 to 103.2)
- Among the index-building series, assessments on the order-book level improve everywhere, while expectations on production grow in the North-west and in the North-east and slightly worsen in the Centre and in the *Mezzogiorno*
- The Italian consumers' confidence climate diminishes in all geographical partitions: the strongest contraction is registered in the North-west, where the seasonally adjusted index falls from 97.3 to 95.6. The deterioration is smaller in the North-east, where confidence passes on average from 96.9 to 96.0 and in the *Mezzogiorno*, where the index passes from 90.8 to 89.8. The indicator remains substantially stable in the Centre (94.2)
- In general, the main worsening is observed in assessments and forecasts on the country's general economic situation and on the Italian households' situations. Also expectations on the present convenience to save and assessments on future saving opportunities are pessimistic

BUSINESS CONFIDENCE CLIMATE (seasonally adjusted data, indices 1995=100)



Next ISAE surveys are scheduled as follows:

January 29, 2004: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: December) and ISAE Monthly Business Service Survey (Reference month: January)

February 3, 2004: Comparative Business Surveys for Italy, Germany and France (Reference month: January)

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

On a quarterly basis, ISAE breaks down by geographical partitions the data coming from its own monthly Business and Consumer Surveys for Italy carried out on samples of about 2,000 consumers and 4,000 manufacturing and extractive firms respectively. In the fourth quarter 2003, the Italian consumers' confidence climate clearly decreases on average compared to the previous quarter. The worsening concerns all geographical partitions and is particularly marked in the North-west and in the North-east. Looking at the way the indicator is built, the harshest worsening emerges from assessments and forecasts on the Italian economic situation and on the present households' situations. Conversely, favourable signals come from the present convenience to save in the North-east and in the Centre.

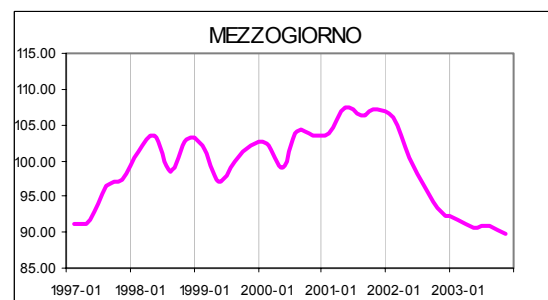
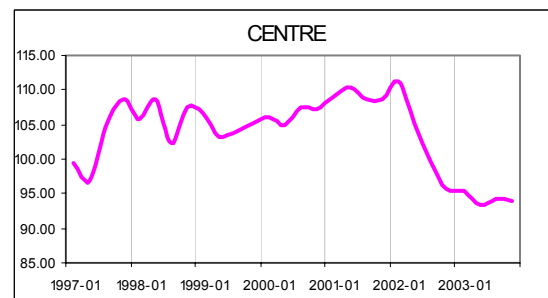
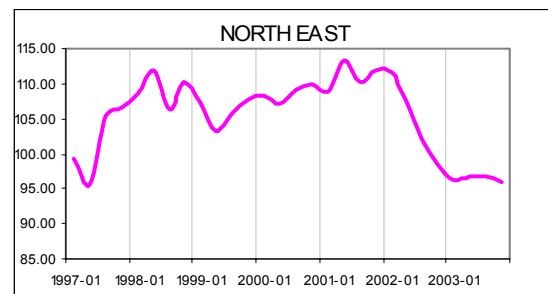
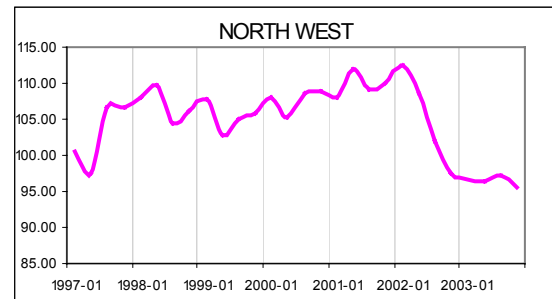
Quite the reverse, in the manufacturing and extractive sector, the confidence climate clearly improves on average in the fourth quarter 2003. The recovery is homogeneously distributed throughout the whole national territory, with a marked improvement in the North-west and in the North-east. Among the index-building series, assessments on the order-book level grow everywhere. Moreover, expectations on production are rising in the North-west and in the North-east, while they slightly worsen in the Centre and in the *Mezzogiorno* of Italy. A slight recovery is registered in finished products inventories in the North-east.

ISAE Consumer Survey

North-west

North-western consumers' confidence climate decreases again from 97.3 of the third quarter to 95.6 in the fourth quarter. The worsening is due to a negative approach to both the country's general economic situation and to the households' own situations. In particular, a worsening emerges both from assessments (from -88 to -101) and from forecasts (from -19 to -29) on the general economic situation. Indeed, opinions and forecasts on the households' situations register a less marked contraction (the balances passing from -3 to -6 and from 19 to 13 respectively). With regard to saving, households are pessimistic too on their future saving opportunities (the balance passing from -25 to -40) and on the present saving convenience (from 77 to 75). The negative approach of North-western households is confirmed by expectations on unemployment (the balance passing from 21 to 30).

CONSUMER CONFIDENCE CLIMATE (seasonally adjusted data, indices 1995=100)



North-east

Also the North-eastern consumers' confidence climate worsens: the seasonally adjusted index passes from 96.9 to 96.0. Among the index-building series, the indicator definitely falls in assessments (the balance passing from -89 to -98) and in forecasts on the general economic situation, while the smallest contraction concerns assessments (from -38 to -45) and forecasts (from -4 to -5) on the households' own situations. Also forecasts on unemployment tend to worsen: the balance equals 30 (22 in the previous quarter). Indeed, opinions on the convenience to purchase durables are also pessimistic (the balance falling from -91 to -100), as are forecasts on saving opportunities (from -23 to -41). Conversely, a recovery is registered in evaluations on the present saving convenience (the balance passing from 71 to 74).

Centre

In Central regions, the households' confidence climate remains substantially stable: the seasonally adjusted balance remains at 94.2, which is an historically not high figure. Assessments (from -94 to -102) and forecasts (from -28 to -35) on the general economic situation are worsening in this partition too, as are opinions (from -41 to -48) and forecasts (from -4 to -6) on the households' own situations. Indeed, forecasts on the saving convenience improve, as the balance rises from 66 to 79. As already happened in the North-west and in the North-east, also forecasts on unemployment tend to be pessimistic (the balance rising from 27 to 32). Indeed, unfavourable signals come from assessments on future saving opportunities (from -45 to -48).

Mezzogiorno

In the fourth quarter 2003, the seasonally adjusted confidence climate of the *Mezzogiorno* of Italy falls from 90.8 to 89.8, thus equalling historically low levels. In this case too, the worsening is due to assessments (from -97 to -110) and forecasts (from -30 to -40) on the country's general economic situation and on the households' own situations (assessments decrease from -49 to -53, while forecasts pass from -5 to -9). In keeping with what happens in other geographical partitions, forecasts on unemployment are also worsening (the balance rising from 36 to 43), as are evaluations on the present convenience (the balance passing from 86 to 79) and on future opportunities (from -59 to -70) to save.

ISAE Business Survey on Manufacturing and Extractive Firms

North-west

The results of the ISAE Surveys referring to the fourth quarter 2003 point to a marked improvement of entrepreneurs' confidence in North-western regions, where the indicator equals 96.5 (90.5 in the previous quarter). The rosier assessments on the overall order-book level (the seasonally adjusted balance passing from -33 to -13) go alongside with a significant inventories' growth (the balance rising from 5 to 10) and with a rise in the balance of short-term expectations on production (the seasonally adjusted balance increasing from 9 to 13). The order-book growth concerns both foreign (the balance passing from -35 to -14) and domestic markets (from -35 to -21). Favourable signals also come from the degree of plant utilisation, rising from 76.4% in the third quarter to 79.5% in the fourth quarter (seasonally adjusted data).

At regional level (raw data only), a definite improvement is observed in assessments on the overall order books (the balance passing from -29 to -22), both on the domestic (from -29 to -14) and on the foreign markets (from -26 to -21) of *Piemonte* and *Valle d'Aosta*. In those regions, a marked improvement is also seen in assessments on the production level (the balance rising from -13 to 12) and in forecasts on the order-book level (from 5 to 17). In *Lombardia* and *Liguria* too, assessments and forecasts are rosy, except for forecasts on the order-book level of *Liguria* (whose balance worsens from 27 to 13).

North-east

North-eastern entrepreneurs' confidence rises from 97.5 in July-September to 103.5 in the fourth quarter: assessments on the order-book level definitely improve (the balance - though remaining negative - passes from -14 to -8), as do expectations on production (the seasonally adjusted balance passing from 11 to 18). The level of inventories recovers (the balance decreasing from 5 to 0). With regard to order books, the pessimistic approach concerns both the domestic (from -17 to -10) and the foreign markets (from -16 to -9). With reference to the degree of plant utilisation, a rise is witnessed from 78.8 to 79.0.

Favourable trends are homogeneously spreading in all North-eastern regions. Looking at raw data, an overall improvement is emerging both in assessments and forecasts on the overall order books and on production.

In particular, a marked increase in assessments on production emerges in *Friuli-Venezia Giulia* (the balance passing from -7 to 24) and in *Emilia Romagna* (from -10 to 3), while forecasts on the order-book level pass from 7 to 17 in *Friuli* and from 8 to 23 in *Emilia Romagna*. In *Veneto*, entrepreneurs seem more cautious than in other regions both in terms of assessments and of forecasts: in particular, the production trend remains stable at 7, as in the previous quarter.

Centre

In Central regions too, the confidence climate of manufacturing firms is improving from 101.7 to 103.6, particularly owing to better assessments on order books (the balance passing from -21 to -15) and to the inventories' stability (the balance remaining at -5). The balance of expectations on production slightly deteriorates, though remaining on high levels (from 22 to 21). With reference to the degree of plant utilisation – which ISAE seasonally adjusts and surveys on a quarterly basis –, a growth is observed from 76.3% to 77.4%. Turning to single regions, (raw data), entrepreneurs from *Umbria* show a diffused pessimism, while those from *Marche* and *Toscana* are more optimistic: indeed, assessments on the order-book level and on production improve. Entrepreneurs from *Lazio* show a positive approach to all variables.

Mezzogiorno

The entrepreneurs' confidence in the *Mezzogiorno* of Italy improves again between October and December 2003: their seasonally adjusted confidence indicator rises from 102.0 to 103.2. Alongside with an improvement in assessments on the order-book level (the balance falling going from -30 to -12), a growth is observed in inventories (the quarterly balance passing from -11 to -4), together with a contraction in expectations on production (from 25 to 18). Indeed the degree of plant utilisation rises from 73.6 to 76.0.

At regional level, a definite improvement is registered in balances concerning the order-book levels of all regions except for *Puglia* (where the balance passes from -11 to -12) and *Sardegna* (from -24 to -25). Conversely, expectations on production worsen everywhere, with the exception of *Sicilia* (the balance growing from 10 to 18) and *Sardegna* (from 4 to 16). With regard to the other variables, diffused negative signals emerge in particular in *Puglia*.