



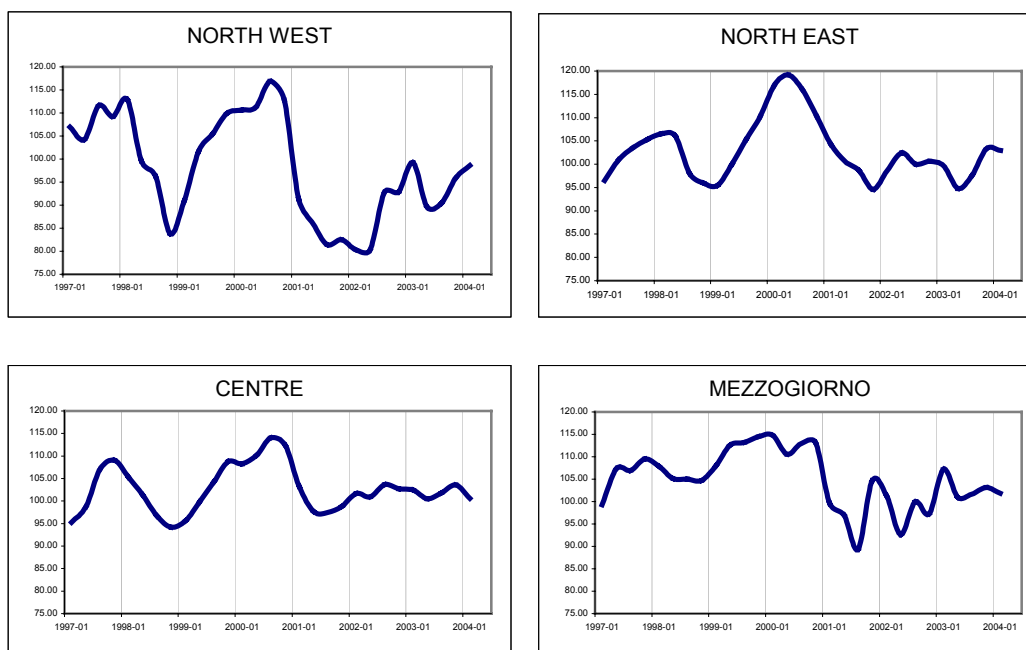
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## IN THE FIRST QUARTER 2004, THE MANUFACTURING FIRMS' CONFIDENCE CLIMATE IMPROVES IN THE NORTH-WEST AND STRONGLY DETERIORATES IN THE CENTRE AND IN THE SOUTH, WHILE SLIGHTLY DECREASING IN THE NORTH EAST. THE CONSUMERS' CONFIDENCE FALLS THROUGHOUT THE WHOLE COUNTRY

- The manufacturing firms' confidence indicator improves from 96 to 97.7 in the North-west, while it passes from 103.3 to 102.7 in the North-east and decreases from 103.6 to 100.3 in the Centre and from 103.3 to 100.9 in the South
- Among the confidence-building series, firms report an order-book improvement in all partitions alongside with a diffused stock accumulation. Expectations on production grow in the North-west and deteriorate in all other geographical partitions
- The Italian consumers' confidence climate diminishes in all geographical partitions, thus reaching its trough since 1997. The strongest contraction is registered in the North-east (where the seasonally adjusted index falls from 95.9 to 89.9). The deteriorations is smaller in the North-west where the confidence passes from 95.6 to 91.3, in the *Mezzogiorno* (where the index decreases from 89.7 to 85.4) and in the Centre (where the value falls from 94 to 89.3)
- The financial scandals emerged in the early-2004 may have had a negative impact on those trends: indeed, balances concerning the saving convenience and opportunities have been worsening in all partitions, while short-term labour market expectations have slightly deteriorated. Finally, rosier signals come from the respondents' forecasts on the country's general economic situation

### BUSINESS EXPECTATIONS ON PRODUCTION (seasonally adjusted data, indices 1995=100)



Next ISAE surveys are scheduled as follows:

**April 30, 2004:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: March) and ISAE Monthly Business Service Survey (Reference month: April)

**May 4, 2004:** Comparative Business Surveys for Italy, Germany and France (Reference month: April)

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see web site [www.isae.it](http://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. On average, in the first quarter 2004 the manufacturing firms' confidence climate improves in the North-west, while it strongly deteriorates in the other geographical partitions. Thus, among the confidence-building series, firms report an order-book improvement in all partitions alongside with a diffused trend to stock accumulation. Expectations on production grow in the North-west and deteriorate in all other geographical areas.

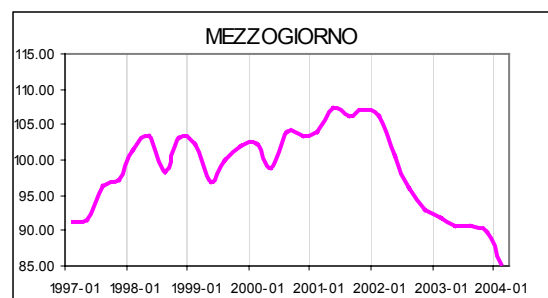
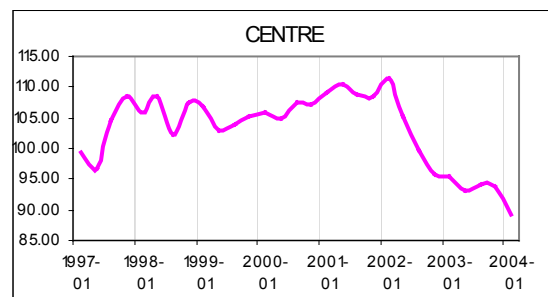
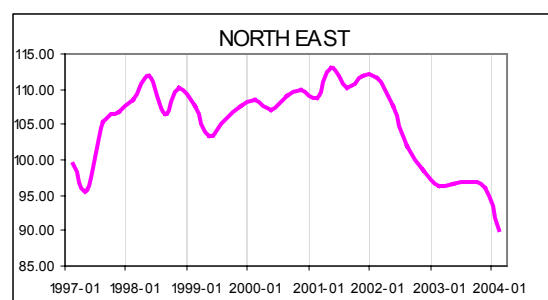
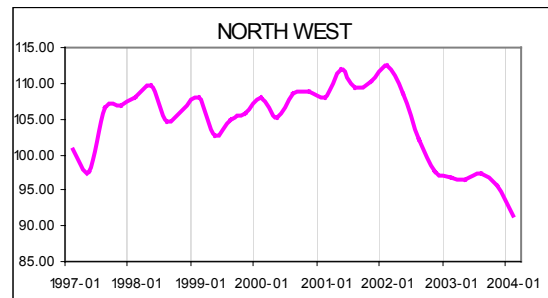
The Italian consumers' confidence climate clearly diminishes in all geographical partitions: the worsening is particularly evident in the North-east. Maybe the financial scandals emerged in the early-2004 had an impact on those trends: indeed, balances concerning the saving convenience and opportunities worsened in all partitions, while short-term expectations on the labour market slightly deteriorated. Finally, rosier signals come from the respondents' forecasts on the country's general economic situation.

## ISAE Business Survey on Manufacturing and Extractive Firms

### North-west

The results of the ISAE Surveys referring to the first quarter 2004 point to a marked improvement in entrepreneurs' confidence where the indicator equals 97.7 (96 in the previous quarter). The rosier assessments on the overall order-book level (the

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



seasonally adjusted balance passing from -14 to -5) go alongside with a slight growth in short-term expectations on production (from 12 to 13). The order-book rise concerns both foreign (the balance passing from -14 to -13) and domestic markets (from -21 to -11). A stock accumulation is however signalled (the balance rising from 9 to 14). Negative signals come from the degree of plant utilisation, falling from 79 in the fourth quarter 2003 to 75.5 (seasonally adjusted quarterly data). At regional level (raw data only), a definite improvement is observed in assessments both on the overall order-book level (the balance passing from -22 to -9), and on domestic orders (from -14 to -11) in *Piemonte* and *Valle d'Aosta*. In those regions, a marked improvement is also seen in forecasts on the production level (the balance rising from 5 to 13). Both assessments and forecasts are rosy in *Lombardia* as well, while the trends of order books (the balance passing from 13 to 27) and production (from 10 to 20) show a clear improvement in *Liguria* too.

#### North-east

North-eastern entrepreneurs' confidence decreases from 103.3 in the fourth quarter 2003 to 102.7 in the first quarter 2004: indeed assessments on the order-book level slightly increase (the balance – though remaining negative – passes from -8 to -5), while expectations on production worsen (the seasonally adjusted balance passing from 18 to 15) and the level of inventories grows (the balance rising from 0 to 2); with regard to order books, the recovery concerns both domestic (from -11 to -8) and foreign markets (from -8 to -7). With reference to the degree of plant utilisation, a slight deterioration is witnessed from 78.9 to 78.6 (seasonally adjusted data). The trends observed in geographical partitions are not homogeneously spread at regional level: looking at raw data, an overall improvement is emerging both in assessments and forecasts in *Trentino Alto Adige* and *Emilia Romagna*. Conversely, negative assessments are signalled both on the order-book level and on production in *Friuli-*

*Venezia Giulia*. Entrepreneurs from *Veneto* express optimistic assessments on their order-book level and rosy forecasts both on order books and on production, while they are definitely pessimistic in their evaluations on domestic order books and production.

#### Centre

In Central regions too the confidence climate of manufacturing firms is definitely worsening from 103.6 to 100.3. The fall is due in particular to negative forecasts on production (the balance passing from 20 to 14) and to growing inventories (the balance increasing from -6 to -2). Finally assessments on the order-book level are stable (the balance remaining at -15). Also the degree of plant utilisation decreases from 77.4 to 75.8 (seasonally adjusted data).

Turning to single regions, (raw data) entrepreneurs from *Marche* and *Toscana* express negative evaluations on the present order-book and production levels, but they are more optimistic in their future prospects. Conversely, entrepreneurs from *Umbria* show a diffused optimism, as the only balance showing a contraction is the one concerning assessments on production. Finally, assessments on production of entrepreneurs from *Lazio* clearly worsen, while order books and forecasts on production are recovering.

#### Mezzogiorno

The entrepreneurs' confidence in the *Mezzogiorno* of Italy worsens again: the seasonally adjusted confidence indicator decreases from 103.3 to 100.9. Alongside with an improvement in assessments on the order-book level (the balance rising from -12 to -10), a growth is observed in inventories (the quarterly balance passing from -6 to -1), together with a contraction in expectations on production (from 16 to 12). Indeed the degree of plant utilisation deteriorates passing from 75.8 to 74.1, which is similar to other partitions' trends.

At regional level, an improvement is registered in balances concerning the order-book levels of all

regions except for *Abruzzi*, *Calabria* and *Sicilia*. Expectations on production improve everywhere, apart from *Molise*. With regard to other variables, diffused negative signals emerge from *Basilicata* and *Sicilia*.

### **ISAE Consumer Survey**

#### North-west

North-western consumers' confidence climate decreases again from 95.6 of the fourth quarter 2003 to 91.3 in the first quarter 2004. 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 from assessments on both the general economic situation (the balance passing from -101 to -107) and on the households' own situations (from -46 to -51). Also forecasts on unemployment are rather pessimistic and reach again the figures of the first quarter 2003 (the balance passing from 30 to 35). With regard to saving, households are pessimistic both on their future opportunities (the balance passing from -40 to -61) and on their present convenience (from 75 to 65). The only variables showing an increasing balance – though remaining negative in sign – are expectations on the country's economic situation (the balance passing from -29 to -28) as well as assessments on the convenience to purchase durables (the balance growing from -103 to -99).

#### North-east

Also the North-eastern consumers' confidence climate worsens: the seasonally adjusted index passes from 95.9 to 89.9. Among the confidence-building series, the indicator definitely falls in assessments on the general economic situation (the balance passing from -98 to -110) and balances on the households' own situations (assessments pass from -45 to -47 and forecasts from -5 to -7). Also forecasts on unemployment tend to diminish: the balance decreases from 35 in the fourth quarter 2003 to 30 in the first quarter 2004. Indeed, opinions on the present convenience to save are also pessimistic (the balance

falling from 74 to 61). In keeping with what happens in other partitions, also North-eastern households show less pessimistic expectations on the country's economic situation as against the fourth quarter 2003.

#### Centre

In Central regions, the households' confidence climate deteriorates: the seasonally adjusted balance falls from 94 to 89.3. In this partition too, assessments on the general economic situation are worsening (from -102 to -113), as are those on the households' own situations (from -48 to -53). Also forecasts on the saving convenience are dark and the balance passes from 79 to 69. As happens in the North-west and in the North-east, also forecasts on unemployment tend to be pessimistic (the balance rising from 32 to 40). Indeed, unfavourable signals come from assessments on future saving opportunities (from -48 of fourth quarter 2003 to -72 of first 2004). In the Centre too, the only favourable signals come from forecasts on the general economic situation, as the balance – though remaining negative – grows from -35 to -30.

#### Mezzogiorno

In the first quarter 2004, the seasonally adjusted confidence climate of *Mezzogiorno* falls from 89.7 to 85.4, thus equalling historically low levels. In this case too, the worsening is due to assessments on both the country's economic situation (from -110 to -120) and on the households' own situations (the balance passing from -53 to -60). In keeping with what happens in other geographical partitions, forecasts on unemployment are also worsening (the balance rising from 43 to 48), as are evaluations on the present convenience (the balance passing from 79 to 77) and on future opportunities (from -70 to -92) to save. Indeed, also for households living in the *Mezzogiorno*, the only encouraging signals come from forecasts on the country's economic situation as the balance – though remaining low – increases from -40 to -37.