



ISTITUTO DI STUDI E ANALISI ECONOMICA

PIAZZA DELL'INDIPENDENZA, 4 00185 ROMA TEL.: + 39-0644482.1 FAX: + 39-0644482229

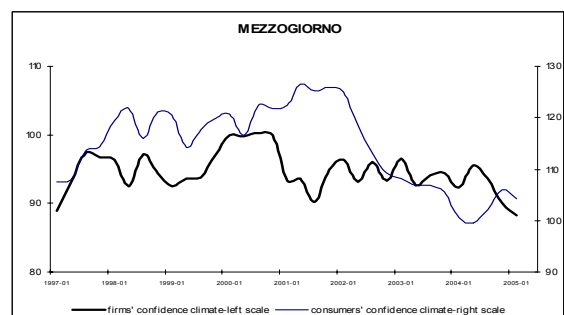
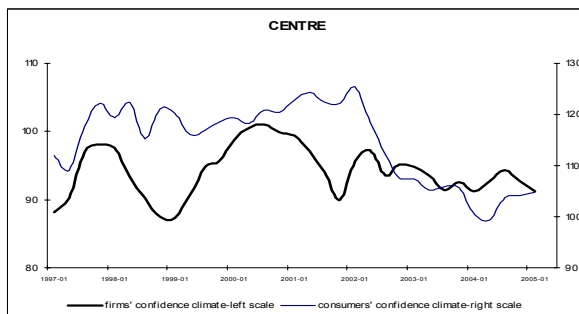
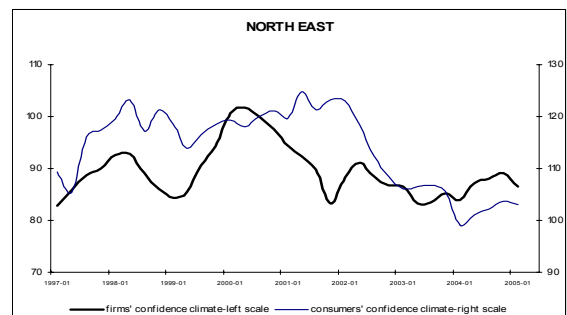
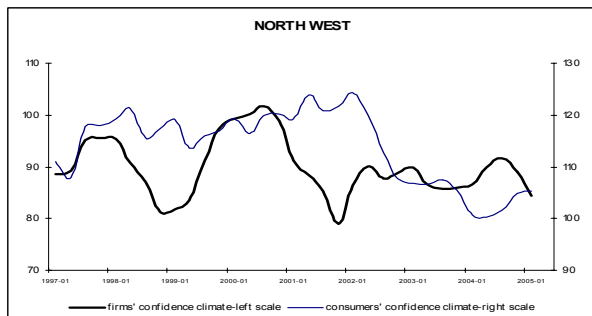
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IN THE FIRST QUARTER 2005, THE MANUFACTURING FIRMS' CONFIDENCE WORSENS THROUGHOUT THE WHOLE COUNTRY, WHILE THE CONSUMERS' CONFIDENCE IMPROVES IN THE NORTH-WEST AND IN THE CENTRE, AND IT FALLS IN OTHER GEOGRAPHICAL PARTITIONS

- The intensity of the manufacturing firms' confidence contraction is larger in the North than in the Centre-South: indeed, the seasonally adjusted index in the North-west and in the North-east decreases from 89 and 89.2 to 84.5 and 86.4 respectively, while the firms' confidence indicator in the Centre and in the *Mezzogiorno* falls from 92.8 and 90 to 91.5 and 88.3 respectively
- Looking at single sectors, the confidence fall in intermediate goods is homogeneously diffused in all geographical partitions; conversely, in investment goods the indicator falls in the North-west and in the *Mezzogiorno*, while it recovers in the North-east and particularly in the Centre; in consumer goods, the cyclical situation is definitely worsening in all the main geographical partitions, with the only exception of the *Mezzogiorno*, where the indicator is recovering
- The consumers' confidence climate grows in the North-west (from 104.9 to 105.3) and in the Centre (from 104.2 to 104.9) and it decreases in the North-east (from 103.7 to 103.1) and in the *Mezzogiorno* (from 106 to 104.2)
- The improvement is mainly registered in assessments on the country's general economic situation, on the respondents' own situations and on the saving convenience and opportunities; conversely, the respondents' assessments on the convenience to purchase durables diminish in the North and, in particular, in the *Mezzogiorno*

FIRMS' CONFIDENCE CLIMATE (INDICES 2000=100) AND CONSUMERS' CONFIDENCE CLIMATE (INDICES 1980=100)
(seasonally adjusted data)



Next ISAE surveys are scheduled as follows

May 24, 2005: ISAE Monthly Consumer Survey (Reference month: May)

May 25, 2005: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: May) and ISAE Bi-Annual Investment Survey (Reference period: H1 2005)

May 26, 2005: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: April) and ISAE Monthly Business Service Survey (Reference month: May)

June 1, 2005: Comparative Business Surveys for Italy, Germany and France (Reference month: May)

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. On average, of the first quarter 2005, the consumers' confidence climate shows signals of improvement in the North-west and in the Centre, with the seasonally adjusted confidence indicator growing from 104.9 and 104.2 to 105.3 and 104.9 respectively; confidence worsens in the North-east and in the *Mezzogiorno*, passing from 103.7 and 106 to 103.1 and 104.2 respectively. Among the confidence-building series, the improvement comes in particular from assessments on the country's general economic situation and on the households' financial and own situations; the present convenience to save is also recovering. However, assessments on the convenience to purchase durables are worsening everywhere.

The manufacturing firms' confidence indicator deteriorates through the whole national territory, particularly in the North as against the Centre-South. Indeed, in the North-west and North-east the indices fall from 89 and 89.2 to 84.5 and 86.4 respectively, while in the Centre and in the *Mezzogiorno* they fall from 92.8 and 90 to 91.5 and 88.3 respectively. Among the confidence-building series, Northern firms signal a generalised worsening both in order books and in production expectations; indeed, order books are decreasing in the Centre-South, while the production expectations are slightly improving; finally, inventories are growing throughout the whole national territory.

Looking at single sectors, the confidence contraction in intermediate goods is common to all geographical partitions; conversely, in investment goods the indicator falls in the North-west and in the *Mezzogiorno*, while it recovers in the North-east and particularly in the Centre; finally, in consumer goods, the cyclical situation is worsening in all the main

geographical partitions, with the only exception of the *Mezzogiorno*, where the indicator is recovering.

The ISAE Consumer Survey

North-west

The North-western consumers' confidence climate grows for the third quarter in a row, passing from 104.9 to 105.3. In particular, both assessments (the balance passing from -97 to -90) and forecasts (recovering from -23 to -22) on the Italian economic situation are improving (raw data), alongside with forecasts on unemployment (decreasing from 41 to 39). Looking at the variables referring to the respondents' own situations, North-western households are more optimistic than in the previous quarter when evaluating their financial situations (the balance rising from 10 to 18) and their own situations (from -45 to -44), though expectations on their own situations are worsening from -7 to -8. With reference to saving, consumers express favourable assessments on their future opportunities and present convenience to save (the balances passing from -56 and 83 to -51 and 90 respectively). Finally, evaluations on the convenience to purchase durables are deteriorating (from -99 to -101).

North-east

The North-eastern confidence climate decreases after three quarters earmarked by growth: indeed, the seasonally adjusted index diminishes from 103.7 to 103.1. Among the confidence-building series, expectations on unemployment worsen (the balance passing from 43 to 48), as do evaluations on the convenience to purchase durables (from -97 to -99). With reference to the respondents' own situations, forecasts on the households' situations remain stable (at -8), while assessments on the future opportunities (the balance growing from -54 to -51) and on the present convenience to save are rosier (the balance rising from 73 to 87). Also assessments and forecasts on the general economic situation are improving (the

balances passing from -99 and -27 to -94 and -25 respectively).

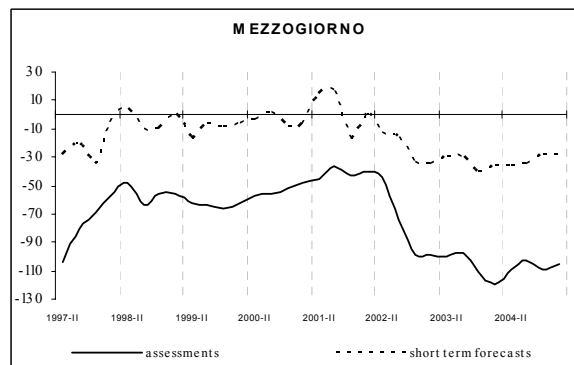
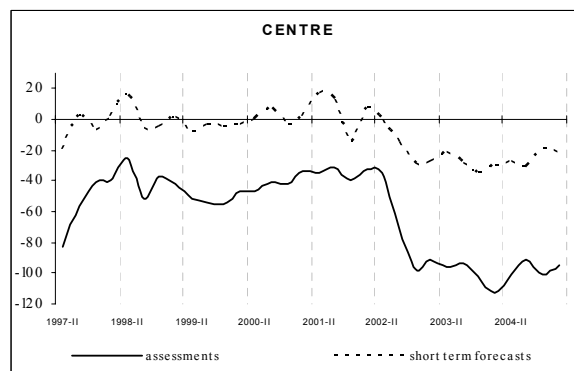
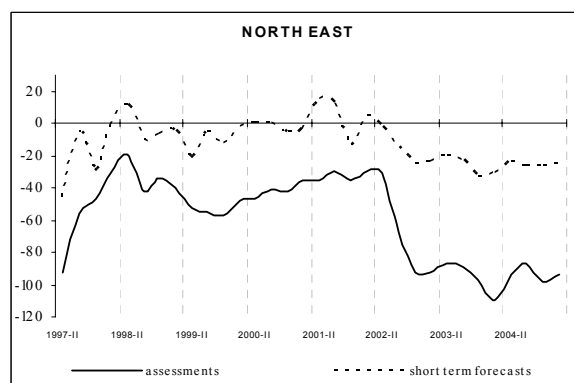
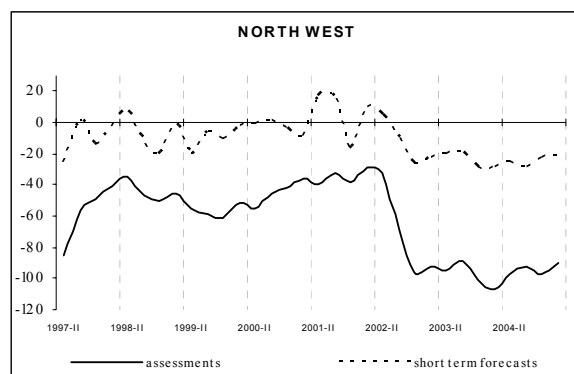
Centre

The households' confidence in Central regions is improving for the third month in a row: indeed, the seasonally adjusted index rises from 104.2 to 104.9. In this case, the recovery is also due to assessments on the general economic situation (the balance passing from -101 to -95) and on the respondents' own situations (from -50 to -46), together to more optimism opinions on the households' financial situations (from 4 to 8). Also the present convenience to save is growing (from 70 to 89), as is, exceptionally only in this partitions, the convenience to purchase durables (from -101 to -99). Households from the Centre are slightly more pessimistic with regard to the country's economic prospects (the balance passing from -20 to -21), to unemployment (from 40 to 41) and to their own situations (from -6 to -7). Also evaluations on their future saving opportunities are slightly worsening (from -67 to -68).

Mezzogiorno

The seasonally adjusted confidence climate of households from *Mezzogiorno* falls again from 106 in the fourth quarter 2004 to 104.2 in the first quarter 2005. The contraction is mainly due to darker assessments on future saving opportunities (passing from -77 to -88) and to a fall in the convenience to purchase durables (from -105 to -114), while evaluations on the respondents' financial situations (-2), forecasts on unemployment (52) and assessments on the households' own situations (-9) remain stable. Finally, evaluations and forecasts on the country's general economic situation are improving (from -110 and -29 to -105 and -28 respectively).

CONSUMERS - ASSESSMENTS AND SHORT TERM FORECASTS ON GENERAL ECONOMIC SITUATION (raw data)



SOURCE: ISAE

ISAE Business Survey on Manufacturing and Extractive Firms

North-west

Confidence falls from 89 to 84.5 in the first quarter 2005, thus getting close to the troughs of the third quarter 2001. North-western entrepreneurs consider demand level to be decreasing (their seasonally adjusted balance passes from -14 to -21) both on the foreign (from -16 to -20) and, more markedly, on the domestic (from -18 to -25) markets. The order-book contraction goes alongside with a stock growth for the third month in a row (the balance passing from 10 to 13). Similarly, negative signals come from production evaluations (the balance decreasing from -10 to -16) and from expectations on order books (from 15 to 10) and production (from 14 to 9), falling on the levels of the third quarter 2001. The degree of plant utilisation diminishes from 76.6 to 76.3.

Breaking down data by economic sectors the marked confidence deterioration is mainly due to the strong fall in intermediate goods, where the index decreases from 88.7 to 83.6, and to a smaller worsening in consumer (from 91.7 to 89.5) and in investment goods (from 83.5 to 81).

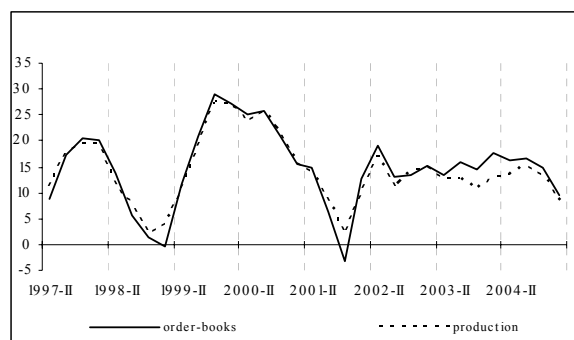
North-east

North-eastern entrepreneurs' confidence diminishes from 89.2 to 86.4: assessments on the order-book level worsen (the balance passing from -10 to -14, with a contraction from -14 to -19 on the domestic market and from -13 to -19 on the foreign market) and inventories are slightly growing (from 8 to 9); similarly, expectations on production are falling (the seasonally adjusted balance goes down to 11 after three quarters' stagnation at 14). Negative signals also come from the current production level (the balance passing from -5 to -9) and from order-book expectations (from 15 to 11), while the degree of plant utilisation is slightly growing from 76.4 to 77.7.

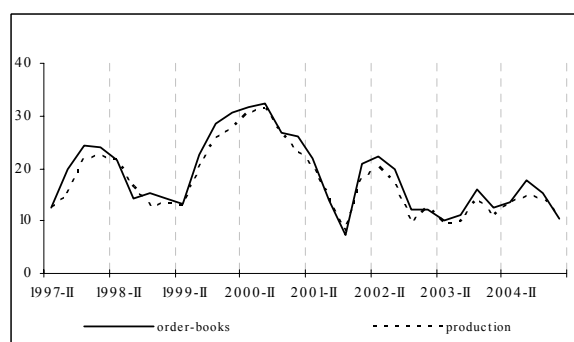
The confidence deterioration of North-eastern entrepreneurs is mainly caused by more pessimism on

MANUFACTURING FIRMS - EXPECTATIONS ON ORDER-BOOKS AND PRODUCTION (s.a. data)

NORTH WEST



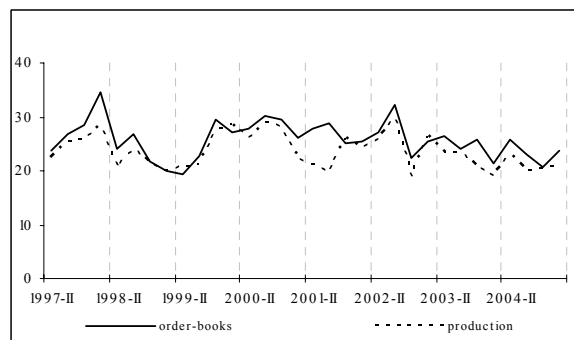
NORTH EAST



CENTRE



MEZZOGIORNO



SOURCE: ISAE

the part of intermediate goods producers, whose indicator falls from 87.7 to 85.8, and of consumer goods producers (the indicator decreasing from 92.8 to 89.8), while the index slightly improves in investment goods (from 84.6 to 84.7).

Centre

In Central regions, the confidence climate of manufacturing firms is falling from 92.8 to 91.5 for the second quarter in a row, the deterioration is caused by a fall in the balance of order books (from -15 to -18) and by a slight growth of inventories (the balance rising from 4 to 6), while assessments on production and forecasts on order books are worsening (from -12 and 21 to -15 and 18 respectively) and forecasts on production remain stable (at 7). The only positive signal come from the degree of plant utilisation, passing from 76.5 to 77.1.

For the Centre too, the deterioration is due to a fall in the indicator of intermediate (from 89.2 to 86) and consumer (from 97.1 to 95.2) goods, while confidence is definitely improving in investment goods (growing from 87.3 to 89.2).

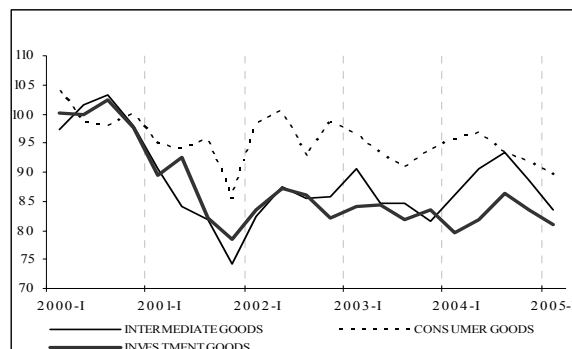
Mezzogiorno

The entrepreneurs' confidence is worsening also in the *Mezzogiorno* of Italy, where the index decreases from 90 to 88.3, thus reaching the troughs of the first quarter 1997. In spite of the deteriorating assessments on the order-book level (the balance falling from -21 to -23) and of the strong accumulation of inventories (from 9 to 13), for the second quarter in a row a slight rise is registered in expectations on order books and production (passing from 21 and 20 to 24 and 21, respectively, though the balance of the current production level falls from -12 to -15). The degree of plant utilisation (seasonally adjusted data) falls from 71.9 to 71.3.

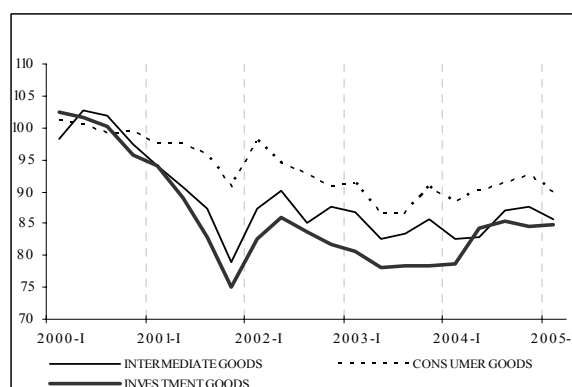
In this partition too, the confidence deterioration mirrors the negative trend of intermediate (from 97.5 to 91.5) and investment goods (from 82.4 to 80.8), while confidence improves in consumer goods (from 86.7 to 90.8).

CONFIDENCE CLIMATE BY ECONOMIC SECTORS (s.a. data)

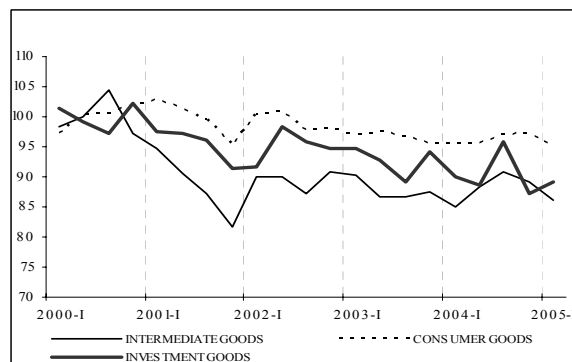
NORTH WEST



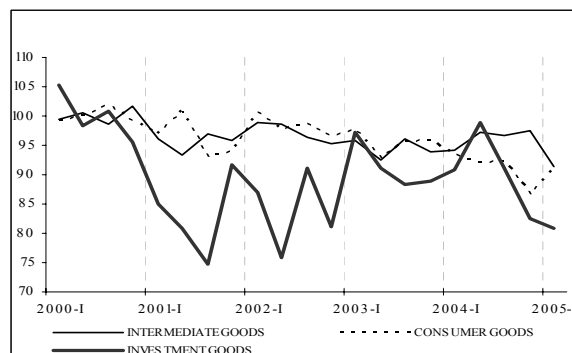
NORTH EAST



CENTRE



MEZZOGIORNO



SOURCE: ISAE