



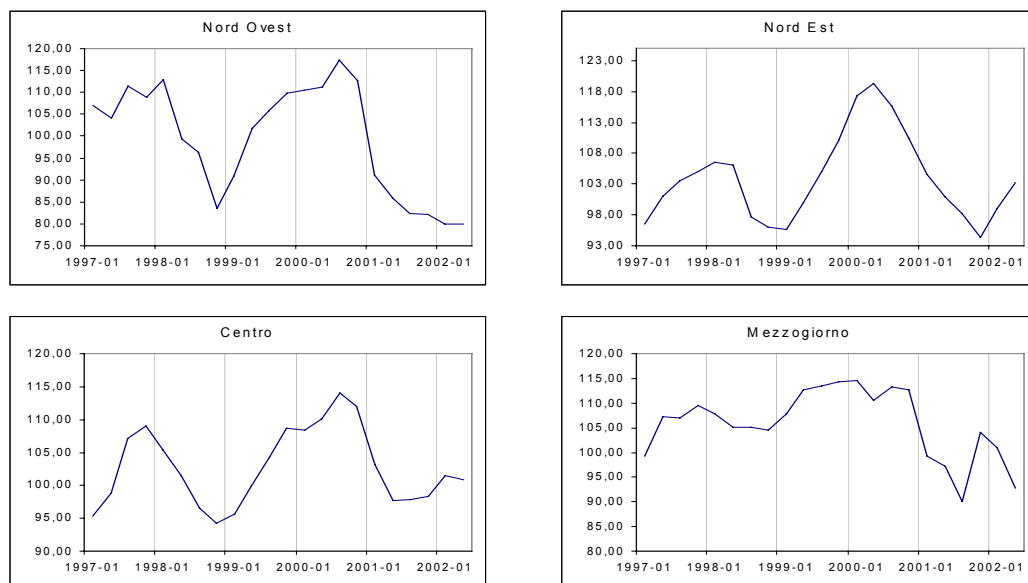
DATE: JULY 3, 2002

ISAE QUARTERLY ELABORATION BY GEOGRAPHICAL PARTITION OF CONSUMER AND BUSINESS SURVEYS ON MANUFACTURING AND EXTRACTIVE FIRMS

Reference period: II quarter 2002

- In the II quarter 2002, the manufacturing and extractive firms confidence climate shows different trends in the various geographical partitions. Positive signals come from the North-eastern regions, where the seasonally adjusted indicator rises to 103.3 from 99 in the I quarter. The confidence climate remains unchanged in the North-west (79.9) and decreases in the Centre (from 101.5 to 100.9) and, particularly, in Southern regions (where it decreases from 101 in the I quarter to 92.8 in the II quarter)
- Among the indicator-building series, short-term expectations on production trend improve in all partitions (with the only exception of Southern regions): the order-book level is recovering in North-eastern firms, while it is stable in the Centre and it is diminishing in the North-west and in Southern regions. Finally, stocks slightly decrease in North-western regions and in the *Mezzogiorno*, while they increase in the Centre and remain stable in the North-east
- In the II quarter 2002, unfavourable signals come from households, whose confidence climate deteriorates in all four partitions. The decrease is particularly marked in the Central regions, where the seasonally adjusted ISAE indicator falls down to 105.2 from 111 in the I quarter, and in the *Mezzogiorno*, where the index goes from 105.9 to 100.8. Less marked (but still significant) reductions are registered in the North-west (from 112.4 to 108.6) and in the North-east (from 111.4 to 107.7)
- A marked worsening emerges in assessments on the convenience to save and to purchase durables, while short-term forecasts on the respondents situations and on the country's general economic situation remain stable

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



SOURCE: ISAE
SEASONALLY ADJUSTED DATA

General results of the Business and Consumer Surveys

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 II quarter 2002, the entrepreneurs' confidence climate improvement is not homogeneously spread all over the country. The confidence considerably improves in the North-east and remains unchanged in the North-west, while entrepreneurs are more pessimistic in the Centre and in the *Mezzogiorno* of Italy. Among the indicator-building series, assessments on the present order-book level recover in the North-east and remain stable in the Central regions, while a worsening is registered in the North-west and in the *Mezzogiorno*. The optimistic approach on the short-term prospects of production is increasing everywhere (and particularly in the North-west), with the only exception of *Mezzogiorno*. With regard to inventories, a slight stock decumulation is signalled in the North-west and in the *Mezzogiorno*.

The ISAE Consumer Survey shows an evident confidence climate worsening in all four partitions. The fall is particularly marked in the Centre and in the *Mezzogiorno*. The worst contraction is observed in assessments on the present convenience to save and purchase durables. However, short-term expectations - both on the households' own situations and on the country's general situation - remain stable on the levels of the previous survey.

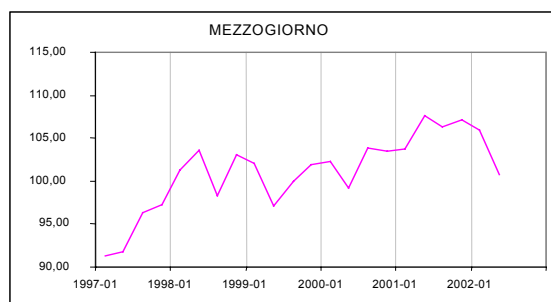
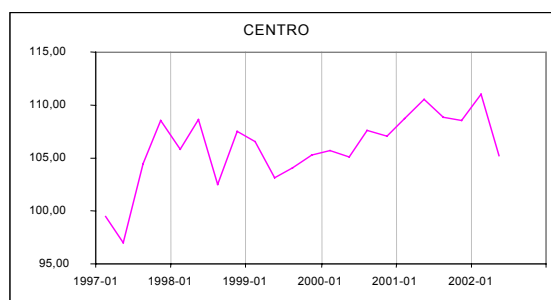
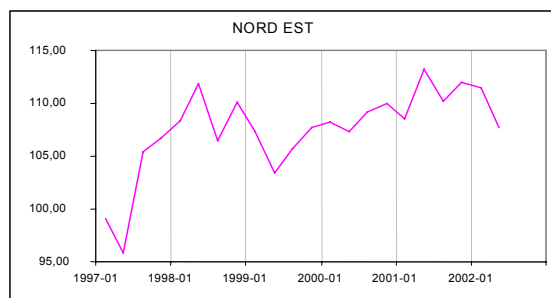
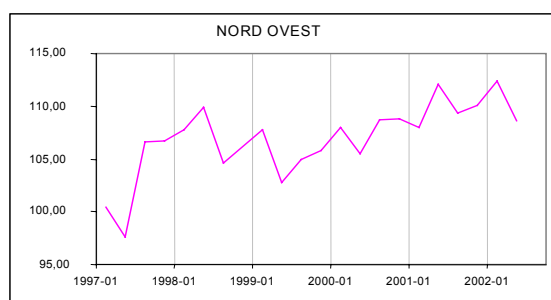
North-west

According to the ISAE Survey, seasonally adjusted data on the manufacturing and extractive firms' confidence climate in the North-western area of Italy are stable (79.9, as in the previous quarter). Worsening assessments on the overall order-book level (the seasonally adjusted balance passing from -28 to -42) go alongside with a stock reduction. Also short-term expectations on the production trend improve (the seasonally adjusted balance rising from 4 to 12). At regional level (raw data only), the assessments on (total, domestic and foreign) order books considerably deteriorate among entrepreneurs in Piemonte-Val d'Aosta and - to a lesser extent - Lombardia and

Liguria. Short-term expectations on the production trend worsen in Piemonte-Val d'Aosta and in Liguria, while they slightly improve in Lombardia.

With regard to consumers, after the recovery registered in the IV quarter 2001 and confirmed in the I quarter 2002, the confidence climate definitely decreases; the seasonally adjusted balance going from 112.3 in the I quarter 2002 to 108.6 in the II quarter. In particular, forecasts on the households' economic situations and on the convenience to save are worsening.

CONSUMER CONFIDENCE CLIMATE
(s.a. data, indices 1995 = 100)



North-east

The recovery of North-eastern entrepreneurs' confidence started in I quarter 2002 and is going on: the seasonally adjusted indicator rises from 98.9 to 103.2, thus getting close to the high levels reached in early-2001. Both assessments and forecasts on order books grow, as do short-term expectations on the production trend. The order-book seasonally adjusted balance recovers and reaches -3 from -12 in the I quarter 2002. With regard to expectations, the order-book balance rises to 23 (18 in the previous quarter), the production balance to 19 (15 in I quarter 2002). However, the situation differs across regions: looking at raw data, Trentino Alto Adige, Veneto and Emilia Romagna register an improvement in their assessments on order books and production are, while expectations worsen in Trentino and Emilia Romagna and tend to rise in Veneto. Entrepreneurs from Friuli Venezia Giulia are pessimistic both in their assessments and in their expectations on order books and production.

The generally favourable framework concerning entrepreneurs is however not confirmed by consumers, whose confidence climate is diminishing compared to the previous quarter. The index (indices 1995 = 100) falls down to 107.7 from 111.4, thus continuing the contraction started in I quarter 2002. In particular, forecasts on the households' own situations and assessments on the country's general situation deteriorate.

Centre

In the Central regions, the entrepreneurs' confidence climate slightly falls, mainly because of an accumulation in finished products inventories compared to the previous quarter. The seasonally adjusted indicator falls down to 100.8 (from 101.4). The order-book balance remains unchanged at -13, expectations on production rise to 23 (19 in I quarter). At regional level (raw data), the most pessimistic approach is observed in entrepreneurs of Lazio and Marche, where both assessments and expectations on order books and production clearly worsen. Indeed, both

assessments and expectations markedly improve in Umbria. Entrepreneurs from Toscana are more optimistic as against the I quarter in their assessments on order books and production, while short-term expectations are worsening.

In the Central regions, the consumers' confidence climate considerably diminishes as against the I quarter 2002: the seasonally adjusted balance equals 105.2 (111 in I quarter). In particular, consumers from central regions are more cautious in their forecasts on the households' own situations and on unemployment and in their assessments on the country's economic situation.

Mezzogiorno

After the positive signals registered in late-2001, the entrepreneurs of the *Mezzogiorno* of Italy are pessimistic again for the second quarter in a row. Their seasonally adjusted indicator falls from 101 to 92.8, thus getting close to the levels of the II quarter 2001. In particular, expectations on production in the next quarter worsen (seasonally adjusted data): the balance decreases from 27 to 22. Also the order-book level definitely deteriorates both in assessments on the present situation (the balance passing from -8 to -26) and in expectations for the next quarter (from 25 to 24). At regional level (raw data), the balances of assessments and expectations on order books diminish everywhere. The only favourable data concerns expectations on production and assessments on foreign order books, and come from Calabria and Sardegna.

Also the consumers' seasonally adjusted confidence climate witnesses a marked deterioration compared to the previous survey, equalling 100.7 (105.9 in I quarter 2002). In particular, forecasts on the households' own situations and assessments on the country's economic situation, as well as the convenience to purchase durables, are worsening.

Data referring to the II quarter 2002 shall be diffused on October 1, 2002.

Next ISAE Surveys are scheduled as follows:

July 19, 2002: Monthly ISAE Consumer Survey

July 24, 2002: Monthly ISAE Business Survey on Manufacturing and Extractive Firms

July 31, 2002: Comparative Business Survey for Italy, Germany and France

The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see website www.isae.it)