



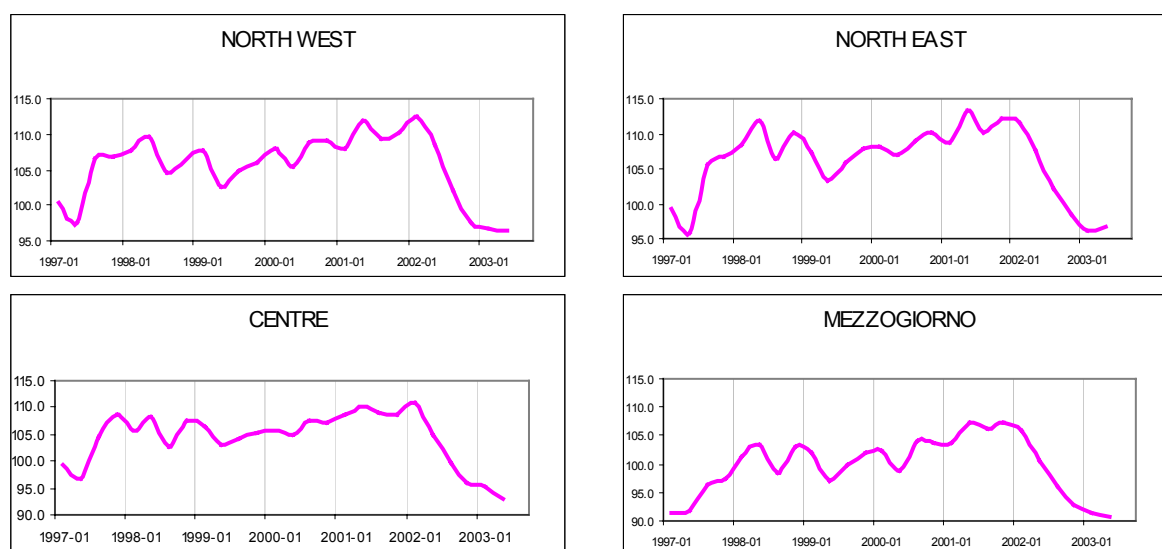
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ISAE QUARTERLY ELABORATION BY GEOGRAPHICAL PARTITION OF CONSUMER AND BUSINESS SURVEYS ON MANUFACTURING AND EXTRACTIVE FIRMS
(Reference period: II quarter 2003)

- According to ISAE elaborations by geographical partitions (North-East, North-West, Centre, *Mezzogiorno*) – which ISAE carried out on a quarterly basis - in the April-June period the consumers' confidence climate decreased in the North-west (where the seasonally adjusted index fell from 96.6 to 96.4) and particularly in the Centre (from 95.2 to 93.1) and in the *Mezzogiorno* of Italy (where the index diminished from 91.6 to 90.7). Signals of improvement were registered in the North-east, where confidence rose from 96.1 of the I quarter to 96.8.
- The contraction was observed both in assessments and in forecasts on the households' own situations, particularly with reference to the households' economic situations and to their convenience to save. Conversely, forecasts on the country's general economic situation improve almost everywhere.
- The elaborations by geographical partitions show that, in the II quarter 2003, the confidence of manufacturing and extractive firms homogeneously decreased throughout the whole national territory, with particularly negative trends in the North-West (where the seasonally-adjusted index fell from 98.7 to 90.2 compared to the I quarter) and in the *Mezzogiorno* (where the index went from 106.7 to 101.3). The deterioration is less marked in the North-East (from 99.8 to 95) and in the Centre (where the index falls from 102.3 to 100.9).
- Among the index-building series, assessments on the overall order-book level and expectations on production worsen everywhere; indeed, though remaining negative in terms of balance, finished products inventories show small signals of recovery.

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



Next ISAE surveys are scheduled as follows:

July 22, 2003: ISAE Monthly Consumer Survey (Reference month: July)

July 24, 2003: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: July)

July 29, 2003: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: June) and ISAE Monthly Business Service Survey (Reference month: July)

July 31, 2003: Comparative Business Surveys for Italy, Germany and France (Reference month: July)

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 II quarter 2003, the ISAE Consumer Surveys show on average a further confidence climate worsening compared to the already-depressed levels of the I quarter. The fall concerns all four partitions, with the only exception of North, and is particularly marked in the Centre and in the *Mezzogiorno* of Italy. Looking at the index composition, the worst contraction is observed in assessments on the respondents' own situations and on their convenience to save. Conversely, expectations on the country's general economic situation are clearly improving.

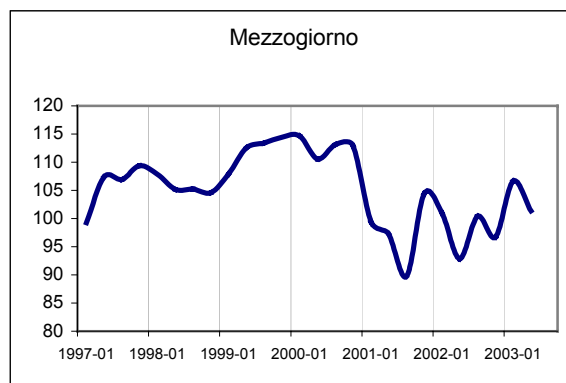
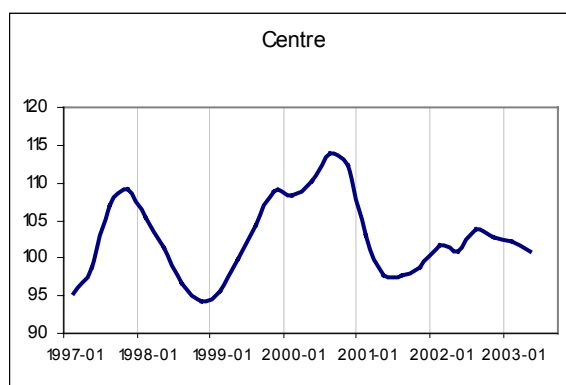
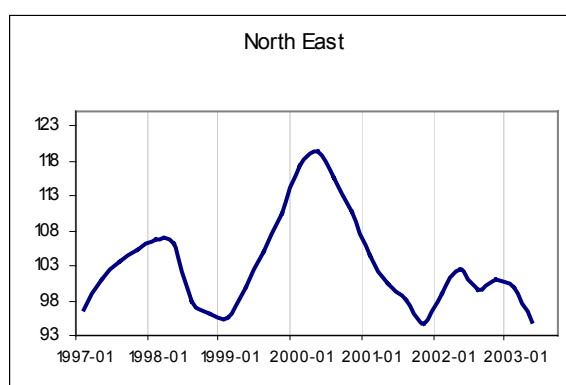
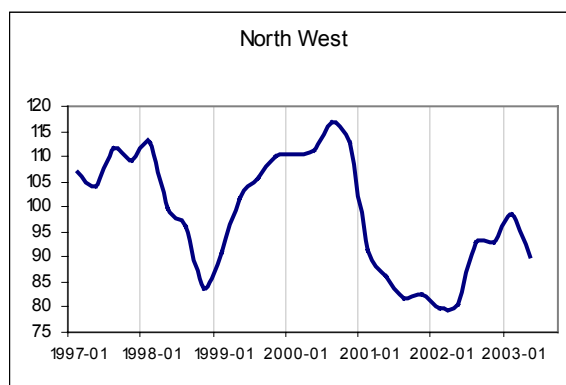
After the strong deterioration registered in April and in May, the confidence climate of manufacturing and extractive firms showed some signals of recovery in June, though it fell on average compared to the already-low levels of the previous quarter. Looking at single partitions, the confidence deterioration is generally homogeneous throughout the whole territory, namely the index markedly worsens everywhere. Among the index-building series, assessments on the overall order-book level and expectations on production worsen everywhere; indeed, finished products inventories slightly recover.

ISAE Consumer Survey

North-West

North-western consumers' confidence climate is slightly worsening: their seasonally adjusted index falls from 96.6 of I quarter to 96.4, which is close to the minimum levels of the past few years. The contraction is mainly due to the households' negative approach to their own personal situations. In particular, both

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



assessments (the balance passing from -36 to -39) and forecasts (from 1 to -2) on the households' own situations and their evaluations on the convenience to save (from 77 to 74) are worsening. Conversely, assessments on the present households' financial situations remain substantially stable (the balance equalling 17, as in the previous quarter). Indeed, consumers are pessimistic with regard to their expectations on unemployment (the balance passing from 35 to 27) and on the country's general economic situation (from -23 to -20). This goes alongside with a recovery of assessments on the present convenience to purchase durables (the balance passing from -96 to -87).

North-East

Unlike what observed in other partitions, North-eastern consumers' confidence climate slightly improves: the seasonally adjusted index passes from 96.1 to 96.8. Assessments and forecasts on the country's general economic situation are rosier than those of the past quarter: the balances pass from -92 to -86 and from -24 to -20 respectively. Also forecasts on unemployment tend to improve: the balance diminishes from 32 to 26. A slight recovery also emerges in evaluations on the opportunity to save (from -30 to -29) and on the present convenience to purchase durables (the balance going from -98 to -92). Indeed, households express pessimistic opinions both on their own economic situations and on their financial situations, thus registering a worsening in forecasts on their saving convenience.

Centre

Households' confidence climate continues to decrease in the Centre as well (their seasonally adjusted index falling from 95.2 to 93.1), thus nearing the minimum values registered in the past few years. The contraction is mainly due to a deterioration in assessments (the

balance passing from -40 to -41) and in forecasts (from -2 to -5) on the households' own situations and to a decreasing balance concerning the opportunity to save (from -39 to -40). Conversely, assessments and forecasts are less pessimistic on the country's general economic situation, which confirms what emerged in the North-west and in the North-east. In particular, a growing share of respondents expect in the next few months a slight improvement of the Italian economic situation (the balance goes from -28 to -22) and of the labour market in particular (the balance concerning expectations on unemployment decreases from 31 to 28). Unfavourable signals come from assessments on the present convenience to purchase durables (from -98 of the I quarter 2003 to -97).

Mezzogiorno

In the II quarter 2003, the *Mezzogiorno* of Italy registers a fall in the consumers' confidence climate (their seasonally adjusted index passing from 91.6 of the I quarter to 90.7 of the II quarter 2003). Once again this is the lowest level ever registered in the past few years. However, in this case - unlike what happens in other partitions - the index contraction is mainly caused by assessments (the balance going from -99 to -100) and forecasts (from -30 to -36) on the country's general economic situation. Evaluations on the present convenience to save (from 81 to 86) are improving. Besides, households living in the *Mezzogiorno* of Italy show an optimistic approach both to forecasts on unemployment (the balance passing from 49 to 45) and to their future opportunities to save (the balance going from -52 to -54). ISAE Business Survey on Manufacturing and Extractive Firms.

ISAE Business Survey on Manufacturing and Extractive Firms

North-West

The results of the ISAE Surveys referring to the II quarter 2003 point to a quick worsening of entrepreneurs' confidence in North-western regions, where the indicator equals 90.2 (98.7 in the previous quarter). The strong deterioration of assessments on domestic order books (the seasonally adjusted balance passing from -21 to -38) go alongside with a significant recovery of inventories (the balance rising from -10 to -4) and with a reduction in short-term expectations on the short-term production trend (the seasonally adjusted balance decreasing from 8 to 5). The order-book contraction concerns both domestic markets (the balance passing from -6 to -35) and foreign ones (from -32 to -41). At regional level (raw data only), assessments on overall order books (both domestic and foreign) and on the production trend worsen everywhere: the peak of pessimism is registered among entrepreneurs from *Lombardia* and *Piemonte*. Expectations on order books (the balance growing from 18 to 20) improve only in *Liguria*, while signals of deteriorations emerge in all the other Italian regions.

North-East

North-eastern entrepreneurs' confidence falls from 99.8 of the period January-March to 95 in the II quarter of the year. Assessments on the overall order books are worsening (their seasonally adjusted balance decreasing from -11 to -13), as do those on inventories (the balance rising from -1 to 8). Expectations on production diminish from 9 to 6. The worsening of assessments on the order-book level concerns both domestic markets (from -12 to -15) and foreign ones (from -13 to -16).

The observed trends stem from different regional dynamics. In particular (raw data only), a worsening is observed in assessments on overall order books in *Veneto* and *Emilia Romagna*. Indeed, assessments on production improve in *Trentino Alto-Adige*, while expectations on order books worsen everywhere.

Centre

In Central regions, the confidence climate is worsening from 102.3 of the I quarter 2003 to 100.9 of the II quarter, particularly owing to a deterioration in their assessments on order books (from -15 to -21). However, short-term expectations on production are improving and their balance grows from 18 to 20, in the face of a substantial stability of inventories, which remain below what are considered "Normal" levels. Among Central regions (raw data), entrepreneurs from *Lazio* show a diffused pessimism, while those from *Umbria* have a more positive approach.

Mezzogiorno

After the negative signals of the I quarter, the entrepreneurs' confidence in the *Mezzogiorno* of Italy diminishes again in the II quarter 2003. Their seasonally adjusted confidence indicator decreases from 106.7 to 101.3, alongside with a worsening of expectations on the production trend of the next 3 months (the balance falls from 21 to 20), with a new growth in inventories and with darker assessments on the order-book level (the balance passing from -20 to -33).

At regional level, raw balances decrease everywhere with reference to assessments both on order books and on production. Negative signals emerge also in expectations both on order books and on production. Indeed, from this viewpoint, the only positive signals come from *Calabria*, where the balance goes from 34 to 36 for order books and from 23 to 26 for production.

