



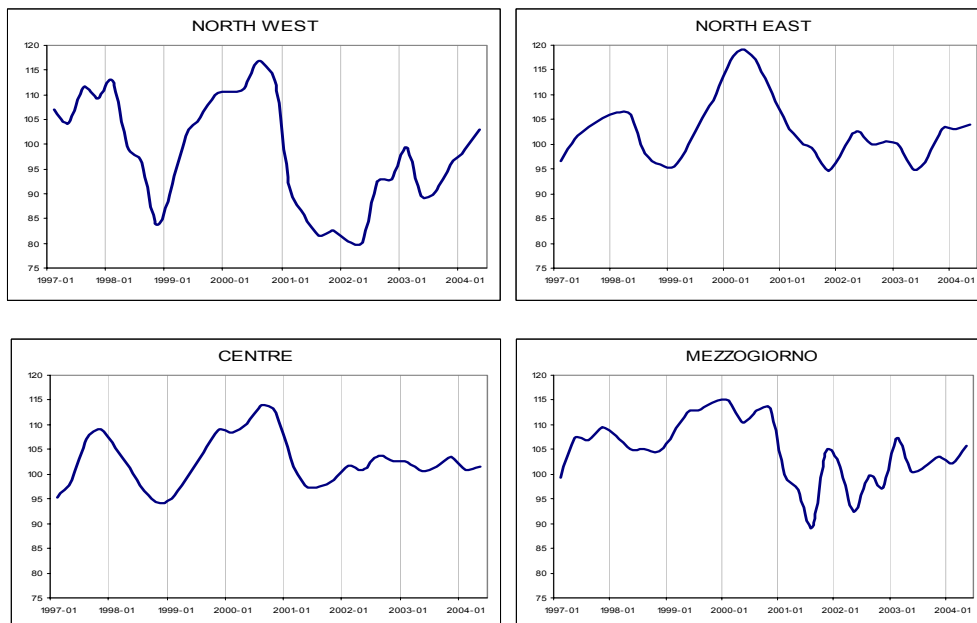
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## IN THE SECOND QUARTER 2004, THE MANUFACTURING FIRMS' CONFIDENCE CLIMATE HOMOGENEOUSLY IMPROVES THROUGHOUT THE WHOLE TERRITORY; THE CONSUMERS' CONFIDENCE SHOWS SIGNALS OF RECOVERY IN THE NORTH-EAST AND CONTINUES TO FALL IN OTHER PARTITIONS

- The manufacturing firms' confidence indicator clearly improves in the second quarter 2004 throughout the whole national territory. In the North-west, the seasonally adjusted index rises from 98.7 to 103, while it increases from 102.2 to 105.8 in the *Mezzogiorno* of Italy. The growth is less marked in the North-east (from 103 to 104) and in the Centre (from 100.7 to 101.5)
- Among the confidence-building series, firms report an order-book improvement in all partitions alongside with an improvement in their expectations on production
- The Italian consumers' confidence climate shows signals of improvement in the North-east (where the indicator grows from 90 in the first quarter to 91.8 in the second quarter), while it continues to worsen in the rest of Italy: the seasonally adjusted index falls from 91.3 to 90.7 in the North-west, while in the Centre it goes from 89.2 to 88.1 and in the *Mezzogiorno* from 85.3 to 84.5
- The worsening stems from assessments and forecasts on the respondents' own situation: the balances on future saving opportunities and on the present saving convenience fall everywhere, as do forecasts on the households' economic situations. Rosier signals come from assessments and forecasts on the general economic situation

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



Next ISAE surveys are scheduled as follows:

**July 28, 2004:** ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: June) and ISAE Monthly Business Service Survey (Reference month: July)

**August 2, 2004:** 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](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. The manufacturing firms' confidence indicator clearly improves on average in the second quarter 2004 throughout the whole national territory. Among the confidence-building series, firms report order-book improvements in all partitions, alongside with an improvement in expectations on production.

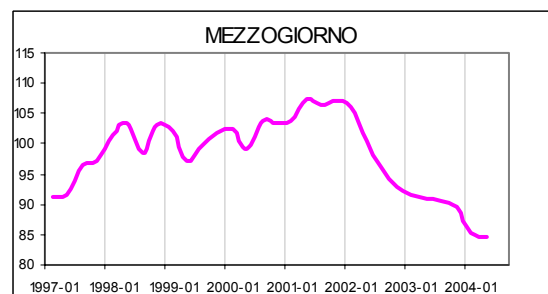
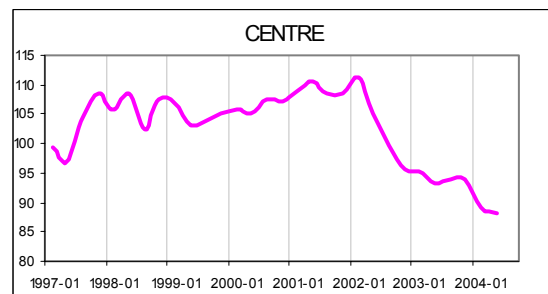
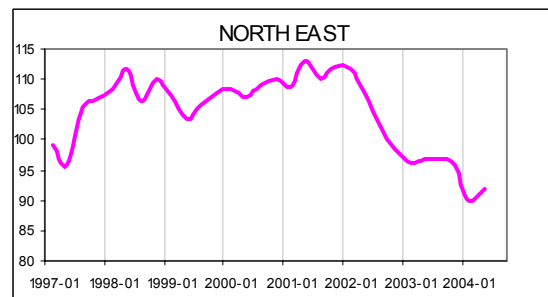
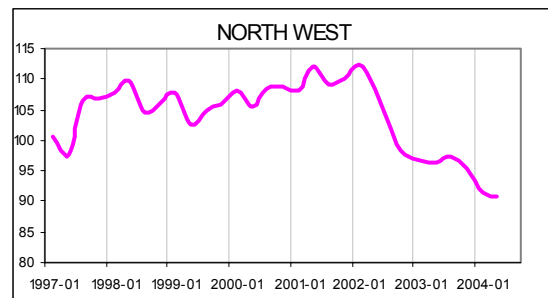
The Italian consumers' confidence climate shows signals of improvement in the North-east, while it continues to worsen in the North-west and in the Centre-southern. The worsening stems in particular from assessments on the respondents' own situation: indeed, the balances on future saving opportunities and on the present saving convenience fall everywhere (maybe still affected by the early-2004 financial scandals), as do forecasts on the households' economic situations. Rosier signals come from assessments and forecasts on the country's general economic situation.

## ISAE Business Survey on Manufacturing and Extractive Firms

### North-west

The results of the ISAE Surveys signal a clear confidence improvement in the second quarter 2004 (the indicator passing from 98.7 to 103). Assessments on the overall order-book level grow again (the seasonally adjusted balance increasing from -5 to -1), mainly thanks to the positive trend of foreign markets (the balance passing from -11 to 1). Indeed signals of recovery also come from domestic demand (from -11 to -7). The order-book rise is accompanied by a marked inventories' reduction (the balance falling from 12 to -6), which

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



usually paves the way to a productive activity recovery, as indeed confirmed by the considerable growth in expectations on production (the balance rising from 14 to 21). Conversely, negative signals come from the degree of plant utilisation, which is surveyed on a quarterly basis and then seasonally adjusted: it deteriorates from 75.2 to 73.9 for the second quarter in a row.

Looking at single regions (raw data), a clear improvement in assessments on total order books emerges everywhere, both on domestic and on foreign markets. Expectations on production (the balance passing from 34 to 36) and on order books (from 35 to 40) improve only in *Lombardia*.

#### North-east

North-eastern entrepreneurs' confidence grows from 103 in the first quarter to 104 in the second quarter: assessments on the order-book level increase (the balance rising from -4 to 2 - is positive again after three years of negative figures), as do expectations on production (their seasonally adjusted balance passing from 15 to 16); while inventories increase from 2 to 6. With regard to order books, the recovery concerns both domestic (from -7 to -4) and foreign markets (from -6 to 1). Indeed, a rise in the degree of plant utilisation is witnessed from 78.6 to 79.6 (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 in assessments on order books and production in all regions, with the exception of *Friuli Venezia-Giulia*, where assessments on production are worsening (the balance falling from 8 to -15). Expectations on order books and production are worsening everywhere.

#### Centre

In Central regions too, the confidence climate of manufacturing firms is rising from 100.7 to 101.5, particularly thanks to the balance of assessments on the order-book level (from -14 to -8) and on the

production trend (from 15 to 20). Inventories remain stable at -2, as in the previous quarter. Also assessments on the production level are growing (the balance rising from -12 to -9), as are forecasts on order books (from 21 to 23). Indeed, also the degree of plant utilisation increases from 75.8 to 76.5 (seasonally adjusted data).

Turning to single regions, (raw data), evaluations on the overall order-book and production figures are improving everywhere: in particular, the balance on order books passes from -28 to -12 in *Marche* and from -15 to -5 in *Toscana*, Entrepreneurs from *Marche*, *Toscana* and *Lazio* are however pessimistic on their prospects for order books and production. Conversely, firms from *Umbria* are definitely optimistic, as all balances are growing: in particular the one referring to assessments on the production level rises from -12 to 1, thus becoming positive again for the first time since the second quarter 2002.

#### Mezzogiorno

The entrepreneurs' confidence in the *Mezzogiorno* of Italy clearly improves: their seasonally adjusted confidence indicator grows from 102.2 in the first quarter to 105.8 in the second quarter. Alongside with an improvement in their assessments on order books (the balance rising from -10 to -8), a growth is observed in production expectations (from 14 to 21). Quite the reverse, the degree of plant utilisation continues to deteriorate, passing from 74 to 73.6.

At regional level, an improvement is registered in balances concerning the overall order-book levels of all regions, except for *Molise* and *Calabria*. Also evaluations on the production level are generally improving everywhere, with the exception of *Calabria*, where the balance decreases from -12 to -19. Finally, entrepreneurs from *Abruzzo*, *Basilicata* and *Campania* show a positive approach towards their future order-book and production prospects, while in *Calabria*, *Sicilia* and *Sardegna*, expectations on order books and production are rather pessimistic.

## **ISAE Consumer Survey**

### North-west

North-western consumers' confidence climate decreases again from 91.3 of the first quarter to 90.7 in the second quarter 2004. The worsening is mainly due to a negative approach to saving: in particular, a worsening emerges from balances on both the future saving opportunities (from -61 to -68) and the present convenience to save (from 65 to 56), as well as from assessments on the convenience to purchase durables (the balance passing from -99 to -101). Households in the North-west are however less pessimistic in their assessments (passing from -107 to -97) and forecasts (from -28 to -25) on the country's general economic situation, as well as on their own situations (the balance on assessments grows from -51 to -43, while the one on forecasts rises from -6 to -5). Also forecasts on unemployment are rosier and the balance goes from 35 to 30.

### North-east

North-east is the only partition where signals of confidence improvement emerge: indeed, the seasonally adjusted index passes from 90 to 91.8. Among the confidence-building series, the indicator definitely grows in assessments (the balance rising from -110 to -94) and in forecasts (from -31 to -24) on the general economic situation and even evaluations on the households' own situations seem rosier (from -47 to -43). This goes alongside with a recovery in assessments on the present convenience to purchase durables (the balance increasing from -103 to -91). Also forecasts on unemployment tend to improve: the balance decreases from 35 to 31. Conversely, forecasts on the households' economic situations are rather pessimistic and the balance decreases from -7 to -8, as are forecasts on the future saving opportunities (from -59 to -66).

### Centre

In Central regions, the households' confidence climate

is deteriorating: the seasonally adjusted index diminishes from 89.2 in the first quarter to 88.1 in the second quarter. In this partition too, the deterioration is mainly due to a pessimistic approach to saving: indeed, assessments on future saving opportunities worsen from -72 to -84, as do those on the present saving convenience (from 69 to 52). Households from the Centre are however optimistic with reference to their own situations: assessments on the households' economic situations improve (from -53 to -48), while balances on forecasts remain stable at -6; also the balance referring to assessments on the present households' own situations is growing. Consumers from Central regions generally have a rosy approach to the country's general economic situation (the balance of assessments passing from -113 to -101, while that of forecasts grows from -30 to -27). Also the balance of expectations on unemployment improves going from 40 to 31.

### Mezzogiorno

In the second quarter 2004, the seasonally adjusted confidence climate of households in the *Mezzogiorno* falls from 85.3 to 84.5. In this case too, the diffused worsening is due to saving: indeed, balances concerning the present saving convenience fall from 77 to 63, while those referring to future saving opportunities goes from -92 to -95. All in all, the households' own situations seems to be slightly improving: assessments on the households' economic situations recover from -60 to -55, though remaining on historically low levels, as does the households' own situations, which is growing from -7 to -1. Forecasts on the households' economic situations remain stable at -10, and evaluations on the convenience to purchase durables remain at -114. Southern households also feel the country's general economic situation is slightly improving: their assessments (from -120 to -110) and forecasts (from -37 to -36) on the Italian economic situation are less pessimistic, as are expectations on unemployment (the balance passing from 48 to 41).