

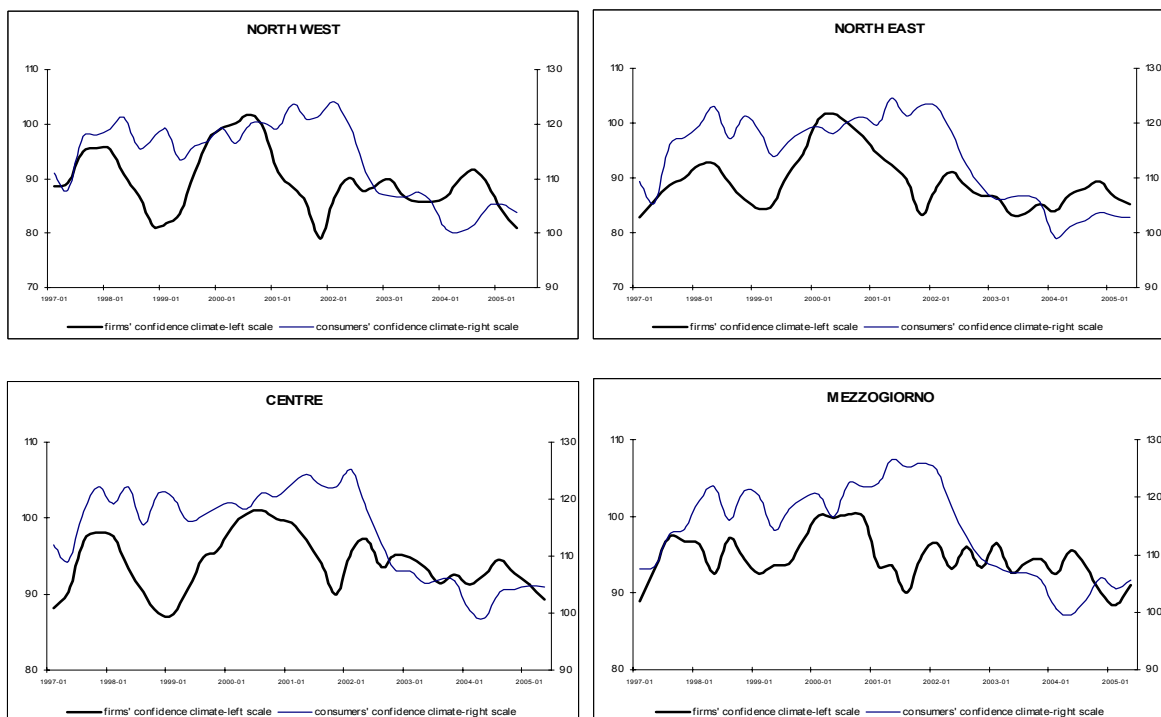


Date: July 26, 2005  
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## IN THE SECOND QUARTER 2005, THE ENTREPRENEURS' AND CONSUMERS' CONFIDENCE IMPROVES IN THE *MEZZOGIORNO* AND WORSENS IN THE NORTH; CONTRADICTIONARY SIGNALS EMERGE IN CENTRAL REGIONS

- In the second quarter 2005, the consumers' confidence climate worsens in the Northern regions, passing from 105.3 and 103.1 to 103.8 and 102.9 in the North-west and North-east respectively; the index is stable in the Centre (104.8) and improves in the *Mezzogiorno* (from 104.2 to 105.6)
- Opinions on the country's general economic situation and, in particular, on the labour market deteriorate in all partitions, while the present convenience to save and purchase durables and future saving opportunities improve in the *Mezzogiorno*
- Manufacturing firms' confidence worsens in the North-Centre, while showing signals of recovery in the *Mezzogiorno*; indeed the index falls from 84.2 in the North-west, going from 86.5 and 91.3 to 85.2 and to 89.4 in the North-east and in the Centre respectively; the seasonally adjusted index rises from 88.4 to 90.9 in the *Mezzogiorno*
- Looking at single sectors, the confidence fall in intermediate goods is homogeneously diffused in the North-Centre while it improves in the *Mezzogiorno*; conversely, in investment goods the indicator grows in the North-west and in the *Mezzogiorno*, while it worsens in the North-east and particularly in the Centre; finally, in consumer goods, the cyclical situation is definitely recovering in the North-east and in the Centre, while it is still worsening in the North-west and 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:

**July 27, 2005:** *ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: June)* and *ISAE Monthly Business Service Survey (Reference month: July)*

**August 1, 2005:** *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. On average of the second quarter 2005, the consumers' confidence climate worsens in the North-west and in the North-east, the seasonally adjusted balance passing from 105.3 and 103.1 to 103.8 and 102.9 respectively; confidence remains stable in the Centre (104.8) and it improves in the *Mezzogiorno* (from 104.2 to 105.6). The deterioration is mirrored in particular in opinions on the country's general economic situation and on the labour market, while the respondents' own situations are positively affected by the larger saving convenience and by better saving opportunities. In particular, assessments on the convenience to purchase durables improve in the *Mezzogiorno*.

The firms' confidence worsens in the North-Centre, particularly in the North-west: in this partition, the seasonally adjusted index falls from 84.2 to 80.7, while in the North-east and in the Centre it goes from 86.5 and 91.3 to 85.2 and to 89.4 respectively; signals of improvement emerge in the *Mezzogiorno*, there the seasonally adjusted index rises from 88.4 to 90.9.

Looking at single sectors, the confidence fall in intermediate goods is homogeneously diffused in the North-Centre while it improves in the *Mezzogiorno*; conversely, in investment goods the indicator grows in the North-west and in the *Mezzogiorno*, while it worsens in the North-east and, particularly, in the Centre; finally, in consumer goods, the cyclical situation is definitely recovering in the North-east and in the Centre, while it is still worsening in the North-west and in the *Mezzogiorno*.

## The ISAE Consumer Survey

### North-west

After three improving quarters in a row, the North-western consumers' confidence deteriorates again, passing from 105.3 to 103.8. In particular, both assessments (the balance passing from -90 to -105) and forecasts (decreasing from -22 to -25) on the Italian economic situation are worsening (raw data), as do unemployment expectations (the balance passes from 39 to 49). Looking at the variables referring to the respondents' own situations, North-western households are more pessimistic on their financial situations (the balance diminishing from 18 to 12), while assessments and forecasts on their own situations are slightly improving (from -44 and -8 to -43 and -4 respectively). Consumers are less pessimistic on their future saving opportunities (passing from -51 to -42 in terms of balance) as well as on their present convenience to save (from 90 to 97); indeed, also evaluations on the convenience to purchase durables are recovering and get close to the figures of the second quarter 2003 (the balance rising from -101 to -88).

### North-east

The North-eastern confidence climate decreases for the second quarter in a row and the seasonally adjusted index diminishes from 103.1 to 102.9. Among the confidence-building series, all variables referring to the general economic situation worsen: in particular, the balances of assessments (from -94 to -109) and expectations (from -25 to -30) on the country's general economic situation and of unemployment expectations (from 48 to 49) deteriorate. With reference to the respondents' own situations, assessments on the respondents' financial and economic situations are worsening (from 17 and -42 to 15 and -46 respectively); while expectations on the respondents' own situations are improving (from -8 to -6), as are forecasts on future saving opportunities (the balance growing from -51 to -37) and on the present convenience to save (the balance passes from 87 to 91).

Also assessments on the convenience to purchase durables are rosier and the balance equals -85, thus getting close to the figure of the third quarter 2002 for the first time.

### Centre

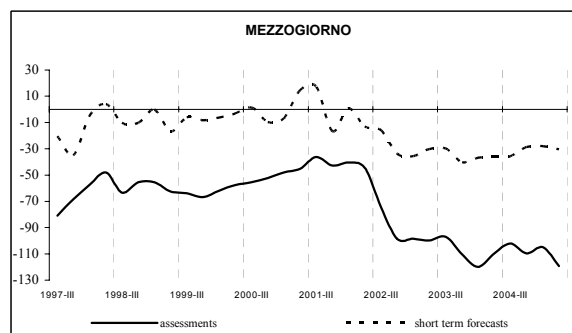
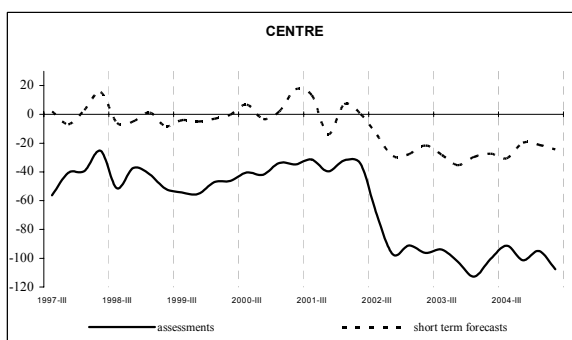
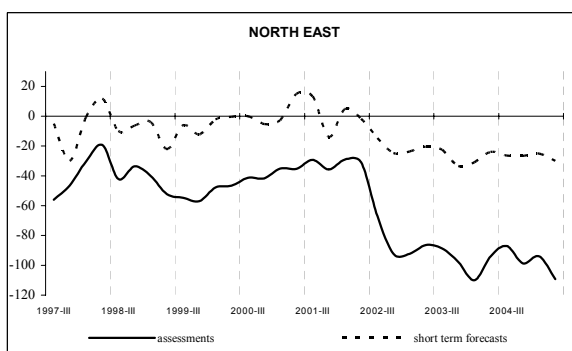
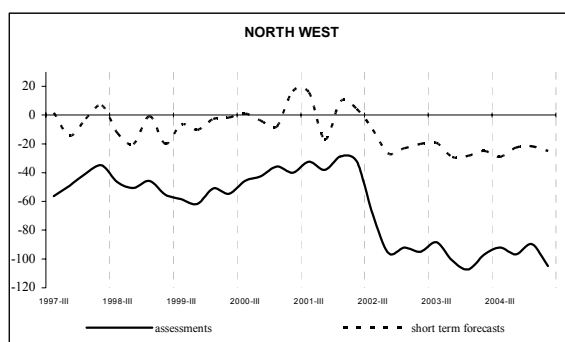
In the second quarter 2005, the households' confidence in Central regions remains stable at 104.8. Similarly to what happens in other partitions, consumers in the Centre are pessimistic on the country's general economic situation (the balance of evaluations decreases from -95 to -108 and the one of forecasts passes from -21 to -24) and on the labour market prospects (the balance passes from 41 to 44). A strong pessimism emerges from assessments on the respondents' own situations, (the balance passing from -46 to -50, which is the lowest trough since 1997), though expectations (from -7 to -2) and opinions (8) on the households' financial situations are improving. Also assessments on future opportunities (from -68 to -45) and on the present convenience (from 89 to 95, close to the levels of the fourth quarter 2001) to save are definitely growing. Also in this partition, assessments on the convenience to purchase durables improve (from -99 to -87 in terms of balance) for the second quarter in a row.

### Mezzogiorno

Between April and June, the seasonally adjusted confidence climate of households in *Mezzogiorno* improves from 104.2 to 105.6. Evaluations on the own situations are rosier both with reference to the households' situations (the balance growing from -9 to -4) and with regard to future opportunities (from -88 to -58, for the first time close to the figures of the fourth quarter 2002) and to the present convenience to save (from 92 to 111). Also evaluations on the convenience to purchase durables are definitely improving (the balance passes from -114 to -96). Among variables referring to the respondents' own situations, the only worsening variable is the one referring to the assessments on financial situations, as the balance falls

(for the third quarter in a row) from -2 to -7. Variables regarding the overall economic situation are deteriorating: the balances of assessments and forecasts on the general economic situation decrease from -105 and -28 to -119 and -30 respectively; indeed,

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



the balance of unemployment expectations continues to worsen for the third quarter in a row, passing from 52 to 54, thus reaching the figures of the fourth quarter 2002.

### ISAE Business Survey on Manufacturing and Extractive Firms

#### North-west

Confidence in the manufacturing sector contracts for the third quarter in a row: indeed, the indicator falls from 84.2 to 80.7, which marks the lowest quarterly figure ever registered since 1997. The strong index deterioration is due to an order-book downturn (the balance decreasing from -21 to -30) affecting both the foreign (from -20 to -29) and the domestic (from -25 to -32) markets. The order-book contraction is accompanied (for the third quarter in a row) by a fall in the production trend balance (passing from 8 to 5), while inventories remain substantially stable at 13. Negative signals also come from assessments on production (the balance falling from -16 to -23) and from order-book expectations, decreasing from 9 to 8, thus getting close to the figures of the third quarter 2001. The degree of plant utilisation – which is surveyed on a quarterly basis and then seasonally adjusted – remains stable (from 76.3 to 76.4).

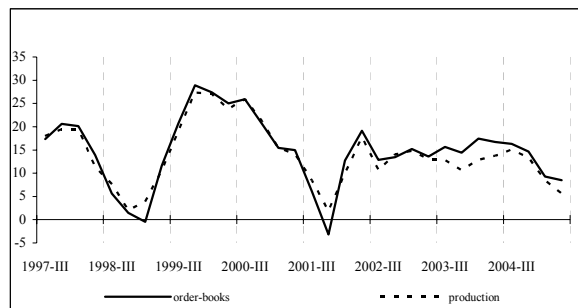
Breaking down data by sector, the marked confidence deterioration mainly stems from a strong fall in intermediate goods, where the index decreases for the third quarter in a row and passes from 83.2 to 75.9 (thus comparing the figures of the fourth quarter 2001), and from a smaller worsening in consumer goods (from 89.9 to 88.6); however, positive signals come from investment goods, where the index grows from 81.0 to 81.7.

#### North-east

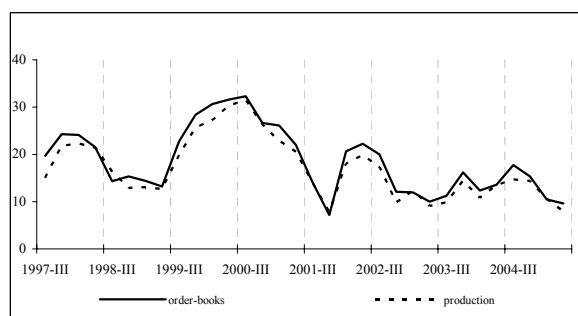
Also North-eastern entrepreneurs' confidence continues to diminish for the second quarter in a row: the seasonally adjusted index falls from 86.5 to 85.2.

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

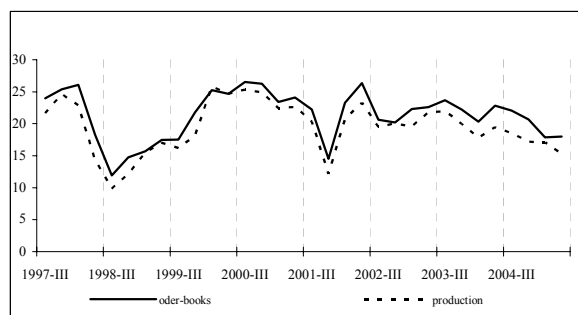
#### NORTH WEST



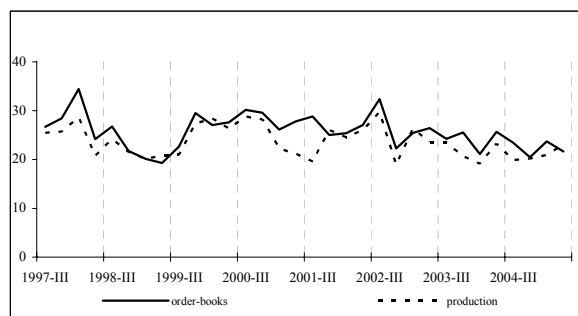
#### NORTH EAST



#### CENTRE



#### MEZZOGIORNO



SOURCE: ISAE

Assessments on the order-book level worsen (the balance passing from -14 to -17, with a contraction from -19 to -21 on the domestic market and from -18 to -19 on the foreign market) and expectations on production accordingly fall (the seasonally adjusted balance equals 8, which is one of the troughs since the third quarter 1997), even though inventories seem to decrease (from 9 to 7). Negative signals come from the current production level, as the balance passes from -9 to -10, while order-book expectations remain substantially stable (at 10). Even the degree of plant utilisation registers a contraction from 77.5 to 76.8.

Breaking down data by sector, in this partition too, the confidence contraction stems from the pessimistic approaches of intermediate goods producers, whose indicator falls from 87.2 to 82.8, and of investment goods producers, whose indicator decreases from 84.3 to 82.1, while the index for consumer goods improves from 87.8 to 89.2.

#### Centre

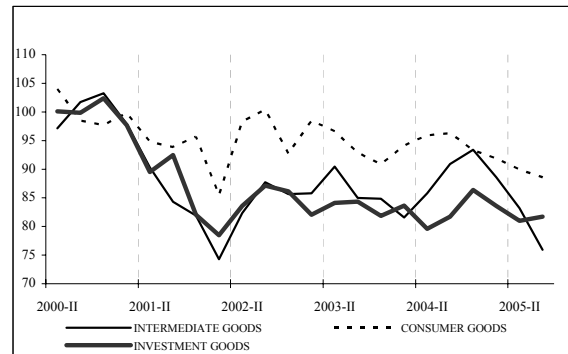
In Central regions too, the confidence climate of manufacturing firms is falling, for the third quarter in a row, and passes from 91.3 to 89.4: the deterioration is caused by a fall in the order-book balance (from -18 to -22) and by a slight growth in inventories (the balance rising from 6 to 7); the while assessments and forecasts on production are worsening (from -15 and 17 to -16 and 16 respectively) and forecasts on order books remain stable (at 18, which is one of the lowest figures since 1997). The picture is completed by a degree of plant utilisation decreasing from 77 to 76.2.

For the Centre too, the deterioration is mainly due to a fall in the indicator of intermediate (from 85.5 to 80.7) and investment (from 89.2 to 87.8) goods, while confidence is slightly improving in consumer goods index (from 95.2 to 95.8).

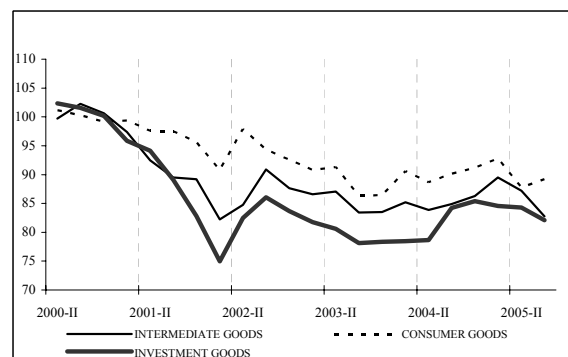
#### Mezzogiorno

In spite of what happens in other partitions, the entrepreneurs' confidence in the *Mezzogiorno* of Italy is improving and the seasonally adjusted index increases from 88.4 to 90.9. Assessments on the order-

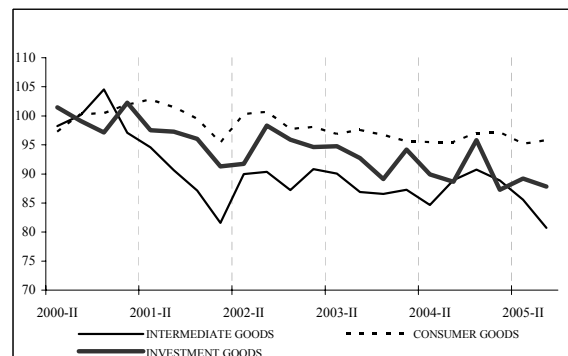
### CONFIDENCE CLIMATE BY ECONOMIC PURPOSE GOODS (s.a. data) NORTH WEST



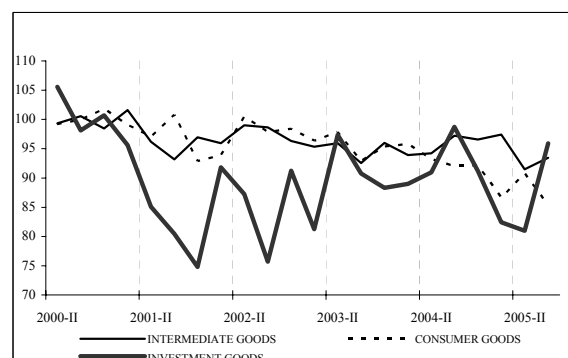
### NORTH EAST



### CENTRE



### MEZZOGIORNO



SOURCE: ISAE

book level improve (the balance rising from -23 to -21) both on the foreign (from -30 to -29) and on the domestic (from -23 to -19) markets and an upturn is observed in inventories (the balance going from 9 to 13). For the second quarter in a row, a slight rise is registered in expectations on production (passing from 21 to 23), while assessments remain stable at -15. The degree of plant utilisation (seasonally adjusted data) rises from 71.3 to 73.5. The only negative signal come from expectations on order books, the balance of which falls from 24 to 22.

The confidence improvement, in this geographical partition, mirrors the favourable trend of intermediate goods (index passes from 91.5 to 93.5) and, in particular, of investment goods (from 81.0 to 95.9); conversely, confidence worsens for consumer good producers, whose index goes from 90.8 to 85.3.