



ISTITUTO DI STUDI E ANALISI ECONOMICA

Piazza dell'Indipendenza, 4 00185 ROMA TEL.: + 39-0644482.1 FAX: + 39-0644482229

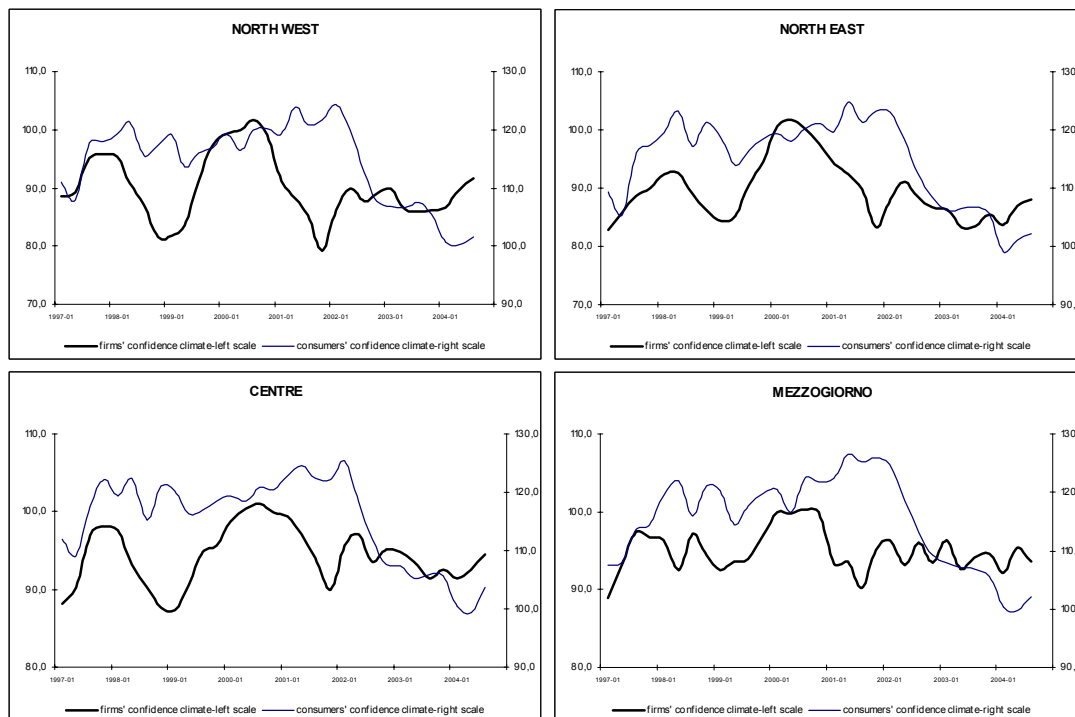
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IN THE THIRD QUARTER 2004, THE MANUFACTURING FIRMS' AND CONSUMERS' CONFIDENCE CLIMATE SHOWS SIGNALS OF IMPROVEMENT HOMOGENEOUSLY DIFFUSED THROUGHOUT THE WHOLE COUNTRY

- The manufacturing firms' confidence indicator clearly improves in the third quarter in the Northern and Central regions. The seasonally adjusted index rises from 89.7 to 91.8 in the North-west and from 87 to 88 in the North-east. In the Centre, the indicator grows from 92.7 to 94.7, while it decreases from 95.6 to 94 in the *Mezzogiorno*
- Among the confidence-building series, firms from Northern-Central regions report an order-book recovery, while their expectations on production show a slight improvement in the North-west and a substantial stability in the North-east. Forecasts on production are however worsening in the South-Centre
- The Italian consumers' confidence climate shows signals of improvement throughout the whole country: in the North-west and in the North-east the seasonally adjusted index grows from 100.3 and 101.1 to 101.5 and 102.2 respectively; the improvement is more marked in the Centre and in the *Mezzogiorno* where the index passes from 99.4 and from 99.7 to 103.7 and 102.0 respectively
- The improvement is mainly due to rosier assessments on the general economic situation and on the respondents' own situations. Also confidence in future opportunities and in the present convenience to save is growing, while the balances of the present financial budgets are growing throughout the whole national territory

FIRMS' (indices 2000=100) AND CONSUMERS' CONFIDENCE CLIMATES (indices 1980=100) (seasonally adjusted data)



Next ISAE surveys are scheduled as follows:

November 24, 2004: ISAE Monthly Consumer Survey (Reference month: November)

November 25, 2004: ISAE Monthly Survey on Manufacturing and Extractive Firms (Reference month: November)

November 30, 2004: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: October) and ISAE Monthly Business Service Survey (Reference month: November)

December 1, 2004: Comparative Business Surveys for Italy, Germany and France (Reference month: November)

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

General results¹

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 average of the third quarter, manufacturing firms' confidence climate improves in Northern and Central regions, while it worsens in the *Mezzogiorno*. Among the confidence-building series, firms from Northern-Central regions report an order-book recovery, while their expectations on production show a slight improvement in the North-west, a substantial stability in the North-east, and a worsening in the South-Centre.

The Italian consumers' confidence climate shows signals of improvement throughout the whole country: in the Northern area the growth of seasonally adjusted index seems smaller than in the Centre and in the *Mezzogiorno*. The growth is mainly due to rosier assessments on the general economic situation and on the respondents' own situations. Also confidence in future opportunities and in the present convenience to save is growing and the balances of the present financial budgets are growing.

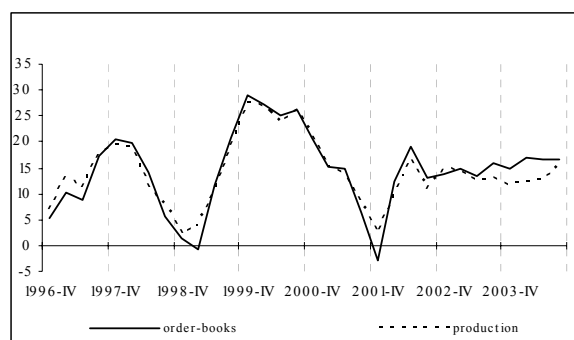
ISAE Business Survey on Manufacturing and Extractive Firms

North-west

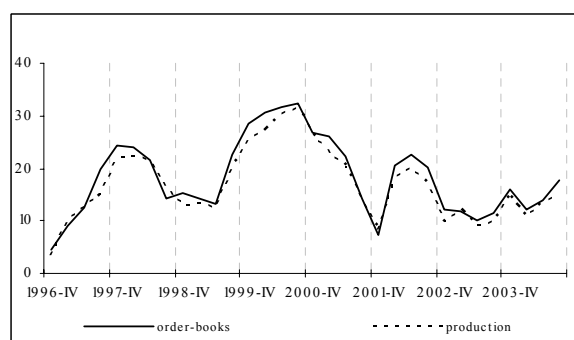
The elaborations of the results of the ISAE Surveys referring to the third quarter 2004 point to a marked improvement in entrepreneurs' confidence in North-western regions, where the indicator equals 91.8 (89.7 in the previous quarter). Though the negative sign

MANUFACTURING FIRMS EXPECTATIONS ON ORDER BOOKS AND PRODUCTION (Seasonally adjusted data)

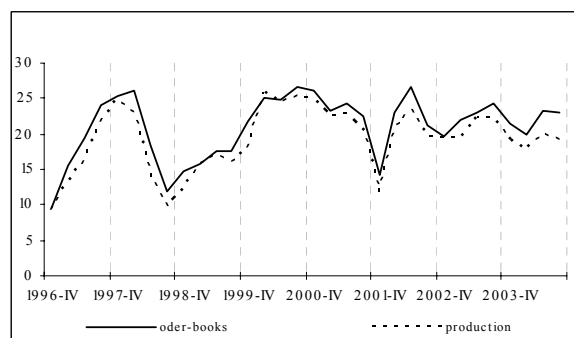
NORTH-WEST



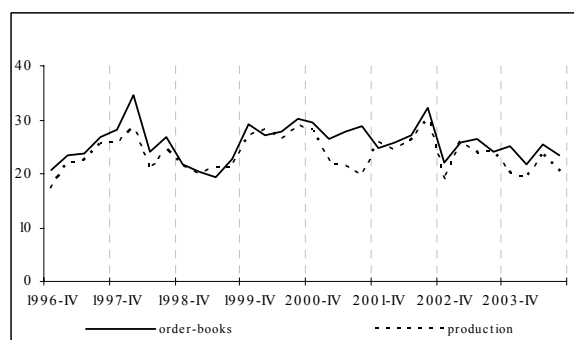
NORTH-EAST



CENTRE



MEZZOGIORNO



Source: ISAE

¹ Starting from this issue, ISAE re-elaborates the data of the manufacturing and extractive firms' Survey on the basis of new computation procedures. The main changes concern the firm classification by sector, the weights adopted for aggregation and the computation of the balance of assessments on finished products inventories. A detailed description of the variations is provided by the Press Release "Restructuring of the ISAE Survey on manufacturing and extractive firms", which was diffused on October 27 and is available on the website www.isae.it.

remains, assessments on the overall order-book level continue to rise (the seasonally adjusted balance passing from -16 to -11); indeed, the improvement concerns both foreign markets (the balance rising from -14 to -10) and the domestic demand (from -20 to -14). The order-book growth goes alongside with a slight stock rise (the balance growing from 5 to 6). Positive signals also come from expectations and assessments on production: the balance of expectations passes from 13 to 15, thus improving for the third quarter in a row, while assessments – though remaining negative - pass from -13 to -8. Expectations on order books remain stable (the balance remaining at 17 for the third quarter in a row), while negative signals come from the degree of plant utilisation – which is surveyed on a quarterly basis and seasonally adjusted – falling from 78.3 to 76.3.

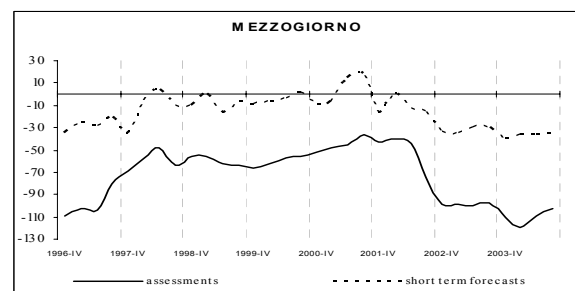
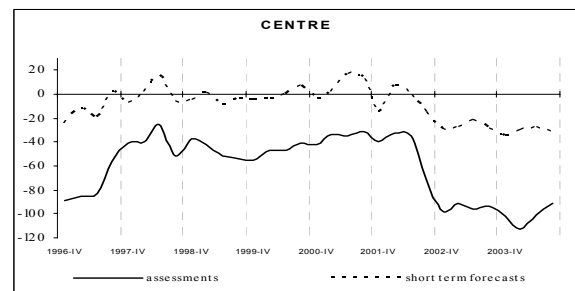
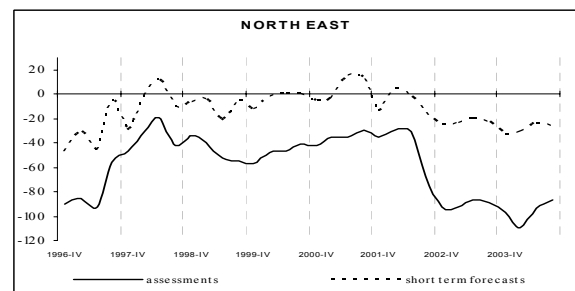
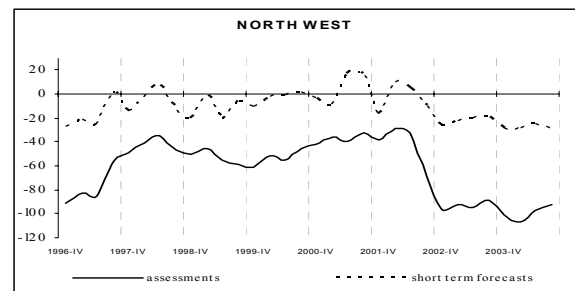
At regional level (raw data only), a definite improvement in assessments on the overall order-book level and on production is observed in all regions. Expectations on both production and order books improve in *Piemonte*, *Valle d'Aosta* and *Lombardia*, while they worsen in *Liguria* (from 21 and 33 to 13 and 21 respectively).

North-east

North-eastern entrepreneurs' confidence grows from 87 (in the second quarter) to 88: assessments on the order-book level improve (the balance – though remaining negative – passes from -15 to -12), while expectations on production (the seasonally adjusted balance equalling 14), and the level of inventories (9) remain unchanged. In particular, with regard to order books, the recovery concerns foreign markets (passing from -21 to -14), while the domestic demand remains stable at -19 (as in the previous quarter). Also assessments on the level of production (the balance passing from -11 to -8) and on order-book expectations (from 14 to 18) are definitely improving. The degree of plant utilisation registers a slight deterioration in this partition as well, passing from 76.8 to 76.6.

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 the order-book level (the balance passing from -20 to -15) and on production (from -13 to -7) in *Veneto*, while expectations on order books and production are recovering in *Emilia Romagna* from 9 and 11 to 17 and 13 respectively).

**CONSUMERS – ASSESSMENTS AND SHORT TERM FORECASTS
ON THE COUNTRY'S GENERAL SITUATION
(raw data)**



Source: ISAE

Centre

In Central regions too, the confidence climate of manufacturing firms is improving from 92.7 in the second quarter, to 94.7 in the third quarter, thanks in particular to a growing order-book balance (from -18 to -13) and to slightly decreasing inventories (from 4 to 3). Conversely, expectations on production are slightly worsening (the balance falling from 20 to 19). Also assessments on production improve (the balance growing from -16 to -10), while forecasts on order books are rather pessimistic (the balance passing from 23 to 22). Indeed, the degree of plant utilisation continues to rise for the third quarter in a row (seasonally adjusted data) and passes from 77.4 to 77.9.

Turning to single regions, (raw data), assessments on the overall order books are generally improving: in particular, the balance of the order-book level passes from -19 to -16 in *Marche* and from -19 to -15 in *Toscana*. Entrepreneurs from all Administrative Regions of Central Italy are pessimistic on their future prospects on order books and production. Assessments on production are indeed recovering in *Marche* (the balance passing from -22 to -10) and in *Toscana* (from -16 to -12).

Mezzogiorno

Unlike what happens in other geographical partitions, the entrepreneurs' confidence in the *Mezzogiorno* of Italy is worsening: the seasonally adjusted confidence indicator decreases from 95.6 in the second quarter to 94 in the third quarter. Alongside with a contraction in assessments on the order-book level (the balance falling from -11 to -14) and in expectations on production (the balance passing from 23 to 20), a fall is observed in inventories (the quarterly balance passing from -5 to 4), together with an improvement in assessments on production (the balance growing from -10 to -7). Conversely, the degree of plant utilisation deteriorates from 74.2 to 72.3.

.At regional level, an improvement is registered in balances concerning the overall order books of *Campania* and *Calabria*, due to the general improvement of assessments both on the foreign and on the domestic markets. Expectations on order books and production worsen everywhere, except *Molise*. Even evaluations on the production levels are rather pessimistic, with the only exception of *Campania* (the balance passing from -18 to 4) and *Calabria* (from -5 to -1).

ISAE Consumer Survey

North-west

The North-western consumers' confidence climate grows for the second quarter in a row and passes from 100.3 of the second quarter to 101.5 of the third quarter. In particular, the rise is observed in balances on future opportunities (from -68 to -66) and on the present convenience (from 56 to 74) to save, together with assessments on the convenience to purchase durables (the balance growing from -101 to -96). Also assessments on the general economic situation are improving (the balance passing from -97 to -92), as are those on the respondents' own situations (from -43 to -42). North-western households express less rosy about forecasts on the general economic situation (from -25 to -19) and on their own situations (from -5 to -6). Also forecasts on unemployment are rather dark: indeed, the balance passes to 32 from 30 in the second quarter.

North-east

The North-eastern consumers' confidence climate grows again for the third quarter in a row: the seasonally adjusted index passes from 101.1 to 102.2. Among the confidence-building series, all variables concerning the respondents' own situations improve. Both assessments (from -43 to -37) and forecasts (from -8 to -7) on the respondents' own situations are rosy and even future opportunities (from -66 to -64) and the present convenience ((from 61 to 62) to save are optimistic. Indeed, North-eastern households find their financial situations are improving (from 13 to 19).

With reference to the general economic situation, also forecasts on unemployment are slightly growing: the balance passes from 31 in the second quarter to 30 in the third quarter, while forecasts on the country's general economic situation are worsening (the balance decreasing from -24 to -26).

Centre

In Central regions, the households' confidence climate definitely improves: the seasonally adjusted index increases from 99.4 to 103.7. In this partition too, the index improvement is mainly due to rosier on the respondents' own situations; indeed, evaluations on future opportunities (from -84 to -67) and on the present convenience (from 52 to 67) to save improve. Households from the Centre show a positive approach to their own economic situations: assessments improve (the balance passing from -.48 to -40), while balances of forecasts remain substantially stable (at -6 for the fourth quarter in a row). Also balances concerning the present households' financial situations are growing (from 10 to 11) and assessments on the present convenience to purchase durables are rosier (from -102 to -92). Consumers from the Centre generally express negative expectations on the country's economic situation (the balance passing from -27 to -31) and on unemployment (from 31 to 33).

Mezzogiorno

In the third quarter 2004, the seasonally adjusted confidence climate of *Mezzogiorno* considerably rises from 99.7 to 102. In this case too, the index improvement is mainly due to rosier on the respondents' own situations and on the convenience to purchase durables. Indeed, balances on the households' evaluations of the present convenience to purchase durables improve from 63 to 70, as do those on the future opportunities to save (from -95 to -89); also assessments on the households' own situations are recovering (from -55 to -52), though they remain on historically depressed levels. Indeed, also the households' financial situations is growing and the

balance – passing from -1 to 1 – is positive again after three quarters in a row. Finally, the balances of the assessments on the convenience to purchase durables are growing from -114 to -101. Households living in the *Mezzogiorno* consider the general economic situation as improving: both evaluations (balance passes from -110 to -102) and forecasts (remaining at -36) on the general economic situation are less dark, as are forecasts on unemployment (from 41 to 40).