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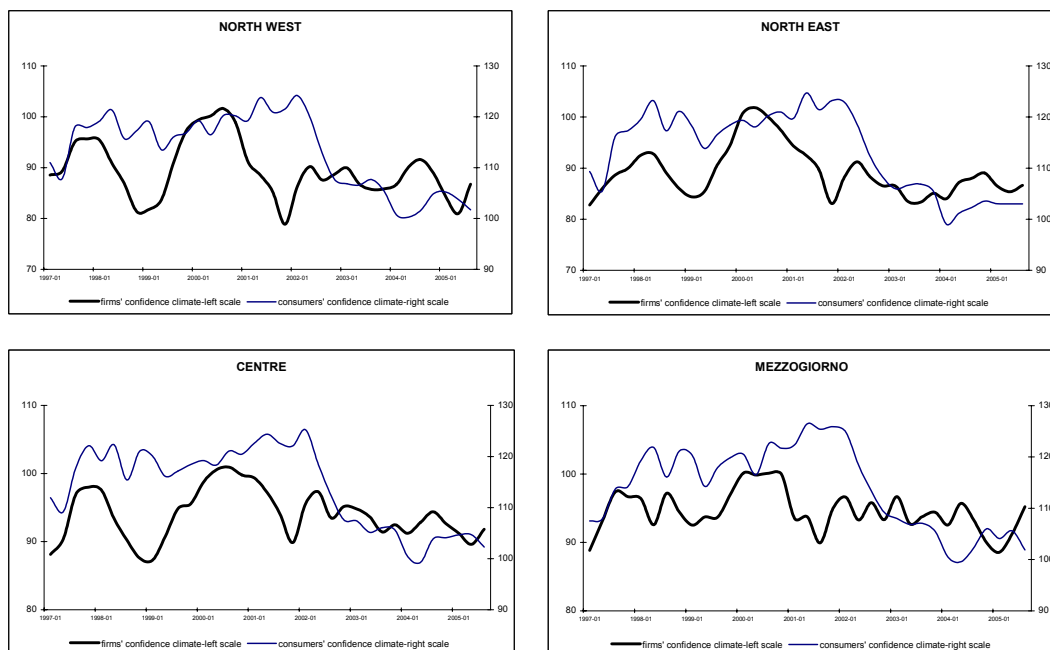
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TEL.: 06/444821

## IN Q3 2005, THE MANUFACTURING FIRMS' CONFIDENCE DEFINITELY IMPROVES THROUGHOUT THE WHOLE COUNTRY. THE CONSUMERS' CONFIDENCE WORSENS ON AVERAGE IN Q3 THOUGH SHOWING SIGNALS OF RECOVERY IN SEPTEMBER AND OCTOBER

- The manufacturing firms' confidence strongly rises in the North-west and in the *Mezzogiorno*, where the seasonally adjusted index grows from 81 and 91.2 to 86.9 and 95.2 respectively; the growth is smaller in the North-east and in the Centre, where the indicators rise from 85.4 and 89.6 to 86.7 and 91.7 respectively
- Looking at single sectors, confidence in intermediate and in investment goods improves in all geographical partitions. In consumer goods the trend is dishomogeneous in the various partitions: the indicator recovers in the North-west and in the Centre-South, with a smaller intensity compared to the other two sectors, while it worsens in the North-east
- The consumers' confidence climate worsens on average throughout the whole country, even though with different intensities in the various geographical partitions: the seasonally adjusted index decreases from 103.8 to 101.6 in the North-west and from 104.7 to 102.1 in the Centre; the confidence contraction is smaller in the North-east (from 103.0 to 102.9) and is larger in the *Mezzogiorno*, passing from 105.5 to 101.8 (which is the worst contraction in the country)
- However, after reaching a trough between July and August, the consumers' confidence has been growing again since September and since the beginning of Q4, thus obtaining a peak in October in the North-east and getting close to the late-2004/early-2005 values in the other partitions

FIRMS' CONFIDENCE CLIMATE (INDICES 2000=100) AND CONSUMERS' CONFIDENCE CLIMATE (INDICES 1980=100)  
(seasonally adjusted data)



Next ISAE surveys are scheduled as follows:

**November 23, 2005: ISAE Monthly Consumer Survey (Reference month: November)**

**November 25, 2005: ISAE Monthly Business Survey on Manufacturing and Extractive Firms (Reference month: November)**

**November 29, 2005: ISAE Monthly Survey on Traditional Retail Trade and Large Distribution (Reference month: October) and ISAE Monthly Business Service Survey (Reference month: November)**

**December 1, 2005: 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](http://www.isae.it))

## General results

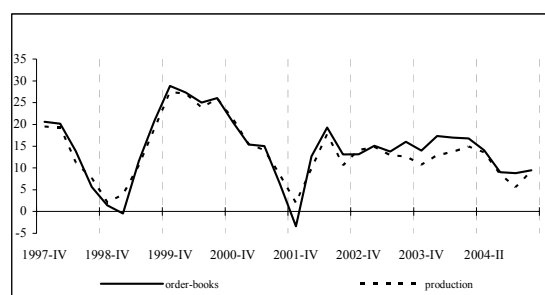
On a quarterly basis, ISAE breaks down by geographical partitions the data coming from its own monthly Business and Consumer Surveys for Italy carried out on samples of about 2,000 consumers and 4,000 manufacturing and extractive firms respectively. On average Q3 2005, the manufacturing firms' confidence improves throughout the whole national territory, showing signals of recovery particularly in the North-west and in the *Mezzogiorno*, where the seasonally adjusted index rises from 81 and 91.2 to 86.9 and 95.2 respectively; the growth is smaller in the North-east and in the Centre, where the index increases from 85.4 and 89.6 to 86.7 and 91.7 respectively. Looking at single sectors, confidence in intermediate and in investment goods improves in all geographical partitions. In consumer goods, the trend is dishomogeneous in the various partitions: the indicator recovers in the North-west and in the Centre-South, with a smaller intensity compared to the other two sectors, while it worsens in the North-east.

The consumers' confidence climate worsens on average throughout the whole country, even though with different intensities in the various geographical partitions: the seasonally adjusted index decreases from 103.8 to 101.6 in the North-west and from 104.7 to 102.1 in the Centre; the confidence contraction is smaller in the North-east (from 103.0 to 102.9) and is larger in the *Mezzogiorno*, passing from 105.5 to 101.8 (which is the worst contraction in the country). In all partitions, opinions on the general economic situation and, in particular, on the labour market, deteriorate, while assessments on the financial situations improve everywhere but in the Centre. Finally, opposing signals emerge from the present saving convenience and from future saving opportunities.

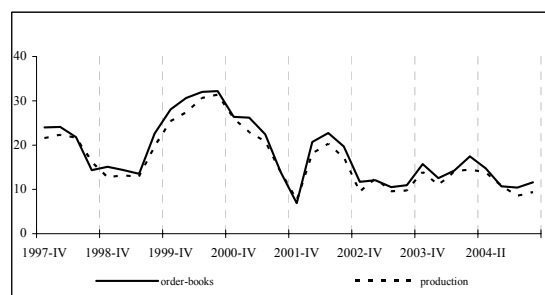
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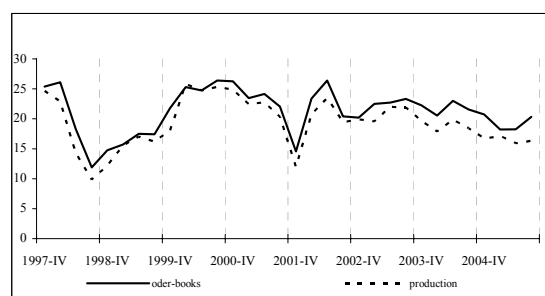
## MANUFACTURING FIRMS - EXPECTATIONS ON ORDER-BOOKS AND PRODUCTION (s.a. data)



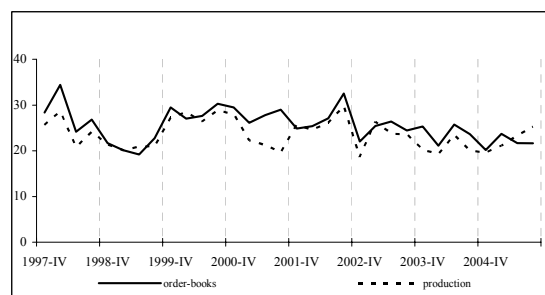
NORTH EAST



CENTRE



MEZZOGIORNO



SOURCE: ISAE

## **ISAE Business Survey on Manufacturing and Extractive Firms**

### North-west

After witnessing a deterioration for three quarters, the North-western entrepreneurs' confidence improves again from 81 to 86.9, thus registering a larger improvement than other partitions. The index growth is mainly due to an improving demand (the balance passes from -29 to -20) which is common both to foreign (from -29 to -27) and – even more so – to domestic markets (from -31 to -22). The order-book recovery goes alongside with improved production forecasts (the balance passing from 6 to 10, which marks an improvement after three decreasing quarters in a row) and to a strong stock reduction (the balance diminishing from 13 to 7). Similarly, favourable signals emerge from assessments on production (the balance rising from -22 to -15), while the balance of expectations on order books remains stable at 9. Conversely, the degree of plant utilisation – which is surveyed on a quarterly basis and seasonally adjusted – slightly decreases from 76.4 to 76.1.

Breaking down data by goods, the confidence recovery stems from the marked growth in intermediate goods, where the index rises from 76.2 to 83, and to an even larger improvement in investment goods, where the index rises from 81.9 to 91, which is one of the peaks since Q4 2000; favourable signals also come from consumer goods, where the index increases from 88.7 to 90.4, after four deteriorating quarters in a row.

### North-east

Confidence in the North-east improves too: the seasonally adjusted confidence indicator increases from 85.4 in April-June to 86.7, which marks a smaller growth than in other partitions. Assessments on order books improve (the balance increases from -17 to -12, with a rise on domestic market from -21 to -15 and on foreign markets from -19 to -16) and expectations on production rise (the seasonally adjusted balance decreasing from 9 to 8, thus remaining on the lowest

levels since 1997), even though inventories are slightly growing (from 8 to 9). Positive signals come from valuations on the current production levels (the balance passing from -10 to -7) and from expectations on order books (from 10 to 11). Even the degree of plant utilisation recovers from 77.1 to 78.3.

Looking at single sectors, the confidence improvement is generally due to a wide-spread optimism among intermediate-good operators, whose indicator increases from 82.9 to 86.8, and to investment goods operators, whose index goes up from 82.1 to 82.8. Conversely, for consumer goods the index decreases from 89.3 to 88.8.

### Centre

In Central regions too, the confidence climate of manufacturing firms is improving: the seasonally adjusted index grows from 89.6 to 91.7 and the recovery is due to the demand improvement (the order-book balance passing from -22 to -15) and is common to both the domestic and (even more so) to the foreign markets (the balances rising from -23 and -28 to -18 and -20 respectively). This goes alongside with a slight stock reduction (the balance diminishing from 7 to 6, which marks a substantial standstill since the beginning of the year). Also order-book expectations (from 18 to 20) and assessments on production (from -16 to -14) are improving, while forecasts on production remain stable at 16 (in terms of balance). Finally, the degree of plant utilisation – surveyed on a quarterly basis and seasonally adjusted – falls from 76.2 to 75.6.

Also in the Centre the index recovery is mainly due to a betterment in the indicator on intermediate goods (from 80.8 to 86.2) and on investment goods (from 87.9 to 93.5), while the growth for consumer goods (from 95.9 to 96.4) is smaller.

### Mezzogiorno

The entrepreneurs' confidence is definitely improving in the *Mezzogiorno* of Italy: the seasonally adjusted index increases from 91.2 in Q2 to 95.2 in Q3. Among

the confidence-building series, assessments on order books improve for the second quarter in a row (the balance passing from -20 to -10); the wave of optimism is common to both foreign (from -29 to -17) and domestic markets (from -19 to -11). Furthermore, a reduction is observed in inventories for the second quarter in a row (the balance diminishing from 9 to 7), while expectations on production have been improving since Q1 2005 (the balance rising from 23 to 25). The favourable picture is also completed by evaluations on the production level (the balance grows from -14 to -7, which marks a growth for the second quarter in a row), while expectations on order books remain substantially stable (at 22). In this partition too, the degree of plant utilisation falls from 73.5 to 72.9 (seasonally adjusted data).

The confidence improvement in the *Mezzogiorno* of Italy mirrors the positive trend of intermediate goods (the index increasing from 93.7 to 96.3) and, in particular, of investment goods (from 96.1 to 108.4). Similarly to what happens in other partitions, the confidence index growth is smaller for consumer goods producers (from 85.5 to 86.8).

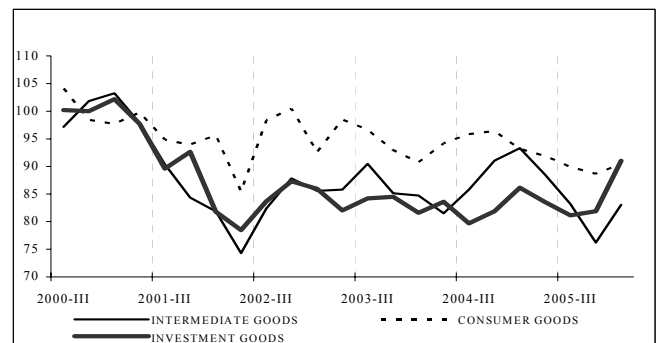
## The ISAE Consumer Survey

### North-west

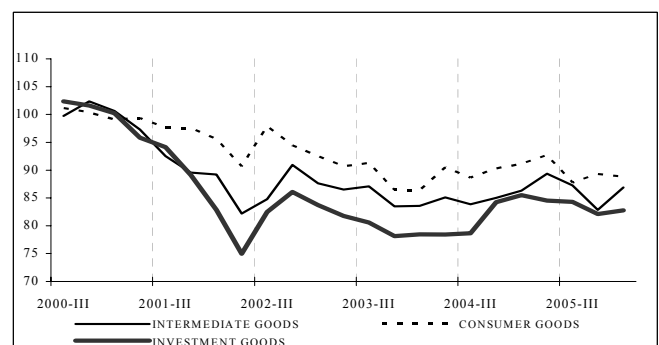
The North-western consumers' confidence climate deteriorates for the second quarter in a row, passing from 103.8 to 101.6 (seasonally adjusted data). The fall concentrated in July-August, when the index reached its trough (100.1) in August; in September the index grows again jumping to 104.2, confirming the recovery also at the beginning of Q4 (the October indicator equalled 105.8, which is one of the peaks ever reached since March).

In particular, the average evaluations on the general economic situation are worsening both in terms of

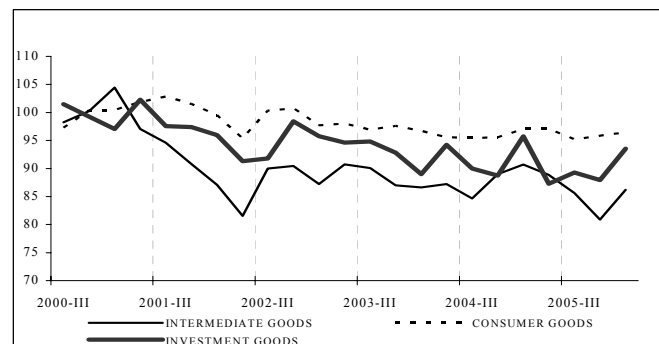
## CONFIDENCE CLIMATE BY ECONOMIC PURPOSE GOODS NORTH WEST



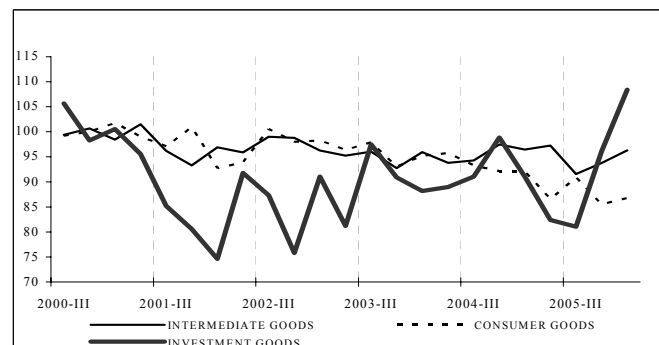
### NORTH EAST



### CENTRE



### MEZZOGIORNO



SOURCE: ISAE - seasonally adjusted data

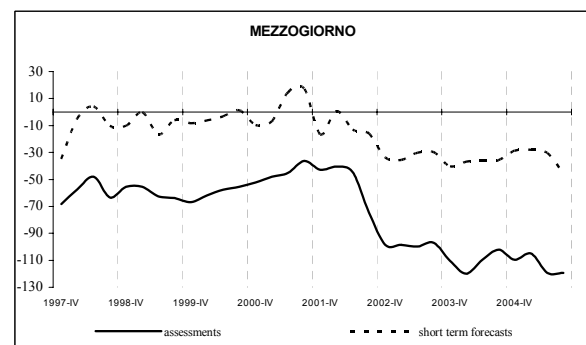
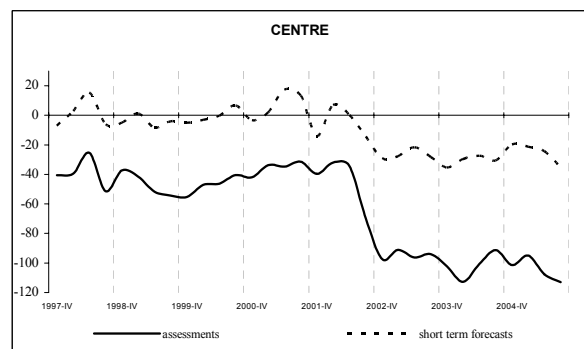
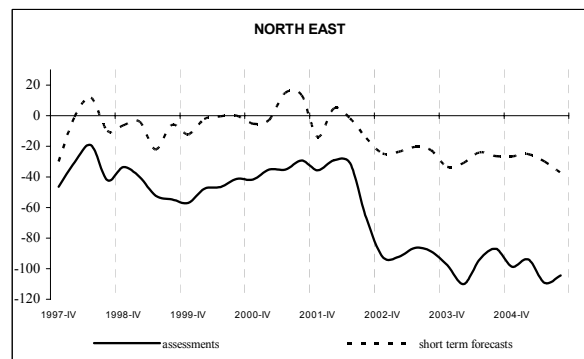
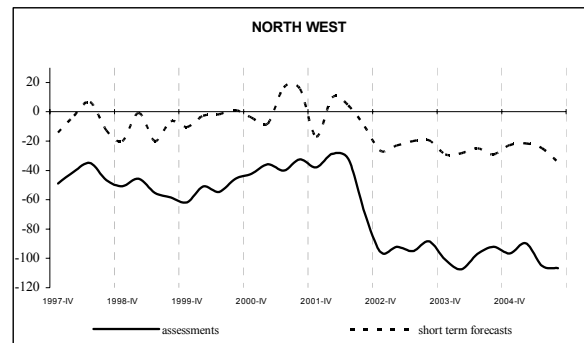
assessments (the balance passing from -105 to -107), and forecasts (the balance decreasing from -25 to -34) on the country's general economic situation, and in terms of unemployment expectations (the balance rising from 49 to 52). The pessimistic approach of North-western households is smaller with reference to their own situations: indeed assessments on their financial situations improve (from 12 to 14), while the balance of assessments on the households' economic situations remains unchanged (at 43); the forecasts on the households' economic situations are slightly worsening (from -4 to -7). After the improvement in Q2, North-western households are pessimistic again on their future opportunities and on their present convenience to save (from -42 and 97 to -51 and 89 respectively); assessments on the convenience to purchase durables recover for the second quarter in a row, even though the balance remains negative (from -88 to -83).

#### North-east

The North-eastern confidence climate continues to decrease for the third quarter in a row: the seasonally adjusted index diminishes from 103 to 102.9. In this case too, a trough was reached in July (101.3), while the index had a strong recovery in the following months till it reached 108.1 in October (one of the peaks since April 2003).

Among the confidence-building series, opposing signals emerge with reference to the general economic framework: assessments on the general economic situation recover (from -109 to -104, in terms of balance), while expectations worsen for the second quarter in a row (from -30 to -37), alongside with those on unemployment (the balance passing from 49 to 55). North-eastern households are generally optimistic on their own situations: indeed their financial situations are improving (from 15 to 20), as are assessments (from -46 to -41) and forecasts (from -6 to -5) on their own economic situations. Their evaluations on the present convenience to save are improving for the

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



SOURCE: ISAE

fifth quarter in a row, thus leading the balance close to the Q1 2002 figures, while evaluations on the future saving opportunities worsen again from -37 to -43 (in terms of balance). After the recovery in Q2, evaluations on the convenience to purchase durables deteriorate again (the balance passing from -85 to -90).

### Centre

After the constant improvement observed ever since Q3 2004, the households' confidence in Central regions worsen again on average in Q3 2005: the seasonally adjusted index falls from 104.7 to 102.1. However, after the trough observed in July (100.5), the index has been showing a swinging trend and equalled 104 in October (close to the May levels).

Consumers in the Centre are on average pessimistic on their country's general economic situation (the balance passing from -108 to -113 for assessments and from -24 to -35 for forecasts) and on the labour market prospects (the balance passing from 44 to 53). Also the households' own situations is characterised by a widespread pessimism: assessments on their own situations worsen again after the slight recovery of the two previous quarters (the balance decreasing from 8 to 4), as do evaluations (which reach the lowest trough since 1997) and forecasts on the households' own situations (the balances passing from -50 and -2 to -54 and -7 respectively). Opposing signals come from evaluations on saving: the balance on future saving opportunities is definitely worsening from -45 to -68 (one of the lowest figure in the past eight years), while assessments on the present convenience to save grow for the fifth quarter in a row (the balance rising from 95 to 106, which is one of the all-time high since 1997). In this partition too, assessments on the convenience to purchase durables continue to improve (the balance growing from -87 to -86).

### Mezzogiorno

The seasonally adjusted confidence climate of households from *Mezzogiorno* falls on average in Q3

2005, passing from 105.5 to 101.8: the index deterioration is more marked throughout the whole national territory. However, in this partition too, confidence has been showing signals of recovery since September, rising from 101.1 (August) to 105.6 (October).

The massive index contraction is mainly due to negative evaluations on the general economic situation: the stability of assessments (the balance remains stable at -119) alongside with worsening forecasts on the country's general economic situation (from -30 to -46) as well as on unemployment (from 54 to 65). Also the respondents' own situations is earmarked by diffused signals of pessimism: forecasts on the households' economic situations worsen again (from -4 to -11), as do evaluations on future saving opportunities (from -58 to -76), while the balance of assessments on the present saving convenience remains stable at 111 (one of the highest levels since 1997). The only households' variable showing an improvement concerns assessments on the households' own situations (the balance rising from -60 to -55). Households in the *Mezzogiorno* are pessimistic also on their convenience to purchase durables: the balance falls from -96 to -102.