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Survey of Inflation and Growth Expectations

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*This publication contains the main findings of the survey on inflation and growth expectations conducted by the Bank of Italy in collaboration with the newspaper Il Sole 24 Ore. The data were collected in September 2009 exclusively for the purpose of economic analysis and have been handled and processed in aggregate form, in full compliance with Italy's law on the treatment of personal information.*

*The survey report has been prepared by Lorenzo Bencivelli, Giuseppe Ilardi and Raffaele Tartaglia Polcini. Stefania Coscarella is the editorial assistant for the Italian version.*

*We would like to thank all the companies that agreed to take part.*

## SURVEY ON INFLATION AND GROWTH EXPECTATIONS

### 1. Introduction

The interviews for the *Banca d'Italia – Il Sole 24 Ore* quarterly survey on inflation and growth expectations were carried out between 3 and 22 September 2009. A total of 465 companies with at least 50 employees took part, 286 of which operate in the industrial sector and 179 in the services sector. The response rate was 47.2 per cent (Table 2a); the variability of the estimates was limited and in line with previous surveys (Table 4a).

The companies were asked to provide forecasts on both macroeconomic matters, such as the inflation rate and the general state of the Italian economy, and on issues related to their own business. In some cases, the forward-looking opinions are accompanied by backward-looking assessments and, where possible, explanations are provided of the factors underlying the reported or expected developments.

The main findings of the survey are summarized below. Appendices A, B, and C contain, respectively, the methodological notes, detailed statistical tables, and the questionnaire used.

### 2. Main Findings

#### **Expectations of consumer price inflation in Italy and change in companies' selling prices**

Inflation is expected to be 1.1 per cent over the next 12 months (Table 1), down from 1.4 per cent in the forecasts made in June (Figures 2 and 5) and lower than the estimates of professional forecasters. Expectations for the next 24 months put inflation at 1.8 per cent (1.9 per cent in June). For both time frames, inflation expectations are slightly lower in the South, among service companies, and among companies with 1,000 or more workers.

In September this year the twelve-month rise in the harmonized consumer price index came to 0.3 per cent (preliminary estimate released by Istat on 30 September), more than 3 percentage points lower than firms' expectations in September 2008 (3.7 per cent).

Businesses reported they had lowered their selling prices by 0.6 per cent in the 12 previous months, compared with 0.4 per cent in the 12 months to June (Table 2), in sharp contrast with the 2.4 per cent increase that had been expected in September 2008. The reduction was largest (1.2 per cent) in the case of industrial companies and almost negligible (0.2 per cent) for service firms. By region, the sharpest reduction (1.8 per cent) was recorded by firms in the North-West.

For the next twelve months, an average sales price rise of 1.1 per cent is anticipated, with no significant difference between industrial and service firms (0.9 and 1.2 per cent respectively); this is slightly higher than the expectations recorded in the June survey (0.8 per cent), unlike the trend in inflation expectations. The largest rises are anticipated by firms in the South and Islands (1.6 per cent). The factors that firms cited as determinants of the rise were again, as in June, the upward pressure from raw materials prices and the downward pressure from the pricing policies of their main competitors. Changes in demand were expected, for the first time in four quarters, to exert a modest upward pressure (Table 3).

#### **Assessment of the economic situation**

The survey results confirm the signs of an easing of the recession offered by the most recent cyclical indicators. For the first time after eight quarters, the firms finding an improvement in the general economic situation outnumbered the pessimists, by 19.6 to 16.4 per cent, compared with a negative balance of 26 percentage points in the previous survey (Table 4). Expectations for the next three months also suggest a less unfavourable economic picture (Table 5). The share of firms that do not rule out an improvement rose to 69.7 per cent, from 53.8 per cent in June. The portion rating the probability of improvement in the economy as a whole at better than 50 per cent

rose from 5.0 to 8.0 per cent. Expectations were marginally better among large firms and those in the North.

### **Demand trends**

The September survey added two new questions on the trend in demand during the quarter. The responses indicated continuing weak demand (Table 6); 53.3 per cent judged that demand conditions were unchanged from three months earlier. The balance between evaluations of improvement (21.2 per cent) and deterioration (25.6 per cent) was negative, though only slightly. Large firms and those located in the North-East and the Centre expressed the least favourable views. An examination of the state of export demand alone basically confirms this overall picture (Table 7).

### **Business climate**

The share of companies expecting their situation not to change significantly over the next three months remained virtually unchanged from June at 63.4 per cent, while those forecasting an improvement have risen from 10.2 to 17.9 per cent and are now only just barely outnumbered by the 18.7 per cent that forecast a deterioration (Table 8). With diminishing fears of a further fall in demand, especially in industry (Table 9), though it remains basically weak, firms confirmed their concern over raw materials prices and labour costs. Credit conditions continue to exert a non-favourable effect, though less pronounced than in the previous survey.

Expectations with regard to the business situation in the longer term (three years) improved again; they were better for nearly three quarters of the respondents, compared with 69 per cent in June (Table 10). The percentage was practically uniform by sector, firm size and region, except for the South and Islands, where it fell from 64.4 to 58.2 per cent.

### **Investment climate**

For the first time after nine quarters, the companies that believe the investment climate has improved outnumbered those that said it had deteriorated: 19.8 to 13.9 per cent, compared with 14.0 and 26.8 per cent in June (Table 11). Positive replies were more numerous than average in the North-West, in industry, and in the medium-sized firms (200-999 workers). The number judging that investment conditions were unchanged rose again, from 59.2 to 66.3 per cent.

### **Credit conditions**

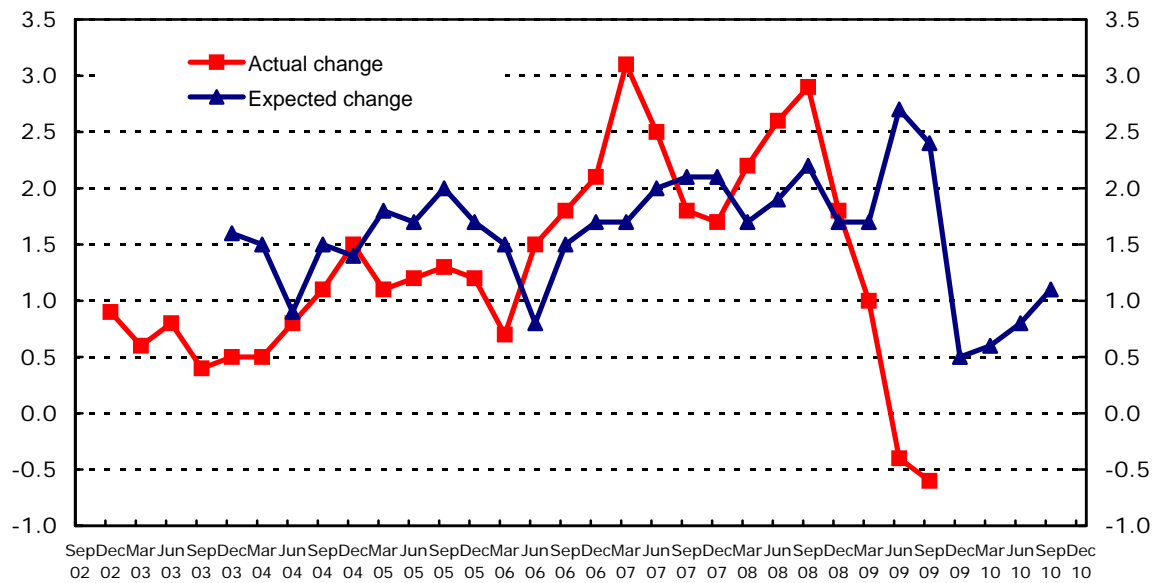
The survey's findings point to an easing in the deterioration of credit conditions (Table 12). The percentage of firms reporting a worsening over the three months diminished further to 18.6 per cent (from 27.8 per cent in June), after peaking at 40.6 per cent in December. As a consequence, the number judging the situation to be unchanged increased to three quarters of the sample, while those reporting an improvement remained rare (6.3 per cent). Assessments are more favourable among larger firms and in the North-West.

### **Employment**

Short-term expectations regarding the labour market remain pessimistic: the balance between companies expecting to increase and to reduce their workforce remains negative, though the difference eased from 25.7 percentage points in June to 18.0 points (Table 13). Assessments were markedly more pessimistic than average in industry, where the balance was negative by around 30 points (more than a third of the firms forecast a reduction in work force and just 5 per cent an expansion), compared with -3.6 points in the services sector. By region, the worst indications were in the South and Islands, the least negative in the North-West. In line with previous surveys, companies plan to adjust their labour input (as they have in the past nine months) mainly by hiring freezes, reducing shifts and work hours and not renewing fixed-term contracts (Tables 14 and 15). Relatively few intend to resort to lay-offs or early retirement incentives.

**Figure 1**

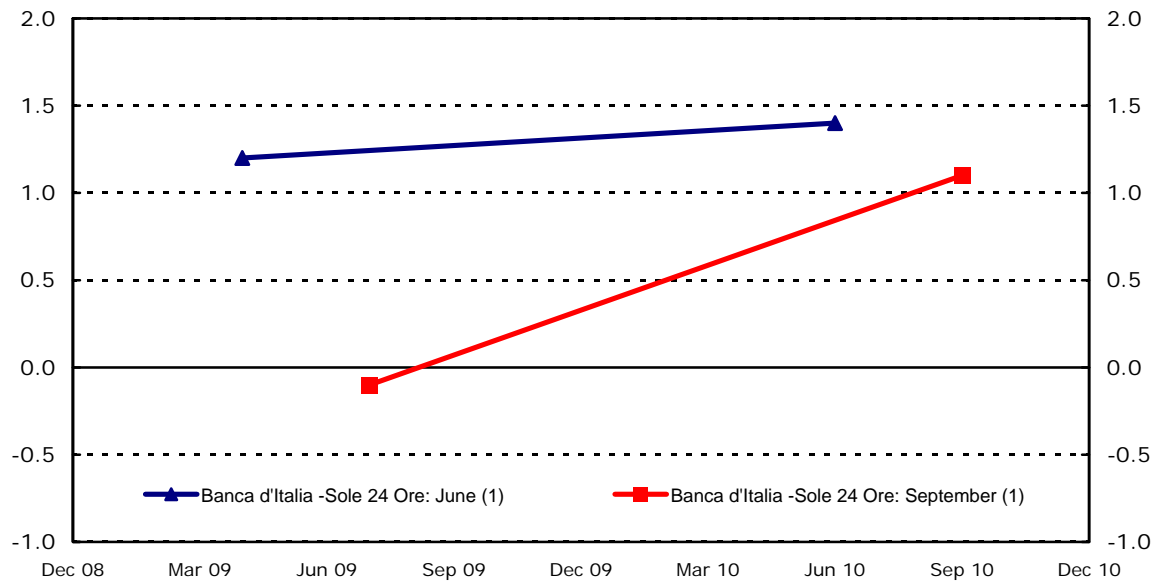
**Expected and actual changes in selling prices**  
(percentage changes)<sup>(\*)</sup>



(\*) Winsorized estimates: values outside the range between the 5th and the 95th percentiles are set at the threshold values of those percentiles.

**Figure 2**

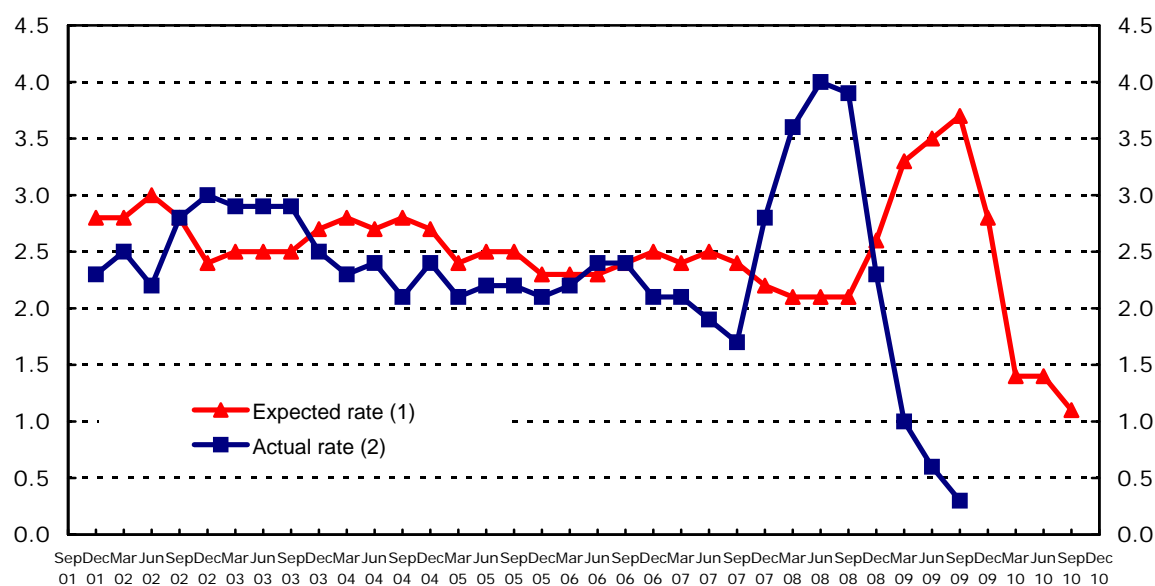
**Expectations of consumer price inflation in Italy**  
(percentage changes on year-earlier period)



(1) The first point in each curve is the definitive figure available at the time of the survey, which is given to the interviewees in the questionnaire as a point of reference for expressing their expectations; the second point is the average of the interviewees' forecasts for the next twelve months.

Figure 3

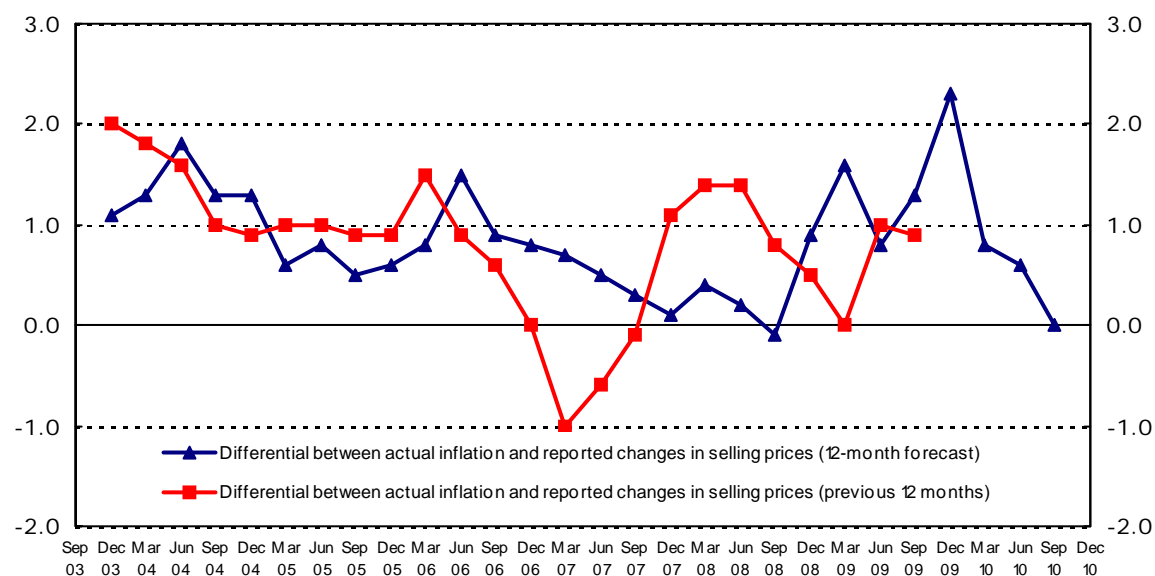
**Expectations of consumer price inflation in Italy and actual rate**  
(percentages)



- (1) Expectations on consumer price inflation reported by companies 12 months before the reference time.
- (2) Harmonized index of consumer prices (HICP) compared with 12 months earlier.

Figure 4

**Differential between expected and actual inflation rates**  
(percentage points)<sup>(\*)</sup>

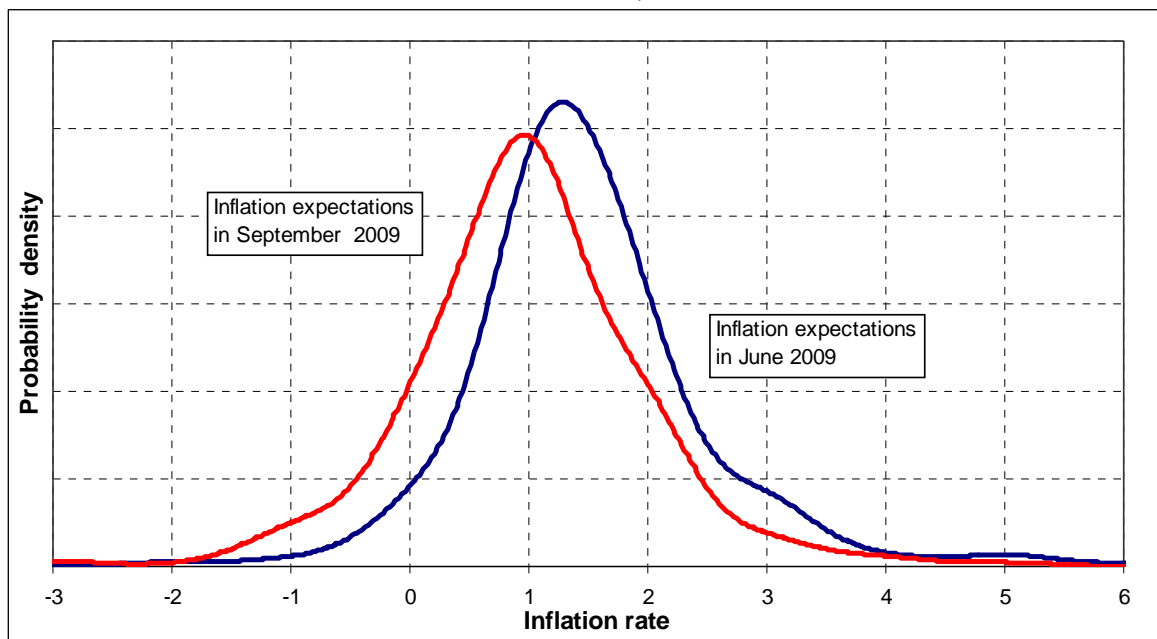


(\*) Winsorized estimates: values outside the range between the 5th and the 95th percentiles are set at the threshold values of those percentiles.



Figure 5

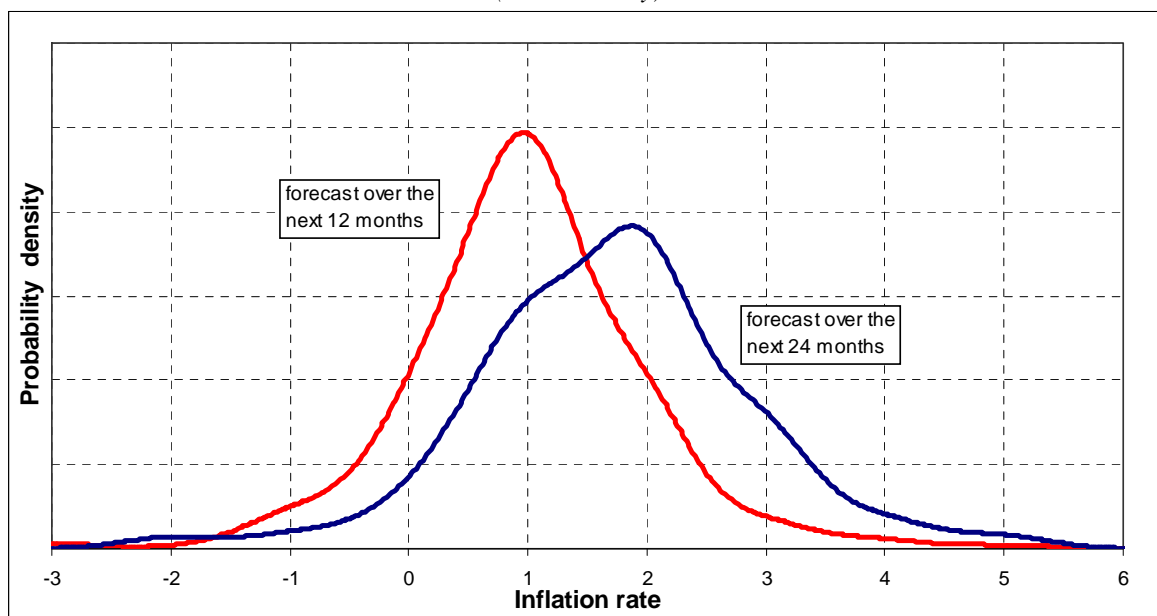
**Expectations of the inflation rate  
over the next 12 months**  
(kernel density)<sup>(\*)</sup>



(\*) The estimates are obtained using a Gaussian kernel density with a bandwidth equal to 0.4. The red line indicates the forecast made in September. The blue line indicates the forecast made in June.

Figure 6

**Expectations of the inflation rate  
over the next 12 and 24 months**  
(kernel density)<sup>(\*)</sup>



(\*) The estimates are obtained using a Gaussian kernel density with a bandwidth equal to 0.4. The red line indicates the forecast over the next 12 months. The blue line indicates the forecast over the next 24 months.



**Appendix A:**  
**Methodological Notes**



## METHODOLOGICAL NOTES

### A1. The sample

Since 1999, the Bank of Italy and the daily newspaper *Il Sole 24 Ore* have conducted a quarterly survey on inflation and growth expectations. The survey is conducted in March, June, September and December.

The sample usually consists of around 500 companies with at least 50 employees operating in the main sectors of the economy, with the exception of agriculture and construction.

The sample is stratified by number of employees (50-199, 200-999, 1000 and over), sector (industry, services) and geographical area (North-West, North-East, Centre, South and Islands) in order to increase the accuracy of the estimates. Since a minimum sample size is required for each category of company considered relevant, the number selected is not always representative of the relative share of that category. This is particularly true of large companies.

Table 1a shows the composition of the sample broken down by number of employees, sector and geographical area.

**Table 1a**

**Composition of sample and universe**  
(units, percentages)

	Sample size (a)	Company universe <sup>(*)</sup> (b)	Sample coverage rate (a / b) * 100
<b>Number of employees</b>			
50-199.....	209	17,490	1.2
200-999.....	165	3,513	4.7
Over 999.....	91	500	18.2
<b>Sector</b>			
Industry.....	286	11,727	2.4
Services.....	179	9,776	1.8
<b>Geographical area</b>			
North-West.....	179	8,484	2.1
North-East.....	159	6,134	2.6
Centre.....	81	3,774	2.1
South and Islands.....	46	3,111	1.5
<b>Total.....</b>	<b>465</b>	<b>21,503</b>	<b>2.2</b>

(\*) Istat (2007).

### A2. Data collection and estimates

The survey data are collected by a specialist firm which distributes the questionnaire to company managers who are best informed about the topics covered. The respondents usually compile the questionnaire online using a purpose-designed interface. A small number of the companies submit their answers by fax (Table 2a).

**Table 2a****Response rates and data collection via Internet***(units, percentages)*

	Companies contacted	Response rate (*)	Data collected via Internet (**)
<b>Number of employees</b>			
50-199.....	561	37.3	94.3
200-999.....	303	54.5	97.0
Over 999.....	122	74.6	100.0
<b>Sector</b>			
Industry.....	550	52.0	96.5
Services.....	436	41.1	96.1
<b>Geographical area</b>			
North-West.....	388	46.1	96.1
North-East.....	308	51.6	96.9
Centre.....	169	47.9	96.3
South and Islands.....	121	38.0	95.7
<b>Total.....</b>	<b>986</b>	<b>47.2</b>	<b>96.3</b>

(\*) Percentage of companies contacted which participated in the survey. (\*\*) Percentage of participating companies which completed the questionnaire via Internet.

The collected data are subject to an initial quality check so that any mistakes (such as typing errors) can be intercepted and the existence of outliers and missing data (*item non-response*) can be assessed. Using the correlation between the indicators obtained, the missing data are imputed by means of stochastic regression models, the parameters for which are set after neutralizing the outliers where appropriate.

The aggregates are evaluated using a weighting coefficient for each sample unit which, at the level of the stratification variables, takes into account the ratio between the number of respondent companies and the number of companies in the reference universe. In the evaluation of the evolution of the variables attributed to the companies, the weighting also takes account of the size of the participating companies in terms of number of employees in order to provide more accurate indications of expected macroeconomic developments.

In order to verify the impact of outliers on the mean values for the main variables, the standard estimators are accompanied by robust estimators; specifically, values outside the range between the 5th and the 95th percentiles are set at the threshold values of those percentiles. The results are generally in line with those obtained from the total sample (Table 3a).

Table 4a contains indicators of the standard errors of the main variables for the total sample.

**Table 3a**

**Estimates of the main variables surveyed and non-response**  
(percentages)

	Mean	Mean (robust)	Median	Non- response (percentages)
Consumer price inflation in Italy in the next 12 months .....	1.1	1.0	1.0	0.0
Consumer price inflation in Italy in the next 24 months .....	1.8	1.8	2.0	0.0
Change in own prices in the last 12 months .....	-0.9	-0.6	-0.1	6.2
Change in own prices in the next 12 months .....	1.3	1.1	1.0	7.1

**Table 4a**

**Standard errors**  
(percentages, scores)

Consumer price inflation in Italy in the next 12 months .....	0.09
Consumer price inflation in Italy in the next 24 months .....	0.13
Change in own prices in the last 12 months .....	0.40
Change in own prices in the last 12 months (robust) .....	0.26
Change in own prices in the next 12 months .....	0.21
Change in own prices in the next 12 months (robust) .....	0.10
<b><u>Factors that will affect companies' prices</u></b>	
Demand .....	0.06
Raw materials prices .....	0.06
Labour costs .....	0.06
Competitors' pricing policies .....	0.07
<b><u>Factors that will affect the business climate</u></b>	
Demand .....	0.10
Selling prices .....	0.06
Raw materials prices .....	0.07
Labour costs .....	0.07
Availability and cost of credit .....	0.09
<b><u>Adjustment of labour input in last 9 months</u></b>	
Freeze on hiring and labour turnover .....	0.07
Reduction of work hours and shifts (including Wage Supplementation Fund) .....	0.07
Non-renewal of fixed-term contracts .....	0.06
Early retirement incentives .....	0.05
Individual and collective lay-offs .....	0.05
<b><u>Adjustment of labour input in next 3 months</u></b>	
Freeze on hiring and labour turnover .....	0.07
Reduction of work hours and shifts (including Wage Supplementation Fund) .....	0.07
Non-renewal of fixed-term contracts .....	0.07
Early retirement incentives .....	0.05
Individual and collective lay-offs .....	0.05





**Appendix B:**  
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Table 1

**Expectations of consumer price inflation in Italy**  
(percentages)

	Rate of consumer price inflation in next 12 months	Rate of consumer price inflation in next 24 months
<b>Number of employees</b>		
50-199 .....	1.1	1.8
200-999 .....	1.1	1.9
Over 999 .....	1.3	2.1
<b>Sector</b>		
Industry .....	1.0	1.7
Services.....	1.2	2.0
<b>Geographical area</b>		
North-West .....	1.1	1.9
North-East.....	1.0	1.7
Centre .....	1.0	1.7
South and Islands.....	1.4	2.0
<b>Total .....</b>	<b>1.1</b>	<b>1.8</b>
<i>Memorandum items:</i>		
June 2009.....	1.4	1.9
March 2009.....	1.4	....
December 2008.....	2.8	....
September 2008.....	3.7	....

Table 2

**Change in companies' selling prices**  
(percentages) <sup>(\*)</sup>

	Rate of change in selling prices...	
	... in last 12 months	... in next 12 months
	Mean (robust) (**)	Mean (robust) (**)
<b>Number of employees</b>		
50-199 .....	-0.6	1.0
200-999 .....	-0.4	0.8
Over 999 .....	-0.7	1.2
<b>Sector</b>		
Industry .....	-1.2	0.9
Services .....	-0.2	1.2
<b>Geographical area</b>		
North-West .....	-1.8	1.2
North-East .....	0.3	0.9
Centre .....	-0.3	0.9
South and Islands .....	-0.6	1.6
<b>Total</b> .....	<b>-0.6</b>	<b>1.1</b>
<i>Memorandum items:</i>		
June 2009 .....	-0.4	0.8
March 2009 .....	1.0	0.6
December 2008 .....	1.8	0.5
September 2008 .....	2.9	2.4

(\*) Companies' responses are weighted by the number of employees to account for the impact of size.

(\*\*) Values outside the range between the 5th and the 95th percentiles have been set at the threshold values of those percentiles

Table 3

### Factors that will affect companies' selling prices

(average scores) <sup>(\*)</sup>

	Change in demand	Change in raw materials prices	Change in labour costs	Pricing policies of main competitors
<b>Number of employees</b>				
50-199 .....	0.0	0.6	0.4	-0.4
200-999 .....	-0.2	0.4	0.4	-0.7
Over 999 .....	0.4	0.6	0.2	-0.3
<b>Sector</b>				
Industry .....	0.1	0.6	0.3	-0.5
Services .....	0.1	0.5	0.3	-0.4
<b>Geographical area</b>				
North-West.....	0.1	0.5	0.3	-0.5
North-East .....	-0.1	0.5	0.4	-0.5
Centre.....	0.4	0.6	0.2	-0.3
South and Islands .....	0.0	0.7	0.3	-0.6
<b>Total.....</b>	<b>0.1</b>	<b>0.6</b>	<b>0.3</b>	<b>-0.4</b>
<i>Memorandum items:</i>				
June 2009 .....	-0.3	0.4	0.3	-0.6
March 2009 .....	-0.6	-0.2	0.2	-0.7
December 2008 .....	-0.3	0.1	0.2	-0.6
September 2008.....	0.0	0.7	0.6	-0.4

(\*) Companies' opinions regarding the direction and magnitude of the impact of each factor on future selling prices (large/average/small decrease or increase) were measured on a scale of -3 to 3. A neutral position is indicated by 0. Companies' responses are weighted by the number of employees to account for the impact of size.

Table 4

**Assessment of the general state of the economy**  
(percentages)

	Worse than previous quarter	Unchanged from previous quarter	Better than previous quarter	Total
<b>Number of employees</b>				
50-199 .....	16.0	64.5	19.6	100.0
200-999 .....	19.2	60.5	20.4	100.0
Over 999 .....	13.5	69.1	17.4	100.0
<b>Sector</b>				
Industry .....	11.1	70.2	18.7	100.0
Services .....	22.8	56.4	20.8	100.0
<b>Geographical area</b>				
North-West.....	11.0	64.8	24.1	100.0
North-East.....	14.6	68.5	16.9	100.0
Centre.....	17.0	69.5	13.4	100.0
South and Islands .....	34.6	45.5	19.8	100.0
<b>Total .....</b>	<b>16.4</b>	<b>63.9</b>	<b>19.6</b>	<b>100.0</b>
<i>Memorandum items:</i>				
June 2009 .....	37.5	51.4	11.1	100.0
March 2009 .....	87.9	11.7	0.3	100.0
December 2008 .....	87.4	12.0	0.5	100.0
September 2008 .....	56.1	40.4	3.5	100.0

Table 5

**Likelihood of an improvement in the general economic situation  
in the next three months**

(percentages)

	None	1-25%	26-50%	51-75%	76-100%	Total
<b>Number of employees</b>						
50-199 .....	29.8	55.9	7.3	5.5	1.6	100.0
200-999 .....	33.0	45.2	10.2	10.6	1.0	100.0
Over 999 .....	29.0	43.5	16.4	10.0	1.1	100.0
<b>Sector</b>						
Industry .....	30.4	55.5	6.2	5.2	2.7	100.0
Services.....	30.1	51.7	10.2	8.0	0.0	100.0
<b>Geographical area</b>						
North-West .....	25.0	50.1	13.0	9.8	2.1	100.0
North-East.....	28.3	61.0	3.9	4.6	2.2	100.0
Centre .....	38.3	46.1	9.7	5.9	0.0	100.0
South and Islands.....	38.6	59.4	0.3	1.5	0.2	100.0
<b>Total .....</b>	<b>30.3</b>	<b>53.8</b>	<b>8.0</b>	<b>6.5</b>	<b>1.5</b>	<b>100.0</b>
<i>Memorandum items:</i>						
June 2009.....	46.2	43.1	5.7	4.4	0.6	100.0
March 2009.....	67.6	25.5	4.2	2.3	0.5	100.0
December 2008.....	70.8	23.8	4.5	1.0	0.0	100.0
September 2008.....	52.5	37.4	7.2	2.1	0.8	100.0

Table 6

**Trend in demand for firm's product**  
(percentages)

	Weaker than previous quarter	Unchanged from previous quarter	Stronger than previous quarter	Total
<b>Number of employees</b>				
50-199 .....	26.0	52.5	21.5	100.0
200-999 .....	24.4	54.8	20.8	100.0
Over 999 .....	21.2	66.7	12.0	100.0
<b>Sector</b>				
Industry .....	23.6	54.0	22.4	100.0
Services .....	28.0	52.3	19.7	100.0
<b>Geographical area</b>				
North-West.....	20.9	54.5	24.6	100.0
North-East.....	29.7	53.5	16.8	100.0
Centre.....	22.3	61.3	16.4	100.0
South and Islands .....	34.2	39.9	25.9	100.0
<b>Total .....</b>	<b>25.6</b>	<b>53.3</b>	<b>21.2</b>	<b>100.0</b>



Table 7

**Trend in export demand for firm's product**  
(percentages)<sup>(\*)</sup>

	Weaker than previous quarter	Unchanged from previous quarter	Stronger than previous quarter	Total
<b>Number of employees</b>				
50-199 .....	26.3	52.3	21.4	100.0
200-999 .....	19.0	51.7	29.3	100.0
Over 999 .....	28.3	45.7	26.0	100.0
<b>Sector</b>				
Industry .....	24.9	48.5	26.6	100.0
Services .....	24.9	68.7	6.5	100.0
<b>Geographical area</b>				
North-West.....	18.8	56.9	24.6	100.0
North-East.....	33.2	48.4	18.4	100.0
Centre.....	22.1	62.4	15.5	100.0
South and Islands .....	25.9	36.4	37.7	100.0
<b>Total .....</b>	<b>24.9</b>	<b>52.1</b>	<b>23.0</b>	<b>100.0</b>

(\*) For export firms only.

Table 8

**Three-month forecast of the business climate**  
(percentages)

	Deterioration	No change	Improvement	Total
<b>Number of employees</b>				
50-199 .....	18.9	62.4	18.7	100.0
200-999 .....	18.4	66.4	15.2	100.0
Over 999 .....	13.6	74.3	12.1	100.0
<b>Sector</b>				
Industry .....	15.0	68.9	16.1	100.0
Services.....	23.3	56.7	20.1	100.0
<b>Geographical area</b>				
North-West .....	11.5	63.0	25.5	100.0
North-East.....	22.9	66.2	10.9	100.0
Centre .....	23.4	62.7	13.9	100.0
South and Islands.....	24.6	59.8	15.6	100.0
<b>Total .....</b>	<b>18.7</b>	<b>63.4</b>	<b>17.9</b>	<b>100.0</b>
<i>Memorandum items:</i>				
June 2009.....	26.3	63.5	10.2	100.0
March 2009.....	60.2	36.0	3.7	100.0
December 2008.....	66.3	32.2	1.5	100.0
September 2008 .....	38.0	55.8	6.2	100.0

Table 9

### Factors which will affect the business climate

(average scores)<sup>(\*)</sup>

	Change in demand	Change in selling prices	Change in raw materials prices	Change in labour costs	Change in credit conditions
<b>Number of employees</b>					
50-199 .....	0.3	0.1	-0.4	-0.7	-0.3
200-999 .....	0.1	0.0	-0.3	-0.6	-0.4
Over 999 .....	-0.1	0.1	0.0	-0.3	-0.5
<b>Sector</b>					
Industry .....	0.4	0.0	-0.4	-0.6	-0.4
Services.....	0.1	0.0	-0.3	-0.8	-0.3
<b>Geographical area</b>					
North-West .....	0.4	0.0	-0.3	-0.6	-0.2
North-East.....	0.0	0.1	-0.2	-0.7	-0.3
Centre .....	0.3	0.0	-0.6	-1.0	-0.7
South and Islands .....	0.3	0.1	-0.5	-0.6	-0.4
<b>Total .....</b>	<b>0.3</b>	<b>0.0</b>	<b>-0.4</b>	<b>-0.7</b>	<b>-0.3</b>
<i>Memorandum items:</i>					
June 2009.....	-0.2	0.0	-0.4	-0.7	-0.6
March 2009.....	-0.9	-0.2	0.0	-0.7	-0.6
December 2008.....	-1.1	-0.3	-0.1	-0.8	-0.8
September 2008 .....	-0.2	-0.2	-1.2	-1.0	-1.0

(\*) Companies' opinions regarding the direction and magnitude of the expected impact of each factor on their own business conditions in the next three months (large/average/small decrease or increase) are measured on a scale of -3 to 3. A neutral position is indicated by 0.

Table 10

### Three-year forecast of the business climate

(percentages)

	Deterioration	No change	Improvement	Total
<b>Number of employees</b>				
50-199 .....	9.5	17.6	72.9	100.0
200-999 .....	9.2	13.3	77.5	100.0
Over 999 .....	8.6	16.1	75.3	100.0
<b>Sector</b>				
Industry .....	7.7	16.2	76.1	100.0
Services.....	11.5	17.7	70.8	100.0
<b>Geographical area</b>				
North-West .....	9.3	13.1	77.6	100.0
North-East.....	7.4	17.0	75.6	100.0
Centre .....	7.5	17.9	74.5	100.0
South and Islands.....	16.1	25.8	58.2	100.0
<b>Total .....</b>	<b>9.4</b>	<b>16.9</b>	<b>73.7</b>	<b>100.0</b>
<i>Memorandum items:</i>				
June 2009.....	12.3	18.7	69.0	100.0
March 2009.....	21.1	20.3	58.5	100.0
December 2008.....	24.3	27.1	48.7	100.0
September 2008 .....	20.4	31.0	48.6	100.0

Table 11

**Opinion of the investment climate**  
(percentages)

	Worse than previous quarter	Unchanged from previous quarter	Better than previous quarter	Total
<b>Number of employees</b>				
50-199 .....	13.3	67.3	19.4	100.0
200-999 .....	18.2	58.8	23.0	100.0
Over 999 .....	5.2	82.8	12.0	100.0
<b>Sector</b>				
Industry .....	12.6	65.8	21.7	100.0
Services .....	15.5	67.0	17.6	100.0
<b>Geographical area</b>				
North-West.....	9.1	64.5	26.5	100.0
North-East.....	15.6	66.5	17.9	100.0
Centre.....	13.6	77.1	9.3	100.0
South and Islands .....	23.9	57.7	18.4	100.0
<b>Total .....</b>	<b>13.9</b>	<b>66.3</b>	<b>19.8</b>	<b>100.0</b>
<i>Memorandum items:</i>				
June 2009 .....	26.8	59.2	14.0	100.0
March 2009 .....	56.4	31.6	12.0	100.0
December 2008 .....	65.6	25.8	8.6	100.0
September 2008 .....	38.4	57.9	3.7	100.0

Table 12

## Opinion of credit conditions for business

(percentages)

	Worse than previous quarter	Unchanged from previous quarter	Better than previous quarter	Total
<b>Number of employees</b>				
50-199 .....	19.7	74.0	6.3	100.0
200-999 .....	15.0	79.0	5.9	100.0
Over 999 .....	6.8	83.7	9.5	100.0
<b>Sector</b>				
Industry .....	18.6	76.7	4.7	100.0
Services .....	18.7	73.1	8.3	100.0
<b>Geographical area</b>				
North-West.....	14.1	75.3	10.6	100.0
North-East.....	18.4	77.8	3.7	100.0
Centre.....	23.4	74.5	2.1	100.0
South and Islands .....	25.2	69.5	5.3	100.0
<b>Total .....</b>	<b>18.6</b>	<b>75.0</b>	<b>6.3</b>	<b>100.0</b>
<i>Memorandum items:</i>				
June 2009 .....	27.8	68.3	3.9	100.0
March 2009 .....	37.2	59.2	3.6	100.0
December 2008 .....	40.6	56.6	2.8	100.0
September 2008 .....	26.7	71.8	1.5	100.0

Table 13

**Three-month forecast of workforce**  
(percentages)

	Contraction	Unchanging	Expansion	Total
<b>Number of employees</b>				
50-199 .....	27.9	60.8	11.3	100.0
200-999 .....	36.1	53.0	10.8	100.0
Over 999 .....	26.3	63.3	10.5	100.0
<b>Sector</b>				
Industry .....	34.4	60.6	5.0	100.0
Services.....	22.7	58.2	19.1	100.0
<b>Geographical area</b>				
North-West .....	29.4	53.2	17.5	100.0
North-East.....	30.2	60.6	9.2	100.0
Centre .....	30.8	60.3	9.0	100.0
South and Islands.....	25.2	73.4	1.4	100.0
<b>Total .....</b>	<b>29.2</b>	<b>59.6</b>	<b>11.2</b>	<b>100.0</b>
<i>Memorandum items:</i>				
June 2009.....	31.0	63.7	5.3	100.0
March 2009.....	32.6	60.7	6.8	100.0
December 2008.....	39.3	55.3	5.4	100.0
September 2008 .....	25.4	62.0	12.7	100.0

Table 14

## Adjustment of labour input in the last nine months

(average scores)<sup>(\*)</sup>

	Freeze on hiring and labour turnover	Reduction of hours & shifts (inc. WEF)	Non-renewal of fixed-term contracts	Early retirement incentives	Individual and collective lay-offs
<b>Number of employees</b>					
50-199 .....	1.2	0.9	0.9	0.4	0.4
200-999 .....	1.5	1.2	1.2	0.8	0.4
Over 999 .....	1.2	0.8	0.8	0.9	0.2
<b>Sector</b>					
Industry .....	1.4	1.3	1.0	0.5	0.5
Services.....	1.1	0.5	0.8	0.3	0.2
<b>Geographical area</b>					
North-West .....	1.4	1.1	1.0	0.6	0.4
North-East.....	1.2	0.8	0.8	0.3	0.2
Centre .....	1.1	0.8	0.9	0.3	0.3
South and Islands .....	1.4	1.0	1.0	0.6	0.8
<b>Total .....</b>	<b>1.3</b>	<b>0.9</b>	<b>0.9</b>	<b>0.5</b>	<b>0.4</b>

(\*) Companies' opinions of the extent to which each method is used (none/low/average/high) are measured on a scale from 0 to 3.



Table 15

## Adjustment of labour input in the next three months

(average scores)<sup>(\*)</sup>

	Freeze on hiring and labour turnover	Reduction of hours & shifts (inc. WEF)	Non-renewal of fixed-term contracts	Early retirement incentives	Individual and collective lay-offs
<b>Number of employees</b>					
50-199 .....	1.1	0.9	0.8	0.4	0.3
200-999 .....	1.5	1.2	1.1	0.8	0.4
Over 999 .....	1.2	0.6	0.8	0.9	0.1
<b>Sector</b>					
Industry .....	1.4	1.2	0.8	0.6	0.5
Services.....	1.0	0.6	0.9	0.3	0.2
<b>Geographical area</b>					
North-West .....	1.1	0.9	0.9	0.5	0.4
North-East.....	1.2	0.9	0.8	0.5	0.3
Centre .....	1.4	1.0	1.0	0.3	0.2
South and Islands .....	1.3	0.8	0.9	0.5	0.4
<b>Total .....</b>	<b>1.2</b>	<b>0.9</b>	<b>0.9</b>	<b>0.5</b>	<b>0.3</b>
<i>Memorandum items:</i>					
June 2009.....	1.1	0.9	0.8	0.3	0.1
March 2009.....	1.1	0.8	0.8	0.2	0.2

(\*) Companies' opinions of the extent to which each method will be used (none/low/average/high) are measured on a scale from 0 to 3.



**Appendix C:**  
**Questionnaire**



**Banca d'Italia – II Sole 24 Ore Survey on Inflation and Growth Expectations – September 2009**

Company name \_\_\_\_\_

**Instructions:** For percentage changes, please indicate the sign in the first box on the left (+ for increases; – for decreases).

NUMBER OF EMPLOYEES:  _ _ _ _ _ _ _ _	Sector (1=manufacturing; 2=other industry; 3=trade; 4=other services)  _ _
Exporter <input type="checkbox"/> Yes <input type="checkbox"/> No	

**SECTION A – GENERAL ECONOMIC SITUATION IN ITALY**

**A1.** In July consumer price inflation, measured by the annual change in the HARMONIZED INDEX OF CONSUMER PRICES, was –0.1 per cent in Italy and –0.7 per cent in the euro area. What do you think it will be in ITALY ...? ...in 12 months? ...in 24 months?  
 |\_|\_|\_|\_|\_|\_|\_|\_|% |\_|\_|\_|\_|\_|\_|\_|\_|%

**A2.** Compared with 3 months ago, do you think that the economic situation in Italy is...?  Better  Unchanged  Worse

**A3.** What is the likelihood of an improvement in the economic situation in Italy in the next 3 months?

None  From 1% to 25%  From 26% to 50%  From 51% and 75%  From 76% to 99%  100%

**SECTION B – BUSINESS CLIMATE FOR YOUR COMPANY**

How you think the business climate for your company will be

**B1.** in the next 3 months?  Better  Unchanged  Worse **B2.** in the next 3 years?  Better  Unchanged  Worse

Please state whether and to what extent the following FACTORS will affect your company's business in the next 3 months.

Factors affecting business in the next 3 months	Effect on business			Extent (if not nil)		
	Negative	Nil	Positive	Low	Average	High
<b>B3.</b> The impact of changes in DEMAND on business will be...	1 _	2 _	3 _	1 _	2 _	3 _
<b>B4.</b> The impact of changes in YOUR PRICES on business will be ...	1 _	2 _	3 _	1 _	2 _	3 _
<b>B5.</b> The impact of changes in RAW MATERIAL PRICES on business will be ...	1 _	2 _	3 _	1 _	2 _	3 _
<b>B6.</b> The impact of changes in LABOUR COSTS on business will be ...	1 _	2 _	3 _	1 _	2 _	3 _
<b>B7.</b> The impact of developments in the AVAILABILITY AND COST OF CREDIT on business will be ...	1 _	2 _	3 _	1 _	2 _	3 _

**B8.** Compared with 3 months ago, is the investment climate...?  Better  Unchanged  Worse

**B9.** Compared with 3 months ago, is the total demand for your products now ...?  Higher  Unchanged  Lower

**B10.** Compared with 3 months ago, is the foreign demand for your products now ...?  Higher  Unchanged  Lower

**B11.** Compared with 3 months ago, are credit conditions for your company now...?  Better  Unchanged  Worse

**SECTION C – CHANGES IN YOUR COMPANY'S SELLING PRICES**

**C1.** In the last 12 month, what has been the average change in the prices charged by your company? |\_|\_|\_|\_|\_|\_|\_|\_|%

**C2.** In the next 12 months, what do you expect will be the average change in prices charged by your company? |\_|\_|\_|\_|\_|\_|\_|\_|%

Please indicate in which direction and to what extent the FACTORS below will affect your selling prices in the next 12 months.

Factors affecting prices in the next 12 months	Effect on company's prices			Extent (if not neutral)		
	Downward	Neutral	Upward	Low	Average	High
<b>C3.</b> The impact of developments in OVERALL DEMAND on your prices will be ...	1 _	2 _	3 _	1 _	2 _	3 _
<b>C4.</b> The impact of changes in RAW MATERIAL PRICES on your prices will be ...	1 _	2 _	3 _	1 _	2 _	3 _
<b>C5.</b> The impact of changes in LABOUR COSTS on your prices will be ...	1 _	2 _	3 _	1 _	2 _	3 _
<b>C6.</b> The impact of developments in the PRICING POLICIES OF MAIN COMPETITORS on your prices will be ...	1 _	2 _	3 _	1 _	2 _	3 _

**SECTION D – WORKFORCE**

**D1.** TOTAL number of employees over the next three months

Decrease	No change	Increase
1 _	2 _	3 _

Past and expected use of specific methods to adjust labour input

	Since start of year				In next 3 months			
	None	Low	Average	High	None	Low	Average	High
<b>D2.</b> FREEZE on hiring and labour turnover	1 _	2 _	3 _	4 _	1 _	2 _	3 _	4 _
<b>D3.</b> REDUCTION in work hours & shifts (inc. Wage Equalization)	1 _	2 _	3 _	4 _	1 _	2 _	3 _	4 _
<b>D4.</b> NON-RENEWAL of fixed-term contracts	1 _	2 _	3 _	4 _	1 _	2 _	3 _	4 _
<b>D5.</b> INCENTIVES to take early retirement	1 _	2 _	3 _	4 _	1 _	2 _	3 _	4 _
<b>D6.</b> LAY-OFFS, whether individual or collective	1 _	2 _	3 _	4 _	1 _	2 _	3 _	4 _

## GENERAL INFORMATION

- I - Unless indicated otherwise, figures have been computed by the Bank of Italy.
- II - Symbols and Conventions:
- the phenomenon in question does not occur;
  - .... the phenomenon occurs but its value is not known;
  - .. the value is known but is nil or less than half the final digit shown.
- Figures in parentheses in roman type () are provisional, those in parentheses in italics () are estimated.
- III - The tables are identified both by a number and by an alphanumeric code that defines the content of the table in the database in the electronic archive in which information to be released to the public is held. A similar code identifies the different aggregates shown in each table.
- IV - The methodological notes in the last part of the Supplement are identified by electronic codes that refer to the tables and, within each table, to the individual aggregates. Notes that refer to a single observation are also identified by the date of that observation.

## SUPPLEMENTS TO THE STATISTICAL BULLETIN

**Money and Banking** (monthly)

**The Financial Market** (monthly)

**The Public Finances, borrowing requirement and debt** (monthly)

**Balance of Payments and International Investment Position** (monthly)

**Financial Accounts** (quarterly)

**Payment System** (half yearly)

**Public Finance Statistics in the European Union** (annual)

**Local Government Debt** (annual)

**Household Wealth in Italy** (annual)

**Sample Surveys** (irregular)

**Methodological Notes** (irregular)

*All the supplements are available on the Bank of Italy's site ([www.bancaditalia.it](http://www.bancaditalia.it)).*

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