



BANCA D'ITALIA
EUROSISTEMA

Supplements to the Statistical Bulletin

Sample Surveys

Survey of Inflation and Growth Expectations

December 2009

New series

Year XX - 11 January 2010

Number

2

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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 December 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 Giuseppe Ilardi, Gianluca Moretti and Raffaele Tartaglia Polcini. Stefania Coscarella is the editorial assistant.

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 2 and 21 December 2009. A total of 458 companies with at least 50 employees took part, 264 of which operate in industry and 194 in services (Table 1a). The response rate was 46 per cent (Table 2a). The variability of the estimates is 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

The expected inflation rate for the next twelve months fell from 1.1 per cent in the September survey to 0.8 per cent (Table 1; Figures 2 and 5), below the level forecast by professional analysts. Expected inflation over 24 months also declined, falling from 1.8 to 1.3 per cent; inflation expectations are slightly higher in the South, among service businesses and among firms with 1,000 or more employees.

The 12-month change in firms' selling prices turned slightly positive, by 0.1 per cent, after being negative in the last two surveys (–0.6 per cent in September; Table 2). The increase was more marked for service companies (0.4 per cent) and firms with 1,000 or more workers (0.3 per cent); by contrast the change was negative for firms in industry (–0.8 per cent), though less markedly so than in September (–1.2 per cent). Geographically, the largest declines were reported by firms based in the North-West and, to a lesser extent, the South and Islands (–1.3 and –0.3 per cent respectively).

For the next twelve months firms expect on average to increase the prices of their products by 1.1 per cent, unchanged from the previous survey, with larger increases in the service sector than in industry (1.2 and 0.7 per cent respectively). Relatively steep increases are also expected by companies with 1,000 or more workers and by those located in the Centre (1.3 and 1.2 per cent respectively). Among the factors that will exert upward pressure on their prices, as in September firms again cite raw materials prices (Table 3) and, marginally, an improvement in demand; they expect downward pressure instead to come from the pricing policies of their main competitors.

Assessment of the economic situation

The survey shows a stabilization of assessments concerning the current state of the economy, which 65.3 per cent of firms (against 63.9 per cent in September; Table 4) consider unchanged with respect to the previous quarter. The balance between positive and negative opinions is practically unchanged at 3.1 percentage points.

Opinions regarding the short-term outlook for the economy (Table 5) confirm the more favourable signals first picked up in the survey conducted in June. The share of firms that consider there is no or very little likelihood of an improvement over the next three months was about 4 percentage points lower than in September.

Demand trends

Assessments of the evolution of demand signal a slight upturn; the balance between firms indicating an improvement and those reporting deterioration is positive by 3.1 percentage points (Table 6), whereas in September it was negative by 4.4 points. The persistent pessimism of companies that do most of their business in the domestic market contrasts with the brighter picture portrayed by firms that get at least a third of their sales revenues from exports. The balance between exporting firms reporting improvement in foreign demand and those reporting deterioration has turned positive by 5 percentage points (Table 7), the sharpest recovery being recorded for firms most reliant on exports.

Assessment of firms' business conditions

The proportion of firms expecting their business conditions to remain unchanged in the next three months has risen from 63.4 per cent in September to 73.2 per cent in December (Table 8). The negative balance between firms expecting their business conditions to improve and those expecting them to worsen has decreased from -0.8 to -1.9 percentage points, mainly owing to the opinions of service companies.

Firms again expect changes in demand to make a modest positive contribution to business conditions in the next three months (Table 9), while they are slightly more worried than in the previous survey about the effect of changes in labour costs, raw materials prices and the conditions of access to credit.

Expectations with regard to the business situation over the next three years remain largely positive: 75.4 per cent of companies expect an improvement while 11.6 per cent expect conditions to worsen (Table 10). The balance of positive and negative responses has nevertheless slightly decreased since September from 64.3 to 63.8 percentage points, reflecting more prudent opinions of the service firms.

Investment climate

For 70.5 per cent of firms, investment conditions are unchanged from the previous survey (Table 11); 13 per cent report a worsening and 16.5 per cent an improvement, making a slightly smaller positive balance than in September. Service businesses' offer more favourable assessments.

Credit conditions

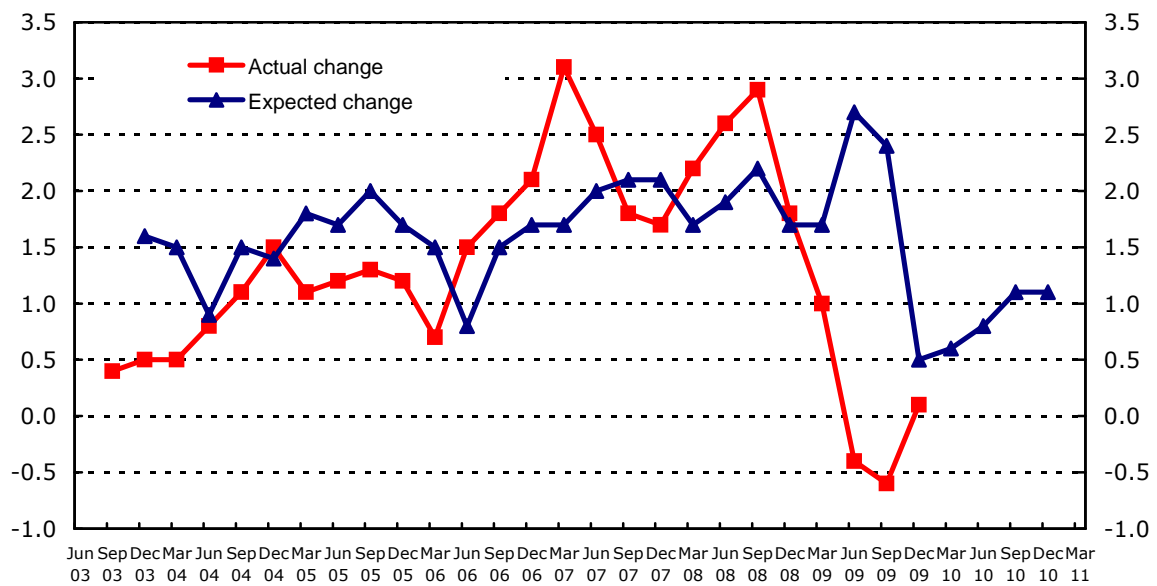
In the December survey 19.9 per cent of firms consider their conditions of access to credit worse than three months earlier (Table 12), compared with 18.6 per cent in September; 74.8 per cent consider them unchanged and 5.3 per cent indicate an improvement (compared with 75 and 6.3 per cent respectively in September). The balance between positive and negative opinions is again negative (by 14.6 percentage points, compared with 12.3 points in the previous survey). Assessments are less unfavourable among larger firms and more unfavourable among firms based in the South and Islands.

Employment

Short-term expectations regarding the labour market remain unfavourable: 28.6 per cent of firms expect to reduce their workforce in the next three months while 9.7 per cent expect to expand it (Table 13). The difference between the two shares is about the same as in the previous survey. The negative balance is particularly large in industry, where 30.8 per cent of firms expect a decrease in employment and only 7.4 per cent an increase. Geographically, the most unfavourable assessments come from firms in the Centre, the least unfavourable from those in the North. In line with the results of the three preceding surveys, in order to adjust their labour input firms expect to resort mainly to the combination of a hiring freezes, followed by a reduction in shifts and work hours and non-renewal of fixed-term contracts (Tables 14 and 15); they expect to make relatively less use of voluntary severance incentives and individual or collective lay-offs.

Figure 1

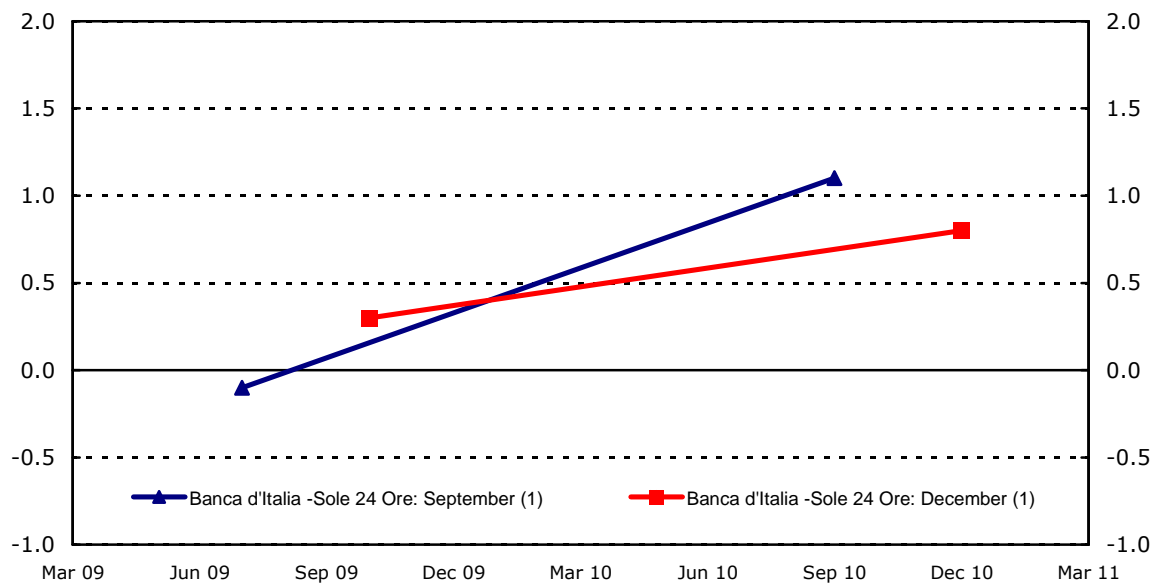
Expected and actual changes in selling prices
(percentage changes)^(*)



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

Figure 2

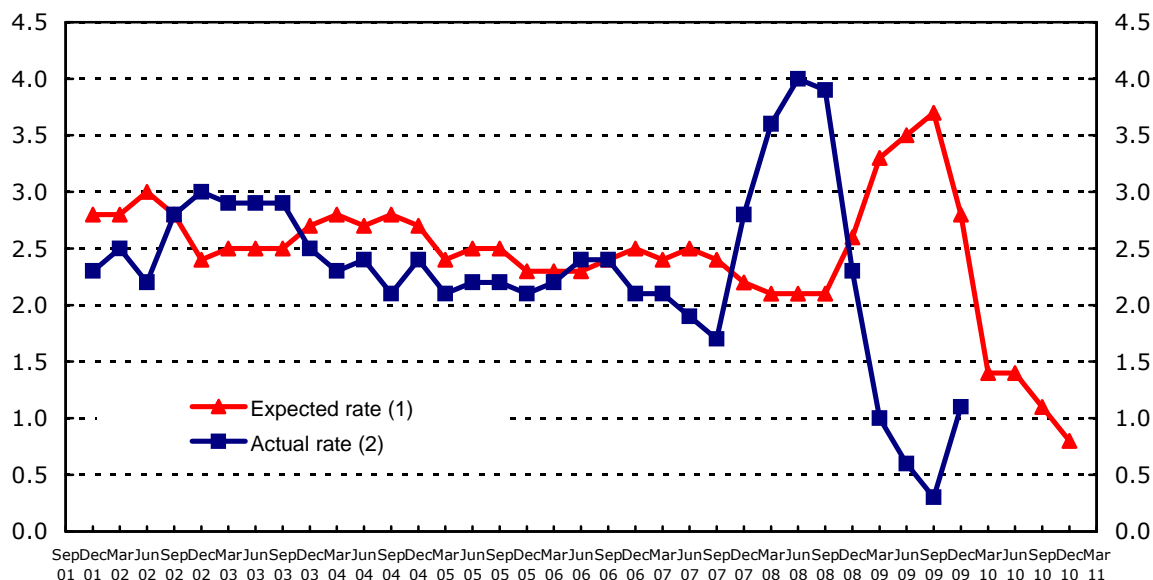
Expectations of consumer price inflation in Italy
(percentage changes on year-earlier period)



(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

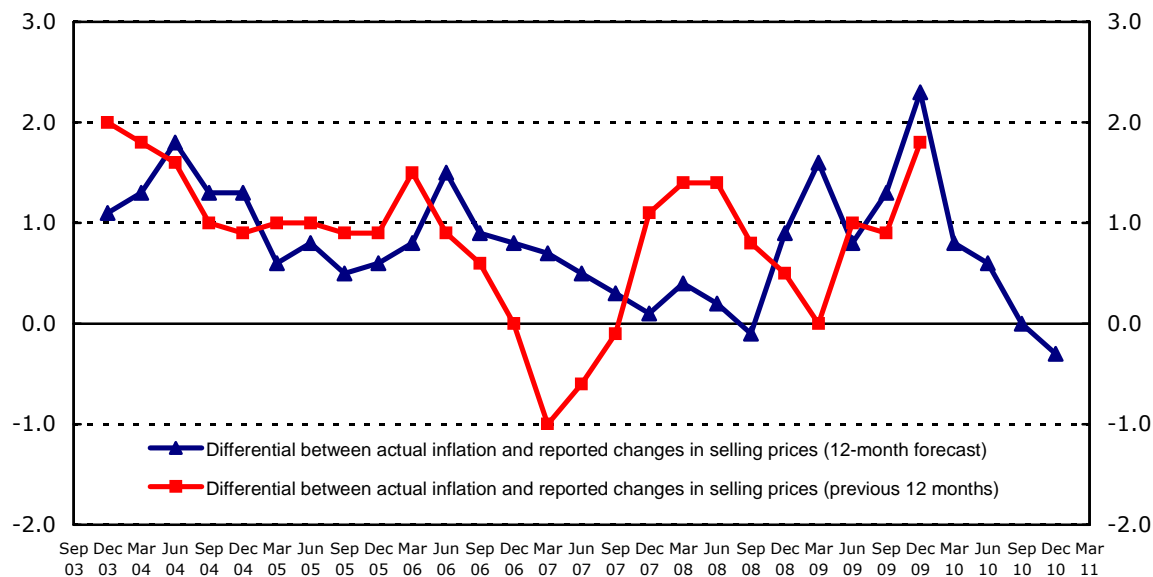
Expectations of consumer price inflation in Italy and actual rate
(percentages)



- (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

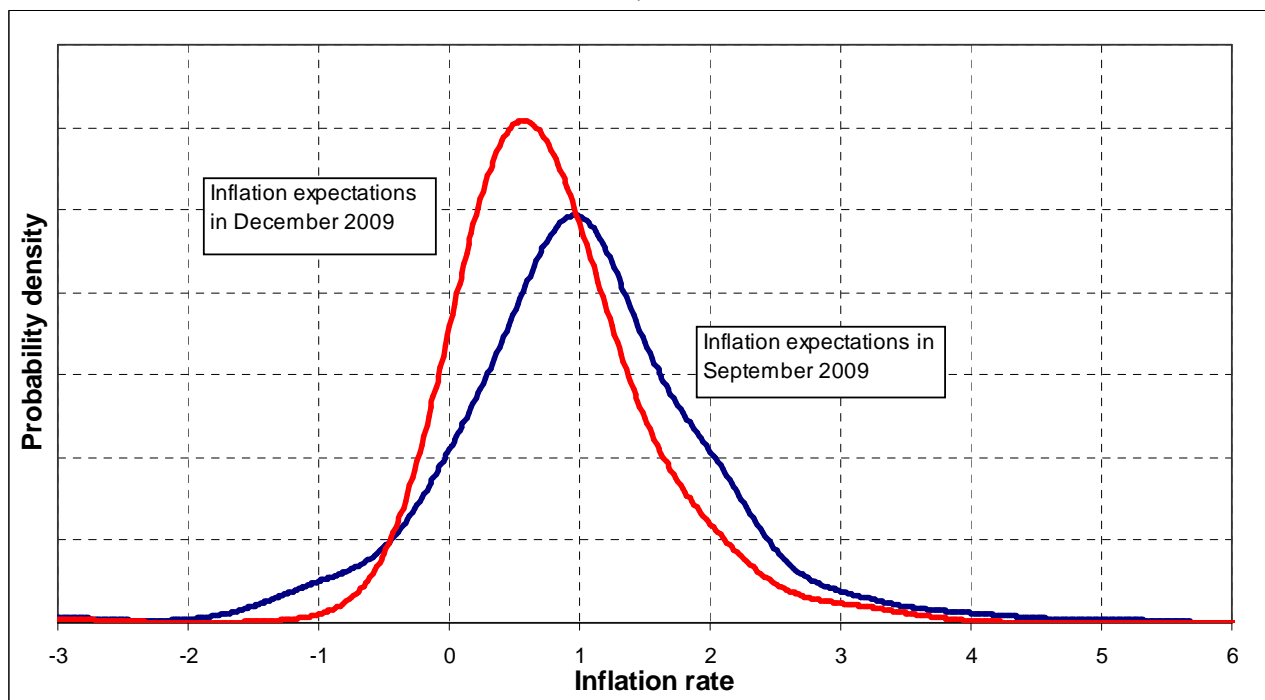
Differential between expected and actual inflation rates
(percentage points)^(*)



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

Figure 5

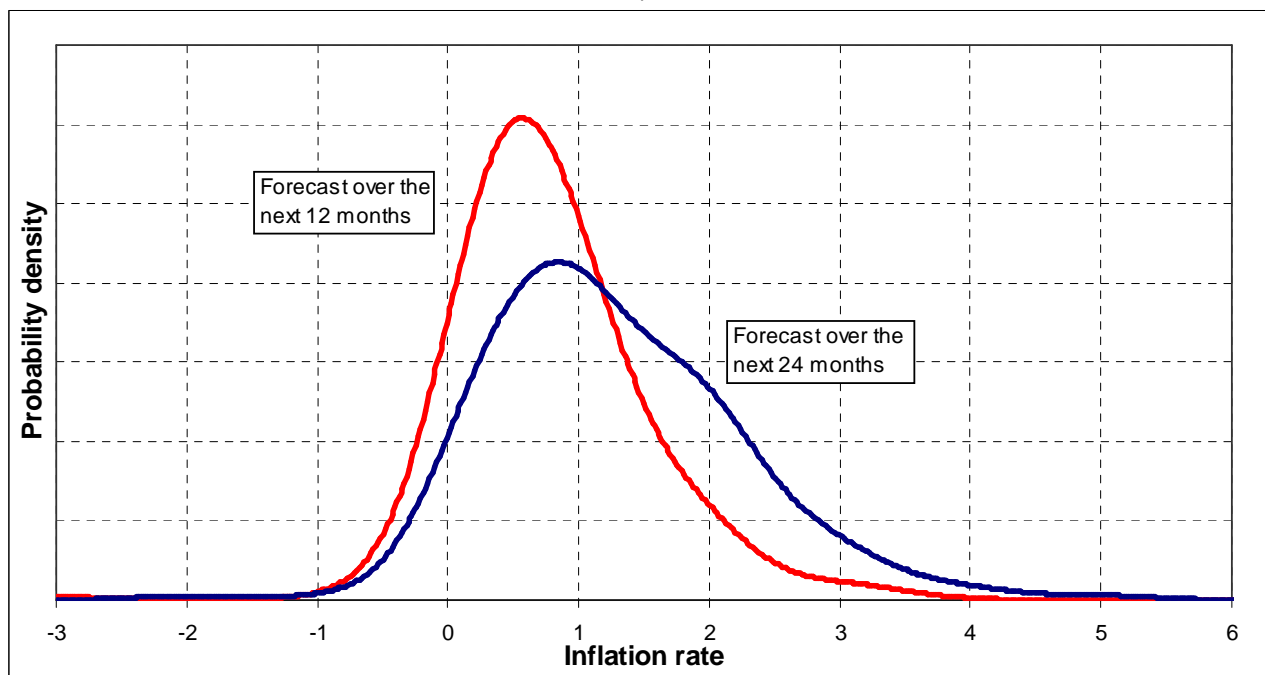
**Expectations of the inflation rate
over the next 12 months**
(kernel density)^(*)



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

Figure 6

**Expectations of the inflation rate
over the next 12 and 24 months**
(kernel density)^(*)



(*) 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 sampling universe

(number of firms, percentages)

| | Sample size (a) | Universe of firms ^(*) (b) | Sample coverage rate (a / b) * 100 |
|----------------------------|--------------------|---|---------------------------------------|
| Number of employees | | | |
| 50-199..... | 195 | 17,490 | 1.1 |
| 200-999..... | 160 | 3,513 | 4.6 |
| Over 999 | 103 | 500 | 20.6 |
| Sector | | | |
| Industry..... | 264 | 11,727 | 2.3 |
| Services..... | 194 | 9776 | 2.0 |
| Geographical area | | | |
| North-West | 173 | 8,484 | 2.0 |
| North-East..... | 151 | 6,134 | 2.5 |
| Centre | 85 | 3,774 | 2.3 |
| South and Islands..... | 49 | 3,111 | 1.6 |
| Total | 458 | 21,503 | 2.1 |

(*) 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 (**) |
|----------------------------|---------------------|-------------------|----------------------------------|
| Number of employees | | | |
| 50-199..... | 576 | 33.9 | 95.4 |
| 200-999..... | 298 | 53.7 | 95.0 |
| Over 999..... | 122 | 84.4 | 99.0 |
| Sector | | | |
| Industry..... | 558 | 47.3 | 96.2 |
| Services..... | 438 | 44.3 | 95.9 |
| Geographical area | | | |
| North-West..... | 394 | 43.9 | 98.3 |
| North-East..... | 301 | 50.2 | 96.7 |
| Centre..... | 166 | 51.2 | 91.8 |
| South and Islands..... | 135 | 36.3 | 93.9 |
| Total..... | 996 | 46.0 | 96.1 |

(*) 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 | 0.8 | 0.8 | 0.1 | 0.0 |
| Consumer price inflation in Italy in the next 24 months | 1.3 | 1.3 | 1.0 | 0.0 |
| Change in own prices in the last 12 months..... | -0.2 | 0.1 | 0.1 | 7.0 |
| Change in own prices in the next 12 months..... | 1.2 | 1.1 | 1.0 | 8.1 |

Table 4a

Standard errors
(percentages, scores)

| | |
|---|------|
| Consumer price inflation in Italy in the next 12 months | 0.04 |
| Consumer price inflation in Italy in the next 24 months | 0.06 |
| Change in own prices in the last 12 months..... | 0.56 |
| Change in own prices in the last 12 months (robust)..... | 0.40 |
| Change in own prices in the next 12 months..... | 0.15 |
| Change in own prices in the next 12 months (robust) | 0.13 |
| <u>Factors that will affect the firm's selling prices</u> | |
| Demand..... | 0.06 |
| Raw materials prices | 0.06 |
| Labour costs..... | 0.07 |
| Main competitors' pricing policies..... | 0.07 |
| <u>Factors that will affect the firm's business conditions</u> | |
| Demand | 0.09 |
| Selling prices..... | 0.06 |
| Raw materials prices | 0.07 |
| Labour costs..... | 0.07 |
| Availability and cost of credit..... | 0.09 |
| <u>Methods used to adjust labour input in the last nine month</u> | |
| Hiring freeze and attrition | 0.07 |
| Reduction in work hours and shifts (including Wage Supplementation Fund) | 0.07 |
| Non-renewal of fixed-term contracts | 0.06 |
| Incentives for voluntary severance..... | 0.05 |
| Individual or collective redundancies..... | 0.04 |
| <u>Methods expected to be used to adjust labour input in the next three months</u> | |
| Hiring freeze and attrition | 0.07 |
| Reduction in work hours and shifts (including Wage Supplementation Fund) | 0.07 |
| Non-renewal of fixed-term contracts | 0.06 |
| Incentives for voluntary severance..... | 0.05 |
| Individual or collective redundancies..... | 0.05 |

Appendix B:
Statistical Tables

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Table 1

Consumer price inflation expectations in Italy
(per cent)

| | Rate of consumer price inflation in next 12 months | Rate of consumer price inflation in next 24 months |
|----------------------------|--|--|
| Number of employees | | |
| 50-199 | 0.8 | 1.2 |
| 200-999 | 0.9 | 1.4 |
| Over 999 | 1.2 | 1.8 |
| Sector | | |
| Industry | 0.7 | 1.2 |
| Services | 0.9 | 1.4 |
| Geographical area | | |
| North-West | 0.8 | 1.3 |
| North-East | 0.7 | 1.2 |
| Centre | 0.8 | 1.3 |
| South and Islands | 1.0 | 1.3 |
| Total | 0.8 | 1.3 |
| <i>Memorandum items:</i> | | |
| September 2009 | 1.1 | 1.8 |
| June 2009 | 1.4 | 1.9 |
| March 2009 | 1.4 | |
| December 2008 | 2.8 | |

Table 2

Change in companies' selling prices
(per cent) (*)

| | Rate of change in own prices ... | |
|----------------------------|----------------------------------|-----------------------|
| | ... in last 12 months | ... in next 12 months |
| | Mean (robust) (**) | Mean (robust) (**) |
| Number of employees | | |
| 50-199 | -0.4 | 0.6 |
| 200-999 | -0.4 | 0.6 |
| Over 999 | 0.3 | 1.3 |
| Sector | | |
| Industry | -0.8 | 0.7 |
| Services..... | 0.4 | 1.2 |
| Geographical area | | |
| North-West | -1.3 | 1.0 |
| North-East..... | 0.6 | 1.1 |
| Centre | 0.3 | 1.2 |
| South and Islands | -0.3 | 0.7 |
| Total | 0.1 | 1.1 |
| <i>Memorandum items:</i> | | |
| September 2009 | -0.6 | 1.1 |
| June 2009..... | -0.4 | 0.8 |
| March 2009..... | 1.0 | 0.6 |
| December 2008..... | 1.8 | 0.5 |

(*) 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 firms' selling prices
(average scores) ^(*)

| | Change in demand | Change in raw materials prices | Change in labour costs | Pricing policies of main competitors |
|----------------------------|------------------|--------------------------------|------------------------|--------------------------------------|
| Number of employees | | | | |
| 50-199 | -0.1 | 0.5 | 0.6 | -0.5 |
| 200-999 | -0.2 | 0.4 | 0.3 | -0.8 |
| Over 999 | 0.2 | 0.4 | 0.1 | -0.2 |
| Sector | | | | |
| Industry | 0.1 | 0.7 | 0.3 | -0.5 |
| Services | 0.2 | 0.3 | 0.1 | -0.2 |
| Geographical area | | | | |
| North-West..... | 0.2 | 0.6 | 0.3 | -0.7 |
| North-East..... | -0.1 | 0.1 | 0.1 | -0.2 |
| Centre..... | 0.5 | 0.9 | 0.1 | -0.3 |
| South and Islands | 0.0 | 0.5 | 0.4 | -0.6 |
| Total..... | 0.1 | 0.4 | 0.2 | -0.3 |
| <i>Memorandum items:</i> | | | | |
| September 2009..... | 0.1 | 0.6 | 0.3 | -0.4 |
| 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 |

(*) Companies' opinions regarding the direction and magnitude of the impact of each factor on future selling prices (large/average/small decrease or increase) were scored on a scale of -3 to 3. A neutral position was assigned a score of 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 in previous quarter | Unchanged from previous quarter | Better than in previous quarter | Total |
|----------------------------|-----------------------------------|------------------------------------|------------------------------------|--------------|
| Number of employees | | | | |
| 50-199 | 15.7 | 66.3 | 18.0 | 100.0 |
| 200-999 | 18.1 | 59.7 | 22.2 | 100.0 |
| Over 999 | 6.9 | 67.9 | 25.2 | 100.0 |
| Sector | | | | |
| Industry | 9.9 | 66.5 | 23.6 | 100.0 |
| Services | 22.9 | 63.9 | 13.2 | 100.0 |
| Geographical area | | | | |
| North-West..... | 12.5 | 64.8 | 22.7 | 100.0 |
| North-East..... | 18.6 | 66.9 | 14.5 | 100.0 |
| Centre..... | 11.2 | 64.9 | 23.9 | 100.0 |
| South and Islands | 25.1 | 64.0 | 10.9 | 100.0 |
| Total | 15.8 | 65.3 | 18.9 | 100.0 |
| <i>Memorandum items:</i> | | | | |
| September 2009 | 16.4 | 63.9 | 19.6 | 100.0 |
| 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 |

Table 5

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

| | Nil | 1-25% | 26-50% | 51-75% | 76-100% | Total |
|----------------------------|-------------|-------------|-------------|------------|------------|--------------|
| Number of employees | | | | | | |
| 50-199 | 31.4 | 49.9 | 8.8 | 8.7 | 1.2 | 100.0 |
| 200-999 | 28.0 | 49.3 | 15.0 | 7.7 | 0.0 | 100.0 |
| Over 999 | 26.4 | 43.9 | 13.6 | 13.0 | 3.1 | 100.0 |
| Sector | | | | | | |
| Industry | 30.5 | 46.9 | 12.3 | 9.5 | 0.9 | 100.0 |
| Services..... | 31.0 | 52.9 | 7.3 | 7.5 | 1.2 | 100.0 |
| Geographical area | | | | | | |
| North-West | 22.7 | 45.2 | 16.0 | 13.7 | 2.5 | 100.0 |
| North-East..... | 30.8 | 56.6 | 8.0 | 4.5 | 0.1 | 100.0 |
| Centre | 40.9 | 47.4 | 6.5 | 5.3 | 0.0 | 100.0 |
| South and Islands..... | 40.2 | 51.1 | 1.8 | 6.7 | 0.2 | 100.0 |
| Total | 30.7 | 49.6 | 10.0 | 8.6 | 1.0 | 100.0 |
| <i>Memorandum items:</i> | | | | | | |
| September 2009 | 30.3 | 53.8 | 8.0 | 6.5 | 1.5 | 100.0 |
| 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 |

Table 6

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

| | Decreased from previous quarter | Unchanged from previous quarter | Increased from previous quarter | Total |
|--------------------------------|------------------------------------|------------------------------------|------------------------------------|--------------|
| Number of employees | | | | |
| 50-199 | 22.1 | 54.3 | 23.6 | 100.0 |
| 200-999 | 14.5 | 59.6 | 25.9 | 100.0 |
| Over 999 | 13.1 | 73.3 | 13.6 | 100.0 |
| Sector | | | | |
| Industry | 20.2 | 52.8 | 27.0 | 100.0 |
| Services..... | 21.1 | 59.2 | 19.8 | 100.0 |
| Geographical area | | | | |
| North-West | 19.7 | 54.6 | 25.7 | 100.0 |
| North-East..... | 19.9 | 58.8 | 21.3 | 100.0 |
| Centre | 16.3 | 55.9 | 27.8 | 100.0 |
| South and Islands..... | 30.3 | 52.3 | 17.4 | 100.0 |
| Exports' share of sales | | | | |
| Zero..... | 24.8 | 59.8 | 15.4 | 100.0 |
| Up to 1/3 | 21.0 | 49.7 | 29.3 | 100.0 |
| Between 1/3/ and 2/3 | 13.5 | 55.3 | 31.2 | 100.0 |
| More than 2/3..... | 13.8 | 52.3 | 34.0 | 100.0 |
| Total | 20.6 | 55.7 | 23.7 | 100.0 |
| <i>Memorandum item:</i> | | | | |
| September 2009 | 25.6 | 53.3 | 21.2 | 100.0 |

Table 7

Foreign demand for the firm's products
(percentages)^(*)

| | Decreased from previous quarter | Unchanged from previous quarter | Increased from previous quarter | Total |
|----------------------------|------------------------------------|------------------------------------|------------------------------------|--------------|
| Number of employees | | | | |
| 50-199..... | 21.6 | 53.7 | 24.6 | 100.0 |
| 200-999 | 16.6 | 52.5 | 30.9 | 100.0 |
| Over 999 | 17.4 | 65.1 | 17.5 | 100.0 |
| Sector | | | | |
| Industry..... | 22.6 | 51.4 | 26.0 | 100.0 |
| Services..... | 11.7 | 63.6 | 24.7 | 100.0 |
| Geographical area | | | | |
| North-West | 20.8 | 50.7 | 28.4 | 100.0 |
| North-East..... | 16.9 | 52.2 | 30.9 | 100.0 |
| Centre | 23.4 | 71.2 | 5.3 | 100.0 |
| South and Islands..... | 26.5 | 28.7 | 44.8 | 100.0 |
| Total | 20.6 | 53.7 | 25.8 | 100.0 |
| <i>Memorandum item:</i> | | | | |
| September 2009 | 24.9 | 52.1 | 23.0 | 100.0 |

(*) For exporting firms only.

Table 8

Three-month forecast of the firm's business conditions
(percentages)

| | Deterioration | No change | Improvement | Total |
|----------------------------|---------------|-------------|-------------|--------------|
| Number of employees | | | | |
| 50-199 | 14.2 | 73.5 | 12.3 | 100.0 |
| 200-999 | 16.1 | 70.6 | 13.4 | 100.0 |
| Over 999 | 9.7 | 77.6 | 12.7 | 100.0 |
| Sector | | | | |
| Industry | 10.2 | 74.9 | 14.9 | 100.0 |
| Services..... | 19.4 | 71.1 | 9.5 | 100.0 |
| Geographical area | | | | |
| North-West | 10.3 | 69.1 | 20.5 | 100.0 |
| North-East..... | 21.7 | 72.1 | 6.2 | 100.0 |
| Centre | 8.0 | 84.0 | 8.0 | 100.0 |
| South and Islands..... | 18.9 | 73.2 | 7.9 | 100.0 |
| Total | 14.4 | 73.2 | 12.5 | 100.0 |
| <i>Memorandum items:</i> | | | | |
| September 2009 | 18.7 | 63.4 | 17.9 | 100.0 |
| 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 |

Table 9

Factors which will affect the firm's business conditions
(average scores)^(*)

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

(*) 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) were scored on a scale of -3 to 3. A neutral position was assigned a score of 0.

Table 10

Three-year forecast of the firm's business conditions
(percentages)

| | Deterioration | No change | Improvement | Total |
|----------------------------|---------------|-------------|-------------|--------------|
| Number of employees | | | | |
| 50-199 | 12.2 | 11.9 | 75.8 | 100.0 |
| 200-999 | 9.0 | 16.4 | 74.6 | 100.0 |
| Over 999 | 7.7 | 23.4 | 68.8 | 100.0 |
| Sector | | | | |
| Industry | 6.8 | 12.3 | 80.9 | 100.0 |
| Services..... | 17.4 | 13.8 | 68.8 | 100.0 |
| Geographical area | | | | |
| North-West | 14.5 | 8.7 | 76.8 | 100.0 |
| North-East..... | 8.5 | 16.1 | 75.3 | 100.0 |
| Centre | 12.2 | 17.5 | 70.3 | 100.0 |
| South and Islands..... | 8.6 | 13.2 | 78.1 | 100.0 |
| Total | 11.6 | 13.0 | 75.4 | 100.0 |
| <i>Memorandum items:</i> | | | | |
| September 2009 | 9.4 | 16.9 | 73.7 | 100.0 |
| 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 |

Table 11

Assessment of conditions for investment
(percentages)

| | Worse than in previous quarter | Unchanged from previous quarter | Better than in previous quarter | Total |
|----------------------------|-----------------------------------|------------------------------------|------------------------------------|--------------|
| Number of employees | | | | |
| 50-199 | 13.3 | 69.6 | 17.1 | 100.0 |
| 200-999 | 12.3 | 74.3 | 13.3 | 100.0 |
| Over 999 | 9.6 | 75.2 | 15.2 | 100.0 |
| Sector | | | | |
| Industry | 13.5 | 72.4 | 14.0 | 100.0 |
| Services | 12.4 | 68.2 | 19.4 | 100.0 |
| Geographical area | | | | |
| North-West..... | 9.5 | 71.4 | 19.0 | 100.0 |
| North-East..... | 18.0 | 66.6 | 15.4 | 100.0 |
| Centre..... | 2.0 | 85.0 | 13.0 | 100.0 |
| South and Islands | 26.4 | 58.0 | 15.7 | 100.0 |
| Total | 13.0 | 70.5 | 16.5 | 100.0 |
| <i>Memorandum items:</i> | | | | |
| September 2009 | 13.9 | 66.3 | 19.8 | 100.0 |
| 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 |

Table 12

Assessment of credit conditions for firms
(percentages)

| | Worse than in previous quarter | Unchanged from previous quarter | Better than in previous quarter | Total |
|----------------------------|-----------------------------------|------------------------------------|------------------------------------|--------------|
| Number of employees | | | | |
| 50-199 | 21.1 | 73.5 | 5.4 | 100.0 |
| 200-999 | 16.3 | 79.1 | 4.6 | 100.0 |
| Over 999 | 7.2 | 87.9 | 4.8 | 100.0 |
| Sector | | | | |
| Industry | 19.9 | 76.5 | 3.5 | 100.0 |
| Services | 19.8 | 72.8 | 7.4 | 100.0 |
| Geographical area | | | | |
| North-West..... | 15.2 | 77.7 | 7.2 | 100.0 |
| North-East..... | 22.4 | 72.5 | 5.1 | 100.0 |
| Centre..... | 21.5 | 76.9 | 1.6 | 100.0 |
| South and Islands | 25.9 | 69.3 | 4.9 | 100.0 |
| Total | 19.9 | 74.8 | 5.3 | 100.0 |
| <i>Memorandum items:</i> | | | | |
| September 2009 | 18.6 | 75.0 | 6.3 | 100.0 |
| 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 |

Table 13

Three-month forecast of workforce
(percentages)

| | Decrease | No change | Increase | Total |
|----------------------------|-------------|-------------|------------|--------------|
| Number of employees | | | | |
| 50-199 | 27.0 | 63.5 | 9.5 | 100.0 |
| 200-999 | 37.4 | 51.7 | 11.0 | 100.0 |
| Over 999 | 24.7 | 65.6 | 9.7 | 100.0 |
| Sector | | | | |
| Industry | 30.8 | 61.8 | 7.4 | 100.0 |
| Services | 25.9 | 61.5 | 12.5 | 100.0 |
| Geographical area | | | | |
| North-West | 26.3 | 63.4 | 10.3 | 100.0 |
| North-East | 29.4 | 56.3 | 14.3 | 100.0 |
| Centre | 31.7 | 64.6 | 3.7 | 100.0 |
| South and Islands | 29.7 | 64.5 | 5.8 | 100.0 |
| Total | 28.6 | 61.7 | 9.7 | 100.0 |
| <i>Memorandum items:</i> | | | | |
| September 2009 | 29.2 | 59.6 | 11.2 | 100.0 |
| 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 |

Table 14

Adjustment of labour input in the last nine months
(average scores)^(*)

| | Hiring freeze and attrition | Reduction of hours and shifts (inc. WSF) ^(**) | Non-renewal of fixed-term contracts | Offer of a severance package | Individual and collective redundancies |
|----------------------------|-----------------------------|--|-------------------------------------|------------------------------|--|
| Number of employees | | | | | |
| 50-199 | 1.2 | 1.0 | 0.8 | 0.4 | 0.3 |
| 200-999 | 1.5 | 1.1 | 1.2 | 0.8 | 0.3 |
| Over 999 | 1.1 | 0.6 | 0.8 | 0.8 | 0.2 |
| Sector | | | | | |
| Industry | 1.4 | 1.4 | 0.9 | 0.6 | 0.3 |
| Services..... | 1.1 | 0.5 | 0.8 | 0.3 | 0.3 |
| Geographical area | | | | | |
| North-West | 1.3 | 1.0 | 0.8 | 0.5 | 0.3 |
| North-East..... | 1.1 | 1.0 | 0.8 | 0.4 | 0.2 |
| Centre | 1.3 | 1.1 | 0.9 | 0.5 | 0.3 |
| South and Islands..... | 1.5 | 0.8 | 1.0 | 0.3 | 0.6 |
| Total | 1.3 | 1.0 | 0.9 | 0.4 | 0.3 |
| <i>Memorandum item:</i> | | | | | |
| September 2009 | 1.3 | 0.9 | 0.9 | 0.5 | 0.4 |

(*) Companies' opinions of the intensity of their recourse to each method (none/low/average/high) are scored on a scale from 0 to 3.

(**) Wage Supplementation Fund.

Table 15

Adjustment of labour input in the next three months

(average scores)^(*)

| | Hiring freeze and attrition | Reduction of hours and shifts (inc. WSF) ^(**) | Non-renewal of fixed-term contracts | Offer of a severance package | Individual and collective redundancies |
|----------------------------|-----------------------------|--|-------------------------------------|------------------------------|--|
| Number of employees | | | | | |
| 50-199 | 1.3 | 0.9 | 0.7 | 0.4 | 0.3 |
| 200-999 | 1.4 | 1.1 | 1.0 | 0.8 | 0.3 |
| Over 999 | 1.0 | 0.6 | 0.7 | 0.9 | 0.2 |
| Sector | | | | | |
| Industry | 1.4 | 1.3 | 0.8 | 0.6 | 0.3 |
| Services..... | 1.1 | 0.4 | 0.7 | 0.4 | 0.3 |
| Geographical area | | | | | |
| North-West | 1.4 | 0.9 | 0.7 | 0.5 | 0.2 |
| North-East..... | 1.1 | 0.9 | 0.7 | 0.4 | 0.3 |
| Centre | 1.2 | 1.1 | 0.8 | 0.4 | 0.2 |
| South and Islands | 1.4 | 0.7 | 0.9 | 0.5 | 0.6 |
| Total | 1.3 | 0.9 | 0.8 | 0.5 | 0.3 |
| <i>Memorandum items:</i> | | | | | |
| September 2009 | 1.2 | 0.9 | 0.9 | 0.5 | 0.3 |
| 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 intensity of their recourse to each method (none/low/average/high) are scored on a scale from 0 to 3.

(**) Wage Supplementation Fund.

Appendix C:
Questionnaire

Company name _____

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

Sector: _____ EMPLOYEES: _____ Exports: Yes, more than 2/3 Yes, 1/3-2/3
 (1=Manufacturing; 2=Other industry; 3= Trade; 4=Other services) Yes, up to 1/3 of sales revenues No

SECTION A – GENERAL ECONOMIC SITUATION IN ITALY

A1. In October consumer price inflation, measured by the 12-month change in the HARMONIZED INDEX OF CONSUMER PRICES, was 0.3 per cent in Italy and -0,1 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 Italy's general economic situation is ...? Better The same Worse

A3. What do you think is the probability of an improvement in Italy's general economic situation in the next 3 months?
 Zero 1-25 per cent 26-50 per cent 51-75 per cent 76-99 per cent 100 per cent

SECTION B – YOUR FIRM'S BUSINESS CONDITIONS

How do you think business conditions for your company will be:

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

Please indicate whether and with what intensity the following FACTORS will affect your firm's business in the next 3 months.

| Factors affecting your firm's business In the next 3 months | Effect on business | | | Intensity (if not nil) | | |
|--|--------------------|-----|----------|------------------------|---------|------|
| | Negative | Nil | Positive | Low | Average | High |
| B3. The impact of changes in DEMAND on business will be... | 1 _ | 2 _ | 3 _ | 1 _ | 2 _ | 3 _ |
| B4. The impact of changes in YOUR PRICES on business will be ... | 1 _ | 2 _ | 3 _ | 1 _ | 2 _ | 3 _ |
| B5. The impact of changes in RAW MATERIAL PRICES on business will be ... | 1 _ | 2 _ | 3 _ | 1 _ | 2 _ | 3 _ |
| B6. The impact of changes in LABOUR COSTS on business will be ... | 1 _ | 2 _ | 3 _ | 1 _ | 2 _ | 3 _ |
| B7. 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 month ago, do you think conditions for investment are ... ? Better The same Worse

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

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

B11. Compared with three months ago, are credit conditions for your company ...? 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 what direction and with what intensity the following FACTORS will affect your selling prices in the next 12 months.

| Factors affecting your firm's prices in the next 12 months | Effect on firm's selling prices | | | Intensity (if not nil) | | |
|--|---------------------------------|---------|--------|------------------------|---------|------|
| | Downward | Neutral | Upward | Low | Average | High |
| C3. The impact of developments in OVERALL DEMAND on your prices will be ... | 1 _ | 2 _ | 3 _ | 1 _ | 2 _ | 3 _ |
| C4. The impact of changes in RAW MATERIAL PRICES on your prices will be ... | 1 _ | 2 _ | 3 _ | 1 _ | 2 _ | 3 _ |
| C5. The impact of changes in LABOUR COSTS on your prices will be ... | 1 _ | 2 _ | 3 _ | 1 _ | 2 _ | 3 _ |
| C6. 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. Your firm's TOTAL NUMBER of employees in the next 3 months will be:

Lower _____ Unchanged _____ Higher _____
 1|_| 2|_| 3|_|

| Methods to adjust labour input | In the last nine months | | | | In the next three months | | | |
|---|-------------------------|-----|---------|------|--------------------------|-----|---------|------|
| | None | Low | Average | High | None | Low | Average | High |
| D2. FREEZE on hiring and labour turnover | 1 _ | 2 _ | 3 _ | 4 _ | 1 _ | 2 _ | 3 _ | 4 _ |
| D3. REDUCTION in work hours & shifts (incl. Wage Supplementation Fund) | 1 _ | 2 _ | 3 _ | 4 _ | 1 _ | 2 _ | 3 _ | 4 _ |
| D4. NON-RENEWAL of fixed-term contracts | 1 _ | 2 _ | 3 _ | 4 _ | 1 _ | 2 _ | 3 _ | 4 _ |
| D5. Offer of a SEVERANCE PACKAGE | 1 _ | 2 _ | 3 _ | 4 _ | 1 _ | 2 _ | 3 _ | 4 _ |
| D6. Individual and collective REDUNDANCIES | 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).

Requests for clarifications concerning data contained in this publication can be sent by e-mail to statistiche@bancaditalia.it

