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Survey on 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 December 2010 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, Mario Porqueddu and Raffaele Tartaglia Polcini. Stefania Coscarella helped with the editing and the tables.*

*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 1 and 20 December 2010. A total of 481 companies with 50 or more employees took part, 281 of which operate in industry and 200 in services (Table 1a). The response rate was 48.8 per cent (Table 2a).

The companies were asked to provide forecasts on both macroeconomic matters, such as the inflation rate and the general situation of the productive economy in Italy, and on issues regarding their own activities. In some cases, the forward-looking opinions are accompanied by backward-looking assessments and, where possible, indications of the factors underlying the reported or expected developments.

The main findings of the survey are summarized below. The appendices contain the methodological notes, detailed statistical tables, and the questionnaire used

### **2. The main findings**

#### **Inflation expectations in Italy and change in companies' selling prices**

In December the twelve-month change in the harmonized index of consumer prices was 2.0 per cent,<sup>1</sup> 1.2 percentage points higher than expected in the December 2009 survey.

The expected twelve-month rate of consumer price inflation shows a progressive increase over the longer time horizons: it is 1.9 per cent at six months (recorded for the first time in this survey), rises to 2.0 per cent at one year and 2.2 per cent at two years. Inflation expectations 12 and 24 months forward are 0.2 percentage points higher than in the September survey (Table 1 and Figure 3) and are now higher than the forecasts of professional analysts for the same time horizons.

Businesses reported that they had increased their selling prices by 0.9 per cent from a year earlier (Table 2), half a percentage point more than recorded in the last two surveys. The actual increase in list prices was slightly below that projected by the same firms in December 2009 (1.1 per cent). The increases were largest for firms in industry (1.3 per cent, against 0.6 per cent for service firms) and companies with 1,000 or more employees (1.1 per cent). Geographically, the rise in selling prices reported by firms was steepest in the Centre and South.

For the next twelve months firms expect to raise their list prices by 1.4 per cent on average, with a more marked increase in the North (1.7 per cent). Further upward pressure on selling prices is expected to come from raw materials and, to a lesser extent, labour costs, while competitors' pricing policies are held likely to continue to exert downward pressure (Table 3).

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

The improvement in assessments of the current cyclical conditions found in September did not continue in the fourth quarter. A wide majority of respondents considered the general economic situation unchanged from the previous quarter (65.3 per cent, compared with 66.1 per cent in September; Table 4). The balance between the proportion of firms seeing improvement in the

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<sup>1</sup> Provisional figure at 4 January 2011.

general economic situation and those indicating a worsening, which had been positive by 6.4 percentage points in September, turned negative by 16.1 points. The balance of assessments was less negative in the North-East; it was more pessimistic in the service sector and among firms based in the Centre and South.

Opinions regarding the short-term outlook for the economy were also less favourable than in the survey conducted in September. The share of firms that reckoned there was a one-in-four chance, at least, that the economic situation would improve declined by 1.7 percentage points from September to 18.6 per cent (Table 5). There was a greater degree of optimism among companies with 1,000 or more workers.

### **Demand**

Assessments of the evolution of demand in the last three months were basically worse than in September. The share of companies reporting a decrease in demand for their products increased from 16.6 to 24.5 per cent, while the percentage reporting no change fell from 57.9 to 52.5 per cent and that indicating expansion from 25.6 to 23 per cent. The balance between firms recording an increase and those recording a decrease was strongly negative among firms that get no more than a third of their sales revenues from exports, among service businesses and companies located in the North-West and Centre.

Assessments were substantially more positive again among exporting firms, particularly those that get at least one third of their turnover from exports, despite a slowdown in foreign demand. The balance between firms seeing an improvement in export demand and those seeing deterioration remained positive but contracted by almost one half, from 27.4 percentage points in September to 14.8 points (Table 7).

### **Assessment of firm's business conditions**

Some two thirds of firms expected their business conditions to remain unchanged in the next three months. The negative balance between the percentage of companies expecting improvement and those expecting a worsening increased from 0.6 to 3.8 percentage points (Table 8), reflecting in particular more unfavourable expectations among firms in the service sector, where the negative balance widened to 18.4 percentage points, compared with 5.4 points in September.

Among the factors that will affect business conditions, the change in demand was expected to continue to have a positive impact, albeit less than in the four preceding quarters (Table 9). Expectations regarding labour costs, raw materials prices and the conditions of access to credit remained negative.

By contrast, firms' forecasts regarding their operating conditions in the next three years are stable. Nearly two thirds of firms expect improvement (64.3 per cent, up from 63.7 per cent in the previous survey), while 15.7 per cent project a worsening, compared with 14.8 per cent in September (Table 10). Expectations of improvement are especially widespread in industry and among companies with 1,000 or more employees.

### **Conditions for investment**

Assessments of the conditions for investment were more unfavourable than in September. The balance between firms reporting improvement and those judging the conditions for investment to be worse than in the previous quarter swung back into negative territory, to minus 8.5 percentage points, from plus 2.3 in September (Table 11). The negative balance was especially large among service firms and companies based in the South and Islands. Firms judging the conditions for

investment to have been unchanged from the previous quarter again made up a wide majority, though not quite as large as in September (72.1 against 73.9 per cent).

### **Stocks of finished products**

The percentage of industrial companies reporting an increase in their stocks of finished products compared with the previous quarter held at 16.9 per cent (Table 12). A majority of firms again reported that they had kept their inventory levels unchanged, but the percentage slipped from 57 to 54.3 per cent.

The share of companies judging the current level of stocks to be adequate stabilized at around 85 per cent (Table 13).

### **Conditions of access to credit**

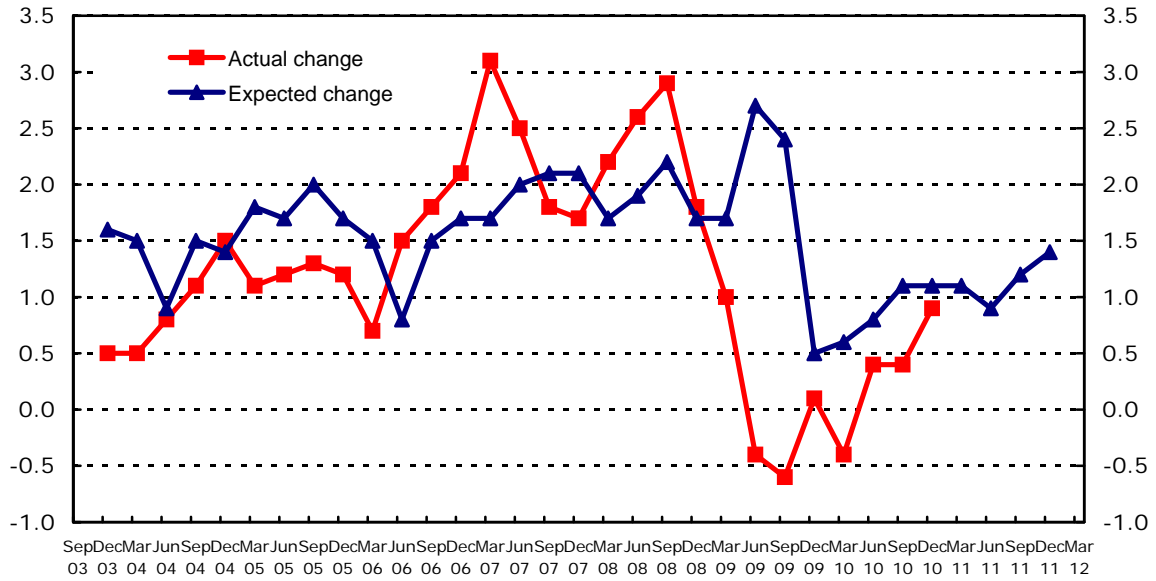
More than 80 per cent of firms again reported no change in their conditions of access to credit with respect to the previous quarter. The percentage reporting a worsening grew slightly, from 12.4 to 13.9 per cent, as did that of those indicating an improvement, from 3.4 to 5.1 per cent, with the balance again negative and broadly unchanged at about 9 percentage points (Table 14).

### **Employment**

For the eleventh quarter in a row, firms expecting to reduce their workforce in the next three months outnumbered those expecting to expand it. The negative balance increased from 3.7 percentage points in September to 8.8 points in December (Table 15).

**Figure 1**

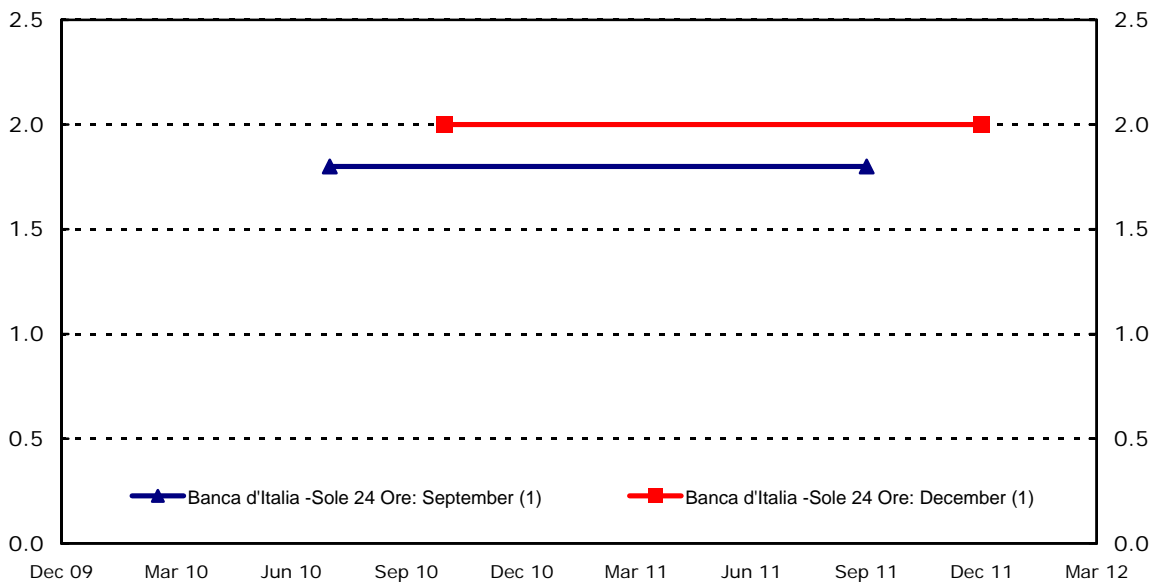
**Expected and actual changes in selling prices**  
(percentages changes)<sup>(\*)</sup>



(\*) 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)

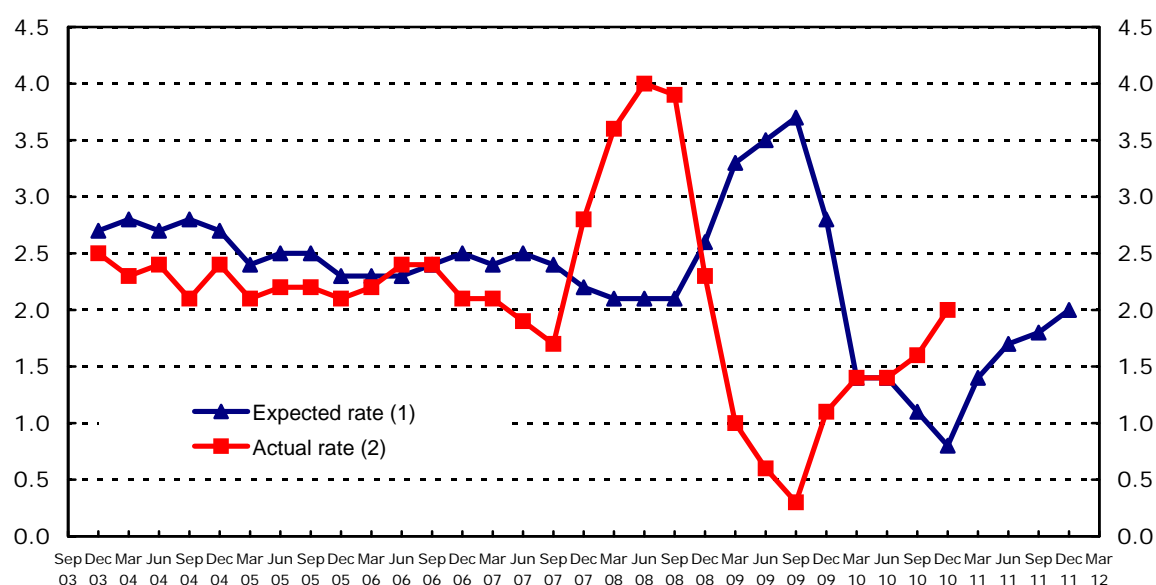


(1) The first point in each curve is the definitive figure available at the time of the survey, which is given to the interviewees in the questionnaire as a point of reference for expressing their expectations; the second point is the average of the interviewees' forecasts for the next twelve months.



Figure 3

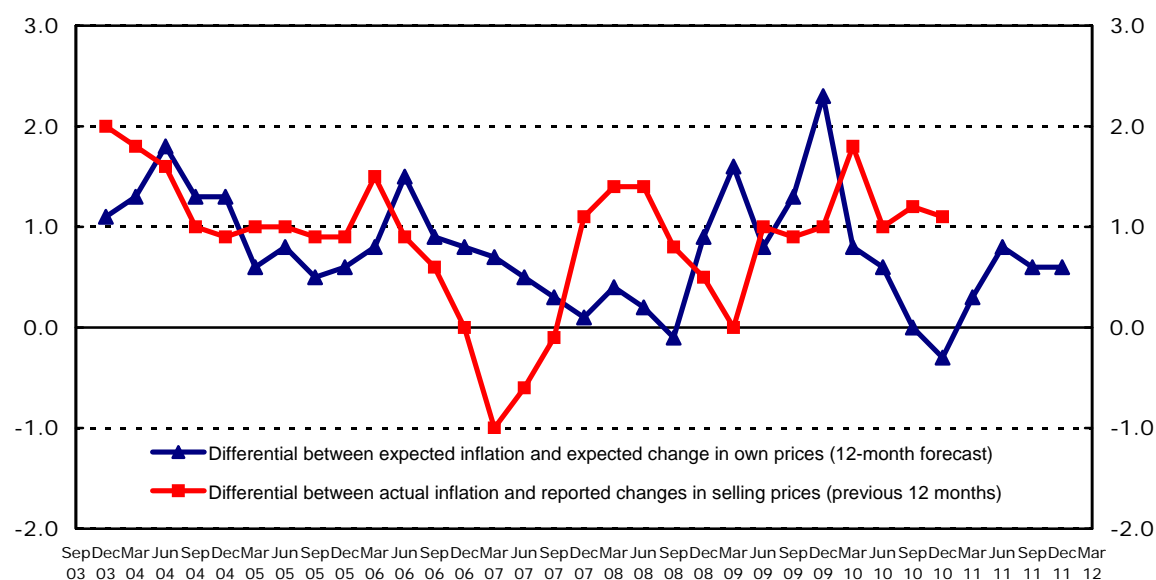
**Expectations of consumer price inflation in Italy and actual rate**  
(percentages)



- (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

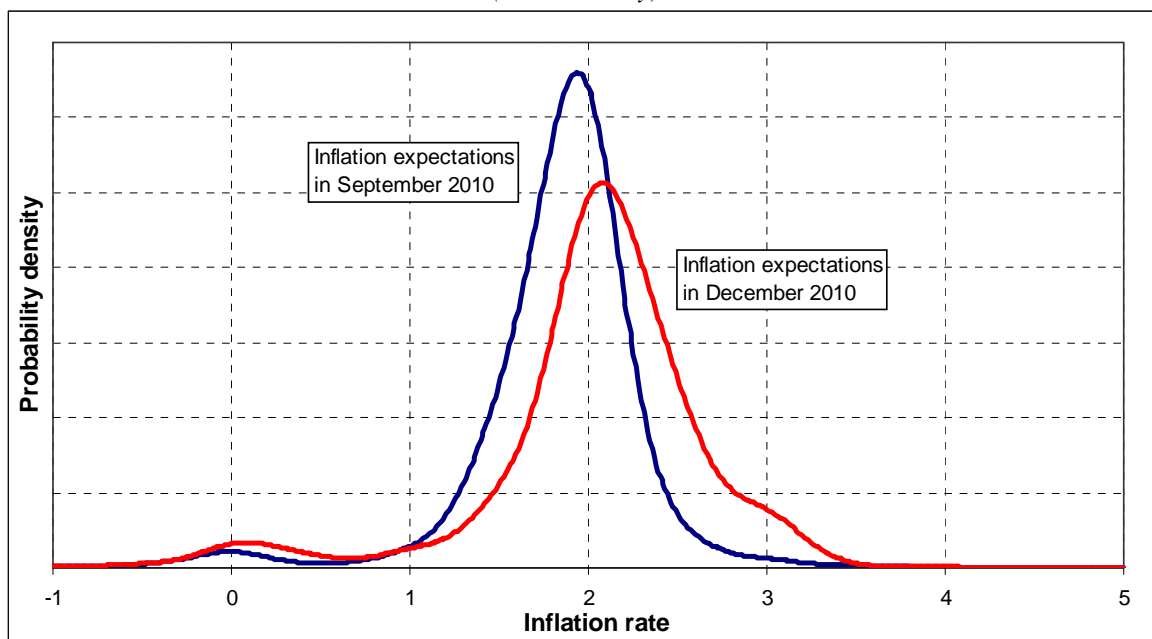
**Differential between price changes reported by firms and the inflation rate: forecasts and outcomes**  
(percentage points)<sup>(\*)</sup>



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

Figure 5

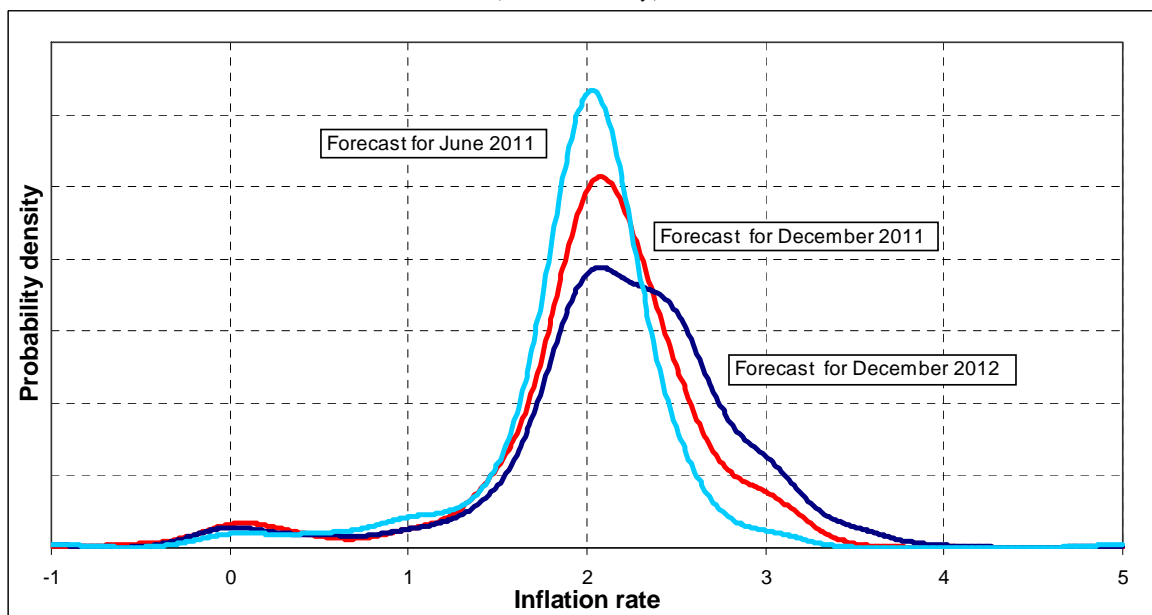
**Expectations of the inflation rate  
over the next 12 months**  
(kernel density)<sup>(\*)</sup>



(\*) The estimates are obtained using a Gaussian kernel density with a bandwidth equal to 0.2. The red line indicates the forecast made in December. The blue line indicates the forecast made in September.

Figure 6

**Distribution of the inflation rate expectations**  
(kernel density)<sup>(\*)</sup>



(\*) The estimates are obtained using a Gaussian kernel density with a bandwidth equal to 0.2. The azure line indicates the forecast for June 2011. The red line indicates the forecast for December 2011. The blue line indicates the forecast for December 2012.

**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.....	213	17,490	1.2
200-999.....	165	3,513	4.7
Over 999.....	103	500	20.6
<b>Sector</b>			
Industry.....	281	11,727	2.4
Services.....	200	9,776	2.0
<b>Geographical area</b>			
North-West.....	183	8,484	2.2
North-East.....	150	6,134	2.4
Centre.....	84	3,774	2.2
South and Islands.....	64	3,111	2.1
<b>Total.....</b>	<b>481</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.....	568	37.5	93.4
200-999.....	271	60.9	95.2
Over 999.....	147	70.1	98.1
<b>Sector</b>			
Industry.....	550	51.1	95.0
Services.....	436	45.9	95.0
<b>Geographical area</b>			
North-West.....	394	46.4	96.2
North-East.....	288	52.1	97.3
Centre.....	163	51.5	88.1
South and Islands.....	141	45.4	95.3
<b>Total.....</b>	<b>986</b>	<b>48.8</b>	<b>95.0</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	Robust mean	Median	Non-response (percentages)
Consumer price inflation in Italy in the next 6 months.....	1.9	2.0	2.0	0.0
Consumer price inflation in Italy in the next 12 months.....	2.0	2.1	2.0	0.0
Consumer price inflation in Italy in the next 24 months.....	2.2	2.2	2.2	0.0
Change in own prices in the last 12 months.....	1.2	0.9	0.8	6.4
Change in own prices in the next 12 months.....	1.5	1.4	1.3	7.3

**Table 4a**

**Standard errors**  
(percentages, scores)

Consumer price inflation in Italy in the next 6 months .....	0.04
Consumer price inflation in Italy in the next 12 months .....	0.04
Consumer price inflation in Italy in the next 24 months .....	0.04
Change in own prices in the last 12 months .....	0.37
Change in own prices in the last 12 months (robust).....	0.28
Change in own prices in the next 12 months.....	0.22
Change in own prices in the next 12 months (robust) .....	0.17
<b><u>Factors that will affect the firm's selling prices</u></b>	
Demand.....	0.06
Raw materials prices .....	0.06
Labour costs.....	0.05
Main competitors' pricing policies.....	0.06
<b><u>Factors that will influence the firm's business conditions</u></b>	
Demand .....	0.09
Selling prices.....	0.06
Raw materials prices .....	0.07
Labour costs.....	0.06
Availability and cost of credit.....	0.07





**Appendix B:**  
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**Table 1**

**Consumer price inflation expectations in Italy**  
(percentage changes on past 12 months)

	Consumer price inflation expectations for ...		
	...the next 6 months	...the next 12 months	...the next 24 months
<b>Number of employees</b>			
50-199 .....	1.9	2.0	2.1
200-999 .....	2.0	2.1	2.2
Over 999 .....	1.9	2.0	2.2
<b>Sector</b>			
Industry .....	1.9	2.0	2.2
Services.....	1.9	2.0	2.1
<b>Geographical area</b>			
North-West .....	1.9	2.0	2.2
North-East.....	1.9	2.1	2.3
Centre .....	1.8	1.9	2.0
South and Islands.....	2.0	2.0	2.1
<b>Total .....</b>	<b>1.9</b>	<b>2.0</b>	<b>2.2</b>
<i>Memorandum items:</i>			
September 2010 .....	...	1.8	2.0
June 2010.....	...	1.7	2.0
March 2010.....	...	1.4	1.8
December 2009.....	...	0.8	1.3

**Table 2**

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

	Rate of change in own prices ...	
	... in last 12 months	... in next 12 months
	Mean (robust) (**)	Mean (robust) (**)
<b>Number of employees</b>		
50-199.....	0.7	1.6
200-999.....	0.6	1.6
Over 999.....	1.1	1.2
<b>Sector</b>		
Industry.....	1.3	1.5
Services.....	0.6	1.3
<b>Geographical area</b>		
North-West.....	0.3	1.7
North-East.....	0.5	1.7
Centre.....	1.9	0.7
South and Islands.....	1.1	1.4
<b>Total.....</b>	<b>0.9</b>	<b>1.4</b>
<i>Memorandum items:</i>		
September 2010.....	0.4	1.2
June 2010.....	0.4	0.9
March 2010.....	-0.4	1.1
December 2009.....	0.1	1.1

(\*) 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) <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 .....	0.1	0.7	0.6	-0.4
200-999 .....	0.0	0.9	0.5	-0.5
Over 999 .....	0.3	1.1	0.2	-0.5
<b>Sector</b>				
Industry .....	0.2	1.1	0.3	-0.3
Services .....	0.1	0.7	0.5	-0.6
<b>Geographical area</b>				
North-West.....	0.2	0.8	0.5	-0.5
North-East.....	0.1	1.2	0.4	-0.8
Centre.....	0.0	0.8	0.2	-0.2
South and Islands .....	0.4	1.0	0.3	-0.3
<b>Total.....</b>	<b>0.1</b>	<b>0.9</b>	<b>0.4</b>	<b>-0.5</b>
<i>Memorandum items:</i>				
September 2010.....	0.0	0.7	0.3	-0.6
June 2010 .....	0.1	0.6	0.3	-0.6
March 2010 .....	-0.1	0.5	0.4	-0.7
December 2009 .....	0.1	0.4	0.2	-0.3

(\*) 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
<b>Number of employees</b>				
50-199 .....	25.7	65.7	8.6	100.0
200-999 .....	24.9	63.2	11.9	100.0
Over 999 .....	19.6	65.6	14.8	100.0
<b>Sector</b>				
Industry .....	14.8	76.3	8.9	100.0
Services .....	37.6	52.6	9.8	100.0
<b>Geographical area</b>				
North-West .....	22.2	68.6	9.2	100.0
North-East .....	22.8	63.4	13.8	100.0
Centre .....	29.6	67.0	3.4	100.0
South and Islands .....	34.1	57.8	8.1	100.0
<b>Total .....</b>	<b>25.4</b>	<b>65.3</b>	<b>9.3</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010 .....	13.7	66.1	20.1	100.0
June 2010 .....	23.4	60.9	15.6	100.0
March 2010 .....	21.8	60.5	17.7	100.0
December 2009 .....	15.8	65.3	18.9	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
<b>Number of employees</b>						
50-199 .....	40.0	41.9	13.0	3.7	1.4	100.0
200-999 .....	31.6	48.6	9.5	8.3	2.0	100.0
Over 999 .....	20.8	48.8	22.3	8.1	0.0	100.0
<b>Sector</b>						
Industry .....	35.7	46.0	11.2	6.4	0.7	100.0
Services.....	41.3	39.6	14.4	2.4	2.4	100.0
<b>Geographical area</b>						
North-West .....	31.7	44.4	16.0	6.1	1.8	100.0
North-East.....	37.7	45.6	8.8	5.2	2.7	100.0
Centre .....	42.1	38.9	17.5	1.4	0.0	100.0
South and Islands .....	52.4	39.9	5.1	2.6	0.0	100.0
<b>Exports' share of sales</b>						
From Zero to 1/3.....	41.3	40.2	12.3	4.0	2.1	100.0
Between 1/3/ and 2/3 .....	30.6	49.1	13.7	6.6	0.0	100.0
More than 2/3.....	31.8	51.1	12.7	4.4	0.0	100.0
<b>Total .....</b>	<b>38.2</b>	<b>43.1</b>	<b>12.6</b>	<b>4.5</b>	<b>1.5</b>	<b>100.0</b>
<i>Memorandum items:</i>						
September 2010 .....	29.9	49.8	13.2	5.6	1.5	100.0
June 2010.....	36.5	48.4	9.7	3.7	1.8	100.0
March 2010.....	33.3	50.4	10.4	4.9	0.9	100.0
December 2009.....	30.7	49.6	10.0	8.6	1.0	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
<b>Number of employees</b>				
50-199 .....	26.0	52.5	21.4	100.0
200-999 .....	18.2	50.8	31.0	100.0
Over 999 .....	15.0	64.1	20.9	100.0
<b>Sector</b>				
Industry .....	20.1	53.2	26.8	100.0
Services.....	29.8	51.7	18.5	100.0
<b>Geographical area</b>				
North-West .....	30.0	47.2	22.8	100.0
North-East.....	18.7	51.3	30.0	100.0
Centre .....	21.8	63.6	14.6	100.0
South and Islands.....	24.4	55.7	20.0	100.0
<b>Exports' share of sales</b>				
From Zero to 1/3.....	27.5	53.5	19.0	100.0
Between 1/3 and 2/3 .....	13.9	56.0	30.0	100.0
More than 2/3.....	23.1	41.3	35.6	100.0
<b>Total .....</b>	<b>24.5</b>	<b>52.5</b>	<b>23.0</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010 .....	16.6	57.9	25.6	100.0
June 2010.....	17.9	57.0	25.1	100.0
March 2010.....	25.0	51.5	23.6	100.0
December 2009.....	20.6	55.7	23.7	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
<b>Number of employees</b>				
50-199 .....	22.4	46.5	31.1	100.0
200-999 .....	6.3	47.3	46.4	100.0
Over 999 .....	10.6	63.4	26.0	100.0
<b>Sector</b>				
Industry .....	17.7	43.2	39.1	100.0
Services.....	24.3	60.7	15.0	100.0
<b>Geographical area</b>				
North-West .....	21.6	50.6	27.8	100.0
North-East.....	17.7	41.1	41.2	100.0
Centre .....	20.4	47.6	32.0	100.0
South and Islands .....	12.5	50.5	36.9	100.0
<b>Total .....</b>	<b>19.1</b>	<b>46.9</b>	<b>33.9</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010 .....	10.7	51.2	38.1	100.0
June 2010.....	12.9	48.9	38.2	100.0
March 2010.....	13.4	50.0	36.7	100.0
December 2009.....	20.6	53.7	25.8	100.0

(\*) For exporting firms only.

Table 8

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

	Deterioration	No change	Improvement	Total
<b>Number of employees</b>				
50-199 .....	20.0	64.6	15.4	100.0
200-999 .....	15.2	71.0	13.8	100.0
Over 999 .....	11.7	71.6	16.7	100.0
<b>Sector</b>				
Industry .....	11.1	69.6	19.3	100.0
Services.....	28.6	61.3	10.2	100.0
<b>Geographical area</b>				
North-West .....	22.1	59.7	18.2	100.0
North-East.....	13.0	70.4	16.6	100.0
Centre .....	19.9	73.7	6.4	100.0
South and Islands.....	21.4	63.9	14.6	100.0
<b>Total .....</b>	<b>19.0</b>	<b>65.8</b>	<b>15.2</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010 .....	14.5	71.6	13.9	100.0
June 2010.....	18.0	66.9	15.1	100.0
March 2010.....	17.2	66.4	16.4	100.0
December 2009.....	14.4	73.2	12.5	100.0

Table 9

**Factors which will affect the firm's business conditions**  
(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	0.2	-0.7	-0.6	-0.4
200-999 .....	0.5	0.1	-0.9	-0.6	-0.4
Over 999 .....	0.5	0.2	-0.7	-0.3	-0.3
<b>Sector</b>					
Industry .....	0.5	0.1	-0.8	-0.5	-0.4
Services.....	0.1	0.3	-0.6	-0.7	-0.3
<b>Geographical area</b>					
North-West .....	0.4	0.2	-0.6	-0.5	-0.1
North-East.....	0.2	0.1	-0.8	-0.7	-0.4
Centre .....	0.3	0.0	-0.9	-0.9	-0.6
South and Islands.....	0.3	0.3	-0.8	-0.4	-0.6
<b>Total .....</b>	<b>0.3</b>	<b>0.2</b>	<b>-0.7</b>	<b>-0.6</b>	<b>-0.4</b>
<i>Memorandum items:</i>					
September 2010 .....	0.6	0.1	-0.8	-0.8	-0.4
June 2010.....	0.4	0.0	-0.9	-0.7	-0.4
March 2010.....	0.4	0.1	-0.5	-0.6	-0.2
December 2009.....	0.4	0.1	-0.5	-0.8	-0.5

(\*) 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
<b>Number of employees</b>				
50-199 .....	16.1	20.9	63.0	100.0
200-999 .....	14.3	16.8	69.0	100.0
Over 999 .....	12.0	11.5	76.5	100.0
<b>Sector</b>				
Industry .....	11.1	20.1	68.8	100.0
Services.....	21.2	19.9	58.9	100.0
<b>Geographical area</b>				
North-West .....	15.5	18.0	66.5	100.0
North-East.....	14.0	23.2	62.8	100.0
Centre .....	18.4	20.9	60.7	100.0
South and Islands.....	16.4	18.1	65.5	100.0
<b>Total .....</b>	<b>15.7</b>	<b>20.0</b>	<b>64.3</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010 .....	14.8	21.5	63.7	100.0
June 2010.....	14.4	22.0	63.6	100.0
March 2010.....	9.9	21.9	68.2	100.0
December 2009.....	11.6	13.0	75.4	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
<b>Number of employees</b>				
50-199 .....	19.4	71.7	9.0	100.0
200-999 .....	13.5	73.7	12.9	100.0
Over 999 .....	10.6	77.6	11.7	100.0
<b>Sector</b>				
Industry .....	11.0	78.2	10.8	100.0
Services.....	27.0	64.7	8.3	100.0
<b>Geographical area</b>				
North-West.....	18.0	71.2	10.8	100.0
North-East.....	16.8	73.8	9.4	100.0
Centre.....	12.3	80.0	7.8	100.0
South and Islands .....	28.8	61.6	9.6	100.0
<b>Total .....</b>	<b>18.2</b>	<b>72.1</b>	<b>9.7</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010 .....	11.9	73.9	14.2	100.0
June 2010 .....	17.7	69.9	12.4	100.0
March 2010.....	15.6	70.6	13.8	100.0
December 2009 .....	13.0	70.5	16.5	100.0

Table 12

**Change in stocks of finished products**  
(percentages)<sup>(\*)</sup>

	Decreasing from previous quarter	No change	Increasing from previous quarter	Total
<b>Number of employees</b>				
50-199 .....	27.7	56.5	15.7	100.0
200-999 .....	33.4	44.9	21.7	100.0
Over 999 .....	26.6	57.3	16.1	100.0
<b>Geographical area</b>				
North-West .....	23.2	56.5	20.4	100.0
North-East.....	31.1	51.1	17.8	100.0
Centre .....	22.9	71.1	6.0	100.0
South and Islands.....	45.6	35.7	18.7	100.0
<b>Exports' share of sales</b>				
From Zero to 1/3.....	24.7	64.4	11.0	100.0
Between 1/3 and 2/3 .....	31.8	40.6	27.6	100.0
More than 2/3.....	34.0	50.3	15.7	100.0
<b>Total .....</b>	<b>28.8</b>	<b>54.3</b>	<b>16.9</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010.....	26.1	57.0	16.9	100.0
June 2010.....	25.2	54.0	20.9	100.0

(\*) Question for industrial firms only.

Table 13

**Current level of stocks of finished products**  
(percentages)<sup>(\*)</sup>

	Low	Adequate	High	Total
<b>Number of employees</b>				
50-199 .....	7.5	86.5	6.0	100.0
200-999 .....	7.8	79.6	12.7	100.0
Over 999 .....	0.0	90.0	10.0	100.0
<b>Geographical area</b>				
North-West .....	5.2	88.5	6.3	100.0
North-East.....	8.1	85.3	6.6	100.0
Centre .....	8.4	81.3	10.3	100.0
South and Islands.....	10.6	81.4	8.0	100.0
<b>Exports' share of sales</b>				
From Zero to 1/3.....	7.9	90.5	1.5	100.0
Between 1/3 and 2/3 .....	7.4	80.8	11.8	100.0
More than 2/3.....	6.3	79.6	14.1	100.0
<b>Total .....</b>	<b>7.4</b>	<b>85.3</b>	<b>7.3</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010 .....	6.3	85.1	8.6	100.0
June 2010.....	4.4	79.6	16.0	100.0
March 2010.....	4.7	82.5	12.8	100.0

(\*) Question for industrial firms only.

Table 14

**Assessment of credit conditions for firms**  
(percentages)

	Worse than in previous quarter	Unchanged from previous quarter	Better than in previous quarter	Total
<b>Number of employees</b>				
50-199 .....	14.8	80.0	5.2	100.0
200-999 .....	10.1	85.4	4.4	100.0
Over 999 .....	6.4	89.2	4.4	100.0
<b>Sector</b>				
Industry .....	7.3	87.2	5.5	100.0
Services.....	21.8	73.5	4.6	100.0
<b>Geographical area</b>				
North-West.....	7.4	87.1	5.5	100.0
North-East.....	15.8	78.6	5.6	100.0
Centre.....	27.9	69.7	2.5	100.0
South and Islands .....	10.3	83.4	6.2	100.0
<b>Total .....</b>	<b>13.9</b>	<b>81.0</b>	<b>5.1</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010 .....	12.4	84.2	3.4	100.0
June 2010.....	15.1	80.0	4.9	100.0
March 2010.....	16.2	79.1	4.7	100.0
December 2009.....	19.9	74.8	5.3	100.0



Table 15

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

	Decrease	No change	Increase	Total
<b>Number of employees</b>				
50-199 .....	20.3	67.4	12.3	100.0
200-999 .....	28.5	56.3	15.1	100.0
Over 999 .....	22.3	61.4	16.3	100.0
<b>Sector</b>				
Industry .....	22.7	66.3	11.1	100.0
Services.....	20.6	64.4	15.0	100.0
<b>Geographical area</b>				
North-West .....	24.5	61.4	14.1	100.0
North-East.....	17.1	70.7	12.2	100.0
Centre .....	16.9	72.9	10.2	100.0
South and Islands.....	29.1	56.8	14.1	100.0
<b>Total .....</b>	<b>21.7</b>	<b>65.4</b>	<b>12.9</b>	<b>100.0</b>
<i>Memorandum items:</i>				
September 2010 .....	18.4	66.9	14.7	100.0
June 2010.....	23.3	65.2	11.4	100.0
March 2010.....	19.0	69.7	11.3	100.0
December 2009.....	28.6	61.7	9.7	100.0



**Appendix C:**

**The questionnaire**



IL SOLE 24 ORE – BANCA D'ITALIA SURVEY ON INFLATION AND GROWTH EXPECTATIONS – **DECEMBER 2010**

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

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

Sector: _____ (1=Manufacturing; 2=Other industry; 3=Trade; 4=Other services)	EMPLOYEES: _____	Exports: <input type="checkbox"/> Yes, more than 2/3 <input type="checkbox"/> Yes, 1/3-2/3 <input type="checkbox"/> Yes, up to 1/3 of sales revenues <input type="checkbox"/> No
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**SECTION A – GENERAL ECONOMIC SITUATION OF THE COUNTRY**

**A1.** In October consumer price inflation, measured by the 12-month change in the HARMONIZED INDEX OF CONSUMER PRICES, was 2.0 per cent in Italy and 1.9 per cent in the euro area. What do you think it will be in Italy...  
 ...in June 2011? ..in December 2011? ...in December 2012?  
 \_\_\_\_\_|\_\_\_\_\_.|\_\_\_\_\_%    \_\_\_\_\_|\_\_\_\_\_.|\_\_\_\_\_%    \_\_\_\_\_|\_\_\_\_\_.|\_\_\_\_\_%

**A2.** Compared with 3 months ago, do you consider 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?  Much better  Better  The same  Worse  Much worse

**B2.** in the next 3 years?  Much better  Better  The same  Worse  Much 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
<b>B3.</b> The effect of changes in DEMAND will be ...	1 ____	2 ____	3 ____	1 ____	2 ____	3 ____
<b>B4.</b> The effect of changes in YOUR PRICES will be ...	1 ____	2 ____	3 ____	1 ____	2 ____	3 ____
<b>B5.</b> The effect of changes in RAW MATERIALS PRICES will be ...	1 ____	2 ____	3 ____	1 ____	2 ____	3 ____
<b>B6.</b> The effect of changes in LABOUR COSTS will be ...	1 ____	2 ____	3 ____	1 ____	2 ____	3 ____
<b>B7.</b> The effect of developments in the AVAILABILITY and the COST OF CREDIT 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

**B12.** Compared with 3 months ago, are your stocks of finished products ... ?

Much lower  Lower  Unchanged  Higher  Much higher

**B13.** In view of the current and expected demand for your products in the coming months, do you consider your stocks of finished products are currently ... ?  Very low  Low  Adequate  High  Very high

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

**C1.** In the last 12 months, what has been the average change in your firm's prices? \_\_\_\_\_|\_\_\_\_\_.|\_\_\_\_\_%

**C2.** For the next 12 months, what do you expect will be the average change in your firm's prices? \_\_\_\_\_|\_\_\_\_\_.|\_\_\_\_\_%

Please indicate in what direction and with what intensity the following FACTORS will affect your firm's 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
<b>C3.</b> The effect of changes in TOTAL DEMAND will be ...	1 ____	2 ____	3 ____	1 ____	2 ____	3 ____
<b>C4.</b> The effect of changes in RAW MATERIALS PRICES will be ...	1 ____	2 ____	3 ____	1 ____	2 ____	3 ____
<b>C5.</b> The effect of changes in LABOUR COSTS will be ...	1 ____	2 ____	3 ____	1 ____	2 ____	3 ____
<b>C6.</b> The effect of the PRICING POLICIES of your firm's main competitors 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 ____

## 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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