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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 March 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 Lorenzo Bencivelli, Giuseppe Ilardi 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 3 and 20 March 2010. A total of 473 companies with at least 50 employees took part, 283 of which operate in the industrial sector and 190 in the services sector. The response rate was 47.5 per cent (Table 2a).

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 rate of consumer price inflation for the next twelve months rose to 1.4 per cent, from 0.8 per cent in the December 2009 survey (Table 1 and Figure 3); this is broadly consistent with the forecasts of professional analysts for the same time horizon. Expected inflation over the next 24 months held stable at just below 2 per cent.

In March the twelve-month increase in the harmonized index of consumer prices was 1.4 per cent,<sup>1</sup> in line with firms' expectations twelve months earlier.

Businesses report they have lowered their selling prices by 0.4 per cent in the last twelve months (Table 2), compared with an increase of 0.1 per cent found in the December survey. The decrease is especially pronounced for firms based in the South and Islands (–0.8 per cent), while there are no appreciable differences between sectors or size classes of firms.

For the next twelve months companies expect to adjust their selling prices upwards by 1.1 per cent (Table 2), as in the previous survey. In their opinion, the downward pressure on prices will come mainly from competitors' pricing policies and, to a lesser extent, from the weakness of demand (Table 3); compared with ago, more upward pressure is expected to come from labour costs and the prices of raw materials.

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

Overall, for the first quarter of 2010 the survey confirms the scaling back of positive assessments of current economic conditions already reported in December, which interrupted the partial recovery found during the summer. The percentage of respondents that think the general economic situation is worse than in the previous quarter has increased from 15.8 to 21.8 per cent, while the share discerning improvement has fallen from 18.9 to 17.7 per cent (Table 4); the balance of opinions has thus swung from 3.1 to –4.1 percentage points, returning to negative territory for the first time since last summer. The picture is also less favourable as regards assessments of the general outlook: the percentage of companies that expect no improvement over the next three months has risen to 33.3 per cent, from 30.7 per cent in December (Table 5). Somewhat more

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<sup>1</sup> Provisional figure at 31 March 2010.

positive assessments come from medium-sized and large firms, companies located in the North-West and those that get more than a third of third sales revenues from exports.

### **Demand trends**

Assessments of the evolution of demand in the last three months show a slight deterioration compared with the December survey (Table 6). The percentage of firms reporting a decrease (25 per cent, against 20.6 per cent in December) now outnumbers those that report an increase, with the balance swinging from 3.1 to -1.4 percentage points. The deterioration is concentrated among companies that do business entirely on the domestic market. By contrast, foreign demand has continued to pick up: among export-oriented firms, the balance between those reporting an improvement and those reporting deterioration, already positive, has surged from 5.2 percentage points in December to stand at 23.3 points (Table 7).

### **Business climate**

Business conditions are expected to remain stable in the second quarter by 66.4 per cent of firms (compared with 73.2 per cent in the December survey; Table 8). The balance between companies expecting improvement and those expecting deterioration remains negative but has increased from -1.9 to -0.8 percentage points. Compared with three months ago, firms expect a moderate easing of the pressures connected with labour costs and, more markedly, with conditions of access to the credit market (Table 9), while pressures stemming from raw materials prices are expected to remain about the same.

Although still constituting a large majority, the proportion of firms that expect their business conditions to improve in the next three years has fallen from 75.4 to 68.2 per cent (Table 10), while the percentage of those expecting conditions to remain basically the same has risen sharply, from 13 to 21.9 per cent. The balance is still widely positive for all size classes, sectors of business and geographical areas. As with the general economic situation, the most prudent assessments come from the smallest firms and from those based in the Centre and South.

### **Investment climate**

After recovering in the second half of 2009, the balance between the number of firms that report an improvement in the conditions for investment and those that report a deterioration in the first few months of the year turned negative by 1.8 points (Table 11), compared with a positive balance of 3.5 percentage point in December. The percentage of respondents that viewed investment conditions for their companies as being essentially unchanged held at just above 70 per cent. In the South and Islands, the share of companies reporting a worsening in the conditions for investment is about double the national average.

### **Stocks of finished products**

Companies that report having decreased their inventories between the third and fourth quarters of 2009 (37.4 per cent; Table 12) outnumber those that report an increase (21.2 per cent). Taking account of current and expected demand, the process of inventory reduction that has characterized the recent recession seems to have practically run its course: 82.5 per cent of companies judge the current level of stocks adequate, 12.8 per cent consider it high and only 4.7 per cent view it as too low (Table 13).

### **Credit Conditions**

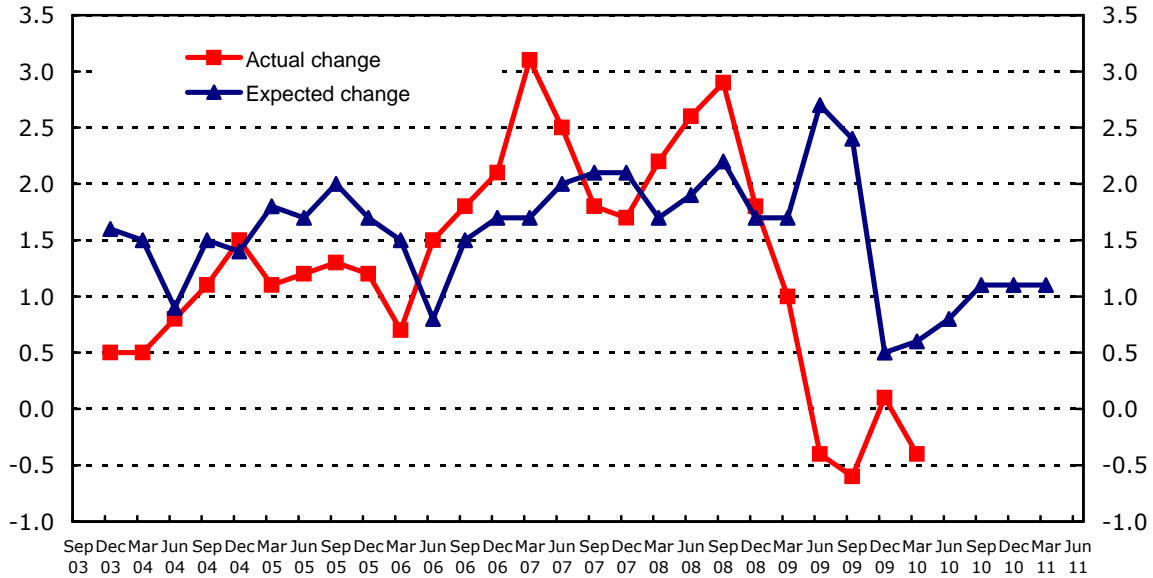
The percentage of companies reporting a tightening of conditions of access to credit has fallen further, from 19.9 per cent in December 2009 to 16.2 per cent in March (Table 14); in December 2008 it stood at 40.6 per cent). The proportion reporting no significant change rose from 74.8 to 79.1 per cent, while again only a tiny minority reports an improvement. The greatest difficulties are signaled by companies based in the South and Islands and by service businesses.

### **Employment**

Short-term expectations for employment are negative for the eighth successive quarter, but less so than in the December survey. The proportion of firms expecting to reduce their workforce in the coming three months has fallen from 28.6 to 19 per cent (Table 15), while the share indicating that no change is likely has risen from 61.7 to 69.7 per cent. Somewhat more favourable opinions are found for companies based in the Centre and among businesses in the service sector, where the negative balance between the share of firms expecting an increase in employment and those expecting a decrease shrank to less than 2 percentage points.

**Figure 1**

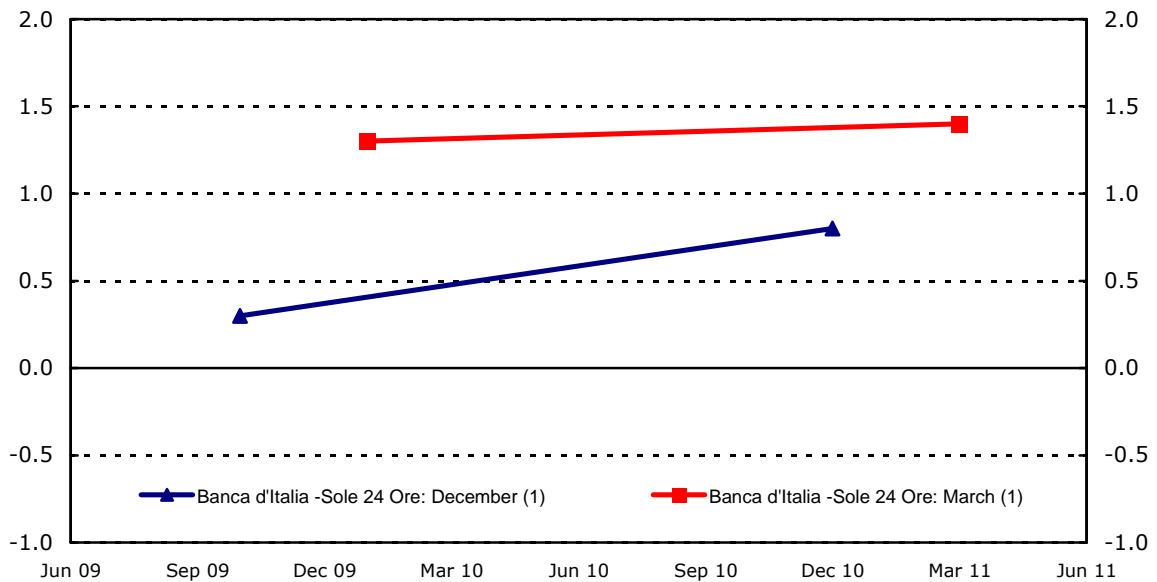
**Expected and actual changes in selling prices**  
(percentages changes)<sup>(\*)</sup>



(\*) 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)

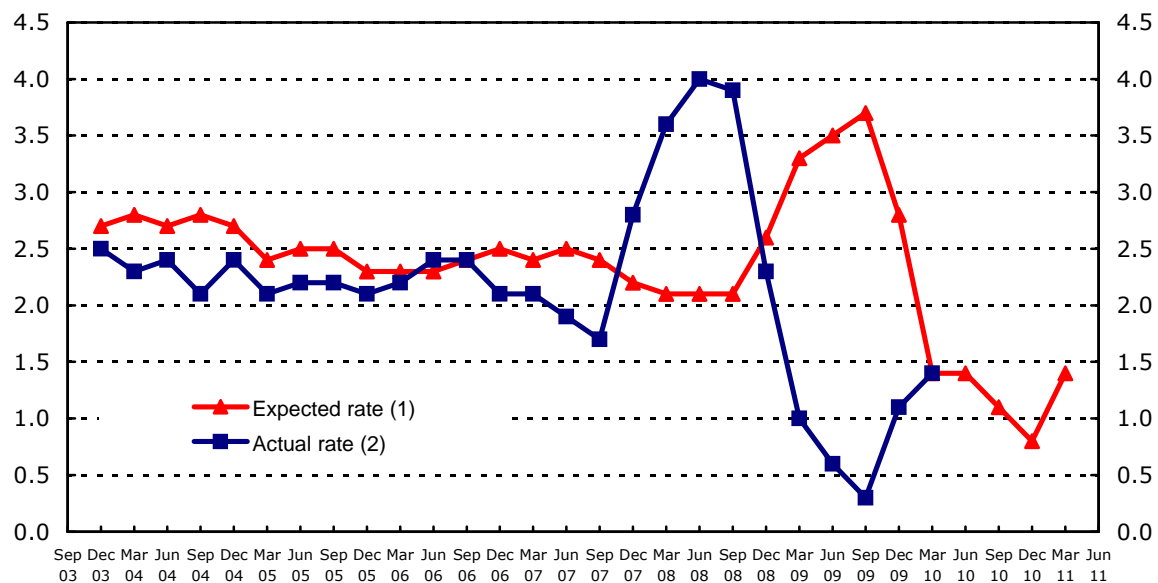


(1) The first point in each curve is the definitive figure available at the time of the survey, which is given to the interviewees in the questionnaire as a point of reference for expressing their expectations; the second point is the average of the interviewees' forecasts for the next twelve months.



Figure 3

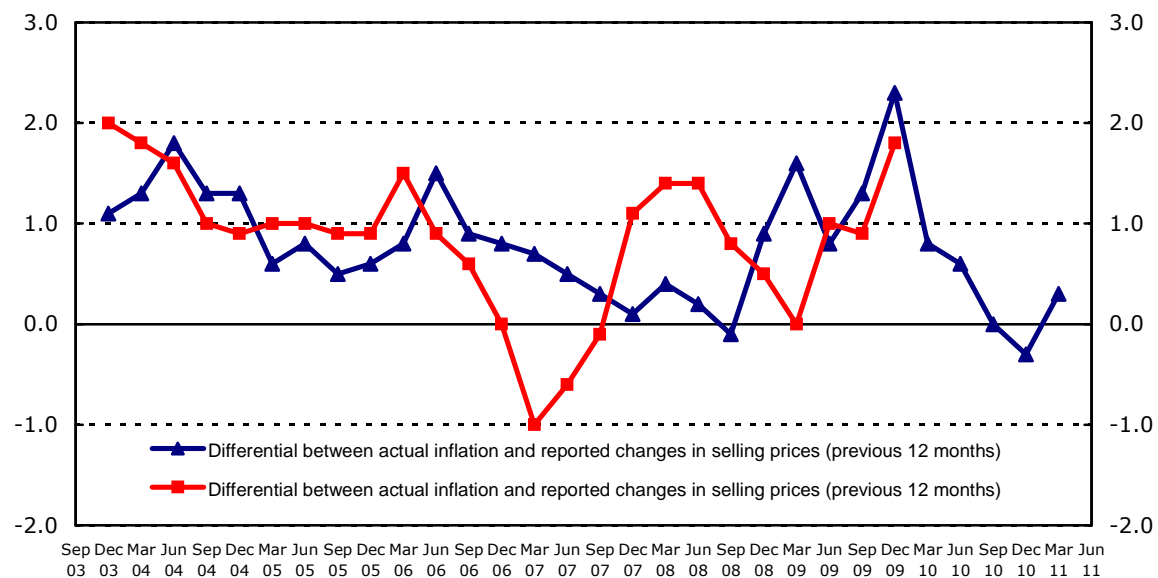
**Expectations of consumer price inflation in Italy and actual rate**  
(percentages)



- (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

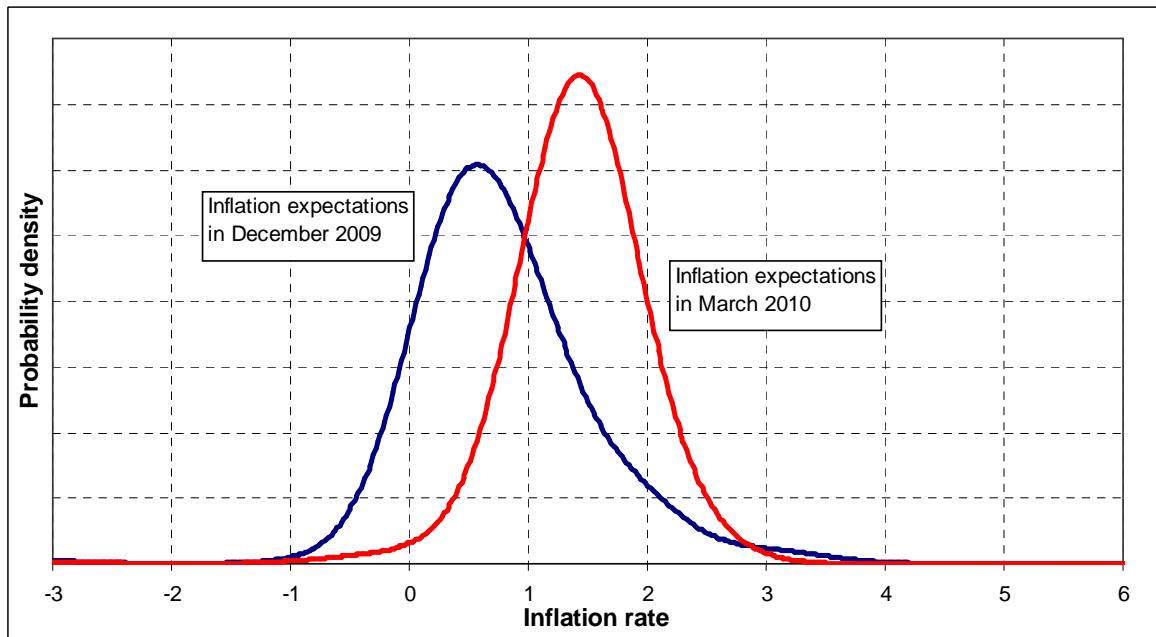
**Differential between expected and actual inflation rates**  
(percentage points)<sup>(\*)</sup>



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

**Figure 5**

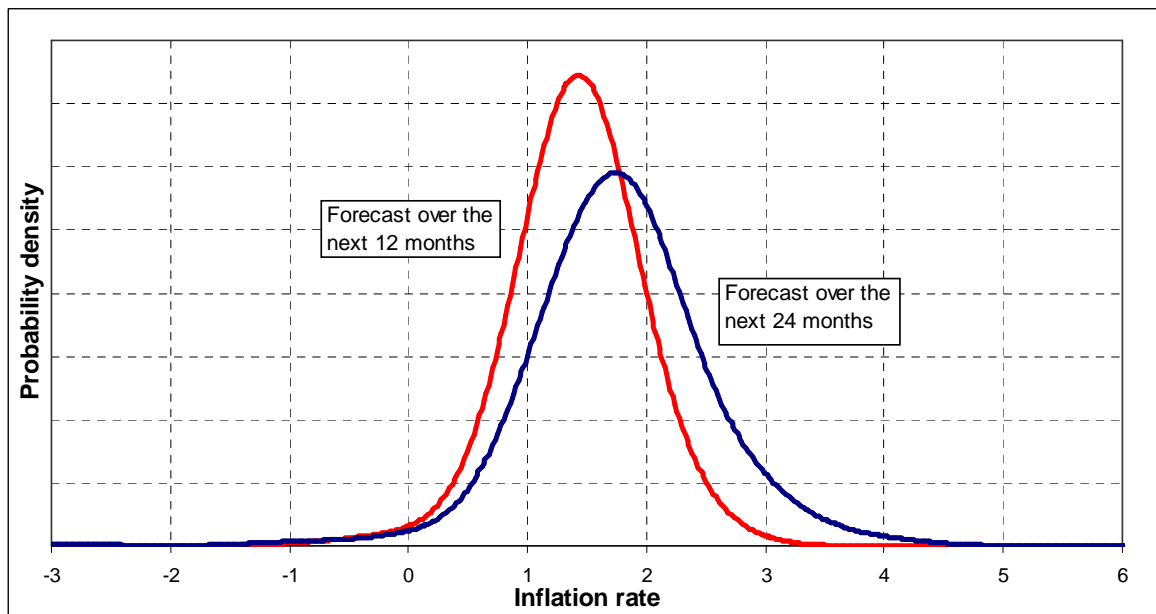
**Expectations of the inflation rate  
over the next 12 months**  
(kernel density)<sup>(\*)</sup>



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

**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.....	199	17,490	1.1
200-999.....	164	3,513	4.7
Over 999.....	110	500	22.0
<b>Sector</b>			
Industry.....	283	11,727	2.4
Services.....	190	9,776	1.9
<b>Geographical area</b>			
North-West.....	183	8,484	2.2
North-East.....	153	6,134	2.5
Centre.....	82	3,774	2.2
South and Islands.....	55	3,111	1.8
<b>Total.....</b>	<b>473</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.....	579	33.9	95.0
200-999.....	294	63.9	94.5
Over 999.....	122	73.0	97.3
<b>Sector</b>			
Industry.....	558	48.4	94.7
Services.....	437	46.5	96.3
<b>Geographical area</b>			
North-West.....	396	46.2	95.6
North-East.....	298	51.3	94.8
Centre.....	166	49.4	95.1
South and Islands.....	135	40.7	96.4
<b>Total.....</b>	<b>995</b>	<b>47.5</b>	<b>95.3</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 .....	1.4	1.4	1.5	0.0
Consumer price inflation in Italy in the next 24 months .....	1.8	1.8	1.8	0.0
Change in own prices in the last 12 months.....	-0.3	-0.4	0.0	7.0
Change in own prices in the next 12 months.....	1.2	1.1	1.0	8.0

**Table 4a**

**Standard errors**  
(percentages, scores)

Consumer price inflation in Italy in the next 12 months .....	0.04
<i>Consumer price inflation in Italy in the next 24 months .....</i>	0.05
Change in own prices in the last 12 months.....	0.37
Change in own prices in the last 12 months (robust).....	0.18
Change in own prices in the next 12 months.....	0.22
Change in own prices in the next 12 months (robust) .....	0.11
<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.....	0.09
Selling prices.....	0.07
Raw materials prices .....	0.07
Labour costs .....	0.07
Availability and cost of credit.....	0.08





**Appendix B:**  
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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
<b>Number of employees</b>		
50-199 .....	1.4	1.8
200-999 .....	1.5	1.9
Over 999 .....	1.5	1.8
<b>Sector</b>		
Industry .....	1.5	1.8
Services.....	1.4	1.8
<b>Geographical area</b>		
North-West .....	1.4	1.8
North-East.....	1.4	1.7
Centre .....	1.6	1.9
South and Islands .....	1.5	1.8
<b>Total</b> .....	<b>1.4</b>	<b>1.8</b>
<i>Memorandum items:</i>		
December 2009.....	0.8	1.3
September 2009 .....	1.1	1.8
June 2009.....	1.4	1.9
March 2009.....	1.4	....

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

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

(\*) 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 .....	22.4	60.4	17.2	100.0
200-999 .....	20.1	59.2	20.7	100.0
Over 999 .....	12.8	72.0	15.1	100.0
<b>Sector</b>				
Industry .....	16.9	61.9	21.1	100.0
Services .....	27.7	58.8	13.5	100.0
<b>Geographical area</b>				
North-West.....	16.1	57.5	26.4	100.0
North-East.....	19.8	66.5	13.8	100.0
Centre.....	24.3	64.2	11.6	100.0
South and Islands .....	39.2	52.5	8.4	100.0
<b>Total .....</b>	<b>21.8</b>	<b>60.5</b>	<b>17.7</b>	<b>100.0</b>
<i>Memorandum items:</i>				
December 2009 .....	15.8	65.3	18.9	100.0
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

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 .....	35.0	50.0	9.5	4.5	1.0	100.0
200-999 .....	28.1	51.4	13.6	6.4	0.5	100.0
Over 999 .....	13.6	57.6	18.6	8.4	1.8	100.0
<b>Sector</b>						
Industry .....	32.7	54.1	9.4	2.3	1.6	100.0
Services.....	34.0	46.1	11.7	8.1	0.1	100.0
<b>Geographical area</b>						
North-West .....	24.4	52.3	13.8	8.4	1.1	100.0
North-East.....	40.7	46.4	8.8	3.8	0.3	100.0
Centre .....	34.2	55.0	7.9	3.0	0.0	100.0
South and Islands.....	42.3	47.7	7.1	0.0	2.9	100.0
<b>Exports' share of sales</b>						
Zero.....	38.5	44.3	10.0	7.1	0.1	100.0
Up to 1/3 .....	35.4	50.6	9.9	2.3	1.9	100.0
Between 1/3/ and 2/3 .....	20.6	60.5	11.0	5.8	2.1	100.0
More than 2/3.....	28.7	58.2	11.7	0.8	0.6	100.0
<b>Total .....</b>	<b>33.3</b>	<b>50.4</b>	<b>10.4</b>	<b>4.9</b>	<b>0.9</b>	<b>100.0</b>
<i>Memorandum items:</i>						
December 2009.....	30.7	49.6	10.0	8.6	1.0	100.0
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



**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 .....	26.7	50.0	23.3	100.0
200-999 .....	18.0	56.0	26.0	100.0
Over 999 .....	16.6	68.3	15.2	100.0
<b>Sector</b>				
Industry .....	23.3	45.9	30.8	100.0
Services.....	27.0	58.1	14.9	100.0
<b>Geographical area</b>				
North-West .....	17.1	55.0	27.9	100.0
North-East.....	26.7	46.9	26.4	100.0
Centre .....	26.4	57.1	16.5	100.0
South and Islands .....	41.4	43.8	14.8	100.0
<b>Exports' share of sales</b>				
Zero.....	32.3	53.0	14.7	100.0
Up to 1/3 .....	22.3	45.4	32.4	100.0
Between 1/3/ and 2/3 .....	14.1	55.1	30.8	100.0
More than 2/3.....	18.8	51.6	29.5	100.0
<b>Total .....</b>	<b>25.0</b>	<b>51.5</b>	<b>23.6</b>	<b>100.0</b>
<i>Memorandum item:</i>				
December 2009 .....	20.6	55.7	23.7	100.0
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
<b>Number of employees</b>				
50-199.....	14.1	49.6	36.3	100.0
200-999 .....	10.0	51.7	38.3	100.0
Over 999 .....	18.3	48.8	32.9	100.0
<b>Sector</b>				
Industry.....	14.9	48.0	37.1	100.0
Services.....	7.3	57.5	35.2	100.0
<b>Geographical area</b>				
North-West .....	4.6	56.3	39.1	100.0
North-East.....	22.9	43.1	33.9	100.0
Centre .....	15.7	52.2	32.1	100.0
South and Islands .....	17.4	41.6	40.9	100.0
<b>Total .....</b>	<b>13.4</b>	<b>50.0</b>	<b>36.7</b>	<b>100.0</b>
<i>Memorandum item:</i>				
December 2009.....	20.6	53.7	25.8	100.0
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
<b>Number of employees</b>				
50-199 .....	17.5	65.9	16.6	100.0
200-999 .....	16.5	66.8	16.6	100.0
Over 999 .....	13.4	77.2	9.4	100.0
<b>Sector</b>				
Industry .....	12.9	68.6	18.5	100.0
Services.....	22.5	63.6	13.9	100.0
<b>Geographical area</b>				
North-West .....	15.7	63.5	20.8	100.0
North-East.....	16.2	71.7	12.1	100.0
Centre .....	13.1	73.3	13.6	100.0
South and Islands.....	28.7	55.2	16.1	100.0
<b>Total .....</b>	<b>17.2</b>	<b>66.4</b>	<b>16.4</b>	<b>100.0</b>
<i>Memorandum items:</i>				
December 2009 .....	14.4	73.2	12.5	100.0
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

**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 .....	0.4	0.1	-0.5	-0.7	-0.2
200-999 .....	0.4	0.0	-0.5	-0.5	-0.3
Over 999 .....	0.3	0.3	-0.3	-0.3	-0.2
<b>Sector</b>					
Industry .....	0.5	0.1	-0.5	-0.5	-0.3
Services.....	0.3	0.2	-0.5	-0.8	-0.2
<b>Geographical area</b>					
North-West .....	0.6	0.3	-0.5	-0.5	0.0
North-East.....	0.3	0.0	-0.4	-0.8	-0.3
Centre .....	0.2	-0.1	-0.7	-0.9	-0.5
South and Islands.....	0.4	0.0	-0.5	-0.4	-0.5
<b>Total .....</b>	<b>0.4</b>	<b>0.1</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-0.2</b>
<i>Memorandum items:</i>					
December 2009.....	0.4	0.1	-0.5	-0.8	-0.5
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

(\*) 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 .....	9.6	23.3	67.1	100.0
200-999 .....	11.0	16.5	72.5	100.0
Over 999 .....	10.9	14.2	74.9	100.0
<b>Sector</b>				
Industry .....	8.9	22.3	68.8	100.0
Services.....	11.1	21.4	67.5	100.0
<b>Geographical area</b>				
North-West .....	8.5	19.6	71.9	100.0
North-East.....	7.8	21.1	71.1	100.0
Centre .....	12.2	22.5	65.4	100.0
South and Islands.....	14.7	29.3	56.0	100.0
<b>Total .....</b>	<b>9.9</b>	<b>21.9</b>	<b>68.2</b>	<b>100.0</b>
<i>Memorandum items:</i>				
December 2009 .....	11.6	13.0	75.4	100.0
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

**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 .....	15.7	70.6	13.7	100.0
200-999 .....	16.0	69.1	14.9	100.0
Over 999 .....	7.7	79.8	12.5	100.0
<b>Sector</b>				
Industry .....	13.9	73.6	12.5	100.0
Services .....	17.6	66.9	15.5	100.0
<b>Geographical area</b>				
North-West.....	14.6	68.4	17.1	100.0
North-East.....	14.4	71.6	14.0	100.0
Centre.....	8.3	80.7	10.9	100.0
South and Islands .....	29.3	62.5	8.2	100.0
<b>Total .....</b>	<b>15.6</b>	<b>70.6</b>	<b>13.8</b>	<b>100.0</b>
<i>Memorandum items:</i>				
December 2009 .....	13.0	70.5	16.5	100.0
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

**Table 12****Change in stocks of finished products***(Change, Q4 on Q3 2009; percentages)<sup>(\*)</sup>*

	Decrease	No change	Increase	Total
<b>Number of employees</b>				
50-199 .....	35.2	41.9	22.9	100.0
200-999 .....	46.5	38.6	14.9	100.0
Over 999 .....	36.4	50.7	12.9	100.0
<b>Geographical area</b>				
North-West .....	42.7	42.0	15.3	100.0
North-East.....	39.0	37.2	23.8	100.0
Centre .....	33.5	39.9	26.7	100.0
South and Islands.....	22.8	50.6	26.6	100.0
<b>Exports' share of sales</b>				
Zero.....	32.0	51.6	16.4	100.0
Up to 1/3.....	37.5	42.6	19.8	100.0
1/3 to 2/3.....	33.2	35.9	30.8	100.0
More than 2/3.....	46.0	38.7	15.3	100.0
<b>Total .....</b>	<b>37.4</b>	<b>41.4</b>	<b>21.2</b>	<b>100.0</b>

(\*) 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 .....	4.5	83.2	12.3	100.0
200-999 .....	5.9	78.5	15.6	100.0
Over 999 .....	2.1	95.8	2.1	100.0
<b>Geographical area</b>				
North-West .....	9.1	81.3	9.6	100.0
North-East.....	2.7	83.1	14.2	100.0
Centre .....	0.0	81.8	18.2	100.0
South and Islands.....	1.5	85.2	13.3	100.0
<b>Exports' share of sales</b>				
Zero.....	4.0	95.2	0.8	100.0
Up to 1/3.....	0.0	95.5	4.5	100.0
1/3 to 2/3.....	9.4	67.0	23.6	100.0
More than 2/3.....	5.5	74.9	19.6	100.0
<b>Total .....</b>	<b>4.7</b>	<b>82.5</b>	<b>12.8</b>	<b>100.0</b>

(\*) 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 .....	16.7	79.1	4.2	100.0
200-999 .....	15.0	77.5	7.5	100.0
Over 999 .....	6.9	89.8	3.3	100.0
<b>Sector</b>				
Industry .....	13.5	82.3	4.2	100.0
Services .....	19.4	75.3	5.3	100.0
<b>Geographical area</b>				
North-West.....	12.4	81.4	6.2	100.0
North-East.....	12.7	82.1	5.2	100.0
Centre.....	19.2	78.0	2.7	100.0
South and Islands .....	29.8	68.1	2.1	100.0
<b>Total .....</b>	<b>16.2</b>	<b>79.1</b>	<b>4.7</b>	<b>100.0</b>
<i>Memorandum items:</i>				
December 2009 .....	19.9	74.8	5.3	100.0
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

**Table 15**

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

	Decrease	No change	Increase	Total
<b>Number of employees</b>				
50-199 .....	17.6	72.1	10.2	100.0
200-999 .....	26.1	57.2	16.7	100.0
Over 999 .....	18.8	70.3	10.9	100.0
<b>Sector</b>				
Industry.....	21.6	69.5	8.9	100.0
Services.....	15.9	69.9	14.2	100.0
<b>Geographical area</b>				
North-West .....	19.7	63.9	16.4	100.0
North-East.....	22.8	69.9	7.2	100.0
Centre .....	11.7	80.8	7.5	100.0
South and Islands.....	18.6	71.8	9.7	100.0
<b>Total .....</b>	<b>19.0</b>	<b>69.7</b>	<b>11.3</b>	<b>100.0</b>
<i>Memorandum items:</i>				
December 2009.....	28.6	61.7	9.7	100.0
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

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



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

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 OF THE COUNTRY**

**A1.** In January consumer price inflation, measured by the 12-month change in the HARMONIZED INDEX OF CONSUMER PRICES, was 1.3 per cent in Italy and 1.0 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 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?  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
<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.** At the end of the fourth quarter of 2009 compared with the end of the third quarter, were 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 |\_\_| |\_\_| |\_\_| |\_\_| |\_\_|

## 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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