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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 June 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, 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 3 and 21 June 2010. A total of 480 companies with at least 50 employees took part (Table 1a), 278 of which operate in the industrial sector and 202 in the services sector. The response rate was 48.5 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 is 1.7 per cent, up slightly from 1.4 per cent in the March 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 also rise slightly to 2 per cent, compared with 1.8 per cent in March. In June the twelve-month increase in the harmonized index of consumer prices is 1.4 per cent<sup>1</sup>, in line with firms' expectations twelve months earlier.

Businesses report they had increased their selling prices by 0.4 per cent in the last twelve months (Table 2), compared with the decrease of 0.4 per cent found in the previous survey. The actual increase in prices is lower than the corresponding expectations for the next twelve months recorded in the June 2009 survey (0.8 per cent).

For the next twelve months companies expect to adjust their selling prices upwards by an average of 0.9 per cent (Table 2). Upward pressure on prices is expected to come from raw materials and, to a lesser extent, labour costs, while competitors' pricing policies will continue to exert downward pressure. As in the previous survey, upward pressure on prices is expected to come from raw materials and, to a lesser extent, labour costs, while competitors' pricing policies will continue to exert downward pressure (Table 3).

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

The gradual scaling back of positive assessments of current economic conditions, under way since the December survey, continued in the second quarter of 2010, albeit more moderately than in the first. The percentage of respondents that report the general economic situation is worse than in the previous quarter has increased from 21.8 to 23.4 per cent, while the share that report it is better has fallen from 17.7 to 15.6 per cent and the proportion that judges it to be about the same is virtually unchanged (60.9 per cent; Table 4). The balance of opinions is more strongly negative than in the March (-7.8 as against -4.1 percentage points). At disaggregated level, the assessments are slightly more pessimistic in the service sector, among firms located in the Centre and, more

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<sup>1</sup> Provisional figure released by Istat on 30 June.

markedly, those in the South and Islands; as in the previous survey, for firms with 1,000 or more employees the balance is slightly positive (2.9 percentage points).

Opinions regarding the general economic outlook remain cautious. More than 80 per cent of the firms judge the chances of an improvement in the economic situation in the next three months to be nil or very low, about the same proportion as in March (Table 5); by contrast, 11 per cent of the firms with 1,000 or more employees assess that the likelihood of an improvement is greater than 50 per cent.

### **Demand trends**

The percentage of firms reporting no change in demand for their products compared with three months earlier has risen to 57 per cent, from 51.5 per cent (Table 6), while the share reporting an expansion has edged up from 23.6 to 25.1 per cent. Geographically, the balance between firms recording an increase and those recording a decrease has turned positive for firms in the North-East and the Centre but remains negative for those located in the South and Islands.

Assessments are distinctly more positive among exporting firms, particularly those that get more than two thirds of their sales revenues from exports. For the last-mentioned companies, the difference between reports of increase and reports of decrease is again largely positive, increasing from 23.3 percentage points in March to 25.3 points in June (Table 7).

### **Business climate**

As in the previous survey, some two thirds of firms expect their business conditions to be unchanged in the third quarter of 2010 (Table 8). However, the proportion of firms expecting conditions to improve remains smaller than that of those expecting deterioration (15.1 against 18 per cent).

Among the factors that will affect business conditions, assessments of the positive contribution of the change in demand are in line with the previous survey (stronger for companies based in the North-East; Table 9), while there is growing concern about raw materials prices and changes in the conditions of access to credit .

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 68.2 to 63.6 per cent (Table 10), while the percentage expecting conditions to get worse has increased from 9.9 to 14.4 per cent. The drop in positive expectations appears to be more pronounced for service businesses and small firms.

### **Investment climate**

Overall, assessments of the conditions for investment remain unfavourable in the second quarter of 2010. The balance between firms seeing improvement and those that judge the conditions for investment to be worse than in the previous quarter decrease from -1.8 percentage points in March to -5.3 points in June (Table 11). Some 70 per cent of firms continue to consider the situation basically unchanged.

### **Stocks of finished products**

Companies in the industrial sector that report having depleted their inventories of finished products between the first and second quarters of 2010 are outnumbered more than two to one by those that kept their inventory levels unchanged (25.2 as against 54 per cent; Table 12).

Consistently with firms' more cautious assessments of the general economic outlook, more firms now judge the current level of stocks to be high than in the previous survey, the percentage rising from 12.8 to 16 per cent, while fewer of them consider it adequate (Table 13).

### **Credit Conditions**

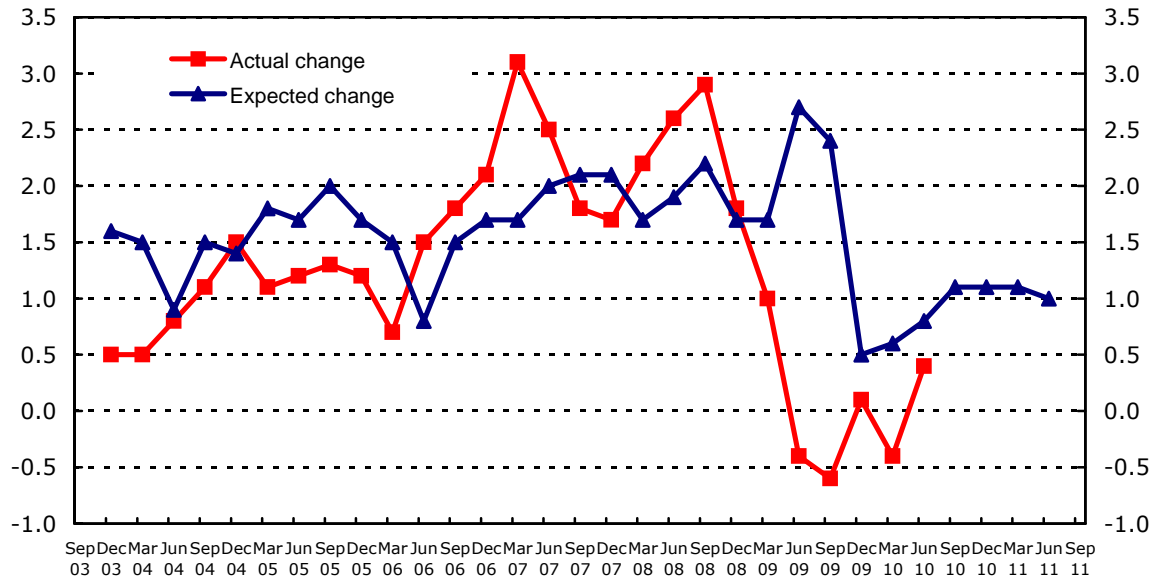
There is virtually no change with respect to March in firms' assessments of the conditions of access to credit (Table 14): 80 per cent consider them the same as in the previous quarter (79.1 per cent in March), while a slightly smaller share reports a tightening (15.1 per cent, compared with 16.2 per cent in the previous survey). Less unfavourable assessments come from larger companies and firms headquartered in the South and Islands.

### **Employment**

Short-term expectations for employment are worse than in the March survey. For the ninth quarter in a row, firms expecting to reduce their workforce in the next three months outnumbered those expecting to expand it. The negative balance is widening again, from 7.7 percentage points in March to 11.9 points in June; Table 15). Geographically, the most unfavourable forecasts come from companies located in the Centre and South.

**Figure 1**

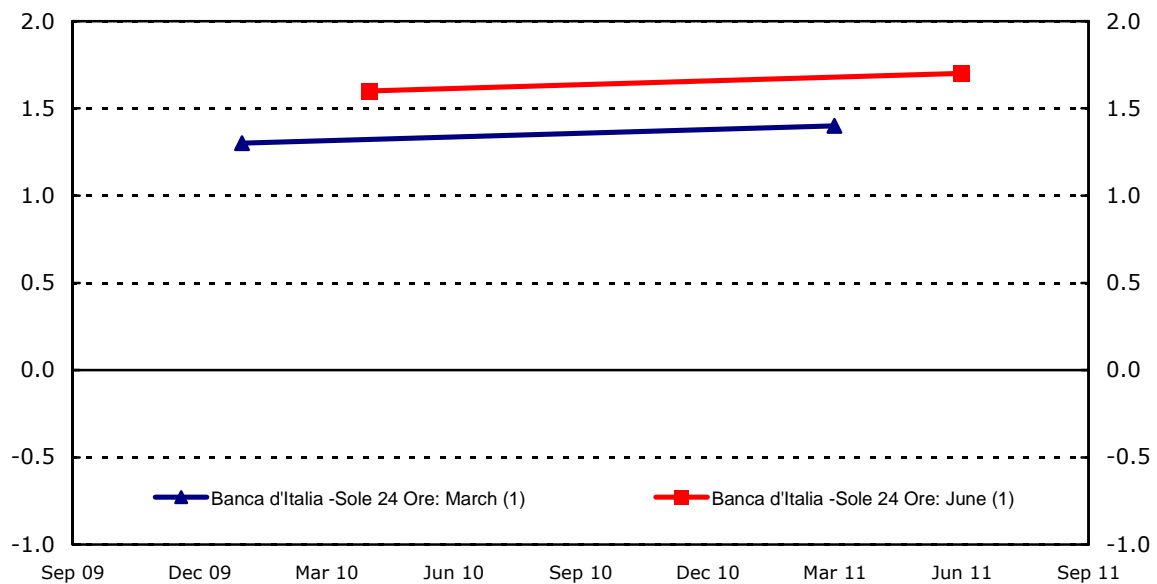
**Expected and actual changes in selling prices**  
(percentage changes)<sup>(\*)</sup>



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

**Figure 2**

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

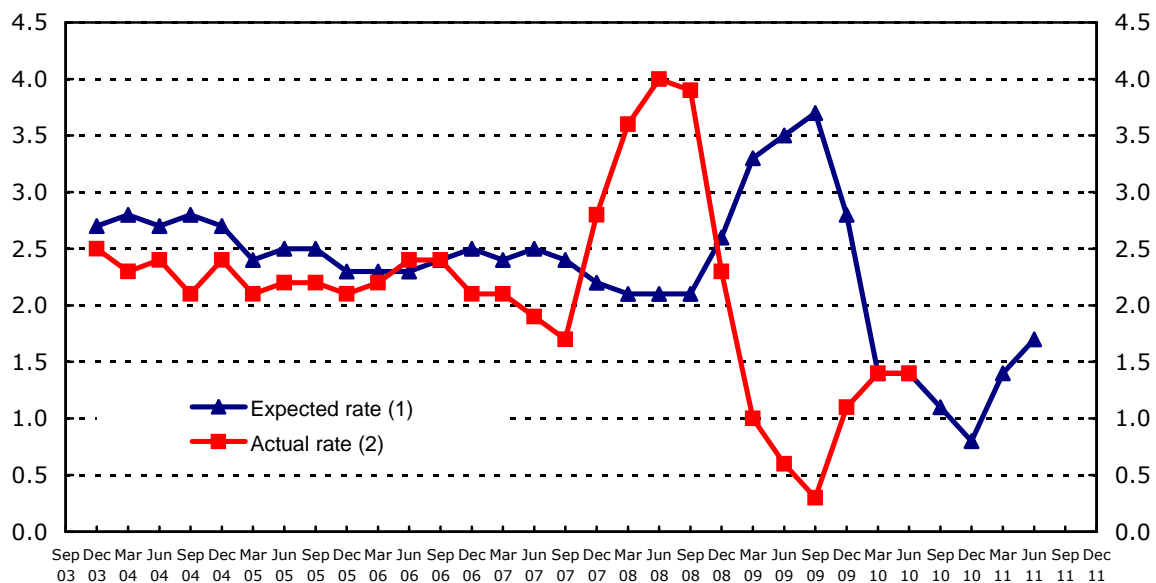


(1) The first point in each curve is the definitive figure available at the time of the survey, which is given to the interviewees in the questionnaire as a point of reference for expressing their expectations; the second point is the average of the interviewees' forecasts for the next twelve months.



Figure 3

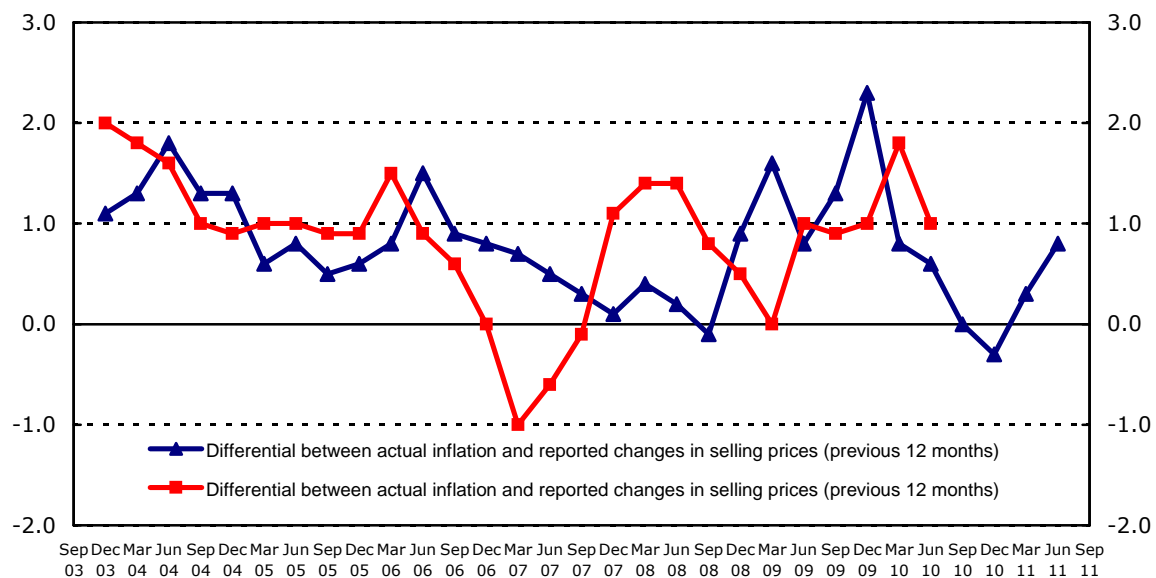
**Expectations of consumer price inflation in Italy and actual rate**  
(percentages)



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

Figure 4

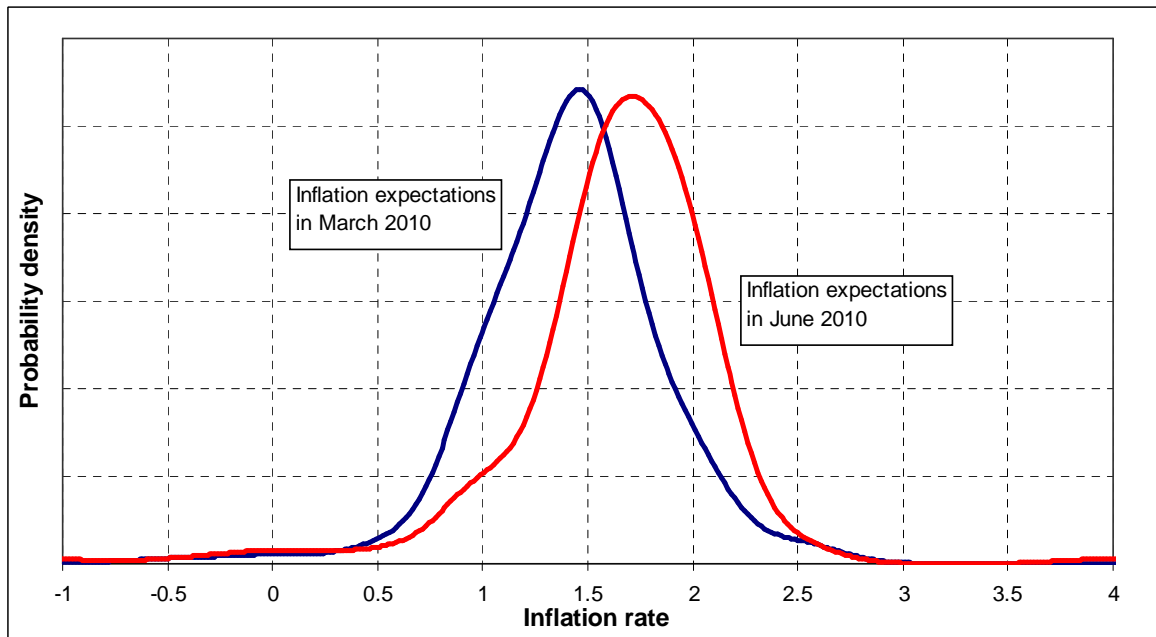
**Differential between expected and actual inflation rates**  
(percentage points)<sup>(\*)</sup>



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

Figure 5

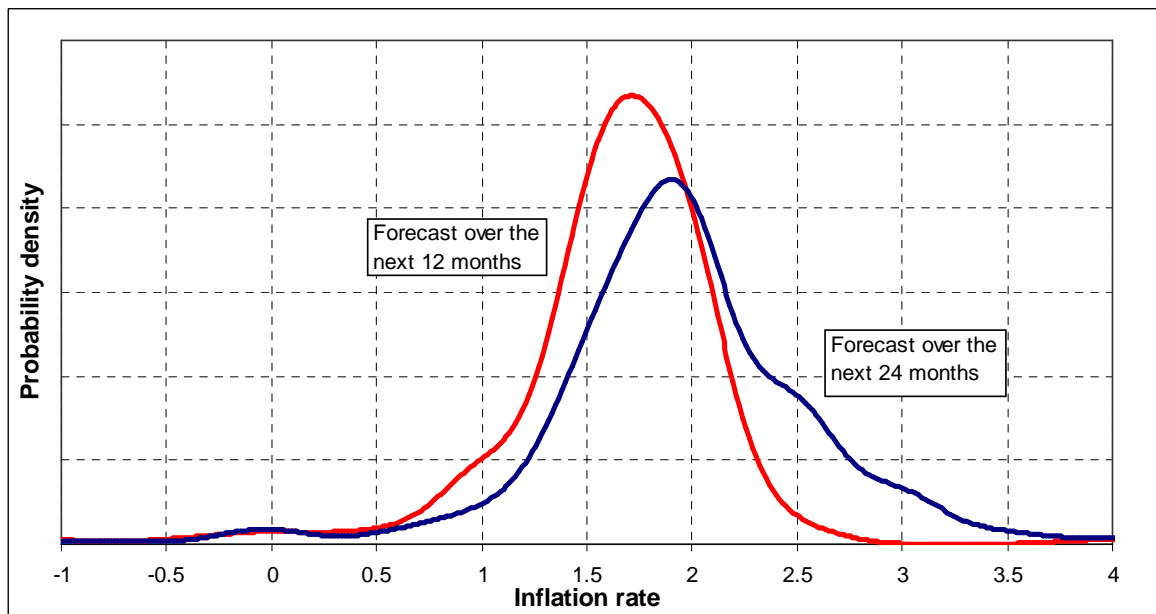
**Expectations of the inflation rate  
over the next 12 months**  
(kernel density)<sup>(\*)</sup>



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

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 0.2. 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.....	214	17,490	1.2
200-999.....	163	3,513	4.6
Over 999.....	103	500	20.6
<b>Sector</b>			
Industry.....	278	11,727	2.4
Services.....	202	9776	2.1
<b>Geographical area</b>			
North-West.....	184	8,484	2.2
North-East.....	161	6,134	2.6
Centre.....	83	3,774	2.2
South and Islands.....	52	3,111	1.7
<b>Total.....</b>	<b>480</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.....	580	36.9	96.3
200-999.....	289	56.4	95.7
Over 999.....	120	85.8	98.1
<b>Sector</b>			
Industry.....	552	50.4	95.0
Services.....	437	46.2	98.5
<b>Geographical area</b>			
North-West.....	394	46.7	96.7
North-East.....	296	54.4	96.9
Centre.....	164	50.6	92.8
South and Islands.....	135	38.5	100.0
<b>Total.....</b>	<b>989</b>	<b>48.5</b>	<b>96.5</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 12 months.....	1.7	1.6	1.7	0.0
Consumer price inflation in Italy in the next 24 months.....	2.0	2.0	2.0	0.0
Change in own prices in the last 12 months.....	1.0	0.4	0.2	6.7
Change in own prices in the next 12 months .....	1.1	0.9	0.8	7.5

**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 .....	0.05
Change in own prices in the last 12 months.....	0.53
Change in own prices in the last 12 months (robust).....	0.27
Change in own prices in the next 12 months.....	0.30
Change in own prices in the next 12 months (robust) .....	0.18
<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.....	0.07
<b><u>Factors that will influence the firm's business conditions</u></b>	
Demand .....	0.08
Selling prices.....	0.07
Raw materials prices .....	0.07
Labour costs.....	0.06
Availability and cost of credit.....	0.07





**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
<b>Number of employees</b>		
50-199 .....	1.7	2.0
200-999 .....	1.7	1.9
Over 999 .....	1.6	1.9
<b>Sector</b>		
Industry.....	1.7	2.0
Services.....	1.6	1.9
<b>Geographical area</b>		
North-West .....	1.7	2.1
North-East.....	1.7	1.9
Centre .....	1.5	1.8
South and Islands .....	1.7	1.9
<b>Total</b> .....	<b>1.7</b>	<b>2.0</b>
<i>Memorandum items:</i>		
March 2010.....	1.4	1.8
December 2009.....	0.8	1.3
September 2009 .....	1.1	1.8
June 2009.....	1.4	1.9

**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 .....	0.3	1.3
200-999 .....	0.1	1.2
Over 999 .....	0.5	0.6
<b>Sector</b>		
Industry .....	0.6	1.0
Services.....	0.2	0.8
<b>Geographical area</b>		
North-West .....	0.3	1.3
North-East.....	-0.3	1.0
Centre .....	0.9	0.3
South and Islands.....	0.3	1.2
<b>Total</b> .....	<b>0.4</b>	<b>0.9</b>
<i>Memorandum items:</i>		
March 2010.....	-0.4	1.1
December 2009.....	0.1	1.1
September 2009 .....	-0.6	1.1
June 2009.....	-0.4	0.8

(\*) 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
<b>Number of employees</b>				
50-199 .....	-0.1	0.8	0.4	-0.5
200-999 .....	0.0	0.7	0.4	-0.7
Over 999 .....	0.2	0.5	0.2	-0.6
<b>Sector</b>				
Industry .....	-0.1	0.6	0.3	-0.6
Services .....	0.2	0.6	0.3	-0.6
<b>Geographical area</b>				
North-West.....	0.2	0.8	0.4	-0.5
North-East.....	0.0	0.9	0.3	-0.8
Centre.....	0.1	0.2	0.2	-0.4
South and Islands .....	0.0	0.7	0.5	-0.5
<b>Total.....</b>	<b>0.1</b>	<b>0.6</b>	<b>0.3</b>	<b>-0.6</b>
<i>Memorandum items:</i>				
March 2010 .....	-0.1	0.5	0.4	-0.7
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

(\*) 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 .....	23.9	60.5	15.7	100.0
200-999 .....	22.9	61.9	15.3	100.0
Over 999 .....	13.9	69.3	16.8	100.0
<b>Sector</b>				
Industry .....	20.1	61.8	18.1	100.0
Services .....	27.4	59.9	12.7	100.0
<b>Geographical area</b>				
North-West.....	20.8	56.9	22.3	100.0
North-East.....	15.0	71.7	13.3	100.0
Centre.....	26.6	63.6	9.8	100.0
South and Islands .....	42.7	48.4	8.9	100.0
<b>Total .....</b>	<b>23.4</b>	<b>60.9</b>	<b>15.6</b>	<b>100.0</b>
<i>Memorandum items:</i>				
March 2010.....	21.8	60.5	17.7	100.0
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

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 .....	38.4	47.8	8.5	3.5	1.9	100.0
200-999 .....	30.5	50.5	14.2	3.5	1.2	100.0
Over 999 .....	14.8	56.3	18.0	10.2	0.7	100.0
<b>Sector</b>						
Industry .....	33.9	50.2	10.6	3.1	2.2	100.0
Services.....	39.5	46.4	8.5	4.3	1.2	100.0
<b>Geographical area</b>						
North-West .....	27.7	50.0	15.3	4.7	2.4	100.0
North-East.....	33.2	57.1	6.8	1.5	1.4	100.0
Centre .....	38.4	47.4	8.6	5.5	0.0	100.0
South and Islands.....	64.3	28.7	1.2	2.9	2.9	100.0
<b>Exports' share of sales</b>						
Zero.....	45.3	40.8	9.7	2.8	1.4	100.0
Up to 1/3 .....	30.4	52.3	9.7	3.4	4.2	100.0
Between 1/3/ and 2/3 .....	28.5	56.2	11.3	4.0	0.0	100.0
More than 2/3.....	31.6	53.9	7.5	6.4	0.7	100.0
<b>Total .....</b>	<b>36.5</b>	<b>48.4</b>	<b>9.7</b>	<b>3.7</b>	<b>1.8</b>	<b>100.0</b>
<i>Memorandum items:</i>						
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
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



**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 .....	18.3	57.4	24.3	100.0
200-999 .....	16.4	53.6	30.0	100.0
Over 999 .....	15.0	65.6	19.5	100.0
<b>Sector</b>				
Industry .....	14.0	56.1	29.9	100.0
Services.....	22.5	58.1	19.5	100.0
<b>Geographical area</b>				
North-West .....	14.8	57.8	27.5	100.0
North-East.....	17.6	51.1	31.3	100.0
Centre .....	18.9	60.1	21.0	100.0
South and Islands .....	25.9	62.8	11.2	100.0
<b>Exports' share of sales</b>				
Zero.....	24.6	60.6	14.8	100.0
Up to 1/3 .....	12.4	59.2	28.5	100.0
Between 1/3/ and 2/3 .....	16.2	55.4	28.4	100.0
More than 2/3.....	10.6	44.5	44.9	100.0
<b>Total .....</b>	<b>17.9</b>	<b>57.0</b>	<b>25.1</b>	<b>100.0</b>
<i>Memorandum item:</i>				
March 2010.....	25.0	51.5	23.6	100.0
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) <sup>(\*)</sup>

	Decreased from previous quarter	Unchanged from previous quarter	Increased from previous quarter	Total
<b>Number of employees</b>				
50-199.....	13.7	48.1	38.1	100.0
200-999 .....	9.1	52.3	38.6	100.0
Over 999 .....	13.7	51.3	35.0	100.0
<b>Sector</b>				
Industry.....	15.7	45.6	38.8	100.0
Services.....	4.1	59.6	36.3	100.0
<b>Geographical area</b>				
North-West .....	11.2	57.4	31.4	100.0
North-East.....	11.0	41.4	47.7	100.0
Centre .....	15.6	48.6	35.8	100.0
South and Islands .....	20.2	42.5	37.3	100.0
<b>Total .....</b>	<b>12.9</b>	<b>48.9</b>	<b>38.2</b>	<b>100.0</b>
<i>Memorandum item:</i>				
March 2010.....	13.4	50.0	36.7	100.0
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 .....	18.1	66.2	15.7	100.0
200-999 .....	18.3	68.7	13.1	100.0
Over 999 .....	10.8	79.0	10.2	100.0
<b>Sector</b>				
Industry .....	13.6	68.8	17.5	100.0
Services.....	23.1	64.6	12.2	100.0
<b>Geographical area</b>				
North-West .....	13.9	68.1	18.0	100.0
North-East.....	17.6	65.1	17.3	100.0
Centre .....	18.4	69.5	12.1	100.0
South and Islands.....	29.1	64.2	6.7	100.0
<b>Total .....</b>	<b>18.0</b>	<b>66.9</b>	<b>15.1</b>	<b>100.0</b>
<i>Memorandum items:</i>				
March 2010.....	17.2	66.4	16.4	100.0
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

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

(\*) 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 .....	15.5	22.5	62.0	100.0
200-999 .....	10.1	19.9	70.0	100.0
Over 999 .....	8.7	17.8	73.5	100.0
<b>Sector</b>				
Industry .....	9.8	20.3	69.9	100.0
Services.....	19.9	24.0	56.1	100.0
<b>Geographical area</b>				
North-West .....	15.6	16.9	67.5	100.0
North-East.....	11.1	26.4	62.5	100.0
Centre .....	14.7	19.4	65.9	100.0
South and Islands.....	17.2	30.4	52.4	100.0
<b>Total .....</b>	<b>14.4</b>	<b>22.0</b>	<b>63.6</b>	<b>100.0</b>
<i>Memorandum items:</i>				
March 2010.....	9.9	21.9	68.2	100.0
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

**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 .....	18.6	68.4	13.0	100.0
200-999 .....	14.5	75.6	9.8	100.0
Over 999 .....	9.6	80.7	9.7	100.0
<b>Sector</b>				
Industry .....	18.1	67.3	14.7	100.0
Services .....	17.2	73.1	9.6	100.0
<b>Geographical area</b>				
North-West.....	15.5	68.7	15.8	100.0
North-East.....	17.2	72.9	9.9	100.0
Centre.....	17.4	71.1	11.5	100.0
South and Islands .....	25.0	66.1	8.9	100.0
<b>Total .....</b>	<b>17.7</b>	<b>69.9</b>	<b>12.4</b>	<b>100.0</b>
<i>Memorandum items:</i>				
March 2010.....	15.6	70.6	13.8	100.0
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

**Table 12****Change in stocks of finished products***(percentages)* (\*)

	Decreasing from previous quarter	No change	Increasing from previous quarter	Total
<b>Number of employees</b>				
50-199 .....	24.1	55.1	20.9	100.0
200-999 .....	29.5	48.9	21.6	100.0
Over 999 .....	28.6	59.4	12.0	100.0
<b>Geographical area</b>				
North-West .....	22.2	60.2	17.6	100.0
North-East.....	34.4	46.4	19.3	100.0
Centre .....	12.8	60.3	26.9	100.0
South and Islands.....	30.5	43.7	25.8	100.0
<b>Exports' share of sales</b>				
Zero.....	9.3	81.0	9.6	100.0
Up to 1/3 .....	35.8	49.0	15.2	100.0
1/3 to 2/3.....	24.4	41.3	34.3	100.0
More than 2/3.....	24.1	55.8	20.1	100.0
<b>Total .....</b>	<b>25.2</b>	<b>54.0</b>	<b>20.9</b>	<b>100.0</b>

(\*) Question for industrial firms only.

**Table 13**

**Current level of stocks of finished products**  
(percentages) (\*)

	Low	Adequate	High	Total
<b>Number of employees</b>				
50-199 .....	4.0	79.5	16.5	100.0
200-999 .....	6.3	79.7	14.0	100.0
Over 999 .....	0.0	86.5	13.5	100.0
<b>Geographical area</b>				
North-West .....	2.8	87.0	10.2	100.0
North-East.....	7.8	83.5	8.8	100.0
Centre .....	1.0	73.8	25.3	100.0
South and Islands.....	6.0	57.4	36.5	100.0
<b>Exports' share of sales</b>				
Zero.....	0.0	94.4	5.6	100.0
Up to 1/3.....	5.0	86.7	8.3	100.0
1/3 to 2/3.....	8.2	64.3	27.5	100.0
More than 2/3.....	2.1	78.3	19.6	100.0
<b>Total .....</b>	<b>4.4</b>	<b>79.6</b>	<b>16.0</b>	<b>100.0</b>
<i>Memorandum items:</i>				
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 .....	15.6	79.3	5.1	100.0
200-999 .....	14.1	81.5	4.4	100.0
Over 999 .....	5.2	92.5	2.3	100.0
<b>Sector</b>				
Industry .....	14.0	80.0	6.0	100.0
Services .....	16.5	79.9	3.6	100.0
<b>Geographical area</b>				
North-West.....	11.2	82.8	5.9	100.0
North-East.....	20.0	76.0	4.0	100.0
Centre.....	22.1	72.9	5.0	100.0
South and Islands .....	7.8	88.3	3.9	100.0
<b>Total .....</b>	<b>15.1</b>	<b>80.0</b>	<b>4.9</b>	<b>100.0</b>
<i>Memorandum items:</i>				
March 2010.....	16.2	79.1	4.7	100.0
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

Table 15

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

	Decrease	No change	Increase	Total
<b>Number of employees</b>				
50-199 .....	22.0	66.9	11.1	100.0
200-999 .....	28.9	57.6	13.5	100.0
Over 999 .....	28.0	61.0	11.0	100.0
<b>Sector</b>				
Industry.....	23.6	67.0	9.3	100.0
Services.....	22.9	63.1	14.0	100.0
<b>Geographical area</b>				
North-West .....	25.1	60.6	14.3	100.0
North-East.....	16.8	72.1	11.1	100.0
Centre .....	26.9	65.8	7.3	100.0
South and Islands.....	26.8	63.9	9.3	100.0
<b>Total .....</b>	<b>23.3</b>	<b>65.2</b>	<b>11.4</b>	<b>100.0</b>
<i>Memorandum items:</i>				
March 2010.....	19.0	69.7	11.3	100.0
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

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



IL SOLE 24 ORE – BANCA D'ITALIA SURVEY ON INFLATION AND GROWTH EXPECTATIONS – JUNE 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 April consumer price inflation, measured by the 12-month change in the HARMONIZED INDEX OF CONSUMER PRICES, was 1.6 per cent in Italy and 1.5 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.** 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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