

"Studi e Analisi" presents surveys and analysis carried out by the Research Department in its areas of interest

Assolombarda Business Survey on the Manufacturing Sector of the Milan Area

May 2007

by Valeria Negri

In May entrepreneurs sentiment improved considerably, after the plunge registered in April. The index rose on levels comparable with the historical maximums reached in 2006, in the months characterized by the greatest expansion.

However, the fluctuating pattern of the last six months and the current fall in production forecasts and in national order expectations suggest to wait future data to understand if the results registered in May are a simple bounce of activity or if they can represent a new phase of acceleration in industrial cycle.

The confidence climate index jumped to 102.0 from 94.1 of April, thanks to a strong decline in stock inventories and to a noticeable growth of demand. Demand showed a recovery on both internal and foreign markets, however foreign orders revealed the highest increase. Among the other variables of the indicator, production forecasts reduced slightly for the second consecutive period, but the balance remained widely positive.

In line with assessment on orders, industrial production grew also in May and turnover bettered in relation to foreign markets and, in particular, to national market. On the contrary, employment balance went down to the minimum value of the last eighteen months.

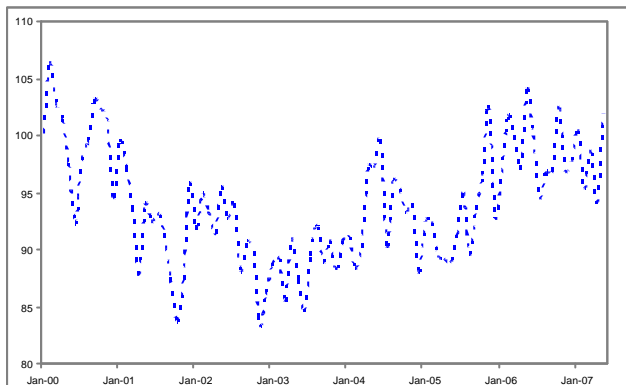
Short term prospects on foreign orders increased, while forecasts on production and on national demand decreased.

Finally, opinion on general economic situation remained substantially steady on the high levels of the last five months.

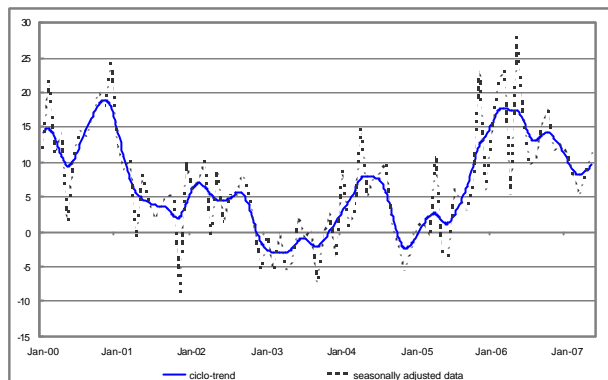
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1 Graphs

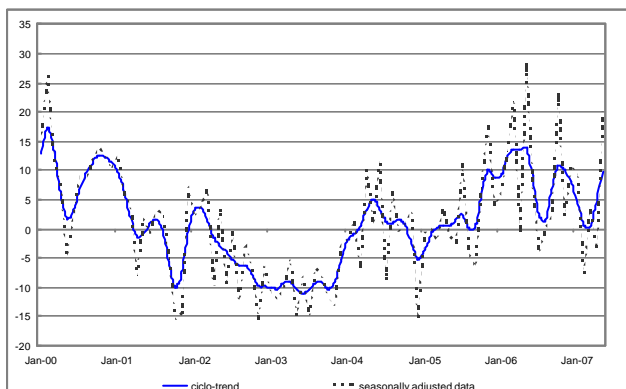
Graph 1 - Confidence Climate¹



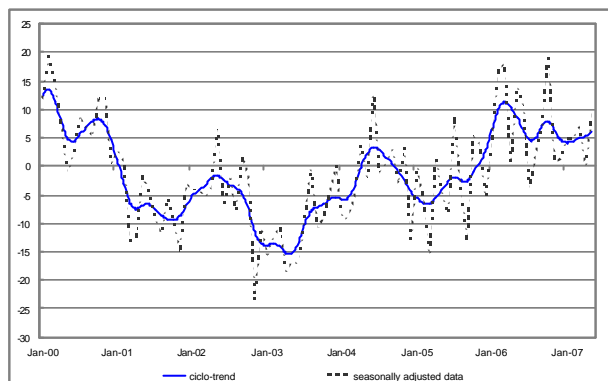
Graph 2 - Production assessment



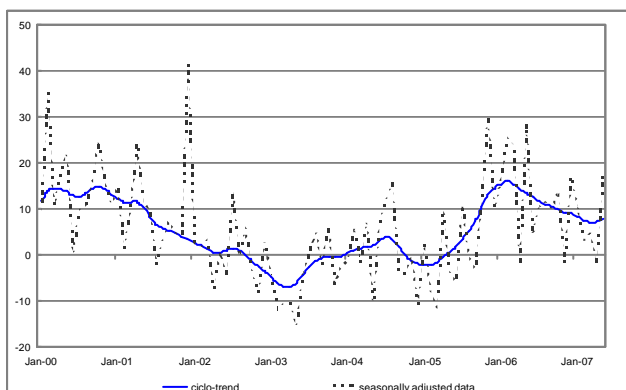
Graph 3 - Assessment on domestic orders



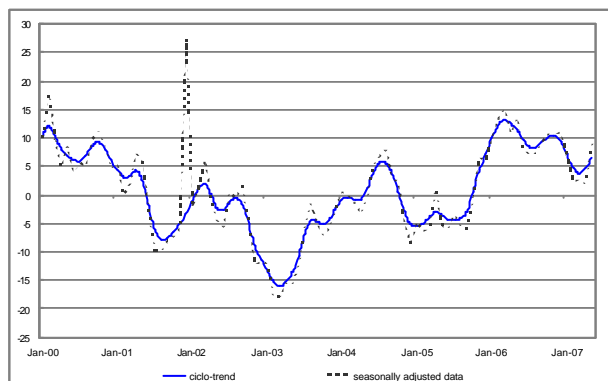
Graph 4 - Assessment on foreign orders



Graph 5 - Assessment on domestic turnover



Graph 6 - Assessment on foreign turnover



2 Data

Table 1 - Confidence climate¹

Reference period	Index (2000=100)
February-07	95,4
March-07	98,7
April-07	94,1
May-07	102,0

Table 2 - Production

Reference period	Assessment seasonally adj. data	Assessment raw data	Expectations seasonally adj. data	Expectations raw data
February-07	8	27	21	30
March-07	5	27	26	28
April-07	9	-18	24	29
May-07	11	37	21	23

Table 3 - Domestic orders

Reference period	Assessment seasonally adj. data	Assessment raw data	Expectations seasonally adj. data	Expectations raw data
February-07	-8	5	16	27
March-07	3	22	25	26
April-07	-4	-24	27	26
May-07	20	35	20	22

Table 4 - Foreign orders

Reference period	Assessment seasonally adj. data	Assessment raw data	Expectations seasonally adj. data	Expectations raw data
February-07	5	18	22	27
March-07	7	21	21	17
April-07	0	-14	25	30
May-07	10	21	28	28

Table 5 - Domestic turnover

Reference period	Assessment seasonally adj. data	Assessment raw data
February-07	3	25
March-07	5	30
April-07	-2	-30
May-07	17	43

Table 6 - Foreign turnover

Reference period	Assessment seasonally adj. data	Assessment raw data
February-07	2	18
March-07	3	26
April-07	2	-25
May-07	9	33

Table 7 - Other balances

Reference period	Inventories seasonally adj. data	Inventories raw data	Employment seasonally adj. data	Employment raw data	Expectations on economic situation seasonally adj. data	Expectations on economic situation raw data
February-07	-1	1	-3	0	19	23
March-07	1	4	-1	1	17	19
April-07	7	12	-1	1	19	23
May-07	-3	2	-6	-2	18	19

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¹ The industrial confidence indicator is the arithmetic average of the seasonally adjusted data on production expectations, order books and stocks of finished products (with inverted sign). The index base is 2000=100.