

## Consumer Confidence Survey September 2019 (47<sup>th</sup> Wave)

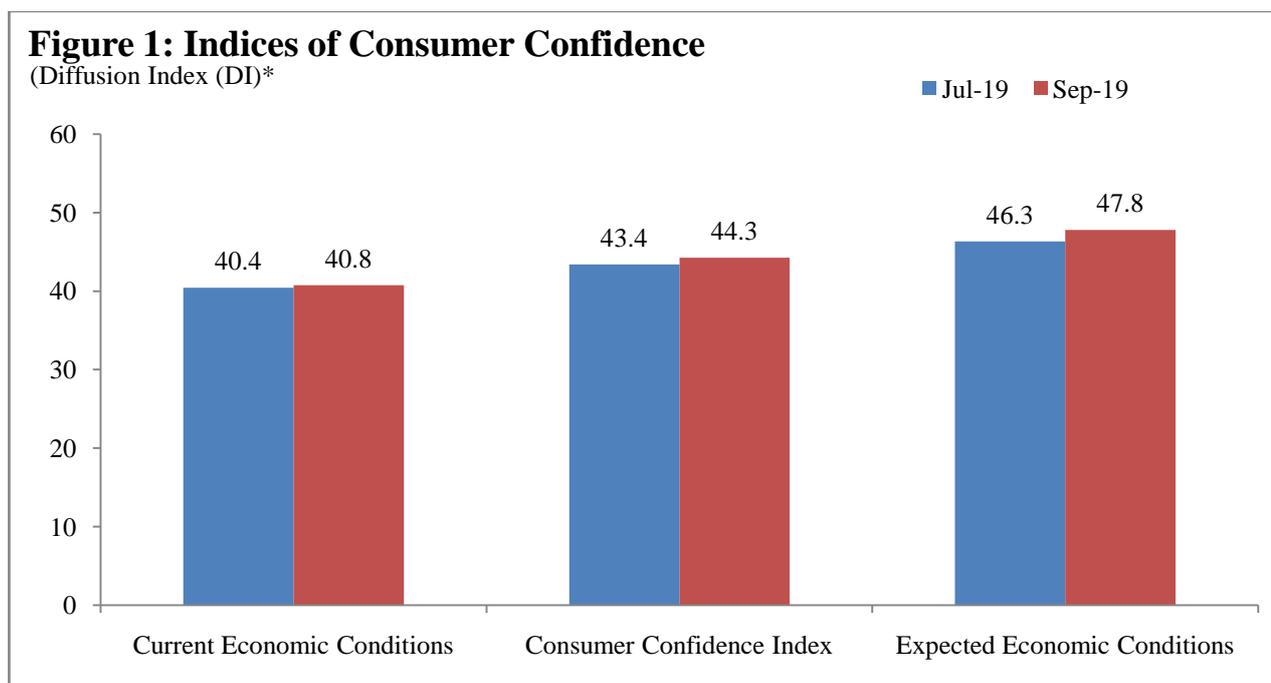
Consumer Confidence Survey (CCS) is a stratified random telephone survey of households across Pakistan. Launched in January 2012 and having a two-monthly frequency, this survey is conducted by the Institute of Business Administration (IBA) Karachi and the State Bank of Pakistan (SBP). This exercise was conducted during 1<sup>st</sup>-8<sup>th</sup> September 2019 and 1,666 households were surveyed.

Disclaimer: The results of these surveys are disseminated for general information only. These are opinions of households and may not be considered either as SBP views or as endorsement by SBP.

### Overview

The main results of September 2019 survey are summarized below:

- Overall Consumer Confidence Index (CCI) improved by 2.1%, whereas Overall Inflation Expectations remained flat, increasing by only 0.1% compared to the previous survey conducted in July 2019;
- The change in CCI can be attributed to improvement in the expected economic conditions index (EEC), which increased by 3.2 percent while the current economic conditions index (CEC) recorded an increase of 0.8 percent from its value in the previous survey (**Table 1**);
- Inflation indices constructed from the survey data continued to show persistently high expected inflation though the energy index was slightly lower than the previous wave in July 2019 (**Figure 5**).



\*Where DI ranges from 0 to 100; interpretation of which is as follows:<sup>1</sup>

DI > 50 indicates that Positive views are more than Negative views;

DI = 50 indicates that Positive views and Negative views are equal;

DI < 50 indicates that Positive views are less than the Negative views.

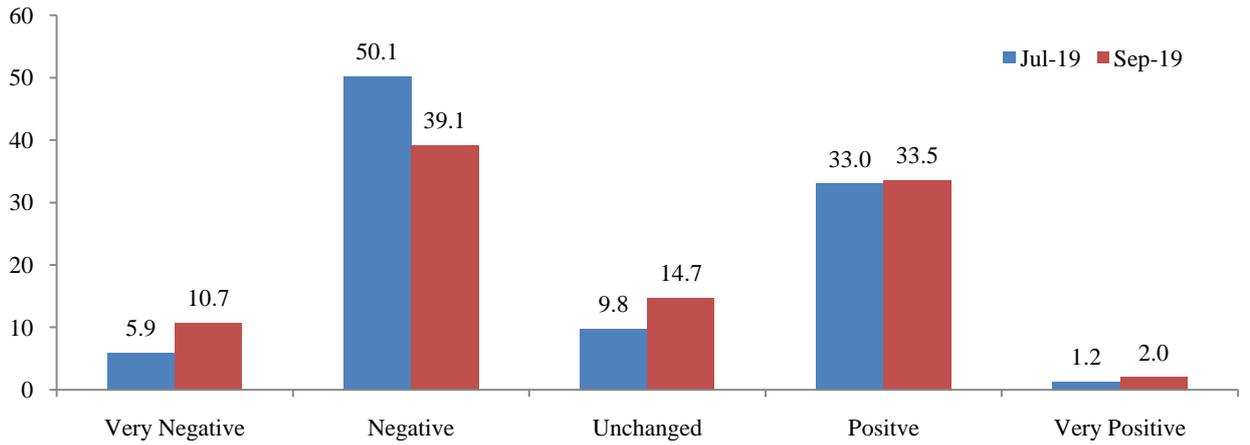
**Table 1: Consumer Indices - Diffusion**

Month	Nov-18	Jan-19	Mar-19	May-19	Jul-19	Sep-19	% change (Sep-19)
<b>CEC</b>	44.46	48.89	50.48	40.93	40.44	40.75	0.75
<b>CCI</b>	49.29	51.82	53.16	43.10	43.39	44.27	2.05
<b>EEC</b>	54.12	54.75	55.84	45.28	46.33	47.79	3.23

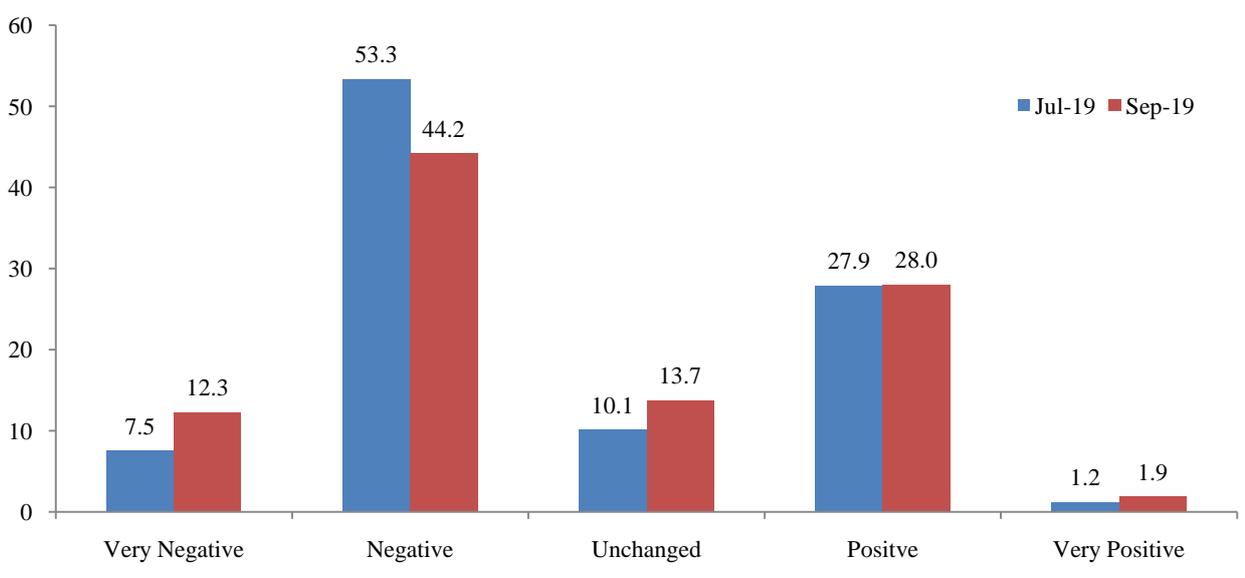
<sup>1</sup> See Annexure for the methodology of the index computation

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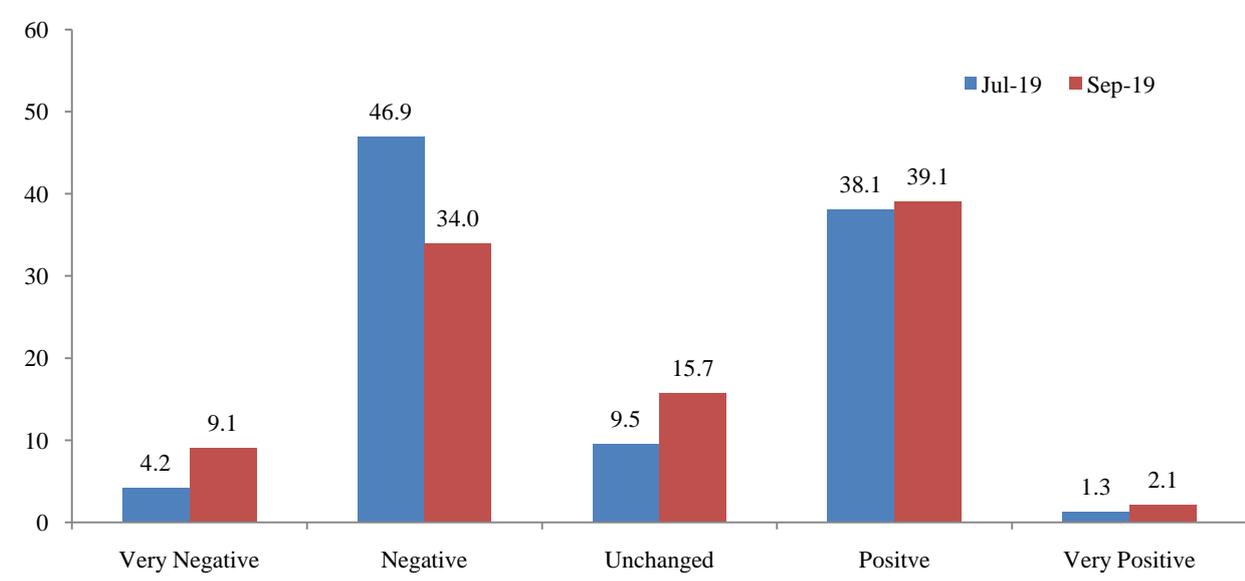
**Figure 2: Overall Consumer Confidence - Distribution of Responses (%)**



**Figure 3: Current Economic Conditions - Distribution of Responses (%)**



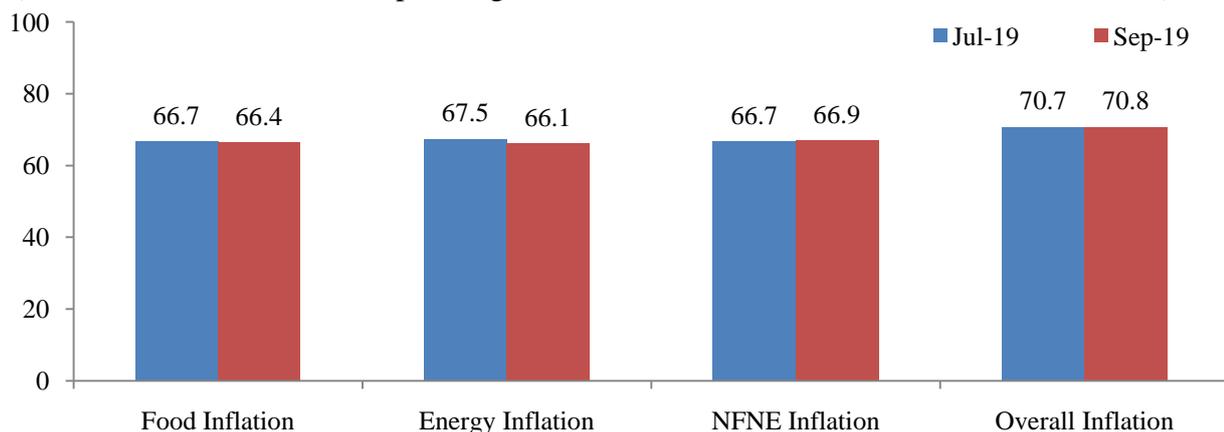
**Figure 4: Expected Economic Conditions - Distribution of Responses (%)**



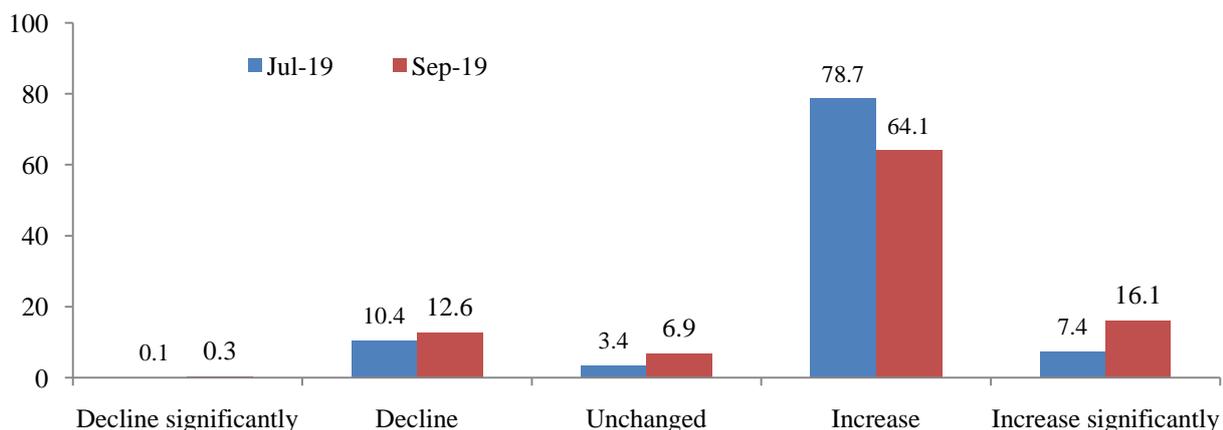
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**Figure 5: Inflation Expectations Index**

(Diffusion Index; DI > 50 implies high inflation views are more than low inflation views)



**Figure 6: Overall Inflation - Distribution of Responses (%)**



**Table 2: Inflation Expectations by Group**

Diffusion Index	Nov-18	Jan-19	Mar-19	May-19	Jul-19	Sep-19	% change (Sep-19)
<b>Overall</b>	70.94	67.12	68.35	71.76	70.69	70.77	0.11
<b>Food Inflation</b>	63.99	59.88	62.45	69.97	66.66	66.38	-0.41
<b>Energy Inflation</b>	63.62	59.02	63.34	70.12	67.50	66.09	-2.09
<b>NFNE Inflation</b>	65.25	61.78	63.92	69.94	66.68	66.93	0.38

**Table 3: Other Highlights**

Diffusion Index	May-19	Jul-19	Sep-19	% change (Sep-19)
<b>Unemployment in next six months</b>	62.84	61.96	64.16	3.55
<b>Interest rate in next six months</b>	67.58	66.92	64.32	-3.88
<b>Income a year later</b>	54.21	52.88	52.20	-1.28
<b>Suitability of time to purchase durable items in next six months</b>	38.54	42.01	40.01	-4.76
<b>Suitability of time to purchase a vehicle in next six months</b>	35.80	38.54	36.47	-5.37
<b>Suitability of current time for purchasing a house</b>	38.40	37.11	34.77	-6.29
<b>Outlook for better financial conditions of households in next six months</b>	51.53	51.39	56.38	9.70

For further details on CCS visit SBP website: <http://www.sbp.org.pk/research/CCS.asp>

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### Annexure: Computation of Diffusion Index

The perceptions of consumers about the economy are presented through four composite indices:

- (i) **Current Economic Conditions (CEC)** index, which is the average of diffusion indices of the following three questions:
  - a) آپ اور آپ کے گھر والوں کے مالی حالات پچھلے چھ ماہ کے مقابلے میں آج کیسے ہیں؟  
How do you assess present financial position of your family compared to the last six months?
  - b) ملک کے عام معاشی حالات پچھلے چھ ماہ کے مقابلے میں آج کیسے ہیں؟  
How do you assess present general economic condition of the country compared to the last six months?
  - c) فرنیچر، فریج، ٹیلیویژن وغیرہ خریدنے کے لئے پچھلے چھ ماہ کے مقابلے میں یہ وقت کیسا ہے؟  
In your opinion, compared to the last 6 months, how do you see the current time for buying durable goods such as furniture, refrigerator, television etc.?
- (ii) **Expected Economic Conditions (EEC)** index; which is the average of diffusion indices of the following three questions:
  - a) آپ کے خیال میں آج سے چھ ماہ بعد آپ اور آپ کے گھر والوں کے مالی حالات کیسے ہوں گے؟  
How do you expect your financial position to change over the next six months from now?
  - b) آج کے مقابلے میں اگلے چھ ماہ کے دوران ملک کے عام معاشی حالات کیسے رہیں گے؟  
How do you expect general economic conditions in the country to develop over the next six months from now?
  - c) آج کے مقابلے میں اگلے چھ ماہ کے دوران بیروزگاری  
What do you think unemployment over the next six months from now?
- (iii) **Consumer Confidence Index (CCI)**; which is the average of CEC and EEC, as above.
- (iv) **Inflation Expectations Index (IEI)**; which is the diffusion index of the following question about prices:  
آج کے مقابلے میں اگلے چھ ماہ کے دوران عام استعمال کی چیزوں کی قیمتیں  
How do you expect that prices in general will develop over the next six months from now?

#### Rotating Panel:

The sample of the survey consists of a rotating panel with 33 % of respondents are those households which were surveyed six months earlier, while the remaining 67 % are the fresh. The stratification scheme of the survey is implemented in rotating panel too.

#### Index Calculation\*\*

SBP reports results of households, businesses and other perception surveys in the form of Diffusion Index (DI). The Diffusion Index shows the general tendency of respondents about a certain aspect of a particular survey. The questionnaire for this survey offers five types of options to the respondents for each question.

- (i) PP= Increase/improve significantly;
- (ii) P = Increase/improve;
- (iii) E = Unchanged/neutral;
- (iv) N = decline /deteriorate; and
- (v) NN = decline/deteriorate significantly.

On the basis of these five options, the Diffusion Index is computed in the following two steps:

Step 1: Net Response (NR) is computed as below:

$$NR = (1.00*PP) + (0.50 \times P) + (-0.50 \times N) + (-1.00*NN).$$

Step 2: Diffusion Index (DI) is computed as follows:

$$DI = (100 + NR) / 2$$

Where DI ranges from 0 to 100; interpretation of which is as follows:

- DI > 50 indicates that Positive views are more than Negative views;
- DI = 50 indicates that Positive views and Negative views are equal;
- DI < 50 indicates that Positive views are less than the Negative views.

**NOTE:** “Don’t Know” responses have been excluded in compilation and analysis of this report.

\*\*For references see:

- 1) OECD (2003); Business Tendency Surveys A Handbook; Statistics Directorate, OECD; <https://www.oecd.org/std/leading-indicators/31837055.pdf>
- 2) European Commission (2014); The joint harmonised EU programme of business and consumer surveys: User Guide; March; [http://ec.europa.eu/economy\\_finance/publications/](http://ec.europa.eu/economy_finance/publications/).