

Consumer Confidence Survey March 2020 (50th Wave)

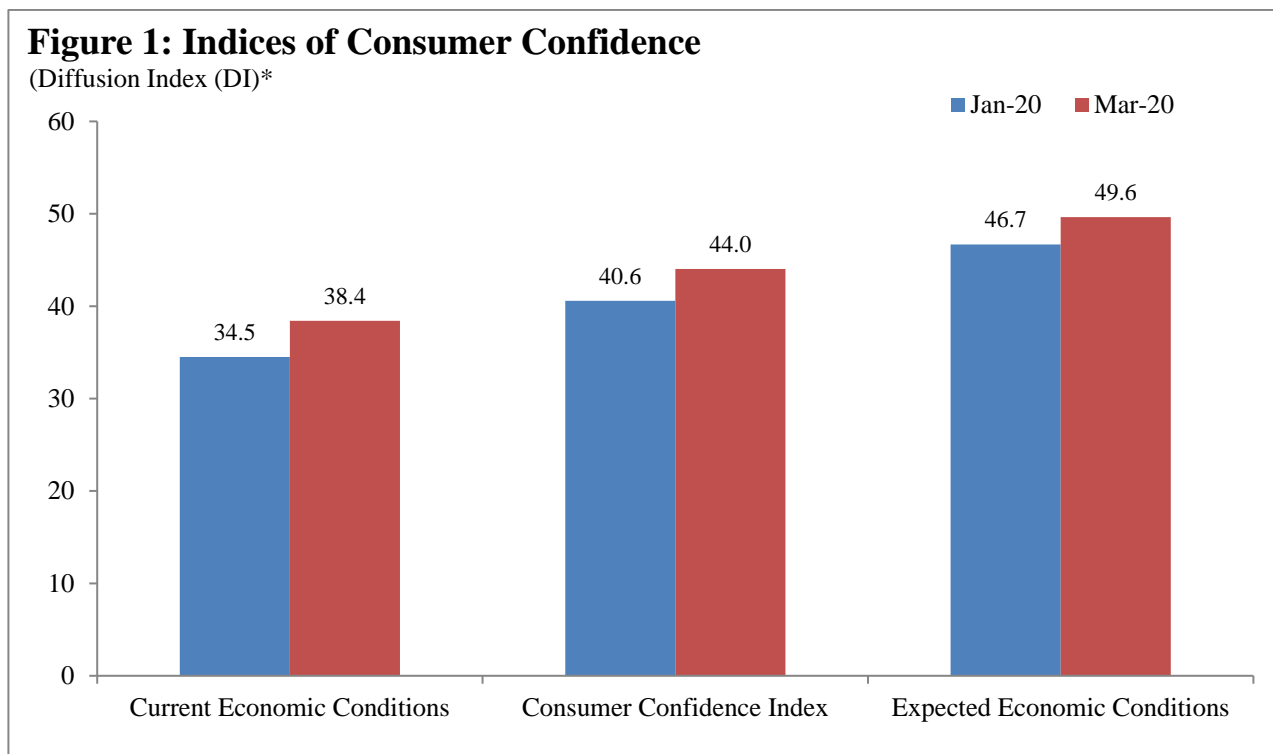
Consumer Confidence Survey (CCS) is a stratified random telephone survey of households across Pakistan. Launched in January 2012 and having a two-monthly frequency, this survey is conducted by the Institute of Business Administration (IBA) Karachi and the State Bank of Pakistan (SBP). This exercise was conducted during 1st-6th March 2020 and 1,668 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 March 2020 survey are summarized below:

- Overall Consumer Confidence Index (CCI) rose by 8.5% and Overall Inflation Expectations dropped by 13.7% compared to the previous survey conducted in January 2020;
- The change in CCI can be attributed to a significant increase in the current economic conditions index (CEC) by 11.3 percent while the expected economic conditions index (EEC) improved by 6.3 percent from its value in the previous survey (**Table 1**);
- Inflation indices constructed from the survey data show that people expect inflation to rise modestly in the next six months however this rise is significantly lower across all measures compared to the previous wave in January 2020 (**Figure 5**).



*Where DI ranges from 0 to 100; interpretation of which is as follows:¹

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	May-19	Jul-19	Sep-19	Nov-19	Jan-20	Mar-20	% change (Mar-20)
CEC	40.93	40.44	40.75	37.37	34.50	38.41	11.33
CCI	43.10	43.39	44.27	41.92	40.59	44.03	8.46
EEC	45.28	46.33	47.79	46.47	46.68	49.64	6.34

¹ See Annexure for the methodology of the index computation

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

(Diffusion Index (DI))*

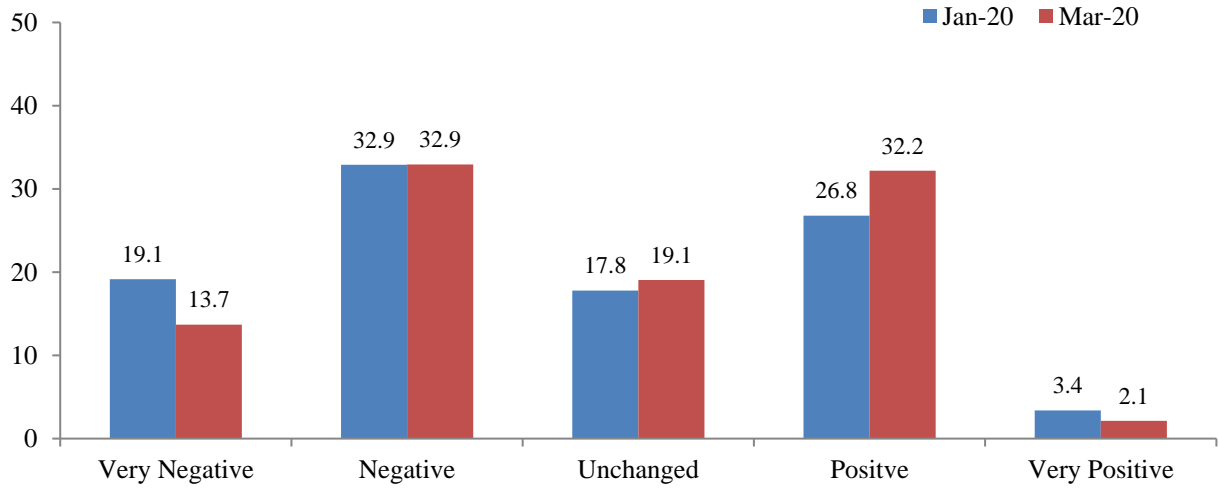


Figure 3: Current Economic Conditions - Distribution of Responses (%)

(Diffusion Index (DI))*

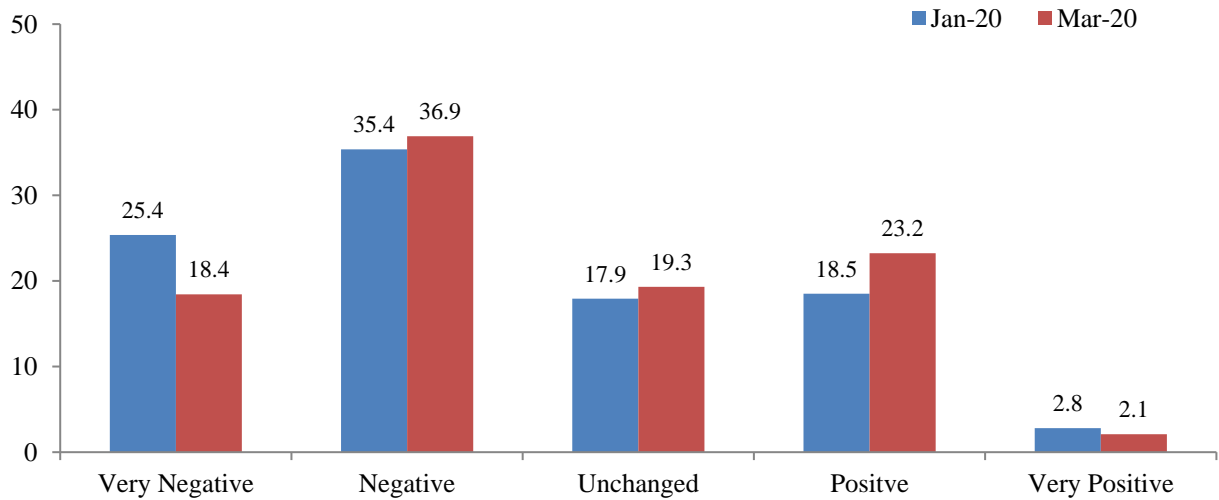
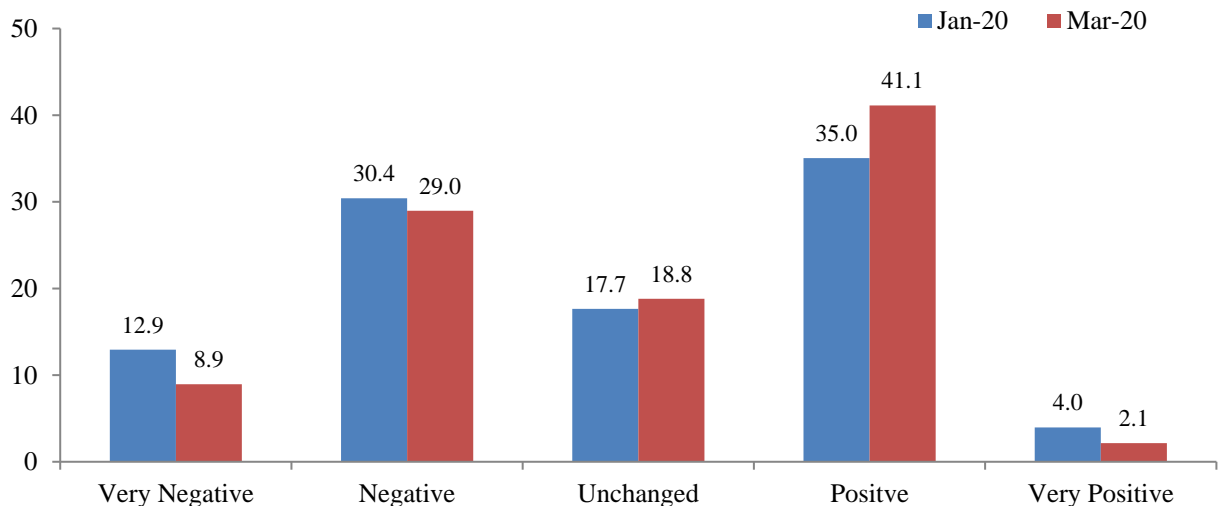


Figure 4: Expected Economic Conditions - Distribution of Responses (%)

(Diffusion Index (DI))*



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Figure 5: Inflation Expectations Index

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

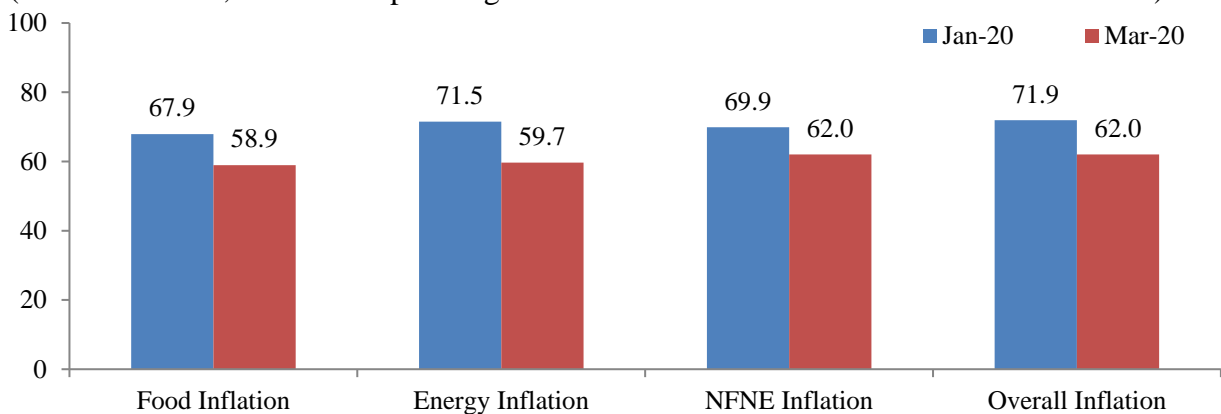


Figure 6: Overall Inflation - Distribution of Responses (%)

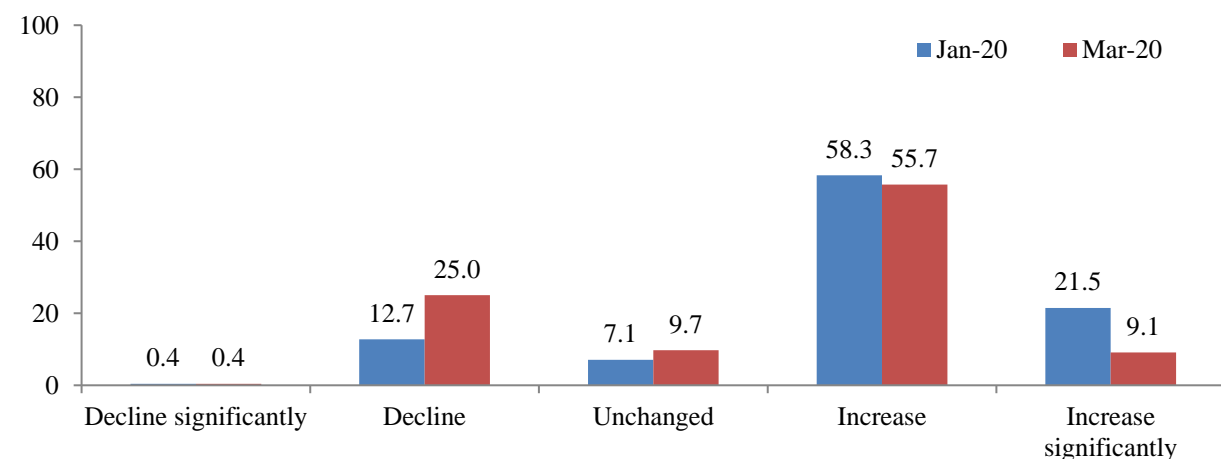


Table 2: Inflation Expectations by Group

Diffusion Index	May-19	Jul-19	Sep-19	Nov-19	Jan-20	Mar-20	% change (Mar-20)
Overall	71.76	70.69	70.77	70.66	71.91	62.04	-13.73
Food Inflation	69.97	66.66	66.38	66.37	67.89	58.94	-13.17
Energy Inflation	70.12	67.50	66.09	68.10	71.49	59.67	-16.53
NFNE Inflation	69.94	66.68	66.93	66.74	69.88	62.05	-11.21

Table 3: Other Highlights

Diffusion Index	Nov-19	Jan-20	Mar-20	% change (Mar-20)
Unemployment in next six months	63.98	63.50	59.73	-5.93
Interest rate in next six months	62.57	62.50	59.50	-4.80
Income a year later	46.30	50.05	51.46	2.83
Suitability of time in the next six months to purchase durable items	39.13	37.18	42.02	13.01
Suitability of time in the next six months to purchase a vehicle	34.21	32.11	37.32	16.24
Suitability of current time for purchasing a house	30.84	29.34	31.60	7.72
Outlook for better financial conditions of households in next six months	52.05	53.17	55.20	3.82

For detail data of the survey visit SBP website: <http://dsqx.sbp.org.pk/ccs/index.php>

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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/.