# Consumer Confidence Survey[*] - July 2023 (73rd Wave)

[The current wave of the survey was conducted during July 3-11, 2023; with 1,671 households surveyed]

Overview

The main results of July 2023 survey are summarized below:

a) Overall <u>Consumer Confidence Index</u> (CCI) decreased by 2.4% to 35.8 points in July 2023 over June 2023 (**Figure 1**);

b) The Current Economic Conditions (CEC) index slightly declined by 0.3% to 33.7 and the Expected Economic Conditions (EEC) index dipped by 4.3% to 38.0 in July 2023 over the last wave (**Table 1**);

c) The CCI for urban households declined by 9.3% to 35.8 and by 12.7% to 35.2 for rural households in July 2023 over June 2023 (**Figure 3**);

d) CCI of fresh households recorded a decline of 3.7% in July 2023. However, CCI of rotating households marginally increased by 0.2% in July 2023 compared with June 2023 (**Figure 3**);

e) Consumers' Inflation Expectations increased by 2.5% to 73.1 in July 2023 (**Figure 6**).

Figure 1: Indicies of Consumer Confidence
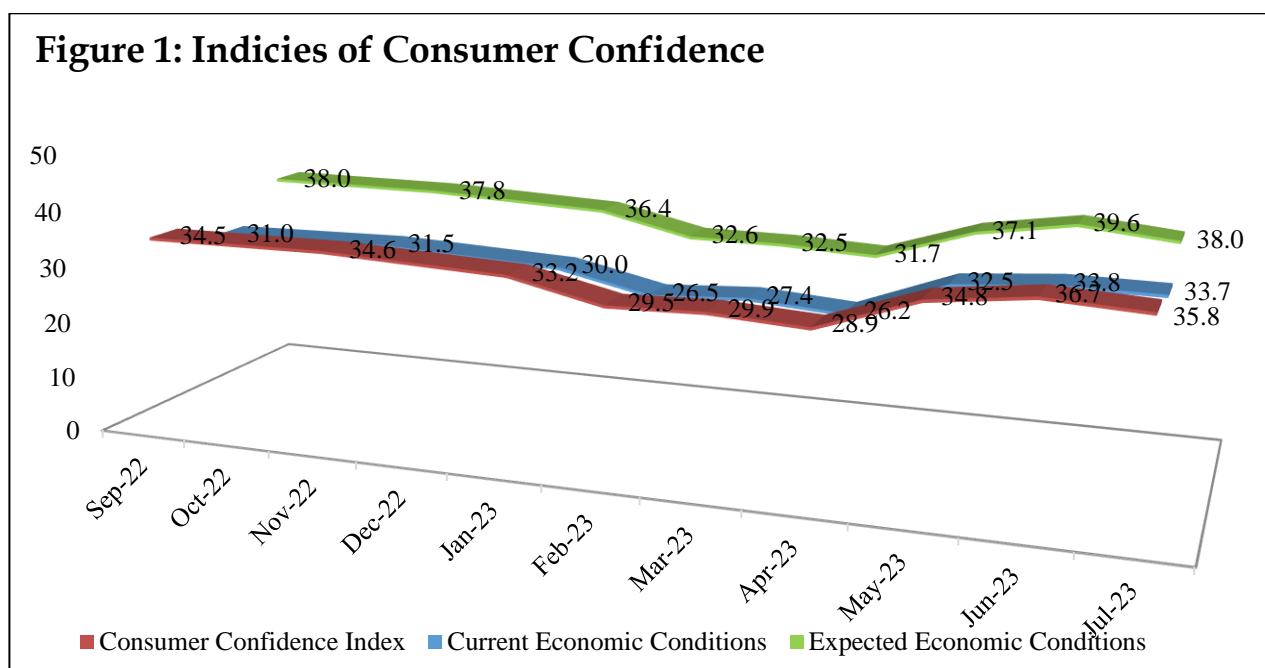
Diffusion Index (DI) ranges from 0 to 100; interpretation of which is as follows:[1]

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	Sep-22	Nov-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	% change (MoM)
CCI	34.5	34.6	33.2	29.5	29.9	28.9	34.8	36.7	35.8	**-2.5**
CEC	31.0	31.5	30.0	26.5	27.4	26.2	32.5	33.8	33.7	**-0.5**
EEC	38.0	37.8	36.4	32.6	32.5	31.7	37.1	39.6	38.0	**-4.3**

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[1] See Annexure for the methodology of the index computation

*Consumer Confidence Survey (CCS) is a stratified random telephonic survey of households across Pakistan. The survey was launched in 2012 with a bi-monthly frequency. From Jan-2023, the frequency of the survey is increased to monthly. This survey is conducted by the State Bank of Pakistan (SBP) and the Institute of Business Administration (IBA), Karachi. The results of these surveys are disseminated for general information only. These are opinions of households and may not be considered either as views of or as an endorsement by SBP.

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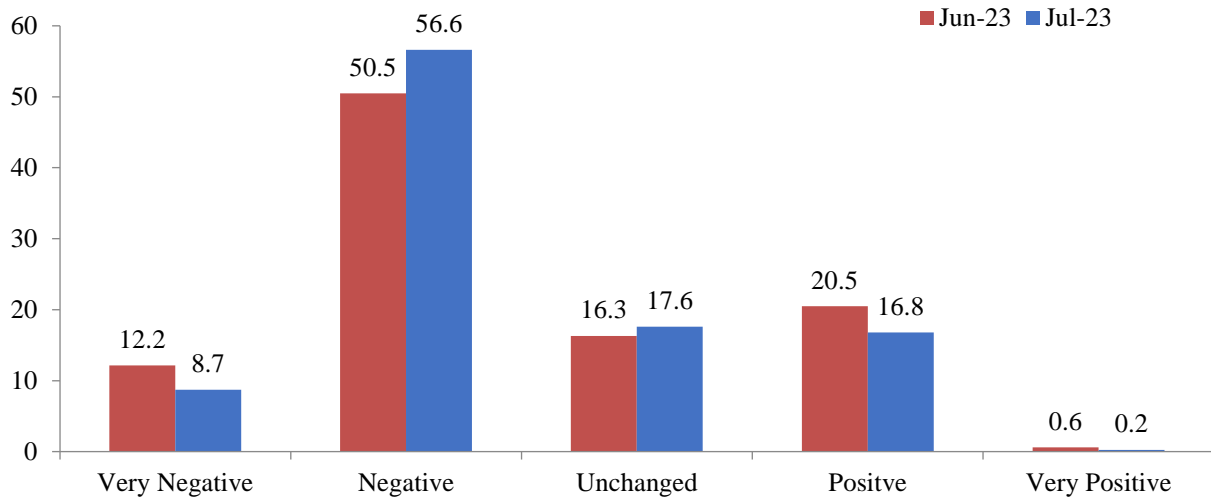

Legend: Jun-23, Jul-23

Category	Jun-23	Jul-23
Very Negative	12.2	8.7
Negative	50.5	56.6
Unchanged	16.3	17.6
Positve	20.5	16.8
Very Positive	0.6	0.2

Figure 3: Decomposition of Consumer Confidence Index

Legend: Jun-23, Jul-23

Category	Jun-23	Jul-23
CCI-Fresh	37.1	35.7
CCI-Rotating	36.0	36.0
CCI-Rural	40.3	35.2
CCI-Urban	39.4	35.8
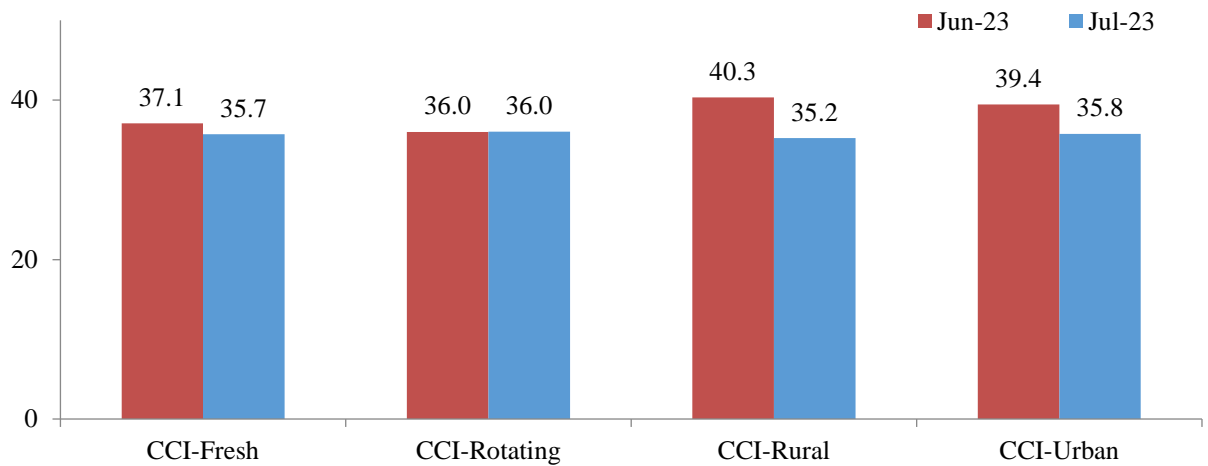
Figure 4: Current Economic Conditions - Distribution of Responses (%)

Legend: Jun-23, Jul-23

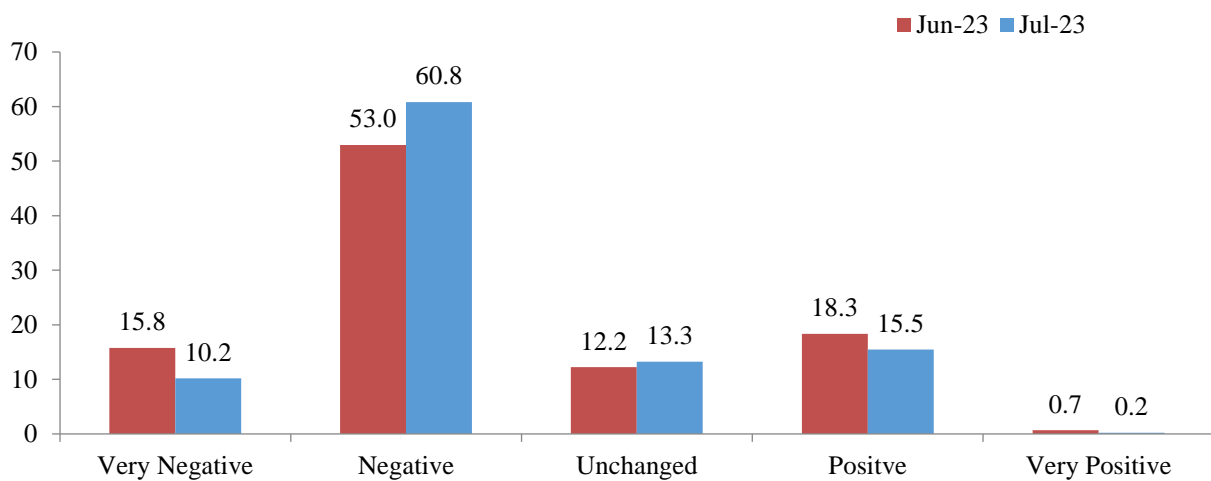| Category	Jun-23	Jul-23
Very Negative	15.8	10.2
Negative	53.0	60.8
Unchanged	12.2	13.3
Positve	18.3	15.5
Very Positive	0.7	0.2

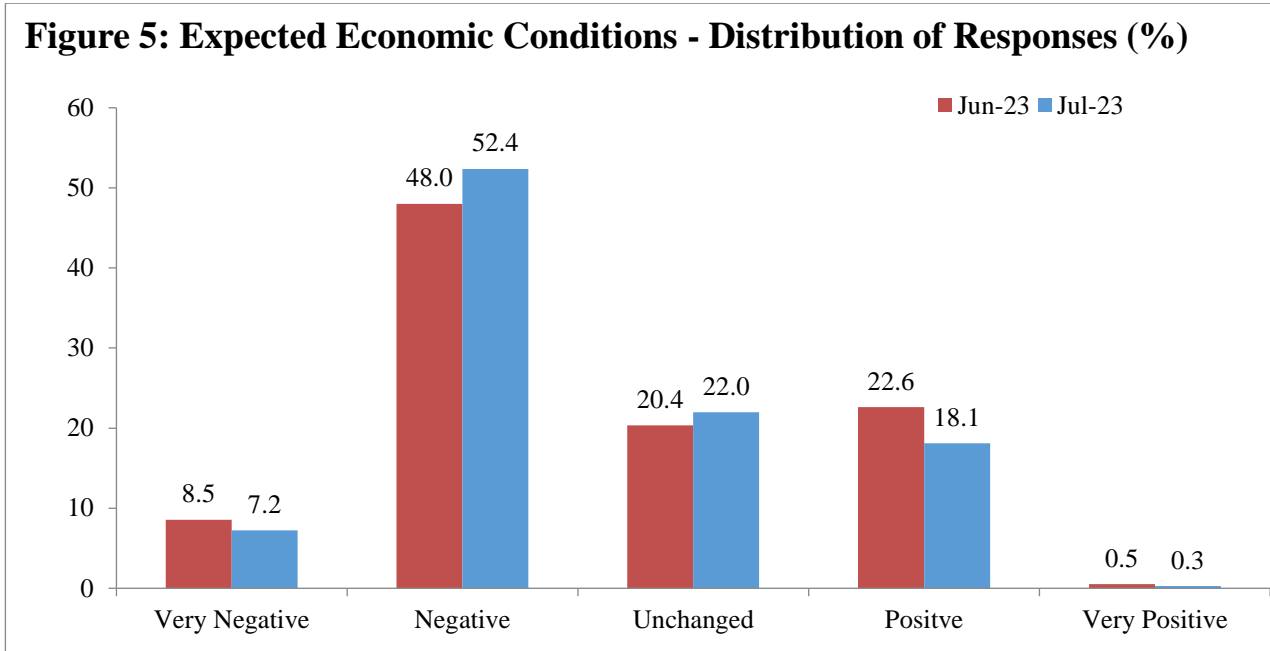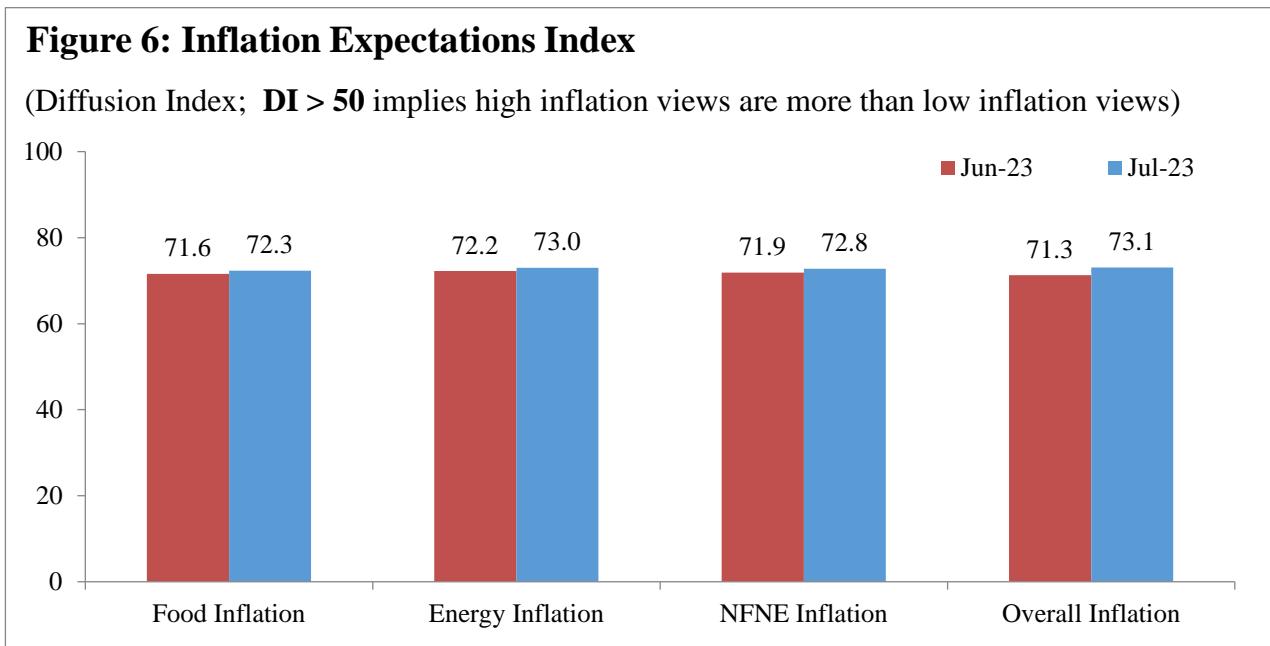## Figure 5: Expected Economic Conditions - Distribution of Responses (%)

Table 2: Inflation Expectations by Group

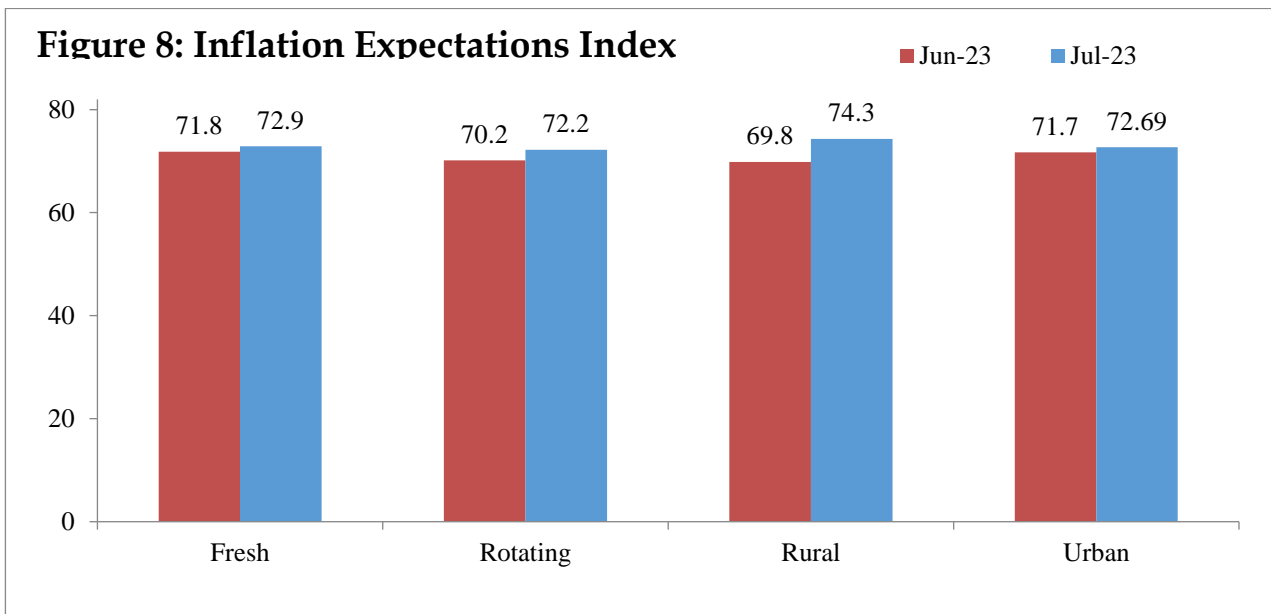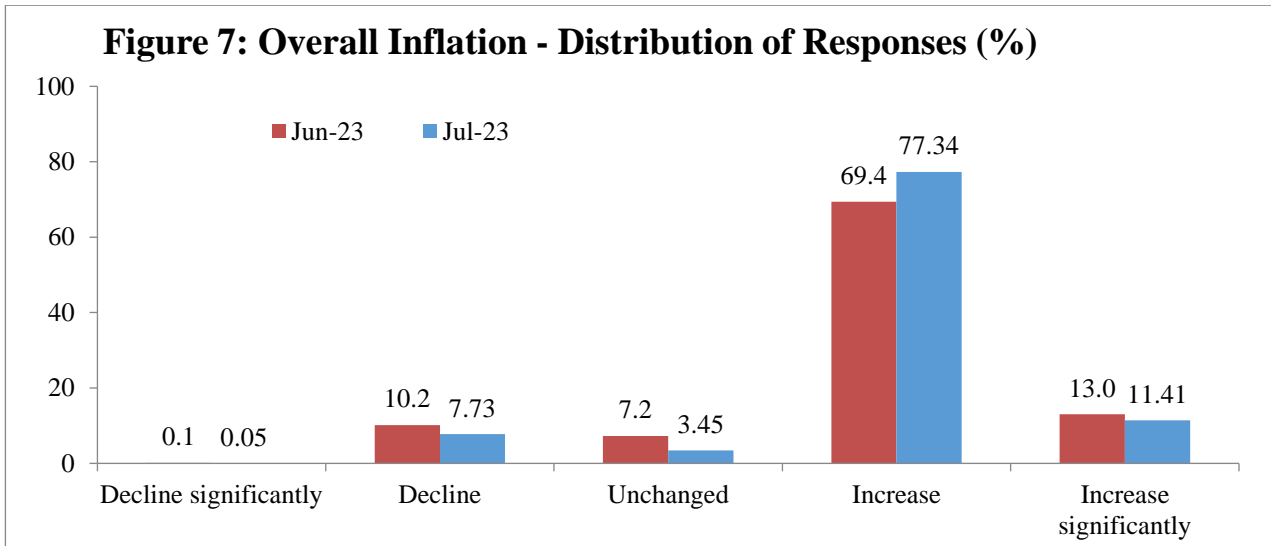| Diffusion Index	Sep-22	Nov-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	% change (MoM)
Overall	75.3	72.1	75.8	80.2	78.7	77.5	75.1	71.3	73.1	**2.5**
Food Inflation	73.6	71.2	76.2	79.9	78.4	77.1	75.2	71.6	72.3	**1.0**
Energy Inflation	73.7	71.5	76.6	80.3	78.8	77.7	75.5	72.2	73.0	**1.1**
NFNE Inflation	73.7	72.1	76.4	80.3	78.4	77.9	75.1	71.9	72.8	**1.3**

Figure 6: Inflation Expectations Index

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

Figure 7: Overall Inflation - Distribution of Responses (%)

Figure 8: Inflation Expectations Index

Figure 9: Inflation Expectations (on the basis of quantitative question*)
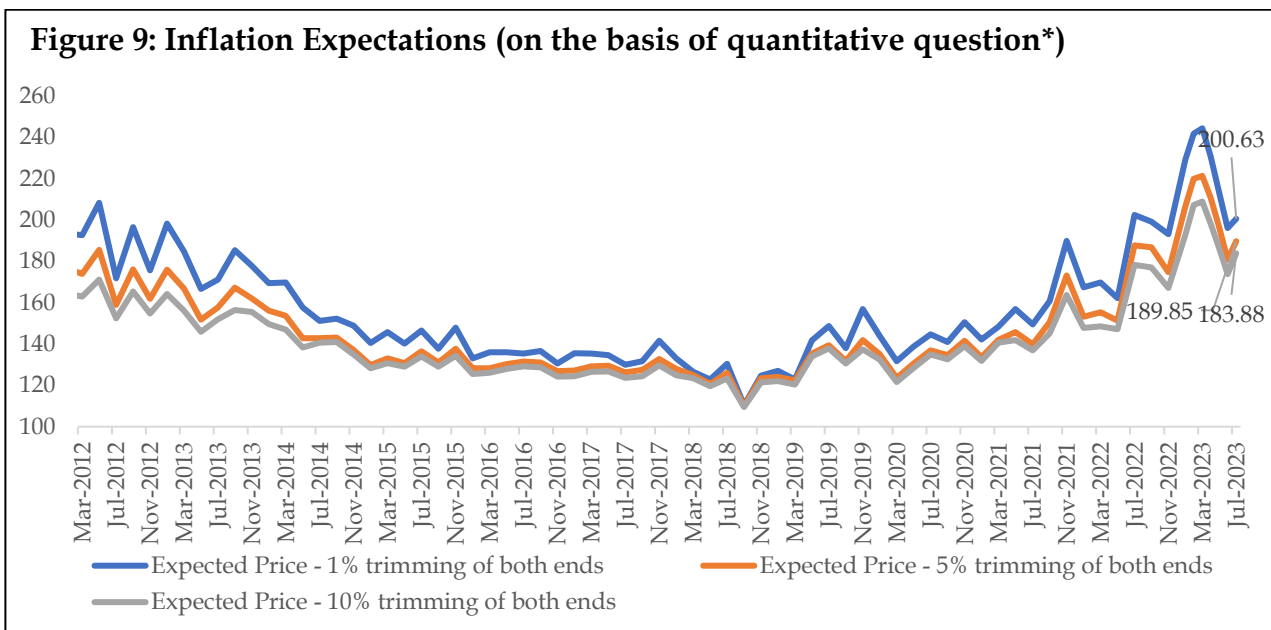
Consumer Confidence Survey[*] - July 2023 (73rd Wave)

Table 3: Other Highlights

Diffusion Index	May-23	Jun-23	Jul-23	% change (MoM)
Unemployment in next six months	75.1	71.4	73.4	**2.8**
Interest rate in next six months	75.5	71.4	73.5	**2.9**
Income a year later	57.7	54.6	55.2	**1.0**
Suitability of time in the next six months to purchase durable items	28.8	31.1	31.5	**1.2**
Suitability of time in the next six months to purchase a vehicle	29.0	30.0	30.5	**1.8**
Suitability of current time for purchasing a house	29.0	29.1	31.7	**8.9**
Outlook for better financial conditions of households in next six months	45.8	47.7	46.6	**-2.3**

For detail data of the survey visit SBP website: https://www.sbp.org.pk/research/CCS-d.asp

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 خریدنےکےلئےپچھلےچھ ماہ کےمقابلےمیں یہ وقت کیساہے؟
     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 کےمقابلےمیں اگلےچھ ماہ کےدوران 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 کےمقابلےمیں اگلےچھ ماہ کےدوران 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 (March 2016); The joint harmonised EU programme of business and consumer surveys: User Guide;
https://ec.europa.eu/economy_finance/db_indicators/surveys/documents/bcs_user_guide_en.pdf