

Consumer Confidence Survey: September 2011*

This article presents the salient findings of the Consumer Confidence Survey conducted in September 2011, the 6th round in the series. It gives an assessment of the consumer sentiments of the respondents based on their perceptions of the general economic conditions and own financial situation. The assessments are analysed in two parts, viz., current situation as compared to a year ago and expectations for a year ahead.

The survey indicates a decline in the positive perceptions on current economic conditions. Though more than half of the respondents felt that their household circumstances have become better off as compared with a year ago, this proportion has declined in September 2011 as compared with June 2011. Optimism regarding an increase in future income, though high, has been sliding over the last four quarters. The degree of negative perceptions on price levels for current and future are down marginally in September 2011 as compared with June 2011. However, about 85 per cent of the respondents felt that prices would continue to increase during the next year. Overall the Current Situation Index as well as the Future Expectations Index are estimated to be marginally lower in September 2011 as compared with June 2011.

I. Introduction

The change in consumer confidence has the potential to affect real economic activities through the changes in business sentiments. Thus, the current and expected confidence on economic and personal financial situations, are of particular relevance for policy purpose. In this context, consumer confidence surveys are carried out to obtain qualitative information on the above for monitoring the economic situation. Reserve Bank of India has initiated Quarterly Consumer

* Prepared in the Department of Statistics and Information Management, RBI, New Delhi. This survey is one in the series of surveys recommended by the Working Group on Surveys (Chairman: Shri Deepak Mohanty)

Confidence Survey since June 2010. The latest round of the survey was conducted in September 2011. Key highlights of the survey results are presented in this report.

II. Sampling Design

The survey covers six metropolitan cities, viz., Bangalore, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi. Each city is divided into three major areas and each major area is further divided into three sub-areas. From each sub-area, about 100 respondents are selected randomly. For each round of survey 5,400 respondents are selected (900 respondents from each city). The respondents are well-spread across the cities to provide good geographical coverage.

III. Structure of the Survey Questionnaire

The survey schedule consists of qualitative questions pertaining to impression about economic conditions, views on household circumstances, perceptions on price level, developments in real estate prices and views on growth potential of the Indian economy. The survey questionnaire is given in Annex I.

IV. Methodology used for Analysis of Survey Data

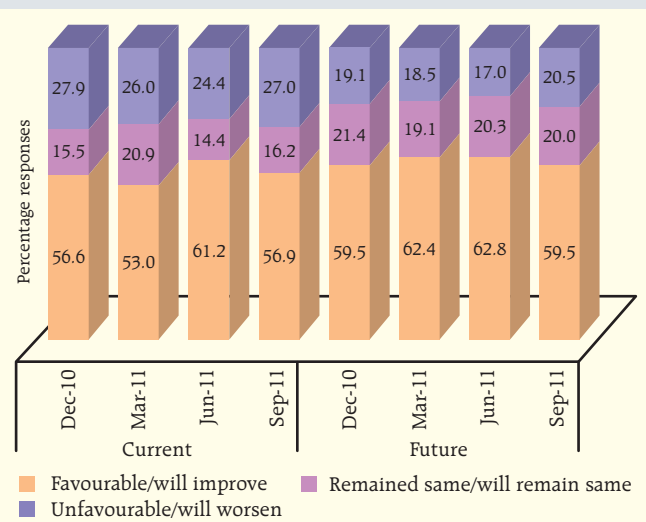
The methodology followed for the analysis of the survey data is given in Annex II.

V. Survey Results: Key Highlights

V.1 Economic Conditions and Household Circumstances

- There is significant decline in the positive perceptions on current economic conditions from 61.2 per cent in the last quarter to 56.9 per cent in September 2011 (Chart 1).

Chart 1: Opinion on the Current Economic Conditions



- Positive opinion for the future economic conditions has also declined to 59.5 from 62.8 per cent in June 2011 (Chart 1).

V.2 Households Circumstances

- Though more than half of the respondents felt that their household circumstances have become better off, this proportion has declined as compared to June 2011 (Chart 2).
- The net response on household circumstances has remained almost the same as that observed in June 2011. This is due to decrease

Chart 3: Net Response on Household Circumstances

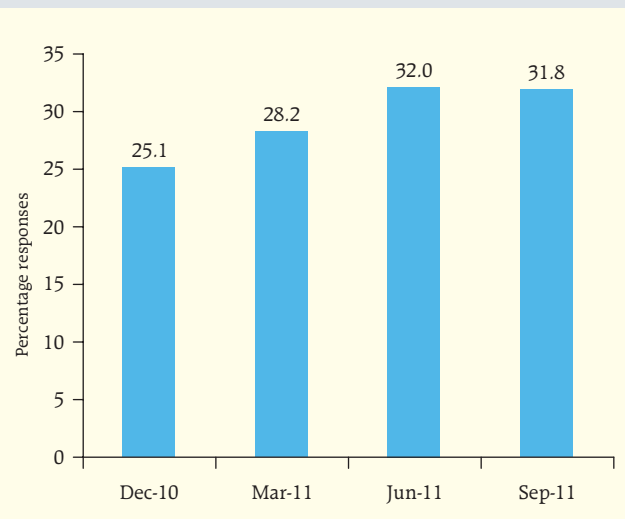
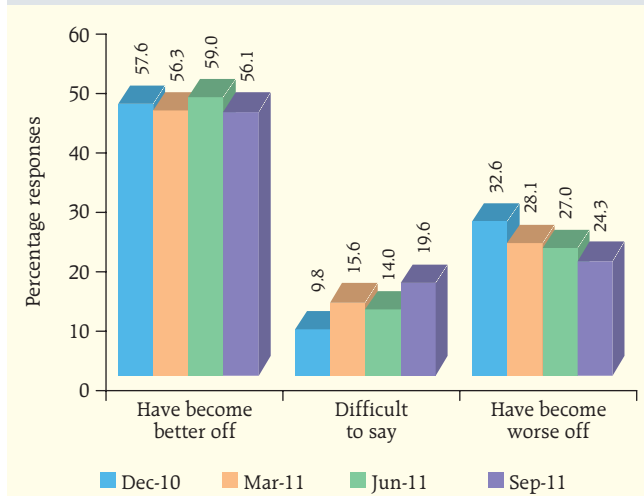


Chart 2: Perceptions on Household Circumstances as Compared with One Year Ago



- in positive as well as negative responses and increase in neutral responses (Chart 3).
- About half of the respondents, who reported better-off household circumstances as compared with a year ago, reported increase in salary and business income as the main factors for this improvement (Chart 4).
- About 18 per cent respondents reported that their household circumstances became worse off due to increase in price level. This proportion has declined during the last four quarters from 27.5 per cent in December 2010 to 17.7 per cent in September 2011 (Chart 5).

Chart 4: Perceptions of Respondents Reporting Better-off Circumstances

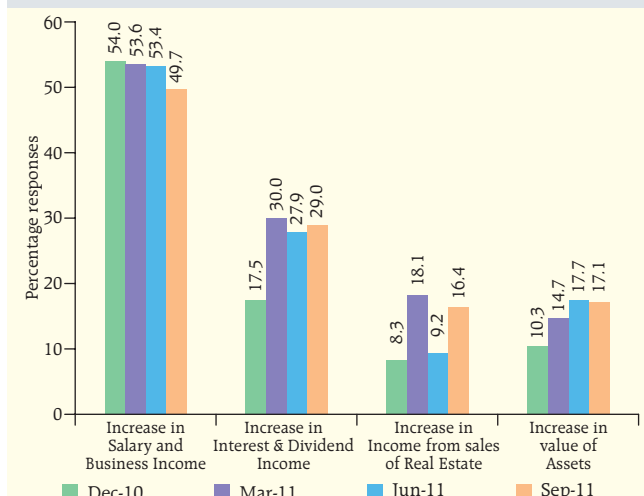


Chart 5: Perceptions of Respondents Reporting Worse-off Circumstances

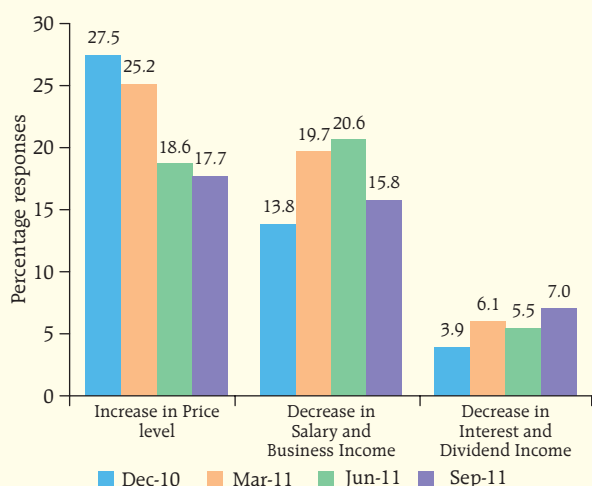
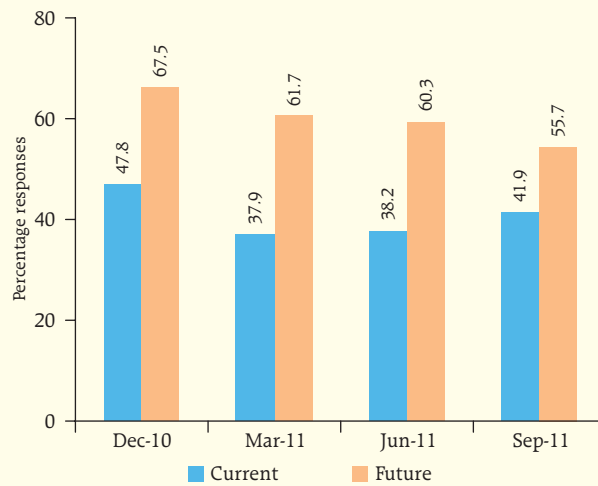


Chart 7: Net Response on Income



V.3 Income

- Optimism regarding increase in future income, though high, has been sliding consistently over the last four quarters (Chart 6).
- The net response regarding future income has declined significantly as compared with the last quarter (Chart 7).

V.4 Consumer Spending

- About 71 per cent of the respondents reported increase in spending as compared with a year ago. This proportion in response to

future spending is less at about 66 per cent (Chart 8).

- Nearly 44 per cent of the respondents reported that their spending has increased due to an increase in current income. The other major cause of an increase in spending was the increase in cost of goods and services (Chart 9).

V.5 Price Level

- The degree of negative perceptions on price levels for current and future periods are down

Chart 6: Perceptions on Income

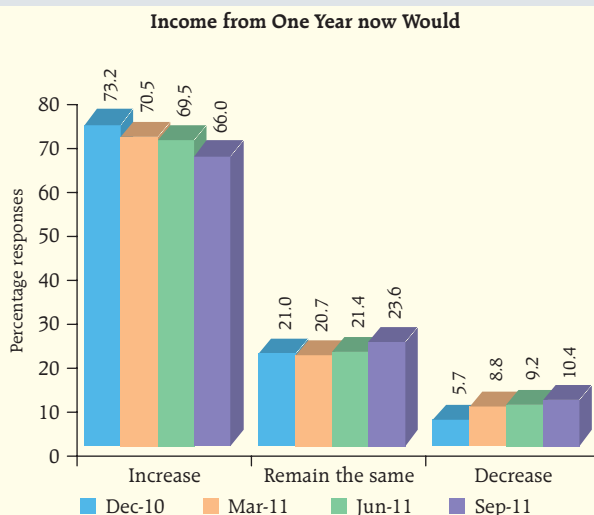
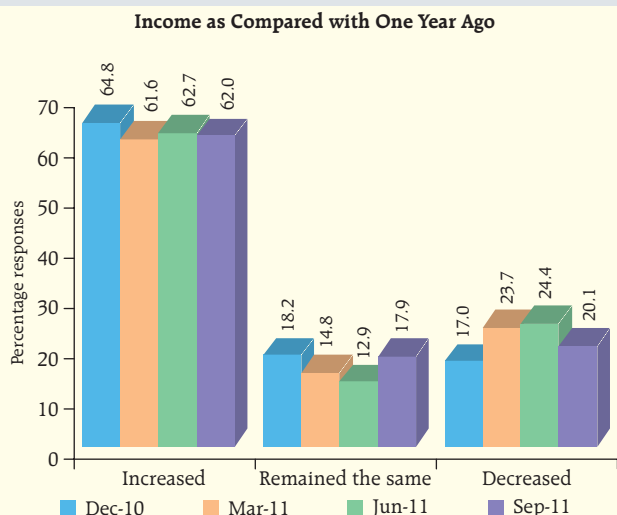
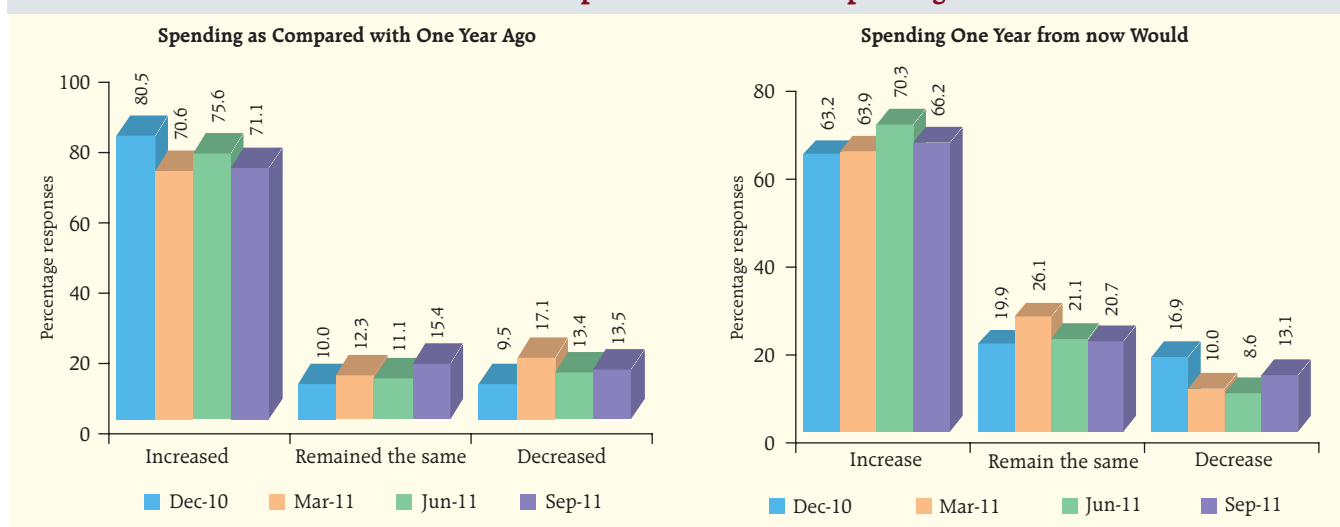


Chart 8: Perceptions on Consumer Spending



marginally in September 2011 as compared with June 2011. However, about 85 per cent of the respondents felt that prices would continue to increase during the next year (Chart 10).

- Net response on price levels for the current period has improved (Chart 11).

V.6 Perceptions on other Macroeconomic Indicators

V.6.1 Interest Rates

- Nearly three-fourth of the respondents were of the view that the current interest rates are high

from borrowers' viewpoint. Only about a fifth of the respondents felt that interest rates, from borrower's viewpoint, were appropriate (Chart 12).

- More than 54 per cent of the respondents reported that interest rates on deposits were low. One third of the respondents felt that interest on deposits were appropriate (Chart 12).

V.6.2 Employment Conditions

- The respondents are more optimistic on employment conditions in the current quarter than the last quarter (Chart 13).

Chart 9: Factors Influencing Spending

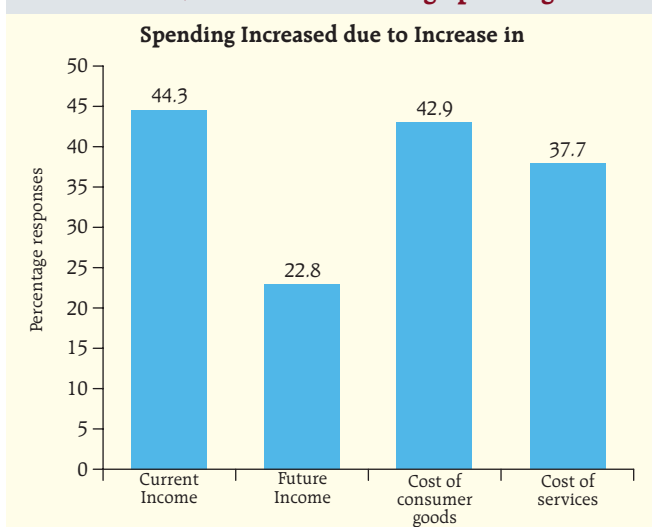


Chart 10: Perceptions on Price Level in the Economy

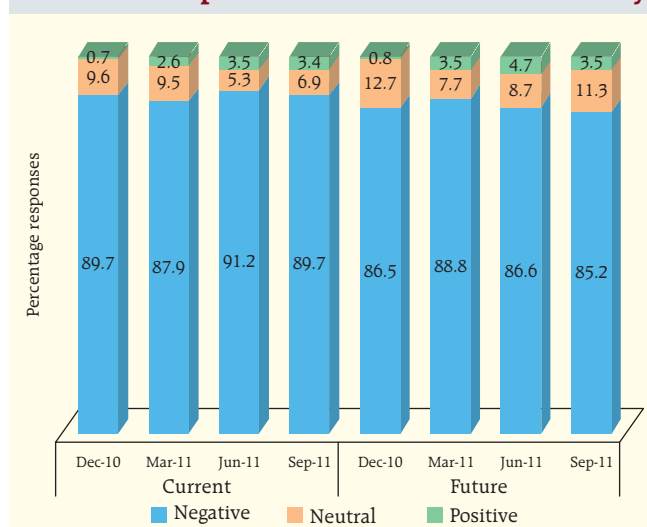


Chart 11: Net Response on Price Level

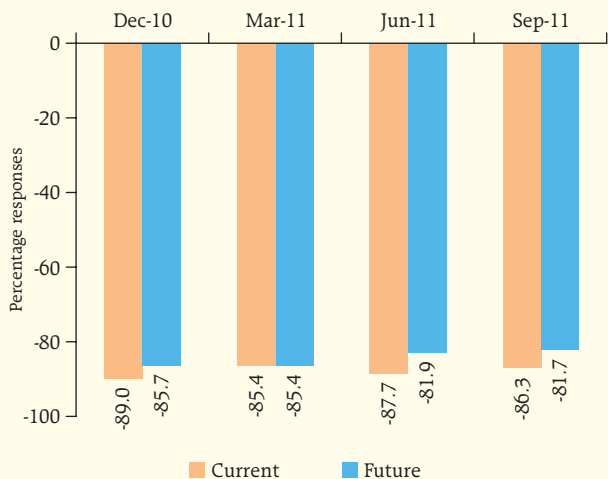
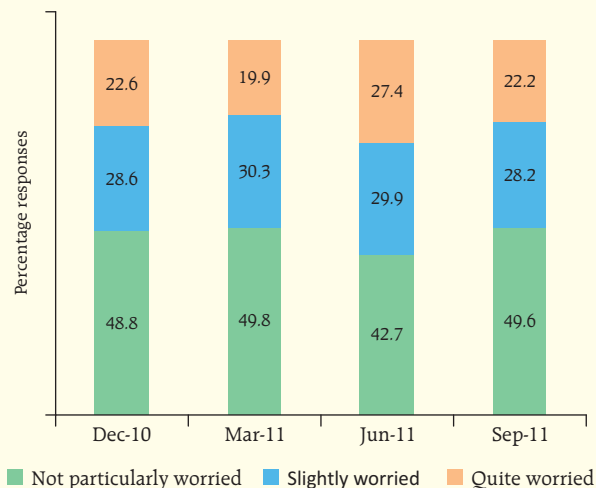


Chart 13: Perceptions on Employment



- About half of the respondents perceived that employment prospects are favourable in the current quarter (Chart 13).

Most of the respondents have reported that the economy has potential to grow above the current level (Chart 15).

V.6.3 Future Developments in Real Estate Prices

- The proportion of respondents perceiving an increase in future real estate prices has declined marginally (Chart 14).

V.7 Current Situation Index and Future Expectations Index

V.6.4 Growth Potential of the Economy

- The respondents were asked about their views on growth potential of economy in the long-run.

- The Current Situation Index, a composite indicator based on the net responses of selected indicators, has marginally decreased to 115.0 in September 2011 as compared to 116.3 in June 2011. This is largely because of decrease in net responses on economic conditions and spending (Chart 16).

Chart 12: Current Interest Level from Borrower's and Depositor's point of view

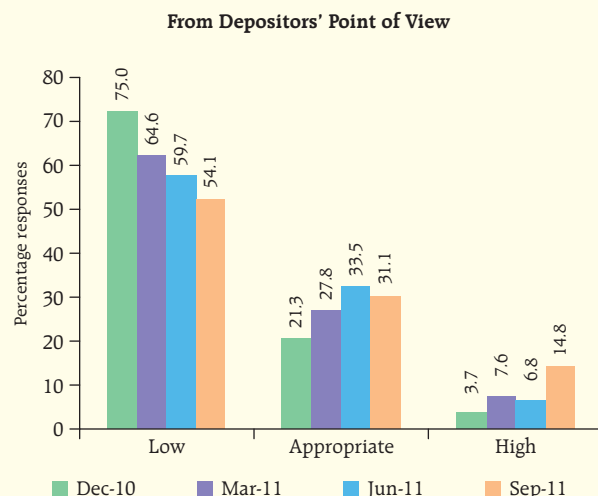
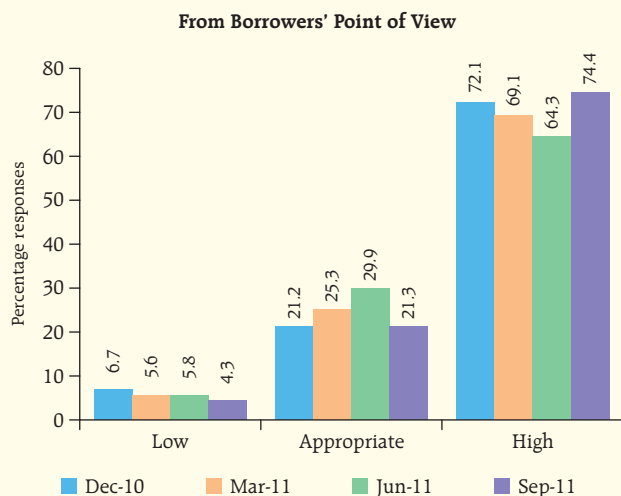


Chart 14: Perceptions on Future Real Estate Prices

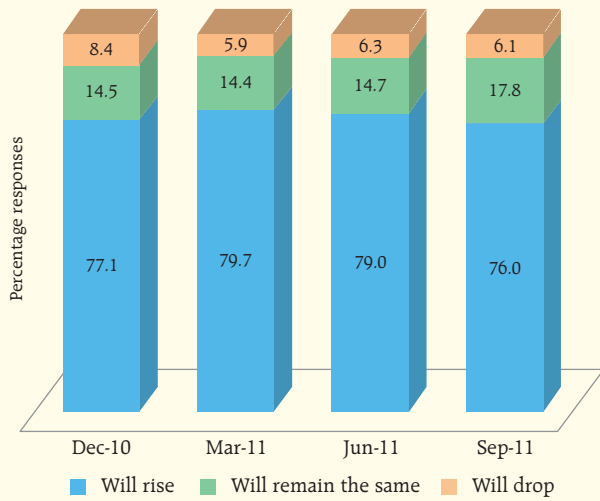


Chart 15: Growth Potential of the Economy

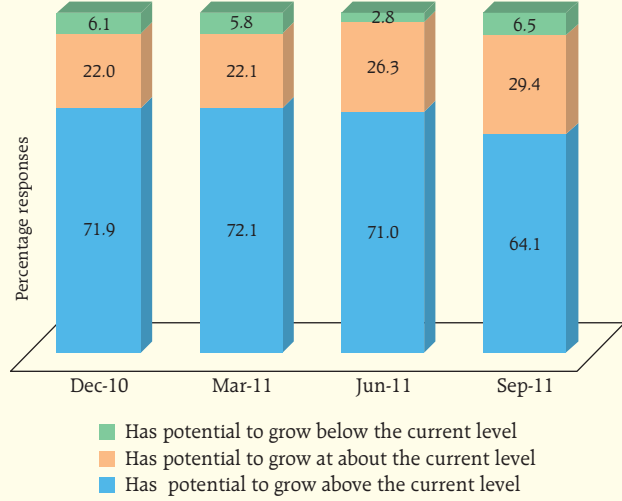


Chart 16: Current Situation Index

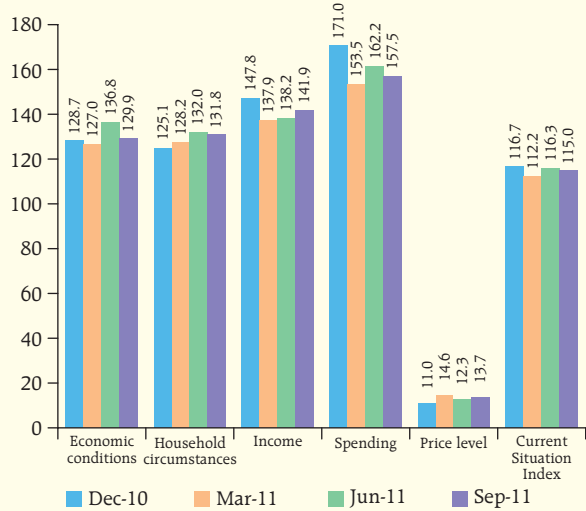
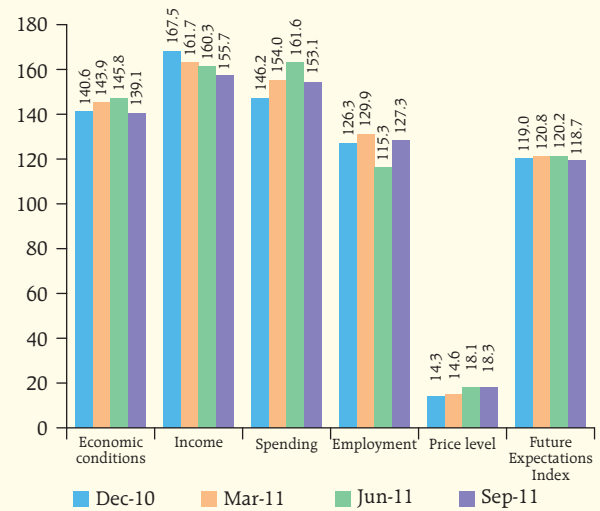


Chart 17: Future Expectations Index



- The Future Expectations Index is estimated to be marginally lower at 118.7 in September

2011 as compared to 120.2 in June 2011 (Chart 17).

Annex I



RESERVE BANK OF INDIA
DEPARTMENT OF STATISTICS AND INFORMATION MANAGEMENT
CONSUMER CONFIDENCE SURVEY, SEPTEMBER 2011

R.No.	City	A	G	O	I	F	Sr.No

Block I: Respondent's Details

Name of the respondent			
Address			
	City	Pin Code	
Telephone Number			
Age			
Gender	Male	Female	
Occupation	Employed	Self Employed/Business	Others
Annual Income	₹ 1 lakh or less	₹ 1 to 5 lakh	₹ 5 lakh or more
Family Members	2 or less	3 or 4	5 and more

Block II: Current Economic Conditions**1. How do you think economic conditions have changed compared with one year ago?**

- | | |
|----------------------------|---|
| (a) Have improved | 1 |
| (b) Have remained the same | 2 |
| (c) Have worsened | 3 |

1A) With regard to Question 1, what makes you think so? (Choose up to two answers.)

- | | |
|--|---|
| (a) Media reports | 1 |
| (b) Economic indicators and statistics | 2 |
| (c) Business performance of the company I work for, or of my own company | 3 |
| (d) Income level for myself or other family members | 4 |
| (e) Bustle of shopping streets and amusement quarters | 5 |

2. How do you view the current economic conditions?

- | | |
|---|---|
| (a) Are favourable | 1 |
| (b) Are neither favourable nor unfavourable | 2 |
| (c) Are unfavourable | 3 |

3. How do you foresee economic conditions one year from now?

- | | |
|--------------------------|---|
| (a) Will improve | 1 |
| (b) Will remain the same | 2 |
| (c) Will worsen | 3 |

4. Considering the current economic conditions, what do you think about the current interest rate level ?**A) From borrower's point of view**

- | | |
|--------------------|---|
| (a) Is low | 1 |
| (b) Is appropriate | 2 |
| (c) Is high | 3 |

B) From Depositor's point of view

- | | |
|--------------------|---|
| (a) Is low | 1 |
| (b) Is appropriate | 2 |
| (c) Is high | 3 |

Annex I (Contd.)

Block III: Household circumstances and the general public's views

A. Household Circumstances

5. What do you think about your household circumstances compared with one year ago

- (a) Have become somewhat better off
- (b) Difficult to say
- (c) Have become somewhat worse off

1
2
3

If you choose (a) or (c) in Question 5, please answer Question 5-(A).

For remaining respondents, please skip questions 5-(A) and go on to Question 6.

5A) Why do you think your household circumstances have become better/worse off? (Choose all applicable answers)

- (a) Salary and business income has:
- (b) Income, such as interest income and Dividend payments, has:
- (c) Special income from sales of real estate:
- (d) Prices have:
- (e) The value of assets such as real estate and stocks has:
- (f) The number of dependents in my family has:
- (g) Others (*Please Specify*)

Increased	Decreased
1	2
1	2
1	2
1	2
1	2
1	2
1	2

B. Income

6. How has your income (or other family members' income) changed from one year ago?

- (a) Has increased
- (b) Has remained the same
- (c) Has Decreased

1
2
3

7. What do you expect your income (or other family members' income) will be one year from now?

- (a) Will increase
- (b) Will remain the same
- (c) Will decrease

1
2
3

C. Spending

8. How have you (or other family members') changed consumption spending compared with one year ago?

- (a) Have increased
- (b) Have neither increased nor decreased
- (c) Have decreased

1
2
3

If you choose (a) or (c) in Question 8, please answer Question 9.

For remaining respondents, please skip questions Q. 9 and go to Question 10.

9. Why have you increased/decreased your (or other family members') spending? (Choose all applicable answers.)

- (a) Because my income has:
- (b) Because my future income is likely to:
- (c) Because the value of non-financial assets such as real estate has:
- (d) Because the value of financial assets such as stocks and bonds has:
- (e) Because expenditure for real estate (purchase/maintenance) such as a house:*
- (f) Because expenditure towards consumer durable goods such as a vehicle/TV/fridge*
- (g) Because my spending due to number of dependents in my family has:
- (h) Because the cost of consumer goods have:
- (i) Because the cost of services have:
- (j) Others (Please Specify)

Increased	Decreased
1	2
1	2
1	2
1	2
1	2
1	2
1	2
1	2
1	2
1	2

**Because of Phasing out past expenditure*

Annex I (Concl.d.)**10. Do you plan to increase or decrease your spending within the next twelve months?**

- | | |
|-----------------------------------|---|
| (a) Increase | 1 |
| (b) Neither increase nor decrease | 2 |
| (c) Decrease | 3 |

D: Employment**11. In consideration of the situation over the next twelve months, are you worried about your (or other family members') employment or working arrangements (pay, job position, and benefits) at the current workplace?**

- | | |
|------------------------------|---|
| (a) Not particularly worried | 1 |
| (b) Slightly worried | 2 |
| (c) Quite worried | 3 |

Block IV: Perception of Price Level**12. How do you think the overall prices of goods and services have changed compared with one year ago?**

- | | |
|------------------------------------|---|
| (a) Have gone up | 1 |
| (b) Have remained almost unchanged | 2 |
| (c) Have gone down | 3 |

13. In which direction do you think prices will move one year from now?

- | | |
|----------------------------------|---|
| (a) Will go up | 1 |
| (b) Will remain almost unchanged | 2 |
| (c) Will go down | 3 |

14. In which direction do you think prices will move over the next five years?

- | | |
|----------------------------------|---|
| (a) Will go up | 1 |
| (b) Will remain almost unchanged | 2 |
| (c) Will go down | 3 |

Block V: Future Development in Real Estate Prices**15. What do you foresee as future developments in real estate prices?**

- | | |
|---------------------------|---|
| (a) Will rise. | 1 |
| (b) Will remain the same. | 2 |
| (c) Will drop. | 3 |

Block VI: Growth Potential of the Economy**16. How do you view the Indian economy's growth potential in the long run?**

- | | |
|---|---|
| (a) Has greater potential to grow above the current level. | 1 |
| (b) Has potential to grow at about the current level. | 2 |
| (c) Has less potential to grow compared to the current level. | 3 |

Name of the Investigator	Signature of the Investigator	Date of the interview

Annex II**Methodology****Current Situation Index & Future Expectations Index**

In standard opinion surveys, respondents generally have three reply options such as up/same/down; or above-normal/normal/below-normal; or increase/remain-same/decrease. Because of the difficulty of interpreting all three percentages, the survey results are normally converted into a single quantitative number. One of the most common way of doing this is to use 'Net-Responses' (also called 'Balances' or 'Net Balances'). It is defined as the percentage of the respondents reporting a decrease, subtracted from the percentage reporting an increase. Net Responses can take values from -100 to +100. In this survey, Net Response is used to analyse the Consumer Confidence Survey results and to track the movements of various parameters.

To combine the consumer confidence perceptions on various parameters, two indices are worked out. These are Current Situation Index and Future Expectations Index. While calculating the index, the following formula has been used.

$$\text{Overall Index} = \text{Average (100 + Net Response of selected factors)}$$

Where Net Response = Positive perceptions (%) – Negative perception (%)

The average net responses on the current perception on various factors, *viz.* economic conditions, household circumstances, income, spending and price level are used for the calculation of the Current Situation Index.

The average net responses on the future perceptions on various factors, *viz.* economic conditions, income, spending, price level and employment are used for the calculation of the Future Expectations Index.