

Consumer Confidence Survey: September 2012 (Round 10)¹

The Consumer Confidence Survey of Households for the July- September 2012 quarter (10th round), provides an assessment of the consumer sentiments of urban households across 6 cities based on their perceptions of the general economic conditions and their own financial situation. The assessments are analysed in two parts, viz., current situation as compared with a year ago and expectations for a year ahead.

While sentiments about current and future economic conditions have been declining over the last four quarters, for the first time in this survey, the net response on perceptions about current economic conditions turned negative. There has been a noticeable drop in the positive perceptions on household circumstances, income and price level. However, due to sharp rise in proportion of respondents reporting increase in spending as compared to a year ago, the Current Situation Index in September 2012 remained by and large same as that of last quarter. In contrast, there has been a sharp decline in Future Expectations Index due to all constituent factors.

I. Introduction

The Reserve Bank has been conducting the Consumer Confidence Survey of households on a quarterly basis since June 2010. The survey captures qualitative responses on various parameters of economic conditions and household circumstances. The 10th round of the survey was conducted in September 2012. ***The survey results are based on the replies of the respondents and are not necessarily shared by the Reserve Bank of India.***

II. Sample Coverage

The survey covers six metropolitan cities, viz., Bengaluru, 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. In each round of survey, 5,400 respondents are selected (900 respondents from each city). For the current round, out of the total 5,400 survey schedules, 5,124 schedules were found to be suitable and included in the survey results.

III. Structure of the Survey Questionnaire

The survey schedule consists of questions on qualitative perceptions on economic conditions, views on household circumstances, income & spending, price level, employment prospects and expenditure on major items and interest rates. From this round onwards, the survey captured additional perceptions on future household circumstances, outlay for major expenditures viz., motor vehicle, house, consumer durables, current employment scenario and current/future rate of price increase.

¹. Prepared in the Department of Statistics and Information Management, New Delhi. The previous article on the subject was published in August 2012 issue of the RBI Bulletin. The methodology for constructing the confidence index was published in December 2011 issue of the RBI Bulletin.

IV. Survey Results

IV.1 Economic Conditions

- While sentiments about current and future economic conditions have been declining over the last four quarters, for the first time in this survey, the net response on perceptions about current economic conditions turned negative (Table 1).
- The future outlook is more optimistic than current economic conditions (Table 1).

IV.2 Household Circumstances

- There has been a sharp drop in the positive perceptions on household circumstances (Table 2).
- This is the first time that the views of the respondents on future household circumstances have been added in the survey. The positive perceptions on future household circumstances are slightly lower than that of current, however the net response for current household circumstances is lower than that of the future (Table 2).
- The major factors influencing the perceptions of respondents on their views on household circumstances are ‘salary and business income’ and ‘prices’ (Table 3).

IV.3 Income

- The proportion of respondents reporting ‘increase’ in current as well as future income has decreased as compared to the last quarter (Table 4).
- More than 35 per cent respondents feel that their income has remained at the same level as that of last year or would remain the same next year also (Table 4).

IV.4 Consumer Spending

- There has been a sharp rise in the proportion of respondents reporting increase in spending as compared to a year ago. As regards the future spending, about 80 per cent respondents observed that their spending would increase or would remain the same (Table 5).
- Net response on current spending has increased substantially, whereas the same on future spending has decreased (Table 5).
- ‘Cost of consumer goods’ and ‘cost of services’ are the main factors influencing ‘spending’ as compared to ‘income’ and ‘cost of consumer goods’ in the previous round (Table 6).
- Nearly one fifth of the respondents reported outlay for expenditure on major items like motor vehicle, house or durable goods over the next one year, whereas, more than two thirds respondents have not planned for such expenditure (Table 7).

IV.5 Price Levels and their rate of increase

- Around 95 per cent of the respondents reported that price levels had risen as compared to a year ago and would continue to rise in the next year (Table 8).
- As the negative perceptions on the current and future price levels have increased, the net responses on price levels of both have deteriorated (Table 8).
- Around 90 per cent of the respondents felt that rate of current price rise as well as rate of future price rise had increased (Table 9).

IV.6 Perceptions on other Macroeconomic Indicators

IV.6.1 Interest rate

- The net perception of high interest rates from borrowers' view point has declined as compared with previous round. Similarly, net perception of low interest rates from depositors' view point has also declined (Table 10).
- Overall, about one fourth of the respondents felt that the interest rates were appropriate (Table 10).

IV.6.2 Employment Conditions

- More than two fifths of respondents reported improved current employment conditions and improved prospects for future (Table 11).
- Net response wise, future perception on employment conditions is better than current employment conditions (Table 11).

IV.7 Current Situation Index and Future Expectations Index

- Current Situation Index (CSI), based on the current economic conditions, current household circumstances, current income, current spending and current price levels, has overall remained at same level mainly due to rise in current spending compensating for fall in other indicators (Table 12).
- Future Expectations Index (FEI), based on future economic conditions, future income, future spending, future employment conditions and future price levels, has substantially decreased as compared with previous quarter. All components of FEI have contributed to the fall in FEI (Table 12).

Table 1: Opinion on Economic Conditions

(Percentage responses)

	Current				Future			
	Dec-11	Mar-12	Jun-12	Sep-12	Dec-11	Mar-12	Jun-12	Sep-12
Improved/ Will improve	59.2	50.7	49.6	37.5	62.3	58.7	55.5	44.4
Remained the same/ Will remain the same	16.1	23.5	13.1	23.8	21.7	24.5	20.9	27.7
Worsen/ Will worsen	24.7	25.7	37.3	38.7	16.0	16.9	23.6	27.8
Net Response	34.5	25.0	12.2	-1.2	46.2	41.8	31.9	16.6

Table 2: Perceptions on Household circumstances

(Percentage responses)

	Current				Future
	Dec-11	Mar-12	Jun-12	Sep-12	Sep-12
Become somewhat better off/ Will be better off	57.7	56.5	57.1	45.0	44.1
Difficult to say/ Will remain the same	18.1	15.0	7.8	26.2	34.7
Become somewhat worse off/ Will worsen	24.2	28.6	35.1	28.8	21.3
Net Response	33.5	27.9	22.0	16.2	22.8

Table 3: Major Factors influencing views on Household Circumstances

(Percentage responses)

	Current				Future
	Dec-12	Mar-12	Jun-12	Sep-12	Sep-12
Salary and business income	87.3	85.7	85.2	81.0	83.1
Interest and dividend income	46.9	34.2	32.1	26.2	23.2
Real estate sales	24.3	27.2	20.7	22.5	21.1
Prices	27.3	41.9	48.1	50.7	42.5
Change in value of assets	26.6	27.3	19.0	21.9	19.1
The number of dependent in my family	15.1	23.0	23.8	24.4	21.4

Note: As respondents may report multiple factors, total of percentage relating to factors may be more than 100.

Table 4: Perceptions on Income

(Percentage responses)

	Current				Future			
	Dec-11	Mar-12	Jun-12	Sep-12	Dec-11	Mar-12	Jun-12	Sep-12
Increased/Will Increase	58.7	55.2	59.5	47.8	64.0	60.7	65.0	51.9
Remained the same/ Will remain same	25.8	30.7	15.9	36.1	29.1	33.8	27.5	37.8
Decreased/ Will Decrease	15.4	14.1	24.5	16.1	6.8	5.5	7.5	10.3
Net Response	43.3	41.1	35.0	31.7	57.2	55.2	57.4	41.5

Table 5: Perceptions on Spending

(Percentage responses)

	Current				Future			
	Dec-11	Mar-12	Jun-12	Sep-12	Dec-11	Mar-12	Jun-12	Sep-12
Increased/ Will Increase	71.8	74.5	74.7	83.6	63.0	55.7	61.0	57.9
Remained the same/ Will remain same	16.2	12.5	5.8	13.0	26.5	33.7	25.0	22.4
Decreased/ Will Decrease	12.0	13.0	19.4	3.4	10.5	10.7	14.0	19.7
Net Response	59.8	61.5	55.3	80.3	52.5	45.0	47.0	38.2

Table 6: Major Factors influencing Changes in Spending

(Percentage responses)

	Income	future income	Non-financial assets	Financial assets	Expenditure on real estate	Expenditure on consumer durables	No. of dependents	cost of consumer goods	cost of services
Dec-11	65.6	37.3	30.4	24.5	22.9	22.8	26.0	59.2	52.3
Mar-12	58.0	25.3	23.8	22.6	32.1	31.3	27.9	68.6	59.8
Jun-12	88.6	60.2	20.6	12.7	30.5	25.3	26.0	67.7	51.2
Sep-12	44.0	31.0	19.8	17.6	20.7	32.6	29.9	82.3	68.6

Note: As respondents may report multiple factors, total of percentage relating to factors may be more than 100

Table 7: Perceptions on Major Expenditure

(Percentage responses)

	Motor Vehicle	House	Durable goods
Yes	18.6	17.4	20.9
Can't Say	9.7	11.3	10.4
No	71.7	71.2	68.7

Table 8: Perceptions on Price level

(Percentage responses)

	Current				Future			
	Dec-11	Mar-12	Jun-12	Sep-12	Dec-11	Mar-12	Jun-12	Sep-12
Increased/ Will increase	91.0	86.2	91.9	96.3	90.9	85.4	90.8	94.9
Remained same	8.2	9.9	7.2	3.4	7.9	13.6	8.4	3.6
Decreased/ Will decrease	0.8	3.9	0.9	0.3	1.2	1.0	0.8	1.6
Net Response	-90.2	-82.2	-91.0	-96.0	-89.6	-84.4	-90.1	-93.3

Note: Perceptions of increase in prices is considered to be negative sentiments and decrease in prices is considered to be positive sentiments. The net responses are therefore, negative.

Table 9: Perception on rate of change in Price Levels-September 2012

(Percentage responses)

	Current	Future
Increased/ Will increase	90.0	89.9
Remained same	9.1	8.2
Decreased/ Will decrease	0.9	1.9

Table 10: Current Interest Levels from Borrowers' and Depositors' Point of View

(Percentage responses)

	Borrower				Depositor			
	Dec-11	Mar-12	Jun-12	Sep-12	Dec-11	Mar-12	Jun-12	Sep-12
Is low	4.2	4.3	6.2	7.8	78.5	76.8	77.2	66.2
Is appropriate	15.0	15.9	18.9	24.5	15.2	20.0	20.4	25.4
Is high	80.8	80.1	74.8	67.7	6.3	3.3	2.3	8.3

Table 11: Current & Future perceptions on Employment

(Percentage responses)

	Current	Future			
	Sep-12	Dec-11	Mar-12	Jun-12	Sep-12
Improved/ Will Improve	42.8	50.5	43.6	50.8	43.6
Remained Same/Will remain Same	25.5	33.4	32.6	28.3	33.3
Worsen/ Will worsen	31.7	16.0	23.8	20.9	23.1
Net Response	11.1	34.5	19.8	30.0	20.5

Table 12: Current and Future Expectations Index

	Dec-11	Mar-12	Jun-12	Sep-12
Current Situation Index	116.2	114.6	106.7	106.2
Future Expectation Index	120.2	115.5	115.2	104.7