

Consumer Confidence Survey: December 2011*

This article presents the salient findings of the Consumer Confidence Survey conducted in December 2011, the 7th 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 personal 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 improvement in the positive perceptions on current and future economic conditions. Although the positive perceptions on household circumstances have marginally increased, about one fourth of the respondents continue to report weakening in this regard. The proportion of respondents reporting increase in income has been high but showed a decline over the last four quarters. Similarly, the proportion of respondents expecting increased future spending is gradually declining. More than half of the respondents reported optimistic perceptions about employment scenario in the economy. Overall consumer confidence appears to have improved marginally, both for current and future periods.

I. Introduction

The change in consumer confidence has the potential to affect real economic activities in the similar way changes in business sentiments do. Thus, consumer confidence on the current and future economic and personal financial situations is 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 been conducting the Quarterly Consumer Confidence Survey since June 2010. The latest round of the survey was conducted in December 2011. Highlights of the survey results are presented in this report.

* Prepared in the Department of Statistics and Information Management, New Delhi. The previous article on the subject along with survey schedule and methodology for constructing the confidence index was published in December 2011 issue of RBI Bulletin.

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 from each city). Out of the total 5,400 survey schedules, 5,272 schedules were found to be suitable for further analysis.

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, perception on employment prospects, developments in real estate prices and views on growth potential of the Indian economy.

IV. Survey Results: Key Highlights

IV.1 Economic Conditions

- There is some improvement in the positive perceptions on current and future economic conditions from the position in the previous round of survey (Chart 1).

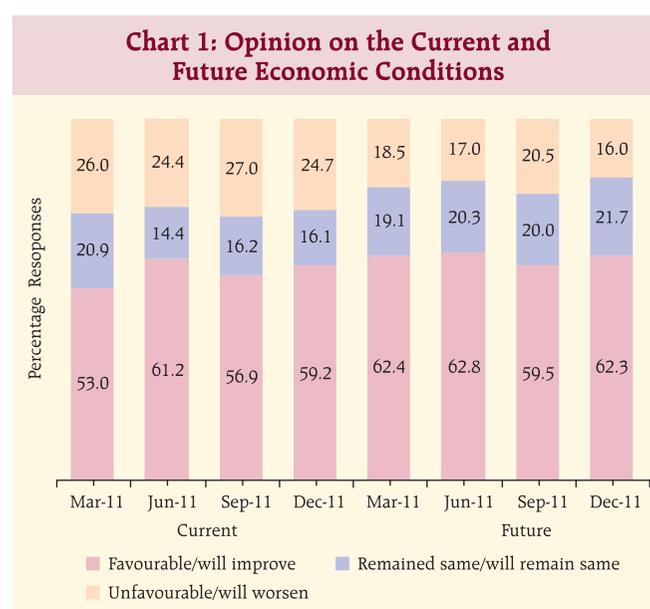


Chart 2: Perceptions on Household Circumstances as Compared with One Year Ago

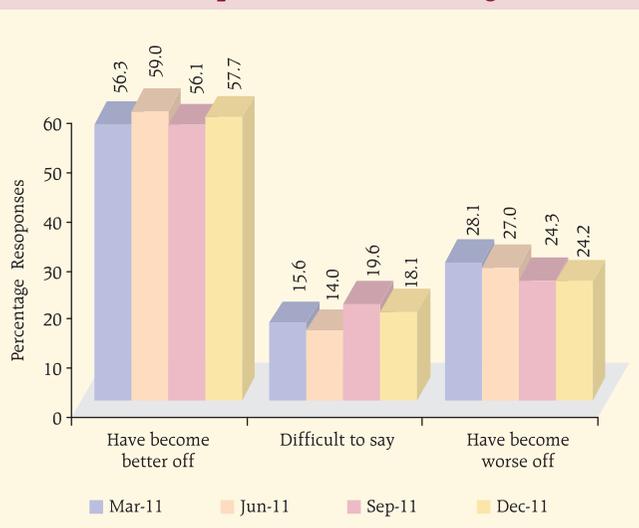
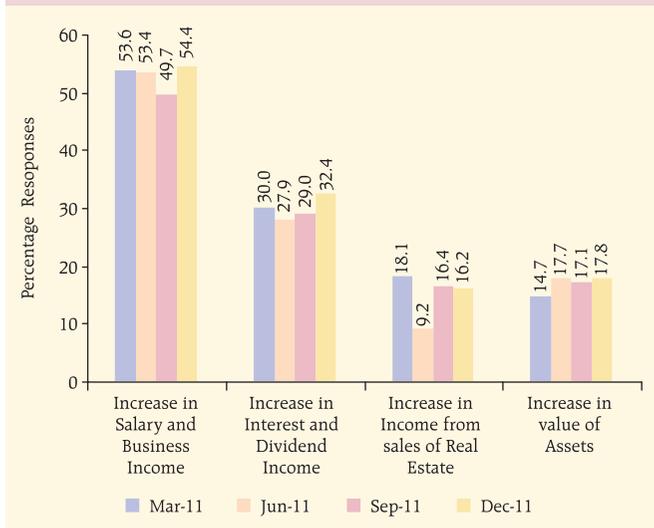


Chart 4: Perceptions of Respondents Reporting Better-off Circumstances



IV.2 Household Circumstances

- Although the positive perceptions on household circumstances have marginally increased, about one fourth of the respondents continue to expect weakening (Chart 2).
- The net response on household circumstances has slightly improved in December 2011 (Chart 3).
- Of the total respondents who reported better-off household circumstances as compared with one year ago, more than half of the respondents

reported increase in salary and business income as the main factor for this improvement (Chart 4).

- Of the respondents reporting worse-off household circumstances, 17 per cent cited the reason as 'increase in price level' and another 16 per cent as 'decrease in Salary and Business income' (Chart 5).

IV.3 Income

- Proportion of respondents perceiving increase in current as well as future income, though high, has

Chart 3: Net Response on Household Circumstances



Chart 5: Perceptions of Respondents Reporting Worse-off Circumstances

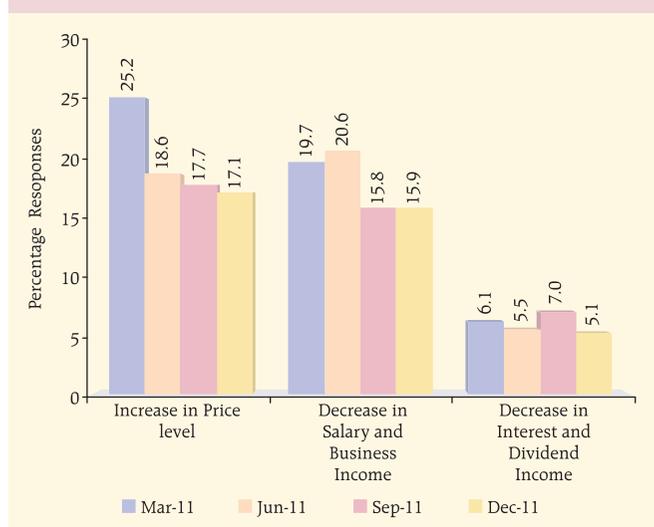
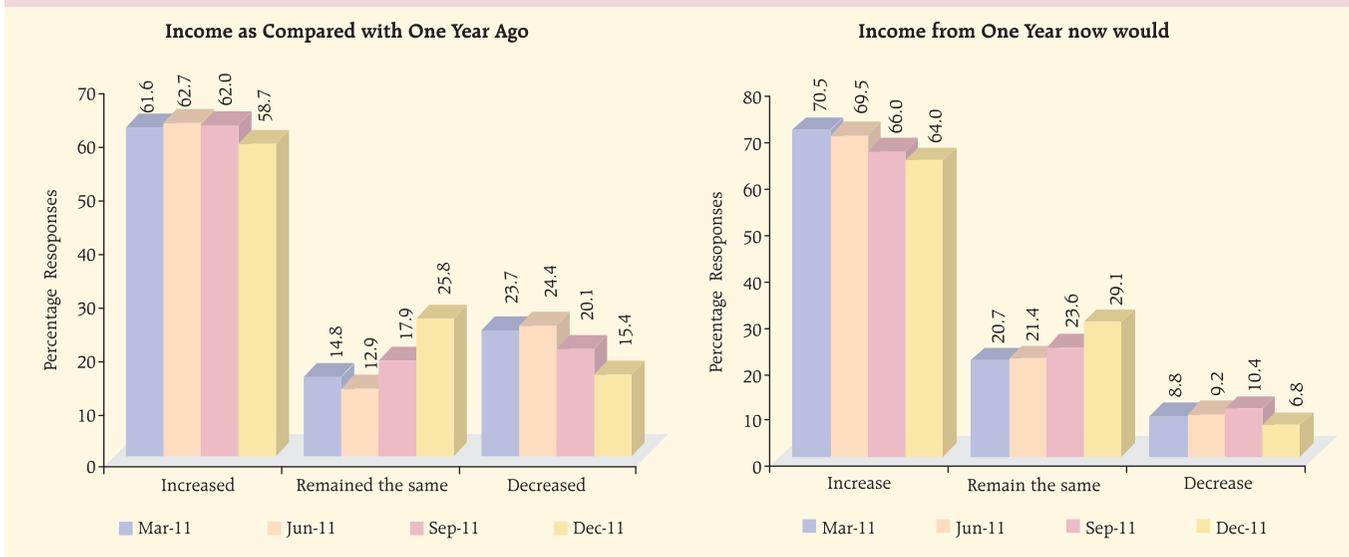


Chart 6: Perceptions on Income



shown a decline over the recent rounds of the survey (Chart 6).

- However, net response regarding future income has increased marginally (Chart 7).

IV.4 Consumer Spending

- Net response in the perceptions on current spending as compared to one year ago has increased marginally (Chart 8). However, the proportion of respondents reporting increase in

future spending has been declining over the last three rounds of survey.

- About 46 percent of all respondents reported rise in current income as the main factor for increase in spending. The perception of respondents reporting increase in the costs of consumer goods and services as factors influencing spending, remained almost same as that observed in the last round (Chart 9).

Chart 7: Net Response on Income

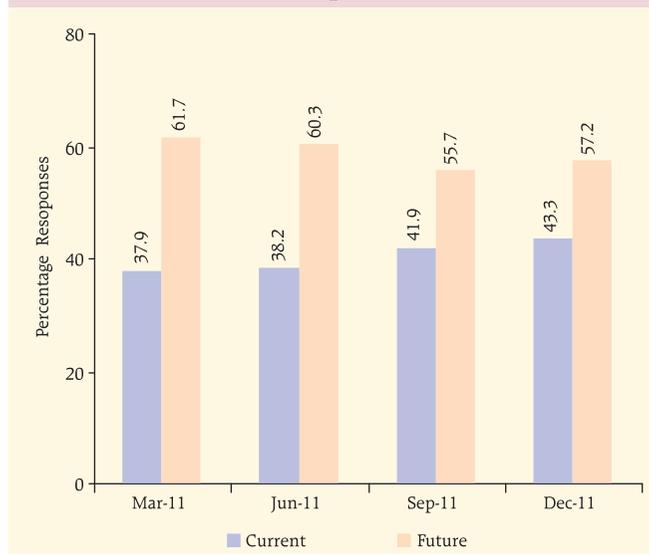
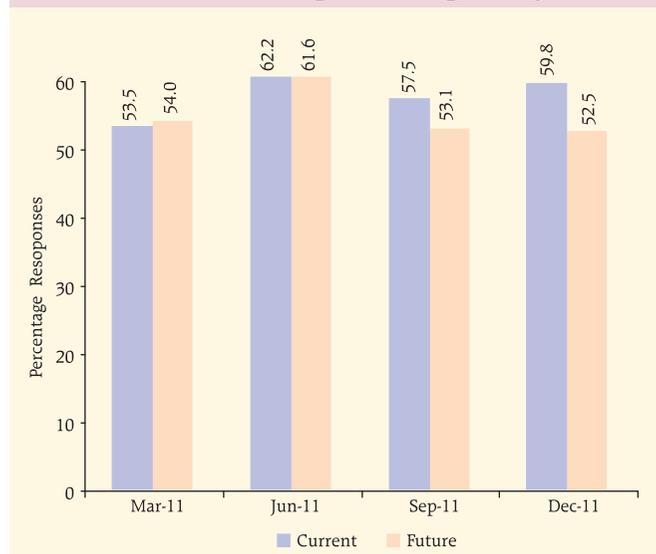
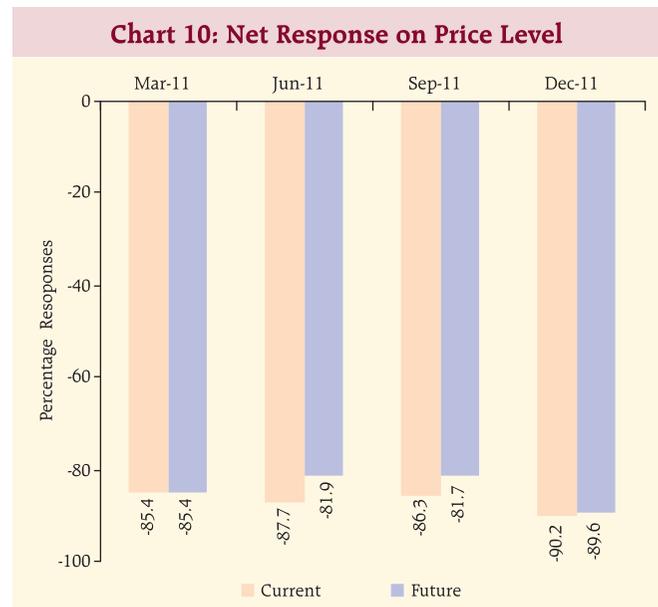
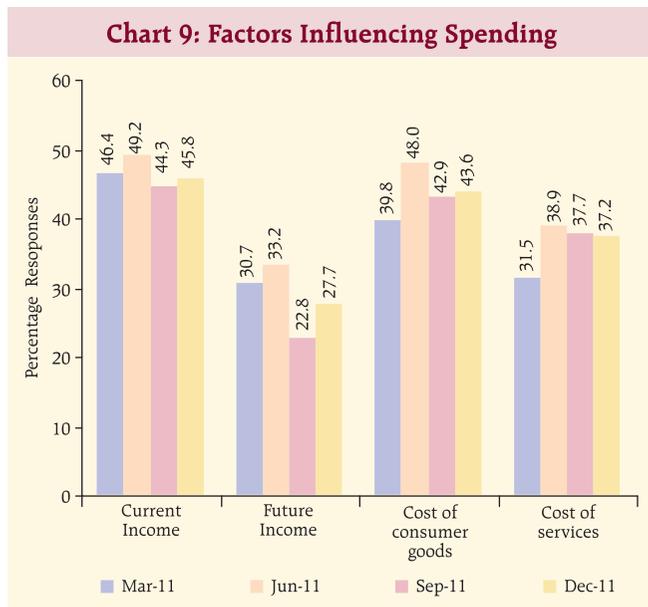


Chart 8: Net Response on Spending





IV.5 Price Level

- The degree of negative perceptions on price levels for future periods have increased in December 2011 as compared with September 2011 as evident from the net response on price levels (Chart 10).

V. Perceptions on other Macroeconomic Indicators

V.1 Interest Rates

- More than 80 per cent of the respondents were of the view that the current interest rates are high

from borrowers' view point. Only 15 per cent of the respondents felt that interest rates are appropriate (Chart 11).

V.2 Employment Conditions

- The respondents reported more optimistic perception on employment conditions. About half of the respondents perceived future employment prospects to be favourable (Chart 12).
- There has been noticeable decline in the proportion of respondents 'quite worried' about employment prospects.

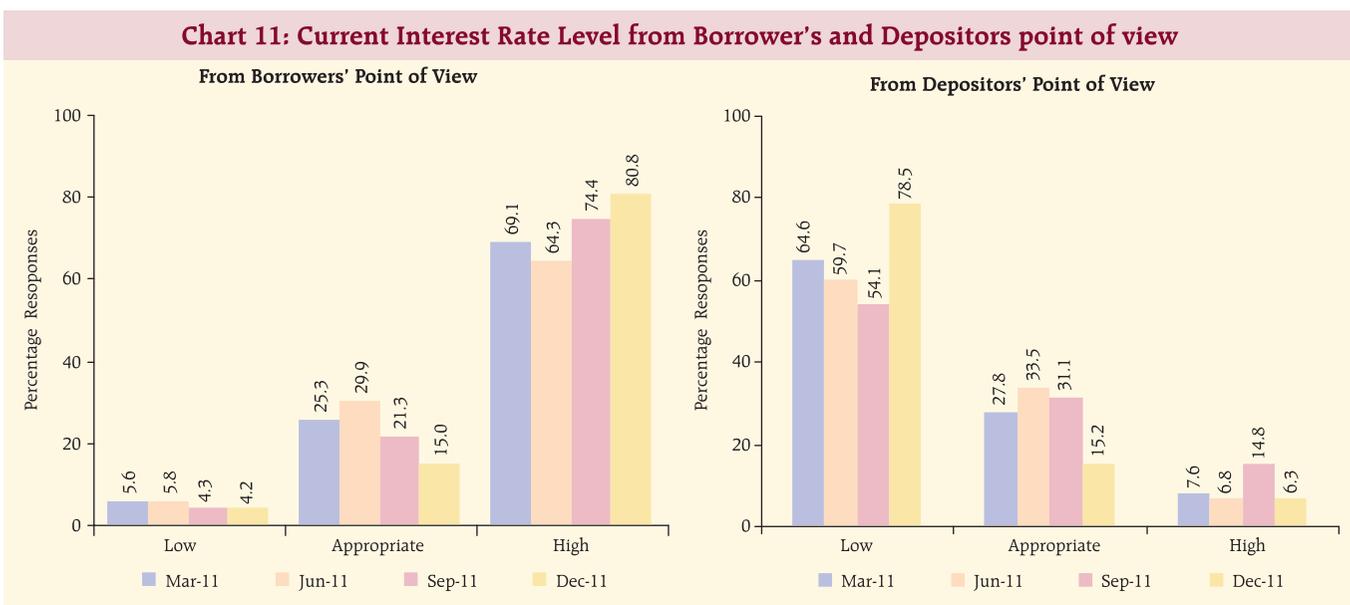
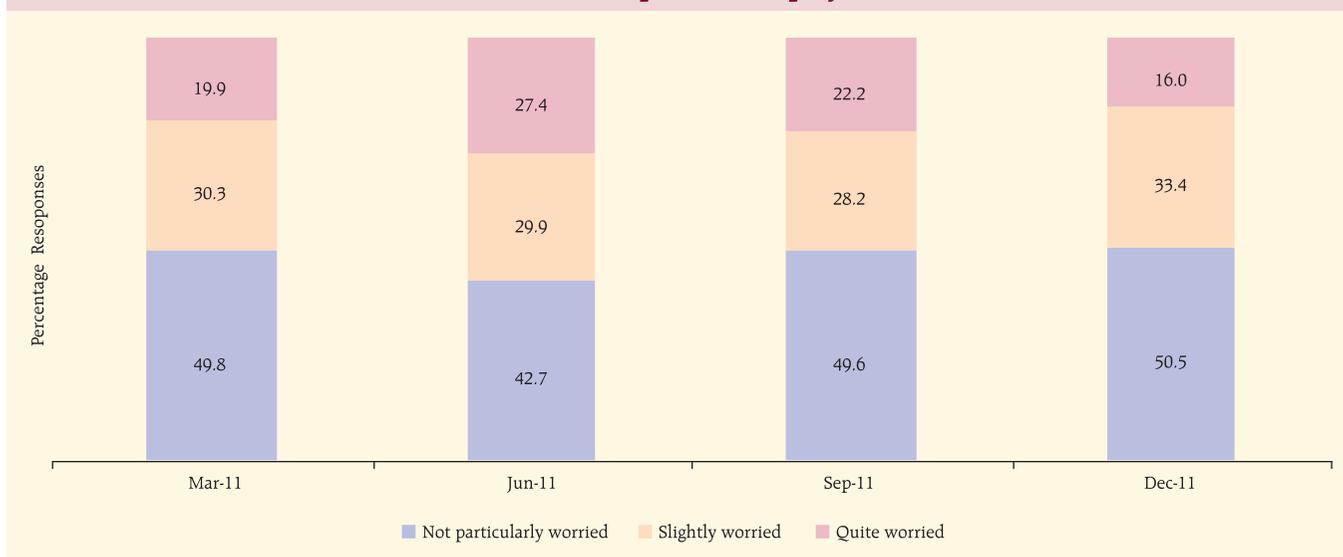


Chart 12: Perception on Employment



V.3 Future Developments in Real Estate Prices

- The proportion of respondents expecting rise in future real estate prices has increased significantly (Chart 13).

V.4 Growth Potential of the Economy

- About 65 per cent of the respondents have reported that the economy has potential to grow above the current level (Chart 14).

- In general, there has been decline in positive perception in the latest two rounds of the survey as compared to March 2011 and June 2011.

VI. Current Situation Index and Future Expectations Index

- The Current Situation Index, a composite indicator based on the net responses of economic conditions, household circumstances, income, spending and

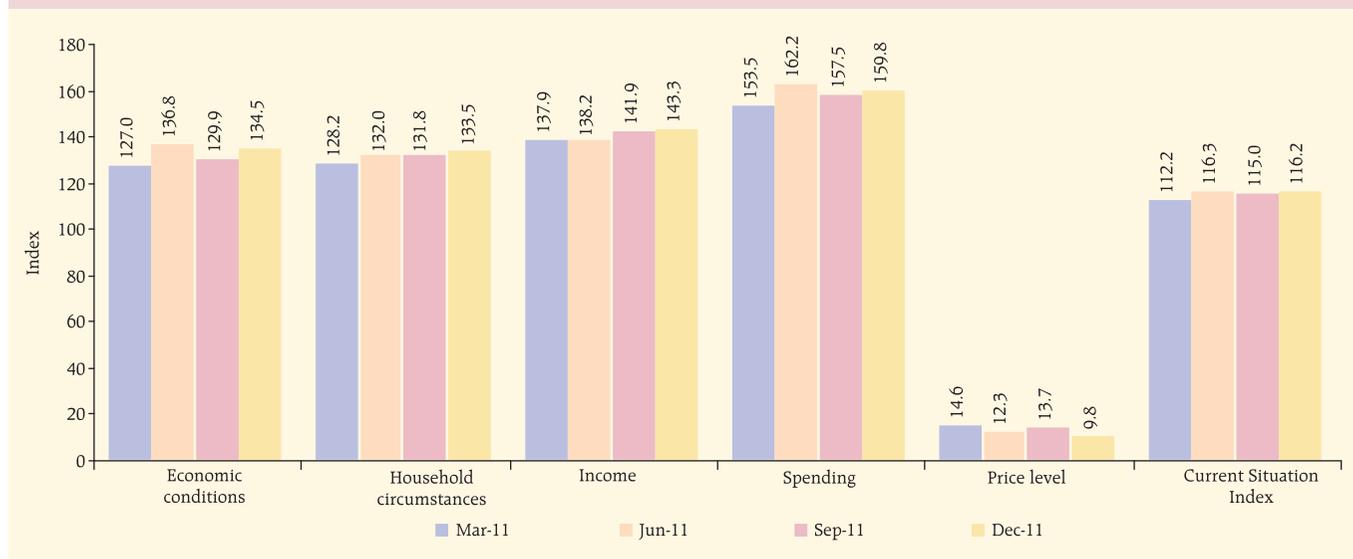
Chart 13: Perceptions on Real Estate prices



Chart 14: Growth Potential of the Economy



Chart 15: Current Situation Index



price level, has marginally increased to 116.2 in December 2011 from 115.0 in September 2011 (Chart 15).

- The Future Expectations Index is marginally higher at 120.2 in December 2011 as compared with 118.7 in September 2011 (Chart 16).

Chart 16: Future Expectations Index

