Consumer Confidence Survey January 2023 (67th 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 State Bank of Pakistan (SBP) and the Institute of Business Administration (IBA) Karachi. The current wave of the survey was conducted during 1st – 8th January 2023; and 1,659 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 January 2023 survey are summarized below:

a) Overall <u>Consumer Confidence Index</u> (CCI) decreased by 4.1% to 33.2 in January 2023 over the last wave;

b) While the Current Economic Conditions (CEC) decreased by 4.5%, the Expected Economic Conditions (EEC) decreased by 3.8%. (**see Table 1**);

c) The CCI of urban households marginally decreased by 0.3%. For rural households however, the drop in CCI was significant at 15.7% in January 2023 over November 2022 (**Figure 7**);

d) CCI of fresh households saw a decline of 3.1% and for rotating households, the decrease was 5.8% in January 2023 compared with November 2022.

e) Consumers' Inflation Expectations increased by 5% in January 2023 as compared with November 2022 (**Figure 5**).
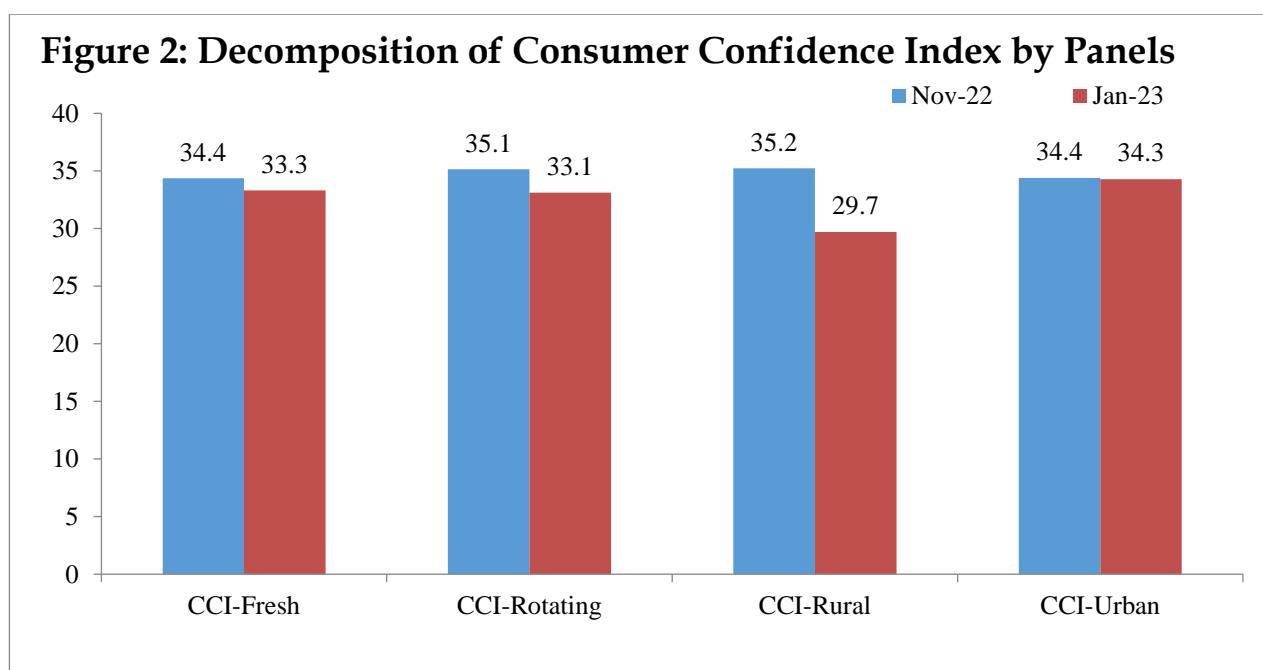

Figure 1: Indicies of Consumer Confidence
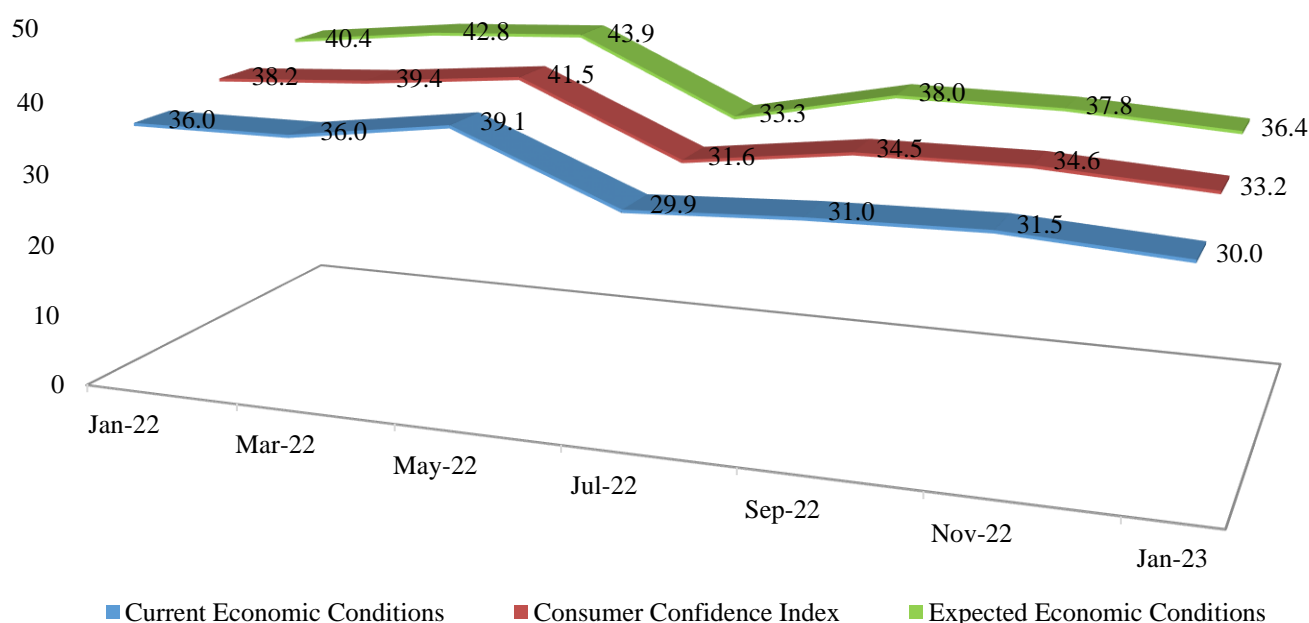
Diffusion Index (DI) ranges from 0 to 100; interpretation of which is as follows:[1]

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.

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

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Figure 2: Decomposition of Consumer Confidence Index by Panels

Table 1: Consumer Indices - Diffusion

| Month	Jan-22	Mar-22	May-22	Jul-22	Sep-22	Nov-22	Jan-23	% change (Jan-22)
CEC	36.0	36.0	39.1	29.9	31.0	31.5	30.0	-4.5
CCI	38.2	39.4	41.5	31.6	34.5	34.6	33.2	-4.1
EEC	40.4	42.8	43.9	33.3	38.0	37.8	36.4	-3.8

Table 2: Inflation Expectations by Group

| Diffusion Index	Jan-22	Mar-22	May-22	Jul-22	Sep-22	Nov-22	Jan-23	% change (Jan-22)
Overall	74.4	72.9	70.9	76.2	75.3	72.1	75.8	5.0
Food Inflation	74.7	71.2	69.3	75.3	73.6	71.2	76.2	7.0
Energy Inflation	74.4	71.6	70.2	75.8	73.7	71.5	76.6	7.1
NFNE Inflation	74.6	71.0	70.1	75.7	73.7	72.1	76.4	6.0

Figure 3: Overall Consumer Confidence - Distribution of Responses (%)
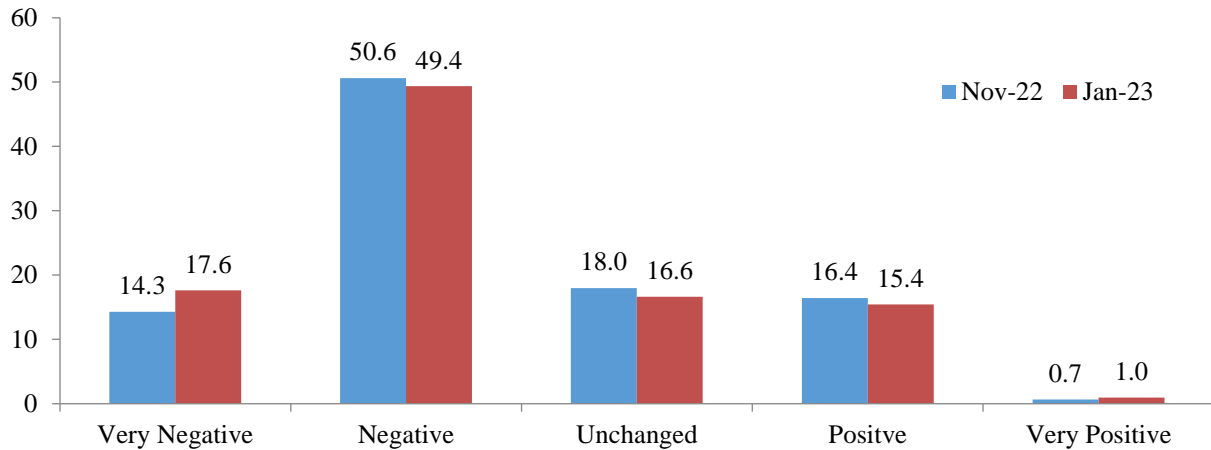
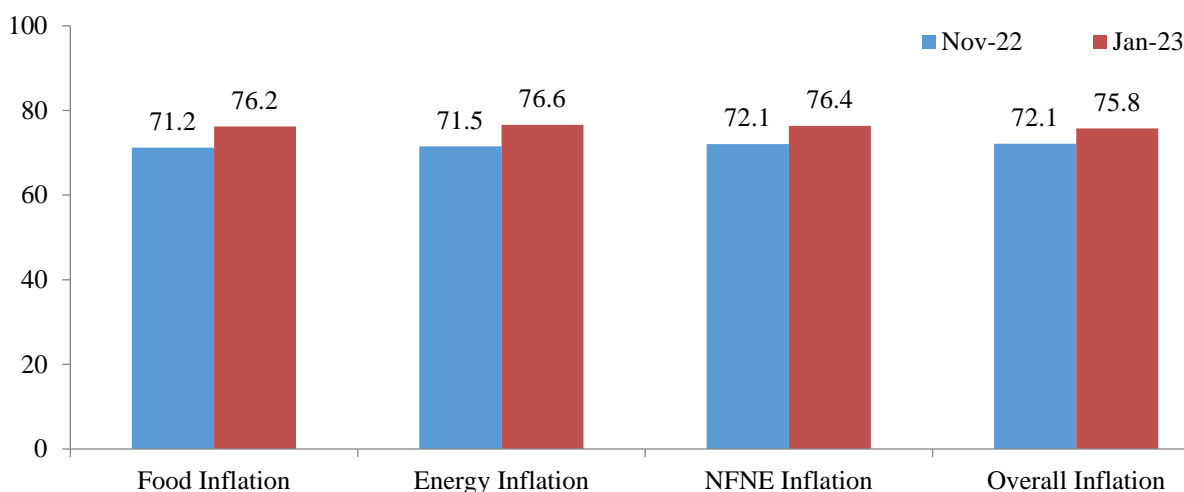**Figure 4: Current Economic Conditions - Distribution of Responses (%)**
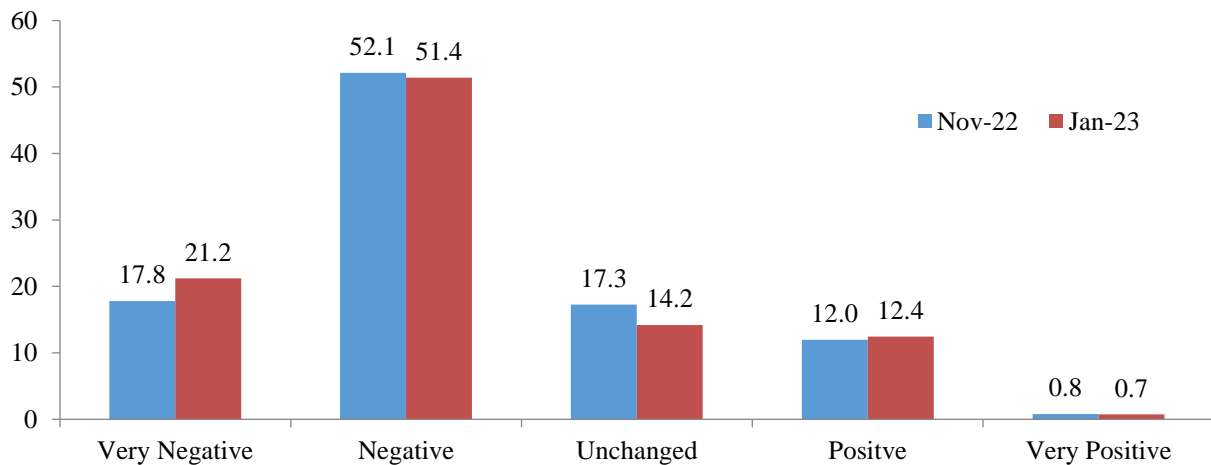
Figure 5: Expected Economic Conditions - Distribution of Responses (%)
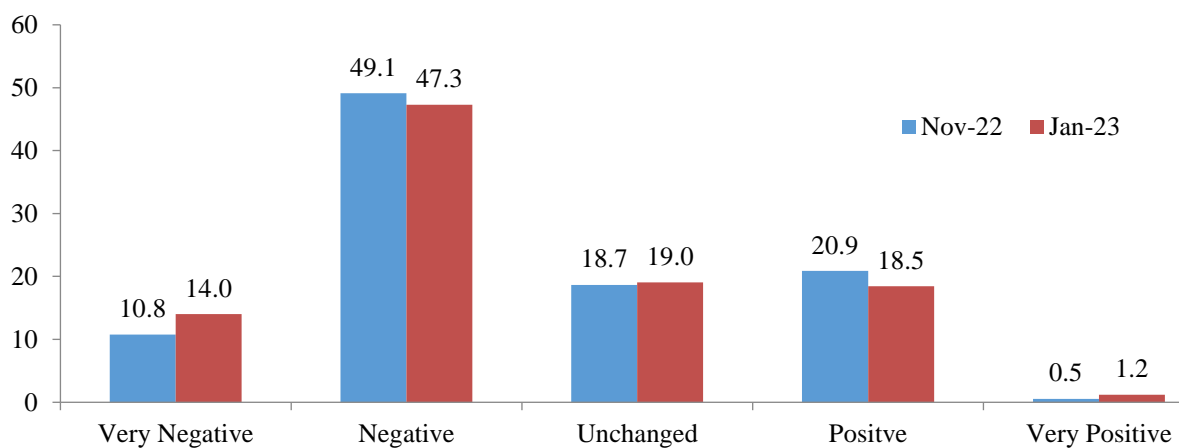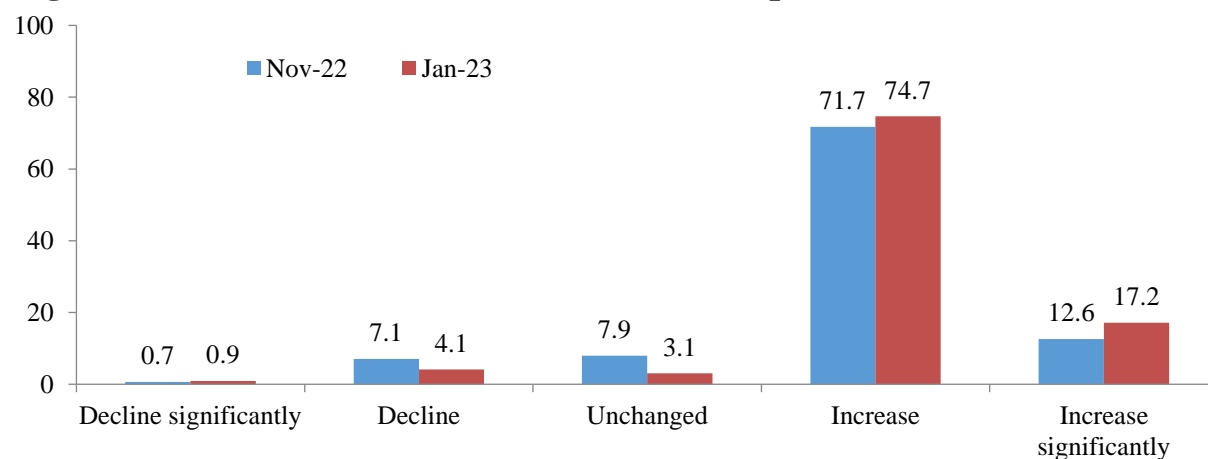
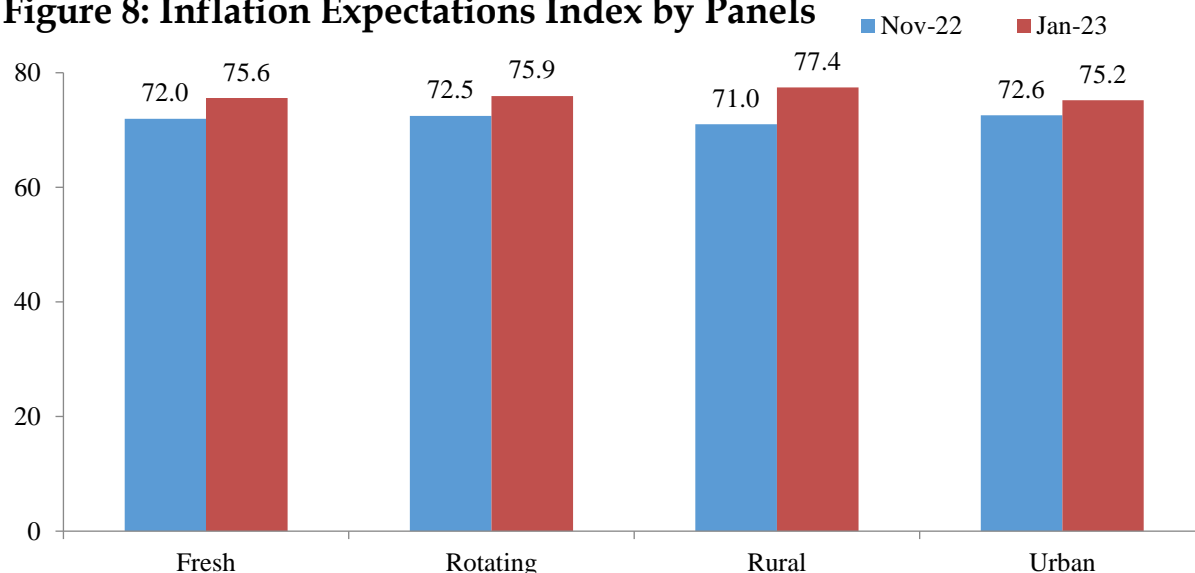**Figure 6: Inflation Expectations Index by Groups**

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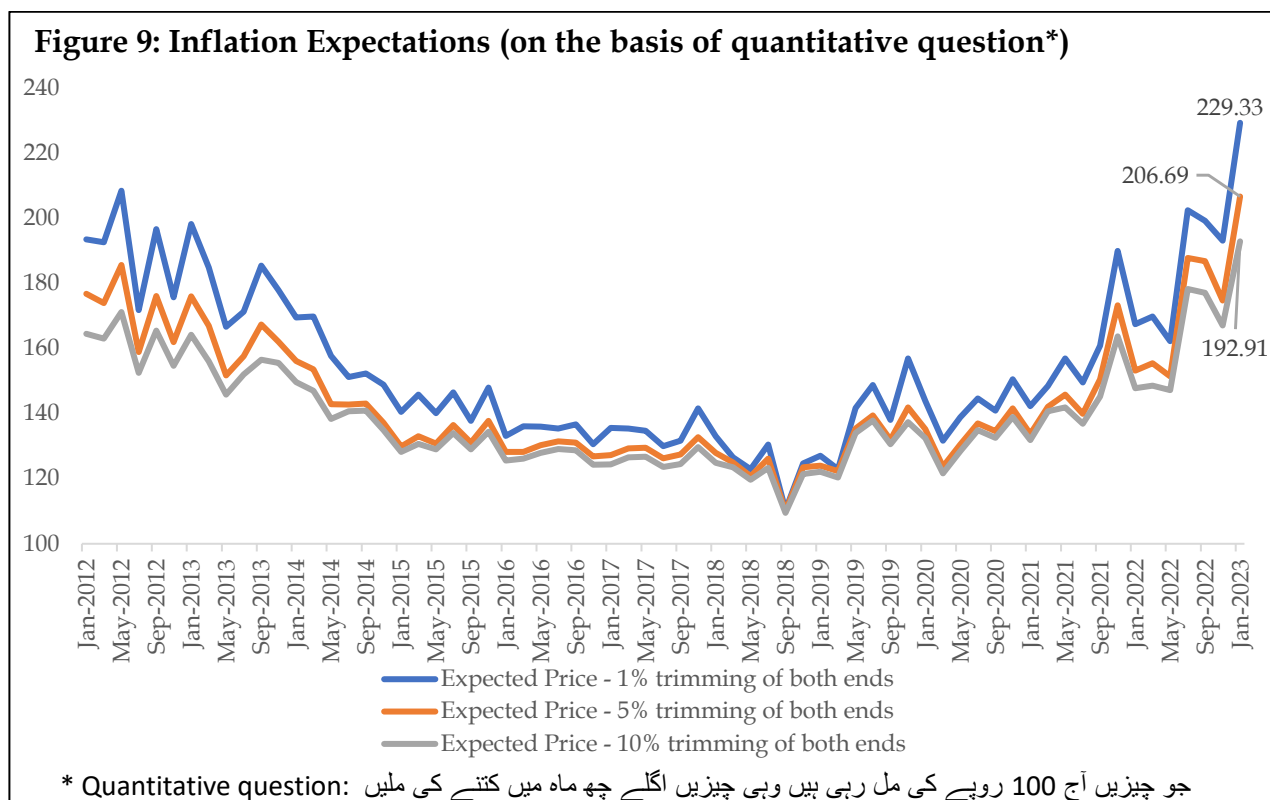

Figure 7: Overall Inflation - Distribution of Responses (%)

Figure 8: Inflation Expectations Index by Panels

Figure 9: Inflation Expectations (on the basis of quantitative question*)

Legend:
- Expected Price - 1% trimming of both ends
- Expected Price - 5% trimming of both ends
- Expected Price - 10% trimming of both ends

Values noted: 229.33, 206.69, 192.91

* Quantitative question: جو چیزیں آج 100 روپے کی مل رہی ہیں وہی چیزیں اگلے چھ ماہ میں کتنے کی ملیں

Table 3: Other Highlights

Diffusion Index	Sep-22	Nov-22	Jan-23	% change (Jan-22)
Unemployment in next six months	72.5	70.6	73.6	**4.3**
Interest rate in next six months	70.3	67.5	72.5	**7.4**
Income a year later	52.4	51.3	52.4	**2.1**
Suitability of time in the next six months to purchase durable items	27.2	29.0	27.9	**-3.7**
Suitability of time in the next six months to purchase a vehicle	26.3	29.1	28.5	**-2.2**
Suitability of current time for purchasing a house	25.7	28.1	27.9	**-0.9**
Outlook for better financial conditions of households in next six months	46.2	43.8	44.2	**0.8**

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 (2014); The joint harmonised EU programme of business and consumer surveys: User Guide; March; http://ec.europa.eu/economy_finance/publications/.