

# METHODOLOGICAL NOTES CONCERNING THE CONSUMER SURVEY

## 1. Introduction

For over forty years now, the Bank has been arranging business surveys because it is convinced that the results offer a prompt and reliable view of economic fluctuations. The method adopted and the questionnaire have been harmonised by the European Commission since the mid-1960s.

At the beginning of the 1970s the European Commission suggested extending the economic surveys to include a consumer survey. The questionnaire was based partly on the findings of an experimental survey in France and Germany, and partly on the academic research directed by Prof. Katona of Michigan University on the influence of the subjective assessment of economic and social trends by consumers.

Originally, only five countries participated in the consumer survey: Belgium, Germany, France, Italy and the Netherlands. As the usefulness of this additional survey became clearer, the other Member States also joined in. Since July 1986, the European Commission has had access to monthly figures for all Member States (except Luxembourg). However, at this stage it should be pointed out that, in contrast to the business survey, the consumer surveys were often conducted by different commercial research agencies at different times,<sup>1</sup> obliging users to exercise a degree of caution in making historical comparisons. (We shall come back to this later).

The latest tendering procedures organised by the European Commission (October 1999 and February 2000) did not find any commercial research agency for Belgium which was prepared to carry out the consumer survey within the stated budget restrictions, so that there was a risk of a hiatus which would jeopardise the publication of the European confidence indicator. The European Commission therefore urged the Bank to arrange the consumer survey as well from now on. Given the importance attached to this indicator by the financial and commercial world, the Bank decided to accede to the Commission's request, despite the extremely short launch period. The Bank launched the consumer survey at the beginning of May 2000.

## 2. The sample

The survey sample is drawn every month on the basis of the public telephone directory. Although the European Commission does not impose any strict conditions regarding statistical technique, and thus permits a totally random sample, the Bank opted for a statistical procedure which takes account of geographical, demographic and income variables. The public telephone directory is not ideal from the point of view of statistical methodology, because not all residents have a telephone connection. However, research<sup>2</sup> has shown that, overall, the effect of this type of survey is marginal in western countries.

The persons selected are notified by letter that they will be contacted during the first two weeks of the month in question. This notification also emphasises that the survey is scientific and confidential. The questions may be found on the Bank's website, they may also be requested. The aim of the notification is to increase the chance of achieving the planned monthly response of 1850 consumers.

The method of determining the composition of the sample of consumers and the way of making contact are not the same as in the business surveys. The economic surveys conducted among businesses use semi-permanent panels, whereas in the case of consumers a new stratified sample is drawn each month. Businesses are contacted by letter, while consumers are interviewed over the telephone.

## 3. The questionnaire

A complete list of the questions asked is printed in Annex 1.

The objective of the consumer survey is two-fold. One aim is to find out consumers' intentions regarding spending and saving, while the other is to gain an idea of how they view the situation and the importance that they attach to their intentions.

To achieve these objectives, the questionnaire covers four topics. These are: the general economic situation, personal financial circumstances and scope for saving, intentions regarding the purchase of consumer durables and intentions regarding house purchase/construction or home improvements.

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<sup>1</sup> The European Commission awards three-year contracts for this survey.

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<sup>2</sup>Cf. European Commission, Directorate-General for Economic and Financial Affairs: "The joint harmonised EU programme of business and consumer surveys; Reports and Studies, 1997, no. 6, p. 72.

As is usual in the business survey, the questions are qualitative. This means that they gauge a tendency. In contrast to the business surveys, which offer three possible answers, a five-point scale was chosen for the consumer survey.

#### 4. The consumer confidence indicator

The first objective of the consumer survey is to complete the existing cyclical and short-term indicators of the Bank. To that end, the consumer confidence indicator is calculated, which is based on four<sup>3</sup> questions (see attached questionnaire):

- forecasts for the economic situation in Belgium over the next twelve months
- forecasts for unemployment in Belgium over the next twelve months
- forecasts for the financial situation of households over the next twelve months
- forecasts for savings of households over the next twelve months

Since the survey focuses on a change in the economic climate, balances are calculated for the answers. This means the difference between the percentage of consumer responses indicating an increase and the percentage indicating a decrease. However, there are five possible answers and for that reason the percentages of the extremes are increased by half of the percentage of possible answers on either side of the central value (situation unchanged). In other words: if PP stands for the percentage answering "much better" or total certainty, P stands for "better", MM stands for "much worse" and M for "worse", then the balance can be stated as follows:

$$\text{Balance} = (PP + \frac{1}{2} P) - (\frac{1}{2} M + MM).$$

The consumer confidence indicator can then be defined as the arithmetical average of the seasonally adjusted balances for the questions stated above.

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<sup>3</sup> Up to Octobre 2001 inclusive, the consumer confidence indicator has been calculated using five questions.

The European Commission then decided that, from September 2001, it would change the composition of the consumer confidence indicator. The adjustment fitted in with a European project aimed at improving the quality of the short-term indicators for the euro area and the EU as a whole.

Although this decision by the Commission did not hold an obligation for the Member States to adjust the composition of their national indicators as well, the National Bank of Belgium has nevertheless decided to follow the European Commission's example. The main argument behind that decision was to offer the user a broader basis of comparison. Another reason in favour of the change is that consumers can be regarded as a homogeneous economic entity at European level. However, it should be pointed out at this stage that the modification to the Bank's indicator concerns only the composition and not the method of adjustment for seasonal influences.

As regards the seasonal adjustment method, the European Commission's ECFIN directorate uses a program developed in-house, called Dainties. However, the Bank uses the Tramo/Seats program, partly because it is recommended by Eurostat and the ECB and partly because ECFIN is considering switching to Tramo/Seats as well during 2001.

Since a different seasonal adjustment technique is used, there may be slight variations between the published observations of the European Commission and the results in table 2.1.10 of the National Bank's Statistical Bulletin.

The results for the individual questions not included in the consumer confidence indicator are also published by the European Commission. The target public for these series consists mainly of specialist statisticians and economic analysts who use the results to estimate quantitative statistical observations or to test predictions. Research<sup>4</sup> shows that the survey results may give an indication as to the development of a number of macroeconomic variables:

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<sup>4</sup> Cf. European Commission, Directorate-General for Economic and Financial Affairs: "The joint harmonised EU programme of business and consumer surveys; Reports and Studies, 1997, no. 6, p. 119 ff.

<i>Subject</i>	<i>Question numbers</i>	<i>Macroeconomic variables</i>
<i>Financial situation of households</i>	19-20	<i>Disposable income</i>
<i>General economic situation</i>	6-7	<i>GDP</i>
<i>Cost of living</i>	8-11	<i>Consumer price index</i>
<i>Unemployment</i>	12	<i>Unemployment</i>
<i>Major purchases</i>	13-14	<i>Private consumption</i>
<i>Savings</i>	19-21-22	<i>Trend in household saving</i>
<i>Car purchase</i>	15	<i>Car registrations</i>
<i>House purchase / construction</i>	16	<i>Household investments</i>
<i>Conversion/renovation</i>	17	<i>Private consumption</i>
<i>Confidence indicator</i>		<i>Total private consumption</i>

## CONSUMER SURVEY INTERVIEW

1. Sex of respondent
  - male
  - female
2. How old are you?
  - 18 to 29 years
  - 30 to 49 years
  - 50 to 64 years
  - 65 or over
3. Do you work?
  - yes
  - no
4. In the case of "work" is it a full-time or a part-time job?
  - full-time
  - part-time
- 5a. In the case of "no work", how would you best describe your situation?
  - retired
  - on early retirement
  - on sick leave
  - student
  - housewife/house-husband
  - unemployed
  - other
- 5b. How would you best describe your occupational category?
  - white-collar worker or executive
  - skilled worker
  - blue-collar worker
  - self-employed or business manager (including company director)
  - farmer
  - other
6. In your opinion, over the past twelve months, has the general economic situation in Belgium become:
  - much better
  - slightly better
  - remained the same
  - slightly worse
  - much worse
7. How do you expect the general economic situation in Belgium to develop over the next twelve months?  
It will...
  - get a lot better
  - get a little better
  - stay the same
  - get a little worse
  - get a lot worse
8. How do you think that consumer prices have developed over the last twelve months?  
They have...
  - risen a lot
  - risen moderately
  - risen slightly
  - stayed about the same
  - fallen
9. By how many per cent do you think that consumer prices have gone up/down over the last twelve months? (Please give a single figure estimate).  
Consumer prices have increased/decreased by: .....%.
10. By comparison with the past twelve months, how do you expect that consumer prices will develop in the next twelve months?  
They will...:
  - increase more rapidly
  - increase at the same rate
  - increase at a slower rate
  - stay about the same
  - fall
11. By how many per cent do you expect consumer prices to go up/down change in the next twelve months? (Please give a single figure estimate).  
Consumer prices will increase/decrease by ..... %.
12. What do you think will happen to unemployment in Belgium over the next twelve months? Do you believe that it will rise, fall or remain steady?:
  - increase sharply
  - increase slightly
  - remain the same
  - fall slightly
  - fall sharply

- 13.** As regards furniture, a washing machine, a television, a computer and other durables, do you think that now is a good or bad time for people to make such a major purchase, or neither good nor bad?
- good
  - not good but not bad either
  - bad
- 14.** As regards major purchases such as furniture, a washing machine, a television or other durables, do you think that over the next twelve months your household will be spending more, less or the same on such durable goods as over the past twelve months?
- much more
  - a bit more
  - the same
  - a bit less
  - much less
- 15.** Do you expect to buy a car within the next twelve months?
- yes, definitely
  - yes, possibly
  - probably not
  - definitely not
- 16.** Are you planning to buy or build a home over the next twelve months (to live in yourself, for a member of your family, as a holiday home, to let...)
- yes, definitely
  - possibly
  - probably not
  - definitely not
- 17.** How likely are you to spend any large sums of money on home improvements or renovations over the next twelve months?
- very likely
  - fairly likely
  - not likely
  - not at all likely
- 18.** Would you say that your financial situation has got better or worse or remained unchanged over the past twelve months?
- much better
  - slightly better
  - remained unchanged
  - slightly worse
  - much worse
- 19.** And what about your financial situation at the moment? Is your household in a financial situation where you are short of money, or have money to spare, or can just get by?
- plenty over, saving
  - saving a bit
  - just getting by
  - using savings
  - getting into debt
- 20.** How do you expect the financial position of your household to change over the next twelve months? It will...
- get a lot better
  - get a little better
  - stay the same
  - get a little worse
  - get a lot worse
- 21.** Do you think that you will be able to put any money by, i.e. save, over the next twelve months?
- definitely
  - yes, possibly
  - probably not
  - definitely not
- 22.** In view of the general situation, do you think that now is...?
- a very good moment to save
  - a fairly good moment to save
  - not a good moment to save
  - a very bad moment to save
- 23.** For a survey such as this we need to be able to place people in broad income groups. May I therefore ask you to class yourself in one of the following income groups (= total net household income per month in EUR)?
- under EUR 1,000 per month
  - between EUR 1,000 and 2,500 per month
  - between EUR 2,500 and 4,000 per month
  - over EUR 4,000 per month
- 24.** And finally, what is the highest standard of education that you attained?
- elementary school
  - lower intermediate
  - higher intermediate
  - higher non-university education
  - university