Changes to the BER consumer survey

The consumer confidence survey method

Consumer opinion surveys (COS) provide regular assessments of consumer attitudes and expectations and are used to evaluate economic trends and prospects. The surveys are designed to explore why changes in consumer expectations occur and how these changes influence consumer spending and saving decisions.

The FNB/BER consumer confidence index (CCI) combines the results of three questions posed to adults in South Africa, namely the expected performance of the economy, the expected financial position of households and the rating of the suitability of the present time to buy durable goods, such as furniture, appliances and electronic equipment.

The FNB/BER CCI is based on face-to-face interviews of a representative sample of between 2 000 and 2 500 urban adults. A new sample is put together every quarter. In the past the BER has exclusively used Nielsen, a reputable international market research firm, to conduct these interviews and ensure consistency over time. However, since 2016 Nielsen, for a number of reasons, has not been conducting surveys every quarter. To prevent a break in the long historical time series, the BER added the CCI questions to the bi-annual surveys of Ipsos Markinor and TNS Kantar to estimate the CCI. Although different service providers put together the samples and conduct the interviews, the results remain consistent given that the survey method and population universe agree.

Consumer confidence is expressed as a net balance. The net balance is derived as the weighted percentage of respondents expecting a considerable or slight improvement / good time to buy durable goods less the percentage expecting a considerable or slight deterioration / bad time to buy durable goods. The percentage replying “remain the same” or “neither a good nor a bad time” is ignored.

A low level of confidence indicates that consumers are concerned about the future. They may be worried about job security, pay raises and bonuses. With such a frame of mind, consumers tend to cut spending to basic necessities (e.g. food and services) to free up income for debt repayment. If confidence is high, consumers tend to incur debt (or reduce savings) and increase spending on discretionary items, such as furniture, household equipment, motor vehicles, clothing and footwear. Some of these items are often financed on credit. Spending on these items declines when confidence is low, as households can generally delay their purchase without experiencing an immediate deterioration in living conditions.

A rise in consumer confidence reflects an increased willingness of consumers to spend. However, this willingness only translates into actual sales if consumers’ ability to spend improves. Their ability to spend depends on their inflation adjusted after-tax income and the availability of credit. A rise in consumer confidence could therefore result in an upturn in household consumption spending in general and retail and motor vehicle sales in particular if their ability to spend improve and/or credit extension rise in step. The opposite applies when the level of consumer confidence declines.

Third quarter of 2018 changes

Demographic categories

From the third quarter of 2018, the BER no longer publishes the results for the individual LSM groups and the smaller provinces separately due to their small sizes and resultant volatility.

Since 2015, the South African Advertising Research Foundation (SAARF) no longer produces the living standard measure (LSM) groups. For the time being, the BER will continue to publish the results for three broader LSM categories separately, namely LSM 1 to 4, LSM 5 to 7 and LSM 8 to 10. Historical time series for the three groups were calculated as the average of the individual groups. For instance, LSM 1 to 4 is the average of LSM 1-3 and LSM 4. LSM 8 to 10 consists only of LSM 9.

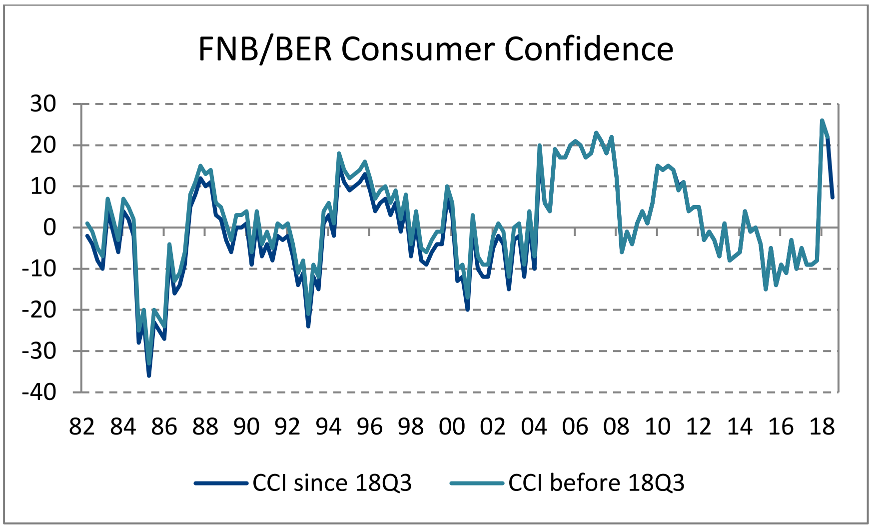
From the third quarter of 2018, the data for only the Western Cape, KwaZulu-Natal and Gauteng will be published individually. The provincial data for the Free State, Eastern Cape, North-West/Northern Cape and Northern Province (Limpopo)/Mpumalanga will no longer be published separately.

A middle income group, calculated as the average of the lower and higher middle income groups, was added to the results per household income group. This addition makes it possible to compare the results for the high, middle and low income groups.

Revision of historical data prior to the third quarter of 2004

In the third quarter of 2004, an adjustment factor was added to the expected economic performance index to provide for the fact that the interviewers did not offer a “no change” option to respondents by mistake. The adjustment in the economic performance index, in turn, affected the composite index.

In the third quarter of 2018, this adjustment factor was removed and the time series reverted to the one originally published prior to the third quarter of 2004. The levels of the historical time series of the composite and expected economic performance indices prior to the third quarter of 2004, therefore, differ slightly from those published until the fourth quarter of 2018.



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