

The AUA Consumer Confidence Index

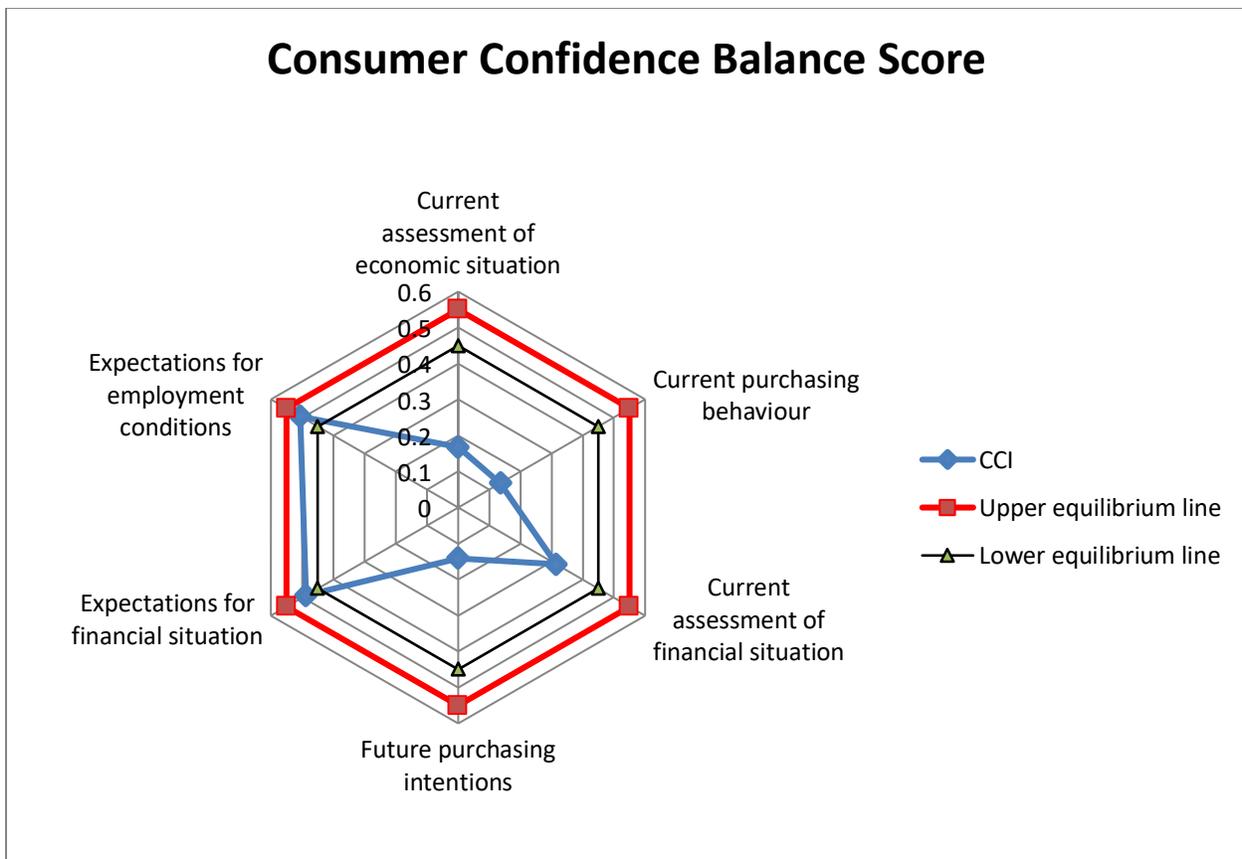
May 26, 2022

Consumer Confidence declined in 2022Q1

Consumers' assessment of the current economic situation is rather pessimistic. The expectations are somewhat stable

The AUA Consumer Confidence Index decreased to 86.3 in the 2022Q1 from the base value of 100 in the 2021Q4. This significant drop is primarily due to The Present Situation Index. The value of the latter stands at 72, 28 percent lower than the previous quarter. On the contrary, the Future Expectations Index declined only moderately, to 97 from 100. The consumers' purchasing intentions contribute the most to weakening expectations. By contrast, employment expectations mostly remained stable.

As for the Consumer Confidence Balance Score, the Present Situation Balance and the Future Situation Balance in 2022Q1 are overall pessimistic, below the stability interval of 0.45-0.55. Still, the Future Expectations Balance is 54 percent higher than the Present Situation Balance.



Interestingly, while consumers' future expectations for income and employment conditions are overall stable, the outlook for future purchases is very pessimistic. Only 15 percent of the respondents have positive purchasing intentions. High inflation expectations could partially explain the latter: about 65 percent of the respondents expect prices to increase in the next quarter.¹ More than 55 percent of respondents have a stable outlook for income over the next quarter, while the proportion expecting a decrease in the household's income is 17 percent. Consumers also have stable expectations for future employment conditions; about 74 percent of households expect no change in the household's employment.

¹ The Consumer Confidence Survey includes questions about inflation expectations.

Consumer Confidence Survey

The Consumer Confidence Survey reflects consumers' views on the current and future economic situation and likely developments for the next quarter. The indicators derived from the survey responses are based on the consumer's subjective evaluations, as well as current and future purchasing behavior.

After a nine-month pilot test of the sample design, the Paul Avedisian Center for Business Research and Development of AUA has started surveying a nationally representative cohort of consumers (panel) in Armenia to build a dynamic quarterly **Consumer Confidence Index**. The Consumer Confidence Survey is produced through an internationally accepted approach of combining two sub-balances: **Present Situation Balance** (based on households' assessment of their current financial situation, purchasing behavior, country's current economic conditions) and **Future Expectations Balance** (based on consumers' short-term outlook for their future financial situation, buying intentions and labor market conditions). Changes in subsequent quarterly scores are then reported as Consumer Confidence Index. We chose the Consumer Confidence Balance in the fourth quarter of 2021 as a base value.

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