

The AUA Consumer Confidence Index

Consumer Confidence picked up in 2022Q2

Consumers' assessment of the current economic situation has improved. The expectations have strengthened.

After a drop in 2022 Q1, the AUA Consumer Confidence Index increased to 110.5 in 2022Q2. This significant change is mainly due to the Present Situation Index. The value of the latter stands at about 38 percent higher than the previous quarter. The consumers' current assessment of the economic situation contributes the most to this improvement. The rise in the Future Expectations Index is about 11 percent. The consumers' spending intentions account for most of the change in the Future Expectations Index.

As for the Consumer Confidence Balance Score, the Present Situation Balance is still pessimistic, below the stability interval of 0.45-0.55. The Future Situation Balance is stable, standing at 0.47. The consumers' future expectations for income and employment conditions are optimistic. The outlook for future purchases is yet pessimistic. Elevated inflation expectations likely drive weak spending intentions; about 53 percent of the respondents expect prices to increase in the next quarter. More than 33 percent of respondents have an optimistic outlook for income over the next quarter, while the proportion expecting a decrease in the household's income is only 10 percent. Consumers also have positive expectations for future employment conditions; about 22 percent of households expect improvement in the household's employment. The proportion expecting negative dynamics in the future employment conditions is 4 percent.

Figure 1. Changes in the CCI components

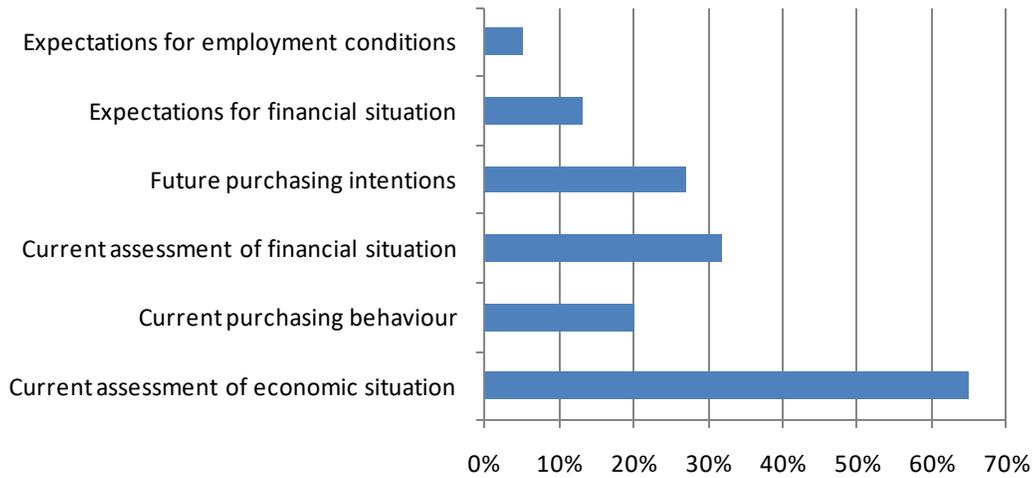


Figure 2. Consumer Confidence Balance Score

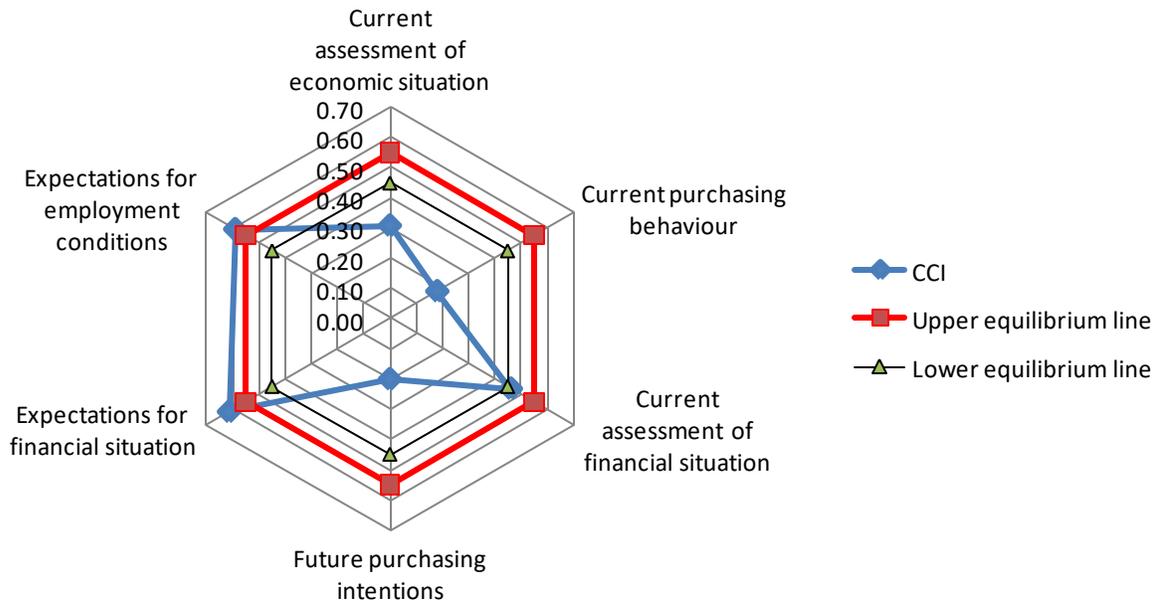


Figure 2 displays the values of the six components of the consumer confidence index and the corresponding stability ranges, represented by the lower and upper equilibrium bounds. Below the lower limit and above the upper limit are the pessimistic and optimistic assessments, respectively.

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.

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. After a pilot test of the sample design, from 2022, 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. Surveys are conducted by telephone from more than 2000 participants of the panel, which are representative of RA in terms of gender, age, and territory (including rural and urban population). We chose the Consumer Confidence Balance in the fourth quarter of 2021 as a base value.

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