Consumer confidence deteriorated in the first quarter of 2016

Press Release

Consumer confidence deteriorated in the first quarter of 2016, following a slight improvement in the fourth quarter of 2015. The Consumer Confidence Index stood at 94.5 in the first quarter of 2016, a decrease of 1.0 index point compared to the fourth quarter of 2015 (see Chart 1). The Present Situation Index declined from 94.7 to 93.2, while the Expectations Index fell from 98.0 to 95.1.

Consumers’ assessment of current conditions was more pessimistic than the fourth quarter of 2015. A larger percentage of respondents (from 24.2 percent to 33.7 percent) indicated that personal financial conditions were “worse” than six months ago. Furthermore, 49.4 percent stated that business conditions became worse, a similar result as in the previous quarter. Conversely, the share of consumers indicating that the government’s financial position deteriorated jumped by 3.9 percentage points to 54.9 percent. Noticeable is that only 3.8 percent of respondents indicated that current job expectations improved (down from 6.0 percent in the previous quarter).

Consumers were more pessimistic on the short-term outlook in the first quarter of 2016. The share of consumers expecting their personal financial conditions to improve fell from 32.6 percent to 20.1 percent. This was also evident in their assessment of, respectively, future business conditions (from 24.5 percent to 17.3 percent), as well as of the governments’ future financial position (from 22.1 percent to 12.5 percent). Consumers’ labor market outlook was also less favorable, as 58.9 percent of the respondents stated that future job expectations would be more difficult (up from 46.4 percent).

The indices on price expectations and consumer purchase habits improved marginally. The Price Expectations Index increased from 90.5 in the fourth quarter of 2015 to 90.7 in the current period of review. The share of consumers stating that prices were lower than six months ago rose from 2.1 percent to 2.8 percent. Finally, the Consumption Habits Index improved somewhat from 95.1 to 96.0. However, the majority of consumers still believed it was unsuitable to purchase a car (56.4 percent), major appliances (50.4 percent), to take out a loan (63.4 percent) or a mortgage (70.9 percent). The developments in consumption habits mitigated the decreases in the other components of consumer confidence.

In summary, the decrease in consumer confidence was mostly attributed to an increase in pessimism of both consumers’ current conditions and short-term outlook, in part mitigated by an improvement in their consumption habits perceptions.

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1 The English text prevails.
2 The index can vary between 90 and 110. Between 90 and 110 indicates a situation of optimism in consumer sentiments.
The complete survey results are available on the CBA's website. For further information, please contact Mr. Jonathan Upegui, Economist at the Research Department, at j.upegui@cbaruba.org.

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