



## *Methodology Document*

# **bra Consumer Confidence Index (bCCI) Methodology**

This document contains the basic methodology use for the computation of the consumer confidence index. The index shows the direction of the economic performance within the next one and six months, it is regarded as leading indicator to give specific insight of what the consumer expect of the economy within the specified period. The index will be generated on monthly basis from the monthly business expectation survey (BES) made by our field enumerators. The questions selected from the observations made by the respondents to compute the index will remain constant throughout the history of the series.

The questions selected from the response of the respondents form the salient part called the components:

### **Components of the bra CCI**

- (a) Current business condition in the next one (1) month.
- (b) Business condition in the next six (6) month.
- (c) Current employment condition in the next one (1) month.
- (d) Employment condition in the next six (6) month.
- (e) General sales condition in the next one (1) month.
- (f) General sales condition in the next six (6) month.
- (g) Firm/ Family income realize in the next six month.

### **Response Options**

From the survey questions formulated it is expected to be faced with three different options from the respondents responses, these include: Positive, Negative and Neutral.

## *Methodology Document*

### **Calculation of bra CCI**

The methodology adopted in the computation of the index is based on the average relative procedure which will be demonstrated below for clarity:

$$\text{Relative Value} = \frac{\text{Positive Responses}}{\text{Total Responses}} = X_i$$

The relative value is derived for each of the questions; the average Relative for the calendar month is then estimated in the form below:

$$\text{Average Relative} = \frac{X_i}{N} = \frac{X_a + X_b + \dots + X_g}{N} = \text{Consumer Confidence Index}$$

Where 'N' represent the total number of variables constituting the component of the questions in the document; while 'i' represent the items in the components. The consumer confidence index is then split into two phases namely the one month outlook and six month outlook.

$$\text{Consumer confidence index (1 month outlook)} = \frac{X_j}{n_j} = \frac{X_a + X_c + X_e}{n_j}$$

Where 'j' represents the items of one month responses in the components, 'nj' is the number of one month variables in the component section of the document.



**Methodology Document**

$$\text{Consumer confidence index (6 month outlook)} = \frac{X_k}{n_k} = \frac{X_b + X_d + X_f + X_g}{n_k}$$

Where ‘k’ represents the items of six month responses in the components, ‘nk’ is the number of one month variables in the component section of the document. The benchmark for the index as a reference of economic direction is 0.5 (50 index points).

**Index Maintenance**

We keep track of the components of the index and make proper adjustment (expanding the number of the components) when there is need. Constant monitoring and management are also set in place for effective maintenance.

**Example:**

**Survey Response of Ten Questionnaires**

Responses/ Month	Positive	Negative	Neutral	Relative Value
<b>Business Condition (one month)</b>	7	2	1	7/10 = 0.70
<b>Business Condition (six month)</b>	6	2	2	6/10 = 0.60
<b>Employment Status (one month)</b>	5	3	2	5/10 = 0.50
<b>Employment Status (six month)</b>	6	1	3	6/10 = 0.60
<b>Sales Status (one month)</b>	7	2	1	7/10 = 0.70
<b>Sales Status (six month)</b>	6	2	2	6/10 = 0.60

Source: own computation

## *Methodology Document*

### Index Computation

#### General Outlook

**Average Relative Value** =  $(0.70 + 0.60 + 0.50 + 0.60 + 0.70 + 0.60) / 6$

Average Relative Value =  $(3.7) / 6$

Average Relative Value = 0.61

**Consumer Confidence Index** =  $(0.61 * 100) = 61$

#### One Month Outlook

**Average Relative Value** =  $(0.70 + 0.50 + 0.70) / 3$

Average Relative Value =  $(1.9) / 3$

Average Relative Value = 0.63

**Consumer Confidence Index** =  $(0.63 * 100) = 63$

#### Six Month Outlook

**Average Relative Value** =  $(0.60 + 0.60 + 0.60) / 3$

Average Relative Value =  $(1.8) / 3$

Average Relative Value = 0.60

**Consumer Confidence Index** =  $(0.60 * 100) = 60$



## *Methodology Document*

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