

## BUSINESS AND CONSUMER CONFIDENCE

The crisis impacted in a disproportionate way on the confidence of business and consumers, while low confidence contributed to the freezing-up of financial markets.

### Definition

Data on consumer and business confidence are based on surveys that provide qualitative information on economic conditions. Surveys are based on a sample of enterprises or households, with respondents questioned about their assessments of the current situation and their expectations for the immediate future. Confidence indicators are based on a composite measure of opinions on production, orders and stocks, in the case of enterprises; and to intentions concerning major purchases, own economic situation now compared with the recent past, expectations for the immediate future in the case of consumers.

These surveys usually probe respondents on the direction of change, or about how the current situation compares to a “normal” state. Answers are generally in the format “up/about the same/down” or “above normal/normal/below normal” in business surveys; and of the type “increase sharply/increase slightly/remain the same/fall slightly/fall sharply” in consumer surveys. Responses are generally reported as “balances” of positive and negative replies in various fields; this implies that response categories such as about the “same” or “normal” are ignored, and that the balance is computed as the difference between the shares of respondents giving favourable and unfavourable answers.

### Overview

Consumer and business confidence started falling sharply in early 2008, well ahead of the burst of the financial crisis in the fall of the same year. The low point in confidence across the OECD was reached in the first quarter of 2009, when both business and consumer confidence reached historically low levels compared to previous periods of cyclical slowdown.

Since then, both series have shown signs of improvement. Business and consumers’ confidence for the OECD total have now increased for eight consecutive months, following 20 months of decline. The rebound started earlier and was stronger in the United States (especially for businesses) and the United Kingdom (for both businesses and consumers); more recent but fairly strong in Japan; and it was recent and less pronounced for Germany. Confidence still remains below its long term level (100) in all countries except the United States (business) and the United Kingdom (consumers).

It is too early to say whether this recovery indicates a durable change in business and consumers’ confidence, rather than a sober assessment of the crisis and a realisation that some of the doomsday scenarios now seem unlikely to materialise. Further, business and consumer confidence may stabilise at historically low levels rather than return to positive territory. In many ways, however, business and consumer confidence indicators are beginning to echo the positive messages conveyed by production measures in other areas.

The standardised indicators shown here are obtained by recalculation of national balances after smoothing to a scale centred around 100. Data are generally based on monthly surveys; for countries where only quarterly surveys are available, these are converted to monthly frequency by linear interpolation. The shaded areas in the graphs correspond to various period of cyclical slowdowns: the second oil crisis in 1978-79; the first Gulf war in 1991; the European exchange rate crisis of 1992; the emerging markets crisis in 1998; the Dot-Com crash of 2001; and the financial crisis that started in late-2008.

### Comparability

For countries that are members of the European Union, the confidence series used by the OECD are drawn from a harmonised system of business and consumer surveys managed by the European Commission; hence data comparability is high. For other countries, the OECD has selected the series that best correspond to a “standard” wording; these series may not be fully comparable.

### Sources

- *Main Economic Indicators*.

### Further information

#### Statistical publications

- OECD (2009), *Main Economic Indicators*, OECD, Paris.

#### Online databases

- *Main Economic Indicators*.

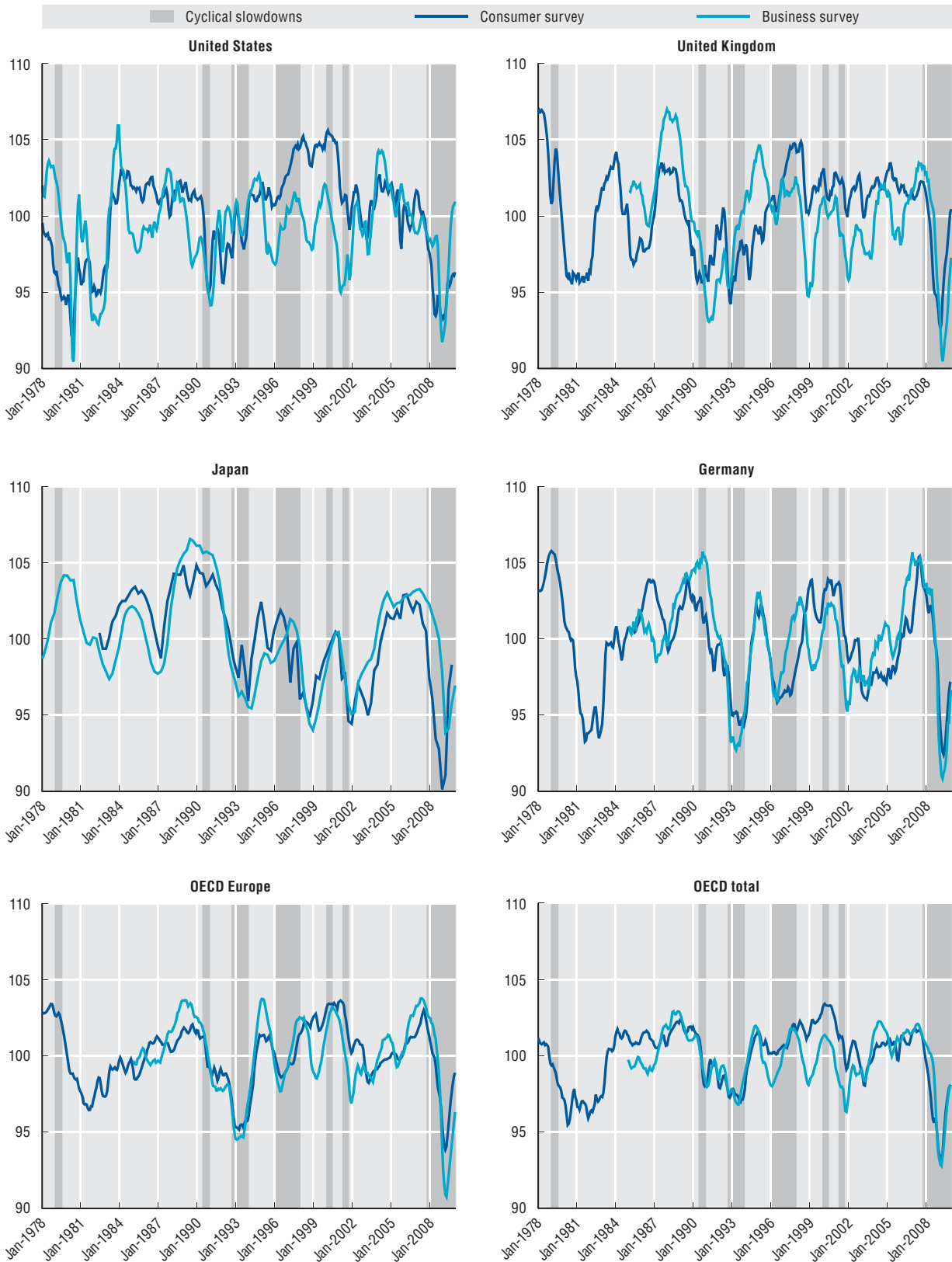
#### Methodological publications

- OECD (2003), *Business Tendency Surveys: A Handbook*, OECD, Paris.

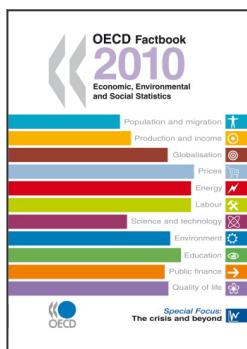
#### Web sites

- OECD Main Economic Indicators, [www.oecd.org/std/mei](http://www.oecd.org/std/mei).
- OECD Leading Indicators and Tendency Surveys, [www.oecd.org/std/cli-ts](http://www.oecd.org/std/cli-ts).

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