

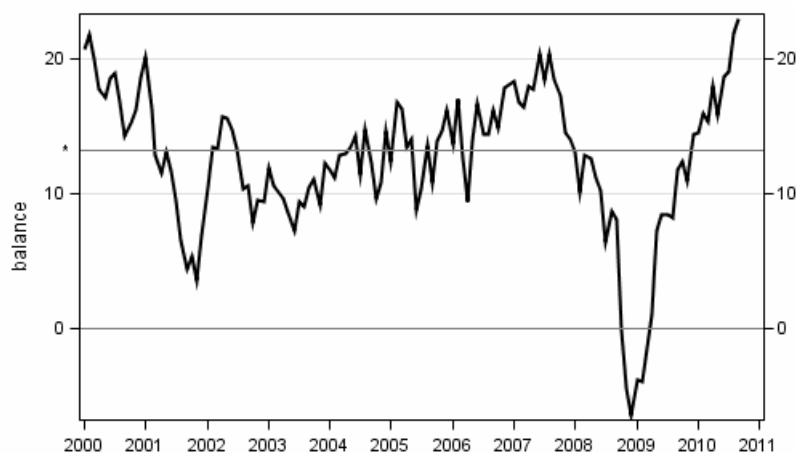
# Consumer survey

2010, September

## Consumer confidence all-time strongest

Consumer confidence in the economy rose in September stronger than ever before. The consumer confidence indicator stood at 23.0 in September, having been 21.9 in August and 19.1 in July. One year ago the consumer confidence indicator was 11.7. The data are based on Statistics Finland's Consumer Survey, for which 1,412 people resident in Finland were interviewed between 1 and 17 September.

### Consumer confidence indicator



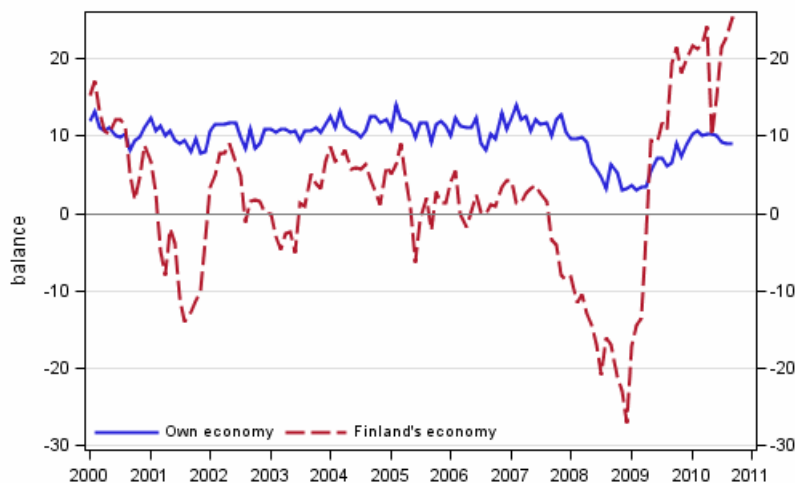
\* average 10/1995 - 09/2010

Of the four components of the consumer confidence indicator, expectations concerning Finland's economy and own saving possibilities improved in September from the previous month. Confidence in Finland's economy has last been this strong in 1994. In September consumer views on one's own economy in general and on development of unemployment in Finland remained unchanged. In addition, consumers thought inflation would accelerate and considered the time favourable for taking out a loan. Consumers had now slightly more intentions to make purchases than in the preceding months.

In September as many as 56 per cent of consumers believed that Finland's economic situation would improve in the coming twelve months, while just eight per cent of them thought that the country's economy would deteriorate. Twelve months earlier the respective proportions were 55 and 16 per cent. In all, 28

per cent of consumers believed in September that their own economy would improve and 12 per cent of them feared it would worsen over the year.

**Consumers' expectations concerning their own and Finland's economy in 12 months' time**



Altogether 39 per cent of consumers thought in September that unemployment would decrease in Finland over the year, while 21 per cent of them believed it would increase. Twelve months previously, the corresponding proportions were gloomy 16 and 60 per cent.

Twenty per cent of employed persons believed in September that their personal threat of unemployment had lessened over the past few months, whereas 12 per cent thought it had grown. Twelve months previously, the corresponding proportions were gloomy seven and 30 per cent. In September, 43 per cent of employed persons thought the threat had remained unchanged and 25 per cent felt that they were not threatened by unemployment at all.

Consumers predicted in September that consumer prices would go up by 2.6 per cent over the next 12 months. One year ago the predicted inflation rate was 1.6 per cent, and its long-term average is at 2.1 per cent.

In September, 66 per cent of consumers considered saving worthwhile. One year previously the corresponding proportion was 55 per cent. Sixty-seven per cent of households had been able to lay aside some money and 81 per cent believed they would be able to do so during the next 12 months.

In September, 71 per cent of consumers regarded the time good for raising a loan. In August the respective proportion was 64 per cent. In September, 14 per cent of households were planning to take out a loan within one year.

In September, 53 per cent of consumers thought the time was favourable for making major purchases. More households than before were planning to spend money on, for instance, travelling, home decoration or purchasing of home electronics or hobby equipment during the next six months. Eighteen per cent of households were fairly or very certain to buy a car and seven per cent a dwelling during the next 12 months. In last year's September the corresponding proportions were 14 and eight per cent.

## Consumers' views of the economy

	Average 10/1995-	Max. 10/1995-	Min. 10/1995-	09/2009	08/2010	09/2010	Outlook
A1 Consumer confidence indicator, CCI = (B2+B4+B7+D2)/4	13,2	23,0	-6,5	11,7	21,9	23,0	++
B2 Own economy in 12 months' time (balance)	9,1	14,1	2,3	6,6	8,9	9,0	+/-
D2 Household's saving possibilities in the next 12 months (balance)	37,0	52,0	10,9	47,8	47,4	49,2	++
B4 Finland's economy in 12 months' time (balance)	5,2	25,4	-27,1	19,5	22,8	25,4	++
B7 Unemployment in Finland in 12 months' time (balance)	1,4	27,6	-51,1	-27,0	8,5	8,4	+
B6 Inflation in 12 months' time (per cent)	2,1	4,6	0,6	1,6	2,4	2,6	
C1 Favourability of time for buying durable goods (balance)	21,2	41,8	-14,2	33,8	29,0	30,4	+
C2 Favourability of time for saving (balance)	11,0	36,8	-19,6	7,4	20,2	19,5	+
C3 Favourability of time for raising a loan (balance)	18,4	42,0	-47,1	23,1	17,9	26,8	+

The balance figures are obtained by deducting the weighted proportion of negative answers from that of positive answers. The consumer confidence indicator is the average of the balance figures for the CCI components. The balance figures and the confidence indicator can range between -100 and 100 - the higher the balance figure, the brighter the view on the economy.

Explanations for Outlook column: ++ Outlook is very good, + Outlook is good, +/- Outlook is neutral, - Outlook is poor, -- Outlook is very poor. Deviation of balance from average has been compared to standard deviation.

The (seasonally adjusted) Consumer Survey results for all EU countries will be later released on the European Commission website: European Commission, DG ECFIN, Business and Consumer Survey Results; [http://ec.europa.eu/economy\\_finance/db\\_indicators/surveys/index\\_en.htm](http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm)

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# ***1. Overview of the past***

## ***1.1. Finland's economic situation and unemployment***

Finland's economic development started to rise from the recession at the end of 1993. Consumers' expectations of Finland's economic situation were very positive from 1994 to 1995. After the mini recession at the beginning of 1996 estimates weakened but already in spring 1997 the balance figure of expectations was over +20. In autumn 1998 belief in continuing economic growth collapsed lowest since the recession year as a result of bad economic news from the world. After that expectations recovered fast, however. Weakening of export prospects in spring 2001 made consumers pessimistic about the economic situation of our country. Later assessments of the economic situation were varyingly cautious. In autumn 2007 consumer confidence in the Finnish economy started to sink when news of economic problems in the USA started to spread. The bottom was reached one year later.

From 1995 to 2000 consumers had strong belief that the rate of unemployment would go down. The balance figure of expectations reached +25 at the beginning of 1998. In autumn 1998 estimates fell somewhat. From 2001 to 2005 consumer views on the development of unemployment were mostly very pessimistic, and the balance figure fell below -20 at times. From summer 2006 onwards expectations were at last positive but news of dismissals and labour disputes caused hindrances to the development. With the economic recession the views grew promptly darker.

## ***1.2. Own financial situation and saving***

As Finland's economy was recovering from the recession, consumers started to believe that their own financial situation would improve as well. The balance figure measuring expectations rose gradually starting from 1994 and reached the level of +10 at the end of the decade. From 2004 onwards belief in one's own financial situation was even slightly stronger, and in February 2005 and 2007 the balance figure was record high, +14. Assessments of one's own financial situation show variation according to the season: at the beginning of the year, at the time of pay rises and bargain sales optimism is usually stronger than later on. In 2008 the rise in interest rates and inflation gnawed at confidence in one's own financial situation..

Consumers' expectations of their saving possibilities improved hugely between 1995 and 2003. While the balance figure was a little over +10 at the end of 1995, it has varied between +40 and +50 in the last few years.

## ***1.3. Consumer confidence indicator (CCI)***

(CCI components: own financial situation and Finland's economic situation, unemployment and saving.) During the recession years in the early 1990s consumer views on the economy were pessimistic as long as 1993. After this consumer confidence climbed high, but during the mini recession at the beginning of 1996 cautiousness gained more ground again. The mood picked up fast, however, and the value of the CCI was mostly above +15 between 1997 and 2000. In autumn 1998 the economic crises in the world, Russia included, slightly increased uncertainty about the general economic situation of the country. After the peak (+22) of the early part of 2000 confidence in the economy weakened clearly. Economic development started to slow down, and the CCI dived below +5 in autumn 2001. Belief in the economy strengthened temporarily at the beginning of 2002. The poor outlook of the general economic situation caused setbacks to the later rising trend. In 2008 these and uncertainty about one's own finances weakened consumers' confidence very strongly.

## ***1.4. Inflation***

At the turn of 1995 and 1996 consumers estimated that the general price level would have gone down by one to two per cent from one year before. As Finland became member of the EU, lower prices of food started to influence these views. Between 1997 and 2001 consumers' estimates of inflation were very

close to the measured inflation, with the exception of the price peak in energy and housing in 2000. The introduction of the euro in January 2002 and the related psychology, e.g. rounding of prices clearly "distorted" consumers' views of inflation. From then on estimates exceeded the official inflation greatly until the end of 2006.

Consumers' expectations of the coming inflation rate were mainly in line with inflation estimates. The years 1995 to 1996 and the first year of the euro, 2002, were notable exceptions to this rule. From 2004 to 2008 the expectations had a rising trend. Expectations, similarly as assessments, climbed record high, but fell clearly by 2009.

### ***1.5. Favourable time***

Between 1996 and 1999 the time was considered very favourable for buying consumer durables, until views became weaker in 2000 once inflation picked up a little. The introduction of the euro dropped the balance figure for buying negative, but at the beginning of 2003 a record of +37 was suddenly attained, mainly thanks to cheaper prices of cars. Assessments about buying got later slightly weaker but were still positive until summer 2008 and again this year.

Estimates about taking out a loan picked up during 1996 and rose to the balance figure of +42 in summer 1999. After that the rise in loan interests and high prices of dwellings again weakened sharply the view of the time being favourable for raising a loan. From the beginning of 2001 the time was again thought favourable for taking a loan, until the rise in interest rates sagged the estimates starting from spring 2006 and especially in 2008.

Consumer views on the time being favourable for saving hit rock bottom (the balance figure at its lowest -20) in the years after the recession, from 1995 to 1997. After this saving was considered worthwhile as income grew and tempting saving and investment targets appeared. During 2006 the balance figure for saving rose steeply and soon stopped at its record of over +35.K

## *2. Method of the Consumer Survey*

The Consumer Survey is a telephone interview survey by means of which it is possible to measure Finns' images - assessments and expectations - of the general economic development and the financial situation of one's own household and intentions to make major purchases, save money or take out a loan. In addition, the survey is a tool for finding out how common modern machines and equipment are in households.

The first Finnish Consumer Survey was conducted in November 1987. Until 1991 it was carried out twice a year, in May and November. In 1992 the survey times were rose to four: the survey months were February, May, August and November. Since October 1995 the Consumer Survey data have been collected monthly on assignment of the European Commission.

The Consumer Survey has a totally new individual sample each month. The same sample is also used for the data collection of the Finnish Travel Survey and some other surveys as well. The sample size of the Consumer Survey is 2,200 persons monthly. The non-response rate nowadays being between 30 and 35 per cent, more than 1,400 responses are gained every month. The non-response rate includes those who refused from the survey or were otherwise prevented from participating as well as those who could not be contacted.

The interviews are conducted from Statistics Finland's CATI Centre during the first two or three weeks of the month. The target area is the whole country and the respondents of the Consumer Survey represent the 15 to 74-year-old population in Finland, according to age, gender, province of domicile and native language.

All the response data of the Consumer Survey are weighted against the total population by means of sample weights. Weighting corrects the effects of non-response and improves the statistical accuracy of the data. The weights are established by using a calibration method and the probability of each observation to be included in the sample. The figures and series presented are not seasonally adjusted.

## Appendix tables

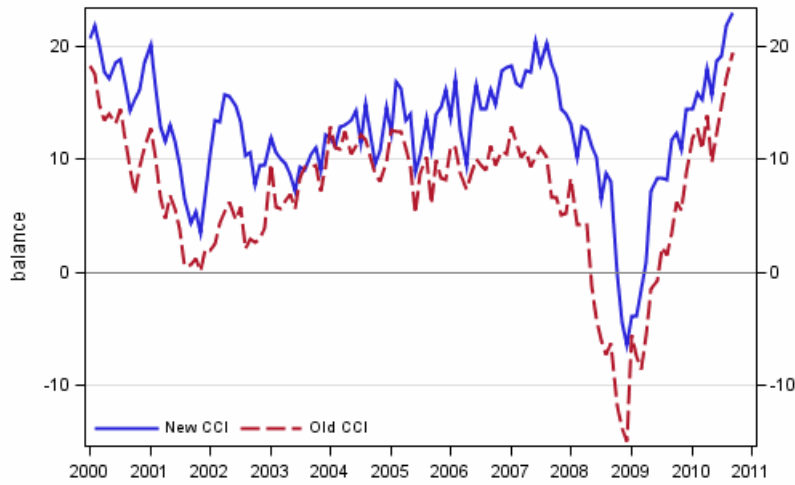
**Appendix table 1. Consumers' views of the economy**

	Average 10/1995-	Max. 10/1995-	Min. 10/1995-	09/2009	08/2010	09/2010	Outlook
A1 Consumer confidence indicator, CCI = (B2+B4+B7+D2)/4	13,2	23,0	-6,5	11,7	21,9	23,0	++
A2 Old CCI = (B1+B2+B3+B4+C1)/5	8,6	19,5	-15,0	3,5	17,1	19,5	++
A3 Micro indicator = (B2+D1+D2)/3	24,4	33,4	9,5	28,1	29,0	30,2	+
A4 Macro indicator = (B4+B7)/2	3,3	22,8	-39,1	-3,8	15,7	16,9	++
B1 Own economy now (balance)	4,9	9,8	-4,0	-1,9	5,3	5,7	+
B2 Own economy in 12 months' time (balance)	9,1	14,1	2,3	6,6	8,9	9,0	+/-
B3 Finland's economy now (balance)	2,6	29,5	-60,9	-40,4	19,4	26,9	++
B4 Finland's economy in 12 months' time (balance)	5,2	25,4	-27,1	19,5	22,8	25,4	++
B5 Inflation now (per cent)	2,2	5,8	-2,0	2,4	2,0	2,3	
B6 Inflation in 12 months' time (per cent)	2,1	4,6	0,6	1,6	2,4	2,6	
B7 Unemployment in Finland in 12 months' time (balance)	1,4	27,6	-51,1	-27,0	8,5	8,4	+
B8 Own threat of unemployment now (balance)	0,5	7,6	-18,8	-15,2	3,1	6,3	+
C1 Favourability of time for buying durable goods (balance)	21,2	41,8	-14,2	33,8	29,0	30,4	+
C2 Favourability of time for saving (balance)	11,0	36,8	-19,6	7,4	20,2	19,5	+
C3 Favourability of time for raising a loan (balance)	18,4	42,0	-47,1	23,1	17,9	26,8	+
D1 Household's financial situation now (balance)	27,1	35,1	14,7	30,0	30,6	32,4	+
D2 Household's saving possibilities in the next 12 months (balance)	37,0	52,0	10,9	47,8	47,4	49,2	++
D5 Intentions to raise a loan in the next 12 months (% of households)	13,5	17,8	9,1	14,4	13,9	13,8	+/-
E1 Spending on durable goods, next 12 months vs last 12 months (balance)	-7,8	-2,4	-18,2	-12,9	-7,5	-6,3	+
E2 Intentions to buy a car in the next 12 months (% of households)	17,6	21,7	14,2	14,2	18,2	18,0	+/-
E4 Intentions to buy a dwelling in the next 12 months (% of households)	7,0	11,3	4,1	8,0	7,9	7,2	+/-
E5 Intentions to spend money on basic repairs of dwelling in the next 12 months (% of households)	18,1	27,0	9,8	23,2	24,3	23,2	++

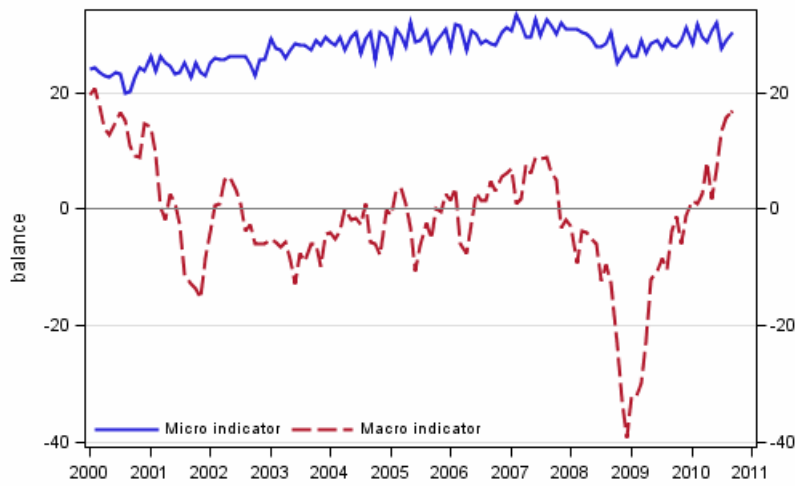


# Appendix figures

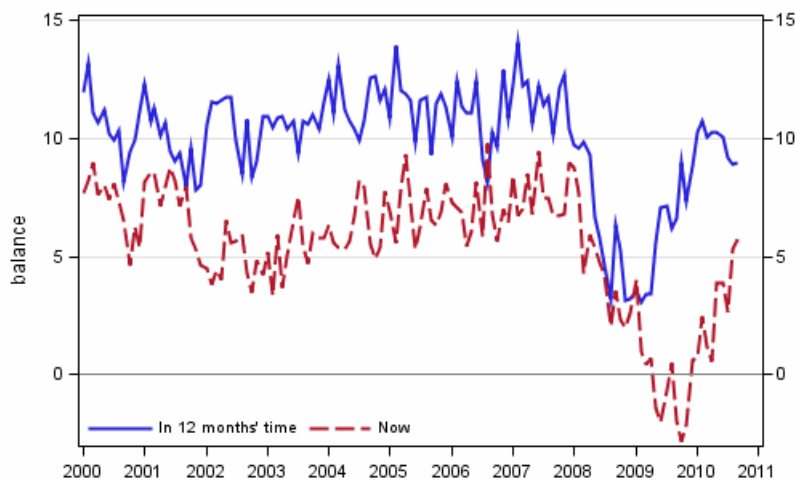
**Appendix figure 1. Consumer confidence indicator (CCI)**



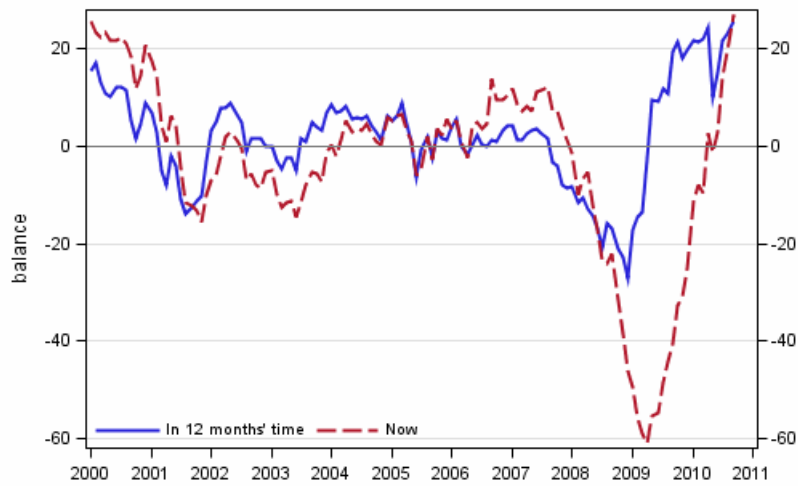
**Appendix figure 2. Micro and macro indicators**



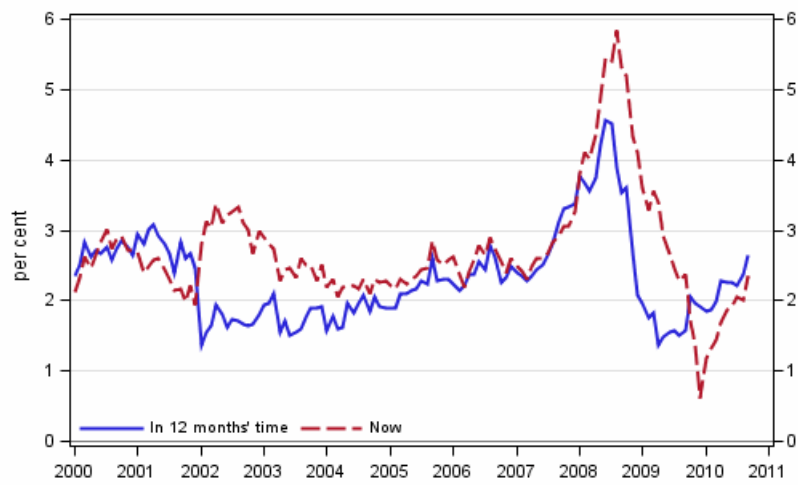
**Appendix figure 3. Own economy**



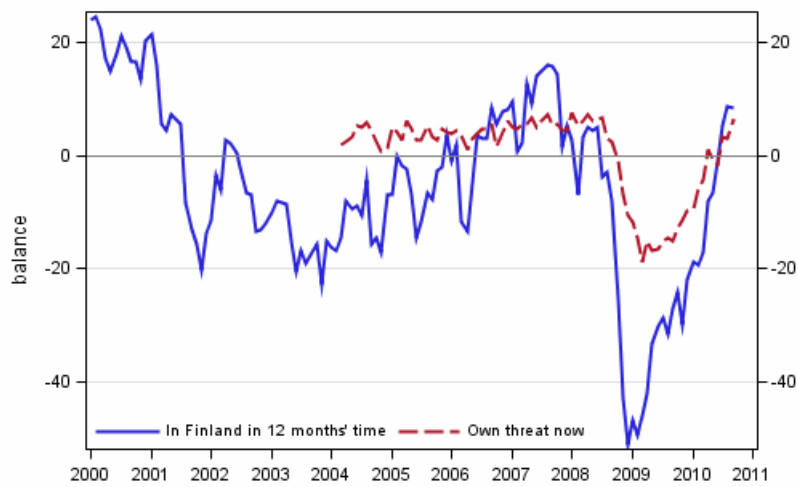
**Appendix figure 4. Finland's economy**



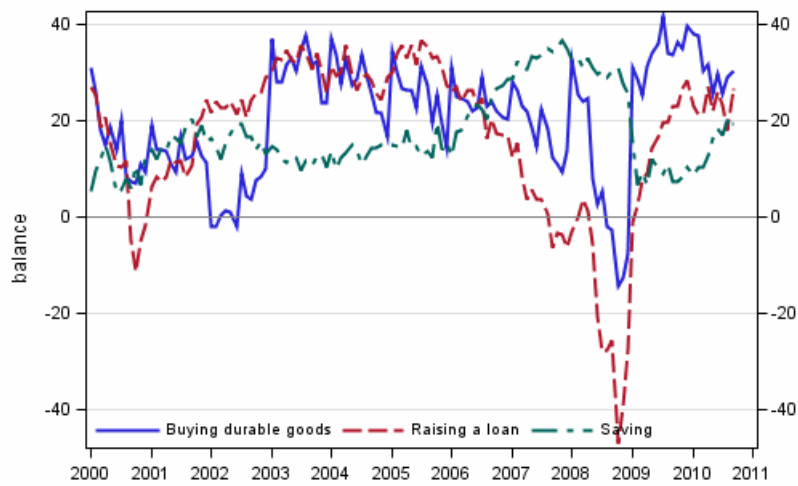
**Appendix figure 5. Inflation**



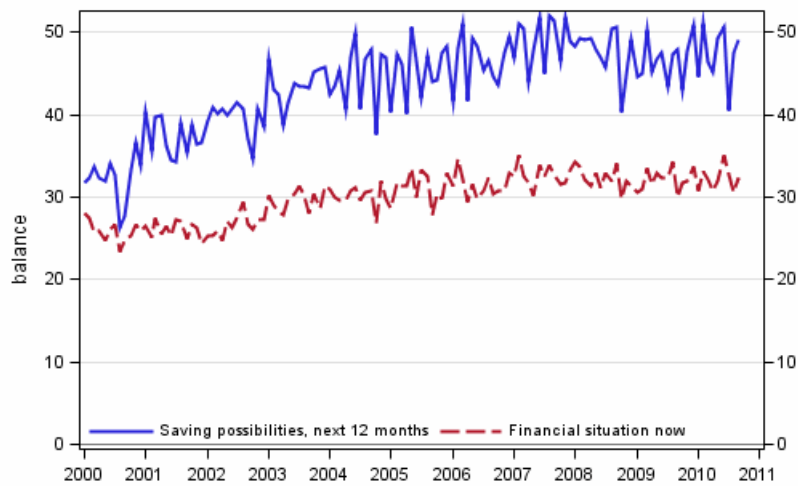
**Appendix figure 6. Unemployment**



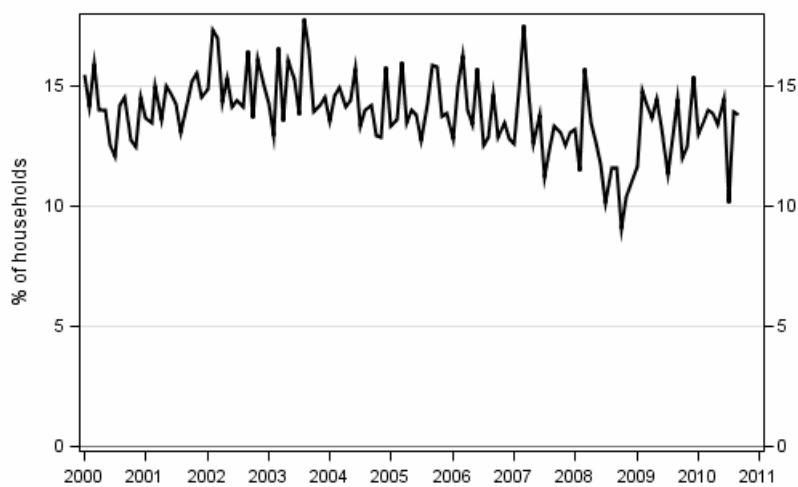
**Appendix figure 7. Favourability of time for**



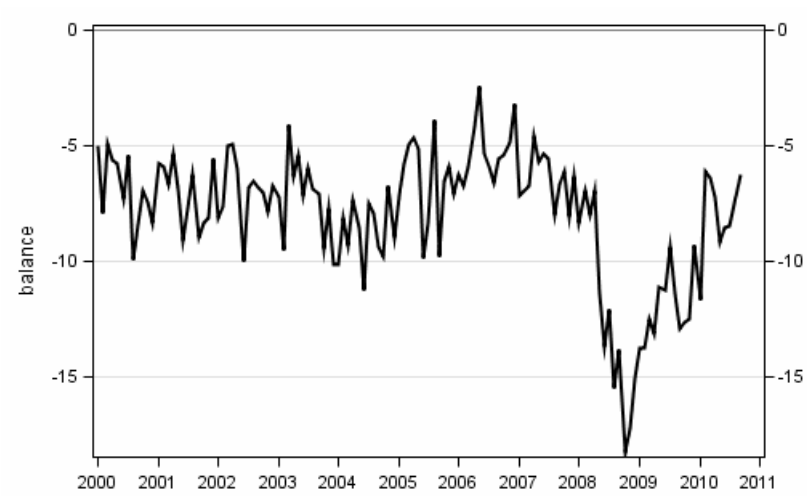
**Appendix figure 8. Household's financial situation**



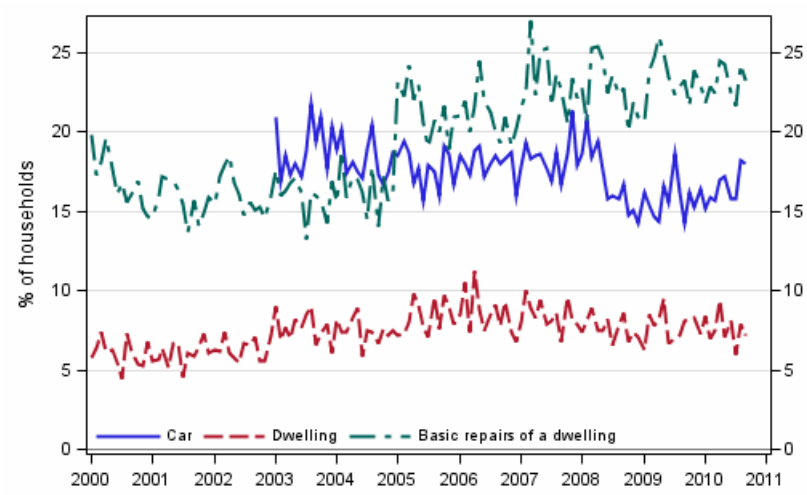
**Appendix figure 9. Intentions to raise a loan, next 12 months**



**Appendix figure10. Spending on durable goods, next 12 months vs last 12 months**



**Appendix figure 11. Intentions to buy, next 12 months**



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Suomen virallinen tilasto  
Finlands officiella statistik  
Official Statistics of Finland

Income and Consumption 2010

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