CURRENT WORK AND PLANS FOR DEVELOPMENT OF NEW ACTIVITIES RELATED TO FGV´s QUALITATIVE SURVEYS

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After nearly four decades of business tendency surveys (BTS), FGV has recently started to work with a consumer tendency survey (CTS). The intention to implement this survey has existed for some time, however, financial constraints at FGV delayed the project. It was not until the middle of 2002 that a good opportunity appeared and the decision was finally made.

As a traditional producer of price indices, FGV, as do similar institutions, conducts, from time to time, a Consumer Expenditure Survey (CES). This is done in order to update FGV´s Consumer Price Index (CPI) basket of goods.

With a new CES in the pipeline, that was scheduled to begin field operation by visiting designated households in October 2002, there was almost no cost in attaching a supplementary questionnaire to be answered by the head of the same household. This questionnaire included the questions usually asked in this kind of a survey. The main reference for selecting the questions was the OCDE harmonized survey[2].

The Consumer Expenditure Survey was planned to, and in fact did, visit approximately 5,000 households in 12 capital cities over four consecutive quarters. The Consumer Tendency Survey questionnaire was applied to half of the households. These households were spread over a wide range of incomes, ages and educational status. This diversity of socio-economic characteristics allowed for differences in consumer perceptions and attitudes.

FGV is currently conducting the fifth CTS round. For the first time, the Consumer Tendency Survey is being distributed not as a supplement but rather as an independent survey, no longer linked to the Expenditure Survey, that has completed its full cycle. The size of the targeted sample was maintained at 2,500 households. The idea is to focus the survey on these same households for the next four quarters. After this period, the intention is to rotate the sample. The other 2.500 households that participated in the CES will then be surveyed and new respondents will be included if necessary.

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[2] Nilsson, R. (2001). **Consumer Surveys, methodology, analytical use and presentation of results**. Paper presented at the IPEA/CEPAL/OECD Workshop on business tendency surveys, Rio de Janeiro, Brazil

The application of the CTS questionnaires, in this fifth round, is partially being made by phone. The CES distribution was entirely done by survey interviewers. For the first few quarters, the survey team will still be adjusting processes in order to obtain reliable and meaningful results. Once this consolidating stage of the project is completed, two new sets of questions may be added to the survey.

The first possibility considered is to include a module of questions related to politics. There is a political science area in FGV that can provide the necessary technical support. Approximately five questions will be asked in order to measure the popularity of the president and the performance of the government in general. The results would then be correlated with the level of economic confidence of the respondents. Although not being a genuinely political poll, covering only 12 among the main capital cities in the country, it could provide valuable insight to better interpret the macroeconomic scenario.

A second possible inclusion could be a selection of three to five commercially oriented questions. These questions could be offered to individual companies or associations interested in obtaining some kind of feedback related to its specific products or to any particular action they plan or have just taken. The formulation of such questions should be based on specific criteria in order to assure compatibility with the spirit of the survey.

Unlike the Sondagem survey, the CTS will produce confidence and expectation indices. Once the statistical series generated by the CTS have accumulated historical records of sufficient size, studies correlating them with the Sondagem series will be performed. When this stage has been reached it will then be possible to make a joint analysis of the results of both surveys.

With respect to the procedures used in the Sondagem Survey, the preliminary agenda for the next three years includes, among other topics, issues related to the classification and weighting of the activities and also to seasonal adjustment of the main series.

The update of the system of weights requires the previous updating of the classification system. The source for the weights is a national survey, conducted by IBGE, the official statistical agency. This survey, that replaced the industrial census, uses a classification system that has been developed during the 1990´s and is slightly different from the previous one. The change of a classification system, although necessary, sometimes implicates in the loss of important series. In order to avoid this loss of continuity, some work must be done to make compatible the two classification systems and in extreme cases, series from the old structure will be maintained.

Seasonal adjustment is not the rule for Brazilian statistics. Only a few surveys disseminate the data before and after seasonal adjustments are made. In the case of business surveys, this kind of data treatment is certainly helpful. At FGV, studies have been made to identify seasonal patterns in the Sondagem series. Capacity utilization, the level of demand and predicted employment are among the series with the sharpest and most stable seasonal factors. The idea is to start with these and gradually extend the procedure to include other series, with less definite structures.

One subject that is currently provoking much interest among Brazilian economy analysts is the investment decision as examined by industrial firms. This topic is normally approached twice a year. In the January round of the survey, the respondents are required to predict, in quantitative terms, by how much the capacity of production of each product will grow during the year and also over the following three years. One quarter later, in April, the question is about the objectives and the motivation for investment, as well as the obstacles. Given the amplified interest in the topic, because of successive frustration in the resumption of economic growth in the past few years, FGV may include in the survey new questions relating to investment decisions or simply repeat those already included more frequently.

As in Europe some years ago, the idea of producing a consolidated survey in Latin America, as the result of the harmonization of surveys conducted by national institutions, has been given much attention. CEPAL[3] has been campaining for this initiative for some time. For FGV to join the project there could possibly be a conflict of interests. The content of the harmonized survey will not coincide with the content of the Sondagem survey. FGV has not only the tradition but also the database and other records of the survey and will not be willing to discontinue to supply this information.

One possibility is to compromise by adding or adapting a small number of questions in the Sondagem survey. Another is to start a new and separate survey, of smaller covarage in terms of questions, directed at a sub-sample of the Sondagem panel. These and other possibilities will be analysed in the short run because CEPAL wants to put in practice the harmonized survey.

Disregarding the issues related to the production of the survey, plans are also being made to use the existing database more extensively. One line of work will seek to find correlations between forecasts made by respondents and the performance of firms in the stock exchange. The survey data would be aggregated until the sector level in order to avoid identification of specific respondents whose information was included in the survey. Then, a test would be made to verify if the

[3] CEPAL is the Economic Commission for Latin América, a branch of the UN.

firms with the best results in the stock market belong to those sectors that presented the best expectations.

Another planned application of the survey data is the monitoring of regional differences in the respective phases of their business cycles. Brazil is a vast country with much diversity in its economic structure. Frequently, because of different sensitivity to macroeconomic shocks, some regions go into recessions before others. Simultaneously, the regional rates of inflation, an indicator that FGV also calculates, may show substantial differences. The differences in business cycles can be observed in line with differences in the corresponding rates of inflation.

Supposing a region is currently in a deeper recession and its inflation rate is higher than the rest of the country, the most adequate prescription for this region might be a monetary relief. But, as a nation, Brazil has a single currency and the same interest rate throughout the country. If the general inflation is far from the target, the Central Bank will raise, not lower, the short term interest rate. The hypothetical region considered above would go even deeper into recession. This kind of dilemma may sound familiar to Europeans.

This article was written in the spirit of a letter of intention as to what can be expected over the next three years. This period of time is sufficient for the implementation of all the items mentioned. However, some of the ideas presented here are not yet at the level of conceptual maturity for implementation in the near future. We must also bear in mind that new priorities can be considered that could make it necessary to reexamine this agenda.