

Does household confidence in the economic situation depend on their “well-being”?

The Consumer Confidence Survey (CAMME) provides information each month on household confidence in the economic situation. Households are asked about their personal situation (financial situation, major purchases intentions, etc.) and their economic environment (standard of living in France, future prospects of unemployment, prices, etc.). Since mid-2016 and in association with the Centre for Economic Research and its Applications (CEPREMAP), a module on “household well-being” has been included every three months in the usual survey questionnaire. The questions asked cover feelings of personal satisfaction: households are asked about their degree of satisfaction with life in general (past, present, future), and in relation to certain topics (state of health, relations with family and at work). The aim is to measure the well-being of the French. To what extent is the “well-being” that emerges from these questions correlated with their opinion on the economic situation, and especially on their personal situation?

Initial results indicate that the degree of confidence that households have in the economic situation is indeed linked with their feeling of satisfaction with life in general. This feeling of satisfaction depends in turn on sociodemographic characteristics, and on households’ opinions on other areas of their personal life (state of health, feeling of security, relationships at work, etc.).

Household confidence in the economic situation is correlated with their “well-being”

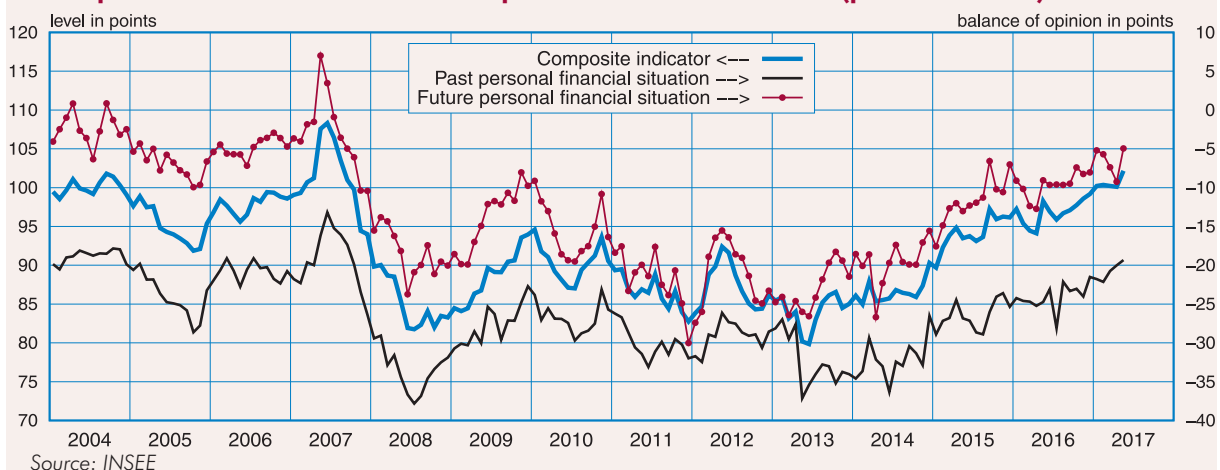
INSEE publishes a composite indicator of household confidence every month. It is calculated as a weighted mean of eight balances of opinion on questions of an economic nature asked in the Monthly Consumer Confidence Survey (CAMME, see [Source](#)): standard of living in France (future and past), personal financial situation (future and past), major purchases intentions, saving capacity (future and past), future prospects of unemployment. Over the long term, fluctuations in this indicator appear similar to those seen in purchasing power gains per consumption unit (INSEE, 2017). This relationship justifies the use of the confidence indicator as an advance indicator of household purchasing power, and hence of household consumption.

Among the different variables selected for the composite indicator, balances relating to personal financial situation, both future and past, are crucial: each one accounts for 20% of the common factor and both are closely correlated to it ([Graph](#)).

While households’ opinion on the economic environment in France depends to a very large extent on the economic outlook (INSEE, 2016), their perception of their personal financial situation is more likely to depend on their own characteristics, their sociodemographic situation and also their feeling of well-being.

The new “household well-being” module in the consumer confidence survey provides an initial evaluation of this relationship. It has twenty new questions; since June 2016, these questions have been included every three months in the usual survey questionnaire. In June, September and December 2016, the 1,800 households in each survey were asked to rate their degree of satisfaction with their lives (“Overall, how satisfied are you with your life?”), whether at present, in years to come or the previous year; more specific questions focus on their satisfaction with various areas of life: state of health, feeling of security, relationships with family, etc. (see [Source](#)).

Composite indicator and balances on personal financial situation (past and future) since 2004



French developments

What is the link between household confidence in the economic situation and households' "well-being" as it emerges from the new module? To answer this question, six of the twenty new variables, covering well-being in general, were first selected: satisfaction with life at present, life in the past and prospects for the future, whether respondents felt happy the day before the survey, satisfaction with standard of living and opinion on what life in France will be like for the next generation. Responses ranged from 0 ("not at all" / "much worse") to 10 ("completely" / "much better"). These six variables appear to be interlinked (Table 1). They are also linked to the two variables on households' personal financial situation, past and future.

To test the relationship between these two types of perception - of the economic situation on the one hand, and of well-being on the other - statistical tests were carried out on the theoretical and empirical distribution of respondents when crossing response modalities.

The more satisfied households are with their prospects for life in the future, the more often they think that their personal financial situation will improve. These results are statistically significant. Tests on other pairs of variables reached the same conclusion: households' opinions on the economic situation and their level of well-being are linked. When an ordered multinomial logistic model is applied, this link is seen to persist when households' sociodemographic characteristics are monitored. The relationship between households' feeling of well-being and their positive economic opinion is therefore not determined only by their sociodemographic situation.

For both men and women, the fact of being young, well-off and in good health reinforces the feeling of well-being

How do households form their opinions on their well-being? To answer this question, a summary indicator was constructed using a simple mean across the six new variables selected for their general nature. For the three surveys conducted since June 2016, the indicator is 6.0 for the entire sample. Dispersion of this indicator across the categories is low; for example, the mean is virtually identical for men (6.1) and women (6.0).

Another Logit statistical model was used to discover how the feeling of well-being, measured using this summary indicator, is dependent on sociodemographic characteristics and on three other responses to questions in the "well-being" module which refer to households' satisfaction regarding work, health and sense of security (Table 2).

Among the sociodemographic characteristics, age and income seem to be fairly determining: the younger the respondent, the higher the summary indicator; the more household income rises, the more the feeling of well-being increases. Lastly, the better the respondent's level of qualifications, the better he perceives his well-being to be. However, all things being equal, gender does not affect the perception of well-being.

For a defined set of sociodemographic characteristics, the more respondents say they are satisfied with their work in general, or the more satisfied they are with their state of health, or the safer they feel, then the better their perception of well-being, as defined by the summary indicator.

Table 1 - Correlation matrix for variables used in the study

	Present life satisfaction	Prospects of future life satisfaction	Past life satisfaction	Happy the day before	Standard of living satisfaction	Opinion on life in France for the next generation	Past personal financial situation	Future personal financial situation
Present life satisfaction	1	0.63	0.61	0.45	0.56	0.22	0.30	0.23
Prospects of future life satisfaction	0.63	1	0.47	0.38	0.46	0.33	0.27	0.30
Past life satisfaction	0.61	0.47	1	0.38	0.46	0.17	0.20	0.14
Happy the day before	0.45	0.38	0.38	1	0.36	0.12	0.15	0.16
Standard of living satisfaction	0.56	0.46	0.46	0.36	1	0.19	0.35	0.21
Opinion on life in France for the next generation	0.22	0.33	0.17	0.12	0.19	1	0.15	0.17
Past personal financial situation	0.30	0.27	0.20	0.15	0.35	0.15	1	0.37
Future personal financial situation	0.23	0.30	0.14	0.16	0.21	0.17	0.37	1

Scope: entire sample, excluding "don't know" responses, i.e. 4,877 respondents.

Source : INSEE, CAMME survey of June, September and December 2016

Many more questions are on the horizon. To what extent will the perceived level of well-being change over time? Will it be in line with the fluctuations in the indicator of confidence in the economic situation and, more generally, will it be procyclical? To what extent do households' sociodemographic characteristics affect

the dynamics of the feeling of well-being that emerges from these surveys? The cyclical analysis of households' responses on their well-being can be continued when there is a sufficiently long timescale to consider. ■

Table 2 - Ordered multinomial Logit model applied to the summary indicator for well-being

		Summary indicator of the well-being "OR" (Odds Ratio)
Moral variables		
Work	very satisfied	2.6
	not satisfied	0.4
	moderately satisfied	ref
Health	very satisfied	2.1
	not satisfied	0.3
	moderately satisfied	ref
Security	very safe	1.7
	not safe	0.4
	moderately safe	ref
Sociodemographic variables		
Age and gender	Women <40	2.0
	Women 40-59	ns
	Women >60	ns
	Men <40	1.6
	Men >60	ns
	Men 40-59	ref
Income	Q1	0.7
	Q3	1.3
	Q4	1.9
	Q2	ref
Qualifications	< elementary school	0.5
	higher education	1.5
	high school	ref

Scope: entire sample, excluding "don't know" responses, i.e. 2,023 respondents.
How to read the table: consider the odds ratio ("OR"): if it is greater than 1, this means that the odds of this category being happier are greater than for the reference category.

"ns" means that the category does not differ significantly from the reference category ("ref").

Households are sorted by income quartile.

Source : INSEE

Bibliography

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Insee (2017), "Electoral periods have a positive albeit short-lived effect on household confidence", *Conjoncture in France*, March, p. 91-93. ■

Source

The Monthly consumer confidence survey (CAMME) provides information each month on household confidence in the economic situation. Households are questioned about both their personal situation (financial situation, major purchases intentions, etc.) and their economic environment (standard of living in France, future prospects of unemployment, prices, etc.). The responses to each question are summarised in a “balance of opinion”. A balance of opinion is calculated as the difference between positive and negative opinions. For example, for the question, “During the last twelve months has the financial situation of your household...”, the balance corresponds to the difference between the percentage of households responding “improved significantly” / “improved slightly” and the percentage of those replying, “deteriorated slightly” / “deteriorated significantly”. A composite indicator of confidence in the economic situation summarises the concomitant change in responses to these different questions. This is useful for economic analysts, both because it is correlated with households’ purchasing power and because it provides information on their propensity to consume in the coming months.

Since mid-2016, in cooperation with the Centre for Economic Research and its Applications (CEPREMAP), a module on “household well-being” has been included in the usual survey questionnaire every three months. Occasionally, other questions are asked on various topics: e.g. housing and the environment.

The questions used here relating to confidence (“economic outlook” module) and those in the “well-being” module are as follows:

Economic outlook module

- (1) Do you think that, over the next twelve months, the financial situation of your household will: improve significantly / improve slightly / remain the same / deteriorate a little / deteriorate significantly / don’t know
- (2) Over the last twelve months, has the financial situation of your household: improved significantly / improved slightly / remained the same / deteriorated slightly / deteriorated significantly / don’t know

Well-being module (variables used for the summary indicator)

- (1) Overall, how satisfied are you with the life you lead at the moment? (from 0 to 10 / don’t know)
- (2) When you think about how your life will be in the years to come, are you satisfied with the prospect? (from 0 to 10 / don’t know)
- (3) And when you think about last year, where do you come on a scale of 0 to 10? (from 0 to 10 / don’t know)
- (4) During the day yesterday, did you feel happy? (from 0 to 10 / don’t know)
- (5) How satisfied are you with your standard of living? (from 0 to 10 / don’t know)
- (6) What do you think life will be like in France for the next generation? (from 0 to 10 / don’t know)

Well-being module (other variables used)

- (1) How satisfied are you with your health? (from 0 to 10 / don’t know)
- (2) How satisfied are you in general with your work? (from 0 to 10 / don’t know / not applicable)
- (3) How safe do you feel when you walk alone at night? (from 0 to 10 / don’t know)