

Explanation of the visualisation of Consumption Conditions

What does the visualisation show?

The visualisation of Consumption Conditions was developed by Statistics Netherlands (CBS) to analyse changes in household consumption in the Netherlands and place them in context. Six indicators, selected on the basis of econometric research, can be used to monitor whether conditions for Dutch household consumption have changed in a favourable or unfavourable direction.

Conditions for consumption are largely determined by consumer expectations, developments on the labour market and in capital. The six indicators were chosen because they are strongly correlated with consumption in the Netherlands and provide an indication of the three areas mentioned above. Due to the variety of indicators, the visualisation offers the possibility to analyse the underlying factors of consumption trends. When they are displayed together in a column chart, the indicators provide an easy-to-interpret overall picture of Dutch household consumption, see figure 1.

The visualisation does not describe a specific reporting period, but provides a picture of consumption conditions at a given point in time. Any adjustments to an underlying indicator will therefore not lead to an adjustment of the consumption picture at a given point in time (the picture has already been taken), but to a different consumption picture at a later point in time.

Relation between indicators and household consumption

The six selected indicators are:

- Consumer expectations regarding changes in unemployment;
- Consumer expectations regarding their financial situation in the coming year;
- Producers' expectations regarding the size of their workforce
- The year-on-year change in the employed labour force;
- The year-on-year change in the prices of existing owner-occupied homes;
- The year-on-year change in Dutch share prices on the Amsterdam Stock Exchange.

The willingness of households to spend money also depends on their expectations for the future. If they are positive about their financial situation and the labour market, they will be more willing to consume.

Developments on the labour market provide an indication of how the purchasing power of households is developing and how this can affect consumption. The change in the employed labour force shows how the labour market has developed. Producers' expectations provide an indication of how employment will develop in the next few months.

Changes in house prices and share prices provide an indication of developments in households' capital position. Positive changes will often lead to higher consumer spending.

How the visualisation works and what it shows

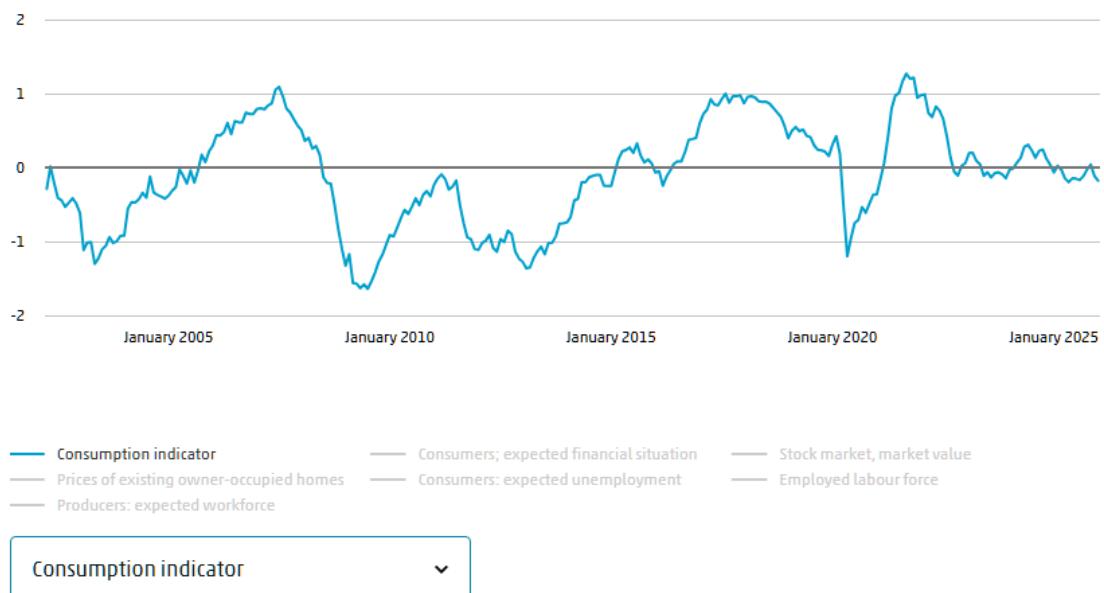
The visualisation presents the six indicators in a stacked column chart (Figure 1). A standardised value is calculated for each indicator. A standardised value above zero means that the indicator has a more favourable value than average. If the value is below zero, the indicator has a less favourable value than average. Figure 1 shows a one-year period.

Consumption conditions (standardised)



Figure 2 shows a time series of the average of the six selected consumption conditions. The time series of the individual indicators can also be selected.

Consumption indicator time series (standardised, unweighted average of the 6 indicators)



It is important to note that the values of the indicators in the visualisation do not necessarily relate to the same reporting period. The visualisation is published once a month. At the time of publication, the most recent figures available for the six indicators are presented, reflecting the prevailing situation at that point in time.

Calculating the standardised values

In order to calculate the standardised values, the long-term average is first subtracted from the original value. Subsequently, the difference is divided by the standard deviation.

The formula is as follows:

Standardised value = (original value – long-term average) / (standard deviation).

Expenditure Conditions

The visualisation of Consumption Conditions is one of the several ways to visualise the consumption conditions published by Statistics Netherlands (CBS). The others are Export Conditions and Investment Conditions.