INDEX CALCULATIONS

Index of Consumer Sentiment

To calculate the Index of Consumer Sentiment (ICS), first compute the relative scores (the percent giving favorable replies minus the percent giving unfavorable replies, plus 100) for each of the five index questions (see x_1 ...x_5 listed below). Round each relative score to the nearest whole number. Using the formula shown below, sum the five relative scores, divide by the 1966 base period total of 6.7558, and add 2.0 (a constant to correct for sample design changes from the 1950s).[1]

$$ICS = \frac{X_1+X_2+X_3+X_4+X_5}{6.7558} + 2.0$$

Index of Consumer Expectations and the Index of Current Economic Conditions

Using the same procedures given above, the Index of Current Economic Conditions (ICC) and the Index of Consumer Expectations (ICE) are calculated as follows.

$$ICC = \frac{X_1+X_5}{2.6424} + 2.0 \qquad ICE = \frac{X_2+X_3+X_4}{4.1134} + 2.0$$

Index Questions

The Index of Consumer Sentiment (ICS) is derived from the following five questions:

x_1 = PAGO_R = "We are interested in how people are getting along financially these days. Would you say that you (and your family living there) are better off or worse off financially than you were a year ago?"

x_2 = PEXP_R = "Now looking ahead--do you think that a year from now you (and your family living there) will be better off financially, or worse off, or just about the same as now?"

x_3 = BUS12_R = "Now turning to business conditions in the country as a whole--do you think that during the next twelve months we'll have good times financially, or bad times, or what?"

x_4 = BUS5_R = "Looking ahead, which would you say is more likely--that in the country as a whole we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression, or what?"

x_5 = DUR_R = "About the big things people buy for their homes--such as furniture, a refrigerator, stove, television, and things like that. Generally speaking, do you think now is a good or bad time for people to buy major household items?"

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[1] *There was no constant added until 1972:4 (except for 1972:1), from 19724 until 1981:11 the constant was 2.7, and from 1981:12 to present the constant is 2.0.*

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Are you interested in using the index questions?

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