

August 2018

Consumer Confidence Rebounds to a Six-Month High

- **Consumer Confidence rebounded in July 2018. In this month, the Consumer Confidence Index (CCI) rose 4.7 percent from 97.1 to a six-month high of 101.6, after dropping by 2.4 percent in the previous survey. Our latest survey reveals that consumers gave more positive assessments on current economic conditions and the state of the job market. In particular, consumer concerns on high foodstuff prices and job scarcity have eased (with the proportion of consumers citing these issues as a concern falling from 73.0 percent to 70.1 percent and from 38.3 percent to 33.9 percent respectively in July).**
- **The two main components which make up the CCI increased in July: the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 9.1 percent to 85.7, as sentiment toward the current state of the economy and the job market improved. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also increased, adding 2.3 percent to 113.6. The increase in this index reflects stronger consumer optimism toward the economy and the job market outlook over the next six months.**
- **With consumers being more upbeat on the national economic outlook, buying intentions for durable goods also increased in July. In our survey, 41.36 percent of consumers expressed plans to purchase a durable good over the next six months, or up from 40.26 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 40.60 percent of consumers expressed plans to purchase a durable good back in July 2017.**
- **Consumer confidence in the government’s ability to carry out its duties strengthened in the July survey. After decreasing 0.4% in the previous survey, the Consumer Confidence in the Government Index (CCGI) added 2.9% to 108.8 in July. All components of the CCGI increased in our latest survey. Furthermore, four CCGI components are still above the neutral level of 100, thereby indicating that consumers are generally convinced in the government’s ability to carry out its duties.**

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THE JULY 2018 RESULTS

Consumer Confidence rebounded in July 2018. In this month, the Consumer Confidence Index (CCI) rose 4.7 percent from 97.1 to a six-month high of 101.6, after falling by 2.4 percent in the previous survey. Our latest survey reveals that consumers gave more positive assessments on current economic conditions and the state of the job market. In particular, consumer concerns on high foodstuff prices and job scarcity have eased (with the proportion of consumers citing these issues as a concern falling from 73.0 percent to 70.1 percent and from 38.3 percent to 33.9 percent respectively in July).

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By region, consumer confidence improved in four of the six regions covered by the survey. Sentiment improved the most in North Sumatra (where the index jumped 17.4 percent to 91.8 in July) followed by West Java (where the index added 12.8 percent to 99.0), East Java (where the index rose 2.9 percent to 103.7), and South Sulawesi (where the index edged up 0.4 percent to 102.2). By contrast, confidence still deteriorated in Jakarta (where the index dropped 2.9 percent to 103.6 in July) and Central Java (where the index slipped 0.5 percent to 103.1).

Consumer sentiment strengthened across different areas. For people living in rural areas the CCI rose by 5.6 percent in July to 97.3, while for people living in rural areas the CCI increased less dramatically by 4.1 percent in July to 103.3. Similarly, consumer confidence also strengthened across income bands. For low-income consumers (incomes below Rp1,500,000/month), the CCI added 8.4 percent to 94.0, while for high-income consumers (incomes above Rp3,000,000 per month), the CCI edged up less dramatically by 2.5 percent to 108.4 in July.

Chart 1. Consumer Confidence Strengthened in July

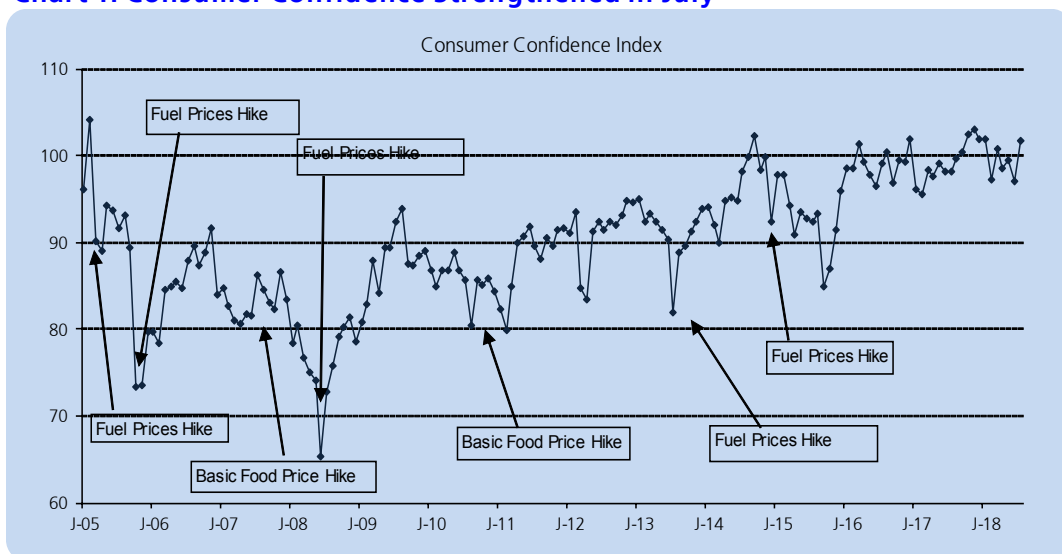


Chart 2. Both Rural and Urban Consumers Were More Upbeat in July

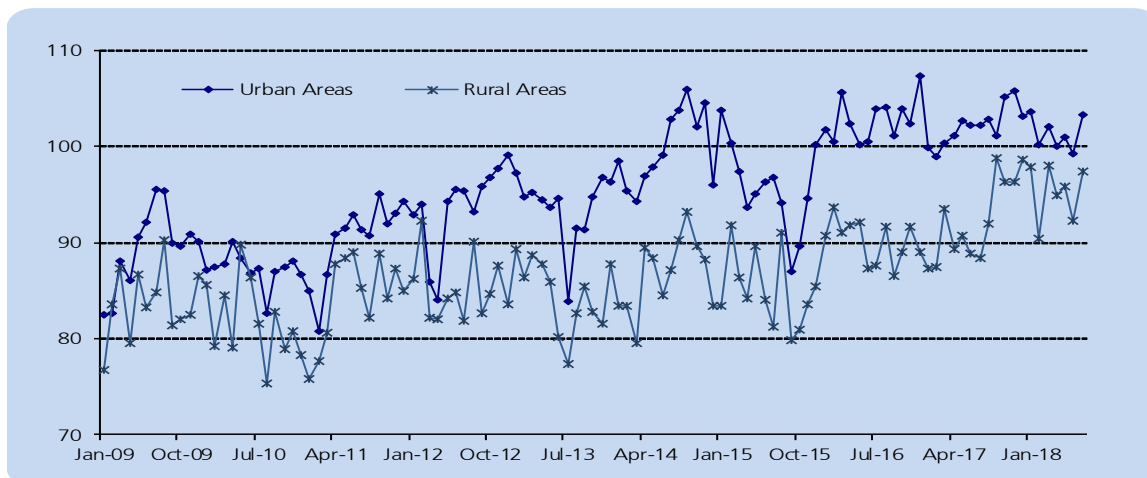


Table 1. The Consumer Confidence Index

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	MoM % Change
Consumer Confidence	100.8	98.5	99.5	97.1	101.6	4.7
Present Situation	82.3	81.4	84.7	78.5	85.7	9.1
Expectation	114.6	111.4	110.6	111.1	113.6	2.3

Appraisals of Current Situations: *More Upbeat on the Economy*

Consumers gave more positive assessments on the current state of the national economy. In our survey, the proportion of consumers who claimed that national economic conditions were “good” increased from 19.0 percent to 21.2 percent, while the proportion of consumers who claimed that national economic conditions were “bad” declined from 35.4 percent to 32.0 percent. Nevertheless, consumers who said that national economic conditions were “normal” increased from 45.5 percent to 46.8 percent. As such, overall, the index added 6.7 percent from 83.6 to 89.2 in July.

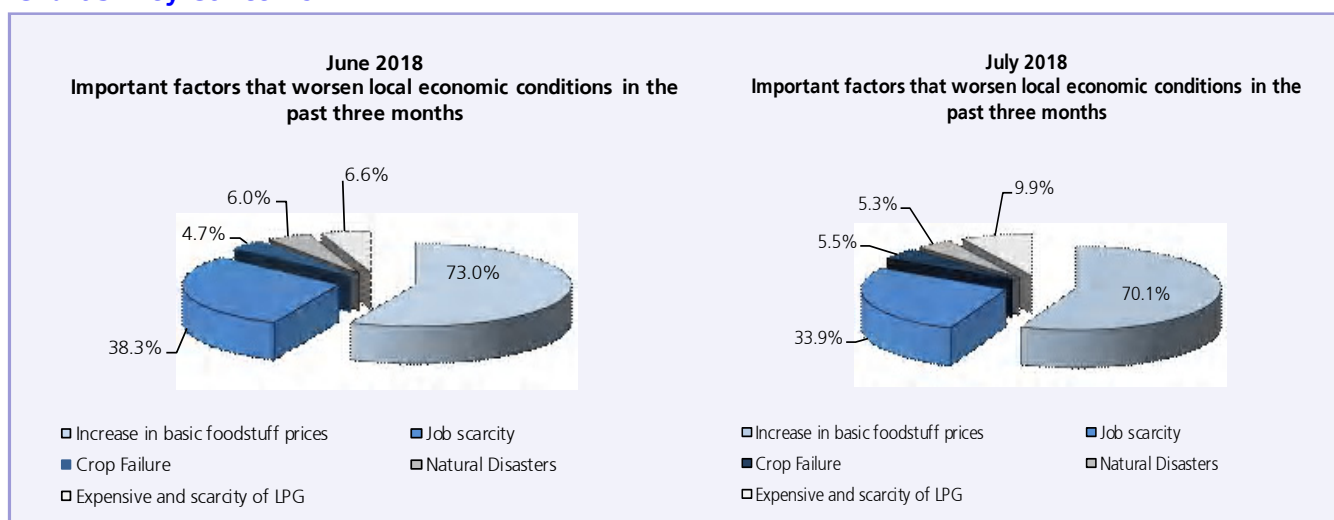
In regard to the current state of the local economy consumer assessments also strengthened (this index added 6.7 percent from 98.4 to 105.0 in July). Nevertheless, consumers remained concerned by several key issues. Most notably, 70.1 percent of consumers still cited high foodstuff prices as a major factor weighing on the local economy in the last three months (albeit down from 73.0 percent in June). At the same time, 33.9 percent of consumers still expressed concerns on job scarcity (albeit down from 38.3 percent in June).

Consumers also gave more positive assessments on the current state of the job market (the index measuring sentiment toward job market conditions climbed 17.5 percent from 53.5 to 62.8 in July). More specifically, fewer consumers claimed that jobs were hard to get (54.9 percent in July vs. 61.1 percent in June) while more consumers claimed that jobs were easy to get (17.7 percent in July vs. 14.6 percent in June). Some 27.0 percent of consumers did not perceive any change in the job market. Nevertheless, the low level of this index still indicates that the job market remains tough and that greater efforts are needed to tackle the perennial problem of unemployment.

Table 2. Appraisal of Current Situations

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	MoM % Change
Economic Conditions	86.1	86.1	86.1	83.6	89.2	6.7
Local Area Economic Conditions	100.4	100.9	103.6	98.4	105.0	6.7
Employment Conditions	60.6	57.3	64.3	53.5	62.8	17.5

Chart 3. Key Concerns



Assessments on Near-Term Conditions: *More Upbeat on the Economic Outlook*

Looking ahead over the next six months, consumers are more optimistic: the Expectations Index (EI) edged up 2.3 percent to 113.6 in July. Furthermore, all components of the EI increased and still remain above the 100 level. This shows that consumers are generally still upbeat on the outlook for the economy and the job market over the next six months.

The component of the EI to increase the most was the one measuring sentiment toward future family incomes. This component of the EI added 3.8 percent to 113.2 in July. In our survey, more consumers expect higher family incomes over the next six months (23.1 percent in July vs 21.4 percent in June) while the proportion of consumers who expect lower family incomes decreased from 12.3 percent to 9.9 percent. But most consumers (66.6 percent) still don't expect any change in the outlook for future family incomes. Overall, the increase in the component of the EI measuring sentiment toward future family incomes was underpinned by stronger optimism toward the job market (this index climbed 0.4 percent to 105.3 in July).

In regard to the national economic outlook, consumers are more optimistic (this component of the EI climbed 3.5 percent to 119.2 in July). As for the local economic outlook, consumers are also more optimistic (this component of the EI edged up by 1.4 percent to 116.8 in July). In more detail, our survey reveals that more consumers were upbeat on the local economic outlook (20.6 percent in July vs. 18.9 percent in June) while around 3.9 percent of consumers were still downbeat. Nevertheless, a large proportion of consumers (75.3 percent) still foresee no change in the local economic outlook over the next six months.

Table 3. Expectations in the Six Months Ahead

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	MoM % Change
Economic Prospects	122.7	116.1	115.9	115.1	119.2	3.5
Local Area Economic Prospects	118.6	116.4	114.6	115.2	116.8	1.4
Employment Prospects	106.3	104.2	104.9	104.9	105.3	0.4
Family Income Prospects	110.6	108.9	107.0	109.1	113.2	3.8

Purchasing Intentions for Durable Goods: *Strengthened*

With consumers being more upbeat on the national economic outlook, buying intentions for durable goods also increased in July. In our survey, 41.36 percent of consumers expressed plans to purchase a durable good over the next six months, or up from 40.26 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 40.60 percent of consumers expressed plans to purchase a durable good back in July 2017.

Of the ten categories tracked by our survey, however, buying intentions only increased in four of them. Most notably, buying intentions for automobiles increased from 0.52 percent in June to 0.70 percent in July. At the same time, buying intentions for audio-visual equipment rose from 3.60 percent to 4.52 percent in July while buying intentions for livestock and home appliances rose moderately in July.

By contrast, buying intentions in five categories of goods declined. Most notably, buying intentions for gold & jewelry and houses declined significantly from 1.57 percent in June to 1.39 percent in July and from 0.87 percent in June to 0.70 percent in July, respectively. In addition, buying intentions for land and bicycles fell moderately in July. At the same time, the proportion of consumers who want to renovate their homes also declined in July. Finally, buying intentions for motorcycles were unchanged in July.

Table 4. Buying intentions

	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Automobile	0.17	0.58	0.41	0.52	0.70
Motorcycle	1.91	2.32	1.39	1.62	1.62
Bicycle	0.23	0.17	0.06	0.17	0.12
House	0.75	0.58	0.64	0.87	0.70
House Renovation	2.38	2.26	2.38	2.73	2.61
Land	0.12	0.29	0.06	0.23	0.17
Audio-visual	3.89	4.47	3.89	3.60	4.52
Home appliance	7.54	7.42	7.95	7.71	8.82
Gold & jewelry	1.10	1.57	1.33	1.57	1.39
Livestock	0.52	0.64	1.16	1.28	1.57

Expectations on Key Economic Variables: *Inflationary Pressure is Expected to Decrease*

In our latest survey, consumers said they expected inflationary pressures to ease slightly over the next six months. Overall, the index measuring consumer sentiment toward general prices edged down 1.3 percent from 185.1 to 182.7 in July. Nevertheless, this index is still higher than it was one year ago when the index stood at 172.0 in July 2017. In part, at least, the fall in this index reflects expectations that prices, especially of foodstuffs and transportation, will return to their normal levels following Ramadan and Idul Fitri.

In regard to interest rates, more consumers foresee higher interest rates over the next six months (31.0 percent in July vs 28.0 percent in June) while only around 7.3 percent of consumers foresee lower interest rates. Meanwhile, 25.1 percent of consumers expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates rose 2.5 percent from 120.6 to 123.7 in July.

As for the rupiah, consumers in the main cities are more pessimistic on the outlook for the local currency. In our survey, the index measuring sentiment toward the rupiah retreated 1.9 percent to 69.7 in July. As for the outlook for stock prices, consumers are also less optimistic that Indonesian stocks will record gains over the next six months (this index edged down 1.5 percent to 114.1 in July).

Table 5. Expectations on Prices

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	MoM % Change
General Prices Expectation	185.6	187.9	188.2	185.1	182.7	-1.3
Interest Rates Expectation	122.3	117.3	121.0	120.6	123.7	2.5
Exchange Rates Expectation	71.1	68.9	73.4	71.1	69.7	-1.9
Stock Prices Expectation	110.7	110.6	108.7	115.9	114.1	-1.5

Confidence in the Government: *Strengthened*

Consumer confidence in the government's ability to carry out its duties strengthened in the July survey. After decreasing 0.4% in the previous survey, the Consumer Confidence in the Government Index (CCGI) added 2.9% to 108.8 in July. All components of the CCGI increased in our latest survey. Furthermore, four CCGI components are still above the neutral level of 100, thereby indicating that consumers are generally convinced in the government's ability to carry out its duties.

The component of the CCGI to increase the most in July was the one measuring sentiment toward the government's ability to ensure a safe and orderly environment. The relevant index rose 4.7 percent from 110.9 to 116.1 in July. Also up was the component of the CCGI measuring sentiment toward the government's ability to spur economic growth. This index edged up by 3.8 percent from 102.1 to 105.9. Furthermore, the component of the CCGI measuring sentiment toward the government's ability to provide and maintain public infrastructure climbed 1.7 percent from 117.4 to 119.5.

At the same time, the component of the CCGI measuring sentiment toward the government's ability to enforce the rule of law also increased. This index edged up by 1.2 percent from 110.0 to 111.3 in July. The component of the CCGI measuring sentiment toward the government's ability to stabilize prices also increased in July (the relevant index rose 3.3 percent from 88.1 to 91.0 in July). These findings are encouraging since both components have dragged down consumer sentiment toward the government in the past.

Table 6. Confidence Toward The Current Government

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	MoM % Change
Recovery National Economy	108.8	104.1	102.8	102.1	105.9	3.8
Stabilize the Price of Goods	88.8	83.7	86.5	88.1	91.0	3.3
Provide and maintain public infrastructure	120.0	121.0	119.3	117.4	119.5	1.7
Ensure a safe and orderly environment	113.4	115.8	115.0	110.9	116.1	4.7
Enforce the rule of law	107.1	106.8	107.0	110.0	111.3	1.2
CCGI	107.6	106.3	106.1	105.7	108.8	2.9

* Note: Starting in April 2007, the Consumer Confidence in the Government Index (CCGI) has been adjusted to the year of 2003 = 100

TABLE 7. CCI - COMPOSITE SERIES

CCI by Regions	Jun-18	Jul-18	MoM %Change
National			
Consumer Confidence Index	97.1	101.6	4.7
Present Situation	78.5	85.7	9.1
Expectations	111.1	113.6	2.3
Jakarta			
Consumer Confidence Index	117.5	114.1	-2.9
Present Situation	96.9	94.4	-2.6
Expectations	133.0	128.9	-3.0
West Java			
Consumer Confidence Index	87.7	99.0	12.8
Present Situation	59.3	74.5	25.7
Expectations	109.0	117.3	7.6
Central Java			
Consumer Confidence Index	103.6	103.1	-0.5
Present Situation	88.0	88.9	1.0
Expectations	115.3	113.8	-1.4
East Java			
Consumer Confidence Index	100.7	103.6	2.9
Present Situation	92.1	102.3	11.0
Expectations	107.0	104.5	-2.4
North Sumatera			
Consumer Confidence Index	78.2	91.8	17.4
Present Situation	46.1	63.8	38.4
Expectations	102.3	112.8	10.3
South Sulawesi			
Consumer Confidence Index	101.8	102.2	0.4
Present Situation	94.6	92.7	-2.0
Expectations	107.2	109.2	1.9

TABLE 8: NATIONAL FIGURES

CCI by Classification	Respondent Profile (%)	Jun-18	Jul-18	MoM %Change
Age of Respondents				
20-29	15.7	101.9	105.6	3.7
30-39	26.9	96.5	102.6	6.3
40-49	27.7	97.1	101.0	4.0
50-59	20.9	94.0	100.1	6.4
60 and over	8.5	96.8	97.1	0.3
Educational Level				
Primary School or less	30.6	90.9	95.1	4.6
High School	60.5	98.6	103.6	5.0
Academy/University	8.9	111.4	110.9	-0.5
Households Income				
under RP 1.500.000,-	10.2	86.7	94.0	8.4
Rp 1.500.001-3.000.000	52.6	93.8	98.4	4.8
Rp 3.000.001,- and over	37.2	105.8	108.4	2.5
Type Area				
Urban	72.7	99.2	103.3	4.1
Rural	27.3	92.2	97.3	5.6
Gender				
Male	50.1	97.7	101.8	4.1
Female	49.9	96.5	101.5	5.2
Occupation				
Worker	29.1	102.7	103.0	0.4
Self employed	34.9	93.8	101.2	7.9
Unemployed	35.6	96.3	100.9	4.8

* An index reading above 100 indicates that positives responses outnumber negative responses

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