

February 2016

**Consumer Confidence Climbs to a Fourteen-month High**

- **Consumer confidence rose to a fourteen-month high in January 2016 – its fourth straight monthly increase. As a result, the Consumer Confidence Index (CCI) now stands at 98.5, up 2.8% over the previous month, as consumer concerns over high fuel prices and fuel scarcity eased significantly (in our latest survey, only 6.5% of consumers cited this issue as a major concern in January 2016 vis-à-vis 11.6% in December 2015). In another positive development, consumer concerns over job scarcity also eased (down from 28.4% to 26.9%) while fewer consumers were worried by the prospect of drought (down from 5.7% to 4.5%).**
- **The two main components of the CCI posted increases in January 2016. The first one – the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 2.2 percent to 78.6, as sentiment toward both the current state of the economy and the job market improved. The other component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – climbed 3.1 percent to 113.5, a reflection of stronger consumer optimism toward the overall economic outlook over the next six months.**
- **With consumers more upbeat on the country's overall economic outlook, buying intentions for durable goods increased further in January 2016. In our latest survey, 32.3 percent of consumers expressed plans to purchase a durable good over the next six months, up from 31.6 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher, since only 31.7 percent of consumers expressed plans to purchase a durable good back in January 2015.**
- **Consumer confidence in the government's ability to carry out its duties weakened in the January 2016 survey. After increasing 0.6 percent in the previous survey, the Consumer Confidence in the Government Index (CCGI) edged down 1.1 percent to 92.8. This index is also lower than its level one year ago. Of the five components that make up the CCGI, only one increased, while four declined.**

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**THE JANUARY 2015 RESULTS**

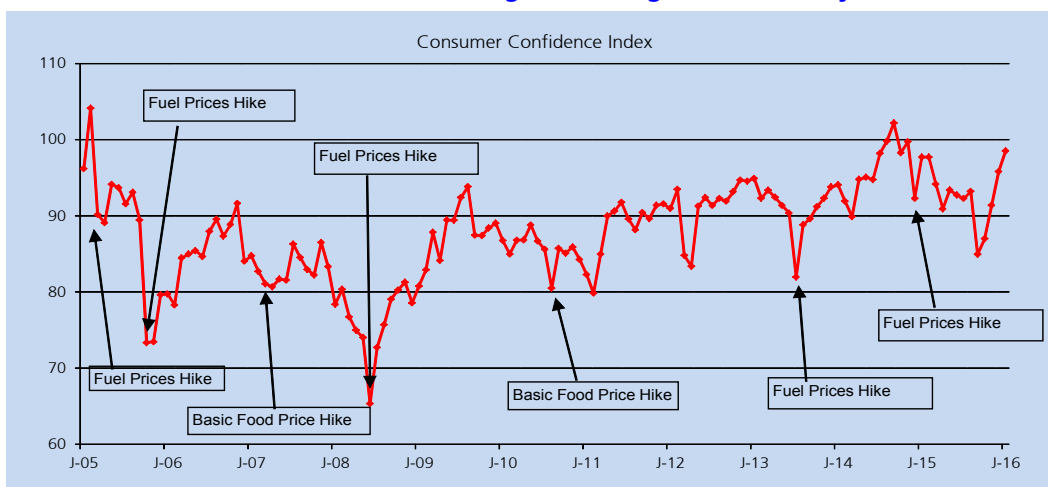
Consumer confidence rose to a fourteen-month high in January 2016 – its fourth straight monthly increase. As a result, the Consumer Confidence Index (CCI) now stands at 98.5, up 2.8% over the previous month, as consumer concerns over high fuel prices and fuel scarcity eased significantly (in our latest survey, only 6.5% of consumers cited this issue as a major concern in January 2016 vis-à-vis 11.6% in December 2015). In another positive development, consumer concerns over job scarcity also eased (down from 28.4% to 26.9%) while fewer consumers were worried by the prospect of drought (down from 5.7% to 4.5% in January 2016).

The two main components of the CCI posted increases in January 2016. The first one – the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 2.2 percent to 78.6, as sentiment toward both the current state of the economy and the job market improved. The other component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – climbed 3.1 percent to 113.5, a reflection of stronger consumer optimism toward the overall economic outlook over the next six months.

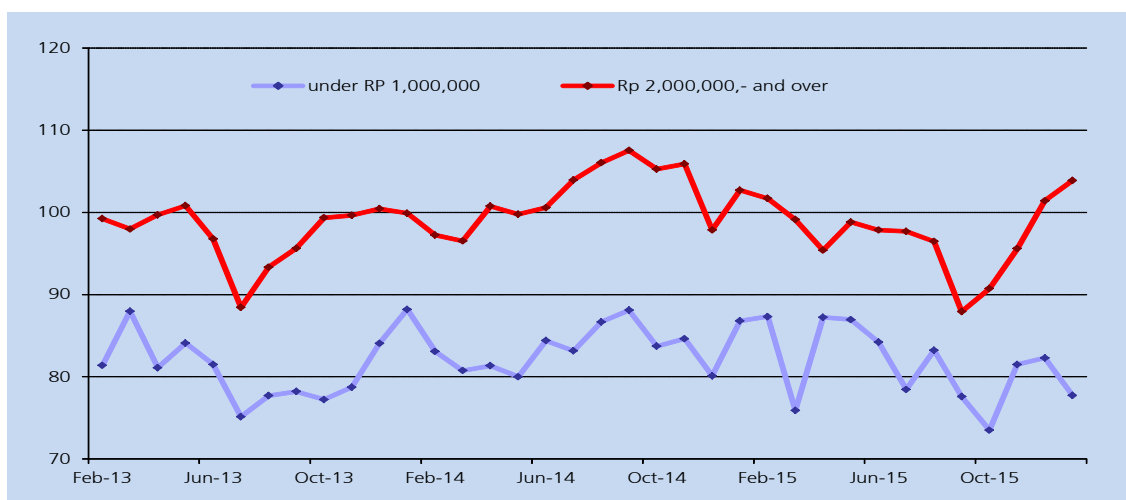
By region, consumer confidence strengthened in five of the six regions covered by the survey. Sentiment improved the most in South Sulawesi (where the index jumped 8.4 percent to 102.0 in January 2016), followed by Central Java (where the index rose 6.9% to 100.8), North Sumatra (where the index added 4.5 percent to 91.2), East Java (where the index climbed 3.1 percent to 97.7), and Jakarta (where the index edged up 0.5 percent to 116.0). By contrast, confidence deteriorated in West Java (where the index retreated 6.5 percent to 89.0). In our survey, consumers in West Java were more worried by the prospect of drought than consumers in the other regions.

Overall, consumers with income levels above Rp2,000,000 per month were more upbeat than consumers with low incomes (incomes below Rp1,000,000/month). The survey shows that the CCI for high income consumers added 2.4 percent to 103.9 in January 2016, while the CCI for low income consumers actually fell 5.6 percent to 77.7. Changes in confidence were also varied between rural and urban areas. While the CCI for rural consumers rose 6.1 percent to 90.7 in January 2016, the CCI for urban consumers only managed a modest 1.7 percent increase to 101.8.

**Chart 1. Consumer Confidence Strengthened Again in January 2016**



**Chart 2. High Income Consumers were More Upbeat in January 2016**



**Table 1. The Consumer Confidence Index**

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM % Change
Consumer Confidence	85.0	87.0	91.4	95.8	98.5	2.8
Present Situation	61.0	62.6	69.3	76.9	78.6	2.2
Expectation	102.9	105.3	108.0	110.0	113.5	3.1

**Appraisal of Current Situations: *More Positive on the Economy***

Consumers were more positive on the current state of the national economy in our latest survey (this index added 1.9 percent to 70.0). In our survey, the proportion of consumers who claimed that national economic conditions were “good” stayed at 13.3 percent, while the proportion of consumers claiming that national economic conditions were “bad” declined from 44.7 percent to 43.4 percent. Nevertheless, a significant proportion of consumers (43.3 percent) still said that national economic conditions were “normal”.

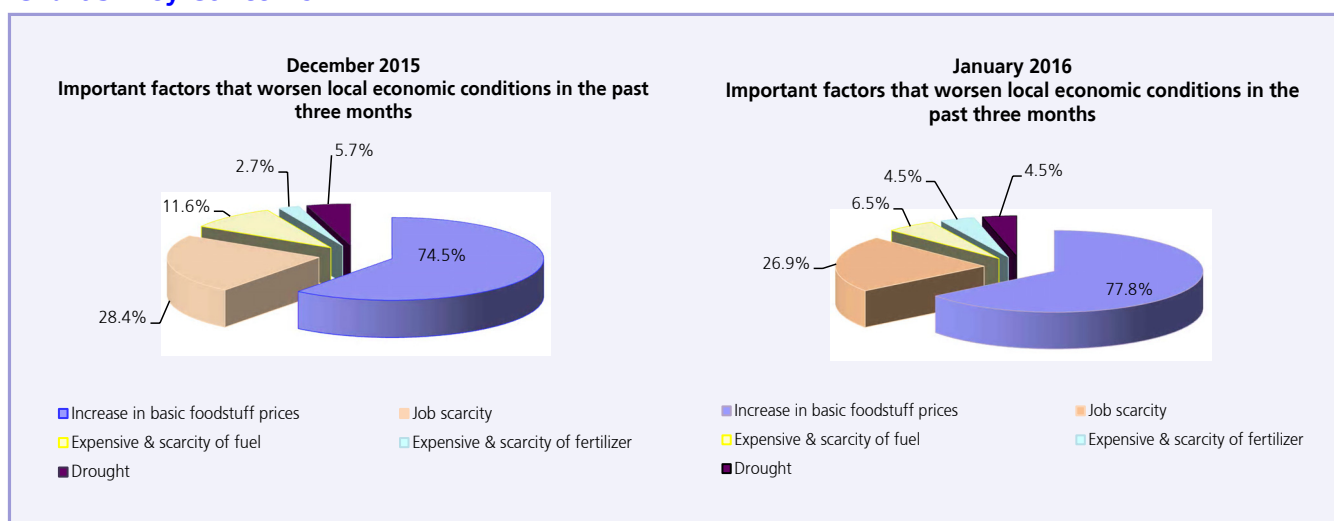
In regard to the current state of the local economy, consumers also gave more positive assessments (this index rose 1.9 percent from 97.0 to 98.8 in January 2016). However, several issues continued to worry consumers in January. Most notably, 77.8 percent of them still cited high foodstuff prices as a major factor weighing on the local economy in the last three months. Besides this, 26.9 percent of consumers mentioned job scarcity as a main concern, while 4.5 percent are worried by drought (down from 5.7 percent in December 2015).

In the January 2016 survey, consumers also gave less downbeat assessments on the job market (the index measuring sentiment toward job market conditions rose 2.9 percent to 66.9). Despite this improvement, however, our survey also reveals that around 53.2% of consumers claimed that jobs were hard to get – or far surpassing the 20.1 percent of consumers who claimed that jobs were easy to get. Furthermore, it should be noted that this index is still way below 100, suggesting that the job market remains tough and that greater efforts are still needed to tackle the perennial problem of unemployment.

**Table 2. Appraisal of Current Situations**

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM % Change
Economic Conditions	50.8	50.8	60.0	68.6	70.0	1.9
Local Area Economic Conditions	82.9	86.7	89.6	97.0	98.8	1.9
Employment Conditions	49.2	50.3	58.3	65.0	66.9	2.9

**Chart 3. Key Concerns**



**Assessments on Near-Term Conditions: *More Upbeat on the Economy***

Looking ahead over the next six months, consumers are more optimistic on the country’s economic outlook. The Expectations Index (EI) climbed 3.1 percent to 113.5 in January 2016. Moreover, all components of the EI posted increases. And it is also the case that all components of the EI are still above the 100 level, suggesting that consumers are still generally upbeat on the outlook for the economy and the job market.

In the January 2016 survey, consumers are more optimistic on the national economic outlook. This component of the EI rose 6.8 percent to 119.7. Indeed, our survey reveals that more consumers are upbeat on the national economic outlook (27.3% in January 2016 vs. 21.2% in December 2015) while only 7.5% of consumers were downbeat (down from 9.2 percent). Nevertheless, 65.1 percent of consumers still foresee no change in national economic conditions over the next six months. For the local economy, consumers are also more upbeat on its prospects: this index added 3.1 percent to 115.4.

In regard to the job market outlook, consumers are also more upbeat. This index climbed 0.1 percent to 108.8 in January 2016. Indeed, our survey shows that more consumers expect jobs to be easier to get (16.6% in January 2016 vs. 15.5% in December 2015), while only 7.8 percent of consumers expect jobs to be hard to get. With a brighter job market outlook, more consumers foresee better prospects for family incomes (23.8 percent in January 2016 vs. 21.2 percent in December 2015). At the same time, however, most consumers (62.3 percent) still expect no change in future family incomes. As such, overall, the index measuring sentiment toward future family incomes edged up 2.5 percent to 110.0.

**Table 3. Expectations in the Six Months Ahead**

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM % Change
Economic Prospects	103.9	107.7	111.4	112.1	119.7	6.8
Local Area Economic Prospects	107.0	107.5	110.6	112.0	115.4	3.1
Employment Prospects	101.2	104.4	105.3	108.8	108.8	0.1
Family Income Prospects	99.6	101.7	104.6	107.3	110.0	2.5

### Purchasing Intentions for Durable Goods: *Increased Further*

With consumers more upbeat on the country's overall economic outlook, buying intentions for durable goods increased further in January 2016. In our latest survey, 32.3 percent of consumers expressed plans to purchase a durable good over the next six months, up from 31.6 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher, since only 31.7 percent of consumers expressed plans to purchase a durable good back in January 2015.

Of the ten categories tracked by our survey, buying intentions increased in three of them. Most notably, buying intentions for houses more than doubled from 0.58 percent to 1.28 percent. Meanwhile, the proportion of consumers who want to buy a motorcycle increased significantly in January 2016 (from 2.09 percent to 2.38 percent), while the proportion of consumers who want to buy an audio-visual equipment increased moderately (from 2.49 percent to 3.31 percent).

By contrast, buying intentions for some items still decreased. For example, buying intentions for bicycles declined significantly from 0.64 percent to 0.23 percent in January 2016. Meanwhile, buying intentions for home appliances declined moderately from 6.90 percent to 6.26 percent in January 2016. Our latest survey also shows that fewer consumers expressed an interest in buying land and gold & jewelry. Finally, the proportion of consumers who expressed an interest in wanting to renovate their homes decreased from 2.9 percent to 2.4 percent in January 2016.

**Table 4. Buying intentions**

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
Automobile	0.70	0.35	0.46	0.81	0.46
Motorcycle	1.57	1.74	1.97	2.09	2.38
Bicycle	0.41	0.06	0.17	0.64	0.23
House	0.81	0.41	0.58	0.58	1.28
House Renovation	2.38	1.62	2.20	2.90	2.44
Land	0.17	0.06	0.23	0.35	0.29
Audio-visual	3.48	3.94	2.90	2.49	3.31
Home appliance	7.08	6.79	5.57	6.90	6.26
Gold & jewelry	0.87	1.10	0.58	1.16	0.87
Livestock	0.75	0.64	0.29	0.58	0.29

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

In our latest survey, consumers said they expected inflationary pressures to ease further over the next six months. Overall, the index measuring consumer sentiment toward general prices retreated 3.9 percent to 178.0 in January 2016. Furthermore, this index is also lower than its level one year ago. The expectation of lower prices is unsurprising, however, since the prices of certain products, especially foodstuffs and clothing, usually adjust to their normal levels once the Christmas and New Year festivities have passed. Furthermore, the decline in this index may also be attributable to expectations that foodstuff prices will fall due to greater supply of foodstuffs because of the onset of the harvesting season in February.

In regard to interest rates, fewer consumers foresee higher interest rates over the next six months (31.8 percent in January 2016 vs. 37.8 percent in December 2015), while more consumers foresee lower interest rates (7.9 percent in January 2016 vs. 4.9 percent in December 2015). At the same time, a significant portion of consumers (21.5 percent) still expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates retreated 6.7 percent to 123.9.

As for the rupiah, consumers in the main cities are less pessimistic on the outlook for the local currency. In our survey, the index measuring sentiment toward the rupiah jumped 15.3 percent to 78.0 in January 2016. In regard to the outlook for stock prices, however, consumers are less confident that Indonesian stocks will record gains over the next six months (this index retreated 3.0 percent to 118.3).

**Table 5. Expectations on Prices**

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM % Change
General Prices Expectation	189.8	185.2	186.1	185.3	178.0	-3.9
Interest Rates Expectation	126.2	123.4	123.7	132.9	123.9	-6.7
Exchange Rates Expectation	70.2	81.7	75.8	67.7	78.0	15.3
Stock Prices Expectation	111.4	110.2	115.4	121.9	118.3	-3.0

**Confidence in the Government: Weakened**

Consumer confidence in the government's ability to carry out its duties weakened in the January 2016 survey. After increasing 0.6 percent in the previous survey, the Consumer Confidence in the Government Index (CCGI) edged down 1.1 percent to 92.8. This index is also lower than its level one year ago. Of the five components that make up the CCGI, only one increased, while four declined.

The component of the CCGI to decline the most was the one measuring sentiment toward the government's ability to ensure a safe and orderly environment (it dropped 2.7 percent to 100.8 in January 2016). Also down was the component of the CCGI measuring sentiment toward the government's ability to stabilize prices (it retreated 2.0 percent to 72.6 in January 2016). The component of the CCGI measuring sentiment toward the government's ability to provide and maintain public infrastructure, and the component of the CCGI measuring sentiment toward the government's ability to enforce the rule of law also declined in January 2016.

By contrast, however, the component of the CCGI measuring sentiment toward the government's ability to spur economic growth was higher: it added 2.1 percent from 95.2 to reach a nine-month high of 97.2. Furthermore, this component of the CCGI has now increased in eight consecutive surveys, suggesting that consumers have much greater faith in the government's ability to spur economic growth.

**Table 6. Confidence Toward The Current Government**

	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	MoM %Change
Recovery National Economy	85.5	86.6	91.6	95.2	97.2	2.1
Stabilize the Price of Goods	63.7	65.2	74.1	74.1	72.6	-2.0
Maintain Public Infrastructure	107.1	104.2	109.3	109.0	107.2	-1.6
Provide A Sense of Safety	101.1	98.3	102.4	103.6	100.8	-2.7
Provide A Sense of Certainty	80.8	80.8	89.5	87.7	86.4	-1.4
CCGI	87.6	87.0	93.3	93.9	92.8	-1.1

\* 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	Dec-15	Jan-16	MoM %Change
<b>National</b>			
Consumer Confidence Index	91.4	95.8	4.9
Consumer Confidence Index Present Situation	95.8	98.5	2.8
Consumer Confidence Index Expectations	76.9	78.6	2.2
Consumer Confidence Index	110.0	113.5	3.1
<b>Jakarta</b>			
Consumer Confidence Index	115.5	116.0	0.5
Consumer Confidence Index Present Situation	95.8	94.0	-2.0
Consumer Confidence Index Expectations	130.2	132.6	1.9
<b>West Java</b>			
Consumer Confidence Index	95.2	89.0	-6.5
Consumer Confidence Index Present Situation	63.2	58.3	-7.9
Consumer Confidence Index Expectations	119.3	112.1	-6.0
<b>Central Java</b>			
Consumer Confidence Index	94.3	100.8	6.9
Consumer Confidence Index Present Situation	77.5	83.1	7.2
Consumer Confidence Index Expectations	106.8	114.0	6.7
<b>East Java</b>			
Consumer Confidence Index	94.8	97.7	3.1
Consumer Confidence Index Present Situation	79.9	84.4	5.6
Consumer Confidence Index Expectations	105.9	107.6	1.6
<b>North Sumatera</b>			
Consumer Confidence Index	87.3	91.2	4.5
Consumer Confidence Index Present Situation	61.5	62.5	1.6
Consumer Confidence Index Expectations	106.7	112.8	5.7
<b>South Sulawesi</b>			
Consumer Confidence Index	94.1	102.0	8.4
Consumer Confidence Index Present Situation	89.0	94.0	5.6
Consumer Confidence Index Expectations	97.9	108.0	10.3

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

TABLE 8: NATIONAL FIGURES

CCI by Classification	Respondent Profile (%)	Dec-15	Jan-16	MoM %Change
<b>Age of Respondents</b>				
20-29	19.4	101.1	102.7	1.6
30-39	25.5	95.7	100.7	5.2
40-49	29.5	96.8	96.7	-0.1
50-59	17.5	92.5	95.6	3.3
60 and over	8.3	90.4	94.7	4.8
<b>Educational Level</b>				
Primary School or less	34.5	89.6	91.4	2.0
High School	57.9	98.0	101.7	3.7
Academy/University	7.5	108.3	107.0	-1.2
<b>Households Income</b>				
under RP 1.000.000,-	4.9	82.3	77.7	-5.6
Rp. 1.000.001 - 1.500.000,-	10.7	84.8	89.9	6.0
Rp 1.500.001 - 2.000.000,-	26.9	90.3	94.2	4.4
Rp 2.000.001,- and over	57.5	101.4	103.9	2.4
<b>Type Area</b>				
Urban	70.6	100.1	101.8	1.7
Rural	29.4	85.5	90.7	6.1
<b>Gender</b>				
Male	49.9	95.1	98.9	4.0
Female	50.1	96.5	98.1	1.7
<b>Occupation</b>				
Worker	28.6	95.9	101.8	6.2
Self employed	34.0	93.7	98.0	4.6
Unemployed	37.2	97.9	96.4	-1.5



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