

November 2018

Consumers Less Upbeat in October

- **Consumer Confidence weakened in October 2018.** In this month, the Consumer Confidence Index (CCI) fell by 3.2 percent from 101.5 to 98.2, after increasing by 4.1 percent in the previous survey. Our latest survey reveals that consumers gave more negative assessments on current economic conditions. They were also more negative on the outlook for the job market and their family incomes. Our survey also shows that consumer concerns on crop failure increased in the October survey. On a less negative note, however, fewer consumers were worried by the prospect of increases in the prices of foodstuffs and LPG.
- **The two main components which make up the CCI declined in October:** the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), fell 4.4 percent to 83.9, as sentiment toward the current state of both the national and local economy deteriorated. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also declined, falling 2.5 percent to 109.0. The fall in this index reflects weaker consumer optimism toward the local economy and the job market outlook over the next six months.
- **Although consumers are more upbeat on the national economic outlook, buying intentions for durable goods still declined in October.** This is partly due to less optimistic assessments on the local economic outlook. In our survey, 44.37 percent of consumers expressed plans to purchase a durable good over the next six months, or down from 44.61 percent in the previous month. Nevertheless, on a yearly comparison, buying intentions for durable goods are still higher since only 42.05 percent of consumers expressed plans to purchase a durable good back in October 2017.
- **Consumer confidence in the government's ability to carry out its duties strengthened further in the October survey.** After increasing 1.5% in the previous survey, the Consumer Confidence in the Government Index (CCGI) climbed 4.2% to 111.2 in October. All components of the CCGI increased in our latest survey. Furthermore, four CCGI components are above the neutral level of 100, thereby indicating that consumers are generally still convinced in the government's ability to carry out its duties.

ASTI SUWARNI

Analyst

(62-21) 29555777/ 888 ext 3608

asti@danareksa.com

MARTIN JENKINS

Analyst

(62-21) 29555777/ 888 ext 3609

martin@danareksa.com

www.danareksa-research.com

THE OCTOBER 2018 RESULTS

Consumer Confidence weakened in October 2018. In this month, the Consumer Confidence Index (CCI) fell by 3.2 percent from 101.5 to 98.2, after increasing by 4.1 percent in the previous survey. Our latest survey reveals that consumers gave more negative assessments on current economic conditions. They were also more negative on the outlook for the job market and their family incomes. Our survey also shows that consumer concerns on crop failure increased in the October survey. On a less negative note, however, fewer consumers were worried by the prospect of increases in the prices of foodstuffs and LPG.

The two main components which make up the CCI declined in October: the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), fell 4.4 percent to 83.9, as sentiment toward the current state of both the national and local economy deteriorated. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also declined, falling 2.5 percent to 109.0. The fall in this index reflects weaker consumer optimism toward the local economy and the job market outlook over the next six months.

By region, consumer confidence deteriorated in three of the six regions covered by the survey. Sentiment deteriorated the most in South Sulawesi (where the index plunged 7.2 percent to 90.4 in October), followed by West Java (where the index declined 13.3 percent to 88.3), and Jakarta (where the index edged down 3.5 percent to 106.8). By contrast, confidence still improved in North Sumatra (where the index rose 2.5 percent to 91.6 in October), Central Java (where the index added 2.0 percent to 107.8), and East Java (where the index climbed 0.3 percent to 107.6).

Consumer sentiment also weakened across different areas. For people living in rural areas the CCI retreated 6.3 percent in October to 95.6, while for people living in urban areas the CCI decreased less dramatically by 1.9 percent to 99.3. Similarly, consumer confidence also weakened across income bands. For low-income consumers (incomes below Rp1,500,000/month), the CCI edged down 3.9 percent to 88.8, while for high-income consumers (incomes above Rp3,000,000 per month), the CCI fell less dramatically by 2.7 percent to 105.3 in October.

Chart 1. Consumer Confidence Weakened in October

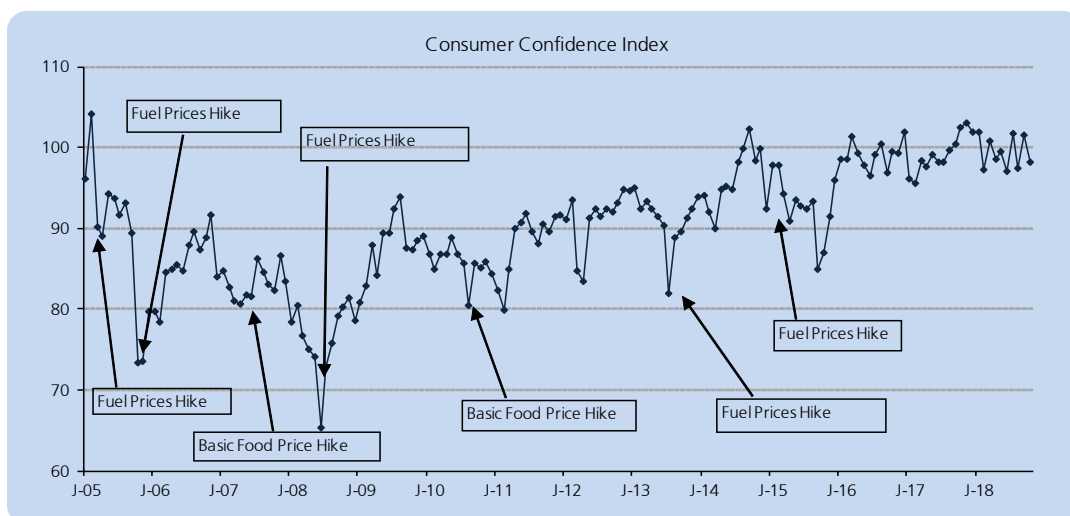


Chart 2. Both Rural and Urban Consumers Were More Downbeat in October

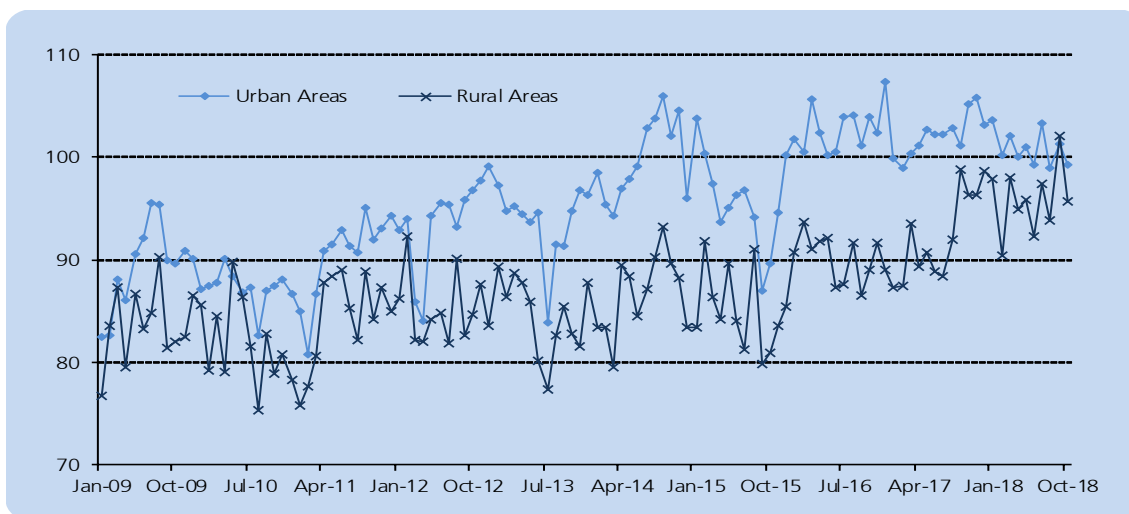


Table 1. The Consumer Confidence Index

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	MoM % Change
Consumer Confidence	97.1	101.6	97.5	101.5	98.2	-3.2
Present Situation	78.5	85.7	81.0	87.7	83.9	-4.4
Expectation	111.1	113.6	109.9	111.8	109.0	-2.5

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

Consumers gave more negative assessments on the current state of the national economy. In our survey, the proportion of consumers who claimed that national economic conditions were “good” decreased from 23.8 percent to 17.4 percent, while the proportion of consumers who claimed that national economic conditions were “bad” increased from 30.3 percent to 33.8 percent. Nevertheless, consumers who said that national economic conditions were “normal” increased from 45.7 percent to 48.7 percent. As such, overall, the index plunged 10.5 percent from 93.5 to 83.6 in October.

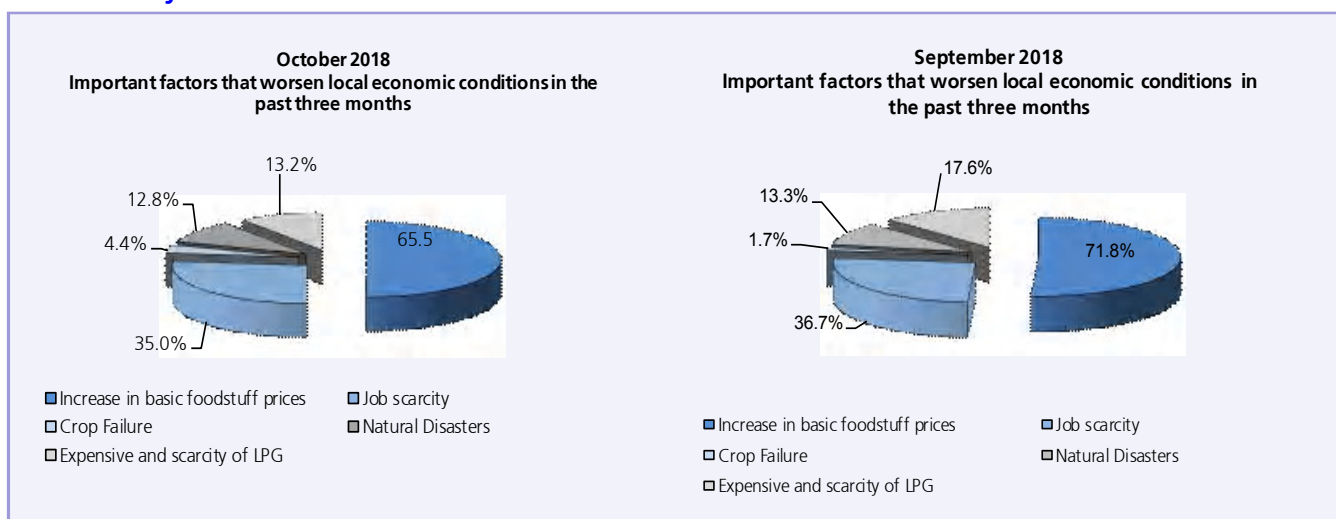
Consumers also gave more negative assessments on the current state of the local economy (the relevant index retreated 4.4 percent from 109.9 to 105.0 in October). Furthermore, our survey showed that consumers still remained concerned by several key issues. Most notably, 65.5 percent of consumers still cited high foodstuff prices as a major factor weighing on the local economy in the last three months (albeit down from 71.8 percent in September). At the same time, 35.0 percent of consumers expressed concerns on job scarcity (albeit down from 36.7 percent in September).

In regard to the current state of the job market, however, consumer assessments strengthened (the relevant index added 5.4 percent from 59.7 to 63.0 in October). More specifically, fewer consumers claimed that jobs were hard to get (52.5 percent in October vs. 56.8 percent in September) while around 15.5 percent of consumers still claimed that jobs were easy to get. In addition, some 32.0 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

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	MoM % Change
Economic Conditions	83.6	89.2	87.8	93.5	83.6	-10.5
Local Area Economic Conditions	98.4	105.0	99.9	109.9	105.0	-4.4
Employment Conditions	53.5	62.8	55.3	59.7	63.0	5.4

Chart 3. Key Concerns



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

Looking ahead over the next six months, consumers are less optimistic: the Expectations Index (EI) edged down 2.5 percent to 109.0 in October. Furthermore, all components of the EI declined in October, except the one measuring sentiment toward the national economic outlook (this index climbed 0.9 percent to 112.9). In addition, all components of the EI 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 decline the most was the one measuring sentiment toward future family incomes. This component of the EI retreated 5.7 percent to 106.4 in October. In our survey, fewer consumers expect higher family incomes over the next six months (17.9 percent in October vs 23.8 percent in September) while the proportion of consumers who expect lower family incomes increased from 11.0 percent to 11.4 percent. But most consumers (70.1 percent) still don't expect any change in the outlook for future family incomes. Overall, the decrease in the component of the EI measuring sentiment toward future family incomes stemmed from weaker optimism toward the job market (this index retreated 2.6 percent to 102.4 in October).

In regard to the local economic outlook, consumers are also less optimistic. This component of the EI edged down 2.6 percent to 114.4 in October. In more detail, our survey reveals that fewer consumers were upbeat on the local economic outlook (18.7 percent in October vs. 21.8 percent in September) while more consumers were downbeat (4.4 percent in October vs. 4.3 percent in September). Nevertheless, a large proportion of consumers (76.5 percent) still foresee no change in the local economic outlook over the next six months.

Table 3. Expectations in the Six Months Ahead

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	MoM % Change
Economic Prospects	115.1	119.2	115.0	111.8	112.9	0.9
Local Area Economic Prospects	115.2	116.8	112.6	117.5	114.4	-2.6
Employment Prospects	104.9	105.3	103.8	105.2	102.4	-2.6
Family Income Prospects	109.1	113.2	108.1	112.8	106.4	-5.7

Purchasing Intentions for Durable Goods: *Down Slightly*

Although consumers are more upbeat on the national economic outlook, buying intentions for durable goods still declined in October. This is partly due to less optimistic assessments on the local economic outlook. In our survey, 44.37 percent of consumers expressed plans to purchase a durable good over the next six months, or down from 44.61 percent in the previous month. Nevertheless, on a yearly comparison, buying intentions for durable goods are still higher since only 42.05 percent of consumers expressed plans to purchase a durable good back in October 2017.

Of the ten categories of goods tracked by our survey, buying intentions declined in six of them in October. Most notably, buying intentions for bicycles and automobiles declined significantly (from 0.58 percent to 0.23 percent and from 0.52 percent to 0.29 percent, respectively). At the same time, buying intentions for houses, home appliances, and motorcycles decreased moderately in our latest survey. Our survey also shows that the proportion of consumers who want to renovate their homes fell moderately in October.

By contrast, buying intentions in four categories of goods still increased. Most notably, buying intentions for livestock increased significantly from 0.29 percent in September to 1.04 percent in October. At the same time, buying intentions for land and audio-visual equipment rose moderately in October. Finally, our survey also showed that buying intentions for gold & jewelry increased slightly in October.

Table 4. Buying intentions

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Automobile	0.52	0.70	0.17	0.52	0.29
Motorcycle	1.62	1.62	2.20	2.73	2.20
Bicycle	0.17	0.12	0.41	0.58	0.23
House	0.87	0.70	0.29	1.04	0.81
House Renovation	2.73	2.61	2.26	4.47	3.31
Land	0.23	0.17	0.46	0.23	0.41
Audio-visual	3.60	4.52	4.29	3.42	4.23
Home appliance	7.71	8.82	6.84	9.57	7.31
Gold & jewelry	1.57	1.39	1.74	1.45	1.62
Livestock	1.28	1.57	1.51	0.29	1.04

Expectations on Key Economic Variables: *Interest Rates are Expected to Increase*

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 by 1.0 percent from 180.0 to 178.2 in October. Furthermore, this index is also lower than it was one year ago when the index stood at 181.8 in October 2017.

In regard to interest rates, fewer consumers foresee lower interest rates over the next six months (7.4 percent in October vs 16.3 percent in September) while around 28.6 percent of consumers still foresee higher interest rates. Meanwhile, 13.7 percent of consumers expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates rose 4.9 percent from 115.5 to 121.2 in October.

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 soared 14.6 percent to 73.1 in October. As for the outlook for stock prices, consumers are less optimistic that Indonesian stocks will record gains over the next six months (this index edged down 2.5 percent to 108.1 in October).

Table 5. Expectations on Prices

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	MoM % Change
General Prices Expectation	185.1	182.7	183.3	180.0	178.2	-1.0
Interest Rates Expectation	120.6	123.7	119.3	115.5	121.2	4.9
Exchange Rates Expectation	71.1	69.7	67.1	63.8	73.1	14.6
Stock Prices Expectation	115.9	114.1	108.5	110.8	108.1	-2.5

Confidence in the Government: *Strengthened*

Consumer confidence in the government's ability to carry out its duties strengthened further in the October survey. After increasing 1.5% in the previous survey, the Consumer Confidence in the Government Index (CCGI) climbed 4.2% to 111.2 in October. All components of the CCGI increased in our latest survey. Furthermore, four CCGI components are above the neutral level of 100, thereby indicating that consumers are generally still convinced in the government's ability to carry out its duties.

The component of the CCGI to increase the most in October was the one measuring sentiment toward the government's ability to enforce the rule of law. This index surged by 8.7 percent from 109.7 to 119.2 in October. Also up was the component of the CCGI measuring sentiment toward the government's ability to stabilize prices (the relevant index added 1.4 percent from 88.9 to 90.1). This is inline with our survey's finding that fewer consumers cited high foodstuff prices as a major factor weighing on the local economy in the last three months (65.5 percent in October vs 71.8 percent in September).

The component of the CCGI measuring sentiment toward the government's ability to spur economic growth also increased. It rose from 101.6 to 106.4 in October. At the same time, the component of the CCGI measuring sentiment toward the government's ability to ensure a safe and orderly environment increased from 114.0 to 117.9 in October. Finally, our survey also showed that the component of the CCGI measuring sentiment toward the government's ability to provide and maintain public infrastructure gained ground in October (the relevant index climbed 2.4 percent from 119.4 to 122.2).

Table 6. Confidence Toward The Current Government

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	MoM % Change
Recovery National Economy	102.1	105.9	104.7	101.6	106.4	4.7
Stabilize the Price of Goods	88.1	91.0	85.1	88.9	90.1	1.4
Provide and maintain public infrastructure	117.4	119.5	117.1	119.4	122.2	2.4
Ensure a safe and orderly environment	110.9	116.1	114.5	114.0	117.9	3.4
Enforce the rule of law	110.0	111.3	104.4	109.7	119.2	8.7
CCGI	105.7	108.8	105.1	106.7	111.2	4.2

* 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	Sep-18	Oct-18	MoM %Change
National			
Consumer Confidence Index	101.5	98.2	-3.2
Present Situation	87.7	83.9	-4.4
Expectations	111.8	109.0	-2.5
Jakarta			
Consumer Confidence Index	110.6	106.8	-3.5
Present Situation	86.5	81.5	-5.8
Expectations	128.7	125.7	-2.3
West Java			
Consumer Confidence Index	101.8	88.3	-13.3
Present Situation	78.7	62.6	-20.6
Expectations	119.1	107.5	-9.7
Central Java			
Consumer Confidence Index	105.6	107.8	2.0
Present Situation	96.8	95.0	-1.8
Expectations	112.3	117.3	4.5
East Java			
Consumer Confidence Index	107.3	107.6	0.3
Present Situation	111.2	108.2	-2.7
Expectations	104.4	107.2	2.7
North Sumatera			
Consumer Confidence Index	89.4	91.6	2.5
Present Situation	63.1	70.3	11.5
Expectations	109.1	107.6	-1.4
South Sulawesi			
Consumer Confidence Index	97.3	90.4	-7.2
Present Situation	90.0	85.3	-5.2
Expectations	102.8	94.2	-8.4

TABLE 8: NATIONAL FIGURES

CCI by Classification	Respondent Profile (%)	Sep-18	Oct-18	MoM %Change
Age of Respondents				
20-29	14.8	105.7	104.2	(1.4)
30-39	25.2	100.3	99.9	(0.4)
40-49	30.5	101.7	96.7	(4.9)
50-59	21.0	100.4	94.6	(5.8)
60 and over	8.3	99.8	97.2	(2.6)
Educational Level				
Primary School or less	29.6	97.1	93.4	(3.8)
High School	62.0	102.2	99.1	(3.0)
Academy/University	8.4	113.4	109.4	(3.5)
Households Income				
under RP 1.500.000,-	11.4	92.4	88.8	(3.9)
Rp 1.500.001-3.000.000	52.7	98.6	95.5	(3.1)
Rp 3.000.001,- and over	35.8	108.2	105.3	(2.7)
Type Area				
Urban	70.7	101.3	99.3	(1.9)
Rural	29.3	102.0	95.6	(6.3)
Gender				
Male	50.2	103.1	97.9	(5.1)
Female	49.8	99.9	98.6	(1.2)
Occupation				
Worker	31.2	102.4	98.4	(3.9)
Self employed	31.1	103.8	98.3	(5.3)
Unemployed	37.7	98.5	98.0	(0.5)

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

RESEARCH TEAM

Damhuri Nasution

Head of Economic Research
damhuri@danareksa.com

Asti Suwarni

Analyst
asti@danareksa.com

Darwin Sitorus

Economist / Database Officer
darwin@danareksa.com

Natalia Daisyana

Research Assistant
natalia@danareksa.com

Rika Pantjawati

Executive Secretary
rikap@danareksa.com

Pramayanti Meitisari

Analyst
pramayanti@danareksa.com

Handri Thiono

Analyst
handrit@danareksa.com

Martin Jenkins

Editor
martin@danareksa.com

Wahyuni K. Handayani

Analyst
wahyuni.handayani@danareksa.com

Danareksa Research Institute

Danareksa Building
Jl. Medan Merdeka Selatan 14
Jakarta, 10110
INDONESIA
Tel : (62-21) 29555777 / 888 (hunting)
Fax : (62 21) 3501709

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