

## July 2021 Consumer Confidence: Down Further to The Historic Low

### Key Findings:

- The Consumer Confidence Index slumped more severe than previous year where the pandemic started. This fall mainly driven by the 2<sup>nd</sup> wave of Covid-19 in Indonesia.
- Consumer Confidence in Java fell more sharply due to the enactment of PPKM level 4.
- The Buying Intentions Index was less solid on a monthly basis especially in automobile and home appliance.
- However, the Consumer Confidence in the Government Index improved especially thanks to the government's ability to stabilize general prices.

### Summary

In July 2021, Danareksa's Consumer Confidence Index (CCI) fell further to 62.1 from 81.4 in the previous month. The CCI was down in all survey areas except South Sulawesi. The two main CCI components both decreased: the Present Situations Index (PSI) fell by 33.6% mom to 33.4 and the Expectations Index (EI) sank 20.2% mom to 83.6. By contrast, however, the Consumer Confidence in the Government Index (CCGI) rose by 5.2% mom to 115.6 driven by sentiment toward the government's ability to stabilize general prices and spur economic growth.

Table 1 Summary of Consumer Confidence

	Dec-19	June-21	July-21	%mom
Consumer Confidence Index	104.9	81.4	62.1	(23.7)
Present Situation Index	89.6	50.3	33.4	(33.6)
Expectation Index	116.5	104.8	83.6	(20.2)
CCGI	119.8	109.9	115.6	5.2

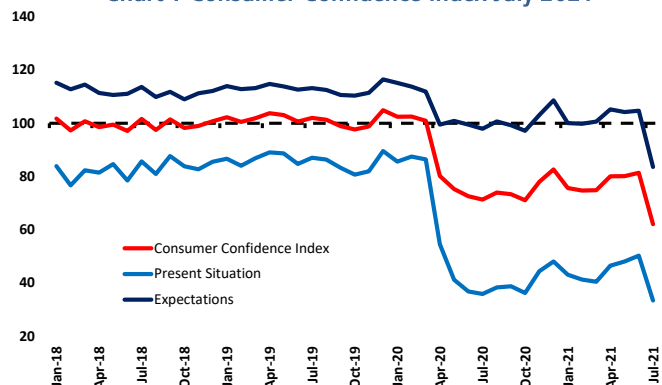
Source: DRI

### Consumer Confidence Index (CCI)

#### The increase in Covid-19 cases in July suppressed consumer optimism, especially in Java

After showing an uptrend in the last three months, the CCI index dropped to 62.1 in July-21. Declines in the CCI were seen in Java (DKI Jakarta, West Java, Central Java and East Java) in line with the high daily increase in Covid-19 cases. Indonesia's daily Covid-19 cases in July increased to more

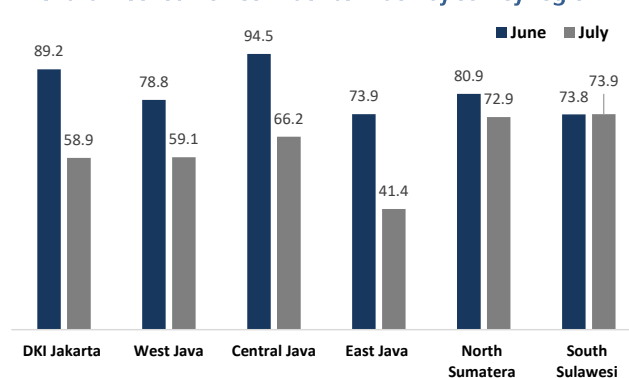
Chart 1 Consumer Confidence Index July 2021



Source: DRI

than 40 thousand cases per day due to the delta variant. The Bed Occupancy Ratio increased in several areas with oxygen availability running low, forcing the government to tighten activity restrictions mainly in Java – Bali in the period from 3 July – 20 July 2021.

Chart 2 Consumer Confidence Index by survey region



Source: DRI

#### Consumers less upbeat on current economic conditions

The Present Situations Index sank -33.6% to 33.4 after climbing 4.7% mom in the previous month. Consumer optimism deteriorated, especially on the current economic conditions and employment conditions. The slump in confidence came as the government imposed strict mobility restrictions which resulted in delays in the recovery of the national economy and the labor sector.

#### Consumers less optimistic on the economic outlook

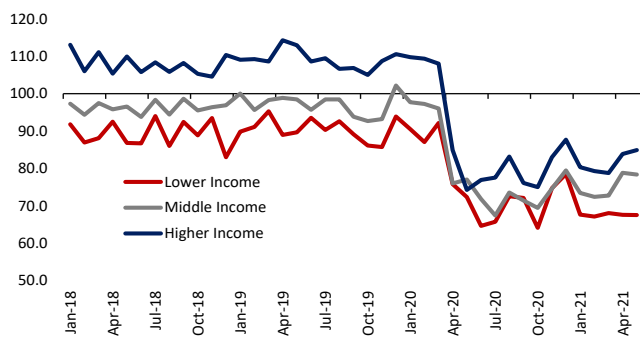
In July-21, the Expectations Index dropped by -20.2% mom to 83.6 after climbing +0.5% mom in the previous month. The decline follows the implementation of social restrictions (PPKM Darurat) in the period from 3 – 20 July-21 especially

in Java and Bali. The proportion of consumers expecting better family incomes and employment conditions over the next six months decreased to 68.8 and 87.8. The job market is tough as many companies have been forced to lay off workers due to falling demand.

### Consumer optimism weakened in all income groups

The CCI for all income groups declined as the extension of PPKM translated into a limited number of job vacancies and a contraction in the monthly incomes among all income groups.

Chart 3 Consumer Confidence Index by income level



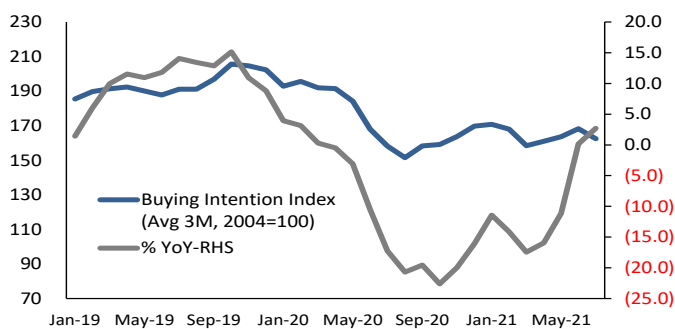
Source: DRI

### Consumer concerns over the Covid-19 outbreak

Consumers were more worried by the Covid-19 outbreak in Indonesia (+39.74% mom) as seen in all survey areas. This is in line with the increase in Covid-19 cases in Indonesia in July with active cases reaching more than 40 thousand per day. However, some consumers expressed more concerns on job termination (up to 12.61% from 8.12% in the previous month). Of note, implementation of activity restrictions (PPKM Darurat) in the period from 3 – 20 July-21 suppressed consumption and the people's purchasing power and some companies were forced to lay off workers.

### Buying Intentions Index

Chart 4 Buying Intentions Index July 2021



Source: DRI

### Consumer buying plans were less solid

On a monthly basis, consumer buying plans weakened again: the index fell by -3.5% mom (+2.7% yoy) in the July-21 survey. This is in line with the weaker job market and family income expectations. Of the ten categories of goods tracked by our survey, consumer purchasing plans decreased for all categories except land, audio-visual equipment and gold jewelry. Buying intentions decreased for lower, middle and higher income groups, although social assistance continued to be distributed. The activity restrictions policy (PPKM Darurat) suppressed community mobility and dampened public consumption due to a decline in the people's income.

### Consumer Expectations on the Economy

#### Most consumers still expect lower inflation in the next few months

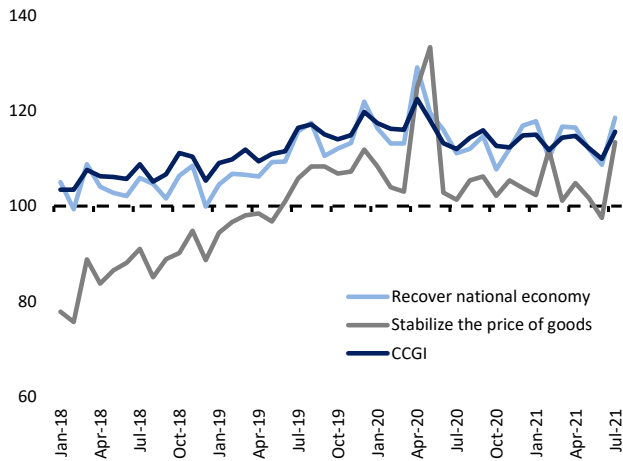
Most consumers expect lower inflation over the next 6 months (the index measuring sentiment toward general prices fell by 7.2 percent to 160.0). Low inflation expectations reflect the restrained public mobility and weak consumption amid continued mobility restrictions in July-21. In relation to the exchange rate, consumers in the main cities are more positive on the rupiah's outlook (the index rose by 6.3 percent to 74.4). At the same time, more consumers think that interest rates will decrease over the near term (this index fell by 7.7 percent to 107.6). Note that Bank Indonesia has maintained its key benchmark interest rate at 3.5% - its lowest level historically and which is likely to be maintained for the foreseeable future.

### Consumer Confidence in the Government Index

#### Consumer confidence in the government improved

The Consumer Confidence in the Government Index (CCGI) rose by 5.2% mom to 115.6, especially driven by greater sentiment on the government's ability to stabilize general prices (+16.2% mom to 113.4). Other CCGI components also showed improvements: the component measuring sentiment on the government's ability to spur economic growth rose +9.1% mom to 118.6. At the same time, consumers were also more confident in the government's ability to enforce the rule of law (+5.7% mom to 121.9). However, consumers expressed less confidence in the government's ability to provide and maintain public infrastructure (-1.7% mom to 159.7). In addition, consumers also had less confidence in the government's ability to ensure a safe and orderly environment (-2.1% mom to 152.9).

**Chart 3 The CCGI Improved**



Source: DRI

**Information about CCI and CCGI:**

Index >100 : consumers are more confidence  
 Index =100 : neutral  
 Index <100 : consumers are less confidence

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**Table 1. Other CCI Index of July 2021**

Another Index	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	(%mom)
<b>CCI by Income Level</b>								
below IDR 1.5 mn/month	67.7	67.1	68.1	67.6	67.5	73.9	62.1	-15.9
IDR 1.5 mn - IDR 3.0 mn/month	73.5	72.4	72.8	78.8	78.4	77.3	62.5	-19.1
Above IDR 3.0 mn/month	80.3	79.3	78.8	83.9	84.9	87.8	61.6	-29.8
<b>CCI by Survey Region</b>								
DKI Jakarta	74.6	70.9	63.1	78.1	74.6	89.2	58.9	-34.0
West Java	75.3	71.7	72.6	78.4	78.3	78.8	59.1	-25.0
Central Java	87.4	89.0	90.4	97.8	97.8	94.5	66.2	-30.0
East Java	65.2	62.5	66.9	65.6	63.5	73.9	41.4	-43.9
North Sumatera	75.9	76.8	76.3	77.9	83.7	80.9	72.9	-9.8
South Sulawesi	75.3	76.3	75.9	82.0	81.2	73.8	73.9	0.1
Main City	71.8	72.9	69.6	81.7	75.8	81.6	57.6	-29.4
Sub Urban	80.7	76.5	76.9	79.2	81.7	83.6	64.0	-23.4
Urban	75.5	74.4	72.5	80.7	78.3	82.4	60.1	-27.0
Rural	76.0	75.7	80.1	78.7	84.8	79.0	67.0	-15.1

Source: DRI

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