

June 2021 Consumer Confidence: Continuing to Improve

Key Findings:

- The Consumer Confidence Index continued to rise driven by improving consumer optimism on current and future economic conditions.
- Concerns centered on the threats posed by the Covid-19 outbreak and job scarcity.
- The Buying Intentions Index remained solid on a monthly basis.
- The Consumer Confidence in the Government Index weakened as the number of Covid-19 cases increased and PPKM was extended.

Summary

In June 2021, Danareksa's Consumer Confidence Index (CCI) rose further to 81.4 from 80.2 in the previous month. The CCI gained ground in all survey areas except Central Java, North Sumatera and South Sulawesi. The two main CCI components both increased: the Present Situations Index (PSI) rose by 4.7% mom to 50.13 and the Expectations Index (EI) edged up 0.5% mom to 104.8. Meanwhile, the Consumer Confidence in the Government Index (CCGI) fell by 2.0% mom to 109.9, dragged down by weaker sentiment toward the government's ability to stabilize general prices and to spur economic growth.

Table 1 Summary of Consumer Confidence

	Dec-19	May-21	June-21	%mom
Consumer Confidence Index	104.9	80.2	81.4	1.6
Present Situation Index	89.6	48.1	50.3	4.7
Expectation Index	116.5	104.2	104.8	0.5
CCGI	119.8	112.2	109.9	(2.0)

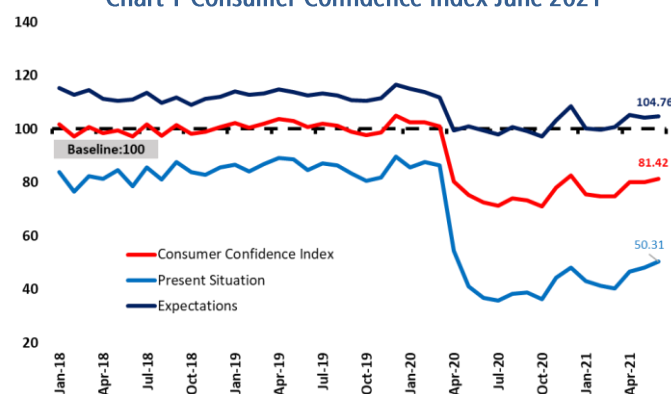
Source: DRI

Consumer Confidence Index (CCI)

Consumers were positive on current economic conditions

The Present Situations Index (PSI) rose by 4.7% in the Jun-21 survey. The PSI has shown an upward trend in the last three months, mainly driven by the recovery in national economic conditions and employment conditions. Consumers were more positive on current economic conditions (this index

Chart 1 Consumer Confidence Index June 2021



Source: DRI

climbed by 0.5% mom to 44.9) as the government's vaccination program continued to be rolled out while Indonesia's manufacturing sector remained in the expansionary zone as of June 2021. The continuation of various kinds of government projects, especially in the infrastructure sectors, also boosted consumer optimism toward economic conditions in Indonesia, especially in the regions.

Consumers remain optimistic on the economic outlook

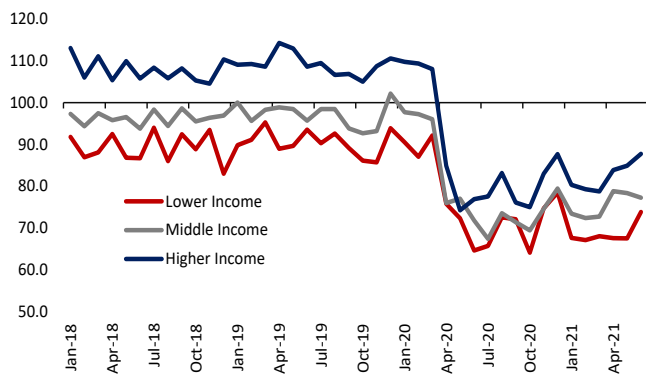
In June-21, the Expectations Index edged up by 0.5% mom to 104.8 after fell -1.0% mom in the previous month. Notably, consumers were more optimistic on the local economic outlook and the employment outlook. This was in line with various ongoing government projects, especially in the regions. However, the proportion of consumers expecting better family incomes over the next six months decreased by 0.6 percent to 82.3. The weaker family income expectations were most pronounced among low income and middle-income consumers. This may reflect uncertainties regarding the end of the Covid-19 pandemic and social assistance which is set to stop after June 2021.

Consumer optimism rose further in the lower and higher income groups

The CCI for low-income consumers (below IDR 1.5 mn/month) and high-income consumers (above IDR 3.0 mn/month) rose by 9.3% mom to 73.9 and by 3.4% mom to 87.8, respectively, as buying intentions strengthened for lower, middle and higher income groups, supported by the continued distribution of social assistance. Meanwhile, the CCI for mid-income consumers (IDR 1.5 mn – 3.0 mn/month) decreased as the extension of PPKM translated into a limited

number of job vacancies and a contraction in the monthly incomes for the mid-income consumers.

Chart 2 Consumer Confidence Index by income level



Source: DRI

Consumer concerned over the Covid-19 outbreak eased
 Consumers were less worried by the Covid-19 outbreak in Indonesia (34.74% vs 41.01% in the previous survey) as seen in all survey areas despite an increase in Covid-19 cases. The easing public concerns over the impact of Covid-19 reflected the easing of Micro PPKM restrictions after Idul Fitri which led to greater public mobility. However, some consumers expressed greater concerns on job scarcity (up to 56.73% from 50.87% in the previous month). Of note, the extension of public mobility restrictions (PPKM) by the government suppressed consumption and the people's purchasing power and some companies were forced to lay off workers.

survey. This was in line with the improving job market and its brighter outlook. Of the ten categories of goods tracked by our survey, consumer purchasing plans increased for motorcycles, bicycles, land and home appliances. Buying intentions increased for lower, middle and higher income groups, as the distribution of social assistance continued.

Consumer Expectations on the Economy

Most consumers still expect lower inflation in the next few months

Most consumers expected lower inflation over the next 6 months (the index measuring sentiment toward general prices fell by 0.2 percent to 172.4). Low inflation expectations reflect the restrained public mobility and weak consumption amid continued mobility restrictions. In relation to the exchange rate, consumers in the main cities were less positive on the rupiah's outlook (the index fell by 4.3 percent to 70.0). At the same time, more consumers thought that interest rates would increase over the near term (this index rose by 3.1 percent to 116.6). 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.

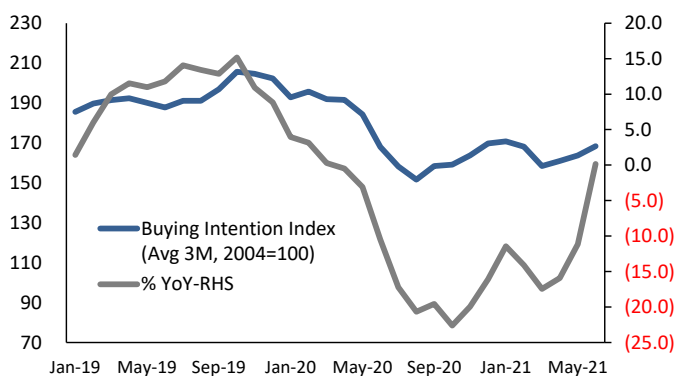
Consumer Confidence in the Government Index

Consumer confidence in the government weakened

The Consumer Confidence in the Government Index (CCGI) fell by 2.0% mom to 109.9. All the CCGI components posted declines except the component measuring sentiment on the government's ability to provide and maintain public infrastructure (+0.9% mom to 162.5). Consumers are less confident in the government's ability to stabilize general prices (-4.1% mom to 97.6) commensurate with the higher inflation seen during Ramadhan and Idul Fitri mainly due to rising food prices. Meanwhile, consumers are less confident in the government's ability to spur economic growth (-3.0% mom to 108.7), as the high number of Covid-19 cases prompted the government to maintain mobility restrictions. In addition, consumers also expressed less confidence in the government's ability to enforce the rule of law (-3.4% mom to 115.4). Consumers also had less confidence in the government's ability to ensure a safe and orderly environment (-0.7% mom to 156.2).

Buying Intentions Index

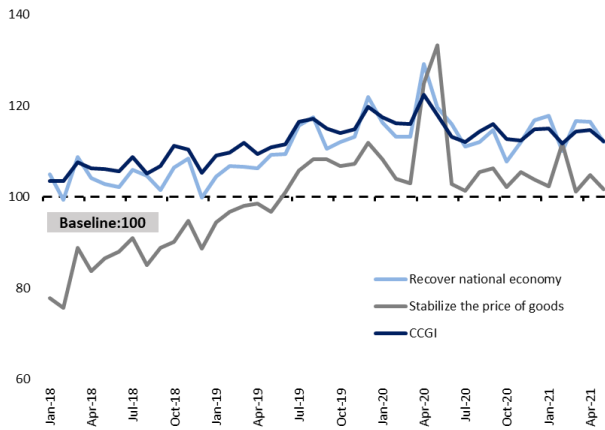
Chart 3 Buying Intentions Index June 2021



Source: DRI

Consumer buying plans continued to show improvements
 On a monthly basis, consumer buying plans strengthened: the index rose by +2.8% mom (+0.2% yoy) in the June-21

Chart 3 The CCGI Weakened



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 June 2021

Another Index	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	(%mom)
CCI by Income Level							
below IDR 1.5 mn/month	67.7	67.1	68.1	67.6	67.5	73.9	9.3
IDR 1.5 mn - IDR 3.0 mn/month	73.5	72.4	72.8	78.8	78.4	77.3	-1.3
Above IDR 3.0 mn/month	80.3	79.3	78.8	83.9	84.9	87.8	3.4
CCI by Survey Region							
DKI Jakarta	74.6	70.9	63.1	78.1	74.6	89.2	19.5
West Java	75.3	71.7	72.6	78.4	78.3	78.8	0.6
Central Java	87.4	89.0	90.4	97.8	97.8	94.5	-3.4
East Java	65.2	62.5	66.9	65.6	63.5	73.9	16.3
North Sumatera	75.9	76.8	76.3	77.9	83.7	80.9	-3.4
South Sulawesi	75.3	76.3	75.9	82.0	81.2	73.8	-9.1
Main City	71.8	72.9	69.6	81.7	75.8	81.6	7.6
Sub Urban	80.7	76.5	76.9	79.2	81.7	83.6	2.3
Urban	75.5	74.4	72.5	80.7	78.3	82.4	5.3
Rural	76.0	75.7	80.1	78.7	84.8	79.0	-6.8

Source: Danareksa Research Institute

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