

May 2020 Consumer Confidence: Continuing the Decline

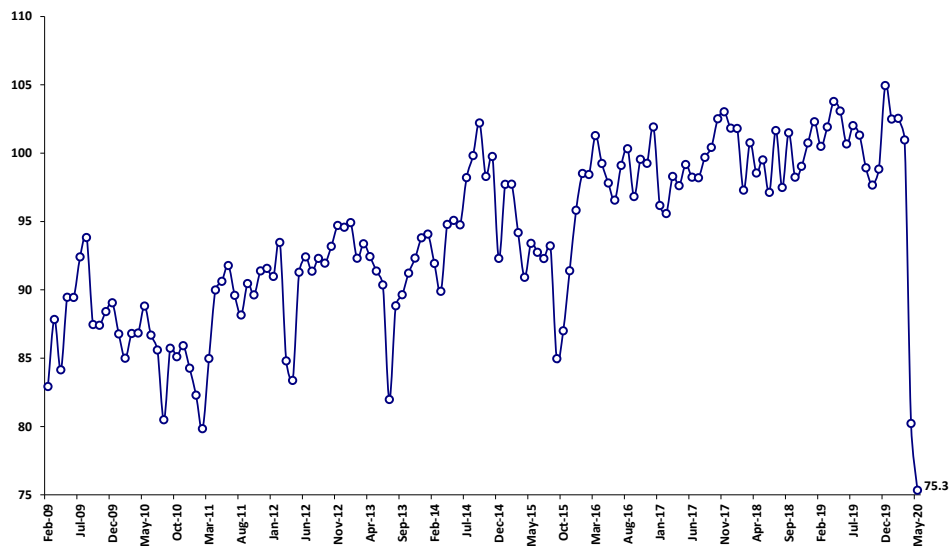
Key Findings:

- ✓ **The Consumer Confidence Index slumped by 6.1 percent to 75.3 in May 2020.**
 - ✓ **Concerns centered on the threats posed by the Covid-19 outbreak and job termination.**
 - ✓ **The Buying Intentions Index was less solid on a monthly basis.**
 - ✓ **The Consumer Confidence in the Government Index fell further.**
- Danareksa's Consumer Confidence Index (CCI) fell for the second straight month in May 2020 to 75.3 from 80.2 in the previous month, its lowest level since July 2008, reflecting the impact of the Covid-19 outbreak. The Present Situations Index (PSI) declined more sharply by 24.4 percent mom to 41.2, while the Expectations Index (EI) rose by 1.4 percent mom to 100.9. Consumers gave more negative assessments towards current national and local economic conditions as well as employment conditions. In our survey, the proportion of consumers who stated that current economic conditions were "good" fell from 11.3 percent to 5.7 percent, while 21.2 percent of consumers said that economic conditions were "normal". The impact of the Covid-19 outbreak in Indonesia has been felt greatly by consumers, as reflected in the two sharp declines in the CCI since April 2020.
 - Looking ahead, consumers are more upbeat on the outlook for the economy, local business conditions and employment conditions over the next six months. These improving perceptions come as large-scale social restrictions are lifted in some areas with the government providing a stimulus to reduce the impact of Covid-19. However, the proportion of consumers expecting better family incomes over the next six months decreased by 2.4 percent to 82.8.
 - Consumer confidence weakened in urban and rural areas. For urban consumers, the CCI declined by 6.3 percent mom to 74.7 and for rural areas the CCI fell by 5.5 percent mom to 77.2. By province, the CCI fell in five of them: Jakarta (-12.3 percent mom to 69.2), Central Java (-6.6 percent mom to 80.6), West Java (-3.2 percent mom to 71.2), East Java (-3.4 percent mom to 88.6), and North Sumatra (-21.2 percent mom to 58.1). By contrast, the CCI increased in South Sulawesi (+6.8 percent mom to 81.8) with the expectations index increasing by 12.8% mom to 100.1 mainly because of the lifting of large-scale social restrictions in the area.
 - By income level, the CCI declined in two groups. The CCI for high-income consumers (above IDR 3.0 mn/month) dropped to 74.3 (-12.5 percent mom), while for low income consumers (below IDR 1.5 mn/month), the CCI dropped to 72.4 (-4.6 percent mom). By contrast, the CCI for mid-income consumers (between IDR 1.5 mn – 3.0 mn/month) rose to 77.0 (+1.4 percent mom).
 - In May 2020, consumers expressed greater concerns on the threats posed by the Covid-19 outbreak in Indonesia (33.47 percent vs 24.48 percent in the previous month) and job scarcity (43.09 percent vs 35.64 percent in the previous month). At the same time, consumers were also more worried by the decline in industrial production (up to 17.40 percent) and job termination (up to 18.01 percent) due to social distancing policies and large-scale social restrictions in several areas due to the increasing numbers of Covid-19 cases in the country. Meanwhile, consumers were less worried by the issue of rising foodstuff prices (40.84 percent vs 49.28 percent in the previous month's survey), a finding consistent with the lower inflationary pressures in April 2020 (prices only edged up by 0.08 percent mom).
 - Most consumers expect lower inflationary pressures over the next 6 months (the index measuring consumer sentiment toward general prices declined by 8.4 percent mom to 155.3. In relation to the exchange rate, consumers in the main cities are more positive on the rupiah's outlook since this index strengthened further by 30.7 percent mom to 82.5. This is in line with the strengthening of the rupiah by 7.76% mom in April 2020 to the level of Rp15,136, with positive sentiment on the rupiah created by the issuance of USD 4,3 billion of government global bonds. At the same time, however, fewer consumers think that interest rates will decline over the near term (this index climbed by 5.7 percent mom to 113.3).
 - Consumer buying plans were less solid. In our April survey, the buying intentions index fell further to 184.2 (-3.1 percent yoy). Among the ten categories of goods tracked by our survey, consumer purchasing plans declined in seven of them

(automobiles, motorcycles, bicycles, houses, home appliances, livestock and gold jewelry), while increases were seen in the other three (house renovation, land and audio-visual equipment).

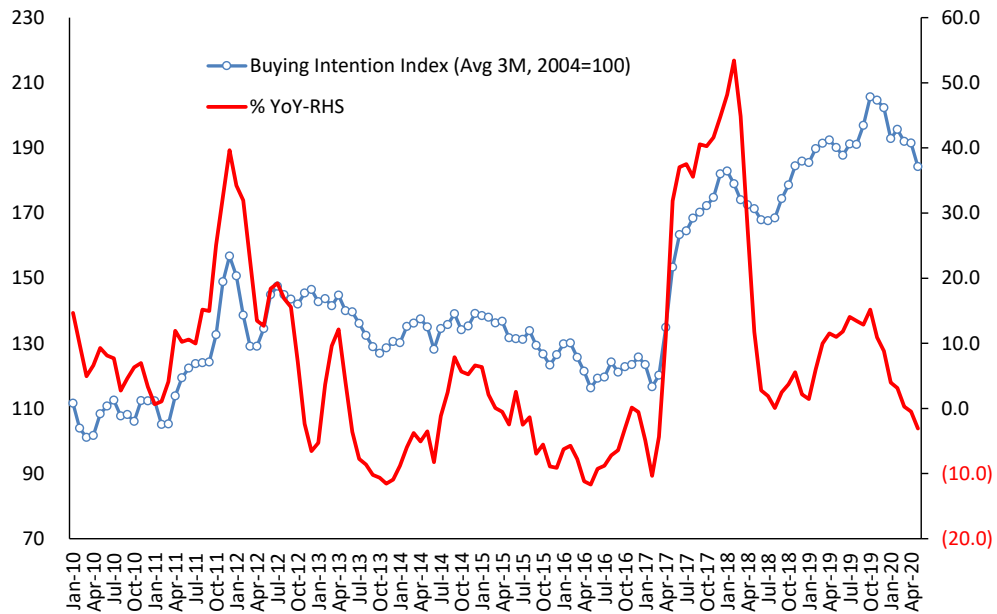
- The Consumer Confidence in the Government Index (CCGI) fell further by 3.7 percent mom to 118.0 after posting a 5.5 percent increase in the previous month. Four of the CCGI components posted declines. Consumers expressed less confidence in the government's ability to spur economic growth (-7.14 percent mom to 119.6), to provide and maintain public infrastructure (-4.6 percent mom to 114.0), to ensure a safe and orderly environment (-5.9 percent mom to 109.9) and to enforce the rule of law (-7.3 percent mom to 113.1). By contrast, however, consumers expressed more confidence in the government's ability to stabilize general prices (+6.7 percent mom to 133.4) consistent with the benign April inflation of 0.08 percent mom, down from 0.10 percent mom in the previous month.

Graph 1. Consumer Confidence Slumped by 6.1 percent MoM in May 2020



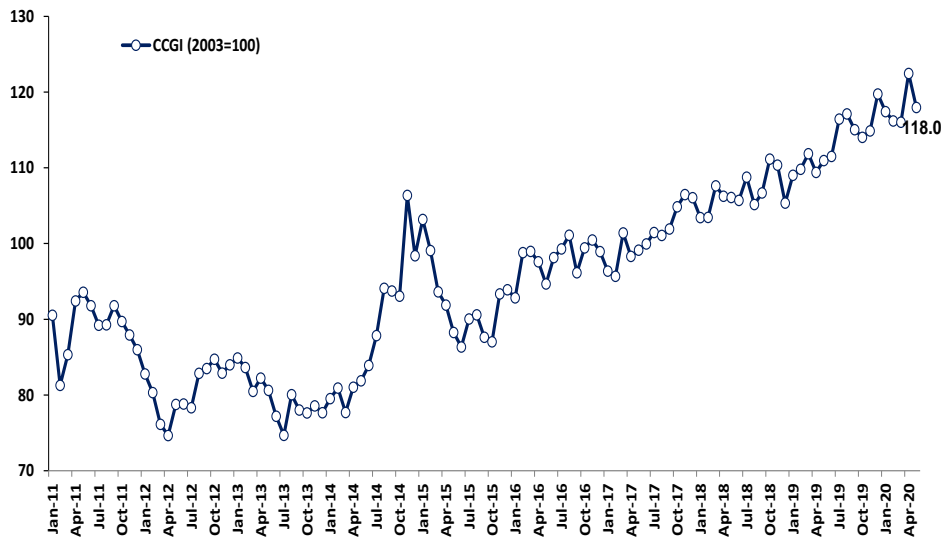
Source: Danareksa Research Institute

Graph 2. The Buying Intentions Index Declined on a Monthly Basis



Source: Danareksa Research Institute

Graph 3. The CCGI fell further



Source: Danareksa Research Institute

Table 1. Consumer Confidence, Present Situations, and Expectations Index

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	% MoM
Consumer Confidence Index	104.9	102.5	102.5	101.0	80.2	75.3	(6.1)
Present Situation Index	89.6	85.6	87.5	86.4	54.5	41.2	(24.4)
Expectations Index	116.5	115.2	113.8	111.9	99.5	100.9	1.4
Buying Intentions Index	202.3	192.8	195.7	192.0	191.5	184.2	(3.8)
Cons. Confidence to Government Index (2003=100)	119.8	117.4	116.2	116.0	122.5	118.0	(3.7)

Source: Danareksa Research Institute

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About DRI Consumer Confidence Survey

DRI's Consumer Confidence Survey, which is based on a representative sample of at least 1,700 Indonesian households across six different main areas, is conducted by Danareksa Research Institute and reported every month. This survey is based on face-to-face interviewing. The sample for this national survey is scientifically selected to accurately represent Indonesian consumer characteristics, demographically and economically.

Consumer confidence is designed to measure the mood of consumers towards buying, and thus help to predict buying patterns. Although other economic indicators are also predictors of buying patterns, consumer confidence tends to be available sooner than these indicators. Consumer confidence is also designed to capture the effect of events that may affect buying patterns, but are not immediately reflected in other economic indicators. The CCI is also one of the components in the leading indicator index DRI is establishing as a guide to predicting where the Indonesia economy is heading.

In the consumer confidence survey, respondents answer seven questions. For each question, respondents can answer pessimistically or optimistically. For example, a respondent can say that she/he is pessimistic or optimistic towards the present economic condition. The minimum value of these indexes is "0", and that is when all respondents give pessimistic response on all seven questions. The maximum value of these indexes is "200", and that is when all respondents give optimistic response on all seven questions. "100" is the middle value. If the index is below "100", it can be inferred that negative (pessimistic) response outnumbers the positive (optimistic) response. The usefulness of the index is in comparing changes over time rather than looking at an isolated month.

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