

August 2021 Consumer Confidence: Improving Consumer Optimism

Key Findings:

- The Consumer Confidence Index rose on monthly basis driven by relaxation of social restrictions and the decreased in the daily case of Covid-19 in all provinces.
- The Buying Intentions Index was less solid on a monthly basis, especially for automobiles and home renovation.
- The Consumer Confidence in the Government Index weakened, especially the component measuring sentiment toward the government's ability to spur economic growth.

Summary

In August 2021, Danareksa's Consumer Confidence Index (CCI) rose to 71.2 after falling to 62.1 in the previous month. The CCI rose in all survey areas except South Sulawesi. The two main CCI components both increased: the Present Situations Index (PSI) rose by 16.5% mom to 38.9 and the Expectations Index (EI) climbed 14.1% mom to 95.4. By contrast, the Consumer Confidence in the Government Index (CCGI) fell by 3.7% mom to 111.3 driven by negative sentiment toward the government's ability to spur economic growth and stabilize general prices.

Table 1 Summary of Consumer Confidence

	Dec-19	July-21	Augt-21	%mom
Consumer Confidence Index	104.9	62.1	71.2	14.7
Present Situation Index	89.6	33.4	38.9	16.5
Expectation Index	116.5	83.6	95.4	14.1
CCGI	119.8	115.6	111.3	(3.7)

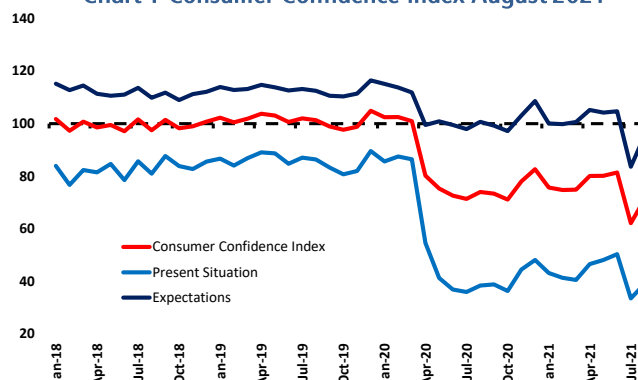
Source: DRI

Consumer Confidence Index (CCI)

Relaxation of PPKM policies and the decreased in the daily case of Covid-19 boosted consumer optimism, especially in Java

After falling to 62.1 in July-21, the CCI Index improved to 71.2 in August-21. Increases in the CCI was seen in Java (DKI Jakarta, East Java, West Java and Central Java) due to the decreased in daily cased of Covid-19 that ked to the relaxation of social restrictions policies in the Java-Bali area.

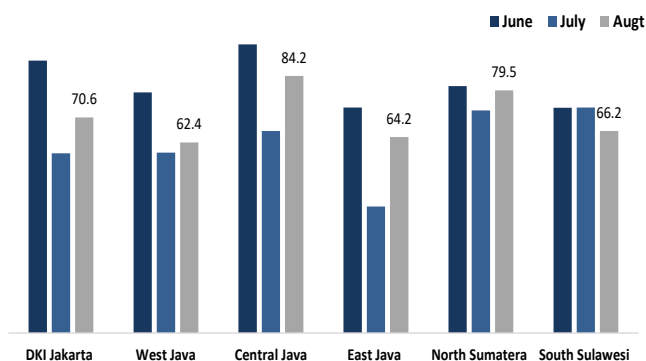
Chart 1 Consumer Confidence Index August 2021



Source: DRI

Indonesia's daily Covid-19 cases in August dropped by almost 45% when compared to its peak in July. The Bed Occupancy Ratio has declined in various areas with the availability of respiratory aid also starting to stabilize.

Chart 2 Consumer Confidence Index by survey region



Source: DRI

Consumers more upbeat on current economic conditions

The Present Situations Index climbed 16.5% to 38.9 after dropping 33.6% mom in the previous month. Consumers were more optimistic especially on the current and local economic conditions. With the relaxation of social restrictions (PPKM), economic and business activities gradually returned to normal. In addition, the ongoing social assistance programs and government projects were also giving a timely boost to the people's economy, especially in the rural area.

Consumers more optimistic on the economic outlook

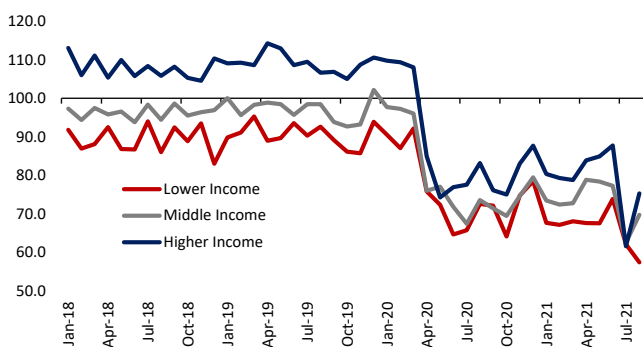
In August-21, the Expectations Index rose by 14.1% mom to 95.4 after dropping to 83.6 in the previous month. The proportion of consumers expecting better family incomes and employment conditions over the next six months increased

to 75.5 and 97.5, respectively. Various business sectors resumed operations and greater mobility has boosted optimism on the job front.

Consumer optimism improved further among the middle and high income groups

The CCI for mid-income consumers (IDR 1.5 mn-3.0 mn) and high-income consumers (above IDR 3.0 mn) rose by 11.6% mom to 69.8 and by 22.2% mom to 75.3. Meanwhile, the CCI for lower-income consumers (below IDR 1.5 mn) declined as the extension of PPKM translated into a limited number of job vacancies and a contraction in the monthly incomes.

Chart 3 Consumer Confidence Index by income level



Source: DRI

Consumer concerns over the Covid-19 outbreak

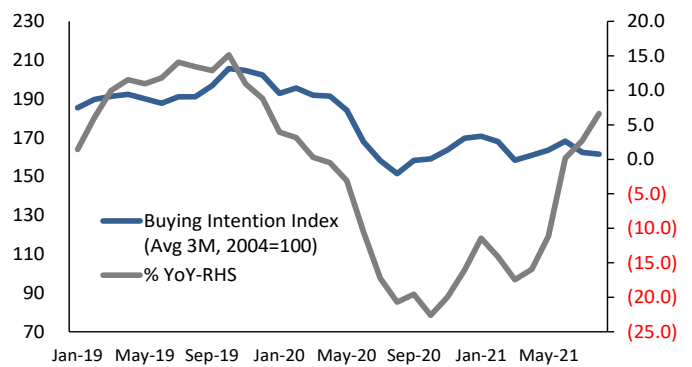
Consumers were still worried by the Covid-19 outbreak in Indonesia (+47.16% mom) as seen in all survey areas although the number of cases has fallen. However, some consumers expressed more concerns on the decline in production (up to 15.95% from 11.45% in the previous month). Of note, implementation of activity restrictions (PPKM Level 3 and 4) in Java – Bali and outside Java – Bali suppressed consumption and the purchasing power and some companies and/or SME reduced their production.

Buying Intentions Index

Consumer buying plans were less solid

On a monthly basis, consumer buying plans weakened again: the index fell by -0.5% mom (+6.6% yoy) in the August-21 survey. Of the ten categories of goods tracked by our survey, consumer purchasing plans weakened for automobiles, motorcycles, bicycles and home renovation. Buying intentions were weak among the lower and middle income groups even though social assistance continued to be distributed. The relaxation of social restrictions suppressed people’s mobility and dampened public consumption.

Chart 4 Buying Intentions Index August 2021



Source: DRI

Consumer Expectations on the Economy

Most consumers expected higher inflation in the next few months

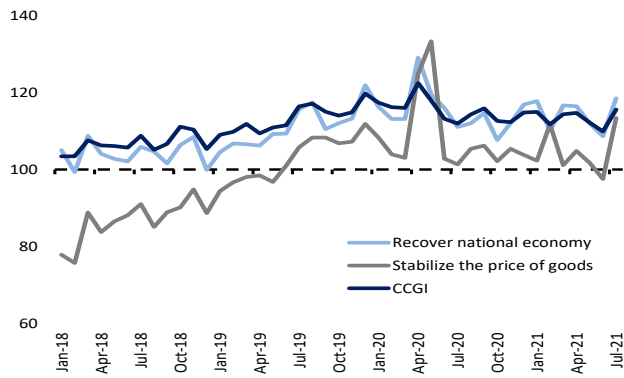
Most consumers expected higher inflation over the next 6 months (the index measuring sentiment toward general prices rose by 6.8 percent to 170.8). Higher inflation expectations reflected the impact of relaxations in PPKM policies which will increase the people’s mobility and spending. In relation to the exchange rate, consumers in the main cities are more positive on the rupiah’s outlook (the index rose by 5.2 percent to 78.2). At the same time, more consumers think that interest rates will increase over the near term (this index rose by 2.9 percent to 110.7). 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 -3.7% mom to 111.3, especially driven by weaker sentiment on the government’s ability to spur economic growth (-11.5% mom to 104.9) and stabilize general prices (-11.9% mom to 99.9). This month’s decline in the CCGI was driven by the extension of PPKM policies. At the same time, consumers were less confident in the government’s ability to enforce the rule of law (-0.4% mom to 121.5). However, consumers expressed greater confidence in the government’s ability to provide and maintain public infrastructure (+1.0% mom to 161.4). In addition, consumers also had more confidence in the government’s ability to ensure a safe and orderly environment (+5.0% mom to 160.5).

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 August 2021

Another Index	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	(%mom)
CCI by Income Level									
below IDR 1.5 mn/month	67.7	67.1	68.1	67.6	67.5	73.9	62.1	57.4	-7.6
IDR 1.5 mn - IDR 3.0 mn/month	73.5	72.4	72.8	78.8	78.4	77.3	62.5	69.8	11.6
Above IDR 3.0 mn/month	80.3	79.3	78.8	83.9	84.9	87.8	61.6	75.3	22.2
CCI by Survey Region									
DKI Jakarta	74.6	70.9	63.1	78.1	74.6	89.2	58.9	70.6	19.9
West Java	75.3	71.7	72.6	78.4	78.3	78.8	59.1	62.4	5.6
Central Java	87.4	89.0	90.4	97.8	97.8	94.5	66.2	84.2	27.3
East Java	65.2	62.5	66.9	65.6	63.5	73.9	41.4	64.2	55.0
North Sumatera	75.9	76.8	76.3	77.9	83.7	80.9	72.9	79.5	9.0
South Sulawesi	75.3	76.3	75.9	82.0	81.2	73.8	73.9	66.2	-10.4
Main City	71.8	72.9	69.6	81.7	75.8	81.6	57.6	68.9	19.6
Sub Urban	80.7	76.5	76.9	79.2	81.7	83.6	64.0	72.5	13.2
Urban	75.5	74.4	72.5	80.7	78.3	82.4	60.1	70.4	17.0
Rural	76.0	75.7	80.1	78.7	84.8	79.0	67.0	73.2	9.2

Source: DRI

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