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Consumers Less Worried by Rising Foodstuff Prices

- Consumer Confidence strengthened in November 2018. In this month, the Consumer Confidence Index (CCI) rose by 0.8 percent from 98.2 to 99.0, after dropping 3.2 percent in the previous survey. Our latest survey reveals that consumers are more upbeat on the economic outlook. In addition, they are also more positive on the job market outlook as well as their family incomes. Our survey also shows that consumer concerns on rising foodstuff prices eased in the November survey. On a less positive note, however, more consumers are worried by job scarcity at the present time.
- One of the two main components which make up the CCI declined in November: the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), fell 1.4 percent to 82.7, as sentiment toward the current state of the local economy and the job market deteriorated. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) - increased, however. This index added 2.0 percent to 111.3. The increase in this index reflects stronger consumer optimism toward the local economy and the job market outlook over the next six months.
- With consumers being more upbeat on the national economic outlook, buying intentions for durable goods increased in November. In our survey, 45.42 percent of consumers expressed plans to purchase a durable good over the next six months, or up from 44.37 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 44.20 percent of consumers expressed plans to purchase a durable good back in November 2017.
- Consumer confidence in the government's ability to carry out its duties weakened in the November survey. After increasing 4.2% in the previous survey, the Consumer Confidence in the Government Index (CCGI) slipped 0.7% to 110.4. Two components of the CCGI increased in our latest survey, while the other three declined. Nonetheless, four CCGI components are still above the neutral level of 100, thereby indicating that consumers are generally still convinced in the government's ability to carry out its duties.

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THE NOVEMBER 2018 RESULTS

Consumer Confidence strengthened in November 2018. In this month, the Consumer Confidence Index (CCI) rose by 0.8 percent from 98.2 to 99.0, after dropping 3.2 percent in the previous survey. Our latest survey reveals that consumers are more upbeat on the economic outlook. In addition, they are also more positive on the job market outlook as well as their family incomes. Our survey also shows that consumer concerns on rising foodstuff prices eased in the November survey. On a less positive note, however, more consumers are worried by job scarcity at the present time.

One of the two main components which make up the CCI declined in November: the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), fell 1.4 percent to 82.7, as sentiment toward the current state of the local economy and the job market deteriorated. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) - increased, however. This index added 2.0 percent to 111.3. The increase in this index reflects stronger consumer optimism toward the local economy and the job market outlook over the next six months.

By region, consumer confidence improved in three of the six regions covered by the survey. Sentiment improved the most in West Java (where the index added 9.0 percent to 96.2 in November), followed by Central Java (where the index climbed 8.3 percent to 116.7) and Jakarta (where the index edged up 0.7 percent to 107.5). By contrast, confidence still deteriorated in South Sulawesi (where the index plunged 6.3 percent to 84.7 in November), North Sumatra (where the index fell 6.3 percent to 85.9), and East Java (where the index slipped 1.8 percent to 105.7).

Consumer confidence varied across different areas. For people living in rural areas the CCI added 3.4 percent to 98.9 in November. This compares to a small decline in the index measuring consumer confidence in urban areas (-0.2 percent to 99.1). Similarly, consumer confidence also varied across income bands. For low-income consumers (incomes below Rp1,500,000/month), the CCI edged up 5.2 percent to 93.5, whereas for high-income consumers (incomes above Rp3,000,000 per month), the CCI actually fell by 0.7 percent to 104.6 in November.

Chart 1. Consumer Confidence Strengthened in November

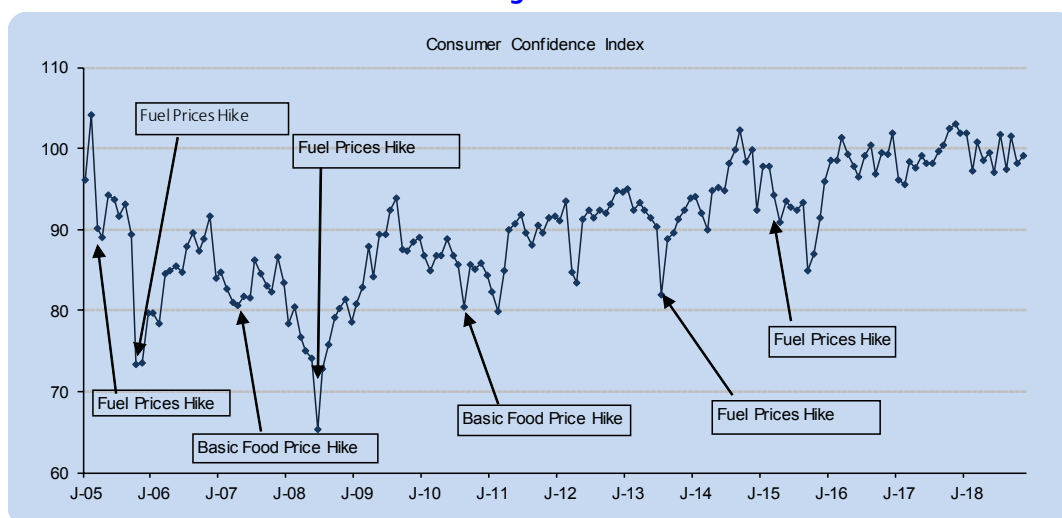
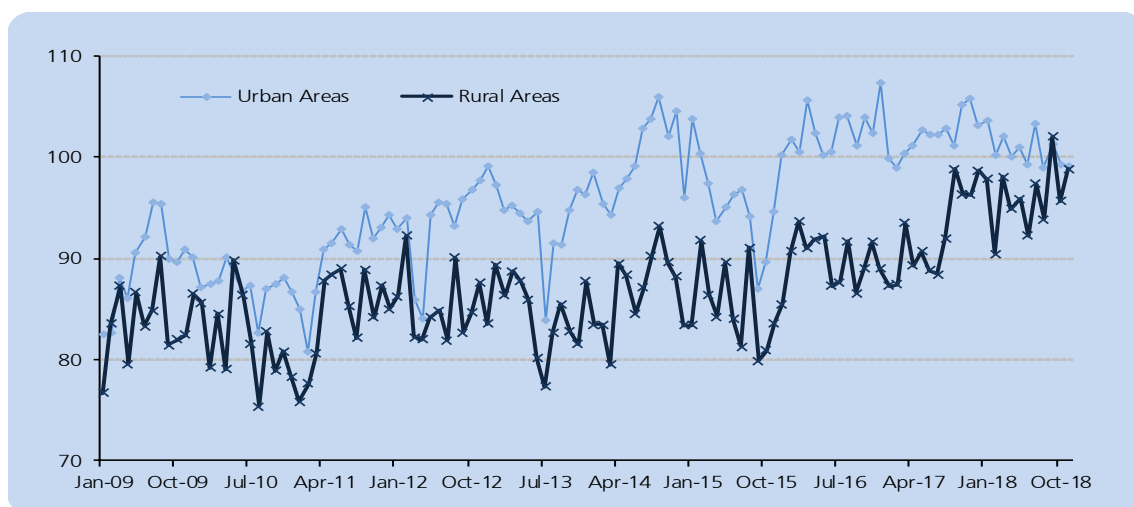


Chart 2. Rural and Consumers Were More Upbeat in November**Table 1. The Consumer Confidence Index**

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	MoM % Change
Consumer Confidence	101.6	97.5	101.5	98.2	99.0	0.8
Present Situation	85.7	81.0	87.7	83.9	82.7	-1.4
Expectation	113.6	109.9	111.8	109.0	111.3	2.0

Appraisals of Current Situations: *More Upbeat on the National Economy*

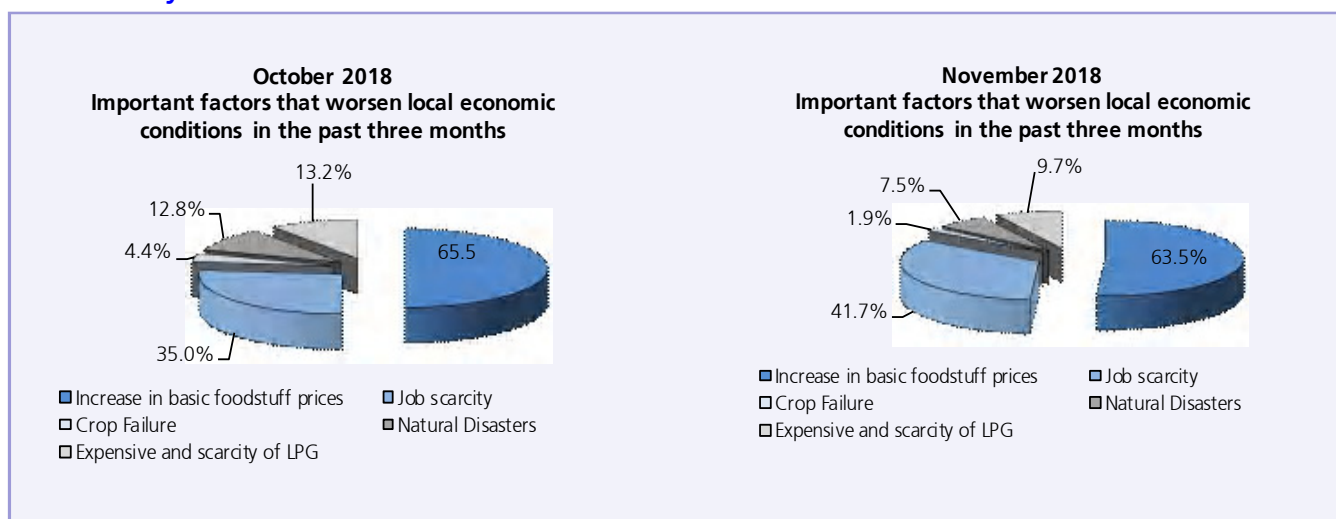
Consumers gave more positive assessments on the current state of the national economy. In our survey, the proportion of consumers who claimed that national economic conditions were “good” increased from 17.4 percent to 18.8 percent, while the proportion of consumers who claimed that national economic conditions were “bad” declined from 33.8 percent to 32.5 percent. Moreover, consumers who said that national economic conditions were “normal” decreased from 48.7 percent to 48.3 percent. As such, overall, the index added 3.1 percent from 83.6 to 86.3 in November.

Consumers, however, gave more negative assessments on the current state of the local economy (the relevant index retreated 1.5 percent from 105.0 to 103.4 in November). Furthermore, our survey showed that consumers remained concerned by several key issues. Most notably, 63.5 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 65.5 percent in October). In addition, 41.7 percent of consumers still expressed concerns on job scarcity at the present time (up from 35.0 percent in October).

In regard to the current state of the job market, consumer assessments also weakened (the relevant index retreated 7.1 percent from 63.0 to 58.5 in November). More specifically, more consumers claimed that jobs were hard to get (55.6 percent in November vs. 52.5 percent in October) while fewer consumers claimed that jobs were easy to get (14.1 percent in November vs. 15.5 percent in October). In addition, some 30.0 percent of consumers did not perceive any change in the job market. All in all, 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

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	MoM % Change
Economic Conditions	89.2	87.8	93.5	83.6	86.3	3.1
Local Area Economic Conditions	105.0	99.9	109.9	105.0	103.4	-1.5
Employment Conditions	62.8	55.3	59.7	63.0	58.5	-7.1

Chart 3. Key Concerns

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

Looking ahead over the next six months, consumers are more optimistic: the Expectations Index (EI) edged up 2.0 percent to 111.3 in November. Furthermore, all components of the EI increased in November and they all remained 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 increase the most was the one measuring sentiment toward future family incomes. This component of the EI rose 4.3 percent to 111.0 in November. In our survey, more consumers expect higher family incomes over the next six months (20.8 percent in November vs 17.9 percent in October) while the proportion of consumers who expect lower family incomes decreased from 11.44 percent to 9.8 percent. But most consumers (68.7 percent) still don't expect any change in the outlook for future family incomes. Overall, the increase in the component of the EI measuring sentiment toward future family incomes stemmed from stronger optimism toward the job market (this index climbed 1.6 percent to 104.1 in November).

In regard to the national economic outlook, consumers are also more optimistic. This component of the EI edged up 1.4 percent to 114.5 in November. In more detail, our survey reveals that fewer consumers were downbeat on the national economic outlook (6.7 percent in November vs. 5.0 percent in October) while around 19.5 percent of consumers were still upbeat. Nevertheless, a large proportion of consumers (74.7 percent) still foresee no change in the national economic outlook over the next six months. For the local economic outlook, meanwhile, consumers are more upbeat (the relevant index climbed 1.0 percent to 115.5 in November).

Table 3. Expectations in the Six Months Ahead

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	MoM % Change
Economic Prospects	119.2	115.0	111.8	112.9	114.5	1.4
Local Area Economic Prospects	116.8	112.6	117.5	114.4	115.5	1.0
Employment Prospects	105.3	103.8	105.2	102.4	104.1	1.6
Family Income Prospects	113.2	108.1	112.8	106.4	111.0	4.3

Purchasing Intentions for Durable Goods: *Increased*

With consumers being more upbeat on the national economic outlook, buying intentions for durable goods increased in November. In our survey, 45.42 percent of consumers expressed plans to purchase a durable good over the next six months, or up from 44.37 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 44.20 percent of consumers expressed plans to purchase a durable good back in November 2017.

Of the ten categories of goods tracked by our survey, however, buying intentions increased in five of them in November. Most notably, buying intentions for bicycles increased significantly (up from 0.23 percent to 0.52 percent). At the same time, buying intentions for houses, home appliances, and livestock increased moderately. Our survey also shows that the proportion of consumers who want to renovate their homes increased slightly in November.

By contrast, buying intentions still declined in five categories of goods. Most notably, buying intentions for land fell significantly from 0.41 percent in October to 0.06 percent in November. At the same time, buying intentions for gold & jewelry decreased moderately. And finally, our survey also reveals that buying intentions for audio-visual equipment, automobiles, and motorcycles also fell in November.

Table 4. Buying intentions

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Automobile	0.70	0.17	0.52	0.29	0.23
Motorcycle	1.62	2.20	2.73	2.20	0.99
Bicycle	0.12	0.41	0.58	0.23	3.65
House	0.70	0.29	1.04	0.81	0.06
House Renovation	2.61	2.26	4.47	3.31	4.00
Land	0.17	0.46	0.23	0.41	8.99
Audio-visual	4.52	4.29	3.42	4.23	1.04
Home appliance	8.82	6.84	9.57	7.31	0.75
Gold & jewelry	1.39	1.74	1.45	1.62	0.12
Livestock	1.57	1.51	0.29	1.04	0.06

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

In our latest survey, consumers said that they expected inflationary pressures to increase slightly over the next six months. Overall, the index measuring consumer sentiment toward general prices edged up by 0.2 percent from 178.2 to 178.5 in November. In part, at least, the increase in this index reflects expectations that prices, especially of foodstuffs and transportation, will increase toward the end of the year due to the celebration of Christmas and New Year. Nevertheless, this index is still lower than it was one year ago when the index stood at 183.2 in November 2017.

In regard to interest rates, fewer consumers foresee higher interest rates over the next six months (26.0 percent in November vs 28.6 percent in October) while around 7.6 percent of consumers still foresee lower interest rates. Meanwhile, 25.7 percent of consumers expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates fell 2.3 percent from 121.2 to 118.5 in November.

As for the rupiah, consumers in the main cities are more pessimistic on the outlook for the local currency. In our survey, the index measuring sentiment toward the rupiah retreated 10.9 percent to 65.1 in November. As for the outlook for stock prices, however, consumers are more optimistic that Indonesian stocks will record gains over the next six months (this index jumped 9.0 percent to 117.8 in November).

Table 5. Expectations on Prices

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	MoM % Change
General Prices Expectation	182.7	183.3	180.0	178.2	178.5	0.2
Interest Rates Expectation	123.7	119.3	115.5	121.2	118.5	-2.3
Exchange Rates Expectation	69.7	67.1	63.8	73.1	65.1	-10.9
Stock Prices Expectation	114.1	108.5	110.8	108.1	117.8	9.0

Confidence in the Government: *Weakened*

Consumer confidence in the government's ability to carry out its duties weakened in the November survey. After increasing 4.2% in the previous survey, the Consumer Confidence in the Government Index (CCGI) slipped 0.7% to 110.4 in November. Two components of the CCGI increased in our latest survey, while the other three declined. Nonetheless, four CCGI components are still 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 November was the one measuring sentiment toward the government's ability to stabilize prices (the relevant index added 5.2 percent from 90.1 to 94.8). 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 (63.5 percent in November vs 65.5 percent in October). Also up was the component of the CCGI measuring sentiment toward the government's ability to spur economic growth. It increased from 106.4 to 108.5 in November.

By contrast, some components of the CCGI still declined. The component of the CCGI to decline the most in November was the one measuring sentiment toward the government's ability to enforce the rule of law. This index retreated by 7.2 percent from 119.2 to 110.5. Also down was the component of the CCGI measuring sentiment toward the government's ability to ensure a safe and orderly environment (this index edged down from 117.9 to 116.1 in November). Finally, our survey also reveals that the component of the CCGI measuring sentiment toward the government's ability to provide and maintain public infrastructure slipped 0.3 percent from 122.2 to 121.9.

Table 6. Confidence Toward The Current Government

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	MoM % Change
Recovery National Economy	105.9	104.7	101.6	106.4	108.5	2.0
Stabilize the Price of Goods	91.0	85.1	88.9	90.1	94.8	5.2
Provide and maintain public infrastructure	119.5	117.1	119.4	122.2	121.9	-0.3
Ensure a safe and orderly environment	116.1	114.5	114.0	117.9	116.1	-1.5
Enforce the rule of law	111.3	104.4	109.7	119.2	110.5	-7.2
CCGI	108.8	105.1	106.7	111.2	110.4	-0.7

* 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	Oct-18	Nov-18	MoM %Change
National			
Consumer Confidence Index	98.2	99.0	0.8
Present Situation	83.9	82.7	-1.4
Expectations	109.0	111.3	2.0
Jakarta			
Consumer Confidence Index	106.8	107.5	0.7
Present Situation	81.5	85.6	5.0
Expectations	125.7	123.9	-1.4
West Java			
Consumer Confidence Index	88.3	96.2	9.0
Present Situation	62.6	70.4	12.6
Expectations	107.5	115.5	7.4
Central Java			
Consumer Confidence Index	107.8	116.7	8.3
Present Situation	95.0	102.0	7.3
Expectations	117.3	127.8	8.9
East Java			
Consumer Confidence Index	107.6	105.7	-1.8
Present Situation	108.2	106.6	-1.5
Expectations	107.2	105.0	-2.0
North Sumatera			
Consumer Confidence Index	91.6	85.9	-6.3
Present Situation	70.3	59.8	-15.0
Expectations	107.6	105.4	-2.0
South Sulawesi			
Consumer Confidence Index	90.4	84.7	-6.3
Present Situation	85.3	72.8	-14.7
Expectations	94.2	93.6	-0.6

TABLE 8: NATIONAL FIGURES

CCI by Classification	Respondent Profile (%)	Oct-18	Nov-18	MoM %Change
Age of Respondents				
20-29	16.6	104.2	104.9	0.7
30-39	25.3	99.9	97.5	(2.4)
40-49	30.7	96.7	100.5	3.9
50-59	18.6	94.6	97.6	3.2
60 and over	8.6	97.2	89.1	(8.3)
Educational Level				
Primary School or less	30.9	93.4	94.0	0.6
High School	60.0	99.1	100.5	1.5
Academy/University	9.1	109.4	106.2	(3.0)
Households Income				
under RP 1.500.000,-	10.2	88.8	93.5	5.2
Rp 1.500.001-3.000.000	53.3	95.5	96.4	0.9
Rp 3.000.001,- and over	36.2	105.3	104.6	(0.7)
Type Area				
Urban	70.4	99.3	99.1	(0.2)
Rural	29.6	95.6	98.9	3.4
Gender				
Male	50.0	97.9	99.8	2.0
Female	50.0	98.6	98.3	(0.4)
Occupation				
Worker	35.0	98.4	100.5	2.1
Self employed	29.8	98.3	98.9	0.5
Unemployed	35.3	98.0	97.7	(0.3)

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

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