

January 2018

Consumer Confidence Weakened Slightly in December

- **Consumer Confidence weakened in December.** In this month, the Consumer Confidence Index (CCI) fell from its highest level in more than 12 years of 103.0 in November to 101.8 in December. Our survey shows that consumers are less upbeat on the nation's economic outlook. Furthermore, they also registered some concerns at the local level, especially in relation to high foodstuff prices and job scarcity. In our survey, 69.3 percent of consumers cited higher foodstuff prices as a major concern (up from 67.7 percent), and 33.1 percent of consumers cited job scarcity as a major concern (down from 33.9 percent).
- **Of the two main components which make up the CCI, one increased and the other declined.** The component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), increased 1.1 percent to 84.5, as sentiment toward the current state of the job market improved in December. As for the other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – it retreated 2.4 percent to 114.8. The fall in this index reflects weaker consumer optimism toward the economic outlook over the next six months.
- **Although consumers are less upbeat on the national economic outlook, buying intentions for durable goods actually strengthened in December.** In our survey, 46.35 percent of consumers expressed plans to purchase a durable good over the next six months, up from 44.20 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 29.87 percent of consumers expressed plans to purchase a durable good back in December 2016.
- **Consumer confidence in the government's ability to carry out its duties weakened in the December survey.** After increasing 1.5 percent in the previous survey, the Consumer Confidence in the Government Index (CCGI) retreated 0.4 percent from 106.5 to 106.1. Nevertheless, in our survey, three components of the CCGI still increased, and two components declined. In addition, four components of the CCGI are still above the neutral level of 100. This suggests that consumers are generally convinced in the government's ability to carry out its duties.

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THE DECEMBER 2017 RESULTS

Consumer Confidence weakened in December. In this month, the Consumer Confidence Index (CCI) fell from its highest level in more than 12 years of 103.0 in November to 101.8 in December. Our survey shows that consumers are less upbeat on the nation's economic outlook. Furthermore, they also registered some concerns at the local level, especially in relation to high foodstuff prices and job scarcity. In our survey, 69.3 percent of consumers cited higher foodstuff prices as a major concern (up from 67.7 percent), and 33.1 percent of consumers cited job scarcity as a major concern (down from 33.9 percent).

Of the two main components which make up the CCI, one increased and the other declined. The component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), increased 1.1 percent to 84.5, as sentiment toward the current state of the job market improved in December. As for the other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – it retreated 2.4 percent to 114.8. The fall in this index reflects weaker consumer optimism toward the economic outlook over the next six months.

By region, consumer confidence deteriorated in four of the six regions covered by the survey. Sentiment deteriorated the most in West Java (where the index retreated 4.3 percent to 92.7 in December), followed by Jakarta (where the index edged down 4.0 percent to 122.0), Central Java (where the index declined 1.5 percent to 107.9), and East Java (where the index slipped 0.1 percent to 105.6). By contrast, confidence still improved in North Sumatra (where the index added 2.0 percent to 88.0), followed by South Sulawesi (where the index climbed 1.6 percent to 101.7).

The optimism of consumers in different income bands was mixed. For the high income consumers (incomes above Rp2,000,000 per month), the CCI retreated 1.4 percent to 106.8 in December, while for the low income consumers (incomes below Rp1,000,000/month), the CCI rose by 13.9 percent to 95.9. Meanwhile, changes in confidence also varied between rural and urban areas. While the CCI for urban consumers declined by 2.5 percent to 103.2 in December, the CCI for rural consumers actually rose by 2.5 percent to 98.7.

Chart 1. Consumer Confidence Weakened in December

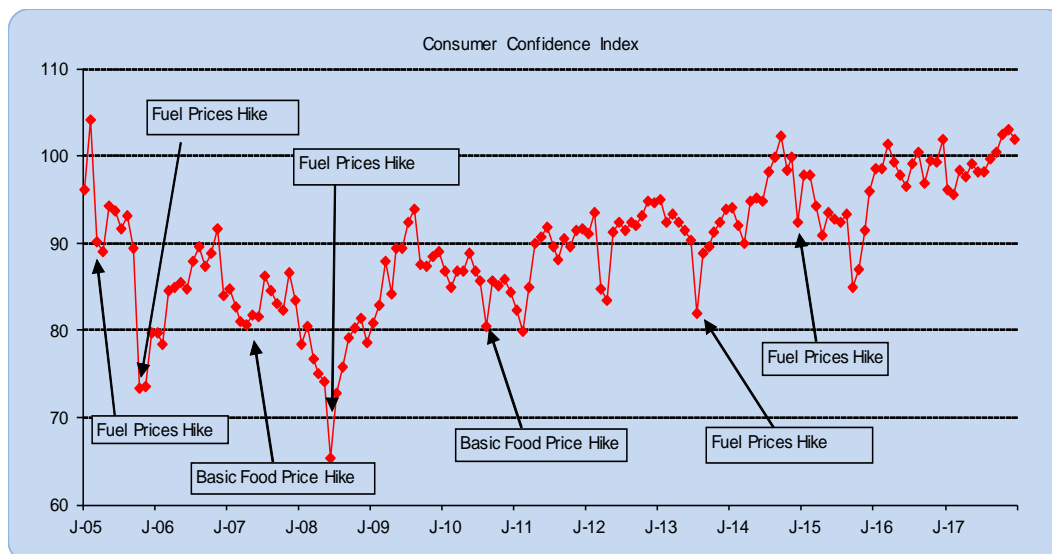
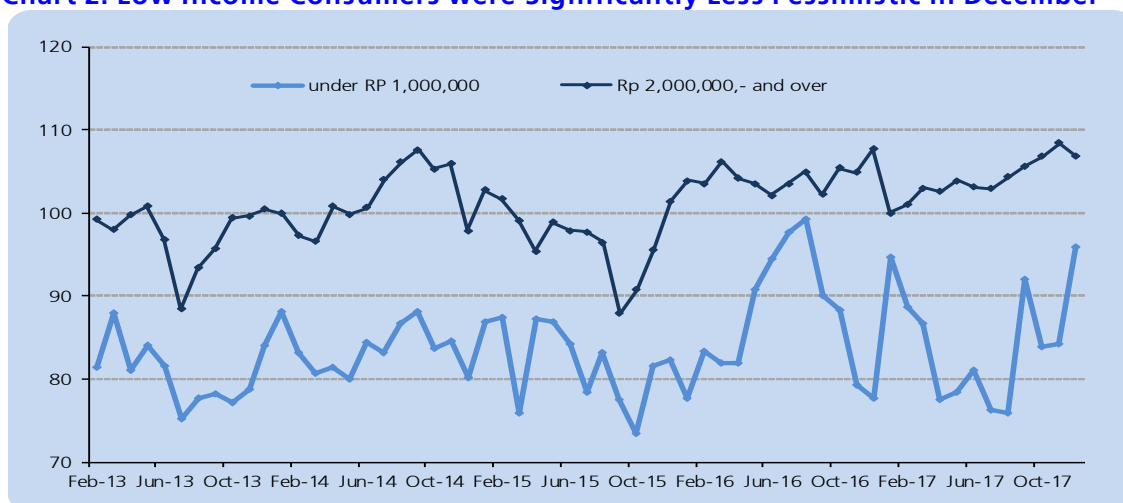


Chart 2. Low Income Consumers were Significantly Less Pessimistic in December**Table 1. The Consumer Confidence Index**

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | MoM % Change |
|---------------------|--------|--------|--------|--------|--------|--------------|
| Consumer Confidence | 99.7 | 100.4 | 102.5 | 103.0 | 101.8 | -1.2 |
| Present Situation | 83.0 | 83.4 | 84.2 | 83.6 | 84.5 | 1.1 |
| Expectation | 112.2 | 113.2 | 116.2 | 117.6 | 114.8 | -2.4 |

Appraisals of Current Situations: *Less Upbeat on the Economy*

Consumers gave more negative assessments on the current state of the national economy in our latest survey (this index retreated 1.2 percent from 91.1 to 90.0 in December). In our survey, the proportion of consumers who claimed that national economic conditions were “good” stayed at around 21.6 percent, while the proportion of consumers who claimed that national economic conditions were “bad” increased from 29.6 percent to 31.6 percent. Nevertheless, a significant proportion of consumers (46.7 percent) said that national economic conditions were “normal”.

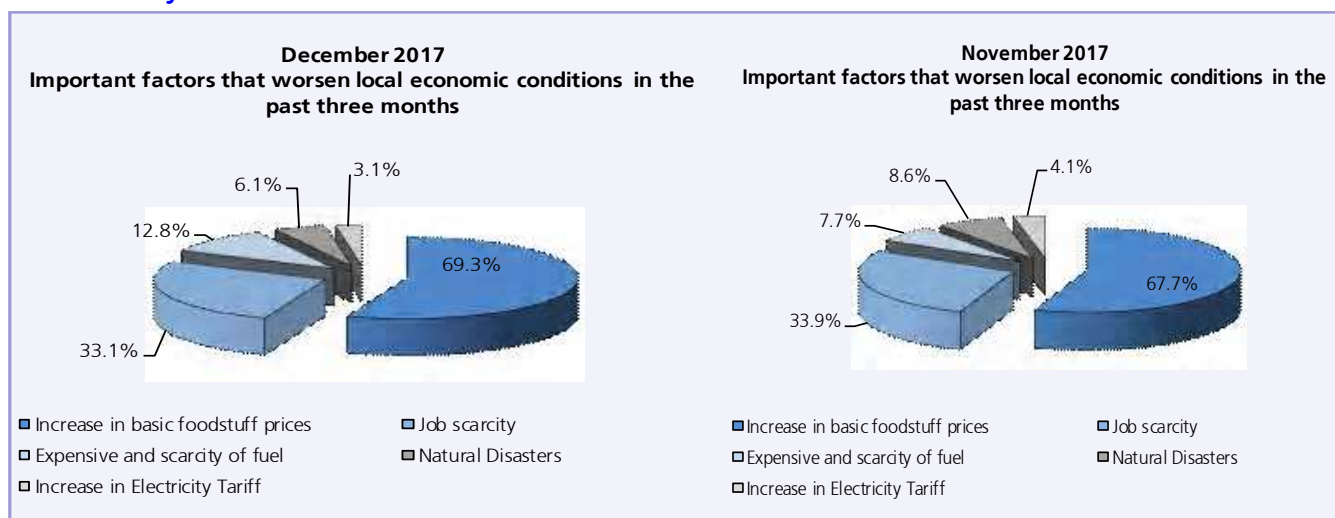
In regard to the current state of the local economy, however, consumers also gave more negative assessments (this index edged down 2.6 percent to 100.6 in December). Consumers remained concerned by several key issues. Most notably, 69.3 percent of consumers still cited high foodstuff prices as a major factor weighing on the local economy in the last three months (up from 67.7 percent in November). Furthermore, 33.1 percent of consumers expressed concerns on job scarcity (down from 33.9 percent) and 3.1 percent of consumers mentioned electricity tariff hikes as a worry (down from 4.1 percent).

In the December survey, however, consumers gave more positive assessments on the current state of the job market (the index measuring sentiment toward job market conditions climbed 11.8 percent to 62.9). More specifically, fewer consumers claimed that jobs were hard to get (55.5 percent in December vs. 60.2 percent in November). In addition, more consumers claimed that jobs were easy to get (18.3 percent in December vs. 16.5 percent in November). Some 26.2 percent of consumers did not perceive any change in the job market. Overall, 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

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | MoM % Change |
|--------------------------------|--------|--------|--------|--------|--------|--------------|
| Economic Conditions | 86.4 | 87.7 | 89.0 | 91.1 | 90.0 | -1.2 |
| Local Area Economic Conditions | 101.2 | 105.0 | 103.8 | 103.4 | 100.6 | -2.6 |
| Employment Conditions | 61.5 | 57.5 | 59.9 | 56.3 | 62.9 | 11.8 |

Chart 3. Key Concerns



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

Looking ahead over the next six months, consumers are less optimistic: the Expectations Index (EI) edged down 2.4 percent to 114.8 in December. Furthermore, all components of the EI declined (although they all remain 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 fall the most was the one measuring sentiment on the national economic outlook (this index retreated 3.2 percent to 122.5 in December). In more detail, our survey reveals that around 27.3 of consumers were still upbeat on the national economic outlook although more consumers were downbeat (4.8 percent in December vs. 3.9 percent in November). Nevertheless, a large proportion of consumers (66.7 percent) still foresee no change in the national economic outlook over the next six months. As for the local economy, consumers are also less upbeat on its prospects: this index dropped 3.0 percent to 119.0 in December.

In regard to the future family incomes over the next six months, consumers also gave more negative assessments. This component of the EI fell 1.8 percent to 111.4 in December). In our survey, around 23.1 percent of consumers expect higher family incomes over the next six months, while the proportion of consumers who expect lower family incomes stayed at around 11.7 percent. However, most consumers (64.6 percent) still expect no change in the future family incomes outlook. The weaker optimism toward the prospects for family incomes is inline with the finding that the job market outlook is also less bright (this index fell 1.2 percent to 106.4).

Table 3. Expectations in the Six Months Ahead

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | MoM % Change |
|-------------------------------|--------|--------|--------|--------|--------|-----------------|
| Economic Prospects | 118.3 | 121.8 | 124.2 | 126.6 | 122.5 | -3.2 |
| Local Area Economic Prospects | 116.1 | 117.9 | 119.8 | 122.7 | 119.0 | -3.0 |
| Employment Prospects | 107.1 | 106.1 | 107.4 | 107.7 | 106.4 | -1.2 |
| Family Income Prospects | 107.2 | 107.0 | 113.4 | 113.5 | 111.4 | -1.8 |

Purchasing Intentions for Durable Goods: *Strengthened Further*

Although consumers are less upbeat on the national economic outlook, buying intentions for durable goods actually strengthened in December. In our survey, 46.35 percent of consumers expressed plans to purchase a durable good over the next six months, up from 44.20 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 29.87 percent of consumers expressed plans to purchase a durable good back in December 2016.

Of the ten categories tracked by our survey, however, buying intentions only increased in three of them. Most notably, buying intentions for livestock tripled from 0.35 percent in November to 1.331 percent in December. Meanwhile, buying intentions for automobiles and motorcycles increased significantly from 0.46 percent in November to 0.58 percent in December and from 2.55 percent in November to 2.84 percent in December, respectively.

By contrast, buying intentions in seven categories of goods still declined. Buying intentions for bicycles fell significantly from 0.41 percent to 0.12 percent in December. Meanwhile, buying intentions for houses also fell significantly: down from 0.75 percent to 0.46 percent. Also down in December were buying intentions for audio-visual equipment, home appliances, land and gold & jewelry. Finally, the proportion of consumers who want to renovate their homes declined from 3.07 percent to 2.96 percent in December.

Table 4. Buying intentions

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|------------------|--------|--------|--------|--------|--------|
| Automobile | 0.52 | 0.29 | 0.58 | 0.46 | 0.58 |
| Motorcycle | 1.86 | 1.97 | 2.26 | 2.55 | 2.84 |
| Bicycle | 0.35 | 0.23 | 0.29 | 0.41 | 0.12 |
| House | 0.81 | 0.87 | 0.46 | 0.75 | 0.46 |
| House Renovation | 2.49 | 2.32 | 3.25 | 3.07 | 2.96 |
| Land | 0.35 | 0.12 | 0.17 | 0.41 | 0.35 |
| Audio-visual | 4.70 | 4.23 | 4.58 | 4.81 | 4.64 |
| Home appliance | 4.87 | 6.84 | 6.32 | 8.24 | 7.66 |
| Gold & jewelry | 1.45 | 1.45 | 1.04 | 2.03 | 1.86 |
| Livestock | 1.33 | 0.64 | 0.41 | 0.35 | 1.33 |

Expectations on Key Economic Variables: *Inflation is Expected to Increase Slightly*

In our latest survey, consumers said they expected inflationary pressures to increase slightly over the next six months. Overall, the index measuring consumer sentiment toward general prices added 2.0 percent from 183.2 to 186.8 in December 2017. Nevertheless, this index is still lower than its level one year ago, when the index reached 187.4 in December 2016. In part, at least, the increase in this index reflects expectations that prices - especially of foodstuffs, clothing and transportation - will increase toward the year-end and the beginning of the year due to the impact of Christmas and New Year's Eve.

In regard to interest rates, more consumers foresee higher interest rates over the next six months (34.7 percent in December vs 33.2 percent in November) while around 6.0 percent of consumers foresee lower interest rates. Nevertheless, a significant proportion of consumers (21.1 percent) still expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates added 0.8 percent to 128.7 in December.

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 15.7 percent to 70.5 in December. In regard to the outlook for stock prices, however, consumers are still optimistic that Indonesian stocks will record gains over the next six months (this index edged up 2.6 percent to 110.7 in December).

Table 5. Expectations on Prices

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | MoM % Change |
|----------------------------|--------|--------|--------|--------|--------|-----------------|
| General Prices Expectation | 180.7 | 182.4 | 181.8 | 183.2 | 186.8 | 2.0 |
| Interest Rates Expectation | 127.7 | 126.4 | 124.8 | 127.6 | 128.7 | 0.8 |
| Exchange Rates Expectation | 71.5 | 74.6 | 79.3 | 83.6 | 70.5 | -15.7 |
| Stock Prices Expectation | 109.3 | 110.7 | 112.1 | 107.8 | 110.7 | 2.6 |

Confidence in the Government: *Weakened*

Consumer confidence in the government's ability to carry out its duties weakened in the December survey. After increasing 1.5 percent in the previous survey, the Consumer Confidence in the Government Index (CCGI) retreated 0.4 percent from 106.5 to 106.1 in December. Nevertheless, in our survey, three components of the CCGI still increased, and two components declined. In addition, four components of the CCGI are still above the neutral level of 100. This suggests that consumers are generally convinced in the government's ability to carry out its duties.

The component of the CCGI to decline the most in December was the one measuring sentiment toward the government's ability to stabilize prices. This index retreated 9.7 percent from 93.3 to 84.2. Also down was the component measuring sentiment toward the government's ability to spur economic growth. This index edged down 2.8 percent from 107.8 to 104.8 in December.

By contrast, the component of the CCGI measuring sentiment toward the government's ability to enforce the rule of law climbed 5.3 percent from 99.3 to 104.5 in December. This is encouraging since perceptions of weak law enforcement have dragged down consumer sentiment toward the government in the past. Also up was the component measuring sentiment toward the government's ability to provide and maintain public infrastructure. This index rose 2.4 percent to its highest ever level of 121.7 in December. Finally, the component measuring sentiment toward the government's ability to ensure a safe and orderly environment rose to its highest level in the last 7 years of 115.1 in December.

Table 6. Confidence Toward The Current Government

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | MoM %Change |
|--|--------|--------|--------|--------|--------|----------------|
| Recovery National Economy | 98.2 | 97.4 | 102.4 | 107.8 | 104.8 | -2.8 |
| Stabilize the Price of Goods | 79.1 | 83.6 | 87.4 | 93.3 | 84.2 | -9.7 |
| Provide and maintain public infrastructure | 116.1 | 117.2 | 116.5 | 118.8 | 121.7 | 2.4 |
| Ensure a safe and orderly environment | 112.4 | 110.1 | 113.2 | 113.2 | 115.1 | 1.7 |
| Enforce the rule of law | 99.7 | 101.3 | 104.9 | 99.3 | 104.5 | 5.3 |
| CCGI | 101.1 | 101.9 | 104.9 | 106.5 | 106.1 | -0.4 |

* 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 | Nov-17 | Dec-17 | MoM %Change |
|---------------------------|--------|--------|-------------|
| National | | | |
| Consumer Confidence Index | 103.0 | 101.8 | -1.2 |
| Present Situation | 83.6 | 84.5 | 1.1 |
| Expectations | 117.6 | 114.8 | -2.4 |
| Jakarta | | | |
| Consumer Confidence Index | 127.1 | 122.0 | -4.0 |
| Present Situation | 101.6 | 97.0 | -4.6 |
| Expectations | 146.2 | 140.8 | -3.7 |
| West Java | | | |
| Consumer Confidence Index | 96.9 | 92.7 | -4.3 |
| Present Situation | 68.2 | 66.2 | -2.9 |
| Expectations | 118.4 | 112.6 | -4.9 |
| Central Java | | | |
| Consumer Confidence Index | 109.6 | 107.9 | -1.5 |
| Present Situation | 92.1 | 93.1 | 1.1 |
| Expectations | 122.8 | 119.1 | -3.0 |
| East Java | | | |
| Consumer Confidence Index | 105.7 | 105.6 | -0.1 |
| Present Situation | 100.1 | 100.7 | 0.5 |
| Expectations | 109.8 | 109.3 | -0.5 |
| North Sumatera | | | |
| Consumer Confidence Index | 86.3 | 88.0 | 2.0 |
| Present Situation | 58.2 | 62.8 | 7.9 |
| Expectations | 107.5 | 107.0 | -0.4 |
| South Sulawesi | | | |
| Consumer Confidence Index | 100.1 | 101.7 | 1.6 |
| Present Situation | 86.7 | 91.6 | 5.7 |
| Expectations | 110.1 | 109.3 | -0.8 |

TABLE 8: NATIONAL FIGURES

| CCI by Classification | Respondent Profile (%) | Nov-17 | Dec-17 | MoM %Change |
|-----------------------------|------------------------|--------|--------|-------------|
| Age of Respondents | | | | |
| 20-29 | 17.5 | 110.4 | 108.1 | -2.0 |
| 30-39 | 23.9 | 102.9 | 103.6 | 0.7 |
| 40-49 | 30.0 | 103.5 | 103.0 | -0.5 |
| 50-59 | 19.8 | 98.2 | 97.0 | -1.2 |
| 60 and over | 8.8 | 98.6 | 91.4 | -7.3 |
| Educational Level | | | | |
| Primary School or less | 30.7 | 94.1 | 91.5 | -2.8 |
| High School | 61.3 | 105.9 | 105.4 | -0.6 |
| Academy/University | 8.1 | 115.7 | 114.4 | -1.2 |
| Households Income | | | | |
| under RP 1.000.000,- | 1.2 | 84.2 | 95.9 | 13.9 |
| Rp. 1.000.001 - 1.500.000,- | 10.0 | 89.1 | 94.5 | 6.0 |
| Rp 1.500.001 - 2.000.000,- | 24.0 | 94.4 | 91.7 | -2.9 |
| Rp 2.000.001,- and over | 64.8 | 108.4 | 106.8 | -1.4 |
| Type Area | | | | |
| Urban | 70.4 | 105.8 | 103.2 | -2.5 |
| Rural | 29.6 | 96.2 | 98.7 | 2.5 |
| Gender | | | | |
| Male | 49.9 | 103.3 | 102.3 | -0.9 |
| Female | 50.1 | 102.8 | 101.4 | -1.4 |
| Occupation | | | | |
| Worker | 28.2 | 108.4 | 105.9 | -2.3 |
| Self employed | 34.5 | 99.1 | 98.2 | -0.9 |
| Unemployed | 37.2 | 102.0 | 102.1 | 0.0 |

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

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