

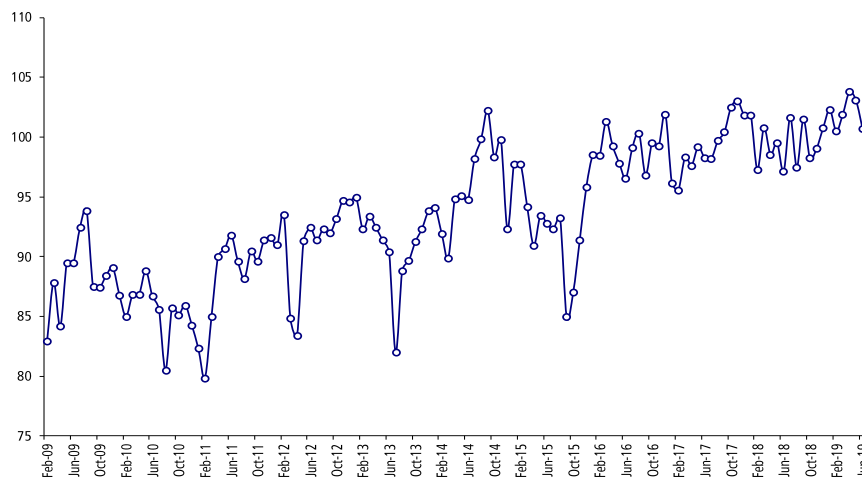
June Results: Slightly Weaker

Key Findings

- ✓ The Consumer Confidence Index fell further by 2.3% to 100.7 in June 2019.
 - ✓ Concerns heightened on potential natural disasters (in North Sumatera and South Sulawesi) and job scarcity.
 - ✓ Consumers appear to have delayed buying plans in the near term following Idul Fitri.
 - ✓ The Consumer Confidence in the Government Index rose again.
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- The Consumer Confidence Index (CCI) fell for the second straight month in June 2019 to 100.7 from 103.1 in the previous month. The Present Situations Index (PSI) declined more sharply by 4.5% to 84.7, while the Expectations Index (EI) slipped 1.1% to 112.6. Consumers gave more negative assessments toward current economic and employment conditions. In turn, they are less upbeat on the outlook for local business conditions and their family incomes over the next 6 months.
 - The CCI for urban areas slipped to 100.8 (-5.3% mom), while the CCI for rural areas rose 5.8% mom to 100.5. By province, the CCI fell in three of them: Jakarta (-3.8% mom to 114.4), North Sumatera (-16.1% mom to 85.2), and South Sulawesi (-6.0% mom to 80.7). By contrast, the CCI was up in West Java (+6.4%), Central Java (+2.2%), and East Java (+1.7%) to 102.0, 116.2, and 109.7, respectively.
 - By income level, the CCI for mid-income consumers (between IDR 1.5 mn-3.0 mn/month) fell to 95.7 (-2.8% mom) and for high-income consumers (above IDR 3.0 mn/month) the CCI declined to 108.6 (-3.8% mom). By contrast, the CCI for low-income consumers (below IDR 1.5 mn/month) rose further by 4.4 percent to 93.6. Since the CCI readings are above their 12-month averages, this reflects relatively strong consumer confidence, suggesting there will not be any significant pullback in consumer spending (particularly for low-income consumers) in the months ahead.
 - Consumers mentioned several factors that dampened local economic conditions. Some 65.8 percent of them are concerned by higher foodstuff prices (unchanged from 65.8% in the earlier survey), and job scarcity (up to 33.9% from 32.9% in the previous survey). The recent floods in North Sumatera and Sulawesi also raised concerns over potential natural disasters (6.8 percent of consumers noted this as a worry vs. 5.4% in the previous survey).
 - Most consumers foresee milder inflationary pressures over the next 6 months (the index measuring consumer sentiment toward general prices fell 1.9% to 174.8). In regard to interest rates, consumers believe that interest rates will remain high over the next six months (this index rose 2.5% to 121.7). At the same time, consumers in the main cities are pessimistic on the outlook for the rupiah (this index slumped by 6.3% to 66.7).
 - The Buying Intentions Index fell on a monthly basis (-1.3% mom to 187.7) in the June survey. Consumers may postpone planned purchases of several types of durable goods following the Idul Fitri festivities and ahead of the new school year. Of the ten categories of goods tracked by our survey, buying intentions dropped sharply in three of them (houses, home appliances, and gold-jewelry). Nonetheless, the Buying Intentions Index still posted higher annual growth (+11.8% yoy), indicating stable consumer purchasing intentions for durable goods over the next six months.

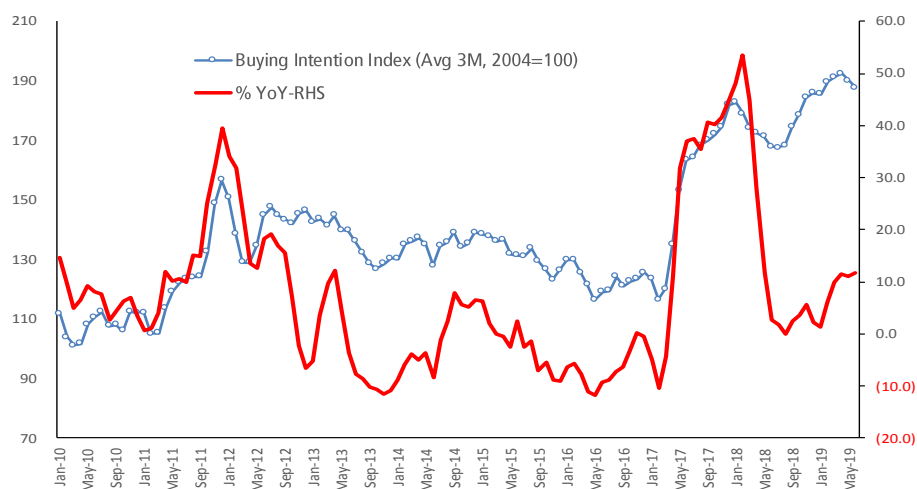
- The Consumer Confidence in the Government Index (CCGI) rose 0.5% mom to 111.5, following a 1.4% increase in the previous month. Three components of the CCGI posted a monthly increase. In particular, consumers have greater confidence in the government's ability to spur economic growth (+0.1% mom to 109.4), provide and maintain public infrastructure (+0.4% mom to 120.5), and stabilize general prices (+4.3% mom to 101.0). The components of the CCGI to decline were the ones measuring sentiment toward the government's ability to ensure a safe and orderly environment (-0.8% mom to 114.8) and enforce the rule of law (-1.0% mom to 111.9).

Graph 1. Consumer Confidence Weakened in June 2019



Source: Danareksa Research Institute

Graph 2. The Buying Intentions Index Fell on A Monthly Basis



Source: Danareksa Research Institute

Graph 3. The CCGI Rose Further



Source: Danareksa Research Institute

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

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	% MoM
Consumer Confidence Index	102.3	100.5	101.9	103.8	103.1	100.7	(2.3)
Present Situation Index	86.7	84.1	86.9	89.1	88.7	84.7	(4.5)
Expectations Index	114.0	112.8	113.2	114.8	113.9	112.6	(1.1)
Buying Intentions Index	185.5	189.7	191.4	192.4	190.1	187.7	(1.3)
Cons. Confidence to Government Index (2003=100)	109.0	109.8	111.9	109.4	111.0	111.5	0.5

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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