

June 2018

## Consumers Confidence Strengthened in May

- **Consumer Confidence strengthened in May 2018.** In this month, the Consumer Confidence Index (CCI) rose 1 percent to 99.5 from 98.5 after declining by 2.2 percent in the previous survey. Our latest survey reveals that consumers gave more positive assessments on current economic conditions and the state of the job market. In particular, consumer concerns on job scarcity eased (with the proportion of consumers citing this issue as a concern falling from 39.0 percent to 36.7 percent in May). In addition, consumer concerns on the high prices and scarcity of LPG also declined (down from 14.3 percent to 10.6 percent in May).
- **Of the two main components which make up the CCI, only one increased in May:** the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), climbed 4.0 percent to 84.7, as sentiment toward the current state of the economy and the job market improved. By contrast, the other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – edged down by 0.7 percent to 110.6. The fall in this index reflects weaker consumer optimism toward the economy and the job market outlook over the next six months.
- **With consumers less upbeat on the national economic outlook,** buying intentions for durable goods also declined in May. In our survey, 40.49 percent of consumers expressed plans to purchase a durable good over the next six months, or down from 41.59 percent in the previous month. Nevertheless, on a yearly comparison, buying intentions for durable goods are still higher since only 39.50 percent of consumers expressed plans to purchase a durable good back in May 2017.
- **Consumer confidence in the government's ability to carry out its duties weakened in the May survey.** After decreasing 1.3% in the previous survey, the Consumer Confidence in the Government Index (CCGI) retreated 0.2% to 106.1 in May. Three components of the CCGI declined while two components increased. Nonetheless, four CCGI components are still above the neutral level of 100, thereby indicating that consumers are generally convinced in the government's ability to carry out its duties.

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**THE MAY 2018 RESULTS**

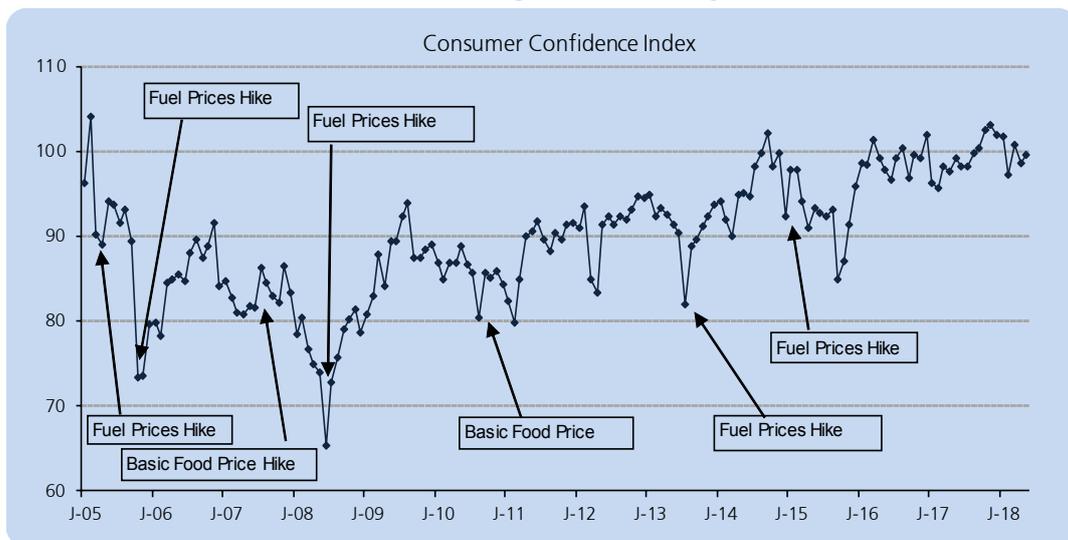
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Of the two main components which make up the CCI, only one increased in May: the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), climbed 4.0 percent to 84.7, as sentiment toward the current state of the economy and the job market improved. By contrast, the other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – edged down by 0.7 percent to 110.6. The fall in this index reflects weaker consumer optimism toward the economy and the job market outlook over the next six months.

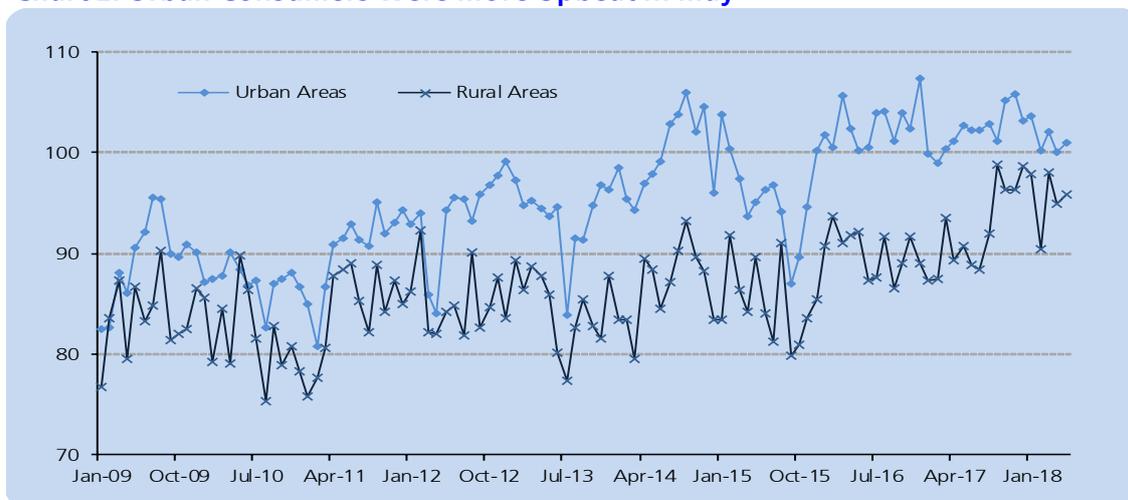
By region, however, consumer confidence improved in only three of the six regions covered by the survey. Sentiment improved the most in West Java (where the index added 7.2 percent to 97.7 in May), followed by North Sumatra (where the index rose 6.4 percent to 83.9), and Central Java (where the index climbed 5.8 percent to 104.4 in May). By contrast, confidence still deteriorated in East Java (where the index plunged 6.1 percent to 101.6 in May), followed by South Sulawesi (where the index retreated 3.0 percent to 102.3), and Jakarta (where the index dropped 2.7 percent to 110.9).

Consumer sentiment strengthened across different types of areas. For people living in urban and rural areas the CCI rose by 1.1 percent in both cases in May to 101.0 and 95.9, respectively. However, consumer confidence differed across income bands. For high-income consumers (incomes above Rp3,000,000 per month), the CCI added 4.4 percent to 110.0 in May, while for low-income consumers (incomes below Rp1,500,000/month), the CCI actually declined by 6.1 percent to 86.9.

**Chart 1. Consumer Confidence Strengthened in May**



**Chart 2. Urban Consumers Were More Upbeat in May**



**Table 1. The Consumer Confidence Index**

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	MoM % Change
Consumer Confidence	101.8	97.3	100.8	98.5	99.5	1.0
Present Situation	83.9	76.7	82.3	81.4	84.7	4.0
Expectation	115.2	112.7	114.6	111.4	110.6	-0.7

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

Consumers gave more positive assessments on the current state of the local economy (this index added 2.7 percent from 100.9 to 103.6 in May). Nevertheless, consumers remained concerned by several key issues. Most notably, 76.3 percent of consumers still cited high foodstuff prices as a major factor weighing on the local economy in the last three months (up from 74.5 percent in April). At the same time, 36.7 percent of consumers expressed concerns on job scarcity (albeit down from 39.0 percent in April) and 10.6 percent of consumers were still worried by the potential scarcity and high prices of LPG (albeit down from 14.3 percent in April).

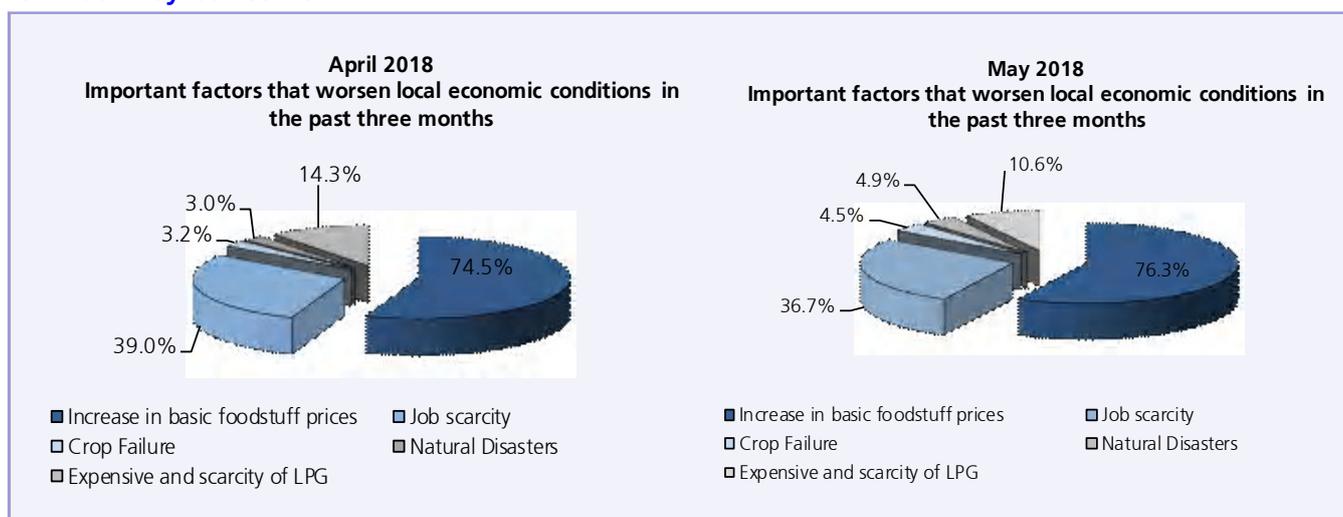
In regard to the current state of the national economy, consumer assessments were little changed. In our survey, the proportion of consumers who claimed that national economic conditions were “good” decreased from 20.0 percent to 17.5 percent, while the proportion of consumers who claimed that national economic conditions were “bad” fell from 33.8 percent to 31.3 percent. Nevertheless, consumers who said that national economic conditions were “normal” increased from 46.2 percent to 51.1 percent. As such, overall, the index stayed at 86.1 in May.

Consumers gave more positive assessments on the current state of the job market (the index measuring sentiment toward job market conditions added 12.2 percent from 57.3 to 64.3 in May). More specifically, fewer consumers claimed that jobs were hard to get (54.8 percent in May vs. 58.1 percent in April) while more consumers claimed that jobs were easy to get (19.1 percent in May vs. 15.4 percent in April). Some 25.9 percent of consumers did not perceive any change in the job market. Nevertheless, 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**

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	MoM % Change
Economic Conditions	85.6	80.6	86.1	86.1	86.1	0.0
Local Area Economic Conditions	103.1	98.8	100.4	100.9	103.6	2.7
Employment Conditions	63.0	50.6	60.6	57.3	64.3	12.2

**Chart 3. Key Concerns**



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

Looking ahead over the next six months, consumers are less optimistic: the Expectations Index (EI) edged down 0.7 percent to 110.6 in May. Furthermore, three components of the EI declined, while one component of the EI still increased. On a positive note, all components still 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 decline the most was the one measuring sentiment toward future family incomes. This component of the EI slipped 1.8 percent to 107.0 in May. In our survey, fewer consumers expect higher family incomes over the next six months (21.1 percent in May vs 21.5 percent in April) while the proportion of consumers who expect lower family incomes increased from 12.6 percent to 14.1 percent. But most consumers (64.7 percent) still don't expect any change in the outlook for future family incomes. Nonetheless, consumers still believe that the job market will be more conducive in the future (this index edged up 0.7 percent to 104.9).

In regard to the national economic outlook, consumers are also less optimistic. This component of the EI edged down by 0.1 percent to 115.9 in May. In more detail, our survey reveals that fewer consumers were upbeat on the local economic outlook (21.7 percent in May vs. 22.6 percent in April) while around 5.8 percent of consumers were still downbeat. Nevertheless, a large proportion of consumers (72.3 percent) still foresee no change in the local economic outlook over the next six months. As for the local economy, consumers are also less upbeat on its prospects: this index edged down 1.5 percent to 114.6 in May.

**Table 3. Expectations in the Six Months Ahead**

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	MoM % Change
Economic Prospects	121.9	119.8	122.7	116.1	115.9	-0.1
Local Area Economic Prospects	119.5	116.1	118.6	116.4	114.6	-1.5
Employment Prospects	106.7	104.9	106.3	104.2	104.9	0.7
Family Income Prospects	112.9	110.2	110.6	108.9	107.0	-1.8

### Purchasing Intentions for Durable Goods: *Weakened Further*

With consumers less upbeat on the national economic outlook, buying intentions for durable goods also declined in May. In our survey, 40.49 percent of consumers expressed plans to purchase a durable good over the next six months, or down from 41.59 percent in the previous month. Nevertheless, on a yearly comparison, buying intentions for durable goods are still higher since only 39.50 percent of consumers expressed plans to purchase a durable good back in May 2017.

The relatively strong buying intentions for durable goods in May are impressive since consumers need to prioritize spending on other items at this time of the year— especially on food products and other items associated with Ramadan and the subsequent Idul Fitri celebrations, which will fall in May and June— rather than spend money on durable goods. In addition, many consumers have to put aside sizable sums of money for transportation so they can visit their families in their hometowns at Lebaran.

Of the ten categories tracked by our survey, buying intentions declined in six of them. Most notably, buying intentions for land sank from 0.29 percent in April to 0.06 percent in May. In addition, buying intentions for bicycles dropped from 0.17 percent in April to 0.06 percent in May. At the same time, buying intentions for motorcycles, automobiles, audio-visual equipment and gold & jewelry declined moderately in May.

By contrast, buying intentions in four categories of goods still increased. In May, buying intentions for livestock jumped to 1.16 percent from 0.64 percent in April, a reflection of the greater demand for costlier foods such as meat during Ramadan and the subsequent Idul Fitri holidays. At the same time, buying intentions for houses and home appliances also rose in May. Finally, the proportion of consumers who want to renovate their homes rose moderately.

**Table 4. Buying intentions**

	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Automobile	0.75	0.41	0.17	0.58	0.41
Motorcycle	2.67	1.91	1.91	2.32	1.39
Bicycle	0.17	0.29	0.23	0.17	0.06
House	1.45	0.70	0.75	0.58	0.64
House Renovation	2.15	2.49	2.38	2.26	2.38
Land	0.46	0.29	0.12	0.29	0.06
Audio-visual	4.76	4.70	3.89	4.47	3.89
Home appliance	7.83	7.37	7.54	7.42	7.95
Gold & jewelry	1.22	1.16	1.10	1.57	1.33
Livestock	0.64	0.75	0.52	0.64	1.16

### Expectations on Key Economic Variables: *Inflationary Pressure is Expected to Increase*

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 edged up 0.1 percent from 187.9 to 188.2 in May. Nevertheless, this index is still lower than its level one year ago, when the index reached 189.7 in May 2017. In part, at least, the expectation of higher prices over the next six months might reflect the belief that the price of foodstuff, prepared food, clothing, and transportation will increase due to Ramadan and the Idul Fitri celebrations in May-June.

In regard to interest rates, more consumers foresee higher interest rates over the next six months (26.9 percent in May vs 26.6 percent in April) while fewer consumers foresee lower interest rates (5.9 percent in May vs 9.3 percent in April). Nevertheless, a significant proportion of consumers (26.7 percent) still expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates rose 3.2 percent to 121.0 in May.

As for the rupiah, consumers in the main cities are less pessimistic on the outlook for the local currency. In our survey, the index measuring sentiment toward the rupiah added 6.6 percent to 73.4 in May. And as for the outlook for stock prices, consumers are less optimistic that Indonesian stocks will record gains over the next six months (this index slipped 1.7 percent to 108.7).

**Table 5. Expectations on Prices**

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	MoM % Change
General Prices Expectation	185.3	188.6	185.6	187.9	188.2	0.1
Interest Rates Expectation	127.1	124.0	122.3	117.3	121.0	3.2
Exchange Rates Expectation	73.2	73.3	71.1	68.9	73.4	6.6
Stock Prices Expectation	114.5	109.8	110.7	110.6	108.7	-1.7

## Confidence in the Government: *Weakened Further*

Consumer confidence in the government's ability to carry out its duties weakened in the May survey. After decreasing 1.3% in the previous survey, the Consumer Confidence in the Government Index (CCGI) retreated 0.2% to 106.1 in May. Three components of the CCGI declined while two components increased. Nonetheless, four CCGI components are still above the neutral level of 100, thereby indicating 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 May was the one measuring sentiment toward the government's ability to provide and maintain public infrastructure. This index retreated 1.4 percent from 121.0 to 119.3. Also down was the component of the CCGI measuring sentiment toward the government's ability to spur economic growth. The relevant index edged down by 1.2 percent from 104.1 to 102.8. At the same time, the component measuring sentiment toward the government's ability to ensure a safe and orderly environment also declined. The relevant index slipped 0.7 percent from 115.8 to 115.0.

By contrast, the component of the CCGI measuring sentiment toward the government's ability to stabilize prices still increased. This index rose 3.3 percent from 83.7 to 86.5 in May. Also up was the component of the CCGI measuring sentiment toward the government's ability to enforce the rule of law. This index edged up by 0.2 percent from 106.8 to 107.0 in May. This is encouraging since perceptions of weak law enforcement have dragged down consumer sentiment toward the government in the past.

**Table 6. Confidence Toward The Current Government**

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	MoM %Change
Recovery National Economy	105.0	99.3	108.8	104.1	102.8	-1.2
Stabilize the Price of Goods	77.8	75.7	88.8	83.7	86.5	3.3
Provide and maintain public infrastructure	118.6	119.4	120.0	121.0	119.3	-1.4
Ensure a safe and orderly environment	112.4	114.9	113.4	115.8	115.0	-0.7
Enforce the rule of law	103.3	108.0	107.1	106.8	107.0	0.2
CCGI	103.4	103.5	107.6	106.3	106.1	-0.2

\* 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	Apr-18	May-18	MoM %Change
<b>National</b>			
Consumer Confidence Index	98.5	99.5	1.0
Present Situation	81.4	84.7	4.0
Expectations	111.4	110.6	-0.7
<b>Jakarta</b>			
Consumer Confidence Index	113.9	110.9	-2.7
Present Situation	87.7	90.8	3.5
Expectations	133.6	125.9	-5.8
<b>West Java</b>			
Consumer Confidence Index	91.1	97.7	7.2
Present Situation	62.4	74.4	19.2
Expectations	112.6	115.1	2.3
<b>Central Java</b>			
Consumer Confidence Index	98.7	104.4	5.8
Present Situation	84.2	93.6	11.3
Expectations	109.6	112.5	2.6
<b>East Java</b>			
Consumer Confidence Index	108.2	101.6	-6.1
Present Situation	106.8	101.3	-5.1
Expectations	109.3	101.8	-6.8
<b>North Sumatera</b>			
Consumer Confidence Index	78.9	83.9	6.4
Present Situation	51.5	55.8	8.2
Expectations	99.4	105.0	5.6
<b>South Sulawesi</b>			
Consumer Confidence Index	105.5	102.3	-3.0
Present Situation	98.0	94.2	-3.9
Expectations	111.2	108.5	-2.4

TABLE 8: NATIONAL FIGURES

CCI by Classification	Respondent Profile (%)	Apr-18	May-18	MoM %Change
<b>Age of Respondents</b>				
20-29	14.8	102.2	107.8	5.4
30-39	27.0	101.2	100.5	-0.7
40-49	28.8	98.9	101.1	2.2
50-59	20.9	94.8	92.2	-2.8
60 and over	8.4	89.0	94.2	5.9
<b>Educational Level</b>				
Primary School or less	34.2	90.6	90.8	0.2
High School	58.9	101.5	103.5	1.9
Academy/University	6.8	107.8	108.5	0.6
<b>Households Income</b>				
under Rp 1.500.000,-	11.7	92.5	86.9	-6.1
Rp 1.500.001-3.000.000	57.9	95.8	96.6	0.7
Rp 3.000.001,- and over	30.5	105.4	110.0	4.4
<b>Type Area</b>				
Urban	70.1	100.0	101.0	1.1
Rural	29.9	94.9	95.9	1.1
<b>Gender</b>				
Male	49.9	98.6	100.4	1.8
Female	50.1	98.5	98.6	0.1
<b>Occupation</b>				
Worker	30.0	102.3	103.2	0.8
Self employed	33.2	93.4	94.3	0.9
Unemployed	36.8	100.0	101.2	1.3

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

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