

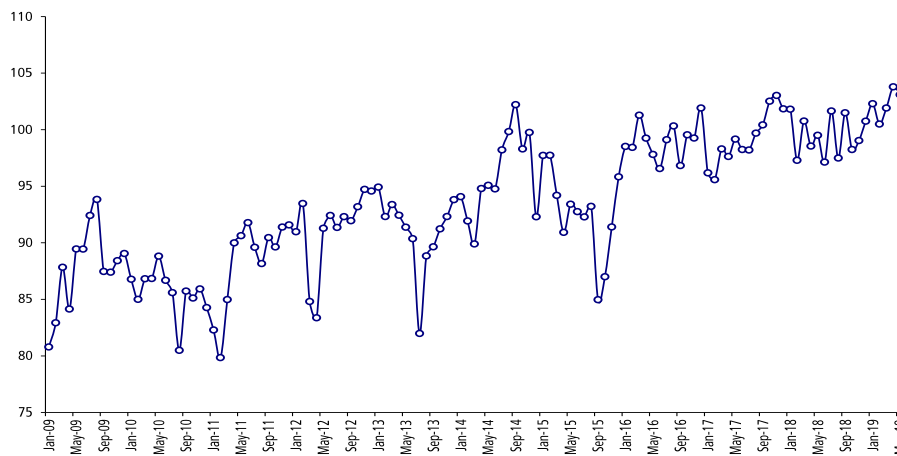
May Results: Edges Lower but Remains at a Relatively High Level

Key Findings

- ✓ The Consumer Confidence Index fell 0.7% to 103.1 in May 2019.
 - ✓ Consumers are more concerned by rising inflation due to higher foodstuff prices.
 - ✓ The Buying Intentions Index weakened, yet remained in an uptrend.
 - ✓ The Consumer Confidence in the Government Index strengthened.
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- The Consumer Confidence Index (CCI) dipped 0.7% mom in May 2019 to 103.1, yet still a relatively high level in the history of the survey. Both the Present Situations Index (PSI) and the Expectations Index (EI) lost ground. While the PSI slipped 0.4% to 88.7, the EI fell more sharply by 0.8% to 113.9. Despite the decline in the CCI, consumer optimism is intact since the CCI still stands at a high level.
 - Consumers are less upbeat on the outlook for economic and local business conditions as well as family incomes over the next 6 months. By contrast, however, consumers believe that the outlook for the job market will improve. In our survey, 67.6 percent of respondents believe that their job security will improve over the next six months whereas only 2.9% believe it will worsen.
 - The CCI for urban areas rose for the third consecutive month to 106.4 (+0.8% mom), while the CCI for rural areas dipped 4.4% mom to 95.0. By province, the CCI fell in four of them: Jakarta (-1.8% mom to 118.9), West Java (-8.5% mom to 95.9), Central Java (-0.9% mom to 113.6) and South Sulawesi (-1.6% mom to 85.9). By contrast, the CCI was up in East Java (+3.2% mom to 107.9) and in North Sumatera (+6.5% mom to 101.5).
 - By income level, the CCI for mid-income consumers (between IDR 1.5 mn-3.0 mn/month) fell to 98.5 (-0.4% mom) and for high-income consumers (above IDR 3.0 mn/month) the CCI declined to 113.0 (-1.2% mom). By contrast, the CCI for low-income consumers (below IDR 1.5 mn/month) rose 0.8 percent to 89.6. As the CCI readings are above their 12-month averages, this indicates relatively strong consumer confidence which should support consumer spending over the near term.
 - Concerns over general prices continued to weigh on the local economy. Some 65.8 percent of consumers are more concerned by higher foodstuff prices (up from 62.5%), yet hardly unsurprising given that prices of various items tend to rise during Ramadan and ahead of Idul Fitri. Note that headline inflation reached 0.44% mom in April 2019 (+2.83% yoy), driven by higher prices of foodstuffs (volatile foods) and transportation (airfares). Other worries affecting consumers include: job scarcity (down to 32.9% from 34.9% in the previous survey), potential natural disasters (down to 5.4 percent of consumers from 8.3%), and rising prices and scarcity of LPG (down to 2.5% from 3.9%).
 - Most consumers expect heightened inflationary pressures over the next 6 months. The index measuring consumer sentiment toward general prices rose 0.4% to 178.1. In regard to interest rates, consumers believe that interest rates are likely to increase over the next six months (this index rose 0.7% to 118.6). At the same time, consumers in the main cities are less pessimistic on the outlook for the rupiah (this index improved by 3.9% to 71.2).
 - The Buying Intentions Index weakened by 1.2% mom to 190.1. Of the ten categories of goods tracked by our survey, buying intentions dropped in five of them (cars, motorcycles, land, audio-visual equipment, and livestock). Nonetheless, the index remains in an uptrend, reflecting strong consumer purchasing intentions for durable goods over the next six months.

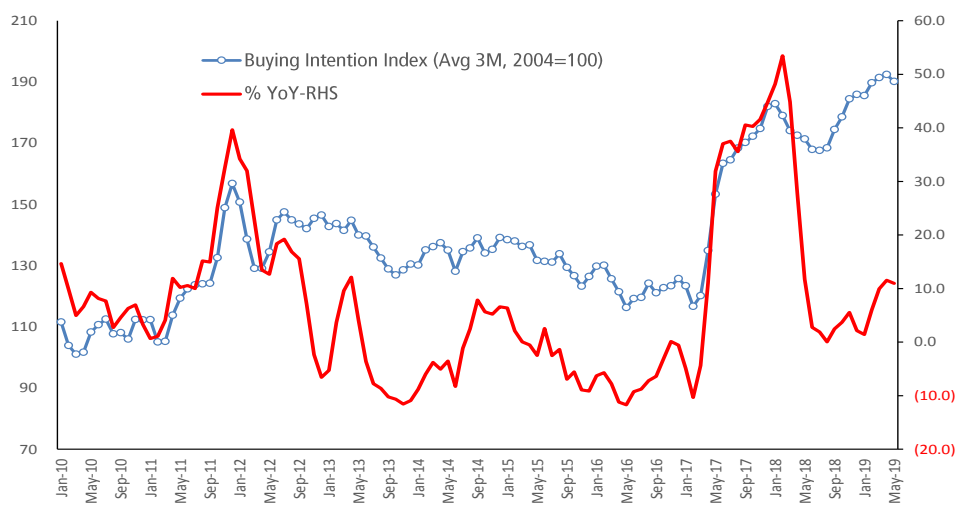
- The Consumer Confidence in the Government Index (CCGI) rose 1.4% mom to 111.0, after falling 2.2% mom in the previous month. Four components of the CCGI posted a monthly increase. Notably, consumers have greater confidence in the government's ability to ensure stable prices. Furthermore, consumers also have greater confidence in the government's ability to spur economic growth (+2.9% mom to 109.3), provide and maintain public infrastructure (+2.7% mom to 120.0), ensure a safe and orderly environment (+1.6% mom to 115.7) and enforce the rule of law (+1.2% mom to 113.0). The only component of the CCGI to decline was the one measuring sentiment toward the government's ability to stabilize general prices (-1.7% mom to 96.8).

Graph 1. Consumer Confidence Fell Slightly in May 2019



Source: Danareksa Research Institute

Graph 2. The Buying Intentions Index Remains in an Upward Trend



Source: Danareksa Research Institute

Graph 3. The CCGI Strengthened in May 2019



Source: Danareksa Research Institute

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

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	% MoM
Consumer Confidence Index	100.7	102.3	100.5	101.9	103.8	103.1	(0.7)
Present Situation Index	85.6	86.7	84.1	86.9	89.1	88.7	(0.4)
Expectations Index	112.1	114.0	112.8	113.2	114.8	113.9	(0.8)
Buying Intentions Index	185.9	185.5	189.7	191.4	192.4	190.1	(1.2)
Cons. Confidence to Government Index (2003=100)	105.3	109.0	109.8	111.9	109.4	111.0	1.4

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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