

DANAREKSA CONSUMER CONFIDENCE

March 2019

Slightly Weaker

Key Findings:

- **The Consumer Confidence Index dropped by 1.8% in February to 100.5.**
- **Consumers expressed greater concerns over job scarcity and the potential risk of crop failure, but were less worried by high foodstuff prices and rising fuel prices.**
- **The Buying Intentions Index remained in its upward trend.**
- **The Consumer Confidence in the Government Index rose again.**

- ❑ Consumer optimism weakened in February 2019 after gaining ground in the previous month. In our latest survey, the Consumer Confidence Index (CCI) fell 1.8% mom to 100.5. Despite this decline, however, the CCI remains above the neutral level of 100, indicating that consumer sentiment is still relatively buoyant. The Present Situations Index (PSI) dipped by 3.1% mom to 84.1, owing to less positive assessments on the current state of the economy and the job market. The Expectations Index (EI) also fell. It dipped 1.0% mom to 112.8, a reflection of weaker consumer optimism toward local business conditions and family incomes over the next six months.
- ❑ The CCI declined in both urban and rural areas (-1.6% mom and -2.1% mom to 101.6 and 97.8, respectively). The CCI was down in West Java (-2.2% mom to 99.8), Central Java (-2.5% mom to 113.9), East Java (-0.1% mom to 107.3), and South Sulawesi (-9.5% mom to 80.8). By contrast, the CCI strengthened in Jakarta (+0.8% mom to 118.8) and North Sumatera (+3.2% mom to 88.3).
- ❑ By level of income, the CCI for mid-income consumers (between IDR 1.5 mn-3.0 mn/month) fell 4.4 percent to 95.6. By contrast, the CCI for low-income consumers (below IDR 1.5 mn/month) and high-income consumers (above IDR 3.0 mn/month) rose to 91.1 (+1.4% mom) and to 109.3 (+0.1% mom), respectively.
- ❑ Several key issues are seen as weighing on the local economy. Some 37.6 percent of consumers mentioned job scarcity (unchanged from January), while 4.8 percent of consumers (particularly in rural areas) are worried by the risk of crop failure (up from 3.7%) and 6.9% by potential natural disasters (up from 5.3%). However, 61.9 percent of consumers are less worried by high foodstuff prices (down from 63.3%) and 7.4 percent by rising fuel prices (down from 9.8%).
- ❑ Our survey shows that consumers mostly expect inflationary pressures to ease over the next 6 months: the index measuring consumer sentiment toward general prices edged down by 1.8% to 173.5. Notably, there have been recent declines in the prices of foodstuffs such as eggs, chicken meat, onions and chili, as well as further reductions in the prices of non subsidized fuels. In regard to interest rates, consumers expect higher interest rates over the next six months (the index measuring sentiment toward interest rates rose 5.0% to 118.1). At the same time, consumers in the main cities are still pessimistic on the rupiah's outlook (the index measuring sentiment toward the rupiah fell 0.3% to 75.1).
- ❑ The Buying Intentions Index - which tracks consumer plans to purchase a durable good over the next six months - edged higher to 189.7 (+2.3% mom, +6.0% yoy) in February, following a 0.2% decline in the previous month. Of the ten categories of goods tracked by our survey, buying intentions increased in five of them (automobiles, audio-visual equipment, home appliances, gold & jewelry, and land). The uptrend in this index bodes well for purchasing intentions going forward.

- Consumer sentiment toward the government’s ability to carry out its duties improved further. The Consumer Confidence in the Government Index (CCGI) rose 0.7% mom to 109.8 following a 3.5% increase in January. Four components of the CCGI were up in the latest survey: the index measuring sentiment toward the government’s ability to spur economic growth (+2.2% mom to 106.8), stabilize general prices (+2.4% mom to 96.7), provide and maintain public infrastructure (+0.0% mom to 120.1), and enforce the rule of law (+0.9% mom to 111.9). However, the index measuring sentiment toward the government’s ability to ensure a safe and orderly environment fell 1.4% mom to 113.6. Most of the CCGI components currently stand above the neutral level of 100, indicating that consumers are still generally convinced in the government’s ability to carry out its duties.

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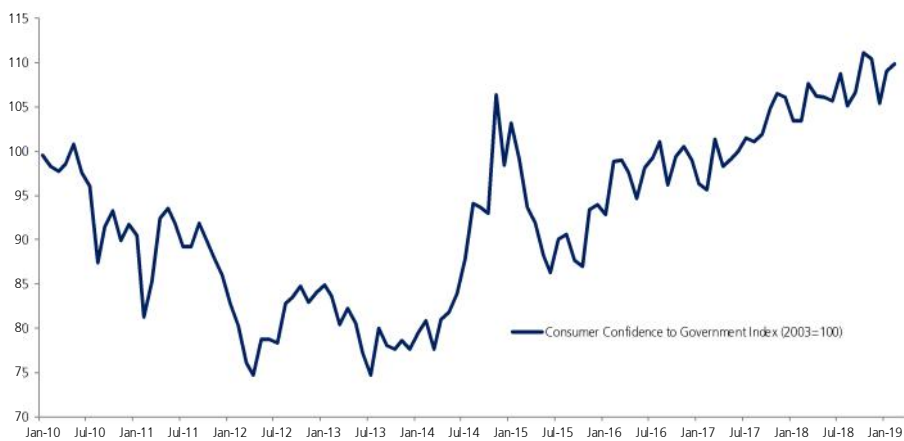
GRAPH 1. CONSUMER CONFIDENCE WEAKENED SLIGHTLY IN FEBRUARY 2019



GRAPH 2. THE BUYING INTENTIONS INDEX IS IN AN UPWARD TREND



GRAPH 3. THE CCGI STRENGTHENED FURTHER IN FEBRUARY 2019



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