

DANAREKSA CONSUMER CONFIDENCE

May 2019

Reaching Its Highest Level

Key Findings:

- **The Consumer Confidence Index reached its highest level since February 2005.**
 - **Consumers are more concerned by high foodstuff prices and potential natural disasters.**
 - **The trend of the Buying Intentions Index is still up.**
 - **The Consumer Confidence in the Government Index declined after increasing in three straight months.**
- In April 2019, the Consumer Confidence Index (CCI) rose by 1.8% mom to 103.8, its highest level since February 2005. The Present Situations Index (PSI) reached 89.1, up by 2.6%, and the Expectations Index (EI) increased by 1.4% to 114.8. Consumers gave more positive assessments on the current state of national and local economic conditions. Looking forward, consumers are also more optimistic on the outlook for local business conditions, employment and family incomes over the next six months.
- The CCI increased in both urban and rural areas (+2.2% mom and +0.9% mom to 105.6 and 99.3, respectively). The CCI was up in Jakarta (+8.9% mom to 121.1), West Java (+4.6% mom to 104.8), South Sulawesi (+0.8% mom to 87.2) and North Sumatera (+3.7% mom to 95.3). By contrast, the CCI weakened in Central Java (-0.5% mom to 114.7) and East Java (-4.6% mom to 104.6).
- By level of income, the CCI for mid-income consumers (between IDR 1.5 mn-3.0 mn/month) rose to 98.9 (+0.6% mom) and for high-income consumers (above IDR 3.0 mn/month) the CCI climbed to 114.3 (+5.2% mom). By contrast, the CCI for low-income consumers (below IDR 1.5 mn/month) dropped 6.6 percent to 89.0.
- Several key issues continued to weigh on the local economy. Some 62.5 percent of consumers are concerned by high foodstuff prices (up from 60.9%), 8.3 percent of consumers fear potential natural disasters (up from 7.4%), and 3.9 percent are worried by rising prices and scarcity of LPG (up from 3.1%). Furthermore, some 34.9 percent of consumers mentioned job scarcity (albeit down from 42.0% in the previous survey).
- Our survey indicates that consumers mostly expect inflationary pressures to ease over the next 6 months: the index measuring consumer sentiment toward general prices was flat at 177.5 (+0.0% mom). After Ramadan/Idul Fitri, general prices are expected to return to normal. In regard to interest rates, consumers believe that interest rates are likely to increase over the next six months (this index rose 0.2% to 117.6). At the same time, consumers in the main cities are still pessimistic on the outlook for the rupiah (this index fell further by 1.9% to 68.5).
- The Buying Intentions Index continued to improve on a monthly basis to 192.4 (+0.5% mom, +11.5% yoy) in April, following a 0.9% increase in the previous month. Of the ten categories of goods tracked by our survey, buying intentions increased in five of them (car, motorcycles, audio-visual equipment, gold and jewelry, and livestock). The uptrend in this index indicates that consumer purchasing intentions for durable goods over the next six months remains solid.

- The Consumer Confidence in the Government Index (CCGI) weakened 2.2% mom to 109.4 following gains in three-straight months. However, since the CCGI components remain at high levels and above the neutral level of 100, respondents are still generally convinced in the government's ability to carry out its duties. Four components of the CCGI declined in the latest survey. These measured sentiment toward the government's ability to spur economic growth (-0.4% mom to 106.2), provide and maintain public infrastructure (-3.9% mom to 116.8), ensure a safe and orderly environment (-2.7% mom to 113.9) and enforce the rule of law (-3.8% mom to 111.7). By contrast, the component measuring sentiment toward the government's ability to stabilize general prices rose further (+0.4% mom to 98.5).

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.

MOEKTI PRASETIANI SOEJACHMOEN, PhD

Head of Economic Research

(62-21) 29555777/ 888 ext 3600

moekti.prasetiani@danareksa.co.id

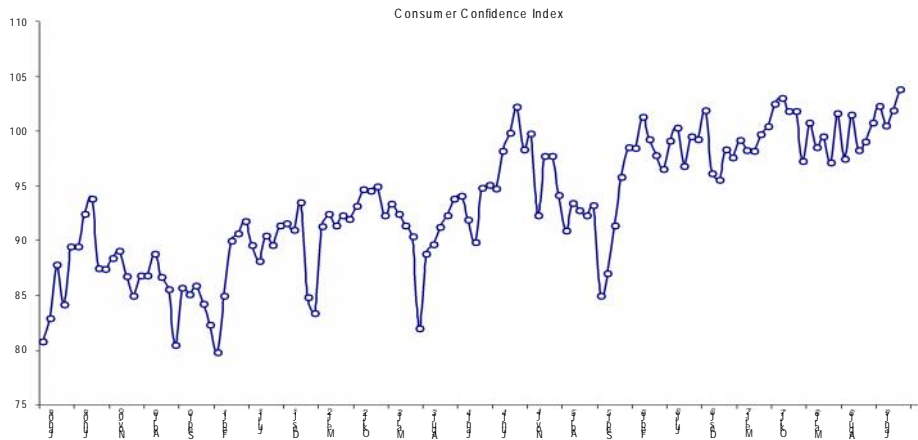
HANDRI THIONO

Research Specialist

(62-21) 29555777/ 888 ext 3606

handrit@danareksa.com

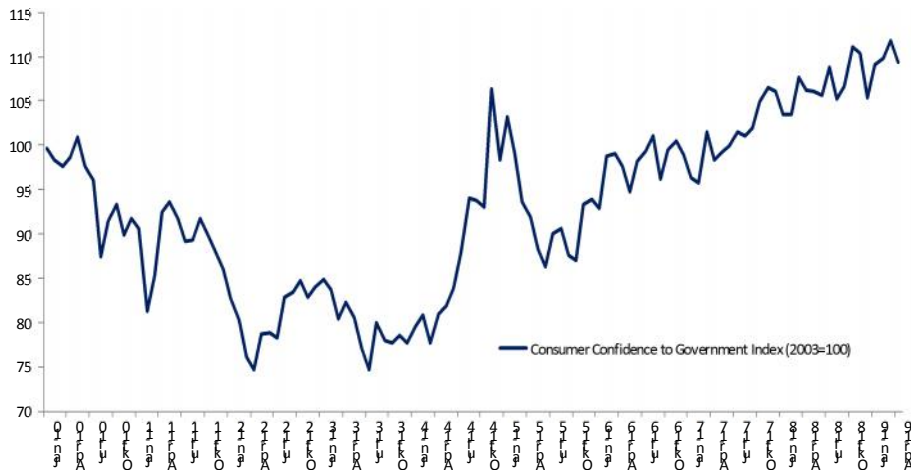
GRAPH 1. CONSUMER CONFIDENCE STRENGTHENED IN APRIL 2019



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



GRAPH 3. THE CCGI RETREATED IN APRIL 2019



RESEARCH TEAM

Moekti P. Soejachmoen, PhD

Head of Economic Research
moekti.prasetiani@danareksa.co.id

Handri Thiono

Research Specialist
handrit@danareksa.com

Darwin Sitorus

Research Specialist
darwin@danareksa.com

Martin Jenkins

Editor
martin@danareksa.com

Danareksa Research Institute

Danareksa Building
Jl. Medan Merdeka Selatan 14
Jakarta, 10110
INDONESIA
Tel : (62-21) 2955777 / 888 (hunting)
Fax : (62 21) 3501709

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