

October 2018

Consumer Confidence Rebounds in September

- **Consumer Confidence strengthened in September 2018.** In this month, the Consumer Confidence Index (CCI) rose by 4.1 percent from 97.5 to 101.5, after falling by 4.1 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 high foodstuff prices eased in the September survey. On a less positive note, however, more consumers said that LPG price increases were a worry for them.
- **The two main components which make up the CCI increased in September:** the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), rose 8.3 percent to 87.7, as sentiment toward the current state of the economy and the job market improved. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also increased, adding 1.8 percent to 111.8. The increase in this index reflects stronger consumer optimism toward the economy and the job market outlook over the next six months.
- **With consumers being more upbeat on the national economic outlook, buying intentions for durable goods also increased in September.** In our survey, 44.61 percent of consumers expressed plans to purchase a durable good over the next six months, or up from 41.13 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 41.07 percent of consumers expressed plans to purchase a durable good back in September 2017.
- **Consumer confidence in the government's ability to carry out its duties strengthened in the September survey.** After decreasing 3.3% in the previous survey, the Consumer Confidence in the Government Index (CCGI) increased 1.5% to 106.7 in September. Three components of the CCGI increased in our latest survey while two declined. Notably, four CCGI components are 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 SEPTEMBER 2018 RESULTS

Consumer Confidence strengthened in September 2018. In this month, the Consumer Confidence Index (CCI) rose by 4.1 percent from 97.5 to 101.5, after falling by 4.1 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 high foodstuff prices eased in the September survey. On a less positive note, however, more consumers said that LPG price increases were a worry for them.

The two main components which make up the CCI increased in September: the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), rose 8.3 percent to 87.7, as sentiment toward the current state of the economy and the job market improved. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also increased, adding 1.8 percent to 111.8. The increase in this index reflects stronger consumer optimism toward the economy and the job market outlook over the next six months.

By region, consumer confidence improved in four of the six regions covered by the survey. Sentiment improved the most in South Sulawesi (where the index jumped 10.8 percent to 97.3 in September), followed by West Java (where the index added 9.7 percent to 101.8), North Sumatra (where the index rose 5.3 percent to 89.4), and East Java (where the index climbed 2.0 percent to 107.3). By contrast, confidence still deteriorated in Jakarta (where the index edged down 2.4 percent to 110.6), followed by Central Java (where the index slipped 0.5 percent to 105.6).

Consumer sentiment strengthened across different areas. For people living in rural areas the CCI added 8.7 percent in September to 102.0, while for people living in urban areas the CCI increased less dramatically by 2.3 percent to 101.3. Similarly, consumer confidence also strengthened across income bands. For low-income consumers (incomes below Rp1,500,000/month), the CCI surged 7.5 percent to 92.4, while for high-income consumers (incomes above Rp3,000,000 per month), the CCI rose less dramatically by 2.2 percent to 108.2 in September.

Chart 1. Consumer Confidence Strengthened in September

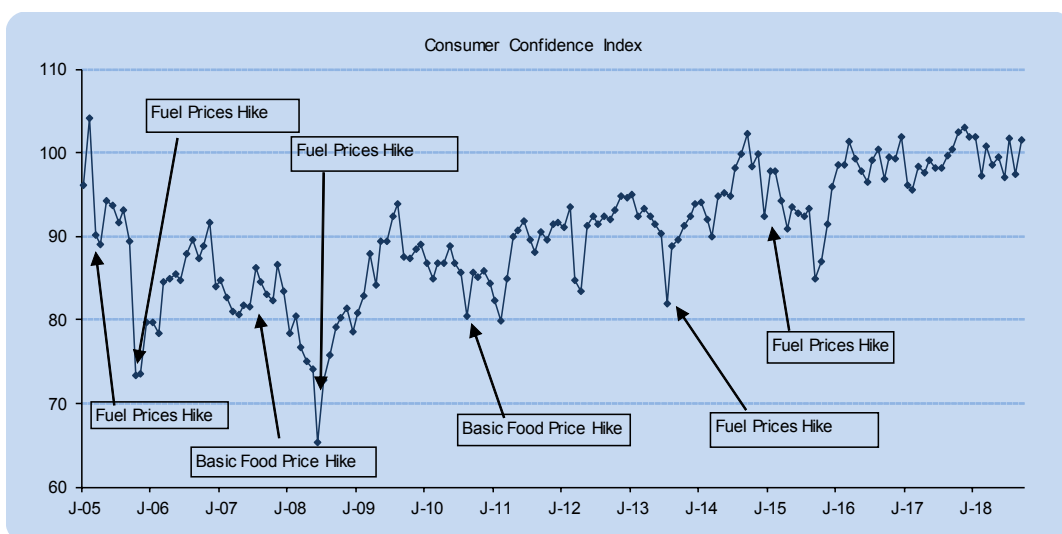


Chart 2. Both Rural and Urban Consumers Were More Upbeat in September

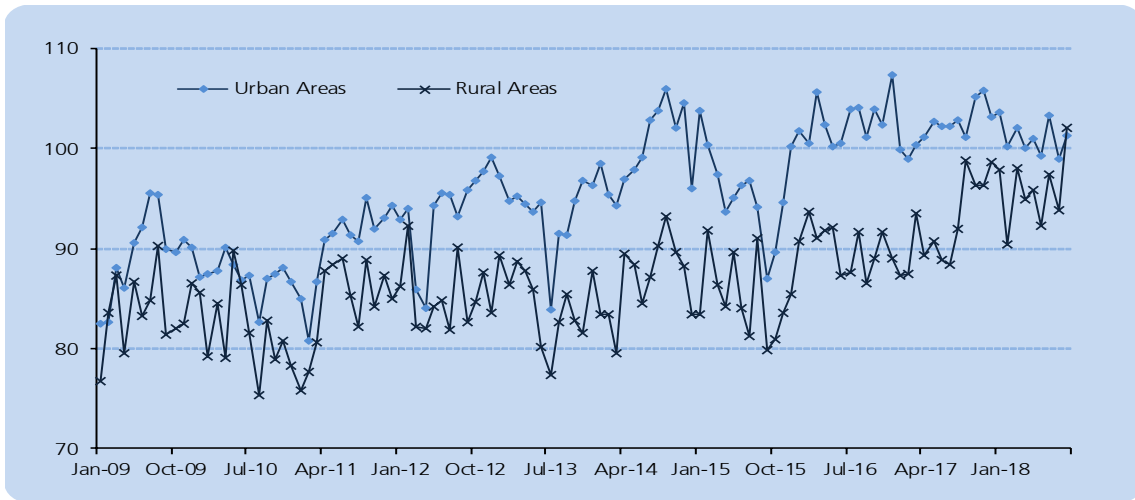


Table 1. The Consumer Confidence Index

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	MoM % Change
Consumer Confidence	99.5	97.1	101.6	97.5	101.5	4.1
Present Situation	84.7	78.5	85.7	81.0	87.7	8.3
Expectation	110.6	111.1	113.6	109.9	111.8	1.8

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

Consumers gave more positive assessments on the current state of the national economy. In our survey, the proportion of consumers who claimed that national economic conditions were “good” increased from 20.2 percent to 23.8 percent, while the proportion of consumers who claimed that national economic conditions were “bad” declined from 32.5 percent to 30.3 percent. Nevertheless, consumers who said that national economic conditions were “normal” decreased from 47.3 percent to 45.7 percent. As such, overall, the index edged up 6.5 percent from 87.8 to 93.5 in September.

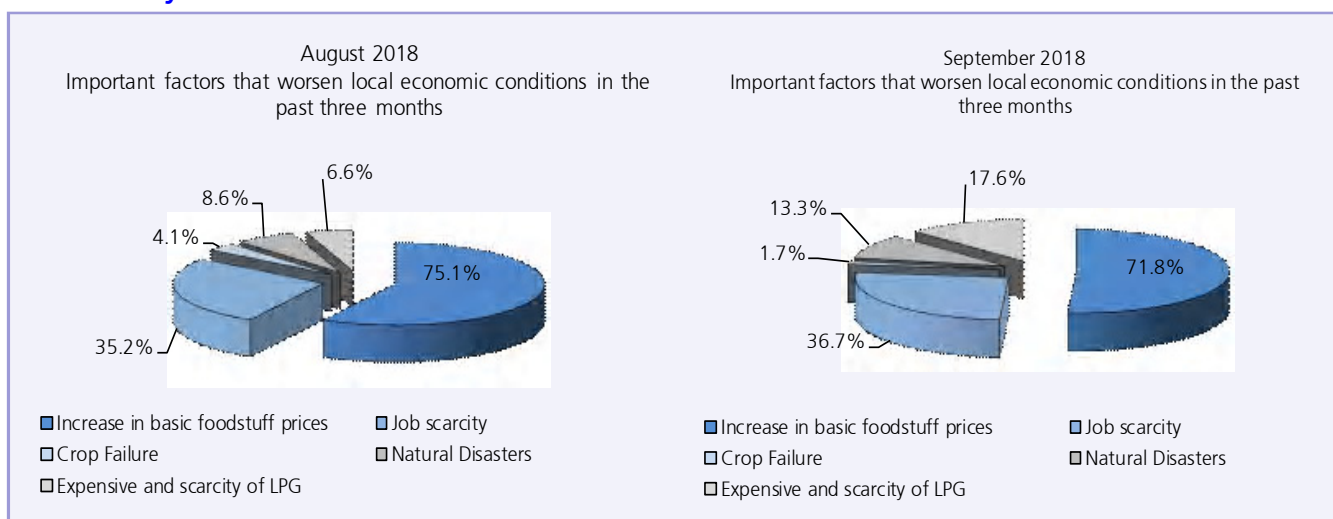
In regard to the current state of the local economy, consumer assessments also strengthened (this index surged 9.9 percent from 99.9 to 109.9 in September). Nevertheless, consumers remained concerned by several key issues. Most notably, 71.8 percent of consumers still cited high foodstuff prices as a major factor weighing on the local economy in the last three months (albeit down from 75.1 percent in August). At the same time, 36.7 percent of consumers expressed concerns on job scarcity (up from 35.2 percent in August) and 17.6 percent of consumers expressed concerns on LPG price increases (up from 6.6 percent in August).

Consumers also gave more positive assessments on the current state of the job market (the index measuring sentiment toward job market conditions added 8.1 percent from 55.3 to 59.7 in September). More specifically, fewer consumers claimed that jobs were hard to get (56.8 percent in September vs. 59.7 percent in August) while more consumers claimed that jobs were easy to get (16.6 percent in September vs. 15.0 percent in August). Some 26.0 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

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	MoM % Change
Economic Conditions	86.1	83.6	89.2	87.8	93.5	6.5
Local Area Economic Conditions	103.6	98.4	105.0	99.9	109.9	9.9
Employment Conditions	64.3	53.5	62.8	55.3	59.7	8.1

Chart 3. Key Concerns



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

Looking ahead over the next six months, consumers are more optimistic: the Expectations Index (EI) edged up 1.8 percent to 111.8 in September. Furthermore, all components of the EI increased in September, except the one measuring sentiment toward the national economic outlook (this index retreated 2.7 percent to 111.8 in September). In addition, all components of the EI 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 increase the most was the one measuring sentiment toward the local economic outlook (this component of the EI edged up by 4.3 percent to 117.5 in September). In more detail, our survey reveals that more consumers were upbeat on the local economic outlook (21.8 percent in September vs. 17.6 percent in August) while fewer consumers were downbeat (4.3 percent in September vs. 5.0 percent in August). Nevertheless, a large proportion of consumers (73.3 percent) still foresee no change in the local economic outlook over the next six months.

In regard to future family incomes, consumers are also more optimistic. This component of the EI added 4.3 percent to 112.8 in September. In our survey, more consumers expect higher family incomes over the next six months (23.8 percent in September vs 19.8 percent in August) while the proportion of consumers who expect lower family incomes decreased from 11.7 percent to 11.0 percent. But most consumers (64.8 percent) still don't expect any change in the outlook for future family incomes. Overall, the increase in the component of the EI measuring sentiment toward future family incomes stemmed from stronger optimism toward the job market (this index added 1.3 percent to 105.2 in September).

Table 3. Expectations in the Six Months Ahead

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	MoM % Change
Economic Prospects	115.9	115.1	119.2	115.0	111.8	-2.7
Local Area Economic Prospects	114.6	115.2	116.8	112.6	117.5	4.3
Employment Prospects	104.9	104.9	105.3	103.8	105.2	1.3
Family Income Prospects	107.0	109.1	113.2	108.1	112.8	4.3

Purchasing Intentions for Durable Goods: *Increased*

With consumers being more upbeat on the national economic outlook, buying intentions for durable goods also increased in September. In our survey, 44.61 percent of consumers expressed plans to purchase a durable good over the next six months, or up from 41.13 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 41.07 percent of consumers expressed plans to purchase a durable good back in September 2017.

Of the ten categories of goods tracked by our survey, buying intentions increased in six of them. Most notably, buying intentions for houses increased more than 3 times from 0.29 percent in August to 1.04 percent in September. At the same time, buying intentions for automobiles rose 3 times from 0.17 percent to 0.52 percent. Meanwhile, buying intentions for bicycles, home appliances, and motorcycles increased moderately in September. Our survey also shows that the proportion of consumers who want to renovate their homes increased in September.

By contrast, buying intentions in four categories of goods still declined. Most notably, buying intentions for livestock declined significantly from 1.51 percent in August to 0.29 percent in September. At the same time, buying intentions for land fell moderately from 0.46 percent to 0.23 percent. Meanwhile, buying intentions for gold & jewelry and audio-visual equipment decreased slightly in September.

Table 4. Buying intentions

	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Automobile	0.41	0.52	0.70	0.17	0.52
Motorcycle	1.39	1.62	1.62	2.20	2.73
Bicycle	0.06	0.17	0.12	0.41	0.58
House	0.64	0.87	0.70	0.29	1.04
House Renovation	2.38	2.73	2.61	2.26	4.47
Land	0.06	0.23	0.17	0.46	0.23
Audio-visual	3.89	3.60	4.52	4.29	3.42
Home appliance	7.95	7.71	8.82	6.84	9.57
Gold & jewelry	1.33	1.57	1.39	1.74	1.45
Livestock	1.16	1.28	1.57	1.51	0.29

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

In our latest survey, consumers said they expected inflationary pressures to decrease slightly over the next six months. Overall, the index measuring consumer sentiment toward general prices edged down by 1.8 percent from 183.3 to 180.0 in September. Furthermore, this index is also lower than it was one year ago when the index stood at 182.4 in September 2017.

In regard to interest rates, more consumers foresee lower interest rates over the next six months (16.3 percent in September vs 6.9 percent in August) while around 31.8 percent of consumers still foresee higher interest rates. Meanwhile, 14.4 percent of consumers expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates fell 3.1 percent from 119.3 to 115.5 in September.

As for the rupiah, consumers in the main cities are more pessimistic on the outlook for the local currency. In our survey, the index measuring sentiment toward the rupiah retreated 5.0 percent to just 63.8 in September. As for the outlook for stock prices, however, consumers are more optimistic that Indonesian stocks will record gains over the next six months (this index edged up 2.2 percent to 110.8 in September).

Table 5. Expectations on Prices

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	MoM % Change
General Prices Expectation	188.2	185.1	182.7	183.3	180.0	-1.8
Interest Rates Expectation	121.0	120.6	123.7	119.3	115.5	-3.1
Exchange Rates Expectation	73.4	71.1	69.7	67.1	63.8	-5.0
Stock Prices Expectation	108.7	115.9	114.1	108.5	110.8	2.2

Confidence in the Government: *Strengthened*

Consumer confidence in the government's ability to carry out its duties strengthened in the September survey. After decreasing 3.3% in the previous survey, the Consumer Confidence in the Government Index (CCGI) increased 1.5% to 106.7 in September. Three components of the CCGI increased in our latest survey while two declined. Notably, four CCGI components are 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 increase the most in September was the one measuring sentiment toward the government's ability to enforce the rule of law. This index surged by 5.1 percent from 104.4 to 109.7 in September. Also up was the component of the CCGI measuring sentiment toward the government's ability to stabilize prices (the relevant index added 4.5 percent from 85.1 to 88.9). This is inline with our survey's finding that fewer consumers cited high foodstuff prices as a major factor weighing on the local economy in the last three months (71.8 percent in September vs 75.1 percent in August). The component of the CCGI measuring sentiment toward the government's ability to provide and maintain public infrastructure also rose. It climbed 2.0 percent from 117.1 to 119.4 in September.

By contrast, some components of CCGI still declined. Our survey shows that the component of the CCGI measuring sentiment toward the government's ability to ensure a safe and orderly environment declined from 114.5 to 114.0 in September. At the same time, the component of the CCGI measuring sentiment toward the government's ability to spur economic growth also declined. It fell from 104.7 to 101.6 in September.

Table 6. Confidence Toward The Current Government

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	MoM %Change
Recovery National Economy	102.8	102.1	105.9	104.7	101.6	-3.0
Stabilize the Price of Goods	86.5	88.1	91.0	85.1	88.9	4.5
Provide and maintain public infrastructure	119.3	117.4	119.5	117.1	119.4	2.0
Ensure a safe and orderly environment	115.0	110.9	116.1	114.5	114.0	-0.5
Enforce the rule of law	107.0	110.0	111.3	104.4	109.7	5.1
CCGI	106.1	105.7	108.8	105.1	106.7	1.5

* 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	Aug-18	Sep-18	MoM %Change
National			
Consumer Confidence Index	97.5	101.5	4.1
Present Situation	81.0	87.7	8.3
Expectations	109.9	111.8	1.8
Jakarta			
Consumer Confidence Index	113.4	110.6	-2.4
Present Situation	91.0	86.5	-5.0
Expectations	130.1	128.7	-1.1
West Java			
Consumer Confidence Index	92.8	101.8	9.7
Present Situation	70.3	78.7	12.1
Expectations	109.6	119.1	8.6
Central Java			
Consumer Confidence Index	106.2	105.6	-0.5
Present Situation	95.4	96.8	1.5
Expectations	114.3	112.3	-1.8
East Java			
Consumer Confidence Index	105.2	107.3	2.0
Present Situation	104.4	111.2	6.5
Expectations	105.7	104.4	-1.3
North Sumatera			
Consumer Confidence Index	84.9	89.4	5.3
Present Situation	54.7	63.1	15.3
Expectations	107.6	109.1	1.4
South Sulawesi			
Consumer Confidence Index	87.8	97.3	10.8
Present Situation	73.7	90.0	22.2
Expectations	98.4	102.8	4.5

TABLE 8: NATIONAL FIGURES

CCI by Classification	Respondent Profile (%)	Aug-18	Sep-18	MoM %Change
Age of Respondents				
20-29	16.1	100.6	105.7	5.0
30-39	25.2	99.2	100.3	1.1
40-49	28.8	96.7	101.7	5.2
50-59	21.3	95.9	100.4	4.7
60 and over	8.5	92.8	99.8	7.6
Educational Level				
Primary School or less	30.7	90.1	97.1	7.8
High School	61.4	99.6	102.2	2.5
Academy/University	7.8	108.8	113.4	4.2
Households Income				
under RP 1.500.000,-	10.0	86.0	92.4	7.5
Rp 1.500.001-3.000.000	53.8	94.4	98.6	4.5
Rp 3.000.001,- and over	36.2	105.9	108.2	2.2
Type Area				
Urban	70.7	99.0	101.3	2.3
Rural	29.3	93.9	102.0	8.7
Gender				
Male	49.8	97.8	103.1	5.4
Female	50.2	97.2	99.9	2.8
Occupation				
Worker	35.3	100.5	102.4	1.9
Self employed	30.0	95.6	103.8	8.6
Unemployed	34.7	96.8	98.5	1.8

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

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