

September 2017

**Consumer Confidence Strengthened in August**

- **The Consumer Confidence Index (CCI) rose to 99.7 in August from 98.2 in July. Overall, consumers are more upbeat on the prospects for both the local economy and the national economy. In addition, consumers are also more optimistic toward the future job market. Nevertheless, there are still some issues which continue to worry consumers such as high foodstuff prices, job scarcity, and electricity tariff hikes. In our survey, 8.5 percent of consumers cited higher electricity tariffs as a major concern.**
- **Both components that make up the CCI increased. The component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 1.8 percent to 83.0, as sentiment toward the current state of the job market improved in August. As for the other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – it climbed 1.4 percent to 112.2. The increase in this index reflects stronger consumer optimism toward the economic outlook over the next six months.**
- **As consumers are more upbeat on the national and local economic outlook, buying intentions for durable goods strengthened in August. In our survey, 42.34 percent of consumers expressed plans to purchase a durable good over the next six months, up from 40.60 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 30.51 percent of consumers expressed plans to purchase a durable good back in August 2016.**
- **Consumer confidence in the government's ability to carry out its duties weakened slightly in the August survey. After increasing 1.5 percent in the previous survey, the Consumer Confidence in the Government Index (CCGI) slipped 0.5 percent from its highest level in more than 2 years of 101.5 to 101.1 in August. In our survey, three components of the CCGI increased, while two declined. In the August survey, only two components of the CCGI are still above the neutral level of 100.**

**ASTI SUWARNI****Analyst**

(62-21) 29555777/ 888 ext 3608

asti@danareksa.com

**MARTIN JENKINS****Analyst**

(62-21) 29555777/ 888 ext 3609

martin@danareksa.com

## THE AUGUST 2017 RESULTS

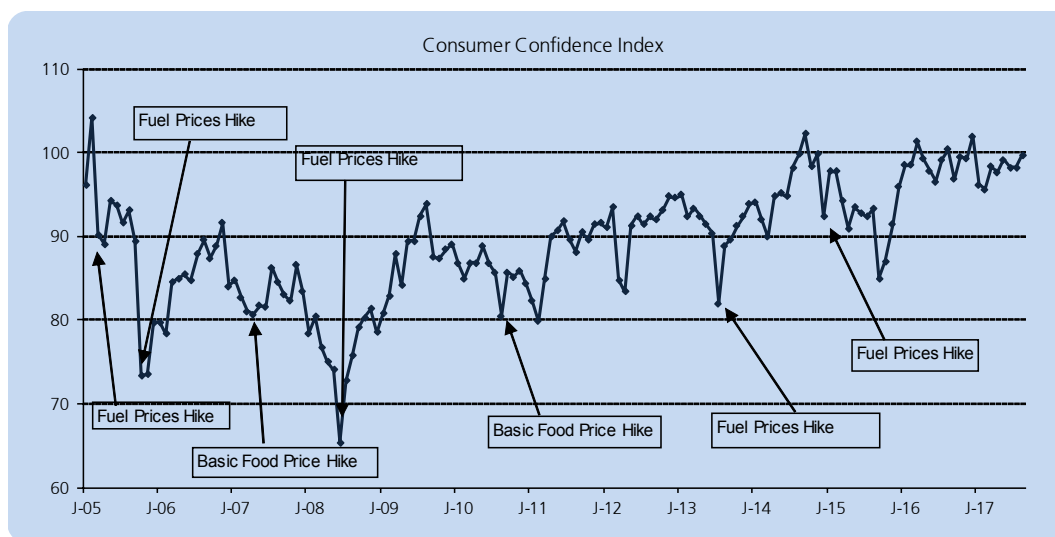
The Consumer Confidence Index (CCI) rose to 99.7 in August from 98.2 in July. Overall, consumers are more upbeat on the prospects for both the local economy and the national economy. In addition, consumers are also more optimistic toward the future job market. Nevertheless, there are still some issues which continue to worry consumers such as high foodstuff prices, job scarcity, and electricity tariff hikes. In our survey, 8.5 percent of consumers cited higher electricity tariffs as a major concern.

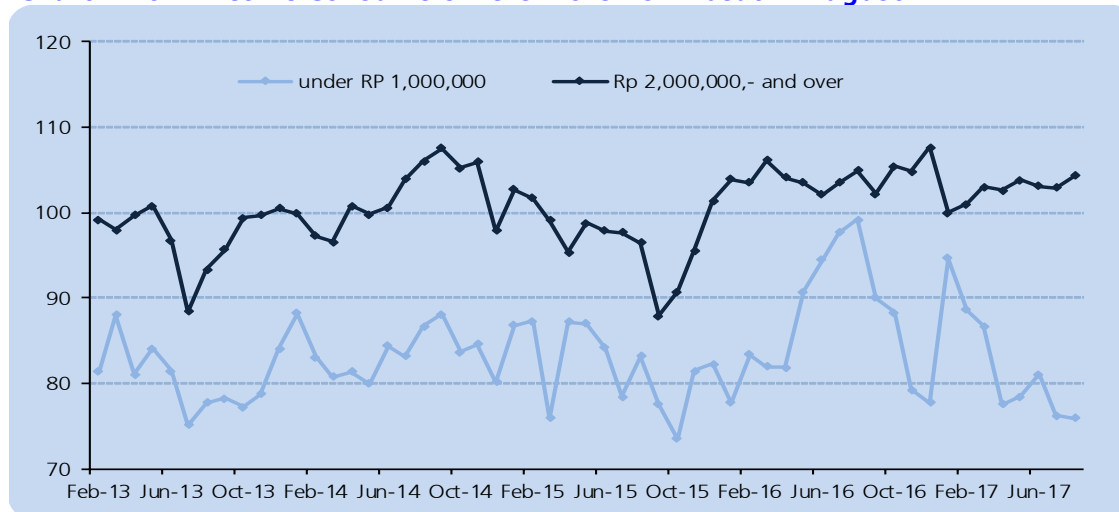
Both components that make up the CCI increased. The component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 1.8 percent to 83.0, as sentiment toward the current state of the job market improved in August. As for the other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – it climbed 1.4 percent to 112.2. The increase in this index reflects stronger consumer optimism toward the economic 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 Jakarta (where the index rose 5.9 percent to 129.9 in August), followed by East Java (where the index increased by 3.9 percent to 106.7), South Sulawesi (where the index added 3.0 percent to 91.9), and Central Java (where the index edged up 0.2 percent to 104.1). By contrast, confidence still deteriorated in West Java (where the index retreated 2.8 percent to 92.6 in August), followed by North Sumatra (where the index slipped 0.7 percent to 82.95).

By level of income, our survey depicts differences between low income and high income consumers. For low income consumers (incomes below Rp1,000,000/month), they are more downbeat in the latest survey. For them, the CCI dipped 0.4 percent to 75.9. By contrast, the confidence of high income consumers (incomes above Rp2,000,000 per month) strengthened (for them, the CCI increased by 4.1 percent to 92.0 in August). Besides this, our survey also reveals that consumer confidence improved in both rural and urban areas. For rural consumers, the CCI rose by 4.1 percent to 92.0 in August while for urban consumers, the CCI edged up 0.7 percent to 102.9.

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



**Chart 2. Low-Income Consumers were More Downbeat in August****Table 1. The Consumer Confidence Index**

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	MoM % Change
Consumer Confidence	97.6	99.2	98.2	98.2	99.7	1.5
Present Situation	78.4	79.8	78.7	81.6	83.0	1.8
Expectation	112.1	113.7	112.9	110.7	112.2	1.4

### Appraisals of Current Situations: *Less Downbeat on the Economy*

Consumers gave more negative assessments on the current state of the national economy in our latest survey (this index retreated 2.4 percent from 88.5 to 86.4 in August). In our survey, the proportion of consumers who claimed that national economic conditions were “good” stayed at around 18.0 percent, while 31.6 percent of them still claimed that national economic conditions were “bad”. Nevertheless, a significant proportion of consumers (50.2 percent) said that national economic conditions were “normal”.

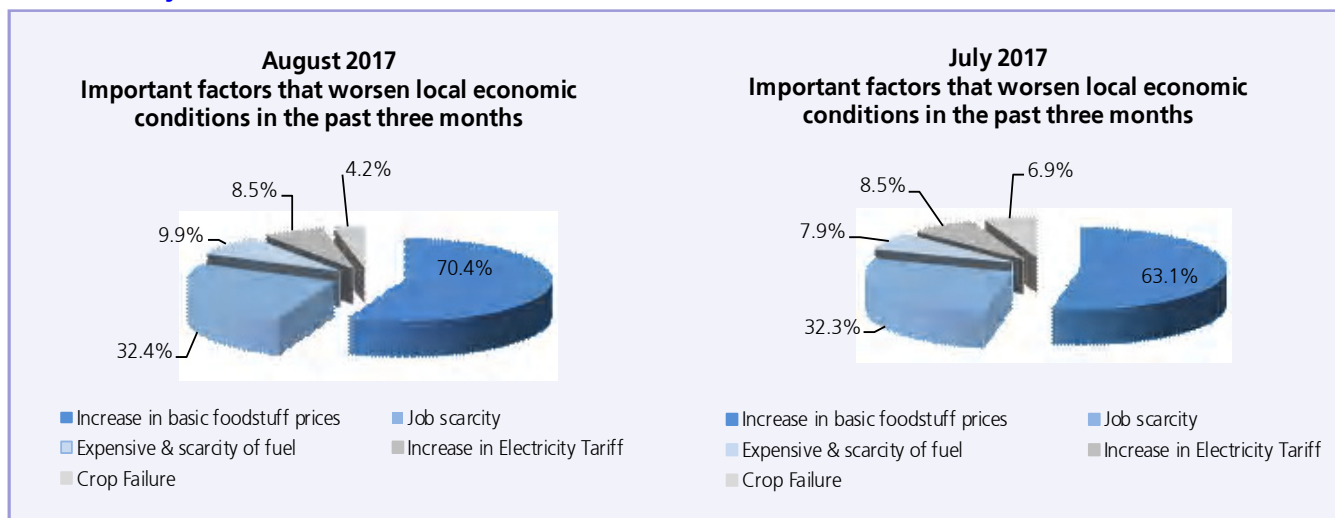
In regard to the current state of the local economy, consumers also gave more negative assessments (this index edged down 0.5 percent to 118.3 in August). Furthermore, consumers remained concerned by several key issues. Most notably, 70.4 percent of consumers still cited high foodstuff prices as a major factor weighing on the local economy in the last three months (up from 63.1 percent in July). At the same time, 32.4 percent of consumers expressed concerns on job scarcity and 8.5 percent of consumers expressed concerns on electricity tariffs hikes.

By contrast, however, consumers gave more positive assessments on the current state of the job market (the index measuring sentiment toward job market conditions climbed 12.6 percent to 61.5). More specifically, fewer consumers claimed that jobs were hard to get (55.4 percent in August vs. 58.9 percent in July). Furthermore, more consumers claimed that jobs were easy to get (up from 13.6 percent to 16.9 percent in August). Meanwhile, 27.4 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**

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	MoM % Change
Economic Conditions	80.8	80.3	79.5	88.5	86.4	-2.4
Local Area Economic Conditions	96.0	102.2	98.8	101.6	101.2	-0.5
Employment Conditions	58.3	56.8	57.9	54.6	61.5	12.6

**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 1.4 percent to 112.2 in August. Furthermore, all four components of the EI increased and they are all 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 job market. This component of the EI added 3.5 percent to 107.1 in August. In more detail, our survey reveals that more consumers expect jobs to be easier to get (12.1 percent in August vs. 11.3 percent in July), while the proportion of consumers who expect jobs to be hard to get decreased from 7.7 percent to 4.9 percent. However, most consumers (82.6 percent) still expect no change in the job market outlook. As consumers are generally more optimistic on the job market outlook, they are also more optimistic toward future family incomes over the next six months (this index rose 1.3 percent to 107.2 in August).

In regard to the national economic outlook, consumers also gave more positive assessments. This component of the EI rose 0.5 percent to 118.3. In more detail, our survey reveals that around 22.9 percent of consumers were still upbeat on the national economic outlook in August while only around 4.5 percent of consumers were downbeat. Nevertheless, a large proportion of consumers (72.1 percent) still foresee no change in the national economic outlook over the next six months. As for the local economy, consumers are also more upbeat on its prospects: this index edged up 0.5 percent to 116.1 in August.

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

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	MoM % Change
Economic Prospects	117.7	119.9	120.4	117.7	118.3	0.5
Local Area Economic Prospects	114.0	115.8	117.3	115.5	116.1	0.5
Employment Prospects	105.9	108.5	105.9	103.5	107.1	3.5
Family Income Prospects	110.7	110.7	108.0	105.9	107.2	1.3

**Purchasing Intentions for Durable Goods: *Slightly Up***

As consumers are more upbeat on the national and local economic outlook, buying intentions for durable goods strengthened in August. In our survey, 42.34 percent of consumers expressed plans to purchase a durable good over the next six months, up from 40.60 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also higher since only 30.51 percent of consumers expressed plans to purchase a durable good back in August 2016.

Of the ten categories tracked by our survey, buying intentions only increased in four of them. Most notably, buying intentions for livestock more than doubled from 0.41 percent in July to 1.33 percent in August. This year, the festivities of Idul Adha fall on September 1, an occasion when demand for both goats and cows increases significantly. Also up significantly were buying intentions for audio-visual equipment (up from 2.96 percent in July to 4.70 percent in August) as were buying intentions for land (up from 0.23 percent in July to 0.35 percent in August). Furthermore, buying intentions for bicycles increased from 0.23 percent to 0.35 percent.

By contrast, buying intentions in five categories still declined. Buying intentions for home appliances, and motorcycles declined significantly from 7.08 percent to 4.87 percent and from 2.67 percent to 1.86 percent, respectively, in August. Meanwhile, buying intentions for gold & jewelry were down moderately from 1.74 percent to 1.45 percent. Finally, our survey also reveals that consumers who want to either buy a house or renovate their homes fell slightly in August.

**Table 4. Buying intentions**

	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Automobile	0.29	0.41	0.52	0.52	0.52
Motorcycle	2.15	2.67	1.62	2.67	1.86
Bicycle	0.35	0.23	0.23	0.23	0.35
House	0.75	0.64	1.10	0.87	0.81
House Renovation	3.13	2.32	2.49	2.61	2.49
Land	0.41	0.29	0.41	0.23	0.35
Audio-visual	3.07	2.15	1.91	2.96	4.70
Home appliance	7.25	7.71	7.66	7.08	4.87
Gold & jewelry	1.04	2.03	1.86	1.74	1.45
Livestock	0.58	0.70	0.87	0.41	1.33

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

In our latest survey, consumers said they expected inflationary pressures to increase over the next six months. Overall, the index measuring consumer sentiment toward general prices added 5.0 percent from its lowest level in more than 8 years of 172.0 to 180.7 in August. In part, at least, the increase in this index reflects expectations that prices, especially of foodstuffs, clothing and transportation, will increase toward the end of the year due to the celebration of Christmas and New Year's Eve.

In regard to interest rates, more consumers foresee higher interest rates over the next six months (32.7 percent in August vs. 29.7 percent in July), while fewer consumers foresee lower interest rates (4.9 percent in August vs 7.2 percent in July). Nevertheless, a significant proportion of consumers (25.2 percent) still expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates rose 4.2 percent to 127.7 in August.

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 dipped 8.2 percent to 71.5 in August. At the same time, however, in regard to the outlook for stock prices, consumers are more optimistic that Indonesian stocks will record gains over the next six months (this index edged up 0.5 percent from 108.7 to 109.3 in August).

**Table 5. Expectations on Prices**

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	MoM % Change
General Prices Expectation	186.5	189.7	181.7	172.0	180.7	5.0
Interest Rates Expectation	120.7	127.5	118.7	122.5	127.7	4.3
Exchange Rates Expectation	76.4	70.0	80.7	77.9	71.5	-8.2
Stock Prices Expectation	107.8	114.2	115.2	108.7	109.3	0.5

## Confidence in the Government: *Weakened Slightly*

Consumer confidence in the government's ability to carry out its duties weakened slightly in the August survey. After increasing 1.5 percent in the previous survey, the Consumer Confidence in the Government Index (CCGI) slipped 0.5 percent from its highest level in more than 2 years of 101.5 to 101.1 in August. In our survey, three components of the CCGI increased, while two declined. In the August survey, only two components of the CCGI are still above the neutral level of 100.

The component of the CCGI to decrease the most in August was the one measuring sentiment toward the government's ability to spur growth. This index slumped 6.2 percent from 104.7 to 98.2 in August. Another component to decline in August was the one measuring sentiment toward the government's ability to stabilize prices. This index dropped 5.9 percent from its highest level in more than 2 years of 84.0 to 79.1 in August. Indeed, according to our survey, consumer concerns on high foodstuff prices rose from 63.1 percent in July to 70.4 percent in August.

By contrast, the component of the CCGI to increase the most in August was the one measuring sentiment toward the government's ability to ensure a safe and orderly environment. This index added 5.7 percent to its highest level in the last 7 years of 112.4. Also up was the component measuring sentiment toward the government's ability to enforce the rule of law. The relevant index climbed 5.7 percent to 112.4 in August.

Finally, the component of the CCGI which measures sentiment toward the government's ability to provide and maintain public infrastructure rose by 1 percent to 116.1 in August. Indeed according to our survey, 21.9 percent of consumers surveyed in August said that improving public infrastructure and facilities is one of the most important factors which supports local economic conditions. Besides this, 10.3 percent of consumers also said that government and private projects had helped to boost the local economy.

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

	Apr-17	Mei-17	Jun-17	Jul-17	Aug-17	MoM %Change
Recovery National Economy	103.2	102.2	101.0	104.7	98.2	-6.2
Stabilize the Price of Goods	77.1	77.5	77.1	84.0	79.1	-5.9
Provide and maintain public infrastructure	111.4	115.3	112.7	114.9	116.1	1.0
Ensure a safe and orderly environment	105.1	107.4	106.8	106.4	112.4	5.7
Enforce the rule of law	94.9	93.3	102.3	97.3	99.7	2.4
CCGI	98.3	99.1	99.9	101.5	101.1	-0.4

\* 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	Jul-17	Aug-17	MoM %Change
<b>National</b>			
Consumer Confidence Index	98.2	99.7	1.5
Present Situation	81.6	83.0	1.8
Expectations	110.7	112.2	1.4
<b>Jakarta</b>			
Consumer Confidence Index	122.7	129.9	5.9
Present Situation	99.8	112.3	12.5
Expectations	139.8	143.1	2.3
<b>West Java</b>			
Consumer Confidence Index	95.3	92.6	-2.8
Present Situation	68.9	65.5	-4.9
Expectations	115.0	112.9	-1.9
<b>Central Java</b>			
Consumer Confidence Index	103.9	104.1	0.2
Present Situation	95.4	90.1	-5.6
Expectations	110.2	114.6	4.0
<b>East Java</b>			
Consumer Confidence Index	102.7	106.7	3.9
Present Situation	95.2	97.2	2.1
Expectations	108.4	113.9	5.0
<b>North Sumatera</b>			
Consumer Confidence Index	83.5	82.9	-0.7
Present Situation	61.4	61.6	0.3
Expectations	100.0	98.9	-1.1
<b>South Sulawesi</b>			
Consumer Confidence Index	89.2	91.9	3.0
Present Situation	74.8	81.5	9.0
Expectations	100.1	99.8	-0.3

TABLE 8: NATIONAL FIGURES

CCI by Classification	Respondent Profile (%)	Jul-17	Aug-17	MoM %Change
<b>Age of Respondents</b>				
20-29	18.3	102.0	105.0	2.9
30-39	28.2	99.6	99.9	0.3
40-49	28.2	99.1	100.1	1.1
50-59	19.0	95.0	93.8	-1.3
60 and over	6.3	88.4	98.4	11.4
<b>Educational Level</b>				
Primary School or less	28.9	90.5	93.2	3.0
High School	62.1	100.3	101.5	1.2
Academy/University	8.9	109.1	108.0	-1.1
<b>Households Income</b>				
under RP 1.000.000,-	1.9	76.2	75.9	-0.4
Rp. 1.000.001 - 1.500.000,-	9.9	90.6	93.5	3.2
Rp 1.500.001 - 2.000.000,-	24.1	92.3	91.6	-0.8
Rp 2.000.001,- and over	64.2	102.9	104.3	1.4
<b>Type Area</b>				
Urban	70.5	102.2	102.9	0.7
Rural	29.5	88.4	92.0	4.1
<b>Gender</b>				
Male	49.8	97.7	99.0	1.3
Female	50.2	98.7	100.4	1.7
<b>Occupation</b>				
Worker	31.9	98.5	100.3	1.8
Self employed	32.9	96.9	99.9	3.1
Unemployed	35.2	99.1	99.0	-0.1

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



## RESEARCH TEAM

**Damhuri Nasution**

Head of Economic Research  
damhuri@danareksa.com

**Asti Suwarni**

Analyst  
asti@danareksa.com

**Darwin Sitorus**

Economist / Database Officer  
darwin@danareksa.com

**Natalia Daisyana**

Research Assistant  
natalia@danareksa.com

**Rika Pantjawati**

Executive Secretary  
rikap@danareksa.com

**Kahlil Rowter**

Chief Economist  
kahlil.rowter@danareksa.com

**Pramayanti Meitisari**

Analyst  
pramayanti@danareksa.com

**Handri Thiono**

Junior Economist  
handrit@danareksa.com

**Martin Jenkins**

Editor  
martin@danareksa.com

**Wahyuni K. Handayani**

Junior Analyst  
wahyuni.handayani@danareksa.com

**Danareksa Research Institute**

Danareksa Building  
Jl. Medan Merdeka Selatan 14  
Jakarta, 10110  
INDONESIA  
Tel : (62-21) 29555777 / 888 (hunting)  
Fax : (62 21) 3501709

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