

September 2018

Concerns on Higher Prices Weigh on Consumer Confidence

- **Consumer Confidence weakened in August 2018.** In this month, the Consumer Confidence Index (CCI) retreated by 4.1 percent from 101.6 to 97.5, after increasing by 4.7 percent in the previous survey. Our latest survey reveals that consumers gave more negative assessments on current economic conditions and the state of the job market. In particular, consumer concerns on high foodstuff prices and job scarcity increased in the August survey. In addition, our survey also shows that consumers are less upbeat on the nation's economic outlook.
- **The two main components which make up the CCI declined in August:** the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), retreated 5.5 percent to 81.0, as sentiment toward the current state of the economy and the job market deteriorated. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also decreased, falling by 3.3 percent to 109.9. The fall in this index reflects weaker consumer optimism toward the economy and the job market outlook over the next six months.
- **With consumers being less upbeat on the national economic outlook, buying intentions for durable goods declined in August.** In our survey, 41.13 percent of consumers expressed plans to purchase a durable good over the next six months, or down from 41.36 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also lower since 42.34 percent of consumers expressed plans to purchase a durable good back in August 2017.
- **Consumer confidence in the government's ability to carry out its duties weakened in the August survey.** After increasing 2.9% in the previous survey, the Consumer Confidence in the Government Index (CCGI) declined 3.3% to 105.1 in August. All components of the CCGI declined in our latest survey. Nevertheless, four CCGI components are still 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 AUGUST 2018 RESULTS

Consumer Confidence weakened in August 2018. In this month, the Consumer Confidence Index (CCI) retreated by 4.1 percent from 101.6 to 97.5, after increasing by 4.7 percent in the previous survey. Our latest survey reveals that consumers gave more negative assessments on current economic conditions and the state of the job market. In particular, consumer concerns on high foodstuff prices and job scarcity increased in the August survey. In addition, our survey also shows that consumers are less upbeat on the nation’s economic outlook.

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By region, consumer confidence deteriorated in four of the six regions covered by the survey. Sentiment deteriorated the most in South Sulawesi (where the index plunged 14.0 percent to 87.8 in August), followed by North Sumatra (where the index retreated 7.5 percent to 84.9), West Java (where the index dropped 6.3 percent to 92.8), and Jakarta (where the index edged down 0.7 percent to 113.4). By contrast, confidence still improved in Central Java (where the index added 3.0 percent to 106.2 in August), followed by East Java (where the index climbed 1.5 percent to 105.2).

Consumer sentiment weakened across different areas. For people living in urban areas the CCI retreated by 4.1 percent in August to 99.0, while for people living in rural areas the CCI decreased less dramatically by 3.6 percent to 93.9. Similarly, consumer confidence also weakened across income bands. For low-income consumers (incomes below Rp1,500,000/month), the CCI dropped 5.1 percent to 92.3, while for high-income consumers (incomes above Rp3,000,000 per month), the CCI fell less dramatically by 3.2 percent to 108.8 in August.

Chart 1. Consumer Confidence Weakened in August

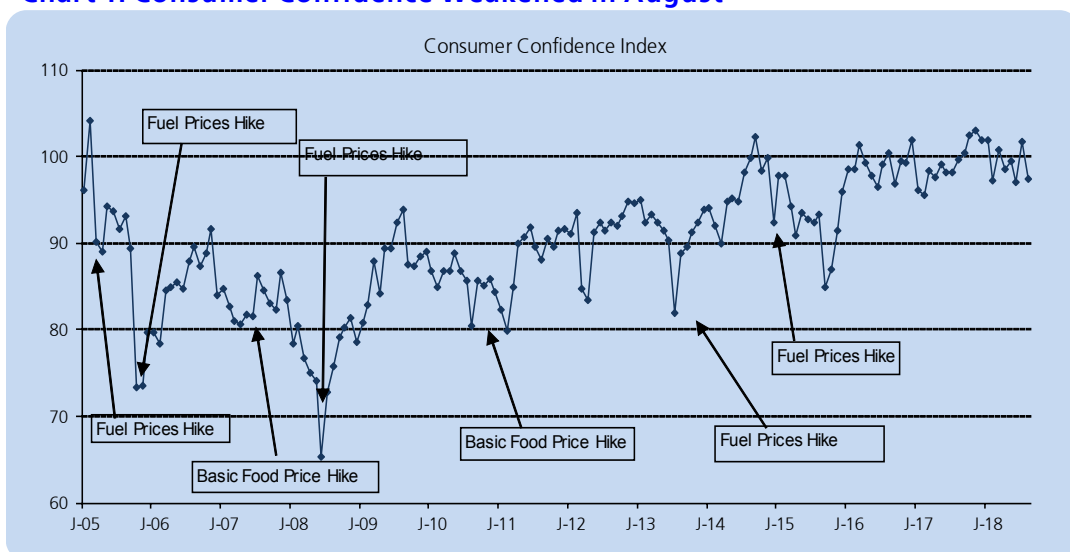


Chart 2. Both Rural and Urban Consumers Were More Downbeat in August

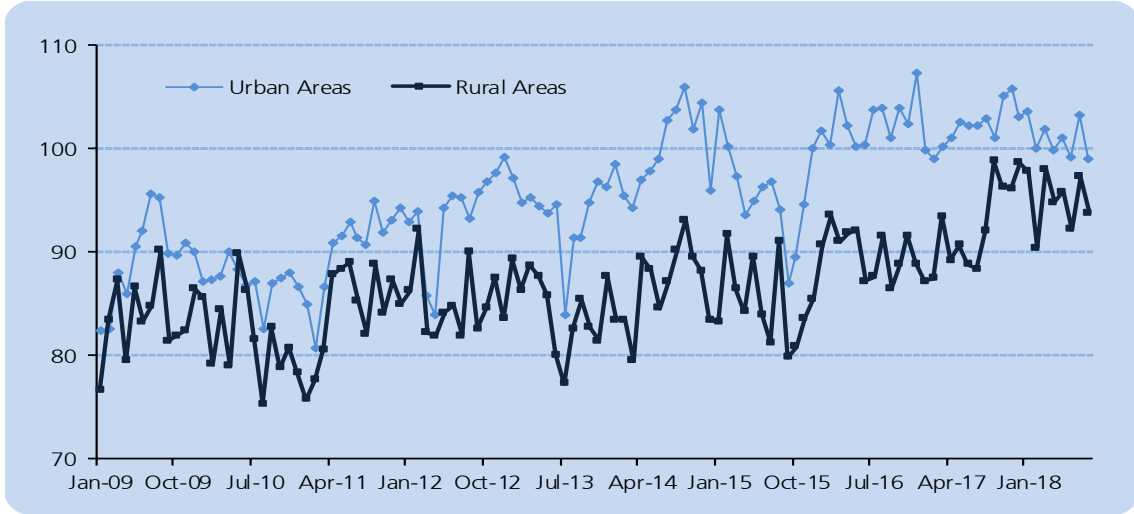


Table 1. The Consumer Confidence Index

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	MoM % Change
Consumer Confidence	98.5	99.5	97.1	101.6	97.5	-4.1
Present Situation	81.4	84.7	78.5	85.7	81.0	-5.5
Expectation	111.4	110.6	111.1	113.6	109.9	-3.3

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

Consumers gave more negative assessments on the current state of the national economy. In our survey, the proportion of consumers who claimed that national economic conditions were “good” decreased from 21.2 percent to 20.2 percent, while the proportion of consumers who claimed that national economic conditions were “bad” increased from 32.0 percent to 32.5 percent. Nevertheless, consumers who said that national economic conditions were “normal” increased from 46.8 percent to 47.3 percent. As such, overall, the index edged down 1.6 percent from 89.2 to 87.8 in August.

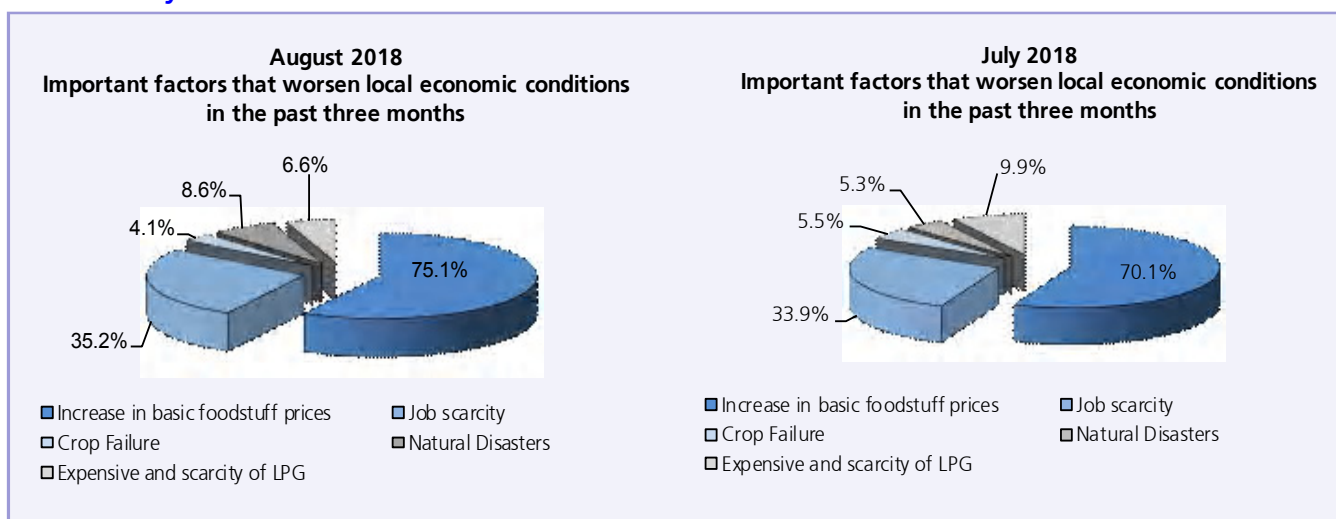
In regard to the current state of the local economy, consumer assessments also weakened (this index retreated 4.8 percent from 105.0 to 99.9 in August). Consumers remained concerned by several key issues. Most notably, 75.1 percent of consumers still cited high foodstuff prices as a major factor weighing on the local economy in the last three months (up from 70.1 percent in July). At the same time, 35.2 percent of consumers still expressed concerns on job scarcity (up from 33.9 percent in July).

Consumers also gave more negative assessments on the current state of the job market (the index measuring sentiment toward job market conditions plunged 12.0 percent from 62.8 to 55.3 in August). More specifically, more consumers claimed that jobs were hard to get (59.7 percent in August vs. 54.9 percent in July) while fewer consumers claimed that jobs were easy to get (15.0 percent in August vs. 17.7 percent in July). Some 24.9 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-18	May-18	Jun-18	Jul-18	Aug-18	MoM % Change
Economic Conditions	86.1	86.1	83.6	89.2	87.8	-1.6
Local Area Economic Conditions	100.9	103.6	98.4	105.0	99.9	-4.8
Employment Conditions	57.3	64.3	53.5	62.8	55.3	-12.0

Chart 3. Key Concerns



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

Looking ahead over the next six months, consumers are less optimistic: the Expectations Index (EI) edged down 3.3 percent to 109.9 in August. Furthermore, all components of the EI declined in August. However, all components 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 decline the most was the one measuring sentiment toward future family incomes. This component of the EI retreated 4.5 percent to 108.1 in August. In our survey, fewer consumers expect higher family incomes over the next six months (19.8 percent in August vs 23.1 percent in July) while the proportion of consumers who expect lower family incomes increased from 9.9 percent to 11.7 percent. But most consumers (67.6 percent) still don't expect any change in the outlook for future family incomes. Overall, the fall in the component of the EI measuring sentiment toward future family incomes stemmed from weaker optimism toward the job market (this index slipped 1.5 percent to 103.8 in August).

In regard to the national economic outlook, consumers are also less optimistic (this component of the EI retreated 3.6 percent to 115.0 in August). As for the local economic outlook, consumers are also less upbeat (this component of the EI edged down by 3.6 percent to 112.6 in August). In more detail, our survey reveals that fewer consumers were upbeat on the local economic outlook (17.6 percent in August vs. 20.6 percent in July) while more consumers were downbeat (5.0 percent in August vs. 3.9 percent in July). Nevertheless, a large proportion of consumers (77.2 percent) still foresee no change in the local economic outlook over the next six months.

Table 3. Expectations in the Six Months Ahead

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	MoM % Change
Economic Prospects	116.1	115.9	115.1	119.2	115.0	-3.6
Local Area Economic Prospects	116.4	114.6	115.2	116.8	112.6	-3.6
Employment Prospects	104.2	104.9	104.9	105.3	103.8	-1.5
Family Income Prospects	108.9	107.0	109.1	113.2	108.1	-4.5

Purchasing Intentions for Durable Goods: *Slightly Down*

With consumers being less upbeat on the national economic outlook, buying intentions for durable goods declined in August. In our survey, 41.13 percent of consumers expressed plans to purchase a durable good over the next six months, or down from 41.36 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also lower since 42.34 percent of consumers expressed plans to purchase a durable good back in August 2017.

Of the ten categories of goods tracked by our survey, buying intentions declined in six of them. Most notably, buying intentions for automobiles declined from 0.70 percent in July to 0.17 percent in August. At the same time, buying intentions for houses fell significantly from 0.70 percent to 0.29 percent in August. Meanwhile, buying intentions for home appliances, livestock, and audio-visual equipment decreased moderately in August. Our survey also showed that the proportion of consumers who want to renovate their homes also declined in August.

By contrast, buying intentions in four categories of goods still increased. Most notably, buying intentions for bicycles increased significantly from 0.12 percent in July to 0.41 percent in August. At the same time, buying intentions for land jumped from 0.17 percent in July to 0.46 percent in August. Finally, buying intentions for gold & jewelry and motorcycles rose moderately in August.

Table 4. Buying intentions

	Apr-18	May-18	Jun-18	Jul-18	Aug-18
Automobile	0.58	0.41	0.52	0.70	0.17
Motorcycle	2.32	1.39	1.62	1.62	2.20
Bicycle	0.17	0.06	0.17	0.12	0.41
House	0.58	0.64	0.87	0.70	0.29
House Renovation	2.26	2.38	2.73	2.61	2.26
Land	0.29	0.06	0.23	0.17	0.46
Audio-visual	4.47	3.89	3.60	4.52	4.29
Home appliance	7.42	7.95	7.71	8.82	6.84
Gold & jewelry	1.57	1.33	1.57	1.39	1.74
Livestock	0.64	1.16	1.28	1.57	1.51

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

In our latest survey, consumers said they expected inflationary pressures to increase slightly over the next six months. Overall, the index measuring consumer sentiment toward general prices edged up by 0.3 percent from 182.7 to 183.3 in August. Furthermore, this index is still higher than it was one year ago when the index stood at 180.7 in August 2017. In part, at least, the increase in this index reflects expectations that prices, especially of foodstuffs and transportation, will increase toward the end of the year due to the celebration of Christmas and New Year.

In regard to interest rates, however, fewer consumers foresee higher interest rates over the next six months (26.2 percent in August vs 31.0 percent in July) while around 6.9 percent of consumers foresee lower interest rates. Meanwhile, 27.5 percent of consumers expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates fell 3.6 percent from 123.7 to 119.3 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 retreated 3.7 percent to 67.1 in August. As for the outlook for stock prices, consumers are also less optimistic that Indonesian stocks will record gains over the next six months (this index edged down 4.9 percent to 108.5 in August).

Table 5. Expectations on Prices

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	MoM % Change
General Prices Expectation	187.9	188.2	185.1	182.7	183.3	0.3
Interest Rates Expectation	117.3	121.0	120.6	123.7	119.3	-3.6
Exchange Rates Expectation	68.9	73.4	71.1	69.7	67.1	-3.7
Stock Prices Expectation	110.6	108.7	115.9	114.1	108.5	-4.9

Confidence in the Government: *Weakened*

Consumer confidence in the government's ability to carry out its duties weakened in the August survey. After increasing 2.9% in the previous survey, the Consumer Confidence in the Government Index (CCGI) declined 3.3% to 105.1 in August. All components of the CCGI declined in our latest survey. Nevertheless, four CCGI components are still 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 decline the most in August was the one measuring sentiment toward the government's ability to stabilize prices (the relevant index retreated 6.5 percent from 91.0 to 85.1 in August). This is inline with our survey's finding that more consumers cited high foodstuff prices as a major factor weighing on the local economy in the last three months (75.1 percent in August vs 70.1 percent in July). The component of the CCGI measuring sentiment toward the government's ability to enforce the rule of law also declined. This index fell by 6.2 percent from 111.3 to 104.4 in August.

Also down was the component of the CCGI measuring sentiment toward the government's ability to provide and maintain public infrastructure (it dropped 2.0 percent from 119.5 to 117.1 in August). Furthermore, the component of the CCGI measuring sentiment toward the government's ability to ensure a safe and orderly environment declined from 116.1 to 114.5 in August and the component of the CCGI measuring sentiment toward the government's ability to spur economic growth declined from 105.9 to 104.7.

Table 6. Confidence Toward The Current Government

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	MoM %Change
Recovery National Economy	104.1	102.8	102.1	105.9	104.7	-1.2
Stabilize the Price of Goods	83.7	86.5	88.1	91.0	85.1	-6.5
Provide and maintain public infrastructure	121.0	119.3	117.4	119.5	117.1	-2.0
Ensure a safe and orderly environment	115.8	115.0	110.9	116.1	114.5	-1.4
Enforce the rule of law	106.8	107.0	110.0	111.3	104.4	-6.2
CCGI	106.3	106.1	105.7	108.8	105.1	-3.3

* 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-18	Aug-18	MoM %Change
National			
Consumer Confidence Index	101.6	97.5	-4.1
Present Situation	85.7	81.0	-5.5
Expectations	113.6	109.9	-3.3
Jakarta			
Consumer Confidence Index	114.1	113.4	-0.7
Present Situation	94.4	91.0	-3.6
Expectations	128.9	130.1	0.9
West Java			
Consumer Confidence Index	99.0	92.8	-6.3
Present Situation	74.5	70.3	-5.7
Expectations	117.3	109.6	-6.5
Central Java			
Consumer Confidence Index	103.1	106.2	3.0
Present Situation	88.9	95.4	7.3
Expectations	113.8	114.3	0.5
East Java			
Consumer Confidence Index	103.6	105.2	1.5
Present Situation	102.3	104.4	2.1
Expectations	104.5	105.7	1.1
North Sumatera			
Consumer Confidence Index	91.8	84.9	-7.5
Present Situation	63.8	54.7	-14.3
Expectations	112.8	107.6	-4.7
South Sulawesi			
Consumer Confidence Index	102.2	87.8	-14.0
Present Situation	92.7	73.7	-20.5
Expectations	109.2	98.4	-9.9

TABLE 8: NATIONAL FIGURES

CCI by Classification	Respondent Profile (%)	Jul-18	Aug-18	MoM %Change
Age of Respondents				
20-29	15.8	105.6	100.6	(4.7)
30-39	24.9	102.6	99.2	(3.3)
40-49	30.3	101.0	96.7	(4.3)
50-59	20.1	100.1	95.9	(4.2)
60 and over	8.8	97.1	92.8	(4.5)
Educational Level				
Primary School or less	29.2	95.1	90.1	(5.3)
High School	63.7	103.6	99.6	(3.9)
Academy/University	7.1	110.9	108.8	(1.8)
Households Income				
under RP 1.500.000,-	11.0	94.0	86.0	(8.5)
Rp 1.500.001-3.000.000	54.1	98.4	94.4	(4.0)
Rp 3.000.001,- and over	35.0	108.4	105.9	(2.4)
Type Area				
Urban	70.6	103.3	99.0	-4.1
Rural	29.4	97.3	93.9	-3.6
Gender				
Male	49.9	101.8	97.8	-3.9
Female	50.1	101.5	97.2	-4.3
Occupation				
Worker	29.5	103.0	100.5	-2.4
Self employed	33.9	101.2	95.6	-5.5
Unemployed	36.6	100.9	96.8	-4.1

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

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