

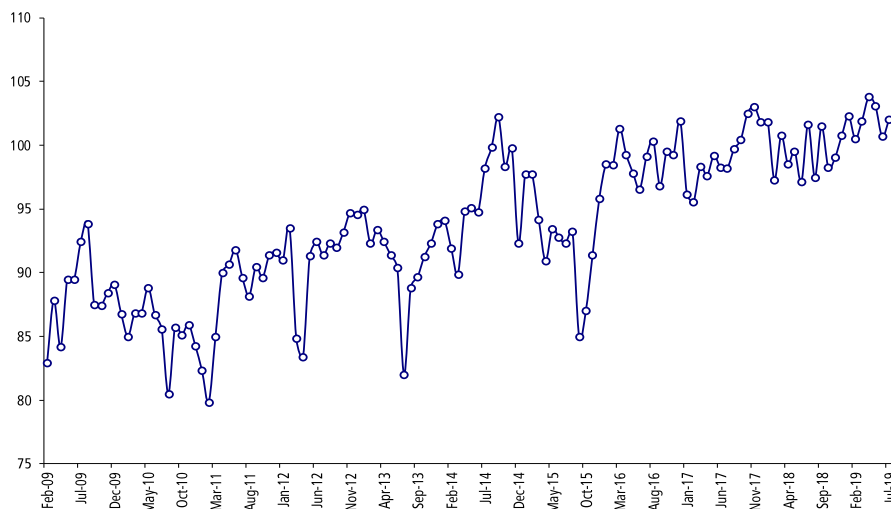
July Results: Resumption of the Uptrend

Key Findings

- ✓ The Consumer Confidence Index increased by 1.3% to 102.0 in July 2019.
 - ✓ Concerns heightened on higher foodstuff prices and job scarcity.
 - ✓ Purchasing intentions strengthened.
 - ✓ The Consumer Confidence in the Government Index rose further.
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- Danareksa's Consumer Confidence Index (CCI) rose to 102.0 in July 2019 from 100.7 in June. Both indicators – i.e. the Present Situations Index (PSI) and the Expectations Index (EI) - increased by 2.8% mom and 0.5% mom to 87.0 and 113.2, respectively. Consumers gave increasingly positive assessments toward current economic conditions and the job market. The proportion of consumers claiming that current economic conditions were "good" increased from 22.0 percent to 23.4 percent. In addition, consumers were more upbeat on the outlook for local business conditions and their family incomes over the next 6 months. The percentage of consumers expecting that their family incomes will improve over the next six months increased from 21.4 percent to 23.9 percent.
 - The CCI for urban consumers rose by 2.9% mom to 103.7, while the CCI for rural areas slipped to 98.0 (-2.5% mom). By province, the CCI increased in three of them: Jakarta (+2.5% mom to 117.3), North Sumatera (+12.8% mom to 96.1), and South Sulawesi (+4.9% mom to 84.6). By contrast, the CCI fell in West Java (-0.7%), Central Java (-4.6%), and East Java (-2.5%) to 101.3, 110.9, and 107.0, respectively.
 - By income level, the CCI for mid-income consumers (between IDR 1.5 mn-3.0 mn/month) rose to 98.5 (+2.9% mom) and for high-income consumers (above IDR 3.0 mn/month) the CCI climbed to 109.5 (+0.8% mom). By contrast, the CCI for low-income consumers (below IDR 1.5 mn/month) fell by 3.5 percent to 90.3. Lower CCI for low-income consumers was related to falling CCI for rural areas. However since the CCI readings stayed above their 12-month averages, this reflects relatively strong consumer confidence, suggesting there will not be any significant pullback in consumer spending in the months ahead.
 - Our survey shows that 69.5 percent of consumers worry about higher foodstuff prices (up from 65.8% in the previous month) as well as job scarcity (up to 42.3% from 33.9% in the previous survey). Notably, there have been recent increases in the prices of rice, chilis, and vegetables in July following the Idul Fitri festivities. However, consumer concerns on potential natural disasters dropped from 6.8 percent to 4.6 percent. Since the new school year has begun, 0.12 percent of consumers also cited rising education costs as a concern.
 - Most consumers expect milder inflationary pressures and lower interest rates over the next 6 months. The index measuring consumer sentiment toward general prices and interest rates fell by 1.0% and 0.2% to 173.1 and 121.5. At the same time, consumers in the main cities are pessimistic on the outlook for the rupiah (this index dipped 1.0% to 66.0).
 - The Buying Intentions Index gained traction in July. It rose to 192.2 (+1.8% mom), suggesting that buying intentions are solid. This also indicating that consumers more confident to long term economic outlook. Of the ten categories of goods tracked by our survey, buying intentions rose in five of them (cars, motorcycles, bicycles, land, and houses). Stable consumer purchasing intentions for durable goods over the next six months should be maintained since the index is significantly higher on an annual basis (+14.1% yoy).

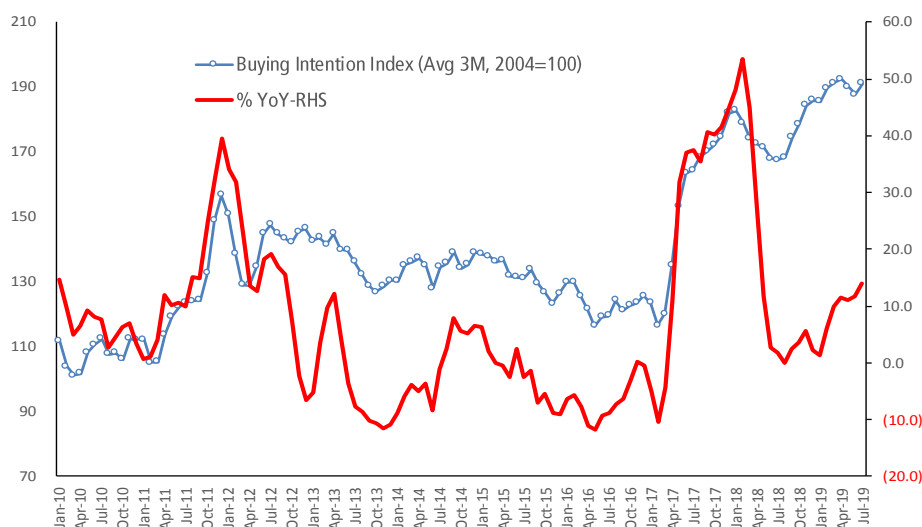
- In line with the increase in the CCI, the Consumer Confidence in the Government Index (CCGI) rose 4.4% mom to 116.4, following a 0.5% increase in the previous month. All the CCGI components posted monthly increases, indicating that consumers are still generally convinced in the government's ability to carry out its duties. Consumers have greater confidence in the government's ability to spur economic growth (+5.8% mom to 115.7), provide and maintain public infrastructure (+1.2% mom to 121.9), stabilize general prices (+4.8% mom to 105.8), ensure a safe and orderly environment (+3.3% mom to 118.6) and enforce the rule of law (+7.3% mom to 120.1).

Graph 1. Consumer Confidence Trended Higher in July 2019



Source: Danareksa Research Institute

Graph 2. The Buying Intentions Index Trended up Again



Source: Danareksa Research Institute

Graph 3. The CCGI Rose Further



Source: Danareksa Research Institute

Table 1. Consumer Confidence, Present Situation, and Expectations Index

	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	% MoM
Consumer Confidence Index	100.5	101.9	103.8	103.1	100.7	102.0	1.3
Present Situation Index	84.1	86.9	89.1	88.7	84.7	87.0	2.8
Expectations Index	112.8	113.2	114.8	113.9	112.6	113.2	0.5
Buying Intentions Index	189.7	191.4	192.4	190.1	187.7	191.2	1.8
Cons. Confidence to Government Index (2003=100)	109.8	111.9	109.4	111.0	111.5	116.4	4.4

Source: Danareksa Research Institute

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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.

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