

July 2020 Consumer Confidence: Weakening further

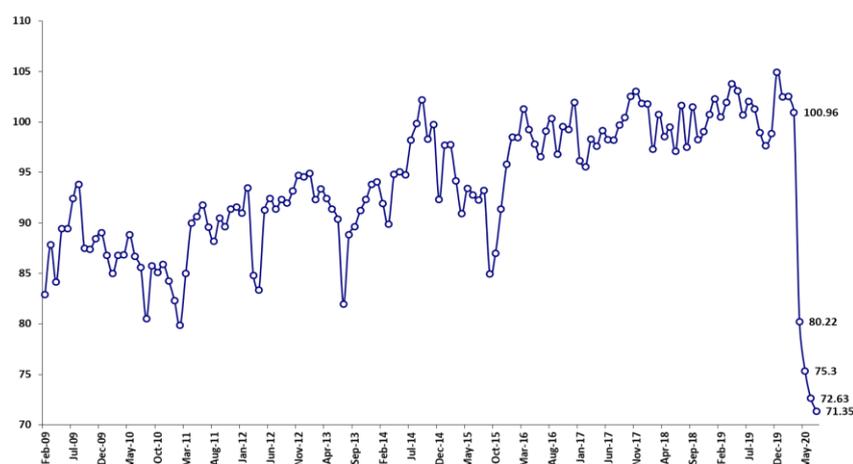
Key Findings:

- ✓ **The Consumer Confidence Index fell by 1.8 percent to 71.4 in July 2020.**
 - ✓ **Concerns centered on the threats posed by the Covid-19 outbreak and job termination.**
 - ✓ **The Buying Intentions Index was less solid on a monthly basis.**
 - ✓ **The Consumer Confidence in the Government Index fell further by 1.1 percent to 112.0 in July 2020.**
- Danareksa's Consumer Confidence Index (CCI) fell for the fourth straight month in July 2020 to 71.4 from 72.6 in the previous month, although the large-scale social distancing restrictions have been eased by the government. The two main components of the CCI declined: the Present Situations Index (PSI) declined by 2.4 percent mom to 35.9 and the Expectations Index (EI) fell 1.6 percent mom to 97.9. Consumers gave more negative assessments towards current national economic conditions and employment conditions. By contrast, consumers viewed local economic conditions more positively as this index rose by 3.9 percent in line with the end of large-scale social distancing restrictions in some areas.
 - In our survey, the proportion of consumers who stated that current economic conditions were "bad" rose from 76.8 percent to 77.7 percent, while 17.1 percent of consumers said that economic conditions were "normal". However, the proportion of consumers who stated that current economic conditions were "good" rose from 4.1 percent to 4.7 percent. The impact of the Covid-19 outbreak in Indonesia has been felt greatly by consumers, as reflected in the fourth decline in the CCI since April 2020.
 - Looking ahead, consumers are more upbeat on the outlook for the national economy over the next six months. These improving perceptions reflect hopes of a brighter future as large-scale social restrictions have been lifted in some areas with the government providing a stimulus to reduce the impact of Covid-19. However, the proportion of consumers expecting better family incomes over the next six months decreased by 6.5 percent to 72.9. The proportion of consumers who expect that family incomes were "lower" rose from 39.2 percent to 41.6 percent. Similarly, consumers were less upbeat on the job market outlook as this index fell by 1.8 percent to 96.7. The proportion of consumers who expect that job market were "hard to get" increase from 13.1 percent to 13.8 percent. Job termination due to the spread of Covid-19 is still a major worry for many consumers.
 - Consumer confidence weakened in rural areas but rebounded in urban areas. For rural consumers, the CCI sank by 7.2 percent mom to 67.0 but for consumers in urban areas the CCI rose by 0.5 percent mom to 73.1. By province, the CCI fell in four of them: East Java (-19.1 percent mom to 58.5), South Sulawesi (-6.2 percent mom to 66.3), and North Sumatera (-1.9 percent mom to 66.6). This is in line with the increase in Covid-19 cases in several regions, especially East Java. By contrast, the CCI increased in West Java (+6.4 percent mom to 76.4), Jakarta (+6.0 percent mom to 79.7) and Central Java (+5.7 percent mom to 83.3).
 - By income level, the CCI declined in one of the three income groups. For mid-income consumers (with incomes between IDR 1.5 mn – 3.0 mn/month) the CCI dropped to 67.4 (-6.1 percent mom). By contrast, the CCI for low income consumers (with incomes below IDR 1.5 mn/month) rose to 65.7 (+1.7 percent mom)

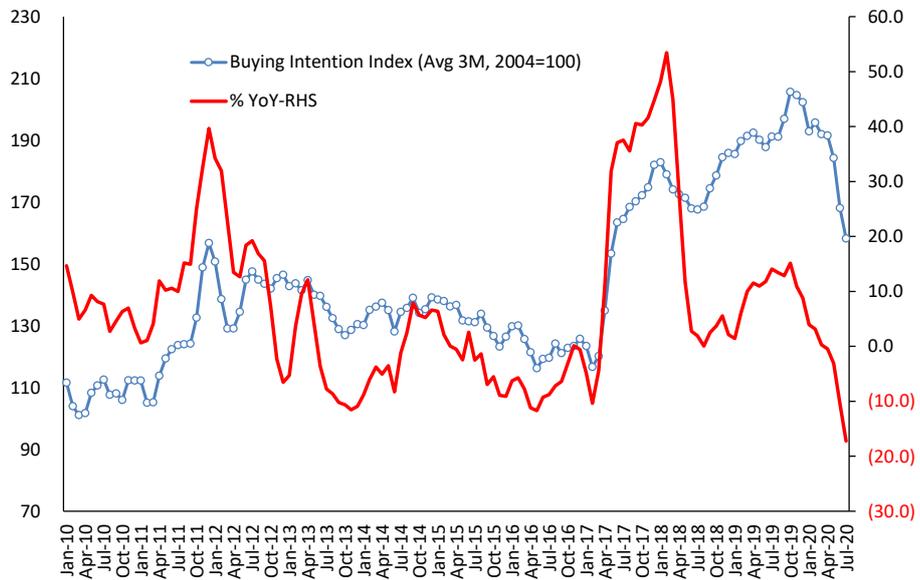
and the CCI for high-income consumers (with incomes above IDR 3.0 mn/month) rose to 77.6 (+0.9 percent mom).

- In July 2020, consumers expressed greater concerns on job scarcity (57.31 percent vs 55.36 percent in the previous month), rising foodstuff prices (46.11 percent vs 44.23 percent in the previous month) and the Covid-19 outbreak in Indonesia (44.78 percent vs 41.2 percent in the previous month). At the same time, consumers were also worried about job termination (up to 20.59 percent) and were more worried by the decline in industrial production (14.97 percent vs 14.24 percent in the previous month).
- Most consumers expect inflationary pressures to heighten over the next 6 months (the index measuring sentiment toward general prices jumped by 3.0 percent to 166.2). This is in line with the inflation in June which increased by 0.18 percent mom. In relation to the exchange rate, consumers in the main cities are more positive on the rupiah's outlook since this index rose by 19.4 percent to 74.4. At the same time, more consumers think that interest rates will increase over the near term (this index rose 3.8 percent to 112.5).
- Consumer buying plans were less solid. In our July survey, the buying intentions index fell further to 158.2 (-17.2 percent yoy). Among the ten categories of goods tracked by our survey, consumer purchasing plans declined in six of them (automobiles, motorcycles, bicycles, house renovation, audio-visual equipment and gold jewelry), while increases were seen in the other four categories (houses, land, home appliances and livestock). An increase in purchasing plans for livestock was seen ahead of the Eid al-Adha celebrations in late July 2020, while plans to purchase bicycles declined as a result of an increase in the number of Covid-19 cases in several regions and an increase in bicycle prices.
- The Consumer Confidence in the Government Index (CCGI) fell further by 1.1 percent mom to 112.0 following a 4.0 percent decline in the previous month. Four of the CCGI components posted declines. Consumers expressed less confidence in the government's ability to spur economic growth (-4.3 percent mom to 111.1), to stabilize general prices (-1.4 percent mom to 101.3), to provide and maintain public infrastructure (-0.7 percent mom to 161.3), and to enforce the rule of law (-0.4 percent mom to 120.6). By contrast, however, consumers expressed more confidence in the government's ability to ensure a safe and orderly environment (+1.3 percent mom to 156.0).

Graph 1. Consumer Confidence Fell by 1.8 percent MoM in July 2020

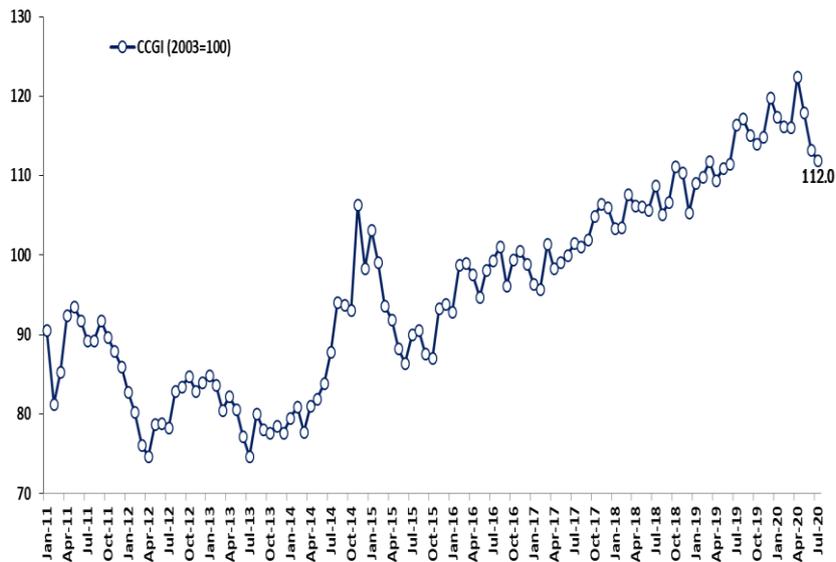


Graph 2. The Buying Intentions Index Declined on a Monthly Basis



Source: Danareksa Research Institute

Graph 3. The CCGI fell further



Source: Danareksa Research Institute

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

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	% MoM
Consumer Confidence Index	102.5	102.5	101.0	80.2	75.3	72.6	71.4	(1.8)
Present Situation Index	85.6	87.5	86.4	54.5	41.2	36.8	35.9	(2.4)
Expectations Index	115.2	113.8	111.9	99.5	100.9	99.5	97.9	(1.6)
Buying Intentions Index	192.8	195.7	192.0	191.5	184.2	168.0	158.2	(5.8)
Cons. Confidence to Government Index (2003=100)	117.4	116.2	116.0	122.5	118.0	113.2	112.0	(1.1)

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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