

November 2020 Consumer Confidence: Starting to Strengthen

Key Findings:

- ✓ *The Consumer Confidence Index rose by 9.7 percent to 78.0 in November 2020.*
- ✓ *Concerns centered on the threats posed by the Covid-19 outbreak.*
- ✓ *The Buying Intentions Index remained solid on a monthly basis.*
- ✓ *Consumer Confidence in the Government weakened.*

I. Consumer Confidence Index (CCI)

Danareksa's Consumer Confidence Index (CCI) rose by 9.7 percent in November 2020 to 78.0 after declining for two straight months. The strengthening of the CCI is mainly a reflection of the improving economy which was driven by the increased realization of social assistance programs.

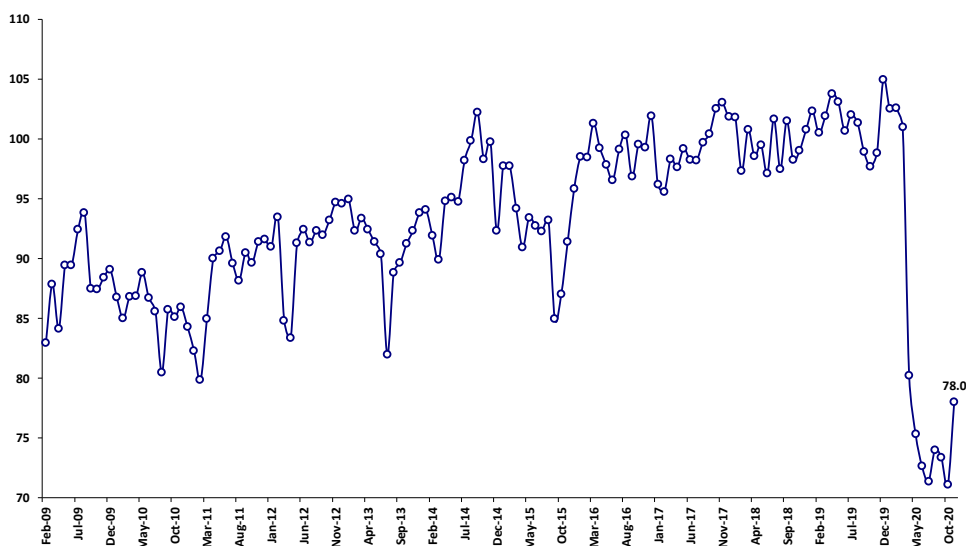
- The two main CCI components both rose: the Present Situations Index (PSI) surged by 22.5% mom to 44.4 and the Expectations Index (EI) climbed 6.1% mom to 103.1. The domestic economy has continued to improve as seen since the 3rd quarter of 2020 supported by increased realization of the National Economic Recovery program and the easing of social distancing restriction policies.
- In our survey, the proportion of consumers who stated that current economic conditions were "good" rose from 5.3 percent to 3.4 percent. At the same time, the proportion of consumers who stated that current economic conditions were "bad" declined from 76.7 percent to 67.5 percent.
- Consumers are more upbeat on the national economic outlook and the job market. The proportion of consumers expecting family incomes to increase over the next six months reached 14.3 percent. Similarly, more consumers were upbeat on the job market outlook (13.2 percent vs. 10.6 percent in the previous survey). The recovery of economic and business activities as well as the disbursement of funds from the National Economic Recovery program were the driving factors in bolstering consumer optimism regarding the outlook for family incomes and the job market.
- **Consumer confidence strengthened in both rural and urban areas.** The CCI for urban areas reached 77.6 (+10.4% mom) and the CCI for rural areas reached 78.8 (+7.9% mom). By province, the index recovered in all survey areas: Jakarta (+21.5% to 84.3), South Sulawesi (+18.0% to 80.6), North Sumatera (+9.1% to 76.1), East Java (+6.1% to 69.4), West Java (+5.2% to 72.0) and Central Java (+3.2% to 87.4). The largest increase in the CCI was in DKI Jakarta in line with the pick-up in economic activities after the government relaxed its social distancing restriction policies.
- **By income level, the CCI improved across the board.** The CCI for low-income consumers (below IDR 1.5 mn/month) rose by 16.5% mom to 74.7, while the CCI for mid-income consumers (between IDR 1.5 mn-3.0 mn/month) climbed to 74.6 (+7.4% mom). Meanwhile, for high-income consumers (above IDR 3.0 mn/month) the CCI rose by 10.7 percent to 83.0.
- **Consumers mentioned several factors that dampened local economic conditions.** Consumers were more worried about the impact of the Covid-19 outbreak (up to 44.61 percent from 42.75 percent in the previous month) in Indonesia especially in DKI Jakarta, West Java, South Sulawesi and East Java where Covid-19 cases are continuing to increase. In November 2020, consumers were less worried by the issue of job scarcity and rising foodstuff prices. These findings are in line with the pick-up in business and economic activity and the deflation in the foodstuffs component seen in the last few months.

- **Most consumers expect lower inflation over the next 6 months** (the index measuring sentiment toward general prices fell by 1.5 percent to 161.6). This is in line with the low inflation in October 2020 of 0.07% mom and the deflation seen from July 2020 - August 2020. In relation to the exchange rate, consumers in the main cities are more positive on the rupiah's outlook (this index increased by 1.9 percent to 71.1). At the same time, more consumers think that interest rates will increase over the near term (this index rose by 4.8 percent to 115.7).
- **On a monthly basis consumer buying plans remained solid** (+2.9% mom, -20.0% yoy) in the November survey. Buying intentions strengthened at all levels of income in line with the economic recovery that continues in a positive direction and the greater realization of the government's social assistance programs. Of the ten categories of goods tracked by our survey, consumer purchasing plans increased in six of them (automobiles, motorcycles, home appliances, land and gold jewelry), while declines were seen in the other five categories (houses, bicycles, house renovation, audio-visual equipment and livestock).

II. Consumer Confidence in the Government Index (CCGI)

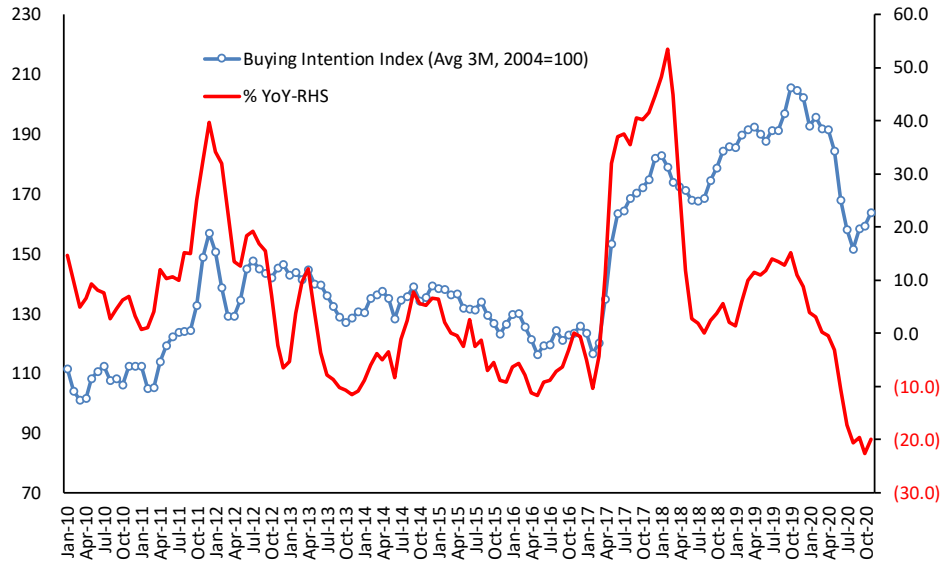
The Consumer Confidence in the Government Index (CCGI) fell by 0.3 percent mom to 112.3. Three of the CCGI components posted declines. Consumers expressed less confidence in the government's ability to enforce the rule of law (-3.5% mom to 177.1), to provide and maintain public infrastructure (-2.6% mom to 159.9) and to ensure a safe and orderly environment (-1.8% mom to 157.1). By contrast, however, consumers expressed greater confidence in the government's ability to spur economic growth (+4.0% mom to 112.0), in line with improving Indonesian economic growth in the third quarter of 2020 along with the further disbursement of government social assistance. In addition, consumers expressed more confidence in the government's ability to stabilize general prices (+3.2% mom to 105.4), in line with the low levels of inflation seen in recent months.

Graph 1. Consumer Confidence Rose by 9.7 percent MoM in November 2020



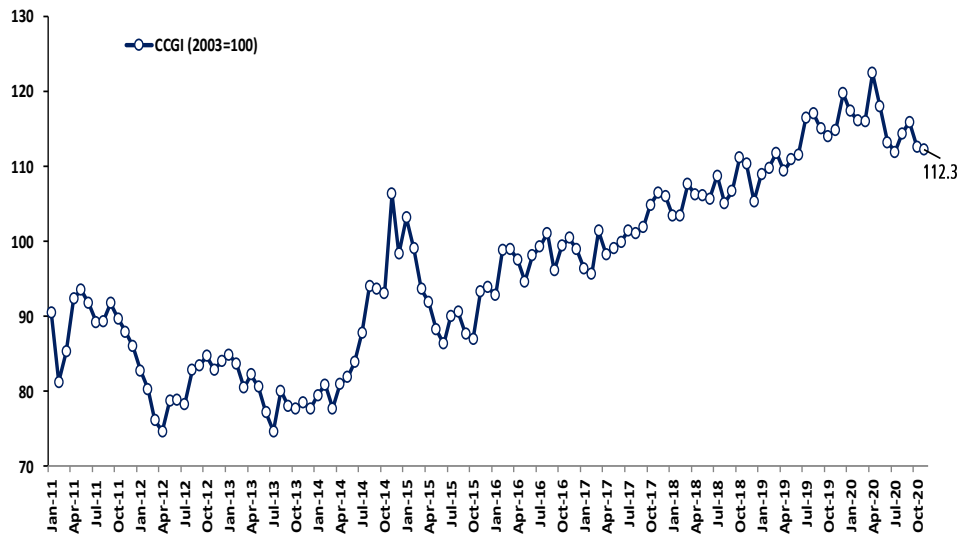
Source: Danareksa Research Institute

Graph 2. The Buying Intentions Index Remained Solid on a Monthly Basis



Source: Danareksa Research Institute

Graph 3. The CCGI Weakened



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	Aug-20	Sep-20	Oct-20	Nov-20	% MoM
Consumer Confidence Index	102.5	102.5	101.0	80.2	75.3	72.6	71.4	74.0	73.3	71.1	78.0	9.7
Present Situation Index	85.6	87.5	86.4	54.5	41.2	36.8	35.9	38.4	38.8	36.3	44.4	22.5
Expectations Index	115.2	113.8	111.9	99.5	100.9	99.5	97.9	100.7	99.3	97.2	103.1	6.1
Buying Intentions Index	192.8	195.7	192.0	191.5	184.2	168.0	158.2	151.6	158.4	159.2	163.8	2.9
Cons. Confidence to Government Index (2003=100)	117.4	116.2	116.0	122.5	118.0	113.2	112.0	114.3	115.9	112.6	112.3	(0.3)

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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