

December 2020 Consumer Confidence: Positive Signs at the End of 2020

Key Findings:

- ✓ *The Consumer Confidence Index rose by 6.0 percent to 82.7 in December 2020.*
- ✓ *Consumers were less concerned by the Covid-19 outbreak.*
- ✓ *The Buying Intentions Index remained solid on a monthly basis.*
- ✓ *The Consumer Confidence in the Government Index rose further.*

I. Consumer Confidence Index (CCI)

Danareksa's Consumer Confidence Index (CCI) rose by 6.0 percent in December 2020 to 82.7. Following declines in the April - September 2020 period due to the Covid-19 pandemic, the CCI encouragingly picked up in quarter 4-2020. The strengthening of the CCI is mainly a reflection of the improving economy which was driven by the increased realization of social assistance programs. This bodes well for 2021 especially with the imminent rollout of the government's vaccination program and the continuation of the national economic recovery program.

- The two main CCI components both rose: the Present Situations Index (PSI) surged by 8.2% mom to 48.1 and the Expectations Index (EI) climbed 5.3% mom to 108.6. The domestic economy has continued to improve since the beginning of the 4th 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 6.3 percent. At the same time, the proportion of consumers who stated that current economic conditions were "bad" increased from 67.5 percent to 68.9 percent.
- Consumers are more upbeat on the outlook for family incomes and job prospects. The proportion of consumers expecting family incomes to increase over the next six months reached 12.8 percent. Similarly, more consumers were upbeat on the job market outlook (13.7 percent vs. 13.3 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 rose to 81.5 (+5.0% mom) and the CCI for rural areas climbed to 85.5 (+8.5% mom). By province, the index recovered in several survey areas: East Java (+23.28% to 85.9), Central Java (+10.3% to 96.4), West Java (+9.5% to 78.9), and South Sulawesi (+0.5% to 81.0). However, the CCI lost ground in Jakarta (-3.9% to 81.0) and North Sumatera (-5.0% to 72.3). The declines in the CCI, especially in DKI Jakarta, may be linked to the heightened consumer concerns over the increase in the number of positive cases of Covid-19 up until mid-December 2020 amid the easing of social 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 5.0% mom to 78.5, while the CCI for mid-income consumers (between IDR 1.5 mn-3.0 mn/month) climbed to 79.5 (+6.5% mom). Meanwhile, for high-income consumers (above IDR 3.0 mn/month) the CCI climbed by 5.7 percent to 87.7.
- **Consumers mentioned several factors that dampened local economic conditions.** Consumers were more worried by rising foodstuff prices (up to 44.37 percent from 40.72 percent in the previous month), in line with the increasing inflation seen in the last 3 months due to the rising prices of some foodstuffs and airfares. December's inflation was recorded at 0.45% mom, or up from 0.28% mom in the previous month, largely reflecting supply constraints due to the rainy season and the long holidays of Christmas and New Year. In December 2020, consumers were less worried by the Covid-19 outbreak (down to 41.24 percent from 44.61 percent in the previous month) and the issue of job scarcity. These findings are in line with the upbeat news on the development of Covid-19 vaccines and the pick-up in economic activity after the easing of social distancing restriction policies.
- **Most consumers expect higher inflation over the next 6 months** (the index measuring sentiment toward general prices rose by 3.3 percent to 167.0). This is in line with the increasing inflation from October 2020 - December 2020 due to the rainy season and the Long Christmas and New Year holidays. In relation to the exchange rate, consumers in the main cities are more positive on the rupiah's outlook (this index increased by 3.5 percent to 73.6). At the same time, more consumers think

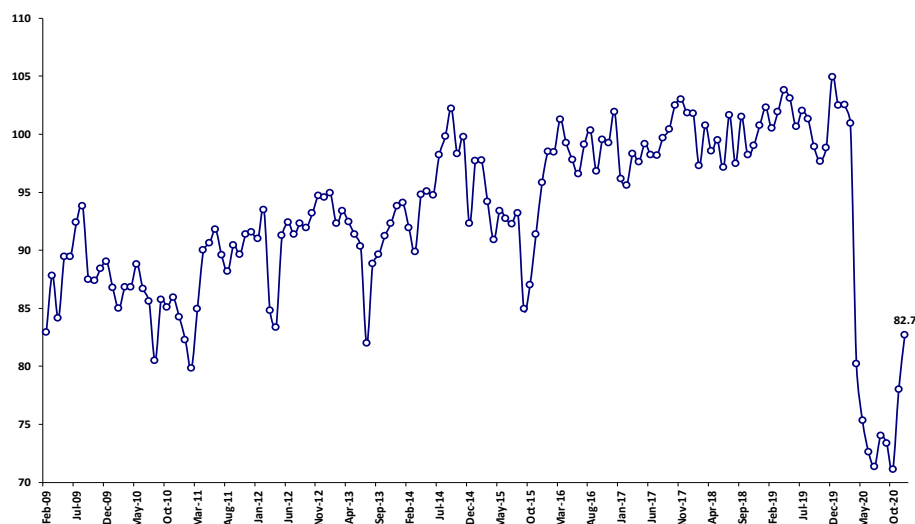
that interest rates will decrease over the near term (this index fell by 1.8 percent to 113.6). This gives a signal to the relevant authority, i.e. Bank Indonesia, to continue implementing loose monetary policy to support efforts aimed at ensuring economic recovery in 2021.

- **On a monthly basis consumer buying plans remained solid (+3.6% mom, -16.1% yoy) in the December 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 (houses, bicycles, gold jewelry, home appliances, livestock and audio-visual equipment), while declines were seen in the other four categories (automobiles, motorcycles, land and house renovation).

II. Consumer Confidence in the Government Index (CCGI)

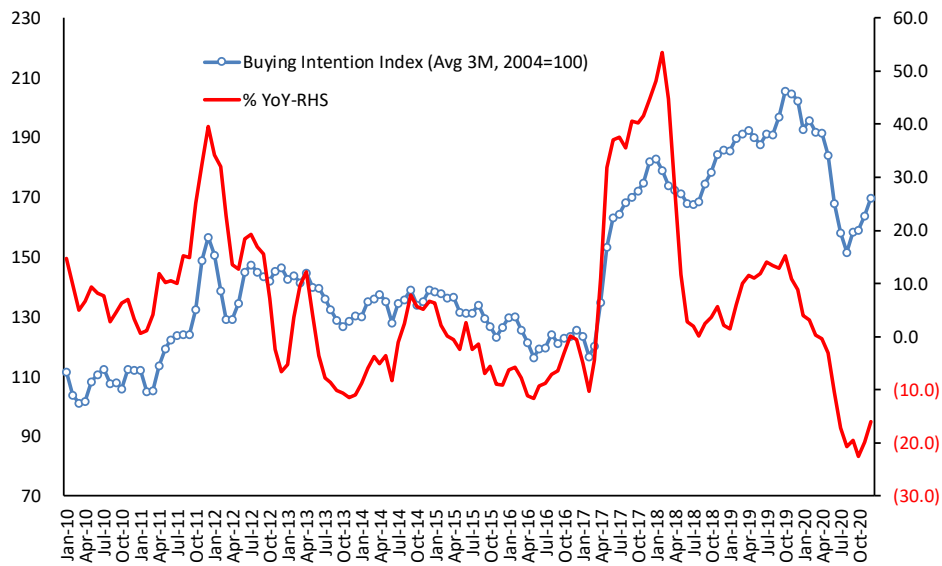
The Consumer Confidence in the Government Index (CCGI) rose further by 2.2 percent mom to 114.8. Consumers expressed greater confidence in the government's ability to spur economic growth (+4.4% mom to 116.9), in line with the easing of social distancing restriction policies in several regions as well as an increase in the realization of national economic recovery spending, especially on social assistance programs. As of December 30, 2020, the realization of the national economic recovery program had reached 83.4% (Rp 579.78T) with the realization of the social protection program reaching 95.73% (Rp 230.21T). In addition, consumers expressed more confidence in the government's ability to enforce the rule of law (+5.7% mom to 123.8), to ensure a safe and orderly environment (+1.6% mom to 159.5) and to provide and maintain public infrastructure (+1.2% mom to 161.9). By contrast, consumers had less confidence in the government's ability to stabilize general prices (-1.5% mom to 103.8), in line with the increasing inflation in the period October - December 2020 due to the increase in food prices and airfares. Throughout 2020, the Consumer Confidence in the Government Index was maintained above the level of 100 despite the Covid-19 pandemic. This shows that public trust in the government has been maintained as national economic recovery policies were implemented by the government, especially via the social assistance program.

Graph 1. The Consumer Confidence Index Rose by 6.0 percent MoM in December 2020



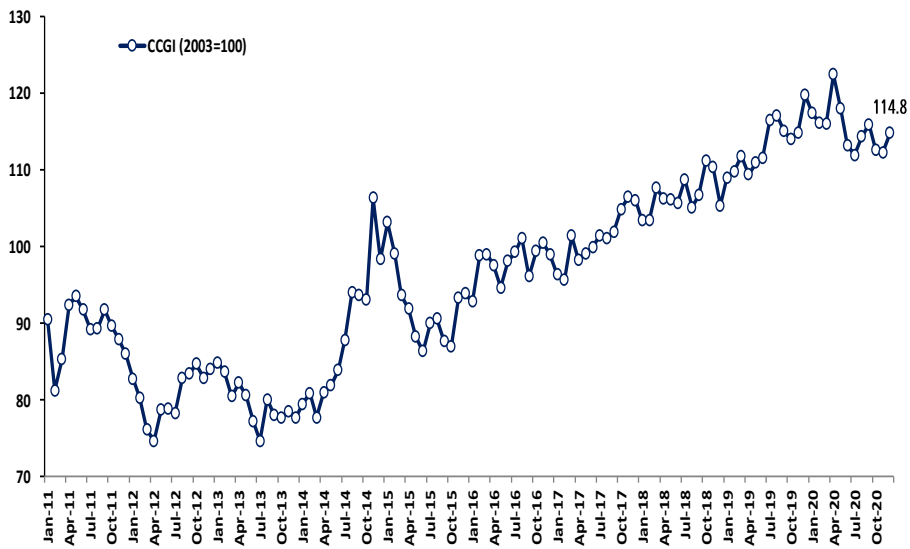
Source: Danareksa Research Institute

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



Source: Danareksa Research Institute

Graph 3. The CCGI Rose 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	Aug-20	Sep-20	Oct-20	Nov-20	Dec-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	82.7	6.0
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	48.1	8.2
Expectations Index	115.2	113.8	111.9	99.5	100.9	99.5	97.9	100.7	99.3	97.2	103.1	108.6	5.3
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	169.7	3.6
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	114.8	2.2

Source: Danareksa Research Institute

Moekti P. Soejachmoen, PhD
Chief Economist
 (62-21) 29555777/888 ext 3600
 moekti.prasetiani@danareksa.co.id

Sella F. Anindita
Research Specialist
 (62-21) 29555777/888 ext 3604
 sella.anindita@danareksa.co.id

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.

RESEARCH TEAM

Moekti P. Soejachmoen, PhD
Chief Economist
moekti.prasetiani@danareksa.co.id

M. Ikbal Iskandar
Senior Researcher
muhammad.ikbal@danareksa.co.id

Sella F. Anindita
Research Specialist
sella.anindita@danareksa.co.id

Martin Jenkins
Editor
martin@danareksa.co.id

Danareksa Research Institute

Plaza BP Jamsostek Lt 10
Jl. HR Rasuna Said Kav. 112 Blok B
Jakarta, 12910
INDONESIA
Tel : (62-21) 29555 777 / 888 (hunting)
Fax : (62 21) 3501709

All rights reserved. No part of this publication may be reproduced, stored in retrieval systems, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of Danareksa Research Institute.

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of Danareksa Research Institute and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue here of. We have no responsibility to update this report in respect of events and circumstances occurring after the date of this report. We expressly disclaim any responsibility or liability (express or implied) of Danareksa Research Institute and/or its affiliated companies and/or their respective employees and/or agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, actions, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither Danareksa Research Institute and/or its affiliated companies and/or their respective employees and/or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in this report and any liability in respect of this report or any inaccuracy herein or omission here from which might otherwise arise is hereby expressly disclaimed. Accordingly, none of Danareksa Research Institute and/or its affiliated companies and/or their respective employees and/or agents shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement or omission in any information contained in this report. This report is prepared for general circulation. It does not have regard to the specific person who may receive this