

June 2020 Consumer Confidence: Down Further

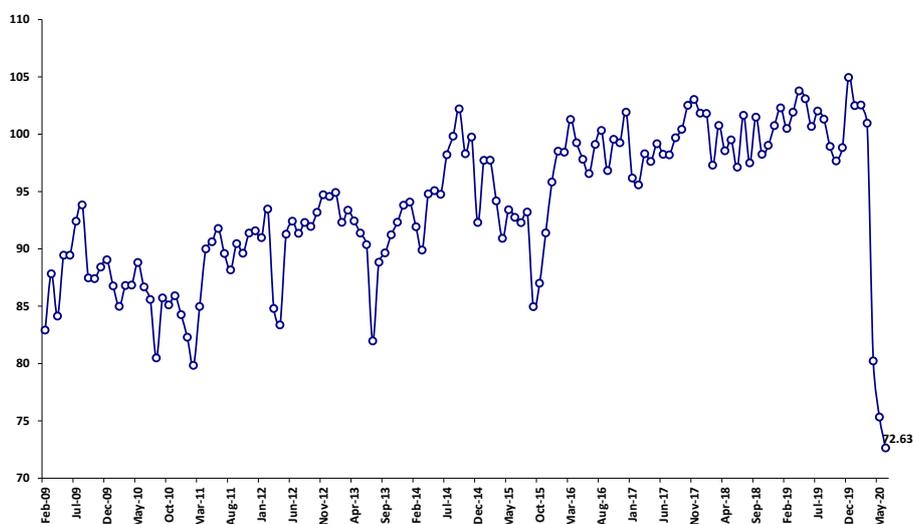
Key Findings:

- ✓ **The Consumer Confidence Index slumped by 3.6 percent to 72.6 in June 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.**
- Danareksa's Consumer Confidence Index (CCI) fell for the third straight month in June 2020 to 72.6 from 75.3 in the previous month, its lowest level since July 2008, reflecting the impact of the Covid-19 outbreak. The two main components of the CCI declined: the Present Situations Index (PSI) slumped 10.7 percent mom to 36.8 and the Expectations Index (EI) fell 1.4 percent mom to 99.5. Consumers gave more negative assessments towards current national and local economic conditions as well as employment conditions. In our survey, the proportion of consumers who stated that current economic conditions were "good" fell from 5.7 percent to 4.1 percent, while 19.1 percent of consumers said that economic conditions were "normal". However, the proportion of consumers who stated that current economic conditions were "bad" rose from 73.1 percent to 76.8 percent. The impact of the Covid-19 outbreak in Indonesia has been felt greatly by consumers, as reflected in the three sharp declines in the CCI since April 2020. Throughout 2020 consumers perceptions of current economic conditions weakened by -57% ytd, with the deepest decline in the national economic conditions index.
 - Looking ahead, consumers are more upbeat on the outlook for the economy and employment conditions over the next six months. These improving perceptions came 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 5.9 percent to 77.9.
 - Consumer confidence weakened in both urban and rural areas with decline in rural areas is more deeper than urban areas. For urban consumers, the CCI declined by 2.6 percent mom to 72.8 and for consumers in rural areas the CCI fell by 6.5 percent mom to 72.2. By province, the CCI fell in three of them: East Java (-18.5 percent mom to 72.3), South Sulawesi (-13.6 percent mom to 70.7), and Central Java (-2.2 percent mom to 78.9). By contrast, the CCI increased in North Sumatra (+16.8 percent mom to 67.9), Jakarta (+8.7 percent mom to 75.2) and West Java (+0.9 percent mom to 71.8).
 - By income level, the CCI declined in two groups. The CCI for low income consumers (below IDR 1.5 mn/month) the CCI dived to 64.6 (-10.7 percent mom), while for mid-income consumers (between IDR 1.5 mn – 3.0 mn/month) dropped to 71.8 (-6.8 percent mom). By contrast, the CCI for high-income consumers (above IDR 3.0 mn/month) rose to 76.9 (+3.6 percent mom).
 - In June 2020, consumers expressed greater concerns on the threats posed by the Covid-19 outbreak on Indonesia job scarcity (55.36 percent vs 43.09 percent in the previous month), rising foodstuff prices (44.23% percent vs 40.84 percent in the previous month) and the Covid-19 outbreak in Indonesia (41.2 percent vs 33.47 percent in the previous month). At the same time, consumers were also worried about

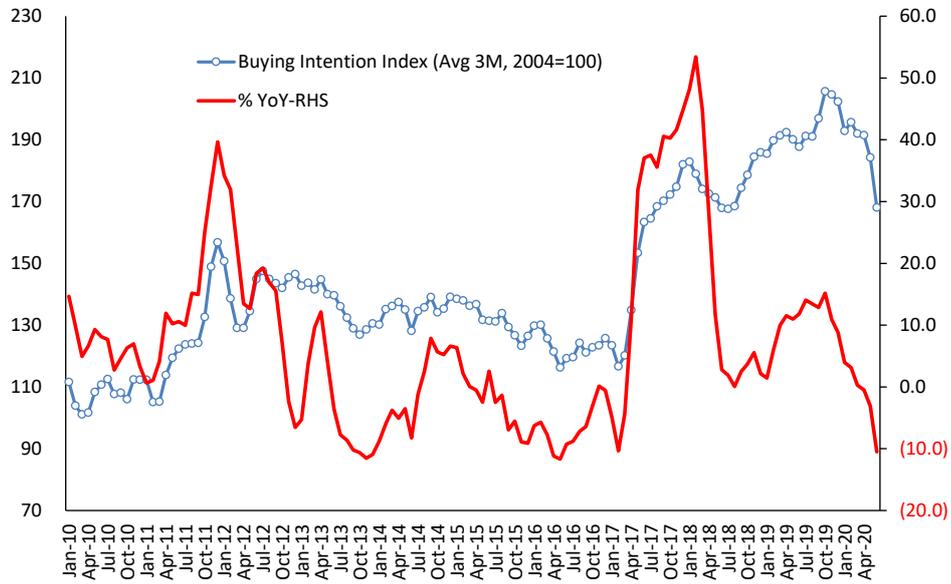
job termination (up to 22.98 percent). This is inline with the large number of job terminations due to the Covid-19 outbreak. Meanwhile, consumers were less worried by the decline in industrial production (14.24 percent vs 17.40 percent in the previous month). These findings are inline with the easing of large-scale social restrictions in some areas so that economic activity can begin to recover slowly.

- Most consumers expect inflationary pressures to heighten over the next 6 months (the index measuring sentiment toward general prices jumped by 3.9% to 161.3). In relation to the exchange rate, consumers in the main cities are less positive on the rupiah's outlook since this index weakened by 24.4% to 62.4. At the same time, more consumers think that interest rates will decline over the near term (this index slipped 4.4% to 108.3).
- Consumer buying plans were less solid. In our June survey, the buying intentions index fell further to 168.0 (-10.5 percent yoy). Among the ten categories of goods tracked by our survey, consumer purchasing plans declined in eight of them (automobiles, motorcycles, houses, house renovation, land, audio-visual equipment, home appliances and gold jewelry), while increases were seen in the other two (bicycles and livestock). An increase in purchasing plan of livestock is an indication that consumers start to switch their consumption to investment.
- The Consumer Confidence in the Government Index (CCGI) fell further by 4.0 percent mom to 113.2 following a 3.7 percent decrease in the previous month. Two of the CCGI components posted declines. Consumers expressed less confidence in the government's ability to stabilize general prices (-22.9 percent mom to 102.8) and to spur economic growth (-3.0 percent mom to 116.0). By contrast, however, consumers expressed more confidence in the government's ability to provide and maintain public infrastructure (+42.5 percent mom to 162.4), to ensure a safe and orderly environment (+40.1 percent mom to 154.0) and to enforce the rule of law (+7.0 percent mom to 121.1).

Graph 1. Consumer Confidence Slumped by 3.6 percent MoM in June 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	% MoM
Consumer Confidence Index	102.5	102.5	101.0	80.2	75.3	72.6	(3.6)
Present Situation Index	85.6	87.5	86.4	54.5	41.2	36.8	(10.7)
Expectations Index	115.2	113.8	111.9	99.5	100.9	99.5	(1.4)
Buying Intentions Index	192.8	195.7	192.0	191.5	184.2	168.0	(8.8)
Cons. Confidence to Government Index (2003=100)	117.4	116.2	116.0	122.5	118.0	113.2	(4.0)

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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