

February 2020 Consumer Confidence: Remaining Stable

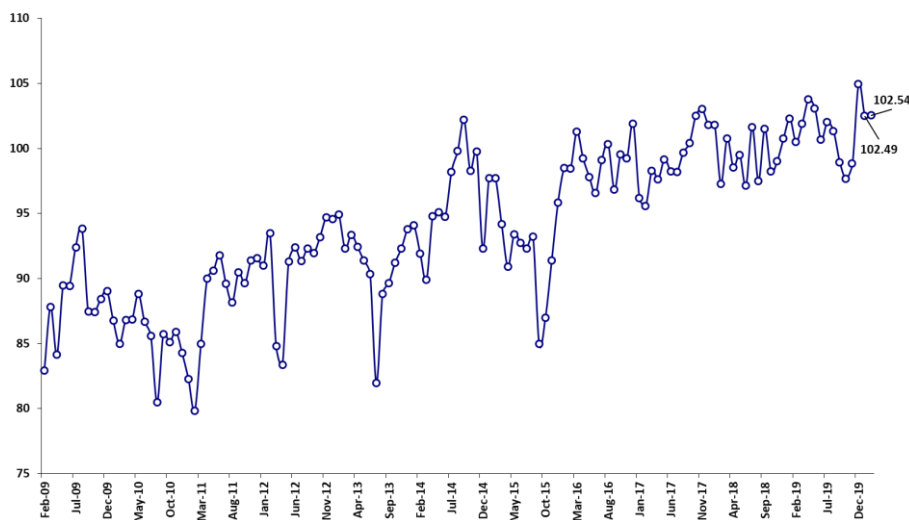
Key Findings

- ✓ The Consumer Confidence Index was stable at 102.5 in February 2020.
- ✓ Concerns on foodstuff prices and job scarcity heightened.
- ✓ The Buying Intentions Index remains firm on a monthly basis.
- ✓ The Consumer Confidence in the Government Index weakened.

- Danareksa's Consumer Confidence Index (CCI) was stable on a monthly basis in February 2020 at 102.5. The two main components of the CCI moved in different directions. While the Present Situations Index (PSI) rose by 2.3% mom to 87.5, the Expectations Index (EI) declined by 1.2% mom to 113.8. Consumer assessments of current national and local economic conditions - as well as employment conditions - all improved. The proportion of consumers who stated that the current economic conditions were "good" increased from 20.8% to 21.8%, while 48.1% of consumers said that economic conditions were "normal". Our latest survey did not capture the impact of arising from the global coronavirus outbreak.
- Looking ahead, consumers are more optimistic on the outlook for the economy and local business conditions over the next six months. The percentage of consumers who believe that the job market will remain stable rose to 76.8%. Meanwhile, the proportion of consumers expecting better family incomes over the next six months decreased to 23.3% compared to the previous month.
- Consumer confidence rebounded in urban areas but weakened in rural areas. For urban consumers, the CCI rose by 1.9% mom to 103.9 but declined by 4.2% mom to 99.2% in rural areas. By province, the CCI fell in three of them: Central Java (-2.0% mom to 112.1), East Java (-1.2% mom to 107.8), and North Sumatra (-4.3% mom to 89.3). By contrast, the CCI increased in Jakarta (+5.1% mom to 114.1), West Java (+2.0% mom to 98.8) and South Sulawesi (+2.2% mom to 97.0).
- By income level, the CCI declined in all groups. The CCI for mid-income consumers (between IDR 1.5 mn – 3.0 mn/month) fell to 97.3 (-0.5% mom). For low income consumers (below IDR 1.5 mn/month), the CCI declined to 87.1 (-3.8% mom) and for high-income consumers (above IDR 3.0 mn/month) the CCI dropped to 109.4 (-0.3% mom).
- Consumers mentioned several factors that dampened local economic conditions. Some consumers are concerned by higher foodstuff prices (the proportion increased to 68.10 percent from 62.70 percent in the previous month) and job scarcity (up to 38.28 percent from 37.12 percent in the previous month). These findings are inline with the heightened inflationary pressures in January (prices were up 0.38% mom). At the same time, consumers – especially those in rural areas - were less concerned on the problem of crop failure (the proportion dipped to 4.52% from 5.86%). Nonetheless, a large proportion of consumers in North Sumatra were still worried by this particular issue (12.83% in February 2020 compared to 12.13% in the previous month).
- Most consumers expect higher inflationary pressures over the next 6 months (the index measuring consumer sentiment toward general prices rose by 0.8% mom to 177.8). At the same time, consumers also believe that interest rates will decline over the near term (this index climbed 1.2% mom to 121.3). Consumers in the main cities are more positive on the rupiah's outlook (this index strengthened 2.3% mom to 70.8).

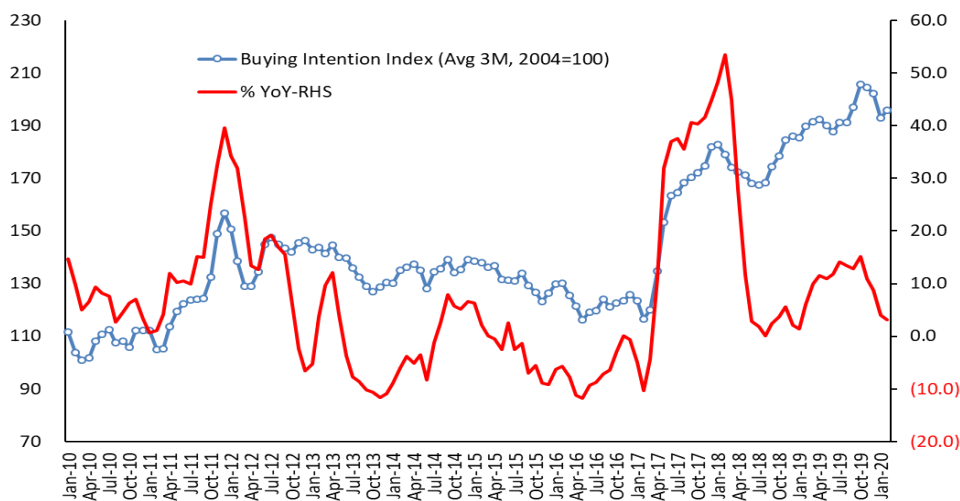
- Consumer buying plans remain solid with the buying intentions index rising further to 195.7 (+1.5% mom, +3.1% yoy) in the February survey. Of the ten categories of goods tracked by our survey, buying attentions rose in seven of them (among others land, home appliance, and motorcycle) but declined in only three (home renovation, audiovisual and livestock). On an annual basis, buying intentions have changed at a slower pace in the last three months.
- The Consumer Confidence in the Government Index (CCGI) continue to decline by 1.0% mom to 116.2 after posting a 2.0% mom decline in the previous month. Most of the CCGI components recorded declines except the components measuring sentiment toward the government’s ability to enforce the rule of law (+0.6% mom to 120.8) and ensure a safe and orderly environment (+1.0% mom to 120.0). By contrast, consumers expressed less confidence in the government’s ability to spur economic growth (-2.8% mom to 113.1), stabilize general prices (-4.0% mom to 104.0), and provide and maintain public infrastructure (-0.4% mom to 123.1).

Graph 1. Consumer Confidence Stable in February



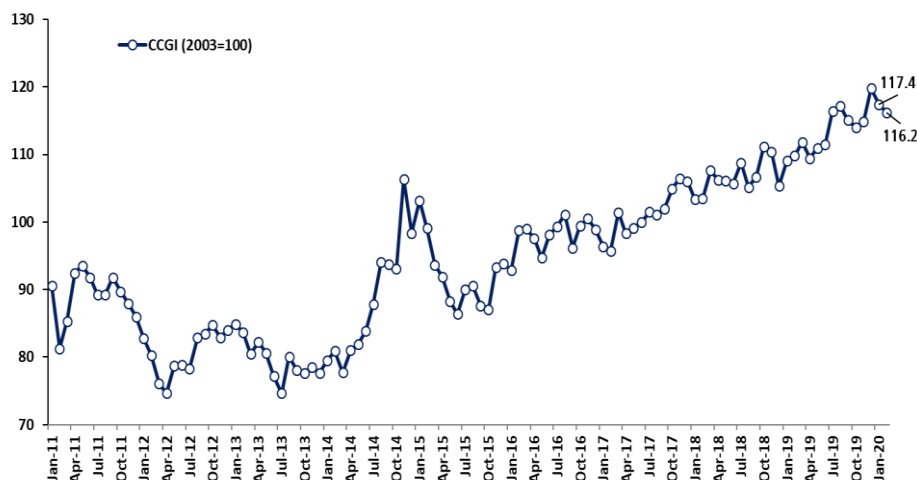
Source: Danareksa Research Institute

Graph 2. The Buying Intentions Index Decline on Monthly Basis



Source: Danareksa Research Institute

Graph 3. The CCGI Weakened



Source: Danareksa Research Institute

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

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	% MoM
Consumer Confidence Index	102.0	101.3	98.9	97.7	98.8	104.9	102.5	102.5	0.0
Present Situation Index	87.0	86.3	83.3	80.7	81.9	89.6	85.6	87.5	2.3
Expectations Index	113.2	112.5	110.7	110.4	111.5	116.5	115.2	113.8	(1.2)
Buying Intentions Index	191.2	191.1	196.9	205.6	204.6	202.3	192.8	195.7	1.5
Cons. Confidence to Government Index (2003=100)	116.4	117.1	115.1	114.0	114.9	119.8	117.4	116.2	(1.0)

Source: Danareksa Research Institute

Moekti P. Soejachmoen, PhD
 Head of Economic Research
 (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
Head of Economic Research
moekti.prasetiani@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

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