## October Results: Down to a 14-Month Low

Key Findings
- ✓ The Consumer Confidence Index fell by 1.3% to 97.7 in October 2019.
- ✓ There were increasing concerns on rising foodstuff prices and natural disasters (lengthy droughts).
- ✓ Purchasing intentions remained firm.
- ✓ The Consumer Confidence in the Government Index fell further.

- In October 2019, Danareksa's Consumer Confidence Index (CCI) fell further. The CCI declined from 98.9 to 97.7, its lowest level since August 2018. The two main components of the CCI both declined: the Present Situations Index (PSI) fell by 3.1% mom to 80.7 and the Expectations Index (EI) slipped by 0.2% mom to 110.4. Consumer assessments toward current national economic, local economic, and employment conditions all deteriorated. Consumers were also less upbeat on the outlook. Our survey reveals that the proportion of consumers claiming that current economic conditions were "good" dipped from 18.4 percent to 17.4 percent, while 43.6 percent of consumers said that economic conditions were "normal". Looking ahead, 21.2 percent believe that the economic outlook is "good" or down from 21.3 percent in the previous survey.

- Consumers are also less upbeat on the outlook for local economic conditions and family incomes over the next 6 months. Some 19.5 percent of consumers believe that the local economic outlook is "good" (stable from the Sept survey), while 75.1 percent (compared to 76.3 percent in the Sept survey) believe that the outlook is "normal". Furthermore, fewer consumers expect family incomes to improve over the next six months (20.0 percent compared to 20.6 percent in the previous survey).

- Consumer confidence weakened in urban areas but rebounded in rural areas. For urban consumers, the CCI dipped 2.6% mom to 97.7 while for rural consumers the CCI rose 2.0% mom to 97.5. By province, the CCI fell in four of them: Jakarta (-5.5% to 103.2), West Java (-1.2% to 92.5), East Java (-2.6% to 108.2), and South Sulawesi (-10.8% to 77.6). By contrast, the CCI increased in North Sumatera (+7.9% to 93.0) and Central Java (+3.1% to 113.3).

- 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 92.7 (-1.3% mom) and for low-income consumers (below IDR 1.5 mn/month) the CCI dipped 3.4% mom to 86.1. Moreover, the CCI for high-income consumers (above IDR 3.0 mn/month) edged down by 1.8 percent to 105.0.

- For October 2019, consumers expressed more concerns on rising foodstuff prices (62.9% vs 43.8% in the previous survey) and job scarcity (39.8% vs 38.8% previously). In addition, consumers were more worried by natural disasters (up to 16.8%), particularly droughts and potential crop failure. They also pointed out the problem of LPG scarcity and higher prices of LPG as factors that worsened economic conditions in some regions (up to 14.9 percent). Some 78.6 percent of consumers in South Sulawesi mentioned LPG scarcity and prices as a concern.

- Most consumers expect higher inflationary pressures over the next 6 months (the index measuring sentiment toward general prices rose by 0.6% to 176.3). At the same time, consumers also believe that interest rates will decline (this index dipped 2.8% to 115.6). However, consumers in the main cities are more positive on the rupiah's outlook since this index strengthened 1.1% to 71.2.

- Consumer buying plans remain solid since the buying intentions index rose further to 205.6 (+15.2% yoy). Among the ten categories of goods tracked by our survey, consumer purchasing plans rose significantly in seven of them (cars, motorcycles, bicycles, houses, land, home appliances and audio visual electronics). Expectations of lower interest rates going forward bolstered consumer buying plans.

- The Consumer Confidence in the Government Index (CCGI) fell further by 0.9% mom to 114.0 after posting a 1.8% fall in the previous month. Three of the CCGI components recorded declines. Consumers expressed less confidence in the government's ability to stabilize general prices (-1.4% mom to 106.8), to ensure a safe and orderly environment (-3.1% mom to 114.8), and to enforce the rule of law (-3.8% mom to 112.7). Meanwhile, consumer confidence toward the government's ability to spur economic growth (+1.4% mom to 112.1) and to provide and maintain public infrastructure (+2.5% mom to 123.9) posted gains.

Graph 1. Consumer Confidence Weakened in October 2019
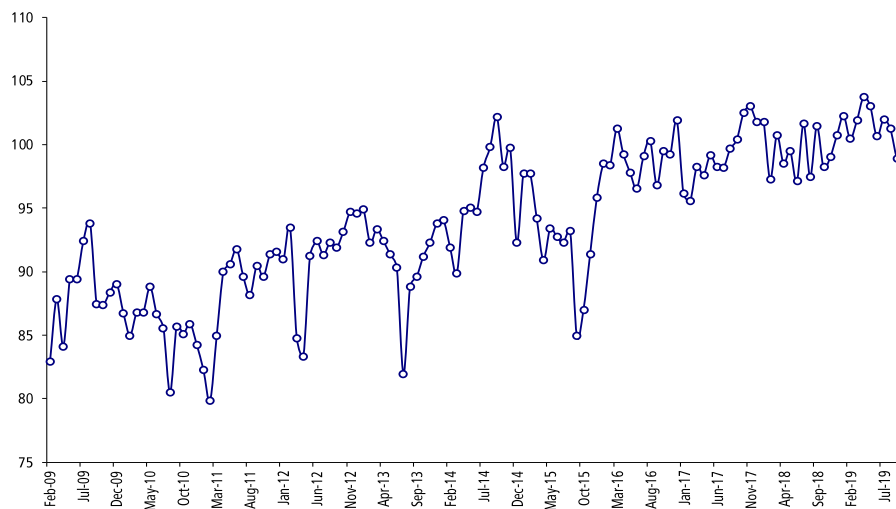
Source: Danareksa Research Institute

Graph 2. The Buying Intentions Index Was Stable
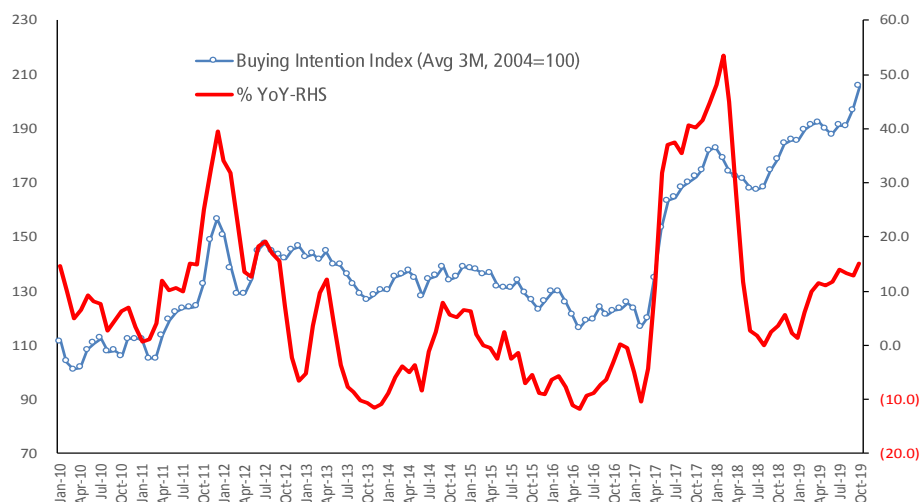
Source: Danareksa Research Institute

Graph 3. The CCGI Declined Further

Source: Danareksa Research Institute

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

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	% MoM
Consumer Confidence Index	103.1	100.7	102.0	101.3	98.9	97.7	(1.3)
Present Situation Index	88.7	84.7	87.0	86.3	83.3	80.7	(3.1)
Expectations Index	113.9	112.6	113.2	112.5	110.7	110.4	(0.2)
Buying Intentions Index	190.1	187.7	191.2	191.1	196.9	205.6	4.4
Cons. Confidence to Government Index (2003=100)	111.0	111.5	116.4	117.1	115.1	114.0	(0.9)

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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