

October 2020 Consumer Confidence: Weakening Further

Key Findings:

- ✓ *The Consumer Confidence Index fell by 3.1 percent to 71.1 in October 2020.*
- ✓ *Concerns centered on the threats posed by the Covid-19 outbreak and job scarcity.*
- ✓ *The Buying Intentions Index was less solid on a monthly basis.*
- ✓ *The Consumer Confidence in the Government Index fell further by 2.8 percent to 112.6 in October 2020.*

I. Consumer Confidence Index (CCI)

Danareksa's Consumer Confidence Index (CCI) fell for two straight months in October 2020 to 71.1 from 73.3 in the previous month. The weakening of the CCI is mainly a reflection of limited job opportunities and the relatively slow recovery of economic conditions.

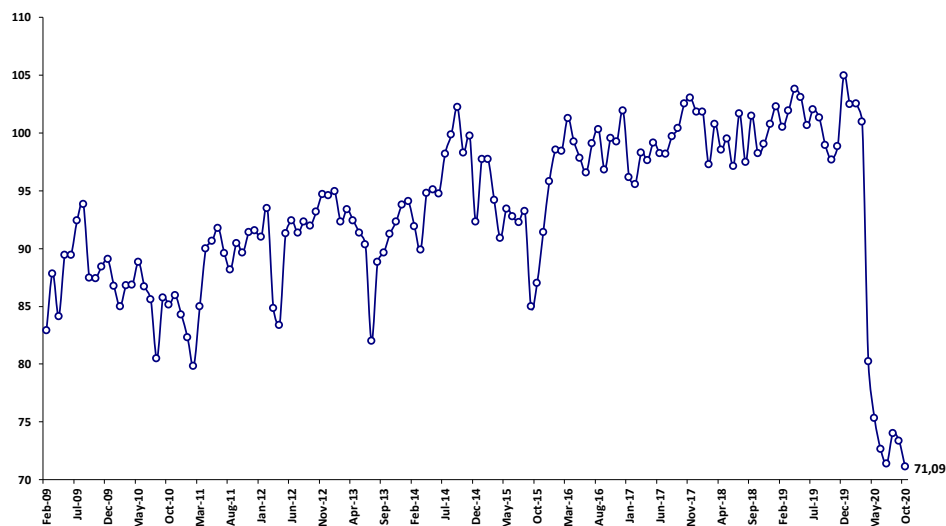
- The two main components of the CCI declined: the Present Situations Index (PSI) dropped by 6.5 percent mom to 36.3 and the Expectations Index (EI) fell 2.1 percent mom to 97.2. The domestic economy continues to improve at a slow pace although the disbursement of the social protection program has been accelerated.
- In our survey, the proportion of consumers who stated that current economic conditions were “bad” rose from 74.8 percent to 76.7 percent. At the same time, the proportion of consumers who stated that current economic conditions were “good” declined from 5.0 percent to 3.4 percent. The impact of the Covid-19 outbreak in Indonesia has been felt greatly by consumers, as reflected in the decline in the CCI again after rising in August 2020.
- Looking ahead, consumers are less upbeat on the national economic outlook and the job market. The proportion of consumers who expect that jobs will be “hard to get” increased from 75.2 percent to 77.3 percent. Job termination due to the spread of Covid-19 is still a major worry for many consumers. Furthermore, the proportion of consumers expecting better family incomes over the next six months decreased by 1.4 percent to 75.1. Nonetheless, the proportion of consumers who expect family incomes to “decline” dropped from 36.3 percent to 35.7 percent. The weaker family income expectations were most pronounced among middle-income consumers while lower income consumers expect an improvement. This increase in confidence among lower income consumers reflects the impact coming from the disbursement of cash via social protection programs.
- **Consumer confidence weakened in urban and rural areas.** The CCI fell by 3.2 percent mom to 70.3 for urban consumers, and declined by 2.7 percent mom to 73.0 for rural. By province, the CCI fell in three provinces: South Sulawesi (-12.2 percent mom to 68.3), West Java (-9.5 percent mom to 68.5) and Jakarta (-3.0 percent mom to 69.4). This is commensurate with the increase in Covid-19 cases in several regions, especially DKI Jakarta. By contrast, the CCI increased in Central Java (+5.6 percent mom to 84.7), North Sumatera (+0.9 percent mom to 69.8) and East Java (+0.1 percent mom to 65.4).
- **By income level, the CCI declined in all income groups.** The CCI for low income consumers (with incomes below IDR 1.5 mn/month) declined to 64.1 (-11.1 percent mom), for mid-income consumers (with incomes between IDR 1.5 mn – 3.0 mn/month) the CCI dropped to 69.5 (-2.7 percent mom) and the CCI for high-income consumers (with incomes above IDR 3.0 mn/month) eased to 75.0 (-1.5 percent mom).
- **Consumers mentioned several factors that dampened local economic conditions.** Some consumers are concerned with job scarcity (up to 40.08 percent from 37.30 percent in the previous month) especially in urban areas. At the same time, 42.75 percent of consumers were worried about the impact of the Covid-19 outbreak in Indonesia especially in DKI Jakarta, West Java, South Sulawesi and East Java where Covid-19 cases are continuing to increase.

- Most consumers expect higher inflation over the next 6 months** (the index measuring sentiment toward general prices rose by 3.1 percent to 164.0). In relation to the exchange rate, consumers in the main cities are more positive on the rupiah's outlook (this index increased by 6.2 percent to 69.7). At the same time, more consumers think that interest rates will decrease over the near term (this index fell by 2.4 percent to 110.4).
- On a monthly basis consumer buying plans were less solid** (+0.5% mom, -22.6% yoy) in the October survey. Economic recovery will be slow as shown by the weak buying intentions index for all income groups. Of the ten categories of goods tracked by our survey, consumer purchasing plans increased in three of them (land, house renovation and livestock), while declines were seen in the other seven categories (automobiles, motorcycles, houses, home appliances, bicycles, gold jewelry and audio-visual equipment).

II. Consumer Confidence in the Government Index (CCGI)

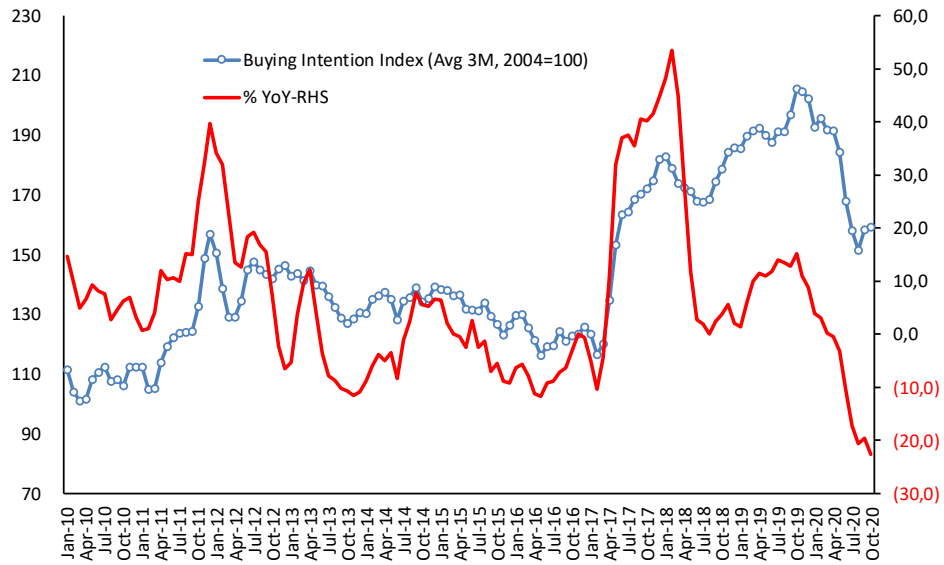
The Consumer Confidence in the Government Index (CCGI) fell by 2.8 percent mom to 112.6. Five of the CCGI components posted declines. Consumers expressed less confidence in the government's ability to spur economic growth (-6.1% mom to 107.7), in line with the increase in the number of Covid-19 cases which is adversely affecting economic activities despite the further disbursement of government social assistance. In addition, consumers expressed less confidence in the government's ability to stabilize general prices (-3.8% mom to 102.1), to enforce the rule of law (-4.5% mom to 121.3), and to ensure a safe and orderly environment (-1.4% mom to 160.0). By contrast, however, consumers expressed greater confidence in the government's ability to provide and maintain public infrastructure (+1.5% mom to 164.2).

Graph 1. Consumer Confidence Fell by 3.1 percent MoM in October 2020



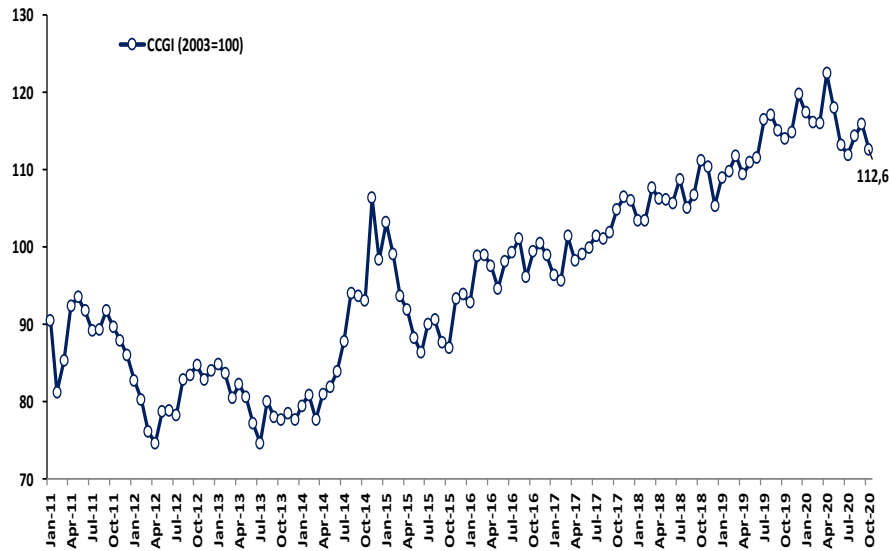
Source: Danareksa Research Institute

Graph 2. The Buying Intentions Index Less Solid 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	Jul-20	Aug-20	Sep-20	Oct-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	(3,1)
Present Situation Index	85,6	87,5	86,4	54,5	41,2	36,8	35,9	38,4	38,8	36,3	(6,5)
Expectations Index	115,2	113,8	111,9	99,5	100,9	99,5	97,9	100,7	99,3	97,2	(2,1)
Buying Intentions Index	192,8	195,7	192,0	191,5	184,2	168,0	158,2	151,6	158,4	159,2	0,5
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	(2,8)

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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