

September 2020 Consumer Confidence: Optimism Deteriorates Again

Key Findings:

- ✓ *The Consumer Confidence Index fell by 0.9 percent to 73.3 in September 2020.*
- ✓ *Concerns centered on the threats posed by the Covid-19 outbreak and job termination.*
- ✓ *The Buying Intentions Index remained solid on a monthly basis.*
- ✓ *The Consumer Confidence in the Government Index rose by 1.4 percent to 115.9 in September 2020.*

I. Consumer Confidence Index (CCI)

In September 2020, Danareksa's Consumer Confidence Index (CCI) fell to 73.3 after rising to 74.0 in the previous month. The decline in the CCI was driven by an increase in Covid-19 cases in Indonesia, as several regions re-imposed social distancing restrictions.

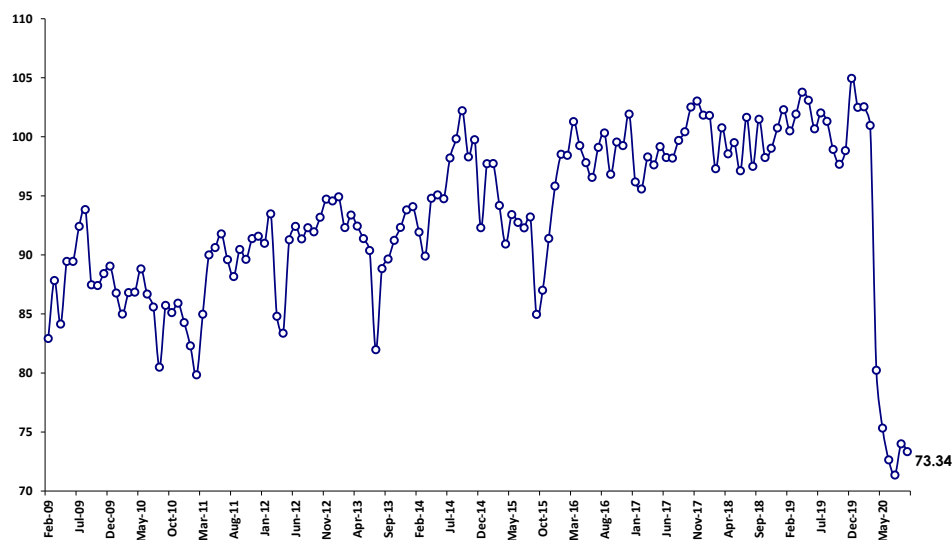
- The two main CCI components moved in different directions. The Present Situations Index (PSI) rose by 1.1% mom to 38.8 whereas the Expectations Index (EI) fell by 1.4% mom to 99.3. The domestic economy continues to improve at a slow pace although the realization of the social protection program has been accelerated.
- Our survey reveals that only 5.0 percent of consumers stated that current economic conditions were "good" while 74.8 percent said that economic conditions were "bad" (down from 76.2 percent in the previous survey). Looking ahead, some 24.4 percent of consumers believe that the economic outlook is "good" (down from 26.0 percent in the previous month).
- Looking ahead, consumers are less upbeat on the outlook for the national and local economy over the next six months. Furthermore, the proportion of consumers expecting better family incomes over the next six months decreased by 6.3 percent to 76.2. The proportion of consumers who expect family incomes to "decline" rose from 32.1 percent to 36.3 percent. The weaker family income expectations were most pronounced among low income and middle-income consumers. By contrast, consumers were more upbeat on the job market outlook as this index rose by 2.5 percent to 102.5. The proportion of consumers who expect that jobs will be "hard to get" decreased from 11.3 percent to 9.7 percent.
- **Consumer confidence weakened in urban areas but strengthened in rural areas.** For urban consumers, the CCI fell by 1.5 percent mom to 72.6 but for consumers in rural areas the CCI rose by 0.5 percent mom to 75.0. By province, the CCI fell in two of them: Jakarta (-7.5 percent mom to 71.6) and Central Java (-4.7 percent mom to 80.2). This is commensurate with the increase in Covid-19 cases in several regions, especially DKI Jakarta. By contrast, the CCI increased in North Sumatera (+4.0 percent mom to 69.2), South Sulawesi (+2.0 percent mom to 77.8), East Java (+0.2 percent mom to 65.3) and West Java (0.1 percent mom to 75.6).
- **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 72.1 (-0.6 percent mom), for mid-income consumers (with incomes between IDR 1.5 mn – 3.0 mn/month) the CCI dropped to 71.4 (-2.9 percent mom) and the CCI for high-income consumers (with incomes above IDR 3.0 mn/month) eased to 76.1 (-8.5 percent mom).
- **In September 2020, consumers expressed greater concerns on the Covid-19 outbreak in Indonesia** (46.46 percent vs 43.62 percent in the previous month) especially in DKI Jakarta, West Java, South Sulawesi and East Java where Covid-19 cases are continuing to increase. In addition, the public is also concerned by job scarcity (55.16 percent vs 54.29 percent in the previous month), especially those consumers in urban areas.

- **Most consumers expect lower inflation over the next 6 months** (the index measuring sentiment toward general prices fell by 3.1 percent to 159.8). This is in line with the deflation in July (-0.10% mom) and August (-0.05% mom). In relation to the exchange rate, consumers in the main cities are less positive on the rupiah's outlook (this index decreased by 30.5 percent to 65.6). At the same time, more consumers think that interest rates will increase over the near term (this index rose 3.6 percent to 113.3).
- **On a monthly basis consumer buying plans remained solid** (+4.5% mom, -19.6% yoy) in the September survey. Of the ten categories of goods tracked by our survey, consumer purchasing plans increased in six of them (automobiles, houses, land, audio-visual equipment, house renovation and gold jewelry), while decreased were seen in the other four categories (motorcycles, home appliance, bicycles and livestock).

II. Consumer Confidence Government Index (CCGI)

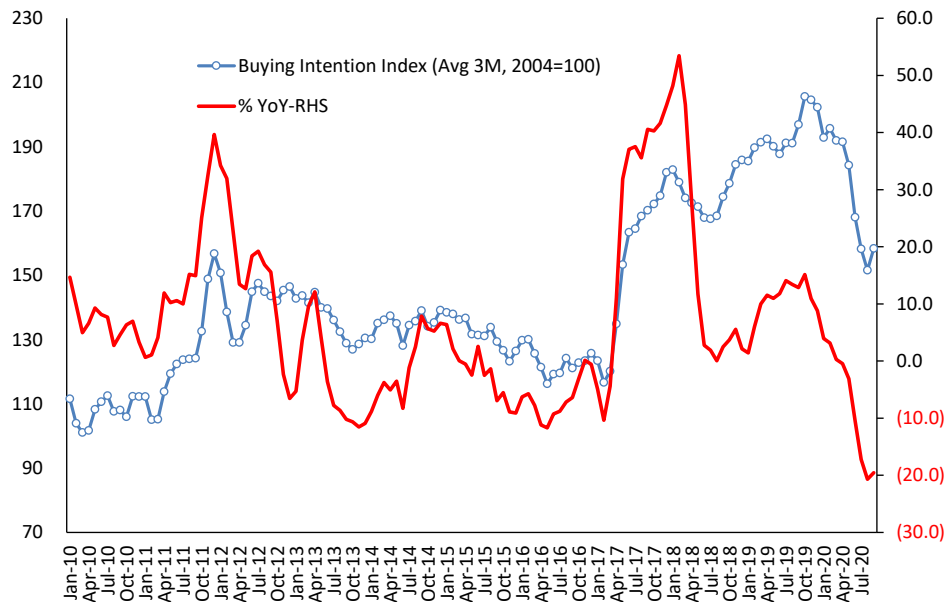
The Consumer Confidence in the Government Index (CCGI) rose by 1.4 percent mom to 115.9. Four of the CCGI components posted increases. Consumers had greater confidence in the government's ability to stabilize general prices commensurate with the deflation seen in Indonesia in July (-0.10% mom) and August 2020 (-0.05% mom). In addition, consumers expressed greater confidence in the government's ability to enforce the rule of law (+5.6% mom to 127.1), to stabilize general prices (+4.0% mom to 106.2), to ensure a safe and orderly environment (+1.2% mom to 162.2) and to spur economic growth (+0.8% mom to 114.7). By contrast, however, consumers expressed less confidence in the government's ability to provide and maintain public infrastructure (-1.3% mom to 161.8).

Graph 1. Consumer Confidence Fell by 0.9 percent MoM in September 2020



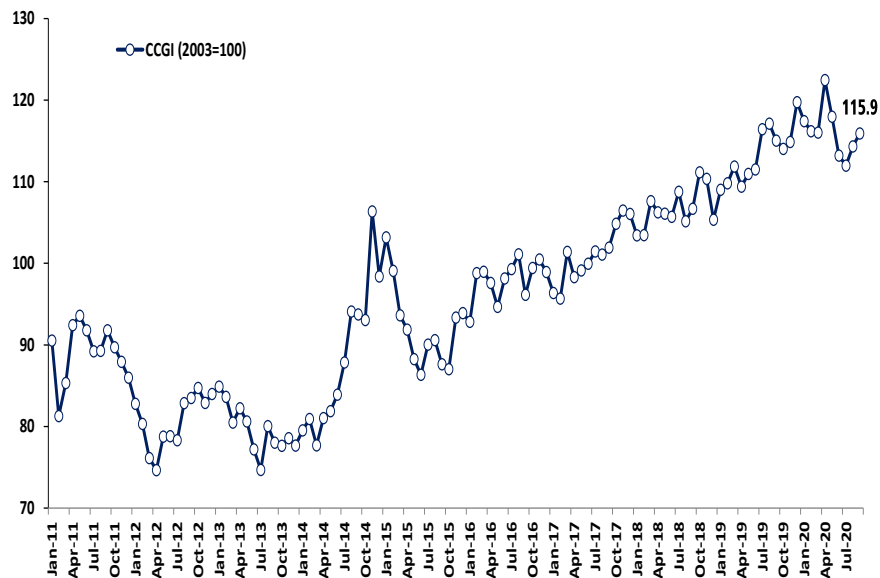
Source: Danareksa Research Institute

Graph 2. The Buying Intentions Index Remain 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	% MoM
Consumer Confidence Index	102.5	102.5	101.0	80.2	75.3	72.6	71.4	74.0	73.3	(0.9)
Present Situation Index	85.6	87.5	86.4	54.5	41.2	36.8	35.9	38.4	38.8	1.1
Expectations Index	115.2	113.8	111.9	99.5	100.9	99.5	97.9	100.7	99.3	(1.4)
Buying Intentions Index	192.8	195.7	192.0	191.5	184.2	168.0	158.2	151.6	158.4	4.5
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	1.4

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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