

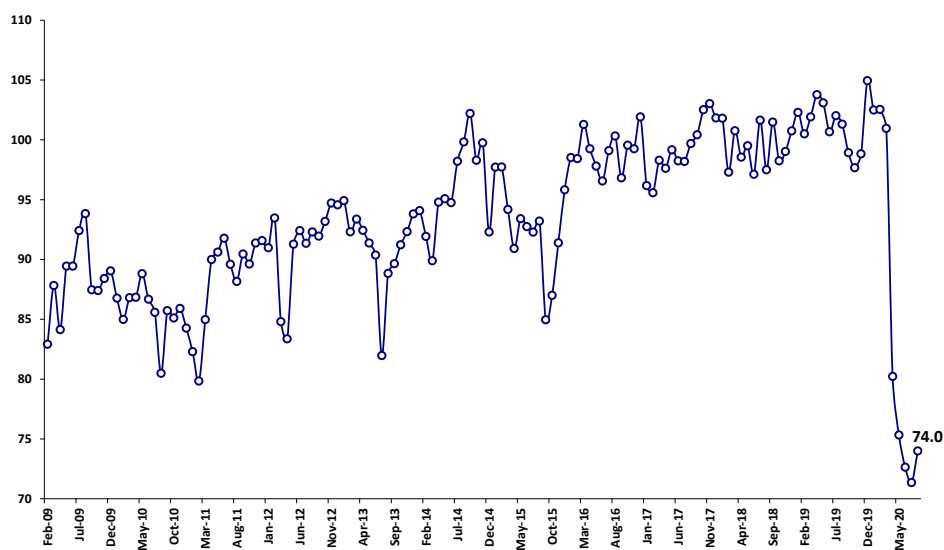
## August 2020 Consumer Confidence: Early Signs of Optimism

### Key Findings

- ✓ **The Consumer Confidence Index rose 3.7% to 74.0 in August 2020.**
  - ✓ **Consumers were less concerned on rising foodstuff prices and job scarcity.**
  - ✓ **The buying intentions index was less solid on a monthly basis.**
  - ✓ **The Consumer Confidence in the Government Index rose further.**
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- In August 2020, Danareksa's Consumer Confidence Index (CCI) rose again. The CCI increased from 71.4 to 74.0. This is the first increase since a sharp decline in April 2020 in response to the large-scale social restrictions policy taken by the government to curb the spread of Covid-19.
  - The two main CCI components both rose: the Present Situations Index (PSI) surged by 6.8% mom to 38.4 and the Expectations Index (EI) climbed 2.8% mom to 100.7. Consumer assessments on both current economic conditions and employment conditions improved. Our survey shows that the proportion of consumers who stated that current economic conditions were "good" increased from 4.7 percent to 5.0 percent, while the proportion of consumers who said that economic conditions were "bad" decreased from 77.7 percent to 76.2 percent. Looking ahead, some 26.0 percent of consumers believe that the economic outlook is "good". This reading is down from 27.3 percent in the previous survey.
  - Consumers are more upbeat on the outlook for their family incomes over the next 6 months. The proportion of consumers expecting family incomes to increase over the next six months reached 13.5 percent. Similarly, consumers were also more upbeat on the job market outlook (11.3 percent vs. 10.5 percent in the previous survey). The recovery of economic and business activities as well as the disbursement of the National Economic Recovery program that continues to be carried out by the government were the driving factors for consumer optimism regarding the outlook for family incomes and the job market.
  - Consumer confidence strengthened in both rural and urban areas. The CCI for rural and urban areas reached 74.6 (+11.4% mom) and 73.7 (+0.8% mom), respectively. By province, the survey depicted mixed results. The CCI recovered in four areas: South Sulawesi (+15.1% to 76.3), East Java (+11.5% to 65.2), and Central Java (+1.0% to 84.2). By contrast, the CCI fell in Jakarta (-2.9% to 77.4), West Java (-3.3% to 104.6) and North Sumatera (-0.2% to 66.5).
  - By income level, the CCI improved across the board. The CCI for low-income consumers (below IDR 1.5 mn/month) rose by 10.4% mom to 72.6, while the CCI for mid-income consumers (between IDR 1.5 mn-3.0 mn/month) climbed to 73.6 (+9.1% mom). Meanwhile, for high-income consumers (above IDR 3.0 mn/month) the CCI rose by 7.2 percent to 83.2.
  - In August 2020, consumers were less worried by the issue of job scarcity (54.29% vs 57.31% in the previous survey) and rising foodstuff prices (45.01% vs 46.11% previously). These findings are in line with the pick-up in business and economic activity and the deflation in the foodstuffs component in the last few months. Moreover, consumer concerns on the Covid-19 outbreak in Indonesia also declined (43.62% vs 44.78% previously).

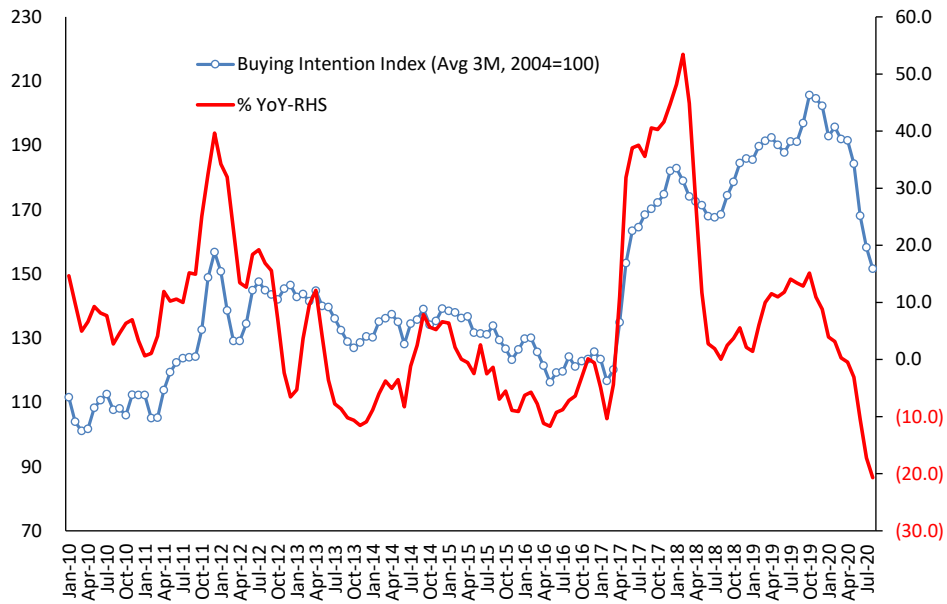
- Most consumers expect inflationary pressures to ease over the next 6 months (the index measuring sentiment toward general prices declined by 0.8% to 164.8). This is in line with the deflation that occurred in August 2020 of -0.10% mom (+1.54% yoy), mainly supported by lower prices in the foodstuffs and transportation components. Regarding the exchange rate, consumers in the main cities are more positive on the rupiah's outlook since this index rose by 9.1% to 94.5. At the same time, more consumers think that interest rates will decline over the near term (this index slipped 2.8% to 109.3).
- Consumer buying plans were less solid. In our August survey, the buying intentions index fell further to 151.6 (-20.7 percent yoy). Among the ten categories of goods tracked by our survey, consumer purchasing plans declined in five of them (automobiles, houses, land, home appliances, and livestock), while increases were seen in the other five categories (motorcycles, bicycles, home renovation, audio-visual equipment and gold jewelry). Plans to purchase bicycles are still increasing as an alternative choice for consumers to maintain their health amid the Covid-19 pandemic.
- The Consumer Confidence in the Government Index (CCGI) rose further to 114.3 (+2.1% mom) after posting a -1.1% decrease in the previous month. This is in line with the various policies taken by the government to reduce the impact of Covid-19 in Indonesia. Five of the CCGI components posted increases. Consumers expressed more confidence in the government's ability to spur economic growth (+0.8 percent mom to 112.0), to stabilize general prices (+4.0 percent mom to 105.4), to ensure a safe and orderly environment (+1.2 percent mom to 157.9) and to enforce the rule of law (+5.6 percent mom to 127.4). By contrast, consumers expressed less confidence in the government's ability to provide and maintain public infrastructure (-1.3 percent mom to 159.2).

**Graph 1. Consumer Confidence Rebounded in August 2020**



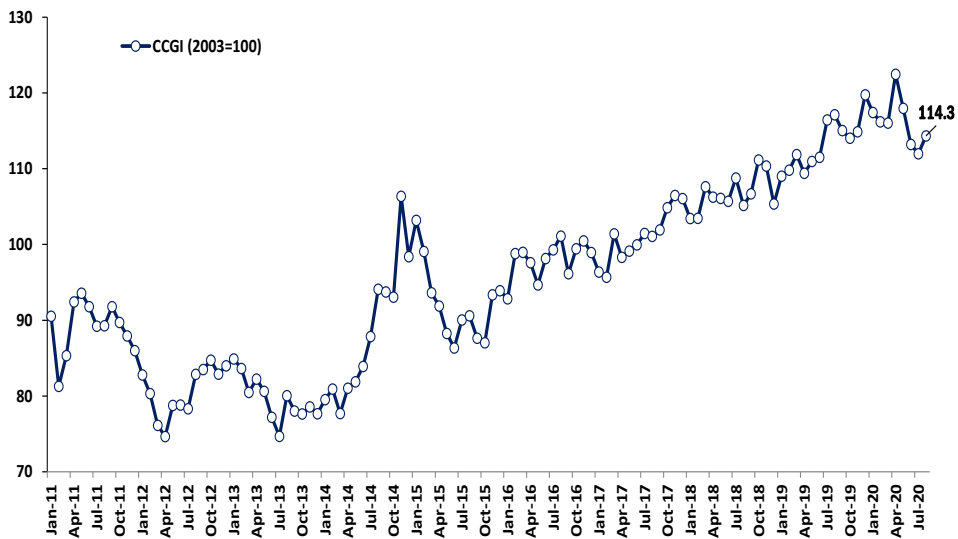
Source: Danareksa Research Institute

**Graph 2. Buying Intentions Declined on a Monthly Basis**



Source: Danareksa Research Institute

**Graph 3. The CCGI Strengthened**



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	% MoM
<b>Consumer Confidence Index</b>	102.5	102.5	101.0	80.2	75.3	72.6	71.4	74.0	3.7
<b>Present Situation Index</b>	85.6	87.5	86.4	54.5	41.2	36.8	35.9	38.4	6.8
<b>Expectations Index</b>	115.2	113.8	111.9	99.5	100.9	99.5	97.9	100.7	2.8
<b>Buying Intentions Index</b>	192.8	195.7	192.0	191.5	184.2	168.0	158.2	151.6	(4.2)
<b>Cons. Confidence to Government Index (2003=100)</b>	117.4	116.2	116.0	122.5	118.0	113.2	112.0	114.3	2.1

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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