

January 2019

CONSUMER CONFIDENCE

Strengthened Further

- **Consumer Confidence strengthened further in December 2018.** In this month, the Consumer Confidence Index (CCI) rose by 1.7 percent from 99.0 to 100.7, after increasing 0.8 percent in the previous survey. Our latest survey reveals that consumers gave more positive assessments on current economic conditions. At the same time, consumers are also more upbeat on the economic outlook. In addition, they are also more positive on their family incomes. Our survey also shows that consumer concerns on job scarcity eased in the December survey. On a less positive note, however, more consumers are worried by rising foodstuff prices at the present time.
- **The two main components which make up the CCI both increased in December.** The component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 1.7 percent to 85.6, as sentiment toward the current state of the national economy and the job market improved. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also increased. This index climbed 0.8 percent to 112.1. The increase in this index reflects stronger consumer optimism toward the national and local economy outlook over the next six months.
- **With consumers being more upbeat on the national economic outlook, buying intentions for durable goods increased further in December.** In our survey, 45.65 percent of consumers expressed plans to purchase a durable good over the next six months, or up from 45.42 percent in the previous month. However, on a yearly comparison, buying intentions for durable goods were actually lower since 46.35 percent of consumers expressed plans to purchase a durable good back in December 2017.
- **Consumer confidence in the government's ability to carry out its duties weakened further in the December survey.** After decreasing 0.7% in the previous survey, the Consumer Confidence in the Government Index (CCGI) slipped 4.5% to 105.3 in December. All components of the CCGI declined in our latest survey. Nonetheless, three CCGI components are still above the neutral level of 100, thereby indicating that consumers are generally still convinced in the government's ability to carry out its duties.

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THE DECEMBER 2018 RESULTS

Consumer Confidence strengthened further in December 2018. In this month, the Consumer Confidence Index (CCI) rose by 1.7 percent from 99.0 to 100.7, after increasing 0.8 percent in the previous survey. Our latest survey reveals that consumers gave more positive assessments on current economic conditions. At the same time, consumers are also more upbeat on the economic outlook. In addition, they are also more positive on their family incomes. Our survey also shows that consumer concerns on job scarcity eased in the December survey. On a less positive note, however, more consumers are worried by rising foodstuff prices at the present time.

The two main components which make up the CCI both increased in December. The component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), added 1.7 percent to 85.6, as sentiment toward the current state of the national economy and the job market improved. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also increased. This index climbed 0.8 percent to 112.1. The increase in this index reflects stronger consumer optimism toward the national and local economy outlook over the next six months.

By region, consumer confidence improved in five of the six regions covered by the survey. Sentiment improved the most in Jakarta (where the index climbed 6.5 percent to 114.4 in December), followed by North Sumatra (where the index added 5.5 percent to 90.6), South Sulawesi (where the index rose 1.7 percent to 86.1), West Java (where the index edged up 1.6 percent to 97.7), and Central Java (where the index rose 0.4 percent to 117.2). By contrast, consumer confidence still deteriorated in East Java (where the index slipped 2.7 percent to 102.8).

Consumer confidence varied across different areas. For people living in urban areas the CCI added 3.1 percent to 102.2 in December. This compares to a small decline in the index measuring consumer confidence in rural areas (-1.6 percent to 97.3). Similarly, consumer confidence also varied across income bands. For low-income consumers (incomes below Rp1,500,000/month), the CCI slumped 11.2 percent to 83.0, whereas for high-income consumers (incomes above Rp3,000,000 per month), the CCI increased by 5.6 percent to 110.4 in December.

Chart 1. Consumer Confidence Strengthened in December

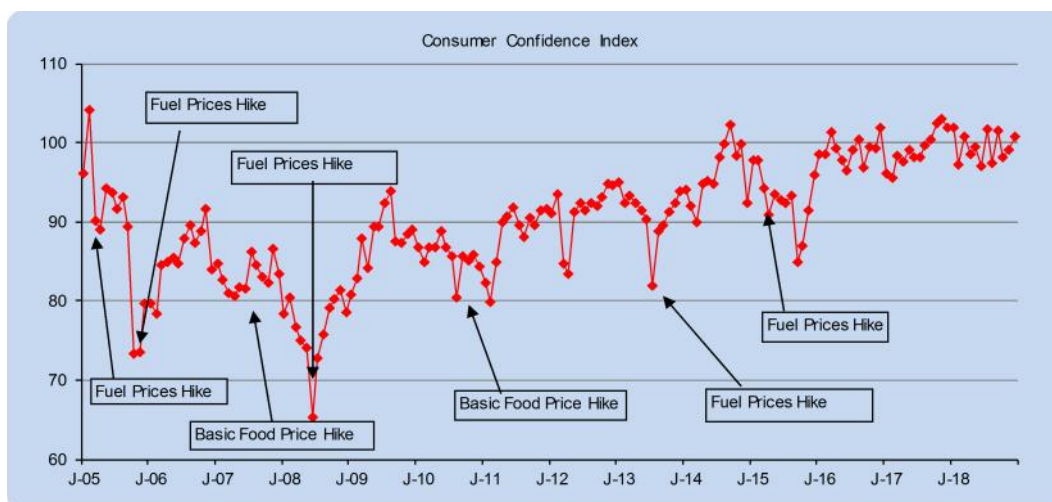


Chart 2. Rural and Consumers Were More Upbeat in December

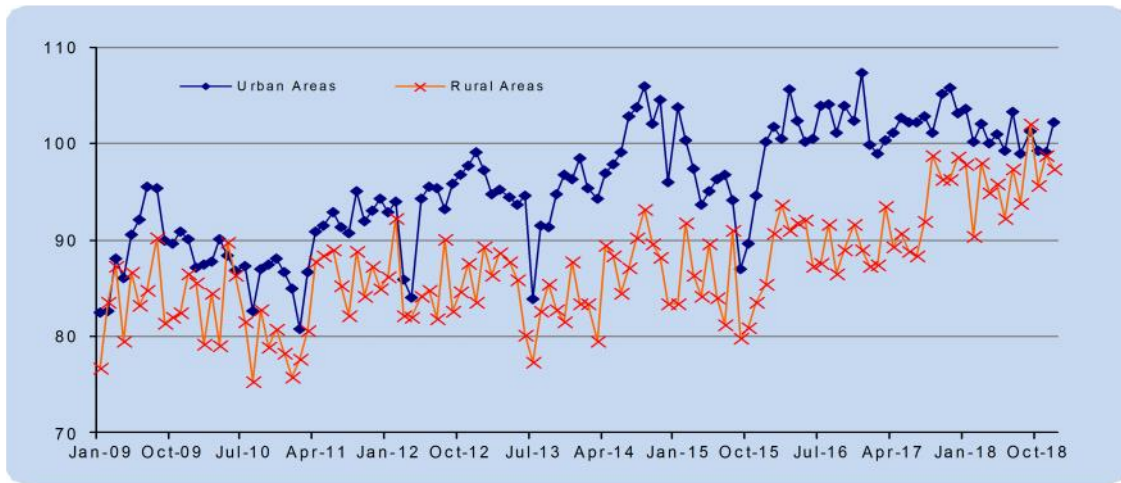


Table 1. The Consumer Confidence Index

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	MoM % Change
Consumer Confidence	97.5	101.5	98.2	99.0	100.7	1.7
Present Situation	81.0	87.7	83.9	82.7	85.6	3.4
Expectation	109.9	111.8	109.0	111.3	112.1	0.8

Appraisals of Current Situations: *More Upbeat on the National Economy*

Consumers gave more positive assessments on the current state of the national economy. In our survey, the proportion of consumers who claimed that national economic conditions were “good” increased from 18.8 percent to 22.3 percent, while the proportion of consumers who claimed that national economic conditions were “bad” declined from 32.5 percent to 31.1 percent. Moreover, consumers who said that national economic conditions were “normal” decreased from 48.3 percent to 46.0 percent. As such, overall, the index added 5.7 percent from 86.3 to 91.2 in December.

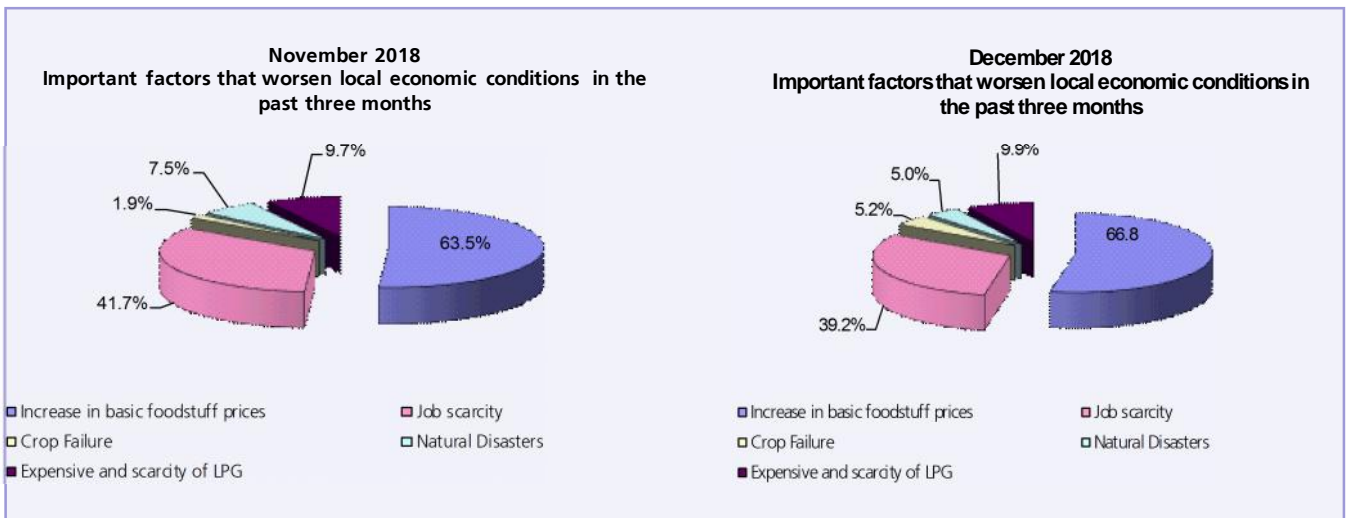
Consumers, however, gave more negative assessments on the current state of the local economy (this index edged down 0.7 percent from 103.4 to 102.7 in December). Furthermore, our survey also reveals that consumers remained concerned by several key issues. Most notably, 66.8 percent of consumers still cited high foodstuff prices as a major factor weighing on the local economy in the last three months (up from 63.5 percent in November). Our survey also reveals that 39.2 percent of consumers still expressed concerns on job scarcity at the present time (albeit down from 41.7 percent in November).

In regard to the current state of the job market, consumer assessments also strengthened (the relevant index added 7.4 percent from 58.5 to 62.9 in December). More specifically, fewer consumers claimed that jobs were hard to get (53.1 percent in December vs. 55.6 percent in November) while more consumers claimed that jobs were easy to get (16.0 percent in December vs. 14.1 percent in November). In addition, some 30.9 percent of consumers did not perceive any change in the job market. All in all, the low level of this index still indicates that the job market remains tough and that greater efforts are needed to tackle the perennial problem of unemployment.

Table 2. Appraisal of Current Situations

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	MoM %Change
Economic Conditions	89.2	87.8	93.5	83.6	86.3	3.1
Local Area Economic Conditions	105.0	99.9	109.9	105.0	103.4	-1.5
Employment Conditions	62.8	55.3	59.7	63.0	58.5	-7.1

Chart 3. Key Concerns



Assessments on Near-Term Conditions: *More Upbeat on the Economic Outlook*

Looking ahead over the next six months, consumers are more optimistic: the Expectations Index (EI) edged up 0.8 percent to 112.1 in December. Furthermore, all components of the EI increased in December, except the component measuring sentiment toward the future job market (this component of the EI fell 1.1 percent to 102.9 in December). In addition, all components remained above the 100 level, showing that consumers are generally still upbeat on the outlook for the economy and the job market over the next six months.

The component of the EI to increase the most was the one measuring sentiment toward the local economic outlook. This component of the EI rose 2.0 percent to 117.7 in December. In more detail, our survey reveals that more consumers were upbeat on the local economic outlook (20.9 percent in December vs. 18.4 percent in November) while around 3.2 percent of consumers were downbeat. Nevertheless, a large proportion of consumers (75.3 percent) still foresee no change in the local economic outlook over the next six months. For the national economic outlook, meanwhile, consumers are also more upbeat (the relevant index climbed 1.5 percent to 116.2 in December).

In regard to future family incomes, consumers are also more optimistic. This component of the EI rose 0.6 percent to 111.7 in December. In our survey, more consumers expect higher family incomes over the next six months (22.7 percent in December vs 20.8 percent in November) while the proportion of consumers who expect lower family incomes remained at around 11.1 percent. But most consumers (65.6 percent) still don't expect any change in the outlook for future family incomes. Nevertheless, in regard to the future job market, consumers are less optimistic (this index retreated 1.1 percent to 102.9 in December).

Table 3. Expectations in the Six Months Ahead

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	MoM % Change
Economic Prospects	115.0	111.8	112.9	114.5	116.2	1.5
Local Area Economic Prospects	112.6	117.5	114.4	115.5	117.7	2.0
Employment Prospects	103.8	105.2	102.4	104.1	102.9	-1.1
Family Income Prospects	108.1	112.8	106.4	111.0	111.7	0.6

Purchasing Intentions for Durable Goods: *Increased Further*

With consumers being more upbeat on the national economic outlook, buying intentions for durable goods increased further in December. In our survey, 45.65 percent of consumers expressed plans to purchase a durable good over the next six months, or up from 45.42 percent in the previous month. However, on a yearly comparison, buying intentions for durable goods were actually lower since 46.35 percent of consumers expressed plans to purchase a durable good back in December 2017.

Of the ten categories of goods tracked by our survey, however, buying intentions increased in seven of them in December. Most notably, buying intentions for land increased 6 times (up from 0.06 percent to 0.35 percent). At the same time, buying intentions for automobiles increased more than 3 times (up from 0.23 percent to 0.81 percent). Buying intentions for gold & jewelry, motorcycles, audio-visual equipment, and houses also increased moderately. Our survey also shows that the proportion of consumers who want to renovate their homes increased significantly in December.

By contrast, buying intentions still declined in three categories of goods. Most notably, buying intentions for bicycles fell significantly from 0.53 percent in November to 0.17 percent in December. At the same time, buying intentions for livestock fell moderately from 1.28 percent in November to 0.81 percent in December. And finally, our survey also reveals that buying intentions for home appliances also declined in December.

Table 4. Buying intentions

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Automobile	0.17	0.52	0.29	0.23	0.81
Motorcycle	2.20	2.73	2.20	1.80	2.49
Bicycle	0.41	0.58	0.23	0.52	0.17
House	0.29	1.04	0.81	0.99	1.10
House Renovation	2.26	4.47	3.31	3.65	4.70
Land	0.46	0.23	0.41	0.06	0.35
Audio-visual	4.29	3.42	4.23	4.00	4.58
Home appliance	6.84	9.57	7.31	8.99	6.96
Gold & jewelry	1.74	1.45	1.62	0.75	1.10
Livestock	1.51	0.29	1.04	1.28	0.81

Expectations on Key Economic Variables: *Interest Rates are Expected to Decline*

In our latest survey, consumers said that they expected inflationary pressures to decrease slightly over the next six months. Overall, the index measuring consumer sentiment toward general prices edged down by 0.8 percent from 178.5 to 177.0 in December. The expectation of easing inflationary pressures is unsurprising, however, since the prices of certain products, especially foodstuffs and clothing, usually adjust to their normal levels once the Christmas and New Year festivities have passed. Furthermore, the decline in this index may also be attributable to expectations that foodstuff prices will fall due to greater supply of foodstuffs because of the onset of the harvesting season in March.

In regard to interest rates, more consumers foresee higher interest rates over the next six months (26.6 percent in December vs 26.0 percent in November) while fewer consumers foresee lower interest rates over the next six months (7.0 percent in December vs 7.5 percent in November). Meanwhile, 28.2 percent of consumers expect interest rates to remain unchanged. As such, overall, the index measuring sentiment toward interest rates rose 0.9 percent from 118.5 to 119.5 in December.

As for the rupiah, consumers in the main cities are less pessimistic on the outlook for the local currency. In our survey, the index measuring sentiment toward the rupiah added 16.5 percent to 75.9 in December. As for the outlook for stock prices, however, consumers are less optimistic that Indonesian stocks will record gains over the next six months (this index retreated 1.9 percent to 115.5 in December).

Table 5. Expectations on Prices

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	MoM % Change
General Prices Expectation	183.3	180.0	178.2	178.5	177.0	-0.8
Interest Rates Expectation	119.3	115.5	121.2	118.5	119.5	0.9
Exchange Rates Expectation	67.1	63.8	73.1	65.1	75.9	16.5
Stock Prices Expectation	108.5	110.8	108.1	117.8	115.5	-1.9

Confidence in the Government: *Weakened Further*

Consumer confidence in the government's ability to carry out its duties weakened further in the December survey. After decreasing 0.7% in the previous survey, the Consumer Confidence in the Government Index (CCGI) slipped 4.5% to 105.3 in December. All components of the CCGI declined in our latest survey. Nonetheless, three CCGI components are still above the neutral level of 100, thereby indicating that consumers are generally still convinced in the government's ability to carry out its duties.

The component of the CCGI to decrease the most in December was the one measuring sentiment toward the government's ability to spur economic growth (the relevant index retreated 7.9 percent from 108.5 to 99.9). Also down was the component of the CCGI measuring sentiment toward the government's ability to stabilize prices (the relevant index retreated 6.5 percent from 94.8 to 88.6). This is inline with our survey's finding that more consumers cited high foodstuff prices as a major factor weighing on the local economy in the last three months (66.8 percent in December vs 63.5 percent in November).

In the December survey, the component of the CCGI measuring sentiment toward the government's ability to enforce the rule of law retreated by 5.1 percent from 110.5 to 104.9. At the same time, the component of the CCGI measuring sentiment toward the government's ability to provide and maintain public infrastructure slipped 2.7 percent from 121.9 to 118.5. Finally, our survey also reveals that the component of the CCGI measuring sentiment toward the government's ability to ensure a safe and orderly environment edged down from 116.1 to 114.8 in December.

Table 6. Confidence Toward The Current Government

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	MoM %Change
Recovery National Economy	104.7	101.6	106.4	108.5	99.9	-7.9
Stabilize the Price of Goods	85.1	88.9	90.1	94.8	88.6	-6.5
Provide and maintain public infrastructure	117.1	119.4	122.2	121.9	118.5	-2.7
Ensure a safe and orderly environment	114.5	114.0	117.9	116.1	114.8	-1.2
Enforce the rule of law	104.4	109.7	119.2	110.5	104.9	-5.1
CCGI	105.1	106.7	111.2	110.4	105.3	-4.5

* Note: Starting in April 2007, the Consumer Confidence in the Government Index (CCGI) has been adjusted to the year of 2003 = 100

TABLE 7. CCI - COMPOSITE SERIES			
	Nov-18	Dec-18	MoM %Change
National			
Consumer Confidence Index	99.0	100.7	1.7
Present Situation	82.7	85.6	3.4
Expectations	111.3	112.1	0.8
Jakarta			
Consumer Confidence Index	107.5	114.4	6.5
Present Situation	85.6	90.1	5.3
Expectations	123.9	132.6	7.0
West Java			
Consumer Confidence Index	96.2	97.7	1.6
Present Situation	70.4	75.1	6.6
Expectations	115.5	114.7	-0.7
Central Java			
Consumer Confidence Index	116.7	117.2	0.4
Present Situation	102.0	102.3	0.3
Expectations	127.8	128.3	0.4
East Java			
Consumer Confidence Index	105.7	102.8	-2.7
Present Situation	106.6	100.2	-6.0
Expectations	105.0	104.8	-0.2
North Sumatera			
Consumer Confidence Index	85.9	90.6	5.5
Present Situation	59.8	71.3	19.3
Expectations	105.4	105.0	-0.3
South Sulawesi			
Consumer Confidence Index	84.7	86.1	1.7
Present Situation	72.8	76.1	4.6
Expectations	93.6	93.6	0.1

TABLE 8: NATIONAL FIGURES				
CCI by Classification	Respondent Profile (%)	Nov-18	Dec-18	MoM %Change
Age of Respondents				
20-29	16.8	104.9	105.1	0.2
30-39	28.9	97.5	101.1	3.6
40-49	27.0	100.5	100.8	0.3
50-59	19.3	97.6	100.8	3.3
60 and over	8.0	89.1	90.8	1.9
Educational Level				
Primary School or less	28.8	94.0	95.1	1.2
High School	63.0	100.5	101.5	1.0
Academy/University	8.2	106.2	114.6	7.9
Households Income				
under Rp 1.500.000,-	11.0	93.5	83.0	(11.2)
Rp1.500.001-3.000.000	49.2	96.4	96.9	0.6
Rp3.000.001- and over	39.7	104.6	110.4	5.6
Type Area				
Urban	70.6	99.1	102.2	3.1
Rural	29.4	98.9	97.3	(1.6)
Gender				
Male	50.0	99.8	100.2	0.4
Female	50.0	98.3	101.3	3.1
Occupation				
Worker	33.6	100.5	102.3	1.8
Self employed	31.7	98.9	102.2	3.4
Unemployed	34.7	97.7	97.9	0.2

* An index reading above 100 indicates that positives responses outnumber negative responses

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