

Macro Update

Consumer confidence (Aug): Hitting rock bottom since November 2018

August consumer confidence index slightly falls to 123.1pt (vs. July: 124.8pt)

The **consumer confidence index (CCI)** for August (at 123.1pt) stood slightly lower than the previous month (vs. July reading: 124.8pt) although it picked up by 1.3% YoY (vs. 121.6pt in August 2018). In fact, this is the fourth month of CCI's fall, hitting the lowest level since November 2018 (122.7pt). However, despite its continuous decline for four consecutive months, consumers' optimism has been well-maintained as the index remains in the optimistic territory (>100pt). August consumer confidence was driven by: **(1)** perceptions of the current economic conditions; and, **(2)** optimism about economic conditions for the next six months. In line with the lower CCI, **the current economic conditions index (CECI)** for August dropped to 110.3pt (vs. 111.2pt in July) although it inched up by 0.9% YoY (vs. 109.2pt in August 2018). Moreover, **the consumer expectations index (CEI)** for August came in lower than last month by 1.7% MoM, lessening to 136.0pt (vs. 138.4pt in July), but it grew by 1.6% YoY (vs. 133.9pt in August 2018). The declining consumer confidence might signal normalizing growth of private consumption post the presidential election.

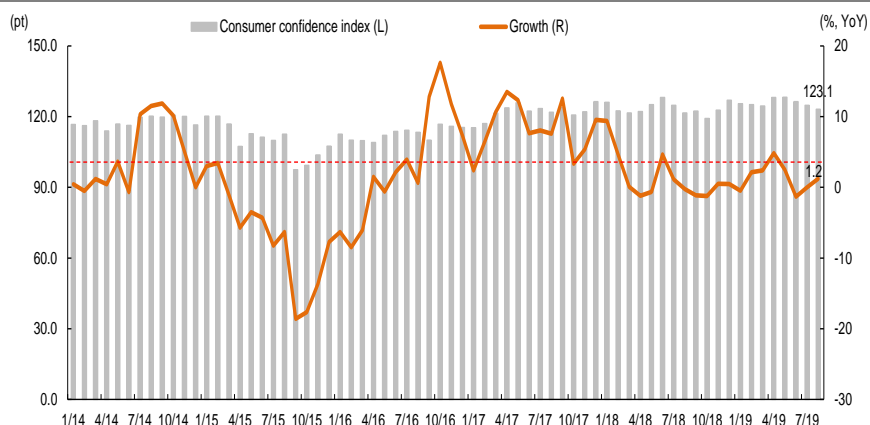
Consumers perceive economic conditions as relatively stable

Overall, consumers perceive the current economic conditions to be relatively stable despite the slightly lower figure of CECI due to their perceptions on the current income, current job availability, and the purchase of durable goods. Looking ahead, consumers seem to stay optimistic about their expectations on business activities, income, and job availability going forward (see Figure 6).

Consumers' financial condition in August: Spend less, save more

We note that consumers' consumption (average propensity to consume/APC) ratio has marginally declined from last June's figure of 69.4% after recording the highest consumption ratio since December 2016 (August: 68.6% vs. July: 68.8% and December 2016: 69.8%). According to Bank Indonesia (BI), consumption refers to the proportion of monthly income that goes toward goods and services, while loan repayment refers to the proportion of monthly income allocated to pay down debt (to both banks and non-banks). The savings category is the remaining income, and it is not limited to savings held in the banks or other financial institutions. Furthermore, loan repayment (measured by debt-to-income ratio) in August slightly rose to 12.5% (vs. July: 12.2%). Meanwhile, the overall savings-to-income ratio remained stable at 19.2%, compared to 19.1% in July (see Figure 7).

Figure 1. Consumer confidence index (CCI) trend



Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia Research

Consumers expect milder inflationary pressure on the upcoming six months

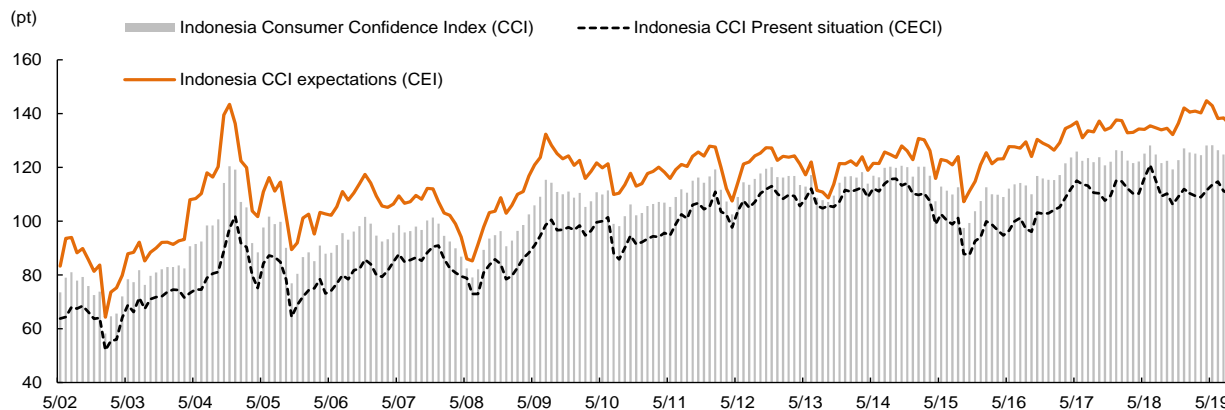
According to the survey, consumers expect milder inflationary pressure in three months to come (November) on the back of their positive perceptions on the availability of sufficient goods and services and the smooth distribution of goods. However, a word of caution is noted prior to the year-end festive season. Similarly, consumers expect milder inflationary pressure for the next six months (February 2020), also due to their upbeat views on the availability of sufficient goods and services and the smooth distribution of goods.

Table 1. Consumer confidence index and its components (pt)

2017												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
CCI	115.3	117.1	121.5	123.7	125.9	122.4	123.4	121.9	123.8	120.7	122.1	126.4
CECI	104.2	105.2	108.7	112.1	115	113.7	113.2	110.6	110.3	107.6	109.5	115.1
CEI	126.4	129.1	134.4	135.4	136.9	131	133.6	133.2	137.2	133.8	134.8	137.6
2018												
CCI	126.1	122.5	121.6	122.2	125.1	128.1	124.8	121.6	122.4	119.2	122.7	127.0
CECI	114.8	112.2	110.2	110.2	116.1	120.8	115.0	109.2	110.2	106.2	109.1	111.9
CEI	137.4	132.8	133.0	134.3	134.1	135.4	134.7	133.9	134.5	132.2	136.4	142.1
2019												
CCI	125.5	125.1	124.5	128.1	128.2	126.4	124.8	123.1				
CECI	110.3	109.4	108.9	111.4	113.5	114.7	111.2	110.3				
CEI	140.6	140.9	140.2	144.8	142.9	138.1	138.4	136.0				

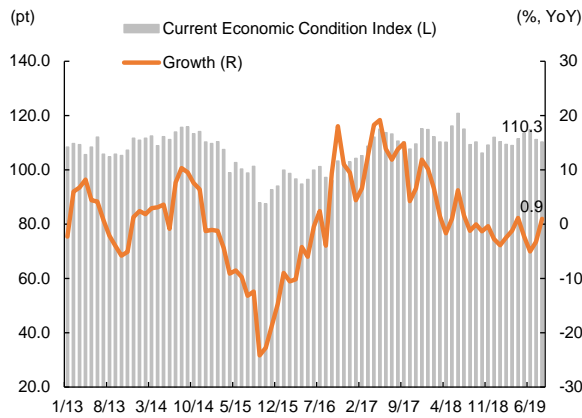
Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 2. Consumer confidence and its components



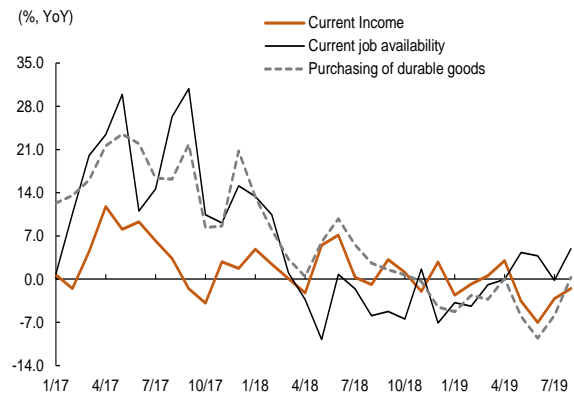
Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 3. CECI trend



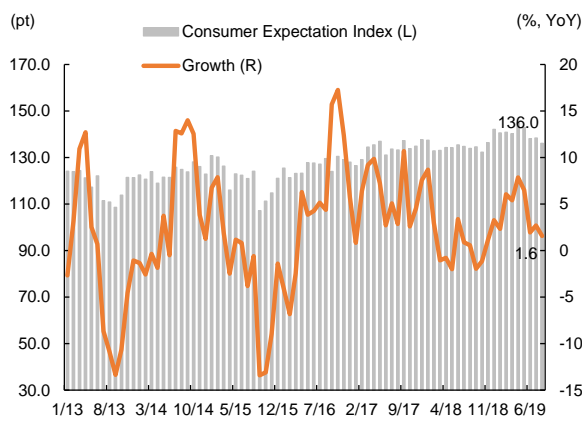
Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 4. Components of CECI



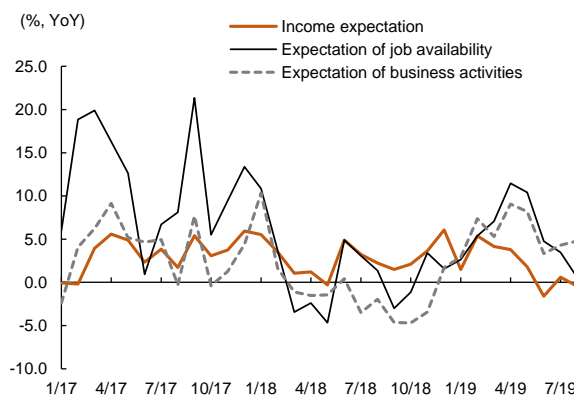
Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 5. CEI trend



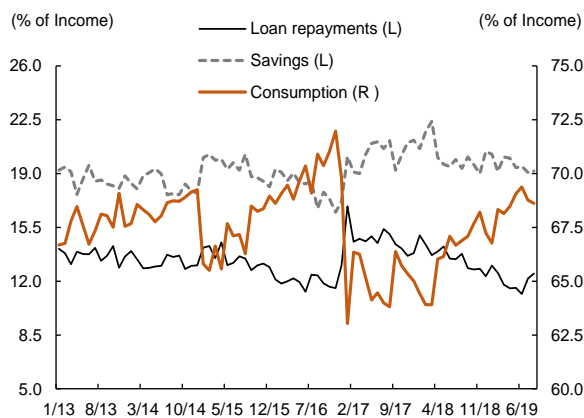
Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 6. Components of CEI



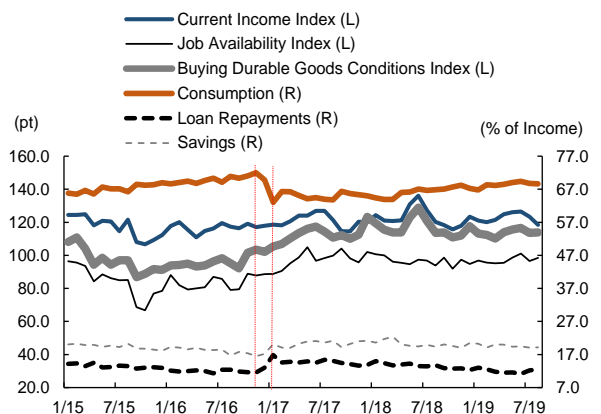
Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 7. Household income allocation



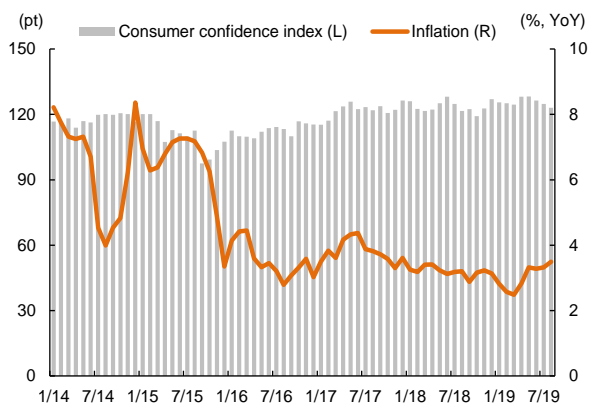
Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia

Figure 8. Household income allocation & CECI components



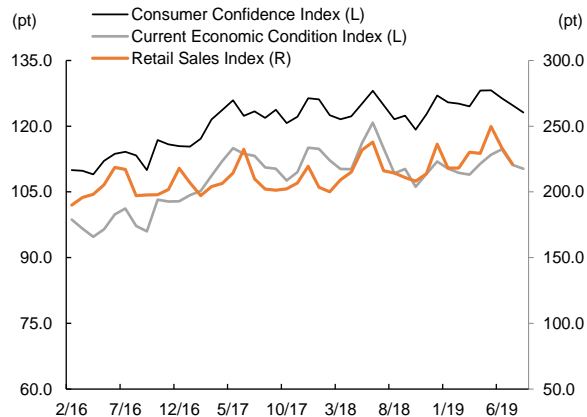
Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia

Figure 9. CCI trend vs. inflation



Source: BPS, Bank Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 10. CCI vs. retail sales vs. CECI



Source: Bank Indonesia, Mirae Asset Sekuritas Indonesia Research

APPENDIX 1

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