

Macro Note

Indonesia: Dec Consumer Confidence Indicated Optimism

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Enrico Tanuwidjaja
 Economist
EnricoTanuwidjaja@uob.co.id

- The Bank Indonesia's Consumer Survey released in January 2018 for the surveyed month of December 2017 indicated higher optimism compared to that in October (Macro Note – Indonesia: [Indonesia - Consumer Confidence Guarded but Tad Lower](#)). Consumer confidence continued to edge higher since then, reflected by the Consumer Confidence Index (CCI) of 126.4 in December 2017 as compared to that in October 2017 of 120.7. The higher optimism was indicated by the increases in the two components, both the Index of Current Economic Condition (ICE) and the Index of Consumer Expectation (IEE) (See Table 1).
- Broadly in line with the higher CCI, consumer spending for consumption in the top bracket of consumers (those earning IDR5mn and above) increased from 61.3% in November to 62.1% and the portion of their savings decreased tad lower from 21.4% to 21.2%. nevertheless, we are still seeing signs of consumers holding back some consumption and increase their savings (see Table 2), but the bottoming out of consumption downtrend in the relatively higher income group last month may start to ignite the overall total trend of consumption to also go higher from here. This is especially so given that the *Survey* results indicated that consumers view that job markets will get better going forward while expecting business activities to pick up further. Consumers also expect rising price pressure is coming into their way in the upcoming quarter. The expected rise in price pressures is likely to be influenced by one-off factor such as the upcoming regional elections and its related pump-priming spending and also due to cyclical factor such as Hari Raya festivities.

Table 1. Consumer Confidence Index and Price Expectations Index

Categories	2017												Change
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Nov-Dec
A. Consumer Confidence Index (CCI)													
Consumer Confidence Index (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	4.3
Index of Current Economic Conditions (ICE)	104.2	105.2	108.7	108.7	115.0	113.7	113.2	110.6	110.3	107.6	109.5	115.1	5.6
Index of Expectations of Economic Conditions (IEE)	126.4	129.1	134.4	134.4	136.9	131.0	133.6	133.2	137.2	133.8	134.8	137.6	2.8
Index of Current Economic Conditions (Current condition compared to 6 months ago)													
Current Indices Index	118.5	118.2	120.6	120.6	124.0	127.0	126.9	121.3	114.6	114.5	120.3	120.0	-0.3
Index of Employment Availability	88.8	90.5	95.1	95.1	104.9	96.6	98.3	99.8	104	98.2	95.8	102.0	6.2
Timeliness Index of Durable Goods Buyers	105.4	106.9	110.3	110.3	116.0	117.5	114.4	110.7	112.2	110.1	112.4	123.3	10.9
Consumer Expectation Index (6 Months Ahead of Current Condition)													
Income Expectation Index	142.9	140.8	144.1	144.1	148.2	141.7	144.6	144.4	146.5	144.9	146.7	149.6	2.9
Index of Employment Availability Expectation	111.3	117.0	123.1	123.1	124.8	116.6	117.9	120.1	127.0	120.9	120.9	125.2	4.3
Expectation Index of Business Activity	125.1	129.4	136.0	136.0	137.7	134.7	138.2	134.9	138.2	135.6	136.7	138.1	1.4
B. Price Expectation Index													
Price Expectation Index in The Next 3 Month	171.8	170.8	171.7	171.7	177.0	163.9	164.8	165.5	169.3	170.0	170.9	173.2	2.3
Price Expectation Index in The Next 6 Month	176.0	174.8	166.1	166.1	166.5	167.5	171.5	173.3	169.1	172.2	171.4	178.4	7.0
Price Expectation Index in The Next 12 Month	174.8	176.1	174.5	174.5	176.5	176.0	177.1	175.8	173.6	175.5	176.0	178.6	2.6

Source: BI, UOB Global Economics & Markets Research

- The result of the Survey remains consistent with our view that nearing the year-end festivities, private consumption will pick up somewhat and may grow slightly higher (year-on-year basis) and further this year, given the spending boost amidst regional elections and Asian games 2018. The Survey results is also supporting further our growth forecast of 5.3% for 2018, which may significantly be supported by expectation of higher domestic demand that entails higher consumer spending and sustained investment expenditure on the back of the current infrastructure build-up program. Our GDP forecast remains at 5.1% for 2017.

Table 2. Proportion of Consumer Spending/Saving													
Categories (in % - proportion)	2017												Change Nov-Dec
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
A. Total													
Consumption	63.0	66.3	66.2	65.1	64.1	64.5	64.0	63.8	66.4	65.7	65.3	65.0	-0.3
Loan Repayment	16.9	14.6	14.8	14.6	14.9	14.5	15.4	15.1	14.4	14.1	13.6	13.8	0.2
Savings	20.1	19.1	19.0	20.3	21.0	21.1	20.6	21.1	19.2	20.2	21.0	21.2	0.2
B. Rp 1-2 Million													
Consumption	65.9	69.3	69.4	69.0	67.0	69.1	66.4	68.5	68.4	68.6	67.5	66.5	-1.0
Loan Repayment	14.4	11.8	11.2	11.0	10.9	11.9	14.3	11.6	13.1	11.3	12.7	13.7	1.0
Savings	19.7	18.9	19.4	20.1	22.1	19.0	19.3	19.9	18.5	20.2	19.8	19.9	0.1
C. Rp 2.1-3 Million													
Consumption	64.8	66.8	67.7	65.8	65.6	66.0	65.2	65.3	69.5	67.5	66.5	64.0	-2.5
Loan Repayment	15.6	13.4	13.4	14.8	14.6	13.9	14.4	13.7	12.9	12.8	13.7	17.0	3.3
Savings	19.6	19.8	18.9	19.4	19.8	20.1	20.4	21.0	17.6	19.8	19.9	19.0	-0.9
D. Rp 3.1-4 Million													
Consumption	63.3	66.9	65.0	64.8	63.9	64.1	64.3	62.8	66.3	66.5	64.0	61.5	-2.5
Loan Repayment	16.8	15.2	16.1	14.8	15.1	14.4	15.8	17.0	15.3	13.8	17.0	19.2	2.2
Savings	19.8	17.9	18.8	20.4	21.0	21.4	19.8	20.1	18.4	19.9	19.0	19.3	0.3
E. Rp 4.1- 5 Million													
Consumption	60.2	65.8	64.2	65.4	63.1	63.0	61.7	61.2	62.6	64.0	61.5	60.6	-0.9
Loan Repayment	20.1	15.0	16.6	15.5	16.9	16.1	18.6	18.5	18.7	17.0	19.2	18.2	-1.0
Savings	19.8	19.2	19.2	19.2	19.9	20.9	19.8	20.3	18.6	19.0	19.3	21.1	1.8
F. Rp 5 Million													
Consumption	58.3	61.1	61.7	59.4	60.9	61.6	59.7	58.9	60.7	60.6	61.3	62.1	0.8
Loan Repayment	20.0	18.9	19.4	18.1	17.2	17.4	18.5	19.6	19.5	18.8	17.4	16.7	-0.7
Savings	21.7	20.0	18.9	22.5	21.9	21.0	21.8	21.6	19.9	20.5	21.4	21.2	-0.2

Source: BI, UOB Global Economics & Markets Research

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