

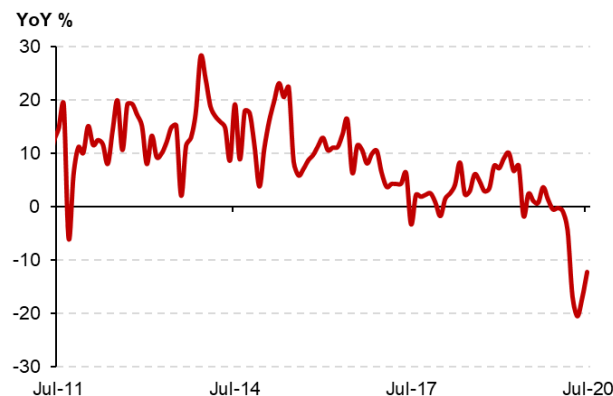
12 August 2020

# Indonesia Retail Sales

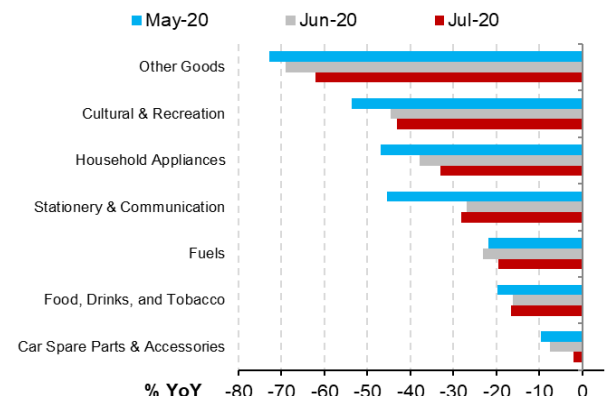
Rate of decline slows in June on improvement in purchasing activities

- **Retail sales fell for a seventh straight month, but growth contraction eased to -17.1% YoY in June (May: -20.6%), reflecting an improvement in consumption as the government eased lockdown measures in spite of rising COVID-19 cases**
  - Contraction eased led by fuels (-27.0%; May: -45.4%), followed by cultural & recreation (-44.6%; May: -53.7%) and car spare parts & accessories (-37.8%; May: -46.9%) on resumption of economic activities.
- **Retail sales are expected to see further improvement in July albeit remaining in contraction for the eighth straight month**
  - Real Sales Index (RSI) to fall by 12.3% YoY in July, on broad-based improvements, boosted by lower growth contraction in food, drinks and tobacco (-2.1%), other goods (-62.2%) and apparel (-68.4%), in tandem with improved consumer confidence index (-30.9%; Jun: -33.7%)
- **Improvement in sales is expected for the next 3 to 6 months in line with the implementation of New Habit Adaptation (AKB)**
  - 3-month Sales Expectation Index (SEI): To rebound by 13.6% in September (expected Aug: -2.4%), highest in 18 months.
  - 6-month SEI: Growth to expand further to 4.2% in December (expected Nov: 3.3%), highest in 5 months.
- **Mild inflationary pressure is expected for the next 3 to 6 months reflecting lacklustre demand due to COVID-19 jitters and the absence of seasonal effect to drive the price up**
  - 3-month Price Expectations Index (PEI): Price to moderate to 0.1% in September (expected Aug: 0.2%).
  - 6-month PEI: Remain in a deflationary mode in December (-4.3%; expected Nov: -8.1%), albeit at a slower pace.
- **COVID-19 resurgence to weigh on retail sales**
  - While the resumption of economic activities and the implementation of AKB along with the ongoing fiscal and monetary stimuli may provide some support for domestic demand, the fears over the new wave of COVID-19 infections are likely to weigh on the recovery pace, given that Indonesia continues to record a high number of positive cases.
  - On the monetary front, we expect Bank Indonesia to slash its benchmark rate, the 7-day reverse repo rate by at least another 25 bps to a new record low of 3.75% at its upcoming Board of Governor meeting on 19 August, given that inflation outlook remains low amid weak demand weigh by the COVID-19 crisis.

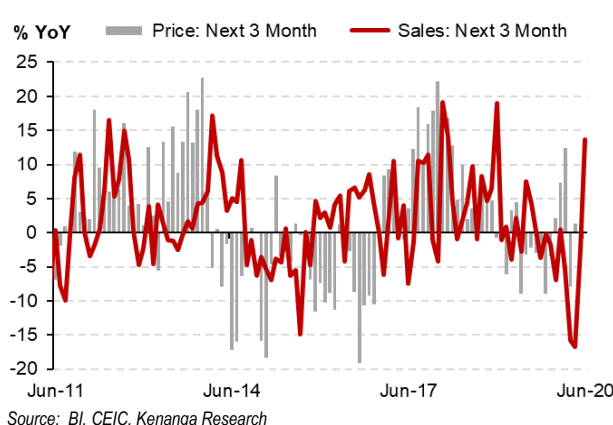
Graph 1: Bank Indonesia Retail Sales Survey



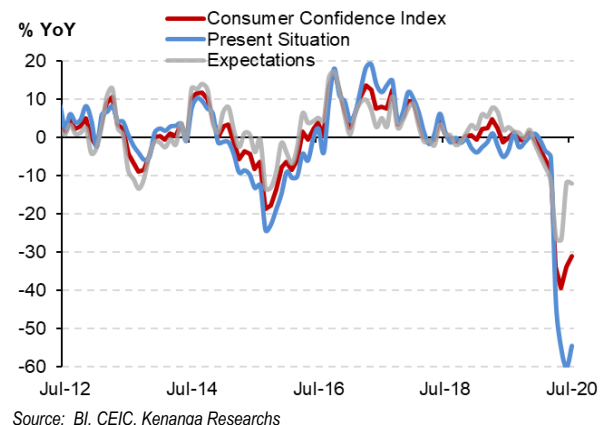
Graph 2: Sales Growth by Commodity Groups



Graph 3: Retailer Expectation



Graph 4: Consumer Confidence Index



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**Table 1: Retail Sales Survey & Retailer Expectation Trend (YoY %)**

	2018	2019	Jul-19	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20*
<b>Retail Sales</b>	<b>3.7</b>	<b>4.0</b>	<b>2.4</b>	<b>-0.8</b>	<b>-4.5</b>	<b>-16.9</b>	<b>-20.6</b>	<b>-17.1</b>	<b>-12.3</b>
Car Spare Parts & Accessories	4.4	19.3	23.5	0.2	-14.7	-30.8	-46.9	-37.8	-33.1
Food, Drinks, and Tobacco	6.2	4.7	2.7	3.2	3.7	-7.7	-9.7	-7.6	-2.1
Fuels	11.3	-3.3	-7.7	-4.6	-18.7	-39.0	-45.4	-27.0	-28.2
Stationery & Communication	-13.3	-6.7	-5.2	-4.0	-7.6	-17.5	-19.7	-16.3	-16.5
Household Appliances	3.5	6.9	4.0	3.7	-5.5	-20.8	-21.9	-23.1	-19.5
Cultural & Recreation	5.5	-0.7	-3.9	-16.8	-20.5	-48.5	-53.7	-44.6	-43.2
Other Goods	29.6	14.9	6.1	-32.4	-52.2	-68.5	-72.9	-69.1	-62.2
Other Goods: Apparel	15.1	13.9	6.3	-40.4	-60.5	-70.9	-74.0	-73.7	-68.4
<b>Retailer Expectation</b>									
Sales: Next 3 Month			4.2	-5.4	-15.8	-16.8	-2.4	13.6	N/A
Sales: Next 6 Month			-0.3	-6.6	-2.9	-4.8	3.3	4.2	N/A
Price: Next 3 Month			-2.2	12.4	-8.0	1.3	0.2	0.1	N/A
Price: Next 6 Month			-1.7	-1.0	0.1	-6.8	-8.1	-4.3	N/A
<b>Consumer Confidence Index</b>	<b>1.4</b>	<b>0.9</b>	<b>-0.1</b>	<b>-6.0</b>	<b>-8.6</b>	<b>-33.8</b>	<b>-39.3</b>	<b>-33.7</b>	<b>-30.9</b>

Source: BI, CEIC, Kenanga Research

\* BI estimates

For further information, please contact:

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Atiqa Noor Azlan**  
Economist  
[atiqa.noorazlan@kenanga.com.my](mailto:atiqa.noorazlan@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saiifuddin.sapuan@kenanga.com.my](mailto:saiifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

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**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)