

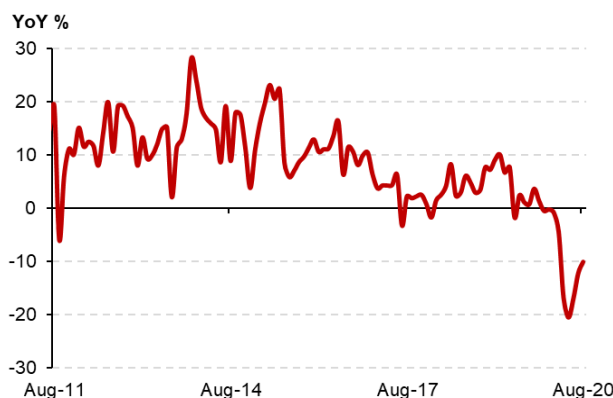
10 September 2020

Indonesia Retail Sales

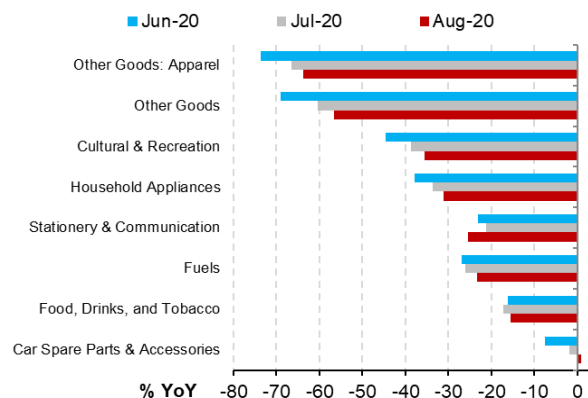
Fall at a slower pace in July, signs of improvement ahead

- Retail sales fell for the eighth straight month, but growth contraction eased to -12.3% YoY in July (Jun: -17.1%)**
 - MoM: growth rebounded to 0.3% (Jun: -2.4%) in line with increased consumption and implementation of the adaptation of new habits (AKB).
 - Contraction eased led by other goods (-60.3%; Jun: -69.1%), followed by apparel (-66.5%; Jun: -73.7%) and cultural & recreation (-38.7%; May: -44.6%).
- Retail sales are expected to see continued improvement in August, albeit remaining in contraction for the ninth straight month**
 - Real Sales Index (RSI) to fall by 10.1% YoY in August, on broad-based improvements, driven by lower growth contraction in other goods (-56.5%), cultural & recreation (-35.5%), and a growth rebound in food, drinks & tobacco (1.0%).
 - This is in line with the gradual improvement in the consumer confidence index (-29.4%; Jul: -30.9%), albeit remaining in the pessimistic zone for the fifth straight month, with a reading below 100 (Aug: 86.9; Jul: 86.2).
- Positive sales are expected for the next 3 to 6 months but slightly at a moderate pace**
 - 3-month Sales Expectation Index (SEI): growth to moderate by 2.1% in October (expected Sep: 13.6%).
 - 6-month SEI: Growth to moderate by 2.8% in January 2021 (expected Dec: 4.2%).
- Weak inflationary pressure is expected for the next 3 to 6 months due to the absence of seasonal effect to boost the price up**
 - 3-month Price Expectations Index (PEI): Price to fall by 2.4% YoY in October (expected Sep: 0.1%), but on MoM to increase by 1.7%.
 - 6-month PEI: steep growth contraction in January 2021 (-9.8%; expected Dec: -4.3%).
- Retail sales are expected to pick up in a near term but would be capped by COVID-19 resurgence fears**
 - Indonesia so far has surpassed 200,000 cases of COVID-19, the second-highest in Southeast Asia after the Philippines. Meanwhile, the death toll hit more than 8,000, the second-highest fatalities in Asia after India. As new cases continue to soar, we expect retail sales would continue to be affected, thus weighing on Indonesia's economic recovery despite the implementation of AKB and ongoing fiscal and monetary stimulus.
 - Though we see Bank Indonesia (BI) has ample room to cut its benchmark rate further to boost growth, the probability of doing so is diminishing given that the Rupiah is under pressure on concerns over the independence of BI and partly the US plan to block trade with China's largest semiconductor manufacturer.

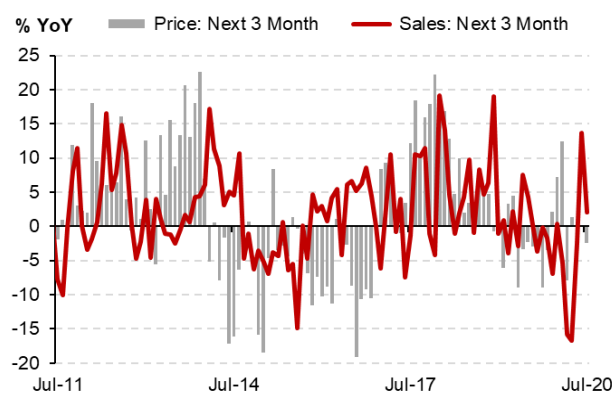
Graph 1: Bank Indonesia Retail Sales Survey



Graph 2: Sales Growth by Commodity Groups

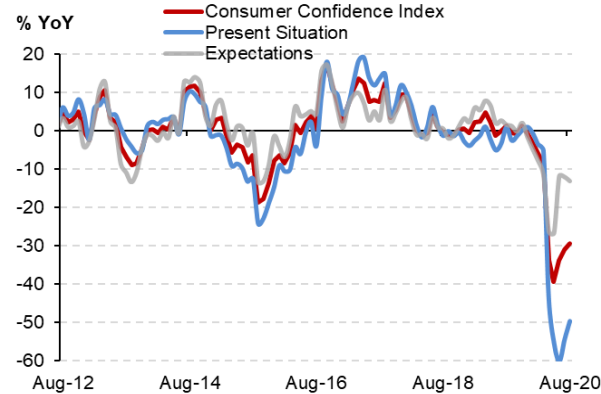


Graph 3: Retailer Expectation



Source: BI, CEIC, Kenanga Research

Graph 4: Consumer Confidence Index



Source: BI, CEIC, Kenanga Research

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

	2018	2019	Aug-19	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Retail Sales	3.7	4.0	1.1	-4.5	-16.9	-20.6	-17.1	-12.3	-10.1
Car Spare Parts & Accessories	4.4	19.3	23.0	-14.7	-30.8	-46.9	-37.8	-33.7	-31.2
Food, Drinks, and Tobacco	6.2	4.7	0.3	3.7	-7.7	-9.7	-7.6	-1.9	1.0
Fuels	11.3	-3.3	-5.9	-18.7	-39.0	-45.4	-27.0	-26.1	-23.4
Stationery & Communication	-13.3	-6.7	-2.6	-7.6	-17.5	-19.7	-16.3	-17.3	-15.6
Household Appliances	3.5	6.9	8.3	-5.5	-20.8	-21.9	-23.1	-21.3	-25.4
Cultural & Recreation	5.5	-0.7	-10.8	-20.5	-48.5	-53.7	-44.6	-38.7	-35.5
Other Goods	29.6	14.9	-3.1	-52.2	-68.5	-72.9	-69.1	-60.3	-56.5
Other Goods: Apparel	15.1	13.9	2.8	-60.5	-70.9	-74.0	-73.7	-66.5	-63.8
Retailer Expectation									
Sales: Next 3 Month			0.2	-15.8	-16.8	-2.4	13.6	2.1	N/A
Sales: Next 6 Month			1.3	-2.9	-4.8	3.3	4.2	2.8	N/A
Price: Next 3 Month			-3.0	-8.0	1.3	0.2	0.1	-2.4	N/A
Price: Next 6 Month			-5.1	0.1	-6.8	-8.1	-4.3	-9.8	N/A
Consumer Confidence Index	1.4	0.9	1.3	-8.6	-33.8	-39.3	-33.7	-30.9	-29.4

Source: BI, CEIC, Kenanga Research

* BI estimates

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Published and printed by:

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