

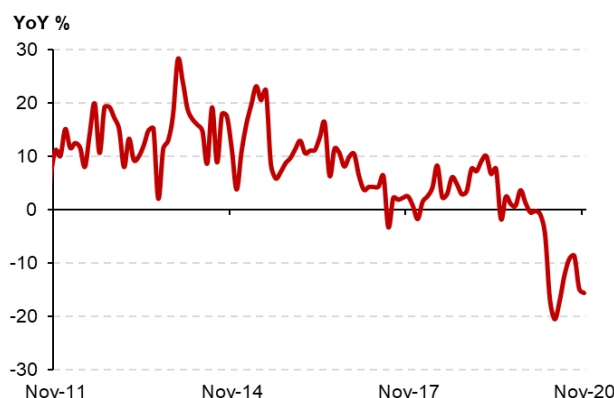
11 December 2020

Indonesia Retail Sales

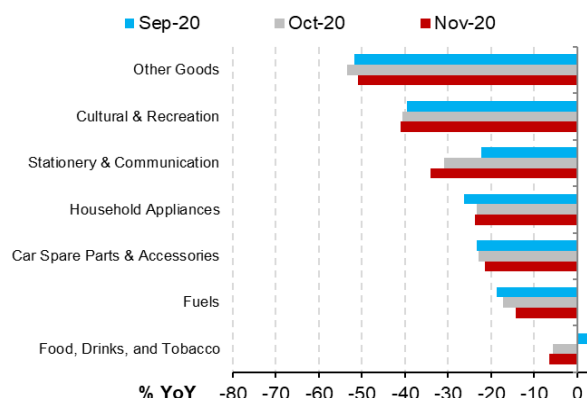
Fall to a four-month low in October on a broad-based slowdown

- Retail sales fell sharply in October (-14.9% YoY; Sep: -8.7%)**
 - Mainly attributable to a broad-based slowdown led by apparel (-58.1%; Sep: -59.7%), followed by other goods (-53.5%; Sep: -51.8%) and cultural & recreation (-40.6%; Sep: -39.5%).
 - MoM: growth fell to a six-month low (-5.3%; Sep: -1.4%) mainly due to a steep decline in stationery & communication (-11.8%; Sep: -3.9%) as well as a bigger drop in food, drinks and tobacco (-5.3%; Sep: -1.2%).
- Retail sales YoY contraction is expected to worsen in November inspite of improving consumer confidence**
 - Real Sales Index (RSI) is expected to fall by 15.7% YoY in November due to a broad-based slowdown observed across most commodity groups. Nonetheless, growth contraction is expected to narrow on MoM (-0.4%; Oct: -5.3%). This is also in line with the improving consumer confidence index (-25.9% YoY; Oct: -33.3%).
- YoY sales growth are expected to fall for the next three months while to rise at a slower pace for the next six months**
 - 3-month Sales Expectation Index (SEI): to fall by 2.7% in January (expected Dec: -1.6%).
 - 6-month SEI: to moderate in April 2021 (4.0%; expected Mar: 16.4%).
- Mild inflationary pressure is expected for the next three months but to fall sharply for the next six months**
 - 3-month Price Expectations Index (PEI): growth to fall at a slower rate in January (-6.3%; expected Dec: -6.9%).
 - 6-month PEI: growth contraction to edge higher in April 2021 (-5.7%; expected Mar: -2.6%).
- Lingering effects of the COVID-19 to weigh on the economic recovery**
 - While consumer confidence has improved following upbeat COVID-19 vaccine news, we remain cautious about the pace of economic recovery. The lingering effects of the COVID-19 pandemic are expected to weigh on the tourism sector, an important economic driver for Indonesia.
 - Nevertheless, we retain a 50% probability of another 25 bps rate cut in the near term, as we believe that Bank Indonesia (BI) still has room to cut its policy rate to bolster economic recovery. BI Governor Perry Warjiyo recently reaffirmed a loose monetary policy stance and to keep its benchmark interest rate low in 2021 to support the economic recovery.

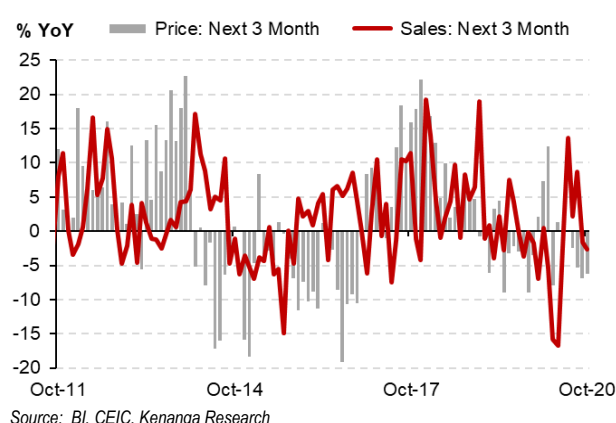
Graph 1: Bank Indonesia Retail Sales Survey



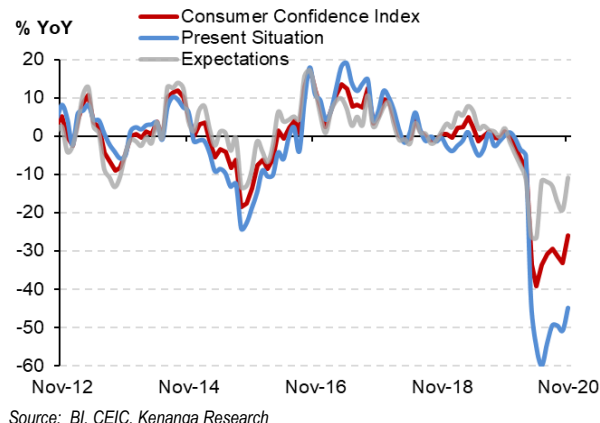
Graph 2: Sales Growth by Commodity Groups



Graph 3: Retailer Expectation



Graph 4: Consumer Confidence Index



11 December 2020

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

	2018	2019	Nov-19	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20*
Retail Sales	3.7	4.0	1.3	-17.1	-12.3	-9.2	-8.7	-14.9	-15.7
Car Spare Parts & Accessories	4.4	19.3	17.0	-37.8	-33.7	-25.2	-23.3	-22.9	-21.3
Food, Drinks, and Tobacco	6.2	4.7	4.6	-7.6	-1.9	2.7	3.1	-5.6	-6.5
Fuels	11.3	-3.3	-11.5	-27.0	-26.1	-23.5	-18.7	-17.3	-14.2
Stationery & Communication	-13.3	-6.7	-5.2	-16.3	-17.3	-19.2	-22.2	-30.9	-34.0
Household Appliances	3.5	6.9	5.5	-23.1	-21.3	-24.5	-26.2	-23.3	-23.8
Cultural & Recreation	5.5	-0.7	-12.0	-44.6	-38.7	-38.2	-39.5	-40.6	-41.0
Other Goods	29.6	14.9	-19.9	-69.1	-60.3	-56.7	-51.8	-53.5	-51.0
Other Goods: Apparel	15.1	13.9	-9.4	-73.7	-66.5	-64.9	-59.7	-58.1	-57.3
Retailer Expectation									
Sales: Next 3 Month			-1.7	13.6	2.1	8.6	-1.6	-2.7	N/A
Sales: Next 6 Month			4.6	4.2	2.8	7.4	16.4	4.0	N/A
Price: Next 3 Month			-3.4	0.1	-2.4	-5.4	-6.9	-6.3	N/A
Price: Next 6 Month			10.1	-4.3	-9.8	-0.7	-2.6	-5.7	N/A
Consumer Confidence Index	1.4	0.9	1.2	-33.7	-30.9	-29.4	-31.6	-33.3	-25.9

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

Atiqa Noor Azlan
Economist
atiqa.noorazlan@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Zalman Basree
Research Assistant

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

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 E-mail: research@kenanga.com.my