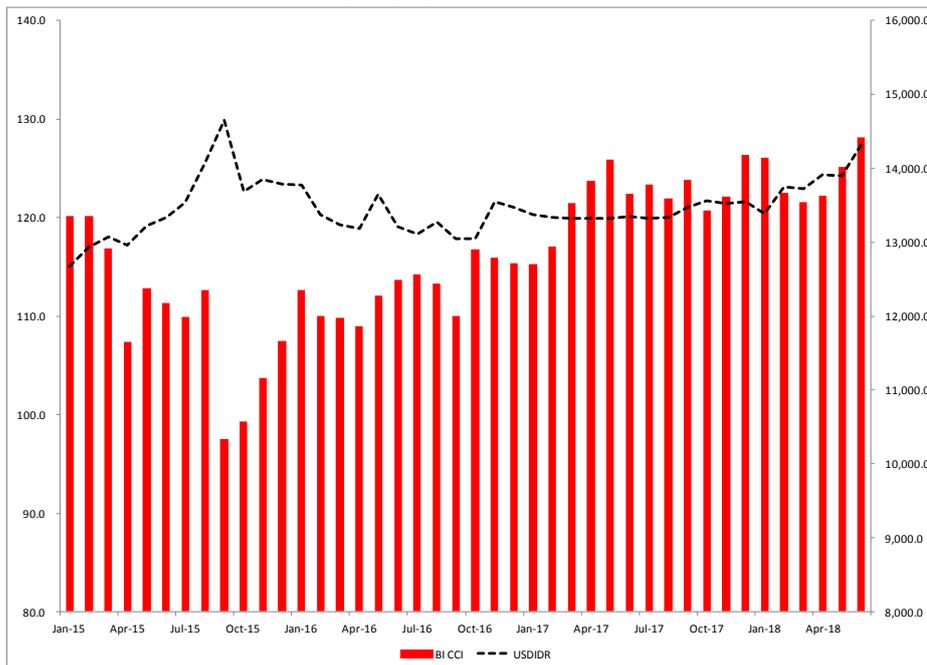


Bank Indonesia recorded its Consumer Confidence Index (CCI) at 128.1 in June, improving from 125.2 in the previous month, which turned out to be the all-time-high level since 2002. On a quarterly basis, average CCI was posted at 125.2 in 2Q18, higher than 123.4 and 124.0 in 1Q18 and 2Q17 respectively. This higher CCI was driven by higher optimism on both current and upcoming (6 months) economy conditions. More on BI's note, the average propensity to consume ratio has increased to 67.1% compared to 66.1% in May 2018, which indicated stronger consumption due to Lebaran festive. Buying Durable Goods Conditions Index also highlighted the positive change as contributed by Ramadhan month. Consequently, saving to income ratio slightly had dropped by 0.2% MoM to 19.4%.

We view that a series of festive events taking place this year to fuel and catalyse domestic consumption. To assist, government's focus towards the success of social assistance program should help to aid middle-to-low purchasing power. Higher consumer optimism added by a more stable Rupiah should be a positive signal towards better household consumption. **Therefore, we expect staples (INDF, ICBP) and retailers (RALS, LPPF) to benefit from this.**

BI Consumer confidence index and USDIDR



Source: Bank Indonesia, Bloomberg, Sinarmas Investment Research

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