Indonesia Economic Analysis
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Mirae Asset Sekuritas Indonesia

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Macro Update

Aug-26 Consumer Confidence: A Recovery Still Running on Savings

Consumer confidence rebounds, but the recovery remains incomplete

The Consumer Confidence Index (CCI) rose to 118.5 in Aug-26 from 116.8 in Jul-26, marking a recovery after three consecutive months of deterioration. The improvement was supported by both current conditions and expectations, with the Current Economic Conditions Index (CECI) increasing to 109.4 and the Consumer Expectations Index (CEI) rising to 127.6. However, the 18.2-point gap between the two indices indicates that households remain more confident about the outlook than about the income conditions they are experiencing today.

Confidence improves, but the recovery remains uneven

The improvement was not evenly distributed across household segments. The IDR4.1–5.0mn expenditure group was the only cohort to record a decline in CCI, while university and postgraduate respondents reported weaker confidence in labor-market availability. This suggests that the aggregate recovery has yet to translate into a broad-based improvement in purchasing power, particularly for households exposed to higher living costs, debt-servicing obligations, and uncertainty around high-quality employment.

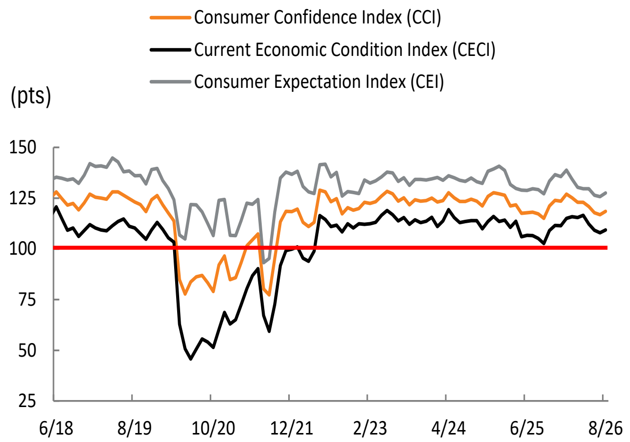
Lower saving is supporting consumption, but household buffers are thinning

The share of income allocated to savings declined most significantly among households with monthly expenditure of IDR1–4mn, while consumption increased across almost all expenditure groups. This reallocation should support domestic demand in the near term, given the high marginal propensity to consume among lower-middle- and middle-income households. However, with inflation accelerating to 3.19% YoY in Aug-26, the shift is more consistent with a drawdown of precautionary savings and a response to cost-of-living pressures than with broad-based income acceleration.

Outlook depends on real income, inflation, and labor-market conditions

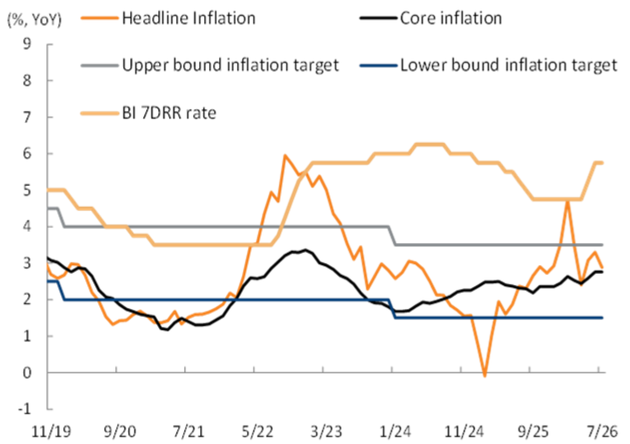
The CCI provides a constructive but still limited signal for consumer staples, affordable discretionary products, and selected durable goods. A more sustained consumption recovery will require stronger real income, improved employment prospects, and stable inflation. Until these conditions strengthen, we maintain a selective portfolio stance, favoring fundamentally strong equities with resilient earnings and cash flow. Money-market funds remain the liquidity anchor, while fixed-income funds remain favorable, with gradual accumulation providing flexibility as bond-market opportunities improve.

Figure 1. Monthly consumer confidence index



Source: BI, Mirae Asset Sekuritas Indonesia Research

Figure 2. Indonesia's inflation and policy rate



Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research

The headline recovery is real, but its composition matters

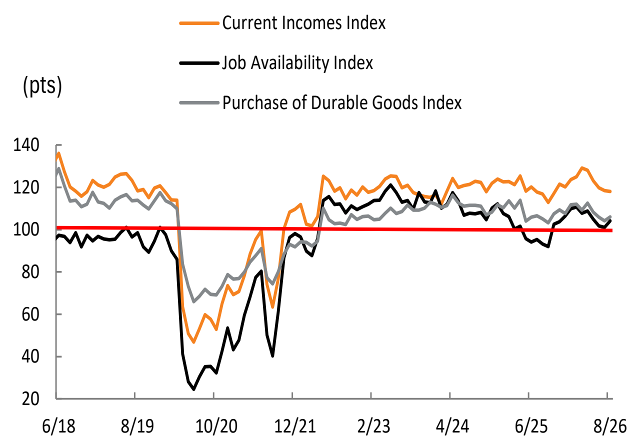
Confidence regained momentum after July softness

The 1.7-point rise in CCI to 118.5 was accompanied by a 1.5-point increase in CECI to 109.4 and a 1.9-point increase in CEI to 127.6. This is more constructive than a recovery led solely by expectations, as households also reported better current conditions. Nevertheless, the current-condition index remains materially below the expectations index, leaving an 18.2-point gap. This divergence suggests that households are willing to look through current frictions, but the transmission from optimism to realized income and spending remains incomplete.

The rise in durable-goods purchase intentions is consistent with improved confidence in activity, financing availability, or replacement demand after a period of postponement. However, durable-goods demand is more interest-rate-sensitive and more exposed to household leverage than staples. If inflation remains elevated or credit conditions stay restrictive, the initial improvement may be concentrated in promotional and entry-level segments rather than across the full discretionary complex.

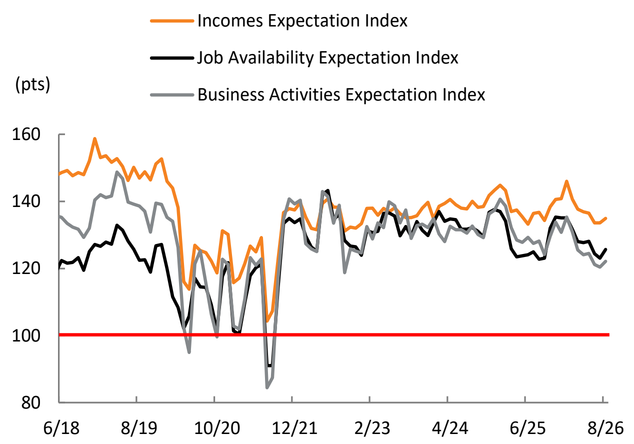
The August result should therefore be incorporated into the macro narrative as a marginal improvement in domestic demand, not as evidence that the consumption cycle has decisively re-accelerated. Stronger confidence supports BI's preference to preserve financial stability while monitoring demand, but lower saving rates can also make consumption more vulnerable to food, energy, and administered-price shocks.

Figure 3. Current Economic Condition Index by component



Source: BI, Mirae Asset Sekuritas Indonesia Research

Figure 4. Consumer Expectation Index by component



Source: BI, Mirae Asset Sekuritas Indonesia Research

Labor confidence improves, but weakens among the highly educated

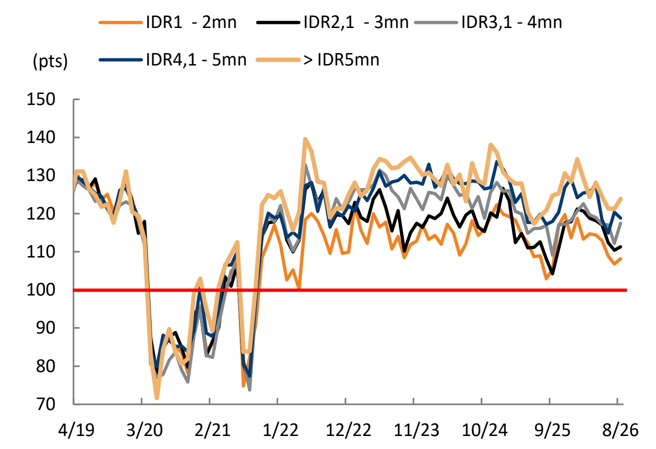
The education breakdown sharpens the risk. Current job-availability confidence weakened among university and postgraduate respondents, while expected job availability among postgraduates fell 14.5 points to 123.8. Although the absolute level remains optimistic, the direction is a warning about the quality of labor-market confidence. It may reflect a mismatch between headline employment conditions and the availability of skilled, well-paid jobs. This is relevant for sectors dependent on professional urban consumers, whose spending can remain resilient in the near term but soften quickly if employment expectations deteriorate further.

The strongest improvement in the current-condition block came from the Job Availability Index, which rose 3.0 points to 104.1, followed by the Durable Goods Purchase Index, which increased 2.0 points to 106.1. Current income perception, however, declined from 118.5 to 118.0. The combination points to improving perceptions of economic activity and purchasing conditions without a corresponding acceleration in realized household income. In practical terms, consumers may be seeing more employment opportunities and better buying conditions, but remain cautious about the durability of their cash-flow improvement.

From a demand perspective, the expenditure distribution implies a barbell rather than a uniform consumer recovery. The > IDR5mn cohort is better positioned to sustain discretionary purchases, while lower-income households have a high marginal propensity to consume but limited balance-sheet capacity. This creates scope for volume growth in affordable staples, small-ticket discretionary products, and promotional durable goods, but does not necessarily support broad premiumization.

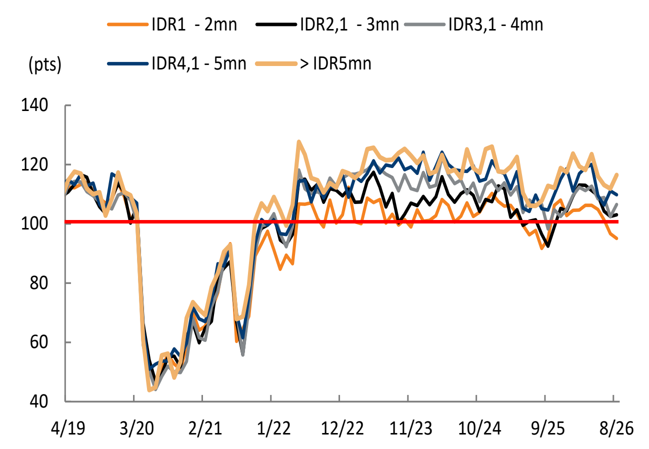
This is why aggregate retail-sales indicators can overstate the breadth of the recovery. Volume growth can coexist with weaker basket size, heavier promotions, and pressure on gross margins. For listed companies, revenue growth will therefore depend not only on traffic and transactions, but also on product mix, pricing power, working-capital discipline, and the ability to pass through higher input costs.

Figure 5. Consumer confidence by expenditure group



Source: BI, Mirae Asset Sekuritas Indonesia Research

Figure 6. Consumer expectation by expenditure group



Source: BI, Mirae Asset Sekuritas Indonesia Research

The middle-income squeeze is becoming the key distributional signal

Confidence improves, but the middle remains under pressure

Confidence increased for the IDR1–2mn, IDR2.1–3mn, IDR3.1–4mn, and >IDR5mn groups, but declined for the IDR4.1–5mn group from 120.4 to 118.9. This non-linear pattern suggests that the middle-income consumer is not moving as one block. The >IDR5mn cohort remains the most optimistic at 123.9 and is better positioned to sustain discretionary purchases, while lower-income households may be benefiting from improved employment perceptions but remain constrained by thin financial buffers. The IDR4.1–5mn cohort appears particularly exposed to essential-cost inflation, installment obligations, and weaker income flexibility.

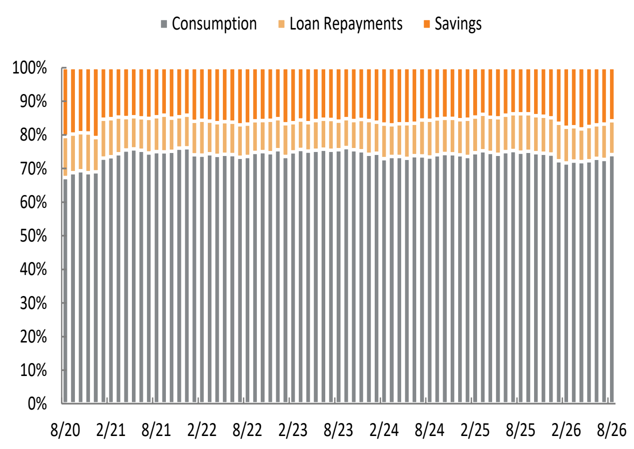
The near-term macro impact is supportive. A one-point shift from saving toward consumption can generate a larger contemporaneous demand impulse among lower-income households than among high-income households. However, if households are financing consumption by drawing down savings, the second-round effect is lower liquidity buffers and greater sensitivity to employment or medical shocks. The decline in loan repayments may indicate some improvement in cash-flow pressure, but it should not automatically be interpreted as healthy deleveraging; it may also reflect prioritization of current spending over balance-sheet repair.

For financial markets, this argues for distinguishing between nominal demand resilience and real consumption quality. Companies with essential products, efficient working capital, strong distribution, and pricing power should benefit more reliably than businesses requiring sustained income upgrades or aggressive credit expansion. In banking, better confidence may support consumer lending, but the decline in saving behavior means deposit competition and asset-quality surveillance remain important

Consumption relies more on household savings

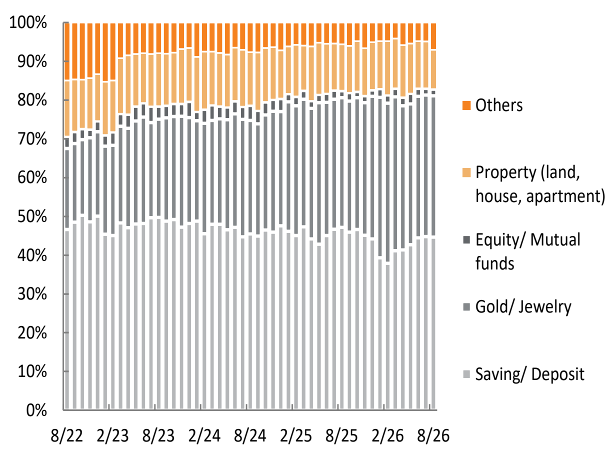
The most important balance-sheet signal is the decline in savings allocation, particularly among households spending IDR1–4mn, while consumption increased almost across the board. In the near term, this supports domestic demand because lower-middle- and middle-income households have a high marginal propensity to consume. However, the same mechanism reduces the household shock absorber against future income, food, energy, or health shocks. The combination of lower savings and higher inflation therefore supports nominal consumption but does not necessarily imply stronger real purchasing power.

Figure 7. Income allocation



Source: BI, Mirae Asset Sekuritas Indonesia Research

Figure 8. First choice of investments



Source: BI, Mirae Asset Sekuritas Indonesia Research

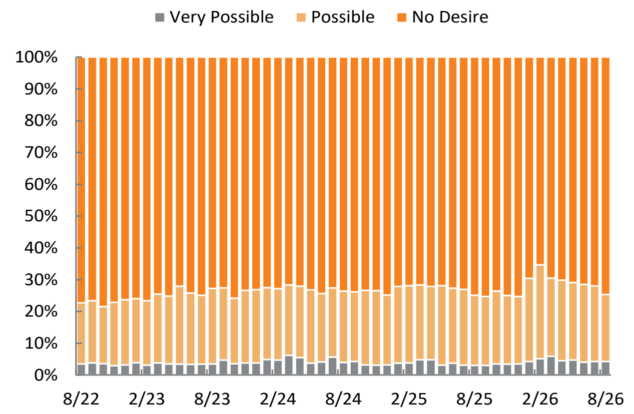
Selective consumption exposure, not broad risk-on

Our base case is that consumer confidence remains above 115 over the next three to six months but moderates from the August peak unless current-income confidence improves. The central scenario assumes inflation gradually stabilizes, the Rupiah avoids renewed disorderly depreciation, and labor-market perceptions remain above the optimism threshold. Under this scenario, consumption growth remains positive but increasingly segmented: staples and affordable discretionary should outperform premium discretionary, while durable goods will remain dependent on financing costs and promotional intensity.

An upside scenario would require a sustained improvement in current-income confidence, a recovery in job availability across university and postgraduate cohorts, and stabilization of inflation without a renewed oil shock. This would convert confidence into healthier real consumption and could support broader earnings upgrades for consumer, retail, and selected bank names. A downside scenario is more asymmetric: renewed currency pressure, higher oil prices, or a sharper deterioration in skilled employment expectations could push households to rebuild savings abruptly, creating downside risks for discretionary goods, property, and unsecured consumer finance.

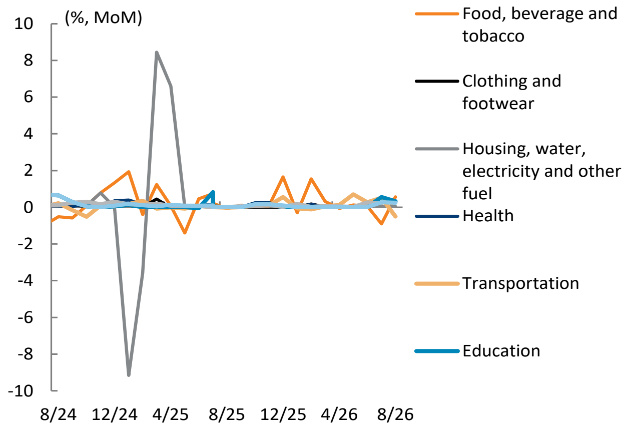
For equity strategy, we maintain a selective domestic-demand stance. We prefer large, liquid companies with strong balance sheets, pricing power, and visible cash flows, while remaining cautious on high-beta consumer names whose valuations assume a broad income recovery. For mutual funds, Money Market Fund (MMF) remains the core liquidity anchor, Fixed Income Fund (FIF) should emphasize short-to-medium duration and investment-grade credit, and equity allocation can be added gradually through quality large caps rather than broad market beta.

Figure 9. Construction plan for the next 12 months



Source: BI, Mirae Asset Sekuritas Indonesia Research

Figure 10. Monthly inflation by expenditure



Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research

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