

INDONESIA CONSUMER SENTIMENT

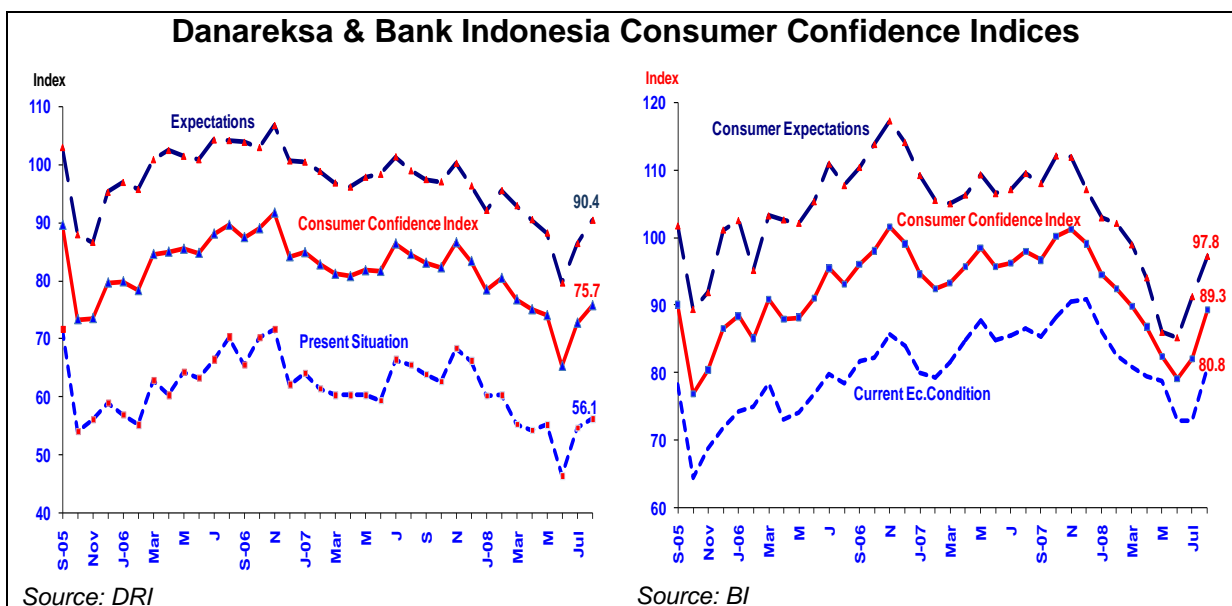
REBOUND CONTINUES

Indonesia's benchmark consumer confidence indices (CCI) continued their rebound in August after posting the first increase in seven months in July. The sharp correction in global commodity prices has helped moderate price increases in food and other basic items and buoyed expectations the economy will improve in the coming months. The Danareksa Research Institute posted a 4.1% increase in its August CCI from the previous month to 75.7, while the equivalent Bank Indonesia index rose 8.8% month-on-month to 89.3 in August. Both consumer surveys showed increased optimism towards employment opportunities, income levels and overall economic prospects looking forward.

Danareksa reported its Present Situations Index (PSI) rising 2.9% to 56.1, while its Expectations Index (EI) saw a 4.6% increase to 90.4. Bank Indonesia, meanwhile, posted a 10.8% jump in its PSI and a 7.1% rise in its EI.

The Danareksa and Bank Indonesia surveys diverged in their assessment of consumer buying intentions, as some consumers feeling the pinch from the rising interest rate environment have reduced their appetite for durable goods. Danareksa reported the percentage of consumers who expressed their intention to purchase durable goods over the next six months slipped to 23.7% in August from 24.7% a month earlier. The survey noted that buying intentions decreased in eight of the ten categories tracked by Danareksa, with motorcycles and livestock the two exceptions. In contrast, BI reported a 12.9% increase in its Index of The Right Time to Purchase Durable Goods to 70.2 points from 62.2 in July.

Danareksa's Consumer Confidence towards the Government Index (CCGI) rose slightly in August to 84.2 compared to 84.0 a month ago. Among the five CCGI components, the largest increase was seen in the index measuring consumer sentiment towards the government's ability to spur economic growth, which climbed 3.9% to 69.8, followed by indices assessing sentiment towards the government's ability to stabilize the price of goods (up 1.8% to 47.6), the government's ability to provide certainty in the legal system (up 1.4% to 95.6) and the government's ability to maintain public infrastructure (up 0.5% to 104.3). In contrast, the index measuring consumer sentiment towards the government's ability to provide a safe and orderly environment declined 4% in August to 103.6 from 107.9 a month earlier.



Note: The BI survey covers more than 4,650 households in 18 cities (Jakarta, Bandung, Semarang, Surabaya, Medan, Makassar, Bandar Lampung, Palembang, Banjarmasin, Padang, Pontianak, Samarinda, Manado, Denpasar, Mataram, Pangkal Pinang, Ambon, and Banten). The DRI survey covers 1,700 households in 6 cities (Jakarta, Bandung, Surabaya, Semarang, Medan and Makassar).

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AUTOMOTIVE TRENDS

Domestic car sales fell 3.9% month-on-month in August to 58,489 units, although total sales were still 41.1% higher than the same month a year earlier, the Indonesian Automotive Manufacturers Association (Gaikindo) reported. The association attributed the monthly decline in August to a shorter number of working days and delays in the supply of raw materials and spare parts from a number of local manufacturers.

Accumulative sales for the January-August period totaled 412,205 units, up 48.7% from the 277,165 units sold in the same period last year. Gaikindo deputy chairman Johnny Darmawan expressed confidence that the association's sales target of 520,000 units for 2008 would be surpassed given current trends.

The following is a breakdown of August car sales for the top manufacturers.

BRAND	AUGUST CAR SALES		
	Aug-08	% Change	
		to July 08	to Aug 2007
TOYOTA	18,770	-8.4	39.1
MITSUBISHI	9,033	4.9	46.7
DAIHATSU	7,360	-3.0	66.3
SUZUKI	6,837	-6.1	18.5
HONDA	6,000	-9.1	53.8
NISSAN	3,197	6.0	43.8
ISUZU	2,655	4.6	55.3

Source: Gaikindo

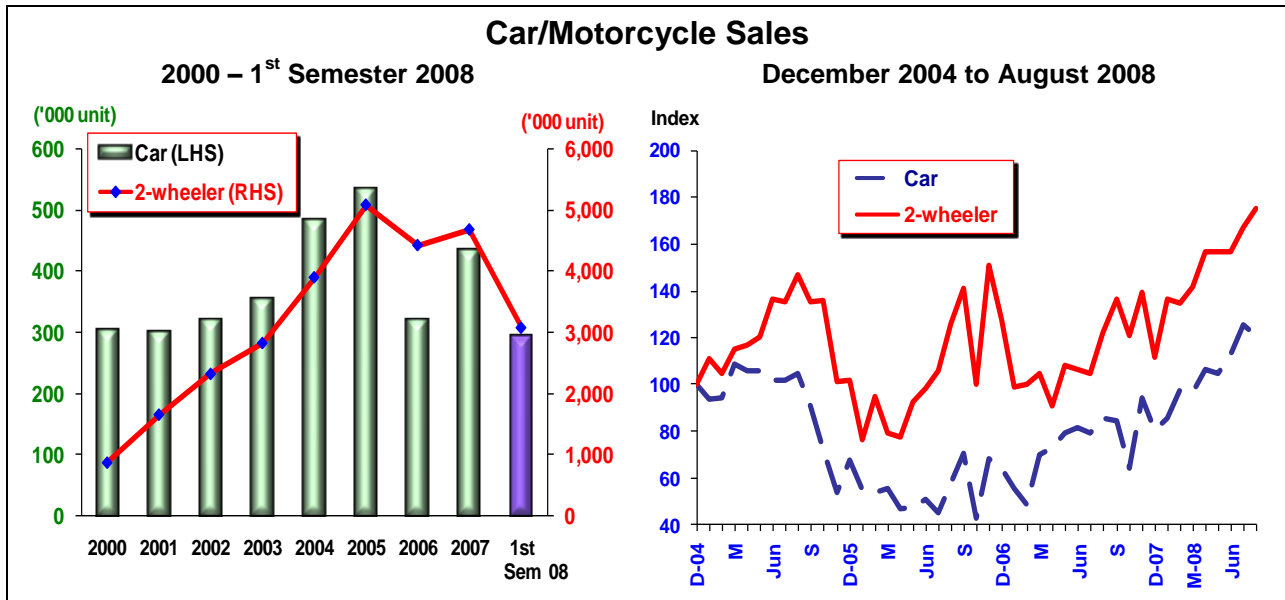
Meanwhile, demand for two-wheelers continued its upward trend with August sales rising 5% month-on-month to 613,296 units and up 43% from the same month a year earlier, the Indonesian Association of Motorcycle Producers (AISI) reported. Notably, August was the highest monthly sales figure for the January-August period. According to AISI chairman Gunadi Sinduwinata, the sales growth reflected the consumers' increased preference for more fuel efficient transportation. With total motorcycle sales rising 46.6% year-on-year for the first eight months of the year to 4,286,101 units, Sinduwinata forecast sales to exceed AISI's initial sales target of 5.4 million units for 2008. Many in the industry feel 6 million units is within reach this year.

The following is a breakdown of August motorcycle sales for the leading manufacturers.

BRAND	% Change		
	Aug-08	to July 08	to Aug 2007
HONDA	300,585	7.7	60.3
YAMAHA	223,222	1.6	32.3
SUZUKI	80,552	6.0	23.3
KAWASAKI	4,937	-3.0	23.8
KANZEN	3,000	-14.7	19.2

Source: AISI

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CONSUMER HIGHLIGHTS

- Inflation fell for the first time in seven months in August to reach 11.85% year-on-year – a slight fall from the 22-month high of 11.9% year-on-year a month earlier. (*Central Statistics Bureau*)
- Bank Indonesia raised interest rates for the fifth consecutive time this year, raising its benchmark BI rate 25 basis points to 9.25% following its monthly board of governors meeting held earlier this month. (*Bank Indonesia*)
- The state logistics agency (Bulog) reported that national rice stocks have reached 2.5 million tons, its highest levels in more than eight years, on the back of good rainfall and an exceptional harvest this year. (*Kompas*)
- Bulog chairman Mustafa Abubakar noted that the price of rice has fallen by an average Rp100-200/kg over the past several weeks despite traditionally strong demand during the Islamic fasting month of Ramadhan, indicative of ample food supplies that are expected to ease short-term inflationary pressures. (*Bisnis Indonesia*)
- Pertamina raised the price of its 12-kg LPG container by 9.5% to Rp69,000/container earlier this month. The government has stated there would be no further price increases for LPG. (*Bisnis Indonesia, Kontan*)
- The Indonesian Association of Food and Beverage Producers (Gapmmi) stated their members have raised production by 20% in anticipation of strong demand during the Ramadhan fasting month and does not expect any significant price increases. (*Investor Daily*)
- The government and parliament have agreed on progressive taxes for automobiles as part of the draft law on regional taxes that is currently being finalized. Car owners will face a 2% tax rate for their first car, which will be raised progressively with each additional car to a maximum rate of 10%. The law is expected to come into effect next year. (*Bisnis Indonesia, Media Indonesia*)
- The director general of domestic trade, Subagyo, stated it was looking to raise import tariffs on refined sugar by 10-30% to protect local producers who are currently taking a hit due to excess supplies and low market prices. (*Bisnis Indonesia*)