

Why Indonesia can chart a unique path forward

It's been a shaky start to the new year for most people in most countries. The economic news emanating from all points of the compass vary only in their depths of gloom. Even in Asia, slowdowns in China and India are causing ASEAN to take note. In Singapore, belt-tightening has officially begun with ministers taking hefty pay cuts. In Australia, increasingly hooked into the fortunes of Asia, unemployment and under-employment are at their highest levels. Most in the West have at least a sluggish decade ahead of them. Consequently, many economies in the East are getting ready to grind their way forward for a few years to come. There are very exceptions. Indonesia is uniquely positioned to be one of those rare gems.

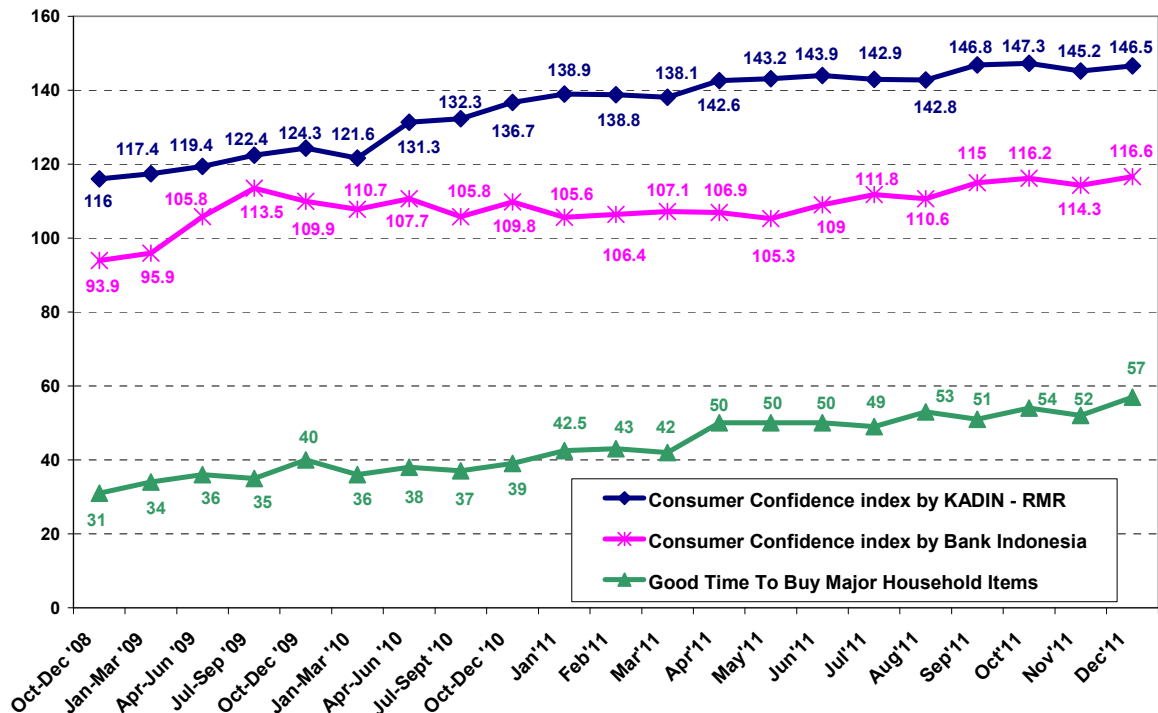
In comparison to its two bigger Asian neighbours to the North, Indonesia has some distinct advantages. Both India and China are resource-poor in contrast with Indonesia. The differences in the size of population make this archipelago's enormous natural wealth even more dramatic. Much more, for much less. These fundamental contrasts put into sharp focus other major discriminators. Unlike China, the overwhelming proportion of Indonesia's exports is essential to countries for basic infrastructure development. That hunger needs to be fed, regardless of economic constraints, in good times and bad. When compared to India, the daunting challenges of poverty and unemployment pale into insignificance. The millions living on the fringes of Indonesia's consumer economy can be brought into the fold with relative ease and greater speed, not so the hundreds of millions in India and China.

Indonesia's healthy domestic marketplace lies at the core of its economic prospects in these troubling times. Contributing almost 70 percent of Gross Domestic Product year after year, its consumer economy remains its main engine of growth. At a time when prospects for return on investment are murky in most markets, this country stands out like a beacon. There has never been a better time for both private and public sectors to invest in the domestic market. The opportunities span the entire spectrum: infrastructure, value-added goods and services, healthcare and education, as well as science and technology aimed at improving the everyday lives of ordinary Indonesians. More and more consumers are ready and willing to spend, if more and more investors are ready and willing to respond.

Confidence is an essential catalyst for progress. Too often, endless talk of impending doom leads to self-fulfilling prophecies. But the KADIN-Roy Morgan Consumer Confidence index continues to soar at record levels, in sharp contrast to similar indices the world over. Up 1.3 points over the previous month to hit 146.5 in December, the rating stood tall on the world stage, looming over the rest. "Now is a good time to buy major household appliances" said 57 percent of respondents, a particularly reassuring sign of the country's economic prospects. Against the odds, the consistency of the confidence levels is remarkable indeed.

Inevitably, such confidence will foster strong nationalist sentiments, among the elite in particular. For a large developing country that is also a young democracy, a healthy dose of pride can only be good for the never-ending task of nation-building. But if those sentiments instigate inward-looking, barrier-raising protectionism, it will ring alarm bells loudly across the globe. The repercussions will damage not only the country's economic potential that is increasingly earning the respect of investors. Politically, on the world stage, such a backward step would diminish Indonesia's growing capacity to influence global accords as well as regional peace and prosperity.

INDONESIAN CONSUMERS KEEP THEIR WALLETS OPEN



Commenting on the December results, Suryo Sulisto, Chairman of KADIN, the chambers of commerce, said: “The jitters that caused the small dip last month have evaporated. Confidence levels are back at the same dizzy heights as before. The upswing is exceptional, not only in contrast with other G20 countries but in comparison within Asia as well. Both China and India have revised growth forecasts downwards but Indonesia is holding steady. For now, Indonesia remains unscathed. The sabre-rattling in the Strait of Hormuz has not affected oil prices yet. If the seas remain calm, the threat of an oil price rise will not rock our boat. The oil subsidy is taking too much of a toll on Indonesia’s treasury already”.

The subsidy isn’t the only worry. Public anger on issues ranging from the protection of minorities to land acquisition is taking its toll on the collective psyche. The list of unspent state-sanctioned budgets is almost endless, limiting progress. The fight against corruption has become a lost cause in the public eye, drawing more disdain than kudos. The president’s inability to take decisions on matters of national importance continues to draw criticism, a likely feature of his legacy. But there is no denying that the country made steady progress on the economic front despite those failings, under his watch. Even on auto-pilot, Indonesia keeps on cruising through turbulent weather. That’s yet another sign to take comfort from.

The opinions expressed are my own. The conclusions are based on the country’s largest syndicated surveys conducted by Roy Morgan Research. More than 2,000 respondents are interviewed each month, every month, and projected to reflect 87 percent of the population over the age of 14.

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