

Consumer confidence continues to creep upward on improved economy

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A survey from Australian research firm Roy Morgan has found that most Indonesian consumers are predicting better economic prospects for 2007.

A total of 6,312 people were interviewed for the July-September 2006 quarter.

Forty percent of consumers surveyed said they expected to be financially better off within the next 12 months. Only 12 percent of respondents expected to be worse off.

The number of upbeat consumers is up three percentage points from last year's second quarter.

The survey also found that most Indonesians still look positively to the long-term future, with 81 percent expecting good financial conditions

over the next five years. Only 18 percent felt otherwise.

Overall, Indonesia's consumer confidence rating for the July-September 2006 period improved marginally. It is now 110.4, up 1.1 points from the previous quarter. The nation's rating is, however, still 8.8 points lower than for the corresponding 2005 period.

Roy Morgan also found that at the time of polling, 34 percent of Indonesian consumers believed they were worse off than at the same period 12 months earlier. Twenty percent said they were better off.

Meanwhile, consumer demand proved to be lackluster, with only 25 percent of respondents believing it to be a good time to buy major household items. Sixty-nine percent still considered it a

bad time to buy.

"While demand has recovered for most products and services, there is a lack of excitement and enthusiasm in every sector of the consumer marketplace," Roy Morgan's regional director for Asia, Debnath Guharoy, said.

"Demand for motorcycles and domestic appliances remains strong, confirming the wealth of the middle class. However, interest in cellular phones and the Internet isn't growing as rapidly as expected," he said. "Also, the rising price of rice has taken it off the table for many of the weakest sections of society."

Roy Morgan surveys more than 6,000 people, aged 14 and above, across Indonesia each quarter. "The statistical reliability of 6,000 respondents every quarter cannot be easily challenged," Guharoy said.

Indonesia is now showing signs of macroeconomic improvement, with on-year inflation clocking in at 6.6 percent by 2006's end. Although this is lower than the forecasted 8 percent, it missed the revised 6 percent due to a spike in rice prices in December. Inflation slowed to 6.29 percent in October, down from 14.55 percent in September.

Bank Indonesia's key rate was cut to 9.75 percent by the end of last year, while lower inflation and reduced interest rates helped spur Indonesia's consumer-driven economy.

On the whole, the country's economic growth is continuing its rebound, and was up 0.4 percent to 5.5 percent by last year's third quarter. It may miss the 6 percent full-year estimate, however, with the government expecting growth at 6.3 percent for 2007.