

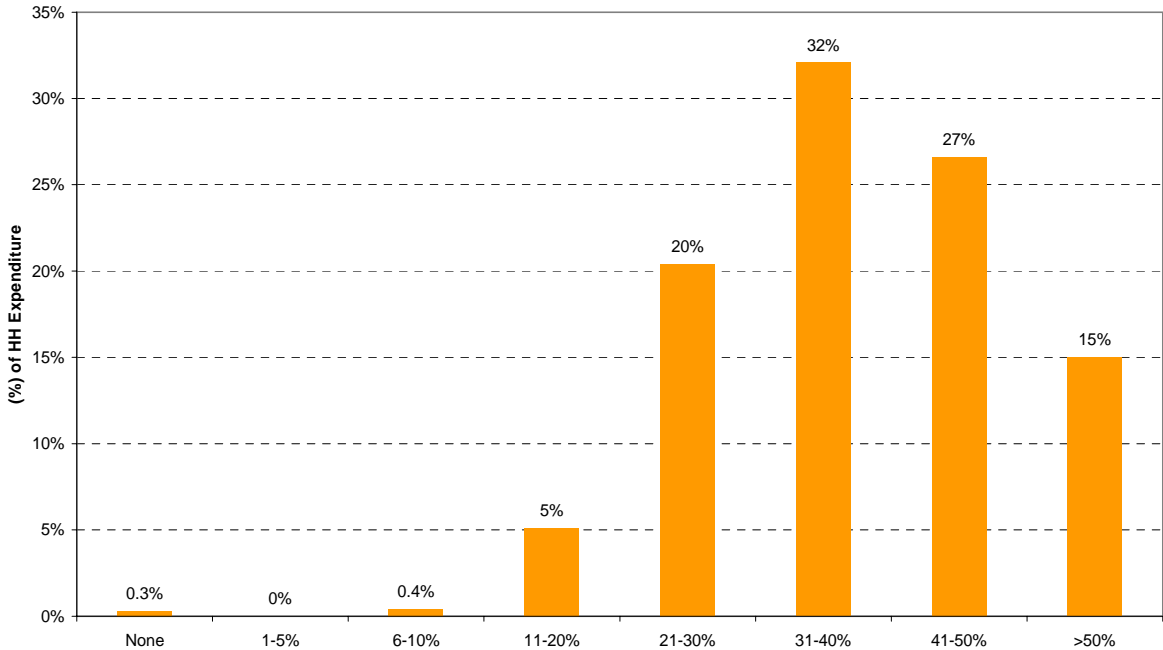
In these tough and turbulent times, where is the household rupiah going?

What a year it’s been. By any yardstick, 2008 was an exceptional year for most people regardless of age, gender or geography. In turmoil, the old economic order is in question around the world. Many readers of this column will have lost significant chunks of their investments, seen their assets devalued, or both.

But to the overwhelming majority of Indonesians, the rising cost of food and fuel took a particularly heavy toll on their everyday lives for the first half. Later in the year, prices of many household essentials actually came down. To use that old cliché, the only constant is change itself. The need to know the facts even as they change for better or for worse is almost equally fundamental. To measure the impact of these powerful influences on their rollercoaster lives, Roy Morgan Research completed a special survey at the end of October, conducted across the broad cross-section of society nationwide. A total of 1917 respondents were interviewed. They were asked what percentage of their household’s monthly expenditure was spent on the primary items of

To start with the basics, Indonesia’s fundamental divide of “haves” and “have-nots” at a ratio of 40:60 was reconfirmed yet again. In answer to the question “does any member of this household regularly save a percentage of monthly income”, only 41 per cent of respondents said yes. In other words, 59 per cent of households do not save any money each month. Similarly, 55 per cent do not spend anything on the home itself, by way mortgage, rent or repairs. That’s because the modest home is more than likely to be a generational hand-me-down, usually housing an extended family.

PERCENTAGE OF HOUSEHOLD BUDGET SPENT ON FOOD





Most disturbing is the revelation that food comprises a major portion of the domestic budget for most homes. 59 per cent of households spend 30-50 per cent of their monthly expenditure on food alone. To another 15 per cent of the population, more than half the money literally gets eaten up. About half the households spend between 5 and 10 per cent of their budgets on transport and another 5-10 per cent on utilities like electricity, gas or kerosene.

41 per cent spend 10 to 20 per cent on education, even though public schools are supposedly state funded. 35 per cent of households spend 5 to 10 per cent of the monthly budget on healthcare costs. While most homes spend between 5 and 20 per cent of their budgets on “other” expenses including clothes, detergents, personal hygiene products and the like, real discretionary expenditure is a luxury enjoyed by a small fraction of society.

Recent dips in the price of essentials like food and fuel have already had a positive impact on consumer confidence, across all levels of society. With prices in global markets on the decline, the lift in spirits is expected to continue for a few more months in Indonesia. But the tide will turn again when the impact of declining exports, consequent to declining consumer demand from developed countries facing recession, bite into the Indonesian economy.

There is no silver bullet for the major challenges facing Indonesia, compounded now by the problems gripping the major economies of the world. There has perhaps been no better time for Indonesia to look inwards, without abandoning the many links built successfully with the global marketplace. Handouts cannot fight unemployment, but two engines of growth can indeed make an impact.

The first is public spending on infrastructure. Beg, borrow or steal, every rupiah spent on developing Indonesia’s infrastructure can only pay rich dividends when times get better. For the next five years, every job created and every rupiah spent on building roads and bridges, ports and transport systems, schools and hospitals will not only create jobs immediately but build essential assets for the future.

The second is helping to strengthen the backbone of any economy, small business. One particular area hungry for attention is agriculture. For a largely rural population, Indonesia imports too much of its food. Incentives, advice and assistance to encourage more farmers to grow food is now a national necessity, not a nicety. These are crucial to the country’s well-being in the turbulent, unpredictable times ahead. There are no easy alternatives.

These opinions are based on reliable, regular insights from around the country. Roy Morgan Single Source watches society, products and consumers, every week. With over 25,000 respondents annually, it is projected to reflect the views of almost 90% of the population 14 years and older, both urban and rural. The reports are updated every 90 days. Any significant shifts in the nation’s attitude and people’s behaviour become immediately visible.

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