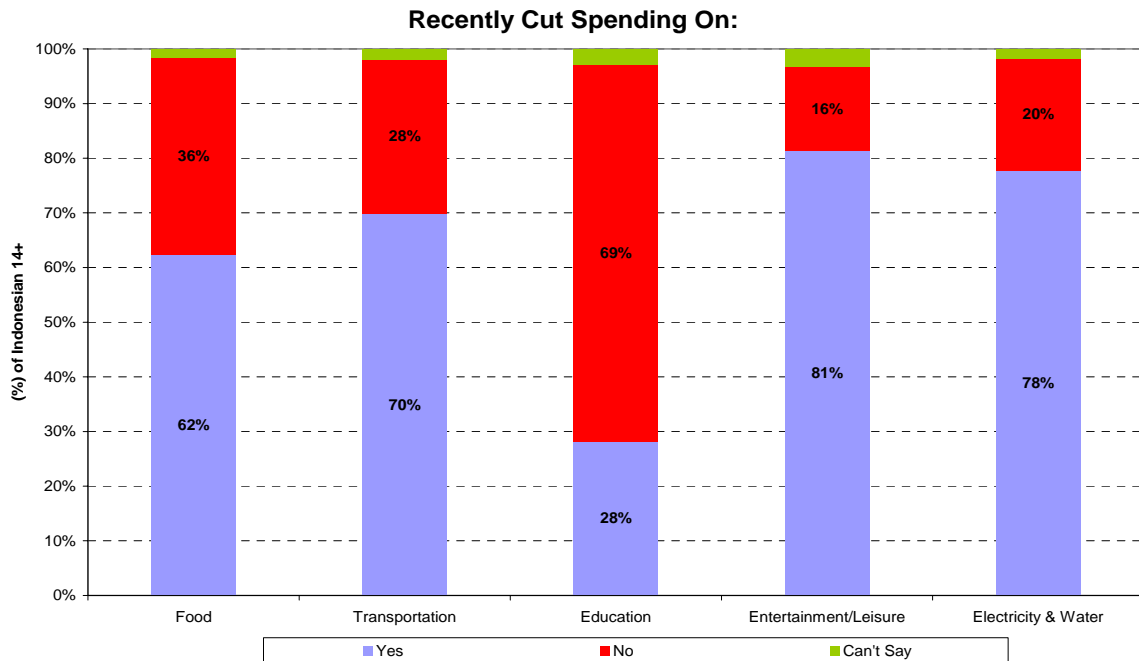


Talk the economy up or down, reality bites the consumer.

The trouble with big numbers is that they often hide the real truth. One of the more useless indicators is “per capita income”. It’s a measurement that lulls the average reader to conclude that the wealth created by a country as it moves forward is somehow evenly distributed among all its citizens by caring governments. At the same time, the underprivileged millions are left wondering why the sun isn’t shining in their dark corner of the country.

With decades of unfettered greed and unregulated markets taking their toll, average citizens everywhere are paying the price for the bubble that has burst. The cost of removing the mountains of debris that have simply been labelled “toxic assets” will be paid by the taxpayer, as usual. Privatised profits and socialised losses are a way of life, thanks to the nexus between big business and big politics. These last few months have seen leaders everywhere talk down their economies, preaching gloom and doom to justify their stimulus packages. Now that the paper has been printed and borrowed money is being spent, we can already see our leaders talking it up, to boost consumer confidence and therefore, consumer spending. It’s as if life is a comedy of errors and we are all actors, some big some small, playing our assigned roles by rote.

Even on a good day in Indonesia, most people have very little discretionary spending to play around with. Paying for the essentials is the focus in most homes. Whether the economy is in fact up or down, life’s a struggle for the majority. Even before the global financial crisis started gripping the world from September 2008, the Indonesian consumer was bearing the brunt of spiralling food and fuel prices that added to the everyday pain in the first three quarters of last year. The last quarter saw significant declines in the local market, as the price of grains and oil both dipped globally. In the changed circumstances, Roy Morgan Research conducted a special year-end poll to feel the pulse of the consumer.



Over a four-week period in December, a random sample of 2198 respondents from across the country were asked if they had recently cut down their spending on household expenses, and on which major categories of the domestic budget. No surprise, every respondent has cut down on something or the other.

Almost three out of four have cut down on groceries, of which food is the dominant expense. 70 per cent are spending less now on transportation than before. 81 per cent aren't going out or having fun as much as they used to, cutting down on entertainment and leisure activities. 78 per cent have reduced their expenditure on utilities like water and electricity. Even money spent on education has been affected, say as many as 28 per cent of respondents. These five pillars of the household budget is in greater stress than before.

These results make perfect sense especially when read in tandem with Roy Morgan Single Source, a syndicated survey with over 25,000 Indonesians 14 years and older interviewed each year. Almost 90 per cent of the population is covered, in the top cities, other urban and rural centres as well. That national database is updated every 90 days, tracking changes as they occur.

The everyday struggle is very real for the overwhelming majority of the population. Fragile and vulnerable, any economic downturn affects them immediately, where it hurts most. A global phenomenon of the kind we are witnessing today renders their plight even more difficult to address. With mounting job losses around the world as well as in Indonesia, the situation will get a lot worse before it gets better. While most people are perhaps unaware of the G20 Finance Ministers meeting, the jury is out on how much of the agenda was focussed on the wet market and how much on the stock market. The world is watching for signs of real change in political direction and while the first signs are good, the fear for many is that it will return to 'business as usual' all too quickly. Left, right and centre of the political divide, the debate on handouts and bailouts rages on but all agree that jobs need protection, for the benefit of all.

From a marketing perspective, consumer spending on everyday essentials will of course continue. With people cutting down, less consumption as well as downtrading and brand-switching will affect many manufacturers. Other barometers like cellular phones and motorcycles are showing signs of slowing growth, but are still at remarkably healthy levels of demand. As always, even the people with disposable incomes and money to spend on life's luxuries are also reducing their discretionary spending. So it will take a while before airlines and cars, hotels and designer labels see a recovery. The money being injected into the elections this year will cushion the blow for some including the media industry, while engaging many around the country who would otherwise be jobless.

As the stimulus funds start flowing through into infrastructure and social projects this month onwards, the impact on the intended recipients downstream will soon become apparent. Watch this space for those developments.

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