

## Why talk the economy down, even when it's up?

If we were to accept Bank Indonesia's view of the economy, the average consumer is in a permanent state of depression. It's Consumer Confidence Index has never crossed the 100-mark, into positive territory. In the best and the worst of times, it tends to hover down in the doldrums somewhere between 80 and 90. If it was taken as a real reflection of the consumer pulse, both existing marketers and potential investors would be permanently jittery.

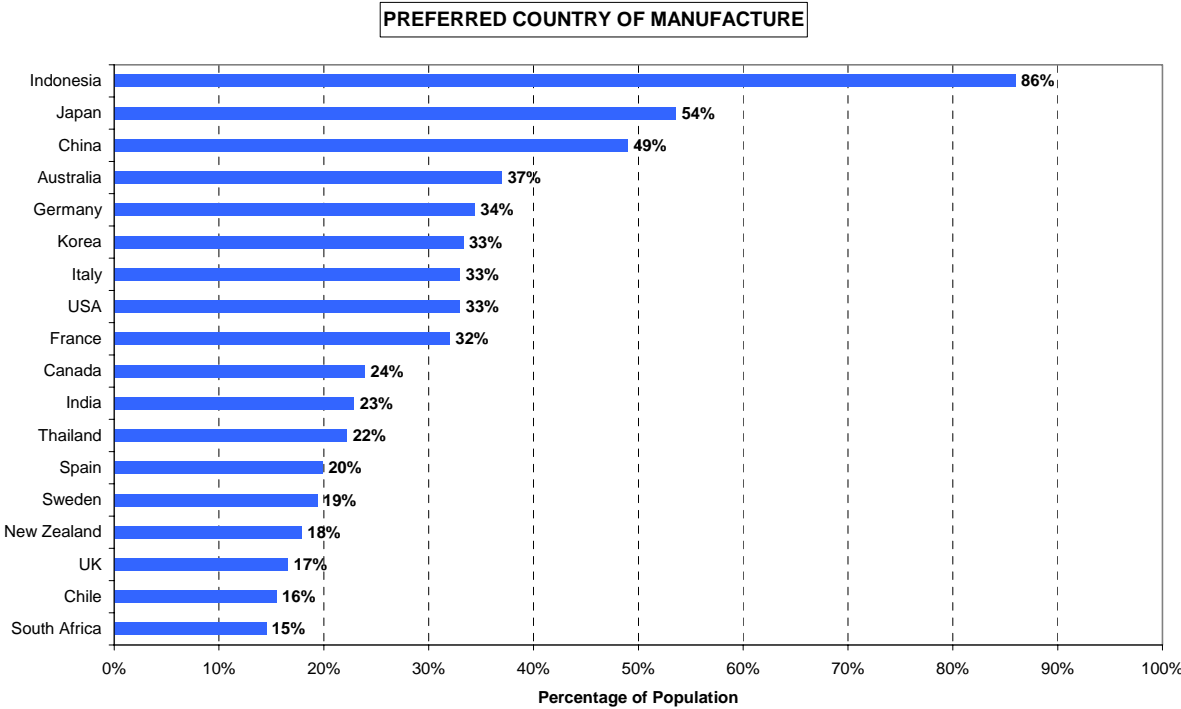
Speaking at seminars about opportunities to potential investors becomes all the more difficult, in the face of the gloomy official picture painted by officialdom. The Danareksa Consumer Confidence index is similar in its view, marginally more positive. In reality, the consumer economy has displayed a resilience that belies that dark picture. Even in recent years, the period before the twin fuel price hikes of 2005 were particularly good times for most businesses. The crash in confidence after September 2005 was followed by a gentle but steady recovery, till global food and fuel prices took their toll again in late 2008. These two factors influence the local mood more than anything else, confirmed yet again by the reduction in prices in the last quarter of 2008.

The Roy Morgan Consumer Confidence rating tracks consistently above Bank Indonesia's, almost always 20 points ahead, almost always above the vital 100-mark. Even as the developed world slid towards recession dragging many others into negative territory, Indonesia's consumer sentiment was heading steadily upwards. When the BI rating shot up to 94 at year's end, the Roy Morgan index reflected the same burst of enthusiasm but with the usual 20 point difference, at 116. The contrast in the mood when compared with most of the world, including immediate neighbours Australia and Singapore, was difficult for many to fathom. Influenced by the global crisis, most pundits assumed Indonesia would not be spared the impact of the international tsunami. Confidence in Indonesia, a positive talking point, got buried amid the bad news from around the world supported as if by state-owned institutions.

The difference in the two indicators can be attributed to the fact that the questions are different. Another significant difference is that the BI study is conducted in 18 cities, while the Roy Morgan survey reflects the mood in the top 20 cities, the smaller towns as well as rural Indonesia. In recent months, the rural consumer has been more confident than usual, buoyed by the drop in the prices of essential goods. But most importantly from a marketer's perspective, the Roy Morgan index can be linked directly to the varying confidence levels of different consumer groups, like Pantene versus Lifebuoy buyers or Honda versus Yamaha intenders.

It is only by cross-examing these specific differences that the real truth can be determined by marketers. A national index is precisely that, a national average, nothing more. This is not to ignore or deny the obvious. Consumer behaviour in Indonesia today does reflect the downturn in several industries, but there a surprisingly large number whose fortunes have hardly been affected. Knowing the differences and monitoring changes in each industry will keep the more market-savvy ahead, when normalcy returns. At no point in time does it serve any purpose for industry at large to talk the economy down, when in reality there are

reassuring signs to the contrary. Confidence is key. Spreading the good news when it is available will only help speed up the recovery, for all.



At a time when world leaders are cautioning against protective barriers but urging locals to buy locally-made, new investors are shy to jump in. Indonesia is no different. On a good day, the Indonesian consumer prefers to buy made-in-Indonesia products, steady at around 85 per cent of the people. But over the years, products from a number of countries have also won their hearts and their wallets. Today, a robust ranking of countries from which they prefer to buy products shows how opportunities are being maximised, or missed.

That Japan and China follow Indonesia as preferred countries of manufacture will come as no surprise. What will surprise many is that Australia ranks No 4, ahead of Germany and Korea. From an Australian perspective, that is both good news and bad. On the one hand, the goodwill reflects opportunity. On the other, the relatively small number of businesses involved in the local consumer market reflects missed opportunities. The United Kingdom in comparison has much work to do in winning Indonesian consumers, languishing as it does at No16. But the message to the world is that Indonesia remains a relatively strong consumer economy, deserving positive attention from marketers and manufacturers across the globe.

These opinions are based on Roy Morgan Single Source, a syndicated survey with over 25,000 Indonesians 14 years and older interviewed each year. That national database is updated every quarter, reflecting changes as they occur in the unpredictable times we live in. Almost 90 per cent of the population is covered, in both urban and rural Indonesia.

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