

More homes begin to loosen their purse-strings.

Continuing the effort to understand the impact of the global financial crisis on the Indonesian consumer, Roy Morgan Research recently ran a special survey of 2,044 respondents around the country. They were asked if they had recently cut down their spending and if so, on which items of household expenditure. The result saw a marked visible improvement, in tandem with the continuing climb in consumer confidence during the January-March quarter.

Even at the best of times, at least six out of ten Indonesians claim to “recently cut down on spending”. This is a constant reality measured for the last four years by the continuous study Roy Morgan Single Source, across the country. But in comparison to the special study conducted in December of 2008, the March 2009 data indicates a visible decrease in stress levels. Five major categories of everyday spending were revisited: food, transportation and fuel, education, entertainment and leisure, electricity and water. In contrast with December when 62 per cent of respondents said they had cut down expenditure on food, the number in March was down to 54 per cent. For the average household, this is the biggest category of everyday expenditure.

Similarly, spending on transportation and fuel was down from 70 to 60 per cent. Though bus companies refrained from reducing fares, the reduction of fuel prices at the pump helped bring reduce the burden for the 80 million Indonesians 14 years and older who have at least one motorcycle in their household. Cut-downs on spending for school fees, sacred ground for every parent, went down from 28 per cent of respondents to 26 per cent in March. Universities have been spared much of the pain during these times, catering as they do to the more financially well-off. The pressure also eased a little on entertainment and leisure costs, down from 81 per cent holding back in December to 76 per cent in March. Among the beneficiaries, media. Magazines, cinema and internet users created a visible nudge upwards. The fifth major item on the household budget, electricity and water, also saw some respite with 72 per cent cutting down in March, 6 per cent lower than December.

Small though the differences may be, they are significant. They indicate an easing, as opposed to a continuous tightening of domestic purse-strings in most consumer economies around the world. That the situation remains fragile is borne out by the main grocery buyer in the average household maintaining a strict control on expenses. 58 per cent of family members “never shop” while 12 per cent “sometimes shop”, significantly lower numbers of casual shoppers running errands than two years ago. The housewife is doing most of the shopping herself at the local *pasar*, topping up with the customary visits to the nearest kiosk.

This change in household shopping behaviour has had an impact on the fortunes of many brands. In most fast-moving consumer goods categories that have say ten major brands, two or three are growing with the number of buyers on the increase, three or four are tracking as usual and two or three are losing numbers in the number of buyers. It is obvious that most homes are now using each item more frugally, squeezing the pack to the last drop as it were. But the easing up of commodity prices that took a heavy toll on the household right through the first three quarters of 2008, continues to have a positive effect. Increase competition among packaged goods and services is also helping the consumer economy ticking over.

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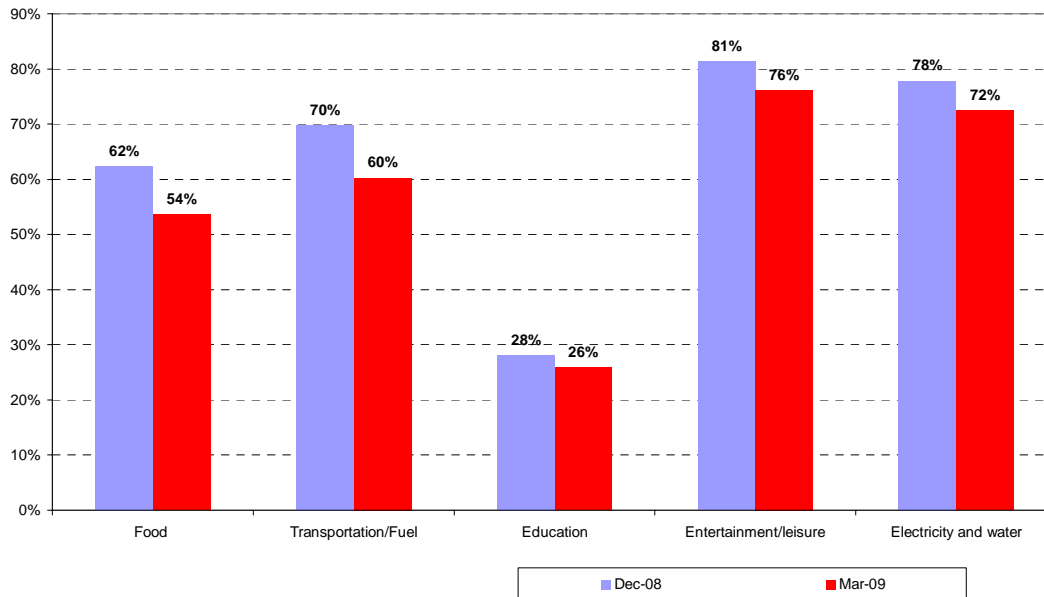
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Cut Spending On:



These conclusions 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 these difficult times. Almost 90 per cent of the population is covered, in urban as well as rural Indonesia, one of the reasons why the survey is used by more marketers and media agencies than any other.

To suggest that all is well and the troubles are over would be a distortion of current signs. On the other hand, any suggestion of a global tsunami taking its toll on the local economy would be equally disingenuous. Investing in brands during tough times pays dividends in the upturn, and beyond. That lesson has been learnt often enough, with many of today's market leaders able to tell their tales of earlier success. It will be no different this time, with the turmoil of the 1997 Asian crisis dwarfing the current slowdown in Indonesia.

A stable bigger picture, bolstered by the first quarter growth in gross national product, is expected to continue with infrastructure development funds flowing in during the April-June quarter. The job losses that added to the pain of the weakest sections of society in the last quarter of 2008 appeared to have eased during the first quarter of 2009. There is no visible growth in unemployment during the January-March quarter, monitored continuously by Roy Morgan Research. In fact, the first signs of a potential stability can clearly be seen. Skilled workers are coming back to the workforce and micro-businesses are opening as well. Anecdotal news of cement companies ramping up production again after cutting back on the expectation of a local slowdown that didn't happen, augurs well for the months ahead. If industry at large mirrors consumer sentiment more accurately, each can feed off the confidence of the other.

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