

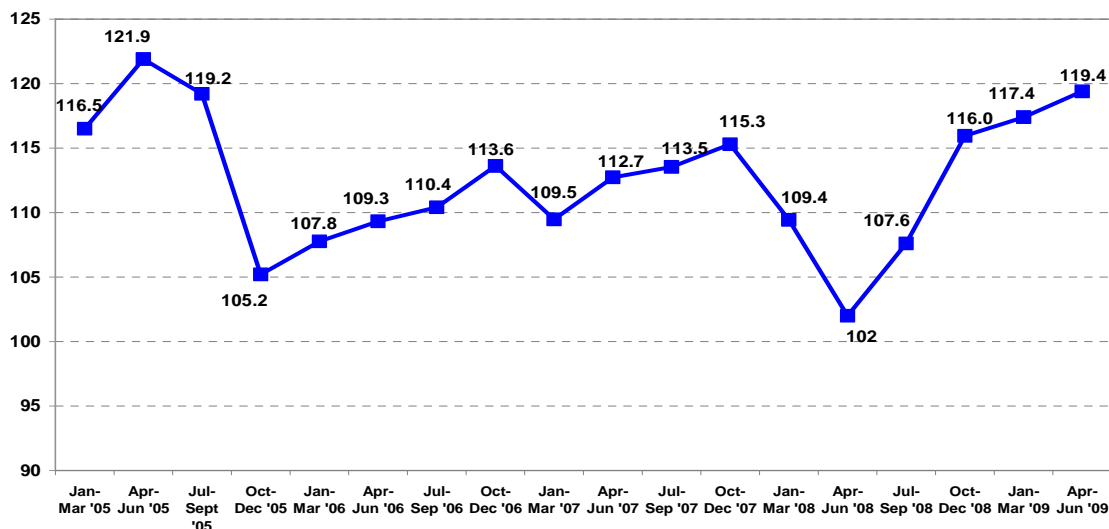
It's time to declare the GFC in Indonesia 'officially closed'.

Last week, an international conference on AIDS with delegates from 50 countries. This week, an Indian wedding with guests from 9. Bali is well and truly back in business, thanks to a world grown accustomed to the pain created by the religious lunatics on the fringe. The tourists are in town for the high season with hotel rooms, rental cars and even airline seats in short supply. I should know, I was managing the transportation desk for the wedding and doing a bad job of it.

While Bali isn't necessarily good indicator of the Indonesian economy, it usually reflects the national mood. In continuation of the good news from across the archipelago, two more indexes from the April-June quarter are in hand. The Roy Morgan Consumer Confidence index continued its joyous climb upwards, gaining two more points. At 119.4, it is now just two points shy of the all-time high of 121.9 achieved in the April-June quarter of 2005, exactly five years ago. Then came the fuel price hikes and blew the confidence away. Now, the confidence is well and truly back, positively impacted by the reduction in the prices of food and fuel late last year

There are three significant differences with Bank Indonesia's rating, up a massive ten points at 105.8 for the same quarter, but barely in positive territory above the neutral 100 mark. First, the central bank's survey is conducted in 18 cities, home to less than 25 per cent of the population. These big cities are usually the most enthusiastic or the most pessimistic, in good times and bad. Second, the Roy Morgan study is conducted in over 70 locations each month, not just in the top 20 cities, but in smaller towns as well as villages around Indonesia. It reflects the mood of the people, not just the big city folk. Third, the national average can be compared with specific target groups, like a bank's customers, people intending to buy a particular brand of car or the main grocery buyer in a particular city.

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The buoyant mood has a sobering aspect that needs underlining. Much of the growing confidence is built on hopes for better times ahead, not real improvements in individual finances. That does not mean that the confidence is hollow. The everyday reality in Indonesia is a continuing struggle by the main income earner in the household to make ends meet. Though the average monthly wage has grown steadily over the last five years, it is still a modest Rp 1 million per month. With 52 per cent of homes needing at least two incomes to cover household expenses, savings remain a dream for most. Inflation doesn't help. But hope is too often ridiculed, or undervalued. Even its detractors will agree that hope is the very heart of consumer spending, especially among the overwhelming majority of modest homes that keep the wheels of Indonesia's consumer economy ticking over.

Does anybody know of a soap or toothpaste maker who is doing badly? Cheese, even biscuits maybe down a little but even these 'discretionary' items of expenditure are well on their way to recovery. Strongly supporting the hope for even better times ahead, is the Unemployment rating for the April-June quarter. Down another smidgeon from the last quarter, the jobless now account for 7.2 per cent of the workforce. Significantly lower than the official 8.2 per cent last announced by the Ministry of Manpower, the continuing downward trend is yet another strong signal. In tandem, the confidence and unemployment ratings should encourage all concerned with the consumer economy to declare the GFC "officially closed" in Indonesia. At its peak, it never really had any impact on the average Indonesian. From the local perspective, the GFC was an ailment that affected only the wealthy.

With the good news continuing to flow in, the emphasis needs to shift from just creating jobs to paying better wages as well. A horrifying idea for some perhaps, but an essential pillar of continued success. Many pundits and penny-pinchers will cry foul, aghast at the idea of voluntarily raising costs. What the GFC has proven to Indonesia is the strength of its internal combustion engines. Asia as a whole has learnt to look within, the importance of exports a lesser goal than it has been in the previous decade. A better-paid workforce means better standards of living, more consumption, more profits. It's really that simple. Now is the time for employers to take courage from the leading indicators, to spread the wealth. It is the best recipe for creating even more. It will lead to a better quality of life for many more but better returns for employers as well. The threat of consequent inflation so often raised has proven to be a manufactured claim, just as often.

These opinions are based on 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, from the cities, towns and villages around the country. It's statistical reliability isn't easily challenged. The continuous finger on the pulse of Indonesia is one of the many reasons why the survey is used by more marketers and media agencies than any other.

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