

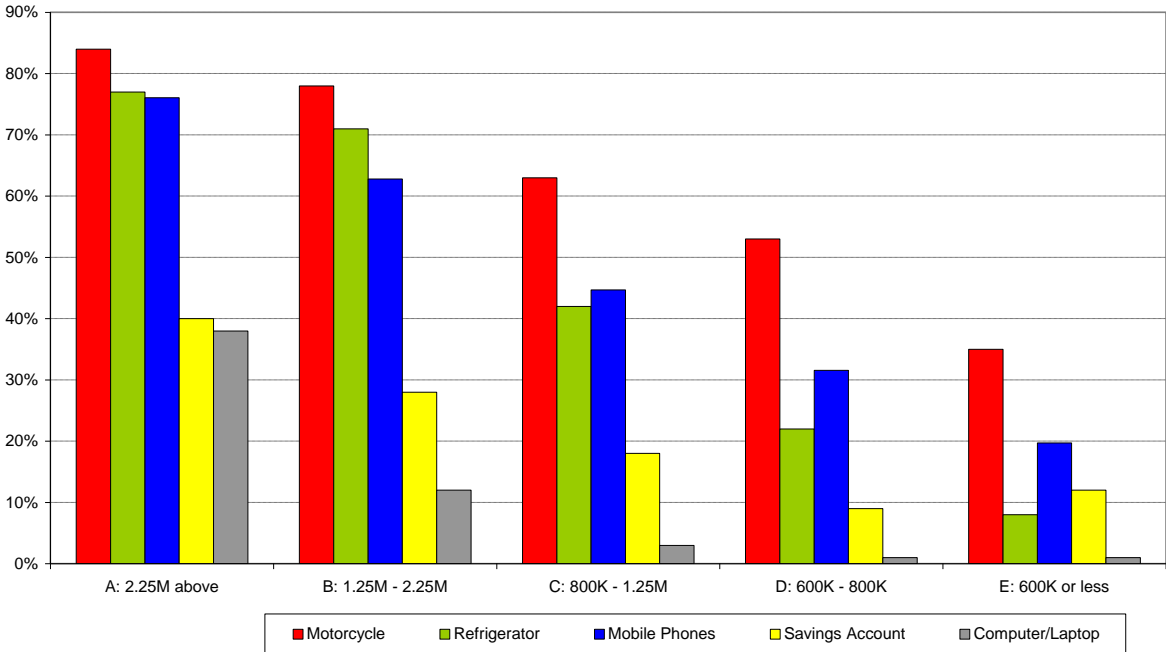
As poverty declines, “upward mobility” is being redefined.

While the G20 finance ministers debated the pros and cons of capping the bonuses of bankers, Indonesia’s Sri Mulyani would have had much to celebrate. With poverty visibly on the decline across the country, the callous folks who gave us the global financial crisis would be a low priority on her agenda.

The good news from Indonesia keeps on pouring in. The first half of 2009 witnessed the continued strengthening of socio-economic well-being. Most importantly, the focus on poverty alleviation and stimulating the economy from the bottom up is paying dividends. A look at Roy Morgan’s stratification of households reveals the evidence. Over the last five years there have been steady and positive changes in Indonesia’s A, B, C, D and E classes. The lines are all heading in the right direction.

Measured in constant rupiah spent each month as household expenditure, the number of Indonesia’s poorest represented as ‘E’ at the bottom-end of society has been gradually declining. From 38 per cent of society in December of 2005, the ‘E’ strata has dipped to just over 20 per cent today. Similarly, the next-in-line ‘D’ strata has dipped from 2005’s 27 per cent to June’s 23 per cent. The continuing upliftment of the nation’s most underprivileged classes is no mean achievement. It is perhaps the most significant indicator of Indonesia’s march forward. No doubt the rich are getting richer, but the best news is that the poor are certainly not getting poorer. In real terms, after taking into account the relatively high cost of food and other essentials, the weakest sections of society are gradually getting stronger. For business at large there can be no better news. In the simplest of terms, it means more consumers are now able to reach out for more goods and services.

OWNERSHIP OF HOUSEHOLD GOODS, BY SOCIO-ECONOMIC STRATA



In the middle, the 'C' socio-economic group has climbed confidently in the other direction, from 21 to 32 per cent in the same five years. If they are at the lower end of Indonesia's middle class the top-end hasn't done badly either. The 'B' class has also been racing forward, from 12 per cent in 2005 to 20 per cent today. Not surprisingly, the 'A' group at the tip of the pyramid has continued to grow, with the erstwhile 1 per cent multiplying to almost 5 per cent today. Good news too for higher-end products and services, now waiting patiently for the globally connected stock exchange to make a robust and sustained recovery.

No wonder, almost every manufacturer in mass-market products and services has continued to register growth, right through the international economic crisis. With food and fuel costing less than it did same time a year ago, it is not only the soaps and shampoos, the food and beverage products, that have grown. My three favourite indicators of consumerism in developing markets, cellular subscribers, motorcycles and refrigerators, are all marching forward confidently.

Today, almost one out of two Indonesians have a cellular phone. Demand remains strong, and almost a million new entrants continue to join this new world, every month. Competition is intense, so revenues per capita are down, but the market continues to grow thanks largely from the bottom end of society. Just under 85 per cent of 'A', 78 per cent of 'B' households and 63 per cent of 'C' households have a motorcycle at home. In Indonesia, as in China and India, the motorcycle is a business vehicle by day and a family transport at night. By that token, change for the better is happening all around us, every day. Demand remains strong, fueled by easier access to financing by an ever-growing number of lenders. Allied to this phenomenon, the number of new savings accounts as well as the number of people intending to open one are both growing steadily once gain. Now, over 7.5 per cent of people 14 years and older have a plastic card, almost double the number five years ago. They are Indonesia's fortunate, with real disposable incomes. They too are growing, but not nearly as fast as Jakarta's sprawling new shopping malls appear to be.

Just about every household has a television set. But what used to be a luxury for most is now becoming an essential in more and more homes. 71 per cent of 'B' and 42 per cent of 'C' households have a refrigerator today. This despite the fact that large numbers have migrated upwards from 'D' to 'C' in recent times. As they settle in, as their aspirations rise, demand for more domestic appliances that used to be for only for the affluent few, will continue to rise as well. None of these signs of upward mobility should demean the pain that millions of the poorest live with everyday. But there is no doubt that consumerism is growing and more creature comforts are becoming accesible to more people. Best of all, poverty is declining. It's time to raise the bars for each strata, redefine them again.

These conclusions 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. The data is updated every 90 days.

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