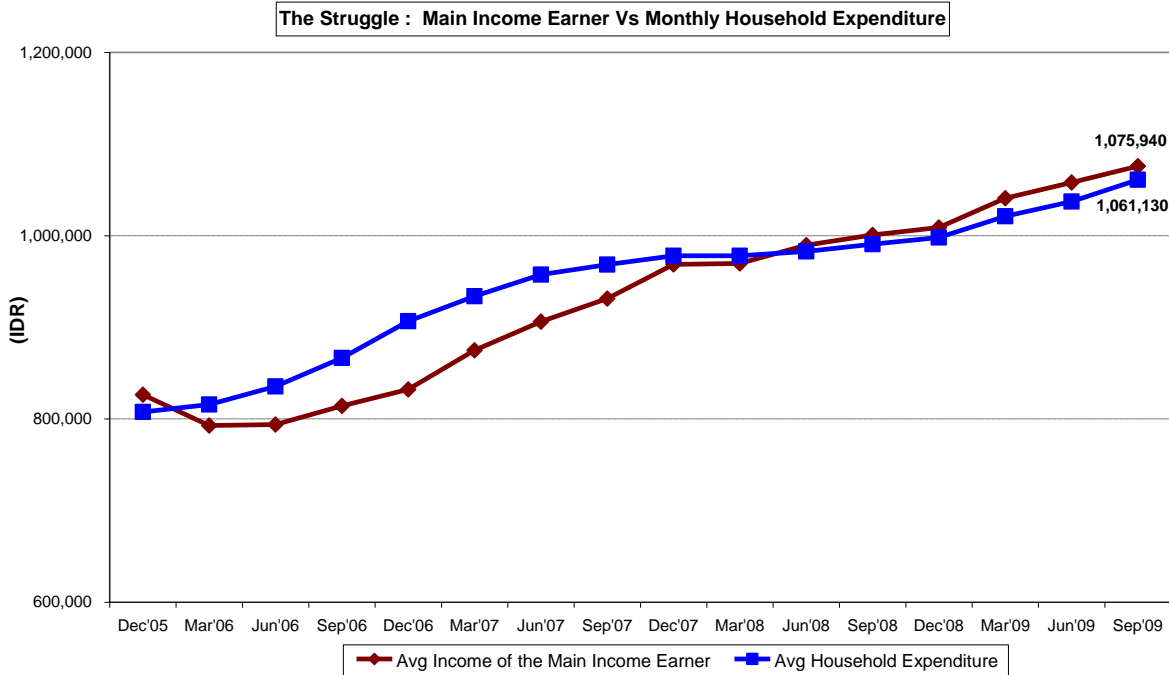


Robust signs point to healthy growth for consumer economy.

Two-thirds of the Indonesian economy is driven by people buying and selling goods and services. Conversations over lunch with marketers of these consumer products will confirm steady growth in 2009, poised for more in 2010. For manufacturers of everyday essentials like toothpaste and tea, headache pills and cooking oil, double-digit growth in the year ahead is well within reach. Higher fees may have driven down the number of people with active savings accounts, but the big banks are recording healthier profits. Intensifying competition may have reduced the call-rate per second, but telecommunications companies aren't seeing lower spend-levels in a market that continues to attract new entrants. Even bigger ticket products like electronics and motorcycles are poised for a full recovery in 2010. The advertising industry, always a good barometer, is looking ahead with optimism too.

It's the luxury end of the market that is sluggish, slower to bounce back. New cars, holiday travel and high-end retail for example, are lagging behind the faster moving mass-market products and services. More influenced by the state of the global economy, consumed more by people affected by the ups and downs of the IDX, these high-end products are more dependent on external factors. As long as inflation is reined in at around 5 per cent, Indonesia's internal combustion engine seems geared to chug confidently ahead.

Insights from Roy Morgan Research reconfirm this outlook, from the people's perspective. The all-time highs in Consumer Confidence may have taken a battering from the political scandals of recent months, but closure of the commission hearings will heal those wounds in time. Optimism will take over once again, if history is an indicator of future trends. But the strongest signs of hope are jobs and incomes. Unemployment continues to head in the right direction, with more workers switching from part-time to full-time jobs.



This is increasingly true also for the 25 per cent of women who are active members of the workforce. Variances in definition, timing and frequency put Roy Morgan Research data at odds with those reported by government institutions. For example, the officially reported jobless rate in Indonesia is 7.87 per cent, as at August 2009. The comparable number from Roy Morgan Research is lower at 7.2 per cent, taking underemployment into account. But regardless of source, definitions or methodology, the trends are similar. In sharp contrast, these trends are heading in the opposite direction in neighbouring Australia, deemed the best performing economy in the developed world.

More jobs for more Indonesians will obviously lead to more consumption. Better wages will spur that growth on, even faster. Equally important for tomorrow is the fact that average incomes are growing steadily. In just the last five years of the decade gone by, the average income of the Indonesian breadwinner has gone up from barely Rp. 800,000 per month to almost Rp.1.1 million today. While rising prices have eaten into much of that increased spending power, more cash has brought more everyday essentials into millions of homes. There is no denying that the everyday struggle continues for the average Indonesian. But what should not be ignored either is the good news: for five quarters, the average Main Income Earner has been able to pay for his household's expenses all by himself. (The few female breadwinners will hopefully forgive the writer's laziness). This is a much happier family portrait, when compared to the seven quarters starting in January of 2006. Then, a second income was an existential necessity. Today, despite the growing percentage of women finishing high school, the percentage of women at home as housewives is inching upwards. Simply put, they wouldn't be at home if they couldn't afford to be.

These opinions are based on findings from Roy Morgan Single Source, the country's largest syndicated survey with over 25,000 Indonesian respondents each year. Conducted in cities, towns and villages across the country the data is projected to reflect almost 90% of the population over the age of 14. The survey is used by more marketers and advertising agencies than any other survey in the country.

While major improvements are visible and more are in the offing, they aren't coming fast enough for Indonesia's underprivileged millions. What cannot be ignored is that the same brand of shampoo costs the same on the shelf in Surabaya or Perth. Lower operating costs makes a country like Indonesia attractive to international manufacturers with global markets. But the question that begs asking is how much really is the low-end labour cost in that bottle of shampoo? At barely US\$120 per month, the average Main Income Earner still earns a pittance. While his more fortunate brother working in an Indonesian factory may bring home twice as much, it's still considerably less than his counterpart in say, Poland.

As indicators go, Per Capita Income is a blunt instrument, assuming as it does that national wealth is equally distributed. Unskilled workers and labourers have seen not nearly enough of their fair share. Yet, for the majority of goods and services, they are overwhelmingly the primary consumer. Imagine the impact, if more of them had more to spend, more to save, more to invest. Good for business, don't you agree?

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