

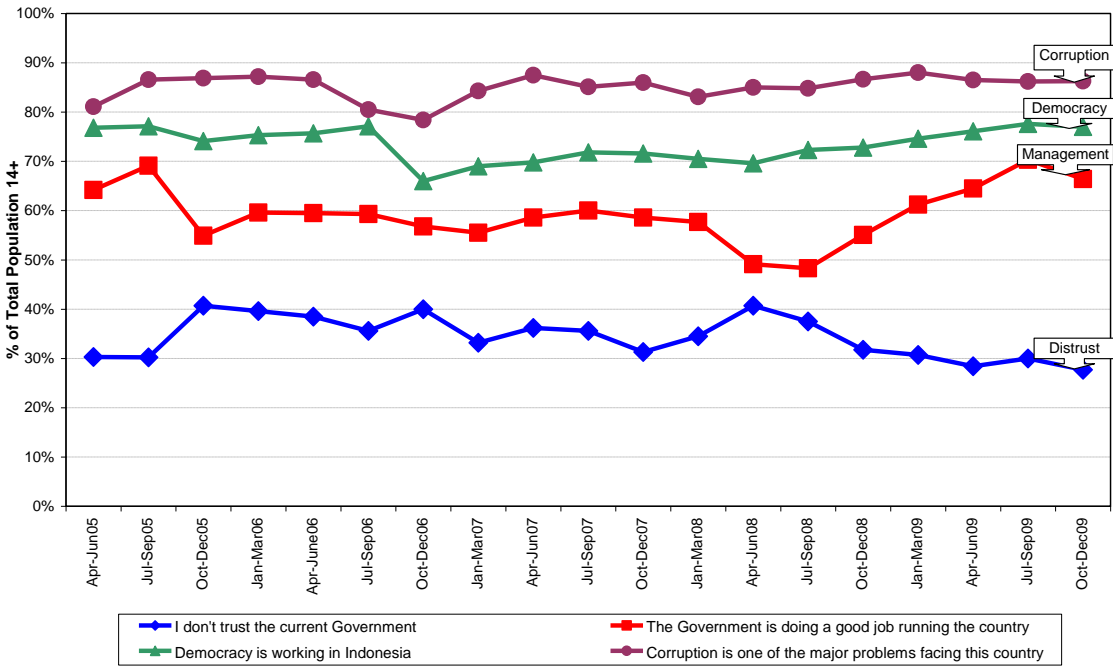
Changes in perceptions of government affecting economic progress.

News travels faster in the metros, like it does everywhere. Opinions are made and judgements are formed faster in the big city, than they are in towns and villages. Indonesia is no exception. The ebb and flow of public opinion is changing, but at distinctly different speeds around the country. The October-December 2009 update of the Good Governance Monitor reflects those differences. There is no doubt that all the news of all the political scandals, the agonisingly long inquiry commission, and the bewildering judicial verdicts are taking their toll on the economy.

At the top end of society, business owners and investors are not just having second thoughts, many are postponing investments and higher cost commitments. The evidence was visible in the fourth quarter, as the total amount of investments went down. Consequently, new job creation was adversely affected, as were raises in wages for the currently employed. The widening gap between the average breadwinner's income and the average household's monthly expenditure suddenly narrowed again, proof of the increased pressure on everyday living. A nervous affluent minority, conscious of the need to wait-and-see once again affected the fortunes of the humble majority. Employers have their hands on the tap, the trickle-down is slower than it was before and after the election. The loss of much of the goodwill among the haves will soon affect the have-nots.

What happens in the first quarter of 2010 will be deeply influenced by the conclusions the legislators finally arrive and the actions the SBY administration then choose to take. The horse-trading and the deal-making is being watched by both the media and their audience. Buoyant yesterday, Indonesia runs the risk of losing much of its economic steam tomorrow.

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On a national level, 86 percent of Indonesians continue to believe that “corruption is one of the major problems affecting this country”. It remains the No. 1 social issue around the nation. The unrelenting media spotlight on all the shenanigans surrounding Bank Century is keeping that rating alarmingly high. Consequently, the belief that “democracy is working in Indonesia” went down by 1 percentage points from the previous quarter. That view took an even bigger hit in the Top 20 Cities than it did nationally, going down by an additional point.

Throughout 2009 the scores have been much higher in the same big cities for “the government is doing a good job running this country”. Nationally, the score fell by four percentage points in the last quarter, to 66. In the Top 20 cities, it dropped by three to 74. If that dip continues as it is expected to in this current quarter, it will impede a consumer economy that has been pushing ahead with growing confidence.

The faith the president enjoys especially among people outside the big cities has kept his popularity ratings among the highest in the world, despite the recent pressures. On a national scale, only 28 percent say “I don’t trust the current government”. But in the big cities, that trust has been badly hit with 33 per cent now agreeing with the statement, up four points from the previous quarter. While the key performance indicators place this administration among the most highly rated anywhere in the world, dashed hopes and broken promises will inevitably hurt even the most popular of governments.

Trust lies at the core of confidence, among employers, employees and housewives alike. In contrast to Bank Indonesia’s index garnered from the big cities, the Roy Morgan Consumer Confidence hit an all-time high of 124 in the last quarter. That record was set with the influence of consumers from the towns and villages of Indonesia, continuing to swim against the tide of their cousins in the big cities. But if everybody everywhere starts pulling back in unison, Indonesia will rob itself of its own opportunities, all by itself.

These conclusions are based on findings from Roy Morgan Single Source, the country’s largest syndicated survey with over 25,000 Indonesian respondents annually, projected to reflect almost 90% of the population over the age of 14. It is the only syndicated survey conducted not only in the Top Cities but in Indonesia’s towns and villages as well. The findings are updated every 90 days.

If the administration is going to stem the rot before it well and truly sets in, the inquiry commission must produce a set of credible findings and recommendations. And do so quickly. The more fuzzy the outcome of the deliberations, the longer it takes, the more insecure both employers and employees will become. From under its dark shadow, the government isn’t being able to add to the consumer’s confidence with its own. One does not work without the other. With both working in tandem, the consumer economy could forge ahead with renewed vigour, fulfilling the promise it has shown so resiliently even during the darkest days of the global financial crisis.

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