

## What's the cost of a political stalemate?

If you've been wondering what six months of political manoeuvrings have cost the Indonesian economy, you also know it would be impossible to answer the question comprehensively. But some signs are easier to read, which I will now try and piece together.

The events that culminated in the departure of the country's celebrated finance minister have been widely reported, they need no repetition. Contrary to the view that people don't really know or don't really understand all the goings-on, news travels at different speeds to different demographics but it all finally sinks in across society. Life goes on, all politicians know that. But there is a cost, and here are some of those consequences.

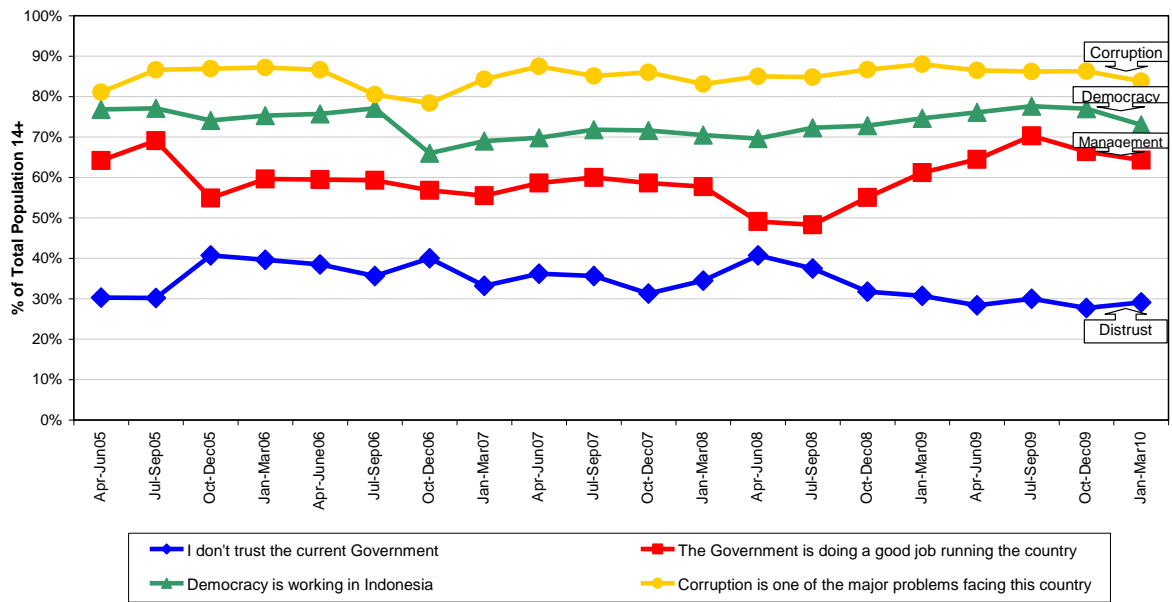
First, most visibly, confidence took a hit. In the first quarter of 2010, the Roy Morgan Confidence Index slipped 3 points from the all-time high of 124.3 at the end of last year. Much of the loss was influenced by rural folk, with the cities and towns holding relatively firm. A 3-point drop isn't a disaster, but it is expensive all the same. With job creation and wage raises primarily in the hands of small businesses everywhere, a slow-down is quite literally a kick in the stomach. The average main income has been struggling particularly hard to pay the household bills these last two quarters, a clear sign of the obvious impact. There was nothing else, no drought, no tsunami, no terror attack that set the country back at a time when it was in fact brimming with confidence. Nothing other than bad politics dampened the national spirit. That's the cost of democracy, it's an expensive business.

Second, the government paid a heavy price too, albeit in perceptions. But long before voter ire today has any bearing on the next election, years away. The Good Governance monitor for the first quarter of 2010 had bad news to report, across three of its four components. The only exception was "corruption is a major issue affecting this country". That measurement dipped from 86 per cent to 84 during January-March, influenced by the arrests of high-profile tax brokers and their cronies, as well as the public airing of opinions by high-ranking police officers. That was the only positive gain for the quarter.

"Democracy is working in Indonesia" went down to 73 per cent in agreement with the statement, losing another 4 points from the dip to 77 per cent in the previous quarter. The loss of faith in democracy as a result of the visible pressure on Minister Sri Mulyani was visible everywhere, but it was the residents of the towns and villages that were most affected. In contrast, big city folk were particularly unimpressed with "the government is doing a good job running this country", pushing the indicator down another 5 points. Nationwide, that score went down from 66 per cent to 64 in January-March, continuing the drop from 70 to 66 per cent in the last quarter of 2009.

The big cities were also the most shaken by all the shenanigans, with "I don't trust the current government" climbing another 4 points during January-March. Residents of Indonesia's towns were almost equally disturbed, but the affection that the SBY government enjoys in the towns of Indonesia remained constant. Bolstered by their bond with the man at the helm, the national score went down only by 1 percentage point from the previous quarter.

**GOOD GOVERNANCE MONITOR: JAN-MAR 2010**



Now for the flipside, the good news, considerably better than what may have transpired. We must not ignore the fact that a consumer confidence rating of 121.6 is still very reassuring. A robust 22 points above the ‘neutral’ territory of 100, just 3 points shy of the all-time high, it is a solid indicator of Indonesia’s bustling consumer economy. With last week’s appointment of Agus Martowidjoyo as Sri Mulyani’s successor, the wounds are expected to heal quickly. I am no fortune-teller, but the signs for a full recovery and another surge forward are all in the making. Much of the consumer confidence is indeed built on hope, but what price enthusiasm? That is one commodity that should not be undervalued, especially in a country well-known for its indomitable spirit.

All things considered, it is time to put our collective shoulders back to the common wheel. Almost without exception, the indicators are overwhelmingly positive for the economy. If employers look at their marketplace with equal confidence, unemployment will continue to decline and wages continue to grow. That’s the cycle that greases the big wheel best. In a country where the average wage remains painfully low, job creation is no longer the only focus for tomorrow’s economy. For a developing economy driven primarily by the sale and purchase of goods and services in the domestic market, a healthy dose of inflation can’t hurt.

These conclusions are influenced by Roy Morgan Single Source, the country’s only syndicated survey that covers the cities, towns and villages of Indonesia. With over 25,000 respondents each year, the data is updated every 90 days.

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