

## REDEFINING INDONESIA'S SOCIO-ECONOMIC STRATA

The commonly used term “The Middle Class” has never really been defined and if it has, this writer hasn't seen it. In 1997, an economic crisis redefined the value of the rupiah and its buying power at the pasar. Yet, marketers and academics alike continue using the old nomenclature representing only in 9 cities of Indonesia for a very long period of time, regardless of economic crises or steep inflationary spikes, although now this has gradually been corrected. Even now, BBM price hike is still taking its prolonged effect to the Indonesian society.

This report dwells on how the Individual Income of Indonesians as outlined yesterday, relates to Household Expenditure. The information is based on Roy Morgan Single Source, a national survey with 25,000 respondents annually, covering 90% of Indonesia's population over the age of 14.

For Individual Income Strata (IIS) to work in tandem with the new and improved Household Expenditure, the groupings need to be similar. While savings are not mandatory and we are all free to spend everything we earn each month, even the most modest of homes have bills to pay. Extended families and more than one breadwinner come to the rescue of many homes, particularly at the lower end of the socio-economic ladder.

The average monthly household expenditure (SES) data mentioned below represents 90% of Indonesia's population over the age of 14 in urban and rural. Marketers and academics alike, who are used to the old SES data, will find Roy Morgan SES data different because they are used to SES data that only represents 9 major cities in Indonesia.

SES	Monthly Household Expenditure	Total (Nat)	Urban (Nat)	Rural (Nat)
A1	More than Rp.4.250.000	0.30%	0.30%	0.20%
A2	Rp.3.250.001-4.250.000	0.20%	0.50%	0.10%
A3	Rp.2.250.001-3.250.000	1.10%	1.80%	0.40%
B1	Rp.1.750.001-2.250.000	3.40%	5.70%	1.30%
B2	Rp.1.250.001-1.750.000	9.60%	13.20%	6.30%
C	Rp.800.001-1.250.000	21.20%	25.80%	17.00%
D	Rp.600.001-800.000	29.40%	27.90%	30.80%
E1	Rp.400.001-600.000	26.50%	20.30%	32.10%
E2	Rp.400.000 or less	8.30%	4.50%	11.70%

Base: Indonesian 14+ (National)

Sample Size: n= 25,232

Time Period: July 2005 - June 2006

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So how big is The Middle Class as defined by this new architecture in the chart? Add B and C together and you have 34.2% of all households in the country, spending between Rp 800,000 and Rp 2.25 million each month. These monthly expenses include the usual, like groceries, clothes, utility bills and transportation but excludes rent, mortgage and purchases of major appliances. The lower end starts with D households spending between Rp 600,001 and Rp 800,000, comprising 29.4%. Group E with expenses of Rp 600,000 or less per month accounting for 34.8% of households brings up the very heavy bottom of the updated SES in Indonesia. The definition of E is in line with the \$2 a day globally accepted minimum for subsistence living. In sharp contrast is the 1.6% of the population at the top in A, who spend over Rp 2.25 million per month. Within A, there is A1 at the very top, accounting for a mere 0.3% of society with household expenditures of over Rp 4.25 million per month.

Tomorrow, we'll be taking a look at who's managing their money, and how, with insights on Consumer Banking.

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