

Soaring confidence powering the economy

The KADIN-Roy Morgan Consumer Confidence hit an all-time high in the month of July, climbing 5.3 points to 150.5. The index is now 7.6 points higher than it was a year ago, when it stood at 142.9. No G20 nation is anywhere close, ever. In neighbouring Australia, the best performing “developed nation” recorded 112.2 at the end of July. The same questions were asked in both countries by Roy Morgan Research during the same month.

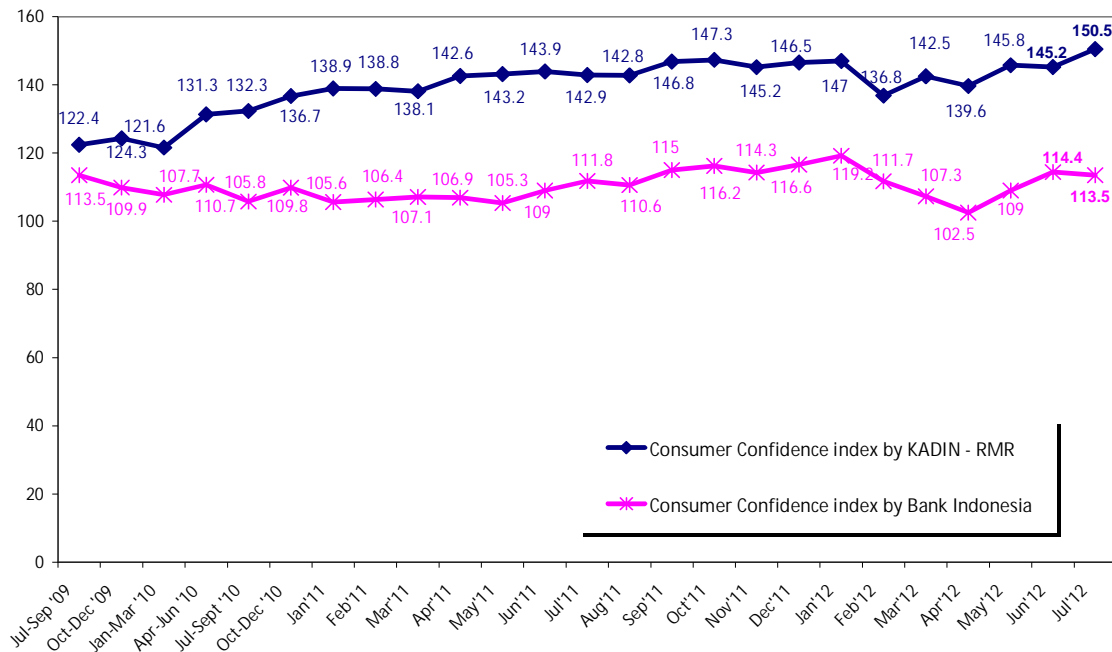
Celebrating the good news, Suryo Sulisto, Chairman of KADIN said yesterday: “At a time when our GDP growth rate saw an upward revision, consumer confidence was bubbling up as well to a new record high during the month of July. This is phenomenal, but is no mere coincidence. While global gloom is taking its toll on China and India, Indonesia continues to swim against the tide. If investors stopped paying so much attention to the stock market and gave greater respect to the consumer marketplace, we would all be closer to the economic truth. After all, less than 1 percent of Indonesians are involved with the stock exchange, the rest are confident consumers of goods and services”.

One of the biggest ironies of our times is that the “market” gets more attention in business circles than the “marketplace”. People who grow nothing, make nothing, in fact do nothing more than move money around, dominate each and every conversation about our economic fortunes. In that sense, fiction has become more real than reality itself. In these turbulent times, common sense is being revisited and old lessons are being learned anew. Even a country the size of Switzerland has strengths other than their famed financial services. Where would they be in today’s turbulent world if they had no watches, no chocolates, no dairy products to sell? Sadly, the empire that gave the world the Industrial Revolution is now struggling as a ‘financial services hub’, lurching from one banking scandal to another, trying to keep its head above recession.

In this “the Asian Century”, it is China and India who have been the traditional “flavours of the month” for more than a decade. The world’s two biggest countries are now revising their GDP forecasts downwards, month after month. In sharp contrast, Indonesia is the only major economy revising its economic outlook upwards. It is no secret that both China and India need at least 6 percent growth to keep key indicators for health, education and employment pointing upwards. With a much less daunting population of 240 million, Indonesia does not have levels of abject poverty that can be compared to its two bigger regional neighbours. In Indonesia, everybody is a consumer. Unlike India where only one in three people use shampoo regularly, almost all Indonesians lather up. But the most relevant indicator perhaps is the percentage of households with at least one motorcycle: 25 India, 55 China and 75 Indonesia. It is the most graphic image of what is powering the consumer economy in these large developing countries. In Indonesia, demand for more is stronger than ever before.

In contrast with China and India, or even relatively smaller countries like the Philippines or Vietnam, Indonesia is blessed with an abundance of natural resources. Natural wealth on a per capita basis would outstrip any other Asian country with the exception of Australia and Brunei. Too much is made of the current deficit in balance of payments, ignoring the fact that imports are being consumed by confident local consumers while some exports are slowing down due to easing demand from insecure international customers. If the nation’s wealth was distributed more justly, Indonesia could arguably achieve 10 percent growth in GDP.

CONSUMER CONFIDENCE SOARS YET AGAIN



So where is all this confidence coming from? It isn't just wishful thinking about the future. Last month's substantial rise was driven by increasing confidence about personal financial situations. Also strengthening is the belief that now is a 'good time to buy' major household items. The picture couldn't be rosier, even in the best of global economic times.

In terms of personal finances 46 percent, up 5, say their family is 'better off' financially than a year ago. This is also a new record high. This compares very positively with the 12 percent who say their family is 'worse off'. Now 67 percent, up 7, expect their family to be 'better off' financially this time next year. This is yet another new record. Only 4 percent, down by 1 point, expect to be 'worse off'. The record-breaking streak continues. At 57 percent, up by a staggering 7 points, a growing majority of Indonesians said 'now is a good time to buy' major household items. In contrast, a minority of 38 percent who said 'now is a bad time to buy' major household items shrank by another 6 points. The willingness to open the wallet has never been stronger among Indonesian consumers. Sounds unreal? Is real.

In terms of the economy, now 79 percent, unchanged, expect Indonesia will have 'good times' financially during the next twelve months. The overwhelming and growing majority of 89 percent, up 1, expect Indonesia will have 'good times' economically over the next five years compared to 11 percent, down 1, who expect 'bad times'.

The monthly KADIN-Roy Morgan Indonesian Consumer Confidence Rating is based on 1,988 face-to-face interviews conducted throughout Indonesia during July, not just in a handful of cities. The survey includes the Top 21 cities, smaller cities and towns as well as many more villages in the rural hinterland, truly reflecting Indonesia. Men and women aged 14 and over were randomly selected during the month of July 2012.

The writer can be contacted at Debnath.Guharoy@roymorgan.com