

CLSA
ASIA-PACIFIC MARKETS

Nick Cashmore
Country Head

Mr & Mrs Indonesia

Autumn 2007



Asia's middle class revealed



Foreword



Nick Cashmore
Country Head

Eager to tap into the mindset of local households, we approached polling specialist, market-research firm Roy Morgan, to conduct the biggest survey of its kind in Indonesia.

Mr & Mrs Indonesia is the outcome of that effort. For two months, Roy Morgan surveyed people in 20 cities across the country - from Medan to Makassar and Banten to Bali. A phenomenal achievement. Of our respondents, 88% were over the age of 18 and the gender split was 50:50 between male and female. In all, we spoke with over 21,000 Indonesians across the country; more than 6,300 people outside of Java alone. The outcome is comprehensive enough to be statistically representative for 67 million urban Indonesians.

The results are fascinating: While the country's middle class may aspire to the sort of lifestyle displayed on the cover of this report, the reality is that most live a much more frugal existence. Only 30% of them have a full-time job and the average income of those that do is not much more than US\$1,300 a year. Still, home ownership is high at 80%; although only 5% of our sample live in homes of more than 150 square metres and only 1% have a mortgage, 7% plan to buy a house in the next year.

For most of the 60 million households in Indonesia, their home is their biggest asset. Savings are generally sparse. Only 1% own shares; 150 million Indonesians do not even have a bank account. The average

savings in the bank of those that do is US\$500. Only 4% of households have any form of insurance. Clearly, financial intermediation has a long way to go.

Given such financial constraints, the trappings of modern life are still beyond the reach of all but a few. Only a lucky 5% of the households we spoke to have a car and just 1% have a credit card. The basics of life are of a much more pressing concern; over 80% of households do not have access to piped water and more than 33 million households have no sewerage facilities.

Mobile telephony is one bright spot and is now a must-have item for many Indonesians, particularly the young. Of the people we spoke to, 30% had a mobile phone and many more intend to obtain one. Motorbikes were a close second.

What Indonesians lack in monetary wealth they make up for in family. Seventy percent of households have children and 34% have two or more. Each household has almost four people on average. Education is an important issue for many families; only 3% make it to university and 50% of children leave school with not much more than primary-school education.

This report provides a fascinating insight into Indonesian middle-class families. As the fourth most populous country in the world, the combination of a young, more urbanised middle class, aspiring to a modern lifestyle, will be a significant driver of future growth. More evidence of *Asia's Billion Boomers*.

Our Mr & Mrs Asia series

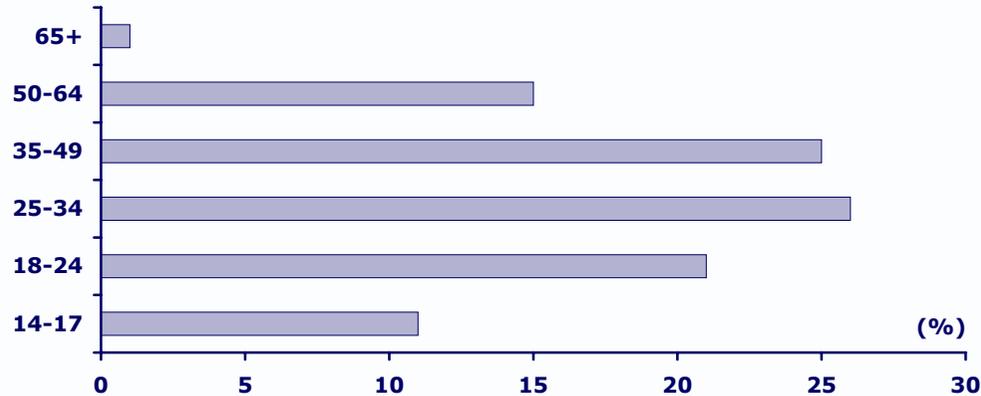
In May 2007, China Reality Research (CRR), our unique research network in China, undertook a comprehensive study of middle-class families across the country culminating in *Mr & Mrs China*. We then repeated the effort with *Mr & Mrs Hong Kong*. These first reports in our Mr & Mrs Asia series were well received, addressing the need for granular information that provides a better understanding of the region's macro data. With Asian consumers set to drive global growth as US consumers pull back, we strive to understand the mindset and aspirations of households across the region, as well as their evolving spending and saving patterns. We asked: Why is the savings ratio so high in most Asian countries? What do families save for? How do they save? What is their appetite for equities? What do they spend on?

Key findings

- Mr & Mrs Indonesia are family-oriented, fiscally challenged
- Urbanisation is a key growth driver: There are 60m households, growing by 1.5m/year; 33% of homes have six or more people
- 85% of people marry before 25; 28% of people <15 years old
- 80% own their home; 95% of homes are <150m²; only 1% have a mortgage
- Only 30% of people have full-time jobs; of those that do, the average income is US\$1,300/year
- Financial penetration is low: Three out of four people do not have a bank account
- Of those that do, the average savings is <US\$500; 1% own stocks and 4% have insurance
- While 30% of urban households have a motorbike, only 5% have a car and 1% a credit card
- 33% have a mobile phone; the average user spends <US\$10/month
- Over 90% of households have a TV, but only 15% have a DVD player; 85% do not own a digital camera; 90% do not have a microwave oven
- 90% of Indonesians consider religion important in their life

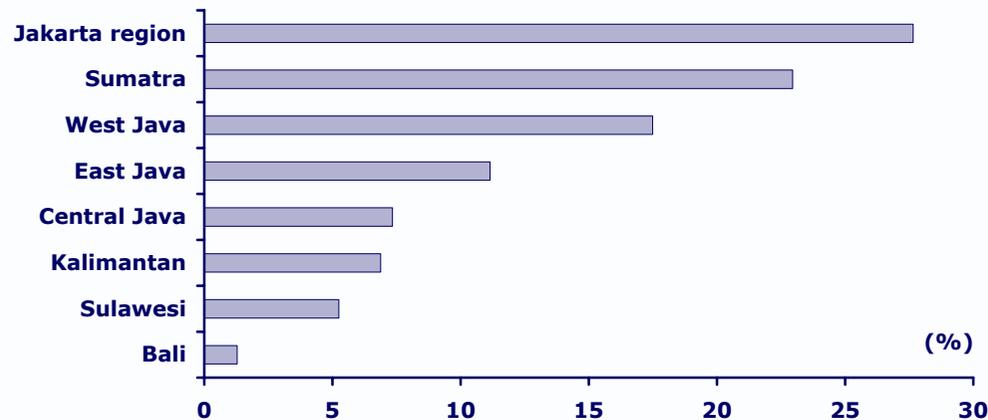
Who are they?

How old?



Source: Roy Morgan, CLSA Asia-Pacific Markets

Where do they live?

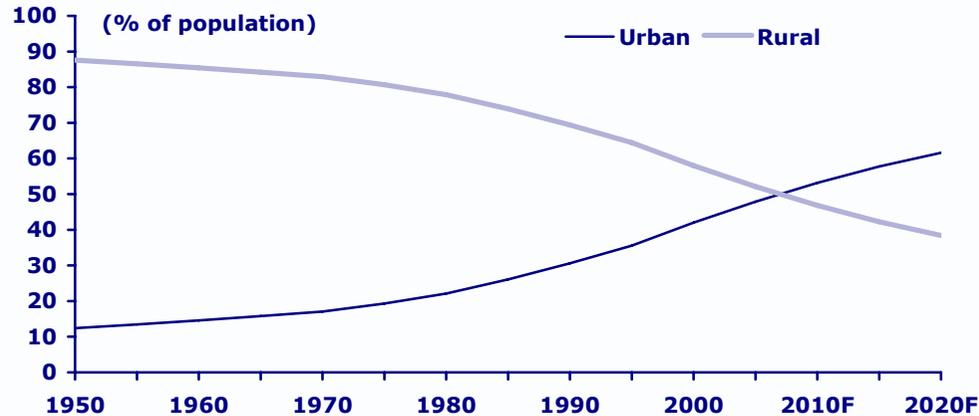


Source: Roy Morgan, CLSA Asia-Pacific Markets

- Roy Morgan interviewed 21,000 Indonesians across the entire archipelago
- We focused on interviewing people in the 20 largest cities across the country - from Medan to Makassar
- 88% of respondents were over the age of 18
- Greater Jakarta accounted for only 30% of total respondents; almost 4,000 people in Sumatra alone were questioned
- In all, we spoke with over 6,300 people outside of Java
- Statistically, this survey is representative of 67m Indonesians and is the largest ever conducted in the country

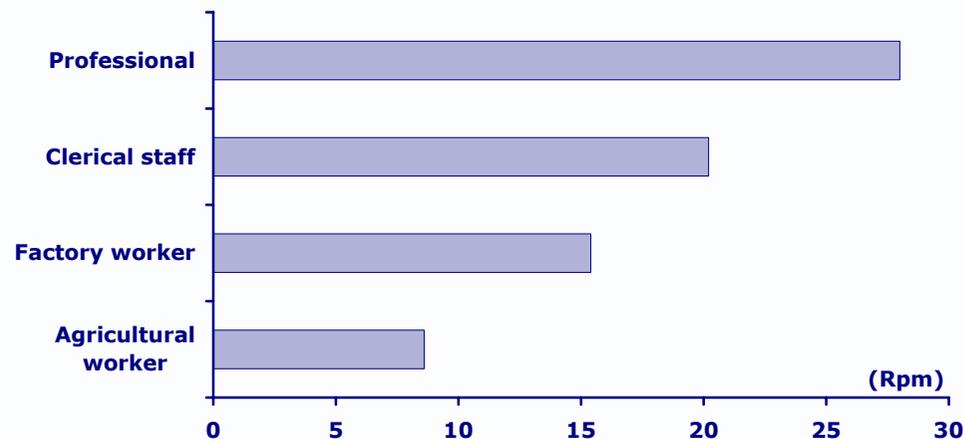
Population: Turning towards a city life

More people choose to live in cities



Source: Population Division of the United Nations Secretariat

Per-capita average income (2003)



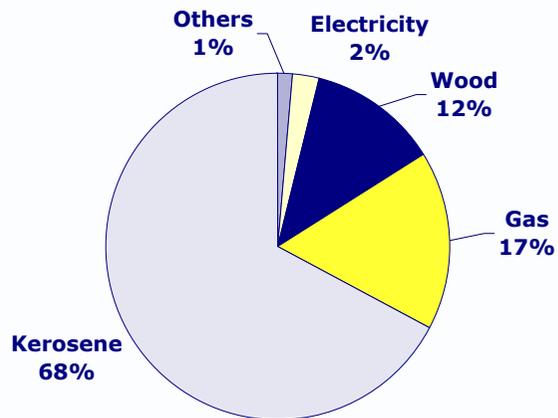
Source: BPS

- Starting this year, more Indonesians will live in the city than on the farm. England achieved the same percentage around 1820
- There are now 110m Indonesians living in cities across the country, a tenfold increase since 1950
- Each year, that number grows by 3.8m people, almost the population of Singapore. And by 2030, the number of urban Indonesians will double again to 200m
- By comparison, over the same period the number of Indonesian farmers will fall by a third
- Indonesia now has eight cities with population of a million people or more; America has nine
- By 2020, Indonesia will have 12 cities with population over one million people
- The average urban worker earns almost four times as much (US\$4,500/year in Jakarta) as his fellow rural worker (US\$1,000/year in Kalimantan)

Homes: Poorly served

- Indonesian families are poorly served by utilities
- Over 33m households have no access to any sewerage facilities
- Problems are compounded in Java, which sees the greatest population density
- The government is encouraging households to shift from kerosene to gas for cooking, so far with limited success
- The reliance on wood for fuel is higher in rural areas

Type of cooking fuel used



Source: BPS, CLSA Asia-Pacific Markets

©2007 CLSA Asia-Pacific Markets ("CLSA").

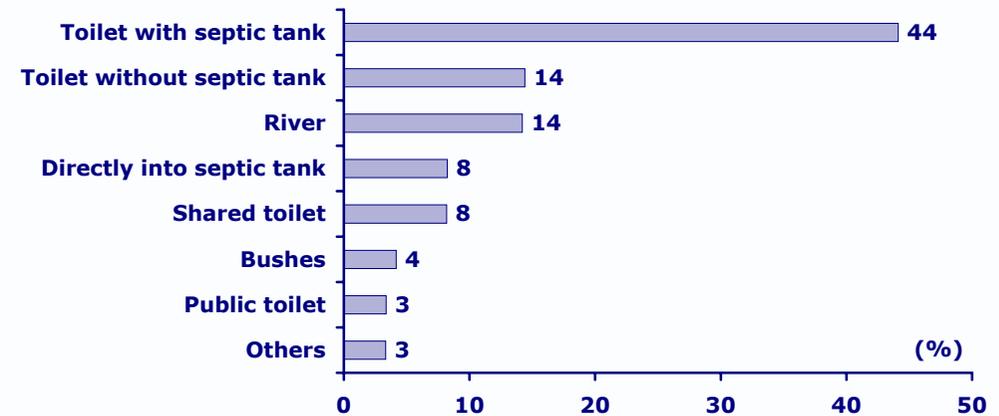
IMPORTANT: The content of this report is subject to CLSA's Legal and Regulatory Notices as set out at www.clsa.com/disclaimer.html, a hard copy of which may be obtained on request from CLSA Publications or CLSA Compliance Group, 18/F, One Pacific Place, 88 Queensway, Hong Kong, telephone (852) 2600 8888.

Where do you live?

	% of population	Density (1,000 people/km ²)
Jakarta	4.0	13,100
Java	58.3	1,000
Bali	1.5	600
Sumatra	21.1	96
Sulawesi	7.3	83
Kalimantan	5.7	22
Papua	1.1	7

Source: BPS, CLSA Asia-Pacific Markets

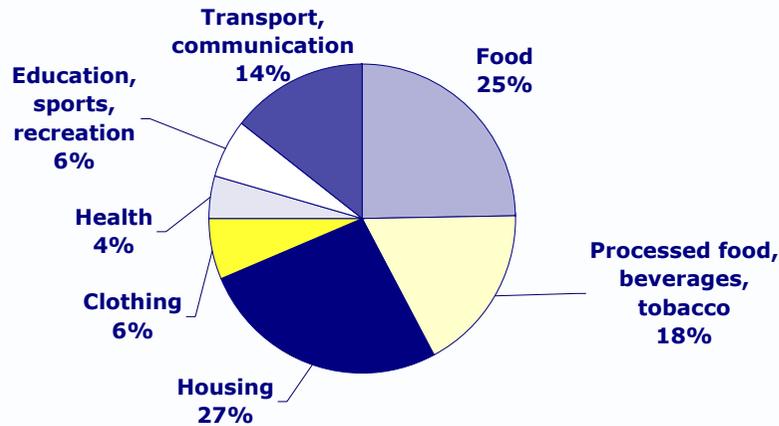
Sanitation type by household



Source: BPS, CLSA Asia-Pacific Markets

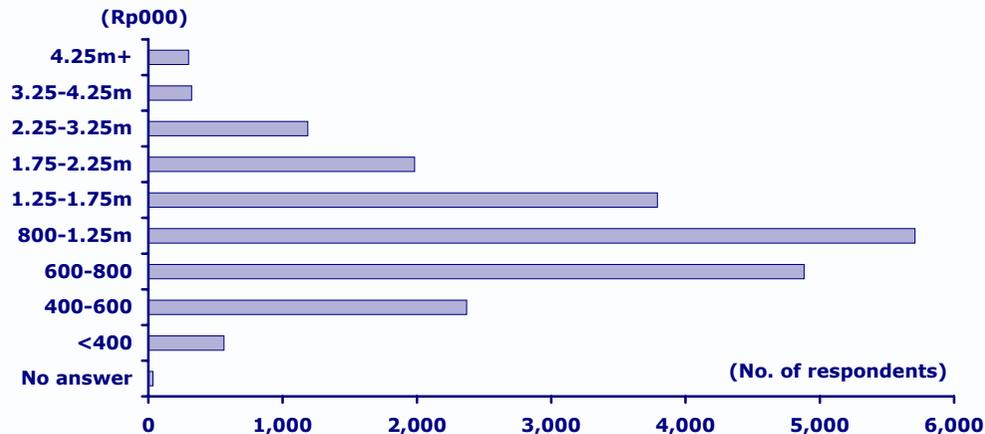
Consumption: Limited options

Breakdown of spending



Source: BPS

Average monthly household expenditure



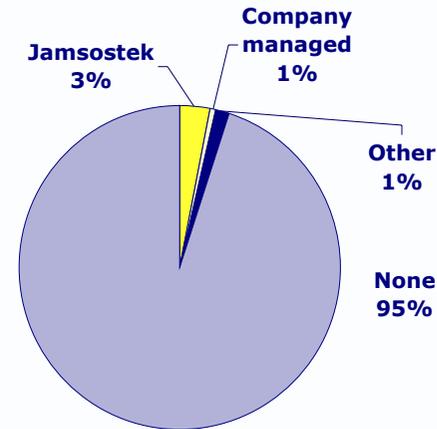
Source: Roy Morgan

- The average family in our sample spends Rp1.1m (US\$118) a month
- 85% of households spend less than US\$185/month; 3% spend more than US\$340/month
- 43% of the average household budget are spent on food, beverages and cigarettes
- Indonesians on average smoke 1,000 sticks of cigarettes each year per person
- Including housing, 70% of spending goes on basic consumer items
- Only 6% of household spending go on education, sport and holidays

Savings: Sparse

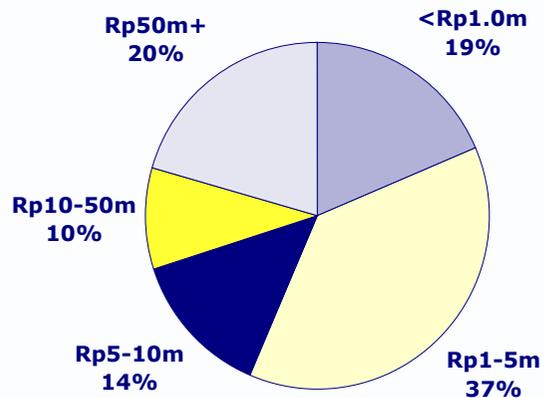
- Only 1% hold stocks; 95% do not have a pension plan
- The low penetration of Jamsostek, the state-owned workers' insurance company, reflects low workforce participation in the formal economy
- 56% of people have less than US\$500 savings in the bank
- Nationwide, 1.7% of accounts control 77% of total deposit

Do you have a pension plan?



Source: Roy Morgan, CLSA Asia-Pacific Markets

Amount of money in the bank

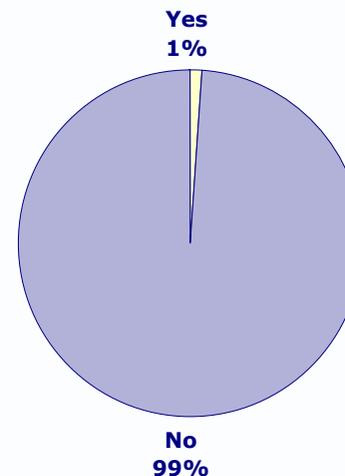


Source: Roy Morgan, CLSA Asia-Pacific Markets

©2007 CLSA Asia-Pacific Markets ("CLSA").

IMPORTANT: The content of this report is subject to CLSA's Legal and Regulatory Notices as set out at www.clsa.com/disclaimer.html, a hard copy of which may be obtained on request from CLSA Publications or CLSA Compliance Group, 18/F, One Pacific Place, 88 Queensway, Hong Kong, telephone (852) 2600 8888.

Do you hold any stocks?



Source: Roy Morgan, CLSA Asia-Pacific Markets