

Indonesia Market Update December 2014

Welcome to the December 2014 edition of “Indonesia Market Update”. Exporting to Indonesia is becoming more challenging as the new Indonesian Government pushes its investment and food self-sufficiency agendas. Selamat membaca and Selamat Tahun Baru (Happy New Year)! We look forward to seeing YOU in Jakarta in 2015.

ECONOMY / INVESTMENT

RI richest-people list welcomes fresh faces - The Forbes Asia magazine’s December 2014 edition shows that the list of Indonesia’s 50 richest people includes for the first time Husodo Angkosubroto (Gunung Sewu Group), Purnomo Prawiro (Blue Bird Grup – taxi company), Abdul Rasyid (Timber businessman) and Irwan Hidayat (Sido Muncul – the traditional herbal medicine). However, the 10 richest people were still dominated by “old” faces, such as Budi and Michael Hartono, Susilo Wonowidjojo, Anthoni Salim, Eka Tjipta Widjaja and Chairul Tanjung.

BKPM licensing goes online to lure investors - The one-stop integrated services center will be operational in January 2015. BKPM will prioritize the quick handling of investment permits in six main sectors: power generation, labor intensive industries, the maritime sector, import substitution, export-oriented and downstream industries. Investors will be able to apply online for a “principle permits”, which serve as initial investment licenses, permanent business permits, branch office permits and applications for incentives eg zero import duties for machinery.

BKPM takes over licensing power from Industry Ministry - The Industry Ministry has officially transferred full authority to issue investment permits in a number of business sectors to BKPM to support the government’s efforts to turn the board into a one-stop licensing center. Previously, BKPM only issued a principle permit while the licensing process from the start of the business to their commercial operation was handled by the ministry.

BKPM Receives almost \$19b in Investment Proposals Since Jokowi Took Office - BKPM, has received proposals for \$18.7 billion worth of prospective investments in power plants, labor-intensive manufacturing, agriculture processing, maritime, import substitute, infrastructures and mining processing from 43 investors since President Jokowi took office in October 2014.

US and South Korea agree to support investment in RI - The American Chamber of Commerce and Korean Chamber of Commerce have signed an agreement to support the nation’s economic development, which will bolster investment under the new administration of President Jokowi. USA was ranked as the sixth-largest foreign investor with total investment reaching \$965.9 million and South Korea is the seventh-largest foreign investor with total US\$752 million, which together accounted for about 8 percent of overall FDI in Indonesia this year.

Govt revokes thousands of import licenses - The government has revoked 2,166 import licenses for a wide range of products because of administrative incompliance. The revoked licenses represent 43.2 percent of the overall 5,017 licenses issued by the Trade Ministry and affect US\$849 million in imports. The licenses were scrapped because the importers failed to report the realization of their import plan as stipulated in a trade minister regulation issued earlier this year.

RETAIL

Matahari eyes large increase in total sales next year - Matahari Putra Prima (MPP) expects total sales will grow between 15 percent and 20 percent next year. MPP plans to open 20 Hypermart stores annually over the next five years and would also open between five and eight new Boston Beauty and Health outlets, as well as 20 new Foodmart stores. About 60 percent of the new stores will be outside Java. By the end of this year, the company planned to operate 239 outlets, 17 more than the 222 it operated last year.

AGRIFOOD

Food Self-sufficiency Still a Goal – President Jokowi has informed his Minister of Agriculture that he has 3 years to achieve food self-sufficiency with a particular focus on rice, sugar, corn and soybeans. To support self-sufficiency goals the government will look to build 30 dams to maximise farmland irrigation. President Jokowi was quoted as saying that excess food imports need to be avoided because they lead to farmers losing money from competition from lower cost imports.

Beef imports may decline in 2015 - Indonesian Meat Importers Association has said that the realization of beef import this year will only reach 70 percent of the total import permit of 170,324 tonnes given by the Ministry of Trade. “This year the purchasing power of beef weakened due to currency depreciation which escalated the price of beef,” Chairman Thomas Sembiring said. “For the first quarter of next year, we will import only around 30,000 tonnes since we predict that the weak trend will continue.”

Domino’s Pizza expands with online orders - Domino’s Pizza in Indonesia is only six years old and has a total of 58 stores. They plan to add a minimum of 15 stores next year. Domino Pizza has launched iOS platform and introduce android platform for online ordering of pizzas. In Indonesia around 16 million people have mobile phones with data packages and the Android phone is number one.

Food, Beverage Manufacturers to Remain Expansive in 2015 - Several major food and beverage manufacturers plan to expand next year in line with the industry’s growth target of 8 percent.

Foreign Investors Eye Indonesia’s Food and Beverage Industry - 12 companies from Japan, two companies from South Korea, and two companies from the United States of America plan to invest in the food and beverage industry in Indonesia. The industry’s association views that the foreign investors’ increased interest will boost investments in the industry by around 22 percent, IDR55 trillion (\$4.4 billion) in 2015 from IDR45 trillion (\$3.6 billion) this year.

More goods may be required to comply with SNI - The government plans to require mandatory compliance to Indonesian National Standards (SNI) for more manufactured goods next year. The requirement would affect around 60 types of goods, both made locally and imported include food products, such as milk powder, instant noodles and biscuits, as well as detergents, plastic packaging, household ceramics and gas stoves.

Three Indonesian companies to export chicken products to Japan - Three Indonesian poultry companies - Charoen Pokphand Indonesia, Japfa Comfeed Indonesia and Malindo Feedmill - can start exporting processed chicken products (chicken nuggets, meatballs, sausages, yakitori and karaage) to Japan early next year.

TPS Food Set for Developing Two Rice Mills - PT Tiga Pilar Sejahtera (TPS Food) plans to develop two rice mills in East Java next year with investment of IDR550 billion (US\$44 million). The company is now operating four rice mills. These two new rice mills are expected to be operable by 2016 and will raise the capacity to 720,000 tons per year from current capacity of 480,000 tons per year.

TPS Food Prepares IDR100 Bln for Beverage Segment - Tiga Pilar Sejahtera Food (TPS Food) is entering the beverage business with an investment of IDR100 bln (US\$8 million). The company will build a soft drink factory with a foreign partner in Solo, Central Java in the second quarter of 2015.

Cargill eyes Indonesian poultry sector - Cargill Inc may invest USD 1 billion in Indonesia over the next three to four years, with a focus on entering the poultry sector and expanding its palm business. Cargill, which already has a presence in Indonesian palm oil, cocoa and animal feed sectors, sees great potential in the country’s poultry industry.

Cargill launches its first Asian cacao facility in Gresik - Cargill launched its first cacao processing facility in Gresik, East Java with total investment of US\$100 million which has the capacity to process up to 70,000 metric tons of cacao a year into premium cocoa powder under the brands Cargill and Gerkens, as well as into high quality cocoa butter and liquor. 75 percent of total production will be exported while the remainder for domestic demand.

2 New Sugar Factory Prepared in Lamongan and NTB - Two of the target of 10 new sugar cane-based plants has begun to be built in West Nusa Tenggara (NTB) and Lamongan, East Java. The factory is to realize the target of self-sufficiency in next 3 years. This plant-based sugar cane farmers but can produce refined sugar for industrial needs. In this time, refined sugar factory is still based raw material imported raw sugar.

Govt passes sugar import quota of 600,000 tons for first quarter - The government has issued an import quota of 600,000 tons of raw sugar to fulfill the needs of the domestic refining industry in the first quarter of next year. The Indonesian Sugar Refiners Association (AGRI) had earlier urged the government to give an import quota of 3.4 million tons of raw sugar next year, however the Trade Ministry only give permission to import 2.8 million tons.

Indofood-BRF Invests \$200 Mln – In December 2014, Indofood Sukses Makmur signed a memorandum of understanding (MoU) with BRF SA from Brazil. The memorandum is for business partnership in animal protein-based food products. Each party will control a 50 percent stake in the \$200 million project.

INFRASTRUCTURE

Construction to expand in 2015 - The construction business (including the building of roads, offices and houses) is projected to increase by 15 percent to 17 percent next year. The construction sector has expanded to US\$60 billion on the current price basis for the January-September period, up 5.1 percent from the same period last year.

ICT

Indonesia hot battleground for mobile messaging - According to a Nielsen's study, BlackBerry Messenger (BBM) was still the favorite messaging application in the country, with 79 percent of smartphone users using the application for about 23 minutes a day, surpassed WhatsApp (57 percent - six minutes a day) and Line (30 percent - five minutes a day). A recent study — which excluded BBM — published by London-based research firm GlobalWebIndex, found that WhatsApp topped mobile messaging in the country, with 34 percent of Internet subscribers running the application, followed by Facebook Messenger (28 percent), WeChat (18 percent) and Skype (18 percent).

E-Commerce Booms in Indonesia - E-commerce in emerging markets including Indonesia will increase even further in the upcoming years. According to Frost & Sullivan, more people are using online shopping and Indonesia is expected to become the largest South East Asia online markets with 93.4 million users by 2015.

AUTOMOTIVE

Astra Honda Motor Continue investment of Rp 1.9 trillion (US\$153 Million) Fifth Factory - PT Astra Honda Motor (AHM), a manufacturer of motorcycle subsidiary of PT Astra International Tbk, plans to continue to increase production capacity by building a fifth factory in Karawang - West Java, after realizing the fourth plant of Rp 3.13 trillion (US\$252 Million) in the same region.

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