

## Indonesia Market Update February 2015

Welcome to the February 2015 edition of “Indonesia Market Update”. February was a very wet month in Jakarta resulting in flooding, excessive traffic jams and cancelled meetings – a challenging place to do business! However, the rain was good news for Chinese New Year – the year of the sheep / goat. Selamat membaca!

### CONSUMER

**Jakarta has ‘worst traffic in the world’** - after being ranked last in a safe-city index by the Economist Intelligence Unit (EIU), Jakarta has now received the status of the city with the worst traffic in the world, according to British lubricant producer Castrol. Jakarta was ranked as the city with the highest number of stops and starts, with an average of 33,240 per driver per year. (Ed. The positive - it must be good leg exercise pumping the break so many times!)

**Jakarta ‘happy’ despite clog** - Jakarta is apparently home to more happy residents compared to other cities in Indonesia; Jakarta residents are happier (with a score of 69.21) than the average Indonesian (68.28), according to the 2014 Happiness Index released by the Central Statistics Agency (BPS).

### ECONOMY / INVESTMENT

**Better RI economic performance in 2015: MLEI** – Gross domestic product (GDP) in Indonesia is projected to grow at a stable 5.1 percent yoy in 2015, supported by a recovery in investment demand and more buoyant manufacturing exports. Furthermore, major infrastructure spending should boost investment this year. In 2015, external financing and relatively stable interest rates should aid Indonesia’s economic growth.

**Increase in foreign tourists to RI of 7.19% in 2014: BPS** – according to Central Statistics Agency (BPS), the number of foreign tourists arriving in the country through last year rose by 7.19 percent, from 8.8 million tourists in 2013 to 9.43 million in 2014.

**Businesses intend to boost investment in Indonesia** - Japan’s Chamber of Commerce and Industry has expressed its intention to boost economic cooperation with Indonesia to President Joko “Jokowi” Widodo in a meeting at Merdeka Palace. Japan wants to contribute more to Indonesia’s industrial and human resources development.

**BKPM eyes investments worth US\$18.33b outside Java** - the Investment Coordinating Board (BKPM) is targeting US\$18.33 billion worth of investments outside of Java throughout 2015 in order to achieve a more balanced distribution of economic activities in the regions.

**RI financial conglomerations booming** - Indonesia has seen financial conglomerates grow rapidly in recent years, marked by expansion in various financial sectors in the hope of attracting more customers. At present, the Financial Services Authority (OJK) has recorded as many as 31 conglomerates, including both banking and non-banking companies. Sixteen of those conglomerates between them control around 60 percent of total domestic financial assets.

**Fiscal stimuli prepared to boost economic growth** - Finance Minister would revise government regulations on tax allowance and tax holidays, in addition to tax incentives in special economic zones, in a bid to lure more investment. The government also plans to double capital expenditure (capex) spending, which includes spending on investment in ministries as well as growth-generating infrastructure projects, to achieve the target.

### RETAIL

**Lippo Jumps to E-Commerce, Sees \$1 Billion in Sales in 2 Years** - Lippo Group announced the launch of an Indonesian e-commerce venture, MatahariMall.com, solidifying its position as the largest multi-format Indonesian retail group. Lippo has allocated US\$500 million in investment over the next two to three years to create an e-commerce company with an expected US\$1 billion in sales within one-and-a-half to two years that will become the “Alibaba of Indonesia.”

**Retail Growth** – in 2014 the growth of hypermarkets reached 17.9 percent while minimarkets grew by 17.4 percent, outperforming supermarket openings, which grew 3 percent on average per year. AT Kearney's 2014 Global Retail Development Index (GRDI) ranked Indonesia 15th among developing countries for retail investments, up from 19th position last year.

**Local food franchises optimistic amid foreign chain competition** - Indonesian food chains Kebab Baba Rafi, Es Teler 77 and Amazy are among local food franchisors that are giving positive signals for foreign franchises to enter the country, saying that competition was normal and that the open market would also help them to expand overseas.

## AGRIFOOD

**Indonesia aiming for food self-sufficiency in three years** - President Joko "Jokowi" Widodo said that he was aiming for Indonesia to be self-sufficient in food production in three years, especially for products like rice, sugar and soybean.

**Gov't Builds 10 New Sugar Factories** – The Agriculture Ministry will build ten new sugar factories, to reduce sugar imports and support sugar self-sufficiency. There are 350,000 hectares of land in Kalimantan and Sulawesi to be used to support the factories and supporting plantations. The factories will use the latest machines and technologies.

**Ultrajaya to build a Dairy Farm with Jumbo Capacity in Sumatera** - PT Ultrajaya is developing a Dairy Farm Megaproject with capacity for 23,000 head farm with 12,000 head of cattle (through PT Ultra Sumatra Dairy Farm, a joint venture 50% -50% by PT Karya Persada Putrajaya), in Berastagi, North Sumatera.

**Noodle hunger in S. Asia testing farmers in Australia** – according to Greg Harvey, CEO of Interflour Group Pte, demand for Australian wheat from Indonesia, the Philippines and three other South-east Asian nations is set to jump 40 percent to 13.2 million metric tons by 2020. This may outpace the ability of Australia to supply the variety used in soft bread and noodles. Indonesia will become the world's second-largest wheat importer this year. .

## INFRASTRUCTURE

**Siloam Hospital Eyes Further Expansion in 2015** - listed health care firm Siloam International Hospitals is projecting its net operating revenue will grow by 49 percent this year, amid rising demand for health services. Siloam, part of the Indonesian conglomerate Lippo Group, currently operates 20 hospitals in 15 cities. It has set a target to have more than 50 hospitals and also aims to grow its capacity beds from currently about 4,400 to more than 10,000 by 2017. Siloam has earmarked US\$140 million for capital expenditure in 2015. The funds will be used to build 10 hospitals and procure new medical equipment.

**Lippo Group Prepares IDR3 Tln for Regional Project Developments** - Lippo Group, through its subsidiary, Lippo Karawaci, sets aside IDR2 trillion to IDR3 trillion to support regional property project developments. Some of the fund will be used to provide regional infrastructure. The group allots a total of IDR10 trillion for its 2015 capital expenditure (capex) to support the business developments of its subsidiaries.

**BSD to build major tower, residential projects in 2015** - Major real estate developer Bumi Serpong Damai (BSD) has allocated up to US\$544.5 million for investment in four new projects expected to enter the market this year. The company planned to work on mixed-use and high-rise buildings in Jakarta and Kalimantan.

**AP I to spend US\$23.26 mln to develop Bali airport** - State-run airport operator PT Angkasa Pura I (AP I) is set to allot US\$23.26 million of investment this year to expand the country's main tourist gateway, Ngurah Rai International Airport in Bali.

**Pondok Indah Group to build more malls** - Pondok Indah Group, through its subsidiary Metropolitan Kentjana, will invest US\$270.5 million to develop the 100,000 square meter Pondok Indah Mall 3 in Pondok Indah, South Jakarta. Another subsidiary, PT Antilope Madju Puro, will build the 80,000 sq.m. Puri Indah Mall 2.

**AUTOMOTIVE**

**GM and China's SAIC to Push into Indonesia With No-Frills Vans** - General Motors and Chinese partner SAIC Motor Corp will soon announce a joint push into Indonesia, using their no-frills Wuling brand to establish a beachhead in Southeast Asia's biggest market and from there tackle other markets in the region. The venture will manufacture and market low-cost "people mover" microvans, based on the same vehicles that in China, under the Wuling brand, can sell for just under 30,000 yuan (US\$4,800). GM and SAIC would invest US\$700 million, with an aim to commence production in 2017 from a factory with capacity for 150,000 vehicles a year.

**Japanese-Indonesian Battery Venture May Spark Flurry of New Investment** - Furukawa Indomobil, a joint venture between Japanese electric and electronics equipment company Furukawa and Indonesia's automotive manufacturer Indomobil, will launch a vehicles battery plant worth US\$39 million in Bukit Indah, Cikampek, West Java, on the back of rising demand. The plant will have a production capacity of three million batteries using 80 percent locally produced raw materials.

**RI's largest auto expo to occupy new venue** - Indonesia's biggest automotive show, organized by the Association of Indonesian Automotive Manufacturers (Gaikindo), will be held at the Bumi Serpong Damai (BSD) in Tangerang, Banten. Set to run from Aug. 20 to Aug. 30 this year, the event will take place in the newly built Indonesia Convention Exhibition (ICE) center, the nation's largest convention and exhibition hall, covering 220,000 square meters. The name of the event will be changed to Gaikindo Indonesia International Auto Show.

**General Motors Prepares to Close Down Bekasi Chevrolet Assembly Plant** - General Motors Indonesia is closing its assembly plant in Bekasi, on the outskirts of Jakarta, at the end of June in a move that will lead to 500 job cuts. The decision was made after considering high material costs and declining supply potential as a result of limited production in the country.

**Sales of motorcycles, cars slump in January** - Sales of motorcycles and cars, the key indicators of consumer spending in Indonesia, Southeast Asia's biggest economy, tumbled in January in a sign that consumers' purchasing power has weakened due to the impact of the fuel price hike. Two-wheeler sales plunged by 13.22 percent to 579,361 units in January in comparison with the same period last year, while four-wheeler sales dropped by 9.14 percent to 94,139 units.

**CONTACT DETAILS**

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**Sources:** The information in this newsletter is a summary of various articles from Indonesian newspapers, magazines and other media outlets. A copy of any of the articles is available by emailing "Morelink".

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