

Indonesia Market Update January 2015

Welcome to the January 2015 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!

POLITICS

RI drops Oz from visa-free policy - The plan to waive the visa requirement for visitors from Australia, has been dropped amid concerns surrounding repeated turbulence over Jakarta-Canberra diplomatic ties. The Indonesian government has only proceeded with the visa-free policies for Chinese, Russian, South Korean and Japanese tourists.

ECONOMY

Indonesia's Economy Expected to Grow 5.6% in 2015 - The Asian Development Bank predicts Indonesia's economy to grow by 5.6% in 2015, higher than last year predicted at 5.1%. Economic recoveries in the USA, China and Japan will become one of driving factors for export advancement while the government's structural reform will boost foreign and domestic investments.

RI best SE Asia factory destination: survey - Indonesia will attract more new factories than any other SE Asian nation over the next few years. Manufacturers plan to build 54 new plants in SE Asia's biggest economy by 2019, a 68 percent increase that will help Indonesia overtake Malaysia and Thailand, according to Baker & McKenzie and CIMB Group Holdings Bhd. A recently released survey by the British Chamber of Commerce in Indonesia showed investor confidence rose last year, with the BKPM predicting a 15 percent rise in investment this year as the government moves to streamline permit-issuance procedures.

Pharmaceutical Market Expanding - The pharmaceutical market in Indonesia is estimated to grow 11.8% to \$4.6 billion this year according to the International Pharmaceutical Manufacturers Group. Indonesia's pharmaceutical market growth exceeds the growth of the markets in Thailand, Japan, South Korea, and Australia.

France ‘wants to support Jokowi’s vision’ - French Finance Minister said now was the right time for the European country to boost its presence here — given Indonesia's new policies on economic development and investment — with particular emphasis on infrastructure. France aimed to offer “added value” on a wide array of projects and fields other than it had traditionally engaged with, such as energy, oil and gas and aviation.

Government tightens oil and gas trade regulation - The Trade Ministry has issued a new regulation to enforce tighter control of oil and gas imports and exports. Companies involved should be registered with the Trade Ministry and will be subject to verification by an independent surveyor to be able to obtain export and import permits.

INVESTMENT

RI Investment Up in 2014 - The amount of Indonesia's realized investment for the 2014 reached Rp 463.1 trillion (US\$37.09 billion), up by 16.2 percent from Rp 398.6 trillion (US\$33.22 billion) in the same period of 2013.

Jokowi Unveils 1-Stop Permit Service for Investors - Indonesia's Investment Coordinating Board (BKPM) has officially launched its one-stop investment licensing service to ease and simplify investment procedures.

Easier investment permits to woo investors - The new one-stop integrated service launched by President Jokowi on 26th January is expected to simplify investment licensing procedures, improve ease of doing business and help boost economic growth from the 5.1 percent expected last year to 5.8 percent this year. The government this year hopes to realize Rp 519.5 trillion (US\$41.5 billion) in direct investment up 14 percent from last year.

RI expects more investments from Japan - Trade Minister Rachmat Gobel has said the Indonesian government is striving to secure more investments from Japan. Rachmat said it was hoped that increased Japanese investments could help the Trade Ministry's plan to increase non-oil and gas exports by 300 percent in the next five years.

BKPM to Facilitate More Investment in Petrochemical, Pharmaceutical and Steel - Indonesia's Investment Coordinating Board (BKPM) will be facilitating more investments that are focused on developing the raw materials needed in petrochemical, pharmaceutical and steel industries to boost the country's manufacturing industry.

RETAIL

Fast Food Indonesia to open new KFC outlets - Fast Food Indonesia plans to open 65 new outlets within and outside Java. The company would spend US\$ 16 million to open 45 new standalone outlets and US\$ 3.2 million to set up 20 KFC Box outlets. Fast Food Indonesia currently operates 476 outlets across the country.

Tiga Pilar Plans a Major Expansion into Vietnam, Malaysia - PT Tiga Pilar Sejahtera Food plans to allocate around US\$80 million to expand its business to acquire a 90 percent stake in a Vietnamese food company as well as a majority stake in a Malaysian food company.

Food Issuers Plan on Raising Selling Prices in 2015 - Several food manufacturers plan to raise their selling prices by around 4% in early 2015 to anticipate the increase in production cost attributed to rupiah exchange rate weakening, salaries hike, and subsidized fuel oil prices increase.

Ace Hardware Prepares Funds for Outlet Expansion - Ace Hardware Indonesia prepares US\$25 million to open 10 - 15 outlets this year. The expansion is expected to boost the company's revenues to IDR5.3 trillion (US\$4.4 billion) this year, with net margin of 10%. The company owned 110 outlets throughout Indonesia in 2014.

Outback Steakhouse Aims to Double Growth in Indonesia - Outback Steakhouse opened its fourth restaurant in Indonesian at the Lippo Mall Puri in West Jakarta. The new restaurant is expected to nearly double the Indonesian franchise's annual sales growth to 40 percent this year. The company plans to open a new restaurant in Central Park shopping mall in West Jakarta this year and also seek to open a restaurant in Bali by 2016.

Govt to tighten rules on minimarkets to protect small kiosks - The government is considering issuing a regulation that would include a zoning scheme, tighten the issuance of the permits and also mulling whether minimarkets should be allowed to operate 24 hours a day to ensure that their presence does not harm traditional kiosks.

Beer to soon disappear from minimarkets - Beer lovers will soon miss the alcoholic drink from minimarkets and kiosks as the government has banned its sale through the retailers nationwide. Under a Trade Ministry regulation issued in mid-January 2015, beverages with an alcohol content ranging from 1 to 5 percent can only be sold in supermarkets and hypermarkets.

AGRIFOOD

Jakarta to invest in cattle breeding in East Nusa Tenggara - The city administration of Jakarta has signed an MoU with the East Nusa Tenggara administration to invest up to US\$ 1.6 million in cattle breeding to meet Jakarta's demand of 150 tonnes of beef per day. The city will provide cattle for farmers and develop quarantine facilities and slaughterhouses and will cooperate with city-owned firms Dharma Jaya (operate the slaughterhouses) and Pasar Jaya (responsible for the distribution of the meat in Jakarta).

Bulog expects no rice imports this year - The State Logistics Agency (Bulog) is optimistic that the government will not have to import rice to meet domestic demand in 2015 because of expected abundant production this year.

Govt wants salt self-sufficiency by year end - The Maritime Affairs and Fisheries Ministry certain that the state would be able to achieve self-sufficiency in industry-grade salt production by the end of this year.

Army to join efforts to accelerate food sufficiency - The Army and the Agriculture Ministry signed a MoU on agriculture cooperation. The Army would deploy 50,000 of its personnel, and 50,000 village supervisory non-commissioned officers to become the agriculture field advisors. The agriculture sector faces five obstacles; damaged irrigation infrastructure, a lack of seeds and fertilizer, farmers and shortage of advisors.

Incentives necessary to develop cattle breeding - A cattle-breeding business association has demanded the government establish incentives to boost domestic livestock production and reduce dependence on imports such as eliminating the 5 percent import tax on fertile female cattle (heifers) and a simplification of import protocol.

Importers, feedlot owners welcome Brazilian cattle - Indonesia's revision of cattle and beef imports from country-based to zone-based rules has received positive response from importers and feedlot owners in the country. Brazil is ready to supply feeder cattle to Indonesia.

Indonesia's Ag Ministry bans secondary meat imports - The Ministry of Agriculture has recently issued a regulation that bans imports of secondary meat like skirt, chuck, flank, brisket and blade saying supply can be met locally. Import of primary, manufacturing and varied meat, meanwhile, is still allowed.

Indonesia reduces cattle import permit for Q1 - The Indonesian Government has issued only permits for the import of 100,000 Australian beef cattle during the first quarter of 2015, about 33,000 less than in Q1 2014.

RI bans some apples from US - Indonesia banned the import of two types of apples (Gala and Granny Smith) from California, as allegedly contained harmful Listeria bacteria.

ICT

RI's online shoppers to spend Rp 50t this year - Brand and marketing institute (BMI) Research predicts that the total value of Indonesian customers' spending on online shopping will more than double to Rp 50 trillion (US\$4 billion) this year from Rp 21 trillion (US\$1.75 billion) last year. The growth of Internet users in Indonesia, contribute to the significant jump of online shopping transactions this year.

AUTOMOTIVE

Mitsubishi Motors to Open Second Factory of \$600 Mln on March - Krama Yudha Tiga Berlian Motors, plans to develop a passenger vehicle factory in Cikarang (West Java) with investment of \$600 million. The factory with capacity of 150,000 units—will become Mitsubishi's production basis for passenger cars for ASEAN market. The factory is expected to operate in early 2017

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