

Business Opportunities in Indonesia

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Embassy of India, Jakarta

Business News

ECONOMY

Indonesia to lead SE Asian growth –

The Organization for Economic Cooperation and Development (OECD) has estimated in its South-East Asian Economic Outlook that Indonesia will experience the highest growth among ASEAN country members with an average of 6.6% from 2012 to 2016. World Bank's quarterly report has also stressed that amid global crisis, Indonesia is well positioned to navigate the economic turbulence because of its natural economic resilience. According to the report, the growth of Indonesia's manufacturing sector was encouraging due to rapidly growing domestic market and low labour cost which led to a significant increase in investment in the country. Meanwhile, Bank Indonesia lowered its estimate for GDP growth for 2012 for the second time from 6.5% to 6.3% in view of ongoing economic crisis in Europe and the US. The initial growth estimate was 6.7%. BI is optimistic that domestic consumption and other investments remain strong. In 2011, the Indonesian economic growth is estimated to be 6.3% below the government's estimate of 6.5%.

New tax breaks for 5 pioneer industries –

According to the Industry Climate and Quality Policy Board new investments in 5 industries will receive tax holiday facility for up to 10 years. The break would be given to companies producing 87 product items, which comprise 35 base metal products, 17 machinery items, 10 renewable energy products, and 4 types of communication equipment, under the base metals, oil refining and basic petrochemicals, machinery, renewable energy and telecommunication equipment industries. To be eligible for the facility, the companies need to invest at least

US\$110 million and place at least 10% of this amount in local banks. The tax facility could be applied only until 2014.

Retail to grow 15% in 2012 –

Indonesia's retail sector will continue to grow despite the global economic uncertainty, with expected revenues to rise 15% to US\$15.04 billion in 2012. Global retail brands, including Sogo, Carrefour, Giant, and Lotte are planning to expand in the country due to its big market and the rising purchasing power.

INVESTMENT

Indonesia's investment grade

restored – Fitch Ratings restored Indonesia's sovereign rating after 14 years and raised it from BB+ to BBB-. The upgrades reflect the country's strong and resilient economic growth, low and declining public debt ratios, strengthened external liquidity and a prudent overall macro policy framework. The rating upgrade is likely to result in increased FDI into Indonesia.

Increasing local demand fuels iron and steel expansion –

Three iron ore plants with a combined investment of US\$470 million are to begin operations in the first half quarter of 2012 to meet surging local demand. The plants belong to PT Meratus Jaya Iron and Steel, a joint venture of state steel-maker PT Krakatau Steel and PT Aneka Tambang (Antam), state mining company; PT Mandan Steel in collaboration with Chinese Zhengzhou Yong Tong Special Steel Corporation; and PT Indoferro, a subsidiary of Growth Steel Group. Currently, Indonesia's annual demand for steel is around 10 million tonnes, while the national production is only 6 million tonnes.

China to develop Sumatra coal railway – PT Bukit Asam Transpacific Railways (BATR) signed a financing deal worth US\$1.3 billion with the China Development Bank to launch the much-delayed railway construction in Sumatra. According to BATR the total funding needed for the project is \$2 billion, with the remaining \$700 million to come as equity and initial paid-up capital from shareholders. The railway, which will transport coal mined by PT Bukit Asam Banko, will cover 300 kms from Tanjung Enim to Bandar Lampung, passing through eight regencies. The construction is expected to begin in 2013 and operation will begin in 2016. 50% of the coal from the Banko mine will be purchased by Chinese companies, 30% by other international buyers, and the remaining 20% by domestic buyers.

INFRASTRUCTURE

Law on land acquisition passed by Parliament – The Indonesian House of Representatives has endorsed the land acquisition law for public development. The new law is expected to solve conflicts that have often resulted in delays of public infrastructure projects. According to the law, all legal proceedings pertaining to land acquisition for government-commissioned infrastructure projects should be completed within 436 working days at the most. It aims at a more democratic process for providing 60-day public consultation period before acquiring the land.

Telkom spends US\$233 million on broadband access – PT Telekomunikasi Indonesia, state-owned telecommunication company, has allocated US\$233 million until 2015 to build a national broadband network called “True Broadband”, which will allow customers to access a high speed data service. The network will cover 497 cities nationwide by the end of 2015. The company is targeting 13 million connections with True Broadband access. True Broadband is a part of Telkom’s effort to build a backbone of ICT infrastructure based on an optical

network platform called the “Nusantara Super Highway”.

AUTOMOTIVE

Automotive industry continues to lead industrial growth – The automotive industry is expected to achieve growth of more than 6% in 2012, despite global economic downturn. In the 3rd quarter of 2011, the automotive industry recorded a growth rate of 7%, among the highest in the overall industrial sector. The growth of the automotive industry is supported by sharp increase in motorcycles and car sales.

COMMODITY

Rattan export ban – The Indonesian Government has issued notifications banning export of raw and semi-processed rattan as part of efforts to revive the ailing local rattan industry. The ban will result in increased opportunities for value addition by the local industries. Rattan shortages were seen as the main cause for lower exports and a decline in rattan furniture firms. In 2008, Indonesia, the largest rattan producer with the potential supply 80% of global output, exported US\$300 million worth of rattan, which dropped to US\$167 million in 2009 and to US\$138 million in 2010. Before the export ban was introduced, the bulk of Indonesian raw rattan went to China and Vietnam. The Indonesian Industry Minister has expressed the hope that this step will result in increased foreign investment and will give in a boost to the industry.



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is brought out by the Embassy of India in Jakarta.

For further enquiries and feed-back, kindly contact Mr. Rakesh Kumar Arora, First Secretary (Economic & Commercial) at:

counsellor_enc@net-zap.com

UPCOMING EVENTS & EXHIBITIONS IN INDONESIA

Date	Event's Title	Products on display	Venue	Organizer
7-10 Feb 2012	Feed the World 2012		Assembly Hall 1, 2, 3 Jakarta Convention Centre	KADIN Indonesia
29 Feb-4 Mar 2012	Mega Bazar Computer & Focus 2012	Computer, smartphones, Tablet PCs, Camera	Jakarta Convention Centre	Dyandra Promosindo
11-14 Mar 2012	International Furniture Craft & Fair Indonesia (IFFINA 2012)	Furniture & handicrafts	Hall A, B, C1, D, & Open Space	Kerabat Dyan Utama
28-31 Mar 2012	INAPA	Auto parts, accessories & equipments	Hall A, B, C, & D	Global Expo Management
30 Mar-1 Apr 2012	AGRINEX 2012	Agricultural, plantation, livestock, fisheries products	Hall A & B	Putri Cahaya Kharisma