

INDONESIA: THE EMERGING MARKET



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Consulate General of the Republic of Indonesia in Los Angeles

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Discussion Agenda

1. Indonesia's Economic Update
2. Trade Relations with the US
3. Indonesian Market, Accessible?

INDONESIA'S ECONOMIC UPDATE

Current Facts on Indonesia

INDONESIA

GDP Size	US\$ 706.6 Bi	Land Area	1,904,443 sq km
GDP percapita	US\$ 3,005	Sea Area	3,116,163 sq km
		Total Area	5,020,606 sq km
		Coastal Line	81,000 km

Population 242 Million people (4th biggest population)

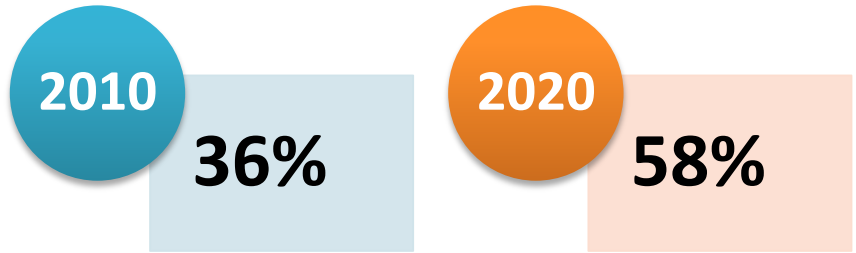
Main Cities	Population ('000)	GDP Share (%)	GDP/Capita (US\$ '000)
Jakarta (Capital)	9,558	16.3	9.9
Surabaya	2,584	14.7	2.3
Bandung	2,393	14.3	-
Semarang	1,553	8.5	-
Medan	2,109	5.4	2.3
Samarinda	791	6.2	10.0
Makassar	1,339	2.3	-

Language Indonesian (Bahasa Indonesia)
As well as some 7500 other regional languages and dialects.

Source: various

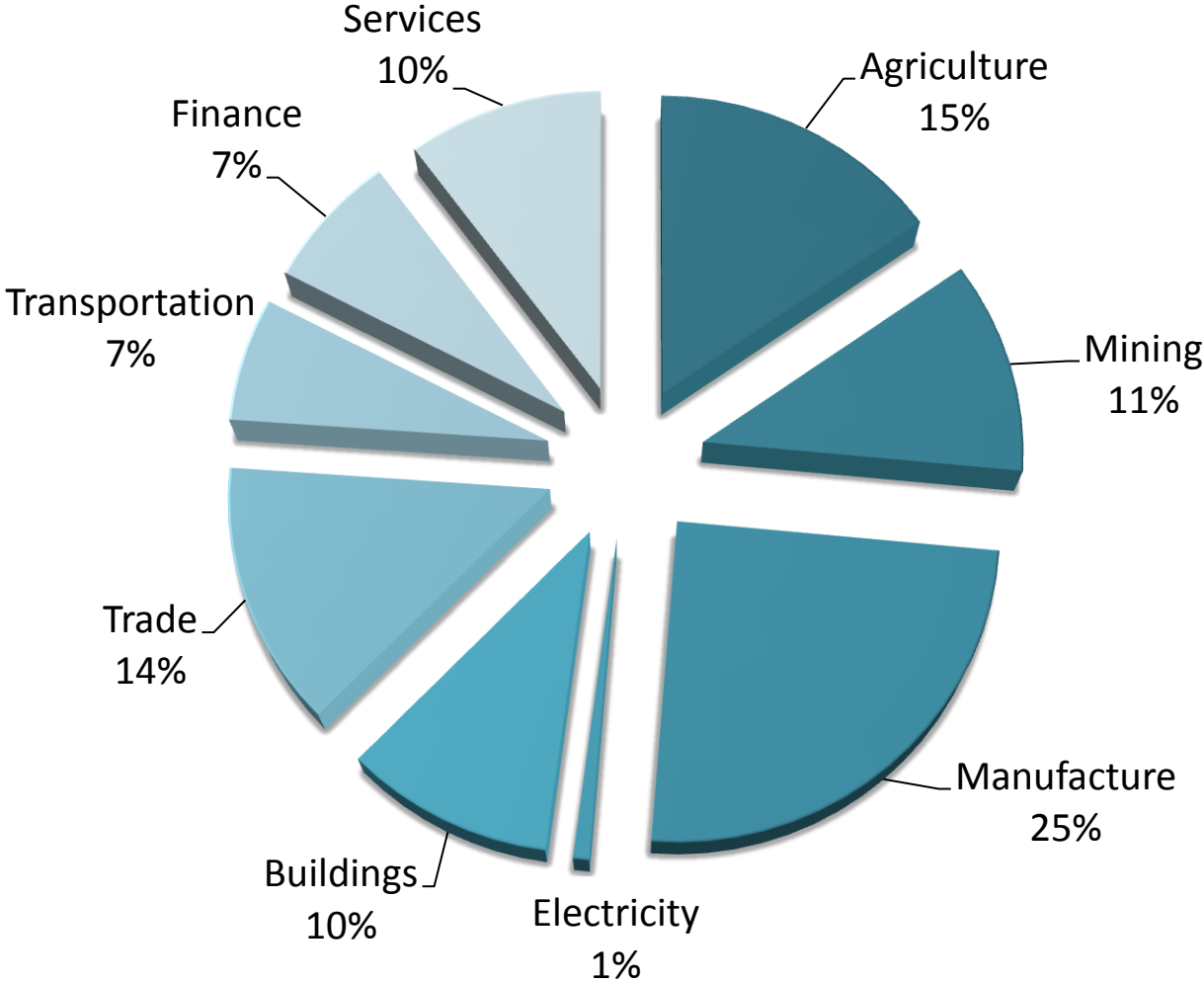


The number of Indonesian households with \$5,000-\$15,000 in annual disposable income, a rough gauge for middle income



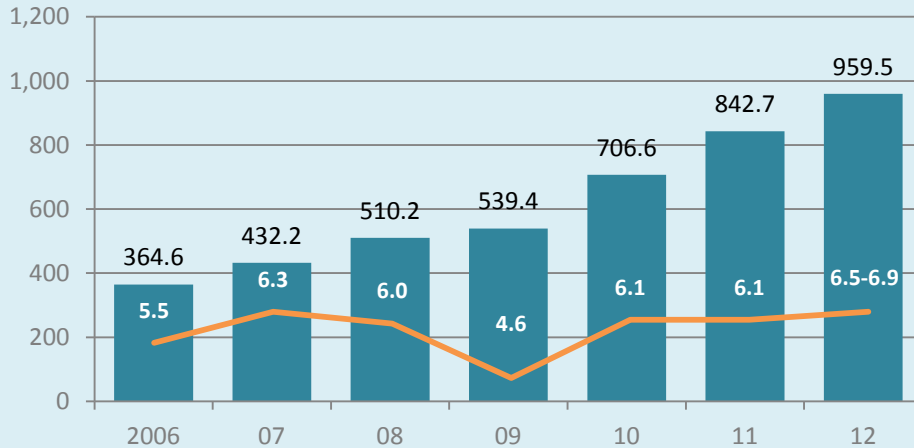
Source: Euromonitor as published by Financial Times

Indonesia Economic Structure



Sound Economy: *sustainable growth*

Nominal GDP (US\$ bn), Real GDP Growth (%)

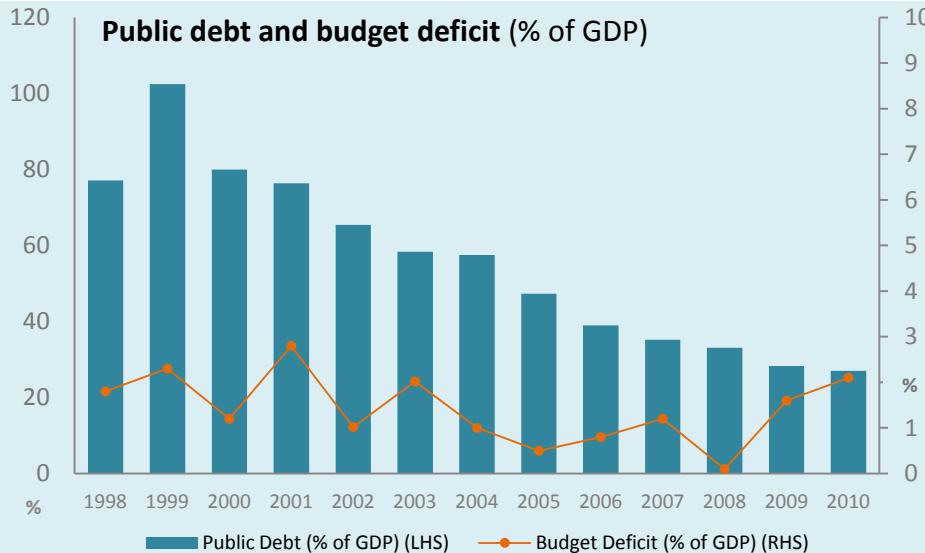


Source: EIU dan Min. of Finance

Having a GDP size of more than US\$ 700 billion in 2010, Indonesia is the third fastest growing economy in Asia and the largest economy in Southeast Asia.

Indonesia's economy grew by 6.1% last year (2010) and is forecast to climb to 6.5 to 6.9% in 2012, providing a case for Indonesia's inclusion in the so-called BRIC economies.

Public debt and budget deficit (% of GDP)



Source: Central Bureau of Statistics, Bank Indonesia, CIA World Factbook

In terms of fiscal and monetary conditions, Indonesia is much better than European countries as Indonesia fiscal burden lighter.

In monetary policy for example, Indonesia needs to raise SBI only once while China, Singapore and India need to raise central banks rates 7-9 times in the past 19 months.

Natural Resources: *need more value added*

Coal	<ul style="list-style-type: none">■ Indonesia is a major player in the global coal market■ The world's second largest thermal coal exporting country, third largest exporter of steaming coal■ Production of around 275 million tonnes of 2010 and 5,529 million tonnes proved reserves of coal
Natural Gas	<ul style="list-style-type: none">■ Around 108.4 trillion cubic feet of proven natural gas as at the end of 2010 and is the single largest holder of proven natural gas reserves in the Asia Pacific region
Oil	<ul style="list-style-type: none">■ 4.23 billion barrels stock tank of proven oil reserves at the end of 2010
Renewable Energy	<ul style="list-style-type: none">■ Holds 40% of the world's geothermal resources, equivalent to 28.1GW of power generation potential
Others	<ul style="list-style-type: none">■ Palm oil, cocoa, and other minerals

Source: Ministry of Energy and Mineral Resources (MEMR),
BP Statistical review of world energy 2011

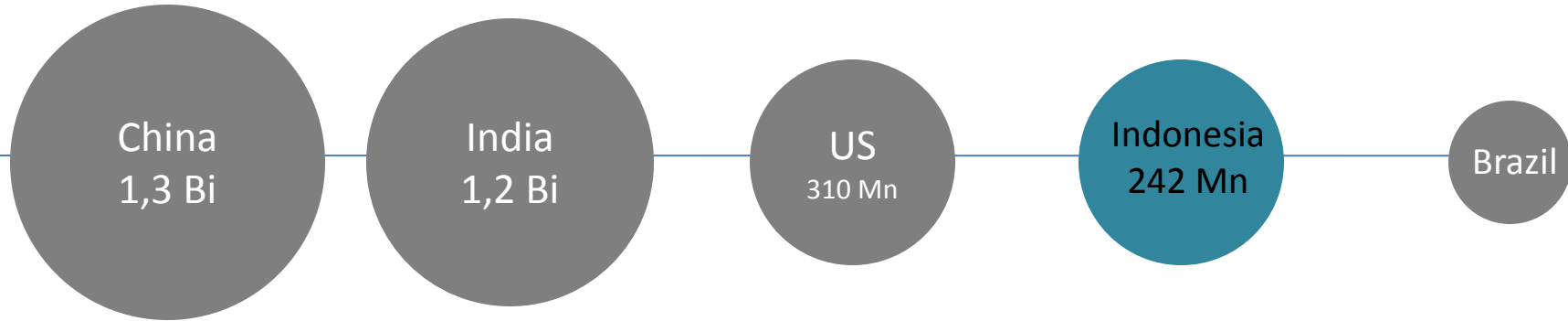
The country is home to a biodiversity that is only second to Brazil, just to mention a few. These resources provide tremendous investment opportunities. Moreover, development potential is far from saturated, particularly in renewable energy.

Natural Resources: *need more value added*

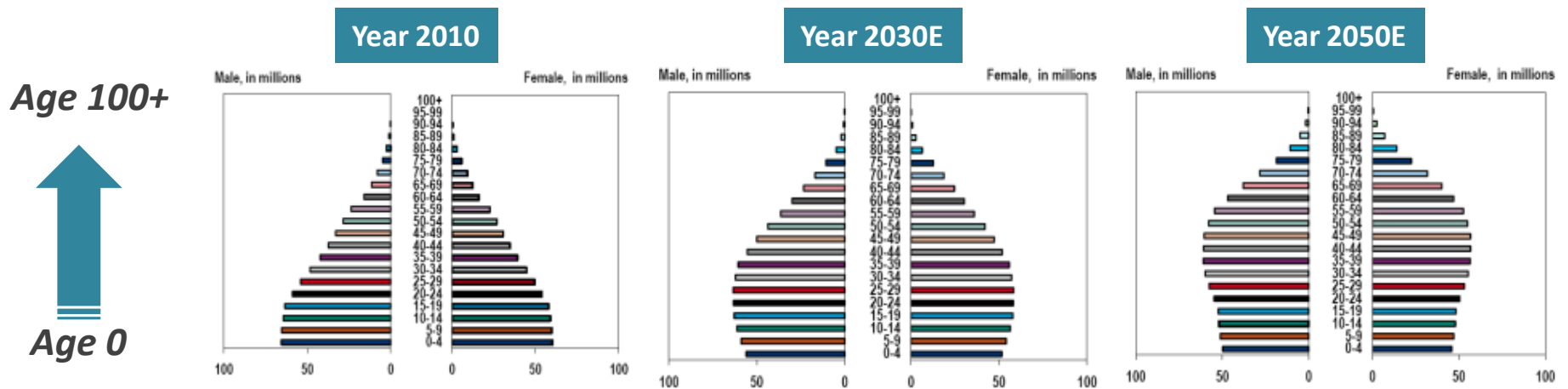
No	Commodity	Production	Location	World Rank
1	Crude Palm Oil	20.8 million tons (2010)	Sumatera, Kalimantan, Sulawesi, Papua.	1 st
2	Tin	105 thousand metric tons (2009)	Sumatera	2 nd
3	Rubber	2.4 million tons (2010)	Kalimantan	2 nd
4	Cocoa	792 thousand tons (2008)	Sulawesi, Sumatera, Java, Kalimantan, East Nusa Tenggara	2 nd
5	Copper	868 thousand metric tons (2009)	Papua, Maluku, Nusa Tenggara	5 th
6	Nickel	189 thousand metric tons (2009)	Sulawesi, Sumatera, Maluku, Papua	2 nd
7	Gold	105 metric tons (2009)	Kalimantan, Sumatera, Maluku, Papua	7 th

Demographic: *dynamic demographic base*

The Big 5 : Indonesia is the 4th most populous nation in the world.



Of the 240 million people in Indonesia, over 60% of the population is under 39 years old, providing a dynamic workforce.



Workforce: at competitive advantages



Source: EIU

Compensation, 2010

New staff

	Wage (US\$ per year)
Top management	95,000
Senior sales	50,000
Middle management	32,361
Sales	21,898
Professional/administration/junior management	20,651
Clerical/technicians	6,558
Manual/junior clerical	3,587

Source: payscale.com.

Minimum Regional Wages (Rp)

Province	2010	2011
NAD	1,300,000	1,350,000
North Sumatra	965,000	1,035,500
West Sumatra	950,000	1,055,000
Riau	1,016,000	1,120,000
Riau Island	925,000	975,000
Jambi	900,000	1,028,000
South Sumatra	927,830	1,048,440
Bangka Belitung	910,000	1,024,000
Bengkulu	780,000	815,000
Lampung	767,830	855,000
West Java	671,500	732,000
Banten	1,118,010	1,290,000
Jakarta (Special Region)	955,300	1,000,000
Central Java	660,000	675,000
Yogyakarta	745,690	808,000
East Java	630,000	705,000
Bali	829,320	890,000
West Nusa Tenggara	890,780	950,000
East Nusa Tenggara	800,000	850,000
West Kalimantan	741,000	802,500
South Kalimantan	1,024,500	1,126,000
Central Kalimantan	986,590	1,134,580
East Kalimantan	1,002,000	1,084,000
Maluku	840,000	900,000
Noth Maluku	847,000	900,000
Gorontalo	710,000	762,500
North Sulawesi	990,000	1,080,000
Southeast Sulawesi	860,000	930,000
Central Sulawesi	777,500	827,500
South Sulawesi	1,000,000	1,100,000
West Sulawesi	944,300	1,006,000
Papua	1,316,500	1,403,000
West Papua	1,210,000	1,410,000

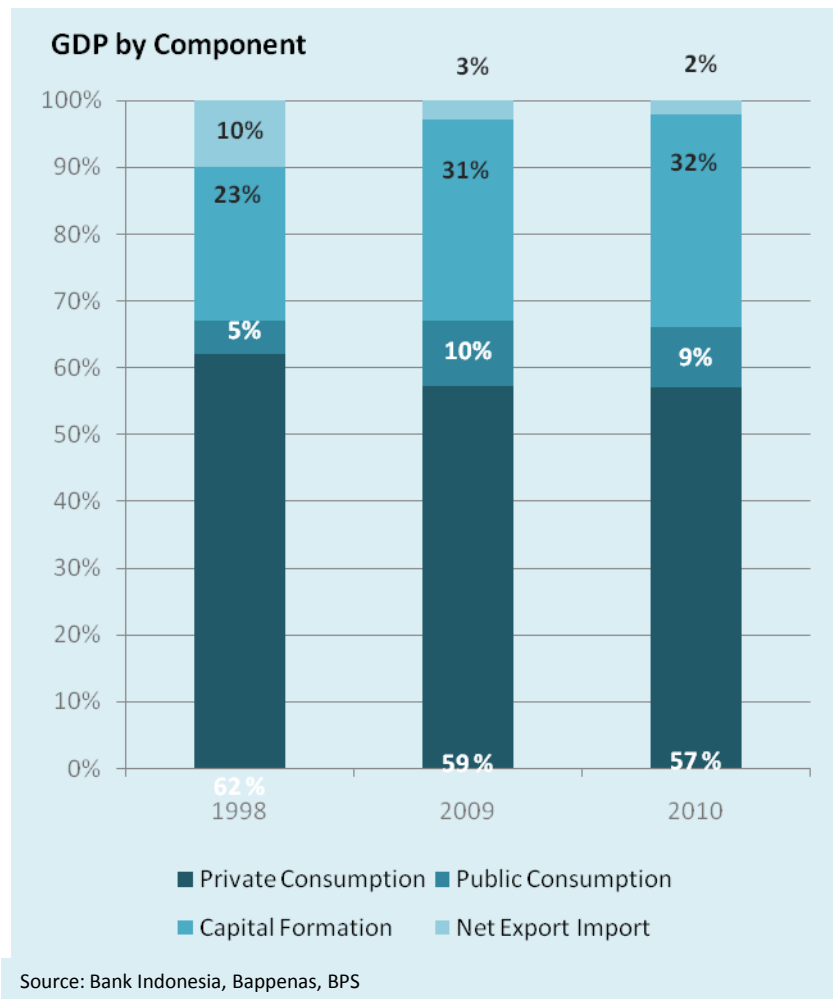
Source: BPS, 2011

Domestic Market: *burgeoning domestic market*

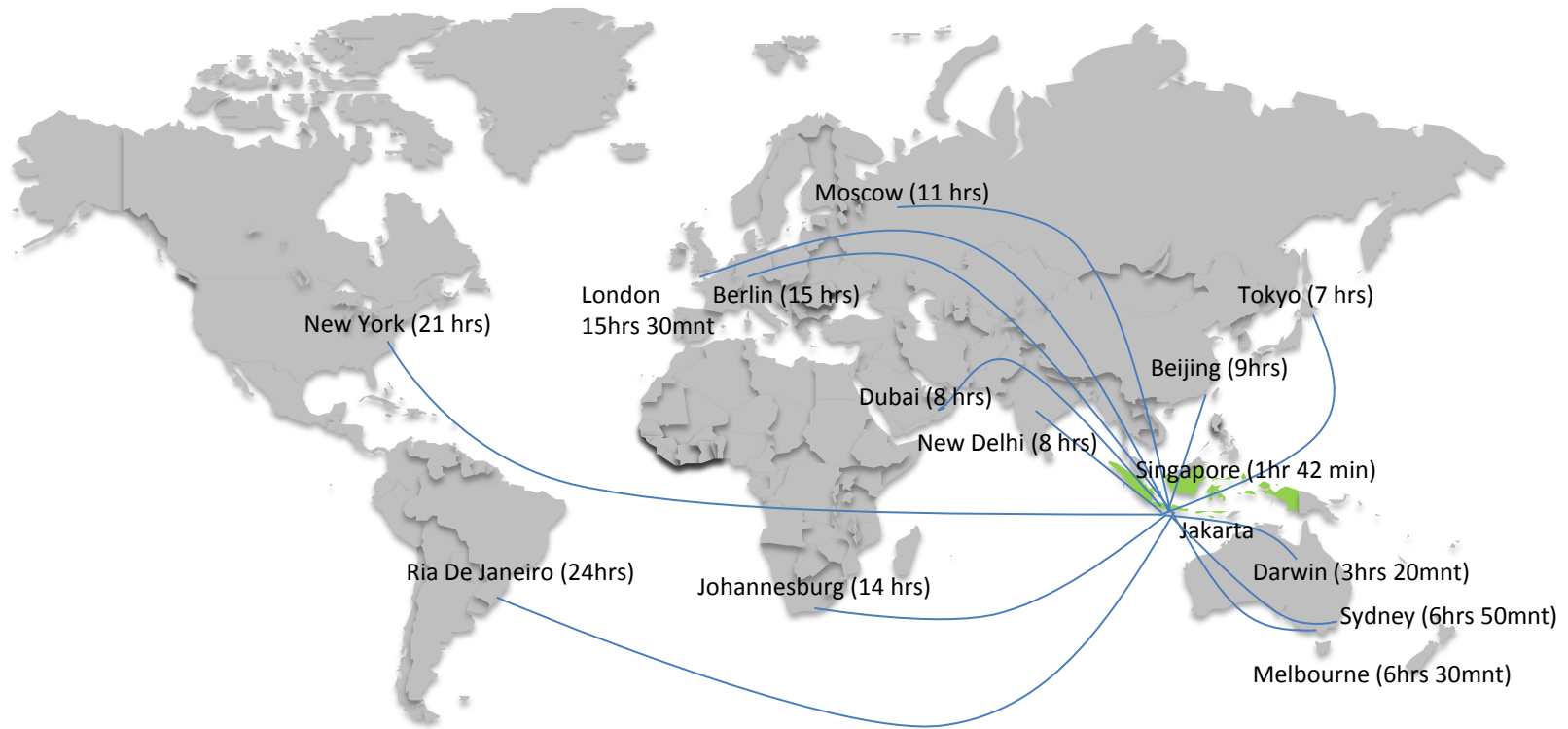
With a population of 240 million people, **Indonesia has a large domestic market to offer**, over 50% of which lives in urban areas and adopt a modern lifestyle.

A growing and affluent middle class supports GDP growth with **more than 50% of GDP accounting for private consumption.**

These statistics fare well for many industries, including retail and consumer products, food processing, as well as automotive industry.



Strategic Location: *gateway to ASEAN market*



Strategic Location and Expanding Global Influence

Indonesia lies at the intersection of the Pacific Ocean, along the Malacca Straits and the Indian Ocean. Over half of all international shipping goes through Indonesian waters.

Dynamic Youth Population: *social networking penetration*



Indonesia internet user : **45 million people (2010)**



US (150 mn people)

Indonesia **(38 mn people)**

UK (30 mn people)

Turkey (29 mn people)

India (29 mn people)



“Facebook users in Indonesia 38 Mn people, 2nd rank in the world as per June 2011”

(source: <http://www.checkfacebook.com/>)



Indonesia **(5.6 mn people)**

Japan (3.5 mn people)

India (2.3mn people)

Singapore (2.1 mn people)

Philipines (2.0 mn people)



“Twitter users in Indonesia 5.6 Mn people, 1st rank in Asia per 20 April 2011”

(source: <http://www.greyreview.com/2010/01/26/twitter-in-asia-total-users-by-country/>)

Indonesia 2050

GDP nominal : ~US\$ 3.760 – 4.470 B
GDP nominal/capita: \$ 12.855 – 16.160

2025



2030

GDP nominal : ~US\$ 6.460 B – 8.152 B
GDP nominal/capita: \$ 20.600 – 25.900
As a 10 major world economic power

2050

GDP nominal : ~US\$ 26.679 B
GDP nominal/capita: \$ 78.478
As a 6 major world economic power

Current conditions:
Global confidence for Indonesia began to rise

2014

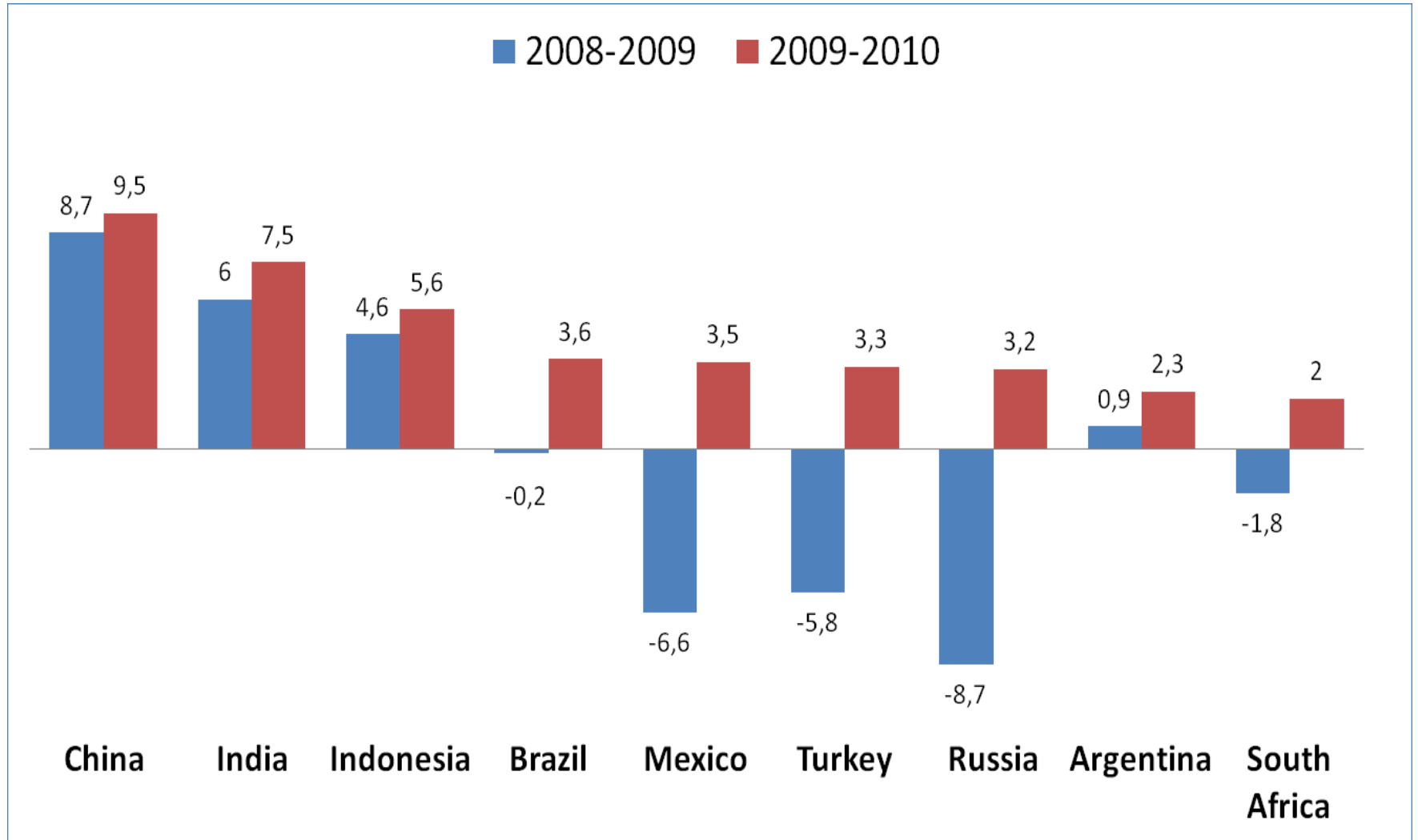
GDP nominal : ~US\$ 1.206 B
GDP nominal/capita: \$ 4.803
As a 14 major world economic power

2011

Assumption: Real growth between 7 – 8 %

- ** Goldman Sachs projection
- * Government Unofficial projection

G20 Annual Average Growth (20%)





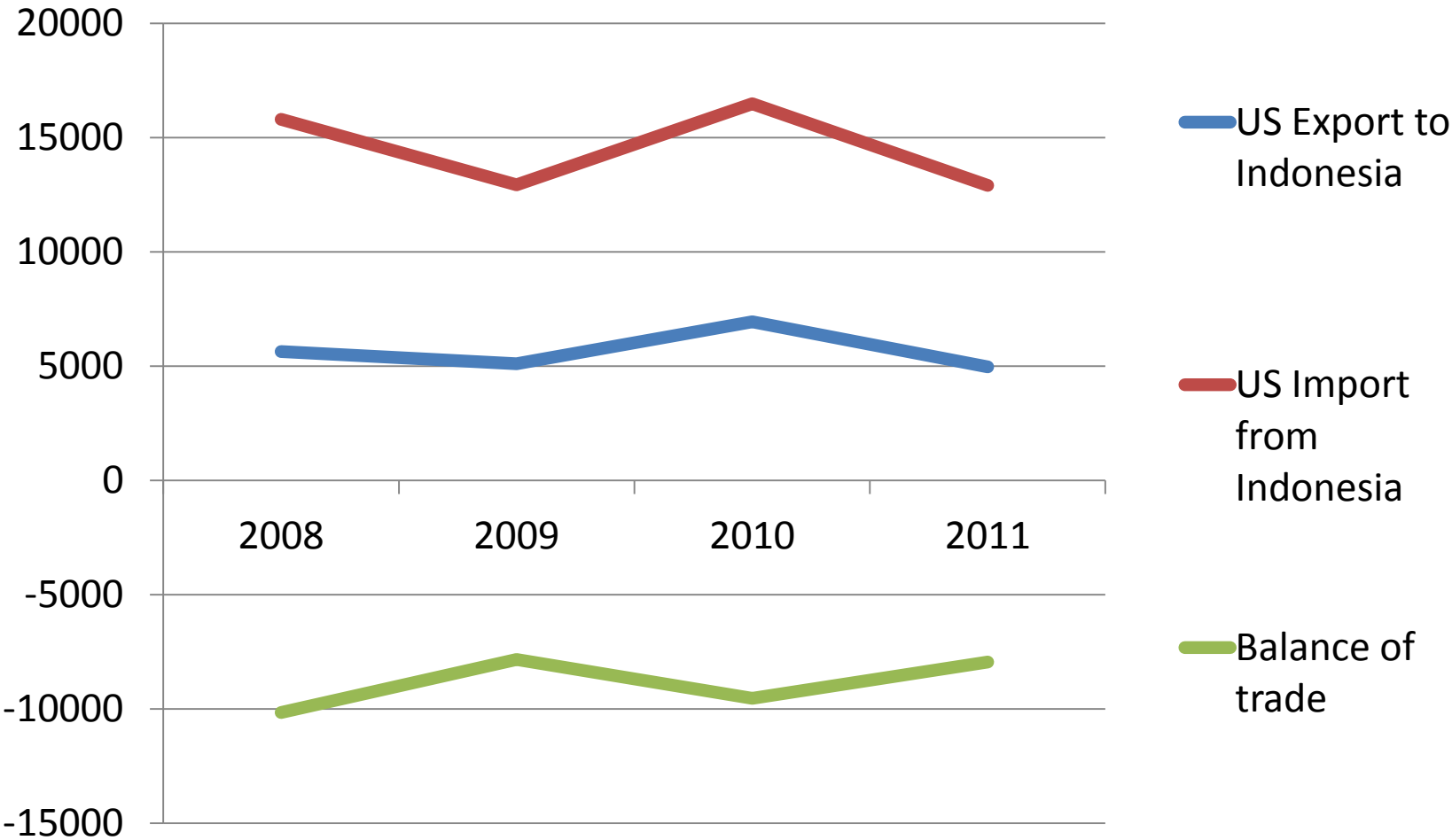
Nouriel Roubini
Economist, New York University

“Indonesia has low inflation, low debt (at about 26 per cent of GDP), young demographics and accelerating growth. Some countries in the region are better positioned for long-term, even growth – countries like Indonesia or India, with 50 – 60 per cent of GDP coming from domestic consumption”

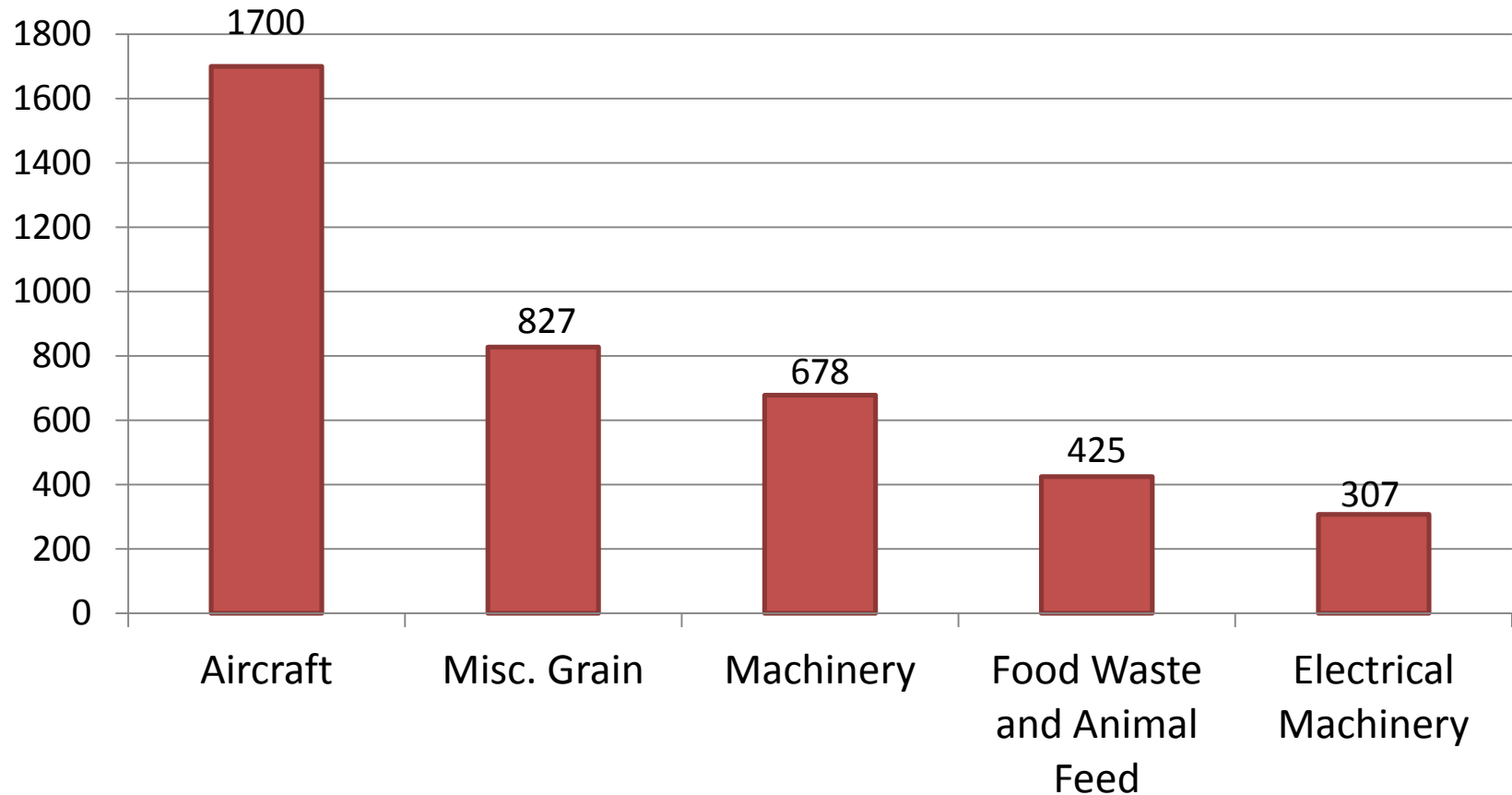
“Indonesia is a country that can be very important in the global economy. By the end of the decade it will be the 10th largest economy and by 2030, it could be the 6th.”

TRADE RELATIONS BETWEEN TWO COUNTRIES

US Trade in Goods with Indonesia (USD millions)



Top 5 US Exports to Indonesia (million USD)

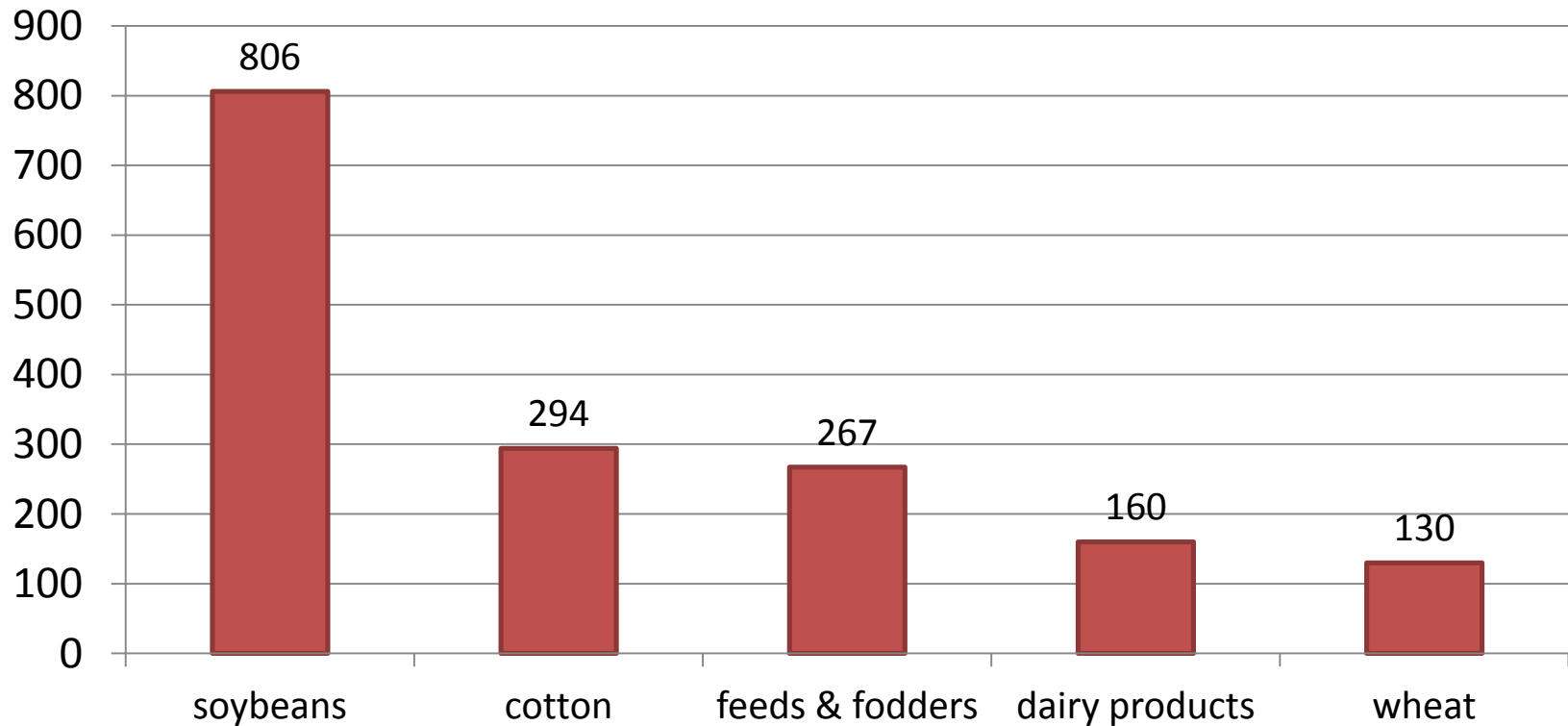


Indonesia was the United States' 32nd largest goods export market in 2010.

U.S. goods exports to Indonesia in 2010 were \$6.9 billion, up 35.9% (\$1.8 billion) from 2009, and up 147% from 1994 (the year prior to Uruguay Round).

Source : Office of the US Trade Representative

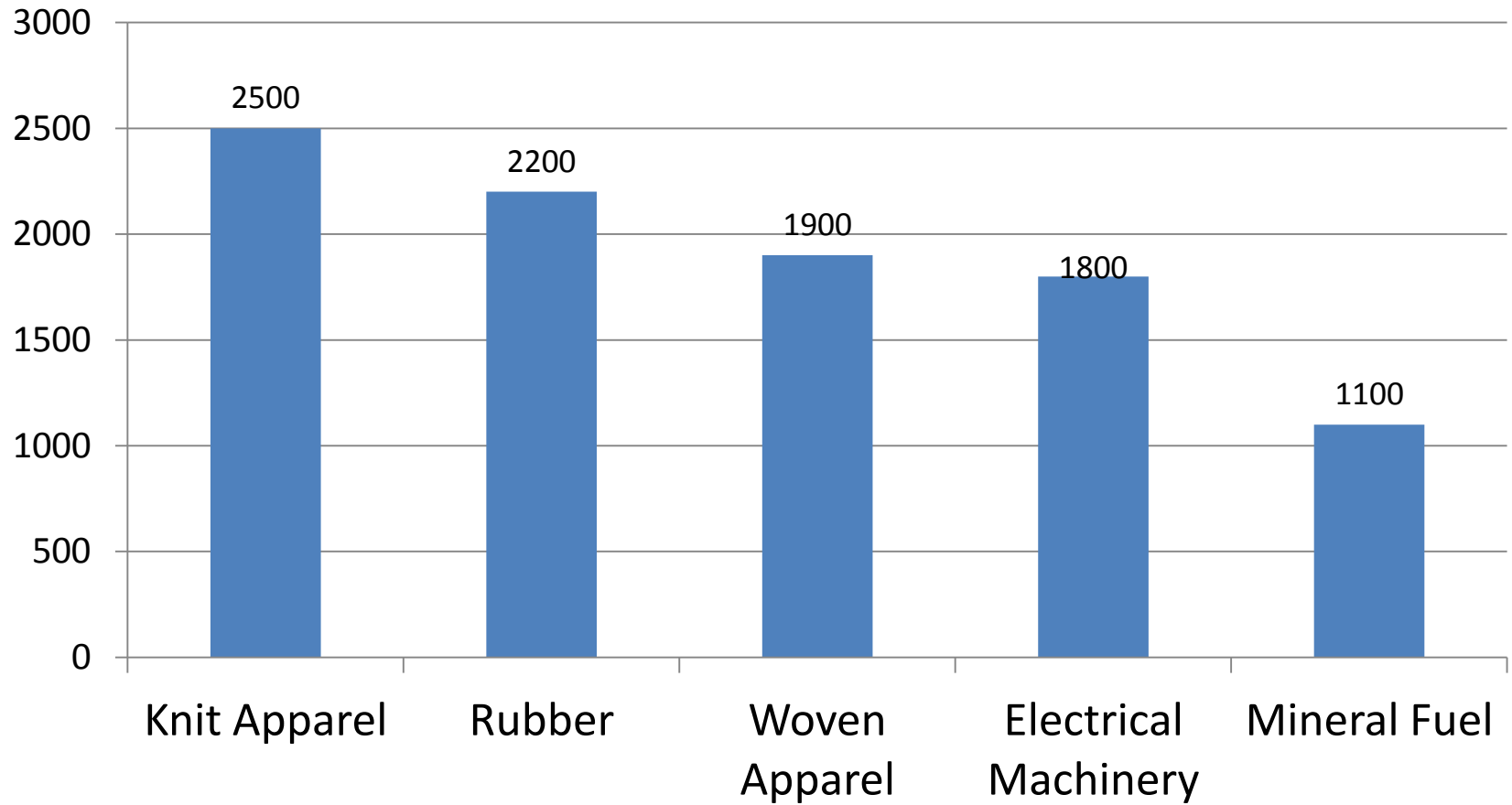
Leading Categories of US Agriculture Export to Indonesia (million USD)



U.S. exports of agricultural products to Indonesia totaled \$2.2 billion in 2010, the 8th largest U.S. Agricultural export market.

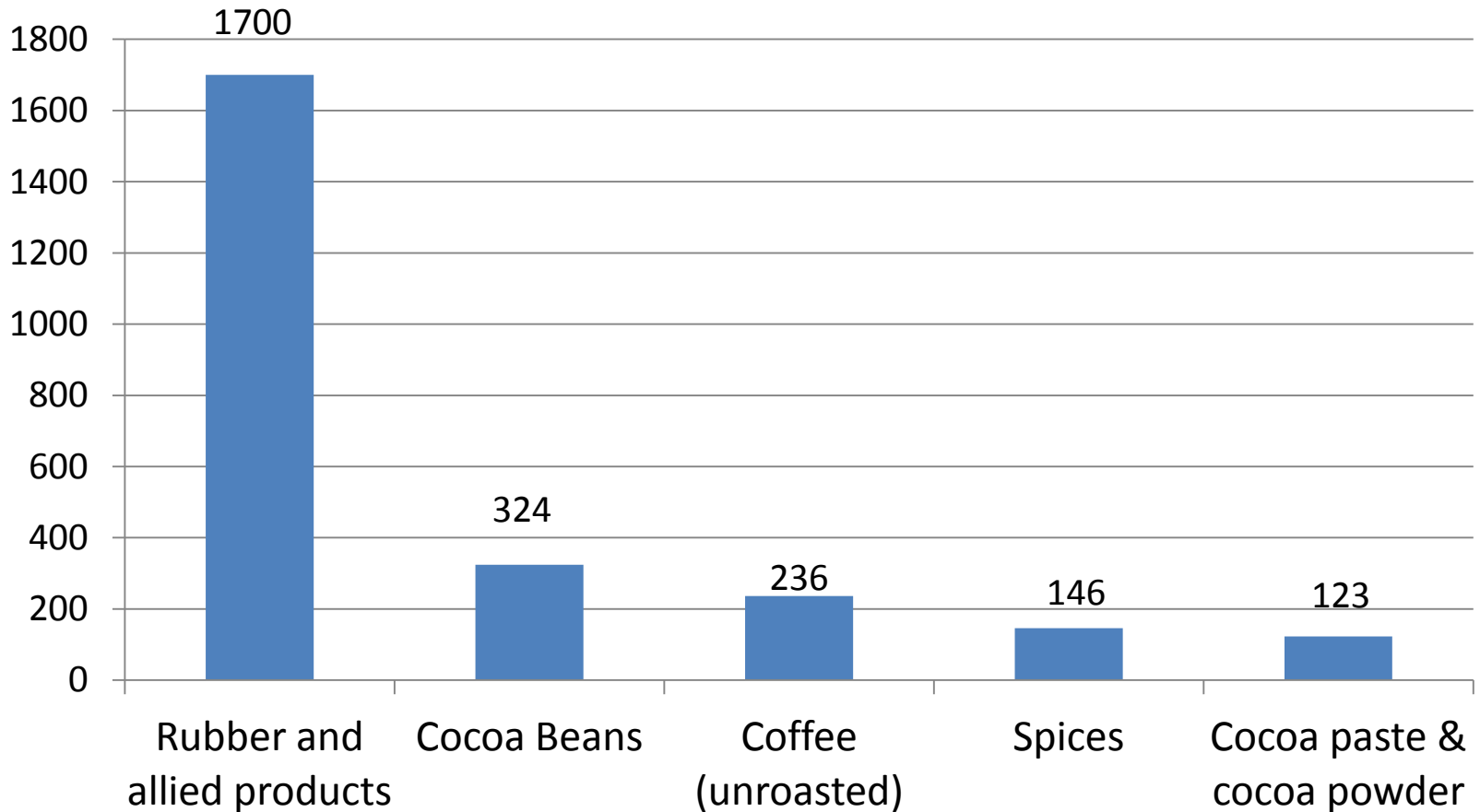
Source : Office of the US Trade Representative

Top 5 US Import from Indonesia (million USD)



Source : Office of the US Trade Representative

Leading Categories of US Agricultural Import from Indonesia (million USD)



Source : Office of the US Trade Representative



Mining
equipment and
services



Agribusiness



Aircraft parts
and services



Banking



Franchise

**MARKET
IN INDONESIA,
ACCESSIBLE?**



Military
Equipment



Clean Energy



Infrastructure



Telecommunication



Education



**HOW TO
PENETRATE
INDONESIAN
MARKET ?**

Sell directly to
government/state –
owned companies

Using Local
agents/distributors



Market survey to
find appropriate
agent/distributor

PFTA
(pricing, financing,
technical skills, after-
sales service)

How to protect IPR?



Registration of patents and trademarks to the Ministry of Law and Human Rights



Small and medium size companies to work together with trade association and organization



Conduct due diligence on potential partners. A good partner is an important ally in protecting IPR



Retain a local attorney for business matters.

What We Do @ Consulate

- Bridge business to business networking between the two countries
- Facilitating Indonesian Biz to penetrate US Market
- Providing market info
- Encourage US biz to look at Indonesia as trade as well as investment partners

THANK YOU