

# INDONESIA

## – Towards A One Trillion Dollar Economy

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# An interesting geography

- **Indonesia is a country in South East Asia and spans over three time zones. East to west, the distance is similar from New York to Los Angeles.**
- **As an archipelagic country, Indonesia comprises of over 17 thousand islands in which 6,000 of them are inhabited. The main islands are Java, Sumatra, Kalimantan (Borneo), Sulawesi, Bali and Papua.**
- **Indonesia and Italy were connected by the spice trade during its peak in the previous centuries.**
- **Indonesia is the fourth populous country in the world, inhabited by 238 million people in 2010.**
- **Indonesia, a Republic, has Jakarta as its capital.**

# Indonesian Map



# A resource based economy

- **With the land size of almost 2 million km<sup>2</sup>, Indonesia is rich in resources. This puts Indonesia similar to Australia or United States during the beginning of its development.**
- **Oil and gas was predominant resources in the previous decades. Now coal, palm oil, rubber, coffee, cocoa have increased in its importance.**
- **Indonesian exports reached almost \$ 160 billion in 2010 and is predicted to reach around \$ 200 billion in 2011.**
- **The resource based economy is predominantly located in the main outer islands (outside Java).**

# A population based economy

- With the population of over 200 millions, and with income per capita of over \$ 3,000, Indonesia has become a magnet for businesses.
- The rise of the rich and the middle class brings Indonesia to the forefront of new investment boom, especially in manufacturing and services.
- The domestic car sales in 2010 was 763 thousand units while the motorcycles sales were over 7 million units. The sales is predicted to reach 1 million cars in 2012.
- White goods (TV, refrigerators, air conditioners etc) are increasingly important in the economy.
- Services sector is also in the rise.

# ASEAN : Towards an ASEAN Economic Community

- Indonesia is an important member of ASEAN. With 10 members which include Thailand, Malaysia, Philippines, Singapore, Brunei, Vietnam, Laos Cambodia, Myanmar and Indonesia, ASEAN has more than 500 million people and the total GDP that will reach around \$ 2 trillion, similar with the total GDP of Italy.
- With the beginning of trade liberalization in 2015, ASEAN will see increased prosperity in its member countries, similar with what has been achieved by European Union.
- Indonesia is certainly a strategic location for ASEAN regional production base.

# ASEAN Map

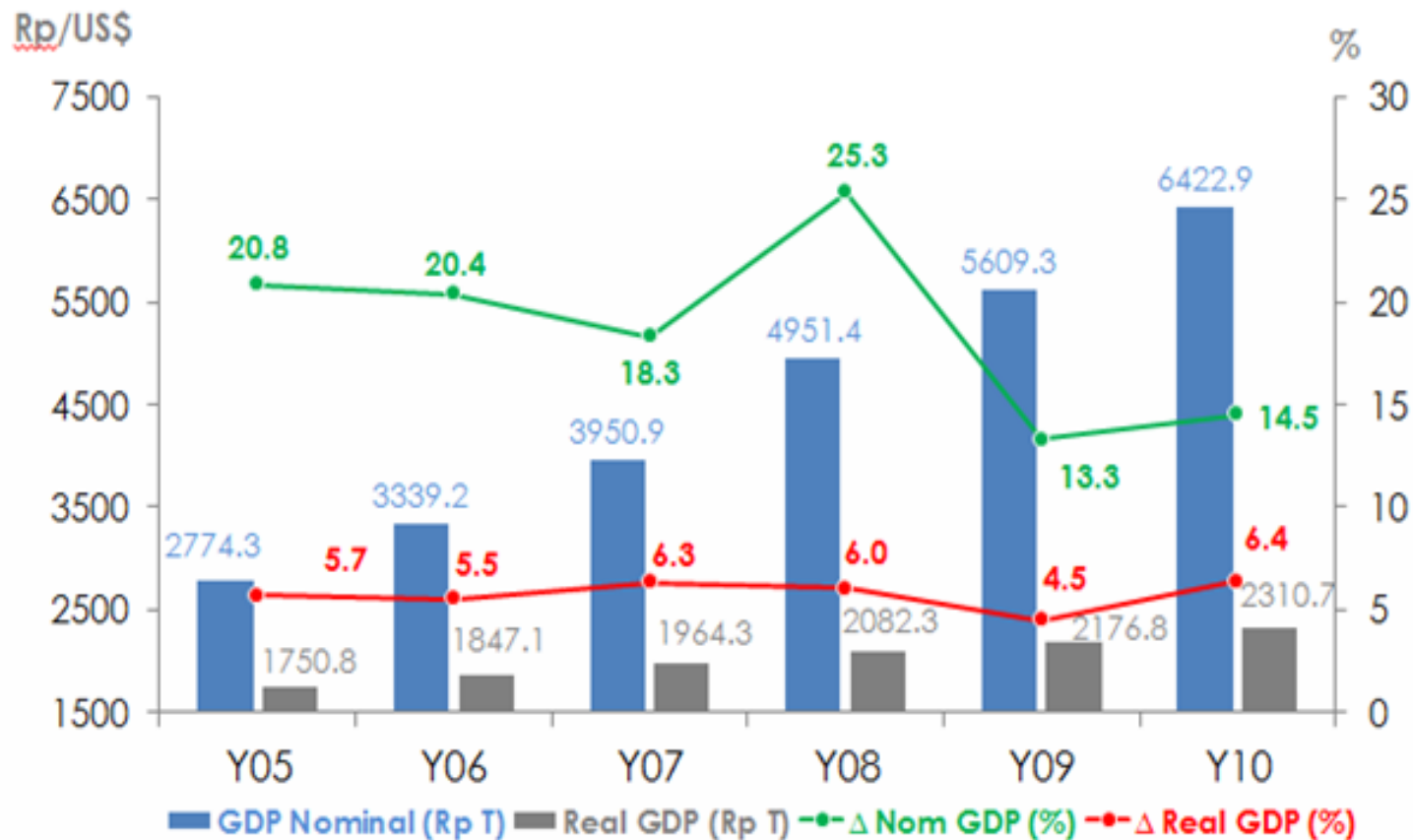


# Indonesia: a rapidly growing economy

- Before the crises in 1998, Indonesia grew at over 8 percents annually for over 30 years. After the crises, Indonesian economy experienced a slow recovery in the beginning but has been gaining strength in the last few years.
- Currently Indonesian economy is growing at a rate of over 6 percent, but in nominal terms is growing at more than 10 percents annually.
- In 2010, Indonesian economy was at over \$ 700 billion, which puts Indonesia as the 18<sup>th</sup> largest economy in the world.
- It is predicted that its real GDP growth will increase to over 7 percents in 2012.



# Indonesian GDP (Nominal & Real)



# Indonesian GDP (Table)

Year	Nominal GDP	$\Delta$ (%)	Real GDP	$\Delta$ (%)
2005	2,774.3	20.8	1,750.8	5.7
2006	3,339.2	20.4	1,847.1	5.5
2007	3,950.9	18.3	1,964.3	6.3
2008	4,951.4	25.3	2,082.3	6.0
2009	5,609.3	13.3	2,176.8	4.5
2010	6,422.9	14.5	2,310.7	6.4

# Indonesia and the global economy

- Indonesian economic role has been increasing markedly in the past few years.
- In 2004, Indonesia was still number 25 in the global economy, now Indonesia has become the 18<sup>th</sup> largest economy, by overtaking the positions of Norway, Belgium, Sweden, Taiwan, Poland and Switzerland.
- In the IMF list, Indonesia in 2010 has a GDP of \$ 706 billion, slightly below Turkey with over \$ 741 billion. In its prediction, IMF puts Indonesia ahead of Turkey in this year (2011).

# Nominal GDP (years 2008 – 2010)

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2008			2009			2010		
—	 World	60,115,459	—	World	58,892,848	—	World	62,909,274 <sup>1)</sup>
1	 United States	14,204,322	1	 United States	14,119,000	—	 European Union	16,282,230 <sup>2)</sup>
—	 Eurozone	13,565,479 <sup>3)</sup>	—	 Eurozone	12,455,979 <sup>3)</sup>	1	 United States	14,657,800
2	 Japan	4,909,272	2	 Japan	5,068,996	2	 People's Republic of China	5,878,257
3	 People's Republic of China	3,860,039	3	 People's Republic of China	4,985,461 <sup>3)</sup>	3	 Japan	5,458,872
4	 Germany	3,652,824	4	 Germany	3,330,032	4	 Germany	3,315,643
5	 France	2,853,062 <sup>b)</sup>	5	 France	2,649,390 <sup>3)</sup>	5	 France	2,582,527
6	 United Kingdom	2,645,593	6	 United Kingdom	2,174,530	6	 United Kingdom	2,247,455
7	 Italy	2,293,008	7	 Italy	2,112,780	7	 Brazil	2,090,314
8	 Brazil	1,612,539	8	 Brazil	1,594,490	8	 Italy	2,055,114
9	 Russia	1,607,816	9	 Spain	1,460,250	9	 Canada	1,574,051
10	 Spain	1,604,174	10	 India	1,377,265	10	 India	1,537,966
11	 Canada	1,400,091	11	 Canada	1,336,068	11	 Russia	1,465,079
12	 India	1,217,490	12	 Russia	1,231,893	12	 Spain	1,409,946
13	 Mexico	1,085,951	13	 Australia	924,843	13	 Australia	1,235,539
14	 Australia	1,015,217	14	 Mexico	874,902	14	 Mexico	1,039,121
15	 South Korea	929,121	15	 South Korea	832,512	15	 South Korea	1,007,084
16	 Netherlands	860,336	16	 Netherlands	792,128	16	 Netherlands	783,293
17	 Turkey	794,228	17	 Turkey	617,099	17	 Turkey	741,853
18	 Poland	526,966	18	 Indonesia	540,277	18	 Indonesia	706,735
19	 Indonesia	514,389	19	 Switzerland	500,260	19	 Switzerland	523,772
20	 Belgium	497,586	20	 Belgium	468,522	20	 Poland	468,539



# GDP Forecast years 2011 – 2016

\* based on Data from the IMF

Billion of USD

No	Country	2011	2012	2013	2014	2015	2016
	<i>World</i>	68,652.41	72,485.81	76,467.34	80,695.68	85,424.67	90,451.59
1	 <a href="#">European Union</a>	17,452.41	18,084.87	18,738.31	19,402.23	20,085.70	20,791.88
2	 <a href="#">United States</a>	15,227.07	15,880.21	16,522.06	17,223.52	17,993.10	18,807.55
3	 <a href="#">People's Republic of China</a>	6,515.86	7,209.42	8,057.41	9,016.23	10,061.80	11,220.17
4	 <a href="#">Japan</a>	5,821.95	5,920.56	6,058.06	6,218.16	6,379.66	6,539.56
5	 <a href="#">Germany</a>	3,518.59	3,599.98	3,691.07	3,779.93	3,856.99	3,928.27
6	 <a href="#">France</a>	2,750.71	2,834.35	2,923.27	3,016.95	3,112.31	3,211.08
7	 <a href="#">United Kingdom</a>	2,471.88	2,602.49	2,743.35	2,890.99	3,050.52	3,220.42
8	 <a href="#">Brazil</a>	2,421.64	2,576.24	2,735.30	2,913.97	3,103.00	3,302.86
9	 <a href="#">Italy</a>	2,181.36	2,245.91	2,304.31	2,363.09	2,424.50	2,488.60
10	 <a href="#">Russia</a>	1,894.47	2,197.71	2,403.03	2,654.09	2,926.32	3,237.25
11	 <a href="#">Canada</a>	1,737.27	1,809.32	1,875.14	1,938.04	1,999.95	2,063.44
12	 <a href="#">India</a>	1,704.06	1,858.97	2,061.14	2,279.73	2,516.31	2,777.28
13	 <a href="#">Spain</a>	1,484.71	1,524.06	1,563.63	1,607.66	1,654.96	1,703.44
14	 <a href="#">Australia</a>	1,448.15	1,470.03	1,574.00	1,552.46	1,662.75	1,697.22
15	 <a href="#">Mexico</a>	1,167.12	1,231.64	1,293.30	1,355.86	1,427.55	1,495.39
16	 <a href="#">South Korea</a>	1,126.50	1,201.54	1,282.43	1,375.53	1,475.95	1,585.80
17	 <a href="#">Netherlands</a>	832.16	852.482	871.575	890.799	910.905	932.21
18	 <a href="#">Indonesia</a>	822.631	908.125	997.944	1,100.01	1,212.32	1,336.57
19	 <a href="#">Turkey</a>	797.605	876.583	943.429	1,011.63	1,082.64	1,159.21
20	 <a href="#">Switzerland</a>	594.223	602.593	610.349	618.32	626.395	634.575

# Exchange rate and interest rate

- Indonesian currency (Rupiah) is currently traded at over Rp. 8,500 for each USD. Along with major currencies in the world, the Indonesian currency has strengthened toward USD in the recent years.
- At the same time, in relative term, Indonesian interest rate is relatively high. At the time when other countries interest rates were approaching 0 percents, Indonesian core interest rate is still over 7 percents. This discrepancy, along with the strengthening currency, led to a massive capital inflow into the country.
- However, even at this rate, the bank lendings could grow by over 20 percents in 2010.

# Exchange Rate (Rp/ US\$) & BI Rate (%)

## Exchange rate (Rp/US\$) & BI Rate (%)



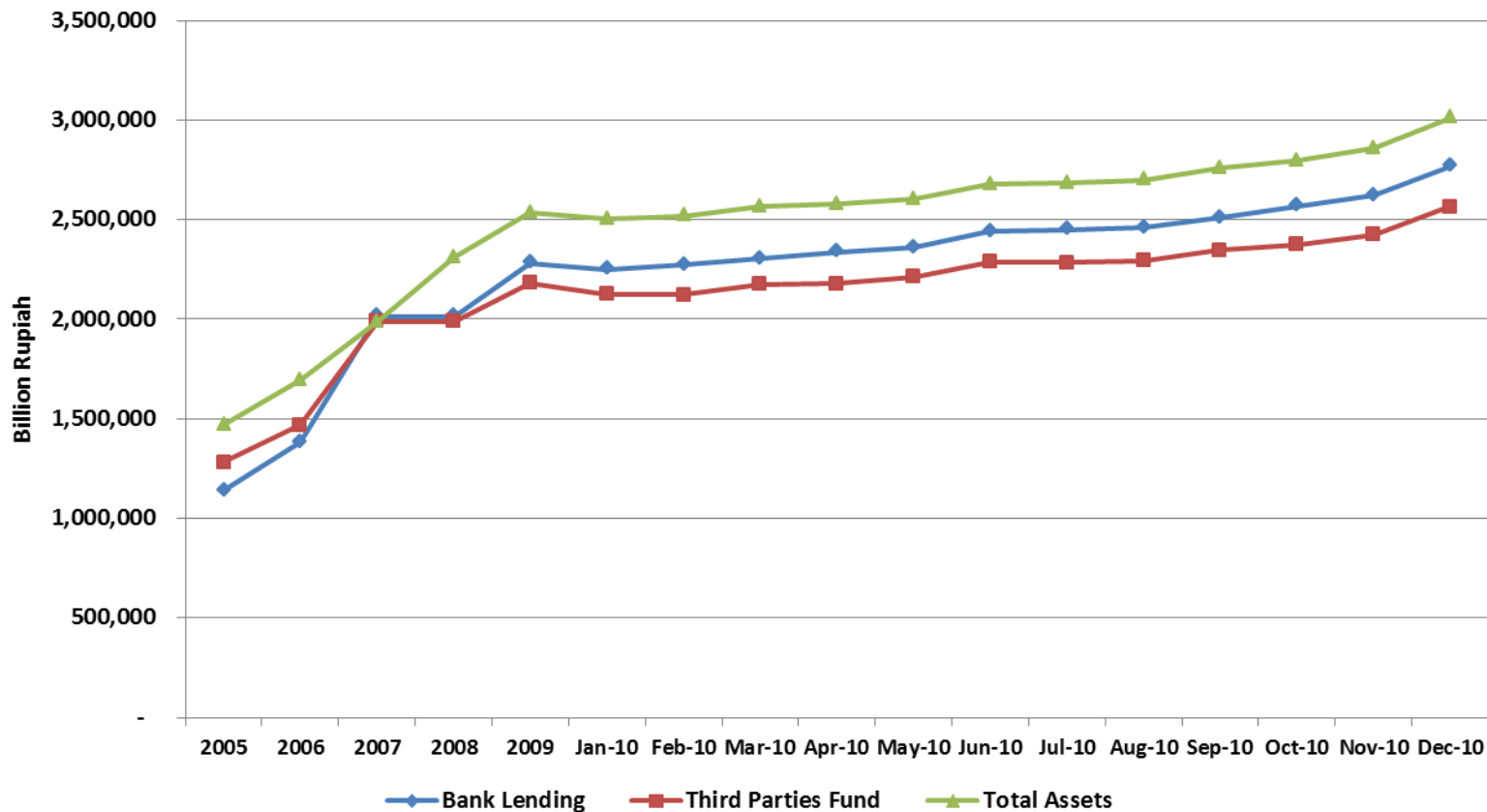
# Exchange Rate (Rp/ US\$) & BI Rate (%) - Table

Year	Rp/US\$ (Mid rate average)	Δ (%)	BI Rate (%) (End of year)
2005	9,715	+8.7	12.75
2006	9,169	-5.6	12.75
2007	9,142	-0.3	8.00
2008	9,689	+0.6	8.75
2009	10,401	+7.3	6.50
2010	9,068	-12.8	6.50
2011 (Mid rate average Jan-May)	8,839	-2.5	6.75



# Bank Industries Operation

## Commercial Banks

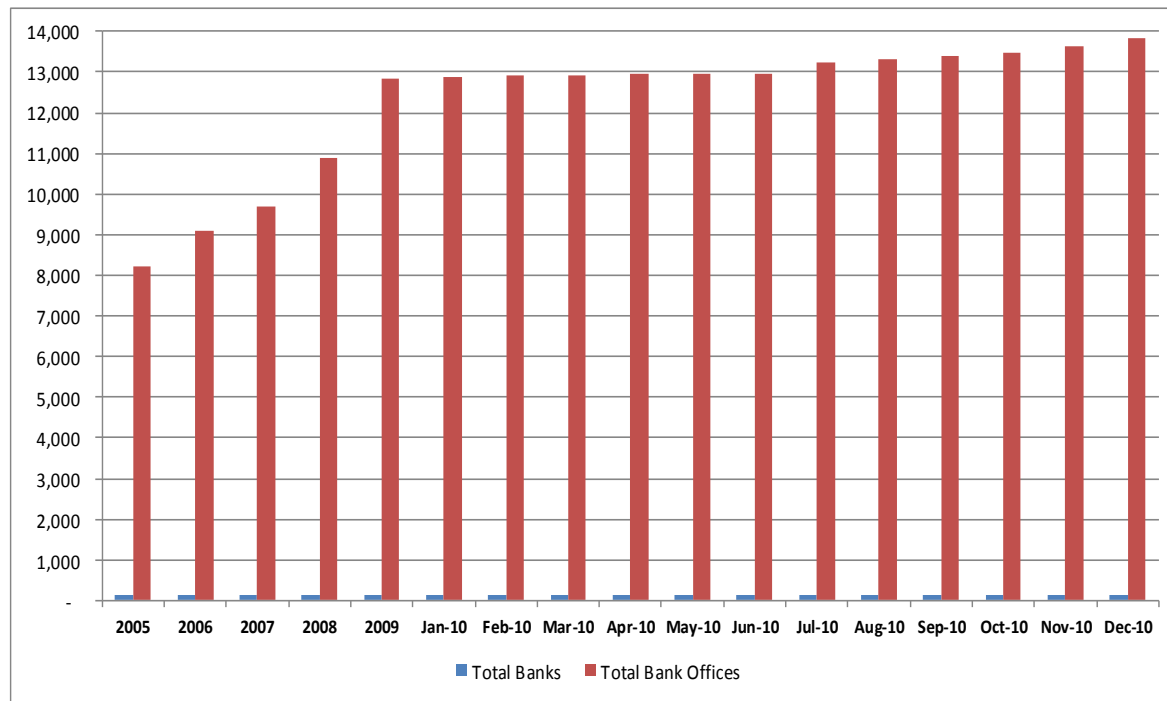


# The Banking System

- **The Indonesian banking system currently has over 120 banks. The largest ten banks occupy over 60 percents of the banking system assets.**
- **BCA is the third largest bank in the country with a total asset of over \$ 40 billion and a network of over 900 branch offices and over 7,000 ATM machines. Its market capitalization is currently over \$ 20 billion.**
- **In total Indonesian banking system has a network of almost 14 thousand branches all over the country.**

# Total Banks & Banks Offices

## Commercial Banks



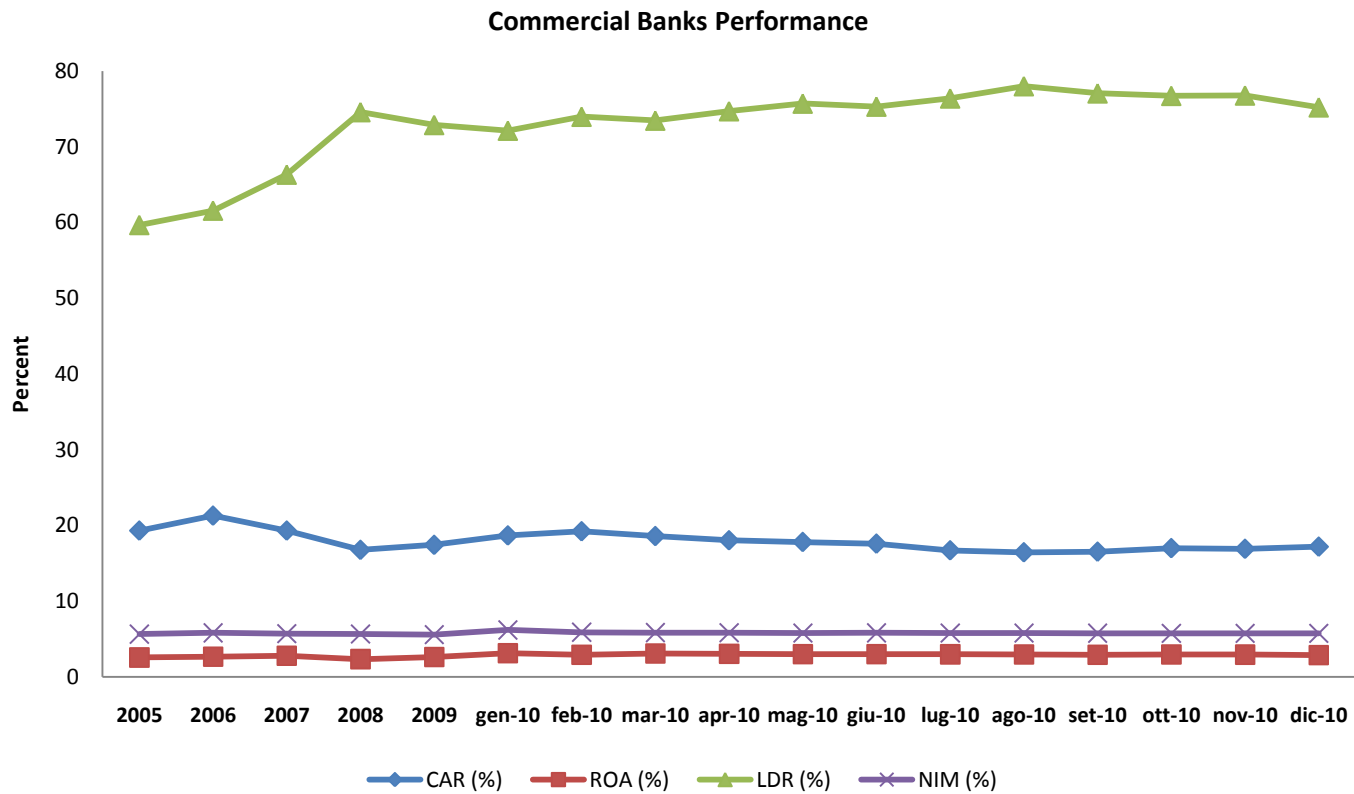
Indicator	2005	2006	2007	2008	2009	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
Total Banks	131	130	130	124	121	121	121	121	122	123	123	122	122	122	122	122	122
Total Bank Offices	8,236	9,110	9,680	10,868	12,837	12,870	12,914	12,933	12,944	12,958	12,972	13,246	13,318	13,379	13,456	13,633	13,837

# The Banks Performance

- With the liberal ownership, foreign share in the banking system has grown to around 40 percents.
- However, the country banking system still continue to enjoy a large net interest rate margin (over 5 percents) and ROA of around 3 percents.
- The banking system is well capitalized. Even after including the operational risk, the Capital Adequacy Ratio stands at over 15 percents.
- With a Loan to Deposit Ratio of around 80 percents, the banking system is at an adequate capacity in promoting the economy. But with a funding growth of over 15 percents, the loan growth may continue to stay at over 20 percents.



# Commercial Banks Performance



\*) CAR Ratio since March 2010 included Operational Risk.

# The Capital Market

- **Indonesia also boasts a modern capital market.**
- **With over 400 companies listed and new IPOs of over 20 companies annually, the capital market shows its dynamism in promoting the economy.**
- **The rise of domestic investors as well as the incoming foreign investors make the Indonesian capital market to experience its boom time.**
- **This year Indonesian capital market saw new blue chips such as the state owned steel company, the flagship airline and a private coal mining company. There are, however, still thousand of big companies still unlisted but with good prospect.**

# The Government Finance

- **Indonesia has the experience of seeing its economy collapsed in 1998. That awakened the Government to strengthened its finance.**
- **In 1999 our debt to GDP was almost 100 percents. In 2010 the debt to GDP ratio has declined to around 25 percents and still continue to decline.**
- **The Government actual deficit runs at around 1 percent every year, lower than budgeted.**
- **With foreign exchange reserves of over \$ 120 billion and foreign debt of around \$ 60 billion (and balance of payment is surplus), the Government finance is certainly strong and resilient.**

# Towards a One Trillion Dollar Economy

- **With the strong Government finance and balance of payments, Indonesian economy has a solid foundation in achieving higher growth.**
- **While the IMF predicted the Indonesian economy to reach a one trillion dollar GDP in 2014, my own prediction indicates that it will take place in 2014.**
- **Such a strong economy may follow the path of Brazil, now is one of the ten largest economies.**
- **The prediction of Pricewaterhouse Coopers, Goldman Sachs and lately Citigroup said that Indonesia will become a major power in the coming years.**



Thank You  
THANK YOU