

INDONESIA

ECONOMIC OUTLOOK 2017

**The World's Largest
Demographic Bonus**

Indonesia, The World's Largest Archipelago



"With a policy mix implemented on a disciplined, consistent and measured basis within a synergetic framework for coordination, the Indonesian Economy is set to chart more robust, balance and sustainable growth for the future"

Agus DW Martowardojo
Governor of the Bank of Indonesia

*"Indonesia is now categorized as **efficiency-driven** countries, countries whose economies are based on the production process efficient. We must strive for Indonesia to move forward to the category of **innovation-driven** countries that aligned with the developed countries"*

Prof. Mohamad Nasir
Minister of Research & Higher Education



Unity in Diversity

The Indonesian National motto:

"Bhinneka Tunggal Ika"

or "

Unity in Diversity"

There are some 300 ethnic groups,
17,508 Islands, 746 local languages

4th
World's Most
Populous Country

255 million
Population (in 2015)

17,508 islands
Biggest **Archipelagic** Nation

G20 ^{2nd fastest growing}
Member State
after China

10th
World's Largest **Economy**

800 Bio
USD **GDP** (PPP)

4,876
USD **GDP**
per capita (PPP)



GDP Projected Analysis by PWC “The World in 2050”

Rank	Country	GDP 2030	Country	GDP 2050
1.	China	36,112	China	61,079
2.	United States	25,451	India	42,205
3.	India	17,138	United States	41,384
4.	Japan	6,006	Indonesia	12,210
5.	Indonesia	5,486	Brazil	9,164
6.	Brazil	4,996	Mexico	8,014
7.	Russia	4,854	Japan	7,914
8.	Germany	4,590	Russia	7,575
9.	Mexico	3,985	Nigeria	7,345
10.	UK	3,586	Germany	6,338

Source: PWC

Demographic Bonus Indonesia

- Citizen 255 millions (2015)
- **Productive Age 15-64=55% (2017-2019)**
- Middle Class 141 million (2030)
- Number of (Higher Edu) Students (2016) 4,929,811
- Number of Universities/Higher Edu (2016) 4,518

Indonesia Digital Economy

- Active Internet Users: 88,1 Million
- Active Socmed Users: 79,0 Million
- Mobile Connection: 318,5 Million
- Indonesia e-commerce USD 12 Bio
- Targets to produce 1,000 Technopreneurs (2020)
- Online Business 22% from GDP (2020)

source: Ministry of Comm & Information, TechnAsia, tempo.co

Quality of Human Resource

- The realization of quality higher education as well as science and technology and innovation to support the competitiveness of the nation (*Vision of the Ministry of Research & Higher Education 2015-2019*)
- at this time The Ministry of Research and Higher Education is promoting the improvement of quality of higher education in order to prepare Indonesia for the future & “big five” GDP of the world in 2030
- Higher Education National Standard will encourage higher education institutions have the same quality with developed countries

Economic Growth Prediction 2017

- Bank Indonesia: 5,2% - 5,6%.
- Gov't (RAPBN Assumption): 5,3%-5,9%
- IMF : 5.1%
- World Bank: 5.5%

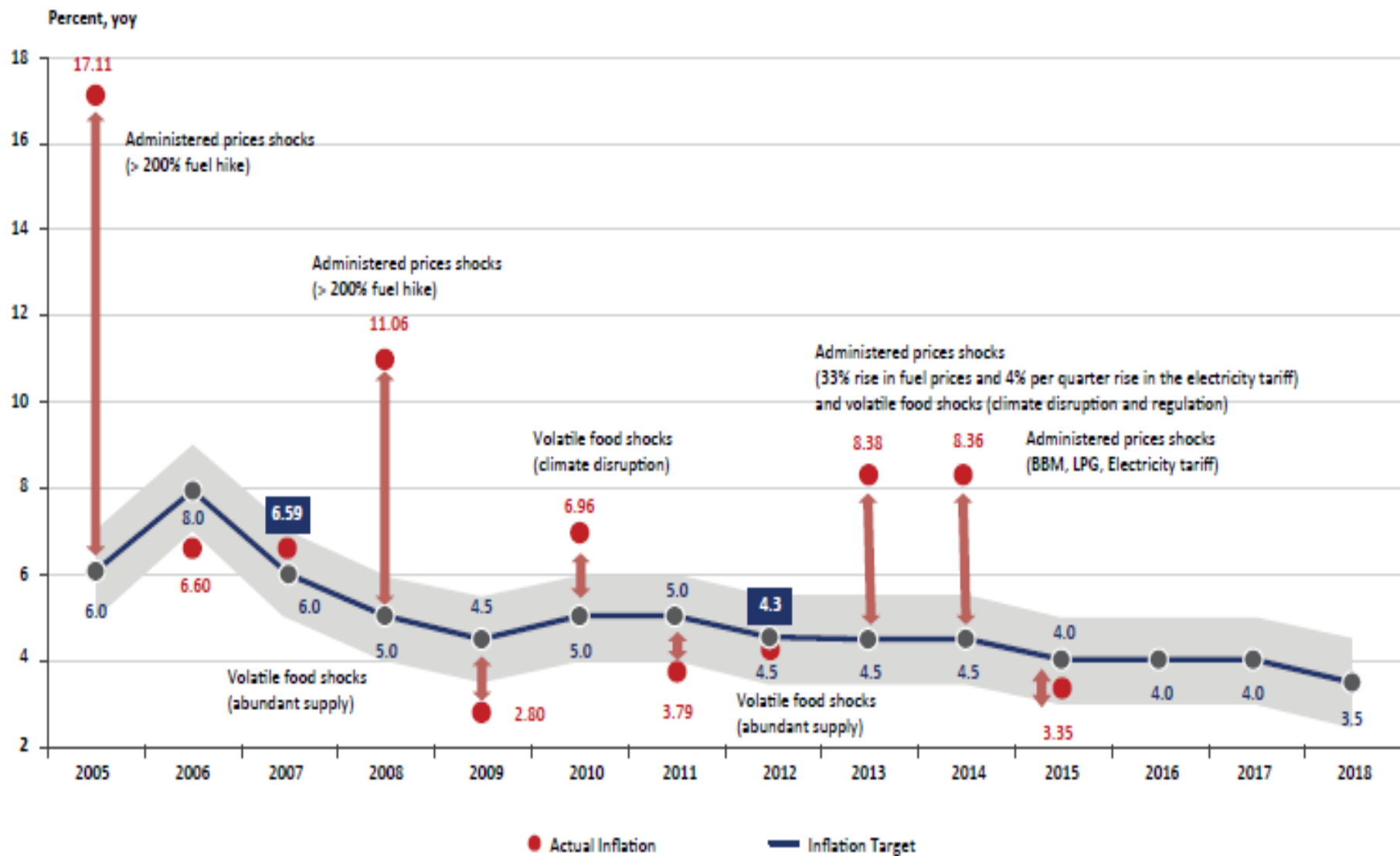
Rupiah exchange rate against US dollar

- Bank Indonesia
Rp 13.600-13.900.
- Gov. (RAPBN-State Budget Assumption):
Rp 13.650-13.900.

Gov't Bonds & Inflation

- Gov. Bond Rate: 5%-6%
- Inflation: 4% +- 1%
- Inflation (IMF): 3.3%

Actual & Target Inflation 2005 – 2018 % YoY (Bank Indonesia)



Basic Macroeconomic Assumptions

Indicator	2018	2019	2020
• Economic Growth	5.4-6.0	5.6-6.4	5.9-6.9
• Inflation	2.5-4.5	2.5-4.5	3.0-4.0
• Gov't Bonds	4.6-5.4	4.6-5.4	4.6-5.4
• Rupiah Exchange Rate	13,,200-13,900	13,200-13,900	13,200-13,900
• Crude Oil (USD/Barrel)	35-50	35-55	40-60
• Lifting (Barrel/Day)	630-680	540-610	480-550

• *Source: Ministry of Finance*



Nine National Development Priority Agenda:

Nawa Cita

1. Menghadirkan kembali negara untuk melindungi segenap bangsa dan memberikan rasa aman pada seluruh warga negara
To renew the state obligation to protect all people and provide security to all citizens;
2. Membangun tata kelola pemerintahan yang bersih, efektif, demokratis, dan terpercaya.
To affirm the presence of the government through a clean, effective, democratic, and reliable governance;
3. Membangun Indonesia dari pinggiran dengan memperkuat daerah-daerah dan desa dalam kerangka negara kesatuan.
To build Indonesia from its periphery by strengthening the rural areas within the framework of a unitary state of Indonesia;

Nine National Development Priority Agenda: Nawa Cita

4. Melakukan reformasi sistem dan penegakan hukum yang bebas korupsi, bermartabat, dan terpercaya.
To strengthen the state by reforming the system through corruption-free dignified, and reliable law enforcement;
5. Meningkatkan kualitas hidup manusia Indonesia
To improve the Indonesian people and nation's quality of life;
6. Meningkatkan produktivitas rakyat dan daya saing di pasar internasional sehingga bangsa Indonesia bisa maju dan bangkit bersama bangsa-bangsa Asia lainnya
To improve people's productivity and competitiveness in the international market so that Indonesian can move forward and stand up with other Asian nations;

Nine National Development Priority Agenda: Nawa Cita

7. Mewujudkan kemandirian ekonomi dengan menggerakkan sektor-sektor strategis ekonomi domestik.
To achieve economic self-reliance by triggering the strategic sectors of the domestic economy;
8. Melakukan revolusi karakter bangsa
To revolutionize the nation character;
9. Memperteguh kebhinnekaan dan memperkuat restorasi sosial Indonesia
To strengthen the Indonesian diversity and social restoration

THE MAIN TARGET OF INDONESIAN DEVELOPMENT					
NO	INDICATORS	MEDIUM TERM PROJECTION			
		2016	2017	2018	2018
1	GDP Growth	6.6%	7.1%	7.5%	8.0%
2	GDP Per Capita (Rp. Thousand)	52,686	58,489	64,721	72,217
3	Inflation, consumer price index (%)	4.0%	4.0%	3.5%	3.5%
4	Exchange Rate (Rp/USD)	12,150	12,100	12,050	12,000
5	Manufacturing Industry Growth	6.9%	7.4%	8.1%	8.6%
6	Manufacturing Industry Contrib toward GDP	21.0%	21.1%	21.3%	21.6%
7	Export (Non Oil & Gas) in USD Billion	172.2	192.8	219.2	250.5
8	Import (Non Oil & Gas)in USD Billion	149.5	164.8	184.1	206.7
9	Unemployment (%)	5.2-5.5	5.0-5.5	4.6-5.1	4.0-5.0
10	Poverty (%)	9.0-10.0	8.5-9.5	7.5-8.8	7.0-8.0
Source: Ministry of Industry RI					

National Industry Development

Vision: “Indonesia as a strong industrial country”

- 1. Strong, deep, healthy and fair national industrial structure;
- 2. Globally high competitive industry
- 3. Innovation and technology based industry.

Qualitative Target of Industrial Development

- 1. Two-digit growth of industry in 2035 to improve the contribution of industrial sector in GDP at 30%;
- 2. Improvement in domestic and international market share by reducing the dependency to imported raw materials, auxiliary materials, and capital goods, as well as increasing the export of industrial products;
- 3. Acceleration of industrial deployment and distribution to all regions of Indonesia;

Qualitative Target of Industrial Development

- 4. The increase of small industry contribution to national industrial growth;
- 5. The increase of innovation development and technology mastery;
- 6. The increase of employment rate of the industrial competent human resources; and
- 7. The strengthening of industrial structure with the growth of natural resources based upstream and intermediate industry.

Priority Industry (Quantitative criteria)

- a. Accomplishing domestic needs and import substitution or having potential growing domestic market;
- b. Improving quantity and quality of employment or potentially creating productive job vacancies;
- c. Having international competitiveness or having potential to grow and compete in global market;
- d. Having added value that grow progressively in the country or potentially growing in self-reliance;
- e. Strengthening, deepening and creating a healthy industrial structure
- f. Having comparative advantages, and control of raw materials and technology

Priority Industry (Qualitative Criteria)

- a. Strengthening the connectivity of national economy
- b. Supporting food security, health and energy.
- c. Encouraging the distribution and equity of industrial activity throughout the country.

Priority Industry Group 2015-2035

1. Mainstay Industry

- a. Food Industry
- b. Pharmacy, Cosmetics & Health Equipt. Industry
- c. Textile, Leather, Footwear & Various Industry
- d. Transportation Industry**
- e. Information & Communication Technology Industry
- f. Power Plant Industry

2. Supporting Industry

- a. Capital Good Industry,
- b. Component Industry, Auxiliary Material Industry,
- c. Industrial Service

3. Upstream Insustry

- a. Agro Based Industry
- b. Basic Metal & Non Metal Materian Industry
- c. Oil, Gas & Coal Based Chemical Industry

Source: Ministry of Industry

Budget Needs & Sources (Value in Rp Trillion)

No	Sector	State Budget	Regional Budget	Sate-Owned Corporation	Private	Total
1	Road	340	200	65	200	805
2	Railway	150	-	11	122	283
3	Marine Transport	498		238.2	163.8	900
4	Air	85	5	50	25	165
5	Land Transport	50		10	-	60
6	Urban Transport	90	15	5	5	115
7	Electricity	100	-	445	435	980
8	Energy	3.6	-	151.5	351	506.6
9	ITC	-	15.3	27	223	277
10	Water Resources	275.5	68	7	50	400.5
11	Drinking W. & Waste	227	198	44	30	499
12	Housing	384	44	12.5	87	527.5
	TOTAL	2,215.6	545.3	1,066.3	1,692,3	5,519.4

Source: Ministry of Industry

JAVA & OUTSIDE OF JAVA COMPARATION

NO	CATEGORY	PERCENTAGE	
		JAVA	OUTSIDE OF JAVA
1	Economic contribution to GDP	57.99	42.01
2	Non-oil and gas industrial sector contribution to GDP	72.78	27.22
3	Number of large and medium-sized enterprises	83.04	16.96
4	Foreign investment on industrial sector	74.11	25.89
5	Domestic investment on industrial sector	64.67	35.33
6	Export of industrial sector	58.18	41.82
7	Import of industrial sector	83.91	16.09
8	Land area of industrial estates	71.99	28.01
9	Total land area	6.78	93.22

Top 10 biggest cities by population (big market)

Rank	City	Pop 2010 (million)	Pop 2010 (million)
1.	Jakarta	9,1	11,0
2.	Surabaya	2,6	3,0
3.	Medan	1,9	2,4
4.	Bandung	1,7	1,9
5.	Makassar	1,5	2,0
6.	Tangerang	1,6	2,0
7.	Palembang	1,4	1,7
8.	Semarang	1,4	1,7
9.	Malang	0,8	0,9
10.	Bogor	0,8	1,1

Sustained growth rates

Macroeconomic
stable

Indonesia

Large & growing
domestic consumption

Big 10 GDP of The
World



Quantitative Largest Of Industrial Development

No	Industrial Development Indicators	Scale	2015	2020	2025	2035
1	Growth of non-oil & gas industry sector	%	6.8	8.5	9.1	10.5
2	contribution of non-oil & gas industry sector to GDP	%	21.2	24.9	27.4	30.0
3	contrib of the export of industrial product to the tot export	%	67.3	69.8	735	784
4	Number of industrial manpower	milion	15.5	18.5	21.7	29.2
		people				
5	Percentage of industrial manpower to the total manpower	%	14,1	15.7	17.6	22.0
6	Ratio of imported raw mat GDP of non-oil & gas indust sector	%	43.1	26.9	23.0	20.0
7	investetment value of industrial sector	Trillion Rp	270	618	1.000	4.150
8	% of added value provided by industrial sector outside java	%	27.7	29.9	33.9	40.0
Source: Ministry of Industry RI						

“The automotive industry in Indonesia is considered the most ready for the AEC because it has a lot of skilled labor standard. In the future, the government believes Indonesia's automotive component industry will experience significant growth and could become Indonesia's main export product”

The Ministry of Manpower RI

Source: Gaikindo release

Indonesia Automotive Industry 2016

- Automotive Industry Growth = 9%
- Absorbed new workers (car industry) 2016 = 8,000
- Absorbed new workers (component industry) 2016 = 25,000
- No. of Components factory investment= 50-70 factories
- Total factory Invest = Rp. 6 trillions
- Absorbed new workers in new dealers = 18,000

Indonesia Automotive Market Share 1997-2015

Car sales trends 1997-Q3 2015:

Toyota	32%
Daihatsu	17%
Honda	15%
Suzuki	12%
Mitsubishi	11%
Nissan	3%
Isuzu	2%
Others	8%

Motorcycle sales trends 1997-Q3 2015:

Honda	68%
Yamaha	28%
Suzuki	2%
Kawasaki	2%

Motorcycle ownership ratio = 140 : 1,000

Car ownership ratio = 43 : 1,000

AUTOMOTIVE PRODUCTION & MARKET

2015 & 2016 (JAN-OCT)

Domestic Auto Production (2015)	1,098,780
Domestic Auto Production (2016: Jan-Oct)	980,929

2015

Domestic Auto Market (Units)	1,013,291
Export (Components)	4.683.519
Import (Units)	82,306

2016 (Jan-Oct)

Domestic Auto Market (Units)	874,847
Export (Components)	5,167,736
Import (Units)	68,279

Source: Gaikindo

THANK YOU --- TERIMA KASIH

Reff:

1. *World Bank*
2. *International Monetary Fund (IMF)*
3. *Ministry of Finance*
4. *Ministry of Industry*
5. *Ministry of Research & Higher Education*
6. *Ministry of Communication & Information*
7. *Ministry of Manpower*
8. *Bank Indonesia*
9. *BPS Indonesia*
10. *Price Waterhouse Coopers (PWC)*
11. *Gaikindo*
12. *Tempo.co*
13. *Kompas.com*
14. *Tech in Asia*
15. *Others Reff (from data internet)*

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