

Overseas Market Information



Report on Passenger Cars and Commercial Vehicles in Indonesia

(Continued from previous issue)

Market Size

Current Market Highlights

Contrary to the general downturn of the automotive industry, the demand for automobiles has increased dramatically since 1999. At the 10th GAIKINDO Automotive Exposition, held in September 2000 in Jakarta, Indonesians spent nearly \$ 50 million on automobiles, mostly luxury ones. GAIKINDO stated that the exposition, which was visited by more than 170,000 visitors, recorded total sales of nearly 2,000 vehicles at an average price of Rp 200 million (\$ 20,000) per unit.

A new and interesting phenomenon in the Indonesian automobile industry emerged in 2000 following the GOI's issuance of a regulation permitting the import of automobiles in the CBU condition. According to Agus Tjahajana, Director General of the Metal, Machinery, Electronics, and Multi-various Industries at the Ministry of Industry and Trade, his department already issued 1,008 TPTs (Type Registration Certificates) for 37,074 automobiles to be imported.

Automobile prices are expected to increase as a result of the recent hike on luxury tax on automobiles. Government regulation No.145/2000, which was signed by the President on December 22, 2000, increased the luxury sales tax (PPnBM) on certain automobile classifications. The luxury tax on 4,000cc sedans and 4x4 Jeeps or Vans was raised from 50 per cent to 75 per cent. In addition, the luxury tax on automobiles with engine capacity between 1,500cc and 3,000cc was increased from 15 per cent to 20 per cent. The decision will bring significant negative impacts to the market since 65 per cent of the market share belongs to automobiles with engine size between 1,500cc and 3,000cc.

There has been selective development of the domestic components industry, tied closely to the needs of the major manufacturers. Completely built up (CBU) importers have grown rapidly following the deregulation in the automotive industry. Currently, there are 20 car assemblers operating in Indonesia, producing 22 brands of automobiles. Total capacity of the assembling manufacturers is more than 700,000 units per year. Industry sources estimate there are more than 170 automotive component manufacturers in Indonesia, covering 36 six digits HS numbers. The Indonesian Association of Automotive Components Manufacturers (GIAMM) lists 120 component manufacturers producing a wide range of components and parts. Nearly all automotive component manufacturers in Indonesia are affiliated with their respective ATPM (sole distributor).



EEPC INDIA

List of some components produced in Indonesia

No.	Items	No. of Co's	No.	Items	No. of Co's
1	Engine	9	19	Brake Lining	4
2	Filter	8	20	Brake Shoe	5
3	Piston	4	21	Seat & Seat Frame	8
4	Transmission	5	22	Safety Belt	4
5	Drive Axle	6	23	Control Cable	2
6	Clutch	4	24	Door Lock	3
7	Brake System	4	25	Evaporator	1
8	Cylinder Block	3	26	Exhaust Manifold	3
9	Chassis & Body	9	27	Floor Mat	1
10	Shock Absorber	5	28	Gasket	4
11	Fuel Tank	9	29	Horn	3
12	Radiator	3	30	Intake Manifold	2
13	Spark Plug	3	31	Coil Spring	2
14	Spring	5	32	Muffler	4
15	Wheel Rim	10	33	Rubber Parts	4
16	Wiring Harness	5	34	Safety Glass	3
17	Battery	8	35	Interior	2
18	Alternator	3	36	Alternator & Starter	3

As may be expected, the growth in the assembly sector stimulated demand for components. The local content of minibuss and pick-up is 40%, and of trucks (5 to 24 tons), 30%. However, the local content of passenger car is limited to 10%. Since the market for passenger car is fragmented, domestic production of parts is inefficient. Moreover, the parts sector is still highly dependent on imported sub-components and raw materials. On average, the proportion of imported sub-components and raw materials to total inputs.

Best Sales Prospects

The best sales prospects in relative order of import values are as follows :

HS 8703.23.300 Sedan/S. Wagon, Cylinder Capacity in between 1,500 and 3,000cc with spark ignition internal combustion
 HS 8703.22.300 Sedan/S. Wagon, Cylinder Capacity in between 1,000 and 1,500cc with spark ignition internal combustion.

With the issuance of the PP No. 59/1999 automotive policy, the GOI lowered import duties and luxury taxes on automobiles imported into Indonesia. The GOI also set up import duties and luxury taxes based on engine capacity. The smaller the engine capacity, the lower the import duties and luxury taxes. Thus, it is believed that small-engine cars, which are imported either in the CKD or CBU condition, now have a competitive advantage in terms of taxes in the Indonesian market.

Consumer Perception

Japanese cars have been very popular in the Indonesian market, as they are perceived to be very reliable and worth the cost.

Besides that, parts and accessories are easy and inexpensive to obtain, and the resale value of Japanese cars is relatively strong. Furthermore, after-sales-service for most Japanese cars is perceived to be very credible. Authorized garages are available in almost every corner of major cities in Indonesia.

In the sedan market, Japanese dominance is very strong, especially in the small and medium class (below 2,000cc) market. The leading Japanese makes are Toyota and Honda followed by Mitsubishi, Suzuki, Mazda, and Daihatsu. In this class, Japanese suppliers compete mainly with Hyundai, Daewoo, and KIA of South Korea and Peugeot of France. The only U.S. makes in this market are Opel and Ford. However, their market shares are relatively small and the latter is used mainly in taxi fleets.

Japanese suppliers dominate not only the sedan market, but also the commercial vehicle market. In the Category I commercial vehicle market, Toyota Kijang, Isuzu Panther, and Mitsubishi Kuda compete tightly for market share.

For the last two years, luxury vans have been enjoying increasing popularity. KIA has been making numerous sales of its KIA Carnival. Competition comes from other makers with various prices that include Honda (Odyssey), Toyota (Previa), Hyundai (Trajet), Peugeot (806 Type), Mercedes Benz (Vito L), Mazda (Premacy), Mitsubishi (Chariot), Opel (Blazer), Chevrolet (Zafira), and Volkswagen (Caravelle).

South Korean cars are still considered newcomers in Indonesia. Most of the players compete against Japanese makes in the small/medium class sedan and van market. Although prices of South Korean sedans have been relatively lower, they could not compete against Japanese cars, especially when they were first introduced in 1995. However, through intensive marketing efforts and the establishment of after-sales facilities, South Korean cars have become more popular and acceptable in the Indonesian market. Statistics show that sales of South Korean cars have been increasing proportionally for the last two years.

In the higher-end sedan market, European cars are enjoying more popularity than their Japanese competitors. In Indonesia, European cars are perceived to offer luxury and prestige. In addition, European cars are also perceived to be of better quality and technology. While Japanese and South Korean cars dominate the small and medium sedan markets, European suppliers, including the German, Swedish, and French, compete more in the luxury sedan market. Mercedes Benz and BMW are the leading suppliers followed by Volvo, Peugeot, and Audi. Other competitors are the Japanese Toyota, Honda, Mitsubishi, Nissan, and Mazda.

Automotive Policies

On June 24, 1999, the Indonesian government announced a major revision of its national automotive policies, designed to use market forces to foster a more efficient and globally competitive automotive industry. The government, in particular, seeks to promote a component sector geared to supply both local and foreign manufacturers. The new policy eliminates tariff and tax incentives for local content from the now defunct 1993 and 1996 "national car" policies. The Indonesian government substantially lowered tariff rates in all market segments for motor vehicles. The



maximum tariff was reduced from 200 to 80 per cent. Tariffs on kits imported for assembly, which had ranged from zero to 65 per cent, are now a flat 25 per cent for all but passenger cars, which are 35, 40 or 50 per cent depending on engine size. The tariff schedule for auto components and parts imported for local assembly has also been simplified to a flat rate 15 per cent for imported parts for passenger cars and minivans. Like tariffs, luxury taxes have generally been lowered across the board. The Indonesian government has also lifted the previous regulations under which only registered importers or sole agents of foreign automakers could import vehicles. The current policy framework permits any licensed general importer to import automobiles without special permission, and relaxes certain regulations related to bonded warehouse zones for the automotive industry. In January 2001, Indonesia raised the luxury taxes on sedans and 4x4's with engine sizes above 4000 cc from 50 to 75 per cent. The GOI has been concerned with the rising number of luxury imports in the midst of the continued economic crisis.

Export - Import

The following tables speak about Indonesia's position on the automotive trade vis-à-vis rest of the world as well as APEC countries (Indonesia's pivotal trading partners for the product category under study - as evident from the statistics hereunder) :

CBU and CKD - Indonesia to the world (in US\$)

Year	CBU		CKD	
	Export	Import	Export	Import
2001	23,573,193	142,289,219	716,554	39,377,154
2000	64,707,813	176,356,266	20,385,459	39,148,409
1999	54,030,186	206,295,619	10,579,623	29,461,327
1998	34,344,144	186,288,242	6,539,325	77,430,550
1997	33,785,886	398,401,166	3,847,387	127,038,893
1996	33,679,886	402,577,872	1,562,038	124,392,169

Indonesia to APEC (in US\$)

Year	CBU		CKD	
	Export	Import	Export	Import
2001	21,044,064	139,214,095	22,478,641	39,377,154
2000	28,257,921	157,381,140	68,538	144,605,857
1999	31,712,961	184,885,068	2,462,261	20,254,281
1998	12,083,089	162,094,612	1,326,842	69,654,013
1997	30,772,637	256,805,809	1,191,430	93,672,776
1996	32,102,718	273,799,620	1,397,632	84,148,885

Components (in US\$)

Year	To/From the World		To/From the APEC	
	Export	Import	Export	Import
2001	315,737,568	1,318,974,343	295,734,628	1,312,648,405
2000	513,270,906	901,589,924	452,046,584	2,336,927,066
1999	457,191,190	766,122,520	386,578,742	709,880,552
1998	376,327,156	881,374,135	337,210,351	944,969,789
1997	282,750,299	2,954,974,156	266,700,972	2,711,568,978
1996	343,913,620	2,907,562,397	243,057,070	2,677,498,039

Production and Sales

Production volume during 1996 through 2001 can be depicted below. The growth was quite promising from 1995 to 1997. When the economic crises began in 1998, production was dropped sharply from 387,541 units to merely 58,079 unit cars. However, this figure tends to recover starting from the year of 1999, in which the production volume increased to 123,236 units. Further, the volume in 2000 increased to 307,399 units, but dropped to 279,187 in 2001.

Production Volume

Year	PMV (HS 87.03)	Trucks (HS 87.04)	Buses (HS 87.02)	Total
2001	231,670	46,528	989	279,187
2000	229,116	71,962	7,021	307,399
1999	105,847	16,993	396	123,236
1998	44,183	11,910	1,986	58,061
1997	273,041	94,145	22,714	389,900
1996	216,986	85,174	23,334	325,494

Total sales of cars in 1996 - 2000

Year	PMV (HS 87.03)	Trucks (HS 87.04)	Buses (HS 87.02)	Total
2001	249,052	46,934	1,003	296,989
2000	221,592	72,225	7,147	300,964
1999	97,823	23,062	8,959	129,844
1998	44,823	12,215	2,596	59,634
1997	274,453	88,293	20,859	383,605
1996	223,505	85,257	23,273	332,035

Employment

Total employment in automotive industry in Indonesia in 2000 was 97,920. The work force, consisting of 40,254 persons in car and motorcycle industries and 40,697 persons in components industries.

Potential consumption

Prior to the monetary crisis that hit Indonesia in mid 1997, the Indonesian automotive industry grew rapidly at an average of more than 15% annually. In 1997, the industry produced 389,900 automobile units, representing 52% of its maximum annual capacity of 750,000 units. In 1998, however, automobile sales fell drastically to 58,061 units from 389,900 units in 1997. As a result, the rate of production capacity utilization shrank to below 10%, leaving the remaining 90% of installed capacity idle. Following the successful presidential election and the revitalization of the leasing industry, automobile sales managed to reach 123,236 units in 1999 and are predicted to exceed 296,989 units in 2001. Industry experts predict that the Indonesian automotive industry will return to its pre-crisis condition by 2004.

(Source : EEPC Singapore Office)

(To be continued in next issue)