CECE Congress Berlin 2012
Making it in Europe
24 – 26 October 2012
Indonesia Construction Industry
CONSTRUCTION OPPORTUNITIES IN INDONESIA:
Current Challenges and Outlook in CECE ECONOMIC FORUM

Republic of Indonesia
Ministry of Public Works
Outline

I. Introduction: *Indonesia at a glance*

II. Why Indonesia: *macroeconomic review and outlook*

III. Construction Updates: *industry overview*

IV. The Way Forward: *in an improvement, comes greater responsibility*

V. Invest in Remarkable Indonesia
INTRODUCTION:

INDONESIA AT A GLANCE
**INTRODUCTION: Indonesia at a glance**

**Country Snapshot:** *the biggest archipelago*

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ 706.6 Bi</td>
<td>1,904,443 sq km</td>
<td>US$ 3,005</td>
<td>3,116,163 sq km</td>
<td>5,020,606 sq km</td>
<td>81,000 km</td>
</tr>
<tr>
<td>Population (Statistic Indonesia 2010 census)</td>
<td>238 Million people (4th biggest population)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: various

The rising population share of Indonesia’s middle class (% of Pop)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>37.7%</td>
</tr>
<tr>
<td>2010</td>
<td>56.5%</td>
</tr>
</tbody>
</table>

Source: World Bank
WHY INDONESIA:

MACROECONOMIC REVIEW AND OUTLOOK
WHY INDONESIA: macroeconomic review and outlook

Sound Economy: *sustainable growth*

Having a GDP size of more than US$ 840 billion in 2011, and economic growth of 6.5 - 6.9

*Indonesia is the largest economy in Southeast Asia and the third fastest growing economy in Asia.*

Source: EIU, Min. of Finance, and Central Bureau of Statistics

Source: Central Bureau of Statistics, Bank of Indonesia, CIA World Fact Book
WHY INDONESIA: macroeconomic review and outlook

Sound Economy: sustainable growth
"Indonesia’s economic indicators reveals some stability and positive improvement"

**BI Rate (%)**

**Consumer Price Inflation (%)**

**Exchange Rate** (Rp to USD, YEN (100), EURO)

**Total International Reserves** (US$ bn)

Source: Bank of Indonesia
WHY INDONESIA: macroeconomic review and outlook

Growth of GDP by Industrial Origin (2007-2011)

The growth of construction sector has always been over the average economic growth.

By contributing 10.2% of GDP in 2011, construction sector has been ranked as the fifth of the major sector supporting the national GDP.

Source: Central Bureau of Statistics Indonesia
WHY INDONESIA: macroeconomic review and outlook

Indonesia Economy Structure: 2011
Contribution of Construction Sector to National GDP

Agriculture 15%
Mining 12%
Manufacture 24%
Services 10%
Finance 7%
Transportation 7%
Trade 14%
Buildings (Construction) 10%
Electricity 1%

Source: Central Bureau of Statistic Indonesia
WHY INDONESIA: macroeconomic review and outlook

**Sound Economy: sustainable growth**

Reducing unemployment and poverty level are among the **main targets** of the Government of Indonesia

**Recorded unemployment (av; %)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment (av; %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>10.3</td>
</tr>
<tr>
<td>2007</td>
<td>9.1</td>
</tr>
<tr>
<td>2008</td>
<td>8.4</td>
</tr>
<tr>
<td>2009</td>
<td>7.9</td>
</tr>
<tr>
<td>2010</td>
<td>7.1</td>
</tr>
<tr>
<td>2011</td>
<td>6.7</td>
</tr>
<tr>
<td>2012</td>
<td>6.6 E</td>
</tr>
</tbody>
</table>

Source: Bappenas (2011)

**Poverty level (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty level (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>17.7</td>
</tr>
<tr>
<td>2007</td>
<td>16.6</td>
</tr>
<tr>
<td>2008</td>
<td>15.4</td>
</tr>
<tr>
<td>2009</td>
<td>14.2</td>
</tr>
<tr>
<td>2010</td>
<td>13.3</td>
</tr>
<tr>
<td>2011</td>
<td>12.5</td>
</tr>
<tr>
<td>2012</td>
<td>11.5 E</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics (2011)

**The Realization of Manpower Absorption**

<table>
<thead>
<tr>
<th>Year</th>
<th>Manpower Absorption (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>276</td>
</tr>
<tr>
<td>2007</td>
<td>260</td>
</tr>
<tr>
<td>2008</td>
<td>318</td>
</tr>
<tr>
<td>2009</td>
<td>297</td>
</tr>
<tr>
<td>2010</td>
<td>462</td>
</tr>
<tr>
<td>2011</td>
<td>574 E</td>
</tr>
<tr>
<td>2012</td>
<td>681 E</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics (2011)
CONSTRUCTION UPDATES:

INDUSTRY OVERVIEW
CONSTRUCTION UPDATES: industry overview

Value of Construction Projects Completed by Registered Companies
(2006 – 2011 Based on Contracted Price)

<table>
<thead>
<tr>
<th>Year</th>
<th>(US$ Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>7.6</td>
</tr>
<tr>
<td>2007</td>
<td>8.1</td>
</tr>
<tr>
<td>2008</td>
<td>10.0</td>
</tr>
<tr>
<td>2009</td>
<td>11.8</td>
</tr>
<tr>
<td>2010</td>
<td>14.3</td>
</tr>
<tr>
<td>2011</td>
<td>17.9</td>
</tr>
</tbody>
</table>

Source: Central Bureau of Statistics (2011)

* Exchange Rate (Rp/US$) = 9,500
CONSTRUCTION UPDATES: industry overview

Value of Completed Construction Projects
(by Type of Construction 2006 – 2011 Based on Contracted Price)

Total = US$ 23,031.8 Million

Source: BCIAsia (2012)

* Exchange Rate (Rp/US$) = 9,500
The growth in construction sector and other sector have resulted in the growth of heavy equipment’s market trend.
CONSTRUCTION UPDATES: industry overview

Growth of Cement Consumption

Total Cement Consumption (Million Tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption (Million Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>31,975</td>
</tr>
<tr>
<td>2007</td>
<td>34,172</td>
</tr>
<tr>
<td>2008</td>
<td>38,072</td>
</tr>
<tr>
<td>2009</td>
<td>39,051</td>
</tr>
<tr>
<td>2010</td>
<td>40,778</td>
</tr>
<tr>
<td>2011</td>
<td>48,000</td>
</tr>
</tbody>
</table>

Source: Indonesia Cement of Association (2012)
CONSTRUCTION UPDATES: industry overview

Growth of Steel Consumption

Steel Consumption:

- Non Construction = 22%
- Construction
  - Infrastructure = 40%
  - Non Infrastructure = 38%
- Total = 100%

Total Steel Consumption (Million Tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Steel Consumption (Million Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>6,4</td>
</tr>
<tr>
<td>2007</td>
<td>6,7</td>
</tr>
<tr>
<td>2008</td>
<td>8,7</td>
</tr>
<tr>
<td>2009</td>
<td>7,2</td>
</tr>
<tr>
<td>2010</td>
<td>8,9</td>
</tr>
<tr>
<td>2011</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Various
THE WAY FORWARD:

IN AN IMPROVEMENT, COMES GREATER RESPONSIBILITY
Five Year National Development Plan 2010-2014

US$ Billion

2010-2014 Infrastructure Investment needs

Estimated Financing Capacity

Private: 70.34
SOE: 35.88
Local Gov: 37.38
Central Gov: 58.90

202.49

60% of the government’s budget for infrastructure has been allocated through the Ministry of Public Works.

Source: FYNDP 2010-2014

Infrastructure Fund by Central Government (US$ Billion)

*Exchange rate (Rp/US$) = 9,500
THE WAY FORWARD: In an improvement, comes greater responsibility

Master Plan for Acceleretation and Expansion of Indonesia Economic Development (MP3EI) 2011-2025

Indications of Infrastructure Investment (US$ Billion)

- Road: 35.7
- Port: 12.7
- Power & Energy: 70.4
- Airport: 3.4
- Railway: 34.3
- Water Utility: 1.9
- ICT: 25.5
- Other Infrastructure: 3.3
- Total: 186.7

Note: The investment will be funded by Government, State Owned Enterprises (SOE), and Privates.

*Exchange rate (Rp/US$) = 9,500

Source: MP3EI
THE WAY FORWARD: In an improvement, comes greater responsibility

Main Strategy of Acceleration and Expansion of Indonesia Economic Development (MP3EI)

- Development of potential economy in the six corridors (Sumatera, Java, Sulawesi, Kalimantan, Nusa Tenggara and Maluku-Papua);

- Strengthening of the national connectivity;

- Strengthening of the national human resources capacity, science, and technology.
THE WAY FORWARD: In an improvement, comes greater responsibility

Ready for Offer and Priority PPP Projects (PPP Books, 2012)

(The List of the projects may be found in PPP Book Website at pkps.bappenas.go.id)
THE WAY FORWARD: In an improvement, comes greater responsibility

SOME MEGA PROJECTS

1. Sunda Strait Bridge: Connecting Java and Sumatera

- **Total Length**: ± 29 Km
- **Mid Spand**: ± 2,800 m
- **Estimated cost**: US$ 15 Billion
- **Implementation schedule**:
  - Design : 2013
  - Construction : 2014
- **Source of fund**: PPP
THE WAY FORWARD: In an improvement, comes greater responsibility

SOME MEGA PROJECTS:

2. Jakarta MRT I (South-North Corridor)

- **Length of track**
  - Elevated = 9.2 Km
  - Underground = 6 Km

- **Estimated cost**
  About ¥ 144 Billion for Lebak Bulus-Dukuh Atas.

- **Implementation schedule**
  - Design: Basic Engineering Design was completed in 2011
  - Construction: 2013-2016

- **Source of fund**
  Japanese Loan (JICA)
THE WAY FORWARD: In an improvement, comes greater responsibility

Major Materials and Construction Equipment’s Supply Demand Balance based on Infrastructure Budgeting 2012 (FYNDP 2010-2014)

<table>
<thead>
<tr>
<th>No</th>
<th>Material/Equipment</th>
<th>Volume</th>
<th>Supply Capacity</th>
<th>Demand</th>
<th>Balanc e</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Infrastructure</td>
<td>Non-Infrastructure</td>
</tr>
<tr>
<td>1.</td>
<td>Cement</td>
<td>Million Tons</td>
<td>60.57</td>
<td>12.1</td>
<td>36.3</td>
</tr>
<tr>
<td>2.</td>
<td>Steel</td>
<td>Million Tons</td>
<td>18.9</td>
<td>5.3</td>
<td>8.0</td>
</tr>
<tr>
<td>3.</td>
<td>Asphalts</td>
<td>Thousand Tons</td>
<td>890</td>
<td>1,250</td>
<td>65</td>
</tr>
<tr>
<td>4.</td>
<td>Heavy Equipments</td>
<td>Thousand Units</td>
<td>150</td>
<td>42</td>
<td>168</td>
</tr>
</tbody>
</table>
THE WAY FORWARD: In an improvement, comes greater responsibility

Investment Opportunities

In The Provision of the Offered Infrastructures:

• Financing the funding gaps

In Materials and Equipments Industries:

• Extension of production capacity of Asphalt and Heavy Equipments to satisfy the forecasted demand;
• Industrialization of Buton Natural Asphalt;
• Diversification of products to satisfy the requirements of environmental or sustainable construction;
• Extension of production capacity of high strength and cable strand steel
INVEST IN REMARKABLE INDONESIA
Government Support to Promote a more Condusive Environment for Investment

1. Regulation and Institutional reforms:
   • The issuance of Act No. 2/2012 on Land Acquisitions for Public Infrastructure;
   • The establishment of PT Sarana Multi Infrastruktur to finance a part of the investment cost;
   • The establishment of PT Penjaminan Infrastruktur Indonesia to guarantee the Government Obligation in Government Supported Project;
   • The issuance of Act No. 4/2009 and its implementing regulation on Mineral and Coal Mining (the restriction of mineral ore export to promote development of downstream industries);
   • Income Tax Facilities as an incentive to infrastructure investment.

2. Indonesia credit ranking has been upgraded to investment graded as BBB- from BB+ by Fitch Ratings.
INDONESIA OFFERS TO THE WORLD OF BUSINESS:

GROWTH, OPPORTUNITY, PARTNERSHIP AND SHARED PROSPERITY

Invest in...

remarkable Indonesia
THANK YOU
& See You in:

bauma
2013

CONTACT US

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