



Decide with Confidence

Dun & Bradstreet Business Optimism Index

Indonesia | Q3 2013

D&B Indonesia Business Optimism Index

Outlook for Q3 2013 - Key Highlights

- All the six individual indices results positive responses from most of surveyed business sectors that perceive Indonesia economic condition to continue positive in Q3 2013
- Expectations of New Orders and Volume of Sales record the most optimistic parameters among other parameters at 18% and 17% respectively
- Inventory Level post the lowest by only 1%, followed by Employees with 6%
- Compared to previous quarter (q-o-q), only Employee record positive percentage change by 3%

D&B, Dun & Bradstreet, is pleased to send you the third quarter D&B Optimism Index for Indonesia. It is recognized as a product, which measures the pulse of the business community and serves as a reliable benchmark for investors. The D&B Optimism Index is arrived at on the basis of a quarterly survey of business expectations. Over time, this quarterly survey has emerged as a leading indicator of turning points in economic activity in countries which it is published.

Methodology

For the purpose of conducting the survey, a sample is randomly selected from D&B database, consisting of companies belonging to the following sectors including Agriculture, Construction, Electric, Finance, Manufacturing, Mining, Services, Transportation, and Wholesalers.

All the respondents in the survey are asked six standard questions regarding their expectations as to whether the following critical parameters pertaining to their respective companies will register an increase, decline or show no change in the ensuing quarter as compared to the same quarter in the prior year: Volume of Sales, Net Profits, Selling Prices, New Orders, Inventory Levels, and Employees. The individual indices are then calculated by subtracting the percentage of respondents expecting decreases from those expecting increases. Unless otherwise stated, increases and decreases in indices represent changes from the previous quarter.

Composite Business Optimism Index

The purpose of the Composite Business Optimism Index is to capture the aggregate behavior of all the six individual indices. Each of six parameters has a weight assigned to it. For calculating the Composite Business Optimism Index, the positive responses for each of these parameters for the period under review are expressed as a proportion of positive responses in the base period (Q1 2009). The parameter weights are then applied to these ratios and the results aggregated to arrive at the Composite Business Optimism Index. For the purpose of the survey, Q1 is the period between January and March, Q2 is the period between April and June, Q3 is the period between July and September, and Q4 is the period between October and December each year.

Quarterly Preview

Indonesia's economic growth in Q2 2013 is estimated at 5.9%, lower than the initial forecast of 6.2%. Decline in economic performance is mainly due to the fact that export is still depressed while the weakening of global commodity prices continued. In addition, household consumption and investment both slowed.

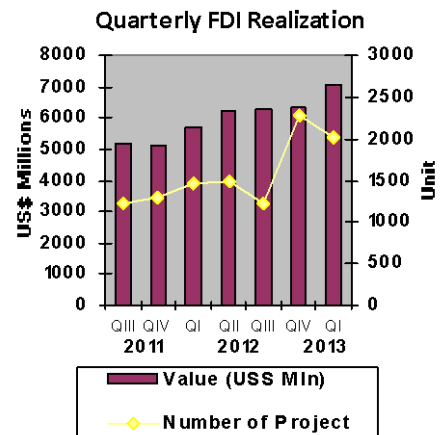
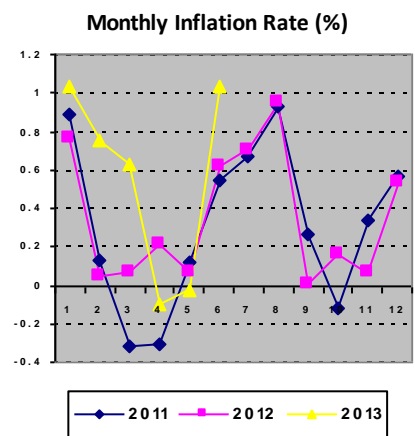
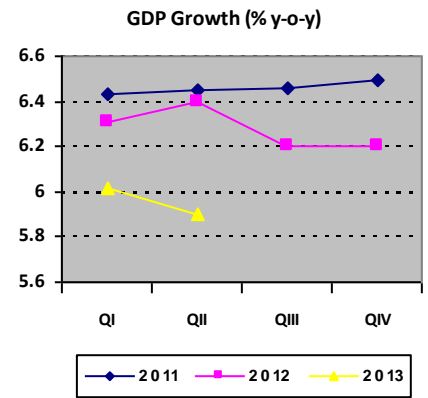
Bank Indonesia (BI) predicted that economic growth in the third quarter of 2013 remains stagnant or equal to the previous quarter at 5.9%. Thus, the bank has cut its forecast for 2013 full-year growth in the range of 5.8%-6.2%, lower than initial target of 6.2%-6.6%, following export restraint which in line with weakened global economic growth and commodity prices. Moreover, household consumption and private investment slightly restrained as responses to declining purchasing power due to weakened export demand as well as the rising of subsidized fuel price.

Domestic Economy

In the first half of 2013, Bank Indonesia (BI) reported national economic growth stands at 5.9%. The figure is lower than the government projection at 6.1%. Indonesian economic conditions during the first half of this year were less favorable for national economy as a result of global economy slowdown, particularly in Europe and in the United States. Meanwhile, economic growth of India and China is lower than expected although still in high level. In addition, the hike of subsidized fuel prices also affects the growth of national economy. "The economic growth performance is not conducive at the time of rising fuel prices, in which it triggers the hike of commodity prices in local market so that generating higher inflation," BI governor Agus Martowardojo said.

The Central Statistics Agency (BPS) recorded the rate of inflation increased to 1.03% in June or 5.90% (year-on-year). Inflation rate after the increased fuel prices will likely continue to climb if the government can not control food prices and transportation rates, as both are the main contributors to the national inflation rate. Inflation is forecasted to skyrocket this year, higher than last year's rate which was only 4.3%. Bank Indonesia predicted the inflation rate will reach 7.7% in 2013, higher than the government's target in the Revised State Budget (APBN-P) of 2013 that set inflation of 7.2%.

Indonesia's economic growth in 2013 is estimated at 5.8%-6.2%, lower than the initial projection of 6.2%-6.6%. The growth would still highly depend on domestic consumption, although it slowed due to weakening purchasing power amid rising inflation trend and yet strong export demand. However, the 2014 general election preparation activities that began in the second half of 2013 is believed to spur the consumption.



INDONESIA MACROECONOMIC FIGURES								
	2006	2007	2008	2009	2010	2011	2012	2013 Q1
FDI (US\$ Mln)	5,991.7	10,341.4	14,871.4	10,815.2	16,214.8	19,474.5	24,564.7	7,048.2
Nominal GDP (IDR Tln)	3,339	3,951	4,949	5,606	6,436	7,427	8,242	2,146.4
Inflation Rate (% y-o-y)	6.60	6.59	11.06	2.78	6.96	3.79	4.30	5.90
Real GDP Growth (% y-o-y)	5.5	6.35	6.01	4.63	6.20	6.46	6.23	6.02

Investment

Indonesia's realized investments in the first half of 2013, according to the Investment Coordinating Board (BKPM), totaled Rp191.25 trillion or 48-49 percent from this year target valued at Rp390.3 trillion. Realization of the investment has not reached 50 percent in the first half due to low achievement in quarter I and II as well as seasonal patterns of investors in doing business. Deputy of BKPM Azhar Lubis is optimistic that during the second semester the target of Rp390.3 trillion will be achieved. "In fact, the realization of investment in the third and fourth quarter will usually exceed the target per quarter. Thus, the achievement per quarter in the second half is expected to replace the shortfall in the previous two quarters," he said.

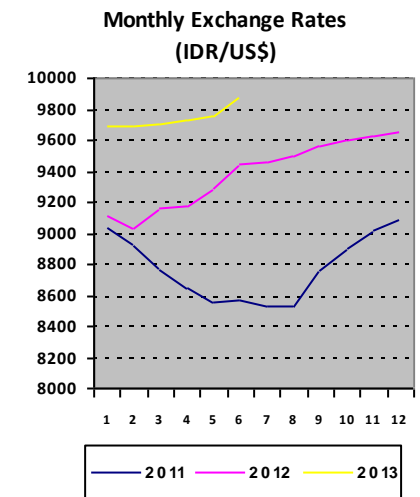
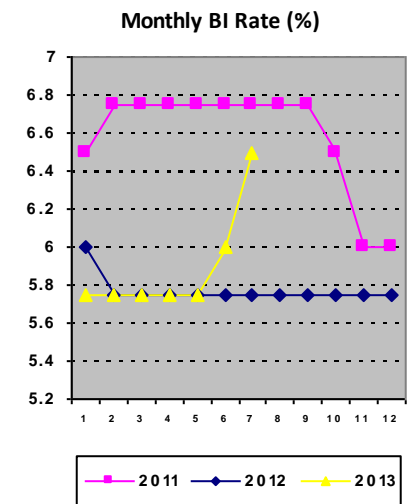
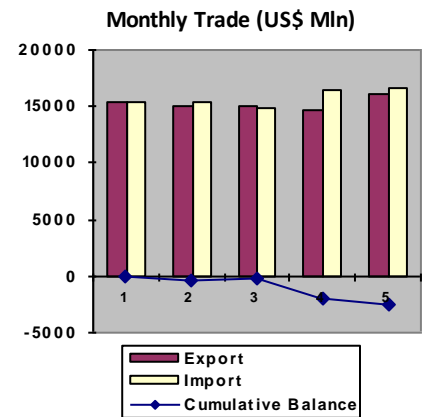
Foreign Trade

The cumulative trade balance from January to May 2013 posted a deficit of US\$ 2.53 billion. Ministry of Trade reported exports of Indonesia during the period totaled US\$ 76.25 billion, down 6.46 percent from last year at US\$ 81.51 billion. However, the ministry is still optimistic that national exports target of this year could be reached around US\$ 200 billion. Director of Export Import Facilitation of Trade Ministry Junaedi said the improvement of export performance ahead is driven by some policies of non-tariff barriers imposed by export destination countries following world trade liberalization. The opening of markets and the strengthening of emerging markets such as India, Africa, Latin America, Middle East, Central Asia, and Eastern Europe will surely become the country's market opportunities amid slackening demand from the United States, Europe and China.

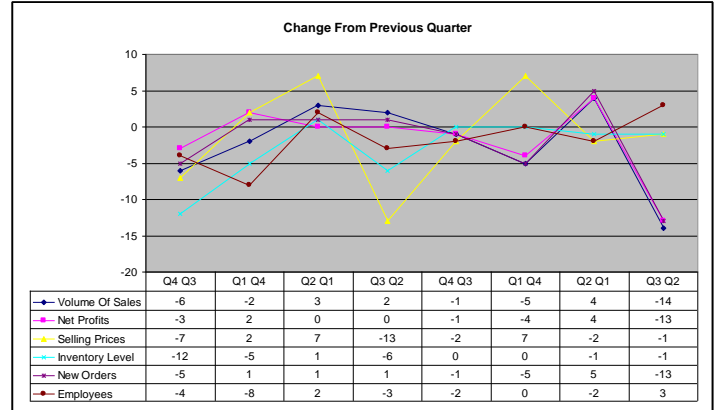
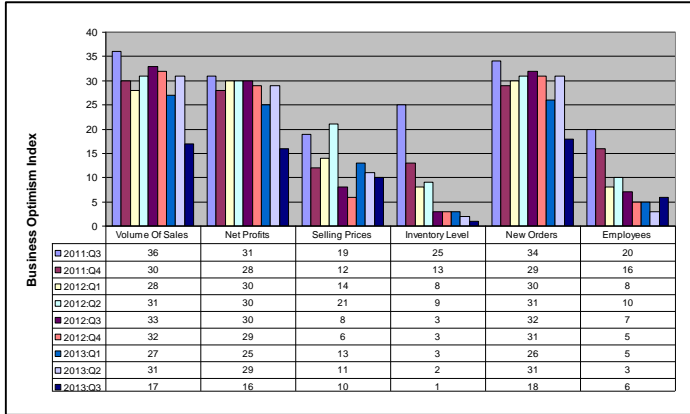
Meanwhile, imports in January to May 2013 reached US\$ 78.77 billion, down slightly 1.18 percent compared to the same period of 2012 valued at US\$ 79.72 billion. Non oil and gas imports valued at US\$ 60.2 billion, down 2.33 percent from the same period of last year. Meanwhile oil and gas imports reached US\$ 18.57 billion or up 2.73 percent. The leading country of origin of goods imported is China with a total value of US\$ 11.87 billion, followed by Japan worth US\$ 8.19 billion, and Thailand with US\$ 4.86 billion. Total market share of those three countries to national import number amounted to 41.4%.

Monetary Policy

In the Board of Governors Meeting convened on July 11, 2013, Bank Indonesia decided to raise the BI rate to 6.5%. The policy is adopted to ensure that rising inflation, after the hike of subsidized fuel prices, could soon return on track. In addition, Bank Indonesia (BI) will also strengthen some policies; first, to stabilize the rupiah exchange rate in line with its economic fundamentals comprising maintaining adequate liquidity in the foreign exchange market. Second, to improve provision of loan to value ratio in property sector related with credit of mortgage/apartment. Third, to strengthen coordination with the government by focusing on the efforts to minimize inflationary pressure, to maintain macroeconomic stability as well as financial system stability. Bank Indonesia affirms these policies can control inflationary pressure and maintain exchange rate stability as well as financial system so that the momentum of economic growth can be directed towards a more promising direction.

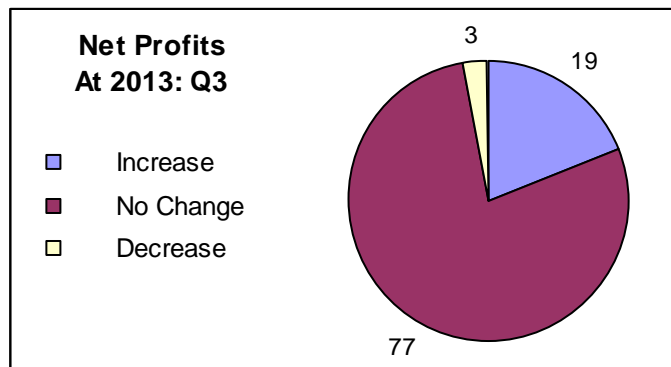
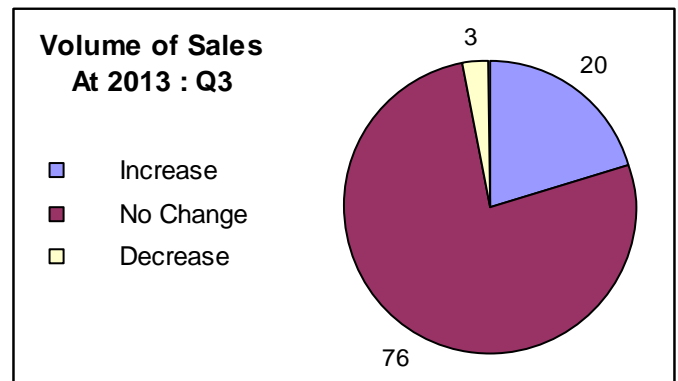


All Data Collected and Processed by D&B Indonesia
 Data Source:
 Statistics Indonesia (BPS), Bank Indonesia (BI), and
 Indonesia Investment Coordinating Board (BKPM)



Volume of Sales Outlook

Around 20% of the respondents expect their sales volume to increase in Q3 2013 while the majority respondents approximately 76% see the conditions to remain strong, and as much as 3% estimate a decrease in sales during the quarter. The resultant Optimism Index of this parameter stands at 17%. The improved optimism is driven by sectors such as Construction, Services, Transportation, and Mining.

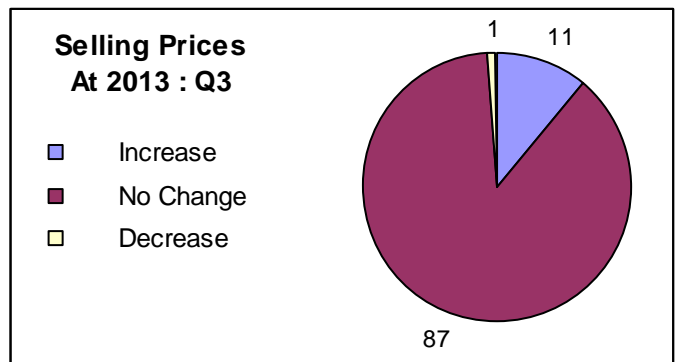


Net Profits Outlook

Majority of respondents around 77% assume no change of profitability. Nearly 19% of the respondents anticipate an increase in Profitability during the third quarter 2013 while around 3% expect their net profits to decrease during the quarter. Thus, this produced an Optimism Index to 16%. The most confident sectors that see such improvement of their net profit are Construction, Services, and Transportation.

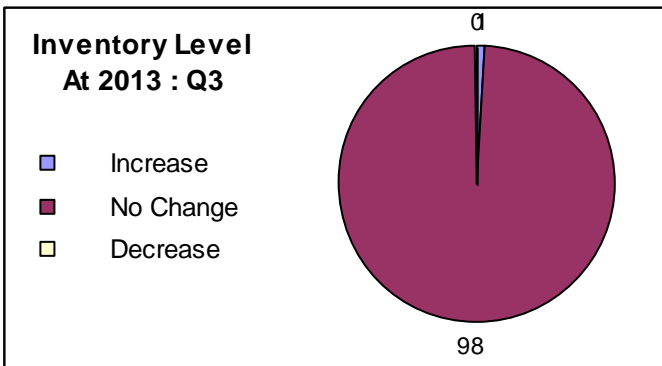
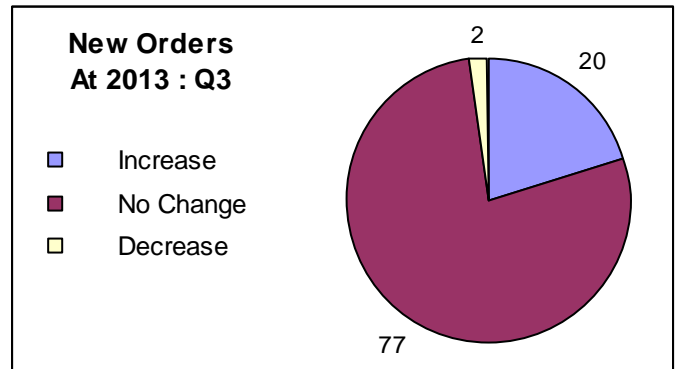
Selling Prices Outlook

Nearly 87% of the respondents expect no change in their Selling Prices during the third quarter 2013, while around 11% of the respondents expect Selling Prices to increase and only 1% expects a decrease at Q3 2013. The resultant Optimism Index generated for Selling Prices stands at 10%. Transportation, Wholesalers, and Construction are most optimistic sectors to this parameter.



New Orders Outlook

In the third quarter 2013, 20% of the respondents expect New Orders to improve and only 2% expect a decrease in New Orders. Meanwhile, majority (77%) of respondents expect no change of their order book. The resultant Optimism Index of this parameter generates 18%. Construction, Transportation, and Services are the most sectors that likely expect improved orders during this quarter.

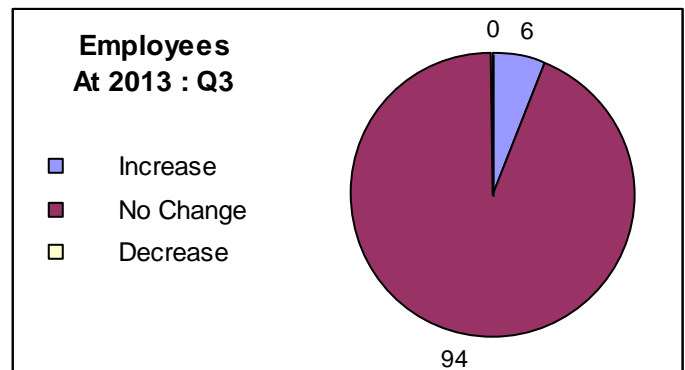


Inventory Level Outlook

None of respondents in this quarter tends to reduce their inventory while only 1% of respondents see such improvement of their inventory. In addition, most respondents (98%) anticipate no change regarding this parameter. Thus, the Optimism Index results at only 1%. Transportation, Wholesalers, and Manufacturing are relatively the most optimistic sectors towards this parameter.

Employees Outlook

In the size of employees during Q3 2013, around 6% of the respondents expect to increase their workforce, while none of respondents plan to decrease their employees. The significant number of respondents sees no change from the current situation, 94% do not expect to witness any change in employment levels. The resultant Optimism Index for Employees hits 6% for this third quarter. Transportation, Mining, and Wholesalers are encouraging the optimism among other sectors.



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