GAIKINDO

Sustainability in Manufacturing Sector

“Case Study Indonesia Automotive Industry”

Kukuh Kumara – Secretary General GAIKINDO

21April 2022

Indonesia automotive industries was hit very hard

Production & Sales down more than 53% in 2020

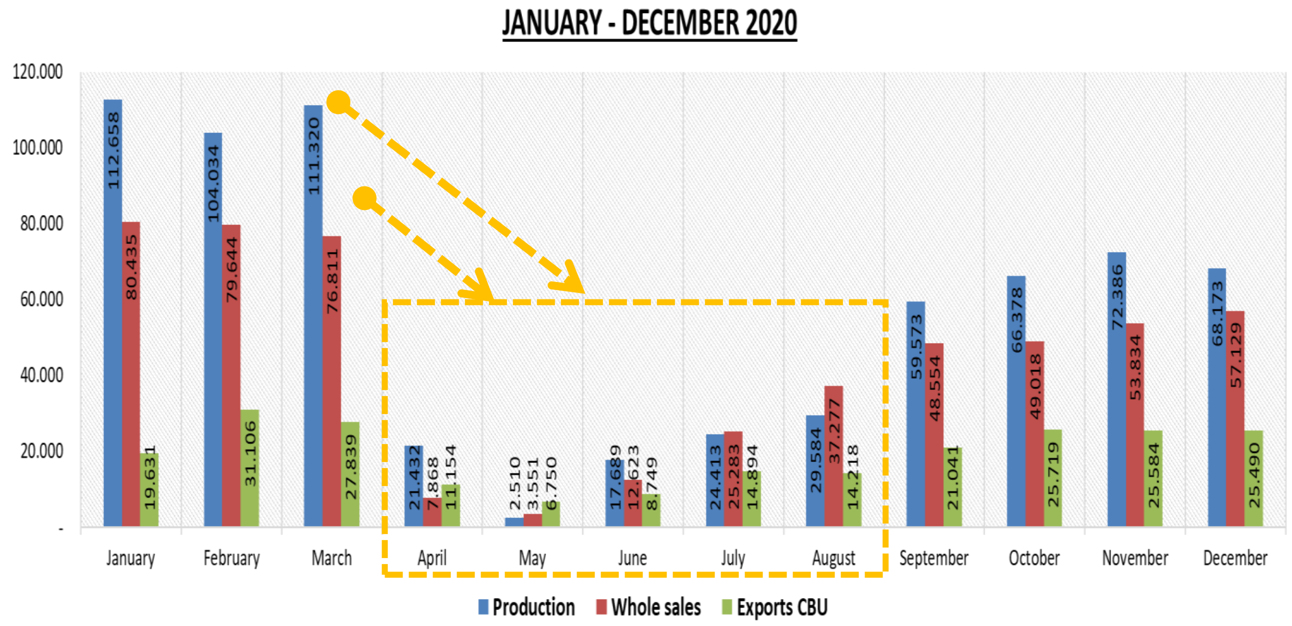
-

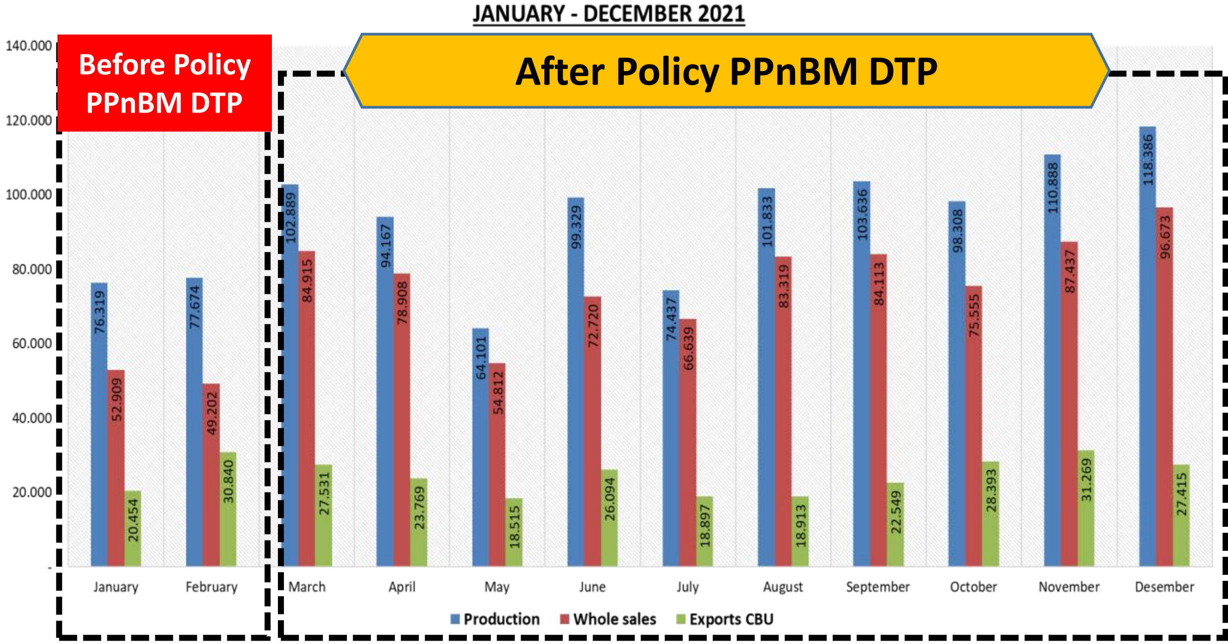
GAIKINDO

INDONESIA AUTOMOTIVE STATISTICS

Positive Respond from Central Government issuing PPn. BM DTP Policy effective March 1, 2021

❖ Production, Market, Exports CBU January – December 2020 & 2021





Starting in April 2020 the KBM industry is affected by the Covid-19 Pandemic

Period January – February 2021 Before Policy PPn BM DTP

Period March – December 2021 After PPnBM DTP

Total January – December 2021 :

1. Production: : 1.121.967 units, increase 62.6%, wholesales 887.202 units, increase 66.8%, while CBU exports: : 294.639 units, increase 26.9%, compared to last year in the same period.
2. The PPnBM DTP program increased car sales during **March-December 2021 to reach 785.091 units**, there was an increase in sales after the PPnBM DTP policy.
2. The momentum of increasing car sales with PPnBM DTP must be able to maintain high consumer expectations, so that car sales performance does not decline.

Indonesia automotive industries eco-systems

More than 1000 companies

1,5 million employees

INDONESIA AUTOMOTIVE INDUSTRY

GAIKINDO

❖ **Indonesia automotive industries eco-systems More than 1000 companies 1,5 million employees**

MORE THAN 1,5 MILLION PEOPLE WORK IN THE AUTOMOTIVE INDUSTRY

Assembling :
22 companies,
75,000 workers

Tier 1 Industry:
550 companies,
220,000 workers

Tier 2 & 3 Industry:
1,000 companies,
210,000 workers

Outlet, Workshop, Authorized Sales Service and Spare Parts:
14,000 businesses,
400,000 workers

Outlet, Workshop, Non-Authorized Sales Service and Spare Parts:
42,000 businesses,
595,000 workers

Overview of the Indonesian Automotive Industry :

- The Indonesian Automotive industry is one of the economic locomotives with a contribution to GDP of ± 4.24%.
- The Automotive industry is one of the leading non-oil and gas export commodities with a contribution to national exports of ± 4.5%. Export CBU 294.639 (2021)
- Total Production Capacity is currently 2.4 million units/year. (in 2021: 42% utilization or 1.121.967 units).
- The number of direct and indirect workers is 1.5 million employees.
- Purchasing Managers Index (PMI) of Indonesian manufacturing in December 2021 reached 53.5

INDONESIA AUTOMOTIVE INDUSTRY

GAIKINDO

Supplier* → Manufaktur/ Assembler → APM (Distributor) → Retailer → Konsumen

Tier 1

- *Ban*
- *Cakram Rem*
- *Piston*

Tier 2

- *Door Trim*
- *Bearing*

Tier 3

- *Mur*
- *Baut*

PRODUCTION (UNITS)

	2018	2019	2020	2021
INDONESIA	1.343.743	1.289.847	690.176	1.121.967
THAILAND	2.167.694	2.013.710	1.427.074	1.685.705

MARKET (UNITS)

	2018	2019	2020	2021
INDONESIA	1.151.308	1.032.907	532.407	887.202
THAILAND	1.041.739	1.007.552	792.146	754.254

Tier 3 Supplier

Industry SME Component Automotive Indonesia

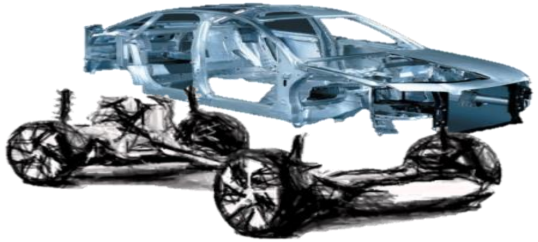
Comparison of Industry Indonesia & Thailand

	Prod. 1,2 Juta (2019)	Prod. 2,0 Juta (2019)
Manufaktur	22 perusahaan 75.000 pekerja	20 perusahaan 100.000 pekerja
Tier 1 Industri Komponen	550 perusahaan 220.000 pekerja	700 perusahaan 250.000 pekerja
Tier 2 & 3 Industri Komponen	1.000 perusahaan 210.000 pekerja	1.700 perusahaan 175.000 pekerja
Outlet, Bengkel, Servis dan Suku Cadang Resmi	14.000 outlet resmi 400.000 pekerja	12.000 outlet resmi 240.000 pekerja
Outlet, Workshop, Servis dan Suku Cadang Tidak Resmi	42.000 outlet tidak resmi 595.000 pekerja	36.000 outlet tidak resmi 360.000 pekerja

Indonesia masih kalah dari Thailand Industri Komponen (Tier 1, Tier 2 & 3)

INDONESIA AUTOMOTIVE INDUSTRY

❖ General Vehicle Production Process

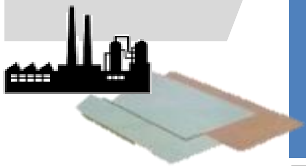


Value Chain Proses manufacture automotive industry

R & D | **Production**

Tier 3 & 2 | **Tier 1** | **Assembler** | **Finished product**

1. Design & Development
- **Processing & Intermediate Industry**



2. Stamping/ Pressing
3. Body Welding
4. Painting
5. Mate
6. Assembly
7. Final Complete Product
8. Quality Control & Product Testing

Steel, Plastic, Rubber, Glass, Leather

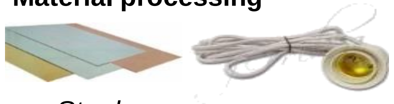
Nut, Doortrim, Velg, Tire, Exhaust

Engines, ABS, ESC Battery, Transmission

In general, the Motor Vehicle Production process has eight stages starting from Product Development (Design & Development) to Product Testing, before being sent to Dealers/Buyers.

INDONESIA AUTOMOTIVE INDUSTRY

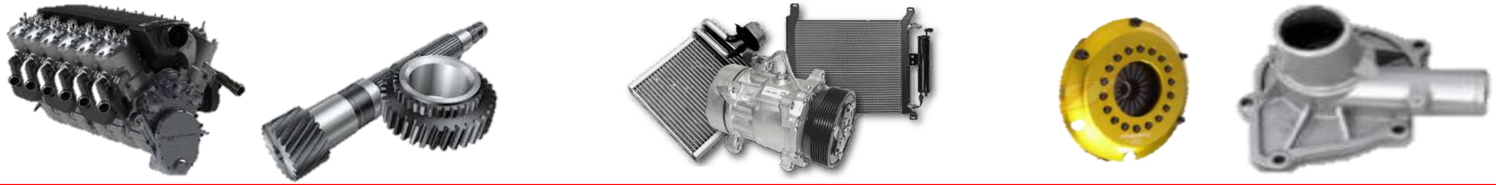
❖ Condition of Indonesia Automotive Manufacturing Industry

Processing & Intermediate Industry		Tier 3 & 2	Tier 1	Assembler	Produk Jadi
	**Material processing**  ▪ *Steel* ▪ *Plastic* ▪ *Rubber* ▪ *Aluminium* ▪ *Paper* ▪ *Glass*	**Molding, Casting** Forging, Stamping Welding,  ▪ *Baut* ▪ *Door trim* ▪ *Kabel* ▪ *Poros (Shafts)* ▪ *Bearing* ▪ ***Gears***	**Sub assembly, OEM assembly** *Spre part :* ▪ *Tire* ▪ *Disc brake* ▪ ***Piston Engine*** ▪ *Chassis* ▪ *Steering* ▪ *Wiper* ▪ ***AC***		

Types of Parts Most Imported by Indonesia

1	***Piston Engine***
2	***Parts & accesories***
3	***AC + fan***
4	***Shafts, gears, and screws***
5	***Bearings***

Mostly IMPORT



Indonesia's level of dependence on components, especially high technology components, is still high. The development and deepening of the component industry is needed, **especially for high-tech parts**

Government initiate IOMKI

Automotive Industries eco-system is interdependent

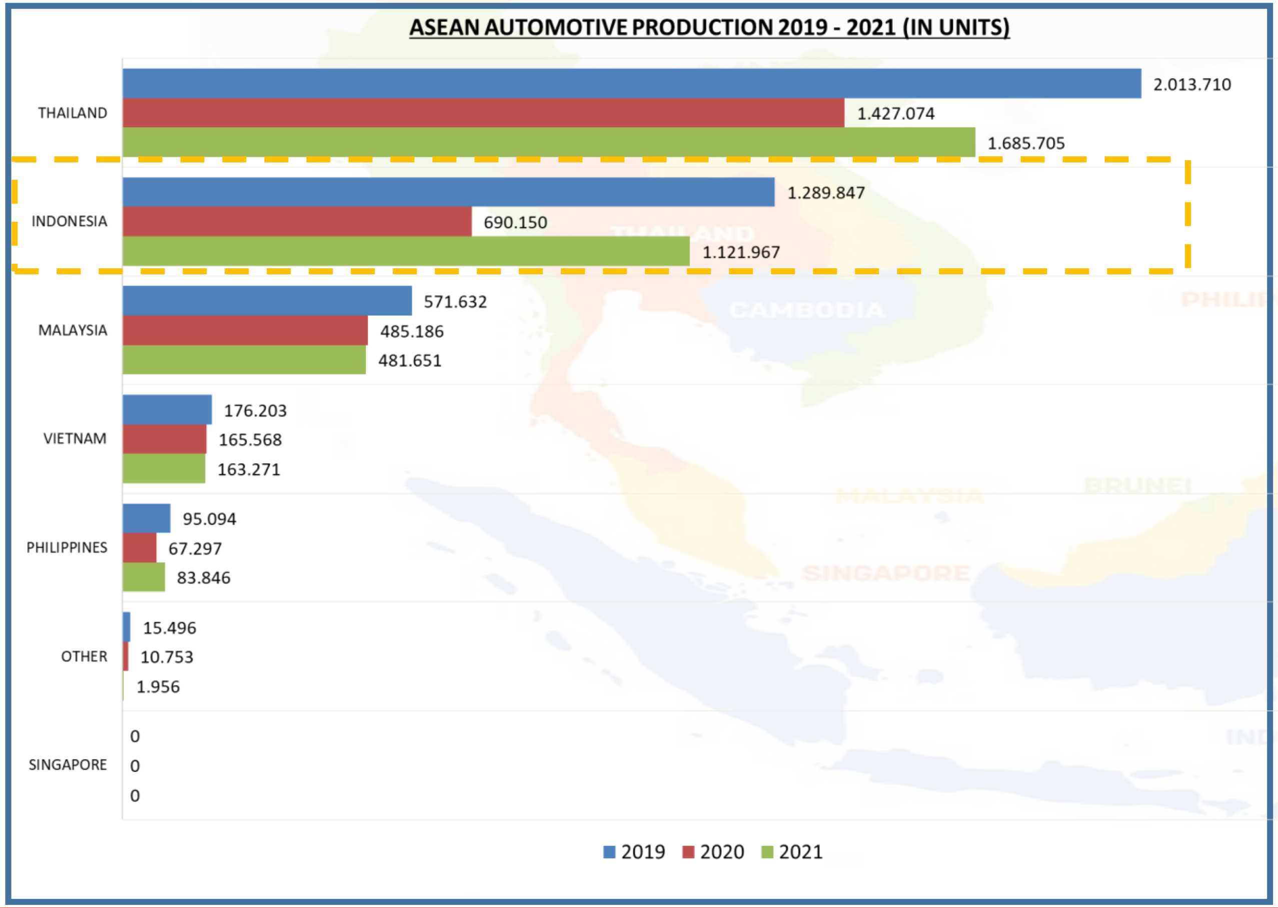
Follows strictly the Health Protocol

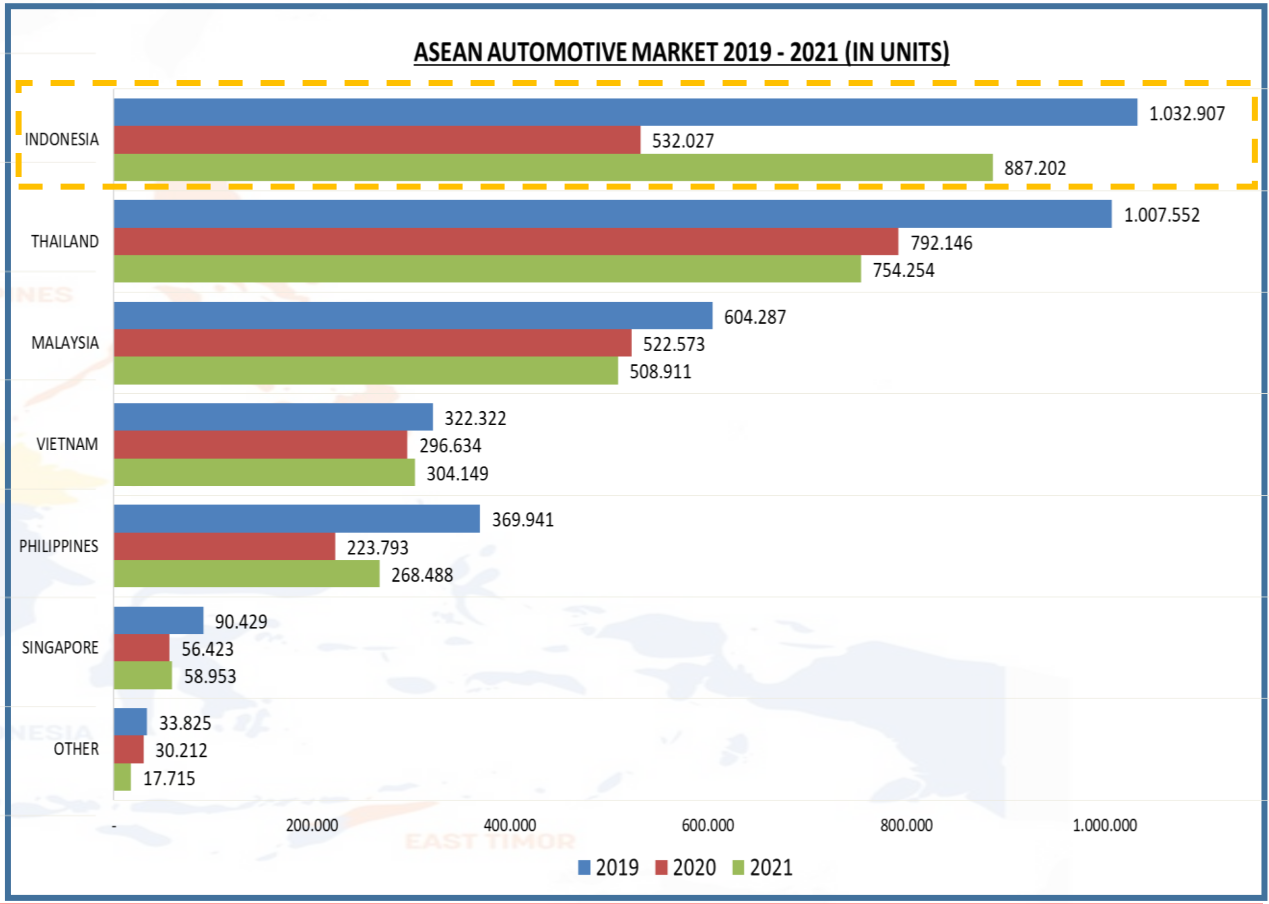
Establish new working procedures to adhere Health Protocol

Commitment to overseas market as well as domestic

ASEAN AUTOMOTIVE STATISTICS

ASEAN RANKING AUTOMOTIVE 2019 – 2021





Indonesia Position in ASEAN:

Production : 2021 Indonesia is ranking #2 while the #1 ranking is Thailand

Sales : 2021 Indonesia is **ranking #1** while the #2 ranking is Thailand

Source : AAF

Government provides various stimulus to keep the automotive industries afloat

Various Tax reduction

No minimum charges on electricity

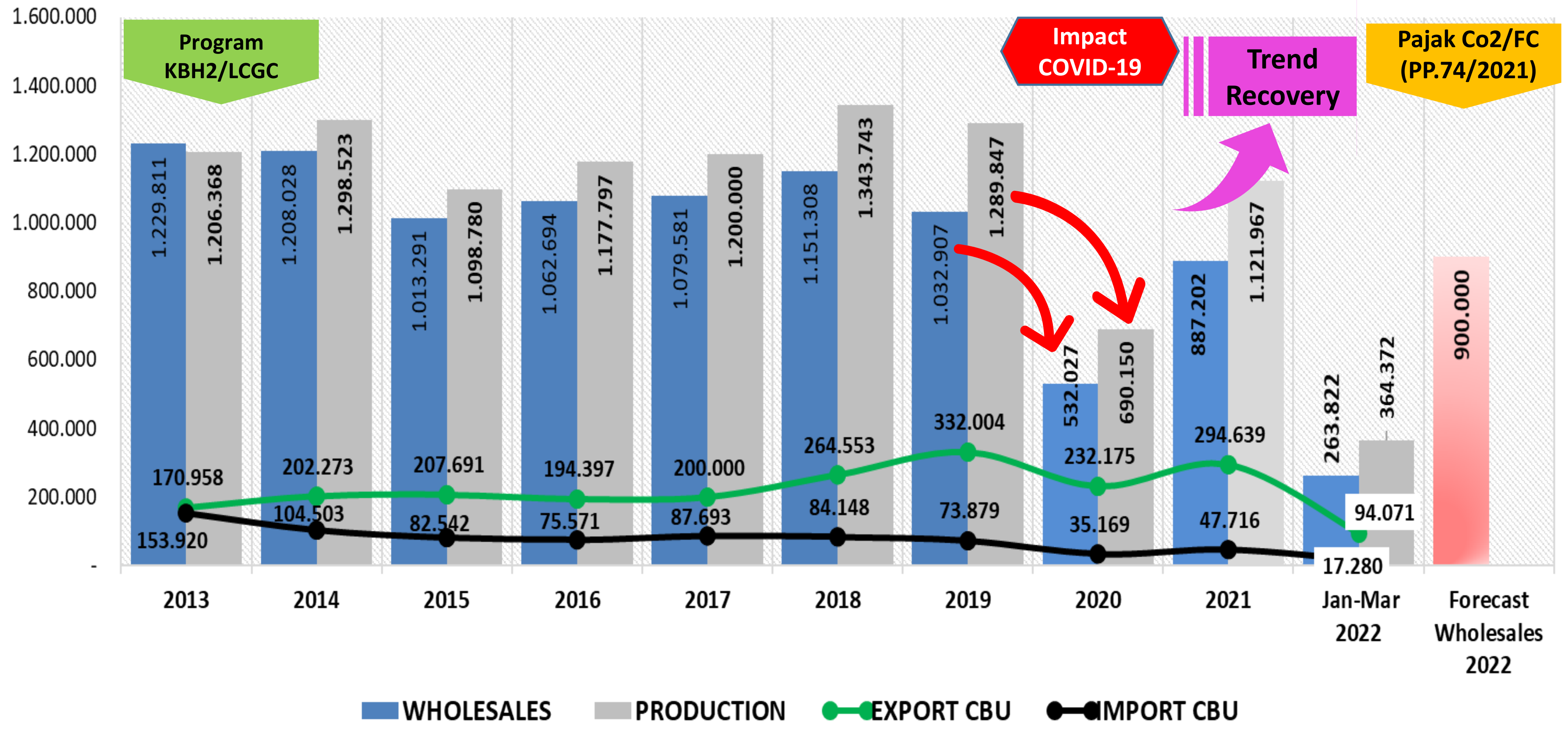
PPn.BM DTP

-

INDONESIA AUTOMOTIVE STATISTICS

GAIKINDO

PRODUCTION, WHOLESALES & EXPORT CBU (2013 –Ytd. Mar 2022)



2020

Dampak Covid-19 penjualan tahun 2020 **turun ± 50%** , begitu juga Produksi dan Ekspor CBU nya mengalami kontraksi

2021

January – December :

- Production : 1.121.967 units
- Market : 887.202 units
- Import CBU : 47.716 Units
- Export CBU : 294.639 units
- **Forecast Market 2022 : 900.000 units**

Indonesia automotive industries was hit very hard, Production & Sales down more than 53% in 2020

ASEAN AUTOMOTIVE STATISTICS

GAIKINDO

OPPORTUNITIES FOR ALL

The Car Ownership Ratio in Indonesia is Still Relatively Low, namely 99 Units/1000 Population, Compared to Several Other ASEAN Countries

INDONESIA'S MOTOR VEHICLE OWNERSHIP RATIO IS STILL RELATIVELY LOW

Indonesia's motor vehicle ownership ratio is still relatively low

Motor vehicle ownership ratio / 1,000 people

Indonesian Population (2019): > 270 million people

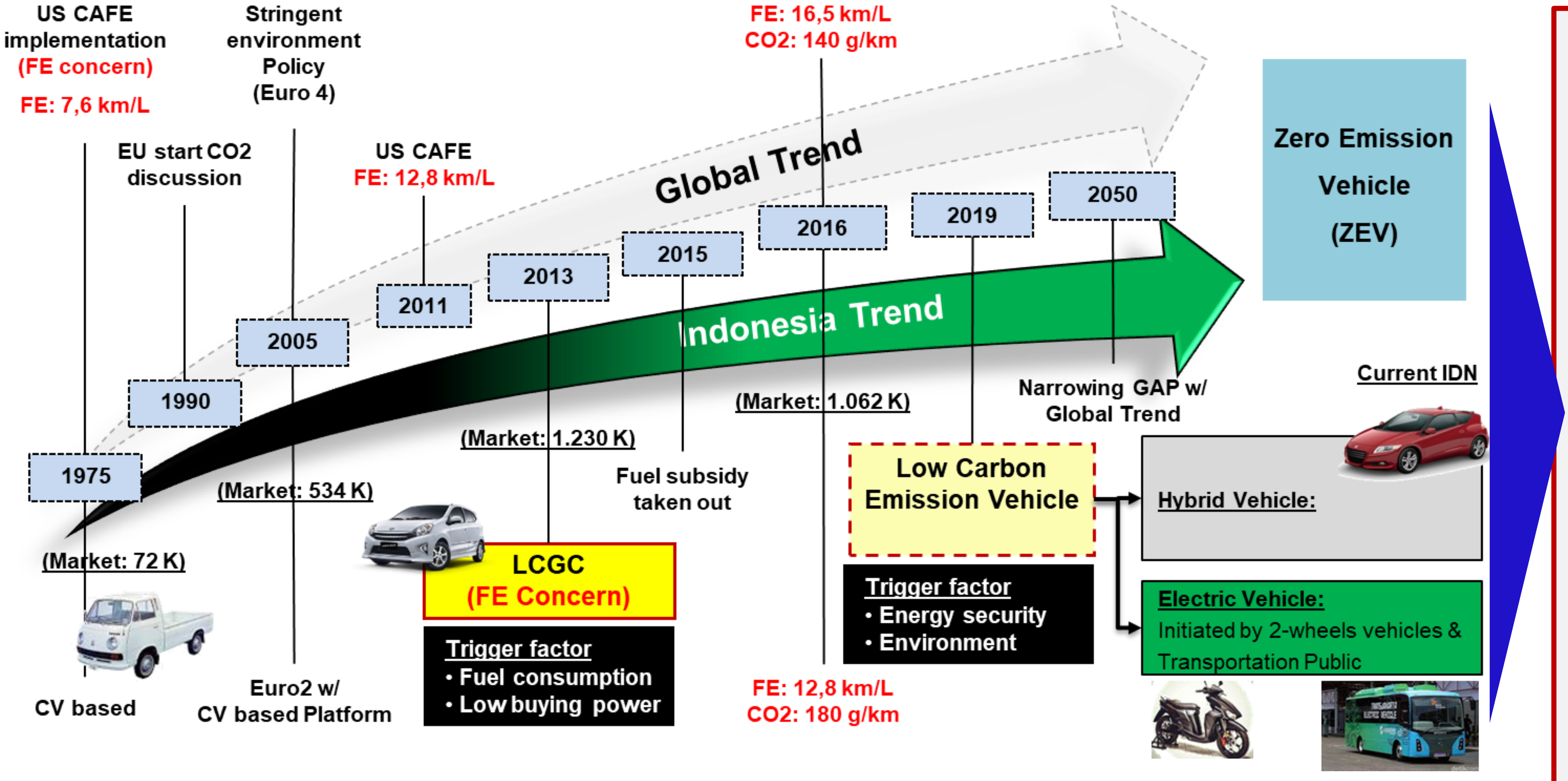
Production (2019): 1.29 million units

Installed Capacity (2019): 2.25 million units → (2020) 2,4 million units

Indonesia Car Sales Annually: > 1 million units (2012-2019)

SOURCES: GAIKINDO, OICA, MINISTRY OF INDUSTRY

Past, Current, and Future



Initial Auto Industry had developed CV based vehicle which had high emission and low FE. Now the Govt wanted to catch up with Global trend which focus on ZEV, by implemented LCGC in 2013 and Low carbon emission vehicle in the future

SWOT Analysis

Indonesia Automotive Industries 2022

GAIKINDO

Strength

- GDP average 5% up to 2024.
- Continuous National Infrastructure Development.
- Existing installed production capacity 2.4 million/year.
- Largest ASEAN domestic market 34%.
- Large potential domestic market, 99 vehicles/1000 population.
- Large pool of young, talented & productive human resources.
- Central Bank Policy of 0% Down Payment for automotive.

Weakenesses

- High dependencies on imported raw materials.
- Readiness of local component suppliers to be parts of GVC, ex. Semi conductor.
- Availability & affordability of real local raw material.
- Others sources of local tooling makers has not been optimized.

S W O T

Opportunities

- Economic development spread across the countries.
- Market expansion.
- Potential export to new destination ex. Australia IA-CEPA, South America & North Africa, RCEP.
- Automotive Component export to Polandia, Romania to support CKD operation.

Threat

- Escalation of Ukraine War.
- Competition among ASEAN automotive producing countries.
- Rising of Fuel Price.
- Sluggish economy.

Indonesia Market ICE & Non ICE

MARKET 2019 - Ytd. MARCH 2022

CATEGORY	2019	SHARE	2020	SHARE	2021	SHARE	Ytd. March 2022	SHARE
BEV	-	0,0%	125	0,0%	687	0,1%	64	0,0%
PHEV	25	0,0%	8	0,0%	46	0,0%	10	0,0%
HYBRID	787	0,1%	1.191	0,2%	2.472	0,3%	646	0,2%
ICE KBH2/LCGC	217.454	21,1%	104.650	19,7%	146.520	16,5%	36.742	13,9%
ICE NON KBH2 (PC&CV)	814.641	78,9%	426.433	80,1%	737.475	83,1%	226.360	85,8%
TOTAL	**1.032.907**	**100%**	**532.407**	**100%**	**887.200**	**100%**	**263.822**	**100%**

Market of non-ICE motorized vehicles in Indonesia is still relatively small, due to its high price, the price of motorized vehicles in Indonesia is still dominated in **the 300 million range**.

INDONESIA AUTOMOTIVE INDUSTRY

GAIKINDO

Challenge & Strategic Focus

TARGET

Automotive Industry highly competitive

CHALLENGE

Installed capacity (2020)	2.400.000
Utilize Capacity In 2021 (Domestic & Export)	1.121.967 (47%)
Idle Capacity in 2021	1.278.033 (53%)

Contribution of the automotive industrial sector to the economy (±4.24%)

STRATEGIC FOCUS

1 Optimizing the idle capacity of the automotive industry (53%), for the domestic and export markets

2 Deepening localization in the supply chain of the automotive industrial sector:

- Local content domestic production : 30 - 94 % .
- Tier 1 component industry 500 - 900 company.
- Tier 2 & 3 component industry & Etc. 1.700 company , including micro, small and medium enterprises.

In order to leverage national economic growth, need to **develop** the **competitiveness and capability of automotive industry** since automotive industry as one of priority industry.

❖ Conditions of the automotive industry :

1. Mobility Restriction (PSBB and then the PPKM) → Sales down, Production down,Industries eco-system down.
2. Government initiate IOMKI : OEM get IOMKI but not all , suppliers could get it & Issues with business licenses.
3. Automotive Industries eco-system is interdependent.
4. Follows strictly the Health Protocol → Establish new working procedures to adhere Health Protocol.
5. Commitment to overseas market as well as domestic.
6. Government request to Indonesia Automotive Industries : No PHK, THR must be paid, No Manufacturing closure.
7. Government provides various stimulus to keep the automotive industries afloat : Various Tax reduction, No minimum charges on electricity & Others.
8. Proposed to both Central Government as well as to Provincial Government to reduce the vehicles taxes accordingly → PPn.BM, BBNKB, PKB.

SUMMARY

Indonesian Automotive Industry:

1. Looking at the on going recovery trend, it can be said that the Indonesian economic cycle is in an (**early expansion phase**). The economy in this phase is marked by the economy starting to gain momentum and the unemployment rate starting to improve. Meanwhile, the business world is restoring **production capacity** and **investment in business** development.

2. Indonesia is self-sufficient in motor vehicles and the demand for motorized vehicles in the country will continue to grow in the future, therefore Indonesia must continue to have a **competitive and tough automotive industry**.

3. The Automotive sector is one of the barometers of the national economy & is one of the leading non-oil and gas exports and Indonesia can become part of the **Global Supply Chain**.

4. Synergy of all stakeholders is needed to continue to develop the Indonesian automotive Industry and it needs the right policy support so that the domestic KBM industry is attractive to investors & continues to grow The automotive industry is a **long-term industry.**

Thank You

GAIKINDO
Jln. Teuku Cik Ditiro I, No. 11 D-E-F
Menteng, Jakarta Pusat 10350
Telp. : +62-21 3157178
Fax. : + 62-21 3142100
Mail : gaikindo@gaikindo.or.id