



# INDONESIA MARKET REPORT

By Association of Indonesian Securities  
Companies

Taipei, October 2013

- **Economic Performance**
- **Capital Market Performance**
- **Regulatory Developments**
- **Prospect for Indonesia Securities Industry & Challenges**

# Highlights

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# Economic Performance

- Global credits have got off strong start since early 2012 buoyed by the news of a deal in the US Congress to avoid the fiscal cliff supported by manufacturing data from some Asian countries.
- Global investors are keen to increase their exposure to the world's fastest growing economies, especially in the emerging Asia
- Indonesia economy slowed for the 4th consecutive quarter to 5.81% yoy in 2Q-2013 down from 6.02% yoy recorded in the 1Q-2013 as government spending is not enough to offset the slowing private sector consumption and investment.
- The growth rate is mainly driven by 11.5% expansion in transport and communication sector, 8.07% in financial and real estate, 6.88% in construction, 6.6% in electricity, gas and water and 6.5% in trade, hotel and restaurants and 5.9% in manufacturing.
- Foreign reserve decreased to \$98 billion by June 2013 from \$112.8 billion at the end of 2012.
- The exchange rate of IDR against USD keeps depreciating from IDR8,991 (2010) to IDR8,768 (2011), IDR9,638 (2012) and further down to IDR9,929 by June 2013 and IDR 11,461 by end of September 2013
- The Central Bank increased BI rate to 7.25% in September 2013 after having raised it by 50bps in August. The central bank attempts to stabilize the currency, control the inflation rate and the current account.

IMF World Economic Outlook	GDP (%)		
	Actual	Projected	
	2012	2013	2014
Asia	6.5	6.9	7.0
Japan	1.9	2.0	1.2
China	7.8	7.8	7.7
India	3.2	5.6	6.3
<b>ASEAN-5</b>	<b>6.1</b>	<b>5.6</b>	<b>5.7</b>
United States	2.2	1.7	2.7
Euro Area	-0.6	-0.6	0.9
Russia	3.4	2.5	3.3
Latin America	3.0	3.0	3.4

Source IMF World Economic Outlook, July 2013

# Economic Performance

Indicator	2008	2009	2010	2011	2012	Jun-2013
Population (million)	229.0	231.8	237.6	241.1	244.7	246.5
GDP Growth Rate (% y-o-y)	6.0	4.5	6.1	6.5	6.2	5.8
Export (USD million)	139,606	119,646	158,074	200,788	188,496	90,901
Import (USD million)	116,690	88,714	127,447	166,005	179,878	89,901
Surplus (USD million)	22,916	30,932	30,627	34,783	8,618	1,000
Exchange Rate-end period (IDR/USD)	10,950	9,425	8,991	8,768	9,638	9,929
Foreign Exchange Reserve (USD million)	51,639	66,105	96,207	122,671	112,781	98,095
Unemployment Rate (%)	8.39	7.87	7.14	6.9	6.8	6.6

Source: BI, BPS

# Economic Performance

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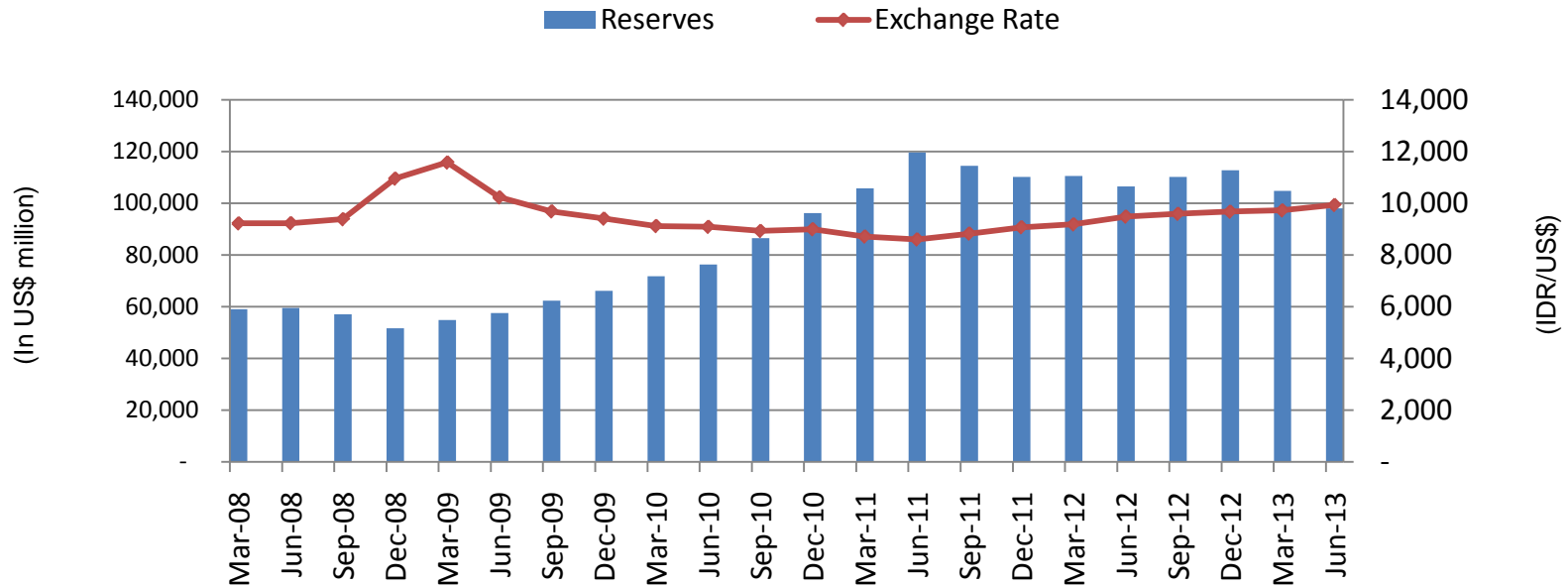
Source : BI – Indonesia Central Bank

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- In September 2013, Indonesia's central bank increased their benchmark BI rate by 25 bps to 7.25%, to fight against increasing inflation and weakening IDR against main currencies. Bank Indonesia also raised the overnight deposit facility rate, known as FASBI, to 5.5% in September 2013.
- August 2013 inflation was recorded at 8.79% y-o-y. This is the highest level since 2009 due to expected fuel price hike to be taken by the Government in the second semester prior to Idul Fitri holidays.
- The rupiah fell to a four year-low of 11.461 to the U.S. dollar by the end of September 2013, even though the central bank was suspected to have sold around \$200 million of dollars to calm the market. Gradual but persistent weak data on Indonesia, started with slower economic growth, quickened inflation, widening trade deficit, and lastly wider current account deficit has, sent bonds, stock, and IDR currency fell significantly.

# Economic Performance

Exchange Rate vs. Foreign Exchange Reserve (Q1 2008 – Q2 2013)



Source :BI- Indonesia Central Bank

Capital inflow to Indonesia has increased Foreign Exchange Reserve.

On April 2011 Indonesia Country Rating was upgraded by S&P to BB+ (one level below investment grade), marked with positive outlook, due to it's "resilient" economy and improving finances. Later, in early of January 2012, Moody's also increased the rating to Baa3.

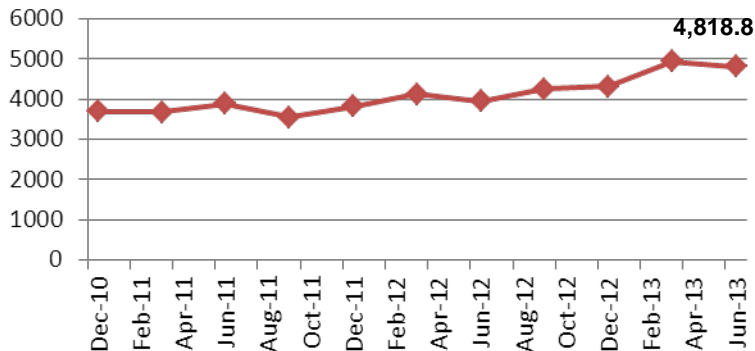
# Capital Market Performance

## • Stock Market

- The recovery of Indonesia economy reflected by the performance of the Jakarta Composite Index (IDX), Listed Issuers and Market Capitalization.
- On 31st December 2012, JCI increased by 12.94% to 4,316, with a record high at 5,124 on 20<sup>th</sup> May 2013 before it declined to 4,818 on 30<sup>th</sup> June 2013 and even to 4,316 on 30<sup>th</sup> September 2013

	2011	2012	Jun-13
<b>Total Trading Value (IDR Billion)</b>	1,223,441	1,116,113 - 8.77%	1,716,816 + 53.82 %
<b>Daily Average Trading Value (IDR Billion)</b>	4,953	4,537	8,541
<b>Composite Index - High</b>	4,193.44	4,375.17	5,021.61
<b>Low</b>	3,269.45	3,654.58	4,418.87
<b>Close</b>	3,821.99	4,316.69	4,818.89
<b>Listed Issuers</b>	436	457	472
<b>Market Capitalization (IDR Billion)</b>	3,537,294	4,126,995 + 16.67 %	4,739,604 + 14.84 %

## IDX - JCI



Source : IDX

## Performance of Various Global Stock Markets as of 30 Sept 2013

Country	Index	Last	Mtm Ch.%	Ytd Ch.%	YTD Change % Chart
Brazil	IBOVespa	52,338.19	4.66%	-14.13%	•
China	SHANGHAI	2,174.66	3.64%	-4.16%	•
India	SENSEX	19,379.77	4.08%	-0.24%	
Indonesia	JCI	4,316.18	2.89%	-0.01%	
South Korea	KOSPI	1,996.96	3.66%	0.00%	
Singapore	FSSTI	3,167.87	4.59%	0.02%	
Hong Kong	HANGSENG	22,859.86	5.19%	0.90%	
Portugal	PORTUGAL PSI20	5,953.51	2.51%	5.28%	
Italy	FTSEMIB	17,434.86	4.51%	7.14%	
Netherlands	AEX	374.92	3.30%	9.40%	
United Kingdom	FTSE100	6,462.22	0.77%	9.57%	
Greece	ATHEX COMP	1,014.06	12.68%	11.69%	
Spain	IBEX35	9,186.10	10.80%	12.47%	
Germany	DAX	8,594.40	6.06%	12.90%	
France	CAC	4,143.44	5.33%	13.80%	
United States	DJIA	15,129.67	2.16%	15.46%	
Japan	NKY	14,455.80	7.97%	39.06%	

Source : WSJ

# Capital Market Performance

## • Jakarta Composite Index and Capital Market Milestones 1992 – 27 September 2013



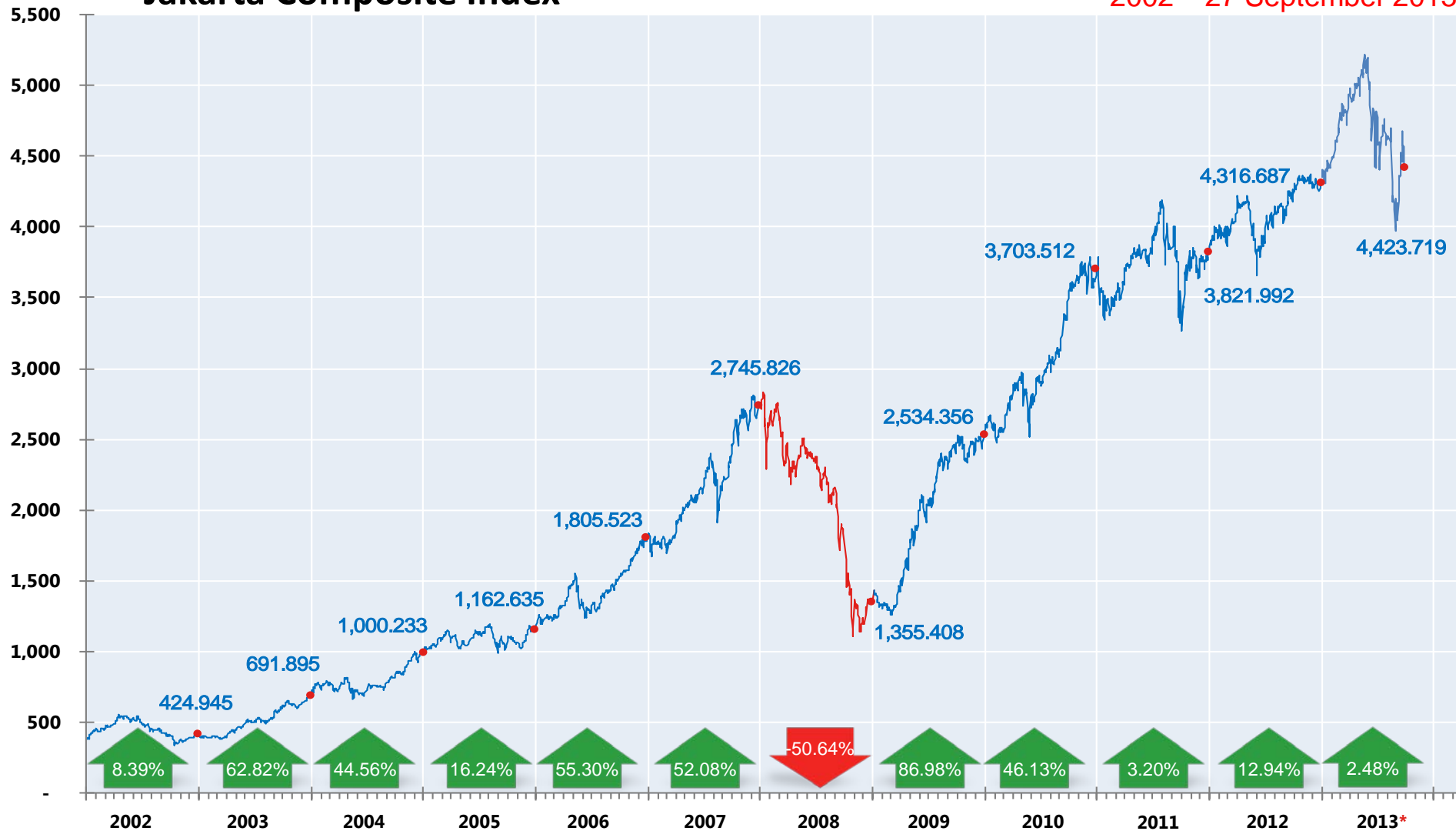
\*) 27 September 2013



# Capital Market Performance

## ● Jakarta Composite Index

2002 – 27 September 2013



\*) 27 September 2013

# Capital Market Performance

## Distributions of Tradeable Stocks\*

Based on Investors' Nationality (2010 - August 2013)

Investors' Nationality (Equity Only)	August 2013		2012		2011		2010	
	(Mill. USD)	%	(Mill. USD)	%	(Mill.USD)	%	(Mill.USD)	%
<b>Local Investor</b>	<b>99,911</b>	<b>44.22%</b>	<b>107,613</b>	<b>41.21%</b>	<b>92,558</b>	<b>40.14%</b>	<b>78,138</b>	<b>37.20%</b>
Individual	13,436	13.45%	14,480	13.46%	16,647	17.98%	13,827	17.70%
Institution	86,367	86.44%	93,003	86.42%	75,783	81.88%	64,150	82.10%
Others	107	0.11%	130	0.12%	129	0.14%	160	0.20%
<b>Foreign Investor</b>	<b>126,052</b>	<b>55.78%</b>	<b>153,504</b>	<b>58.79%</b>	<b>138,055</b>	<b>59.86%</b>	<b>131,909</b>	<b>62.80%</b>
Individual	2,428	1.93%	3,221	2.10%	2,614	1.89%	341	0.26%
Institution	84,549	67.07%	106,018	69.07%	100,123	72.52%	97,483	73.90%
Others	39,075	31.00%	44,265	28.84%	35,318	25.58%	34,086	25.84%
<b>TOTAL</b>	<b>225,963</b>		<b>261,117</b>		<b>230,614</b>		<b>210,047</b>	

Institutions includes

**Insurance, Mutual Fund, Pension Fund, Financial Institution, Corporate, Securities Company, Foundation**

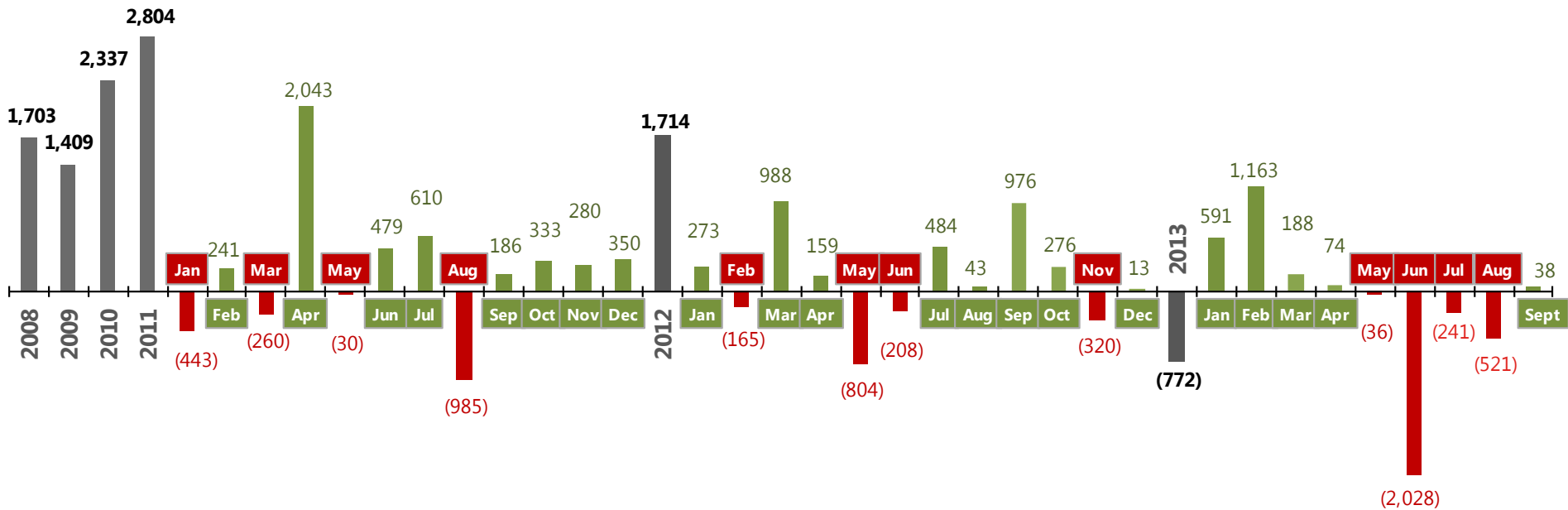
\*) Scriptless Stocks

Source Data : Indonesia Central Securities Depository (KSEI)

# Capital Market Performance

## Foreign Investor Activities

At Indonesia Stock Exchange: 2008 – 27 September 2013

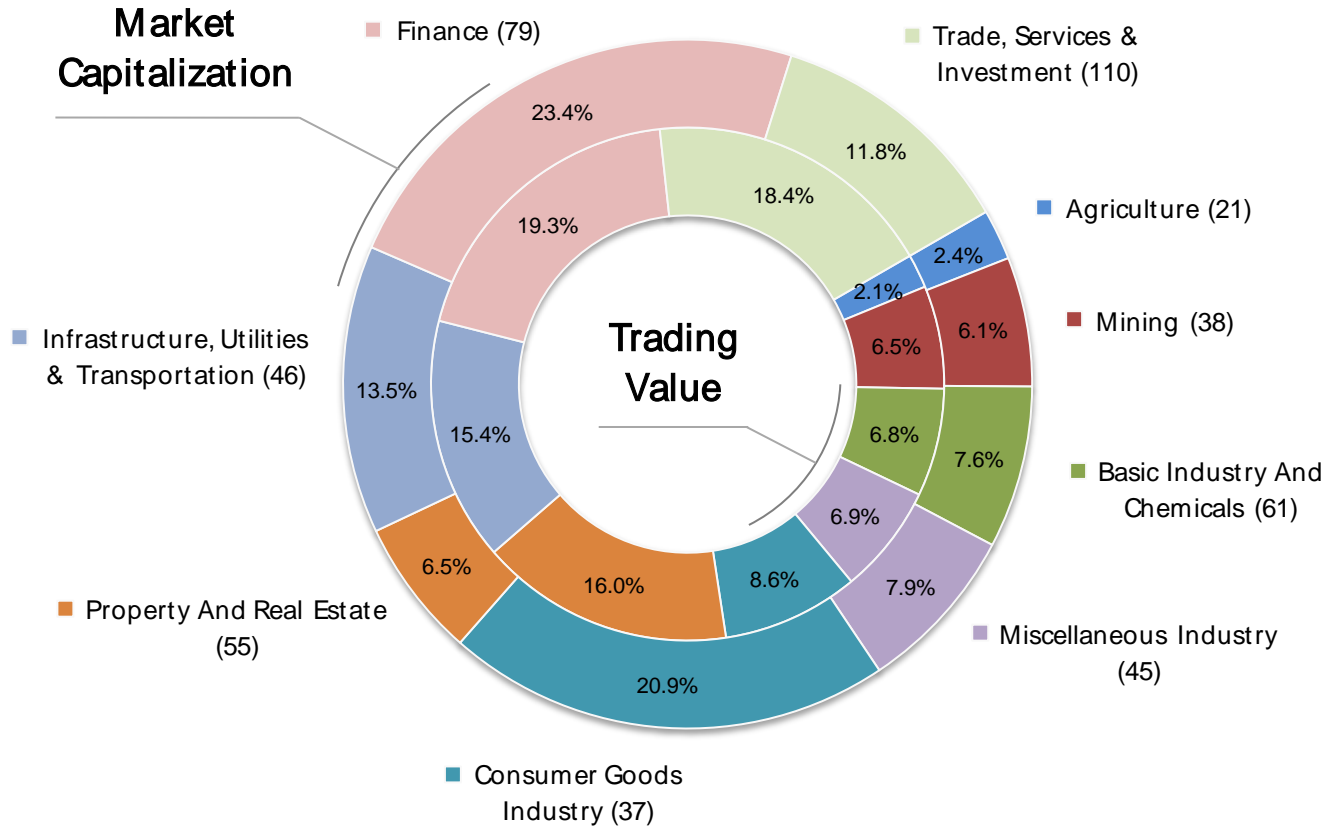


Figures in Million USD

# Capital Market Performance

## Market Capitalization and Trading Value by Industry

27 September 2013



# Capital Market Performance

## Bond Market

In August 2013 total bond outstanding was circa USD 104.5 billion which was represented by Government bonds of 81% and Corporate bonds of 19%.

### Corporate Bond

Year	Outstanding Listed & Traded (Billion USD)	Daily Average Transactions	
		Volume (Million USD)	Frequency (X)
2003	5.30	6.86	12
2004	6.86	8.05	21
2005	6.48	10.15	21
2006	7.40	15.09	11
2007	9.25	30.96	63
2008	7.63	22.61	50
2009	8.50	15.68	40
2010	12.71	40.10	70
2011	16.03	55.80	73
2012	19.70	67.69	103
2013*	19.59	71.52	90

### Government Bond

Year	Outstanding Listed & Traded (Billion USD)	Daily Average Transactions	
		Volume (Million USD)	Frequency (X)
2003	45.53	162.68	51
2004	44.67	238.12	112
2005	41.20	220.92	100
2006	45.73	132.82	134
2007	52.03	553.86	227
2008	54.20	395.24	206
2009	55.31	310.31	218
2010	70.64	748.54	381
2011	78.91	867.01	433
2012	85.31	843.82	552
2013*	84.86	672.94	461

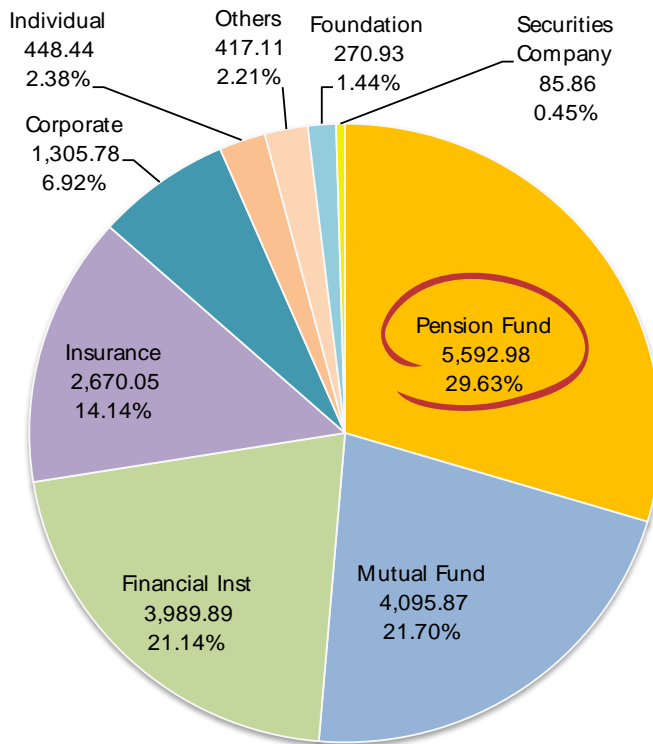
\*) August 2013

# Capital Market Performance

## Bond Ownership Distributions

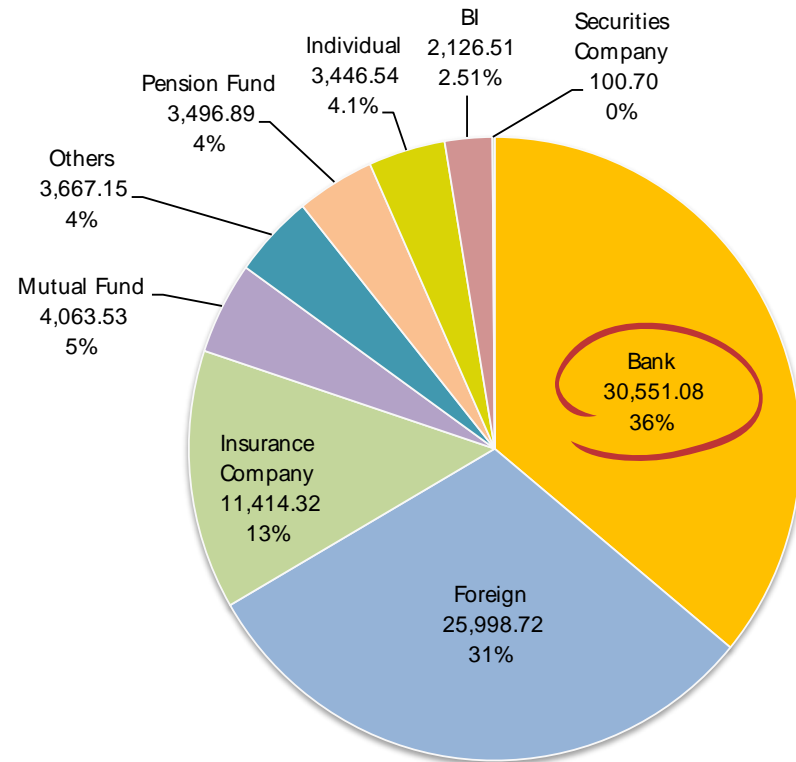
August 2013 (in Million USD)

### Corporate Bond Ownership



Source : Indonesia Central Securities Depository (KSEI)

### Government Bond Ownership

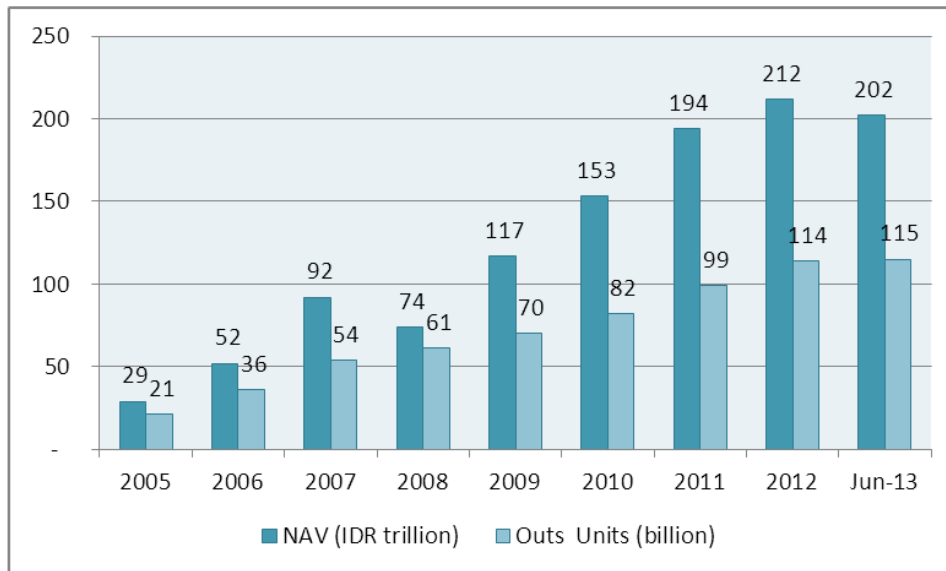


Source : Indonesian Debt Management Office (DJPU)

# Capital Market Performance

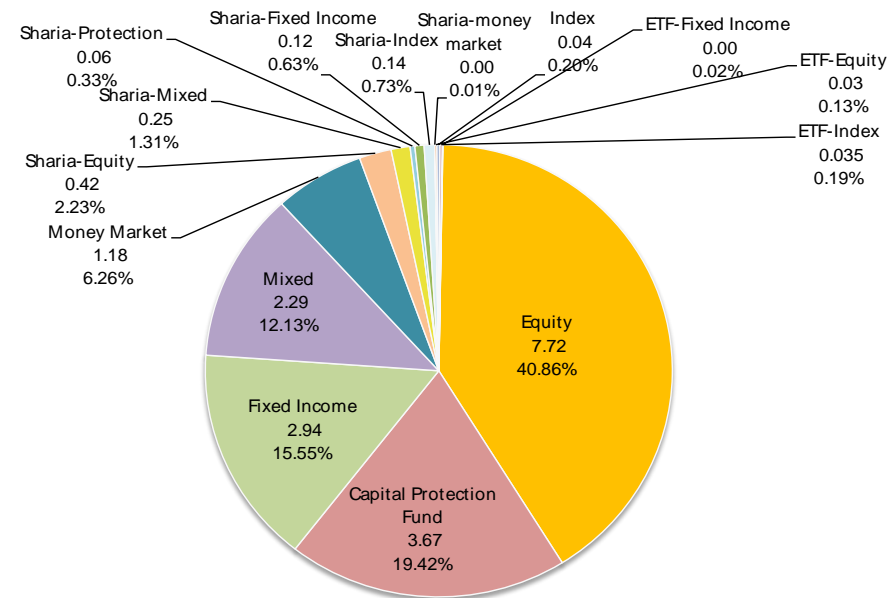
## Mutual Fund

- The industry enjoyed favorable development up to 2012 and it showed consolidation by June 2013



Source : OJK

- Composition of mutual funds NAV by type of investment as of July 2013 which totalled at USD 18.89 billion



Source : OJK

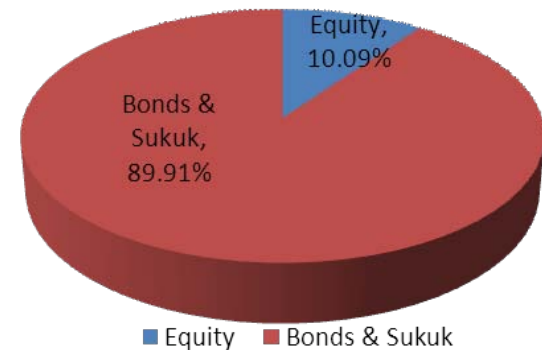
# Capital Market Performance

## New Issues and fund raising

The industry enjoyed favorable development up to 2012 and the first semester in 2013 and it showed consolidation trend by the second semester.

NEW ISSUES	2009	2010	2011	2012	Jun-13
<b>EQUITY</b>					
IPO (IDR trillion)	3.85	29.68	19.59	10.14	10.11
Rights (IDR trillion)	8.56	48.16	42.14	18.19	18.46
Others (IDR trillion)	2.50	1.87	0.58	1.64	1.94
<b>Sub Total</b>	<b>14.91</b>	<b>79.71</b>	<b>62.31</b>	<b>29.97</b>	<b>30.51</b>
<b>BONDS</b>					
IPO - Corp (IDR trillion)	29.68	39.07	45.93	69.45	31.14
IPO - Govt (IDR trillion)	94.57	122.53	163.12	197.55	112.15
<b>Sub Total</b>	<b>124.25</b>	<b>161.60</b>	<b>209.05</b>	<b>267.00</b>	<b>143.29</b>
<b>Total</b>	<b>139.16</b>	<b>241.31</b>	<b>271.36</b>	<b>296.97</b>	<b>173.80</b>

New issue structure by equity related products i.e. rights, warrants; and bonds issued by corporations and governments in 2012



Source : IDX



# Capital Market Performance

## JCI in Comparison to Regional Indices Performance

2011 – 27 September 2013

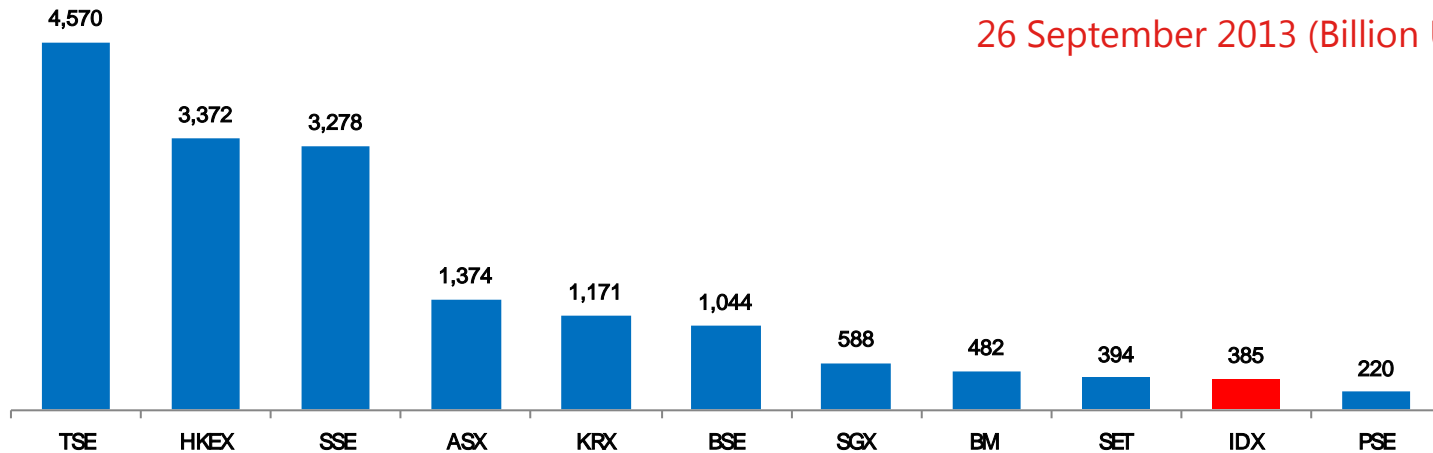
		2011	2012	Change 11-12	2013*	Change 12-13*
TSE	Tokyo Stock Exchange (TSE)	8,455.350	10,395.180	22.94%	14,760.070	41.99%
DJI	Dow Jones (DJI)	12,217.560	13,104.140	7.26%	15,328.300	16.97%
FT100	UK (FT100)	5,572.300	5,897.810	5.84%	6,523.370	10.61%
PSE	Philippine Stock Exchange	4,371.960	5,812.730	32.95%	6,379.810	9.76%
BM	Bursa Malaysia (BM)	1,530.730	1,688.950	10.34%	1,776.160	5.16%
<b>IDX</b>	<b>Indonesia Stock Exchange (IDX)</b>	<b>3,821.992</b>	<b>4,316.687</b>	<b>12.94%</b>	<b>4,423.719</b>	<b>2.48%</b>
HKeX	Hong Kong Exchanges (HKeX)	18,434.390	22,656.920	22.91%	23,207.040	2.43%
SET	Stock Exchange of Thailand (SET)	1,025.320	1,391.930	35.76%	1,417.490	1.84%
SGX	Singapore Exchanges (SGX)	2,646.350	3,167.080	19.68%	3,210.180	1.36%
BSE	Bombay Stock Exchange (BSE)	15,454.920	19,513.450	26.26%	19,726.860	1.09%
KRX	Korea Exchanges (KRX)	1,825.740	1,997.050	9.38%	2,011.800	0.74%
SSE	Shanghai Stock Exchange (SSE)	2,199.420	2,269.128	3.17%	2,160.030	-4.81%

\*) 27 September 2013

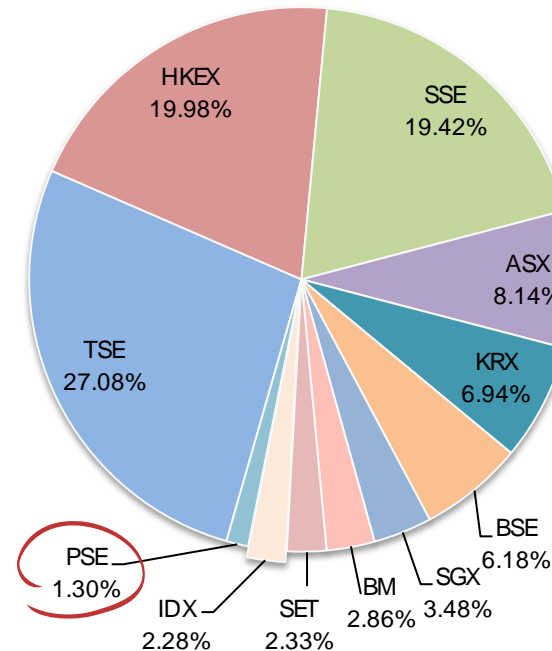
# Capital Market Performance

## Market Cap Among Asia-Pacific Region Exchanges

26 September 2013 (Billion USD)



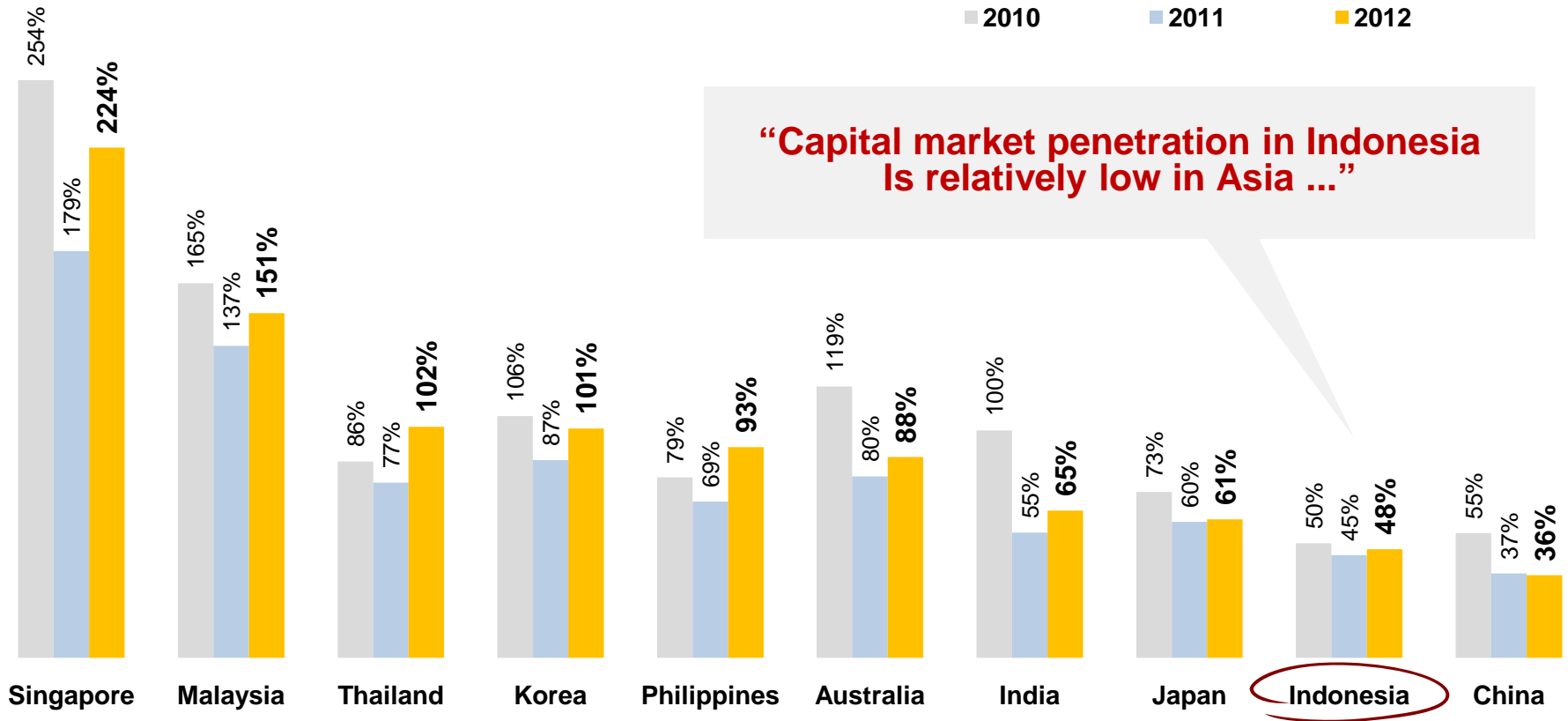
- IDX : Indonesia Stock Exchange
- KRX : Korea Exchange
- SET : Stock Exchange of Thailand
- BM : Bursa Malaysia Exchanges
- SGX : Singapore Exchanges
- TSE : Tokyo Stock Exchange
- HKEX : Hong Kong Exchanges
- SSE : Shanghai Stock Exchange
- BSE : Mumbai Stock Exchange
- ASX : Australia Stock Exchange
- PSE : Philippine Stock Exchange



Source : Bloomberg

# Capital Market Performance

## Market Capitalization to GDP Ratio in Asia



Source : CEIC & Bloomberg

# Regulatory Developments

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The newly establishment Financial Services Authority (**Otoritas Jasa Keuangan/OJK**) started their operation by supervising non-bank companies in 2013 and banking sector in 2014

2012 was a strategic year for the Capital Market Infrastructure Development Team (TPIPM) that was successful in establishing, completing & operating core infra-structure projects (started in 2010)

KSEI coordinated the implementation of Single Investor Identity (SID) and Investor Fund Account (RDN) to enhance protection and improve disclosure through AKses facility

KPEI coordinated the establishment of STP (Straight Through Processing ) and Continuous Net Settlement (CNS) to omit manual intervention, enhance security & processing speed.

BEI coordinated the establishment of Data Warehouse-Business Intelligent (DW) by integrating CM networks to enhance surveillance, trading and reporting system.

Exchange Members (EM) started to operate their new working capital (MKBD) formula to improve risk management and to up-grade its integrated FO-BO system.

# Regulatory Developments

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The incorporation of PT P3IEI, a company especially established to manage securities investor protection funds and to enhance investors protection as well as capital market integrity & professionalism.

OJK issued a regulation on a new reporting requirement (ARIA) for fund managers, related to their contractual and non-contractual products to improve disclosure information.

The establishment of PT Indonesian Capital Market Electronic Library (ICAMEL) to boost capital market awareness and education to public investors

New regulation for issuers on the establishment of Audit Committee to be in line with the recommendation from the Report on Observance of Standards and Codes (ROSCO – CG)

To develop sharia IPO market, OJK issued a new regulation that allows issuers to use one consolidated prospectus for conventional and sharia instruments to improve efficiency.

KYC and Anti-Money Laundering enhancement regulations

# Prospect for Indonesia Securities Industry & Challenges

- Global economy expected to record lower growth of 3.0% in 2013, the Euro area continued experiencing prolonged debt crisis, meanwhile the US economy was showing some improvements, but remained fragile
- Bank Indonesia surprised the market on 12<sup>th</sup> of Sep 13 by increasing benchmark BI rate by 25 bps to 7.25% after increasing it by 50% to 7.0% (29<sup>th</sup> of Aug), by 50 bps to 6.50% (11<sup>th</sup> of Jul), as it stepped up its battle to combat inflation, exchange rates and outflows. The increase was the third since June 2013 whereby BI increased its rate by 25 bps after keeping it at low at 5.75% since February 2012
- Positive economic outlooks:
  - The Indonesia economic growth is expected to reach 5.5%-5.9% (revised from 5.8%-6.2%) in 2013 and to 5.8%-6.2% (from 6.0%-6.4%) in 2014 amid to the less vibrant global economic growth of 3.5%.
  - Inflation in 2012 is manageable (targeted at 4.5%) and interest rate is stable.
- Estimated strong net profit growth while global economic upset by crisis of the Euro Zone
- OJK issued their first regulation on consumer protection that focus on client asset protection will continue to strengthen the confidence of the investors.
- Implementation of bureaucracy reform at Regulatory function system and supervision (OJK/ Financial Services Authority) that is integrated in overall activity of financial services sector
- The OJK is primarily responsible for supervising and regulating financial and banking industries:
  - Financial services activities in banking sector
  - Financial services activities in capital market sector
  - Financial services activities in insurance, pension funds, financing institutions, and other financial services institutions

# Prospect for Indonesia Securities Industry & Challenges

- Growing volume transactions followed by increasing domestic investor participation
- Strict market supervisory and broker internal control employed, paired with system enhancement to increase efficiency in the operation area, enforcing more robust operation for brokers
- The implementation of online trading and DMA facilities is expected to increase trading value and fasten the growth of investors significantly
- The challenges for securities industry are:]
  - The development of capital market derivatives products
  - The development of retail market (currently is only 300,000 accounts or 0.125% of total Indonesia population)
  - To increase number of listed companies
- The challenges for OJK are :
  - Supervision of future and commodities market (which is under Trade Ministry)
  - Supervision of cooperatives for the ability to take deposit ( which is under Cooperatives and SME's Ministry)
  - Fee and charges to industry
  - Financial literacy