

Source: Atradius

Industry performance

Changes since January 2021 · Sources: Atradius, Oxford Economics

Agriculture



Remains Fair

Agriculture is one of the most resilient sectors amidst the coronavirus pandemic in Indonesia. Despite some palm oil price volatility, the sector has shown a stable performance in H1 of 2021. Demand for poultry and meat increased in Q2 during the Hari Raya festival. After a 1.8% increase in 2020, agriculture value added is forecast to grow by about 2% this year.

Automotive/Transport



Remains Poor

Automotive output is expected to increase by about 50% in 2021 after a 46% contraction in 2021. Domestic car sales are forecast to increase by 39.5% in 2021, to 742,150 units, supported by the suspension and reduction of luxury goods sales taxes.

Transport value added is expected to rebound by about 12% after a 14.5% contraction last year. The Indonesian Logistics and Forwarders Association (ALFI) estimates that logistic business activities will increase 7% in 2021, below the 10% annual growth rates seen in previous years. Commercial passenger air transportation still faces serious issues, as mobility is affected by the ongoing pandemic spread and slow vaccination progress. Related businesses still suffer from low revenues, large debts and high operational expenses.

Chemicals/Pharmaceuticals



Remains Fair

Chemicals value added is expected to increase by about 4.5% in 2021, after a 5% contraction in 2020. Pharmaceuticals value added increased by 7.4% in 2020 and is forecast to grow by about 4.5% in 2021, driven by higher health spending. The industry benefits from increased demand for drugs, supplements and healthcare products during the pandemic. About 90% of the pharmaceutical companies active in Indonesia focus on the downstream sector in producing medicines. Businesses with diverse product portfolios are the most resilient ones. Cases of non-payment remains low in this sector.

Construction/ Construction Materials



Remains Fair

Construction share in GDP amounts to about 11% in Indonesia. According to the Indonesian Cement Association (ASI) infrastructure activities decreased in the January-May 2021 period, with bulk cement consumption decreasing by 5.8%. However, development activities are predicted to grow sharply again, and new infrastructure projects are expected to start in H2 of 2021, supported by higher public spending. The government has set up an allocated infrastructure budget of IDR 417.4 trillion (EUR 24.17 billion), up 48.4% year-on-year. After a 3.3% contraction in 2020, construction value added is forecast to grow by 2.5% in 2021 and by 11% in 2022.

Consumer Durables



Remains Fair

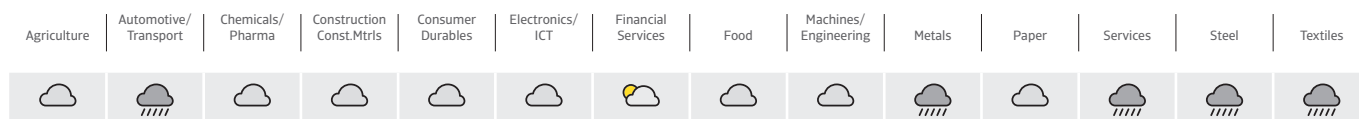
In H1 of 2021 private consumption spending remained subdued across all major spending categories, in particular discretionary spending, due to lower business activities and higher unemployment. Private consumption is expected to rebound by a modest 1.6% in 2021, affected by continued mobility constraints and the ongoing spread of the pandemic. However, non-payment notifications in the industry have decreased in H1 of 2021.

Electronics/ICT



Remains Fair

In 2020 ICT recorded robust growth, as businesses and schools invested in IT infrastructure to meet requirements for remote working and learning. The number of projects increased further in H1 of 2021 as business confidence improved. ICT retailers and wholesalers are able to retain the level of revenues and margins recorded in 2019, and the number of non-payments in this sector remains low. ICT value added is forecast to increase 2.5% in 2021.



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Financial Services



Remains Good

Bank loans recorded year-on-year contractions in April (down 2.3%) and May (down 1.3%). However the number of undisbursed loans has started to decrease again, indicating that credit distribution has improved. In H2 of 2021 and early 2022 the financial service sector is expected to continue to rebound, given a faster nationwide vaccine rollout, which would help to boost business activities.

Food



Remains Fair

In Q1 of 2020 food production grew by 2.4% and food exports increased 14%. Due to the pandemic dine-in has become the norm, and online groceries and food delivery businesses gained momentum. The outlook for other food services and hospitality businesses remains weak due to re-imposed social distancing measures. Food output is expected to grow by 5%-7% in 2021, and the number of non-payments in the sector remains low.

Machines/Engineering



Remains Fair

After a 4.3% contraction in 2020 engineering value added is expected to increase by about 6% this year, supported by the recovery of key industrial buyer sectors (e.g. mining, plantations, construction). According to the Indonesian Heavy Equipment Industry Association (Hinabi), heavy equipment production will increase 40% year-on-year. In H1 of 2021 the number of payment delays decreased in the engineering sector.

Metals/Mining



Remains Poor

In 2020 new investment in the Indonesian mining industry was well below budget, due to sluggish demand amidst the pandemic, as well as a result of low coal prices. The outlook has improved in H1 of 2021 due to increased commodity prices and the initiation of new smelting projects for copper and nickel. However, the recovery of the mining industry has remained below expectations so far.

Paper



Remains Fair

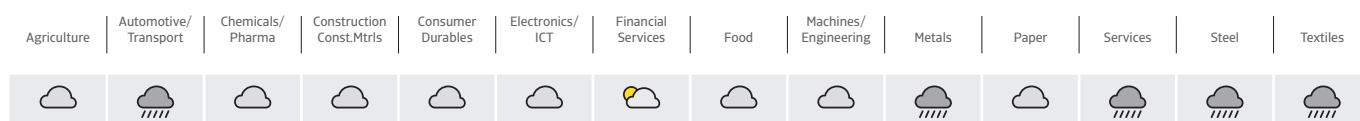
The sector remains impacted by the ongoing digitalization, which has led to decreasing demand for white paper products over the past couple of years. In H1 of 2021 the performance of the white paper segment remained stagnant, as schools remained closed and many offices reduced the consumption of white paper due to environmental reasons. However, demand for brown packaging paper remains robust (especially from food, fast-moving consumer goods and e-commerce businesses). Paper value added is expected to increase by about 2% in 2021 after a 1.7% decline in 2021.

Services



Remains Poor

Due to lockdown measures and travel restrictions many segments have suffered heavily, especially tourism-related ones. These include hotels, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added contracted 10% in 2020, and a rebound is currently not in the cards, due to still rising coronavirus cases. Thousands of hotels and restaurants have been forced to close, while a number of airlines and tour operators have suffered major losses. The chairman of the National Tourism Association (Asparnas) has asked the government to accelerate the disbursement of grants in order to help tourism-dependent businesses to survive. The fund amounts to about IDR 3.7 trillion.



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Steel



Remains Poor

In 1H of 2021 the steel industry has started to rebound due to increased demand from construction and automotive, and the recovery is expected to continue in the coming months. Payment delays increased slightly in H2 of 2020, but levelled off in H1 of 2021. Steel output is expected to grow by about 3% this year.

Textiles



Remains Poor

The textile sector is one of the industries most affected by the pandemic, due to shopping mall closures and social distancing measures affecting retailers. In 2020 the sector contracted by 8.9% year-on-year. Currently the textile industry is forecast to grow by 5%, but major downside risks remain. In H1 of 2021 textile producers only ran at about 60% to 70% of their capacity, while the sales outlook remains muted, due the ongoing spread of the pandemic and subsequent lockdown measures.