



# Indonesia

Indonesia's economy has shown resilience in weathering the financial crisis with the economy growing 4.1% in the first half of 2009, aided by robust domestic consumption.



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## Current Environment

Global economic developments in the second quarter of 2009 showed some signs of recovery. The improving trend has had a positive impact on Indonesia's economic performance, one of the few countries in Asia to avoid recession due to its lack of dependence on exports.

Indonesia entered the financial crisis in a strong position and the economy has shown resilience. The economy grew 4.1% in the first half of 2009 supported by healthy domestic household consumption, which is the largest contributor to GDP. There was still weakness in external demand and low levels of capacity utilisation, as such investment activity remained limited.

The Indonesian rupiah, one of the best performing currencies in the region, appreciated 9% against the US dollar during the first half of 2009. The Central Bank has cut the benchmark interest rate, currently at 6.75%, by 275 basis points since December 2008 in response to weaker inflation. The lower rate is aimed at boosting credit expansion and supporting recovery in the domestic market.

The improvement in economic fundamentals and positive sentiment in the global economy saw a reversal of capital outflows that were witnessed in the second half of 2008, which led to the recovery of the Jakarta Composite Index ("JCI"). The JCI increased around 50% from the December 2008 level, up to approximately 2,000 in June 2009. Capital inflows have led to a 13% increase in foreign exchange reserves, up to US\$57.59 billion.

The positive economic climate and the increase in transaction activity on the Indonesian stock market were underpinned by peaceful political conditions throughout the recent presidential election in which the incumbent President Susilo Bambang Yudhoyono secured his second term in office.

## Deal Activity



Source: Thomson Reuters, based on total domestic, inbound and outbound deals announced as of 30 June 2009.

During the first half of 2009, 143 deals were announced with a total estimated value of US\$3.2 billion compared to the 169 deals announced with a total value of US\$4.1 billion in the second half of 2008, a decline in deal value of around 20%.

A selection of key deals completed in the first half of 2009 are summarised below.

### Financial Services

The Hongkong and Shanghai Banking Corporation Limited, through its wholly-owned subsidiary HSBC Asia Pacific Holdings (UK) Limited, completed its acquisition of 88.89% of PT Bank Ekonomi Raharja Tbk for US\$607.5 million in cash. The acquisition has almost doubled HSBC's presence in Indonesia to 207 outlets in 26 cities.

PT Bank Danamon Tbk, a unit of the Asia Financial Holding (Indonesia) Pte Ltd, which is a subsidiary of Singapore state-owned Temasek Holdings Pte Ltd, agreed to raise its interest in PT Adira Dinamika Multi Finance Tbk, a financing service provider, to 95% by acquiring a further 20% stake through a privately negotiated transaction. The estimated total deal value was US\$150 million.

Australia & New Zealand Banking Group Ltd raised its stake in PT Pan Indonesia Bank Tbk to 38.3% by acquiring a further 8.4% share for Rp1.267 trillion (US\$114 million) in a privately negotiated transaction.



### Consumer and Industrial Products

British American Tobacco PLC (“BAT”) acquired a 85.13% stake in a national cigarette company, PT Bentoel Internasional Investama Tbk for Rp5 trillion (US\$494 million). BAT is now seeking to take full control.

Tenaris Global Services Far East Pte Ltd acquired a 77.62% interest in PT Seamless Pipe Indonesia Jaya, a steel pipe manufacturer, from Green Pipe International Ltd (50.05%), PT Bakrie & Brothers Tbk (24.54%), and PT Cakrawala Baru (3.03%).

PT Plaza Indonesia Realty Tbk agreed to acquire a 80.57% interest in PT Sarana Mitra Investama, a Jakarta-based general trading company, for Rp141 billion (US\$13.1 million) in cash.

PT Rekso Nasional Food acquired 97 McDonald’s franchise stores from PT Bina Nusa Rama, an owner and operator of the restaurants. The transaction value has not been disclosed.

### Telecommunications

Following the Qatar Telecom Q.S.C. (“Qtel”) acquisition of a 40.81% stake in PT Indosat Tbk (“Indosat”) in 2008, the United Arab Emirate telecommunications company held a mandatory tender offer in Indonesia and the United States in early 2009 for a further 24.19% stake, priced at Rp7,388 (US\$0.715) per share. The tender offer resulted in Qtel becoming the majority shareholder of Indosat, the second largest (by subscribers) telecommunication company in Indonesia.

PT Solusi Tunas Pratama acquired the telecommunication towers of PT Bakrie Telecom Tbk, a majority-owned unit of PT Bakrie & Brothers Tbk, for Rp450 billion (US\$41.4 million). The transaction included 543 base transceiver stations.

### Energy

PT Bumi Resources Tbk (“Bumi”), one of the largest coal mining companies in Indonesia, acquired PT Darma Henwa (“Dewa”), a mining contractor, PT Fajar Bumi Sakti (“Fajar”), and PT Pendopo Energi Batubara (“Pendopo”) for a total value of Rp5.11 trillion (US\$503.8 million) in January 2009. As a result of the deal, Bumi owns a 44% stake in Dewa, a 50% stake in Fajar and a 84.5% stake in Pendopo.

China Sonangol International (S) Pte Ltd, a Singapore-based oil and gas exploration company and a subsidiary of China Sonangol International Holding Limited, has acquired an undisclosed stake in PT Surya Energi Raya, the Indonesia-based oil and gas field, for a consideration of US\$200 million. PT Surya Energi Raya is located in Cepu and is operated by Pertamina and ExxonMobil Corporation, the listed US-based energy company engaged in the exploration, production and distribution of crude oil and natural gas.

Mitsubishi Corporation has agreed to acquire a 33.4% stake in Strand Minerals (Indonesia) Pte Ltd, a mining company, from Eramet SA, the French mining and metallurgical company, for a total consideration of US\$145 million. Strand Minerals owns 90% of PT Weda Bay Nickel which manages the Weba Bay Nickel Cobalt Project located on the Indonesian island of Halmahera.

GMR Infrastructure Ltd acquired PT Barasentosa Lestari, a coal mining company, for Rp952.381 billion (US\$80 million).

### Outlook

The Indonesian government has forecast economic growth of 4.3% for 2009, which is above the Central Bank’s forecast of 3.5% to 4% growth. Regardless, Indonesia looks set to outperform most of its Asian peers, in particular Singapore, Malaysia and Thailand. Growth will continue to be driven by domestic demand, mainly led by household consumption which is expected to rise by 5%. Export and import growth will continue to remain negative but levels will be better than the first half of 2009.

Fiscal and monetary policy will continue to be used to stimulate domestic demand in the remainder of 2009 and in 2010. The rupiah looks likely to strengthen further in the second half of the year. Inflationary pressure is expected to continue to ease with inflation predicted to fall to around 5% by year’s end. The authorities have made moves towards financial and trade protectionism and may look to go further down this path.

The government expects foreign direct investment to fall from US\$4.5 billion for the first half of 2009 to US\$1.7 billion in the second half of the year. Many investment plans in Indonesia have been postponed due to the scarcity of investment funds that were previously provided by Western investors who are dealing with the difficulties brought on by the financial crisis. ■