



Australia Indonesia Business Council

January 2017

Overview

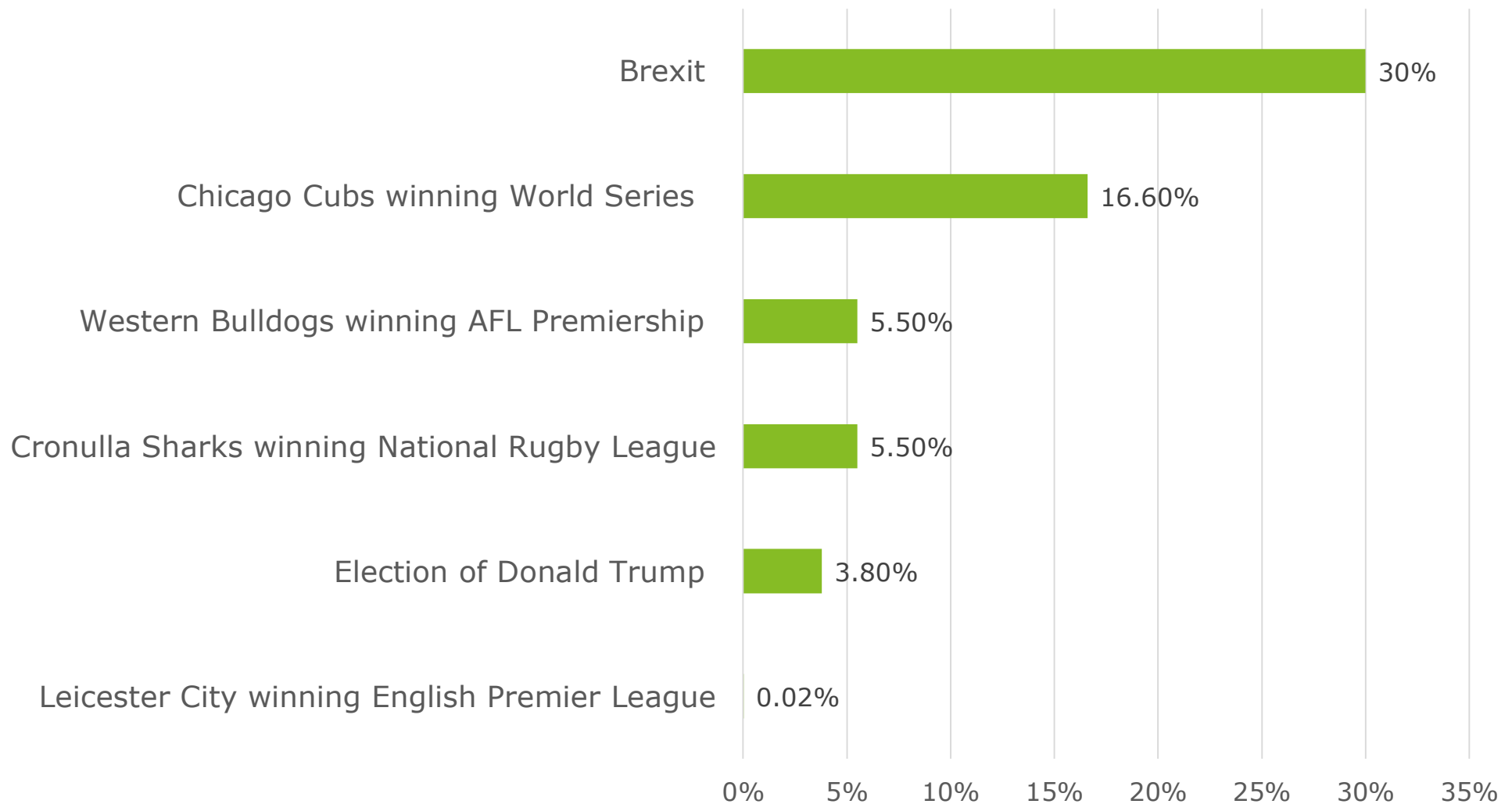
- Global Economy
- Australian Economy
- Indonesian Economy
- Trade Relationship
- Future of Australian and Indonesian trade

The Global Economy

2016 - the year of the black swan

A series of low probability events that analysts, economists and gamblers called incorrectly

Event and Probability 12 months before

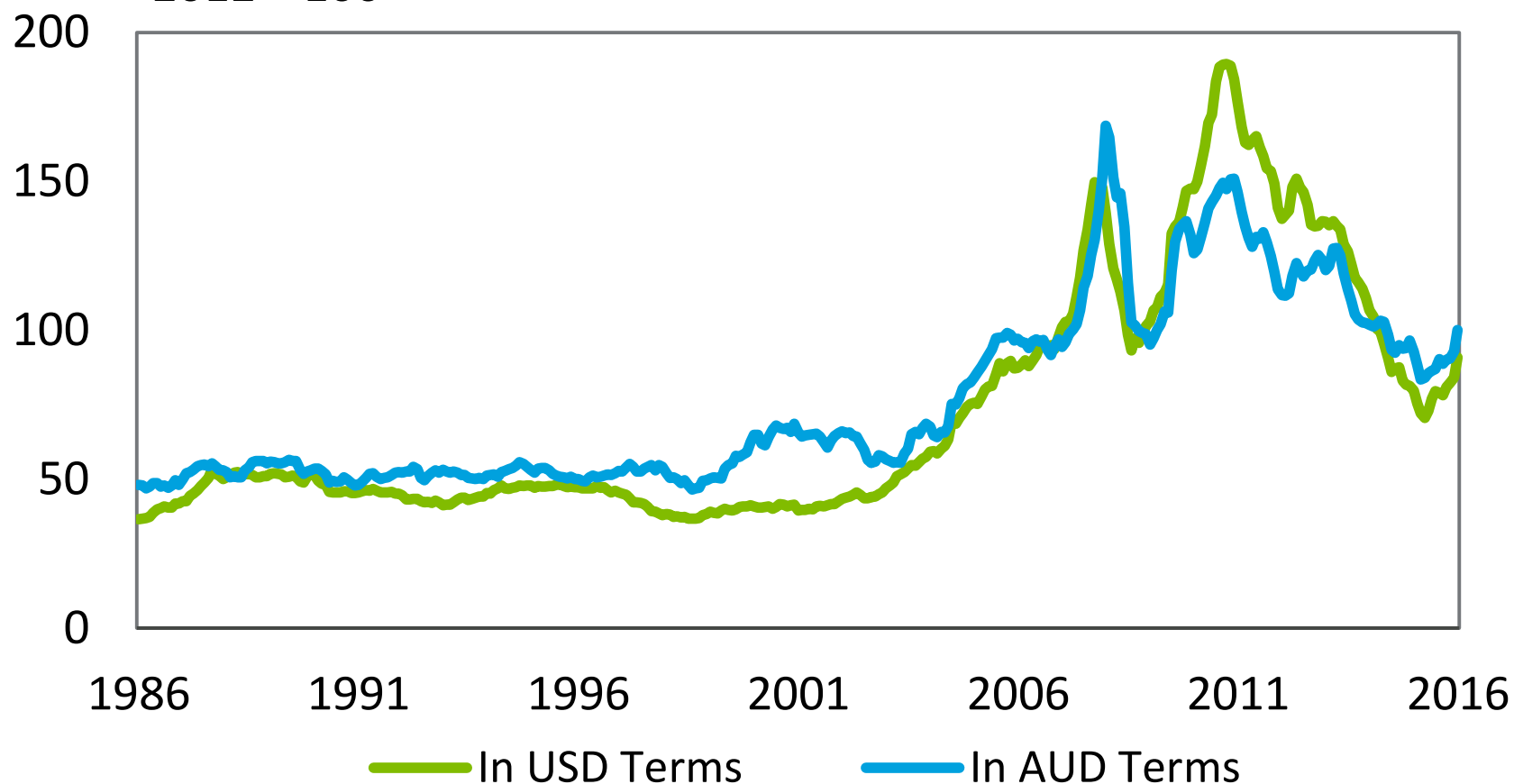


Commodity Prices

Commodity prices have been very strong this year...but it's all a matter of perspective, we are still ~50% off the 2011 peak

RBA Commodity Price Index

2012 = 100



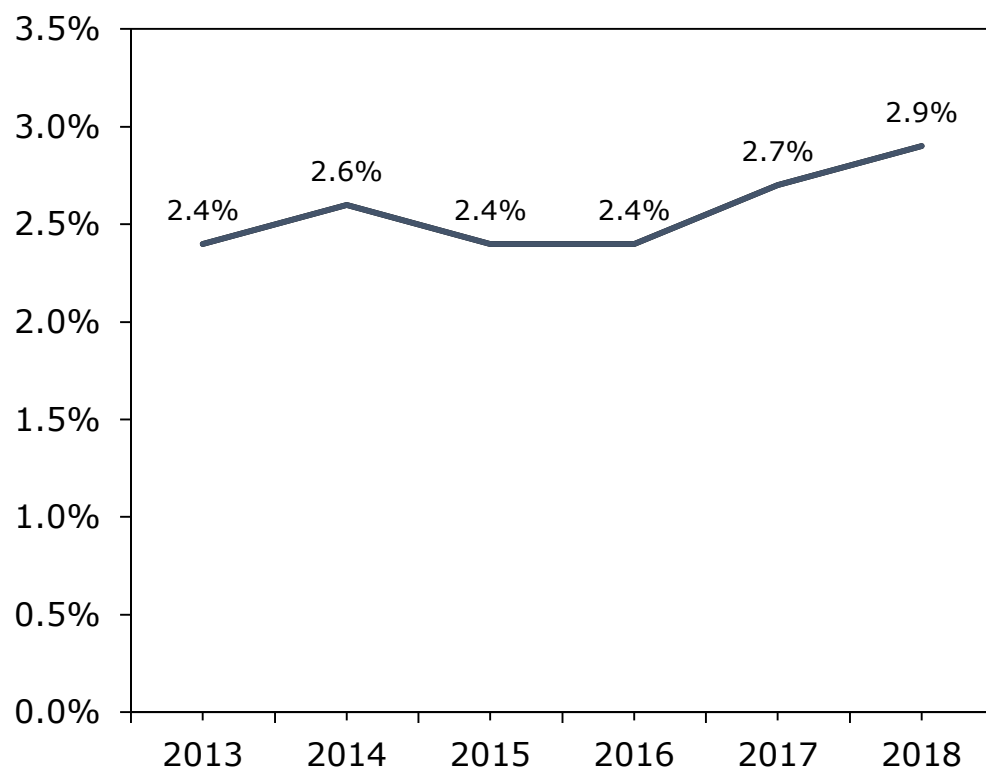
Source: RBA, Thomson Reuters, as of November

2017 Outlook

Global economic growth is expected to further improve in 2017

Global Economy Forecast

Real GDP Growth



Source: The World Bank

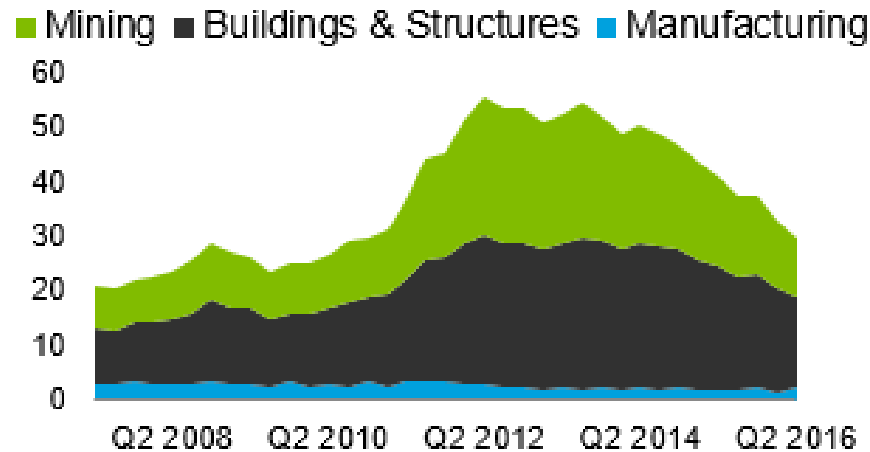
- Continued robust growth in emerging Asia and India.
- China's 2017 economic outlook expected to be 6.5%, state owned enterprises remain highly leveraged, posing a medium-term risk to growth.
- There has been some tightening of the labour market in the US, though uncertainty about Trump's election – and how this will play out into the future – remains.
- Persistently low inflation means the EU and Japan will maintain accommodative monetary policy.

The Australian Economy

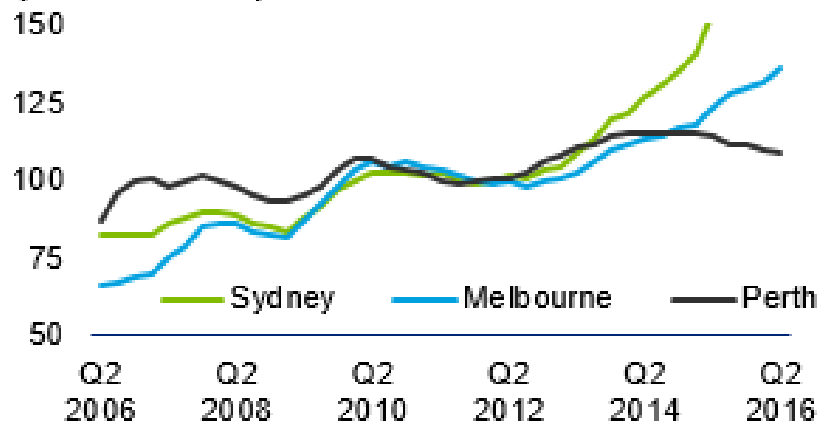
The Australian Story

The Australian economy is continuing its transition out of the mining sector investment phase

New Capital Expenditure (AUD\$B)



House Price Index (2012 = 100)



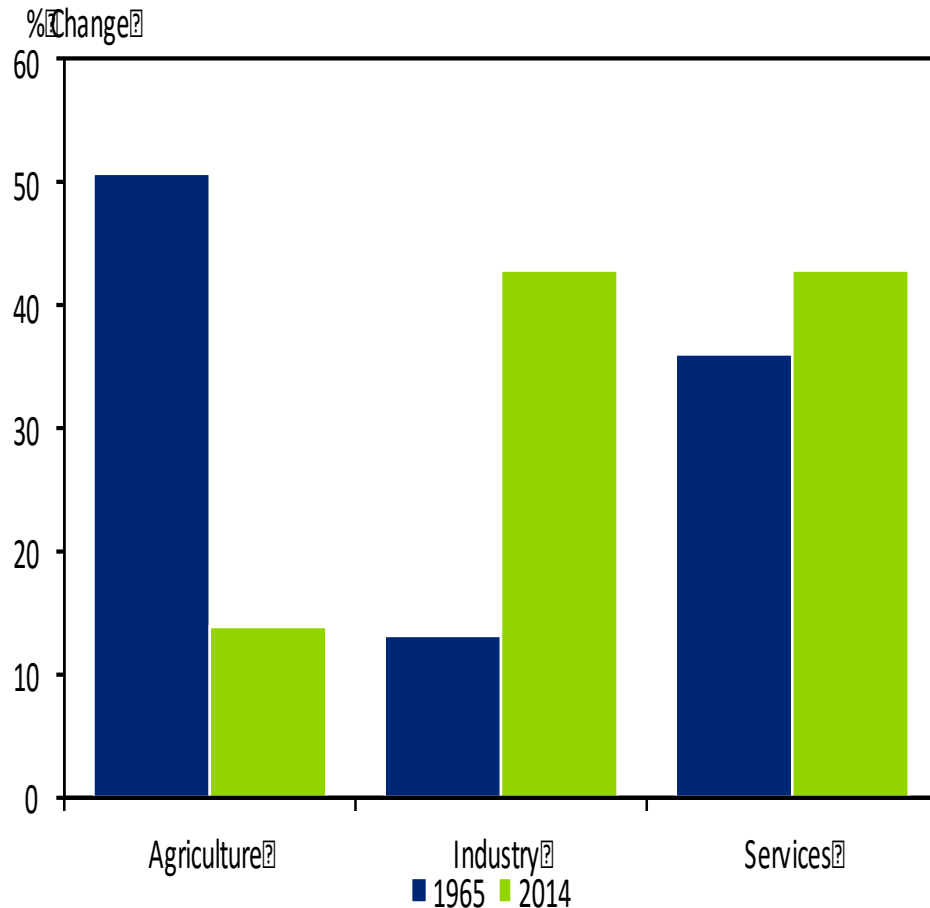
- Continued decline in mining sector investment expected through 2017
- Increasing house prices continue to pose risks to the economy, however APRA and RBA policies are beginning to temper price growth
- Labour market indicators remain mixed, part-time employment has increased over the past year, and overall employment growth has slowed.
- Commodity prices have risen over the course of the year, providing some boosts to national income if rising prices are sustained.

Indonesian Economy

The Indonesian Economy

Indonesia's growth has been driven by growth in manufacturing and services and a relative decline in agriculture

Sectorial Shifts, 1965-2014



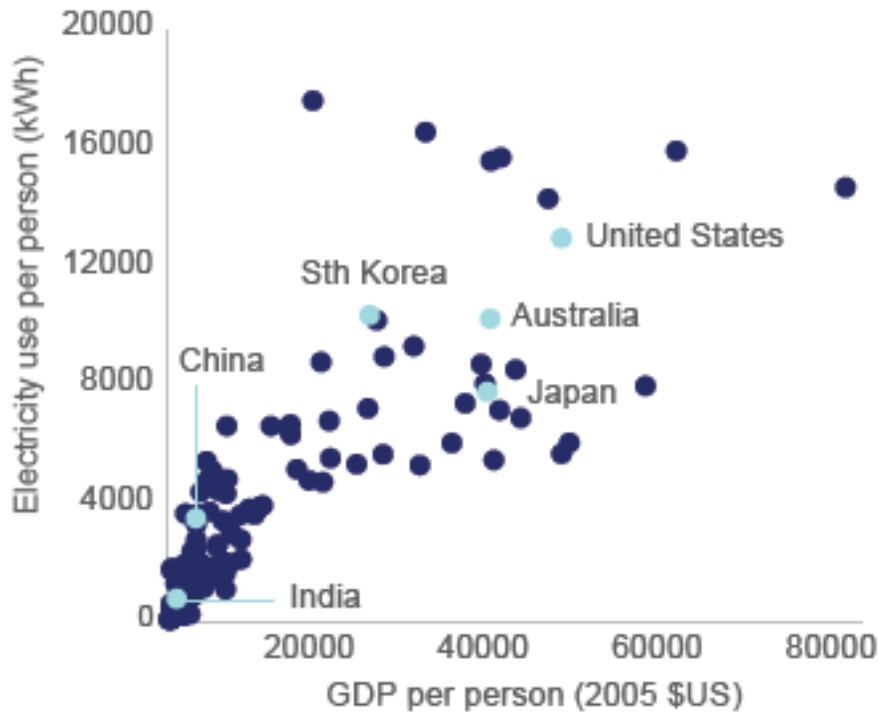
Source: World Bank

- From 1965 to 2016 the manufacturing and services share of GDP has increased whereas the agriculture share has fallen, consistent with Indonesia's industrialization development
- Indonesia's growth has been supported by increasing levels of consumer expenditure, driving sales in motor vehicles, electronic goods, consumer goods and food and demand for services (education, healthcare and financial)

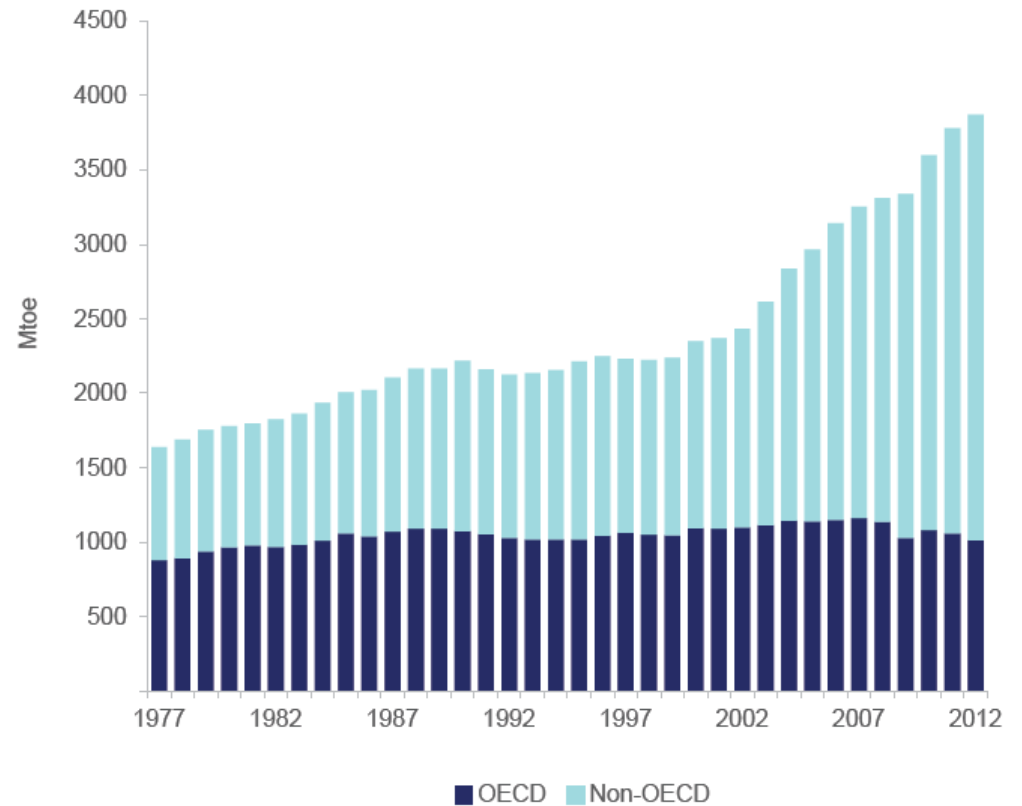
Future role for Indonesia's coal

Global coal demand expected to grow by ~25% by 2040 as the world continues to industrialise, especially in India and other Asian nations

Energy demand and GDP per person



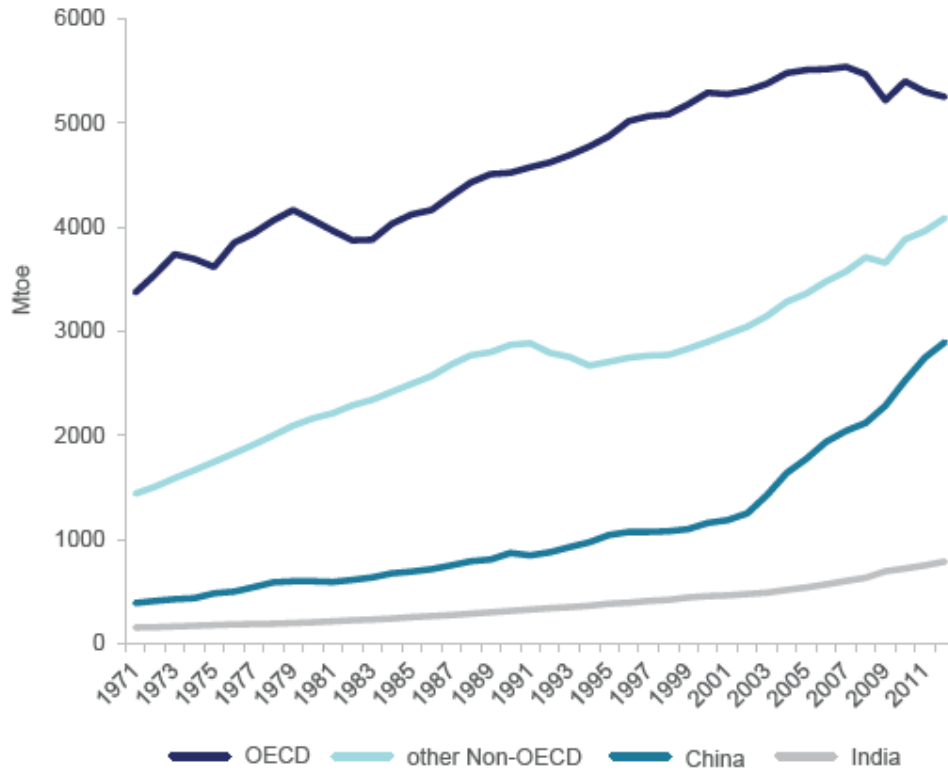
Global Coal Demand



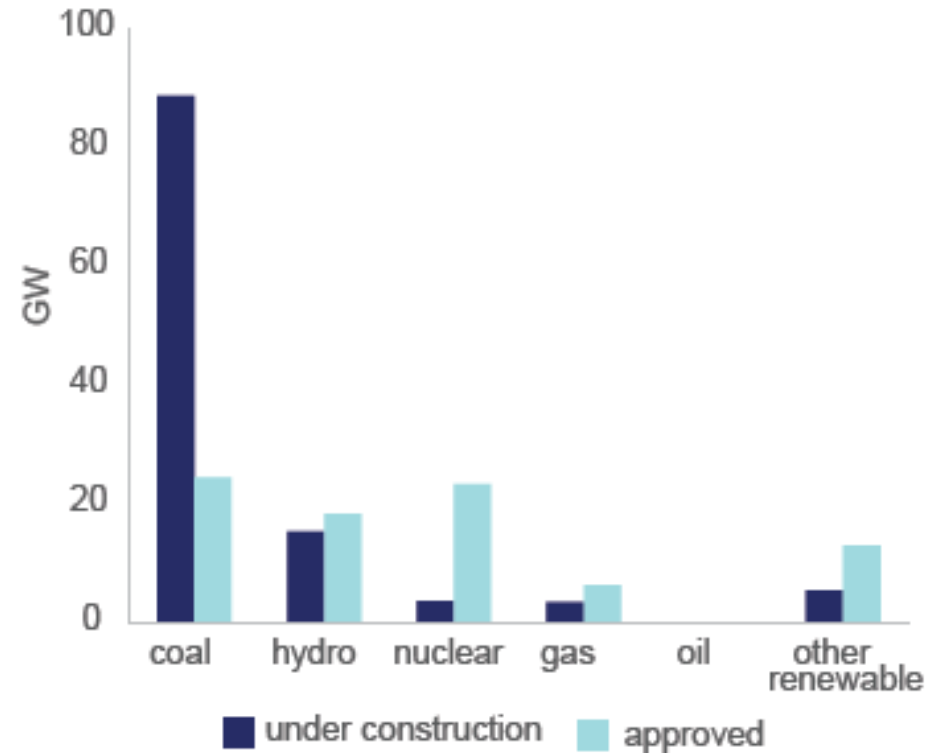
Role for coal

India's industrialisation will be supported by coal use, Indonesian supply will compete with domestic Indian supply

Global Energy Demand



India Energy Investments

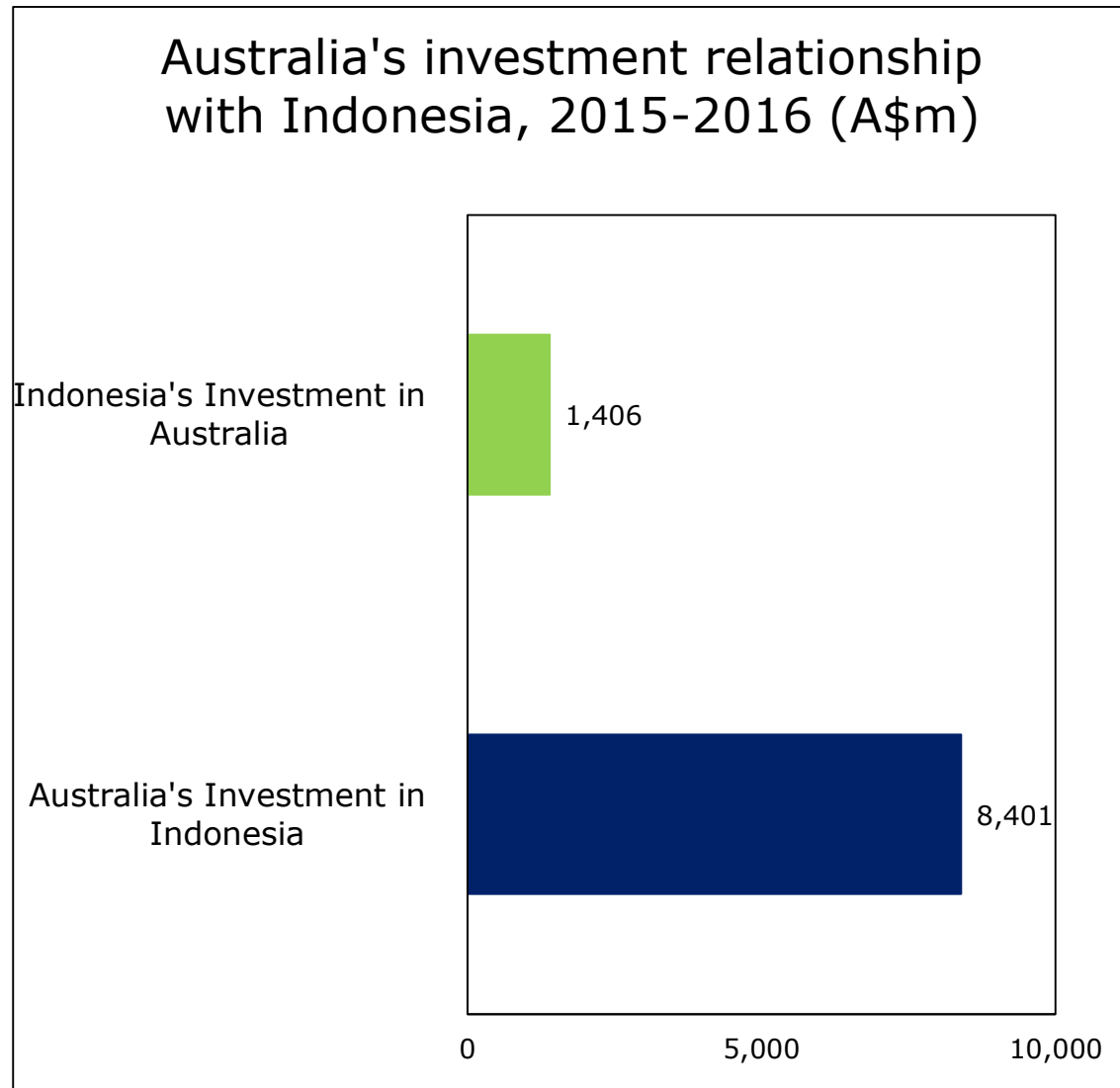


Source: IEA

Australian and Indonesian Trade Relationship

Trade relationship between Australia and Indonesia

Indonesia is currently Australia's twelfth largest trading partner

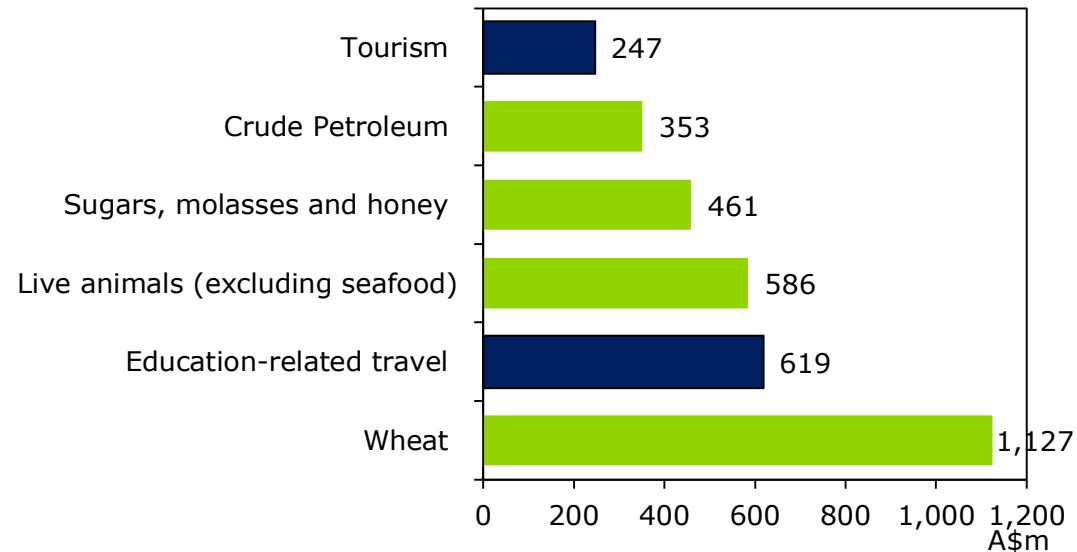


- There are over 470 registered Australian businesses operating in Indonesia.
- Two way investment between Australia and Indonesia was valued at \$A9.8bn in 2015.
- Two way trade in goods and services was valued at \$A15bn in 2015, down from \$A15.7bn (-5%) in 2014.

Trade relationship between Australia and Indonesia

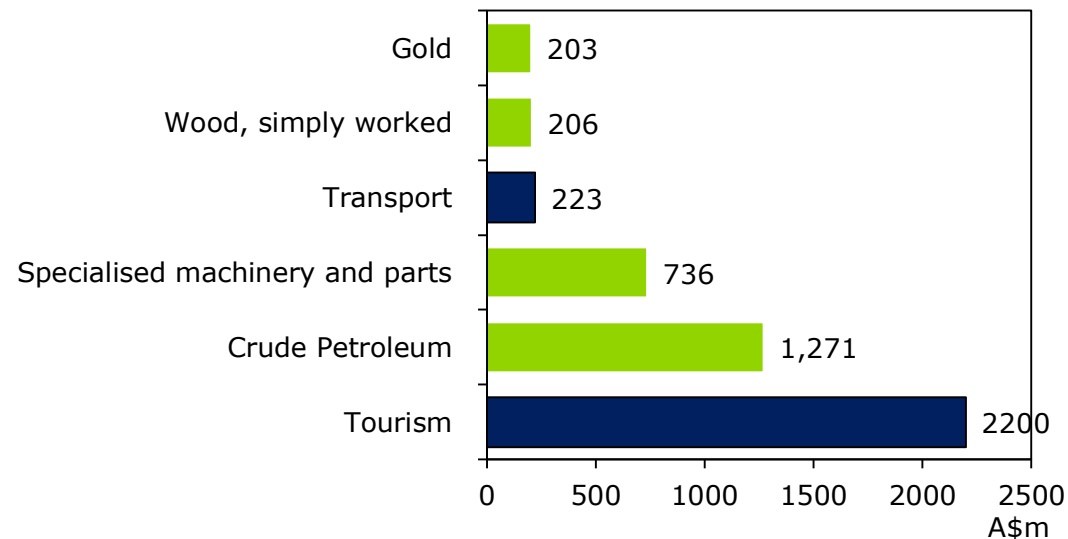
Breakdown of major exports and imports

Australia's Major Exports to Indonesia 2015-2016



- Wheat remained Australia's leading exported good and education-related travel remained Australia's leading exported service in 2015-2016, unchanged from 2014-2015.
- Crude petroleum exports more than doubled to \$A353mn between 2013-2014 and 2015-2016, overtaking a range of other exports including beef, dairy products, aluminum and coal.

Australia's Major Imports from Indonesia 2015-2016



- Tourism remained Australia's major imported service and oil remained Australia's major imported good in 2015-2016, unchanged from 2014-2015.
- Gold imports increased from 2013-2014 to 2015-2016, overtaking a range of other imports including copper, iron, steel and aluminium structures.

Future of Australian-Indonesian Trade Relationship

Future direction of Australian-Indonesian Trade Relationship

There is considerable scope for Australia to expand its trade, investment and economic cooperation with Indonesia



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Access Economics

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