Indonesian
Chemical Fiber Industry
Country Report
2017

INDONESIA FIBER AND FILAMENT YARN MAKERS ASSOCIATION

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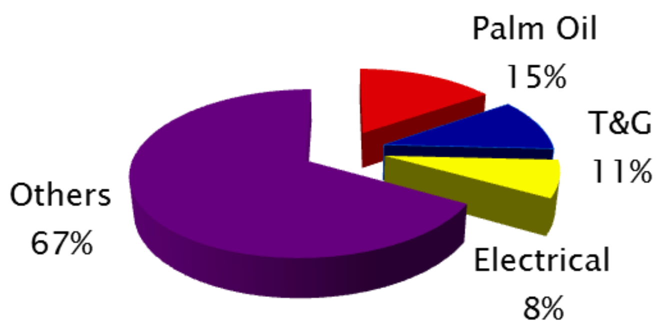
Indonesian Economic Scenario

Indicator		2013	2014	2015	2016	2017
GDP growth (%)		5,80	5,00	4,73	5,02	5,07
Inflation (%)		8,38	8,36	3,35	3,03	3,61
Avg. Curency (Rupiah/US$)		10.445	11.878	13.391	13.302	13.560
Interest Rate of Bank (%)	Central	6,50	7,50	7,50	6,50	4,25
	Commercial	12,75	13,00	13,00	12,00	11,00
Investment growth (%)		26,4	16,80	16,80	12,00	11,50
Consumption growth (%)		10,20	10,10	9,50	5,01	8,38
Source : Bank Indonesia						

Manufacture Export 2017 (USD 120,61Bill)



- **Sustained economic growth**
- **Inflation under control.**
- **Weakening currency exchange rate**

- **2017 total NOG export : USD 151,32 Bill (manufacture 79,7%)**
- **Textile & Garment export accounted 10,43% out of Indonesia manufacture export**

Indonesian Economic Scenario

- Indonesia maintained a healthy GDP growth of 5.07% in 2017, Goverment has set 5,4% as 2018 target

- Indonesian inflation has been slightly increase and was at 3.61% in 2017 and projected to be 3,5% in 2018

- Indonesian Rupiah exchange rate was weakening to Rp.13.560 per USD.

- Consumption growth is more attractive at 8,35% in 2017, though has slowed from a level of about 9,5% in the previous 5 years.

- The central bank rates dropped to 4,25%, though the Prime Lending Rate for corporate sector is still around 11,5%.

- Indonesian goverment still focus is on infrastructure - both energy and distribution, and human resource development to stimulate future economic growth.

Textile & Clothing Industry

TOTAL TEXTILE & CLOTHING HIGHLIGHT 2013-2017						
Description		Year				
		2013	2014	2015	2016	2017
Num, of Company (Unit)		3.014	3.035	3.042	3.048	3.052
Investment (USD. bill)		14,01	14,28	14,44	14,55	14,52
Men Power (Mill People)		1,51	1,53	1,55	1,60	1,62
Export	US$ bill	12,58	12,75	12,12	11,88	12,58
	mill ton	2,08	2,18	2,28	2,2	2,21
Import	US$ bill	8,47	8,39	7,95	7,05	7,48
	mill ton	1,96	1,98	1,98	1,48	1,57
Net Export	US$ bill	4,11	4,35	4,18	4,83	5,1
	mill ton	0,12	0,2	0,3	0,72	0,64
Domestic Consumption	US$ bill	13,26	13,96	14,57	15,02	16,16
	mill ton	1,66	1,74	1,82	1,87	2,02
	kg/capita	6,53	6,82	7,11	7,28	7,8
Source: DJ Custom, BI, BPS, MOI compiled						

Number of company is representing the large capacity

Textile & Clothing Industry – General Review

- Since 2014, textile exports have been stagnant due lack of incentive. An export target of USD 15 billion is fixed for 2019.

- 2017 Balance of Trade was a surplus of USD 5,1Billion.

- However, domestic consumption growth is getting diluted due to cheap import of textile products from other Asian countries.

- The Association is currently engaging government to develop a 25-years policy for the textile to revive the industry and to support invesment on dyeing/printing-finishing sector for short term program.

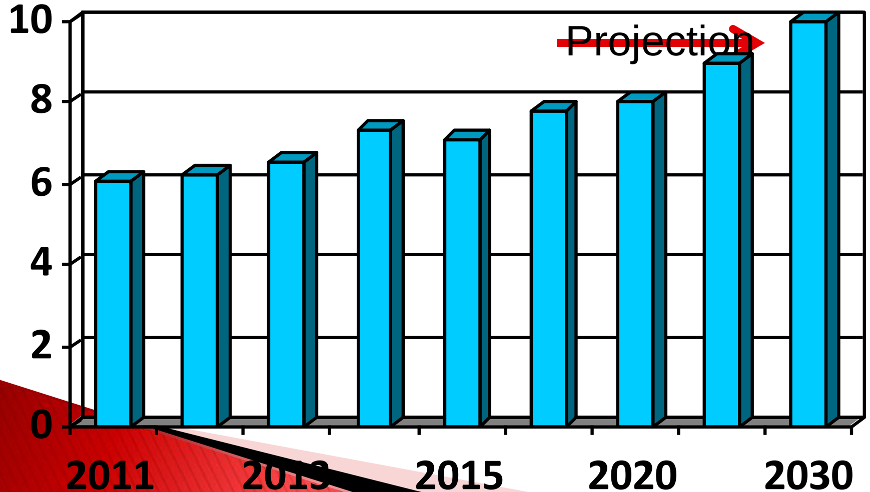
Textile & Clothing Industry-Domestic Market

Garment Domestic Market (000 Ton)

	2012	2013	2014	2015	2016	2017
Consumption	1561	1658	1873	1821	1878	2021
Local Product Sales	1333	1425	1445	1286	1401	1557
Import	158	142	125	119	151	155
Import Unprocedural	70	91	303	416	326	209
Local Market Share	85.4%	86%	77.1%	70.6%	74,6%	77,1%

Source : BPS and BI

Percapita Consumption (Kg)



Domestic consumption continued to increase - per capita consumption projected at 10 kg by 2030.

Indonesia' Integrated Textile Industry

Textiles Capacity by Subsector				
Sub-Sector		Num. Of Company	Capacity (tho ton)	
			Current	Total Cap
Fiber	Polyester	9	830	1380
	Viscose	2	550	
Yarn	Filament	15	833	2733
	Spun	235	1900	
Fabric	Woven	1043	1595	2740
	Knitted	157	995	
	Non-Woven	10	150	
Finish Fabric	Dyeing	248	940	1555
	Printing	146	615	
Garment and Other Product		2663	2420	2420

- **Small companies :**
  Textiles 4,188
  Garment 46,601
- **Micro unit :**
  Textiles 127,245
  Garment 360,622

- **Indonesia has integrated chain of textile industry from upstream (synthetic fibers) to downstream (garments)**
- **There is ample scope for new investments in Finishing and Non-wovens.**

Indonesia Textiles Performance (000 Ton)

Comodity		2015	2016	2017	Num. Of Inds
Fiber	Capacity	1.300	1.300	1.421	12 Industry
	Production	1.090	1.063	1.075	
	Utilization	83,8%	81,8%	75,7%	
	Export	396	394	400	
	Import	994	996	1.077	
	Loc. Sales	694	669	675	
	Consump.	1.688	1.665	1.752	

Comodity		2015	2016	2017	Num. Of Inds
Woven, Knitted & Non-Woven	Capacity	2.742	2.751	2.781	654 Big Scale
	Production	1.493	1.443	1.567	
	Utilization	54,4%	52,5%	56,3%	825 Mid Scale
	Export	314	216	262	
	Import	654	724	777	4.188 Small Scale
	Loc. Sales	1.179	1.227	1.305	
	Consump.	1.833	1.951	2.082	

Comodity		2015	2016	2017	Num. Of Inds
Spun Yarn & Filament	Capacity	2.733	2.733	2.755	317 Industry
	Production	2.159	2.095	2.199	
	Utilization	79,0%	76,7%	79,8%	
	Export	990	1.002	1.001	
	Import	209	230	239	
	Loc. Sales	1.169	1.093	1.198	
	Consump.	1.378	1.323	1.437	

Comodity		2015	2016	2017	Num. Of Inds
Garment & Other Product	Capacity	2.420	2.455	2.492	786 Big Scale
	Production	1.833	1.951	2.082	
	Utilization	75,7%	79,5%	83,5%	2.044 Mid Scale
	Export	547	550	525	
	Import	119	151	155	46.601 Small Scale
	Loc. Sales	1.286	1.401	1.557	
	Consump.	1.405	1.552	1.712	
Consump. base on GDP		1.821	1.878	2.021	
Unprosedural Import		416	326	309	

Source : BI, BPS, MOI, APSyFI processed

* Big scale industry worker > 100 orang

* Mid scale industry worker < 100 orang

* Small scale industry worker < 20 orang

Import USD Bill	2016			2017			2018	Perubahan 17-18
	JAN-APR	MAY-AUG	SEP-DEC	JAN-APR	MAY-AUG	SEP-DEC	JAN-APR	CW1 (YOY)
Fiber	619,2	593,2	670,0	662,6	791,7	664,4	816,5	23,2%
Yarn	222,7	209,3	219,4	202,0	215,9	246,7	251,7	24,6%
Fabric	1.313,6	1.258,9	1.240,7	1.249,2	1.275,6	1.283,2	1.553,5	24,4%
Garment	144,4	131,8	134,3	149,5	177,4	245,4	280,0	87,3%
Other Prod	487,6	440,6	474,2	484,3	527,3	589,4	413,1	-14,7%
Total	2.787,5	2.633,7	2.738,6	2.747,7	2.987,9	3.029,1	3.314,8	20,6%

Indonesia Textiles and Garment Import Tariff

MFN	Before	March 2017
Fiber	5%	5% - 7.5%
Yarn	5%	7.5% - 10%
Greige Fabric	10%	10% - 15%
Finish Fabric	10% 12,5%	15% - 20%
Garment	15%	20% - 25%

Preferential Tariff by Free Trade Agreement:

- AFTA – ASEAN
- ASEAN + 3 (China, Japan and Korea)
- ASEAN + 6 (India, Australia and New Zealand)

- By March 2017, goverment has applied new import tariff for textiles and garment (MFN)
- Almost 95% of tariff line applied 0% import tariff for FTA Countries, except some product on the exclusion list.
- Goverment is at final stage of negotiations of FTA with EU

Textile & Clothing Industry – Opprtunity

- Textile Industry is one of strategic drivers to Indonesian economy – it employs 1.62 million workers, equivalent to 12 % of Indonesian manufacturing sector labour force.

- Indonesian middle class population has been growing significantly, 78 million people out of a total 260 million spend more than USD 300 per month. This is projected to reach 141 Million people by 2020.

- Textiles domestic per capita consumption has also increased to 7.80 kg and is expected to reach 10 kg in 2030.

- Indonesia has a strong, integrated chain of textile industry with Upstream / Middle Stream / Downstream sectors. Non apparel textiles and dyeing/ finishing sectors show growth opportunity.

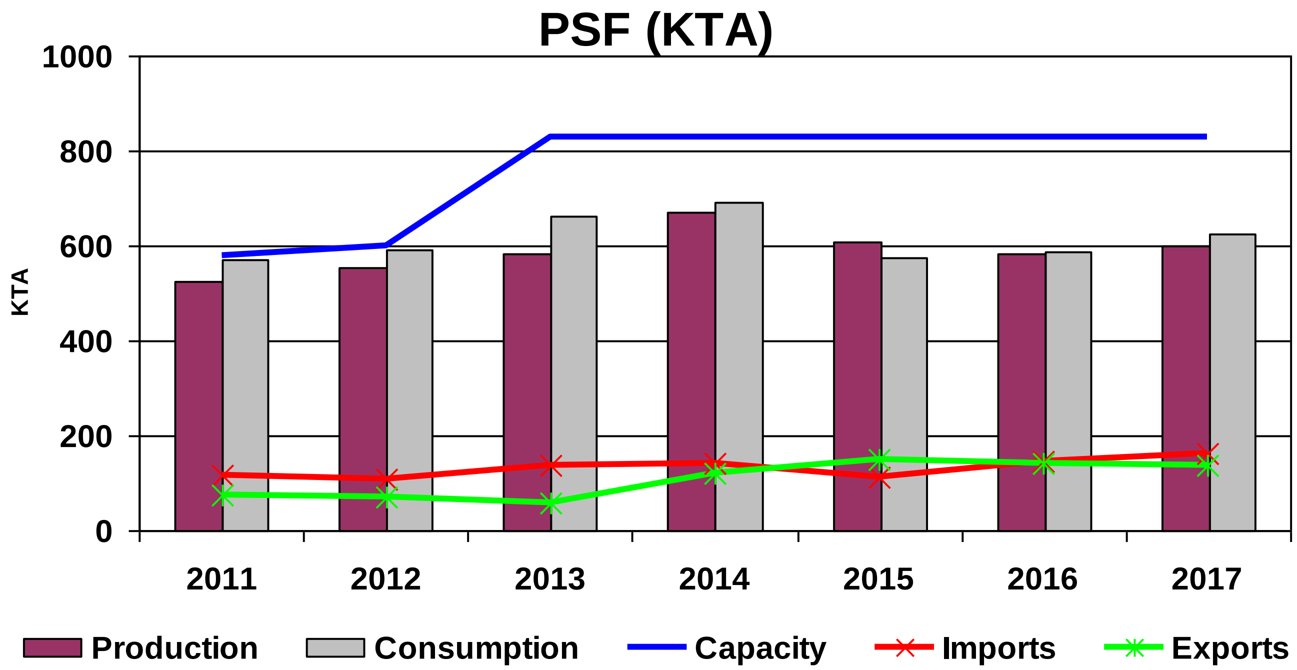
- Indonesian textile industry is also characterized by the presence of distinctive creative sectors that promote traditional wear like Batik, Tenun ikat, Saroong etc. These sectors still do well in SME sector and assist in the overall growth of the industry.

Industry Structure of Chemical Fibers-2017

	PSF	PFY	NFY	VSF (Viscose)
Installed Capacity - KTA	830	833	33	591
No of Producers	9	15	4	3
Average Size - KTA	92	60	8	200
Capacity Range - KTA	30-260	6-145	4-14	80-370
OR% 2017	72%	69%	42%	77%

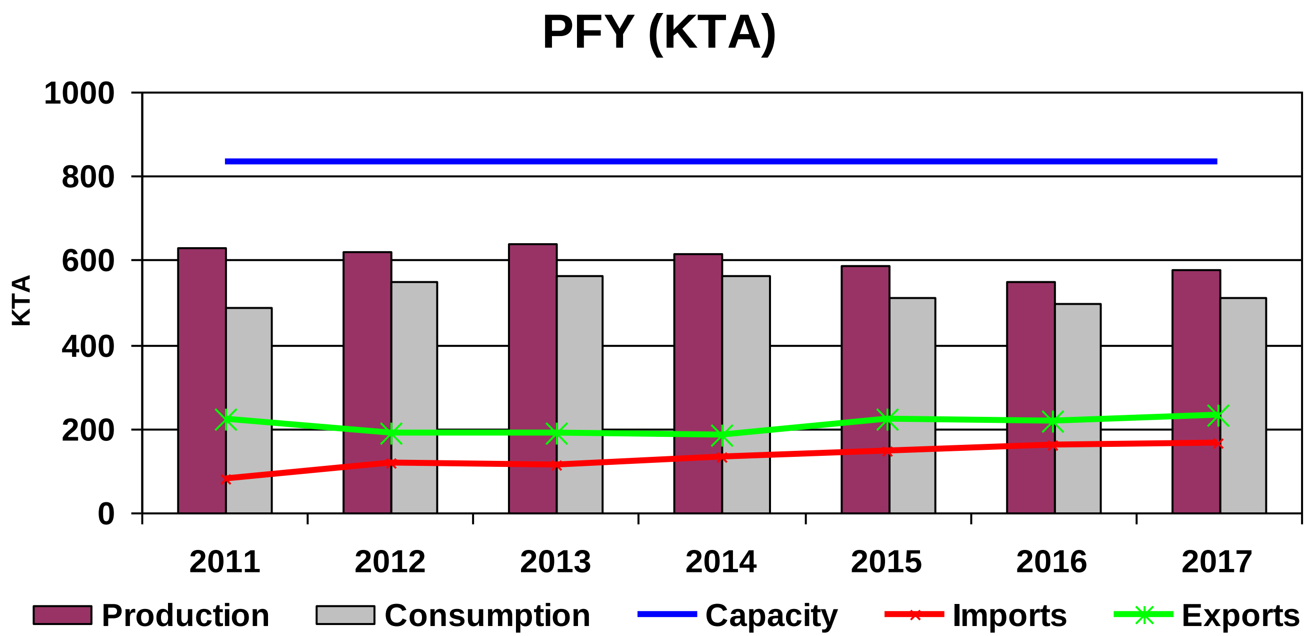
- Indonesia has total installed capacity of 2.28 MMTA for all types of Chemical fibers distributed among 22 producers.
- Total production during 2017 is estimated around 1.06 MMT of chemical fiber and 577 thousand ton of filament yarn, with average operating rate of 71,9% of installed capacity.

Supply Demand – Polyester Staple



- PSF consumption in 2017 increased by 6,3 % and going forward is expected to grow by more than 7%.
- Low operation rate influenced by increased imports and low fiber demand caused by high yarn and fabric import.
- PSF imports still increased due to global oversupply. Cheap imports that flooded domestic market hurt local producers.

Supply Demand – Polyester Filament



- PFY consumption in 2017 has increase by 3%. Demand is expected to grow by 5 % from 2017 with efforts to reduce import in fabric.
- The capacity and production has been practically stagnant for more than a decade in Indonesia .
- Exports are expected to improve, and imports are projected to decline with improving domestic competitiveness

Future Scenario – PSF & PFY

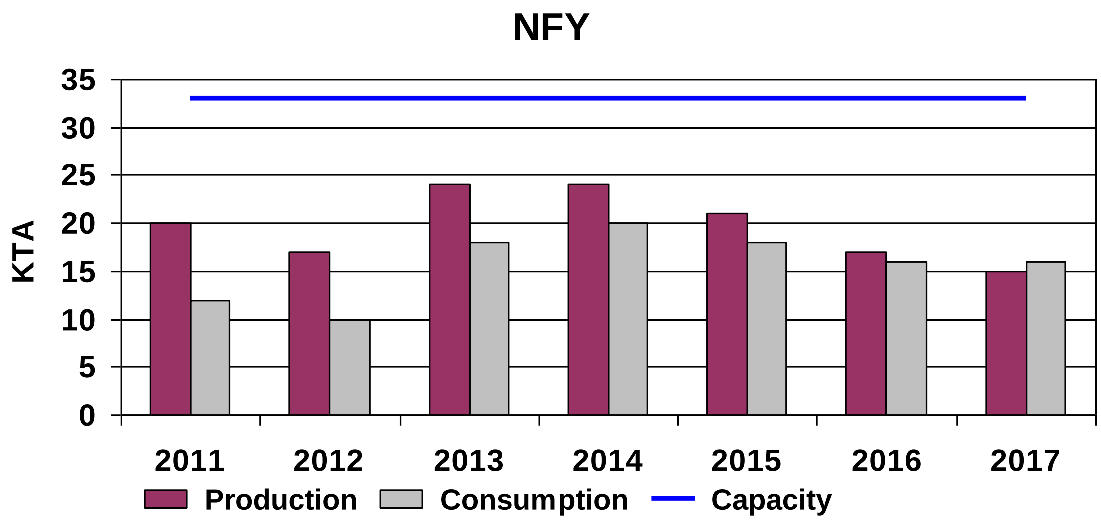
- Capacity planning is aimed at making Indonesia self sufficient in PSF and PFY. Current capacity, including the recent addition, will make Indonesia self sufficient in PSF and PFY till 2025.

- Cheap imports has brought pressure on domestic prices and Indonesia will always seek trade remedies to overcome the problem.

- Government concern to reduce import of yarn and fabric to increase utilization on up-stream and mid-stream textiles sector.

- Expand domestic market demand by focusing on import substitution of finish fabric

Supply Demand – Nylon Filament

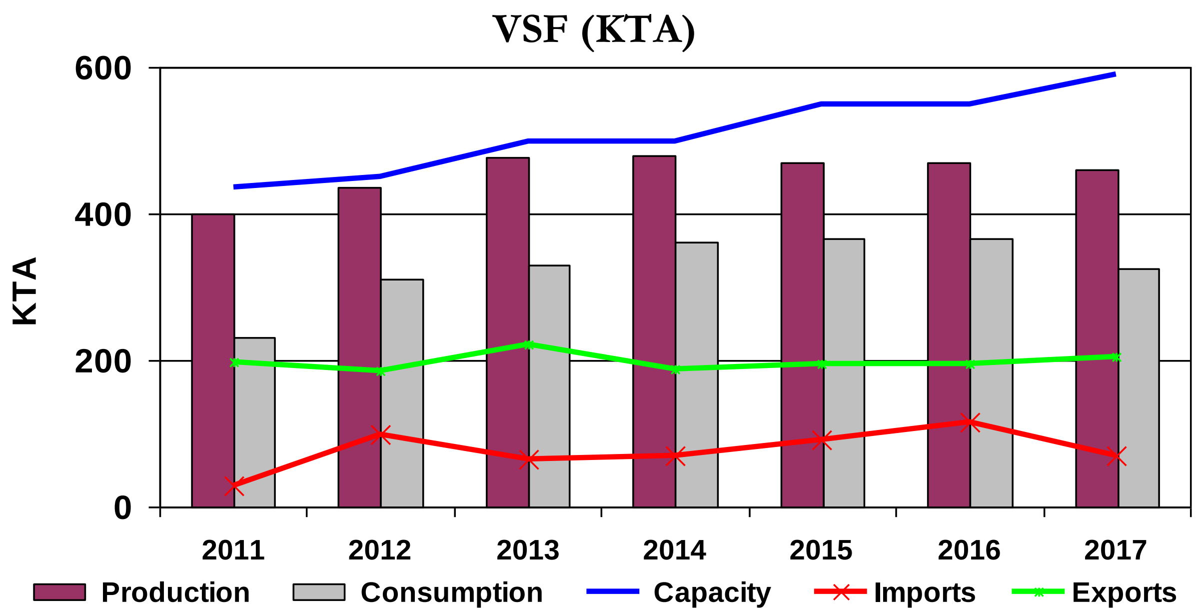


- NFY consumption has been declining for the past five years and so is the industry production.
- NFY industry exports around 10 KTA and imports around 2 KTA of specialty grade yarn. Imports will continue to go down due to reduced demand.
- Industry is operating at 42% of capacity and is likely to go down further.
- Supply will continue to be higher in future compared to domestic demand for NFY. The surplus will have to be exported.

Acrylic Fiber

- Indonesia does not have any Acrylic Fiber manufacturing facility hence entire demand of Acrylic Fiber is met by imports.
- In view of no domestic production, acrylic fiber has lost its significance in the chemical fiber chain in Indonesia. Acrylic fiber consumption at spinning mill level is stagnant around 65KTA which is met through imports.

Supply Demand - Viscose Fiber



- New investmen increased tnational capacity to reach 591KTA.
- New facilities will start the production on 2019 (300 KTA)
- VSF exports have continued to increase in anticipation of the new supplies over the next 2 years.

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INDONESIA FIBER AND FILAMENT YARN MAKERS ASSOCIATION

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