Indonesia Steel Industry: Development & Opportunities

Paris, 29th Sept 2017

THE INDONESIA IRON AND STEEL INDUSTRY ASSOCIATION
KEY ISSUES

- Economic
  In 2016, Indonesia experienced an economic growth of 5.02%, compared to 4.88% growth in 2015. The industrial sector contributed 20.5% of the national economic growth in 2016.
  The PMI (purchasing manager index) showed an upward trend from 48.40 in July 2016 to 49.00 in December 2016, and increased again to 50.60 in May 2017.

- Domestic steel consumption projection
  Indonesia's steel consumption in 2016 is 12.70 million tons and is projected to be 21.40 million tons in 2025, requiring additional investment in the steel sector, especially crude steel.

- Infrastructure Budget
  A current policy of the Indonesian Government the development of infrastructures including highways, railways, ports, airports, and other infrastructure projects throughout the provinces in Indonesia aimed to enhance connectivity in Indonesia. There are 37 priority projects and 248 national strategic projects that are proclaimed through the Presidential Regulation. The government budgeted USD 35 Billion for infrastructure development and invited other private parties to contribute in infrastructure development in Indonesia. APBN/State Bugdet absorption for the infrastructure sector also continues to increase from only 8% in 2014 to 15.2% in 2016, and is now increasing again to 18.6% by 2017.
INDONESIA Apparent Steel Consumption 2016
And its projection up to 2025 (RATIO FLAT : LONG = 65 : 35)
(unit: million tons)

Assumption: steel growth average 8 - 9%.

Sumber: SEAISI, IISIA
STEEL INDUSTRY OPPORTUNITY

**CONSUMPTION ASEAN (KG/KAPITA)**

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P = Preliminary  
F = Forecast  

Indonesian steel consumption will increase from 45 kg/capita in 2015 to 84 kg/capita by 2020.

This increase in steel consumption throughout its multiplier effect should be enjoyed by all stakeholders of the national steel industry.

![ ASEAN steel consumption per capita (kg) ]  

CAGR 1998-2016P  
6.5%  

Source: SEAISI
• Indonesia is the 3rd largest steel importer in the world, at 11 million tonnes in 2016 for all steel product.

• The major steel consuming sector in Indonesia is construction, which accounted for around 78% of total steel usage, followed by automotive sector at around 8%, Oil & Gas Sector is on the 3rd place at 7% and other at 7%.

• Construction sector in Indonesia is mainly driven by government’s infrastructure project to boost up economy.

• State budget allocation (APBN) for infrastructure in 2018 will reach IDR 455 Trillion (Equivalent to USD 35 Billion), increase by 17.36% comparing to this year.
Stages of National Steel Capacity Building

INTEGRATED TECHNOLOGY PROCESS:
BLAST FCE, EAF

Priorities:
Period 2017-2020
For an independent national steel industry that is superior and resilient

2015-2020
Fundamental & Strategic Period

2015:
9 million tons

2020:
20 million tons

2035:
50 million tons

Ratio Long to Flat Product: 35:65

Development of 2nd and 3rd steel industry cluster to such as steel industry cluster 10 million tons in Cilegon, needs to be done in other regions in Indonesia.
**ROAD MAP**
**INDONESIA IRON AND STEEL INDUSTRY**

### Current Condition:
**Capacity**
- Iron Making: 6.70 million tons/year
- Steel Making: 11.76 million tons/year
- Rolling Mill: 15.60 million tons/year

### Condition 2020:
**Capacity**
- Iron Making: min. 25 million tons/year
- Steel Making: min. 21 million tons/year
- Rolling Mill: min. 20 million tons/year

Up dated: sept, 17
2013-2015
Crude steel Cap : 10 million tons

2016-2017
Crude steel Cap : 11.2 million tons

2016-2025
Crude steel Cap : 20-25 million tons

2021-2035
Crude steel Cap : 50 million tons
1. Indonesia has a high prospect of steel industry with:
   1. Steel consumption will grow following GDP growth 5.3% until 2025
   2. Indonesia consumption projection until 2025 amounted to 21.40 million tons

2. Indonesia government prioritizes infrastructure projects, which will allocate a state budget for infrastructure of IDR 455 Trillion (USD 35 Billion) in 2018. This programme will boost steel consumption respectively.

3. Majority of steel consumption comes from construction sector, which accounted for 78% of total steel usage, followed by automotive sector at 8%. Ministry of Industry encourages the development of high value added steel product to support construction sector.

4. The addition of crude steel capacity 10 million tonnes until 2025 with BF or EAF technology is needed to fulfil the intermediate mills consumption.
Thank You