

19 February 2019

## SWEET NOTE FROM 2018: INDONESIA AUTOMOTIVE EXPORTS SCORED A NEW RECORD



Jakarta - 2018 leaves a sweet note on the performance of Indonesian automotive intact vehicles export. The shipment of Toyota-branded Complete Build Up / CBU vehicles to the global market again carved the highest record in the history of domestic export activities. Throughout 2018, the total branded CBU shipments of Toyota managed to break the 206,600 units or a positive increase of 4% from the 2017 achievement of 199,600 units.

**"Toyota's CBU export performance has continued to rise positively amid situations of trade war and protection in several countries. This is inseparable from our efforts to always be competitive and synergy and strong support from the Indonesian Government, so that Toyota's export performance can be maintained even though the world macroeconomic conditions tend to be less profitable," said Warih Andang Tjahjono, President Director of PT. Toyota Motor Manufacturing Indonesia (TMMIN).**

The Fortuner SUV model is still the largest contributor to Toyota's CBU exports with a record number of 52,600 or about 25% of Toyota CBU's total exports. The second position is occupied by the Avanza

model with a total of 35,300 (17%). Rush became the third largest contributor to CBU's export performance with a total shipment of 34,100 units (17%). In the fourth place Agya occupied with an export volume of 31,000 (15%). Vios is in fifth place with a contribution of 23,100 units (11%). In addition to the top five contributors, the other Toyota-branded CBU export models are Kijang Innova, Yaris, Sienta, Town Ace / Lite Ace with a total volume of 30,500 units.

In addition to being in the form of CBU, in the same period TMMIN also succeeded in exporting 42,700 units of Completely Knock-Down (CKD) vehicles, 146,000 units of TR and NR machines and 107.6 million components.

In the past 2018, several positive achievements in export performance have also been made. Starting in 2018, the export destination of the Toyota Rush SUV model has been expanded, which initially only shipped to Malaysia, now to more than 50 countries in the Asia, Middle East, and Latin American regions. Furthermore, Toyota marked the achievement of 1 million cumulative volumes of Toyota-branded CBU exports in September with a ceremony which was also attended by the President of the Republic of Indonesia and the relevant Ministers. Toyota won the Primaniyarta award for the ninth time in the category of Outstanding Exporters in October. This award is given by the Indonesian Ministry of Trade. In addition, closing in 2018, at the end of November Toyota also won two awards from Bank Indonesia for its consistency in managing investment and exports.

### **2019 Projection**

The positive record of Indonesian automotive exports last year provided its own optimism for Toyota in maintaining export performance in 2019. The expansion of exports of several Toyota-branded CBU models carried out in 2018 made Toyota focus on the stability of export performance (including product quality , on time delivery) in the new destination country can be maintained.

**"We project that the performance of Toyota-branded CBU exports will increase by more than 5%. We are still conducting studies to study new export destinations including to Australia. At the same time we are also trying to stay focused in terms of maintaining the stability of export performance in the new country of expansion goals in the past 2018 such as Africa and Latin America," said Warih.**

All CBU vehicles exported to various countries are local production with domestic content reaching 75% to 94%. Until now there have been at least more than 80 countries in Asia, Africa, Latin America, the Caribbean and the Middle East which have become Toyota's export destinations.

World macroeconomic conditions are a challenge for the performance of domestic automotive exports. In response to this, Toyota views that industrial competitiveness is the key to being able to survive and even win the competition.

**"There is no way other than increasing the competitiveness of domestic industries from upstream to downstream to be able to maintain Indonesia's position as one of the production and export bases in the Asia-Pacific region. The increase in true localization products starting with the use of domestic material sources is a fundamental effort to maintain competitiveness. At the same time, these activities can help suppress the import of raw materials so that they can contribute to the stability of the trade balance, especially in the automotive component sector, which is currently still a concern of the Government," Bob Azam said.**

Positive trade balance in the downstream sector still leaves homework in the world of the national automotive industry because in fact the trade balance in the upstream sector of the automotive supply chain, especially at the supplier level of the second and third tier components, is still negative. One of the causes of this problem is that there are still many raw materials and raw materials for the automotive manufacturing industry that are sourced from imported materials. This then influenced the TKDN of Indonesian automotive products. With so many imported materials, making pure TKDN or "true localization" not as high as expected.

Bob Azam added, deepening TKDN is still a serious issue because it is generally a burden on the responsibility of small industries that act as suppliers in the second or third tier. Inefficiency is one of the fundamental obstacles to the operation of small industry businesses in Indonesia. To combat these inefficiencies, continuous effort is needed in building Human Resources (HR), especially debriefing basic skills, which in turn will play a role in increasing efficiency.

For the efforts to improve the true localization, since 2004, TMMIN has used local steel for certain vehicle parts. In 2017, two types of raw materials, resin, in collaboration with PT Chandra Asri Petrochemical Tbk (CAP), and non-woven fabric, in collaboration with PT Herculon Carpet, have been localized, after previously in 2016, working with PT Pertamina, localize the lubricant engine oil. TMMIN is currently in the process of researching and developing the use of local aluminum to be used on wheel discs in collaboration with INALUM and Pako. Pure TKDN of Toyota products is at 65%. In the future, Toyota targets to achieve true localization up to 80% in 2020.(\*)