

Indonesia Curbs Luxury Car Imports

NinieK Karmini, Associated Press

JAKARTA, Indonesia (AP) — Indonesia said Friday that it would curb imports of luxury cars and take other steps to bolster national finances as Southeast Asia's largest economy suffers a slumping currency and stock market.

Indonesia, along with countries such as India, Malaysia and Thailand, has been buffeted by an exodus of cash from its financial markets as improving economic prospects in the U.S and Europe reverse the tide of money that swept into developing nations the past few years.

Among the measures announced Friday, Coordinating Minister for the Economy Hatta Rajasa said the government will relax mineral export quotas and streamline the investment permit process.

He said the government will increase the import tax on luxury cars and some branded products, provide tax incentives for investment in agriculture and metal industries and seek to reduce oil imports.

The moves aim to shore up Indonesia's currency and bolster confidence that the country can pay its bills by limiting outflows of money and encouraging inflows. That in theory should reduce Indonesia's current account deficit, which largely reflects that it is importing more than it exports.

"With these steps, the current account deficit in the third and fourth quarters is expected to decrease while economic growth could be maintained," Rajasa said.

The country's currency, the rupiah, has sunk to its lowest level in over four years. At its lowest point Friday, it traded at 11,020 per U.S. dollar. The Jakarta Composite Index was flat Friday, after sliding 8.7 percent in the first four days of the week.

Bank Mandiri market analyst Reny Eka Putri said the Indonesian central bank is also expected to intervene to prevent the rupiah from losing more value.

"The volatility of the financial market is quite high and the national currency has tended to weaken," Putri said. "But Bank Indonesia will protect the currency."

In another move Friday, Indonesia's financial services authority, the OJK, eased regulations on share buybacks to help support the local stock market as investors are pulling their funds away from emerging markets on concern that the U.S. Federal Reserve may soon scale back its bond purchases.

Companies will be allowed to buy back stocks when the Jakarta Composite Index, Indonesia's main benchmark, sheds at least 15 percent over three sessions.

Indonesia Curbs Luxury Car Imports

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

"In such conditions, companies can buy back shares without shareholders' approval for up to 20 percent of their stake," the OJK said in a statement.

Muliaman Hadad, chairman of the OJK, said the move was aimed at lowering market volatility.

In 2011, Indonesia's economy grew 6.5 percent, which was its fastest growth since the 1997-98 Asian financial crisis. But growth slowed to 5.8 percent in the second quarter of this year.

The country has also experienced rising inflation, which hit 8.6 percent in July, after the government cut fuel subsidies. The unpopular move hiked pump prices by up to 44 percent.

Meanwhile, economic pains are also being felt elsewhere in Asia.

India's rupee has plummeted to new lows against the dollar on a near daily basis, showing the pressure of a current account deficit that has swelled from high import costs. The Sensex stock index has fallen nearly 10 percent in the past month.

Source URL (retrieved on 09/17/2014 - 6:35pm):

<http://www.impomag.com/news/2013/08/indonesia-curbs-luxury-car-imports>