



Indonesia: Water & Industrial Pumps

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Summary

Imports dominate the Indonesian water and industrial pumps market, accounting for more than 90 percent of the total market. Japan, China, Singapore and Germany are the key competitors for U.S. exporters. The total market demand in 2006 for water and industrial pumps was \$862 million. If the domestic and export markets remain stable, it is predicted that the growth of total domestic demand will increase by 10 to 15 percent annually over the next five years.

Indonesia's water and industrial pumps market represents growing potential for U.S. exporters. In 2006, U.S. water and industrial pumps accounted for \$159 million, or 18 percent of the market. U.S. was the main supplier, contributing 18 percent of the country's imports followed by Japan (17 percent), China (10 percent), Singapore (8.5 percent) and Germany (5 percent). U.S. pump companies that are represented in Indonesia include Aurora, Byron Jackson, David Brown, Durco, Fairbank Morse, Goulds, Ingersoll-Dresser, ITT, Milton Roy, Mission, Myers, Peerless, Patterson, Pulsafeeder, Reddy Buffaloes, Ropar, Viking, Warren Rupp, Wilden, and Worthington.

Industry sources believe U.S. products will continue to find a good market in Indonesia. U.S. brands known for their quality and durability have progressively gained market share in the past three years. American water and industrial pumps manufacturers need more exposure to the water and industrial pumps sector in Indonesia.

Market Demand

Indonesia's water supply enterprises, waste water treatment and sewage plants, environmental industries, chemical petrochemical fertilizer, pulp and paper, food processing, palm oil, sugar, fertilizer, oil and gas companies are the largest markets for water and industrial pumps. Most local manufacturers in the industry can be characterized as small and medium size manufacturers and play a moderate role in Indonesia's water and industrial pumps market. Imports will still be a major factor in the long run because local manufacturers are not yet capable of producing state-of-the art technology, conduct minimal research and need to invest in the new developments of the sector.

The 2006 total domestic market for water and industrial pumps was \$862 million, with a total import of \$778 million, local production of \$213 million and exports of \$129 million. If the domestic and export markets remain stable, it is predicted that the growth of total domestic demand will increase by 10 to 15 percent annually over the next five years.

Market Data

	(US DOLS MILLIONS)			
	2005	2006	2007 (Jan – May)	Gain/Loss Est. Avg. Annual Real Growth Next 5 years
Import	762,909	778,436	358,379	5 -10%
Local Production (*)	500,448	213,711	254,752	15%
Export	303,302	129,522	154,395	10 – 15%
Total Market	959,055	862,626	458,736	
Import from US	145,208	159,243	57,321	3 – 5%

Source: BPS – Indonesian Statistic Bureau
(*) Estimates

Best Sales Prospects

The following products, with their corresponding Harmonized Systems codes, are expected to represent best sales prospects in the Indonesian market for U.S. exporters:

HS No.	Product Descriptions
8413501200	Water pumps with capacity < = 8,000m ³ , electrically operated
8413501900	Other water pumps by electrically operated),
8413502000	Oth reciprocating positive displacement pumps not electrically operated
8413601200	Water pumps rotary positive with capacity < = 8,000 MH by ectrically operated
8413702100	Other water centrifugal pump speci design for submar use & by electrically operated
8413703000	Centrifugal pump not electrically operated
8413811900	Other pumps of electrically operated for elevators liquid
8413911000	Parts of pumps of subheading 8413.20.00
8413912000	Parts of pumps of subheading 8413.70.10
8413913000	Parts of centrifugal pumps
8413914900	Other pumps, electrically operated

Within these sectors, U.S. suppliers are already relatively strong and should strengthen their market position with respect to other countries.

Key Suppliers

Various types of pumps were imported in 2006, with the import value reaching \$862 million. The U.S. was the main supplier, contributing 18 percent of the country's imports followed by Japan (17 percent), China (10 percent), Singapore (8.5 percent) and Germany (5 percent). The following international brands are used in Indonesia: Allweiler, Asia, Calpeda, Caprari, Ebara, Hibon, KSB, Lowara, Sihi, Showfou, Southern Cross, Sterling, Sulzer, Torishima, and Tsurumi.

Prospective Buyers

Indonesia's water supply companies, waste water treatment and sewage plants, environmental industries, chemical petrochemical fertilizer, pulp and paper, food processing, palm oil, sugar, fertilizer, oil and gas companies are the largest markets for water and industrial pumps.

There are four local joint-venture foreign companies manufacturing pumps in Indonesia namely, Grundfos of Denmark (assembler), Ebara and Torishima of Japan and KSB of Germany. These companies are capable of assembling and manufacturing components and parts of pumps, using medium technology, but most still lack core technologies to build large-capacity and advanced pumps.

Pertamina (state-owned oil company) is one of the largest buyer of industrial pumps. About 90% of the foreign oil companies, which operate under Production Sharing Contracts (PSC) with Pertamina, are of U.S. origin.

Market Entry

There are two main ways in which foreign suppliers distribute their products in Indonesia. Companies which seek to enter the Indonesian market on a large scale usually establish an exclusive sole agency with a knowledgeable local partner. These local firms are large, offering a professional and complete range of products and services, and often win tenders for large-scale water and wastewater treatment plants. Since this kind of an arrangement requires substantial capital, a number of foreign companies sometimes team up in pursuing these tenders.

Although a foreign equipment supplier is technically permitted to trade in Indonesia without a local partner, in practice, this is rarely done because the local counterpart plays a vital role in establishing and maintaining connections to essential government and private contracts.

Another distribution scheme, and the primary channel most foreign firms use to market their products in Indonesia, is through an agency arrangement whereby an independent local distributor acts as the "sole agent" for many foreign companies.

Besides selling the products to other distributors, contractors and end users, some agents also offer related services such as consultancy, design, and installation and after sales service. This kind of a contract provides greater flexibility and does not involve as much capital and risk. However, with this arrangement, it is more difficult to get established in the market and obtain a high-sales volume due to competition from other brands.

Payment practice for ready-stock products: immediate cash payments are required, while for an advanced orders (2-3 months delivery after order), down payments of 40 – 60 percent with the balance due on delivery is common. The average delivery time ranges between three to five months.

Market Issues & Obstacles

Indonesia is still very price sensitive. Promotional pricing policies are important in winning market share. Besides price, other considerations are quality and delivery.

In general, the receptivity to US pumps is good because US producers are considered to be traditional, high quality, up-market producers using computer-designing capability. US companies need to send their company/product literature to the trade association to introduce their products to Indonesian end-users. Direct contact with local companies is also advisable.

Trade Event

Manufacturing Indonesia 2007

The 18th international manufacturing machinery, equipment, materials and services exhibition.

Date: 5 – 8 December 2007
Venue: Jakarta International Expo, Kemayoran, Jakarta – Indonesia
The show organizer: PT. Pamerindo Buana Abadi
Address: Deutsche Bank Building, 13th Fl.,
Jl. Imam Bonjol No. 80, Jakarta Pusat
Phone: 62-21-316-2001
Fax: 62-21-316-1981
E-mail: info@pamerindo.com
Website: <http://www.pamerindo.com>

Resources and Key Contacts

Trade Association

Indonesian Pumps Industries Association – AIPSI
(Asosiasi Industri Pompa Seluruh Indonesia)

Address:
Jl. Rawa Kepiting No 3 Kawasan Industri Pulogadung
Jakarta Timur
Tel. 62-21-4605750
Fax. 62-21-4605751
E-mail: aipsi@cbn.net.id

Chairperson: Mr. Ryandi Irawan
Secretary: Mr. Bambang Sumiarso

For More Information

The U.S. Commercial Service in Jakarta, Indonesia can be contacted via e-mail at: [Aulia Rochaini@mail.doc.gov](mailto:Aulia.Rochaini@mail.doc.gov);
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