

# Let them walk

JAKARTA

## A plan to stop ordinary folk from buying cars

**I**T IS a fast-growing Asian country with slow-moving cars. Indonesia's traffic jams make molasses look runny. The delays may be irksome, but they are symptoms of a boom. Car sales in Indonesia jumped by 17% from 2010 to 2011, to nearly 900,000 new vehicles, and by 11% year-on-year in the first quarter of 2012, despite global economic gloom.

Indonesia's market is growing faster than China's much bigger one: car sales rose by only 2.6% in China between 2010 and 2011. Indonesians now buy more cars than any other south-east Asian nation, having overtaken Thailand last year. They also bought 8m motorcycles in 2011, a number that could rise to 9m this year.

Small wonder carmakers are piling in. Suzuki, Toyota, Nissan, Honda, GM, Daihatsu and BMW are all either expanding

operations in Indonesia or starting new ones. Since the beginning of 2011 these seven companies have announced investments in Indonesia totalling \$2.2 billion, a record. "China and Indonesia are the two hottest markets in Asia right now," says Michael Dunne, the author of "American Wheels, Chinese Roads: The Story of General Motors in China".

This worries the government. From June 15th Indonesia's central bank says it will require those who borrow money from a bank to buy a car to make a minimum downpayment of 30%. For motorbikes, the figure will be 25%. Housebuyers will also have to make a minimum deposit of 30%. The new rules are intended to prevent a potential bubble in consumer credit.

Carmakers are aghast. Roughly 65% of sales of new cars are on credit, estimates Mr Dunne; for motorbikes, it may be even higher. A lot of buyers need wheels to get to work-public transport in Indonesia is patchy. Many cannot afford a 25% or 30% downpayment. Jongkie Sugiarto of the Association of Indonesian Automotive Industries, a trade group, urges the central bank to reconsider. "Otherwise the market will collapse," he says.

Some Indonesians would not mind if it did. They blame carmakers for Jakarta's traffic jams. The number of cars is growing ten times faster than the roads they roll on; city officials in 2009 predicted that the Indonesian capital could experience total gridlock by 2014. According to Mr Sugiarto, the Jakarta Governor's Office has suggested that carmakers address this by producing fewer wheels. That is dandy for people who already have cars; others might prefer Indonesia to build more roads. ■



A pedestrian paradise