

INDONESIA CB KEEPS RATES STEADY

BI TO LAUNCH NEW FINANCIAL INSTRUMENTS TO ABSORB EXCESS LIQUIDITY

JAKARTA: Indonesia's central bank left its key policy rate unchanged yesterday, as expected, bracing for the possibility that higher US rates could pile more pressure on the fragile rupiah.

The benchmark rate was kept at 7.50 percent, a level that Bank Indonesia (BI) has maintained for seven straight meetings as it tries to strike a balance between stabilising the rupiah, driving down inflation and promoting economic growth. The central bank said its short-term monetary policy focus remains aimed at maintaining stability in the currency and deepening Indonesia's financial markets. The rupiah has been steadily

depreciating against the dollar, trading at levels not seen since the Asian financial crisis. It was trading at 14,455 per dollar yesterday after the rate decision, not moving from earlier levels. Economists said the currency may weaken further should the Fed raise rates later on Thursday, sparking capital flight. The benchmark 10-year government bond yield closed at 9.348 percent, down from 9.498 percent on Wednesday. Southeast Asia's largest economy is confronting weak exports and consumption, but the risk of outflows and inflationary pressures have limited the central bank's policy options.

"BI may welcome some further currency weakness because of the boost it would give to exporters. However, in the event that a hike in US interest rates triggers another sharp sell-off in the rupiah, it would be difficult for BI to loosen policy at all," said Gareth Leather, Asia Economist at Capital Economics in London, adding that BI was also monitoring inflation. Annual inflation cooled to 7.18 percent in August, but is still well above the 3-5 percent target range the central bank set for this year. "Given there is not much room for monetary stimulus, we believe the focus will shift to fiscal spending to revive growth and

foreign investment," Barclays' economist Wai Ho Leong said. The central bank said there were signs that growth would accelerate in the third quarter, including rising cement sales, imports of capital goods and indication of faster credit growth in August. Economic growth was 4.67 percent in the second quarter, the slowest in six years.

In a bid to buffer the economy from outflows, the government last week also announced the first installment of a stimulus package aimed at attracting more investment, boosting consumption and supporting the fragile currency. — Reuters

HYUNDAI CAUTIOUS ON PROSPECTS FOR SELF-DRIVING CARS

FRANKFURT: The self-driving car is coming, but not as rapidly as people think, the head of the European operations of South Korean carmaker Hyundai, Thomas Schmid, said yesterday. "My personal belief is that autonomous driving might come, but by far not as quick as everyone says in 10 or 15 years," Schmid said in an interview on the sidelines of the IAA motor show. Alongside the connected car, autonomous driving is one of the new buzzwords in the automobile sector. And futuristic vehicles that soon may be able to drive themselves are among the technological highlights of the 66th edition of the Frankfurt Motor Show, which opened its doors to the world press on Tuesday and will then be accessible to the general public from Saturday.

Already, many of the latest models on the road are equipped with assistance systems to help drivers accelerate or brake in traffic. "I'm 100-percent certain that this (technology) will be part of future products," Schmid said.

Electronic car parts suppliers, such as the German group Bosch, expect "highway pilots"-which can essentially take over all driving tasks with only occasional need for human intervention-to be ready for the market by 2020. And full auto pilot systems without any human involvement could be ready by 2025.

Big legal challenges

But such technology would also bring with it "huge, huge challenges for our legal systems," Schmid cautioned. "Who is responsible for what? I'm not convinced until now that is a process which can be done in the next 10-15 years."

People's relationships to their cars and individual mobility are undergoing dramatic change, Schmid said. "The kids today have a different approach to individual mobility. The importance is much lower than in my generation and the need to have an own car is also lower," he said. The younger generation no longer define themselves via their cars. And in big cities, car ownership was becoming less and less attractive in view of costs and well-developed public transport systems. "There's a tendency all over Europe, both in urban areas and even in rural areas where fewer and fewer people are actually getting a driving licence," Schmid said. So, in the future, autonomous driving could be administrated by local authorities and be integrated into cities' public transport systems, Schmid said.

Feeling the pinch

Turning to Hyundai's current prospects, Schmid conceded that "as a global manufacturer, we are affected" by downturns in emerging markets such as Russia, Brazil and China. "In Russia, we are doing relatively well.

We are one of the manufacturers almost losing no volume. That means we increased our market share" to about 10 percent in the first eight months, Schmid said.

Nevertheless, the weak ruble and the economic downturn was leaving its mark on Hyundai's profit margins. In Brazil, "we are still doing very well," but growth was slowing as the market fell.

"And in China, this affects us as well as all other big manufacturers." Nevertheless, "I don't believe that the Chinese market will collapse. But it will slow down."

Last year, Hyundai sold more than 1.1 million vehicles overall

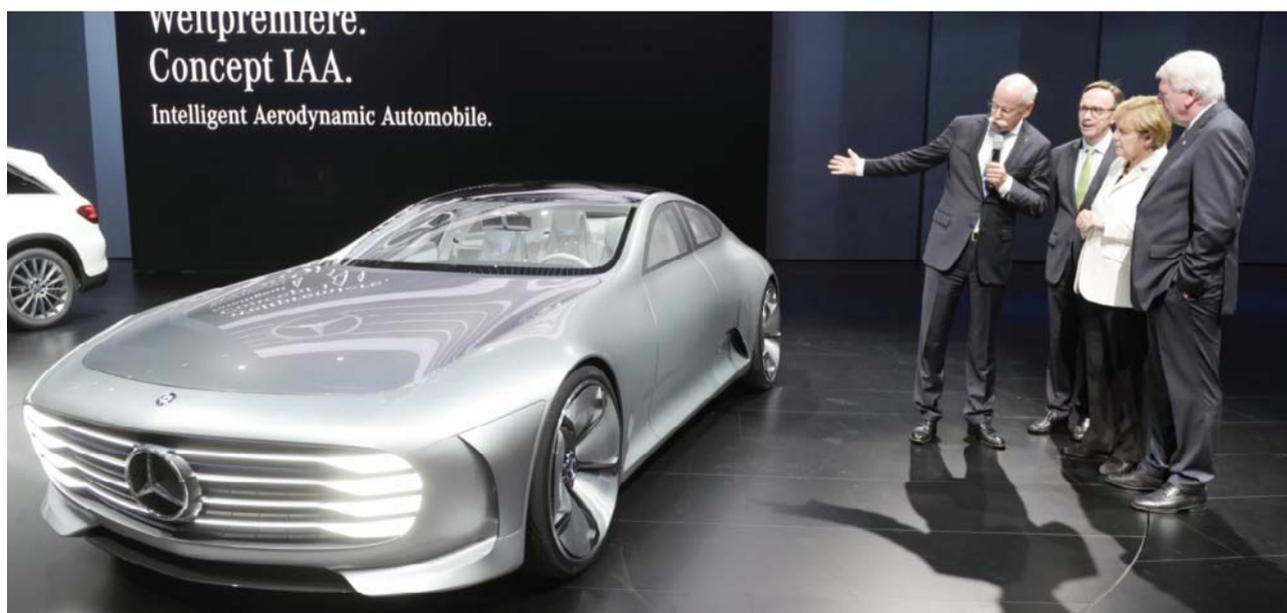


FRANKFURT: German Chancellor Angela Merkel (second right) speaks next to CEO of German carmaker Volkswagen Martin Winterkorn (second left), State Premier of Hesse Volker Bouffier (left) and Head of German automakers' federation VDA, Matthias Wissmann (right) by a Tiguan GTE Plugin Hybrid car during her visit of the VW booth on the opening day of the Frankfurt Motor Show IAA in Frankfurt yesterday. — AFP

in China last year, giving it a market share of 6.6 percent, Schmid said. "The market in China is still not full. Around 450 million people there would like to have a car. That means from the market side, there are still huge opportunities." In Europe, Hyundai reported its "best-ever first eight months this year. And we're

looking forward to having the best year ever," Schmid said.

"In the European market, I would say by year-end we will be at 3.0 percent. Our aim is to become the number one Asian brand. And that should mean we go up to four to five percent. In concrete numbers we're talking about 700,000 vehicles," Schmid said. — AFP



FRANKFURT: Chancellor Angela Merkel (second right), Head of German automakers' federation VDA, Matthias Wissmann (second left) and State Premier of Hesse, Volker Bouffier during her visit to the booth of German car maker Daimler on the opening day of the Frankfurt Motor Show IAA in Frankfurt. —AFP