




INDONESIA

Market Outlook & Opportunities

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WHO

EIBN is a partnership project between 5 European bilateral chambers of commerce in Indonesia and 2 counterparts in Europe



**BritCham, EKONID,
IFCCI, INA,
EuroCham**



**EUROCHAMBRES
CCI Barcelona
→ EEN**



Initiated and co-funded by the EU
Launched in August 2013

WHAT

The projects

Attracting EU businesses into Indonesia and supporting them in their market entry activities; Increasing EU Business' leverage towards the Indonesian Governments.

Objectives

Increase and improve export and investment of EU businesses to the Indonesian market.

Target group

European businesses in Europe, in particular SMEs, with an interest in Indonesian market. Existing European companies in Indonesia which need to increase their presence and visibility.

Expertise

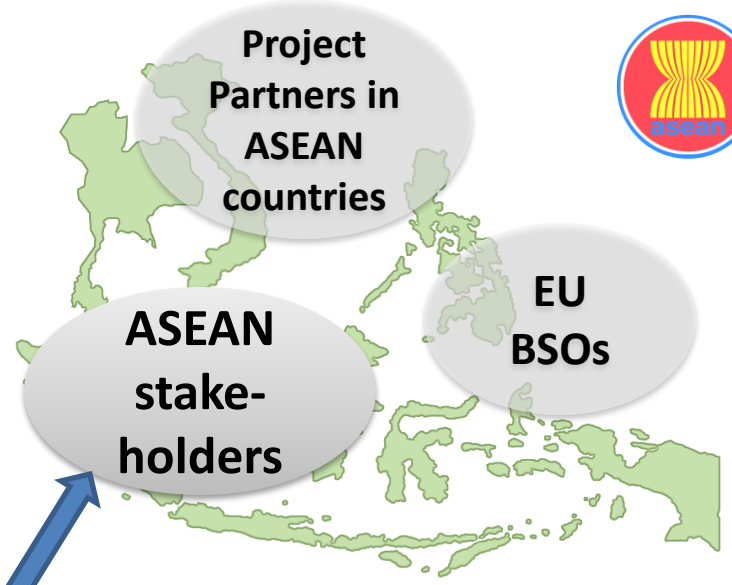
Joint expertise, knowledge and experience of well-established European business support organizations with an extensive network in ASEAN, especially Indonesia and the EU.

EU Companies

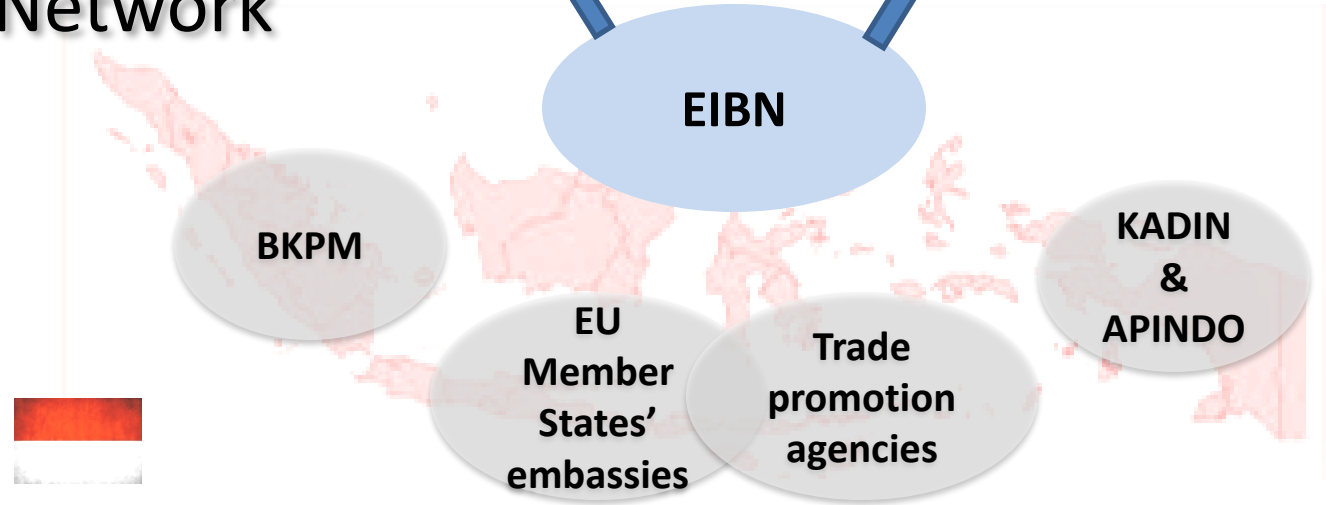
HOW



2000+ EU BSOs



Our Network



EIBN

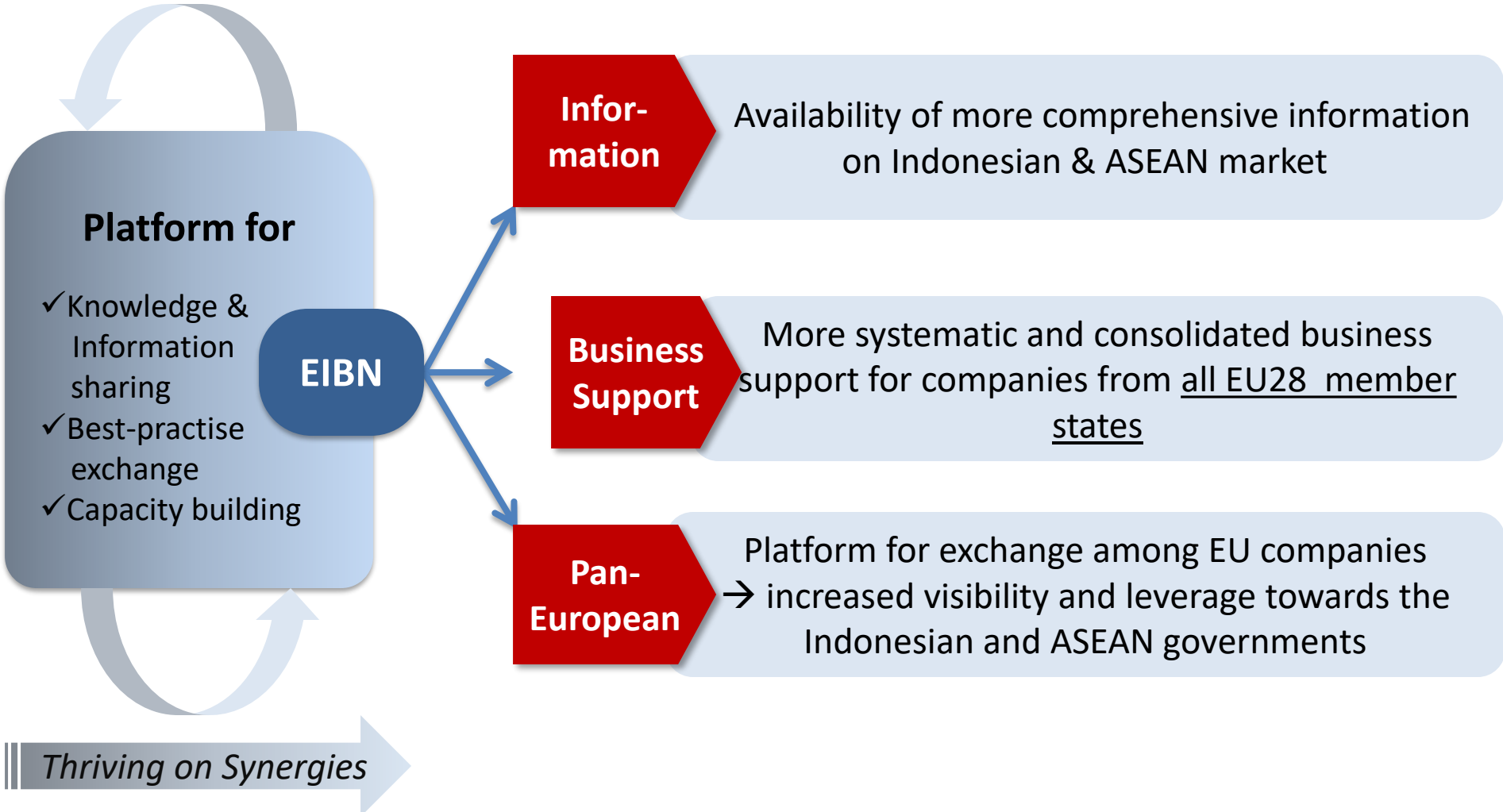
BKPM

EU Member States' embassies

Trade promotion agencies

KADIN & APINDO

HOW



Indonesia at Glance



4th
World's Most
Populous Country

255,9 million
Population (in 2015)

17,508 islands
Biggest **Archipelagic** Nation

G20 **3th fastest** growing
Member State
after India and
China

10th
World's Largest **Economy**

2,8 trillion
USD **GDP** (PPP)

11,100
USD **GDP**
per capita (PPP)

INDONESIA



Worlds Largest Archipelago

- *3.1 million km² of sea*
- *1.9 million km² of land*
- *Hub for international trade since the 7th century*



AGE STRUCTURE



LIFE EXPECTANCY



RELIGIONS



LITERACY RATE



INTERNET USERS



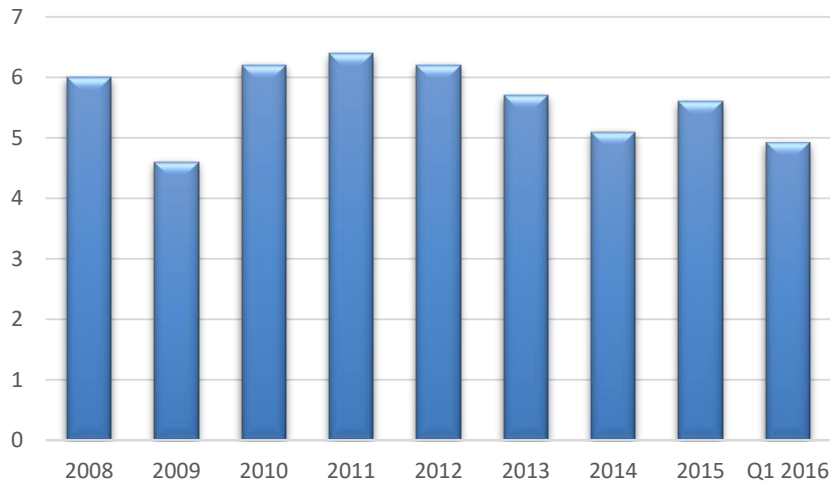
UNEMPLOYMENT RATE



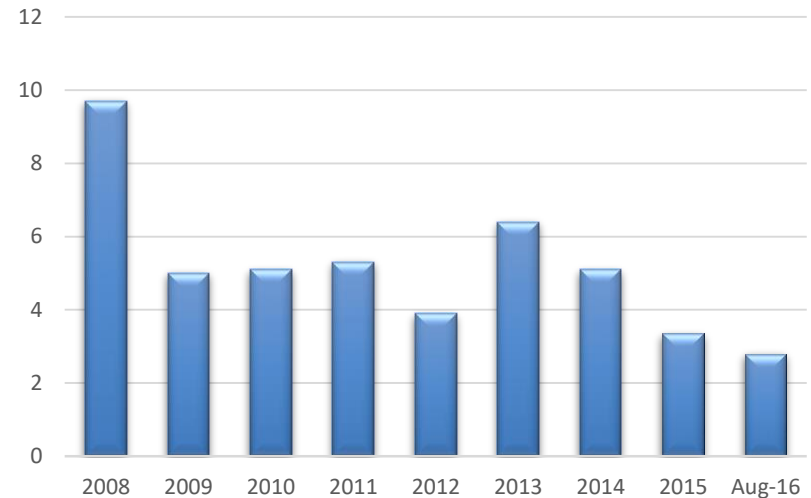
Macroeconomic data

Sustained GDP growth

Real GDP Growth (%)



Inflation (%)

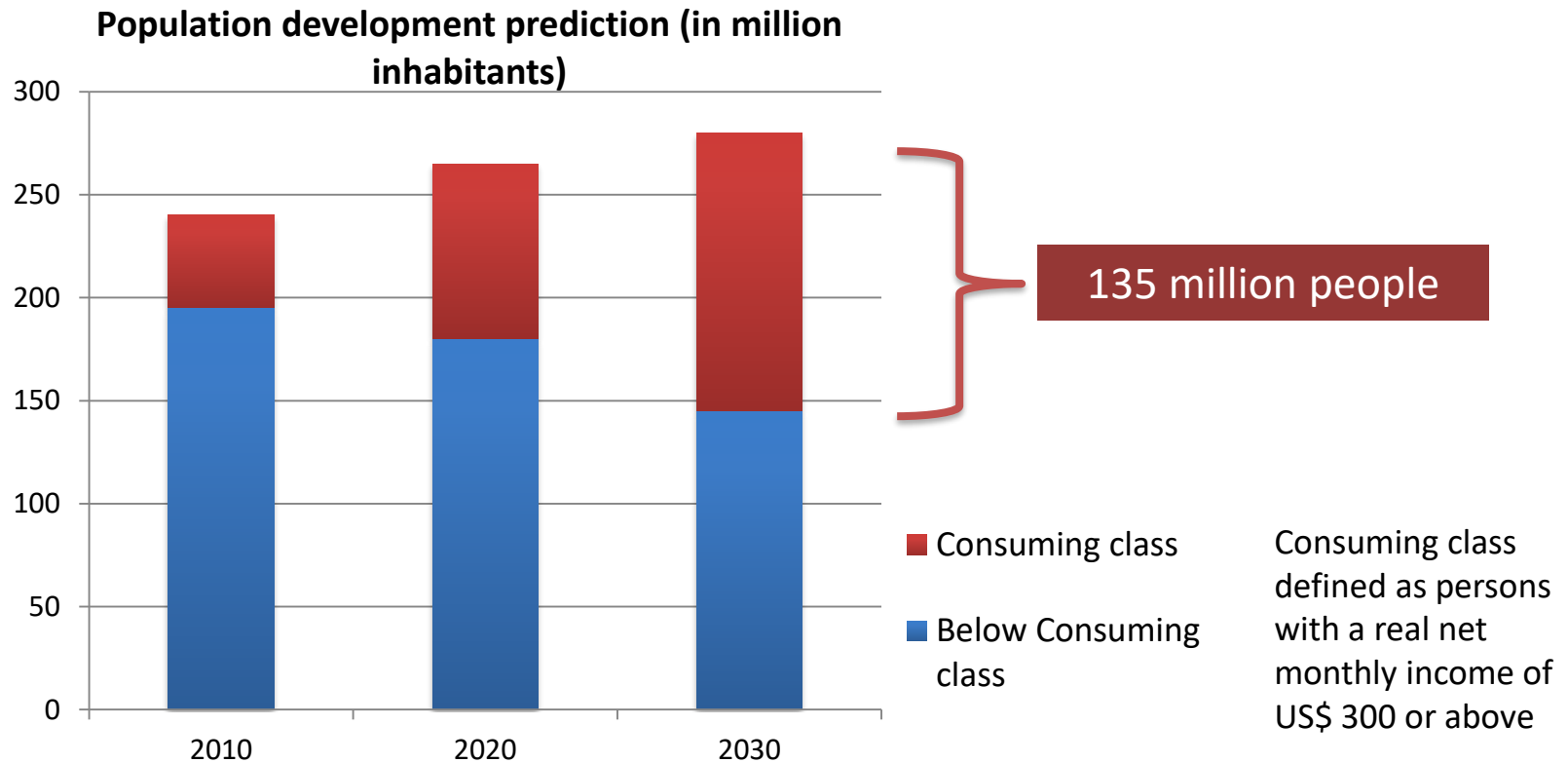


- ✓ 4.7 % GDP Growth in 2015
- ✓ Sustained **high growth** rates

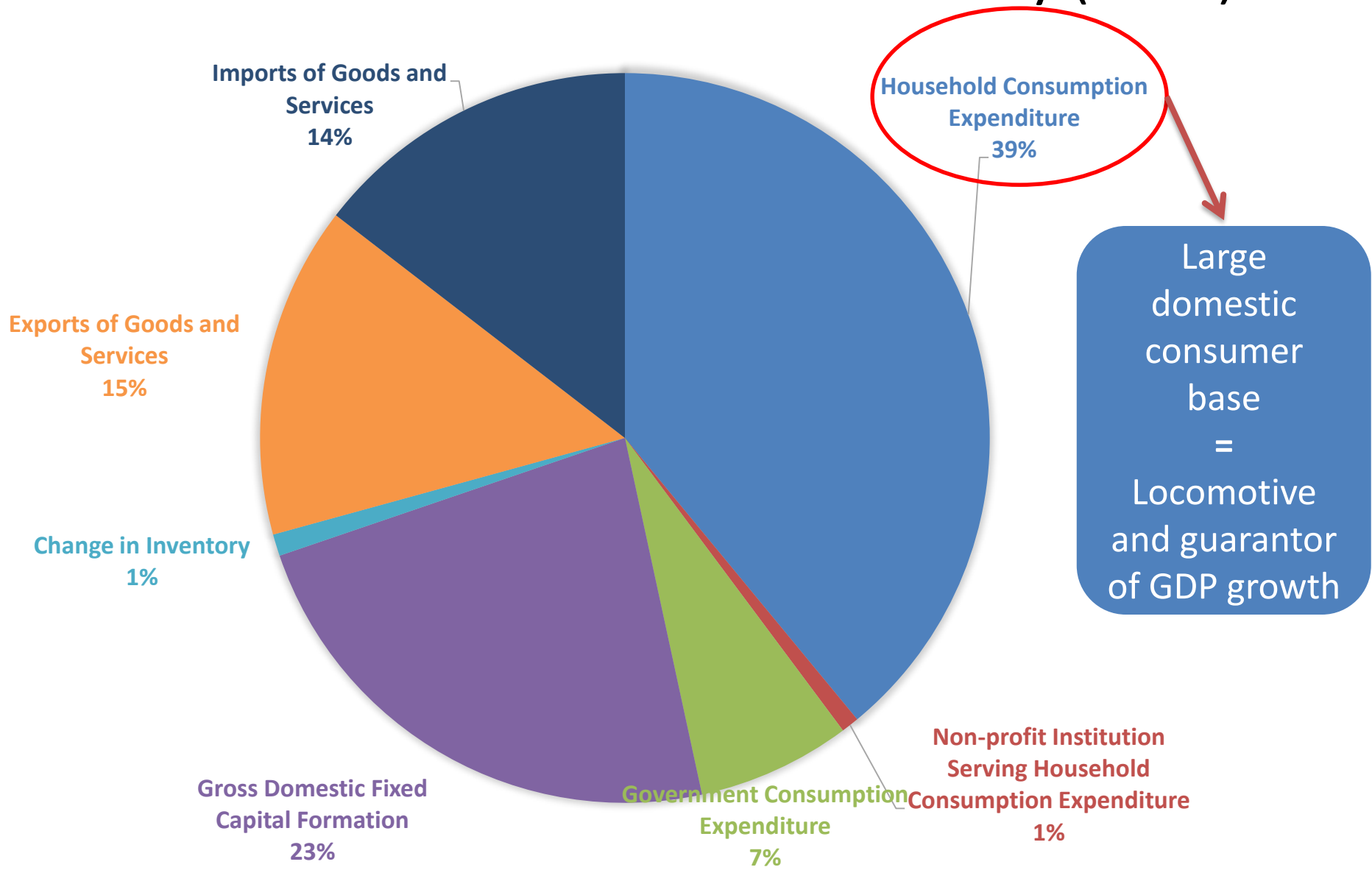
- ✓ **Stable inflation** rates
- ✓ **255 million** inhabitants
- ✓ **10th largest** economy in the world

Macroeconomic data (II)

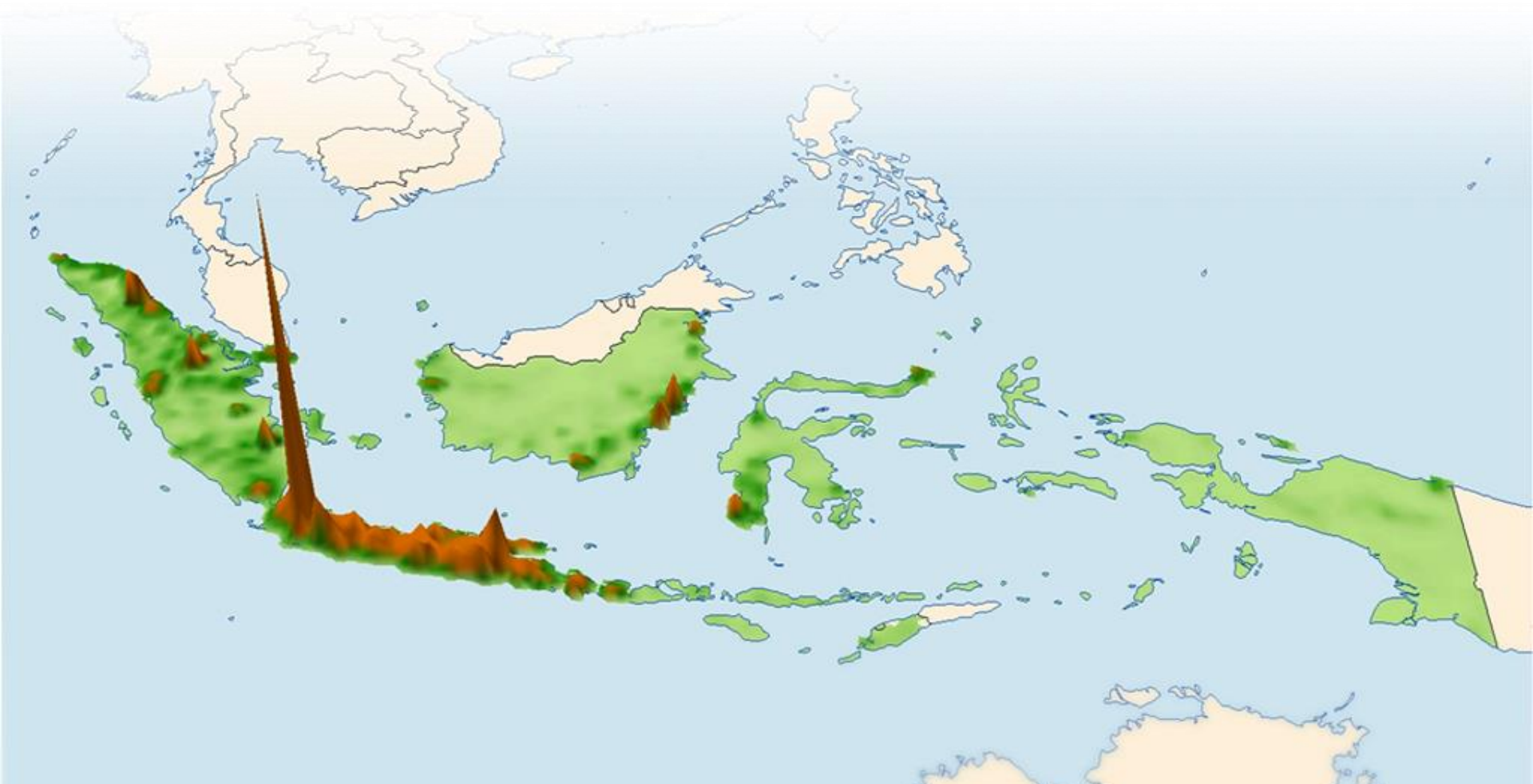
... that will grow even further



Structure of the Indonesian economy (2015)

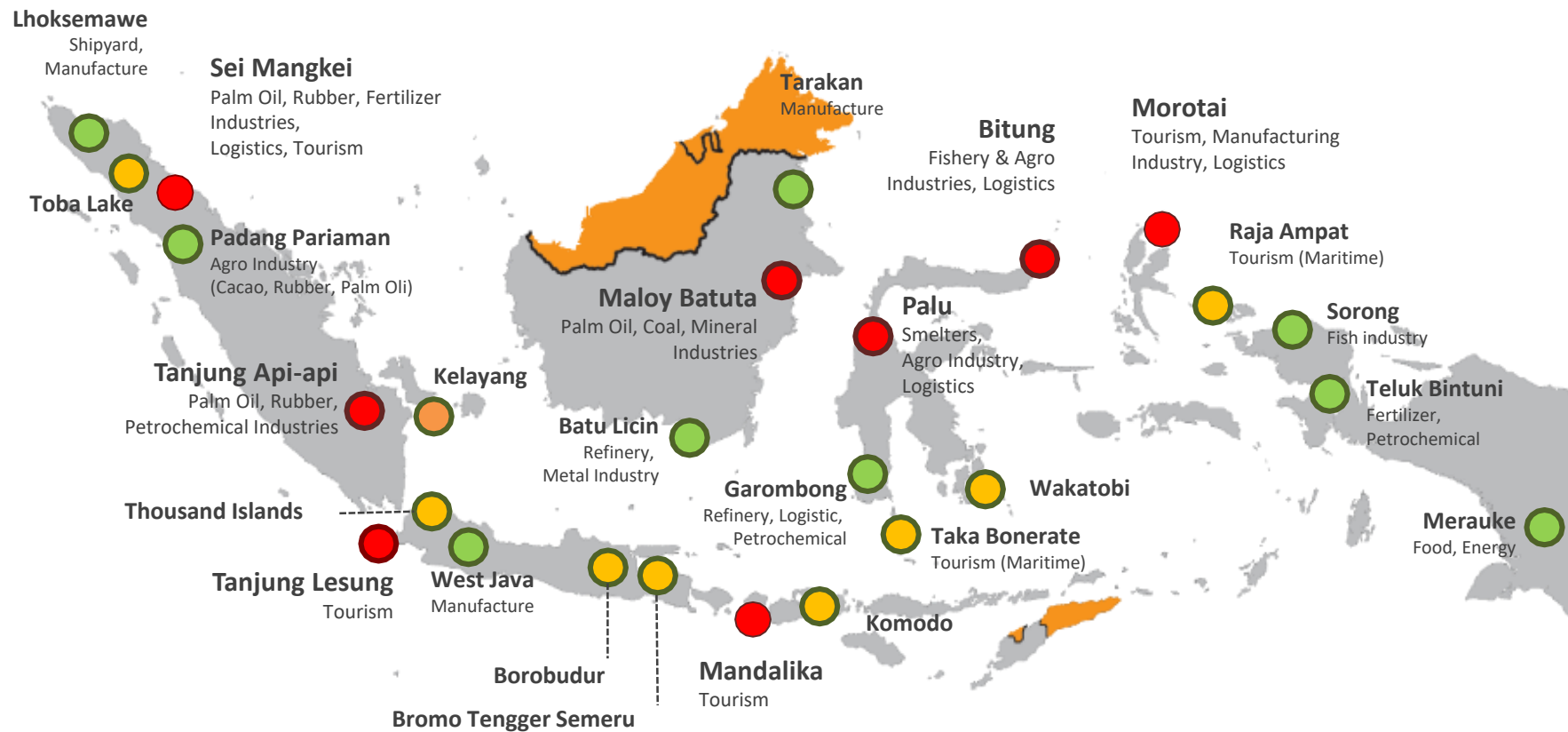


Economic activity by region



Special Economic Zones & Strategic Tourism Areas

- Existing SEZs
- Planned SEZs
- Strategic Tourism Areas

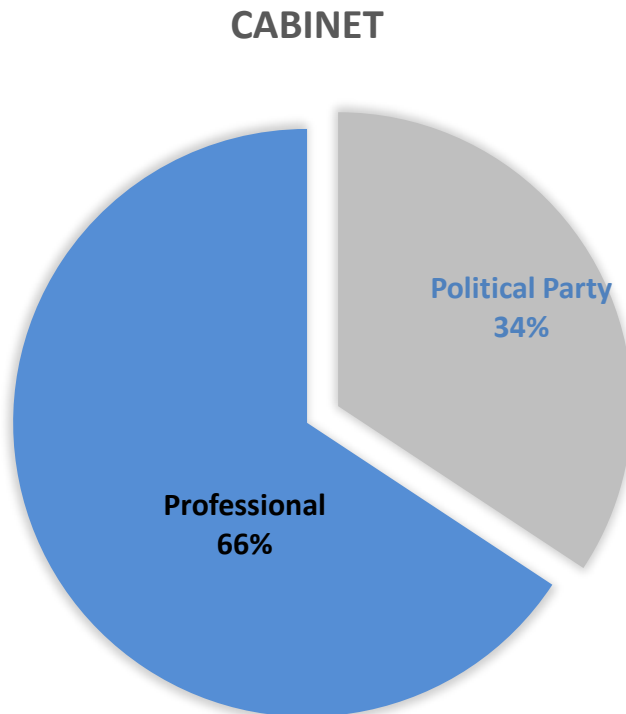


Stable Political environment

- Since 1998 thriving and stable democracy
- Newly elected President: Joko Widodo



Joko Widodo
 Governor of Jakarta 2012 – 2014
 President 2014-2019



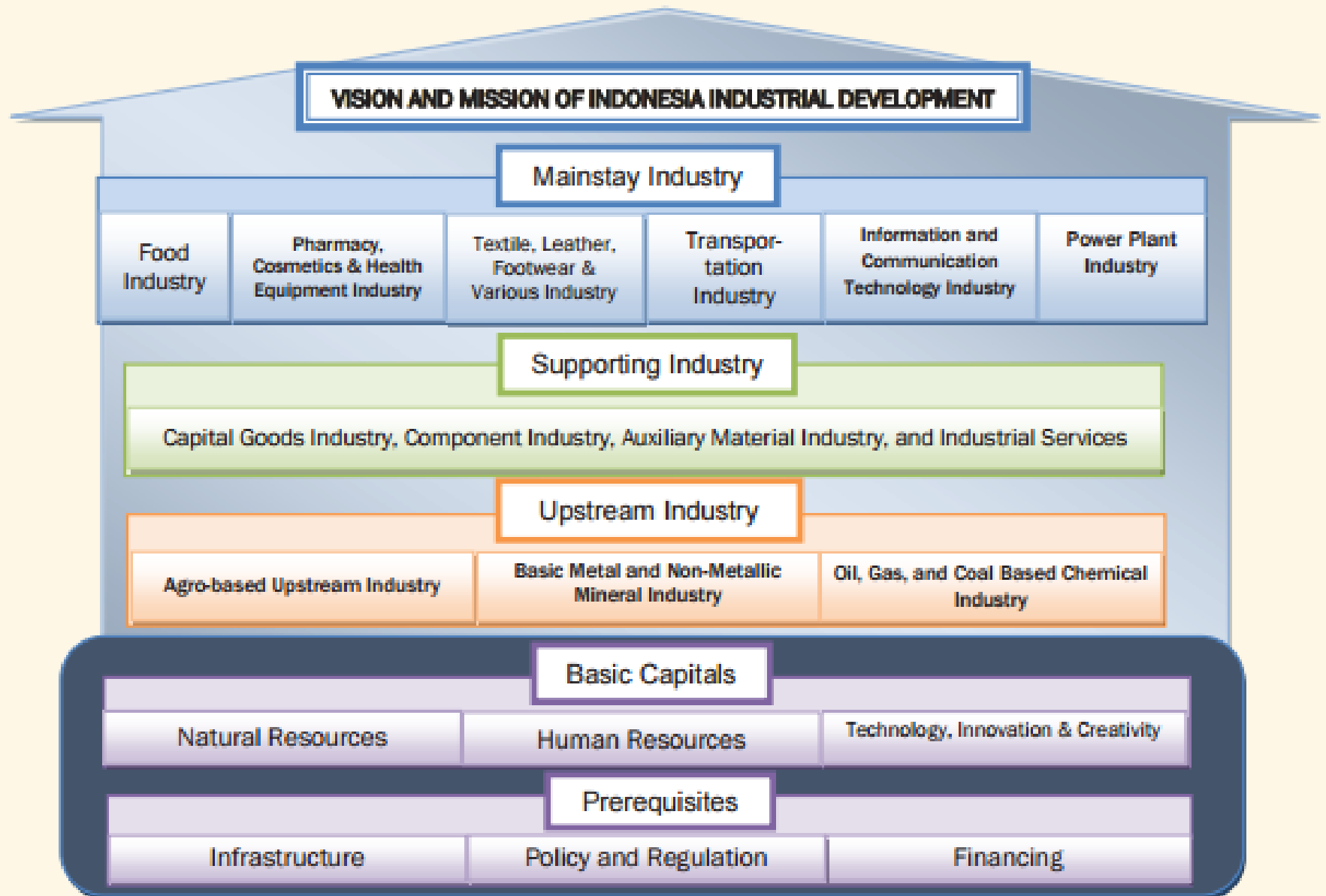
Sustained growth rates

Macroeconomic and
politically stable
environment

Indonesia

Large & growing
domestic consumption
base

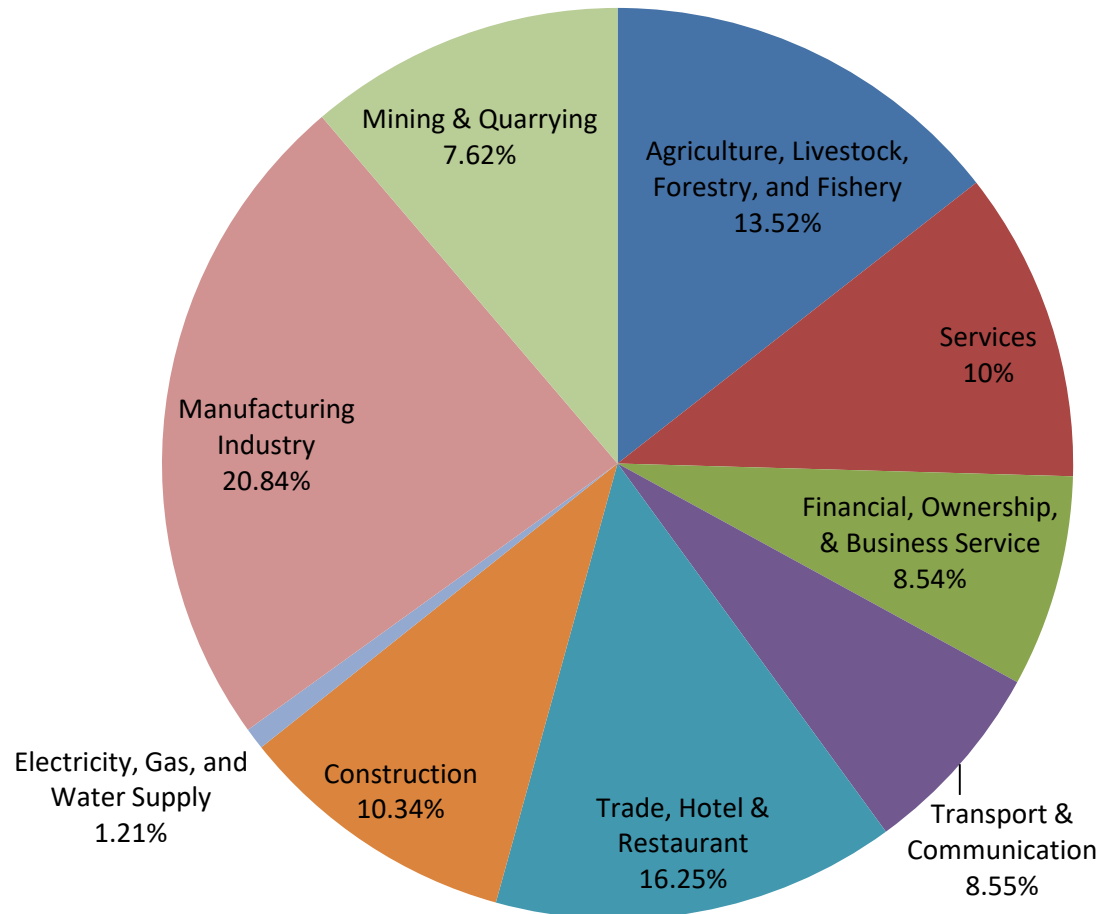
Key member
ASEAN





MANUFACTURING

Structure of GDP by Sector in 2015





NO	DESCRIPTION	CONTRIBUTION (PERCENT)				
		2011	2012	2013	2014	2015
1	Food & Beverages Industry	28.90	29.54	29.02	29.76	30.84
2	Tobacco Products Industry	5.05	5.12	4.87	5.07	5.19
3	Textile and Apparel Industry	7.62	7.52	7.68	7.37	6.65
4	Leather, Leather Products, and Footwear Industry	1.55	1.40	1.46	1.51	1.50
5	Wood, Wood & Cork Products, and Bamboo & Rattan Plaiting Products Industry	4.19	3.91	3.96	4.02	3.71
6	Paper and Paper Products Industry; Printing and Reproduction of Recorded Media	5.30	4.75	4.39	4.46	4.19
7	Chemical, Pharmaceuticals, and Traditional Medicine Industry	8.78	9.26	9.28	9.52	9.98
8	Rubber, Rubber Products, and Plastics Industry	5.07	4.93	4.51	4.24	4.10
9	Non-Metallic Mineral Industry	3.92	4.07	4.10	4.07	3.98
10	Basic Metals Industry	4.43	4.17	4.40	4.34	4.31
11	Fabricated Metal Products Industry; Computer, Electronic and Optical Products Industry; and Electrical Equipment Industry	10.00	10.52	10.98	10.46	10.81
12	Machinery and Equipment Industry	1.65	1.60	1.50	1.74	1.78
13	Transport Equipment Industry	10.90	10.74	11.38	10.96	10.50
14	Furniture Industry	1.55	1.45	1.48	1.50	1.49
15	Other Industry; Repair and Installation of Machinery and Equipment	1.09	1.03	0.98	0.98	0.99
GDP OF NON-OIL & GAS INDUSTRY		100	100	100	100	100



FOOD & BEVERAGE

Indonesia's growing middle class and high-income group have represented an increasingly discerning and demanding consumer base, eager to try new and innovative food and beverages products

- **The F&B sector's output has contributed** to more than **5.5%** of total GDP, as well as **31%** of the total industrial manufacturing output .
- The solid growth of F&B sector is supported by Indonesia's improving purchasing power amid the accelerating economy and higher commodity prices, and growing output of the nation's processed food and beverage industry.
- The turnover of the F&B industry has been **growing 7.55%** to a total nearly of US\$30.3 billion in Q1 2016
- **Tourism** in Indonesia has contributed **4.23%** of total foreign investment in 2015. And it is projected to rise by 8% by 2019.

The Business Monitor International released an encouraging growth forecasts for Indonesia's food and beverages sector:

Food consumption growth:

Forecast 2017 +6.9%

Soft drink sales value growth:

Forecast 2017: +8.8%

Mass groceries retails sales value growth:

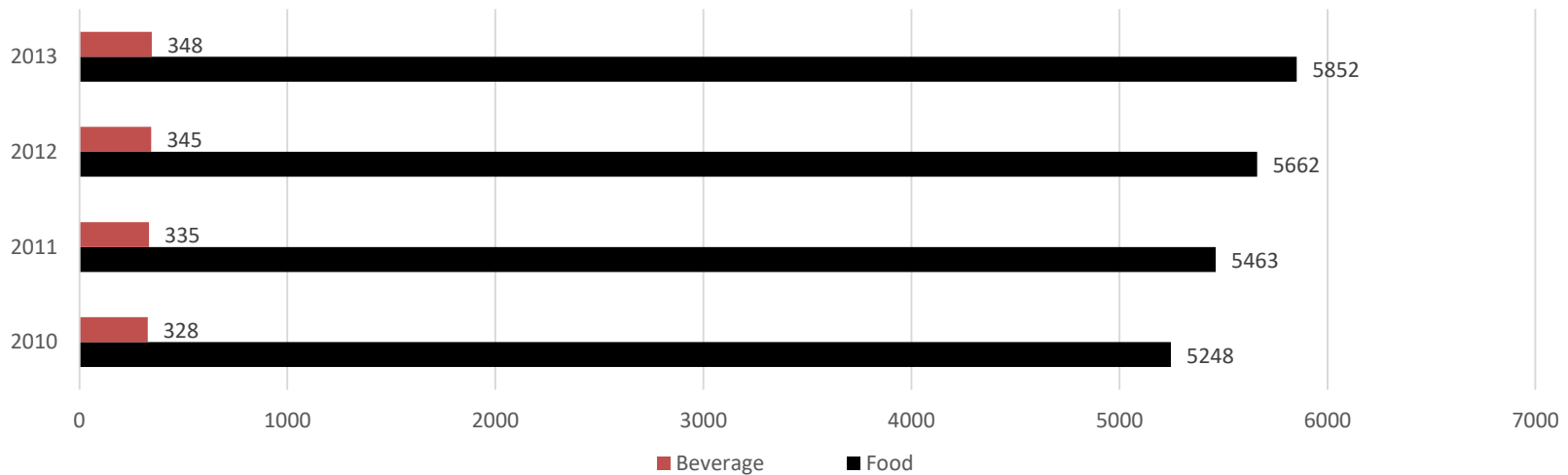
Forecast 2017: +10%

- The mass grocery retail value sales' grow at more than 10% per year (outlet **shift to modern markets**).



The Food & Beverage sector is estimated to encompass over 6,000 companies, of which approximately 90% are classified as large or medium sized. The players are dominated by the presence of large local companies, but also important international and foreign companies

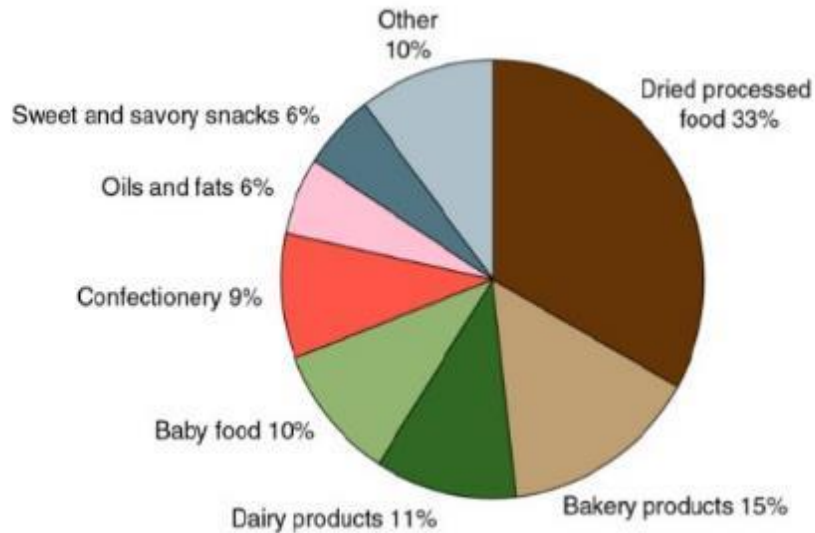
Number of Large and Medium companies in F&B Manufacturing



Among the leading packaged food players in Indonesia, Indofood, Nestle Indonesia, Heinz ABC Indonesia and Unilever Indonesia has the strongest market share. In beverage, Danone Aqua held on firmly to its leadership within soft drinks with 47.5% of market share

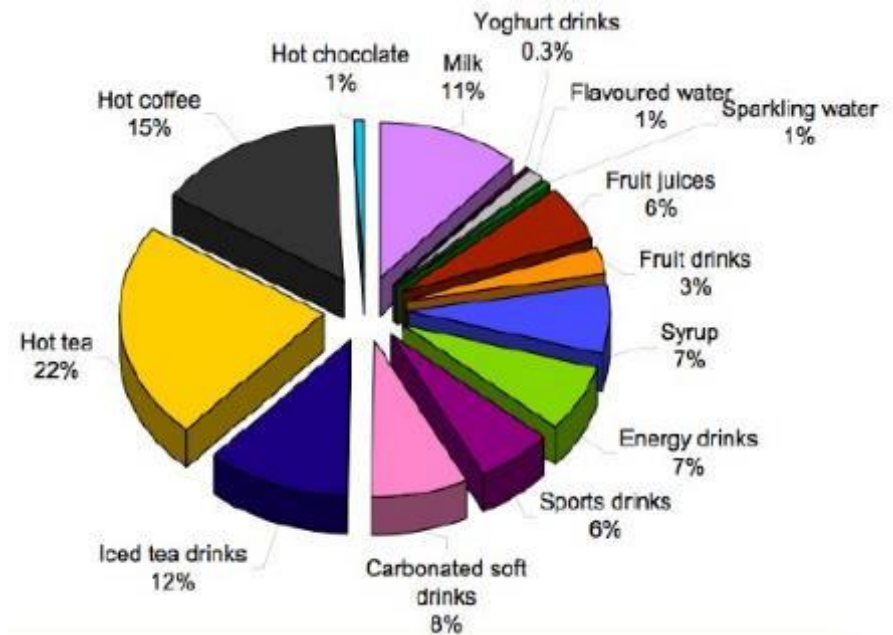


Packaged Food Breakdown



Source: USDA, Economic Research Service
Calculations using EuroMonitor Data, 2012

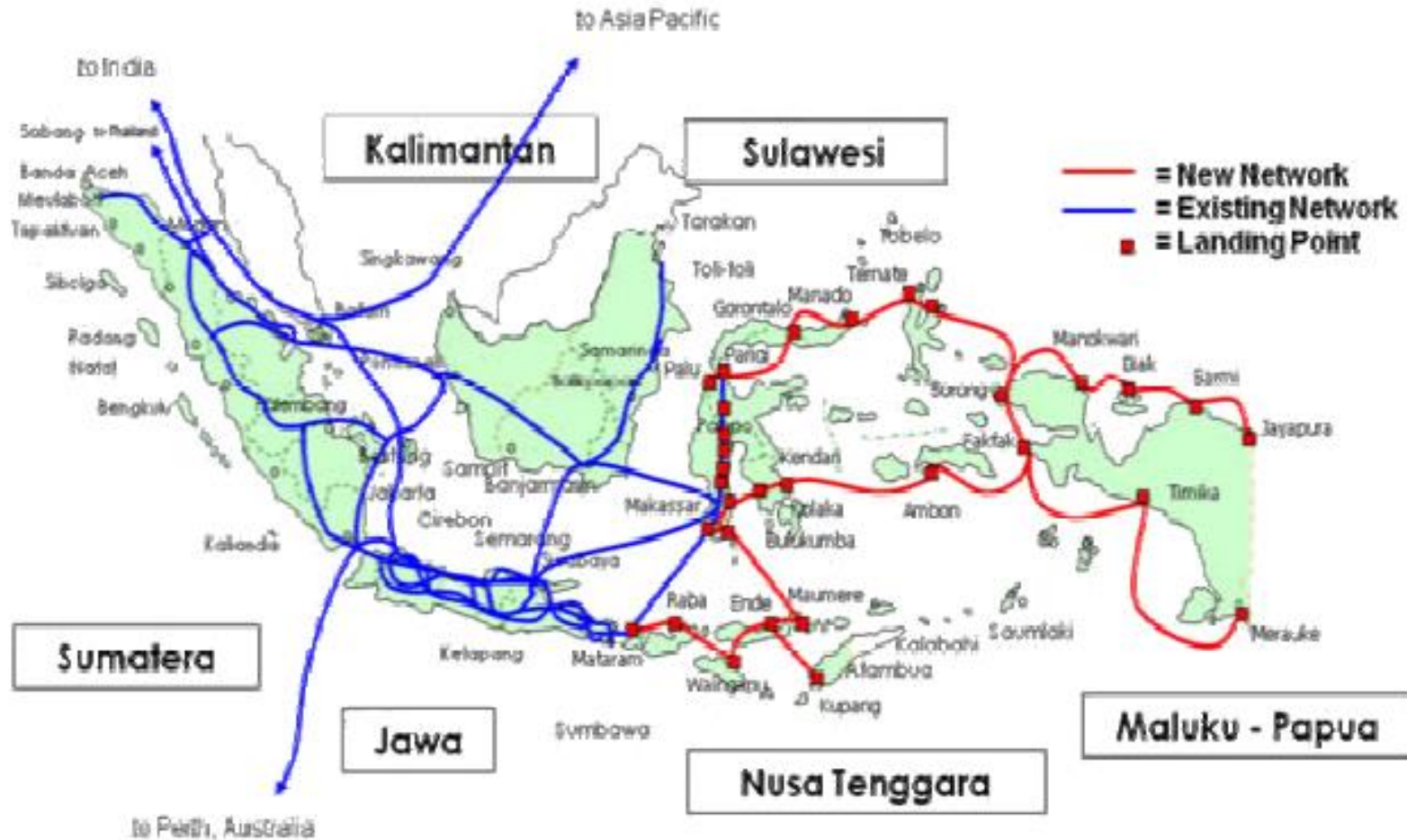
Non-Alcoholic Beverage Breakdown



Source: Roy Morgan Research, 2012

Highest **business potentials**: halal products, branded and specialty food & beverages products, food processing machinery, supply of food ingredients and packaging.

Indonesian ICT Infrastructure

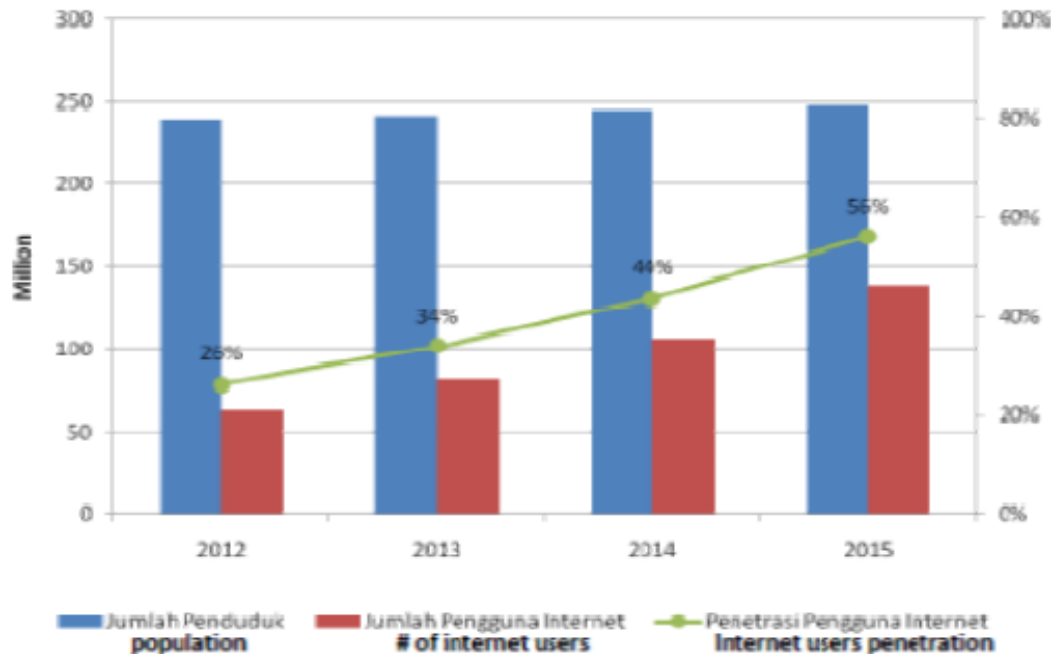


The quadrupling of Internet users in Indonesia by 2016 will translate into a US\$4.5 billion business opportunity for not only mobile operators, but also others providing Internet-based services to consumers and enterprises



Indonesia is the fastest growing mobile telephone market in the Asia-Pacific region, predicted to reach 391 million mobile accounts in 2015. The market is dominated by three major mobile telecommunication providers, Telkomsel, Indosat and XI Axiata; 95% of mobile users are prepaid subscribers.

Indonesian Mobile Phone User vs Internet Penetration



¹¹¹ Indonesian Internet Governance Forum, 2013

- An established Google office in Jakarta since 2012
- #1 twitter city in 2013 for Jakarta
- the country is 4th world largest Facebook subscribers

The number of Internet users in Indonesia is expected to rocket from 40 million in 2011 to 175 million by 2016, accompanied by a boom in data connection subscribers growth from 52 million in 2011 to 167 million in 2016.



!!! Google's "Our Mobile Planet" Report, 2014

Of the 167 million data connection by 2016, 109 million will be on smart phones, while the remaining 22 million will be on tablets and large screen devices.

Smartphone users has now increased in total for 34% (57 million) from total mobile phone owner by 2014

Infrastructure development - RPJMN (2015 -2019)

Planned investment in Indonesia's (2015 – 2019) (in billion US\$*)

Sector	Investment
Water supply and waste water treatment	77,7
Energy production and distribution	70,9
Streets	51,0
Maritime traffic	30,2
Public housing	14,9
Rail transport	13,3
ICT-Infrastructure	12,0
Air traffic	9,9
Public transport in cities	6,9
Total	286,6

*) Exchange rate 1 US\$ = 13.500 Rupiah (Rp)

225 infrastructure projects as national strategic projects

27 priority projects

2 focus sectors:
Water and energy

	Project name	Investment	Explanation
Refineries	Refinery Development Master Plan	15.500	Modernization of 5 existing refineries
	Tuban Refinery	8.000	Construction of new refinery
	Bontang Refinery	5.500 - 10.400	Construction of new refinery
Energy	PLTU Batang Power Plant	2.960	2.000 MW power plant in Java
	High Voltage Direct Current	2.470	742 km electricity transmission grid
	500kV Sumatra Transmission	1.810	1.330 km electricity transmission grid
	PLTU Mulut Tambang	1.330	1.200 MW power plant in Sumatra
	Indramayu Power Plant	1.480	1.000 MW power plant in Java
	Central - West Java 500 kV Transmission	570	565 km electricity transmission grid
	Water to Energy	Not specified	4 hydro power plants with 147 MW in total
Railway	Light Rail Transit Jakarta (LRT)	2.540	Tramway in Jakarta
	Soekarno-Hatta Airport Express	1.780	Rapid transit to Jakarta Airport
	MRT Jakarta	1.850	Construction of subway section
	East Kalimantan Railway	1.850	203 km railway
	Light Rail Transit (LRT) Sumatra	530	tramway in Palembang
	Makassar-Parepare Rail	470	144 km railway in Sulawesi
Street	8 Section of Trans Sumatra Toll Road	6.000	8 sections of the Trans Sumatra motorway
	Balikpapan-Samarinda Toll Road	730	99 km motorway in Kalimantan
	Manado-Bitung Toll Road	380	39 km motorway in Sulawesi
	Serang-Panimbang Toll Road	800	84 km motorway in Banten
Ports	Bitung International Hub Seaport	2.520	Sea port in Sulawesi
	Kuala Tanjung Seaport	2.220	Sea ports in Sumatra
	Inland Waterways Sikarang-Bekasi - Java Sea	250	Canal
Water	National Capital Integrated Coastal Development	44.400	Construction of dam and new district in Jakarta
	Jakarta Sewerage System	600	Sewage network
	West Semarang Drinking Water Supply System	90	Drinking water network

(in Mio. US\$)

Source: Germany Trade and Invest

Business opportunities

Recommended roles for European businesses

- **As suppliers**
 - Technological advanced inputs such as security technology, energy efficient building technology or traffic engineering
 - Construction machinery such as excavators or cranes
 - Materials such as cement are sufficiently and cheaply produced in Indonesia
- **As subcontractors**
 - Planning (e.g. feasibility and design studies)
 - Certification
 - Energy efficient building

Advantage: European technology has a better reputation than the one provided by cheaper competitors

Greatest opportunities in the sector of high quality building of all types (hotels, offices, apartments, retail) due to comparative advantage of high quality.

SHIPBUILDING

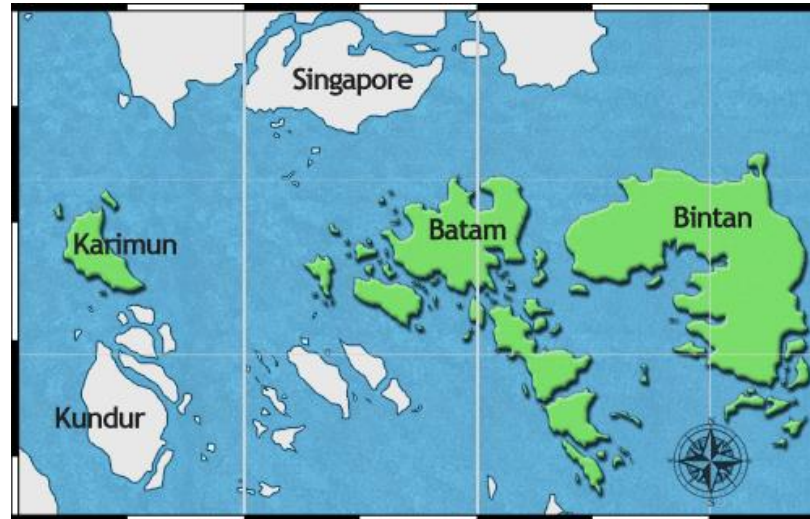
Indonesia is home to around 250 shipbuilders,
 [mostly centered in Batam, Jakarta, Lampung and East Java]



Overall yearly output of the domestic shipbuilding industry:

- 800,000 DWT for ship production
- 10 million DWT for ship repairs

Shipbuilding in Batam-Bintan-Karimun Free Trade Zone



- More than 150 shipyards and 50% of Indonesian shipbuilding industry
- 4 terminals for ferries, 4 cargo ports, 2 marinas
- Proximity to Singapore and good production conditions
- Removal of taxes on imported ship parts
- Growing manufacturing industry
- Multinational shipbuilding companies, e.g. McDermott International, Drydocks World, Keppel Corporation

Shipbuilding in East Java

- 20 – 25 % of national production
- 30 shipbuilding companies
- Internationally renowned companies:



PT PAL

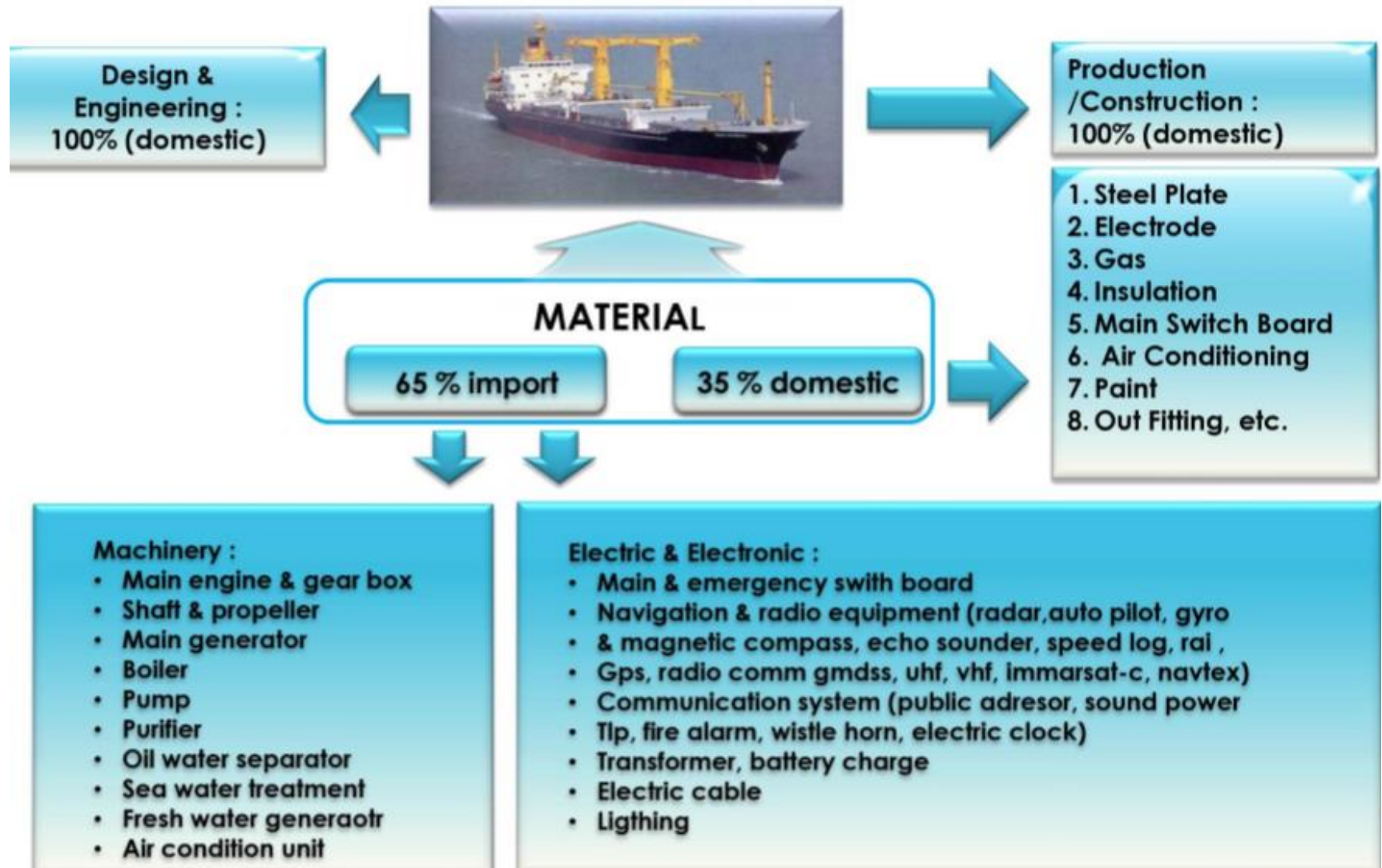
- State owned company
- Production site for Indonesian warships
- Ships for civil use, e.g. ferries, oil tanker
- International cooperation
- Sells to Asia, Africa and Arab World



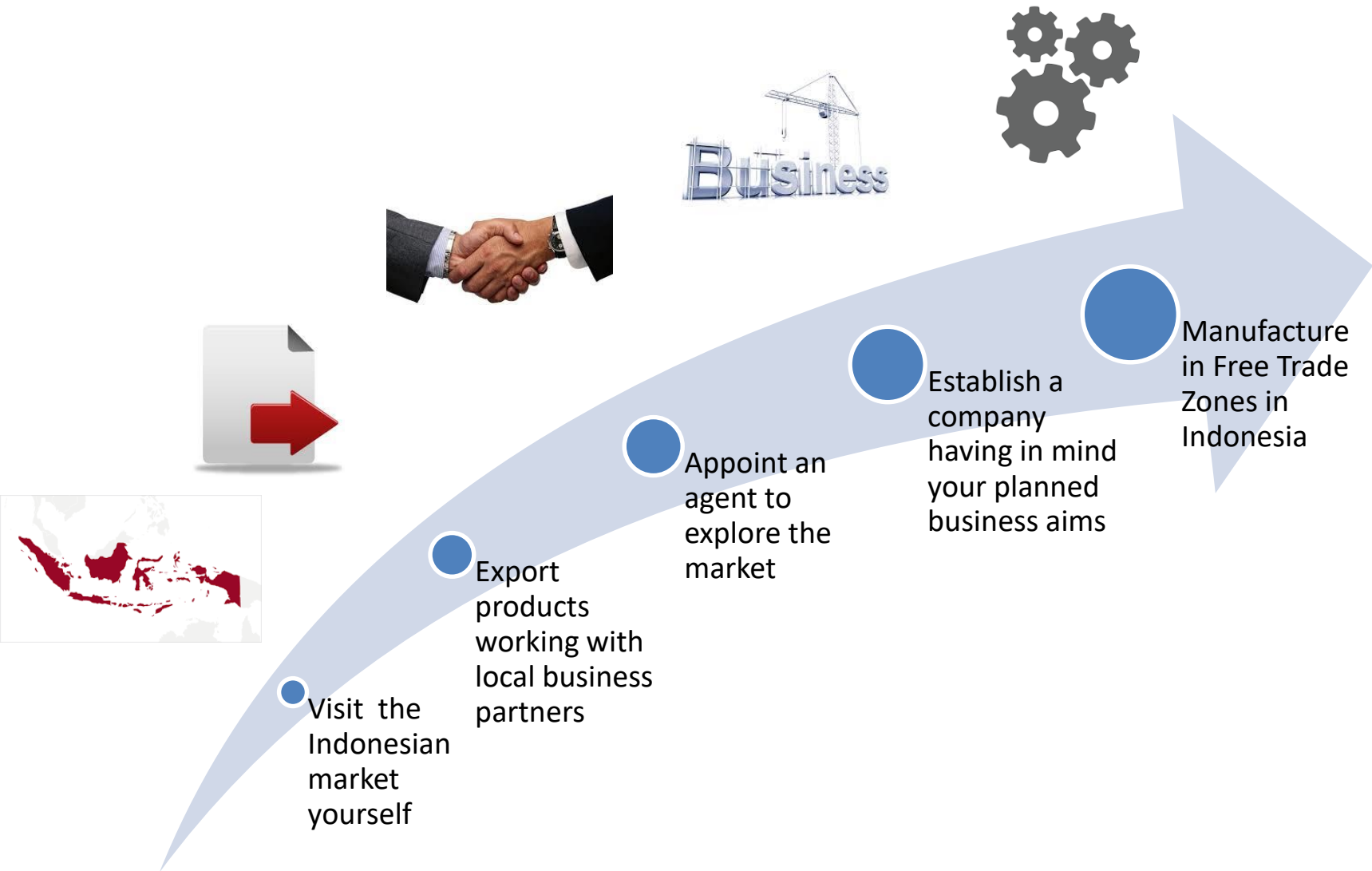
PT Dumas Tanjung Perak Shipyard

- Able to meet international standards
- Production of vessels for civil use
- International cooperation
- Established on international market

Input to shipbuilding in Indonesia



Steps to Market Entry in Indonesia





YOUR GATEWAY TO INDONESIA



More information ?



www.eibn.org



info@eibn.org



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Thank you for your attention!



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