INDONESIA

Market Outlook & Opportunities

Prepared by:
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EU Outreach Manager
EIBN is a partnership project between 5 European bilateral chambers of commerce in Indonesia and 2 counterparts in Europe.

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.
Availability of more comprehensive information on Indonesian & ASEAN market

More systematic and consolidated business support for companies from all EU28 member states

Platform for exchange among EU companies → increased visibility and leverage towards the Indonesian and ASEAN governments

Platform for exchange among EU companies

- Knowledge & Information sharing
- Best-practice exchange
- Capacity building

EIBN

HOW

Thriving on Synergies
Indonesia at Glance
World’s Most Populous Country

255.9 million Population (in 2015)

17,508 islands

Biggest Archipelagic Nation

3rd fastest growing G20 Member State after India and China

10th World’s Largest Economy

2.8 trillion USD GDP (PPP)

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

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 24</td>
<td>42.89%</td>
</tr>
<tr>
<td>25 - 54</td>
<td>42.3%</td>
</tr>
<tr>
<td>55+</td>
<td>14.80%</td>
</tr>
</tbody>
</table>

**LIFE EXPECTANCY**

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>72.45%</td>
</tr>
<tr>
<td>World</td>
<td>68.74%</td>
</tr>
</tbody>
</table>

**RELIGIONS**

<table>
<thead>
<tr>
<th>Religion</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protestant</td>
<td>7%</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>2.4%</td>
</tr>
<tr>
<td>Muslim</td>
<td>87.2%</td>
</tr>
<tr>
<td>Hindu</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>6.97%</td>
</tr>
</tbody>
</table>

**LITERACY RATE**

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>92.8%</td>
</tr>
<tr>
<td>World</td>
<td>86.17%</td>
</tr>
</tbody>
</table>

**INTERNET USERS**

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>19.4%</td>
</tr>
<tr>
<td>World</td>
<td>43.4%</td>
</tr>
</tbody>
</table>

**UNEMPLOYMENT RATE**

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>6.1%</td>
</tr>
<tr>
<td>World</td>
<td>5.86%</td>
</tr>
</tbody>
</table>
Macroeconomic data

Sustained GDP growth

- 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

Population development prediction (in million inhabitants)

- **Consuming class**
- **Below Consuming class**

135 million people

Consuming class defined as persons with a real net monthly income of US$ 300 or above.
Structure of the Indonesian economy (2015)

- Household Consumption Expenditure: 39%
- Gross Domestic Fixed Capital Formation: 23%
- Exports of Goods and Services: 15%
- Change in Inventory: 1%
- Imports of Goods and Services: 14%
- Government Consumption Expenditure: 7%
- Non-profit Institution Serving Household Consumption Expenditure: 1%

Large domestic consumer base = Locomotive and guarantor of GDP growth
Economic activity by region
Special Economic Zones & Strategic Tourism Areas

- **Existing SEZs**
  - Sei Mangkei
  - Padang Pariaman
  - Maloy Batuta
  - Palu
  - Lhokseuwie
  - Toba Lake
  - Thousand Islands
  - Tanjung Lesung
  - Mandalika
  - Komodo
  - Borobudur
  - Taka Bonerate
  - Teluk Bintuni
  - Merauke

- **Planned SEZs**
  - Mandalika
  - Komodo

- **Strategic Tourism Areas**
  - Toba Lake
  - Kelayang
  - Thousand Islands
  - Taka Bonerate
  - Merauke
  - Raja Ampat
  - Sorong
  - Teluk Bintuni

- **Industries**
  - Palm Oil
  - Rubber
  - Fertilizer
  - Agro Industry
  - Fishery & Agro Industries
  - Molden
  - Petrochemical Industries
  - Food, Energy
  - Tourism
  - Logistics

- **Regions**
  - West Java
  - Bitung
  - Butuk
  - Palu
  - Biak
  - Raja Ampat
  - Riau
  - East Java
  - Tarakan
  - Bitung
  - Padang Pariaman
  - Maloy Batuta
  - Palu
  - Lhokseuwie
  - Toba Lake
  - Thousand Islands
  - Tanjung Lesung
  - Mandalika
  - Komodo
  - Borobudur
  - Taka Bonerate
  - Teluk Bintuni
  - Merauke

- **Additional Information**
  - **Tanjung Apiapi**
    - Palm Oil, Rubber, Petrochemical Industries
  - **Tanjung Apiapi**
    - Palm Oil, Rubber, Petrochemical Industries
  - **Batu Licin**
    - Refinery, Metal Industry
  - **Garombong**
    - Refinery, Logistic, Petrochemical
  - **Taka Bonerate**
    - Tourism (Maritime)
  - **Merauke**
    - Food, Energy
  - **Bromo Tengger Semeru**
Stable Political environment

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

CABINET

- Professional 66%
- Political Party 34%

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
Source: Ministry of Industry, Facts & Figure 2016
Structure of GDP by Sector in 2015

- Agriculture, Livestock, Forestry, and Fishery: 13.52%
- Services: 10%
- Financial, Ownership, & Business Service: 8.54%
- Transport & Communication: 8.55%
- Trade, Hotel & Restaurant: 16.25%
- Construction: 10.34%
- Manufacturing Industry: 20.84%
- Mining & Quarrying: 7.62%
- Electricity, Gas, and Water Supply: 1.21%

### YOUR GATEWAY TO INDONESIA

<table>
<thead>
<tr>
<th>NO</th>
<th>DESCRIPTION</th>
<th>CONTRIBUTION (PERCENT)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>1</td>
<td>Food &amp; Beverages Industry</td>
<td>28.90</td>
</tr>
<tr>
<td>2</td>
<td>Tobacco Products Industry</td>
<td>5.05</td>
</tr>
<tr>
<td>3</td>
<td>Textile and Apparel Industry</td>
<td>7.62</td>
</tr>
<tr>
<td>4</td>
<td>Leather, Leather Products, and Footwear Industry</td>
<td>1.55</td>
</tr>
<tr>
<td>5</td>
<td>Wood, Wood &amp; Cork Products, and Bamboo &amp; Rattan Plaiting Products Industry</td>
<td>4.19</td>
</tr>
<tr>
<td>6</td>
<td>Paper and Paper Products Industry; Printing and Reproduction of Recorded Media</td>
<td>5.30</td>
</tr>
<tr>
<td>7</td>
<td>Chemical, Pharmaceuticals, and Traditional Medicine Industry</td>
<td>8.78</td>
</tr>
<tr>
<td>8</td>
<td>Rubber, Rubber Products, and Plastics Industry</td>
<td>5.07</td>
</tr>
<tr>
<td>9</td>
<td>Non-Metallic Mineral Industry</td>
<td>3.92</td>
</tr>
<tr>
<td>10</td>
<td>Basic Metals Industry</td>
<td>4.43</td>
</tr>
<tr>
<td>11</td>
<td>Fabricated Metal Products Industry; Computer, Electronic and Optical Products Industry; and Electrical Equipment Industry</td>
<td>10.00</td>
</tr>
<tr>
<td>12</td>
<td>Machinery and Equipment Industry</td>
<td>1.65</td>
</tr>
<tr>
<td>13</td>
<td>Transport Equipment Industry</td>
<td>10.90</td>
</tr>
<tr>
<td>14</td>
<td>Furniture Industry</td>
<td>1.55</td>
</tr>
<tr>
<td>15</td>
<td>Other Industry; Repair and Installation of Machinery and Equipment</td>
<td>1.09</td>
</tr>
</tbody>
</table>

**GDP OF NON-OIL & GAS INDUSTRY**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

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 retail 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.

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

Non-Alcoholic Beverage Breakdown

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

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.
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 Xl Axiata; 95% of mobile users are prepaid subscribers.

Indonesian Mobile Phone User vs Internet Penetration

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

[III] Indonesian Internet Governance Forum, 2013

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.
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)


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

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

- **225** infrastructure projects as national strategic projects
- **27** priority projects
- **2** focus sectors: Water and energy

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

(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.
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 Shipyards
    - Able to meet international standards
    - Production of vessels for civil use
    - International cooperation
    - Established on international market
Input to shipbuilding in Indonesia

**Design & Engineering:**
100% (domestic)

**Production/Construction:**
100% (domestic)
- 1. Steel Plate
- 2. Electrode
- 3. Gas
- 4. Insulation
- 5. Main Switch Board
- 6. Air Conditioning
- 7. Paint
- 8. Out Fitting, etc.

**Material**
- 65% import
- 35% domestic

**Machinery:**
- Main engine & gear box
- Shaft & propeller
- Main generator
- Boiler
- Pump
- Purifier
- Oil water separator
- Sea water treatment
- Fresh water generator
- Air condition unit

**Electric & Electronic:**
- Main & emergency switch board
- Navigation & radio equipment (radar, auto pilot, gyro
- & magnetic compass, echo sounder, speed log, rai,
- Gps, radio comm gmdss, uhf, vhf, immarsat-c, navtex)
- Communication system (public address, sound power
- Tlp, fire alarm, wistle horn, electric clock)
- Transformer, battery charge
- Electric cable
- Lighting
Steps to Market Entry in Indonesia

1. Visit the Indonesian market yourself
2. Export products working with local business partners
3. Appoint an agent to explore the market
4. Establish a company having in mind your planned business aims
5. Manufacture in Free Trade Zones in Indonesia
More information?

www.eibn.org

info@eibn.org
Thank you for your attention!