

**THE TIME
TO EXPORT
IS NOW**



MARKET OPPORTUNITIES IN INDONESIA

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PRESENTATION OUTLINE

- 
- 1. Indonesia Fact Sheet**
 - 2. Market Opportunities**
 - 3. Barriers to Market Entry**
 - 4. Conclusion**



INDONESIA FACT SHEET

- **POPULATION**

The world's largest archipelago and muslim-majority nation with population of over 250 million.

Major cities: Jakarta, Surabaya, Bandung, Medan and Semarang.

- **DEMOGRAPHY**

Major ethnics: Javanese, Sundanese, Malay, Batak and Madurese

Age structure: 0-14 years (25.8%), 15-24 years (17.1%), 25-54 years (42.3%), 55-64 years (8.2%), 65 years and above (6.6%)

- **AVERAGE INCOME**

± US\$300/month with GDP per capita income of US\$3,500


- **GDP GROWTH**

2015 – 4.7%, 2014 – 5.5%, 2013 – 5.8%, 2012 – 6.2%, 2011 – 6.5%


ECONOMIC REFORMS BY PRESIDENT JOKOWI

- **Working Cabinet** – Appointing technocrats for certain posts over career politicians.
- **Cut fuel subsidies and heavily focused on infrastructure**
- **Transform into a global maritime axis** – enhancing inter-island connectivity, upgrading port infrastructure and strengthening security.
- **BKPM as one-stop integrated service agency for investment.**
- **Economic deregulation** – reviewing 89 regulations in reducing red tapes, increasing competitiveness and promoting investment.
- **3-hour investment license**
- **11 economic stimulus packages** – dealing with various sectors


MARKET OPPORTUNITIES

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
1.	<p>CONSTRUCTION SERVICES</p> 	<ul style="list-style-type: none"> <input type="checkbox"/> Represent 10% of GDP. <input type="checkbox"/> Market size: US\$104.9 bil. <input type="checkbox"/> Infrastructure (54% or US\$56 bil) <input type="checkbox"/> Need US\$450 bil for infrastructure development in 2015-2019. <input type="checkbox"/> 35,000 MW power needs. <input type="checkbox"/> US\$20 bil in port upgrade/development of 24 commercial ports. <input type="checkbox"/> Improvements in transportation system (e.g. MRT, LRT/Monorail) <input type="checkbox"/> Hotels and commercial buildings. <input type="checkbox"/> Urban public amenities, housing and apartments. 	<ul style="list-style-type: none"> <input type="checkbox"/> Competition from Japan, China and South Korea. <input type="checkbox"/> Competition from local players who mostly are state-owned enterprises. <input type="checkbox"/> Lack of details on projects. <input type="checkbox"/> Land ownership issue <input type="checkbox"/> Open tender. <input type="checkbox"/> Local shareholding requirement. <input type="checkbox"/> Operational issues (e.g. land ownership, tax, finance, HR, regional government, etc).


MARKET OPPORTUNITIES

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
2.	ICT 	<ul style="list-style-type: none"> <input type="checkbox"/> Promising growth in data centre, cloud computing and e-commerce segments. <input type="checkbox"/> ICT spending worth US\$12.9 bil, 15% CAGR. <input type="checkbox"/> Tech-savvy, young and middle class population demanding for greater mobile / online data connection. <input type="checkbox"/> Internet users: 71.2 mil. (most engaged social media users in the region). <input type="checkbox"/> Mobile subscribers of over 300 million, penetration of 122%. <input type="checkbox"/> Private sector looking for ICT solutions to enhance customer service and competitiveness. <input type="checkbox"/> Major operators are rolling out 4G LTE services. 	<ul style="list-style-type: none"> <input type="checkbox"/> Low market awareness. <input type="checkbox"/> Security issues on cloud computing. <input type="checkbox"/> Continued market shift to wireless and data-driven segment. <input type="checkbox"/> High capital expenditure for network modernisation. <input type="checkbox"/> Lack of network infrastructure and unreliable power supply. <input type="checkbox"/> Local content requirements. <input type="checkbox"/> Local shareholding requirements <input type="checkbox"/> Competition from local and international players.

MARKET OPPORTUNITIES

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
3.	<p>AUTOMOTIVE PARTS & COMPONENTS</p> 	<ul style="list-style-type: none"> <input type="checkbox"/> Car production: 1.1 mil units. <input type="checkbox"/> 70% passenger cars (mostly CKDs using imported parts). <input type="checkbox"/> 4 x 2 family type car is the most popular. <input type="checkbox"/> Motorcycle production: 7.9 mil. <input type="checkbox"/> Bicycle production: 2 mil. <input type="checkbox"/> Underbone type motorcycle dominates the market. Scooter is increasingly popular. <input type="checkbox"/> Import value of auto parts: US\$3.4 bil. <input type="checkbox"/> Fast-moving replacement parts are fuel filters, oil filters and air filters. <input type="checkbox"/> High value parts with high profit margin and high volume such as universal accessories and fitments. 	<ul style="list-style-type: none"> <input type="checkbox"/> Competition from Japan, Thailand and China. <input type="checkbox"/> Competition from local parts suppliers. <input type="checkbox"/> Japanese brands dominate the market for both OEM and replacement parts. <input type="checkbox"/> Price competition. <input type="checkbox"/> Indonesian national standards and labelling requirements.

MARKET OPPORTUNITIES

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
4.	<p>FOOD & BEVERAGE</p> 	<ul style="list-style-type: none"> <input type="checkbox"/> Represent 33% of the total annual consumer expenditure. <input type="checkbox"/> Market value: US\$194 bil (GAPMMI) <input type="checkbox"/> F&B sales: US\$76.4 bil (2014). <input type="checkbox"/> Rising middle class. <input type="checkbox"/> Urban lifestyles, eating-out at malls and food franchise outlets. 	<ul style="list-style-type: none"> <input type="checkbox"/> Product registration. <input type="checkbox"/> Food labelling requirements including Halal label. <input type="checkbox"/> Price-sensitive consumers. <input type="checkbox"/> Products should appeal to Indonesian taste and preference. <input type="checkbox"/> Competition from established local players like Indofood, Mayora Group and ABC Group.

BARRIERS TO MARKET ENTRY

- Import permit requirement (API).
- Product registration and approval.
- Mandatory product standards certification (SNI).
- Duties imposed at point of imports:
 - ❖ Import duties vary from 0%-40%;
 - ❖ Excise duty on alcohol and tobacco products at 275%;
 - ❖ Income tax of 2.5% for registered importers, 7.5% for unregistered importers. 100% surcharge on importers without tax ID number; and
 - ❖ Sales tax of luxury goods between 10% and 75% (exemption on electronics, sports items, musical instruments, high-end branded items, home and office appliances – yet imposed 10% income tax on importers)
- VAT of 10% at point of sales.

CONCLUSION

- Indonesia - huge market with great potentials and opportunities.
- Exporters must be proactive, able to produce quality products at competitive prices.
- Be wary of challenges and regulatory requirements.
- Working closely with local importers and partners to succeed.
- Get assistance in doing business from MATRADE.