



# INDONESIA

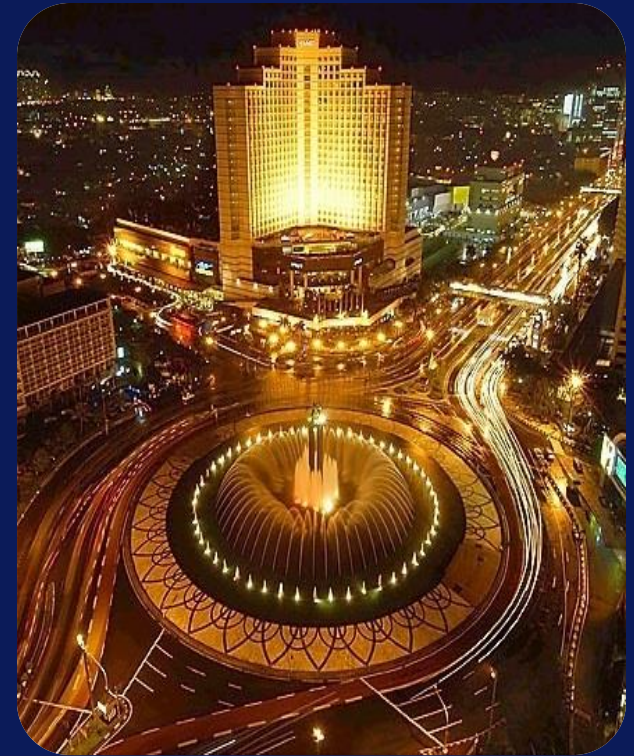
## 2015



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# Presentation Overview

- Economic Outlook
- Government Policies
- Business Views
- Sectors of Opportunity



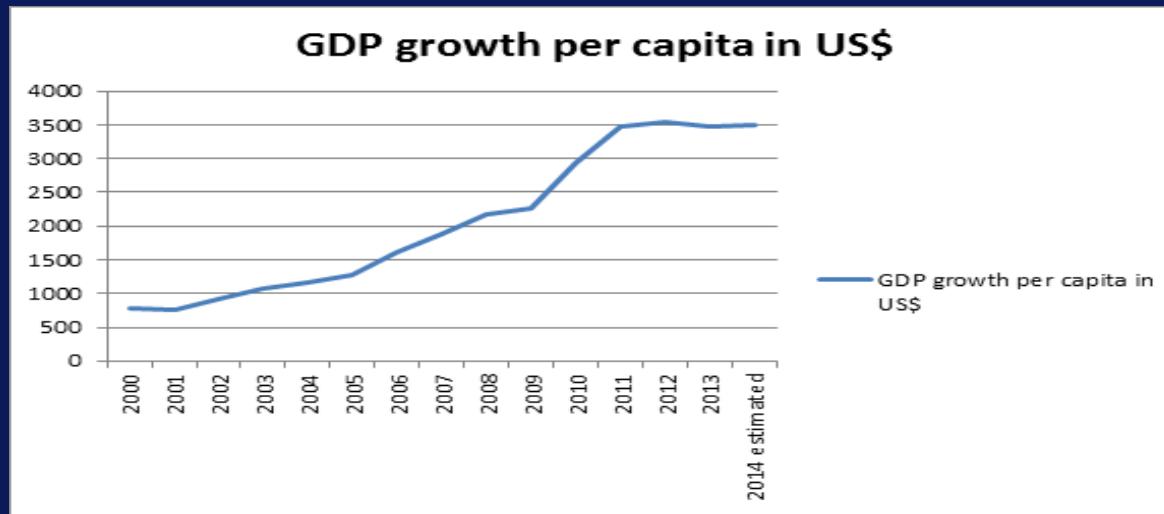


# Indonesia Today

- 16th largest economy in the world
  - GDP: \$1.3 T
  - GDP/Capita: \$5,200
  - Exports: \$178.9 B      – Imports: \$178.6 B
  - Trading Partners (Imports):
    - China 15.3%, Singapore 13.6%, Japan 11.9%, Malaysia 6.4%, South Korea 6.2%, **US 6.1%**, Thailand 6%
- 45 million members of the Consuming Class
- 53% of population in cities, producing 74% of GDP

# Key Economic Indicators

## *Positive Macroeconomic Story Since Asian Financial Crisis*



- ✓ GDP growth averaging above 5.0%
- ✓ Debt/GDP reduced from 86% ('00) to 22% ('13)
- ✓ Stable inflation, interest and unemployment rates
- ✓ Poverty cut in half from 24% ('99) to 12% ('12)
- ✓ Rising middle class - per capita GDP now ~\$3500

# Trade and Investment

\$ Million	Total Trade	U.S. Exports to Indonesia	Indonesian Exports to the U.S.	U.S. Trade Deficit	Total Trade Growth
2014	27,693.20	8,331.30	19,361.90	-11,030.60	-1.01%
2013	27,976.40	9,099.70	18,876.70	-9,777.00	7.60%
2012	26,001.10	7,998.80	18,002.30	-10,003.50	-2.00%
2011	26,532.30	7,421.40	19,110.90	-11,689.50	13.26%
2010	23,426.20	6,947.90	16,478.30	-9,530.40	29.82%

- AmCham Study on U.S. FDI
  - \$61 Billion in last 7 years
  - \$65 Billion in next 5 years if business climate is right
  - Tech and Skills Transfer, Job Creation

# Indonesia in 2030

- 7th largest economy in the world
- 135 million members of the consuming class
- 71% of population in cities producing 86% of GDP
- 113 million skilled workers needed
- \$1.8 trillion market opportunity in consumer services, agriculture and fisheries, resources, and education





# Core Strengths

- **Driven by Consumption**
  - Indonesia's current impressive economic progress is a commodity export – domestic consumption story
- **Commodity Powerhouse**
  - It is the world's largest exporter of palm oil and the second largest exporter of thermal coal, tin and cocoa.
- **Strength in Energy**
  - It has 3.5 billion barrels of proven oil reserves and over 110 trillion cubic feet of natural gas reserves
- **Demographic Dividend**
  - over 46% of Indonesia's 250 million people are under the age of 25; 30% are under 15.



# Indonesia's Middle Class

- By 2020 roughly 141 million people are expected to be in the middle and affluent class – about 8-9 million people will enter the middle class each year.
- Franchises: increasing demand for U.S. brands from quality-conscious middle class
- Est. 14% annual growth for foreign franchises
- Education: secondary education growth with history of overseas education



# Economic Priorities

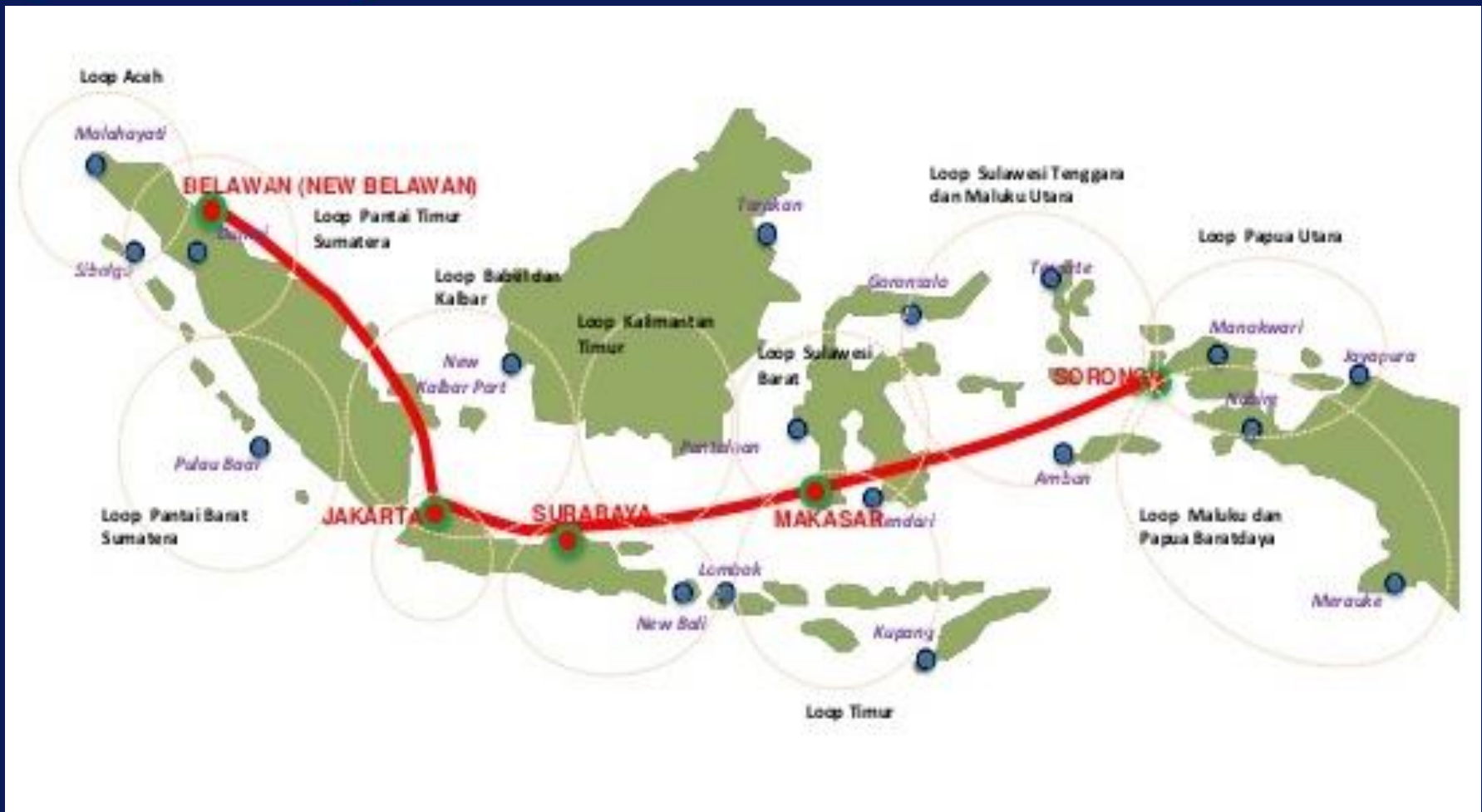
- Target growth of 7% GDP by 2019 – up from current 5 - 5.2%
- Maritime Highway – Commerce & Connectivity
- Address Income Disparity
  - Institute Universal Healthcare
    - 135.7 million registered users currently
  - Expand Electricity Access Across Indonesia
    - 60% electrification rate (GOI Goal: 90% by 2020)
    - 2/3 of those without access live in rural areas



# New Administration – Renewed Spending Priorities

- Infrastructure
  - *Power: 35 GW of new power in 5 years*
  - *Ports: \$6 billion for 24 new seaports and existing upgrades*
  - *Reduce Logistics Costs Currently at 24% of GDP*
- Healthcare
  - *Currently 3% of GDP and will continue to grow*
  - *50,000 new local health centers over 5 years*
- Defense
  - *Increase spending from 0.9% to 1.5% of GDP*

# Maritime Highway





# One-Stop Investment Approval

- Indonesian Investment Coordinating (BKPM)
  - 21 Ministries and Agencies delegated officers to BKPM headquarters
- Aimed at simplifying and easing investing into Indonesia
- Initial phase underway – expect complete rollout in 2015
- 2014 Domestic Investment: \$12 billion
- 2014 Foreign Investment: \$24 billion

# Business Optimism

Based on Survey of American Businesses in  
Indonesia



- 57% expected their Indonesia workforce to expand in 2014
- 88% expect profits to increase in 2015
- 81% look to expand in 2015



# Business Concerns

- Infrastructure
- Corruption
- Laws & Regulations
- Government Incentives
- Availability of Trained Personnel
- Customs Difficulties
- Local Protectionism
- Free Movement of Goods





# Competition & Ease of Entry

- Sectors with more market competition and less government regulation face fewer policy challenges
- More Challenges from GOI Regulation
  - Extractive Industries, Oil & Gas
- Fewer Challenges from GOI Regulation
  - Consumer Goods      — Financial Services
  - Technology

# Leading Sectors

- Renewable Energy and Power Generation
- Healthcare Technology
- Aviation/Airports
- Education and Training
- Defense
- Telecommunication/ICT
- Franchising



# Energy & Power Expansion

- Total 43 GW expansion over next 5 years
  - Jokowi Plans: 35 GW
  - Previously Planned: 8 GW
  - 50,000 km additional transmission capacity
- \$83.5 billion in needed investment
- 8 GW/year of new capacity to reach goals
- IPPs need to develop 25 GW of expansion
- US Embassy formed Power Working Group
  - Showcase U.S. industry value to support expansion



# Aviation Sector Growth

- 237 Airports
- Growth & Expansion
  - 15 New Airports
  - 22 Expanded Runways
- 1,500 Indonesian Aircraft in operation
- 100 million domestic passengers were expected in 2014, 15% growth over 2013
- Indonesia will enter the top ten aviation markets around 2020
- Indonesia to be 5th largest domestic market in coming years



# Conclusions

- ❖ *Vibrant, Stable Democracy*
- ❖ *Huge Market of 250 million, largest in ASEAN*
- ❖ *Strong, Growing Economic Factors*
- ❖ *Growing Middle & Consumer Classes*
- ❖ *Human Capital & Skills Shortages*
- ❖ *Some Sectoral Challenges*
- ❖ *Ease of Doing Business Hurdles*



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