

overview

The largest economy in Southeast Asia with stable economic growth

Indonesia is currently the world's 16th largest economy with US\$1.54 trillion of GDP and forecasted to be the 5th largest economy (PPP) in the world in 2030 by the IMF. The only member of G20 from Southeast Asia, Indonesia's economy has been growing relatively stable at >5% p.a. in the last two decades. In 2023, it recorded 5.05% of growth, among the highest in G20. OECD projected Indonesia's GDP to expand 5.2% in 2024, compared to 2.7% of global growth.

Strong domestic demand

As a market, Indonesia has 277 million of population (2023) and is a home for 141 million of middle affluent class. It represents 41% and 36% of Southeast Asia's population and economy. It is also a gateway to its 680 million people as a single market. In addition, it is a hub for export implementing FTAs with 30 countries, including RCEP that covers one-third of world population.

Young and tech-savvy population

Two of three population are in working age with the average age below 30 y.o. and this demographic bonus will continue in 2050. With improving education and skill (1.4 million graduates per year), Indonesia offers ample workforces with one of the most competitive and predictable wages in the region. In 2023, there are 212 million and +5.2% growth of internet users with 77% of internet penetration. 167 million (60%) Indonesians are also active social media users.

A resource-rich country with thriving downstream industries

Indonesia is one of the largest archipelagic nations blessed by abundant natural resources and unparalleled tourism destinations. It is the largest nickel producer, a major producer of tin, bauxite, copper, and gold. In addition, Indonesia is a global source of palm oil, rubber, timber, cocoa, and coffee. Indonesia is focusing on downstream industry to add value of its natural resources. It is estimated that US\$545.3 billion of investment is required until 2040 to seize global demand in mineral, coal, oil, gas, plantation, forestry, fishery, and marine sectors. The country also has 20 special economic zones and 120+ large-scale industrial estates.

key sectors

Automotive/ Electric Vehicle



Indonesia is the main automotive market and producer in Southeast Asia. In 2019, the country produced 1.3 million cars, exported 332,000 cars, and recorded >1 million car sales. The figures have been recovering since the pandemic. There are at least 1,550 companies with currently 450,000 workers in tier 1, 2 and 3 with production capacity of 2 million cars per year. In the EV scene, Indonesia aims at becoming a global key player in the ecosystem given that by 2030, it will account for 45% of global mine supply of nickel. Working with global major brands from Asia, Europe, and America, Indonesia targets 600,000 of electric car production by 2030.

Textile and Apparel



Not only the largest market in Southeast Asia (US\$22 billion of total revenue in 2023), Indonesia's market also has the highest textile consumption growth in the region, +9% CAGR 2016-2025. Source of the world's reputable clothing brands, the country is a major global exporter (US\$12 billion in 2022) with the USA, the EU and the Middle East among the most important export destinations. There is also growing opportunity especially in Muslim textiles as the largest Muslim nation and functional clothing such as sportswear.

Food and Beverages



Indonesia covers 30% market of F&B in Southeast Asia with +12.4% growth of total revenue (CAGR 2022-2027). One of key growth factors is the shifting behavior of the consumer to modern packaged and higher quality food, supported by its growing middle-income market and abundant agricultural productions such as palm oil, sugar, corn and cereal. The country is also already a production hub for global biggest brands for regional market.

Chemicals



Indonesia's basic chemicals market was valued at US\$17.6 billion in 2020 and is projected to reach US\$35.1 billion by 2030, growing at 7.2% CAGR 2021-2030. There are huge opportunities in import substitution in this sector to support other manufacturing industries. In 2022, Indonesia imported US\$3.9 billion of various chemical products with +12% growth trend (2018-2022), not including import of organic and inorganic chemicals valued at US\$10.5 billion.

Electronics



The consumer electronics market in Indonesia is experiencing rapid growth, driven by the increasing adoption of smartphones and the growing demand for smart home devices. It is projected that the market revenue will amount to US\$21.4 billion in 2024 with +2.53% growth CAGR 2024-2028. In addition, average volume of consumer electronic per capita in Indonesia is still low (0.9 piece in 2024), compared to 1.3 piece in China and 3.0 in the US. In the 4th industrial revolution, electronics product also becomes key inputs for multiple sectors with vast growing demand, both domestically and globally.

Tourism



International tourist arrivals doubled between 2012 and 2019 (16.1 million) and has been recovering since the pandemic to 11.7 million in 2023. Tourism GDP is estimated to grow at +6.1% p.a. from 2018 to 2028 (US\$35.1 billion). In addition, Indonesia recorded 750 million of domestic trips in 2023. Currently, the country is accelerating development of five super priority tourism destinations, namely Borobudur, Labuan Bajo, Likupang, Mandalika, and Lake Toba.

Renewable Energy



Indonesia is expediting new and renewable energy (NRE) investment to achieve Carbon Neutral by 2060. Until 2030, US\$50 billion of investment is required to add 20.9 GW to current 12.5 GW of NRE installed capacity. The country has large, varied and dispersed potential of NRE, but only <1% of total potential has been utilized, dominated by hydro, bioenergy, and geothermal.

investment climate

Open policies for foreign direct investments (FDI)

All business activities are open for 100% foreign ownership, except a few business activities with certain requirements listed in the Presidential Regulation 49/2021. By law, the government ensure same treatment to foreign and domestic direct investment (FDI and DDI), right to transfer assets and no ownership takeover. An FDI company is required to establish a limited liability (*Perseroan Terbatas* or PT) in Indonesia with a minimum capital of IDR10 billion (~US\$700,000).

Simplified investment regulation and licensing

Indonesia issued Job Creation Law 6/2023, a breakthrough in the country's legal system, which revised 79 laws through a single law ("omnibus law"). It aims at creating vast job opportunities by improving investment climate and legal certainty, harmonizing central-regional policies, and simplifying regulation. To implement the law, several regulations have been issued, including the on-line single submission (OSS) with risk-based approach for investment licensing.

Tax holiday and tax allowance

Tax holiday is exemption of corporate income tax (CIT) offered to eligible pioneer sectors for 5-20 years depends on the investment size started at IDR500 billion (~US\$36 million). For smaller scale investment, government offers mini tax holiday, a 50% reduction of CIT for 5 years. Tax allowance is reduction of gross income subject to CIT by 30% of initial fixed asset (5% per year for 6 years) for certain business fields and/or regions. It also includes accelerated depreciation, reduced dividend withholding tax rate, and extended tax loss carryforward up to 10 years.

Super tax deduction

This major tax deductions aim at boosting investment, R&D, and the participation of businesses in improving human resources. They include reduction of gross income subject to CIT up to 300% of the cost of R&D activities or up to 200% of the cost of educational activities, also 60% reduction of CIT from capital investment for labor-intensive industries.

Import duty facility

On trade side, Indonesia provides an exemption of import duty on imported machines, goods, and material for production applied for 2 years or 4 years for companies using locally-produced machines (minimum 30%). Exemption of custom duties, taxes for importing, processing and exporting are applicable in 4 free trade zones.

Additional incentive for EV ecosystem

To accelerate EV growth, Indonesia recently offers additional incentives to import completely built-up (CBU) EV, including import duty, sales-tax, and tax free or tax reduction incentives, applicable to companies who have invested in EV manufacturing facilities, are planning to invest, or have increased their EV investments. Incentives are also granted for companies providing public EV charging stations, EV battery swap stations, and entities or residences utilizing private electrical installations.

End-to-end services and tailored facilities

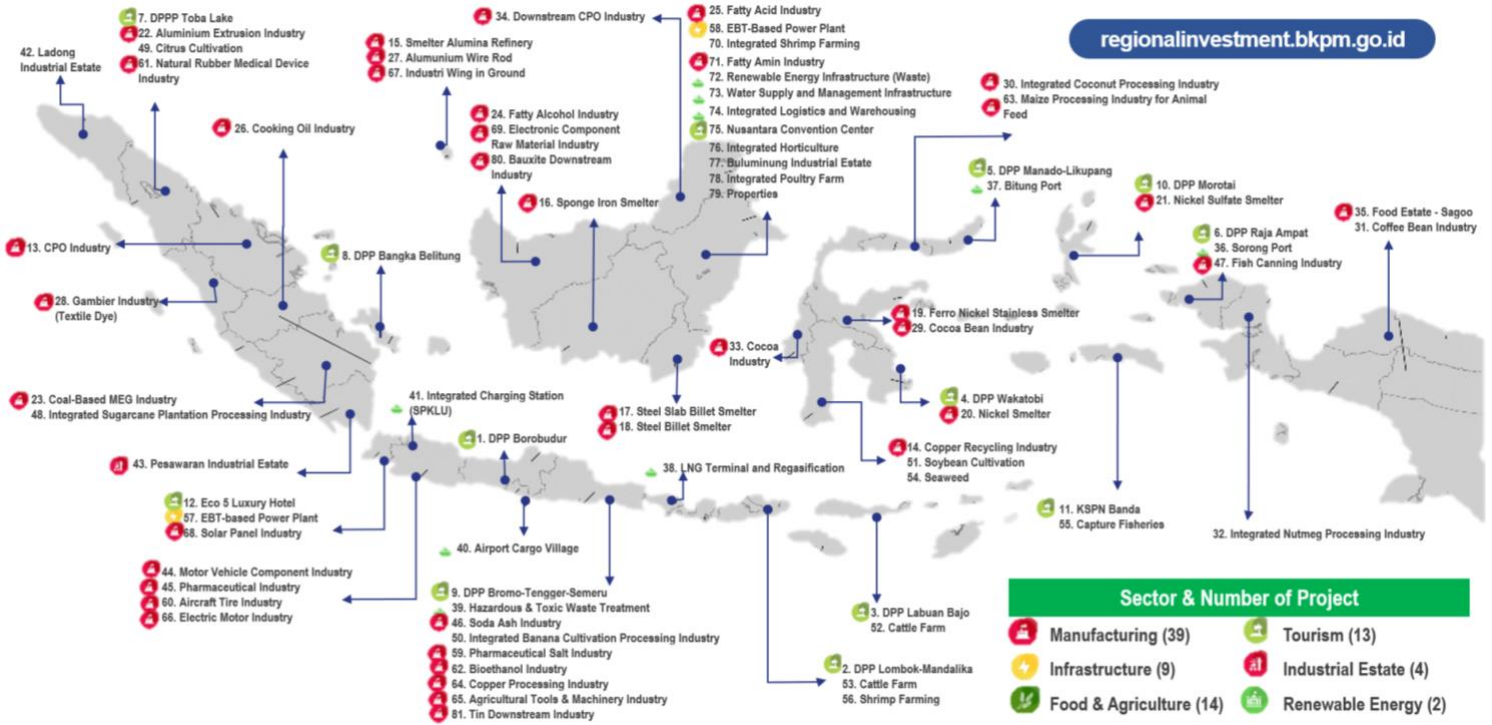
Ministry of Investment/BKPM is given the authorization to issue business licenses and investment facilities from other ministries/institutions. It empowers the ministry to provide end-to-end services, including tailored facilities for each investor. The service is also supported by related stakeholders under National Task-forces for Investment whose task is resolving investment bottlenecks, also Indonesian Embassies/Consulate General and Indonesia Investment Promotion Centers (IIPCs) abroad. In addition, a new integrated industrial estate is being developed in Batang, Central Java. Backed by SOEs, it offers highly competitive land lease.

Ministry of Investment / Indonesia Investment Coordinating Board (BKPM)

investment opportunities

Investment Project Ready-to-Offer (IPRO) and New Capital "Nusantara"

Ministry of Investment/BKPM curated 81 IPROs throughout Indonesia with total indicative value of IDR239 trillion (~US\$15.9 billion) equipped with pre-feasibility study. For project profiles and further information, please contact us or visit regionalinvestment.bkpm.go.id. Indonesia also invites investors to participate in the development of the New Capital "Nusantara". Go to www.ikn.go.id/en to learn more about the Indonesia 2045 Vision to create A Global City for All.



Investment Opportunities in New Capital "Nusantara"



The Government Core Area (KIPP)

- Basic Infrastructure**
- Provision of safe drinking water
 - Liquid waste management
 - Solid waste management
 - Provision of raw water supply
 - Housing
- Energy Development**
- Solar power plant development
 - Floating Photovoltaic on Semoi Sepaku Dam
- Transportation**
- BRT system
 - Intelligent Transport System & Transit System
 - Urban freight transport

Industry and Economic Cluster

- Smart City and Digital Hub**
- Industry 4.0 for existing industry
 - Smart City technology
- Education in the 21st Century**
- Vocational High School
 - STEM Institute
 - Compulsory education (12years)
- Sustainable Agriculture**
- Plant-based protein
 - Plant extraction
 - Herbal products and nutrition
- Integrated pharmaceutical**
- Active pharmaceutical ingredient
 - Biosimilar
- Inclusive ecotourism & Wellness**
- Ecotourism & wellness tourism
 - Nature and wildlife tourism
 - Urban tourism/multi-purposes hotels
 - Medical tourism
- Advanced Chemical Industry**
- Petrochemicals
 - Oleochemicals
- Next-gen Renewable Energy**
- TV cell assembly
 - 2-W electric vehicle assembly
- Low-carbon energy**
- Biofuels
 - Electrification, Digitalization, and mining rehabilitation

Priority investment in KIPP "Nusantara" targeted for completion in 2024



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