

INDONESIA 2017



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Overview

- National and Economic Overview
- Regional Comparison
- Challenges and EODB Issues
- Best Prospects and Strategy



Indonesia: Country of Promise

- More than 17,000 islands

- 1 of the top 10 most biodiverse countries in the world



- 255 million people

- 74 million in the middle and affluent class; expected to rise to 141 by 2020

Note: middle and affluent are those with monthly spend of IDR 2 million or above (\$152). Data point from BCG.

Indonesia: Country of Promise

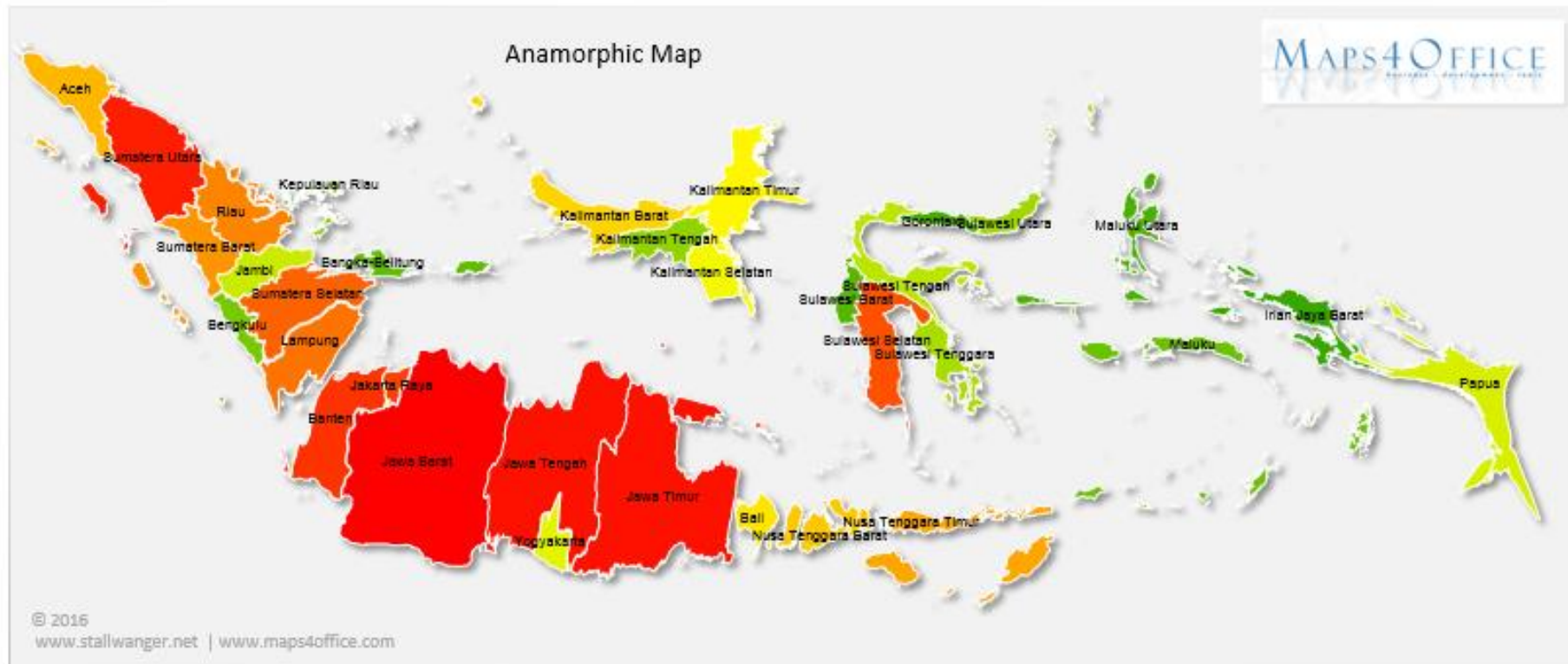
- Digitally savvy:
- 4th largest Facebook subscribers
- #1 most tweeting city in the world
- More than 90 million internet users and 76% shopped online last year!

- Rich in natural resources including petroleum, tin, natural gas, nickel, timber, bauxite, copper, fertile soils, coal, gold, silver



Population Density

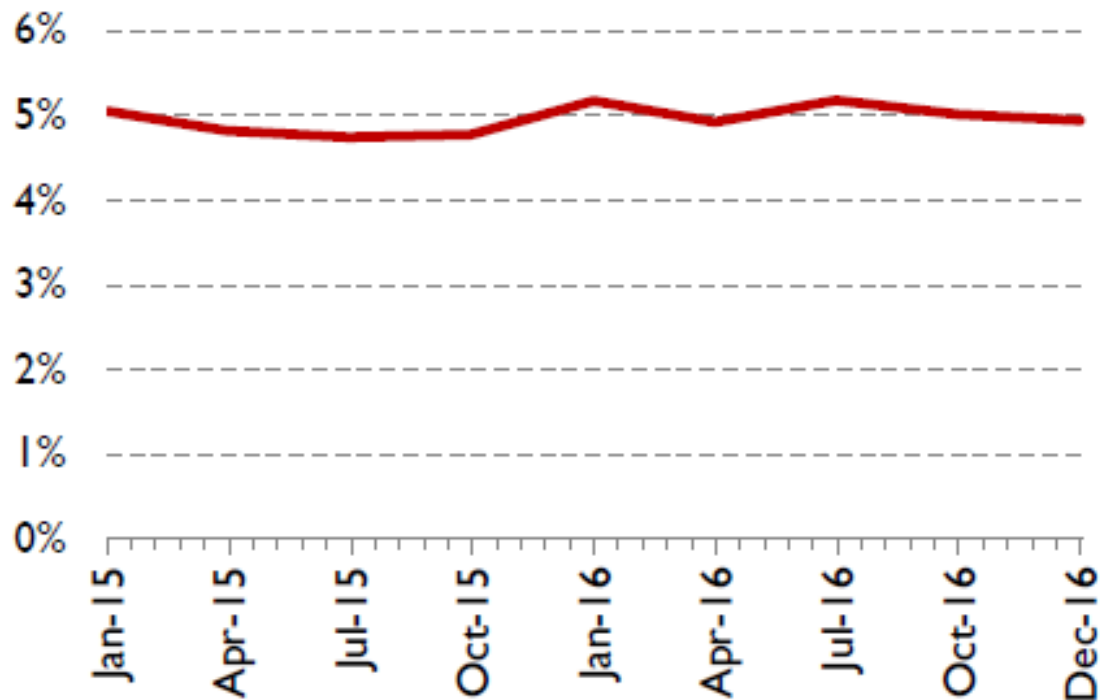
IDN – Indonesia Population Map | 2015 – Propinsi (Province)



Steady Growth

Real GDP Growth

quarterly rate, y-o-y



Sources: Badan Pusat Statistik; Central Bank of Indonesia

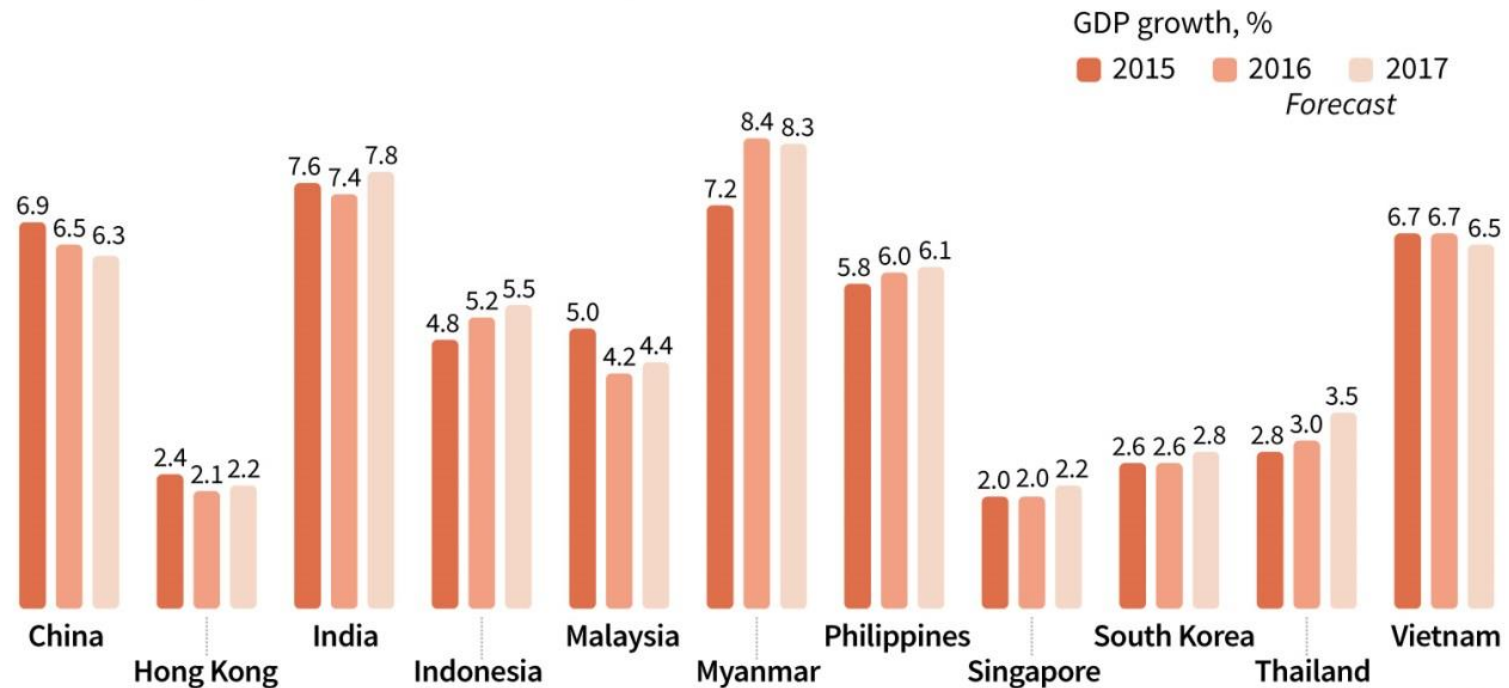
Economic Overview

- 5.0% growth in 2016, slight uptick over 2015
- Growth expected to be flat in 2017
- Growth below 6% is not enough to create jobs for the 3 million people entering job force each year
- Rupiah has stabilized
- Commodity price improvements are supporting trade surplus. Since January 2016, prices for rubber, crude oil, palm oil, copper, and coffee have risen, while the prices of liquid natural gas (LNG) and cocoa have declined.
- Bilateral Trade is \$25 billion, \$19 bn in US Imports, \$6 bn Exports
- US exports down 10% over last 5 years

Asia growth comparison

Asia growth outlook

Asian Development Bank's outlook for select countries



Source : ADB

© AFP

Global IPR Index



Figure XIX: Overall Economy Scores, Bottom Half

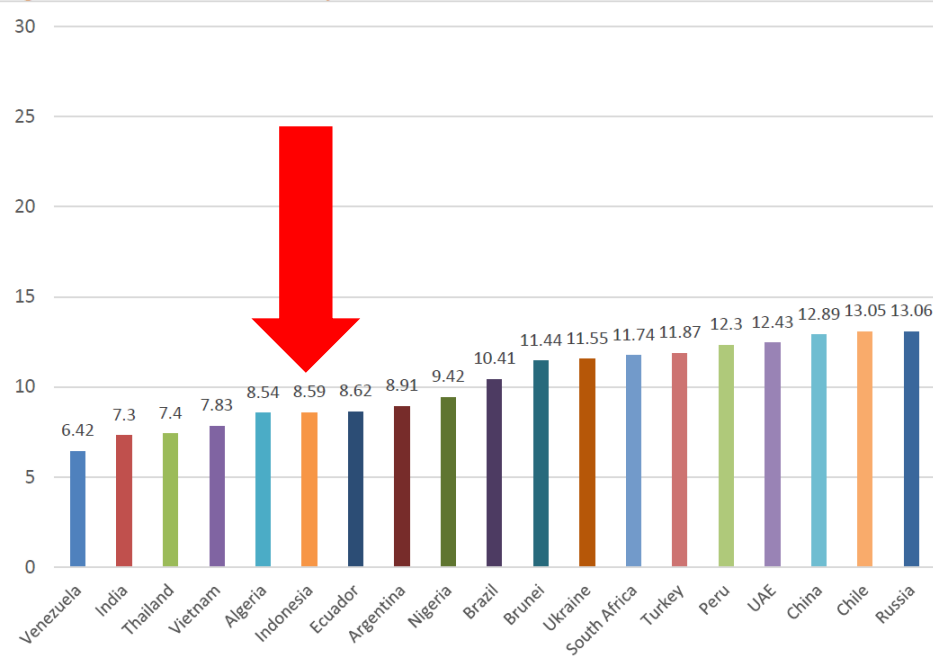
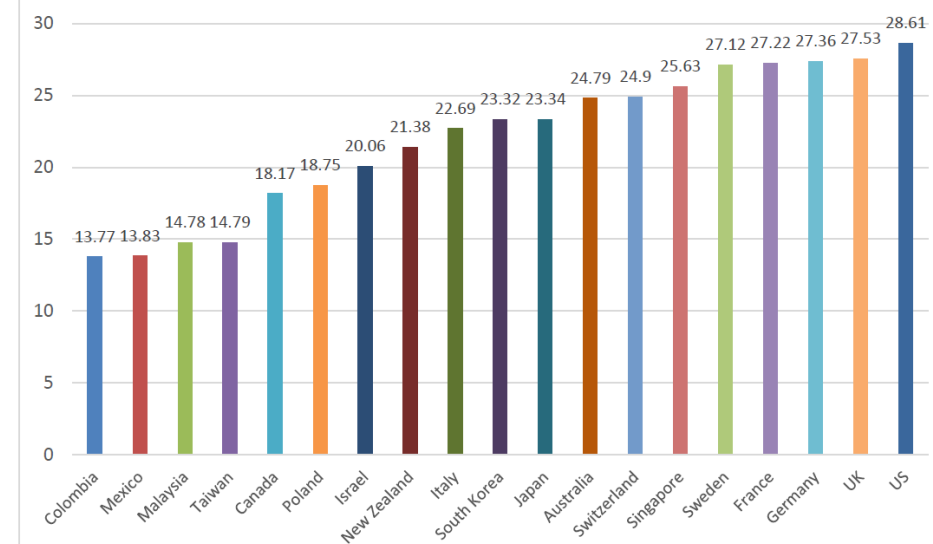


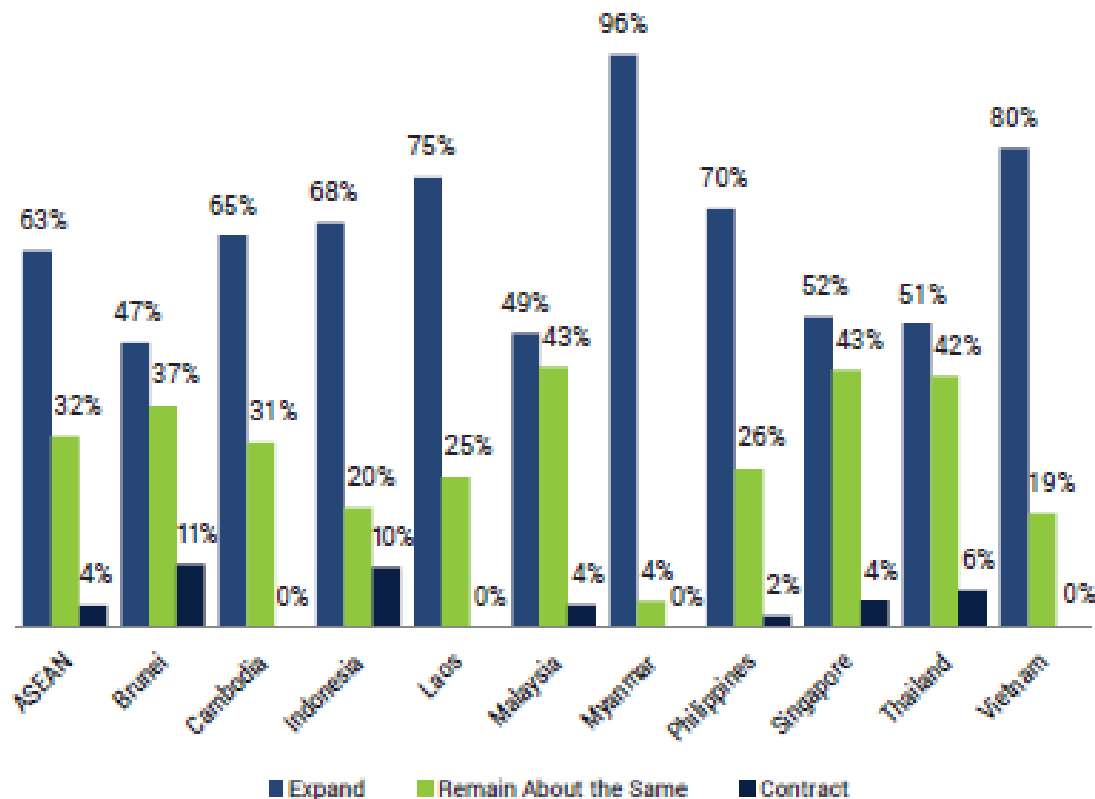
Figure XVIII: Overall Economy Scores, Top Half



Source: U.S. Chamber International IP Index 2017

Growth

The majority of respondents (63%) also report that their companies will be expanding in their current countries of operation, a figure unchanged from last year, while only 4% expect their companies to contract. Executives in Myanmar almost universally expect to expand (96%). Respondents from the consumer goods and consulting industries are, respectively, the least and most likely to expect their companies to expand.



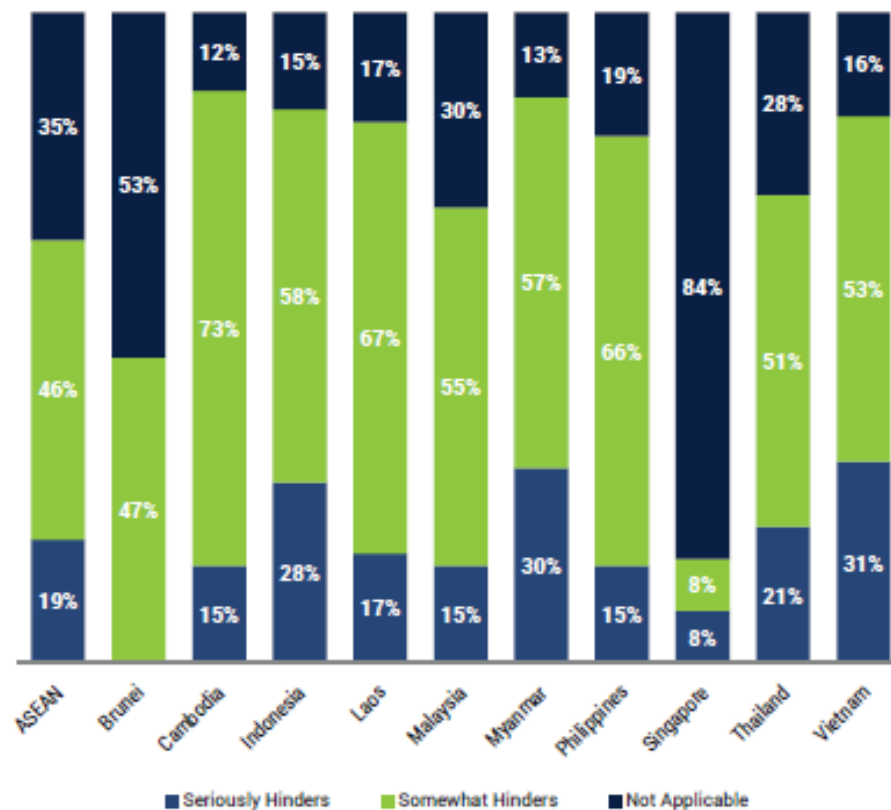
**In Your Response
Location, Does Your
Company Plan to
Expand or Contract?**

Source: ASEAN
Business Outlook
Survey 2016 by U.S.
Chamber and
AmCham Singapore

Corruption overall

CORRUPTION AND BRIBERY RISKS FOR CURRENT BUSINESS OPERATIONS

Corrupt business environments can result from the way in which the state enforces the law. Failure to enforce laws fairly and efficiently is seen as a substantial challenge by the majority of businesses across ASEAN (65%). With the exception of Brunei and Singapore, the majority of respondents in all ASEAN countries report that the lack of fair enforcement of the law "seriously hinders" or "somewhat hinders" their current ability to do business.



Lack of Fair
Enforcement
of the Law

Source: ASEAN
Business Outlook
Survey 2011/16 by U.S.
Chamber and
AmCham Singapore

Ease of Doing Business

Economy		Ease of Doing Business Rank [▲]	Starting a Business	Dealing with Construction Permits	Getting Electricity
Uzbekistan		87	25	147	83
Guatemala		88	119	89	19
Samoa		89	37	96	59
Uruguay		90	60	163	43
 Indonesia		91	151	116	49
Kenya		92	116	152	106
Seychelles		93	137	146	140
Saudi Arabia		94	147	15	28
El Salvador		95	129	156	109
Trinidad and Tobago		96	69	149	31
Fiji		97	159	101	82
Zambia		98	105	78	153

Indonesia is #91 out of 190, up 15 slots in 2016. Pres. Jokowi aiming for #40 by 2018.

Source: World Bank

Economic Reform Packages

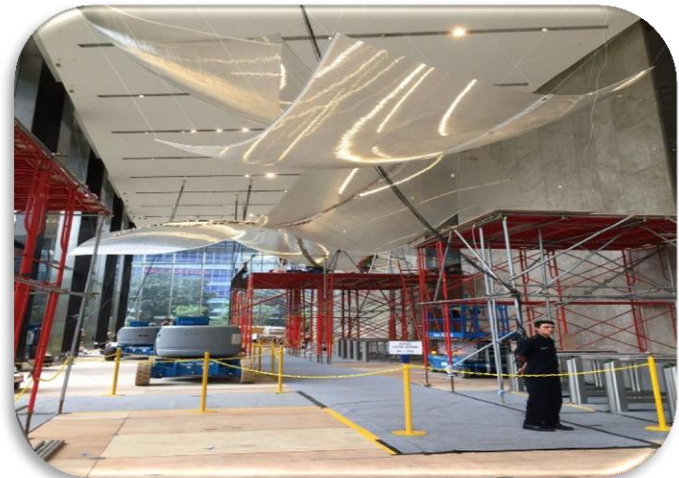
Channel NewsAsia logo and navigation bar. The main article is titled "Indonesia to open up more sectors to foreign investment: President Widodo". The article text states: "We are seriously considering deregulation across the board, but focusing on e-commerce, healthcare, and creative industry," President Joko Widodo said in an interview with Reuters on Wednesday. The article is by Tang See Kit, Channel NewsAsia, posted on 10 Feb 2016 at 15:01 and updated at 18:15. A video player is embedded below the text, showing a man in a suit speaking. The left sidebar contains "RELATED CONTENTS" and "MORE BUSINESS NEWS" with various news snippets.

JakartaGlobe logo and navigation bar. The main article is titled "Govt Lowers Tax on REITs as Part of 11th Economic Stimulus Package". The article text states: "Jakarta. The government has lowered the tax rate imposed on property acquired by the local version of real estate investment trusts, providing a wider choice of investment instruments, as part of its 11th economic stimulus package aimed at propping up the economy. Coordinating Economics Minister Darmin Nasution said in a press conference at the State Palace in Jakarta on Tuesday (29/03) that the government would impose a 0.5 percent final income tax rate (PPH) on the sales of property to REITs. The rate stood at 5 percent previously. 'There is still, of course, the land and building rights acquisition duty (BPHTB). We have received commitments [to review this] from several local governments, but we need a regional regulation so we cannot announce the tariff [of the BPHTB] yet,' Darmin said. Darmin announced earlier this month that the government and property business lobby Real Estate Indonesia had agreed to lower the duty on land and building rights acquisitions to 1 percent from 5 percent previously. 'However, we can assure you that both the final income tax and the land and building rights acquisition duty combined will still be competitive, compared to neighboring countries,' he said. Tuesday's announcement was part of the government's 11th policy package, which offers other incentives for businesses, including a less complicated administrative procedures that would reduce dwelling times at Indonesia's harbors and a new standard operating procedure for pharmaceutical companies to lower medicine prices."

- 14 New economic reform packages
 - 35% reduction in # of licenses
 - 100% foreign investment in some retail stores
 - 70 license application moved online
- Most important reform is revision of the Negative Investment List (DNI)
 - New sectors open to foreign investment: e-commerce, tourism, film, pharmaceutical

Strategy

- Long term approach, patience is required.
- Develop local partners but check to monitor company reputation.
- Creative financing– ESCOs, PPPs.
- Young population open to new technologies, education and travel
- Because of the entrance into force of the AEC, opening Indonesia's market to goods and services from all ASEAN members. Realization it has to compete with its neighbors for trade and investment



Bright Spots

- Long Term Best Prospects
- Export growth in Defense equipment
- Growth in consumer products– Cosmetics exports up 15% to \$51 mn
- Digital Content / Fin Tech / E-Commerce



Presidential Priorities:

- Tourism
- Manufacturing
- Agriculture
- Transportation

Fin Tech

- Fintech market generated \$14.5 billion in transacts during 2016 and that number is growing as the middle class grows
- Only 36% of adults have bank account leaving much room to grow

Only 27% of Indonesians save money at a financial institution

Only 7% receive wages via a bank account

Only 9% use a debit card to make payments

And 50% still borrow through non-bank mechanisms

According to a World Bank Index

E-Commerce

- Indonesians spend 3.5 hours daily accessing the internet on mobile devices... much longer than Americans, who average 1.7 hours a day
- The number of Indonesians using social media services increased from 76.5 million in 2014 to 129.2 million in 2015
- In 2015 46.1 million people made online purchases more than once in a month, though only 9.9 million users paid for their online purchases through internet banking

Indonesia's e-commerce market was estimated at \$1.38 billion as of 2015



Top Digital Economy Challenges

Policies:

- Data Center Localization Requirements (Koinfo Regulation 20/2016 Concerning Protection of Personal Data in Electronic Systems)
- Local Content Requirements for 4G LTE ICT products
- Proposed OTT requirements

Negative Investment List:

- E-commerce allows 100% foreign ownership, ***if*** the valuation is above Rp 100 billion (\$7.5 million)
- Fintech lenders are allowed to have 85% foreign ownership
- Payment system providers are only allowed 20% foreign ownership

Best Prospects: The Big Five



Energy

- In 35,000 MW program, 18.277 MW (52%) has been contracted (signed Power Purchase Agreement)
- Nearly 15 million people without access to energy

Aviation

- By 2034, Indonesia will be the world's 6th largest air travel market
- Air cargo volume expected to grow 4.5% this year



Best Prospects: The Big Five

Education

- Number of higher education students has doubled in the last five years.
- 50,000 Indonesian studying abroad and expected to increase 20% annually
- Nearly 9,000 studying in the U.S. (up 6.6% from last year)
- These students contributed \$303 million to US economy in 2015



Healthcare

- Medical equipment and services market expected to reach \$914 million in 2016
- 10% of medical devices are from the U.S.
- In the next 5 years private sector plans to develop over 30 hospitals.
- U.S. exports grew 2% to \$193 mn in 2016

Best Prospects: The Big Five

IT

- Indonesia plans to spend USD \$20 billion in the next five years to ensure connectivity across the archipelago.
- Use of ICT to strengthen national connectivity to balance economy and infrastructure development.
- Opportunities for U.S. firms to supply base transceiver stations, transmission equipment, broadband wireless access, and value-added/data services.



Eastern Indonesia

- To balance Indonesia's economy and draw more development to Eastern Indonesia, huge focus on power, water, maritime surveillance, weather data, aviation upgrades



Upcoming Events

CommunicAsia2017

The 28th International Communications and Information Technology
Exhibition & Conference

2017 MAY 23 • MAY 25
Tuesday - Thursday

MARINA BAY SANDS
SINGAPORE

INDOWATER 2017 EXPO & FORUM

12 - 14 July 2017

Jakarta Convention Center, Jakarta - Indonesia



JOIN US for the U.S. Franchise Fair In Indonesia

Jakarta, Tuesday and Wednesday, April 25-26, 2017

Surabaya, Thursday and Friday, April 27-28, 2017



U.S. POWER WORKING GROUP FOR INDONESIA

Supporting Indonesia's Power Infrastructure

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