



COUNTRY PROFILE

# REPUBLIC OF INDONESIA



# REPUBLIC OF INDONESIA - Basic Facts





**Bahasa Indonesia**  
Languages

**Capital**  
Jakarta, population  
**10,562,088**  
Census 2020

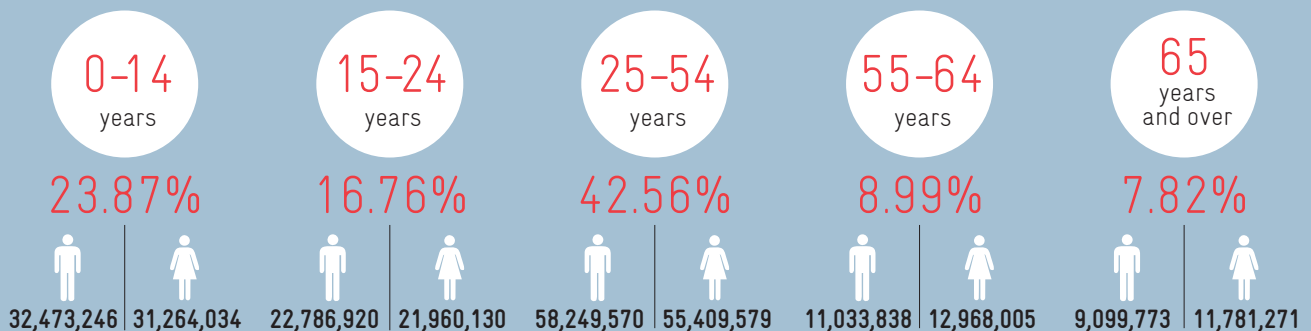
  
Political system  
Unitary presidential  
constitutional republic

  
GDP  
Nominal GDP  
**\$ 1,159 billion**  
(World Economic Outlook Database, IMF 2020)  
GDP per person  
**\$ 4,256**  
GDP growth rate  
**4.3% in 2021**  
(World Economic Outlook Database April 2021)

  
Population  
**270,203,917**  
(Census 2020)

  
Urbanisation  
Urban population  
**56.6%**  
of total population  
(2020)  
Rate of urbanisation:  
**2.27%**  
annual rate of change  
(2015-20 est.)  
[www.indexmundi.com](http://www.indexmundi.com)

  
Age structure








[www.indexmundi.com](http://www.indexmundi.com) (2020 est.)



## Number of registered SMEs and numbers employed in relation to the total number of registered companies

Indonesia's definition of 'Small & Medium Enterprises' was set out in the Law No. 20 of 2008:

- Micro enterprises are based in a traditional industry and managed privately, and have net assets of no more than 50 million rupiah (ca. US\$ 3,500) not including land or buildings and annual sales of no more than 300 million rupiah (ca. US\$ 21,500).
- Small enterprises are managed privately or by a corporate entity, but are independent from and are not the subsidiary or branch office of a medium or large enterprise. They have net assets of at least 50 million rupiah (ca. US\$ 3,500) and no more than 500 million rupiah (ca. US\$ 35,800), not including land or buildings, and they have annual sales of between 300 million (ca. US\$ 21,500) and 2.5 billion rupiah (ca. US\$ 180,000).
- Medium enterprises have net assets of between 500 million (ca. US\$ 35,800) and 10 billion rupiah (ca. US\$ 715,000) not including land or buildings, and have annual sales of between 2.5 billion and 50 billion rupiah (ca. US\$ 180,000 – 3,575,000).

 Size of company	 No. of companies	 % of companies	 No. of employees	 % of employment
<b>Micro</b>	63,350,222	98.77%	107,376,540	86.9%
<b>Small</b>	783,132	1.13%	5,831,256	5.7%
<b>Medium</b>	60,702	0.09%	3,770,835	4.1%
<b>Large</b>	5,550	0.01%	3,619,507	3.3%
<b>Total</b>	64,199,606	100%	120,598,138	100%

Source: OECD Library



## Overview



Indonesia is an archipelagic country over 5,000 from east to west and 1760 km from north to south stretching across maritime South East Asia. The number of islands varies considerably depending on tidal and coastal conditions, but the National Coordinating Agency for Survey and Mapping (Bakosurtanal) in Indonesia claims a total of 13,466 islands, of which 922 are permanently inhabited. The country covers in total 1,904,569 km<sup>2</sup> making it the largest island country in the world.

With a population of over 267 million people, nearly half of whom are under the age of 30 (World Population Review 2020) Indonesia is South East Asia's largest economy with a GDP of over US\$ 1 billion and a growth rate of 5% per year for over a decade. The country has had a growing domestic demand and strong macroeconomic policies, which have further fuelled development. This has included significant investments by the government of Joko Widodo into infrastructure including road, rail, sea and airports, and irrigation, connecting the country more effectively. It has also included initiatives to remove inequality, helping rural regions to build roads, improve water supply and build tourism infrastructure, costing US\$ 14 billion over the period from 2015-2018 (Kusuma Hendra, May 2018). A tax amnesty from 2016, became the most successful in history, allowing wealthy Indonesians the opportunity to declare unreported assets before a government clampdown and resulting in Rupiah 4,865 trillion (ca. US\$ 366 billion) reported to the treasury. The aggressive infrastructure spending contributed to an increase in Indonesia's national debt by 48% between 2014 and 2018, to US\$ 181 billion. Despite the increase, the figure is still under the threshold limit imposed by the country's debt management constitution and the overall debt to GDP ratio remains low by global standards at around 30%. Joko Widono was re-elected in 2019 for a second term as president.

<https://theconversation.com/indonesias-government-debt-ahead-of-2019-presidential-election-a-real-economic-concern-97708>

Growth has been particularly good for the 45 million middle class Indonesians who aspire to a modern, international standard of living and who generate nearly 43% of total consumption, according to figures from the World Bank in 2017. PWC in their 2017 report *The World in 2050*, expected Indonesia to become the world's 4<sup>th</sup> largest economy by that date.

The COVID-19 pandemic also hit Indonesia hard with tourism falling dramatically and net foreign investment stopping almost completely. However, the government was quick to start economic stimulus, removing temporarily the cap on deficit funding and the economy is again showing growth at the end of 2020, albeit at lower rates than originally expected. (Yusof Ishak Institute 2020).





## Opportunities and challenges

With such a young population, it is no surprise that **online sales** are booming, driven by the increase in smartphone penetration, a fast-growing middle class with disposable income, large investments into online sites such as Lazada, Tokopedia and Shopee, and the modernisation of payment structures allowing payment by phone. Figures from Macquarie Research in 2017, indicate annual growth of between 60-70% over the past few years, although it started from a low baseline.

The online sales have generated strong consumer demand in several sectors including the **cosmetics and beauty industry**, which is one of the government's priority sectors, employing around 75,000 people directly in 800 companies and with a further 600,000 employed in support functions. Euromonitor figures show that the sector is growing by between 8-10% per year, making it one of the most attractive markets in South East Asia. According to both Euromonitor and Nielsen, the main products that contribute to this growth include hair care (37%), skin care (32%), and make-up. A point to note: 58% of Indonesian women are interested in buying halal cosmetics.

Source: Sigma Research Indonesia.

Despite the strong domestic industry, around 60% of sales in Indonesia are from imported foreign products, which could give good opportunities for ASEAN SMEs.

**The fashion industry** is another sector in rapid growth, fuelled by the growing youth populations and increased purchasing power, combined with a greater awareness of trends via social media. Although women's apparel is still the largest single sector, there is a very strong growth for **sports clothing**. This includes both traditional sporting clothes for football, badminton, basketball, running, cycling etc, but also for leisure purposes. While the market was originally dominated by cheap local manufacturers, there is now a strong and fast-growing market for premium goods, estimated to grow by 6.6% per year until 2023 (Ken Research 2019), with middle-class consumers with larger disposable incomes preferring branded imported goods. The main retailer in the market is Mitra Adiperkasa (MAP), which has ca. 70% of the total Indonesian retail market including outlets Sport Station and Planet Sport Asia and generates 30% of its revenue from sports apparel and equipment, footwear, and children's fashion products. While the traditional retail market is dominated by MAP, sportswear clothing and footwear on the domestic market is expected to grow at a massive 22.4% rate via internet-based retailing over 2019-2023.

Despite the rapid increase in e-commerce sales, the overwhelming proportion of fashion and cosmetics are still sold via department stores, supermarkets, and specialist shops.

Consumer consumption of **imported processed foods**, meat, dairy, and bread has increased due to increasing disposable income, urbanisation, and modern lifestyles and there is an increased trend for more healthy but convenient consumption including energy bars, yoghurts, and health drinks. There is a small but growing market for organic products, dairy products for nursing mothers and baby food. The retail sector is increasingly changing from traditional markets to modern convenience stores, supermarkets and large hypermarkets, which source a relatively large proportion of their food from abroad. Large chains include Carrefour, Giant, Hero, Lotte Mart and Hypermart, with a total of around 300 outlets. (Switzerland Global Enterprise 2018). There are also around 1,400 supermarkets and nearly 30,000 convenience stores across the country, though centred mostly around urban areas on Java, Sumatra and Bali. On top of retail opportunities, there are good opportunities in supplying to major hotel chains in Indonesia. According to the USDA Foreign Agricultural Service in 2017 there are nearly 2,400 star-rated hotels in Indonesia, 6,000 cafés and over 100,000 restaurants in the country, expected to grow in line with the increased wealth of Indonesians and increased tourism to the region. These outlets demand top-quality imported products including bakery ingredients, meat products including beef and poultry, seafood and delicatessen products, mostly sourced via food importers.



As well as the retail outlets, Indonesia offers opportunities within the **food processing industry**, including food ingredients, food technology and products and services relating to food safety. According to figures from FoodExport.org 2017, Indonesia has over 5,700 manufacturers of food, employing 765,000 staff, and is dependent on imports for many products. Snack food manufacturers, typically use 20-40% imported ingredients, and dairy processors are heavily reliant on imported goods as the country can only supply 25% of market needs. The local industry has a high demand for imported wheat, sugar, soya bean, dairy products and both fresh and processed fruit. Enrichment products for blending such as corn and potato starch, garlic, onion and chili powders, coffee extracts / concentrates etc. are also in demand. A good method to identify local importers is via the many major trade fairs held in Indonesia, including SIAL Interfood Jakarta, Food, Hotel and Tourism Bali, Food Ingredients Asia, Hotelex Indonesia and others.

From October 2019, the country introduced the requirements for halal certification on meat. One of the challenges within the food industry, is the need for all imported foods and beverages to be registered at the National Agency of Food and Drug Control (BPOM), which can be a lengthy process taking up to a year and is one of the reasons for the extensive use of local food importers.

**Infrastructure** is another development area, pushed by the government, which is planning on building over 3,000 km of both new roads and railways, 24 new seaports and 35,000 MW of electrical generation, as well as significant upgrades to municipal infrastructure such as water supply and wastewater systems. Progress is also being made to 15 new airports and refurbishment of 47 existing ones, to cater for future domestic demand. By 2034, Indonesia is expected to be the 6<sup>th</sup> largest aviation country in the world in terms of passenger volume with 270 million passengers each year. The market for aviation maintenance alone is around US\$ 2 billion per year. While transport and power contracts are often mostly suited to larger companies, there are many opportunities for SMEs providing technologies, installation services, plant hire, hoardings, scaffolding, safety equipment, and so on. Opportunities in the water sector include provision of systems and technologies for urban and industrial water, smart systems including water accounting and payment, as well as water treatment and monitoring.

While the country has enjoyed strong growth over the past decade and has implemented many macro-economic policies to maintain growth in the future, Indonesia still has a number of challenges. Generally, Indonesia is considered to be bureaucratic and infrastructure and service networks have not kept pace with the rapidly growing economy, leading to increased transaction costs and inefficiencies that make life difficult when doing businesses. This is exacerbated by the country's geography, where transport within the country can be difficult and expensive. There are also a number of requirements needed for importing, product labelling, customs inspections, documentation of local and domestic content. (Austrade 2020)

The legal system is confusing, courts are considered corrupt and dispute settlement mechanisms are ineffective. A number of anti-corruption initiatives have however been started by the government, and the country has risen to 85<sup>th</sup> place on according to Transparency International's 2019 Corruption Perceptions Index, a rise of 11 places compared with 2017.



## Summary

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Indonesia continues its development towards becoming a modern country, fuelled by a young and fast-growing population, supporting the domestic market and investments into infrastructure. The country is experiencing rapid change in everything from bank payment systems, internet access, and consumer distribution structures, which give rise to new opportunities. At the same time, the geography of the country is a particular challenge, with growth being very much focused in urban areas, particularly in the west, with the eastern provinces still lagging behind. In 2020, Indonesia was the 73<sup>rd</sup> ranked country in which to do business, moving from 91<sup>st</sup> place in 2016, showing the efforts made to modernise.

### **Further information and assistance can be obtained from:**









- The Indonesian Chamber of Commerce has events and contacts which can benefit companies looking for trade opportunities: There is a comprehensive list of useful trade links on <https://bsd-kadin.org/>
- The Ministry of Trade provides information and clarification on legal issues relating to trade with Indonesia <https://www.kemendag.go.id/en>
- Trade Expo Indonesia is an international B2B-focused tradeshow that is designed to boost export product growth and export market expansion. The event showcases Indonesian products. <http://www.tradexpoindonesia.com/>
- Indonesian Food and Beverage Producers Federation offers industry specific information on <http://www.gapmmi.or.id/>
- Contact information on sales to hotels may be found via the Indonesian Hotel and Restaurant Association on <http://www.phrionline.com/>





## Trade figures by country

 Largest import partner	 Trade value thousand USD (WITS 2018)	 Partner share %
 China	45,537,814	24.13
 Singapore	21,439,514	11.36
 Japan	17,976,711	9.53
 Thailand	10,952,798	5.80
 USA	10,212,388	5.41



  

 Largest export partner	 Trade value thousand USD (WITS 2018)	 Partner share %
 China	27,126,932	15.05
 China	19,479,892	10.81
 USA	18,471,771	9.25
 India	13,725,675	7.62
 Singapore	12,991,592	7.21

## Trade figures by product

 Largest exports by 6-digit HS code	 Value USD (millions) WITS 2018
210119 Other coal, not agglomerated	14,074,125.64
151190 Palm oil (excl. Crude) and liquid fractions	12,951,023.35
271111 Natural gas, liquefied	6,959,159.78
270112 Bituminous coal, not agglomerated	6,536,144.53
270900 Petroleum oils and oils obtained from bituminous minerals	5,120,474.24

 Largest imports by 6-digit HS code	 Value USD (millions) WITS 2018
271000 Petroleum oils, etc, (excl. crude); preparation	14,144,100.51
270900 Petroleum oils and oils obtained from bituminous minerals	9,161,335.05
851790 Parts of electrical apparatus for line telephone	4,168,554.18
100190 Spelt, common wheat and meslin	2,570,951.24
710812 Gold in unwrought forms non-monetary	2,125,661.66

Source: <https://wits.worldbank.org/CountryProfile/en/Country/IDN/Year/LTST/Summary>



## Import restrictions by country, e.g., quotas or non trade-barriers



While Indonesia is improving in terms of trade, the country is considered to have a number of trade restrictions. A value-added tax rate of 10% is levied on most imports. Restricted and prohibited goods include for example, narcotics, explosives – including fireworks, arms and ammunitions, certain books and printed materials, as well as specific audio and visual recordings, certain species of flora and fauna.

The use of labels in Bahasa Indonesia is mandatory on all types of goods. Indonesia also requires halal labelling regulated by two ministries: The Ministry of Health under the monitoring of the National Agency of Drug and Food Control (NADFC) and the Ministry of Religious Affairs. The NADFC also requires safety and test certificates for food and beverages regarding organoleptic, physical-chemical, microbial, heavy metal, chemical drugs and psychotropic-narcotic contaminant from a laboratory appointed by the agency, as well as a toxicity test certificate from the country of origin. Cosmetics and hygiene products require a certificate of Good Cosmetic Manufacturing from the country of origin, and a Certificate of Free Sale, both endorsed by the Indonesian Embassy.

## Product and Trade indexes

(efficiency of customs clearance, openness to trade and trade tariffs)



The ASEAN Trade in Goods Agreement (ATIGA) aims to achieve free flow of goods in the region resulting in fewer trade barriers and closer economic linkages between the ten Member States, lower business costs, increased trade, and a larger market and economies of scale for businesses. The agreement was signed by the Economic Ministers of the Governments of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam, Member States of the Association of Southeast Asian Nations (ASEAN) on 26 February 2009 at Cha-am, Thailand. From 1<sup>st</sup> January 2010, Malaysia, Brunei Darussalam, Indonesia, the Philippines, Singapore and Thailand) made a complete free trade area and have eliminated import duties on 99 per cent of products in the Inclusion List (except for products listed in the Sensitive and Highly Sensitive Lists). Today, the ASEAN-6 have 99.20% of tariff lines in the Inclusion List at 0% import duty. This means that, only 0.35 per cent of the tariff lines in the Inclusion list incur import duties.

Form D is required in order to benefit from ATIGA preferential tariffs: [download here](#).

Full information can be found [here](#).

On April 23, 2019, the **ASEAN Trade in Services Agreement (ATISA)** was signed at the 25<sup>th</sup> ASEAN Economic Ministers Meeting in Phuket, Thailand, entering into effect 180 days later. It aims at achieving an improvement of the regulatory standards for the services sector in the region, as well as a reduction of unnecessary barriers to the trade in services within ASEAN, and at increasing regulatory transparency in each of the ten member states. The agreement does not commit to a fixed timetable for implementation and enforcement. More information can be found on

<https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/>



# Business dynamism index

(financing to SMEs, costs of starting a business, time of starting a business)



The 2020 figures from the World Bank show that Indonesia is currently ranked in 73<sup>rd</sup> place among 190 economies in the ease of doing business, moving up from 91<sup>st</sup> place in 2016, although there are some regional differences.

According to figures from Transparency International in their 2019 Corruption Perceptions Index, Indonesia scores 85<sup>th</sup> place out of 179 countries, improving its position from previous years. At the same time, Indonesia fell 5 places compared with the year before in the 2019 Global Competitiveness Report published by the World Economic Forum.

Despite the country's middle ranking in ease of doing business, setting up a company is not easy, and Indonesia ranks 140<sup>th</sup> out of 190 countries. There are a number of different processes involved, including:

- Pay fee and obtain clearance of company name at the Ministry of Law and Human Rights, pay the non-tax state revenue (PNBP) fees for legal services, and arrange for a notary to obtain the standard form of the company deed and notarise company documents – all done via a notary.
- Make a company seal – seal maker
- Apply for approval of the deed of establishment, Ministry of Law and Human Rights
- Apply for the Certificate of Company Domicile, Municipality
- Apply for the single business number (NIB) from the One Stop Integrated Service Body of the Provincial Government – Ministry of Trade
- Register employment and manpower, with the Ministry of Manpower,
- Apply for the Workers Social Security Program (BPJS Ketenagakerjaan) and for the Healthcare Insurance Program (BPJS Kesehatan)
- Obtain a taxpayer registration number (NPWP) and a VAT collector number (NPPKP), from the Tax Office.

A full list of the procedures can be seen on the World Bank website on:

<https://www.doingbusiness.org/en/data/exploreeconomies/indonesia#>

