

Indonesia Investment Updates



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Director For Indonesia Investment Promotion Centre

AJC Hall, July 19, 2019

A LEADER WHO OWNS STRONG LEADERSHIP



SIMPLIFYING THE BUSINESS LICENSE PROCESS, BUSINESS FRIENDLY, OPENNESS, COMPETITION AND BEING APPROACHABLE

DEVELOPING MANY INFRASTRUCTURE PROJECTS – TOLL ROAD, RAILWAY, SEA PORT, AIRPORT, & IRRIGATION



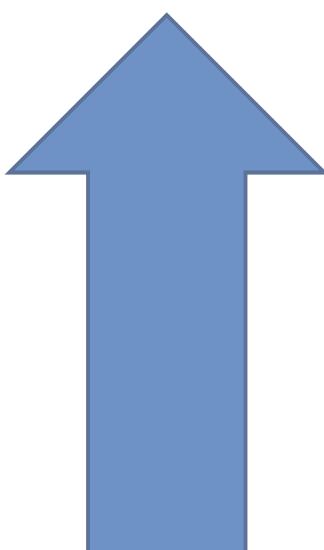
RESULT ORIENTED LEADER



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2 Main Pillars of Economic Policy

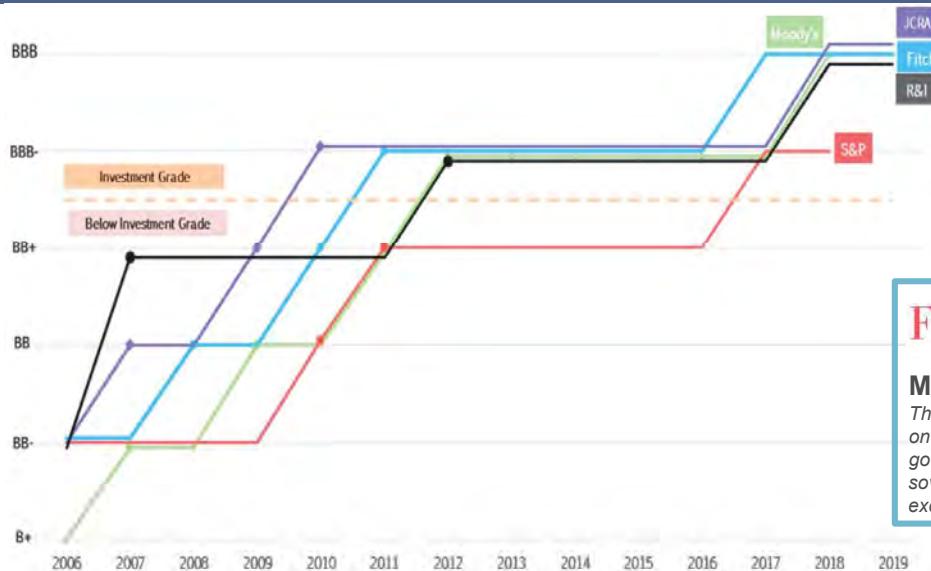


EXPORT
INVESTMENT

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Three rating agencies (Fitch, JCR and R&I) have recently re-affirmed Indonesia's Sovereign Credit Rating to BBB



Fitch Ratings

BBB/Stable

March 2019, Rating Affirmed at BBB/Stable

The decision was supported by favorable GDP growth outlook on the back of resilient domestic demand and a small government debt burden compared with its peers. Indonesia's sovereign credit fundamentals should be resilient to substantial exchange rate volatility.

R&I

BBB/Stable

April 2019, Rating Affirmed at BBB/Stable

"Indonesia's economy is growing at a solid pace. The fiscal deficit to GDP ratio narrowed from a year earlier, and the government debt to GDP ratio remains low. While the CAD somewhat widened, foreign reserves are ample relative to short term external debts. Its economic resilience to external shocks is maintained, supported by the government and central bank's policies emphasizing macroeconomic stability."

JCR

日本格付研究所

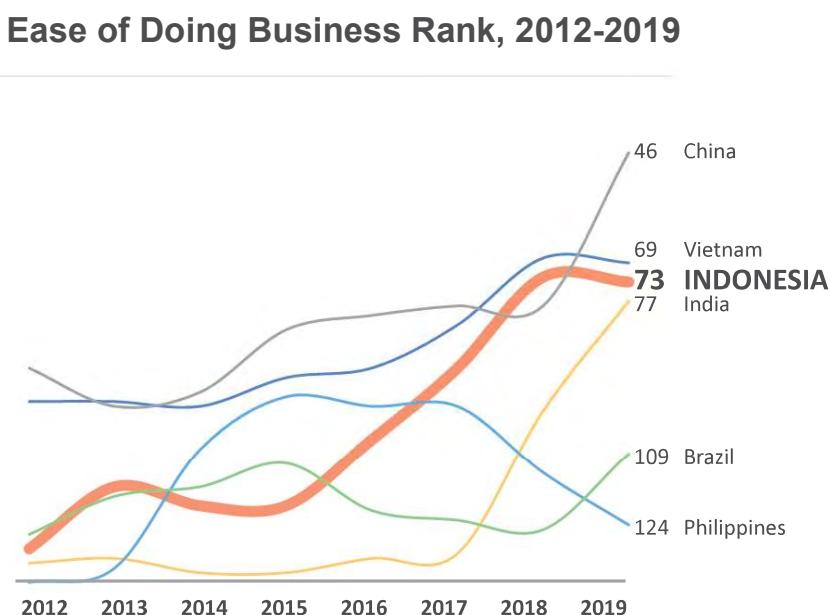
BBB/Positive

April 2019, Rating Affirmed at BBB, Outlook revised to Positive

"The ratings mainly reflect Indonesia's solid economic growth underpinned by domestic consumption, restrained level of budget deficit and public debt, and resilience to external shocks stemming from flexible exchange rate policies and accumulation of foreign exchange reserves. The administration led by President Jokowi has formulated a large-scale infrastructure development plan and is vigorously promoting it to eliminate the infrastructure shortage. In addition, it has succeeded in expanding infrastructure expenditures and expenditures on human capital, and has been curbing the budget deficit by reducing fuel subsidies."

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Indonesia has progressed in Ease of Doing Business over the past few years



Source: EoDB Survey, 2019

Improved areas:

1. Starting a business
2. Getting electricity
3. Registering property
4. Getting credit
5. Protecting minority investors
6. Paying taxes
7. Trading across borders

Key Improvements

1. In the last four years, Indonesia has climbed 47 positions
2. Reducing licensing procedures and implementing online service system
3. Reducing overlap and applying integrated risk management
4. Simplifying procedures and strengthening building inspections

2019: #73

2018: #72

2017: #91

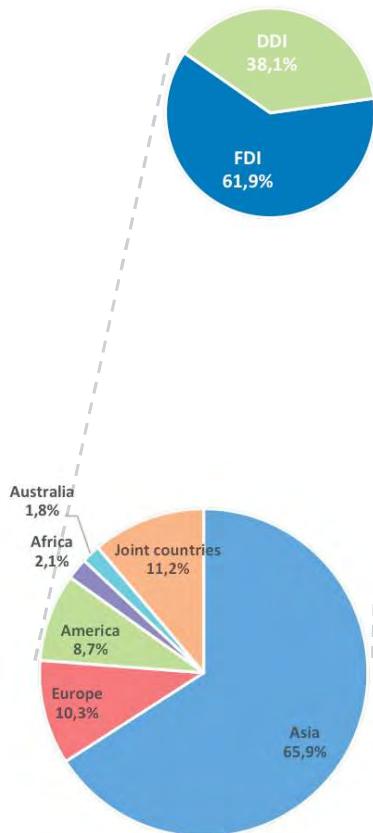
2016: #106

2015: #120



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Top 10 investors in Indonesia (2014- 2019 Q1) by country, excluding upstream oil & gas, and financial sectors

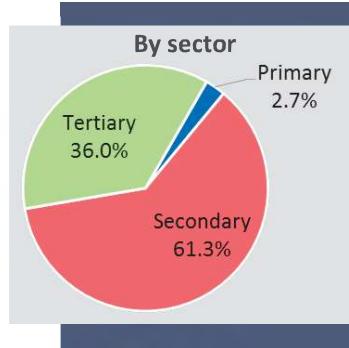


Rank	Country	2014	2015	2016	2017	2018	Q1 2019	Total
1	Singapore	5,832.1	5,901.2	9,178.7	8,441.6	9,193.2	1,732.2	40,270.0
2	Japan	2,705.1	2,877.0	5,400.9	4,996.2	4,952.8	1,133.6	22,065.5
3	China	800.0	628.3	2,665.3	3,361.2	2,376.5	1,159.5	10,990.9
4	Malaysia	1,776.3	3,077.0	1,115.6	1,213.6	1,774.9	705.5	9,662.8
5	Hong Kong, China	657.3	937.2	2,248.3	2,116.5	2,011.4	583.0	8,553.7
6	Netherlands	1,726.3	1,307.8	1,475.2	1,489.4	943.1	365.3	7,307.1
7	South Korea	1,126.6	1,213.5	1,065.8	2,024.6	1,604.7	269.5	7,304.7
8	United States	1,299.5	893.2	1,161.9	1,992.8	1,217.6	328.9	6,894.0
9	British Virgin Islands	624.0	730.5	1,157.3	844.8	1,043.3	199.4	4,599.3
10	United Kingdom	1,588.0	503.2	307.3	774.8	271.1	23.8	3,468.1
Total Top-10		18,135.3	18,068.8	25,776.2	27,255.6	25,388.7	6,491.5	121,116.2
Total (145 countries)		28,529.7	29,275.9	28,964.1	32,239.7	29,307.9	7,194.6	155,511.9

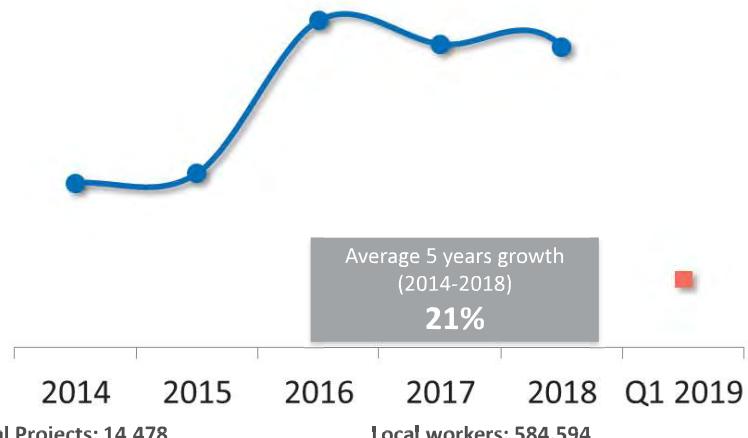
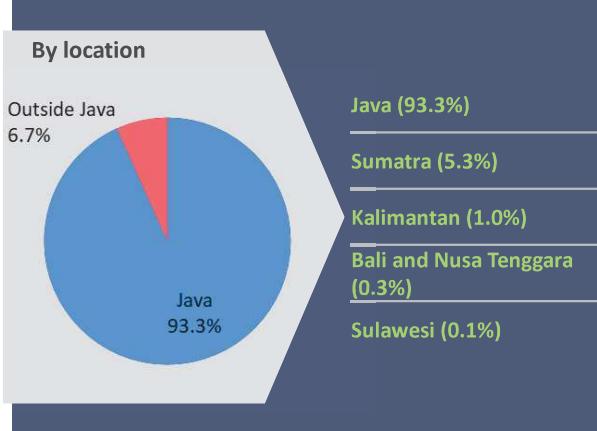
Source: BKPM, May 2019

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Japanese investments in Indonesia (2014 – 2019 Q1)



- Vehicle and other transportation industry (28.1%)
- Electricity, gas and water (20.3%)
- Housing, industrial estate and office buildings (10.0%)
- Machinery, electronics, medical instruments, precision, optics, watches (7.1%)
- Metal, not inc. machinery and equipment industry (7.1%)
- Others (27.5%)

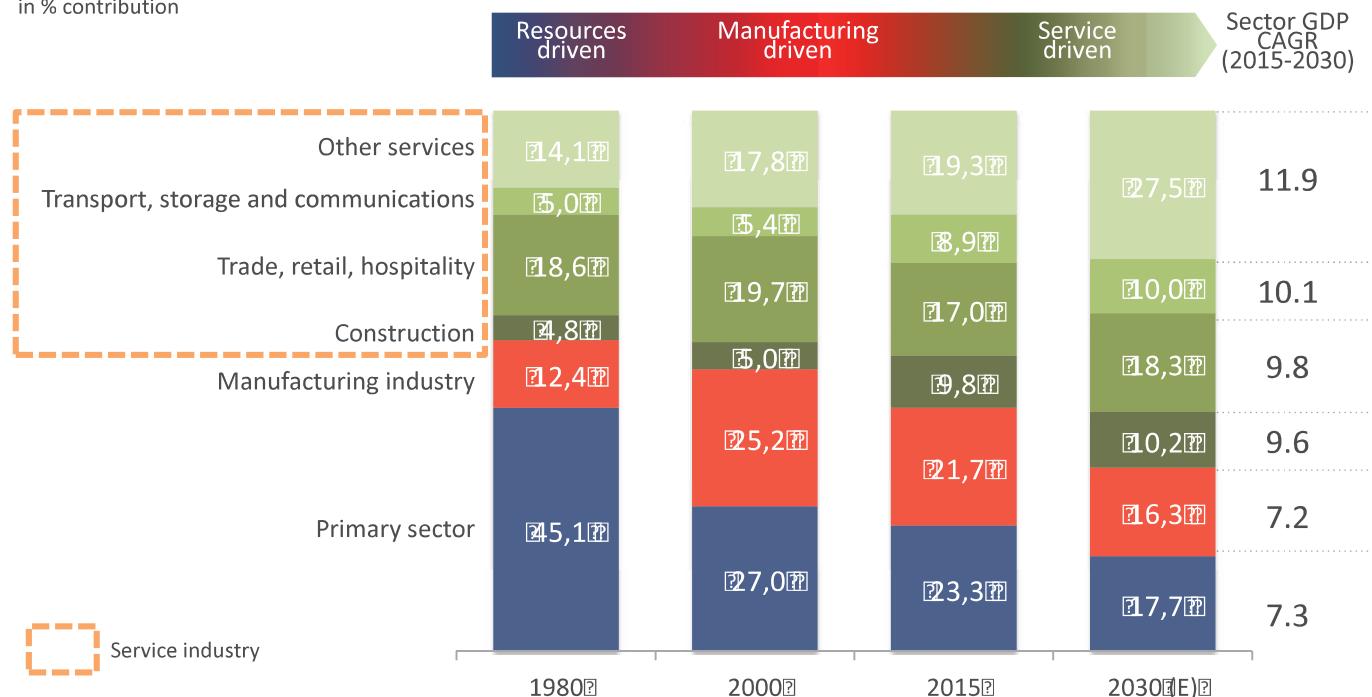


Source: BKPM, May 2019

Indonesia's economy is expected to shift towards service sector

Total GDP by Sector: Historical and Forecast

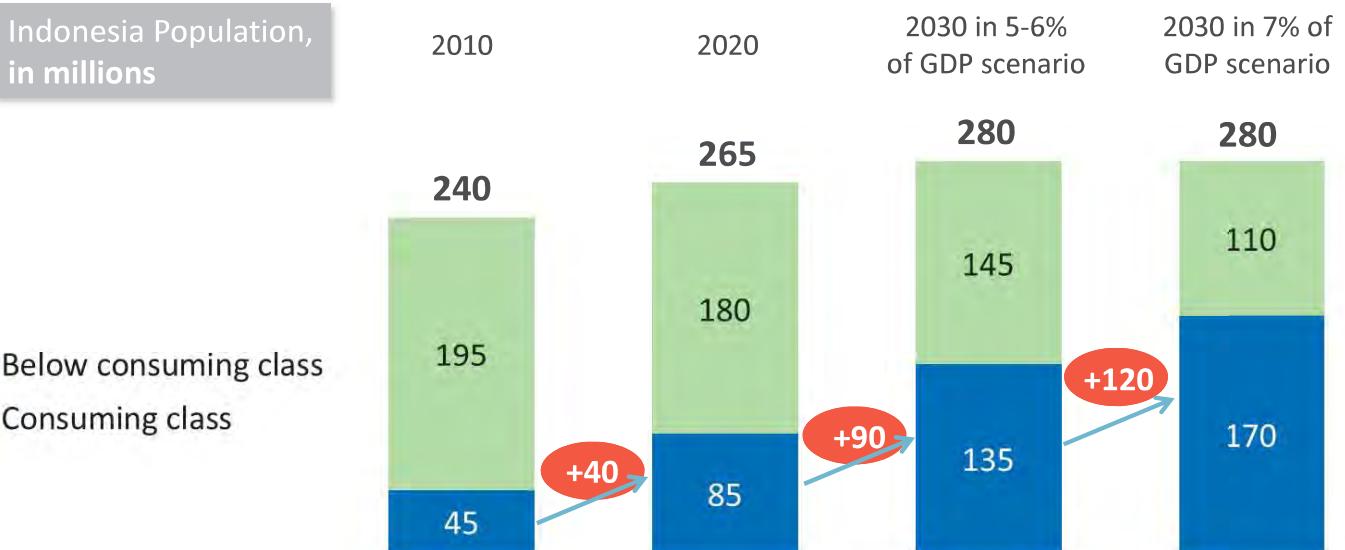
in % contribution



Source: World Bank, Reserve Bank of Australia, United Nations, Indonesia Statistical Agency (BPS), A.T. Kearney

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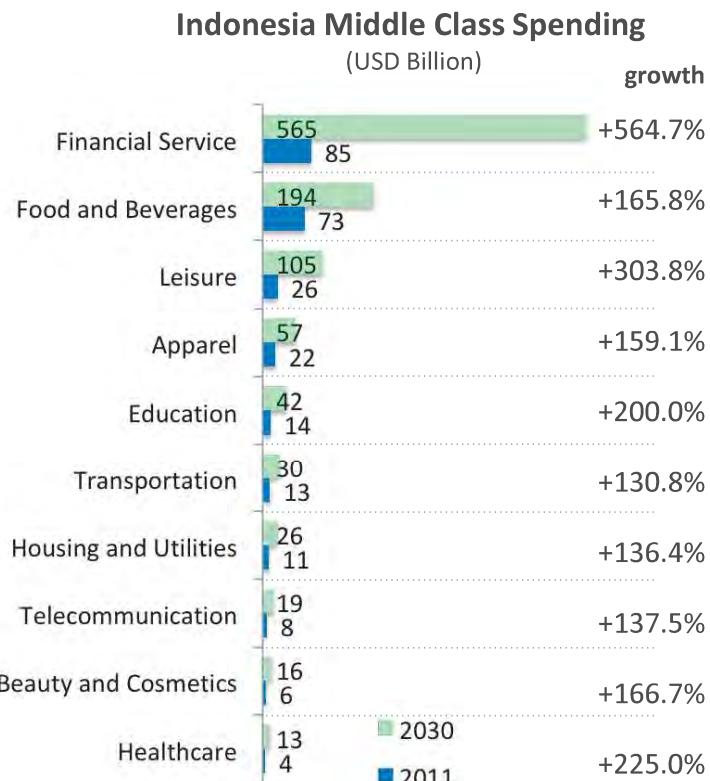
Supported by booming consumer class



Source: Mckinsey Global Institute

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Promising sector: lifestyle industry



The shift:
from goods-based to leisure consumption



Consumer lifestyle



From goods to experiences



Travel to relieve stress



More economical tourism



E-travel effect

Source: Canback Global Income Distribution database; Indonesia Central Bureau of Statistics, Mckinsey Consumer and Shopper Insight Indonesia Study, 2011, Mckinsey Global Growth Model; Mckinsey Global Institute analysis

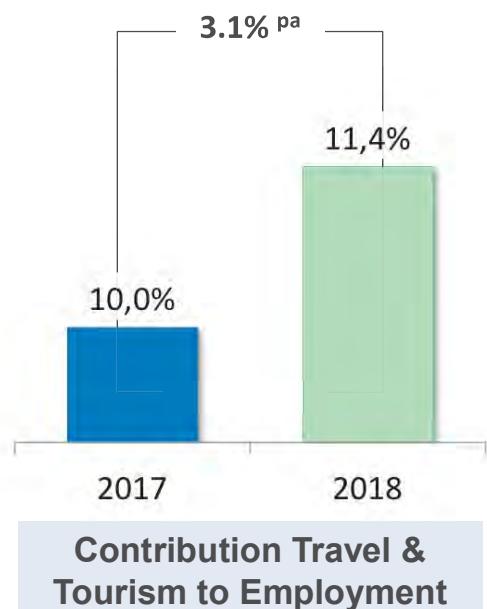
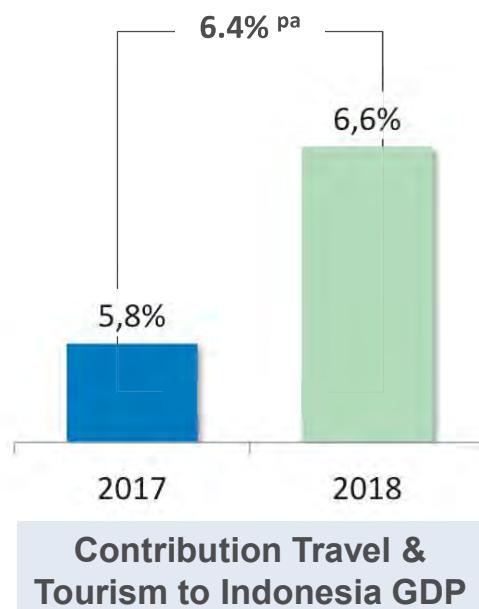
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Tourism sector also shows promise

- Travel & tourism industry grows **50% faster than global GDP growth**
- International tourist arrivals **grew by 7% in 2017**

"We believe in the next twenty years, one of every four new jobs will be in the tourism sector"

President Joko Widodo



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Tourism focus on developing 10 new Bali's – Target of 20 million foreign tourists in 2019



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Investment in Indonesia's digital economy continues to grow rapidly

- The highest number of unicorns in SE Asia

GO-JEK

Bukalapak.com

traveloka



- The digital economy is expected to reach USD 150 billion by 2025

6x
growth in the
number of **digital
finance apps**
since 2010

**USD
5.6bil**
value of e-
commerce
markets in 2016

24.7mil
people
purchasing via e-
commerce in
2016

- Massive "tech savvy" population

143 million
active
internet users



106 million
social media
users

- Regional hub for investment from venture capitalists

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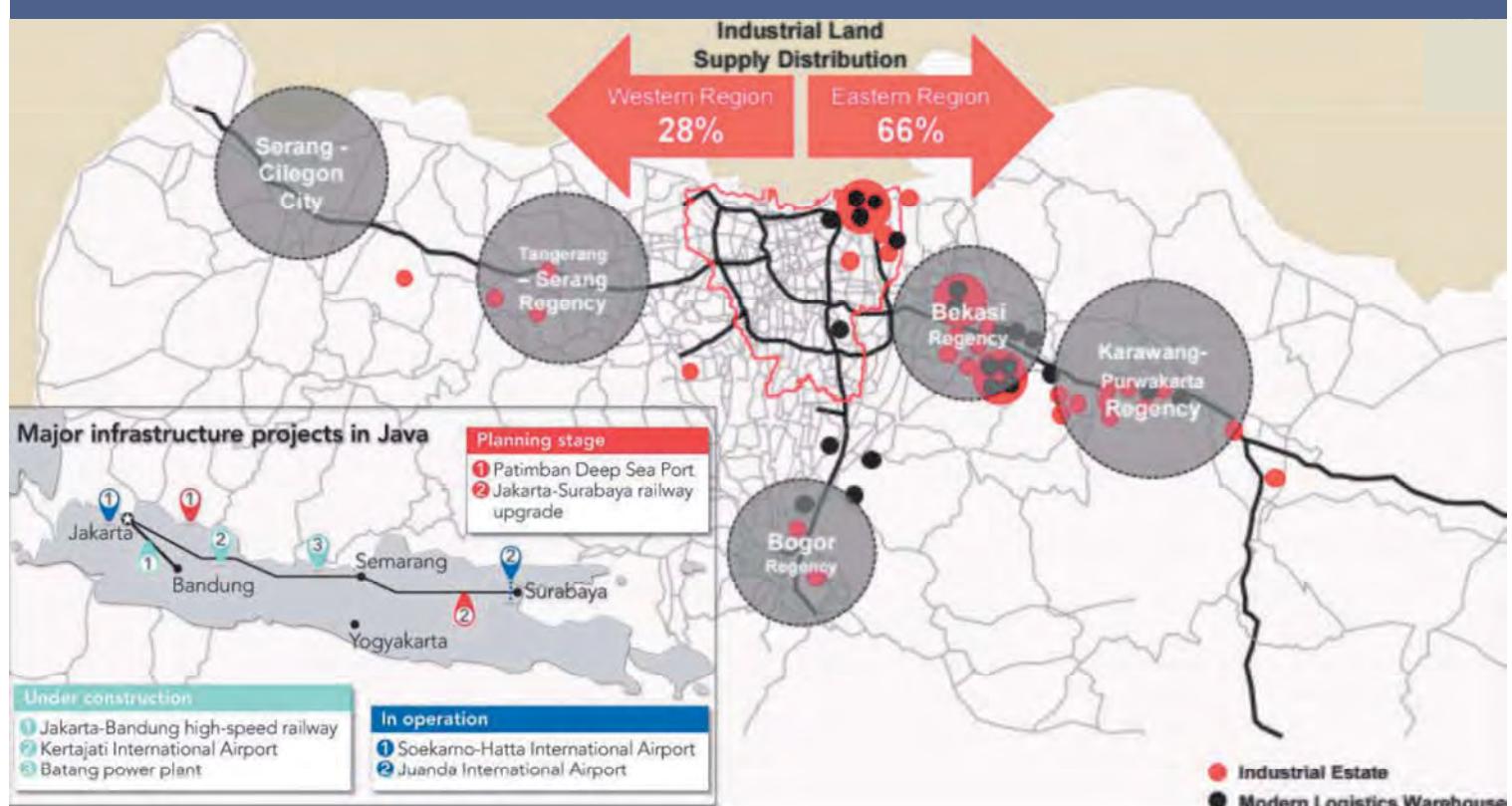
Our startups are proven to attract considerable amounts of investment

Company	Latest Funding Round	Valuation	Note
Grab	US\$ 3 billion (2018)	US\$ 11 billion	Investment from Softbank & Didi Chuxing
GO-JEK	US\$ 1.5 billion (2018)	US\$ 4 billion	Tencent is the largest investor
tokopedia	US\$ 1 billion (2018)	US\$ 7 billion	Alibaba is the largest investor
traveloka	US\$ 0.5 billion (2017)	US\$ 2 billion	
al	US\$ 0.1 billion (2019)	US\$ 0.75 billion	Investment from ANT Financial
Bukalapak	US\$ 50 million (2019)	US\$ 1 billion	Indonesian 4th unicorn, after Gojek, Tokopedia and Traveloka
Warung PINTAR	US\$ 27.5 million (2018)		Investment from East Ventures, LINE
Kredivo Buy now, Pay later	US\$ 30 million (2018)		

Source: Bisnis Indonesia, Fintechnews.sg, Reuters

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Development of Banten-Jakarta-West Java corridor to boost exports



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Investment incentives

TAX Holiday

(MoF Regulation No.150/2018)

100% of investment value
minimum investment:
IDR 500 billion

Concession period

- 5 years (Rp. 500 bio - < IDR 1 Trillion)
- 7 years (Rp. 1 trillion - < IDR 5 Trillion)
- 10 years (Rp. 5 trillion - < IDR 15 Trillion)
- 15 years (Rp.15 trillion - < IDR 30 Trillion)
- 20 years (Min. Rp. 30 trillion)

18 pioneer industries
eligible for tax holiday

MINI TAX HOLIDAY 5 years (50%): IDR 100 bn
up to less than IDR 500 bn

TAX ALLOWANCE

(Government Regulation No.9/2016)

30% of investment value
Reduction of corporate
net income tax for 6 years,
5% each year.

145 business fields
eligible for tax allowance

Import Duty

(MoF Regulation No.188/2015)

2 years exemption

- imported capital goods during construction period.
- imported goods and material for production for 2 years during initial production

4 years exemption
if using locally-produced machines min. 30%

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18 Type of Industries

Upstream Metal Industry

Oil-and-Gas Refinery

Oil-Gas-and-Coal Based Petrochemical

Non-Organic Basic Chemical

Organic Basic Chemical

Raw-material for Pharmaceuticals industry

Semi-Conductor & other Component

Main Component for ICT Industry

Automotive and its Main Component

Plantation & Forestry-based Processing

Machineries and its Main Component

Robotic Component to Support Machineries Industry

Main Component for Shipping Industry

Main Component for Aeroplane Industry

Main Component for Train Industry

Economic Infrastructure

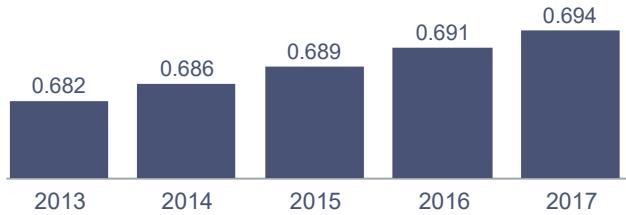
Main Component for Power Plant's Machineries

Digital Economy & Data Processing

Investment in human capital is key

Indonesia still needs to continuously and consistently improve its human capital

Indonesia's HDI 2013-2017

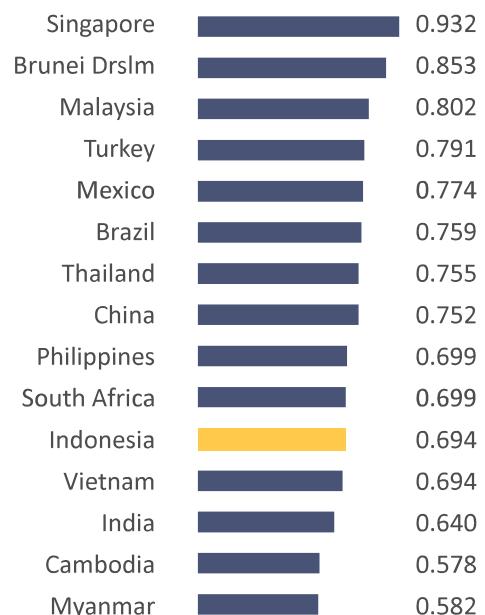


Indonesia's HDI 2017



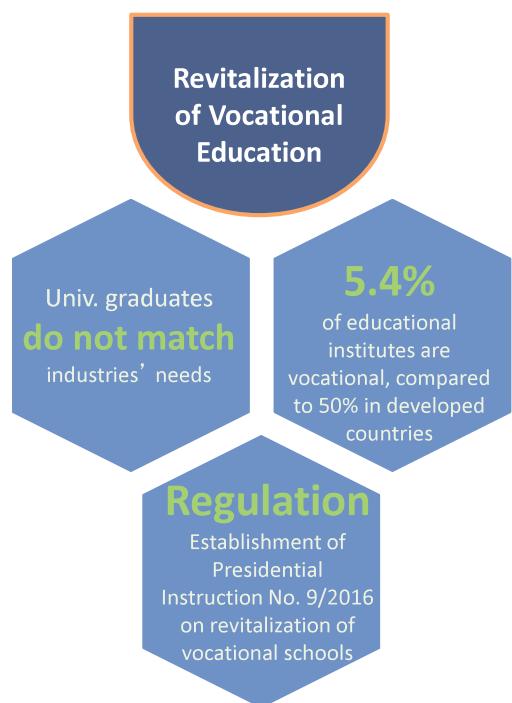
Source: UNDP, 2019

Comparison of HDI 2017



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Rising need for vocational schools: preparing Indonesia's future workforce



Where are vocational graduates needed?



What can industry do?



Source: Ministry of Research, Technology, and Higher Education, 2017

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Vocational

200% of cost for vocational activities

Training, Internship, Strategic Learning

Research & Development

300% of cost for Research & Development

Invention, Innovation, New Technology, Transfer of Technology

Online Single Submission 1.1

SIMPLIFIED

- REGISTRATION
- BUSINESS STAGES

INFORMATIVE

- COMMITMENT LIST
- BUSINESS VALIDATION

COMPREHENSIVE

- BUSINESS TYPES
- LOCATION PERMITS



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