Economic Report 2024

INDONESIA

(as of July 2024)

Executive Summary

Despite the challenging global situation, Indonesia's economic recovery momentum continued in 2023, resulting in the regained status as an upper-middle income country. The 2023 economic growth (5%) was supported by solid macroeconomic indicators, such as a declining inflation rate (2.7% yoy) and lower fiscal deficit (1.7% yoy). Several economic policies were enacted to attract more foreign investment and gradually transform Indonesia to a low-carbon economy. Indonesia also started the OECD accession process, which would drive long-needed structural reforms to achieve advanced economy status by 2045.

The 2024 economic outlook remains positive, started by solid economic growth in Q1 2024 (5.1%), boosted by strong domestic consumption following election activities and other social spending. Despite pledging for policy continuity in his campaign, President-elect Prabowo Subianto has ambitious programs that will require significant funding. A wider fiscal deficit in 2025 is anticipated, and the new administration is expected to implement policies to increase state revenue. Indonesia's economic priorities and fiscal policies under the new administration from October 2024 onwards will be essential for its further development.

With a large share of manufacturing and services to Indonesia's economic growth, Switzerland has identified priority sectors and opportunities that are aligned with Swiss economic interests in the country. Food, mechanical and electrical engineering industries, infrastructure, water, public transportation, and renewable energy present compelling opportunities for Swiss companies in Indonesia. The development of the new capital Nusantara and Indonesia's ambition in renewable energy remain, as the government's avenue to attract more foreign investment in Indonesia. Before concluding his term in October 2024, President Joko Widodo and his administration aim to conclude several longstanding trade negotiations, amidst Indonesia's current dispute on palm oil and international reactions on its downstreaming policy.

Indonesia's 2023 total foreign trade and its bilateral trade with Switzerland mirrored the global economic slowdown. The total bilateral trade in goods declined by 6.6% yoy, but increased by 13% (with gold), potentially due to gold prices boom. Indonesia generated higher FDI inflow in 2023 by 13.7% yoy, and the bilateral investment with Switzerland increased by 12% yoy. The Swiss economic actors continue to promote the Indonesia-EFTA CEPA and also the soon to be implemented Bilateral Investment Treaty to the private sector to make use of the agreements.

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1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

Indonesia's economic performance remained resilient to the challenging global developments. The economy grew by 5% in 2023, driven by solid domestic demand. Household consumption contributed the largest component (52.2%) to Indonesia's GDP. However, the economic growth decelerated compared to 5.3% in 2022, due to the global economic slowdown and domestic activities affected by high inflation. The domestic slowdown was attributed to several factors, including the reduced government spending to minimize account deficit and delayed spending, particularly by the upper-middle class amidst the 2024 election preparation.

The inflation rate was at 2.6%, compared to 5.5% in 2022. Inflation is currently on a declining trend, as prices normalized after last year's fuel price hike. Food, utilities, fuels, and transport services had a slower price growth in 2023, contributing to the inflation's softening trend for seven consecutive months in October. However, new challenges are emerging notably due to El Niño, which would impact food production. The government disbursed direct cash and food assistance programs to maintain purchasing power and mitigate the adverse impact of El Niño. For 2024 the Bank of Indonesia targets inflation in the range of 1.5 – 3.5%.

Indonesia continued to maintain a prudent fiscal policy to achieve macroeconomic stability and navigate external risks. Thus it booked a smaller fiscal deficit of USD 22.47 billion in 2023, or equivalent to 1.6% of GDP – far smaller than the government's target. Public debt ratio continued to decline and stood at 37.7% of GDP. However, after a surplus in 2022, the current account balance recorded a manageable deficit of USD 1.6 billion or 0.1% of GDP. The deficit was mainly influenced by a lower goods trade surplus due to global economic moderation and a decline of commodity prices.

Indonesia's balance of payments surplus widened to USD 6.3 billion in 2023, mainly supported by the strong performance of the financial and capital accounts amid returning foreign inflows. The foreign reserves in December 2023 are equivalent to 6.5 months of goods' and services' imports, above the international standards of three months of imports. The increase was attributed to an increasing state revenue and a rise in foreign debt taken by the government. At the end of December 2023, the Rupiah was slightly appreciated to 15'628 per 1 USD. However, the depreciation trend continues in the first half of 2024 due to the strengthening of the USD, impacting global currencies.

The socio-economic indicators are yet to fully recover from the pre-pandemic trajectory. By August 2023, unemployment rate declined to 5.3%, almost similar to pre-pandemic levels[1]. Labour markets have strongly recovered, with an increase of the labour force participation to 69.8%, adding 4.6 million workers since 2022. However, the impact is moderated by fewer middle class paying jobs, potentially due to underemployment in high-earning sectors, such as services, and rising employment in SMEs.

Policy highlights and developments in 2023

Health Omnibus Law: On 11 July, the parliament passed the Health Omnibus Law, which consists of 20 chapters and will amend 11 existing laws on health in Indonesia. Notable changes include the easing of licenses to practice healthcare – including for foreigners, and the removal of mandatory health spending. The law drew criticism from civil society for its lack of meaningful public participation and raised concerns about how it could potentially undermine the healthcare systems at the local level.

Application for OECD membership: Indonesia officially expressed its interest in becoming an OECD member after the President met with OECD Secretary General Matthias Cormann in August 2023. With its regaining status as an upper middle-income country and the successful G20 presidency, Indonesia has the ambition to advance its economy as an emerging regional power. Indonesia is the first ASEAN country to file for OECD membership and would be the third Asian country to join the organization after Japan and South Korea. Indonesia will have to follow a rigorous accession process by taking necessary domestic reforms and depositing an accession instrument to the OECD Convention.

E-commerce: On 27 September, the government officially halted e-commerce transactions on social media, such as the TikTok shop and Facebook's Marketplace. The Trade Ministry enacted a regulation stipulating that social media platforms could only promote trade in goods and services, but not facilitate payment transactions. The measure was taken as the growing concern of predatory pricing on social media is threatening the offline merchants and MSMEs in Indonesia. The policy received mixed reactions from merchants in Indonesia as many have benefitted from the social media platforms, due to change in shopping behaviour during the pandemic.

Carbon trading: In September 2023, the Financial Services Authority (OJK) officially appointed Indonesia Stock Exchange (IDX) as the operator of carbon trading in Indonesia. Under the mechanism, companies engaged in the decarbonisation activities in Indonesia can sell their carbon credits to the emitters, such

[1] 5.2% in 2019

as coal power plants, to compensate for their carbon emissions. Participants of the mechanism must be registered to the National Registry System – Climate Change Control (SRN-PPI) of the Environment and Forestry Ministry. President Joko Widodo mentioned the economic potential of carbon trading to be USD 194 billion, although no specific time frame was defined.

Outlook

Supported by key drivers, such as domestic demand, public spending, and expected increasing investment due to the ongoing national strategic projects, Indonesia's economic outlook in 2024 remains robust. Based on the 2024 State Budget, the government set the economic growth at 5.2%, aligned with international organizations' projection: 5% (IMF and ADB), and an average of 5.1% for 2024-2026 (World Bank). In Q1 2024, the GDP grew by 5.1%, driven by 57% of public consumption due to election-related and other social spending. The post-Covid economic recovery has supported Indonesia to reclaim its status as an upper-middle income country[2]. However, like many other countries, the economy has not returned to its pre-pandemic trajectory due to ongoing external challenges, such as declining commodity prices, fluctuating food and energy costs, and rising geopolitical uncertainties.

Maintaining prudent macroeconomic policies and structural reforms to enhance economic growth and human capital development would be crucial for the next administration, given the pledged programs of President-elect Prabowo Subianto. The Finance Ministry is currently formulating the 2025 State Budget, to be announced by the President before Independence Day in August 2024. A wider fiscal deficit is anticipated in 2025, provided Prabowo's Free and Nutritious Meals flagship program, is allocated at USD 4 billion. Addressing the deficit would involve optimizing tax reforms and Prabowo's proposal to establish a State Revenue Agency working directly under the President.

[2] Indonesia officially entered the early threshold of the "upper-middle income country" classification in 2023 (GNI per capita between USD 4'466 to USD 13'845 – according to the World Bank) with USD 4'580 GNI per capita.

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

Indonesia's GDP ranked as the 5th highest in Asia in 2023. This rise has been fuelled by a surge in domestic consumption and e-commerce. Strategic infrastructure investments, technological advancements, and flourishing trade activities have further bolstered this growth. By sector, manufacturing (18.7%) and services remained the main drivers of the economic growth. However, the manufacturing sector's contribution to Indonesia's GDP has been consistently declined post-Asia Financial Crisis due to the challenging business climate and development of other sectors. On services, sound economic performance was recorded in the transportation and logistics, accommodation and food services, as well as retail and trade. Although the unemployment rate slightly improved in 2023, the increase was mainly due to the informal sector. Between 2019 and 2023, the informal sector in Indonesia's workforce has risen from 56% to 59%. However, the increase has yet to generate more middle-class jobs[3].

The Swiss Business Hub (SBH) Southeast Asia + Pacific (SEAP) team has identified priority sectors and opportunities for Swiss companies. This includes mapping infrastructure subsectors, their potential in Indonesia, and current activities by Swiss companies in this area.

Food

Indonesia's total food demand has surged from USD 26 billion in 2016 to USD 38.5 billion in 2023, reflecting a robust 5% Compound Annual Growth Rate (CAGR). This growth is primarily driven by the expanding middle class, which now represents 20% of the population, and rapid urbanization, with 58% of the population residing in the cities in 2023.

These economic and demographic shifts are leading to a transformation in dietary habits. Consumers are increasingly seeking a wider variety of processed food options with improved nutritional value. Additionally, with 17% of total food demand fulfilled by e-commerce in 2023, Indonesia's large tech-savvy population, is driving the growth of online food sales. This trend is leading to a surge in demand for processed foods, particularly convenient options.

Reflecting this trend, the imported processed food segment boasts significant opportunities, especially for premium products. The market is projected to experience a steady 5% annual growth over the next three years, reaching a value of USD 10.6 billion by the end of 2027. SBH SEAP has identified specific growth opportunities for Swiss companies looking to capitalize on this flourishing market within the processed food sector.

Mechanical and Electrical Engineering Industries (MEM)

Mechanical and Electrical Engineering (MEM) sector presents a compelling opportunity for Swiss businesses in Indonesia. The country boasts a well-established manufacturing base in Southeast Asia, encompassing sectors like textiles, automotive, electronics, and food & beverage. It also fosters promising new growth areas, particularly in electric vehicle batteries.

To further propel this sector, the Indonesian government has implemented various policies and initiatives. These include tax breaks, streamlined regulations, and infrastructure advancements – exemplified by the 'Making Indonesia 4.0' initiative and the establishment of 20 Special Economic Zones (SEZs) across Indonesia. Building on this, SBH SEAP has identified specific growth opportunities for Swiss MEM companies.

Infrastructure

Indonesia presents a significant market for Swiss infrastructure expertise. Switzerland Global Enterprise (S-GE) together with relevant partners (e.g. SERV, Swissmem, Swissrail) support Swiss companies in accessing infrastructure projects in Indonesia. The Swiss Export Credit Agency (SERV) can give Swiss companies a competitive edge by offering attractive financing options to Indonesian clients. These beneficial terms are gaining increasing recognition among Indonesian stakeholders.

Interested companies find all the relevant information on S-GE's GoGlobal Cockpit platform, which highlights three key sectors aligned with Switzerland's strengths: water, public transportation, and renewable energy. Rising private sector involvement and ambitious government projects offer promising opportunities for Swiss companies.

Water

Indonesia faces a significant challenge in water access. Nationwide, only 11% of the population has access to piped water, according to the World Bank's Water and Sanitation data. Even the capital Jakarta falls short with just 30% water coverage. This limited access creates a high demand for clean water solutions.

[3] The World Bank (2023) defines 'middle-class jobs' as those earning a monthly household consumption more than 3.5 times of the poverty line (In Indonesia: IDR 550'000/capita/month or equal to CHF 30.6/capita/month).

The growing involvement of the private sector in water infrastructure presents an exciting opportunity for Swiss companies. A recent example is Jakarta's major water supply expansion project where Jakarta city council looked to Switzerland for inspiration. Some Swiss companies have already secured contracts regarding supply automation and smart monitoring systems or are pursuing more intensive discussions on possible solutions.

Public Transportation

Indonesia's major cities are prioritizing emission reduction through mass rapid transit and electric bus fleet electrification. This aligns perfectly with Swiss expertise in electric bus and rail systems.

Projects like the LRT City Loop Project, MRT Jakarta, Bali Rail, and regional electrification efforts present significant opportunities.

Renewable Energy

While Indonesia is pursuing renewable energy initiatives, challenges remain. However, Swiss capabilities in hydropower, hydrogen, and energy storage offer valuable solutions. The government and the private sector are actively pursuing renewable energy projects in these areas.

The development of Nusantara, Indonesia’s foreseen new capital, is currently the largest infrastructure project in the county. Nusantara's vision for a sustainable city aligns with Switzerland's strengths in urban planning, energy-saving buildings, and renewable energy. The construction of Nusantara's core infrastructure is planned for 2025 to 2035.

Swiss companies can contribute to create walkable neighborhoods, a zero-emission city, and efficient public transportation systems like trams and clean-energy buses. Waste management, water treatment, and vocational training programs are additional areas where Swiss expertise can contribute to Nusantara's success.

In order to explore those opportunities, S-GE, along with SBH Southeast Asia + Pacific, the Swiss Embassy in Indonesia, and various other Swiss stakeholders have organized a Webinar about the business opportunities.

3 FOREIGN ECONOMIC POLICY

3.1 Host country's policy and priorities

Strengthening economic diplomacy to encourage economic growth remained Indonesia's foreign policy priority. New initiatives are carried out to strengthen Indonesia's economic partnerships with various regions, including Europe, Africa, and South America. During Indonesia's ASEAN Chairmanship in 2023, Indonesia initiated the ASEAN – Indo Pacific Forum, resulting in 93 cooperation projects worth USD 38.2 billion in the field of health, mineral processing, and private finance – among others. Meanwhile, economic diplomacy continued to be carried out in international fora to fight discrimination against palm oil and its products and to strengthen industrial downstreaming.

Indonesia's accession to the OECD

The OECD has officially opened the accession talks with Indonesia on 20 February 2024. The government aims to utilise the accession process for the long needed structural reforms to achieve Indonesia's vision 2045 as an advanced economy. An OECD national committee has been be established, with the Coordinating Ministry for Economic Affairs taking the lead, and the Finance Ministry and Foreign Ministry as the deputies. A formal adoption and launch of the Accession Roadmap was launched during the OECD Ministerial Level Meeting in May 2024. The government targets 3-4 years to conclude the accession process. Support in the next steps, including adjustment to OECD Standards/Guidelines, Technical Review, and other activities to fulfil all requirements are expected from the member countries.

International trade negotiations

As of 2023, Indonesia has concluded 38 trade and economic agreements in the form of PTAs, FTAs, CEPAs, as well as RCEPs. Additionally, several trade protocols have been concluded, in particular for agricultural and fishery products. The latest proposed trade negotiation was the Indonesia-Gulf Cooperation Council (GCC) CEPA in 2023. Both Indonesia and the GCC, with members consisting of the UAE, Bahrain, Saudi Arabia, Oman, Qatar, and Kuwait – are now identifying areas of strong cooperation to anticipate the agreement. Over the years, Indonesia's bilateral economic relation with several gulf countries has been intensified, particularly with the UAE. The Indonesia-UAE CEPA entered into force in September 2023.

Ongoing Trade Negotiations	***Proposed/Explored Trade Negotiations***
Indonesia-EU CEPA	Indonesia-South African Customs Union (SACU)
Indonesia-Turkiye CEPA	Indonesia-Nigeria (Economic Community of West African States/ECOWAS) PTA
Indonesia-Pakistan Trade in Goods Agreement (IP-TIGA)	Indonesia-East African Community (EAC) PTA
Indonesia-Bangladesh PTA	Indonesia-Djibouti PTA
Indonesia-Tunisia PTA	Indonesia-Algeria PTA
Indonesia-Mauritius PTA	Indonesia-Gulf Cooperation Council (GCC) Free Trade Agreement
Indonesia-Morocco PTA	Indonesia-Sri Lanka FTA
Indonesia-Canada CEPA	Indonesia-Colombia PTA
Indonesia-Mercosur CEPA	Indonesia-Ecuador
Review ASEAN-India FTA (AIFTA)	Indonesia-US Limited Trade Deals (LTD)
Upgrading ASEAN Trade in Goods Agreement (ATIGA)	Indonesia-Fiji PTA
ASEAN-Canada FTA	Indonesia-Papua New Guinea PTA
Upgrading ASEAN-China FTA	Indonesia-Ukraine PTA
Indonesia-Eurasian Economic Union (EAEU) FTA	Indonesia-India PTA
Indonesia-Peru CEPA	ASEAN-EU FTA

Data source: Directorate General of International Trade Negotiation – Ministry of Trade

The Indonesia-EU CEPA has been put as high priority for the Indonesian government, aiming to conclude the substantial discussion before President Joko Widodo finishes his second term in 2024. The President has a clear high-level mandate on five strategic policy issues in the CEPA agreement, namely cooperation with Indonesian state-owned enterprises (SOEs), export duties, investment dispute resolution, recognition of Indonesia Sustainable Palm Oil (ISPO) certification, and government procurement. The latest 17th round of negotiations took place on 26 February – 1 March 2024 in Bandung, Indonesia. Twelve issues were discussed, including trade in goods, trade in services, investment, cooperation on sustainable food systems, and sustainable trade and investment. As of July 2024, the end of the negotiation's conclusion remains open.

3.2 Outlook for Switzerland (potential for discrimination or comparative advantage)

The first meeting of the EFTA-Indonesia Joint Committee took place in Jakarta on 7 December 2022. The EFTA states and Indonesia discussed the implementation of the CEPA and its sustainability provisions.

A clear implementation and further development on halal legislation in Indonesia shall be monitored closely and clarified with the Indonesian authorities, particularly on the international cooperation mechanisms.

4 FOREIGN TRADE

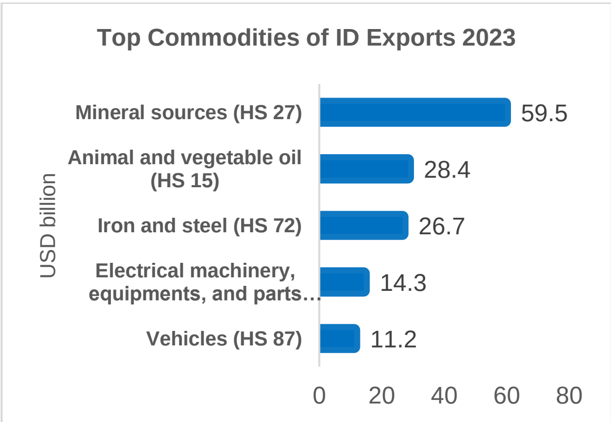
4.1 Developments and general outlook

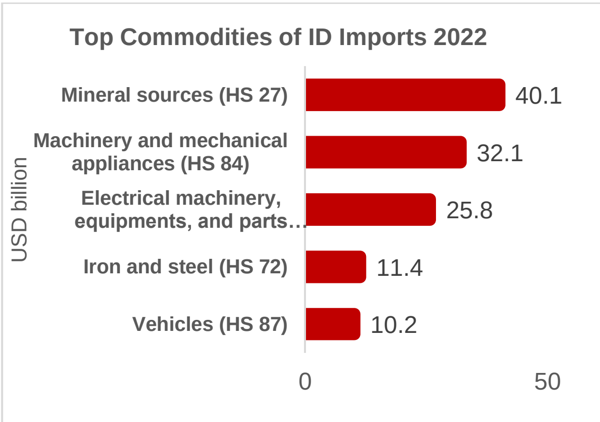
4.1.1 Trade in goods

Indonesia's trade in goods mirrored the global economic slowdown in 2023. A narrowing trade surplus of USD 36.9 billion was recorded. Both exports and imports contracted by 11.3% (USD 258.8 billion) and 6.5% (USD 221.9 billion) respectively. Gradual economic recovery in China, moderating global demand, and weakening of commodity prices attributed to the contraction. Maintaining a trade surplus in 2024 could be challenging amidst the global uncertainties.

Data source: Indonesian Ministry of Trade

Most of Indonesia's top export products were in a declining trend in 2023, following the falling commodity prices. Mineral fuels (particularly coal) and vegetable oil (particularly CPO) still generated the largest contribution to Indonesia's exports, amounting to USD 59.5 billion and USD 28.5 billion respectively. Increasing export trends were recorded in precious metals (19.1%) and nickel (14.7%). The growth of imports has been decelerating over the years, notably those linked to raw and intermediate goods, such as mineral fuels (-10.6%) and iron-steel products (-18.3%) in 2023. Several factors contributed to the decline, such as the softening of oil prices, normalization of domestic demand, and gradual investment growth. The imports' decline over the years also points to the government's effort to apply trade restrictions to encourage the domestic industries.





Data source: Indonesian Ministry of Trade

China remained Indonesia's largest trade partner in 2023, with exports and imports amounting to USD 64.9 billion and USD 62.9 billion respectively. Indonesia exported mainly ferronickel to China (USD 14.9 billion) or 23% of its total exports to the country. The top import commodities from China were mostly electronic products, such as mobile phones (USD 1.9 billion), followed by laptops (1.2 billion). Indonesia registered trade surpluses with most of its trade partners, most notably with India (USD 14.5 billion), due to high exports of coal. Meanwhile, Indonesia's biggest trade deficit was with Australia (USD 5.75 billion), driven by the drop in several commodities, such as mineral fuels and metal ore.

On imports, the government continued to impose regulations to protect the domestic industry. In December 2023, the Trade Ministry enacted Regulation 36/2023, which applies a strict limit on goods allowed to bring into Indonesia's port of entry. The regulation aims at curbing illegal products that compete with domestically produced goods. Various business associations voiced out their concerns by calling this regulation a non-tariff barriers, except the textile associations who would benefit from it. In April 2024, the Ministry of Industry introduced Regulation 6/2024, which stipulates requirements for pre-authorization of various types of electronic products before importing them, compelling international brands to build manufacturing facilities in Indonesia. However, following business outcry, the government revised the regulation in May and eased the import restrictions on electronics, shoes, and clothing products, among others.

4.1.2 Trade in services

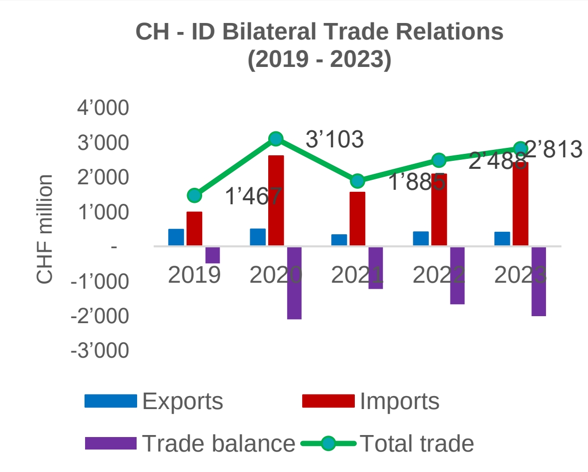
In contrast to the declining trend in imports of goods, Indonesia registered a growth in services by 11.8% in Q2 2023. The increase was driven by tourism, transportation – particularly linked to the development of major infrastructure projects, and commercial services, such as telecom and information services. In 2023, the number of foreign tourist arrivals in Indonesia reached 11.68 million, a significant increase of 98.3% yoy.

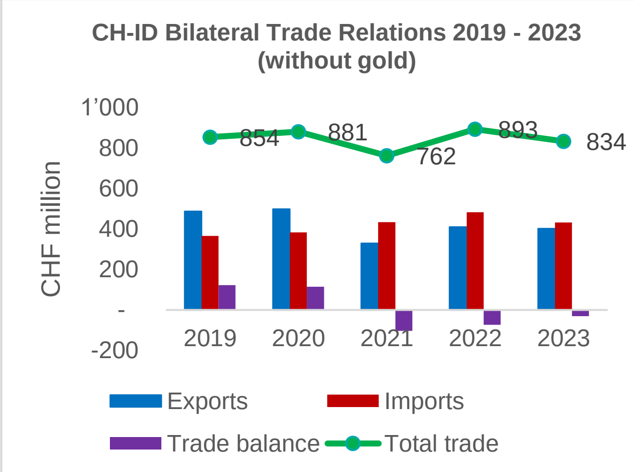
Indonesia's Services Trade Restrictiveness Index (STRI) was still above the OECD average[4]in 2023, indicating strict regulations are still applied across services sectors. Legal services, telecommunication, insurance, and commercial banking are among the most restricted areas in Indonesia. The restrictions on foreign entry and movement of people in legal services in Indonesia are significant compared to other Asia-Pacific countries.

4.2 Bilateral trade

4.2.1 Trade in goods

The softening trend was also recorded in the bilateral trade Switzerland-Indonesia. From the Swiss perspective, both, exports and imports contracted by 2.2% and 10.6% respectively, with the exception of imports of precious metals, which increased by 16% - potentially due to the rise in gold prices.





Data source: Swiss Federal Customs Administration

Chemical and pharmaceutical products, particularly end products, such as vitamins and other active substances, remained Switzerland's top export products to Indonesia, amounting to CHF 159 million or 39.6% of total exports. Precious metals still accounted as the top import products from Indonesia, amounting to CHF 1.9 billion or 82.1% of total imports – followed by textile products (9.1%). However, contraction was seen in many of the top export and import products.

Exports			**Imports**		
	% share	*% variation yoy*		*% share*	*% variation yoy*
Chemical and pharmaceutical products	39.6%	-11.6%	Precious metals	82.1%	22.8%
Machines, appliances, electronics	20.9%	4.9%	Textiles, clothing, shoes	9.1%	-3.9%
Precision instruments, clocks, watches, and jewellery	12.9%	4.4%	Forestry, agricultural, and fisheries products	1.9%	-19.3%
Metals	11.8%	26.4%	Machines, appliances, electronics	1.7%	0.3%
Forestry, agricultural, and fisheries products	7.3%	20.3%	Various goods (home furnishings, toys, sport equipment, etc.)	1.3%	-21.9%

Data source: Swiss Federal Customs Administration

Amidst the global economic slowdown, the contraction also reflects on Indonesia's increasing trade relation with China and other Asian countries. Meanwhile, the EFTA-Indonesia CEPA is currently still underutilized. In June 2024, SECO published the FTA Monitor 2022, showing Switzerland-Indonesia CEPA's preference utilization rate at 18.2% and 21.2% for imports and exports respectively.

[4] According to OECD Services Trade Restrictiveness Index (STRI) 2023, Thailand, Indonesia, and the Russian Federation have the highest average STRI among the countries (>0.3). The STRI indices range from 0 to 1 (1 being the most restrictive).

4.2.2 Trade in services

No recent and official bilateral trade in services data between Indonesia and Switzerland are available at the moment. The implementation of IE-CEPA is expected to enhance bilateral trade in services, such as insurances, where Swiss companies have a strong footprint**.**

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

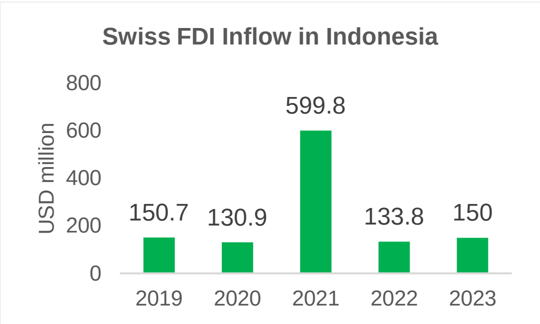
The total investment flow in Indonesia remained steady in 2023, growing by 17.5%, and amounting to USD 95.9 billion. Remarkably domestic direct investment nearly matched foreign direct investment with 47.6% and 52.4% respectively. Annually, FDI inflow increased by 13.7% yoy. By sector, metal and metal goods contributed the largest to FDI (23.4%), followed by transportation, warehousing, and telecommunication (11.2%), and chemical and pharmaceutical industry (9.6%). West Java Province was the most attractive location for FDI (16.5%) due to its developed industrial zones for manufacturing facilities and its proximity to the nation's capital. Second and third were Central Sulawesi (14.4%) and North Maluku Province (9.9%) respectively, potentially due to smelters development for the downstream industry. In general, the downstream industry contributed 26.5% of Indonesia's total investment flow. After nickel and bauxite ore, the government plans to extend the export ban policy to copper and tin to encourage higher growth in the downstreaming industry.

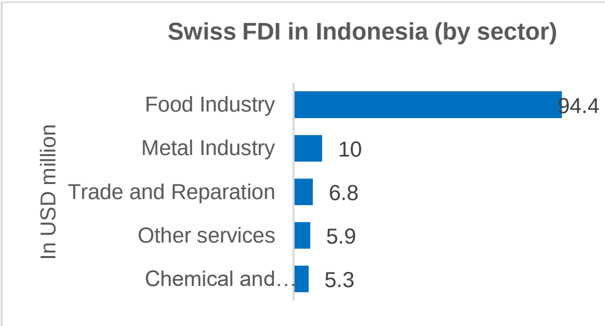
Indonesia's top foreign investors were mostly Asian countries, with Singapore as the largest one (USD 15.4 billion), followed by China (7.4 billion), and Hong Kong (6.5 billion). Chinese investment in Indonesia surged under the Belt and Road Initiative (BRI). In 2023, around 50% of China's regional investment went to Southeast Asia, and Indonesia was the largest recipient, mostly due to the development of the downstreaming industry and commitments in infrastructure projects. Apart from optimizing the bilateral investment relations, the government also aimed to encourage more investment through the Indonesia Investment Authority (INA). Several cooperation agreements under this scheme have been secured in 2023, including a joint commitment with APG Asset Management and Abu Dhabi Investment Authority (ADIA) on the Trans-Java toll road development.

As of March 2024, Indonesia is a full Investment Grade Country by three major rating agencies, affirming the macro stability and growth prospects. According to the draft of Indonesia's Medium-Term Development Plan 2025-2029, the government aims at an average annual target of IDR 2'265.8 trillion (USD 139 billion[5]) total investment (DDI and FDI) within the next five years.

5.2 Bilateral investment

According to Indonesia's Investment Coordinating Board (BKPM), Switzerland's investment amounted to USD 150 million in 2023. Notably, the food industry attracted the largest share of Swiss investment (62%), followed by the metal industry – medical and optical instruments, watches and electric components (13%). Food and beverage processing is a well-established industry in Indonesia. The landscape is characterized by a multitude of smaller businesses alongside some larger organizations dominating the market. Foreign players are also well-integrated, including well-known Swiss companies like Nestlé. While traditional Indonesian foods remain highly popular, international companies have successfully introduced foreign flavours at competitive prices, expanding consumer options.





Data source: Investment Ministry (BKPM)

From 2019 to 2023, Swiss investment in Indonesia totalled USD 1.16 billion (15th place), creating employment opportunities for over 12,400 Indonesians. A number of Swiss companies have maintained a strong presence in Indonesia across various sectors. These include Nestlé Indonesia, Ciba Vision, Philip Morris (Sampoerna), Clariant Indonesia, ABB, Omya, Syngenta, and SIKA. The majority of Swiss

[5] Exchange rate: 1 USD equals to IDR 16'227, as of 2 May 2024

investment in Indonesia was concentrated on the island of Java, accounting for nearly 74% (USD 99.5 million) of total projects in 2023. Sumatra followed closely behind with 23.5% (USD 41.9 million).

It is important to note, however, that the BKPM data primarily captures investments in tangible assets. Sectors like banking, insurance – where Switzerland has a strong footprint in Indonesia, and upstream oil and gas are not typically included. This leads to discrepancies between the BKPM data and statistics from the Swiss National Bank.

6 ECONOMIC AND TOURIST PROMOTION

6.1 Swiss foreign economic promotion instruments

Swiss Business Hub Southeast Asia and Pacific

The Swiss Business Hub Indonesia merged into the regional SBH Southeast Asia and Pacific (SBH SEA+P) in 2024. The SBH SEA+P continues to run an office in Jakarta with the same resources as before the integration. In addition to market entry and market expansion services for Swiss and Liechtenstein exporters in Southeast Asia, SBH SEA+P identifies and curates information on large infrastructure projects in Indonesia and does matchmaking between project owners and interested Swiss stakeholders. SBH mainly pursues opportunities in water management, energy transition and sustainable transportation. Interested parties will find relevant information on important market sectors on the website of Switzerland Global Enterprise and on the GoGlobal Cockpit platform where specific information on business opportunities can be accessed.

In August 2022, Switzerland Global Enterprise concluded a Memorandum of Understanding with the Indonesian Chamber of Commerce and Industry (KADIN). KADIN runs a Swiss-Liechtenstein Bilateral Committee, which closely cooperates with the SBH office in Jakarta. In May 2022, economiesuisse and KADIN launched the Trade and Sustainability Council (STC) to promote sustainable commercial exchanges between the companies of the two countries. Switzerland Global Enterprise is part of STC. The SBH office in Jakarta works closely with the infrastructure experts of the KADIN Swiss-Liechtenstein Bilateral Committee to identify sustainable infrastructure projects.

Swiss Economic Cooperation and Development in Indonesia (SECO)

Through the 2021-2024 Economic Cooperation and Development Programme with Indonesia, SECO is providing CHF ~65 million in grants, financing knowledge sharing, technical assistance and capacity building activities in public financial management, urban and infrastructure development, dual vocational training, sustainable tourism, access to finance and markets for SMEs, and sustainable value chain development. Through more than 30 projects, the program works with 15 ministries and governmental agencies through 17 implementing partners.

Following last year's issuance of the Intergovernmental Fiscal Decentralization Law, the Public Financial Management Multi Donor Trust Fund (PFM MDTF) provided inputs to the Ministry of Finance on Government Regulation 6/2023. This regulation introduced new budget planning processes, including a medium-term budgeting framework (KAJM) and an integrated information system to be used in formulating future work plans and budgets (KRISNA-SAKTI). The Indonesian Financial Sector Strengthening Program (IFSSP) supported the drafting of the Law on Financial Sector Strengthening and Development. The law will improve the financial sector ecosystem, including financial stability, financial inclusion, and financial customer protection, ultimately improving the welfare of the Indonesian people.

The Indonesia Bus Rapid Transit Corridor Development Project (INDOBUS) supported the national planning agency BAPPENAS in establishing the legal framework and policies for the new Medium-Term National Development Plan (RPJMN) 2025-2029, including performance indicators for urban public transport development and criteria for priority cities for Bus Rapid Transit (BRT) systems in 2025-2029. In 2023, Surabaya was added to the list of cities benefiting from the project.

Under the Renewable Energy Skills Development (RESD) project, 147 students from five selected state polytechnics successfully graduated after their one-year Renewable Energy Specialization course. The Skills for Competitiveness (S4C) Programme is playing an instrumental role in advancing the country's dual vocational training system. The initiative has improved and will continue to improve the skills of the workforce through policy and school development as well as industry collaboration, thereby upgrading Indonesia's vocational training system to better meet market demands.

The Integrated Environmental, Social and Governance (IESG) project contributed to regulatory reform by issuing technical guidelines on risk management institutions and supporting the development of the financial oversight authority's (OJK) green taxonomy and sustainable finance study. The Multi-Country Investment Climate Programme (MCICP) played a key role in investment climate reforms, supporting the passage of the Omnibus Job Creation Act and simplifying business registration procedures. The project Promoting SME Enterprises through Improved Entrepreneurs' Access to Financial Services (PROMISE 2 IMPACT) increased financial inclusion to 88.7% by improving digital literacy among SMEs and farmers. These initiatives thus made significant contributions to creating a more conducive business and investment climate, while enhancing the competitiveness of the private sector.

Initiatives such as the Global Quality and Standards Programme (GQSP) and the Sustainable Landscapes in Indonesia Programme (SLPI) led to significant improvements in productivity and sustainable operations, highlighted by a 64% increase in compliance with sustainability standards in the aquaculture sector attributed to the GQSP. These efforts streamlined operations of SMEs and ensured their compliance with international environmental standards. Export promotion services and strategic partnerships, including with the ASEAN Academy and the Swiss Import Promotion Programme (SIPPO), equipped SMEs with critical market-oriented skills and set them on the path to integration into sustainable value chains and global market success. The collaboration with the UNDP Green Commodities Programme reinforced Switzerland's commitment to sustainable commodity production, with a focus on palm oil. This partnership further strengthens Indonesia's National Action Plan on Sustainable Palm Oil, going beyond the existing Presidential Instruction to establish even more comprehensive sustainability practices in the sector.

Switzerland Tourism

In 2023, the outbound tourism from Southeast Asia to Switzerland surged, culminating in a record-breaking year with 833,966 overnight stays, surpassing pre-pandemic levels by an impressive 29%. Singapore emerged as the dominant market with a 29% share, followed closely by Thailand (28%), Malaysia (18%), Indonesia (15%), and the Philippines (10%). The year was characterized by robust consumer demand, driven initially by revenge travel in the first half and sustained momentum throughout the latter half, slightly exceeding figures from 2022.

This performance underscores Switzerland's enduring attractiveness among Southeast Asian travellers, offering significant opportunities for growth and collaboration in the tourism sector. Looking forward, Switzerland Tourism projects maintaining this elevated level throughout 2024, with an anticipated modest growth of +3% by year-end.

SwissCham Indonesia

The Swiss-Indonesia Chamber of Commerce (SwissCham Indonesia) is an association of Swiss and Indonesian businesses, comprising around 70+ corporate and SME members from various sectors.

A principal endeavour of SwissCham Indonesia is to facilitate dialogue and robust conversations, not only among its members, but also with the government. In championing the interests and concerns of its diverse membership, SwissCham Indonesia works mainly through 4 main Sectoral Groups: Ease of Doing Business; Fiscal, Custom and Excise; Human Capital Development; as well as Sustainability and Innovation.

SwissCham Indonesia is a strong partner and active contributor to the collaborative Swiss ecosystem fostered by the Swiss Embassy. It plays a key role in promoting the bilateral cooperation framework in the economic sector. In 2023, with the support of the Swiss Embassy and the Swiss Business Hub, SwissCham Indonesia fostered dialogue and strategic discourse with various government agencies to support and elevate the interest of the Swiss business community, including with the Ministry of Trade on bilateral trade and trade regulations, Ministry of Industry on local content requirement, Ministry of Law and Human Rights on combatting counterfeit goods and visa regulations, as well as with the Ministry of Investment on boosting trade and investment.

6.2 The host country's interest in Switzerland

Tourism, education, and other services: With 124,604 overnights, Indonesia achieved a growth of +23% compared to 2019 and +42% compared to 2022. With its large population and positive economic indicators, Indonesia is foreseen to become the third-largest Southeast Asia source market in the upcoming two years. The Embassy in Jakarta issued 20’856 visas in 2023, mostly for tourism purposes (8.6.6%), followed by business (8.3%), regular visits (4.5%), and study (0.6%).

Investment:
In addition to the Eiger Indo retail shop in Interlaken, several Indonesian restaurants and cafes are spread across major cities, from Zurich to Geneva.

ANNEX 1 – Economic structure

Economic structure of the host country

	2019	**2020**	**2021**	**2022**	**2023**
Distribution of GDP*					
Manufacturing	19.7%	19.9%	19.2%	18.3%	18.7%
Agriculture, Forestry and Fishery	12.7%	13.7%	13.3%	12.4%	12.5%
Wholesale and Retail Trade	13%	12.9%	13%	12.8%	12.9%
Construction	10.7%	10.7%	10.4%	9.8%	9.9%
Mining and Quarrying	7.3%	6.4%	9%	12.2%	10.5%
Information and Communication	4%	4.5%	4.4%	4.1%	4.2%
Financial and Insurance Services	4%	4.5%	4.2%	4.1%	4.2%
Transportation and Warehousing	5.6%	4.5%	4.2%	5.0%	5.9%
Taxes	4.3%	3.7%	4.1%	4.4%	4.4%
Other Services	18.7%	19.2%	18%	16.7%	16.8%

Distribution of employment*					
Primary sector	30%	25%	31%	30%	28%
Manufacturing sector	22%	15%	14%	14%	14%
Services	48%	38%	55%	56%	58%

Source(s):

Statistics Indonesia 2024, Indonesian Central Bureau of Statistics, February 2024

https://www.bps.go.id/id/publication/2024/02/28/c1bacde03256343b2bf769b0/statistik-indonesia-2024.html

ANNEX 2 – Main economic data

Host country's main economic data

	2022	2023	2024
GDP (USD bn)	**1'320**	**1'370**	**1'480**
GDP per capita (USD)	**4'788**	**4'940**	**n/a**
Growth rate (% of GDP)	**5.3**	**5.0**	**5.0**
Inflation rate (%)	**5.5**	**2.7**	**3.1**
Unemployment rate (%)	**5.9**	**5.3 (as of August 2023)**	**n/a**
Fiscal balance (% of GDP)	**-2.4**	**-1.7**	**-2.5**
Current account balance (% of GDP)	**1.0**	**-0.1**	**-0.9**
Total external debt (% of GDP)	**39.5**	**39.0**	**39.0**
Debt-service ratio (% of exports)	**21.8**	**n/a**	**n/a**
Reserves (months of imports)	**6.0**	**6.5**	**6.8**

Sources:

- Climate Action for Development, Indonesia Economic Prospects, World Bank, December 2023
  https://documents1.worldbank.org/curated/en/099121223055535475/pdf/P179556039 2d6007309c360819c51cc5979.pdf

- Unleashing Indonesia's Business Potential, Indonesia Economic Prospects, World Bank, June 2024
  https://openknowledge.worldbank.org/server/api/core/bitstreams/716f9787-fd91-47b5-9bfb-682e7531e076/content

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  https://www.bps.go.id/id/publication/2024/02/28/c1bacde03256343b2bf769b0/statistik-indonesia-2024.html

- Total debt service – Indonesia, World Bank Data 2018-2022
  https://data.worldbank.org/indicator/DT.TDS.DECT.EX.ZS?locations=ID

- GDP per capita – Indonesia, World Bank Data 1967 – 2023
  https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=ID

- GDP – current prices map, International Monetary Fund (IMF), 2024
  https://www.imf.org/external/datamapper/NGDPD@WEO/WEOWORLD/MYS/SGP/IDN

ANNEX 3 – Trade partners

Trade partners of the host country Year: 2023

Rank	Country	Exports* (USD billion)	Share	Change [6]	Rank	Country	Imports* (USD billion)	Share	Change
1	China	64.9	25.1%	-1.4%	**1**	China	62.9	28.3%	-7.15%
2	USA	23.2	9%	-17.5%	**2**	Singapore	18.4	8.3%	-5.15%
3	Japan	20.8	8%	-16.3%	**3**	Japan	16.5	7.4%	-3.84%
4	India	20.3	7.8%	-13.2%	**4**	USA	11.3	5.1%	-2.9%
5	Singapore	12.6	4.9%	-12.1%	**5**	Malaysia	10.8	4.9%	-13.8%
6	Malaysia	12.5	4.8%	-19.2%	**6**	South Korea	10.5	4.7%	-10.2%
7	Philippines	11	4.2%	-14.4%	**7**	Thailand	10.2	4.6%	-6.7%
8	South Korea	10.3	4%	-19.6%	**8**	Australia	9.3	4.2%	-5.7%
9	Vietnam	7.5	2.9%	-11.2%	**9**	India	6.7	3%	-28.2%
10	Thailand	7.2	2.8%	-11.9%	**10**	Vietnam	5.3	2.4%	10%
	Switzerland	**2.3**	**0.9%**	**20.4%**		**Switzerland**	**0.7**	**0.3%**	**-13.6%**
	TOTAL	**258.8**				**TOTAL**	**221.9**		

*host country (Indonesia) perspective

Source(s): Export – Import Dashboard, Indonesian Ministry of Trade, April 2024

https://satudata.kemendag.go.id/dashboard/ekspor-impor

[6] Change from the previous year in %

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and the host country

	Export (CHF million)	*Change (%)*	**Import** (CHF million)	*Change (%)*	**Balance** (in million)	**Volume** (in million)
2019	488.3	-1.2%	979	10.7%	-490.7	1’467.3
2020	498.4	2.1%	2’605.1	166.1%	-2’106.7	3’103.5
2021	329.4	-33.9%	1’555.3	-40.3%	-1’225.9	1’884.7
2022	409.7	24.4%	2’078.5	33.6%	-1’668.8	2’488.2
2023	**402.1**	**-2.2%**	**2’410.5**	**16%**	**-2’008.4**	**2’812.6**
2023	402.1	-2.2%	432.1	-10.6%	-30	834.2
2024 (Jan-May)	**167.7**	**6.9%**	**890.3**	**-31.5%**	**-722.6**	**1’058**

*) ‘Economic’ total (total 1): not including gold bars and other precious metals, currencies, previous stones and gems, works of art and antiques

**) Change (%) from the previous year

Exports	**2022** (% of total)	**2023** (% of total)
1. Products of the chemical and pharmaceutical industry	43.9%	39.6%
2. Machines, appliances, electronics	18.5%	20.9%
3. Metals	9.1%	11.8%
4. Precision instruments, clocks and watches, and jewellery	12.1%	12.9%
5. Forestry and agricultural products, fisheries	5.9%	7.3%
6. Paper, articles of paper and products of the printing industry	4.2%	3%
7. Leather, rubber, plastics	1.6%	2%
8. Textiles, clothing, shoes	1.9%	1.7%
9. Precious metals, precious and semi-precious stones	0.2%	0.5%
10. Vehicles	1.5%	0.4%
11. Various goods, such as music instruments, home furnishings, toys, sports equipment	0.16%	0.16%
12. Stones and earth	0.08%	0.14%
13. Works of arts and antiques	0.03%	0.006%
14. Energy source	0.005%	0.006%
TOTAL	100%	100%

Imports	**2022** (% of total)	**2023** (% of total)
1. Precious metals, precious and semi-precious stones	77.6%	82.1%
2. Textiles, clothing, shoes	11%	9.1%
3. Forestry and agricultural products, fisheries	2.8%	1.9%
4. Machines, appliances, electronics	2.1%	1.7%
5. Various goods, such as music instruments, home furnishings, toys, sports equipment	2%	1.3%
6. Products of the chemical and pharmaceutical industry	1.5%	1.3%
7. Leather, rubber, plastics	1.6%	1.3%
8. Metals	0.6%	0.4%
9. Vehicles	0.4%	0.4%
10. Precision instruments, clocks and watches, and jewelry	1.1%	0.2%
11. Stones and earth	0.1%	0.06%
12. Paper, articles of paper and products of the printing industry	0.03%	0.03%
13. Energy source	0.02%	0.01%
14. Works of antiques and arts	0.01%	0.005%
TOTAL	100%	100%

Source: Federal Office for Customs and Border Security

ANNEX 5 – Main investing countries

Main investing countries in the host country **Year: 2023**

Rank	Country	Inflows over past year (USD)
1	Singapore	USD 15.4 billion
2	China	USD 7.4 billion
3	Hong Kong	USD 6.5 billion
4	Japan	USD 4.6 billion
5	Malaysia	USD 4.1 billion
6	USA	USD 3.3 billion
7	South Korea	USD 2.5 billion
8	Netherlands	USD 1.5 billion
9	British Virgin Island	USD 0.6 billion
10	Australia	USD 0.5 billion
22	Switzerland	USD 150 million
	Total	USD 50.3 billion

Source(s): Ministry of Investment / Indonesia Investment Coordinating Board (BKPM)

* Exchange Rate 1 USD = IDR 14 800 based on 2023 National Budget.

BKPM publishes only the investment inflow data, and currently investment stock data are not available.