

# INDONESIA 2022

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# INDONESIA UNDER THE SPOTLIGHTS



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**D**espite the crisis, Ipsos Indonesia has continued and even accelerated its development in a country which is itself continuing to grow. The desire to revive the “spirit of Bandung” in the context of the Russian-Ukrainian conflict is strong. This is unmistakably evident in the organisation of the G20 Summit in Bali, elevating the reputation of Indonesia which has become a country and a partner that counts in the concert of nations. Other important events await Indonesia, such as the presidential election in 2024.

Economically, after the 2020 recession (-2.1%), GDP growth reached +3.7% in 2021 thanks to the rise in commodity prices and a dynamic recovery in Asia (71% of Indonesian exports). For 2022, we expect growth between +4.4% and +5.3% depending on the duration and impact of the war in Ukraine and the appearance of possible variants of Covid-19.

As you will see from their articles, our experts, like most Indonesians, are confident and optimistic. Ipsos can be too, with growth up 7.5% in 2020 and 11% in 2021, and a forecast of 14% in 2022.

Barring major unforeseen events, the virtuous circle in which Indonesia has been engaged for several years should continue to progress with expanding e-commerce, offline commerce which will be renewed to adapt to consumer expectations, and the development of infrastructure that will make up for regional and social inequalities.

Indonesia's attractiveness is also confirmed by new partnerships for huge factories with FoxCom, Tesla, BMW, Hyundai, and Toyota, who see the benefit of being as close as possible to nickel resources for their production of electric vehicles, and that this makes Indonesia a strategic Asian hub to supply South Asia.

However, three indicators need to be monitored: inflation and the rise in energy and food prices, the effectiveness of antidotes (reducing palm oil and nickel exports, building up stocks for the market, subsidising this or that category of the population), and the socio-political consequences and the risk of slowing down the rate of growth of the middle classes and reducing their purchasing power.

The health crisis had revealed the interactions and interdependencies between supply chains, logistics problems, and the fragile export/import balance that impacts the trade balance of countries. The war in Ukraine, following the same logic, has revealed new balances of power and new geopolitical balances where mastery of energy and raw materials, independence and sovereignty will be decisive.

Indonesia has understood this well, with the desire to develop local agricultural and industrial production: this is an opportunity to develop new businesses and new models, in line with consumer expectations.

# 10 THINGS TO KNOW

**1 On December 1st, 2021, Indonesia took over the one-year presidency of the G20** and will be hosting its summit in Bali in November 2022 – this will be “the pinnacle of the G20 process”. It will assume the presidency of the Association of Southeast Asian Countries from 2023. The motto of the Indonesian G20 Presidency could apply to Indonesia itself (“Recover Together, Recover Stronger”), as well as its three main axes (health management, digital transformation, sustainable energy transition). The conclusions of the G20 summit will be decisive for Indonesia to assert its global stature as Indonesian consumers could make up to 67% of the conjunct South-East-Asian market by 2030.

**2 Indonesia's attractiveness is confirmed by new investments** in huge factories by FoxCom, Tesla, BMW, Hyundai, Toyota, which see the benefit of locating them as close as possible to nickel resources. Nickel is a key component of electric vehicle batteries.

**3 The next presidential election will take place in February 2024.** The key issues will likely be the personalities of the candidates, the impact of inflation, energy, commodity price increases, wealth and digital gaps between population groups, labour regulation, the youth's expectations.

**4 Three indicators could determine Indonesia's near future:** inflation, energy and food prices, and the long-term impact of nickel exports, palm oil reduction, and consumer subsidies. The effect of inflation on the purchasing power of the middle-class will be crucial.

**5 The pandemic accelerated digitization** as consumers tended to shift their purchase journeys from offline to online. Aware of the importance of digitization for SMEs, the Indonesian Government continues to promote e-commerce, and the digitization of travel, media, transport, and food shopping.

**6 A majority of Indonesian consumers are now more likely to choose local brands** than global ones (87%) and more than one in two (59%) disagree that global brands make better products than local brands. There are many sectors in which local brands are just beginning to compete with global brands and this could have major implications in the future.

**7 Halal certificates are increasingly valued** and present in the personal care and beauty sector. The Wardah brand thus promotes “Halal Green Beauty”: “Natural”, “Alcohol free”, “Local & Global”, “Expert”, “Cruelty Free”. The average growth rate of Halal products has been 34% since 2017, helping Indonesian companies to challenge global companies. More and more new local players are now directly competing with international brands with young entrepreneurs.

**8 Platforms' (Netflix, Youtube, Tik Tok...) audience grows to the detriment of traditional media** and entertainment outlets, with contents (notably Korean series) which appeal to Millennials or Gen Z viewers. The Asian market is one of the most competitive for streaming platforms. Disney+ / Hotstar, the Disney platform in India and Indonesia, has already got 5 million subscribers in Indonesia, just two years only after its launch.

**9 Indonesians are keen on going virtual and enter the Metaverse** which is expected to bring to the forefront the transition from what life was like in the pre-digital age, focused on “here” (offline, analog, carbon-based), to life in the future, focused on “there” (digital, online, silicon-based). The government is going to launch Metaverse Indonesia in December 2022

**10 A few Indonesians can get rich very fast** and even sometimes illegally (e.g. influencers on Youtube who promoted fraudulent online apps). Digital influencers make younger consumers dream of a luxury lifestyle populated with global luxury brands of cars, watches and ready-to-wear items.

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