Indonesia Logistics Industry

The Way Forward

Presented by:

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Transportation & Logistics Practice
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Growth of GDP and Service Segment, 2009 - 2014

• GDP Growth between 5.7 to 6% in 2014
• Services sector has been growing at 10 percent during the past years

Service sector is estimated to contribute 36.9 percent of GDP
The trade sector remains the driver for the growth in service sector

Source: Indonesian Statistical Agency, Analysis by Frost & Sullivan
Contribution to GDP

Indonesia GDP by Key Sectors in 2013

- Agriculture, forestry & fishing: 15.0%
- Mining & quarrying: 10.4%
- Manufacturing: 23.8%
- Construction: 10.3%
- Communication: 3.3%
- Transportation & storage: 3.6%
- Other Services: 33.6%

Indonesian Transportation and Storage Segment Distribution in 2013 (IDR 328.8 trillion)

- Road Transport: 53.09%
- Air Transport: 21.65%
- Services Allied to Transport: 14.51%
- Railways Transport: 0.86%
- River, Lake and Ferry Transport: 3.05%
- Sea Transport: 6.84%

Transportation makes up 85.6 percent of the total transportation, storage and courier market

Source: Indonesian Statistical Agency, Analysis by Frost & Sullivan
Logistics Market Potential

Transportation, storage and courier (IDR 328.8 trillion)

Logistics Expenditure is hidden in:

- Manufacturing (IDR 306.6 trillion)
- Agriculture, forestry and fishing (IDR 193.2 trillion)
- Construction (IDR 133.2 trillion)
- Mining & quarrying (IDR 134.6 trillion)
- Trade (IDR 154.2 trillion)
- Communication (IDR 42.2 trillion)
- Other services (IDR 290.5 trillion)

IDR 328.8 trillion + IDR 1,254.5 trillion = IDR 1,583.3 trillion

Potential market for LSPs in Indonesia

Source: Indonesian Statistical Agency, analysis by Frost & Sullivan
Transportation and Logistics Market Size

<table>
<thead>
<tr>
<th>Year</th>
<th>IDR Trillion</th>
<th>Growth (%)</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
<td>839</td>
<td>(5.8)</td>
</tr>
<tr>
<td>2009</td>
<td>770</td>
<td>14.3</td>
</tr>
<tr>
<td>2010</td>
<td>876</td>
<td>13.4</td>
</tr>
<tr>
<td>2011</td>
<td>1,014</td>
<td>14.2</td>
</tr>
<tr>
<td>2012</td>
<td>1,140</td>
<td>14.5</td>
</tr>
<tr>
<td>2013(e)</td>
<td>1,255</td>
<td></td>
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Transportation & Logistics market in Indonesia has grown by 14.9 percent Compound Annual Growth Rate (CAGR) between 2008 to 2013.

Source: Indonesian Statistical Agency, Analysis by Frost & Sullivan
# Key Market Drivers and Restraints

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Restraints</th>
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<tbody>
<tr>
<td>Growth in private consumption that increase trade volume and value, thus favoring freight distribution</td>
<td>Higher fuel cost and increasing labor wages impact service providers through higher transportation cost and wages</td>
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<td>Growth in International trade stimulate regional integration, removal of trade barriers, coupled with the rise in containerization levels</td>
<td>Logistics infrastructure hamper the distribution time for cargo distribution</td>
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<td>A rise in the middle class and disposable income drive up the demand for goods</td>
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<tr>
<td>Interconnectedness of economic development and good infrastructure development drive demand for goods to be transported in connected region or province</td>
<td></td>
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</tbody>
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Source: Analysis by Frost & Sullivan
Freight Development in Indonesia

![Freight Movement in Indonesia (2009 – 2014)]

- Growth in cargo volumes
- Trade and domestic consumption to drive future volumes

Source: Consolidated, Analysis by Frost & Sullivan
**Economic Trend**

Positive outlook on capital inflows and trade

**Total Indonesia Foreign Direct Investment (FDI) Realization, 2009 - 2014**

- FDI is set to grow around 15%
- Inflows focussed on automotive, pharmaceutical and mining industry
- FDI in transportation, warehouse and storage sectors is around 1.1% of FDI in 2013
- 20.7% is into mining sector.

**Total Indonesia External Trade Value, 2009 - 2014**

- Sustainable trade growth over years
- Potential for positive trade balance with exports likely to gain

*Source: Central Statistics Bureau, Analysis by Frost & Sullivan*
Growing Economies...

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<tbody>
<tr>
<td>Indonesia</td>
<td>6.10</td>
<td>6.30</td>
<td>6.90</td>
<td>5.50</td>
<td>6.60</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7.20</td>
<td>4.60</td>
<td>5.60</td>
<td>6.00</td>
<td>5.30</td>
</tr>
<tr>
<td>Philippines</td>
<td>7.30</td>
<td>4.50</td>
<td>5.10</td>
<td>5.70</td>
<td>4.90</td>
</tr>
<tr>
<td>Singapore</td>
<td>14.50</td>
<td>5.60</td>
<td>4.80</td>
<td>7.50</td>
<td>4.60</td>
</tr>
<tr>
<td>Thailand</td>
<td>7.80</td>
<td>2.50</td>
<td>4.90</td>
<td>5.60</td>
<td>4.50</td>
</tr>
<tr>
<td>Vietnam</td>
<td>6.80</td>
<td>5.90</td>
<td>6.70</td>
<td>8.10</td>
<td>6.30</td>
</tr>
<tr>
<td>Average of 6 Countries</td>
<td>7.60</td>
<td>5.00</td>
<td>5.90</td>
<td>6.10</td>
<td>5.60</td>
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ASEAN offers a big opportunity - Region’s significance on efficient logistics

Source: ASEAN Secretariat, Analysis by Frost & Sullivan
Road map of Indonesian Logistics Industry Blue Print

- **2014-2015**
  Infrastructure development among ASEAN countries are expanded to support transportation & logistics service in the region.

- **2015-2020**
  ASEAN Logistics Network Integration

- **2020-2025**
  Integrated Global Logistics Network. Indonesia will be connected to the regional (ASEAN) and global logistics systems via International Hub Ports.

Source: Frost & Sullivan Analysis
Location Advantage…

Strategically located along key shipping routes

Source: Frost & Sullivan Analysis
Moving Forward…

1. Coordination and cooperation among all relevant institutional agencies to facilitate transportation between neighboring countries in ASEAN
2. Enhance transport security and safety in the regional Transportation and Logistics networks
3. Development of approaches and mechanisms to strengthen ASEAN’s role as “hub” in the East Asia integration

Source: Frost & Sullivan Analysis

1. Satisfactory logistics service offerings
2. Growing technology implementation in logistics operations
3. Infrastructure and connectivity issues
4. Distribution point to South East Asia from shipping stand point

Well-connected with ASEAN logistics Network

Domestic Logistics Network

Source: Frost & Sullivan Analysis
Thank You