

Economic Report 2023

INDONESIA

31 July 2023

Executive Summary

Die indonesische Wirtschaft verzeichnete im Jahr 2022 ein gegenüber dem Vorjahr **stärkeres Wachstum von 5,3%**, hauptsächlich aufgrund der Erholung der inländischen Nachfrage und einer soliden Exportleistung. Die **solide Haushaltspolitik** der Regierung führte zu einem geringeren Defizit, wodurch Indonesien mit lediglich 2,37% ein Jahr früher als geplant auf das Vorkrisenniveau zurückkehren konnte. Obwohl sich mehrere soziale Indikatoren wie **Armut (9,6%)** und **Arbeitslosenquote (5,4%)** verbessert haben, haben sie sich **noch nicht vollständig erholt**. Um das Wachstumsmoment der Wirtschaft zu unterstützen, wurde eine Regierungsverordnung anstelle des Gesetzes (Perppu) zur Schaffung von Arbeitsplätzen (*Omnibus on Job Creation*) verabschiedet. Im Jahr 2023 bleibt der wirtschaftliche Ausblick robust, obwohl aufgrund der Normalisierung der Rohstoffpreise ein moderates Wachstum erwartet wird.

Mit einem grossen Anteil am BIP, der vom Dienstleistungssektor geleistet wird, gefolgt von der Fertigungsindustrie, deutet der anhaltende Trend auf die Notwendigkeit hin, **Arbeitsplätze zu schaffen, die die Produktivität und den Technologietransfer erhöhen, um die Wettbewerbsfähigkeit zu verbessern**. Die Schweiz hat prioritäre Sektoren und Chancen für Schweizer Unternehmen in den Bereichen Infrastruktur, Maschinen-, Elektro- und Metallindustrie (MEM), Medizintechnik, Software und Informationstechnologie sowie grüner Technologien identifiziert. Indonesien konzentrierte sich weiterhin auf die nachgelagerten Industrien, um seine wertschöpfenden Exporte zu steigern: Nach **Nickel** hat die Regierung im Juni 2023 das **Exportverbot** für **Bauxit** verhängt und 2024 für **Kupfer** in Aussicht gestellt. Die indonesische Regierung setzte ihre Wirtschaftsdiplomatie fort, konnte aber die Verhandlungen mit der EU über ein Wirtschaftspartnerschaftsabkommen noch nicht abschliessen. Der **bilaterale Handel mit der Schweiz verzeichnete ein Wachstum von 32% (mit Gold) und 17,2% (ohne Gold)**. Pharmazeutische und chemische Produkte generierten die grössten Exporte aus der Schweiz, während Edelmetalle, gefolgt von Textilprodukten, die meisten Importe aus Indonesien ausmachten. Bei **Direktinvestitionen** fiel die Schweiz um 10 Plätze auf **Platz 20**, nachdem sie 2021 zu den Top 10 der ausländischen Investoren in Indonesien gehörte.

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1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

Indonesia's economic recovery momentum continued in 2022, the economy grew by 5.3% yoy and progressed significantly from 3.7% in 2021. The solid economic growth was supported by improving domestic economic activities along with the increasing social mobility, which further boosted consumption and investment, as well as strong export performances. Private – in particular household consumption accounted for 53% of the total growth. However, rising inflation and global uncertainty hindered the further "delay spending" after the pandemic. Inflation hiked to 6% in September after the government raised the fuel prices by 30%. But then eased faster than expected in December, where it stood at 3.3% yoy.

Government's fiscal discipline has resulted in a much smaller fiscal deficit than targeted. In June, the revised State Budget projected a deficit of 4.5% of GDP but ended for 2022 at 2.37% thus returning below the 3% deficit ceiling one year ahead of the government's schedule. The post-Covid recovery allowed lower spending in the health and social economic stimulus. However, higher fuel and food prices increased the related subsidies for vulnerable households by 13%. Revenues were 42% higher than in 2021 due to export windfalls, increasing economic activity, and the implementation of several tax policies, including the increase of VAT - currently 11%.

Indonesia recorded current account surplus at USD 13.2 billion, or 1% of GDP in 2022, compared with 0.3% in 2021. The surplus was mainly due to the trade record surplus achieved at USD 54.5 billion, with exports and imports growing by 26% and 21% respectively. In the pre-pandemic era, current account balances were recorded in the average of -2.5% of GDP.

The social indicators improved in 2022, but did not fully recover. The poverty rate was improved at 9.6% in March 2023, a decrease of 464 thousand people compared to September 2022. Indonesia's workforce participation rate was recorded higher than the pre-pandemic level. However, the job creation has not kept pace. Thus, the unemployment rate was still relatively high at 5.4% in Q1 2023, an improvement from 5.8% in the same period in 2022.

With 80% of long-term debt, Indonesia still maintained a healthy external debt profile at USD 397 billion or 30% of GDP. Indonesia's foreign reserves were recorded at USD 137 billion in December, and is expected to continue rising due to the government's issuance of global bonds. The current level of foreign exchange reserve is equivalent to 6.1 months of imports, or beyond the international adequacy standards of three months' imports. Rupiah has been appreciating and stabilized around IDR 15'000 per 1 USD. The latest development indicate that Indonesia's financial and monetary situations remain stable.

Perppu on Job Creation

In the last week of 2022, the government issued a Government Regulation in lieu of Law (*Perppu*¹) on Job Creation, to replace the Omnibus Law on Job Creation that was deemed conditionally unconstitutional in 2021. Despite public opposition, the parliament eventually passed the Job Creation *Perppu* on 21 March 2023. Coordinating Minister for Economic Affairs, Airlangga Hartarto cited that the passing is meant to provide legal certainty amidst global dynamics. Indonesian legal source, hukumonline, observed several substantial changes in the regulation, namely in the provisions that address outsourcing and the minimum wage. The latter's calculation is now based, amongst others, on economic growth and inflation and the formula can be amended by the government under determined circumstances.

The Job Creation Law was designed to attract more investments in Indonesia. In 2022, Indonesia recorded an impressive growth of domestic and foreign direct investments. However, given that the Law was recently implemented, the current investment flow may not reflect its optimum impact yet. Adjustment by the investors is estimated to take some time.

Outlook

The outlook for Indonesia's domestic economy in 2023 remains robust. According to 2023 State Budget, the government set a target of economic growth at 5.3% with the focus to continue the fiscal discipline for a long-term and sustainable economy. Bank Indonesia also projects the economic growth to continue in the range of 4.5% - 5.3% for 2023. IMF, ADB, and World Bank estimate a more moderate growth at 4.8%, assuming the post-pandemic economic impacts that still exist and lack of significant structural reforms. The fiscal deficit is expected at 2.84% and thus to remain below the 3% of GDP ceiling. Inflation is projected to stabilize at 4.2% in 2023 (still above Bank Indonesia's target of 1-3%) and continue to ease in 2024. In 2023,

¹ A Government Regulation in lieu of Law (*Perppu*) is a form of regulation that applies in Indonesian legal norm system, according to the Constitution. The issuance requires three main conditions: an urgent situation that should be solved by legislation, a legal vacuum (no required Law existed before, or the current Law is insufficient), and that the legal vacuum can't be overcome by making laws procedurally as it will take longer time.

the negative effects of external threats is still substantial, including the worsening of Russia's invasion in Ukraine, as well as inflation and monetary tightening in the advanced economies.

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

Indonesia's national economic recovery continued to accelerate, with several sectors registering notable growth. In 2022 Indonesia's GDP was mainly supported by the services sector, followed by manufacturing, and primary sector. The services sector, which includes wholesale and retail trade, information and communication, financial and insurance services, as well as other services, has continuously grown over the last five years and contributed 47.2% of the GDP in 2022, while the primary sector, in particular mining and quarrying, has benefited from higher commodity prices in 2022.

By sector, the distribution of employment has not changed from the previous year. Indonesia's workforce is mostly in the services sector (56%), followed by the primary- (30%), and manufacturing sector (14%). However, the percentage of the informal workers² was recorded at 60% of the total workforce in 2022, an increase of 4% compared with the pre-pandemic average level at 56%. The trend indicates the need and opportunity to create more jobs that increase labour productivity, which also could provide stable income and social protection.

The Swiss Business Hub (SBH) Indonesia has identified the priority sectors and opportunities for Swiss companies as follows, including mapping the infrastructure subsectors with their potentials and current activities in the country:

Mechanical and Electrical Engineering Industries (MEM)

Indonesia is a large manufacturing hub in Southeast Asia with established segments such as textile, automotive, electronics and F&B, and new growth areas such as electric vehicle batteries. The Indonesian government has also implemented a number of policies and initiatives aimed at promoting investment and innovation in the manufacturing sector, such as tax incentives, streamlined regulations, and infrastructure development. This includes the 'Making Indonesia 4.0' initiative and the establishment of Special Economic Zones (SEZs), including the Batam Free Trade Zone, the Tanjung Lesung SEZ, and the Kendal Industrial Park.

Manufacturing in Indonesia will also give Swiss businesses access to almost 700 million consumers within the ASEAN region, thanks to its Free Trade Area. SBH Indonesia has identified some [growth opportunities for Swiss MEM companies](#).

Medical Technology

Healthcare is a priority and the government is building new hospitals while upgrading existing facilities. To support the growth of the medical technology sector, the Indonesian government has implemented a number of initiatives aimed at promoting domestic production and innovation. As a result, a number of domestic and international medical technology companies have established a presence in Indonesia, and the country is emerging as a key player in the Southeast Asia medical device market.

Although Indonesian government has implemented local content requirements (LCR) for medical devices as part of its efforts to promote domestic production and encourages investments in the health care sector, Indonesia continues to rely on imported innovative medical devices. The country's growing middle class and early aging population are driving a demand for a better quality healthcare, including diagnostic and treatment technologies. High-quality Medtech products are still on-demand and create [business opportunities for Swiss Medtech companies in Indonesia](#). The opening of the healthcare sector for companies incorporated with 100% foreign investment, by implementing the Job Creation Law, and the government's efforts to increase the local manufacturing content of Medtech products, are two critical topics to be monitored for Swiss Medtech companies.

The development of digital health in Indonesia has been growing rapidly in recent years, especially on telemedicine. The Covid-19 pandemic has further accelerated the adoption of telemedicine, such as Alodokter, Halodoc, Klikdokter, and Klinik Pintar, while other solutions such as Artificial Intelligence (AI) and robotics are being explored, which could potentially create [business opportunities for Swiss digital health companies](#).

E-commerce

Indonesia has [the largest e-commerce sector](#) in Southeast Asia, expected to [generate USD 67.3 billion by 2026](#). The country's fast growing business-to-business (B2B) and business-to-consumer (B2C) e-commerce platforms are increasingly important channels. Indonesia consumers are expected to continue the habit

² International Labour Organization (ILO) refers 'informal economy' to all economic activities by workers that are – in law or in practice – not covered or insufficiently covered by formal employment arrangements. Statistics Indonesia (BPS) classifies 'informal workers' as employee with self-employed status, casual workers in agriculture sector, and casual workers in non-agriculture sectors.

carried out during the pandemic, such as buying daily grocery items, including fresh foods, through online instead of offline channels.

Indonesia is also witnessing a rise in *Superapps*, meaning ecosystems of services and offerings served in a single app. Most Indonesians shop on their mobile devices rather than desktop computers. The merger of Tokopedia and Gojek created the digital behemoth [GoTo](#) which contributed up to 2.2% of the Indonesian GDP in 2022, according to a [recent study](#).

Infrastructure

There is a massive need of upgrading the infrastructure in Indonesia. Many infrastructure projects are planned, financed and managed by government bodies and state-owned enterprises. This makes it challenging for Swiss infrastructure technology companies to get access to those projects. Based on a new mandate by SECO, Switzerland Global Enterprise (S-GE) together with relevant partners (e.g. SERV, Swissmem, Swissrail) will support Swiss companies in accessing infrastructure projects in Indonesia. Interested companies find all the relevant information on S-GE's [GoGlobal Cockpit platform](#).

Based on an assessment of technology capabilities of Swiss companies and market needs in Indonesia, the Swiss Business Hub is focusing on projects related to water and wastewater management, solid waste management, transport and sustainable energy production.

Among many infrastructure projects, Indonesia has also announced the relocation of its Capital City, "Ibu Kota Nusantara (IKN)" (translated "the Mother City of the Archipelago"). The move is expected to cost USD 33 billion and will be one of the biggest infrastructure projects the Indonesian government has ever undertaken. The initial transfer to the location is foreseen for 2024. Until then, the focus will be on building main infrastructure components, such as the State Palace, parliament, and other basic infrastructure for the city's first 500'000 residents. The next phase (2025 – 2035) will focus on building further economic infrastructures, while also completing the transfer of the government offices to the city. In order to achieve the target of becoming a developed country by 2045, the government aims to develop [more sustainable infrastructure](#) as well as developing talent and talent development centres from 2035 onwards.

Sharia – The Islamic Economic Ecosystem, including Halal Regulations

The [Sharia economy](#) and the development of Halal regulations are part of the mega-economic trends in Indonesia and important for Swiss companies to look at. Having the largest Muslim population in the world, the Sharia economy in Indonesia has been growing rapidly in recent years. The Sharia economy encompasses a wide range of sectors, including Islamic finance, halal food and beverages, halal tourism, Islamic fashion and clothing, and healthcare.

Islamic finance is the fastest-growing sector with Indonesia's Islamic banking being now one of the largest in the world. According to [the Financial Services Authority in Indonesia](#), the Sharia banking sector projects a growth of 14-16% in 2023 - compared to the previous year. Zurich Insurance Group - after having acquired Adira Insurance group in November 2019 has established Zurich Sharia in 2021, which is now the largest provider of Sharia insurance in Indonesia.

Indonesia is positioning itself to become Asia's Islamic finance hub and targets to capture 20% of the global Islamic banking market by 2024. In addition, the government has also established a number of Halal Economic zones, such as in Central Java, in order to attract foreign investors and drive domestic Halal production and exports of Halal-certified products.

Under the Halal Product Law in 2019, a multi-stage implementation period will start from 2024 to 2034 for various products traded and circulated in Indonesia, including food and beverage, cosmetics, pharmaceuticals, medical devices, and other consumer products, to be labelled as Halal or non-Halal. SBH Indonesia has provided a [Halal Fact Sheet](#) to provide an overview of the certification process and insights into current legislation and future changes. Overall, Indonesia's growing halal industry has the potential to become a significant player in the global halal market, as the demand for halal products continues to rise among the Muslim population worldwide.

3 FOREIGN ECONOMIC POLICY

3.1 Host country's policy and priorities

Indonesia continued to encourage the downstreaming of commodities by applying several trade restrictions. Despite the WTO's ruling against the nickel export ban in 2022, the government extended the policy to the other commodities, such as bauxite (applied in June 2023) and copper (will be applied in June 2024). The government has the ambition to transform the economy from primary-sector based to value-added industries, including by making Indonesia a world production hub for electric vehicles.

Following the global short supply, which led to the surge of Crude Palm Oil (CPO) prices and a domestic spike of cooking oil prices, the government announced a 20% Domestic Market Obligation (DMO) for palm oil exporters in January 2022. In April, the President announced a CPO and refined olein export ban to ensure the cooking oil domestic price. The ban was revoked three weeks after. In 2023, the 20% DMO was imposed again for the palm oil exporters to secure the domestic prices.

International Trade Negotiations

To achieve an economic growth of 5.7% - 6% by 2024 according to the Medium-Term National Development Plan (RPJMN), the government aims to increase the trade volume and expand the market to several regions, mainly Africa, South America and East Europe. Economic diplomacy was enhanced to accelerate crucial trade negotiations and upgrade several agreements. Indonesia has only concluded one bilateral trade agreement with an African country (Indonesia-Mozambique PTA), and one with a South American country (Indonesia-Chile CEPA).

Until 2023, Indonesia has concluded 23 regional and bilateral trade agreements in the form of Comprehensive Economic Partnership Agreement (CEPA) or Preferential Trade Agreement (PTA), and other amendment protocols. Fifteen of them have entered into force, including the EFTA-Indonesia CEPA. In 2022, one of the most anticipated agreements was the Regional Comprehensive Economic Partnership (RCEP), which officially entered into force in Indonesia on 2 January 2023. Indonesia also concluded an amendment on trade in services in the Indonesia-Chile CEPA and an amendment protocol on the Indonesia-Japan CEPA.

Ongoing and Explored Trade Negotiations

<i>Ongoing Trade Negotiations</i>	<i>Explored Trade Negotiations</i>
General Review ASEAN Trade in Goods Agreement (ATIGA)	Indonesia - Colombia PTA
Indonesia-Eurasian Economic Union (EAEU) Free Trade Agreement	Indonesia – Djibouti PTA
Indonesia-Pakistan Trade in Goods Agreement (IP-TIGA)	ASEAN – EU FTA
General Review ASEAN – India FTA (AIFTA)	Indonesia – Peru FTA
General Review ASEAN – Australia – New Zealand FTA (AANZFTA)	Indonesia – New Zealand CEPA
Protocol to Amend Indonesia - Japan EPA	Indonesia-Nigeria (Economic Community of West African States/ECOWAS) PTA
Indonesia-Iran PTA	Indonesia-Kenya (East African Community/EAC) PTA
Indonesia – Turkey CEPA	Indonesia- Southern African Customs Union (SACU) PTA
Indonesia-Bangladesh PTA	Indonesia-Gulf Cooperation Council (GCC) Free Trade Agreement
Indonesia-Tunisia PTA	Indonesia - Srilanka PTA
Indonesia-Morocco PTA	
Indonesia-EU CEPA	

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

Of all the ongoing negotiations, the government expects to conclude Indonesia-EU CEPA (IEU-CEPA) by the end of 2023 and Indonesia-Bangladesh PTA (IB-PTA) by September 2023. The 15th round of negotiations on IEU-CEPA took place from 10 – 14 July in Yogyakarta, Indonesia. According to Indonesian Trade Ministry, the latest negotiation round concluded talks on the chapter on Economic Cooperation and Capacity Building of the agreement. The next round is scheduled in Brussels.

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.

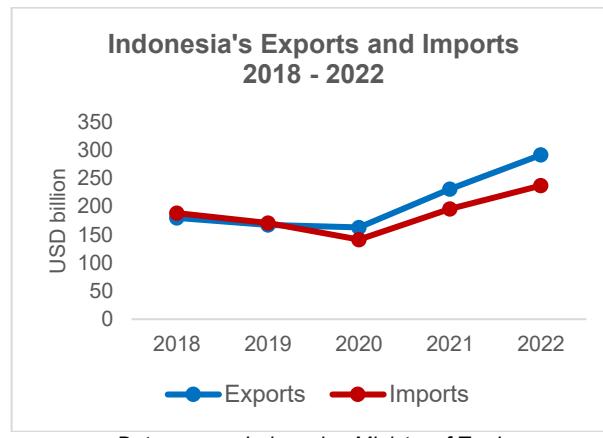
4 FOREIGN TRADE

4.1 Developments and general outlook

4.1.1 Trade in goods

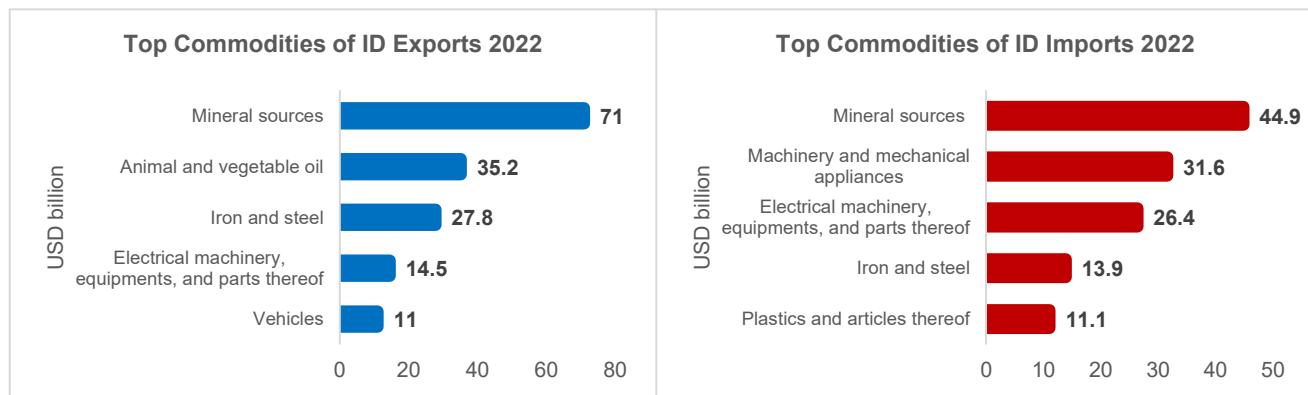
Commodity exports boomed in 2022 generating a record in Indonesia's trade surplus, which amounted to USD 54.5 billion. Annually, exports and imports grew by 26.1% yoy (USD 292 billion) and 21.1% yoy (USD 237.5 billion) respectively. Although a trade deficit is projected in the second half of 2023 due to downward trends in commodity prices, Indonesia managed to record a trade surplus of USD 3.4 billion in June

2023. However, the surplus was mainly due to lower imports rather than declining exports. Although Indonesia has a strong domestic demand, external factors such as commodity prices and declining demand by large trading partners (China and the US), shall be anticipated in the second half 2023.



Data source: Indonesian Ministry of Trade

Mineral fuels (particularly coal) and vegetable oil (mainly CPO) still constituted Indonesia's top export commodities with 55% and 35.2% respectively. However, the highest export growth was registered in ores, slash, and ash (HS 26) with 62.2%, followed by mineral sources (HS 27) with 57.5%. The growth in HS 26 exports indicates that more investments in downstreaming natural resources, such as in nickel and copper smelters, are potentially still needed as the government aims to have more value-added commodities for exports. Meanwhile, the highest import growth was recorded in the mineral sources (HS 27) with 55.7%, followed by vehicles (HS 87), signalling higher mobility as Indonesia is recovering from the pandemic curbs.



Data source: Indonesian Ministry of Trade

China was still Indonesia's main trade partner in 2022, with exports and imports growing by 20.4% (USD 65.9 billion) and 22.6% yoy (USD 67.7 billion) respectively. However, among its trade partners, Indonesia's highest trade surplus was with the USA due to exports of machinery and textile products, while seeing the biggest bilateral deficit with Australia. Other countries that contributed the most to Indonesia's trade surplus were India and the Philippines. Indonesia exported mainly iron and steel to China, and imported machines and plastics from the country.

In February 2022, the government enacted Presidential Regulation 32/2022 on Commodity Balance ('Neraca Komoditas') as the implementation of the Job Creation Law on trade mechanisms. Commodity Balance serves as a centralised and integrated database of supply and demand for traded goods that determines import and export decisions. The demand data mainly comes from the companies. In 2022 the mechanism has been applied for rice, salt, sugar, beef and fisheries products, while other goods are still expected to start using Commodity Balance in 2023.

4.1.2 Trade in services

Indonesia recorded a widening deficit (USD 20 billion) in trade in services in 2022, compared with USD 14.6 billion in 2021. It was due to the surge of deficit in the transportation sector, mainly in freight services. On the other hand, a recovery trend was recorded in several sectors - including travel, which registered a surplus of USD 430.9 million. The positive trend was driven by a significant increase of international tourists to Indonesia (5.5 million people), compared with 1.6 million tourists in 2021.

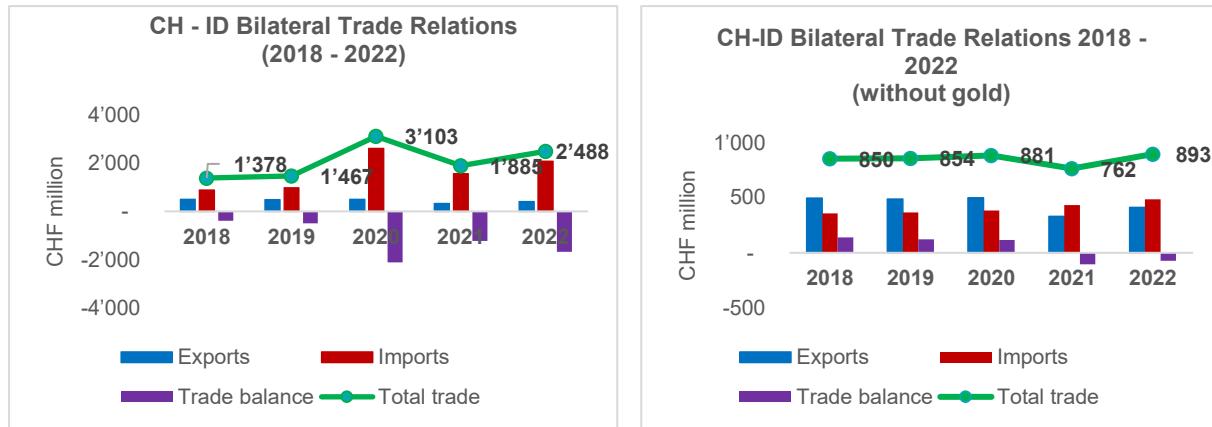
In 2022, Indonesia still scored among the highest in the Services Trade Restrictiveness Index (STRI), way above the average of OECD countries. Presidential Regulation 10/2021, which was implemented due to the Job Creation Law, set out important regulations on foreign investment in Indonesia, after the negative

list for investment regulation in 2016. However, in some cases, such as air transport services, the new regulation introduced more stringent conditions.

4.2 Bilateral trade

4.2.1 Trade in goods

Bilateral trade between Switzerland and Indonesia increased by 32% yoy (with gold) and 17.2% yoy (without gold). Exports grew by 24.5% yoy and imports by 33.6% yoy (with gold) and 11.6% yoy (without gold) respectively. Indonesia continued to record a trade surplus with Switzerland, which amounted to CHF 73.6 million (without gold) and USD 1.7 billion (incl. gold).



Data source: Swiss Federal Customs Administration

The composition of the top export and import commodities remained the same in 2022. Pharmaceutical and chemical products accounted for 43.9% of the total exports from Switzerland to Indonesia, amounting to CHF 179.9 million. As the top import commodity from Indonesia, precious metals still contributed the largest amount with 77.6% (CHF 1.6 billion), increasing by 43.6% from 2021.

Exports			Imports		
	% share	% variation yoy		% share	% variation yoy
Chemical and pharmaceutical products	43.9%	29.2%	Precious metals	77.6%	43.6%
Machines, appliances, electronics	18.5%	17.6%	Textiles, clothing, shoes	11%	8.2%
Precision instruments, clocks, watches, and jewellery	12.1%	13.4%	Forestry, agricultural, and fisheries products	2.8%	10.3%
Metals	9.1%	22%	Machines, appliances, electronics	2.1%	-1.8%
Forestry, agricultural, and fisheries products	5.9%	1%	Various goods (home furnishings, toys, sport equipment, etc.)	2%	5.8%

Data source: Swiss Federal Customs Administration

Almost all commodities in the list registered a positive growth year-on-year, except imports of machines, appliances, and electronic from Indonesia, which contracted slightly by 1.8%. On chemical and pharmaceutical products, Switzerland exported mostly chemical end products which include pharmaceutical goods, aromatic and flavoring substances, and cosmetics. On imports without gold, Switzerland imported mostly textiles in the form of footwear, non-knitted and knitted products. Apart from the entry into force of the IE-CEPA on 1 November 2021, several steps have been taken to take advantage of the agreement, including the inauguration of the Indonesia Trading House (ITH) in Aargau on 21 January 2023.

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

Indonesia's total investment flow in 2022 increased by 34% yoy, amounting to USD 84.1 billion, which consists of 45.8% DDI and 54.2% FDI, the latter growing by 44.5% to USD 45.6 billion. Singapore consistently scores as the largest foreign investor in Indonesia since 2014 (USD 13.3 billion), followed by China, Hong Kong, Japan, and Malaysia – making them all Asian countries in the top 5 list. Most of the FDI was realized in Central Sulawesi Province (16.4%) due to nickel and other mining smelters investments, followed by West Java Province (14.3%). By sector classification, half of the FDI was in the secondary

sector (54.1%) - including manufacturing and utility, followed by the tertiary sector (30.4%) - including services, and then the primary sector (15.5%).

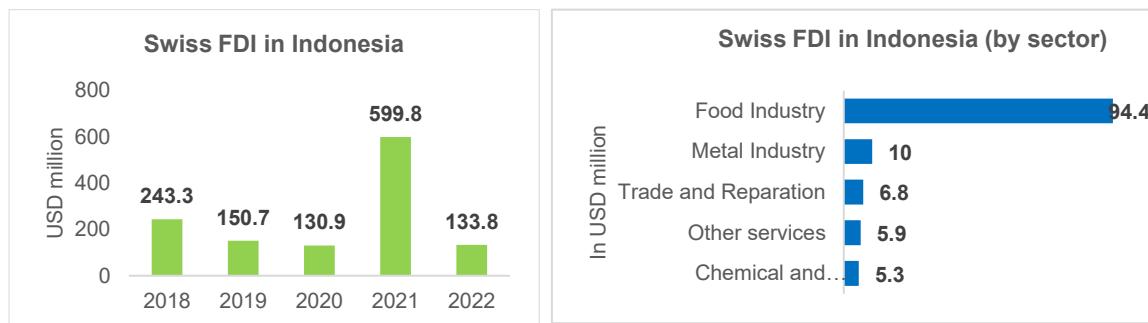


Data source: Ministry of Investment/Indonesian Investment Coordinating Board (BKPM)

Aside of aiming to increase the investment flow to Indonesia, the government also expects to improve the investment quality, such as through the processing industries that provide added value, to promote an inclusive and sustainable growth. The Indonesian Ministry of Investment (BKPM) has identified 8 priority sectors of investment, namely downstreaming natural resources (nickel, copper, and coal smelting), export-oriented industries (incl. EV batteries and automotive), infrastructure, human resources development, import substitution (in particular iron and steel), tourism (incl. the 10 new Bali), labour-intensive industry, and digital economy. More investment outside Java is also encouraged, in view of an equitable development and also the new capital.

5.2 Bilateral investment

According to BKPM, Switzerland's direct investment in Indonesia amounted to USD 134 million in 2022, thus being the 20th largest investor in the country (-10 spots from the previous year). By sector, the largest investment values were concentrated in the food industry (74.4%), followed by the metal industry (7.5%). In the last 5 years, Switzerland's investment in Indonesia has amounted to USD 1.2 billion, making it the 15th largest foreign investor over that period, and has absorbed 13'114 Indonesian labourers. Several Swiss companies that have continuously invested in Indonesia across various sectors include Nestle Indonesia, Ciba Vision, Clariant Indonesia, ABB, and SIKA.



Data source: Ministry of Investment/Indonesian Investment Coordinating Board (BKPM)

In general, however investments in services, such as banking and insurances, are not captured by BKPM. Hence, several major investments made by Swiss companies (e.g. Zurich) were excluded in the data, and therefore the difference with the statistics from the Swiss National Bank's perspectives is often quite significant.

6 ECONOMIC AND TOURIST PROMOTION

6.1 Swiss foreign economic promotion instruments

Swiss Business Hub Indonesia

In addition to market entry and market expansion services for Swiss exporters, [Swiss Business Hub \(SBH\) Indonesia](#) identifies and curates information on large infrastructure projects and does matchmaking between project owners and interested Swiss stakeholders. Interested parties will find relevant information on important market sector on the website of [Switzerland Global Enterprise](#) and on the [GoGlobal Cockpit platform](#) where specific business opportunities information can be accessed.

In August 2022 Switzerland Global Enterprise concluded a Memorandum of Understanding with the Indonesian Chamber of Commerce and Industry ([KADIN](#)), the powerful industry lobby organization.

KADIN runs a Swiss Chapter for specific Switzerland-related commercial topics which closely cooperates with SBH Indonesia. In May 2022, economiesuisse and KADIN launched the [Trade and Sustainability Council](#) to promote sustainable commercial exchanges between the companies of the two countries. Switzerland Global Enterprise is represented by its CEO in the council whereas SBH Indonesia is commissioned to identify and execute relevant projects together with KADIN in Indonesia. SBH Indonesia launched a [Linkedin page](#) in order to disseminate relevant commercial information between Switzerland and Indonesia.

Swiss Economic Development Cooperation in Indonesia (SECO)

Through Switzerland's Economic Cooperation and Development Program with Indonesia 2021-2024, SECO provides CHF 65 million in grant funding for technical assistance and capacity building activities in the areas of dual vocational education and training, sustainable urban development, public financial management, sustainable tourism, access to finance and markets for SMEs, as well as sustainable value chain development. Through 30+ projects, the Program works with 15 implementing partners and more than 10 ministries. In line with Indonesia's political developments and economic progress, the implementation of the Program has picked up speed in its third year and benefitted from increased visibility due to Indonesia's G20 Presidency. For example, SECO actively participated in the G20 Trade, Investment, and Industry Working Group on Accelerating Eco-Industrial Parks for Inclusive and Sustainable Industrialization. Moreover, SECO's involvement in various G20 side events on energy transition created a positive image and Switzerland is seen as one of the key partners to promote renewable energy technologies. In this context, SECO supported the introduction of the very first one-year specialization program in solar and hydro technologies at five Indonesian polytechnics.

Through the Cooperation Program, SECO also intensified its collaboration with the private sector and it works in partnership with a range of multinational corporations, banks, local businesses, and impact investors. A success story in this context is the collaboration between the Swiss-funded Skills for Competitiveness Project (S4C) and SwissCham. S4C teamed up with five SwissCham member companies to boost dual vocational education in Indonesia and improve the employability of fresh graduates by ensuring that the skills of students are in line with industry needs.

When looking at some concrete project results it is worth mentioning that SECO supported the drafting of the Law on Intergovernmental Fiscal Relations via a collaboration with the World Bank. The law will improve service delivery to the people and allow subnational governments to diversify their funding sources. The Cooperation Program also contributed to the digitalization of Indonesia's tax system, which has led to major cost savings. Moreover, SECO's technical assistance has been instrumental in leveraging much needed infrastructure investments (USD 117 million) at the subnational level through capacitating a financial intermediary. The Program also supported the development of the first Indonesian shrimp brand, which will help Indonesia reach new markets and achieve its target to increase shrimp exports by 250% by 2024. Finally, through technical assistance in the transportation sector, Switzerland facilitated the inclusion of Bus Rapid Transit (BRT) Systems of three metropolitan cities, Bandung, Semarang, and Makassar, in the 'Green Book' (list of planned priority external loans). Surabaya is expected to be added soon as well. Construction is set to start in 2024 and 2025 respectively.

Switzerland Tourism

The year 2022 showed a great recovery of tourism activity from Indonesia to Switzerland. The first half of 2022 saw some hurdles of travel restrictions (in Indonesia) due to the rise of the Omicron variant, therefore missing out on the main travel season around the Eid holidays (in the first semester) which could have boosted the number of overnights. However, the number recovered in the second half of the year, with 28% more overnights compared to pre-pandemic in 2019.

The travel trend gradually returned to how it was before the pandemic: serial travel offers (identical tours repeated on different dates), big incentive groups and multi-country tours. The demand in "mono Swiss tours" continues to grow despite other Western European countries opening up – a positive sign in Indonesians' rising awareness and interests of Switzerland as a tourism destination. Limited visa appointment slots were a big obstacle throughout the year amidst the strong tourism rebound.

Switzerland Tourism Indonesia actively engages with travel trade and media partners to keep Switzerland at the forefront of long-haul travel and keep them updated on the latest offers and attractions in Switzerland.

SwissCham Indonesia

The Swiss-Indonesian Chamber of Commerce ([SwissCham](#)) is an association of Swiss and Indonesian businesses comprising about 70 members, spanning corporate to small and medium enterprises (SMEs). In executing advocacy and stakeholder dialogues to address business and regulatory matters, members collaborate under the Sectoral Groups: Ease of Doing Business; Fiscal, Custom and Excise; Human Capital Development, and Sustainability and Innovation with the support of the Swiss Embassy.

On 17 March 2022, SwissCham Indonesia and the Ministry of Investment (BKPM) signed a memorandum of understanding (MoU) to boost trade and investment between the two countries. SwissCham has been an active partner of the Embassy to promote bilateral cooperation framework, including the Young Professionals Agreement.

6.2 The host country's interest in Switzerland

Tourism, education, and other services: The Embassy issued 18'317 visas in 2022, an increase of 382.5% from 2021. Tourism (86.9%) was still the main purpose of Indonesians to visit Switzerland, followed by business (8.1%), visit of family and friends (4.7%), and studying (0.8%).

With travel restrictions easing up and increasing interests in traveling to Switzerland, Indonesia reached 86.5% of overnights compared to those in 2019 (pre-pandemic); that is 88'000 overnights in total.

Investment:

EIGER Adventure, Indonesia outdoor apparel brand, opened [its first international store in Interlaken](#) on 15 March 2023. The brand, founded in 1989, was inspired by the famous Swiss Eiger mountain. With a strong history of achievements in Indonesia, EIGER has received numerous certifications, ensuring that all products have passed vigorous quality checks to meet the high-quality global standard.

The store will also showcase the company's commitment to green business practices, such as with several products made from recycled materials, and also its effort to promote Indonesian SMEs internationally.

Switzerland as a financial centre: -

ANNEX 1 – Economic structure

Economic structure of the host country

	2018	2019	2020	2021	2022
Distribution of GDP*					
Manufacturing	19.9%	19.7%	19.9%	19.2%	18.3%
Agriculture, Forestry and Fishery	12.8%	12.7%	13.7%	13.3%	12.4%
Wholesale and Retail Trade	13%	13%	12.9%	13%	12.8%
Construction	10.5%	10.7%	10.7%	10.4%	9.8%
Mining and Quarrying	8.1%	7.3%	6.4%	9%	12.2%
Information and Communication	3.8%	4%	4.5%	4.4%	4.1%
Financial and Insurance Services	4.1%	4%	4.5%	4.2%	4.1%
Transportation and Warehousing	5.4%	5.6%	4.5%	4.2%	5.0%
Taxes	4.1%	4.3%	3.7%	4.1%	4.4%
Other Services	18.3%	18.7%	19.2%	18%	16.7%

Distribution of employment*					
Primary sector	30.5%	30%	25%	31%	30%
Manufacturing sector	22%	22%	15%	14%	14%
Services	47.5%	48%	38%	55%	56%

Source(s): Bank of Indonesia, Presentation Book, March 2023

- <https://www.bi.go.id/en/iru/presentation/Pages/Republic-of-Indonesia-Presentation-Book--Mar-2023.aspx>

ANNEX 2 – Main economic data

Host country's main economic data

	2021	2022	2023
GDP (USD bn)**	1'186	1'282	1'392
GDP per capita (USD)*	4'357	4'783	n/a
Growth rate (% of GDP)*	3.7	5.3	5.0
Inflation rate (%)*	1.9	5.5	n/a
Unemployment rate (%)*	6.49	5.9	5.0
Fiscal balance (% of GDP)*	-4.6	-2.4	-2.6
Current account balance (% of GDP)*	0.3	1.0	-0.3
Total external debt (% of GDP)*	36.8	30.1	29.0
Debt-service ratio (% of exports)****	21.7	n/a	n/a
Reserves (months of imports)*	6.4	5.9	5.5

* Source: IMF, World Economic Outlook, March 2023

- <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>

** Source: IMF, Article IV Consultation, IMF Country Report 23/221

- <https://www.imf.org/en/Publications/CR/Issues/2023/06/22/Indonesia-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-535060>

*** Source: Statistics Indonesia (BPS), Statistics Indonesia 2023, February 2023

- <https://www.bps.go.id/publication/2023/02/28/18018f9896f09f03580a614b/statistik-indonesia-2023.html>

ANNEX 3 – Trade partners

Trade partners of the host country Year: 2022

Rank	Country	Exports from the host country (USD billion)	Share	Change ³	Rank	Country	Imports to the host country (USD billion)	Share	Change ¹⁰
1	China	65.9	22.9%	22.6%	1	China	67.7	28.5%	20.5%
2	USA	28.2	9.6%	9.3%	2	Singapore	19.4	8.2%	25.6%
3	Japan	24.8	8.5%	39%	3	Japan	17.2	7.2%	17.3%
4	India	23.4	8%	75.2%	4	Malaysia	12.5	5.2%	32%
5	Malaysia	15.5	5.3%	29.1%	5	South Korea	11.7	4.9%	24.3%
6	Singapore	14.4	4.9%	23.7%	6	USA	11.6	4.9%	3.2%
7	Philippines	12.9	4.4%	50%	7	Thailand	11	4.6%	20.1%
8	South Korea	12.8	4.4%	42.7%	8	Australia	9.9	4.2%	4.6%
9	Taiwan	8.7	3.3%	25%	9	India	9.3	3.9%	21.7%
10	Vietnam	8.3	2.8%	21%	10	Saudi Arabia	5.5	2.3%	38.4%
n/a	Switzerland	1.9	0.65%	43.1%	n/a	Switzerland	0.9	0.34%	28.1%
	TOTAL	292	100%	26.1%		TOTAL	237.4	100%	21%

Source(s): Indonesian Ministry of Trade, "Satu Data Perdagangan", August 2023

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

³ 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)
2018	494.4	9.3%	884.3	-39.5%	-389.9	1'378.7
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%	-1668.8	2'488.2
	409.7	24.4%	483.3	11.6%	-73.6	893
2023	194.5	-2.4%	1'337.9	-9.7%	-1'143.4	1'532.4

*) '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	2021 (% of total)	2022 (% of total)
1. Products of the chemical and pharmaceutical industry	42.3%	43.9%
2. Machines, appliances, electronics	20.6%	18.5%
3. Precision instruments, clocks and watches, and jewellery	13.3%	12.1%
4. Metals	9.3%	9.1%
5. Forestry and agricultural products, fisheries	7.2%	5.9%
6. Paper, articles of paper and products of the printing industry	1.3%	4.2%
7. Textiles, clothing, shoes	2%	1.9%
8. Leather, rubber, plastics	1.8%	1.6%
9. Vehicles	1.7%	1.5%
10. Precious metals, precious and semi-precious stones	0.004%	0.2%
11. Various goods, such as music instruments, home furnishings, toys, sports equipment	0.5%	0.16%
12. Stones and earth	0.04%	0.08%
13. Works of arts and antiques	0.001%	0.03%
14. Energy source	0.005%	0.005%
TOTAL	100%	100%

Imports	2021 (% of total)	2022 (% of total)
1. Precious metals, precious and semi-precious stones	72.2%	77.6%
2. Textiles, clothing, shoes	13.6%	11%
3. Forestry and agricultural products, fisheries	3.4%	2.8%
4. Machines, appliances, electronics	2.7%	2.1%
5. Various goods, such as music instruments, home furnishings, toys, sports equipment	2.5%	2%
6. Leather, rubber, plastics	2%	1.6%
7. Products of the chemical and pharmaceutical industry	2.1%	1.5%
8. Precision instruments, clocks and watches, and jewellery	0.4%	1.1%
9. Metals	0.6%	0.6%
10. Vehicles	0.5%	0.4%
11. Stones and earth	0.1%	0.1%
12. Paper, articles of paper and products of the printing industry	0.0%	0.03%
13. Energy source	0.0%	0.02%
14. Works of antiques and arts	0.12%	0.01%
TOTAL	100%	100%

Source: Federal Office for Customs and Border Security

ANNEX 5 – Main investing countries

Main investing countries in the host country**Year: 2022**

Rank	Country	Direct investment (USD*, stock)	Share	Variation (stock)	Inflows over past year (USD)
1	Singapore	USD 13.3 billion	29.2%	+41.5%	USD 9.4 billion
2	China	USD 8.2 billion	18%	+78.3%	USD 4.6 billion
3	Hong Kong	USD 5.5 billion	12.1%	+71.9%	USD 3.2 billion
4	Japan	USD 3.5 billion	7.7%	+52.3%	USD 2.3 billion
5	Malaysia	USD 3.3 billion	7.2%	+135.7%	USD 1.4 billion
6	USA	USD 3 billion	6.6%	+25%	USD 2.4 billion
7	South Korea	USD 2.3 billion	5%	+43.7%	USD 1.6 billion
8	Netherlands	USD 1.2 billion	2.6%	-33.3%	USD 1.8 billion
9	Bermuda	USD 954.7 million	2.1%	+41.6%	USD 674.4 million
10	England	USD 628.3 million	1.4%	+94.6%	USD 322.9 million
20	Switzerland	USD 133.8 million	0.3%	-77.7%	USD 599.8 million
	Total	USD 45.6 billion	100%		USD 31.1 billion

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

* Exchange Rate 1 USD = IDR 14'350 based on 2022 National Budget.