

Indonesia Freight and Logistics Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Indonesian freight and logistics market is anticipated to register a CAGR of more than 9% over the forecast period.

Key Highlights

The Indonesian freight and logistics market was severely affected by the COVID-19 crisis. According to the Indonesian Logistics Association (ALI), logistics companies experienced an approximately 50% decline in overall business performance in 2020, and logistics volume decreased by 60-70% across the board due to emergency measures taken by the government to prevent COVID-19 transmission.

One of the emerging trends in the market is the increase in demand for food, perishables, and medical supply deliveries. Furthermore, there has been an increase in investment activities in Indonesia since 2021. The Investment Coordinating Board (BKPM) reported that investment in the sector totaled IDR 901.02 trillion (USD 59 Billion) in 2021. The investment in 2021 employed 1.2 million Indonesians across 133,258 projects. The operations and movement of people, goods, and money is expected to increase because of investment activities.

According to Supply Chain Indonesia (SCI), the logistics sector, which includes transportation, warehousing, and distribution (including courier services), contributed 676 trillion rupiahs to Indonesia's GDP in 2021. The expansion of the logistics sector has been attributed to increased national consumption and the development of infrastructure across the country. Throughout 2021, the transportation sector alone contributed IDR 548.8 trillion (USD 36 Billion) to the national GDP, out of the IDR 676 trillion (USD 44 Billion) contributed by the logistics sector.

The increase in foreign investment in the country's infrastructure and logistics sector has driven many opportunities for international players in the market. Despite there being a high concentration of local companies dominating the market, the change in government policies and developing markets is luring other companies to dive into the prevailing opportunities. There has been a sharp rise in e-commerce sales for the past two years, which has inherently brought pressure to the freight and

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logistics sector of Indonesia. There is a need for the development of intermodal infrastructure to keep pace with the e-commerce logistics demand. There is also an increasing rate of internet penetration in the country, which is attracting giants in various sectors to invest in the e-commerce sector.

These trends, along with technological advancements and changes in government policies, are surely impacting the market positively. The market is expected to grow at a fast pace in the forecast period. International players need to work on strategies to penetrate the market as the local players are more popular among the consumers of the market.

Indonesia Freight & Logistics Market Trends

Growth in E-commerce

The growing middle-class population, high internet, and mobile penetration rates, and the rapid growth of fintech and alternative financing options have all contributed significantly to Indonesia's e-commerce boom over the last five years, up to 2021. Indonesia had the largest e-commerce market among the Association of Southeast Asian Nations (ASEAN) countries in 2021, with retail e-commerce sales totaling USD 37.3 billion. E-commerce is expected to expand in the high double digits in the future in Indonesia. Indonesia has one of the highest internet penetrations in the region, with nearly 72.87% in 2021.

In 2021, the top ten companies in Indonesia accounted for more than 85% of e-commerce sales. Tokopedia PT was the largest e-commerce retailer in 2021, with sales of USD 12.9 billion and a 34.5% market share. In 2021, Sea Ltd was the second largest retailer, with sales of USD 11.4 billion and a market share of 30.5%. In 2021, Alibaba Group Holding Ltd was the third largest retailer, with sales of USD 3.5 billion and a market share of 9.3%.

The growth of e-commerce in Indonesia is attributed to the high internet penetration, high trust in local companies, and demand for a large category of goods due to shutdowns and lockdowns. Many opportunities have been created in the country for international e-commerce giants. Nonetheless, SMEs will have more opportunities once they embrace digital technology. Chatbots and AI assistants can help businesses connect with potential customers and guide them through the purchasing process. This will provide a consistent shopping experience that customers will return to, facilitating the growth of e-commerce and SMEs in Indonesia.

Manufacturing Sector Growth Creating Demand for Better Supply Chain

With a strong economic foundation, Indonesia is poised to become a future global leader in manufacturing. According to the Ministry of Industry, Indonesian manufacturing will be ranked 15th among global manufacturing hubs by 2023. Indonesia continues to attract investment, with its manufacturing sector increasing to USD 15.4 billion in the first half of 2022 from USD 11.2 billion, representing a 40% increase over the same period in 2021.

Indonesia is attracting investors who are currently targeting productive sectors such as the manufacturing industry. This encourages the capital-intensive industrial sector to transfer to technology and encourages the labor-intensive industrial sector to increase job vacancies. According to The Jakarta Globe, a local newspaper, Huawei emphasized the importance of 5G technology in updating Indonesia's manufacturing industry, citing technology such as the Internet of Things (IoT), cloud collaboration, and intelligent automation, which would vastly improve safety and efficiency within various manufacturing plants.

The rise in the manufacturing sector requires better supply chain solutions to tackle raw material procurement, product delivery and distribution to wholesalers and retailers, and exchange of goods among other stakeholders of the market. But, there is a requirement to build better infrastructure for the smooth movement of goods domestically as well as into the international market. International players are trying to invest in the country's infrastructure to create more opportunities in the market, while

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local companies are focusing on utilizing the pre-requisite infrastructure to gain more profit and hold the major share of the market.

Indonesia Freight & Logistics Market Competitor Analysis

The Indonesian freight and logistics market is fragmented in nature, with the presence of many international players as well as local players. International players are responsible for approximately 30% of the market share. Some of the major players in the industry, are PT. Samudera, PT. Siba Surya, PT. Kamadjaja Logistics, PT. POS Indonesia, PT Tiki Jalur Nugraha Ekakurir (JNE), PT Bhandha Ghara Reksha, PT. Puninar Jaya, PT Indika Logisitcs amongst others.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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