# Indonesia Data Center Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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**Report description:**

The Indonesian data center market was worth USD 1.67 billion in 2022, and it is predicted to reach USD 3.43 billion by 2027, with a CAGR of 13.15% from 2022 to 2027. One of the critical sources of growth in the region is its increasing internet economy.

Key Highlights
The Southeast Asian region's internet economy accounts for over USD 100 billion, according to SpaceDC's upper management, and it is predicted to expand to USD 300 billion by 2025. As a result, the demand for data services and infrastructure is expected to grow rapidly throughout the forecast period.
Indonesia ranks lower in the competitive index than other Southeast Asian countries. However, the potential commercial upside for data center players is significant. Indonesia is witnessing a growing digital economy, coupled with the rapid growth of start-up companies and an ever-growing population, leading to a boost in hyper-scale data centers.
The COVID-19 pandemic posed additional stress on the overall economy across sectors and highlighted the contribution and potential of the online workplace being facilitated by data centers. Due to the digital economy's growth, the data center boom in the market led several global vendors to expand in Indonesia and tap into the emerging opportunities in the studied market. For instance, in November 2021, Smartfren announced a partnership with the UAE technology firm G42 to build a 1,000 MW data center in Indonesia. The investment is expected to strengthen the development of the digital industry in Indonesia and maintain national data sovereignty, being carried out by the government of Indonesia. It also steers multiple international vendors to focus on the digital economy.
According to the report titled "Digital 2021" by content management service, HootSuite, and social media marketing agency, We Are Social, the number of internet users in Indonesia increased by 27 million (+16%) between 2020 and 2021. Internet penetration in Indonesia stood at 73.7% in January 2021.
Indonesia's current e-commerce market is similar to China's online marketplace, with a large pool of entrepreneurial sellers

providing goods based mainly on social media recommendations. The country is also Asia's foremost mobile-first nation, with one of the highest mobile-Facebook usage rates, aggressively promoting the growth of data centers.

## Indonesia Data Center Market Trends

### Colocation Data Service is Expected to Dominate the Market

The e-commerce market in Indonesia has been growing for the past few years, mainly driven by increased internet access and usage. According to the Indonesian Internet Service Providers Association's 2021 report, internet users increased to 196 million, or around 73.7% of the total population.
Indonesia's data center services income is growing due to increased colocation demand from cloud service providers worldwide. The Indonesian data center market is regarded as one of the world's most primitive data center markets. Due to the increased migration of OTT participants in Indonesia, increased IT spending, and the deployment of 5G, the data center industry is predicted to rise exponentially.
The e-commerce growth helped the merchants operating in the country during the COVID-19 pandemic, indicating its importance to the Indonesian economy. The e-Conomy SEA 2021 report outlined that 28% of merchants believed they would not have survived COVID-19 without selling on digital platforms. The increasing dependency on e-commerce is increasing the need for data centers, driving the colocation sectors of the data center ecosystem.
The colocation provider will offer the server the appropriate bandwidth, IP, and power. Colocation hosting allows a small firm to benefit from the advantages of a large IT department without the expensive cost of setup. According to the Jakarta Post, all companies are not ready to shift to the public cloud in the region. They wish to have complete control of their data without someone else's possession. Thus, colocation is still popular despite strong interest of businesses to adopt cloud services.
In Indonesia, Jakarta has the maximum number of data center activities. In April 2021, Tencent Cloud launched its first data center in Indonesia, emphasizing its commitment to addressing the growing business needs of the country. Located in Jakarta's central business district, the data center boasts two utility power lines, 2 N redundant transformers and N+1 redundant diesel generator, with a capacity to support up to 72 hours at full load.

### The IT and Telecommunications Segment is Expected to Hold a Major Market Share

The fast development of the IT sector, combined with driving elements such as mass consumerism, urbanization, increased mobile usage, and a tech-hungry youthful population, has a favorable impact on Indonesia's economic growth. It will massively increase the number of data center facilities in the country, allowing the government to meet the growing demand during the forecast period.
In November 2021, Smartfren, an Indonesian telco, and G42, a UAE technology corporation, announced their plans to build a 1,000MW data center in Indonesia. The two corporations signed a document MoU for the project. Smartfren revealed that the collaboration would create data centers in the country and preserve national data sovereignty, being carried out by the Indonesian government. Interests of such telecom giants and their upcoming projects in telecom and IT contribute significantly to the industry.
The country's telecommunications sector is one of the world's fastest-growing sectors due to increased fixed and mobile broadband connections. The key growth drivers in the telecoms sector include increased affordability, extended coverage, service improvements, higher data usage, and smartphone adoption. Indonesia continues investing heavily in capital to expand its fiber-optic network and 4G coverage. The country has the third-highest number of internet users in Asia.
The trend of the IT industry's agile and DevOps operational frameworks is increasing the need for more efficient data storage

solutions. Hence, it stresses the need for the global data center construction market. The hyperscale and edge data centers in the IT domain are expected to witness a boom due to increased demand for advanced facilities to manage data traffic worldwide. For instance, in February 2022, PT Aesler Group International Tbk (RONY) signed a cooperation agreement with Huawei Digital Power to construct a data center. Aesler Data Center is expected to be built in a series of Eco Green-interconnected data center chains throughout Indonesia, known as AESLER-GREENIX, with a total capacity of 88 megawatts (MW), across several locations.

Indonesia Data Center Market Competitor Analysis

Prominent global vendors and regional companies compete in the Indonesian data center market. Cisco, Dell, HP, and Pure Storage are a few of the leading solution providers in the market. Vendors are scaling up their capabilities to maintain and gain new clients due to the prospects presented by 5G adoption and the predicted rise in data traffic. Overall, the competition between the players is expected to stay high over the forecast period.

April 2022 - Singtel and Indonesia's Telkom signed an MoU to develop the former's regional data center strategy to support Telkomsel's transformation into Indonesia's leading consumer fixed broadband mobile operator through a fixed mobile convergence strategy with Telkom. This strategy may strengthen the customer value proposition, thus increasing customer lifetime value and household penetration in the Indonesian market.
August 2022 - K2 DATA Centres, a subsidiary of the Kuok Group, entered a joint venture with Sinarmas Land to develop and operate hyper-scale data centers in Indonesia. The first development, K2 Data Centre Jakarta 1 Campus (K2 JKT 1), will comprise four data centers in Bekasi Regency, Greater Jakarta. The development is close to international cloud service providers' infrastructure and will have 58.8 megawatts of IT capacity at completion.

Additional Benefits:

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

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