

Indonesia's Inclusive Digital Economy: Impact Across Regions, Genders and Sectors

A joint study of Institute for Development of Economics & Finance (INDEF) with Laboratorium Data Persada, 2019
Supported by Google

Background/Strategic Intent

Proprietary + Confidential

Extrapolations from Google's corporate commitments
*Committed to significantly improving the lives of
as many people as possible.*

I. Expanding opportunity

Investing in communities, individuals, and local economies by preparing them for the opportunities of today — and tomorrow.

II. Including all voices

Building a world where progress, equitable outcomes, diversity, and inclusion can be realities both inside and outside our workplace.

Relevancies to this studies, showcasing that Google takes central position on:

I. Proliferations of digital access increase opportunity for all

Internet-ready devices enable easy access to services such as: transactional, informational and aspirational

II. Digital adoptions propel economic growth & productivity for all

More streamlined and efficient processes, faster turnaround time and enable sustainability through automation processes

III. Digital economy promotes empowerment and inclusivity for all

Where everyone is no longer just as a buyer, but they can also be a seller in both corporate and personal level

Methodology

Direct:

- Comb government program for digital economy related activities (G)
- Retrieve data on investment in digital economy (I)
- Conduct nation wide stratified random survey on consumer purchase of digital economy goods and services (C)

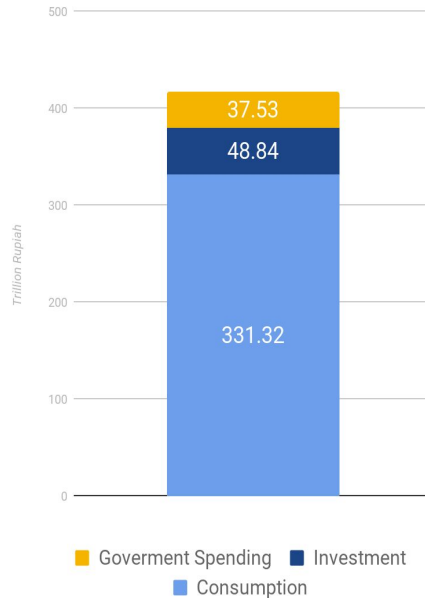
Indirect:

- Use Input Output (IO) Table release by Statistical Agency (BPS)
- Insert direct impact to IO table to get indirect GDP impact
- Insert direct impact to IO table to get indirect GDP Employment

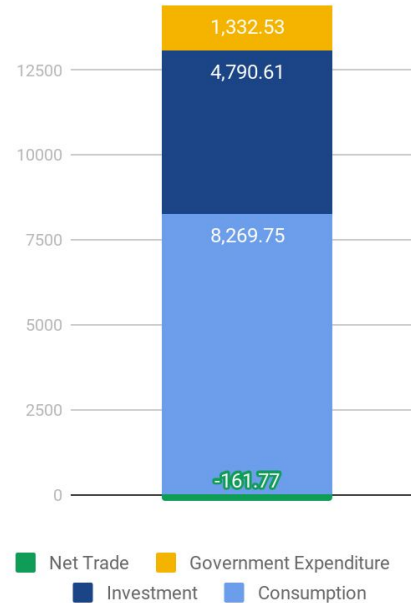
Contribution to GDP and Sectoral Breakdown

Total contribution of digital economy to Indonesia GDP in 2018 was Rp 814 trillion (USD 56.4 billion) or 5.5% of GDP

2018 Indonesia Digital Economy

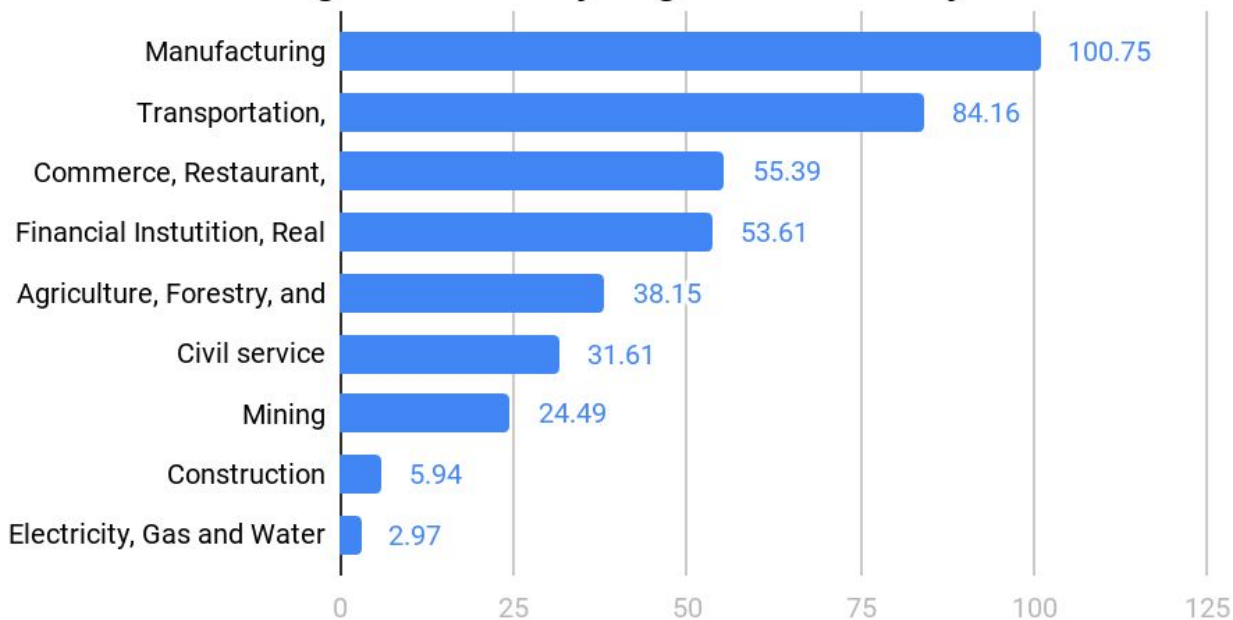


2018 Indonesia' Gross Domestic Product



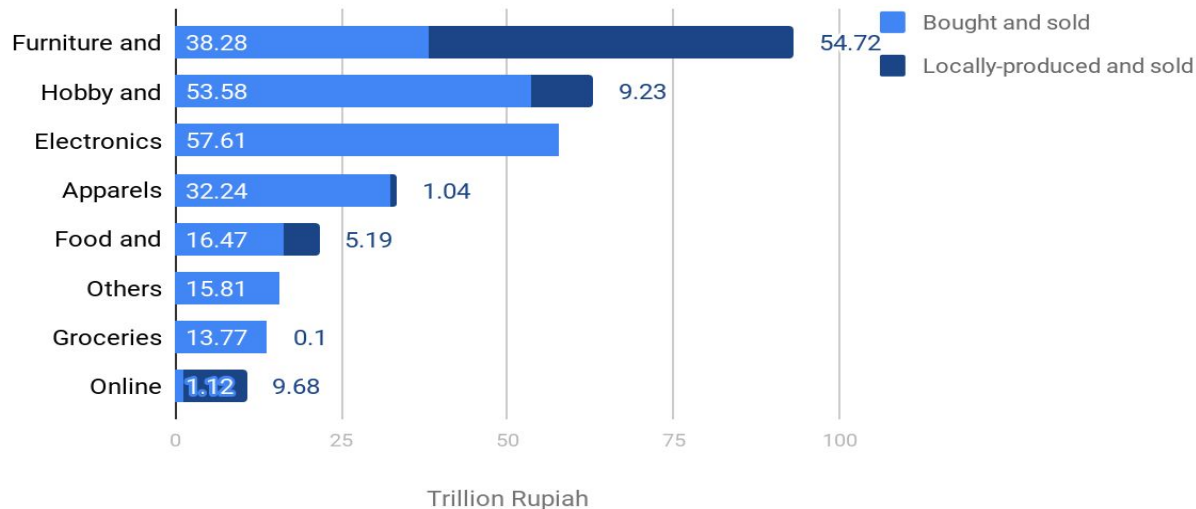
Digital economy increase manufacturing value added by Rp100 trillion

Value added generated by digital economy activities



Local products sold in e-commerce adds up to 25% of the total transaction value

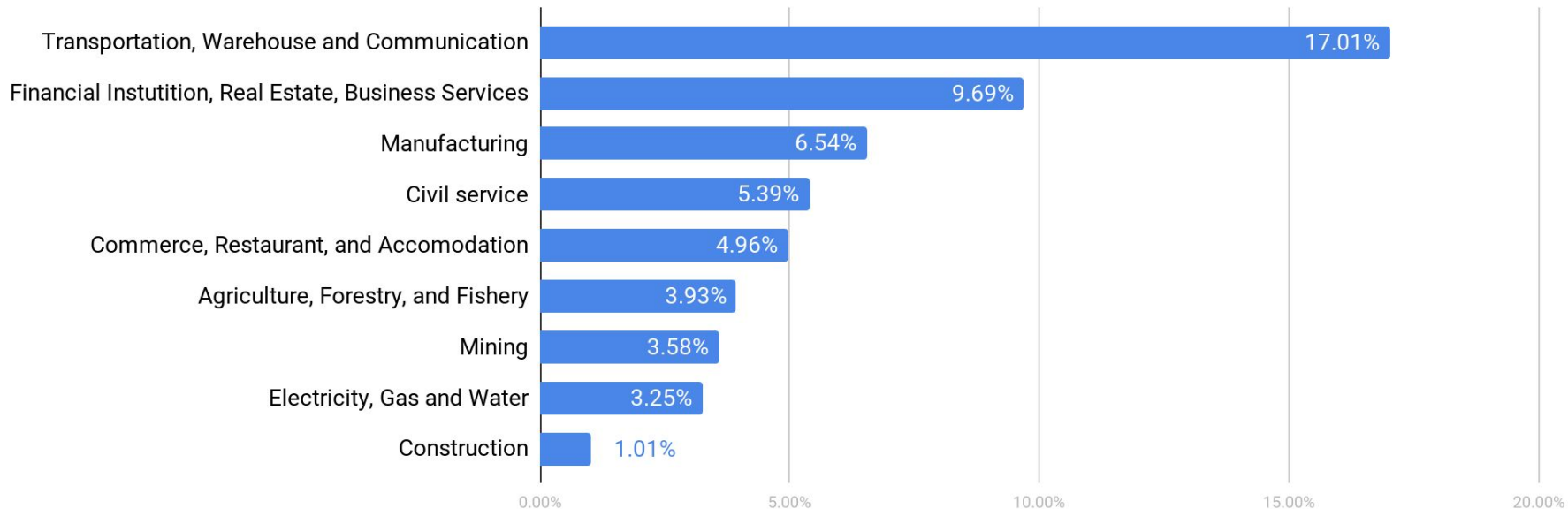
Locally-produced products contribute significantly the value of items sold through e-commerce



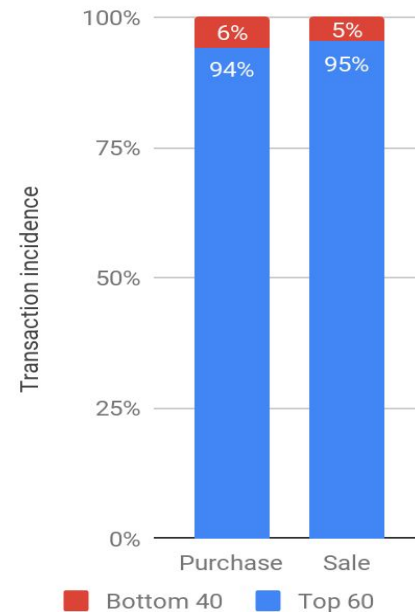
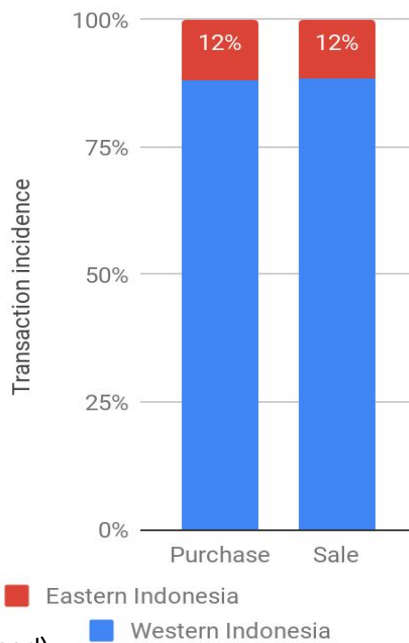
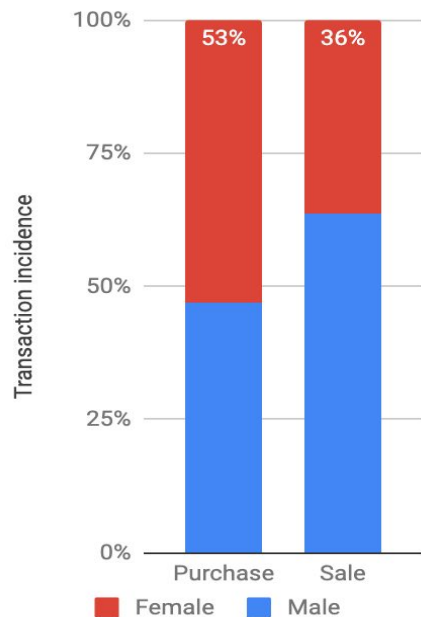
Source: Indikator Consumer Survey, 2018 (processed)

In 2018, transportation sector increase employment by 17%

Growth in ability to absorb labor caused by economy digital activities in 2018 (%)



Digital economy in Indonesia is empowering women, including people from eastern parts of Indonesia and the poorest 40% of the population.

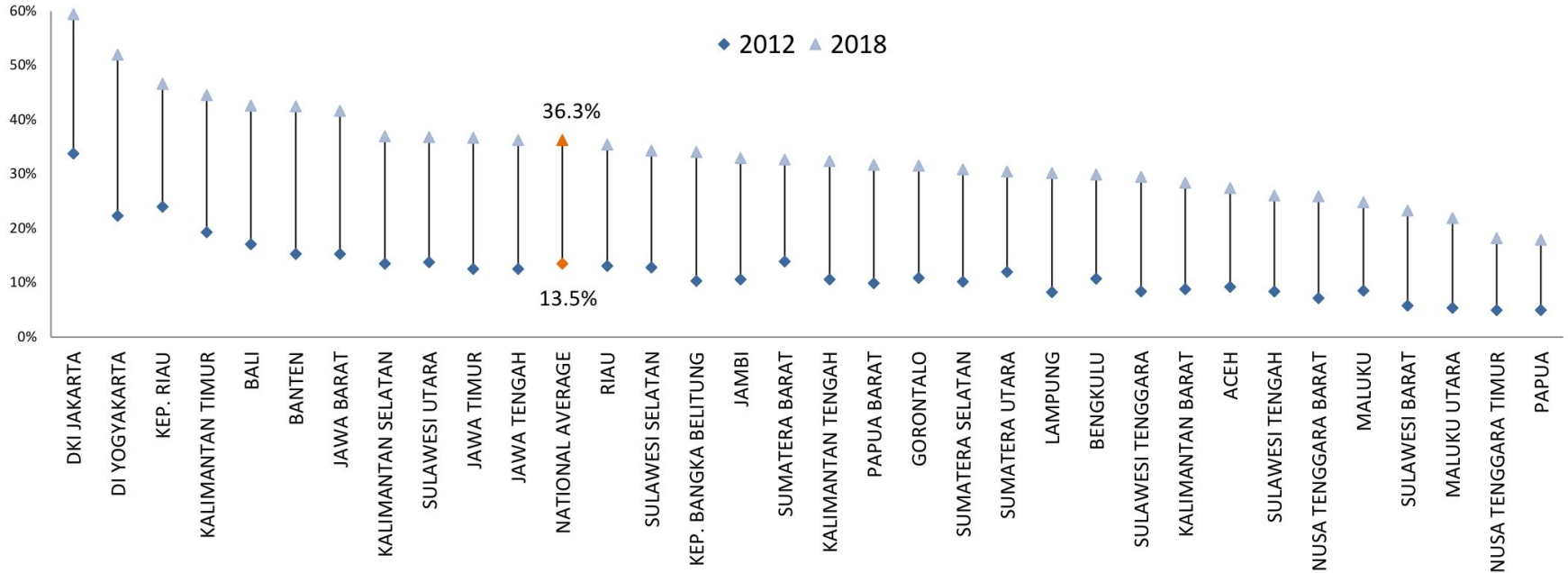


Source: Indikator Consumer Survey, 2018 (processed)

Internet access as a foundation

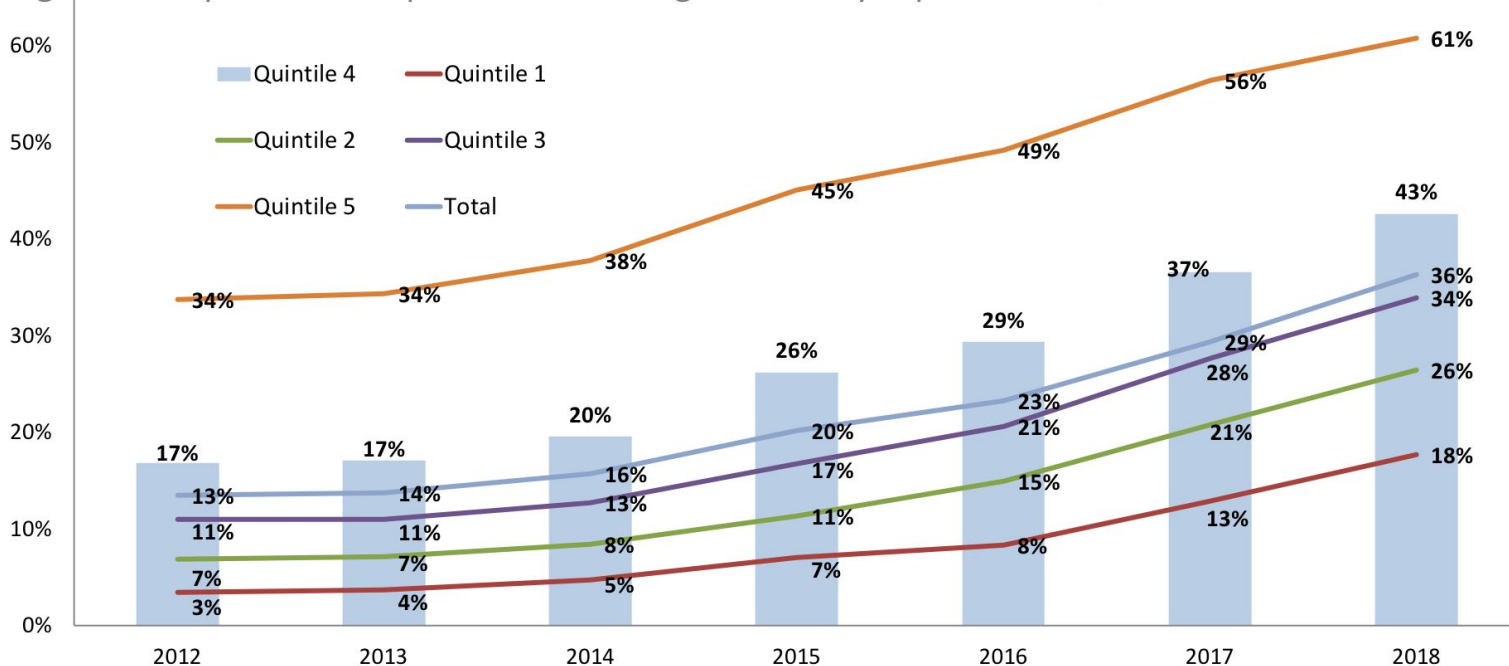
Internet access in the last 5 years on average increased 2.6x from 13.8% in 2013 to 36.3% in 2018

Figure 6. Proportion of Population's Accessing Internet By Provinces



Internet access for the poorest is rising faster than for the richest

Figure 7. Proportion of Population Accessing Internet By Expenditure Quintiles

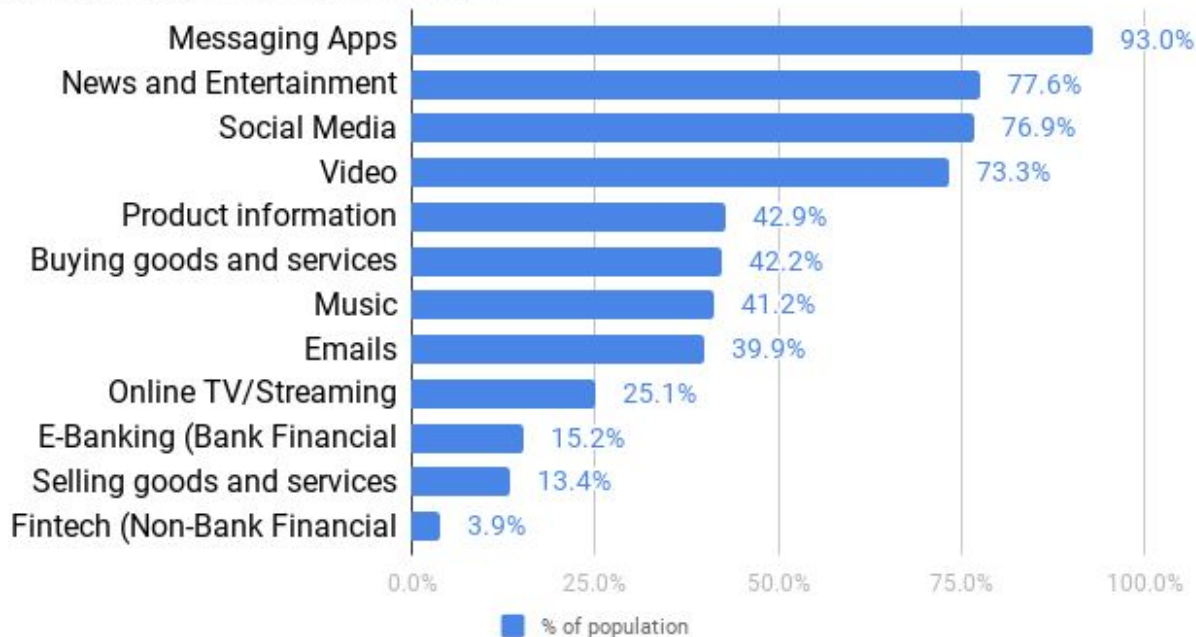


Source: Central Bureau of Statistics/BPS (2012-2018), Socio-Economic Survey/SUSENAS

The vast majority of Indonesian uses internet for messaging apps

Figure 8. Internet Usage in 2018

Source: Indikator survey commissioned by INDEF & LDP, 2018



13.1% users of messaging apps and social media also engage in selling

Indonesia need to improve breeding ground for future unicorns.

Country	VC/PE Index	Economic Activity	Depth of Capital Market	Taxation	Investor Protection and Corporate Governance	Human and Social Environment	Entrepreneurial Culture and Deal Opportunities
18. China	80.7	113,5	89,4	111,3	58,3	55,2	81,4
28. India	72.2	106,1	78,1	101,3	67,7	46,8	65,1
35. Turkey	65.2	94,3	72,2	107,4	59,1	43,3	55,8
36. South Africa	64.8	46,5	78,8	110,9	71,1	40,1	66,3
37. Indonesia	64.3	95,7	73,1	79,2	46,8	41,0	64,4
39. Russia	63.5	86,1	65,1	97,9	57,2	35,2	69,9
41. Mexico	62.8	90,2	68,8	104,4	60,0	29,9	64,4
42. Philippines	61.3	91,8	70,5	95,7	47,3	48,5	48,7
54. Brazil	57.4	79,2	74,9	21,4	53,5	35,8	54,9
72. Nigeria	50.1	72,6	56,1	53,9	52,2	33,1	42,1

Indonesia ranked below Singapore (6), Malaysia (13), and Thailand (27).

Global Venture Capital and Private Equity Attractiveness Index 2018,

Accelerating the digitization of the economy for more inclusive growth

Our study forecasted the size of Indonesia digitized economy to grow almost double and reach Rp 1,447 trillion (USD 1,02 billion) or 6.4% of GDP in 2024.

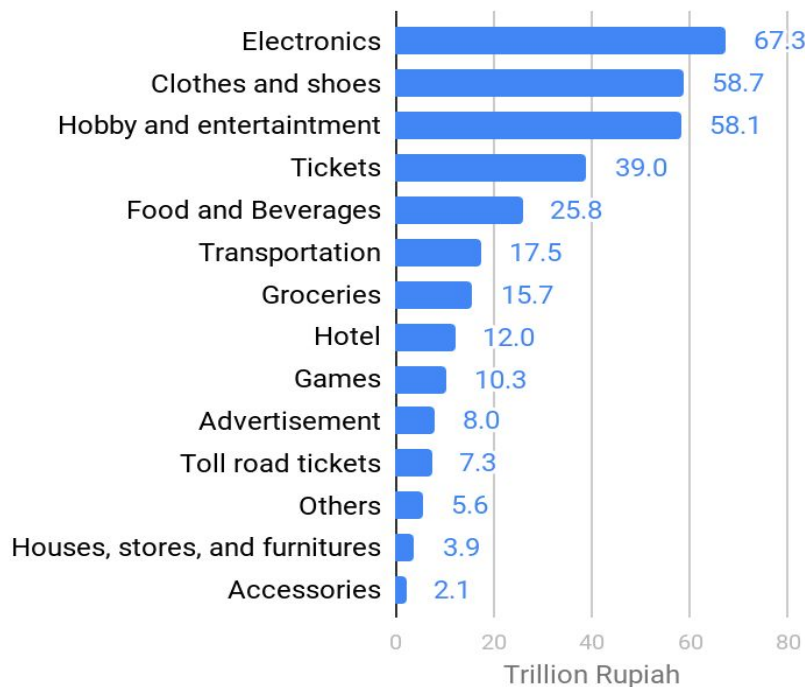
- Making internet access available to everyone at an improved speed is fundamental.
- On top of improved internet access, we need to achieve the next milestone in the development of soft infrastructure such as talent, digital skills, logistics, and access to finance.
- Inclusive growth needs to be sustained by a regulatory environment that is set up for success

Thank you!

Download report preview: <http://bit.ly/Google15aug>
Full report will be ready on end of September 2019

Electronics is the most consumable products on internet

Consumer Digital Spending 2018

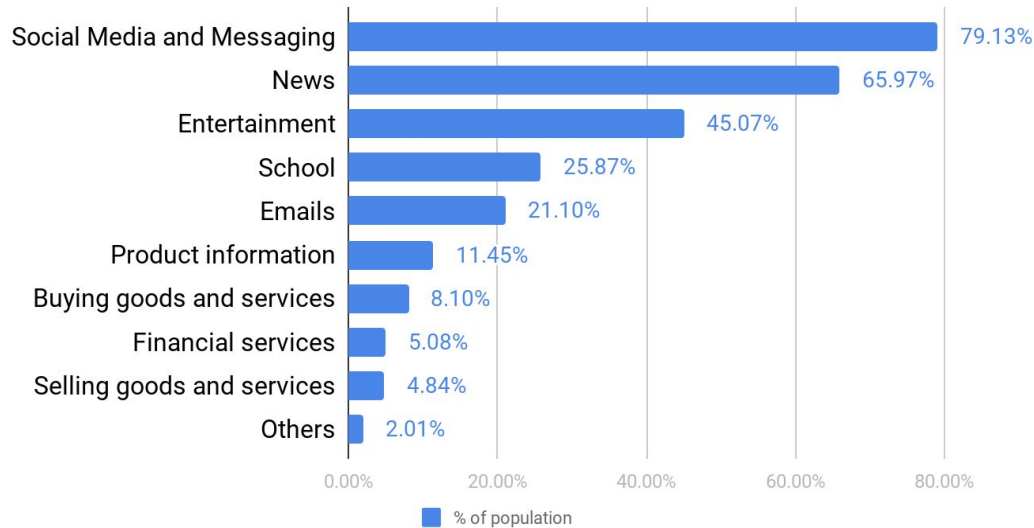


- Over 20 percent of consumptions on internet have been spent on electronics last year with the value of transaction as big as Rp67.3 trillion.
- Clothes + shoes and entertainment are coming in second and third adding value up to Rp58 trillion respectively.

Mythbusting

In 2017, Internet usage was dominated by social media, messaging, news and entertainment ...

Internet Usage in 2017



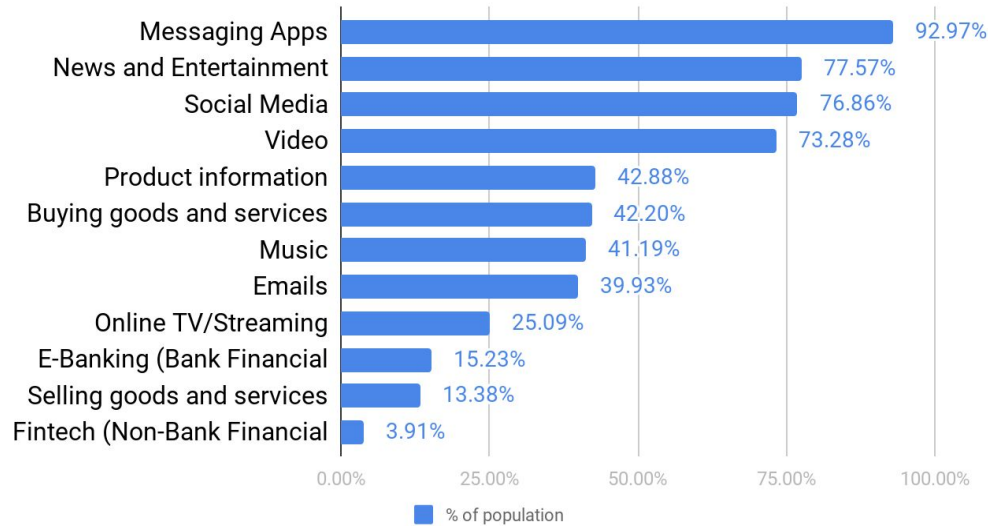
Below 15% population were using internet for economic activities (i.e. Product Information (11%); Buying and Selling Goods/Services (8% and 5%); and Financial Services (also 5%))

Source: Susenas, Statistics Indonesia, 2017 (processed)

Mythbusting

... while in 2018, the internet is not all about news and entertainment anymore!

Internet Usage in 2018



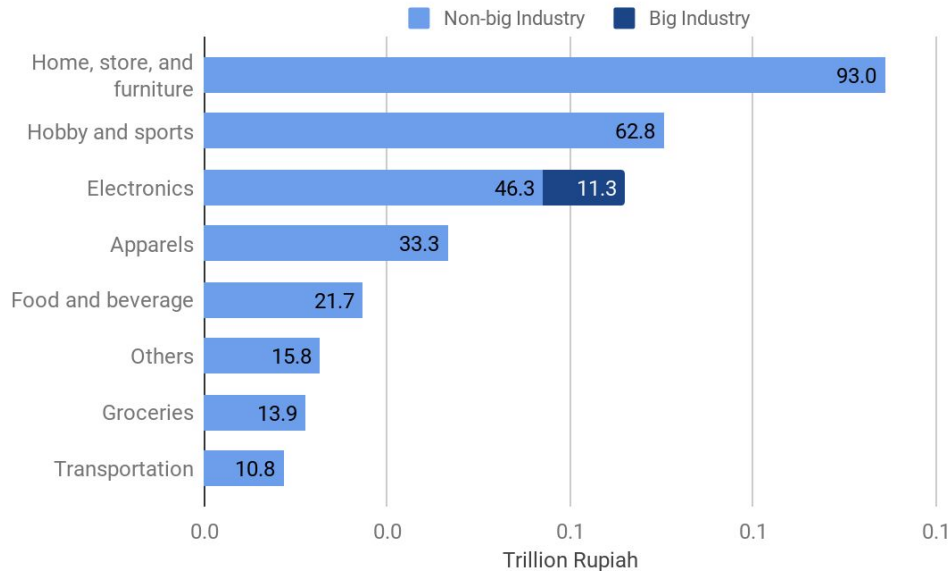
Using internet for economic purposes shown steady improvements:
 Product information and Buying Goods and Services enjoyed by more than 40% population; while Financial Services and Selling Goods/ Services were observed at more than 10%

Source: Indikator Consumer Survey, 2018 (processed)

Mythbusting

SME still dominates the last mile of the digital economy downstream

Sales categories through internet 2018

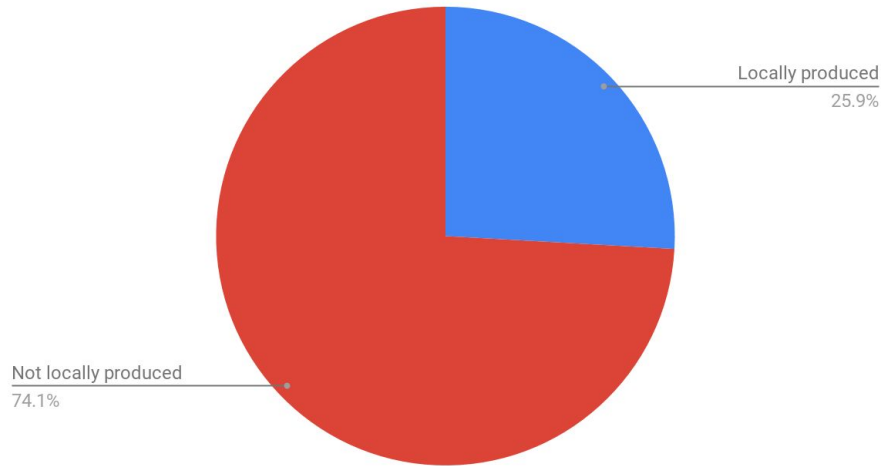


- 96.3% sales done through internet are conducted by non-big industry players (non-wholesalers and big business/contractors)
- Data collected from individuals picture “the last mile” of goods/services to end consumers

Source: Indikator Consumer Survey, 2018 (processed)

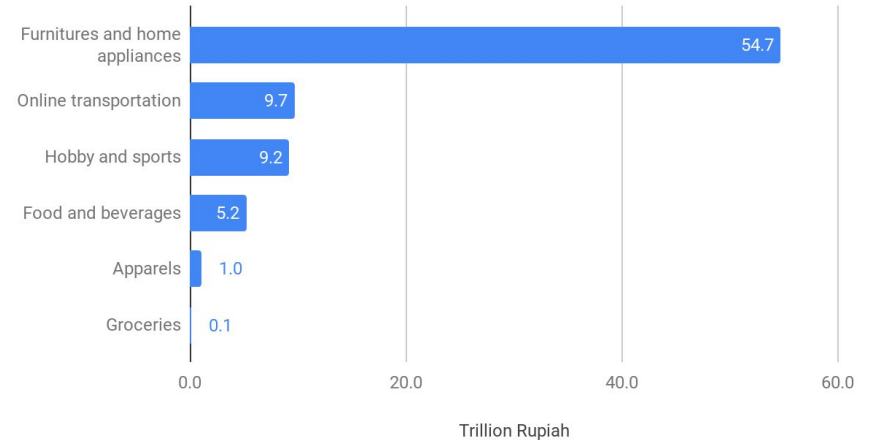
No less than 1/4 of the transacted goods in eCommerce are locally produced

Goods transacted through internet



Locally produced goods are defined as goods that is produced, not bought to be sold

Transacted goods on internet which produced locally



Source: Indikator Consumer Survey, 2018 (processed)