



**INDONESIAN FOOTWEAR ASSOCIATION
(APRISINDO)**

Indonesian Footwear Industry Country Report 2018

PRESENTED AT 37TH IFC 2018

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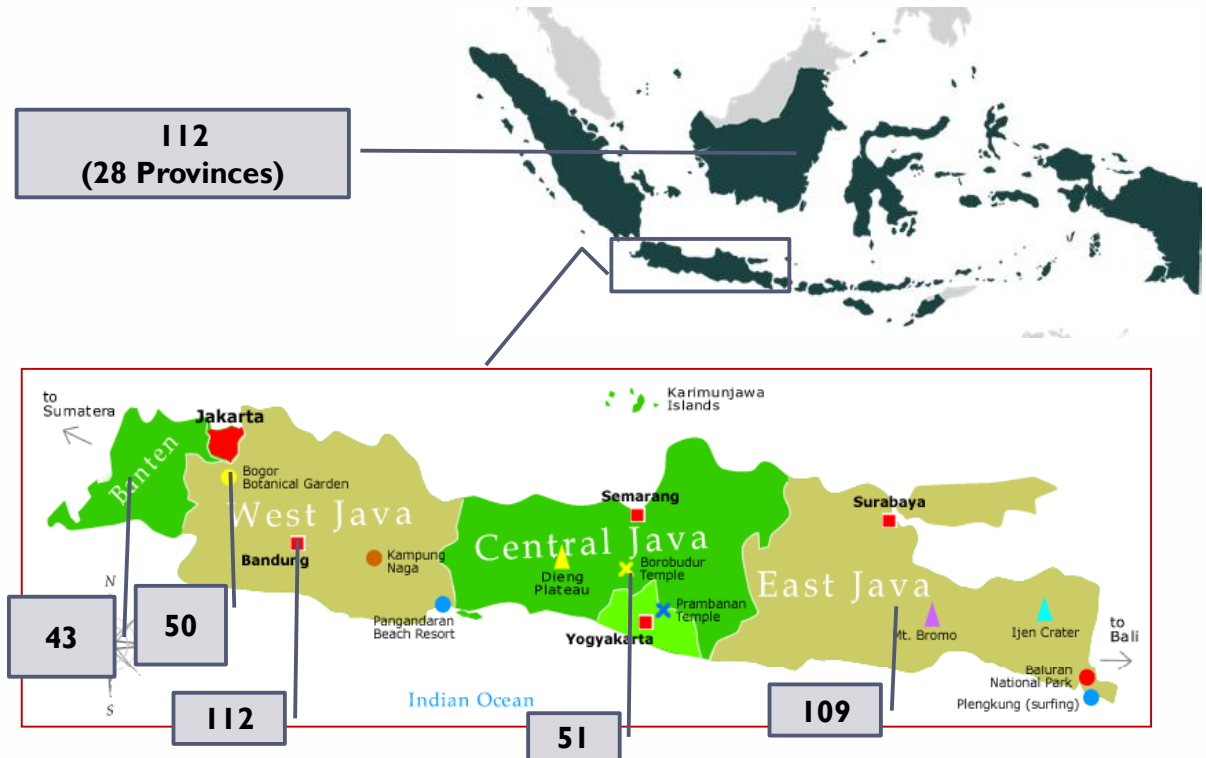
Country facts overview

Economic Indicators	2013	2014	2015	2016	2017	2018*)
GDP per capita (USD)	3,685	3,541	3,374	3,605,1	3,876.8	4,086
GDP (USD bn)	914	890	862	917	1015	1069.8
Economic Growth (GDP, annual variation in %)	5.6	5	4.8	5.02	5.07	5.4
Unemployment Rate	6.2	5.9	6.2	5.61	5.33	5.4
Population (million)	248	251	254	256	257	265

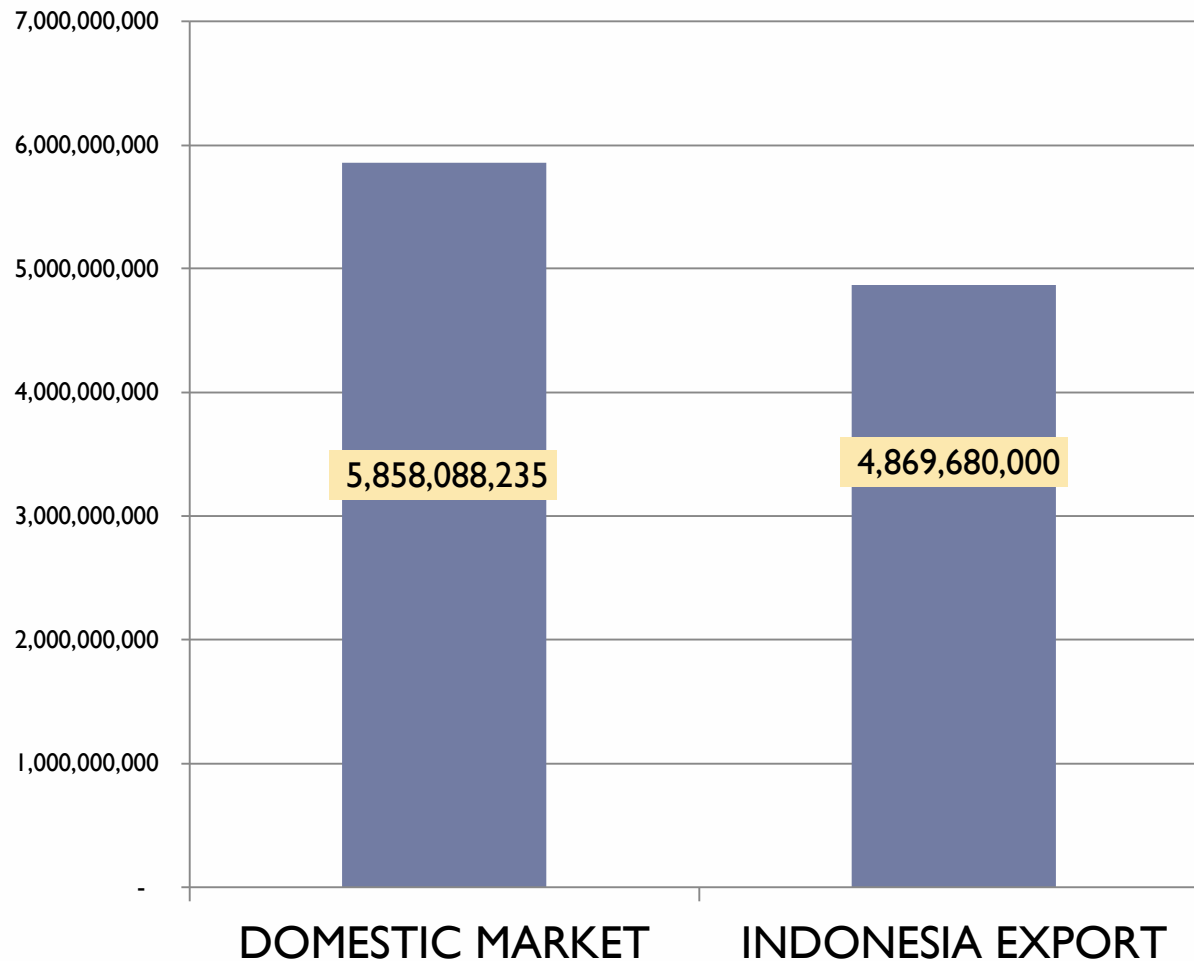
- **Indonesia's economy picked up speed in the second quarter, expanding at the fastest pace since Q4 2013.**
- **Indonesia's gross domestic product (GDP) grew 5.02 percent (y/y) in the 2016, and Government forecast that GDP expanding 5.3% in 2017.**

Indonesia's footwear industry is concentrated in Java Island

- ▶ The national footwear industry is more generated by large and medium industries both in terms of value and in the amount of production.
- ▶ For the distribution of small and micro footwear industries throughout Indonesia, as much as 82% are in the provinces of West Java and East Java.



INDONESIA DOMESTIC VALUE Vs EXPORT VALUE (US\$)



INDONESIA IS A
POTENCIAL MARKET

INDONESIA FOOTWEAR KEY PERFORMANCE INDICATORS

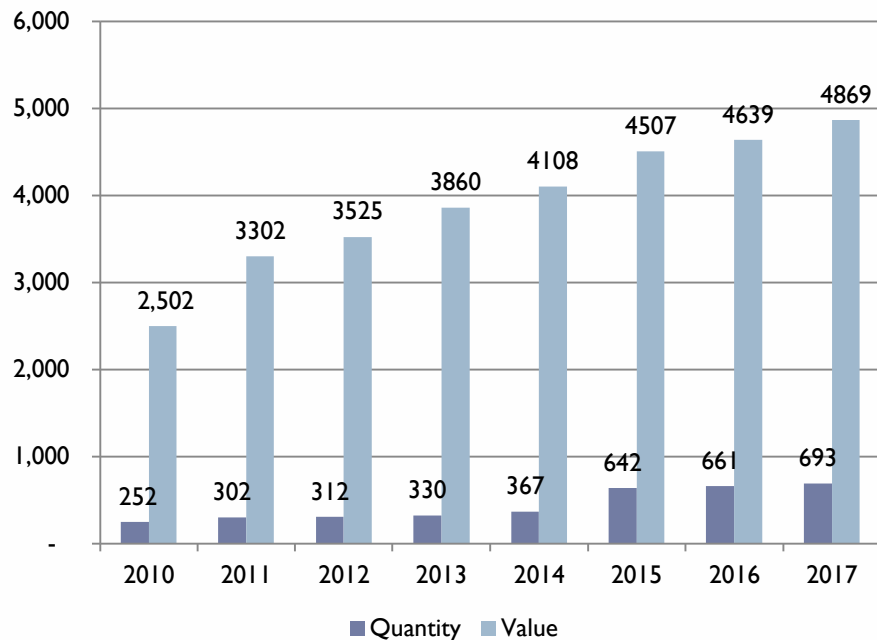
INDICATORS	2013	2014	2015	2016	2017
Number of firms	430	435	451	472	514
Number of workers	712,208	736,513	759,291	795,490	867,084
Production Capacity (pair)	688,379,082	953,393,370	1,011,467,708	1,110,320,937	1,432,314,009
Consumption (pair)	436,839,507	548,124,000	553,605,240	626,727,008	652,430,337
Consumption (pair) Per Capita	1.8	2.2	2.2	2,3	2.5
Imports (pair)	110,300,098	6,370,302	15,930,822	51,360,822	51,155,379
Exports (pair)	202,982,962	191,625,817	240,377,665	319,773,117	335,442,000
Imports (value) + Including component (US \$ 000)	434,910	408,498	418,412	489,454	487,488
Imports (value) - Exclude component (US \$ 000)	191,161	83,736	63,858	275,105	292,493
Exports (value) + Including component (US \$ 000)	3,860,394	4,108,448	4,507,025	4,639,859	4,869,680
Exports (value) - Exclude component (US \$ 000)	2,582,977	2,582,482	3,132,154	4,520,939	4,772,286

Source: BPS Processed

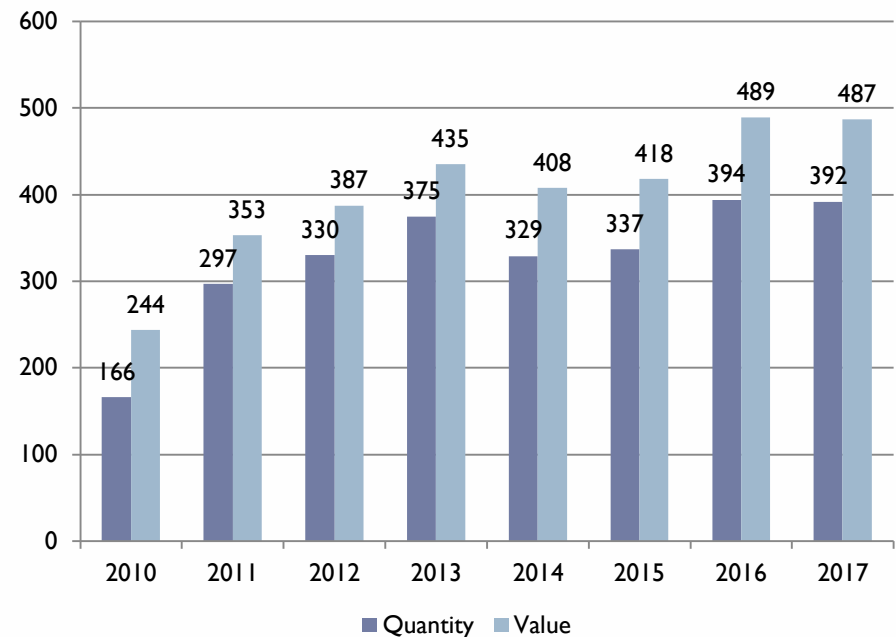
EXPORT – IMPORT PERFORMANCE

Export growth is slowing, while import growth is increasing sharply.

INDONESIA EXPORT VALUE & VOLUME
Millions Pairs \$ Millions US\$



INDONESIA IMPORT VALUE & VOLUME
Millions Pairs \$ Millions US\$



Indonesia's footwear industry proved have a strong competitiveness in the international market

NO	COUNTRY	VALUE (USD 000)	SHARE (%)
1	China	48,400,000	36.7
2	Vietnam	20,000,000	15.2
3	Italy	11,300,000	8.6
4	Germany	7,600,000	5.8
5	Belgium	6,600,000	5.0
6	Indonesia	4,900,000	3.7
7	France	3,700,000	2.8
8	Netherlands	3,680,000	2.8
9	Spain	3,200,000	2.4
10	Hongkong	2,900,000	2.2
11	Portugal	2,300,000	1.7
12	United Kingdom	2,200,000	1.7
13	India	2,100,000	1.6
14	Cambodia	1,800,000	1.4
15	Romania	1,520,000	1.2
16	Poland	1,490,000	1.1
17	United States	1,400,000	1.1
18	Brazil	1,300,000	1.0
19	Bangladesh	933,500	0.7
20	Others	4,672,482	3.5

INDONESIA FOOTWEAR EXPORT-IMPORT GROWTH 2010-2017



Source: BPS 2017 processed

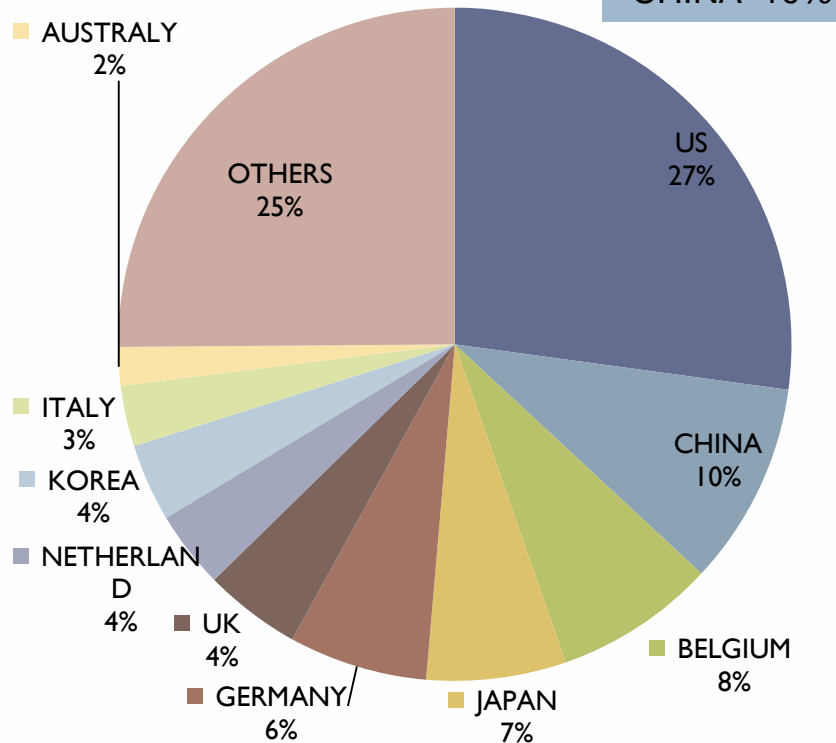
Reached 3,7% in international market share, with export growth is positive rose 5.8% to 4.9 billion US dollars in 2017

Although still growing, but the growth of Indonesian footwear's export is not as good enough (Compare to other country)

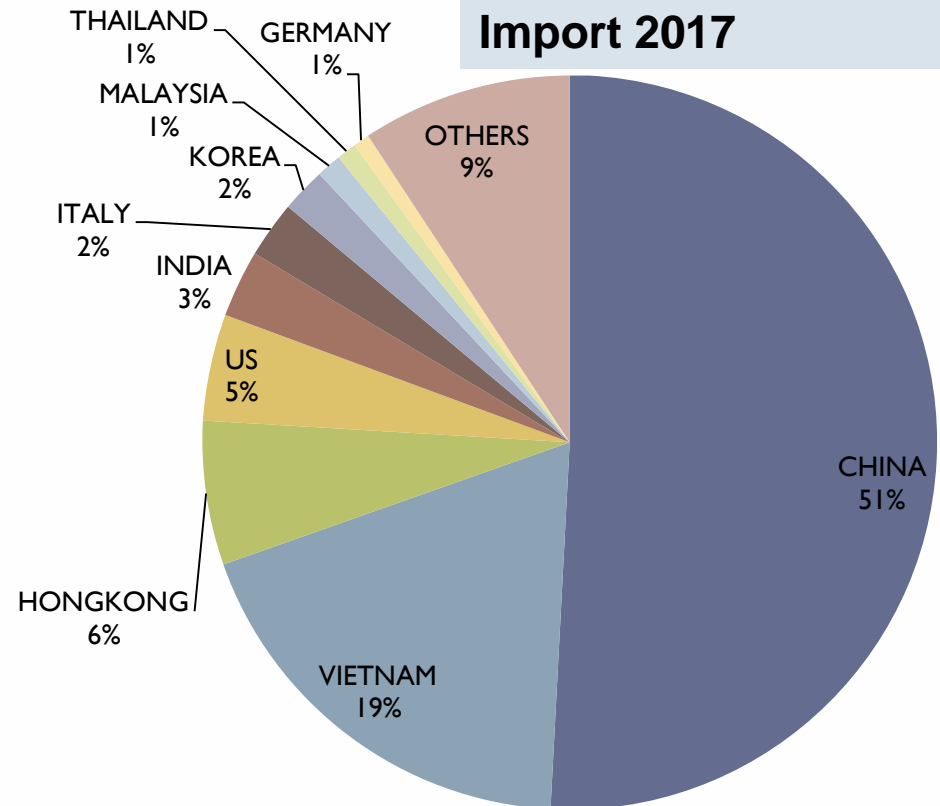
USA and EU is the biggest market for Indonesia footwear export, and China is the biggest supplier for Indonesia footwear

Main Trading Partners (2016)

Indonesia Footwear Export Destination 2017

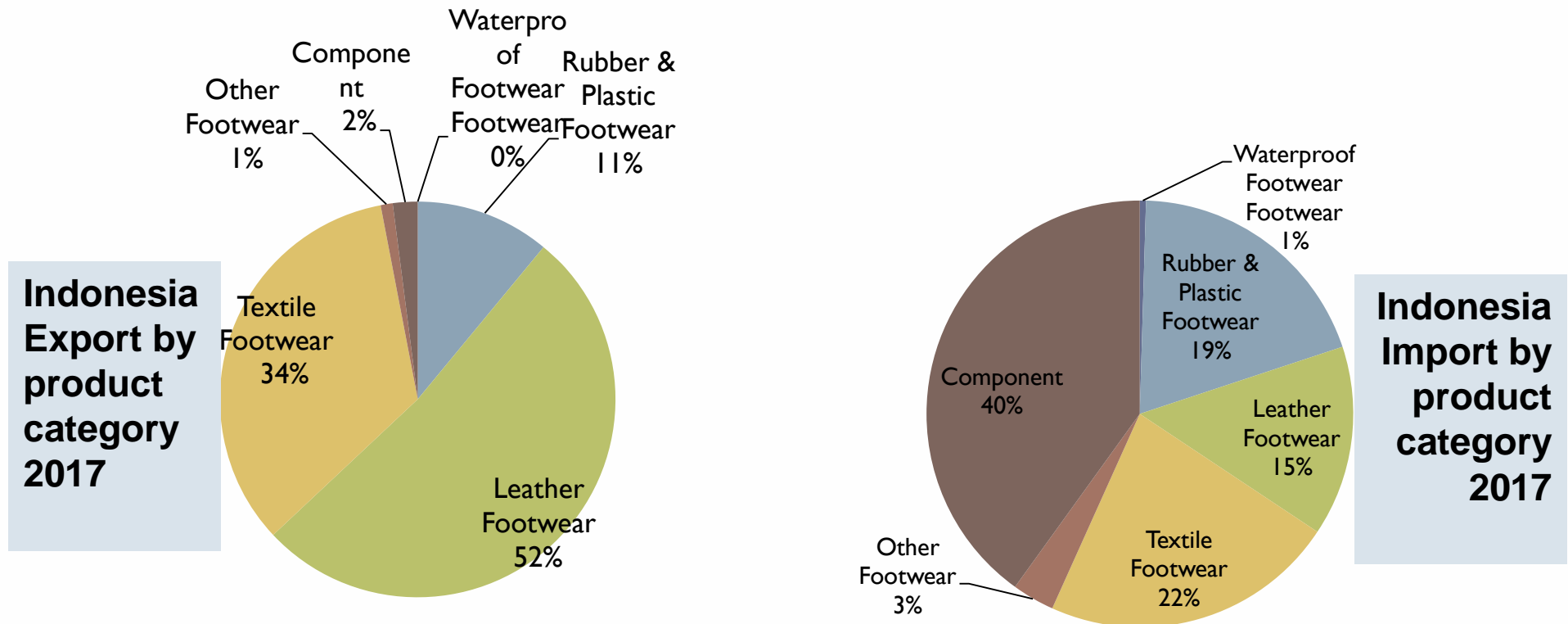


Countries Origin of Indonesia Footwear Import 2017



Supporting industry is in the development stage

INDONESIA FOOTWEAR EXPORTS & IMPORT BY PRODUCT CATEGORY 2017

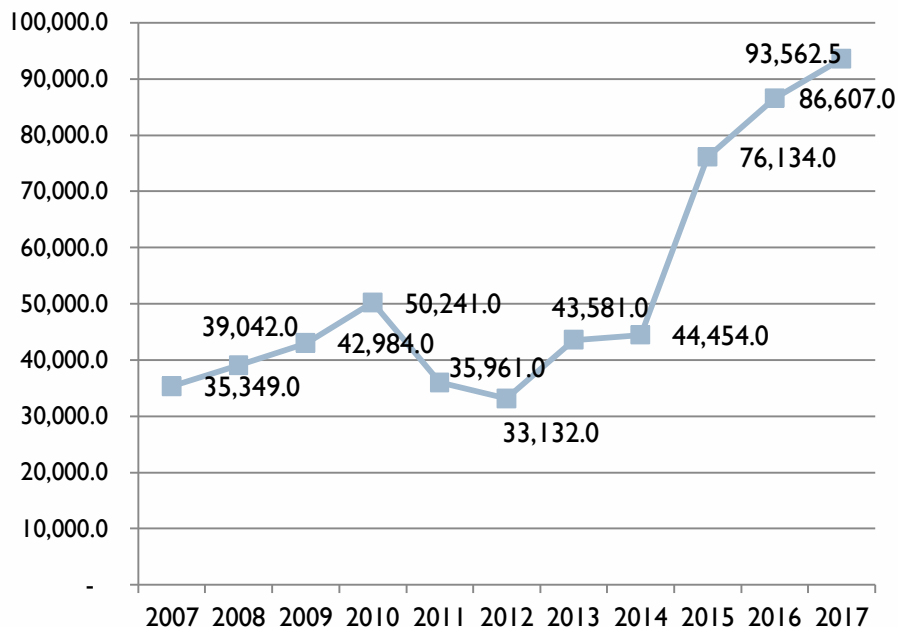


- Indonesia's import on footwear and its parts are dominated by shoes components (40% of total import in footwear) than in finished shoes. 44.22%
- While Indonesia's export on footwear are dominated by finished footwear products, mainly leather footwear which constitutes 52% of all Indonesia's export in footwear.

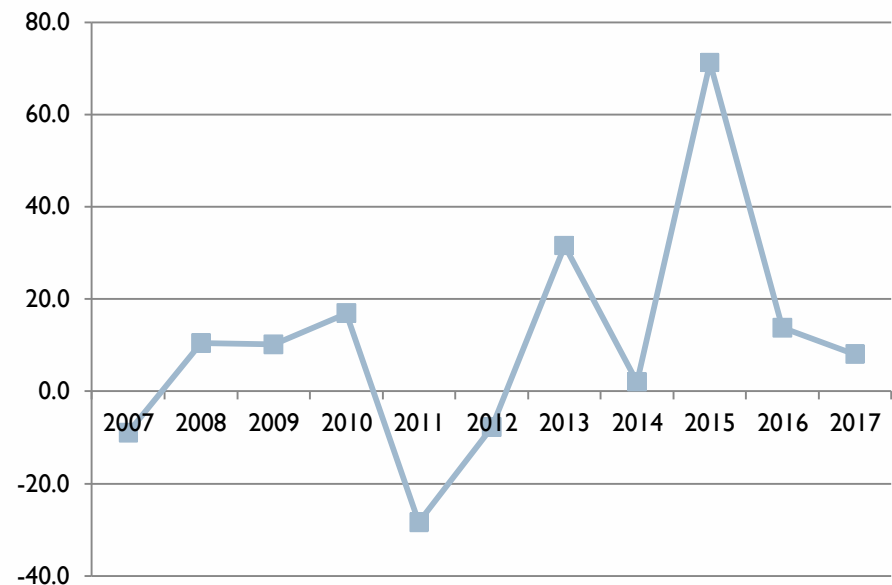
DOMESTIC RETAIL MARKET

DOMESTIC CONSUMPTION

Indonesia Footwear Consumption Per Capita (IDR) in 2017



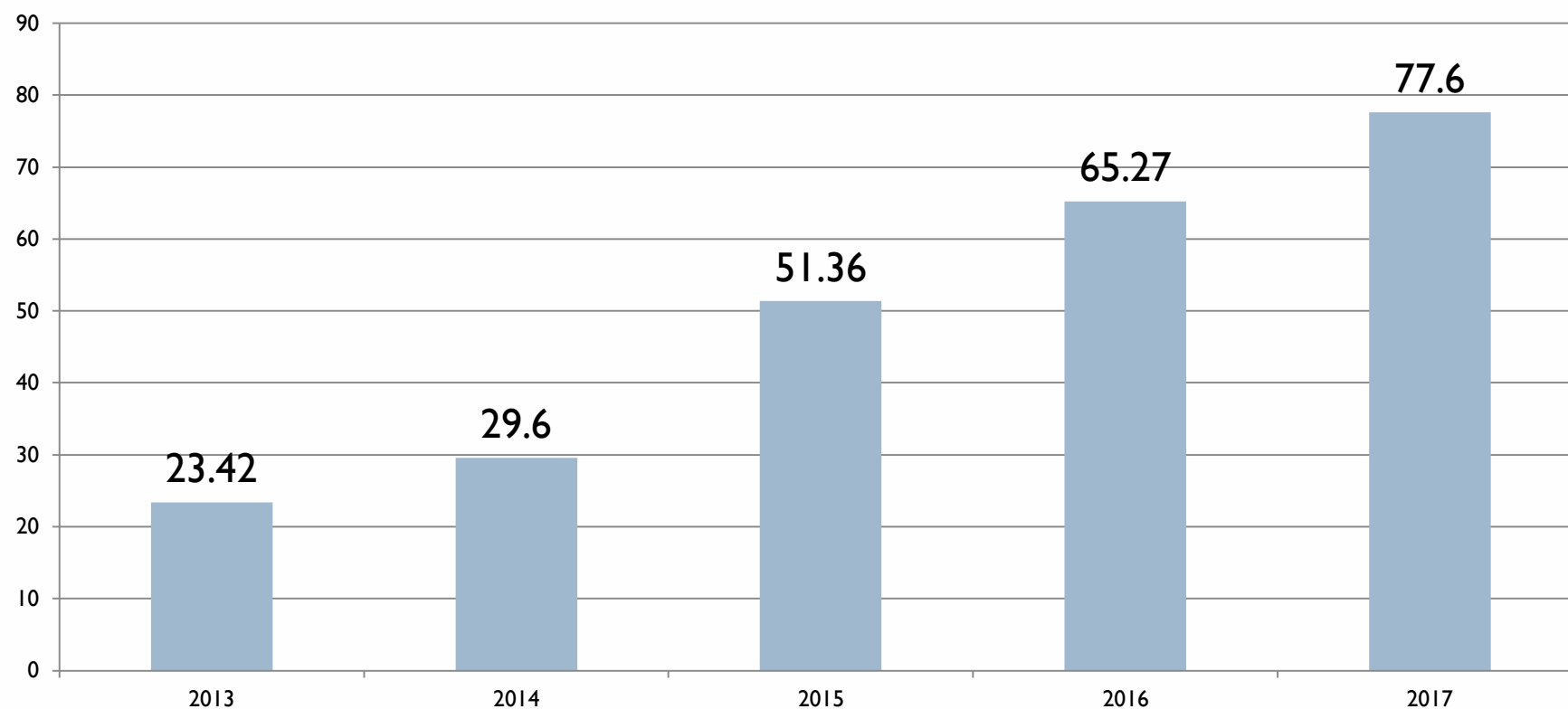
Indonesia Footwear Consumption Per Capita Growth



In 2015 there is a big jump of people consumption power which increased to 71% from the previous year whose growth only 2%. This is driven by a number of government policies such as increased of non taxable income, the strengthening of rice for the poor, and the accelerated disbursement of village funds that certainly

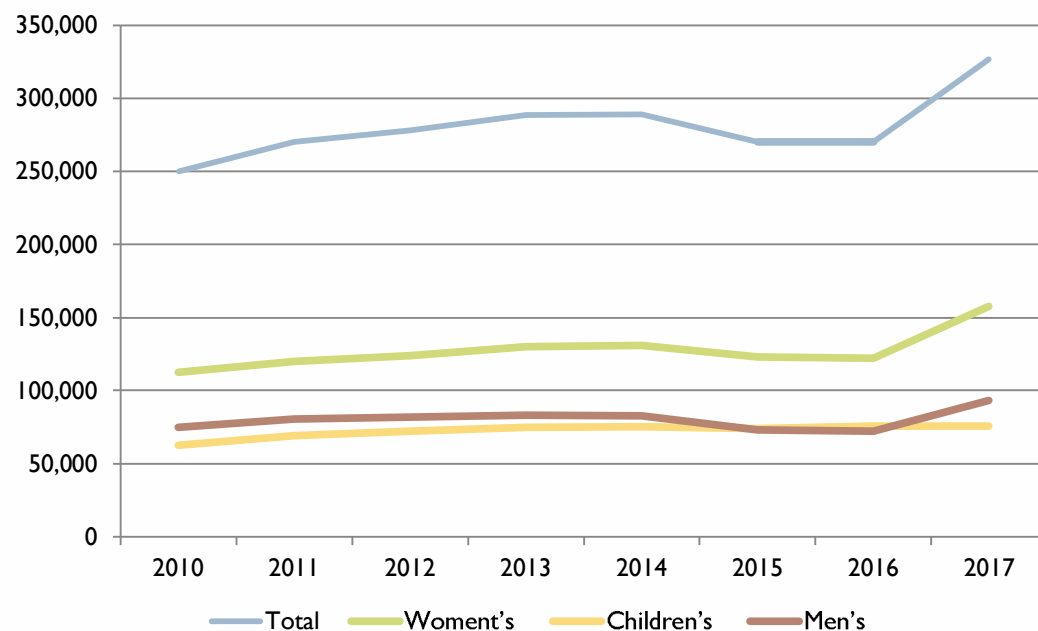
► 13 have a direct impact on the increase in people's purchasing power.

INDONESIA FOOTWEAR CONSUMPTION 2013 -2017 (Billion IDR)



Market Segmentations

Figure 3: Indonesia - Footwear: Retail market segmentation by value (tn IDR)



Value Propotion	2015	2016	2017
Children's	27,50	28,00	23.2
Mens	27,00	26,70	28.5
Women	45,50	45,30	48.3

Table 3: Indonesia - Footwear: Retail market segmentation by value (tn IDR)

Segment	2010	2011	2012	2013	2014	2015	2016	2017
Total	250,000	270,000	278,000	288,419	288,909	270,130	270,130	326,563
Woment's	112,500	120,150	123,988	130,077	131,020	122,909	122,369	157,856
Children's	62,500	69,120	72,280	74,989	75,261	74,286	75,636	75,666
Men's	75,000	80,730	81,732	83,353	82,628	72,935	72,125	93,041

INDONESIA DOMESTIC TOP BRAND

(Top brand award 2017-2018)

CASUAL SHOES		
MERЕК	TBI	TOP
Bata	16.90%	TOP
Fladeo	11.70%	TOP
Nike	9.30%	
Yongky Komaladi	8.20%	
Nevada	5.60%	

SANDALS		
MERЕК	TBI	TOP
Carvil	20.40%	TOP
Bata	16.40%	TOP
Eiger	11.80%	TOP
Fladeo	7.60%	
Homyped	5.10%	

SPORT SHOES		
MERЕК	TBI	TOP
Adidas	38.20%	TOP
Nike	32.20%	TOP
Converse	3.60%	
Eagle	3.30%	
Reebok	3.30%	

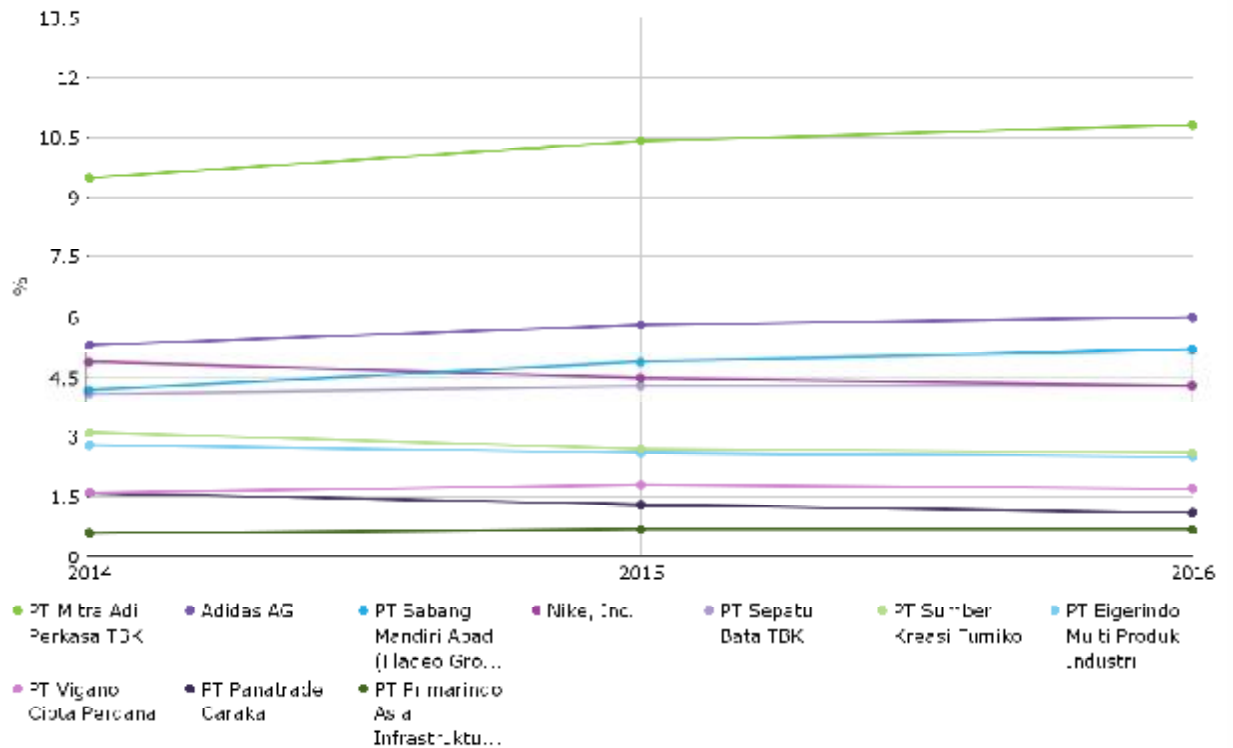
BOOT		
MERЕК	TBI	TOP
AP Boots	56.20%	TOP
Caterpillar	5.60%	
Ando	4.50%	
Krisbow	4.30%	
King Boot	3.70%	

FORMAL SHOES FOR MENS		
MERЕК	TBI	TOP
Bata	26.00%	TOP
Yongki Komaladi	13.50%	TOP
Fladeo	11.00%	TOP
Carvil	4.70%	
Buccheri	3.90%	

FORMAL SHOES FOR WOMENS		
MERЕК	TBI	TOP
Fladeo	31.00%	TOP
Bata	19.30%	TOP
Yongki Komaladi	12.30%	TOP
Buccheri	6.60%	
Nevada	5.80%	
Donatello	3.10%	

Figure 4 : Indonesia - Footwear: Company retail market share by value (%)

- ▶ 2018 sale is helped by the Lebaran thirteen's salary for the government officers;
- Long holiday of Lebaran makes the distribution of buyer not to be dominates by Jakarta shale.
- ▶ Long Holiday makes Jakarta sales decrease in Lebaran 2018. The sale are eventfully save the announcement of subsidies for the student in Jakarta.



Sources: Company Information, Trade Interviews, Mintel

INDONESIAN FOOTWEAR INDUSTRY CHALLENGES AND OPPORTUNITIES

Internal potential

BIG MARKET

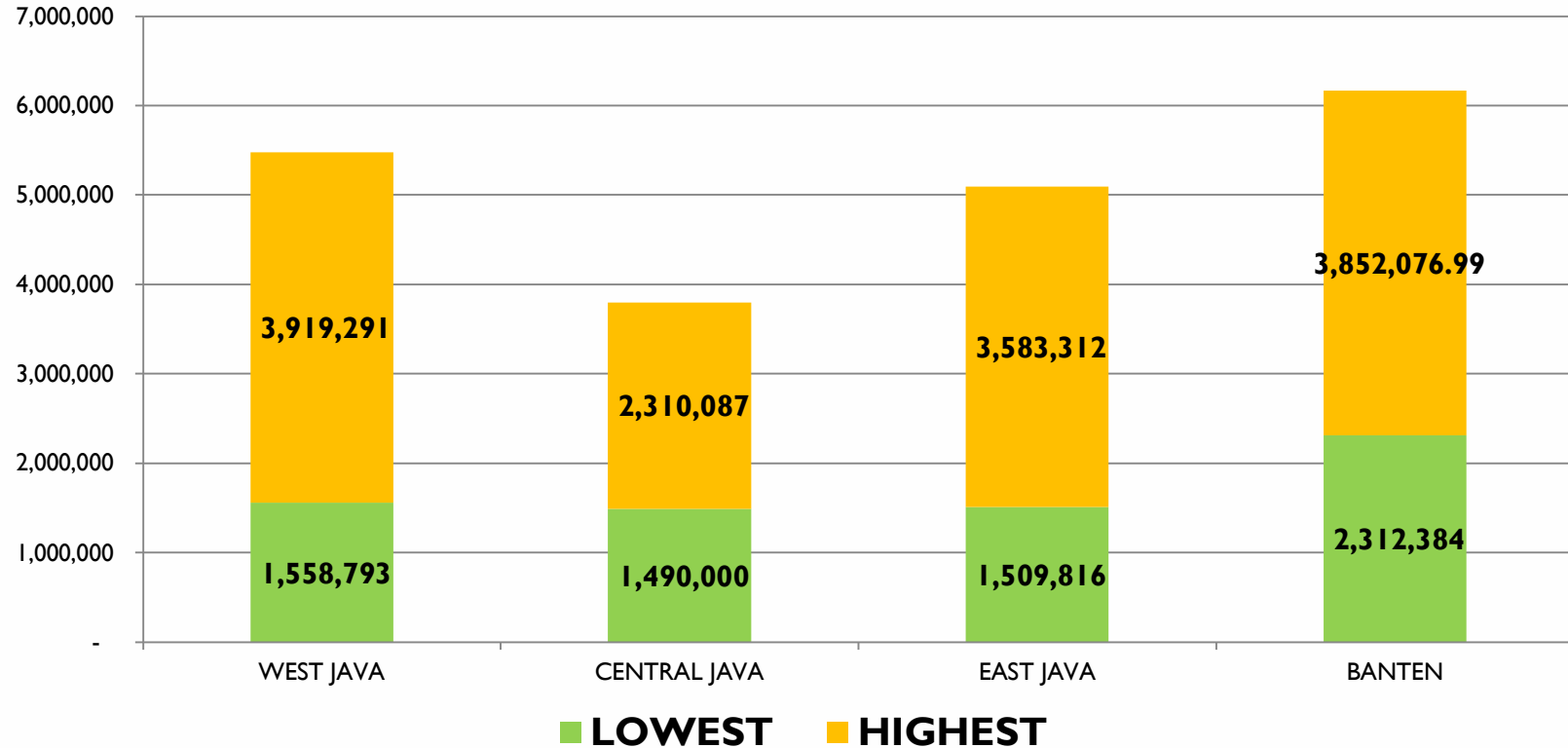
- ▶ With a population of over 261 million people, Indonesia has a very large market share of the footwear market in the country.
- ▶ In 2017, Indonesian footwear consumption is 2,5 pairs per capita,

AVAILABILITY OF SKILLED MANPOWER

- ▶ Total labor force in Indonesia in 2017 amounted to 128.1 millions (Worked: 127 millions, and the unemployed: 7,0 millions), of which 48% have primary and secondary school education level.
- ▶ On one side of this workforce is a great potential as human capital if it is followed by increasing skills and productivity.
- ▶ 1,142 millions worker are planned to be certified by the Ministry of Industry to fulfill the need of increasing quality.

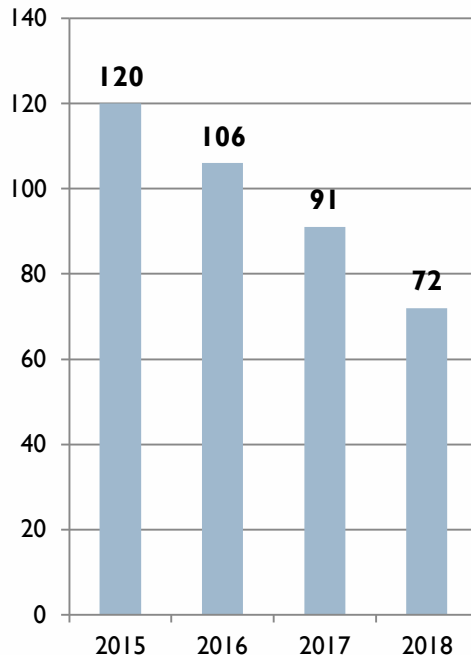
AVERAGE MINIMUM WAGES 2017 (IDR/MONTH) in Java (Central of footwear Industry)

In some area in Java, Indonesia minimum wages still competitive for footwear Industries



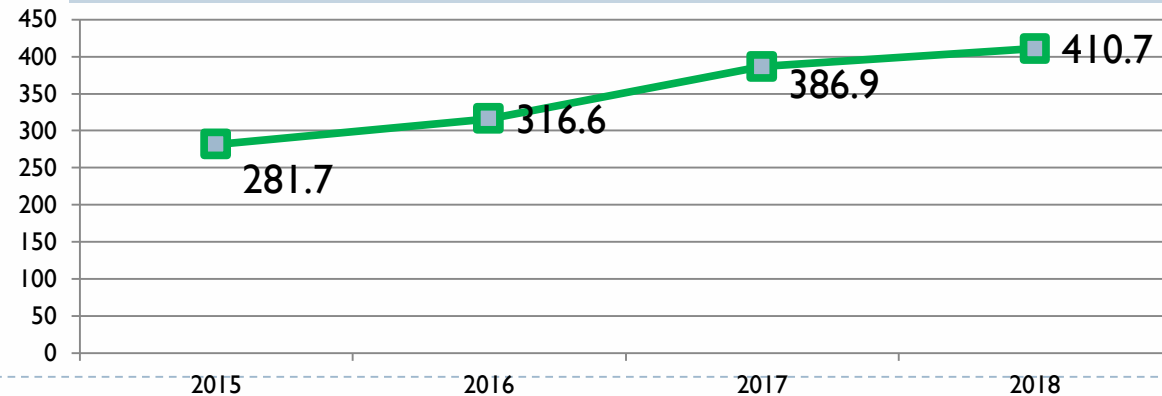
SOME IMPROVEMENT IN JOKOWI ERA

Indonesia Easy of Doing Business Rank



- ▶ Indonesia infrastructure Index rank increase in 2015-2016 become number 62, in 2016-2017 become 60 and in 2017 Indonesian rank become number 18;
- ▶ Indonesia Easy of Doing Business index (World Bank) increase

Indonesia Spending for infrastructure (IDR Triliun)



INVESTMENT ON FOOTWEAR & LEATHER GOODS

Value of Investment Realization of Footwear & Leather Goods 2016 (Million US\$)

NO.	INVESTOR	2011	2012	2013	2014	2015	2016	2017
1	Domestic Direct Investment (PMDN)	1,0	5,8	6,0	7,7	0,4	5,2	69
2	Foreign Direct Investment (PMA)	255,0	158,9	96,2	210,7	161,6	144,4	116
Total Value of Investment		256	165	102	218	162	150	187

Total of Project of Investment Realization of Footwear & Leather Goods 2016

NO.	INVESTOR	2011	2012	2013	2014	2015	2016	2017
1	Domestic Direct Investment (PMDN)	3	9	10	10	13	21	191
2	Foreign Direct Investment (PMA)	59	73	91	102	243	279	317
Total Project		62	82	101	112	256	300	508

Sourche: Investment Coordinating Board of Indonesia

- Indonesia Footwear and Leather Industry are open for investment.;
- Indonesia Footwear and Leather Industries are become subject of Ministry of Industry Regulation Number 1 Year of 2018 relating Tax Allowance for Footwear and Leather Industries

Government support

1. FOOTWEAR INDUSTRY INCLUDED IN THE 10 PRIORITY INDUSTRIES TO BE DEVELOPED

- ▶ The footwear industry is one of the 10 mainstay and priorities industry that will be developed by the Ministry of Industry. It is stated in the National Industrial Development Master Plan (RIPIN) and lowered in the 2015-2019 Strategic Plan.

2. THE GOVERNMENT PROACTIVELY COLLABORATE ON A FREE TRADE AGREEMENT WITH THE MAIN TRADING PARTNERS & EUROPE)

- ▶ Is in the process of negotiations Indonesia – EU CEPA (Comprehensive Economic Partnership Agreement) → Scooping paper already done
- ▶ Indonesia – Australia CEPA
- ▶ Other Indonesia CEPA

Government's Economic Reform Packages Relevant to Footwear Industries.... (1)

- ▶ **2nd Economic Reform Package – September 29, 2016**
 - ▶ Shorten the investment processing time to three hours;
 - ▶ Shorten the processing time for tax allowance and tax holiday services;
 - ▶ Remove value-added taxes for transportation-related machinery and tools;
 - ▶ Introduce various facilities and incentives on bonded logistics center areas;
 - ▶ Reduce deposits return tax.
- ▶ **3th Economic Reform Package – Oct 7, 2015**
 - ▶ Reduce tariff on electricity, gas, and fuel for industry;
 - ▶ Simplify land-related licenses for investment purposes.
- ▶ **4th Economic Reform Package – Oct 15, 2015**
 - ▶ Review provincial minimum wage level.

Government's Economic Reform Packages Relevant to Footwear Industries Sector (2)

▶ 7th Economic Reform Package – February 11, 2016

- ▶ Introduce tax incentive for labor intensive industries; →
 - ▶ Net income tax deduction of 30% is charged for 6-10 years respectively at 5%;
 - ▶ Depreciation and amortization is accelerated,
 - ▶ The imposition of income tax of 10% on dividends paid to foreign taxpayers or lower rate if there is a Tax Treaty,
 - ▶ Compensation for losses that are older than five years but not more than 10 years.
- ▶ Shorten the processing time for land certificate issuance.

▶ 11th Economic Reform Package – March 29, 2016

- ▶ Shorten the dwelling time from 4,7 days to 3,7 days and targeted to become 3,5 days by easing the process of loading and unloading at ports, as well as applying a single billing system for port services.

▶ 12th Economic Reform Package – April 28, 2016

- ▶ Enhance the ease of doing business in Indonesia by cutting procedures, permits, and costs

▶ 15th Economic Reform Package – June 15, 2017

- ▶ Strengthen institutional and authority of Indonesia National Single Window (INSW);
- ▶ Simplify export and import trade system,

KEY TAKE AWAY

- ▶ Indonesia is a big democracy country with stable politically climate. In 2018 Indonesia succeeded in organizing the regional heads election which took place safely and peacefully.
- ▶ In era of regime Jokowi Indonesia become business friendly, plenty of economic packaged are design to bosh the Indonesian Economic. In 2018 government success to strengthening people buying power by giving the government officer the thirteen's salary in moment of Lebaran. This policy success to bosh Lebaran sale increase becomes 20%.
- ▶ The government proactively collaborate on a Free Trade Agreement with the Main Export destination countries (America and Europe);

Thank you.....!!



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APENDIX

INDONESIAN FOOTWEAR (INCLUDING COMPONENT) EXPORT REALIZATION
2012 - 2017
Value: 000 US\$

B U L A N	T A H U N					
	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5	2 0 1 6	2 0 1 7
JANUARI	310,307.35	344,136.79	336,163.32	395,328.17	395,861.10	408,103.18
FEBRUARI	257,065.87	277,323.20	300,681.87	331,327.09	353,198.37	368,657.26
MARET	243,796.61	275,764.91	276,978.03	342,484.23	354,771.94	417,180.71
APRIL	284,186.29	327,227.70	358,714.73	416,387.66	419,545.32	390,851.31
MEI	353,742.80	394,312.25	389,849.81	426,893.44	435,770.72	465,533.53
JUNI	329,586.32	335,686.39	387,736.72	420,122.33	441,378.42	329,607.10
JULI	311,983.64	363,170.33	309,562.73	290,407.20	269,796.62	396,021.31
AGUSTUS	232,827.92	231,800.97	304,473.23	353,414.03	367,263.68	406,558.63
SEPTEMBER	238,957.33	286,974.48	301,661.09	319,133.87	341,282.48	350,273.14
OKTOBER	283,071.99	322,493.56	363,669.55	367,944.83	394,685.17	433,259.80
NOVEMBER	345,981.61	338,369.92	378,788.93	433,179.88	441,997.39	482,403.73
DESEMBER	333,084.48	363,133.38	400,168.47	410,401.78	424,308.09	421,230.43
TOTAL	3,524,592.21	3,860,393.88	4,108,448.48	4,507,024.51	4,639,859.30	4,869,680.13

Sumber : BPS (Diolah
)

INDONESIAN FOOTWEAR (INCLUDING COMPONENT) IMPORT REALIZATION
2012 – 2017
Value: US\$

B U L A N	T A H U N					
	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5	2 0 1 6	2 0 1 7
JANUARI	36,373,052	33,063,054	37,279,799	34,693,495	37,108,016	53,439,936
FEBRUARI	26,473,728	32,341,681	29,353,253	41,667,231	35,906,372	34,336,708
MARET	34,881,447	31,388,144	33,285,969	33,686,357	38,721,857	51,921,499
APRIL	33,859,914	35,390,747	44,106,399	36,320,979	40,909,908	18,256,833
MEI	39,226,969	47,885,281	37,970,049	38,942,250	44,716,056	58,171,969
JUNI	38,499,978	41,728,294	36,622,961	38,799,162	40,358,046	31,274,890
JULI	34,536,633	40,202,887	25,135,351	30,249,992	30,067,662	16,639,378
AGUSTUS	21,038,719	25,444,748	28,996,908	36,569,731	42,907,981	18,447,668
SEPTEMBER	29,957,538	40,468,830	35,290,745	33,187,609	46,409,946	31,554,602
OKTOBER	32,560,807	39,590,516	34,199,878	30,398,634	39,763,832	60,921,603
NOVEMBER	30,256,406	36,710,374	32,866,443	33,019,758	46,767,528	57,912,061
DESEMBER	29,351,017	30,695,572	33,389,884	30,877,050	45,816,965	54,611,143
TOTAL	387,016,208	434,910,128	408,497,639	418,412,248	489,454,169	487,488,290

Table 2: Sales Value in USD

	Units	2007	2008	2009	2010	2011
Value	bn USD	2,27546	2,57760	1,92494	2,75014	3,07853
Spend per capita (population)	USD	9,6956	10,853	8,0116	11,319	12,534
Spend as a proportion of GDP	%	0,48427	0,46203	0,3378	0,36428	0,34481
Value growth	%		13,3	(25,3)	42,9	11,9

	Units	2012	2013	2014	2015	2016
Value	bn USD	2,96166	2,75703	2,43493	2,01749	2,02978
Spend per capita (population)	USD	11,632	10,994	9,6132	7,8882	7,8616
Spend as a proportion of GDP	%	0,32272	0,30222	0,27342	0,23431	0,21775
Value growth	%	(3,8)	(6,9)	(11,7)	(17,1)	0,6

	Units	2017	2018	2019	2020	2021
Value	bn USD	2,04584	2,02878	2,00834	2,04096	2,09118
Spend per capita (population)	USD	7,8505	7,7169	7,5701	7,6298	7,7509
Spend as a proportion of GDP	%	0,200273	0,188199	0,169052	0,153803	0,140631
Value growth	%	0,8	(0,8)	(1,0)	1,6	2,5



Table 5: Indonesia - Footwear: Company retail market share by value (%)

Total Sales (Milyar IDR)	28.890,90	27.013,00	27.013,00	
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Share	2014	2015	2016	2017	Brand
PT. Mitra Adi Perkasa TBK	9,50	10,38	10,84	10.48	Agregation of all brand of premium shoes under PT. Mitra Adi Perkasa
Adidas-Solomon AG	5,30	5,78	6,00	6.52	Adidas
Nile Inc	4,90	4,53	4,30	4.8	Nike
PT. Sabang Mandiri Abadi	4,24	4,91	5,18	4.2	Fladeo (including sales in Matahari Dept Store Outles, other retailer and own outles)
PT. Sepatu Bata TBK	4,10	4,33	4,30	4.5	Bata
PT. Sumber Kreasi Fumiko	3,10	2,72	2,60	2.6	Yongki Komaladi
PT. Eigerindo Multi Produk Ind	2,80	2,64	2,50	2.53	Eiger
PT. Vigano Cipta Perdana	1,60	1,76	1,70	1.8	Bucheri
PT. Panagrade Caraka	1,60	1,28	1,10	1.75	Piero
PT. Primarindo Asia Infrastruktur	0,60	0,72	0,70	0.7	Tomkins
Others	62,26	60,95	61.6	60.12	Others