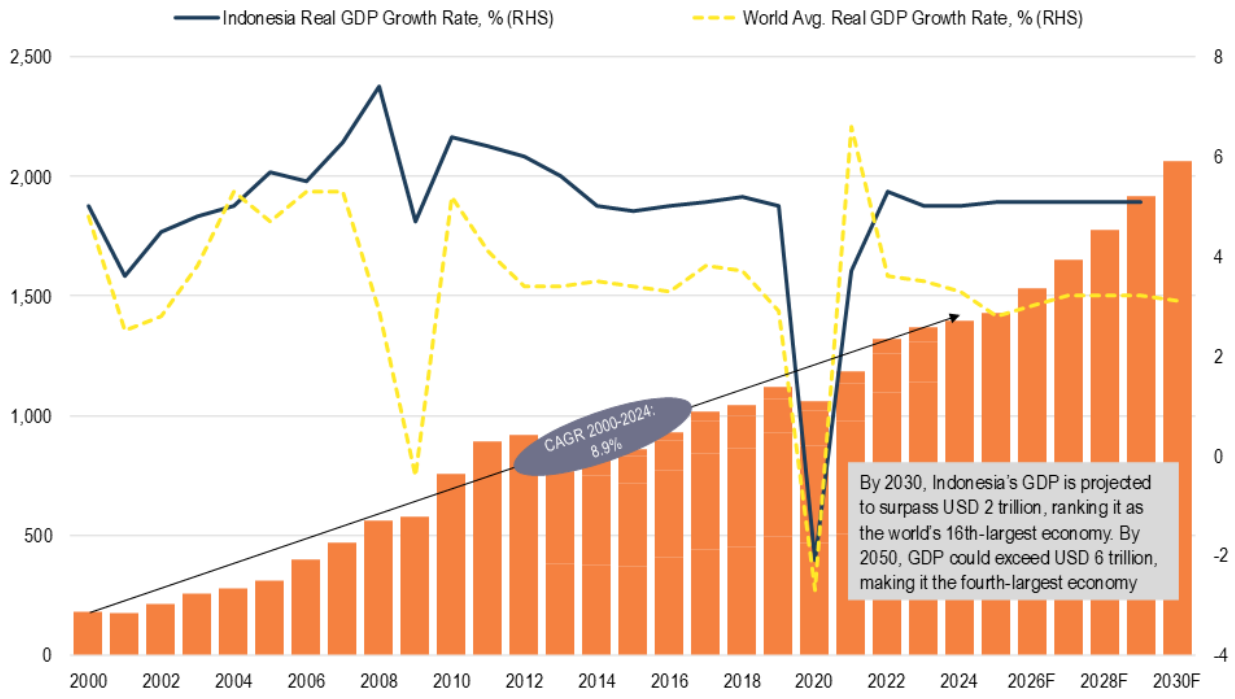
Indonesia's Dynamic Economic Growth Story Offering Opportunities for Global Businesses

Indonesia's dynamic, services-led and consumption-driven economy is poised to become one of the world's largest by mid-century, presenting multiple opportunities for global businesses.

Indonesia GDP, USD bn (2000-2030F)



Source: IMF World Economic Outlook April 2025, ANDAMAN PARTNERS Analysis

From under USD 180 billion in 2000 to USD 1.42 trillion in 2024, Indonesia's economy has grown rapidly, averaging around 9% annual growth over the past two decades. With a population exceeding 277 million in 2023, 70% of whom are under the age of 40, Indonesia's economic prospects are bright.

By 2030, GDP is projected to surpass USD 2 trillion, ranking it as the world's 16th-largest economy. By 2050, it could exceed USD 6 trillion, positioning Indonesia fourth globally, behind only China, the U.S. and India.

The services sector is the largest contributor to GDP, accounting for approximately 43% of the total in 2023. The shares of agriculture (13%) and manufacturing (19%) have gradually declined over the past two decades. High-value service industries, including logistics, healthcare and tourism, are thriving.

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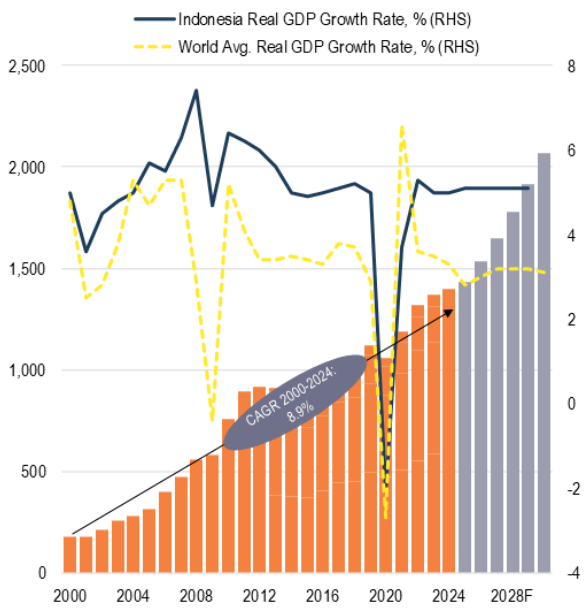
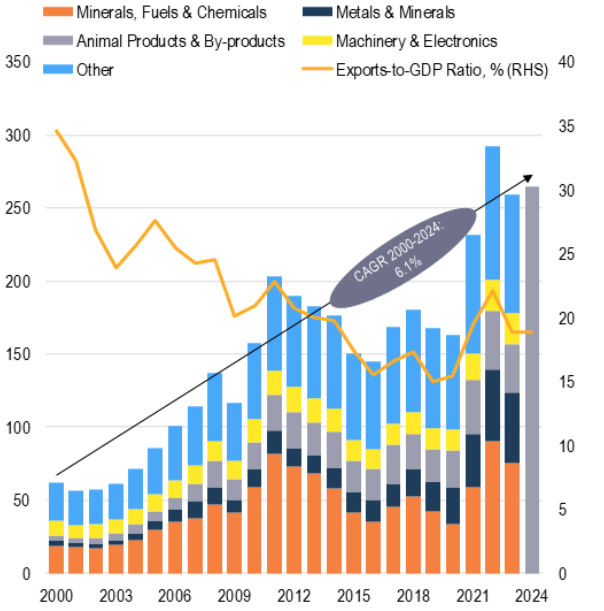


Indonesia Exports to the World by Sector, USD bn (2000-2024)



Source: IMF World Economic Outlook April 2025, ANDAMAN PARTNERS Analysis. Note: No sectoral breakdown available for 2024 Indonesia exports.

Although its share of GDP has declined since the 2000s, final consumption expenditure remains the cornerstone of Indonesia's economy, contributing 62% to GDP in 2023, higher than China's 55.6%. At the same time, gross fixed capital formation rose to 29% in 2023, mainly driven by infrastructure development and public-sector investment.

The contribution of net exports to GDP has declined over time, standing at just 2.2% in 2023. Total exports in 2024 reached USD 265 billion, dominated by minerals, fuels, and chemicals. However, Indonesia is diversifying from traditional commodities like coal, palm oil, rubber and raw nickel ore toward processed nickel, machinery, and electronics.

The exports-to-GDP ratio fell from 34.6% in 2000 to a low of 14.9% in 2019, stabilising at 18.9% in 2024. This trajectory underscores Indonesia's transition from an export-reliant economy to one increasingly powered by domestic consumption and value-added services.

Guidelines for Businesses Seeking to Partake in Indonesia's Growth Story

Businesses seeking to be part of Indonesia's growth story must take note of the following key considerations:

- **Focus on investments in high-growth areas:** Indonesia offers significant potential in its services sector and rapidly expanding industrial base. Companies looking to invest should focus on high-growth areas such as digital services, manufacturing and sustainable industries.

- **Form strategic partnerships:** With rising exports in key sectors and a growing middle class, strategic partnerships will be key to long-term profitability in this dynamic and evolving market, especially for operating effectively in large domestic markets.
- **Get your focus right and know what to avoid:** Carefully review Indonesia's regulatory environment, taking note of priority sectors for foreign investment (e.g., technology, e-commerce, tourism) and the Negative Investment List of sectors restricted or closed to foreign investment (e.g., certain types of mining, agriculture and defense industries).
- **Hire locally and leverage government incentives:** Hiring and training Indonesians complies with local employment laws and provides valuable insights into the domestic market. Seek out government incentives for foreign investors, particularly in priority sectors.
- **Be highly adept at cultural sensitivity:** Cultural sensitivity is crucial for ensuring successful operations in Indonesia. This includes respect for authority, personal relationships, patient negotiating tactics and religious sensitivity.

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