



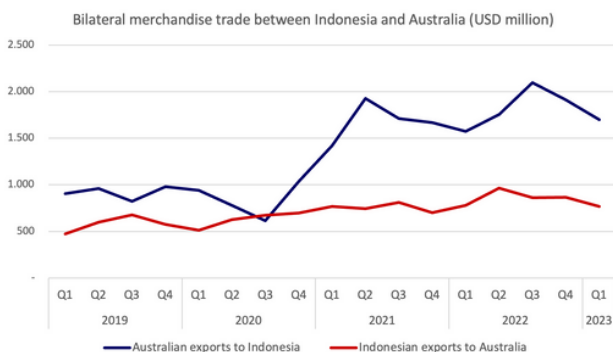
INDONESIA-AUSTRALIA TRADE AND INVESTMENT UPDATE

June 2023

Merchandise trade

Bilateral merchandise trade between Australia and Indonesia hit an all-time high record after the COVID-19 pandemic, reaching over USD10 billion annually in 2022. The overall performance of Australia-Indonesia bilateral trade between 2019 and 2022 has been strong, with bilateral exports roughly doubling over this period. This bodes well for the Indonesia-Australia Comprehensive Economic Partnership Agreement, which came into force in mid-2020. In early 2019, Indonesia's quarterly exports to Australia were just below USD500 million and Australia's exports to Indonesia were just below USD1 billion, while in 2022 Indonesian's exports hit a peak of just below USD1 billion (2022 Q2) and Australian exports reached USD2 billion (2022 Q3).

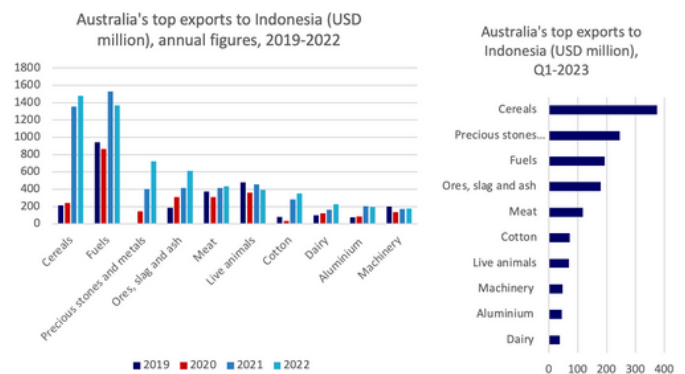
Despite this good news, trade has been declining steadily over the second half of 2022 and into 2023. Australia's exports to Indonesia declined from USD2.1 billion in 2022 Q3, to USD1.9 billion in 2022 Q4 and USD1.7 billion in 2023 Q1. Meanwhile, Indonesia's exports to Australia were relatively stagnant over the second half of 2022 (2022 Q4: USD866 million, 2022 Q3: USD862 million) but dropped to USD769 million in 2023 Q1.



Source: ITC Trade Map

In 2022, the dominance of fuel in Australia's exports to Indonesia was toppled by cereal, which grew to USD1.48 billion, up from 1.35 billion in 2021. Fuel remained strong as the second largest export, at USD1.37 billion in 2022, a decrease from USD1.53 billion in the previous year. Precious stones and metals, meats, live animals, cotton, dairy products and machinery were the next top exports from Australia to Indonesia, all growing against the previous year, while live animals and aluminium exports decreased. Among top exports, the highest year-on-year gains were seen by precious stones and metals (80 per cent growth) and ores, slag and ash (48 per cent growth), indicating high demand for raw materials from Indonesian industries. Cereals continue to dominate Australian trade to Indonesia in 2023, with USD374 million worth of exports in Q1, followed by precious stones and metals; fuels; ores, slag and ash.

So far this year, the top ten Australian exports remain the same as in 2022, although in a different order.



Source: ITC Trade Map

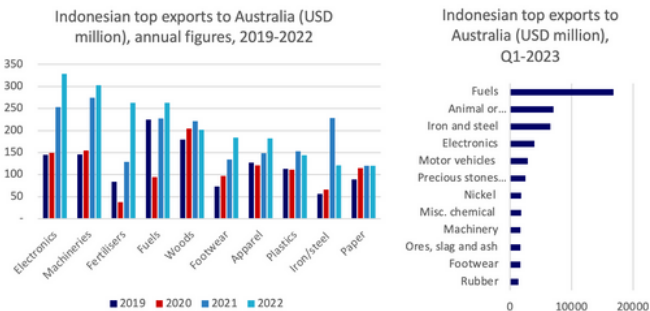
Meanwhile, Indonesia’s exports to Australia in 2022 were dominated by electronics, at USD329 million. These were followed by machinery, fertilisers, mineral fuels, wood, footwear, apparel, plastics, steel and paper. The majority of Indonesia’s top export products also witnessed growth between 2021 and 2022. The highest growth was in fertilisers (104 per cent), perhaps reflecting growing demand for Indonesian fertiliser as a result of the Russia-Ukraine war. Other export industries with significant increases between 2021 and 2022 include footwear (37 per cent growth) and electronics (30 per cent growth). Conversely, steel exports decreased by 47 per cent over the same period.

Unlike Australian exports to Indonesia, the composition of Indonesia’s top exports to Australia in 2023 Q1 changed markedly from the previous year. Exports were dominated by raw materials like fuels and animal/vegetable oils and precious stones and metals and nickel are now in the top ten.

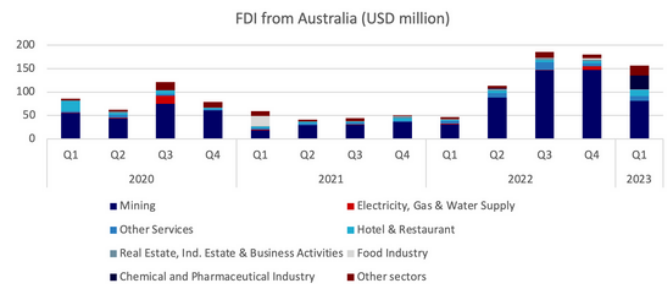
Foreign direct investment

Australia’s foreign direct investment (FDI) realisation into Indonesia was USD187 million in 2022 Q4, only slightly lower than the post-pandemic all-time high in 2022 Q3. It was still dominated by mining at USD147 million (79 per cent), followed by electricity and utilities at USD8 million (4 per cent), and both other services and hotels and restaurants at USD6 million and USD5 million, respectively (3 per cent each).

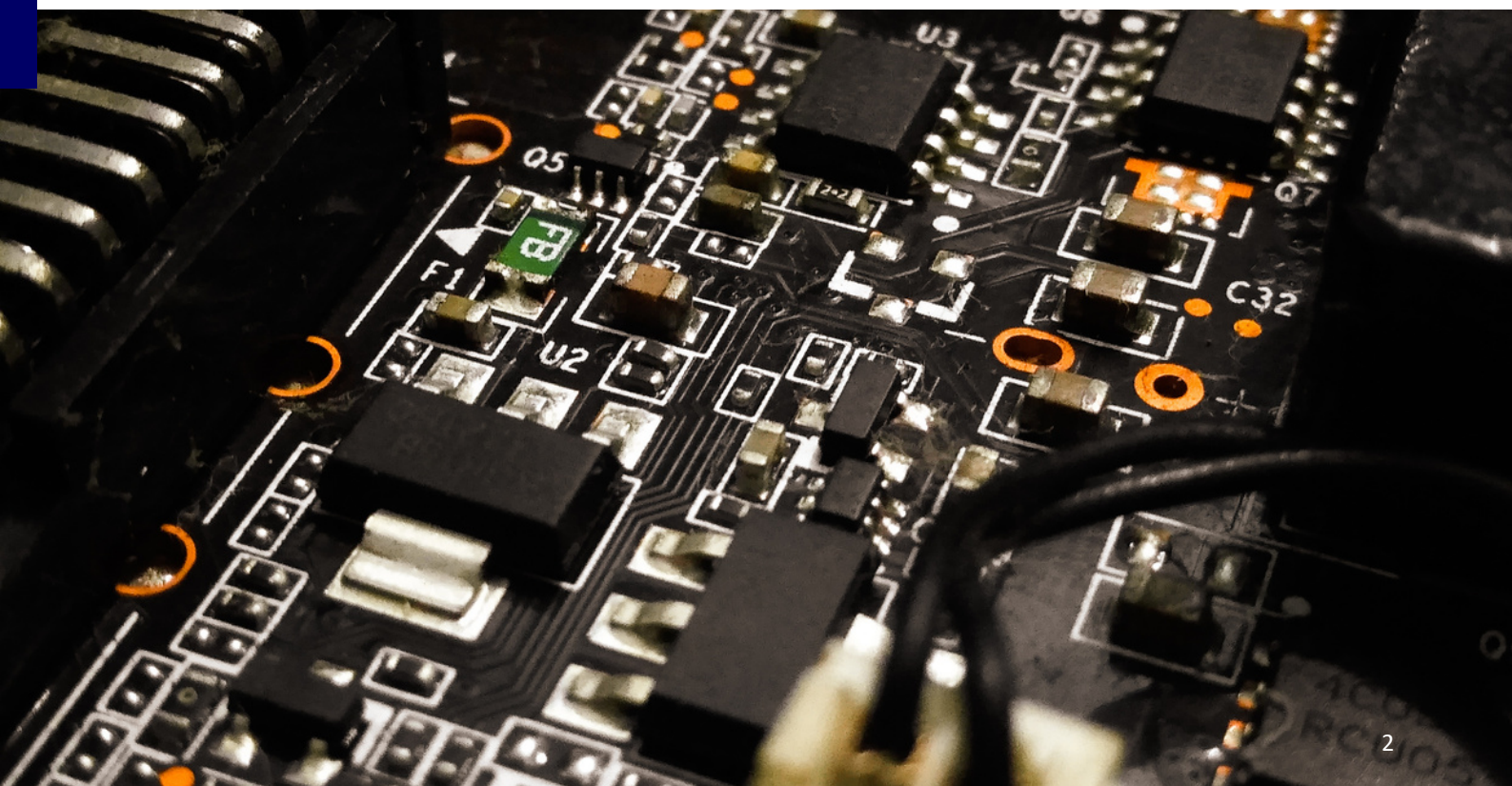
However, Australian FDI into Indonesia has dropped off in 2023 Q1 and the composition has changed. While investment in mining remained strong (at 52 per cent), it was not as dominant as the second half of 2022. Investment in the chemical and pharmaceutical industry surged in 2023 Q1, reaching USD30 million (19 per cent of total FDI), boosting Indonesia’s post-pandemic vision to be a pharmaceutical powerhouse. “Other” sectors accounted for 14 per cent of Australia’s investment into Indonesia, hotels and restaurants received 8 per cent, and other services 7 per cent.



Source: ITC Trademap



Source: BKPM

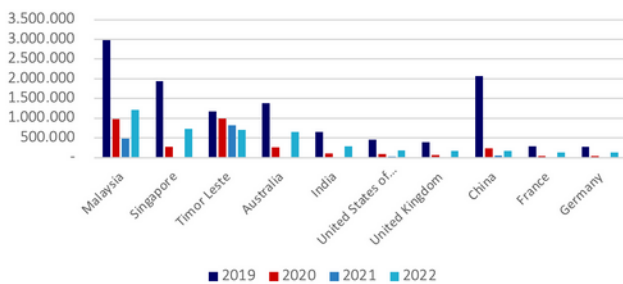


Services trade

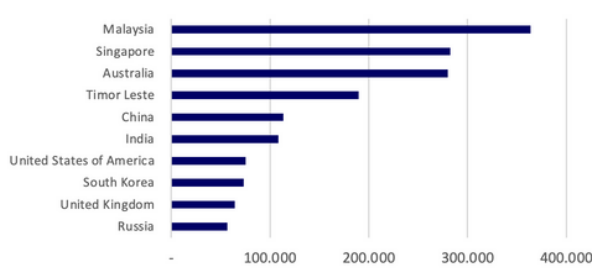
Trade in services between Australia and Indonesia has continued to grow, with a key driver being the rebound in Indonesia’s tourism industry. Australian tourists to Indonesia grew sharply from 3,196 in 2021 to 655,370 in 2022, making Australia the fourth largest source country of tourists, after Malaysia, Singapore and Timor Leste in 2022. Over 2023 Q1 Australia was the third highest source of tourists to Indonesia and in April 2023, the number of Australian tourists visiting Bali reached 109,881 for that month, on a par with pre-pandemic levels.



Top tourist visiting Indonesia based on nationalities, annually, 2019-2022



Top tourist visiting Indonesia based on nationalities, Q1-2023

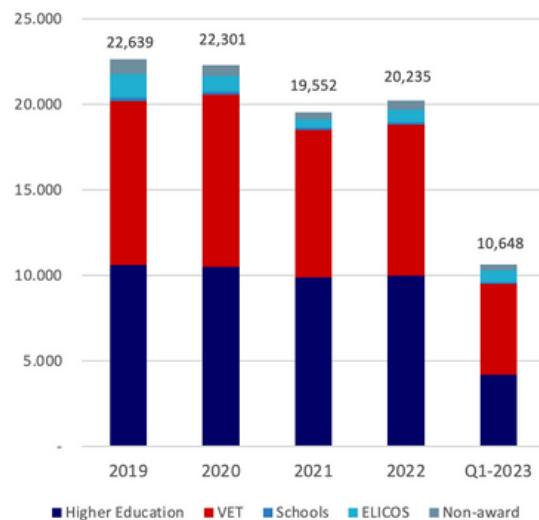


Source: BPS

Australian exports of education to Indonesia, its most important services export to Indonesia, saw gradual growth in 2022 compared to 2021. Higher education and vocational education and training

accounted for the majority of Indonesian student enrolments, accounting for 93 per cent of the total. First quarter figures for education enrolments do not show the whole picture due to study commencement and semester dates, but it is worth noting that 2023 Q1 enrolments were about half the average annual enrolment for 2022. As with 2022, enrolments were primarily for vocational or higher education studies.

Number of Indonesian student enrolled in Australia



Source: DESE

IA-CEPA ECP Katalis (Katalis) is a unique, five-year (2020-25) government-backed business development program unlocking the vast potential of economic partnership between Australia and Indonesia. Katalis was established under the Indonesia-Australia Comprehensive Economic Partnership Agreement Economic Cooperation Program (IA-CEPA ECP). The program complements other Australian development programs with a commercially oriented, bilateral approach and places gender equality, disability and social inclusion at the centre of everything we do.

IA-CEPA ECP Katalis is supported by the governments of Australia and Indonesia under IA-CEPA.

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