

Indonesia Investments

Digital Economy of Indonesia

- Digital Consumption Growing Rapidly in Southeast Asia; Indonesia Leads the Race
- E-Commerce Remains the Biggest Contributor to the Digital Economy
- Healthtech and Edtech Show Sharpest Growth since Start of COVID-19 Crisis
- ASEAN Agreement on Electronic Commerce Entered into Force
- Indonesia to Have 25 Unicorns in the Next 3-5 Years?

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**Van Der Schaar Investments B.V.
CV Indonesia Investments**

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Update – 14 December 2021

**Digital Economy; ASEAN Agreement on
Electronic Commerce Enters into Force**



Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. The topics in these updates could be discussed in more detail (and in an updated form) in the forthcoming monthly report.

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- Digital Economy & Law -

Digital Economy; ASEAN Agreement on Electronic Commerce Entered into Force

While the digital economy of the Southeast Asian region was already developing at a very fast rate prior to the arrival of the COVID-19 crisis, it was this crisis that would act as a catalyst for even more rapid development of the region's digital economy.

The COVID-19 crisis not only made existing digital users start spending more time online (consuming more digital services), but this crisis also encouraged many new users to come online (either for consumption or to make sales, or both).



So while on the one hand the COVID-19 crisis caused an unprecedented (temporary) collapse in consumption, production, trade and investment, this crisis also facilitated

a significant acceleration in the transition from offline to online consumption, from physical stores to online stores, and (although possibly a bit less marked) from face-to-face communication to digital communication (for example it has become normal to use Zoom when working-from-home).

Many of the changes we saw in terms of digital behavior over the past 20 months or so are expected to be structural changes. For example, once an entrepreneur started selling products online, he/she is bound to continue selling these products online (possibly in addition to the physical store). In this context it is interesting to mention that many Southeast Asian entrepreneurs believe that their shift to digital sales is what allowed their businesses to survive in the COVID-19 crisis. Therefore, it is quite clear that adding digital services really strengthens the business model.

Moreover, in 2021, around 40 million new Internet users came online in Southeast Asia (pushing the total to 440 million Internet users in this region). Many of the new Internet users are bound to become structural digital consumers. Typically after one positive experience (experiencing the efficiency, easiness, and safety of one online purchase), more online shopping follows.

It is also interesting to try imagining a COVID-19 crisis erupting in a world and time without Internet. On the one hand, it would have been a much severe economic crisis as economic activity would have been undermined even harder. But, on the other

hand. without the Internet many people would probably not have been aware of the existence of the COVID-19 virus in society, and so life could simply have continued as usual without panic (for example, in our case, the two confirmed COVID-19 deaths in our extended environments were people with serious underlying illnesses, while those who tested positive for COVID-19 in our environment did not feel sick, or, only had mild flu-like symptoms; and therefore –essentially– the only reason why we are aware of the COVID-19 virus is because of governments’ and societies’ responses to the pandemic as well as media’s coverage of the pandemic; but not because of the actual pandemic, or virus, itself).

Nevertheless, since the beginning of the COVID-19 pandemic e-commerce has grown exponentially, and became the major driving force behind the digital transformation. The Association of Southeast Asian Nations (ASEAN) is, in fact, on its path to become a USD \$1 trillion Internet economy by 2030, particularly propelled by a fast-growing base of digital consumers and merchants as well as a very impressive acceleration in e-commerce and food delivery.

[...]

Read the full article in the December 2021 report. This report can be ordered by sending an email to info@indonesia-investments.com or a message to +62.882.9875.1125 (including WhatsApp).