

# Indonesia Investments

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## Footwear Industry of Indonesia

- Domestic and Global Footwear Markets Offer Lucrative Prospects for the Future
- COVID-19 Crisis Disrupted the Footwear Industry, Particularly Footwear Consumption in the West
- Indonesia Is World's 3<sup>rd</sup>-Biggest Footwear Exporter and 4<sup>th</sup>-Biggest Footwear Producer
- What Is Undermining the Performance of Indonesia's Footwear Industry? And How Can Indonesia Attract More Direct Investment in the Footwear Industry in the Future?

**20 JANUARY 2022**

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

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Update – 20 January 2022

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# 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 may be discussed in more detail (and in an updated form) in the forthcoming report.

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## - Business Sectors -

# The Footwear Industry of Indonesia: What Are the Challenges and Its Potential?

When – at the start of January 2022 – we heard Firman Bakri, Executive Director of the Indonesian Footwear Association (*Asosiasi Persepatuan Indonesia*, Aprisindo), say that Indonesia's footwear exports are expected to hit an all-time high in full-year 2021, it caught us by surprise.

After all, the last time we had covered the footwear industry of Indonesia in one of our reports (which is a couple of years back already), we had detected challenging conditions, reflected in the relocation of several footwear manufacturing companies – including popular US sportswear brand Under Armour – to other Southeast Asian nations (mainly Vietnam) as the investment and business environment of Indonesia was considered to have certain weaknesses (which is further discussed below).



So, if Indonesia suddenly achieved record high footwear exports – moreover: in the middle of the COVID-19 crisis (as the number of COVID-19 infections peaked in mid-2021 in Indonesia) – then it certainly deserves some special attention.

## **Footwear Industry and Market**

Before we delve into that subject, we first present a general overview of the footwear industry and market.

The interesting thing about footwear (or shoes) is that (almost) all people use them, whether it is a pair of Jada Dubai branded ‘Passion Diamond Shoes’ (worth around USD \$17 million) or an unbranded and cheap pair of throw-away slippers. Moreover, many people have more than one pair of shoes, typically used for different occasions (such as neat black shoes for a business meeting or wedding ceremony, sport shoes for a game of tennis or badminton, sandals for a visit to the beach, and easy sneakers for some grocery shopping), if allowed by their purchasing power.

Moreover, many people regularly buy new shoes (particularly in the case of children because their feet grow rapidly). For many, buying one (new) pair of shoes per year might actually be a low average (and it also seems the case that women typically own, and therefore buy, more shoes than men).

What this means is that the market for footwear is not only enormous, but also ever-growing (if populations continue to expand). These are features that make it a very attractive investment opportunity for investors (hence competition is also fierce).

Indonesia is home to around 272 million people, and therefore the domestic market is big, estimated at nearly USD \$6 billion (per year). And with a growing middle class (implying purchasing power strengthens) we can assume that the long-term trend is very promising (although the COVID-19 crisis did temporarily disrupt this picture as it caused the national economy to contract between Q2-2020 and Q1-2021).

#### Indonesia's Gross Domestic Product Growth per Quarter (annual % change):

Quarter	2016	2017	2018	2019	2020	2021
Q1	4.94	5.01	5.06	5.06	2.97	-0.71
Q2	5.21	5.01	5.27	5.05	-5.32	7.07
Q3	5.03	5.06	5.17	5.01	-3.49	3.51
Q4	4.94	5.19	5.18	4.96	-2.19	
Full-Year	5.03	5.07	5.17	5.02	-2.07	(3.24)

Source: Badan Pusat Statistik (BPS)

And then, there is the global market, which is (obviously) even much bigger than the domestic market of Indonesia. Soon, there will be eight billion people (or 16 billion

pairs of feet) walking on this tiny planet. And, most of them do not want to walk bare footed.

[...]

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