



## Location Spotlight – Indonesia

Locations Insider™ (LI)

Market Report – April 2020: Complimentary Abstract / Table of Contents

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# This report provides perspectives on key aspects of the global sourcing market in Indonesia

## Indonesia | At a glance



Emerging location with a large talent pool for global services delivery, offering significant cost arbitrage with respect to onshore locations

### KEY FACTS

750,000-760,000 annual tertiary graduates

Annual operating cost per FTE 65-70% savings over Singapore ~5% savings over Manila

### Current overview

- Emerging location for offshore services delivery with evidence of small-/mid-sized operations
- While the majority of operations are concentrated in Jakarta, there is some evidence of services delivery in locations such as Surabaya and Tangerang
- Primarily leveraged by global service providers for delivery of relatively transactional processes (e.g., contact center and non-voice BP services)
- Primarily serves domestic and regional markets

### Key drivers

- Time zone similarity and geographical proximity to key Southeast Asian locations
- Lower competition for talent and a relatively less saturated market
- Significant cost arbitrage with respect to onshore locations
- Improving infrastructure and ease of doing business driven by various government initiatives along with a relatively stable macroeconomic environment

### Key challenges

- Relatively higher exposure to natural disasters
- Does not offer very attractive cost arbitrage with respect to major offshoring locations in Southeast Asia
- Some concerns around cybersecurity and data protection frameworks and limited IP protection
- Limited potential for bilingual service delivery
- Among the graduate pool, some gaps noted with regards to talent availability for delivery of IT skills

KEY PLAYERS:



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## Indonesia | Risk profile (page 1 of 2)

Stable economy and improving infrastructure; some concerns around geopolitical risks due to territorial conflicts and unrest in the country

Parameter	Everest Group rating	Comments
Geopolitical	<span style="color: yellow;">■</span>	<ul style="list-style-type: none"> <li>Indonesians ranked 64 out of 167 countries in the Democracy Index 2019 compiled by the Economist Intelligence Unit (EIU), rating the country as a "flawed democracy"                             <ul style="list-style-type: none"> <li>Concerns exist around rising advocacy for abolition of direct elections among senior politicians</li> </ul> </li> <li>While the country has a stable geopolitical environment, some concerns were noted in the beginning of 2020 related to civil unrest against a labor law bill that can potentially affect minimum wages, severance pay, and social security for workers across the country</li> <li>The country faces multiple concerns related to rising sea level, causing frequent floods; the government is also considering the possibility of shifting the capital city from Jakarta to Borneo</li> <li>The country faces some concerns related to territorial disputes with China                             <ul style="list-style-type: none"> <li>In a recent event, some Chinese fishing vessels entered the waters of Natuna Islands (part of Jakarta's exclusive economic zone) leading to rise in tensions between the two countries</li> </ul> </li> </ul>
Macroeconomic	<span style="color: green;">■</span>	<ul style="list-style-type: none"> <li>Moody's rated Indonesia as "Baa2 Stable" due to stable economic growth rates and low government debt levels</li> <li>The annual inflation rate continued to remain at 2.96% as of March 2020, as government measures to maintain food prices remained in force, but the COVID-19 pandemic may pose some risk</li> <li>Bank of Indonesia has announced its intent to stabilize the IDR to Rp 15,000 per US\$ by year end by intervening in the financial markets</li> </ul>
Infrastructure	<span style="color: yellow;">■</span>	<ul style="list-style-type: none"> <li>Indonesia ranks 57 among 100 countries as per the Inclusive Internet Index published by the EIU with concerns noted around availability of quality broadband, mobile internet, and affordability of such services</li> <li>As per the Global Competitiveness Index 2019 by World Economic Forum, Indonesia was ranked 72 out of 141 countries for its overall infrastructure quality                             <ul style="list-style-type: none"> <li>Concerns around quality of roads, road connectivity, percentage of population with electricity access, and percentage of population with access to safe drinking water were highlighted</li> </ul> </li> <li>While there are multiple concerns related to overall state of infrastructure, the government has been promoting investments through multiple projects</li> </ul>

Source: Everest Group (2020); EIU; WEF Global Competitiveness Report; World Bank



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# Research calendar – Locations Insider

Published
  Planned
  Current release

Flagship Locations Insider reports	Release date
Global Locations Annual Report 2019	September 2019
Location Spotlight – Egypt	September 2019
Location Spotlight – The Czech Republic	September 2019
Location Spotlight – Morocco	October 2019
Location Spotlight – Romania	October 2019
Location Spotlight – Israel	October 2019
Location Spotlight – Trivandrum, India	October 2019
Location Spotlight – Mumbai	February 2020
Global Locations Annual Report 2020	March 2020
Location Spotlight – Bulgaria	April 2020
Location Spotlight – Indonesia	April 2020
Location Spotlight – Slovakia	Q2 2020

Thematic Locations Insider reports	
Global Hotspots – Analytics in BFSI	May 2019
European Digital Services Talent Handbook: Prepare for Digital Disruption	June 2019
Global Handbook – Focus on Language Skills Availability Across the World	November 2019
Global Handbook – Focus on Cloud Skills Across the World	Q2 2020

Note: For a list of all our published Locations Insider™ reports, please refer to our [website page](#)

# Additional Locations Insider™ research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest

1. **Global Locations State of the Market 2020: Moving Forward in Turbulent Times | Key Trends Shaping the Landscape** ([EGR-2020-37-R-3646](#)); 2020. The Global Locations State of the Market report describes the nuances of the global services locations landscape and interprets locations-related developments and trends to help in locations portfolio strategy design. It presents insights into market size and growth as well as global services exports by region and country. It also offers an update of locations activity by region and country as well as trends affecting global locations (changes in the investment environment, key global developments, and changes in exposure to various risks)
2. **2020 Location Predictions: Confronting the Impending Slowdown** ([EGR-2020-37-V-3618](#)); 2020. In this viewpoint, we share our predictions for the global services market and growth in key delivery locations in 2020. We share specific predictions for 40+ locations, representing >95% of the global services market. This viewpoint will help you determine overall global services market forecast, location-specific predictions, key risks that can impact services delivery, and next-wave locations expected to gain prominence in the future
3. **Location Spotlight – Vietnam** ([EGR-2020-37-R-3385](#)); 2020. This report analyzes Vietnam and offers perspectives on the global sourcing profile of Vietnam, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environmental risks
4. **Talent Handbook for Language Skills: Answering the Calls for a Global Marketplace** ([EGR-2019-37-R-3423](#)); 2019. This report helps market players in selecting the most suitable locations for their language-related needs. It highlights the relative attractiveness of key global locations for different languages based on a comprehensive assessment of 20+ parameters, grouped under two broad categories: enablers and language talent pulse

For more information on this and other research published by Everest Group, please contact us:

<b>Parul Jain</b> , Practice Director – Global Sourcing:	<a href="mailto:parul.jain@everestgrp.com">parul.jain@everestgrp.com</a>
<b>Rajeshwaran Pagalam</b> , Analyst – Global Sourcing	<a href="mailto:rajeshwaran.pagalam@everestgrp.com">rajeshwaran.pagalam@everestgrp.com</a>
<b>Rohan Kapoor</b> , Senior Analyst – Global Sourcing:	<a href="mailto:rohan.kapoor@everestgrp.com">rohan.kapoor@everestgrp.com</a>

Website: [www.everestgrp.com](http://www.everestgrp.com) | Phone: +1-214-451-3000 | Email: [info@everestgrp.com](mailto:info@everestgrp.com)





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### Dallas (Headquarters)

info@everestgrp.com  
+1-214-451-3000

### Bangalore

india@everestgrp.com  
+91-80-61463500

### Delhi

india@everestgrp.com  
+91-124-496-1000

### London

unitedkingdom@everestgrp.com  
+44-207-129-1318

### New York

info@everestgrp.com  
+1-646-805-4000

### Toronto

canada@everestgrp.com  
+1-416-388-6765

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