

Location Spotlight – Indonesia

September 2023: Complimentary Abstract / Table of Contents



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Contents

1. Research methodology	4
2. At a glance	5
3. Overview	6
4. Market activity	7
5. Talent and cost overview	8
6. Global services delivery overview	10
7. Risk profile	11
8. Research calendar	13

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

Location Spotlight – 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 FACTORS

- 1,475,000-1,525,000 annual tertiary graduates
- Annual GDP growth: 80-85%
- Unemployment rate: 5-15%

Current overview	Key drivers	Key challenges
<ul style="list-style-type: none"> Emerging location for offshore services delivery with evidence of small/midsized 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 Business Process Services) Primarily serves domestic and regional markets 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Relatively higher expatriate costs Offers low to moderate offshoring locations in the region Some concerns around regulatory frameworks and limited infrastructure Limited potential for talent development Among the graduate talent availability for offshoring



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Location Spotlight – Indonesia

Indonesia | risk profile (page 1 of 2)

Improving geopolitical situation and infrastructure facilities; favorable medium-term macroeconomic situation in the country

Parameter	Everest Group rating	Comments
Geopolitical		<ul style="list-style-type: none"> Indonesia ranks 54th out of 167 countries in the Democracy Index 2022 compiled by the Economist Intelligence Unit (EIU), rating the country as a flawed democracy The country's prior territorial challenges with China and Malaysia have reduced over the past few years The government is expected to inaugurate the opening of its new capital city, Nusantara in Borneo, as its current capital Jakarta is facing multiple concerns related to the rising sea level, causing frequent floods
Macroeconomic		<ul style="list-style-type: none"> Fitch has rated Indonesia as BBB due to the favorable medium-term growth outlook and low government debt/GDP ratio Indonesia's foreign reserves are shrinking, and thus its external liquidity is weak. This is due to the continuous strengthening of the US dollar due to the US Federal Bank's policy rate hikes The annual inflation rate increased slightly to 4.33% as of April 2023, with the government forecasting it to reduce and fall within its target of 2-4% before September 2023 The government and Bank Indonesia are making the required efforts to manage the food supply
Infrastructure		<ul style="list-style-type: none"> Indonesia ranks 46th among 100 countries as per the Inclusive Internet Index published by the EIU in 2022, through increased government efforts to promote 5G and the level of web accessibility But Indonesia still lags in terms of internet affordability when compared to its Asian peers Indonesia ranks 44th among 63 countries as per the World Competitiveness Ranking, published by the Institute of Management Development (IMD), with improved infrastructure performance over the last five years While there are some concerns related to the overall state of infrastructure, the government has been promoting investments through multiple projects

Source: Everest Group (2023); EIU; Transparency International; WRR; WEF; interviews with market participants

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Location Spotlight – Singapore	March 2023
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Risk Watch 2023: Tracking Risks in a Volatile and Uncertain World of Global Services Delivery	April 2023
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