Indonesia's Consumer Outlook

A guide to 2025

NielsenIQ

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We deliver *the Full View* ™

Retail FMCG

Retail Audit + Consumer Panel in 1 powerful platform **Discover**

Advanced Analytics

- Pricing and Promotion
- Distribution Optimization
- Precision Area
- Assortment and Merchandising
- Sales Force Activation : Store Census, Store Observation, Custom Retail Audit

Solutions to help Small Business or Emerging Brands

Retail Tech and Durables

powered by GfK intelligence

Retail Audit

Geo Marketing – store location analysis and

Forecasting

Consumer

Brand Health Track - we are strong in :

- FMCG
- Auto
- Finance and Banking
- Telco

Quan-Qual

Omni Bus

Shopper Trend

Innovation

BASES for new launch, relaunch: concept test

BASES Neuro : Ad testing

Brand and Media

Measurement of marketing and advertising effectiveness

Marketing mix analysis

to help our client navigate the business

THE WORLD OF FMCG IN INDONESIA

01

Indonesia FMCG value: **IDR 850T per year** (IDR 320T is cigarette)

02

# of category monitored by NIQ: **124 categories** (traditional-modern retailers and household)

03

# of Indonesia FMCG player: **+7500 manufacturers** (800 are cigarette)

04

Avg player per category: **110 manufacturers per category**
High: >500 players/cat
Low: <10 players/cat

05

Some categories are dominated by **top 5 players** with strong market share
(e.g., Detergent, Sanitary Napkin, Remedy Drink, etc.)

06

Some categories are more **open for new players**, whereas the **top 5 players only have around 50% market share**
(e.g., Biscuit, Snack, Cooking Oil, Cosmetics, Cologne, Candies, etc.)

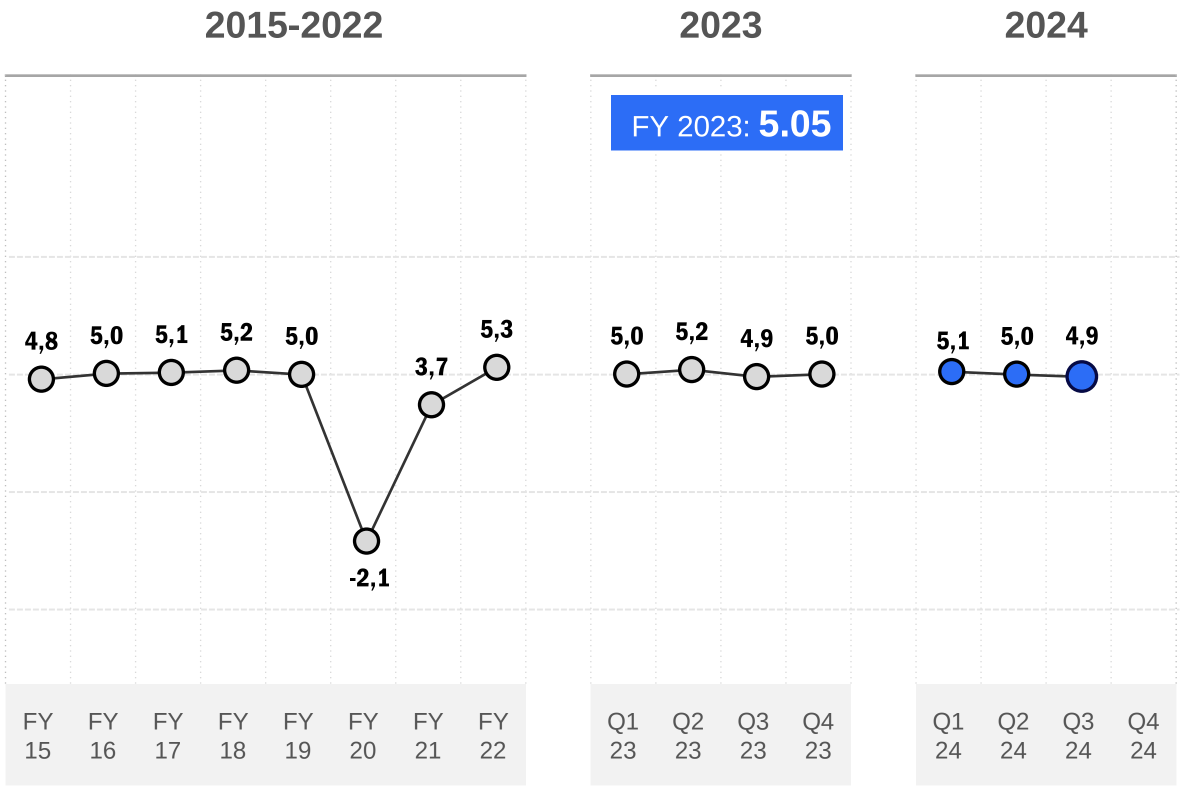
07

Growth vs PY:
- ✓ FMCG: sales value is growing, **3%** vs PY
- ✓ FMCG: volume unit is declining, **-1%** vs PY
- ✓ Cigarette: sales value is declining, **-5%** vs PY
- ✓ Cigarette: volume stick is declining, **-8%** vs PY

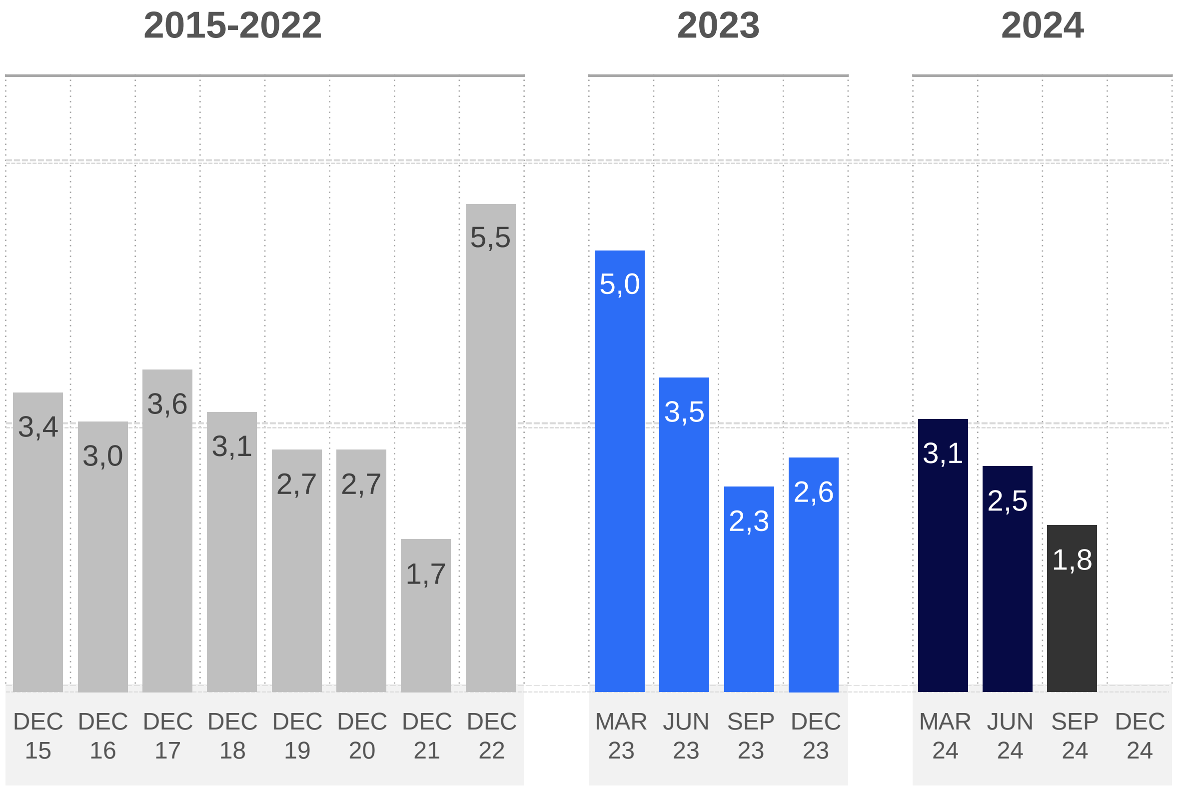
Indonesia GDP rate on Q3 still grow on 4.9% and Inflation running on 1.8%

...but YoY quarter trend the GDP rate showing softened trend, as well as the inflation rate.

GDP Growth (%)



Annual **Inflation** (%)

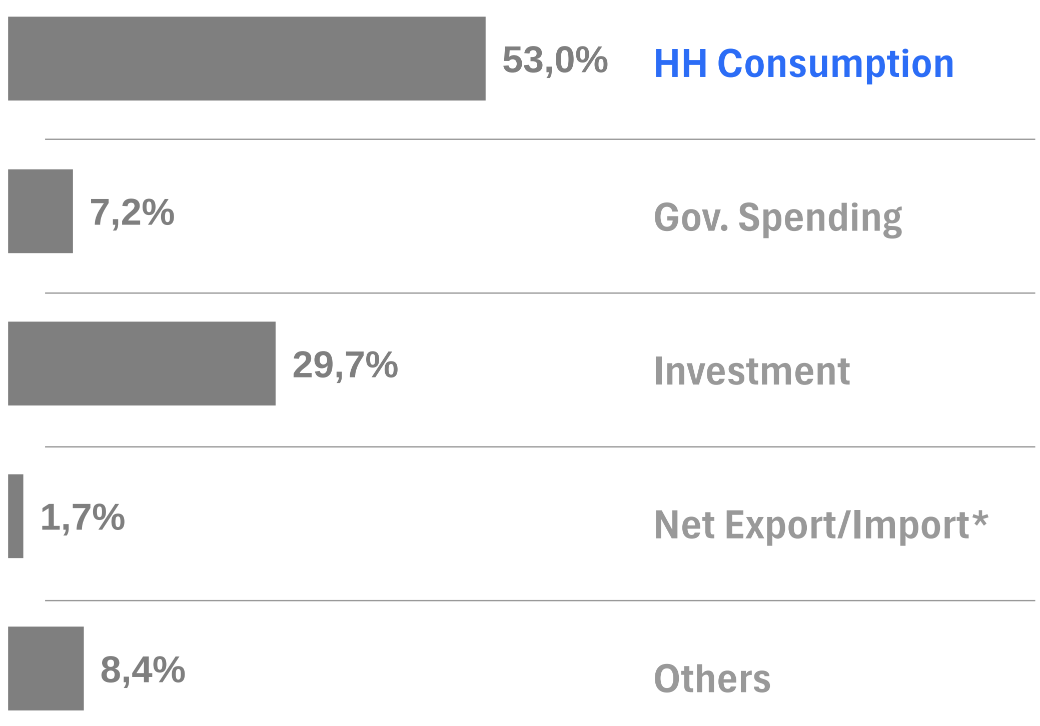


Source: NIQ - BPS | Bank Indonesia

HH consumption is the biggest contribution to economy stabilized in Q2 24

Which continued to grow at around 5%

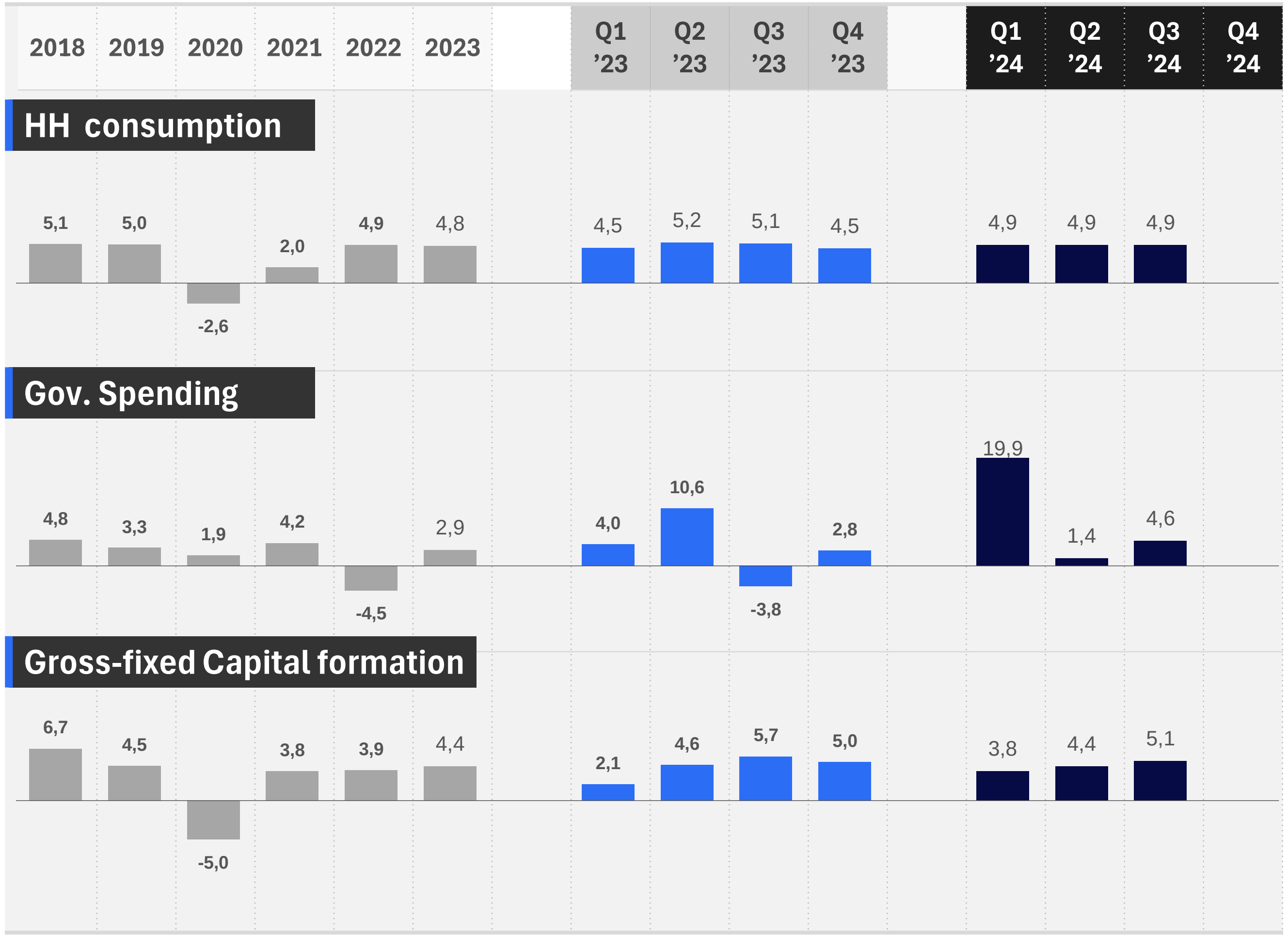
Q3 2024 – GDP contribution by expenditure



22.5%	20.7%	1.7%
Export/GDP*	Import/GDP	Net export

Source: NIQ - BPS

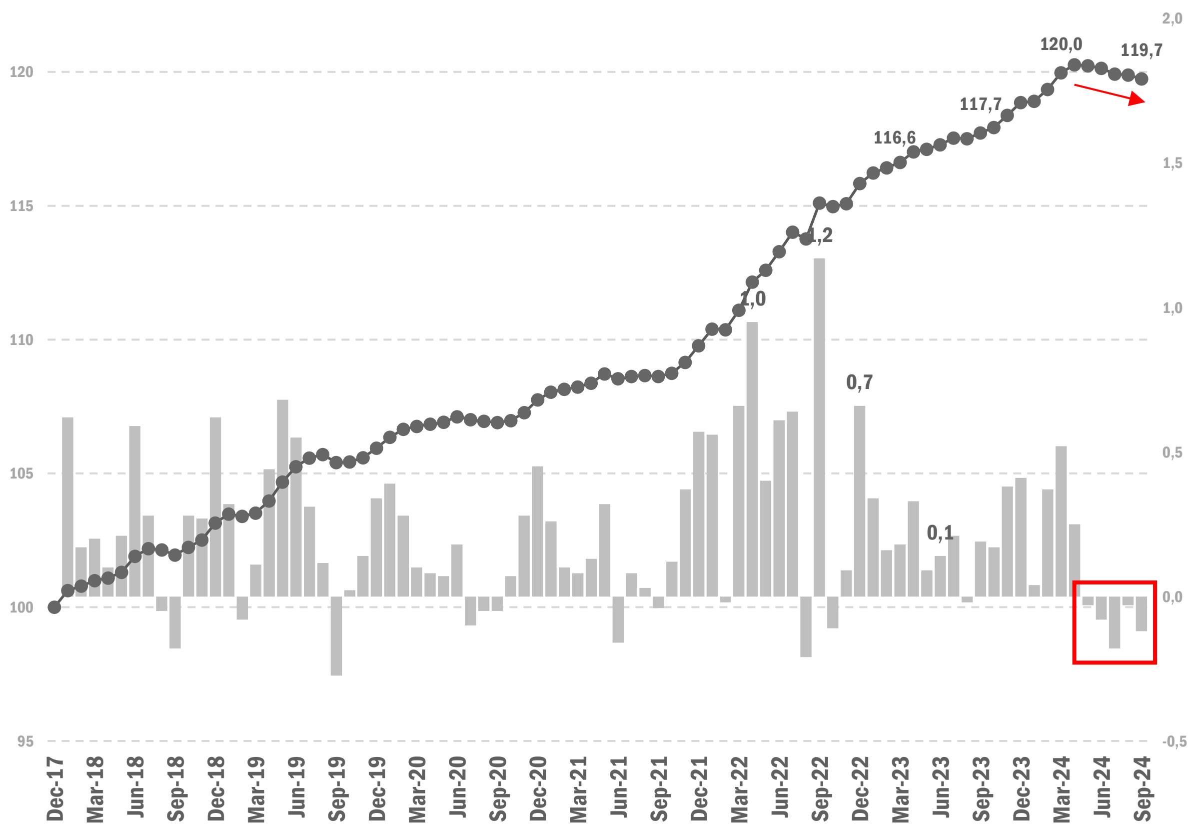
GDP expenditure growth



Monthly deflation is showing since May 2024

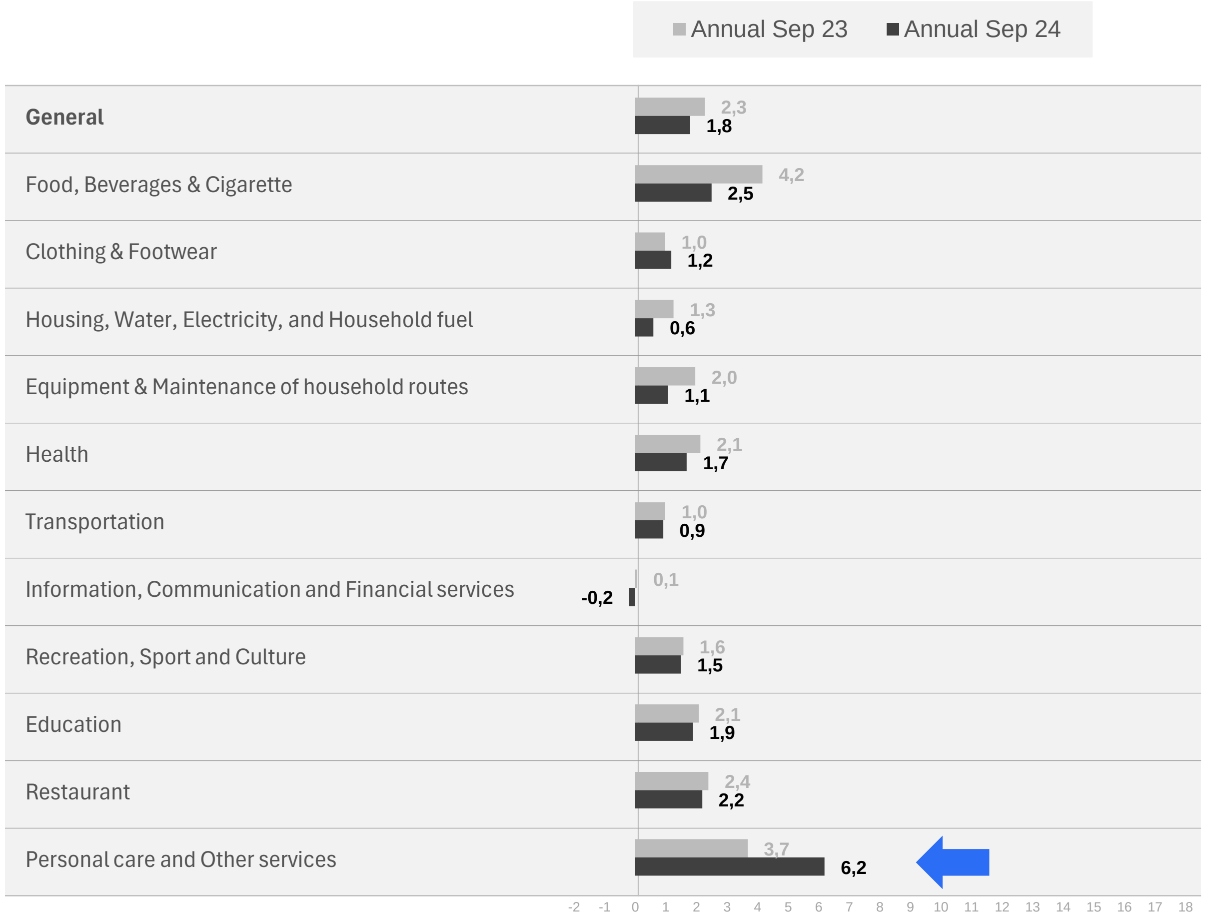
Lower inflation rate reflected in all industries except personal care and other services

Monthly **inflation** & **CPI***



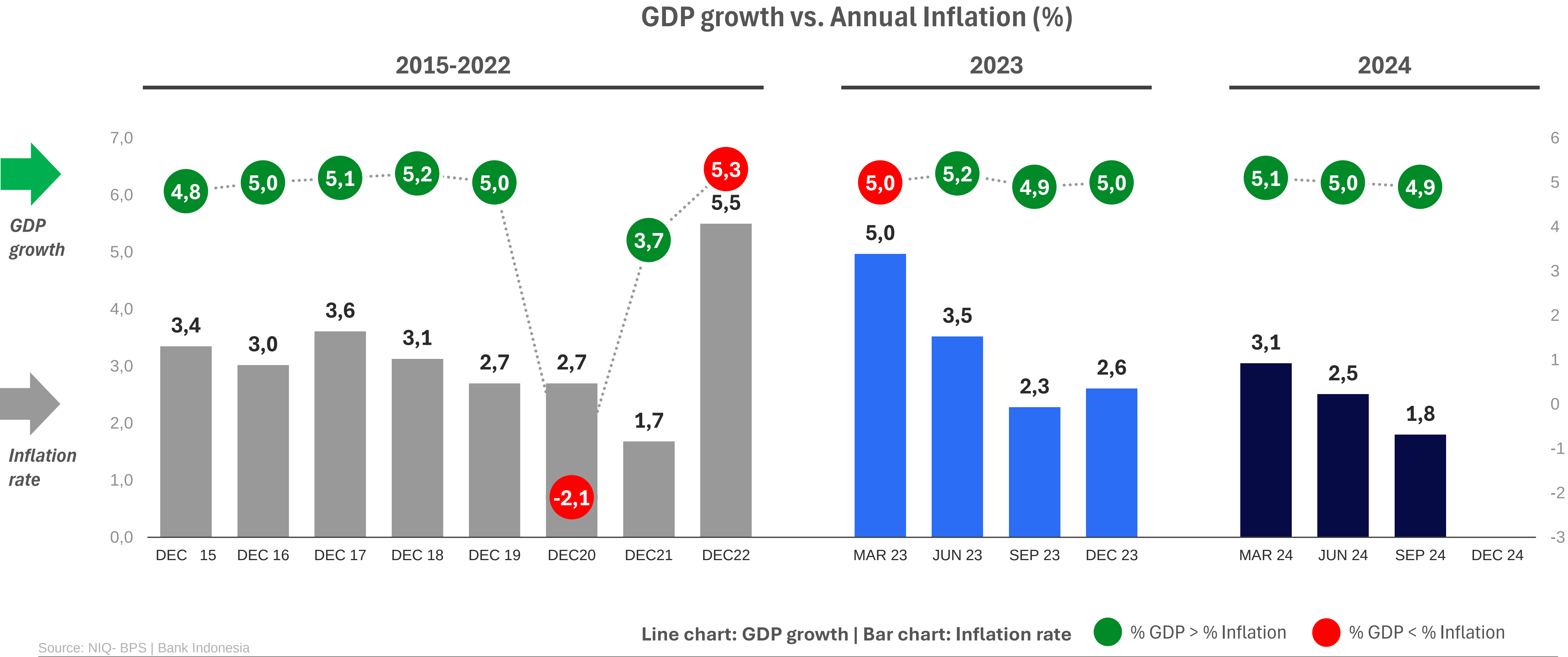
*CPI index to Dec 2017

Annual **inflation** by composition



GDP growth is higher than Inflation rate

This indicates economy is keep expanding, bring confidence about Indonesia economic situation



Source: NIQ- BPS | Bank Indonesia

Steady GDP growth is expected for Indonesia in 2024 and 2025, while inflation is expected to be stable at 2.6%

In overall Indonesia economic outlook is better than global economic outlook

Annual GDP growth projections

2024 vs. 2025:
% growth,
year over year

GDP

	2024 Projection	2025 Projection
Indonesia	5.1%	5.2%
Global Total	3.1%	3.2%

Inflation rate average consumer price projections

2024 vs. 2025 % change,
Annual

Inflation Rate

	2024 Projection	2025 Projection
Indonesia	2.6%	2.6%
Global Total	5.9%	4.5%

Source: NIQ - OECD Economic Outlook 115, GDP growth forecast

At glance about

Indonesia economic outlook

- As of Sep 2024, Indonesia GDP growth is 4.9% and annual inflation rate is 1.8%
- In 2025, GDP growth projected at 5.2% while inflation rate is at 2.6%.

- Higher GDP growth than the inflation rate indicates a positive/confident economic condition.

- Indonesia's GDP is dominated by HH consumption:
  - ✓ Slowdown in consumption could lead significant slowdown in economy.

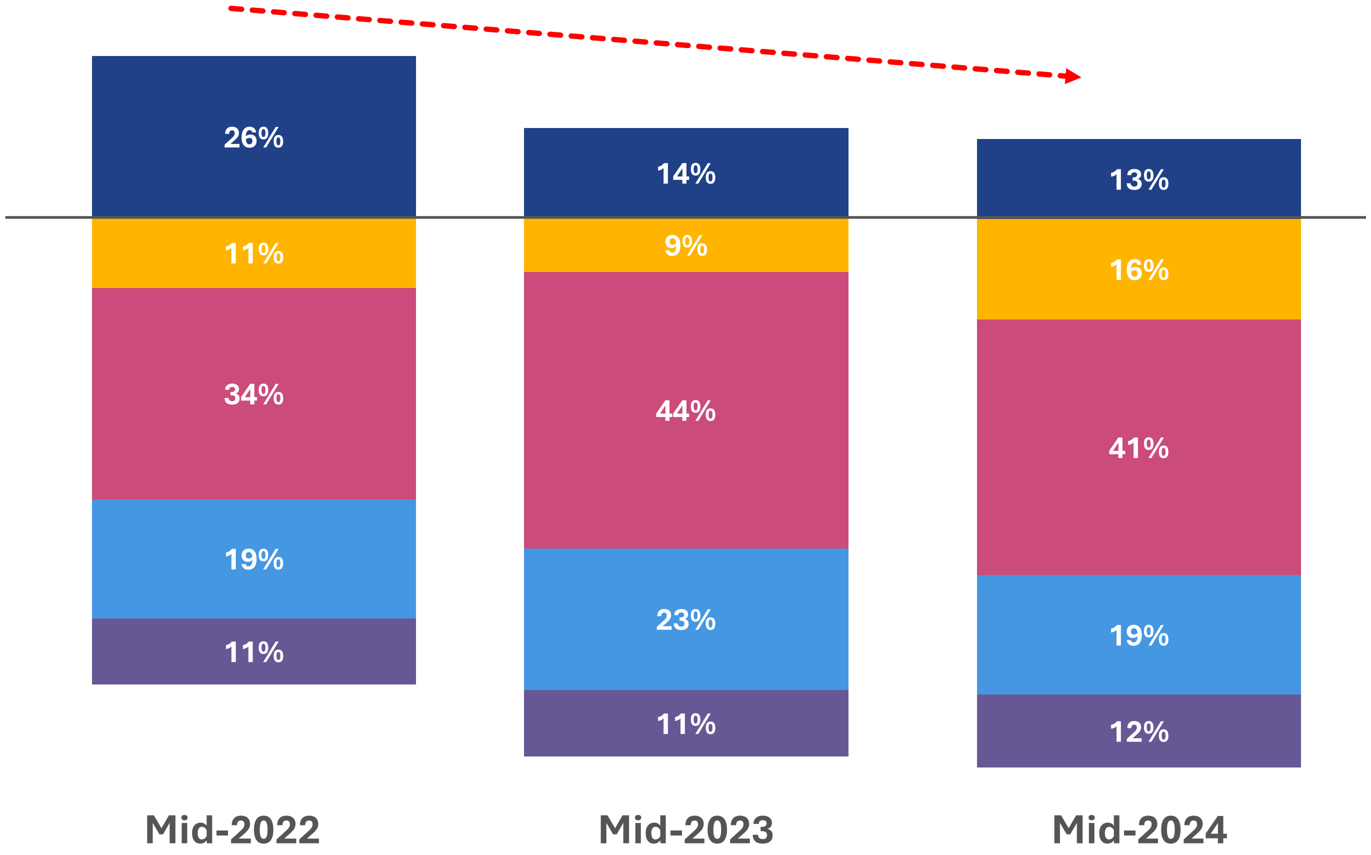
- Need to monitor deflation since May 2024
  - ✓ early warning signal for economic downtrend?

Compared to the rest of the world, more Indonesian consumers financially feel better than worse, Indonesia consumers is highly confidence

Source: NIQ 2024 Mid-Year Consumer Outlook. Data reflects net change between those who say they are "better off" financially compared to those who say they are "worse off" financially; Q. Compared to a year ago, would you say that overall, your household is better off, the same, or worse off financially? Note: In China, verbiage reflects change in "management of spending."

However, not as optimistic as before...

Those who feel more financially secure is decreasing post bounce-back in 2022 (after pandemic)



Thrivers	Saved money and feel more financially secure.
Unchanged	Not impacted and continue to spend the same.
Cautious	Not impacted financially but are cautious with spending.
Rebounders	Experienced income or job loss but now feel they are back on track.
Strugglers	Have suffered financial insecurity and continue to do so today.

Source: NIQ 2024 Mid-Year Consumer Outlook, Indonesia, vs. Mid-2022 and Mid-2023 studies, excludes China.
Q: Which of the following best describes how current events* of the last few years have impacted your overall household financial situation?
*Note: Question phrased more specifically to COVID-19 impact in June 2022.

Indonesia consumers concerns in facing 2025

Rising food prices & threat of an economic downturn continue to be top factors weighing on consumers' minds

1	**Rising food prices**	37%
2	**Economic downturn**	27%
3	**Global warming / Environment**	16%
4 ↑	Rising fuel / Transportation costs (was #8 in Jan. 2024)	14%
5 ↑	Increased utility bills (was #9 in Jan. 2024)	13%
6 ↓	Global conflict / Crisis escalation (was #5 in Jan. 2024)	12%
7 ↑	Personal Welfare / Happiness (was #11 in Jan. 2024)	12%
8 ↓	Political unrest (was #4 in Jan. 2024)	11%
9 ↓	Ability to provide basics for family (Was #7 in Jan. 2024)	11%
10 ↑	Job security (Was #13 in Jan. 2024)	9%

83%

Say they're likely to be **actively seeking** additional income streams beyond their primary job

23%

Say they're likely to **increase their personal debt level** to afford their current lifestyle

Source: NIQ 2024 Mid-Year Consumer Outlook, Indonesia, Note: In China, verbiage reflects the following: "Geopolitical uncertainty", "Economic environment"

About Indonesia consumers
state of mind

Indonesia economic outlook is confident,

the consumers although confident, but not as strong as before.

They start worrying about their financial security and overall economic situation.

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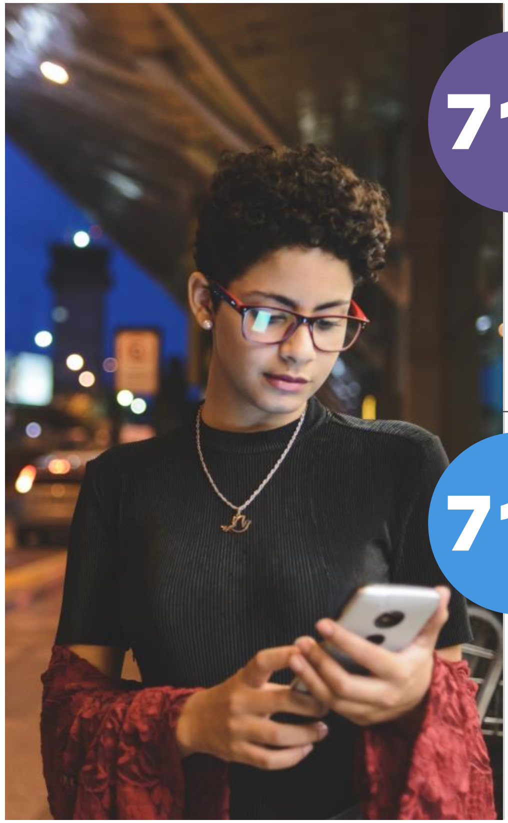
On Technology Consumer Goods, people are willing to pay more for lasting quality

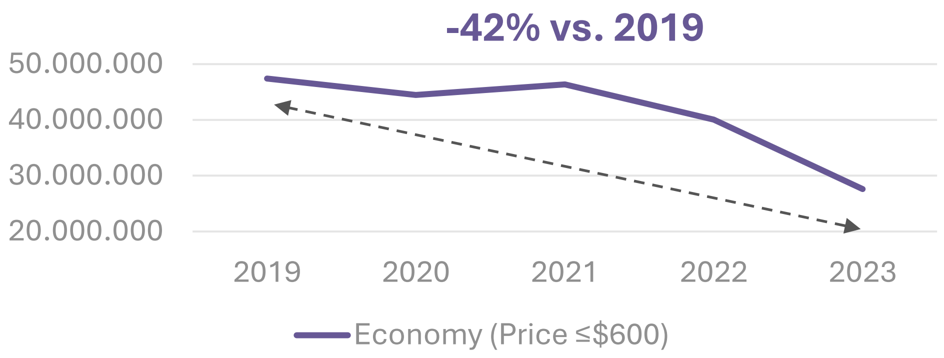
Smart / Mobile phone sales are a perfect example of how premium offerings have outgrown economy, as consumer preferences evolve toward quality purchases that will last longer.

Premium vs. Economy smart / mobile phones – units sold and % growth



71%

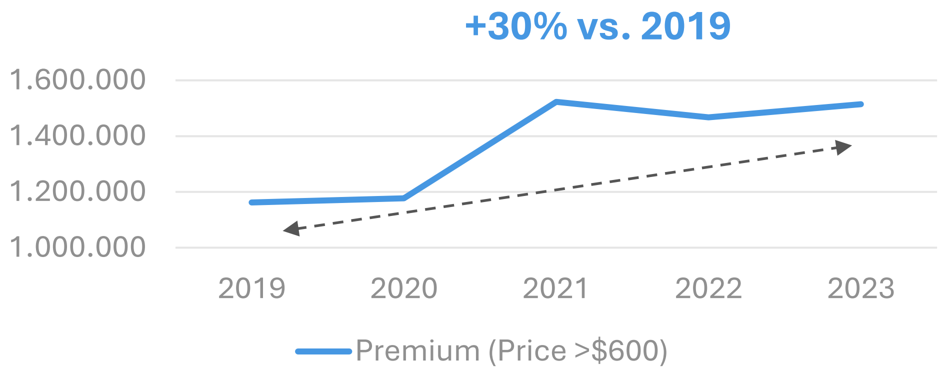
would **pay a premium for a product that will last longer** before it needs to be replaced



1H 2024	
Units	13.3 M
% Growth YoY	-6.7%

71%

of consumers are now **renewing their mobile devices after 3 years or more**



1H 2024	
Units	983.9K
% Growth YoY	+32.5%

Source: 1) NIQ 2024 Mid-Year Consumer Outlook, Indonesia, 2) NIQ GfKNewron Consumer, Mobile Phone Group survey of 15 markets, Q1 2024, 3) NIQ GfK Market Intelligence Sales Tracking, Panelmarket, Smart / Mobile Phone units sold (in millions of units) – comparing Premium offerings (Non-subsidized price of over $600) vs. Economy offerings (NSP below or equal to $600), Global coverage excluding North America

Consumers are also willing to spend more for convenience and life satisfaction

58% Say they're likely to **spend a little extra** to make **one moment or day** of the week **more special or enjoyable.**

57% Are likely to **spend more on** product **that are convenient** to use.

Source: NIQ 2024 Mid-Year Consumer Outlook, Indonesia

NIQ

At the same time, there are more choice in store...

Help consumers to get alternatives goods (substitute or complement)

Avg. SKUs visible at TT shelf	YTD 22	YTD 23	YTD 24
Breakfast cereal	2,0	2,1	2,1
Cooking milk	1,9	1,9	1,9
Cooking oil	5,3	4,2	4,2
Noodle	6,4	6,7	7,0
Liquid milk	4,4	4,6	4,7
Mineral water	3,3	3,3	3,5
Snack	11,8	12,0	13,4
Sweetened condensed milk	2,0	1,9	1,9
RTD tea	3,7	4,0	4,2
Moisturizer	2,4	2,5	2,8
Cleanser	3,9	4,1	4,0

Source: ID NIQ Retail Measurement Services via Global Strategic Planner, Total CPG / FMCG, Regional data to latest year ended P3 2024.

More options are available combined with the desire for a better experience...

Will it encourage consumer to try and become more open for new things?

In FMCG, the consumer now is willing to experiment to get more experience

Consumers are somehow encouraged to be more experimentative to adjacent categories when do shopping

More product categories being bought within a Super category (number in %)

%	Category Examples	YoY 2022	YoY 2023	YoY 2024
Cooking at Home, more than 5 product categories	Cooking oil, soy sauce, stock soup, seasoning fluor and liquid, chilli sauce, and margarine.	47.3	49.3	49.8
Snacking, more than 2 product categories bought	Chocolate, Biscuit, Softcake, Bread Spread, Cheese, Gum, Candies	48.3	50.3	50.1
Beauty Care, more than 3 product categories bought	Cologne, Moisturizer, Hand and Body, Cleanser, Shampoo, Hair Conditioning	21.6	22.6	22.8
Decorative, more than 3 product categories bought	Cosmetics, Hair Coloring, Face Powder, Foundation	16.8	17.3	19.3
Quick meal, more than 2 product categories bought	Frozen Food, Instant Noodles, Breakfast Cereal, Instant Porridge	48.2	48.8	48.6

Source : NIQ Consumer Panel Data

Experiment needs more money,

How do consumers manage their shopping budget while become experimentative?

When shopping, they sacrifice number of brands and use promotion to keep overall shopping basket at a manageable level.

Less brand to purchase while shopping...

% of HHs buy ≤ 2 brands per category	YoY 22	YoY 23	YoY 24
Cooking Oil	16,8	26,0	28,9
Cooking Milk	83,4	84,9	84,4
Sweetened condensed milk	84,0	84,7	85,2
Snack	15,4	15,8	17,7
Noodle	22,0	21,7	24,3
RTD Tea	60,5	60,4	60,9
Breakfast Cereal	91,0	90,9	91,9
Liquid Milk	42,4	42,4	41,9
Water (non galon)	70,0	70,1	68,1
Moisturizer	84,5	81,7	80,0
Cleanser	76,8	76,3	74,9

Source : NIQ Consumer Panel Data

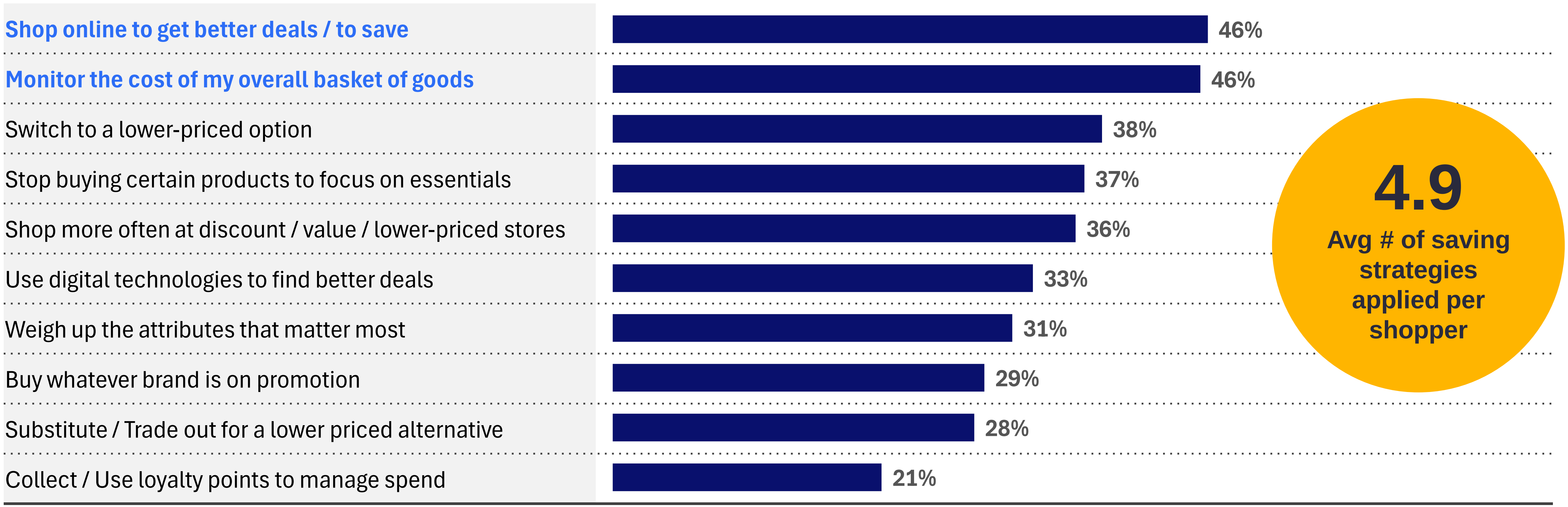
More **promotions** nowadays...

% purchase because of promotion	YoY 22	YoY 23	YoY 24
Breakfast cereal	14%	14%	20%
Cooking milk	14%	16%	18%
Cooking oil	22%	33%	39%
Noodle	9%	10%	12%
Liquid milk	14%	18%	23%
Mineral water	6%	6%	9%
Snack	14%	17%	18%
Sweetened condensed milk	15%	20%	29%
RTD tea	14%	17%	20%
Moisturizer	15%	19%	20%
Cleanser	17%	19%	22%

...and there are more saving strategies consumers use to manage the budget

Better deal, lower priced option, focus on essentials, use discount/promo to shop more are top savings strategies. Technologies (shopping online, e-comm, etc.) are also used to help consumers reach their goal.

Top 10 consumer saving strategies for FMCG



Source: NIQ 2024 Mid-Year Consumer Outlook, Indonesia

Overall Conclusion

Alert: need to anticipate the changing behaviors

- Managing "value for money" on consumer perception is a must, **balance affordability and value** in product offerings to appeal to price-sensitive consumers.
- Be prepared for **intense competition**, requiring agility in pricing, promotions, and product innovation.
- **Innovation** creates category excitement and **Differentiation** retain brand loyalty.
- **Executing smart promotional strategy to avoid wastage,** (e.g. leverage technology to reach consumers efficiently, offering discounts, personalized shopping experiences, bundle deal, etc.)
- Provide premium and **convenience-focused products** to capture consumers that are willing to pay more for convenience and improved life satisfaction.

Source: NIQ 2024 Mid-Year Consumer Outlook, Indonesia

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