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FOREWORD

Bismillahirrahmanirrahiim

Assalamu'alaikum Warahmatullahi Wabarakaatuh

Praise be to Allah SWT, God Almighty, for His guidance and mercy in the completion of the Indonesian Halal Market Report as part of Bank Indonesia's contribution in encouraging the development of the national Islamic economy and finance. May prayers and greetings always be devoted to the Prophet Mohammed SAW along with his family and companions, who struggled to deliver the sharia light that we enjoy today.

This year was marked by the global economic recovery after we struggled to face the extraordinary and unprecedented economic challenges brought by the global Covid-19 pandemic. Severe disruptions have been felt in the global supply chain as a corollary of the pandemic, forcing countries to optimize their economic potential. For Indonesia, the pandemic has re-emphasized the importance of the Islamic economy and finance as a new source of growth. Indonesia as a country with the biggest Muslim population in the world, coupled with bonus demography opens up opportunity halal industry players to drive production growth and become key players in the global halal industry. With this promising potential, the development of the halal industry in Indonesia is very important to support inclusive and sustainable economic growth.

Recognizing this urgency, Bank Indonesia has committed to developing the national Islamic economy and finance by synergizing with the authorities in the KNEKS forum and other relevant authorities. The policy of developing Islamic economics and finance is one of the supporting policies in Bank Indonesia's policy mix in achieving macroeconomic stability. The sharia economic development strategy is carried out with a halal value chain ecosystem development approach, which includes strengthening in various ecosystem components, including the halal industry.

With our committed efforts and the aspirations of achieving global center excellence of Islamic economy and finance, we present Indonesia Halal Markets Report 2021/2022 as part of the preparation of the forthcoming Sharia Economy and Finance Report 2021. This report, which was prepared in collaboration with the Dinar Standard and the IHLC, showcases the potential and opportunities for trade and investment in the Indonesian halal industry. We hope that this report could serve as a reference for Indonesian halal players and foreign investor alike in formulating their development strategies.

In closing, may Allah SWT always bless and guide us to accelerate the development of the post-pandemic country towards the vision of Indonesia Maju (Advanced Indonesia). Aamiin YRA.

Wassalamu'alaikum Warahmatullahi Wabarakaatuh

Jakarta, 27th October 2021

Bank Indonesia,

M. Anwar Bashori Head of Sharia Islamic Economic and Finance Department

Bismillahirohmanirrohim

Assalamualaikum Warohmatullahi Wabarokatuh

The halal economy has been envisioned to be an important engine of Indonesia's economic growth and realizing its vision of Indonesia Maju (Advanced Indonesia). Towards this vision, the President and Vice President of Republic Indonesia strongly support with policies to brought Indonesia ready for becoming the global hub for Islamic Economy in 2024. Indonesia Halal Lifestyle (IHLC) together with the DinarStandard (bringing its global halal economy expertise) are humbled to present the Indonesia Halal Markets Report 2021/2022 delivering actionable insights on Indonesia's halal economy trade and investment opportunities for national and global corporates and investors.

We are inspired to see Indonesia's young entrepreneurs, its industry leaders and government leadership aligned towards realizing the potential of this opportunity. While we share facts, figures and practical strategies in this report, it is the underlying values of syariah economics of equitable financing anchoring a halal (lawful) and tayyib (wholesome, sustainable) products and services consumption that is the real socio-economic trend we are all excited to be a part of.

As this report shows, Indonesia has the potential to realize tremendous economic value, given its stature as the largest halal economy consumption market with a competitive production base. At the same time, it can also serve as a role model economy for the rest of the world through its socially responsible syariah economic policies and by positioning its halal brands as global champions.

We thank Bank Indonesia for the strong commitment to publish this report and the various industry stakeholders that shared their expertise.

Wassalamualaikum Warohmatullahi Wabarokatuh

Wallahu Muwafiq Ila Aqwaamithoriq

Sapta Nirwandar Chairman Indonesia Halal Lifestyle Center Rafiuddin Shikoh Managing Partner DinarStandard



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EXECUTIVE SUMMARY

In the pursuit of Indonesia Maju (Advanced Indonesia) 2045, the shariah economy and finance (herein referred to as 'halal economy') have been identified as key contributors given the vast global opportunity of \$1.9 trillion (2020 est.) and domestic opportunity of \$184 billion in the related consumer spending market that has yet to be fully tapped.

Since the launch of the shariah economy and finance blueprint by Bank Indonesia and the subsequent Indonesia Islamic Economic Masterplan 2019-2024 by KNEKS, Indonesia has seen a rapid rise in its ranking in DinarStandard's Global Islamic Economy Indicator, rising from the 10th position in 2018 to 4th in 2020. Indonesia continues to move up the halal food indicator ranking, placing 2nd this year, and ranks among the top 10 in other halal economy sectors (except media).

Indonesia is home to the world's largest domestic halal economy market, driven by the largest global Muslim population of 229.6 million in 2020. This population's domestic spending across halal economy products and services stood at \$184 billion in 2020 and is projected to increase by 14.96% CAGR to reach \$281.6 billion by 2025. The share of the Shariah economy in the national economy has expanded over the past 5 consecutive years. The Shariah economy remained more unscathed by the effects of the COVID-19 pandemic than the national economy, with a contraction of -1.70% (YoY) compared with -2.07% (YoY) for the national economy (Source: Sharia Economy and Finance Report 2020, Bank Indonesia).

The COVID-19 pandemic led to the first negative growth in GDP that Indonesia has experienced since 1998. To decrease the spread of the virus, the government introduced large-scale social restrictions (PSBB) and restrictions on community activities (PPKM). These had significant impacts on the lives of citizens and, in turn, the economy at large. Consumer spending habits were also altered, with many households experiencing a decrease in income. Many consumers also turned to e-commerce platforms and other digital avenues for shopping.

Overall, this report estimates Indonesia's halal economy opportunity to further boost its GDP by \$5.1 billion a year through incremental exports and FDI and import substitution opportunity. The report presents key sectors and markets and overall strategic areas based on a National Halal Economy Strategy framework to expand trade and investment opportunities.



Photo: Shutterstock.com

The substantial global opportunity that is awaiting Indonesia's leadership:

The global opportunity: The global halal economy spans Muslim consumer spending across lifestyle categories most impacted by their faith-based values, from food and clothing to travel, pharma and cosmetics, and totaled \$1.9 trillion in 2020, according to the State of the Global Islamic Economy Report produced in 2021 by DinarStandard. This is in addition to the \$3.4 trillion in global Islamic finance assets. The cross-sector halal economy opportunity is a lucrative, high-growth opportunity addressed increasingly by multinationals, governments, startups and investors.

Indonesia's tremendous potential in the domestic halal economy:

Consumer opportunity: Indonesia is home to the world's largest Muslim population. Indonesia's Muslim consumers are some of the most adherent to their Islamic faith in the world, with 98% of surveyed Muslims considering religion very important. The country's Muslims are predominantly young, digitally native, and fiercely loyal to domestic brands, although they are also price-sensitive, creating substantial opportunities for new market entrants to reap significant rewards.

Business success stories: The size, structure and values-based preferences of Indonesia's Muslims have given rise to scaled local champions who have generated at least \$500 million in revenues annually across the food, pharma and cosmetics industries. These include Indofood, Mayora, GarudaFood, and Kimia Farma, as well as attracting leading multinationals in setting up local ventures, including Unilever and L'Oréal.

Relatively low imports, but room for improvement: The country has also achieved an important measure of success in self-reliance compared to many of its peers in the 57-member Organization of Islamic Cooperation ("OIC"). Indonesia is a net exporter for most categories in the halal economy, except for cosmetics and pharmaceuticals. There is substantial room for Indonesia to reduce its reliance on imports in key categories such as sugar and sugar confectionery, animal fodder and cosmetic and pharmaceutical raw ingredients, which would, in turn, provide an incremental boost to domestic production and a \$1 billion addition to GDP.

The under-addressed export opportunity:

Current capture: Trade is inherent to the halal economy, with \$200 billion in halal products (requiring some degree of compliance) imported across the OIC in 2020.

Indonesia is among the top global suppliers of halal and related products (food, fashion, pharmaceutical and cosmetics) to the OIC countries in 2020 and can capture a much larger proportion of this trade opportunity. Indonesia is the ninth-largest exporter to the OIC, exporting \$8.6 billion in halal products (including those halal by nature such as vegetables), far less than the leading exporter, China, which exported over \$25 billion in 2020, but larger than Malaysian exports. Indonesia's food industry has no representation in the Global Corporate 2000 list; but its local champions have the potential to expand global reach.

Halal economy-specific FDI can be improved. In 2019, Indonesia was the highest-ranked OIC country in terms of FDI, 81% higher than the UAE (at \$13.8 billion) and 175% more than Malaysia (at \$9.1 billion). Indonesia received 43% of global investments in the halal economy. This equates to \$5.01 billion out of a total of \$11.78 billion. By capturing a further 10% of halal economy investments, Indonesia can increase GDP by \$0.5 billion.

Potential: Indonesia can boost halal economy exports by \$3.6 billion a year to OIC and non-OIC markets with sizeable Muslim populations through focusing on producing processed food products, notably meat-based products, animal feed, and women's clothing, as well as pharmaceuticals and cosmetics.

The strategic path forward:

Shortcomings: Closer cooperation is needed between halal certification institutions, producers, scholars, researchers, and the government to efficiently meet consumer demands and create regulations that would attract investment and position Indonesia as a leader in the halal economy. There are a limited number of scaled market players which could participate globally, with a notable gap in the R&D space and the manufacturing of halal-suitable ingredients.

Strategy: In this report, we recommend 17 comprehensive strategic priorities for Indonesia to cement its leadership potential in the global halal industry, based on DinarStandard's *National Halal Economy Development framework*. Some key strategic priorities covered in this report include:

- Becoming a top halal exporter through targeting high-value OIC and non-OIC countries with large Muslim populations and prioritized halal product segments.
- Facilitating trade promotion and international exposure for local companies while also helping them leverage market intelligence.
- Implementing the necessary legislation to facilitate exports, attract investment to halal sectors and develop halal industrial hubs.
- Increasing production competitiveness through adopting high-tech for the production and sourcing of cheaper raw materials of higher quality.
- Streamlining Islamic finance regulations to enable effective convergence with halal economy development.



Photo: Shutterstock.com

AT \$184 BILLION CONSUMER SPEND IN 2020, INDONESIA REPRESENTS THE LARGEST HALAL CONSUMER MARKET IN THE WORLD

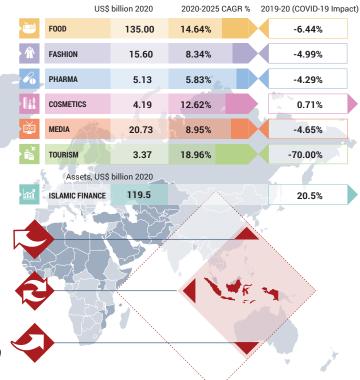
3 AREAS OF OPPORTUNITY WITHIN

- 1. EXPORT GROWTH
- 2. IMPORT SUBSTITUTION
- 3. FDI GROWTH

1.	
Existing \$8 bi	illion exports of halal
products* by	Indonesia (2020 est.)

2. Existing \$10 billion imports of halal products* by Indonesia (2020 est.)

3. Existing \$5 billion investments in halal economy sectors* in Indonesia (2020 est.)



*Halal products include food, fashion, pharma and cosmetics products requiring some level of halal compliance. Halal economy sectors include halal product sectors plus travel, media and finance sectors.

INDONESIA'S SELECT CORE COMPETENCIES TO LEVERAGE AND CHALLENGES TO OVERCOME TO MEET GROWTH OPPORTUNITIES

CORE COMPETENCIES

CHALLENGE



LARGEST HALAL CONSUMER MARKET IN THE WORLD

11.34% of global halal economy spend



BEHIND ON EXPORT

of halal products exports to OIC (9th largest)



DOMESTIC CHAMPIONS HAVE POTENTIAL TO BECOME GLOBAL PLAYER







<u>Indofood</u>

TEMPÖ SCAN





kımıa farma





Saudi Arabia and UAE lead ranking with halal economy players



LEADING ISLAMIC FINANCE PLAYER

\$2.9 BILLION

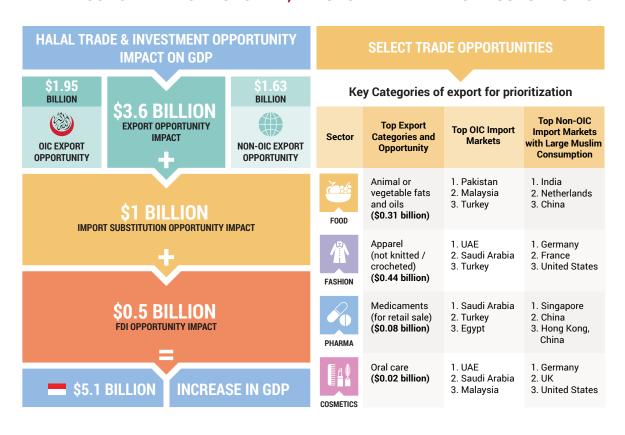
fintech market size and largest sovereign sukuk issuer



LIMITED ISLAMIC FINANCE CONVERGENCE WITH HALAL ECONOMY SECTORS

Including gaps in Islamic finance experts and penetration

INDONESIA HAS THE POTENTIAL TO ADD \$5.1 BILLION TO ITS GDP THROUGH HALAL ECONOMY EXPORT GROWTH. FDI GROWTH AND IMPORT SUBSTITUTION



DEVISING INDONESIA'S HALAL ECONOMY STRATEGIES AND KEY TRADING PRODUCTS AND PARTNERS

NATIONAL HALAL ECONOMY FRAMEWORK



ESTABLISHING THE HALAL ECONOMY AS AN ENGINE OF INDONESIA'S MACROECONOMIC GROWTH AND LEADING INFLUENCE ACROSS THE MUSLIM WORLD

GOAL 1 GOAL 2 **BOOST GDP BY \$5.1 BILLION THROUGH INCREMENTAL DEVELOP ENABLING PILLARS THAT WILL HELP THE FULL EXPORTS, FDI AND IMPORT SUBSTITUTION ECONOMIC POTENTIAL OF THE HALAL ECONOMY MATERIALIZE STRATEGIC** STRATEGIC **STRATEGIC STRATEGIC** STRATEGIC **PRIORITIES PRIORITIES PRIORITIES PRIORITIES PRIORITIES** Target export markets; Trade promotion through Ease regulations; Investment in Streamline Islamic Value-added product events: high-tech and up-Trade agreements: finance rules: Invest in infrastructure; development; Dedicated halal fund; stream industry; Fintech for individual's Global networking through Market intelligence; Halal industrial hubs Strengthening halal investment; embassies Attract international investors supplier base Triple-helix model for Promote halal lifestyle talent pool **STAKEHOLDERS STAKEHOLDERS STAKEHOLDERS STAKEHOLDERS STAKEHOLDERS** Government; Government; Government; Government; Government; Industry Associations; Large & Medium Corporates; Large & Medium Corporates; Investors Industry Associations; Industry Associations; Large & Medium Large & Medium Industry Associations Investors Corporates; Corporates; Investors Investors

THE GLOBAL HALAL MARKET TRADE & INVESTMENT OPPORTUNITY

In 2020, Muslims made up 25% of the global population and accounted for \$1.9 trillion in consumer spend. Muslims have unique, faith-based requirements across many product categories, most notably food as well as clothing, pharmaceuticals, cosmetics, travel and media and recreation. Halal trade is truly a global value chain with major participants worldwide, with exports of halal goods worth \$200 billion. Investments have also been directed into the halal economy, with \$11.8 billion invested into the halal economy sectors in 2019/20.

4.1. THE GLOBAL HALAL ECONOMY OPPORTUNITY

Defining the Global Halal Economy

The Muslim Consumer:

Muslims represent the world's largest faith-based consumer base. Muslims represented 1.9 billion people or 25% of the global population in 2020 and are projected to reach 2 billion by 2030. Consumers are tied together by their core Islamic values, which dictate their way of life and translate into their purchasing behavior. Around 70-90% of Muslims in the Asia-Pacific and MENA regions, for instance, rate religion as "very important." 1



Photo: Shutterstock.com

Islamic values impacting the global economic sectors



FOR MANY... ISLAM: "WAY OF LIFE"

God consciousness
Family values
Modesty
Dietary law/healthy
Just & equitable financing
Education
Spirituality
Socal responsibility



... TOUCHES MANY SECTORS

Food and food services
House financing
Recreation
Clothing
Service
Education
Service/Charity
Personal care
B2B infrastructure



... VALUES WITH UNIVERSAL APPEAL

Just & equitable business Zakat - charity Family values Fasting/Self-control Wholesome food Education

Defining Halal:

The word 'halal' originates from Arabic and means allowed or permissible in Islamic law, the opposite of which is 'haram.' These laws are derived from two sources: the Qu'ran, Muslims' central religious text, and the Sunnah, which is a record of the traditions or sayings of the Prophet Mohammed (peace be upon him).

While references typically relate to food and drink, halal directly impacts any product consumed or applied, such as cosmetics and pharmaceuticals. It's also important to note that Islamic values also extend beyond halal. There is also an increasingly important emphasis on Tayyib, which means pure or wholesome, and applies to broader ethical considerations across all of the core halal economy sectors, from organic food to ethically sourced and manufactured products.

Select Qur'anic verses with regards to halal consumption are as follows:

"He (God) has only forbidden to you dead animals, blood, the flesh of swine, and that which has been dedicated to other than Allah. But whoever is forced [by necessity], neither desiring [it] nor transgressing [its limit]—then indeed, Allah is Forgiving and Merciful." Al-Quran 16:115

"O mankind, eat from whatever is on earth [that is] lawful and pure and do not follow the footsteps of Satan. Indeed, he is to you a clear enemy." Al-Quran 12:168

Defining the Global Halal Economy:

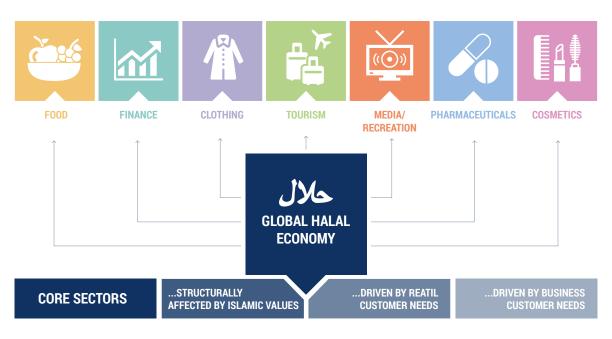
The State of the Global Islamic Economy Report (produced by DinarStandard) defines the halal economy as: "The halal economy comprises sectors of which core products and services are structurally affected by Islamic law, values-driven consumer lifestyle and business practices." The halal economy is also commonly referred to as the Islamic economy or economy.

Included within the core halal economy opportunity, which is the focus of this report, is halal food, Islamic finance, halal pharmaceuticals, halal cosmetics, modest fashion, Muslim-friendly travel, and Islamic-themed media and recreation. While each sector is ordinarily distinct, common faith-based values bring them together as an intrinsic whole, serving the same ethical consumer base, with a variation in Shariah compliance by sector.

The core principles of the halal economy ensure that financial transactions are based on real assets or projects, thus guaranteeing the halal economy plays a critical role in improving economic structure, developing the real sector, and catalyzing sustainable economic growth¹. Halal economic development supports economic empowerment through halal value chain development, including the application of diverse partnership-based business models, from MSMEs to large corporations, which will also increase economic inclusivity.

Muslim-majority countries, or the Organization of Islamic Cooperation (OIC) member countries, are defined as playing a significant role in driving the halal economy, from consumption of products to trade and investment opportunities.

Overview of core sectors:



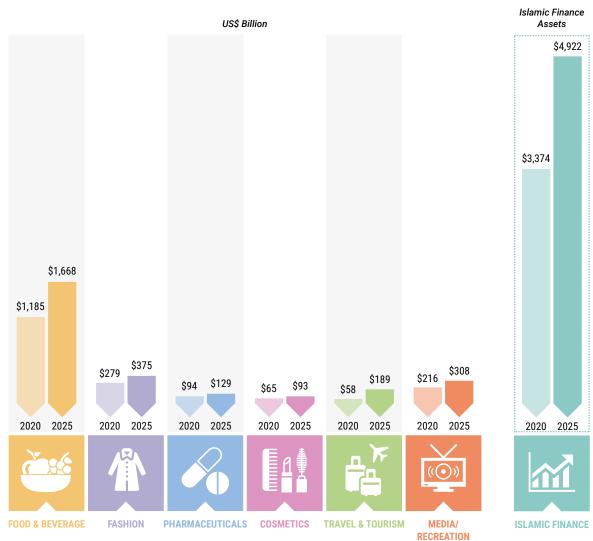
¹ Halal economy definition as per the Sharia Economy and Finance Report of Bank Indonesia.

The Global Halal Economy Market Opportunity

The halal economy is a multi-trillion-dollar opportunity that captures the core of faith-based Muslim spend. The global halal economy represents the global spending power of Muslims across core lifestyle products and services that are most structurally impacted by Islamic values. The halal economy sectors covered in this report are halal food and beverage, halal pharmaceuticals, halal cosmetics, modest fashion, and services such as Muslim-friendly travel, Islamic-themed media and recreation, and Islamic finance.

Across the core halal economy sectors, Muslims spent an aggregate of \$1.9 trillion in 2020 on lifestyle products (food, fashion, travel, media/recreation, pharmaceuticals/cosmetics), which was a decline of 6% from \$2 trillion in the pre-COVID-19 year (2019). However, Muslim spending in these sectors is expected to regain momentum and grow by 7.81% CAGR reaching US\$2.76 trillion in 2025. Islamic finance assets, currently at \$3 trillion in 2020, are also expected to rise steadily over the next 5 years with a CAGR of 7.9%, reaching \$4.9 trillion worth of assets by 2025. Many countries saw a surge in Islamic finance assets during the COVID-19 year, such as Indonesia, where Islamic finance banking assets grew by 10.97% in 2020, higher than the 7.7% registered by the conventional banks.²

Global Muslim Consumer Spend on Key Halal Economy Sectors



Source: DinarStandard, State of the Global Islamic Economy Report 2020/21

By Sector Opportunity:



FOOD & BEVERAGE

MUSLIM SPEND PARAMETERS					
Market opportunity 2020 (US\$ Billion) 2025 (US		2025 (US\$ Billion)	2019-20 (COVID-19 Impact)	5 Years CAGR% (2020-25)	
Global	\$1,185	\$1,668	1.54%	7.08%	
Indonesia	\$135	\$204	-6.44%	14.64%	

Food and beverage represent the largest sector by spend in the halal economy, with Indonesia, Bangladesh and Egypt the top countries for Muslim spend, which includes, but is not limited to, halal food. Global Muslim spend on food and beverage was estimated at \$1,185 billion in 2020, representing 16% of global spend on food. Despite sizeable companies addressing the opportunity, there remains a substantially fragmented market ripe for investment and consolidation.

The regulation of halal food falls below comparable benchmarks in the food industry, with over 400 certification bodies worldwide overseeing the sector, with limited oversight or mutual recognition.

Core overview

INDONESIA HALAL FOOD MARKET OVERVIEW:

The products with the highest demand in Indonesia include packaged food, fruits, vegetables, seafood, health food, cooking oil, gourmet food, tea, and coffee.³ Due to the Halal Law, all products traded, distributed, and imported to Indonesia must obtain halal certification. This is advantageous as it makes their products more desirable to exporters seeking halal food.

Halal food is by far the largest segment of the Islamic economy in Indonesia. With a decrease in income for many and the strict movement restriction orders, Muslim spend on food in Indonesia decreased by 6.44%, while globally, Muslim spend on food increased by 1.54% compared to the previous year. Spend levels in Indonesia are set to return to pre-COVID 19 levels by 2021.

Landscape	Select key producers	Select key brands	Select key retailers
(1) Select Global players	BRF (Brazil, Meat)Danone (France, Dairy)PT Sreeya Sewu (Indonesia, Poultry)	Nestle (Switzerland) Al Islami (United Arab Emirates) Saffron Road (USA, Halal/Organic)	Carrefour (France, Grocery) Lulu (United Arab Emirates, Grocery)
	Top 5 Food and Beverage Muslin 2020 (US\$ Billion)	n Consumer Spend Markets,	Global Islamic Economy Indicator (GIEI) Ranking 2021
			HALAL FOOD
	135		1 Malaysia
	1131	11	2 Indonesia 3 Turkey
Key countries			4 Russia 5 United Arab Emirates
		83 81	5 Officed Arab Effiliates
	Indonesia Bangladesh E	gypt Pakistan Nigeria	



FASHION

MUSLIM SPEND PARAMETERS					
Market opportunity 2020 (US\$ Billion)		2025 (US\$ Billion)	2019-20 (COVID-19 Impact)	5 Years CAGR% (2020-25)	
Global	\$279	\$375	0.72%	6.09%	
Indonesia	\$15.6	\$23.28	-4.99%	8.34%	

Fashion represents the second-largest sector by spend in the halal economy, with Iran, Turkey and Pakistan the top countries for Muslim spend, which includes, but is not limited to, modest fashion. Global Muslim spend on fashion was estimated at \$279 billion in 2020, representing 14% of global spend on fashion. Modest fashion investments are expected to remain low until the economy recovers. However, the sector is ripe for consolidation among producers and retailers.

INDONESIA MODEST FASHION MARKET OVERVIEW:

Core overview

The modest fashion industry in Indonesia has seen tremendous growth in the past 10 years with the inception of brands like Dian Pelangi and Ria Miranda, which helped shift customer perceptions of modest wear in a fashion context. The industry has a lot of potential for expanding internationally, especially into other Southeast Asian markets which have similar modest clothing preferences. The industry is dominated by businesses categorized as small to medium enterprises.

The movement restrictions and income decrease caused spending in Indonesia's modest fashion segment to drop by 4.99%. Working from home and people having fewer social gatherings also caused a significant decrease in demand for clothing. However, most fashion businesses were quick to pivot and fulfill the demand for face masks, PPE and more comfortable home wear. Spend levels in Indonesia are set to return to pre-COVID-19 levels by 2021.

	Select key producers Select	et key brands	
Select key players	• LC Waikiki (France) • Uniqlo (Japan) • H&M (Sweden)	Modanisa (Turkey) Hijup (Indonesia)	
	Top 5 Fashion Muslim Consumer Spend Markets (Apparel & Footwear), 2020 (US\$ Billion)	Global Islamic Economy Indicator (GIEI) Ranking 2021	
Key countries		MODEST FASHION 1 United Arab Emirates 2 Turkey 3 Indonesia 4 China 5 Spain	



PHARMACEUTICAL AND COSMETICS

MUSLIM SPEND PARAMETERS ⁴					
Market opportunity	Sector	2020 (US\$ Billion)	2025 (US\$ Billion)	2019-20 (COVID-19 Impact)	5 Years CAGR% (2020-25)
Global	Pharmaceutical	\$94	\$129	-0.30%	6.64%
GIUDAI	Cosmetics	\$65	\$93	-1.52%	7.43%
Indonesia	Pharmaceutical	\$5.13	\$6.81	-4.29%	5.83%
illuollesia	Cosmetics	\$4.19	\$7.59	0.71%	12.62%

Muslim spend on pharmaceutical products, due to an obvious emergence of health care, saw a relatively smaller drop of 0.3% in 2020, while spend on cosmetics went down by 1.52%.

Muslim demand for halal products is moving beyond food to encompass nutritional supplements, medicinal ingredients, and cosmetics products. Halal cosmetics sales have grown in East Asia at a faster pace than any other market, driven by Indonesian brands, small and large-sized. While South Korean K-beauty brands have also started getting halal certification.

Core overview

Pharmaceuticals and cosmetics together are increasingly falling under the scope of halal certification bodies, as Muslim consumers push for halal alternatives to gelatin and other meat-based ingredients across a range of product categories, going beyond food. An increasing number of companies are addressing increasing Muslim consumer adherence. For instance, Malaysia's Duopharma Biotech and South Korea's PanGen Biotech are investing in the world's first halal biosimilar to treat anemia. While Indonesia's Paragon is expanding cosmetic ranges beyond women to include men.

INDONESIA HALAL PHARMACEUTICAL & COSMETICS MARKET OVERVIEW:

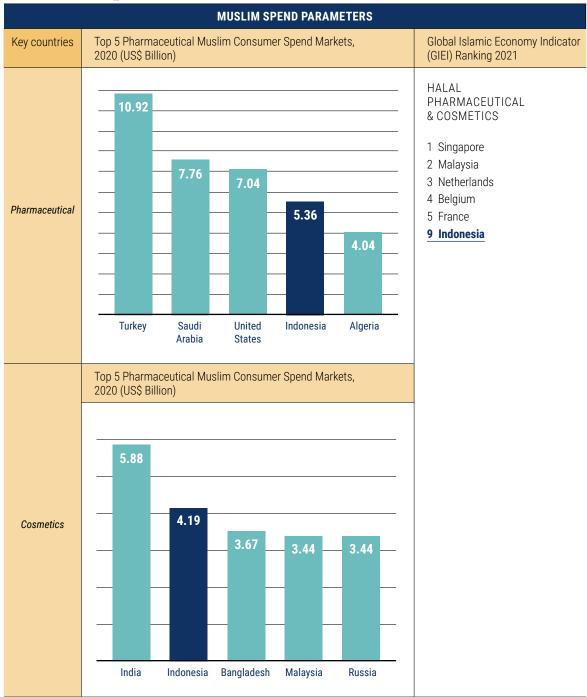
Consumers tended to purchase items categorized as necessities, thus making cosmetics more of a luxury purchase during this time. Globally, Muslim spend on cosmetics also decreased while spend on pharmaceuticals fell by 0.3%. Cosmetics spend levels in Indonesia are set to return to pre-COVID 19 levels by 2022, while pharmaceutical spend will reach pre-pandemic levels by 2021.

	Ingredients	Pharmaceutical products	Cosmetics
Landscape Select key players	BASF (Germany) DSM (Switzerland) Symrise (Germany)	Noor Vitamins (USA) CCM Berhad (Malaysia) Kalbe Farma (Indonesia)	Wardah (Paragon) (Indonesia) Pure Halal Beauty (United Kingdom) One Pure (United Arab Emirates)



PHARMACEUTICAL AND COSMETICS







💤 TRAVEL & TOURISM

MUSLIM SPEND PARAMETERS					
Market opportunity 2020 (US\$ Billion) 2025 (US\$ Billion) 2019-20 (COVID-19 Impact) 5 Years CAGR% (2020-25)					
Global	\$58	\$189	-70%	26.65%	
Indonesia	nesia \$3.37 \$8.03 -70%			18.96%	
	Travel and tourism were largely hit sectors in the global economy. Its effects were also shared by the hal-				

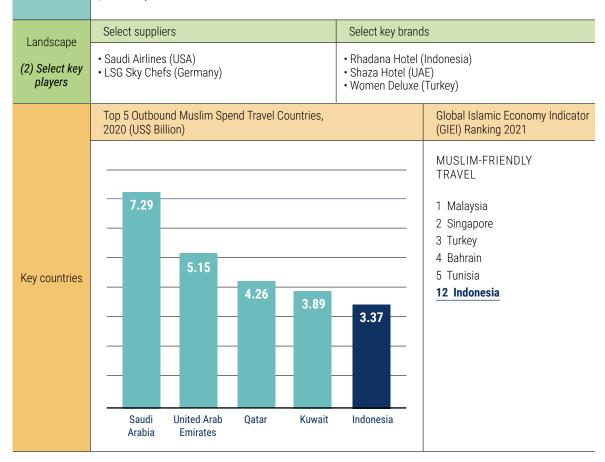
Core overview

economy, where Muslim spend on travel fell by almost 70% to \$58 billion in 2020. If accounting for Hajj and Umrah travel restrictions, this number may reduce further. With lockdowns and travel restrictions easing, the travel and tourism sector is gaining momentum, with increasing investment interests from investors. Most governments globally and in the OIC provided various forms of stimulus packages to the tourism industry.

Total investment deals recorded in 2019/20 in the Islamic economy were \$340 million (a drop of 40% from the previous year), but this is expected to rebound.

INDONESIA HALAL TRAVEL & TOURISM MARKET OVERVIEW:

In 2019, the travel and tourism industry in Indonesia contributed 6.1% to the country's GDP.5 The travel industry was, by far, one of the worst affected by the COVID-19 pandemic. In March 2020, restrictions on all foreigners entering Indonesia were put in place. Recovery is expected to happen gradually as restrictions ease, particularly for domestic tourism.





MEDIA & RECREATION

	MUSLIM SPEND PARAMETERS				
Market opportunity	2020 (US\$ Billion)	2025 (US\$ Billion)	2019-20 (COVID-19 Ir	npact) 5 Years CAGR% (2020-25)	
Global	\$216	\$308	-2.75%	7.35%	
Indonesia	\$20.73	\$31.82	-4.65%	8.95%	
Core overview	Media and recreation represent the third largest area of spend among Muslim consumers. Although has fallen by 8.8% since pre-COVID-19, the media sector globally was less affected by the pander a rise in internet usage, driven by work from home and online education. INDONESIA HALAL MEDIA & RECREATION MARKET OVERVIEW: Indonesian consumer spend in media and recreation dropped by 4.65% in 2020, compare consumer spend which fell by 2.75%. Spend levels in Indonesia are set to return to pre-COVI by 2021.				
	Production		Distribution		
(3) Select key players	5 Pillar Games (Saudi Marvel (USA, Print) Barjoun Entertainment Digital Durian (Malays)	TV) pia, TV) TV) SA, Online)			
	Top 5 Media & Recreat 2020 (US\$ Billion)	ion Muslim Consumer Sp	end Markets,	Global Islamic Economy Indicator (GIEI) Ranking 2021	
Key countries	25.49 20.9 Turkey Indone	11.2	di Pakistan	MEDIA & RECREATION 1 Malaysia 2 Singapore 3 United Arab Emirates 4 China 5 Turkey 29 Indonesia	



ISLAMIC FINANCE

ISLAMIC FINANCE ASSETS				
Market opportunity	2020 (US\$ Billion)		2019-20 (COVID-19 Impact)	
Global	\$3,374		17.36%	
Indonesia	\$119.5		20.5%	
Core overview	Globally, Islamic finance is rebounding from the effects of the pandemic, with Islamic banks' profits recovering after 2020 drops. Many countries saw a surge in Islamic finance assets during the COV year, such as Indonesia, where Islamic finance banking assets grew by 10.97% in 2020, higher tha 7.7% registered by conventional banks. ⁶ Islamic finance is a rapidly growing industry, attracting both Muslims and a broader set of ethical fine stakeholders. Several major investments can be seen, along with an upswing in Islamic fintech. The some 241 Islamic fintechs, with a market size of around \$49 billion in 2020, which is forecast to \$128 billion by 2025 (based on transaction volumes). ⁷			finance assets during the COVID-19 by 10.97% in 2020, higher than the and a broader set of ethical finance upswing in Islamic fintech. There are
	Select key regulators	Select key ba	anks	Select key fintech services
Landscape (4) Select key players	Bank Indonesia (Indonesia) OJK (FSA, Indonesia) Bank Syariah Indonesia (Indonesia)		h Indonesia	IslamicMarkets (Capital Markets, UK) Wahed (Wealth Management, USA) PayZakat (Social Finance, Russia)
	Select Countries by Islamic Finar	nce Assets, 202	20 (US\$ Billion)	Global Islamic Economy Indicator (GIEI) Ranking 2021
Key countries	838 826 620 		144 119 Kuwait Indonesia Source: Refinitiv	1 Malaysia 2 Saudi Arabia 3 Bahrain 4 Kuwait 5 United Arab Emirates 6 Indonesia

The Global Halal Economy Trade Opportunity

Halal trade is truly a global value chain with major participants worldwide. It is driven primarily by imports for the 57 mostly Muslim-majority Organization of Islamic Cooperation (OIC) member countries. Across all halal economy sectors, food represents the largest category of OIC imports at \$200 billion (2020 est.). This is followed by modest fashion (\$27 billion imports), pharmaceuticals (\$39 billion imports), and cosmetics (\$13 billion imports).

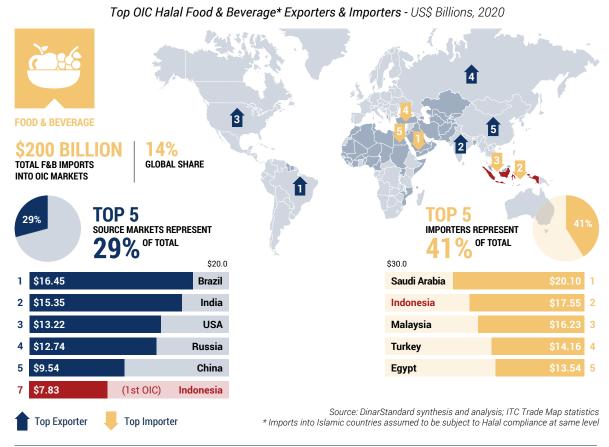
There were an estimated 1.9 billion Muslims around the globe in 2020, with Indonesia hosting the largest number of Muslims at 229.6 billion.⁸ The large, young, and affluent Muslim population represents a core driver of the demand for halal Islamic economy products and services.

Trade represents a key component of Muslim spending, with halal food and beverage products, fashion, pharmaceuticals, and cosmetics being the core sectors affected by halal requirements. The figures below show the top OIC importing markets and top supplying markets to OIC for food and beverage, fashion, pharmaceuticals, and cosmetics.

This analysis has focused on the trade flow for products, and as such, does not look at other lifestyles and services sectors (media, travel and finance).



Photo: Shutterstock.com

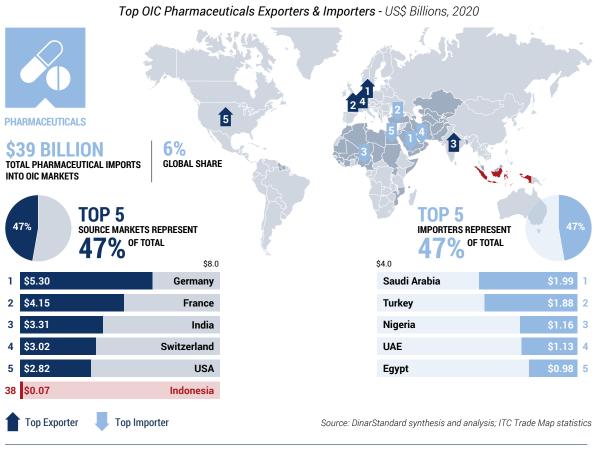


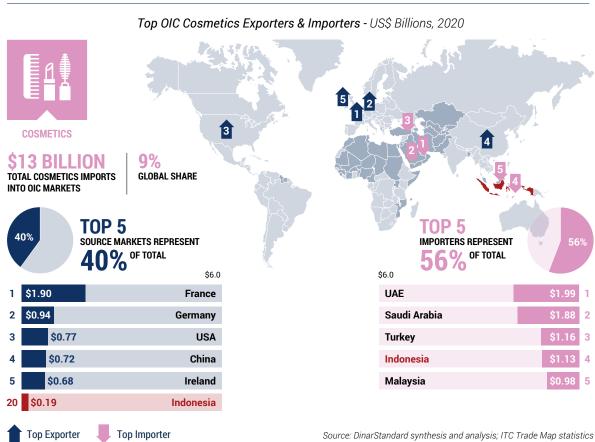
Top OIC Clothing & Accessories Exporters & Importers - US\$ Billions, 2020 **FASHION** \$27 BILLION 5.5% **TOTAL CLOTHING & ACCESSORIES** GLOBAL SHARE IMPORTS INTO OIC MARKETS **TOP 5** SOURCE MARKETS REPRESENT IMPORTERS REPRESENT 76% 6% OF TOTAL 3% OF TOTAL \$20.0 \$8.0 \$13.52 China UAE India \$3.00 Saudi Arabia \$2.17 Turkey Turkey 3 \$1.23 Italy Iraq \$1.10 **Viet Nam** Malaysia \$0.39 Indonesia

Source: DinarStandard synthesis and analysis; ITC Trade Map statistics

Top Exporter

Top Importer





The Global Halal Economy Investments Opportunity

Investments in the global halal economy fell by 13%, from \$13.6 billion in 2018/19 to \$11.8 billion in 2019/20. There are around 156 investments recorded in the halal economy that include the relevant mergers & acquisition (M&A), private equity (PE), and venture capital (VC) transactions in 2019/20. Compared to other sectors, there has been more private investment activity in halal food, totaling \$6.1 billion in 2019/20. While the pandemic deeply impacted the HORECA (Hotel, Restaurant and Catering) sector, other sectors such as ready-to-eat meals and food delivery witnessed explosive growth and will continue post-COVID-19 pandemic.⁹

Indonesia attracted the largest share of investments, 25% of all recorded transactions, showing the market is ripe for potential investments. Together, investments in the halal food and Islamic finance sectors accounted for more than 90% of total deal value.

Top 10 countries by number of investment deals in 2019/20*

COUNTRY	TOTAL DEALS IN 2019/20 (M&A/PE/VCS)
Indonesia	38
Malaysia	31
United Arab Emirates	20
Egypt	16
Kuwait	8
Nigeria	7
Saudi Arabia	6
Pakistan	5
Turkey	4
Bangladesh	2

Source: DinarStandard synthesis and analysis. Details in methodology section.



Photo: Shutterstock.com

THE GLOBAL HALAL MARKET TRADE & INVESTMENT OPPORTUNITY

Sector Opportunity: Investments Overview in 2019/20*

SECTOR	INVESTMENTS IN US\$ MILLIONS	# TOTAL DEALS	TOP 3 COUNTRIES BY NUMBER OF DEALS	SELECT GLOBAL INVESTORS (M&A/PE/VCS)
Islamic Economy Aggregate	\$11,781			
Halal Food	\$6,110	61	• Malaysia (16) • Indonesia (10) • UAE (8)	Indofood CBP SUKSES MAKMUR TBK, PT (Indonesia) Crown Flour Mills Nigeria Limited (Nigeria) Gateway Partners (Singapore)
Islamic Finance	\$4,925	38	• Indonesia (14) • UAE (7) • Kuwait (5)	Bangkok Bank Public Company Limited (SET:BBL) (Thailand) Zurich Insurance Group Ltd (Switzerland)
Media	\$121	27	• Malaysia (10) • Indonesia (6) • UAE (4)	Ogilvy Istanbul (Turkey) Utusan Melayu (Malaysia) Berhad
Travel & Tourism	\$340	14	• Indonesia (4) • Malaysia (3) • Turkey (2)	PT Indonesian Paradise Property Tbk (IDX:INPP) Goldman Sachs Funds
Halal Pharmaceuticals	\$157	9	• Egypt (4) • Indonesia (2) • Kuwait (1) • Malaysia (1) • Nigeria (1)	Mega Lifesciences Public Company Limited (SET:MEGA) (Indonesia) Egyptian International Pharmaceutical Industries Company (CASE:PHAR) (Egypt)
Modest Fashion	\$3	4	• Egypt (3) • Netherlands (1)	• Innovacia Sdn Bhd (Malaysia)
Halal Cosmetics	\$125	3	• Indonesia (2) • Turkey (1)	Daio Paper Corporation (TSE:3880)

^{*} Investments from August 1st, 2019, through July 31st, 2020. Source: DinarStandard synthesis and analysis. Details in methodology section.

4.2. DRIVERS OF THE GLOBAL HALAL ECONOMY OPPORTUNITY

As the global Muslim population grows, becomes wealthier and more demanding, the halal economy is expected to thrive, creating substantial trade and investment opportunities.

(1) The world Muslim population covers 25% of the global population

The global Muslim population was estimated at 1.9 billion in 2020, covering 25% of the global population. Muslims are growing twice as much as the non-Muslim population, and this trend will remain the same over the next decade. Muslims are projected to grow up to 2 billion in 2030. Muslims are also the youngest of all major religious groups, with young adults (ages 15-29) covering 27.3% of the Muslim population in 2020.¹⁰

(2) Muslim nations set to grow faster than the global average in next 6 years

Despite sluggish global economic growth due to the pandemic, OIC countries are projected to grow faster than the rest of the world's GDP growth. Based on the latest IMF GDP projections (April 2021), the compounded annual growth rate (CAGR) of the OIC economy is expected to hit 7% between 2020 and 2026 compared to the global average of 6.4%.

(3) Halal adherence is increasing among the Muslim population

Globally, more people favor an increased role for religion in their countries than 20 years ago. Among the highest percentages in favor of a more important role for religion were Muslim-majority countries: Indonesia (85%) and Nigeria (88%).¹¹ It's important to note that many Islamic values have a universal appeal. Thus, many products and services do not have to be exclusively positioned for Muslims.

(4) Digital connectivity and the rise of e-commerce

With social distancing measures being applied across the world, digital connectivity is playing an essential role in enabling domestic and cross-border e-commerce and m-commerce. Many of the Muslim-majority countries from the MENA and South-East Asia regions had a higher internet penetration in 2020 than the global average of 59%. Indonesia, Malaysia and Saudi Arabia are some of the OIC countries that had the highest global e-commerce and m-commerce adoption, above the worldwide average of 76.8% and 55.4%, respectively (December 2020). The changing preferences of Asia-Pacific consumers are creating opportunities for businesses that embrace an agile mindset. 13

(5) Health is becoming increasingly important among Muslims, not just taste

Many of the values underpinning the Islamic economy sectors are universal and appeal to consumers concerned about the environment. Several global studies show that consumers are increasingly demanding cruelty-free, organic, natural and vegan-certified products, having a proportionate impact on demand for halal-certified products, given the shared principles. A study by IBM shows six in 10 consumers are willing to change their shopping habits to reduce environmental impact. The demand for ethical and organic products has heightened due to the COVID-19 pandemic.

(6) Government regulations and national Islamic economy strategies

OIC governments are increasingly scrutinizing the halal integrity of products imported into the region through halal certification requirements. In many Islamic countries, designated national bodies, such as the UAE's ESMA, Saudi Arabia's SFDA, Indonesia's BPJPH, and Malaysia's JAKIM, monitor and provide accreditation to halal certification bodies. With dropping oil prices in 2020, many Muslim-majority countries are focusing on investing in the broader global Islamic economy.

THE GLOBAL HALAL MARKET TRADE & INVESTMENT OPPORTUNITY

(7) Role of Islamic finance in wealth creation

Islamic finance is a key driver of the overall ecosystem. Capital continues to flow both across and into the OIC countries, from early-stage funding to sovereign wealth levels. Merger and acquisitions, government grants, and public-private partnerships are some of the ways that helped companies in the Islamic economy strive during the pandemic. In the first half of 2021, global sukuk issuances reached a record high of \$100 billion.

(8) Participation of top global food brands

The growing Islamic economy space has attracted top global brands that are also creating innovative products and services across sectors. Multinational giants such as Nestle, Cargill, and BRF in halal food, H&M in modest fashion, and Daewoong in halal pharmaceuticals are producing halal-related products across the world.



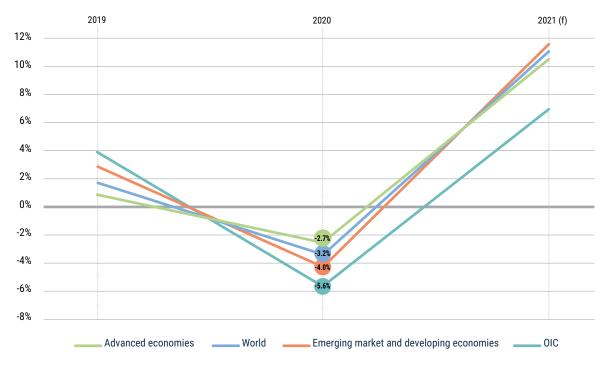
Photo: Shutterstock.com

4.3. IMPACT OF THE COVID-19 PANDEMIC ON THE GLOBAL HALAL ECONOMY

As the world faces the COVID-19 pandemic, technology has proven to be key in keeping businesses afloat by enabling remote work, agile business, and digital engagement. In the long run, organizations will leverage technology to underpin every process and value chain as they journey to the new normal.

The halal economy is a part of the wider global economy. Hence, the global impact of COVID-19 on the economy has a direct repercussion on the halal economy. This section covers the impact of COVID-19 on global and halal economy growth, consumer habits, supply chain and production, trade and FDI.

Global Islamic Economy - V-Shaped Recovery



Source: IMF, GDP current prices (April 2021)

The global economy dropped to an all-time low in decades during the COVID-19 crisis, falling by 3.2% in GDP in 2020 from last year. Around 8.8% of global working hours were lost in 2020, equivalent to 255 million full-time jobs, an amount that is four times greater than job losses during the 2009 financial crisis.¹⁴

OIC countries were the fasting growing economies pre-COVID-19, even compared to the advanced economies. Following COVID-19, OIC countries economy decreased to almost twice as low as the world's GDP and other economies, almost by 5.6%.

As restrictions ease and people adjust back to pre-COVID-19 spending habits, the year 2021 and those proceeding it bring a ray of hope for the economy. OIC countries' economies will rebound, however, at a much slower pace than the rest of the world and other emerging and advancing economies. Over the next 6 years, the OIC economy is expected to grow at a CAGR of 7% compared to the global average of 6.4%.

Consumer Spending Habits

Drastic changes in consumer shopping habits were seen during the pandemic. Fears of the virus spreading and social distancing measures meant that consumers avoided potentially crowded places. Trends like delivery and take-out meals increased, while the HORECA (Hotel/Restaurant/Café) and travel industries suffered the most. Work from home and leisure time led to increased use of the internet for gaming and video streaming.

These trends meant that e-commerce was the winner during the pandemic. With vaccinations rolling out and restrictions easing up, people are moving out for work, shopping and travel. However, e-commerce is a trend that will stay and flourish in the long run. The following figures show the e-commerce categories that were impacted due to the pandemic in 2020.

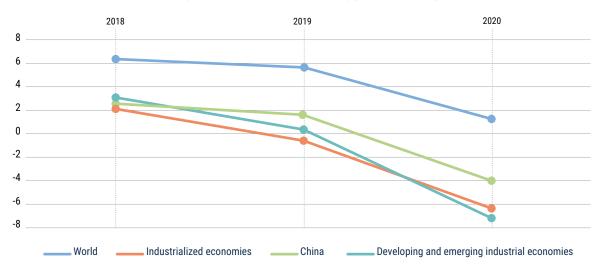
Year-on-year growth in total amount spent globally on e-commerce products

CATEGORY	YOY% (2019-2020)
Travel & accommodation	-51%
Fashion & beauty	+27%
Electronics and media (products)	+18%
Food & personal care	+41%
Toys, DIY & hobbies	+25%
Video games	+23%

Source: WeAreSocial - Digital 2021 Global Report

Supply Chain and Production

Annual growth rates in manufacturing production output

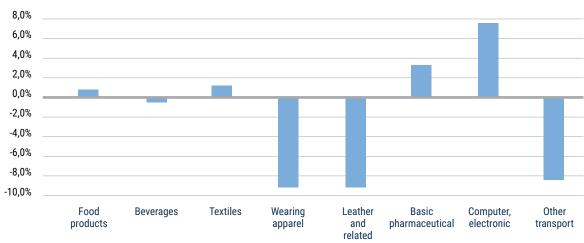


Source: UNIDO Statistics

Most OIC countries were classified as developing and emerging industrial economies by UNIDO.

The world saw a major decline in manufacturing production in 2020. The previous year had already indicated a slowdown in manufacturing growth, mainly due to the ongoing trade tensions between China and the USA. In 2020, global manufacturing production dropped by 4.1% as many countries resorted to containment strategies. The manufacturing output of developing and emerging industrial economies (excl. China) fell by 7.1% in 2020, which covers many OIC countries as well (including Indonesia). East Asia experienced a decline both pre-COVID-19 and during the pandemic: a 1.6% decline in 2019, followed by a 4.7% decline in 2020.¹⁵

Estimated growth rates of global output by select manufacturing categories, 2020



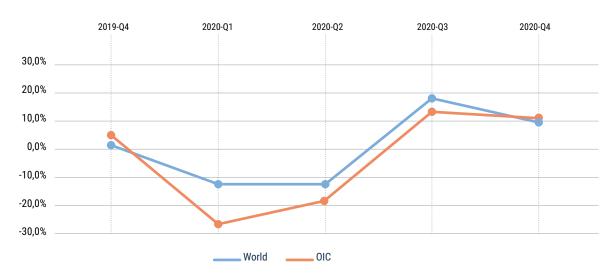
Source: UNIDO Statistics

The COVID-19 pandemic revealed vulnerabilities in the long, complicated supply chains of many companies. Disruptions triggered a sharp fall in maritime trade volumes (which carry 80% of the world's trade merchandise) across all market segments in early 2020, in particular for containerized trade, which carries intermediate and manufactured goods.¹⁶

Food, textiles, OTC pharmaceutical products and media products saw an increase in global production. However, disrupted supply chains meant a surge in raw material prices for food and garments and concerns over food availability and safety. The COVID-19 pandemic has highlighted weaknesses in supply chains and over-reliance on imports, especially for Active Pharmaceutical Ingredients (APIs) – the central ingredient in drugs. This was as the world's largest producer of APIs—China—curtailed industrial production to limit the spread of COVID-19.

Trade and FDI

Quarterly trade growth in global and OIC merchandise trade



Source: ITC Trademap, DinarStandard analysis

Prospects for a quick recovery in world trade and the OIC have improved as merchandise trade expanded more rapidly than expected in the second half of last year. According to new estimates from the WTO, the volume of world merchandise trade is expected to increase by 8.0% in 2021 after falling drastically in 2020 (released on 31st March 2021).¹⁷

Shipping and ports handle over 80% of global merchandise trade by volume and about 70% of its value. International maritime trade is estimated to have fallen by 4.1% in 2020 but will recover and rebound by 4.8% in 2021.¹⁸

Foreign direct investment (FDI) was also severely impacted by the COVID-19 pandemic. According to UNCTAD, FDI is estimated to have decreased by 40% in 2020, bringing it below \$1 trillion for the first time since 2005. The outlook remains dire, with further deterioration projected in 2021 and only beginning to recover in 2022 at the earliest. Many countries took actions to mitigate the adverse effects on FDI and shield domestic industries from foreign takeovers.¹⁹

Regional trade deals saw significant activity in 2020, including agreements among Muslim-majority countries. The adoption of various measures associated with the African Continental Free Trade Area (AfCFTA) was accelerated, including requirements for members to remove 90% of tariffs on goods and take steps to create an Africa-wide Customs union. In Asia, the Regional Comprehensive Economic Partnership (RCEP) was signed in November, with the hope that the deal would help its 15 signatories (including Indonesia) recover from the economic fallout of the pandemic by boosting regional trade.²⁰ Through bilateral trade agreements, more vaccines are being produced in OIC countries than ever before, such as in Turkey, the UAE, Egypt and Saudi Arabia.

Support Services: Tourism

All the sectors on which tourism has significant multiplier effects have been impacted, including agriculture and food services. Travel services were down 63% in 2020 and are not expected to fully recover in the short run.²¹

The pandemic has been the worst recorded year for international tourism. The decline of 74% in international tourism due to the pandemic is estimated to cause a loss of \$1.3 trillion in international tourism expenditure, about 11 times that of the 2009 global crisis. This will affect the global GDP by more than \$4 trillion in 2020 and 2021.²²

Most governments globally and in the OIC are providing various forms of stimulus packages to the tourism industry. It is estimated that COVID-19 related cleaning protocols will cost hospitality \$9 billion each year. And while tourism is set to rebound in many OIC countries, others are not expected to be so fortunate, adversely hit by political instability on top of the pandemic, such as Lebanon and Tunisia.

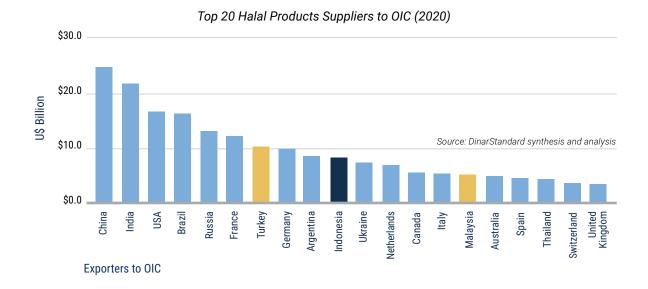
4.4. INDONESIA'S CENTRAL ROLE IN THE GLOBAL HALAL ECONOMY

Home to the world's largest Muslim population, Indonesia is in the perfect position to rank amongst the leaders of the global halal economy. Indonesia is in a positive position in terms of trade and investment with the potential to further capitalize on their strengths.

Indonesia's Trade Leadership

Indonesia retains the 4th position in the overall GIEI (Global Islamic Economy Indicator, a global ranking of countries ecosystem strength across all halal economy sectors) ranking. Indonesia continues to move up the halal food indicator ranking, placing 2nd this year, and ranks among the top 10 in other halal economy sectors (except media). One of the leading factors for its leading position is its trade potential.

Indonesia was among the top global suppliers of halal and related products (food, fashion, pharmaceutical and cosmetics) to the OIC countries in 2020. With \$8.5 billion exports of halal products, Indonesia is the 10th largest exporter globally and 2nd largest exporter among the OIC countries. This shows high potential for Indonesia to emerge as the global leader in halal products exports and strengthen intra-OIC trade, given that the COVID-19 pandemic has severely affected the supply chains of the largest supplying markets to the OIC, such as China, India and the USA. The top OIC markets for Indonesia's aggregate halal product exports are Malaysia, Pakistan, Egypt, Bangladesh and Saudi Arabia, that make up 69% of the total exports to OIC.



Top OIC Destinations for Indonesia's Halal Products Exports

EXPORT VALUE (2020) US\$ MILLION				
Halal Food Total Exports	\$7,826			
Malaysia	\$1,931			
Pakistan	\$1,736			
Egypt	\$790			
Bangladesh	\$763			
Saudi Arabia	\$371			
Clothing & Fashion Total Exports	\$390			
Malaysia	\$93			
United Arab Emirates	\$91			
Turkey	\$26			
Somalia	\$24			
Saudi Arabia	\$18			
Pharmaceutical Total Exports	\$70			
Nigeria	\$32			
Malaysia	\$27			
Pakistan	\$17			
Afghanistan	\$3			
Egypt	\$2			
Cosmetics Total Exports	\$185			
Malaysia	\$50			
UAE	\$26			
Nigeria	\$21			
Pakistan	\$10			
Yemen	\$4			

Source: ITC Trademap, DinarStandard synthesis and analysis

Indonesia's Domestic Production Leadership

With the 4th largest population in the world, as well as the largest Muslim population estimated 229.6 million Muslims in 2020, Indonesia also represents the largest market for Muslim spend globally across the halal economy sectors, with a combined \$184 billion across halal products and lifestyle sectors, representing 11.34% of global halal economy spend.

Indonesia's Muslim Spend and Global Muslim Consumer Ranking, 2020

SECTOR	MUSLIM SPEND, 2020 US\$ BILLIONS	GLOBAL MUSLIM CONSUMER RANKING
Food & Beverage	\$135	1
Fashion	\$15.60	6
Pharmaceuticals	\$5.13	4
Cosmetics	\$4.19	2
Travel & Tourism	\$3.37	5
Media & Recreation	\$20.73	2

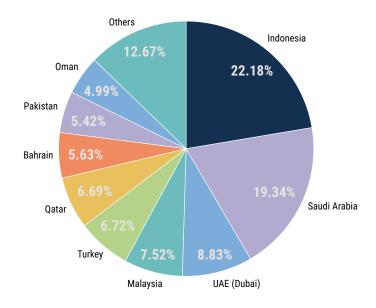
Source: DinarStandard synthesis and analysis

Indonesia's Investment Leadership

Indonesia, with US\$ 199.5 billion Islamic Finance assets, is a global leader in Muslim financial inclusion. At around 50 million accounts, Indonesia has the largest number of accounts in Shariah (Islamic) banks in the world. It also has the largest number of Shariah rural banks, about 164 in total.

In 2020, Indonesia was the largest issuer of sovereign sukuk in the international market. Totaling \$20.65 billion, Indonesia dominated 22.18% of all (foreign currency) international sovereign sukuk issued, well above Saudi Arabia (13.97%) and the United Arab Emirates (8.83%) in the second and third positions, respectively. This demonstrates that as a frequent sukuk issuer, governance sukuk issued by Indonesia remain highly attractive to global investors.²³

Composition of International Sovereign Sukuk Issuance



Source: Bank Indonesia, Sharia Economy & Finance Report 2020



INDONESIA CURRENT HALAL MARKET LANDSCAPE

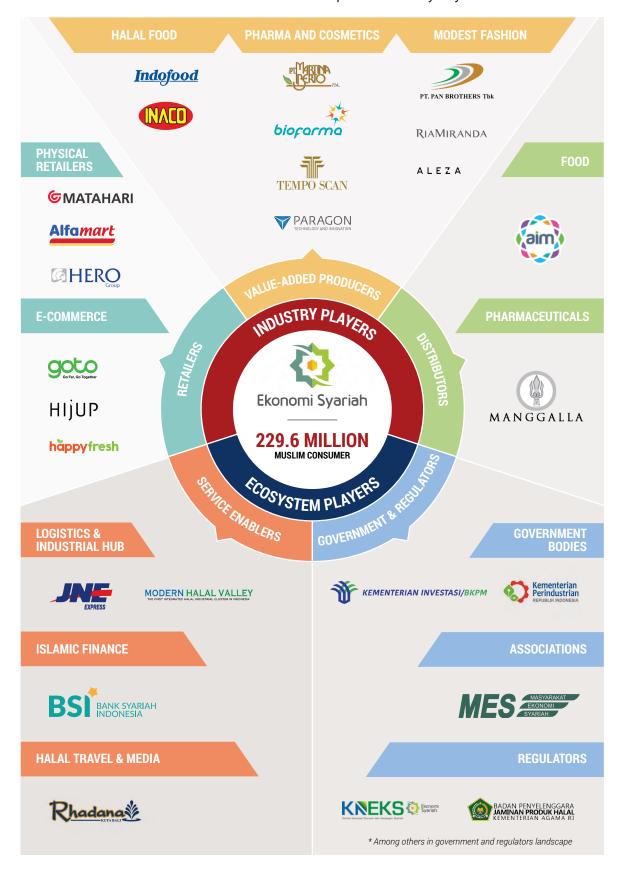
With its large population, Indonesia is a super consumption market. This significant demand for products across the board creates many opportunities for domestic and multinational players. Indonesia is home to the largest population of Muslims in the world and with ever-increasing awareness around halal products, the demand for products in the halal economy is huge. In 2019, the vast majority of manufacturing companies were in the food and beverage industry and making significant contributions to exports. Other halal economy sectors such as modest fashion, media and recreation and travel are mostly dominated by MSMEs. The eCommerce sector has seen many startups scale successfully and grow into platforms offering a wide array of services and products. The COVID-19 pandemic left far-reaching effects across the economy and most notably on consumer spend. In fact, it is expected to permanently alter the behavior of consumers going forward. Analysts expect GDP growth in Indonesia to recover to pre-pandemic levels within the next two years. This will spur consumer spend, particularly in lifestyle sectors such as fashion, cosmetics, media and recreation and travel. Consumers are also set to increasingly embrace digital shopping platforms.

5.1. INDONESIA HALAL ECONOMY LANDSCAPE

This section shares details of Indonesian companies which are either industry leaders by revenue or are top of mind for Indonesians when they consider that industry. International companies of similar revenue sizes or which are industry leaders are provided as a benchmark.



Indonesia's Halal Market Landscape and Select Key Players²



² These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

VALUE-ADDED PRODUCERS

Halal Food

SECTOR OVERVIEW

In the first quarter of 2020, the food and beverage sector contributed 36.4% to Indonesia's GDP.²⁴ As of October 2019, the Halal Law of Indonesia has been instituted. This makes it mandatory for all products (traded, distributed, and imported) within Indonesian land to be certified halal.²⁵ According to the National Statistical Agency (BPS), there are approximately 7,415 large and medium-sized food and beverages companies with over 1 million employees; and 1.69 million micro and small producers in the food and beverage industries with 3.44 million employees.²⁶ In 2020, 252,897 products across 7,043 companies were given halal certification.

INDONESIA'S	INDONESIA'S SELECT KEY PLAYERS ³				
<u>Indofood</u>	Revenue	US\$ 5.73 billion (IDR 81.73 trillion)	Employees	88,704	
Indofood Sukses Makmur	 A Total Food Solutions company with operations in all stages of food manufacturing. Most well-known for their IndoMie instant noodle range which is found in over 50 countries. Other products include doing products pages and exceptings, appell food a putrition products below for the products. 				
	Revenue	US\$ 1.74 billion (IDR 24.75 trillion) ²⁷	Employees	12,416	
MAYORA Mayora Indah	 Established in 1948 and grew to include a diverse range of products. Most well-known brands are Kopiko, Danisa, Roma, Energen, Torabika and Beng Beng. Products are distributed in over 90 countries through 6784 distributors. 39% of sales came from the Asian market and 3% from other markets.²⁸ Halal certified by Majelis Ulama, Indonesia 				

GLOBAL BENCHMARK



Revenue US\$ 26.9 billion²⁹ (IDR 383 trillion)

Employees 101,911

Danone (France)

- · Products include essential dairy and plant-based products, waters, early life nutrition and medical nutrition.
- Present in over 120 countries, with 46% of sales in Asia-Pacific, Latin America, Middle East, Africa and C.I.S.
- · Most Karicare and Aptamil products are halal-certified.
- AQUA as a pioneer of Bottled Drinking Water (AMDK) in Indonesia since 1973, was awarded the "Halal Award -Halal Top Brand 2019" (after previously being entitled to the same in 2016 and 2018)

Key Learning. Danone is one of the few major corporations with a significant proportion (30%) of subsidiaries B Corporation Certified.³⁰ Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, and public transparency. They are accelerating a global culture shift to redefine success in business and build a more inclusive and sustainable economy.³¹ These are the values that companies in the halal economy can easily adapt to and halal certification would assist showcasing that.



Kewpie

Corporation (Japan)

Revenue US\$ 4.8 billion³² (IDR 68.8 trillion)

Employees

16,003

- Produces and sells mayonnaise, salad dressing, egg products, and health foods. Other products sold include jam, sauce, canned and frozen foods.
- · About 12.1% of sales are international.
- Halal-certified products are produced in Malaysia, Indonesia and Thailand facilities. They are also sold in Japan.

Key Learning. Products are developed to suit specific international tastes. For example, for the Chinese market, a sweet mayonnaise that people use with fruit salad was developed. They also produced a salad dressing for a type of salad sold in North China. This is their second-biggest seller in Beijing.

³ These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

Modest Fashion

SECTOR OVERVIEW

Indonesian fashion companies operate across the value chain with many large international brands choosing to have their products manufactured in Indonesia. There are 4,899 medium to large manufacturing facilities in textile and apparel across the country³³, employing over 1.39 million people.³⁴ SMEs also play a significant role in the fashion industry. Many have emerged during the pandemic. In 2019, there were 909,822 businesses that were classified as micro and small enterprises in the textile and apparel industries. These employed 1.57 million people. 35 Many of the companies specialize in modest wear.

INDONESIA'S SELECT KEY PLAYERS⁴



US\$ 665 million (IDR 9.48 trillion) Revenue

Employees 68,720

PT Pam Brothers Thk

- One of the largest garment manufacturing companies in Indonesia, established in 1980.
- · Headquartered in Tangerang and manufacturing facilities located in 6 locations across the country
- Operate across the value chain with subsidiaries in textile manufacturing and clothing retail.³⁶



US\$ 6.87 million (IDR98 billion)37 Revenue

Employees Not available

- Riamiranda
- Established in 2009 by fashion designer Indria Miranda
- One of the first modest fashion brands in Indonesia
- The brand has also been shown at fashion shows and exhibitions across Jakarta, and internationally in Melbourne, Chicago, Singapore, Hong Kong, Malaysia, Dubai and London.
- · Most of its sales are local.
- 30 stores across Indonesia and also sells via their own website and other online marketplaces.

GLOBAL BENCHMARK

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Revenue US\$ 2.63 billion (IDR 38 trillion) **Employees** >50.000

I C Waikiki (Turkey)

- Tema Tekstil, the producer and licensor of LC Waikiki in Turkey, bought the worldwide rights of the LC Waikiki brand in 1997.
- Currently export US\$ 845 million (IDR 12 trillion) worth of goods and have over 1000 stores across 49 countries.
- · Modest range available online and in selected stores.

Key Learning. Sustainability is one of the core values of the company. They have incorporated the LC Waikiki Ecology Policy, which encompasses the full value chain of their products.

AEO INC. American

Eagle

Outfitters (USA)

Revenue

US\$ 3.8 billion (IDR 54 trillion)

Employees

· A leading global specialty retailer offering high-quality, on-trend clothing, accessories and personal care products at affordable prices under its American Eagle and Aerie brands.

37.000

At the end of FY2020, there were 229 licensed stores in 28 countries.

Key Learning. AEO recently acquired a logistics company, which will enable it to provide customers with same-day delivery. The acquisition of key-value chain components can allow businesses to differentiate themselves from their competitors. AEO is also continuously introducing innovative ideas to the business. They are currently developing an app that will allow for live retailing, 38

These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

Halal Pharmaceuticals

SECTOR OVERVIEW

As of 2019, there were 338 medium to large manufacturers of pharmaceuticals, chemical medicinal products and traditional medicines across Indonesia. These companies employ 6,886 people. There are 14,597 micro and small enterprises in the sector that employ 24,815 people. In 2020, 4,631 products were certified halal across 208 corporations.

INDONESIA'S SELECT KEY PLAYERS⁵



US\$ 149.8 million³⁹ (IDR2.14 trillion) **Employees** Revenue

750

- State-owned enterprise and the holding company of PT Kimia Farma and PT Indofarma.
- Bio Farma specializes in the production of vaccines and sera.
 - Aims to reduce imports of pharmaceutical raw materials or Active Pharmaceutical Ingredients (API) from 90% to 75% and improve distribution across the country.
 - · Exports to 117 countries.
 - Products ranges include BCG vaccine, DTP-HB vaccine, DT vaccine, Td vaccine, Hepatitis B vaccine, Polio vaccine, Measles vaccine, Influenza vaccine, anti-venom serum, anti-diphtheria serum, anti-tetanus serum. 40



Scan

Revenue US\$ 769.41 million (IDR10.97 trillion) **Employees**

5.190

Tempo

- The business network covers 173 locations 46 branches and 127 sales points across Indonesia, including 6 DC (Distribution Center) and 2 ECFS (e-Commerce & Cosmetics Fulfilment Service).
- · The Company has four core business divisions, namely Pharmaceutical Division, Consumer Products and Cosmetics Division, Manufacturing Division and Distribution Division as well as Supporting Division.
- The company also operates in Thailand, Malaysia and the Philippines.

GLOBAL BENCHMARK



US\$ 3.4 billion⁴² (IDR 48.5 trillion) Revenue

23.47543 **Employees**

 Operates through the following business segments: Modernised Chinese Medicines and Chemical Medicines, Investment, and others.

Sino Biopharmaceutical (Hong Kong, China)

- Also runs a research and development sector, which provides services to third parties; and related healthcare and hospital business.
- It also develops medicines for treating tumors, analgesia, diabetes, and respiratory system diseases.

Key Learning. Offering R&D services to external companies can be an excellent source of revenue and may generally lead to increasing Indonesia's capability for the development of new drugs.



Revenue

US\$ 2.46 billion (IDR 35 trillion)6

Employees

>1,70044

Incyte (USA)

- · A global biopharmaceutical company focused on finding solutions for unmet medical needs through the discovery, development and commercialization of novel medicines, specifically in the areas of Oncology and Inflammation & Autoimmunity.
- Operates across North America, Europe and Japan.
- Recognized by Forbes as one of the World's Most Innovative Companies.

Key Learning. Innovation is a key differentiator in the pharmaceutical industry. If a company can successfully and continuously produce innovative solutions, they can succeed.

- These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.
- Total product and royalties revenue

Halal Cosmetics

SECTOR OVERVIEW

Between January and August 2020, Indonesia's cosmetics product exports totaled US\$ 135.67 million. 45 Muslim consumer spend on cosmetics in Indonesia was the 2nd highest globally in 2020. The pandemic lead in a shift from make-up products to skincare. In 2020, 26,197 products were certified halal across 214 corporations.

INDONESIA'S SELECT KEY PLAYERS⁷



Revenue US\$ 214 million⁴⁶ (IDR 3.05 trillion) **Employees**

> 10,000

One of the largest manufacturers of cosmetics in Indonesia.

- Popular brands from the company include Wardah, Make Over, Emina, Putri and Kahf (for men).
- Paragon • They have 41 distribution centers. Technology
 - US\$1.6 million (IDR 22.9 billion) worth of Wardah products was exported to Malaysia in October 2020.⁴⁷
 - · Products are certified by the Mejalis Ulama, Indonesia.



& Innovation

Revenue US\$ 20.83 million (IDR 297 billion) **Employees** 517

Martina Bertho TbK

- Founded in 1977 and established its first modern factory in 1981.
- Brands include Mirabella, Martha Tilaar products and Rudy Hadisuwarno Cosmetics.
- Mirabella Cosmetics have received certification from the Mejalis Ulama, Indonesia.

GLOBAL BENCHMARK

D • BASF **BASF**

(Germany)

Revenue

US\$ 69.45 billion (IDR 990 trillion) 110,302

- · One of the largest global producers of chemicals and ingredients for food, pharmaceuticals and cosmetic products.
- It operates in more than 80 countries, including Muslim countries in the Middle East, Asia Pacific and Europe.
- · Product categories for cosmetics include ingredients for personal care products (antiperspirants and deodorants), body care, face care, hair coloring and styling, shampoo, skincare, and oral care.
- BASF offers 145 ingredients for personal and home care products that have been certified by the international halal standard HAS 23000. It complies with strict halal guidelines along the entire value chain.

Key Learning. With such a large range of product offerings, BASF is easily a leader in its field. This was accomplished through strategic acquisitions of businesses that had a positive outlook. Such acquisitions are key to becoming a leader in an industry.

ORIFLAME

US\$ 1.4 billion⁴⁸ (IDR 20.2 trillion) Revenue

Employees

5,660

Oriflame Cosmetics

- Oriflame cosmetics is an international social selling beauty company
- Operates in 60 countries across Europe, Africa, Asia and Latin America.
- · Its portfolio of innovative beauty products is marketed through approximately 3 million Independent Brand Partners.
- They currently ensure that the raw materials used are halal compliant and are working on a portfolio of halalcertified products for key Muslim markets like Indonesia.

Key Learning, About 98% of the company's orders are received through their online platform. When COVID-19 occurred, they were already in a good position to prevent any severe disruptions to their business and independent business partners.

These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

PHYSICAL RETAIL STORES

SECTOR OVERVIEW

Indonesia is predominantly a consumption market. With the large population, retail is a lucrative industry. The retail market in Indonesia is separated into Wet markets and modern markets. Before the pandemic, the retail market was growing between 8-9% per year. With the easing of PSBB restrictions, the growth has begun to increase again. The pandemic also had an impact on consumer shopping preferences with more shoppers opting for modern markets compared to before the pandemic.

INDONESIA'S SELECT KEY PLAYERS8 Sector Fashion, Cosmetics US\$ 455.96 million (IDR 6.5 trillion) Revenue **Employees** > 40,000 Indonesia's first modern department store established in 1978. • It currently operates 145 stores in 76 cities across Indonesia. PT Matahari • Partners with around 400-500 local suppliers, as well as international suppliers. Department · They stock a selection of modest wear. Store Sector Food US\$ 5.32 billion (IDR 75.83 trillion) Revenue **Employees** 125.045 **Alfamart** · A mini-mart chain of supermarkets established in 1999. Alfa Mart • In 2016, they launched AlfaMind, the first virtual store in Indonesia with Augmented Reality technology. • In 2020, Alfamart opened its 1000th branch in the Philippines. It has over 13,600 branches in Indonesia. Sector Food, Fashion US\$ 177.39 million (IDR 2.53 trillion) **Employees** 5,501 Revenue Most prominent department stores in Indonesia, Market leader in the middle-low and lower retail segment. · Its key merchandise is clothing, accessories, shoes, toys, household items, stationery and foodstuff. Ramayana • They have a total of 119 stores and expanded their online business by collaborating with well-known Lestari e-commerce platforms in Indonesia: Blibli and JD.ID. Previously, they had collaborated with Tokopedia, Lazada, Sentosa and Shopee. Food, Cosmetics, Pharmaceuticals Sector Revenue US\$ 623 million (IDR8.89 trillion) **Employees** 8,178 **GHERO** · HERO Group is a public company. Hero • It is divided into two business activity segments, food business (Hero Supermarket and Giant) and the non-food Group business (Guardian Health and Beauty). • Guardian Health & Beauty also has stores in Malaysia, Singapore, Brunei, and Cambodia.

GLOBAL BENCHMARK

Sector Food



Revenue US\$ 100.48 billion (IDR1431.5 trillion)

Employees

64,709

7-Eleven (Seven & I Holdings) (Japan)

- Holding company, with a variety of business operations: convenience stores, superstores, department stores, supermarkets, specialty stores and food services.
- In 2018, there were over 20,000 Seven-Eleven stores in Japan.
- They offer a selection of halal products in different locations of their stores.

Key Learning. The holding operates across the supply chain for its stores. This gives it a significant advantage in broadening the range of products and also making the products more affordable.

⁸ These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

INDONESIA CURRENT HALAL MARKET LANDSCAPE

Sector	Pharmaceuticals, Cosmetics		
Walgreens Boots Alliance	Revenue US\$ 8.5 billion (IDR 121 trillion ⁵¹)	Employees 331,000	
Walgreens Boots Alliance (USA)	 A global leader in retail pharmacy. Anchored by iconic brands, Walgreens in the U.S. and WBA's portfolio of retail and business brands also inc Ahumada in Chile. Global beauty brands include No7, Soap & Glory, Liz E 	cludes Duane Reade in the U.S., Benavides in Mexico and	

Key Learning. WBA and VillageMD plan to open 500 to 700 "Village Medical at Walgreens" physician-led primary care clinics in more than 30 US markets over the next five years. ⁵² Providing customers with a one-stop-shop experience for healthcare may attract more customers. An all-encompassing customer experience could improve sales and returning customers.

Sector	Clothing, Cosmetics		
★ macy's	Revenue US\$ 17.35 billion (IDR247.28 trillion)	Employees 90,000	
Macy's (USA)	One of the USA's premier omnichannel retailers.		

Key Learning. Many department stores in the USA did not survive the emergence of e-commerce, but with the right strategies, Macy's was not only able to survive but thrive. By the 2nd quarter of 2021, it is estimated that 34% of Macy's net sales will be derived from e-commerce sales. ⁵⁴



Photo: Shutterstock.com

E-COMMERCE PLATFORMS

INDONESIA'S SELECT KEY PLAYERS9

SECTOR OVERVIEW

The movement restriction orders during the COVID-19 pandemic have encouraged growth in the e-commerce sector. The Gross Market Value of the e-commerce industry in Indonesia was valued at US\$25.3 billion in 2020. 55 Food and beverage manufacturer GarudaFood saw improved sales over the last five consecutive months, driven by collaborations with e-commerce platforms, an expansion of its distribution network, and adding stock for seasonal products that are usually hard to find during Ramadan. 56 Investors have started showing interest in Indonesian e-commerce companies. 57

Sector All Products & Lifestyle Revenue US\$ 22 billion¹⁰ (IDR313.62 trillion)⁵⁸ **Employees** In May 2021, Indonesia's two largest start-ups, Tokopedia (ride-hailing) and GoJek, merged to form the GoTo GoTo Group group, the largest technology group in the country. Combined, the two companies had 1.8 billion transactions, 2 million registered drivers, over 11 million merchant partners and over 100 million monthly active users. Their ecosystem encompasses 2% of Indonesia's GDP. The group will offer services across sectors including eCommerce and financial services. 59 The company is expected to have a gross merchandise value of US\$ 125 billion by 2025. Sector Fashion US\$ 5.6 million⁶¹ (IDR 79.83 billion) 10362 Revenue **Employees** HIIUP The world's first Islamic fashion e-commerce established in 2011.⁶⁰ Hijup · Specializes in modest wear, hijabs and accessories for Muslim women. They also offer a selection of men's and kids' clothes. · Connects designers and customers, and features an extensive collection of different brands. • The company offers international shipping to all countries. Sector Revenue US\$ 7 million⁶⁵ (IDR99.79 billion) 40066 **Employees** häppyfresh · Founded in 2004, the platform allows customers to shop for groceries online from shops around their area. HappyFresh It operates its own delivery fleet and staff that pick the fresh groceries from partnering supermarkets.⁶³ • The company has operations in Indonesia, Malaysia and Thailand. HappyFresh closed a US\$ 65 million Series D round led by Korean internet giant Naver and Netherlands-based investor Gafina.64 GLOBAL BENCHMARK Sector Fashion Revenue US\$ 9.42 billion (IDR 134.27 trillion) 14,194 **Employees** zalando • Offers fashion and lifestyle products to customers in 23 European markets. Zalando It allows fashion companies and retailers to make sales via a Partner Program.⁶⁷ (Germany) In June 2021, the company launched its new online platform in Slovenia, Lithuania and Slovakia. • In 2020, the group received 5.39 billion website views with 185.5 million orders.

Key Learning. In 2015, Zalando acquired a 20% stake in the software company Anatwine, an e-commerce platform used to integrate the brands featured on the site. ⁶⁹ This move enabled Zalando to successfully progress from a fashion e-retailer to a fashion platform featuring more than 4,500 brands. Strategic acquisitions and investments can assist companies in growing on a large scale.

Sector	Food, Fashion, Cosmetics, Pharmaceuticals		
EZ	Revenue US\$ 110.93billion ¹² (IDR 1581 trillion) Employees 251,462		
Alibaba Com Alibaba Group Holding (China)	 One of the world's largest retailers and e-commerce companies. In 2020, it was also rated as the fifth-largest artificial intelligence company.⁷⁰ It is also one of the b venture capital firms, and one of the biggest investment corporations in the world.⁷¹ The company hosts the largest B2B (Alibaba.com), C2C (Taobao), and B2C (Tmall) marketplaces in the 		

Key Learning. One of the key values of the company is putting customers first, employees second and shareholders third. This is because Alibaba believes that only by creating sustained customer value can employees grow and shareholders achieve long-term benefits.

⁹ These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

¹⁰ Total Group Gross Transaction Value (GTV)

¹¹ Combined Tokopedia and GoJek employees

¹² Net income from operations

DISTRIBUTORS

SECTOR OVERVIEW

Distributors are key to connecting manufacturers and retailers with the materials and products they require, specifically from abroad. Sectors such as fashion are more reliant on imported raw materials. The food and beverage industry are more reliant on locally sourced materials. Distributors can also assist manufacturers to export their products to international markets.

INDONESIA'S SELECT KEY PLAYERS ¹³				
Sector	Food			
	Revenue Not disclosed	Employees Not disclosed		
mie	• PT Anugrah Indo Mandiri is a distributor of food and beverage products from companies in Europe, the			
PT Anugrah Indo Mandiri				
Sector	Pharmaceutical			
	Revenue Not disclosed	Employees Not disclosed		
Manggalla Pharmaceutical Distribution Centre	Distributor for various pharmaceutical brands. Mangalla has developed successful distribution networks across the 5 major islands in Indonesia with distribution channel spanning supermarkets, convenience stores, independent pharmacies, clinics, and hospitals, with more than 100 sub-distributors spread out across 24 provinces.			
Sector	Food			
Gordon	Revenue US\$ 15.5 billion ⁷³ (IDR 220.96 trillion)	Employees 20,000		
FOOD SERVICE Gordon Food Service (USA)	The largest family-operated broadline food distribution Also operates in more than 175 Gordon Food Services.			

Key Learning. The Gordon Food Service company carries out an Annual Stewardship Report. This is a progress report which focuses on 4 main areas: Sustainable Operations, Responsible Sourcing, Empowering People and Supporting Community. This would be beneficial for companies to attract the attention of businesses and customers concerned over the sustainability of the products they procure.

Sector	Pharmaceuticals		
MCKESSON	Revenue US\$ 59.1billion (IDR842.5 trillion)	Employees 76,000	
McKesson (USA)	 Medical distribution and health care information tech counter drugs, medical supplies, healthcare IT, and ph Serves customers across 14 countries. 	nology company that provides prescription and over-the- narmacy management software.	

Key Learning. McKesson is the centralized distributor for COVID-19 vaccines in the USA. Medical-Surgical Solutions, a subsidiary of McKesson, played a central role in the COVID-19 response efforts, assembling and distributing the ancillary supply kits needed for COVID-19 vaccinations and distributing COVID-19 tests to healthcare provider customers. A company should develop its service offerings and build a reputation of efficiency and good service such that they become the go-to company for significant occasions.

¹³ These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

ISLAMIC FINANCE/FINTECH

SECTOR OVERVIEW

The growth in Islamic Finance was greater than that of conventional finance in Indonesia for 2020. Total assets grew by 10.97% compared to 7.7% for conventional banks. Third-party funds grew 11.56% which was higher than conventional banks' at 11.49%. Financing grew 9.42% while conventional banks grew by 0.55%. ⁷⁴ Indonesia's workers social security agency BPJS Ketenagakerjaan has started offering shariah services. This is expected to boost the Islamic Finance market share. ⁷⁵ As consumers become more aware of Islamic Finance, the demand for products will continually increase.

INDONESIA'S SELECT KEY PLAYERS14



Svariah

Indonesia

Revenue Not yet available Employees

- Bank Syariah Indonesia is the product of the merge of 3 state-owned banks. BNI Syariah, Bank Syariah Mandiri and BRI Syariah (BRIS).
- This is the country's largest Islamic bank. 76
- The total assets of the merged entity are estimated at US\$ 15.2 billion (IDR214.6 trillion), with total equity of US\$ 1.4 billion (IDR20.4 trillion).
- Ranks among Indonesia's top 10 banks in terms of assets and the top 10 Islamic banks in the world in terms
 of market capitalization.⁷⁷
- The bank has 14.9million customers with 1,200 bank branches.⁷⁸



Asuransi Takaful Indonesia Assets US\$ 127.74 million (IDR1.82 trillion)

Employees Not available

 20.000^{79}

Provide a range of shariah compliant insurance products such as life protection, health protection, children's
education planning, retirement planning, as well as investment planning.

GLOBAL BENCHMARK



Assets US\$ 125.03 billion (IDR1782.34 trillion)

Employees

9,380

Al Rajhi Bank (Saudi Arabia)

- According to 2015 data, Al Rajhi is the world's largest Islamic bank based on capital.
- · Has over 600 branches in Saudi Arabia, Kuwait and Jordan, with subsidiaries in Malaysia and Syria.

Key Learning. The operations of the bank include a dedicated Shariah Group, which is completely independent of all other banking departments. This initiative is considered an important standard of quality assurance and will be an important function for any Islamic bank.



Assets US\$ 109.55 million (IDR1.56 trillion)

Employees

Not available

Wahed Invest (USA)

- A fintech company, offering digital financial services to retail customers globally, starting with ethical wealth management. The company's app enables users to easily invest locally and internationally with minimal transaction fees
- Over 200,000 customers globally in over 100 countries. They have 11 offices globally.
- Investment options include global stocks, emerging market stocks, sukuk, real estate and gold.

Key Learning. There is great value in a simple user interface, specifically when it comes to dealing with concepts that are inherently challenging or perceived as more complex. It is the simplicity of the app and having a ready selection of shariah-approved stocks to invest in which has made the company successful.

¹⁴ These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

MUSLIM-FRIENDLY TRAVEL

SECTOR OVERVIEW

Tourism is an important sector of focus for the Indonesian government, particular for Muslim-friendly tourism. The sector consists of independent hotels, some hotel chains and travel agencies specializing in hajj and umrah trips. This industry was devastated by the pandemic but with PSBB restrictions easing and domestic travel opening up, the industry should recover strongly.

INDONESIA'S SELECT KEY PLAYERS15



Rhadana Hotels and Resort

- · Rhadana Hotels and Resorts offer halal-friendly accommodation in several cities across Indonesia. There are multiple new hotels currently being developed.
- i Patuna Tour & Travel
- Founded in 1972. It was one of the first providers of the Hajj Plus service.
- The company provides ticketing services, tours, travel document management (passports and visas) as well as Hajj and Umrah services or known as PPIH (Hajj Travel Organizer). They have offices across Indonesia.

GLOBAL BENCHMARK



Luxury Halal Travel

- Specializes in providing luxury travel experiences for Muslim travelers.
- · Five key criteria are taken into consideration including food preparation, prayer facilities, non-alcoholic environments, Muslim-friendly activities and privacy levels.

Key Learning. Focusing on a niche segment within the travel sector will open up the customer base and will also result in a more loyal one.

Intrepid Group

Revenue

US\$ 39.73 million (IDR566.4 billion)

Employees

>2,400

Intrepid Group

- · Specializes in tourism packages and is made up of three tour operator brands, more than 25 destination management companies, and a not-for-profit foundation.
- · Globally, in 2019 they had more than 40 offices around the globe.
- · Globally renowned as a leader in responsible travel, in 2018 Intrepid became the world's largest certified travel B Corp

Key Learning. After the severe impact that COVID-19 had on the company, they devised a solid strategy for moving forward towards becoming a billion-dollar company by 2025. Companies should see the pandemic as an opportunity to evaluate their operations and strategy to create a more resilient business.

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ISLAMIC-THEMED MEDIA & RECREATION

SECTOR OVERVIEW

Muslim consumer spend on cosmetics in Indonesia was the 2nd highest globally in 2020. The pandemic lead in a shift from makeup products to skincare. In 2020, 26,197 products were certified halal across 214 corporations.

INDONESIA'S SELECT KEY PLAYERS16



- Nussa is an animated, Islamic children's series featuring the main character Nussa.
- · Nussa episodes began airing on YouTube in November 2018 and have received over 2 billion views to date.
- Nussa & Friends content is available via an app and the Nussa Dunya website, which offers a paid subscription
 to access content such as related e-books, wallpapers and games.
- Products are also available on Shoppee and Tokopedia.



- An Islamic television channel that can be watched via MNC Vision satellites and those owned by MNC Channels.
- · Content is created in Behasa.

Muslim TV

GLOBAL BENCHMARK

NETFLIX

Netflix (USA) Revenue US\$ 25 billion (IDR 356.33 trillion) Employees 12,135

- An American over-the-top (OTT) content platform and production company headquartered in Los Gatos, California, USA.
- The company is a subscription-based streaming service provider offering online streaming from a library of films and television series, 40% of which is Netflix original programming produced in-house.
- Netflix has also played a prominent role in independent film distribution.
- As of July 2021, Netflix had 209 million subscribers globally, including 72 million in the USA and Canada.

Key Learning. Netflix began as a DVD rental company that sent DVDs via mail. They successfully pivoted into and were one of the front runners of the subscription streaming services companies. This highlights the importance of being able to pivot when a market becomes obsolete or close to it.



The Walt Disney Company (USA) Revenue US\$ 65.39 billion (IDR 932.15 trillion) Emplo

Employees 203,000

- A diversified worldwide entertainment company with operations in the following business segments: Media Networks; Parks, Experiences and Products; Studio Entertainment; and Direct-to-Consumer & International (DTCI).
- In November 2019, the company launched Disney+, a subscription-based DTC video streaming service with Disney, Pixar, Marvel, Star Wars and National Geographic branded content in the USA and four other countries and has expanded to select Western European countries in the Spring of 2020.

Key Learning. Disney's success is due to excellent brand development and key acquisitions. They have consistently adjusted the content they produce to fit the norms of the time, and this has led to successful diversity and inclusion endeavors.

¹⁶ These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

LOGISTICS AND INDUSTRIAL HUB

Logistics

SECTOR OVERVIEW

With the significant growth in eCommerce, logistics partners have become increasingly important. With the widely distributed geography of Indonesia, efficient logistics companies are important. These companies also help facilitate exports and imports. They played a critical role during the pandemic during PSBB.

Revenue US\$ 4.3 E

Revenue US\$ 4.3 billion (IDR61.3 trillion)⁸¹ Employees 40,000⁸²

JNE Express

- Established in 1990 with a focus on handling customs activities/import of goods/documents and their delivery from abroad to Indonesia.

 They currently provide a host of different services across Indonesia such as same-day deliveries, high priority
- deliveries of valuable goods as well as an economical option. They also provide international shipping.
- A significant portion of their revenue comes from eCommerce businesses. In 2016, it accounted for 60% of revenue.
- JNE currently operates 6,000 service centres nationwide.

J&TEXPRESS

Revenue US\$ 20 million (IDR 285 billion)⁸⁵ Employees 4,500

PT Global Jet Express

- Founded in 2015, the company is engaged in logistics and package delivery with 2,000 drop points and 54 gateways throughout Indonesia.⁸³
- During the COVID-19 pandemic, 50% increase in deliveries was witnessed during Ramadhan 2020 compared to last year, handling up to 3 million packages each day.⁸⁴
- J&T uses automated sorting warehouses in Indonesia.
- It has since expanded to a further 6 countries in South East Asian which are Malaysia, Singapore, Thailand, Cambodia, Philippines and Vietnam. Their expansion to China is currently under review
- It received Indonesian Top Brand Award in 2018 and 2019.

GLOBAL BENCHMARK



Revenue US\$ 78.82 billion (IDR 1123.69 trillion)86 | Employees >400,000

DHL (Germany)

- DHL serves over 220 countries, delivering 1.6 billion parcels a year.
- The company is divided into 6 divisions dealing with different aspects of logistics such as freight or global forwarding.
- They have a dedicated division for eCommerce solutions.

Key Learning. DHL has Innovation Centers in Chicago, Cologne, Singapore, and Dubai. Workshops, tours, and events are held in these centers to encourage innovation in the sector. They receive over 13,000 visitors a year. Constant innovation is a must for improving services and building better relationships with customers.



China Ocean Shipping Company Revenue US\$ 25.69 billion (IDR 366.21 trillion) Employees 29,379

- A top global shipping brand with the world's largest fleet of shipping vessels
- The corporation has invested in 58 terminals, including 51 container terminals, all over the world.
- It further aims to build a world-class integrated logistics service and supply chain service ecosystem.

Key Learning. The vision of China COSCO Shipping is to undertake the mission of globalizing the Chinese economy and provide world-leading integrated logistics and supply chain services. A vision like this would be helpful to any country or logistics company looking to make a significant impact.

¹⁷ These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

Halal Parks

SECTOR OVERVIEW

Halal parks are an important part of the Indonesian Shariah economy strategy. These parks will facilitate investment into halal economy sectors and create a streamlined process for halal certification.

INDONESIA'S SELECT KEY PLAYERS18

MODERN HALAL VALLEY

Modern Cikande Industrial Estate: Modern Halal Valley

- The first industrial zone in Indonesia to receive the Halal Industrial Zone certificate from the Ministry of Industry, enabling the creation of a complete halal ecosystem for halal industries.
- It is located on 500 hectares of land and provides local and global halal food and supporting industries
 a complete halal ecosystem for efficient halal production, import, domestic distribution and export to
 international markets.
- Located in the Moderncikande Industrial Estate in Cikande (Banten), just 52 km west of Jakarta on Java Island. The Moderncikande Industrial Estate has direct highway access through the Cikande Toll Gate, linking Halal Valley directly to Java's seaports, Soekarno-Hatta International Airport, and Indonesia's metropolis Jakarta.
- Modern Halal Valley provides also commercial space for companies active in halal business, commerce, and Islamic banking & finance, serving Indonesia, Asia and the world.⁸⁷

GLOBAL BENCHMARK



kande Industrial Estate: Moder

- Port Klang Free Zone (PKFZ) and Sarawak-based Regal International Group (RIG) are collaborating to further promote two-way Halal investments between Malaysia and China.
- The industrial park has partnered with the Halal Industry Development Corporation (HDC). PKFZ Halal Zone is supported by HDC advisory center, data warehouse, knowledge dissemination tools, and business and market intelligence.
- The halal park will feature HDC training and consultancy services in halal to support certification. Halal logistics/warehousing will also be available.
- Total investments in Malaysia's Halal Parks amounted to US\$ 2.7 billion, and employment opportunities reached around 11,000+.

Key Learning. A halal flagship free zone can attract mainstream companies, as PKFZ received \$125m (RM 500m) investment from Cargill. Having halal certifying bodies and other services within the park will also help facilitate in drawing the attention of mainstream companies.

¹⁸ These are key select large corporates and not meant to be a comprehensive list as there are other corporates as well. These are identified by DinarStandard team independently and with no commercial consideration.

GOVERNMENT AND REGULATORS

Indonesia has a well-developed ecosystem in particular in halal products regulation and Islamic Finance. With the recent expansion of the scope of KNEKS, more ministries have now been included to contribute to the development of the shariah economy. The key to the successful implementation of the Blueprint for the Islamic Economy and Finance is synergy between the stakeholder in government and various other regulatory and compliance bodies.

ISLAMIC ECONOMY PROMOTION AND MARKETING SUPPORT



Indonesia Investment Coordinating Board (BKPM)



Ministry of Finance



Ministry of Religion



Ministry of Cooperatives, Small and Medium enterprises



Ministry of Industry



Ministry of Tourism and Creative Economy



Ministry of SOEs



Coordinating Ministry of Economic Affairs



Coordinating Ministry for Maritime Affairs and Investment



Coordinating Ministry for Human Development and Culture



Ministry of National Development Planning(Bappenas)



Indonesian Chamber of Commerce and Industry



Ministry of Trade





KNOWLEDGE INFRASTRUCTURE AND NETWORKING PLATFORMS

Ikatan Ahli Ekonomi Islam Indonesia (IAEI)



Masyarakat Ekonomi Syariah (MES)



Indonesia Halal Lifestyle Centre

SHARIAH AND HALAL REGULATION AND COMPLIANCE GLOBAL LEADERSHIP



Majelis Ulama Indonesia (MUI)



Badan Penyelenggara Jaminan Produk Halal (BPJPH)



Kemite Nasional Ekonomi dan Kevangan Syariah (KNEKS)

ISLAMIC FINANCE REGULATORS





LPS (Lembaga Penjamin Simpanan)



Financial Services Authority

There are a number of ministerial bodies and various associations across the halal economy which affect the regulations governing the sector. These bodies also assist in the promotion and growth of the halal economy.

INDONESIA'S	INDONESIA'S SELECT KEY PLAYERS				
Sector	Coordinating Authority	Objectives	Major Initiatives and Accomplishments		
Overall Halal Economy	Indonesia Sharia Economic Masterplan by National Islamic Economy and Finance Committee (KNEKS)	The mandate of KNEKS was expanded in 2020 to include the entire halal economy. KNEKS is a committee consisting of 16 head of ministries and institutions. In implementing the program, KNEKS is assisted by an Executive Management.	The Indonesia Sharia Economic Masterplan (MEKSI) 2019-2024 was designed by KNEKS. Public halal awareness campaigns through various communities in educational institutions, local governments and other mass organizations.		
Halal Products	BADAN PENYELENGGARA JAMINAN PRODUK HALAL KEMENTERIAN AGAMA RI Halal Product Assurance Agency (BPJPH)	The BPJPH has the task and function to ensure the halal compliance of products circulating and marketed in Indonesia.	Cooperates with the Ministry of Trade and other ministries regarding the export requirements for halal-certified products. Also provides mentoring programs for MSEs Also responsible for halal education, literacy and halal awareness.		
Overall Halal Economy	Kementerian Perindustrian REPUBLIK INDONESIA Ministry of Industry	The Ministry of Industry has the task of conducting affairs in the field of industry in the government to assist the President in organizing the government of the country	The Ministry of Industry is collaborating with Bank Indonesia, KNEKS and the Ministry of Finance to accelerate the development of the halal industrial area and other national priority sectors through the Halal Industrial Estate Development Strategy. Compiled a guide map for the halal industry. It has also created the Halal Industry Centre (PIH) and Indonesia Fashion Islamic Centre in Bandung		
Tourism, Modest Fashion	wonderful indonesia Ministry of Tourism and Creative Economy	The main objective of the ministry is to make Indonesia a world-class tourism destination developing world-class tourism destinations and conduct tourism-oriented marketing. For the creative economy, the ministry is tasked with synergizing cooperation between inventors and investors	The ministry backed the Modest Fund the Founder's incubation program		

INDONESIA'S SELECT KEY PLAYERS				
Sector	Coordinating Authority	Objectives	Major Initiatives and Accomplishments	
Overall Halal Economy	Majelis Ulama Indonesia	Majelis Ulama Indonesia - MUI) is Indonesia's top Islamic scholars' body. The MUI acts as an interface between the Indonesian government and the Islamic communities.	The MUI works together with BPJPH as an auditor of the halal process as well as holding fatwa assemblies to certify products as halal	
Halal Products	BKPM Indonesia Investment Coordinating Board (BKPM)	BKPM or Indonesian Investment Coordinating Board is a Government Agency, which in charge of implementing policy and service coordination in investment in accordance with the provisions of the regulations.	As the primary interface between business and government, BKPM is mandated to boost domestic and foreign direct investment through creating a conducive investment climate. BKPM is an integral part of gaining investment into halal economy sectors	
Overall Halal Economy	IAEI Ikatan Ahli Ekonomi Islam Indonesia (IAEI)	An organization of academics and practitioners to conduct studies, development, education and socialization of Islamic Economics.	IAEI aims to build networks and cooperation in developing Islamic economics, both nationally and internationally. IAEI is an important stakeholder in the development of Islamic economic literacy	
Tourism, Modest Fashion	Masyarakat Ekonomi Syariah	A non-profit organization that aims to develop and accelerate the implementation of the Islamic economic and financial system in Indonesia.	MES is an inclusive forum in gathering all existing resources and building synergies between stakeholders MES is an important stakeholder in the development of Islamic economic literacy	

Indonesia Islamic Economy Masterplan (MEKSI)

On 14th May 2019, the Government, via National Islamic Finance Committee (KNEKS) that is headed by the President of the Republic of Indonesia, launched the Indonesia Islamic Economy Masterplan (MEKSI). MEKSI also contains the Indonesia Islamic Financial Architecture Masterplan (MAKSI) launched in August 2016. The strategy to strengthen Sharia finance in MEKSI refers to MAKSI, thus integrating the development strategies for the Sharia economy and Sharia finance. Meanwhile, in line with another strategy initiated by Bank Indonesia, the National Sharia Economic Development Strategy contained in MEKSI emphasizes halal value chain (HVC) development for priority sectors. The halal value chain (HVC) is a series of activities that generate value-add in each process, involving the production, distribution, and marketing of goods and/or services to the consumer in compliance with sharia values and core principles. Through an ecosystem approach, halal value chain development will drive productive, inclusive, and integrated end-to-end sharia business growth. Various development efforts that lead to the formation of a halal value chain (HVC) ecosystem have effectively elevated the position of Indonesia's sharia economy and finance globally.

Bank Indonesia is currently implementing the Blueprint for the Sharia Economy and Finance, with its vision of Indonesia becoming a global center of the Sharia economy and finance. The Blueprint, which was launched in June 2017, became main reference for Indonesia Sharia Economic Masterplan by KNEKS in 2019, which aims to develop the real sector of the sharia economy, known as the halal industry.

The blueprint contains three complementary and mutually reinforcing development pillars. According to the Shariah Economy and Finance Report 2020, the first pillar of the strategy is Sharia Economic Empowerment based on the main strategy of halal value chain (HVC) ecosystem development. Ecosystem development is achieved through the application of partnership-based business models. The second pillar is Sharia Financial Market Deepening, which fundamentally aims to increase sources of sharia financing for the economy. Islamic Social Finance (ISF) is also included incorporated. The third pillar is Strengthening Research, Assessment, and Education, which aims to increase public literacy and understanding of the sharia economy and finance. Under the third pillar, the education strategy is implemented formally to enhance competencies and mold reliable, professional and competitive human resources.¹⁹



19 (2020) SHARIA ECONOMY AND FINANCE REPORT 2020. Published by Bank Indonesia: https://www.bi.go.id/en/publikasi/laporan/Pages/Laporan-Ekonomi-dan-Keuangan-Syariah-2020.aspx



5.2. INDONESIA HALAL COMPLIANCE ECOSYSTEM

Companies intending to invest in Indonesia need to consider the importance of halal certification for their halal products. Based on the prevailing national halal regulations, such as Government Regulation No. 39 of 2021 (GR 39/2021), all products that enter, circulate, and are sold within Indonesia must be halal certified, if otherwise originating from haram ingredients.

Products requiring halal certification include food, beverages, pharmaceuticals, cosmetics, and consumer goods that are worn or used, originating from animals or animal products. Services that must be halal certified are slaughterhouses, processing, storing, packaging, distribution, and sales and marketing, including shelf display. Halal certification is not required for haram products, with clear non-halal labeling required on such products.

Indonesia serves as a model for a sustainable halal compliance ecosystem, where no single entity monopolizes the regulatory system. There are three key stakeholders operating independently but in collaboration with each other and the relevant government ministries. The key stakeholder is the Halal Product Guarantee Agency – BPJPH, which issues halal certification and works with external auditors (LPH), such as LPPOM, and fatwa body MUI, as part of the halal certification process.

This section describes the role of these key players in building a robust regulatory ecosystem, supporting international trade, and the process of halal certification in Indonesia.

Key Regulatory Players

Halal Product Guarantee Agency (BPJPH). Law No. 33 of 2014 (UU 33/2014) in relation to Halal Product Guarantee mandates the establishment of the Halal Product Guarantee Agency (Badan Penyelenggara Jaminan Produk Halal – "BPJPH" in Indonesian abbreviation), which is authorized to issue halal product policies and standards. Other powers of the BPJPH include issuing and revoking halal certificates and halal labels, registering halal certificates for foreign products, accrediting the Halal Inspection Agency (Lembaga Pemeriksa Halal – "LPH" in Indonesian abbreviation), registration of halal auditors, and cooperating with internal and foreign institutions in implementing halal product guarantees.

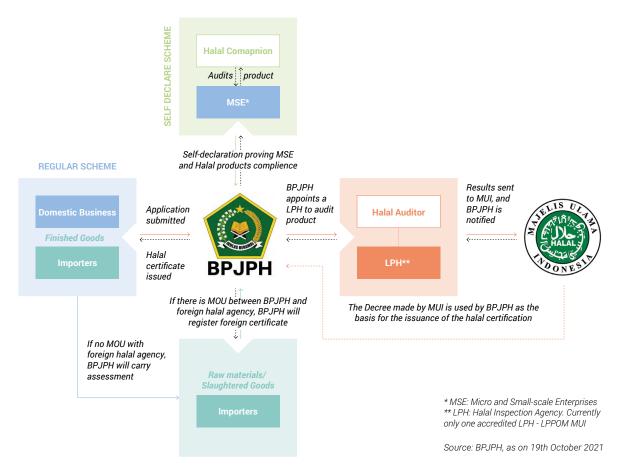
Indonesian Ulema Council (MUI). Prior to October 2019 (when UU 33/2014 came into effect), halal certification and labeling were overseen by the Indonesian Ulema Council (Majelis Ulama Indonesia – "MUI" in Indonesian abbreviation). MUI appointed LPH, including its own Food and Drug Supervisory Agency (LPPOM MUI), and appointed halal auditors to assess products requiring halal certification. The LPH would issue halal certificates.

Under the new regulation, BPJPH now oversees the entire halal product assurance system ("JPH" in Indonesian abbreviation) and issues halal certificates, including the registration of LPH for the inspection and testing of halal product quality. BPJPH relies on MUI for the determination of halal compliance and accreditation of LPH and its auditors. MUI holds Fatwa Assemblies to determine whether a product has satisfied the criteria to obtain a halal certificate.

Halal Inspection Agencies (LPH). As mentioned above, the role of halal inspection agencies (LPH) is to examine and test the halal quality of a product. The LPH appoints a halal auditor (certified by BPJPH and MUI) who has the capacity to carry out the examination of a product's halal quality. At the time of writing this report, BPJPH has only accredited LPPOM MUI as the LPH until it accredits other inspection bodies under the new law.

Halal Certification process

Indonesia's Halal Certification Process for Domestic and International Businesses



Domestic Businesses:

The halal certification process for domestic companies willing to get their products certified consists of two schemes – the regular scheme and the "self-declare" scheme for Micro and Small-scale Enterprises (MSE).

(1) Regular Scheme

The implementation of a regular scheme has been followed since the LPPOM MUI period. All business actors (any person or business entity in the form of a legal entity or non-legal entity engaged in business activities in Indonesia), both micro, small and medium enterprises (MSME) and large businesses, apply for halal certification by submitting the required documents to BPJPH. After being reviewed by BPJPH and declared to have met the requirements, the documents are sent to the halal inspection agency (LPH), where the assigned halal auditor carries out the inspection. Based on the regulations, BPJPH is obliged to cooperate with the LPH for laboratory testing requirements (if needed). The results of the inspection are sent by the LPH directly to MUI, and BPJPH is informed. MUI will decide whether the products that have been inspected or audited by LPH have met the halal rules or not. If the product fulfills the halal requirements, a "Halal Decree" will be issued. Based on this Decree, BPJPH will issue a halal certificate for the product, which will be valid for 4 years. Based on this Decree, BPJPH, LPH and MUI—collaborate in the process of issuing the halal certificate.

While previously, this entire process took around 97 days to complete from the time of application to the issuance of halal certification, it is now estimated to take just 21 days for the process.⁸⁹

(2) "Self-Declare" Scheme

For micro and small-scale business actor (MSE), the "Self-Declare" expedited the halal certification process. Under the GR 39/2021 regulation, the self-declare scheme allows MSE to submit a self-declaration to the BPJPH that proves they are an MSE (as determined under prevailing laws) and confirm the certainty of halal products based on BPJPH standards.

Under the new regulation, MSE can self-declare after receiving a confirmation from the "halal companion." The halal companion could be a non-government organization, the representative of an Islam organization, higher education, or ministry/another organization that collaborates with these institutions. The task of the halal companion is to ensure that the production process carried out by MSE is in accordance with the halal standards.

After validating the documents that have been prepared by the applicant, these institutions declare the contract of halal (The Halal Oath). Documents are submitted to BPJPH, who will carry out the halal assessment and issue the halal certificate.

Moreover, under the new regulation, MSE will not be required to pay any halal certification fee.

The MSE must be able to prove that:

- · products do not contain or are at risk of containing materials deemed non-halal; and
- its production process is determined to be halal.

International Businesses:

There are two halal product certification schemes from foreign companies. The scheme can be grouped by product category as regulated in GR 39/2021:

(1) Final product categories

Applicable for food & beverage, cosmetics, medicine and other consumer products. For these categories, halal certification must be submitted directly to BPJPH with the same procedure as for domestic products with the regular scheme. This scheme includes the involvement of LPH in the product inspection process.

(2) Raw materials, additives, auxiliary materials, and slaughtered goods product categories

For these categories, if there is a Memorandum of Understanding (MoU) between countries followed by a Mutual Recognition Agreement (MRA) between BPJPH and the relevant state halal authority agency, then the halal certificate from that country can be directly registered with BPJPH. Importers or official representatives of foreign companies in Indonesia can submit applications for the registration process. In this case, the halal certificate from the respective foreign agency is recognized in Indonesia, and the halal logo can be used immediately. This applies reciprocally. However, if there is no MRA between BPJPH and a foreign halal certification agency, a direct assessment will be carried out by BPJPH.

Export Support

The central and local government of Indonesia play an important role in the development of the halal industry, especially in their role as regulators in setting and supervising halal standards, facilitators in providing supporting infrastructure (such as fiscal and non-fiscal policies), and promoters of halal trade domestically and internationally.

BPJPH plays a major role in supporting companies to export and expand their reach internationally. Currently, in collaboration with several ministries, this support is available to MSEs. For instance, BPJPH is collaborating with the Ministry of Trade to help companies learn export requirements for halal-certified products. Special technical awareness and mentoring programs are organized for prospective exporters of halal products. This will add value through quality products and increase consumer trust, both for domestic needs and export purposes.



Photo: Shutterstock.com

Halal Product Guarantee

Law No. 33 of 2014 (UU 33/2014) in relation to the Halal Product Guarantee (HPG) mandates all products distributed in the territory of the Republic of Indonesia obtain halal certification starting from 17th October 2019, except for products that are described as non-halal on their packaging. This mandatory halal certification aims to provide greater public convenience and assurance concerning the availability of halal products and to increase value-add for businesses producing and selling halal products domestically and internationally.

Amendments were made to Law No. 11 of 2020 on Job Creation (Omnibus Law) on 2nd November 2020. One of the implementing regulations of the Omnibus Law is Government Regulation No. 39 of 2021 on Halal Product Assurance (GR 39/2021), which replaced Government Regulation Number 31 of 2019 on Halal Product Assurance (GR 31/2019) (issued on 2nd February 2021). It includes details on the halal compliance process for products sold in Indonesia. Another implementing regulation detailing the certification process and timeline is the Ministry of Religious Affairs Regulation No. 26 Year 2019 (MORA Reg 26/2019).

Business owners who fail to label their non-halal products will be imposed with administrative sanctions in the form of a verbal warning, followed by a written warning, and finally, an administrative fee will be imposed successively.

The law covers products and/or services related to food, beverages, drugs, cosmetics, chemicals, biological products, genetically engineered products as well as consumer goods that are worn, used, or utilized by the public. Halal certification for all products that are halal became mandatory in Indonesia from October 2019 (for food and beverages); however, they are phased out by categories to be implemented progressively. This grace period differs for each category. For example, food and beverage business owners have a 5-year grace period to comply with the mandatory halal certification, starting 17th October 2019 and ending 17th October 2024. Below is a table compiled from the regulations, listing the commencing date and deadline to comply with mandatory halal certification by category.

HALAL COMPLIANCE GRACE PERIOD BY CATEGORIES			
Categories	Commencing Date	Deadline	
Food and beverages	17 th October 2019	17 th October 2024	
Traditional medicines and health supplements	17 th October 2021	17 th October 2026	
Over the Counter Medicine	17 th October 2021	17 th October 2029	
Prescription drugs (except psychotropic)	17 th October 2021	17 th October 2034	
Cosmetics, chemical products and genetically engineered products	17 th October 2021	17 th October 2026	
Wearable items (clothing, headcovers and accessories)	17 th October 2021	17 th October 2026	
Household medical supply, household equipment, Muslim praying attributes, stationery and office supplies	17 th October 2021	17 th October 2026	
Medical Equipment classified in Risk Category A	17 th October 2021	17 th October 2026	
Medical Equipment classified in Risk Category B	17 th October 2021	17 th October 2029	
Medical Equipment classified in Risk Category C	17 th October 2021	17 th October 2034	

Source: Ministry of Religious Affairs Regulation No. 26 Year 2019 (MORA Reg 26/2019), Articles 31-33

5.3. DOMESTIC CONSUMER DRIVERS

Consumer drivers are those circumstances that directly affect the consumption market. For Indonesia, the most stand-out feature is its large population. It is the 4th most populous nation on Earth and has the largest population of Muslims.

World's largest Muslim population

Indonesia is home to the world's largest Muslim population. Muslims make up 87.2% of the country's total population. In a Pew Research survey, 98% of Indonesians surveyed believe religion is very important, with the remaining 2% believing that it is somewhat important. Since 2006, this figure has only grown. God and prayer play critical roles in the lives of almost all of those surveyed. The government has permitted specific regions to adopt Shariah, such as Aceh, where the hijab is obligatory for Muslim women by law. It religion playing such an important role, the country's consumers will also value making purchases in line with their faith. Consumer spend on halal food is already the highest in the world. Lifestyle sectors such as modest clothing have significant potential, especially since Indonesia is already a successful producer of clothing in general and a popular tourist destination.

Growth in Income

Although the World Bank downgraded Indonesia to low-middle income status as the gross national income per capita decreased from US\$4,050 in 2019 to US\$3,870 in 2020, the Presidential Special Staff for Economic Affairs believes that Indonesia can return to its upper-middle-income status in one to two years, if annual economic growth reaches 5-6% and the population rises by 1.2% per year. 92 The World Bank's chief economist for East Asia and Pacific Region believes that Indonesia can grow close to 5% in 2022, especially with a successful vaccine rollout program. 93

In 2019, half of the consumption basket of the Indonesian consumer consisted of food. As income grows, non-food categories will make up a larger proportion of this basket. A rise in spending on housing and household facilities can be attributed to greater urbanization. Within the food categories, the proportion of spending on prepared food and beverages is also forecasted to increase by 2030. This is due to lifestyle changes that have people eating out more and seeking more convenience and packaged foods. This is also linked to the higher urbanization levels.⁹⁴

High proliferation of social media

61.8% of the population is active on social media. This increased 6.3% between January 2020 and January 2021. 36% of time spent on the internet is spent on social media. 65.1% of users used social media as their main source to research brands. Those of ages 18 to 34 make up the largest demographic of those on social media. These are the top 4 social media platforms and the percentage of internet users between 16-64 who have used each one in the past month:

YouTube: 93.8% WhatsApp: 87.7%	Instagram: 86.6%	Facebook: 85.5%
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Given Indonesia's high social media penetration rates, these channels offer immense growth potential for many consumer companies. Many consumers are already on social media but do not see it as a place to make purchases. Businesses should therefore focus on building their presences, establishing their credibility, and scaling up their marketing efforts on these platforms to drive greater interest and sales. ⁹⁵

Tech-savvy population

Indonesia's tech-savvy population pushed its internet economy to grow over 10% to reach a Gross Merchandise Value (GMV) of \$44 billion in 2020, the largest in Southeast Asia. The digital economy contributed 4% of the country's GDP in 2020. Fe About 73.7% of the population have access to the internet, which significantly exceeds the global level of 59.5%. There are 345.3 million mobile connections, translating to 1.2 mobile connections per person in Indonesia.

Around 87.1% of users had made a purchase online. Millennials and Gen-Z's make up 53% of the Indonesian population. This has also contributed to the acceleration of the growth of the digital economy in the country.

Increased health consciousness

Since the beginning of the COVID-19 pandemic, surveys have found that consumers are most conscious about personal hygiene and general health. A survey carried out by Bank DBS Indonesia found that more than half of those surveyed would continue to use vitamins and supplements post-pandemic.

The consumer's increased awareness of health is also changing their preference for grocery shopping. Prior to COVID-19, 68% of consumers preferred purchasing packaged and fresh food from traditional markets. This preference has now decreased to 59%. A survey by Deloitte found that 40% of respondents have become much more conscious of the source of origin of their food and the nutritional value due to the pandemic. This shift in perception offers halal food and pharmaceutical manufacturers many potential opportunities to introduce new products and meet this emerging demand.



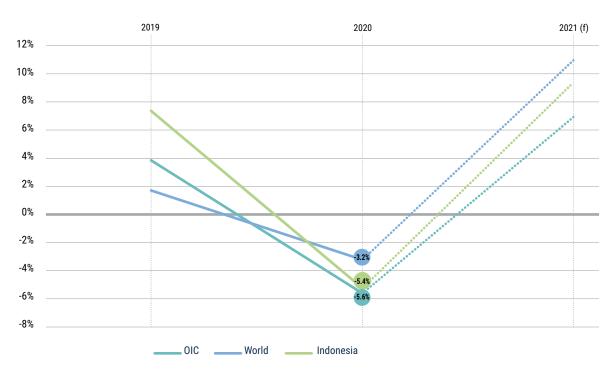
Photo: Shutterstock.com

5.4. IMPACT OF THE COVID-19 PANDEMIC ON INDONESIA'S HALAL ECONOMY

The COVID-19 pandemic led to the first negative growth in GDP that Indonesia has experienced since 1998. The Central Statistics Agency (BPS) reported GDP growth for 2020 in Indonesia at -5.4%.⁹⁹ In a survey conducted by McKinsey & Company throughout 2020, 53% of respondents felt optimistic about the recovery of Indonesia's economy post-COVID and believed it would rebound within 2-3 months.¹⁰⁰ To decrease the spread of the virus, the government introduced large-scale social restrictions (PSBB) and restrictions on community activities (PPKM) which had significant impacts on the lives of citizens and, in turn, the economy at large.

Impact on Indonesia's Economy (GDP) - V-Shaped Recovery

The COVID-19 pandemic led to the first recession in Indonesia in over 20 years. The economy contracted by 5.4% in 2020. This was driven by drops in private consumption (-1.5%) and investment (-1.6%), which were partially offset by growth in net exports (1.1%). According to the World Bank, the economy is expected to start rebounding in 2021 and to gradually strengthen in 2022. Growth is projected to reach 4.4% in 2021. Growth could accelerate to 5.0% in 2022, driven by reduced uncertainty and improved confidence, provided that the vaccine rollout reaches a critical mass of the population starting in the fourth quarter of 2021. ¹⁰¹



Source: IMF, GDP current prices (April 2021)

There are 63 million MSMEs in Indonesia that contribute 60% to the country's GDP and are responsible for 97% of employment. MSMEs were more negatively affected than large enterprises, experiencing between a 35-45% drop in sales, compared to a 25% drop in sales experienced by large enterprises. MSMEs amounts to almost \$100 million in revenue. Since most halal economy lifestyle sector players would qualify as an MSME, this would directly impact the halal economy.

Consumer Spending Habits

A survey carried out by McKinsey & Co. periodically throughout 2020 on the effects of COVID-19 on consumers found that household income and savings have decreased for 60% of consumers in Indonesia. This has led to consumers becoming more mindful of how they spend and save money Spending patterns have shifted as consumers prioritized essential products such as groceries and healthcare products over other lifestyle segment products. For categories such as footwear, apparel, accessories and jewelry, over 50% of consumers surveyed have decreased spend. Other categories where a vast majority, often over 50%, of consumers had decreased spend include hotel or resort stays, domestic flights, and eating at restaurants.

More people expect to make a portion of their purchases online post-COVID-19 than before. The figure below shows the product categories growing the most in consumer purchases during the pandemic. 105

OTC medicines Groceries Vitamins/ Personal **Furnishing** 83% 68% and appliances supplements care products 55% 61% 39% Skin care Consumer Accesories Fitness & electronics 25% wellness & makeup 38% 35% 25% Books, magazines, **Snacks** 74% newspapers 63% Footwear Food delivery 38% Apparel 32% 23% Entertainment at home 13%

Figure: % growth in Indonesian customers purchasing category online

Source: McKinsey survey, 2020

Supply Chain and Production

One of the Government's strategies in suppressing the spread of Covid-19 is to establish a Large-Scale Social Restriction (PSBB) policy . With the implementation of the PSBB, both the supply chain and production were disrupted as the rules placed limitations on the movement of people and goods. Some industries were forced to close completely, while others were allowed to operate since different PSBB rules apply to different parts of the country. The food industry was given priority to operate to prevent a food security crisis. However, this still caused a disruption in the overall food value chain as priority was given to food end-product producers and didn't necessarily consider other value chain players such as agriculture and food ingredients. The transportation bans in April and May 2020 also led to a delay in food supply chains. ¹⁰⁶

The manufacturing sector is one of the largest contributors to Indonesia's GDP. The food and beverages sector of manufacturing saw slight positive growth and the chemicals, pharmaceutical, and traditional medicine subsector saw significant growth, becoming the 2nd largest contributor after food and beverages. Manufacturing in textile and apparel witnessed the largest decrease in growth. ¹⁰⁷

Trade and FDI

Foreign Direct Investment (FDI) into Indonesia increased by US\$6.1 billion in June 2021 from the previous quarter. PDI decreased by 23% between 2019 and 2020. Most investors currently involved in projects in Indonesia have postponed their projects but have not pulled out completely. An example of a project that has been delayed is the Jakarta-Bandung high-speed railway project, which is a joint project between Indonesian and Chinese railway companies. Interestingly, domestic investment, which makes up 53% of total investment in the country, increased by 9.3% quarter-on-quarter between January and March 2021.

The Omnibus Bill (became law in October 2020) included FDI-related reforms that cut the number of business lines subject to FDI restrictions dramatically from 528 to 215, including in areas critical to industrial upgrading such as e-commerce.

In Indonesia, trade was limited by the PSBB, which restricted trade with certain countries. Exports experienced a significant decrease between March 2020 to May 2020¹¹² but, most recently between April 2020 and March 2021, showed steady growth from US\$12.2 billion to US\$18.4 billion.¹¹³ Imports showed a similar trend in the early months of the pandemic, especially since the restrictions on Chinese trade were particularly strong during this time. China is the largest import partner of Indonesia.¹¹⁴

Support Services: Tourism and Islamic Finance

The role and urgency of Islamic social finance (ISF) during the Covid-19 pandemic have become more tangible. Strategically, zakat, infaq and sadaqah (ZIS)support the government's social protection programs to overcome the social impact of Covid-19. and provide the healthcare services required to contain Covid-19. In addition, instruments that integrate commercial and social finance, such as cash waqf-linked sukuk, support the development of public healthcare infrastructure.¹¹⁵

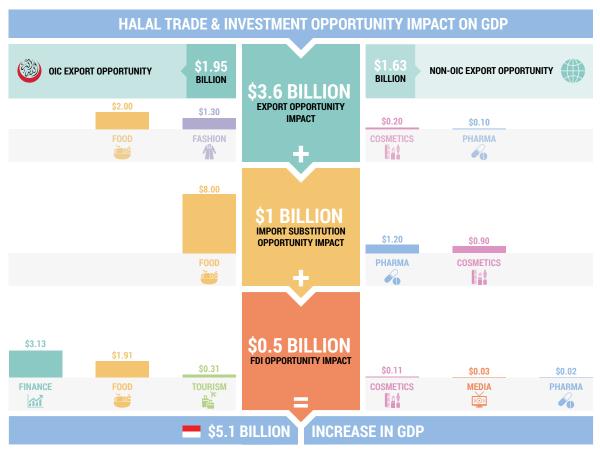
Globally, travel services were down by 63% in 2020 and are not expected to recover until the pandemic settles down. 116 By the first half of 2020, with restrictions on foreign visitors entering Indonesia, the number of arrivals decreased by 60%, and 90% of those employed in the sector have been placed on unpaid leave indefinitely. 117

While the relaxation of PSBB rules allowed for domestic tourism to resume for some time, it declined again when COVID-19 cases increased significantly due to the delta variant. With about 28.5% of the population has been vaccinated as of October 2021,¹¹⁸ growth in contact-intensive services sectors is expected to gradually increase.

INDONESIA HALAL MARKET TRADE & INVESTMENT OPPORTUNITY

By implementing a comprehensive halal economy strategy that builds on Indonesia's existing capabilities, Indonesia can substantially boost its production of products linked to the halal economy and contribute an additional \$5.1 billion to the economy.

This section examines Indonesia's halal trade and investment opportunities through boosting exports in the OIC and non-OIC markets, substituting imports of key categories by domestic production, and through incremental FDI opportunity.



Source: ITC Trademap, DinarStandard synthesis and analysis

6.1. INDONESIA TRADE OPPORTUNITY

Indonesia was among the top global exporters of halal products (food, fashion, pharmaceutical and cosmetics) to the OIC countries in 2020, yet it represents 3% of total halal product trade value. This implies a tremendous opportunity for growth. With \$8.6 billion exports of halal products (including those not requiring halal compliance, such as fresh vegetables), Indonesia is the 9th largest exporter globally and 2nd largest exporter among the OIC countries. Of the \$8.6 billion exports, **\$8 billion are products exported to OIC** that require some level of mandatory halal certification.

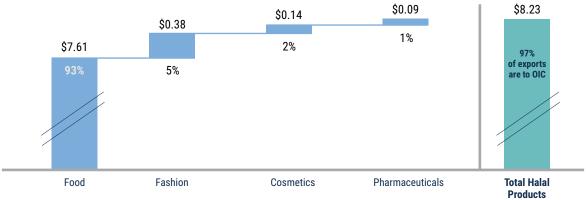
The export destinations for Indonesia's halal product exports are mainly the OIC member countries, but even the non-OIC countries source halal products from Indonesia, mainly the Eastern European markets. An estimated **\$0.22 billion of halal products** (requiring some level of mandatory halal certification) were exported by 10 non-Muslim countries with the highest Muslim spend.²⁰

This section provides the export opportunity for Indonesia – which product categories are ripe for export growth, and what is the impact of incremental trade capture opportunity from the OIC and non-OIC trade on Indonesia's economy. The 57 OIC countries and top 10 non-OIC countries are collectively referred to as "halal consumer markets" or "halal markets" in this sub-section.

Prioritization of sectors & geographies for export

Current state: Of the \$8 billion halal products (food, fashion, pharmaceuticals, cosmetics) exports by Indonesia to the top halal consumer markets in 2020, about 74% of exports were of animal or vegetable fats and oils, accounting for \$6 billion exports, with palm oil covering more than 80% of the category. But other products also make an important contribution to the export earnings. These include natural resources such as are processed food and beverages, forestry products, coffee, tea, palm products and fish. Exports of other fashion products (apparel and footwear), pharmaceuticals and cosmetics cover about 7.5% of total exports to halal consumer markets.

Indonesia's Exports of Halal Products to Halal Consumer Markets* in 2020 (US\$ billion, % of total halal product exports)



^{*} Halal products include food, fashion, pharmaceuticals and cosmetics products. Halal consumer markets include 57 OIC countries and 10 non-OIC countries with high Muslim spend on halal products. See methodology section for details.

Source: ITC Trademap, DinarStandard synthesis and analysis

^{20 10} Non-OIC countries that have the highest Muslim spend (80% of the total Muslim consumption of halal products by non-OIC countries). Countries include India, Russia, United States, China, France, Germany, United Kingdom, Italy, Ethiopia, Israel. See methodology section for details.

Export growth categories: Below are the top 10 prioritized export growth categories, led by animal or vegetable fats and oils. The other most attractive export sectors are medicament; preparations of meat and fish; coffee, tea, mate and spices; sugar and sugar confectionery.

These categories are scored and ranked by 5 metrics: products most imported by the halal consumer markets, fastest-growing categories over the past 5 years, most exported by Indonesia, requiring some degree of halal compliance, and OIC-trade intersection opportunity – halal trade flowing over Indonesia with potential to capture halal products' trade (refer to methodology section for details).

Top 10 Prioritized Export Categories for Indonesia

Sector	Trade Code (HS Code)	Simplified Name	INDONESIA PRIORITIZED FINAL SCORE
Food	'15	Animal or vegetable fats and oils	0.74
Pharma	'3004	Medicaments (for retail sale)	0.55
Food	'16	Preparations of meat, fish or other aquatic invertebrates	0.55
Food	'09	Coffee, tea, maté and spices	0.55
Food	'17	Sugars and sugar confectionery	0.54
Food	'04	Dairy products	0.53
Fashion	'62	Apparel (not knitted/crocheted)	0.51
Food	'19	Cereal, pasta & bakery products	0.51
Food	'02	Meat and edible meat offal	0.50
Cosmetics	'3306	Oral care	0.49

Note: Full list of rankings and methodology in appendix

Source: ITC Trademap, DinarStandard synthesis and analysis

International Competitiveness

The OIC countries are the major destination markets for Indonesia's halal products export. With a rich profile of natural resources such as palm oil, Indonesia is the largest global supplier of animal or vegetable fats and oil to the OIC countries, exporting 33% of the global exports to OIC.

But in regard to the other prioritized export categories, other countries lead the export market to the OIC. It is key for Indonesia to assess these export markets and ascertain their competitive edge in the halal trade market. This will help Indonesia identify the gaps in its trade and production capabilities.

Prioritized Export Categories and Top Global Exporters

Sector	Trade Code (HS Code)	Prioritized Export Categories (Simplified Name)	Top 3 Exporters to OIC	Current Export Value (US\$ Billions)	% of Total Exports to OIC
Food	'15	Animal or vegetable fats and oils	Indonesia Malaysia Russia	\$5.78 \$3.47 \$1.56	32.8% 19.7% 8.8%
Pharma	'3004	Medicaments (for retail sale)	Germany France India Indonesia (51st exporter)	\$3.67 \$3.23 \$2.63 \$0.03	13.7% 12.0% 9.8% 0.1%
Food	'16	Preparations of meat, fish or other aquatic invertebrates	Thailand China Morocco Indonesia (5th exporter)	\$0.67 \$0.32 \$0.14 \$0.13	28.1% 13.2% 5.9% 5.4%
Food	'09	Coffee, tea, maté and spices	India China Kenya Indonesia (8th exporter)	\$1.31 \$1.15 \$1.01 \$0.30	16.5% 14.5% 12.8% 3.8%
Food	'17	Sugars and sugar confectionery	Brazil India Thailand Indonesia (25th exporter)	\$5.77 \$2.07 \$0.83 \$0.04	45.2% 16.3% 6.5% 0.3%
Food	'04	Dairy products	New Zealand Netherlands Saudi Arabia Indonesia (56 th exporter)	\$2.89 \$1.08 \$1.04 \$0.01	20.9% 7.8% 7.5% 0.1%
Fashion	'62	Apparel (not knitted/crocheted)	China India Turkey Indonesia (12th exporter)	\$4.18 \$1.31 \$0.83 \$0.13	42.2% 13.2% 8.3% 1.3%
Food	'19	Cereal, pasta & bakery products	Turkey France Netherlands Indonesia (15th exporter)	\$1.13 \$0.71 \$0.67 \$0.28	10.9% 6.8% 6.4% 2.7%
Food	'02	Meat and edible meat offal	Brazil India Australia Indonesia (84th exporter)	\$3.54 \$1.81 \$1.33 (\$0.1 million)	33.0% 16.9% 12.4%
Cosmetics	'3306	Oral care	China Egypt Thailand Indonesia (16th exporter)	\$0.21 \$0.07 \$0.07 \$0.01	25.7% 8.9% 8.1% 1.5%

Source: ITC Trademap, DinarStandard synthesis and analysis

Export Opportunity Impact

Opportunity Area 1: OIC Incremental Trade Opportunity

The OIC countries imported \$202 billion in halal products (requiring some degree of halal compliance) for food, fashion, pharmaceuticals and cosmetics in 2020. Indonesia's exports to the OIC countries totaled \$8 billion, 4% of total exports. Hence, excluding Indonesia's exports, the OIC imported \$194 billion in halal products.

Indonesia is well-positioned to boost annual exports to the OIC by \$1.95 billion. With a dedicated strategy that supports halal economy activity, Indonesia can substantially boost its penetration of the broader \$194 billion in exports to other member countries of the OIC by an incremental \$1 billion (5%), \$1.95 billion (10%) or \$2.93 (15%) billion per annum.

Se	ectors	CURRENT OIC IMPORTS OF HALAL PRODUCTS*, 2020	CURRENT INDONESIA EXPORTS TO OIC FOR HALAL PRODUCTS*, 2020	TOTAL POTENTIAL VALUE OF CAPTURE VIA INDONESIA**	5% Capture of Global Halal Trade	10% Capture of Global Halal Trade	15% Capture of Global Halal Trade
		US\$ Billions	US\$ Billions	US\$ Billions	US\$ Billions	US\$ Billions	US\$ Billions
		\$202.11	\$8.00	\$19.51	\$0.98	\$1.95	\$2.93

^{*}Halal products exclude categories that are inherently halal (such as fresh vegetables) and categories identified haram.

Opportunity Area 2: Non-OIC Incremental Trade Opportunity

Indonesia is also well-positioned to boost annual exports of final products to non-OIC countries by \$1.63 billion (10%).

The top 5 non-OIC countries across each of the 22 final consumer product categories imported \$17 billion of halal products across food, fashion, pharmaceuticals and cosmetic products in 2020. The import values were adjusted based on Muslim spend in these countries (see methodology section for details). Indonesia exported \$0.64 billion (4%) of halal products to these non-OIC countries to meet end consumer demands. Indonesia can substantially boost its penetration by an incremental \$0.82 billion (5%), \$1.63 billion (10%) or \$2.45 (15%) billion per annum.

Sectors	CURRENT NON-OIC IMPORTS OF FINAL HALAL PRODUCTS*, 2020	CURRENT INDONESIA EXPORTS TO NON-OIC FOR FINAL HALAL PRODUCTS*, 2020	TOTAL POTENTIAL VALUE OF CAPTURE VIA INDONESIA**	5% Capture of Global Halal Trade	10% Capture of Global Halal Trade	15% Capture of Global Halal Trade
	US\$ Billions	US\$ Billions	US\$ Billions	US\$ Billions	US\$ Billions	US\$ Billions
	\$16.94	\$0.64	\$16.30	\$0.82	\$1.63	\$2.45

^{*22} final halal products are identified from a list of 33 categories, excluding raw materials and intermediary products, and includes categories that require some degree of halal compliance.

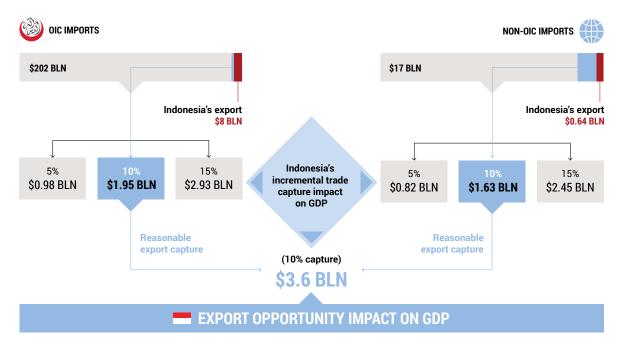
^{**}See methodology section for details on potential value of capture estimation.

^{**}See methodology section for details on potential value of capture estimation.

INDONESIA HALAL MARKET TRADE & INVESTMENT OPPORTUNITY

With \$1.95 billion incremental OIC exports, and \$1.63 billion incremental non-OIC exports, Indonesia can boost its exports and the economy by a total \$3.6 billion. The top 10 prioritized export categories cover 51.3% of the estimated export opportunity impact.

Summarizing OIC and Non-OIC Incremental Export Opportunity Impact on Indonesia's GDP



Source: ITC Trademap, DinarStandard synthesis and analysis



Photo: Shutterstock.com

Prioritized Export Categories and Contribution to Incremental Export Opportunity

Sector	Trade Code (HS Code)	Prioritized Export Categories (Simplified Name)	Export Opportunity to OIC & Non-OIC (US\$ Billion)	% of \$3.6 Billion Export Opportunity Impact
Fashion	'62	Apparel (not knitted/crocheted)	\$0.44	12.3%
Food	'04	Dairy products	\$0.31	8.7%
Food	'15	Animal or vegetable fats and oils	\$0.31	8.6%
Food	'02	Meat and edible meat offal	\$0.19	5.4%
Food	'19	Cereal, pasta & bakery products	\$0.14	4.0%
Food	'09	Coffee, tea, maté and spices	\$0.13	3.6%
Food	'17	Sugars and sugar confectionery	\$0.12	3.2%
Food	'16	Preparations of meat, fish or other aquatic invertebrates	\$0.10	2.7%
Pharma	'3004	Medicaments (for retail sale)	\$0.08	2.2%
Cosmetics	'3306	Oral care	\$0.02	0.7%
	(Others	\$1.75	48.7%

Source: ITC Trademap, DinarStandard synthesis and analysis



Photo: Shutterstock.com

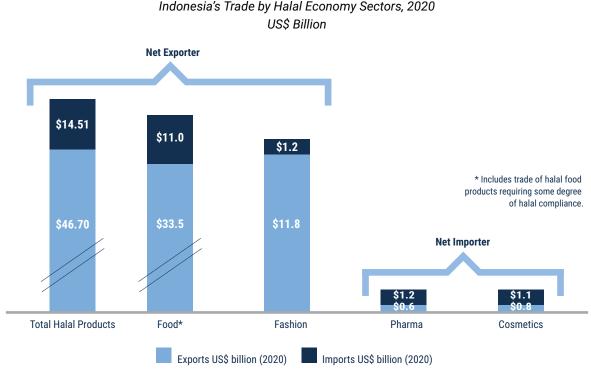
6.2. INDONESIA DOMESTIC PRODUCTION OPPORTUNITY

Unlike many OIC countries, Indonesia is a net exporter of halal products in aggregate. In 2020, Indonesia exported a total of \$46.7 billion halal products (food, fashion, pharmaceuticals, cosmetics) globally, and imported \$14.5 billion halal products, hence a **net exporter for halal products**, with net exports totaling \$32 billion in 2020. Nonetheless, Indonesia is still import-dependent for many halal products that could be replaced by domestic production. These products include ingredients for food, pharmaceuticals and cosmetics, dairy products, animal feed, and several processed foods and beverages. For this reason, Indonesia is aiming to develop strategies to increase domestic production efforts for import substations, in addition to increasing global exports of halal products.

This section discusses the product categories that Indonesia heavily relies on for imports to meet its consumer demands but which have the potential to be replaced by domestic production. The impact on GDP of substituting such imports with local production is also estimated in the section.

Import-Dependency and Domestic Production

In terms of halal economy sectors, Indonesia is a net exporter of halal food and fashion products, with net exports of \$22.5 billion and \$10.5 billion, respectively. However, Indonesia is still a net importer of pharmaceutical and cosmetic products, with net imports of \$0.56 billion and \$0.35 billion, respectively.



Source: ITC Trademap, DinarStandard synthesis and analysis

The table below shows 17 halal product categories (food, fashion, pharmaceuticals, cosmetics) that were import-dependent in 2020. Most of these categories can be substituted by domestic production as Indonesia has the pertinent natural resources and capabilities.

Indonesia's Import-Dependent Halal Product Categories

No.	Sector	HS CODE	Simplified Name	Total Indonesia Exports of Halal Products, 2020 US\$ 000	Total Indonesia's Imports of Halal Products, 2020 US\$ 000	Trade Balance (Exports less Imports) 2020 US\$ 000
1	Food	'17	Sugars and sugar confectionery	307,224	2,276,076	(\$1,968,852)
2	Food	'23	Animal fodder	983,388	2,910,776	(\$1,927,388)
3	Food	'02	Meat and edible meat offal	14,174	707,781	(\$693,607)
4	Food	'04	Dairy products	597,180	1,156,623	(\$559,443)
5	Food	01	Live animals	4,918	471,010	(\$466,092)
6	Cosmetics	'3302	Odoriferous substances	189,630	460,615	(\$270,985)
7	Pharma	'3002	Vaccines	78,395	341,017	(\$262,622)
8	Pharma	'3004	Medicaments (for retail sale)	472,015	709,669	(\$237,654)
9	Food	'11	Products of the milling industry	96,478	286,048	(\$189,570)
10	Cosmetics	'3304	Makeup & skincare	109,872	257,134	(\$147,262)
11	Food	'05	Other products of animal origin	19,819	81,221	(\$61,402)
12	Pharma	'3005	Adhesive dressings	5,024	39,234	(\$34,210)
13	Cosmetics	'3303	Perfumes	122,172	143,388	(\$21,216)
14	Pharma	'3006	Pharmaceutical preparations	21,253	36,653	(\$15,400)
15	Pharma	'3003	Medicaments (not for retail sale)	15,784	27,163	(\$11,379)
16	Cosmetics	'3307	Personal care	32,571	38,650	(\$6,079)
17	Food	'22	Beverages and vinegar	92,923	94,653	(\$1,730)

Source: ITC Trademap, DinarStandard synthesis and analysis

Domestic production: Indonesia's domestic production capacity is a key area to develop import substitution strategies. Current estimates show that in the year 2020, Indonesia's halal food production reached \$214 billion, which includes production in agriculture, fisheries and processed food that comply with shariah principles. Production in modest fashion reached \$15.8 billion and the Muslim-friendly tourism sector produced \$49 billion in products that comply with shariah principles, from transport services, accommodations and restaurants (Source: Bank Indonesia estimates).

Domestic industry interviews validated the ability and opportunity to substitute major parts of current halal product imports. Below are summarized insights from interviews (see methodology section for interviewees):

Food import substitution: While in aggregate, Indonesia is a net exporter of halal food products, there are several product categories that are import-dependent and can be substituted by domestic production. These imported products largely comprise raw materials and processed food. Almost all sugar is imported by Indonesia as ingredients. While about 80% of dairy is imported, it is difficult to self-suffice for milk powder due to limited resources. And the same is the case with the import of corn for poultry feed. Other types of processed food that Indonesia can self-suffice in include snacks, meat, and ingredients such as flavors and preservatives.

Pharmaceutical/cosmetics import substitution: Most of the raw materials for pharmaceuticals and cosmetics are imported. Intermediate products, such as polysilane, which is an imported raw material for cosmetics, are domestically available. There is also a huge opportunity in producing packaging materials that are also largely imported.

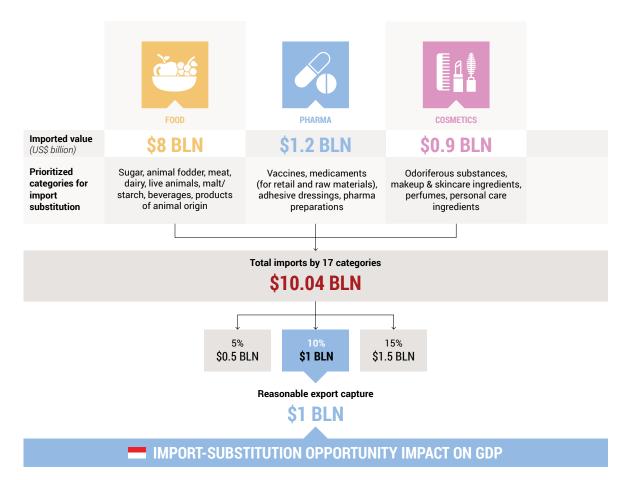
Fashion import substitution: Fabric and fiber production has potential for import substitution, although Indonesia lacks the technology and a sufficient number of skilled people. Indonesia has a competitive advantage in producing and exporting synthetic fiber but largely imports cotton, which is not feasible to grow in the country either.

Import Substitution Opportunity Impact

The 17 import-dependent halal product categories accounted for around \$10.06 billion imports in 2020. These cover 70% of imports of all halal products (food, fashion, pharmaceuticals, cosmetics). Through decisive import substitution strategies, if Indonesia can reasonably substitute 10% of these imports with domestic production, it will increase the GDP by almost \$1 billion. Other scenarios include 5% and 15% import substitution, which impact GDP by \$0.5 billion and \$1.5 billion, respectively.

Prioritized Categories for Import Substitution	TOTAL INDONESIA IMPORTS, 2020 US\$ 000	5% Import Substitution	10% Import Substitution	15% Import Substitution
Sectors HS Code Trade Category (Simplified Name)	US\$ Billions	US\$ Billions	US\$ Billions	US\$ Billions
	\$10.04	\$0.50	\$1.00	\$1.51

Summarizing Import Opportunity Impact on Indonesia's GDP



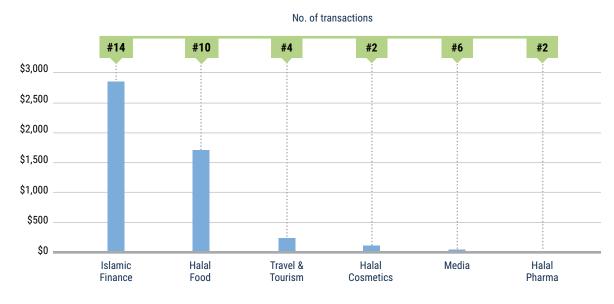
Source: ITC Trademap, DinarStandard synthesis and analysis



6.3. INDONESIA INVESTMENT OPPORTUNITY

Globally, investments in the halal economy reached \$11.8 billion in 2019/20,²¹ with Indonesia recording the highest share of global investments at 43% (\$5.01 billion). Of the 156 global investments, 38 were deals from Indonesia in various halal products and lifestyle sectors, 24 belonging to Islamic finance and halal food deals. These investments include the relevant mergers & acquisitions (M&A), private equity (PE), and venture capital (VC) transactions in 2019/20.

Indonesia's Current Halal Investments by Sectors 2019/20 (US\$ Million)



Source: DinarStandard synthesis and analysis

Indonesia has become a lucrative economy for halal investments. With the 4th largest population in the world and the largest Muslim population, estimated at 229.6 million Muslims in 2020, Indonesia also represents the largest market for Muslim spend globally across the halal economy sectors, with a combined \$184 billion across halal products and lifestyle sectors.

Indonesia, with \$199.5 billion in Islamic finance assets, is a global leader in Muslim financial inclusion. In 2020, Indonesia was the largest issuer of sovereign sukuk in the international market, totaling \$20.65 billion. The agriculture sector is also ripe for investments, as respondents of a business survey carried out by Bank Indonesia showed that investment activity in agriculture increased during the first half of 2020, and they are optimistic that investments will increase in the first quarter of 2021. 119

²¹ Investments from August 1st, 2019, through July 31st, 2020.

FDI opportunity impact

With a positive outlook of investments in Indonesia and its large global share, this report assesses the impact of increasing investments in halal products and lifestyle sectors on the economy. In an ideal situation, **if investments in each sector could increase by 10%, it could potentially impact the GDP by \$0.5 billion and raise Indonesia's global share of investments to 45%.** Other feasible scenarios are an increase of 5% and 15%, increasing GDP by \$0.25 billion and \$0.75 billion, raising the global share to 43% and 49%, respectively.²²

FDI OPPORTUNITY IMPACT ON GDP \$0.5 BLN \$5.01 \$5.51 47% TOTAL INVESTMENTS \$2.85 ISLAMIC FINANCE \$1.74 HALAL FOOD \$0.28 INVESTMENT VALUES **TRAVEL & TOURISM** \$0.10 HALAL COSMETICS \$0.03 MEDIA \$0.02 HALAL PHARMA 10% Investment Increase Opportunity Global Investments Indonesia Investments

Summarizing FDI Opportunity Impact on Indonesia's GDP

Investments in period Aug 2019 – Jul 2020, all values are in US\$ billion Modest fashion investments are insignificant and do not contribute majorly to the total investments, hence omitted.

Source: DinarStandard synthesis and analysis

²² Full table with impact of different scenarios in appendix.

INDONESIA HALAL MARKET OPPORTUNITY ASSESSMENT

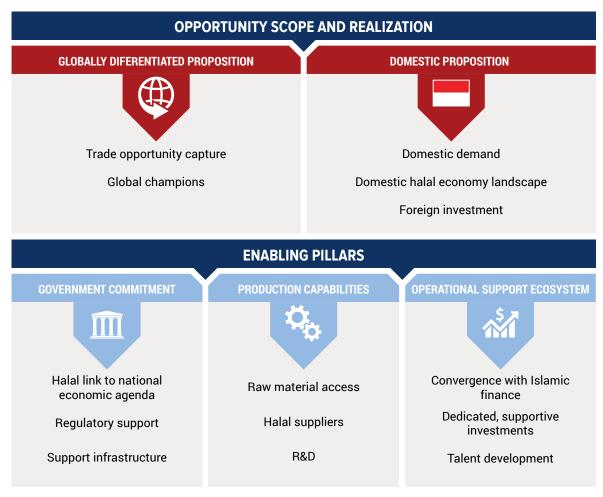
This section introduces a comprehensive framework that identifies the essential building blocks for a successful halal economy strategy and assesses Indonesia's current performance against key criteria, with benchmarking against leading countries in the halal economy.

Essential Building Blocks for the Halal Economy

The National Halal Economy framework by DinarStandard is a tool that links a nation's halal economy to economic growth, an important foundation for any successful macroeconomic halal economy strategy. The framework looks at all applicable factors, spanning the size of addressable demand, domestic and global competitiveness, and the current and potential capture of trade, to identify prioritized opportunities to address in a comprehensive strategy.

NATIONAL HALAL ECONOMY FRAMEWORK

Alignment of essential pillars for an evolved halal economy proposition to derive economic growth



Source: DinarStandard National Halal Economy Framework

The framework incorporates two fundamental premises, five pillars and 14 sub-pillars that underline success and leadership in the halal economy. Its application can help countries identify their areas of strength, and areas of development, in building scaled propositions that address the core global halal economy opportunity. The two core areas can be summarized as follows:

- 1. **Opportunity Scope and Realization**: There is a sufficiently sizeable halal economy opportunity that is being fully addressed by a country's natural and productive resources.
 - Pillar 1: Globally Differentiated Proposition: Identifies the robust capture of substantial international trade opportunities in the halal economy. Identifies global champions with a unique, differentiated proposition.
 - **Pillar 2: Domestic Proposition:** Identifies opportunities from domestic demand for halal products, domestic halal industry and ecosystem landscape and foreign investment.
- 2. Enabling Pillars: There exists a meaningful mix of enabling pillars in place to support the development of multiple scaled, domestic and global champions addressing the global halal economy opportunity.
 - **Pillar 3: Government Commitment:** Identifies halal link to national economic agenda, regulatory support to the halal economy, related support infrastructure.
 - **Pillar 4: Production Capabilities:** Identifies access to raw materials, halal suppliers, and R&D facilities to support halal economy advancement.
 - **Pillar 5: Operational Support Ecosystem:** Identifies convergence with Islamic finance, dedicated investment opportunities, and talent development for the halal economy.



Photo: Shutterstock.com

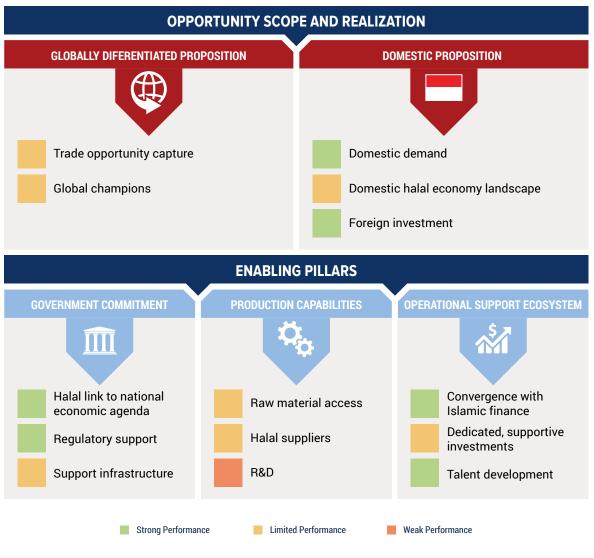
Summary Assessment of Indonesia's Halal Market Performance

Against the above framework, Indonesia has achieved through 2020 a strong foundation for its halal economy strategy and macro-economic impact with many areas of improvements needed as well. Collectively, the required improvements would drive enabling and achieving the economic impact estimates.



NATIONAL HALAL ECONOMY FRAMEWORK

Alignment of essential pillars for an evolved halal economy proposition to derive economic growth



Source: DinarStandard National Halal Economy Framework

7.1. GLOBAL PROPOSITION

As identified in the opportunity section, the potential incremental value of exports of \$3.6 billion and FDI of \$0.5 billion can be achieved by addressing key internal and external challenges, with a focused effort on prioritized growth opportunity sectors and markets by leveraging Indonesia's core market competencies.

CORE COMPETENCIES

- 1. Largest halal consumer market in the world. Indonesia represents the largest market for Muslim spend globally across the halal economy sectors, with a combined \$184 billion across halal products and lifestyle sectors (9.7% of global halal economy spend).
- 2. Indonesia is already the largest exporter among OIC. With \$8.6 billion exports of halal products, Indonesia is the 9th largest exporter globally and 2nd largest exporter among the OIC countries.
 - One of the major global destinations for Muslim-friendly travel. The largest issuer of sovereign and green sukuk, with tremendous momentum in Islamic fintech.
- 3. **Domestic champions** that are thriving, with the potential to grow as global leaders.
- 4. Collaboration between ministries supports exports. The Ministry of Trade, BPJPH, the Ministry of Finance, the Ministry of Foreign Affairs and Indonesian representatives work together to encourage the export of Indonesian halal products

INTERNAL CHALLENGES

- Trade barriers hinder export. Even through free trade agreements (such as ASEAN), some countries have special safeguard or nationalist protectionism mechanisms. There is also tariff discrimination, for instance, cocoa derivatives from Europe to Africa cost 0%, but for Indonesia, 6-9% tariffs are charged.
- COVID-19 pressured existing logistics crises. Due to COVID-19, there was a worldwide container shortage which led to container tariffs increasing by 3-4 times in Indonesia.
- 3. Limited expansion of local champions going global.

 Domestics champions global reach and exposure are limited compared to other halal economy companies.

EXTERNAL CHALLENGES

- Existing halal economy leaders as identified by the Global Islamic Economy Indicator (GIEI) Ranking 2021.
- 2. New energy and focus by various markets. These are all not necessarily challenges but also opportunities for partnerships and joint collaborations.
- 3. Quality or standard label requirements in the destination country. Some countries require personalized labeling, adding to cost. For instance, starting January 2022, China will require F&B imported product labels to be in Mandarin. Other countries have high food safety standards which makes it difficult for small companies exporting.

GROWTH OPPORTUNITIES

1. Prioritized export categories (as discussed in the opportunity section). A large proportion of these is processed food products. This indicates a significant opportunity for Indonesian food processors. Since these processors already have to comply with comprehensive halal certification rules, this would position them well when entering the global market for halal food.

Highlighted analysis:

Prioritized export categories: The diagram below shows the top 10 export categories for Indonesia as discussed in the opportunity section and the top consumer markets for these products.

Top 10 Prioritized Export Categories and Markets for Indonesia

Sector	Trade Code (HS Code)	Prioritized Export Categories (Simplified Name)	Export Opportunity to OIC & Non-OIC (US\$ Billion)	Top OIC Import Markets	Top Non-OIC Import Markets with Large Muslim Consumption
Fashion	62	Apparel (not knitted/crocheted)	\$0.44	1. United Arab Emirates 2. Saudi Arabia 3. Turkey	1. Germany 2. France 3. United States
Food	'15	Animal or vegetable fats and oils	\$0.31	1. Pakistan 2. Malaysia 4. Turkey	1. India 2. Netherlands 4. China
Food	'04	Dairy products	\$0.31	1. Saudi Arabia 2. United Arab Emirates 3. Turkey	 Germany France Netherlands
Food	'02	Meat and edible meat offal	\$0.19	1. United Arab Emirates 2. Saudi Arabia 3. Egypt	1. China 2. Germany 3. United States
Food	'19	Cereal, pasta & bakery products	\$0.14	1. Saudi Arabia 2. United Arab Emirates 3. Malaysia	France Germany United Kingdom
Food	'09	Coffee, tea, maté and spices	\$0.13	1. Saudi Arabia 2. Pakistan 3. Malaysia	United States Germany France
Food	'17	Sugars and sugar confectionery	\$0.12	1. Indonesia 2. Malaysia 3. Nigeria	United States China Germany
Food	'16	Preparations of meat, fish or other aquatic invertebrates	\$0.10	1. Saudi Arabia 2. United Arab Emirates 3. Egypt	United Kingdom Germany France
Pharma	'3004	Medicaments (for retail sale)	\$0.08	1. Saudi Arabia 2. Turkey 3. Egypt	Singapore China Hong Kong, China
Cosmetics	'3306	Oral care	\$0.02	1. United Arab Emirates 2. Saudi Arabia 3. Malaysia	Germany United Kingdom United States

Source: ITC Trademap, DinarStandard synthesis and analysis

Domestic champions that are thriving, with potential to grow as global leaders: The 2021 Forbes Global 2000 list of public companies listed just 6 Indonesian companies, almost all of which are banks. No halal economy players were listed.

Companies on the 2021 Forbes Global 2000 Companies List



Source: Forbes Global 2000 Companies List, 2021



Photo: Shutterstock.com

7.2. DOMESTIC PROPOSITION

As identified in the opportunity section, the domestic production opportunity, whereby select import categories are substituted, can realistically boost Indonesia's GDP by \$1 billion a year. This can even lead to increased exports and investments into Indonesia. Key internal and external challenges need to be addressed, with a focused effort on Indonesia's core competencies and growth opportunities.

CORE COMPETENCIES

- Hosts the largest Muslim population. Indonesia has the 4th largest population and the largest Muslim population in the world, with 229.6 million Muslims in 2020 (est.).
- 5. The largest halal consumer market in the world. Indonesia represents the largest market for Muslim spend globally across the halal economy sectors: largest for the food sector, 2nd largest for cosmetics and media, and among the top 10 in pharmaceutical, travel and fashion sectors.
- 2. Increased halal awareness among consumers.

 A Pew Research survey on religious perceptions around the globe found that 98% of Indonesians believe religion is very important.
- 3. Distribution channels in the domestic market are increasing and diversifying. E-commerce is most prominent for fashion and CPG, while traditional markets work well for F&B and other products.

INTERNAL CHALLENGES

- Limited number of scaled participants.
 Pharmaceutical and modest fashion sectors are key areas where further investment could help build scalable companies addressing a robust domestic demand.
- Need for "Made in Indonesia" proposition. This could give Indonesian companies a competitive edge to promote domestically produced goods in the country and internationally.

EXTERNAL CHALLENGES

- 1. Higher food prices threaten import-dependent products. In August 2021, global food prices increased near the highest in a decade. World food prices have rallied about 33% in the past year, increasing inflation risks and shipping costs.
- 2. Logistics is a key concern to foreign investors. They are concerned that Indonesia cannot be integrated into its supply chains without efficient logistics. The 33 provinces of Indonesia are geographically widely spread, which leads to expensive domestic transport and logistics. This leads to decreased domestic and foreign investment in these regions. Most food industries are based on Java island, but the raw materials are from off the island, entailing a need for proper logistics infrastructure.
- 3. Limited Special Economic Zones (SEZ) to attract foreign investments. Although the number of SEZs in Indonesia has increased in recent years (15 SEZ), it is less in comparison to other halal economies.

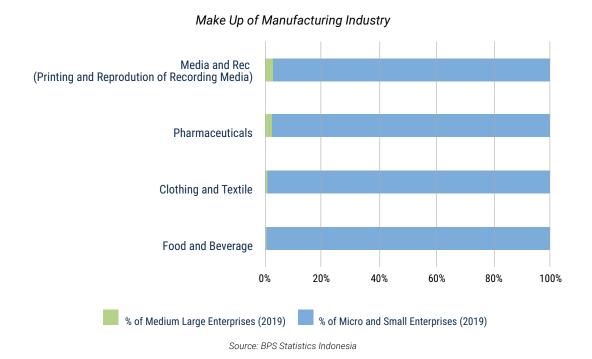
GROWTH OPPORTUNITIES

- Collaboration among industry players. Industry bodies such as retail industry body APRINDO are actively working to educate suppliers to the retail industry on halal practices and halal law in general. This will go far in helping micro and small enterprises scale their business.
- FDI in the pharmaceutical sector. FDI investment is expected to enter the pharmaceutical sector, which is currently experiencing high growth, driven by the use of medical equipment, vaccines and medicines used during the pandemic.
- 3. Special Economic Zones (SEZ) and halal parks could spur investment growth. Indonesia has started investing in halal industrial parks with the added benefits of SEZs to attract investments. It may also spur on R&D in halal products and help Indonesia become a key halal economy. The 'Halal Modern Valley' in the Modern Cikande Industrial Estate is the first industrial zone in Indonesia to receive the Halal Industrial Zone certificate from the Ministry of Industry.

Highlighted analysis:

Domestic landscape and champions: Indonesia has a well-developed landscape of players, with room for further consolidation and scaling.

Indonesia is an advancing producer of halal products – across food, pharmaceutical and cosmetics products, with several scaled industry participants. However, there is plenty of room for further consolidation, as well as to promote the growth of small enterprises.



Micro and Small Enterprises (MSE) dominate the business landscape of Indonesia. In the food and beverage industry, micro and small enterprises employ 75.8% of all labor. However, in the pharmaceutical industry, this is the opposite, with 79.1% of labor being employed in medium to large enterprises. There is a limited number of scaled participants, in particular in pharmaceutical products and especially in modest fashion, areas where further investment could help build scalable companies addressing a robust domestic demand.

Industry bodies such as retail industry body APRINDO are actively working to educate suppliers to the retail industry on halal practices and halal law in general. This will go far in helping micro and small enterprises scale their business.

7.3. GOVERNMENT COMMITMENT

Government, as a key ecosystem player, can provide industry players with regulatory and infrastructure support to enable companies to build on their core competencies and overcome internal and external challenges. National economic agendas linked to the halal economy can provide the industry with a direction for domestic and international growth.

CORE COMPETENCIES

- 1. Halal economy linked to national economic agendas. Bank Indonesia's initiatives to integrate Shariah economic and Shariah financial development have accelerated to the national level. The government has also put in place the relevant regulation to expand the scope of KNEKS and establish the BPJPH. There is a clear synergy between the various ministerial bodies and other Shariah economy organizations.
- Reformed halal regulatory ecosystem. With the new halal regulation reforms (namely GR 39/2021), three bodies—BPJPH, MUI and LPH—work independently and collaborate, removing any conflicts of interest.
- 3. BPJPH (halal regulator) collaborates with relevant ministries to support the export proposition. The government is also providing financial incentives that can be used to encourage investment and boost exports of halal products.
- 4. Investing in transportation infrastructures such as railways and ports. Indonesia has planned to spend \$430 billion on infrastructure between 2020 to 2024, higher than the \$359 billion invested between 2015-2019.
- 5. The Indonesian Investment Authority (INA), Indonesia's new sovereign wealth fund. Initially, the government provided funding with \$1.1 billion in 2020 and placed another \$5.4 billion into it from the 2021 budget.

INTERNAL CHALLENGES

- Alignment of government policies. The policies of the central and regional governments are still not aligned to meet halal industry-related regulations.
- 2. Lack of cooperation between key stakeholders.

 Closer cooperation is needed between halal
 certification institutions, producers, scholars,
 researchers, and the government to efficiently meet
 consumer demands.

EXTERNAL CHALLENGES

- Limited global recognition for halal products.
 Indonesian halal product certification is still not widely recognized in the global market.
- Technical regulatory problems with the certification process hinder global reach. With the new halal regulations, Indonesia may be able to advance its regulatory system.
- Scope for improving ease of doing business.
 Indonesia has been ranked 73rd overall in the 2020
 Doing Business rankings and is ranked 11th among OIC countries.

GROWTH OPPORTUNITIES

- Well-defined halal certification process for importers. Foreign companies importing products with an international halal certification require MOU between BPJPH and the foreign halal certification body to use certification in Indonesia. This opens doors for collaboration with international halal agencies.
- 2. Partnering with international halal bodies. Indonesia has become a member of SMIIC (as of Nov 2019). Indonesia also supported the establishment of the International Halal Authority Board (IHAB), which consists of 84 members from 46 countries where Indonesia acts as Deputy Chair.

Highlighted analysis:

Halal economy business incentivization: The government is providing financial incentives that can be used to encourage investment and boost exports of halal products. The incentives have been delegated to the Investment Coordinating Board (BKPM) so that it can directly grant them to increase investment in priority areas. Paper from the aforementioned Omnibus Law being passed, Indonesia has also taken other steps to improve the experience of doing business in the country, including introducing an online platform for business licensing. An online tax filing and payment system for the major taxes was also introduced. Trading across borders was also made easier by improving the online processing of export customs declarations.

While Indonesia has sought to incentivize investment, a greater focus is needed in particular on sectors linked to the halal economy, notably food and beverage, pharmaceutical products and apparel. The US's R&D tax policy is a good example of a tax incentive that promotes R&D, specifically in the textile and apparel industry. 122



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7.4. PRODUCTION CAPABILITIES

Indonesia has a strong agricultural sector which contributes considerably to the GDP. However, production in halal economy-related categories, like live animals, can be improved. Halal ingredients manufacturing requires greater investment in R&D. Some multinational companies have a presence in the country, but the demand is still exceeded by the supply.

CORE COMPETENCIES

- Rich in natural resources such as palm oil. Indonesia is the largest exporter of palm oil to the rest of the world, exporting 26 million tons valued at \$17.4 billion 31% of the global exports in 2020.¹²³
- 2. Competency in production and export of raw materials such as synthetic fiber for fashion products and ingredients for nutraceuticals.

INTERNAL CHALLENGES

- Lack of R&D and testing facilities for ingredients for halal products – food, pharmaceuticals and cosmetics.
- Lack of skilled workers & technology in producing raw materials, leading to inefficiencies in production.
- Lack of value-added commodities and competitiveness in meeting export markets and import substitution.
- 4. Limited integration of upstream and downstream industries in the fashion sector. Standardization in the quality and quantity of key materials and supporting materials for the fashion sector is also an issue.

EXTERNAL CHALLENGES

- **1. Other leading halal economy producers** such as Malaysia, Thailand and Australia.
- Competitive pricing of halal products by non-OIC exporters. Indonesia may find it difficult to compete with exporter's prices.

GROWTH OPPORTUNITIES

- Leading agriculture production. Indonesia generated the 3rd largest amount in primary value add across agriculture, fishing and forestry at \$145 billion in 2020. Indonesia is followed by Nigeria, Pakistan and Turkey. 124
- 2. There is plenty of room for Indonesia to further reduce its reliance on imports, especially in categories valued at \$10 billion in 2020 (as discussed in the opportunity section). These commodities include sugar products, animal fodder (corn), meat and dairy products.

7.5. OPERATIONAL SUPPORT ECOSYSTEM

Shariah economy education is one of the three major pillars of the Bank Indonesia Sharia Economic and Financial Development Policy Blueprint. They have made significant strides in this area. Islamic finance literacy and penetration is growing but at a slower pace than global halal economies, and it needs to expedite. Halal industry training can be further propagated to improve the efficiency of the overall halal certification process and also help grow the shariah economy as a whole.

CORE COMPETENCIES

- 1. In the last three years, there has been an increase in public financial understanding by 8.33%. 125 Islamic finance has also seen growth due to increasing awareness among the younger population and a more orchestrated approach to socialization programs by all stakeholders.
- A leading Islamic fintech player. Indonesia placed fourth on the Global Islamic Fintech (GIFT) Index in 2020, totaling \$2.9 billion fintech market size (based on transaction volume).¹²⁶

INTERNAL CHALLENGES

- Low penetration of the Islamic banking sector. Public awareness to use Islamic bank products is still low and needs to advance.
- 2. Gap in meeting the needs of the industry remains. A gap between the needs of halal economy businesses in the real sector and Islamic financing capacity available remains. Islamic financial institutions do not have a specific financing target for the halal industry, including halal tourism.
- 3. Limited Islamic finance experts. There is also a gap in Islamic finance experts in Indonesia.

EXTERNAL CHALLENGES

 Existing halal economy fintech leaders. Indonesia has not been identified as the leading halal economy fintech leader in the Global Islamic Fintech (GIFT) Index, 2020.

GROWTH OPPORTUNITIES

- Halal Industrial Estates/Parks, encouraged by the government, will enable the development of the halal industry in Indonesia, which is very large but has not been realized optimally.
- 2. Indonesia was the largest issuer of sovereign sukuk globally in 2020 (\$20.65 billion). Indonesia dominated 22.18% of all sovereign sukuk, well above Saudi Arabia and the UAE.
- 3. Indonesia is the 2nd largest venture capital (VC) market in Southeast Asia, after Singapore. Over the 2019/2020 period, Indonesia ranked ahead of all countries with 38 investment transactions.

Summary Assessment of Indonesia's Halal Market Performance

		OPPORTUNITY SCOPE
Pillar	Sub-Pillar	Assessment and Conclusions
Globally Differentiated	Trade opportunity capture	Incremental and substantial \$3.6 billion export opportunity: Indonesia exported \$8.6 billion to the OIC markets across halal products in 2020 but lags behind the non-OIC leader China (\$25.4 billion). Can increase halal products exports by prioritizing high-value and proximate trade relationships supplying to the OIC and non-OIC markets.
Proposition	Global champions	Scope for leading Indonesian multinationals: Indonesian players in the food and beverage and pharmaceutical sectors have the potential to expand globally.
	Overall	Limited: There's substantial room to strengthen exports across the halal economy.
	Large Muslim population	Very strong: Largest Muslim population in the world and largest Muslim consumer spend across halal economy sectors, totaling \$184.04 billion.
	Existence of demand	Very strong: Robust Islamic values held by Indonesia's Muslims.
Domestic Proposition	Evolved domestic halal economy landscape	Sizeable \$0.4 billion import substitution opportunity: Well-developed domestic companies exist but could better meet domestic demand, replacing imports in prioritized sub-sectors in food, pharmaceuticals and cosmetics
	Foreign investment	Strong: The country has the potential to capture 50% of global investments into halal economy sectors.
	Overall	Strong: By substituting imports and consolidating domestic companies, the domestic proposition can become very strong. There is potential to attract more FDI and channel it into Islamic economy sectors.



		ENABLING PILLARS
Pillar	Sub-Pillar	Assessment and Conclusions
	Halal link to national economic agenda	Strong: Bl's Blueprint for the Islamic Economy and Finance and KNEKS' Indonesia Islamic Economic Masterplan are well-linked to the overall economic strategy of the country and cover all sectors of the Islamic economy.
Government Commitment	Strong and efficient regulatory support	Strong: Regulations that have been put in place have strengthened the halal economy and provided for more certification processes. However, the influence on international halal regulation is still limited.
	Adequate support infrastructure	Limited: Lack of targeted sector incentives and limited involvement of government funds in halal.
	Overall	Strong: A comprehensive strategy has been designed, and good regulations have been put in place. Incentive schemes should be designed to promote investment in the halal economy.
	Raw material access	Improving: Largest agriculture sector in the OIC but with substantial room for development, particularly in livestock farming.
Production	Halal suppliers	Limited: Lack of halal ingredients suppliers.
Ecosystem	R&D	Limited: Limited evidence of R&D in the halal economy.
	Overall	Limited: Focus needed on intermediate suppliers.
	Convergence with Islamic finance	Strong: Growing sector with good growth prospects. More conventional banks have also started offering Shariah-compliant products with the increase in awareness among the population.
Operational support ecosystem	Dedicated, supportive investments	Moderate: Domestic investment in halal economy segments is limited. There are not many incubator programs available for the halal economy sectors.
	Talent development	Strong: BI has supported many educational initiatives, particularly in the Islamic finance sector and collaborations with universities. More training can be conducted for those involved in the halal certification process.
	Overall	Strong: Education on Islamic finance is widely available and of a high standard. Further work can be done on creating awareness around other halal economy sectors.

Strong Performance Limited Performance Weak Performance

PROMOTION STRATEGY FOR INDONESIAN HALAL TRADE & INVESTMENT

With the identified halal economy goals, the following section presents key strategic objectives per pillar and related seventeen strategic priorities for stakeholders to ensure that Indonesia's halal economy opportunity can be fully realized.

The Halal Economy Strategy: Laying the Groundwork

Indonesia's halal economy can be an engine of economic growth and give the country substantial influence across the Muslim world.

Indonesia's halal economy strategy needs to be comprehensive with a clearer focus on boosting GDP and creating a world-leading infrastructure that goes beyond the accomplishments of halal economy leaders.

While each country will have its own variant of a halal economy strategy, Indonesia is in a unique and differentiated position compared to its peers – it has the largest Muslim population in the world and the largest agriculture sector in the OIC, with several scaled consumer goods companies already addressing robust domestic demand. To realize its full potential and underpinning Indonesia's halal strategy are two clear objectives and five supporting pillars, which correspond closely to the national halal economy framework introduced in the previous section.

Goal 1: Boost GDP by \$5.1 billion through incremental exports, FDI and import substitution.

Pillar 1: Globally Differentiated Proposition: Indonesia is poised to capture a larger share of halal economy trade through a strategic targeting of top importers and with a focus on product categories that align closely with the halal economy.

Pillar 2: Domestic Proposition: Indonesia has the strength to collaborate with key local stakeholders—government, industry and investors—to promote halal trade and build on market intelligence.

Goal 2: Develop enabling pillars that will help the full economic potential of the halal economy materialize.

Pillar 3: Government Commitment: Indonesia has the opportunity to leverage special economic zones and halal industrial hubs to attract foreign investment. Ease of regulations, trade agreements, and the dedicated halal fund can support the export opportunity proposition.

Pillar 4: Production Capabilities: Support the development of various intermediate suppliers and processes to enhance the efficient operation of domestic halal economy propositions.

Pillar 5: Operational Support Ecosystem: Create the necessary supporting ecosystem for domestic companies to thrive and become global success stories, with the development of clear investment propositions, supported by a clear commitment towards creating world-class education programs.



NATIONAL HALAL ECONOMY FRAMEWORK

Establishing the halal economy as an engine of Indonesia's macroeconomic growth and leading influence across the Muslim world

GOAL 1:

BOOST GDP BY \$5.1 BILLION THROUGH INCREMENTAL EXPORTS, FDI AND IMPORT SUBSTITUTION

GLOBALLY DIFFERENTIATED PROPOSITION



STRATEGIC PRIORITIES

Target export markets; Value-added product development; Global networking through embassies; Promote halal lifestyle

STAKEHOLDERS

Government; Large & Medium Corporates; Industry Associations

DOMESTIC PROPOSITION



STRATEGIC PRIORITIES

Trade promotion through events; Invest in infrastructure; Market intelligence; Attract international investors

STAKEHOLDERS

Government; Industry Associations; Large & Medium Corporates; Investors

GOAL 2:

DEVELOP ENABLING PILLARS THAT WILL HELP THE FULL ECONOMIC POTENTIAL OF THE HALAL ECONOMY MATERIALIZE

GOVERNMENT COMMITMENT



STRATEGIC PRIORITIES

Ease regulations; Trade agreements; Dedicated halal fund; Halal industrial hubs

STAKEHOLDERS

Government; Investors

PRODUCTION CAPABILITIES



STRATEGIC PRIORITIES

Investment in high-tech and upstream industry; Strengthening halal supplier base

STAKEHOLDERS

Government; Industry Associations; Large & Medium Corporates; Investors

OPERATIONAL SUPPORT ECOSYSTEM



STRATEGIC PRIORITIES

Streamline Islamic finance rules; Fintech for individual's investment; Triple-helix model for talent pool

STAKEHOLDERS

Government; Industry Associations; Large & Medium Corporates; Investors

Source: DinarStandard National Halal Economy Framework

GLOBALLY DIFFERENTIATED PROPOSITION

Key stakeholders and strategic priorities for the globally differentiated proposition

STRATEGIC Priorities	Target export markets	Value-added product development	Global networking through embassies	Promote halal lifestyle
STAKEHOLDERS	Government; Large & Medium Corporates; Industry Associations			

1. Companies scale up export-driven marketing that will allow Indonesia to become a top halal economy exporter.

Domestic companies (led by large corporates) should leverage the target market priorities identified in this report and chart international paths that span high-value OIC and non-OIC countries with large Muslim populations.

There are several steps to further activate and grow export propositions – the most important of which would be expanded international marketing budgets and strategies. Attending regular global trade events focused on the halal economy or related sector events in target markets (e.g., the GulfFood annual event or others in target markets), along with on-the-ground marketing presence and awareness building, will be crucial to securing a global footprint and building essential relationships.

To achieve the \$3.6 billion incremental export opportunity, select target markets to export prioritized halal categories (food, pharma, fashion, cosmetics) include:

- OIC markets: Pakistan, Malaysia, Turkey, UAE, Saudi Arabia and Egypt.
- Non-OIC markets: India, Netherlands, China, Germany, France, United States, Singapore and Hong Kong.

2. Companies focus on value-add product development for exports.

Existing domestic leaders across food, fashion, pharmaceutical and cosmetics halal products are well-positioned to evolve their product offerings to address high-value categories, as highlighted in the previous section.

Top export potential categories under each halal product sector include:

- Animal or vegetable fats and oils (\$0.31 billion opportunity)
- Apparel (not knitted/crocheted) (\$0.44 billion opportunity)
- Medicaments (for retail sale) (\$0.08 billion opportunity)
- Oral care (\$0.02 billion opportunity)

Indonesian companies should also assess the global players in the halal economy to leverage their own competitive advantages for international reach.

PROMOTION STRATEGY FOR INDONESIAN HALAL TRADE & INVESTMENT

Some global halal economy players to assess include (detailed benchmark players and profiles discussed in earlier sections):

- Danone, France (Dairy)
- BASF, Germany (Ingredients)
- Modanisa, Turkey (Fashion)
- Noor Vitamins, United States (Nutraceuticals)

3. Government to closely work with the industry to network with international partners.

Indonesia's halal economy companies require the express support of the government's export division, supported by Indonesia's embassies around the world, helping companies establish important meetings with distributors in high-priority countries, and educating the world about Indonesia's production capabilities.

This has been practiced by Indonesia but needs to be done more aggressively. Indonesian representatives/ embassies need to collaborate to provide companies with better networking options. It is costly for companies to look for buyers abroad and so they need the government's support. The government's close collaboration with the industry is key to finding international partners and expanding global reach.

4. Industry Associations driving 'halal lifestyle' as a key differentiator for the 'Proudly Made in Indonesia' initiative.

An industry association-led platform to engage large Indonesian brands to galvanize the 'Made in Indonesia' brand, especially with 'halal lifestyle' as a key differentiator, further across OIC and Non-OIC halal markets. This could also be supported or led by a government agency(s).



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DOMESTIC PROPOSITION

Key stakeholders and strategic priorities for domestic proposition

STRATEGIC Priorities	Trade promotion through events	Invest in infrastructure	Market intelligence	Attract international investors
STAKEHOLDERS	Government; Industry Associations; Large & Medium Corporates; Investors			

1. Government and/or industry associations expand trade promotion for local industry activation.

Local companies need trade promotion to connect with local players and better understand the market. Apart from networking locally, connecting with international players is also crucial for companies to expand their global reach. The government must work with credible partners, such as the IHLC, to convene important B2B and B2C events supported by dedicated media. An example of such media is the creation of the Salaam Gateway, a platform co-owned by DinarStandard, which has played an important role in raising awareness of the halal economy.

2. Government to invest in infrastructure to resolve intra-logistics issues.

Such logistics issues within the country not only lead to unfulfillment of demand but cause a barrier to foreign investment. Most food industries are on Java island, but raw materials are available off the island, requiring robust infrastructure for timely delivery and production. The government must help resolve logistics issues with the country by investing in better infrastructure and road construction.

3. Government and/or industry associations to expand actionable market intelligence for local industry players.

There is a need for market intelligence that the Indonesian Trade Promotion Centre (ITPC) or the Ministry of Trade is able to provide the local companies with. Such market intelligence includes the study of consumers' demands. An independent study is needed to survey Muslim consumers in Indonesia and in target trade markets across the OIC and non-OIC to determine the gaps in their needs. Providing access to data is a critical step in raising awareness of the opportunity.

4. Government and local companies to expose the halal market opportunity to international investors.

Given Indonesia's growing prominence for international investors, its domestic halal market opportunity, as well as regional reach, should be promoted to international investors. Indonesia's recent Sovereign Wealth Fund, active private equity, and venture capital space should all be exposed to the halal market opportunity. Success cases, such as GoTo and their likes, would help build confidence among investors.

GOVERNMENT COMMITMENT

Key stakeholders and strategic priorities for government commitment

STRATEGIC Priorities	Ease regulations	Trade agreements	Dedicated halal fund	Halal industrial hubs
STAKEHOLDERS	Government; Investors			

1. Government to further ease halal regulations to facilitate exports.

COVID-19 resulted in a decrease in sales due to PSBB policy (Large-Scale Social Restriction). International sales only came from loyal international customers. It also caused delays in receiving raw materials from China and India. The government needs to rethink its strategy for export and import control that will have a direct impact on the halal economy as well.

2. Governments to increase trade agreements to remove trade barriers and ease exports.

Trade agreements with export markets can help reduce tax. Recently, agreements that benefited the industry include the Indonesia-Australia IA-CEPA agreement, and similar arrangements are in talks with the UAE. Governments need to increase negotiation with target export markets for tariff relaxation or free trade agreements (FTA) to facilitate exports.

3. Government to establish or support dedicated halal economy fund(s) to attract foreign investment.

The government must provide direct financial support to the industry and determine how best this can be done through Indonesia's new sovereign wealth fund (PIP) that can play a transformational role in hastening the development of the halal economy. One of the ways is through establishing a dedicated halal fund to direct foreign investments into halal economy companies, as well as providing capital to private equity managers with a clear mandate.

Government to increase and support the development of halal industrial hubs.

Indonesia has 15 special economic zones (SEZ) and 3 halal industrial parks still in the development phase. These industrial hubs bring great opportunities for foreign investment, and the government should help expedite their production and promotion. Building halal industrial areas and halal hubs in various regions in accordance with the comparative advantages of each superior region can prove to be a useful strategy.

PRODUCTION CAPABILITIES

Key stakeholders and strategic priorities for production capabilities

STRATEGIC Priorities	Investment in high-tech and upstream industry	Strengthening halal supplier base
STAKEHOLDERS	Government; Industry Associations; Large & Medium Corporates; Investors	

1. Industry to attract investments in high technology and upstream industries.

Indonesia needs to increase production competitiveness through adopting high-tech for production and sourcing cheaper raw materials of high quality. This can be efficiently achieved through collaboration with countries with advanced technology and encouraging investments in upstream (salt, sugar, starch/corn) and downstream industries as well. Key global partners must be encouraged and facilitated to explore Indonesia's vast natural resources.

2. Government to support strengthening halal supplier base.

The BPJPH regulation coming to full enforcement will broaden the valuable halal supplier base. Government agencies should support their preparedness for domestic and international competitiveness and investments. Currently, BPJPH, along with other ministries, is supporting SMEs with trade development and awareness programs, part of which also helps connect with suppliers domestically and internationally. These programs need to extend to large companies as well to support their trade and investment propositions.



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OPERATIONAL SUPPORT ECOSYSTEM

Key stakeholders and strategic priorities for operational support ecosystem

STRAT PRIOR		Streamline Islamic finance rules	Fintech for individual's investment	Triple-helix model for talent pool	Streamline Islamic finance rules
STAKEHO	OLDERS	Government; Industry Associations; Large & Medium Corporates; Investors			

1. Government and industry to further streamline Islamic finance regulations to enable effective convergence with halal economy development.

It is imperative for the Islamic finance industry to respond to the diverse needs of the halal economy companies. The Islamic finance ecosystem needs to be strengthened as the fundamental part of the halal value chain. Several legal and regulatory issues need to be addressed in order to accelerate Islamic finance development in Indonesia. Among the issues are regulation disharmony, overlapping in the rules and authorities, and legal gaps. Several legal gaps, namely the guaranteed act for Shariah contracts, the bankruptcy act, could be addressed respectively. Currently, the respective law has been proposed by the House of Representatives and listed at the National Legislation Program.

2. Industry to utilize benefits of fintech platforms that connect with potential individuals willing to invest.

The emergence of fintech platforms such as Ethis Ventures and Launchgood enable consumers as individuals to invest directly in halal economy propositions – an important node of development for Indonesia is supporting crowdfunding efforts as a way to generate wealth for households. ALAMI is one of the leading fintech case studies in Indonesia, and several other fintech platforms should be supported.

3. Government, industry and academia (triple-helix model) to work together to fill the gaps in halal economy and finance experts.

There is a mismatch between industrial needs (demand) and the availability of human resources (supply) produced by universities in Indonesia. The government needs to initiate a roadmap of the human resources (HR) development in the halal economy and finance sector and set that roadmap as a national priority program. Government, industry and academia can work together to match human resource development and talent management through formal and non-formal education, whether organized by educational institutions, training institutions or institutions providing certification.



ACKNOWLEDGEMENT

Supported by:



BANK INDONESIA is the central bank of Indonesia. The development of sharia economy and finance is part of Indonesia's economic transformation in achieving high, inclusive and sustainable economic growth. To that end, the policy of developing Islamic economics and finance is one of the supporting policies in Bank Indonesia's policy mix in achieving its goal of achieving and maintaining the stability of the rupiah value. Bank Indonesia together with relevant stakeholders and other authorities in synergizing national policies in the KNEKS platform, encouraging the development of the Indonesian Islamic economy and finance as a new source of growth.

Produced by:



Based in Indonesia, IHLC is a leading consultancy group that advises organisations on how to flourish in the Islamic Economy. Our expertise covers: Food, Finance, Lifestyle, Media, and Pharmaceuticals. Our main vision is Building the engine of the Global Halal Economy. Since 2015, we have been actively involved in both national and international global halal networks. Our vast networks comprise of international government agencies, ministries, academia, public and private companies, and investors across different sectors.

DinarStandard GROWTH STRATEGY RESEARCH & ADVISORY

DINARSTANDARD™ is a growth strategy and execution management firm, empowering organizations for profitable and responsible global impact. DinarStandard specializes in the global halal/ethical economy, government innovation, and social impact space. Led by its original research and foresight since 2008, DinarStandard has supported halal markets' growth strategies for over 30 government entities, investment institutions, businesses, and multi-laterals from over 12 countries worldwide. It is also the author of the annual global halal markets reference report, the State of the Global Islamic Economy (SGIE) Report, being published annually since 2013. Its unique value-proposition is rooted in delivering original facts and foresight-driven client impact, grounded in excellence and ethics.

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REPORT PURPOSE AND METHODOLOGY

CONTEXT

The halal economy has emerged as a promising driver of growth, at a microeconomic level, for leading multinationals, entrepreneurs and investors around the world that have sought to strategically differentiate themselves and address the unique, faith-based needs of the world's 1.9 billion Muslim consumers. The halal economy opportunity is also of macroeconomic importance for Muslim and non-Muslim countries alike, with a clear link to GDP growth.

Indonesia is the 4th largest country by population and hosts the largest Muslim population worldwide. With a rising Muslim population, Indonesia is also seeing a burgeoning demand for halal products (food, fashion, pharmaceuticals, cosmetics) and halal services (finance, media, travel).

Indonesia has substantial potential but is yet to address a clear halal economy proposition. Now is the time for Indonesia to address the multi-billion-dollar halal economy opportunity and take its leadership position in a fast-growing, under-addressed global business proposition that can drive substantial GDP growth.

PURPOSE

The purpose of this report is to provide information and promote trade and investment opportunities for national and global halal industry players, as well as a reference in formulating development strategies.

Objectives of the report include:

- Determine the scale and growth drivers of consumer demand for halal products and services globally and in Indonesia
- · Benchmark Indonesia's current halal market business landscape with global players
- Ascertain the halal economy export, import substitution and investment opportunity that is addressable by Indonesia
- Prioritize and quantify clear halal market opportunity areas per sector
- Present strategy recommendations to realize promotion for Indonesia's trade and investment opportunities

METHODOLOGY

Primary & Secondary Research

Interviews and focus group discussion:

	M. Anwar Bashori, Executive Director/Head of Sharia Economic and Finance Department, Bank Indonesia (DEKS-BI)
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Enablers	Dima Djani, CEO, ALAMI
	Radhiyaksa Daulay, CEO, Rhadana Hotel

Secondary resources:

The following secondary sources were used to support the preparation of this report, including but not limited to:

- Indonesia National Statistics Bureau and databases
- Bank Indonesia (BI)
- · Business Monitor International ("BMI")
- ITC Trademap
- Pew Research Center
- World Bank Group
- McKinsey & Company
- COMCEC
- E-marketer
- Euromonitor
- · Ken Research

- Deloitte
- · Bank DBS
- Organization for Economic Cooperation and Development (OECD)
- Food & Agriculture Organization ("FAO") of the UN
- PwC
- Nielsen
- · Salaam Gateway
- Thomson Reuters
- Santander Trade Portal
- UNWTO
- EU-Indonesia Business Network (EIBN)

Market Sizing & Projections

Muslim consumer spend estimates and analysis, carried out by DinarStandard, leveraged the World Bank's ICP 2017 consumer data as a baseline reference. Projections were baselined using the IMF Outlook from April 2020. For detailed methodology on market sizing, please refer to the State of the Global Islamic Economy Report 2020/21 on SalaamGateway.com.

Trade & Investment

All trade data has been sourced from ITC Trademap, and using DinarStandard's synthesis and analysis.

Prioritized categories for export: 33 categories from food, fashion, pharmaceuticals and cosmetics were ranked based on 5 weighted metrics. Any categories identified as haram, or not requiring any level of halal certification have been excluded. Metrics for ranking include: (1) Indonesia Intersection score [30%], (2) OIC + 10 Non-OIC Imports Growth Rank Score [17.5%], (3) OIC + 10 Non-OIC Import Value Rank Score [17.5%], (4) Indonesia Export Value Rank Score [17.5%], (5) Halal Compliance Score [17.5%].

Imports of 10 Non-OIC countries that have the highest Muslim spend were added. These make-up 80% of the total Muslim consumption of halal products by non-OIC countries (food, fashion, pharmaceutical and cosmetics). Countries include India, Russia, United States, China, France, Germany, United Kingdom, Italy, Ethiopia, Israel. Their halal economy imports were calculated by multiplying the imports with Muslim multiplier (this multiplier accounts for the Muslim population in a country and their economic wellbeing, source: DinarStandard proprietary)

Indonesia Intersection score: Geographic intersection of halal trade flow with Indonesia. The closer Indonesia lies geographically to the trade flow, the stronger the opportunity to capture higher exports. The scores are 1 (strong opportunity), 0.5 (moderate opportunity), 0 (weak opportunity).

Impact assessment: OIC export opportunity: There is a significant amount of halal economy trade that is flowing over or in proximity to Indonesia that is not being captured by Indonesia yet. For example, Indonesia geographically intersects China's export of coffee, tea, mate & spices to Pakistan, and can potentially gain some benefit from the trade. Such area of trade opportunity is the OIC intersection trade opportunity for Indonesia. More than 800 key trade relationships have been examined across 33 halal product categories, to estimate the OIC incremental trade opportunity (see methodology section for details).

Three scenarios have been calculated (5%, 10% and 15%) to ascertain the incremental trade opportunity for Indonesia, with 10% being a reasonable market capture.

Impact assessment: Non-OIC export opportunity: Gathered top 5 non-OIC importers across each of the 22 final consumer product categories and calculated their halal economy imports. Deducted Indonesia's halal economy exports to these countries to calculate untapped export opportunity.

Three scenarios have been calculated (5%, 10% and 15%) to ascertain the incremental trade opportunity for Indonesia, with 10% being a reasonable market capture.

Impact assessment: import substitution opportunity: Net importing categories in Indonesia's halal economy sectors. Validated from expert insights. Three scenarios have been calculated (5%, 10% and 15%) to ascertain import substitution of these categories on the GDP, with 10% being a reasonable market capture.

Impact assessment: FDI opportunity:

Using DinarStanadard's extensive database of halal economy investments made in the OIC and Islamic economy-specific investments outside the OIC over the period August 1st, 2019, through July 31st, 2020, covering the food, pharmaceuticals, cosmetics, Islamic finance, media and recreation, apparel, and travel sectors. Data is compiled based on research carried out across multiple databases including Zephyr, CapitallQ, and Crunchbase. Financial services companies operating in both conventional and Islamic finance were also assumed to belong to the Islamic finance category. Indonesia specific investments was pulled from this database to derive potential opportunity.

Three scenarios have been calculated (5%, 10% and 15%) to ascertain the incremental investment opportunity for Indonesia, with 10% being a reasonable market capture.

APPENDIX

1. Export Categories Ranking

				WEIGHT	30%	17.5%	17.5%	17.5%	17.5%
Rank	Sector	Trade Code	Simplified Name	Indonesia prioritized final score	Indonesia Intersection score	OIC + 10 Non-OIC Imports Growth Rank Score	OIC + 10 Non-OIC Import Value Rank Score	Indonesia Export Value Rank Score	Halal Compliance Score
1	Food	'15	Animal or vegetable fats and oils	0.74	0.67	0.49	0.59	1.00	1.00
2	Pharma	'3004	Medicaments (for retail sale)	0.55	0.33	0.59	1.00	0.01	1.00
3	Food	'16	Preparations of meat, fish or other aquatic invertebrates	0.55	0.83	0.62	0.09	0.02	1.00
4	Food	'09	Coffee, tea, maté and spices	0.55	0.71	0.62	0.26	0.05	1.00
5	Food	'17	Sugars and sugar confectionery	0.54	0.63	0.60	0.39	0.01	1.00
6	Food	'04	Dairy products	0.53	0.67	0.45	0.45	0.00	1.00
7	Fashion	62	Apparel (not knitted/crocheted)	0.51	1.00	0.30	0.39	0.03	0.50
8	Food	'19	Cereal, pasta & bakery products	0.51	0.50	0.66	0.34	0.04	1.00
9	Food	'02	Meat and edible meat offal	0.50	0.67	0.38	0.35	0.00	1.00
10	Cosmetics	'3306	Oral care	0.49	0.75	0.51	0.02	0.00	1.00
11	Pharma	'3005	Adhesive dressings	0.49	0.67	0.62	0.01	0.00	1.00
12	Fashion	64	Footwear	0.48	0.88	0.45	0.28	0.02	0.50
13	Fashion	61	Apparel (knitted/crocheted)	0.48	0.75	0.54	0.40	0.02	0.50
14	Cosmetics	'3301	Essential oils	0.48	0.67	0.57	0.01	0.00	1.00
15	Food	'23	Animal fodder	0.47	0.50	0.46	0.34	0.01	1.00
16	Food	'20	Preparations of vegetables, fruit, nuts	0.46	0.58	0.44	0.17	0.00	1.00
17	Pharma	'3002	Vaccines	0.45	0.08	1.00	0.40	0.00	1.00
18	Food	'18	Cocoa and cocoa preparations	0.44	0.46	0.54	0.17	0.04	1.00
19	Food	'21	Soups, sauces & other processed foods	0.44	0.33	0.57	0.31	0.05	1.00
20	Pharma	'3001	Dried glands and other organs	0.42	0.25	1.00	0.00	0.00	1.00
21	Food	'13	Vegetable saps and extracts	0.40	0.67	0.64	0.01	0.00	0.50
22	Cosmetics	'3304	Makeup & skincare	0.40	0.42	0.47	0.11	0.00	1.00
23	Cosmetics	'3307	Personal care	0.40	0.50	0.37	0.03	0.00	1.00
24	Food	'03	Fish and other aquatic invertebrates	0.37	0.50	0.51	0.22	0.03	0.50
25	Cosmetics	'3305	Haircare	0.35	0.33	0.37	0.05	0.01	1.00
26	Food	'11	Products of the milling industry	0.35	0.50	0.50	0.12	0.00	0.50
27	Cosmetics	'3302	Odoriferous substances	0.33	0.00	0.73	0.12	0.01	1.00
28	Pharma	'3006	Pharmaceutical preparations	0.31	0.17	0.47	0.02	0.00	1.00
29	Food	'22	Beverages and vinegar	0.30	0.08	0.46	0.09	0.00	1.00
30	Food	'05	Other products of animal origin	0.28	0.33	0.54	0.00	0.00	0.50
31	Pharma	'3003	Medicaments (not for retail sale)	0.28	0.33	0.00	0.03	0.00	1.00
32	Food	01	Live animals	0.27	0.00	0.40	0.12	0.00	1.00
33	Cosmetics	'3303	Perfumes	0.25	0.00	0.36	0.05	0.00	1.00

2. FDI Opportunity Impact

Sector	(2019/20)			IMPACT OF INCREASES IN INVESTMENTS					
	Global investments US\$ bil	Indonesia investments US\$ bil	Global %	5%	Global %	10%	Global %	15%	Global %
Islamic Finance	\$6.11	\$2.85	47%	\$2.99	49%	\$3.13	51%	\$3.27	54%
Halal Food	\$4.93	\$1.74	35%	\$1.83	37%	\$1.91	39%	\$2.00	41%
Travel & Tourism	\$0.34	\$0.28	82%	\$0.29	86%	\$0.31	90%	\$0.32	95%
Halal Cosmetics	\$0.12	\$0.10	79%	\$0.10	83%	\$0.11	86%	\$0.11	90%
Media	\$0.12	\$0.03	23%	\$0.03	24%	\$0.03	25%	\$0.03	26%
Halal Pharma	\$0.16	\$0.02	14%	\$0.02	14%	\$0.02	15%	\$0.02	16%
Modest Fashion*	\$0.00	\$0.00	0%						
	\$11.78	\$5.01	43%	\$5.26	45%	\$5.51	47%	\$5.76	49%
			Increase in GDP US\$ billion	\$0.25		\$0.50		\$0.75	

^{*}Global modest fashion investments are insignificant and do not contribute majorly to the total investments. Value of Indonesia's investments in modest fashion sector are not disclosed.



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