



Indonesia: Travel & Tourism

CS Indonesia
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1. Summary of the Sector

Indonesia is the world's 4th most populous country, and is Southeast Asia's largest economy, ranking 10th in the world overall. The country has averaged more than 5% economic growth over the last decade and the number of households in Indonesia earning US\$5,000 to US\$15,000 in annual disposable income is expected to expand from 36% of the population to more than 58% by 2020. Nearly 50% of Indonesia's 250 million inhabitants are under the age of 30, and it is estimated that 60 million low-income workers will join the middle-class in the coming decade, adding to the country's already growing consumer demand. More than 90,000 travelers chose U.S. destinations last year and that number is expected to grow to more than 137,000 by 2017.

Southeast Asian Travelers	2013	2014	% Change
Brunei	1,494	1,455	-2.6
Burma	3,400	4,874	43.4
Indonesia	88,652	96,273	8.6
Malaysia	76,247	81,974	8.6
Philippines	200,521	219,632	9.5
Singapore	152,823	150,224	-1.7
Thailand	88,163	95,883	8.8
Vietnam	63,892	85,778	34.3

U.S. Department of Commerce: National Travel and Tourism Office 2014

2. Government Policy

Indonesian travelers are required to obtain visas to enter the U.S. Historically, Indonesian travelers have faced challenges obtaining visas, however, U.S. Embassy initiatives offering visa application training to travel agents and tour operators and streamlining the interview process for large tour groups have resulted in an approval rate of more than 90% of all applications and approval times have been reduced to only 3-5 days. In addition, many Indonesian travelers who have previously been granted a visa may qualify for the Interview Waiver Program, further simplifying the process. To learn more about the application process and fees, visit the American Embassy Consular Office website at www.ustraveldocs.com/id/.

3. Current Market Size & Trends

According to Visa's Global Travel Intentions Survey 2015, outbound leisure travel increased 33% from Indonesia and median travel budgets for the Indonesian traveler increased 30% from 2013-2015. Leisure tourism spending increased from \$28.9 billion in 2010 to \$37.7 billion in 2014 (www.wttc.org) reflecting an overall increase in wealth of the average Indonesian citizen.

The Indonesian archipelago is comprised of more than 17,000 islands each with its own cultural uniqueness. Although the U.S. is an attractive destination, with the weak performance of the rupiah and the increased affordability of many national and other Asian destinations as a result of flourishing low-cost national and regional airlines, the U.S. must compete for Indonesian interest.

Just over 88% of Indonesia's population is Muslim, so many choose to travel to other Southeast Asian destinations with large Muslim populations or to the Middle East for their pilgrimage to the sacred cities. Such travelers are particularly concerned about cultural acceptance and the availability of Halal foods, mosques and prayer locations. The challenge for U.S. destinations is to overcome the negative perceptions about Islam in the U.S. A companion booklet to this market snapshot has been developed to highlight many of the U.S.' Muslim-friendly destinations and seeks to help Muslim travelers feel more comfortable with U.S. travel.

Indonesian travelers are in love with shopping and frequently seek outlet malls and brand-name store destinations to indulge themselves. They are frequent travelers to big cities and enjoy famous landmarks and tourist attractions, as well as restaurants, malls and cruises. Young Indonesians are well-connected through social media—Indonesia has the 4th largest number of Facebook subscribers and Jakarta just surpassed Tokyo as the number one tweeting city in the world. This means many young Indonesians are well acquainted with much of what the U.S. has to offer and often look for special deals and travel offerings through social media outlets.

4. Market Entry & Opportunities

Indonesia has many local travel agencies but the country has historically not had a well-developed travel and tourism sector, though, recently, President Joko Widodo (Jokowi) has actively sought to improve this trend. State tourism boards and advocates of attractions who wish to enter the Indonesian market should partner with local travel agencies in Indonesia, open an office, or appoint a representative or an agent to promote their attractions. It is also important for U.S. attractions and destinations to visit their representatives regularly and maintain a good relationship with them.

Presently, there are many tours and attractions across the 50 U.S. States and territories, but most of them do not actively market themselves in Indonesia or the region. U.S. companies should look to the U.S. Commercial Service to assist in the process. The U.S. Commercial Service is the trade promotion arm of the U.S. Department of Commerce's International Trade Administration. Located across the United States and in U.S. Embassies and Consulates in nearly 80 countries, our global network of trade professionals connects U.S. companies with international buyers. See <http://export.gov/indonesia> for further details.

5. Barriers

Jakarta, the capital, is the location of Indonesia's primary international airport for long-range international travel but there are no direct routes to the U.S. at present. Because of its close proximity to Singapore, travelers generally fly through this major aviation hub and then via Tokyo or Hong Kong to U.S. destinations. United and Delta provide daily direct service via Tokyo and Hong Kong to the United States and are finding stiff competition as Asian travelers often prefer their national or familiar regional carriers. American Airlines and US Airways operate code-share flights to Singapore, and both have representative offices in Singapore.

Unfortunately, due to volatile oil prices, Singapore Airlines has ceased operations of the two nonstop flights that previously linked Singapore with Los Angeles and Newark since October and November 2013, respectively. This has significantly reduced the number of business travelers from Singapore and the region as they now have to make a stopover in Taipei, Hong Kong or Tokyo.

Additionally, airlines have added security taxes, fuel surcharges and airport taxes to the cost of the air fare. Air ticket prices have risen considerably, particularly for American and European destinations. In some cases, the total amount of taxes one has to pay is not much less than the air fare itself.

6. Regional Perspective

The regional outlook for the tourism and travel industry is highly optimistic, with Asia expected to account for at least 50% of global expenditure by 2020. According to an industry source, Thailand is expected to lead in the area of regional leisure travel and Singapore is expected to continue to lead in the area of business travel. The Brunei and Malaysia tourism markets may be unique markets for some U.S. state tourism boards and attractions as they have special dietary needs such as finding Halal food and Halal restaurants.

Markets with the best prospects are Myanmar, the Philippines and Vietnam which posted 56.8%, 8.8% and 24.4% year-on-year increases for inbound figures into the U.S. in 2014. This can be partially attributed to increased political stability in these countries and improved ties between the countries and the U.S. However, Singapore's attractive business and entrepreneurship environment and facilities ensure that a steady ecosystem of travel technology companies, such as TripAdvisor and Skyscanner, seek out Singapore as a gateway to expand into Asia.

Within the region, Singapore has the best infrastructure and technology for the tourism and travel industry. With home-grown national carrier Singapore Airlines and its regional subsidiaries, SilkAir and Scoot, that operate passenger services to more than 63 cities in 35 countries, Singapore is the regional hub of the international travel and tourism industry. In 2015, Singapore was ranked first in Asia for travel and tourism competitiveness for the third consecutive time, allowing her to cement her status as one of the top tourism and aviation hubs globally.

7. Trade Events

Go West Summit

Location: Anchorage, Alaska

Date: February 22- 25, 2016

Website: <http://www.gowestsummit.com>

Food, Hotel & Tourism Bali

Location: Bali, Indonesia

Date: March 3-5, 2016

Website: www.fhtbali.com

IPW

Location: New Orleans, Louisiana

Date: June 18-22, 2016

Website: <http://www.ipw.com>

PATA Travel Mart

Location: Jakarta, Indonesia

Date: September 7-9, 2016

Website: www.pata.org

ITB Asia 2016

Location: Singapore

Date: October 19-21, 2016

Website: <http://www.itb-asia.com/>

8. Useful Web Links

U.S. Embassy Visa Application Information

www.ustraveldocs.com/id/

National Travel and Tourism Office

<http://travel.trade.gov>

Ministry of Culture and Tourism

www.indonesia.go.id

Indonesia National Tourism Office

<http://www.visitindonesia.co.in>

9. U.S. Commercial Service Contact

Name: David Kincaid
Position: Foreign Commercial Officer
Email: david.kincaid@trade.gov
Phone: (+62) 815-985-6935
Location: Jakarta

Name: Fidhiza Purisma
Position: Commercial Specialist
Email: fidhiza.purisma@trade.gov
Phone: (+62) 816-1909-032
Location: Jakarta

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