

PT CRIF STUDY: THE FOOD AND BEVERAGE INDUSTRY IN INDONESIA KEEPS GROWING



THE FOOD AND BEVERAGE INDUSTRY KEEPS GROWING AND HAS BECOME A MAINSTAYS OF ECONOMIC GROWTH IN THE MIDDLE OF A PANDEMIC

During the pandemic, the food and beverage industry in Indonesia (mamin) continued to show growth despite fluctuations. As of Q3/2021, the food and beverage industry sector grew 3.49% (y-o-y), higher than the previous quarter, which was 2.95%. In addition, this industry is also one of the leading sectors because it contributes 38.42% to GDP in 2021 and is the largest contributor to the non-oil and gas processing industry sector. This value increased from the contribution in 2020, which was 38.29%.

This growth is inseparable from the digital transformation in the food and beverage industry. Industrial technology 4.0 is used to spur productivity more efficiently and with quality so as to increase competitiveness.

In addition, the food and beverage industry recorded a significant investment realization. From January to September 2021, based on records from the Ministry of Investment/Coordination and Investment Agency (BKPM), foreign investment (PMA) in the food and beverage sector was USD2.08 billion or IDR 659.4 trillion, which grew 75.93% compared to the same period in 2020 of USD 1.14 billion. In detail, the portion of PMA realization is bigger than PMDN. Total foreign investment or FDI in the January-September 2021 period was IDR 331.7 trillion or grew 9.9% (YoY) from the achievement in the same period in 2020.

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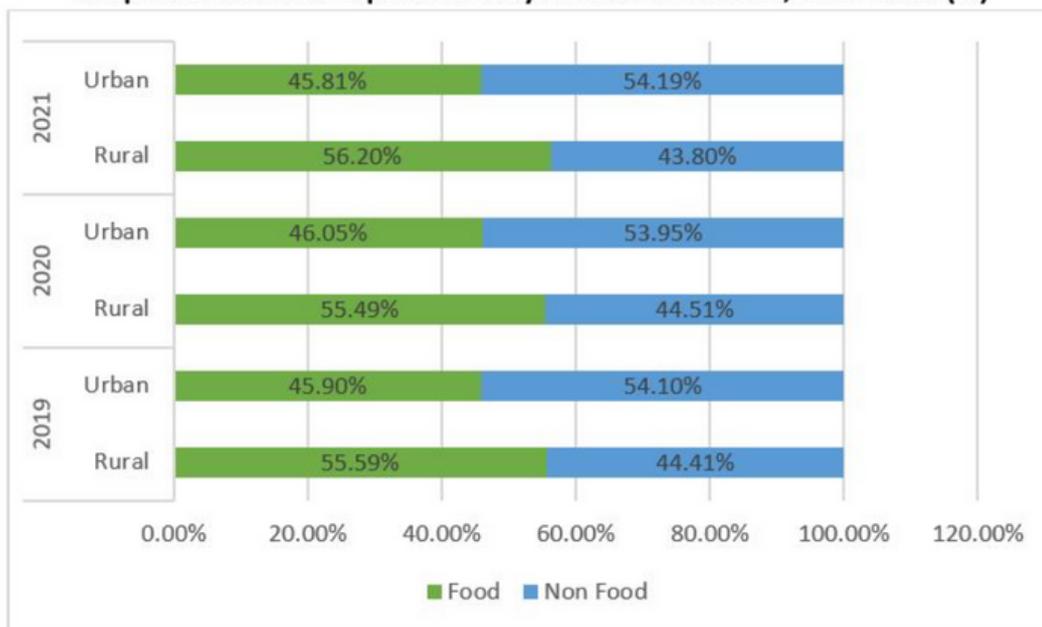


On the other hand, the total domestic investment or PMDN in January-September 2021 was recorded at IDR 327.7 trillion or grew 5.8% (YoY) from the same period in 2020.

In terms of exports, during January-September 2021, the total export value of the food and beverage industry reached USD 32.51 billion, an increase of 52% compared to the same period in 2020. The trade balance of the food and beverage industry during these nine months was a surplus of USD 22.38 billion.

In terms of consumption, based on data from Statistics Indonesia, until Q3/2021, Household Consumption Expenditure for food and beverages grew 1.03% (y-o-y). Meanwhile, rural and urban communities have different patterns based on product type and area of residence.

Graphic 1. Share of Expenditure by Area of Residence, 2019-2021 (%)



Source: BPS, data processed by VISI

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Based on the graph above, residents in rural areas spend more money on food consumption, while in urban areas, it is on non-food products such as clothing, housing and household equipment, transportation, communication, and so on. This indicates poor food security in rural areas because it reflects lower purchasing power or access to food and a decreasing level of welfare.

In Q1/2022, PT. Visi Gobalindo Data Utama (VISI) predicts the food and beverage industry sector will grow 2.79% (y-o-y). Despite the decrease, its performance still grew positively. This is certainly inseparable from the role of food and drinks itself as a basic need that must be met so that the demand and supply of goods in this sector are still going well. In addition, based on the Making Indonesia 4.0 roadmap, the food and beverage industry is one of the sectors that get priority development in the industrial era 4.0. The decrease that occurred was due to the increase in cases of Covid-19, the omicron variant, which increased from the end of 2021 until the beginning of 2022. So restrictions on public activities were again imposed, which resulted in a decrease in public consumption. Therefore, the government and industry players must still be prepared to anticipate and overcome various challenges that will arise.