

Indonesia Textile and Apparel Industry Profile

Textiles play a key role in Indonesia's garment and textile sector. Globally, the country accounts for 13% of viscose staple fiber production, 4% of polyester staple fibers, 4% of polyester filament yarn, 2% of polyamide, and 0.03% of cotton.ⁱ Though challenges to competitiveness remain, the government has identified the sector as one of the main engines that will drive the economy until 2030.ⁱⁱ

The garment and textile industry in Indonesia employs 1.8 million workers. In 2007, garment and textile exports reached \$10.3 billion, making Indonesia the 12th largest textile exporter and eighth largest clothing exporter globally.ⁱⁱⁱ

Garment and textile workers made on average \$0.44 per hour in 2008, which exceeded that of Bangladesh by 50%, Cambodia by 25%, Pakistan by 16% and Vietnam by 14%.^{iv}

The country's largest textile and garment export market is the US, with a 36% share, followed by the EU with 16% and Japan at 5%.^v Indonesia controls 1.6% of the world textile export market and 1.7% of the garment export market.

Although Indonesia's population of 240 million is one of the largest in the world, the domestic market faces persistent problems. Lower-priced imports from China and other Asian neighbors offer rigorous competition, and smuggling of textile products and second-hand garments from abroad eats into market share as well.^{vi}

Effects of the 2008-2009 Global Financial Crisis

As the world market shrank by 30% during this period, Indonesia's garment and textile exports likely declined by 8.8% in 2009 to \$9.5 billion.^{vii} Some 61% of Indonesia's textile production is exported, and with its top two markets (the US and the EU) most affected by the recession, it was inevitable some factories would not survive.^{viii}

The Indonesian Employers Association noted that at least 222,500 workers in all industries had been dismissed as of March 2009 and that the garment, plantations, and forest sectors had been hit the hardest.^{ix}

Still, the outlook is not bleak. From 2003 to 2007, textile and clothing exports increased 38%, according to the World Trade Organization. Most new investments are in garments, and the industry reported 50,000 new jobs created in 2008.^x New investment in 2008 totaled \$400 million, the highest in five years.

Some buyers from the US and EU left China during the financial crisis because of increased production costs as well as labor and environmental issues, preferring suppliers in Indonesia and other ASEAN nations.^{xi}

Partly in response to the downturn, but mostly to help the industry become more competitive, the government initiated in 2007 a program to help struggling textile manufacturers modernize their equipment. Under the program, the government subsidizes part of the interest rate on bank loans for operators to buy new machinery.^{xii} The Ministry of Finance also removed the 10% value-added tax on textile machinery imports to encourage upgrading.

Strategy for the Future

The Indonesian Chamber of Commerce and Industry listed the textile industry as a main engine that will drive the economy in its 2030 vision for industrial development. It predicts textile and garment exports will reach \$13.9 billion in 2010, employing 2.25 million, and hopes exports reach \$75.3 billion by 2030, accounting for 5% of the global export market.^{xiii}

In addition to upgrading machinery, the industry knows it has concerns heading forward. Rising energy prices have led some manufacturers to seek alternative supplies.^{xiv} New, more efficient machinery should partially address this.

The government has also mentioned curbing the import of textiles and garments, excluding raw materials, as a way to protect the industry.^{xv}

The Indonesia Textile Association is also optimistic that a competitive enhancement program under the auspices of the Source ASEAN Full Service Alliance will improve their progress as well as the region's prospects.^{xvi}

Intra-ASEAN Integration

While imports from ASEAN countries spiked from 2001 to 2008, Indonesian exports to the region remained fairly static. Producers now have an opportunity given tariff reductions or eliminations provided for in the region's free trade agreement that went into effect in 2010.

Indonesian exports of woven fabrics of synthetic filament yarn to ASEAN countries increased from \$88.3 million to \$98.9 million from 2001 to 2008. In the same period, exports of synthetic filament yarn rose from \$72.2 million to \$96.1 million, while cotton yarn exports went from \$15.4 million to \$33.8 million, as shown in Table 6.

Meanwhile, imports from the region have grown rapidly, with the main product, uncarded synthetic staple fibers, increasing from \$24.1 million in 2001 to \$62.9 million

in 2008. Knitted or crocheted fabric imports skyrocketed 12-fold during the period, from \$3.5 million to \$43.4 million, while synthetic filament tow imports have gone from \$1.7 million to \$38.3 million, as shown in Table 7.

Cotton imports, uncarded and uncombed, have grown almost 25-fold from 2001 to 2008, from \$1.5 million to \$39.8 million, with most of this cotton sourced via Singapore, as shown in Table 7.

The Source ASEAN Full Service Alliance hopes to continue this robust intra-ASEAN trade by forming virtual vertical factories pairing downstream material suppliers with intermediate and upstream suppliers to emphasize speed to market and one-stop shopping for customers. The program would shorten lead time, as today's clients want the product on the shelves as quick as possible after the designer sketches it.

Strengths, Weaknesses, Opportunities and Threats

A primary strength for Indonesia is that its garment and textile industry is vertically integrated, meaning that it is involved in most aspects of the supply chain from the production of raw materials to finishing.^{xvii}

Drawbacks include aging machinery that limits production and saps energy, along with rising energy costs. The country has relatively higher interest rates than many of its neighbors, as well as a lack of supportive infrastructure.^{xviii}

Indonesia also depends almost entirely on imported cotton for both its export and domestic needs.^{xix}

As ASEAN continues to develop as a textile and garment manufacturing hub, Indonesia believes opportunities for global and regional exports should improve. Initiatives such as a modernization scheme also show that the government is beginning to pay more attention to the sector.

The country has also been able to take advantage of opportunities when they appear, such as in 2005 and 2006 when the US and EU imposed safeguard quotas on several textile and clothing products from China.^{xx} Indonesia used the action to increase its exports to both regions.

The country's massive domestic market offers an obvious opportunity, but it has to figure out how to control smuggling and compete with lower-priced products from China. In addition to China, the emergence of Bangladesh, Sri Lanka, and Vietnam is another threat in an already crowded market.

Another barrier that limits business competitiveness is the country's exchange rate. The Indonesian rupiah fluctuates so much, and the gap between buying and selling is so large, that it adversely affects businesses that rely heavily on cash-on-hand.^{xxi}



Yet because the industry is such a central part of the country's economy, it is a good bet to thrive well into the future.

Table 1: Recent Data on Indonesia Garments and Textiles

Category	Textiles and Garments
Total Workers (2009)	1.8 million
Indonesia Export Total (2007) % of World Market (2007)	\$10.3 billion total with 39% of that textiles 1.7%
Five most popular exports (2007)	Value
Woven clothing and underwear	\$3.3 billion
Clothing and underwear, knitted or crocheted	\$2.3 billion
Synthetic filament yarn	\$575 million
Woven fabric of cotton	\$359 million
Lingerie	\$322 million
Average Wage	\$0.44 per operator hour

Source: Indonesian Textile Association and South East Asia Textile Business Review 2009 (1st edition)

Table 2: Structure of the Indonesian garment and textile industry, 2003-2007

	2003	2004	2005	2006	2007
No. of companies	2,654	2,661	2,656	2,699	2,704
Capital investment (\$bn)	13.64	13.65	13.65	13.99	14.21
No. of employees ('000)	1,183	1,184	1,176	1,194	1,201
Yarn sector					
No. of companies	204	204	204	204	205
Capital investment (\$bn)	2.58	2.58	2.58	2.63	2.71
No. of spindles ('000)	7,803	7,803	7,803	7,803	7,854
Capacity ('000 tons)	2,335	2,397	2,397	2,397	2,500
Production ('000 tons)	1,646	1,692	1,623	1,640	1,680
Fabric sector					
No. of companies	1,043	1,044	1,044	1,044	1,044
Capital investment (\$bn)	3.26	3.26	3.26	3.34	3.37
No. of looms ('000)	249	249	249	249	250
No. of knitting machines ('000)	41.3	41.3	41.3	41.3	44.4
Capacity ('000 tons)	1,724	1,777	1,777	1,777	1,800
Production ('000)	1,273	1,312	963	969	970
Clothing sector					
No. of companies	855	861	856	897	901
Capital investment (\$bn)	0.30	0.31	0.31	0.34	0.39
No. of machines ('000)	290.8	294.1	294.1	306.3	316.5
Capacity ('000 tons)	590	666	678	754	779
Production ('000 tons)	461	517	383	445	410

Source: South East Asia Textile Business Review 2009 (1st edition)

Table 3: Indonesian garment and textile foreign trade, 2003-2007

	2003	2004	2005	2006	2007
Yarn sector					
Exports (\$m)	1,208	1,480	1,621	1,785	1,890
Exports ('000 tons)	770	720	795	797	800
Imports (\$m)	190	245	267	283	230
Imports ('000 tons)	79	109	108	139	90
Fabric sector					
Exports (\$m)	1,523	1,420	1,537	1,473	1,440
Exports ('000 tons)	381	339	345	342	322
Imports (\$m)	459	433	406	363	440
Imports ('000 tons)	88	98	99	105	110
Clothing sector					
Exports (\$m)	3,926	4,289	4,899	5,570	5,970
Exports ('000 tons)	332	324	367	379	385
Imports (\$m)	14	28	53	52	150
Imports ('000 tons)	4	3	11	12	20
Total					
Exports (\$m)	7,033	7,647	8,603	9,457	10,063
Exports ('000 tons)	1,773	1,626	1,794	1,879	1,872
Imports (\$m)	1,673	1,720	1,606	1,585	2,050
Imports ('000 tons)	962	880	851	949	993

Source: South East Asia Textile Business Review 2009 (1st edition)

Table 4: Indonesia's most popular textile exports to world (US\$'000)

Product label	2001	2002	2003	2004	2005	2006	2007	2008
Woven fabrics of synthetic filament yarn	699,227	591,923	542,695	468,358	495,746	488,336	575,323	593,728
Yarn of synthetic staple fiber, not put for retail sale	405,971	393,183	395,254	504,684	573,900	599,845	627,592	590,980
Synthetic filament yarn, not put up	415,291	427,301	371,548	455,456	554,733	569,603	589,981	542,406
Artificial staple fibers, not carded	47,065	75,310	42,360	96,970	123,953	137,709	194,075	266,411
Yarn of artificial staple fiber, not put up for retail sale	81,891	98,775	87,036	125,536	142,788	215,755	309,353	245,931
Cotton yarn (not sewing thread) 85% or more cotton, not retail	237,009	218,842	252,993	257,835	230,262	260,808	230,012	214,553

Source: UN Comtrade statistics

Table 5: Indonesia's most popular garment exports to world (US\$'000)

Product label	2001	2002	2003	2004	2005	2006	2007	2008
Women's suits, jackets, dresses skirts etc & shorts	646,895	618,336	627,684	688,527	812,727	887,093	897,192	931,846
Jerseys, pullovers, cardigans, etc, knitted or crocheted	400,599	333,046	358,857	392,458	345,275	446,413	438,289	533,038
Men's suits, jackets, trousers etc & shorts	557,742	441,890	468,848	449,750	492,018	612,878	569,895	527,127
Women's blouses & shirts	277,903	290,816	313,472	360,856	350,197	440,018	454,334	488,289
T-shirts, singlets and other vests, knitted or crocheted	330,671	280,072	274,453	245,869	311,662	336,566	394,296	439,765
Men's shirts	340,834	319,730	325,194	387,366	423,631	411,752	462,345	432,759

Source: UN Comtrade statistics

Table 6: Indonesian exports to ASEAN countries 2001-2008 (US\$'000)

Importers	2001	2002	2003	2004	2005	2006	2007	2008
Woven fabrics of synth. filam yarn								
ASEAN	88,285	99,355	94,036	87,423	83,401	74,210	100,857	98,869
'Malaysia	45,721	63,400	54,554	52,091	50,314	39,709	64,158	56,454
'Thailand	4,261	4,649	6,278	7,937	5,050	7,013	10,330	16,299
'Singapore	26,489	19,301	19,649	14,837	13,214	11,194	12,183	10,866
'Viet Nam	3,232	4,390	3,990	5,676	8,371	12,164	9,964	10,818
'Philippines	5,861	5,033	6,936	3,019	3,419	2,202	1,957	1,858
'Cambodia	1,997	1,741	1,856	2,673	2,158	1,163	1,109	1,094
'Brunei Darussalam	376	545	359	387	155	325	373	611
'Myanmar	348	293	414	803	720	440	783	521
Laos	-	3	-	-	-	-	-	348
Synthetic filam yarn, not put up								
ASEAN	72,203	66,436	60,985	63,418	94,361	99,031	97,025	96,108
'Thailand	37,980	36,523	28,106	30,653	44,550	46,371	51,903	55,088
'Viet Nam	14,613	16,271	15,451	18,262	18,882	22,491	27,604	30,582
'Malaysia	5,970	4,588	6,473	7,786	10,443	4,289	7,798	5,931
'Philippines	4,926	4,875	4,699	3,381	7,324	6,991	5,206	3,731
'Singapore	8,365	3,563	5,938	2,972	13,162	18,600	4,348	760
'Cambodia	290	72	176	189	-	91	164	16
'Myanmar	59	529	14	3	-	198	2	-
Laos	-	-	25	172	-	-	-	-

Importers	2001	2002	2003	2004	2005	2006	2007	2008
'Brunei Darussalam	-	15	103	-	-	-	-	-

Yarn of synth staple fibre, not put for retail sale

ASEAN	43,988	30,595	23,296	39,276	50,741	47,572	40,072	36,088
'Philippines	26,427	15,191	9,069	21,813	25,445	22,693	16,934	16,705
'Malaysia	9,168	8,754	8,240	8,008	7,892	7,220	8,794	7,615
'Singapore	1,650	1,848	1,681	4,284	11,148	13,217	11,649	4,696
'Thailand	2,886	1,840	1,939	1,913	1,910	2,967	901	3,996
'Viet Nam	2,953	1,277	1,329	2,090	3,437	648	1,174	2,196
'Cambodia	780	1,288	858	766	909	827	576	785
'Myanmar	81	397	180	402	-	-	44	95
Laos	43	-	-	-	-	-	-	-

Cotton yarn (not sewing thread) 85% or more cotton, not retail

ASEAN	15,368	27,422	25,387	23,843	23,996	37,708	37,589	33,770
'Malaysia	5,303	10,375	12,550	8,668	7,804	19,337	18,739	18,874
'Philippines	3,033	6,984	5,306	5,283	6,886	4,586	6,259	7,419
'Singapore	5,433	8,411	5,349	7,227	6,233	5,091	5,867	3,235
'Viet Nam	1,119	1,505	1,695	1,698	2,233	4,488	2,625	3,178
'Thailand	438	113	444	935	618	3,656	3,466	746
'Cambodia	6	34	7	32	222	550	538	318
'Myanmar	-	-	-	-	-	-	95	-
'Brunei Darussalam	36	-	36	-	-	-	-	-

Source: UN Comtrade Statistics

Table 7: Indonesian imports from ASEAN countries 2001-2008 (US\$'000)

Exporters	2001	2002	2003	2004	2005	2006	2007	2008
Synthetic staple fibres, not carded								
ASEAN	24,118	20,564	23,198	50,130	48,508	31,549	45,320	62,889
'Thailand	21,318	18,417	21,103	45,769	46,430	29,630	40,712	42,282
'Malaysia	2,645	1,481	1,895	954	1,596	1,709	4,567	20,466
'Singapore	155	666	200	1,737	143	119	39	103
'Viet Nam	-	-	-	-	219	64	2	38
'Indonesia	-	-	-	1,670	120	27	-	-

Exporters	2001	2002	2003	2004	2005	2006	2007	2008
Knitted or crocheted fabrics, nes								
ASEAN	3,510	4,770	2,226	3,456	4,155	5,948	7,001	43,375
'Thailand	1,197	3,245	1,278	2,095	2,414	3,033	3,492	19,328
'Singapore	811	551	249	526	730	2,554	2,858	11,815
'Viet Nam	3	3	1	382	53	9	33	8,872
'Malaysia	128	393	217	113	398	151	601	2,775
'Philippines	1,371	568	365	295	492	141	17	299
'Cambodia	-	-	1	4	-	-	-	274
'Indonesia	-	10	110	41	68	60	-	12
'Myanmar	-	-	5	-	-	-	-	-
Cotton, not carded or combed								
ASEAN	1,465	4,910	5,716	10,932	6,419	3,573	2,691	39,843
'Singapore	1,396	2,824	3,210	380	2,364	587	993	35,759
'Malaysia	69	667	19	74	1	-	22	3,357
'Thailand	-	443	38	-	-	25	-	576
Laos	-	-	-	-	-	-	-	151
'Brunei Darussalam	-	-	672	-	-	-	-	-
'Cambodia	-	-	10	-	-	-	-	-
'Indonesia	-	976	1,575	10,478	4,054	2,961	-	-
'Philippines	-	-	192	-	-	-	1,676	-
Synthetic filament tow								
ASEAN	1,673	1,210	2,749	571	9,503	14,609	27,211	38,300
'Thailand	1,613	975	2,275	74	8,510	14,155	27,111	36,585
'Malaysia	15	32	149	150	37	36	12	1,334
'Singapore	45	29	27	45	190	111	88	380
'Viet Nam	-	-	-	1	-	-	-	1
'Indonesia	-	174	298	301	764	285	-	-
'Philippines	-	-	-	-	2	22	-	-

Source: UN Comtrade Statistics

Table 8: SWOT Analysis

Strengths:	Weaknesses:
<ul style="list-style-type: none"> + Industry is vertically integrated, involved in supply chain from raw materials to finishing + Good relationship with major importers and retailers + Stable social, economic and political environment 	<ul style="list-style-type: none"> - Aging machinery limits production and saps energy - Rising energy costs and high interest rates - Lack of supportive infrastructure - Depends almost entirely on imported cotton
Opportunities:	Threats:
<ul style="list-style-type: none"> + ASEAN textile and garment development into a hub + Tariff eliminations between ASEAN nations and new ASEAN trade pacts with China offer increased options within SE Asia + Large domestic market of 240 million people + Government modernization scheme 	<ul style="list-style-type: none"> - Economies of traditional Western markets stagnant - Fierce competition from China, Bangladesh, Sri Lanka and Vietnam - Increasing international trade and technical barriers - Smuggling - Fluctuating exchange rates limit cash-on-hand dependent enterprises

Source: Indonesia Textile Association (API)

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