

Indonesia: Aviation industry

<Industry overview> Expansion trend, number of passengers down 60% by Covid-19 in 2020

Indonesia's aviation industry has grown steadily over the last few years. In addition to the strong domestic economy (Real GDP grew at an annual rate of 6.8% from 2010 to 2019), the government's focus on the tourism industry contributed to growth. Passenger numbers (total of international and domestic flights) expanded from about 104 million in 2013 to about 110 million in 2019.

However, in 2020, the number of passengers dropped by about 60% from the previous year due to the spread of the Covid-19 infection.

<Passenger numbers> Hit by Covid-19 in 2020

The number of air passengers (total of international and domestic flights) was significantly hit in 2020. The number of passengers for the full year fell to 40.54 million, a decrease of 63.0% from the previous year, as in April 2020, the Covid-19 outbreak led the Indonesian government to in principle ban on all foreigners entering the country. The slump continued in 2021. The number of air passengers from January to May 2021 decreased by 45.1% year-on-year to 13.22 million, almost halving. Of these, domestic flights fell by 30.1% to 12.72 million, and international flights contracted significantly by 91.5% to 500,000.

As reported by a local newspaper in April 2021, according to a jointly compiled report by the Indonesia National Air Carriers Association (INACA) and Indonesia's Padjadjaran University, the number of passengers will recover to the pre-Covid-19 level around 2024 for domestic flights and 2026 for international flights.



(Data compiled by Ashu Research based on CEIC data)

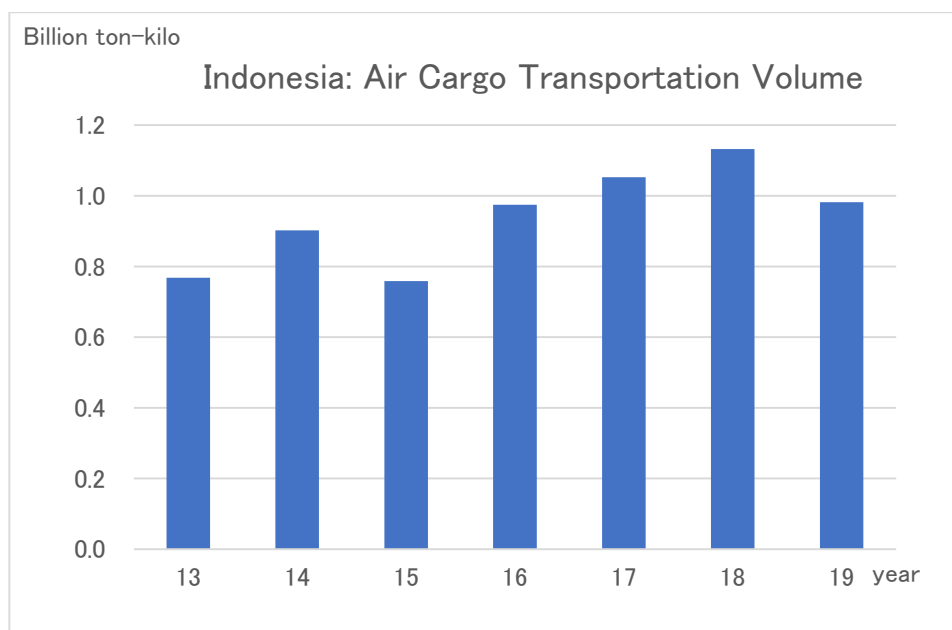
<Freight traffic volume > Negative growth in 2019

Air cargo volumes fell in 2019. In 2019, it shrank to 981.7 million ton-kilo (*1), a decrease of 13.3% from the previous year, although cargo volumes saw three consecutive years of growth in the period 2016–2018. This growth is due to the expanding e-commerce throughout Asia and the increasing demand for transportation of electronic devices and components, and others.

2020 was also a depressed year. Since air cargo is transported mainly by passenger planes, cargo traffic volume was sluggish in 2020, with many routes were suspended due to the Covid-19 pandemic. According to publicity materials, Garuda Indonesia, the state-owned flag carrier of Indonesia, the volume of air cargo transported by the company in 2020 fell by 29.9% from the previous year to 235,400 tons (* 2).

*1 The ton-kilo is calculated by multiplying the weight of the cargo transported (ton) by the distance transported (kilometer).

*2 The total weight in tons of the cargo transported.

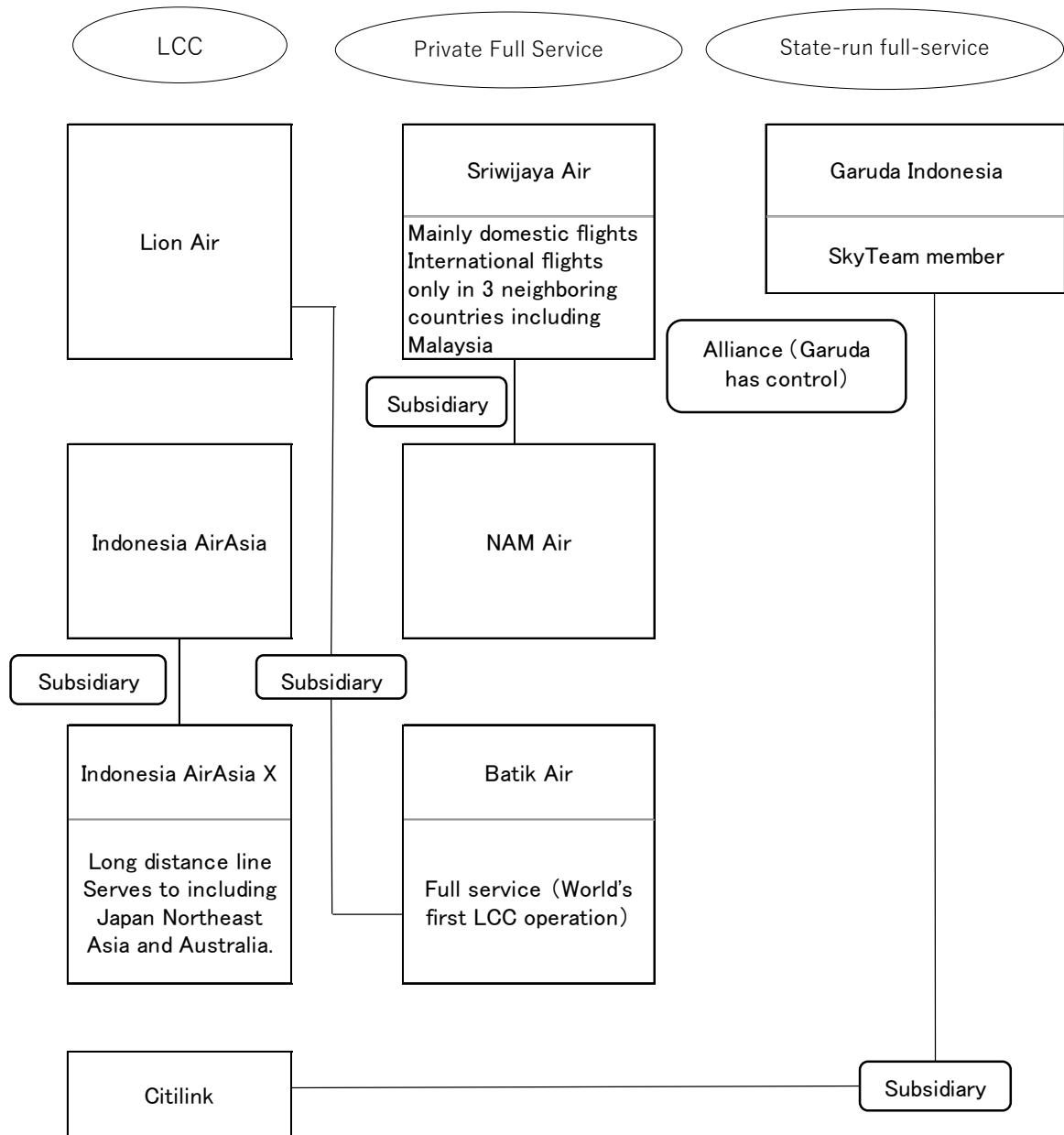


(Data compiled by Ashu Research based on the World Bank Group data)

<Industry competitive layout > State-owned, full-service Garuda Indonesia plays leading role

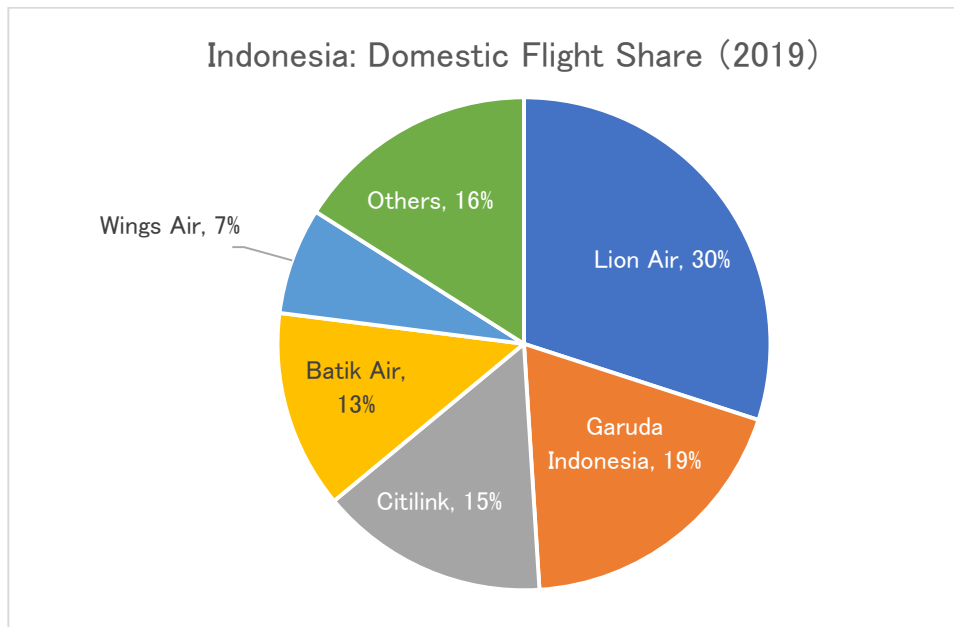
In Indonesia, state-owned Garuda Indonesia, the country's flag carrier, is the industry leader. Private full-service airlines include Sriwijaya Airlines and its subsidiary Nam Air. Also, low-cost carrier (LCC) Lion Air, and its subsidiary Batik air, provide full-service despite being an LCC. There are four major LCCs. They are Lion Air, which has the largest domestic market share, Indonesia AirAsia which is a subsidiary of AirAsia (Asia's largest LCC), and its subsidiary Indonesia AirAsia X (sub-subsidiary of AirAsia), and Citilink, a subsidiary of Garuda Indonesia.

Indonesia: Major Airlines



(Data compiled by Ashu Research based on the Indonesia National Air Carriers Association: INACA data and various reports)

LCC, Lion Air has the largest share of domestic flights (2019, based on passenger numbers) with 30%. This is followed by Garuda Indonesia (19%) and Citilink (15%). For international flights (2019, based on passenger numbers), LCC Indonesia AirAsia boasts 39%. This is followed by full-service provider Garuda Indonesia in second place (36%) and Lion Air in third place (14%).



(Note) Based on the number of passengers.

(Data compiled by Ashu Research based on INACA materials)



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<Impact of Covid-19> Introduced about 1.6 billion yen of support measures

In October 2020, the Indonesian Ministry of Transportation launched a support measure totaling 216.5 billion rupiah (1.55 billion yen) for the reconstruction of the aviation industry. Supporting the recovery of the aviation industry, where the number of tourists plummeted due to the Covid vortex. The support measures include exemption from airport fees collected from passengers and subsidies for airlines.

<New airport open> To open in Central Java in June 2021

The state-owned Angkasa Pura II (AP2), airport operator, opened a new airport “Jenderal Besar Soedirman Airport” in Purbalingga Regency, Central Java on June 1, 2021. The new airport is being serviced by LCC City Link, a subsidiary of state-owned Garuda Indonesia.

(Ashu Research: September 2021)