

The logo for VIVA INSIGHTS, with 'VIVA' in orange and 'INSIGHTS' in white, set against a dark blue background with a faint map of Indonesia.

VIVAINSIGHTS

INDONESIA AUTOMOTIVE OUTLOOK 2025:

**Breaking Free from the One-Million Trap
and Embracing the Low-Emission Era**



Foreword

The Indonesian automotive industry has long been a cornerstone of the nation's economy, reflecting industrial growth and societal aspirations. As ASEAN's largest automotive market, Indonesia's journey highlights resilience and transformation. However, the industry continues to face the persistent "One Million Car Sales Trap", where annual sales hover around one million units but struggle to consistently surpass this milestone due to economic and structural challenges. This report, based on insights from a Focus Group Discussion (FGD) held on December 4, 2024, organized by Viva Insights, explores the path to overcoming this barrier.

The FGD brought together key stakeholders, including Ekko Harjanto (Coordinating Ministry for Economic Affairs), Andi Oscar La Galigo (Ministry of Industry), Kukuh Kumara (Gaikindo), Cyrillus Harinowo (Senior Economist), and Dapot Sinaga (Mandiri Utama Finance). Their insights shed light on post-pandemic recovery, the challenges posed by rising costs, and the opportunities presented by hybrid and electric vehicles (EVs) to break free from the "One Million Trap."

This report highlights the transformative forces shaping the industry, from shifting consumer preferences to the rise of green financing and government support for Low Carbon Emission Vehicles. It underscores the importance of collaboration among stakeholders to ensure sustainable growth and long-term resilience.

We hope this report inspires actionable strategies and fosters a shared vision for a more innovative, inclusive, and sustainable automotive future in Indonesia.

Viva Insights Team

Executive Summary

Optimistic Recovery Amid Challenges:

- Indonesia's automotive market is cautiously optimistic about reaching the 1 million car sales milestone in 2025, buoyed by economic recovery and rising GDP per capita, which grew from \$3,896 in 2020 to \$4,941 in 2023.
- The middle class, critical for car sales, remains fragile due to rising living costs, impacting affordability and sustaining demand.

Consumer Spending Resilience:

- Continued growth in consumer spending, as seen in sectors like consumer goods, indicates underlying market strength.
- This resilience, coupled with government incentives for Low Carbon Emission Vehicles (LCEVs), offers a positive outlook for automotive demand.

Shift Toward Greener Vehicles:

- Hybrid Electric Vehicles (HEVs) have gained 6% market share, offering cost-effective, eco-friendly solutions without reliance on charging infrastructure.
- Battery Electric Vehicles (BEVs) are growing, with sales expected to double to 40,000 units in 2024, although they remain limited by charging infrastructure and affordability concerns.

Role of Green Financing:

- Approximately 70% of car purchases in Indonesia rely on credit, making financing crucial to supporting demand.
- Green financing programs tailored for HEVs and BEVs, including lower interest rates and flexible repayment options, could stimulate adoption and make eco-friendly vehicles more accessible.

Policy and Incentive Impact:

- Government measures, including tax holidays, VAT subsidies, and targeted incentives for EVs and hybrids, are driving demand in the LCEV segment.
- Expanding EV infrastructure and offering targeted subsidies for hybrids remain essential for sustained growth.

Challenges Ahead:

- Rising costs, including a 12% VAT increase, a 6.5% minimum wage hike, and proposed vehicle registration fee increases, pose affordability challenges.
- The “1 million trap”, where sales struggle to surpass 1 million units annually, highlights the need for strategic interventions to address cost pressures.

2025 Outlook:

- Achieving 1 million car sales in 2025 is feasible but requires balancing affordability with incentives.
- HEVs are positioned to drive immediate growth, while BEVs will benefit from infrastructure expansion and continued government support.
- Collaboration between financing institutions, automakers, and the government is critical to unlocking demand and ensuring market resilience.

Introduction

Indonesia has long been the powerhouse of the ASEAN automotive market, consistently maintaining its position as the largest car market in the region. With over one million units sold in 2019, the country's pre-pandemic performance reflected its immense potential, fueled by a growing middle class, rapid urbanization, and increasing aspirations for car ownership as a symbol of status and convenience. The booming economy and rising consumer purchasing power had positioned Indonesia on a steady path of growth in the automotive sector. However, this momentum faced an unprecedented setback in 2020, as the COVID-19 pandemic wreaked havoc on the global economy and severely impacted automotive sales. The country experienced a dramatic 50% drop in sales, plummeting to just 532,077 units, as lockdowns, economic uncertainties, and weakened consumer confidence caused a sharp contraction in demand.

Despite the challenges, Indonesia showcased its resilience in the following years, driven by a robust recovery in both the economy and the automotive market. In 2022, car sales rebounded impressively to 1,048,040 units, signaling a return to pre-pandemic strength. This resurgence highlighted the underlying strength of Indonesia's automotive sector, supported by pent-up demand and government incentives aimed at revitalizing the economy. In 2023, sales remained strong at 1,005,802 units, solidifying Indonesia's position as the leading car market in the ASEAN region. However, while the numbers appear promising, the market has increasingly shown signs of stagnation, with projections for 2024 pointing to a decline to 850,000 units.

This trend underscores what analysts are now referring to as the "One Million Car Sales Trap"—a psychological and economic barrier that Indonesia's automotive market struggles to consistently surpass. Breaking through this ceiling has proven to be a formidable challenge due to a combination of factors, including market saturation in urban areas, economic pressures, and evolving consumer preferences. While Indonesia's automotive sector remains the largest and most dynamic in the region, its inability to sustain or exceed one million annual sales points to deeper structural challenges that must be addressed to unlock its full potential.

Overview of the Automotive Industry

28

Car Manufacturers

38 million

Direct Laborers

2,350,000

Annual Production Capacity

143 trillion

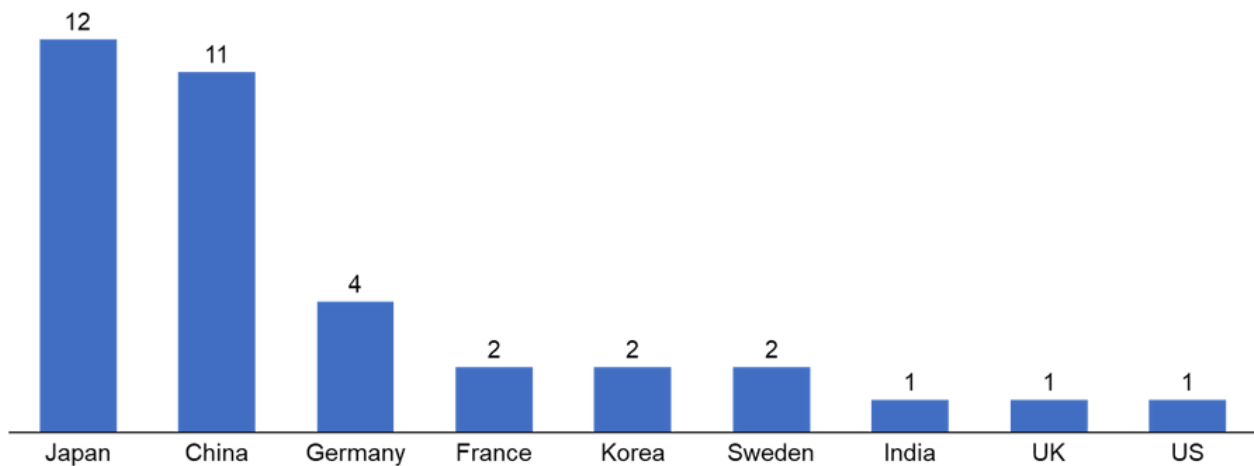
Cumulative Investment (IDR)

Indonesia's automotive industry is a cornerstone of the nation's economy, contributing significantly to industrial growth and employment. With 28 manufacturers operating within its borders, the sector supports a diverse ecosystem capable of producing vehicles across multiple segments, catering to both domestic and export markets. This is bolstered by an annual production capacity of 2.35 million units, positioning Indonesia as a key player in the ASEAN automotive landscape. Additionally, the industry supports a workforce of 38.39 million direct laborers, emphasizing its critical role as a source of livelihood and socio-economic development.

The industry's resilience and potential have been further strengthened by a cumulative investment of Rp 143.07 trillion as of 2023. These investments reflect strong confidence from both domestic and international stakeholders, enabling advancements in production capabilities, adoption of advanced manufacturing technologies, and a shift toward sustainable practices such as the development of electric vehicles (EVs). Together, these elements underscore the sector's ability to adapt to evolving market demands and play a leading role in driving sustainable growth.

With a strong foundation of manufacturers, diverse brands, and significant investments, Indonesia's automotive industry is well-positioned to further economic growth while embracing future opportunities in sustainable mobility and global market expansion.

Car Brands by Country



Indonesia's automotive market also showcases its global significance, with a rich mix of brands from various regions competing for dominance. Twelve brands from Japan lead the market, reflecting their long-standing reputation for reliability, efficiency, and innovation. These brands cater to various segments, from budget-friendly family vehicles to high-performance models, making them highly favored by Indonesian consumers.

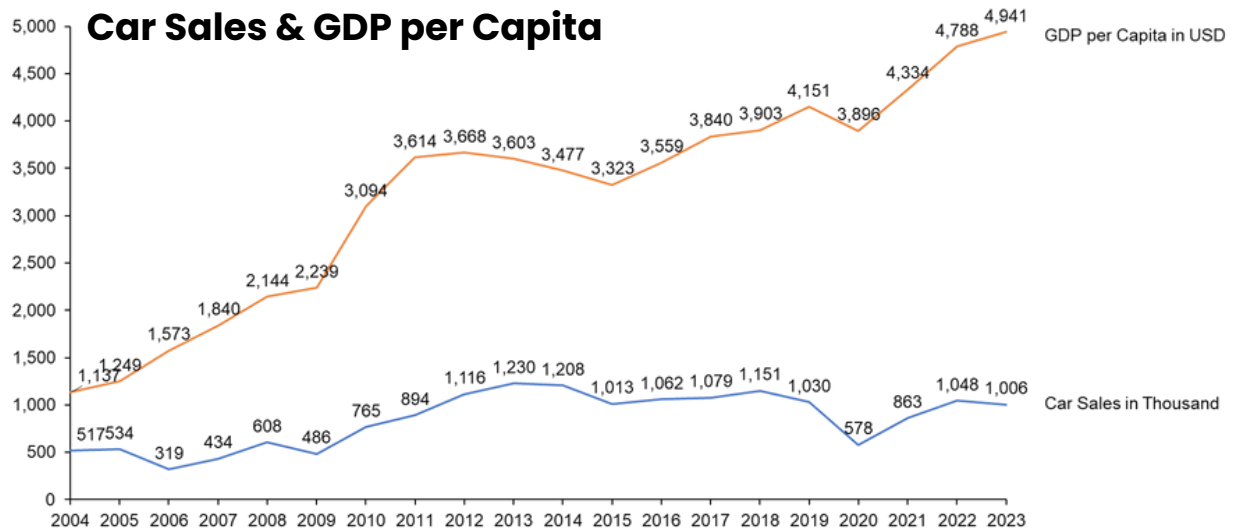
Eleven Chinese brands have gained traction, driven by competitive pricing, sleek designs, and a strong emphasis on electric vehicles (EVs). These brands highlight the growing influence of Chinese technology in shaping the future of mobility in Indonesia.

European brands also play a prominent role, led by four German brands known for premium and luxury vehicles with exceptional engineering. Additional contributions from France, Sweden, and the UK enrich the market with niche offerings that include compact vehicles, luxury sedans, and innovative EVs.

From Asia, two Korean brands have made significant inroads with their stylish designs, advanced features, and competitive pricing. Additionally, a single Indian brand focuses on affordability and practicality, catering to specific consumer needs in the Indonesian market. One American brand, known for its durable and robust vehicles, completes the diverse mix of players in Indonesia's automotive ecosystem.

This diversity of global brands underscores Indonesia's strategic importance in the international automotive industry. From affordable options to premium luxury models and cutting-edge electric innovations, the variety of offerings reflects the dynamic and evolving nature of Indonesia's automotive market, solidifying its status as a vital hub in both regional and global contexts.

Macroeconomic Factors Influencing the Automotive Industry



The relationship between car sales and GDP per capita in Indonesia demonstrates a significant positive correlation, as evidenced by a correlation score of 0.765. This highlights that economic growth, as measured by GDP per capita, has been a key driver of car sales in the country over the past two decades. As GDP per capita increases, signaling rising income levels and improved purchasing power, car sales tend to follow a similar upward trajectory. However, the trend has not been entirely smooth, as shown in the GDP per capita data from 2019 to 2023, which reflects periods of economic disruption and recovery.

In 2019, Indonesia's GDP per capita stood at \$4,151, coinciding with a robust year for automotive sales. The following year, the COVID-19 pandemic caused GDP per capita to decline to \$3,896, reflecting the widespread economic downturn. This reduction in income levels and rising financial uncertainty led to a sharp decline in car sales, as many middle-class consumers postponed big-ticket purchases. As the economy began to recover in 2021, GDP per capita increased to \$4,334, signaling improved income stability. This recovery supported a gradual rebound in car sales, demonstrating the direct link between economic growth and automotive demand.

By 2022, Indonesia's GDP per capita rose significantly to \$4,788, and in 2023, it reached \$4,941, surpassing pre-pandemic levels. This steady economic growth has contributed to the resurgence of car sales; however, the recovery remains uneven. While higher GDP per capita indicates rising incomes for certain segments of the population, the shrinking and increasingly fragile middle class has tempered the full potential of this growth. As the middle class contracts, their reduced purchasing power poses a long-term risk to sustaining car sales growth, as this segment historically serves as the backbone of automotive demand in Indonesia.

Over the past five years, Indonesia's middle class has experienced a significant decline, dropping from 57.33 million people in 2019 to 49.51 million in 2024. This contraction reflects the combined impact of economic disruptions, stagnating income growth, and rising living costs, which have pushed many individuals into lower economic categories. The COVID-19 pandemic accelerated this trend, disproportionately affecting the middle class through income reductions, job losses, and business closures. While Indonesia's overall GDP per capita has shown growth, income distribution remains uneven, trapping many individuals in the "aspiring middle class"—a group on the cusp of upward mobility but lacking the financial security to weather economic shocks. At the same time, the rising costs of essentials like food, housing, and education have eroded purchasing power, limiting discretionary spending on big-ticket items such as cars.

The middle class has long served as a critical engine of demand for Indonesia's automotive market. Rising incomes in this segment often translate to increased purchases of aspirational items like automobiles, which symbolize social mobility and improved living standards. However, the ongoing decline in middle-class numbers directly affects this trend, weakening demand for vehicles, particularly in the entry level segment. For instance, the pandemic caused car sales to plummet by 44%, from 1,030,000 units in 2019 to 578,000 in 2020, as the middle class faced unprecedented economic uncertainty. This vulnerability to external shocks highlights the fragility of Indonesia's middle class and underscores their critical role in the broader economy.

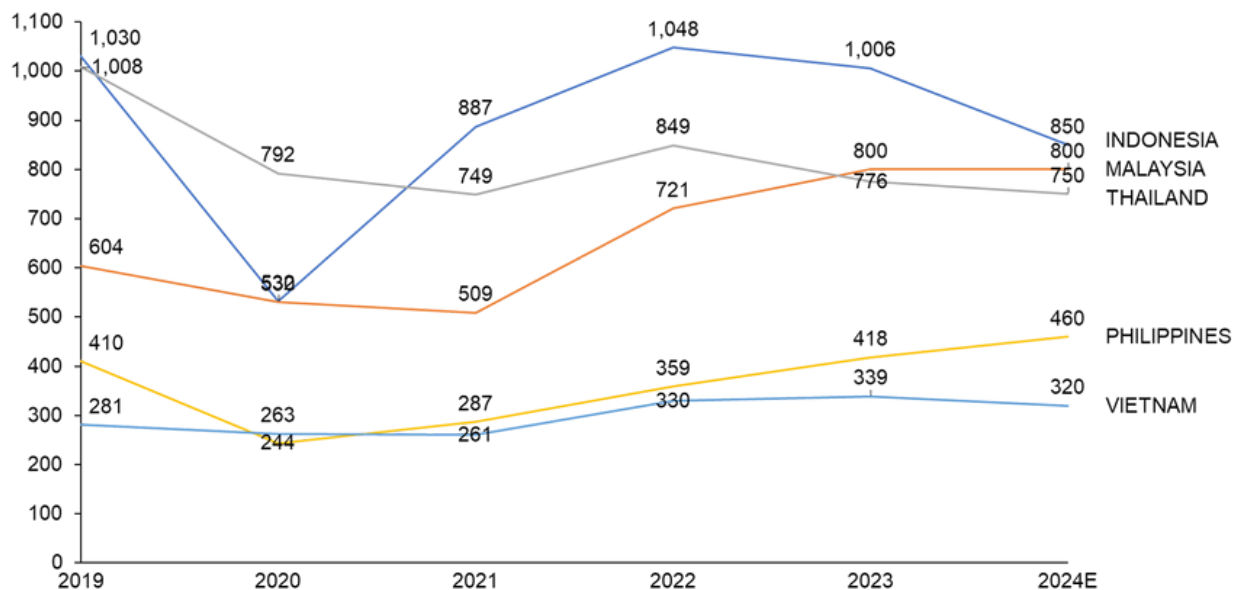
At the same time, the contraction of the middle class coincides with a rise in the "aspiring middle class," a group that grew from 136.92 million in 2023 to 137.5 million in 2024. While this group holds promise as future car buyers, their current financial precarity limits their ability to invest in automobiles, forcing the industry to adapt to their constrained purchasing power. This trend signals the need for automakers to focus on affordability by offering lower-cost vehicles, innovative financing options, or smaller and more fuel-efficient models to capture this growing segment.

The shrinking middle class also highlights the need for the automotive industry to diversify and build resilience. Expanding into electric vehicles (EVs) and hybrid cars, supported by government incentives and growing environmental awareness, offers an opportunity to reach new markets. Additionally, creating tailored solutions to address the aspirations of the "aspiring middle class" could help stabilize demand in the face of economic uncertainties.

While Indonesia's automotive market has historically grown in tandem with GDP per capita, the decline of the middle class introduces new challenges. The shrinking numbers, combined with rising living costs and economic inequality, expose the market to vulnerabilities that cannot be ignored. Moving forward, the industry must align its strategies to cater to evolving economic conditions, ensuring that it not only adapts to the shifting dynamics of the middle class but also secures long-term resilience and growth in an increasingly uncertain environment.

Indonesia Automotive Industry among ASEAN Countries

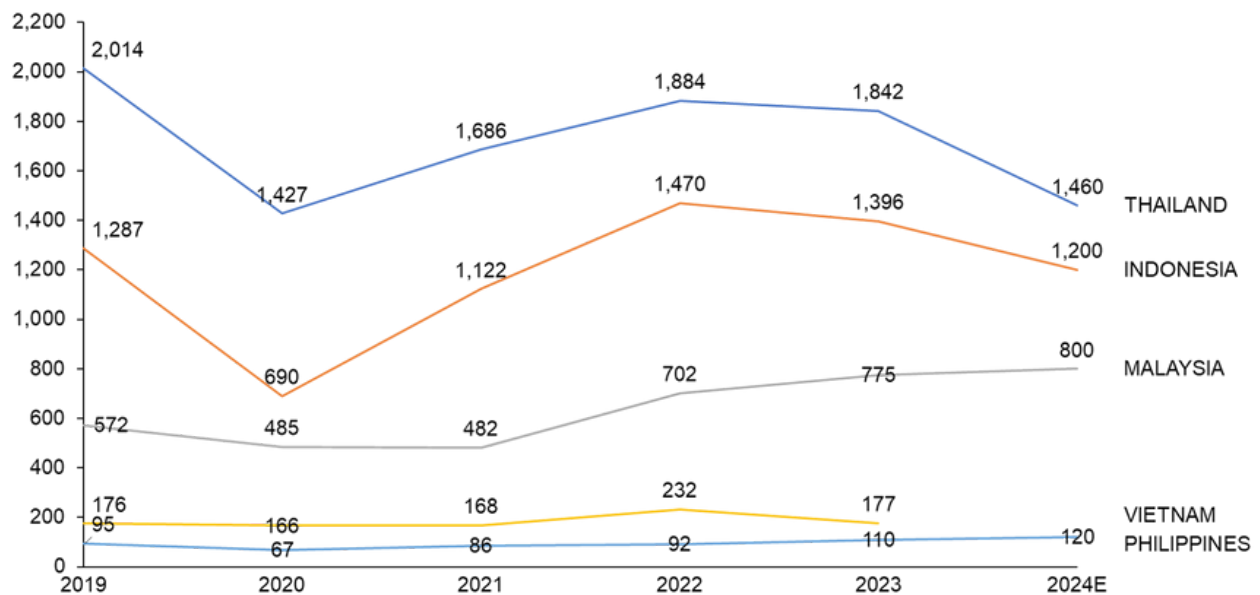
ASEAN Countries Car Sales in Thousand



Indonesia stands as a key player in the ASEAN automotive market, both in terms of car sales and production. In 2019, Indonesia achieved over 1 million car sales (1,030,486 units) and produced 1,286,848 vehicles, reflecting its strong domestic market and robust manufacturing base. However, the COVID-19 pandemic in 2020 caused a significant decline, with car sales falling to 532,077 units and production dropping to 690,176 units. The market rebounded strongly in 2021 and 2022, with car sales peaking at 1,048,040 units in 2022 and production increasing to 1,470,146 vehicles. Yet, projections for 2024 indicate a slowdown, with sales expected to decrease to 850,000 units and production forecasted at 1.2 million vehicles. This reflects challenges in sustaining growth amid evolving market conditions and global economic pressures.

When compared to other ASEAN countries, Indonesia's automotive market exhibits both strengths and areas for improvement. Thailand remains a formidable benchmark, consistently leading in car production. In 2019, Thailand produced 2,013,710 vehicles, nearly double Indonesia's output, despite similar car sales volumes (1,007,552 units). Although Thailand also faced declines during the pandemic, it retained its production leadership with 1,883,515 vehicles produced in 2022, far surpassing Indonesia. However, projections for 2024 suggest Thailand's production may decline sharply to 1,460,000 vehicles, potentially narrowing the gap between the two countries.

ASEAN Countries Car Production in Thousand



Malaysia presents a different dynamic. Its car sales and production volumes are smaller than Indonesia's, yet the country has shown remarkable resilience and growth in recent years. In 2020, Malaysia's car sales dropped to 529,514 units, similar to Indonesia, but the market recovered steadily, with sales projected to reach 800,000 units in 2024. On the production side, Malaysia has consistently increased its output, expected to match its car sales at 800,000 units in 2024. This balance between production and sales highlights Malaysia's efficient market alignment.

Vietnam and the Philippines represent smaller automotive markets in ASEAN but showcase unique trends. Vietnam's car sales have grown moderately, from 281,262 units in 2019 to a projected 320,000 units in 2024. However, its production capacity remains limited, with only 177,435 vehicles produced in 2023. Similarly, the Philippines, despite having lower car sales (460,000 units projected for 2024), has been steadily increasing its production, which is expected to reach 120,000 vehicles in 2024. These figures suggest that both countries are gradually strengthening their manufacturing capabilities to reduce import dependency.

Overall, Indonesia remains a significant player in the ASEAN automotive market but faces stiff competition, particularly from Thailand in production and Malaysia in balancing sales and manufacturing growth. As the industry evolves, Indonesia has opportunities to further enhance its production efficiency, explore export potential, and adapt to emerging trends like electric vehicle adoption to maintain its regional leadership.

Indonesia's car ownership ratio, at 99 vehicles per 1,000 population, highlights both its current standing and immense potential for growth in the ASEAN automotive market. Compared to regional neighbors, Indonesia lags significantly behind developed markets such as Malaysia with 490 vehicles per 1,000 people and Brunei, the regional leader with 805 vehicles per 1,000 people. While Indonesia remains the largest automotive market in the region by absolute sales, its low vehicle penetration ratio underscores the untapped opportunities for automakers to expand and capture market share.

With a population exceeding 270 million, Indonesia's low car ownership ratio signals a vast, underserved segment of the population that could drive long-term demand for vehicles. Factors such as a growing middle class, increasing urbanization, and improving infrastructure create fertile ground for higher car ownership in the coming years. The government's push for economic growth and industrial development, combined with rising consumer purchasing power, further enhances Indonesia's potential to narrow the gap with regional peers. Automakers who can provide affordable, fuel-efficient, and technologically advanced vehicles will be well-positioned to tap into this emerging market.

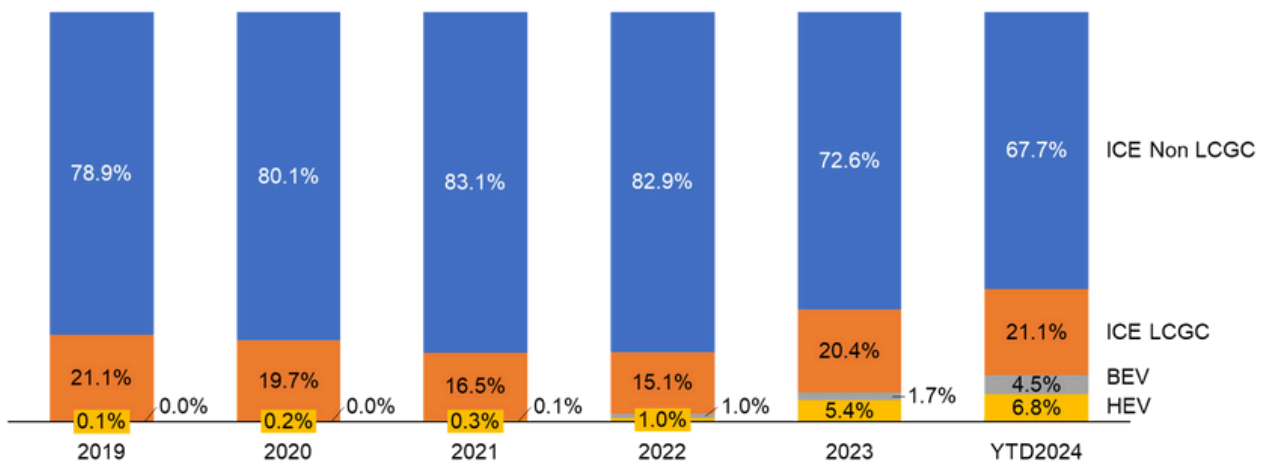
In stark contrast, Malaysia, with nearly five times the car ownership rate of Indonesia, demonstrates what is achievable in a market where economic development, infrastructure, and automotive financing options have reached maturity. Similarly, Thailand boasts a ratio of 275 vehicles per 1,000 people, reflecting its status as a regional automotive hub with strong domestic and export-oriented production. Even Singapore, with its high car ownership costs and restrictions, maintains a ratio of 211 vehicles per 1,000 people, well above Indonesia.

Countries like the Philippines (49), Vietnam (34), and Myanmar (20) trail behind Indonesia, underscoring Indonesia's relative strength in vehicle adoption among developing markets. However, this comparison also highlights that Indonesia must work to avoid stagnation and fully leverage its advantages to push ownership rates upward.

For Indonesia to bridge the gap with Malaysia and Thailand, automakers and policymakers must address critical barriers to car ownership, such as affordability, financing accessibility, and infrastructure development. Low-Cost Green Cars (LCGC) and entry-level vehicles have already proven successful in catering to price-sensitive consumers, but further innovation in electric vehicles (EVs) and hybrid options could accelerate adoption, particularly as sustainability becomes a growing priority. Expanding EV infrastructure, like charging stations, and offering government incentives will also be pivotal in capturing new buyers.

The Evolving Landscape: Trends Shaping the Indonesian

ICE, BEV & HEV Market Share Trends



Over the past five years, the Indonesian automotive market has undergone a significant transformation, with shifting trends in consumer preferences and technological adoption reshaping the industry landscape. Internal Combustion Engine (ICE) vehicles, particularly non-LCGC (Low-Cost Green Cars), have consistently dominated the market but are now showing signs of gradual decline as alternative fuel vehicles gain traction. The government's ambitious targets for electric vehicle adoption, coupled with various policy incentives, have begun to spur a slow but steady increase in EV sales.

In 2019, ICE non-LCGC vehicles accounted for 814,641 units sold, representing 78.9% of the market. This dominance persisted through 2020 and 2021, with market shares peaking at 83.1% in 2021 as the economy began to recover from the pandemic. However, by 2023, this segment's share had dropped to 72.6%, and further decline to 67.7% is evident in the year-to-date (YTD) 2024 data. While absolute sales of ICE non-LCGC vehicles rebounded after the pandemic, reaching 869,153 units in 2022, they have since declined to 480,753 units YTD in 2024, reflecting a gradual shift in consumer preferences and market dynamics.

Similarly, ICE LCGC vehicles experienced a fluctuating trajectory. From 217,454 units sold in 2019, sales dropped sharply to 104,650 units in 2020 due to the pandemic's impact. Despite recovering to 204,705 units in 2023, their market share has remained relatively stable at around 21% in 2024. These trends indicate a steady but limited role for LCGC vehicles as affordability remains a key factor for many consumers.

The adoption of Battery Electric Vehicles (BEVs) has been one of the most notable developments in the Indonesian automotive market. From negligible sales in 2019 and 2020, BEVs have witnessed exponential growth, with sales climbing from 125 units in 2020 to 31,994 units YTD in 2024. This growth corresponds to an increase in market share from virtually zero in 2019 to 4.5% in 2024. The government's push for EV adoption, combined with rising consumer interest in sustainable mobility, has driven this remarkable expansion. However, challenges such as limited charging infrastructure and high upfront costs continue to constrain wider adoption.

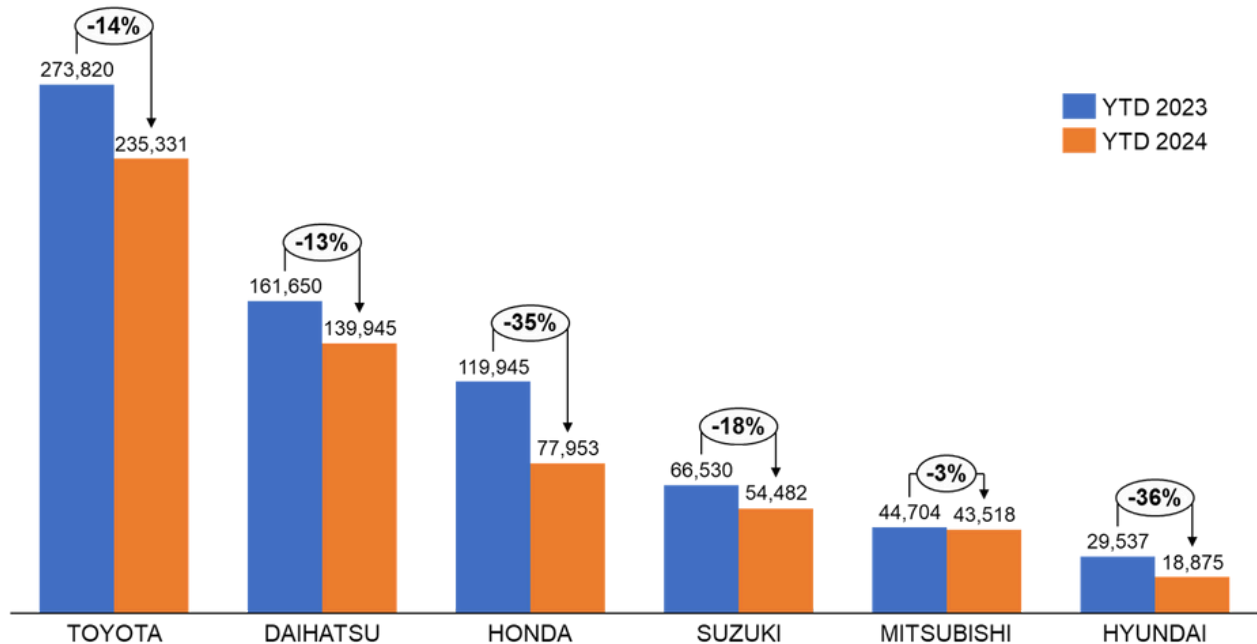
Hybrid Electric Vehicles have also emerged as a significant player in the Indonesian automotive market, offering a transitional solution for consumers who are hesitant to fully adopt Battery Electric Vehicles. HEV sales have grown steadily from 787 units in 2019 to an impressive 54,179 units in 2023, with year-to-date 2024 sales reaching 47,955 units. This growth trajectory reflects the increasing acceptance of HEVs among Indonesian consumers as a practical, eco-friendly alternative to traditional Internal Combustion Engine vehicles. HEVs' market share has risen from a mere 0.1% in 2019 to 6.8% in 2024, underscoring their growing popularity and role in the country's automotive landscape. As a transitional technology, HEVs provide consumers with the benefits of improved fuel efficiency and reduced emissions, while addressing concerns about the limited charging infrastructure and higher upfront costs associated with BEVs. This gradual shift towards hybrid electric vehicles is an important step in the overall transition towards a more sustainable and diverse automotive industry in Indonesia.

The total automotive market in Indonesia has shown resilience, bouncing back strongly from the pandemic-induced low of 532,027 units in 2020 to a peak of 1,048,040 units in 2022. However, total sales have slightly declined since then, with 1,005,802 units in 2023 and 710,406 units YTD in 2024. This slowdown highlights the ongoing challenges of sustaining growth amid evolving consumer preferences, economic pressures, and the global push for sustainability.

The Indonesian automotive market is at a crossroads, transitioning from its historical reliance on ICE vehicles to a more diverse landscape that includes BEVs and HEVs. While ICE vehicles continue to dominate in absolute terms, their declining market share signals a shift in consumer priorities. The rapid growth of BEVs and HEVs, albeit from a low base, reflects the early stages of a broader transformation toward sustainable mobility. As the government and industry stakeholders continue to invest in infrastructure, incentives, and education, the market is poised to accelerate this transition, potentially reshaping Indonesia's automotive future.

Automotive Brand Performance: Sales Trends and Market Dynamics

Top Selling Car Brands' Sales Trends



The Indonesian automotive market in 2024 has faced a notable decline compared to the previous year, with total car sales dropping by 15% from 836,128 units in YTD 2023 to 710,406 units in YTD 2024. This significant contraction highlights a challenging environment for the country's top car brands.

Toyota, the dominant player in the Indonesian market, retained its leadership but saw a 14% decrease in sales, from 273,820 units in YTD 2023 to 235,331 units in YTD 2024, a reduction of 38,489 units. The Toyota Innova emerged as a bright spot, recording a 4% increase in sales, from 50,554 units in 2023 to 52,386 units in 2024, a gain of 1,832 units. The popularity of the Innova, particularly its partly hybrid variant, highlights a growing consumer interest in hybrid vehicles as an alternative to traditional ICE cars. This reflects Toyota's success in aligning with Indonesia's gradual shift toward sustainable mobility. Another standout performer is the Toyota Alphard, which posted a remarkable 33% growth, increasing from 3,240 units in 2023 to 4,322 units in 2024, an addition of 1,082 units. The Alphard's premium positioning and appeal in the luxury segment have contributed to its success, indicating continued demand for high-end vehicles among affluent buyers.

On the other hand, many of Toyota's core models experienced significant declines. The Toyota Avanza, long considered a backbone of Toyota's Low MPV offerings, saw a 14% drop in sales, falling from 50,515 units to 43,380 units. This decline of 7,135 units

signals increasing competition within the MPV segment, as well as potential market saturation. In the LCGC (Low-Cost Green Car) category, both the Toyota Calya and Toyota Agya faced declines of 15%, with the Calya dropping from 38,233 units to 32,578 units and the Agya falling from 19,192 units to 16,355 units. These losses, amounting to 5,655 units and 2,837 units, respectively, reflect pressures in the budget car market, likely driven by economic factors affecting lower-income consumers. The Toyota Veloz and Toyota Raize recorded some of the sharpest declines. Veloz sales dropped by 31%, from 17,272 units to 11,998 units, marking a loss of 5,274 units. Similarly, the Raize compact SUV experienced a 29% decline, falling from 14,780 units to 10,506 units, a reduction of 4,274 units. These numbers highlight increasing competition in the low MPV and compact SUV segments, where newer or more affordable alternatives may be drawing consumers away. Meanwhile, the Toyota Yaris suffered the steepest decline among all models, with a 44% drop in sales, from 8,045 units to 4,504 units, a reduction of 3,541 units. This sharp decline points to waning demand for hatchbacks, as consumer preferences continue to shift toward SUVs and MPVs.

Daihatsu, another prominent Japanese brand, experienced a 13% decline in total sales, dropping from 161,650 units in YTD 2023 to 139,945 units in YTD 2024, a reduction of 21,705 units. This downward trend reflects broader market challenges, such as economic pressures and increased competition, particularly in the LCGC (Low-Cost Green Car) and MPV (Multi-Purpose Vehicle) segments, where Daihatsu is a prominent player.

The Daihatsu Siga, one of the brand's most popular models in the LCGC category, recorded a relatively mild decline of 6%, with sales decreasing from 51,953 units in YTD 2023 to 49,055 units in YTD 2024, a drop of 2,898 units. Siga's resilience amidst challenging market conditions highlights its appeal as an affordable and efficient vehicle, especially for budget-conscious consumers. However, the decline suggests increasing competition within the LCGC segment, which is highly price-sensitive. The GranMax, a key player in the commercial minibus category, saw a modest 5% decline, with sales falling from 49,040 units to 46,642 units, a reduction of 2,398 units. Despite the drop, GranMax remains critical for small businesses and logistics operations, where its practicality and cost-effectiveness continue to drive demand. The relatively smaller decline compared to other models indicates the segment's stability, even in a slower overall market.

The Daihatsu Xenia faced a significant 33% drop in sales, with units decreasing from 13,198 in YTD 2023 to 8,846 in YTD 2024, a loss of 4,352 units. As a Low MPV offering, the Xenia competes in a highly competitive segment, dominated by rival models that may offer better features or greater value for money. The steep decline underscores challenges Daihatsu faces in maintaining market share in this segment. The Ayla, another key model in the LCGC category, experienced one of the largest declines in Daihatsu's lineup, dropping by 30%, from 20,513 units to 14,397 units, a reduction of 6,116 units. This sharp decline highlights growing competition and price sensitivity among entry-level buyers, as well as the potential impact of shifting preferences toward other affordable options or compact SUVs.

Honda witnessed the most significant contraction among Japanese brands, with a sharp 35% decline in sales. Volumes fell from 119,945 units in YTD 2023 to 77,953 units in YTD 2024, a loss of 41,992 units. This significant contraction reflects challenges across Honda's lineup, particularly in the small car and SUV segments, which form the backbone of its sales.

The Honda Brio, Honda's best-selling model and partly categorized as an LCGC (Low-Cost Green Car), experienced a 21% decline, with sales falling from 53,481 units to 42,235 units, a decrease of 11,246 units. Despite being a segment leader, the Brio's sharp drop indicates growing competition in the affordable car market, where buyers are increasingly price-sensitive. The Honda HR-V, a key player in the compact SUV segment, recorded a steep 43% decline in sales, falling from 22,926 units in YTD 2023 to 13,049 units in YTD 2024, a loss of 9,877 units. The Honda BR-V, positioned in the low SUV segment, saw the largest percentage drop alongside the WR-V, with sales plunging by 47% from 16,216 units to 8,543 units, a reduction of 7,673 units. Similarly, the Honda WR-V, another compact SUV, experienced a 47% decline, dropping from 18,176 units in YTD 2023 to 9,584 units in YTD 2024, a loss of 8,592 units. The WR-V's sharp drop mirrors the struggles faced by the HR-V and BR-V, signaling Honda's difficulty in sustaining its position in the fast-growing and highly competitive SUV segment.

Suzuki's performance also reflected the broader market decline, with sales falling 18%, from 66,530 units to 54,482 units, a reduction of 12,048 units. While Suzuki faces challenges across most of its core lineup, there are notable successes in specific models that highlight shifting market preferences.

The Suzuki Jimny emerged as a significant success story, with sales soaring by an impressive 180%, increasing from 705 units in YTD 2023 to 1,977 units in YTD 2024, a gain of 1,272 units. The Jimny's growth reflects strong demand for its rugged, off-road appeal and its unique positioning as a lifestyle SUV. Its popularity among niche buyers demonstrates Suzuki's ability to cater to consumers seeking differentiation in a crowded market. The Grand Vitara also posted strong growth, with sales increasing by 49%, from 1,310 units to 1,948 units, a gain of 638 units. This growth highlights the model's appeal in the compact SUV market, where buyers are increasingly drawn to vehicles offering modern features and hybrid options. The Suzuki Carry, traditionally a strong performer in the commercial vehicle segment, experienced a steep decline of 30%, with sales falling from 35,246 units to 24,499 units, a loss of 10,747 units. The sharp drop in Carry sales indicates potential pressures on small business owners and logistics operators, likely driven by economic challenges impacting commercial vehicle purchases. The Ertiga, Suzuki's partly hybrid offering in the MPV segment, saw a 33% decline, with sales falling from 7,744 units to 5,159 units, a reduction of 2,585 units. Despite the hybrid variant's availability, the Ertiga's performance suggests that consumer adoption of hybrid technology remains gradual, particularly in cost-sensitive MPV segments where competition is fierce.

Mitsubishi stood out as the most stable performer among the Japanese brands, experiencing the smallest decline of 3%. Sales dropped marginally from 44,704 units to 43,518 units, a decrease of only 1,186 units. This small dip highlights Mitsubishi's ability to maintain its market position amid broader market challenges. The data reflects mixed results across its core models, with significant growth from the XForce compact SUV counterbalancing declines in the Xpander and Pajero.

The XForce compact SUV emerged as Mitsubishi's standout performer, recording a staggering 6,447% increase in sales. Sales surged from a mere 79 units in YTD 2023 to 5,172 units in YTD 2024, a gain of 5,093 units. This exponential growth highlights the successful market entry of the XForce, which likely appeals to consumers looking for a stylish, feature-rich, and compact SUV. Its strong performance indicates growing consumer interest in compact SUVs, a segment that continues to expand in Indonesia's automotive market. The Mitsubishi Xpander, traditionally a strong performer in the Low MPV segment, experienced a 17% decline in sales. Units fell from 33,240 in YTD 2023 to 27,588 in YTD 2024, a reduction of 5,652 units. The Xpander's decline reflects increasing competition in the highly contested Low MPV market, where rivals such as Toyota and Daihatsu continue to dominate. Mitsubishi may need to enhance the Xpander's value proposition to regain its momentum in this critical segment. The Mitsubishi Pajero, a key player in the SUV category, saw a 5% decline in sales, dropping from 11,382 units in YTD 2023 to 10,757 units in YTD 2024, a loss of 625 units. Despite the modest decline, the Pajero's performance remains relatively stable, indicating its continued appeal among SUV buyers who prioritize durability and performance.

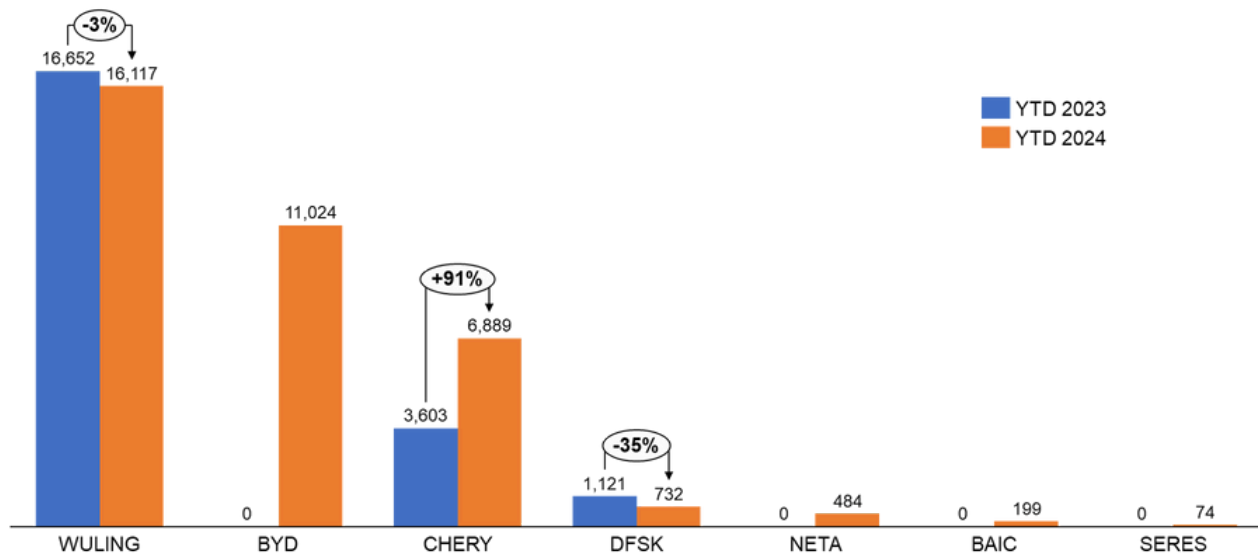
Hyundai, the lone Korean representative in the top six brands, faced the steepest percentage decline at 36%, with sales plummeting from 29,537 units in YTD 2023 to 18,875 units in YTD 2024, a loss of 10,662 units. While overall performance has declined, Hyundai's data reveals stark contrasts, with strong growth in a few models, particularly the Santa Fe and Kona EV, while other models like the Stargazer, Creta, and Ioniq have struggled significantly.

The Santa Fe, Hyundai's partly hybrid SUV, recorded an impressive 117% growth, with sales increasing from 794 units in YTD 2023 to 1,725 units in YTD 2024, a gain of 931 units. This strong growth underscores increasing consumer interest in hybrid vehicles, as the Santa Fe offers a combination of efficiency, performance, and modern features. Hyundai's hybrid technology appears to be gaining traction among Indonesian buyers, particularly in the premium SUV category. The Kona EV stands out as Hyundai's most dramatic performer, showing an astonishing 11,114% increase, with sales soaring from just 7 units in YTD 2023 to 785 units in YTD 2024. Although the growth is impressive, it comes from a very low base. The Kona EV's success reflects growing interest in electric vehicles (EVs), driven by increasing environmental awareness and government initiatives supporting EV adoption.

The Stargazer, Hyundai's flagship in the Low MPV segment, faced a sharp 27% decline in sales, dropping from 13,266 units in YTD 2023 to 9,718 units in YTD 2024, a loss of 3,548 units. The Stargazer's performance reflects intense competition in the Low MPV market, dominated by well-established Japanese brands like Toyota, Daihatsu and Mitsubishi. The Creta, Hyundai's contender in the compact SUV segment, experienced a 30% drop in sales, falling from 6,785 units to 4,736 units, a reduction of 2,049 units. The Ioniq EV, which once symbolized Hyundai's push toward electrification, saw the steepest decline, with sales plummeting by 97% from 6,072 units in YTD 2023 to just 191 units in YTD 2024, a loss of 5,881 units. This sharp drop highlights Hyundai's struggle to maintain its foothold in Indonesia's electric vehicle (EV) market amid intensifying competition from emerging Chinese players.

The Rise of Chinese Automotive Manufacturers

Chinese Car Brands' Sales Trends



Chinese car brands are emerging as significant players in the Indonesian automotive market, presenting both new opportunities and threats for established automakers. The data highlights a rapid influx of Chinese vehicles, especially electric vehicles (EVs), which are gaining ground amid increasing demand for affordable and sustainable options. While Wuling continues to dominate among Chinese brands, newcomers such as BYD, Chery, and NETA are quickly expanding their presence.

Wuling's performance in the Indonesian automotive market showed a slight decline of 3%, with total sales falling from 16,652 units in YTD 2023 to 16,117 units in YTD 2024, a reduction of 535 units. While Wuling experienced challenges with its traditional lineup, the introduction of new electric vehicles (EVs)—Binguo and Cloud EV—has injected fresh momentum into its portfolio, signaling a strategic focus on electrification to compete in the rapidly evolving market. The Binguo sold 4,236 units, immediately positioning itself as a strong player in the affordable EV segment. Its modern features, compact design, and competitive pricing likely contributed to its strong appeal among early adopters of electric mobility. The Cloud EV also performed well with 3,009 units sold, further highlighting Wuling's success in diversifying its EV portfolio.

BYD has made a remarkable entry into the Indonesian automotive market in 2024, with total sales reaching 11,024 units, all exclusively within the electric vehicle (EV) segment. This strong debut highlights BYD's strategic focus on leveraging its global reputation as a leader in EV technology to capture a growing share of Indonesia's electric vehicle market. BYD's ability to offer a diverse portfolio of EV models, including the Seal, M6, Atto, and Dolphin, has been instrumental in driving its success.

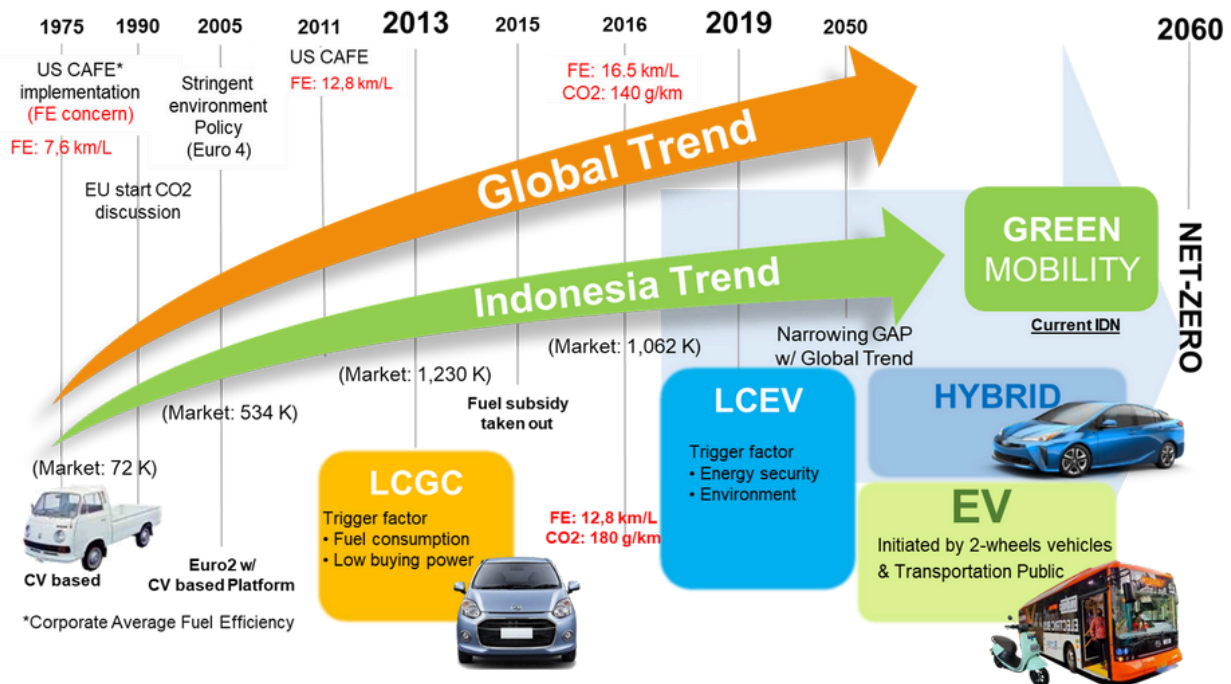
The BYD Seal emerged as the top performer in BYD's lineup, contributing 4,064 units to total sales. Positioned as a premium electric sedan, the Seal combines cutting-edge technology, sleek design, and competitive pricing. Its strong performance reflects growing consumer demand for electric alternatives that provide both sophistication and sustainability. The M6, with 3,054 units sold, stands out as a significant contender in BYD's lineup. As a 7-seater electric vehicle, the M6 caters to Indonesian families and fleet buyers seeking spacious and practical mobility solutions. Its success highlights BYD's understanding of the local market, where multi-passenger vehicles remain highly sought after for their versatility and utility. Combining the benefits of an EV—lower operating costs, eco-friendliness, and advanced features—with the practicality of a 7-seater, the M6 meets the needs of large households while appealing to environmentally conscious consumers.

Chery has demonstrated impressive growth in the Indonesian automotive market, achieving a 91% increase in total sales from 3,603 units in YTD 2023 to 6,889 units in YTD 2024, a gain of 3,286 units. This remarkable performance underscores Chery's growing foothold in Indonesia, driven primarily by its success in the SUV and MPV segments, as well as its introduction of partly electric vehicle (EV) models.

The Chery Omoda has emerged as the brand's star performer, with sales increasing by 89%, from 2,739 units in YTD 2023 to 5,164 units in YTD 2024, a gain of 2,425 units. As a partly electric vehicle, the Omoda appeals to consumers seeking modern design, advanced features, and environmentally friendly technology. Its strong performance reflects Chery's ability to tap into Indonesia's growing demand for electrified vehicles, particularly in the competitive crossover and SUV segments. The Tiggo 5 made a notable debut in YTD 2024, contributing 812 units to Chery's total sales. This compact SUV's entry highlights Chery's strategy to expand its product lineup and attract buyers in the affordable SUV segment. The Chery Tiggo 8, positioned as a 7-seater SUV, recorded solid growth with a 36% increase in sales, rising from 477 units in YTD 2023 to 651 units in YTD 2024, a gain of 174 units. The Tiggo 8's performance highlights its appeal to Indonesian families and buyers seeking spacious, practical, and feature-rich vehicles. As a 7-seater SUV, it caters to the growing demand for multi-passenger vehicles in Indonesia, where large families and fleet users value comfort, versatility, and affordability.

Government Policy on Low Carbon Emission Vehicle (LCEV)

Past, Current and Future LCEV Program



The Indonesian government has made substantial efforts to support the development and adoption of Low Carbon Emission Vehicles (LCEVs) as part of its broader agenda to reduce carbon emissions and enhance energy sustainability. This initiative aligns with Indonesia's commitment at the COP21 Climate Conference, where it pledged to cut CO₂ emissions by 29% independently and 41% with international assistance by 2030. Recognizing the transportation sector's significant contribution to emissions, the government has implemented comprehensive policies to facilitate the transition to greener vehicle technologies, including fiscal incentives, regulatory frameworks, and infrastructure development.

Indonesia's journey toward LCEVs began with the introduction of Low-Cost Green Cars (LCGC) in 2013, which provided affordable, fuel-efficient options for consumers. This effort evolved into a broader program encompassing hybrid electric vehicles (HEVs), plug-in hybrid vehicles (PHEVs), and battery electric vehicles (BEVs). The transition is formalized through key regulations, including Presidential Regulation No. 55/2019, later revised by Presidential Regulation No. 79/2023. These regulations set ambitious targets for local content requirements (TKDN), mandate the establishment of battery-swapping stations, and encourage domestic value addition. Under the Ministry of Industry's roadmap, the government aims to produce 400,000 electric cars and 6 million electric motorcycles by 2025. As of October 2024, BEV sales reached

31,950 units, reflecting a 166% year-over-year growth, with key models like the Wuling Bingo and BYD Seal dominating the market. To further strengthen domestic production, TKDN requirements have been tightened, with minimum thresholds for local components expected to reach 80% by 2030.

The government has introduced extensive fiscal incentives to accelerate LCEV adoption. These include tax holidays of up to 20 years for large-scale investments, zero import duties on completely knocked down (CKD) and incompletely knocked down (IKD) components, and exemptions from vehicle luxury tax (PPnBM) for BEVs. BEVs with a TKDN of at least 40% also qualify for a 10% VAT subsidy, significantly reducing consumer costs. Electric buses receive varying levels of VAT subsidies based on their TKDN levels. In addition, direct subsidies for consumers include IDR 7 million for purchasing new electric motorcycles or converting conventional motorcycles into electric ones. Companies investing in research and development or workforce training in the LCEV ecosystem also benefit from corporate income tax reductions of up to 300%, fostering innovation and capacity building in the industry.

A critical component of the LCEV strategy is the development of supporting infrastructure. The government has prioritized expanding charging stations and battery-swapping facilities to address range anxiety and enhance consumer confidence in adopting electric vehicles. Revised regulations under Presidential Regulation No. 79/2023 mandate such infrastructure as essential for broader LCEV adoption. Additionally, the integration of biodiesel blends into fuel supplies, transitioning from B30 to B35, complements the decarbonization of conventional vehicles and provides an interim measure to reduce emissions.

Despite significant progress, challenges remain. The adoption of BEVs is hindered by the need for substantial investments in charging infrastructure and the limited reach of electricity grids in rural areas. Meeting stricter TKDN requirements also demands considerable investments in local manufacturing capabilities. However, the government's vision extends beyond emission reductions to include enhancing energy security and economic diversification. Leveraging its abundant reserves of critical minerals like nickel, Indonesia aims to establish itself as a global hub for battery production, strengthening downstream industries and attracting foreign investment.

Indonesia's LCEV policy reflects a well-rounded approach to decarbonizing the transportation sector, balancing ambitious emission reduction targets with the realities of local market conditions. Through regulatory support, financial incentives, and infrastructure development, the government is laying the groundwork for a sustainable automotive future. As the nation progresses toward its 2030 emissions targets and its 2050 net-zero goal, the continued expansion of the LCEV ecosystem will play a pivotal role in transforming Indonesia's energy landscape and ensuring its resilience in the global transition toward sustainability.

2025 Outlook and Policy Recommendations

The outlook for Indonesia's automotive market in 2025 remains cautiously optimistic, with projections suggesting that car sales could again approach or even surpass the 1 million-unit milestone, finally breaking free from the persistent "1 million car sales trap." This optimism is underpinned by Indonesia's ongoing economic recovery, reflected in the steady rise in GDP per capita, which grew from \$3,896 in 2020 to \$4,941 in 2023. This economic rebound has bolstered purchasing power, particularly among the price-sensitive middle-class and aspiring middle-class segments that dominate the automotive market. These segments are critical to achieving robust sales figures, as they account for nearly 65% of vehicle sales annually, largely in the sub-IDR 300 million price range. However, despite these positive signs, several challenges threaten to dampen demand and could leave the market lingering around the "1 million trap" for yet another year if not carefully addressed.

One factor supporting optimism for 2025 is the resilience of consumer spending, even in the face of economic pressures. Consistent year-on-year growth among consumer goods companies such as Mayora, Alfamart, and Ace Hardware indicates underlying demand in the market, even amid concerns over purchasing power. This consumer resilience suggests that as economic stability continues, spending could extend to higher-value items like automobiles. Moreover, government policies aimed at supporting the adoption of Low Carbon Emission Vehicles (LCEVs) have provided additional momentum for the sector, stimulating demand for environmentally friendly vehicles through subsidies, tax reductions, and regulatory incentives.

A key dynamic shaping the market in 2025 is the increasing adoption of hybrid vehicles (HEVs). Over the past few years, hybrids have gained significant traction, now accounting for 6% of total market share, despite the absence of substantial government incentives. Hybrids have proven particularly appealing due to their immediate and tangible benefits: 20-30% fuel savings, substantial reductions in carbon emissions, and practical usability without the need for charging infrastructure, which remains a major barrier for battery electric vehicles (BEVs). This practicality makes hybrids especially attractive in areas with underdeveloped infrastructure, offering a realistic and cost-effective transition toward greener transportation. Unlike BEVs, which are limited by charging constraints, hybrids provide an adaptable solution for Indonesian consumers in both urban and suburban areas. Additionally, their 10-15% higher production cost compared to internal combustion engine (ICE) vehicles makes them far more affordable than BEVs, enabling broader adoption.

While BEVs have garnered significant attention and are expected to see sales double from 17,000 units in 2023 to 40,000 units in 2024, they will still account for only 4% of total sales, underscoring the slow pace of adoption. Affordability and charging infrastructure remain the two largest obstacles for widespread BEV adoption. Even as

more affordable EV models enter the market, particularly from Chinese manufacturers, concerns about the availability of public charging facilities persist. Many potential buyers remain hesitant, particularly those living in urban apartments or working in office buildings, where access to charging stations is often limited. As a result, BEVs, while promising in the long term, will likely remain a niche market segment in the immediate future.

In contrast, the performance of hybrids demonstrates their immediate viability in Indonesia's automotive landscape. Targeted tax incentives for hybrids could further amplify their adoption, especially in the sub-IDR 300 million segment, which is critical to overall market growth. Providing even modest incentives for hybrids, such as reduced loan rates or extended tenors for financing, could make these vehicles more accessible to middle-class consumers who rely heavily on credit for vehicle purchases. These incentives would also help sustain demand in the price-sensitive mass-market segment, which remains highly vulnerable to cost increases.

Despite these opportunities, significant risks could hinder the market's ability to fully recover in 2025. Rising costs associated with vehicle ownership are a major challenge. The upcoming 12% increase in VAT, along with a 6.5% rise in the minimum wage (UMP) and the proposed vehicle registration fee (BBNKB) hike from 12.5% to 19%, will exert substantial upward pressure on vehicle prices. For a car priced at IDR 300 million, these changes could add approximately IDR 7 million to the cost, a significant burden for middle-income households. For many in this demographic, monthly income ranges from 5-10 million IDR, and vehicle financing typically accounts for 20-30% of their budget. With rising costs, many potential buyers may delay or abandon their plans to purchase vehicles altogether, further exacerbating the challenges of reaching the 1 million-unit sales target.

Indonesia's historical struggles with the "1 million car sales trap", where annual sales hover around the 1 million mark but fail to break through due to economic pressures, remain a pertinent concern for 2025. Similar circumstances could arise if rising taxes and ownership costs outweigh the gains from economic recovery and government incentives. To avoid stagnation, carefully balanced policies will be critical. Past experiences, such as the success of Luxury Goods Tax (PPnBM) reductions during the COVID-19 pandemic, demonstrate that lowering tariffs and fees can stimulate demand, boost sales volumes, and ultimately increase government revenues through higher transaction activity. A similar approach in 2025 could help offset the impact of rising costs and support the broader market recovery.

Looking ahead, the 1 million-unit milestone is within reach for 2025, but achieving this goal will require a concerted effort from stakeholders across the industry. Supporting the adoption of hybrids through targeted incentives, addressing affordability concerns, and ensuring a balanced tax policy will be pivotal. At the same time, expanding charging infrastructure and offering continued support for BEVs will lay the foundation for long-term market growth. Without these measures, the market risks falling back into the "1 million trap," leaving the industry to grapple with lingering structural and economic challenges.

In conclusion, while Indonesia's automotive market shows strong potential for recovery and growth, cautious optimism is warranted. The growing popularity of hybrid vehicles, coupled with government support for green mobility, offers a clear path forward. However, rising costs and affordability concerns must be addressed to sustain demand and ensure that the market not only achieves but surpasses the 1 million-unit milestone, breaking free from historical limitations and setting the stage for a more dynamic and sustainable future.

Green Financing: A Critical Enabler for Indonesia's Automotive Market Growth in 2025

The role of green financing has become increasingly pivotal as Indonesia's automotive market navigates economic and structural challenges on its path to achieving the 1 million car sales milestone in 2025. Financing remains the backbone of vehicle purchases in Indonesia, with approximately 70% of car sales relying on credit. This heavy reliance on financing underscores the importance of financial institutions in enabling demand, especially amid economic pressures such as rising VAT (12%), minimum wage increases (6.5%), and higher vehicle registration fees (BBNKB). These cost escalations disproportionately impact the mass-market segment, where affordability is critical, necessitating a strategic approach to financing that balances accessibility with risk mitigation.

The weakening purchasing power in recent years has had a significant impact on financing companies, with noticeable deterioration in credit quality. Rising non-performing loans (NPLs) have become a major concern, particularly in the 200-300 million IDR vehicle segment, which accounts for the bulk of mass-market demand. Financing institutions report an increase in repossessions, particularly for loans that have matured for 12 to 24 months before borrowers default. For many middle- and lower-income consumers, whose monthly income averages 5-10 million IDR, disposable income is increasingly allocated toward essential needs, leaving little room for car loan installments. As a result, financing institutions have tightened their credit assessment processes, further limiting access to financing for vulnerable consumer segments.

Despite these challenges, green financing presents a unique opportunity for growth, particularly in the context of electric vehicles (EVs) and hybrid vehicles (HEVs). Financing institutions have noted an upward trend in EV financing, with EV loans now accounting for 4-5% of total financing portfolios, a significant increase compared to previous years. This growth has been driven in part by government incentives, including subsidies and tax reductions, which have made EVs more accessible to consumers. The introduction of more affordable EV models in the 200-300 million IDR range, such as the BYD M6 and other Chinese-manufactured vehicles, has further expanded the market. These models cater to the 7-seater family segment, a key demographic in Indonesia, and have created notable demand despite ongoing concerns about charging infrastructure.

The appeal of HEVs remains particularly strong due to their practicality in the current Indonesian context. Hybrids reduce fuel consumption by 20-30%, significantly cut emissions, and do not rely on charging stations, making them an attractive option for consumers in areas where charging infrastructure is underdeveloped. Financing institutions recognize the untapped potential of hybrids and have begun advocating for targeted green financing programs to support their adoption. Such programs could include lower interest rates, longer loan tenors, or flexible repayment structures to incentivize hybrid vehicle purchases, particularly among middle-class and aspiring middle-class consumers.

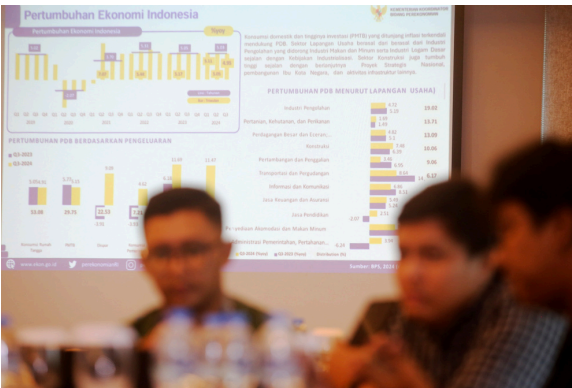
In terms of strategy, financing companies are also expanding their reach beyond metropolitan centers to suburban and rural areas, where demand for commercial vehicles is growing. Industries such as palm oil and logistics are driving strong demand for trucks and other commercial vehicles, presenting opportunities for multi-finance companies to diversify their portfolios. To capture this demand, financing institutions are organizing regional exhibitions and campaigns, targeting potential buyers in emerging industrial hubs. This approach not only supports local economies but also diversifies financing portfolios, reducing reliance on the mass-market passenger vehicle segment.

Looking ahead to 2025, financing companies see both challenges and opportunities. The projected 1 million car sales milestone is achievable but contingent on several factors. The rising costs of ownership, driven by increased taxes and fees, will require financing institutions to innovate and adapt. Green financing solutions, such as those tailored for EVs and HEVs, will play a critical role in sustaining demand by addressing affordability concerns. For EVs, the continued rollout of government subsidies, coupled with expanding charging infrastructure, will be essential to driving broader adoption. For hybrids, targeted incentives and financing programs can unlock demand in the price-sensitive mass-market segment, bridging the gap between affordability and environmental benefits.

Financing companies also emphasize the importance of collaboration with the government to address systemic challenges. Policy interventions, such as tax adjustments and targeted subsidies, could help offset the impact of rising costs while stimulating demand. For example, aligning fiscal incentives with green financing programs could amplify their effectiveness, particularly in segments where demand is currently constrained by affordability.

In conclusion, green financing is set to play a transformative role in Indonesia's automotive market as the industry strives to overcome challenges and capitalize on opportunities in 2025. By supporting the adoption of EVs and HEVs, financing institutions can drive sustainable growth while addressing the pressing issues of affordability and credit quality. Combined with strategic outreach to underserved markets and continued government support, these efforts can help Indonesia exceed 1 million car sales goal while laying the groundwork for a greener, more inclusive automotive future.

Appendix: FGD Activities





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