

Indonesia Refrigeration & HVAC market report

Call for international players to boost development and quality standards

South East Asia's (SEA) HVACR market with Indonesia's dominant share is set to be worth 13,63bn USD by 2023, hitting a CAGR of 9,30% between 2017 to 2023. As the country with the largest economy and population in SEA, Indonesia leads the regional market pinning strong influence on the demand surge due to its widespread infrastructure and robust industrial development. This article by Eurovent team member Markus Lattner provides an introduction to Indonesia in terms of market evolution with a focus on HVACR.

Overview

Since its HVAC market reached a value of 3,03bn USD in 2016, Indonesia is now looking towards even greater implementation of HVACR equipment across its other major industries, while its construction sector continues to strengthen further. As a growing economy that is moving from a traditional agribusiness to smart food processing industries, Indonesia's food industry, which is supported symbiotically by its tourism and hospitality industries, are contributing heavily to the steady growth of the HVACR market. This development is also backed by an increasing awareness and focus on energy conservation by businesses, which are answering to the government's call for responsible corporate practices towards the environment and valued resources.

Micromarket Monitor (Apr, 2016) projected Indonesia's refrigerant market to reach 441,9m USD by 2020, at a CAGR of 12,1% between 2015 and 2020. Indonesia's soaring performance is in momentum with the trend observed by Credence Research (Dec, 2017), which cited that the increasing demand for air conditioning and refrigeration from domestic applications, especially in the Asia Pacific region, will be amongst the major contributors to the global market growth. Respectively, based on Market and Markets (Jul, 2017) report, the global refrigerants market was estimated at 14,49 billion USD in 2017 and is projected to reach 18,05 billion USD by 2022, at a CAGR of 4,5% between 2017 and 2022.

The report by Micromarket Monitor states that "The stringent international, federal, and local regulations against the use of HFC as a refrigerant have resulted in its reduced usage across various end-user industries. The increasing demand for environmental friendly refrigerants is one of the major factors fuelling the growth of the Indonesia refrigerant market." Market trends driving Indonesia's HVACR sector include the country's move towards sustainable industrial development, the emphasis on eco-efficient manufacturing practices by industries, a national focus towards a greater energy self-sufficiency and optimisation of vast foreign and government investments. Essentially, progress towards conscientious adoption of high-technology innovations also aims at equipping Indonesia's businesses with needful capabilities to expand into worldwide markets that impose stringent regulations on socio-environmental impacts of HVACR equipment use.

With transformation pressures towards Industry 4.0, Indonesian companies have to optimise their energy and resource use as they improve their business systems through implementation of advanced technologies and innovations. Pushed further by the local government's strong stance on global warming and climate change issues, companies in Indonesia are becoming more conscious of their role in reducing carbon emissions and other environmental waste. Given Indonesia's rapid industrial development across many industries, a concerted effort and platform is required to drive synergistic

change and technological upgrade of its inter-linked HVACR, Power, Renewable Energy, Food Cold Chain and Processing sectors.

Indonesia's thriving food industries focus on cold chain

According to Global Cold Chain Market Forecast & Opportunities, the global cold chain market is expected to grow at a CAGR of over 11% between 2015 and 2020, with Asia Pacific leading as the fastest-growing market. This is predicted due to an increase in perishable food consumption and change in consumer retail trends due to better socio-economic conditions.

The government's call is emphasising the need for companies to broaden their business strategies and build greater competencies aligned to the country's socio-economic progress, meant that robust developments are needed in Indonesia's transportation and cold chain systems. Huge industrial developmental projects are underway, including construction of refrigerated warehouses in key supply provinces and port cities.

Growth of Indonesia's retail sector and rapid establishments of supermarkets and convenience stores have pushed towards a strong refrigeration market that has seen an 8% CAGR growth over the last few years. With this, industry analysts have projected that fridge freezers will reach 53% market shares in 2019. Indonesia's rising need for HVAC equipment follows encouraging projections of air conditioner market revenues growth at 13% CAGR until the end of 2018. Furthermore, the use of HVAC equipment will also be impacted by regulatory policies. The Indonesian government fulfils a 300 billion USD government investment in energy sector, with 38 billion USD of its national spending going to renewable energies, where 90% of its sources have remained unused. Bigger cold chain infrastructure is also expected due to increased investments for Indonesia's large population and to cater to market demands arising from the large expansion of local fishery industries that require the country's cold storage capacity to grow beyond 12,3 M/m³.

Markus Lattner, Director of Eurovent Middle East and Indonesian market expert, outlines the country's opportunities and challenges: "Indonesia is the fourth most populous country in the world. Political stability and increased action by its government to develop various industry sectors have led to a steady growth rate of over 6% GDP in the past years. With over 16.000 islands, the country faces many challenges in developing its infrastructure. One can imagine that producing electricity for remote islands to efficiently run cold storage and production facilities is something like squaring the circle."

Lattner continues stating that "to make better use of country's maritime resources, the government has increased its focus to find solutions for this infrastructure problem. Decentralised fish processing plants with direct export hubs to the closest neighbouring countries are amongst the projects Indonesia is committed on. This may ease the logistic side, but the problem with the energy bill remains. The only alternative to make the market competitive will be to focus on the most efficient cooling technologies it can provide. I believe this situation offers enough room for international cooperation, which will ultimately also reduce existing trade barriers – from bureaucratic processes to tax disadvantages for international suppliers."

Refrigeration & HVAC Indonesia 2018

As the country's main refrigeration and climate control technologies exhibition, Refrigeration & HVAC Indonesia (RHVAC) provides an interesting access point to the Indonesian market. The event derived from the International Seafood & Meat exhibition, which is taking place in parallel and for many years marked the country's main food processing show. The exhibition has been strategically developed as a

timely trade platform that answers the industry's call for technology transformation in cold chain applications, energy and climate-control industries.

With its 4th edition coming up in September this year, Refrigeration and HVAC Indonesia 2018 has called for wider support from international players, particularly those from major HVACR manufacturing countries in Europe. Subsequently, Eurovent continues a partnership agreement with PPI, the organiser of the event, underlining our commitment to support business in emerging markets. Eurovent's contribution spans from promoting the event on an international level to providing expert advice and key speakers for seminars on refrigeration and cold chain solutions as well as energy efficiency in cooling and ventilation applications.

Eurovent members enjoy reduced rates.

Recommended actions

For more information on the exhibition, send an email to info@refrigeration-hvacindonesia.com or visit www.refrigeration-hvacindonesia.com.

References

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