

Analysis of Motorbike Production and Sales in Indonesia in 2020

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Introduction

The Indonesian motorbikes industry has been the third-largest in the world for about twenty years, demonstrating the main private transportation sector for people and goods with the size six times bigger than the automotive industry.

In 2019, the Indonesian two-wheeler market stood at around 6.49 million units and in terms of volume, which made the country again the third largest two-wheeler market in the world after India and China. The rise in disposable personal income, increasing demand for more affordable private transportation together with the growth of female riders, enhancement and construction of road infrastructure, as well as the emerging popularity of credit and loan facilities, are the main reasons for the growth of two-wheelers market in Indonesia.

There has always been a strong correlation between average income levels and motorcycle demand up to a certain point in the country and the region. In emerging economies like Indonesia, motorbikes are an attractive alternative to walking, riding a bike, or utilizing public transportation. **The market is dominated by Japanese brands, all producing for both local markets and for exporting largely into ASEAN, and other regions like Latin America.**

The two-wheeler market in Indonesia is categorized by the type of vehicle, the capacity of the engine, and the region. In terms of vehicle type, the market consists of three segments which are scooters, motorbikes, and mopeds. Scooters accounted for the largest market share in the Indonesian market and it is expected to hold its dominance at least in the next 5 years.

In terms of engine capacity, vehicles are categorized into 3 segments. Engines with less than 150 CC capacity, engines with a capacity between 150 CC and 250 CC, and the 3rd category, which are those with a capacity more than 250 CC. As mentioned, **the lightweight scooters are the most popular amongst Indonesian people, with the engines below 150 cc and are anticipated to maintain their market power in the future.**

Covid-19 and the Motorbike Industry in Indonesia

Despite twenty years of growth, the outbreak of Coronavirus disease (COVID-19) acted as an enormous hinder to the motorcycle market in 2020. Supply chains were damaged because of trade restraints and market demands drastically dropped as a result of lockdowns and movement controls imposed by the Indonesian government.

Like many other industries, motorbike manufacturers rely heavily on the supply of raw materials, parts, and components from different countries globally. Since the government controlled the movement of goods across the country, as did many other countries, manufacturers had no choice but to pause or even shut down their productions caused by the shortage of all those materials, parts, and components. Similar limitations are faced by exporters and importers in the market.

Additionally, sales of new motorbikes reduced considerably due to a decline in consumer demand as the country imposed lockdowns. The outbreak is expected to continue to hurt businesses this year. However, in this year, the market has recovered to some extent and some growth has been registered, thanks to the recovery from the COVID-19 impact as companies reorganize their operations and adapt progressively to the new normal.

Statistics show that the global market lost was US\$24.6 billion in revenue in 2020. Although there have been some recoveries in this year, the strong destructive trend is expected to remain in the next two years. **By 2023, global motorcycle sales are expected to generate around US\$106 billion in revenue, but still about 20% less than what the market made in 2019.**

Global sales in 2020 were 56.5 million units, down 14% from the previous year, the 5th highest level ever. In volumes, the industry lost over 9 million units, mainly because of the significant decline in India by 5 million, Indonesia by 2.9 million, Philippines by 0.7 million, and Vietnam by 0.5 million units compared with 2019.





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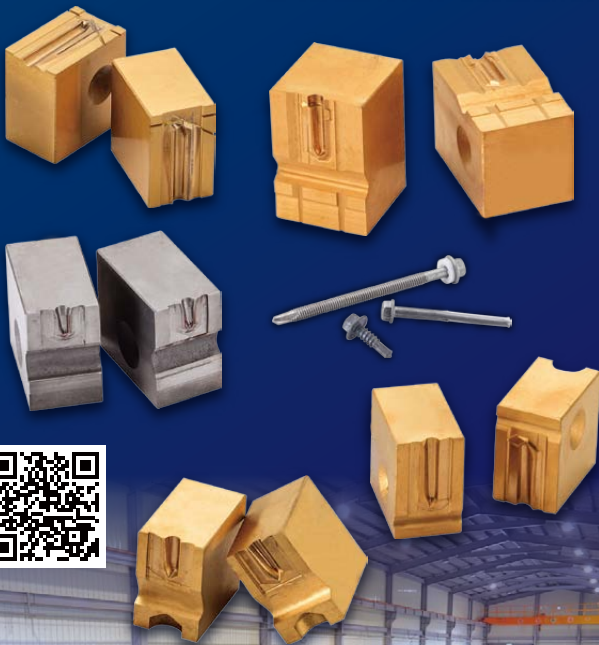
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That made the Indonesian motorcycles industry the worst in the world in 2020, hit by economic recession and Covid-19 simultaneously, losing sharply in any quarter even in the 4th quarter, whereas in other countries the markets have partially recovered during the second half of the year. In Indonesia, the negative trend went downhill in the last quarter about 50% from the same period in 2019. The total sales in 2020 were about 3.7 million units, with a 43.7% extreme fall, the lowest level in the last 30 years, affecting hugely Japanese producers' global profit and volumes. Indonesia is recognized as the first market in the world for all Japanese manufacturers, but the market falls had extreme consequences on the global revenues, sales, and profit for the Japanese brands.

Conclusion

Beginning from the second quarter, the measures taken by the Indonesian Government to safeguard from Covid19 have hugely impacted the industry with a delay compared with the rest of the world, in terms of virus spread and market fall, with the negative impacts on the economy and on consumer goods demand.

The new normal which has been created by the spread of the current pandemic has affected the motorcycles industry in Indonesia with short term negative impacts last year. The destructive trend is expected to continue this year. However, eventually, the benefits of the new normal will overcome the damages supported with two new trends in place globally.

Soon, there will be a huge demand for individual mobility, as people will be continuing to practice social distancing and this is going to be perfectly matched with the two-wheeler vehicles. The second trend is related to environmental issues which have recently become one of the major concerns among governments, institutions, and people. **The introduction of policies, incentives, and subsidies for electric two-wheelers will support the market evolution in the rest of this decade** and it's going to be a new path for the Indonesian market, the path that China and Taiwan have already been on.

That's why we can predict that Indonesia and other key players in the motorbike markets like Vietnam, the Philippines, and Thailand will follow the Chinese and Taiwanese markets, where electric vehicles (EVs) manufacturers and traders are going to shake the global competition. ▣

Sources

- 01 *McD, Motorcycles Data, ASEAN, 2021*
- 02 *ReportLinker, Motorcycle and Bicycle Global Market Report 2021*

