

# **Indonesia Air Conditioners Market By Product Type (Split, VRF, Window, Chiller, Others (Cassette, Ductable Split, etc.)), By End Use Sector (Commercial/Industrial and Residential), By Region, By Competition Forecast & Opportunities, 2018-2028F**

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## **Abstracts**

The Indonesia Air Conditioners Market has valued at USD1366.32 million in 2022 and is anticipated to project robust growth in the forecast period with a CAGR of 7.39% through 2028. The air conditioning market in Indonesia has witnessed significant growth and transformation over recent years. This Southeast Asian nation, characterized by its tropical climate, has seen a surge in demand for air conditioners, driven by urbanization, rising disposable incomes, and increased awareness of the importance of air quality and comfort.

Indonesia's air conditioner market is primarily divided into two segments: residential and commercial. The residential sector dominates the market due to the growing middle-class population and the construction of modern housing complexes. Demand for energy-efficient and eco-friendly units has also been on the rise.

Key trends in the market include the adoption of inverter technology to enhance energy efficiency and reduce operational costs. Furthermore, the integration of smart features and IoT connectivity in air conditioning systems is gaining momentum as consumers seek greater control and convenience. In terms of market competition, both domestic and international players are vying for a share. Prominent global brands like Daikin, LG, and Mitsubishi Electric face competition from local manufacturers such as Sharp and Panasonic.

Government initiatives promoting energy efficiency and sustainability are influencing

consumer choices. Indonesia's air conditioning market is poised for further growth, driven by urban expansion, increasing consumer awareness, and technological advancements, making it a promising sector for investors and manufacturers alike.

## Key Market Drivers

### Tropical Climate and Rising Temperatures

One of the primary drivers of the air conditioner market in Indonesia is the country's tropical climate. Indonesia experiences hot and humid weather throughout the year, making air conditioning a necessity rather than a luxury for most households and businesses. As temperatures continue to rise due to climate change, the demand for cooling solutions is expected to surge further. This consistent need for cooling drives the continuous growth of the air conditioner market.

### Urbanization and Middle-Class Expansion

Indonesia is undergoing rapid urbanization, with millions of people moving from rural areas to cities in search of better economic opportunities. This migration has led to the construction of new residential complexes, commercial buildings, and industrial spaces, all of which require efficient cooling systems. Additionally, the growth of the middle class in Indonesia has increased disposable incomes, making air conditioners more affordable for a larger portion of the population. As urbanization and middle-class expansion continue, the demand for air conditioners is expected to soar.

### Energy Efficiency and Sustainability Concerns

With the growing awareness of environmental issues and the need to reduce energy consumption, consumers in Indonesia are increasingly looking for energy-efficient and eco-friendly air conditioning solutions. In response to this demand, manufacturers are incorporating advanced technologies like inverter technology and eco-friendly refrigerants into their products. The Indonesian government has also implemented energy efficiency standards and labeling programs to encourage the adoption of energy-efficient air conditioners. As sustainability concerns continue to rise, energy-efficient and eco-friendly air conditioners are becoming a dominant trend in the market.

### Technological Advancements and Smart Features

Another significant driver in the Indonesian air conditioner market is technological

innovation. Manufacturers are constantly developing new features and technologies to enhance the performance and convenience of air conditioning systems. Smart air conditioners with IoT (Internet of Things) capabilities are gaining popularity, allowing users to control their cooling systems remotely through smartphones or other devices. These smart features not only provide convenience but also contribute to energy savings by enabling users to optimize their cooling settings. As consumers seek more advanced and connected products, manufacturers are investing in research and development to stay competitive in the market.

### Government Initiatives and Incentives

The Indonesian government has recognized the importance of energy efficiency and sustainability in the air conditioning sector and has introduced various initiatives and incentives to promote the adoption of efficient cooling technologies. These initiatives include energy efficiency standards, labeling programs, and tax incentives for consumers and businesses that choose energy-efficient air conditioners. Such government support not only encourages consumers to make environmentally responsible choices but also incentivizes manufacturers to produce energy-efficient products. These policies and programs are crucial drivers for the growth of the air conditioner market in Indonesia.

In conclusion, the air conditioner market in Indonesia is experiencing robust growth, driven by factors such as the country's tropical climate, urbanization, middle-class expansion, sustainability concerns, technological advancements, and government initiatives. As these drivers continue to shape the industry, the market is expected to grow further, providing opportunities for both domestic and international manufacturers to meet the increasing demand for efficient and eco-friendly cooling solutions in Indonesia.

### Key Market Challenges

#### Economic Uncertainty and Price Sensitivity

One of the foremost challenges in the Indonesian air conditioner market is the economic uncertainty that the country faces. The nation's economy can be volatile, influenced by factors like currency fluctuations and changes in government policies. As a result, consumers often exhibit a high degree of price sensitivity when purchasing air conditioners. Many potential buyers opt for lower-priced models rather than premium, energy-efficient units due to budget constraints. This price sensitivity can hinder the

adoption of energy-efficient and environmentally friendly air conditioning technologies, which are often more expensive upfront. Manufacturers must find ways to balance affordability with sustainability to address this challenge effectively.

### Energy Consumption and Environmental Concerns

Indonesia faces significant energy consumption challenges, and the widespread use of air conditioners contributes to the country's growing energy demand. While modern air conditioning units are more energy-efficient than their predecessors, the sheer volume of units in use poses a considerable strain on the power grid. This challenge is compounded by the fact that Indonesia's energy production still heavily relies on fossil fuels, contributing to greenhouse gas emissions and environmental degradation. Reducing the energy consumption of air conditioners and promoting sustainable cooling solutions is a critical challenge for the industry, aligning with global efforts to combat climate change.

### Infrastructure and Grid Reliability

The availability and reliability of electricity supply in Indonesia can be inconsistent, especially in remote or less-developed areas. Frequent power outages or voltage fluctuations can affect the performance and longevity of air conditioning systems. Additionally, voltage instability can pose a risk to electronic components within air conditioners. To address this challenge, manufacturers must develop solutions that can withstand voltage fluctuations and provide backup power options, such as inverters and voltage stabilizers. Ensuring that air conditioners can function effectively in varying electrical conditions is essential for the market's growth and customer satisfaction.

### Environmental Regulations and Compliance

In response to environmental concerns, the Indonesian government has introduced regulations and standards to promote the use of energy-efficient and eco-friendly air conditioners. While these regulations are essential for mitigating the environmental impact of cooling systems, they can also pose challenges for manufacturers who must comply with evolving standards. Staying abreast of regulatory changes, conducting product testing, and obtaining necessary certifications can be time-consuming and expensive. Manufacturers must allocate resources to ensure their products meet the latest environmental standards, creating a competitive advantage in the market and addressing regulatory challenges effectively.

## Consumer Awareness and Education

Many consumers in Indonesia lack comprehensive knowledge about energy-efficient air conditioning technologies and their benefits. This lack of awareness can hinder the adoption of energy-efficient models and sustainable cooling practices. Additionally, consumers may prioritize immediate cost savings over long-term energy efficiency and environmental impact, especially in lower-income segments of the population. Addressing this challenge requires industry-wide efforts to educate consumers about the advantages of energy-efficient and eco-friendly air conditioning solutions, both in terms of cost savings and environmental benefits. Manufacturers, along with government agencies and non-governmental organizations, can play a role in raising awareness and improving consumer education.

In conclusion, the Indonesia air conditioner market faces several significant challenges, including economic uncertainty, price sensitivity, energy consumption concerns, infrastructure issues, compliance with environmental regulations, and the need to enhance consumer awareness and education. Effectively addressing these challenges is crucial for the sustainable growth of the market and for meeting the country's cooling needs while minimizing the environmental impact. Manufacturers, government bodies, and industry stakeholders must collaborate to develop innovative solutions and strategies to navigate these challenges and ensure the air conditioner market in Indonesia continues to thrive.

## Key Market Trends

### Energy Efficiency and Inverter Technology

Energy efficiency has become a paramount concern for consumers in Indonesia, not only for cost savings but also to reduce environmental impact. In response to this, there has been a notable shift towards energy-efficient air conditioning systems. Inverter technology has gained prominence in the market. Unlike conventional air conditioners that switch on and off to regulate temperature, inverter air conditioners adjust compressor speed to maintain a consistent temperature, reducing energy consumption significantly. These systems are now widely available and preferred by consumers, especially those looking for long-term cost savings and reduced carbon footprints.

### Eco-Friendly Refrigerants

Environmental sustainability is a growing concern in Indonesia, and consumers are

increasingly seeking air conditioners that use eco-friendly refrigerants. Traditional refrigerants like R22 and R410A are known to have high global warming potential (GWP), contributing to climate change. As a result, many manufacturers are transitioning to refrigerants with lower GWP, such as R32 and R290 (propane). These refrigerants are more environmentally friendly and align with global efforts to reduce greenhouse gas emissions. The adoption of eco-friendly refrigerants has become a significant trend, reflecting the industry's commitment to sustainability.

### Smart and Connected Air Conditioners

The rise of the Internet of Things (IoT) has ushered in an era of smart and connected appliances, including air conditioners. In Indonesia, the demand for smart air conditioning systems has been steadily increasing. These systems can be controlled remotely via smartphones or voice commands, allowing users to adjust settings, monitor energy consumption, and schedule cooling cycles from anywhere. Smart air conditioners also offer features like geofencing, which can automatically adjust the temperature when users leave or return home, improving energy efficiency. As more consumers embrace smart home technology, the market for connected air conditioners is expected to expand further.

### Air Quality and Health Considerations

Indonesia faces air quality challenges in urban areas due to pollution and industrial activities. Consequently, there is a growing awareness of the importance of indoor air quality (IAQ) and its impact on health. This trend has led to increased demand for air conditioners equipped with advanced filtration systems that can remove allergens, dust particles, and pollutants from the air. Some models even feature air purifiers and ionizers to further enhance IAQ. Consumers are willing to invest in air conditioning systems that not only cool the air but also contribute to a healthier indoor environment. Manufacturers have responded by incorporating air quality improvement features into their products to cater to this demand.

### Local Manufacturing and Supply Chain Optimization

In response to market demands and cost considerations, several global air conditioner manufacturers have set up local manufacturing facilities in Indonesia. This has led to increased availability and affordability of air conditioning units in the country. Moreover, local production has helped optimize supply chains, reducing lead times and ensuring a steady flow of products to meet consumer demand. It has also created job opportunities



and contributed to the growth of the domestic manufacturing industry.

In conclusion, the Indonesia air conditioner market is experiencing significant shifts in consumer preferences and technological advancements. Energy efficiency, eco-friendliness, connectivity, air quality, customization, multi-functionality, local manufacturing, and government regulations are all influencing the market's direction. As these trends continue to evolve, manufacturers and industry stakeholders must remain agile and responsive to meet the changing demands of consumers and the broader environmental and economic landscape.

## Segmental Insights

### Product Type Insights

In recent years, there has been a noticeable surge in the demand for Variable Refrigerant Flow (VRF) systems in the Indonesia air conditioner market. VRF technology represents a significant innovation in the cooling and heating industry, offering a versatile and energy-efficient solution that caters to the diverse climate conditions across the archipelago.

The rising demand for VRF systems can be attributed to several factors. Firstly, VRF systems are highly adaptable, capable of simultaneously cooling and heating different zones within a building, which is particularly beneficial in a country like Indonesia with varying climate conditions. Additionally, VRF systems are renowned for their energy efficiency and precise temperature control, helping consumers reduce energy consumption and operational costs, a crucial consideration given the increasing focus on sustainability and cost savings. Moreover, their ability to offer zoning flexibility, easy installation, and compatibility with smart controls aligns well with the preferences of both residential and commercial customers in Indonesia. As a result, VRF systems are becoming increasingly popular and are expected to continue gaining traction in the Indonesian air conditioner market as consumers seek cutting-edge, eco-friendly, and cost-effective cooling and heating solutions.

### End Use Sector Insights

The Indonesia air conditioner market has experienced a significant uptick in demand from the commercial and industrial sectors in recent years. This surge in demand can be attributed to various factors that reflect the evolving needs of businesses and industries across the archipelago.

Firstly, as Indonesia continues to urbanize and industrialize, the construction of commercial spaces, office buildings, shopping malls, hotels, and manufacturing facilities has increased substantially. These commercial and industrial establishments require robust and efficient air conditioning systems to ensure comfortable environments for employees, customers, and processes. The demand for high-capacity air conditioners capable of cooling large areas efficiently has, therefore, witnessed a substantial rise. Moreover, as businesses prioritize energy efficiency and sustainability, they are increasingly opting for advanced air conditioning solutions that not only provide effective temperature control but also reduce operational costs and environmental impact. This shift in mindset has led to a growing preference for energy-efficient and eco-friendly HVAC systems in the commercial and industrial sectors.

Secondly, the adoption of modern technologies such as Variable Refrigerant Flow (VRF) and Building Management Systems (BMS) has become more prevalent among commercial and industrial customers. VRF systems offer precise temperature control, zoning capabilities, and energy efficiency, making them particularly appealing to businesses looking to optimize their cooling and heating operations. Similarly, BMS allows for centralized monitoring and control of HVAC systems, improving efficiency and reducing maintenance costs. As commercial and industrial clients increasingly recognize the benefits of these technologies, the demand for advanced air conditioners in these sectors is expected to continue its upward trajectory, driving innovation and competition in the Indonesia air conditioner market.

## Regional Insights

Several factors contribute to this burgeoning demand from the Java region. Firstly, the Java region is the economic and industrial heartland of Indonesia, hosting a significant portion of the country's commercial, manufacturing, and service sectors. The rapid urbanization and industrialization in these cities have led to the construction of countless commercial complexes, office buildings, factories, and residential developments. These establishments, especially in densely populated urban areas, have a substantial need for effective and energy-efficient air conditioning systems to maintain comfortable indoor environments. This high demand for air conditioners in commercial and residential settings is driving the growth of the market in the Java region.

Secondly, the Java region experiences hot and humid weather conditions throughout the year, making air conditioning a necessity rather than a luxury. The consistently high



temperatures and humidity levels drive consumers and businesses to invest in air conditioning solutions. Additionally, the region's growing middle-class population and rising disposable incomes have further boosted the demand for air conditioners as more households and businesses can afford these systems.

In summary, the Java region's economic significance, rapid urbanization, and the prevalent hot and humid climate have fueled the rising demand for air conditioners. As the region continues to grow and develop, the air conditioner market in Java is expected to remain a robust and competitive sector in Indonesia's HVAC industry.

### Key Market Players

PT. Daikin Airconditioning Indonesia

PT. Panasonic Gobel Indonesia

PT. Gree Electric Appliances Indonesia

PT Mitsubishi Electric Indonesia

PT. LG Electronics Indonesia

PT Samsung Electronics Indonesia

PT. Sharp Electronics Indonesia

PT. Berca Carrier Indonesia

PT Johnson Controls Hitachi Air Conditioning Indonesia

PT. Trane Indonesia

### Report Scope:

In this report, the Indonesia Air Conditioners Market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

### Indonesia Air Conditioners Market, By Product Type:

*Indonesia Air Conditioners Market By Product Type (Split, VRF, Window, Chiller, Others (Cassette, Ductable Spl...*

Split

VRF

Window

Chiller

Others (Cassette, Ductable Split, etc.)

Indonesia Air Conditioners Market, By End Use Sector:

Commercial/Industrial

Residential

Indonesia Air Conditioners Market, By Region:

Java

Jakarta

Sumatra

Kalimantan

Bali

Rest of Indonesia

Competitive Landscape

Company Profiles: Detailed analysis of the major companies present in the Indonesia Air Conditioners Market.

Available Customizations:

Indonesia Air Conditioners Market report with the given market data, Tech Sci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

#### Company Information

Detailed analysis and profiling of additional market players (up to five).

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