# Indonesia's Sustainability Economy: Creative Industry Perspective

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**ABSTRACT :** This study aims to observe the development of the creative industry as one of the pillars of economic sustainability in Indonesia. The data used are export data and creative industry workers from BeKraf; Real Gross Domestic Product (GDP) data, inflation, the exchange rate of the rupiah against the US dollar from the Bank of Indonesia, the observation period of 2011 to 2019. The research method, the first stage of descriptive analysis, the second stage of the correlation test. Descriptive analysis of the research results shows that Indonesia's growing creative industries which are captured by an increase in the value of exports of creative industry workers each year. The correlation test illustrates the strong relationship between real GDP, the exchange rate of the rupiah against the US dollar with the value of exports, and the amount of creative industry workforce. The creative industry sector has the opportunity to contribute to sustainable economic growth in Indonesia by increasing exports of unique products such as traditional crafts that carry the unique culture of the regions in Indonesia. The depreciating value of the rupiah increases the use of local raw materials used by the fashion and crafts sub-sectors so that rising raw material prices (inflation) do not have a significant impact.

**KEYWORDS** - creative economy, export of creative industry, economic growth, sustainable economy, sustainability development.

# I. INTRODUCTION

The resilience of the Indonesian economy, which is supported by the potential of abundant natural resources, is considered good enough to face global shocks such as the economic crisis. However, this will still be of concern to the government because the potential for disruption of natural resources such as looting, overexploitation can damage environmental sustainability. A focus on maintaining natural resources and renewing energy alone is not sufficient to achieve a sustainable economy. The creative industry attracts the government's attention to continue to be developed indefinitely because natural resources can run out (BeKraf, 2017).

Indonesia is the originator of the idea of an international resolution for 2021 towards the year of creative economy. This idea is part of the sustainable development goals for 2030 and has been endorsed by the United Nations. Focusing on investment, technology optimization and digital innovation, supporting the role of micro, small and medium enterprises, the young generation, women and civil society in the development of the creative economy. The creative economy is one of the important sectors in the industrial revolution 4.0 (Tempo.co,2020).

The problem of social welfare in relation to work is a classic problem that must be addressed immediately. In developing countries, the amount of real wages is influenced by the growth in labor productivity in a region. Many developing countries, including Indonesia, have low quality jobs and an unsupportive physical environment, but on the other hand, the opportunity for new jobs to emerge as technological developments grow rapidly (United Nations, 2020).

The government formed the Creative Economy Agency (BeKraf) through Presidential Regulation Number 6 of 2015 which was then changed to Presidential Regulation Number 72 of 2015, to accommodate and manage all information and activities surrounding the creative industry in Indonesia. There are 16 sub-sectors, namely architecture, interior design, visual communication design, product design, film-video-animation, photography, crafts, culinary, music, fashion, game developer applications, publishing, advertising, television-radio, performing arts, fine arts. The three largest sub-sectors that account for 95% of the export value of creative products are the culinary, crafts and fashion sub-sectors (BeKraf, 2017).

The growth of the creative economy from 2010 to 2015 has decreased, from 2015 to 2019 it has increased in line with higher GDP, but has not been able to contribute maximally to the national economy. The average growth in exports of creative products from 2010 to 2014 reached 7.94 percent, followed by 2015, exports of creative products grew 6.6 percent (BeKraf, 2017). Demographically, Indonesia has the opportunity to encourage creative economic growth because 60% of Indonesia's 237 million people are of the productive age (15-55 years) and 27% of the young generation (16-30 years) population census data 2010. This opportunity

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must be accompanied by strategies and the right policies to achieve a creative economy towards sustainability development (BeKraf, 2017).

One challenge for BeKraf is that the creative industry statistical data is not well structured. Data on creative industries nationally and globally are very limited, so it is difficult for studies in the creative industry to measure accurately, such as the measurement of creative workers, where available labor data are workers of all sectors. UNESCO experienced the same difficulty when conducting a study of global cultural industries in 2011. Many cross-business economic surveys produce ambiguous data because not all of the data for micro, small and medium enterprises are in the creative industry sector. Even though the creative industry has a data linkage with estimates of labor growth and GDP (Economics Oxford, 2019). Thus, this study aims to observe the development of the creative industry as part of a sustainable economy in Indonesia.

### **Sustainability Development**

### II. LITERATURE REVIEW

The definition of sustainable development that is closest to the current conditions according to the Brundtland Report 1987 (United Nations, 1987) is the ability to meet current needs without reducing the ability of future generations to meet their own needs. There are three pillars in this concept, namely environmental sustainability, economic sustainability and social sustainability. It says sustainability if the three pillars achieve balance. Social and economic collaboration is called equitable, social and environmental is called bearable, economy and environment are called viable. Environmental sustainability, where humans live side by side with natural resources. The consumption of natural resources such as energy, water, land and other sources is ensured at a sustainable level. Economic sustainability requires a business or a country to use resources efficiently and responsibly so that operations run at the sustain level consistently generate operating profit. Social sustainability is the ability of a community or social system to persistently achieve a reasonable social existence (Circularecology, 2020).



Source: futurelearn.com (2020)

#### **Economic Indicators in Sustainable Development**

According to SSF (2016), Gross Domestic Product (GDP) is the market value of goods or services produced by a country in a certain period. GDP is used as a measure of a country's economy as long as it can generate state income. Meanwhile, labor as a general indicator to measure the economic status of a country. For most individuals, labor indicators are important to determine current conditions in developing self potential.

# **Creative Economy**

The definition of creative economy according to Presidential Instruction Number 6 of 2009 (BeKraf, 2017) is economic activity based on creativity, skills and talents to create creations and inventions that have economic value so that they can increase the welfare of the Indonesian people. The creative economy is a concept that positions creativity and knowledge as the main assets driving the economy of a country so that it no longer only relies on natural resources (Bekraf, 2017).

Potts (2009) states that there are two hypotheses why the creative industry is closely related to economic evolution. First, the structure of the economic system is developing with the creative industry being the most significant component of the economic order. Second, the creative industry is part of the economic evolution through the economic order. In the Growth model of Creative Industry, Potts describes the fashion and design sector as growing rapidly compared to other sectors due to technology, changing microeconomics, globalization, demand for products and wealth of customers, so competing policies are appropriate. Evolutionary Creative Industry model describes the increase in the fashion and design sector in all types of products and services due to adaptation to the latest technology, social context, so what is appropriate is a policy

to innovate. Factors that influence the creative industry based on investment categories and supply of input are state subsidies, interest rates, consumer price index, unemployment rate, GDP growth.

The creative economy sector labor wage in the report published by BeKraf (2017) refers to the 2011-2016 Sakernas data, the labor wage is average wage of workers with the main job status as an employee in the creative economic sector. Workers who work for temporary employers are classified as casual workers. The largest number of workers in the creative sector is in the fashion, crafts and culinary sectors.

The adaptation of innovation and technological developments to local conditions can generate tremendous potential. The high demand for environmental changes encourages the creative growth of the local population (Ghazi & Goede, 2016). The creative industry is one of the strategies for sustainable economic development, namely resilience to crises and has contributed to economic growth including encouraging growth of gross domestic product, providing sectoral added value and multiplier effects to other sectors (Bilan, Vasilyeva, Kryklii, & Shilimbetova, 2019).

# III. RESEARCH METHODOLOGY

This descriptive quantitative research uses secondary data, namely real GDP data, inflation, US dollar exchange rate, creative industry exports, non-oil and gas exports, data on creative industry workforce in the 2011-2019 period. The data was obtained from the BeKraf and Bank of Indonesia websites. The first stage of the analysis is descriptive statistical analysis using real GDP data, exports of both creative and non-oil and gas industries as well as data on the number of creative industry workers for the period 2011 to 2019. The second stage is conducting a correlation test to observe the relationship between the export value of creative industries, the number of workers creative industry work, real GDP, inflation, exchange rates for the 2011-2019 period.

# IV. RESULTS AND DISCUSSION

Based on Table 1, the average export value of the creative industry is 19,491,053.69 million rupiah per year, large enough to contribute to the value of non-oil and gas exports. The average creative industry workforce is 15.65 million people per year. The standard deviation of creative industries (exports and labor) shows the distribution of data on an average of 3,574,498.28 million rupiah and 1.25 million people. The kurtosis value of all the data above is negative, meaning that the data distribution is evenly sloping. The skewness value of all data shows a value close to zero on the normal curve, for the value of non-oil and gas exports and for labor the curve is not symmetrical to the left because it is negative. The lowest non-oil and gas export value fell in 2016 amounting to 131,553,643.58 million rupiah, while the highest in 2018 was 163,110,799.15 million rupiah. The total export value of the creative industry until 2019 was 175,419,483.20 million rupiah.

The export value of creative industries from 2011 to 2019 has increased every year, in contrast to nonoil and gas exports, which generally tend to decline. Even in 2014 the export of the creative economy experienced a jump of up to 14.77%. With the main export destination country for Indonesia's creative industry is the United States. The export destination countries for creative industries according to BeKraf (2017) data include 31.72% of the United States; 6.74% Japan; 4.99% Taiwan; 4.96% Swiss; 4.56% German; 3.82% Singapore; 3.49% Chinese; 3.02% Hong Kong; 2.93% Belgian; and 2.86% UK.

Table 1. Descriptive statistic					
Descriptive statistic	GDP real (billion rupiahs)	Non-oiled export's value (million rupiahs)	Export of creative industry's value (million rupiahs)	Creative industry's labor (million people)	
Mean	8,836,885.88	148,394,375.95	19,491,053.69	15.65	
Median	8,419,584.01	149,920,000.00	19,364,077.40	15.96	
Standard deviation	1,699,790.32	11,457,966.53	3,574,498.28	1.25	
Kurtosis	-1.32	-0.77	-1.27	-0.88	
Skewness	0.36	-0.32	0.34	-0.57	
Range	4,808,278.20	31,557,155.57	9,660,418.40	3.55	
Minimum	6,660,227.00	131,553,643.58	15,439,581.60	13.45	
Maximum	11,468,505.20	163,110,799.15	25,100,000.00	17.00	
Sum	79,531,972.91	1,335,549,383.58	175,419,483.20	140.81	

#### Source: BeKraf (2020); prepared by author.

The contribution of the creative industry to GDP (in table 2) has increased consistently. The contribution of the creative industry in 2019 is the result of projections based on growth in 2018 (BeKraf, 2018).

It is projected that in 2019 the contribution of the creative industry to GDP is close to Rp1,193.4 trillion (Syarizka, 2019).

The growth in the number of creative economy workers in Indonesia from 2011 to 2016 (table 3) shows an average increase of 4.69% per year with three main sectors, namely fashion, culinary and crafts. The increase in exports of creative products from both the fashion and craft sectors has the potential to boost the Indonesian economy through increasing added value, income and employment (Sukma, Hartono, & Prihawantoro, 2018). In 2015 BeKraf was formed through Presidential Decree No. 6/2015 to accommodate the development of the creative industry in Indonesia, creative industry business assistance programs and exhibition activities for creative industry products and services were managed massively. The figure for the number of creative industry workers in 2019 is the result of a projection calculation based on the target number of workforce in 2019, which is 17 million people (BeKraf, 2017). The prediction of an increase in the number of creative industry workers will exceed the 2019 target of 17 million people (Hariyanti, 2018).

Period	Creative industry's contribution to GDP (trillion rupiahs)	Growth of creative industry's contribution	
2011	581.54	-	
2012	638.39	9.78%	
2013	708.27	10.95%	
2014	784.82	10.81%	
2015	852.56	8.63%	
2016	922.59	8.21%	
2017	1,009	9.37%	
2018	1,105	9.51%	
2019	1,211*	9.59%	

#### Table 2. Creative industry's contribution to GDP 2011-2019

Source: BeKraf (2020); prepared by author.

Period	Creative industry's labor (million people)	Growth of creative industry's labor
2011	13.45	-
2012	14.49	7.73%
2013	14.73	1.66%
2014	15.17	2.99%
2015	15.96	5.21%
2016	16.91	5.95%
2017	16.40	-3.02%
2018	16.70	1.83%
2019	17.00	1.80%

# Table 3. Creative industry's labor 2011-2019

# Source: BeKraf (2020); prepared by author.

In the correlation test, it shows that the export value of the creative industry and the number of creative industry workers has a strong relationship with the real Gross Domestic Product (GDP), namely 0.9 close to 1 and positive. The relationship between export value and the number of creative industry workers with inflation is very weak and negative. The exchange rate with the export value of the creative industry has a correlation of 0.82, while the number of creative industry workers is 0.91. This illustrates that the contribution of the creative industry, especially the export of creative products / services in Indonesia, plays a role in increasing real GDP and has the potential to be exposed to changes in exchange rates. On the other hand, inflation has no impact on exports and the workforce of creative industries in Indonesia. Alexandri, et al. (2019) the contribution of art performances contributed 0.26% to the creative economy in Indonesia. Performing arts is divided into dance, theater and music, and traditional arts be it dance, song, musical instrument play. Traditional art performance is one of the inherent categories of culture and social value, but in its development the production cycle continues to decline.

The results of this study agree with Dong and Truong (2019), which states that the export of Vietnamese creative products has a positive relationship to economies of scale and market development both in Vietnam and in export destination countries. Export growth in developing countries is determined by external factors, namely foreign direct investment (FDI) and real exchange rate as well as domestic factors, namely GDP,

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GDP growth rate, indirect taxes, communication facilities, savings, industrialization, labor, and business development assistance (Majeed & Ahmad, 2006).

The foreign exchange rate of the Rupiah against the US dollar has a strong relationship with the export value of the creative industry where the export of creative industries is part of the non-oil and gas exports. Monetary policy plays an important role in stabilizing the economy and increasing the economic growth of a country. Currency exchange rate stabilization policy is believed to be able to encourage the growth of a country (Ahmad, Afzal, & Ghani, 2016).

The inflation rate has a weak relationship with the export of creative industries. Economic growth (GDP) is influenced by the inflation rate (Ahmad, Afzal, & Ghani, 2016). In this condition, the export of creative industries is influenced by the level of demand for creative products. Naomi (2012) found that competitive interactions in the manufacturing industry tend to be stable compared to competitive interactions in creative industries. Competitive interactions in creative industries are more dynamic than in manufacturing industries. Demand increases and growth occurs as population and GDP increase. Demand characteristics have changed and differed due to consumer's lifestyle and behavior. Consumers prefer unique products to standard products, therefore the creative industry has the potential to develop more than the manufacturing industry. New sources of supply are the power of the creative industry. Bilan, Vasilyeva, Kryklii & Shilimbetova (2019) found that the development of creative industries depends on the general business climate in a country and the standard of living of the population as the main consumers. This is what forms the basis of creative groups and increases the demand for products in the creative industry sector.

According to Bilan, Vasilyeva, Kryklii & Shilimbetova (2019), the creative industry contributes to economic growth such as a direct positive impact on economic standard variables such as gross value added and gross domestic product. The impact is indirect and can be measured to the economic contribution including multiplier effects, for workers who work in the creative sector but use their money in other sectors, or the creative sector buys raw materials from other sectors. A study conducted by Bilan, Vasilyeva, Kryklii & Shilimbetova (2019) shows that turnover per dollar of creative industries generates a stimulus of 3.76 times total revenue for all industries in Australia. Direct positive impact at various levels of workers; the highest percentage of youth employment across the economy; the best rating for independent women workers relative to other sectors. This study shows that the creative industry has contributed to global GDP but the creative industry is still in an intermediate position in both developing countries and developing countries. The economic superiority of the creative industry does not appear to be as significant as the contribution of the industrial and financial sectors.

Economic development has not only led to diversification of exports but also diversification of labor across industries and related sectors (Bosupeng, 2017). Setiawan's research (2018) uses the Global Creativity Index model, the competitive level of Indonesia's economy in ASEAN and the world is still weak. This weak level of competition depends on the weak index of technology and the index of talent (creativity). The low technology index contributes to the weak protection of intellectual property rights. The prevailing policy is expected to be a stimulus to help the intellectual property administration process instead of being an obstacle to innovation (White, Gunasekaran & Roy, 2012).

Ndou, Schiuma and Passiante (2019) find ways to increase human resources and creative assets to innovate, namely by making the right collaboration between talents and technology-based companies and an environment that supports the creation of creative ideas. The combination of talent and technology is able to create a new product / service, method, business model.

The creative industry sector has the opportunity to contribute to economic growth in Indonesia to achieve a sustainable economy, by increasing the export of creative products such as traditional crafts that carry regional culture in Indonesia. In addition, the depreciating value of the rupiah could actually become an export opportunity for several creative industry sub-sectors in Indonesia. The use of local raw materials is widely used by the fashion and crafts sub-sector so that the increase in raw material prices (inflation) does not have a significant impact. Technological advances have contributed to opening up new opportunities such as the sub-sector of design, film, music, game development and others (BeKraf, 2018). Human creativity can continue to be developed so that the number of unemployed can continue to be reduced.

### V. CONCLUSION

This study uses a sample of creative industry exports, creative industry labor, real GDP, inflation, and the US dollar exchange rate for the period 2011-2019, using descriptive statistical analysis methods and correlation testing. Indonesia's creative industry continues to grow, indicated by the increase in the export value of the creative industry and the number of creative industry workers every year, thus contributing to an increase in national GDP and helping to reduce unemployment by creating new jobs with creativity. The correlation test illustrates a strong relationship between real GDP, the rupiah exchange rate against the US dollar with the export value and the number of creative industry workers. The exports of creative industries contribute to

economic growth, namely real GDP, fluctuations in the value of the Rupiah against the US dollar are closely related to the export value of the creative industry, especially since the main export destination country is the United States. Inflation has a weak relationship with the value of exports and the number of creative industry workers, in this case the level of demand for creative products continues to increase.

The theoretical implication is to provide a perspective on the creative sector export variables and creative sector labor variables which have a strong relationship with the GDP variable and the US dollar exchange rate variable, but have a weak relationship with the inflation variable. The practical implication is that the government through the Creative Economy Agency (BeKraf) is expected to continue to strive to provide assistance to small businesses in the creative industry so that Indonesia's sustainable economy is realized, strengthening economic resilience amid various global threats. Conduct regular data collection on the creative industry to gather accurate information, which can be used in administrative processes related to funding and for research.

The limitations of research on the creative economy are the incomplete data available for the period, the raw data is not available, making it difficult to process as a data source for an empirical study. Various studies in the creative industry use data estimation and various research methodologies, making studies in the cultural industry or creative industries less suitable in comparison. Future research in Indonesia is expected to use data and official creative industry reports released by the Creative Economy Agency and refer to a globally recognized creative index such as the GCI (Global Creativity Index).

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\*Corresponding Author: Fanny Septina

85 | Page

# Indonesia's Sustainability Economy: Creative Industry Perspective

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Period	Non-oiled export value (million rupiahs)	Creative industry export's value (million rupiahs)	Contribution of creative industry's export to non-oiled export's value	Growth of creative industry's export
2011	162,720,858.00	15,641,397.20	9.61%	-
2012	152,924,925.00	15,439,581.60	10.10%	-1.29%
2013	149,920,000.00	15,870,628.40	10.59%	2.79%
2014	146,540,725.00	18,214,930.00	12.43%	14.77%
2015	131,940,835.63	19,364,077.40	14.68%	6.31%
2016	131,553,643.58	19,988,868.60	15.19%	3.23%
2017	153,309,550.22	22,100,000.00	14.42%	10.56%
2018	163,110,799.15	23,700,000.00	14.53%	7.24%
2019	143,528,047.00	25,100,000.00	17.49%	5.91%

#### Appendix 1. Table 1. Creative industry's export and non-oiled export 2011-2019

Source: BeKraf, prepared by author (2020)

#### Table 2. Correlation of macroeconomic indicators and creative industry's export and labor 2011-2019.

	GDP real	Inflation	Exchange rate	Creative industry's export	Creative industry's labor
GDP real	1				
Inflation	-0.56399494	1			
Exchange rate	0.79600607	-0.2176	1		
Creative industry's export	0.98125421	-0.5342	0.822552	1	
Creative industry's labor	0.913692332	-0.46536	0.914194	0.88776008	1

# Source: BeKraf, prepared by author (2020)

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