

UOB Business Outlook Study 2023 (SME & Large Enterprises)



UOB conducted a Business Outlook Study in Indonesia covering 530 business owners and key executives from SMEs and Large Enterprises

This study provides a comprehensive understanding of the current business sentiments, inflation impact and outlook among businesses across various sectors in Indonesia. The study also captures insights around key themes such as Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion.



> WHAT



15-minute online surveys



Total of 530 interviews



Data collection:
28 December 2022 - 20 January 2023

> WHO



Businesses with revenue between
IDR 6 billion to less than IDR 3 trillion



Covers SMEs and Large Enterprises
across key industry verticals



Owners/ chief executive level/
management level who are involved
with business decision making

Classification of businesses:
Smaller: annual turnover IDR 6 billion to <IDR 110 billion
Larger: annual turnover IDR 110 billion to <IDR 3 trillion

> COVERAGE

Cities	Sample
Jakarta	273
Surabaya	88
Bandung	57
Semarang	41
Rest of Indonesia	71
Total	530

Industries	Sample
Manufacturing & Engineering	61
Tech, Media & Telecom	57
Business Services	56
Consumer Goods	55
Construction & Infrastructure	55
Wholesale Trade	55
Community & Personal	55
Real Estate/Hospitality	55
Professional Services	50
Industrials, Oil & Gas	31
Total	530

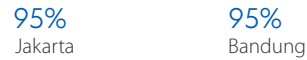
> Business Sentiment



Most positive sentiments (sectors)



Most positive sentiments (cities)



> Impact of inflation



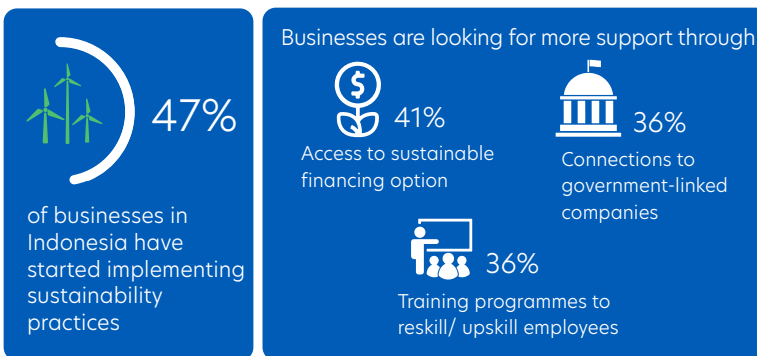
Most affected sectors



Most affected cities



> Sustainability



Leading sectors



Leading cities



> Digital adoption



Sectors leading in digital adoption



Cities leading in digital adoption



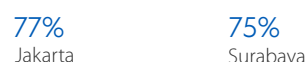
> Supply Chain Management (SCM)



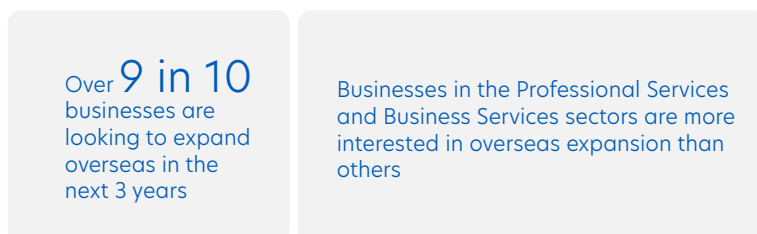
Most impacted sectors



Most impacted cities



> Interest in overseas expansion



Most interested sectors



Most interested cities



> Current business environment



of businesses said the business environment in Indonesia was positive in 2022

Businesses in the Community & Personal Services and Industrials, Oil & Gas sectors were more positive about their current business environment.

Most positive sentiments (sectors)



Most positive sentiments (cities)



of businesses in Indonesia have seen an increase in their revenue in 2022

Positive business sentiment is driven by strong revenue growth in 2022.

Businesses in Community & Personal Services and Industrials, Oil & Gas have seen more growth than those in other sectors

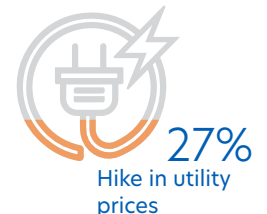
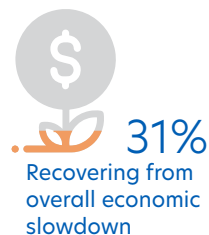
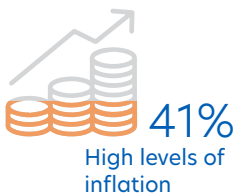
Highest growth sectors



Highest growth cities



> Factors that impacted businesses in 2022



High levels of inflation have impacted businesses in Business Services and Manufacturing & Engineering sectors the most.

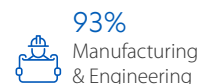
> Outlook for 2023



of businesses have a positive outlook for 2023

Businesses in Community & Personal Services and Industrials, Oil & Gas sectors have a more positive outlook.

Most positive sectors



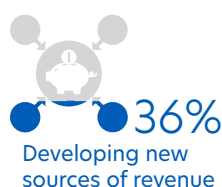
Most positive cities



> Top future business priorities

To drive future growth, businesses are:

Businesses in sectors like Tech, Media & Telecom and Professional Services are at the forefront in digitalising their business model to drive growth.

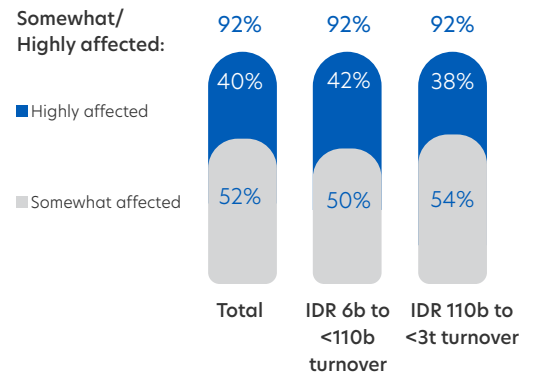


> Impact of inflation



Both larger (IDR 110b to <3t) and smaller businesses (IDR 6b to <110b) have been affected by inflation to the same extent.

> Extent affected by inflation



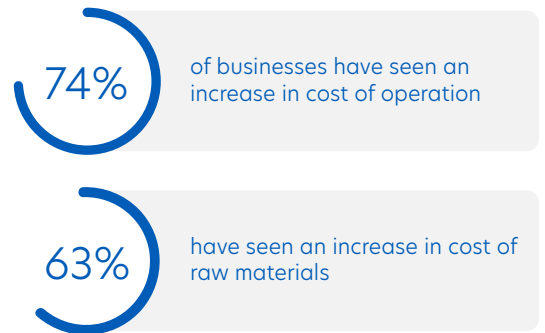
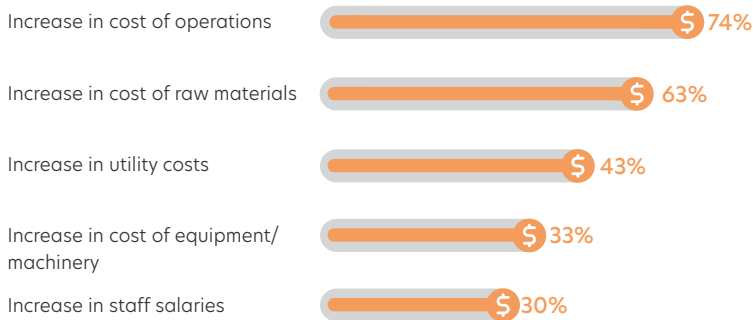
Most affected sectors



Most affected cities



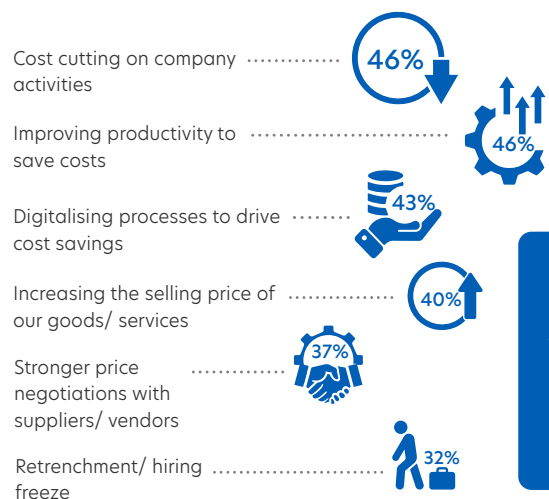
> Areas affected by high inflation



Inflation is also impacting the utility costs of businesses in Indonesia, particularly the Tech, Media & Telecom and Real Estate/Hospitality sectors

> Top measures to mitigate inflation

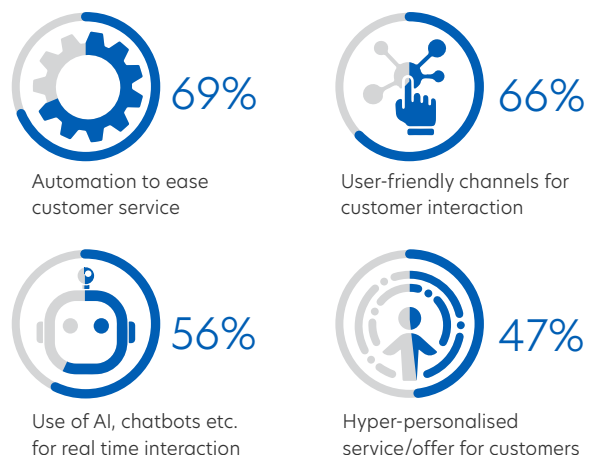
Nearly 1 in 2 businesses in Indonesia are focused on cost cutting on company activities to tackle inflation



Businesses in Real Estate/ Hospitality and Tech, Media & Telecom sectors are leading the way in cost cutting to drive cost savings.

> Key channels/ capabilities to improve

Over 2 in 3 businesses in Indonesia are looking to improve automation to ease customer service and meet changing customer expectations.



> State of sustainability adoption



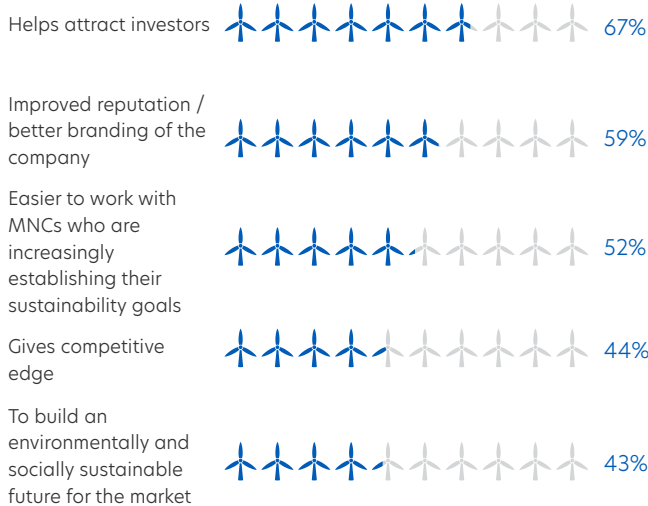
Leading sectors



Leading cities



> Top sustainability drivers



67% of businesses consider sustainability important as it helps attract investors

59% of businesses believe that adopting sustainability improves reputation/branding of their company

Businesses in Business Services and Manufacturing & Engineering sectors find it more important to adopt sustainable practices to help attract investors.



> Top barriers in sustainability adoption > Support required for sustainability adoption

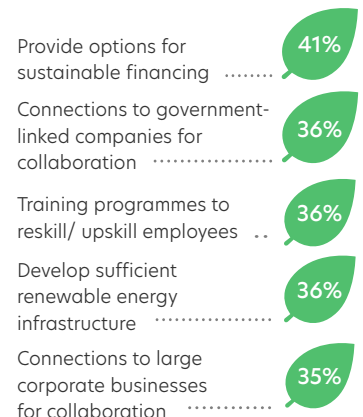
Nearly **2 in 5** businesses are concerned about negative impact on profits due to the costs associated with sustainable practices

Over **2 in 5** businesses are looking for options provided for sustainable financing for their sustainability plans



There are risks to continued sustainability adoption during times of economic uncertainty as many businesses believe that implementing sustainability practices can impact their revenues and profits.

Connections to government-linked companies and training programmes are also sought after by businesses in Indonesia to address the barriers in implementing sustainability.



> State of digital adoption

Over **9 in 10** businesses in Indonesia have adopted digitalisation in at least one department

A key challenge for digitalisation will be encouraging businesses who have just started their journey to continue with digitalisation, expanding it from one or a few departments into the entire business

Sectors leading in digital adoption



Cities leading in digital adoption



> Success with digitalisation



90% of businesses have seen success in their digitalisation efforts



84% of businesses foresee spending more on digitalisation in 2023

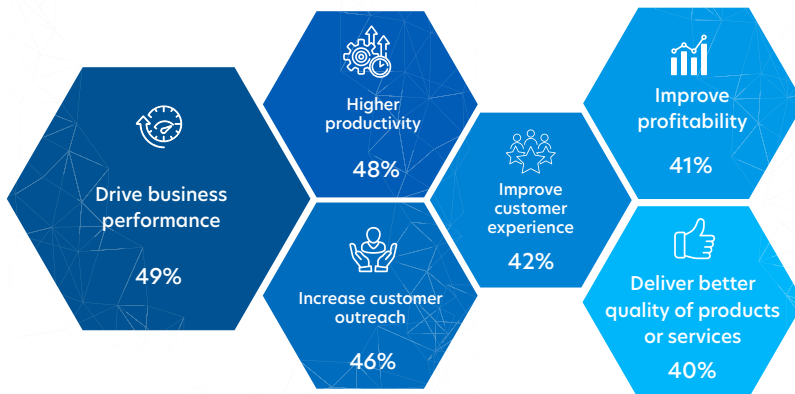
Success with digital adoption (sectors)



Success with digital adoption (by turnover)



> Impact of digitalisation

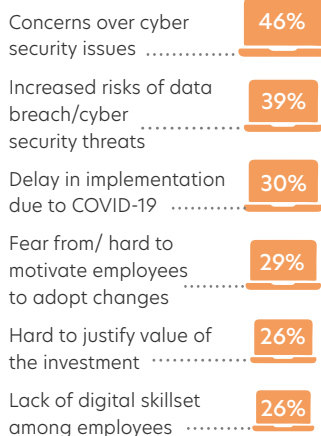


9 in 10 businesses have succeeded with digitalisation. On average, each business has benefitted in at least 5 ways.

Digitalisation can play a key role in helping businesses improve productivity to mitigate the impact of inflation on their businesses.

Digitalisation is helping businesses become more customer centric by enabling their customer outreach efforts and improving customer experience.

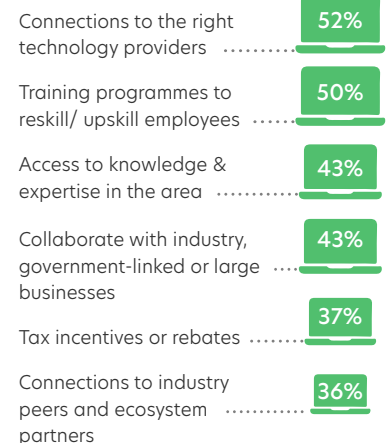
> Challenges faced in digitalisation



Nearly **1 in 2** businesses are concerned about cyber security issues

Delayed implementation due to the COVID-19 pandemic and inability to motivate employees to adopt changes are key challenges for many businesses. They are likely to need support such as access to knowledge and expertise in the area, and collaboration with industry, government-linked or large businesses.

> Support required for digitalisation



> Importance of SCM



of businesses in Indonesia consider SCM important

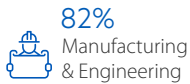
> Impact of SCM on supply chain



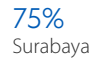
of businesses say their supply chain has been impacted by geopolitical issues

Majority of businesses in Indonesia have seen an impact to their supply chains. Sectors like Manufacturing & Engineering and Industrials, Oil & Gas have been affected more than others.

Most impacted sectors

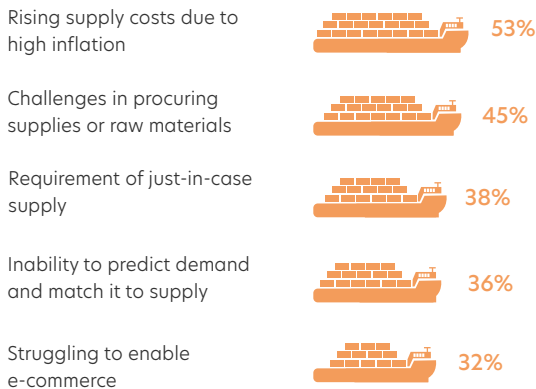


Most impacted cities



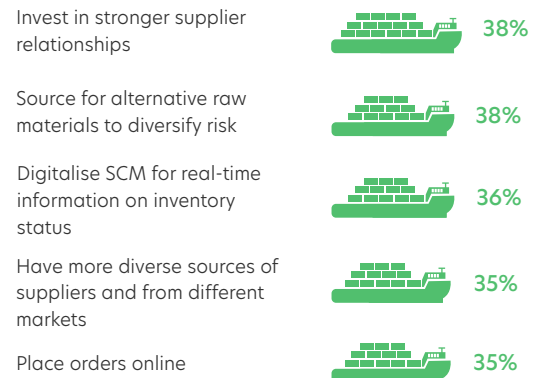
> Challenges in SCM

Over **1 in 2** businesses find rising supply costs as the main challenge in managing their supply chains



> Top actions taken for SCM

Nearly **2 in 5** businesses in Indonesia are looking to build stronger supplier relationships to manage their supply chains better



> Top support measures for SCM



Connections to the right tech solutions are a key support measure that businesses in Indonesia need to manage their supply chains better.

Businesses in Industrials, Oil & Gas and Manufacturing & Engineering sectors can benefit more from the right tech solution.

1 in 2 businesses are looking for right tech solution to help them with better SCMv



> Interest in overseas expansion



Over **9 in 10** businesses in Indonesia are looking to expand overseas in the next 3 years

Businesses in the Professional and Business Services sectors in Indonesia are more interested in overseas expansion than other sectors

Most interested sectors

100% Professional Services

98% Business Services

98% Wholesale Trade

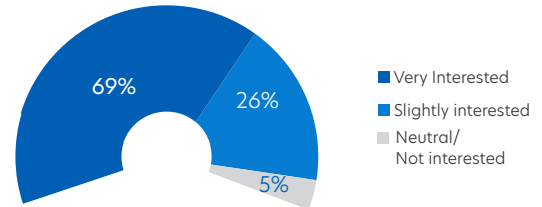
Most interested cities

96% Jakarta

95% Semarang

> Interest in cross-border digital trade platforms

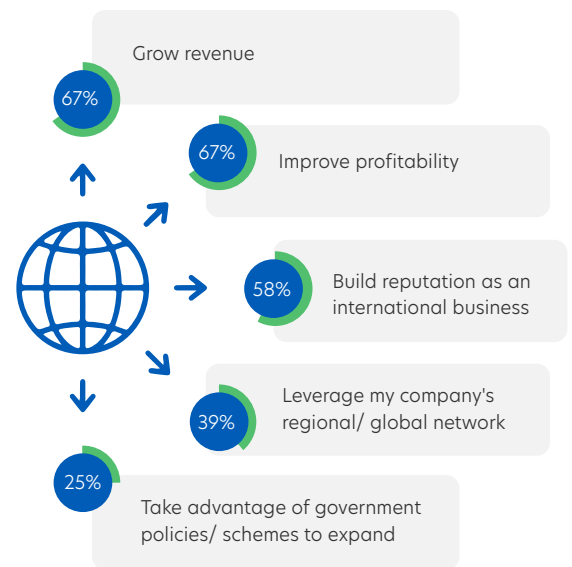
The interest in overseas expansion is leading to higher interest in cross-border digital trade platforms. Nearly 7 in 10 businesses are 'Very interested' in using such platforms.



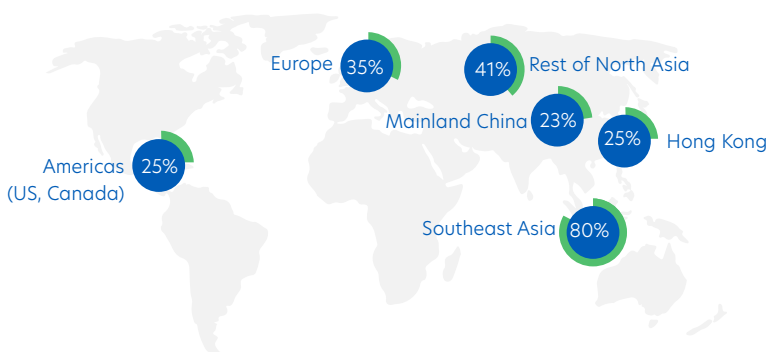
> Top motivators for overseas expansion

Nearly **7 in 10** businesses are motivated to expand overseas for revenue growth

Sectors like Real Estate/Hospitality and Consumer Goods are more inclined to expand overseas for revenue growth



> Top locations for overseas expansion



8 in 10 businesses in Indonesia have their eyes on Southeast Asia for their future expansion plans

Over **2 in 5** businesses, particularly those in Consumer Goods and Tech, Media & Telecom are looking to expand into Rest of North Asia

Singapore, Malaysia and Thailand are the preferred destinations in Southeast Asia for businesses in Indonesia.

> Key challenges in overseas expansion

Over **1 in 2** businesses in Indonesia cite difficulty in finding the right partners as their biggest challenge for overseas expansion



Inadequate financial support or funds is also a major challenge that businesses, particularly those in the Wholesale Trade and Business Services sectors, need to overcome when they look to expand overseas.