

UOB Business Outlook Study 2024



(SMEs & Large Enterprises)

UOB conducted a Business Outlook Study in Indonesia covering 525 business owners and key executives from SMEs and Large Enterprises.

The Business Outlook Study provides a comprehensive understanding of the current business sentiment, inflation impact and outlook among businesses across various sectors in Indonesia.

By capturing robust insights around key themes such as Overseas Expansion, Supply Chain Management, Digitalisation, and Sustainability, this study can help Indonesia businesses better understand the current environment they are operating in and plan for future opportunities and challenges.



Indonesia

▶ WHAT



15-minute online survey



Total of 525 interviews



Data collection:
Late-December 2023 to mid-January 2024

▶ WHO



Businesses with revenue of IDR 6 billion to 3 trillion



Covers both SMEs and Large Enterprises across key industry verticals



Owners/C-suite/Management level who are involved with business decision making



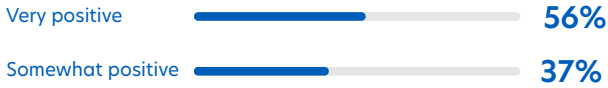
Classification of businesses:
Small Enterprises - annual turnover of IDR 6b to <110b
Medium Enterprises - annual turnover of IDR 110b to <3t

Industries

Sample

Tech, Media & Telecom	59
Manufacturing & Engineering	58
Business Services	57
Consumer Goods	56
Construction & Infrastructure	56
Wholesale Trade	56
Community & Personal	56
Professional Services	51
Real Estate & Hospitality	43
Industrials, Oil & Gas	33
Total	525

► Business sentiment



Most positive sectors



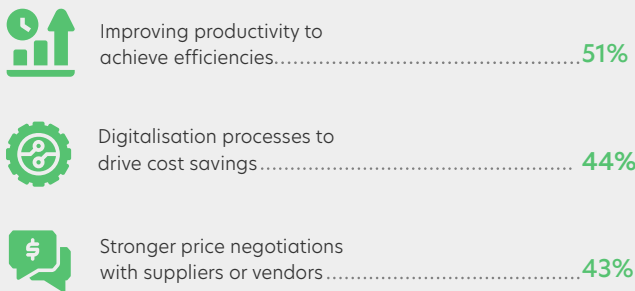
Most improved sectors



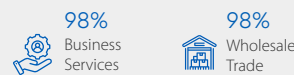
► Inflation and its impact



Ways to combat inflation



Most affected sectors



Areas affected by inflation



Most impacted by increase in cost of operations



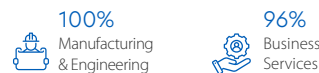
Most impacted by increase in cost of raw materials



► Overseas expansion interest



Most interested sectors



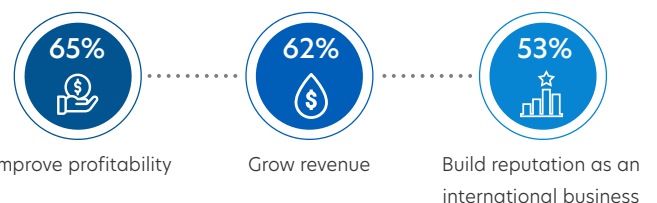
Least interested sectors



Support measures for overseas expansion



Key motivators for overseas expansion



► Supply Chain Management (SCM) and its challenges

7 in 10 businesses in Indonesia say that geopolitical tensions have affected their supply chain.

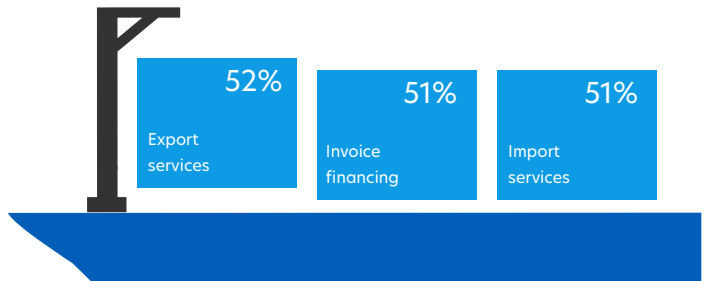
Most impacted sectors



Challenges faced by businesses



Key trading needs among businesses



► Digital adoption

Current state

Nearly **9 in 10** businesses in Indonesia have digitalised one or more departments.

Most digitalised sectors



Expected spending in 2024

Over **4 in 5** businesses expect to spend more on digitalisation in 2024, with most budgeting an increase of 10% to 25%.

Higher spending sectors



► Sustainability adoption

Over **9 in 10** businesses in Indonesia believe sustainability is important to their business. Yet, adoption level has decreased slightly since 2022.

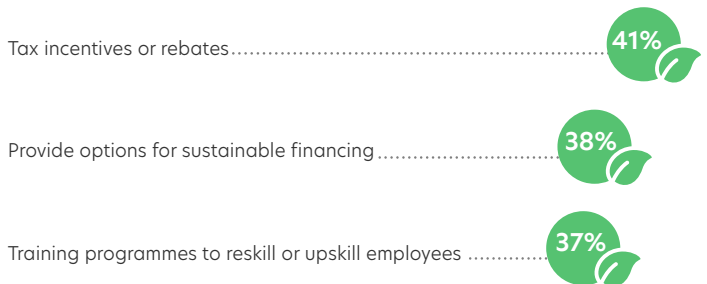
Higher adoption sectors



Challenges faced by businesses



Support measures to drive sustainability adoption



Business environment in 2023

Nearly **3 in 5** businesses in Indonesia say the current business environment is very positive.



Most positive sectors



Most positive cities

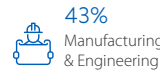


Business outlook for 2024

Over **3 in 10** businesses in Indonesia expect a vastly improved business performance in 2024.



Most improved sectors



Most improved cities



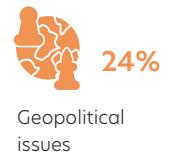
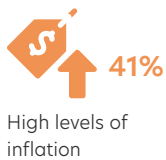
Over 3 in 10 businesses continue to expect a vastly improved performance in 2024.

Vastly improving, 2023 31%

Vastly improving, 2024 34%

Top factors that have impacted businesses in 2023

High inflation, rising operational cost and hike in utility prices are the top three macro factors impacting businesses.



Business priorities for next 1-3 years

Digitalise the business to achieve business efficiencies 32%

Find new business partnerships for collaboration 32%

Develop new sources of revenue 30%

Move business towards ESG practices in operational processes and product development 28%

Review business strategy to differentiate from competitors 27%

High inflation and rising operational cost are leading to many businesses looking to digitalise their business to achieve business efficiencies in the next 1-3 years.

Finding new business partnerships for collaboration is a priority for over 3 in 10 businesses in Indonesia.

Higher priority to digitalise business by sectors

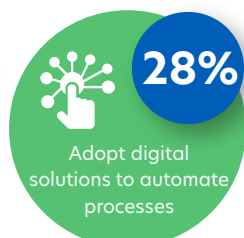
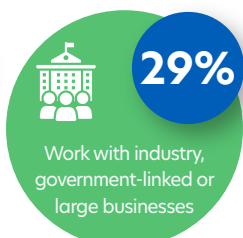


Higher priority to digitalise business by cities



How businesses plan to achieve their priorities

To achieve their business priorities, many businesses are looking to focus to extend range of products and/or services, work with industry bodies, and adopt digital solutions to automate processes.



▶ Extent of inflation impact



Most impacted sectors



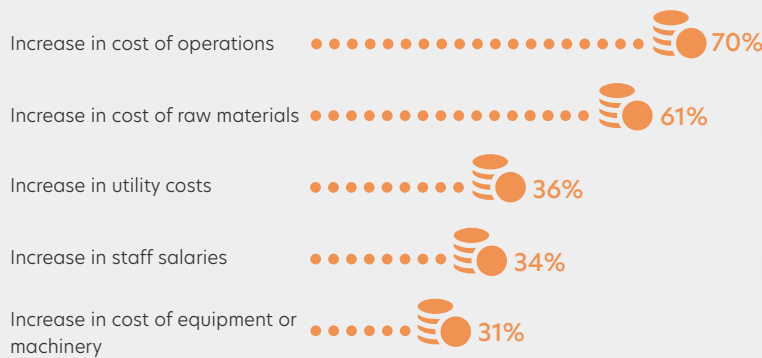
Most impacted cities



▶ Macro factors impacting business in 2023

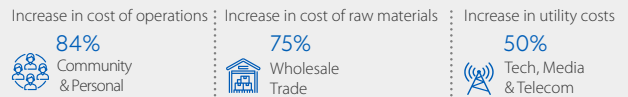


▶ How inflation has impacted businesses

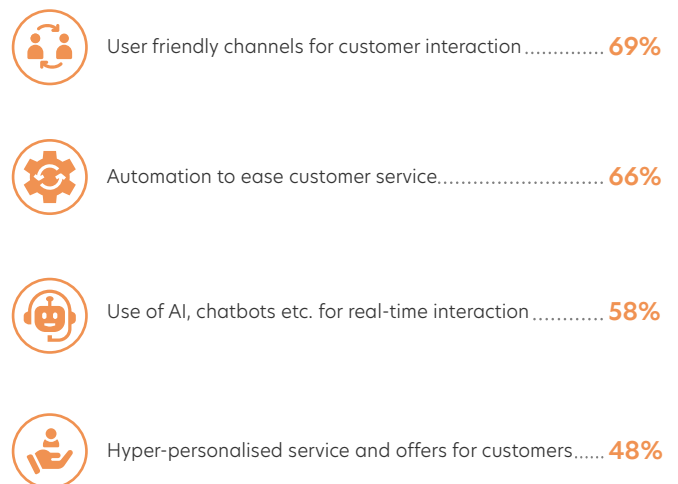
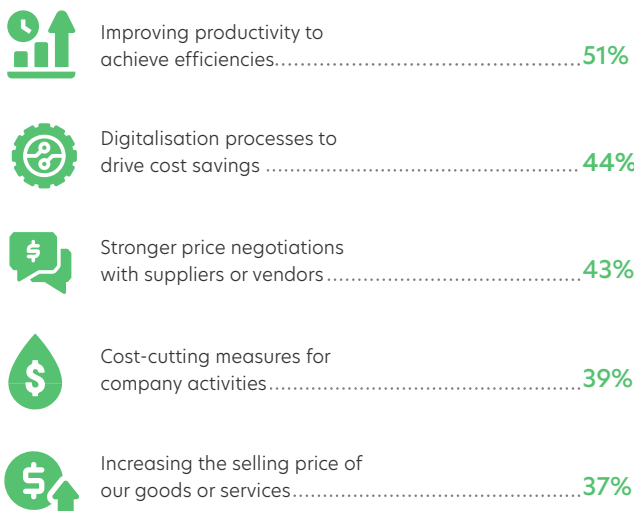
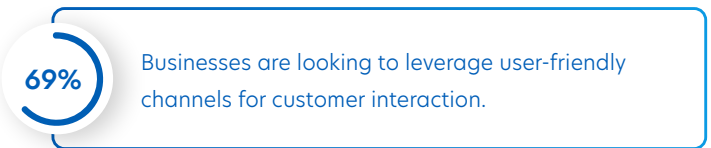
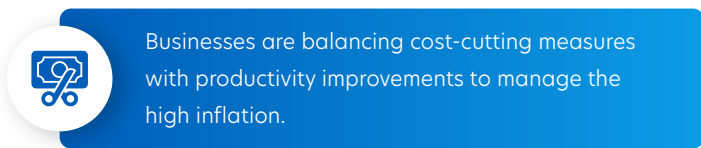


The impact across sectors has not been uniform. More Community & Personal businesses have seen an increase in their cost of operation while more in the Wholesale Trade sector have been impacted by increase in their cost of raw materials.

Most affected sectors



▶ Ways to combat inflation



Interest in overseas expansion

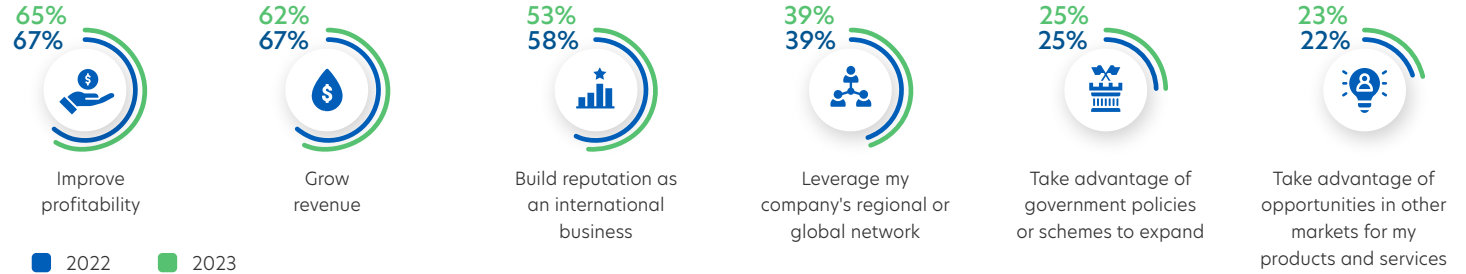
Over **9 in 10** businesses in Indonesia are interested in overseas expansion.

Most interested sectors



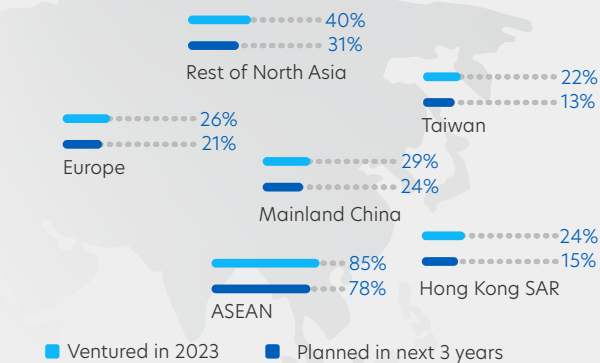
Key motivation for businesses to expand overseas

More businesses are now looking to expand to take advantage of opportunities in other markets for their products and services.



Key markets on the radar for overseas expansion

ASEAN and Rest of North Asia are the top two regions that businesses have expanded to in 2023 and will continue to expand in the next 3 years.



Consumer Goods businesses have ASEAN on its radar for future expansion. Within ASEAN, Malaysia and Singapore, the two largest domestic markets, attract businesses the most.

Barriers for overseas expansion

48% Businesses struggle to find the right partner to work with in the overseas market.

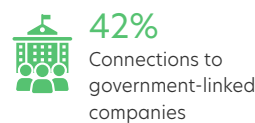
Over **4 in 10** businesses get inadequate financial support in the overseas market.

Difficulty in finding the right partners is by far the biggest challenge for Construction & Infrastructure businesses.

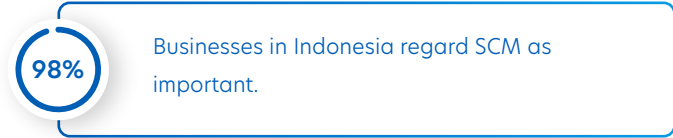


Support measures for overseas expansion

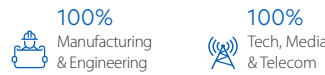
Connections to large businesses as prospective anchor clients and industry peers to learn their best practices are expected to be the most effective support measures.



► Importance of SCM



Sectors where SCM is more important



Differences by turnover

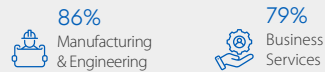


► Impact of geopolitical tensions on supply chain

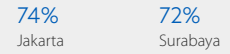


7 in 10 businesses in Indonesia say that geopolitical tensions have affected their supply chain. However, fewer businesses are affected now than a year ago.

Most impacted sectors



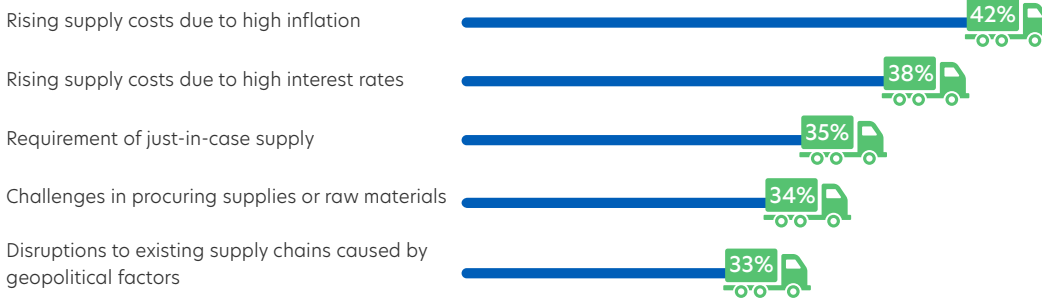
Most impacted cities



► Supply chain challenges faced

Rising supply costs due to inflation & interest rates and requirement of just-in-case supply are the top 3 supply chain challenges businesses faced.

Rising supply costs due to high inflation are especially challenging for businesses in the Tech, Media & Telecom sector.



► Current practices in SCM

Businesses are taking three key actions to manage supply chain challenges - digitalise supply chain management for real-time information on inventory status, have more diverse sources of suppliers, and create awareness about supply chain risk.

Consumer Goods and Tech, Media and Telecom are most active in having digitalised supply chain management for real time information on inventory status.



► Key trading needs among businesses



Export services, invoice financing and import services are the top three trading support services sought by businesses.

Current state of digitalisation

Nearly 9 in 10 businesses in Indonesia have digitalised one or more departments, 35% claiming digitalisation has happened across the business.

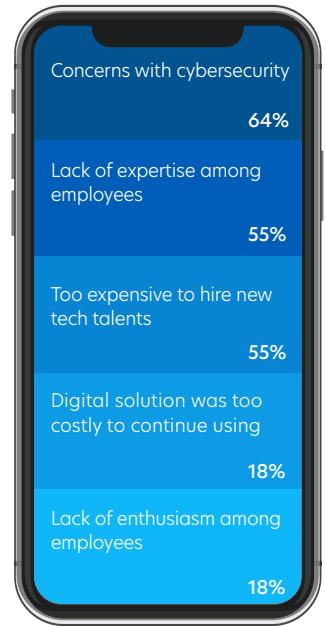
Most digitalised sectors



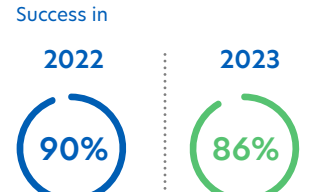
Most digitalised cities



Concerns with cybersecurity, lack of expertise among employees, and too expensive to hire new tech talents are key reasons why digitalisation efforts are less successful for some businesses.

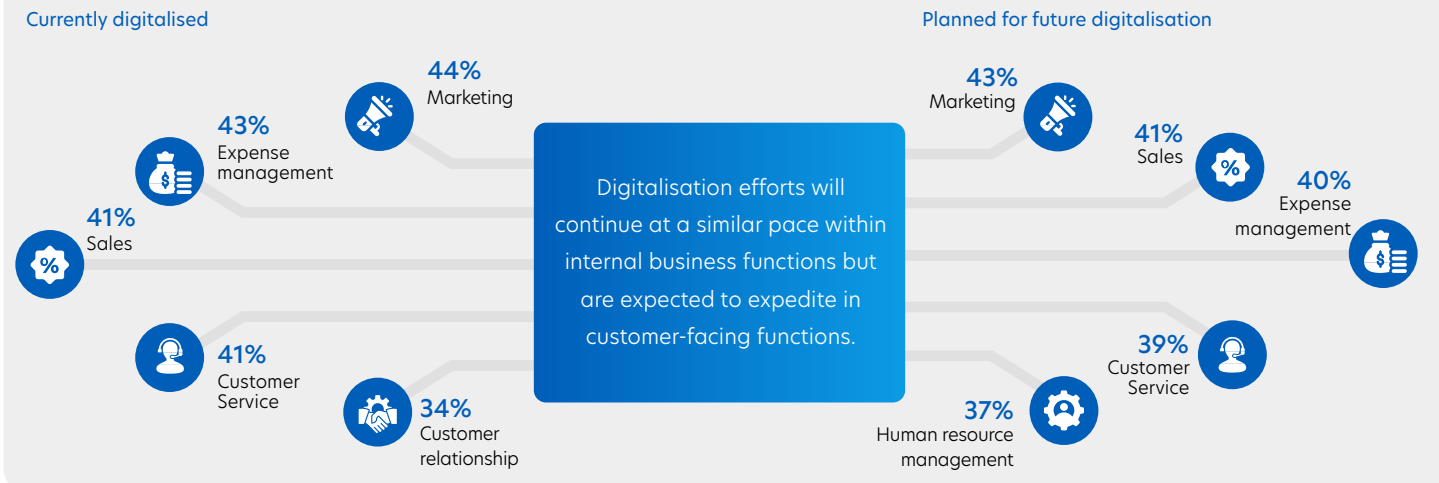


While over **4 in 5** businesses in the region have seen success from their digitalisation efforts, the number of businesses that succeeded has declined from the previous year.



Business functions digitalised

In future, businesses plan to prioritise digitalisation of functions like marketing, sales and expense management.



Expected spending on digitalisation in 2024

Over **4 in 5** businesses expect to spend more on digitalisation in 2024, with most budgeting an increase of 10% to 25%.

Higher spending sectors



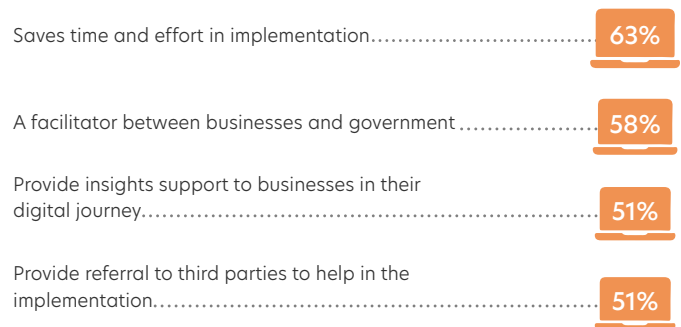
Differences by turnover



Banks and Financial Institutions (FIs) have a key role in digitalisation

Over **3 in 5** businesses believe they save time and effort in implementation when supported by banks and FIs in their digitalisation journey.

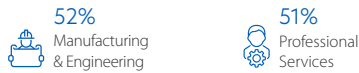
Nearly **3 in 5** businesses feel banks and FIs can be a facilitator between businesses and government.



► Current state of sustainability

97% of businesses consider sustainability important. However, only 45% of businesses have implemented sustainable practices in 2023. Adoption in Indonesia is lower than regional average of 44%.

Higher implementation sectors

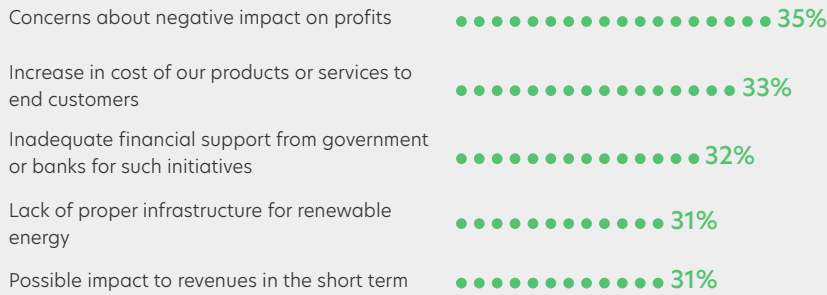


Higher implementation cities

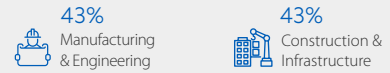


► Top barriers to sustainability

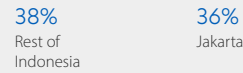
Concerns about negative impact on profits, increase in cost of our products or services and inadequate financial support from government or banks are key obstacles in sustainability implementation in Indonesia.



Most concerned about negative impact on profits by sectors

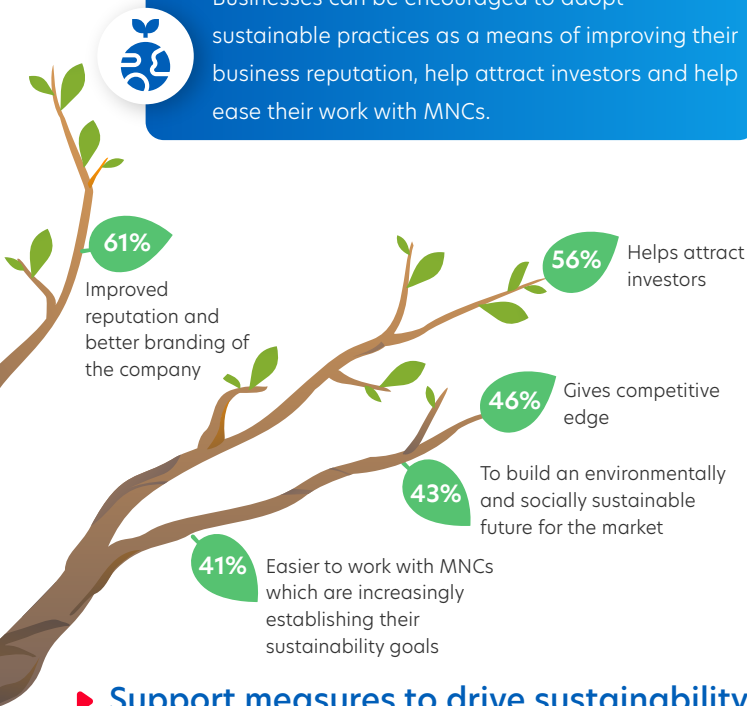


Most concerned about negative impact on profits by cities



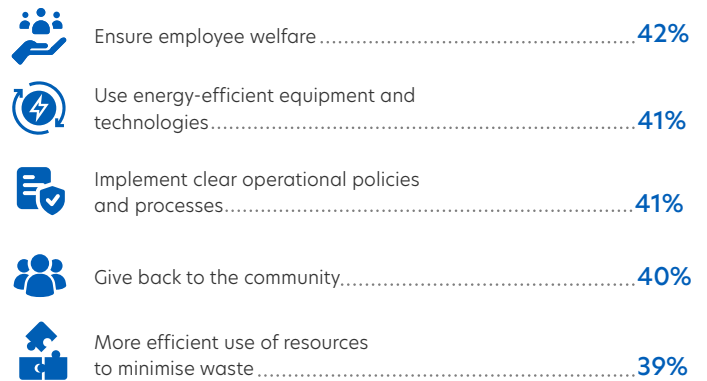
► Ways to encourage sustainable practices

Businesses can be encouraged to adopt sustainable practices as a means of improving their business reputation, help attract investors and help ease their work with MNCs.



► Sustainability practices prioritised

Sustainability practices that ensure employee welfare and, use of energy-efficient equipment & technologies are prioritised for implementation.



Higher prioritisation of ensuring employee welfare



Higher prioritisation to use energy-efficient equipments and technology



► Support measures to drive sustainability adoption

Financial measures such as tax incentives and options for sustainable financing are key to drive greater adoption. Businesses can also benefit from providing options for sustainability financing and training programmes to reskill or upskill employees.

A sectorial approach can also be adopted to offer relevant support measures to sectors that are in more need for it. For example, Industrials, Oil & Gas sector seek more tax incentives while businesses in the Consumer Goods sector seek options for sustainable financing.

