

# Navigator 2020 Indonesia



Together we thrive

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# Introduction

When it comes to controlling COVID-19, the Indonesian government has favoured large-scale social distancing over a national lockdown. While this has softened the economic blow, the virus continued to spread until restrictions were re-imposed in September, shortly after our 2020 Navigator survey went live. With an infrastructure-led recovery on the cards in 2021, businesses have reason to feel optimistic. But the medium-term outlook for growth is still contingent on labour market and investment reform.

# 1. Overview



The results of our 2020 Navigator survey show **high levels** of business confidence

**Indonesian businesses are substantially more optimistic about the future than their peers in APAC and globally.**

More than nine in ten anticipate growing sales in 2021, close to double that of the other APAC markets. Digital technology and a focus on sustainability are seen as key drivers for growth.

While a similar proportion of Indonesian businesses are adapting to the changing environment as their global peers, more than a third are thriving compared to a quarter globally. And close to two-thirds expect a return to pre-COVID levels of profitability by the end of 2021.

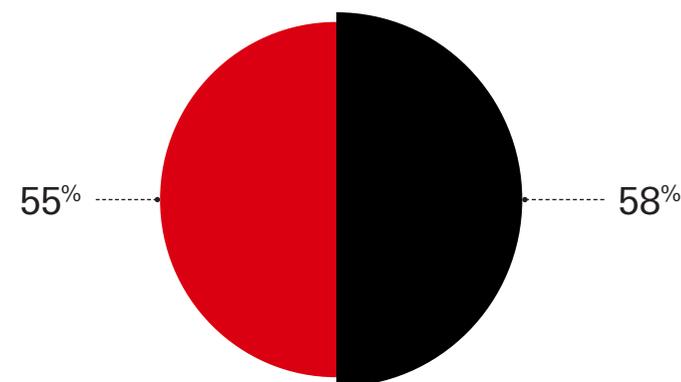
Nearly half of Indonesia's businesses are more optimistic about their international trade next year. But there is uncertainty around the ongoing impact of the virus and how it will affect supply chains.

## Current status of business

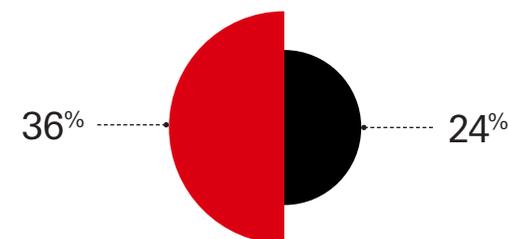
- Indonesia
- Global



## Adapting to a changing environment



## Thriving in the new normal





# 2. Business outlook

**Nearly all** Indonesian businesses expect their sales to grow in 2021

**The business outlook in Indonesia is much more positive than in most other markets.**

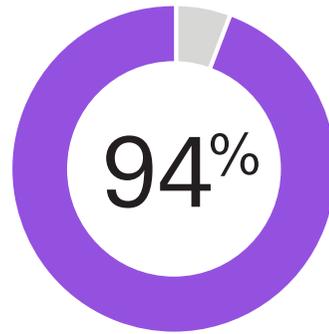
Nearly half (49%) of companies are more upbeat about their prospects than last year, compared with around one in three in APAC and globally.

Additionally, 91% anticipate sales growth in 2021, way ahead of APAC at 60% and 64% globally.

Conversely, the proportion that reports feeling more pessimistic about growth has shot up to 17% from 3% in 2019. However, this is still lower than APAC (22%) and 24% globally.

A resurgence of COVID-19 is a worry for many. Businesses also fear decreasing demand, an uncertain political environment and the impact of regulatory increases and taxation or tariffs.

To tackle this, businesses are improving the quality of their product and services, and collaborating more with industry partners.



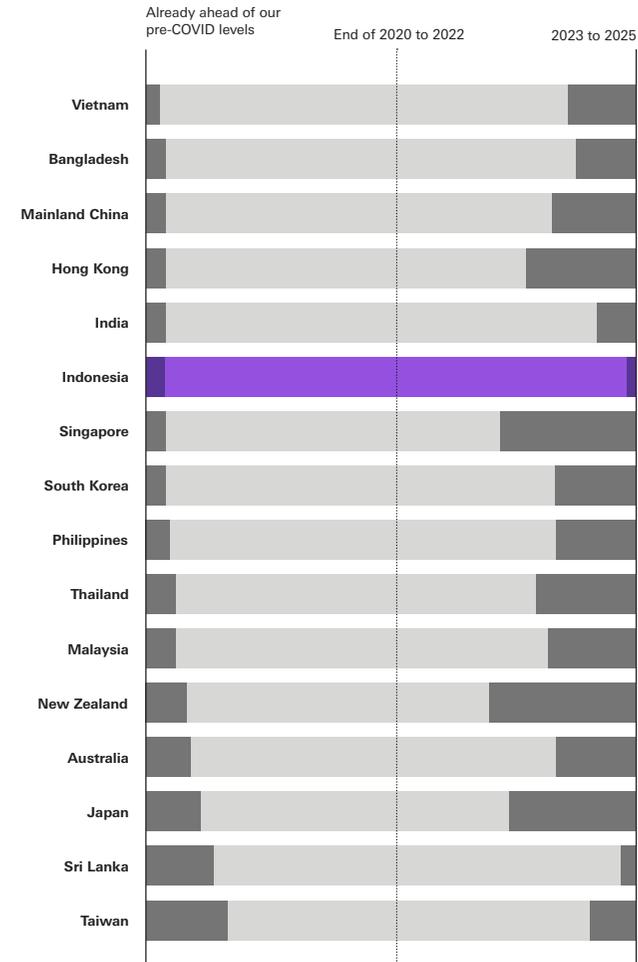
of businesses expect to return to pre-COVID profitability levels by the end of 2022

### Top 3 drivers of business growth



### When businesses expect to return to pre-COVID levels of profitability

%

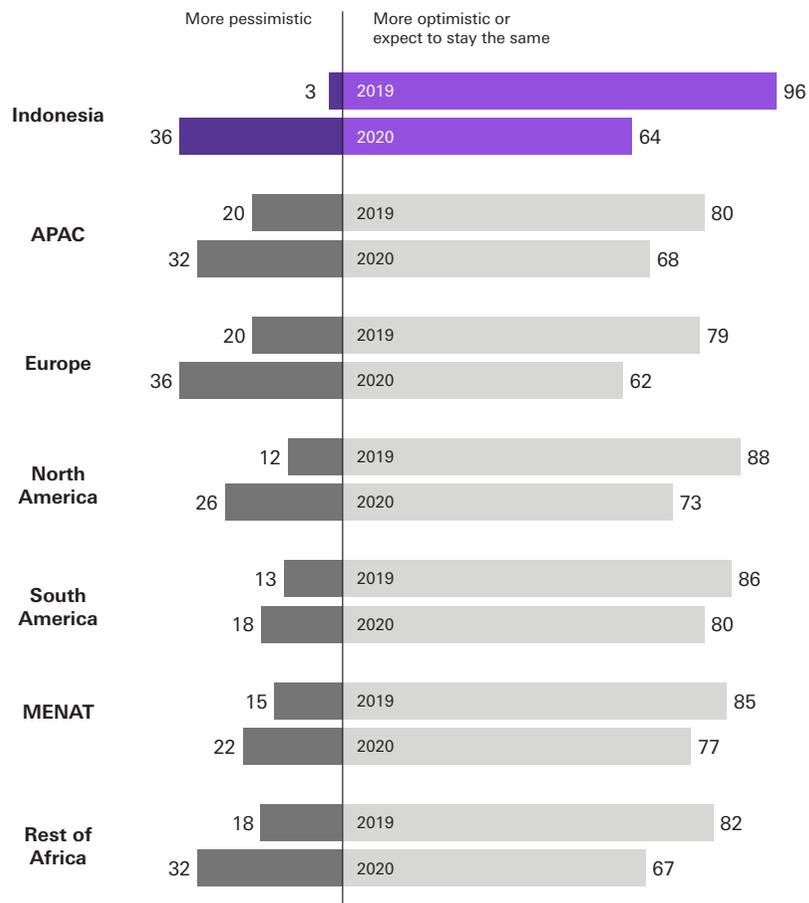


## 2. Business outlook (continued)



### How business outlook has changed in the last 12 months\*

%



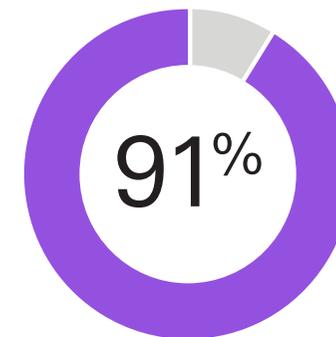
\*Excludes businesses answering 'Don't know'

### Businesses ready to invest

In line with their more positive outlook, **91% of Indonesian businesses intend to invest more in their business in the coming year. That's compared with 65% in the APAC region and 67% globally.**

Close to one-third (32%) plan to boost investment by over 20% – almost three times as many as in APAC or globally.

Those planning to invest cite marketing, product innovation, sales channels and new market expansion as top priorities. Almost two-thirds are looking to increase investment in technology to aid new customer targeting, innovation and the customer experience.



of Indonesian businesses intend to increase investment in their business in the next year, despite the challenging environment

### Strategies of Indonesian businesses to benefit from growth drivers and address threats



# 3. Future strategy



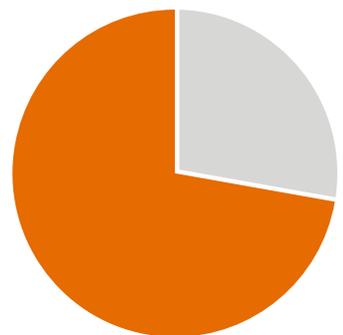
Indonesian businesses have **responded well** to market changes

**In common with the rest of the world, around three-quarters of businesses in Indonesia have undergone strategic changes in the last 12 months. And for over half (54%), the changes have mostly been short term.**

Advances in digitisation, changes in ways of working and future uncertainty are the main factors driving the changes.

Around three-quarters (73%) of companies in Indonesia view innovation as the primary characteristic of a successful future business, compared with 44% globally. This is followed by resilience to market changes (54%, compared with 32% globally).

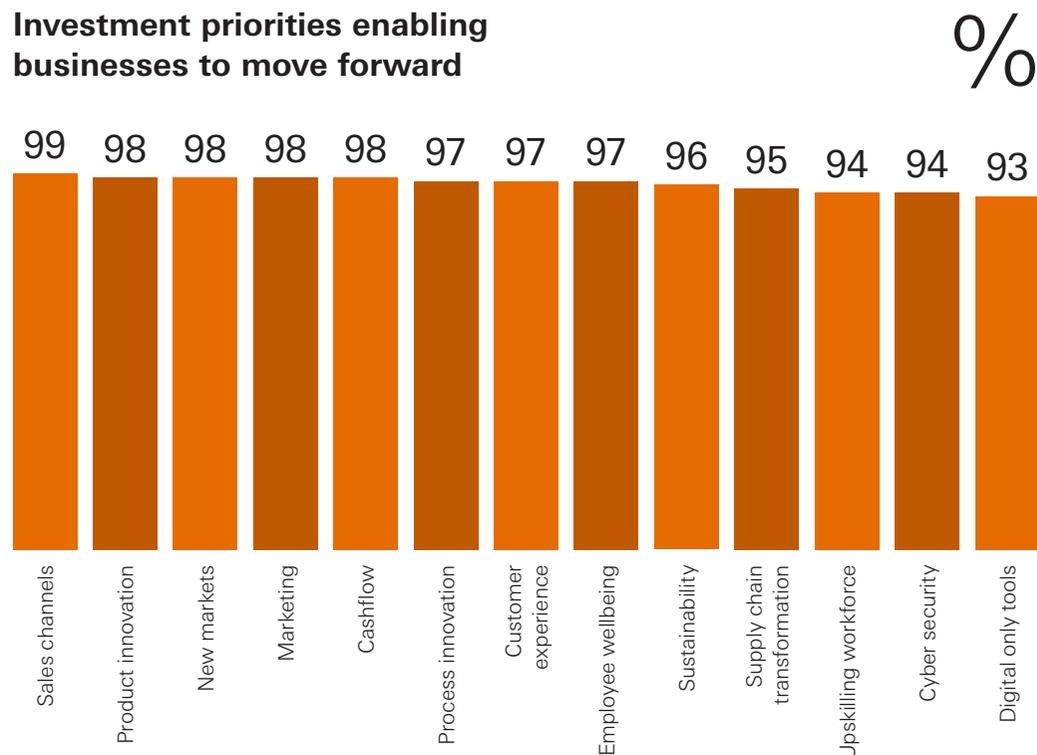
Meanwhile, businesses believe that becoming more entrepreneurial will attract new customers and increase speed to market. This in turn will lead to significant commercial benefits, including increased market share, attracting more investment and enhanced customer loyalty.



72%

of businesses have undergone changes in the last 12 months

## Investment priorities enabling businesses to move forward



## Top 5 facets of a successful entrepreneurial business





# 4. International trade

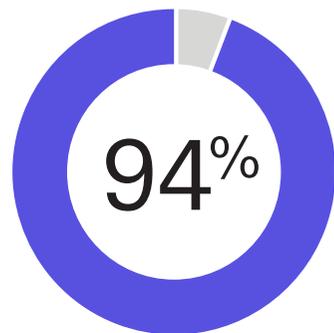
## High optimism for international trade in 2021

Seven in ten Indonesian businesses (71%) think international trade has become more difficult in the past year. But close to half (45%) believe conditions will ease in 2021, compared with around one-fifth in APAC and globally. And nearly all plan to expand their international trading in the next 3-5 years, compared to 79% in APAC.

Over eight in ten Indonesian businesses (88%) trade within APAC today. Japan is their main partner in the region, followed by Australia, Singapore and Malaysia.

A high proportion of Indonesian businesses think the markets they trade with are becoming more protectionist. Strategies to address this include selling through digital channels and partnering with local companies.

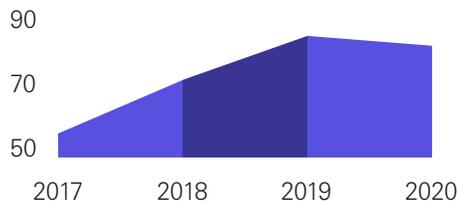
A decline in customer demand and increases in the cost of production and materials are seen as the key impacts if international trade reduces.



94% of companies expect their international trade prospects over the next 1-2 years to be positive

## Protectionism

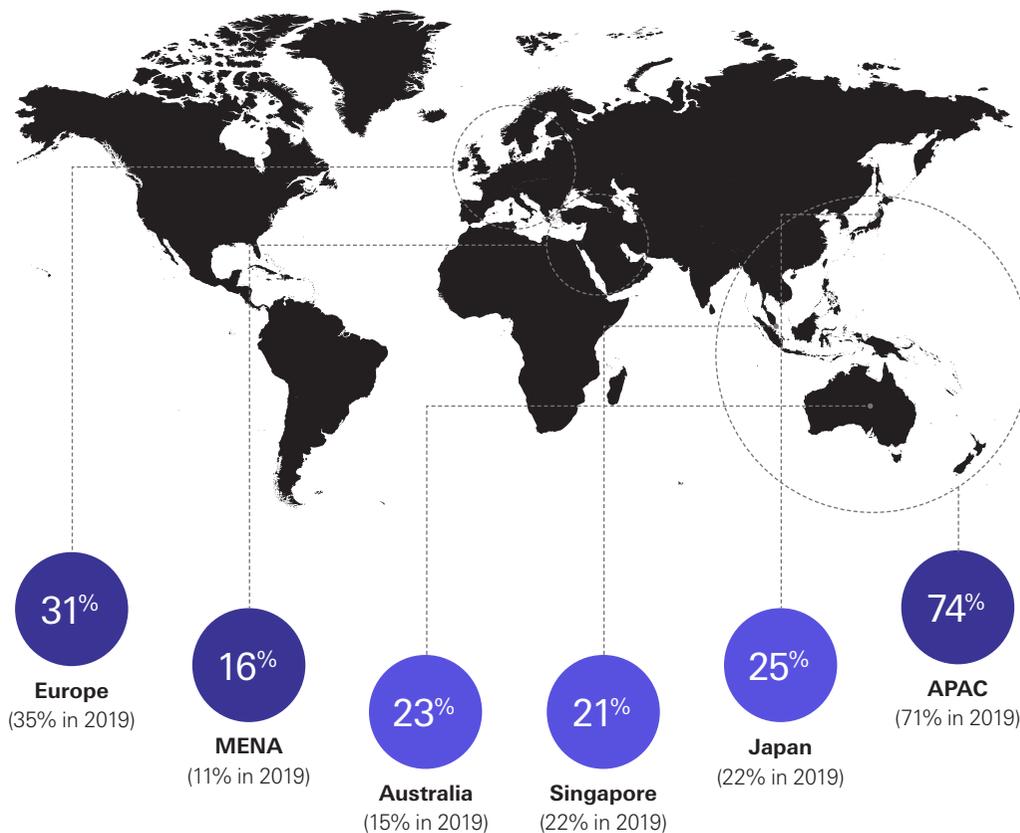
Percentage of businesses that think that countries/territories/governments are becoming more protective of their domestic businesses (%)



## Priorities for expansion in the next 3-5 years

Regions, markets and territories in which Indonesian businesses are looking to expand

● Markets & territories ● Regions



# 5. Reshaping supply chains



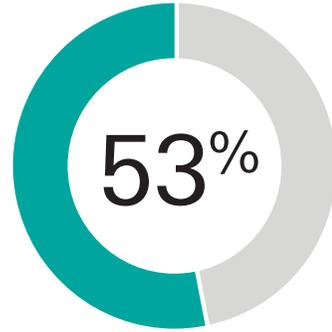
**All** Indonesian businesses have made changes to their supply chains in 2020

**Concerns about supply chains are felt globally, and Indonesian businesses are no exception. Their main worries are rising costs, suppliers located in unstable markets and the deteriorating quality of suppliers.**

The response has been decisive and swift: all the businesses surveyed have made changes to their supply chain. And close to half (44%) have made changes to transportation and storage management – almost twice the level seen globally.

More than half (51%) are increasing their use of digital technology. Similar proportions are selecting suppliers based on their government’s control of COVID-19 (52%), as well as on their operational resiliency and speed of delivery (46%).

Looking to 2021, digital technology emerges as the immediate priority for nearly six in ten Indonesian companies (57%).



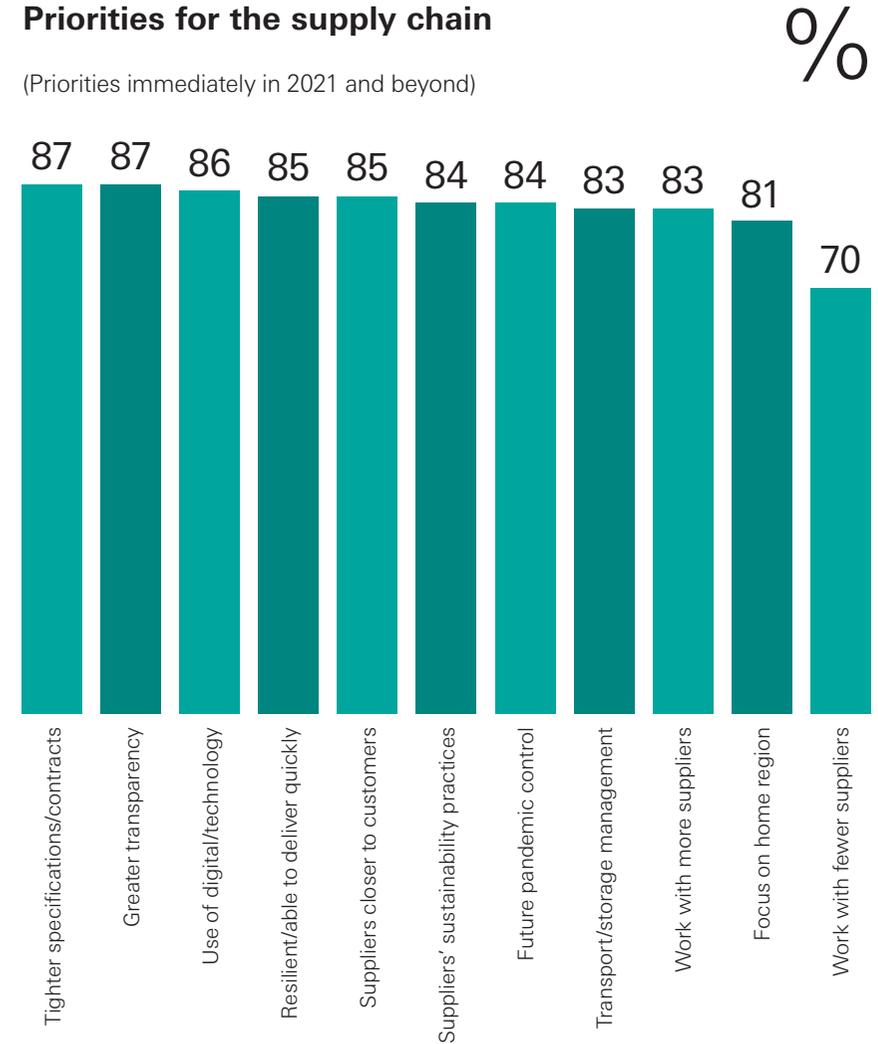
of businesses expect that reshaping their supply chain will increase speed to market

### Top 3 benefits of reshaping the supply chain



### Priorities for the supply chain

(Priorities immediately in 2021 and beyond)





# 6. Sustainability

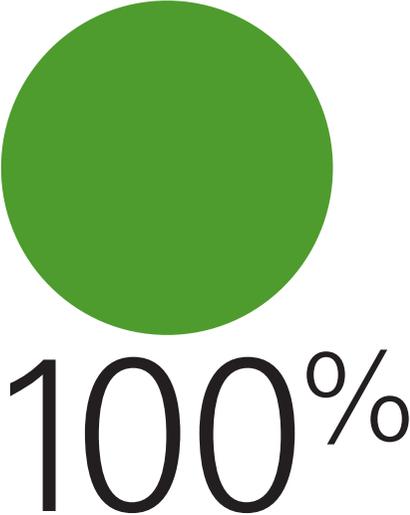
All Indonesian respondents agree that being **more sustainable** will drive sales

**Sustainability is taken seriously in Indonesia. Eight in ten (84%) companies have plans or targets in place, compared with seven in ten (72%) globally.**

More companies are also assessing various aspects of environmental sustainability, social sustainability and governance than the global average.

This reflects the fact that 100% of respondents believe a focus on sustainability will help drive sales. Four in ten think growth will be above 10%, more than twice the global average.

A similar proportion of Indonesian businesses say the level of pressure to become more sustainable will stay the same in the next year as say it will increase (44% compared with 45%). But all companies see opportunities in responding to that pressure, mainly in promoting employee wellbeing, enhancing business reputation, local community support and increasing customer demand.



of Indonesian companies think there are multiple opportunities for their business by improving environmental and ethical sustainability

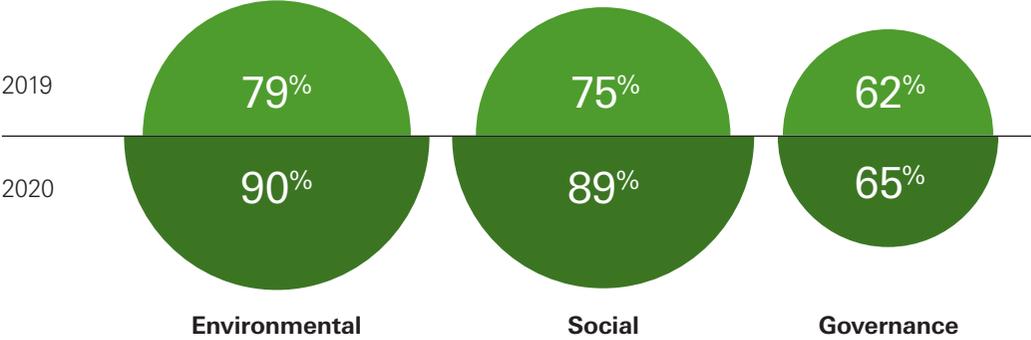
## Companies believe a greater focus on sustainability will drive growth

- 34% expect modest growth of up to 5%
- 26% expect growth of between 6% and 10%
- 40% expect growth of 10% or more



## Measuring sustainability

More companies in Indonesia have been measuring all 3 aspects compared with 2019



### **About HSBC Navigator Indonesia**

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, future strategy, international trade, supply chains and sustainability. It is compiled from responses by decision-makers at 10,368 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 39 markets.

Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Indonesia. Global results are based on an average of the 39 markets (using weights based on each market's share of world trade). The survey was conducted between 11th September and 7th October 2020. Interviewees were polled on a range of questions including how COVID-19 has affected their business and potential for growth. The survey represents a timely source of information on the fast-evolving international business environment.

For further information about the research please contact:

Kate Woodyatt  
HSBC Global Communications  
**[katewoodyatt@hsbc.com](mailto:katewoodyatt@hsbc.com)**

Or click on  
**[www.business.hsbc.com/navigator](http://www.business.hsbc.com/navigator)**

### **Note**

There may be a slight discrepancy between the sum of individual items and the total as shown in the tables due to rounding.

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