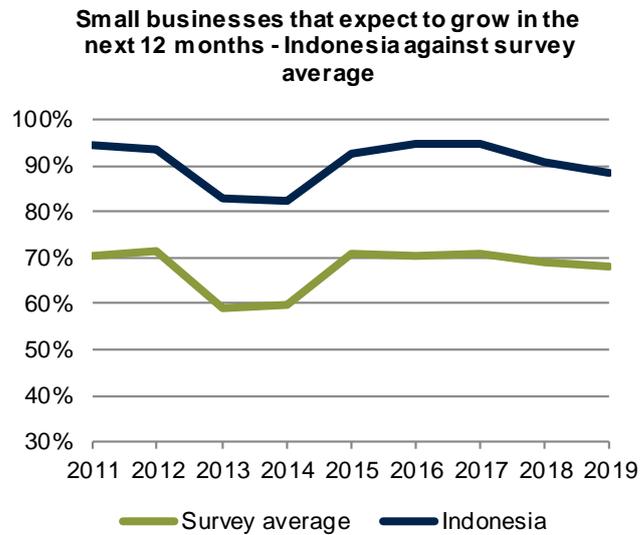
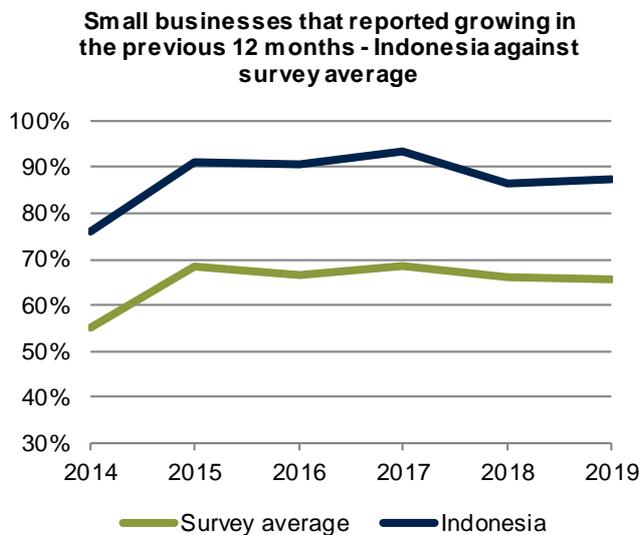


Indonesia market summary

Business and economic growth



| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 | 2017 | 2016 | 2015 |
|---|-------|---------------------|-----------|-------|-----------|-------|-------|-------|
| Businesses that grew in the last 12 months | 87.3% | 65.8% | 2/11 | 86.6% | 2/10 | 93.4% | 90.4% | 91.2% |
| Businesses that expect to grow in the next 12 months | 88.3% | 68.2% | 3/11 | 90.8% | 3/10 | 94.7% | 94.7% | 92.5% |
| Businesses that expect the local economy to grow in the next 12 months | 75.7% | 59.1% | 4/11 | 79.0% | 3/10 | 83.6% | 90.1% | 83.7% |

Business activity over the past 12 months

| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 | 2017 | 2016 | 2015 |
|--|-------|---------------------|-----------|-------|-----------|-------|-------|-------|
| Increased employee numbers | 50.7% | 32.5% | 2/11 | 55.7% | 2/10 | 65.5% | 63.4% | 66.3% |
| Improved business management had a major positive impact on their business | 22.3% | 17.6% | 2/11 | 31.1% | 2/10 | 39.1% | 34.0% | 33.3% |
| Increasing costs had a major negative impact on their business | 33.3% | 33.8% | 7/11 | 42.0% | 6/10 | 35.5% | 34.3% | 36.9% |
| Required funds from an external source | 70.3% | 52.2% | 2/11 | 75.7% | 3/10 | 88.8% | 82.5% | 86.3% |
| Sought external funds for business growth | 64.9% | 54.0% | 2/11 | 74.9% | 1/10 | 77.8% | 70.0% | 64.0% |
| Found it easy or very easy to access external finance | 25.6% | 31.6% | 6/11 | 36.4% | 3/10 | 47.0% | 39.2% | 60.6% |
| A bank was the business's main source of external finance | 34.6% | 36.2% | 4/11 | 43.7% | 4/10 | 55.2% | 50.0% | 50.0% |

Planned business activity over the next 12 months

| | 2020 | Survey average | Rank 2020 | 2019 | Rank 2019 | 2018 | 2017 | 2016 |
|--|-------|----------------|-----------|-------|-----------|-------|-------|-------|
| Expect to increase employee numbers | 61.7% | 42.7% | 6/11 | 67.2% | 2/10 | 75.3% | 71.3% | 71.2% |
| Will introduce a new product, service or process unique to their market or the world | 40.3% | 25.8% | 2/11 | 33.1% | 3/10 | 49.3% | 48.2% | 45.8% |
| Expect revenue from overseas markets to grow strongly | 25.7% | 17.1% | 3/11 | 22.6% | 3/10 | 44.4% | 39.6% | 57.8% |
| Will seek external funds | 32.0% | 23.3% | 3/11 | 36.7% | 2/10 | 50.3% | 43.9% | 45.8% |
| Expect easy to very easy access to finance | 26.5% | 27.4% | 5/11 | 31.5% | 2/10 | 45.5% | 41.3% | 59.7% |

Social media, e-commerce and technology

| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 | 2017 | 2016 | 2015 |
|---|------------------------------------|---------------------|-----------|--------------------|-----------|-------|-------|------|
| Did NOT earn any revenue from online sales | 14.0% | 26.2% | 9/11 | 11.1% | 9/10 | 6.9% | 14.9% | 4.6% |
| Did NOT use social media for business purposes | 11.3% | 18.9% | 8/11 | 7.2% | 9/10 | 8.2% | 9.6% | 3.3% |
| Investment in technology by the business over the past 12 months has improved profitability | 76.7% | 48.9% | 2/11 | 77.4% | 1/10 | 85.5% | N/A | N/A |
| Technology the business invested in most heavily over the past 12 months | Computer equipment Mobile apps^ | Computer equipment | N/A | Computer equipment | N/A | N/A | N/A | N/A |
| Consider the business likely to be cyberattacked in next 12 months | 58.7% | 37.5% | 2/11 | 65.6% | 2/10 | 76.6% | N/A | N/A |
| Reviewed the business's cybersecurity protections in last six months | 47.0% | 45.9% | 3/11 | 47.2% | 4/10 | N/A | N/A | N/A |
| More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay | 53.9% | 60.1% | 4/11 | 61.4% | 2/10 | 48.7% | N/A | N/A |

^ equal first

Factors that had positive and negative influences on business

| Top four factors that had a positive influence on small business in 2019 | Top four factors that had a positive influence on small business in 2018 |
|--|--|
| Improved customer satisfaction | Improved customer satisfaction |
| Customer loyalty | Improved business strategy |
| Improved business strategy | Customer loyalty |
| Cost control | Technology |

| Top four factors that had a negative impact on small business in 2019 | Top four factors that had a negative impact on small business in 2018 |
|---|---|
| Increasing competition | Increasing competition |
| Increasing costs | Increasing costs |
| Poor overall economic environment | Poor overall economic environment |
| Difficulty expanding into new markets | Fluctuations in the value of the local currency |

Impact of a trade war

| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 |
|---|-------|---------------------|-----------|-------|-----------|
| Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months | 18.0% | 33.1% | 11/11 | 24.3% | 8/10 |

Demographics

| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 | 2017 | 2016 | 2015 |
|--|-------|---------------------|-----------|-------|-----------|-------|-------|-------|
| Business has been established for 10 years or less | 84.7% | 65.4% | 1/11 | 77.0% | 2/10 | 79.2% | 76.6% | 75.2% |
| Respondent is aged under 40 | 68.7% | 54.7% | 2/11 | 68.2% | 3/10 | 71.7% | 74.6% | 79.4% |
| Respondent is the business owner | 63.7% | 42.5% | 3/11 | 50.2% | 5/10 | 26.0% | 32.3% | 35.6% |
| Business has 10 to 19 employees | 26.7% | 34.6% | 4/11 | 37.7% | 4/10 | 43.4% | 59.1% | 65.0% |

Summary

Conditions were very positive for Indonesia's small businesses in 2019, with 87.3 per cent of reporting that they grew, a slight increase from 86.6 per cent in 2018. Indonesia's small businesses were the second most likely to report growing, only behind Vietnam. This result was well above the survey average of 65.8 per cent.

In addition to the overall result, 31.7 per cent of small businesses stated that their growth in 2019 was very strong – the highest result of the markets surveyed. In comparison, only 5.3 per cent of Hong Kong's businesses recorded very strong growth in 2019.

Reflecting the very positive business conditions, 50.7 per cent of Indonesia's small businesses stated that they added to their employee numbers in 2019, the second highest among the markets surveyed.

One factor driving strong business growth is the relatively strong uptake of new technologies by Indonesia's small businesses. Most Indonesian small businesses sell online, with 62.7 per cent stating that more than 10 per cent of their revenue comes from online sales. Further, an overwhelming majority of Indonesia's small business use social media, and they are most likely to use social media for promoting their business to potential customers.

A majority of Indonesia's small businesses are users of new digital payment technologies, such as OVO, Go-Pay, PayPal and TCASH. While businesses from Mainland China are the clear leaders in the uptake of this new technology (91.4 per cent of businesses receiving more than 10 per cent of their sales from such technology), Indonesia's small business sector is in fourth place, with 53.2 per cent of businesses receiving more than 10 per cent of their sales through such technologies. Although this is down from the 2018 result of 61.4 per cent, it is still nearly double the 31.5 per cent in Taiwan.

Despite this, cash remains a very important payment option for Indonesia's small businesses, with more than two-thirds (69.0 per cent) stating that it makes up 50 per cent or

more of their sales, up from 63.6 per cent in 2018. Given the broad cross-section of industries represented in Indonesia's survey sample, it can be assumed that many business-to-business transactions are still done in cash.

Despite 58.7 per cent of Indonesia's small businesses expecting a cyberattack in 2020, only 47 per cent stated that they have reviewed their cybersecurity in the past six months. In terms of the difference between expectations of an attack and taking action, the Indonesian results are the worst in the survey. While there is awareness in Indonesia that cybersecurity is an issue, it needs to better translate into action to protect business systems.

The strong investment in technology in Indonesia is producing benefits for most of Indonesia's small businesses. 76.7 per cent stated that their investment in technology in 2019 has already resulted in improvements in profitability – the second highest result of the markets surveyed. This result, plus Indonesia's strong business confidence, will no doubt encourage further investment in technology and assist Indonesia's small business sector to become more globally competitive.

Indonesia's small business sector continues to be highly innovative, with 40.3 per cent stating that they will introduce a totally new product, process or service to Indonesia or the world in 2020, the second highest result of the markets surveyed. This is likely to result in a stronger and more competitive small business sector.

Of course, while the survey results are overwhelmingly positive for Indonesia, businesses also report challenges, with increasing competition seen as the largest barrier to growth. However, competition is likely to have positive long-term implications, as it helps to encourage innovation and expansion into new markets – essential ingredients of growth according to the survey.

Reflecting the strong growth and high investment needs of most of Indonesia's small business, over seven out of ten (70.3 per cent) accessed external finance in 2019, with a bank being the most likely source of that finance. However, reflecting slightly more subdued sentiment, this result was down from the 75.7 per cent that required external finance in 2018. This may also reflect a decrease in respondents from Indonesia who found it easy to access finance, with 25.6 per cent reporting that accessing finance was easy or very easy in 2019, down from 36.4 per cent in 2018 and 47.0 per cent in 2017.

The prospect of a trade war between major global economies is not something that is thought to have a negative impact on many Indonesian small businesses, with only 18.0 per cent forecasting it will have a negative impact. In fact, more Indonesian small businesses believe such a trade war is an opportunity, with 29.0 per cent stating they expect it would have a positive impact on their business.

We see the future of Indonesia's small business sector as very positive. With significant numbers of Indonesia's small businesses having characteristics strongly connected with growth – a focus on technology, e-commerce, improving customer satisfaction, improving business strategy and innovation, we are likely to see this sector recover quickly from COVID-19 then grow strongly for some time to come. We are also likely to see several of Indonesia's current small businesses evolve to become large, successful global businesses in the next few years.