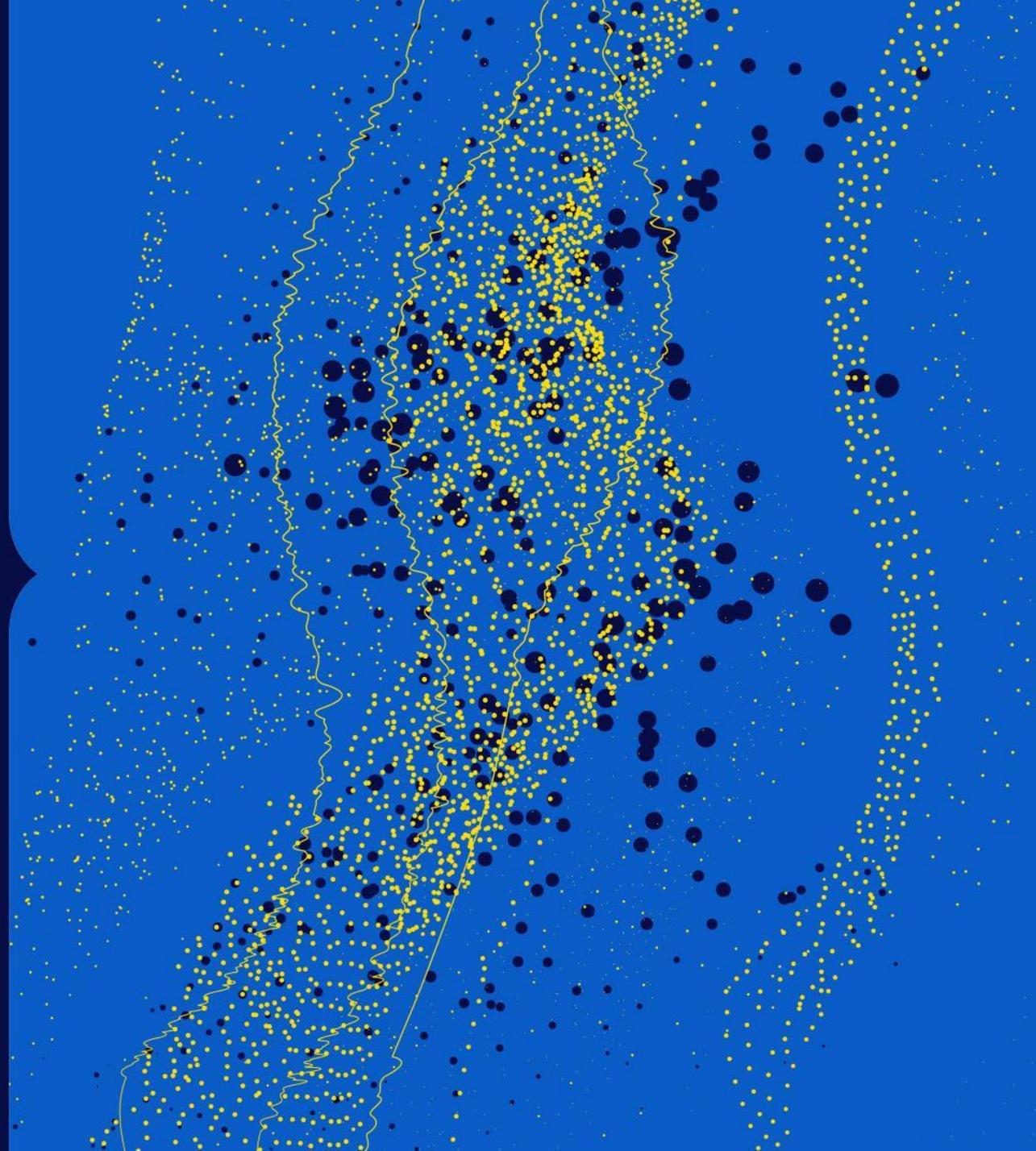


# Indonesia Business Sentiment 2023



ASEAN Federation of Accountants



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# Overview

CPA Australia and the ASEAN Federation of Accountant (AFA) partnered to conduct a survey on business sentiment in Indonesia. This report presents the results of this survey.

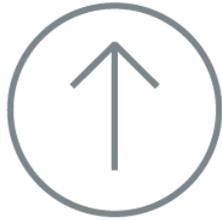
The survey was conducted from 13 July to 31 August 2023. A total of 208 valid responses were received from accounting and finance professionals working in Indonesia.

Respondents came from a wide variety of industries, with professional and business services (28 per cent), government (16 per cent), education and training (14 per cent), and manufacturing (9 per cent) comprising the largest share.

64 per cent of respondents worked in a company with 100 or more employees, 32 per cent worked in a company with less than 100 employees.

25 per cent of respondents held a C-suite or other senior level positions. Managers/supervisors or assistant managers/senior associates made up another 39 per cent. 20 per cent held professional positions, with the remaining 14 per cent holding positions of junior associates, sole proprietors or were self-employed.

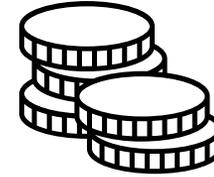
# Key findings



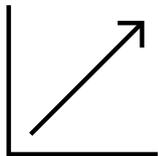
Most respondents expect their company's revenue to grow or remain about the same for 2023 and 2024.



Regulatory change and compliance costs were selected as the main challenges for businesses of all sizes in.



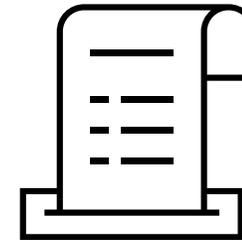
Staff costs are the costs of most concern to businesses of all sizes, followed by taxes and material costs.



The top three focus areas of Indonesian businesses for 2023 are improving innovation and technology, business efficiency and cost management.



Improving key infrastructure, providing greater support for innovation and technology, and introducing upskilling/reskilling initiatives are considered key factors to improving Indonesia's international competitiveness



Many believe free trade agreements such as the CPTPP and RCEP have a positive impact on their business



# ECONOMIC SENTIMENT



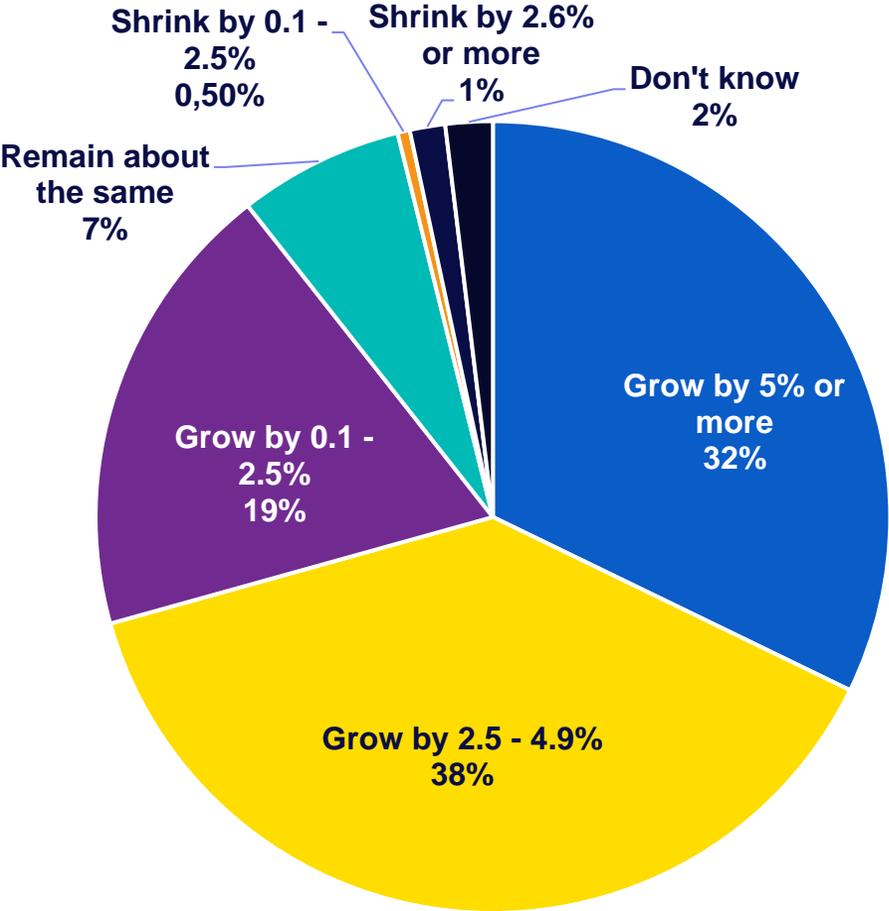
# 89 per cent of respondents expect Indonesia's GDP to grow or remain about the same in 2023

## 32%

Expect Indonesia's GDP to **grow** by 5% or more

## 7%

Expect Indonesia's GDP to **remain about the same**





# BUSINESS TRENDS



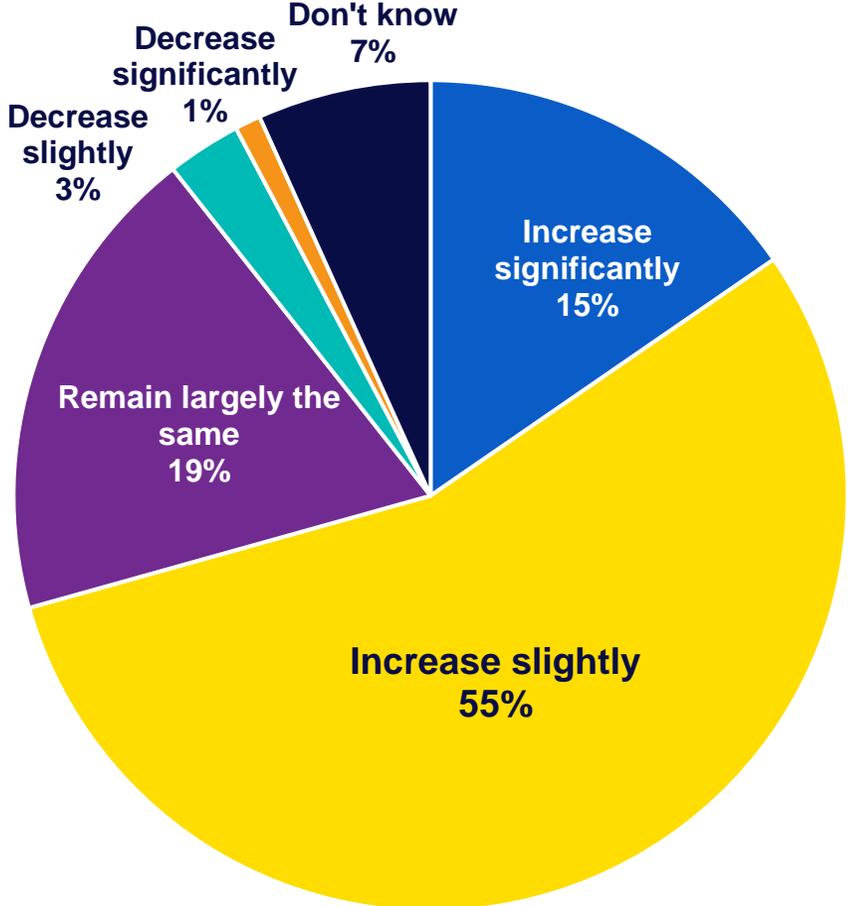
# 89 per cent expect their company's revenue to increase or remain the same in 2023

## 70%

Expect their company's revenue to **increase**

## 19%

Expect their company's revenue will **remain largely the same**



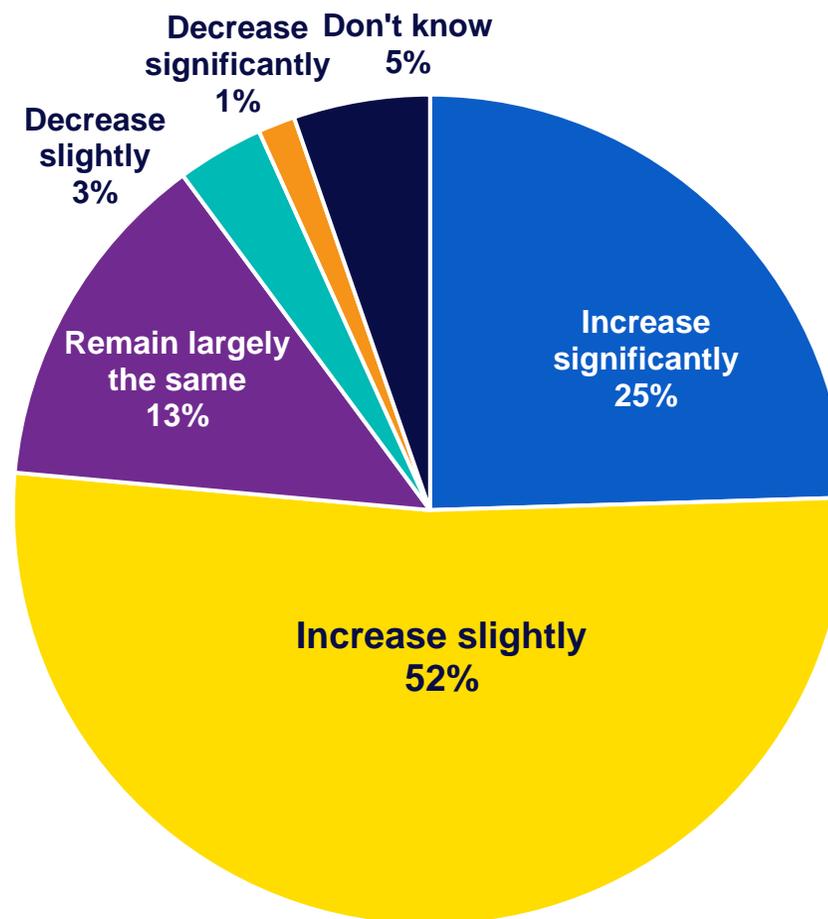
# 90 per cent expect company's revenue to increase or remain the same in 2024

## 77%

Expect their company's revenue to **increase**

## 13%

Expect their company's revenue will **remain largely the same**



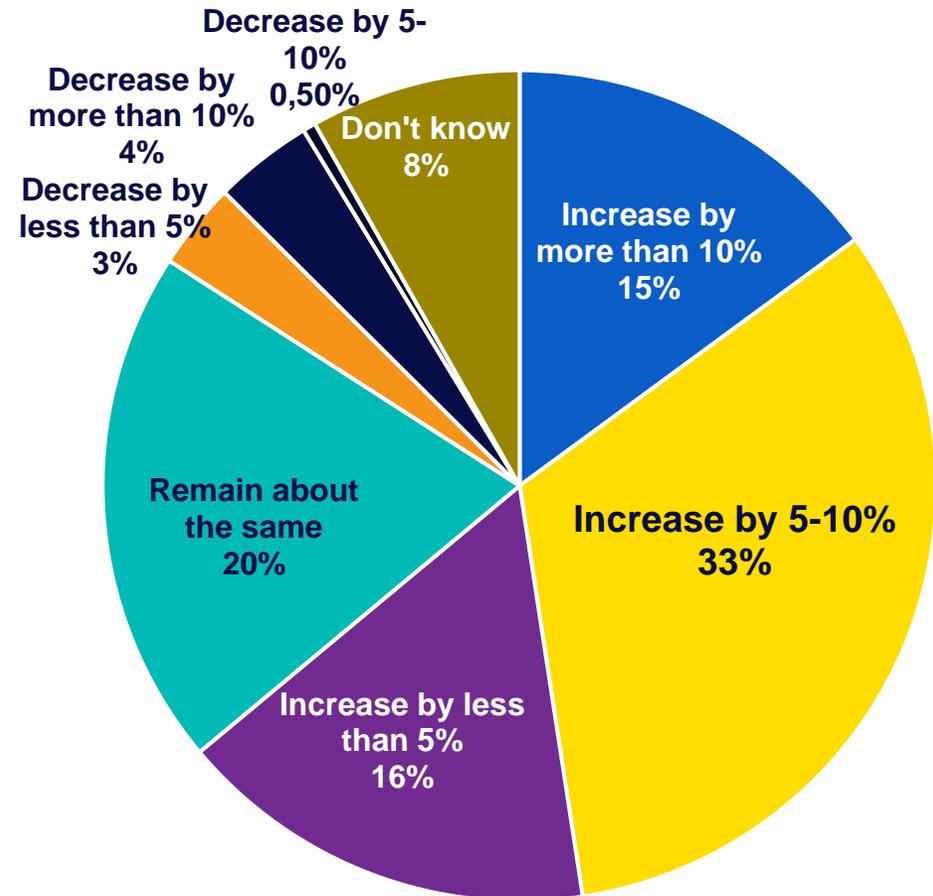
# 64 per cent expect their company to increase their headcount in 2023

## 15%

Expect their company's headcount to **increase** by more than 10%

## 7.5%

Expect their company's headcount will **decrease**



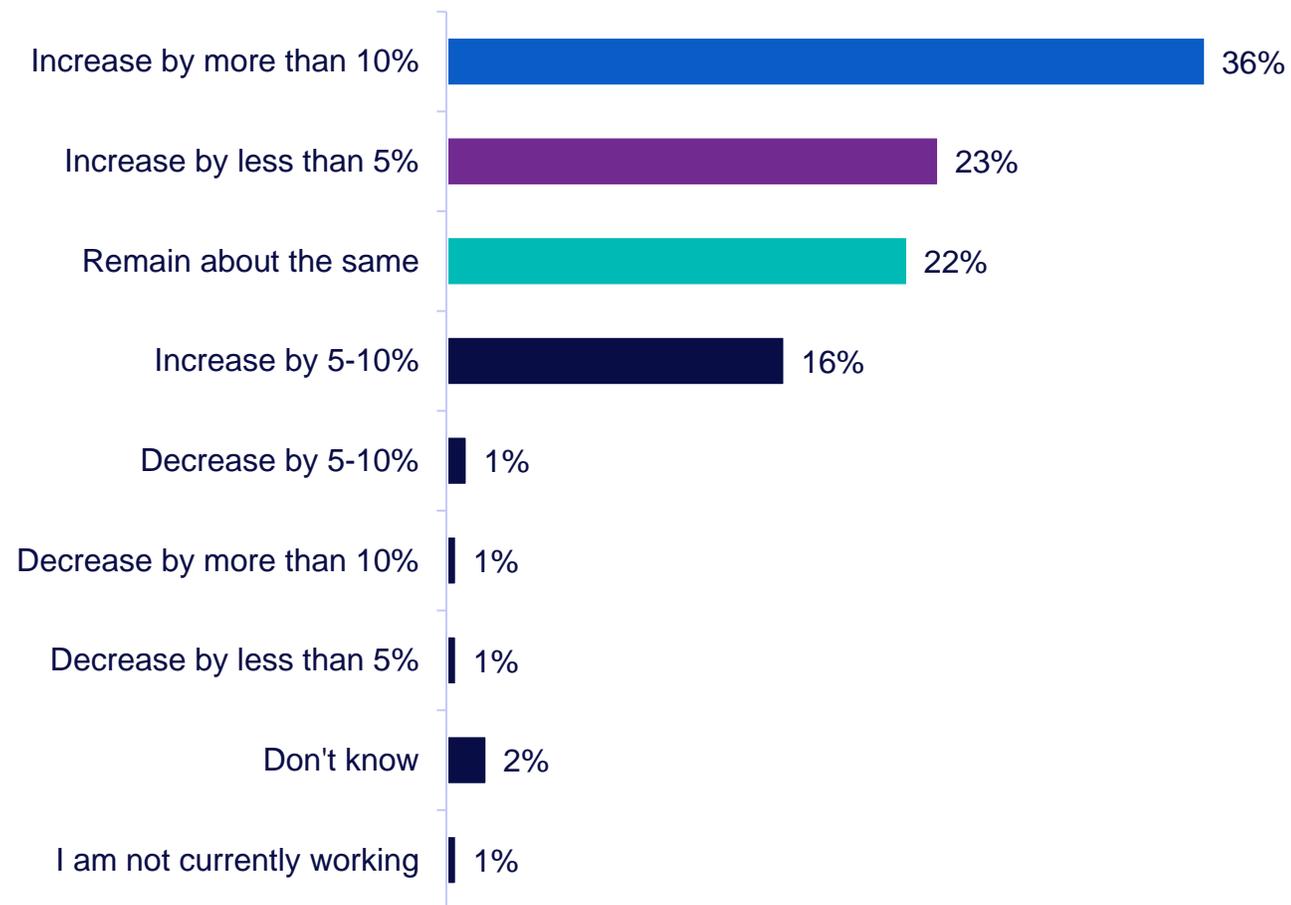
# 75 per cent of respondents expect their salary to increase in 2023

## 36%

Expect their salary to **increase** by more than 10%

## 22%

Expect their salary to remain the same



# Regulatory change and compliance costs are the top challenges for both small and large firms

## Overall



## Small businesses (fewer than 100 employees)

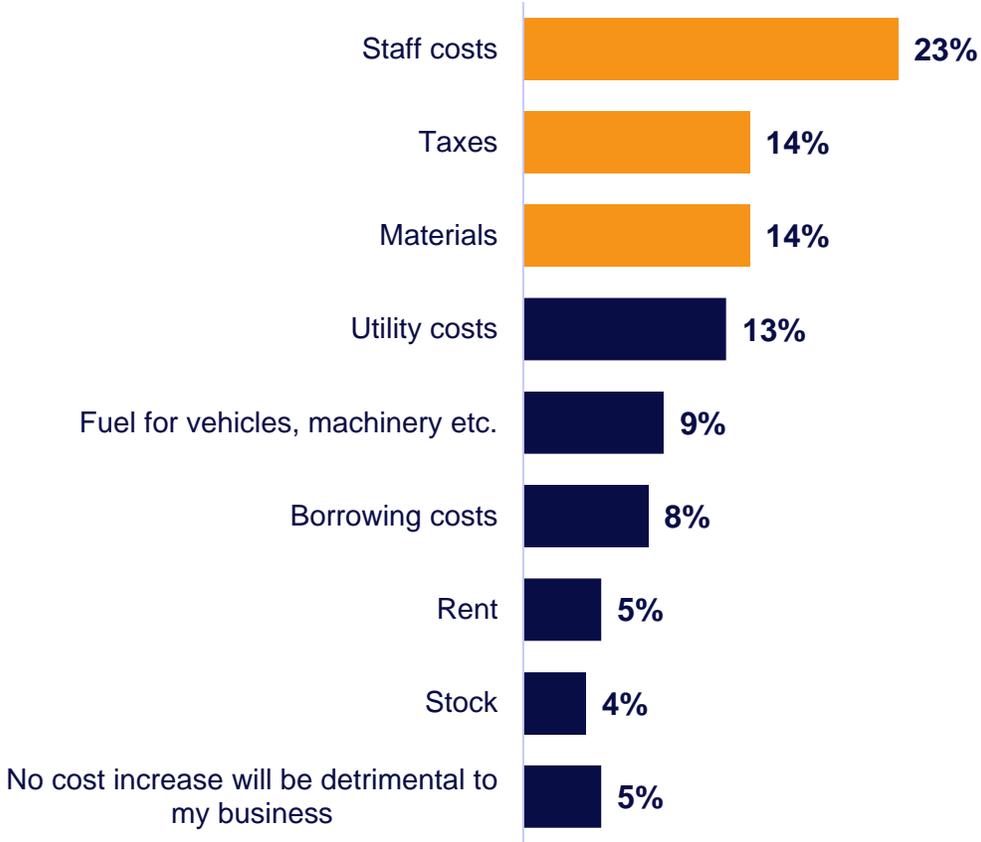


## Large businesses (100 employees or above)



# Staff costs are the top cost concerns for both small and large businesses

## Overall



## Small businesses (fewer than 100 employees)



## Large businesses (100 employees or above)



# Many businesses intend to focus on innovation and technology in 2023



Question: Which of the following best describes what you expect to be your company's key strategic focuses for 2023?

# Many small and large businesses have placed an emphasis on innovation and technology this year

## Businesses with fewer than 100 employees



## Businesses with 100 or more employees



Question: Which of the following best describes what you expect to be your company's key strategic focuses for 2023?

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# INTERNATIONAL COMPETITIVENESS

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# 54 per cent of respondents believe improving key infrastructure will improve Indonesia's international competitiveness

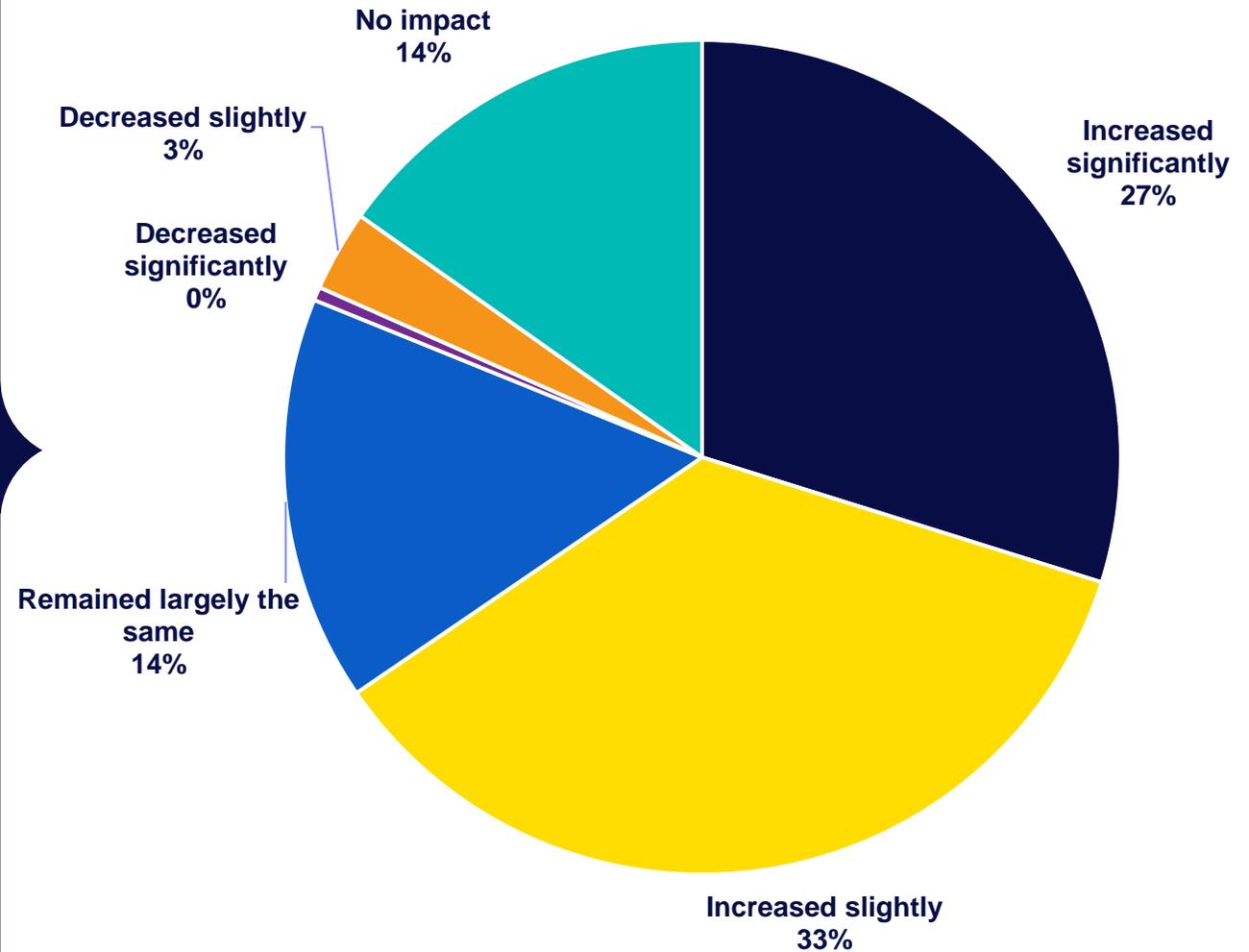


Questions: Which of the following do you believe the government should implement to improve Indonesia's international competitiveness?

# Impact of ASEAN economic integration on business profitability

60 per cent of those surveyed said their business experienced an increase in profitability from ASEAN's economic integration.

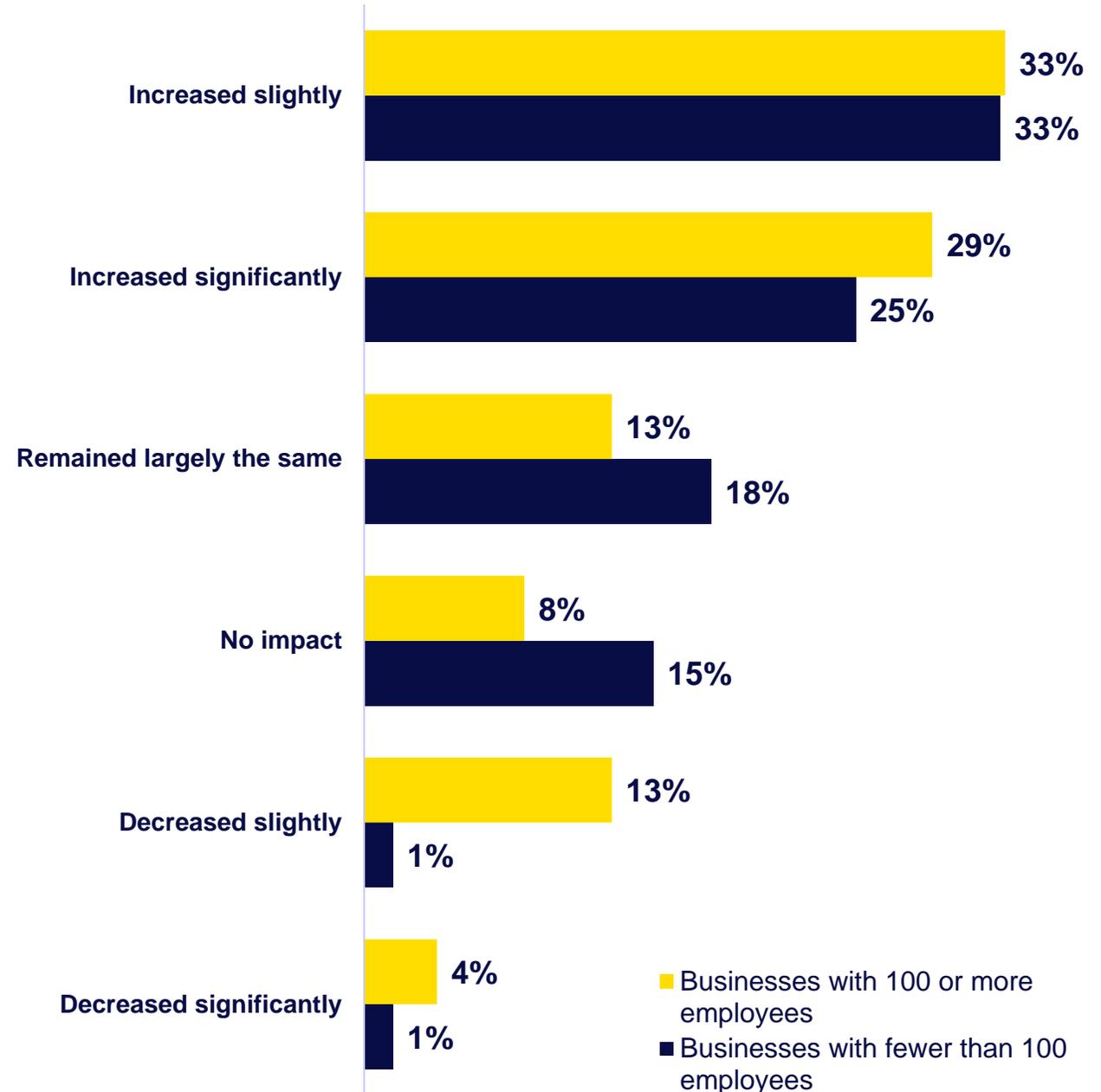
It is encouraging to note that only 3 per cent of businesses experienced a decrease in profitability.



# Impact of ASEAN economic integration on business profitability – by business size

Larger businesses tended to be more affected by ASEAN economic integration regardless of increased or decreased profitability.

Companies that experienced a decrease in profitability could be due to being domestically focused and as a result struggle when exposed to increased competition.

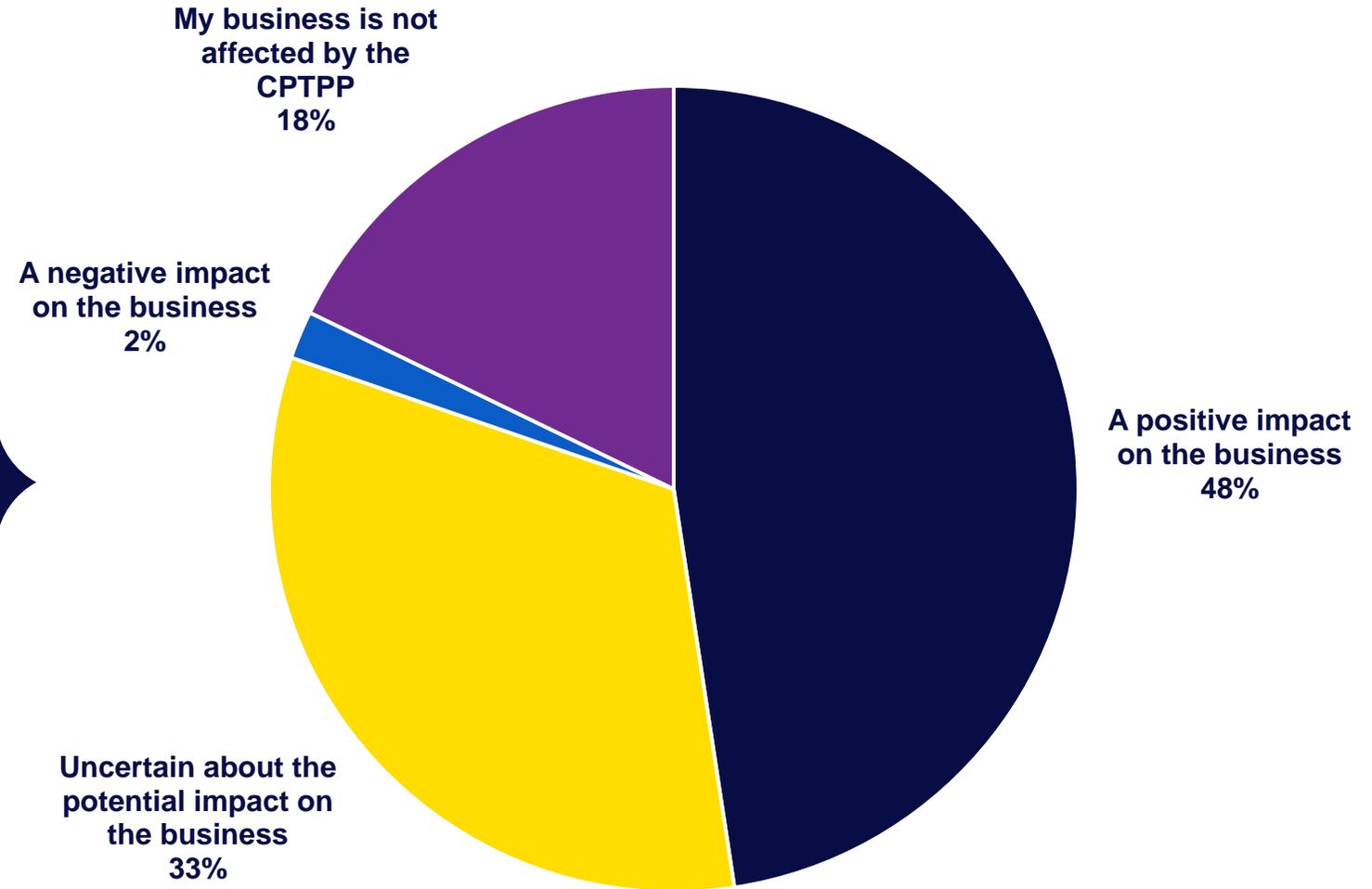


# Impact of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on business

Overall, 48 per cent of those surveyed said that the CPTPP will have a positive impact on their business.

It is encouraging that only 2 per cent of businesses expect CPTPP to have a negative impact on them.

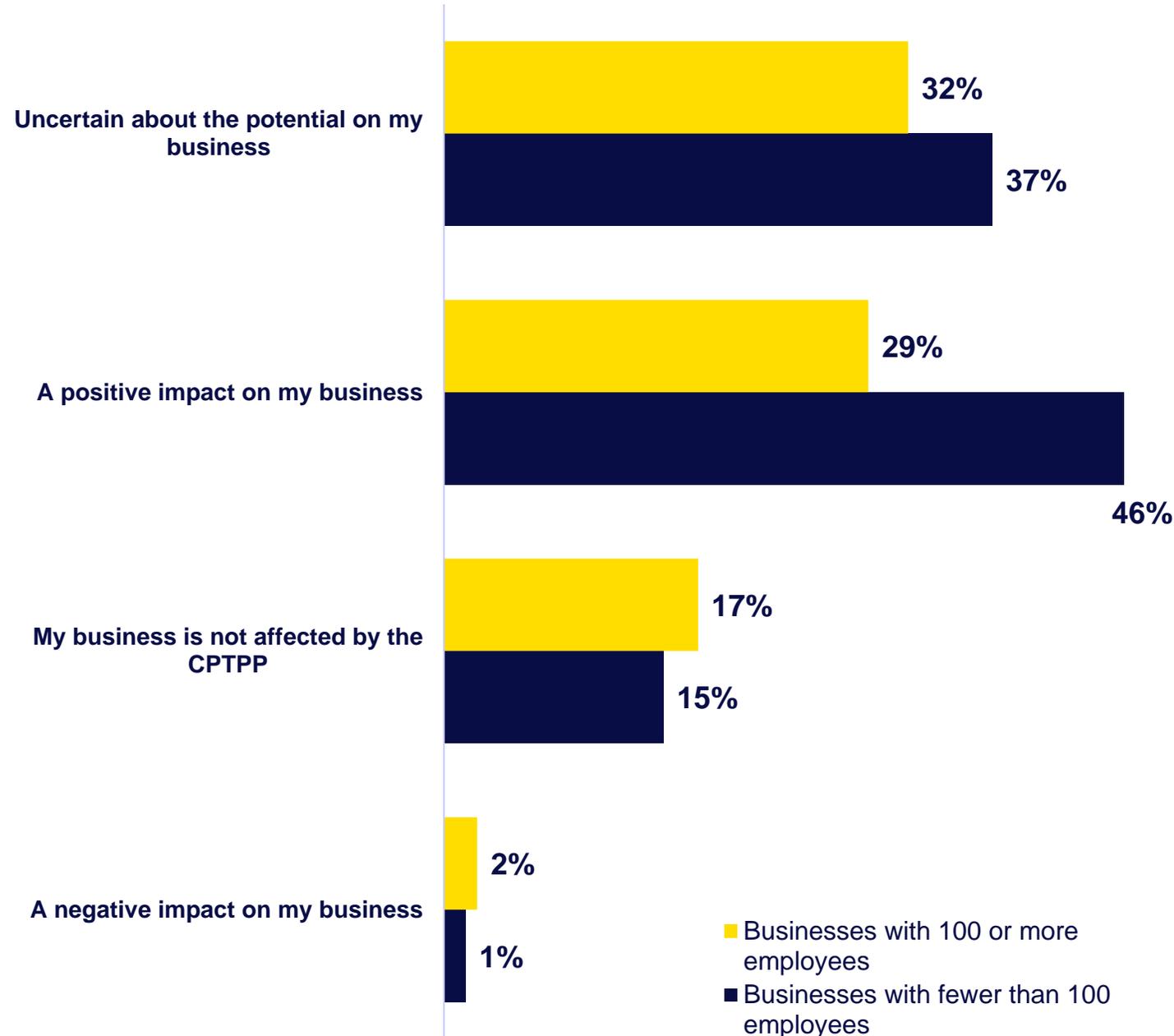
This data indicates that many Indonesian businesses in Indonesia are ready to take advantage of multilateral free trade agreements to positively impact their business operations.



# Impact of the CPTPP on businesses – by business size

Respondents from small businesses are more likely to believe that the CPTPP will have a positive impact on their business.

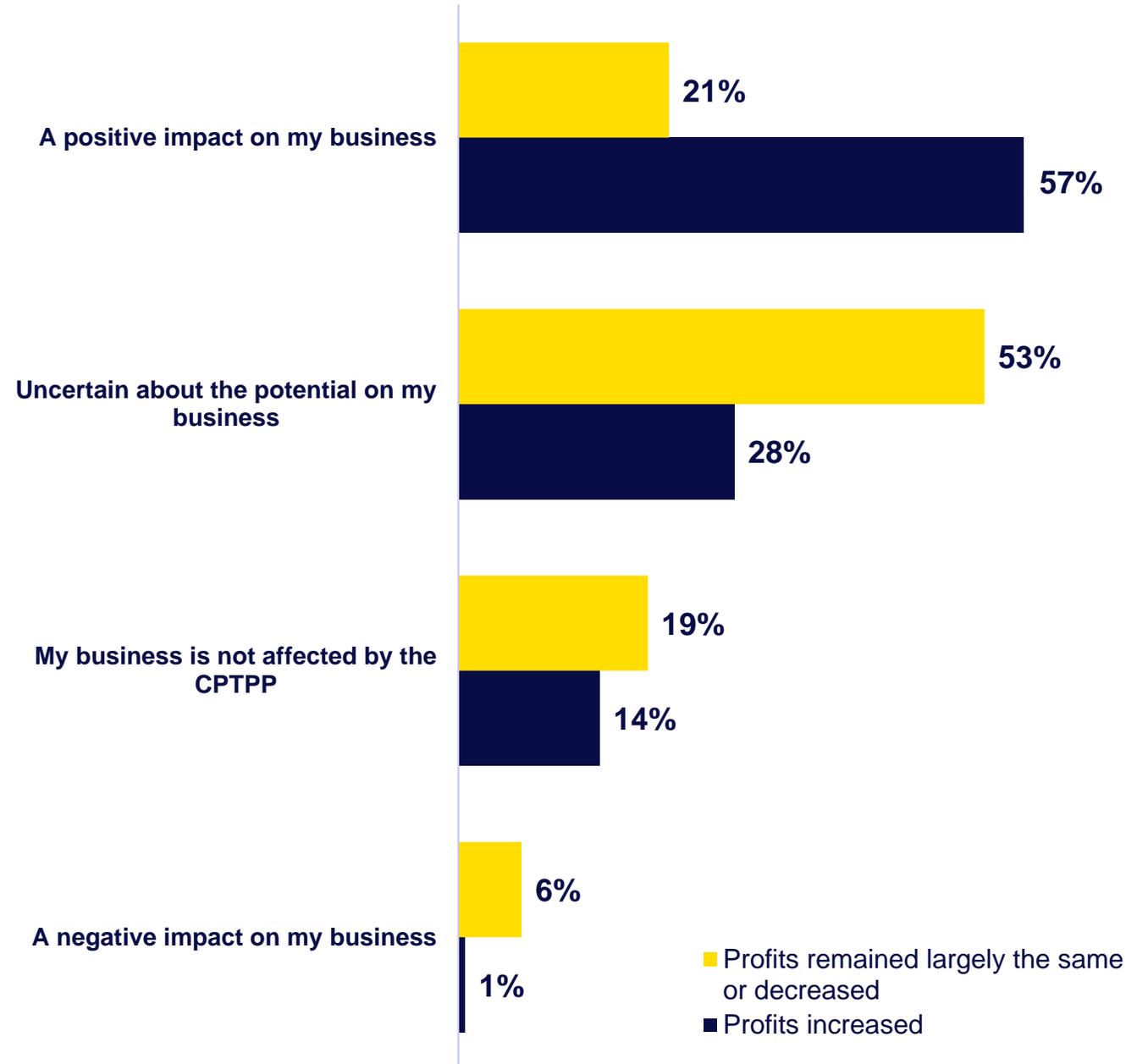
This could be because smaller businesses see the Agreement as an opportunity to expand into new markets. It could also be because the Agreement may give them improved/cheaper access to products and services from other markets.



# Impact of the CPTPP on businesses – by business profitability

57 per cent of respondents who reported their profits have increased stated that the CPTPP had a positive impact on their business.

53 per cent of respondents who reported their profits remained the same or decreased are uncertain about the impact of CPTPP has on their business.

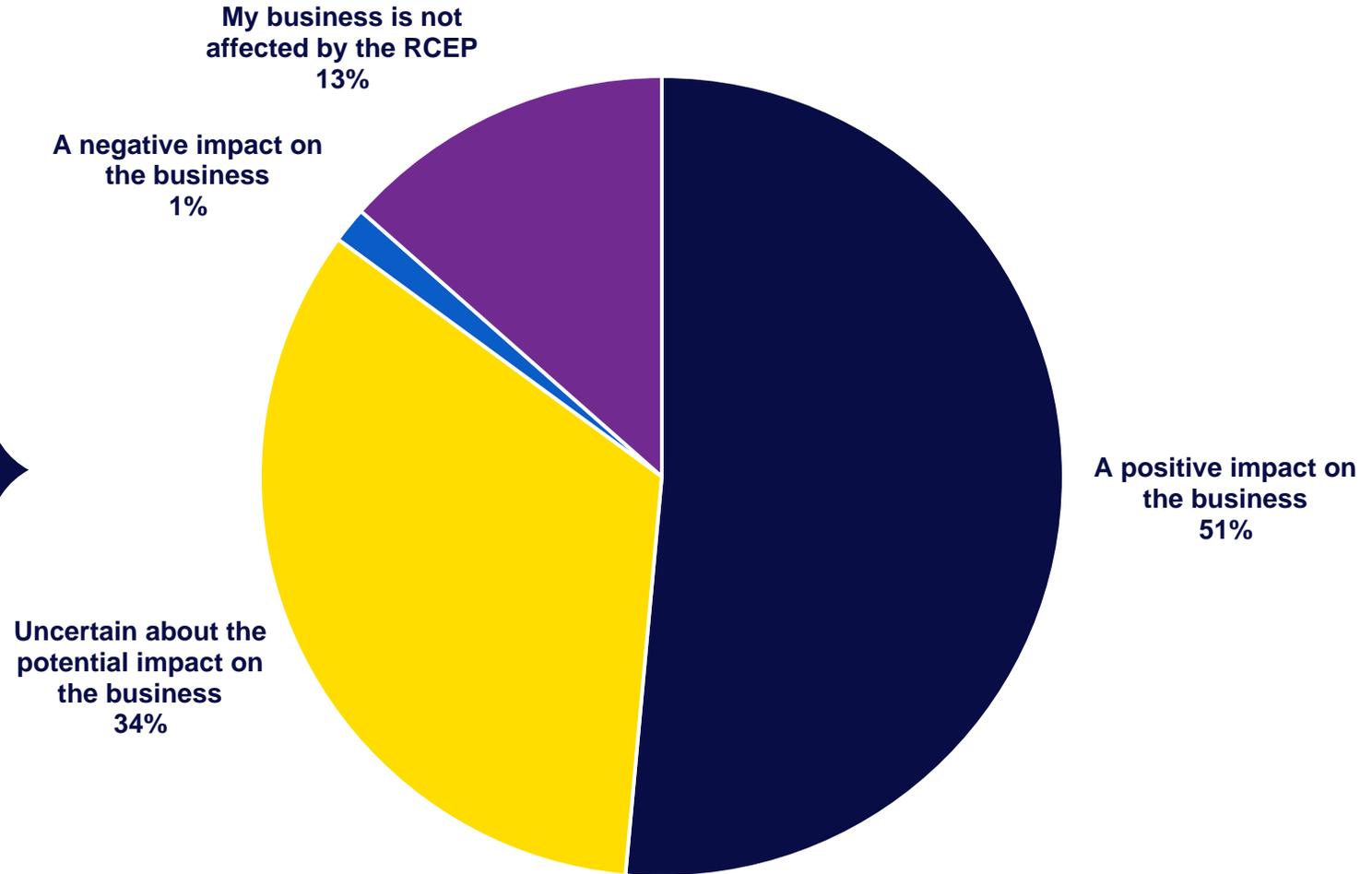


# Impact of the Regional Comprehensive Economic Partnership Agreement (RCEP) on business

Overall, 51 per cent of those surveyed said that the RCEP will have a positive impact on their business.

It is encouraging to note that only 1 per cent of businesses expect RCEP to have a negative impact on them.

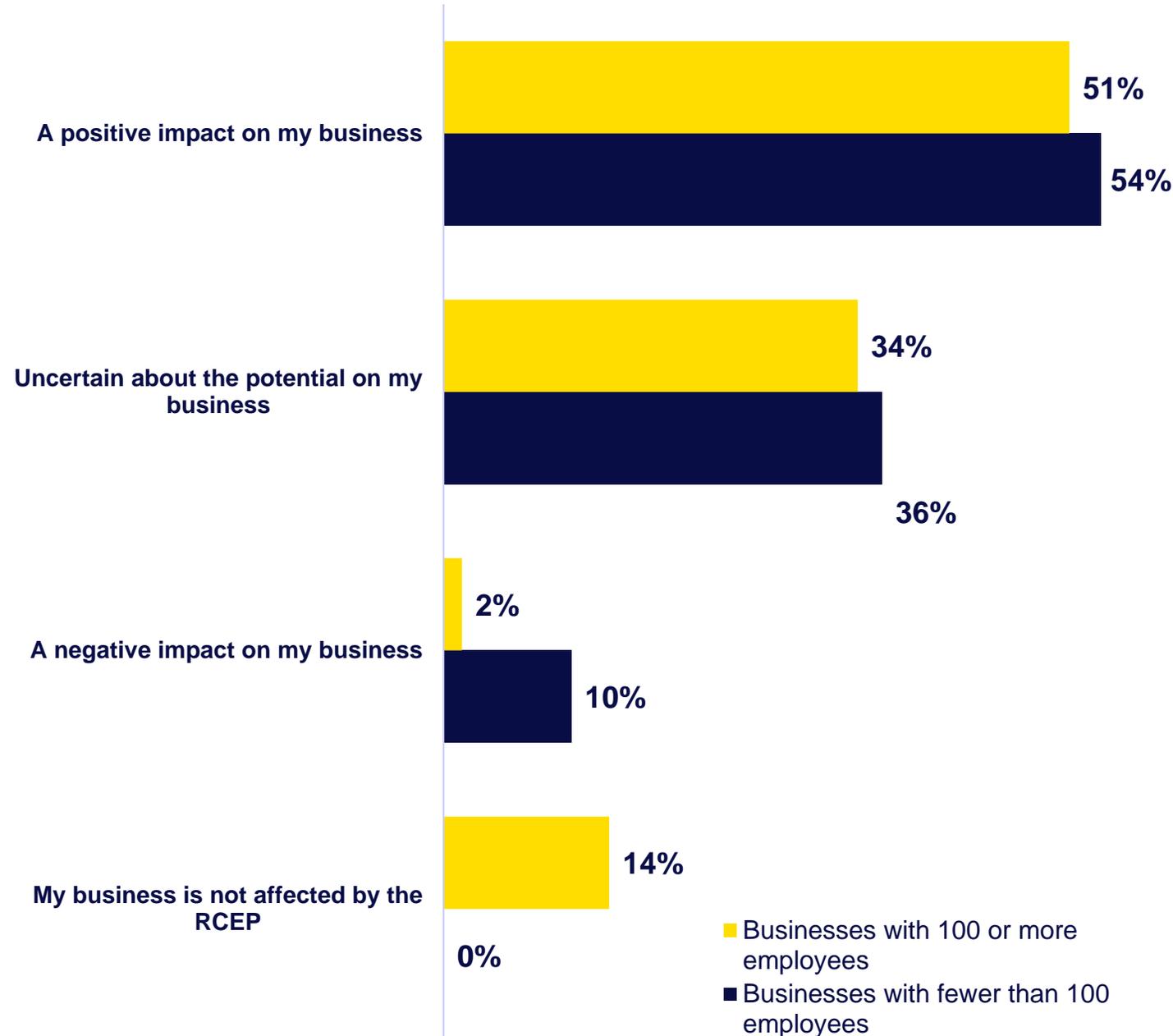
34 per cent of businesses are uncertain about the impact RCEP will have on their business.



# Impact of the RCEP on businesses – by business size

Smaller businesses were slightly more likely to state that the RCEP will have a positive impact on their business, likely exposing them to new markets.

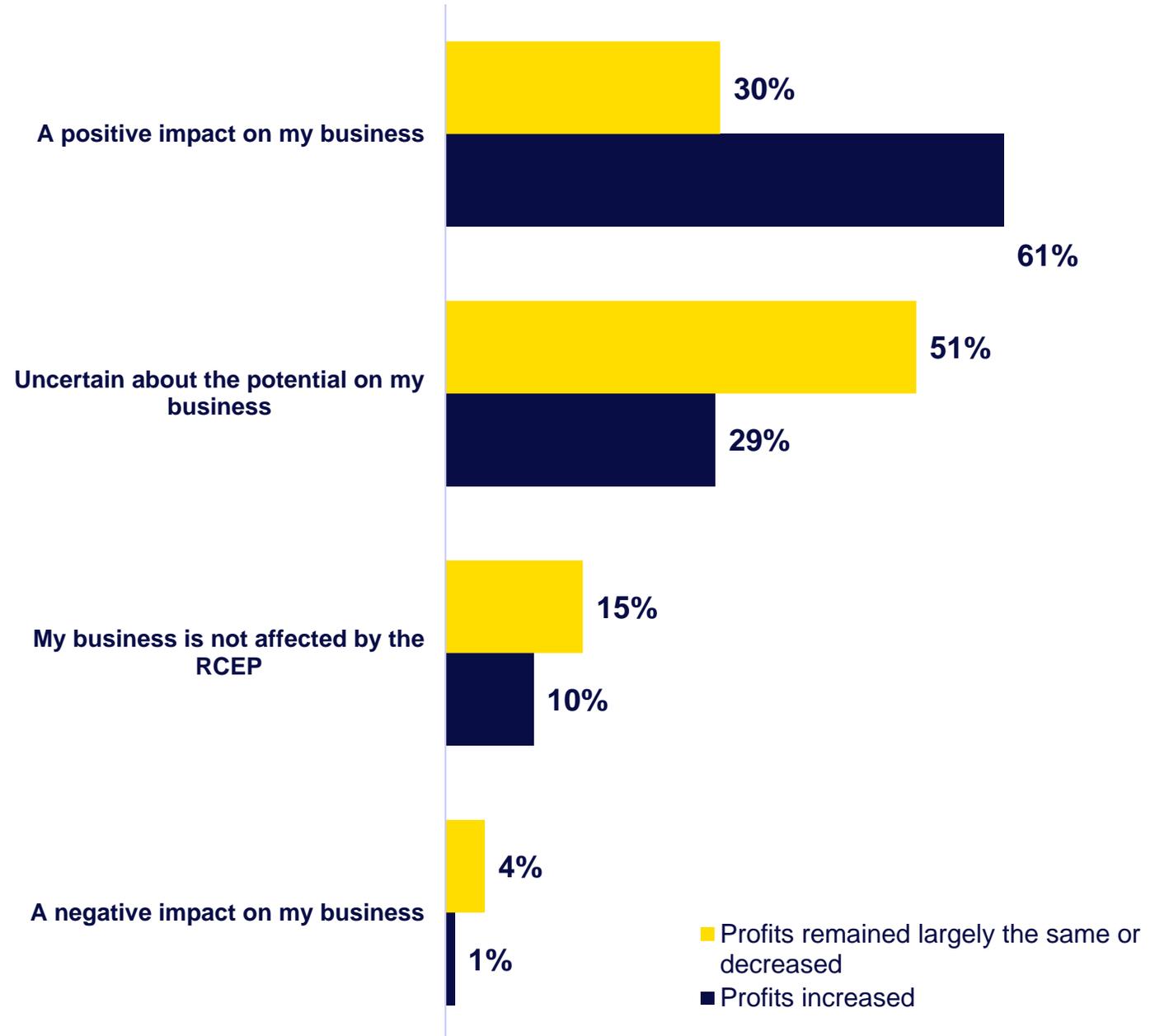
Around a third of both small and large businesses are uncertain about the potential impact of RCEP. Given that it is still a fairly new trade agreement this could change over time.



# Impact of the RCEP on businesses – by business profitability

61 per cent of respondents who reported their profits have increased stated that the RCEP had a positive impact on their business.

51 per cent of respondents who reported their profits remained the same or decreased are uncertain about the impact of RCEP on their business.



# Respondents believe that the technology and e-commerce industry has the greatest growth potential in the next 5 years

Overall, 50 per cent of those surveyed said the technology and e-commerce sector has highest growth potential in the coming years.

This ties with respondents stating that infrastructure and greater support for innovation and technology can improve Indonesia's international competitiveness.

Given the Indonesian government's focus on sustainability, the growth potential of this sector should increase in the coming years.



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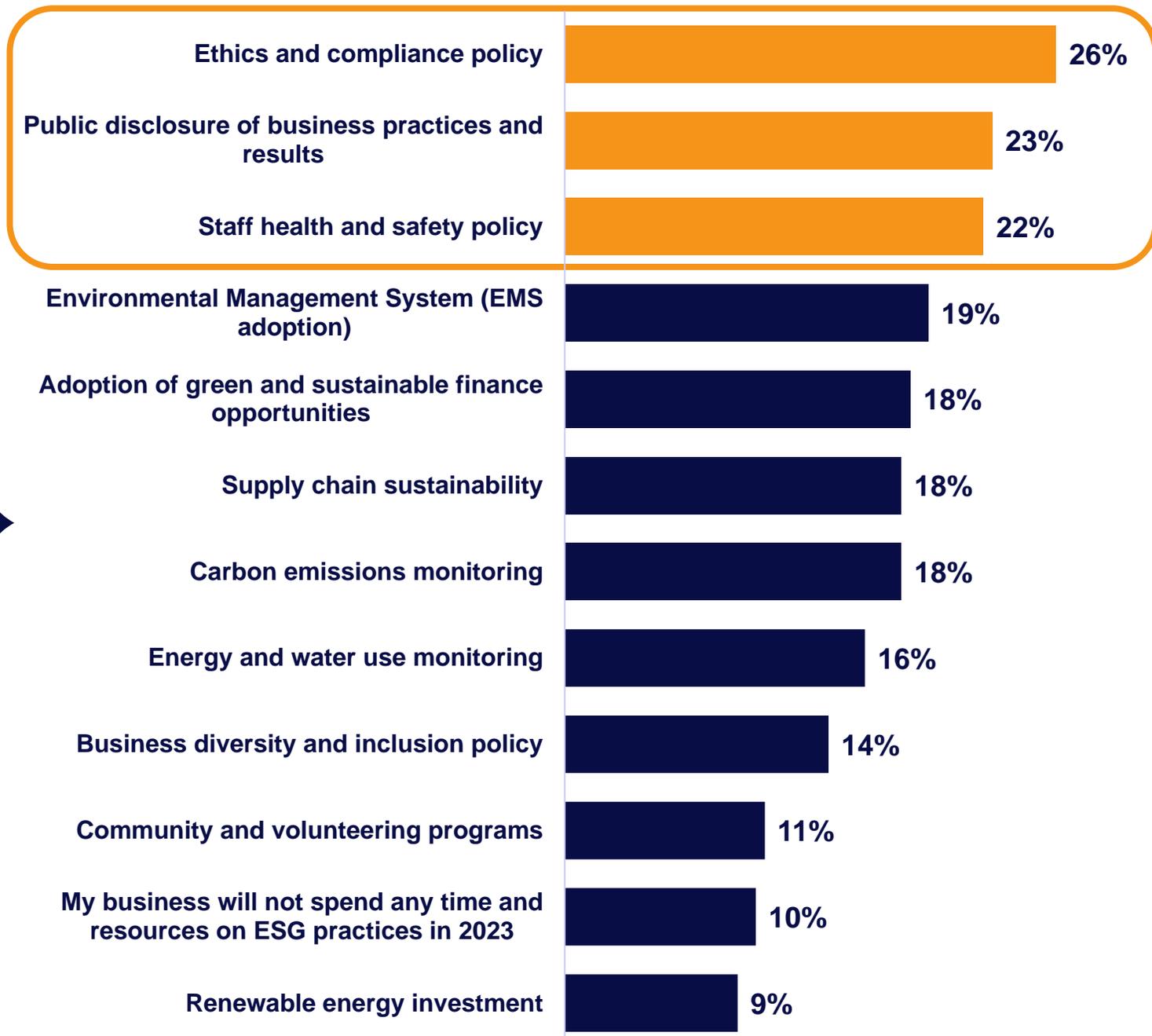
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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# Ethics and compliance policy was the top ESG practice businesses implemented

23 per cent of respondents also stated that public disclosure of business practices and results was an ESG practice for their business.

Only 10 per cent of respondents stated their business will not spend any time and resource on ESG in 2023.

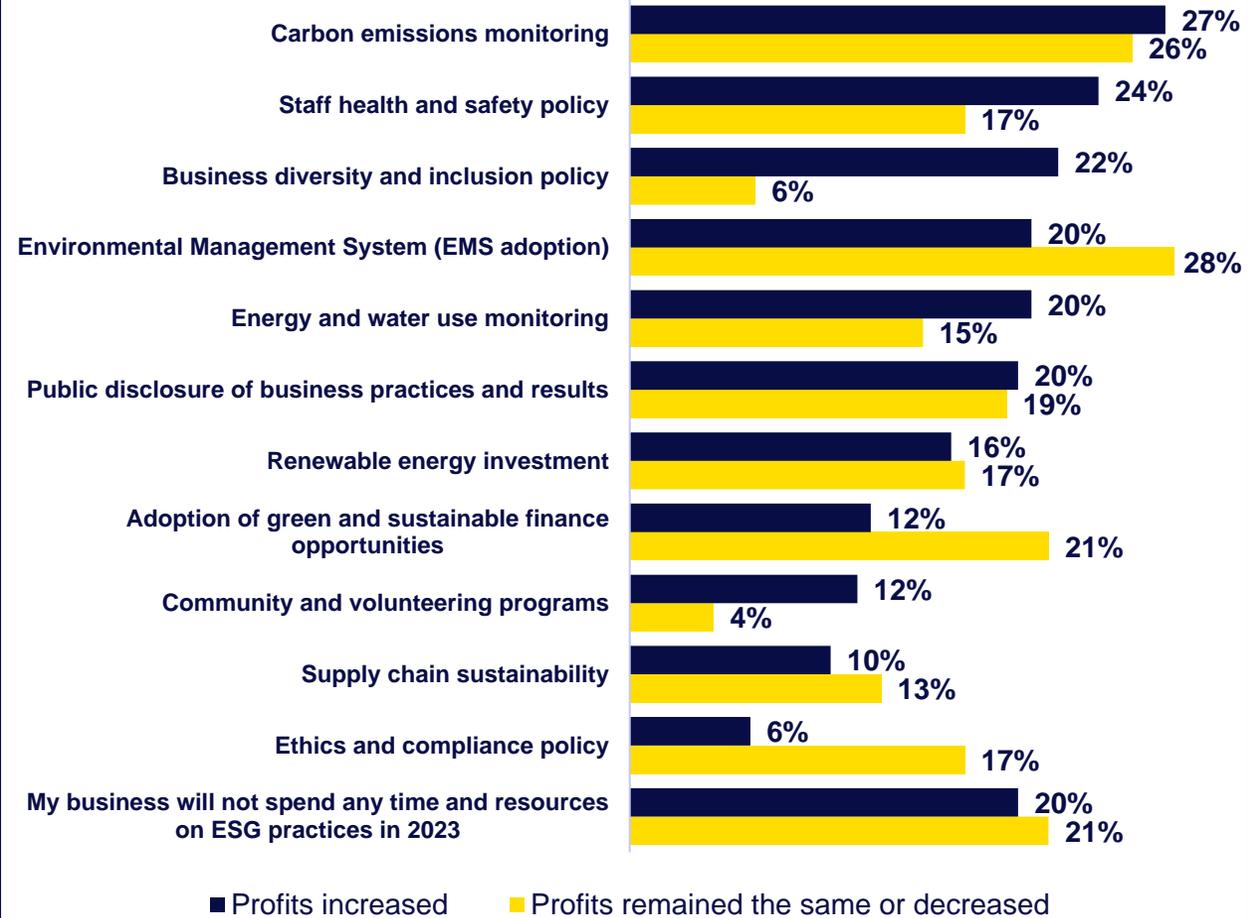


# ESG practices implement by businesses in 2023 – by business size and profitability

## ESG practices implemented in 2023 - small v large business



## ESG practices implemented in 2023 – profitable v not profitable businesses



# Recommendations

# Recommendations



## Business strategy

- Develop and implement a digital transformation strategy to assist in improving business efficiency and cost management.
- Develop strategies to take advantage of regional trade agreements. Further, measures should also be in place to mitigate possible negative impact of trade agreements as well.
- Conduct regular internal reviews to ensure that products/services are compliant with regulatory changes



## Business operation

- Both smaller and larger businesses should enhance their ESG practices. This is increasingly important especially for firms involved in international trade.
- As headcount is expected to increase, a managing staff costs must be a key focus for both smaller and larger businesses as we move into 2024.



## Government support

- Allocate appropriate resources to raise awareness of opportunities from free trade agreements.
- Consider measures to reduce regulatory burden and improve the design and implementation of new regulation.
- Develop key infrastructure, provide upskilling/reskilling programs and innovation and technology support for businesses