Fewer companies have expansion on their minds now, given the uncertain economic outlook. And among those that do, Indonesia and Malaysia have overtaken China as preferred markets for expansion.

The latest Business Times-UniSIM Business Climate Survey of 135 firms found that only 64 per cent intend to expand their production or services abroad in the next six months, down from 80 per cent a year ago.

“Weak business conditions at home and abroad are affecting company expansion. More companies are not undertaking any expansion in the next six months, compared to a year ago,” said survey director Chow Kit Boey.

She also notes that among those with intentions to expand, a larger proportion are diversifying risks by starting new activities in more than one country. Two-thirds of those polled indicated that business expansion in more than one country is on the cards, compared to just over half a year ago.

Indonesia and Malaysia are now preferred over China, unlike the previous year when China was the most cited country for expansion. Indonesia topped in 45 per cent of firms and Malaysia by 37 per cent of those polled. China ranked third, named as a country for business expansion by 35 per cent of the firms polled.

The strength of Indonesia’s economy and its investment potential have been flagged in recent months by Moody’s and Fitch Ratings’ upgrading of its sovereign debt rating to investment-grade. Indonesia proved the most popular country for expansion among firms large and small, foreign-owned or local. It also emerged the most favoured country among firms in the commerce, transport and communications sector, as well as in the financial and business services sector.

Small firms were equally inclined to plan for expansion in Malaysia as in Indonesia. Of the foreign firms polled, half cited China, slightly under the 56 per cent who named Indonesia.

Drilling down to the 35 per cent of firms which intend to grow their business in just one overseas market in the next six months, China remains the most popular country for expansion among firms whether small or large, foreign-owned or local. It also emerged the most favoured country among firms in the commerce, transport and communications sector, as well as in the financial and business services sector.

Expanding abroad less attractive for firms now