Indonesia choice market once again for overseas expansion: survey

By Teh Shi Ning

Singapore

INDONESIA has again emerged as the most popular destination for Singapore-based companies wanting to expand abroad.

Close to half the 118 firms that responded to the BT UniSIM Business Climate Survey indicating plans to expand production or services overseas in the next six months cited Indonesia as a market for expansion. Malaysia was the second most-cited country in which companies will expand activities in the first half of this year, while China was third. Indonesia proved to be especially popular among firms in the construction sector – 58 per cent of those with growth overseas on the cards have plans in Indonesia – and the transport and communications sector (57 per cent).

These findings gel with those of other recent surveys such as the Association of Small and Medium Enterprises’ Business Sentiment Survey last December. That found that among SMEs keen to expand overseas in the next two years, Indonesia was their top choice, mentioned by 16.4 per cent of respondents.

Similarly, a Singapore Business Federation survey showed that Indonesia overtook Vietnam to become the second most popular market that 20 per cent of the companies polled wished to venture into, behind Myanmar. Recent reforms may have had some role to play in businesses warming to Indonesia more, said Barclays economist Leong Wai Ho.

"Indonesia is potentially the best narrative in Southeast Asia. The Jokowi government has made all the right moves, trying to deliver much needed air and sea infrastructure to improve connectivity across the archipelago. The recent one-stop shop also sends a strong signal that it will be just as welcoming to foreign investors. All this will reduce regulatory uncertainty, but gradually." The BT UniSIM Business Climate Survey also found that plans for expansion in Malaysia have slowed significantly from a year earlier. This was particularly among local firms and those in the transport and communications and construction sectors, said survey director Chow Kit Boey.

While a smaller percentage of respondents have plans to expand in China next year – mostly due to less interest from manufacturing and transport and communications firms – China’s construction sector has become more attractive to companies here.

### Choice destinations

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<th>% of firms with expansion plans in the next 6 months</th>
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<tbody>
<tr>
<td>Indonesia</td>
<td>46.2%</td>
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<tr>
<td>Malaysia</td>
<td>32.2%</td>
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<tr>
<td>China</td>
<td>29.7%</td>
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Source: BT-UniSIM Business Climate Survey

% of firms with expansion plans in the next 6 months