

## **Resilience of Indonesian Firms Towards Global Trade Tensions**

**Jakarta, 1 November 2018** - Indonesian firms are relatively more optimistic than their global peers for near-term trade prospects, despite the happening of global trade tensions and rate volatility. Both goods and services producing-firms in Indonesia agree that sustainability is a key aspect for their long-term goals.

The ongoing trade tensions have shifted market sentiments within the current business cycle in the world, including Indonesia. Protectionism as one of the effects of the trade tensions has also show its impacts in Indonesia as the targeted export markets from U.S and China to push commodity rate for Indonesian firms in implementing their business strategy. The government of Indonesia has made the effort to stabilise exchange rates. However, volatile exchange-rate does not hinder Indonesian firms to upbeat their near-term trade prospects according to HSBC Navigator survey report.

HSBC Navigator is a series of comprehensive surveys of international trade. The study gauges sentiment and expectations of the businesses in the near to mid-term future, and covers the following areas including general trade outlook, business innovation, supply chain, regulation and policies, and data innovation in business. The first edition of Navigator survey was conducted in early 2018. Conducted in August 2018, HSBC recently launched the latest version of HSBC Navigator – a comprehensive insight to business confidence and trade.

According to the survey report, Indonesian firms are being optimistic for the business prospects as demonstrated by the Indonesia's economy outlook that continued to expand at a sub-potential pace within the first half of 2018. Export growth has been reasonably firm – particularly in Asia, exporters are still enjoying the supportive trade environment. In terms of destination markets where Indonesian firms are targeting to expand, Malaysia is placed at the top position (22%) followed by Singapore and Japan.

Still from HSBC Navigator report, nine out of ten survey respondents (88%) had a positive view on the international trade environment – with healthy economic growth (29%) and a more competitive currency (26%) as the main drivers. Valued above global average (81%), 87% of the respondents from Indonesian firms show their confidence that their company will succeed in the current global trading environment.

“The rising of Indonesia's consumption behaviour has supported the growth of business-flow for respective industries. Based on HSBC Navigator, Indonesian firms expect supply-side developments to boost international competitiveness – one of which is through a robust export-growth in 2018, which is aligned with the consumer spending growth and subdued private investment along the year,” said Catherine Hadiman, Director Commercial Banking, PT Bank HSBC Indonesia.

In examining their business strategy, more than nine in ten of the respondents from goods and services producing-firms have admitted that they equally focused on monitoring their supply chains (93% goods, 95% services). The three trends by Indonesian firms include expansion to new markets, the increasing use of technology, and to improve sustainability outcomes to set company's long-term goals.

Regulations and Governance frameworks in Indonesia plays significant role to the businesses. 71% of Indonesian respondents feel that governments of key trade partners are becoming more protective of domestic firms. The result is 8 points higher than the global average, suggesting Indonesian firms are particularly concerned by the implications of US-China trade

tensions. On the regulatory front, 45% of businesses see regulations as increasing their cost burden, while 31% perceive regulations as positive.

HSBC Navigator also covers data innovation and optimization for business performance. 88% of businesses in Indonesia say they utilize data to optimize performance, above global benchmark (75%). However, according to the survey, more than a quarter of businesses are not yet compliant with data protection regulations.

Today, Indonesia is the largest economy in South East Asia and it has bold ambitions to move up from its current position of 16th place globally to 7th by 2030. By that time, it expects to have a consumer base of 135 million, 71% of whom will be living in urban areas, contributing 86% to Indonesia's GDP.

Improving Indonesia's economic condition contributed by the rise of commodity prices, stronger global growth, and increase in international trades, and relatively accommodating monetary and financial conditions. Bank Indonesia reported that Indonesia's economic growth had reached 5.05% throughout 2017. It was higher compared to the country's economic growth in 2016 that reached 5.02%<sup>1</sup>. The World Bank estimated that Indonesia's economic growth will increase to 5.3% both in 2018 or 2019<sup>2</sup>.

"Almost nine in ten (88%) businesses in Indonesia have a positive outlook on the global trading environment which will contribute to support the competitiveness of Indonesia's economic growth. By this means, Indonesian firms are becoming more resilient to the tensions coming from global condition. HSBC Indonesia appreciates local players' contribution to the economy progressive outlook and growth," closed Hadiman.

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**Note to editors:**

**HSBC Navigator: Now, next and how for business**

HSBC's Navigator report comprises a global survey gauging business sentiment and expectations on trade activity and business growth from 8,650 decision-makers in 34 markets. Research was conducted by Kantar TNS for HSBC between August and September 2018.

HSBC's Navigator helps businesses capitalise on new opportunities and make informed decisions for the future by understanding the outlook for international trade.

The full report can be accessed here: [www.business.hsbc.com/trade-navigator](http://www.business.hsbc.com/trade-navigator)

**About HSBC Global Commercial Banking**

For over 150 years we have been where the growth is, connecting customers to opportunities. Today, HSBC Commercial Banking serves around 1.7 million customers across 53 markets, ranging from small enterprises focused primarily on their home markets through to corporates operating across borders. Whether it is working capital, term loans, trade finance or payments and cash management solutions, we provide the tools and expertise that businesses need to thrive. As the cornerstone of the HSBC Group, we give businesses access to a geographic network covering more than 90% of global trade and capital flows. For more information visit: <http://www.hsbc.com/about-hsbc/structure-and-network/commercial-banking>.

**About PT Bank HSBC Indonesia**

HSBC Group has a long and diverse history in Indonesia. HSBC opened its first branch in the country in Jakarta in 1884 under the name of The Hongkong and Shanghai Banking Corporation Limited, Indonesia Branch ("HSBC Foreign Bank Branch in Indonesia"). HSBC initially helped finance and facilitate the Indonesian sugar trade. HSBC then started expanding operations, by establishing a second office in the city of Surabaya in 1896. Over the subsequent years and decades HSBC has continued to grow and strengthen its presence in the growing and dynamic Indonesian economy.

In April 2017, HSBC Group has integrated the operations of HSBC Foreign Bank Branch in Indonesia with PT Bank HSBC Indonesia (previously known as PT Bank Ekonomi Rahardja) and became "PT Bank HSBC Indonesia" with combined capabilities and geographic footprint that spans throughout 29 cities and more than 90 branches dedicated to serve Indonesians, and Indonesian businesses across the archipelago.

PT Bank HSBC Indonesia offers a deep range of products and services in commercial, wholesale and retail banking & wealth management. The Bank's substantial domestic footprint and HSBC Group's global network capabilities, means the Bank is well-placed to support customers with best in class solutions both at home in Indonesia and overseas in the markets and territories where HSBC Group has presence.

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<sup>1</sup> Laporan Perekonomian Indonesia Tahun 2017, Bank Indonesia

<sup>2</sup> Statistis Indonesia, BPS (2017)