



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN INDONESIA 2024

A REPORT FROM TEAM SWEDEN IN INDONESIA

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KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in Indonesia
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FOREWORD

The global economic slowdown has also had an impact on Indonesia's economic growth, resulting in a slight decline from 5,2 per cent in 2022 to 5,05 per cent this year. However, it is important to note that Indonesia's growth rate still outperforms several Asian peers, including Thailand (1,9 per cent) and Malaysia (3,7 per cent)¹. According to the Indonesia Central Statistics Agency, the country has managed to maintain positive economic momentum due to strong domestic consumption and controlled inflation.

Despite the more negative outlook in the world economy, the 2024 Business Climate Survey reveals that many Swedish companies remain optimistic about increased turnover in the next 12 months, indicating confidence in the state of the Indonesian economy.

2024 holds significance for Indonesia as it conducts a general election this year. On 14 February 2024, millions of Indonesians participated in the election to select their preferred presidential and parliamentary candidates. The victory of Prabowo Subianto, the current Minister of Defence, is expected to result in the continuation of the existing administration's policies on industrial downstreaming and localisation, which will have implications for Swedish businesses interested in the Indonesian market.

Throughout these exciting economic and political developments, Swedish and Indonesian governments continue to collaborate to advance both countries' common interests. The Sweden-Indonesia Sustainability Partnership (SISP), launched in 2020, serves as a platform for collaboration to promote sustainable approaches across various economic sectors. Through the SISP programme, Team Sweden is working with the government and industries to provide funding support, capacity building, and introduce innovative technologies.

Major initiatives under the SISP programme this year include projects in sustainable mining, renewable energy, public transport electrification, and healthcare. Swedish companies have developed a range of solutions in these sectors that align with the needs of Indonesian government agencies and companies.

Furthermore, Business Sweden is actively supporting Swedish businesses through initiatives such as the recently inaugurated Swedish technology showroom in Jakarta. This showroom aims to enhance the visibility and market presence of Swedish companies, facilitating their success in the Indonesian market.

The 2024 Business Climate Survey will enable Team Sweden to gain a comprehensive understanding of the current conditions and aspirations of Swedish firms. This knowledge will inform the design of even more impactful means of support in the coming years. We have compiled our survey findings into a comprehensive report, which we believe will be beneficial for Swedish companies planning to enter or already present in the Indonesian market.

We extend our gratitude to all the companies that dedicated their time to provide their perspectives through the survey. Your insights have been invaluable in preparing this report.



Erik Odar
Trade Commissioner
of Sweden to
Indonesia

¹ International Monetary Fund. (2024, April). *Real GDP growth, annual percent change, 2023*. Retrieved from World Economic Outlook: https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/THA/MYS/IDN

35 respondents

Indonesia

Current business climate

65%

of Swedish companies appreciate the current Indonesian business climate

Industry turnover

83%

of Swedish companies expect their industry turnover to increase

Future investments

40%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Valued success factors

1. Partnerships/relationships
2. Cost efficiency
3. Brand awareness
4. Interaction with clients

Brand Sweden

89%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Distributors
2. Physical infrastructure
3. Service providers
4. Specialists/key personnel

Local conditions with least satisfaction

1. Customs
2. Licenses, permits, and approvals
3. Corporate taxation

Environmental considerations

65%

of respondents believe the environment is a considerable factor in their customers' purchasing decisions

Corruption

– No exposure to corruption reported this year

Human rights violation and labour rights abuse

– 3% of respondents report potential abuse in their supply chain

ABOUT THE SURVEY

Understanding how Swedish companies view the Indonesian market

The Business Climate Survey is a global initiative undertaken by Team Sweden across 22 markets all over the world. This tool enables Swedish companies to provide their important insights on their view of each market's business climate as well as corresponding trends throughout the respective markets.

This survey is the fifth edition of the initiative in Indonesia. The data collection was conducted from February to March 2024 through online questionnaires, which were distributed to 74 Swedish companies that are doing businesses in Indonesia. Thirty-five companies responded to the survey, which represents a response rate of 47 per cent, which represents an increase from last year's number of 43 per cent.

Companies participating in the survey are Swedish companies which conduct business in Indonesia ranging from limited sales and sourcing activities to full-scale manufacturing operations. Not all have a physical presence in Indonesia, as some of them manage their Indonesian operations from regional hubs, usually Singapore.

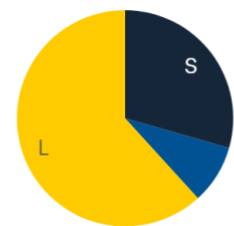
Similar to last year, a majority (62 per cent) of the participating companies are large businesses which employ more than 1 000 employees globally, while medium-scale businesses (250 – 1000 employees) and small-scale businesses (less than 250 employees) account for nine per cent and 29 per cent, respectively. Industrial companies are still the predominate industry (58 per cent), followed by professional services (32 per cent) and consumer companies (10 per cent). 41 per cent of the companies are mature firms, which have been present in Indonesia for 21 years or more, while a similar percentage of companies can be considered experienced, with 5 to 20 years presence in the Indonesian market. Only 18 per cent of the respondents are considered newcomers with less than five years market presence.

In order to ensure strategic insights were obtained from the survey, online questionnaires were sent to senior management personnel within the companies; CEOs, country managers, or other high-ranking positions based in Indonesia. However, for firms which do not possess a residential office in Indonesia, equivalent positions based in regional hubs (for example ASEAN Area Sales Manager based in Singapore) were contacted.

This report is divided into six different sections. The first section documents the respondents' view regarding their financial performances and their expectation regarding their business turnover and investment this year. This is followed by a section describing their perspective on Indonesian business climate and factors that influence it. The third section discusses key factors that drive their success in the Indonesian market, while the fourth section elaborates how the companies perceive sustainability, corruption prevention and human rights issues in Indonesia.

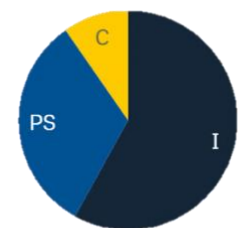
It is immediately followed by the fifth section, which provides a snapshot on how the respondents react to the Indonesian government's continued push for foreign companies to localise manufacturing in Indonesia and the prospect of new administration led by President Prabowo Subianto, who will take office this October. Lastly, the sixth section elaborates the Sweden – Indonesia Sustainability Partnership (SISP) initiatives undertaken by Team Sweden in Indonesia to help Indonesia in its sustainability journey as well as promoting Swedish solutions applicable to the Indonesian context.

SIZE OF COMPANIES



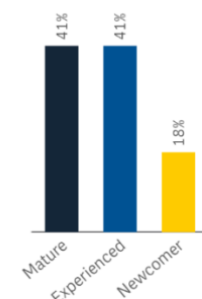
NOTE: Global Employees. Large (L) >1000. Medium (M) 250-1000. Small (S) 0-249

MAIN INDUSTRY



NOTE: Industrial 58%
Professional services 32%
Consumer 10%

AGE OF COMPANIES



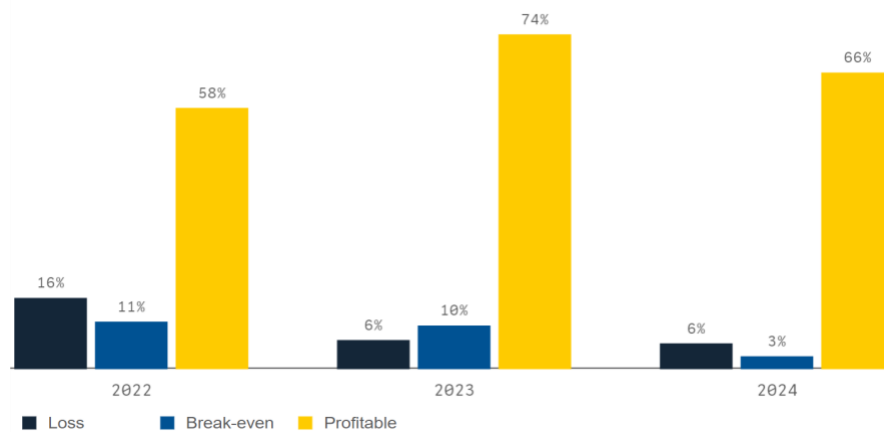
NOTE: Mature (-2002)
Experienced (2003-2018)
Newcomer (2017-)

ECONOMIC OUTLOOK

Majority of Swedish companies still reported profitability this year

The majority of companies (66 per cent) participating in our survey indicate that they are currently operating at a profit. This figure represents a slight decline compared to the previous year's results (74 per cent). However, it is important to note that this decline is likely due to a decrease in the percentage of respondents answering this question, i.e. from 90 per cent in 2023 to 75 per cent in 2024 ("don't know/not applicable" responses are not included), rather than a significant change in financial performance. The percentage of respondents reporting a loss remains stagnant at six per cent, while the percentage of respondents indicating a breakeven operation has declined from 10 per cent to three per cent.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN INDONESIA IN 2023?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

The Indonesian GDP growth is aligned with the global development, yet Swedish companies are still optimistic about increasing turnover this year

Indonesia is expected to witness a slight decline in GDP growth, projected at 4,4 per cent in 2024 compared to the 5,1 per cent experienced in 2023. This deceleration can be attributed to the global economic slowdown, resulting in reduced demand for Indonesian exports overseas. Consequently, other Southeast Asian nations are also experiencing a similar trend.

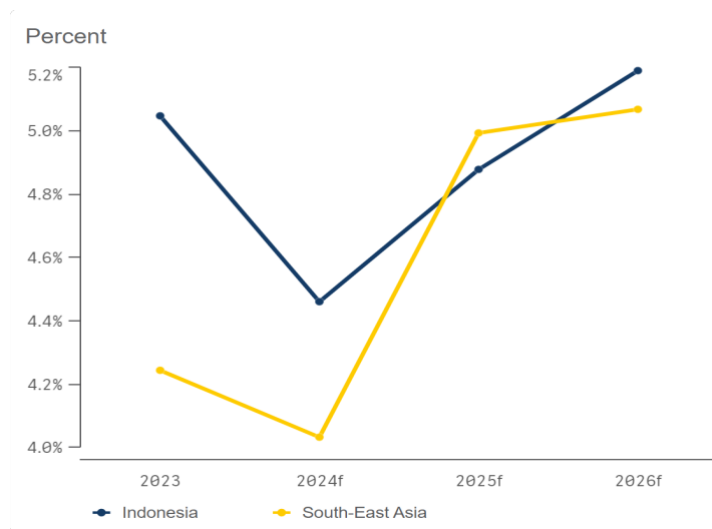
According to the World Bank, global economic growth is anticipated to decrease from 2,6 per cent in 2023 to 2,4 per cent this year². In the short term, geopolitical events such as the ongoing Russia-Ukraine conflict and the emergence of a new Middle East conflict pose challenges to the global

²Global Economy Set for Weakest Half-Decade Performance in 30 Years. (2024, January 9). Retrieved from World Bank: <https://www.worldbank.org/en/news/press-release/2024/01/09/global-economic-prospects-january-2024-press-release>

economy. In the medium term, slowing growth in major economies, sluggish global trade, and tight monetary policies present additional challenges.

Oxford Economics predicts that the deceleration in growth in 2024 will prompt Bank Indonesia, the country's central bank, to adopt a more accommodative monetary policy this year³. This easing of monetary policy is expected to result in changes in long-term interest rates and equity prices, ultimately fostering increased growth in 2025 and 2026.

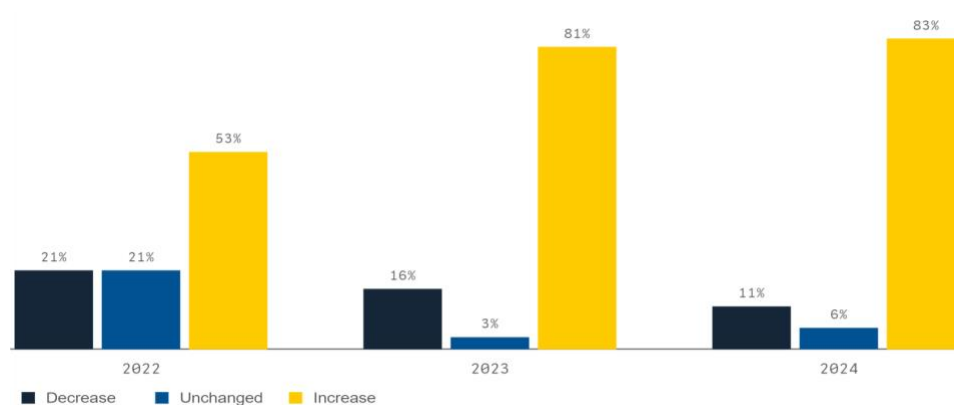
PROJECTED GDP GROWTH IN INDONESIA



NOTE: Constant prices.
SOURCE: Oxford Economics, 12 March 2024

Compared to the previous year, the percentage of respondents expecting an increase in turnover over the next 12 months after the survey period (February to March 2024) has been roughly at the similarly high level. 83 per cent of respondents expect a rise in turnover, as opposed to 81 per cent in 2023. The consistently high numbers reporting optimism regarding business turnover indicate Swedish companies' confidence in the strength of Indonesian market, despite economic slowdown in other important markets such as China and the election year currently happening in Indonesia.

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN INDONESIA REGARDING TURNOVER?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2023.

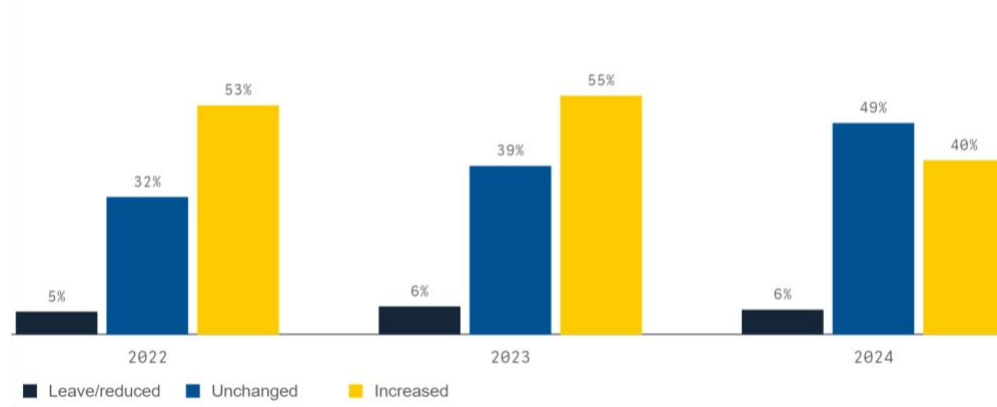
³ Oxford Economics. (2023). The path of monetary policy will shape the growth outlook.

Swedish firms tend to withhold investment in the next 12 months due to the election year

This year, the percentage of Swedish companies' planning to increase investment in Indonesia has decreased to 40 per cent, from 55 per cent last year. However, based on the constantly very small number of respondents planning to leave or reduce their investment in Indonesia, the Swedish companies are generally just maintaining their current level of investment.

The "wait-and-see" attitude is understandable as this year is a general election year in Indonesia. Despite the confidence given towards the increasing turnover and the fact that the general election had been running smoothly, the business community (both Indonesian and foreign) usually tend to suspend major investment during the election year due to the fear of political instability and communal violence. In addition, they usually tend to wait for the policies of new administration, although the single round election of Mr. Prabowo Subianto has put away some uncertainty due to his commitment in continuing the incumbent administration's policy.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN INDONESIA, COMPARED TO THE PAST 12 MONTHS?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

THE MARKET

Swedish trade relationship with Indonesia has experienced a notable hike in 2023

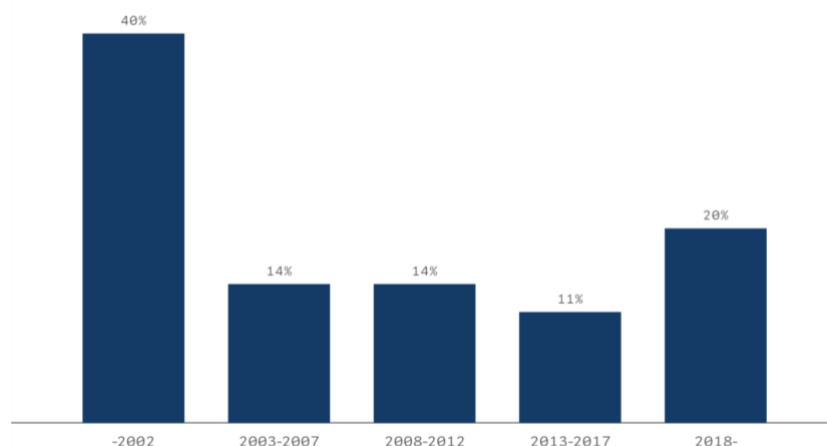
Trade relations between Sweden and Indonesia have witnessed a significant increase in 2023, as both countries have successfully recovered from the impact of the COVID-19 pandemic. The total trade relationship between Indonesia and Sweden reached SEK 9,3 billion (USD 885 million⁴) in 2023, marking a noteworthy 11 per cent surge from the 2022 value of SEK 8,4 billion (USD 799 million)⁵.

Out of the total value of SEK 9,3 billion in 2023, approximately 68 per cent (SEK 6,3 billion/USD 599 million) corresponds to Indonesian imports from Sweden. This import value represents a 29 per cent increase from the import value of SEK 4,9 billion (USD 467 million) in 2022. According to data from Statistikmyndigheten SCB, similar to the previous year, Swedish exports to Indonesia continued to be dominated by road vehicles, industrial machinery, as well as pulp and paper products.

The export of these key products experienced a significant growth compared to the previous year. For instance, the export of road vehicles increased by 21 per cent, from SEK 1,56 billion (USD 149 million) in 2022 to SEK 1,88 billion (USD 179 million) in 2023. Similarly, the export of general industrial machinery witnessed a substantial rise of 58 per cent, from SEK 402 million (USD 38 million) in 2022 to SEK 636 million (USD 61 million) in 2023. These increases indicate a growing demand for Swedish high technology products in the Indonesian market, which bodes well for Swedish industrial firms seeking to expand their market presence in Indonesia.

In 2023, new Swedish investments in Indonesia experienced a decline of 15 per cent, from USD 59,3 million in 2022 to USD 50,4 million⁶. Nevertheless, this figure remains significantly higher than the investment value of USD 9,2 million in 2021. This highlights the continued interest of the Swedish business community in the Indonesian economy.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN INDONESIA?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

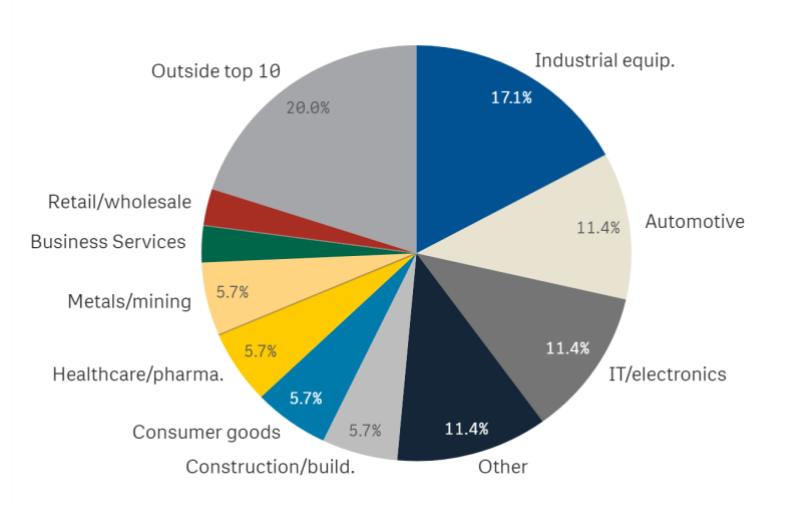
⁴ The exchange rate used across the report: SEK 1 = USD 0,095

⁵ Statistikmyndigheten SCB. (2024, May). Imports and exports of goods. Retrieved from https://www.statistikdatabasen.scb.se/pxweb/en/ssd/START__HA__HA0201__HA0201A/OImpExpLandTotAr/

⁶ National Single Window for Investment (NSWI). (2024, May). Retrieved from https://nswi.bkpm.go.id/data_statistik

A significant portion (40 per cent) of Swedish firms responding to our survey this year have been operating in Indonesia for more than 12 years, since 2002. This indicates that many Swedish businesses in Indonesia have managed to operate successfully in Indonesia over a significant period of time. However, there are also some (20 per cent) newcomer companies in the market.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN INDONESIA?

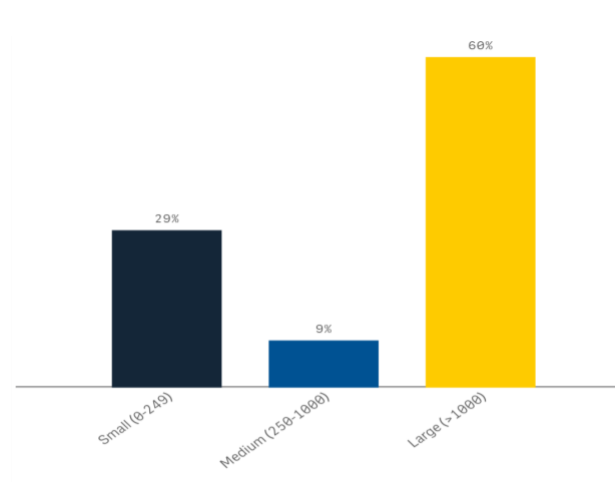


NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

There is a high level of diversity in terms of industrial sector focus of Swedish companies on our survey. Similar to last year, the most common sectors identified are industrial equipment (17 per cent) and automotive (11 per cent). This information is consistent with the trade balance data which mentions that industrial equipment and road vehicle products are the largest Swedish export to Indonesia in terms of value and reflects the focus paid by Swedish automotive and industrial equipment to the Indonesian market.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN INDONESIA IN 2024



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

The majority (60 per cent) of Swedish companies in the survey are large businesses in Indonesia with more than 1 000 employees, while 29 per cent of firms can be categorised as small with less than 250 employees.

Swedish firms tend to perceive Indonesian business climate positively despite the political instability risk arising from the general election

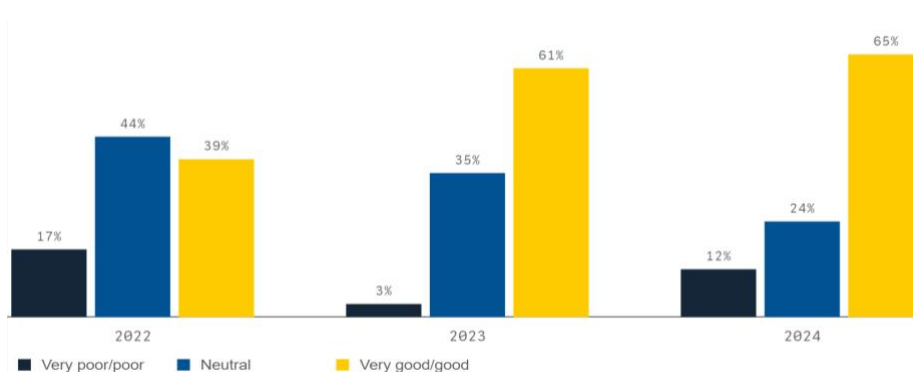
A significant majority of respondents in this year's survey (65 per cent) have expressed a positive perception of the Indonesian business climate, categorising it as either good or very good. This figure represents a slight increase from last year's result of 61 per cent. Conversely, the percentage of respondents who view the Indonesian business climate as poor has also risen, from three per cent to 12 per cent.

The upward trend in positive responses regarding the Indonesian economy reflects the generally optimistic sentiment among Swedish companies investing in Indonesia. This positive outlook is particularly noteworthy considering that Indonesia held its general election in 2024. Typically, the period surrounding a general election is associated with political instability, which can have adverse effects on the national business climate.

However, this year's national general election, which took place in February 2024, just prior to the data collection for this survey, has generally been regarded as successful and has not resulted in significant economic disruptions. The victory of Prabowo Subianto, the incumbent Minister of Defence and a retired army general, in a single round of voting has also reduced uncertainty for the business community, as they now have a clearer understanding of the likely policy direction of the next government.

Mr. Subianto has stated his intention to continue the policies of President Joko Widodo's administration, which include a focus on industrial downstreaming and localisation, among other priorities. While this stance may not be the most favourable for Swedish companies, the certainty of government policy reduces the risk exposure to sudden policy changes that could impact their operations. On the other hand, the increase in respondents perceiving the Indonesian business climate negatively may also be attributed to the ongoing emphasis on localisation, which raises barriers for imported products and necessitates the establishment of local manufacturing or assembly by Swedish firms in the country.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN INDONESIA?



NOTE: The number of respondents for this question was 34. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

Swedish companies express positive opinion on the collaboration with third parties

In general, Swedish companies participating in our survey continue to express a slightly positive opinion on the conditions influencing their business in Indonesia. Similar to last year, they also highlighted the above-average performance of services provided by distributors and service providers in Indonesia to their businesses.

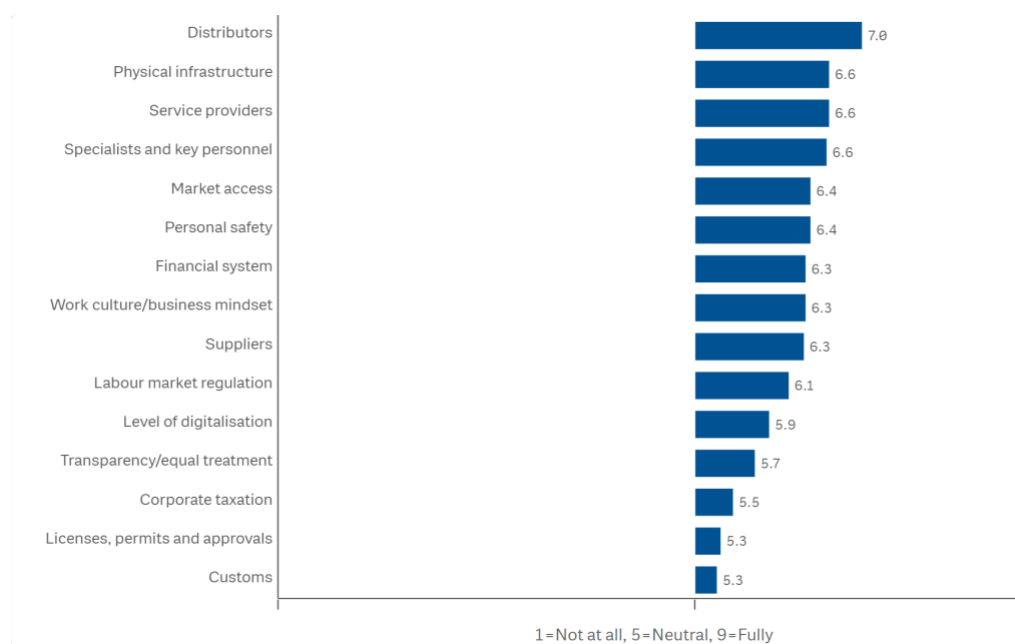
This year's score also showed an increasing trend compared to last year's score. Similar to the previous year, all 15 factors evaluated scored above five. However, the average score given to the 15 factors has increased from 6,01 in 2023 to 6,15 in this year's survey.

This result indicates that Swedish companies tend to have a relatively positive outlook on Indonesia's business supporting ecosystem. The full recovery from the Covid-19 pandemic has allowed Indonesia's distributors to improve their market performance, including for Swedish products. This improvement might explain the increase in the score from 6,6 to 7,0.

However, the aspect of physical infrastructure experienced the most notable increase, from 5,8 to 6,6. This can be attributed to the completion of new infrastructure projects in 2023. For example, the Serpong-Cinere and Cinere-Jagorawi sections of the JORR 2 toll road, which connect major suburban areas in the southern part of Jakarta, have been fully connected since the end of 2023. This development allows commuters from Bogor to reach the airport and the emerging satellite city of Serpong without having to pass through congestion on the JORR 1 toll road⁷.

Furthermore, the Whoosh, the first high-speed rail in Southeast Asia, has commenced operations in October 2023. This rail connection links the two most populous cities in the country, Jakarta and Bandung, and significantly reduces travel time between both cities by 75 per cent, from 180 minutes by normal rail to just 45 minutes⁸.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN INDONESIA?



NOTE: The number of respondents for this question was 35.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

⁷ Antara News. (2023, December 18). Ruas Tol Serpong - Cinere bantu urai kepadatan lalin di Tol JORR 1. Retrieved from <https://www.antaraneews.com/berita/3875964/ruas-tol-serpong-cinere-bantu-urai-kepadatan-lalin-di-tol-jorr-1>

⁸ Antara News. (2023, October 2). "Whoosh" fast train: Intercity train ride in an intracity duration. Retrieved from <https://en.antaraneews.com/news/294984/whoosh-fast-train-intercity-train-ride-in-an-intracity-duration?page=all>

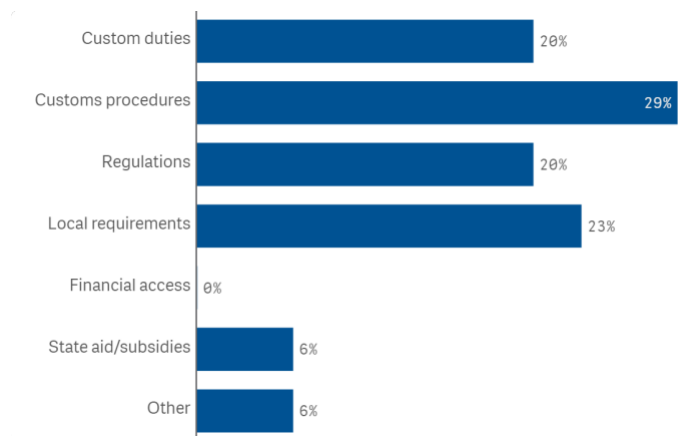
Customs issues and local content regulations remain the primary concern for Swedish companies

Similar to last year, Swedish companies operating in Indonesia have identified complicated customs procedures, increasingly stringent local content requirements, cumbersome regulations, and high customs duties as the main factors impeding their operations. The percentage of respondents reporting barriers in terms of customs procedures, regulations, and local requirements remains relatively unchanged, highlighting the persistent challenges faced by Swedish companies in these areas. Importing certain industrial commodities, such as steel products, continues to pose difficulties for Swedish companies, particularly when intended for retail sale rather than as raw materials.

Despite the introduction of Trade Minister Regulation no 36/2023 on import policy and procedures, specifically targeting certain commodity products including steel, the situation has not improved. This regulation, aimed at protecting domestic manufacturers of essential commodities, has faced criticism from APINDO (the Association of Indonesian Businesses) for its adverse impact on businesses due to the lengthy and complex procedures required to obtain import licenses⁹.

The government has just issued a new regulatory update through Trade Minister Regulation no 8/2024 in May 2024. The government expects that this new update can address some challenges arising from the implementation of Trade Minister Regulation no 36/2023.

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN INDONESIA WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 35.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

⁹ BeritaSatu.com. (2024, March 23). Apindo Minta Pemberlakuan Permendag Pengaturan Impor Ditunda. Retrieved from <https://www.beritasatu.com/ekonomi/2806798/apindo-minta-pemberlakuan-permendag-pengaturan-impor-ditunda>

HOW SWEDISH COMPANIES SUCCEED IN INDONESIA

Marketing/sales and aftersales support are still the most dominant activities for Swedish companies in Indonesia

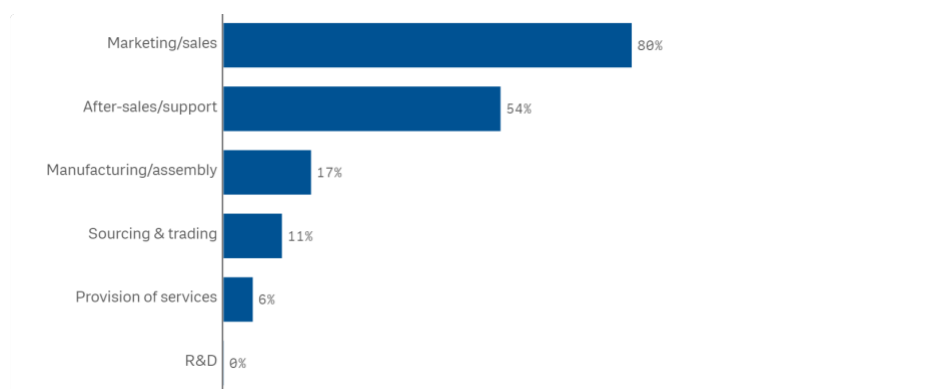
Marketing/sales (80 per cent) and aftersales support (54 per cent) continue to be the predominant activities undertaken by the respondents. It is understandable that Swedish companies in Indonesia focus on marketing and aftersales services, as they aim to tap into the vast Indonesian economy.

The percentage of respondents engaged in manufacturing/assembly activities has decreased from 26 per cent in 2023 to 17 per cent in 2024. This decline may be attributed to changes in the respondent profile and an increased number of respondents in this year's survey, rather than the closure of Swedish manufacturing facilities in Indonesia. We have not received any reports of Swedish firms terminating their manufacturing/assembly activities in the country.

Nevertheless, this indicates that Swedish firms generally do not perceive Indonesia as an ideal manufacturing base, either for the domestic market or the regional ASEAN market. Despite the Indonesian government's efforts to encourage foreign firms to localise production in the country, Swedish companies remain hesitant.

This hesitation may be driven by the current limited sales levels realised by these companies. Although Indonesia boasts the largest market in Southeast Asia, Swedish products are still perceived as expensive, limiting the number of customers who can afford to purchase them. Consequently, the potential commercial benefits of localisation may not justify the investment required to initiate manufacturing/assembly activities in the country. Furthermore, Indonesia is considered less favourable for ASEAN export hubs compared to neighbouring countries such as Vietnam, Thailand, and Malaysia, due to reasons such as relatively low productivity¹⁰ and high logistics cost¹¹.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

¹⁰ The Jakarta Post. (2020, February 12). Indonesia's productivity lower than ASEAN countries, Japanese company survey says. Retrieved from <https://www.thejakartapost.com/news/2020/02/12/indonesias-productivity-lower-than-asean-countries-japanese-company-survey-says.html>

¹¹ Gupta, K., & Ratana, D. (2023, August 18). Indonesia's stubborn logistics dilemma. Retrieved from East Asia Forum: <https://eastasiaforum.org/2023/08/18/indonesias-stubborn-logistics-dilemma/>

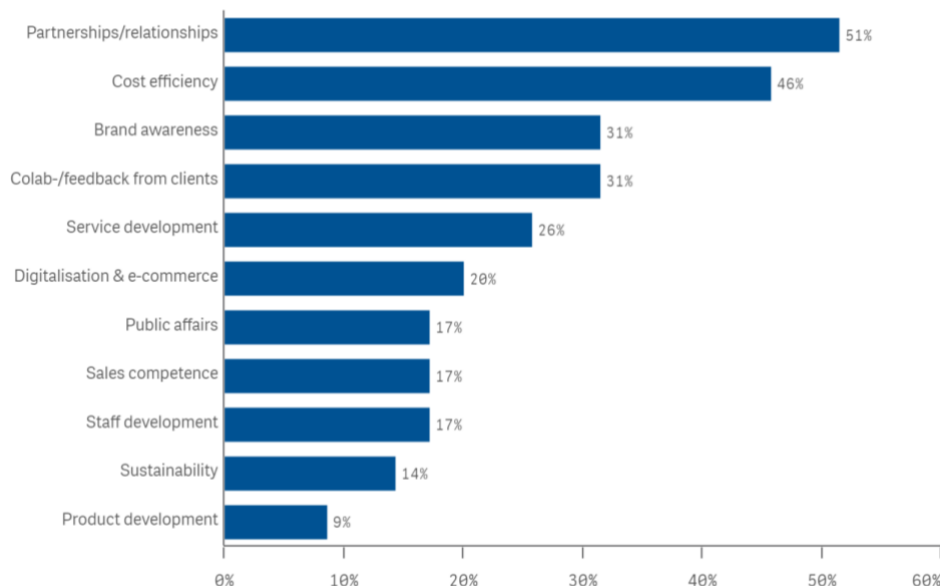
Swedish businesses believe partnerships/relationships and cost efficiency are the most important factors for maintaining competitiveness in the market

This survey also identifies various factors that are considered important by the respondents in maintaining their business competitiveness in Indonesia. Interestingly, partnerships/relationships and cost efficiency remain the top two factors considered the most important for business competitiveness, while sales competence, which ranked third last year, has dropped to eighth place. It has now been replaced by brand awareness and client feedback as the joint third most important factors.

The significant emphasis placed on partnerships and relationships with third parties (51 per cent) highlights the importance of establishing collaborations with local partners to achieve success in the Indonesian market. Indonesian business communities often place great importance on personal relationships when conducting business deals, similar to other culturally high-context nations. Partnering with local businesses that possess an understanding of the local culture and existing relationships with key stakeholders can pave the way for Swedish companies to enter new markets in Indonesia.

Cost efficiency is also considered an important factor (46 per cent) as the Indonesian market, particularly in the corporate segment, is predominantly price-sensitive. Businesses often prefer solutions that offer the lowest acquisition price rather than the lowest total cost of ownership. This means that Swedish companies in Indonesia need to prioritise cost efficiency in order to provide the best possible price and value for customers.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN INDONESIA?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

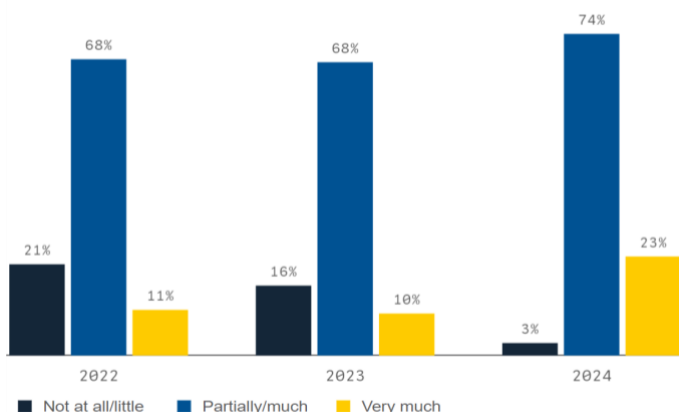
“Swedish brand” can allow Swedish businesses to gain leverage in the Indonesian market

The number of respondents stating that the “Swedish brand” has at least a partially positive impact to their business in Indonesia has increased significantly, from 78 per cent in 2023 to 97 per cent this year. This is excellent news for Swedish businesses as it means that very few Indonesian customers view Sweden in a negative light and they can leverage their Swedish identity as a mark of quality to distinguish their brand from other countries’ brands.

“In the Indonesian market, Swedish products are generally considered to be high quality, robust, and durable.”

M. Syahrul Mohideen
 Area Sales Manager – SEA
 ScanBox Thermoproducts AB

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN INDONESIA?



NOTE: The number of respondents for this question was 35. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

ACTING SUSTAINABLY

Sustainability is an increasingly important aspect for Indonesian consumer

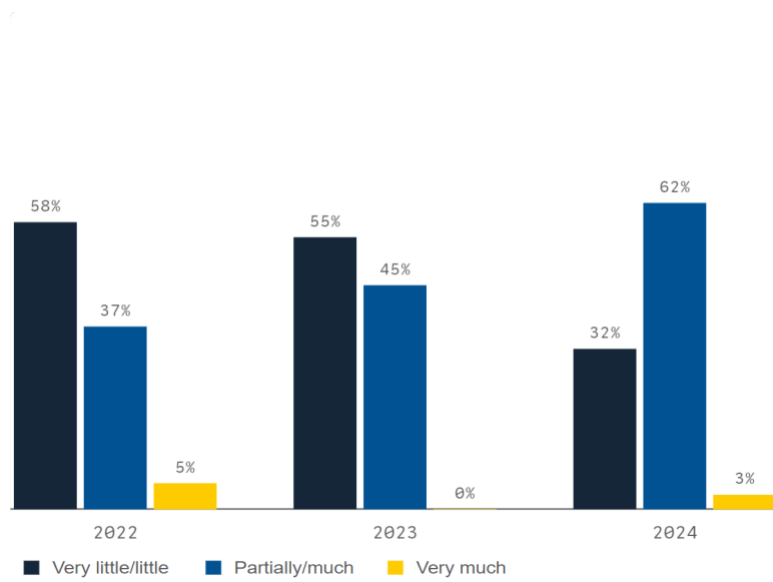
In the past, it has been observed that Indonesian customers did not prioritise the sustainability aspect when making purchasing decisions. This observation is supported by the findings of the previous two surveys, conducted in 2022 and 2023, where only 42 per cent and 45 per cent of respondents respectively stated that their customers took environmental aspects into consideration when procuring products.

However, this year's survey reveals a very encouraging trend. The majority of respondents (65 per cent) indicated that their customers, to some extent, now consider sustainability when selecting products to purchase.

This development is particularly advantageous for Swedish companies, as Swedish solutions typically place a strong emphasis on sustainability and quality rather than solely focusing on low acquisition costs. The emerging trend suggests that Indonesian customers are increasingly willing to make trade-offs in other areas, such as price, if there are indications that the product is sustainable.

This positive shift in customer behaviour presents a promising opportunity for Swedish companies operating in Indonesia, as it aligns well with their core values and strengths. By continuing to prioritise sustainability and quality, Swedish companies can effectively cater to the evolving preferences of Indonesian customers and further enhance their market position.

TO WHAT EXTENT DO CUSTOMERS IN INDONESIA CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 34. "Don't know/Not applicable" responses are included but not shown in figure.

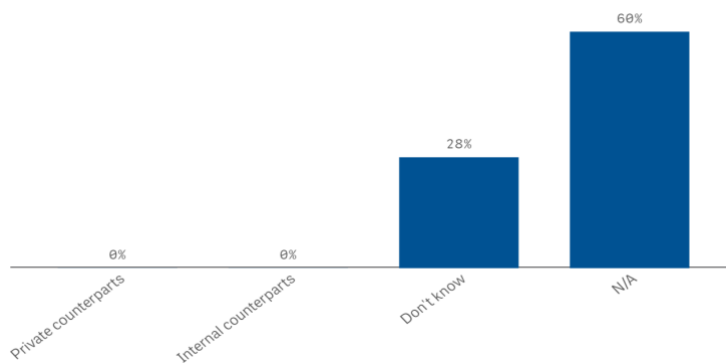
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

No reported corruption exposure faced by Swedish companies despite declining corruption ranking

Unfortunately, there has been no major change in Indonesia's perceived level of corruption. In the 2023 Corruption Perceptions Index by Transparency International, Indonesia achieved a score of 34, which is consistent with its 2022 score. However, it has experienced a decline in its ranking, moving from 110th out of 180 countries in 2022 to 115th in 2023.

It is worth noting that none of the respondents reported any specific incidents of corruption in their interactions with both public and private entities in 2023. This aligns with the previous year's findings, suggesting that the limited exposure to corruption among respondents may be attributed to the reputation of Swedish companies. Swedish firms are known for their zero-tolerance policy towards corruption and robust internal controls, which act as deterrents to unscrupulous parties attempting fraudulent activities with these organisations.

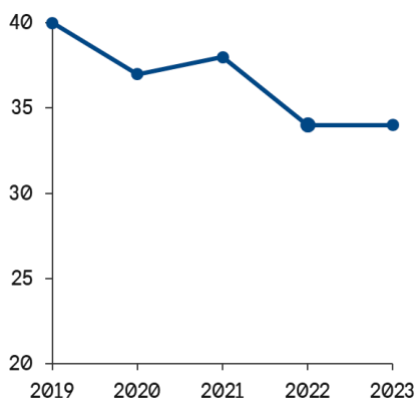
HAS YOUR COMPANY IN INDONESIA BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

INDONESIA'S CORRUPTION PERCEPTION INDEX 2019 - 2023



SOURCE: Transparency International, May 2024.

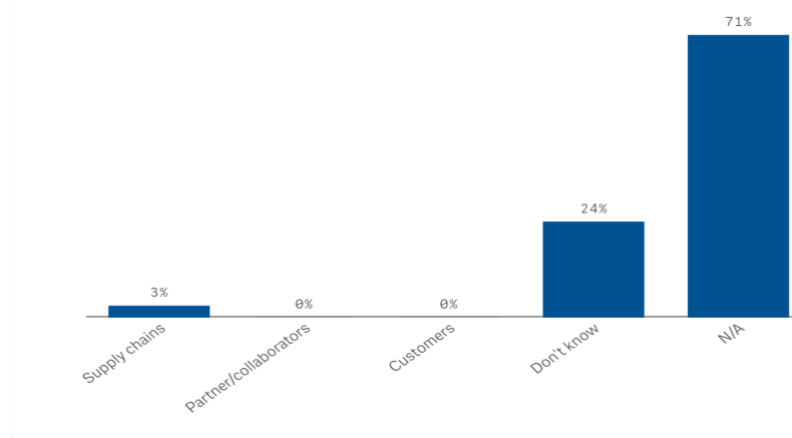
Occurrence of human rights violations throughout the supply have been reported, although minor

Unlike last year's survey, where no respondents reported any potential exposure to human rights violations and/or labour rights, this year, one respondent (representing three per cent of all survey participants) indicated that they have identified a potential risk exposure in terms of human or labour rights violations throughout their supply chains. Although the number remains low, it is crucial to address these serious violations and allocate more attention from both government and business stakeholders.

Notably, there have been cases of labour rights violations discovered in 2023 across various industries. For instance, several textile companies have been found to contravene labour laws concerning the treatment of their workers¹². This includes the suspension of additional payments for overtime workers and the refusal to provide menstruation leave for female factory workers, as mandated by Indonesian law. In the palm oil plantation industry, which significantly contributes to the Indonesian economy, instances of human trafficking and physical abuse have been reported¹³.

Swedish companies must be vigilant in monitoring these events as they pose potential risks to their reputation and direct commercial interests. If Swedish entities are identified as sourcing raw materials from these Indonesian companies that engage in violations, it could have detrimental consequences for their business operations.

HOW DO YOU PERCEIVE THE RISK OF ENCOUNTERING HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSES WHEN CONDUCTING BUSINESS IN INDONESIA?



NOTE: The number of respondents for this question was 35. Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

¹² Christian, I. (2023, November 28). Pelanggaran PT SAI Apparel, Mengapa Hak Pekerja Dikebiri. Retrieved from Alinea.id: <https://www.alinea.id/bisnis/pelanggaran-pt-sai-apparel-mengapa-hak-pekerja-dikebiri-b2iaQ9PoZ>

¹³ Helindro, G. (2023, Desember 07). Perbudakan di Kebun Sawit Kita. Retrieved from Betahita: <https://betahita.id/news/detail/9600/perbudakan-di-kebun-sawit-kita.html?v=1701929987>

CONTINUING PUSH FOR LOCALISATION AND FUTURE OUTLOOK

Despite continuing government push for downstreaming, interest of Swedish companies to localise remains limited

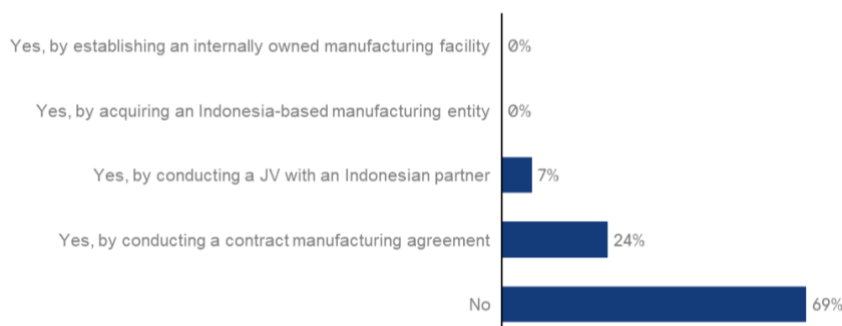
The Indonesian government continues to implement various mechanisms aimed at encouraging foreign companies to localise their manufacturing and/or assembly activities in Indonesia. All government institutions and agencies have been mandated to prioritise domestically manufactured products over foreign ones during public tenders. If there are products available in the market with sufficiently high local content (known as *Tingkat Komponen Dalam Negeri*/TKDN in Indonesian) that also meet users' requirements and quality expectations, these government bodies are required to utilise domestic products.

However, this year's survey results do not indicate that Swedish companies without existing manufacturing facilities in Indonesia will start establishing one in response to the government's push for localisation. Out of the 29 respondents, 69 per cent stated that they will not initiate local manufacturing/assembly as a response to the local content requirements. A smaller percentage revealed that they will pursue local manufacturing/assembly through third-party contracts, while only six per cent are exploring the possibility of a joint venture with an Indonesian company. No companies are planning greenfield investments or acquisitions of existing Indonesian businesses.

This 31 per cent rate of companies planning localisation in Indonesia represents a decline compared to last year's percentage of 39 per cent. This suggests that Swedish companies prefer to focus on building their market share in Indonesia before making significant investments in local assembly or manufacturing.

Among the companies planning localisation, contract manufacturing is understandably the most popular option. It exposes companies to lower investment risks due to the lower resource requirements compared to other options. If the local partner does not perform well, for example, the Swedish principal can easily substitute them with other local manufacturers or assemblers.

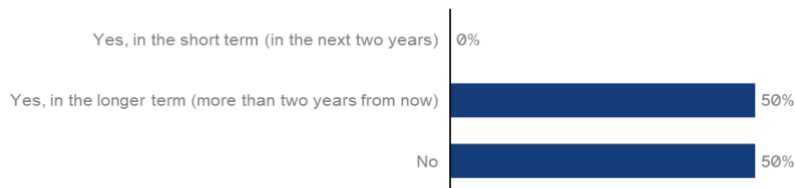
DO YOU HAVE ANY PLAN TO ESTABLISH LOCAL MANUFACTURING AND/OR ASSEMBLY CAPABILITIES AS A RESPONSE TO THE INDONESIAN LOCAL CONTENT REQUIREMENTS (TINGKAT KOMPONEN DALAM NEGERI/TKDN)?



NOTE: The number of respondents for this question was 29.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

Similar to companies without current manufacturing presence in Indonesia, firms which have already done manufacturing or assembly in the country tend to withhold plan for expanding localisation at the moment. Half of respondents stated that they will not expand their existing manufacturing capacity, while the other half disclosed that they will invest in expanding the capacity but more in the longer timeframe (more than two years).

DO YOU HAVE ANY PLAN TO INVEST IN EXPANDING YOUR MANUFACTURING CAPACITY IN INDONESIA?



NOTE: The number of respondents for this question was 6.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

Slightly optimistic expectation on the prospect of Prabowo Subianto's election to the Indonesian presidency

On 14 February 2024, Indonesia held a general election, during which millions of Indonesians elected their preferred presidential as well as legislative candidates at the national, provincial, and (except in Jakarta) municipal/regency levels.

The most noteworthy election took place at the presidential level, with three candidates vying for the top position in the country. This election was particularly significant as it marked the end of President Joko Widodo's two terms, as he was prohibited by the national constitution from seeking another term. The candidates were as follows:

- Prabowo Subianto, the incumbent Minister of Defence, running with Gibran Rakabuming Raka, the incumbent mayor of Surakarta, and eldest son of President Joko Widodo
- Anies Baswedan, a former governor of Jakarta, running with Muhaimin Iskandar, the incumbent Deputy Speaker of the House of Representatives (Indonesia's lower house of parliament).
- Ganjar Pranowo, the incumbent governor of Central Java, running with Mahfuld MD, the incumbent Coordinating Minister of Political, Legal, and Security Affairs.

Prabowo Subianto emerged as the winner of the presidential election in a single round, securing more than 50 per cent of the votes (58,59 per cent) in the first round. Mr. Subianto and Mr. Raka will be inaugurated as the president and vice president of the Republic of Indonesia on 20 October 2024.

Mr. Subianto has expressed his intention to continue the key policies of the current administration, including localisation and industrial downstreaming¹⁴. These policies have had an impact on Swedish companies by creating trade barriers for imported products, and it is likely that they will continue for the next five years. He has also reaffirmed his commitment to the Nusantara new capital city project¹⁵.

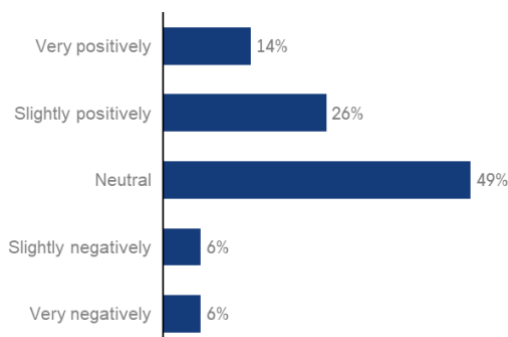
Swedish companies have generally responded to this election victory with optimism. Forty per cent of respondents perceive Mr. Subianto's election as having a positive impact on their future business prospects, while 49 per cent stated a neutral stance on the matter. Only 11 per cent believed that Mr. Subianto's election would have a negative impact on their business.

This result indicates that Swedish companies may not view the industry localisation and downstreaming policy as significantly affecting their business prospects in an adverse manner. On the other hand, the continuation of the Nusantara new capital megaproject presents opportunities for Swedish companies to benefit from a multitude of tender activities across various sectors. This may explain why these companies perceive Prabowo's administration as beneficial to their business prospects.

“**Political stability still plays an important part in maintaining positive business climate, so there is big hope among the business communities that the upcoming president will continue the outgoing president's development and fiscal policies. If this happens, the outlook for the next five years will remain reasonably positive.**”

Yana Ekasiwi
Area Sales Manager - Asia
Kapsch TrafficCom

THE LATEST QUICK COUNT RESULT OF 2024 INDONESIAN PRESIDENTIAL ELECTION INDICATES MR. PRABOWO SUBIANTO TO BE THE POTENTIAL ELECTION WINNER. HE HAS REITERATED HIS COMMITMENT TO CONTINUE THE EXISTING ADMINISTRATION'S POLICIES, E.G. INDUSTRY DOWNSTREAMING AND THE NEW CAPITAL CITY DEVELOPMENT. HOW DO YOU THINK HIS ELECTION VICTORY WILL IMPACT YOUR BUSINESS IN INDONESIA?



NOTE: The number of respondents for this question was 35.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2024.

¹⁴ CNN Indonesia. (2024, January 12). Prabowo Sebut Hilirisasi Kunci Menuju Kemandirian Industri Lokal. Retrieved from <https://www.cnnindonesia.com/nasional/20240112183701-633-1048842/prabowo-sebut-hilirisasi-kunci-menuju-kemandirian-industri-lokal>

¹⁵ Tempo.co English. (2024, May 17). Prabowo to Allocate Rp16 Trillion Per Year for IKN. Retrieved from <https://en.tempo.co/read/1869070/prabowo-to-allocate-rp16-trillion-per-year-for-ikn>

SWEDEN – INDONESIA SUSTAINABILITY PARTNERSHIP

In 2020, Team Sweden in Indonesia, with the support of the Indonesian Ministry for Foreign Affairs, launched the Sweden-Indonesia Sustainability Partnership (SISP). SISP is a platform to develop collaborations between Sweden and Indonesia, where the countries jointly work to fulfil the United Nation's Sustainable Development Goals (SDG) 2030 commitments in various fields. This initiative aims to foster cooperation between Swedish and Indonesian companies and institutions and allows Swedish solution providers to introduce their solutions to Indonesian stakeholders.

SISP Week 2023

Team Sweden hosted another session of SISP Week from 6 to 8 December 2023. This event serves as a platform for government institutions, academia, and businesses from Sweden and Indonesia to exchange perspectives on various topics across different industries.

The programme was structured around four main focus areas:

- **Energy:**
A roundtable discussion on power grid and sustainable energy transition took place at the Swedish Residence, with participants from the Indonesian power industry and Swedish power-related solution providers, including Hitachi Energy, ABB, and Westermo.
- **Sustainable Mining:**
A roundtable discussion on sustainable mining in Indonesia and the potential contributions of Swedish solutions to its development was held at the Swedish Residence. Representatives from Indonesian mining companies and relevant Swedish solution providers, such as Scania, Volvo, ABB, Atlas Copco, Sandvik, and SKF, were in attendance.
- **Healthcare:**
A sharing session at the Swedish Residence addressed the cancer care situation in both countries and explored how Sweden could support the establishment of a sustainable and efficient cancer care programme in Indonesia. Prominent Swedish healthcare institutions and solution providers, including Elekta, Getinge, AstraZeneca, and Karolinska University Hospital, participated in the discussion.
- **Public Transport:**
A group discussion at the Swedish Residence focused on the electrification of public transport in Jakarta and the design of a transformation system for the new capital. The session explored the potential role of Swedish technologies in both initiatives and welcomed representatives from Swedish businesses and institutions, such as Scania, Volvo, Axis, ABB, and Hitachi Energy.



Group discussion on public transport
(photo: Team Sweden)



Group discussion on energy
(photo: Team Sweden)



Group discussion on healthcare
(photo: Team Sweden)

SISP 2024

In 2024, SISP will maintain its focus on five key sectors, namely:

- **SISP Industry 4.0 Alliance:**
This initiative aims to collaborate with the Indonesian Ministry of Industry in order to enhance the competitiveness of Indonesia's manufacturing industries through the introduction of digital technologies. Key activities include organising industry delegations to specific regions and conducting technology demonstrations for local manufacturers.
- **SISP Sustainable Mining Alliance:**
This initiative aims to collaborate with the Indonesian Ministry of Energy and Mineral Resources to support the growth and sustainability of Indonesia's mining industry by implementing relevant Swedish technologies.
- **SISP Renewable Energy Alliance:**
This initiative aims to collaborate with the Indonesian Ministry of Energy and Mineral Resources to expedite the transition towards green energy in Indonesia. Key activities include providing grants for a study on the development of a power grid for renewable energy, introducing renewable energy technologies such as water, wind, and geothermal power, and supporting the Nusantara Supergrid vision.
- **SISP Urban Transport Alliance:**
This initiative aims to collaborate with the Indonesian Ministry of Transport to introduce Swedish solutions relevant to the development of electric vehicles and smart public transportation systems. Key activities include providing grants for a study on bus charging infrastructure in Jakarta, conducting a pilot project for electric buses in Jakarta, and supporting the development of Bus Rapid Transit (BRT) systems in Bandung and Medan, as well as the implementation of smart traffic systems in Nusantara, the new capital.
- **SISP Healthcare Programme:**
This initiative aims to collaborate with the Indonesian Ministry of Health to accelerate the advancement of healthcare services in Indonesia, particularly in the areas of cancer treatment, critical emergency response, maternal and child health, and diabetes. Key activities include establishing bilateral intergovernmental MoUs on healthcare development, facilitating a PhD exchange programme with Karolinska Institute (a renowned medical university in Sweden), and organising a series of training sessions, conferences, and delegations to Sweden for Indonesian healthcare stakeholders.

Swedish technology showroom

In May 2024, Team Sweden in Indonesia inaugurated a Swedish technology showroom, located at the Business Sweden's office in Jakarta. The showroom is intended as a physical and digital environment to position Swedish companies as key suppliers of sustainable solutions to Indonesia. This showroom is equipped with an interactive digital environment, which include a digital touch table containing an interactive 3D environment documenting different Swedish solutions for various industries, and a digital wall for more general information.



Pictures from SISP showroom inauguration on 14 May 2024 (photos: Team Sweden)



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