



Press release

Indonesia offers sales and production opportunities for Chinese companies expanding in ASEAN

A survey conducted for Standard Chartered's "Borderless Business: China-ASEAN Corridor" reveals Indonesia in the top-3 for ASEAN automotive market share

28 May 2021, Jakarta – A significant majority of Chinese companies focusing on ASEAN expect business growth in the region over the next 12 months, according to a survey¹ conducted for Standard Chartered's "Borderless Business: China-ASEAN Corridor", a strategic point-of-view report that explores high-potential opportunities for cross-border growth. The study also found that along with Thailand and Malaysia, Indonesia offers a great opportunity for automotive sector, with total market share of the three countries reaching 75% in ASEAN.

ASEAN boasts a large automotive market, with sales of 2.5 million vehicles (excluding two-wheelers) in 2020, the industry is projected to grow at a CAGR of 9 per cent from 2020-25 driven by improving consumer sentiment and an economic rebound from COVID-19.

With increasing environmental awareness in the region, Indonesia has a very strategic position to become a major player in the electric vehicle (EV) as the segment is accelerating as part of the growth of automotive industry, with a global consumer spend of USD 120 billion on electric car purchases in 2020, a 50% increase from 2019². As elaborated by the Minister of Finance, Indonesia is at the centre of attention in terms of EV battery development being the country with the biggest nickel reserves and production³. With the world's biggest fleet of 4.5 million electric cars, China offers great opportunity to be a key driver in the global EV industry, thus also opening up potentials for ASEAN.⁴

¹ Survey commissioned by Standard Chartered in April 2021 and completed by senior executives at 43 companies based in China and focusing on the China-ASEAN corridor

² IEA (2021), Global EV Outlook 2021, IEA, Paris <https://www.iea.org/reports/global-ev-outlook-2021>

³ Cabinet Secretary of the Republic of Indonesia (<https://setkab.go.id/en/indonesia-has-great-potential-to-be-key-player-in-ev-battery-industry/>)

⁴ IEA (2021), Global EV Outlook 2021, IEA, Paris <https://www.iea.org/reports/global-ev-outlook-2021>

Indonesia also offers great opportunities in the consumer electronics manufacturing sector with maturing supplier capabilities, lower labour costs and available incentives. Together with Vietnam and Thailand, these three countries possess the largest markets for consumer electronics with combined sales of USD25.7 billion in 2020 and a projected CAGR of 6.8% (2020-2025). Expansion into ASEAN can benefit Chinese companies thanks to lower manufacturing costs and quicker access to a fast-growing market.

Access to the large and growing ASEAN consumer market (56%), local government incentives and support for project sustainability/stability (53%), as well as presence of a mature and reliable supplier base (51%) were regarded as the most important drivers⁵ to expand in ASEAN for the respondents from Chinese companies.

With the Omnibus Law rolled out in 2020, Indonesia's position as an appealing investment destination and production base in ASEAN is also increasing. Industries working on components of electronic and telematics equipment including, EV Battery, are included in the priority list of investments that are eligible for tax holiday⁶. The Indonesian government also works together with related ministries and state-owned enterprises to develop strategic industrial locations for companies to expand or relocate. Moreover, Indonesia Global Talent Competitiveness Index (GTCI) improved in 2020, Indonesia reached the top 2nd quartile and surpassed Thailand⁷.

The survey also showed companies recognising a wide range of risks associated within the region. The top three risks identified are the COVID-19 pandemic or other health crises (70%), geopolitical uncertainty and trade conflicts (67%) as well as slow revival of the economy and drop in consumer spending (67%).⁸ Furthermore, almost 60% of respondents agreed that adapting the business model to industry practices and conditions within ASEAN (58%), understanding regional regulations, payment methods and infrastructure (56%) and building relationships with suppliers, and adapting supply chain logistics (56%) are the most significant challenges⁹ in the next 6-12 months.

Against the backdrop of these risks and challenges, more than half of the survey respondents consider executing digital transformation programmes (58%), driving sustainability and ESG (Environment, Social and Governance) initiatives (47%) and entering new partnerships / joint ventures to increase market presence (44%) the most important areas¹⁰ for their companies to

⁵ Values refer to the % of survey respondents who included the driver as one of the top 3 ranked choices

⁶ Presidential Regulation No. 10 Year 2021

⁷ Global Competitiveness Index Report, 2020

⁸ Values indicated refer to the % of survey respondents who included the option as one of their top 3 ranked choices

⁹ Values indicated refer to the % of survey respondents who included the option as one of their top 3 ranked choices

¹⁰ Values indicated refer to the % of survey respondents who included the option as one of their top 3 ranked choices

focus on, so as to drive resilient and rebalanced growth in ASEAN. To support their growth, these companies say they are seeking banking partners with strong cash management capabilities (60%), extensive trade financing services (56%), and one-stop corporate financing and capital-raising services (56%) ¹¹.

Andrew Chia, Cluster CEO, Indonesia & ASEAN Markets, AUS/BRN/PHL of Standard Chartered, said: “Given the vast opportunities ASEAN has to offer, it is important that the region be included in our clients’ business strategy. As the only international bank with presence in all 10 ASEAN markets, coupled with our tailored product solutions and advanced digital capabilities, Standard Chartered is well positioned to be the go-to bank for Chinese companies with growth aspirations in ASEAN.”

Standard Chartered has launched the first edition of our Borderless Business series for 2021. To download the Standard Chartered “*Borderless Business: China-ASEAN Corridor*” report and find out more about the key areas of focus for Chinese companies to succeed in ASEAN, visit: www.sc.com/en/borderless.

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Note to editors

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¹¹ Values indicated refer to the % of survey respondents who included the option as one of their top 3 ranked choices

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