



## SPEECH

### **IE Singapore: Singapore companies can tap into Indonesia's consumer market**

**Welcome Remarks by Group Director, Tan Soon Kim, Southeast Asia Group, International Enterprise Singapore, at the iAdvisory Seminar Series on "Doing Business in Indonesia", 29 November 2011, Tuesday, 9am, Concorde Hotel**

Distinguished Guests,  
Ladies and Gentlemen,  
Good morning.

#### **Introduction**

1. Welcome to the iAdvisory seminar on doing business in Indonesia. This is organised by International Enterprise Singapore, as part of our seminar series focusing on fast-growing economies. Today, we hope to share Indonesia's growing potential and highlight key opportunities and business strategies to adopt.

#### **An attractive business destination**

2. Businesses are now bracing for a sluggish global economy ahead. Ensuring growth in tough times will require companies like you to continue to think long term, and be astute with your overseas expansion strategy.
3. With its economic resilience, Indonesia is a potential market to look at even during the current global uncertainties. It has been forecasted to grow at 6.6 percent this year<sup>1</sup>, ahead of many countries in Southeast Asia. The country also attracted about US\$20 billion in total direct investments in the first nine months of this year.

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<sup>1</sup> Asian Development Bank

- Indonesia is currently Singapore's fourth largest trading partner, with total trade amounting to almost S\$68 billion. Our trade continues to grow healthily, having expanded for the past 23 months consecutively<sup>2</sup>. Singapore has consistently ranked among the top five investors in Indonesia. Last year, Singapore's investments in Indonesia reached US\$5 billion<sup>3</sup>.

#### **Growth of domestic consumption**

- Key factors driving Indonesia's growth include its large domestic market, a growing middle class, and a record of economic growth and political stability in recent years. Indonesia's middle class made up only 38 percent of the population in 2003. By 2010 it had reached almost 55 percent, or 130 million people<sup>4</sup>. This middle class continues to grow by seven million each year, a sizeable market for consumer-related businesses.
- Studies have found that Indonesian consumers are among the most optimistic of the emerging countries<sup>5</sup>, with up to 96 percent expecting their earnings to rise over the year. These consumers are now broadening their areas of consumption beyond essential items.
- It is with this growing trend in consumerism in mind that we have carved out a segment in this seminar to focus on food and retail franchise opportunities in Indonesia. Besides joint ventures and partnerships, franchising is a strategy you can consider to gain a foothold in this market segment. Franchising can allow you to leverage on your local partners' network for a smoother and faster market entry.

#### **Looking beyond Jakarta**

- In terms of location, many companies pick Jakarta as their first stop for its expansion in Indonesia. However, other regions in Indonesia present equally attractive business prospects. Surabaya is an up and coming location that is riding the same trend of growing consumption. As one of Indonesia's largest cities, it has a population of more than five million, about the size of Singapore, a sizable catchment for food and retail concepts. It is also a hub for east Java, a province which experienced almost equally strong GDP growth as Jakarta last year<sup>6</sup>. With its manufacturing and distribution

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<sup>2</sup> IE Singapore

<sup>3</sup> BKPM

<sup>4</sup> World Bank

<sup>5</sup> Credit Suisse. Emerging economies cover seven countries, including China, Brazil, Egypt, India, Indonesia, Russia and Saudi Arabia

<sup>6</sup> DKI Jakarta GDP growth 14%, East Java 13% in 2010 (Statistics Indonesia)

activities expected to grow, we can expect consumer demand in Surabaya to increase significantly in the near future.

9. Recognising Surabaya's potential and the growing interests of Singapore companies in the region, IE Singapore recently expanded our presence in Indonesia with a second office there. We hope to grow trade and investment linkages with the eastern part of Indonesia, including Bali, Makassar and Sulawesi. Through our engagement of the business community and local government, we will be able to provide Singapore companies with the relevant market knowledge and assistance on the ground.

### **Conclusion**

10. Finally, I would like to thank our distinguished speakers for joining us today to share their insights about this promising market. I trust all of you will have a fruitful seminar today and gain many business contacts as well. IE Singapore will be glad to assist you if you are keen to explore more investment and business opportunities in this market. I hope to hear many of your success stories on doing business in Indonesia in the near future.

11. Thank you.

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**About International Enterprise Singapore**

International Enterprise (IE) Singapore is the government agency driving Singapore's external economy. We spearhead the overseas growth of Singapore-based enterprises and promote international trade.

We partner Singapore-based companies in their international expansion through our "3C" framework of assistance (Connections, Competency and Capital), and through our global network in over 35 locations spanning many emerging markets.

We also anchor global trading companies in Singapore and position the country as base to expand into the region in partnership with Singapore-based companies.

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