Business Climate Survey Indonesia

Business Climate Survey for Swedish Companies in Indonesia 2026

A report from Team Sweden in Indonesia

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42 respondents
(total +2,250 respondents from 41 markets)

Current business climate

Less optimistic mood than last year

Industry turnover

57%

of Swedish companies expect their industry turnover to increase

Future investments

28%

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

Valued success factors

1. Partnerships/local relationships
2. Cost efficiency
3. Public affairs
4. Sales competence

Brand Sweden

88%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Distributors
2. Service providers
3. Suppliers

Local conditions with least satisfaction

1. Licences, permits, and approvals
2. Transparency/equal treatment
3. Customs

Environmental considerations

53%

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

Corruption

– Recorded incidences of corruption when dealing with public and private organisations as well as internally

Human rights violation and labour rights abuse

– An incidence of potential violation/abuse has been recorded in the supply chain

Foreword

The global business environment in 2026 is more complex than it has been in several years. The conflict in the Persian Gulf has disrupted key shipping lanes and driven up energy prices, creating fiscal pressure for import-dependent economies, including Indonesia. The rupiah has hit historic lows against major currencies, and the country's budget deficit has reached its widest point in two decades outside the COVID years. These are not abstract trends. They are felt directly by Swedish companies operating here, through higher input costs, reduced customer purchasing power, and an increasingly unpredictable regulatory environment.

Yet Indonesia remains a market of strategic importance. As the largest economy in Southeast Asia, it continues to offer scale, growth, and long-term opportunity that few markets in the region can match. Its economic growth rate holds near 5 per cent. Private-sector partnerships and Brand Sweden continue to deliver competitive advantage for companies that invest in relationships and position themselves effectively. And the finalisation of the EU-Indonesia CEPA represents the most significant structural development for Swedish business in this market in years, with a target implementation date of 1 January 2027.

This year's survey reflects the current tension between short-term headwinds and longer-term opportunity. Confidence indicators have weakened compared to last year, with fewer companies projecting turnover growth and more reporting reduced profitability. At the same time, two-thirds of respondents view the CEPA positively, signalling that Swedish companies see a path forward.

I hope this report serves as a useful reference as you navigate the Indonesian market. My thanks to all 42 companies that participated. Your perspectives are invaluable, both for understanding the current business climate and for shaping how Team Sweden can best support Swedish interests in this country.

Erik Odar
Trade Commissioner of
Sweden to Indonesia

Executive summary

1

Financial conditions tend to be less favourable for Swedish companies compared to last year

Only 62 per cent of the respondents are reporting profitability this year, down from 77 per cent last year. Moreover, only 57 per cent of them are projecting increased turnover this year, a decrease from 79 per cent last year.

2

Swedish respondents tend to be less optimistic on Indonesia's business climate this year

Only 25 per cent of Swedish respondents perceive Indonesia's business climate as positive, a very steep decline from the 2024 survey's value of 65 per cent, although only a slight decline from 26 per cent in 2025. Conversely, respondents that perceive the climate as negative in the 2026 survey have increased to 28 per cent from 20 per cent in 2025.

3

Private commercial stakeholders are still considered the most satisfactory aspects for Swedish companies in Indonesia, while government-related factors are ranked among the least

Distributors, service providers, and suppliers are given the highest satisfaction values by Swedish companies in terms of their positive influence on their operations, while customs, transparency/equal treatment, and licences, permits, and approvals have the lowest values.

4

Partnerships and cost efficiency are still considered key towards competitiveness in the Indonesian market

Partnerships and cost efficiency are selected as the top factors influencing competitiveness in the Indonesian market, selected by 45 per cent and 40 per cent of respondents, respectively.

5

Swedish brand is still perceived positively by the Indonesian market in general

88 per cent of respondents still recognise the benefit of the Swedish brand to their operations.

6

Slight decrease in the importance of sustainability in purchase decisions among Indonesian customers

53 per cent of respondents indicated that their customers at least partially consider the sustainability factor in their purchasing decisions.

7

Swedish companies in general welcome the EU-CEPA agreement due to its potential import duty reductions

66 per cent of Swedish respondents in Indonesia believe that the EU–Indonesia CEPA (Comprehensive Economic Partnership Agreement) will have a positive effect on their operations in Indonesia. Moreover, 54 per cent of respondents expect that the agreement will allow them to access lower import duties for products and/or raw materials from the EU.

About the survey

A record 42 participants participated in this year's Indonesia Business Climate Survey

The Business Climate Survey is a global initiative conducted by Team Sweden. This tool enables Swedish companies to provide important insights into their views of each market's business climate and corresponding trends. This year, 42 companies participated in the survey, up from last year's 39.

This survey marks the seventh edition of the initiative in Indonesia. Data collection was conducted from February to March 2026 through online questionnaires distributed to 72 Swedish companies operating in Indonesia. Forty-two companies responded, representing a response rate of 58 per cent, an increase from last year's 56 per cent. Responses provided by the participating companies are based on data collected during the survey period, unless otherwise stated (for financial performance, the data is for the previous year, i.e. 2025). The companies participating in the survey are Swedish firms conducting business in Indonesia, ranging from limited sales and sourcing activities to full-scale manufacturing operations. Not all have a physical presence in Indonesia – some manage their Indonesian operations from regional hubs, usually Singapore.

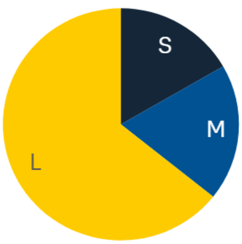
Similar to last year, the majority (64 per cent) of the participating companies are large businesses employing more than 1,000 employees globally, while medium-scale businesses (250–1,000 employees) and small-scale businesses (fewer than 250 employees) account for 19 per cent and 17 per cent, respectively. Industrial companies remain the predominant sector (65 per cent), followed by professional services (29 per cent) and consumer companies (six per cent). Additionally, 46 per cent of the companies are mature firms with a presence in Indonesia for 21 years or more, while another 46 per cent are experienced companies with five to 20 years in the Indonesian market. Only 9 per cent of respondents are newcomers with less than 5 years of market presence.

To ensure strategic insights, online questionnaires were sent to senior management personnel within the companies, such as CEOs, country managers, or other high-ranking positions based in Indonesia. For firms without a residential office in Indonesia, equivalent positions based in regional hubs (e.g., ASEAN area sales managers based in Singapore) were contacted.

This report is divided into five sections. The first section documents the respondents' views regarding their financial performance and their expectations regarding business turnover and investment this year. This is followed by a section describing their perspectives on the Indonesian business climate and the factors influencing it. The third section discusses key factors driving their success in the Indonesian market, while the fourth section elaborates on how the companies perceive sustainability, corruption prevention, and human rights issues in Indonesia.

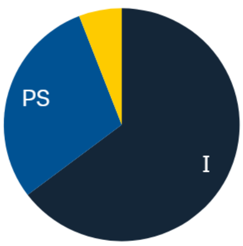
The fifth section provides a snapshot of respondents' reactions to the EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA), the advantages they expect from its implementation, and whether the agreement will motivate them to establish or expand their manufacturing operations in Indonesia.

Global size of firms



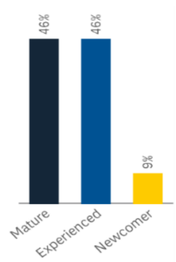
NOTE: Global employees. Large >1,000. Medium 250-1,000. Small 0-249.

Main industry



NOTE: Industrial 65%. Professional services 29%. Consumer 6%.

Age of companies



NOTE: Mature (-2004). Experienced (2003-2020). Newcomer (2021-).

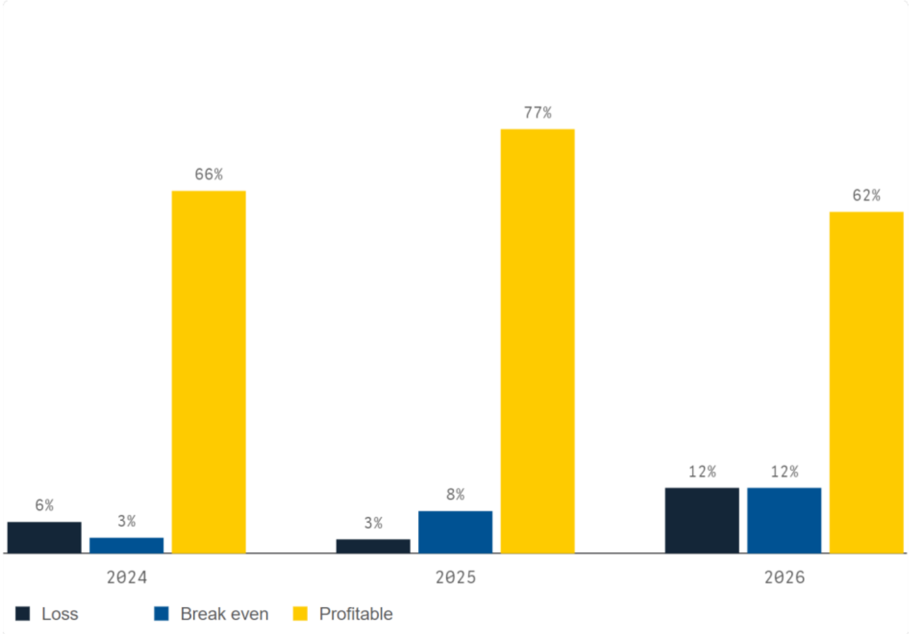
Economic outlook

The majority of respondents still reported profitability, but the percentage of companies incurring losses increased

This year, the share of companies reporting profitability in their previous year of operation (i.e., 2025 for the 2026 survey, 2024 for the 2025 survey) has decreased significantly, from 77 per cent in 2025 to 62 per cent in 2026. On the other hand, companies reporting operating losses have also increased substantially, from 3 per cent in 2025 to 12 per cent in 2026, while companies reporting break-even operations have increased slightly, from 8 per cent in 2025 to 12 per cent this year.

The significant decrease in companies reporting profitability and the increase in companies reporting losses signal that the Indonesian operations of Swedish businesses are becoming meaningfully less profitable.

How would you describe your company's financial performance in Indonesia in the previous year of operation?



NOTE: The number of respondents for this question was 42. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

Indonesia is predicted to sustain its economic growth rate achieved in 2025 this year

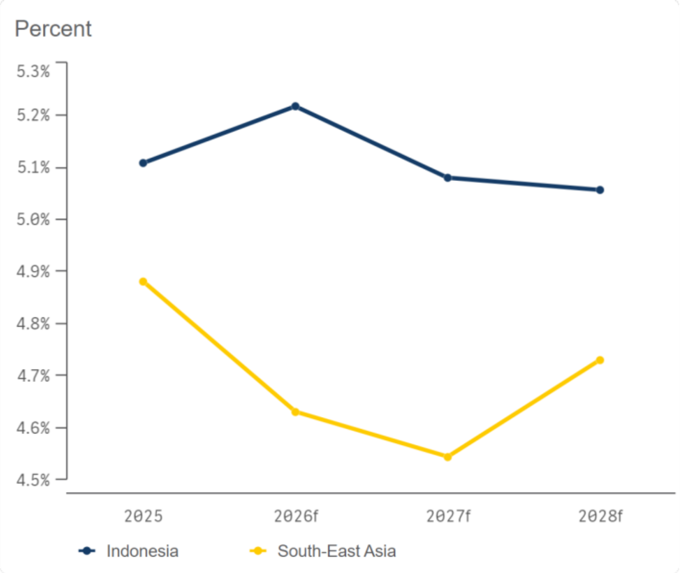
In 2025, Indonesia recorded GDP growth of 5.11 per cent, higher than the 2024 figure of 5.03 per cent. Compared to other major Southeast Asian economies, this value was lower than that of Viet Nam (8.0 per cent) and Malaysia (5.2 per cent), but it was relatively aligned with Singapore (5.0 per cent) and higher than the Philippines (4.4 per cent) and Thailand (2.4 per cent)[1].

The growth was driven mainly by rising consumption, particularly increased mobility among Indonesian citizens, including tourism-related activities during the holiday season, and by rising investment, particularly in machinery and equipment, driven by increased imports and domestic production of these products[2].

In 2026, according to ADB projections, Indonesian GDP growth is projected to increase slightly to 5.2 per cent, assuming the conflict between Iran and the United States and Israel does not worsen. Private consumption this year should continue last year's momentum, supported by stable income growth and government policy support through programmes such as the Free Nutritious Meals (*Makan Bergizi Gratis/MBG*). Investment will likely increase as progress is made in sectors such as mineral processing and manufacturing.

However, the rupiah's declining exchange rate remains a concern. On 19 May 2026, the rupiah reached its lowest level against the US dollar (USD) (as of the date the report was completed), at IDR 17,700/USD. Although the low exchange rate might be a boon for exporters, it makes imports more expensive. This can disrupt manufacturing companies, which often depend on raw materials imported from abroad. Companies that sell imported finished products, including many Swedish companies operating in sectors such as industrial equipment and consumer goods, are also impacted by this development. These companies may need to charge higher prices for their products in rupiah to offset the declining exchange rate, which, in turn, can discourage potential customers.

Projected GDP growth in Indonesia



NOTE: Constant prices
SOURCE: Oxford Economics

This analysis aligns with the responses from surveyed Swedish companies. This year, respondents tend to have a less optimistic outlook towards their sales prospects in Indonesia. There is a significant decrease in the percentage of companies projecting increased turnover, from 79 per cent last year to 57 per cent this year. Conversely, there is a significant increase in the percentage of companies predicting decreased turnover, from 8 per cent in 2025 to 20 per cent in 2026.

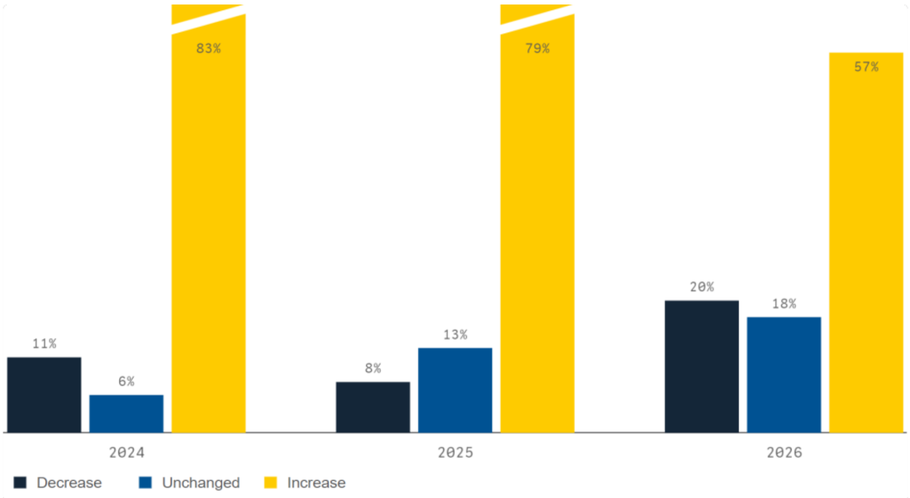
This also reflects a more pessimistic outlook on the Indonesian economy, which may be concerning, as it suggests that foreign companies are less inclined to invest in Indonesia. In addition to macroeconomic

1 Chang, A., & Kamarudin, K. (den 27 March 2026). Southeast Asia quarterly economic review: A strong year-end rebound. Retrieved from McKinsey & Company: https://www.mckinsey.com/featured-insights/future-of-asia/southeast-asia-quarterly-economic-review#/
2 Anglingkusumo, R., & Aji, P. (April 2026). Asian Development Outlook: Indonesia. Asian Development Bank.

developments, some respondents indicate that political instability and corruption are contributing factors to their limited business growth this year.

> **"Political stability and corruption are among the biggest challenges for company growth in Indonesia.**
>
> **President Director**
> Major Swedish industrial solutions company 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?

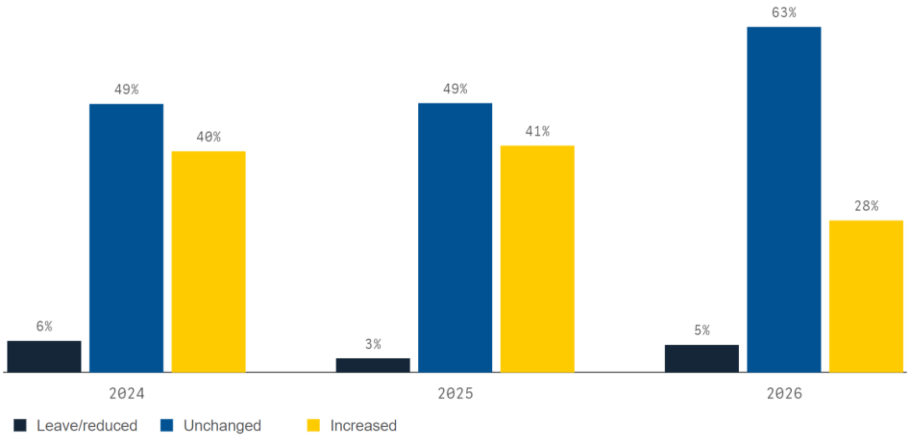


NOTE: The number of respondents for this question was 42. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

Swedish companies tend to be even more cautious about increasing investment in Indonesia compared to last year

Aligned with the less positive responses regarding profitability and lower turnover expectations, Swedish companies in general are also less keen to increase their investment in Indonesia. The percentage of Swedish companies planning to increase their level of investment in Indonesia has declined from 41 per cent in 2025 to 28 per cent in 2026. Although most companies are still reporting unchanged investment levels in 2026 (up from 49 per cent in 2025 to 63 per cent in 2026), this remains a concerning development.

What are your company's investment plans for the coming 12 months in Indonesia, compared to the past 12 months?



NOTE: Reduced and increased represent aggregations of slight/significant development changes. The number of respondents for this question was 40. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

The market

Swedish exports to Indonesia decreased in 2025, although imports from Indonesia increased

According to data from *Statistikmyndigheten SCB* (Swedish national statistics agency), bilateral trade between Sweden and Indonesia in 2025 decreased slightly, from USD 868 million[3] (SEK 8.7 billion) in 2024 to USD 825 million (SEK 8.3 billion) in 2025, a 4.9 per cent decline[4].

Around 62 per cent of the USD 825 million trade consisted of Swedish exports to Indonesia, amounting to USD 511 million (SEK 5.1 billion). This amount represents a 13.5 per cent reduction in Swedish exports, from USD 591 million (SEK 5.9 billion) in 2024 and is the primary driver of the overall trade decline. As in the previous year, Swedish exports to Indonesia are still dominated by road vehicles (HS code 87), industrial machinery (HS code 84), and pulp materials (HS code 47), underscoring the strength of the Swedish solutions ecosystem in the industrial sector.

Swedish vehicle exports to Indonesia increased by 12 per cent, from USD 177 million in 2024 to USD 198 million in 2025. This increase is the largest absolute rise among all HS codes. On the other hand, exports of industrial machinery decreased by 25 per cent, from USD 107 million to USD 81 million, making it one of the categories with the most significant decline in absolute terms. Exports of pulp materials decreased slightly from USD 65 million in 2024 to USD 61 million in 2025.

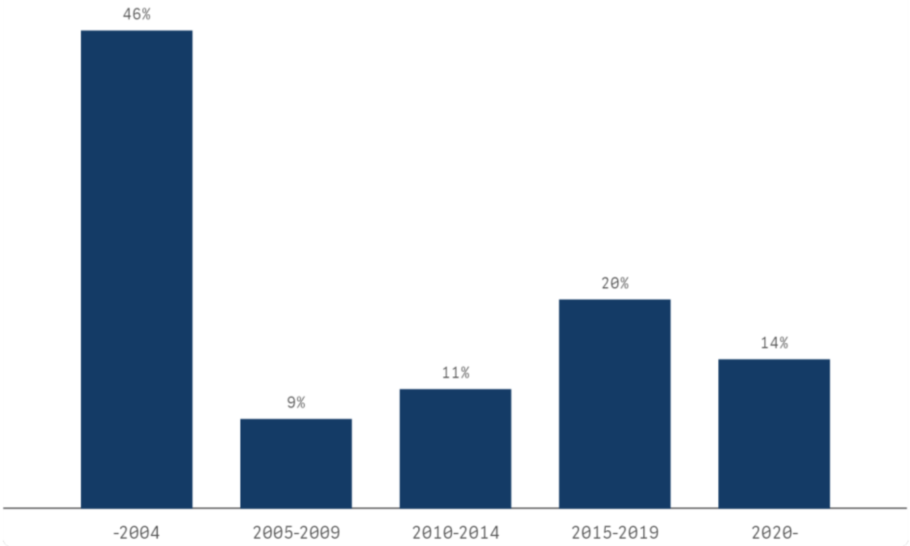
Among other items, the most significant decreases are in electrical machinery and electronics (HS code 85) and nickel-based products, including tubes and alloys (HS code 75). The first category experienced a 58 per cent drop, from USD 57 million to USD 24 million, while the second one recorded an even steeper decrease of 80 per cent, from USD 40 million to USD 8 million.

On the other hand, Swedish imports from Indonesia actually increased by 13.3 per cent in 2025, from USD 277 million the previous year to USD 314 million. The largest items imported from Indonesia this year are iron and steel products (HS code 73), animal and vegetable fats (HS code 15), and knitted and crocheted apparel and clothing products (HS code 61).

Regarding investment, the value of Swedish investment in Indonesia decreased substantially by 75 per cent, from USD 173 million (IDR 2.77 trillion) in 2024 to USD 41 million (IDR 0.66 trillion) in 2025. This value is also still smaller than the 2023 figure of USD 47 million (IDR 0.75 trillion)[5]. However, the large value obtained in 2024 was indeed an outlier within the last five years, particularly due to very large investment inflows in Q3 2024.

3 Exchange rate used: USD 1 = SEK 10, USD 1 = IDR 16,000
4 Utrikeshandel med varor. (n.d.). Retrieved from Statistikmyndigheten SCB: https://www.scb.se/hitta-statistik/statistik-efter-amne/naringsverksamhet-och-utrikeshandel/utrikeshandel/utrikeshandel-med-varor/
5 Data Realisasi Investasi Penanaman Modal Asing tahun 2025. (2025). Retrieved from Badan Koordinasi Penanaman Modal (BKPM): https://data.bkpm.go.id/visualisasi-detail/data-realisasi-investasi-penanaman-modal-asing-tahun-2025

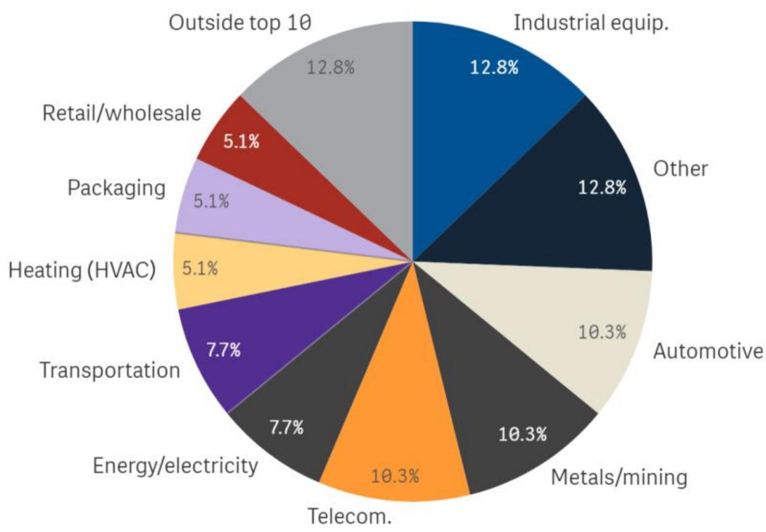
In what year did your company establish operations in Indonesia?



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 2026

Consistent with last year's survey, a significant portion (46 per cent) of Swedish firms responding to the survey have been present in Indonesia since 2004, which means they have been operating in the country for more than 20 years, indicating a relatively successful operational history.

What is your company's main industry in Indonesia?



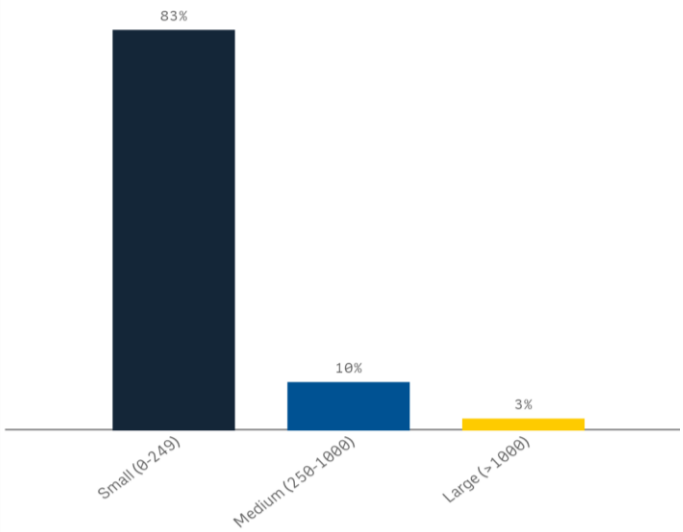
NOTE: The number of respondents for this question was 39.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

This year's survey also indicates an even higher level of diversity in the industrial focus of Swedish companies. Industrial equipment is still the largest single sector, accounting for 12.8 per cent, down from last year's 20.5 per cent. Similarly, the automotive sector still represents a significant share at 10.3 per cent, but it is smaller than last year's 15.4 per cent, and this year it matches the percentages of the metals/mining and telecommunications sectors.

The consistently significant presence of the industrial and automotive industries, combined with the growing presence of the metals/mining and telecommunications sectors in the survey, indicates that the

Swedish business ecosystem in Indonesia still focuses on serving business customers rather than the consumer market.

Swedish firms' local number of employees in Indonesia in 2025



NOTE: The number of respondents for this question was 40. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

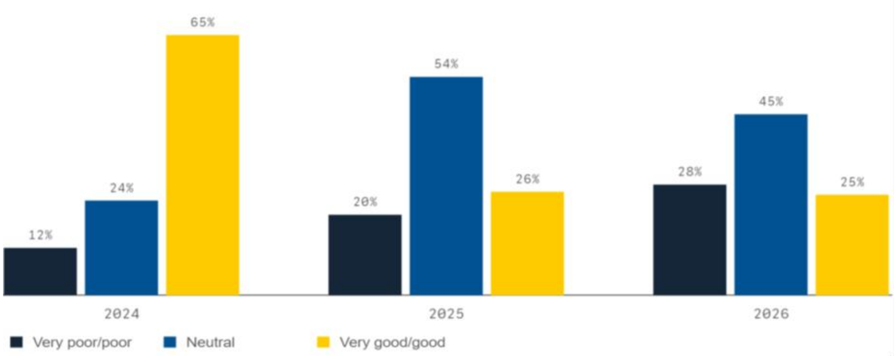
Although the majority of Swedish companies present in Indonesia are large globally, the vast majority of these Swedish entities (83 per cent) in Indonesia have relatively small numbers of employees (below 250). Only 13 per cent of companies employ 250 or more people. Most Swedish companies with such large numbers of employees are manufacturing companies that employ many factory workers.

Decreased optimism on the state of the Indonesian business climate continues in 2026

Swedish companies' perception of the Indonesian business climate remains relatively stable, with 25 per cent reporting a positive perception this year, down from last year's 26 per cent. However, the increase in the percentage of Swedish respondents who perceive the Indonesian business climate negatively, from 20 per cent in 2025 to 28 per cent in 2026, is concerning.

This continues the downward trend seen last year, particularly when compared to the very positive sentiment recorded in 2024. Concerns about government policies, including trade barriers and new measures that complicate business operations and increase costs, might have contributed to this more pessimistic mood.

How do you perceive the current business climate in Indonesia?



NOTE: The number of respondents for this question was 40. “Don't know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

> **“Non-tariff barriers are replacing the tariffs that headline-grabbing trade deals are doing away with. It is becoming more complex and expensive to do business now than in recent years.**
>
> **Managing Director**
> Swedish retail company

Respondents show satisfaction towards private commercial stakeholders and less favourable opinions on government-related factors in Indonesia

Overall satisfaction of Swedish companies with various business aspects in Indonesia has shown marked improvement compared to last year, with 13 factors (out of 15) showing positive scores (above 5.0) this year, compared to 9 out of 15 factors last year. In terms of range, it also shows improvement, from 4.1 to 6.5 last year to 4.6 to 6.9 this year.

Distributors and service providers remain among the top three most positively ranked aspects across various business factors in Indonesia, as last year. Other factors that have attained top results in recent years include personal safety and suppliers.

This shows that Indonesian private commercial stakeholders, i.e., distributors, service providers, and suppliers in general, have consistently performed relatively satisfactorily compared with other supporting factors. This can be considered as positive news, as the success of foreign companies, including Swedish ones, in the Indonesian market strongly depends on the presence of supportive and competent local partners. These partners can help Swedish companies navigate the challenges of operating in Indonesia's complex business environment.

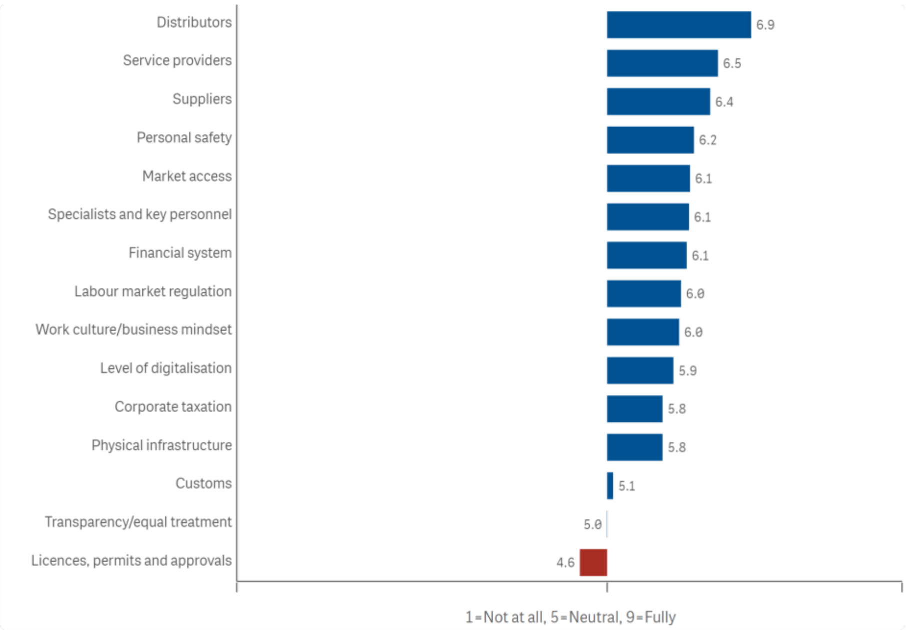
On the other hand, government-related aspects, such as customs and the licensing, permits, and approvals environment, continue to be ranked among the weakest supporting aspects on average for Swedish businesses in Indonesia. Both receive significantly lower average values compared to other aspects. In fact, the licences, permits, and approvals aspect is the only aspect with a negative average value this year. Additional licence and permit requirements might have contributed to this negative perception, as elaborated on the next page.

Customs-related issues such as import limitations, particularly for steel-based products and other types of commodities under the Ban and Limitation (*Larangan dan Pembatasan/Lartas*) treatment, which prohibit or limit the quantity of products that can be imported into Indonesia, have also created problems for companies dependent on such products.

Finally, policy consistency and legal certainty have also been important factors raised by the Swedish respondents. Many companies place great importance on these factors, as they do not want to commit to specific responses to a government policy only for it to be changed the following year, which may require them to develop another response.

> **“Government regulation in the last couple of months has been very uncertain, especially in the mining sector... Limitations on iron and steel import quotas are also affecting the business, significantly decreasing customer trust.**
>
> **Director**
> Swedish mining solutions provider

How well do the following conditions meet the needs of your company in Indonesia?



NOTE: The number of respondents for this question was 42.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

Customs procedures are the most commonly encountered negative trade barrier, but other regulatory barriers also exist

Consistent with the previous year's findings and the response to the previous question, customs procedures, regulations, and local requirements remain the most common trade barriers encountered by Swedish companies, with a noticeable negative impact on operations.

This year, customs procedures have become the most commonly cited trade barrier, with a noticeably negative impact on operations, with half of respondents selecting them, compared to last year's 36 per cent. On the other hand, both regulations and local requirements are selected by approximately 33 per cent of the respondents, down from 38 per cent in 2025.

New regulations, such as the mandatory halal requirements, not only for food and beverage products, but also for cosmetics, household products, and even genetic engineering materials by October 2026, have created new challenges for Swedish companies, particularly for businesses which do not have manufacturing functions in Indonesia or do not even possess any kind of representation in this country.

Halal certification procedures can be cumbersome and costly, particularly for companies with a large product portfolio, since each product type must be certified. Companies do have the option not to comply with the requirement, but they must explicitly label their products as non-halal, even if they do not contain non-halal components.

Indonesian National Certification (*Sertifikat Nasional Indonesia/SNI)* is a national product quality certification system implemented in Indonesia. It is only mandatory for certain product types, but in the product areas where it is mandatory, all products sold in Indonesia must be SNI-certified before they can be sold. Such certification can also be very expensive and complex because it needs to be arranged on a product-by-product basis, similar to halal requirements.

For companies that use third-party manufacturing outside Indonesia, the process can be even more complex, as the third-party manufacturer must have a representative office in Indonesia.

Lastly, the government still implements local content requirements to encourage foreign companies to establish manufacturing and/or assembly operations in Indonesia. Government institutions and agencies are still required to prioritise domestically produced goods over imports in public procurement. When products available in the market have sufficiently high local content (referred to as *Tingkat Komponen*

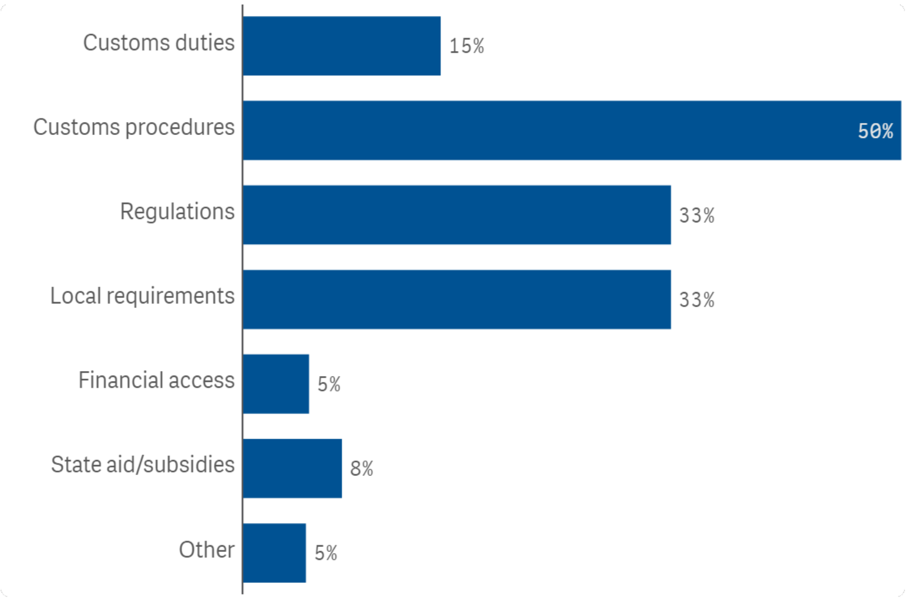
Dalam Negeri or TKDN) and meet the necessary user purchasing criteria and quality standards, these entities are required to use those domestic products.

The European Union (EU)–Indonesia Comprehensive Economic Partnership Agreement (CEPA) is expected to address some trade barriers. The agreement is currently being ratified in both the Indonesian and EU parliaments, and the government has set 1 January 2027 as the target implementation date. Further discussion of the CEPA agreement can be found in the last section of this report.

> **"Halal regulations are complicating things a lot. Customs procedures related to halal regulations are also complex. Too many rapid policy changes and reversals make it hard to run a smooth business.**

Vice President
Swedish consumer goods company in Indonesia

Has your company encountered trade barriers in Indonesia in the past year that had a noticeably negative impact on operations in any of the following areas?



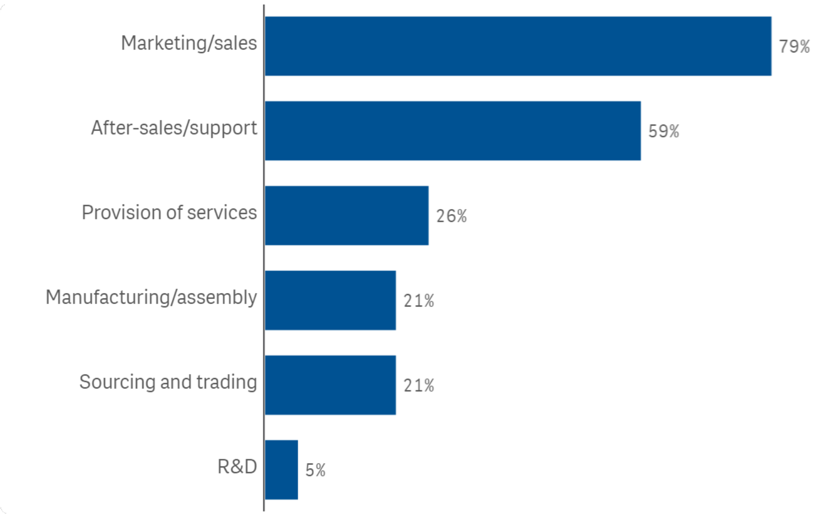
NOTE: The number of respondents for this question was 42.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

How Swedish companies succeed in Indonesia

Swedish companies are very much oriented towards marketing and sales, and after-sales support functions

The majority (79 per cent) of Swedish companies in Indonesia still focus on sales and marketing activities for the Indonesian market, as well as after-sales support for their customers in the country. Only 21 per cent of the companies are engaged in manufacturing or assembly activities (compared to 23 per cent last year). Another 21 per cent conduct sourcing of raw materials for their operations or trading businesses.

Operations of Swedish firms in the market



NOTE: The number of respondents for this question was 42. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

Partnerships with local stakeholders and cost efficiency are still considered key for competitiveness in the Indonesian market

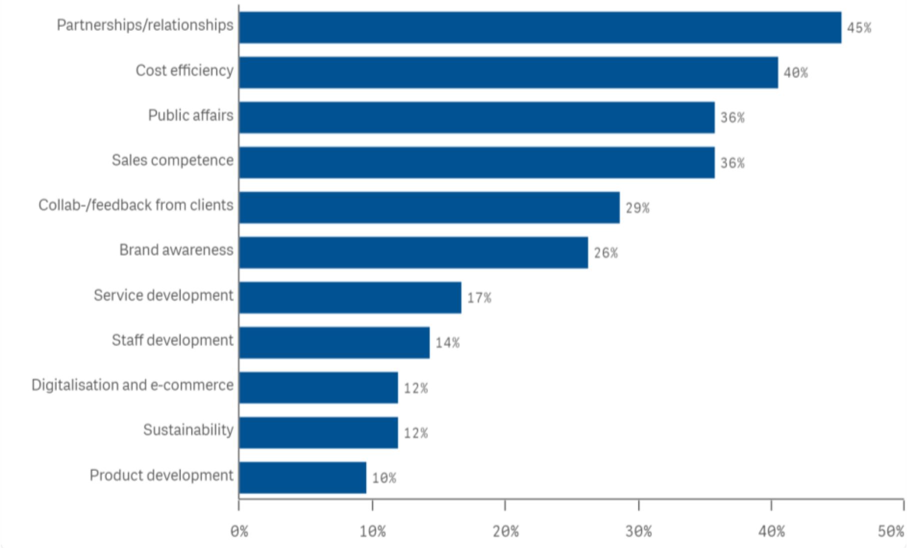
This year, more Swedish companies considered partnerships and relationships an important factor influencing their competitiveness in Indonesia, more than any other single aspect. The second most commonly selected factor is cost efficiency. This finding is consistent with the results of the 2024 and 2025 editions of the survey, which ranked both factors among the top two, although in both editions, cost efficiency ranked first rather than partnerships and relationships.

The consistent insight from the survey over the years highlights the importance of strong relationships with Indonesian stakeholders and cost leadership for business success in the country.

Indonesian business culture tends to be high-context, with personal relationships playing a role in determining commercial success. In addition, the complex Indonesian regulatory environment requires foreign companies to work with local partners who understand the local context and can help them navigate it. Hence, good local partners are critical to maintaining competitiveness in the Indonesian market.

Cost efficiency is also very important for businesses operating in Indonesia, as many Indonesian businesses remain cost-conscious and often prefer solutions from more affordable brands. The expansion of Chinese brands, which tend to focus on lower prices, often creates difficulties for more premium brands. Therefore, maintaining products that balance affordability and quality is very important for competitiveness.

To date, which of the following areas have been important in maintaining competitiveness in Indonesia?



NOTE: The number of respondents for this question was 42.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

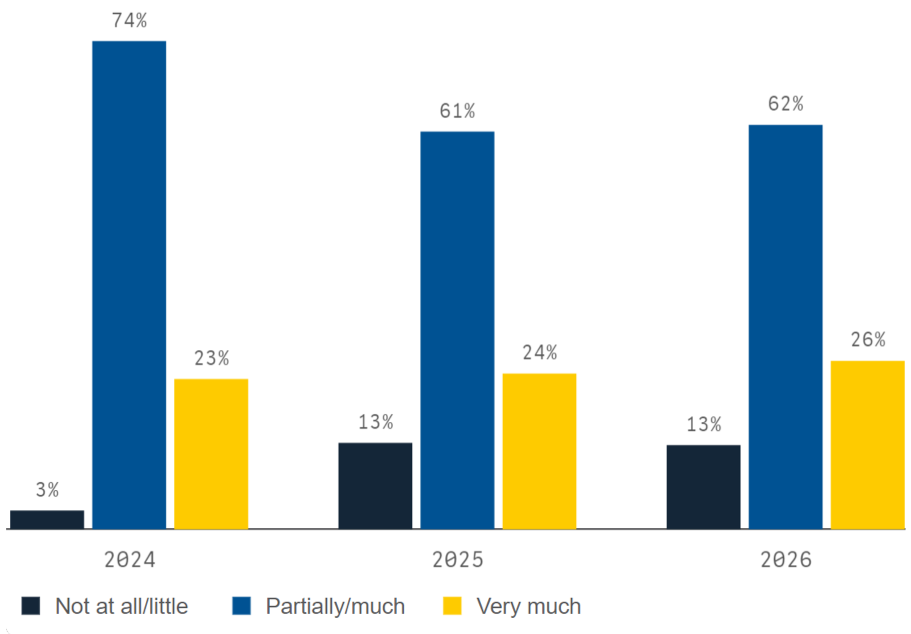
The Swedish brand is still appreciated by Swedish companies for its positive influence on business

The percentage of companies indicating a positive effect of the Swedish brand in this year's survey is relatively stable compared with last year's. The percentage of respondents reporting a positive effect of the Swedish brand on their business, at least partially, has slightly increased from 85 per cent to 88 per cent, while the percentage of respondents reporting little or no positive effect on the business has remained stable at 13 per cent (this discrepancy can be explained as one respondent selected the "don't know/not applicable" option).

The responses continue to highlight the positive influence of Swedish identity on business, though they are less overwhelmingly positive than in the 2024 survey. It indicates that Swedish businesses feel they benefit from emphasising their Swedish identity when dealing with their customers.

In Indonesia, Sweden is still associated with premium-priced, high-quality products, including, but not limited to, the consumer market. This helps explain why many brands emphasise a Swedish lifestyle to distinguish their products from competitors.

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 39. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

Acting sustainably

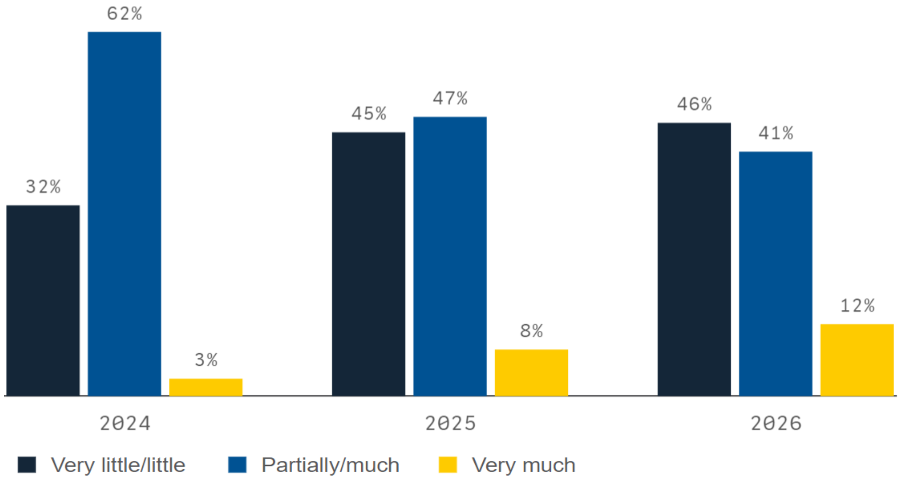
Swedish companies, in general, do not see significant changes in their attitude towards sustainability as one of the factors influencing purchasing decisions

Regarding sustainability, the percentage of Swedish companies reporting that their customers consider environmental aspects in their purchasing decisions (at least partially) has decreased slightly, from 55 per cent in 2025 to 53 per cent in 2026.

On the positive side, the share of companies reporting that their customers prioritise environmental aspects of the product has increased from 8 per cent in 2025 to 12 per cent in 2026.

The fact that more than 45 per cent of companies do not emphasise sustainability suggests that Indonesian customers, particularly in the B2B (business-to-business) sector, still do not prioritise sustainability in their procurement decisions, despite global momentum on the issue. Price remains more important than sustainability and quality for many Indonesian companies.

To what extent do customers in Indonesia consider the environmental aspects of a product or service in their purchasing decision?



NOTE: The number of respondents for this question was 41. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

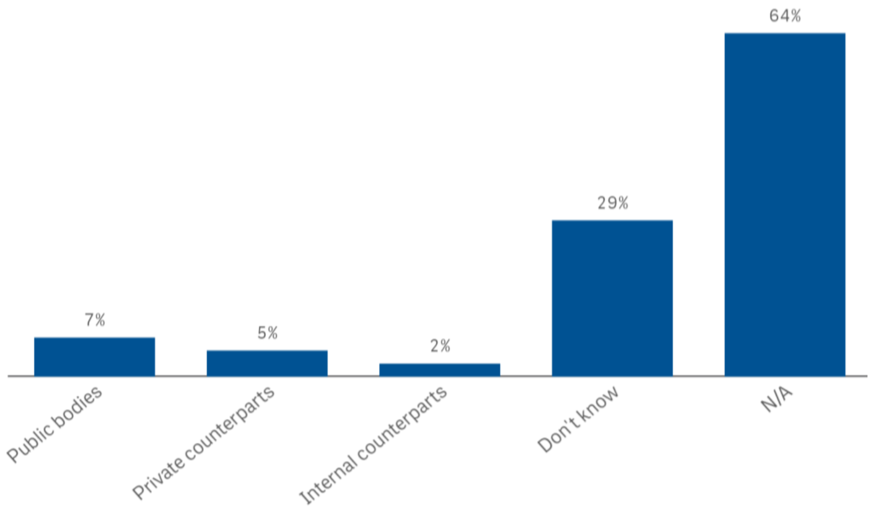
> **"Sustainability has not been a key consideration for most customers in the mining industry when selecting suppliers so far.**
>
> **Business Manager**
> Swedish mining solutions provider

Several Swedish companies experienced incidents of corruption related to their Indonesian operations in 2025

Similar to last year, several Swedish companies reported incidents of corruption related to their Indonesian operations in 2025. This year, the companies encountered corruption not only when dealing with public institutions, but also when interacting with private organisations and even within their own organisations.

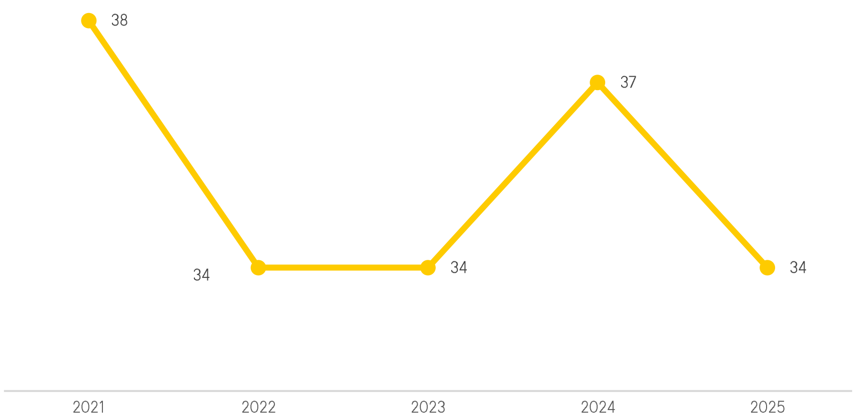
This is a concerning development which highlights the culture of corruption existing within several sections of Indonesian society. The significant prevalence of corruption in Indonesia is also indicated by the declining Corruption Perceptions Index (CPI), which measures corruption across countries worldwide, with 100 being the maximum score. The 2025 index for Indonesia stood at 34, a three-point decrease compared to the 2024 value of 37. This value of 34 places Indonesia in the 109th position among 182 countries surveyed.

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 42.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

Corruption Perceptions Index 2025



SOURCE: Transparency International, 2026

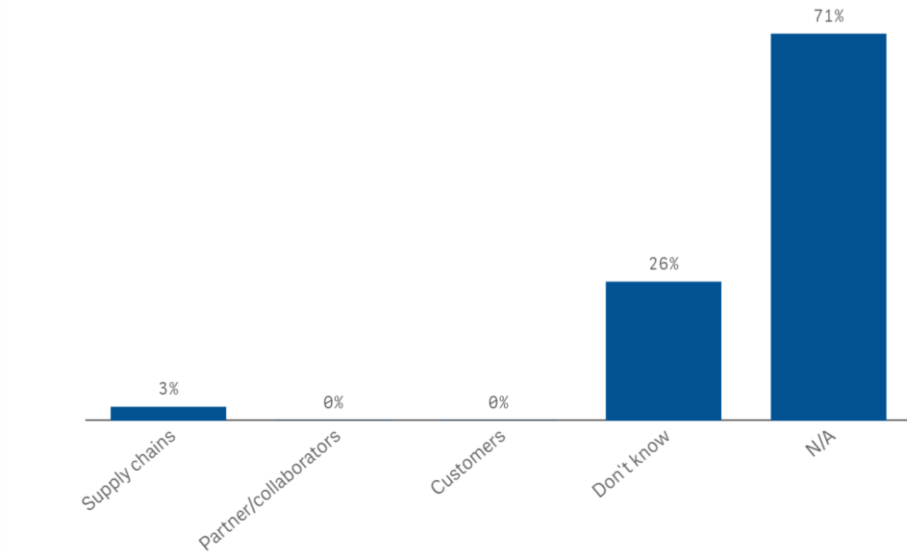
A potential incident of human rights violations and/or labour rights abuse continues to be encountered in Indonesia

A potential incident of human rights violations and/or labour rights abuses continues to be encountered by a Swedish company in Indonesia, particularly in the supply chain. Although it is still a very rare occurrence, this incident can be a sign of a serious problem, given that Swedish companies tend to be very meticulous about fair treatment of stakeholders and compliance.

This is important as labour rights violations continue to be reported across various sectors in Indonesia, including the textile and mining industries, which are deemed relevant to Swedish interests in the country. For example, according to a 2025 study conducted by CELIOS (Centre of Economic and Law Studies), an Indonesian non-governmental organisation (NGO), around 16 per cent of textile workers were paid below the minimum wage determined for their locales[6].

These kinds of violations can pose reputational and compliance risks for Swedish companies if they integrate non-compliant companies into their global supply chains.

Has your company in Indonesia encountered any form of human rights violations and/or labour rights abuse in contact with any of the following areas?



NOTE: The number of respondents for this question was 42.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

[6] Askar, M., Fikri, B., & Setiadi, B. (2025). Upah Rendah dan Harapan Tinggi: Potret Kehidupan Pekerja Industri TGSL Indonesia. CELIOS.

Future outlook on Indonesia

Swedish businesses tend to be optimistic about the benefits of the EU-Indonesia CEPA agreement (which is planned to come into effect in 2027) to their business

The EU–Indonesia CEPA (Comprehensive Economic Partnership Agreement) is a free trade and investment agreement between European Union countries, including Sweden, and Indonesia, which not only aims at reducing and eliminating tariffs but also at simplifying customs procedures, reducing non-tariff barriers, facilitating trade in services, strengthening intellectual property, and allowing better access to government procurement.

Indonesia and the EU finalised negotiations for the CEPA on 23 September 2025, after more than nine years of negotiations. As of the time this report was prepared, the agreement is still in the ratification process, both in the Indonesian parliament (House of Representatives, or in Indonesian, *Dewan Perwakilan Rakyat*/DPR) and in the EU Parliament. The government has stated that it expects the agreement to take effect on 1 January 2027[7].

There are various advantages for EU companies, including Swedish ones, that are expected to be realised from this agreement, including the following[8]:

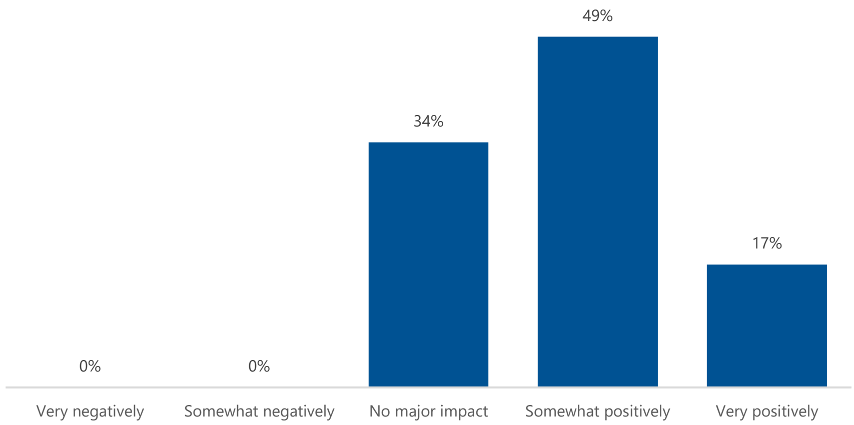
- Removal of 98.5 per cent of Indonesian tariffs on EU goods
- The opening of the Indonesian services market in key sectors such as computer and telecommunications services
- A more favourable regulatory environment for EU investors in priority sectors, such as electric vehicles, renewable energy, and electronics
- Easier and simpler customs procedures
- Protection of EU intellectual property, such as trademarks, which ensures remedies against infringers and provides effective tools to combat counterfeit products
- The provision of a full digital trade facilitation package to make electronic transactions easier, promote a safe online environment for consumers, and enhance legal certainty
- The prohibition of customs duties on electronic transmissions (such as software, messages, and digital media)
- The possibility of 100 per cent foreign ownership in the telecommunications and computer services sectors
- Recognition of 221 geographical indications for EU traditional agri-food products

The majority (66 per cent) of Swedish businesses in Indonesia believe that the EU–Indonesia CEPA will improve their business prospects in the country. This is a positive sign that Swedish businesses will utilise the agreement's advantages to expand their presence in Indonesia.

[7] Pemerintah pastikan IEU-CEPA bisa berlaku mulai 1 Januari 2027. (1 May 2026). Retrieved from AntaraNews Gorontalo: https://gorontalo.antaranews.com/berita/402744/pemerintah-pastikan-ieu-cepa-bisa-berlaku-mulai-1-januari-2027

[8] Factsheet: EU-Indonesia Comprehensive Economic Partnership Agreement - Main benefits. (u.d.). Retrieved from European Commission Trade and Economic Security: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/indonesia/eu-indonesia-agreements/factsheets/factsheet-eu-indonesia-comprehensive-economic-partnership-agreement-main-benefits-0_en

With the EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) coming into effect next year (2027), how do you predict its impact on the prospects of your business in Indonesia?

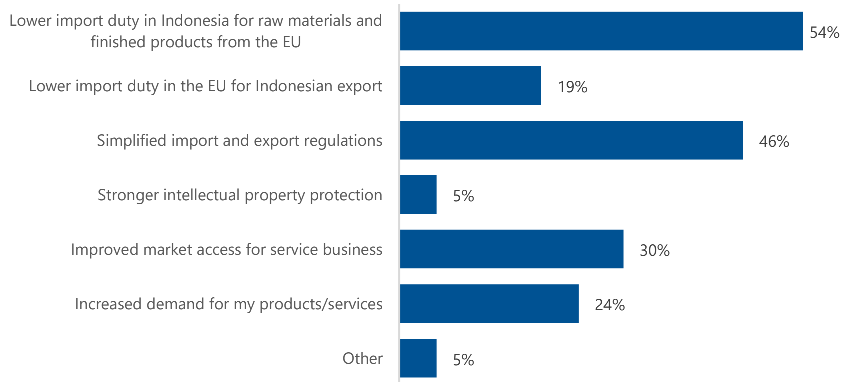


NOTE: The number of respondents for this question was 41.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

When asked about what kinds of advantages they look forward to obtaining from the agreement, the most common response, selected by the majority (54 per cent) of the respondents, is lower import duties for raw materials and finished products from the EU. Moreover, Swedish companies are also looking forward to simplified import and export regulations (46 per cent of respondents) and improved market access for service businesses (30 per cent of respondents).

These responses indicate that Swedish product-based companies in Indonesia primarily expect this agreement to facilitate simpler, cheaper imports from Europe and to address the cumbersome customs procedures currently burdening import activities. On the other hand, service-based businesses are looking forward to expanding their market in the country.

What benefits do you foresee from the implementation of such an agreement for your business?



NOTE: The number of respondents for this question was 37.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

Despite optimism related to the CEPA agreement, most Swedish companies without Indonesian production facilities are still reluctant to establish one

Despite the positive response to the implementation of the EU–Indonesia CEPA in 2027, the majority (59 per cent) of Swedish respondents remain reluctant to establish a manufacturing and/or assembly facility in Indonesia within the next three years.

Only 23 per cent of the respondents indicated that they would develop a manufacturing and/or assembly function in Indonesia within this timeframe: 15 per cent responded that they would undertake a greenfield investment in the country, while both contract manufacturing and joint venture options were selected by a smaller percentage of respondents (4 per cent each). The majority of respondents (59 per cent) stated that they do not plan to establish a manufacturing and/or assembly function in Indonesia.

This result indicates that, despite the lofty promises of the EU–Indonesia CEPA and the general optimism about the agreement's impact on the investment climate, Swedish companies remain relatively reluctant to establish manufacturing and/or assembly operations in Indonesia.

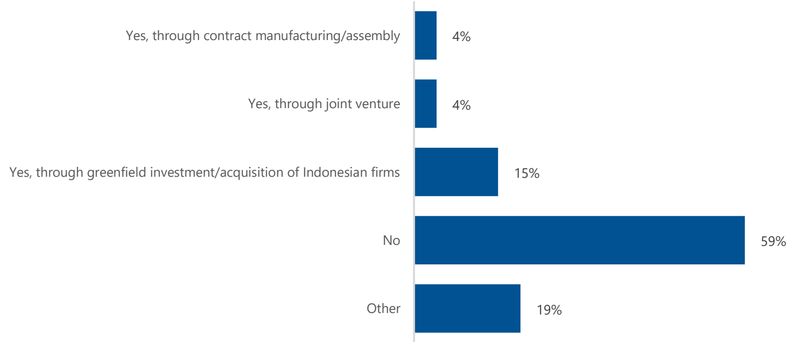
Besides global macroeconomic concerns and internal considerations of limited market potential, a lack of potential economies of scale, and insufficient access to capital to support such development, these responses may be related to the poor perception of the current state of the Indonesian economy, limited infrastructure, and difficulties in dealing with government stakeholders and their complex regulations.

> **"At the same time, establishing a local factory would result in higher costs due to supply chain inefficiencies and higher operational costs.**

Sales Director
Major Swedish manufacturing company

With the EU-Indonesia CEPA in mind, is your company planning to establish a manufacturing and/or assembly facility in Indonesia within the next three years?

(Note: This question was addressed only to companies without existing manufacturing and/or assembly functions in Indonesia.)

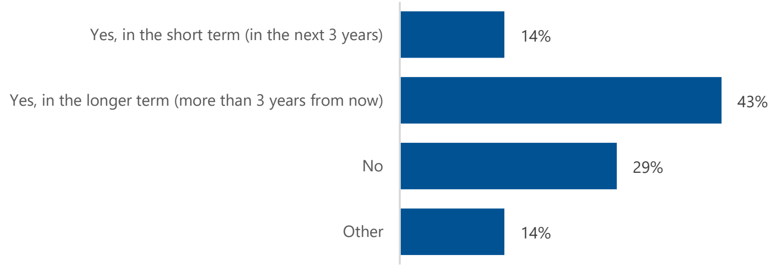


NOTE: The number of respondents for this question was 27. Responses from companies which do not provide any kind of physical product are excluded from this question.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

Interestingly, Swedish companies with existing manufacturing and/or assembly operations in Indonesia are relatively positive about the expansion prospects for these functions there. The majority of the companies (57 per cent) indicated that they have plans to expand their manufacturing and/or assembly capacity in the country, although only 14 per cent have such plans for the short term (in the next three years), while 43 per cent prefer expansion over a longer term (more than three years ahead).

With the EU-Indonesia CEPA in mind, is your company planning to establish a manufacturing and/or assembly facility in Indonesia within the next three years?

(Note: This question was addressed only to companies with existing manufacturing and/or assembly functions in Indonesia)



NOTE: The number of respondents for this question was 7. Responses from companies which do not provide any kind of physical product are excluded from this question.
SOURCE: Business Climate Survey for Swedish Companies in Indonesia 2026

Conclusion

The activation of the EU-Indonesia CEPA can significantly benefit Swedish companies entering Indonesia with the right course of action

If the EU–Indonesia CEPA takes effect as targeted on 1 January 2027, Swedish companies are well positioned to leverage this new agreement to expand into the Indonesian market.

With more than 98.5 per cent of Indonesian tariffs on EU products eliminated and customs procedures simplified, companies selling finished goods in Indonesia will be able to enjoy lower import costs, particularly for high-value products, which can translate into a more competitive market position.

Companies from other EU countries will also take advantage of this opportunity; however, it will be imperative for Swedish firms to move more quickly into the market to secure more advantageous positions.

However, as indicated by responses to various other questions in the survey, there are several things that need to be highlighted for companies planning to enter the Indonesian market, as follows:

Business Sweden in Indonesia is available to support Swedish companies in navigating the market. Contact details found on the following page.

Understand the regulatory landscape in Indonesia

Indonesia is a complex market with a complicated regulatory landscape. Before committing to the market, it is imperative for a company to understand regulations applicable in the industry area and the requirements to limit exposure to compliance risk.

Work with local partners

As indicated by survey respondents, partnerships are the most commonly selected factor influencing Swedish companies' competitiveness in Indonesia.

A competent and experienced local partner can help your company gain access to Indonesian stakeholders and customers, which is often dependent on existing personal relationships.

Emphasise Swedish identity

Swedish solutions tend to be relatively expensive compared to their competitors, in particular those from China, which often focus on affordability.

However, as stipulated earlier in the survey, Indonesian customers tend to view Swedish product identity positively, often due to their association with quality. Hence, communicating this value proposition clearly to potential customers might allow Swedish companies to offset the price disadvantage in the market.

Contact Us

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