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UOB Indonesia: Millennials will be key to driving long-term economic growth in Indonesia

Robust fundamentals will sustain growth in current macro environment

Jakarta, 28 August 2019 – PT Bank UOB Indonesia (UOB Indonesia) anticipates that the country's millennials will be the force behind economic growth as they spur private consumption with their rising affluence and spending power. The Bank also forecasts Indonesia's gross domestic product (GDP) to grow consistently at 5.1 per cent and 5.2 per cent respectively in 2019 and 2020 amid ongoing global economic uncertainty.

The Bank shared its views at its annual UOB Indonesia Economic Outlook seminar simultaneously held today in Jakarta, Surabaya and Medan via live video conference. This year's theme is 'Unleashing the Most Powerful Growth Engine – The Consuming Class'.

Speaking concurrently to an audience of more than 1,000 customers, UOB Indonesia economist, Mr Enrico Tanuwidjaja, said that the country's robust fundamentals include strong net exports, investment and private consumption. In particular, the main driver of economic growth will continue to be private consumption which makes up more than 50 per cent of the country's GDP¹. This growth will be backed by millennials' rising affluence and spending power, as well as companies' creating products and services to serve the segment's expanding needs and consumption preferences.

Mr Tanuwidjaja said that millennials' increasing income levels and purchasing power are helping to boost the country's economy. Based on UOB Indonesia's data on the income levels of various segments of the population, between 2010 and 2019, millennial consumers' real income grew by a compound annual growth rate of 8.6 per cent. This was higher than the three to five per cent increase seen in the other demographic groups².

"Indonesia's millennials currently spend up to 50 per cent of their income on a '4S lifestyle' of *Sugar* (food and beverages), *Skin* (beauty and personal care), *Sun* (travel and leisure) and *Screen* (digital

¹ Source: Indonesian Central Bureau of Statistics (Biro Pusat Statistik – BPS)

² Source: UOB Indonesia Economics and Market Research

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screen consumption)³. With millennials' expenditure rising in tandem with their affluence, we expect them to be key to driving long-term economic growth in Indonesia. The increase in their income and spending preferences also open up opportunities for businesses to offer more products and services to this segment and in turn, to grow as well.”

“While Indonesia is poised for positive growth, we anticipate the rate of increase to be at 0.1 per cent from this year to 2020, with ongoing trade tensions at the global level. Further, the economic measures instituted after the end of the commodity boom have yet to yield full impact for the country. In the medium term, factors such as continued reforms in manufacturing exports and investment policy, as well prudent fiscal spending, will help keep the economy on track to meet the government's six per cent growth target in 2024,” Mr Tanuwidjaja said.

Supporting SMEs in their contribution to the economy

In addition to consumption by millennials, small- and medium-sized enterprises (SMEs) are a key contributor to Indonesia's growth. SMEs are the backbone of Indonesia's economy and play an essential role in creating jobs, boosting exports and contributing to GDP growth.

For SMEs to continue contributing strongly to the economy, they will need to ensure their businesses are optimised for growth and expansion. Digitalisation will help them achieve these and remain competitive. While the government has been supporting the SMEs' digital transformation through increased access to financing and e-payment platforms, SMEs can do more. Through the use of technology, SMEs will be able to automate their operational processes and to improve their productivity, freeing up valuable resources to focus on other parts of their business for better performance, such as improving the customer experience.

To help SMEs benefit from digital solutions, UOB Indonesia offers a cloud-based integrated business management solution. Known as UOB BizSmart, the solution enables SMEs to handle their operational processes more efficiently, reducing the time spent on such tasks as well as their reliance on manpower.

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³ Source: UOB Indonesia Economics and Market Research

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About UOB Indonesia

PT Bank UOB Indonesia (UOB Indonesia) is a subsidiary of United Overseas Bank Limited (UOB), a leading bank in Asia with global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America.

UOB Indonesia was established in 1956. The Bank's service network comprises 41 branch offices, 137 sub-branch offices and 185 ATMs across 30 cities in 18 provinces in Indonesia. UOB Indonesia's banking services are accessible through its regional ATM network, the ATM Prima and Bersama networks and the Visa network. UOB Indonesia is rated AAA (idn) by Fitch Ratings.

UOB Indonesia is committed to providing quality products and excellent customer service. It offers various banking products and services under its retail banking and wholesale banking businesses.

The Bank has a strong retail customer base to whom it offers a wide range of saving products, mortgage services and credit cards under Personal Financial Services. It also supports small- and medium-sized enterprises through Business Banking. Under Wholesale Banking, the Bank serves the needs of clients through its Commercial Banking, Corporate Banking, Global Markets and investment management teams.

Tapping UOB Group's extensive network in Asia, UOB Indonesia also offers a wide range of treasury and cash management products and services to help companies with their regional expansion plans. It has also helped many foreign enterprises from industries, such as construction, mining, real estate and services, expand into Indonesia.

UOB Indonesia believes in being a responsible financial services provider and it is committed to making a difference in the lives of its stakeholders and in the communities in which it operates. Just as it is dedicated to helping its customers manage their finances wisely and to grow their businesses, UOB Indonesia is steadfast in its support of social development, particularly in the areas of art, children and education.

For further detail of UOB Indonesia, please visit www.uob.co.id

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