

# Macro Note

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## Indonesia Reached The Direct Investment Target By End-2020

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**Enrico Tanuwidjaja**

Economist

[EnricoTanuwidjaja@uob.co.id](mailto:EnricoTanuwidjaja@uob.co.id)

Haris Handy

[Haris.Handy@uob.co.id](mailto:Haris.Handy@uob.co.id)

- Indonesia's direct investment rose further during the October to December period, following the pickup in 3Q20 from the pandemic-influenced declines during 1H20. The data from Investment Coordinating Board Indonesia ("Badan Koordinasi Penanaman Modal" – BKPM) showed foreign direct investment (FDI) grew by +5.5% y/y to IDR111.1tr in 4Q20 (equivalent to USD 7.7bn, using 2020 national budget IDR exchange rate assumption) vs. 3Q20's +1.0%. Meanwhile, domestic direct investment (DDI) slowed by +0.7% y/y in 4Q20 to IDR103.6tr vs. 3Q20's +2.2%. The total direct investment in the fourth quarter grew by +3.1% y/y vs. +2.7% in preceding quarter.
- Overall, Indonesia booked a total of IDR 826.3tn direct investment in 2020, which represented 101.1% of the total direct investment target and an increase by +2.1% y/y from IDR 809.6tn seen in 2019; despite the slowdown in the 1H20 due to COVID-19 outbreak. This result was underpinned by higher Domestic Direct Investment; which rose by 7.0%, despite only reaching 88.2% of the 2020's target. On the other hand, FDI contracted by -2.4%.
- Previously, BKPM reiterated that the new normal habits in economic activities and the government's responses to COVID-19 have been able to recover part of investor's confidence to invest in Indonesia. The government has sought to maintain strong investment during the pandemic by attempting to entice companies leaving other countries to relocate to Indonesia, developing industrial parks and passing the Job Creation Law. As of December 2020, the total direct investment managed to create around 1.1 million jobs. BKPM hopes the overall investment will create 1.3 million jobs next year.
- Singapore remained the largest foreign investor in Indonesia, with investment valued at USD 9.8bn for 15,088 projects, followed by China at USD 4.8bn for 3,027 projects, and Hong Kong at USD 3.5bn for 2,789 projects. By sector, transportation-warehouse-telecommunication was the largest recipients of DDI in 2020, valued at IDR 93.3tr. Meanwhile, metal (except machinery and equipment) was the leading sector for FDI at USD 6.0bn. The top five destinations for investments in 2020 were West Java, Jakarta, East Java, Banten, and Riau. See Figure 1 – 6 below.
- Going forward, we are cautiously optimistic that Indonesia will be able to attract much-needed longer-term investment in the country, given the resilient of the domestic economy. Nevertheless, continuous reforms and policy actions, as well as better ground implementation needs to be ensured to achieve lower perception of risk, higher and stickier investment in the future.

Figure 1. Investment Realization Growth

Source: Investment Coordinating Board Indonesia, UOB Global Economics & Markets Research

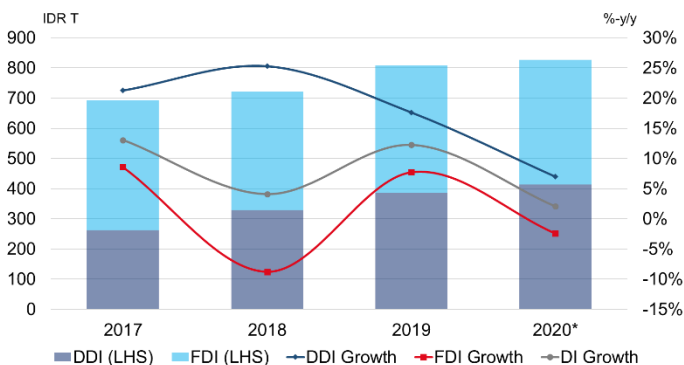


Figure 2. Top 5 FDI 2020 By Country of Origin

Source: Investment Coordinating Board Indonesia, UOB Global Economics & Markets Research

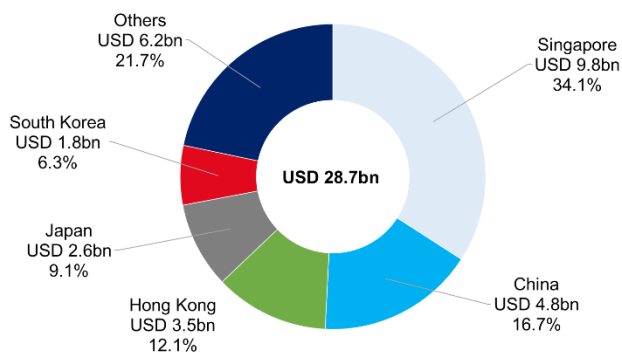


Figure 3. Top 5 DDI 2020 By Sector

Source: Investment Coordinating Board Indonesia, UOB Global Economics & Markets Research

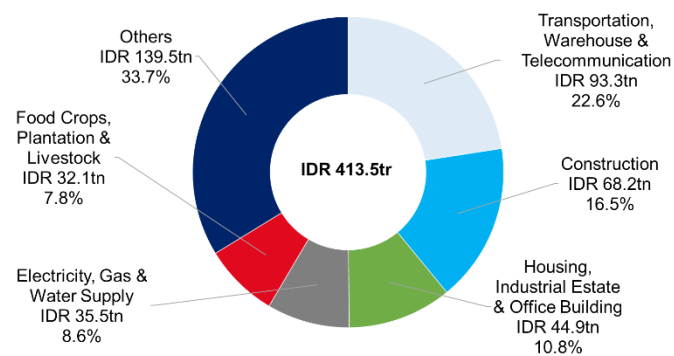


Figure 4. Top 5 FDI 2020 By Sector

Source: Investment Coordinating Board Indonesia, UOB Global Economics & Markets Research

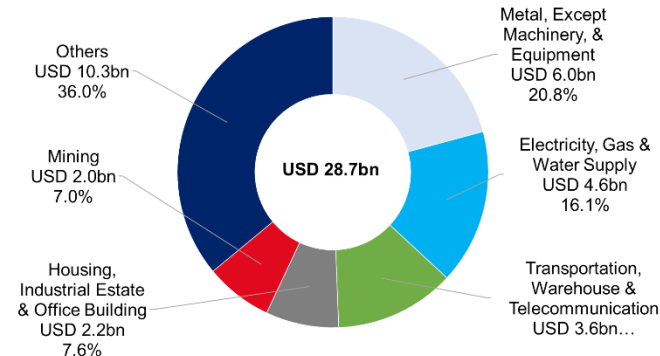


Figure 5. Top 5 DDI 2020 By Location

Source: Investment Coordinating Board Indonesia, UOB Global Economics & Markets Research

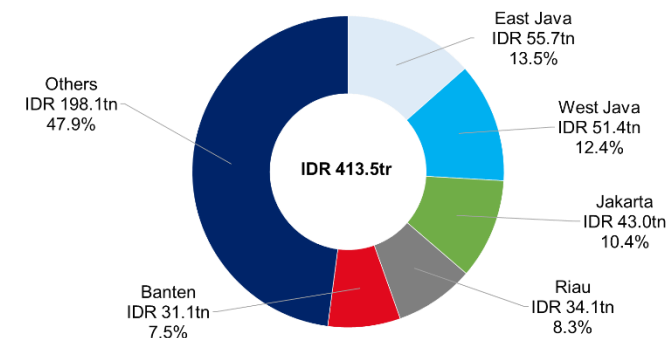
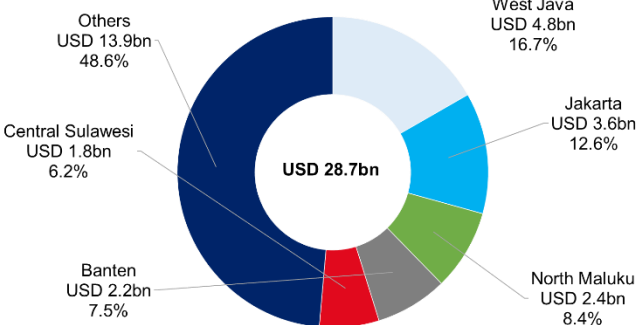


Figure 6. Top 5 FDI 2020 By Location

Source: Investment Coordinating Board Indonesia, UOB Global Economics & Markets Research



**Note:**

1. Oil and Gas, Banking, Non-Bank Financial Institution, Insurance, Leasing, and Home Industry are excluded.
2. Exchange rate is based on Indonesia National Budget 2020 (USD 1 = IDR 14,400)

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