

Economic Indicators	2022	2023 Prognosis
Real GDP (% yoy)	5.31	5.04
Inflation (% yoy, eoy)	5.51	3.00
Inflation (% yoy, avg)	4.21	3.79
IDR/USD (eoy)	15,568	15,000- 15,300
IDR/USD (avg)	14,874	15,031
CA (% of GDP)	0.99	-0.65
BI 7-day RR Rate (%)	5.50	6.00

F = OCE BMRI forecast  
yoy = year-on-year  
eoy = end of year  
avg = average

Key Rates (%)	Dec-22	Oct-23*
BI 7-day RR Rate	5.50	6.00
Deposit Facility Rate	4.75	5.25
Lending Facility Rate	6.25	6.75
IDR 10Y Bond Yield	6.92	7.27
Fed Funds Rate	4.50	5.50
ECB Rate	2.50	4.50
BoE Rate	3.50	5.25
BoJ Rate	-0.10	-0.10

\*) as of 23-Oct-23

Source: Bloomberg

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## Indonesia's Direct Investment Realization on Track, at 75.2% of 2023 Target

### Direct investment grew faster in 3Q23, boosted by down-streaming related sectors.

- Indonesia's direct investment (DI) in 3Q23 was recorded at IDR374.4 tn. It grew by 21.6% yoy (vs 15.8% yoy growth in 2Q23), marking the fastest yearly growth in 2023. On quarter-to-quarter basis, DI growth was slightly faster at 7.0% qoq (vs 6.4% qoq in 2Q23).
- In 3Q23, 30.6% of overall direct investment was related to down-streaming as government aims to increase higher value-added export from Indonesia, attracting foreign investment, and generating foreign reserves from exports. Particularly, more than half of investment in down-streaming strategy came to the mineral sector such as nickel, copper, and bauxite.
- Manufacturing related sectors show a quite good expansion, as it contributed 43.7% to direct investment, increasing from around 36% contribution in 2021. Infrastructure and services sector came next (38.1% to total direct investment), and followed by primary sector (18.2%).
- Cumulatively during the first nine months of this year, DI flows has reached IDR1,053 tn, or equivalent to 75.2% of 2023 target at IDR1,400 tn. This achievement was relatively in line with last year's realization which reached 74.4% to target. Metal, Metal Goods, Except Machinery & Equipment Industry remains to be the top targeted sector, in line with government policies to increase higher value-added export through downstreaming.

### Domestic investment accelerates more than foreign investments.

- Foreign direct investment (FDI) accelerated by 16.2% yoy in 3Q23 (vs. 14.2% yoy in 2Q23). FDI mostly targeted to Basic Metal Industry, Metal Goods, Non Machinery and Its Equipment industry, with growth recorded at 16.9% yoy (vs. -18.8% in previous quarter).
- Most FDI still originated from Singapore, as it accounted for 33.6% of total FDI (increasing from 26.8% proportion in the previous quarter). Meanwhile, investments from China and Hong Kong came next, each accounted for 13.5% and 13.0% of total FDI. Yet, FDI from the two latter countries showed shrinkage, attributed to slower economic activities in those countries.
- Domestic direct investment (DDI) grew even faster by 28.3% yoy in 3Q23 (vs. 17.6% yoy growth in 2Q23). A significant uptick of DDI was seen in Transport, Storage & Communication, as it was growing by 23.0% yoy (vs. 10.5% in 2Q23).
- Contribution of DDI consistently increased for four consecutive quarters. DDI in 3Q23 contributed by 47.6% of DI in 2Q23 (up from 44.3% in 4Q22). This level indicates a better performance of domestic activities, giving buffer from slower foreign inflows amid slowing global growth.

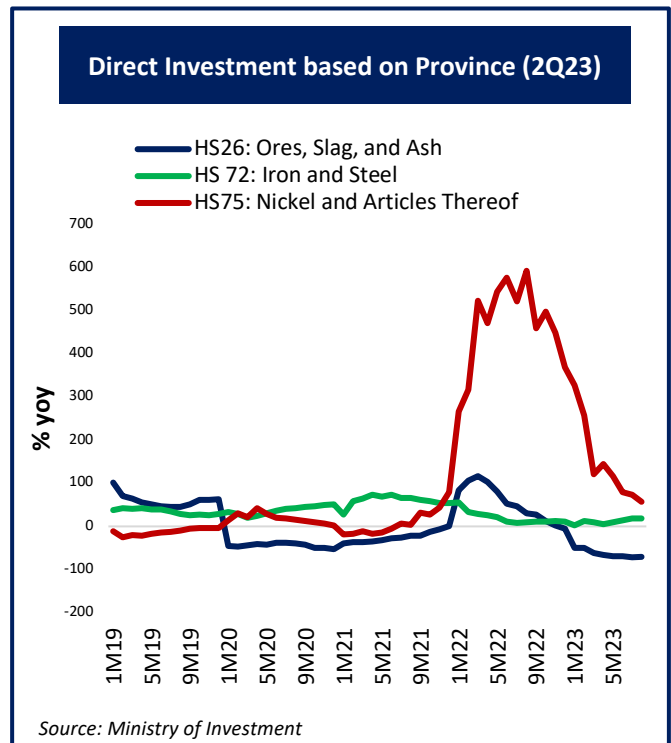
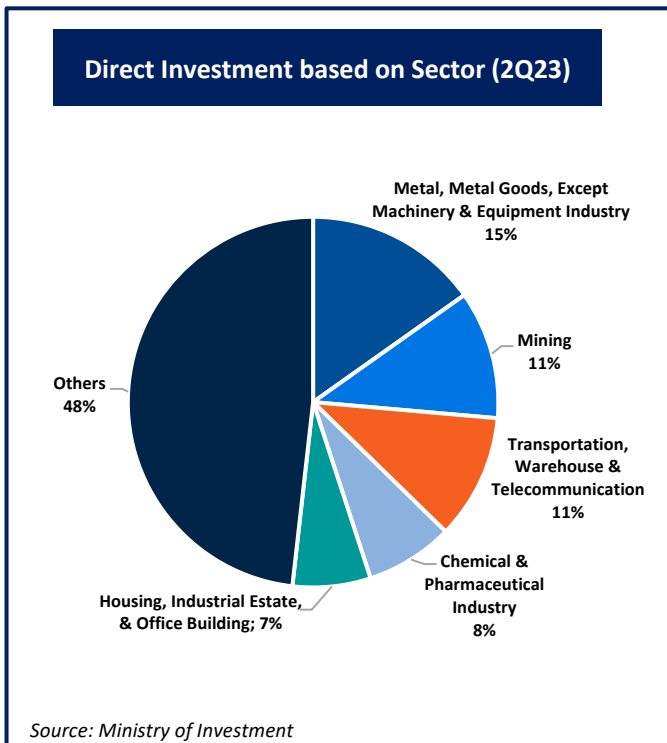
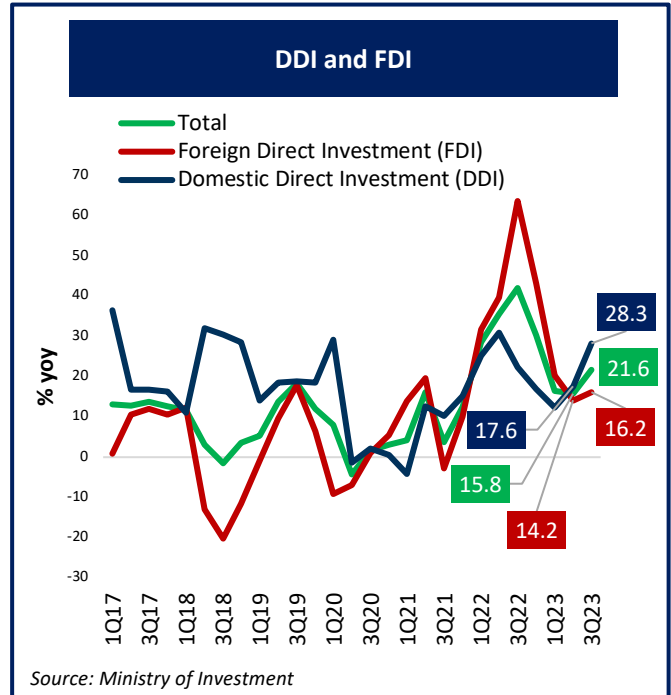
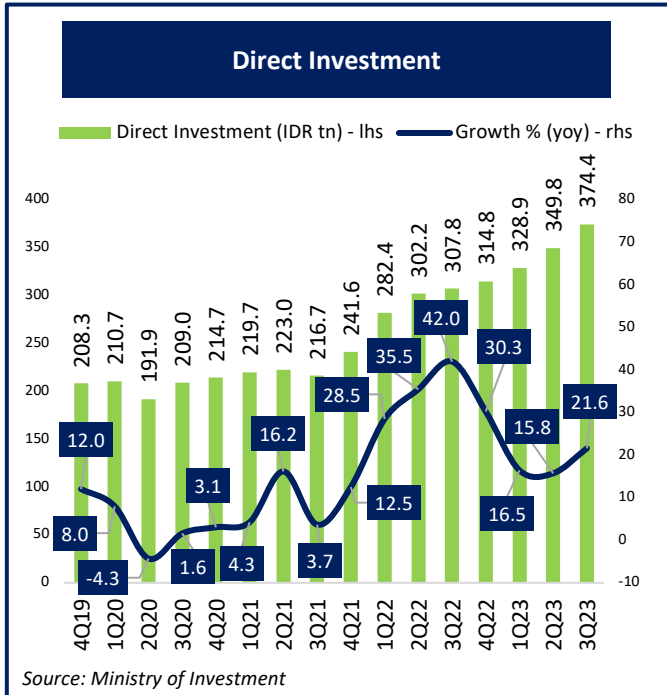
### Jobs creation surged to the highest in the last ten years.

- Labor absorption from 3Q23 direct investment (DI) has reached 516.5 thousand people, grew significantly by 58.6% yoy (vs. 44.8% yoy in 2Q23). DDI absorbs more jobs than FDI, as it is largely directed to labor intensive sectors.
- Direct investments still provide an equitable economic development, as investments in non-Java contributed a larger share than Java. 51.0% of direct investment went into non-Java, while the rest of it went to Java.

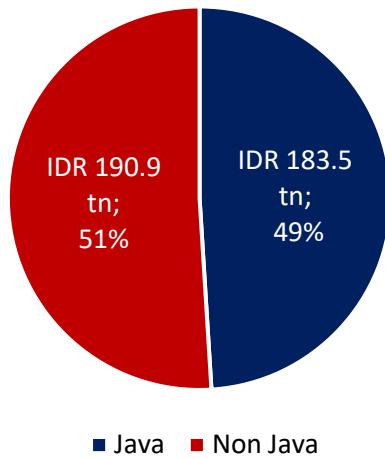
### OUR VIEW: Direct investments still performed positively, yet we still need to be cautious of possibility of lower investments during election year.

- Towards election years, direct investments (DI) usually showed a lower (or even a contraction) in its growth due to a *wait and see* approach by investors amid rising uncertainties on the upcoming government policies. Yet, during 3Q23—two quarters periode before 2024 election being held—direct investments still revealed solid growth at 21.6% yoy. To give comparison, our database shows that two quarters before April 2019 election, DI only grew by 3.5% yoy.

- Government continued its commitment in focusing on downstreaming strategies. If this program consistently maintained, not only it will attract foreign investors, but also give a higher value-added export. This is reflected in the rising growth of Nickel export (HS 75, Nickel and articles thereof) which showed a consistent positive growth during the recent years.
- Yet, it is important to note that foreign direct investment (FDI) from some countries including China has decelerated, which probably contributed by the slowing economic performance in respective countries. Hence, going forward we are watchful for a few lingering risks to the prospect of the Indonesia's FDI i.e. the impact of global economic slowdown, and the impact of uncertainties during the period of national election which can influence the appetite of foreign investors.

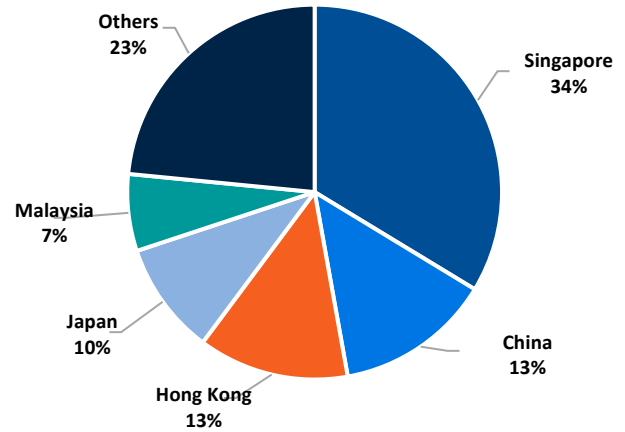


## Direct Investment Java vs. Non Java (2Q23)



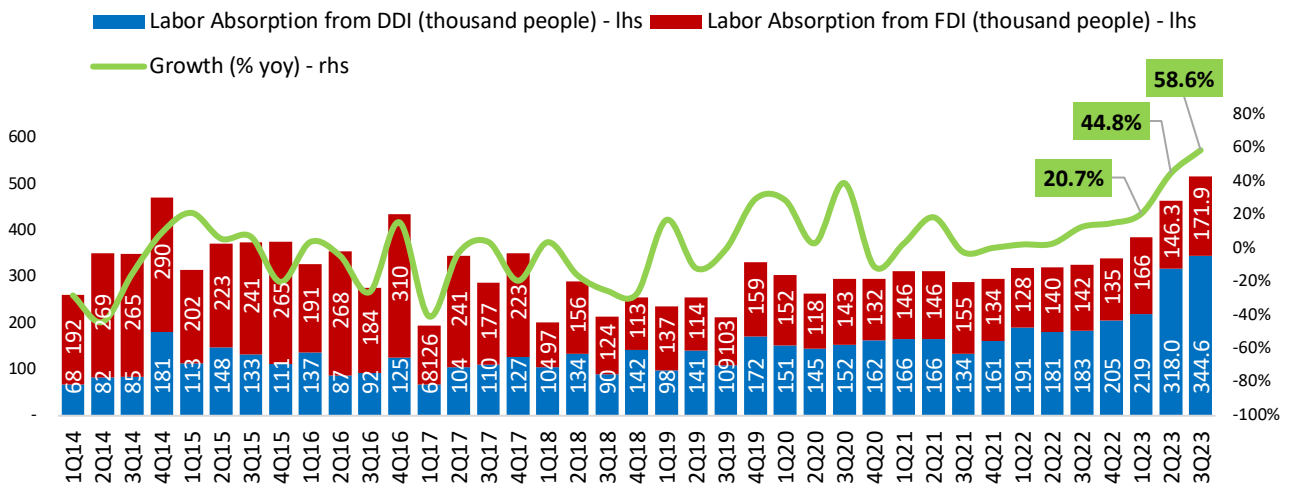
Source: Ministry of Investment

## FDI by Origin Country (2Q23)



Source: Ministry of Investment

## Labor Absorption from DDI and FDI



Source: Ministry of Investment

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