



## Quarterly Economic & Finance Briefing

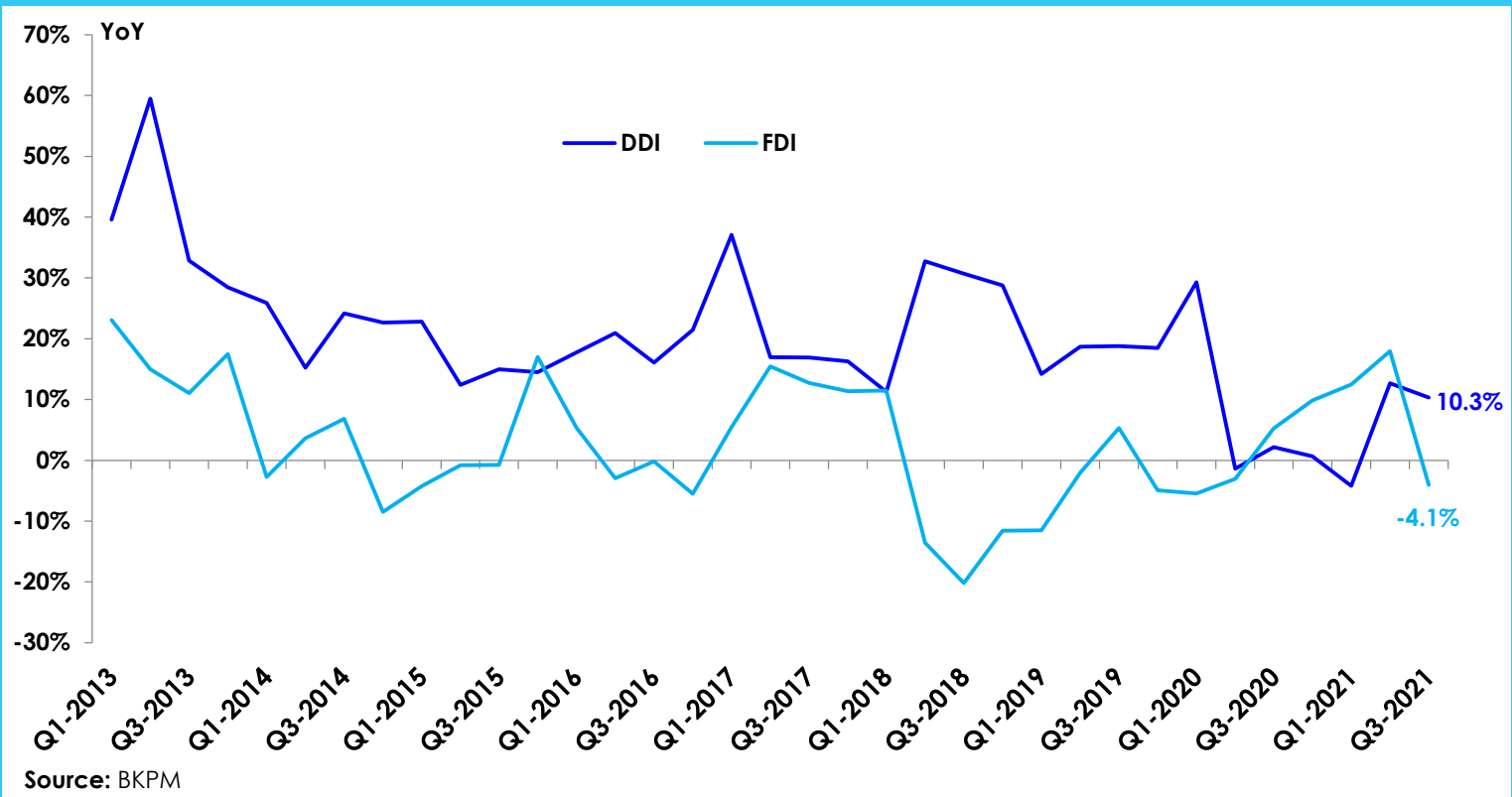
Economic, Banking & Industry Research of BCA Group

### Investment: A Delta-induced setback

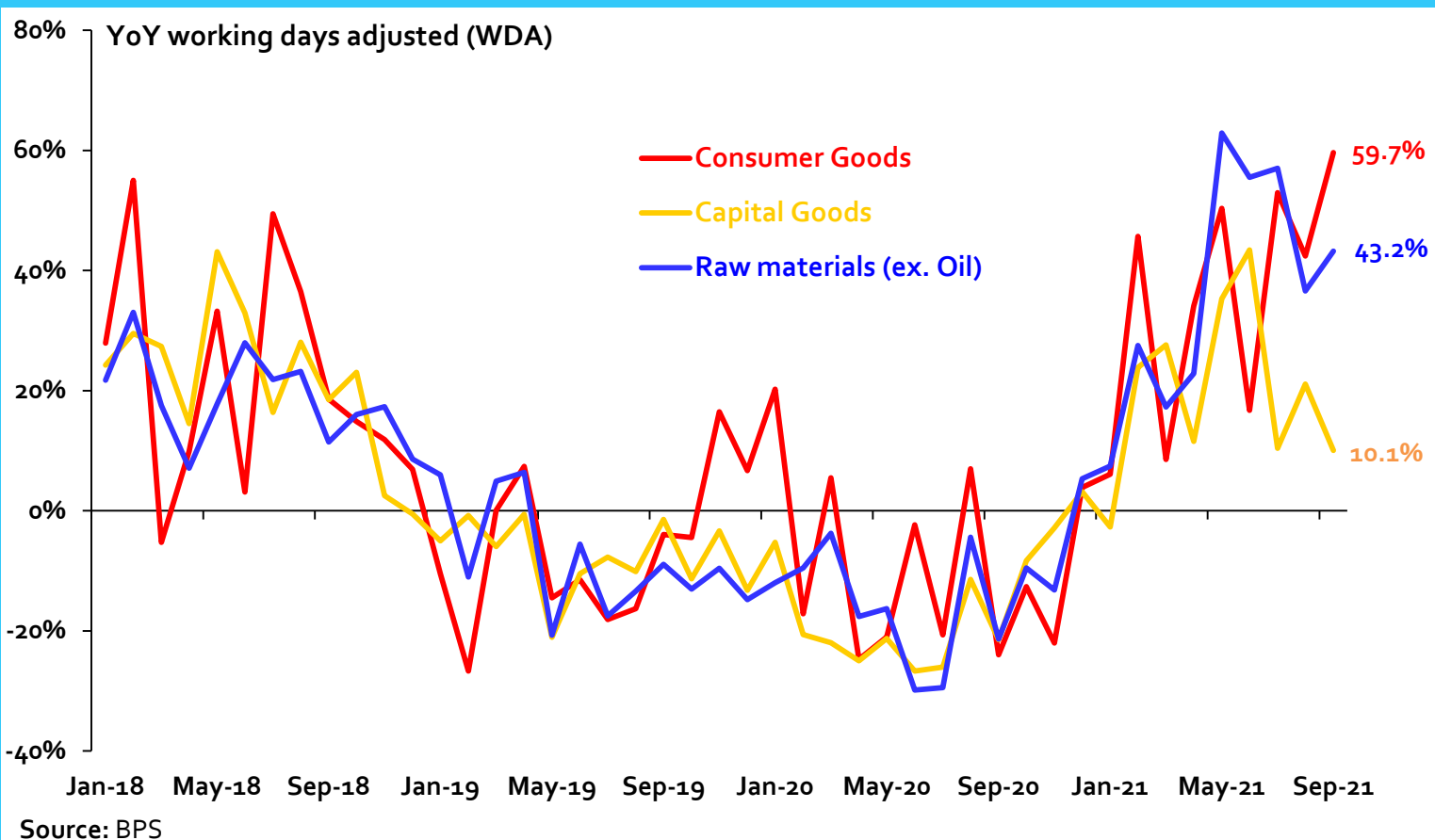
#### Executive Summary:

- **The Delta-induced rise in Covid cases limited investment gains in Q3-2021.** FDI contracted by 4.1% YoY, while DDI fared better and expanded by 10.3% YoY.
  - **As caseloads decline and economic activity recovers however, we may expect these numbers to improve going into the fourth quarter.**
  - **Additionally, global supply chain disruptions continue to drive increased investment into the primary sector.** The worsening of these disruptions over recent months is likely to further drive primary sector inflows over the coming months.
- 
- What may perhaps stand out most in recent investment numbers is **the sharp reversal of foreign direct investment (FDI), which went from double-digit growth rates to a 4.1% YoY contraction. Domestic direct investment (DDI) appears to be holding up better, growing by a solid 10.3% YoY (Chart 1).** These numbers begin to look less stellar however, when one considers the fact that despite the low-base effect from last year's poor numbers, DDI growth remains below the pre-Covid average (DDI grew by 17.8% YoY in 2019).
  - **All in all then, these numbers paint a rather disheartening picture of investment activity in Q3-2021.** They also help to explain the poor performance of several other economic indicators around this period, such as the sharp contractions observed in manufacturing PMI numbers in July and August. Capital goods imports too, began to diverge from the upwards trajectory seen in consumer goods and raw material imports starting in July, something that could also be traced back to the general slowdown in investment in Q3 (**Chart 2**).
  - **It is fortunate then, that these bleak numbers can largely be attributed to the Delta-induced rise in Covid cases last quarter.** Mobility restrictions sent a chill through business confidence, while FDI was particularly hard-hit due to disruptions to the flow of foreign workers and goods due to health restrictions and the spread of Delta across much of Asia.
  - **We may be fairly optimistic then, that these numbers could improve in Q4 as Delta's surge ebbs and mobility restrictions are loosened.** Indeed, economic activity indicators based on internal data suggest that a remarkably robust recovery is currently underway. Additionally, the sharpest and most consistent declines in manufacturing investment, particularly for FDI, have been concentrated in metals (which has been undergoing a massive, nickel smelter-related boom since the end of 2019) and in likely sectoral beneficiaries from the pandemic such as pharmaceuticals and electronics. This suggests that at least some portion of **the current decline we are seeing in manufacturing investment may merely be a normalization of some of the sectoral booms we saw in the pandemic rather than a more fundamental rout.**
  - Finally, despite the overall slump in investment last quarter, something to highlight as well is **the exceptional increase in primary sector investment over the same period.** While the increase in primary sector DDI may partly be attributed to low-base effects, the increase in FDI appears to reflect something truly fundamental. The bottlenecks that have been wrecking havoc on global supply chains since recovery began in late 2020 appear to be the main drivers of this trend, as raw material shortages push corporations to secure ever greater supplies.
  - **There is reason to hope then, that we may see something of a reversal for investment in this year's final quarter.** Caseloads have reached record lows, fuelling continued recovery. Supply chain disruptions have only worsened over recent months, exacerbated by a global energy crisis. Increased primary investment then, seems a likely possibility as well. It is interesting to note that while most domestic commodity producers have enjoyed significant revenue windfalls, they remain net savers. Should their animal spirits recover their vitality in the coming months, we may see further increases in investment from this quarter as well. We may see a further boost as well from the realization of several infrastructure projects that were delayed in Q3 due to mobility restrictions.

**Chart 1. FDI suffered a sharp reversal as Delta spread across Asia, while DDI held up better, albeit still growing at a pace lower than pre-Covid levels**



**Chart 2. Capital goods imports diverged from the upwards trajectory of consumer goods and raw materials imports as investment slowed down in Q3**



**Table 1. FDI realization by sector (USD Million, current price)**

	2018	2019	2020	Q4-2020	Q1-2021	Q2-2021	Q3-2021
<b>PRIMARY SECTORS</b>	<b>4,827.2</b>	<b>3,293.8</b>	<b>3,280.0</b>	<b>957.8</b>	<b>807.5</b>	<b>1,164.7</b>	<b>1,177.2</b>
Food crops, plantations, & livestock	1,721.2	946.9	1,184.2	384.4	276.6	208.4	274.9
Forestry	43.1	36.3	42.6	7.0	16.9	7.1	8.4
Fishery	24.3	54.1	48.1	5.0	5.2	5.2	2.8
Mining	3,038.6	2,256.5	2,005.1	561.4	508.8	944.0	891.1
<b>SECONDARY SECTORS</b>	<b>10,343.2</b>	<b>9,550.8</b>	<b>13,202.2</b>	<b>3,510.7</b>	<b>4,473.4</b>	<b>3,802.8</b>	<b>3,628.0</b>
Food industry	1,307.2	1,272.2	1,592.2	444.6	968.3	533.9	516.0
Textile industry	305.4	238.9	279.8	58.3	98.0	65.1	81.1
Leather goods & footwear industry	243.6	188.2	214.0	37.8	74.9	112.0	97.8
Wood industry	276.1	94.9	84.7	5.1	11.2	16.9	19.2
Paper & printing industry	663.7	446.1	942.8	594.4	123.5	123.4	346.0
Chemical & pharmaceutical ind.	1,938.4	1,486.1	1,742.6	231.3	493.8	324.4	483.0
Rubber & plastic industry	447.1	291.6	291.4	34.1	59.1	99.6	65.5
Non metallic mineral ind.	456.4	475.0	248.3	15.3	84.9	135.3	34.1
Metal, machinery, electronics, & other instruments	3,560.2	4,058.6	6,570.5	1,584.7	1,937.6	1,912.1	1,657.7
Transport equipment & other transport	971.3	754.1	941.9	475.7	597.1	364.1	268.9
Other industries	173.9	245.3	294.0	29.4	25.0	116.0	58.7
<b>TERTIARY SECTORS</b>	<b>14,137.4</b>	<b>15,364.3</b>	<b>12,183.8</b>	<b>3,243.8</b>	<b>2,371.8</b>	<b>3,030.3</b>	<b>2,266.2</b>
Electricity, gas and water supply	4,383.9	5,921.2	4,613.9	1,366.1	597.8	848.0	497.0
Construction	248.1	161.6	189.5	31.4	5.3	11.6	53.7
Trade & reparation	609.3	421.3	434.1	100.6	77.1	202.0	70.3
Hotel & restaurant	868.9	625.9	441.1	57.2	75.9	112.0	107.4
Transport, warehouse & telco	3,027.1	4,727.8	3,580.5	1,130.5	843.4	916.4	617.2
Real estate, industrial estate & business activities	4,287.4	2,888.6	2,191.4	457.9	535.8	738.3	511.3
Other services	712.8	617.9	733.3	100.1	236.5	202.0	409.3
<b>TOTAL</b>	<b>29,307.8</b>	<b>28,208.9</b>	<b>28,666.0</b>	<b>7,712.3</b>	<b>7,652.7</b>	<b>7,997.8</b>	<b>7,071.4</b>

\*Gold = Top 5 sectors for the year

Source: BKPM

**Table 2. DDI realization by sector (IDR Billion, current price)**

	2018	2019	2020	Q4-2020	Q1-2021	Q2-2021	Q3-2021
<b>PRIMARY SECTORS</b>	<b>67,021.8</b>	<b>78,884.9</b>	<b>47,580.1</b>	<b>9,998.7</b>	<b>14,793.0</b>	<b>13,304.3</b>	<b>17,764.2</b>
Food crops, plantations, & livestock	30,781.1	43,598.9	32,096.6	7,410.1	9,889.9	6,196.8	7,494.6
Forestry	3,053.1	9,366.5	1,163.6	249.9	133.5	170.8	2,166.0
Fishery	87.5	247.5	564.9	43.6	191.4	415.9	153.1
Mining	33,100.0	25,672.0	13,755.0	2,295.1	4,578.2	6,520.8	7,950.5
<b>SECONDARY SECTORS</b>	<b>83,644.2</b>	<b>72,673.8</b>	<b>82,817.9</b>	<b>20,500.5</b>	<b>22,971.2</b>	<b>23,331.0</b>	<b>16,672.4</b>
Food industry	39,087.9	36,602.6	27,872.7	3,862.8	7,614.5	7,076.6	5,736.6
Textile industry	3,596.7	1,312.6	2,103.3	782.5	813.3	345.4	376.8
Leather goods & footwear industry	282.1	77.3	394.7	179.5	115.0	28.5	318.0
Wood industry	1,535.7	1,585.5	1,263.4	292.1	56.5	347.4	321.7
Paper & printing industry	2,894.0	2,950.2	3,745.9	724.0	3,101.6	2,298.3	288.8
Chemical & pharmaceutical ind.	13,337.7	9,484.2	22,526.1	8,657.7	2,238.3	6,137.3	3,864.4
Rubber & plastic industry	3,414.5	3,069.1	4,428.7	713.7	1,226.8	1,998.1	624.8
Non metallic mineral ind.	4,523.4	3,572.9	5,861.9	555.9	4,216.5	516.3	707.3
Metal, machinery, electronics, & other instruments	12,418.0	9,334.8	10,013.6	4,009.5	2,912.2	4,035.0	3,732.5
Transport equipment & other transport	1,836.8	2,608.2	2,556.6	401.8	472.0	206.0	504.9
Other industries	717.4	2,076.5	2,051.0	321.0	204.5	342.1	196.6
<b>TERTIARY SECTORS</b>	<b>177,533.5</b>	<b>234,933.2</b>	<b>283,137.7</b>	<b>73,167.2</b>	<b>70,253.2</b>	<b>69,617.6</b>	<b>79,019.7</b>
Electricity, gas and water supply	37,264.8	37,164.2	35,518.8	9,343.6	11,470.5	11,677.2	7,864.5
Construction	44,979.6	55,090.7	68,289.2	19,343.9	9,562.8	9,924.3	10,339.8
Trade & reparation	6,429.8	13,662.9	16,748.4	3,401.7	4,887.8	6,090.7	5,402.8
Hotel & restaurant	9,096.3	16,163.6	10,203.1	2,714.1	5,733.6	3,170.0	3,851.1
Transport, warehouse & telco	58,739.9	68,082.5	93,282.8	20,170.2	13,299.2	14,478.5	17,548.6
Real estate, industrial estate & business activities	15,471.8	27,796.5	44,852.8	15,526.9	21,609.8	20,537.7	20,625.9
Other services	5,551.4	16,972.7	14,242.6	2,666.8	3,689.5	3,739.2	13,387.0
<b>TOTAL</b>	<b>328,199.5</b>	<b>386,491.9</b>	<b>413,535.7</b>	<b>103,666.4</b>	<b>108,017.4</b>	<b>106,252.9</b>	<b>113,456.3</b>

\*Gold = Top 5 sectors for the year

Source: BKPM

## Indonesia – Economic Indicators Projection

	2016	2017	2018	2019	2020	2021E
Gross Domestic Product (% YoY)	5.0	5.1	5.2	5.0	-2.1	4.0
GDP per Capita (US\$)	3605	3877	3927	4175	3912	4055
Consumer Price Index Inflation (% YoY)	3.0	3.6	3.1	2.7	1.7	2.3
BI 7 day Repo Rate (%)	4.75	4.25	6.00	5.00	3.75	3.50
USD/IDR Exchange Rate (end of year)**	13,473	13,433	14,390	13,866	14,050	14,215
Trade Balance (US\$ billion)	8.8	11.8	-8.5	-3.2	21.7	32.0
Current Account Balance (% GDP)	-1.8	-1.6	-3.0	-2.7	-0.4	0.1

\*\* Estimation of Rupiah's fundamental exchange rate

### Economic, Banking & Industry Research Team

**David E. Sumual**  
Chief Economist  
david\_sumual@bca.co.id  
+6221 2358 8000 Ext: 1051352

**Agus Salim Hardjodinoto**  
Industry Analyst  
agus\_lim@bca.co.id  
+6221 2358 8000 Ext: 1005314

**Barra Kukuh Mamia**  
Economist / Analyst  
barra\_mamia@bca.co.id  
+6221 2358 8000 Ext: 1053819

**Victor George Petrus Matindas**  
Industry Analyst  
victor\_matindas@bca.co.id  
+6221 2358 8000 Ext: 1058408

**Gabriella Yolivia**  
Economist / Analyst  
gabriella\_yolivia@bca.co.id  
+6221 2358 8000 Ext: 1063933

**Derrick Gozal**  
Economist / Analyst  
derrick\_gozal@bca.co.id  
+6221 2358 8000 Ext: 1066722

**Livia Angelica Thamsir**  
Economist / Analyst  
livia\_thamsir@bca.co.id  
+6221 2358 8000 Ext: 1069933

**Ahmad Aprilian Rizki**  
Research Assistant  
ahmad\_rizki@bca.co.id  
+6221 2358 8000 Ext: 20378

**Arief Darmawan**  
Research Assistant  
arief\_darmawan@bca.co.id  
+6221 2358 8000 Ext: 20364

### PT Bank Central Asia Tbk

#### Economic, Banking & Industry Research of BCA Group

20<sup>th</sup> Grand Indonesia, Menara BCA  
Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia  
Ph : (62-21) 2358-8000 Fax : (62-21) 2358-8343

#### DISCLAIMER

This report is for information only, and is not intended as an offer or solicitation with respect to the purchase or sale of a security. We deem that the information contained in this report has been taken from sources which we deem reliable. However, we do not guarantee their accuracy, and any such information may be incomplete or condensed. None of PT. Bank Central Asia Tbk, and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. Opinion expressed is the analysts' current personal views as of the date appearing on this material only, and subject to change without notice. It is intended for the use by recipient only and may not be reproduced or copied/photocopied or duplicated or made available in any form, by any means, or redistributed to others without written permission of PT Bank Central Asia Tbk.

All opinions and estimates included in this report are based on certain assumptions. Actual results may differ materially. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice. For further information please contact: (62-21) 2358 8000, Ext: 20364 or fax to: (62-21) 2358 8343 or email: [ahmad\\_rizki@bca.co.id](mailto:ahmad_rizki@bca.co.id)