Press Release

Realization of Investment on Quarter II 2018 Hits Rp 176.3 T,
Rose up 3.1 % Compared to Quarter II 2017

Jakarta, 14 August 2018 – Indonesia Investment Coordinating Board/Badan Koordinasi Penanaman Modal (BKPM) release Domestic Direct Investment (DDI) and Foreign Direct Investment (FDI) realization report in Q2 (April-June) 2018 which reached Rp 176.3 trillion, increase 3.1% compared to the same period in 2017 (Rp 170.9 Trillion). The Investment realization absorbs 289,843 Indonesia labours. While DDI and FDI realization during January - June 2018 hit Rp 361.6 Trillion. The trend of investment growth has been seen slowing to 3.1%, from 11.8% (Q1 2018 compared to Q1 2017) and 12.7% (Q2 2017 compared to Q2 2016).

“There were several factors that significantly affected the decreased in investment realization figures in this second quarter compared with the first quarter. It must be admitted that the fluctuation of the Rupiah exchange rate and the US-China trade war has had an impact on the slowing pace of investment growth. In addition, we have also entered the political year that will continue next year. In the midst of conditions of uncertainty, investors tend to slow down their investment activities and tend to wait and see”, said Thomas Lembong in a press conference at BKPM office, Jakarta, August 14, 2018.

During Q2 2018, DDI realization was Rp 80.6 trillion, rose 32.1% from Rp 61.0 trillion compared to the same period in 2017, while FDI realization was Rp 95.7 trillion, showing 12.9% decrease from FDI realization in 2017 that reached Rp 109.9 trillion.

Indonesia Investment Coordinating Board also noted the top five investment realization based on project locations (top 5) were: Special Territory of Jakarta (Rp 29.9 trillion, or 16.9% from total investment); West Java (Rp 22.2 trillion, 12.6%); East Java (Rp 16.0 trillion, 9.1%); Banten (Rp 14.4 trillion, 8.2%); and East Kalimantan (Rp 13.8 trillion, 7.8%).

While the top five investment realization (FDI & DDI) based on sectors (5 biggest sectors) were: Mining (Rp 28.2 trillion, or 16.0% from total investment); Transportation, Warehouse, and Telecommunication (Rp 25.6 trillion, 14.6%); Electricity, Gas and Water Supply (Rp 20.8 trillion, 11.8%); Food Industry (Rp 17.2 trillion, 9.8%) and Housing, Industrial Estate, and Office Building (Rp 15.8 trillion, 8.9%).

Top 5 countries that have invested in Indonesia were: Singapore (US$ 2.4 billion, 33.5% from total investment); Japan (US$ 1.0 billion, 14.4%); China (US$ 0.7 billion, 9.4%); Hong Kong (US$ 0.6 billion, 8.2%) and Malaysia (US$ 0.4 billion, 5.3%).

Thomas Lembong also mentioned, “The Government will ensure the various facilities and simplification of procedures for investment activities that have been issued, both through government
regulations, presidential regulations and related minister/agency regulations, will be going well which so that it can provide legal certainty and business certainty. For this reason the government will always be open for various improvements if investor still encounter obstacles in doing their business. Coordination between ministries/institutions and local governments will be improved to encourage the increase in investment realization in the future."

Deputy Chairman of Investment Controlling and Implementation, Azhar Lubis informed that realization of investment during Q2 2018 created 289,843 new jobs, in which DDI absorbed 133,602 labours while the FDI created 156,241 jobs. He also announced the distribution of investment realization outside Java reached Rp 81.9 trillion or 46.5% from total investment in Q2 2018.

“Although investment growth is slowing down, investments still absorb considerable labor. In addition, there were many business opportunities that can absorb many Indonesian workers as a result of investment activities in a regional area (multiplier effect). This absorption of workers means that opportunities for skilled workers in Indonesia were also increasingly wide open along with investment activities implementing newest technologies”, thus the explanation of Azhar Lubis.

In the period January – June of 2018 from the total investment realization of Rp 361.6 trillion, the top five of investment realization (FDI & DDI) based on project location (top 5) were: West Java (Rp 59.2 trillion, or 16.4% from total investment); Special Territory of Jakarta (Rp 58.7 trillion, 16.2%); Banten (Rp 30.0 trillion, 8.3%); Central Java (Rp 27.6 trillion, 7.6%) and East Java (Rp 24.6 trillion, 6.8%).

Based on sectors, 5 biggest sectors of investment realization (FDI & DDI) in the period January – June 2018 were: Housing, Industrial Estate, and Office Building Electricity (Rp 43.4 trillion, 12.0%); Mining (Rp 42.4 trillion, 11.7%); Transportation, Warehouse, and Telecommunication (Rp 40.3 trillion, 11.1%); Gas and Water Supply (Rp 40.1 trillion, 11.1%) and Metal, Machinery and Electronic Industry (Rp 35.8 trillion, 9.9%).

Foreign Direct Investment (FDI) based on country of origin (top 5) as recorded, were: Singapore (US$ 5.0 billion, 33.0%); Japan (US$ 2.4 billion, 15.7%); China (US$ 1.3 billion, 8.8%); South Korea (US$ 1.2 billion, 7.5%) and Hong Kong (US$ 1.1 billion, 7.2%).

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Appendix

Highlights of the Investment Realization 2nd Quarter 2018

Investment realization of Domestic Direct Investment (DDI) in Q2 2018 (Rp 80.6 trillion) increased 32.1% compared to the same period in Q2 2017 (Rp 61.0 trillion).

Investment realization of Foreign Direct Investment (FDI) in Q2 2018 (Rp 95.7 trillion), decreased 12.9% compared to the same period in Q2 2017 (Rp 109.9 trillion).

The highlights of the investment realization of the domestic and foreign direct investment in Q2-2018 were as follows:

1. Domestic Direct Investment Realization
   DDI Investment realization based on sectors (5 major sectors) were: Transportation, Warehouse, and Telecommunication (Rp 17.8 trillion); Mining (Rp 14.9 trillion); Food Industry (Rp 12.4 trillion); Electricity, Gas and Water Supply (Rp 8.8 trillion); and Food Crops and Plantation (Rp 5.4 trillion). If all of the industrial sectors were combined, it can be seen that the industrial sectors contribute as much as Rp 24.8 trillion or 30.7% of the total DDI.

   DDI realization based on locations (five leading locations) were: Special Territory of Jakarta (Rp 16.5 trillion); East Kalimantan (Rp 12.2 trillion); East Java (Rp 10.5 trillion); West Java (Rp 8.5 trillion) and Central Java (Rp 4.7 trillion).

2. Foreign Direct Investment Realization
   FDI Investment realization based on sectors (5 major sectors) were: Mining (US$ 1.0 billion); Housing, Industrial Estate, and Office Building (US$ 1.0 billion); Electricity, Gas and Water Supply (US$ 0.9 billion); Metal, Machinery and Electronic Industry (US$ 0.8 billion); and Transportation, Warehouse, and Telecommunication (US$ 0.6 billion). If all of the industrial sectors were combined, then the industrial sectors contribute as much as US$ 2.5 billion or 35.6% of the total FDI.

   FDI realization based on locations (5 leading locations) were: West Java (US$ 1.0 billion); Special Territory of Jakarta (US$ 1.0 billion); Banten (US$ 0.8 billion); South Sumatera (US$ 0.6 billion); and Central Java (US$ 0.5 billion).

   FDI realization based on country of origins (five leading countries) were: Singapore (US$ 2.4 billion); Japan (US$ 1.0 billion); China (US$ 0.7 billion); Hong Kong (US$ 0.6 billion); and Malaysia (US$ 0.4 billion).

3. Distribution of Project Location
   In Q2 2018, investment realization realization in Java Island was Rp 94.4 trillion, while outside Java were Rp 81.9 trillion.

4. Indonesian Labour Absorption
   Indonesian labor absorption for the investment project in Q2 2018 was 289,843 people, consists of 133,602 people from DDI and 156,241 people from FDI.
Cumulative Investment Realization from January to June 2018:

1. Domestic Direct Investment Realization

DDI realization based on sector (5 leading sectors) were: Transportation, Warehouse and Telecommunication (Rp 28.1 trillion), Food Industry (Rp 21.9 trillion); Mining (Rp 20.5 trillion); Electricity, Gas, and Water Supply (Rp 16.5 trillion); and Food Crops and Plantation (Rp 15.7 trillion). Whereas, should all industrial sectors be combined, industrial will sectors contribute Rp 46.2 trillion or 29.4% of total domestic direct investment realization.

DDI realization based on location (5 leading locations) were: Special Territory of Jakarta (Rp 25.3 trillion); East Java (Rp 16.7 trillion); West Java (Rp 15.2 trillion); Central Java (Rp 15.0 trillion); and East Kalimantan (Rp 14.3 trillion).

2. Foreign Direct Investment Realization

FDI realization based on sectors (5 leading sectors) were: Housing, Industrial Estate, and Office Building (US$ 2.8 billion); Metal, Machinery, and Electronic Industry (US$ 2.2 billion); Electricity, Gas, and Water Supply (US$ 1.8 billion); Mining (US$ 1.6 billion); and Chemical and Pharmaceutical Industry (US$ 1.1 billion). If all of the industrial sectors were combined, it can be seen that the industrial sectors contribute as much as US$ 5.6 billion or 36.8% of the total FDI.

FDI realization based on project locations (five leading locations) were: West Java (US$ 3.3 billion); Special Territory of Jakarta (US$ 2.5 billion); Banten (US$ 1.6 billion); Central Java (US$ 1.0 billion); and South Sumatera (US$ 0.8 billion).

FDI realization based on country of origins (five leading countries) were: Singapore (US$ 5.0 billion); Japan (US$ 2.4 billion); China (US$ 1.3 billion); South Korea (US$ 1.2 billion); and Hong Kong (US$ 1.1 billion).

3. Distribution Project Location

In January to June 2018, investment realization in Java Island was Rp 206.2 trillion while outside Java Island was Rp 155.4 trillion. Compared to the same period in 2017 (Rp 155.0 trillion), investment realization outside Java Island increased 0.2%.

4. Labor Absorption.

Indonesian labor absorption for the investment project in January to June 2018 were 491,082 people, consists of 237,584 people from DDI and 253,498 people from FDI.

5. The investment realization based on Regions in January to June 2018 can be figured as follows:
   a. The investment realization in Sumatera Island was Rp 58.4 trillion (16.2%), consisted of Rp 20.8 trillion of DDI and US$ 2.8 billion of FDI.
   b. The investment realization in Java Island was Rp 206.2 trillion (57.0%), consisted of Rp 85.3 trillion of DDI and US$ 9.0 billion of FDI.
   c. The investment realization in Kalimantan Island was Rp 48.6 trillion (13.4%), consisted of Rp 35.6 trillion of DDI and US$ 1.0 billion of FDI.
   d. The investment realization in Sulawesi Island was Rp 23.5 trillion (6.5%), consisted of Rp 10.0 trillion of DDI and US$ 1.0 billion of FDI.
e. The investment realization in Bali and Nusa Tenggara was Rp 12.6 trillion (3.5%), consisted of Rp 3.5 trillion of DDI and US$ 0.7 billion of FDI.

f. The investment realization in Maluku and Papua was Rp 12.3 trillion (3.4%), consisted of Rp 1.7 trillion of DDI and US$ 0.8 billion of FDI.

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