

HSBC: Indonesia's opportunity to be the new production base

HSBC Indonesia Economics Forum was held to discuss Indonesia's opportunity after Covid-19

Jakarta, 7 October 2020 - The Pandemic of Covid-19 has halted almost all of global trade networks and shippings. Logistics providers grapple with decelerating recoveries of supply, ongoing demand disruption and secondary waves of infection. Globalization and trading that aroused world economy as we know it has gone into silence.

Companies now will likely need more warehouse space to keep more goods on hand to guard against potential shortages, and manufacturers looking to reduce the risk of disruption will start shifting some production from one country to the others that are closer to home.

This was conveyed by the President Director of PT Bank HSBC Indonesia Francois de Maricourt during his opening of the HSBC Indonesia Economics Forum webinar recently.

According to him the disruption of supply chains and global trade impact investment prospects in many countries. This has encouraged multinational companies to find solution to build new resilience by relocating or diversifying to other parts of Asia, focusing on Southeast Asia.

"I think this is going to be a permanent relocation, since there will be a lot of efforts and challenges in establishing new production base or moving supply chains, such as in the automotive sector. This means that there are huge opportunities for new investment in Indonesia: as the next production base in the Asia Pacific or ASEAN region," he said

He further explained that Indonesia owns very large resources and broad market. Even the World Bank positioned Indonesia as the 4th best country for investment after Croatia, Thailand and the UK, and ranked number 1 in retail manufacture investment¹.

Moreover, the pandemic has forced those who were more conservative with their digital adoption to be more open to adapting to new operational models.

HSBC's latest Study *Navigator: Building Back Better* shows that almost two-thirds (64%) of businesses in Indonesia strongly agree that times of adversity showcase how businesses can leverage technology to enhance or improve how they work.

"This is a considerably higher proportion compared to all markets (44%). These factors have given us the opportunity to play our role in promoting and attracting Foreign Direct Investment to Indonesia, among others through the Outlook event that we hold recently," he said.

Investment flow recovery

The importance of Indonesia to re-open an investment climate to attract foreign investment was expressed by the HSBC Chief Economist for ASEAN Joseph Incalcaterra.

¹ <https://london-post.co.uk/best-countries-to-invest-in-2020/>

Indonesian growth story was quite a strong one going into 2020. There were very high expectations for the next round for priority of infrastructure project from the government mainly of these were refining projects, projects in the mining sectors as well as eventually construction in the new capital city. However, like the rest of the world these are put on pause. The increasing growth story was interrupted with investment and with consumption moving into contractionary territory in the third quarter.



“The good news is that if we look at the 2021 budget, the government has allocated around 20% for infrastructure, which will be a priority and many of these projects have been in the pipeline already for some time. So what this means is that it may be a relatively quick ramp of investment, which will help drive the domestic demand and also drive for investor confidence in the Indonesian economy.”

Joseph added that what we learned from economic crisis that corporates will take some time before they start investing again. “They're going to be a little bit more risk averse. So in order to make big investment decision, they need to see very clear, a reform and political trajectory to welcome these investments.” He said.

oOo

About PT Bank HSBC Indonesia

PT Bank HSBC Indonesia has operated in Indonesia since 1884 and now the Bank serves its customer throughout Indonesia. PT Bank HSBC Indonesia is a member of HSBC Group, offering services in Commercial Banking and Global Banking for Corporate and Institutional Banking, Global Markets for treasury capital Markets as well as Wealth and Personal Banking.

 HSBC Indonesia  @HSBC_ID

Media contact

Alina Pranoto

021 3040 5389

alinasukmayanipranoto@hsbc.co.id