

Press release

## **HSBC Summit 2023: Foreign Direct Investment, Transition to Net Zero, and Digital Infrastructure as Key Foundations for Building Indonesia's Economic Resilience**

**Jakarta, 11 October 2023** – As Indonesia charts its ambitious course towards “Indonesia Emas 2045,” a vision to elevate the nation to a prosperous and advanced status by 2045, recent economic trends paint a promising picture for the archipelago's future.<sup>1</sup>

During HSBC Summit 2023 in Jakarta, **Frederic Neuman, Chief Asia Economist and Co-head Global Research Asia, HSBC Global Research**, said that the confluence of factors, including sustained foreign direct investment (FDI), increasing wage competitiveness driving Chinese investment in ASEAN, a robust working-age population, and a growing affluent population, sets a strong platform for Indonesia's economic growth.

FDI continues to flow into Asia, with ASEAN emerging as a focal point and Indonesia as a leading target for businesses to expand in the region.<sup>2</sup> China's increased investment in ASEAN, driven by growing wage competitiveness, further cements the region's attractiveness to investors.

Indonesia boasts a significant advantage regarding its working-age population, which presents an attractive labour force for businesses seeking expansion. The increasing number of adults in Indonesia with wealth exceeding USD 250,000 showcases a growing middle class, indicating a solid consumer base for domestic and international businesses.

Despite challenges such as a falling trade surplus, the realized FDI is on an upward trajectory, particularly in the metal and equipment sectors. Indonesia's domestic market, the largest in ASEAN, offers significant growth opportunities and could rise by 50 basis points (bp) to 5.8% by 2028 as Indonesia moves up the metals value chain.<sup>3</sup>

### **Sustaining the momentum towards economic resiliency**

To reach its ambition, Indonesia must maintain strong growth momentum by continuing to drive high levels of FDI inflow, harnessing the transformative power of the digital age, and achieving this while developing a lower carbon economy.

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<sup>1</sup> <https://indonesia2045.go.id>

<sup>2</sup> <https://www.about.hsbc.co.id/-/media/indonesia/en/news-and-media/230927-hsbc-survey-indonesia-is-a-leading-target-for-international-businesses-en.pdf>

<sup>3</sup> HSBC Global Research, “Indonesia: Proving its mettle”, published 22 May 2023

Its supportive government and regulatory environment has significantly bolstered Indonesia's journey towards economic growth. Proactive steps have been taken to create a favourable climate for domestic and foreign businesses. Reforms and initiatives have led to simplified regulatory

procedures and reduced bureaucratic hurdles, all of which positively impact FDI, reaching USD 43 billion in 2022, dominated by metal mining and mining sectors that saw more than USD 16 billion combined.<sup>4</sup>

According to **Francois de Maricourt, President Director of HSBC Indonesia**, "The growth in FDI inflows reflects Indonesia's increasing appeal to global investors, and it's encouraging to see investments flowing into sectors that bring substantial value to Indonesia's economy."

While the growth of FDI inflows into Indonesia may appear modest, HSBC data shows two important underlying trends. The first is that Indonesia is quietly making substantial gains in global FDI market share. The second trend is the preference for investment in sectors that add significant economic value.<sup>5</sup>

Amid this backdrop, the world is witnessing a transition towards a green economy and an unwavering commitment to sustainability in business operations and returns. Indonesia has embarked on its journey towards carbon neutrality, with regulations to achieve net-zero carbon emissions by 2060. Meeting this goal will require tripling renewable energy investments to an annual USD 8 billion by the end of the decade, as highlighted by the International Energy Agency. The recent launch of the Indonesia Carbon Exchange by President Joko Widodo, with an estimated potential of USD 20 billion<sup>6</sup>, is expected to unlock new sustainable and environmentally friendly economic opportunities.

On Indonesia's journey towards net zero, Indonesia has taken steps to electrify its mobility sector. According to Francois, "Electrifying Indonesia's mobility sector is essential. It provides a compelling segue into electric vehicles (EVs), an industry that aligns with Indonesia's abundant resources." He notes that the government's support for the EV sector, coupled with Indonesia's status as a key producer of EV battery materials, presents significant opportunities for investment.

Indonesia's transformation into a digital nation is yet another ace in its pocket. Francois observes, "Indonesia's digital potential is vast, with a large population of internet users and a thriving tech ecosystem." He underscores the importance of continued efforts to boost digital connectivity and

E-commerce, stating, "We must create an environment that allows digital connectivity to flourish among Indonesia citizens."

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<sup>4</sup> <https://www.aseanbriefing.com/news/indonesias-breakthrough-year-for-foreign-investment-in-2022/>

<sup>5</sup> [RHCbkVRW9vGd \(hsbc.com\)](https://www.hsbc.com)

<sup>6</sup> <https://www.kompas.id/baca/ekonomi/2023/09/26/jokowi-sebut-potensi-bursa-karbon-indonesia-capai-rp-3000-triliun>



In light of these circumstances and underpinning all of this, Francois highlights the need for collective efforts to make Indonesia an attractive hub for global capital seeking sustainable

returns. He concludes, “Financial institutions, including banks like HSBC, have a crucial role in connecting investors with green opportunities and supporting local companies in adopting international sustainability standards.”

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