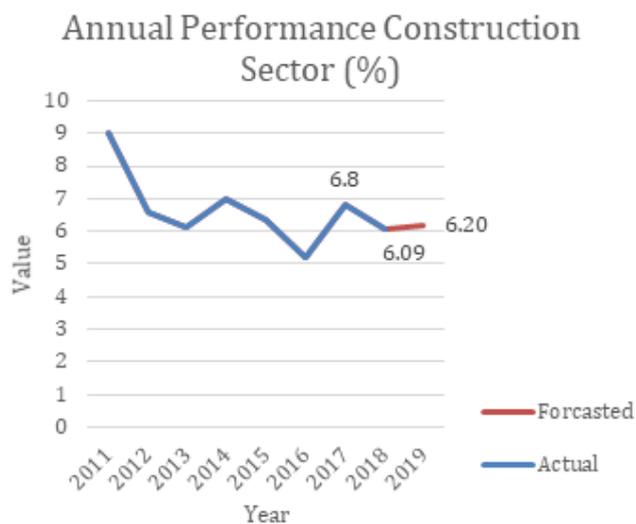


Interesting Perspective of Indonesian Construction Sector Prospects



VISI predicts that until the end of 2019 the construction sector will experience growth reaching 6.20 percent compared to 2018. The value of growth has increased by 0.11 points when compared to growth in 2018. The increase is based on several factors.

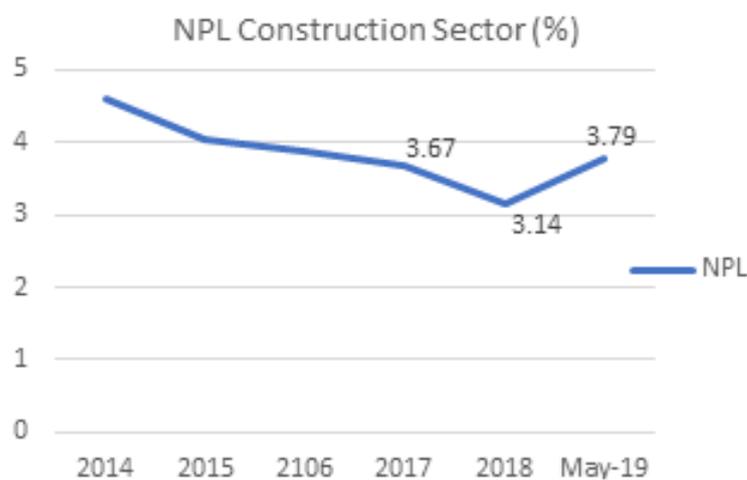
The construction sector will receive positive sentiment from the 2019 APBN (APBN) as the government has allocated an infrastructure budget of IDR 420.5 trillion, perhaps greater than the 2018 budget of IDR 410.7 Trillion. This is accounted as evidence of the government's commitment to the continuation of the infrastructure projects mentioned, in reference to the program itself in an effort to focus on human resources.



Source from Statistics Indonesia

There is still a lot of homework that needs to be addressed in the Indonesian construction sector, including lack of productivity in the construction industry, difficulties in following the increasingly complex construction project performance, lack of skilled construction workers, issues with subcontractors, adoption of new technologies, alongside many others. Due to this, increasing the state budget in 2019 is hoped to assist in decreasing the issues in the construction sector.

Interesting Perspective of Indonesian Construction Sector Prospects



Source from OJK
Reprocessed by VISI

As for the credit growth, the construction sector recorded an increase in the value of Non-Performing Loans (NPL) or the ratio of non-performing loans which is at the level of 3.79 percent compared to the end of 2018 of 3.14 percent. This value is still relatively good because it is still below the 5 percent limit. With the existence of these loans, it can be said that the construction sector is still attractive for bank credit disbursements. Other than that, the plan to relocate the capital city of Indonesia to Kalimantan will bring inspiration to those in the construction sector.

At present, the Indonesian government has completed a timeline for the move of the Indonesia capital city from Jakarta to Kalimantan. The process of building a new capital city to replace Jakarta takes up to 2045, where the development process will be carried out in three stages.

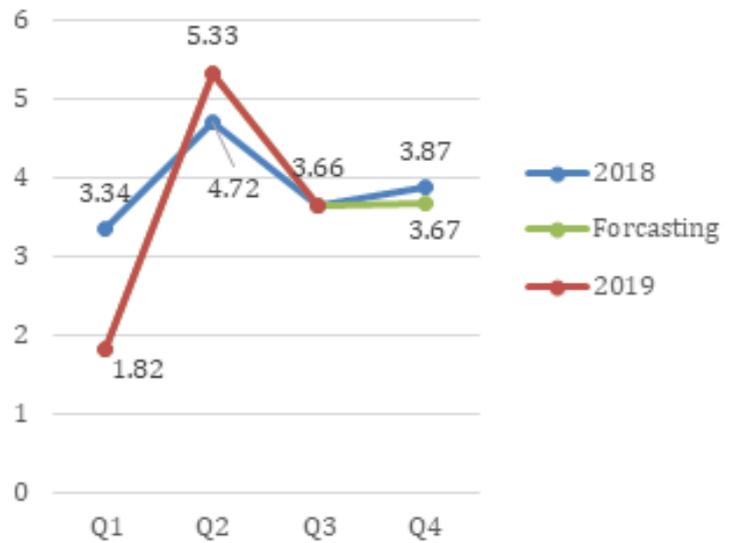
This can indeed indicate that the construction sector will experience a significant increase at least until the removal process is completed (in 2045). However, because the project will only begin in 2021, it will not have a significant (or non-existent) impact on the growth of the construction sector in 2019 and 2020. Therefore, in 2019 and 2020 as a whole level of construction sectors VISI predicts that the construction sector will experience an increase however it will not indicate much significance

Interesting Perspective of Indonesian Construction Sector Prospects



Meanwhile, based on its track record, in the first quarter of 2019, there had been a significant decrease compared to the same period in 2018, from 3.34 percent to 1.82 percent. The main cause of the decline is influenced by the accounting treatment of large projects undertaken by big players. Where at the beginning of 2019, it began to enter the final stage of the project which has been running since 2018. As it is known that the characteristics of the construction sector are the more entering the final process, the less income will be obtained.

Quarterly Performance Construction Sector (%)



Source from Statistics Indonesia
Reprocessed by VISI

Meanwhile, starting a new project requires a longer process or even a delay in operation. Based on the explanation from the big players in Indonesia, this cannot represent the overall performance of the company and in the second quarter, they were sure to experience a significant increase in EBIT. However, most of these can only be handled by the big players, whereas for middle-class players remain below them, economic conditions tend to decline and often experience bad payment services.

Interesting Perspective of Indonesian Construction Sector Prospects



In the second quarter of 2019, there was an increase in growth of 0.61 points or 12 percent compared to the same period in 2018, from 4.72 percent to 5.33 percent. This is due to the growth of the project and also the positive sentiment from the increased APBN for the Construction sector conducted by the government. As for the third quarter, there are no exact figures related to the growth of the sector. However, based on its growth in recent years, growth is expected to occur in the range of 3.66 percent until the fourth quarter of 2019.

Although the construction sector is expected to increase, it is visible that most of the contributions come from big players. Whereas for most of the small players have difficulty in making contributions. This is due to the acquisition of small projects, while payment for services often experiences delays that cause unstable economic conditions and difficulties to start new projects. Besides, there is still a tendency for big players to receive projects that create difficulty. Given that the acquisition of the construction sector refers to the experience, ability to manage and carry out projects, human resources, and other conditions that are often dominated by big players.