

ABSTRACT

The Indonesian manufacturing sector faces a paradox where its GDP share is declining amid a surge in realized investments. This study aims to analyze the impact of investment on intersectoral linkages, output, household income, and national employment absorption. The method used is Input-Output analysis with the 2020 Indonesian I-O Table, updated to 2025 using the RAS method. Manufacturing sector investments amounting to Rp577.6 trillion are modeled as a shock across three simulation scenarios.

The results indicate that the current condition of mineral downstreaming is not yet fully integrated into the advanced domestic industrial ecosystem. The Basic Metal Industry, as the main engine of downstreaming, still faces challenges in fully integrating its value chain due to limited forward linkages (truncated forward linkage), indicating that downstreaming currently stalls at the production of semi-finished goods without being optimally absorbed domestically. The simulation generates a total output impact of Rp1,129.89 trillion. However, the impact on household income only reaches 13.96 percent of the total output due to the output-income decoupling phenomenon, while 56.4 percent of employment absorption is actually concentrated in the Agricultural sector through backward employment linkages, rather than in the modern industrial sector. The study recommends reorienting investment towards agro-industry, accelerating metal-consuming downstream manufacturing, and strengthening electrical energy as prerequisites for sustainable industrial expansion and comprehensive downstreaming.

Keywords: *Industrial Investment, Input-Output Analysis, RAS Method Intersectoral Linkages, Labor Absorption*