

CURRENCY

Industries brace for impact of rupiah fall

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Domestic industries have taken various measures to keep their businesses afloat amid the weakening of the rupiah, which has hit its lowest rate in 20 years as it passed the psychological barrier of Rp 15,000 per US dollar because of a combination of global developments.

Indonesia's currency was changing hands at Rp 15,088 per US dollar on Wednesday after the country's authorities had been struggling for months to keep it at the 14,000 level.

Despite pressure on bottom lines, the government had advised food and beverage industry players, which imported most of their raw materials, to maintain the current prices of their products, said Adhi S. Lukman, the chairman of the Indonesian Food and Beverage Producers Association (GAPMMI).

While 70 percent of its ingredients were imported, the food and beverage industry would have done the same thing even without the government's advice, as it needed to maintain consumers' purchasing power given its reliance on the domestic market, Adhi said.

"As we will hold back from raising the prices of our products [in response to higher ingredient costs], we expect the sales to remain high," he said on the sidelines of an event in Jakarta on Wednesday. "However, it will be a challenge for us, because our profit margins will definitely decline."

Meanwhile, Indonesian Textile Association (API) chairman Ade udrajat said the country's textile industry would not adjust its production significantly to cope with



Antara/Wahyu Putro A

Firm commitment: Finance Minister Sri Mulyani Indrawati (*left*) shakes hands with publicly listed coal miner PT Adaro Energy Tbk president director Garibaldi Thohir after the signing of a memorandum of understanding (MoU) to increase transactions using the rupiah in an attempt to help stabilize the currency at the ministry's office in Jakarta on Wednesday. Also present at the signing ceremony were mining contractor firm PT Pama Persada president director Frans Kesuma (*second left*), coal mining service provider PT Saptaindra Sejati director Asep Kusmana (*second right*) and PT Adaro Energy Tbk president commissioner Edwin Soeryadjaya.

the weakening rupiah thanks to being export-oriented, despite importing nearly all of its cotton and other materials.

Ade acknowledged that garment companies selling their products domestically would have a harder time adjusting to the rupiah depreciation, as they needed to ask their distributors for price increases, something the latter would hesitate to agree to.

"But for those who tend to export, it will not be a problem, since they buy materials in US dollars and sell the processed garments in US dollars as well," he told *The Jakarta Post* over the phone.

While they may have to work harder to maintain healthy balance sheets, private companies are expected to play a big role

in helping the government deal with the impact of global pressure on the local economy. During an agreement-signing event on Wednesday, Finance Minister Sri Mulyani Indrawati said a case in point was that private companies could convert their US dollar earnings into rupiah.

"We have to guard [Indonesia's economy] together, as the global situation urges us to keep making adjustments. [...] All stakeholders are crucial in this [ever-changing] situation, such as exporters increasing their rupiah transactions," said Sri Mulyani.

The former World Bank managing director was delivering a speech after witnessing local coal giant Adaro Energy ink an agreement with two mining contractors

on a declaration to increase rupiah transactions, which would see the firm convert around US\$1.7 billion by the end of the year.

The government has been calling on companies to conduct more transactions in rupiah since early September, when the currency was hovering around Rp 14,900 per US dollar. The measure is not new; it can be tracked back to three years ago, when Bank Indonesia (BI) issued Regulation No. 17/3/2015, which requires that all domestic transactions be conducted in rupiah only.

A 2014 BI regulation on export earnings and withdrawals of foreign debt also mandates that local firms repatriate their export earnings to Indonesia.

Sri Mulyani, however, said the government acknowledged that exporters still needed US dollars for some transactions, such as paying off loans or importing raw materials.

Publicly listed coal miner Adaro Energy president director Garibaldi "Boy" Thohir told journalists that the company had been conducting more of its transactions with other firms in rupiah rather than in dollars, such as with state-owned energy holding Pertamina for fuel and with local mining contractor Bukit Makmur Mandiri Utama.

"This is the biggest conversion we are making, which includes three components: taxes and royalties, fuel and mining contractors," he said, adding that the firm's annual US dollar use stood at around \$1.9 billion to \$2 billion.

Garibaldi acknowledged that conducting more transactions in rupiah might result in opportunity loss in Adaro's currency gain, but said that it would be "small".

Aid distribution still slow

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The government has been scrambling for days to provide emergency relief in disaster-stricken Central Sulawesi, but concerns loom over the slow distribution of food and basic supplies, placing tens of thousands of survivors in limbo.

A 7.4-magnitude earthquake and subsequent tsunami hit the region on Friday, causing mass destruction in the city of Palu, as well as Donggala, Sigi and Parigi Moutong regencies. Authorities have been juggling with evacuating victims and meeting survivors' needs amid limited resources and infrastructure challenges.

On Wednesday, President Joko "Jokowi" Widodo embarked on his second visit to Palu, the area that has recorded the most casualties so far. He directly oversaw disaster response and relief efforts while also meeting with the injured and visiting survivors in shelters.

While saying that emergency efforts were going in the "right direction", he acknowledged that the delivery of logistical supplies had not been ideal, as indicated by their slow distribution, particularly in the worst-hit areas.

But the President assured that supplies would be distributed evenly to all areas in need as the delivery was already under way.

"For instance, four subdistricts in Sigi desperately need basic supplies. I have ordered for [the supplies] to be delivered [to the four subdistricts]," Jokowi said on Wednesday.

Jokowi added that emergency-response teams had been racing against time to complete their mission of retrieving victims who were still trapped under debris and distributing supplies.

The President remained upbeat that the evacuation process and distribution of supplies would only improve, especially as a new batch of heavy equipment had arrived. State-owned energy holding Pertamina has provided fuel to meet survivors' needs.

"We have brought [fuel] from

Delivery of logistical supplies has not reached isolated areas

More than 1,400 died from quake, number likely to rise

Donggala to [Palu]," Jokowi said. "In terms of security, [the delivery] must be guarded by authorities."

By Wednesday, the death toll in Central Sulawesi had risen to 1,407. More than 500 bodies had to be buried in mass graves because of their severe state of deterioration, the National Disaster Mitigation Agency (BNPB) said.

BNPB spokesman Sutopo Purwo Nugroho said the number was still expected to rise as rescuers

had yet to reach all affected areas.

"While our teams have been able to reach isolated parts of the affected city and regencies, we are having difficulties communicating with them due to limited access," Sutopo said.

Joint search and rescue teams are prioritizing emergency response in areas where a large number of casualties have been reported, including the location of what used to be a housing complex in Petobo subdistrict, West Palu.

Nearly the entire complex, which comprised more than 744 houses, has sunk into the ground due to soil liquefaction — a geological phenomenon triggered by powerful tremors in which the soil loses its firmness as heavy soil and rocks sink while light soil and sand rise to the surface. It is

feared that about 2,000 people had been killed in the area.

Despite the use of heavy equipment, Sutopo said recovering bodies in areas that have sunk into the ground was even more challenging as the bodies had been practically buried in hardened soil.

Various institutions, including the United Nations, have raised concerns over the slow progress in distributing disaster relief to affected areas.

"There are still large areas of what might be the worst-affected areas that haven't been properly reached, but the teams are pushing, they are doing what they can," said Jens Laerke from the UN's humanitarian office on Tuesday as quoted by AFP.

However, Sutopo defended search and rescue personnel, saying that emergency response had been carried out at a "normal pace" despite challenges. He further noted that personnel in the field were facing multiple obstacles, including damaged roads and bridges.

"Our progress can still be considered normal given the limitations. We are still trying to distribute food and clean water supplies across the province," he said.

The BNPB also announced that two Hercules C-130 cargo aircraft from Singapore were on stand-by in an airbase in Balikpapan, East Kalimantan. The airplanes, however, still need to complete the required administration process before they can be used to deliver relief to Central Sulawesi.

BKPM looks to Bali meeting for investors

Winy Tang

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The Investment Coordinating Board (BKPM) will use the momentum of the International Monetary Fund-World Bank Annual Meetings in Bali to lure investors to fund infrastructure development in Indonesia and discuss innovation for disaster preparedness.

The BKPM and private lender HSBC will stage an infrastructure investment forum in Jimbaran, Bali, on Oct. 11 to provide information for potential investors, banks and fund managers.

BKPM head Thomas Lembong said on Wednesday that, despite concerns over the rupiah depreciation against the US dollar over the past months, the government is optimistic it can attract investment through the public-private partnership (PPP) scheme that has been used to finance toll roads and power plants, among other projects.

"I have discussed with Bapenas that we could possibly use the PPP scheme for projects that can generate foreign exchange income, such as for airports and seaports, since they receive landing fees and other fees in US dollars," he said in Jakarta, referring to the National Development Planning Agency.

"Thus, if investors are concerned about the rupiah volatility, there are also instruments we can offer in US dollars," Thomas emphasized.

The BKPM has seen a decrease in foreign direct investment (FDI) due to mounting global and domestic risks that have prompted businesses to postpone investments. FDI slumped by 12.9 percent to Rp 95.7 trillion (US\$6.34 billion) in the second quarter of 2018.

Meanwhile, the government



JP/Dhoni Setiawan

Thomas Lembong

BKPM to offer investors partnership scheme for infrastructure projects

RI needs Rp 4.79 quadrillion for infrastructure projects in 2015-2019 period

has been focusing on infrastructure development that does not depend on the state budget. According to the national mid-term development plan (RPJMN) for 2015-2019, Indonesia needs Rp 4.79 quadrillion to build infrastructure during that time. Government financing would only account for 41.3 percent of that sum, with state-owned companies to contribute another 22 percent, leaving private companies to come up with 36.5 percent.

The infrastructure forum in Bali, Thomas added, would also touch on the issue of disaster-resistant infrastructure. Discussion of the topic is timely, since Indonesia must learn from the natural disasters that recently hit Central Sulawesi, where a 7.4-magnitude earthquake unleashed a tsunami.

The tsunami and earthquake have killed at least 1,200 people and caused severe damage in Palu and nearby regions, including to buildings, roads and bridges, leaving some areas inaccessible.

A strong earthquake also hit

Lombok in West Nusa Tenggara recently, while Bali saw Mount Agung erupt not long ago. Both disasters caused a significant drop in foreign tourist arrivals, not to mention the infrastructure damage caused.

"One of the interesting aspects is how to insure critical infrastructure projects against disasters," Thomas said.

HSBC Indonesia president director Sumit Dutta said the investment forum was hoped to attract global investors from various countries, such as China, Japan and Korea, to invest in Indonesian infrastructure.

China, for example, has invested in the high-speed railway connecting Jakarta and Bandung in West Java, while Japan has invested in the MRT system in Jakarta and the Patimban Deep Sea Port in Subang, West Java.

Indonesia accounts for 35 percent of ASEAN's GDP and 40 percent of the regional block's population.

Sumit said infrastructure development was the making Indonesia the fourth-largest economy by 2045. To realize that potential, innovative financing was needed to lure investors to place their money in Indonesia.

"We found a common awareness that everyone understands the potential of Indonesia, but they don't know how to do business here, what the regulations are, how much time it takes to set things up," he said.

"[We provide information] not only about funding and credit, but also give advice, enabling them to connect with Indonesian business partners [...] HSBC's role is to be a trusted advisor to our customers, to give them the facts on the ground, and to help them keep in touch with the BKPM," he added.

Imports last resort as govt looks to boost gas output

Stefanno Reinard Sulaiman

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The government is considering importing gas in six or seven years, as official data point to a decline of national supply by 2025, followed by a deficit two years later.

In a bid to prevent that, the government wants to speed up development of national gas projects. Imports would be the government's last resort.

Authorities are working with three scenarios for the development of the country's gas market, particularly regarding consumption growth, over the next few years. The second and third scenarios, which both assume gas consumption growth of 5 percent for piped household gas and natural gas filling stations, project gas deficits of 206.5 million standard cubic feet per day (mmscfd) and 1,072 mmscfd, respectively.

Meanwhile, the first scenario sets the growth of gas consumption for electricity, retail and non-retail industry at only 1.1 percent.

Energy and Mineral Resources Ministry Oil and Gas Direc-

Two scenarios see gas consumption growth at 5%

Increasing demand may cause gas deficit of 206.5 mmscfd

tor General Djoko Siswanto said the government would focus on speeding up national gas projects, such as the Masela block in Maluku and the Indonesia Deepwater Development (IDD) project in the Makassar Strait.

"If that's not enough and we have tried everything, then [we will] import, but we don't know when [that might be necessary]," he said on Monday after the launch of the oil and gas trade balance book at the ministry.

Beside pinning hopes on existing gas blocks to jack up or at least maintain production, the government will also try to transfer gas from surplus regions to deficit ones.

However, gas infrastructures like pipelines and floating storage and regasification units (FSRU)

were key to realizing that strategy, said Deputy Energy and Mineral Resources Minister Arcandra Tahar during the event.

"[Whether there will be a] shortage or not depends on whether we can develop the infrastructure on time. For example, we could avoid a deficit in Region 3 [Central Java] in 2025, if we could connect Gresik [in East Java] with Semarang [in Central Java] by gas pipe," he said.

Furthermore, the oil and gas balance book is expected to inform stakeholders about supply and demand conditions in the country, according to the ministry. And the ministry is likely to revise it every year to renew the data.

The new gas balance data is for the 10-year period of 2018 to 2027, marking a revision of 2017-2035 gas balance data. The revision became necessary to readjust data with new gas supplies as a result of development in some gas fields, such as the Jambaran Tiung Biru gas field and the Jangkrik gas field. It also separates the retail from the non-retail sector and has three different projec-

tions of future gas demand, in accordance with state-electricity firm PLN's business plan for gas-fired power plants.

The revision also comes in response to the unexpected oversupply of gas in 2016 amid slowing domestic demand, with the government's poor planning in arranging the gas balance blamed as a contributing factor.

State-owned gas firm PT Perusahaan Gas Negara (PGN) commerce director Danny Praditya believes an accurate and updated gas balance is crucial give PGN and other stakeholders assurance about the industry.

"It would be useless to build [gas infrastructure] if it turns out later that the buyer does not exist. The validation of [gas consumption] growth should be assessed jointly with us," he said after attending the event.

According to data compiled by PGN, actual gas demand in 2016, both from the domestic market and abroad, was only 6,676 mmscfd, far below the projected 8,072 mmscfd stated in the government's gas balance.

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Govt to call Inpex over Masela Block

JAKARTA: The government is set to contact Japan-based oil and gas giant Inpex as the deadline for the preliminary front-end engineering design (pre-FEED) of Masela Block in Maluku ended in September.

Deputy Energy and Mineral Resources Minister Arcandra Tahar said on Tuesday that ministry had yet to receive an update. "The pre-FEED was supposedly done in September, but there has been no data. [...] Yes we will called up [Inpex]," he said.

Masela is expected to produce 150 million standard cubic feet per day (mmscfd) of natural gas and 9.5 million tons per annum (mtpa) of liquefied natural gas (LNG) once it is on stream in 2027.

Speeding up the progress of Masela Block is crucial for Indonesia because of its large gas resources and as the country is projected to face a gas supply deficit starting in 2025, according to two projected scenarios.

Previously, Abadi field of Masela Block had been included as one of the 37 National Strategic Projects (PSN), as stipulated in Presidential Regulation No. 57/2017.

There are five energy projects in the PSN. The others include Jangkrik field in Muara Bakau Block, the Jambaran-Tiung Baru gas facility in Cepu block and Tangguh Project Train 3. —JP