

RI keeps 2019 economy flexible amid global pressures

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THE JAKARTA POST/JAKARTA

Finance Minister Sri Mulyani Indrawati has said the government would continue monitoring the developments in the global economy while keeping its fiscal policy for 2019 flexible to adjust to external uncertainties.

Aside from making the economy able to adapt to global pressures, Sri Mulyani said the government would also maintain its focus to safeguard the recovery momentum in the domestic economy.

She added the government would maximize the engine of growth in the domestic economy, namely household consumption and investment, the two largest contributors to gross domestic product (GDP) growth in the country.

"We will try to maximize the engine of growth that we can control," said Sri Mulyani in Jakarta on Wednesday. "For example, with confidence coming from controlled inflation, we will try to ensure that household consumption grows above 5 percent [in 2019]."

The minister made the statement

following the House of Representatives' approval of the 2019 state budget. The government considers the budget realistic given the external pressure that is set to continue next year. During the House plenary meeting on Wednesday, Sri Mulyani wore a white blazer with a black ribbon on her left sleeve in honor of the 20 civil servants at the Finance Ministry who were killed in the Lion Air flight JT610 crash.

The 2019 budget projects the economy to expand by 5.3 percent, slightly lower than this year's target of 5.4 percent. Inflation is estimated to hover between 2.5 and 4.5 percent, while the rupiah's exchange rate assumption was set at

Rp 15,000 per US dollar.

The government also set the Indonesian Crude Price (ICP) at US\$70 per barrel, oil lifting at 775,000 barrels of oil per day (bopd) and gas lifting at 1.25 million barrels of oil equivalent per day (boepd).

State spending was set at Rp 2.46 quadrillion, consisting of Rp 1.63 trillion for central government spending and Rp 826.9 trillion transferred to the regional administrations.

State revenue was set at Rp 2.16 quadrillion and the fiscal deficit was projected at 1.84 percent of GDP, or Rp 296 trillion.

Macroeconomic assumptions

	2019 state budget	2018 state budget
Economic growth (%)	5.3	5.4
Inflation (% year-on-year)	3.5	3.5
Exchange rate (Rp/US\$)	15,000	13,400
Three-month treasury bill (SPN) yield (%)	5.3	5.2
Oil price (US\$/barrel)	70	48
Oil lifting (thousands of barrels/day)	775	800
Gas lifting (thousands of barrels/day)	1,250	1,200

Source: Finance Ministry

The 2019 state budget, which is the final budget submitted during the first term of President Joko "Jokowi" Widodo as he seeks reelection next year, was set against the backdrop of a changing global economy that was marked by monetary policy normalization in the US, as well as the escalating protectionism measures undertaken by the US and China.

The International Monetary Fund recently revised its global growth outlook to 3.7 percent in 2018 and 2019, down from its previous projection of 3.9 percent over the same period, as the global economic recovery appeared to be uneven among countries and the previously mentioned downside risks have already appeared.

The economy expanded by 5.27 percent year-on-year (yoy) during the second quarter, according to Statistics Indonesia (BPS) data, with household consumption — which accounted for more than half of GDP — growing 5.14 percent.

Investment growth dropped to 5.87 percent in the second quarter from around 7 percent recorded

from the third quarter last year to the first quarter of 2018.

The Investment Coordinating board (BKPM) recently released the realized investment data in the third quarter of 2018, which was recorded at Rp 173.8 trillion, a drop of 1.6 percent yoy.

Economic observer with the Asian Development Bank (ADB) Institute Eric Sugandi said it would be tough for Indonesia in the near-term to see investment levels bounce back to the previous level of 7 percent as liquidity continued to tighten in developed economies, while domestic investors would consider their expansion plan following a hike of 150 basis points (bps) undertaken by Bank Indonesia (BI).

The depreciation of the rupiah, which was recorded at more than 10 percent year-to-date, was also a factor for investors to hold their investments, particularly those that borrow in foreign-denomination currency while producing revenue in rupiah, said Eric, adding that such investors would see their profit decline when converted back to foreign currency.

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ENHANCED COOPERATION

Putin, Jokowi to have bilateral meeting at 2018 EAS

Agnes Anya

THE JAKARTA POST/ JAKARTA

Russian President Vladimir Putin has requested a bilateral meeting with President Joko "Jokowi" Widodo on the sidelines of the East Asia Summit (EAS) in Singapore in mid-November after a plan to visit Jakarta this year was scrapped because of overlapping schedules.

Indonesian Ambassador to Russia M. Wahid Supriyadi said both leaders would likely discuss, among other things, enhanced economic cooperation after the United States imposed tariffs on Russian steel and aluminum.

"Indeed, Putin would have liked to come to Jakarta this year but the timing did not match. This is not a full bilateral, though. It's a warm up," he told a press briefing in Jakarta on Wednesday.

Wahid said the meeting would not be about a defense partnership, saying it might be raised but would not be the focus.

Moscow, he said, would likely

focus on trade and the economy, as it had been looking for more opportunities with countries like Indonesia, adding that Russia would highlight its wheat exports to Indonesia, which increased by 600 percent in 2017, as well as meat and soybean exports.

Jakarta, meanwhile, would request greater market access for its fishery products as currently only 10 companies could export to Russia because of Moscow's standard requirements, Wahid said.

Indonesia would also ask for greater market access for its agricultural products, in particular tropical fruits, as they were in high demand in Russia, he added.

Such proposals were in line with requests from Coordinating Economic Minister Darmin Nasution, who last week met with his Russian counterpart Denis Manturov in Moscow during the 12th Indonesia-Russia Joint Session on Trade, Economy and Technical Cooperation.

"Tropical fruits like mangos,

pitaya, papaya and starfruit, are in high demand in Russia. Mango-steens, for instance, are sold for Rp 50,000 (US\$3.3) each," Wahid said.

Despite global uncertainty, bilateral trade between the two countries has continued to increase with total trade reaching \$2.52 billion in 2017, an increase of 19.43 percent from 2016, according to Trade Ministry data.

The number of Russian tourists visiting Indonesia also increased by 37.3 percent to 110,500 in 2017. The number, however, was far below those visiting Vietnam and Thailand, at 400,000 and 1.2 million respectively, Wahid said.

Jakarta expects the number to increase with the newly launched direct flight from Moscow to Denpasar, Bali, by Rossiya Airlines, a subsidiary of Russia's flagship airline Aeroflot, on Oct. 28.

"[Rossiya's Moscow-Denpasar] first flight was almost a full house. It was almost 80 percent occupied. This shows how our people are attracted to visiting Russia," he said,

adding that the direct flight took 12 hours, faster than flying via Singapore, which took 18 hours.

To further promote people-to-people exchange, the Indonesian Embassy in Moscow was gearing up for the 4th Festival Indonesia in Moscow in August 2019, Wahid said.

The festival, which will feature art performance and classes, food mart and cooking classes, will take place in Moscow's 16.5-hectare Krasnaya Presnya Park.

"The event is expected to be a chance for Indonesian and Russian businesspeople to meet. At this year's festival, for example, an Indonesian exporter managed to find a client for mangos," Wahid said.

The 2018 Festival Indonesia was also held in the same park and attended by some 135,000 people, with 100 booths; 85 of which showcased Indonesian products, including tropical fruits and traditional delicacies, from Indonesian-style fried banana to fried rice and *martabak* (sweet or savory pancake).

Miners call for solution amid dilemma

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Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

Coal mining companies are facing a dilemma in deciding whether to obey the mandatory requirement to supply 25 percent of production to the domestic market as recent data shows that absorption would remain low until year-end.

It is feared that low absorption will affect the companies' bottom line further as they are mandated to sell their coal at a lower price to help state electricity firm PLN maintain prices.

The Indonesian Coal Mining Association (APBI) estimated that by year-end, the realization of the domestic market obligation (DMO) on coal supply would only reach 20 percent because of low absorption, resulting in a 5 per-

cent oversupply.

DMO realization still far from target

Coal mining companies urge govt to revise policy

cent oversupply.

APBI chairman Pandu Sjahrir expressed skepticism to the notion that the domestic market could reach 25 percent absorption next year.

"It [low absorption] is being seen in the data on [coal domestic consumption]; so, the next question is how accurate was the calculation at 25 percent [for next year]?" APBI chairman Pandu Sjahrir said in Jakarta on Wednesday.

The government has set the target of national coal production at 485 million tons this year, 25

percent of which, or 121.25 million tons, should be allocated for the domestic market.

Ninety-two million tons of the target should be supplied to PLN, while the rest should go to industry, such as cement producers.

However, data from the Energy and Mineral Resources Ministry shows that the realized allocation for PLN until September was only 66.9 million tons, or 72.7 percent of the target for the year.

Meanwhile, the overall realization of the mandatory supply for the domestic market stood at 84 million tons, or 69.2 percent of the target.

The government in March issued a derivative regulation to support the policy that set the ceiling coal price for PLN at US\$70 per ton. It equals 75 per-

cent absorption of all domestic coal supply as PLN has been ordered by the government to maintain affordable electricity prices.

The government remains firm in its policy despite coal miners' call for revision, stressing its conviction that the full-year 25 percent absorption target can be achieved as it was still waiting for data from all players.

The ministry's director general for mineral and coal Bambang G. Ariyóno said on Monday that there was no plan to revise the policy, including its penalty in the form of a production cut next year for miners failing to meet the 25 percent obligation.

His statement came less than a month from the making of the 2019 mineral and coal work program and budget, which will roll

out the coal production target for next year.

"The penalty in the form of a production cut is still in place. [...] the problem lies with the miners themselves if they can't fulfill the [25 percent mandatory supply] because of a mismatch between coal specification demanded by PLN," he said. "Besides, we have legalized a quota transfer scheme for them."

Bambang referred to a business-to-business scheme that allows miners with coal specification demanded by PLN — low-quality coal — to transfer some of their supplies to miners that have higher quality coal.

However, APBI executive director Hendra Sinadia said the scheme still had a loophole as he believed that there were more miners with mismatched specification of coal

compared to those that already fulfilled PLN's demand.

"We hope that the government will reconsider the penalty as not all miners will get a quota [of coal with PLN's specification], because there are not many miners with surpluses to cover all the needs," he said.

Responding to the situation, Indonesian Mining Institute chairman Irwandy Arif suggested that unsuitable miners be given the option to be charged a certain amount of US dollar per ton that would be allocated as an incentive for PLN, a scheme similar to an incentive in the 20 percent blended biodiesel policy.

"Therefore, the miners can sell their coal to PLN at the market price, but the latter will get an incentive [from the industry]," he said on Wednesday.

ENERGY

Govt struggles to encourage use of clean fuel: Bappenas

The Jakarta Post

JAKARTA

The National Development Planning Agency (Bappenas) has acknowledged that the government finds it hard to encourage people to use Euro 4-grade fuel to reduce air pollution because it is considered costly.

The clean fuel is imported as the domestic refineries belonging to state energy holding Pertamina are aging and, thus, incapable of producing high-grade fuel.

National Development Planning Minister Bambang Brodjonegoro said most of Indonesia's 14 refineries, which were at least two decades old, were only capable of producing low-quality Euro 2 standard fuel.

"The public and private sectors need to work together to address issues such as high investment, high risk, inconsistent regulations and other technical problems to build and upgrade refineries," Bambang told a seminar

on clean fuel hosted by the Centre for Strategic and International Studies (CSIS) in Jakarta on Tuesday.

To encourage the use of high quality fuel, the Environment and Forestry Ministry issued regulation No. 20/2017 on the standard of fuel emissions with low levels of toxic chemicals such as sulfur, carbon-monoxide and lead.

Indonesia is the fourth South-east Asian country to adopt the standard.

The country's transportation sector emits 137.94 million tons of carbon dioxide per year, of which 74 percent is contributed by the burning of gasoline, 25.5 percent biodiesel and 0.05 percent natural gas.

Bambang told the audience on Tuesday that the regulation was introduced in response to rising health concerns regarding the declining air quality in Indonesia.

Jakarta recorded the worst air quality in the world in July, according to air quality software

company Air Visual.

Pertamina, meanwhile, produces only one brand of Euro 4-grade fuel, Pertamax Turbo, which accounts for 1 percent of all of its fuel sales.

Pertamax Turbo's low sales contribution is unsurprising as it costs Rp 12,250 (81 US cents) per liter in Jakarta and, therefore, cannot compete with subsidized gasoline Premium, which is sold at Rp 6,450 per liter.

Pertamina announced last year that it planned to upgrade its refinery in Cilacap, Central Java, and build a new refinery in Tuban, East Java, by 2021. The plans were delayed to 2023 and 2024, respectively, because Pertamina needed to renegotiate its marketing agreements with the two companies involved in developing the refineries.

The firm later revised its plans to upgrade four oil refineries and to build two new ones by 2025. However, it did not indicate the proportion of Pertamax Turbo in

their production.

Pertamina director of processing and petrochemical for mega-projects Ignatius Tallulembang said during the seminar that his company's slow progress in implementing the Euro 4 standard was because of the government's cap on fuel selling prices, which had affected Pertamina's revenue.

In the second quarter of this year, subsidized Premium fuel was sold at Rp 6,450 per liter, or 25 percent below the Rp 8,600 economic price. Pertamina has to bear the burden of the price gap.

"The government has to let consumers pay higher prices for fuel," Ignatius said.

Toyota Asia Pacific government affairs general manager Adrian Chan said, while his company supported the Euro 4 standard, it would be "disastrous" for automakers and the environment if the government could not guarantee an adequate supply of Euro 4 fuel while car manufacturers rolled out Euro 4 standard vehicles. **(nor)**

Middlemen may hinder fuel price policy: Pertamina

Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

State energy holding Pertamina is worried that the presence of middlemen in some regions could disrupt the government's single fuel price policy as they sell fuel to the public at prices higher than at designated fuel distributors.

Pertamina said it could ensure the single fuel price only at official fuel distributors, adding that the presence of middlemen was beyond its authority.

Zibali Hisbul Masih, Pertamina's project coordinator for the policy, said the company would need the help of local administrations to deal with the issue.

"It is important that we have good coordination with local authorities, given the fact that it is a shared responsibility [between government offices] to ensure that the single fuel price policy stays on target," he told the press at a workshop about the policy on Tuesday.

President Joko "Jokowi" Widodo aims to implement a single fuel price nationwide and Pertamina has developed fuel distribution

Pertamina says middlemen beyond its authority

Coordination with local authorities needed to ensure single fuel price: Observers

facilities in isolated regions to realize the program.

Before Jokowi introduced the policy, a liter of Premium gasoline in Papua cost Rp 100,000 (US\$6.59), compared to Rp 6,450 at a fuel station in Java.

However, not all regions have enjoyed the single fuel price due to a lack of fuel distribution facilities. Pertamina is working with PT AKR Corporindo and PT Vivo Energy Indonesia to develop the facilities in isolated regions.

As of Oct. 30, fuel distribution facilities have been built in almost 75 percent of the remaining 150 regions in the country that still see higher fuel prices.

The presence of middlemen who profit from selling fuel at higher prices could disrupt the single fuel price program by cre-

ating the impression that the government failed to maintain fuel prices for end users.

"Hence, we want to confirm to the public that we can only ensure a single fuel price at our selected fuel distributors; beside that it is beyond our control," he said.

Regional Autonomy Watch (KPPOD) executive director Robert Endi Jaweng believed the lack of support from regional administrations to address middlemen could be because there was no regulation that specifically stipulates the local administration's authority on the issue.

"Is it regulated [the presence of middlemen] in their bylaw or not? That is what local administrations would ask first if there is a new central government's policy," he said, adding that there was also the fear that a program without a legal basis would only lead to more problems, such as a corruption investigation.

Robert said morally speaking, the local administration should help realize the single fuel price policy as it was related to the welfare of their people.

"Hence, it would be bet-

ter for Pertamina to continue explaining to them [regional administrations] and local authorities on how important the policy is for their people's wellbeing," he said.

According to Zibali from Pertamina, several local leaders have shown their support of the policy by introducing a program that will ensure fuel prices will not increase for the end-user, such as in Jayawijaya regency, Papua, which limits sales with a card that contains the customer's vehicle license plate number.

This is meant to reduce the chances of middlemen stockpiling fuel and selling at a higher price.

"Another example is a regulation that only allows middlemen to sell the regulated fuel within a distance of 10 to 15 kilometers from designated fuel stations and also set a cap price for their reselling price," he added.

In 2017, President Jokowi introduced his commitment to having one uniform fuel price across the archipelago, where the price of Premium is Rp 6,450 per liter and subsidized diesel costs Rp 5,150 per liter.

MRT 'will not affect' Transjakarta route

Fachrul Sidiq

THE JAKARTA POST/JAKARTA

The Jakarta Transportation Agency has given an assurance that Transjakarta's corridor 1 serving Blok M in South Jakarta to Kota in West Jakarta will not be changed despite suggestions it should be adjusted when the MRT service begins commercial operations next year.

Many argue the service will overlap with the MRT, which will run from Lebak Bulus in South Jakarta to the Hotel Indonesia traffic circle in Central Jakarta, and hence, the Transjakarta service should instead serve as a feeder service for the MRT.

"There will be no change to Transjakarta [routes] when the MRT is operational," the agency's acting head Sigit Widjatmoko said on Wednesday. "Our goal is to provide the best public transportation possible."

He added that the Transjakarta service was the preferred choice of many commuters who sought affordable transportation, and that

Transjakarta corridor 1 route will not be changed despite overlapping with MRT

MRT Jakarta president director says MRT should serve as 'backbone' of city's public transportation

changing the route may encourage greater use of private vehicles in Jakarta, home to over 4.4 million cars and 13 million motorbikes.

There are 18 bus stations along the 12.9 kilometer corridor that commenced operation in 2004. A trip costs Rp 3,500 (23 US cents). The fare for the 16-km MRT service has yet to be determined by the Jakarta administration, however, its operator, PT MRT Jakarta, has hinted that it will be around Rp 850 per km.

Transjakarta has seen a growing number of passengers in the last couple of years. It currently serves around 700,000 passengers daily, a jump from 331,000 in

2015. Corridor 1 contributes significantly to that figure, according to the operator.

Transjakarta aims to serve 1 million passengers per day after the launch of the Jak Lingko system that seeks to integrate *angkot* (public minivan) and other micro bus services with the city's public transportation system, which includes the MRT and light rail transit (LRT) that will also begin operations early next year.

Tori Damantoro of the Jakarta Transportation Council (DTKJ) said that better planning, including route adjustments, would be needed to make the city's public transportation system effective and efficient and to avoid the overlapping of services.

"Overlapping should not occur, as it will burden the [state] budget through subsidies," he said.

The second phase of the MRT service will connect Hotel Indonesia traffic circle to Kampung Bandan in North Jakarta, with construction expected to commence early next year.

MRT Jakarta president director

William Sabandar said the MRT should be made the backbone of Jakarta's public transportation network, as it is in many other major cities across the globe, suggesting that other modes of transportation should function as feeders for the rail-based service.

"Ideally, the MRT will be the backbone. But we cannot decide just yet because we have to see the dynamic and demand from the public first," he said.

Construction of the first phase of the MRT stood at 97.08 percent on Oct. 25 with the operator running a system acceptance test to check for signal, power system and rolling stock issues.

When fully operational, the service will be able to carry 173,000 passengers daily with the operator targeting to carry 65,000 passengers daily in the initial days of operation.

The operator is currently seeking opportunities to generate revenue from non-fare sources including advertisements, naming rights for stations and the sale of properties it plans to develop around the stations.

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PAN to decide on Taufik's replacement

JAKARTA: The National Mandate Party (PAN) will hold a meeting to decide on who will replace graft suspect Taufik Kurniawan in both the party leadership and the House of Representatives.

The Corruption Eradication Commission (KPK) named PAN deputy chairman Taufik, who is also a House deputy speaker, a suspect in a graft case on Tuesday. He is alleged to have received bribes in relation to special allocation funds (DAK) for Kebumen regency, Central Java, in the revised 2016 state budget.

PAN executive Yandri Susanto said the party did not want the House to be "held hostage" by the case.

"Taufik Kurniawan is not just a PAN member, but a symbol of the House's leadership," Yandri said on Wednesday as quoted by *tribunnews.com*. "We do not want the House to be held hostage or dragged into the case where he has been named a suspect."

When asked who would replace Taufik, Yandri said the party would need to discuss the matter first.

"The central executive board has to hold an official meeting on who will take Taufik's seat and when, I cannot answer now," he said.

House speaker Bambang Soesatyo said the decision on whether or not to replace Taufik was up to PAN, as the deputy speaker is not obligated to resign until he has been found guilty of a crime.

"Taufik hasn't informed us yet whether he will continue with his duties or go on leave," he said as quoted by *kompas.com*. "We will continue to communicate and take steps. — JP

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PLN books Rp 18.5t in losses as of Q3

JAKARTA: State-owned electricity company PLN has booked Rp 18.50 trillion (US\$1.22 billion) in losses as of the end of the third quarter, compared to Rp 3.04 trillion in profit in the corresponding period last year, PLN's financial report published on the Indonesia Stock Exchange (IDX) on Tuesday announced.

The report said the losses were a result of the increase of operating expenses to Rp 224 trillion, an 11.82 percent increase over the operating expenses recorded in the corresponding period last year of Rp 200.31 trillion.

Expenses for fuels and lubricates increased by 19.45 percent year-on-year (yoy) to 101.7 trillion from Rp 85.28 trillion last year, while electricity purchase expenses increased by 13.50 percent yoy to Rp 60.61 trillion from Rp 53.40 trillion in the previous year.

Other expenses in the third quarter of 2018 included Rp 15.01 trillion for maintenance, up 15.10 percent, Rp 22.80 trillion for contraction, up 6 percent, as well as a loss of Rp 17.32 trillion from exchange rate differential due to the weakening of the rupiah.

The report also said last year's exchange rate losses amounted to Rp 2.22 trillion, *kontan.co.id* reported. — JP