

CONSUMER PRICES

Inflation projected to pick up as risks loom

The Jakarta Post

JAKARTA

Inflation is likely to continue picking up pace until year-end after two months of deflation as pressures on the currency may not end soon because of rising global uncertainty, while rising oil prices are projected to increase domestic fuel costs, experts have said.

Inflation in October stood at 0.28 percent, compared to deflation in August and September, as prices of several food commodities, such as red chili, as well as fuel and rent increased, Statistics Indonesia (BPS) announced on Thursday.

Monthly inflation in October brought year-to-date (ytd) and year-on-year (yoy) figures to 2.2 and 3.16 percent respectively. The yoy figure is below the government's target of 3.5 percent.

Core inflation, which measures costs of goods and services excluding food and energy, crept up 0.29 percent in October from 0.28 percent a month earlier.

The economic, banking and industry research team of Bank Central Asia (BCA) wrote in its note that while the increase in core inflation was slow in October, the upward trend might reflect both stronger domestic demand and the rupiah's depreciation, which continued to raise imported goods prices.

The rupiah dropped to a record low of 15,200 against the US dollar

last month, a 10.65 percent depreciation from January.

"However, the most surprising driver of inflation in October—rent—seems to have little to do with the [rupiah's] depreciation, which is a sign that the pickup in inflation might be broader than expected," the team wrote on Thursday.

Bhima Y. Adhinegara, an economist at the Institute for Development of Economics and Finance, warned of possible price increases in the coming two months as people usually spend more money on goods and services ahead of and during the Christmas and New Year holidays.

Bhima, however, said outside of the year-end holidays, the growth

of household consumption would slow and remain stagnant at 4.9 to 5 percent.

"If prices go up, then people will either buy less or withhold buying goods and services," Bhima said.

Household consumption, which accounted for more than half of national gross domestic product, grew 5.14 percent during the second quarter, higher than the 4.95 percent booked over the corresponding period last year.

BCA chief economist David Sumual concurred with Bhima, saying that if anything, inflation was being held back by government fuel subsidies and village funds, which bolstered the pur-

chasing power of rural dwellers.

He said both the subsidies and funds were likely to remain in place until the end of the year because the government would normally use them as a political tool to maintain electability ahead of the general election, which is slated for next year.

David went on to say that the escalating US-China trade war kept global crude oil prices artificially high. However, the government might increase fuel prices and, therefore, increase inflation, should global oil prices continue to rise until next year, he said.

"The oil price is the wild card here," he said. **(nor)**

WORLD BANK REPORT

Despite reforms RI slips in EoDB ranking

Rachmadea Aisyah

THE JAKARTA POST/JAKARTA

Indonesia's ranking in the World Bank's Ease of Doing Business (EoDB) Index for 2019 has dropped one place to 73rd, with the government blaming the decline on tight competition between countries.

The drop was a far cry from President Joko "Jokowi" Widodo's expectation that Indonesia would improve to 40th place in 2019.

Coordinating Economic Minister Darmin Nasution said that it was not an easy task to level up and maintain Indonesia's EoDB score, adding many countries that performed worse than Indonesia in 2018 had managed to make big improvements.

For example, while Indonesia was among the index's best "reformers" in 2018, Asian rivals India and China had become best reformers this time, as they jumped by 23 and 32 positions, respectively.

"We were among the first countries to make breakthroughs on reforms based on the EoDB [...] and this has driven many countries to follow suit and establish the index as an important target to achieve," Darmin told a press conference on Thursday.

He said Indonesia's score in the 2019 index had increased by 1.42 points to 67.96 out of 100. However, the increase was lower than last year when the country's score increased 2.25 points to 66.54.

"Such an experience has shown us that it is no longer enough for us to just tweak procedures and compliance times while others come up with more radical and fundamental reforms by changing the bases of their business processes entirely," Darmin said.

One of the ways to make fundamental reforms, he said, was through the Online Single Submission (OSS), which was launched in July but appeared not to have achieved the expected results.

The OSS is currently under the control of Darmin's office but he expects the program to go full throttle after the Coordinating Investment Board (BKPM) takes over by the end of the year.

BKPM head Thomas "Tom" Lembong said despite the government's bureaucratic improvements, arduous aspects like providing a plethora of paper documents and long compliance times were still required to meet legal procedural obligations.

"Bureaucrats and law enforcement agencies 'take each other hostage' for the sake of accountability. So, if we talk about radical and systemic reforms, we might have to make a grand bargain between the two," Tom said on the same occasion.

Policymakers were expected to systemically change their business procedures to help Indonesia improve its rank amid fiercer competition ahead, he added.

In the World Bank's *Doing Business 2017: Equal Opportunity for All* report, Indonesia jumped 15 places to 91st from 106th in 2016. Before that, it had also jumped by eight positions from 114th in 2015. This time, the World Bank measured the score for Indonesia's EoDB index through 11 indicators based on research in the country's two major cities, — Jakarta and Surabaya in East Java.

The 2019 index report said Indonesia had made starting a business easier, faster and more affordable by combining different social security registrations and reducing notarization fees in both Jakarta and Surabaya.

The bank noted Indonesia's top performances in three areas: higher availability of credit information towards stakeholders, increased credit access for smaller enterprises and improved compliance as well as credit-risk monitoring.

World Bank analyst Erick Tjong said in a video call from Malaysia on Thursday that the average time to obtain a construction permit was more than six months in Indonesia, higher than the regional average.

RI attracts investment from Saudi Arabia

Rachmadea Aisyah

THE JAKARTA POST-JAKARTA

Indonesia is seeking inward and outward investment opportunities with Saudi Arabia as Southeast Asia's largest economy seeks to partner with more non-traditional markets to boost investment and trade activities.

An Indonesia-Saudi Arabia investment symposium on Tuesday, organized by the Office of the Indonesian President's Special Envoy to the Middle East and the Organization of Islamic Cooperation (OIC), revealed that investment relations of both countries had increased.

Indonesian special envoy to the Middle East and OIC Alwi Shihab said investor relations between Indonesia and Saudi Arabia had been developing at a faster pace following Saudi Arabian King Salman bin Abdulaziz al Saud's visit to Indonesia in March 2017.

President Joko "Jokowi" Widodo made a reciprocal visit to Riyadh a few months later.

"King Salman's visit to Indonesia has motivated Saudi companies to come to Indonesia. After the visit, an Indonesia-Saudi Arabia business council was even established," Alwi told reporters on the sidelines of the symposium.

Through the business council, businesses became aware of investment trends and opportunities in both countries, said Alwi, adding that Saudi Arabian businesses had mostly shown interest in investing in tourism, hospitality and oil and gas projects.

Oil and gas giant Saudi Aramco, for instance, has set up a meeting with state-owned oil and gas holding company Pertamina for next week to discuss the revitalization of the latter's Cilacap oil refinery in Central Java.

"Some [investors also] want to build tourism complexes in West Java, such as in Pelabuhan Ratu, as

Following King Salman's visit, Indonesia-Saudi Arabia business forum has been set up

Saudi Arabian businesses mostly interested in tourism, hospitality, oil, gas

well as in Bangka Belitung Islands and Lake Toba [in North Sumatra]," he said. "There are also ongoing real estate projects here using capital from Saudi Arabia, though the value is admittedly not big."

The former foreign minister pointed out the weak capital inflow from Saudi Arabia, a member of the G20, toward Indonesia. Saudi Arabia is only ranked 49th on the list of Indonesia's foreign investment sources with just US\$3.5 million invested in 2017, according to the Coordinating Investment Board (BKPM), although it is an improvement from a mere \$900,000 recorded in 2016.

With Saudi Arabia's fast-growing interest in Indonesia, Alwi said the amount should increase in the coming years with several projects already in the pipeline.

Speaking at the symposium, Saudi Arabia deputy head of mission to Indonesia Yahya Al-Qahtani said Indonesia had been of particular interest in the Saudi Vision 2030, which was established by Crown Prince Mohammad bin Salman to expand Saudi Arabia's investment opportunities.

Al-Qahtani added that Saudi Arabia and Indonesia held a bilateral meeting during the Future Investment Initiative (FII) in Riyadh last week, popularly known as "Davos in the Desert".

"There were results from the meeting to increase the partnership between the two countries. In the near future, all of the results will be published," he said.

Indonesia, represented by BKPM chairman Thomas Lembong, attended the FII summit at a time when Saudi Arabia was under fire over allegations it was responsible for the murder of journalist Jamal Khashoggi in Istanbul early this month.

Many Western officials pulled out of the summit in condemnation of the incident, including United States Treasury Secretary Steve Mnuchin, United Kingdom Secretary of State for International Trade Liam Fox and International Monetary Fund (IMF) managing director Christine Lagarde.

During the symposium, representatives of both countries engaged with Japan, South Korea and China, which are major investors in both Indonesia and Saudi Arabia, to facilitate joint investments and partnerships.

For Indonesia, Japan, China and South Korea are the second, third and fifth biggest sources of foreign investments, respectively, according to BKPM data from 2017.

Tadayuki Miyashita, representative of the Embassy of Japan in Indonesia, said Japan was keen to invest in Islamic countries including Indonesia and Saudi Arabia.

The Japanese government welcomed Indonesia's initiative to establish investment partnerships directed toward Saudi Arabia and vice versa, Miyashita added.

Meanwhile, the South Korean Ambassador to Indonesia, Kim Chang-beom, said South Korea had been a long-term and steadfast economic partner of both Indonesia and Saudi Arabia.

"We are looking forward to a new framework to work together, [be it] in bilateral or multilateral forums," he said, adding that it was possible for all five countries attending the symposium to "walk together" to reach mutual prosperity.

Workers, employers divided over wage hike

The Jakarta Post

JAKARTA

Following the announcement of a hike in Jakarta's 2019 provincial minimum wage (UMP) on Thursday, workers and employers have responded differently to the annual adjustment to workers' monthly income.

The Jakarta administration has officially set next year's UMP at Rp 3.9 million (US\$260), an increase of 8.03 percent from the current Rp 3.6 million.

Manpower Minister Hanif Dhakiri stated earlier that the 8.03 percent increase was based on data from Statistics Indonesia (BPS), which shows that this year's inflation stands at 2.88 percent with economic growth at 5.15 percent, as mandated by Government Regulation No. 78/2015 on wages.

The government also mandated that all regional administrations announce the wage adjustment on Nov. 1.

The announcement of Jakarta's new UMP was made by city secretary Saefullah, who represented Jakarta Governor Anies Baswedan as the latter was on a business trip in Argentina.

"Jakarta's 2019 provincial minimum wage, as stipulated in Governor Regulation No. 114/2018, is set at Rp 3.94 million," Saefullah told a press briefing at City Hall on Thursday.

"Stakeholders, including em-

Jakarta sets 2019 UMP at Rp 3.9 million

Wage hike receives mixed reactions

City prepares card-based program to help workers

ployers and workers unions, have been informed about [the new UMP]," Saefullah said.

The amount is far less than the Rp 4.5 million demanded by workers.

The proposed number was based on a daily welfare survey conducted by workers unions in several markets and staple-food shops near workers' houses, according to the Congress of Indonesia Unions Alliance (KASBI) and the Indonesia United Workers Confederation (KPBI).

The two labor unions staged a protest in front of City Hall prior to the announcement of the new minimum wage.

To make up for the gap between the amount the workers demanded and the one set by the Jakarta administration, the city offered a series of welfare schemes for the city's workers.

"The administration will facilitate workers with Kartu Pekerja [Workers Card], which will provide them with additional benefits," Saefullah said.

He explained that the card

would allow for free rides on Transjakarta buses and discounts at JakGrosir, which sells affordable staple foods and subsidized foods such as meat, chicken, eggs, rice and milk. Workers' children would also receive the Jakarta Smart Card, Saefullah added.

Jakarta Manpower and Transmigration Agency head Andri Yansyah said his side had established a team that included union and employer delegations.

"It is so that we can get valid data on the number of qualified workers [eligible for the card]," he said.

The card, which was launched in January this year, would only be given to workers with a Jakarta ID and salaries that do not surpass the UMP.

Andri said that, in 2019, the card would be granted to those with salaries of up to 10 percent above the UMP.

"Looking at its current implementation, for instance, there is no access to cheaper staple foods as many workers actually live on the outskirts of the city. Some of them are not Jakarta residents," KASBI secretary-general Sunarno told *The Jakarta Post*.

"It [the welfare system] is like an illusion for the workers," he added.

When asked about the next step, Sunarno said the KASBI would continue to stage rallies with other unions to demand that the administration make better decisions.

Meanwhile, Indonesian Employers Association (Apindo) chairman Hariyadi Sukamdani acknowledged the increase rate was higher than the association's initial proposal of a 5-percent increase.

"Surely not all employers can freely accept [the administration's decision], especially for small and medium enterprises [SME] and labor-intensive industries," he told the *Post* over the phone.

"But I guess this is the city administration's middle ground."

Meanwhile, Jakarta's neighboring province, West Java, announced its minimum-wage hike at the same percentage, putting the UMP at Rp 1.6 million, a slight increase from the previous Rp 1.5 million. (sau)

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J. Post

PAN lawmaker skips KPK questioning

JAKARTA: House of Representatives Deputy Speaker Taufik Kurniawan failed to obey a Corruption Eradication Commission (KPK) summons on Thursday for questioning as a suspect in a bribery case related to the allocation of special allocation funds (DAK) in the 2016 fiscal year.

"Our client couldn't come as a result of a prior commitment in his electoral district," Taufik's lawyer Arifin Harahap said on Thursday. The lawyer had also sent a letter to investigators requesting that the questioning be rescheduled to Nov. 8.

KPK spokesman Febri Diansyah later revealed that Thursday's summons was the second one after Taufik also failed to obey the first summons last month.

"We have accepted the request for a reschedule to Nov. 8. Investigators will study the request before deciding whether to reschedule the questioning or take another course of action in the investigation," Febri said.

Taufik, a National Mandate Party (PAN) politician, is suspected of accepting bribes of at least Rp 3.65 billion (US\$241,644) related to the DAK allocation for Central Java's Kebumen in 2016 from the regent Muhammad Yahya Fuad.

He is the second House leader to have been accused of bribery during President Joko "Jokowi" Widodo's tenure after former speaker and Golkar Party politician Setya Novanto was found guilty of taking bribes in an e-ID project. — *JP*