

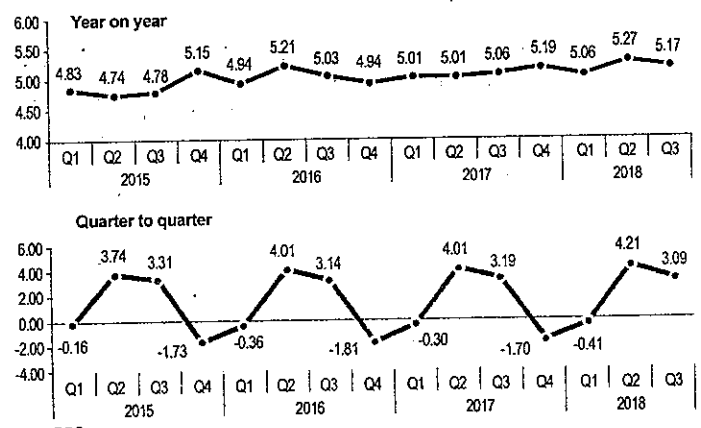
# Elections drive Q3 growth

Rachmadea Aisyah  
THE JAKARTA POST/JAKARTA

Overall economic growth slows in Q3

BPS records household consumption growth at 5.01%

GDP growth per quarter 2015-2018 (in percent)



Source: BPS

Campaign expenditures ahead of the presidential and legislative elections in April next year have contributed to third quarter economic growth, recorded at 5.17 percent year-on-year (yoy).

Growth in the third quarter was down on the second quarter's growth of 5.27 percent, the highest under President Joko "Jokowi" Widodo's administration.

The contribution of the elections was indicated by the 5.54 percent growth yoy in the spending of non-profit institutions serving households (LNPRT), which represent institutions that handle the procurement of goods and services.

"Legislative candidates have started spending funds to register [for the polls] and for their campaigns. At the same time, political parties have been spending money to set up campaign teams for their presidential and vice-presidential candidates," Statistics Indonesia (BPS) head Suhariyanto told a press briefing on Monday.

Although LNPRT spending growth was quite high, it only contributed 1.19 percent to gross domestic product (GDP). Overall, GDP growth in the third quarter slowed compared to the previous quarter, although it was better than the first quarter's 5.06 percent yoy.

Suhariyanto said the slowdown was in line with the global economic slowdown that had impacted developing and advanced countries alike, including Singapore and China, two of Indonesia's major economic partners.

"The global economy is showing a tendency toward slowing down, which can be seen in many countries that are Indonesia's trade partners, except the United States," he said.

The slowed growth matched the dimmer outlooks of global institutions for Indonesia, such as the International Monetary Fund, which adjusted its 2018 annual growth projection for Indonesia to 5.1 percent from 5.3 percent, and the World Bank, which lowered its forecast by 0.1 percent to 5.2 percent.

Prior to the BPS' announcement, both Finance Minister Sri Mulyani Indrawati and Bank Indonesia (BI) Governor Perry Warjiyo had expressed their expectation of diminished economic growth amid the challenges posed

by the country's external balance of payment, current account deficit and trade performance.

Indonesia's exports in the third quarter actually increased by 8.33 percent yoy, but this was not enough to offset the far higher growth in imports of 23.71 percent yoy.

Additionally, the BPS recorded 5.01 percent growth yoy in household consumption, which, despite weakening from 5.14 percent yoy in the previous quarter, marked an improvement over 4.93 percent yoy in the same period last year.

This decrease was to be expected, as consumption in the second quarter, much like economic growth, was sustained by high purchasing power during the Ramadan and Idul Fitri season from May to June, said Suhariyanto.

As in previous quarters, household consumption contributed to more than half of GDP growth, at 55.26 percent, with nominal GDP totaling Rp 3.83 quadrillion (US\$256.13 billion) in the third quarter.

Securities firm Bahana Sekuritas said the third quarter economic growth was "a strong case for optimism", as the growth had been supported by relatively resilient household consumption and capital goods growth, against continuous external shocks.

Gross fixed capital formation (PMTB), which indicates the disbursement of long-term capital goods, also grew by 6.96 percent yoy, slightly lower than 7.08 percent yoy in the same period last year.

"There is potential for further upside for GDP growth in the fourth quarter of 2018 because household consumption and government spending historically accelerate before the end of the year," Bahana Sekuritas wrote in its research note published on Monday.

Many major lenders, it added, also still managed to book over 11 percent credit growth despite monetary tightening by developed markets and a 150 basis points (bps) increase in BI's seven-day repo rate to 5.75 since the beginning of the year, adding to the optimism toward the end of the year.

Nov-6. 2018  
J. Post

## RI, Oz sign partnership agreement

JAKARTA: The Indonesian and Australian governments signed an agreement on their partnership for economic development in Canberra on Monday.

The memorandum of understanding (MoU) was signed by Finance Minister Sri Mulyani Indrawati and Australian Treasurer Josh Frydenberg, according to a press statement issued by the Finance Ministry.

Under the agreement, both governments agree to exchange updated information on revenue and taxation policies, structural reforms, the stock market, financial services and international economic policies.

Various activities that will be implemented under the agreement include bilateral visits, conferences, workshops, joint studies, internships (officials' exchanges) and a scheduled annual cooperation event, the press statement says.

Sri Mulyani appreciated the Australian government's commitment to improving cooperation between the two countries. She stressed that it was helpful for her ministry to manage fiscal policy and to carry out taxation reform based on the Australian government's experience.

Under the agreement, the Australian Treasury has also placed its senior staff at the Finance Ministry's Fiscal Policy Agency (BKF).

This MoU is a renewal of an agreement on bilateral economic policy dialogue (BEPD) signed in 2013 by the Australian Treasury and the BKF. — JP

# Indonesia seeks ambitious trade boost with UK

**Bambang Nurbianto**

THE JAKARTA POST/JAKARTA

The Indonesian government is exploring possibilities to expand cooperation in commerce, investment and tourism with the United Kingdom amid global economic uncertainty sparked by escalating trade tensions and monetary adjustment in advanced countries.

Speaking at the Indonesia Briefing 2018 forum in London, UK, recently, Indonesian Ambassador to the UK Rizal Sukma revealed his government's ambitious objective of boosting the value of bilateral trade with the UK from about US\$2.5 billion annually to between \$5 billion and \$7 billion.

The UK is Indonesia's fourth largest trade partner in Europe.

"The Indonesia Briefing is part of the efforts to monitor the interesting progress in Britain during the Brexit process. For Indonesia, it is an opportunity to strengthen bilateral ties," he said as quoted by a press statement issued by the Indonesian Embassy in London on Monday.

Indonesia Briefing 2018 was jointly organized by the Indonesian Embassy to the UK, Bank Indonesia (BI), the Investment Coordinating Board (BKPM) and the Trade Ministry. The forum was aimed at updating British businesspeople and other relevant parties about developments in Indonesia's economy, business and politics.

Speakers at the event included Richard Graham, UK Prime Minister Theresa May's special envoy for trade to Indonesia and the ASEAN Economic Community, Rosmaya Hadi, BI deputy governor, Sarah Hewin, chief economist at Standard Chartered Bank, Nezar Patria, chief editor of *The Jakarta Post*, and Chris Wren, executive director of Britcham Indonesia.

Hewin, who has been closely observing the development of the Asian market, underlined Indonesia's stable economic growth, achieved thanks to the solid cooperation between BI and the Indonesian government to provide a proper response to global pressures.

However, she stressed the need for Indonesia to improve

its competitiveness, particularly in the renewable energy, automation and digitalization sectors. She said the country should also improve its human resources so that it would be able to move forward into high value-added industries.

Graham stressed the importance for UK businesses to explore business opportunities in Indonesia, the largest country in Southeast Asia. He revealed a number of business opportunities that could be pursued in Indonesia, including in financial cooperation, financial technology (fintech), infrastructure, the digital economy and renewable energy.

With \$211 million recorded in realized direct investment as of the third quarter this year, the UK is the second largest European country investing in Indonesia — the Netherlands is first.

Meanwhile, Rosmaya assured British investors about the solid Indonesian economic growth amid global economic uncertainty. "Bank Indonesia is trying to respond to the global economic fluctuations by introducing mixed policies, covering the monetary, macroprudential and payment systems," he said.

In the briefing about the political situation in Indonesia, Nezar said that since 2014 Indonesia has seen a new populist phenomenon ahead of political events with social media becoming an important influencer in election campaigns.

He, however, said he believed that the presidential and legislative election next April would not have any negative impact on the country's economy, including its projected growth, or on the country's other agenda items, like the fight against terrorism.

Through the 2019 state budget the government is aiming for the economy to expand by 5.3 percent, slightly lower than this year's target of 5.4 percent.

The country's economy expanded by 5.17 percent year-on-year (yoy) during the third quarter of 2018, according to Statistics Indonesia data, higher than the 5.06 percent yoy recorded in the same period last year.

## Coal reference price down 2.97%

JAKARTA: The government has set the Indonesian coal reference price for November at US\$97.90 per ton, 2.97 percent lower than the price in the previous month, which was set at \$100.89 per ton as a result of the global coal price, in response to China's ongoing import quota policy.

Energy and Mineral Resources Ministry spokesperson Agung Pribadi said the decline was also sparked by the distribution issue in Australia and oversupply in Indonesia.

"The delay in coal distribution in Australia affected the ICE Newcastle index. There is also an oversupply in our country as a result of slowing demand from India and China," he told press on Monday.

This year, the government targets national coal production of 485 million tons, 25 percent of which is for the domestic market obligation, which is equal to 121.25 million tons.

Data from the Energy and Mineral Resources Ministry up to September show coal production had reached 70.9 percent of the annual total target, or equivalent to 344 million tons.

The government continued its policy to cap the coal price for electricity purposes at \$70 per ton, aiming to maintain the electricity price at an affordable level. —JP

POLITICS

# Gerindra gives deputy governor post to PKS

The Jakarta Post

JAKARTA

After prolonged push-and-pull discussions and a war of words waged through the media, the Gerindra Party agreed on Monday to relinquish the Jakarta deputy governor position to its long-time ally, the Prosperous Justice Party (PKS).

"[We] have agreed that the post will go to the PKS," Syakir Purnomo, PKS Jakarta regional board chairman, said in a press briefing after a meeting with the Gerindra Jakarta executive board (DPD) on Monday evening.

"Hopefully, [we] can soon announce to the public the two names the PKS will propose to the Jakarta Council," he added.

The party previously proposed Ahmad Syaikh, a former deputy mayor of Bekasi in West Java, and PKS Jakarta executive board secretary Agung Yulianto.

However, when asked about Ahmad and Agung, Syakir said that the party would consider them.

According to Gerindra DPD chairman Muhammad Taufik, the decision to give up the post was



Ahmad Syaikh



Agung Yulianto

part of a promise made by party chairman Prabowo Subianto, who will run for president in next year's election.

"Gerindra Jakarta will follow our chairman, Pak Prabowo, in selecting the new deputy governor," he added.

Taufik, a corruption convict, previously suggested that his party would nominate him to fill the vacant position left in August by former Gerindra politician Sandiaga Uno, who is set to run as the vice-presidential candidate to Prabowo.

Sandiaga resigned from Gerindra soon after it was announced that he would join Prabowo as his running mate, so that he could be considered a non-party vice-pres-

idential candidate.

Gerindra's decision to concede came after the PKS threatened to "turn off its political machine" for the 2019 presidential election should the Jakarta deputy governor post fail to go to one of its members.

"If [the PKS does not get the post], we will think of our next move. The point is, we want them [the Gerindra Party] to fulfill their promise," Abdurrahman Suhaimi, head of the PKS faction at the Jakarta Council, said as quoted by *tempo.co*.

The two parties also agreed during Monday's meeting to establish a joint-body that would be tasked with assessing the candidates for deputy governor through a confirmation hearing.

Syakir added that the PKS would internally discuss how many nominees the party would propose, as well as the schedule and requirements for the confirmation hearing.

Arya Fernandes of the Centre for Strategic and International Studies (CSIS) told *The Jakarta Post* that the PKS' threat proved to be effective.

"The latest development shows that Gerindra softened its stance because it does not want to lose the [PKS] political [influence] in the presidential election," he said, adding that a middle road had to be taken to secure votes from Greater Jakarta.

Furthermore, considering that their coalition in Jakarta had successfully placed Anies Baswedan and Sandiaga in the capital's top seats, both parties shared the same interest of maintaining Jakarta as their winning region, he added.

"From the PKS' point of view, Jakarta was one of its strongbases back in 2007 and 2012. So strong that it alone can support a gubernatorial candidate — but not in the past two elections," Arya said, adding that taking the Jakarta deputy governor's position was part of the PKS' long-term political plan.

Meanwhile, Anies told the *Post* in a recent exclusive interview that he found the absence of a deputy governor to be a burden.

"I was able to do a lot of other things while delegating many invitations to my then-deputy," Anies said. (sau)

Courtesy of Agung Yulianto

# PLN wipes financial woes away with global loans

**Stefanno Reinard Sulaiman**  
THE JAKARTA POST/JAKARTA

State electricity firm PLN has inked a syndicated loan facility worth US\$1.62 billion with 20 international banks, a move made amid the company's financial woes and just days after announcing it had suffered trillions of rupiah in losses.

PLN finance director Sarwono Sudarto said the loan facility was proof of the firm's positive credit profile in the global market, represented by ratings from three of the world's top international ratings agencies: Moody's, Fitch Ratings and Standard & Poor's.

Moody's previously gave PLN a Baa2 rating, Fitch Ratings a BBB, and S&P a BBB-rating. All three agencies gave the company a stable outlook.

"The financial market responded positively to the syndicated loan [...] amid current market volatility," Sarwono said in a press statement received by *The Jakarta Post* recently.

The syndicated loan facility, he explained, will be allocated for PLN's investments and general corporate purposes to support the government's flagship 35,000 megawatts (MW) project.

PLN corporate planning director Syofvi Roekman could not be reached for a comment

PLN secures \$1.62b loan from 20 international banks

Creditors see PLN's SOE status as 'enormous' assets, expert says

on Monday regarding the power plant projects, which would reportedly receive an injection of funds from the syndicated loan.

The \$1.62 billion is comprised of two loans, namely a term loan facility worth \$1.32 billion with a five-year tenor and a revolving credit facility worth \$300 million with a three-year tenor.

Institute for Development of Economics and Finance (INDEF) economist Bhima Yudhistira said he believed that PLN's success in securing the loan was more attributed to the firm's status as a state-owned enterprise (SOE) rather than its financial performance.

"Even though PLN booked losses, it [is still backed by] the government through the state budget," he told the Post. "PLN also monopolizes electricity sales and the firm's assets are enormous, which could be used as collateral. So, creditors believe that PLN can return their money,"

Bhima added that PLN had made the right move in seeking

funds from a syndicated loan as the firm's financial performance had as of September shown dismal results.

"Another efficiency measure that PLN could take is halting several power plant projects or turning them into multiyear projects," he said.

PLN previously announced that it had suffered Rp 18.46 trillion (\$1.22 billion) in losses as of the end of the third quarter of this year, compared to the Rp 3.04 trillion in profit it booked in the corresponding period last year.

The company attributed the losses to a 11.82 percent year-on-year increase in operating expenses to Rp 224 trillion, from Rp 200.31 trillion recorded in the same period last year.

Meanwhile, fuel and lubricant expenses increased 19 percent to Rp 101.8 trillion in the first nine months of 2018, compared to Rp 85 trillion in 2017.

Days after the announcement of PLN's financial performance, a plan to impose a price cap on gas for electricity — which was previously implemented on coal prices — once again began circulating among government officials after it was first voiced in May.

Earlier this year, the government issued a regulation capping the coal sold to PLN at \$70 per ton, far lower than the Indone-

sian coal reference price for November at \$97.90 per ton.

It was the Energy and Mineral Resources Ministry's director general for electricity, Andy Someng, who proposed the plan, saying it was needed to help PLN's efforts to provide affordable electricity until 2019, as ordered by President Joko "Jokowi" Widodo, who is seeking a second term in next year's elections.

Andy told the *Post* on Monday that the measure would protect PLN's operations from the trend in oil prices, which will in turn impact gas prices and the rupiah's exchange rate.

"The policy is for the sustainability and stability of electricity rates in the future," he said.

However, the plan would likely not be realized soon, Andy said, as it needed to be discussed with PLN, the Upstream Oil and Gas Regulatory Special Task Force (SKKMigas) and the ministry's Directorate General for Oil and Gas.

# Pertamina to miss

## geothermal power plant target

**Stefanno Reinard Sulaiman**

THE JAKARTA POST/  
GARUT, WEST JAVA

Pertamina Geothermal Energy (PGE), a subsidiary of state energy holding company Pertamina, will miss its production and investment growth target this year due to lower electricity demand from state electricity firm PLN as their off-taker.

PGE president director Ali Mundakir said the company was expected to attain around 90 percent of its total investment target of US\$277 million this year.

It will use the investment mainly for the drilling of wells and development of power plants.

"We have delayed two plans to

drill new wells as we are waiting on [a positive result from] ongoing operations," he told the press during a recent media visit to one of its geothermal power plant units called PLTP Kamojang in Garut, West Java.

The two drilling operations that were delayed are located in PGE's Lahendong-Tompaso geothermal field in North Sulawesi.

"Drilling is costly as one well could cost us \$7 million to \$10 million," Ali said.

As of September, the realization of PGE's investment reached 80 percent of its total target or equivalent to around \$221 million.

For its production target, Ali said the company would only

book around 96 percent of its total target to generate 4,350 gigawatts hours (GWh) from five areas, namely Kamojang (235 megawatts), Lahendong (120 MW), Ulubela (220 MW) and Karaha (30 MW).

PGE currently holds 34.4 percent of total RI installed capacity from geothermal energy at 1,948.5 MW, making it the second biggest firm after local energy firm Star Energy in terms of installed capacity.

Aside from PLN's lower electricity consumption, PGE's inability to meet its production target was also caused by the delay in the operation of the PLTP Karaha power plant.

Latest data from PLN showed

that electricity consumption in the first nine months of 2018 reached 71 percent or equivalent to 173 terrawatt hours (TWh) from a full year target of 239 TWh.

Previously, PLN lowered its electricity consumption growth target from 8.3 percent stated in the electricity procurement business plan (RUPTL) for the 2017 to 2026 period to only 6.86 percent in the RUPTL for the 2018 to 2027 period.

However, Ali said PGE was still on target to kick off several power plant projects, including a 55 MW power plant in Lumut Balai, South Sumatra, in December.

The two other projects in the pipeline are the 55 MW Hululais power plant in Bengkulu and the 2x55 MW Seulawah power plant

in Aceh.

"The construction of Lumut Balai is already at 99 percent and the 1 percent is for testing the installed equipment. And then we are also awaiting for PLN [state electricity firm as the off-taker] to set up the network from and to the facilities," he said.

As for exploration in its existing working areas, PGE is currently in the process of increasing its installed capacity in West Java by drilling new wells in Kamojang, which still has potential steam reserves equivalent to 65 MW.

"We found that Kamojang in West Java still has a lot of untapped reserves.

"Data shows that the area has potential reserves equivalent to

300 MW, but to date we only have installed 235 MW of electricity capacity," Ali said.

The Energy and Mineral Resources Ministry's director for geothermal, Ida Nuryatin, concurred that West Java had huge potential geothermal reserves.

"We have abundant geothermal energy potential in West Java compared to other regions," she said, citing data from the ministry that showed that there were at least 34 undeveloped geothermal locations in the region.

The ministry's data showed that West Java contributed 61 percent or 1,194 MW of installed capacity from geothermal energy from the total RI renewable energy capacity at 1,948 MW.

# Flag burners sentenced to 10 days in jail

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J. Post

Karina M. Tehusijarana  
and Arya Dipa

THE JAKARTA POST/JAKARTA/  
BANDUNG

Two members of Banser, a civilian security unit under Indonesia's largest Muslim organization Nahdlatul Ulama's (NU) Ansor youth wing, were each sentenced to 10 days imprisonment by the Garut District Court on Monday for burning a flag bearing an Islamic creed.

The two men, Faisal Mubaroq and Mafhudin, were charged under Article 174 of the Criminal Code for disrupting a public gathering, a misdemeanor that carries a maximum sentence of three weeks.

"[The court] declares that the defendants have been proven to have acted as described in Article 174 of the Criminal Code for disturbing the peace," Judge Hasanuddin said while reading out his ruling, as quoted by *tribunnews.com*.

The incident occurred during National Santri Day celebrations in Garut, West Java, on Oct. 22, when a resident named Uus Sukmana brought a black flag bearing an Islamic text.

Several members of Banser took down the flag and burned it because they thought it was the flag of banned Muslim group Hizbut Tahrir Indonesia (HTI).

A video of the flag burning soon went viral and drew outrage from a number of Muslim groups, which deemed it an insult to Islam as the flag bore the *tauhid*, the Islamic declaration of faith that Allah is the one and only God.

Muslim groups in several regions staged rallies condemning the incident and calling for police to punish the perpetrators, culminating in the Aksi Bela Tauhid 211 (Nov. 2 Action to Defend the *Tauhid*) demonstration in Jakarta on Friday. The protestors said that the flag burners had committed blasphemy against Islam, which is punishable by articles 156 and 156a of the Criminal Code.

Faisal, Mafhudin and Uus were all named suspects and charged under the same article. Uus was also sentenced to 10 days imprisonment on Monday.

The results of the trial differed starkly with other cases that included accusations of blasphemy, such as that of former Jakarta governor Basuki "Ahok" Tjahaja Purnama, who was sentenced to two years imprisonment in 2017 for insulting the Quran. Another example is Tanjung Balai, North Su-

Flag burners, flag carrier each get 10 days in jail for 'inciting commotion at gathering'

Police, Ansor deny politics, lack of public pressure behind light sentences

matra, resident Meiliana, who was sentenced to 18 months earlier this year for complaining about the volume of an *adzan* (call to prayer).

In both cases, the defendants were adherents of minority religions and intense public pressure was considered to be a large factor in influencing law enforcement's response to the incidents.

Institute for Policy Research and Advocacy (Elsam) member Wahyudi Djafar said that the flag burning case further showed how the blasphemy article was used primarily against minorities.

He said that the cases showed that law enforcement was implementing "dynamic pragmatism" in handling religion-related incidents. "The decisions in these cases are determined based on the level of public pressure."

"In the Ahok case, the large rallies pressured law enforcement to proceed with the use of the blasphemy article," Wahyudi told *The Jakarta Post*. "In [the flag burning] case, while there was also public pressure from certain groups to apply the blasphemy article against the Banser members, the Banser themselves are also members of the majority religion and were spared because of that."

West Java Police's general crimes investigation director Sr. Comr. Umar Surya Fana, however, said the charges against Faisal and Mafhudin were appropriate for the case.

"[The charges are] in keeping with procedure and consistent with the results of the preliminary hearing," he told the *Post*, adding that investigators did not find that the two had any malicious intention in burning the flag.

Ansor chairman Yaqut Cholil Qoumas also denied that there were any political considerations behind the sentencing. "Of course the judge has considerations for why the defendants did not get the maximum sentence: They are still young, have never committed a crime and regretted their actions," he said. "There is nothing political about it. The trial was open to the public and covered by the media."