

OUTLOOK

Market positive amid impact of trade war

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THE JAKARTA POST/JAKARTA

Indonesian stocks will remain attractive in the final months of this year and most of 2019 because of a number of positive sentiments in the domestic market, but the escalating trade war between the United States and China will continue to create ripple effects globally, financial players and analysts have said.

Several factors that will contribute to the positive sentiments toward the domestic equity market include window dressing, pleasing financial results from publicly listed companies and the country's sound macroeconomic fundamentals.

Window dressing, or the act of making a company's performance look attractive, was expected at year-end and would help im-

prove the Jakarta Composite Index (JCI) — the main gauge of the Indonesia Stock Exchange (IDX), said Panin Asset Management director Rudiyanto.

"For the past 17 years, the JCI has always been positive in December," he said in Jakarta on Wednesday.

The presidential election in 2019 would also have a positive impact on the stock market as historical data shows that the JCI increased during election years in 2004, 2009 and 2014, Rudiyanto said.

While the 2019 presidential election might cause several companies to postpone their plans to hold initial public offerings (IPO), those with a stellar financial performance may still hold an IPO next year, he said.

Analysts have said stable economic growth at 5.17 percent as of the third quarter and controlled

inflation at 3.16 percent in October were among the other positive sentiments that could boost the JCI.

The JCI climbed for seven consecutive days to close at 5,939.88 on Wednesday, rising 0.27 percent from a day earlier. Foreign investors recorded a net buy of Rp 738.04 billion (US\$50.12 million) in all markets on the same day. However, net foreign sell stood at Rp 49.09 trillion in all markets year-to-date.

The weakening of the greenback against other currencies on Tuesday helped the rupiah to jump 1.3 percent to 14,790 per US dollar, the greatest surge since June 2016. The currency continued strengthening on Wednesday to 14,764 per US dollar, according to the Jakarta Interbank Spot Dollar Rate.

Infovesta Utama senior research analyst Praska Putran-

tyo said if the rupiah continued to strengthen, the JCI could rise again in the second half of 2019, or after the presidential election, and after the US Federal Reserve completed implementing policy normalization.

The return of foreign funds was seen in the growth of foreign exchange reserves in October, which increased to \$115.2 billion from \$114.8 billion a month earlier.

Despite the positive outlook on the JCI, analysts have warned that the recent progress may only be temporary as US-China trade tensions, which have caused tremendous uncertainty, are expected to last for a while.

Poltak Hotradero, senior economic researcher at the IDX, said the US' midterm elections on Wednesday, which resulted in the Democrats taking control of the House of Representatives and

Republicans maintaining their dominance in the Senate, would provide signals of where the trade war will go next.

"The Democrats' midterm gains could be a threat for [US President] Donald Trump, because now it's possible for the majority party to launch investigations into the president's scandals and controversies, and the House could then impeach the president," he explained.

However, Bahana TCW president director Edward Lubis said positive sentiments toward the domestic market were not sufficient as foreign investors tended to flood Indonesia's bond market rather than the equities market because of the lingering perception of the country's vulnerabilities to risk in terms of the exchange rate and current account deficit.

Businesses, consumers less confident as year-end approaches

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Confidence among businesses and consumers is dwindling ahead of the end of the year, as shown by the latest results of the business tendency index (BTI) and the consumer tendency index (CTI).

The index scores for the third quarter and estimates for the fourth quarter declined from the second quarter, according to Statistics Indonesia (BPS).

The BPS estimated the BTI's fourth quarter score at 106.45, lower than the second and third quarter scores of 112.82 and 108.05 respectively. Meanwhile, the CTI's fourth quarter score is expected to slightly increase to 103.29 from 101.23 in the third quarter. However, both figures are far lower than the 125.43 posted in the second quarter.

BPS head Suhariyanto said that,

while there were still expectations from businesses for domestic purchase orders, fewer orders were expected from foreign markets.

"There is still a good chance for domestic [purchase] orders, but less so for overseas orders," Suhariyanto told reporters at a recent press briefing.

"They may have realized this was caused by an economic slowdown in destination countries as well as the rupiah weakening against the US dollar."

Additionally, the BPS estimated the insurance and financial services sector to improve the most in the fourth quarter, moving to a score of 124.67 from 119.96.

The performances of the top three sectors were based solely on domestic orders, whereas sectors that were measured on both

domestic and overseas orders were estimated to see a decline in performance.

"They [businesses], I believe, are putting high hopes on domestic orders to boost the prices of their products," Suhariyanto said.

The slight improvement in the CTI estimate in the fourth quarter is due to the Christmas and New Year holidays, even though consumers believe the effects will not be as big as during the Idul Fitri holiday season.

From the CTI survey, which involved about 14,000 households, not all respondents said they were guaranteed year-end bonuses, hence the slight increase in the index in the fourth quarter, Suhariyanto said.

"Consumers will probably still be encouraged to shop or go on holidays during Christmas and new

year, but they have no plans to buy durable goods [...] because they are not sure whether there will be extra [spending] money," he said.

Furthermore, Indonesia has been recording a relatively stable inflation since the start of the year because of flat consumption patterns, with an exception during the Idul Fitri holiday in June, he added.

In the third quarter, the BPS recorded 5.01 percent growth year-on-year (yoy) in household spending, lower than in the previous period at 5.14 percent yoy.

Similar to the household spending trend, the BPS recorded 0.18 percent monthly deflation and 1.94 percent year-to-date inflation at the end of the third quarter in September.

Responding to the index results, Institute for Development

of Economics and Finance (Indef) researcher Bhima Yudhistira Adhinegara said while it was common for the scores to decline after the second quarter, the wide gap between the CTI's second quarter score and its third and fourth quarter scores was unusual.

"It happens because of the depreciation of the rupiah exchange rate, which leads to an increase of production material prices," Bhima told *The Jakarta Post* over the phone on Wednesday. "Furthermore, consumers have to prepare their savings in the event of a price raise for subsidized fuels."

He said state-owned oil and gas giant Pertamina had increased the prices of several categories of fuel in recent months, such as Pertamina, Pertamina Dex and Biosolar.

Following that, President Joko

"Jokowi" Widodo had called off the price hike for subsidized Premium gasoline to Rp 7,000 (48 US cent) per liter, minutes after it was announced in October.

The decision by Bank Indonesia to increase its seven-day repo rate by 150 basis points to 5.75 percent at the start of the year had deterred businesses and consumers from applying for loans necessary to expand their businesses or to spend, leading to a softened production and purchase appetite, Bhima said.

However, the index scores should improve or at least stabilize next year despite the presidential and legislative elections, as trade tensions were likely to improve, along with the exchange rate and crude oil price, he said.

— JP/RACHMADEA AISYAH

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Pertamina EP set on saving aging fields

Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

PT Pertamina EP, a subsidiary of state energy holding Pertamina in charge of upstream oil and gas business, is confident it is capable of turning around the declining output of its aging fields through workovers, such as by implementing enhanced oil recovery (EOR) technology.

Pertamina EP president director Nanang Abdul Manaf said the company had reduced the declining trend in its blocks from 15 percent in 2015 to 2.5 percent in 2017.

"As of July 2018, we have been able to turn the declining trend around to 5 percent. So, I call this year a turning point for us and we expect to continue this performance for the upcoming years," he said at an oil and gas seminar in Jakarta on Wednesday.

Pertamina EP said around 90 percent of its 300 fields were considered matured.

Meanwhile, data from the Upstream Oil and Gas Regulatory Special Task Force (SKK Migas) shows that at least 33 oil and gas fields, in which Pertamina EP has stakes, still have a recovery factor (RF) rate of below 50 percent. The higher the percentage, the higher the recovery of resources.

Nanang said the company could maintain its positive performance by jacking up the production of one of its biggest units, Sukowati field in East Java, whose RF rate is at 50.89 percent and could increase to 67.7 percent with EOR technology.

"For Sukowati field, we will use what's called a CO2 flooding strategy, which could boost production to 20,000 barrels of oil per day [bopd]. But if we don't implement it, production could drop to below 1,000 [bopd] by 2035."

Pertamina EP plans to use the CO2 reservoir from Pertamina's Jambaran-Tiung Biru gas project in Cepu Block in East Java because 30 percent of its production is CO2.

From May to October, Pertamina EP's Sukowati field had an average output of around 9,000 bopd. The firm has set a 2019 production target of 10,903 bopd for the field.

Pertamina EP is also in the process of conducting new drill-

90 percent of Pertamina EP's 300 fields considered mature

Company to invest \$630m in drilling, exploration activities

ing activities in existing fields and well interventions in other areas.

"We also have a plan this year to have new wells and new facilities [to increase production] in three projects located in West Java: the Jati Asri structure, Bambu Besar and Akasia Bagus," Nanang said.

He added that Pertamina EP would likely set next year's investment at around US\$630 million, equal to this year's figure, to be spent on development, drilling and exploration activities, as well as facilities and production.

When asked about Pertamina's financial capability to fund the upstream projects while also carrying out the government's orders to maintain fuel at affordable prices, upstream strategic planning, portfolio and evaluation senior vice president Meidawati assured that nothing would interfere with the priority projects.

"Even though the global oil price is weakening, we will keep doing exploration activities, regardless of what happens in the downstream sector. Because it is our business is to find oil and gas," she said during the same event.

Meidawati added that Pertamina would allocate at least \$2.5 billion in investments to the upstream sector next year, an 8 percent increase from this year target of around \$2.3 billion.

SKK Migas head Amien Sunaryadi said practical solutions, such as EOR technology, were much more reliable in the efforts to turn around the declining output of oil fields, but pointed out that engineers needed to be willing to help.

"We have the technology [to recover resources], the money and the capable people, but we always [underestimate] the importance of human resources management as many of our engineers are reluctant to go to the fields," he said, adding that failure to solve the issue would lead to ineffective strategies for oil recovery.

After millennials, Sandiaga woos housewives

Karina M. Tehusijarana
THE JAKARTA POST/JAKARTA

"Prabowo-Sandi [Sandiaga] [...] Just and prosperous!"

"Prabowo-Sandi! [...] Victory!"

"*Emak-emak!* [...] Ready to move!"

These were the chants echoed by over 100 women who attended the launch of the Partai Emak Emak (Housewives Party) website on Wednesday.

The women, representatives from various community groups that support the Prabowo Subianto-Sandiaga Uno presidential ticket, gathered at the house of Gerindra Party deputy chairperson Rachmawati Soekarnoputri in Pasar Minggu, South Jakarta, to await Sandiaga's appearance to officially launch the website.

The website, which ironically was founded by male Gerindra politician Eka Gumilar, is meant to serve as a platform to coordinate the many women's volunteer groups that support the Prabowo-Sandiaga ticket. These groups include the Housewives Party in Support of Prabowo-Sandiaga (PEPES), Militant Housewives Force (BEM) and Voluptuous Housewives who Fight for Prabowo-Sandi (ESPAS).

Since he was announced as Prabowo's running mate in August, Sandiaga has consistently appealed to housewives and women, promising to fight for the "housewives party" in his speech at the General Elections Committee (KPU) headquarters after officially registering as a candidate.

Since then, the former Jakarta deputy governor has made numerous visits to traditional markets across the country, listening to complaints from housewives about the rising prices of staple foods.

Sandiaga's good looks and easy charm have endeared him to women, and the website launch was no exception, with so many audience members thronging around the businessman that he had to climb onto a chair to be seen by the whole crowd.

He took up the economic theme once again in his speech, asking the audience what their main concerns were.

"The one that I've heard after traveling across Indonesia these past two and a half months is that prices are rising, is that right?" he called out to the approval of the crowd. "Are prices going up or go-

ing down?"

"Going up!" came the reply.

Women, along with millennials, are a coveted demographic in the upcoming 2019 elections. According to the voter list compiled by the General Elections Commission (KPU), female voters outnumber men by around 126,000, a fact that Sandiaga highlighted at the website launch.

"Over 50 percent of the electorate are women and for the first time women have a central and strategic position in the Prabowo-Sandiaga campaign team," Sandiaga said. "This is one of the targets that our campaign team will focus on, especially regarding women's roles in the economy of the family. From our research over two-thirds of families are supported by housewives' small businesses."

Centre for Strategic and International Studies (CSIS) researcher Arya Fernandes said Prabowo-Sandiaga's targeting of specific voter segments such as housewives made sense given that the ticket was lagging behind President Joko "Jokowi" Widodo and Ma'ruf Amin in the polls.

According to Indikator Politik's 2014 election exit polls, both men and women voters supported Jokowi over Prabowo, even though the vote margin among women was smaller than among men. Women played a key role in former president Susilo Bambang Yudhoyono's 2009 election win, however, with 66 percent of women voting for Yudhoyono.

"Women tend to be more loyal voters and also tend to be mobilized more easily than men. Sandiaga also has a certain allure for women, which he knows about and uses to his advantage," Arya told *The Jakarta Post* on Wednesday. "The challenge is that women tend to be less interested in politics than men, but the campaign seems to be countering that by turning the discussion toward food prices and other micro-economic issues."

Tati Nurfahmi, a 52-year-old PEPES member who attended the event, said that economic concerns were the most important campaign issue.

"Right now when housewives go shopping, prices are so expensive and expenses for the children are also going up," she said. "We want to make a change for our children and grandchildren."

Saudi authorities grill Rizieq over flag

JAKARTA: Security agencies in Saudi Arabia have questioned Rizieq Shihab, a firebrand cleric who has been in self-exile in the country, over reports about the installation of an Islamist flag at his house in Mecca, the Foreign Ministry has said.

Indonesian Ambassador to Saudi Arabia Agus Maftuh Abegebriel said he received a report on the detention of the cleric on Monday.

"Our staff were eventually informed that Mecca Police went to Rizieq's house on Monday morning to investigate the allegation of the installation of a black flag that resembles the flag of Islamist extremist groups on the rear side of his house," Agus said in a statement on Wednesday.

Later that afternoon, Mecca Police and Saudi Arabia's General Investigation Directorate personnel took Rizieq for questioning to a nearby police station, where he was eventually detained.

Indonesia's representative office in Jeddah dispatched staff to provide legal assistance to Rizieq. Saudi authorities released Rizieq on bail at around 8 p.m. local time on Tuesday.

Saudi Arabia has banned the display of flags and materials resembling those used by extremists, including the Islamic State (IS) group.

The firebrand cleric and leader of the Islam Defenders Front (FPI) has been in Saudi Arabia for more than a year. In September, the Indonesian Embassy in Riyadh said Rizieq had overstayed his visa to the country, according to a statement issued in response to complaints from his supporters who claimed that restrictions had been imposed on the activities of the FPI leader in Mecca.

Rizieq had been charged by Indonesian police with violating the 2008 Pornography Law in May 2017. However, Rizieq had already fled to Saudi Arabia and refused to return to Indonesia, despite being summoned by police several times. The police dropped the case in June, citing a lack of evidence. — *JP*