

Two dead in heavy rains

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THE JAKARTA POST/JAKARTA/BOGOR

Downpours over the weekend in the West Java city of Bogor, south of Jakarta, have led to landslides in the Puncak uplands and inundated several subdistricts in the eastern part of Jakarta. Two people have been reported dead with several others missing.

The Bogor landslides affected at least four locations in the Puncak hillside resort, namely at the Atta'awun Mosque, Riung Gunung, Grand Hill and Widuri.

Bogor Traffic Police chief Adj. Comr. Hasby Ristama confirmed that the landslides had caused casualties, particularly the landslides near the Atta'awun Mosque and in Riung Gunung.

He said two people had died while three others were injured in the landslide near the mosque.

"Three other people who were buried by the landslide in Riung Gunung are still missing," he added.

The landslides forced the authorities to temporarily close the Puncak road and reroute the traffic via Sukabumi and Jonggol, both in West Java. At least 100 traffic police officers were deployed to organize traffic while workers from the Bogor administration cleared the road.

Landslides in Bogor kill two, injure three

Floods inundate eastern part of Jakarta

Meanwhile, East Jakarta Mayor Bambang Musyawardana said severe inundations had hit a number of Ciliwung riverbank areas in the municipality, namely Bidara Cina, Cawang and Kampung Melayu by Monday afternoon.

He added that the water level in the affected areas reached up to 1.6 meters.

At least 5,000 people from around 1,600 households were affected by the floods, but the majority of them still insisted on staying in their homes.

East Jakarta municipality has prepared tents in order to accommodate evacuees should the flooding get worse.

"A number of affected residents have agreed to leave their homes. Those who have insisted on staying in their houses will be monitored by our officials," Bambang said.

The heavy rainfall caused the water level at the Katulampa Dam in Bogor to rapidly rise from 70 centimeters at 3 a.m. to 240 cm by 9 a.m. on Monday.

Officials immediately warned of

possible flooding along the banks of the Ciliwung River, including in Srengseng Sawah, Rawajati, Kalibata, Pengadegan, Pejaten Timur, Kebon Baru, Bukit Duri, Balekambang, Cililitan, Cawang, Bidara Cina and Kampung Melayu.

Jakarta Governor Anies Baswedan visited Manggarai sluice gate in South Jakarta to check the situation. He assured the public that his administration would be ready to tackle the floods as all three sluice gates in the capital have been opened.

Anies also instructed the Jakarta Environment Agency to clear the sluice gates of piles of garbage carried by water flowing down the river. Around 200 tons of garbage had been cleared on Monday from Manggarai sluice gate by heavy equipment deployed by the agency.

The governor also instructed all of Jakarta's five mayors to prepare several evacuation sites to accommodate evacuees. He also instructed all personnel from the Jakarta Water Resource Agency, the so-called Blue Troops, to reduce water levels in the flooded areas using the city's 450 water pumps.

"All of our relevant officials are on standby mode," Anies said at a press conference at City Hall.

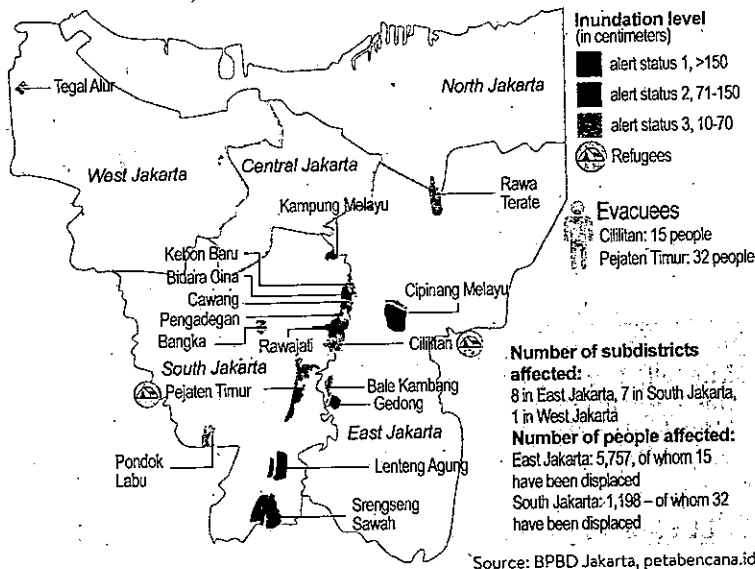
Heavy rain in Jakarta in the

afternoon caused a landslide on the road to Soekarno Hatta International Airport in Tangerang, Banten, disrupting the airport railway line and blocking an underpass on Jl. Perimeter Selatan and burying a car with two people reportedly inside.

"At 6:10 p.m. a landslide occurred on the line connecting Soekarno Hatta Station to Batu Caper Station, disrupting the operation of three trains. Our staff are working to resolve the situation," PT Railink, the operator of the track, said in a statement.

Yado Yarismanto, spokesman for PT Angkasa Pura II, which operates the airport, confirmed the landslide occurred at around 5 p.m., saying that a team had been deployed to inspect and clear the scene. "We are still clearing the area using heavy equipment."

Flood's impact on Jakarta



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MACROECONOMY

Hard task lies ahead as GDP growth misses target

Marchio Irfan Gorbiano
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THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo's administration may have introduced numerous improvements to streamline bureaucracy and regulations, but it failed to meet its economic growth target in 2017 amid a slowdown in household consumption.

Indonesia's economy expanded by 5.19 percent year-on-year (yoy) in the fourth quarter of 2017, slightly higher than the 5.06 percent recorded in the earlier quarter, the Central Statistics Agency (BPS) announced on Monday.

The latest figure, however, only brought the year-to-date economic growth at 5.07 percent, well below the 5.2 percent target stipulated in the 2017 revised state budget.

Analysts have said the government will face a tough task to meet its target of 5.4 percent this year as outlined in the 2018 state budget.

Sluggish growth as well as a slowdown in commodity price hikes this year were among the factors making this year's target difficult to reach, said Mohamad Faisal, a research director at the Center of Reform on Economics Indonesia.

"We have not seen any indication that [consumer] spending is increasing, while the outlook for commodity price growth slightly slowed down compared to 2017," Faisal said, projecting that the economy might expand between 5.1 and 5.2 percent at a maximum this year.

Household consumption, which contributes more than 50 percent to the GDP, grew by 4.97 percent yoy in the fourth quarter of 2017, slightly above the 4.93 percent booked in the earlier quarter.

The component traditionally grew at around 5 percent.

Another contributor to relatively weaker consumer spending was the negative growth seen in farmers' real wages, which is considered as an indicator for purchasing power among middle- to low-income consumers, said Lana Soelistianingsih, an economist at Samuel Asset Management.

Farmers' daily real wages were recorded at Rp 37,507 (US\$2.78) as of December, according to BPS data, decreasing by 0.78 percent compared to November.

Based on those conditions, Lana projected economic growth would hover between 5.08 and 5.15 percent throughout this year.

The government, however, remains upbeat that it will be able to reach its target this year as several manufacturing industries, such as textile, basic metal as well as food and beverages, grew above 6 percent in 2017, showing that global demand has begun to recover.

"As the President strives to improve the investment climate, we hope for higher growth in industries along with other naturally strong sectors like trade and telecommunications," said Finance Minister Sri Mulyani Indrawati.

She said investment growth was also projected to reach 7 percent amid an ongoing recovery in the domestic banking industry and capital market, enabling the overall economy to reach 5.4 percent this year.

Bank Central Asia (BCA) chief economist David Sumual said the government should work hard to maintain the positive momentum recorded on the country's investment side, citing improvements in ease of doing business and credit ratings as examples.

He added that it would be impossible now to reach 7 percent economic growth as promised by Jokowi during his 2014 presidential campaign, but it could be achievable in the long run if the government encouraged investments, particularly in manufacturing to boost higher export proceeds.

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Energy ministry revokes 32 regulations

JAKARTA: The Energy and Mineral Resources Ministry revoked on Monday 32 regulations, whether in the form of ministerial regulations or ministerial decrees, in a move that is expected to streamline bureaucracy and improve the country's investment climate.

Of the 32 revoked regulations, 11 come from the ministry's Directorate General of Oil and Gas, seven come from the Directorate General of Mineral and Coal, seven come from the Directorate General of Renewable Energy and four come from the Directorate General of Electricity.

In January, the ministry's electricity office revoked 11 regulations or merged them into the newly launched Decree No. 2/2018 on Indonesian National Standards in the power generation sector.

"The President has instructed us to decrease [the amount of] regulations to boost business and investment activities in the country," Energy and Mineral Resources Minister Ignasius Jonan said on Monday.

"This will not stop here. Within the next one to two weeks, we will revoke more regulations."

The 11 revoked regulations from the oil and gas sector include ones related to work safety, the development of marginal oil fields, the use of foreign workers and the management of state facilities in upstream oil and gas operations.

Meanwhile, the seven revoked regulations from the renewable energy sector include ones related to the purchase of electricity generated from hydropower plants with a capacity lower than 10 megawatts and solar photovoltaic power plants.

The ministry's secretary-general, Ego Syahril, said most provisions in the revoked regulations were covered in other regulations. — *JP*

DIGITAL CURRENCY

Economists welcome BI's initiative on digital rupiah

Marchio Irfan Gorbiano
THE JAKARTA POST/JAKARTA

Economists welcomed Bank Indonesia's (BI) initiative to study the possibility of issuing a digital version of the rupiah, saying it was a necessary step to address the growing popularity of cryptocurrencies.

BI, the country's central bank, said the digital rupiah may be based on the same blockchain technology that powers cryptocurrencies such as bitcoin.

Gadjah Mada University (UGM) economist Tony Prasentiantono said he was in favor of a central bank-run digital currency, adding that it was better than the alternative.

"Digital currency from BI is legitimate because it is backed by underlying assets," he told *The Jakarta Post*. "Bitcoin, on the other hand, has no underlying assets, no authority, no supervisor. It's like a phantom."

University of Indonesia (UI) economics lecturer and former finance minister M. Chatib Basri was also appreciative of BI's efforts, saying central banks worldwide would need to look into the issue eventually.

"The danger [of cryptocurrencies] is that they take money creation out of the control of central banks," he said on Monday, adding that it would make it harder to control inflation and create a "shadow banking" system. "So it is better for BI to create something that they can monitor."

BI head of transformation Onny Widjanarko said on Wednesday a study on the possible issuance of digital rupiah by the central bank was projected to be completed in 2020.

On Friday, BI governor Agus Martowardojo said the study was also looking into the possibility of using blockchain to issue the digital currency. "If now our money takes the form of bank notes, in the future there will also be money in digital form," he said. "But it will still be administrated by the central bank."

BI had previously said using

cryptocurrencies such as bitcoin as a payment and transaction instrument contravened the law, which designates the rupiah as the only official transaction and payment instrument in Indonesia.

Agus said BI had never been opposed to the technology itself, but rather to its implementation.

"Cryptocurrencies like bitcoin do not have any consumer protections and can also be used for money laundering and terrorism financing," he said. "If central banks issue digital currency, it will be protected and there will be a clear authority."

Digital currencies are on the rise around the world — Ecuador kicked off its electronic money system in 2015, while both Canada and Singapore started digital currency pilot projects in 2016.

BI officials have emphasized that the issuance of digital rupiah was still a ways off, saying the bank's study on the matter was still in the very early stages.

Legal complications may be one possible sticking point, as a 2011 law on currency only recognizes rupiah issued in the form of a banknote or coin.

Economist Lana Soelistianingsih said the law would need to be revised to provide a legal basis for the digital currency. "It will take time," she said. "The problem is that with digital matters, everything moves very fast. Once a law is passed, something else has already changed."

Both Lana and Tony said digital currency would not completely replace physical banknotes, especially given the lack of digital penetration in Indonesia's more remote areas.

"There will have to be a transition period," Lana said. "When we talk about digital currency, we're not just talking about cities, but also rural areas."

"This is a new product that will be created to adjust to the times," he said. "It is solely to fulfill the needs of the public, especially those who are technologically savvy." (kmt)

PLN to buy coal under new formula

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Viriya P. Singgih

THE JAKARTA POST/JAKARTA

The government is set to adopt a new coal price formula to help state electricity company PLN purchase coal at a fairer price and eventually ease the company's financial burden resulting from the surging global coal price.

Rising coal prices would transform into higher costs for PLN as around 57 percent of the company's power generation is from coal-fired power plants.

In its 2017 work plan and budget, PLN projected coal price would hover at US\$63 per ton, while in reality the price stood at more than \$90 per ton by the end of that year.

Eventually, the company suffered Rp 14 trillion (\$980 million) in losses coming from the gap be-

New formula to help reduce PLN costs, ease financial burden

57 percent of PLN power generation from coal-fueled plants

Cost-plus-margin price program deemed obsolete

tween the projection and the actual price throughout 2017.

On Monday, the Energy and Mineral Resources Ministry invited all relevant stakeholders, including PLN, the Indonesian Coal Companies Association (APBI) and several coal mining firms, to discuss the new coal price formula.

PLN strategic procurement director Supangkat Iwan Santoso

said all the stakeholders were reviewing options that were expected to ease the company's burdens without having to increase the current electricity prices.

Among the options was to implement the cost-plus-margin program or provide a special domestic market obligation (DMO) price for PLN.

"We will see which option is the fairest for all," Iwan said after the gathering.

"There are two key points. It [the new policy] will have to be acceptable to all parties involved and PLN has to be able to operate healthily."

PLN initially proposed the cost-plus-margin program to the ministry last year, through which the company will be able to buy coal from local miners under the DMO based on the calculation of

V mining costs-plus-profit margin while ignoring the volatility in global prices.

The ministry has limited the country's coal production in 2018 to a maximum level of 485 million tons, 25 percent of which will be allocated for domestic market under the DMO.

Energy and Mineral Resources Minister Ignasius Jonan, however, said in last September such a pricing program was an obsolete concept that would not help boost efficiency.

He feared that with such a mechanism, many coal miners would falsely set a high mining cost in order to boost their own profit margins.

Meanwhile, Garibaldi "Boy" Thohir, the president director of publicly listed coal miner PT Adaro Energy, said there were

around five to six options discussed by all stakeholders during the gathering.

One of the options was that PLN would conduct a business-to-business approach with each of its coal suppliers regarding the DMO coal price.

"We might come to a conclusion about this [new policy] within the next week or two," he said.

Nonetheless, Boy reminded that any new policies should provide a fair treatment for all coal miners that had made big contributions to the country, especially in terms of royalty and nontax state revenue (PNBP) payments.

APBI executive director Hendra Sinadia also saw eye-to-eye with Boy, as he said the new policy must be a win-win solution for all.

"The volatility of coal prices should be taken into account,"

he said.

Previously, APBI had also proposed the use of an adjustment formula to determine the cap-floor of coal price, which takes into account average long-term mining costs, acceptable margin and market price fluctuation.

Based on the association's calculation, long-term average mining costs can reach around \$30 per ton, while the acceptable fixed margin will stand at between 15 to 25 percent.

Meanwhile, the ministry's mineral and coal director general, Bambang Gatot Ariyono, refused to comment in detail on the new price formula for coal under the DMO, only saying all stakeholders needed to further discuss it before making any firm decision.

"We'll see later where it goes," he said.

RI palm oil exports to India seen at record on demand

**Yoga Rusmana
and Eko Listiyorini**

BLOOMBERG/JAKARTA

Palm oil exports from Indonesia to India, the world's biggest buyer, will probably climb to the highest ever this year as strong demand counters higher import duties.

Shipments of palm and kernel oils to India climbed 32 percent to record 7.6 million metric tons in 2017 from a year earlier, ac-

ording to the Indonesian Palm Oil Association (GAPKI).

Exports are likely to advance further this year to keep pace with the South Asian country's population and economic growth, the association's secretary general Togar Sitanggang said, without providing any estimate.

India, which relies on imports to meet about 70 percent of its total vegetable oil requirements, doubled the levy on crude palm

oil to 30 percent in November and increased the duty on refined palm oil to 40 percent from 25 percent.

The move, coupled with high inventories in top producers Indonesia and Malaysia, resulted in palm oil prices dropping 19 percent last year.

"India's import duty hike will likely be temporary," Sitanggang said in text messages.

"Now they feel they need to protect their farmers and local

output from imports. That stand may change and the duty may be cut again to meet the country's edible oil demand," he said.

India may also consider a request from Indonesia's President Joko Widodo to reduce the levy, said Derom Bangun, chairman of the Indonesian Palm Oil Board.

Palm oil futures for delivery in April fell 0.3 percent to 2,460 ringgit (US\$631) a ton on Bursa Malaysia Derivatives by 11:26 a.m. local time. The most-

active contract has fallen 1.8 percent so far this year.

Palm oil exports from Indonesia may rise at least 10 percent this year, Sitanggang said. The nation registered a 23 percent jump to 31.05 million metric tons last year from 2016, GAPKI data showed.

Total shipments to the European Union, the second-largest market, and China climbed about 15 percent, it said last week.

While India and the EU will

remain as Indonesia's top palm oil buyers, the Southeast Asian country must seek other markets to reduce the risk from trade hurdles, Bangun said in a telephone interview.

"There are plenty of opportunities" to expand the market, Bangun said. "GAPKI and the Trade Ministry have visited Chile, the Middle East and Turkey to discuss ways to increase exports and counter the threats."