



Monthly Newsletter

Policy Information and Analysis Agency (BAIK)

**Indonesian Chamber of Commerce and
Industry (KADIN)**

**Published by Policy Information and Analysis Agency
KADIN Indonesia**

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KEY NARRATIVES

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| 2 | INDONESIAN ECONOMY: RICE PRICE INCREASE IN EARLY 2024 |
| 3 | ENTREPRENEURSHIP AND COMPETENCY: MINISTRY OF COOPERATIVE AND SMEs ORGANIZES ENTREDEV 2024 |
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1 HEALTH: EXPANDING THE NATIONAL MEDICAL DEVICE INDUSTRY EXPORTS AT ARAB HEALTH 2024



Insight

Through participation in the Arab Health 2024 event, the national medical device industry can expand its export market to several United Arab Emirates countries. The event, held on 29 January - 1 February 2024 at the Dubai World Trade Center, was facilitated by the Ministry of Industry. The Ministry of Industry facilitates 16 domestic medical device companies to perform at the international level event.

Currently, domestic medical device industry has been supported by 150 companies in the Association of Indonesian Medical Device Manufacturers (ASPAMI). National medical device manufacturers have been able to produce quality medical devices such as *ventilator* (TKDN reaches 58%), *hospital furniture* (TKDN 68%), to *medical apparel* (TKDN 92%).

The national medical device industry contributes significantly to national export performance. Throughout 2023, the export of national medical device products reached USD209.4 million. The Indonesian government continues to encourage the domestic medical device industry to expand into international markets including the United Arab Emirates. The country is an important export destination given its strategic location as an international *hub* to penetrate African to European markets.



Insight

The price of rice sets another record with the price of medium quality rice approaching Rp14,000 per kg and premium rice to almost Rp16,000 per kg. Rice price increases occur in all distribution chains. Rice prices at the milling level in January 2024 rose 1.62% (mtm) or up 21.78% (yoy). Meanwhile, wholesale rice prices in January 2024 rose 0.97% (mtm) or up 16.66% (yoy). Rice prices at the retail level rose 0.63% (mtm) or up 16.24% (yoy).

The increase in rice prices occurred because the average price of harvested unhulled rice increased by 2.97% (mtm) or increased by 18.64% (yoy). In addition, the average price of milled unhulled rice also rose by 4.85% (mtm) or increased by 24.52% (yoy). BAPANAS has taken steps in tackling the current rise in rice prices in Indonesia.

First step, accelerated the unloading of rice vessels from abroad in several ports. *Second*, distribute Bulog's commercial rice of 200 thousand tons, including 50 thousand tons to *Food Station*/Cipinang Rice Main Market (PIBC). *Third*, continuously distributes Supply and Market Price Stabilization (SPHP) rice to Traditional Markets and Modern retail. *Fourth*, continue to work on the National Cheap Food Movement (GPM). *Fifth*, Rice food aid will restart on February 15, 2024 after the General Election period (Election) is over.





Insight

The Ministry of Cooperatives and SMEs organizes Entrepreneur Development (Entredev) 2024, which aims to assist entrepreneurs in advancing their businesses and increasing their business turnover. This program is a regular business assistance program for entrepreneurs in Indonesia to facilitate business consultation and assistance for entrepreneurs in the health, fitness, and beauty; technology; and agriculture sectors.

For 2024, 2,300 entrepreneurs are targeted to participate. Participants are prioritized aged 18-39 years with a business that has been running for at least two years and prioritized to have a turnover of at least Rp300 million per year. Previous Entradev 2023 has had a positive impact on Indonesian entrepreneurs.

Entredev 2023 has helped around 97% of the total 2,300 participants in advancing their business such as, improving business model which eventually increases their turnover per month by around 30%-40%. This sustainable program also provides opportunities for entrepreneurs to develop networks, find business partners, and improve their businesses. Approximately 34% of the total participants in 2023 have collaborated with *stakeholder* partners.





Insight

In response to the increase in entertainment tax rates, KADIN held a Webinar entitled "Hot Issue of Entertainment Tax Increase". As the main organization of entrepreneurs, KADIN, through the Interim Chairperson of KADIN Indonesia, Yukki Nugrahawan Hanafi, is observing this increase in entertainment tax rates.

This policy is contained in Law Number 1 of 2022 on Financial Relations between Central and Local Government (HKPD). KADIN considers that the implementation of this entertainment tax increase will have been negative on the business sector, especially for the tourism sector.

One of the concerns of business actors is the declining interest for tourists to visit tourist destinations. The increase in price rates in the entertainment industry will have a derivative effect on the supporting industry. In fact, it has the potential to terminate employment in sectors related to tourism and entertainment.





CORE ISSUES

1

Entertainment Tax Rates in Indonesia

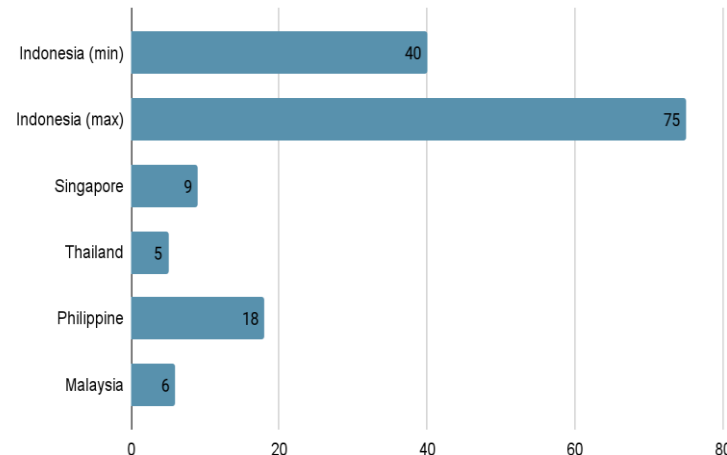
2

Increase in Domestic Product Spending

Entertainment Tax Rates in Indonesia

1. The Government and the House of Representatives have approved an increase in the entertainment tax through Law Number 1 of 2022 on Financial Relations between Central and Regional Governments. In Article 58 paragraph 2, the tax rate on certain goods and services (discotheques, karaoke, nightclubs, bars, and spas or steam baths) is as low as 40% and as high as 75%.
2. Through this regulation, Indonesia's entertainment tax will be the highest in the Southeast Asia Region, which is at 40-75%. In Thailand, the tax rate is 5%. Then in Malaysia, around 6%. Singapore, starting in 2024, applies a tariff of 9% to tax all sales of goods and services. Meanwhile, the Philippines applies an 18% tax on karaoke, nightclubs, and bars.
3. On the other hand, the tariff increase will also apply to VAT to 12%. This provision is contained in Law No. 7 of 2021 on Harmonization of Tax Regulations. This rule raises VAT from 10% to 11% from 2022, then to 12% by 2025.
4. Although the implementation of the entertainment tax will increase government's revenue, international tourists' interest to Indonesia is likely to decrease due to large vacation costs. Plus, the expensive cost of flights to Indonesia.
5. This policy should not be implemented now, because tourism industry players have just recovered from the impact of the Covid-19 pandemic. Entertainment service business actors who are members of the Indonesian Tourism Industry Association (GIPI) demand for special entertainment tax rate such as discotheques, karaoke, nightclubs, bars, and steam baths/spas of a maximum of 10%.

Tarif Pajak Hiburan di Sejumlah Negara Asean %



Source: IRAs, BEER, CNA, MySST (2024)

Increase in Domestic Product Spending

The government continues to optimize the use of **domestic products**, especially from cooperatives and MSMEs, to improve the welfare of **local entrepreneurs**.

DOMESTIC PRODUCT UPGRADE

- ❖ 40% or around 400 trillion government goods/services (Central and Regional Governments) are obliged to spend on domestic products.
- ❖ All expenditure on the procurement of goods/services is announced in the LKPP General Procurement Plan Information System (SiRUP) and fills out the e-Contract on the Electronic Supervisory System (SPSE).
- ❖ As of December 2023, there are already 5.2 million cooperative and MSME products from 235 thousand providers that have been logged to the *e-catalog*.

STRATEGY TO INCREASE THE PARTICIPATION OF LOCAL ENTREPRENEURS IN THE PROCUREMENT OF GOVERNMENT GOODS/SERVICES(PBJ)

- ❖ The need for product readiness, among others: standardization/product quality, production capacity, and production continuity.
- ❖ Optimization through *e-catalogue* and *e-tendering*.
- ❖ Synergy of Government, SOEs, Associations, and Private.
- ❖ Strengthening partnerships between large businesses and MSMEs.

ABOUT INDONESIA

1	Health
2	Education
3	Technology
4	MSMEs
5	Sustainability
6	Food Security and Agriculture
7	Logistics & Supply Chain
8	Maritime Economy
9	Energy Resilience
10	Others



Health

The Ministry of Industry brought the leading medical device industry at the Arab Health 2024 event to expand their export market to several countries in the United Arab Emirates (UAE). The Ministry of Industry facilitated 16 domestic medical device companies to show at the international level event which took place at the Dubai World Trade Center on January 29-February 1, 2024.

The strength of the Indonesian medical device industry has been supported by 150 companies that are members of the Association of Indonesian Medical Device Manufacturers (ASPAKI). These domestic industries have been able to produce quality medical devices such as *ventilators* (with TKDN reaching 58 percent), *hospital furniture* (TKDN 68 percent), to *medical apparels* (TKDN 92 percent).



Education

The acceleration of the 2024 Education School Operational Assistance (BOSP) fund will be distributed to 96 percent of educational units in January 2024. This acceleration is the impact of a breakthrough in funding and from the release of the 16th Edition of Merdeka Belajar in 2022 related to the acceleration and increase in PAUD (pre-school) funding and equality education.

This fast and even distribution of BOSP has been regulated in the Education and Culture Minister Regulation Number 63 of 2022. The real impact of this BOSP distribution is the use of technology, such as the Application of School Activity Plans and Budgets (ARKAS) and the application of Procurement Information Systems in Schools (SIPLah).



Technology

Indonesia won the overall champion at the ASEAN Digital Awards (ADA) 2024. This victory is proof of the success of the digital startup program in Indonesia. In 2024, Indonesia won five victories that were the result of innovations in information and communication technology of Indonesia's citizens for the categories of *Private Sector* and *Digital Startup*.

ADA 2024 is a joint project of the ministries of telecommunications in ASEAN countries aimed at promoting innovation and collaboration between governments, businesses, and other institutions. ADA contestants competed in six categories, namely *Public Sector*, *Private Sector*, *Digital Content*, *Digital Startup*, *Digital Innovation*, and *Digital Inclusivity*.



MSMEs

The Ministry of Cooperatives and SMEs invites entrepreneurs or featured entrepreneurs to join the Entrepreneur Development (Entredev) 2024 Dare To Grow program. This program aims to help entrepreneurs develop their businesses to be more established.

The Entredev 2024 program is the materialization of Presidential Regulation Number 2 of 2022 on National Entrepreneurship Development to accelerate the achievement of the 3.95% entrepreneurship ratio target in 2024. The target of participants in 2024 is 2,300 entrepreneurs.



Sustainability

PT Bank Rakyat Indonesia (Persero) Tbk is committed to applying the principles of *Environmental, Social and Governance* or good ESG through various programs. As in previous years, most sustainable credit distribution remains channeled to the MSME sector worth Rp 690.4 trillion. This sustainable credit distribution was recorded growing 11.2% on an annual basis (yoy).

Financing to the green sector worth Rp 82.3 trillion consisted of lending to the environmental-friendly natural resource management and land use sector worth Rp 52.8 trillion, green transportation worth Rp 11.2 trillion, renewable energy worth Rp 6 trillion, and other sectors of Environmentally Sound Business Activities (KUBL) worth Rp 12.2 trillion.



Food & Agriculture Resilience

The government has temporarily suspended the distribution of 10 kg of rice food assistance to around 22 million Beneficiary Families (KPM). The temporary suspension of rice distribution is carried out on February 8-14, 2024, and will be redistributed on February 15, 2024.

The Government's Food Assistance was temporarily suspended to ensure a proper Election situation while updating aid data. In 2023, this assistance was given in 2 stages, namely for March-May 2023 and September-December 2023. The provision of food aid is claimed to be effective in controlling national inflation and the rate of increase in rice prices.



Logistics & Supply Chain

Supply Chain Indonesia (SCI) encourages industries, especially logistics service providers, to apply green logistics to two main activities, namely warehousing and transportation. The application in the warehousing system can be done by applying eco-friendly building design or environmentally friendly building design.

Implementation in transportation can be done by improving consolidation and loading-unloading processes, using environmentally friendly fuels, and using information systems to improve transportation efficiency and effectiveness. The application of green logistics can impact three aspects, namely ecology (environment), social, and economic.



Maritime Economy

The Ministry of Maritime Affairs and Fisheries (MMAF) encourages the digital transformation of Ocean Big Data infrastructure systems to facilitate stakeholders in the world of maritime economics. In addition to the fisheries sector, the digital transformation carried out by the MMAF can also have a positive impact on the tourism sector and marine conservation.

The data owned by KKP can be used as a basis for policy making by related parties. Ocean Big Data will support the realization of a sustainable maritime economy through mapping the activities, conditions, and habitats of all elements that live in Indonesia's seas. The system uses satellite technology, radar, sensors, underwater drones, aerial drones, and nano-satellite.



Energy Resilience

The government through the National Energy Council (DEN) prepared a regulation on Energy Buffer Reserves (CPE). This regulation aims to maintain national energy security, especially during energy crises and emergencies.

This CPE regulation will regulate the type, amount, and management of CPE. CPE itself is the amount of availability of energy sources and energy stored nationally that is needed to meet national energy needs at a certain period, especially during energy crises and emergencies.



Others

The government imposes a Special Goods and Service Tax (PBJT) on certain entertainment services such as discotheques, karaoke, nightclubs, bars, and steam baths/spas with a minimum tax of 40-75%. This is in accordance with Law Number 1 of 2022 on Financial Relations between the Central and Regional Governments (HKPD Law).

Entertainment service business actors who are members of the Indonesian Tourism Industry Association (GIPI) demand a special entertainment tax rate such as discos, karaoke, nightclubs, bars, and steam baths/spas of a maximum of 10%.



INDONESIA IN NUMBERS

1	Economy
2	Interest Rates and Business
3	State Budget Delivery
4	MSMEs and ESG
5	Foreign Debt and Foreign Exchange Reserves

4 INDONESIA IN NUMBERS: JANUARY 2024

Economy



Indonesia's Economic Growth in Q4 - 2023 yoy

Economic Growth (Q4 of 23)

5.04% ● Projected 5.3%

Export (Dec 23)

USD ▲ 1.89% y-o-y
22,00 billion

Inflation (Jan 23)

2.57% ▼ 0.25% y-o-y

Bol Interest Rate BI7DRR (Jan 24)

6% ▲ 2.25 bps

Average Exchange Rate IDR/USD (Jan 24)

15,621 ▲ 0.33% m-o-m

Interest Rate (Jan 2024)

Deposit Facility 5.25% **Lending Facility 5.75%**

Guarantee Interest Rate (Jan 2024)

Commercial Bank 4.25% **Forex 2.25%**
BPR/Rural Banks 6.75%

Business (Jan 24)

Industry PMI Index 52.9 ▲ 0.5% m-o-m

Consumer Confidence Index

124 ▲ 0.2% m-o-m

Consumer Price Index

105 ▼ 0.0% m-o-m

Large Trade Price Index

2.80 ▼ 0.41% m-o-m

Real Sales Index

217.9 ▲ 0.1% y-o-y

State Budget Delivery (IDR T, Dec 2023)



Government Revenue 2,774 ▲ -5.25% yoy

Corporate Income Tax 377 ▲ 15.7% yoy

Domestic VAT 407 ▲ 17.1% yoy

Import VAT 231 ▼ -5.2% yoy

Government Expenditure 3,122 ▲ -0.8% yoy

Central Government Expenditure 2,240 ▼ -1.7% yoy

Local Transfers 881 ▲ 7.9% yoy

Village Fund 69.8 ▲ 2.87% yoy

Budget Surplus/Deficit -347.6 ▼ -24.5% yoy

Surplus/Deficit against GDP 1.65%

Estimated Financing 282.3 ▼ 36% yoy

MSMEs and ESG



ESG Index as of 31 Jan 24

ESGS KEHATI 142.803 ▲ 0.340

ESGQ KEHATI 145.150 ▲ 0.160

SRI-KEHATI 442.682 ▲ 0.770

ESG Leaders 156.689 ▲ 1.30

Registered MSMEs (per 31 Dec 22)

Micro Business 2,356,273

Small Business 87,947

Medium Business 10,911

MSME Credit (Rp T, Oct 23)

1,432

Delivery of MSME Credit/KUR (IDR T, Dec 2023) 1,572

Micro Credits (Million, Dec 23) 44.31%

Foreign Debt (USD M, Q4 23)

Foreign Debt

407.1 ▼ 2.7% y-o-y

Government Debt

196.6 ▼ 5.5% y-o-y

Private Debt

197 ▼ 1.9% y-o-y

Foreign Exchange Reserves (USD M, Jan 2024)

145.1 ▲ 0.0% y-o-y

equivalent to:

financing 6.6 months of imports or 6.4 months of imports AND the payment of the government's foreign debt.

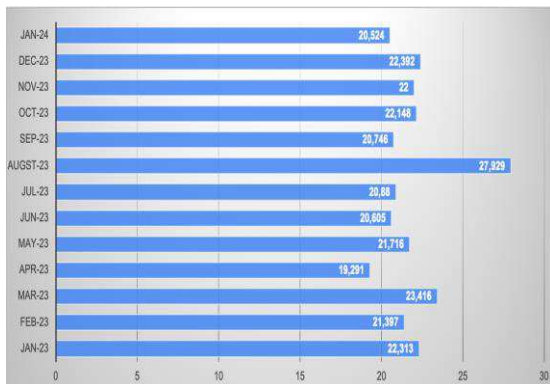


INDONESIA IN NUMBERS EXPORT & IMPORT

1	Total Exports
2	Total Imports
3	Featured Export Commodities

4 INDONESIA IN NUMBERS: EXPORT & IMPORT

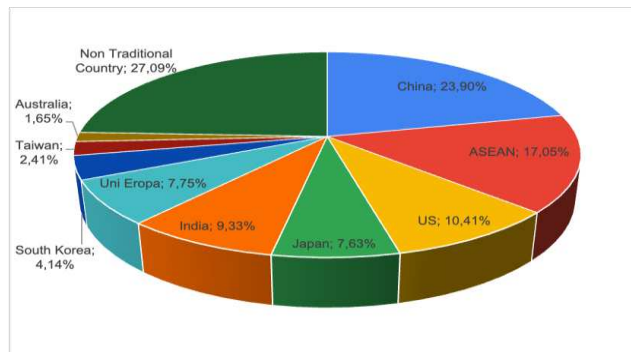
Total Exports (USD million)



Total Imports (USD Million)

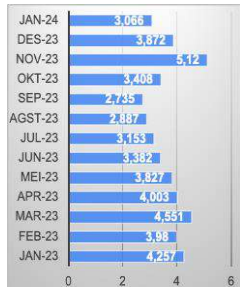


Market Share Trading November 2023

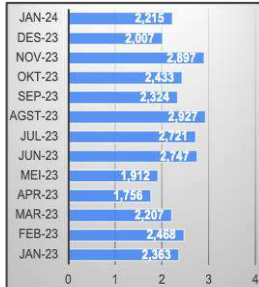


Export Commodities (USD million)

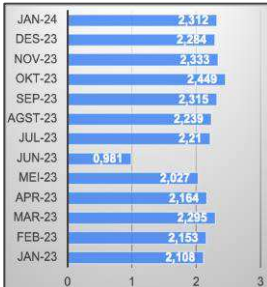
Oil & Gas



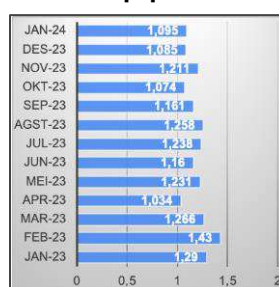
Animal/vegetable fats and Oils



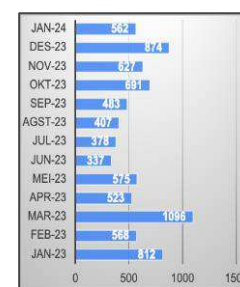
Iron & Steel



'Electronic' Machinery & Equipment



Precious Metals & Jewellery



Vehicles & Spareparts





INDONESIA IN NUMBERS FOREIGN & DOMESTIC INVESTMENT

1

Total investment

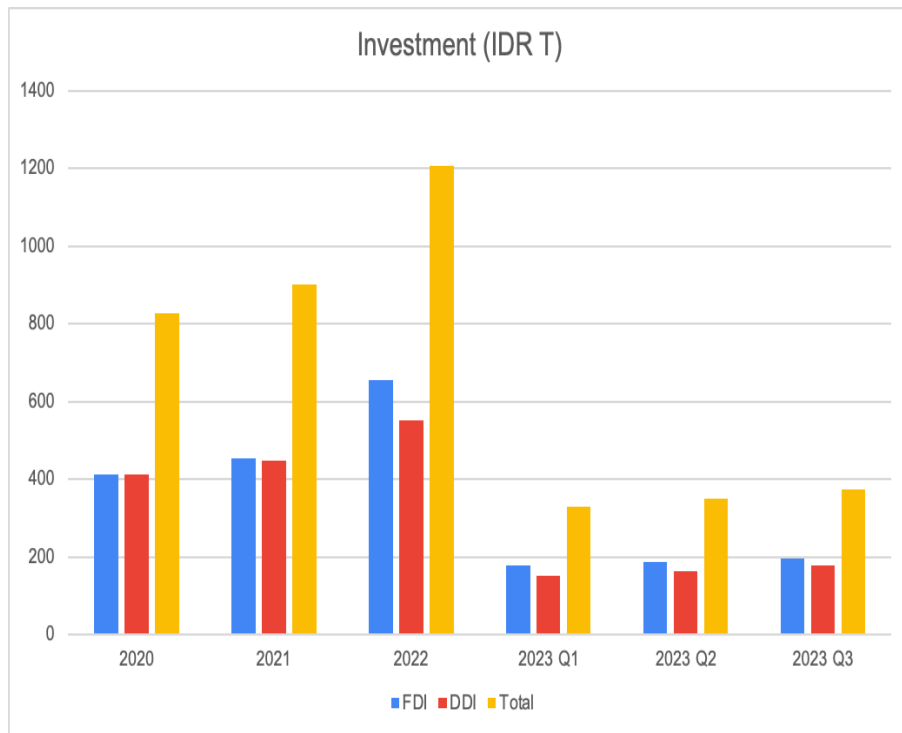
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Foreign Investment

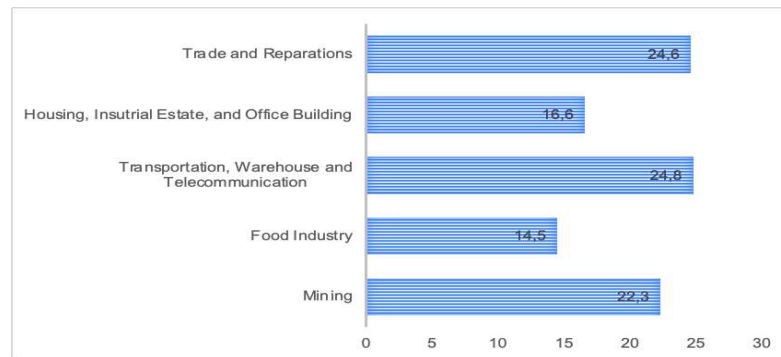
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Sectoral Domestic Investment

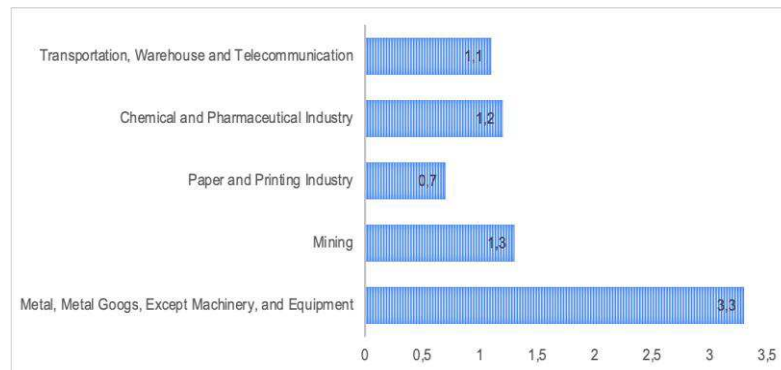
Total Investment (USD million)



Sectoral Foreign (USD million)



Sectoral Local Investment (IDR Trillion)





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