

May 2024 Edition



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

- 1 HEALTH: Changes in Health BPJS System and Omission of Class I,II, and III**
- 2 INDONESIAN ECONOMY: Indonesia's economic performance is resilient amid the dynamics of global uncertainty**
- 3 ENTREPRENEURSHIP AND COMPETENCY: Implementation of APEC SMEWG in Bali, April 2024**
- 4 ABOUT KADIN INDONESIA: Launch of Business Dispute Mediation Institute by KADIN Indonesia**

1 HEALTH: Changes in Health BPJS System and Omission of Class I,II, and III



Insight

The government recently issued Presidential Regulation Number 59 of 2024 on the Third Amendment to Presidential Regulation Number 82 of 2018 on Health Insurance provision changes to BPJS Health services. The significant change in this regulation is the implementation of the Standard Inpatient Class (KRIS) system in Health BPJS.

KRIS will forego the existing inpatient room grouping system which is divided into 1st, 2nd, and 3rd class in Health BPJS. The government is planning for the KRIS system to take effect in all hospitals collaborating with BPJS no later than June 30, 2025. With the enactment of this system, all BPJS participants will receive similar inpatient room facilities.

There are six service provisions that have been changed in the regulation, namely the amount of contributions and the list of services that are not covered, namely, contraceptive and cosmetic devices and their drugs, health services due to criminal acts, sexual violence, victims of terrorism, and criminal acts of trafficking in persons that have been ensured through other funding schemes implemented by ministries/institutions or local governments in accordance with each statutory provisions. Another two changes are changes on the provisions related to executive inpatient class and the difference in payment due to upgrading.



2 INDONESIA ECONOMY: Indonesia's Economic Performance is Resilient Amid the Dynamics of Global Uncertainty



Insight

There is an increasing uncertainty due to global geopolitical turmoil that pressures the domestic economy. This ongoing geopolitical conflict increases the risk of commodity price spikes, hindering inflation control, and weaken the rupiah against the USD.

However, Indonesia's economic growth in the first quarter of 2024 increased 5.11% compared to the same period last year (year-on-year) driven by public demand and government consumption. Government consumption increased 19.90% (yoy), driven by the 2024 Election.

Investment grew 3.79% (yoy) supported by investment in physical structures such as the continuing infrastructure development. Meanwhile, exports growth is slower with 0.50% (yoy), especially for exports of goods, despite the growing demand from several major trading partner countries. This is due to the decline in commodity prices.





Insight

The 57th Asia-Pacific Economic Cooperation-Small Medium Enterprises Working Group (APEC SMEWG) Forum Conference in Bali was attended by 19 of the 21 APEC member economic delegations. In this forum, the Ministry of Cooperatives and SMEs (KemenKopUKM) represents Indonesia and acts as the focal point as well as the host.

This forum is strategic to advocate for various challenges faced by SMEs and generate joint ideas to increase the SMEs' competitiveness amid rapid technological advances. The delegates present in this forum can actively participating and improve collaboration in the APEC region while opening opportunities for exports of fishery, plantation, and agricultural processed products.

Indonesia, as the host provided *insight* on good practices in industrialization and downstreaming programs that have been carried out through the establishment of the Joint Production House (RPB). The RPB is a solution to realize a medium-scale manufacturing industry that can overcome urbanization problems, increase industrial growth, expand quality employment, and preserve natural resources.





Insight

KADIN Indonesia will launch a Business Dispute Mediation Institute, which will be one of many legal facilities from the organization that can benefit all members of KADIN, especially for companies in business disputes. This institution serves as an alternative to a professional and credible dispute resolution.

A primary choice for KADIN members who are expecting transparent and independent judicial management. The management of KADIN Indonesia's Business Dispute Mediation Institute comes from professionals who are independent and are obliged to report to the Chairman of KADIN Indonesia, when any disputing party does not implement the peace agreement issued by the institution

The institution also aims to build a peaceful and sustainable business world to create an inclusive, sustainable, and collaborative business climate. There are two services offered by KADIN Indonesia's Business Dispute Mediation Institute, namely commercial mediation, pro bono mediation for MSMEs which has been curated according to standards, as well as coaching services in the form of mediator training and mediator certification and accreditation.





CORE ISSUES

1

RUPIAH EXCHANGE RATE AGAINST THE UNITED STATES DOLLAR APRIL 2024

2

1st QUARTER ECONOMIC GROWTH 2024

RUPIAH EXCHANGE RATE AGAINST US DOLLAR 2024

The weakening of the rupiah against the United States dollar continues. The US dollar has reached Rp16,134.27 which will certainly have an impact on economic activities at all levels of Indonesian society.

Based on Refinitiv data, at the opening of trading on April 17, 2024, the rupiah exchange rate opened at Rp16,250 per US dollar, a drop of 0.49% compared to the closing the previous day. This position is the lowest since April 2020.

The strengthening of the US dollar was triggered by the negative sentiment of financial market towards the escalating of war in the Middle East.

Some important points related to the weakening of the rupiah exchange rate:

- The high value of the US dollar and the weakening of the rupiah exchange rate will increase inflation, especially against goods whose raw materials are imported. Additionally, crude oil prices and logistics costs will worsen due to disruption of trade routes in the war-torn Middle East region.
- The weakening of exchange rate and the rising crude oil prices should be monitored as it would affect food prices. This is because logistics costs can spike and exacerbate inflationary pressures in society.
- In addition to inflation, the increase in world crude oil prices will also continue to erode the government's State Budget (APBN), because energy subsidies will increase and disrupting the government's fiscal space to support economic growth and people's purchasing power.
- Bank of Indonesia should continue to strengthen coordination with the Government and relevant authorities and optimize mixed policy strategies to maintain macroeconomic stability and the financial system to support sustainable economic growth.

1st Quarter Economic Growth 2024

Indonesia's economy **grew steadily** amid the uncertainty of geopolitical risks.

Indonesia's economic growth in Q1-2024 is **recorded at 5.11%** on an annual basis (*year-on-year*), higher when compared with the same quarter in 2023.

Drivers of 1st Quarter 2024 Economic Growth

- A. **From Expenditure:** All expenditure components grew positive in 1st Quarter of 2024 (*y-on-y*) mainly due to the the 2024 elections, public holidays and joint leave, goods shopping, and employee spending.
- ✓ Consumption of nonprofit institutions serving households (LNPR) recorded the highest growth of 24.29%.
 - ✓ Government consumption grew by 19.90%.
 - ✓ Household consumption grew by 4.91%.
 - ✓ Investment grew 3.79% mainly supported by the continuing infrastructure development.
 - ✓ Meanwhile, exports grew slower to 0.50%, especially in goods exports due to a decrease in commodity prices of major export products despite the increasing market demand.
- B. **From Business Sector:** Almost every business sector in the 1st Quarter of 2024 showed positive performance.
- ✓ Four of five business sectors with the largest contribution to the economy grew, namely processing, trade, construction, and mining industries. The agricultural sector, grew negative due to production decline in food commodities affected by El Nino.
 - ✓ High growth occurred in government administration (18.9%), health services (11.6%), and Company Services (9.6%).

2nd Quarter 2024 Economic Challenge

- ❖ Exchange rate instability, interest rate burdens, import burdens, and their implications on domestic inflation, domestic industry competitiveness, and domestic market purchasing power.
- ❖ Food inflation pressures due to El Nino weakened the purchasing power of low-income people.
- ❖ Uncertainty around governmental transitions that could affect investment.
- ❖ Risk of slowing export performance due to a slowing global economic climate.

Economic steps to move forward:

- ❖ Strengthen people's purchasing power.
- ❖ Keep inflation below 3%, specifically on food inflation.
- ❖ Maintain the stability of the rupiah exchange rate.
- ❖ Increased government spending and acceleration of various national strategic projects including the construction of a new capital city.
- ❖ Maintain and improve the investment climate.
- ❖ Strengthen export-oriented industries.

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

Health BPJS will begin to implement the Standard Inpatient Class (KRIS) system in all cooperating hospitals. This is stated in Presidential Regulation Number 59 of 2024 on the Third Amendment to Presidential Regulation Number 82 of 2018 on Health Insurance, which was promulgated on May 8, 2024.

Health BPJS service facilities will be generalized, so that there is no difference in treatment facilities, which means 3rd class patients also get the same facilities as 2nd and 1st class.



Education

The Ministry of Education, Culture, Research, and Technology (Kemendikbud Ristek) is designing a program so that graduates of Vocational and Regular Bachelor Degree of Elementary School Teacher Education (PGSD) or Madrasah Ibtidaiyah Teacher Education (PGMI) can immediately become civil servants/State Civil Apparatus (ASN).

After obtaining placement as civil servants, graduates of Regular (S1 Degree) and Vocational (D4 Degree) Bachelor Degree can then pursue Teaching Professional Education (PPG). Participants who qualify will be placed in their choice of teaching location during registration.



Technology

The Nusantara Capital Authority (OIKN) succeeded in attracting the interest of eight world technology giants to jointly build a prototype or *pilot project* of Command Center Phase II Ultimate at the Smart City Reverse Trade Mission (RTM) in the United States in early May 2024. The eight tech giants were Meta Mind Global Corporation, Honeywell, Motorola, Cisco, ESRI, Autodesk, IBM, and Amazon Web Services.

The prototype of the Ultimate Phase II Command Center to be built at the OIKN Office is an implementation on the use of technology for IKN smart city solutions. OIKN invites international collaboration to take part in the development of modern and sustainable global cities.

3 ABOUT INDONESIA



MSMEs

The Ministry of Communication and Information (Kemenkominfo) is planning to remove the cost of testing devices for companies with MSME status or *digital startup*. With this, local industry players can easily innovate by utilizing various equipment at IDTH.

IDTH, under the Directorate General of Post and Informatics Resources and Devices (SDPPI) of the Ministry of Communication and Informatics is a forum for collaboration and synergy between the government, industry, MSMEs, academics, and the community to develop innovative technology solutions.



Sustainability

The Minister of Tourism and Creative Economy/Head of the Tourism and Creative Economy Agency (Menparekraf/Kabaparekraf) supported the International Tourism Investment Forum (ITIF) 2024 as the momentum to increase investment in the sustainable tourism and creative economy in Indonesia. ITIF 2024 will be held on 5-6 June 2024 at Swissotel PIK.

(ITIF 2024) carries the theme "Elevating Tourism Investment for Sustainable Growth" and this platform is to direct sustainable tourism because the planet, people, and prosperity are the references for tourism and creative industry development. This meeting was also complemented with side events such as roundtable sessions with several country delegations such as India and Russia related to investment in the tourism and creative industry sector.



Food & Agriculture Resilience

Indonesia encourages collaboration to strengthen food security through IDMA Exhibition and TABADER Summit 2024. The exhibition brings together international companies supplying milling machinery and technology with industrial users of processed products, nuts, and feed. Various events at these two events include machinery and technology exhibitions, business meetings (B2B), discussions, and certified training for the milling industry by TABADER.

The IDMA exhibition, which has an export transaction target of 500 million dollars, brings together participants from various countries, such as the UK, Germany, the Netherlands, Switzerland, Denmark, China, Italy, South Korea, the United States, Brazil, Egypt, and India, with various companies including Gocmen Makina, Koc Degirmen, TMI Spain, Special Mills, Pizeta, Ocrim, Mulmix SPA, Yukselis Makina Turkey, Chopin Technologies, Chief Industries USA, Dickey-John, Frigortec, Goudsmit, Axor Ocrim, and Cetec Industri.



Logistics & Supply Chain

The Special Work Unit for Upstream Oil and Gas Business Activities (SKK Migas) optimizes the supply chain management function in strengthening the national upstream oil and gas industry to meet the production target of 1 million barrels of oil per day and 12 billion cubic feet of gas per day by 2030. Proper supply chain management can accelerate oil and gas production and reduce the cost recovery rate.

To support this, SKK Migas held the Indonesia Upstream Oil & Gas Supply Chain Management (SCM) Summit 2024 after being absent for nine years. The event will be held in Surabaya and Batam in June and July 2024. The culminating event will be held at the Jakarta Convention Center on August 14-16, 2024.



Maritime Economy

Based on Leading Maritime Cities 2024 data released by Risk Management Company DNV GL and Menon Economics Consultants with data sources from Clarkson Research, Jakarta is ranked first as the city with the largest shipping company headquarters in the world.

Jakarta leads the indicator with 261 registered shipping companies. Most of the vessels are small-sized vessels that operate regionally serving the needs of Indonesia as an archipelagic country. Jakarta is also included in the top 15 on two other indicators, namely the size of the fleet (CGT) owned by the shipowner registered in the city, and the size of the fleet (CGT) controlled by the shipowner registered in the city.



Energy Resilience

The Indonesian Petroleum Association (IPA) held another 48th Science Convention and Exhibition 2024 with the theme "Gaining Momentum to Advance Sustainable Energy Security in Indonesia and the Region". IPA Convex 2024 highlights the important role of the upstream oil and gas industry in Indonesia to ensure the availability of energy (energy security) in the era of energy transition and Indonesia's potential towards other countries in the region.

IPA Convex 2024 also meant to provide education and awareness to the younger generation through its Youth Program. Several programs such as the *pre-event* IPA Goes to Campus, Students Meet CEOs, and Students Meet IPA Board were held to inspire the younger generation to be involved in the national and global oil and gas industry.



Others

The weakening of the rupiah against the United States dollar continues. The US dollar has broken above Rp16,200 which will impact economic activities at all levels of Indonesian society. Based on Refinitiv data, on April 16, 2024, the rupiah exchange rate opened at Rp16,302.9 per US dollar. This position is the lowest throughout April 2020.

The strengthening of the US dollar in recent months was triggered by the negative sentiment of financial market towards the escalating war in the Middle East. Important points related to the weakening of the rupiah exchange rate, namely, the high cost of the dollar, high inflation, and the increase in crude oil prices.

- 1 Waves of Technology Company Layoffs
- 2 UK Out of Recession
- 3 Weakening of the Japanese Yen



Waves of Technology Company Layoffs

Since the beginning of 2024 there has been a wave of mass layoffs at many tech companies. However, this April, the highest wave of layoffs was recorded and carried out by large companies on an international scale such as Tesla, Microsoft, Google, Alphabet, IBM, Apple, Amazon, etc.

Throughout April 2024, more than 20,000 employees have lost their jobs at these technology companies. Over 27 companies have laid off 75,000 employees during the first quarter of 2024. Decreasing profit, high loan interest, and job transition using AI are thought to motivate this wave of mass layoffs.



UK Out of Recession

UK finally got out of the economic recession during the 1st quarter of 2024 by recording positive GDP growth of 0.6%. This growth was driven by growth in the production sector by 0.8% and the transportation services sector by 0.7% during January-March.

Despite recording growth for the first time, economic analysts consider that this growth is fragile, as there is still stagnation in several important sectors. The Bank of England is also pessimistic by keeping their interest rate at 5.25%.



Weakening of the Japanese Yen

The weakening of the Japanese yen reached its worst point towards the end of April 2024 against the US dollar. The value of the yen was at its lowest level in 34 years on April 27 at JPY 158.1. It even broke through JPY 160 on *intraday* trade. Government intervention succeeded in strengthening the value of the yen by the end of April 2024.

Although it has not closed at its psychological figure of JPY 160, the market remain worried due to the rampant profit sale of US dollar by banks in Japan and the government's stance that has not fully committed to raising interest rates amid its accommodative policies.



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

Economy



Indonesia's Economic Growth
in Q1 - 2024 yoy

Economic Growth (Q1 of 2024)

5.11% ● Projected
5.3%

Export (Mar 24)

USD22.43
billion ▲ 16.40% y-o-y

Inflation (Mar 24)

3.05% ▲ 0.25% y-o-y

Bol Interest Rate BI7DRR (Apr 24)

6.75% ▲ 0 bps

Average Exchange Rate IDR/USD (Apr 24)

16,125 ▲ 2.6% m-o-m

Interest Rate (Mar 2024)

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

Guarantee Interest Rate (Mar 2024)

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

Business (Mar 24)

Industry PMI Index
54.2 ▲ 1.5% m-o-m

Consumer Confidence Index

123 ▼ 1.6% m-o-m

Consumer Price Index

106 ▲ 1.5% m-o-m

Large Trade Price Index

3.64 ▲ 0.41% m-o-m

Real Sales Index

222.8 ▲ 6.8% y-o-y

State Budget Delivery (IDR T, Feb 2024)



Government Revenue 400 ▲ 5.39% yoy

Corporate Income Tax 37.6 ▼ -10.7% yoy

Domestic VAT 62.6 ▼ -25.1% yoy

Import VAT 40.8 ▲ 2.4% yoy

Government Expenditure 374 ▲ 18% yoy

Central Government Expenditure 239.6 ▲ 17.5% yoy

Local Transfers 134.7 ▲ 20.47% yoy

Village Fund 7.4 ▲ 2.87% yoy

Budget Surplus/Deficit 95 ▼ -24.5% yoy

Surplus/Deficit against GDP 1.65%

Estimated Financing 106 ▼ 36% yoy

MSMEs and ESG



ESG Index as of 28 Mar 24

ESGS KEHATI

145.15 ▼ -0.888

ESGQ KEHATI

147.52 ▼ -0.900

SRI-KEHATI

449.82 ▼ -1.230

ESG Leaders

157.94 ▼ -0.170

Registered MSMEs (per Dec 23)

Micro Business 6,887,479

Small Business 187,402

Medium Business 23,350

MSME Credit (Rp T, Oct 23)

1,432

Kur Realization (Rp T, Apr 24)

90.45

Kur Debtors (Million, Apr 24)

0.15

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, Feb 2024)

144,0 ▲ 0.0% y-o-y

equivalent to:
financing 6.5 months of
imports or 6.3 months of
imports AND the payment
of the government's
foreign debt.

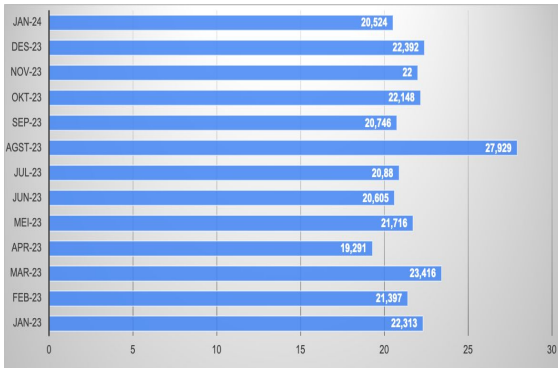


INDONESIA IN NUMBERS EXPORT & IMPORT

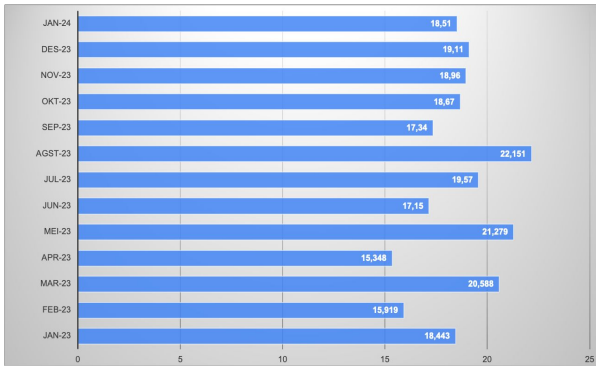
1	Total Exports
2	Total Imports
3	Featured Export Commodities

5 INDONESIA IN NUMBERS: EXPORT & IMPORT

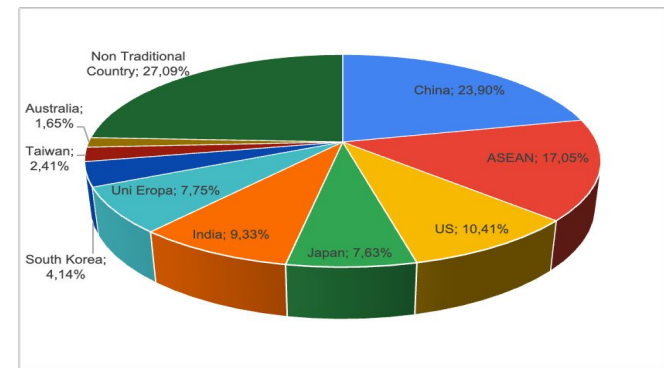
Total Exports (USD million)



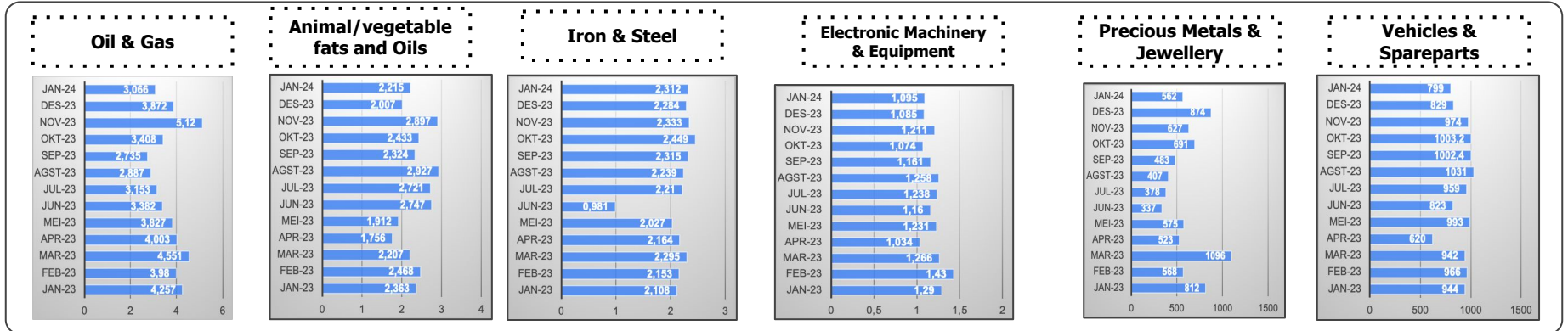
Total Imports (USD Million)



Market Share Trading February 2024



Export Commodities (USD million)





INDONESIA IN NUMBERS FOREIGN & DOMESTIC INVESTMENT

1

Total investment

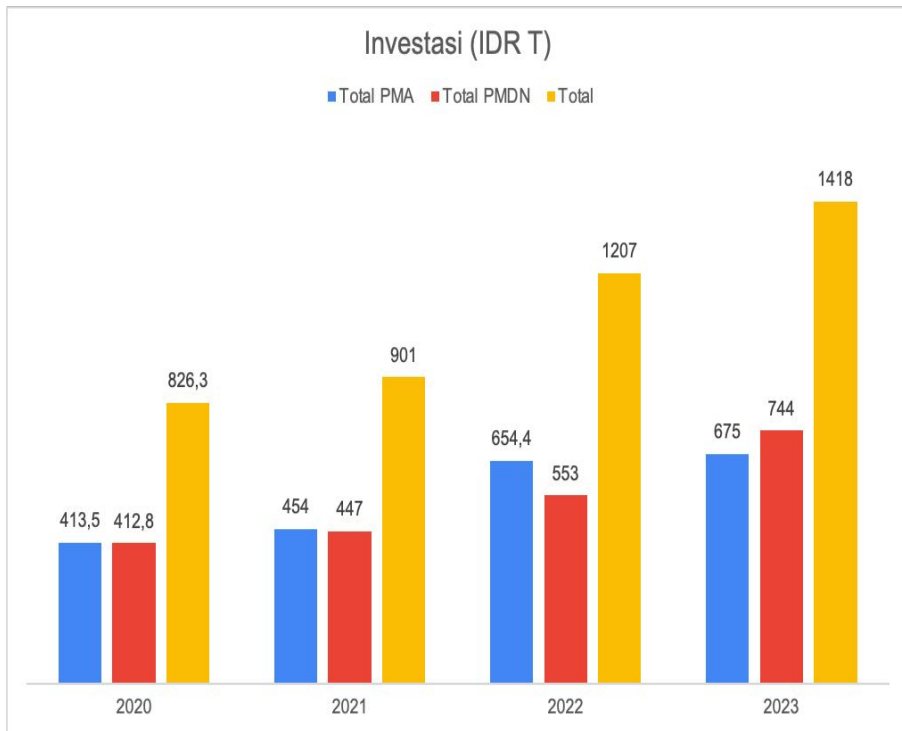
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Foreign Investment

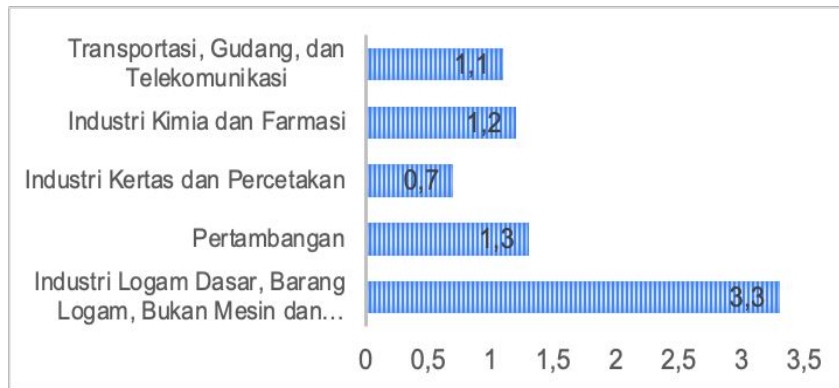
3

Sectoral Domestic Investment

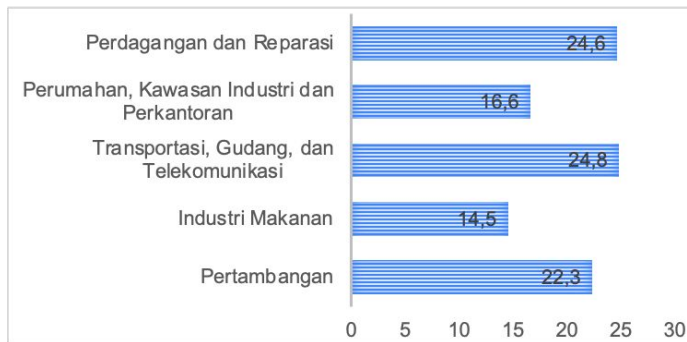
Total Investment (USD million)



Sectoral Foreign (USD million)



Sectoral Local Investment (IDR Trillion)





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