



Monthly Newsletter

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- 2 INDONESIAN ECONOMY: Increase in State Budget Deficit to Prevent Economic Turmoil**
- 3 ENTREPRENEURSHIP & MSMES: Indonesian Coffee was Favorite at Turkey's Largest Coffee Fair**
- 4 ABOUT KADIN INDONESIA: KADIN Indonesia and the US Government Cooperate to Accelerate the Green Energy Transition**

HEALTH: Utilization of *Artificial Intelligence* (AI) in Improving the Quality of Health Services



Insight

The Ministry of Health conducted trials on the use of Artificial Intelligence (AI) at three hospitals: the National Brain Center Hospital (RSPON) Prof. Dr. dr. Mahar Mardjono Jakarta, Dharmais Cancer Hospital, and Dr. M. Djamil, Padang

This trial came about after a signed memorandum of understanding between the Ministry of Health and Harrison AI, an Australian health technology company. This AI technology is used to improve the efficiency of the quality of health services in Indonesia.

There are three uses of this AI technology: *First*, Brain CT Scan technology for neurological diseases, especially on stroke in RSPON. *Second*, Dharmais Cancer Hospital will use AI for cancer-related radiology and anatomical pathology. *Third*, the use of AI to screen tuberculosis disease through radiology.



2 ECONOMY: Increase in State Budget Deficit to Prevent Economic Turmoil



Insight

The Indonesian Parliament's Budget Agency (Banggar) approved the 2024 State Budget (APBN) deficit to Rp609.7 trillion or 2.7% of Gross Domestic Product (GDP). This is an increase from the initial target of Rp522.8 trillion or equivalent to 2.29% of GDP.

One aspect on the increase in government spending which exceeds the initial budget is social spending which consists of several types: Food aid spending for three months, namely, August, October and December 2024 amounted to Rp11 trillion. The budget for fertilizer subsidies also increased by Rp24 trillion.

In addition to additional expenditure, budget deficits also occur due to decreased revenue realization. The outturn of state revenue was recorded at Rp1,320.7 trillion, down 6.2% from last year which reached Rp1,407.9 trillion. Revenue declines across every state revenue outposts. Tax revenues decreased by 7.9%, customs and excise decreased by 0.9% and Non-Tax State Revenue (PNBP) decreased by 4.5%.



ENTREPRENEURSHIP & MSMES: Indonesian Coffee Becomes Primadona at Turkey's Largest Coffee Fair



Insight

Indonesian coffee reentered Coffex Istanbul, Turkey's largest business-to-business coffee exhibition held on June 27-30, 2024, in Istanbul. The Coffex 2024 exhibition was attended by 95 exhibitors from six countries and visited by more than 20,000 people.

Several superior national coffee variants, ranging from Aceh Gayo, Sundanese Arumanis, Bali Kintamani, and Toraja were displayed to entrepreneurs and coffee connoisseurs to show the diversity and uniqueness of Indonesian coffee flavors. The Consulate General of Indonesia in Istanbul also brought in the runner-up of Indonesia Barista Championship 2022, Kelvin Delviro, to brew the best coffee beans.

In addition to coffee, the Indonesian Pavilion at the exhibition also presented vanilla and cocoa powder. The exhibition successfully procured the initial purchase of 3 containers of Arabica and robusta coffee which reached 400,000 USD.





CORE ISSUES

1

VIOLATIONS OF E-COMMERCE COMPANIES IN INDONESIA

2

PROPOSED COVID-19 CREDIT RESTRUCTURING PROGRAM

VIOLATIONS OF E-COMMERCE COMPANIES IN INDONESIA

The year 2024 marks a significant development in Indonesia's e-commerce industry. However, as the sector grows, various violations by e-commerce companies are also becoming more complicated. **Trends** in violations include algorithm manipulation, unfair competition, large-scale data privacy violations, digital monopoly practices, cross-border tax avoidance, and the misuse of artificial intelligence.

The **Business Competition Supervisory Commission (KPPU)**, an independent institution established to oversee the implementation of Law No. 5 of 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition in Indonesia, is critical to maintain the sustainability of a fair business competition ecosystem.

Significant cases of e-Commerce violations:

- The case of Tokopedia and Shopee (2020), practicing predatory pricing and abusing their dominant position. In this case, the KPPU investigate both companies.
- The Lazada Case (2019), consumer data protection violations and user data leakage.
- The Bukalapak Case (2021), a violation of the ITE Law related to the misuse of customer data. This case was handled by the Ministry of Communication and Information Technology.

Law Enforcement Efforts:

- KPPU conducts investigations and impose sanctions related to monopolistic practices.
- The Ministry of Communication and Information Technology handles violations of the ITE Law.
- Directorate General of Taxation, crack down on tax violations.

Challenges in Law Enforcement:

- The complexity of Technology and e-commerce business models.
- The lack of regulations governing e-commerce, specifically.
- Limited resources and expertise of law enforcement in the digital field, especially e-commerce.

Recommendations

E-commerce specific regulations, increasing the capacity of law enforcement in digital technology, cooperation between institutions in supervision and law enforcement, and education to business actors and consumers about healthy e-commerce practices



PROPOSED COVID-19 CREDIT RESTRUCTURING PROGRAM



The government proposes extending the credit restructuring program for businesses affected by Covid-19 until 2025. This program should have ended on March 31, 2024, for the banking industry and April 17, 2024, for financing institutions.

This extension of relaxation was requested directly by the President Joko Widodo during the Cabinet Session on June 24, 2024.

The government proposes an extension of the Covid-19 Credit Restructuring program so that banks are not burdened with loss reserves due to Small Business Credit (KUR) defaults.

However, the Financial Services Authority (OJK) assesses that there is no urgent need to extend the Covid-19 credit restructuring policy, because:

- ❖ Banks have carried out good and prudence risk management in its credit management.
- ❖ Banking reserves are adequate with *coverage ratio* of 33.84% as of May 2024.
- ❖ Banking capital is adequate.
- ❖ Currently, the gross position of MSME's NPL rate in May 2024 is stable at 4.27%, up slightly from April 2024 at 4.26%.
- ❖ The remaining Covid-19 credit restructuration continues to decline. Until May 2024, only IDR 192.52 trillion remains.
- ❖ Meanwhile, the number of debtors who are still undergoing credit restructuring remains at 702 thousand, down 10 times compared to the peak 6.8 million debtors in 2022.

Looking Forward:

- ❖ Banks were asked to be open to internal restructuring options even without the Covid-19 credit restructuring extension policy by considering business prospects.
- ❖ Banking accelerates the write-offs of their customers who have successfully completed credit restructuring to gain access to new financing.

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 House of Representatives passed the Mother and Child Welfare Law (KIA) at the plenary meeting of the House of Representatives on June 27, 2024. The law guarantees the right to have up to 6 months of maternity leave. According to Article 4 Paragraph (3) letter a, every working mother is entitled to a leave of up to 6 months, 3 months before and 3 months after giving birth.

The KIA Law also guarantees that mothers who get the leave to give birth will still get paid. Ensure payments for mothers who get maternity leave is contained in Article 5 paragraph (2). In the KIA Law, there is also a requirement for mothers in special conditions to get an additional 3 months leave. These special requirements are regulated in Article 4 Paragraph (5).



Education

ASEAN University Games 2024 officially opened on June 25, 2024, at Surabaya State University which will last until July 6, 2024. A total of 11 countries sent their best contingents to the event. The countries consist of Indonesia, Malaysia, Laos, Myanmar, Vietnam, East Timor, Brunei Darussalam, Thailand, Singapore, Cambodia, and the Philippines.

Several universities in Surabaya and Malang were chosen to host the sports competition. One of the universities that had the opportunity to host was Universitas Airlangga (UNAIR). The Airlangga Convention Center (ACC) and Sports Hall (GOR) at UNAIR's Merr-C Campus will be the arena for judo and 3x3 basketball competitions.



Technology

The XXV Nusantara Appropriate Technology (GTTGN) was held in Lombok, West Nusa Tenggara from 14-17 July 2024. This event was held to encourage the creation of appropriate technology to empower villages.

At the opening of GTTGN XXVI, The Minister of Villages, Frontiers,, and Transmigration encourage for solutions related to the construction of a production ecosystem and the development of an appropriate marketing technology ecosystem. These two solutions need to be observed so that the number of villages using technology increases. In terms of quality, the habit of using technology in the village should be advanced.



MSMEs

The Ministry of SOEs recorded that the transaction value in the MSME PaDi application had reached Rp 13.5 trillion as of July 2, 2024. Most transactions are on office equipment products. PaDi MSME is a *marketplace* that provides local MSME goods and services. Goods and services purchased in this platform are not only for end customers, but also for *business-to-business* purchases between SOEs and MSMEs.

The most purchased goods by SOEs are office stationery, catering and snacks, computer and peripheral electronics, machine tools, and souvenirs and *merchandise*. Services purchased include procurement and rental of vehicles, construction and renovation services, *event organizer* (EO) services, furniture equipment procurement and rental, and printing and media services.



Sustainability

The government is preparing a White Paper One Map Policy Beyond 2024 as a document to sustain the One Map Policy unto the next government. The proposed recommendations include: *first*, strengthening the legal basis for implementing the One Map Policy through safeguarding the Geospatial Law and its derivatives.

The government also recommends drafting a *Grand Design* of One Map Policy. *Second*, develop and update thematic maps and large-scale basemaps. *Third*, resolve spatial irregularities. *Fourth*, improve technology and infrastructure of the One Map Policy Geoportal. *Fifth*, increase the availability and capacity of Geospatial Human Resources. *Sixth*, strengthening collaboration and budget optimization.



Food & Agriculture Resilience

The Minister of Home Affairs Tito Karnavian at the Coordination Meeting in Jakarta on June 24 asked the Regional Government not to convert agricultural land for other affairs such as housing or industry. This is critical to keep agricultural production from decreasing, so that national food security can be maintained.

During the meeting, the Minister of Home Affairs also asked the Regional Government to utilize unproductive areas in each regional into productive agriculture if the land is not a protected forest.



Logistics & Supply Chain

The Indonesian Logistics and Forwarders Association (ALFI) assesses that the formation of a national logistics agency (BLN) can realize national logistics efficiency. BLN is needed to regulate national logistics governance, as well as coordinate with relevant ministries, and agencies, and domestic industry.

With the existence of a body that regulates logistics governance, the sector will respond easier and faster when facing the dynamics in global supply chains. In addition, more integrated governance will make the national logistics system more efficient and competitive.



Maritime Economy

The Coordinating Ministry of Maritime and Investment revealed that industrialization in the maritime sector can be developed. One potential that can be industrialized is the seaweed commodities. Indonesia has 12 million hectares of sea area that can be utilized for its cultivation. However, only 0.8 percent of the potential area are used to cultivate seaweed. This figure is too low when compared to Japan and the Philippines.

This is despite Indonesia has the advantage of yearlong sunlight which means that seaweed can be harvested throughout the year as well. Seaweed can be processed into various products with economic selling points such as biostimulants, which can be useful to reduce subsidies for fertilizers, food products, and easily biodegradable plastics.



Energy Resilience

The pay guarantee for mothers who get maternity leave is contained in Article 5 paragraph (2). However, it is possible that non-subsidized fuel prices such as Pertamina series and Dex series may rise as of July 2024.

Meanwhile, electricity tariffs will not be increased by July 2024 because the government is expressing to maintain industrial competitiveness and control inflation. This tariff adjustment refers to the changes in the outturn of macroeconomic parameters, namely exchange rates, Indonesian Crude Price (ICP), inflation, and Reference Coal Price.



Others

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- 1 Largest Carbon Credit Purchase
- 2 Additional Tariffs on Import of Chinese EVs into Europe
- 3 Nvidia Became Most Valued Company



Largest Carbon Credit Purchase

BTG Pactual Timberland Investment Group (TIG) agreed on the largest purchase of carbon reduction credit to date (June 2024). The company engaged in forestry and the extension of Brazilian Investment Bank, BTG Pactual, had agreed to the purchase of 8 million carbon credits until 2043 to Microsoft for an undisclosed amount.

BTG Pactual's TIG remarked that the credits came from forest restoration projects they handle in South America. So far, BTG Pactual's TIG has invested in more than 37,000 hectares of forest in the region, planting more than 7 million tree seedlings and initiating restoration in 2,600 hectares of natural forest.



Additional Tariffs on Chinese EVs into Europe

The European Union Commission (EU) applies additional import tariffs of between 17.4-38.1% on electric cars from China entering EU countries from July 2024. This additional import tariff is implemented progressively based on the amount of Chinese government subsidies to imported EV companies.

This import tariff policy from the EU Commission was announced within a month after the US announced a 100% increase, or 4 times, excise rules on EV imports from China. According to Economists, if the average additional import tariff is 20%, the decrease in EV imports from China is only 25% and can still be covered by the profit from the additional import of EV components from China to European automotive assemblers.



Nvidia Became Most Valued Company

On June 17, 2024, technology company Nvidia overtook Microsoft and Apple as the most valued company in the world. Nvidia shares rose 3.5% to US\$135.58 and increased its market capitalization to US\$3.335 trillion. However, the position can only be enjoyed for a few days after a continuous stock sale of US\$220 million.

The increase in the value of Nvidia, even if only for a few days, shows the high confidence of investors in the potential of AI. Nvidia's Hardware are in demand for its AI modeling capabilities compared to Intel or AMD. At the same time, Nvidia's success also increases the valuation of various similar companies that produce hardware for AI such as Nvidia.



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



Indonesian Economic Growth

Economic Growth (Q1 of 2024)

5.11% ● Projected 5.3%

Export (June 24)

USD19.31 miliar ▼ -8,36% y-o-y

Inflation (June 24)

2.51% ▼ -0,33% y-o-y

Bol Interest Rate BI7DRR (June 24)

6.25% ▲ 0.00 bps

Average Exchange Rate Rp/USD (June 24)

16,281 ▲ 0.32% m-o-m

Interest Rate (June 2024)

Deposit Facility 5.5% Lending Facility 6.5%

Guarantee Interest Rate (June 2024)

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

Business (June 24)

Industry PMI Index
50.7 ▼ -1.4% m-o-m

Consumer Confidence Index

125 ▼ 3% m-o-m

Consumer Price Index

106 ▲ 0% m-o-m

Large Trade Price Index

3.36 ▼ 0.11% m-o-m

Real Sales Index

232.8 ▲ 4.4% y-o-y

Budget Delivery (IDR T, May 2024)



Government Revenue 1123.5 ▲ 7.7% yoy
Corporate Income Tax 138 ▼ -35% yoy
Domestic VAT 127.1 ▼ -13.9% yoy
Import VAT 81.6 ▲ -0.8% yoy

Government Expenditure 1,145 ▲ 13.97% yoy
Central Government Expenditure 824 ▲ 15.37% yoy
Local Transfers 320 ▲ 10.55% yoy
Village Fund 25.8 ▲ 25.6% yoy

Budget Surplus/Deficit 21.36 ▼ 110% yoy

Surplus/Deficit against GDP 0.10%

Estimated Financing 84.59 ▼ 29% yoy

MSMEs and ESG



ESG Index as of June 30, 24

ESGS KEHATI 130.00 ▲ 2.280

ESGQ KEHATI 130.24 ▲ 2.220

SRI-KEHATI 393.37 ▼ 7.130

ESG Leaders 155,89 ▲ 2,630

Low Carbon Leaders 124.37 ▲ 2.190

Registered MSMEs (per 31 Dec 2023)

Micro Business 6,887,479

Small Business 187,402

Medium Business 23,350

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, May 2024)

Foreign Debt

407.3 ▼ 1.8% y-o-y

Government Debt

191 ▼ -0.8% y-o-y

Private Debt

197 ▼ 1.4% y-o-y

Foreign Exchange Reserves (USD M, May 2024)

139.0 ▲ 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

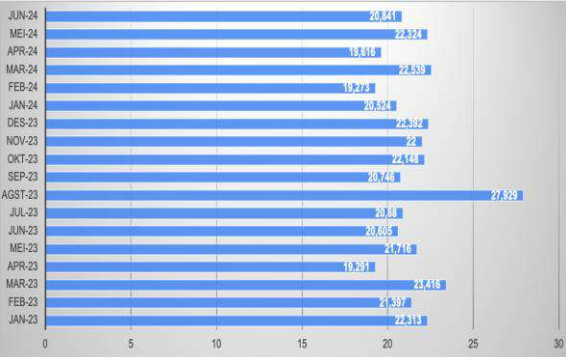
Total Imports

3

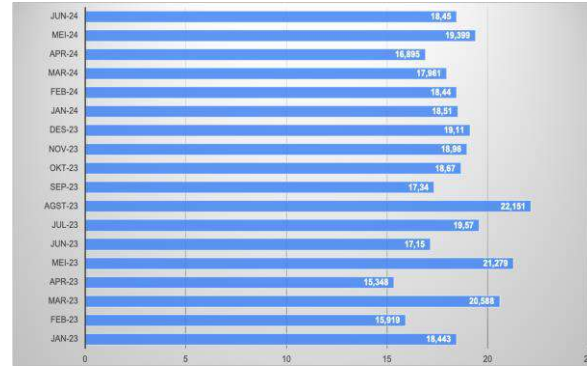
Featured Export Commodities

5 INDONESIA IN NUMBERS: EXPORT & IMPORT

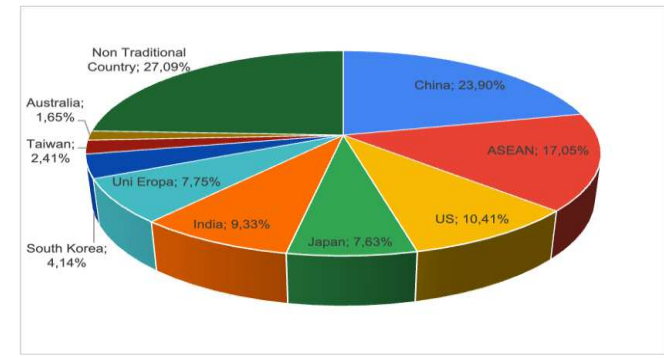
Total Exports (USD million)



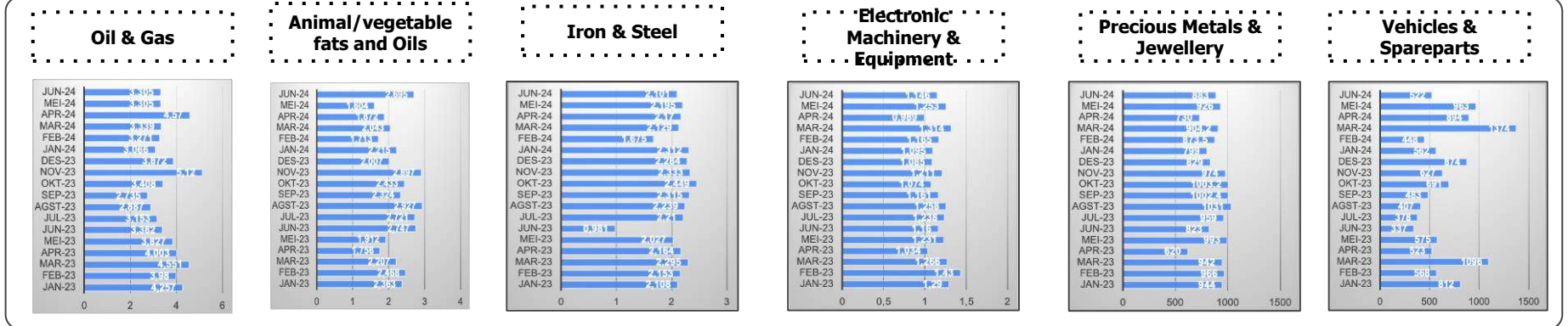
Total Imports (USD Million)



Market Share Trading June 2024



Export Commodities (USD million)





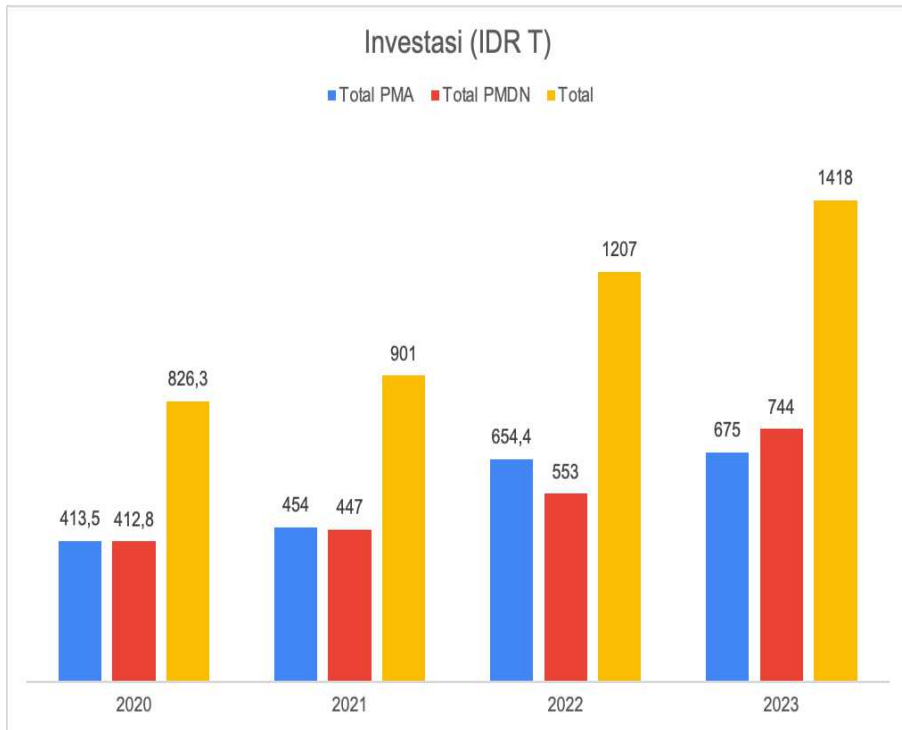
INDONESIA IN NUMBERS - INVESTMENTS



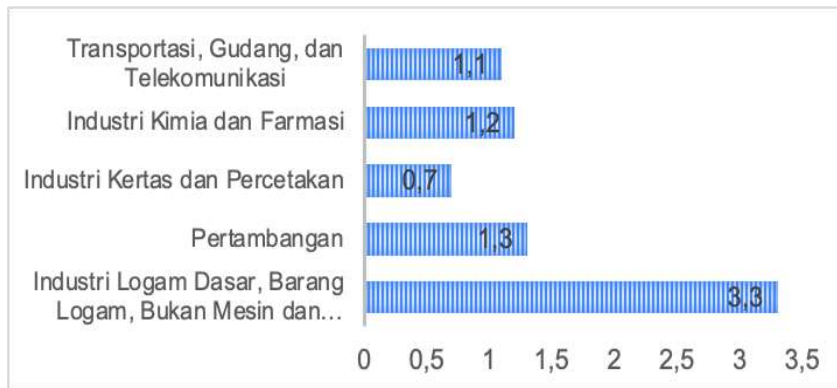
INDONESIA IN NUMBERS FOREIGN & DOMESTIC INVESTMENT

1	Total investment
2	Foreign Investment
3	Sectoral Domestic Investment

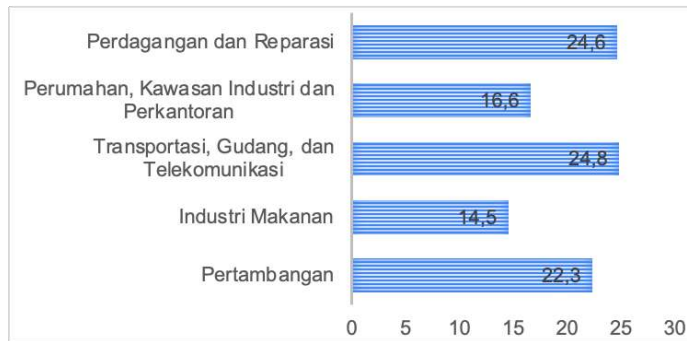
Total Investment (USD million)



Sectoral Foreign (USD million)



Sectoral Local Investment (IDR Trillion)





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