



Monthly Newsletter

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INDONESIAN NARRATIVE AUGUST 2024 EDITION



KEY NARRATIVES

1	Health: International Social Security Association (ISSA) Appreciation on the Achievements of Universal Health Coverage (UHC) in Indonesia
2	Indonesian Economy: National Economic Growth Slows in the Second Quarter 2024
3	Entrepreneurship & MSMEs: Ministry of Cooperatives and MSMEs Will Revitalize 7 Integrated Unit Service Centers (PLUT)
4	About KADIN Indonesia: Three Years of KADIN Indonesia: KADIN Indonesia Present as Government Partner

HEALTH: INTERNATIONAL SOCIAL SECURITY ASSOCIATION (ISSA) APPRECIATION ON THE ACHIEVEMENTS OF UNIVERSAL HEALTH COVERAGE (UHC) IN INDONESIA



Insight

Indonesia received an award for its Universal Health Coverage (UHC) from the International Social Security Association (ISSA) for having 98% of JKN coverage. The recognition was awarded directly by President ISSA in Jakarta, July 2024, to the Vice President of the Republic of Indonesia, Ma'ruf Amin, accompanied by the Coordinating Minister for Human Development and Culture during the 2024 UHC Awards.

At the 2024 UHC Awards, in addition to the recognition from ISSA, the Indonesian government also gave awards to 14 regional heads who won in various categories. President Director of BPJS, Ali Ghufron Mukti, said that there were 33 provinces and 460 districts/cities that had succeeded in realizing UHC in their regions.

Based on BPJS Health data as of August 1, 2024, the participation rate of the National Health Insurance (JKN) program has reached 98.19 percent of Indonesia's total population or equivalent to 276,520,647 people. This figure reflects the country's commitment in ensuring health access for all citizens.



2 **INDONESIAN ECONOMY: NATIONAL ECONOMIC GROWTH SLOWS IN THE SECOND QUARTER 2024**



Insight

Statistics Indonesia (BPS) reported that Indonesia's economy grew 5.05% on an annual basis (*year-on-year/yoy*) in the second quarter of 2024. Previously, in the first quarter of 2024, the economy grew at 5.11%. In the third quarter of 2024, economic growth is expected to reach 5.02% and further slows in the fourth quarter of 2024 to 5% amid a relatively controlled inflation below 3%.

Indonesia's economic growth has been considered resilient. Structurally, the majority of economic growth is supported by household consumption components with a contribution of more than 50%.



Compared to the pandemic, household consumption already show signs of improvement. However, this does not mean that it has fully recovered since household consumption is still lower than pre-pandemic condition. In 2022, household consumption was disrupted due to fuel price adjustments.

3 ENTREPRENEURSHIP & MSMEs: MINISTRY OF COOPERATIVES AND MSMEs WILL REVITALIZE 7 INTEGRATED UNIT SERVICE CENTERS (PLUT)



Insight

The Ministry of Cooperative and SME plans to revitalize 7 Integrated Business Service Centers - Cooperatives, Micro, Small and Medium Enterprises (PLUT KUKM). This revitalization is a continuation of the KUKM PLUT redesign program, or New KUKM PLUT, which has been carried out since 2023.

The locations of PLUT to be revitalized include: Yogyakarta Special Region (DIY), Tasikmalaya Regency, Aceh Province, Surakarta City, Subang Regency, West Nusa Tenggara Province, and South Sulawesi Province.

The revitalization of PLUT towards New PLUT is to optimize functions and services through reforming the orientation and paradigm of PLUT management into current context. There are 10 services offered in New PLUT, including: **First**, business consultation and mentoring; **Second**, business registration on the business licensing system; **Third**, technical and managerial training; **Fourth**, product certification and standardization fulfillment; **Fifth**, business incubation; **Sixth**, product promotion and marketing; **Seventh**, MSME curation; **Eighth**, cross-sectoral partnership network development; **Ninth**, *co-working space*. **Tenth**, other entrepreneurial support facilities.





Insight

The Chairman of KADIN Indonesia will support the next elected leaders, in accordance with the mandate of the Article of Association. As a government partner, KADIN Indonesia will assist in compiling the 2045 Golden Indonesia Roadmap by providing input and recommendations to prepare Indonesia towards a developed country.

KADIN Indonesia is preparing *white paper* as input and recommendation for the elected government. The *White paper* was developed after consultation from various elements, both regional KADIN, business associations, professional associations, academics, religious elements, and mass organizations.

KADIN Indonesia has always played a role as the government representative in attracting global entrepreneurs and investors to Indonesia. This role can be seen from the prominent role of KADIN Indonesia and Arsjad Rasjid during the G20 meeting in Bali in 2022, the ASEAN BAC 2023 at the ASEAN Summit in Jakarta, and other momentums.





CORE ISSUES

1

WEAKENING OF INDONESIAN MANUFACTURING PMI

2

FORMATION OF ILLEGAL IMPORT TASK FORCE

WEAKENING OF INDONESIAN MANUFACTURING PMI

S&P Global has released Indonesian Manufacturing PMI data showing a decline and a contraction to 49.3 in July 2024.

Indonesian Manufacturing PMI continues to deteriorate and decline over the past four months.

PMI plunged from 54.2 in March 2024 to 49.3 in July 2024.

Triggering factors for the weakening of the Indonesian manufacturing Purchasing Managers' Index (PMI):

1. The PMI contracted due to declining domestic and foreign demand. The decline in demand is due to seasonal weakening trends along with competition with imported products.
2. In monetary aspect, the Manufacturing PMI contraction was caused by the aftereffect on the global high interest rate.

Looking Forward:

1. The government needs to implement policies that support economic stability and stimulate domestic demand. This can be done by providing fiscal incentives such as tax cuts for the manufacturing industry to reduce the cost of production expenses.
2. The government must strengthen the Rupiah exchange rate through appropriate market intervention and increase investor confidence by maintaining political stability and security.
3. The government also needs to increase people's purchasing power through economic stimulus programs that target the household sector.

FORMATION OF ILLEGAL IMPORT TASK FORCE

The Ministry of Trade officially established the **Task Force on the supervision of illegal imported goods** which contains 11 members from various Ministries and Agencies.

The illegal import task force was formed on July 18, 2024, and will work until December 31, 2024.

The legal basis for the formation of this Task Force is Law No. 7 of 2014 and Government Regulation No. 29 of 2021 on Trade.

Illegal Import Task Force Members (11 people): The Ministry of Trade, the Attorney General's Office, the Police, the Ministry of Finance, the Ministry of Industry, the Ministry of Law and Human Rights, the State Intelligence Agency, the Food and Drug Supervisory Agency, the Marine Security Agency or the Navy, local representative in charge of trade, and KADIN Indonesia.

Import Task Force Duties and Responsibilities:

- ❖ Investigate the entry of illegal imported goods and clarify business players who are suspected of import violations.
- ❖ Tracing and ensuring that the goods on the market meet the Indonesian National Standard (SNI).
- ❖ Only supervised certain goods (7 imported goods), such as textiles and textile products, apparel and its accessories, ceramics, electronics, footwear, cosmetics, and other textile finished goods.
- ❖ The target is directed at large importers and distributors.

Looking Forward:

- ❖ Formulate and find the root cause of the main problem that causes the entry of illegal imported goods.
- ❖ Transparency in the entry policy of imported goods.
- ❖ The Task Force should not work to gain *media exposure* by capturing the suspects red-handedly, but focusing to catch the main targets, which are large importers and distributors.
- ❖ Tighten imports through ports by revising regulations on the supervision of prohibited or restricted goods to *border* or supervised within the customs area.

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 government has issued Government Regulation No. 28 of 2024 as the implementing regulation of Law No. 17 of 2023 on Health. There are 22 aspects of health services covered in the 1,072 technical provisions included in this regulation. Prior to its enactment, this regulation has gone through a process of public participation, harmonization, and discussion since August 2023 to July 2024.

The ratification of this regulation is one of the health transformation effort and is needed to build a resilient, independent, and inclusive Indonesian health architecture. The issuance of this regulation also deregulate 26 Government Regulations and 5 Presidential Regulations such as Government Regulation No. 46 of 2014 on Health Information Systems and Government Regulation No. 88 of 2019 on Occupational Health



Education

Statistics Indonesia reported deflation of 0.18% (month-to-month/mtm) in July 2024. This deflation rate was higher than the previous month's deflation, which was 0.08%, or 0.03% in May 2024. Amid the deflation, education commodities experienced the highest inflation in July 2024.

Educational commodities experienced inflation of 0.69%. This inflation is higher than in the previous month by 0.01%. The increase in education inflation was caused by new academic period activities such as elementary, junior high school, and senior high school fees.



Technology

Usually, the Indonesian Independence Day is filled with cracker eating competitions, sack racing, or nut climbing. However, unlike other regions, in Summersari Village, Jember Regency, East Java, a competition was held to make posters and songs using Artificial Intelligence (AI). This competition was held by some youth members of the Karang Taruna Nawasena youth group.

Various posters celebrating the 79th Independence Day came from fresh ideas and creativity of the youth. These teenagers of Gen Z and Gen Alpha also made iconic posters of one of the popular games that the youth loves, namely the battle game PlayerUnknown's Battle Ground or PUBG.



MSMEs

The Chairman of the Indonesian People's Economic Committee (Keris) revealed that Government Regulation No. 28 of 2024, which has just been ratified by the President, can harm the MSME sector in Indonesia. This regulation can kill hawkers, street vendors, and grocery stalls.

The articles that burdens MSMEs is on the prohibition of the sale of cigarettes within a radius of 200 meters from educational units and children's playgrounds. This policy will significantly reduce turnover for grocery kiosks and street vendors that rely on cigarette sales as their main source of income.



Sustainability

PT Adhi Karya (Persero) Tbk (ADHI) on August 24, 2021, issued a Sustainable Bond III ADHI Karya Phase II of 2021 Series B with a fixed interest rate of 9.55% per year. The principal amount of the bond is Rp473.5 billion and will mature on August 24, 2024.

All funds will be used by Adhi Karya for three items: **First**, capital expenditure in the form of fixed assets, namely project tools and inclusion of infrastructure investment projects to implement business entities in the field of transportation and water resources; **Second**, partial payment of principal debt; **Third**, working capital to fund construction service business activities.



Food & Agriculture Resilience

The Ministry of Agrarian Affairs and Spatial Planning/National Land Agency conducts guidance to control the conversion of paddy fields in Central Java Province and Yogyakarta Special Region (DIY) to realize food security through the Protected Rice Fields (LSD) program.

So far, the obstacle in the protection of paddy fields is that there are many land protection regulations, but they are not implemented well. This is due to many issues that have not been implemented in Law No. 41 of 2009 on the Protection of Sustainable Food Agricultural Land (LP2B) into the local spatial planning.



Logistics & Supply Chain

The Coordinating Minister of Human Development and Culture inaugurated 2 logistics warehouses in Sinak and Agandugume District in Puncak Regency, Central Papua Province, to anticipate famine. The warehouses were built by the National Disaster Management Agency after famine disaster in 2023.

In the 510-square-meter warehouse in Sinak District, food reserves are stored in the form of rice and tubers that are ready to be distributed when needed. Meanwhile, the warehouse in Agandugume District is still under construction with an area of 300 square meters.



Maritime Economy

PT ASDP Indonesia Ferry (Persero) operates 225 ferries to maintain maritime resilience and national economy and ensure safe and efficient sea transportation to support the distribution of goods and improve inter-island connectivity throughout Indonesia. ASDP has become the bridge of the archipelago that unites Indonesia from Sabang to Merauke, and Miangas to Rote.

ASDP's first semester performance of 2024 recorded significant achievements by serving 5.89 million passengers and 11.42 million vehicles thanks to the digitalization at 37 ports throughout Indonesia which facilitated access and crossing service transactions.



Energy Resilience

PT Pertamina (Persero) optimizes oil refineries in several operational areas. This step was carried out by Pertamina for its commitment to the country, especially to support in national energy security as a leader in energy transition.

Pertamina is committed to support the Net Zero Emissions 2060 target by continuing to encourage programs that directly impact the Sustainable Development Goals (SDG's). All these efforts are in line with the implementation of Environmental, Social & Governance (ESG) across Pertamina's business lines and operations.



Others

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- 1 Unqualified Drug Circulation in Africa
- 2 XXXIII Olympiad in Paris
- 3 Potential Slowdown in the Middle East Economy



Unqualified Drug Circulation in Africa

A study from Bahir Dar University, Ethiopia, estimates that 22.6% of medicines circulating in Africa are sub-standard or falsified. This finding support the UNODC statement in 2023 which stated that the circulation of these types of medicines have caused the death of up to 500,000 people in Sub-Saharan Africa. According to WHO, the most falsified drugs are antibiotics and malaria drugs.

This study also concluded that the high circulation of these poor-quality drugs was caused by permissive regulations, the presence of free trade zones, poor registration system, high demand, and low import standards. The Access to Medicine Foundation also said that the lengthy legal medical supply chain in Africa exacerbated the problem.



XXXIII Olympiad in Paris

The 33rd Summer Olympics had been held in France on July 26-August 11, 2024. At this Olympics, the United States led with a total of 126 medals including 40 gold, while Indonesia managed to win 3 medals including 2 gold medals for rock climbing and weightlifting. The Olympics was closed with performances by artists from the next 2028 Olympic host, the United States.

The USD8.2 billion game, was estimated to increase France's GDP between 0.25-0.3% which are obtained from ticket sales, broadcasting rights, and tourism. However, economists are concerned that this increase in GDP will not be of much use to the public due to high inflation and low investor confidence amid the French political turmoil.



Potential Slowdown in the Middle East Economy

The IMF is revising its 2024 and 2025 growth forecasts for the Middle East and Central Asia region. For 2024, growth is revised downwards to 0.4% to 2.4%, while 2025 is revised downwards 0.4% to 4%. Meanwhile, the stock performance in Middle Eastern countries generally declined from late July to early August 2024.

The economic downturn in the Middle East region may have been caused by market concerns over the potential escalation of Middle East conflicts to other regions as well as recession fears in the United States. In addition, the extension of OPEC+ oil production cuts, that should have ended in 2024 to the end of 2025, has also affected oil prices and capital markets in Saudi Arabia and the United Arab Emirates.



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 (Q2 of 2024)

5.05% ● Projected 5.3%

Export (June 2024)

USD19.31 billion ▼ -8.36% y-o-y

Inflation (June 2024)

2.51% ▼ -0.33% y-o-y

Bol Interest Rate BI7DRR (July 2024)

6.25% ▲ 0.00 bps

Average Exchange Rate IDR/USD (July 2024)

15,940 ▼ 0.32% m-o-m

Interest Rate (July 2024)

Deposit Facility **5.5%** Lending Facility **6.5%**

Guarantee Interest Rate (July 2024)

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

Business (July 2024)

Industry PMI Index **49.3** ▼ -1.4% m-o-m

Consumer Confidence Index

123 ▼ 3% m-o-m

Consumer Price Index

106 ▲ 0% m-o-m

Large Trade Price Index

2.99 ▼ 0.11% m-o-m

Real Sales Index

212 ▲ 4.4% y-o-y

State Budget Outturn (IDR T, June 2024)



Government Revenue **1316.5** ▲ 6.8% yoy
Corporate Income Tax **173** ▼ -35% yoy
Domestic VAT **193** ▼ -11% yoy
Import VAT **126** ▲ 1.75% yoy

Government Expenditure **1,398** ▲ 11.34% yoy
Central Government Expenditure **998** ▲ 11.93% yoy
Local Transfers **400** ▲ 9.90% yoy
Village Fund **40** ▲ 25.6% yoy

Budget Surplus/Deficit **-77.3** ▼ 150% yoy

Surplus/Deficit against GDP **0.34%**

Financing **168** ▼ 25% yoy

MSMEs and ESG



ESG Index per July 2024

ESGS KEHATI **133.52** ▲ 0.87

ESGQ KEHATI **133.23** ▲ 0.88

SRI-KEHATI **400.42** ▲ 1.67

ESG Leaders **160.05** ▲ 0.43

Low Carbon Leaders **126.06** ▲ 0.43

Registered MSMEs (per 2023)

Micro Business **6,887,479**

Small Business **187,402**

Medium Business **23,350**

Microcredits/KUR (IDR T, Oct 2023) **1,432**

Microcredits Outturn (IDR T, Dec 2023) **1.572**

Microcredits Debtors (Million, Dec 2023) **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, July 2024)

145.4 ▲ 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

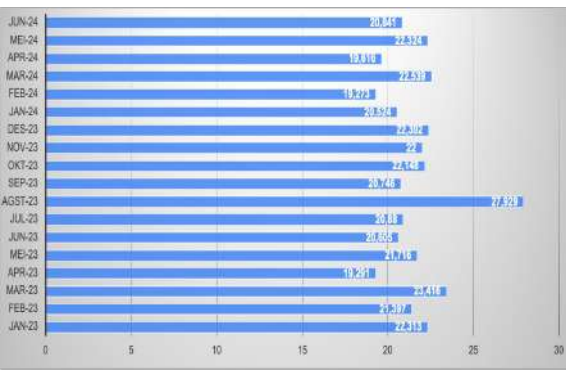
Total Imports

3

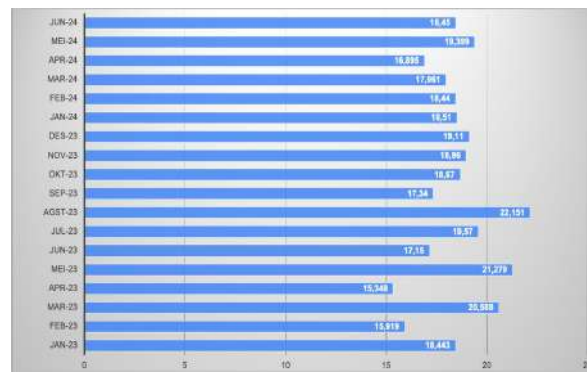
Featured Export Commodities

5 INDONESIA IN NUMBERS: EXPORT & IMPORT

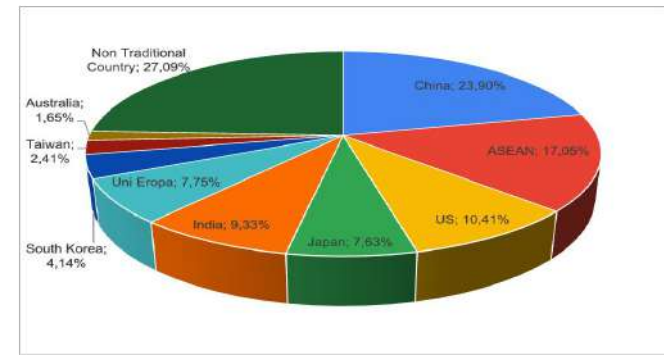
Total Exports (USD million)



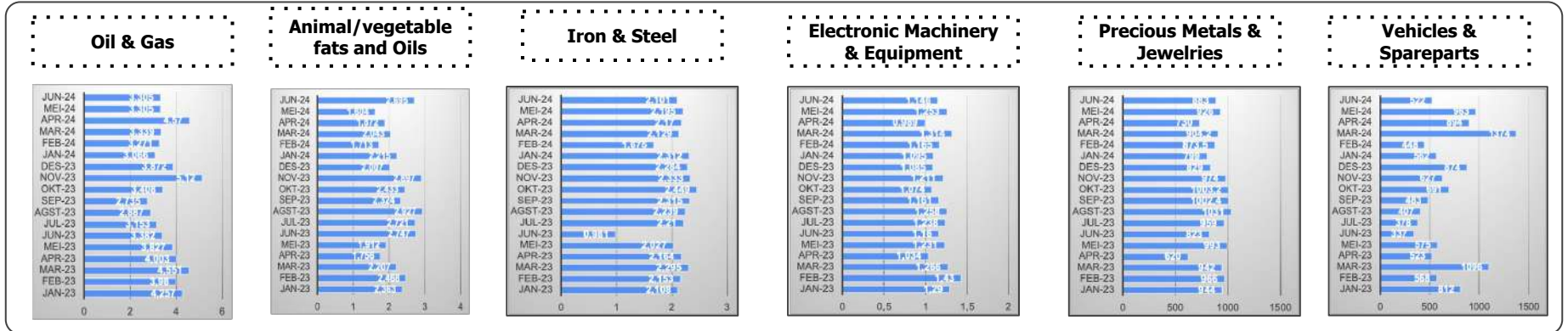
Total Imports (USD Million)



Market Share Trading July 2024



Export Commodities (USD million)





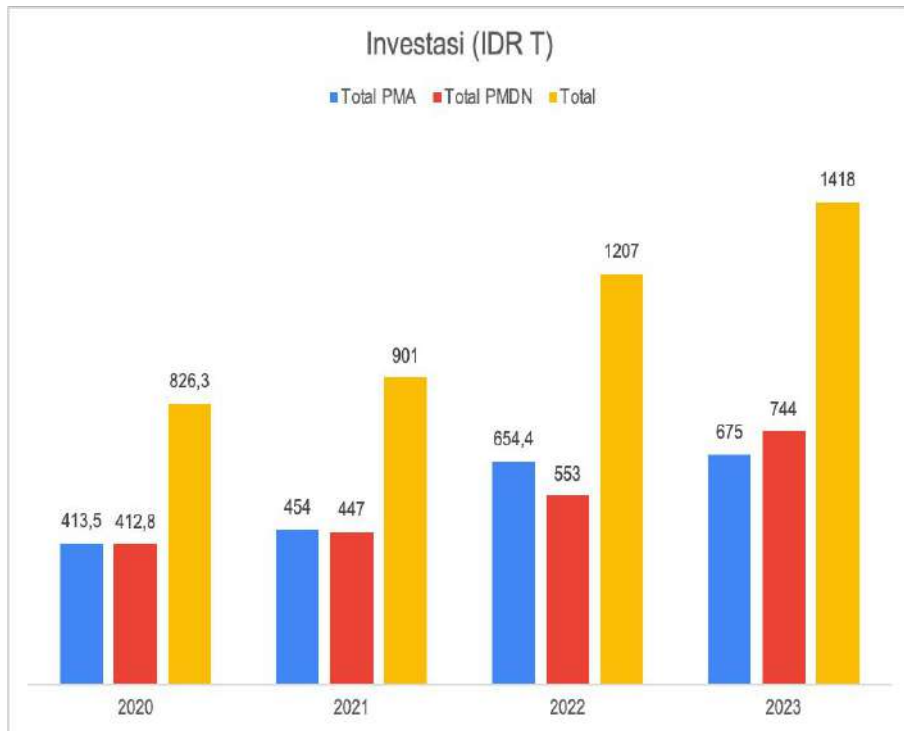
INDONESIA IN NUMBERS - INVESTMENTS



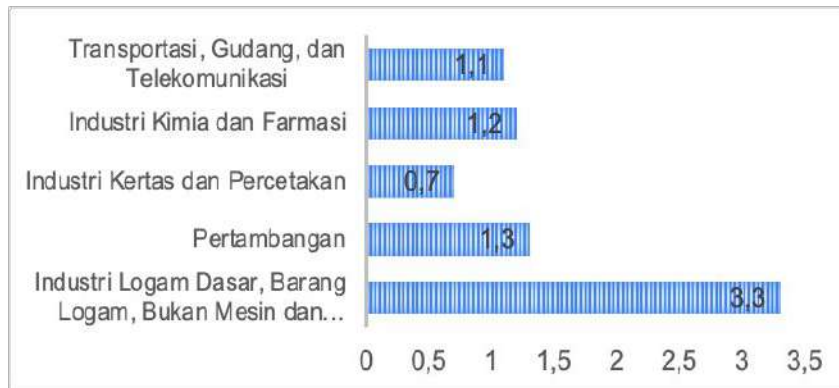
INDONESIA IN NUMBERS FOREIGN & DOMESTIC INVESTMENT

1	Total investments
2	Foreign Investments
3	Sectoral Domestic Investment

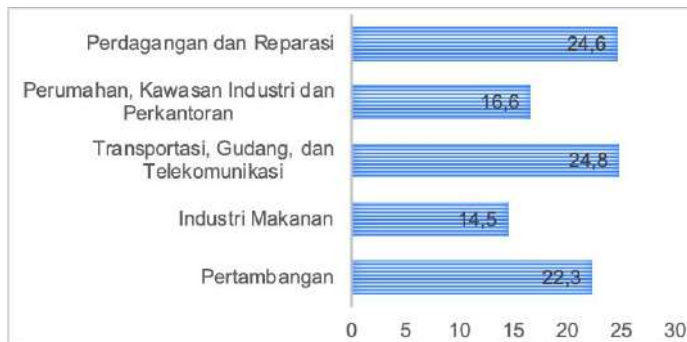
Total Investment (USD million)



Sectoral Foreign (USD million)



Sectoral Local Investment (IDR Trillion)





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