ECONOMIC OUTLOOK 2020: CHALLENGES AND OPPORTUNITIES

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10 January 2020

Part I
Global Economy and Indonesia

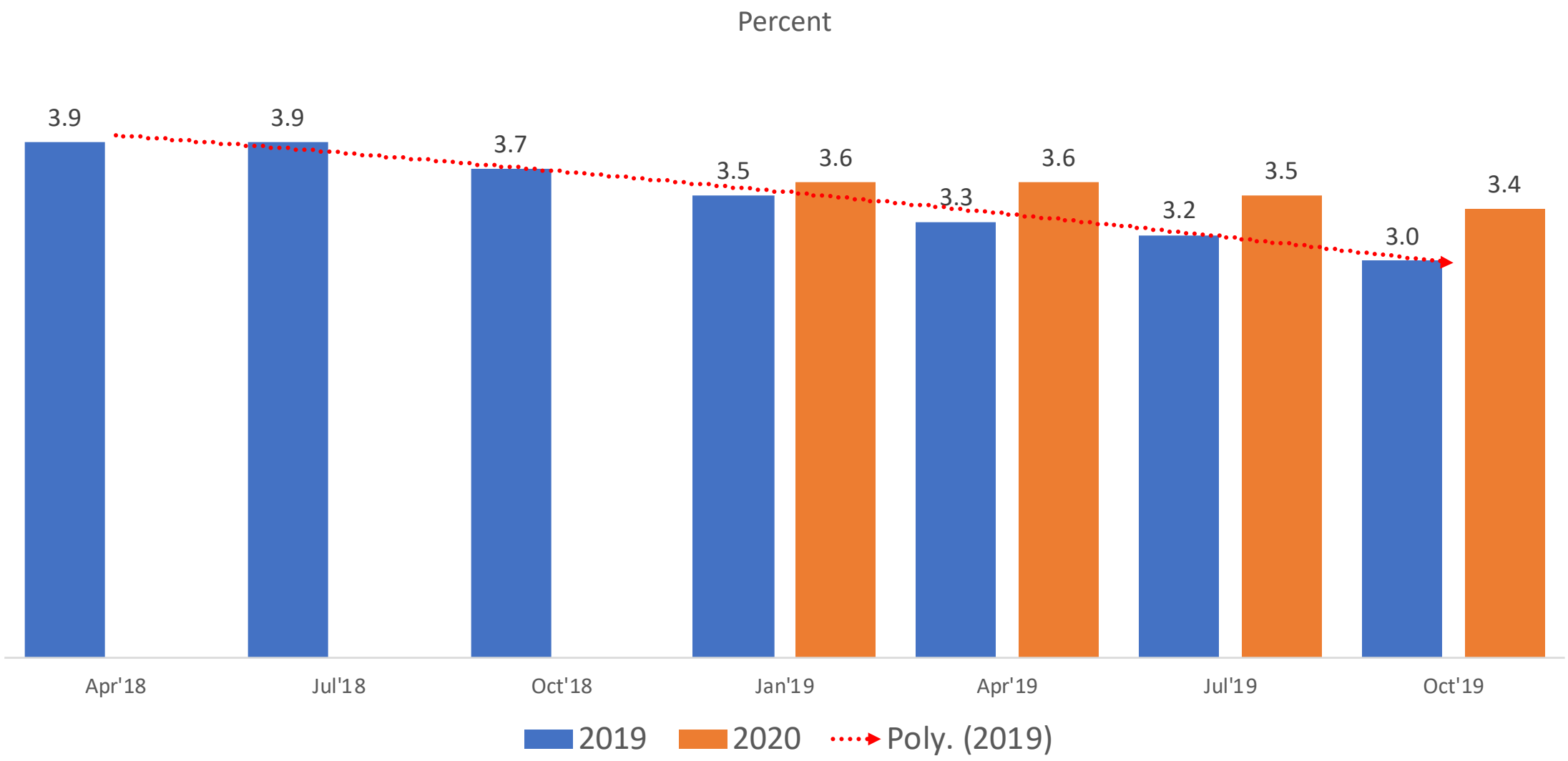
World economic outlook

	2014	2015	2016	2017	2018	2019*	2020*
World GDP growth	**3.4**	**3.4**	**3.2**	**3.8**	**3.6**	**3.0**	**3.4**
Advanced economies	1.8	2.1	1.7	2.5	2.3	1.7	1.7
- United States	2.4	2.6	1.5	2.4	2.9	2.4	2.1
- Euro area	0.9	2.0	1.8	2.5	1.9	1.2	1.6
- Japan	0.0	1.2	0.9	1.9	0.8	0.9	0.5
Developing economies	**4.6**	**4.2**	**4.4**	**4.8**	**4.5**	**3.9**	**4.6**
- China	7.3	6.9	6.7	6.8	6.6	6.1	5.8
- India	7.3	7.9	7.1	7.2	6.8	6.1	7.0
- Asean-5	4.6	4.8	4.9	5.3	5.2	4.8	4.9
Indonesia	**5.0**	**4.8**	**5.0**	**5.1**	**5.2**	**5.0**	**5.1**
World trade volume growth (goods & services)	**3.4**	**2.7**	**2.5**	**5.7**	**3.6**	**1.1**	**3.2**

* Projection.

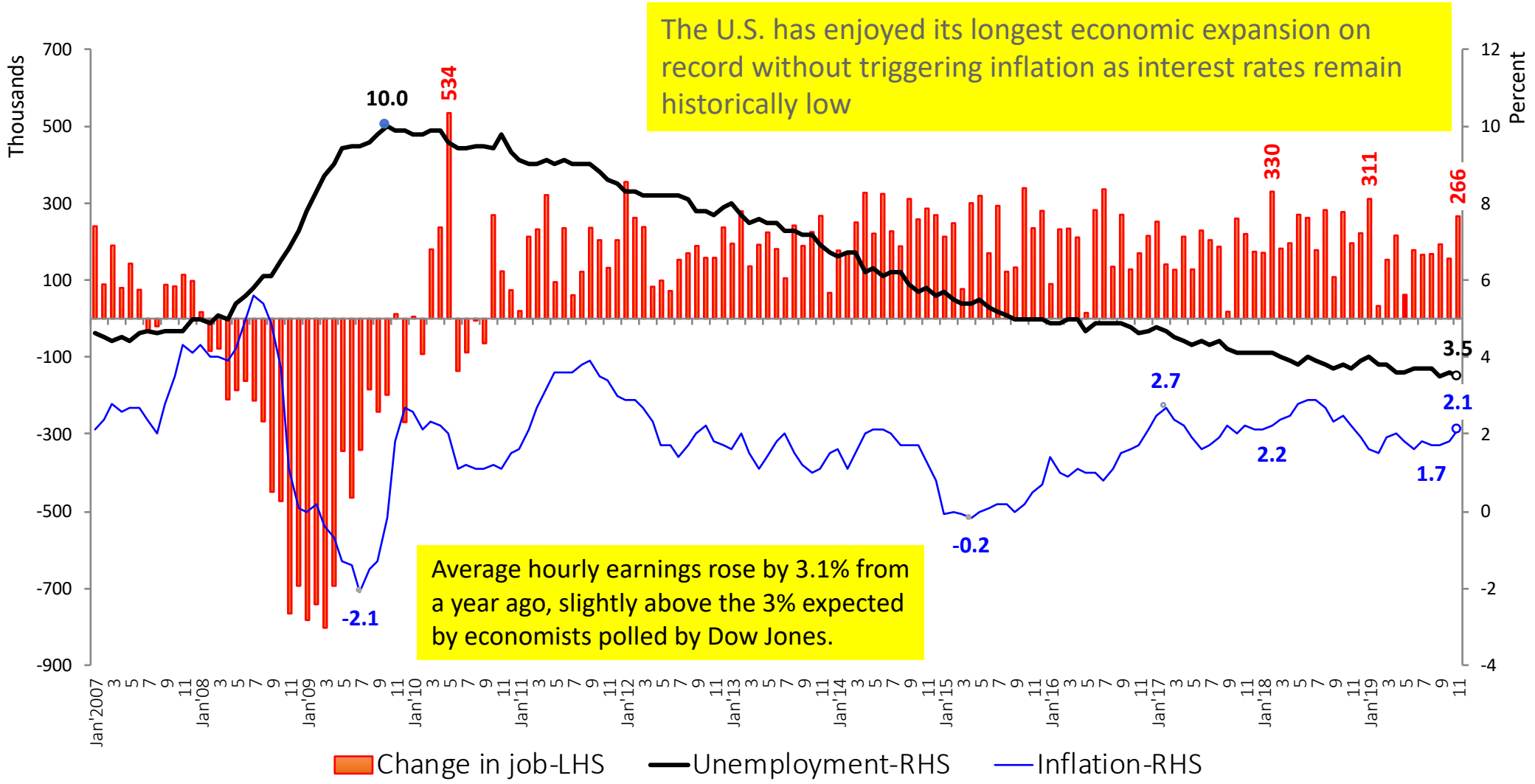
Sources: IMF, *World Economic Outlook,* April 2014, October 2017, October 2019.

Global growth projections for 2019-2020



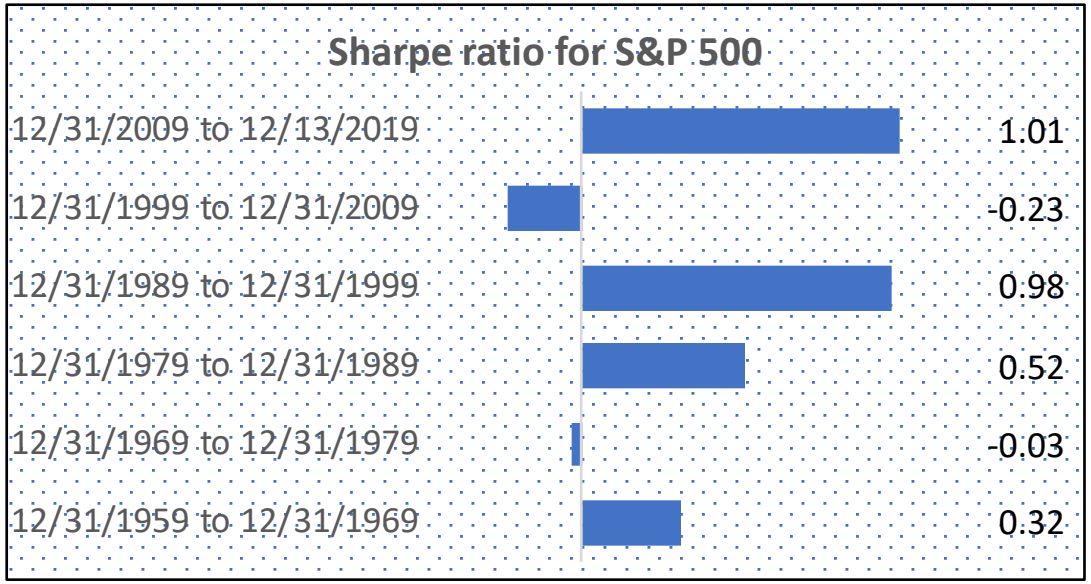
Source: IMF, *World Economic Outlook*, various issues.

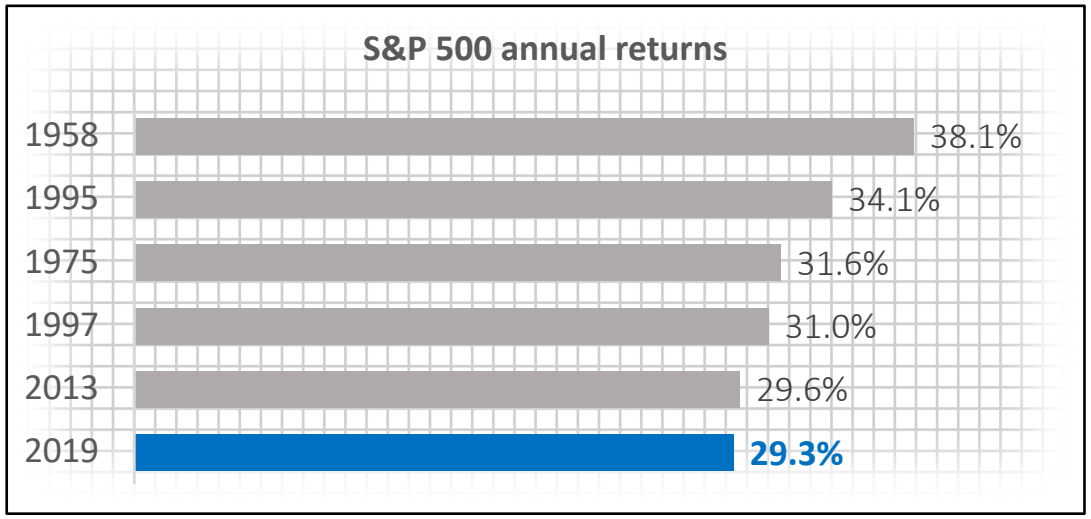
U.S. adds 266,000 jobs as unemployment rate hits a half-century low at 3.5% in November 2019



Source: U.S. Bureau of Labor Statistics.

U.S. stocks have had the best decade since 1950s

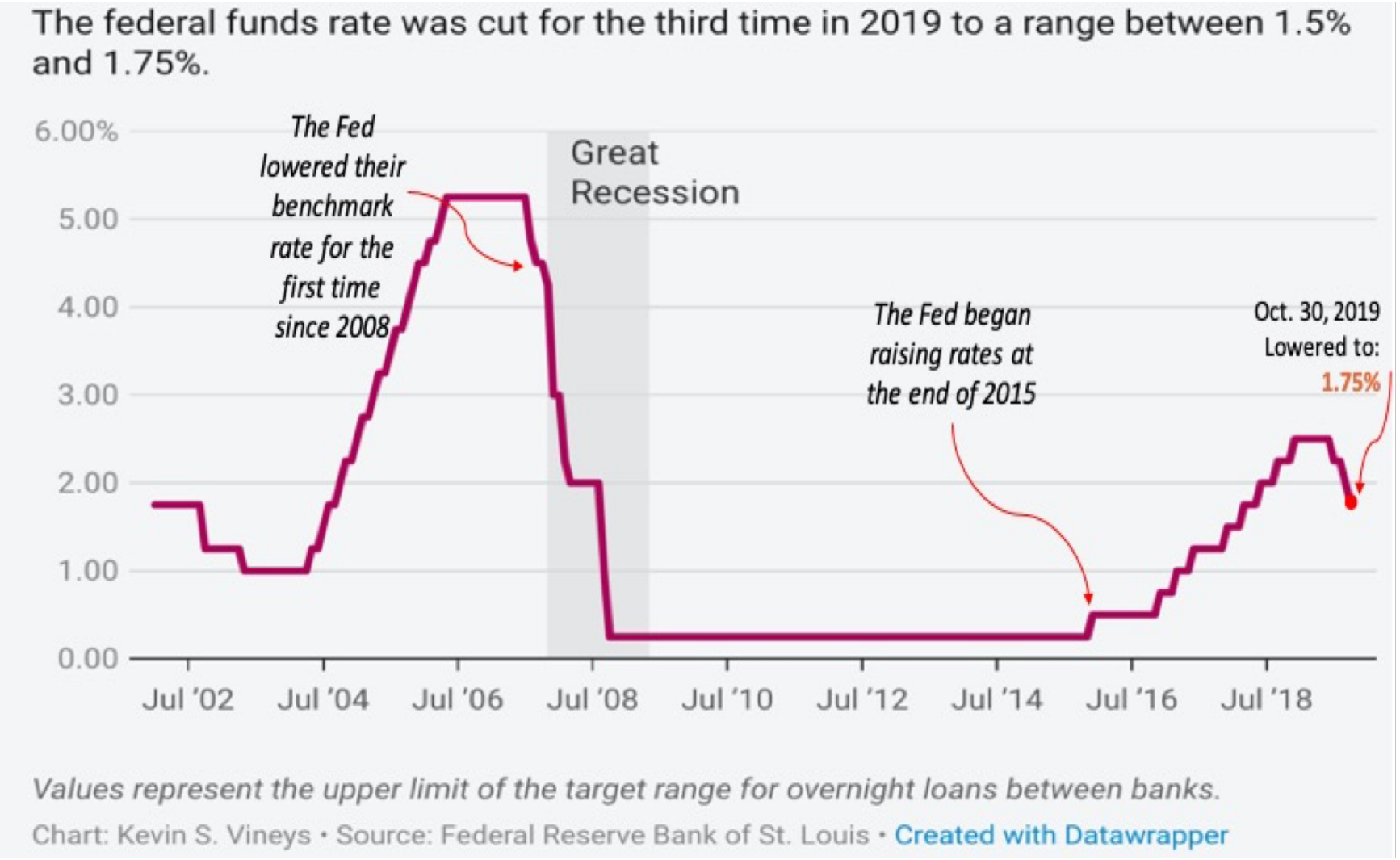




Source: Bloomberg.

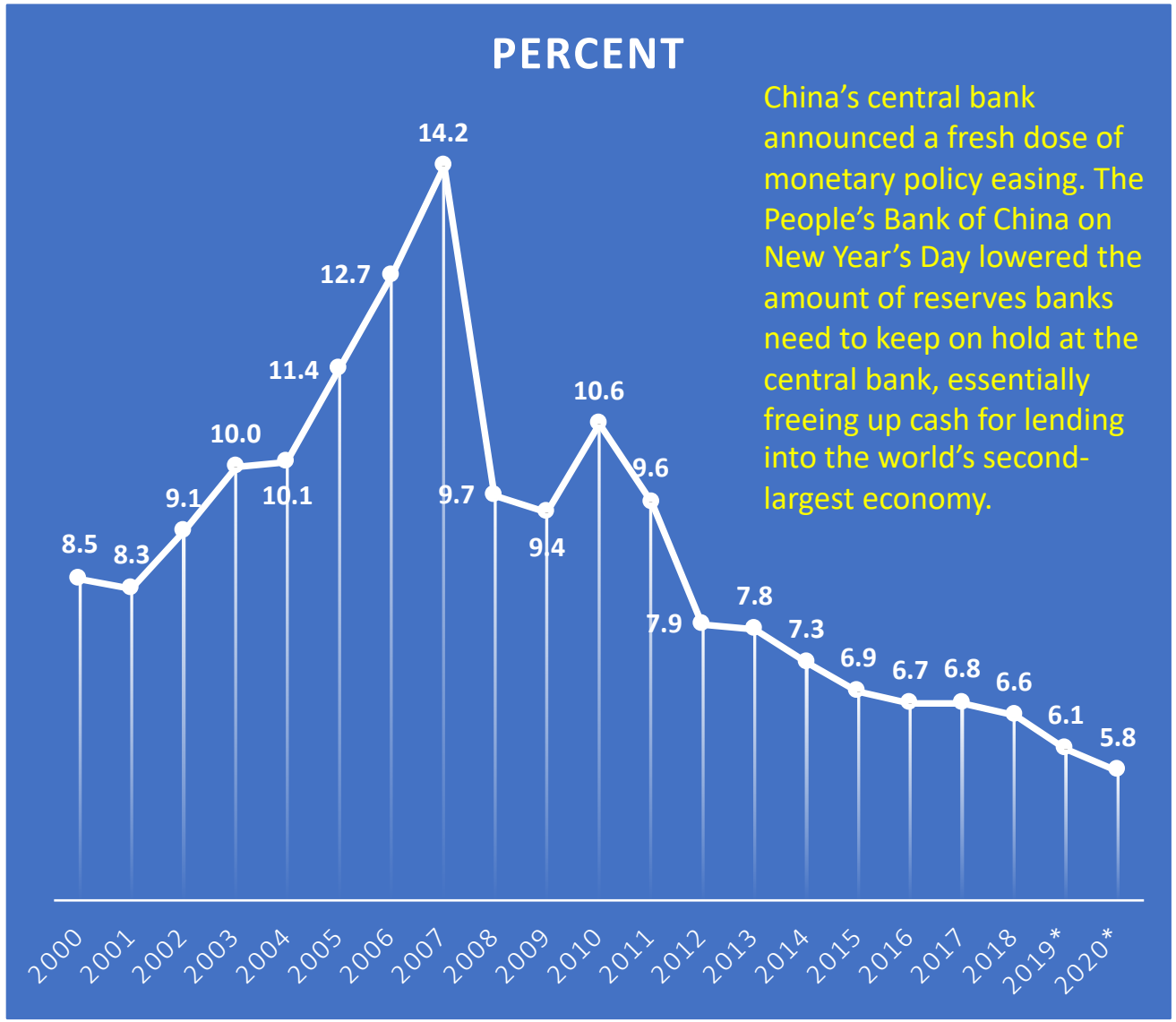
- Stocks in the S&P 500 have returned 249% in the past 10 years, about 1.2 times the historical average. But at the same time, the 2010s were the first decade without a bear market, defined as a 20% drop from any peak. Sure, there were six separate 10% corrections, all hair-raising, though never enough to kill the bull.
- A widely followed measure on Wall Street known as the Sharpe ratio shows the extent of the serenity. The ratio tracks stock performance relative to Treasuries and the volatility stock investors experience. At around 1, the current reading is the best among any decade since at least Dwight Eisenhower's presidency, according to data compiled by Bloomberg. It shows that the returns, as good as they were in absolute terms, were even better considering how little they cost, so to speak, in volatility.
- 2019 in on track to be one of the best years for U.S. stocks.

If the U.S. economy is in good shape, why is the Fed cutting interest rates for a 3rd time in 2019?



Two out of 10 members of the Fed's rate-setting committee dissented Wednesday (October 30, 2019), the largest revolt since Powell took over as chair. Boston Fed President Eric Rosengren and Kansas City Fed President Esther George said rates should be left unchanged.

China's economic growth is getting weaker



Source: IMF, World Economic Outlook, various issues.

- China's $14 trillion economy, second in size only to the U.S., accounts for almost a third of global growth each year. That makes it a vital driver of job creation and improved living standards everywhere.
- In one respect, nothing, since it's more than twice the global rate. But China's economy is loaded up on debt and its ability to service repayments depends on rapid growth to generate the profits and tax revenues needed.
- It has impacted everything from factory output to the jobs market. Office vacancies reached a decade-high in the third quarter. Deflation is looming after China's producer price index slowed to zero in June from a year earlier, and then started falling.

Source: Bloomberg..

Prediction consensus: what the experts see coming in 2020

BINGO CARD analysed 100+ articles, whitepapers, and interviews to create this big picture look at what experts are predicting for the coming year.

In the modern era, data and media are the new magic 8-ball. The jury is still out on whether we've gotten any better at anticipating the forces that will shape the coming year, but that certainly hasn't stopped people from trying.

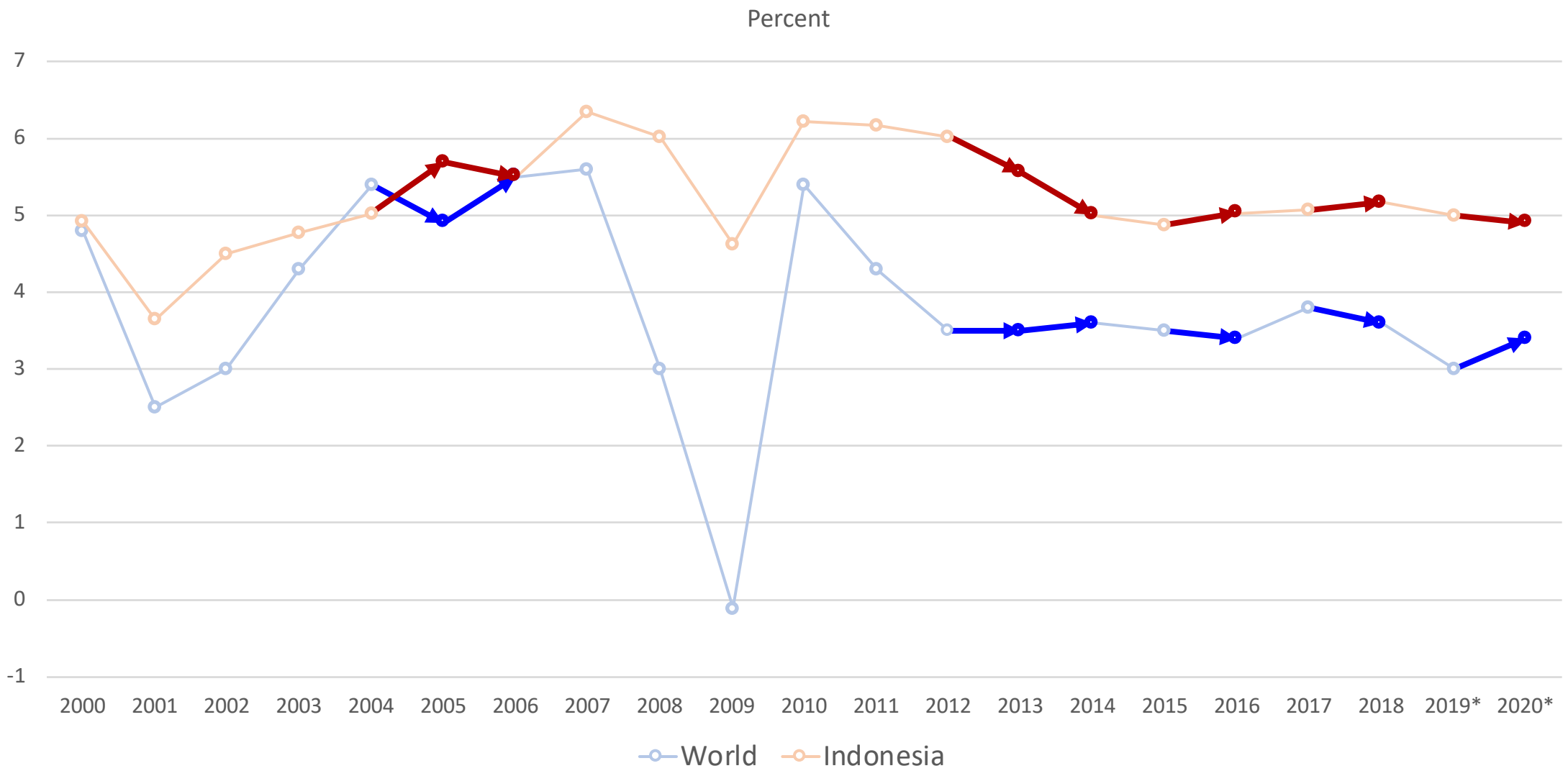
Of the hundreds of forward-looking pieces of content published in the lead-up to 2020, how many of the expert predictions lined up? Was there a consensus on any particular trend, or were predictions all over the map?

Source: visualcapitalist.com based on Financial Times, Washington Post, Wall Street Journal, The Economist, Bloomberg, CNBC, Forbes, Fortune, Market Watch, USA Today, Business Insider, Inc, Fast Company, Mashable, Kleiner Perkins, TechCrunch, Financial Post, Entrepreneur, The Guardian, The Street, Motley Fool, Yahoo Finance, Saxo Bank, BoA Merril Lynch, Morgan Stanley, EY, Forrester, CBRE, Zillow, Gartner, Deloitte, Goldman Sachs, Kantar, Oilprice.com, Nikkei Asian Review, Kiplinger, Loup Ventures, National Real Estate Investor, Windermere Hub, Channel Futures, Tech Talks, The Verge, Designboom, TechRepublic, TrendHunter, SalesForce.

Global factors should not be used as scapegoats

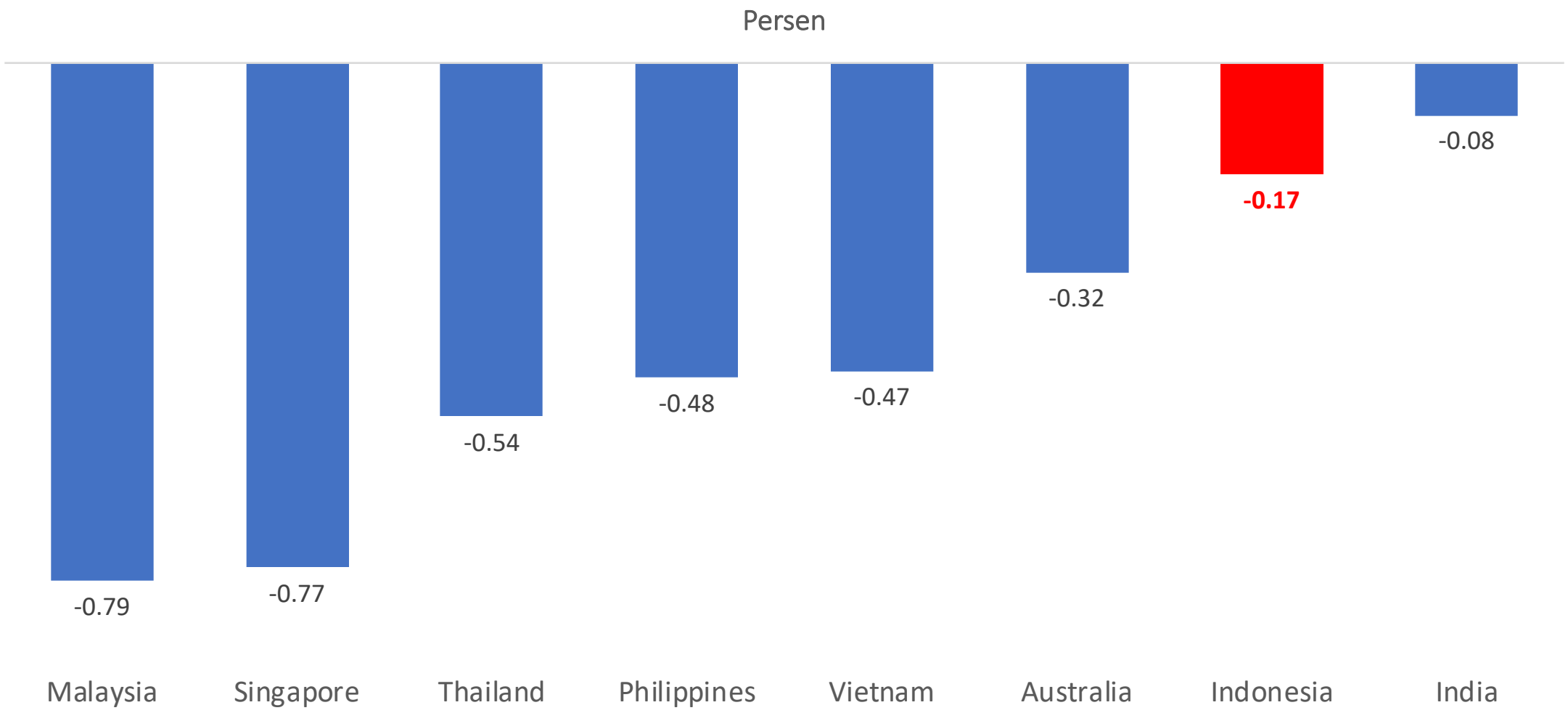
- The world has never been devoid of economic and political turmoil. Problems come and go, from unexpected directions and do not know the time anyway.
- The relationship between Indonesia's economic growth and world economic growth is relatively lacking, sometimes in contradiction.
- Why? Degree of openness, lack of global supply chains, degree of complexity of the financial sector.
- Therefore, the impact of the global economic turmoil is relatively small for Indonesia's economic growth.

GDP growth: World versus Indonesia



* For Indonesia, based on own prediction.
Sources: BPS-Statistics Indonesia and IMF.

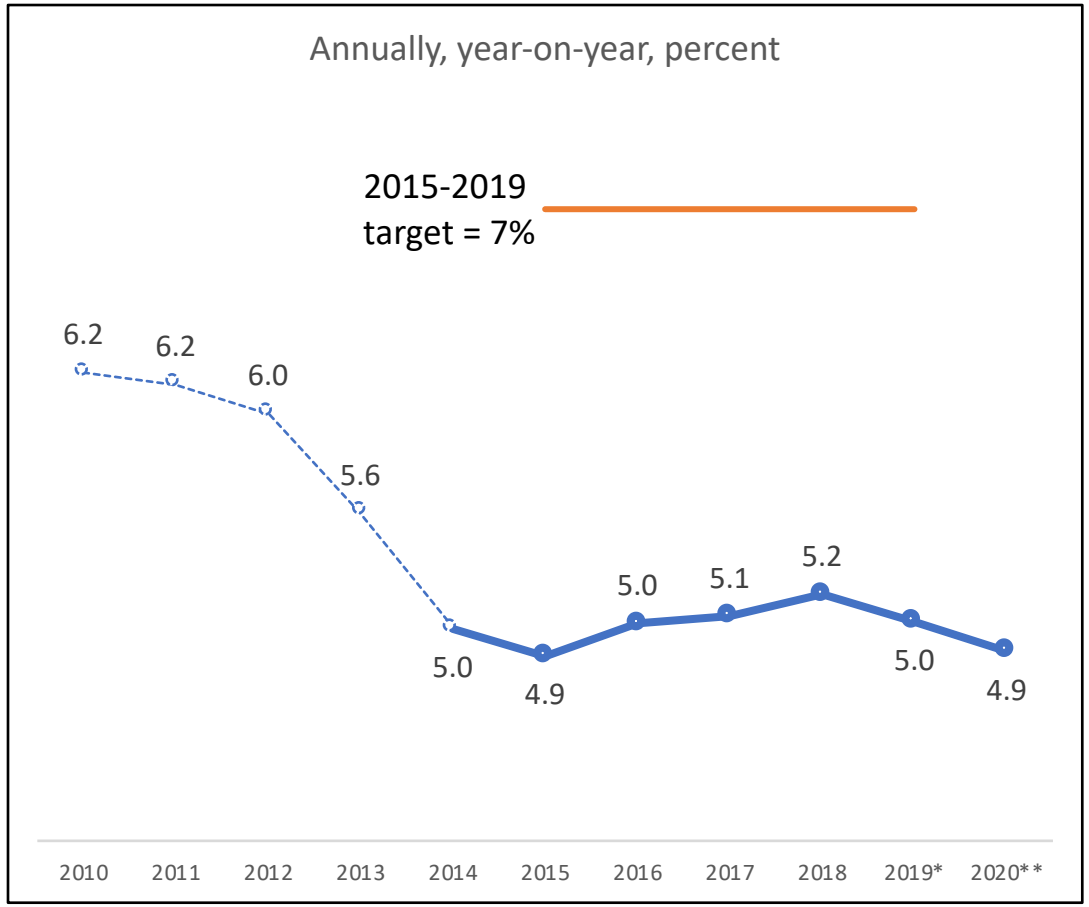
The impact of the US-China trade war on the economic growth of several Asia Pacific countries



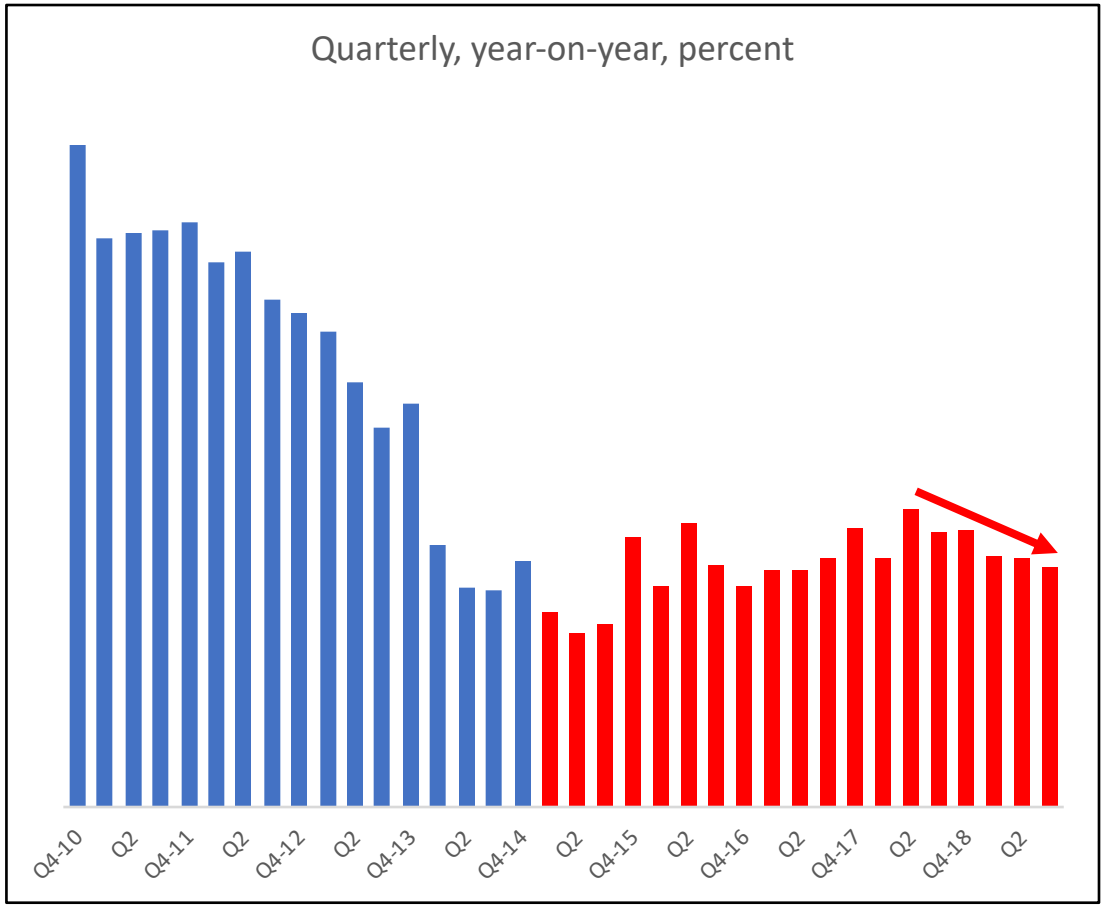
Sumber: https://www.bloomberg.com/graphics/2019-us-china-trade-war-economic-fallout/

Part II
Economic Growth and Investment

GDP growth



*Q1-Q3 (January-September).
**Own projection
Source: BPS-Statistics Indonesia.



Source: BPS-Statistics Indonesia.

Wrong diagnosis is very dangerous, creating wrong policy formulation

CNN Indonesia | Home | Nasional | Internasional | Ekonomi | Olahraga | Teknologi | Hiburan | Gaya Hidup | CNN TV

Jokowi soal Penghambat Investasi: Saya Akan Kejar dan Hajar

CNN Indonesia | Minggu, 14/07/2019 21:18 WIB

Bagikan :

Presiden Joko Widodo. (CNN Indonesia/Feri Agus Setyawan)

Bogor, CNN Indonesia -- Presiden terpilih Joko Widodo menyatakan bakal mengejar pihak yang menghambat investasi di Indonesia. Hal itu terkait dengan perizinan yang lambat, berbelit hingga dugaan pungutan liar. Ia bahkan menyatakan tak akan segan untuk menghajar langsung pihak yang menghambat tersebut .

Jokowi Sebut Belum Ada Kebijakan Investasi yang Nendang

Liputan6.com
19 Jun 2019, 16:27 WIB

Share 17

Presiden Joko Widodo saat menerima pengurus Asosiasi Pengusaha Indonesia (Apindo) di Istana Merdeka Jakarta, Kamis (13/6/2019). Presiden Jokowi meminta masukan dari Apindo terkait pemerintahan ke depan, salah satunya tentang upaya peningkatan nilai ekspor. (Liputan6.com/Angga Yuniar)

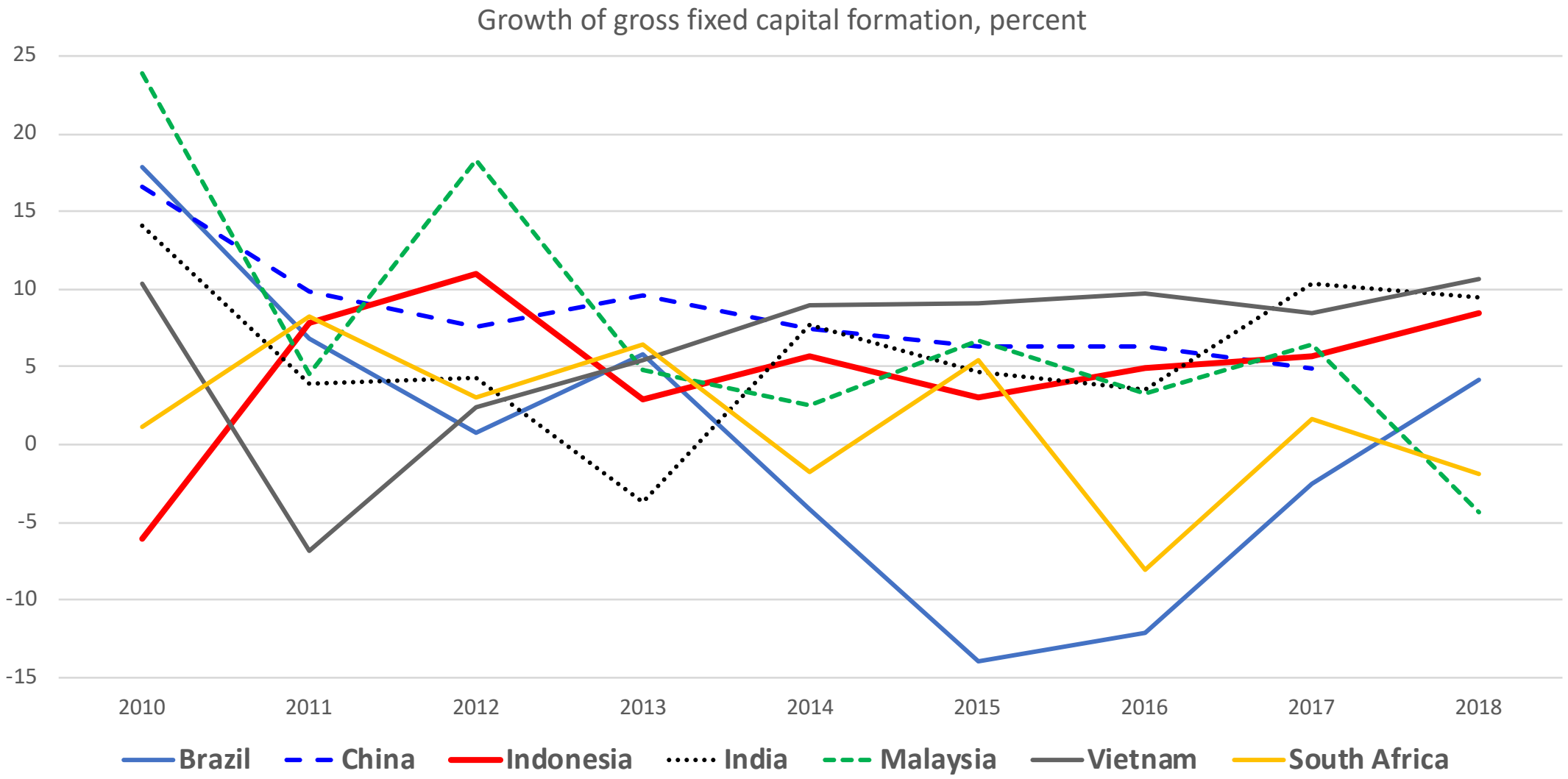
Liputan6.com, Jakarta - Presiden Joko Widodo (Jokowi) meminta para pembantunya membuat kebijakan konkret untuk meningkatkan investasi dan ekspor di Tanah Air. Mantan Gubernur DKI ini juga ingin kebijakan tersebut dieksekusi secara serius.

Indonesia: GDP growth by expenditure

	2014	2015	2016	2017	2018	2019*	Share 2018**
Private consumption	5.15	4.96	5.01	4.94	5.05	5.07	55.74
LNPRT*** consumption	12.19	-0.62	6.64	6.93	9.08	13.15	1.22
General government consumption	1.16	5.31	-0.14	2.13	4.80	4.69	8.98
Gross fixed capital formation	**4.45**	**5.01**	**4.47**	**6.15**	**6.67**	**4.74**	**32.29**
Exports of goods and services	1.07	-2.12	-1.66	8.91	6.48	-1.24	20.97
Less imports of goods and services	2.12	-6.25	-2.41	8.06	12.04	-7.62	22.06
Gross domestic product	**5.01**	**4.88**	**5.03**	**5.07**	**5.17**	5.04	**100.00**

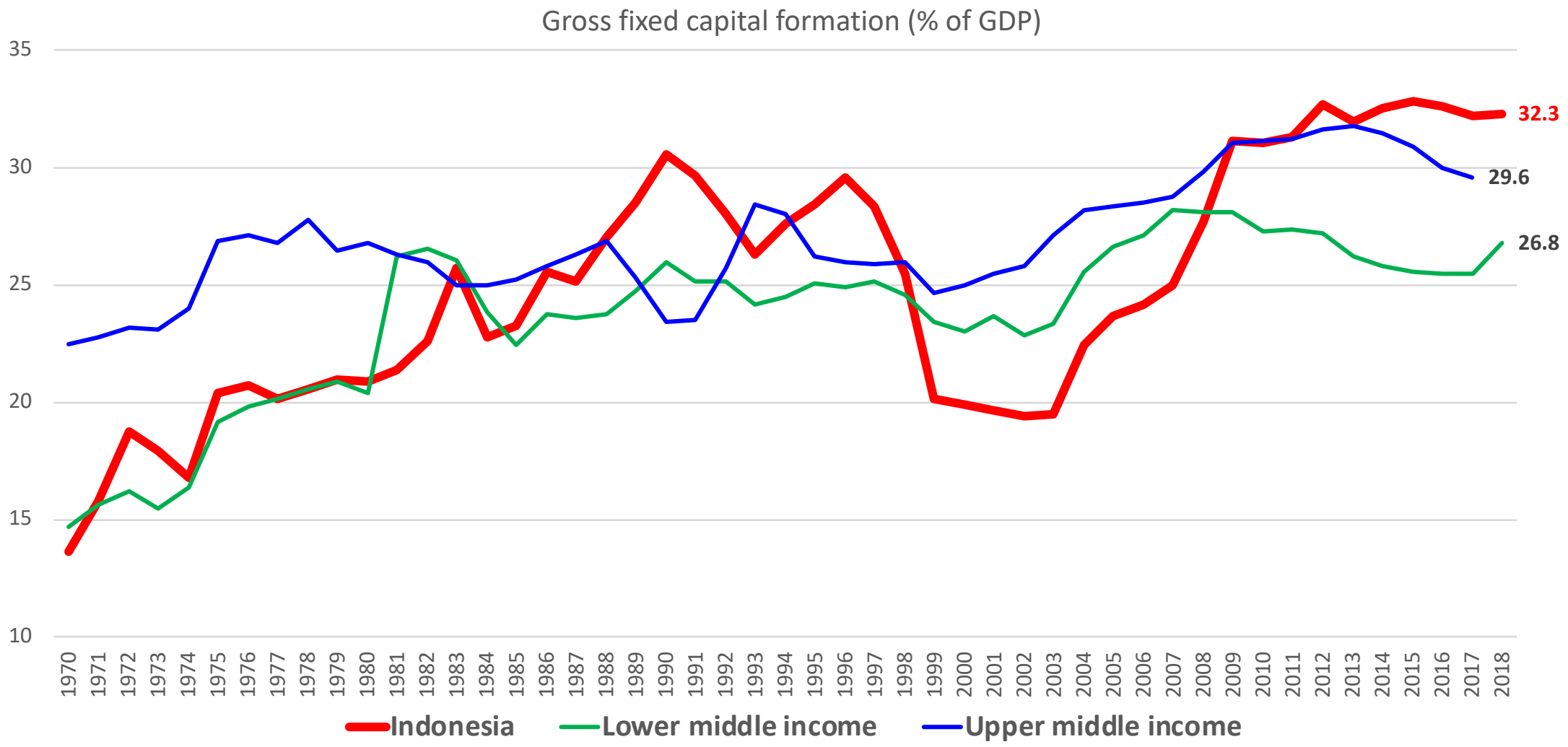
* Q1-Q3 (January-September)
** Not included change in inventory.
*** LNPRT stands for lembaga non-profit yang melayani rumah tangga (non-profit organization serving the household).
Source: BPS-Statistics Indonesia.

Investment is not as bad as that complained



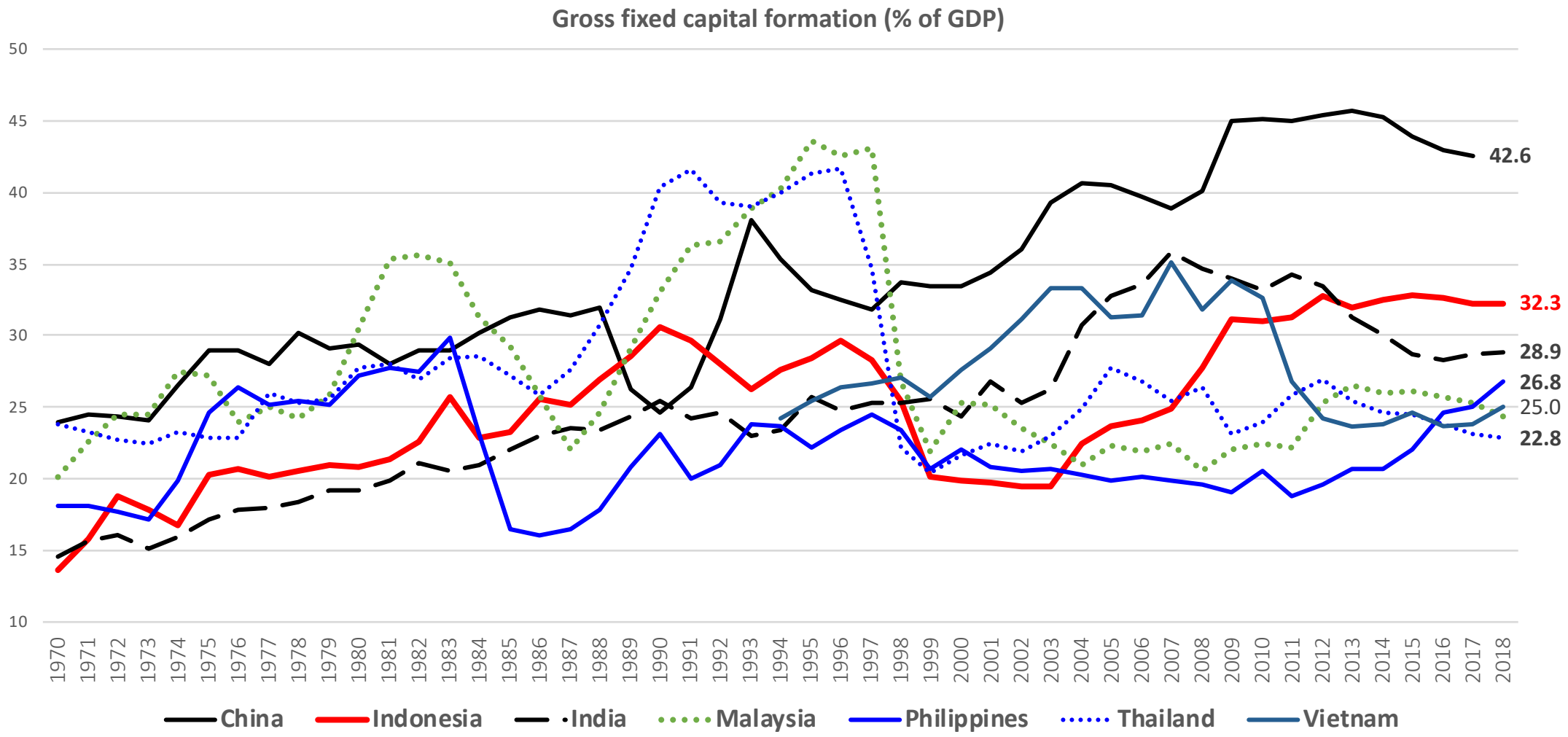
Source: World Bank, World Development Indicators.

Share of investment in GDP in Indonesia is higher than the lower and upper middle income countries



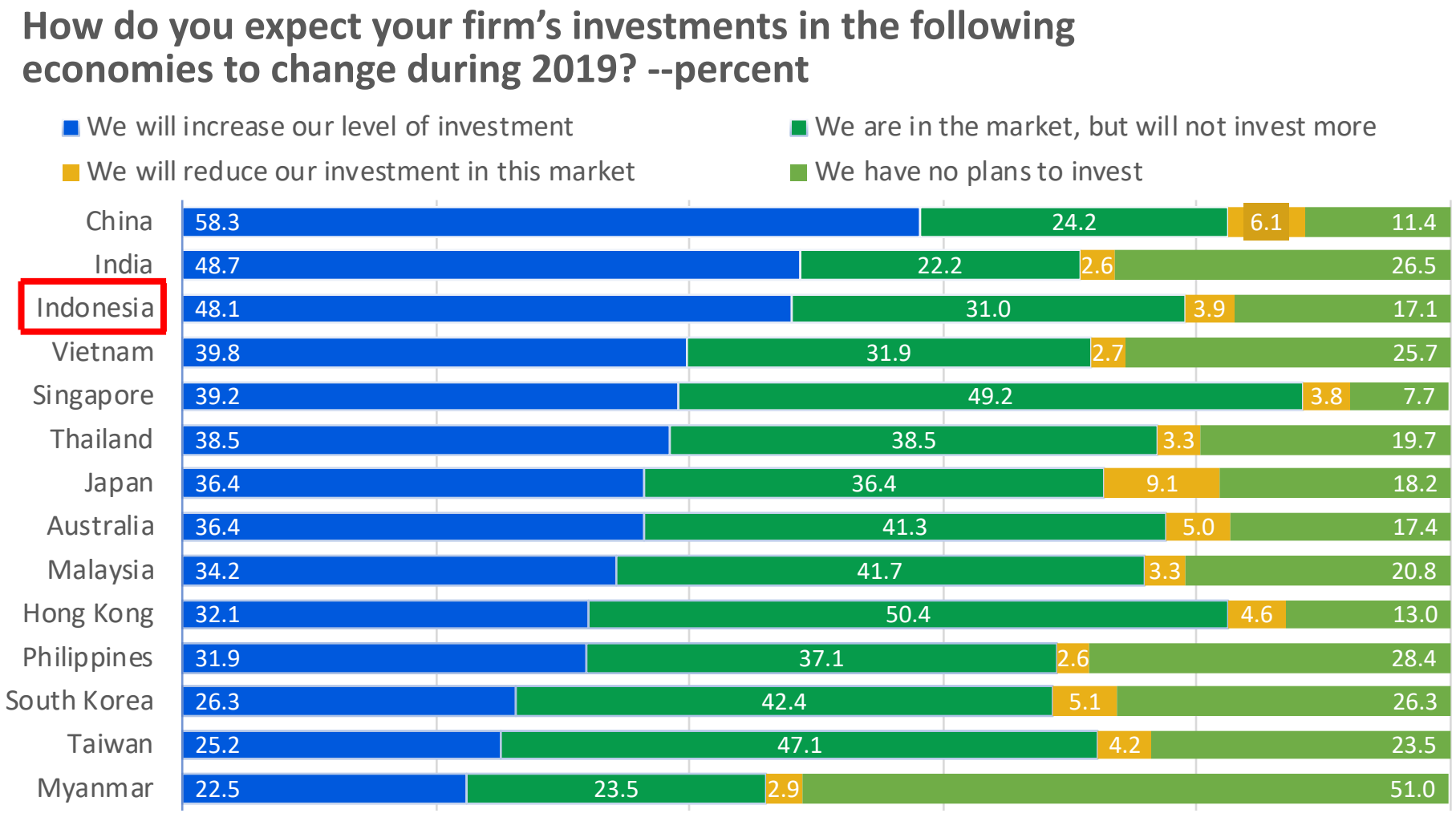
Source: World Bank, World Development Indicators.

The share of investment in GDP in Indonesia is higher than all ASEAN countries and India



Source: World Bank, World Development Indicators.

China, India, and **Indonesia** are the most desirable countries to increase investment in 2019



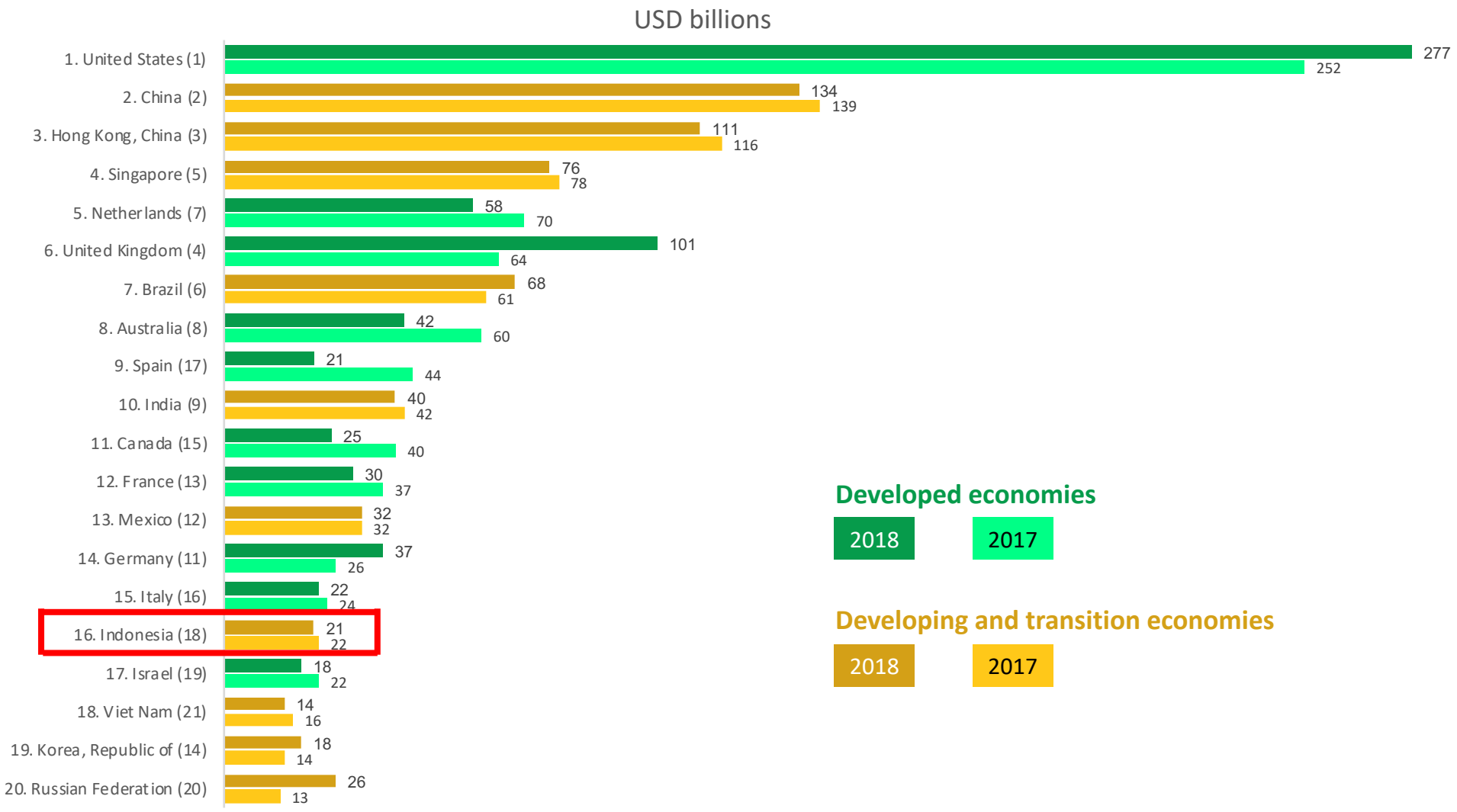
Source: The Economist, A*sia Business Outlook Survey 2019*.

China Going Global Investment Index: Indonesia's ranking rose sharply

	2017 (n=59)	2015 (n=65)	2013 (n=58)
Singapore	1	2	2
United States	2	1	1
Hong Kong	3	7	3
Malaysia	4	20	18
Australia	5	3	5
Switzerland	6	5	7
South Korea	7	8	28
Canada	8	4	6
Chile	9	29	22
Russia	10	24	9
Israel	11	17	31
Kazakhstan	12	51	38
Taiwan	13	14	12
Japan	14	6	4
Norway	15	9	8
Czech Republic	16	n/a	n/a
Denmark	17	10	14
Thailand	18	38	35
Iran	19	52	57
Germany	20	13	10
Finland	21	15	16
Poland	22	33	36
Hungary	23	n/a	n/a
Saudi Arabia	24	23	15
Ireland	25	n/a	n/a
Indonesia	**26**	**44**	**44**
France	27	16	20
Philippines	28	39	39
Sweden	29	11	13
Vietnam	30	40	41

Source: Economist Intelligence Unit (EIU).

Indonesia is in the top-20 host economies for FDI



Source: United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2019.*

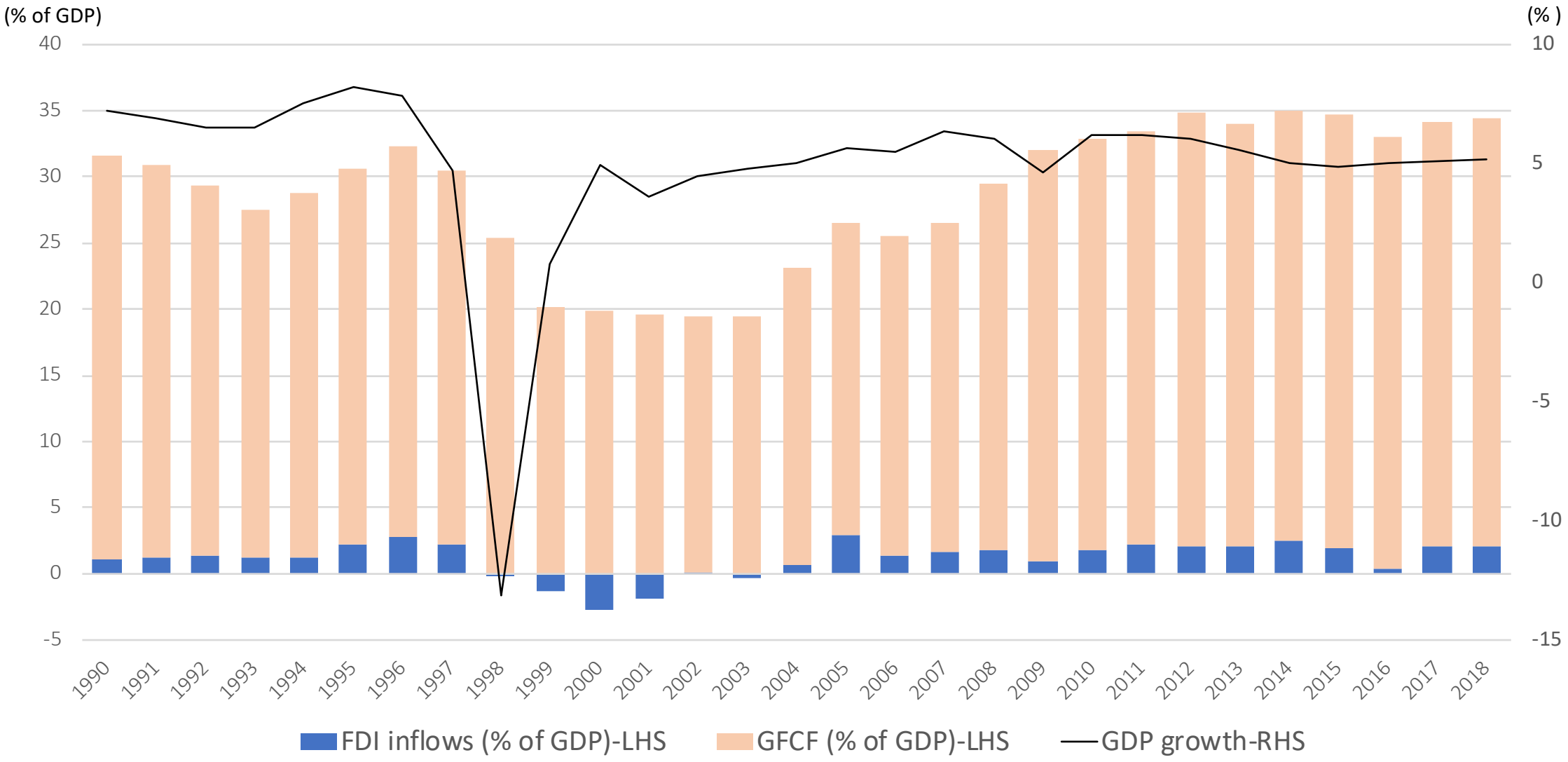
First time climbing to the top in 2013, Indonesia beat China in Japanese FDI, but then fell to 5th in 2017-18

Promising countries for overseas business operation by Japanese Manufacturing companies over the medium term (next 3 years or so)

Rank	1997	2003	2005	2006	2007	2010	2011	2012	2013	2014	2015	2016	2017	2018
1st	CHN	CHN	CHN	CHN	CHN	CHN	CHN	CHN	IDN	IND	IND	IND	CHN	CHN
2nd	USA	THA	IND	IND	IND	IND	IND	IND	IND	IDN	IDN 2nd	CHN	IND	IND
3rd	IDN	USA	THA	VNM	VNM	VNM	THA	IDN	THA	CHN	CHN 2nd	IDN	VNM	THA
4th	THA	VNM	VNM	THA	THA	THA	VNM	THA	CHN	THA	THA	VNM	THA	VNM
5th	IND	IND	USA	USA	RUS	BRA	IDN	VNM	VNM	VNM	VNM	THA	IDN	IDN
6th	VNM	IDN	RUS	RUS	USA	IDN	BRA	BRA	BRA	MEX	MEX	MEX	USA	USA
7th	PHL	KOR	KOR	BRA	BRA	RUS	RUS	MEX	MEX	BRA	USA	USA	MEX	MEX
8th	MYS	TWN	IDN	KOR	IDN	USA	USA	RUS	MMR	USA	PHL	PHL	PHL	PHL
9th	BRA	MYS	BRA	IDN	KOR	KOR	MYS	MMR	RUS	RUS	BRA	MMR	MMR	MMR
10th	TWN	RUS	TWN	TWN	TWN	MYS	TWN	USA	USA	MMR	MMR	BRA	BRA & KOR	MYS

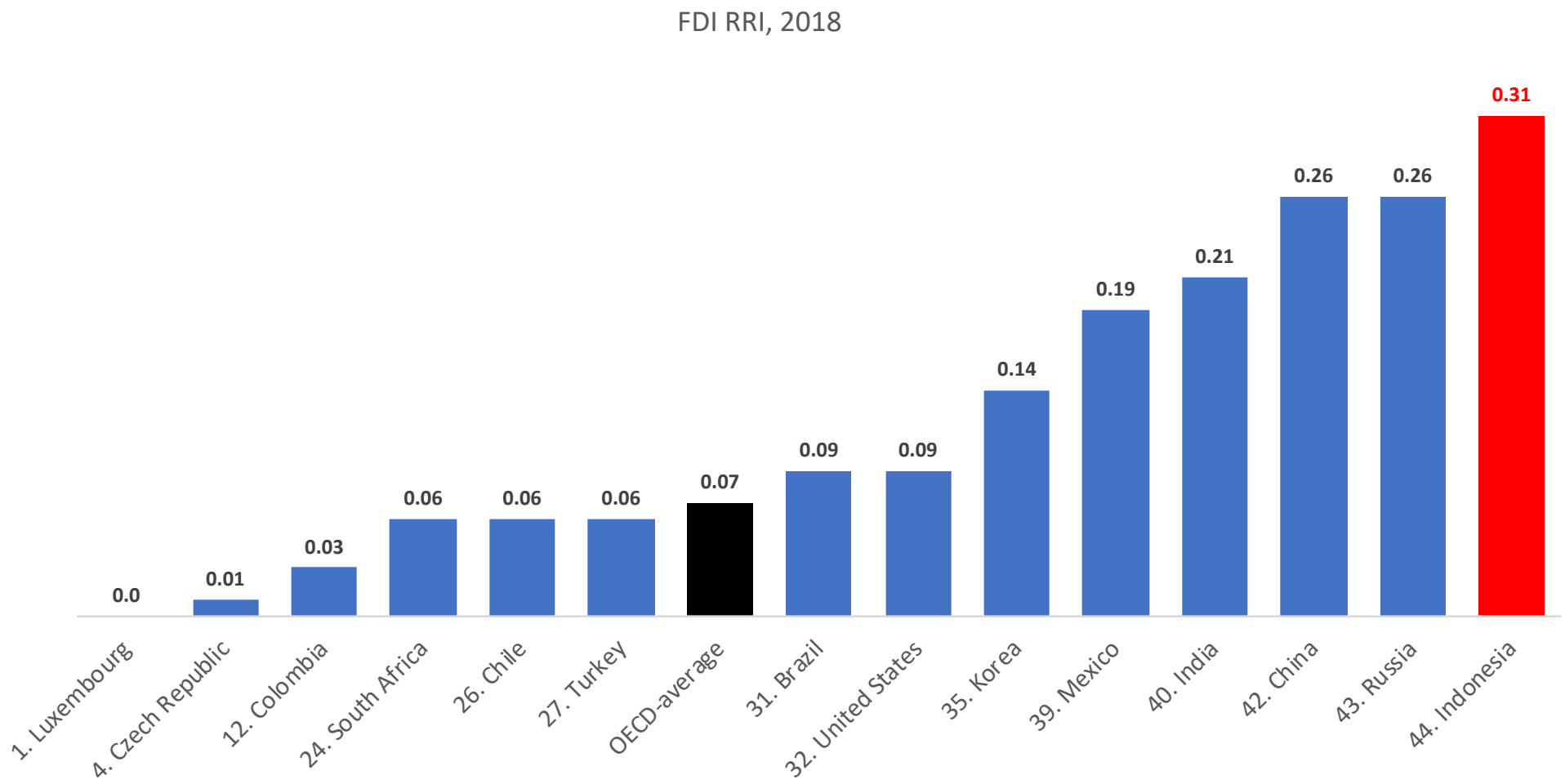
Source: Japan Bank for International Cooperation (JBIC), "Survey Report on Overseas Business Operations by Japanese Manufacturing Companies," various issues.

FDI is very small compared to total investment



Source: World Bank, World Development Indicators database.

Indonesia is most restrictive towards FDI

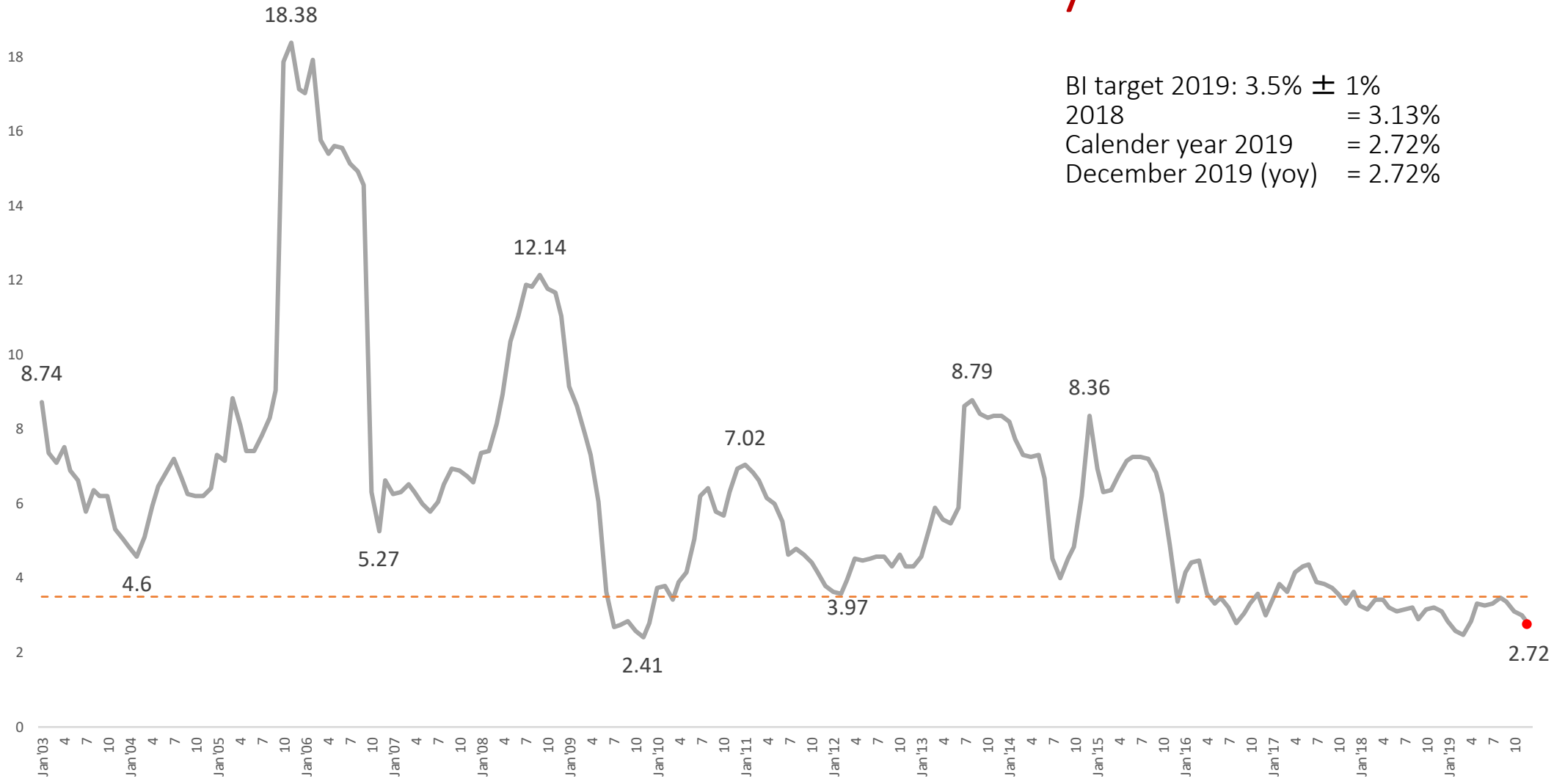


The Foreign Direct Investment Regulatory Restrictiveness Index (FDI RRI) measures four types of statutory restrictions on foreign direct investment: (i) foreign equity restrictions, (ii) screening and prior approval requirements, (iii) rules for key personnel, and (iv) other restrictions on the operation of foreign enterprises. The FDI RRI is a composite index which takes values between 0 and 1, with 1 being the most restrictive.
Source: OECD, *FDI Regulatory Restrictiveness Index.*

Part III

Inflation, Interest Rate, Stock Market, Rupiah, and Current Account Deficit

Inflation rates during the Jokowi-JK era were the lowest in history



Source: BPS-Statistics Indonesia.

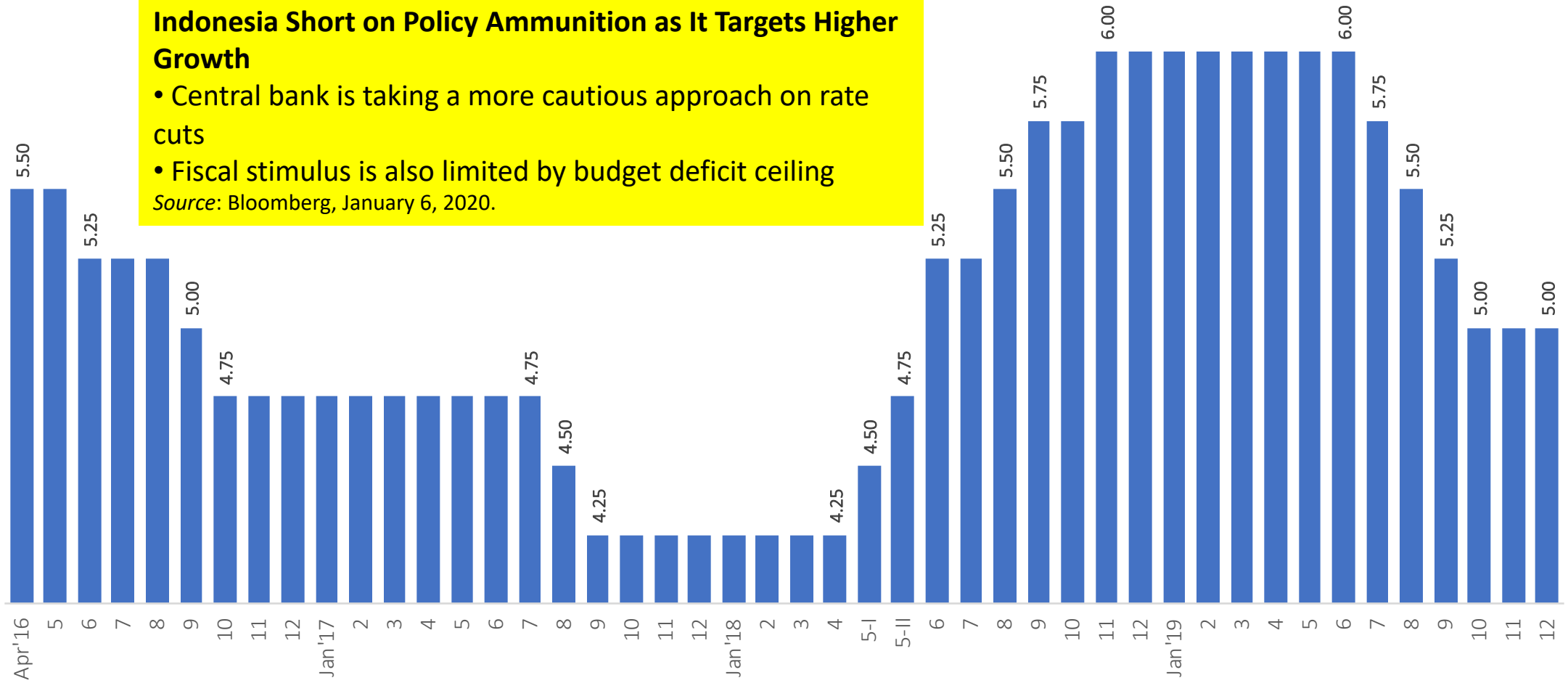
BI 4 times in a row lowered the benchmark rate in 2019 and kept it at the level of 5% in the last 3 months

BI 7-day repo rate, percent

Indonesia Short on Policy Ammunition as It Targets Higher Growth

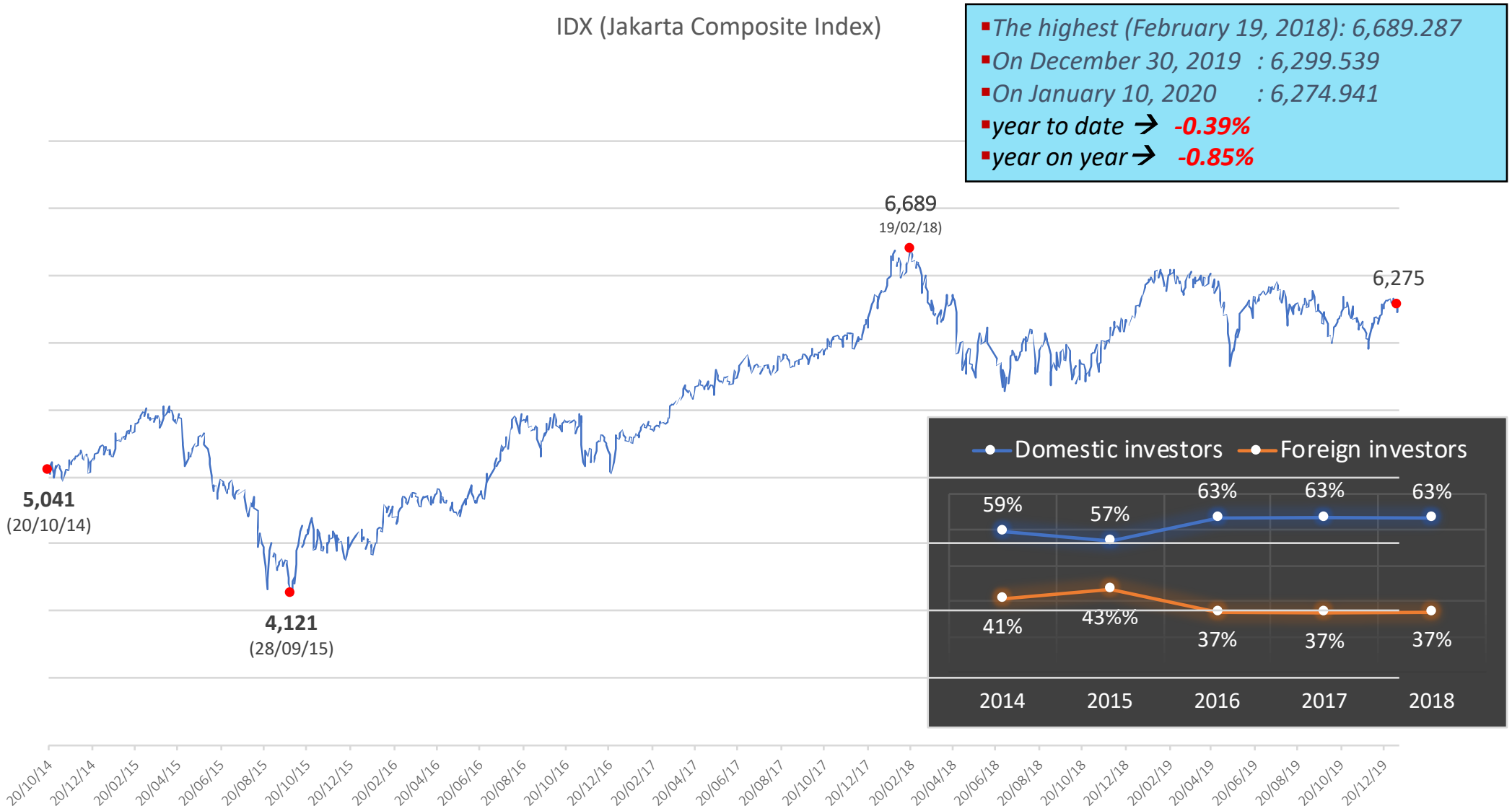
- Central bank is taking a more cautious approach on rate cuts
- Fiscal stimulus is also limited by budget deficit ceiling

Source: Bloomberg, January 6, 2020.



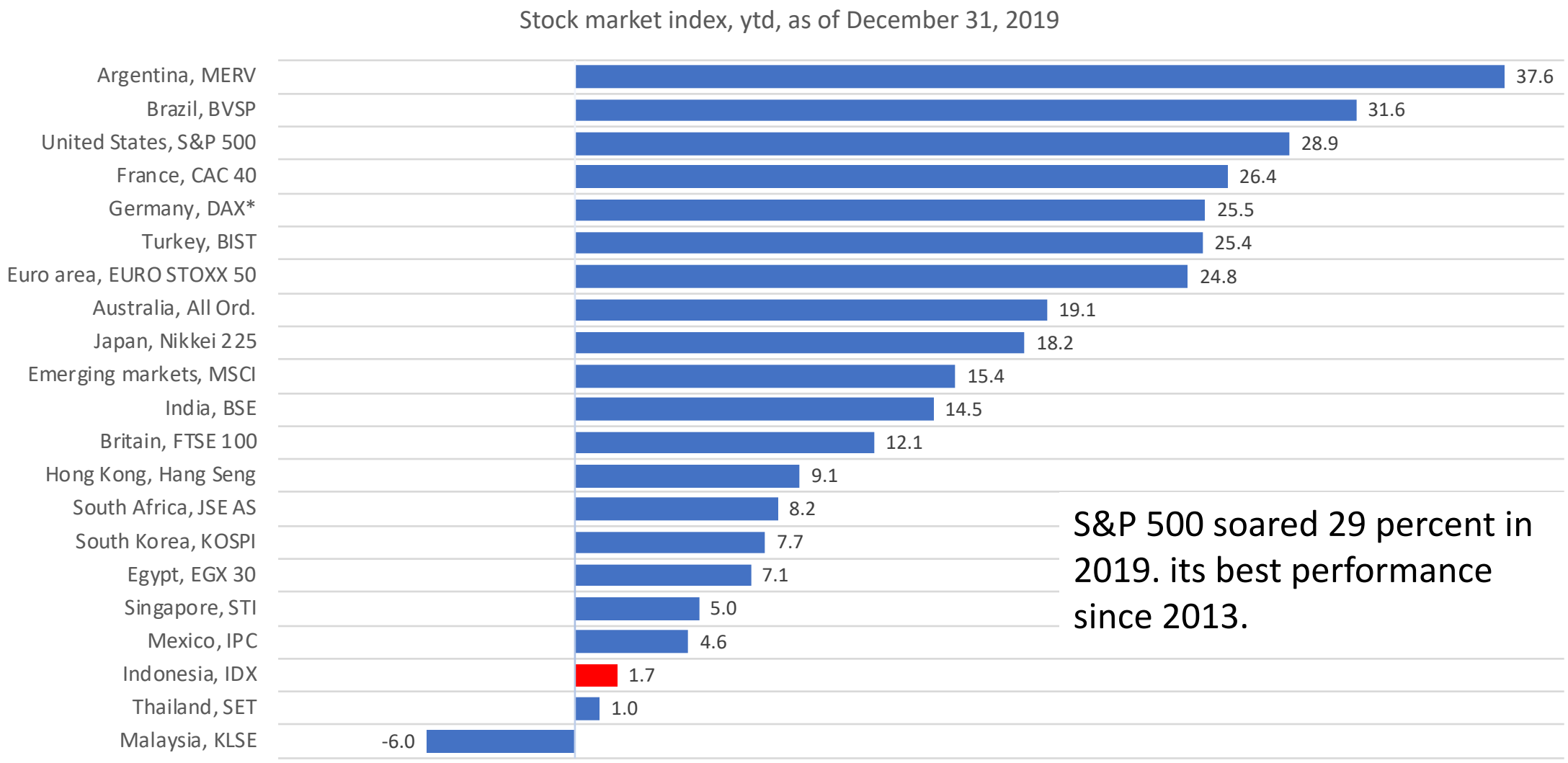
Source: Bank Indonesia

JCI (IHSG) strengthened slightly in 2019



Source: Bursa Efek Indonesia (Indonesia Stock Exchange): http://www.idx.co.id; and Financial Services Authority (OJK)..

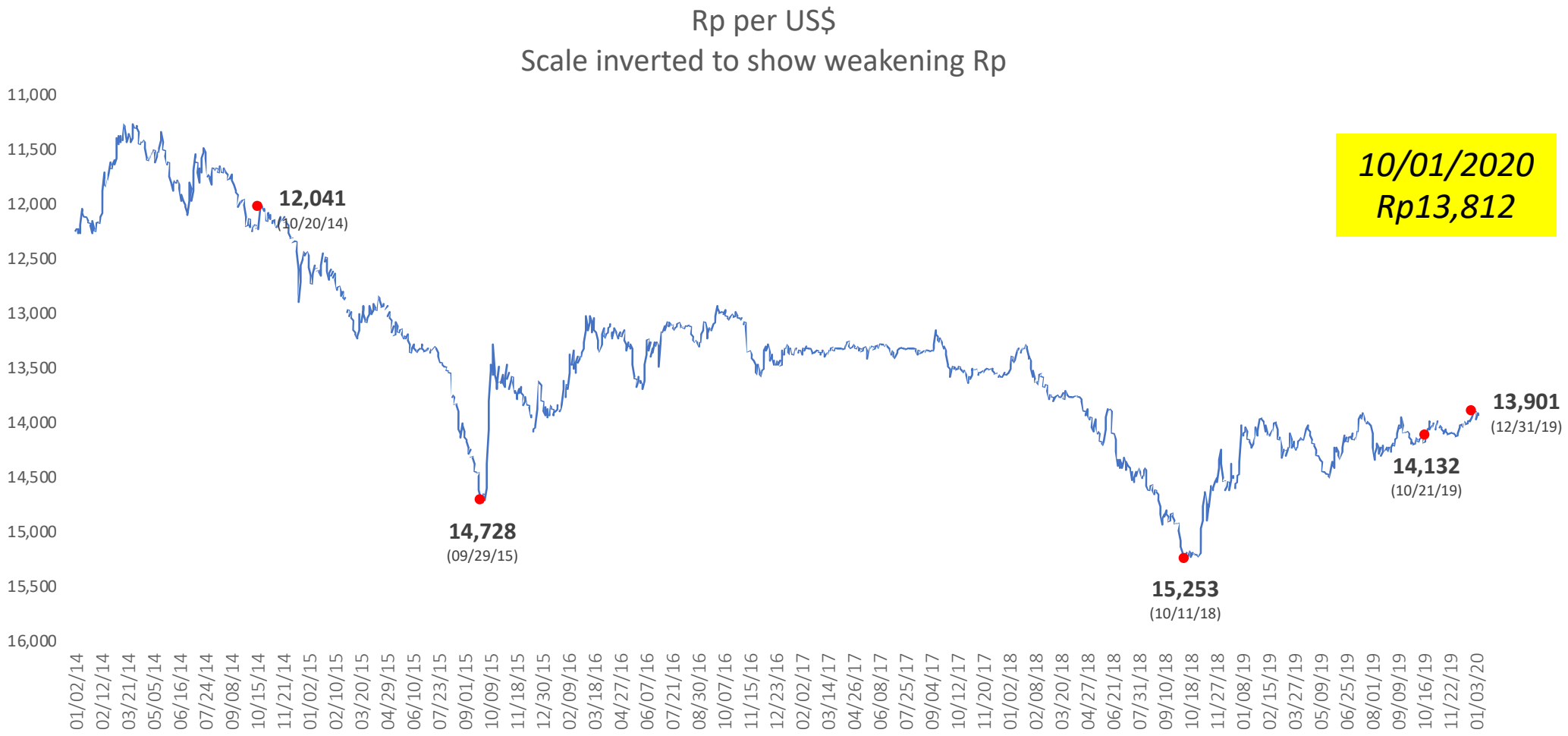
The stock market boomed in 2019



S&P 500 soared 29 percent in 2019. its best performance since 2013.

* Total return index.
Source: The Economist.

Rupiah strengthened slightly below Rp 14,000, supported by huge capital inflows



Source: Bank Indonesia

Foreign exchange reserves increased by US$8.8 billions in the last 7 month, supported by debts

Penyebab utama penurunan cadangan devisa Mei dan September 2019:

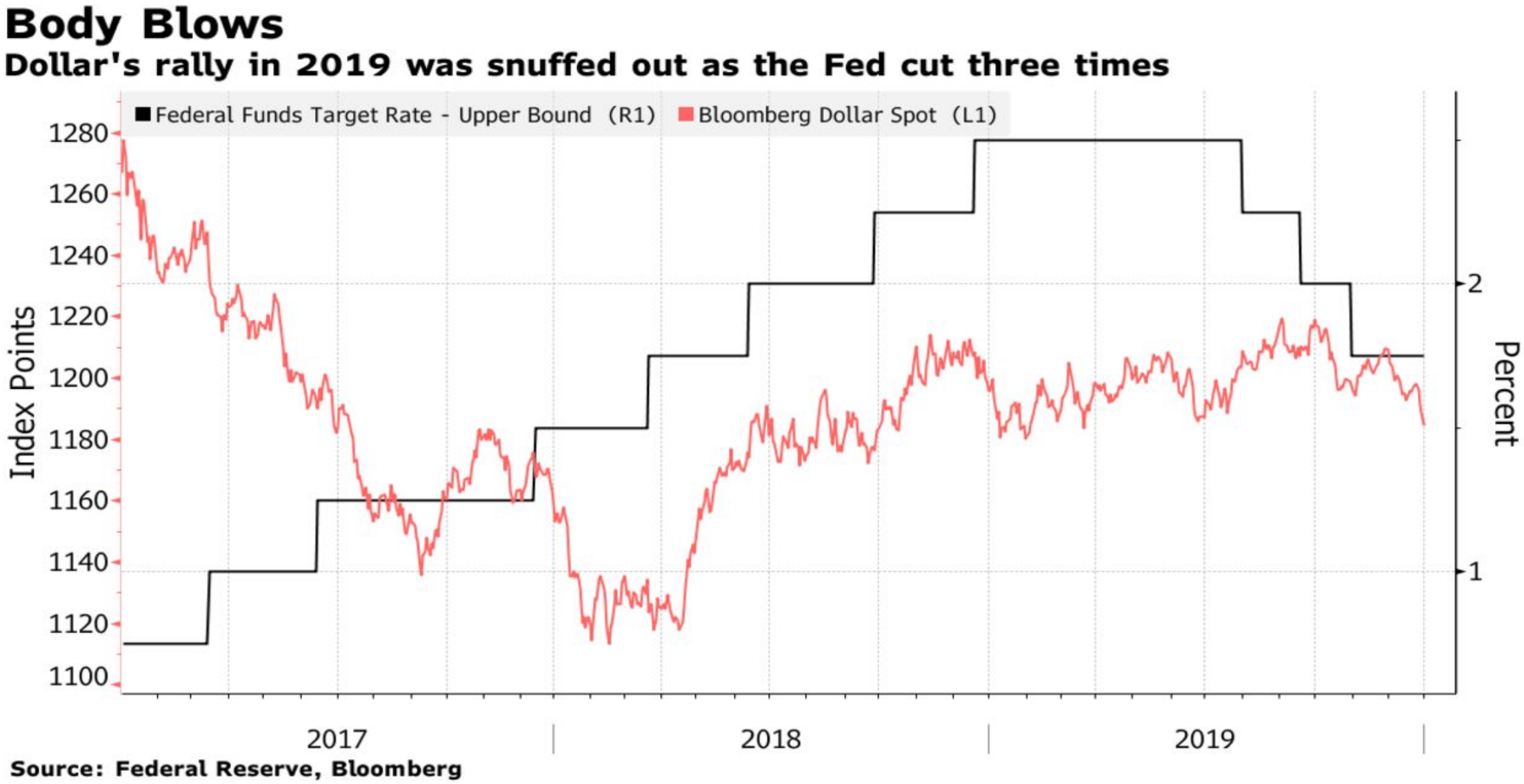
- Pembayaran utang luar negeri pemerintah.
- Penempatan valas perbankan di Bank Indonesia berkurang.

Penopang utama kenaikan cadangan devisa Oktober 2018-Desember 2019:

- Penerbitan obligasi global pemerintah
- Penerbitan SUKUK global pemerintah
- Penarikan utang luar negeri pemerintah
- Penerimaan devisa migas (tetapi juga menguras devisa karena impor jauh lebih besar dari ekspor).
- Awal 2020 pemerintah mengeluarkan SUN berdenominasi US$ senilai US$2 miliar dan berdenominasi Euro senilai €1 miliar.

Source: Bank Indonesia.

The dollar’s losses may just be getting started

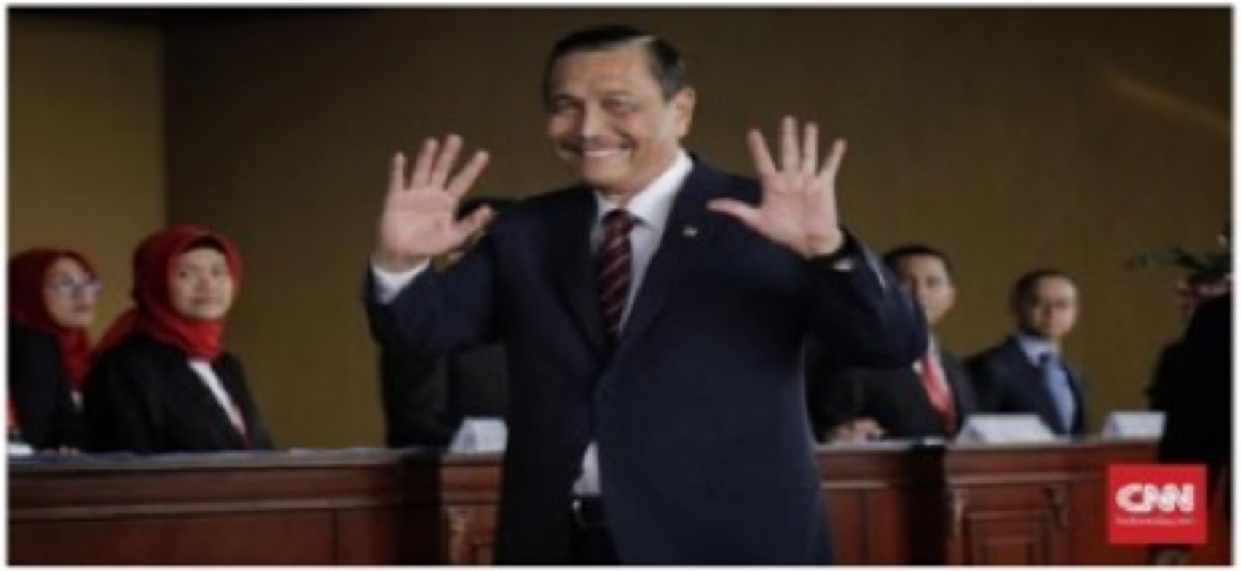


Is it realistic?

Luhut Ramal Rupiah Bisa di Bawah Rp10.000 per Dolar AS

CNN Indonesia | Selasa, 03/12/2019 20:25 WIB

Bagikan :

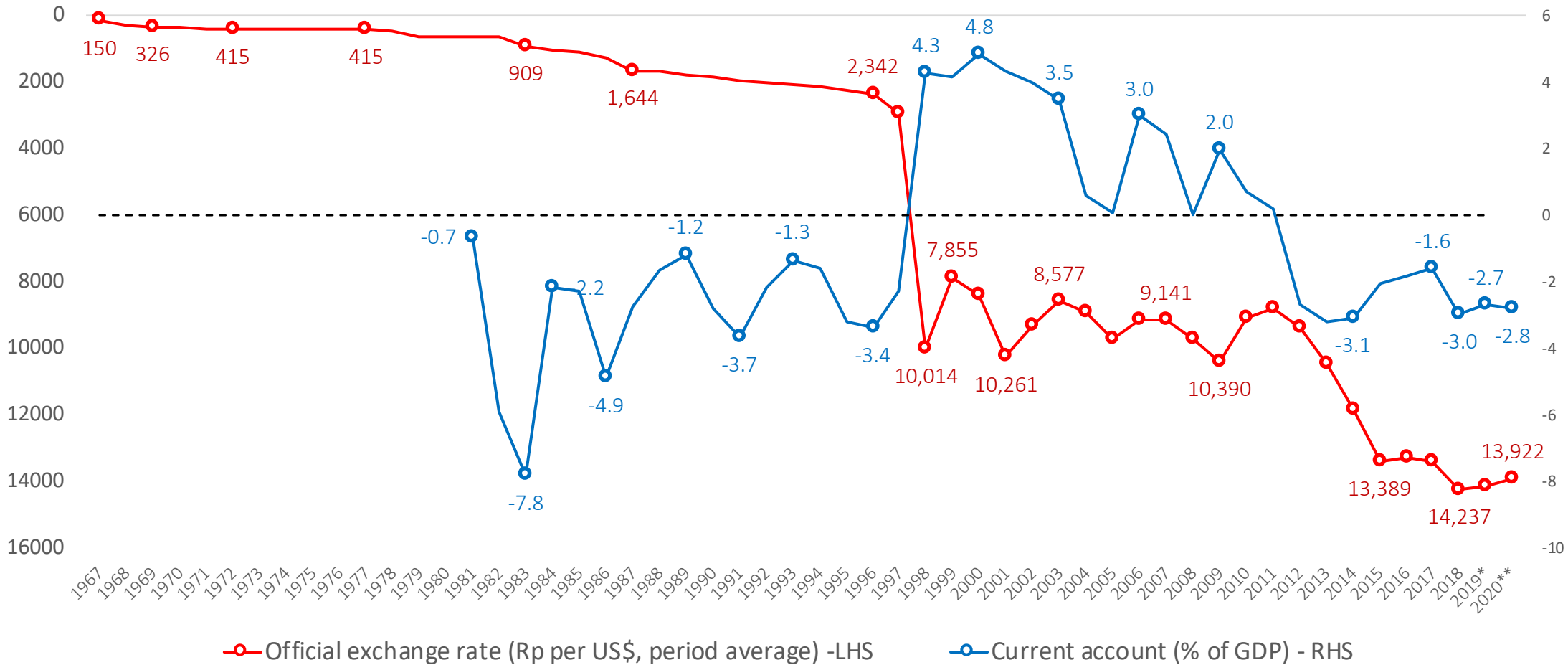


Luhut memperkirakan nilai tukar rupiah bisa menguat ke bawah Rp10.000 per dolar AS. (CNN Indonesia/Adhi Wicaksono).

Ia memperkirakan CAD dalam dua hingga tiga tahun ke depan bisa ditekan ke kisaran **US$1 miliar**. Sebagai catatan, data terakhir Bank Indonesia (BI) menunjukkan defisit transaksi berjalan kuartal III 2019 mencapai US$7,7 miliar atau 2,7 persen dari Produk Domestik Bruto (PDB).

Menurut Luhut, perbaikan defisit akan didukung oleh implementasi program mandatori campuran biodiesel 20 persen ke minyak solar **(B20)** dan mandatori program biodiesel 30 persen ke minyak solar **(B30).**

Rupiah tends to weaken if the current account has a deficit



*Q1-Q3 for current account; year to date (December 31) for exchange rate.

**Year to date *December 9).

Sources: Bank Indonesia and World Bank.

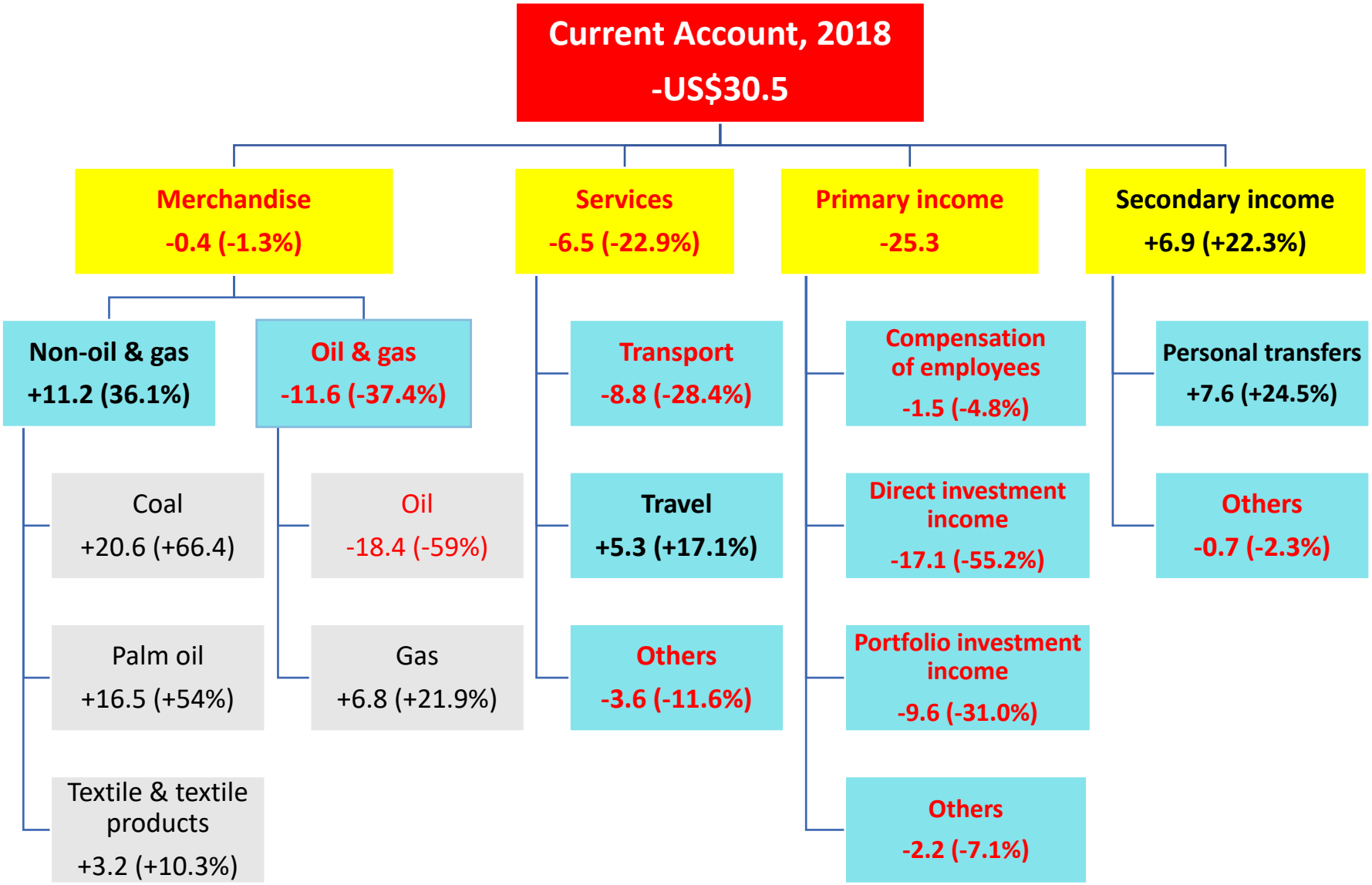
Indonesia: current account

US$ millions

	2015	2016	2017	2018	Q1-Q3'18	Q1-Q3'19
I. CURRENT ACCOUNT	**-17,519**	**-16,952**	**-16,196**	**-30,484**	**-21,298**	**-22,544**
A. Goods, net (Trade account)	14,049	15,318	18,814	-439	2,147	2,925
1. Exports, f.o.b.	149,124	144,470	168,883	180,725	135,822	125,056
2. Imports, f.o.b.	-135,076	-129,152	-150,069	-181,164	-133,675	-122,311
B. Services, net	-8,697	-7,084	-7,379	-6,479	-4,870	-5,792
C. Primary Income, net	-28,379	-29,647	-32,131	-30,461	-23,427	-25,288
D. Secondary Income, net	5,508	4,460	4,500	6,895	4,855	5,610
II. CAPITAL ACCOUNT	**17**	**41**	**46**	**97**	**68**	**7**
III. FINANCIAL ACCOUNT	**16,843**	**29,306**	**28,686**	**24,802**	**9,239**	**24,159**
1. Direct investment	10,704	16,136	18,502	13,304	11,668	16,069
2. Portfolio investment	16,183	18,996	21,059	9,312	-1,143	14,570
3. Financial derivatives	20	-9	-128	34	163	218
4. Other investment	-10,064	-5,817	-10,747	2,152	-1,448	-6,699
IV. TOTAL (I + II + III)	**-659**	**12,394**	**12,536**	**-5,585**	**-11,990**	**1,622**
V. NET ERRORS & OMISSIONS	**-439**	**-305**	**-950**	**-1,546**	**-559**	**-1,225**
VI. OVERALL BALANCE (IV + V)	**-1,098**	**12,089**	**11,586**	**-7,131**	**-12,550**	**396**
VII. RESERVES & RELATED ITEMS	**1,098**	**-12,089**	**-11,586**	**7,131**	**12,550**	**-396**
Current account (% of GDP)	-2.0	-1.8	-1.6	-2.9	-2.7	-2.7

Source: Bank Indonesia.

Anatomy of current account deficit



Source: Bank Indonesia.

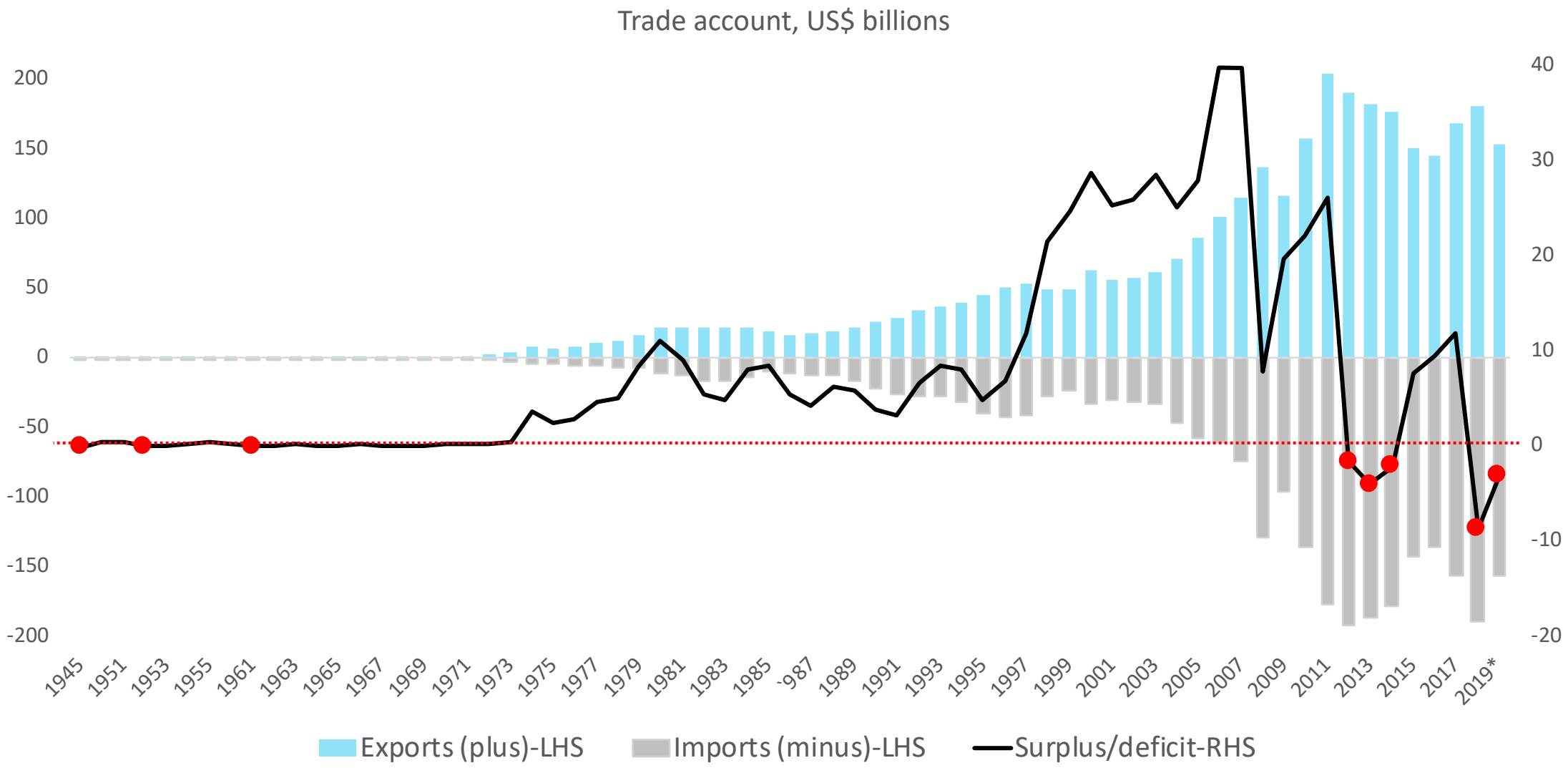
Foreign trade transactions (exports and imports) returned to deficit in 2018-2019

	US$ billions						Growth, yoy, percent				
	2015	2016	2017	2018	2018*	2019*	2015	2016	2017	2018	2019*
Total export	**150.4**	**145.2**	**168.8**	**180.2**	**165.7**	**153.1**	**-14.6**	**-3.9**	**16.3**	**6.7**	**-7.6**
Non-oil and gas	131.8	132.1	153.1	162.8	150.2	141.7	-9.8	-0.3	15.9	6.4	-5.7
Oil and gas	18.6	13.1	15.7	17.4	15.5	11.4	-38.2	-29.4	20.1	10.6	-26.0
Total import	**142.7**	**135.6**	**157.0**	**188.7**	**173.4**	**156.2**	**-19.9**	**-4.9**	**15.7**	**20.2**	**-9.9**
Non-oil and gas	118.1	116.9	132.6	**158.8**	145.5	136.5	-12.3	-1.0	13.4	19.8	-6.2
Oil and gas	24.6	18.7	24.3	**29.9**	27.8	19.7	-43.4	-23.9	29.7	23.0	-29.1
Surplus (Deficit)	**7.7**	**9.5**	**11.8**	**-8.5**	**-7.6**	**-3.1**					
Non-oil and gas	13.7	15.2	20.4	4.0	4.8	5.2					
Oil and gas	-6.0	-5.6	-8.6	-12.5	-12.4	-8.3					

*January-November

Source: BPS-Statistics Indonesia.

Trade deficit in 2018 reached its worst record



*January-November.

Source: BPS-Statistics Indonesia and World Bank.

The growth of foreign tourists dropped sharply

International visitors arrivals to Indonesia by port of entry
Growth (yoy) ***2017 = 21.88%; 2018 = 12.58%; Jan-Nov 2019 = 3.55%***
Government target: 2017 = 15 millions; 2018 = 17 millions, 2019 = 20 millions

Port of Entry	2014	2015	2016	2017	2018	2018*	2019*
Ngurah Rai	3,731,735	3,936,066	4,852,634	5,682,248	6,026,437	5,530,119	5,710,467
Soekarno-Hatta	2,246,437	2,368,628	2,416,060	2,749,321	2,812,482	2,589,597	2,244,504 ↓
Batam	1,454,110	1,585,719	1,432,472	1,564,717	1,887,244	1,654,131	1,758,648
Tanjung Uban	320,861	305,471	305,404	371,592	523,106	461,141	575,532
Juanda	217,193	204,200	220,570	247,166	322,964	293,920	227,659 ↓
Kualanamu	234,724	201,447	203,947	246,551	225,167	209,620	224,155
Tanjung Pinang	97,672	91,341	93,249	117,882	140,596	124,583	154,198
Husein Sastranegara	180,392	159,811	181,033	166,857	155,371	138,255	143,169
Sam Ratulangi	17,279	19,465	40,624	79,675	122,101	113,259	119,557
Adi Sucipto	89,156	82,126	112,058	145,673	138,600	128,009	103,837
Tanjung Balai Karimun	100,782	97,320	89,107	85,771	84,718	75,698	102,424
Lombok	69,881	70,248	90,738	123,388	78,930	76,656	52,322 ↓
Top-12	8,760,222	9,121,842	10,037,896	11,580,841	12,517,716	11,394,988	11,416,472
Others	675,189	1,108,933	1,481,379	2,458,958	3,288,475	3,009,763	3,499,138
Total	**9,435,411**	**10,230,775**	**11,519,275**	**14,039,799**	**15,806,191**	**14,404,751**	**14,915,610**

** January-November.*
Source: BPS-Statistics Indonesia

Mostly from Asia-Pacific (thousand visitors)

International visitors arrivals to Indonesia by nationality

Nationality	2014	2015	2016	2017	2018	2018*	2019*
Malaysia	1,418.30	1,431.70	1,541.20	2,121.90	2,501.60	2,264.0	2,834.7
China	1,052.70	1,249.10	1,556.80	2,093.20	2,137.50	1,996.1	1,919.8 ↓
Singapore	1,559.00	1,594.10	1,515.70	1,554.10	1,768.60	1,527.7	1,736.2
Australia	1,145.60	1,090.00	1,302.30	1,256.90	1,301.20	1,187.6	1,263.8
India	267.1	307	422	536.9	595.1	536.3	596.3
Japan	505.2	528.6	545.4	573.3	530.2	486.3	478.6 ↓
United States	246.4	269.1	316.8	344.8	387.3	353.6	417.5
United Kingdom	244.6	286.8	352	378.1	391.8	362.4	364.9
South Korea	352	375.6	386.8	423.2	358.5	328.9	354.1
France	208.5	208.7	256.2	274.1	287.7	275.3	271.5 ↓
Germany	184.5	201.2	243.9	267.8	273.8	257.6	261.6
Philippines	248.2	267.7	298.9	309	217.6	198.5	237.5
Netherlands	168.5	172.4	200.8	210..4	209.7	196.5	202.1
Taiwan	220.3	223.5	252.8	264.3	207.7	192.7	192.9
Russia	94.3	72.3	88.5	117.5	125.7	110.0	138.4
New Zealand	79.4	86.6	105.4	106.9	128.3	119.1	138.2
Thailand	114.3	118.6	124.6	138.2	122.3	115.5	127.8
Top-17	8,108.90	8,483.00	8,109.30	10,760.20	11,544.60	10,508.1	11,535.9
Others	1,326.50	1,747.80	3,410.00	3,279.60	4,261.60	3,896.7	3,379.7 ↓
Total	**9,435.40**	**10,230.80**	**11,519.30**	**14,039.80**	**15,806.20**	**14,404.8**	**14,915.6**

* January-November.

Source: BPS-Statistics Indonesia

Part IV

Sectoral Growth and Private Consumption

Tradable remains miserable, non-tradable drove: GDP growth by sector

Sectors	2013	2014	2015	2016	2017	2018	2019*	Share 2018
Agriculture, forestry & fishery	4.20	4.24	3.77	3.37	3.87	3.91	3.46	12.81
Mining and Quarrying	2.53	0.43	-3.42	0.95	0.66	2.16	1.18	8.08
Manufacturing industry	**4.37**	**4.64**	**4.33**	**4.26**	**4.29**	**4.27**	**3.85**	**19.86**
Electricity and gas	5.23	5.90	0.90	5.39	1.54	5..47	3.35	1.19
Water, waste management, cesspit and recycling	3.32	5.24	7.07	3.60	4.60	5.46	7.28	0.07
Construction	6.11	6.97	6.36	5.22	6.80	6.09	5.75	10.53
Wholesale&retail trade, car&motorcycle reparations	4.81	5.18	2.59	4.03	4.46	4.97	4.88	13.02
Transportation and warehousing	6.97	7.36	6.68	7.45	8.49	7.01	5.90	5.37
Accommodation, food and beverages	6.80	5.77	4.31	5.17	5.35	5.66	5.58	2.78
Information and communication	10.39	10.12	9.69	8.88	9.63	7.04	9.27	3.77
Finance and insurance	8.76	4.68	8.59	8.93	5.47	4.17	6.01	4.15
Real estate	6.54	5.00	4.11	4.69	3.66	3.58	5.73	2.74
Business services	7.91	9.81	7.69	7.36	8.44	8.64	10.17	1.80
Public adm., defense, & compulsory social security	2.56	2.38	4.63	3.20	2.06	7.02	5.67	3.65
Education	7.44	5.47	7.33	3.84	3.70	5.36	6.61	3.25
Health and social activities	7.96	7.96	6.68	5.16	6.84	7.13	8.97	1.07
Other services	6.40	8.93	8.08	8.01	8.73	8.99	10.49	1.81
Gross domestic product	**5.56**	**5.01**	**4.88**	**5.03**	**5.07**	**5.17**	**5.04**	**100.00**

* Q1-Q3.

Source: BPS-Statistics Indonesia.

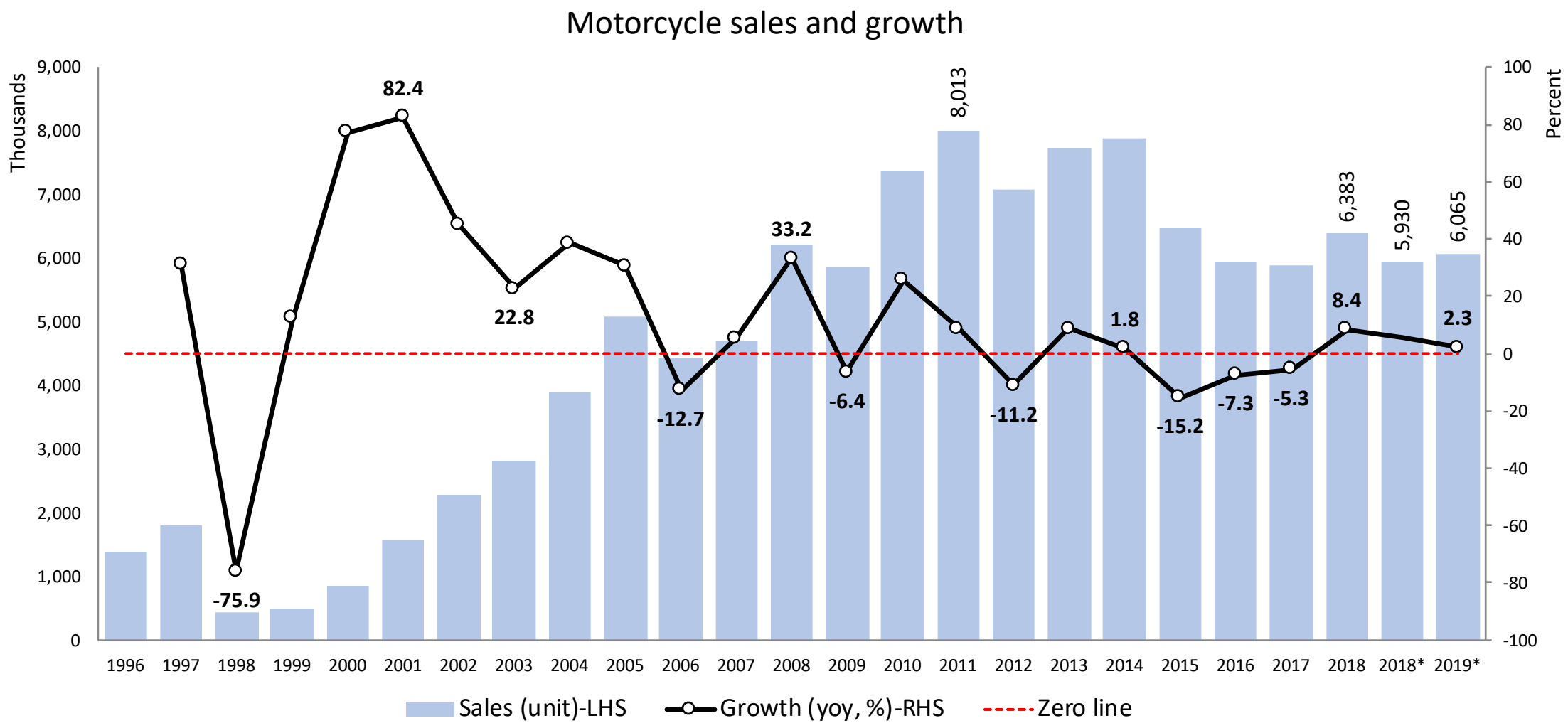
Growth of manufacturing industries, 2014-19

	2014	2015	2016	Average 2011-16	2017	2018	2019*	Share 2018
GDP Total	**5.01**	**4.88**	**5.03**	**4.97**	**5.07**	**5.17**	**5.06**	
Manufacturing, Total	**4.64**	**4.33**	**4.26**	**4.41**	**4.29**	**4.27**	**3.85**	
Coal and Refined Petroleum Products	-2.12	-1.13	2.84	-0.14	-0.25	-0.05	-1.73	
Non-oil & gas manufacturing	**5.61**	**5.05**	**4.43**	**5.03**	**4.85**	**4.77**	**4.48**	**100.00**
Food Products and Beverages	9.49	7.54	8.33	8.45	9.23	7.91	7.72	35.45
Tobacco Products	8.33	6.24	1.58	5.38	-0.64	3.52	3.87	5.05
Textiles and Wearing Apparel	1.56	-4.79	-0.09	-1.11	3.83	8.73	18.23	6.47
Leather & Related Products & Footware	5.62	3.97	8.36	5.98	2.22	9.42	**-0.73**	1.59
Wood & of its products (except furniture)	6.12	-1.63	1.74	2.08	0.13	0.75	**-5.93**	3.18
Paper & Paper Products; Repro of Recorded	3.58	-0.16	2.61	2.01	0.33	1.43	9.48	3.91
Chem & Pharma & Botanical Products	4.04	7.61	5.84	5.83	4.53	-1.42	7.02	9.19
Rubber & Plastics Products	1.16	5.04	-8.50	-0.77	2.47	6.92	**-5.71**	3.52
Non-Metallic Mineral	2.41	6.03	5.47	4.64	-0.86	2.75	**-2.69**	3.57
Manufacture of Basic Metals	6.01	6.21	0.99	4.40	5.87	8.99	5.53	4.25
Computer, Optical Products & Elec.Equip	2.94	7.83	4.33	5.03	2.79	-0.61	0.04	9.87
Machinery and Equipment	8.67	7.58	5.05	7.10	5.55	9.49	**-3.08**	1.82
Transport Equipment	4.01	2.40	4.52	3.64	3.68	4.24	**-3.83**	9.98
Furniture	3.60	5.17	0.46	3.08	3.65	2.22	8.54	1.36
Other Manuf, Repair & Instl. of Machinery	7.65	4.66	-3.04	3.09	-1.68	-0.83	7.98	0.79

*Q1-Q3.

Source: BPS-Statistics Indonesia

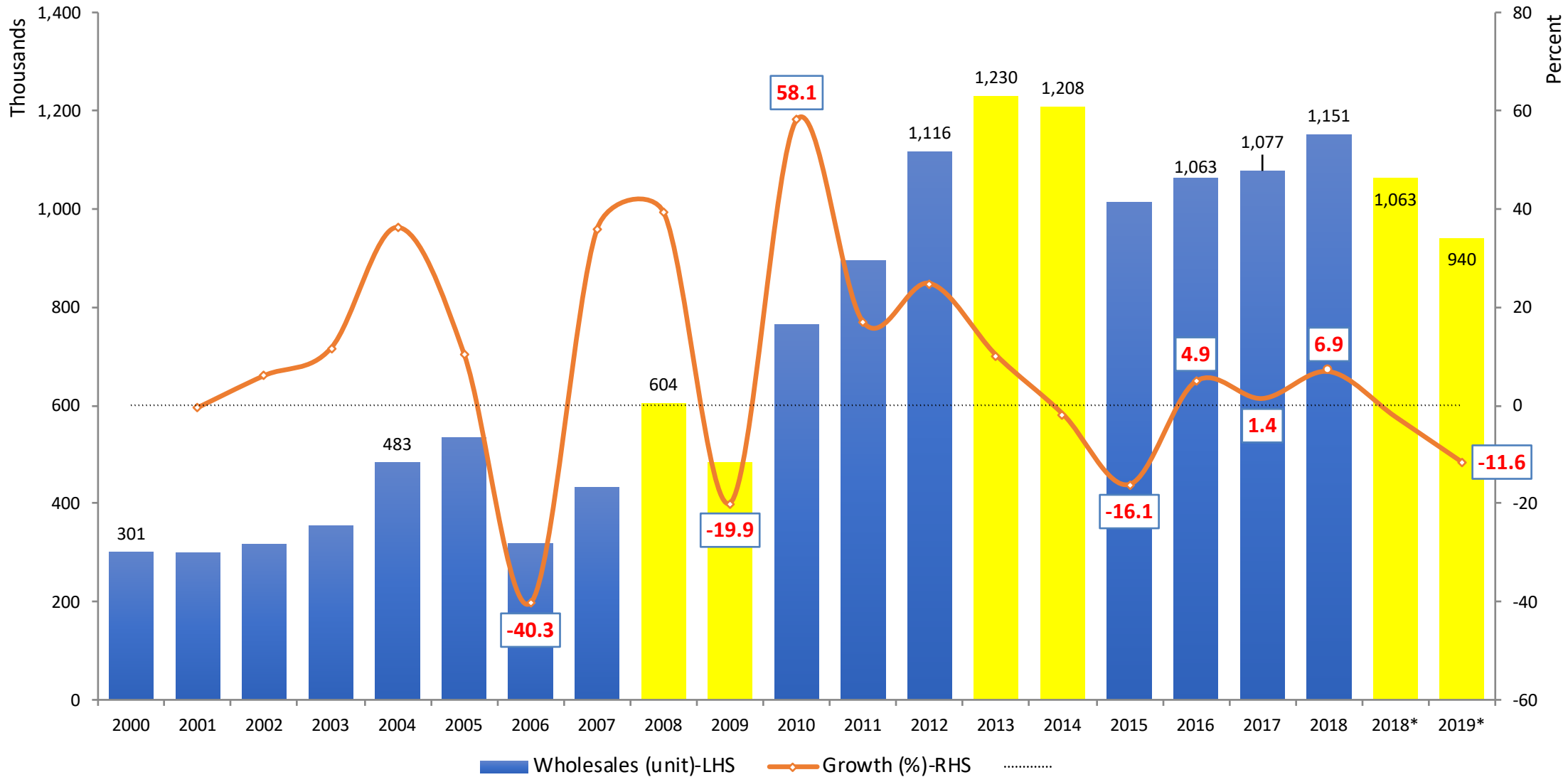
Motorcycle sales growth dropped sharply during 2015-17, grew 8.4% in 2018 and 3.5% in 2019*



*January-November.

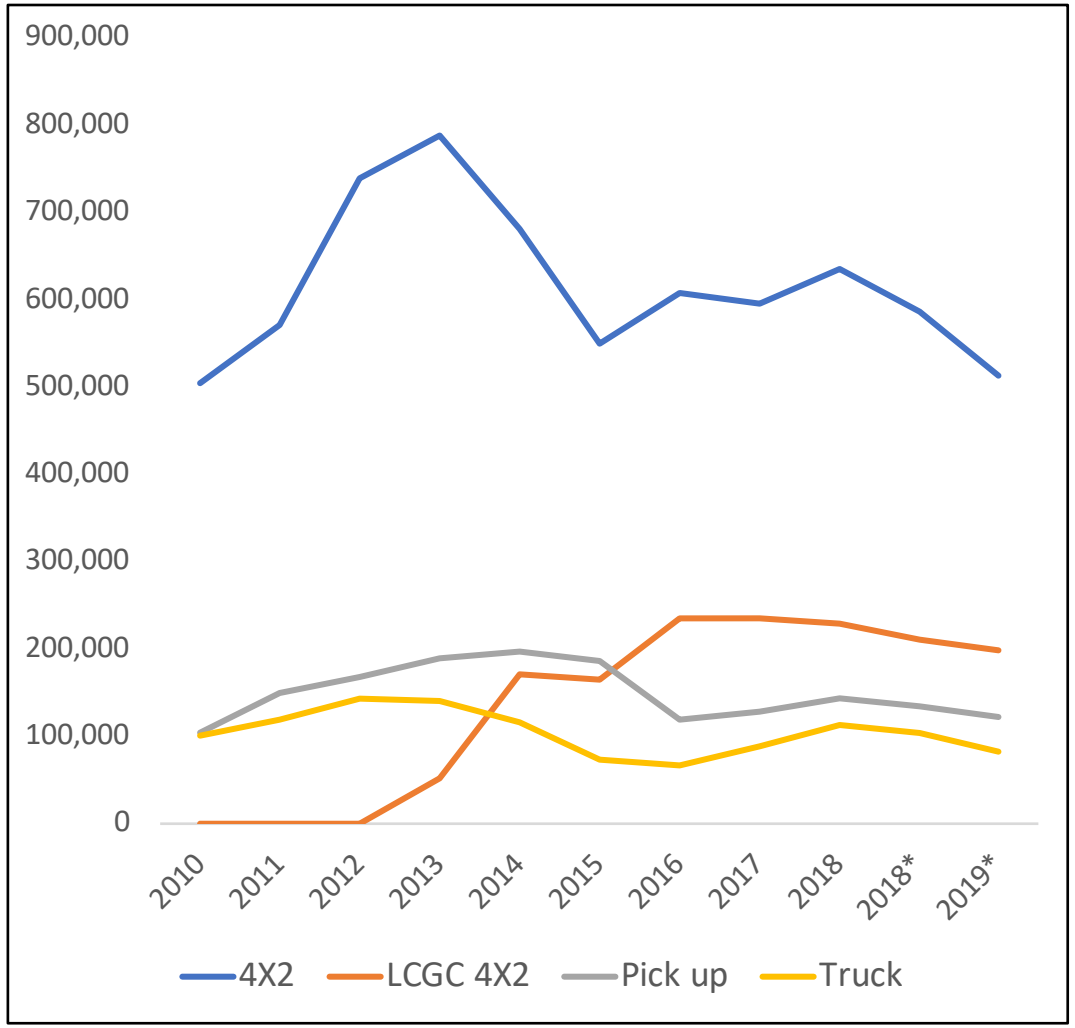
Source: Asosiasi Industri Sepeda Motor Indonesia (AISI).

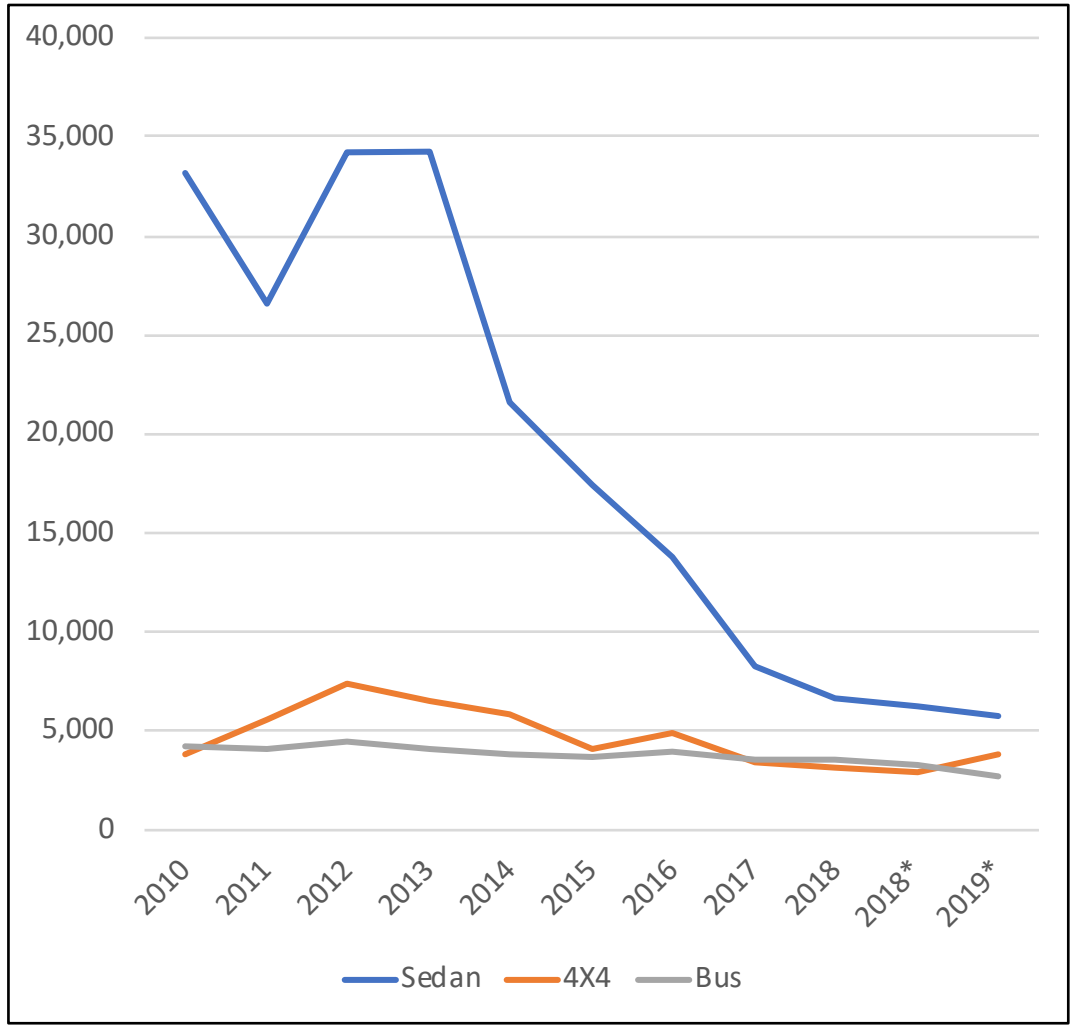
Car sales growth dropped sharply in 2019



*January-November.
Source: Gaikindo

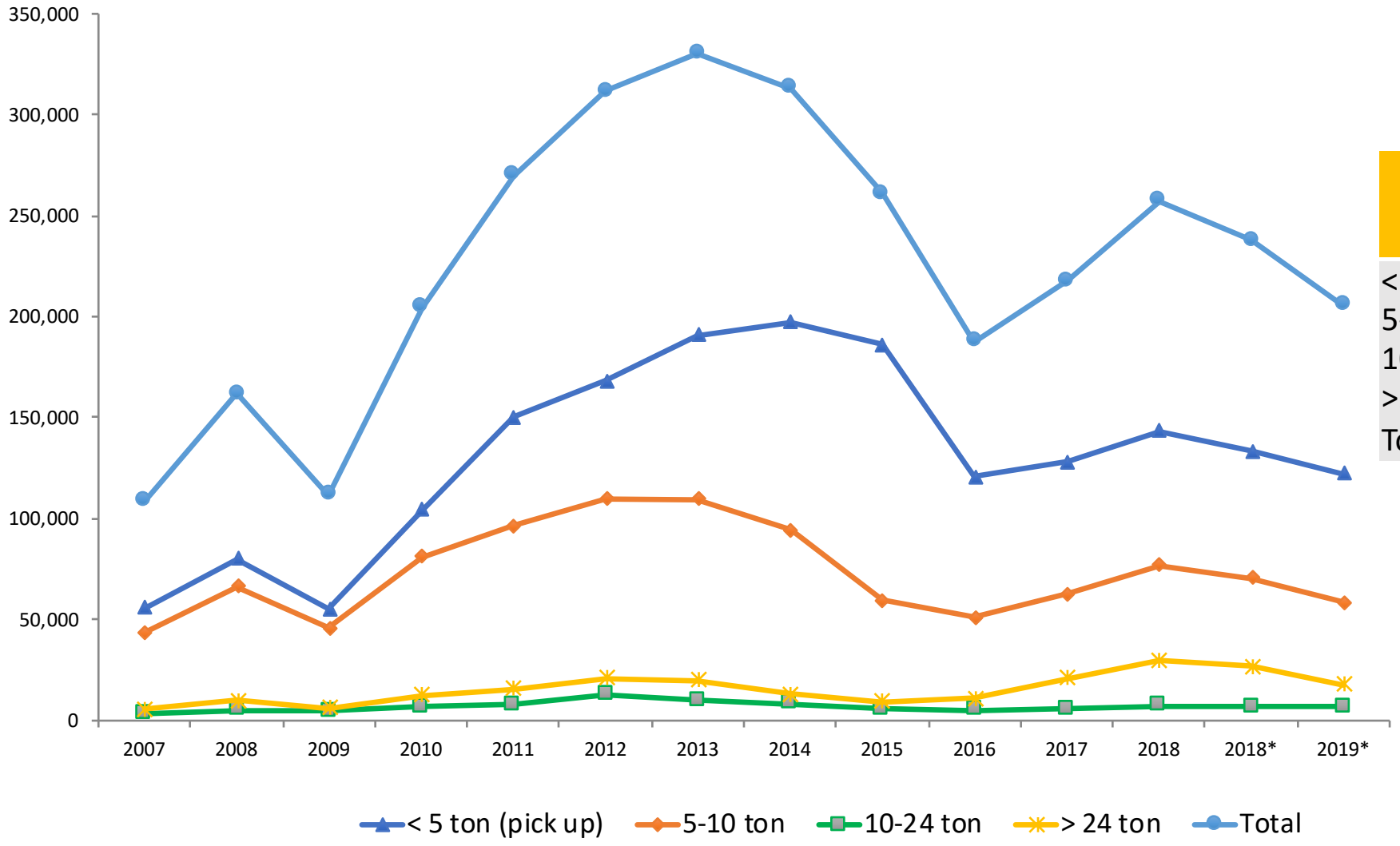
Car sales by type





*January-November.
Source: Gaikindo

Truck sales by capacity, 2007-2019

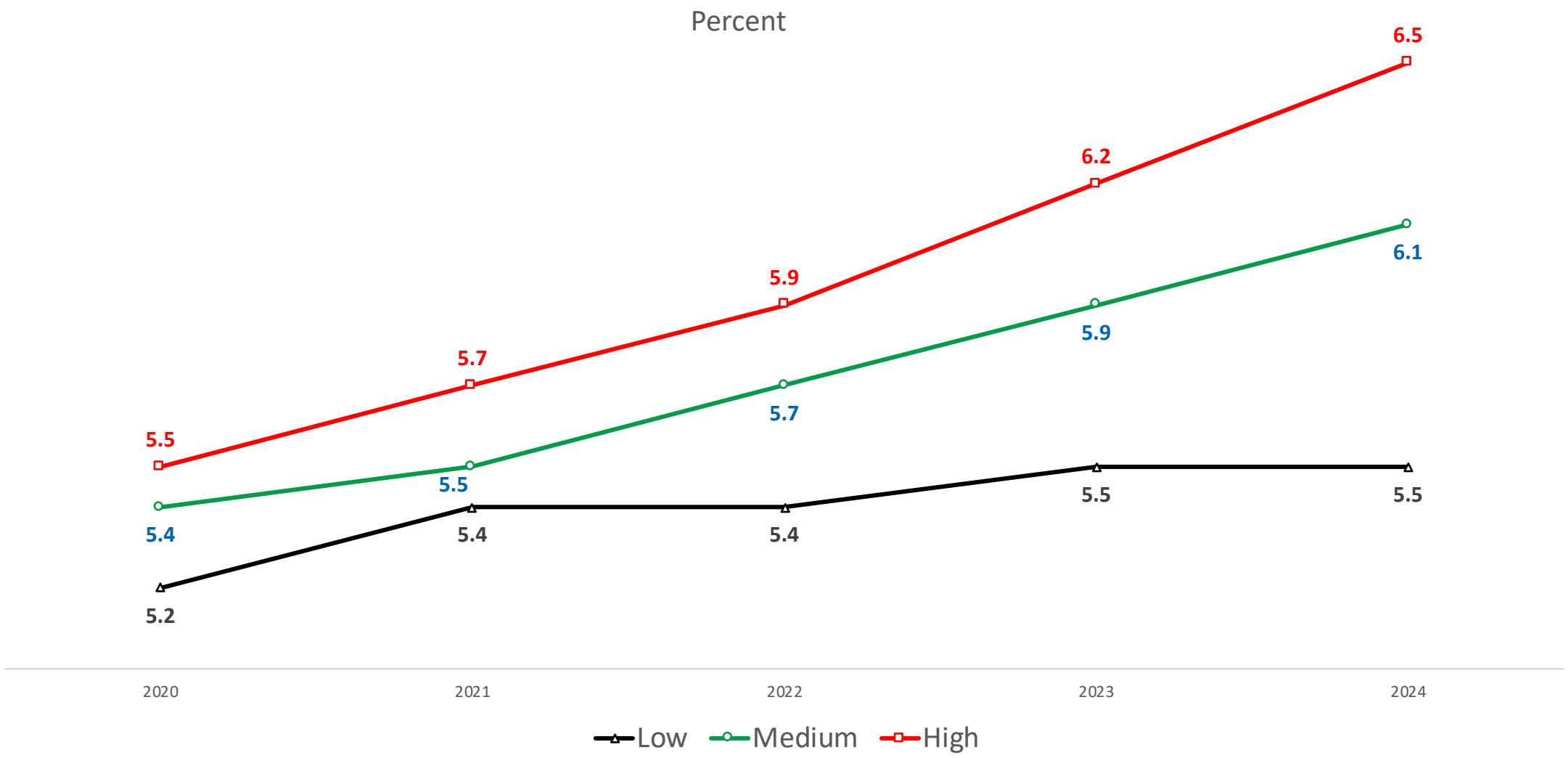


Growth, yoy, % Jan-Nov 2019	
< 5 ton (pick up)	-8%
5-10 ton	-17%
10-24 ton	5%
>24 ton	-34%
Total	-8%

*January-November.
Source: Gaikindo

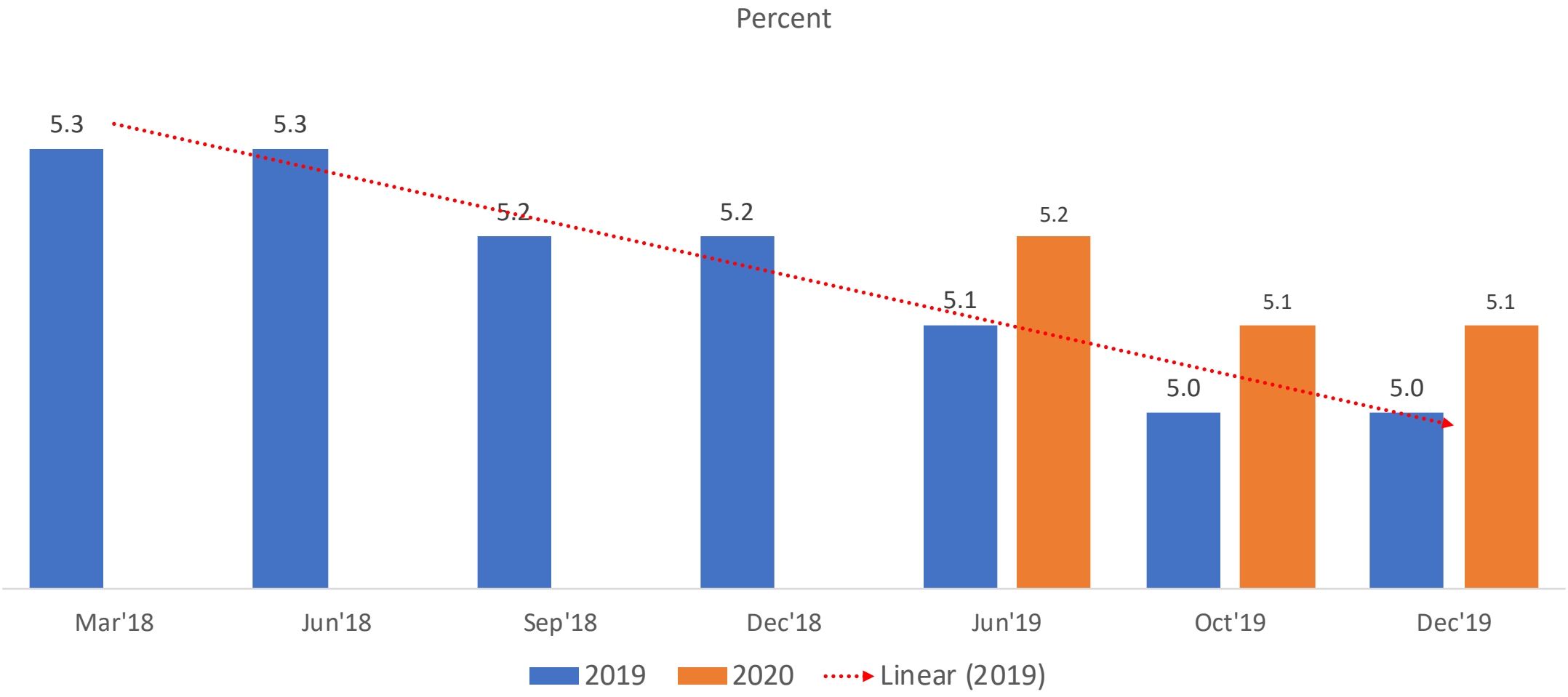
Part V
Economic Prospects for 2020

Bappenas: economic growth scenarios 2020-24



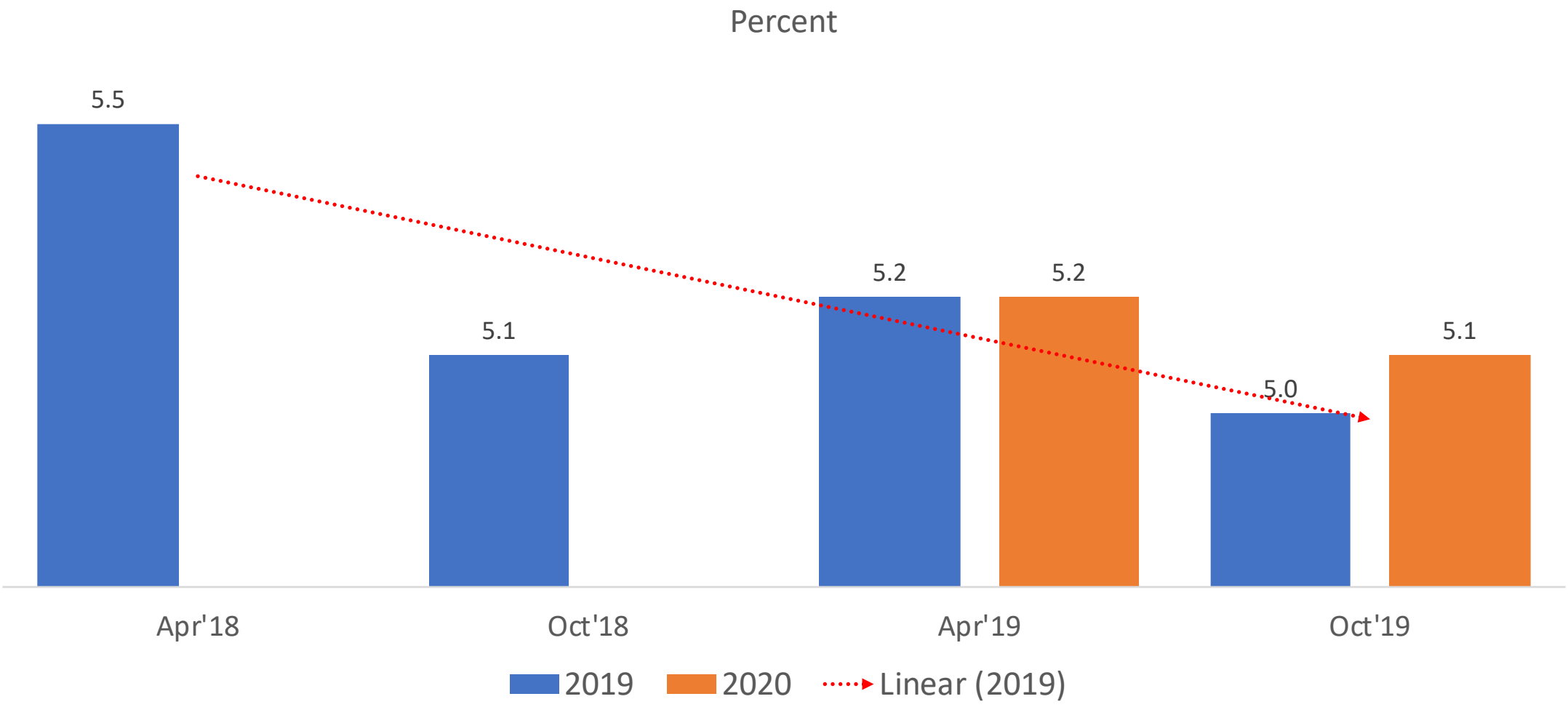
Source: Kementerian PPN/Bappenas, "Isu-isu Strategis dan Agenda Pembangunan RT RPJM 2020-2024," 24 July 2019.

The World Bank has repeatedly revised downward economic growth in Indonesia for 2019-2020



Sources: World Bank, *Indonesia Economic Quarterly*, various issues, and *World Bank East Asia and Pacific Economic Update*, October 2019.

The IMF, too: projected economic growth for Indonesia in 2019 and 2020



Sources: IMF, *World Economic Outlook,* various issues.

Projections of GDP growth by several agencies

Agency	Latest Published	2015* (4.9)	2016* (5.0)	2017* (5.1)	2018* (5.2)	2019**	2020**
Gov't of Indonesia	Sep. 2019	5.2 (+0.3)	5.1 (+0.1)	5.2 (+0.1)	5.4 (+0.2)	5.3	5.3
Bank Indonesia	Dec. 2019	5.2 (+0.3)	5.2 (+0.2)	5.2 (+0.1)	5.3 (+0.1)	~5.1	~5.3
IMF	Jan. 2019	5.2 (+0.3)	5.0 (0.0)	5.2 (+0.1)	5.3 (+0.1)	5.0	5.0
World Bank	Dec. 2019	4.7 (-0.2)	5.1 (+0.1)	5.1 (0.0)	5.2 (0.0)	5.0	5.1
ADB	Dec. 2019	5.0 (+0.1)	5.0 (0.0)	5.1 (0.0)	5.2 (0.0)	5.1	5.2
Faisal Basri	**Jan. 2019**	**4.9 (0.0)**	**4.9 (-0.1)**	**5.0 (-0.1)**	**5.0 (-0.2)**	**5.0**	**4.9**

*As of April-June
** Projection

Policy responses matter: projections of GDP growth of ASEAN, India, and China

year-on-year, percent

	2013	2014	2015	2016	2017	2018	2019*	2020*
Brunei Darussalam	-2.1	-2.5	-0.4	-2.5	1.3	0.1	1.0	1.5
Cambodia	7.4	7.1	7.0	7.0	7.0	7.5	7.0	6.8
Indonesia	**5.6**	**5.0**	**4.9**	**5.0**	**5.1**	**5.2**	**5.1**	**5.2**
Lao PDR	7.8	7.5	7.3	7.0	6.9	6.3	6.2	6.2
Malaysia	4.7	6.0	5.0	4.2	5.9	4.7	4.5	4.7
Myanmar	8.4	8.0	7.0	5.9	6.8	6.8	6.6	6.8
Philippines	7.1	6.2	6.1	6.9	6.7	6.2	6.0	6.2
Singapore	4.7	3.6	2.2	2.4	3.9	3.1	0.6	1.2
Thailand	2.7	0.9	3.0	3.3	4.0	4.1	2.6	3.0
Vietnam	5.4	6.0	6.7	6.2	6.8	7.1	6.9	6.8
ASEAN	**5.0**	**4.6**	**4.6**	**4.7**	**5.3**	**5.0**	**4.4**	**4.7**
India	6.4	7.4	8.2	7.1	7.2	6.8	5.1	6.5
China	7.8	7.3	6.9	6.7	6.8	6.6	6.1	5.8

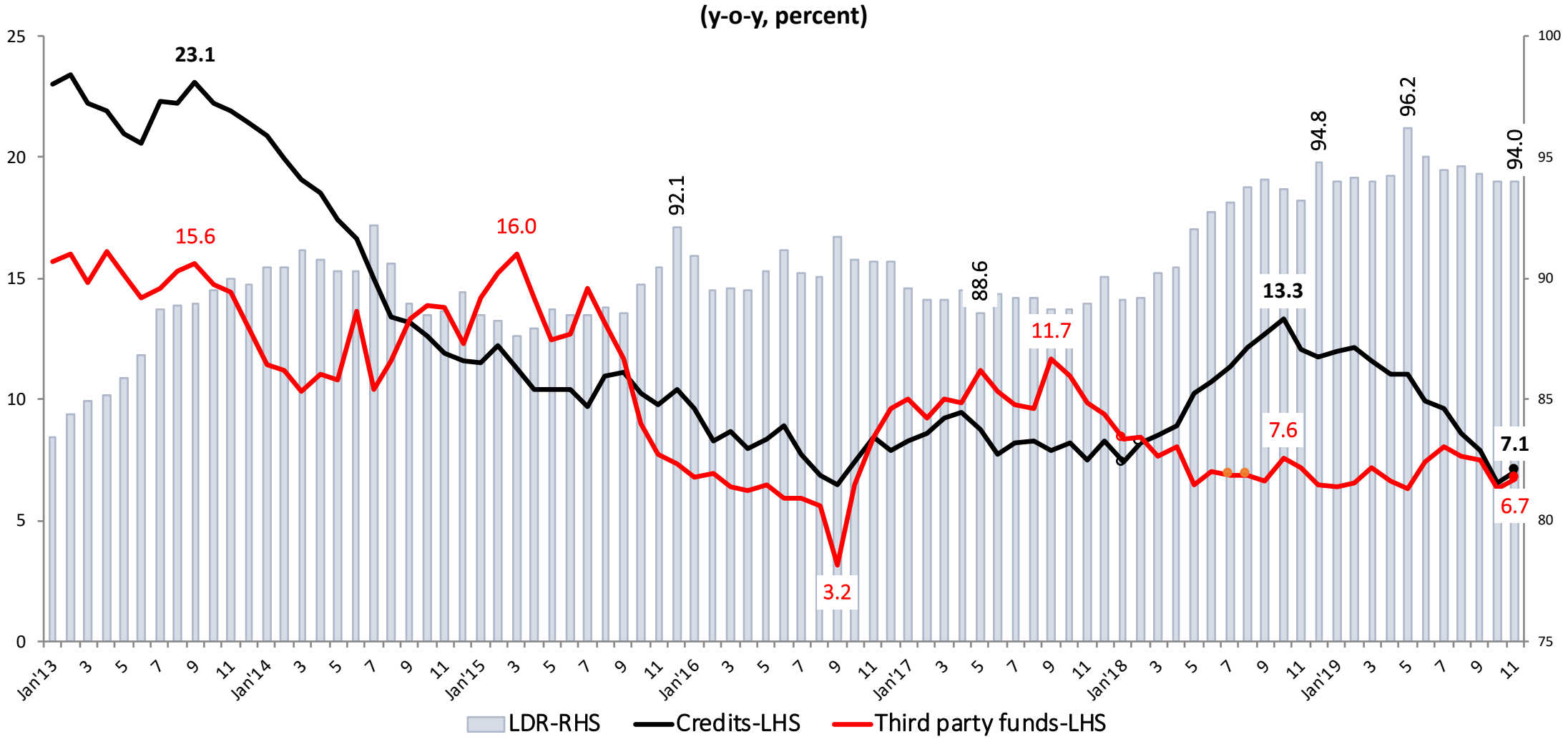
* Projections.

Sources: ADB, *Asian Development Outlook (ADO) 2019 Update, September 2019*, *ADO Update* September 2018, and *ADO Supplement* December 2019.

Part VI

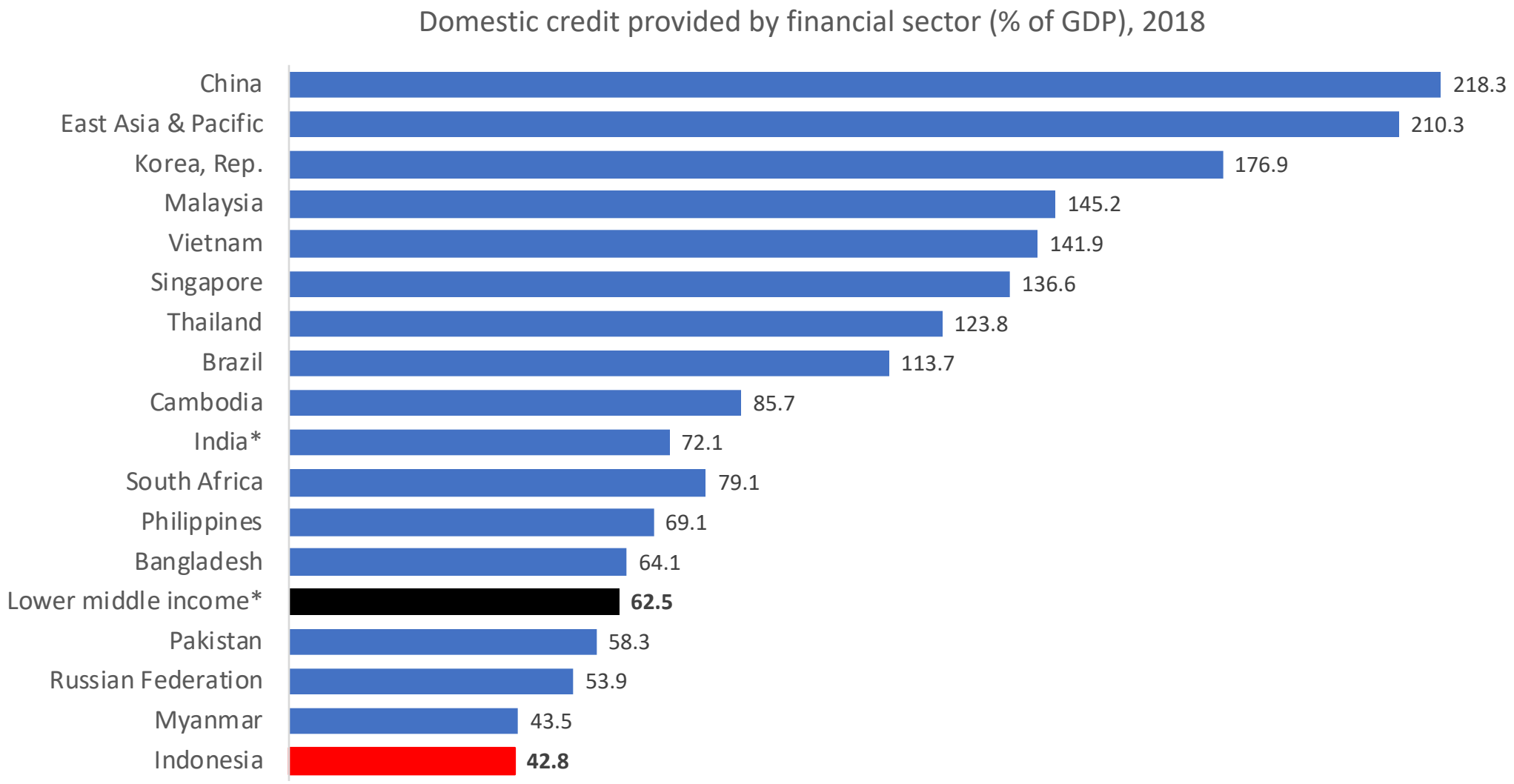
Optimize resources to Accelerate Growth and Omnibus Law

Credit growth declined to single digit in the last six months



Sources: Bank Indonesia and Financial Services Authority (OJK).

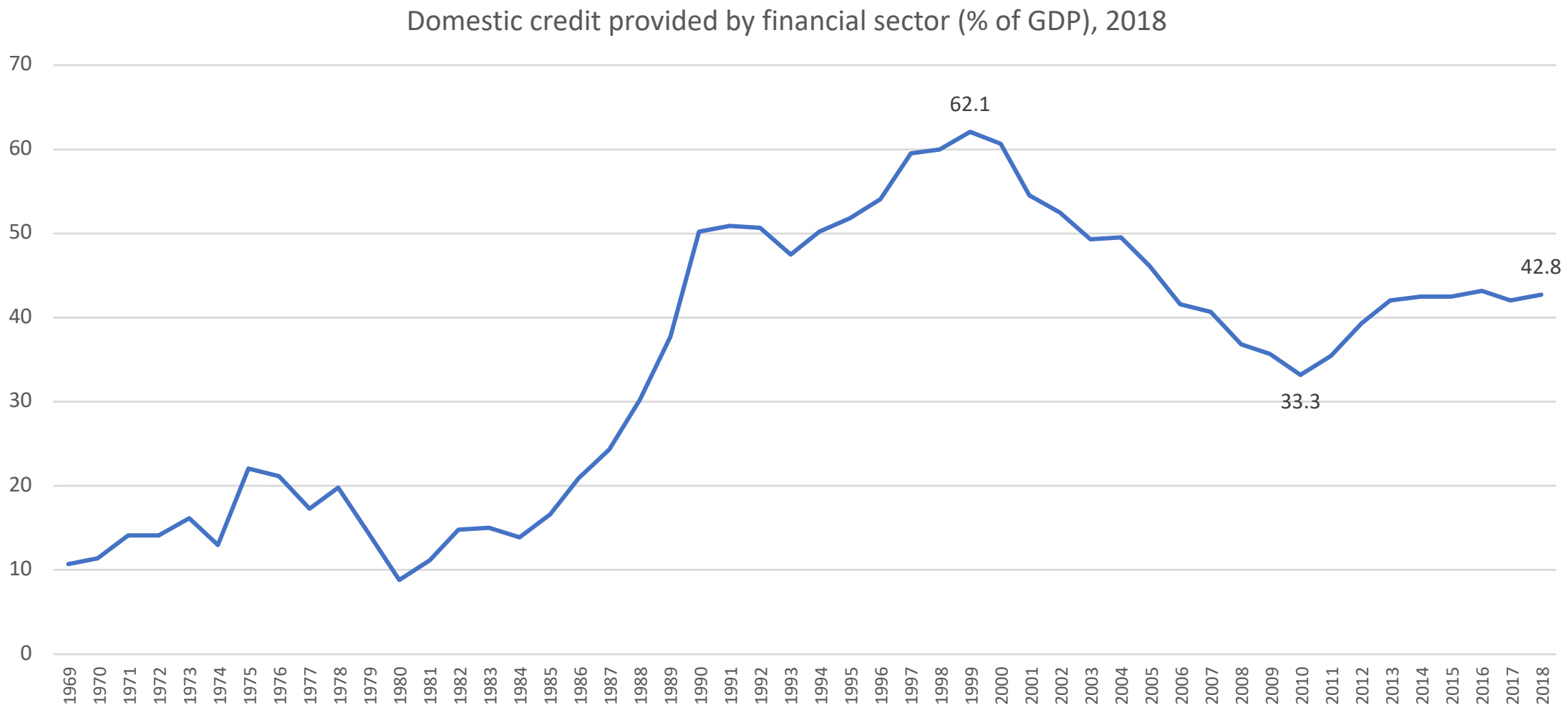
Credit penetration in Indonesia is still very low



*2017

Source: World Bank, World Development Indicators.

Indonesia: credit to GDP ratio has not reached pre-crises level



Source: World Bank, World Development Indicators.

Unexplored potentials

- Around 3.4 million micro-scale and 283,000 small-scale manufacturing industries will be potential to strengthen Indonesia’s global supply chains.
- Incredible marine resources, but fisheries sector only accounts for around 2.6% of GDP.
- Sea transportation only accounts for 0.3 percent of GDP, far less than air transportation (1.6 percent) and land transportation (2.4 percent). Sea transportation will strengthen the integration of the national economy.
- In August 2019, 28.6 percent of the working population were in the agricultural sector. Modernization of the agricultural sector accelerates the increase in national productivity and people's welfare.

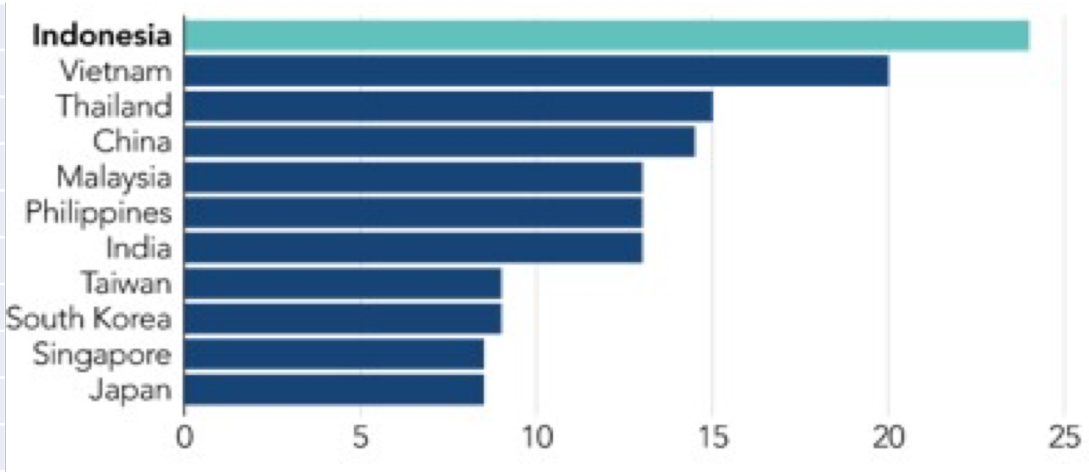
How's the sea toll ("tol laut")?

Logistics infrastructure of countries in ASEAN

	Port	Airport	Railway	Road
Cambodia	Poor	Fair	Poor	Poor
Indonesia	**Poor**	**Fair**	**Good**	**Fair**
Laos	Not applicable	Poor	Not applicable	Fair
Malaysia	Good	Good	Good	Good
Philliphines	Fair	Fair	Poor	Fair
Singapore	Good	Good	Good	Good
Thailand	Good	Good	Good	Good
Vietnam	Fair	Fair	Fair	Fair
Burma	Poor	Poor	Poor	Fair

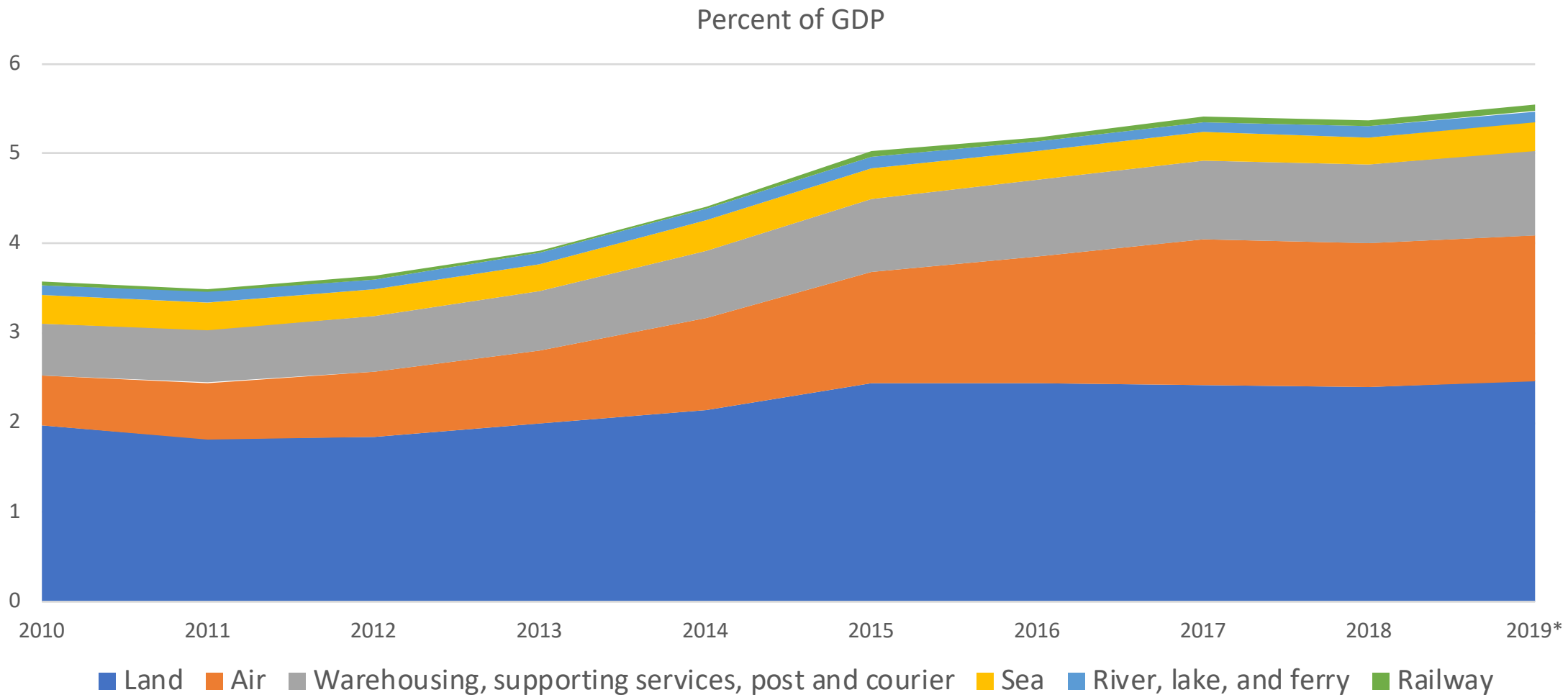
Source: http://www.business-in-asia.com/infrastructure_asean.html

Logistics cost in Asia (% of GDP)



Source: asia.nikkei.com

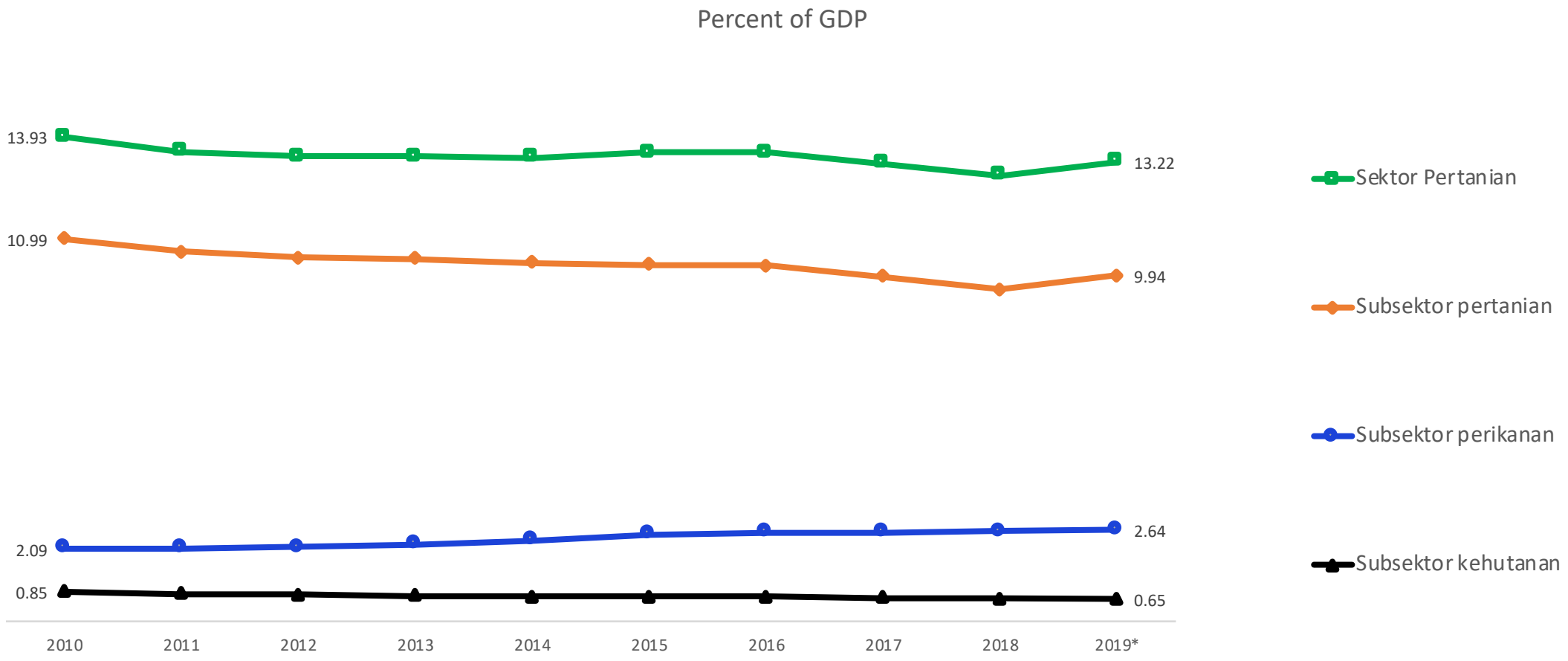
Sea toll ("tol laut") is not effective: logistics costs remain high



*Q1-Q3 (January-September).

Source: BPS-Statistics Indonesia.

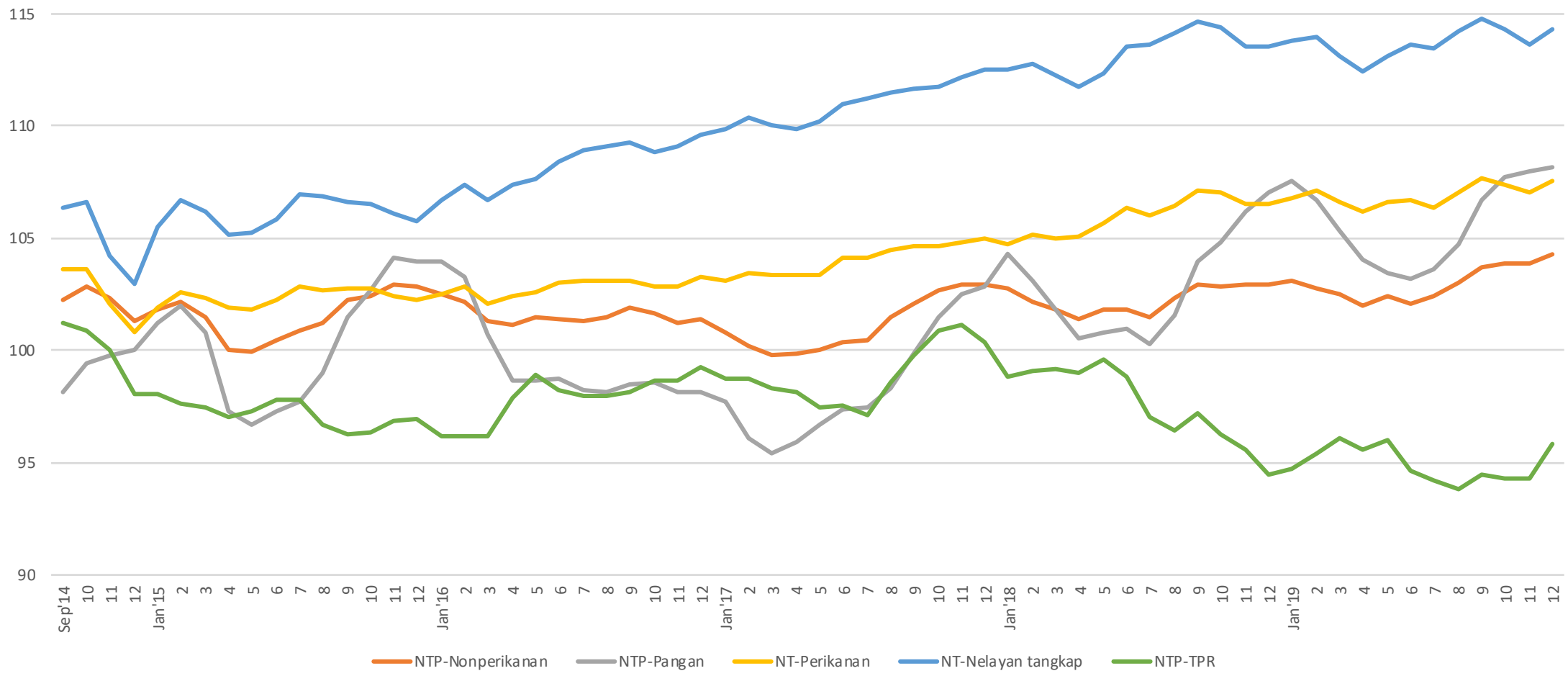
The contribution of the fisheries subsector is just under 3 percent of GDP, but with an upward trend



Q1-Q3 (January-September.

Source: BPS-Statistics Indonesia

Terms of trade of captured fishermen rose the highest, farmers' plantation estates fell the most



NT = nilai tukar

Source: BPS-Statistics Indonesia

You don't need a rocket expert to prove …

…that lifting the ban on lobster seed exports is a step that has seriously eroded the potential of our national economy and maritime resources

Kamis, 12 Des 2019 22:19 WIB

Setuju Ekspor Benih Lobster, Luhut: Daripada Diselundupkan

Herdi Alif Al Hikam - detikFinance

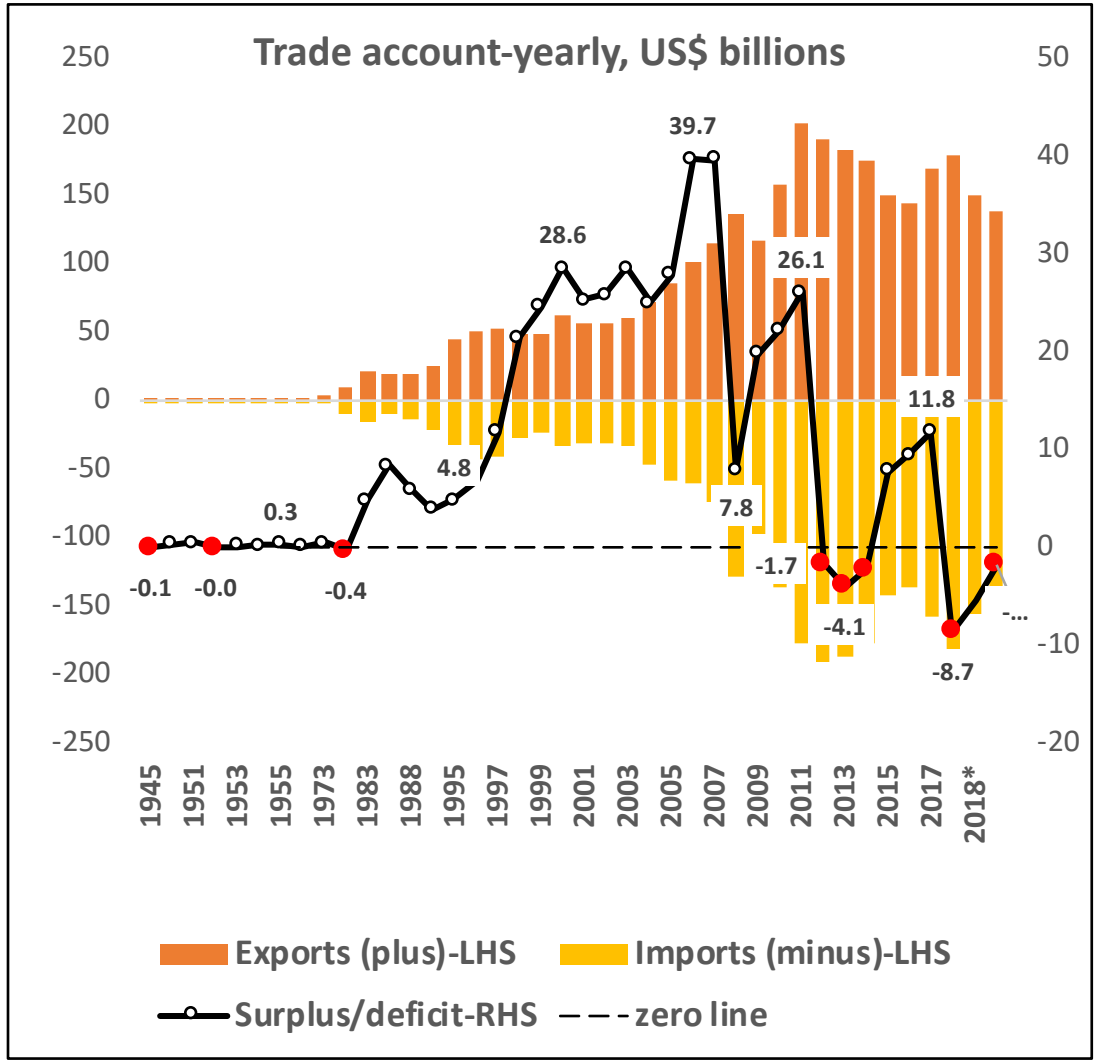
51 komentar

Menteri Koordinator Kemaritiman dan Investasi Luhut Binsar Pandjaitan setuju dengan pencabutan larangan ekspor benih lobster. Menurut Luhut ekspor benih lobster justru bagus karena kebanyakan benih lobster tidak tumbuh baik. Bahkan tidak sampai satu persen yang bisa hidup dan berkembang.

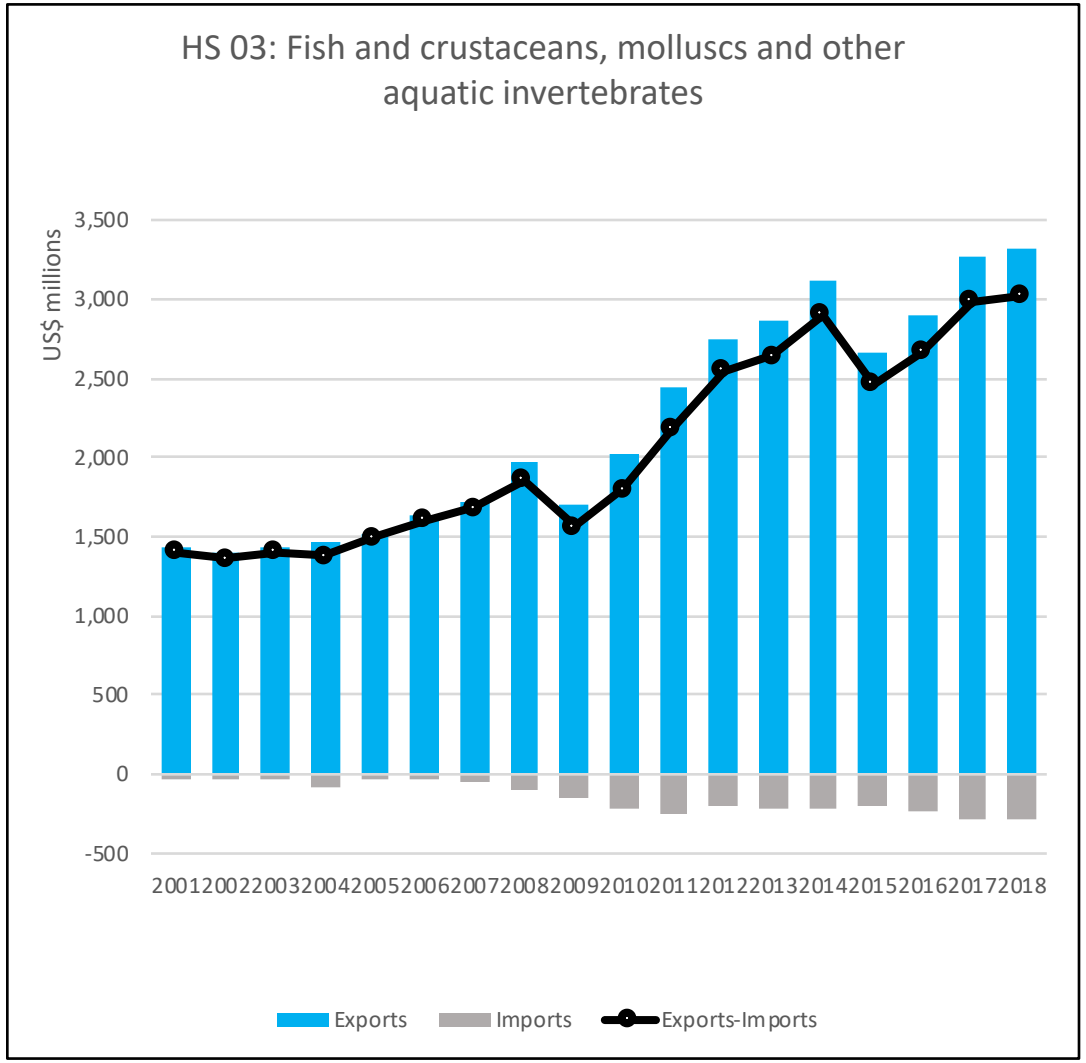
"Saya kira bagus. Kan kalau nggak diambil benih lobsternya juga, yang hidup atau tumbuh kurang dari satu persen," ujar Luhut di kantor Kementerian Koordinator Kemaritiman dan Investasi, Jakarta Pusat, Kamis (12/12/2019).

Selain itu, Luhut menilai benih lobster lebih baik diekspor, ketimbang selama ini banyak yang diselundupkan. Dia menegaskan paling penting dari kebijakan ekspor benih lobster ini adalah pengawasan yang ketat.

Total trade account and trade surplus HS 03

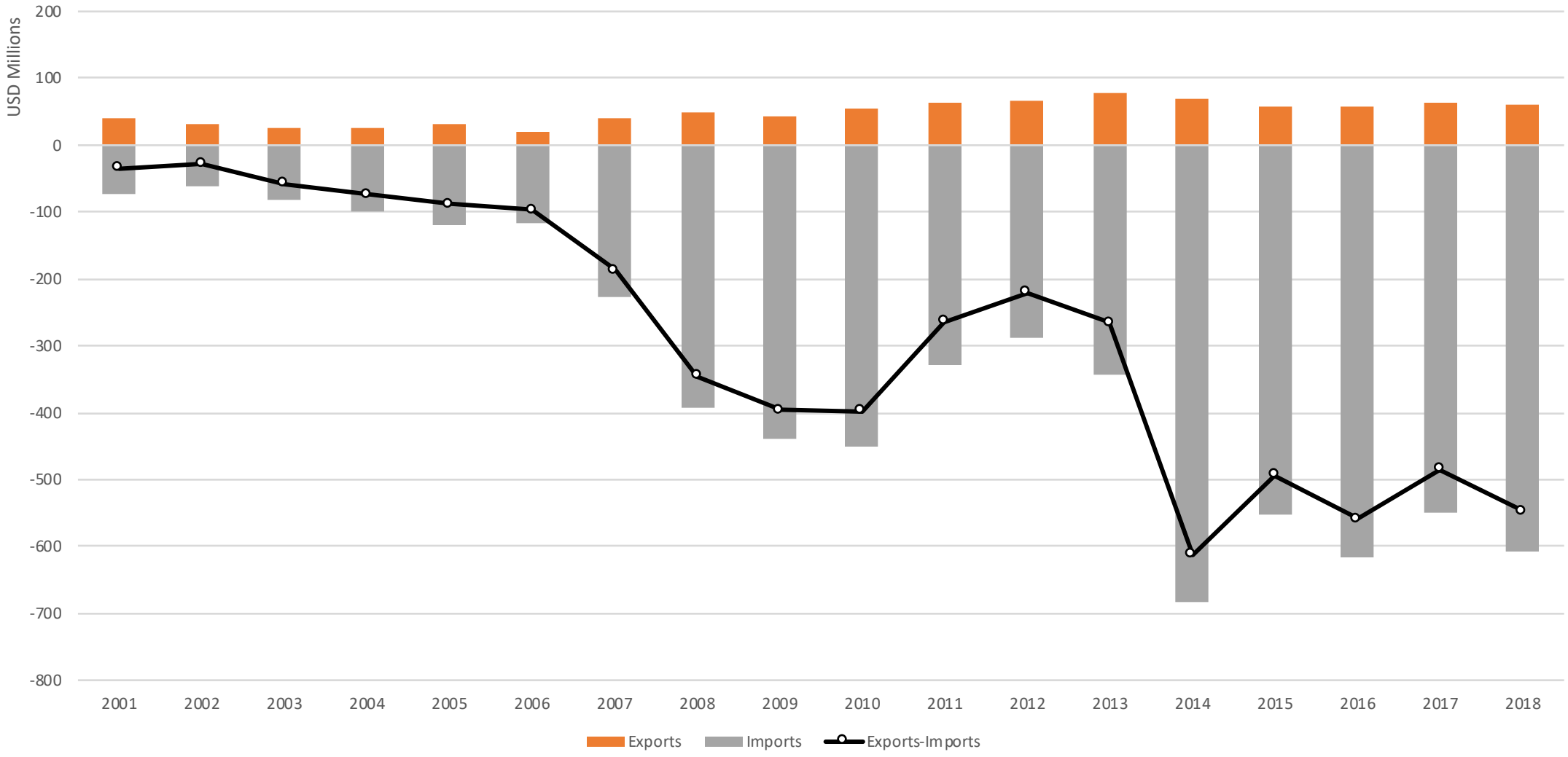


Source: BPS-Statistics Indonesia



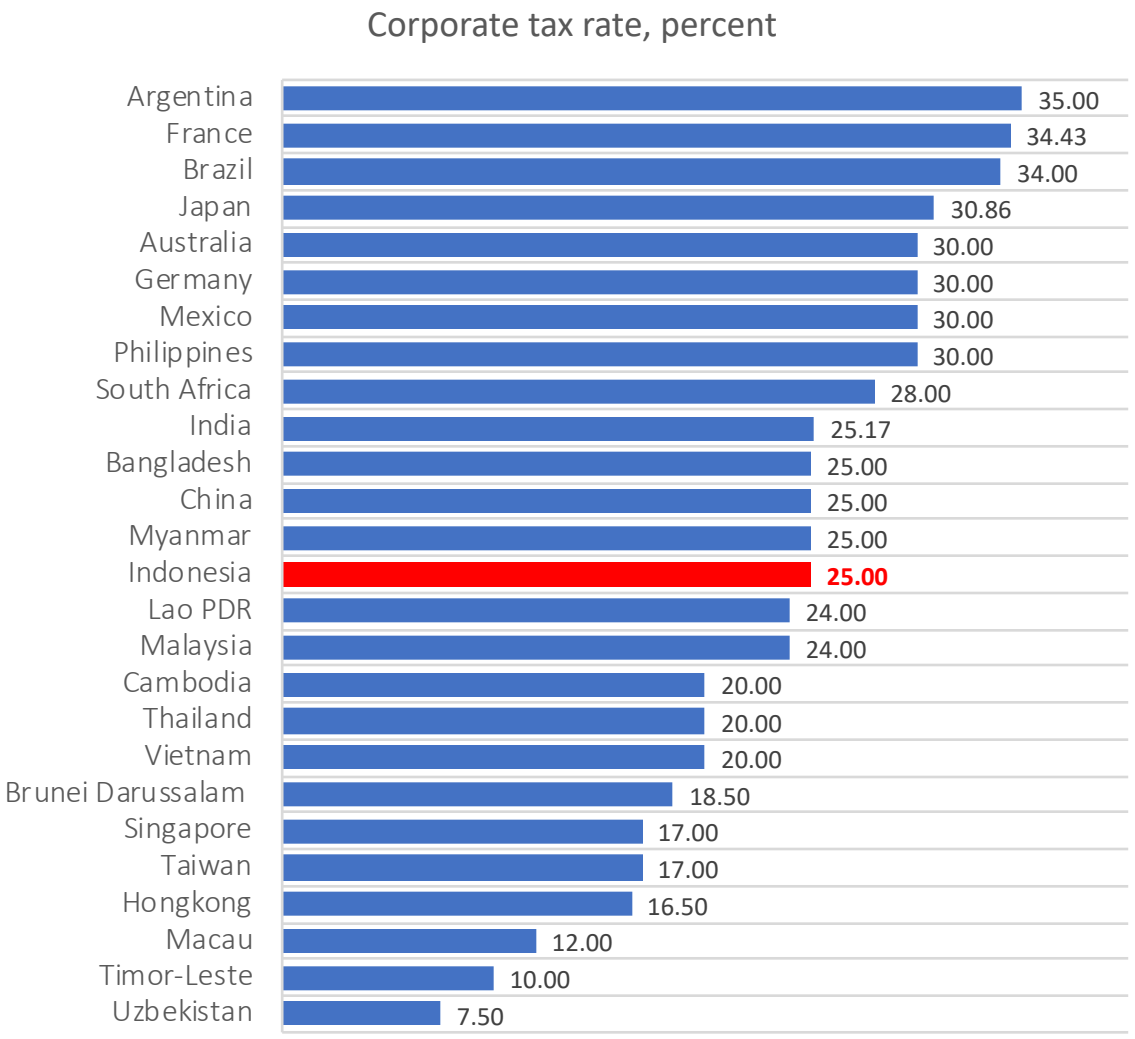
Source: International Trade Center, Trade Map – International Trade Statistics database.

Trade account HS 01: Live animals

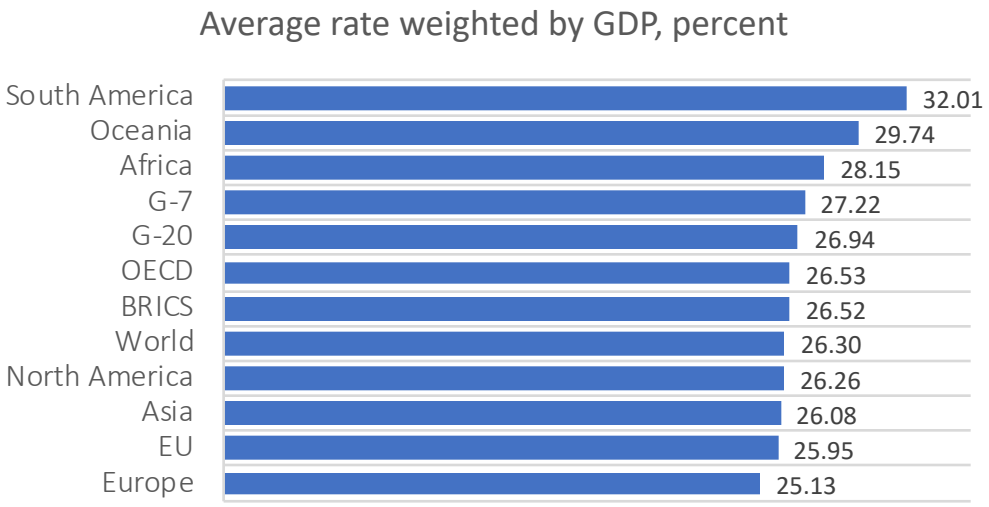


Sumber: International Trade Center, Trade Map – International Trade Statistics database.

Taxation policy



Source: Trading Economics.

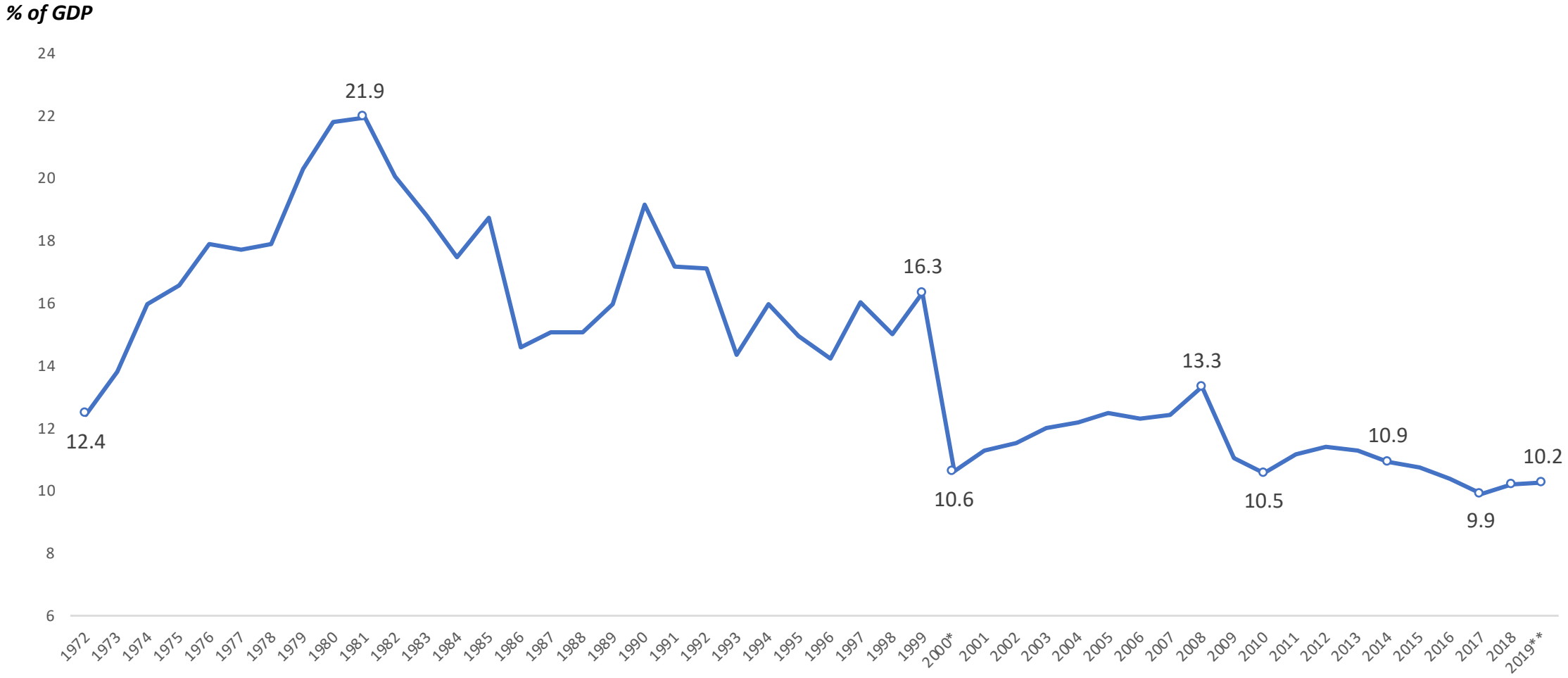


Source: Tax Foundation.

The draft bill in the Omnibus Law umbrella:

- Corporate income tax rates will gradually be decreased from 25% to 22% in 2021-22 and 20% starting in 2023.
- For go public companies, the rate is 3% lower than the normal rate.
- The reduction in the corporate tax rate aims to provide funding space from domestic sources to increase investment as well as FDI.

Tax ratio has declined for the last 5 years in a row, increased to 10.2 percent in the last two years



*Last quarter of 1999/2000 fiscal year plus April-December of 2000 fiscal year.
**Preliminary.
Sources: World Bank for 1972-1999; for 2000-2018: Tax revenue from Ministry of Finance (APBN Kita, July edition); GDP from BPS-Statistics Indonesia.

Capacity utilizations are low

- All manufacturing industries: ~70 percent
- Cement industry: ~68 percent
- Automotive industry: ~50 percent
- Textiles: ~50 percent
- Biodiesel: ~35 percent

Terima Kasih

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