

# EXECUTIVE HIGHLIGHTS

KEEPING UP. STAYING AHEAD.



01

**AS OF END-APRIL, THE STATE BUDGET (APBN) SHOWED A SURPLUS OF RP75.7 TRILLION (US\$4.7 BILLION), 0.33% OF THE GDP, FINANCE MINISTER SRI MULYANI REPORTED.**

However, state revenue was down 7.6% y/y to Rp924.9 trillion. State spending rose 10.9% y/y to Rp849.2 trillion, with central government spending reaching Rp591.7 trillion, largely due to civil servants' Idul Fitri allowances. Funds were allocated to thematic budgets such as education (Rp173.4 trillion) and infrastructure (Rp89.8 trillion), while Rp4.8 trillion was spent on the new capital city. Tax revenues totaled Rp624.9 trillion, with import and export duties at Rp15.7 trillion and Rp5.8 trillion, respectively. Export value grew 1.7% y/y to \$19.62 billion, while import value increased 4.6% y/y to \$16.06 billion.

02

**APRIL'S TRADE SURPLUS CAME IN AT US\$3.56 BILLION, DOWN SLIGHTLY COMPARED TO \$3.94 BILLION A YEAR EARLIER, SURPASSING MARKET ESTIMATES OF \$3.30 BILLION.**

Exports rose 1.72% to \$19.62 billion, marking the first increase in 11 months, driven by higher exports to the US, India and ASEAN countries, Statistics Indonesia (BPS) reported. Meanwhile, imports grew 4.62% to \$16.06 billion, rebounding from a previous plunge but falling below forecasts. In the first four months of the year, the trade surplus totaled \$10.97 billion, down from \$1.05 billion in the same period of 2023, with exports declining 5.12% while imports increased 0.93%, according to BPS.

03

**INVESTMENTS IN INDONESIA'S OIL AND GAS SECTOR ARE EXPECTED TO SURGE 29% IN 2024, SAYS DWI SOETJIPTO, CHAIRMAN OF REGULATOR SKK MIGAS.**

With the recent exits of industry giants Shell and Chevron, Indonesia is prioritizing increased drilling and exploration to counter declining output. Foreign firms such as Eni, Exxon Mobil and BP are expected to contribute 40% of this year's planned investments, Dwi said, as reported by Reuters. The focus will be on enhancing exploration and drilling, with an estimated investment of US\$17 billion in 2024, more than doubling the growth seen in 2023. Dwi also highlighted challenges related to decarbonization requirements and the need for consistent returns on investments in carbon capture. Despite a forecast of slightly lower oil lifting volumes, natural gas lifting is anticipated to rise 8% in 2024, driven by new gas projects and recent production starts. An industry analyst commented on the increasing activity, noting significant investments from BP, Exxon Mobil and Eni, alongside exploration drilling. Exploration success, coupled with high oil prices, could lead to "a rare achievement." Eni's strategic position through exploration and acquisitions, including Chevron and Neptune, positions them as a future leader in investment as their Deepwater reserves are developed. While the 2030 goal of 1.0 million bopd plus 12 bcf/d gas remains ambitious, the outlook for gas production appears optimistic.

04

**THE 10<sup>TH</sup> WORLD WATER FORUM HAS PRODUCED A COMPENDIUM OF 113 PROJECTS VALUED AT US\$9.4 BILLION, AS ANNOUNCED BY PUBLIC WORKS AND PUBLIC HOUSING MINISTER BASUKI HADIMULJONO.**

These projects, outlined in a ministerial declaration, are considered flagship initiatives in many countries. They include efforts to provide drinking water to 3 million households and manage domestic wastewater for 300 thousand households in Indonesia. Covering a spectrum of activities including studies, technical assistance, research centers and capacity development, these projects entail both bilateral and multilateral collaborations, according to the minister, Antara reported. Noteworthy among Indonesia's efforts are initiatives aimed at combating water-related diseases, addressing stunting and diminishing reliance on groundwater extraction, with targeted attention on regions such as Palembang, Pantura, small islands and Greater Jakarta. Moreover, proposals from Indonesia, including the establishment of a Center of Excellence on Water and Climate Security and the designation of World Lakes Day, were adopted in the ministerial declaration titled "Water for Shared Prosperity," the minister said.

05

**US SOLAR MANUFACTURER SEG SOLAR HAS SECURED A LAND AGREEMENT TO BUILD A US\$500 MILLION 5GW INTEGRATED PHOTOVOLTAIC (PV) MANUFACTURING FACILITY IN BATANG REGENCY, CENTRAL JAVA.**

The project, planned in phases, targets completion of its initial stage by Q2/2025, aiming for 5GW of solar cell and 3GW of module annual capacity. The total investment is set to surpass US\$500 million, covering over 40 hectares, PV-Tech reported. While technology specifics remain undisclosed, SEG emphasizes its commitment to a compliant supply chain, aiming to provide eco-friendly products globally, said SEG Solar founder and COO, Jun Zhuge . He added that the Indonesian plant will supply cells for SEG's assembly plants in China, Thailand and the US. In the US, SEG Solar is building a 2GW module assembly plant expected to be operational this year. By year-end, the company targets a total module capacity of 5.5GW across its plants. This development reflects Indonesia's growing solar manufacturing landscape, following Gstar's recent commencement of a 3GW silicon wafer plant construction, as reported below.

06

**SINGAPORE'S SOLAR MANUFACTURER GSTAR SOLAR HAS STARTED BUILDING A SILICON ROD AND WAFER-SLICING PLANT IN JAKARTA, WITH 3GW PRODUCTION CAPACITY FOR EACH.**

As reported by PV-Tech, the facility aims to produce both 182mm and 210mm solar wafers, scheduled to commence production by the end of 2024. Gstar plans to adopt a vertically integrated model, from wafer to module, to ensure product quality and supply chain stability. This move aligns with the company's strategy to mitigate US anti-dumping tariffs targeting Chinese-owned manufacturing facilities in Southeast Asia. Although products from Southeast Asia with non-Chinese solar wafers are currently exempt from US import tariffs, ongoing trade dynamics could prompt changes. Gstar, established in 2019 and incorporated in Singapore in 2021, owns EPOCH Green Energy Inc., a solar distributor in California, acquired in late 2022.

07

**INDONESIA AIMS TO JOIN THE CPTPP THIS YEAR FOR FASTER EXPORT GROWTH, PRIORITIZING IT OVER BILATERAL AGREEMENTS, SAYS CHIEF ECONOMIC MINISTER AIRLANGGA HARTARTO.**

The minister said Indonesia has completed its internal application process to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and aims to protect its small and midsize businesses, which comprise 60% of its GDP, from direct competition with China. Airlangga emphasized that CPTPP membership offers easier trade opportunities and faster export growth, particularly in moving from raw materials to higher-value manufactured goods. The CPTPP includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, with the UK soon joining. Indonesia's application is part of broader efforts to secure free trade agreements and support economic transformation through science, technology, green economy and digitalization, the minister said, as reported by Nikkei.

08

**CHIEF ECONOMIC MINISTER AIRLANGGA HARTARTO EMPHASIZED INDONESIA'S PURSUIT OF FAIR TREATMENT FROM THE EUROPEAN UNION DURING AN INTERVIEW WITH GERMAN MEDIA OUTLET HANDELSBLATT.**

The discussions revolved around the protracted negotiations of the Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA), which have been ongoing for seven years. As reported by Antara, Airlangga highlighted Indonesia's pivotal role in the global economy, stressing the need for expedited negotiations. He also showcased Indonesia's openness to investments from all nations, particularly highlighting the significant growth in the nickel sector. Airlangga outlined Indonesia's plans to transition nickel production to green energy, emphasizing the importance of competitiveness and cost management. He also addressed trade restrictions, defending Indonesia's right to manage its natural resources despite criticism from the EU. Airlangga expressed optimism about Indonesia's future, aiming for substantial economic growth by 2045. Recent negotiations between Indonesia and the EU have shown progress, with a target deadline set for 2024. The two parties have reached agreements on several chapters, with discussions ongoing on remaining issues. In 2023, Indonesia-EU trade amounted to US\$30.8 billion, with palm oil remaining a significant export despite EU efforts to restrict its access.

09

**INDONESIA'S BIODIESEL EXPORTS ARE FACING SIGNIFICANT CHALLENGES, ESPECIALLY FROM THE EUROPEAN UNION (EU), ITS LARGEST IMPORTER AT 40%.**

Exports to the EU have sharply declined due to the EU's Deforestation-free Regulation (EUDR) enacted in late 2022. This impact was particularly severe in early 2024, with exports dropping 70%, according to the Indonesian Palm Oil Association (Gapki). Gapki Chairman Eddy Martono attributed this decline to the EU regulation, poor economic growth in importing countries, and increased supply of other vegetable oils. Ernest Gunawan, Secretary General of the Indonesian Biofuel Producers Association (Aprobi), noted that while EU exports have decreased, domestic biodiesel demand is expected to rise with the government's planned B40 biodiesel program. The B40 program could boost biodiesel demand to 15.2 million kiloliters, given current diesel needs, he said. However, meeting future B50 targets may be challenging due to declining land and palm

oil production. Gulat Manurung, Chairman of the Palm Oil Farmers Association (Apkasindo), emphasized the need for government focus on developing the upstream palm oil industry to achieve the B50 program by 2029.

10

**THE US INTERNATIONAL DEVELOPMENT FINANCE CORPORATION (DFC) HAS COMMITTED UP TO \$126 MILLION TO INDONESIAN POWER COMPANY PT MEDCO CAHAYA GEOTHERMAL.**

This investment, in partnership with Indonesian infrastructure bank PT SMI, will support the development of a 31MW Phase I power plant called Ijen Geothermal in East Java, as announced by the US Embassy Jakarta. The project aims to increase renewable power generation and provide low-carbon baseload power to Indonesia's Java-Bali grid. It aligns with Indonesia's Just Energy Transition Partnership (JETP) and strengthens the US-Indonesia Comprehensive Strategic Partnership. DFC's investment supports private sector growth in Indonesia, in line with US priorities such as the Indo-Pacific Strategy and Partnership for Global Infrastructure and Investment, according to the statement.

11

**INDONESIA'S DIGITAL TRANSFORMATION HAS DRIVEN A SURGE IN DATA CENTER DEMAND, FUELED BY THE GROWING INTERNET USER BASE.**

By January 2024, there were 221 million internet users, comprising 79.5% of the population, according to the Association of Indonesian Internet Service Providers (APJII), as reported by Kontan. This rise is propelled by the widespread integration of digital platforms into daily activities, leading to increased demand for data storage and management, notably in e-commerce, financial technology, and digital media sectors. Communications Minister Budi Arie Setiadi forecasts a 135% surge in the Southeast Asian data center market by 2028, underlining Indonesia's potential. However, the current data center capacity of 184 MW trails Singapore's 707 MW. CEOs like Doug Adams from NTT Data note a heightened demand, especially with AI technologies emerging. This potential has drawn both domestic and foreign investments in data center infrastructure. Companies like NTT Data, EDGE DC and DCI Indonesia are expanding capacities to meet demand. NTT Data's Jakarta 2 Annex prioritizes sustainability, EDGE DC focuses on energy efficiency and DCI Indonesia plans to add 120 MW capacity. Investment in data centers ranges from US\$8-10 million per MW, with challenges such as high construction costs and energy consumption, according to the report.

12

**EDGNEX DATA CENTRES, A GLOBAL DIGITAL INFRASTRUCTURE PROVIDER OWNED BY UAE'S DAMAC PROPERTIES, IS INVESTING IN ITS FIRST DATA CENTER IN INDONESIA.**

The new facility, situated at MT Haryono in Jakarta, is poised to address the escalating demands of cloud service providers and bolster AI deployments, in tandem with the country's flourishing startup ecosystem, as reported by Developing Telecoms. The planned 15W facility is slated for completion by Q4/2025, the company announced. Although financial specifics were not disclosed, this investment underscores Edgnex's commitment to expanding its footprint, said Danish Nayar, SVP of investments and acquisitions at DAMAC Capital. He said Indonesia is on track

to scale up its data center capacity to 1GW, underscoring the necessity for additional Tier III-level colocation data centers like Edgnex's latest venture to accommodate this surge in demand.

13

**PRESIDENT JOKO WIDODO INTRODUCED INA DIGITAL, AN INITIATIVE AIMING TO INTEGRATE THE MULTITUDE OF APPLICATIONS OPERATED BY MINISTRIES AND REGIONAL ADMINISTRATIONS IN INDONESIA.**

With approximately 27,000 existing applications, the president highlighted the need for a streamlined approach to public services, emphasizing the inefficiency of numerous disjointed platforms. INA Digital seeks to create a unified system, allowing citizens to access various government services without repeatedly inputting personal information. The initiative, led by state-owned company Peruri, targets the integration of services from 15 ministries and government bodies by next September. However, concerns persist regarding the system's readiness, particularly in terms of security and data protection, given previous data breaches in Indonesia.

14

**THE INDUSTRY MINISTRY HAS REPORTED A SHORTFALL IN LOCAL MILK SUPPLY IN INDONESIA AMID RISING DEMAND FOR ULTRA-HIGH TEMPERATURE AND PASTEURIZED LIQUID MILK.**

Putu Juli Ardika, Director General of Agro-Industry, said that only about 20% of raw milk is domestically sourced, with domestic fresh milk production growing at just 1% over the past six years, while the dairy processing industry's demand for raw materials grows at 5.3%. This gap is worsened by various factors, including the limited number of dairy cows in Indonesia, about 592,000. Moreover, smallholder farmers, who make up the majority of dairy cow owners, typically own only two to three cows each, with low productivity ranging from 8-12 liters per cow per day. Additionally, challenges in developing fresh milk production arise from high feed costs relative to milk production and limited land availability for grazing and housing, Putu said.

15

**PRESIDENT JOKOWI ADDRESSED PUBLIC CONCERNS ABOUT THE 3% SALARY DEDUCTION FOR HOUSING SAVINGS FUND (TAPERA) CONTRIBUTIONS, NOTING WORRIES ABOUT AFFORDABILITY.**

Drawing parallels to initial reactions to BPJS Health, he emphasized eventual benefits. The revised Tapera regulation mandates a 3% contribution, split between employers (0.5%) and employees (2.5%), with self-employed individuals covering the full amount. Heru Pudyo Nugroho, a BP Tapera commissioner, explained that Tapera contributions are paid periodically and solely dedicated to housing financing. Upon membership termination, participants receive their principal savings along with accrued returns. Low-Income Communities (MBR) are eligible for long-term housing loans with favorable fixed interest rates, including mortgages, construction and renovation loans, lasting up to 30 years.

16

**THE GOVERNMENT HAS REPLACED THE THREE-TIERED NATIONAL HEALTH INSURANCE (JKN) SYSTEM WITH A SINGLE-SERVICE MODEL FOR ALL POLICYHOLDERS UNDER BPJS HEALTH.**

This transition, detailed in Presidential Regulation No. 59/2024 signed by President Joko Widodo, introduces the KRIS system for inpatient treatment, scheduled for full implementation in BPJS Health partner hospitals by 30 June 2025. Participating healthcare facilities are granted a grace period to adjust to the new system. The KRIS system, initially tested in 2022, aims to streamline the current classification system (classes I-III) based on policyholders' premiums. Currently, formal workers contribute 5% of their monthly salary as premiums, with those earning less than Rp4 million categorized under BPJS Health class II, and higher earners under class I. The impact of the single-service model on premium payments remains to be seen.

17

**INDONESIA'S TRAVEL AND TOURISM ROSE 14 SPOTS TO RANK 22<sup>ND</sup> GLOBALLY IN THE WORLD ECONOMIC FORUM'S LATEST TRAVEL AND TOURISM DEVELOPMENT INDEX (TTDI).**

This marks the largest leap in the region, placing Indonesia ahead of Malaysia, Vietnam, the Philippines and Thailand. Indonesia scored 4.46 out of 7, the highest in the region excluding Singapore, and outperformed Brazil and India. The TTDI assessed 119 countries on factors promoting sustainable tourism development. Despite global tourism recovery being uneven post-pandemic, Indonesia's strong performance reflects its dedication to enhancing its tourism sector, particularly in resources and price competitiveness. However, areas like transportation, ICT infrastructure and business tourism need further investment, as noted in the report. The report highlights Indonesia's moderate scores in travel openness and non-leisure travel resources, with officials noting issues like visa requirements and inter-island connectivity affecting tourism. Global tourism is projected to surpass pre-pandemic levels, driven by increased demand and investment in attractions, according to the report.

18

**THERE IS A HIGH UNEMPLOYMENT RATE AMONG GENERATION Z IN INDONESIA, MINISTER OF MANPOWER IDA FAUZIYAH HAS TOLD PARLIAMENT.**

Quoting data from Statistics Indonesia (BPS), the minister said there were approximately 10 million unemployed individuals aged 15-24 in 2023, out of a total population of 45 million in this demographic. Ida highlighted factors such as a skills gap between graduates and industrial needs, along with ongoing job searches among Gen Z individuals. Vocational school graduates are particularly affected, facing an unemployment rate of 9%. In response, she said the government has introduced Presidential Regulation No. 68/2022, aimed at revitalizing vocational education and training to better align with industry requirements. The minister also stressed the importance of collaboration among relevant stakeholders to cultivate a skilled workforce capable of meeting the evolving demands of the labor market.

