

NEWSLETTER



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Welcome to the LPEM Newsletter July 2022 Edition. The LPEM Newsletter is the fruit of thoughts and a summary of the activities of the LPEM FEB UI team. This edition is the third edition and will continue to be published every month. Since 1953, LPEM FEB UI has been actively conducting research, consulting, and training activities to solve development problems in Indonesia. The activities focused on various issues related to institutions, regional economy, international trade, finance and banking, fiscal and monetary economy, agriculture, industry, tourism, rural development, environment, demography, employment, poverty, and MSMEs.

In this edition, the LPEM Newsletter will discuss post-T20 Summit webinar activities entitled "**LPEM FEB UI's Contribution to Indonesia's T20 to Promote Sustainable Global Economic Recovery through the G20 Forum**". In addition, this edition also summarizes the activities of the **Indonesia Economic Outlook 2023** press conference entitled "**Rising Against The Odds**". Finally, two opinion editorials for Harian Kontan entitled "**Policy Preparation for International Tax Reform Pillar Two**" and "**Fiscal Instruments in Protecting the Industry in the Recovery Period**" written by LPEM FEB UI researchers will also be discussed in this edition.

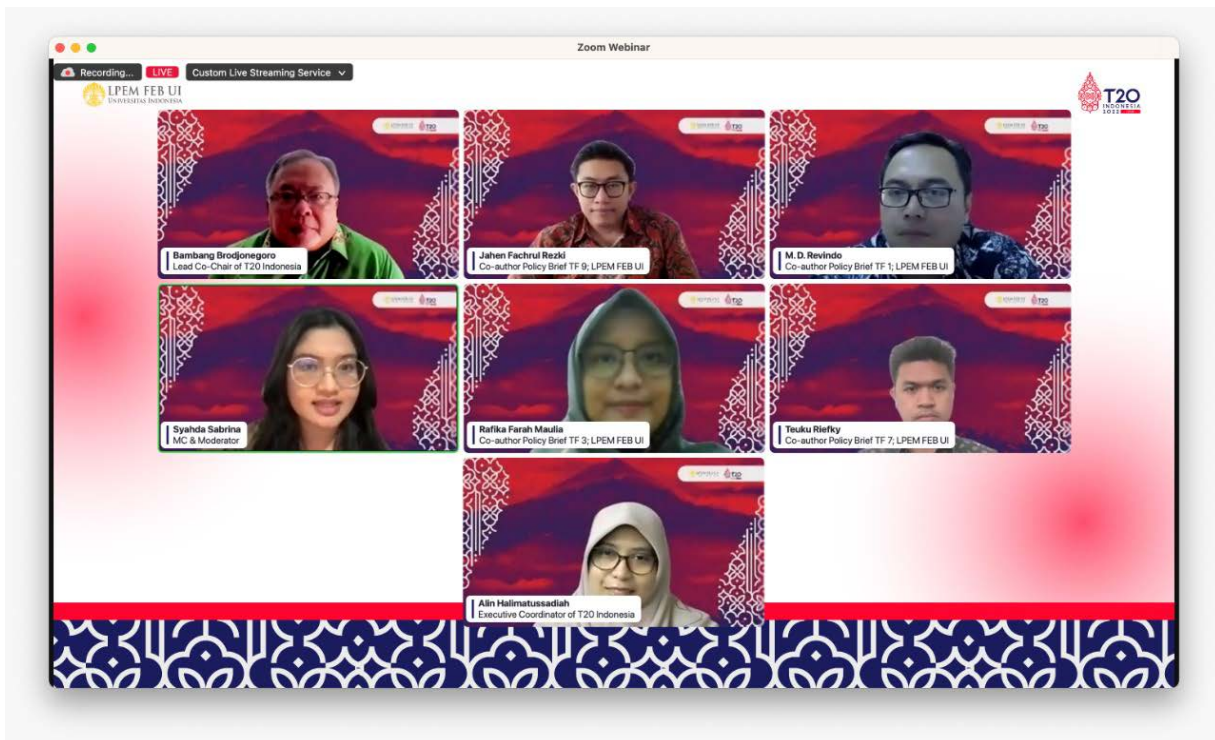
This newsletter is widely distributed among the government, academics, advocates and environmental activists, NGOs, the media, and the general public. We encourage your involvement in sharing this publication widely and making it a reference when needed.

Enjoy reading,

Alin Halimatussadiah

Head of Environmental Economics Study Group
LPEM FEB UI

T20 Post Summit Webinar: LPEM FEB UI's Contribution to T20 Indonesia in order to Promote a Sustainable Global Economic Recovery through the G20 Forum



Jakarta, November 9, 2022. In order to encourage a sustainable global economic recovery through the G20 Forum, the Institute for Economic and Community Research (LPEM FEB UI) has just held a webinar entitled **“The Contribution of LPEM FEB UI to T20 Indonesia to Promote Global Economic Recovery Sustainable through the G20 Forum”** on Wednesday, November 9, 2022. The webinar consisted of 2 sessions, namely the keynote session, which was delivered by the Lead Co-Chair of T20 Indonesia, **Prof. Bambang Brodjonegoro**, followed by Policy Brief presentation session written by several LPEM FEB UI researchers for T20 Indonesia, namely **M. Dian Revidio, Jahen F. Rezki, Teuku Riefky** and **Rafika Farah Maulia**.

Dr. Alin Halimatussadiah, Executive Coordinator of T20 Indonesia, opened the webinar by giving a brief description of Think Tank 20 (T20), an engagement group that provides solutions for the G20, where LPEM and CSIS are the hosts for the T20. There are two main T20 products, namely the T20 Communique (extract recommendations for the G20), and the T20 Policy Brief, which is the work of each task force and compiled by authors from various think tanks. Dr. Alin explained the outline of the webinar: “This webinar will recommend the main T20, the role of T20 in providing recommendations to the G20, and four speakers who are the authors of the four policy briefs. ”

The webinar was followed by a keynote speech given by **Prof. Bambang Brodjonegoro**, Lead Co-Chair of T20 Indonesia. Prof. Bambang gave a more in-depth explanation of “The Role of T20 for the Indonesian G20 Presidency”. G20 Indonesia with the theme “Recover Together, Recover Stronger” raised three priorities,

including Global Health Architecture, Digital Economy Transformation, and Energy Transition. T20 interacts with other G20 engagement groups and collaborates with working groups under government ministries, such as energy, development, finance, and the digital economy. The T20 is closely related to the two main tracks in the G20: the finance track and the sherpa track. As a collection of think tanks and research institutions, it is hoped that T20 can provide quality and independent results in providing innovative solutions. With this goal in mind, nine task forces were formed, namely Open Trade and Sustainable Investment; Meaningful Digital Connectivity, Cyber Security, Empowerment; Setting Climate, Energy Transition and Environmental Protection Targets; Food Security and Sustainable Agriculture; Inequality, Human Resources, and Welfare; Global Health Security and COVID-19; International Finance and Economic Recovery; Robust Infrastructure and Financing; Global Cooperation for the Financing of SDGs. T20 has completed all processes, such as the T20 Summit and policy brief. The T20 issued five key policy recommendations: promoting recovery and resilience, accelerating progress towards net zero emissions, orchestrating the transformation to a digital society, making the economy inclusive and people-centered, and reviving global governance.

The webinar was then followed by a policy explanation written by LPEM FEB UI researchers for T20 Indonesia.

More details can be accessed at:
<https://www.youtube.com/watch?v=SI5C7qpcQFg&t=70s>

Indonesia Economic Outlook 2023: Tumbuh di Tengah Perlambatan Global



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Indonesia Economic Outlook

On November 3, 2022, LPEM FEB UI held a press conference for the **Indonesia Economic Outlook 2023**, entitled "**Rising Against The Odds**". The Indonesia Economic Outlook event this time was held to celebrate the Dies Natalis of the Faculty of Economics and Business, University of Indonesia (FEB UI). The activity agenda began with an opening speech from **Vid Adrison**, Head of the Department of Economics, FEB UI. The presentation of Indonesia Economic Outlook 2023 was presented by **Jahen F. Rezki** as Head of Macroeconomic Studies at LPEM FEB UI, followed by presentations from **Teuku Riefky** and **Faradina A. Maizar** as Researcher at LPEM FEB UI.

In this press conference, Jahen explained the condition of the Indonesian economy in recent times. Jahen explained, "Compared to other countries, Indonesia is one of the countries that can survive quite well during the crisis due to the Covid-19 pandemic". Indonesia's GDP growth in the second quarter of 2022 was above expectations, which was 5.44% (y.o.y) in the second quarter of 2022. This was due to several factors, one of which was the seasonal aspect of the Ramadan and Eid al-Fitr periods which fell in the second quarter of this year and contributed to sustaining the growth of public consumption. Furthermore, the surge in commodity prices due to escalating geopolitical tensions and continued global economic recovery benefited Indonesia as a net exporter of major energy commodities, such as coal and CPO, in the form of high export values and tax revenues. The last factor driving strong economic growth in the second quarter of 2022 is the Indonesian government's decision to increase fuel subsidies and delay price increases amid skyrocketing global oil prices, helping to control inflation and maintain people's purchasing power.

In the next session, Teuku Riefky explained the highlights of Indonesia's macroeconomic conditions and estimates for the remainder of 2022 until conditions in 2023. LPEM predicts Indonesia's GDP will grow by 5.81% (y.o.y) in Q3 2022 and 5.35% for FY 2022, driven by the low-base effect, the performance of the trade balance surplus, and domestic consumption. Meanwhile, for 2023, LPEM estimates Indonesia's economic growth with an optimistic view of 5% amid the global slowdown.

The last session presented by Faradina A. Maizar explained in more detail the condition of Indonesia's debt. The Covid-19 crisis has resulted in an asymmetric impact of the debt burden between groups of countries. The debt-to-GDP ratio of developed countries only increased by 8.5% to 112.4% in 2022 from 103.9% in 2019, while the debt-to-GDP ratio of emerging market and middle-income economies increased by 10.5% (from 54.5% to 65.1%) during the same period. In general, emerging market and middle-income economies have more limited fiscal space compared to developed countries, and their debt problems have been exacerbated by relatively higher debt accumulation during the Covid-19 period. Indonesia faces less risk than other developing countries due to good debt management. The performance of good fiscal management has also resulted in an increase in Indonesia's credit rating in recent years. However, challenges related to debt issues in the future will not be easy. Continuing depreciation pressures and the era of high interest rates made debt management even more challenging. "Therefore, debt management needs to continue to be carried out with the principle of high prudence and the need for close coordination between the Indonesian government and BI," concluded Faradina.

More details can be accessed at:
<https://youtu.be/YUmIPCOxnwo>

Fiscal Instruments to Preserve Industry during Recovery Era

On November 12, 2022, an opinion article written by **Syahda Sabrina** and **Teuku Riefky**, researchers from LPEM FEB UI, was published, entitled "**Fiscal Instruments in Maintaining Industry in the Recovery Period**" in Kontan Daily. This opinion article broadly discusses fiscal instruments aimed at promoting economic recovery, particularly to assist business actors affected by the COVID-19 pandemic. The main fiscal instrument discussed in this article is the provision of Government Borne Import Duties (BMDTP), which is intended to address the issue of increased production costs due to increased import costs. "The economic slowdown at the beginning of the emergence of the Covid-19 pandemic was felt by almost all sectors in the economy, especially sectors that depended heavily on physical activity, namely transportation providers and accommodation and food and beverage



Photo by Unsplash

providers, with the economic slowdown in 2020 reaching 14.9% and 10%. .2% compared to 2019. At the same time, the largest contributor to the national economy, namely the manufacturing sector, also experienced a 2.9% slowdown from the previous year. The weakening took place in almost all industrial sub-sectors, ranging from the transportation equipment industry, and electronic goods, to textiles and apparel. The decline in demand due to restrictions on activities both domestically and between countries caused a contraction in the manufacturing industry throughout 2020."

More details can be accessed at:
bit.ly/KontanEpaper

Policy Preparation Welcoming International Tax Reform Second Pillar

Photo by Flickr



More details can be accessed at:
bit.ly/KontanEpaper

On November 5, 2022, an opinion article written by **Syahda Sabrina** and **Christine Tjen**, researchers from LPEM FEB UI was published, entitled "**Policy Preparation for Welcoming International Tax Reform Pillar Two**" in Kontan Daily. This editorial is generally written to discuss the readiness of the OECD and the countries that are members of the Inclusive Framework (IF) in carrying out tax reform through Pillar Two which is contained in the Two Pillar Solution package.

"Competition and tax avoidance to jurisdictions with lower rates or known as Base Erosion and Profit Shifting (BEPS) still overshadow international taxation. Differences in tax rates between jurisdictions have created a gap for multinational enterprises (MNEs) to shift profits from jurisdictions with high tax rates to lower tax rates. As a result, each jurisdiction is competing to set a low tax rate. To create a fairer global taxation and eliminate tax avoidance loopholes, the OECD and the countries that are members of the Inclusive Framework (IF) have agreed to carry out tax reform through Pillar Two which is contained in the Two Pillar Solution package. At least 137 jurisdictions have agreed to comply with the implementation of Pillar Two which will apply a global minimum corporate Income Tax (PPH) for MNEs."

Economic Brief

Macroeconomic Analysis Series: Inflation Analysis, November 2022

Year-on-year (YoY) inflation in October 2022 was reported at 5.71%, a decrease of 0.24% compared to annual inflation in September 2022. This increase in inflation was mainly due to government-regulated prices which experienced YoY inflation of 13.28%. YoY inflation occurred in all sectors except the information, communication and financial services sector (-0.42%). The most significant price increases occurred in the energy sector (16.88%) and transportation (16.03%).

More details: <https://www.lpem.org/id/macroeconomic-analysis-series-monthly-inflation-november-2022/>

Macroeconomic Analysis Series: Inflation Analysis, October 2022

Year-on-year (YoY) inflation in September 2022 was reported at 5.95%, an increase of 1.26% compared to annual inflation in August 2022. This inflation rate was the highest since October 2015, where YoY inflation was recorded at 6.25%. The increase in inflation was mainly due to prices set by the government which experienced YoY inflation of 6.84%. Inflation occurred in all sectors except for foodstuffs (-0.68%), food, beverages and tobacco (-0.30%), and information, communication and financial services (-0.03%). The most significant price increases occurred in the energy sector (10.13%) and transportation (8.88%).

More details: <https://www.lpem.org/id/macroeconomic-analysis-series-monthly-inflation-oktober-2022/>

Macroeconomic Analysis Series: BI Board of Governors Meeting, October 2022

Inflation continued to soar above BI's target range after the subsidized fuel price adjustment in early September 2022. The price level for the energy and transportation sector recorded its highest spike in September 2022 amidst high global energy and food prices. The increase in the price level slightly corrected consumer confidence, although it is still in optimistic territory. From the external side, the trade surplus decreased due to the normalization trend of global commodity prices. At the same time, the risk of global financial turmoil continues with episodes of capital outflows due to aggressive monetary tightening by central banks around the world. Even though BI has raised interest rates twice, the heavy capital outflows caused the Rupiah to weaken to IDR 15,485 in mid-October. As a preventive measure to anticipate potential additional capital outflows due to further interest rate increases by the Fed next month, BI needs to raise interest rates by 50 bps to 4.75% this month. This step ahead is expected to mitigate the impact of external uncertainties on domestic financial and foreign exchange markets. At the same time, the Government of Indonesia can take steps to maintain the momentum for recovery in demand and optimism in the real sector for the prospects for national economic growth.

More details: <https://www.lpem.org/id/macroeconomic-analysis-series-bi-board-of-governor-meeting-october-2022/>

Macroeconomic Analysis Series : Indonesia Economic Outlook 2023

The Indonesian economy continues to grow above expectations. The Indonesian economy grew by 5.44% (y.o.y) in the second quarter of 2022, the second highest since 2013 and only lower than the growth rate of 7.07% (y.o.y) in the second quarter of 2021. This condition was driven by several factors that played a role in Indonesia's GDP growth rate is high. First, the momentum of domestic economic recovery continues due to Indonesia's relatively late recovery in the health aspect so that Indonesia still enjoys the impact of the low-base effect and closing demand during the second quarter of 2022. The second factor is the seasonal aspect of the Ramadan and Eid al-Fitr periods which fall in the second quarter. This year contributed to supporting the growth of public consumption. With a share of 53% of GDP, household consumption grew by 5.51% (y.o.y) in the second quarter of 2022, up from 4.34% (y.o.y) in the previous quarter. Third, the surge in commodity prices due to escalating geopolitical tensions and the continued global economic recovery benefited Indonesia as a net exporter of major energy commodities, such as coal and CPO, in the form of high export values and tax revenues. Exports increased by 19.74% (y.o.y) and unsubsidized taxes increased by 39.42% (y.o.y) so that it was recorded as the highest net tax revenue since 2015. The last factor driving strong economic growth in the second quarter of 2022 was the Indonesian government's decision to increase BMM subsidies and delaying price hikes amid skyrocketing global oil prices have helped control inflation and maintain people's purchasing power. Inflation during the April-June 2022 period turned out to have an average of 'only' 3.79% (y.o.y) and peaked during the quarter in June with inflation of 4.35% (y.o.y), far below the October inflation rate of 5.71% (y.o.y) and this year's highest point of 5.95% (y.o.y) last September.

Selengkapnya: <https://www.lpem.org/id/macroeconomic-analysis-series-indonesia-economic-outlook-2023/>

Economic Analysis Series: Trade and Industry Brief, October 2022

Various parties warn that there is a high possibility of a world food crisis at the end of 2022 and is expected to continue until 2023 [1]. This threat is based on several factors, including: the prolongation of the Russian invasion which affected Ukraine's food production and trade [2]; After the Covid-19 pandemic, the commitment and trust of various countries in the world to support each other's supply chains and world food have not fully recovered [3]; and Unsatisfactory predictions of yields in several countries. All of these factors can have an impact on Indonesia, both from the aspect of certainty of import supplies and increases in food prices which can burden the domestic economy.

More details: <https://www.lpem.org/id/economic-analysis-series-trade-and-industry-brief-october-2022/>

Labor Market Brief, October 2022

The commitment to achieve UHC from the Indonesian government shows one of its seriousness to improve the quality of human resources, especially from the health side. This is closely related to efforts so that people can be protected by health insurance. However, this achievement does not necessarily only take the form of an achievement in terms of quantity, but also the utilization of social security to improve public health conditions. Universal health coverage should be considered achieved when health services can be accessed in an inclusive manner.

More details: <https://www.lpem.org/id/labor-market-brief-volume-3-nomor-10-october-2022/>



LPEM FEB UI Education and Training: 2022



Monitoring and Evaluation
(6-8 December)



Policy Report Writing
(15-17 November 2022)



Public Policy Analysis
(7-11 November 2022)



Computable General Equilibrium/CGE
(6-8 Desember 2022)



Regulatory Impact Assessment
22-24 November 2022)

More information about the education and training:

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Registration: <https://linktr.ee/DiklatLPEMFEBUI>
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Whatsapp: <https://wa.me/6281196103130>

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