

Indonesia Investments

Nickel Smelter Development

- Indonesian Government Studying a Moratorium on New Nickel Smelters
- Gender Equality in Indonesia: Looking at Education, Politics & Labour Force
- Most Macroeconomic Indicators Point at Solid Q1 Growth Rate for Indonesia
- Indonesian Rupiah Rate Extends Strengthening Trend into April 2023
- PDI-P Leader Megawati Selects Ganjar Pranowo as Presidential Candidate
- US Federal Reserve Done Hiking?

APRIL 2023

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Indonesia Investments

Monthly Report – April 2023

**‘Nickel Smelter Development;
Too Many Smelters under Construction?’**



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Preface

The monthly report of Indonesia Investments is written and published by business consultancy CV Indonesia Investments, headquartered in Yogyakarta (in Indonesia), with the assistance of investment company Van Der Schaar Investments B.V. (based in Delft, the Netherlands). This report aims to inform the reader of the latest, most relevant, political, economic and social developments in Indonesia as well as those crucial international developments that (may) impact on the economy of Indonesia or on its politics.

Our reports are intended for a diverse audience, including individual and corporate investors, financial market participants, diplomats, policymakers, decision-makers, academics, journalists, and analysts.



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Introduction – April 2023 Report

Last month, a global banking crisis erupted – commencing in the United States with the collapse of three (relatively) small banks, and spreading globally through Credit Suisse. This month, the global banking ‘hiccup’ seems to be under control as we did not see other banks or financial institutions being affected to a dangerous degree by the contagion effect.

Does that mean the banking hiccup is over? Well, that is difficult to answer. There remain many analysts and economists who still expect trouble popping up; if not in the banking sector, then perhaps in other sectors (such as property and commercial real estate) with the underlying problem being that the whole financial sector has been inflated and indebted to a huge extent ever since the US Federal Reserve began a novel form of monetary policy in 2007 when it pumped enormous quantities of US dollars into the financial system in an attempt cut interest rates, and encourage more lending to consumers and businesses.



In a situation where money is almost free, and – over time – increasingly more debt is created to cover earlier debt (becoming a sort of vicious circle), chances increase that we encounter problems such as asset bubbles (in stocks, bonds, and real estate) that need to burst every now and then, or, the presence of many ‘zombie-companies’ in the economy that can survive thanks to easy borrowing, but are unviable as they structurally fail to generate enough revenue to pay the interest on their debts. And so, when interest rates rise (and remain high for a prolonged period) it could trigger a slow-rolling wave of bankruptcies.

It’s also interesting to think about this in another way. While previously the financial system in the West was highly free market-driven based on (‘natural’) laws of supply and demand, there has now been heavy top-down intervention as central banks such as the Federal Reserve and European Central Bank have been flooding the systems with liquidity (cheap money) to create demand. Those who studied economics know that one of the key benefits of a free market economy include improved efficiency. However, by flooding the market with money to create demand in a sort of artificial manner, there should now exist a high degree of inefficiency in the financial system.

These structural inefficiencies will pop up every now and then. And considering we live in digital times when everything goes at the speed of Ethernet, inefficiencies can be exposed rapidly and suddenly (while spreading quickly through the economy). While a few decades ago, customers needed to wait in line – for hours – to withdraw

money from a bank (in case they lost confidence in that bank), today, millions of customers – all at the same time – can withdraw money with a few mouse clicks.

Shifting our attention to Indonesia, the global banking hiccup in March 2023 did not pose risks for Indonesia's banking industry (which is in line with our prediction last month).

Meanwhile, the month of April 2023 was a relaxed one for Indonesia as Indonesian society celebrated *Idul Fitri* in the third week of the month (the festivities that mark the end of the Ramadan month). And so, during this week-long holiday, many people visited their places of origin, went on holiday somewhere else, or, simply relaxed at home or in nearby shopping malls.

With Ramadan being the month of peace, spirituality, and kindness, while *Idul Fitri* is a celebration period (while putting people in a holiday-mode), there are typically no big news stories during this period. Still, there is certainly one story that deserves to be mentioned here. Just ahead of the *Idul Fitri* holiday, Megawati Soekarnoputri, Chairwoman of Indonesia's biggest political party (PDI-P), announced her decision to nominate party member Ganjar Pranowo (Governor of Central Java) as the party's presidential candidate in a decision that came earlier than we had expected. Based on the various surveys that put Pranowo in leading position in terms of most popular presidential candidates, it seems a wise decision as it will be very difficult for others

to beat the combination of Pranowo and the PDI-P. “Others” being Prabowo Subianto (leader of Indonesia’s second-biggest political party, Gerindra), and Anies Baswedan (who is not member of a political party, but does enjoy the backing of NasDem, the Democratic Party, and the Prosperous Justice Party).

The other crucial questions that now need to be answered are: who will become the vice-presidential candidates of Pranowo, Subianto, and Baswedan? And how will the exact composition of the (political party) coalitions look like? This should all become clear in the next couple of months.

One final note, as Indonesia celebrated Kartini Day on 21 April, we start this month’s report with an (in-depth) article on women’s role in Indonesian society (education, politics, and business), including the important issue of gender-equality.

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Yogyakarta, Indonesia

2 May 2023



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- Gender Issues -

Kartini Day – A Good Occasion to Take a Look at the Role of Women in Indonesian Society and Economy

Each 21 April, Indonesia celebrates 'Kartini Day'. On this day, Indonesians remember the life and efforts of Raden Ayu Kartini, who has become a patriotic figure (national hero) and a symbol for (defending) women's rights (female education in particular) as well as gender equality.

Who Was Kartini?

Kartini was born into an aristocratic Javanese family (one with a strong intellectual tradition) on 21 April 1879 in Jepara (in the province of Central Java) at a time when Java was still part of the Dutch colony. The father of Kartini, Sosroningrat, managed to obtain a high position in the political structure as he was a Regent (*Bupati*) for the Regency of Jepara. Being part of the indigenous elite, helped Kartini to attend school (which was relatively rare at the time, especially for an indigenous girl).

But when Kartini turned 12, she was secluded at home (this was a common practice among young female Javanese nobles, to prepare her for wedlock). During seclusion, girls were not allowed to leave their parents' house until they were married, which implied that authority over them would be transferred from fathers to the husbands.

During seclusion, Kartini continued to self-educate herself. Being fluent in Dutch, she was able to read books, newspapers, and European magazines that fed her interest in Europe, in feminist thinking, and also triggered a desire to improve conditions of indigenous Indonesian women, which at the time had a low social status. During that time she acquired several pen pals in the Netherlands.



Kartini married Joyodiningrat (the Regent of Rembang, who already married three wives; polygyny being common at the time) in 1902. This marriage was arranged by her parents. Fortunately, Joyodiningrat was supportive of her aspirations, and so allowed her to set up a women's school in Rembang. However, a few days after Kartini gave birth to her only child, she died at the age of 25.

After Kartini's death, Dutch lawyer, author, and Dutch parliament member Conrad Theodor van Deventer (who became known as the spokesman of the Dutch Ethical Policy Movement) established the R.A. Kartini Foundation, which built schools for women in various Indonesian cities starting from 1912. Van Deventer was friends with Kartini's father, and had in fact met Kartini (once) during a visit to her house when she was twelve years old.

Meanwhile, J.H. Abendanon, the Minister for Culture, Religion, and Industry in the East Indies, collected and published the letters that Kartini had sent to her pen pals in Europe. These letters were released in a book titled *Door Duisternis tot Licht* (Out of Dark Comes Light) and was published in 1911. This book attracted great interest in the Netherlands, and Kartini's ideas began to change the way the Dutch viewed native women in Java. Her ideas also provided inspiration for prominent Indonesian figures in the fight for independence. Indonesia's first president, Sukarno, declared Kartini a national hero in 1964. He also declared her birth date (21 April) as "Kartini Day".



Women's Role in Indonesian Society Today

Having this year's Kartini Day in mind (21 April 2023), it is a good occasion to take a closer look at the role of women in Indonesia, today.

When we read publications released by the World Bank, United Nations Population Fund (UNFPA) and the Human Rights Watch in recent years, the general picture is that Indonesia has made considerable progress (over the past two decades) toward gender equality, with improved rates of literacy, school enrolment, and employment (including in politics), as well as the introduction of policies that pave the way for a more gender-equitable society.

That said, there remain various areas of concern. For example, the negative impact of child marriage on the future of Indonesian girls. Or women being overrepresented in the country's informal sector (where workers typically receive lower wages and lack social protection as well as access to healthcare). Meanwhile the gender pay gap exists in most sectors. Lastly, women are still underrepresented in top jobs (such as in politics, and CEO level positions).

When many women in society are confined to the house, or, are not equipped with certain skills or education, it actually means that there is a huge untapped potential in Indonesia. For example, the World Bank stated that, if Indonesia could increase

female labour force participation by only 25 percent by 2025, then it could generate an additional USD \$62.0 billion in economic activity, thereby increasing Indonesia's gross domestic product (GDP) by 2.9 percent.

After all, women account for almost half of the population in Indonesia. Currently, there are 136.4 million women in Indonesia, and 139.4 million men (there are three provinces where there are fewer men than women: Yogyakarta, East Java, and South Sulawesi). So, if the majority of Indonesian women can increase their contribution to the Indonesian economy (in the formal sector), there is huge growth potential. Similarly, we saw great economic growth in the West in the 1990s, with one of the reasons being that many women entered the labour force (by starting to work). As a consequence, households could spend much more than before (which implied that more needed to be produced).

Table 1; Population Statistics of Indonesia:

| | 2020 | 2025 | 2030 |
|-------------------------|--------------------------|--------------------------|--------------------------|
| Women | 49.65% | 49.69% | 49.75% |
| Men | 50.35% | 50.31% | 50.25% |
| Total Population | 100% (273.52 million) | 100% (287.09 million) | 100% (299.19 million) |

Sources: www.worldpopulationreview.com and Badan Pusat Statistik (BPS)

Table 2; Average Life Expectancy of Women and Men in Indonesia:

| | Women | Men |
|------|-------------|-------------|
| 2022 | 73.83 years | 69.93 years |
| 2021 | 73.55 years | 69.67 years |
| 2020 | 73.46 years | 69.59 years |

Source: Badan Pusat Statistik (BPS)

[...]

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