

Government Stimulus Package IV

16 October 2015

15 October 2015, the fourth round of economic stimulus packaged announced by our government. The speech was coordinated by our Coordinator of Economic Minister, Darmin Nasution, however, our Finance Minister and Labor Minister were also giving out some notable additional stimulus to complete the whole package IV. We describe the key takeaways below:

1. New Wages Formula

Labor would receive wage adjustment every year. The adjustment would be justified according to the two economic indicators which are inflation rate and the economy growth rate.

Comment :

We see this new wage formula would add further positive sentiment for Indonesia investment climate. This formula eliminate the prolonged uncertainties regarding our labor's wage justification. The inclusion of inflation and growth factor also provides a fair determinant for both labor productivity and purchasing power.

2. Expansion of KUR disbursement area

Application for KUR loan would be expanded. Previously, KUR loan disbursement are specifically designated for certain industries. However, going forward, the application for KUR loan would be simplified for any "productive" activities.

Comment :

We see this KUR expansion could benefit banks sectors which specialize within KUR loan disbursement, such as BBRI. However, we are still working on the calculation on how this regulation would affect BBRI performance.

3. Subsidized working capital loan for certain industries

The government has been working on a formula to give certain amount of subsidy on working capital for vulnerable industry during this economy slow down. The ultimate purpose of this is to give some leeway for those industries to be able to withstand and to prevent the laid-offs. The government argues that through this subsidized working capital loan, there would be around 27k of labor would be prevented from being laid-offs.

Comment:

We still wait for further clarity from the government on how the subsidy would work on our banking industry.

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