LPEM FEB UI
UNIVERSITAS INDONESIA

NEWSLETTER

Vol. 2
No. 1
February
2022

The Lombok earthquake that occurred last August 2018. Atmago.com

Director of LPEM FEB UI
Riatu Mariatul Qibthiyyah, S.E., MA., Ph.D.

Editor in Chief
Dr. Alin Halimatussadiah

Managing Editor
Giani Raras, S.E
Calista Endrina Dewi, S.E
Firli Wulansari Wahyuputri, S.E

Editor
Assyifa Szami Ilman, S.E

Scan to find out more information about LPEM FEB UI

FEUI.LPEM
lpemfebui
LPEMFEBUI
LPEM FEB UI
marcom@lpem-feui.org

Welcome to the LPEM Newsletter February 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 summarize some of our webinars in the past few months, one of them was **"Financing Strategy to Mitigate Climate Change and Support Sustainable Infrastructure".** We will also share our latest book launch of **"Book of Statistical Survey on the Impact of the COVID-19 Pandemic"**. We also cover the latest **Handover Event of the Think 20 Presidency** and press conference on the **Indonesia Economic Outlook Q1-2022".**

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

Financing Strategy to Mitigate Climate Change and Support Sustainable Infrastructure

LPEM FEB UI held a Webinar on December 10 entitled **"Sustainable Environmental and Infrastructure Funding Strategy"** as part of a series of dissemination of the results of two studies by the LPEM FEB UI team on "Sustainable Recovery from the COVID-19 Pandemic"

.

Alin Halimatussadiah opened the webinar activity as Head of Environmental Economics Studies at LPEM FEB UI. Alin explained that this study was closely related to the moment of the pandemic, which required a re-development planning, budgeting, and design of other government programs to build back better. The live webinar activity continued with an opening speech by Masyita Crystallin as Economist and Special Staff to the Minister of Finance of the Republic of Indonesia. In her opening speech, Masyita explained the gap in climate-related funding in Indonesia and the efforts made by the government, especially through the Ministry of Finance, in mobilizing existing funding sources from various elements of society. Masyita hopes that this study can help support policies carried out by the government and invite more academics to research related to this climate issue. "The role of campuses, especially campuses that have climate change studies such as LPEM FEB UI, can certainly contribute well," said Masyita.

The study presentation was delivered by Nauli Aisyiyah Desdiani and Teuku Riefky, Researchers from LPEM FEB UI. Nauli explained the first study's results related to the potential for financing for climate change and the environment at the regional level. Meanwhile, Teuku Riefky discussed other LPEM studies, namely strategies that might help achieve infrastructure resilience in Indonesia.

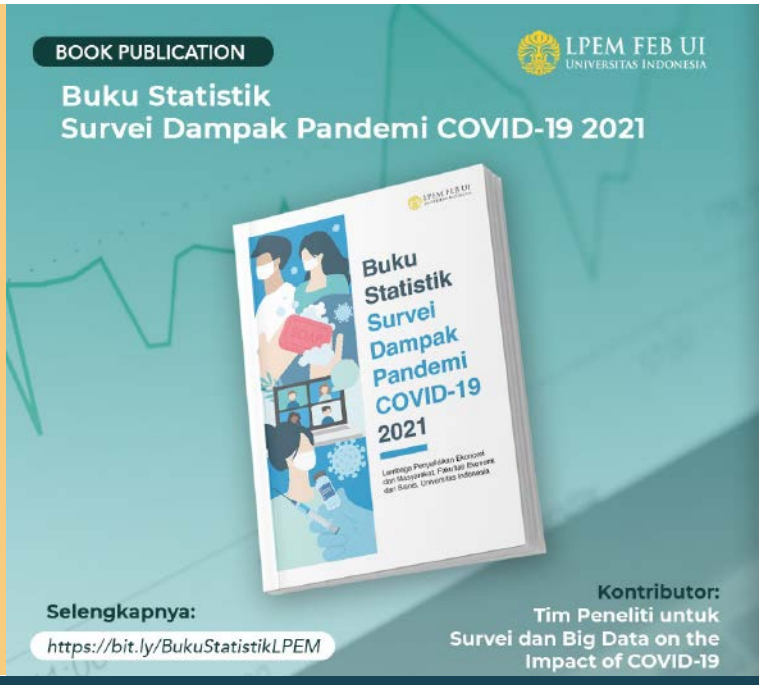
One of the breakthroughs in financing climate change and the environment proposed by LPEM FEB UI is the implementation of Climate Budget Tagging (CBT). The Central Government has previously pushed for implementing this program in 11 regions in 2017-2020 with funds of IDR 3 billion per year, with an allocation of 61% for adaptation and 39% for climate change mitigation. This program was conducted in areas with e-planning and e-budgeting systems or manually for areas that do not have both systems. "So, by doing CBT, each region is expected to be able to reduce its greenhouse gas emissions and find out the contribution of its regional budget to achieving environmental targets," said Nauli.

Furthermore, Riefky added that two main problems threaten the sustainability of infrastructure in Indonesia. "Geological conditions and climate change are two big themes for the sustainability of national infrastructure," added Riefky. The LPEM study found that the consequences of geological conditions and climate change resulted in economic losses of around USD 16.8 billion, 8 million people were affected by natural disasters, and Indonesia's vulnerability to natural disasters was ranked 40 out of 181 countries.

More details can be accessed at:
https://youtu.be/O3lz-V1joFk

Book of Statistical Survey on the Impact of the COVID-19 Pandemic

The COVID-19 pandemic has had a significant impact on various economic sectors in Indonesia. Various policies to prevent the spread of COVID-19, such as social restrictions, caused an economic crisis in Indonesia, as evidenced by an economic contraction of -3.49% (y-o-y) in Quarter III-2020 (BPS, 2020). The economic crisis occurs simultaneously with an increase in the percentage of poor



people, the Gini coefficient, and the number of unemployed in Indonesia (BPS, 2020).

To find out how the impact of the economic and health crisis due to the COVID-19 pandemic affects economic and social conditions, especially for households in Indonesia, LPEM FEB UI has conducted an online survey as a complimentary and quick assessment regarding the impact of the COVID-10 pandemic on the economic and social conditions of the community. Indonesia. This survey was conducted in two waves, namely May-June 2020 and July-August 2021, on 4,000 respondents spread across all provinces in Indonesia.

The survey results are presented in a statistical book entitled **"The Book of Statistics on the Impact of the 2021 COVID-19 Pandemic Survey".** This book contains tabulated results of various variables used in the survey, such as mobility, welfare, health, social assistance, perceptions of environmental sustainability, and community perceptions regarding economic recovery.

This book will be useful for the general public in understanding the issue of the COVID-19 pandemic and its related impacts. In the future, this book will also be a source in discussing economic and social policies to mitigate the COVID-19 pandemic in Indonesia and trigger other studies to elaborate on the impact of the COVID-19 pandemic on the economic and social conditions of the Indonesian people.

More details can be accessed at:
https://bit.ly/BukuStatistikLPEM

LPEM FEB UI Hosts Think 20 with CSIS Indonesia, Focusing on Encouraging the COVID-19 Recovery Effort Agenda

Leading think tanks around the world gathered under Think 20 (T20) as the Italian G20 presidency handed the torch to the Indonesian presidency. The handover ceremony was held on November 30, 2021, by the T20 Italy 2021 Secretariat (ISPI) and the 2022 T20 Indonesia Secretariat (CSIS Indonesia and LPEM FEB UI). The handover ceremony entitled "From Italy to Indonesia: T20 Contribution to G20 Recovery Initiatives" discussed important points, such as lessons from the previous T20 presidency, challenges and priorities for the future of the Indonesian presidency. The key points are trying to align with the G20 2022 presidential theme: "Recover Together, Recover Stronger".

The event invited prominent speakers such as Bambang P.S. Brodjonegoro (Former Minister of Finance and Minister of National Development Planning, Indonesia) and Djisman Simandjuntak (Board Director of CSIS Indonesia), both serving as Lead Co-Chairs of T20 Indonesia, Paolo Magri (Chairman of T20 Italy), Fahad M. Alturki (Chairman of T20 Saudi Arabia), Raden Edi Prio Pambudi (Coordinating Ministry for Economic Affairs, Indonesia), serving as Co-Sherpa G20 Indonesia, and Yose Rizal Damuri (Head of Economics Department of CSIS Indonesia) and Riatu Mariatul Qibthiyyah (Director of LPEM FEB UI), both of whom also serve as Executive Co-Chairs T20 Indonesia.

Fahad opened the conversation by sharing insights from the experience of the Saudi Arabian T20 presidency. He stressed that the ability of global think tanks to produce timely research and evidence-based policy recommendations for G20 leaders would become even more relevant in the coming days as countries around the world are looking for the best way to recover from the pandemic.

The discussion continued to the main event where Bambang P.S. Brodjonegoro and Djisman Simandjuntak shared their insights and visions about the Indonesian presidency in a round table session moderated by Antonio Villafranca (Director of Research ISPI). The session highlighted several key discussions, including the most pressing issues in economic recovery and relevant agendas that need to be considered for long-term development.

Bambang continued by sharing his views on the G20 event as agenda-setting sessions for global leaders. In the past, Bambang emphasized that the G20 has become a platform that bridges developed and developing economies in ensuring the global financial system's stability after the 2008 Global Financial Crisis. Bambang also emphasized the need to make the G20 event an agenda setting forum that helps convey global issues that developed before the pandemic.

More details can be accessed at:
https://youtu.be/pSGkboFQgLQ

Indonesia Economic Outlook Q1-2022: Anticipating the Unexpected

On February 4, 2022, the Macroeconomic and Political Economy Study Team of LPEM FEB UI launched the Indonesia Economic Outlook Q1 2022 Report to look at the condition of the Indonesian and global economy. Jahen F. Rezki, Head of the Macroeconomic and Political Economy Study Team at LPEM FEB UI, conveyed several economic highlights in 2021 and the estimated economic performance in 2022.

The country's spread of the Delta variant has lowered the promising trend of economic growth from 7.07% (yoy) in Q2 2021 to only 3.51% (yoy) in Q3 2021 due to various declining consumption and business sectors that are dependent on physical activity. The implementation of PPKM to limit the transmission of Covid-19 has severely hit the transportation & storage and accommodation & FnB sectors. "The restrictions in Q2 and Q3 2021 resulted in several sectors being significantly affected, while the impact on all sectors varied in nature," said Jahen.

Despite the economic slowdown in the middle of 2021, there is still bright hope that appears at the end of 2021. "Amid the ongoing crisis, credit performance has shown promising prospects for the whole of 2021 as it gradually increases along with improving business and consumer sentiment," added Jahen. However, the inflation rate throughout 2021 is still below BI's target. Low inflation in 2021 indicates that domestic demand has not fully recovered.

LPEM FEB UI projects that economic growth in 2021 will reach 3.7% annually, and in 2022 it will reach 4.9%-5.1%. This projection has considered the risk of a third wave of the pandemic as the Omicron variant spreads. Regardless of the variant, the economy is expected to be better prepared in line with the relatively better achievement of national vaccinations.

More details can be accessed at:
https://youtu.be/jxBDszvIVWk

Overview of LPEM FEB UI Publications and Activities

Economic Brief

Macroeconomic Analysis Series: Inflation Outlook 2022
Throughout 2021, we observe an overall 'better' inflation landscape, as made apparent by its inflation rate being higher than the 2020 figure. The most important contributor to such a condition is volatile inflation, for which we have observed a less volatile rate throughout 2021 compared to 2020 circumstances. The core inflation rate also contributes to a more stable yet lower rate. On the broader picture, however, the inflation rate recorded along 2021 is still considerably lower than before the pandemic.
More details can be accessed at:
https://www.lpem.org/macroeconomic-analysis-series-inflation-outlook-2022/

Macroeconomic Analysis Series: BI Board of Governors Meeting, January 2022
Consumption and production activities gradually rebound and approaching normal level, as indicated by an increase in inflation and above-target tax revenue. However, public may not have full confidence yet as the GoI confirmed the first first recorded case of Omicron variant in December when daily confirmed cases were around 200 and it has been rising since then amid local transmission of the variant, as evidenced by a slight decrease in both CCI and PMI.
More details can be accessed at:
https://www.lpem.org/id/macroeconomic-analysis-series-bi-board-of-governor-meeting-july-2021/

Economic Analysis Series: Trade and Industry Brief, January 2022
The global economic recovery from the COVID-19 pandemic is progressing slowly, amid the threat of the spread of the Omicron variant. In the global supply chain system, various trends need to be anticipated by Indonesia, including the shortage of semiconductors, the scarcity of containers, and the tendency to strengthen the domestic orientation of trading partner countries. This

month's Trade and Industry Brief discusses the challenges to these global supply chains and the response strategies needed.

More details can be accessed at:
https://www.lpem.org/seri-analisis-ekonomi-trade-and-industry-brief-januari-2022/

Labor Market Brief, Januari 2022

Indonesia opened 2022 with quite good achievements based on the poverty indicators recorded in 2021. The number of poor people in Indonesia and the percentage of poor people have decreased, which is also in line with the improvement in the poverty depth index and poverty severity index. This improvement also shows the direction of Indonesia's economic recovery, which also managed to get out of the recession due to the pandemic in the same period.

More details can be accessed at:
https://www.lpem.org/labor-market-brief-volume-3-nomor-1-januari-2022/

Collaboration to SAchieve SDGs on Quality Education, December 2021

DKI Jakarta is the center of economic activity in the Greater Jakarta area, with a high level of mobility both from the surrounding area and within Jakarta itself. The high level of community mobility in the DKI Jakarta area and its surroundings has resulted in various challenges: the high dependence on private transportation.

More details can be accessed at:
https://www.lpem.org/kolaborasi-mewujudkan-sdgs-untuk-pendidikan-berkualitas/

Webinar and Press Conference

KAPj IAI Goes to Campus: Economic and Taxation Outlook 2022, 26 Januari 2022, TERC LPEM FEB UI

More details can be accessed at:
https://www.youtube.com/watch?v=xc_8fbOEaDg

Working Paper:
No.68, Desember 2021

Macro Uncertainties and Tests of Capital Structure Theories across Renewable and Non-Renewable Resource Companies

Capital structure is one of the most critical decisions for firms in business. This study examines the role of macro (economic and non-economic) uncertainties in affecting firms' capital structure management. Three prominent capital structure theories are tested for global resource firms: (1) static trade-off, (2) pecking order, and (3) market timing theory. The results suggest that no single theory prevails, although both pecking order and market timing theories have certain explanatory power to explain sample firms' financing behaviour. The pecking order theory is strongly supported by the results of the leverage target adjustment model.

More details can be accessed at:
https://www.lpem.org/macro-uncertainties-and-tests-of-capital-structure-theories-across-renewable-and-non-renewable-resource-companies/

LPEM FEB UI Education and Training: February–April 2022

Public Policy Analysis
(14—18 February 2022)

Econometrics
(7—11 March 2022)

Planning and Budgeting
(21—25 February 2022)

Economic Modeling:
Input-Output dan SAM
(28 March—1 April 2022)

Computable General Equilibrium
(21—25 Februari 2022)

Policy Brief Writing
(21—25 February 2022 dan
21—25 March 2022)

More information about the education and training:

Website: www.diklat.lpem.org
Registration: https://linktr.ee/DiklatLPEMFEBUI
Email: diklat@lpem-feui.org / diklatlpem2021@gmail.com
Whatsapp: https://wa.me/6281196103130

Acknowledgement

The LPEM Newsletter is an initiative supported by the David and Lucile Packard Foundation. Since 1964, the David and Lucile Packard Foundation has provided grants intending to improve people's lives while enabling scientific activities and the protection of natural living systems. The support from the David and Lucile Packard Foundation is not only in the production of newsletters but also in a series of research related to environmental economic issues conducted by LPEM FEB UI.