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CRIF INDUSTRY WATCH

A monthly edition on Data, Risk and Economic Insights

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Analysis and Studies

CRIF Indonesia Study: The threat of global recession, The industrial sector is on alert

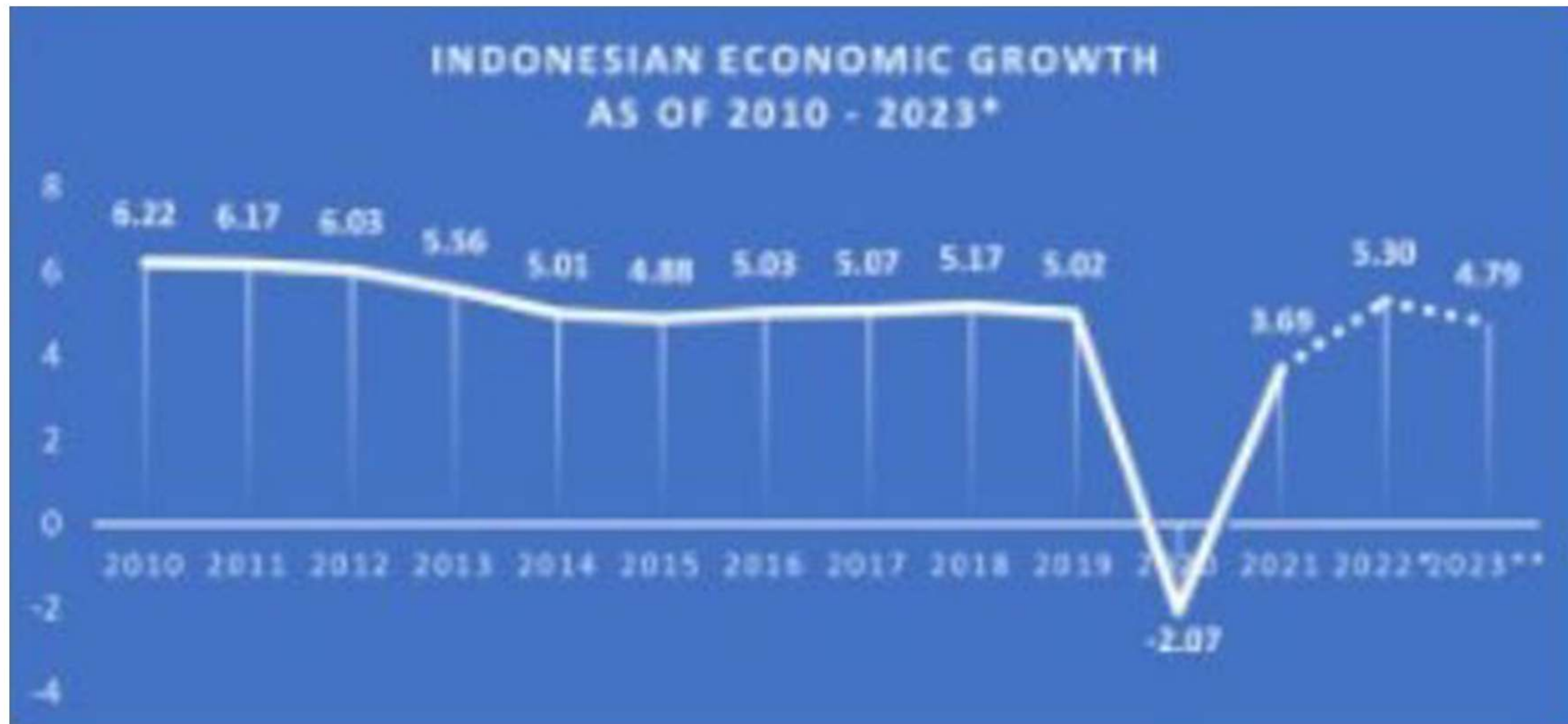


Considering last quarter of 2022, the global economy is still facing the slowdown in economic growth which is also part of the continuing effects of downside risks from the Covid-19 pandemic, which until now has not been completely over. Projections of global economic growth presented by a number of international institutions also indicate the same thing, where for 2022 it will be in the range of 2.8%-3.2% and will be cut sharply for 2023 from what was originally expected to be in the range of 2.9%-3.3% to only 2.2%-2.7%.

The ability of the global economy to be able to recover at this time is also coupled with the latest challenges from global shocks in the form of high inflation spikes, tightening liquidity and high interest rates, stagflation, geopolitical turmoil, climate change, and crises in the energy, food and financial sectors. High uncertainty as a result of these conditions has also placed the global economy in the vortex of a perfect storm, resulting in the emergence of the threat of a global recession in 2023.

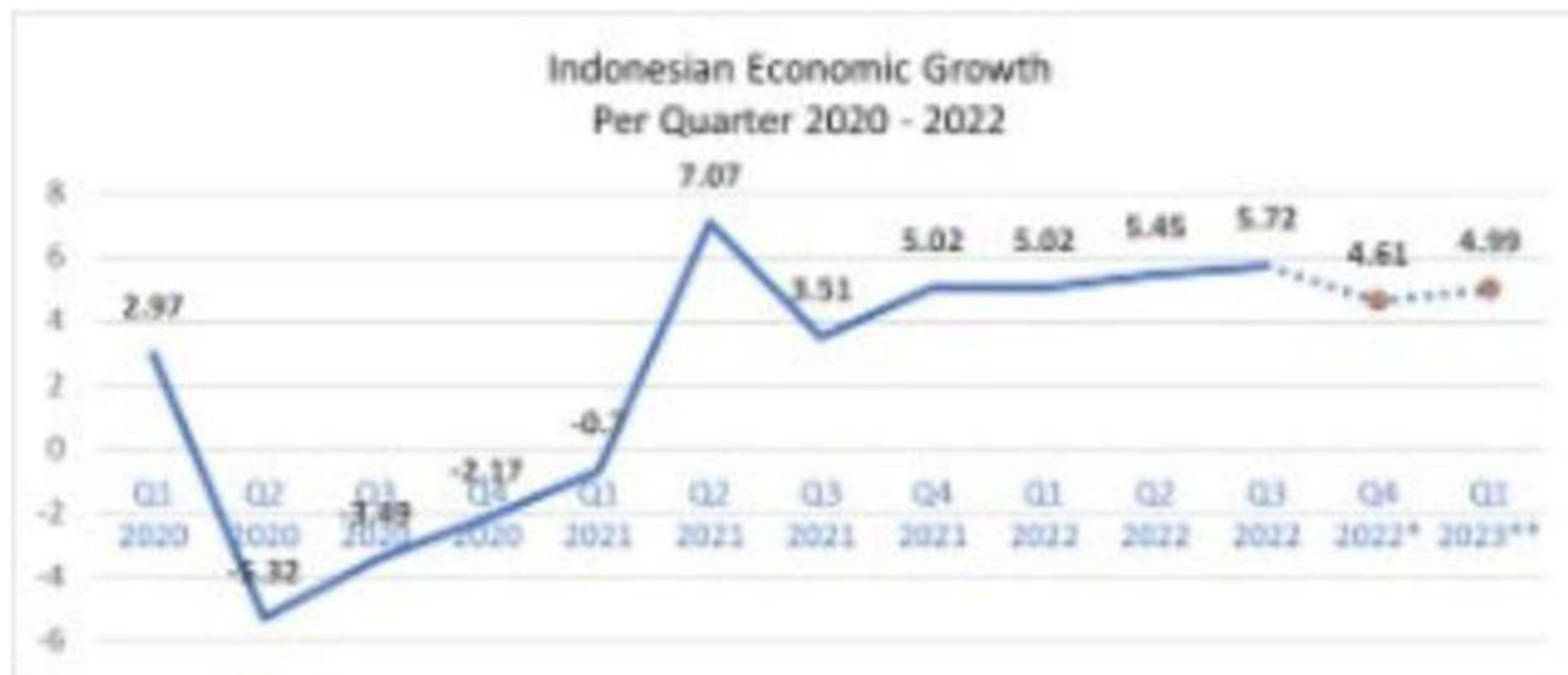
Fears of a recession are rife as geopolitical tensions escalate, skyrocketing inflation in various countries, and increases in global interest rates. In fact, until 2022 the wounds of the pandemic have not been fully healed. In fact, the unemployment rate is still relatively high and the level of business income is still declining in a number of sectors. In fact, a number of countries are still vulnerable to food and energy crises.

The Indonesian economy has its own characteristics and resilience, which differentiate it from many other countries, including peer countries.



Nevertheless, Indonesia should be grateful because in the midst of vulnerable global conditions, national economic conditions tend to be stable and resilient. In the view of CRIF Indonesia, without ignoring the scarring effects of the pandemic, in 2022 the Indonesian economy had the opportunity to grow 5.0-5.3%. The Indonesian economy has its own characteristics and resilience, which differentiate it from many other countries, including peer countries. Indeed, external factors, particularly commodity prices, have had a major effect on driving growth throughout 2022. However, the strengthening of domestic demand, particularly the push for pent-up demand in line with the success of controlling the pandemic, is no less significant in achieving economic growth that equals and has the potential to even exceed pre-pandemic conditions.

Household consumption was recorded to grow 5.39% (yoy) and PMTB grew 4.96% (yoy).



Along with the increasingly controlled Covid-19 cases, the national economy for 2022 was able to record solid performance with growth above 5% (yoy) until Q3/2022. In Q3/2022, national economic growth was able to reach 5.72% (yoy) or 1.81% (qtq) while still having prospects for perching at 5.2% (yoy) at the end of 2022. Household consumption was recorded to grow 5.39% (yoy) and PMTB grew 4.96% (yoy), while the Transportation and Warehousing as well as Accommodation and Food and Beverage sectors also seemed to recover.

In CRIF Indonesia's perspective, economic growth in Q4/2022 is estimated to be at 5% or possibly below, namely around 4.61%. Economic growth at the end of the last quarter 2022 will slow down due to the economic cycle which usually slows down at the end of the year as well as a higher base effect in Q4/2021. The risk of global uncertainty still haunts the Indonesian economy, so it is estimated that Indonesia's economic growth in Q4/2022 has the potential to slow down.

The national economy will be able to grow by 4.5 to 5.0% in 2023



So, the economy in 2022 is relatively solid and the challenge that is being prepared is precisely 2023. Looking at the world economy in 2023, although it is predicted to grow more slowly, CRIF Indonesia still sees an opportunity not to suddenly fall into a recession. The economies of western countries such as the United States and the European Union may become vulnerable due to soaring inflation and monetary tightening. However, China, which is the largest trading partner for many countries, including Indonesia, is showing indications of improvement, in line with the increasingly controlled spread of Covid-19. Global inflation still has the potential to increase, however, CRIF Indonesia predicts that the pressure will likely be lower than this year.

CRIF Indonesia predicts that the national economy will be able to grow by 4.5 to 5.0% in 2023. Household consumption is predicted to remain strong and exceed pre-pandemic consumption levels, although growth has slowed marginally due to global pressures. The inflation rate is predicted to be lower and will not significantly disrupt aggregate consumption levels, although it will still suppress the purchasing power of low-income people and may also hold back the recovery of long-distance mobility. Monetary tightening is predicted to be more limited due to reduced global and domestic inflationary pressures. Investment is predicted to become the second biggest contributor to economic growth in 2023. Private investment growth has not been much disturbed by global economic pressures. However, the trade surplus is predicted to narrow due to weakening demand for some of the main export destination countries and also weakening commodity prices, especially non-energy commodities.

Global and domestic economic conditions will have a varied impact on sectoral economic growth.



Global and domestic economic conditions will have a varied impact on sectoral economic growth. The higher the linkage of a sector with the global economy, the greater the potential for pressure on that sector, and vice versa. In 2023 there is optimism to grow better than 2022, but global and domestic challenges will still be faced by Indonesia so: optimistic but must be realistic.

Sector/Business Field	2023
Processing Industry	5.4 – 6.0
Agriculture	4.0 – 4.2
Construction	6.3 – 6.9
Mining	3.2 – 3.5
Trading	5.0 – 5.6
Accommodation and Food and Beverage Provider	5.2 – 5.6
Information and Communication	7.9 – 9.4
GDP	5.3 – 5.9

Source: Deputy for Economic Affairs, Bappenas

The manufacturing industry sector is expected to become a driving force for growth supported by the continued development of 7 priority sectors (food and beverage, textile, chemical, automotive, electronics, pharmaceuticals, medical equipment), green and sustainable industry programs and expansion of the application of industry 4.0. Meanwhile, the agricultural sector will grow positively with the continuation of the Food Estate (FE) development policy and the 3 Times Export Movement (Grati eks) Agriculture program in an effort to increase investment and exports of agricultural sector products.

Public consumption is expected to grow by 5.2-5.3



As well as the construction sector is expected to grow high supported by the construction of IKN infrastructure in 2023 and the continued development of other priority infrastructure.

Expenditure Components	2023
Household Consumption and Non-Profit Institutions	5.2 – 5.3
Serving Households	
Government Consumption	3.4 – 3.8
Investment	6.4 – 7.9
Export	6.3 – 7.8
GDP	5.3 – 5.9

Source: Deputy for Economic Affairs, Bappenas

Public consumption is expected to grow by 5.2-5.3, driven by increased community activity in line with the transition from pandemic to endemic. Meanwhile, investment is expected to grow high in 2023 along with the continuation of priority infrastructure development projects, industrialization development, and increased investment in environmentally friendly industries. And don't forget, the boost to exports is expected to come from increased global demand in line with improving global conditions and increased domestic productivity.

CRIF Indonesia predicts that in 2023 there will be several factors that have the potential to affect Indonesia's macroeconomic conditions.

In 2023 there will be several factors that have the potential to affect Indonesia's macroeconomic conditions



First, global economic growth, which is leading to a recession, has the opportunity to reduce people's purchasing power, especially the lower middle class. Then, US monetary tightening has had an impact on strengthening the value of the US dollar against other countries' currencies. Thus, the price of food imports, especially in developing countries, is becoming increasingly expensive. Inflationary pressure in various countries due to high energy and commodity prices, even though they have fallen from their peak, has depressed people's purchasing power.

Second, the decline in energy commodity prices will reduce food production costs. Throughout 2022 the prices of energy and fertilizer, which are components of the cost of food production and transportation, will experience a sharp increase, resulting in an increase in food prices. The increase in prices resulted in an increase in the price of fertilizers, especially urea and ammonium nitrate, which are raw materials from natural gas. Therefore, if the downward trend in energy prices continues into next year (2023), the input costs of food production will also be cut so that prices will be lower than this year's (2022).

Third, the La Nina Period, which will increase rainfall in several foodproducing regions such as Australia and Southeast Asia, and parts of North America, will last until early next year.

La Nina occurs when winds south of the Equator flow westward, which causes seawater around the waters south of the Equator to be colder than usual. This can lead to changes in the weather in various regions around the world, including climate change, precipitation and drought. Thus, the potential for increased production can occur in these areas, although at the same time the high intensity of rainfall has the potential to cause flooding which hampers harvesting and transportation.

Import & Export Snapshot

| Tanzania: A look at the market



In 2020, the country was the number 75 economy in the world in terms of GDP, which was worth \$67,78 billion USD in 2021.

Located in East Africa, Tanzania is the 13th largest country in Africa and one of the oldest inhabited areas on Earth.

Its name was created by combining "Tanganica" and "Zanzibar", two countries which were once separated. In the 19th century, the major powers of the world showed interest on these two lands because of economical reasons. Following different colonization, the two became independent and then merged in 1964.

● The economy of Tanzania

Tanzania largely relies on agriculture, which employs about 65% of the work force, but in recent years gold production has gained space, increasing to about 35% of exports. The country is also known for the precious stone that is only found here: tanzanite.

In 2020, the country was the number 75 economy in the world in terms of GDP, which was worth \$67,78 billion USD in 2021.

The top exports of Tanzania are gold (\$2.36B), coconuts, brazil nuts, and cashews (\$386M), raw copper (\$345M), precious metal ore (\$343M), and dried legumes (\$208M), exporting mostly to India (\$891M), United Arab Emirates (\$866M), Switzerland (\$796M), Uganda (\$734M), and China (\$388M).

Tanzania also imports refined copper (\$1.55B), refined petroleum (\$730M), packaged medicaments (\$368M), palm oil (\$302M), and wheat (\$219M), mostly from China (\$4.17B), Democratic Republic of the Congo (\$1.67B), India (\$1.41B), United Arab Emirates (\$788M), and South Africa (\$336M).

Lastly, in 2020 Tanzania exported a total of \$5.91B, making it the number 107 exporter in the world. The top export opportunities for Tanzania according to the relatedness index, are insect resins (0.19), other ores (0.19), palm oil (0.18), crustaceans (0.17), and raw sugar.

Product Analysis

| Palm Oil: Import and Export



In 2020 palm oil was the 104th most traded product of the world, with a total trade of \$34.1B.

Palm oil is a type of edible vegetable oil that is extracted from the fruit of the oil palm tree. It is native to West Africa, but it has been cultivated and used for cooking and other purposes in many other parts of the world for centuries.

The palm oil tree was first introduced in Southeast Asia in the early 20th century, where it quickly became an important crop. In the late 20th and 21st centuries, the demand for palm oil grew rapidly, driven by its low cost and versatility as an ingredient in a wide range of products, including food, cosmetics, and biofuels.



The expansion of palm oil production has also been associated with environmental and social issues, including deforestation, habitat destruction, and land conflicts. However, today trade in palm oil represents 0.2% of total world trade.

In fact, in 2020 palm oil was the 104th most traded product of the world, with a total trade of \$34.1B. The top exporters were Indonesia (\$17.9B), Malaysia (\$10.6B), Netherlands (\$1.03B), Guatemala (\$466M), and Papua New Guinea (\$434M). Meanwhile, India (\$5.04B), China (\$3.66B), Pakistan (\$2.15B), Netherlands (\$1.72B), and Spain (\$1.25B) were the top importers.

Lastly, between 2019 and 2020, the exports of palm oil grew the fastest in Indonesia (\$2.28B), Malaysia (\$1.5B), Honduras (\$120M), Turkey (\$85.3M), and Guatemala (\$67.3M), while the fastest growing importers were Pakistan (\$494M), Philippines (\$295M), Kenya (\$288M), Netherlands (\$268M), and Italy (\$253M).

Article of the month

Synesgy updates its questionnaire according to the GRI universal standards



Global Reporting Initiative

The Universal Standards strengthen the very foundations of all reporting through GRI, delivering the highest level of transparency for organizational impacts on the economy,

Synesgy's success are the dedicated questionnaires, which are based on timely and rigorous references of global ESG market regulations such as UNGC, GRI, UN 17 SDGs, EBA LOM, and EU Taxonomy for Sustainable Activities.

Overall, the questionnaires are based on a two-tiered approach. Initially, a core version with questions referring to the Global Reporting Initiative (GRI) and focusing on the Business side and the Environmental, Social, Governance principles. Second, based on the sector to which the company belongs, an industry-specific section is provided. In addition, the Synesgy questionnaire is certified by the CRIF Rating Agency (CRA), which is recognized at the European level.

● **The importance of Universal Standard**

The revised Universal Standards represent the most significant update since GRI transitioned from providing guidance to setting standards in 2016.

The Universal Standards strengthen the very foundations of all reporting through GRI, delivering the highest level of transparency for organizational impacts on the economy, environment, and people.

The forward-looking approach that underpinned the revision of the Universal Standards means organizations will be best positioned to use their GRI reporting

The Universal Standards 2021, which will come into force on 1 January 2023, include three Standards in particular:

The Universal Standards 2021, which will come into force on 1 January 2023, include three Standards in particular:

- **GRI 1:** Foundation (replacing GRI 101:2016): introduces the purpose and system of GRI reporting, setting out the key concepts, requirements and principles that all organizations must adhere to in order to report in accordance with the GRI Standards.
- **GRI 2:** General Disclosures (replacing GRI 102:2016): updated and consolidated disclosures on reporting practices, activities and workers, governance, strategy, policies and practices, and stakeholder engagement.
- **GRI 3:** Material Issues (replacing GRI 103: 2016): provides step-by-step guidance and revised disclosures on how the organization determines and manages its material issues.

The launch of the revised Universal Standards will better identify material themes, fully meet due diligence expectations for organizations, including human rights as set by the UN and OECD, and enable consistent and comparable reporting.

This important update has been received within the Synesgy platform that will enable companies, banks and insurance companies to produce quality reporting as it is more focused on defining material issues and more focused on impacts, principles and requirements. A more robust process and questionnaire because it reflects the due diligence expectations of companies contained in the UN and OECD intergovernmental instruments.

Quick Infographic

| Business Information Report- An Infographic



Why you need CRIF's Business Information Report



Why go for CRIF's Business Information Report



Companies often look for the highest quality of business information before forging an association with a new partner in order to drive high profitability and healthy growth. CRIF's Business Information Report enables the global market to access commercial risk data with its freshly investigated reports.

Benefits of CRIF's Business Information Report

- 

Get **risk assessment ratings** to get insights into a company's vulnerability with credit limits
- 

Have a clear picture of the company's **legal events** such as acquisitions, bankruptcies, critical suits
- 

Understand the **financial strength** of the company with the help of balance sheets, ratios and financial data
- 

View not only the present but also the past of the company by **accessing historical data** involving company management

Stay one step ahead with CRIF's Business Information Report

About CRIF India

CRIF India is one of India's leading provider of Credit Information, Business Information, Analytics, Scoring, Credit Management and Decisions Solutions.

CRIF's Business Information Report, commonly known as the BIR Report, is a new way of thinking about data and information and how they are linked to each other. Available in 230 countries and territories, CRIF'S Business Information Report contains up to date information collected from various data sources. The report helps in determining a company's profitability, financial trends, and risk. It also provides an in-depth profile of a company, including financial information, legal cases, history of business, ownership details, operational information, and details on related firms and special events that occurred in the past involving company management. It's an industry standard for evaluating both new and existing credit relationships, especially medium-to-high risk accounts. Additionally, it supports a company's other efforts, like marketing and purchasing.

CRIF India's Business Information Offerings



| How is CRIF different?



We brought in new Sets of Data Points,
First in the Industry at a TAT less than 48hrs.



Global Data Environment

200 million companies across 230 countries,
2 Million directors on these companies,
400+ data points covered



Unmatched expertise in analysis

Our vast experience gives us an eye for better
assessment of information



Count on our TAT

Quality in expertise translates into
efficiency in outcome



Quality checks

We've set processes to ensure reliable
information is coming your way

Customized solutions for: Customer | Suppliers | Trade / Supply Chain solutions



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