

May
2023 ISSUE
VOL XXXV

CRIF INDUSTRY WATCH

A monthly edition on Data, Risk and Economic Insights

INSIDE THIS ISSUE

- Analysis and Studies
- Import and Export Snapshot
- Product Analysis
- Article of the Month



Analysis and Studies

CRIF Indonesia study: The Projection of Construction in Indonesia, 2023



After being hit by the pandemic for two years, various industrial sectors are showing signs of recovery. One of them is the construction industry, which is believed to have better performance in 2023. In 2023, the total construction market in Indonesia is estimated to reach IDR 332.95 trillion, which includes 47.29% in the civil sector and 52.71% in the building sector. (Investor.id, 2022)

Investment in infrastructure development will be the main focus of the Indonesian government. The Indonesian government has committed to increasing investment in the infrastructure sector and increasing the State Revenue and Expenditure Budget (RAPBN) specifically for this sector. The Indonesian government has prepared funds for infrastructure in the RAPBN for the fiscal year 2023, which is higher than in 2022. Allocation for infrastructure has increased by 7.75% from IDR 363.8 trillion in 2022 to IDR 392 trillion in 2023. (Kompas, 2022)

Business Players in Construction Sector Every Year

As a reference, the total number of companies engaged in the construction industry each year can be used to see the market and level of competition among business players each year. As seen in the graph below, in 2020 there was a decrease in the total number of construction companies in Indonesia by 5.66% compared to 2019. This was caused by the national economic downturn in the midst of the Covid-19 pandemic, which caused many companies to close down, not only in the construction sector, but also in various business sectors in Indonesia.

The number of construction companies in Indonesia was 197,030 in 2022



Total Number of Construction Companies in Indonesia in 2017-2022



Based on data from Statistics Indonesia (BPS), the number of construction companies in Indonesia was 197,030 in 2022. This figure is down 3.13% compared to 203,403 units in 2021. The decrease in the number of construction companies is due to many infrastructure projects not being able to operate optimally, which is partly due to the negative impact of the Covid-19 pandemic. Additionally, the construction sector is also affected by the Russia-Ukraine conflict in 2022.

According to information from the Ministry of Public Works and Housing (PUPR), this ministry received a special assignment from the President through Presidential Regulation (Perpres) Number 120 of 2022 regarding Special Assignments in the Acceleration of Infrastructure Development Implementation. Specifically, the budget for 2023 will be allocated to complete ongoing construction projects, meaning there will be minimal new construction contracts in 2023.

The construction industry can still grow positively in 2023



Through this regulation, the Ministry of PUPR has been assigned 21 tasks to rehabilitate infrastructure in the water resources, civil works, highways, and housing sectors. Although new contracts in 2023 are expected to be minimal, Minister Basuki is optimistic that the construction industry can still grow positively in 2023.

The Ministry of PUPR, through the Directorate General of Public Works and Housing Infrastructure Financing (DJPI), is continuously trying to expand cooperation in infrastructure financing through the role of business entities under the Government and Business Entity Cooperation scheme (KPBU).

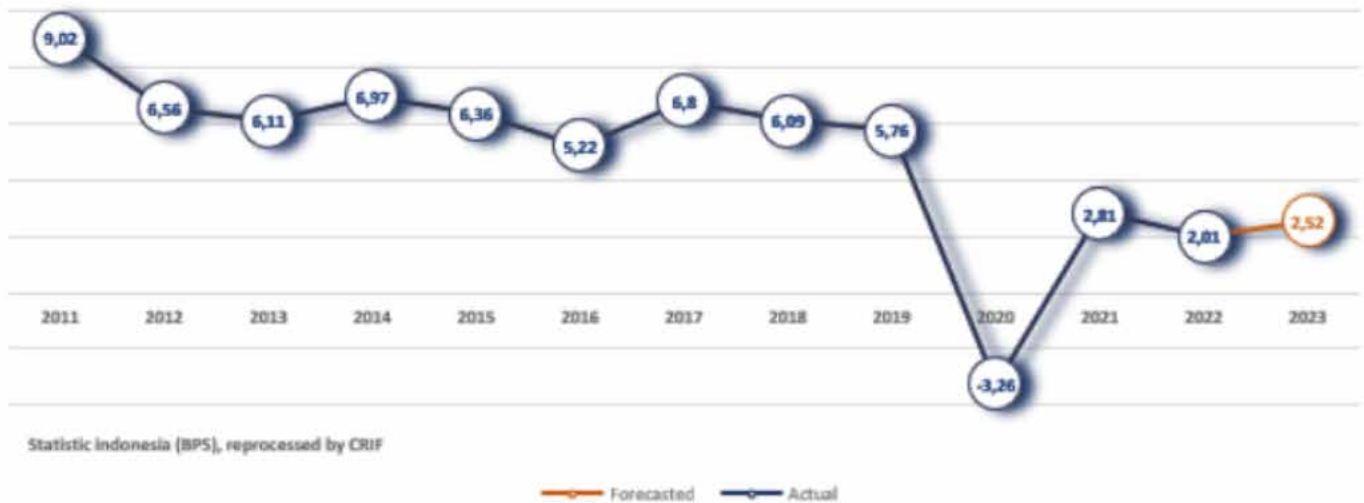
Sustainable infrastructure development financing innovations need to be implemented to overcome the limitations of the state budget in infrastructure development financing. The Director General of Infrastructure Financing said that in the 2022 budget year, the DJPI worked on 27 KPBU projects worth IDR 269.78 trillion in the Preparation Phase and 7 KPBU projects worth IDR 68.96 trillion in the Transaction Phase. In the 2023 budget year, the Ministry of PUPR, through the DJPI, targets 14 KPBU projects worth IDR 73.93 trillion in the Preparation Phase and 17 KPBU projects worth IDR 138.41 trillion in the Transaction Phase. (Open Data PUPR, 2022)

The construction sector experienced a growth of 2.01% throughout 2022



CRIF predicts that as the performance of the construction sector grows and is driven by an increase in national economic growth in 2023, the number of businesses in this sector will also increase. This condition is also in line with the increasing number of construction projects and infrastructure development in Indonesia, which is indicated to cause an increase in construction service providers in Indonesia.

Construction Sector Growth Year on Year



The improving pandemic situation in 2022 has had a positive impact on the economic recovery in Indonesia and various business sectors, including the construction sector. According to the Indonesian Economic Growth Report 2022 released by the Statistics Indonesia (BPS), the construction sector experienced a growth of 2.01% throughout 2022. In 2023, CRIF projects a slight increase in the growth of the construction sector, at around 2.52% year on year. This condition is influenced by the increasing number of infrastructure projects that were previously hindered by the Covid-19 pandemic in the past three years.

In total, throughout 2022 there were 197,875 investment projects from within the country.



Therefore, the construction sector is predicted to continue to receive new construction projects from both the government and the private sector. followed by the construction sector with 24,381 projects.



CONSTRUCTION INDUSTRY IN 2023

- Three drivers of the construction market in Indonesia in 2023, namely :
 - a. The residential sector, landed houses will dominate the increase, followed by apartments which are starting to grow with many collaborations with foreign developers.
 - b. The industrial sector is predicted to grow rapidly due to the influx of foreign investors. In addition, it is also supported by the opening of new industrial lands which are sufficient to attract investors to build factories there.
 - c. The infrastructure sector is very closely related to government policies that pay attention to this sector so that many projects are developed. A real example is the construction of various toll roads throughout Indonesia.



- The construction sector in Indonesia is currently still in the recovery stage and until the middle of 2022 its growth was relatively lower compared to general economic growth. This happens for several reasons namely :
 - (i) several development projects that were delayed at the start of the pandemic;
 - (ii) reallocating the Government's budget to programs that can increase public consumption;
 - (iii) a significant increase in the performance of the trade sector in line with the increase in commodity prices.

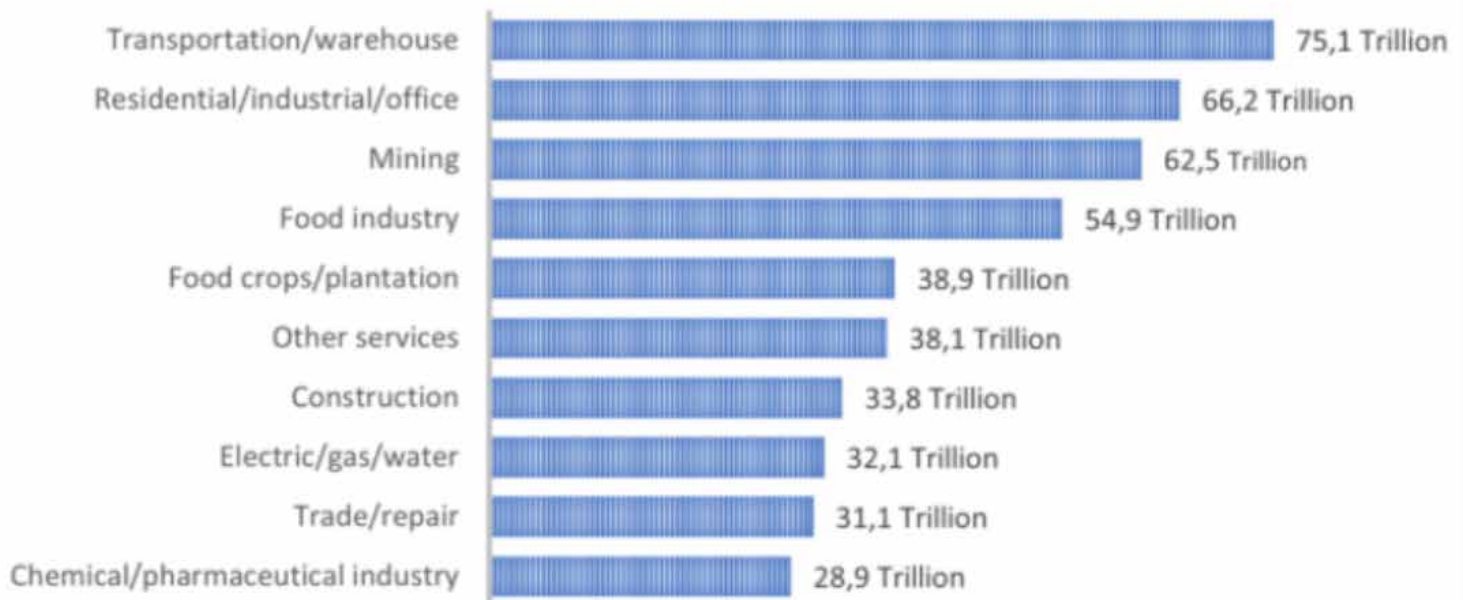


Infrastructure & transportation projects have increased sharply since 2021 as infrastructure investment emerges. The company's development projects will continue to be a key driver and support further growth. The Ministry of Investment or the Investment Coordinating Board (BKPM) noted that domestic investment (PMDN) realization in Indonesia reached IDR 552.8 trillion in 2022. The construction sector received PMDN realization of IDR 33.84 trillion. In total, throughout 2022 there were 197,875 investment projects from within the country. The trade and repair sector has the highest number of PMDN projects, namely 78,386 projects, followed by the construction sector with 24,381 projects.

2023 and 2024 will be years of accelerated completion of toll road construction



10 MOST-INTERESTED BUSINESS SECTORS IN BY DOMESTIC INVESTORS IN 2022



Priority policies for 2023 are focused on accelerating infrastructure provision and selected national strategic projects that have entered the construction phase must be completed in semester I-2024. The 2023 and 2024 will be years of accelerated completion of toll road construction in various regions to improve connectivity between regions and the community's economy. The government will also allocate a significant budget for new infrastructure development projects throughout the region, including dams, ports and transportation facilities.

Challenges and Obstacles in the Construction Sector in 2023

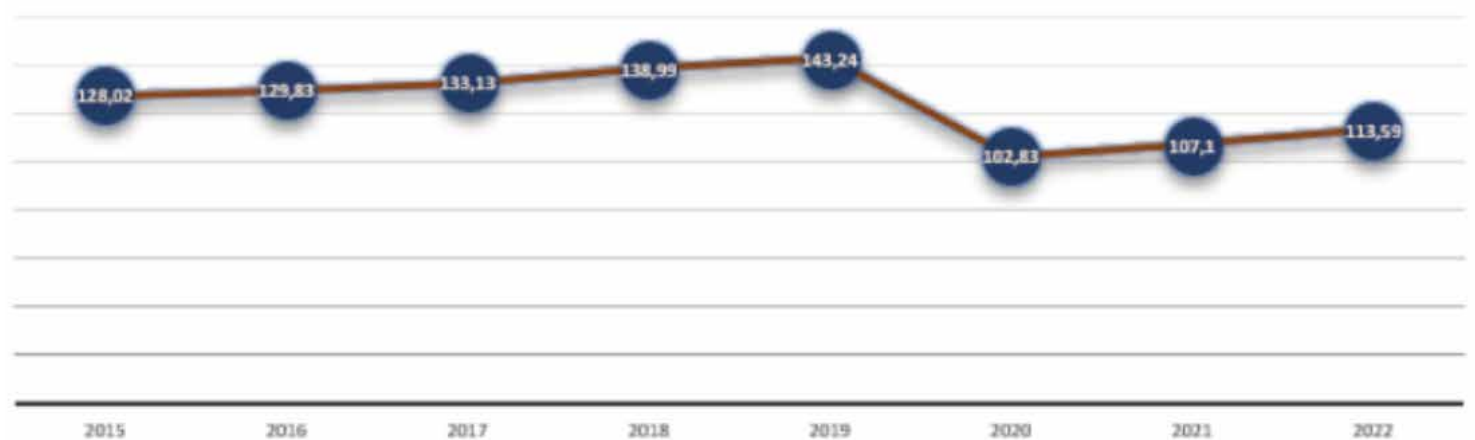


Construction sector business players in Indonesia are predicted to face several challenges in 2023. Some of these challenges include:

Increase in Raw Material Costs

Increases in the price of raw materials such as cement, concrete iron, and wood can affect construction costs and make projects more expensive. Based on data from BPS, the increase in the Wholesale Price Index (IHPB) for the building or construction group increased by 6.06% in 2022 compared to 2021. Based on these data it is known that all groups of building types experienced an increase in 2022 compared to 2021.

Wholesale Price Indices of Construction Materials Indonesia (IHPB)



Statistic Indonesia (BPS), reprocessed by CRIF

Meanwhile, the commodity that experienced price increases from year to year was diesel fuel by 37.80% which contributed to wholesale price inflation of 1.83%. On the other hand, cement increased 8.52% and contributed to inflation by 1.16%, asphalt rose 15.37% and contributed 1.03%. Meanwhile, commodities that experienced a decline, namely concrete iron, fell 3.85% and contributed 0.48%, and steel roof trusses fell 6.30% and contributed 0.15%. (Bisnis.com, 2023)

Political Uncertainty

The government realizes that 2023 will be a year full of challenges, because the 2024 Political Year is approaching. This political condition is expected to affect the certainty of investment and construction projects.

Market competition

The more companies involved in the construction sector, the tighter the competition in obtaining projects.

Increase in Interest Rates

Interest rates in 2023 are predicted to be higher than in 2022. The impact of the interest rate hike on the construction sector in 2023 is the potential to reduce public interest in buying property, which will affect the business performance of construction companies and property sub-sectors. The increase in the Bank Indonesia (BI) interest rate in October 2022 has affected mortgage interest rates, which may decrease public interest in purchasing property in the future.

This poses a challenge for construction and property companies to maintain their business performance amid a difficult market condition.

Therefore, business players in the construction sector are required to improve project efficiency and quality, optimize the use of human resources, and monitor changing regulations and market conditions. Although there is a threat of global economic recession triggered by inflation, Indonesia's economic foundation is considered relatively strong after passing through the pandemic period, providing promising construction business opportunities. This is driven by the government's commitment to continue large-scale infrastructure development and encourage the establishment of industrial facilities for raw material management.

In addition, new industrial zones with significant incentives attract foreign investors and accelerate industrial projects. Therefore, the Indonesian government continues to focus on strategic infrastructure projects and is motivated to accelerate the development of basic infrastructure and main buildings in IKN Nusantara (The National Capital of Nusantara).

Import and Export

| Snapshot- Italy: A look at the market



An overview of the economy and of the business environment

Italy is one of the major agricultural players in the EU, being the biggest European producer of rice, fruits, vegetables, and wine.

Giro d'Italia, Italy's most prestigious road bicycle race, is set to begin in just a few days: on May 6, the 99th edition of the Giro, one of cycling's Grand Tour races, will begin outside Italy – this year, in the Netherlands. Beginning May 10th, the Giro will head to Italy, traversing the country from south to north, from Catanzaro in Calabria to Turin in Piedmont, scheduled to be reached on May 29.

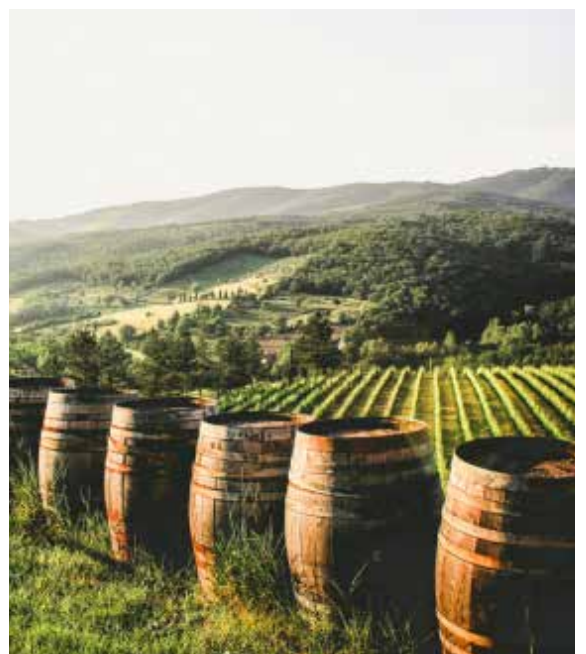
Thanks to this event, Italy will enter the homes of more than 760 million TV viewers worldwide and 10 million Italians along the roads with more than 24,000 hours of broadcasting. This means a big positive impact on Italian tourism, one of the key sectors of Italy. This year forecasts say that Italy will have 127 million tourist accommodation arrivals, up by more than 11 on last year.



The sector records a solid recovery in arrivals and overnight stays, above all thanks to the important increase in foreign tourists and the strengthening of Italian demand. Last year positive results were achieved by hospitality entrepreneurs in all regions and for the several kinds of tourism products, but cities/art centers recorded the most significant growth overall. Above all, European visitors are the driving force, even though there is also a strong increase in travelers from North America (mainly USA).

Let's have a look at all the other economic sectors. Italy is one of the major agricultural players in the EU, being the biggest European producer of rice, fruits, vegetables and wine.

The agricultural sector represents 1.9% of Italian GDP and is heavily dependent on the import of raw materials utilised in agricultural production due to the country's limited natural resources. The primary sector employs 4% of the workforce with around 1.3 million farms of which almost half have a small agricultural output. The country's main crops include cereals (particularly wheat), corn, barley, rice and oats. Italy is also the first world producer of wine and the first producer of tobacco in Europe.



Italy is the largest global exporter of luxury goods (clothing, luggage, cars, etc.)



Italy is also a primary industrial country, with the secondary sector accounting for 22.5% of GDP and employing 26% of the active population (World Bank, latest data available). The country's industrial activity is concentrated in the northern part of the country, including cities such as Turin, Milan and Venice.



Much of the Italian industry consists of small and medium-sized family businesses, with the majority of Italian industrial companies having less than 50 employees. Italy is the largest global exporter of luxury goods (clothing, luggage, cars, etc.); other important Italian industries include precision machinery, motor vehicles, chemical products, pharmaceuticals, electrical items, fashion and clothing. The manufacturing sector accounts for 15% of GDP (World Bank). The country has suffered during the global financial crisis, but it remains Europe's secondlargest manufacturing power and the seventh-largest worldwide.



The service sector constitutes almost two-thirds of Italian GDP and employs 70% of the country's workforce. As previously stated, tourism - one of the fastest growing and most profitable industries - makes up the largest part of the service sector (Italy is the fifth most visited country internationally and the third most visited in Europe). Business-related services also play an important role in the country's economy. It is estimated that more than half of Italy's 5 million companies are active in the tertiary sector.



Italy is the 8th largest exporter and 12th largest importer worldwide, with trade making up 63% of its GDP



Italy has an export-oriented economy and is the 8th largest exporter and 12th largest importer worldwide, with trade making up 63% of its GDP (World Bank, latest data available). The country's main exports include medicaments, cars and vehicle parts, refined petroleum, trunks, suitcases, and vanity cases. Italy is also the second-largest wine exporter in the world. The country is dependent on imports for its energy needs, hence petroleum and gas products are among the main items in Italy's import bills, together with motor vehicles and medicaments.

Italy's main trading partners are Germany, France, the U.S., Switzerland, Spain, United Kingdom, Belgium, Poland, China and Netherlands whereas imports come chiefly from Germany, France, China, the Netherlands, Spain, Belgium, United State, Poland, Switzerland and Austria.. Overall, the EU accounted for 52% of total exports.



Product Analysis

| Toys Global Market



In 2020, toys were the world's 65th most traded product, with a total trade of \$51.4B, growing by 0.24%, from \$51.2B in 2019 to \$51.4B. In 2020, toys were the world's 65th most traded product, with a total trade of \$51.4B, growing by 0.24%, from \$51.2B in 2019 to \$51.4B.

Toys have been a beloved part of human culture since the dawn of civilization: they ignite our imagination, transport us to far-off lands, and provide endless hours of entertainment.

Created specifically for play and enjoyment, these objects come in a wide range of shapes and sizes, and can be made from a variety of materials, including wood, plastic, and metal.



The history of toys dates back to ancient civilizations, where children played with simple toys made from natural materials such as rocks, sticks, and leaves. As society advanced and technology improved, so did the variety of these playful inventions. As a matter of fact, the concept of “toys” as we know it today began to emerge during the Industrial Revolution and it reached its peak in the late 19th and 20th centuries.

Today, toys continue to evolve, with new technologies being incorporated into modern playthings. In 2020, toys were the world's 65th most traded product, with a total trade of \$51.4B, growing by 0.24%, from \$51.2B in 2019 to \$51.4B. Trade in toys represents 0.31% of total world trade.

In 2020 the top exporters of toys were China (\$33.4B), Czechia (\$2.64B), Germany (\$2.4B), Vietnam (\$1.32B), and the Netherlands (\$1.14B), while the top importers were the United States (\$12.4B), Germany (\$3.57B), the United Kingdom (\$2.75B), France (\$1.96B), and Japan (\$1.82B).

Between 2019 and 2020, the exports grew the fastest in Germany (\$4.36B), South Korea (\$1.48B), Slovakia (\$1.43B), Spain (\$1.02B), and Czechia (\$967M), while the fastest growing importers were United Kingdom (\$2.83B), Germany (\$2.78B), France (\$1.41B), Belgium (\$614M), and Japan (\$560M).

Article of the month

| A business development journey based on ESG data



To remain competitive in increasingly volatile markets, a company must be able to evolve over time, responding to consumer and workforce needs and offering products and services in line with market paradigms. This evolution cannot be successfully pursued without a business model based on the principles of sustainability, intended in all its many and complex facets. In this journey, ESG data provide important insights into areas of the business that need attention or strengths that the company can leverage to improve its offering. However, building a business development journey based on ESG data can be a challenging operation for many organizations, especially for SMEs. That is why it is important to choose the right partner and the right technology solution, in order to make sure that all the efforts implemented don't go to waste. Synesgy has developed a framework to guide companies through this necessary, yet complicated, journey, thanks to a proprietary and granular solution which combines standardization to an industry-focused and localized approach.

ESG Data, discover where you are at in the journey towards sustainability

There cannot be improvement without knowledge about the current situation. That is why Synesgy's approach starts with a Questionnaire, which is certified by the CRIF Rating Agency (CRA) and based on timely and rigorous references of global ESG market regulations and standards, such as:

- Global Reporting Initiative (GRI), an international organization that has developed and delivered the global best practice for companies to demonstrate the accountability for their ESG impacts.
- United Nation Global Compact (UNGC), a voluntary initiative based on CEO commitments to implement universal sustainability principles;
- demonstrate accountability for their impacts on the environment, economy and people;
- UN 17 Sustainable Development Goals (SDGs), which guide international efforts in the transition to a sustainable society and economy
- EBA GUIDELINES
- EU Taxonomy for Sustainable Activities.

Synesgy's questionnaire allows the company to get a detailed overview of its ESG performance through two different levels of analysis. The first, the core, is based on GRI principles and focuses on the Business side and the Environment, Social, Governance principles. Additionally, a second level of analysis allows to assess a company's ESG performance in relation to the specific industry, with a set of industry-specific questions (36 industries)

How Synesgy ensure the quality of ESG Data

This standards-based approach is important both because it provides common metrics for companies that want to evaluate their ESG efforts and initiatives, but also because it certifies the value of ESG Data provided by the companies.

At the same time, it is also important to consider the country where the company operates, as different countries set different ESG requirements and obligations for corporate responsibility. That is why the tailored approach that Synesgy deploys takes into consideration both local regulation and local business information.

In fact, the quality of the data is an indispensable factor in providing an accurate assessment. For this reason, Synesgy deploys both automatic and manual checks.

If the system detects inconsistencies, Synesgy's team will ask the compiler to provide supporting documentation. The team of Synesgy's professionals, additionally, is available for supporting customers each step of the way, to accompany them in the journey towards ESG assessment and certification.

ESG Data, how to analyse it with Synesgy's intuitive dashboards

The outcome of this journey will be an intuitive dashboard which shows how the company performs in the five macro sections of the Questionnaire: Business, Environment, Social, Governance and Sector.

This intuitive dashboard provides the overall score of the company for each macro area. In this way, the organization can see its performances and evaluate the situation along its supply chain. In fact, Synesgy also provides ESG performance Dashboards which help companies to understand and compare their suppliers' ESG performance.

The assessment is also finalised for the purpose of obtaining a Certification, which can be immediately downloaded from the platform and has a duration of 12 months: after this time, it is necessary to repeat the assessment. Companies can monitor if they are compliant with their sustainability policies and check the progress.

improve ESG performance with the Action Plan

In addition to the Assessment and the Certificate, and organisations will receive the Synesgy's Action Plan, which consists in 6 sections, two for every ESG Pillar.

To enhance the company's journey toward sustainability the Action Plan provides advises useful to be implemented in the ESG Strategy.

In addition to the Assessment, the Score and the Certificate organisations will receive the Synesgy's Action Plan, which consists in 6 sections, two for every ESG Pillar.

This output is fundamental for companies to enhance their company's journey toward sustainability, that can use a list of a easy-to-understand material advice that shall be implemented in the ESG Strategy.

This data is important for the company to identify business areas that need more attention, as well as potential business opportunities based on ESG Data. Thanks to the knowledge and the transparency provided by the platform, businesses can easily navigate their journey towards more sustainable, resilient and competitive business models.

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



CRIF Solutions (India) Pvt. Ltd.

Unit 601, Sixth Floor, Axis Centra, Survey No-62, 1/4, Baner, Pune, 411045, Maharashtra, India

Ph: +91 2067642900 | Email ID: BSales.India@crif.com | Website: www.crif.in