

NEWS UPDATE

Jakarta | Wednesday, Nov 6, 2019

POLITICS

Jokowi gives minister Luhut more powers through new regulation (Jakarta Post)

- President Joko “Jokowi” Widodo has given Coordinating Maritime Affairs and Investment Minister Luhut Pandjaitan additional responsibilities with a new presidential regulation (Perpres) vesting greater authority in the office of an already powerful minister.
- Perpres No. 71/2019, which was signed on Oct. 24 and replaces a 2015 regulation on the office of the coordinating maritime affairs minister, Luhut’s office is given a new mandate to keep an eye on national priority programs and other policies adopted in Cabinet meetings.
- The office is also bestowed with the authority to settle unresolved issues stemming from deadlock among ministries or other state institutions to ensure government policies are enforced

- The new regulation places three more institutions under the coordinating minister's authority, namely the Public Works and Housing Ministry, the Investment Coordinating Board (BKPM) and the Environment and Forestry Ministry, which previously were under the Office of the Coordinating Economic Ministry.
- With the additional three institutions, Luhut's office now oversees six ministries and the BKPM.
- Luhut, who has backed Jokowi's administration since its inception in 2014, retains his position in the President's second-term Cabinet, albeit with some additional tasks to solve investment bottleneck.

- “Making Indonesia the global maritime fulcrum as well as addressing investment barriers and realizing big investment commitments will be in [Luhut’s] hands,” Jokowi said when announcing Luhut’s role in the Indonesia Onward Cabinet.
- Luhut has held talks with potential big-ticket infrastructure investors from China, the US and United Arab Emirates to make sure Indonesia is targeted for massive global funding programs that include China’s Belt and Road Initiative (BRI), the US’ International Development Finance Corporation and the UAE’s Mubadala.
- The senior Golkar Party politician previously served as Jokowi’s presidential chief of staff as well as coordinating political, legal and security affairs minister, before taking the mantle of coordinating maritime affairs minister until the end of Jokowi’s first presidential term

BUSINESS

After disagreements, Govt, Japan's Inpex decide site for Masela block's LNG plant (Jakarta Post)

- The government and Japanese oil company Inpex have determined Yamdena Island in the south-eastern Arafura sea as the location for a liquified natural gas (LNG) plant that will become a part of the multibillion-dollar Masela oil and gas block project.
- The Upstream Oil and Gas Regulatory Special Task Force (SKK Migas) said in a statement on Tuesday that it had sent a formal recommendation letter on the matter to the Maluku provincial administration, which governs Yamdena Island.
- “We went there; we’ve spoken to the provincial administration and the administration is very supportive of this Masela project,” said SKK Migas spokesman Wisnu Wibawa Taher.

- SKK Migas and Inpex as the block's operator expect the LNG facility to be operational by 2027 and run until 2055. The facility is part of the company's US\$18 billion to \$20 billion investment in developing the block.
- Once the development is completed, the block is expected to produce 9.5 million tons of LNG per annum and 150 standard cubic feet per day (mmscfd) of gas. It holds 10.7 trillion cubic feet of proven gas reserves.
- "I want the environmental impact assessment [Amdal] and land acquisition completed by 2020, so construction can begin the following year," said Maluku governor and former policeman Murad Ismail.

- Inpex and SKK Migas initially planned to finish development of the block by 2018 but disagreements related to the block's development plan, including whether the LNG plant should be built onshore or offshore, pushed back the deadline to 2027
- Inpex vice president for corporate services Nico Muhyiddin previously said the company was in the process of cataloging the needs of potential business customers.
- “We are creating an assessment for potential buyers such as [state-owned gas distributor] PGN and [state-owned utility company] PLN, among others. We've asked them how much gas they need,” he said.

Business

China's Zijin buys Freeport's copper-gold assets in Serbia for up to \$390 million (Reuters)

- Zijin Mining, one of China's biggest gold producers, said on Monday it would buy partner Freeport McMoran Inc's copper-gold assets in Serbia for up to \$390 million, substantially boosting its resources of both metals.
- The move continues a recent acquisition spree for Zijin and strengthens its foothold in the Balkans, having entered Serbia when it took over local copper producer RTB Bor in 2018, before completing the purchase of Nevsun Resources, which also has interests in Serbia, for \$1.4 billion this year.
- Zijin will pay Freeport an initial \$240 million for its stake in the lower zone of the Timok copper-gold mine, plus 0.4% of the net sales proceeds once production begins, up to an aggregate maximum amount of \$150 million, according to a filing to the Hong Kong stock exchange.

- ***ZIJIN ALREADY HAS A 100% INTEREST IN THE UPPER ZONE THROUGH ITS NEVSUN ACQUISITION AND HOLDS 60.4% OF THE LOWER ZONE***
- Zijin already has a 100% interest in the upper zone through its Nevsun acquisition and holds 60.4% of the lower zone. Freeport owns the rest of the lower zone but its holding was due to rise to 54% on completion of a feasibility study.
- “After completion of the transaction, the company will own 100% interests in the resources of both the upper zone and the lower zone,” Zijin said, adding that the purchase would allow the company to increase its resources and further its internationalisation.

- It said the acquisition would lift its total controlled copper resources by 7.72 million tonnes, or 15.6%, to 57.24 million tonnes on an equity basis, while its gold resources would rise by 161 tonnes, or 9.3%, to 1,889 tonnes.
- Phoenix-based Freeport did not immediately respond to a request for comment on the sale outside of normal business hours.
- Development of the lower zone of Timok has not yet started but Zijin said the deal would help with unified planning, construction and operation of the project. Production from the upper zone is expected to begin in 2021, it added.

- Zijin will also acquire Freeport's interests in five exploration licenses in the surrounding area, which are currently held by a Zijin-Freeport joint venture and have "favourable potential for prospecting," the statement said.
- Zijin expects the transaction to be completed no later than Feb. 29, 2020.

Business

Global gold production dragged down by Grasberg (Mining.com)

- Primary production remained comfortably above the five-year quarterly average of some 852 tonnes, however. On a year-to-date basis production is flat at 2,583 tonnes after a decade of output growth.
- Gold output in Mexico saw an 11% increase y-o-y in Q3 after operations resumed at the Peñasquito mine following a blockade by local communities and contractors. Last month the dispute again halted work at the Newmont Goldcorp property amid ongoing negotiations.
- ***GHANA OVERTOOK SOUTH AFRICA AS THE CONTINENT'S TOP GOLD PRODUCER LAST YEAR***

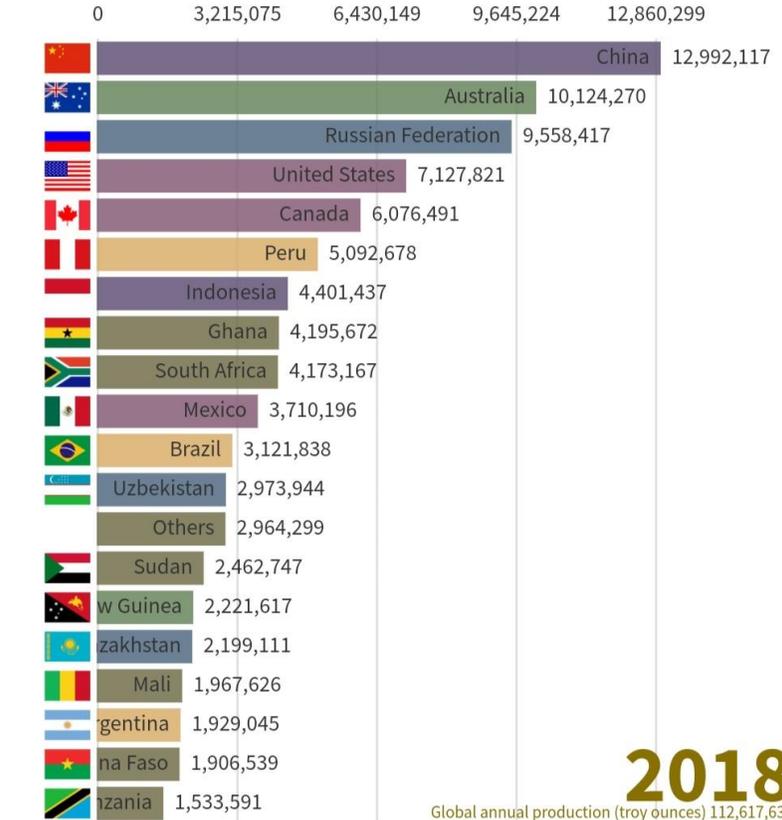
- Gold production in Australia rose 7% y-o-y, boosted by incremental increases at several mines, while Ghanaian gold production (up 4%) benefitted from scheduled output increases at two Newmont Goldcorp mines – Ahafo and Akyem. Ghana overtook South Africa as the continent's top gold producer last year.
- Russian Q3 mine production was flat y-o-y, but the European nation could add as much as 900,000 ounces in capacity this year alone as several projects in the country – particularly in the Far East region – continue to ramp up.
- No 1 producer China saw production fall (-4%) for another quarter as the industry continues to be impacted by the strict environmental regulations introduced in 2017, according to the WGC.

- In the US, mine production was marginally weaker (-1%) due to lower scheduled output from several Nevada mines – including Cortez and Goldstrike.
- South African gold output (-6%) was impacted by the tail end of industrial action, which hampered production significantly during the first half of the year. Peru's 12% decline in mine production was a consequence of falling grades due to mine scheduling.
- Indonesian output saw the largest y-o-y decline in Q3 – down 41% on the back of a plunge in output at the Grasberg copper-gold mine. The Freeport McMoRan-operated mine is transitioning to underground operations with the depletion of high-grade open pit ore.

TOP 20 GOLD PRODUCING COUNTRIES

Select regions for gold production sub-totals:

- North America
- Central & South America
- Europe
- Africa
- Commonwealth of Independent States
- Asia
- Oceania
- Rest of the World



2018

[Replay](#)

Source: World Gold Council, Metals Focus, MINING.COM



Mining News

Newmont Goldcorp reports 57% rise in revenue on higher gold prices, production in third quarter

- Higher gold prices helped boost Newmont Goldcorp's revenues up by 57% in the third quarter but it still wasn't strong enough to meet earnings expectations, according to the company's latest earnings report.
- Tuesday morning, ahead of the North American Open, the world's largest gold mining company said that its adjusted net income was \$292 million or \$0.36 per diluted share, up compared to \$175 million or \$0.33 per diluted share in the prior year quarter. However, the earnings number was a slight miss as consensus estimates among market analysts expected income of \$0.39 per share.
- Despite the consensus miss, the company reported strong revenues, higher production and increased cash flow.
- Tom Palmer, President and Chief Executive Officer, said in a press release that the company's third quarter results demonstrates its building strong momentum to finish the year on a strong note.

- “We expect to deliver \$240 million in annual run-rate improvements by the end of 2019 and exceed our initial synergy targets from the Goldcorp acquisition. We also continued to strengthen our portfolio and advance profitable growth by bringing on Borden, the Ahafo Mill Expansion and Quecher Main on time and within budget,” he said.
- Looking at production, the company said that attributable gold production increased 28% to 1.64 million ounces for the quarter. The jump in production was primarily due to new production from the Goldcorp assets and higher grades at Ahafo, Newmont said.
- Higher production and an average realized gold price of \$1,476 an ounce, helped the company generate \$2.713 billion in revenues for the third quarter. Along with higher revenue, Newmont said that consolidated cash flow from continuing operations totaled \$793 million and free cash flow rose to \$365 million, an increase of 85% and 137% over the prior year quarter, respectively.

- Although Newmont reported strong earnings, the company also noted increased costs. The company said that gold costs applicable to sales came in at \$733 per ounce, up 6% over the third quarter of 2018. At the same time all-in sustaining costs came in at \$987 per ounce, up 10% from last year.

Business

Vale to open shuttered Alegria mine, starting to restore lost output (Reuters)

- Miner Vale SA said on Friday it had been authorized by Brazilian regulator ANM to resume operations at its Alegria mining site, which were [interrupted](#) last March after a “stress test” failed to guarantee its stability.
- In a securities filing, the company said the resumption of mining activities at Alegria will allow the iron ore exporter to restore 8 million tonnes of 50 million in capacity lost after the collapse of its Brumadinho dam in January caused a series of shutdowns.
- Before the shutdown, Alegria had an annual capacity of 10 million tonnes.
- ***THE ALEGRIA MINE IS LOCATED IN THE MARIANA COMPLEX IN THE STATE OF MINAS GERAIS***

- The mine's resumption will add up to 1 million tonnes to production volumes in 2019, but should not impact sales this year, which the company still expects to come in between the lower and midpoint of its previously announced range of 307 million to 332 million tonnes.
- Vale shares rose 2.7% during Friday trading as BTG Pactual analyst Leonardo Correa called the resumption "yet another de-risking event" for the company, reiterating his "buy" rating.
- Separately on Friday, Brazil's Foreign Trade Secretariat said iron ore exports had fallen 16% in October from a year earlier to 31.2 million tonnes, although they were up 15% from September.
- Prices also slipped, to \$62.9 per tonne from \$68 the month before, although they were still up substantially from the year-ago price of \$55.7.

Economics

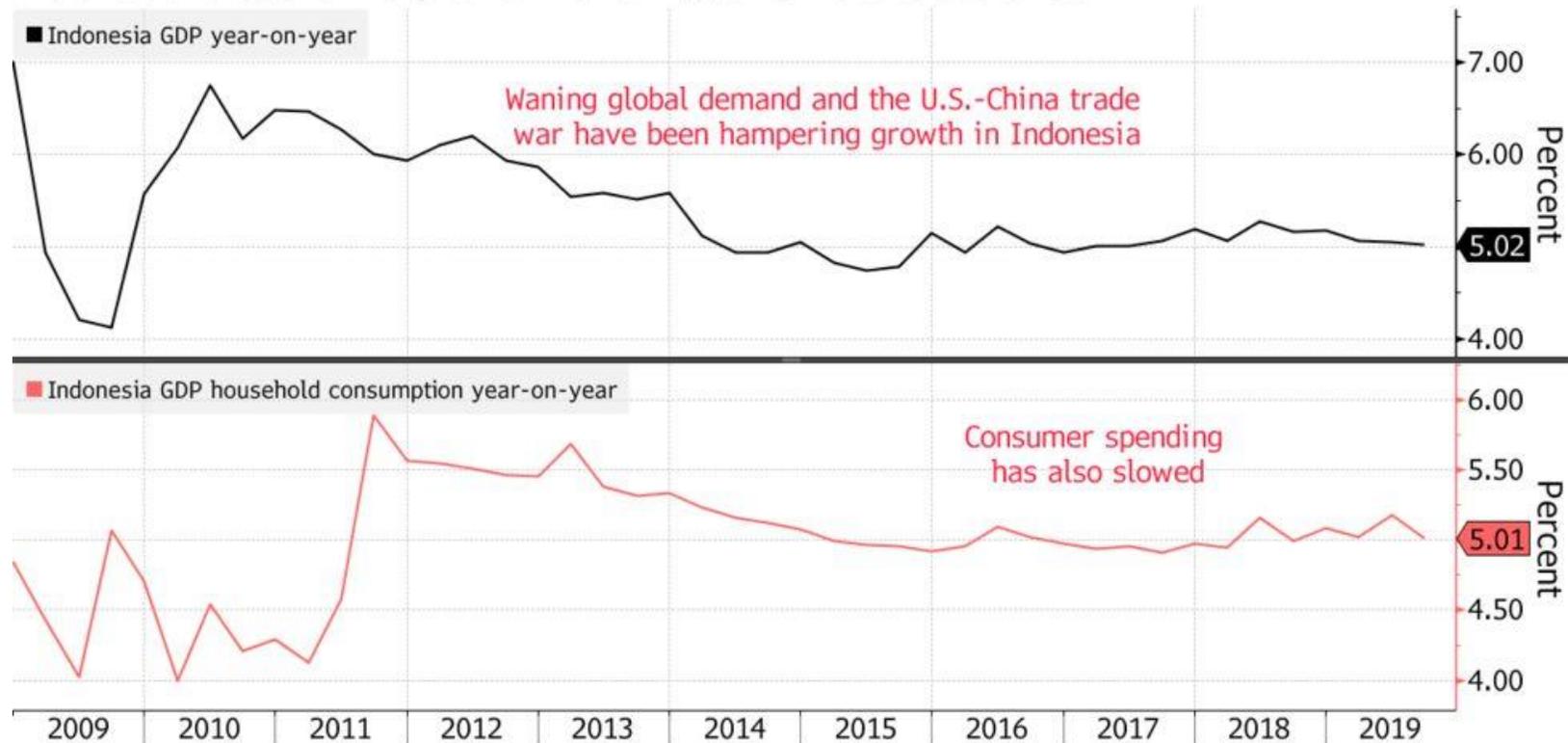
Economists Are Suspicious of Indonesia's Steady GDP Figures (Bloomberg)

- GDP figures have hovered around 5% for several years already
- Subdued growth leaves door open for more interest rate cuts
- Indonesia's economic growth has barely moved in three quarters, prompting some analysts to cast doubt over the data.
- Gross domestic product rose 5.02% in the third quarter from a year ago, little changed from 5.05% in the second quarter and 5.07% in the first three months of the year. Growth has hovered around 5% since President Joko Widodo came into office in 2014.

- “We don’t have much faith in Indonesia’s official GDP figures, which have been suspiciously stable over the past few years,” Gareth Leather, an economist at Capital Economics Ltd. in London, said in a report. Capital Economics’s own activity tracker, which is based on monthly indicators, suggest “growth has slowed sharply over the past year,” he said.
- The official figures published by the statistics bureau was broadly in line with the median estimate of 5% in a Bloomberg survey of economists.
- Suhariyanto, head of Statistics Indonesia, known as BPS, said the GDP calculations are done in accordance with strict guidelines and independently monitored by agencies including the International Monetary Fund.

Under Pressure

Indonesia's economic growth hovering around the 5% level



Source: Badan Pusat Statistik Indonesia

- “If I do something with the data, the IMF would find out,” Suhariyanto told reporters in Jakarta. “And if that happens, it’s not only BPS who would bear the shame,” he said, adding it would destroy trust in the statistics office. “What I’m protecting is not merely the credibility of the BPS, but also the credibility of the country.”
- Trinh Nguyen, an economist at Natixis SA in Hong Kong, also questioned the figures in a post on Twitter.
- **Same Rate**
- “I don’t know how an economy can grow at the same rate for so long but Indonesia has,” she said. “Gov spending is weak & investment slowing & imports contracting HARD.”

- But Suhariyanto said the latest figures showed there has been a “steep” deceleration in growth from the third quarter of 2018 to the third quarter of this year, although consumption, which contributes 56% to GDP, was holding up. Trade tensions had hurt growth in advanced and emerging economies, including Indonesia, he said.
- The third-quarter figures showed almost stagnant growth in exports, while imports plunged 8.96% from a year ago.
- Jobless figures released Tuesday showed the unemployment rate had risen to 5.28% in August compared to 5.01% in February but down from 5.34% a year earlier. Indonesia only releases unemployment data twice a year.

- Growth in household spending [weakened](#) to 5.01% in the third quarter from 5.17% in the previous three months, while government spending slumped to 0.98% from 8.23%. Investment growth also slowed to 4.21% from 5.01%.
- **Monetary Easing**
- The subdued growth figures could pave the way for further monetary easing from the central bank after four interest rate cuts this year. Governor Perry Warjiyo has [said](#) further policy moves will depend on incoming economic data.
- The GDP data “is another reason to think Bank Indonesia’s easing cycle is not over yet,” said Krystal Tan, an economist at Australia & New Zealand Banking Group Ltd. in Singapore.

- Official growth forecasts have been pared back several times this year, with the government now [projecting](#) the economy will grow 5.1% in 2019 compared to an initial estimate of 5.3%. The International Monetary Fund has a slightly more bleak outlook, last month cutting its 2019 projection for Indonesia to 5% from 5.2% in July.
- The Jakarta Composite Index rose as much as 1.1% and the rupiah gained 0.3% after the data was released.
- Growth of 5% was a “relatively good sign amid the slowdown in the world economy and economies around the region,” said Enrico Tanuwidjaja, head of economics and research for PT UOB Indonesia in Jakarta. The central bank still has space to ease policy further, but will likely use “other policy levers to prop up growth further” before cutting rates again, he said.