

Studies on

THE ECONOMY OF SABAH AND KALIMANTAN

Towards Greater Economic Interaction in Borneo

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Editors:

Rafiq Idris, Kasim Mansur and Rizal Zamani Idris



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CHAPTER 3: Exploring South Kalimantan's Economy

Hendra and Mochammad Arif Budiman

Introduction

South Kalimantan (*Kalimantan Selatan*) is an area with an average high around 17 meters of the sea surface, located between 1 21' 49" – 4 10' 14" south latitude, 114 19' 13" – 116 33' 28" east longitude. The province area is shaped in the land by 37,530.52 km². In 2017, South Kalimantan is divided into 11 regencies and 2 cities. Geological structure of the soil in this province is predominantly PMK (Red-Yellow Podzolic Soil) that is equal to 24.74 percent. A total of 74.82 percent of the region lies on a slope below 15 percent and 27.33 percent of the region is at an altitude of 25-100 meters above sea level. The province has many rivers that originate in the Meratus Mountains and empties into the Java Sea and Makassar Strait. One of which is the Barito River.

Economic Posture

The economic posture of South Kalimantan as seen from the share of GRDP is predominantly dependent on agriculture and mining. This can be seen from the large share of agriculture and mining industries which in aggregate accounted for 35.00 percent of total GRDP in 2018. The industry of mining and quarrying in South Kalimantan supported by areas of mining commodity producers of the northern end (Tabalong District) to the southeast end (Kotabaru District). Based on data in Table 1.1, mining and quarrying industry has the highest contribution of South Kalimantan's economy in the last 5 years (2014-2018) with an average of 22.43 percent.

The industry is a gateway of South Kalimantan's economy to the global economy since most of the mining commodities produced by the province flow through tap exports to China, India, and Japan. Distribution of GRDP of South Kalimantan shows that the share of manufacturing industry becomes the third-largest contributor to value-added in the production of goods and services after the mining and agriculture industries.

In 2018, the contribution of the manufacturing industry to GRDP reached 14 percent. The large share of South Kalimantan's manufacturing cannot be separated from the support of performance of food and beverage processing industry, especially the manufacturing of crude palm oil (CPO), and the performance of palm plantation industry which are scattered in several main producer regions (Kotabaru, Tanah Bumbu, and Tanah Laut district).

In aggregate, the South Kalimantan's economy grew at 5.13 percent in 2018. The biggest contributor to the economic growth of South Kalimantan is the mining and quarrying business. This can be seen from the highest source of growth in the business field, which reached 1.09 percent. The positive growth in the mining and quarrying businesses supported by the improvement in the reference price for coal, which on average grew by 19.08 percent in 2018. In addition, there is a permit for the addition of mining production by the Indonesian government to several coal mining companies.

The rhythm of the global economy has spread impacts to some countries/regions. This is due to the interregional economy becomes more integrated as a consequence of economic openness in the world. Mining industry especially coal becomes the dominant contributor to the province's economy. Therefore, the path of trade (export) of coal becomes vulnerable from the contagion effects of the global economy, which in turn will inevitably affect the movement of the economic engine of South Kalimantan.

The agricultural, forestry and fishing business fields experienced growth of 3.97 percent in 2018. This condition slowed compared to 2017 which reached 4.18 percent. This slowdown was triggered by the slowdown in the subcategory of food crops and plantations which contributed greatly to the business field. While the growth of the manufacturing business sector slowed from 5.61 percent in 2017 to 4.23 percent in 2018. This slowdown was caused by a slowdown in the dominant subcategory growth in the manufacturing, namely the food and beverage industry.

The food and beverage industry is dominated by Crude Palm Oil production where the commodity prices in 2018 were affected by the weakening of the rupiah exchange rate against the dollar. Viewed from its growth, the three business fields that have the largest growth are business activities (7.67 percent); electricity and gas (7.58 percent); and wholesale and retail trade, repair of motor vehicles and motorcycles (7.48 percent).

Table 1. GNRP of South Kalimantan Province 2014-2018

Field of Bussiness/Industry	2014	2015	2016	2017*	2018**
Agriculture, Forestry and Fishing	14.66	15	14.92	14.61	14.39
Mining and Quarrying	26.93	22.84	20.98	20.81	20.61
Manufacturing	12.95	13.57	14.19	14.41	14
Electricity and Gas	0.07	0.1	0.12	0.13	0.14
water Supply, Sewerage, Waste Management, and remediation Activities	0.37	0.39	0.4	0.41	0.42
Construction	7.19	7.75	7.83	7.79	7.95
Wholesale and Retail Trade, Repair of Car/Vehicles and Motorcycles	8.4	9.05	9.41	9.73	10.01
Transportation and Storage	5.86	6.24	6.43	6.5	6.62
Accomodation and Food service activities	1.85	1.93	1.96	1.97	2.01
Information and communication	3.19	3.29	3.42	3.48	3.53
Finacial and Insurance Activities	3.34	3.44	3.56	3.61	3.61
Real Estate Activities	2.15	2.23	2.26	2.21	2.21
Bussiness Activities	0.59	0.62	0.65	0.66	0.68
Public Administration and Defence, Compulsory Social Security	5.69	6.29	6.18	5.96	5.95
Education	4.03	4.27	4.53	4.57	4.66
Human Health and Social Work Activities	1.68	1.85	1.96	1.93	1.95
Other Service Activities	1.05	1.14	1.21	1.22	1.25
	100	100	100	100	100
*) Preliminary Figures, **) Very Preliminary Figures					

Road Infrastructure

In 2018, the total length of roads in South Kalimantan is 13,178.18 km, consisting of 1,204.29 km of national roads, 756.12 km of provincial roads, and 11,217.77 km of district/city roads. According to the type of surface, the road in South Kalimantan 60.13 percent (7,923.39 km) is paved. Roads with gravel surfaces of 23.30 percent (3,070.85 km). Roads with a land surface of 11.05 percent (1,456.23 km). While 5.52 percent (727.72 km) cannot be specified.

Airport and Ports

The number of planes arriving at Syamsuddin Noor airport, Banjarbaru in 2018 reached 18,835 units or up 11.60 percent, while planes departing reached 18,847 units or up 11.61 percent compared to 2017. The increase in the number of aircraft during 2018 was in line with the number of air transport passengers. The number of passengers arriving was 2,003,769 people or up 4.93 percent, the number of departing passengers was 2,069,250 people or up 9.48 percent, while the number of passengers in transit was 82,338 people, an increase of 10.45 percent compared to 2017.

Goods loading activities at Syamsuddin Noor Airport in 2018 increased by 8.89 percent for unloading and 24.62 percent for loading goods. As for the loading and unloading baggage flow in 2018, there was a variation, where for unloading baggage decreased by 4.58 percent and for baggage loading increased by 13.79 percent.

Ports in South Kalimantan are Trisakti Port of Banjarmasin, Kotabaru Port, Sungai Danau Harbor, Kintap Port, Batulicin Port, and Sebuk Port. During 2018 the number of goods unloaded in all ports in South Kalimantan reached 104,408,754 tons, down by 75.43 percent compared to the previous year. While the goods loaded were 138,794,949 tons or an increase of 1.96 percent compared to 2017.

Export-Import

From the graphic series of the development of South Kalimantan's import and export from 2011 - 2018, it can be seen that the value of South Kalimantan Province's export trade to overseas trading partner countries

has increased over the last two years unlike previous years which tends to decline (2011 - 2015), amounting to US\$ 7,927.64 million (2017) and US\$ 8,849.33 million (2018). Similarly, the import trade value for the past two years, amounting to US\$ 1,417.71 million (2017) and US\$ 1,684.65 million (2018).

Along with this increase, trade in the South Kalimantan Province continues to have a surplus each year, each valued at US\$ 4,763.91 million (2016), US\$ 6,50.9.93 million (2017), and US\$ 7,164.68 million (2018). The surplus condition is generally caused by low imports in the same period.

Most groups of goods exported from South Kalimantan are the result of the exploration of natural resources, especially mining products and some of the leading commodities in the agriculture and forestry sectors. While the main import goods group is still dominated by the need for mineral fuels, followed by machinery for industrial use and electrical equipment for routine purposes.

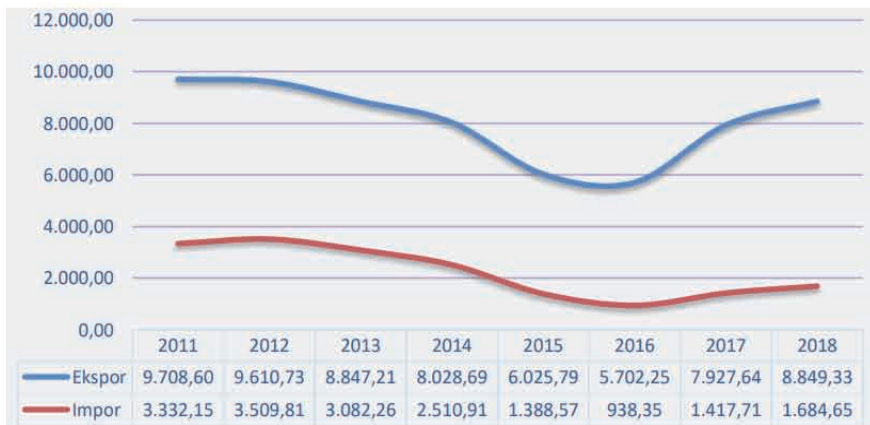


Figure 1. South Kalimantan's Export-Import (2011-2018) (US\$ Million)

Source: Data processed-BPS-Statistics of South Kalimantan

The value of exports through the port of South Kalimantan during 2018 reached US\$ 8.85 billion, up 11.63 percent compared to the value of exports in 2017 which reached US\$ 7.93 billion. According to the monthly transaction value, the average export value in 2018 reached US\$ 737.44 million per month.

The main export contributor for South Kalimantan in 2018 based on the 2 digit Harmonized System (HS) code is the mineral fuel group (HS 27) of US\$ 7.59 billion with a contribution of 85.72 percent of total exports in 2018 with the main commodity being coal.

The mineral fuel group (HS 27) in 2018 experienced an increase of 16.84 percent compared to exports in 2017 which at that time reached US\$ 6.49 billion. Occupying the second position is the animal/vegetable fat & oil (HS 15) group which contributed US\$ 1.06 billion, down 9.78 percent compared to 2017, with a contribution of 11.92 percent. In third place were various chemical products (HS 38) with an export value of US\$ 93.33 million, up 40.86 percent compared to exports in 2017 which reached US\$ 66.26 million. This group contributed 1.05 percent. These three main groups contributed 98.70 percent of total exports in 2018. Noted there are three destination countries that contributed substantial export value to the value of South Kalimantan's exports in 2018, namely China, India, and Japan.

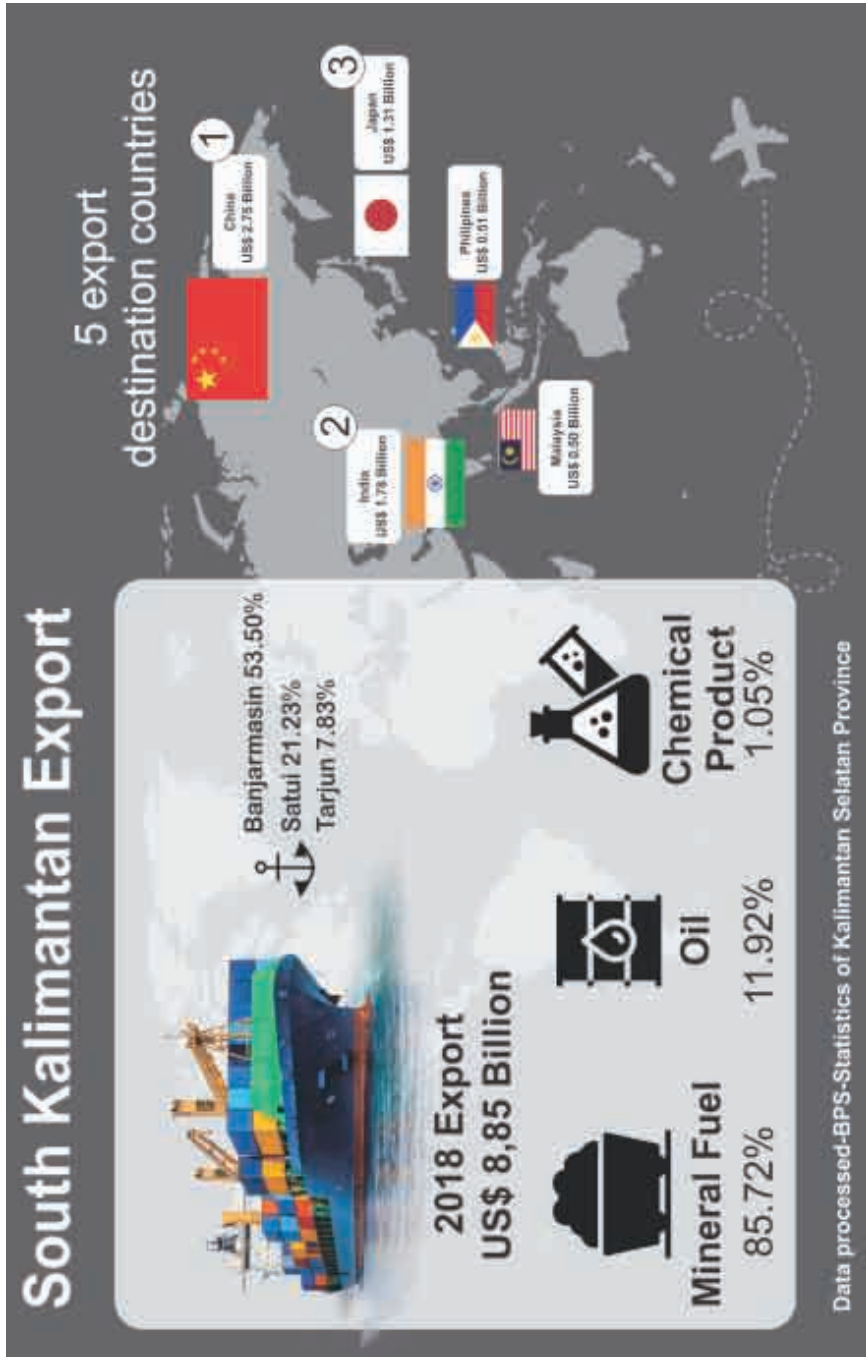
In 2018 the value of imports increased by 18.83 percent from a total of US\$ 1.42 billion in 2017 to US\$ 1.68 billion in 2018. The value of imports every month during 2018 fluctuated with an average of US\$ 140.39 million per month.

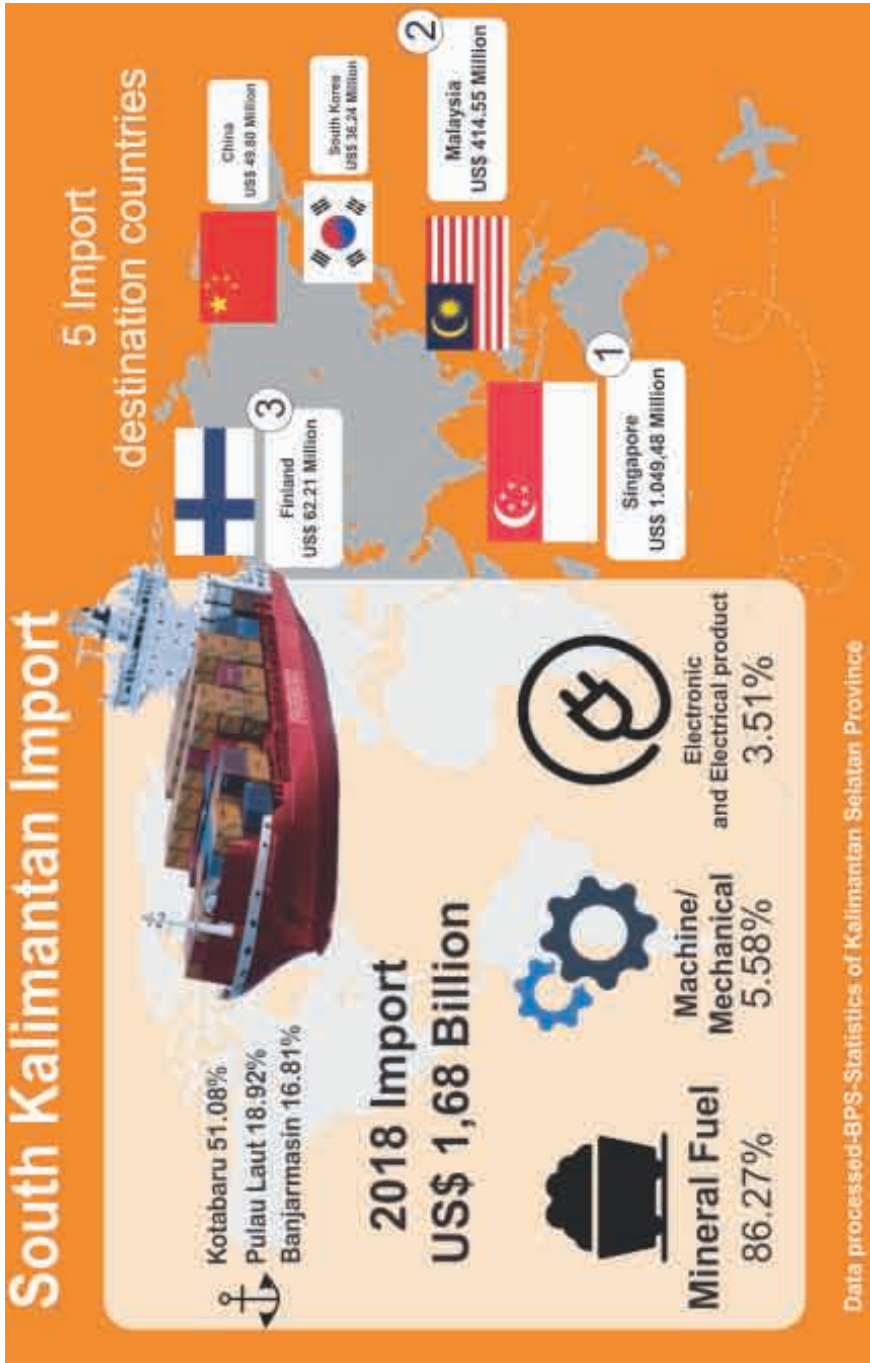
The main commodity of South Kalimantan's biggest import transaction in 2018 based on the 2 digit Harmonized System (HS) code is the mineral fuel group (HS 27) with a value of US\$ 1.45 billion, up 23.06 percent from 2017 when it reached US\$ 1.18 billion. The contribution of this group of goods was 86.27 percent, greater than the contribution in 2017 which reached 83.30 percent. The second-largest group of imported goods in South Kalimantan is the machinery/mechanical aircraft (HS 84) group with an import value of US\$ 93.99 million, down 37.81 percent compared to imports in 2017 when it reached US\$ 151.15 million. The import transaction of this group contributed 5.58 percent in 2018. In the third place was the electrical machinery/equipment group (HS 85) with an import value of US\$ 59.17 million which also rose to 239.55 percent compared to imports in 2017. The contribution of this group was 3.51 percent. These three main groups contributed 95.36 percent of the total import transactions in 2018.

The main country of origin for importing South Kalimantan in 2018 was Singapore at US\$ 1.05 billion, an increase of 10.93 percent from 2017 which at the time reached US\$ 946.08 million with a contribution of 62.30 percent.

The second-largest country of origin of imports is Malaysia with an import value of US\$ 414.55 million. The import value from this country has increased by 55.96 percent compared to 2017 which reached US\$ 265.81 million.

Malaysia's contribution in 2018 reached 24.61 percent, greater than its contribution in 2017 which reached 18.75 percent. The third-largest country of origin of imports is Finland with an import value of US\$ 62.21 million. The import value from Finland experienced a significant increase of 1,959.54 percent compared to 2017 which only reached US\$ 3.02 million. From the three main origin countries of South Kalimantan imports, the total import value reached US\$ 1.53 billion or reached 90.60 percent of the total import in 2018.





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