

Press Release

For Immediate Release

## **Indonesia's EV battery venture: Harnessing the economy's growth potential**

**Jakarta, November 2, 2022** – According to Citi, Indonesia is gaining a foothold in the global supply chain for decarbonization metals and EV batteries. This will lead to a fundamental improvement for the economy's growth potential, which investors should not overlook. This is explained in a study from Citi Research entitled "Indonesia's EV battery venture: Harnessing the economy's growth potential" published on September 16, 2022.

From a macro perspective, the development of the export-oriented nickel and EV battery industries will have a significant contribution to the stability of the Indonesian economy.

"The inflow of investment into the base metals and electric vehicle (EV) battery sectors can potentially improve Indonesia's trade balance and credit ratings; although in terms of maintaining exchange rate stability, interest rate differentials cannot be ignored," said **Helmi Arman, Chief Economist at Citi Indonesia**.

"It is interesting that the balance between foreign exchange supply and demand since late 2020 has been relatively well managed despite large outflows of foreign capital from Indonesia's bond market--following the withdrawal of monetary stimulus and recent rate hikes in the US," Helmi added.

This improvement in structure of the foreign exchange market has indeed then contributed also by the high prices of other export commodities such as coal and palm oil. However, the role of base metal exports has also been significant and will continue to grow.

In the study, it is estimated that in the next three years the contribution of base metal and EV battery exports to Indonesia's trade balance could reach 3% of Indonesia's gross domestic product or GDP.

If the high dependence on foreign portfolio flows gradually declines, as foreign currency supply from exporters becomes more abundant, then Indonesia's credit rating will have a higher chance of being upgraded from BBB to BBB+.

Helmi is optimistic that Indonesia can still shine as new sources exports growth emerge, while many other economies face a prospective decline in export and economic growth that could be structural.

Indonesia is known as the world's largest nickel producer, with 23.7% of all nickel ore reserves, allowing it to produce nickel ore in large quantities on a continuous basis. Furthermore, Indonesia



has significant cobalt reserves. Cobalt is a key component in the production of batteries. Large nickel and cobalt reserves will have an impact on battery production because cobalt and nickel components account for 90% of total battery components.

The trend of using battery-powered electric vehicles is expected to continue in the future, as more countries optimize the use of clean energy by reducing reliance on fuel oil.

The information in this press release is part of the study by Citi Research entitled "Indonesia's EV battery venture: Harnessing the economy's growth potential" published on September 16, 2022. The study was prepared as a recommendation for investors. Please contact Citi Indonesia Corporate Affairs team for more information on the study.

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