



THE IMPACT OF FX (FOREIGN EXCHANGE CURRENCY) TO THE BOTTOM LINE
OF TEXTILE/SHOES INDUSTRY LISTED IN ISX (INDONESIA STOCK EXCHANGE)
2006-2008

ABSTRACT.

During 2006-2008, Indonesia has been experiencing consistent depreciation of IDR against world currency US\$. Triggered by global crisis October 2008, when the IDR plunged, 17 Textile and Shoes Industry publicly listed in ISX, have been severely hit by depreciation of IDR. The "Huge Loss of Bottom Line" year 2008 recorded (IDR 617 Billion) more than half of trillion IDR. To be curious the most of industry are manufacturer-eksporter.

Year 2007, industry overwhelmingly reports of the export sales US\$10.05 Billion, and the raw material import was US\$2.04 Billion. By these facts, Net foreign income contribution from textile and shoes industries sector was US\$8.01 Billion and became a mile stone of the achievement. The Depreciation of IDR is an advantage to the exporter as product become cheaper for foreign buyer while import goods is costly to foreign seller.

The objectives of this research is to find the impact of FX to the bottom line of the Textile and Shoes Industries listed in ISX during 2006-2008, a period when the profit performance has been fallen sharply in line with the depreciation of IDR. By the regresion equation is surprisingly proven that FX adversely impact to the bottom line of the industry. The equation model selected net income as dependent variable and Operating profit, Financial Charges and FX (Forex) as an independent variable.

This research also is sighting the dilemma between operation expectation and financial leverage, depreciation IDR was negatively reduced the Bottom line (Net Income), this was mainly due to higher FX loss. By the end of December 2008, 17 textile and shoes industries has been suffered a huge loss of FX, and recorded FX Loss (IDR 564 Billion), in connection with "high financial leverage denominated in US\$ currency". The end balance sheet position is called "Net Short Asset to US\$". Only 5 Industries were making money among 17 industries during 2008. Only one profit companies have "hedged" their exposure to FX. Only one company reported profit without "hedging" as the "Debt Ratio" is much lower than average industry (32% Debt Ratio, tabel 4.3 page 122, Brigham & Houston)

However, under the operational expectation depreciation of IDR shall encourage Export Oriented Industry to better perform. This is the dilemma that textile and shoes industries have been exposed to Financial Risk (FX) and Operational Risk (competitiveness). We suggest to short and medium term solution for this issue.

Key word: Net Short Asset to US\$, Financial leverage and financial risk, operational risk, foreign exchange Loss, Depreciation of IDR.