

# Indonesia Investments

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## Virtual Independence Day

- Decline in New COVID-19 Cases in Indonesia Persists in August. Reason for Optimism?
- Indonesia Says Bye to Recession with Impressive Economic Rebound in Q2-2021
- Q3-2021 GDP Growth Should Be Strong Too Thanks to Low Base Effect
- OJK Issues New Regulations to Shape the Ecosystem of the Digital Banking Industry
- New Risk-Based OSS System Launched to Improve Rank in Ease of Doing Business Index
- And Much More ...

**AUGUST 2021**

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**Van Der Schaar Investments B.V.**  
**CV Indonesia Investments**

# Indonesia Investments

Monthly Report – August 2021

**‘Virtual Independence Day’**



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## Preface

The monthly report of Indonesia Investments is written and published by Van Der Schaar Investments B.V., located in Delft, the Netherlands. The report aims to inform the reader of the latest, most relevant, political, economic and social developments in Indonesia as well as those crucial international developments that impact on the economy of Indonesia or on its politics.

Our reports are intended for a diverse audience, including individual and corporate investors, financial market participants, diplomats, policymakers, decision-makers, academics, journalists, and analysts.



The website [www.indonesia-investments.com](http://www.indonesia-investments.com) is the key reference and access point for gaining knowledge about the markets, economy, business sectors, politics, and cultures of Indonesia. This online platform is owned by Van Der Schaar Investments B.V., a privately-held investment company (Ltd.) that was established in 2009 but

stands in a tradition that stretches back to urban development in the Dutch capital city of Amsterdam in the early 20th century.

We offer two types of subscriptions (or individual purchases):

(1) **Weekly updates + monthly reports;** on average we send one or two analyses of relevant subjects per week (“weekly updates”) to make sure that our audience gets the latest and most relevant news quickly (and complete with an analysis). These updates also form the basis of the forthcoming monthly report (in which the topics are usually discussed in more depth as we have more time to make an analysis).

(2) **Monthly reports only;** usually between the 2<sup>nd</sup> and 5<sup>th</sup> of the month, we release our monthly report. As mentioned above, this report discusses the most relevant economic, political, and social developments that took place in Indonesia (or global developments that impact on Indonesia) in the preceding month.

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## Introduction – August 2021 Report

August is always a cause for celebrations in Indonesia as the country commemorates its independence from the colonial Dutch regime every 17 August. This year, it was the 76<sup>th</sup> year Indonesians celebrated their Independence Day. Obviously, Indonesia Investments sends the warmest wishes for the country's continued prosperity and success to all Indonesians!



However, quite paradoxically, celebrations come at a time when the people are not free. Social and business restrictions in the context of the COVID-19 pandemic, force people to refrain from the typical Independence Day celebrations. Via Home Affairs Minister Circular letter regarding Technical Guidelines for Commemorating the 76<sup>th</sup> Anniversary of the Republic of Indonesia in 2021, which was issued on 10 August 2021 and addressed to the governors, regents and mayors across Indonesia, it was prohibited to organize competitions that can cause crowds. This includes the various

traditional (and very popular) competitions, such as ‘tree climbing’ (*panjat pinang*) and dangling crackers (*kerupuk*)-eating contests. Instead, people were urged to hold virtual celebrations.

So, celebrations had to be quite sober this year unfortunately. And one of the million-dollar questions is whether the 77<sup>th</sup> anniversary of Indonesian Independence will be free from social and business restrictions, next year. In our view the outlook is a bit grim – for the whole world – as national immunization campaigns across the world, so far, fail to constrain the COVID-19 virus, most likely due to mutations. And so, some eight months after national vaccination programs started, we now see growing evidence that vaccinated people can still become ill, and can still spread the virus to others. In a country like Israel, which was the first country to achieve herd immunity (well, on paper) through an aggressive national vaccination program, the majority of hospitalizations in now consists of fully vaccinated people. And, while one can claim that this makes sense considering most Israeli people are now vaccinated, it does also indicate that vaccines, alone, cannot pull the world out of this crisis. In fact, in Israel new COVID-19 cases are now hitting new record high levels, causing the government to roll out the booster shot program as antibodies (created by vaccines) wane after around six months.

It is essentially a vicious circle. And one can wonder whether these vaccines actually encourage the COVID-19 virus to mutate, rendering current vaccines ineffective. At

the time of writing this introduction, the World Health Organization (WHO) said it has added yet another (relatively new) COVID-19 mutation – labelled B.1.621 or Mu – to its list of “currently designated variants of interest”. This category is considered (by the WHO) to, potentially, “cause significant community transmission or multiple COVID-19 clusters, in multiple countries with growing relative prevalence alongside increasing number of cases over time, or other apparent epidemiological impacts to suggest an emerging risk to global public health”. In Indonesian media, this new Mu variant instantly became a hot topic, especially after Japan confirmed its first cases, causing Indonesia’s Health Ministry to state that this variant has not been detected in Indonesia (yet).

#### World Health Organization’s Currently Designated Variants of Interest:

WHO label	Pango lineage*	GISAID clade	Nextstrain clade	Earliest documented samples	Date of designation
Eta	B.1.525	G/484K.V3	21D	Multiple countries, Dec-2020	17-Mar-2021
Iota	B.1.526	GH/253G.V1	21F	United States of America, Nov-2020	24-Mar-2021
Kappa	B.1.617.1	G/452R.V3	21B	India, Oct-2020	4-Apr-2021
Lambda	C.37	GR/452Q.V1	21G	Peru, Dec-2020	14-Jun-2021
Mu	B.1.621	GH	21H	Colombia, Jan-2021	30-Aug-2021

Source: World Health Organization (WHO)

And so, it sometimes feels as if, some 18 months after the start of the COVID-19 crisis, there has not been any real progress in the world's battle against COVID-19, with the number of official COVID-19 cases and deaths – around the world – being higher now than a year ago, despite the presence of national vaccination programs since January 2021.

But, in the case of Indonesia, there is something positive. In this August 2021 edition of our monthly report we take a closer look at the significant decline in new COVID-19 cases across the Archipelago (a trend that started in the second half of July 2021 and continued into August 2021), although – considering the developments in other countries, such as Israel – we do doubt whether this significant drop in new COVID-19 cases in Indonesia constitutes the prelude to the end of the crisis for Indonesia. But, hopefully, we are wrong.



Other important subjects that are discussed in this month's report are Indonesia's better-than-expected economic growth in Q2-2021 with an impressive 7.07 percent year-on-year (y/y) rebound in GDP, new regulations issued by Indonesia's Financial Services Authority (OJK) that shape the ecosystem for the country's digital banks, and the launch of Indonesia's upgraded web-based business licensing system (also known as the Online Single Submission, or OSS, system).

We also discuss various important economic indicators, such as the consumer price index (CPI), trade data, manufacturing activity and rupiah performance, which shed light on the state of the Indonesian economy and society.

## **CV Indonesia Investments**

Yogyakarta, Indonesia

1 September 2021



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# Research Report 'Indonesia's Energy Sector'



**Indonesia Investments**

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**'Indonesia's Energy Sector'**

- Need to Power Businesses and Households
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**JULY 2020 – 1<sup>ST</sup> EDITION**

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# Coronavirus Tips: How to Protect Yourself & Others

Immunization programs have started but it is important to remain careful to avoid becoming infected with COVID-19, or, infect others.

You can protect yourself and help prevent spreading the virus to others if you:



- **Wash your hands regularly and thoroughly** for 20 seconds, with soap and water, or alcohol-based hand rub. Remember that before your hands are clean, you should not touch your face, especially not (around) your eyes, nose and mouth as these are the key entrance points for any virus.

- **Cover your nose and mouth** with a (disposable) tissue or flexed elbow **when you cough or sneeze**. Wear a face mask when going outside (mainly to protect other people) and wash your hands often and thoroughly when back inside.



- **Stay Home**; avoid unnecessary contact with people as well as unnecessary traveling, particularly to crowded or public places. After returning home from necessary activities such as grocery shopping, do not forget to wash your hands. You may also want to wash the products you bought, because people often touch products that are put on display in the local supermarket. If possible, work from home!

- **Strengthen your immune system**; people who are healthy (which are usually young people) may not even notice that they are infected with COVID-19. The trick here is that their immune system is stronger (generally). Therefore, now is the time to take some efforts to strengthen your immune system by eating healthy (fruits and vegetables each day). And don't forget to exercise. Taking enough time to sleep is also crucial to help improve your immune system. Lastly, it is highly recommended to quit bad habits, most notably: smoking.



- **Ventilation**; make sure that rooms inside houses, apartments, and buildings are properly ventilated as a COVID-19 infected person can spread aerosols so small that a facemask cannot prevent them from going into the air or from going into the lungs of someone who wears a facemask. Ventilation systems need to get a good supply of fresh air from outside and/or use a good filter. It is also advised to open windows or doors in closed spaces so there is a supply of fresh air.

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