

Indonesia Investments

A New Year, New Chances

- Indonesia to Impose a Bauxite Ore Export Ban in June 2023
- Assessing the Strength of the Indonesian Economy by Looking at Key Indicators
- Omnibus Law on Finance Gives Bank Indonesia Task to Design Digital Rupiah
- Taking a Look at Some Controversial Articles in Indonesia's New Criminal Code
- Road to Indonesia's 2024 Presidential & Legislative Elections
- Remarkable Plunge of Tech Stocks in '22

DECEMBER 2022

Van Der Schaar Investments B.V.
CV Indonesia Investments

Indonesia Investments

Monthly Report – December 2022

‘A New Year Brings New Chances’



Table of Contents

(Click on Title to Jump to Article)

Preface	5
Contact	9
Introduction	10
Coronavirus Tips: How to Protect Yourself and Others	13

Analyses & Columns – Economy, Politics & Social Development

• The Indonesian Government Announces a Bauxite Ore Export Ban; To Be Imposed in June 2023	21
• Economy of Indonesia; Assessing the State of the Indonesian Economy as We Entered a New Year	33
• Road to the 2024 Presidential and Legislative Elections of Indonesia; Campaigning to Kick Off in November 2023	44
• Stock Market in Focus; Indonesian Stocks Record a Good Performance in 2022, What About 2023?	50
• Omnibus Law on Finance; Bank Indonesia Busy Designing Digital Rupiah	56

• Indonesia’s House of Representatives (DPR) Passes Revised Criminal Code Bill into Law	61
• Monetary Policy Analysis: Bank Indonesia Raises Its Key Interest Rate to 5.50% in December 2022	84
• Consumer Price Index (CPI) of Indonesia: Higher-Than-Expected Inflation in December 2022	98
• The Trade Balance of Indonesia: the Continuation of Modestly Sliding Imports and Exports	105
Public Holidays Indonesia	131
Forecast Macroeconomic Indicators Indonesia	132
Events Calendar Indonesia	134
Back Issues Monthly Reports	137

Preface

The monthly report of Indonesia Investments is written and published by business consultancy CV Indonesia Investments, headquartered in Yogyakarta (in Indonesia), with the assistance of investment company Van Der Schaar Investments B.V. (based in Delft, the Netherlands). This 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 (may) 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 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. which was established in 2009 but stands in a tradition stretching back to urban development in the Dutch capital city of Amsterdam in the early 20th century.

Subscription on Electronic Reports

If you subscribe to our (electronic) reports (sent in PDFs), you will receive weekly updates (on average one per week) and monthly reports. We typically choose topics that are relevant to Indonesia's latest economic, political and social developments, and aim to provide an in-depth analysis of the subject in question.

To purchase an edition of our monthly report (or to subscribe for a longer period), you can inquire about further details via email – info@indonesia-investments.com – or by phone: +62(0)882.9875.1125 or +62(0)8788.410.6944 (only WhatsApp text messages). Also for general questions, comments, and any other feedback we can be contacted through abovementioned email and phone numbers.

1) Price Overview Individual Subscription:

1 month	IDR 200,000	USD \$15	EUR €15
3 months	IDR 570,000	USD \$41	EUR €35
6 months	IDR 1,080,000	USD \$77	EUR €65
12 months	IDR 2,040,000	USD \$146	EUR €124

Content and photography in our monthly reports are copyright of Van Der Schaar Investments B.V. (all rights reserved) except when indicated otherwise or obtained from Pixabay. Our permission is needed by those who want to publish or distribute (parts of) the content or photography in our reports (Dutch law applies).¹

This also means that our reports cannot be shared with (or distributed to) others (which would be a copyright infringement). We therefore offer a special corporate subscription to those companies/institutions that seek to distribute our updates and monthly reports among their staff-members and/or boards:

Price Overview Corporate Subscription:

1 month	IDR 1,500,000	USD \$100	EUR €95
3 months	IDR 3,600,000	USD \$240	EUR €230
6 months	IDR 5,400,000	USD \$360	EUR €340
12 months	IDR 7,200,000	USD \$480	EUR €450

We also offer a distributor subscription for those institutions that want to distribute our reports to (paying) members within their networks. For example, a chamber of

¹ CV Indonesia Investments owns the exclusive right to sell and distribute reports of Indonesia Investments on the markets in the Asia-Pacific (including Indonesia).

commerce is allowed to distribute our monthly reports to the (paying) companies/ institutions within its network. Just like the corporate and individual subscription, a distributor subscription always includes both weekly updates and monthly reports.

Price Overview Distributor Subscription:

1 month	IDR 4,000,000	USD \$275	EUR €225
3 months	IDR 8,000,000	USD \$600	EUR €550
6 months	IDR 15,000,000	USD \$1,100	EUR €1,000
12 months	IDR 25,000,000	USD \$1,800	EUR €1,600

Back issues can be ordered through email (info@indonesia-investments.com) or by phone (+62[0]882.9875.1125 or +62[0]8788.410.6944).

Disclaimer

Although we strive to present accurate, up-to-date, and objective information in our reports – Indonesia Investments cannot guarantee the accuracy of all data and information that is included. We also do not intend to provide legal, investment, tax, or accounting advice through the contents of this report, and therefore the reader should not perceive this report as such. In short: Indonesia Investments cannot be held responsible for decisions based on the content of this report.

Return to Table of Contents

Contact

Van Der Schaar Investments B.V.

Vaandelstraat 42

2611 DB Delft

The Netherlands

M +31 (0)6 27 05 85 32

E info@vanderschaar-investments.com



CV Indonesia Investments

Nusa Harmoni Brajan, No. 5

Brajan RT. 14 Tamantirto, Kasihan

Bantul, Yogyakarta – 55183, Indonesia

Email: info@indonesia-investments.com

Tax Number/NPWP: 85.701.415.3-036.000

M +62 (0)8 788 410 6944 (incl. WA texts)

E info@indonesia-investments.com



Representative Jakarta, Indonesia

Ms. Lori Siregar

Director CV Indonesia Investments

Jl. Tanjung Duren Raya No. Kav 5-9

West Jakarta - 11470, Indonesia

M +62 (0)8 82 9875 1125 (incl. WA texts)

E info@indonesia-investments.com



[Return to Table of Contents](#)

Introduction – December 2022 Report

“No matter how hard the past, you can always begin again”

Jack Kornfield

Another year has passed, and that is always an interesting occasion to look back at what has happened over the past twelve months, and look forward to what could be happening in the next twelve months.

Let's first take a look at the year 2022. What were the major news stories that had a big impact on the world and Indonesia? Well, obviously, Russia's invasion of Ukraine that started at the end of February 2022 comes to mind as it had a massive impact by aggravating already disrupted logistics and supply chains (especially for certain food and energy products, such as wheat, fertilizers, and oil and gas) that were still recovering from COVID-19-crisis-related disruptions.



As we mentioned in earlier analyses, we regard it a proxy war in which the West (the United States and European Union) and Russia are fighting to keep (or pull) Ukraine in(to) their sphere of influence. This violent conflict actually bears some similarity to the Cuban Missile Crisis back in 1962 (with the roles of the USA and Russia being reversed), although there certainly are also marked differences (such as the death toll of Russian aggression being much higher in the present).

Meanwhile, this Russo-Ukrainian war is unlikely to end soon as it seems impossible to unite both sides' desires. And so, a degree of uncertainty will continue to plague the global economy (and politics) in 2023 (and possibly even beyond). Escalation is always an unwanted possibility.

Indonesia remained neutral in the conflict, with Indonesian President Joko Widodo even trying to mediate when visiting Ukrainian President Volodymyr Zelenskyy and Russian President Vladimir Putin, in June 2022 (separately), in an effort to seek a peaceful end to the war. Unfortunately, but certainly not a surprise, Widodo's efforts were in vain. And Indonesia (which held the G20 Presidency in 2022) also did not withdraw the invitation it sent to Russia to visit the G20 Summit on Bali in November 2022 (despite fierce criticism from several G20 members).

The impact of the Russo-Ukrainian war on the Indonesian economy was quite small as both Russia and Ukraine are not main trading partners of Indonesia. While on the

one hand, Indonesia felt the negative impact of higher wheat, fertilizer and oil prices, it also felt the advantage of the increase in global commodity prices as a consequence of the war. Indonesia in fact even posted record-breaking exports earnings in 2022 thanks to coal and palm oil shipments, and so one could even argue that Indonesia enjoyed a net advantage from the Russo-Ukrainian war. However, it is obviously in the interest of all that this war ends as soon as possible, especially because there still is the threat that it snowballs into a nuclear conflict.

What else influenced the world in 2022? Well, although the global economy had hit rock bottom in the COVID-19 crisis back in Q2-2020, the world continued to feel the impact of the COVID-19 crisis in 2022 in the form of the still recovering supply and logistic chains. Moreover, various countries continue to uphold certain restrictions that harm the economy. For example Indonesia still requires all air passengers (both international and domestic ones) to be vaccinated. And considering today's COVID-19 mutations are much milder than the original Wuhan or Delta variants (present mutations can actually be compared to influenza in terms of health risk), while being vaccinated does not stop someone from becoming infected (and spreading the virus to others), such restrictions do more harm than good.

And was COVID-19 a health threat for Indonesia in 2022? No, certainly not. While in Q1-2022 the number of confirmed COVID-19 cases exploded in Indonesia because of the mild (yet contagious) Omicron variant, Indonesian hospitals have been empty

since the third quarter of 2021. In July 2021 we saw confirmed COVID-19 deaths and hospitalizations peaking in Indonesia, and subsequently rapidly declining. This was in fact at a time when less than seven percent of the Indonesian population was fully vaccinated², leading to a safe assumption that the development of natural immunity (with many infections going unnoticed because they were asymptomatic) was the key problem-solver for Indonesian society although on an individual level it remains risky to be infected with COVID-19 (for elderly people and/or those with underlying medical conditions as their immune systems may not be strong enough to fight the virus).

On 30 December 2022 President Joko Widodo in fact announced that the social and business restrictions that are known as PPKM (*Pemberlakuan Pembatasan Kegiatan Masyarakat*) were ended (per direct) as the pandemic has been under control. This is good news, but it does not mean that everything is back to how it was before the COVID-19 crisis. For example, for long-distance traveling (by train or airplane) one still needs to show evidence of being fully vaccinated (including one booster). And so, economic activity remains being undermined.

Meanwhile, the case of China is also interesting. China, where reportedly 90 percent of the population is fully vaccinated, was subject to harsh restrictions up to a month

² Data taken from ourworldindata.org

ago when Beijing suddenly decided to ease its COVID-19 restrictions. Interestingly enough, after Beijing's sudden relaxation, mainstream media institutions reported that an explosion in new COVID-19 cases occurred in China, leading to the question whether there is a causal relationship. Were restrictions so tight that they succeeded in curbing the spread of the COVID-19 virus, but at the same time prevented people from building immunity? Or are the mainstream media reports heavily exaggerated? After all, from the start of the pandemic we not only need to doubt the reliability of data that originate from China, but also the reliability of international mainstream media as their reports on COVID-19-related issues have been nonfactual on various occasions.

Two reasons why we should not be overly concerned about the COVID-19 situation in China are (1) the country's infection fatality ratio (IFR) is as low as 0.0002 percent and (2) the main COVID-19 variant that is going round in China is BA.5.2.1.7 which is a variant of BA.5. This BA.5 strain, which is very mild, has spread around the world already, implying people should have built natural immunity. These data originate from Dr. John Campbell's channel on YouTube (which ranks among the most reliable sources of information on COVID-19 that are available).

Moreover, authorities in Beijing continue relaxing restrictions, planning to remove all travel bans per 8 January 2023. If China's hospitals and the country's healthcare sector would indeed have difficulty handling a huge flow of new COVID-19 cases (as

is suggested by mainstream media), then Beijing's authorities are unlikely to opt for further relaxation. In recent history Beijing has proven that it certainly does not shy away from strict lockdowns if it feels there is a threat.

Still, various countries announced that travellers from China will need to be tested before allowed to enter. For example, starting from 5 January 2023 the US requires a negative COVID-19 test (or proof of recovery) for international air travellers from China.



Meanwhile, the opening up of China at the very beginning of 2023 should also imply an increase in economic activity in the world's second-biggest economy. This would then also have a positive impact on global economic growth. Especially for Indonesia it should bear fruit as China is the country's biggest trading partner. So, in theory, it should strengthen Indonesia's export performance. On the other hand, though, most analysts expect commodity prices to fall in 2023 as logistics disruptions ease, while

part of the world (United States, European Union, and Japan) may enter an economic recession in 2023.

Declining commodity prices (particularly coal and palm oil) would certainly have a negative impact on Indonesia's export performance. So, the question is whether the improvement in demand from China can compensate for a decline in demand from the US, EU and Japan? That is something worth following in 2023.

Some analysts are also concerned that the reopening of China is going to boost global inflation. Recently, global inflation has been easing but it remains high, and so there remain challenges as we enter a new year.

To what extent global inflation can ease as a consequence of central banks' higher benchmark interest rates is another key matter to follow in 2023. Earlier we had noted that supply disruptions are more influential than demand conditions in terms of global inflation, and so central bank's monetary policies are to a certain extent in vain, unless they tighten so drastically that demand is pulled into red territory.

One last note; in the case of Indonesia the year 2023 will also be important from the perspective of politics as the political parties – later this year – need to declare their presidential and vice-presidential candidates for the 2024 presidential election. So, this will require quite some political strategies. This topic is further discussed in one of the articles in this report.

On behalf of Indonesia Investments I wish all subscribers a happy New Year. May all your hopes and ambitions be fulfilled in 2023.

Richard van der Schaar, MA Indonesian Studies

Managing Director

Indonesia Investments

Yogyakarta, Indonesia

2 January 2023



[Return to Table of Contents](#)

Coronavirus Tips: How to Protect Yourself & Others

In case you have fragile health or a serious medical condition it is important to avoid being overly exposed to the COVID-19 virus. Unfortunately, all people are exposed to the COVID-19 virus (whether vaccinated or not, and whether wearing masks or not). But to reduce the risk of severe illness:

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



- **Cover your nose and mouth** with a (disposable) tissue or flexed elbow **when you cough or sneeze**. Wear a face mask when going outside (this won't stop aerosols unfortunately but should prevent larger droplets from spraying).

When not feeling well, stay 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 get some sunshine in the morning for your vitamin D. Also do not forget to exercise! Taking enough time to sleep and avoiding stress are also crucial to improve the 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 good supply of fresh air.

[Return to Table of Contents](#)

Columns & Analyses

December 2022



- Commodities -

The Indonesian Government Announces a Bauxite Ore Export Ban; To Be Imposed in June 2023

On 21 December 2022 Indonesian President Joko Widodo stated that the Indonesian government will ban exports of bauxite ore starting from June 2023 in an effort to encourage the development of a domestic bauxite processing and refining industry.



This announcement was not a big surprise considering Indonesia has been eager to curb exports of mineral ores over the past decade as it seeks to develop a domestic mineral refining and processing industry (based on Law No. 4/2009 on Mineral and Coal Mining).

[...]

The December 2022 report (an electronic report) can be ordered by sending an email to info@indonesia-investments.com or a message to +62.882.9875.1125 (including WhatsApp).

Price of this report:

- Rp 150,000

- USD \$10,-

- EUR €10,-