

Indonesia Investments

'Indonesia's Recession Continues'

- Indonesia's Economic Contraction 2.19 % (y/y) in Q4-2020, and 2.07% (y/y) in FY-2020, Slightly Better than Indonesia Investments' Forecasts
- Indonesia's GDP Data Show Recovering Economy after Q2-2020, Albeit Numbers Have Remained in Red Territory
- Indonesia's Economic Recession Is Expected to Persist into Q1-2021; Growth to Resume in Q2-2021
- Information & Communication Sector and Health Services Sector Prosper amid COVID-19 Crisis

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Van Der Schaar Investments B.V.
CV Indonesia Investments

Indonesia Investments

Update – 08 February 2021

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Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. The topics in these updates will be discussed in more detail (and in an updated form) in the forthcoming report.

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Economic Update Indonesia: COVID-19 Crisis Also Pulls Q4-2020 GDP Growth into the Red

On 5 February 2021, Indonesia's Statistical Agency (*Badan Pusat Statistik*, or BPS) announced that gross domestic product (GDP) of Southeast Asia's largest economy contracted **2.19** percent year-on-year (y/y) in the fourth quarter of 2020. This was less severe compared to Indonesia Investments' outlook of **2.50** percent (y/y).

Meanwhile, the full-year 2020 GDP growth figure of Indonesia was also less severe compared to our forecast. While Indonesia Investment had set its FY-2020 outlook at the range of **2.5–3.0** percent (y/y), in reality the contraction was only **2.07** percent (y/y).

For Indonesia, 2020 was the first full-year of negative growth since 1998 when the Asian Financial Crisis (which snowballed into a massive political and social crisis for Indonesia) swept the country's foundations. Like 1998, the ongoing COVID-19 crisis also undoes a lot of good work done on poverty alleviation, while millions of people lost their jobs due to the unprecedented drop in consumption, production, trade, and investment. So, in various respects, the country is thrown back a couple of years. The exact extent of the damage (for example the rise in poverty) is yet to become clear. Perhaps it will take until 2023 before most becomes clear as the crisis is still ongoing today. Meanwhile, other forms of damage should also not be ignored. For example, a possible developmental delay for children as they cannot enjoy education as usual,

while social restrictions could have an impact on children's secondary socialization (probably it are the urban children who are more affected as they tend to meet other children at school, while children in sub-urban or rural environments can still play – and socialize – with other children in their streets or neighborhoods).

We do not expect the economic recession to end for Indonesia in Q1-2021 because, in terms of economic activity, Q1-2021 and Q4-2020 are likely to be quite similar. In fact, in mid-January 2021 new, slightly tougher, restrictions were imposed across Java and Bali where the number of new confirmed COVID-19 infections had soared (although we doubt that these new restrictions – called Enforcement of Restrictions on Community Activities or *Pemberlakuan Pembatasan Kegiatan Masyarakat*, PPKM – significantly impact on economic activity). While there is still time to go before Q1-2021 ends, we doubt to see sudden changes to economic conditions.

Indonesia's Gross Domestic Product Growth per Quarter (annual % change):

Quarter	2015	2016	2017	2018	2019	2020
Q1	4.71	4.94	5.01	5.06	5.07	2.97
Q2	4.66	5.21	5.01	5.27	5.05	-5.32
Q3	4.74	5.03	5.06	5.17	5.02	-3.49
Q4	5.04	4.94	5.19	5.18	4.97	-2.19
Full-Year	4.88	5.03	5.07	5.17	5.02	-2.07

Source: Badan Pusat Statistik (BPS)

Gross Domestic Growth of Indonesia (annual % change):

2014	2015	2016	2017	2018	2019	2020
5.01	4.88	5.03	5.07	5.17	5.02	-2.07

2007	2008	2009	2010	2011	2012	2013
6.35	6.01	4.63	6.22	6.17	6.03	5.56

Source: Badan Pusat Statistik (BPS)

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