Indonesia Investments

‘Indonesia Enters Recession’

- Economic Contraction 3.49% (y/y) in Q3-2020
- First Recession for Indonesia in 22 Years
- Recession Expected to Persist into Q1-2021
- Recovering Economic Activity Compared to Q2
- FY 2020 Contraction Estimated at 2.0% - 2.5%
- Government Too Focused on the Availability of a Vaccine; ‘Plan B’ Is Needed
- Unemployment Rate Weakest Since 2010

7 NOVEMBER 2020

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

Update – 07 November 2020

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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: For the First Time in 22 Years Indonesia Experiences an Economic Recession

On Thursday 5 November 2020 Indonesia’s Statistical Agency (in Indonesian: Badan Pusat Statistik, or BPS) announced that Indonesia’s gross domestic product (or GDP) contracted 3.49 percent year-on-year (y/y) in the third quarter of 2020. This pace of economic contraction in Q3-2020 was slightly more severe than we had predicted. Indonesia Investments had its outlook for Indonesia’s Q3-2020 economic growth at the range of -3.0 to -2.5 percent (y/y).

It also implies that Indonesia is now officially in an economic recession as the nation experienced two consecutive quarters of negative growth (Q2-2020 and Q3-2020). As is widely known, the self-imposed social and business restrictions in Indonesia (and around the globe), which aim at preventing the further spread of COVID-19 in society, have been causing serious damage to the Indonesian (and global) economy.
As expected, Indonesia’s economic contraction in Q3-2020 was not as severe as the one we saw in the preceding quarter (-5.32 percent y/y). Main reason is that the social and business restrictions were tightest in Q2-2020 (in Indonesia and abroad), thereby seriously interrupting economic activity that quarter.

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

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<td>4.94</td>
<td>5.19</td>
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<td>5.03</td>
<td>5.07</td>
<td>5.17</td>
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Source: Statistics Indonesia (BPS)

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