

Indonesia Investments

‘COVID-19 Crisis to Linger On?’

- Are the Mainstream Media and Politicians Too Optimistic About Existing COVID-19 Vaccines?
- Economic Recovery in 2021 Likely to Be Modest, 2022 Could Be the Real Year of Recovery!
- Sriwijaya Air Crash Brings Renewed Concern Over Aviation Safety in Indonesia
- Indonesia’s Population Census 2020 Finally Released. Insights into Indonesia’s Demography!
- Huge Tech Merger on the Horizon: Gojek and Tokopedia to Combine Forces?

JANUARY 2021

Van Der Schaar Investments B.V.
CV Indonesia Investments



Indonesia Investments

Monthly Report – January 2021

‘COVID-19 Crisis to Linger On?’



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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 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).

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Lastly, we would like to emphasize that – 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.

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Introduction – January 2021 Report

It was a rough first month of the year for Indonesia. Obviously, the COVID-19 crisis persists (and there are signs to assume this crisis will persist throughout 2021) with the total number of confirmed COVID-19 infections in Indonesia now having passed the one million mark. But, more worryingly, the number of new confirmed cases has continued to show a rising trend (basically ever since the first cases were detected back in early March 2020), while the positive test rate too has not only remained high, but has even risen further.

The table below compares the number of confirmed COVID-19 cases, the number of tests conducted, and the positive test rate for the first and last week of January 2021. And it shows a worrying increase in Indonesia's positive test rate. While (initially) this rise was attributed to unsafe Christmas and New Year festivities, the worrying matter is that the rate has remained high (at least) up to the end of January 2021.

On the other hand, it is important to always treat statistics carefully. For example, it could be the case that amid the semi-lockdown in economic centers on Java and Bali (which started on 11 January 2021) more people tend to stay home rather than have themselves tested, while those with symptoms still force themselves to be tested. This could then trigger a rise in the positive test rate but would not necessarily mean that the pandemic is becoming worse in the country. Unfortunately, we lack the full context, and therefore it is difficult to interpret these data correctly. Still, considering

news reports in local media inform that the occupancy rates in COVID-19 referral hospitals have risen to 80 percent over the past month, it is certainly worrying.

COVID-19 Cases, Testing Capacity, and Positive Test Rate:

Date	Number of Tests Conducted	New COVID-19 Cases	Positive Test Rate
31 January 2021	n/a	12,001	n/a
30 January 2021	n/a	14,518	n/a
29 January 2021	n/a	13,802	n/a
28 January 2021	54,114	13,695	25.3%
27 January 2021	46,491	11,948	25.7%
26 January 2021	48,097	13,094	27.2%
25 January 2021	34,580	9,994	28.9%
7 January 2021	44,791	9,321	20.8%
6 January 2021	44,734	8,854	19.8%
5 January 2021	38,309	7,445	19.4%
4 January 2021	30,671	6,753	22.0%
3 January 2021	27,778	6,877	24.7%
2 January 2021	24,379	7,203	29.5%
1 January 2021	27,401	8,072	19.4%

Sources: Databoks and Github.com

Something else –related to the COVID-19 pandemic– that is worrying is that we have serious reasons to doubt the success of the immunization programs that have been started recently (both abroad and in Indonesia).

For example, when the Medicines Evaluation Board (or MEB), a Dutch government institution that is tasked to assess and guard the efficacy, safety, and quality of both human and veterinary medicinal products for use in the Netherlands, evaluated the Pfizer vaccine (which is globally considered one of the two most effective COVID-19 vaccines), the main conclusions were that MEB lacked data to fully assess the safety and efficacy of the vaccine. But despite this lack of knowledge, the Pfizer vaccine was given the green light (most likely because the European Medicines Agency, or EMA, which is the agency of the European Union, EU, that is in charge of the evaluation and supervision of medicinal products, had approved the Pfizer vaccine for use in the EU, so it is then only a formality for MEB to approve it accordingly for use in the Netherlands).

One of the crucial statements that was made by the MEB was that this institution lacks data to conclude whether the Pfizer vaccine can prevent a COVID-19 infection in someone, while it also lacks data to conclude whether someone who has received the Pfizer vaccine can (or cannot) spread the virus to others.

Well, as we understand it, the whole point of a vaccine is that it prevents someone from being infected as the immune system is trained to immediately kill the virus at

arrival, and thus the vaccine prevents one from spreading the virus to others too. If these basic matters cannot be confirmed, then we certainly become a bit pessimistic about not only the Pfizer vaccine but basically all other existing COVID-19 vaccines.

However, instead of mentioning the lack of knowledge about the COVID-19 vaccine, politicians, mainstream media, and international organizations have been labelling the approval of the Pfizer vaccine 'a victory against COVID-19', and urge all people to get the vaccine as soon as possible (this topic is discussed in much more depth in the chapter on the COVID-19 vaccines in this month's report).



The problem is that if the COVID-19 immunization programs are not as successful as hoped, then economies will remain under heavy pressure throughout the year 2021 (and perhaps even beyond) as central governments are likely to scale up their social and business restrictions, or full lockdowns, in times of rising new COVID-19 cases. And considering COVID-19 seems to be very contagious, peaks are bound to occur (on more than one occasion per year). One big complicating factor is that central

governments, around the globe, seem to have one solution only for the pandemic: vaccines. There seems to be no 'plan B'. So, if the current immunization programs do disappoint, the world will need to wait for the development of a good vaccine (which could take years).

And this also applies to Indonesia where the national immunization program started per 13 January 2021. In this early stage, Indonesia uses CoronaVac (made in China). Not only do recent test results show that its efficacy rate is only around 65 percent, but based on statements from a befriended doctor (who already got two shots of the CoronaVac vaccine), it won't prevent someone from contracting the COVID-19 virus but (in cases when it works) will only allow the immunized person to experience a milder version of the virus. So, in other words, and based on the available data: with two doses of CoronaVac you will have a 65 percent chance of experiencing a milder COVID-19 infection. However, someone who has been immunized can still spread the COVID-19 virus to others.

This is not positive news for the economy in 2021. Social and business restrictions are to remain if governments only focus on vaccines (and cross-boundary passenger traffic will continue to be under pressure, which has huge implications for tourism). Indeed if the entire Indonesian population is immunized with the CoronaVac vaccine (so everyone has a 65 percent chance of experiencing a milder COVID-19 infection), then it would certainly reduce the number of COVID-19 patients who are in need of medical treatment. However, considering Indonesia is home to around 270 million

people, this would require a massive immunization operation. This operation is bound to encounter major obstacles related to logistics, data collection, monitoring, and management. The Indonesian government currently targets to immunize 181.5 million people in order to establish herd immunity. While Indonesian President Joko Widodo urges the COVID-19 team to have these people vaccinated before the end of 2021, medical experts argue that this huge program will require at least 15 months.

So, in this scenario too, 2021 will be a tough year, economically. And it is also worth pointing out that countries with small populations find themselves on pole position as a national immunization program can be done relatively quickly. This allows their economies to recover more quickly. For Indonesia, though, it will be very challenging to accomplish herd immunity via vaccination, and very time-consuming, due to the sheer size of the population. Therefore, we expect the Indonesian economy to grow modestly in 2021.

Indonesia Investments' Projections for the Indonesian Economy:

	Q4-2020	Full-Year 2020	Full-Year 2021
GDP Growth (annual % change)	-2.5%	-2.0% – 2.5%	+1.0% – 2.0%

Other Disasters in January 2021

Besides the ongoing COVID-19 crisis, other natural disasters too have plagued the country in the first month of 2021. A 6.2-magnitude earthquake struck Majene (West

Sulawesi) on 15 January 2021, killing over 100 people, injuring thousands of others, and displacing tens of thousands of people.

Unfortunately, being located on the Ring of Fire means that Indonesians have to live with the constant risk of experiencing volcanic eruptions and earthquakes. Indeed, a number of volcanoes – including Mount Sinabung (North Sumatra), Mount Merapi (Central Java), and Mount Semeru (East Java) – showed increasing volcanic activity in January 2021, spewing ash into the air, and causing thousands of people to leave their homes.

Making matters worse, floods in South Kalimantan, which occurred after a number of days of heavy rainfall in early January 2021 (when the country hits the peak of the rainy season), killed at least 21 people and forced over 110,000 people to escape their homes. While the central government claims that it is abnormal heavy rainfall that is the cause of these floods (as they surpassed the capacity of the Barito River), environmentalists argue that deforestation is the real cause of the disaster.



Moreover, when hundreds of thousands of people need to be relocated to emergency shelter camps – or stay at their family or friends – due to an earthquake, dangerously high volcanic activity or floods, then it becomes much easier for any virus to spread. So, these natural disasters also give rise to concern over new COVID-19 cases as victims may be clustered together in their new settings.

Lastly there was also a very sad non-natural disaster that shook Indonesia in January 2021. Sriwijaya Air flight 182 crashed into the Java Sea only minutes after taking off from Soekarno-Hatta International Airport on 9 January 2021, killing all 62 people on board. Investigation is ongoing but it may take many months before the cause of the crash is revealed.

Indonesia is no stranger to fatal aviation incidents. That was also reason why – for many years – Indonesian airlines were not allowed to fly into the skies above the EU or the United States. While those bans have been removed, there remains concern over aviation safety in Indonesia. Moreover, some argue that the prolonged COVID-19 crisis may have played a role in the crash of the Sriwijaya Air plane. Not only are all airlines under heavy financial pressure as the number of air passengers declined significantly in 2020 and 2021 (which may affect airlines' spending on maintenance programs), but also are there reports that airplanes that have been grounded for an extended period of time can develop corrosion on air check valves that could result in engine failure. So, the combination of grounded airplanes and financial pressures is certainly something that needs to be included in the investigation into the crash.

All in all, it is a negative start to the year for Indonesia with disasters dominating the news headlines. And the outlook for the remainder of the year – at this moment – is not too rosy either.

CV Indonesia Investments

Jakarta, Indonesia

1 February 2021



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Research Report 'Indonesia's Energy Sector'



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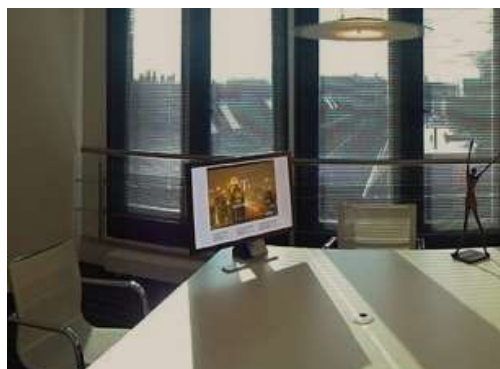
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Coronavirus Tips: How to Protect Yourself & Others

There is currently no vaccine to prevent a novel coronavirus (COVID-19) infection.

However, 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 inside**; 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.

- **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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UANG PERINGATAN KEMERDEKAAN 75 TAHUN REPUBLIK INDONESIA

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- Foto Proklamator Dr. (H.C.) Ir. Soekarno dan Dr. (H.C.) Drs. Mohammad Hatta.
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