

Indonesia Investments

Optimism at the Start of 2023

- Expectations of Strong Economic Growth For Indonesia in Q4-2022 and Q1-2023
- Facing a Sunset Industry, Indonesian Cigarette Manufacturers Need to Diversify
- The Indonesian Government Reveals an Incentive for Electric Motorcycles
- Foreign Visitor Arrivals Rebounded in 2022, But Growth Came from Low Base
- Bank Indonesia Raised Key Rate to 5.75% In January 2023; Rupiah Rebounded
- B35 Biodiesel Program Is Now Imposed

JANUARY 2023

Van Der Schaar Investments B.V.
CV Indonesia Investments

Indonesia Investments

Monthly Report – January 2023

**‘Optimism Dominates at the
Beginning of 2023’**



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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

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Introduction – January 2023 Report

We can certainly argue that the first month of 2023 was a positive one for Indonesia. At the very end of December 2022 the Indonesian government finally scrapped its social and business restrictions (locally known as PPKM) and – which is fully in line with expectations – it did not lead to an increase in the number of COVID-19 cases.

And, we even read in Indonesian media that Indonesian Health Minister Budi Gunadi Sadikin, who plans to visit the World Health Organization (or WHO) in March 2023, will use this opportunity to urge the WHO to end the pandemic status. While this request will likely be denied by the WHO (and probably will be denied for as long as there are vaccines to sell), we do consider it positive that Indonesian officials are now making efforts to end the COVID-19 pandemic (after all, for the past 18 months there has not been any COVID-19-related pressures on hospitals across Indonesia).



Most of Indonesia's macroeconomic indicators also showed positive developments at the start of 2023. For example, the rupiah rate appreciated strongly against the US dollar in January 2023. This is a relief because the rupiah had shown some heavy weakness amid aggressive monetary tightening in the United States. Inflation, too, eased for Indonesia (even though – for Indonesia – inflation never reached alarming levels as it did abroad). In terms of trade, Indonesia ended 2022 with another strong trade surplus, although we did start to see weakening global palm oil and coal prices. So, Indonesia may not experience the same sublime year in 2023 (in terms of trade of goods) as it did in 2022.

In this first edition of 2023, we are going to take a deeper look into the performance of the Indonesian economy at the start of 2023, including a number of articles on specific sectors that deserve special attention due to specific recent developments, such as electric vehicles, the cigarette manufacturing industry, and tourism.

Richard van der Schaar, MA Indonesian Studies

Managing Director

Indonesia Investments

Yogyakarta, Indonesia

3 February 2023



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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.

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- Economy -

Economic Update Indonesia; What About Forecasts for 2023, and What Do the Economic Indicators Signal for Q4-2022?

Indonesian Finance Minister Sri Mulyani Indrawati said she expects to see a sharper economic growth rate in the first quarter of 2023 (Q1-2023) than the 5.02 percent year-on-year (y/y) growth that was recorded in the same quarter one year earlier.

Key reasons for her assumption are:

(1) An increase in activity in society after the government scrapped the social and business restrictions (locally known as PPKM) at the end of December 2022;

(2) Rising business activities in the context of the Ramadan and Idul Fitri period that will start in the third week of March 2023; and

[...]

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