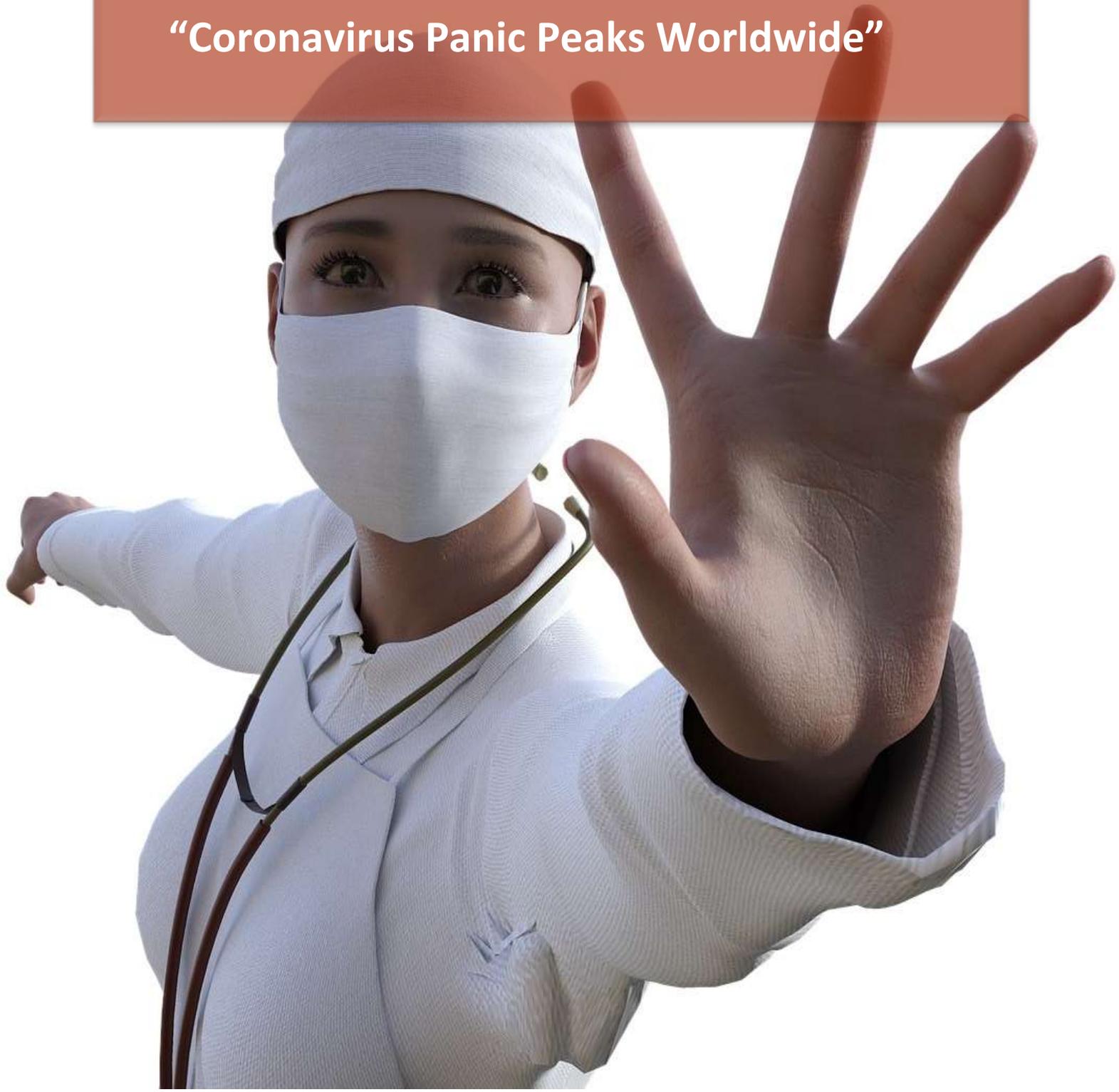


Monthly Report – March 2020

INDONESIA INVESTMENTS

“Coronavirus Panic Peaks Worldwide”



Indonesia Investments Monthly Update

Coronavirus Panic Peaks Worldwide

March 2020



Table of Contents

<u>Preface</u>	5
<u>Introduction</u>	8
<u>Contact</u>	12
<u>Coronavirus Tips: How to Protect Yourself</u>	14

Analyses & Columns – Economy, Politics & Social Developments

• <u>COVID-19 Update Indonesia; Can the Indonesian Government Handle the Novel Coronavirus Outbreak? What Is the Impact on the Economy?</u>	16
• <u>Can the Healthcare Industry of Indonesia Cope with the Growing Number of Patients amid the Coronavirus Outbreak?</u>	51
• <u>Global Crude Oil Prices Decline to Historic Lows; How Does This Impact on Indonesia? Overview of Indonesia’s Oil Industry</u>	63

Updates Indonesia – Economy & Financial Markets

• <u>Monetary Policy: Bank Indonesia Cuts Benchmark Interest Rate Again in March 2020</u>	74
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• <u>Trade with China Drops amid COVID-19 Outbreak; Indonesia Posts Trade Surplus in February 2020</u>	81
• <u>Consumer Price Index (CPI) Update: No Major Changes in Indonesian Inflation in March 2020</u>	89
• <u>Manufacturing Activity in Indonesia Deteriorates at Record Rate in March 2020 as COVID-19 Hits</u>	95
• <u>Coronavirus Fears Put Heavy Pressures on the Indonesian Rupiah Exchange Rate in March 2020</u>	99
<u>Corporate Earnings Reports Indonesia’s Listed Companies: Full-Year 2019</u>	105
<u>Events Calendar Indonesia</u>	113
<u>Public Holidays Indonesia</u>	122
<u>Forecast Macroeconomic Indicators</u>	123
<u>Back Issues Monthly Report</u>	125

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 key international developments that impact on the economy of Indonesian or its politics.

Our monthly reports are intended for a wide audience, including individual and corporate investors, financial market participants, policy makers, journalists, diplomats, academics, and analysts.



The website of Indonesia Investments is the key reference and access point for gaining knowledge about Indonesian markets, the economy, and cultures. The website is owned by Van Der Schaar Investments B.V., a privately-held investment company (Ltd.) which 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. For more information about Indonesia Investments, please visit: **www.indonesia-investments.com**.

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Lastly, we would like to emphasize here that – although we strive to present accurate, up-to-date, and objective information to the reader – Indonesia Investments cannot guarantee the accuracy of all data that is included in this report.

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[Return to Table of Contents](#)

Introduction - March 2020 Update

March 2020 was a memorable – even historic – month. Only on very rare occasions had we seen such a complete loss of confidence in financial markets across the globe (namely ‘Black Monday’ in 1987 and the ‘Great Crash’ in 1929). The reason behind this new crash is obvious: the novel coronavirus (COVID-19).

At the time of writing this introduction, the total number of confirmed COVID-19 cases (around the world) had just passed the one million mark, while the number of deaths had reached more than 50,000. Moreover, these figures are expected to grow significantly in the weeks, possibly even months, ahead. It is clear that the world is dealing with a serious threat.

In mid-March 2020 the World Health Organization (WHO) already labelled the COVID-19 outbreak a ‘global pandemic’. Indeed, no country seems safe from the virus, and thus all governments around the globe (and other key institutions, such as central banks) need to come up with effective measures and solutions to limit the impact of the virus on society and on the economy. This is no easy undertaking considering we are in uncharted waters.



What is remarkable about this new virus is that most healthy people who are infected will only show mild symptoms (or may not even notice at all that they are infected), while it can be fatal for those who have weakened immune systems (or who have other underlying health issues). This means that most fatalities involve the elderly. And there are a number of terrifying stories in global media about how various elderly had to die alone as family or other close ones were not allowed to be near them due to quarantine measures.

The COVID-19 outbreak has triggered a true health crisis. In those cities or regions where there are many COVID-19 infections, demand for intensive care beds, medical equipment (such as ventilators) and other medical services is outpacing supplies. Reportedly, in some Italian and Spanish hospitals it now feels like a war zone.

Enormous Economic Consequences

The economic consequences are bound to be enormous, with the world heading for a deep recession in the first half of 2020. Most governments have imposed various restrictions on the movement of people (urging people to stay at home, or – if possible – work from home), have banned the organization of events, and have ordered the temporary closure of certain businesses (such as cafés and bars). It has resulted in a huge decline in economic activity around the world. Meanwhile, trade flows are disrupted too, especially due to the lockdown in China, which is a key source of raw materials for industries across the globe, thereby disrupting global manufacturing activity.

The huge drop in economic activity makes victims. When sales decline, companies start to struggle financially, encountering difficulty to pay employees' wages, to repay debt, or rent office space. This subsequently leads to rising unemployment, various bankruptcies,

and bad loans for banks. And in emerging markets, many micro and small entrepreneurs are in jeopardy of falling into full poverty once their incomes vanish; a social crisis looms.

To avoid this chain of events, governments and central banks are forced to come up with unprecedented stimulus packages. And despite these packages, many analysts are already talking about how the world-shattering COVID-19 outbreak will lead to permanent shifts in political and economic power, in ways that will become apparent only later (similar to the impact of the fall of the Berlin Wall at the start of the 1990s, or, the Asian Financial Crisis in the late 1990s).

A Roller Coaster Ride in Global Financial Markets

As mentioned in the first paragraph, rarely do we see such a huge crash in global markets as we did in March 2020. Across the globe benchmark stock indexes plunged between 25 - 40 percent (compared to their positions at the start of the year). Volatility was uncanny. Losses were particularly massive in the first three weeks of March 2020, when it started to become very clear that the virus was spreading – and making victims – in the West.



It became a common sight to see benchmark indexes (such as the US Dow Jones Industrial Average) plunging, or rebounding, by more than five percent in one day. On some days, these indexes even dropped (or rebounded) over 10 percent.

Despite strong rebounds on some days, stocks were in deep red territory, overall, during the first three weeks of March 2020. It showed that market participants had completely lost their confidence, and went for safe haven assets (especially when coronavirus fears became burdened by an unfolding crude oil price war between Russia and Saudi Arabia which caused global oil prices to touch historic lows).

Initially, it seemed that monetary stimulus programs announced by central banks around the world failed to ease investors' minds as stocks remained in deep red territory. But in the last week of March 2020 this trend reversed; stock markets started to recover (albeit high volatility persisted). It is assumed that the combined total of stimulus packages that were announced by governments and central banks in the first three weeks of March 2020 finally succeeded in convincing market participants that they will go all out to limit the negative impact of the COVID-19 crisis on the economy and on society.

In the remainder of this March 2020 report we focus on how the COVID-19 crisis impacts on the economy and society of Indonesia.

Indonesia Investments

Delft (the Netherlands) & Jakarta (Indonesia)

03 April 2020

[Return to Table of Contents](#)

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Coronavirus Tips: How to Protect Yourself

There is currently no vaccine to prevent the novel coronavirus disease (COVID-19).

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



- **Wash your hands regularly** 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 because those 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**. In case you feel unwell, wear a mask (to protect other people) and keep washing your hands often and thoroughly.



- **Stay inside**; avoid contact with people. Also, avoid going to crowded places or public places where people can leave the virus on items such as a doorknob, bench, or handrail. Hence, after returning home from grocery shopping, wash your hands. You may also want to wash the products you bought, because people tend to touch products that are on display in the 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 is that their immune system is strong. Therefore, it is better to take some efforts to strengthen your immune system by eating healthy (fruits and vegetables) and take some supplements such as vitamin pills. Taking enough time to sleep is also crucial to improve your immune system. Lastly, it is highly recommended to quit smoking (and not consume too much alcohol).



[Return to Table of Contents](#)

