

# Indonesia Investments

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## Light at the End of the Tunnel?

- Miraculous Drop in New Confirmed COVID-19 Cases in Indonesia, But What's Behind It?
- Why the Digital Banking Industry of Indonesia Is Believed to Have a Bright Future
- Commercial Aviation Industry Experiences Its Worst Crisis Ever Because of COVID-19
- Ecosystem Special Economic Zones and Digital Economy Improve via Revision of the Foreign Employee Regulation
- And Much More ...

**MARCH 2021**

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



# Indonesia Investments

Monthly Report – March 2021

**‘Light at the End of the Tunnel?’**



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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](http://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.

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(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).

(2) **Monthly reports only;** usually between the 2<sup>nd</sup> and 5<sup>th</sup> of the month, we release our monthly report. As mentioned above, this report discusses the most relevant economic, political, and social developments that took place in Indonesia (or global developments that impact on Indonesia) in the preceding month.

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## Introduction – March 2021 Report; COVID-19 Update

The other day, I had a conversation with my neighbors – a married couple who run a bakery and café in the city center of Yogyakarta. From previous conversations I knew that their business is heavily affected by the ongoing COVID-19 crisis. Even up to the point that they had to find a cheaper school for their oldest daughter.

However, during our last conversation I was surprised to learn that they decided to move their bakery and café to another, considerably bigger, location. Moreover, they were making plans to open a shop for skin-care products on the side. I asked them whether it would be wiser to wait for the COVID-19 crisis to end first before going for business expansion. After all, people are still not spending as they used to in the pre-COVID-19-crisis days. They replied, however, that COVID-19 will never go away, and considering there is currently a lot of commercial property available for rent at strategic locations – and at affordable prices due to low demand – it is now a time to act, and a time to take risk.

It certainly is a risky decision – but hey – that is the nature of entrepreneurship. Risk is what can separate them from their business competitors. And, risk can distinguish between leaders and followers.

The point of this little anecdote is that we seem to have reached a point where people increasingly become aware that the COVID-19 virus is here to stay. Recently a survey

conducted by Nature, a leading international weekly journal of science, showed that almost all of the 100 scientists surveyed (involving immunologists, virologists, and infectious disease researchers) believe COVID-19 will become endemic (referring to the constant presence of the virus in society).

The positive message from these experts, though, is that they expect the effects of COVID-19 to decrease over time (as peoples' immune systems build resistance). This would be a situation quite similar to that of influenza (also a contagious respiratory – and endemic – illness that is caused by a virus). Similar to COVID-19, influenza is a harmless virus for most of us but can be a fatal one for those who have weakened immune systems (usually due to old age or an underlying illness). And interestingly enough, influenza seems to have miraculously disappeared from the face of the earth ever since the arrival of COVID-19 on the scene. So, one of the many questions out there is whether influenza and COVID-19 can co-exist, or one will dominate the other (which would explain why there are almost no reports of any influenza cases over the past 12 months).

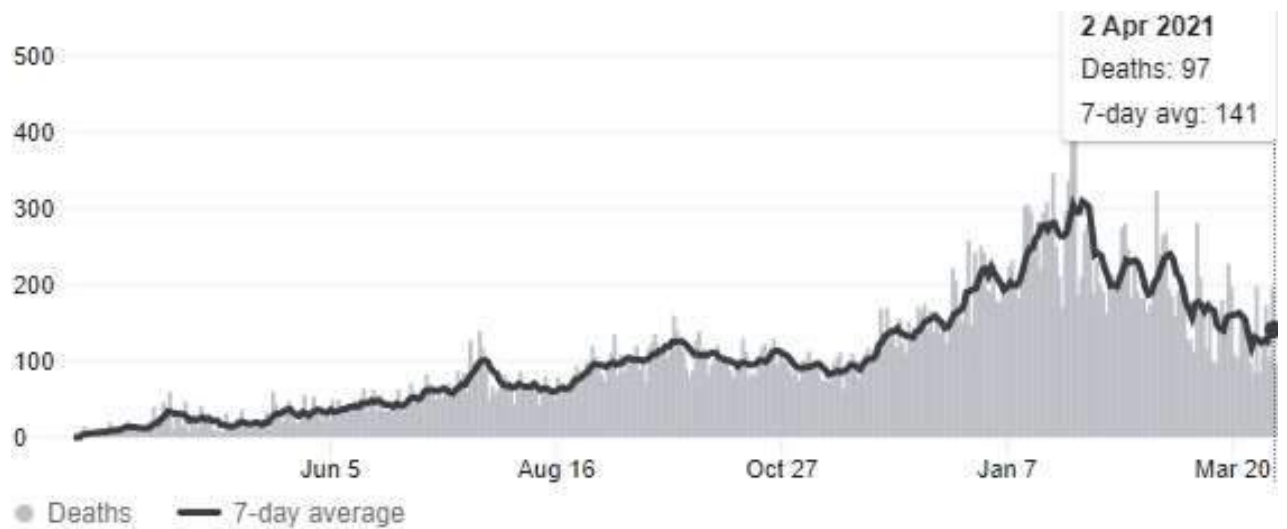
In most parts of the world the COVID-19 pandemic has now been ongoing for more than a year (in Indonesia the first cases were confirmed in early March 2020). And, the available data do suggest that COVID-19 is becoming less fatal for people as the number of COVID-19-related deaths has been declining since the start of February 2021. This is, in fact, a global trend (see the charts below).

### Worldwide COVID-19 Deaths (up to 17 March 2021):



Source: [https://en.wikipedia.org/wiki/Template:COVID-19\\_pandemic\\_data](https://en.wikipedia.org/wiki/Template:COVID-19_pandemic_data)

### COVID-19 Deaths in Indonesia (up to 2 April 2021):



Source: <https://github.com/CSSEGISandData/COVID-19>

However, this easing trend cannot be attributed to national immunization programs (since these programs were only initiated starting from January 2021. So, it will take

several months, and in cases like Indonesia where the population size is huge it will take years, before enough people are immunized. Seeing this global trend, it actually gives the impression that part of people have become naturally resistant over the past year (because of an infection that may, or may not, have gone unnoticed to the person). In this context, it is also worth pointing out that in the Netherlands between 20-25 percent of blood donors are estimated to carry COVID-19 antibodies. If this is representative, it could indicate that a significant part of the population has already become immune to existing COVID-19 varieties (which may also strengthen people's resistance to future COVID-19 mutations).

Moreover, the number of particularly vulnerable people (those with weak immune systems and no built-up resistance to COVID-19) has now obviously become much smaller compared to the beginning of the pandemic as they were the virus' 'easiest' victims.

Considering Indonesia has softer COVID-19-related social and business restrictions (compared to, for example, the Netherlands) it could be that resistance to COVID-19 is developing much more rapidly in Indonesia. However, it is unlikely, though, that the huge declines in new confirmed COVID-19 cases and COVID-19-related deaths in Indonesia can be fully attributed to this possible increase in resistance among the population. So, there must be other factors at play as well. However, this is where it becomes tricky.

When reading a wide variety of online reports, experts (from across the world) seem generally puzzled why there has occurred this significant drop in COVID-19-related deaths since late-January. But they do present some possible explanations:

- Strengthened immunity due to an earlier COVID-19 infection
- Strengthened immunity due to the COVID-19 vaccine
- Changing of the season (weather)
- People comply with health and hygiene protocols
- Possible COVID-19 under-testing

However, in the case of Indonesia, all five reasons above do not really satisfy our curiosity. Considering the number of COVID-19 tests conducted has stayed near the same level (one that is in line with World Health Organization guidelines), under-testing cannot be a reason. Meanwhile, very few Indonesians (relatively speaking) have obtained the COVID-19 vaccine, so the immunization program cannot explain the sudden drop in COVID-19 cases. Moreover, we do not detect greater compliance with hygiene and health protocols in Indonesia. Lastly, the changing of the season also seems somewhat unlikely. Yes, Indonesia is heading towards the end of the annual rainy season, but if we compare it with the influenza virus – which in many respects is similar to COVID-19 – then its prevalence should only increase slightly during the rainy season, implying that a significant decline in new COVID-19 cases is highly unlikely at the end of the rainy season.

**Comparison of COVID-19 Tests, New Cases & Positivity Rate in Indonesia between the Last Week of March 2021 and the First Week of February 2021:**

Date	Specimen	New COVID-19 Cases	Positivity Rate
31 March 2021	71,440	5,937	8.3%
30 March 2021	76,904	4,682	6.1%
29 March 2021	46,933	5,008	10.7%
28 March 2021	42,685	4,083	9.6%
27 March 2021	67,548	4,461	6.6%
26 March 2021	71,559	4,982	7.0%
25 March 2021	81,091	6,107	7.5%

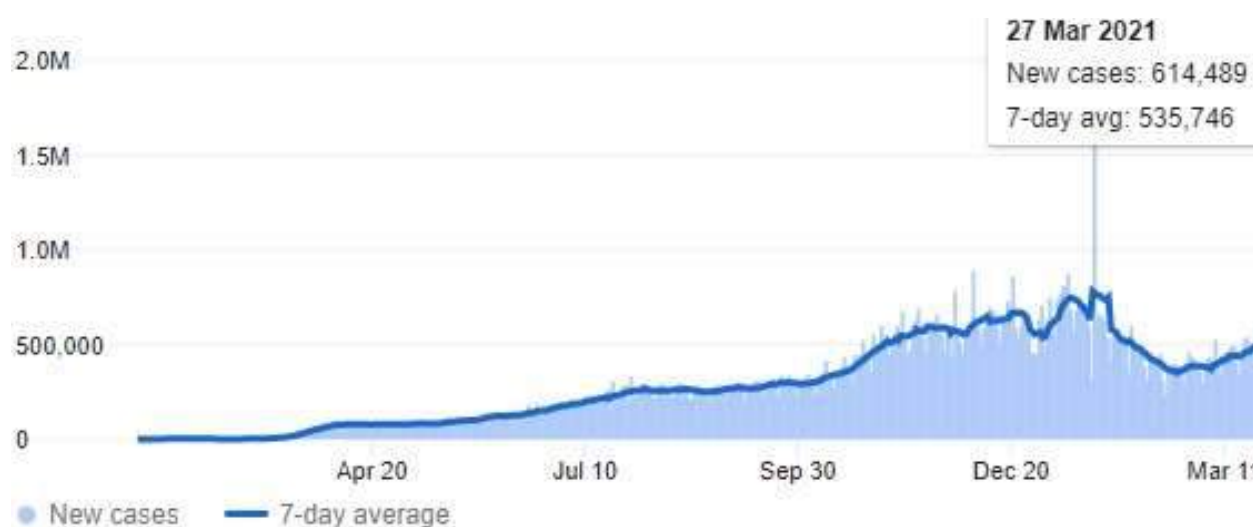
Date	Specimen	New COVID-19 Cases	Positivity Rate
7 February 2021	41,526	10,827	26.1%
6 February 2021	65,167	12,156	18.6%
5 February 2021	76,373	11,749	15.4%
4 February 2021	68,744	11,434	16.6%
3 February 2021	74,965	11,984	16.0%
2 February 2021	71,702	10,379	14.5%
1 February 2021	48,213	10,994	22.8%

Source: Health Ministry of the Republic of Indonesia

The tables above show that – without a drastic change in the number of COVID-19 tests done – there occurred a significant decline in the number of new confirmed COVID-19 cases, and thus in the positivity rate, between the end of March 2021 and the start of February 2021.

The problem is, though, that if we do not fully understand what causes this decline in new cases, then it is difficult for the Indonesian government to start easing current social and business restrictions. The lack of knowledge would increase chances of making policy mistakes, hence seeing a return of rising COVID-19 cases. Moreover, contrary to the trend in Indonesia, the number of worldwide new confirmed COVID-19 cases started climbing again from late-February 2021 after experiencing a sharp decline in the preceding month.

### Worldwide Confirmed COVID-19 Cases (up to 27 March 2021):



Source: [https://en.wikipedia.org/wiki/Template:COVID-19\\_pandemic\\_data](https://en.wikipedia.org/wiki/Template:COVID-19_pandemic_data)



So, most likely, the Indonesian government will not alter its current policies. That would be the safest option, although from the perspective of the economy it means the continuation of lackluster economic activity.

The significant decline in new COVID-19 cases and deaths that recently occurred in Indonesia, and rising awareness that COVID-19 may become endemic and therefore we cannot delay investing and consuming until the virus is completely gone (like my neighbors' attitude in the first paragraphs of this introduction), are the reasons why we gave this month's report the title '**Light at the End of the Tunnel?**' However, this title is sort of meant in a provocative manner because it is still too soon to become optimistic; certainly in the case of Indonesia, which is facing much bigger challenges than most other nations in this crisis (we will discuss these challenges in one of the chapters in this report). So, the light at the end of the tunnel can actually easily be mistaken for the lights of an oncoming train.

**Richard van der Schaar**

Managing Director

Indonesia Investments



Yogyakarta, Indonesia

2 April 2021

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# Research Report 'Indonesia's Energy Sector'



**Indonesia Investments**

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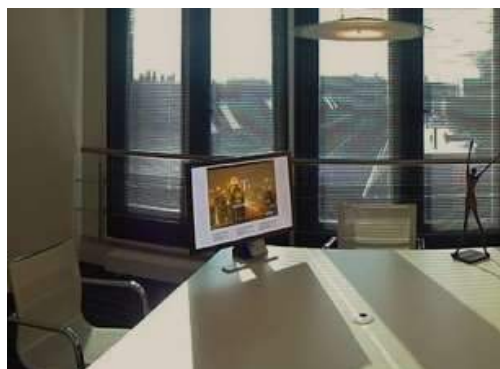
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## Coronavirus Tips: How to Protect Yourself & Others

Immunization programs have started but it is important to remain careful to avoid becoming infected with COVID-19, or, infect others.

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 Home**; 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. If possible, work from 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 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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