

Indonesia Investments

‘Creating One of the World’s Biggest State Islamic Banks’

- No Minimum Wage Growth in 2021?
- Three State Islamic Banks Merge into One
- New COVID-19 Cases in Indonesia Decline
- Remarkable Rebound in Q3 Direct Investment
- Inflation Rises Modestly in October 2020
- Indonesian Exports Back to Pre-COVID Levels
- Manufacturing Activity Remains in the Red
- Q3-2020 Corporate Earnings Reports
- And more...



OCTOBER 2020 (SECOND HALF)

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

Indonesia Investments

Monthly Report – October 2020 (2nd Half)

**‘Creating One of the World’s Biggest
State Islamic Banks’**



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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. For more detailed information we refer you to our website.

To purchase an edition of our monthly report (or to subscribe for a longer period), you can inquire about further details via email – info@indonesia-investments.com – or by phone: +62.(0)8788.410.6944 (including WhatsApp text messages). Also for questions, comments and any other feedback we can be contacted through email and telephone.

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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 – October 2020 Report (2nd Half)

The month October in the year 2020 was another volatile month. At the beginning of the month (which we covered in our preceding report) the passing of the Omnibus Job Creation Law triggered a series of demonstrations that have been continuing up to the time of writing this introduction.

And at the end of the month we saw Indonesian President Joko Widodo condemn a statement that was made by French President Emmanuel Macron on Islam earlier in October 2020. Macron's remarks in fact caused outrage across the Islamic world. And while those who defend Macron argue that he referred to Islamism as being the source of crisis within Islam, there are millions and millions of Muslims (around the globe) who feel insulted and offended by his words. Hence, Widodo (together with Vice-President Ma'ruf Amin and representatives of various religious organizations) criticized Macron for his words, saying they fear it could spark division across faiths and nations at a time when unity is needed to face the COVID-19 pandemic.



And, indeed, the COVID-19 pandemic keeps making headlines around the globe. New devastating lockdowns are being imposed, or prepared, across Europe which means worldwide economic growth in Q4-2020 will, again, be under heavy pressure. This is unfortunate because most of the Q3-2020 GDP data (for so far they have been released) show a significant improvement – from the preceding quarter that is – around the world. For example, the economy of the United States rebounded 7.4 percent from the preceding quarter as there was more room for economic activity.

For Indonesia too, it means trouble when we see new lockdowns across the world to combat the ‘second wave’. Not so much because Indonesia will miss out on export earnings (because – unfortunately – in terms of economic growth, Indonesia is not too dependent on its export performance), but more because Indonesia’s authorities (at the central and regional level) will be encouraged to follow this ‘global example’ by extending the social and business restrictions. This would mean that production, consumption, investment, and trade will all remain under pressure in Q4-2020. And this can then only lead to the conclusion that the economic recession will persist into the last quarter of 2020 (and possibly Q1-2021).

Meanwhile, we would also like to emphasize that over the past six or seven months there are a growing number of signs that the cure is actually becoming worse than the disease itself since COVID-19 is not as fatal as was first projected by the World Health Organization (WHO) at the start of the pandemic. In Indonesia there were a total of 410,088 confirmed COVID-19 cases per 31 October 2020, while a total of

13,869 people had died while being infected with the COVID-19 virus. This gives a mortality rate of 3.4 percent (which is a scary figure). However, it needs to be taken into account that most people who are infected with COVID-19 are not tested and do not require any medical attention as they show no symptoms.

That is why it is also important – when testing – not to overly focus on those who show symptoms as this will distort the real picture. If, for instance, the total number of (unconfirmed) COVID-19 infections in Indonesia is currently around ten million people (and this could be labelled a conservative guess), then the mortality rate of COVID-19 is quite similar to that of the common flu (influenza).

This was in fact confirmed by Mike Ryan, Executive Director of the WHO's Health Emergencies Program, in early October 2020 when he said that "our current best estimates tell us that about 10 percent of the global population has been infected by this virus." This not only suggests that widely used case trackers are an enormous understatement of the real scope of the pandemic, but it also suggests that the actual mortality rate of COVID-19 is quite low; beneath 0.2 percent, globally, although the rate does rise relatively strongly with age (and especially those who have underlying illnesses or are above 70 years old are fragile as they tend to have a weaker immune system; one that has difficulty coping with a new virus for which had never before created anti-bodies). However, this low mortality rate is a topic that yet needs to be picked up by most mainstream media as they seem to prefer throwing their support

behind the lockdowns (and not seem to question governments' policies at all), and rarely discuss the negative consequences of lockdowns in depth.

However, what is certain is that the self-imposed social and business restrictions do kill off millions of business-owners (especially the micro, small, and medium-sized enterprises, or MSMEs, that typically lack liquidity and cash reserves), kill off their workers (many of whom are actually pushed into full-blown poverty in developing countries, including Indonesia), and even heightens global hunger (due to the global food chain disruptions).

Therefore, it is clear that governments need to seek better ways to protect those who have weakened immune systems (and are therefore especially vulnerable to COVID-19 infections, particularly the elderly), while allowing life and business to continue as normal for those people who don't even notice that they are infected by COVID-19 (typically healthy people below the age of 70 years), or show mild symptoms only when infected.



If the only strategy is to wait for a vaccine (and it can take several years to develop a safe and effective vaccine), while imposing semi-lockdowns or restrictions across nations until the vaccine is available, then we may witness the structural demolition of economies, and perhaps even society as we knew it about a year ago. The problem is that these lockdowns cannot kill the virus; they can only slow the spread.

So, if a vaccine would be available next month, then a full lockdown could be a great solution. Or, if COVID-19 would have a high mortality rate, then a full lockdown is even a must. However, both are clearly not the case in this COVID-19 pandemic, and thus other strategies are required to save lives and economies as well as avoid health systems becoming overwhelmed.

Indonesia, for example, made the wise move to convert the Wisma Atlet Kemayoran, a former 2018 Asian Games' athletes' village (in Central Jakarta), into an emergency hospital to treat COVID-19 patients, in response to a surge in demand for healthcare services. In total, this apartment complex has nearly 3,000 rooms (with more than 10,000 beds), hence allowing 'normal' hospitals to continue serving non-COVID-19 patients. In various European countries, however, we have seen public and private hospitals refusing to take new patients due to the influx of COVID-19 patients. Hence, regular healthcare is disrupted in these places (which costs additional lives).

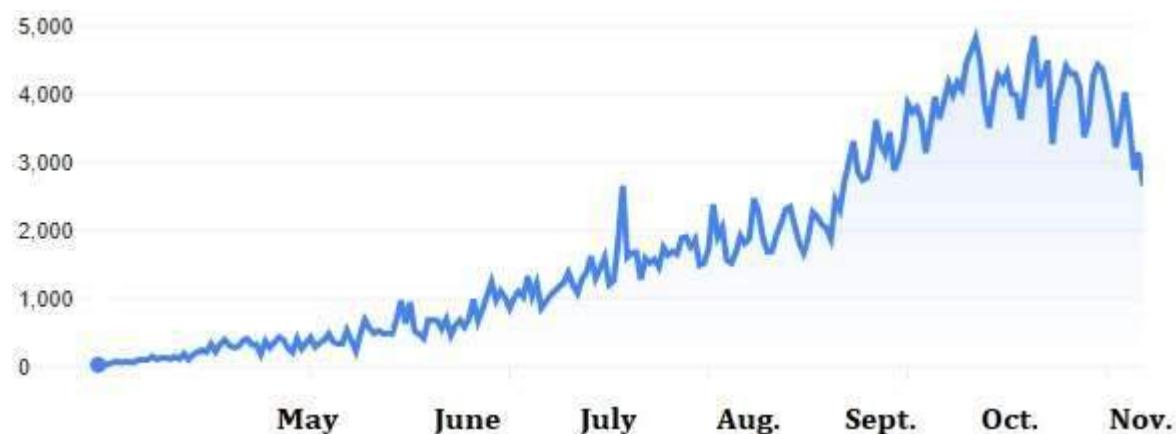
When hospitals are not overwhelmed there is certainly room for easier restrictions, although – again – the vulnerable in society need to be protected. Those who have

underlying diseases (for example diabetes) should be allowed to work from home, if possible (and, if not possible to work from home, they should perform their duties in a sort of isolated part of a building or factory), while the younger generations need to be very careful when being around the older generations (such as their parents or grandparents) by wearing facemasks and making sure that the environment or location is ventilated optimally so aerosols cannot be inhaled (there are indications that aerosols, which can remain in a room long after an infected person has left when not ventilated, play a significant role in the spread of COVID-19).

Declining COVID-19 Infections in Indonesia in October?

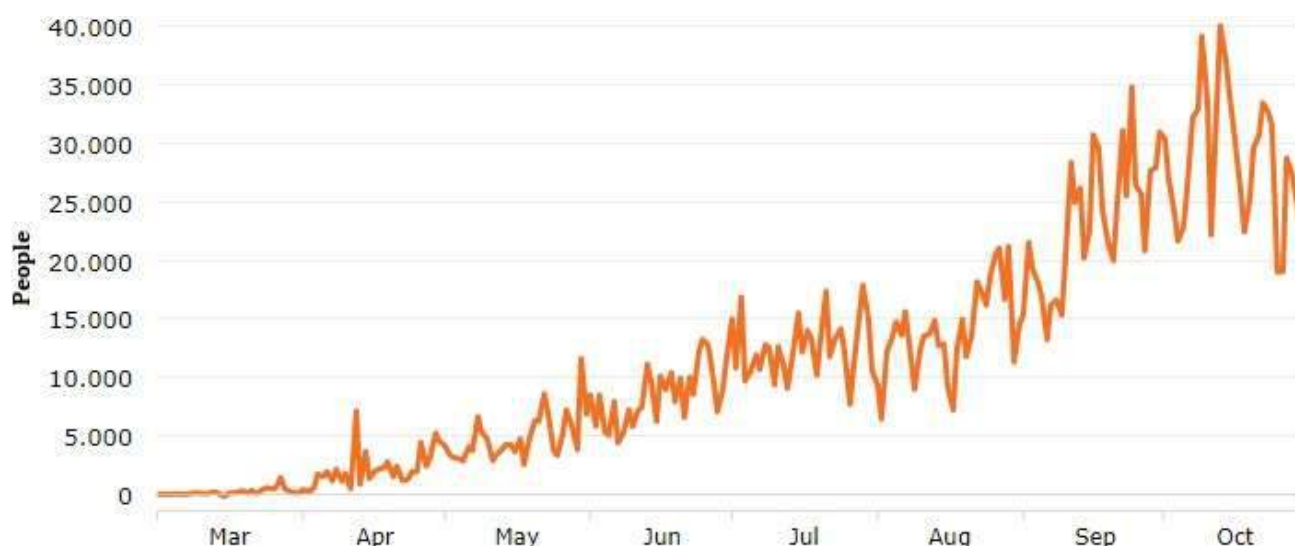
What is quite remarkable is that the number of new daily confirmed COVID-19 cases in Indonesia declined in October 2020. The chart below shows that after the peak on 8 October 2020 (when 4,850 new cases were reported) there emerged a gradual decline (to 2,696 new confirmed cases on 1 November 2020).

Number of New Daily Confirmed COVID-19 Cases in Indonesia:



Is this reason for optimism? Well, not really. For reasons unclear to us, the number of COVID-19 tests that were conducted across Indonesia also fell in October 2020 (see the chart below). Naturally, the number of new confirmed COVID-19 cases will decline when the number of tests conducted drops (and vice versa).

Number of COVID-19 Tests Conducted in Indonesia:



Source: www.databoks.katadata.co.id/

In fact, with the rainy season having started in Indonesia, it would only make sense if the number of COVID-19 cases increases as people tend to stay indoors. When not ventilated properly it becomes very easy to inhale other people's aerosols at home or the office. Unfortunately, washing hands, wearing facemasks and social distancing (which have so far been prioritized by authorities) only have a limited mitigating effect on these aerosols. When not encouraged by the government, people need to take responsibility themselves. Therefore, we urge business-owners to make sure

that their offices and factories are well ventilated. In case of office buildings, it is also important that the air is not recycled from within the building (unless a good filter is used) but gets a supply of fresh air from outside the building. Whenever possible, windows should be open.

Lastly, we would like to thank you for purchasing this edition of our monthly report. We hope that it contains valuable information for you!

CV Indonesia Investments

Jakarta (Indonesia)

3 November 2020



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Research Report 'Indonesia's Energy Sector'



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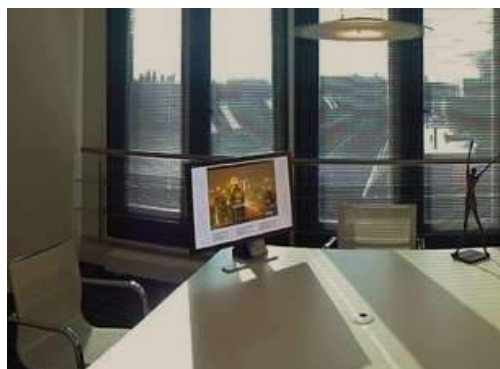
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Coronavirus Tips: How to Protect Yourself & Others

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) and take some supplements, such as vitamin pills. Taking enough time to sleep is also crucial to help improve your immune system. Lastly, it is highly recommended to quit smoking (and not consume too much alcohol).



- **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 in closed spaces.

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17 AGUSTUS 2020

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- Pengibaran Bendera Proklamasi Kemerdekaan RI 17 Agustus 1945.
- Pencapaian pembangunan Indonesia khususnya di bidang infrastruktur melalui gambar tol trans Jawa, jembatan Youtefa Papua, dan Moda Raya Terpadu (MRT) Jakarta.

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