

Indonesia Investments

‘Is Cryptocurrency the Future?’

- How Does Indonesia Facilitate Investment in Cryptocurrencies?
- Has the COVID-19 Crisis Ended for Indonesia? Or Will We See New Waves?
- Macroeconomic Indicators Point at Mediocre Economic Growth in Q3-2021
- Is Infrastructure Development Back on Track Now the Pandemic Has Eased?
- Coal to Remain Crucial Energy Source in Decades Ahead
- Jakarta Organizes Formula E Race in 2022



OCTOBER 2021

Van Der Schaar Investments B.V.
CV Indonesia Investments

Indonesia Investments

Monthly Report – October 2021

**‘Is Cryptocurrency the Future?
Separation of State and Money?’**



Table of Contents

(Click on Title to Jump to Article)

Preface	5
Introduction	10
Contact	19
Coronavirus Tips: How to Protect Yourself and Others	20

Analyses & Columns – Economy, Politics & Social Developments

• COVID-19 Pandemic Update; Situation Is Under Control in Indonesia But Situation Abroad Remains Precarious	23
• Economic Update Indonesia: Forecasts for Economic Growth in Q3 and Full-Year 2021 Still Not Too Rosy	41
• Infrastructure in Indonesia; Jakarta-Bandung High-Speed Train Project Needs More Time and Money	52
• Cryptocurrency in Indonesia; Shaping a New Future or an Illustration of the ‘Greater Fool Theory’?	68

• Skyrocketing International Coal Prices; a Blessing for Indonesia, But Demoralizes Environmentalists	92
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Updates Indonesia – News Flash & Macroeconomic Indicators

• Indonesia to Host Formula E Race; Symbolic of Its Ambition to Become a Leading Electric Vehicle Manufacturer	114
• Consumer Price Index (CPI) of Indonesia; Inflationary Pressures to Build in the Last Quarter?	118
• Manufacturing Activity of Indonesia; PMI at Record High in October 2021, Finally Real Start of Recovery?	125
• Trade Balance of Indonesia: Export Performance Remains Strong; Import Performance a Bit Volatile	129
Initial Public Offerings (IPOs) on the Indonesia Stock Exchange	147
Public Holidays Indonesia	148
Forecast Macroeconomic Indicators Indonesia	150
Back Issues Monthly Reports	152

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).

(2) **Monthly reports only;** usually between the 2nd and 5th 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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Disclaimer

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.

[Return to Table of Contents](#)

Introduction – October 2021 Report

When writing this introduction, the 2021 United Nations Climate Change Conference (also known as COP26) had just started in Glasgow (Scotland). Indonesian President Joko Widodo is among the delegates who is slated to speech about the importance of preventing – and adapting to – climate change, and to seek ways to obtain climate financing as Indonesia is unable to finance the huge and costly energy transition by itself.

Moreover, the livelihood of many millions of Indonesians depends – either directly or indirectly – on industries or sectors that are regarded having a negative influence on the environment or Earth's climate (such as energy, transport, and agriculture). One key question is whether a significant transition to a greener economy can occur without jeopardizing the income and lives of the dozens of millions of Indonesians who live near the national poverty threshold. After all, many of these people are low-skilled and uneducated. Thus, it is unclear whether they can easily adapt to a new work environment that may necessitate different (perhaps even higher) skills, and most likely is an environment that requires more capital to deliver a service.

For example, in case fossil fuel motorcycles have to be replaced with their electric counterparts, it requires a bigger investment for a (potential) Gojek driver because electric vehicles are simply much more expensive. Moreover, if electricity (required

to charge the electric vehicle battery) needs to be generated using renewable energy sources, then electricity rates will also be significantly higher because, for now, fossil energy sources are cheaper and more reliable than renewable energy sources.

This is where there exists a dilemma for emerging economies such as Indonesia, and where there exists opposite views or interests between the developed and emerging countries. In a country like Indonesia there are 27.5 million officially poor people as they live below the national poverty line, while an estimated 50 million Indonesians are in jeopardy of falling below that threshold if a sudden economic shock occurs. Many of these (vulnerable) people are employed in agriculture, for example, on oil palm plantations. So, on the one hand, they are involved in activities directly linked to deforestation, forest fires, and habitat loss for certain species, but, on the other hand, those activities allow these people to live (and perhaps to finance education for their children). And so, it basically boils down to a choice that needs to be made between saving people, or, saving the environment. Hopefully, there is a middle way, though: optimize output (in an environmentally sustainable manner) on fewer land.



In the developed countries, where poverty is a much smaller problem, this dilemma does not seem to exist. This explains why the West can really push for environmental sustainability. It also explains why you are unlikely to meet a poor environmentalist. After all, poor people simply have bigger concerns on their mind. Only once the basic necessities are sufficiently met (particularly food and shelter) people (can) become concerned about the wellbeing of the environment and animals. It is this difference between developed and emerging economies why – and we have stated this before – we fully agree with President Widodo when he urged the developed world to take the leading role in environmental sustainability, for example through investment in renewable energy projects in the emerging countries (Widodo stated this at the US-hosted virtual Leaders Summit on Climate Change in April 2021).

It would be unfair if the West pushes for enormous changes in developing countries – changes that carry a massive price tag, such as the energy transition – and pushing these countries to finance the changes themselves, without actually knowing to what extent these changes will be effective and without carefully calculating the possible negative effects of these changes. Essentially, we're still seeing Western imperialism in this climate issue. Fossil fuel-driven industrialization, which started around two centuries ago, is partly responsible for bringing impressive welfare to the Western world (even though wealth is typically unevenly divided), allowing them to become full-fledged developed countries. However, this process of industrialization, which started much later in emerging markets (and is actually, partly, driven by Western

capitalism), may now be interrupted in these developing nations because history proves that extreme state intervention in an economy can lead to extreme market distortions, implying social and economic development is also disrupted.

Over the past decades, unlimited money printing (quantitative easing) in the United States and European Union is another example of heavy monetary intervention. It is indeed aiming at encouraging inflation, credit growth and overall economic growth but we are now gradually starting to see the negative side-effects of this monetary policy, such as high inflation and asset bubbles. Even Indonesian Finance Minister Sri Mulyani Indrawati recently said stagflation (meaning: slow economic growth yet high inflation) is a threat for today's world. And thus, a growing number of investors now seem to focus on investing in 'all that the government cannot print' such as gold, shares, property, and even bitcoin (instead of fiat currency and government bonds because 'all that can be printed by governments' quickly loses value).

Returning to the topic of climate change, it is interesting that Indonesian newspaper Investor Daily (part of Lippo Group's Berita Satu Media Holdings) released an article a few weeks ago in which it said it will focus more on reporting climate change issues in an attempt to raise awareness of environmental sustainability in Indonesia. While we highly agree that Indonesians (and the world as a whole) need to treat Mother Earth with more respect (for example littering or air pollution are massive problems in Indonesia), we do also advocate for factual journalism (and factual science). So,

we do hope that a newspaper like Investor Daily will not become preoccupied with climate activism, but keeps an eye on conducting factual (research) journalism.

In the West there is a growing problem that due to ideological reasons mainstream media institutions, and even universities, cannot discuss an issue like climate change in a factual manner anymore. For example, to what extent mankind is behind global warming remains unclear (so far, there is no evidence; only assumptions). And, to what extent human action can prevent climate change is not clear (this is impossible to calculate if we do not know the answer to the previous question). And considering climate change is – at least partly – a natural phenomenon (with the earth's climate changing or fluctuating ever since the birth of this planet), one can even wonder to what extent it is dangerous to try to limit climate change. These are questions that need to be studied and should allowed to be discussed openly without censorship or ideological bias. Obviously, Indonesia Investments is highly in favour of preserving the environment and encouraging environmentally sustainable practices. But seeing the West's political and corporate elite ramming through massive changes without allowing an open discourse (which actually signals that there is a lack of evidence, and so the discourse has to be avoided), while the non-West sort of paying lip service is something that raises our eyebrows, and makes us wonder whether this is the best approach to achieve a cleaner and greener environment in the future. On a positive note; considering the history of 'oil wars' in the 20th and early 21st century, the move

away from oil (and toward renewable energy sources) could encourage world peace because it seems unlikely that countries will engage in wars over sunshine and wind.



Nonetheless, it is with some concern that we see Investor Daily seemingly focusing on activism rather than investigative journalism when it involves the climate issue. This is also a risky development in the context of democracy. Indeed, fully unbiased journalism seems impossible. But, fully biased media is something that needs to be avoided in order to preserve democracy. While we can understand that media want to follow the ideology of the (Western) ruling political, corporate, and media elites (three highly intertwined domains in today's world) in order to safeguard their own interests and position, it would be best if media institutions remain preoccupied with their crucial role in democratic societies, namely being sources of (unbiased) information while also acting as watchdog (including the careful scrutinizing of the government's actions and policies).

Indeed mankind needs to start treating Mother Earth with the respect she deserves. And considering mankind is completely dominant on this planet, having destroyed enormous quantities of nature to make way for villages, cities, roads, agriculture and industries, while causing huge pollution (including carbon emission or greenhouse gases that can trap heat) it comes without doubt that people have a huge (negative) impact on nature and the environment, possibly even to the extent that people play a direct role in global warming. However, our point here is that when a transparent and factual discourse is not allowed in media or universities, then it opens the doors to injustice and wrong directions.

In the remainder of this October 2021 edition of our monthly report we are going to move away from climate change. As usual, we will present an update on the COVID-19 situation in Indonesia as well as an assessment of the Indonesian economy in the third quarter of 2021 based on various macroeconomic indicators.

Another interesting article concerns the rising popularity of cryptocurrency (with Bitcoin especially being a famous crypto asset) in Indonesia. Financial regulators in Indonesia do, so far, not allow payments in cryptocurrency but they are facilitating investment or trade in crypto. As a consequence, the number of Indonesian crypto investors has been soaring over the past year.

In this edition we are also taking a look at infrastructure development in Indonesia, zooming in on the Jakarta-Bandung high-speed train project. As is widely known, the

lack of adequate infrastructure development is a major bottleneck in the Indonesian economy (and society). Therefore it is important to track how the country is making progress in terms of infrastructure development.

For an overview of other topics presented in this report, we refer you to the [table of contents](#).

Richard van der Schaar
Managing Director

Indonesia Investments
Yogyakarta, Indonesia
2 November 2021



Return to Table of Contents

Research Report 'Indonesia's Energy Sector'



Indonesia Investments

'Indonesia's Energy Sector'

- Need to Power Businesses and Households
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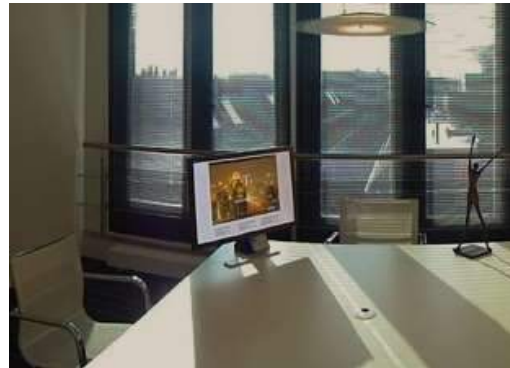
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Return to Table of Contents

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.

[Return to Table of Contents](#)