

Indonesia Investments

“Preparing for Fed Tapering”

- The Fed Prepares to End Bond-Buying Program, How Will It Affect Indonesia?
- Indonesia Relaxes Restrictions as New COVID-19 Cases & Hospitalizations Ease
- ADB & OECD Cut Their Projections for Indonesia's 2021 Economic Growth. Why?
- Indonesia Issued New Regulation to Encourage Use of Solar Rooftop Systems
- Big Merger in Telecommunication Sector
- Deforestation Deal with Norway Ended

SEPTEMBER 2021

Van Der Schaar Investments B.V.
CV Indonesia Investments

Indonesia Investments

Monthly Report – September 2021

‘Indonesia Prepares for Federal Reserve Tapering’



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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.

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).

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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 – September 2021 Report

Seeing the declining trend of new COVID-19 infections, hospitalizations, and deaths in Indonesia being continued throughout September 2021, there is certainly room for optimism as this context allows the government to relax the social and business restrictions (PPKM) which – in turn – allows for an increase in economic activity.

And so, relaxation is indeed on the agenda. On the islands of Java and Bali there are no more provinces or regions positioned in the PPKM Level 4 category (the category that brings the tightest restrictions). Currently, there remain 6 districts (*kabupaten*) categorized in PPKM Level 4 (all located outside Java and Bali). These are Tarakan (North Kalimantan), Banjarmasin (South Kalimantan), Pidi (Aceh), Bangka (Bangka Belitung Islands), Bulungan (North Kalimantan), and Padang (West Sumatra).

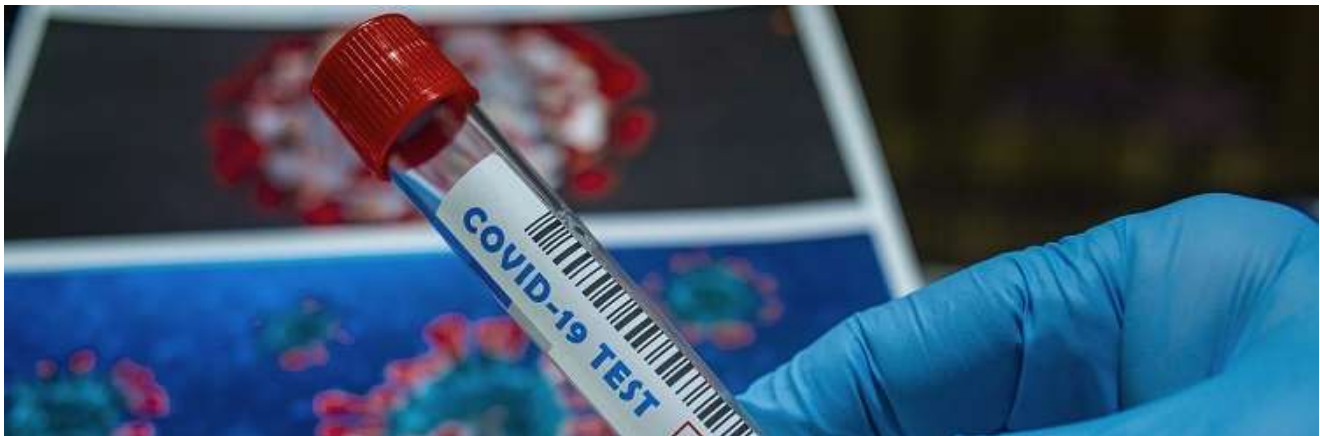
Many regions across Indonesia being downgraded from PPKM Level 4 to Level 3 (or even Level 2) means that more people can start working from the office again, while shopping malls, restaurants and cafes can now also handle more customers. In fact, Bali is being prepared to reopen for foreign tourists starting from mid-October 2021 (whether this will instantly attract the arrival of foreign tourists remains a question mark as we assume that many people around the world remain cautious, preferring to spend a holiday closer to home in the foreseeable future).

On the other hand, the increase in economic activity, including the arrival of foreign tourists, will also make it easier for any virus to spread. In that context, it is a concern to see new COVID-19 infections and deaths in Singapore touching record highs over the past weeks. Contrary to Indonesia, Singapore enjoys a high vaccination rate at around 80 percent (fully vaccinated). But it doesn't stop it from experiencing worse numbers than a year ago (prior to the start of the city-state's vaccination program).

However, what may separate Indonesia from Singapore is that the former may have developed stronger herd immunity due to natural infections. It is assumed that the Delta variant, which caused the massive tsunami-shaped wave in terms of COVID-19 infections between May and mid-July 2021 across Indonesia (and probably many more Indonesians – unknowingly – experienced asymptomatic natural infections, thereby strengthening their immune systems), has actually managed to bring strong herd immunity, one that could also protect against future COVID-19 mutations. And although existing COVID-19 vaccines certainly seem to offer short-term protection against COVID-19 infections (as after six months the anti-bodies wane rapidly, hence booster programs are being rolled out across the world), the latest developments in Singapore do, again, make us wonder to what extent vaccines can pull the world out of the COVID-19 pandemic.

What is so interesting about Singapore is that it was relatively easy for this small city state to impose tight lockdowns and achieve a vaccination rate of around 80 percent

compared to other nations in Southeast Asia. However, in terms of new COVID-19 cases and deaths it are the surrounding nations of Indonesia, Malaysia, Vietnam, and Thailand that now exhibit declining trends (despite the vaccination levels being very low in these countries), while Singapore is burdened by peaking cases and deaths.



At this moment, we suspect that these conflicting trends are caused by weaker herd immunity in Singapore as a large portion of the Singaporean population may not have had an encounter with a living piece of COVID-19 virus that allows for stronger immunity (due to Singapore's zero-tolerance policy; only per June 2021 restrictions started to be eased). Again, we refer back to studies in Israel showing that immunity brought about by natural infections seems to be much stronger than immunity that is brought about by a COVID-19 vaccine.

And, if vaccines are not the Holy Grail, one can immediately question the usefulness of new (discriminatory) regulations in Indonesia that ban unvaccinated people from

entering properties such as shopping malls, hotels, and cinemas. In a couple of urban centers (including Jakarta, Surabaya, and Bandung) it is now becoming increasingly difficult for unvaccinated people to 'exist'. However, to what extent the unvaccinated people form a bigger threat (to society) than fully vaccinated people is not easy to answer, and is a comparison that needs to involve various factors (such as a person's overall health, age, lifestyle, and the situational circumstances).

Lastly, we do emphasize that – although we remain sceptical of the existing COVID-19 vaccines due to the lack of evidence that they can end the crisis (the booster shots that are being rolled out are obviously a sign that the vaccines are not as effective as expected) – those with weakened immune systems (elderly or younger people with certain medical conditions, including obesity and diabetes) should not risk a natural infection, hence a vaccine is highly recommended. Those with properly functioning immune systems, however, are unlikely to become ill when infected (hence there is a lower risk that they can spread the virus to others). And, as they individually seem to develop stronger immunity against COVID-19 via a natural infection, they actually help society as a whole to develop stronger herd immunity.

CV Indonesia Investments

Yogyakarta, Indonesia

4 October 2021



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Research Report 'Indonesia's Energy Sector'



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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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