

Indonesia Investments

Rebounding Retail Sales

- Indonesia's Retail Sales Rebounded Strongly in April 2021; A Promising Indicator for Q2 Economic Growth
- Policymakers Expect Indonesia's GDP Growth above 7.0% (y/y) in Q2-2021. Indonesia Investments Slightly Less Optimistic with Its GDP Projection at 4.0% - 5.0%
- New Confirmed COVID-19 Cases across Indonesia Rebound after Idul Fitri Holiday
- But Because Number of COVID-19 Tests Conducted Has Risen while Positivity Rate Remains Relatively Low, Indonesia Investments Is Not Concerned



15 JUNE 2021

Van Der Schaar Investments B.V.
CV Indonesia Investments

Indonesia Investments

Update – 15 June 2021

**‘Rebounding Retail Sales and
Rebounding COVID-19 Cases’**



Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. The topics in these updates will be discussed in more detail (and in an updated form) in the forthcoming report.

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Good and Bad News; Indonesia's Economic Activity Shows Rebound, But So Do New Confirmed COVID-19 Cases

Key Points in this Update:

- Latest data show Indonesia's retail sales rebounded 15.6 percent (y/y) in April 2021, effectively ending the country's 16-month-retail-sales-contraction streak.
- Rebounding retail sales suggest robustly recovering economy at the start of Q2-2021. The question is not whether Indonesia can exit the economic recession in Q2-2021; the question is 'how high the growth rebound will be in Q2-2021'?
- After the Idul Fitri holiday, Indonesia shows sharply rising new confirmed COVID-19 cases. However, considering the number of COVID-19 tests conducted has risen accordingly (to record high levels), while the positivity rate does not show a significant jump, we are not too concerned about this development.

After a whopping 16 straight months of contraction (on an annual basis), the latest retail sales data (released by Bank Indonesia) showed that retail sales in Indonesia jumped 15.6 percent year-on-year (y/y) in April 2021. That is a strong rebound!

And, this is not unimportant considering retail sales are a leading macroeconomic indicator. Growth of these sales informs us that Indonesia's consumer demand for

finished goods (measured through purchases of durable and non-durable goods) has finally rebounded. Indeed, retail sales had already improved on a monthly basis (which, too, is positive as well as a strong indication that Indonesia is gradually on its way out of the COVID-19 crisis). However, we were still waiting for the rebound in retail sales on an annual basis as this would indicate that the present economic conditions are better than a year ago. This news would then certainly give rise to some more optimism in society.

There was initially hope that the rebound on an annual basis would occur in March 2021 as Indonesia had officially entered the COVID-19 crisis in March 2020 when – at the beginning of the month – the first two COVID-19 cases were confirmed in the country. Interestingly enough, at the start of the COVID-19 crisis last year March, it led to some hoarding and therefore retail sales did not drop heavily yet, hence retail sales still contracted 14.6 percent (y/y) in March 2021 (as they could not enjoy the low base effect yet).

However, April is a different story. In April 2020 we started seeing heavy lockdowns in urban centers across Indonesia (including the temporary closing of schools and shopping malls, while staff and other workers were forced to work from home, with the exception of vital sectors), and thereby triggering a much larger contraction in retail sales (a contraction that would peak in the following month: May 2020). These business and social restrictions curbed consumption significantly last year, reflected in the 16.9 percent (y/y) contraction in retail sales in April 2020.

[...]

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