Presently, COVID-19 continues to wreak havoc across the world, claiming tens of thousands of human casualties. The economic costs of the virus are still on-going but certain to be devastating to the global economy. Travel ban, trade restriction, social distancing, and lock down are severely hurting business and will create loss of jobs. This update aims to highlight the various consequences of COVID-19 outbreak to the Indonesian economy focusing on the sectors that have been hit hard, how the Government has responded, and the assessment of economic experts.

Disclaimer:

This publication is strictly for informational purposes only. The information contained in this publication is based on publicly available sources and reflects prevailing conditions as of the date of the publication. Any opinions, projections and other forward-looking statements regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results.
How Hard Has the COVID-19 Outbreak Hit Global Economy?

1. OECD has downgraded its growth forecasts

![Graph showing OECD growth forecasts](source)

2. Oil price is drowned further at its lowest price since June 2001

![Graph showing oil prices](source)

3. The price of gold tumbled

![Graph showing gold prices](source)
4. Global stock index has seen huge falls

5. Global revenue for travel and tourism industry is significantly decreasing

6. China industrial production fell by 13.5 percent
How Did COVID-19 Impact Indonesian Economy?

1. Impact on Trade & Industry

**China Is the World's Manufacturing Superpower**

Top 10 countries by share of global manufacturing output in 2018*

- **China**: 28.4%
- **United States**: 16.6%
- **Japan**: 7.2%
- **Germany**: 5.8%
- **South Korea**: 3.3%
- **India**: 3.0%
- **Italy**: 2.3%
- **France**: 1.9%
- **United Kingdom**: 1.8%
- **Mexico**: 1.5%

* output measured on a value-added basis in current U.S. dollars
Source: United Nations Statistics Division

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**Indonesia's Top 10 Exports Trading Partners**

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<tbody>
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<td>1</td>
<td>PRC</td>
<td>13,260.7</td>
<td>15,118.0</td>
<td>21,349.7</td>
<td>24,408.1</td>
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<td>15,308.2</td>
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<td>13,209.5</td>
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<td>9,340.0</td>
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<td>9,002.4</td>
<td>9,072.2</td>
<td>0.56</td>
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<td>MALAYSIA</td>
<td>6,227.8</td>
<td>6,022.9</td>
<td>7,073.4</td>
<td>7,903.6</td>
<td>7,648.5</td>
<td>7.07</td>
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<td>7</td>
<td>THE PHILIPPINES</td>
<td>3,917.0</td>
<td>5,256.9</td>
<td>6,600.0</td>
<td>6,812.3</td>
<td>6,744.5</td>
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<td>6,334.2</td>
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<td>6,078.9</td>
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<td>9</td>
<td>THAILAND</td>
<td>4,600.5</td>
<td>4,610.3</td>
<td>5,436.0</td>
<td>5,723.7</td>
<td>5,462.5</td>
<td>5.76</td>
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<td>10</td>
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<td>2,736.9</td>
<td>3,031.6</td>
<td>3,575.5</td>
<td>4,546.6</td>
<td>5,138.3</td>
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**Indonesia's Top 10 Import Trading Partners**

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<td>1</td>
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<td>8,601.2</td>
<td>9,192.1</td>
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<td>5.69</td>
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<tr>
<td>4</td>
<td>SINGAPORE</td>
<td>8,975.3</td>
<td>7,661.0</td>
<td>8,248.8</td>
<td>9,581.7</td>
<td>9,185.0</td>
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<tr>
<td>5</td>
<td>US</td>
<td>7,550.8</td>
<td>7,206.5</td>
<td>7,698.9</td>
<td>9,108.0</td>
<td>8,095.8</td>
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<td>5,909.2</td>
<td>7,219.8</td>
<td>7,715.6</td>
<td>7,270.8</td>
<td>5.76</td>
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<tr>
<td>7</td>
<td>MALAYSIA</td>
<td>4,979.4</td>
<td>4,731.6</td>
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<td>8</td>
<td>AUSTRALIA</td>
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<td>4,529.1</td>
<td>5,044.0</td>
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<td>4,673.4</td>
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<td>9</td>
<td>INDIA</td>
<td>2,665.7</td>
<td>2,843.3</td>
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<td>4,903.0</td>
<td>4,083.9</td>
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<tr>
<td>10</td>
<td>VIET NAM</td>
<td>3,161.4</td>
<td>3,175.2</td>
<td>3,228.2</td>
<td>3,793.2</td>
<td>3,795.8</td>
<td>5.59</td>
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</table>

According to United Nations Statistics Division data in 2018, China is home for 28.4 percent global manufacturing in the world which was nearly a third of the global total. Lockdown in China and restriction of trade activity with China have caused global supply chain disruption. Companies / industries in Indonesia that rely heavily on China are hit hard.

- The spread of the COVID-19 has heavily impacted a key shrimp-producing province in Indonesia resulting in a sharp decline of exports to China. Jambi’s shrimp export value fell 95.7 percent to just IDR 1 billion in February, from IDR 23 billion in December last year. ¹
- Indonesia’s textile export experienced slowdown due to declining demand as a result of the COVID-19 outbreak.²
- Indonesia recorded a total of $13.94 billion in exports in February, an 11 percent increase year-on-year (yoy), while total imports fell 5.11 percent yoy to $111.6 billion due to falling imports from China.³
- Amidst the outbreak, a survey conducted by IHS Markit shows Indonesia’s manufacturing Purchasing Managers’ Index (PMI) rising to 51.9 points in February, the first reading marking expansion since June last year. The index was only at 49.3 points in January.⁴
- According to the data from Association of Indonesian Automotive Manufacturers (Gaikindo), the COVID-19 outbreak has impacted car sale in Indonesia with a total of 79,573 units sold in February declining 2.73 percent from 81,809 units in February last year and the lowest level since June 2019 due to postponement of purchasing of tour buses and other vehicles for tourism industry.⁵
- According to micro, small and medium enterprises (MSME) Association Chairman Ikhsan Ingratubun, sales revenue of MSME had dropped 30 to 35 percent across Indonesia from February until March.⁶
- As for retail industry, West Jakarta, South Tangerang, Depok, Central Jakarta and Bandung were the most-affected provinces, with the biggest daily earnings decline recorded in West Jakarta, a 32 percent fall in daily earnings per outlet.⁷
- Based on the data revealed by PT Moka Teknologi Indonesia—a company that provides digital cashier services to more than 30,000 merchants in Indonesia, food and beverage industry faced dramatical drop and has experience the largest impact compared to service and retail industry as people opt to stay at home rather than going out.⁸

2. Impact on Workforce

With the Indonesian National Board for Disaster Management declaring an emergency period of 91 days, effective until 29 May 2020 and government instructed preventive measures to be taken to avoid the spreading of the virus, COVID-19 has caused employees in Indonesia to be away from offices and factories which triggers furloughs and layoffs.

- Two cigarette companies in Batam have instructed their employees to take furlough as production activities stopped due to the lack of raw materials coming from China.⁹
- Rubber businesses in North Sumatra are closing down due to falling demand from Japan and China, the region's top export destinations for the commodity.¹⁰
- The Chairman of the Indonesian Textile Association (API), Jemmy Kartiwaon, stated that the textile industry, which provides around 1.4 million jobs in Indonesia, is finding it difficult to maintain its business while still keeping workers in their jobs.¹¹
- 150 employees of Star Jet, a travel agency company in Riau Islands are laid off due to falling demand of customers impacted by the outbreak. Other companies in tourism sectors are about to take the same measure since the income dropped sharply.¹²
- INACA Chairman Denon Prawiratmadja reported that a number of Indonesian airlines have started taking efficiency measures amid challenging times caused by the COVID-19 pandemic by laying off employees, ranging from pilots, flight attendants, technicians to other supporting crew to reduce financial loss.¹³

3. Impact on Financial Market

Following the outbreak of COVID-19, global economy is expected to suffer a recession this year. Some industrial sectors have been hit hard and the pandemic has caused fears to investors' mind. In late February, the financial market in Jakarta crashed with the rupiah exchange rate and stock prices collapsing.

- As of 24 March 2020, the flow of foreign capital out of Indonesia this year had exceeded IDR 125 trillion ($7.9 billion), as foreign investors sold holdings in government bonds worth IDR 112 trillion and in stocks worth IDR 9.2 trillion;
- The Jakarta Composite Index has fallen 37 percent so far this year, one of its worst year-to-date declines since the 2008 global financial crisis;
- In the last month through March 23, the yield on rupiah-denominated 10-year government bonds has increased by 178 bps to 8.31 percent;
- Indonesian currency rupiah has dropped 12 percent into an all-time low at IDR 16,500 for 1 USD, and;
- The total Equity prices have fallen by 32% due to the virus outbreak.¹⁴

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Government Response

Policy Response

The Government of Indonesia is taking immediate action to support Indonesian businesses facing financial hardship as a result of the COVID-19 outbreak. On 25 February, the first economic package amounting US$ 725 million was introduced. The stimulus was designed to support tourism, airline, and property industry and provide social assistance to low-income households and subsidy for home buyers. On 13 March, the government launched the second stimulus package worth US$ 8 million to provide a range of fiscal and non-fiscal incentives for small and medium-sized (SMEs) and manufacturing sectors. On 31 March, President Jokowi has announced that the Government has decided to issue a Government Regulation in Lieu of Law (Perppu) allocating US$ 24.7 billion (IDR 405.1 trillion) to combat the pandemic.

Fiscal

- 98.5 billion-rupiah (US$6 million) worth of incentives to airlines and travel agencies, 103 billion rupiah (US$7.1 million) towards tourism marketing and promotions, and an estimated 72 billion (US$5 million) to social media influencers to also promote the country’s tourist hotspots.

- 443-billion-rupiah (US$27 million) worth of discounts available for domestic tourists visiting one of the 10 tourist destinations: Batam, Denpasar/Bali, Yogyakarta, Labuan Bajo, Lombok, Malang, Manado, Silangit/Toba, Tanjung Pandang/Beltung, and Tanjung Pinang/Bintan. This equates to a 30 percent discount for flights from March to May 2020.

- State-run oil company PT Pertamina will give discounts on jet fuel equivalent to 265 billion rupiah (US$18 million) at nine airports to support airlines provide the 30 percent airfare discounts.

- Government will waiver taxes for hoteliers and restaurants located in the 10 promoted destinations for the next six months. Local governments will be compensated by the central government for the loss of taxes which is estimated to total US$230 million.

- To boost local consumption: funding totalling 4.6 trillion rupiah (US$324 million) is prepared for the Affordable Food Program (Sembako Murah) and low-income households will also receive 200,000 rupiah (US$13.97) per month in financial benefits, an increase from 150,000 rupiah (US$10), for the next six months.

- The government has injected 1.5 trillion rupiah (US$104 million) into its subsidized housing program which is expected to cover financing for a further 175,000 new homes. 800 billion rupiah (US$55 million) will be used to cover interest payments with the rest going to paying for subsidies.

As of 4 March 2020, the Minister of Tourism Wishnutama has announced that the tourism promotion and provision of incentives are suspended to lure international tourists from countries affected by the virus. Further, as a follow up of President Jokowi’s announcement on 31 March; the Government Regulation in Lieu of Law (Perppu) No. 1/2020 on State Finance Policy and Financial System Stability has been issued on 1 April making the stimulus package officially valid from 1 April 2020 to 30 September 2020. The details of the tax incentives are stipulated in the Minister of Finance Regulation Number 23/PMK. 03/2020 as follows.
1. Income Tax Article (ITA) 21 Borne by the Government for workers in the selected manufacturing industry with following criteria:
   - Workers that are eligible for this are those with annual income below US$ 13,000 (IDR 200 million) per year and those who have Tax ID Number (NPWP);
   - Employers must fall under one of the 40 KLUs in the manufacturing industry and/or KITE companies and/or SMEs KITE;
   - To get this facility employers must fulfil the following requirements:
     o Submit a written notice to the Head of the registered Tax Office by attaching the Decree of the Minister of Finance regarding the determination of the company that obtain KITE facilities (specific for KITE Taxpayers);
     o Submit the Realization Report of ITA 21 DTP (Ditanggung Pemerintah/Borne by the Government) to the Head of the registered Tax Office by attaching a Tax Payment Slip (Surat Setoran Pajak/SSP) or printed billing code;
     o Reports and attachments shall be submitted no later than 20 July 2020 for the April-June 2020 Tax Period and 20 October 2020 for the July-September 2020 Tax Period.

2. Exemption from Income Tax Article (ITA) 22 on Import for selected manufacturing sectors, entrepreneurs, and SMEs with the following criteria:
   - Entitled to a specified KLU code and/or have been designated as a KITE company;
   - File a Notice of Tax Exemption (Surat Keterangan Bebas/SKB) in a written form to the Head of the Tax Office where the Taxpayer is registered;
   - Attach the Decree of the Minister of Finance regarding the determination of the company that obtain KITE facilities (specific for KITE taxpayer);
   - Submit Realization Reports of the Exemption of ITA 22 on Import every three months to the Head of the Tax Office;
   - Submit Reports and the attachments no later than 20 July 2020 for the April-June 2020 Tax Period and 20 October 2020 for the July-September 2020 Tax Period.

3. 30% Reduction of ITA 25 for business in selected manufacturing sectors, entrepreneurs, and SMEs with the following criteria:
   - Entitled to a specified KLU code and/or have been designated as a KITE company;
   - File a notice of reduction of 30% from the instalments of ITA 25 that should be payable;
   - Submit a written notice to the Head of the registered Tax Office;
   - Submit a Realization Report of ITA 25 Instalment Reduction every three months to the Head of Tax Office;

4. Accelerated VAT Refunds for exporters and non-exporters in selected manufacturing sectors, entrepreneurs, and SMEs with following criteria:
   - Entitled to a specified KLU code and/or have been designated as a KITE company;
   - Submit a refund of Periodic VAT Overpayment Return with a maximum amount of overpayment of IDR5 billion.
To strengthen coordination and the various policy measures already taken, Bank Indonesia introduced a variety of policy measures to maintain monetary and financial market stability as well as mitigate the COVID-19 risks as follows:

- Intensify triple intervention policy to ensure rupiah exchange rates move in line with the currency’s fundamental value and market mechanisms. To that end, Bank Indonesia will optimise its intervention strategy in the DNDF market, spot market and SBN market in order to minimise the risk of increasing rupiah exchange rate volatility;
- Reduce the policy rate by 25 bps to 4.75 percent on 20 February 2020, and by another 25 bps to 4.5 percent on 19 March;
- Lower the rupiah reserve requirements by 50bps for banks financing export-import activity in coordination with the Government. Effective from 1st April 2020 for a period of nine months before a further review, this policy is expected to facilitate export-import activity through lower costs/fees;
- Expand the range of underlying transactions available to foreign investors in order to provide alternative hedging instruments against rupiah holdings;
- Reaffirm that global investors can utilise global and domestic custodian banks to conduct investment activity in Indonesia;
- Increase the maximum duration for repo and reverse repo operations (up to 12 months);
- Introduce daily repo auctions;
- Increase the frequency of FX swap auctions for 1, 3, 6, and 12-month tenors from three times per week to daily auctions;
- Increase the size of the main weekly refinancing operations as needed.

- To ease stock market volatility, the regulator OJK has introduced a new share buyback policy (allowing listed companies to repurchase their shares without a prior shareholders’ meeting) and introduced limits on stock price declines.
- OJK has also relaxed loan classification and loan restructuring procedures for banks to encourage loan restructuring and extended the deadline—by 2 months—for publicly listed companies to release their annual financial reports and hold annual shareholders meetings.

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The government will simplify and accelerate import and export procedures by reducing the ‘Restriction and Prohibition’ (Lartas) measures. Under Lartas, certain products are either restricted from being imported or exported or are prohibited from being imported or exported.

- Goods that are subject to Lartas are those that have a negative influence on one of these categories: National security and defense; Human health; Culture and heritage; Intellectual property; Industry, and trade; and Human health.
- This includes scrapping of 749 Harmonization Codes (HS) products, consisting of 443 HS codes for fish and fish products, and 306 HS codes for forestry and forest products.

The Lartas measures also include the simplification of the import process for raw materials. This stimulus is for manufacturers of steel products and its derivatives in addition to producers of strategic food items such as sugar, flour, and salt.

- The government will assist and quickly approve the license applications for the import and export of goods classified as restricted for ‘reputable traders’. These are businesses that have a good history of complying with government regulations. The government has named 735 companies as being ‘reputable’ and thus eligible for this incentive.
- Further, these companies will no longer require the mandatory surveyor’s report for selected goods.

- The government will accelerate the implementation of the National Logistic Ecosystem (NLE). The NLE is an electronic system established by the Directorate General of Customs and Excise to integrate the logistics community in the supply sector.
- Through this, all logistic platforms, such as warehousing, shipping, and forwarders can access and share information. This enables importers and exporters to choose and check the price and availability of trucks, vessels, and warehouses, among others, under one application.

**Fast-Response Team**

On 13 March 2020, President Jokowi announced the establishment of Task Force for the Acceleration of COVID-19 to mitigate the impact of the outbreak. The team comprised of supervision and execution body across ministries and related institutions.

1. **Supervisor**

<table>
<thead>
<tr>
<th>Head</th>
<th>Coordinating Minister for Human Development and Cultural Affairs</th>
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<tbody>
<tr>
<td>Deputy</td>
<td>1. Coordinating Minister for Political, Legal, and Security Affairs; 2. Minister of Health</td>
</tr>
<tr>
<td>Secretary</td>
<td>Minister of Finance</td>
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2. Executor

<table>
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<tr>
<th>Role</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Head</td>
<td>Head of the National Disaster Mitigation Agency</td>
</tr>
</tbody>
</table>
| Deputy | 1. Secretary General of Ministry of Health;  
2. Secretary to Minister of State-owned Enterprises;  
3. Secretary General of the National Resilience Council;  
4. Assistant Operations of TNI Commander;  
5. Assistant Operations of Chief of Police |
| Member | Minister of Home Affairs, Minister of Foreign Affairs, Minister of Defense, Minister of Religious Affairs, Minister of Law and Human Rights, Minister of Education and Culture, Minister of Social Affairs, Minister of Manpower, Minister of Trade, Minister of Public Works and Public Housing, Minister of Transportation, Minister of Communication and Informatics, Minister of Village, Development of Disadvantaged Regions and Transmigration, Minister of National Development Planning/Head of the National Development Planning Agency, Minister of State Apparatus Empowerment and Bureaucratic Reform, Minister of State-owned Enterprises, Minister of Tourism and Creative Economy/Head of Tourism and Creative Economy Agency, Minister of Research and Technology/Head of National Research and Innovation Agency, Minister of Youth and Sports, Head of the National Intelligence Agency (BIN), Presidential Chief of Staff, Head of the Food and Drug Monitoring Agency (BPOM), Head of the Development Finance Comptroller (BPKP), Head of the National Public Procurement Agency (LKPP), Commander of the Indonesian National Defense Forces (TNI), Chief of the Indonesian National Police (POLRI), and Governors of all provinces. |
Indonesian Investment Coordinating Board (BKPM) has issued designated contact list for business under this circumstance:

1. Consultation on OSS (Monday -Friday: 9.00-12.00 and 13.00-15.00 WIB)
   - Email: info@bkpm.go.id
   - Call Center:
     (i) Technical OSS (change of email, erasing KBLI, etc)
         0807 1002 576; 0877 4476 0228; 0877 4623 5414;
         0812 9482 8227; 0882 1017 1257; or 0888 9789 433;
     (ii) General questions (KBLI code, DNI, Investment policy)
         0813 8417 3929; 0813 8417 2160; 0813 8417 5591;
         0813 8417 2389; or 0813 8417 3885;

2. Other Consultations:
   a. Investment Report (LKPM)
      (i) For companies in Sumatra: 021-5202 046; or 021-5252 008 ext. 2712;
      (ii) For companies in DKI Jakarta, DI Yogyakarta, Kalimantan:
           021-5225 839; or 021-5252 008 ext. 2821;
      (iii) For companies in Banten, West Java, Central Java, and Sulawesi:
           021-5225 838; or 021-5252 008 ext. 2831;
      (iv) For companies in East Java, Bali, Nusa Tenggara, Maluku,
           Maluku Utara, Papua and West Papua:
           021-5275 268; or 021-5252 008 ext. 2841;

   b. Incentives/Facilities for investment
      - Email: masterlist.bkpm@gmail.com
      - Phone: 021-5252 008 ext 2412;
      - Complaints: 021-5275 266;

3. Offline investment document submission:
   - Postal: Deputi Bidang Pelayanan Penanaman Modal BKPM
             Jl. Jendral Gatot Subroto No. 44, Jakarta 12190
   - For Investments in the Mineral and Coal sector:
     perizinanminerba@esdm.go.id or 0813 8822 4694; 0813 8822 4695; or
     0813 8822 4696.
5 February 2020

“We need to find opportunities to export to other countries which previously only imported the same product from China.”

4 March 2020

“The situation is very different due to the coronavirus. I have just reminded (all sides) that the coronavirus had disrupted demand, supply, and production. The demand includes consumption and investment.”

“It's been difficult [to get raw materials from China]. Let's not complicate the process.”

19 March 2020

“I have surveyed the Bulog (state logistics agency) warehouse and conclude that we have more than enough supply.”

26 March 2020

“Almost every macroeconomic indicator has changed significantly due to the spread of the COVID-19 pandemic. The 2020 state budget, as the government's fiscal instrument, will no doubt change as well.”
5 February 2020

“During a projection of the numbers affecting Indonesia’s economic growth, the consensus is about 0.1 to 0.29 percent. We will see how we can adjust to this new challenge.”

“The implementation of the travel warning, which will stop Chinese tourists coming to the country, will definitely make an impact [on the tourism sector]. We will evaluate this in two weeks.”

“When the SARS outbreak occurred, China only [contributed] 7 percent [to the global economy], so the impact could still be contained. However, they are [contributing] 20 percent today and this will create a greater effect.”

25 February 2020

“In the future, the government will prepare other incentives that will follow the development of the coronavirus and its impacts on the economy in early or late April.”

2 March 2020

“Indeed, global market has slowed down but is starting to recover, meaning that it is not as deep as predicted. And there are several things that become the main factors related to the coronavirus, and of course these are measures that the Government needs to anticipate.”

“The expansion in the Indonesian manufacturing sector is an opportunity for Indonesia to fill the gap that is not supplied by China.”

11 March 2020

“Once the prices are stable, the Government will take measures, including related to palm oil and gas oil given that the price difference of two commodities is widening amidst falling global crude oil prices.”
6 March 2020

“The possibility of job terminations comes from companies who cannot operate as usual, such as airlines, hotels and also the manufacturing sector, which is experiencing a disruption in the supply chain. Although there could be effects on the financial sector because it could create NPLs [non-performing loans].”

9 March 2020

“Volatility in the financial market is affecting the country’s financial sector, be it banks or non-banks. Therefore, it is important to scrutinize whether the volatility is temporary or will bring a long-term impact in the long run.”

10 March 2020

“We are taking into account all sectors, especially those hit [by the outbreak], and the impact [of the virus spread] on their balance sheets and how we can help them: the companies as well as individuals.”

13 March 2020

“We hope there will be vaccine and antiviral [for the disease]. If the finding can be done quickly, the [economic] impacts will surely be shorter.”

“We will prepare all instruments to mitigate and minimise the impact on companies and people.”

20 March 2020

“However, if the problems worsen, the COVID-19 outbreak lasts more than six months, international trade falls by 30 percent and the aviation industry faces a shock [drop] of 75 percent, economic growth could reach as low as 2.5 percent or even zero percent.”

“We wish that [zero percent growth] won’t happen. That is why measures for a safety net and the business sector have to be implemented. This is our main focus together with the coordinating economic minister and Financial Services Authority officials.”

“Macroeconomic indicators that include GDP, inflation and the rupiah exchange rate were predicted to be volatile as the COVID-19 crisis could weaken economic growth to zero percent in the pessimistic scenario. The baseline scenario was for annual economic growth this year to be slightly above 4 percent, which would be the lowest rate in 15 years.”
4 March 2020

“The raw materials for the production of masks have so far been imported from China. Since the stock is running low, we will buy raw materials from Europe.”

“The price of masks using raw materials from Europe will be higher. Don't think that when the stock of raw materials from China runs low and the price of masks suddenly increases, (state pharmaceutical company) Kimia Farma capitalizes on the opportunity. The raw materials for the production of masks are different from those of China.”

“The rice stocks are safe and quite adequate. The stocks currently reach almost 1.65 million tons for all of Indonesia.”

24 March 2020

“Partnership was crucial in helping the country to tackle the coronavirus pandemic. Along with the private sector, we can fight this virus with mutual cooperation.”

25 March 2020

“Several sectors have started layoffs. Preemployment card program will support laid-off workers as well as day laborers and micro-businesses that have seen a decline in sales. We hope that those affected by the COVID-19 outbreak can learn a new skill or improve their skills.”

“The new relaxation would apply to business loans worth up to IDR 10 billion (US$619,118), both from banks and non-bank institutions. Creditors were prohibited from demanding loan installments, especially through debt collection services, and also called on the police not to enforce such collections.”
3 March 2020

“We're intensifying our triple intervention to stabilize the rupiah's exchange rate. We will also lower the rupiah's statutory reserve requirement by 50 basis points for banks that provide funding for export and import activities. This policy will be implemented for nine months starting April 1 in coordination with the government.”

“Seeing it from the economic point of view, Bank Indonesia will keep coordinating with the government all efforts to mitigate the impact of the Covid-19 outbreak on the domestic economy and the rupiah's exchange rate. Based on our assessment, the toughest time will be between February and March. Hopefully, things will start getting better in April.”

4 March 2020

“Our stance is clear, all measures are directed to support economic growth. But don't compare us with (central banks in) developed countries. They only have interest rates as their monetary instrument, we have interest rates, reserve requirement ratios, the exchange rate.”

“Going forward, the direction of BI's monetary stance will continue to be accommodative.”

5 March 2020

“Recovery is likely to take place in the next six months after bottoming out in February and March.”

“Our economic growth in the first quarter is likely to drop to 4.9 percent according to our assessment. That's not a doomsday scenario but based on the V-shape scenario that we project.”

“The difference with other countries is that BI is not doing this [supporting economic growth] alone. There is fiscal stimulus being carried out by the government and other financial system protection measures by the OJK [Financial Services Authority].”
12 February 2020

“We need to increase utilization rates of national manufacturing companies to meet and supply the demand of raw materials of steel downstream industry. Local steel industry is now utilizing only about 50 percent of its capacity, partly because companies cannot keep up with the competition of imported products particularly in terms of price and quality.”

“Indonesia has a great potential for iron sand deposits but it cannot be processed because the national steel industry does not have the technologies to do that. For the reason, the industry must have political will to update the technology. The most important thing is to push the steel industry, both State-owned Enterprises and private companies, to update their technologies.”

“We need to implement policies on antidumping duty (BMAD) and Indonesian National Standard (SNI). The SNI (policy) must be drafted and imposed accurately.”

“National steel industry must increase the capacity and supply 70 percent of domestic steel product demand. Regarding the remaining 30 percent, there is no local manufacturing company that can fulfill it. By increasing utilization of national steel industry, raw material imports will be reduced so that steel import regulation is imposed only to maintain domestic supply.”

4 March 2020

“Indonesia will lower import duties for raw materials amid worries prices will rise due to the coronavirus outbreak in China.”

27 March 2020

“For the ventilator supply, a simple prototype will be made which later can be produced massively through cooperation between the automotive industry and the component industry.”

“In handling the impact of the outbreak, product diversification carried out by the textile industry is one of the ways to meet the needs of personal protective equipment (APD) and masks that are in high demand at this time. This can be a solution to maintain performance of textile industry amid the decline in the domestic market.”

“We also urge the pharmaceutical industry to optimize the production of drugs or vitamins. The pharmaceutical industry needs to develop modern original Indonesian medicine (Fitofarmaka) based on natural ingredients since we have abundance of it.”
**WISNU TAMA, MINISTER OF TOURISM**

4 February 2020

“We still need to further assess [the possible losses]. But as we know, there are 2 million Chinese tourists in the country every year, each of whom spends an average of $1,400. It means we’ll probably lose about $4 million.”

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4 March 2020

“We have also decided to suspend tourism promotion and provision of incentives to lure international tourists from countries affected by the virus, such as South Korea, Japan, Iran, Italy, and others.”

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12 March 2020

“For the time being, limit activities that promote tourism and the creative economy. [We] also urge tourism and creative economy industry players not to organize meetings, incentives, conventions or exhibitions until the COVID-19 pandemic has been contained in accordance with the government’s instructions.”

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**WIMBOH SANTOSO, CHAIRMAN FINANCIAL SERVICES AUTHORITY (OJK)**

23 March 2020

“Banks will also be more flexible in controlling bad loans and allow the former to continue giving new loans to their debtors.”

“We are [expanding the relaxations] not just for banks, but also for multifinance firms so that the business sector can go about their businesses despite the COVID-19 pandemic.”
24 February 2020

“This virus has caused a systemic, massive and structural impact [on the global economy]. So, if the outbreak continues until March, I think there will be an impact on our investment [realization].”

“The negative impact of COVID-19 to investment figures will come from China and other major contributors of FDI in Indonesia such as Japan, Singapore and South Korea which heavily affected with the outbreak. Chinese Investors are quite aggressive. We offered the investment opportunities to all countries, but the Chinese is among the aggressive ones. In 2019, China investment realization to Indonesia reach US$4,74 billion. The number is doubled from the total US$2,37 billion in 2018.”

“The negative impact will influence the achievement of investment realization target on 2020 at IDR 886 trillion. In near and mid-term, the figures still show promising trend, but in the long-run, the investment agency will need to be prepared and anticipate. In the last week of April, we will announce the investment realization figures of January-March.”

11 March 2020

“We let the government decide [whether to impose a lockdown] so long as it conducts a thorough assessment. But the point is to prepare for [change]. For the business world to keep on running, [tax and debt-restructuring] relaxations need to be widened.”

“Every single industry is affected, be it imports, exports, consumer goods, tourism. Everything was hit.”

12 March 2020

“However, there are positive developments as factories have begun to run again in Wuhan. It is hoped that the supply chain and the supply of capital goods will soon be resolved; hopefully, the situation will get better.”
"COVID-19 has caused both a demand and supply shock to economies. In terms of demand, the slowdown of the Chinese and global economy will impact the Indonesian economy through falling commodity prices and demand for mined goods."

"On the supply side, the disruption to China’s economy will lead to a lack of parts and components, and capital goods needed by many countries including Indonesia. This is disrupting the production of goods and services. Under these conditions, unleashing fiscal stimulus and monetary expansion to stimulate aggregate demand, without addressing the problem posed by the supply shock, will only increase inflation. The Indonesian Ministry of Finance predicts that the economy will only grow between 0–2.5 per cent this year. That may be optimistic."

"On 15 March, the Indonesian government called for social distancing, which will impact economic activities requiring employees to be physically present at their workplace. This will result in a drop in demand and a disruption in production. The impact can be limited if these activities can be replaced with online activities."

"If both production and demand are disrupted due to a lockdown or social distancing, fiscal stimulus and monetary expansion aimed at bolstering aggregate demand will not be wholly effective. The government must instead adjust its fiscal policy to suit the situation, its priorities and respond quickly. Until the government can control the spread of the virus, the Indonesian economy will continue to come under pressure."

"COVID-19 will clearly have a huge economic impact and many will lose their jobs. To mitigate this and ensure that the middle to lower classes are able to fulfil their daily needs, the government should increase and expand the Cash Transfer, Conditional Cash Transfer and Non-Cash Food Aid programs."

"Businesses are going to be hard hit. There is a risk that companies will face difficulty meeting their debt obligations. So, it is important to take steps to relax credit restructuring."

"Budget reprioritisation is important, but the budget deficit will have to rise. Budget deficit financing might be a problem. A large budget deficit will crowd out the banking sector, while financing the deficit through global bonds is expensive. So the government has to prepare to receive international support both from bilateral and multilateral agencies."

"Perhaps the Indonesian government can establish a Deferred Drawdown Option — a contingent credit line that allows the borrower to rapidly meet its financing requirements following a shortfall in budget financing due to an unfavourable global bond market."
“With supply and demand side shocks almost a certainty as the virus continues to spread and cause serious economic damage throughout the global economy, a conservative estimate is the Indonesian economy will possibly grow as low as two percent or lower.”

“The government must reallocate its financial resources and economic agenda in a radical way. The central bank must stop trying to prop up the rupiah, which is akin to throwing water in the ocean. Rather, the Jokowi administration must focus on boosting consumption and making sure businesses can keep their doors open.”

“Instead of fretting about the costs, one sensible place where the government can start is to delay all infrastructure projects, which would free up over $20 billion to cover an emergency fund targeted at mitigating the impact of the virus. Yes, a modern infrastructure will bring economic benefits to Indonesia, but those benefits will only come in the long-term. What we need now is an immediate fix.”

“The first priority and responsibility of the government should be to safeguard the welfare of the people. State banks should be given sufficient liquidity injections to distribute enough money for every family across the archipelago so they can weather the storm comfortably, and they should channel sufficient funds to small businesses affected by the crisis in order to avert unnecessary bankruptcies and layoffs. Finally, banks should be instructed to issue a temporary moratorium on corporate and personal debt.”

“For many years, Indonesian politicians have been talking about self-sufficiency. Now is an ideal time for them to act. Indonesia’s agricultural sector, in particular, has a huge upside potential, but it has never been properly developed in comparison to peers such as Thailand. Indonesia imports too much of its food, especially horticultural products from China, and if the government were to wisely spend more money on providing farmers with technical assistance, seedlings and fertilizers, Indonesia could very quickly become more self-sufficient.”
“The coronavirus crisis could drag Indonesia’s economic growth to be under 5 percent, below this year’s target of 5.3 percent.”

“If the Chinese economic performance drops by 100 basis per point (bps), Indonesia’s economy could fail 30 bps, adding that the world economists predicted the growth of China’s economy may slow by 100 bps to 300 bps due to the virus.”

“The growth under or over 5 percent is not much different. What’s important is we must be lucky that we can maintain it stable at 5 percent. That’s really great amid the current global condition.”

“The most likely affected sector is tourism. Referred to the Tourism Ministry data, the number of Chinese tourist visits last year amounted to 2 million people with the foreign exchange earnings of US$2.8 billion. By means, the suspension of direct flights from and to China since February 5, 2020, until the unspecified time would correct the foreign exchange earnings from the tourism sector.”

“The domestic trade would be hindered, especially those related to exports and imports following the drop in China’s productivity amid the coronavirus outbreak.”

“Indonesian government should push for the domestic economy by focusing to boost the people’s purchasing power as the key strategy. Indonesia has one advantage due to its huge domestic market.”