

Anticipating a Covid-19 Global Economic Crisis: How Should Indonesia Get Prepared?

30 April 2020

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presented at FPCI Virtual Public Forum

COVID-19: Global Number of Cases (as of April 28)



World

Total Confirmed Cases	: 3,085,932
Recovered	: 934,807
Deaths	: 212,580



USA

Total Confirmed Cases	: 1,011,408
Recovered	: 139,418
Deaths	: 56,855



Spain

Total Confirmed Cases	: 232,128
Recovered	: 123,903
Deaths	: 23,822



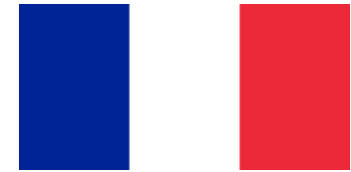
Italy

Total Confirmed Cases	: 199,414
Recovered	: 66,624
Deaths	: 26,977



Germany

Total Confirmed Cases	: 158,768
Recovered	: 117,400
Deaths	: 6,136



France

Total Confirmed Cases	: 165,842
Recovered	: 45,513
Deaths	: 23,293



UK

Total Confirmed Cases	: 157,149
Recovered	: N/A
Deaths	: 21,092



China

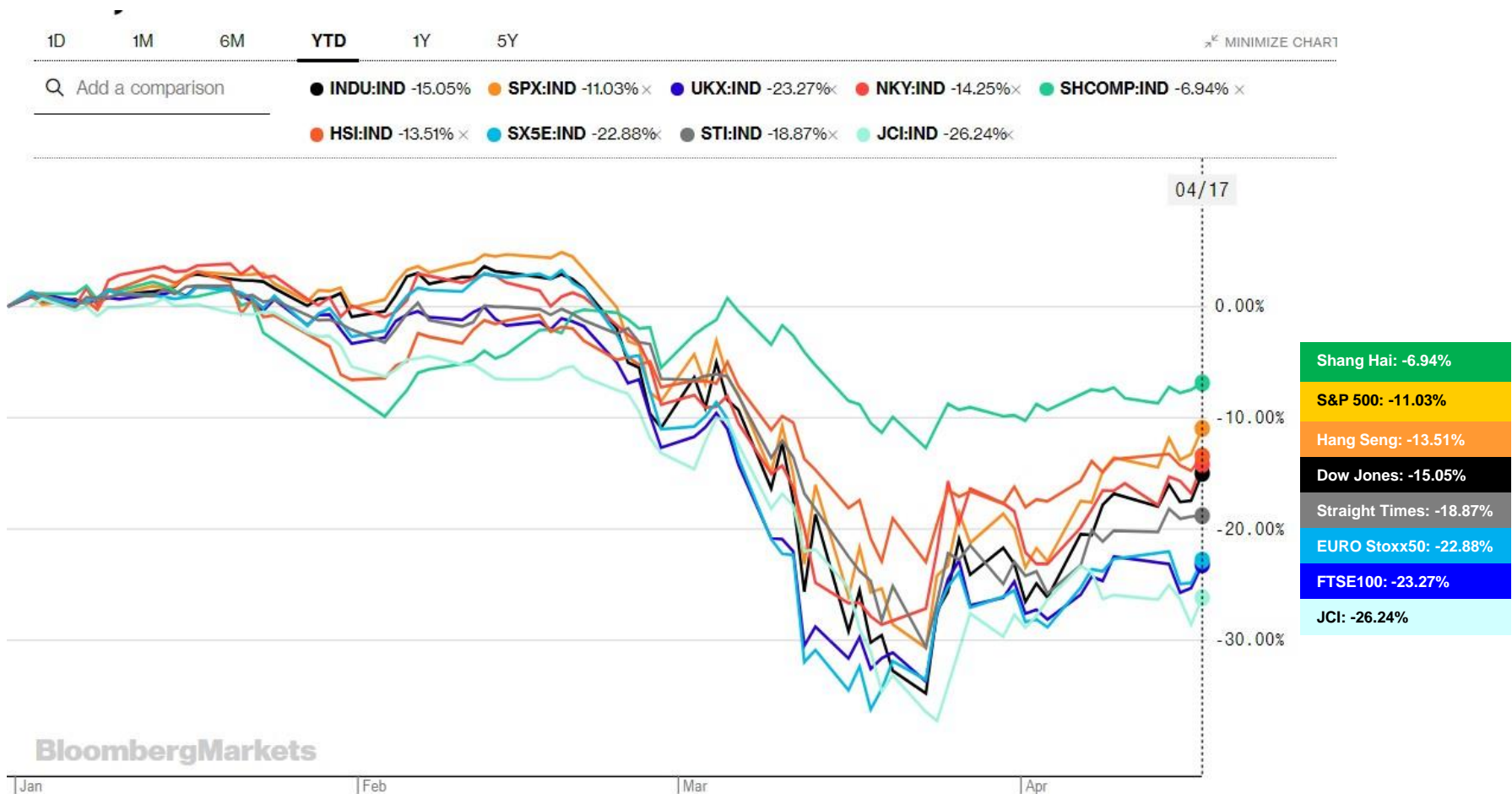
Total Confirmed Cases	: 82,836
Recovered	: 77,555
Deaths	: 4,633



Indonesia

Total Confirmed Cases	: 9,511
Recovered	: 1,254
Deaths	: 773

Impact on Stock Markets

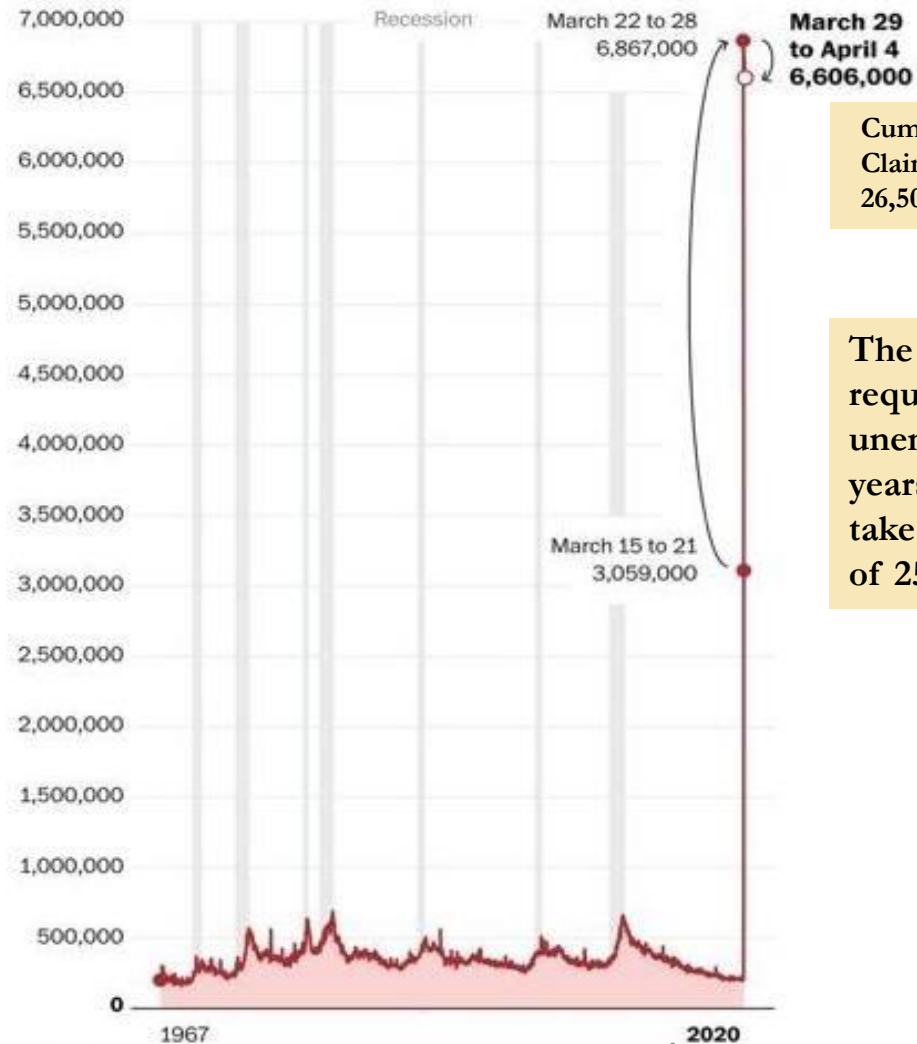


Source: Bloomberg

presented at FPCI Virtual Public Forum

US Jobless Claims

Weekly initial claims for unemployment insurance



Cumulative
Claims of around
26,500,000

The difference that needs to be noted is the time required during the Great Depression for the unemployment rate to reach around 24 percent is 3 years, as compared to now which is likely to only take a few months to reach the unemployment rate of 25-30 percent.

Note: Seasonally adjusted
Sources: Labor Department via FRED

Indonesia Upcoming Challenges

Making Payroll

No.	Lapangan Pekerjaan Utama	(A) Jumlah Tenaga Kerja	(B) Rata-Rata Gaji	(A) x (B) Total Gaji Per Bulan	Total Gaji per Tahun
		# orang	Rp / bulan	Rp / bulan	Rp / tahun
Data Per February 2019					
A	Pertanian, Kehutanan dan Perikanan	38,109,196	2,051,084	78,165,175,160,917	937,982,101,931,003
B	Pertambangan dan Penggalian	1,375,035	5,029,621	6,915,904,324,298	82,990,851,891,581
C	Industri Pengolahan	18,228,162	2,653,268	48,364,190,387,386	580,370,284,648,635
D	Pengadaan Listrik, Gas, Uap/Air Panas dan Udara Dingin	312,261	3,759,261	1,173,870,494,966	14,086,445,939,587
E	Pengadaan Air, Pengelolaan Sampah dan Daur Ulang, Pembuangan dan Pembersihan Limbah dan Sampah	415,278	2,511,849	1,043,115,483,235	12,517,385,798,821
F	Konstruksi	7,624,749	2,845,966	21,699,772,702,242	260,397,272,426,899
G	Perdagangan Besar Dan Eceran; Reparasi dan Perawatan Mobil dan Sepeda Motor	24,468,769	2,321,086	56,794,116,440,738	681,529,397,288,855
H	Transportasi dan Pergudangan	5,202,667	3,416,587	17,775,366,816,756	213,304,401,801,075
I	Penyediaan Akomodasi dan Penyediaan Makan Minum	8,796,831	2,279,477	20,052,175,062,657	240,626,100,751,880
J	Informasi dan Komunikasi	942,258	4,047,803	3,814,074,472,901	45,768,893,674,814
K	Jasa Keuangan dan Asuransi	1,784,361	4,107,387	7,329,061,345,849	87,948,736,150,193
L	Real Estat	337,609	3,383,495	1,142,298,356,181	13,707,580,274,174
MN	Jasa Perusahaan	1,690,871	3,276,406	5,539,979,380,442	66,479,752,565,306
O	Administrasi Pemerintahan, Pertahanan dan Jaminan Sosial Wajib	5,148,575	3,756,932	19,342,848,717,887	232,114,184,614,639
P	Jasa Pendidikan	6,599,165	2,672,860	17,638,644,047,479	211,663,728,569,750
Q	Jasa Kesehatan dan Kegiatan Sosial	1,983,783	3,321,344	6,588,825,654,556	79,065,907,854,669
RSTU	Jasa Lainnya	6,346,622	1,678,897	10,655,323,805,499	127,863,885,665,986
Total		129,366,192	2,504,787	324,034,742,653,989	3,888,416,911,847,870

Source: <https://www.bps.go.id/statictable/2019/08/02/2071/rata-rata-upahgaji-bersih-sebulan-buruh-karyawan-pegawai-menurut-provinsi-dan-lapangan-pekerjaan-utama-2019.html>

Source: <https://www.bps.go.id/statictable/2009/04/16/970/penduduk-15-tahun-ke-atas-yang-bekerja-menurut-lapangan-pekerjaan-utama-1986---2019.html>

TABEL 5
BELANJA PEMERINTAH PUSAT MENURUT JENIS, 2015-2020
(miliar rupiah)

URAIAN	2015	2016	2017	2018	Outlook 2019	APBN 2020
1. Belanja Pegawai	281.142,7	305.141,5	312.728,8	346.890,8	376.441,9	416.202,6

Anggaran Pendapatan dan Belanja Negara (APBN) di tahun 2020 untuk belanja pegawai pemerintah pusat total Rp416.2 triliun vs estimasi kebutuhan Total Gaji Pegawai di Indonesia Rp3,888.4 triliun per tahun

Indonesia Upcoming Challenges

Maintaining Demand

Rata-Rata Pengeluaran per Kapita Sebulan

Kelompok Barang	2018		
	Kota	Desa	Kota+Desa
Makanan			
Padi-padian	60,785	74,362	66,936
Umbi-umbian	4,954	6,430	5,623
Ikan	46,753	39,246	43,352
Daging	28,297	16,617	23,006
Telur dan susu	39,670	23,174	32,196
Sayur-sayuran	40,522	38,628	39,664
Kacang-kacangan	11,966	10,478	11,292
Buah-buahan	34,018	21,808	28,486
Minyak dan lemak	13,227	13,890	13,527
Bahan minuman	16,621	17,815	17,162
Bumbu-bumbuan	11,251	10,157	10,755
Konsumsi lainnya	10,910	9,427	10,238
Makanan dan minuman jadi	237,325	131,149	189,223
Tembakau dan sirih	64,663	66,376	65,439
Jumlah Makanan	620,962	479,557	556,899
Bukan Makanan			
Perumahan, bahan bakar, penerangan, air	367,376	184,318	284,442
Aneka barang dan jasa	100,559	43,684	74,792
Biaya pendidikan	48,315	18,820	34,953
Biaya kesehatan	36,607	21,232	29,642
Pakaian, alas kaki, dan tutup kepala	38,645	25,877	32,861
Barang yang tahan lama	69,905	43,162	57,789
Pajak pemakaian dan premi asuransi	40,757	20,462	31,562
Keperluan pesta dan upacara	27,397	14,993	21,778
Jumlah Bukan Makanan	729,562	372,548	567,818
Jumlah Kebutuhan Sebulan	1,350,524	852,105	1,124,717

Total Kebutuhan Barang Sebulan
untuk Negara Indonesia:

Rp 1,124,717 x 270 juta orang =

Rp 303,673,550,525,268

Sumber : Publikasi Statistik Indonesia

Update on Indonesia Banking

Revenue ID Commercial Banks

FYE Dec, in IDRb	2017	2018	2019	Jan-20
SOE banks	246,015	266,868	289,368	29,454
Foreign exchange commercial banks	329,467	332,314	375,985	31,243
Non foreign exchange commercial banks	12,819	14,861	18,048	1,699
BPD	84,087	81,890	97,447	8,276
JV banks	24,466	25,083	23,335	1,852
Foreign owned banks	20,907	21,311	24,014	1,792
Interest income	717,761	742,327	828,197	74,316
SOE banks	90,511	100,552	119,880	14,326
Foreign exchange commercial banks	197,096	195,031	233,032	19,085
Non foreign exchange commercial banks	6,794	7,475	9,528	904
BPD	46,790	43,254	57,593	4,988
JV banks	12,776	13,319	12,909	983
Foreign owned banks	5,666	5,446	6,259	442
Interest expenses	359,633	365,077	439,201	40,729
Net interest income	358,128	377,250	388,996	33,587

Monthly Figures

Interest income	59,813	61,861	69,016	74,316
Interest expenses	29,969	30,423	36,600	40,729
Net interest income	29,844	31,438	32,416	33,587

Update on Indonesia Banking

Distribution of Funds ID Commercial Banks

FYE Jan 2020, in IDRb	Jan-20
Credit	5,567,040
Interbank Placement	244,368
Placement to Bank Indonesia	726,336
Securities	1,061,093
Equity Investment	51,916
Impairment on financial Asset	253,197
Spot and Derivatives Claim	25,477
Other	339,952
Distribution of Funds	8,269,379

- **COVID-19** escalates liquidity risk to the Indonesia Banking industry by way of:
 - Lower credit growth rate
 - Lower bank income
 - Lower Capital Adequacy Ratio
 - Lower Net Interest Margin
 - Higher Non-Performing Loan

Quantitative Easing – Possible Scenario

Banks' Net Monthly Interest Margin

Total Bank Loan Outstanding*)

IDR 5,567 Trillion

Bank's Interest Income

- Annual Interest Income (from Loans/Credit) (A)
- Monthly Interest Income (from Loans/Credit) (B)
- Annual Interest Expenses (C)
- Monthly Interest Expenses (D)

IDR 557 Trillion

IDR 46 Trillion

IDR 439 Trillion

IDR 37 Trillion

- Sectors under stress (Approximately 50% of the Banks' Balance Sheets) (E)

IDR 3,162 Trillion

- MSMEs (UMKM)
- Processing
- Real Estate
- Construction
- Transportation
- Food & Beverages

IDR 1,096 Trillion

IDR 781 Trillion

IDR 731 Trillion

IDR 282 Trillion

IDR 205 Trillion

IDR 63 Trillion

- Deemed Monthly Uncollectible Interest Income (F) = (B) x 50% (50% of total monthly interest income)

IDR 23 Trillion

- Deemed Uncollectible Interest Income for 6 months (F) x 6 month

IDR 138 Trillion

- Full Monthly Net Interest Margin (G) = (B) – (D)
- 6 Months Net Interest Margin (G) x 6
- Net Monthly Interest Margin (after 50% uncollectible) (G) – (F)
- 6 Months Net Interest Margin (G) – (F) x 6

IDR 9 Trillion

IDR 54 Trillion

(IDR 14 Trillion)

(IDR 84 Trillion)

*) Source: Bank Indonesia

Border Control and Economic Stimulus



Inconsistencies among states and absence of clear guidance

- Government has recommended limiting gatherings to 10 people until end of April
- CDC urges all residents to avoid non-essential domestic and international travel.
- Mar 13, foreign nationals from restricted countries (China, Iran, Europe, UK and Ireland) will not be allowed to enter US for 30 days.
- Returning citizens should stay home for 14 days.

- US\$2T CARES (Coronavirus Aid, Relief, and Economic Security) Act, accounting for around 10.5% of the US' GDP.
- Apr 10, Fed just announced another US\$2T stimulus plan.
- Various monetary stimulus to preserve market liquidity.



Zero-tolerance principles

- Governments called on citizens to self-isolate, closed borders, put cities into lockdown and shut all but essential businesses
- Tighten border checks for all arrivals from overseas
- All travelers entering Korea must be tested and subject to mandatory 14-day quarantine
- Heavy penalties to foreigners and citizen for defying self-quarantine
- 2 packages totaling US\$55.8B packages, accounting for 3% of the country's GDP.
- Central Bank is throwing "unlimited" liquidity supply to its emergency moves



Proactively implemented strict measures

- Mar 23, all short-term visitors will not be allowed to enter or transit through Singapore.
- Returning Citizens, Permanent Residents, Long Term Pass holders will be issued a 14-day Stay-Home Notice (SHN) at dedicated hotels.
- People who has had contact but no symptoms are kept under strict home quarantined
- Heavy penalties for defying quarantine and isolation orders.
- 3 packages with total of S\$59.5B (US\$41.7B), accounting for 12% of the country's GDP.

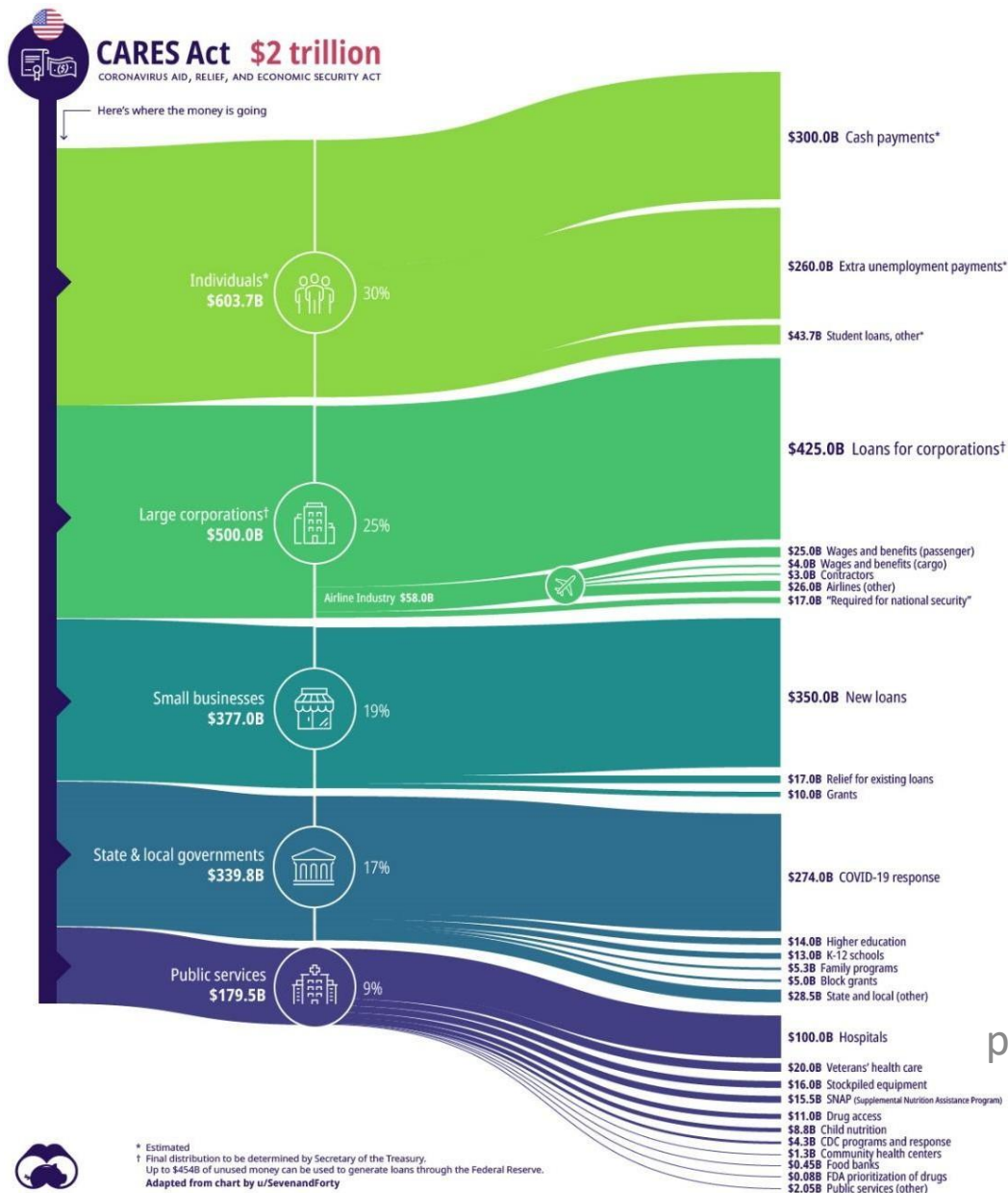


Lack of stringent measures and clear guidance may worsen the spread of COVID-19

- Mar 8, foreign visitors from restricted countries (China, Iran, Europe, UK and South Korea) will not be allowed to enter or transit in Indonesia.
- Apr 2, foreigners visitors must provide a certificate health issued by each respective country upon check-ins. All visitors subject to 14-day quarantine in Government's facilities
- No legal penalties for defying the order.
- 3 packages totaling IDR436.1T (US\$26.4B), accounting for 2.5% of the country's GDP.
- BI is throwing lifelines to Indonesia's economy to fund the COVID-19 battle. It would act as a lender of last resort to absorb government bonds.

US Stimulus Package

Anatomy of the US\$2T for COVID-19



The act became the largest economic stimulus bill in modern history, more than doubling the stimulus act passed in 2009 during the Financial Crisis.

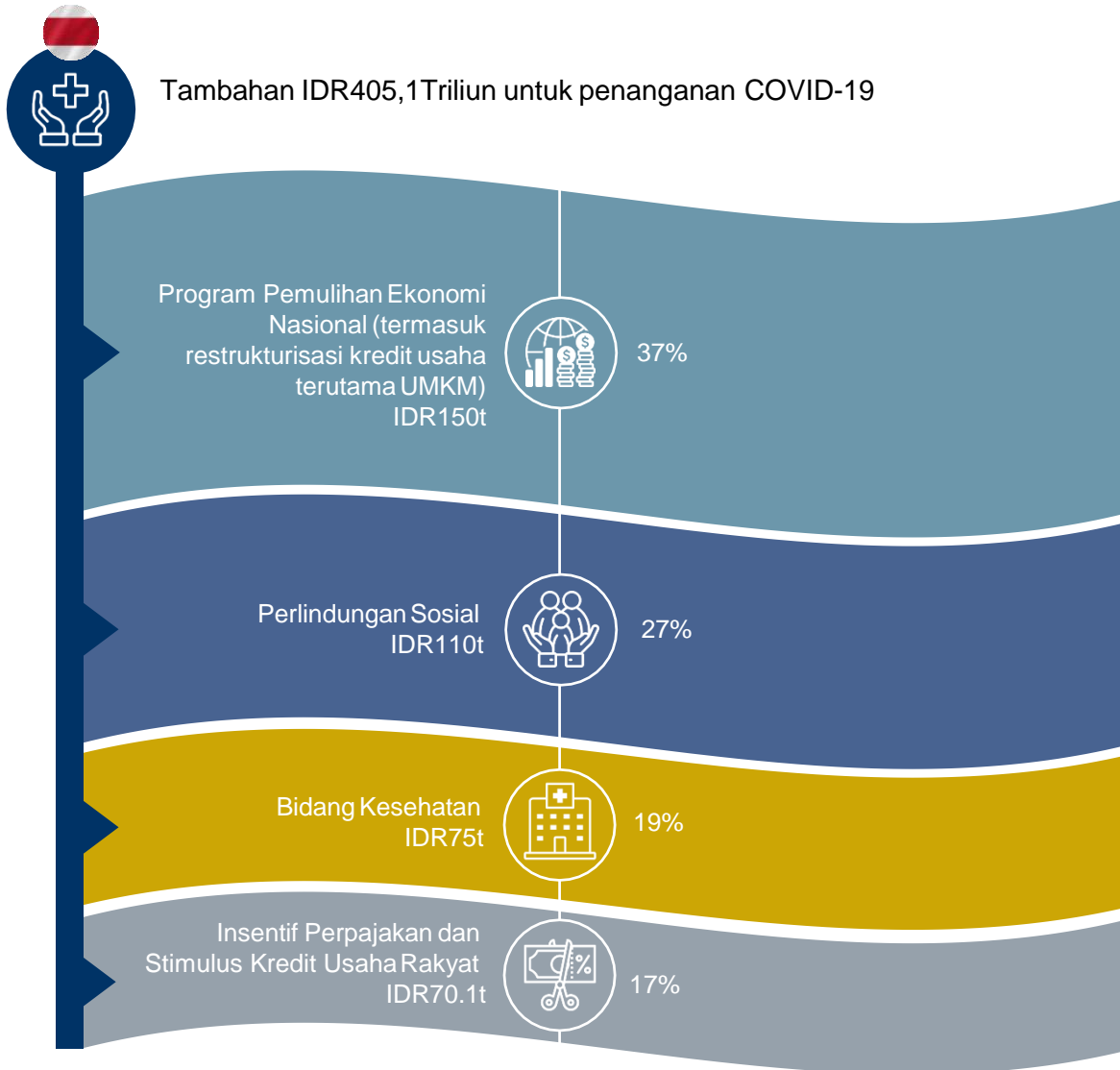
Category	Amount (US\$B)	Share of the Package
Individuals / Families	603.7	30%
Large Corporations	500.0	25%
Small Business	377.0	19%
State and Local Govt.	340.0	17%
Public Services	179.5	9%

presented at FPCI Virtual Public Forum

* Estimated
† Final distribution to be determined by Secretary of the Treasury.
Up to \$454B of unused money can be used to generate loans through the Federal Reserve.
Adapted from chart by u/SevenandForty

Indonesia Stimulus Package

Anatomy of the additional IDR405trillion for COVID-19



Beberapa perekonomian negara berkembang dan maju sudah mengumumkan paket stimulus fiskal sebesar kurang lebih 10-18 persen dari PDB masing-masing (Malaysia sebesar 18%, Singapura 12%, dan Amerika Serikat 10%).

Government Expenditure % to GDP



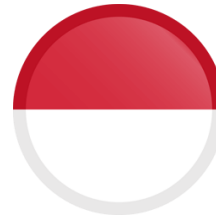
~Total GDP 2019: US\$21.4Tn
~Gov't Spending to GDP: 36.6%



~Total GDP 2019: US\$1.7Tn
~Gov't Spending to GDP : 26.8%



~Total GDP 2019: US\$362.8Bn
~Gov't Spending to GDP : 29.1%



~Total GDP 2019: US\$1.0Tn
~Gov't Spending to GDP : 16.9%



~Total GDP 2019: US\$365.3
~Gov't Spending to GDP : 19.2%

Stimulus Package % to GDP

How Coronavirus Stimulus Packages Compare

Size of COVID-19 stimulus packages in selected countries as a share of 2019 GDP



Latest measures announced April 23, 2020

Source: Bruegel



statista

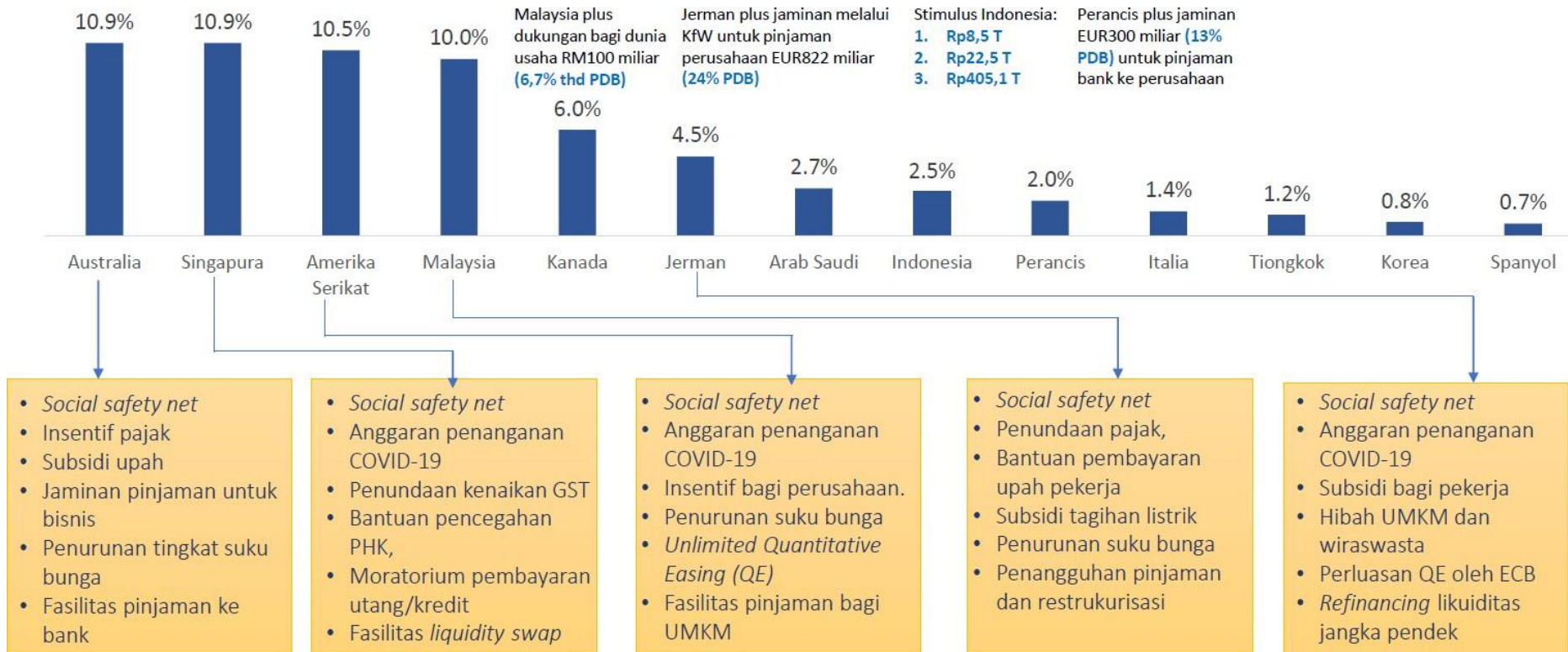
Perbandingan Stimulus Ekonomi beberapa Negara

presented at FPCI Virtual Public
Forum

Threat of Recession and Financial System Stability Encourages Extraordinary Steps

193 negara telah mengeluarkan total stimulus \$8 triliun atau hampir setara 10% PDB global

Perbandingan Dukungan Fiskal Negara-Negara di tengah Wabah COVID-19 (% terhadap PDB)



Thank You

Gita Wirjawan
Chairman, Ancora Group

presented at FPCI Virtual Public Forum