Indonesia Economic Outlook 2021: Escaping from the Survival Phase

Office of Chief Economist
PT. Bank Mandiri, Tbk.
Many countries will have contraction this year before gradually recovers in 2021

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Note: *) Baseline refers to a scenario of severe growth slowdown followed by a strong recovery, while lower case refers to a scenario of a deeper contraction followed by a sluggish recovery.
Source: IMF, World Economic Outlook Oct-20; World Bank, Global Economic Prospect Jun-20 and East Asia & Pacific Economic Update Oct-20; OECD, Economic Outlook Interim Report Sep-20; and Bloomberg
The Blessing in disguise from Stronger China Recovery: Higher Commodity Prices!

Brent Crude Oil
USD48.8/bbl
2017 : 17.7%
2018 : -19.5%
2019 : +22.7%

WTI Crude Oil
USD45.7/bbl
2017 : 12.5%
2018 : -24.8%
2019 : +34.5%

CPO
USD 892.7/MT
2017 : -16.1%
2018 : -19.4%
2019 : +53.4%

COAL
USD76 MT
2017 : 14.0%
2018 : 1.2%
2019 : -33.7%

Rubber
USD 1.58Kg
2017 : -24.1%
2018 : -15%
2019 : +16.3%

Gold
USD 1832.3 Ons
2017 : 13.1%
2018 : -1.6%
2019 : +18.3%

1H20 : -37.7%
2H20 : -26.1%

1H20 : -35.7%
2H20 : -25.2%

1H20 : -25.3%
2H20: 20.1%

1H20 : -23.0%
2H20: 12.3%

1H20 : -24.7%
2H20: 9.2%

1H20: 17.4%
2H20: 20.8%

+18.6%
+16.2%
+61.5%
+46.3%
+45.4%
+4.6%

changes in Dec 2020 compared to June 2020

Source: Bloomberg, as of Dec 7, 2020
Indonesia’s economy might recover starting from 1Q2021

Positive Factors:
- Some spending indices have been recovered from the rock-bottom level. G → C → I
- Commodity prices improvement and stay higher in 2021 (vs 2020)
- Policies responds (Monetary and Fiscal Stimulus) accompanied by some reforms in Omnibus Law.
- Vaccine is the game changer to support confidence

Risk Factors:
- Still rising Covid-19 case, limit mobility and transaction
- Limited Vaccine distribution across countries.
- ‘The Black Swan’ from Global Market as in Change of policy direction

Source: BPS & OCE BMRI’s estimation
Indonesia economic growth is expected to record a contraction in 2020, but gradually will recover.

Indonesia economy may contract by -1 to -2% and expected to gradually recover and grow moderately by 4.4% in 2021.

On the positive side, the demand contraction reflected in the record-low inflation rate at 1.4% (October), thus still supports the consumers purchasing power.

External balance is well maintained reflected in the declining current account deficit (CAD) due to sharp contraction in imports. CAD by end of the year is estimated will reach -0.3% to GDP.

Sumber: BPS, OCE BMRI Calculation
The Game Changer: Vaccination

The Vaccination Timeline in Indonesia

- **DEC-20**: Sinovac 3 Juta Dosis
- **JAN-21**: Sinovac 3 Juta Dosis
- **FEB-21**: Sinovac 3 Juta Dosis
- **MAR-21**: Sinovac 3 Juta Dosis

**2Q21**

- April-Juni
  - Sinovac: 13,8 juta dosis
  - COVAX/GAVI (Sinovac) 5 juta dosis
  - Sinovac 28 juta dosis
  - Novavax 10 juta dosis

**3Q21**

- Juli-September
  - Sinovac: 13,8 juta dosis
  - COVAX/GAVI (Sinovac) 5 juta dosis
  - Sinovac 28 juta dosis
  - Novavax 10 juta dosis
  - Merah Putih 25 juta dosis

**4Q21**

- Oktober-Desember
  - Sinovac: 14,3 juta dosis
  - COVAX/GAVI (Sinovac) 6 juta dosis
  - Sinovac 27 juta dosis
  - Novavax 10 juta dosis
  - Merah Putih 25 juta dosis

**Source**: Various Media
The economy will gradually recover in the course of 2020, 2021 dan 2022.

Fastest to recover (in 6 month time frame) are sectors related to daily necessities. Transportation, durable goods sectors are expected to have a moderate recovery in the period of 6 to 12 month. Sectors that may need more than 12 months to recover include Hotels, air transportation, non-infra construction, cement and building materials.

**Gradual Recovery By Sectors— NEW NORMAL**

- **Fast Recovery (Total Share: 37.74%)**
  - Sectors: Telecomm, F & B, Health Services, Education, Energy and Water, Agriculture & Husbandry, Mining & Basic Metal, Government Administration
  - Growth: 10.61%, 0.66%, 15.33%, 2.44%, 6.04%, 2.15%, 9.23%, 1.86%
  - Share: 4.56%, 7.02%, 1.36%, 3.57%, 1.17%, 14.68%, 1.69%, 3.69%

- **Moderate Recovery (Total Share: 49.45%)**
  - Sectors: Sea and Land Transport, Manufacture (textile, electronic, auto, cement, dll), Wholesale & Retail Trade, Construction, Mining and Quarrying (oil & gas, coal, dll) except ores
  - Growth: -8.60%, -4.53%, -2.01%, -4.52%, -4.28%
  - Share: 3.88%, 19.86%, 12.83%, 10.60%, 6.16%

- **Slow Recovery(Total Share: 14.63%)**
  - Sectors: Hotel & Restaurants, Air Transport, Real Estate, Cement & Building Materials, Financial Services
  - Growth: -11.86%, -63.88%, 1.98%, -9.11%, 0.95%
  - Share: 2.49%, 0.52%, 2.93%, 0.56%, 8.13%

**Catatan:** Share adalah kontribusi di dalam PDB Nasional pada 3Q20

**Sumber:** Estimasi Office of Chief Economist, Bank Mandiri
Indonesia Spending Trend Trajectory
People’s average income is still below Pre-Covid Level but shows an improvement

Source: Big Data, OCE BMRI’s estimation
Spending index of the middle to upper income group are still below Pre-Covid, unlike the low income group

High income terdiri dari wiraswasta, professional, konsultan, akuntan, dokter, insiyur, pejabat negara dan pengacara

Middle income terdiri dari pegawai swasta & pegawai BUMN

Low income terdiri dari pekerja sektor informal

17 December 2020

https://www.mandiri-research.or.id
Spending Index pattern is improving

Spending Index on January 2020 = 100

Source: OCE BMRI’s estimation
Spending index to Hobbies and Gasolines are improving. People tends to do more hobbies and mobile through land transportation

Source: OCE BMRI's estimation

https://www.mandiri-research.or.id
The lagging sectors will be airlines and Hotels

Source: OCE BMRI's estimation
Prospect of International Cooperation
Prospect of International Cooperation in Trade and Investment Continue to Grow

The implementation of Regional Comprehensive Economic Partnership (RCEP), which is an economic partnership between ten ASEAN countries, China, Japan, South Korea, Australia and New Zealand, expected to open wider market access for trade and increase potential investment from member countries.
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Office of Chief Economist
Plaza Mandiri 18th Floor
Jl. Gatot Subroto Kav 36-38, Jakarta 12190, Indonesia
Phone: 62-21 5245272, Fax: 62-21 5210 430