

Friday, Apr. 24<sup>th</sup>, 2020

## GENERAL NEWS AND HEADLINES

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### Accesses to Greater Jakarta closed

*Republika, Headline; Kompas, Headline*

Following its decision to officially ban Idul Fitri *mudik* (exodus), the government will start prohibiting private vehicles from leaving and entering Greater Jakarta and other regions imposing large-scale social restrictions (PSBB) on Friday. Furthermore, public transportations such as intercity and interprovincial buses, trains and airplanes are also not allowed to carry passengers.

These new prohibitions are based on Transportation Ministerial Regulation No. 25/2020 on transportation control during Idul Fitri *mudik* to prevent COVID-19 transmissions. These prohibitions, however, exempt vehicles delivering supplies, basic needs and medicine, as well as ambulances, hearses and fire trucks.

According to the Transportation Ministry's land transportation director general, Budi Setiyadi, checkpoints will be established at several locations, including the Cikarang toll road. The Transportation Ministry and other relevant agencies will also monitor roads, including *jalan tikus* (alleyways), in enforcing the prohibitions. Budi added that several *jalan tikus* would even be closed.

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### Jakartans lack awareness on distancing: Survey

*The Jakarta Post, p. 3*

The Indonesian Public Opinion Research and Discussion Group (KedaiKOPI) has found in its latest survey that Greater Jakarta residents' awareness of physical distancing measures remains low.

KedaiKOPI executive director Kunto Adi Wibowo explained during a teleconference on Wednesday that the survey's findings were concerning because only a small number of participants had taken precautions to reduce their chances of getting infected or possibly spreading the disease.

Around 32 percent of the survey's 405 participants — spread across Jakarta and its neighboring areas of Bogor, Depok and Bekasi in West Java, as well as Tangerang and South Tangerang in Banten — said they washed their hands frequently. Twenty-five percent of them chose to stay at home to reduce the risk of being exposed to the virus and wore face masks when they left their homes. Only 12.3 percent of respondents practice physical distancing, the survey said.

The survey further revealed that 35.1 percent of respondents, surveyed between April 14 and 19 by phone, were going about their normal activities during the outbreak.

Kunto demanded more serious measures from authorities, including local figures at the community level, to educate their respective residents on the importance of staying home and adhering to social restrictions to bring down the number of COVID-19 cases.

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### **Medical equipment 'mafia' impedes govt's COVID-19 response**

*Kompas, p. 3*

At least 15 doctors have reportedly died of COVID-19. It is suspected that a lack of available protective gear is the main cause behind the increasing number of fatalities among doctors and medical workers.

Responding to the scarcity of protective gear and medical equipment, State-Owned Enterprises (SOE) Minister Erick Thohir blamed the alleged existence of "mafia groups" or syndicates who controlled imports of medical equipment and thus increased the country's dependence on imported equipment in curbing the spread of COVID-19.

According to Arya Sinulingga, an aide to Erick, the minister came across concerning issues surrounding health security in Indonesia. Reportedly, around 90 percent of Indonesia's medical equipment are imported, as is a majority of raw materials needed to make various medicines.

"These mafia groups do not maneuver within Indonesia only, but they also have a global network. We believe that we can fight them only by increasing the number of local products," Arya said. Meanwhile, Indonesian Association of Medical and Laboratory Appliances Enterprises (Gakeslab) secretary general Randy Hendarto Teguh said Indonesia had been suffering from a lack of self-reliance in terms of medical equipment for years.

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"It is unfortunate that the government and stakeholders only pay attention to the importance of medical equipment now that we are experiencing an outbreak," Randy said.

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## **Repressive measures increase during pandemic**

*Koran Tempo*

Foundation of the Indonesian Legal Aid Institute (YLBHI) chairwoman Asfinawati said COVID-19 outbreak had not improved law enforcement in the country. On the contrary, measures carried out by the police indicate a lack of security, as evident in the frequent arrests of people accused of spreading false information or hoaxes on social media platforms.

Asfinawati further added that the police, in conducting their operations, often forcefully picked up suspects in the middle of the night.

The police used this method in the recent arrest of Rasio Patra, a member of Open Government Partnership Steering Committee (SC OGP), which has campaigned for the transparency of government data. According to Jakarta Police spokesperson Raden Prabowo Argo Yuwono, Rasio was arrested in Menteng, Central Jakarta, for allegedly spreading inciteful and provocative messages on social media.

Prior to Rasio's arrest, a meeting held by environmental group Indonesian Forum for the Environment (Walhi) in Yogyakarta on April 18 was also forcefully dispersed. According to Walhi member Ode Rakhman, the meeting, which was attended by only nine people, was held to discuss the organization's plan to distribute social assistance for those affected by COVID-19. The forceful dispersal was reportedly tinged with harassment and intimidation.

According to Asfinawati, the government's intention to tighten its control over people's freedom has been apparent since March, when President Joko "Jokowi" Widodo disclosed his plan to enforce "civil emergency" policies.

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## **On Earth Day, COVID-19 a 'wake-up call' to reinvigorate nature**

*The Jakarta Post, p. 1*

COVID-19 should serve as a wake-up call for Indonesia to better preserve its natural environment, activists say, as scientists have linked environmental degradation to the spread of the zoonotic diseases.

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On Wednesday, the Indonesian Forum for the Environment (Walhi) blamed the country's capitalist economy and the greed of corporations and investors for the environmental damage they said had caused COVID-19 to "haunt" the Earth.

The group was referring to a 2016 United Nations Environment Program report that found that the risk of emergent and fast-spreading diseases increased as encroachment upon natural habitats by mankind intensified. The proximity enabled pathogens found in wild areas to spill over into livestock and humans.

Further research is required to determine all the factors that have caused the pandemic, but the virus is believed to have first emerged in animals sold in a wildlife market in the Chinese city of Wuhan late last year, although newer studies have cast doubt on this assumption.

A coalition of several animal rights groups wrote in late January that they had visited a "good number" of animal markets in Indonesia where the "conditions are the same as those being described by scientists as the perfect breeding grounds for new and deadly zoonotic viruses", potentially exposing thousands of people in Indonesia every day to a variety of diseases originating from animals.

Many rural communities across Indonesia still have an appetite for wildlife, such as bats, snakes, wild boar and dogs, putting those who eat them at risk of contracting zoonotic diseases.

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), a panel of United Nations experts on biodiversity, estimates that zoonotic diseases kill about 700,000 people a year.

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## BUSINESS AND ECONOMICS NEWS AND HEADLINES

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### **Almost all business sectors will get tax breaks**

*The Jakarta Post, headline*

The government is looking to finalize Rp 35.3 trillion (US\$2.26 billion) in new tax incentives for 18 sectors, including those hit hardest by the COVID-19 pandemic, such as tourism and the food and beverage sector. It will also introduce new tax breaks for the healthcare sector.

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Finance Minister Sri Mulyani Indrawati said the government was currently formulating the regulation and would finalize it by next week in its fourth stimulus package. The incentives will take the form of personal income tax exemptions, import tax deferrals and corporate tax discounts – similar to those offered to the manufacturing sector in previous stimulus packages.

“Almost all sectors of the economy will receive tax breaks,” Sri Mulyani told reporters, adding that the plan included rolling out tax breaks for micro, small and medium businesses.

“Micro, small and medium business taxes will be covered by the government.”

The tax office, meanwhile, has announced new tax incentives to boost the supply of medical devices, including tax exemptions for personal protective equipment and medicine manufacturers. More than 20,000 manufacturers have applied to receive tax incentives.

Tax office chief Suryo Utomo said the government would waive value-added taxes, personal income taxes and import taxes for goods and services needed to manage the COVID-19 crisis, adding that the exemptions would be provided to government institutions and hospitals, among others.

“This will serve as fiscal support to handle the COVID-19 pandemic,” Suryo told reporters during a teleconferenced press briefing. The regulation took effect immediately and will remain in place for the next six months.

According to Finance Ministerial Regulation No. 28/2020, the government will not collect value-added and import taxes from imports of medicines, vaccines, laboratory devices, testing kits, protective gear, patient treatment kits and other COVID-19-related goods.

The government will also waive the value-added taxes for services needed to handle the pandemic, including construction and consultation. Suryo said 20,018 firms had applied for the tax incentives for manufacturing companies. Around 15,000 applications have been accepted, according to an official document.

Indonesia has set aside Rp 436.1 trillion from the 2020 state budget for medical needs, social safety net programs, relief for small and medium businesses, as well as relief for manufacturing and tourism companies to handle the impacts of the pneumonia-like illness, which has infected more than 7,775 people as of Thursday afternoon, killing 647.

## Govt ban on 'mudik' to penalize transport companies

*Bisnis Indonesia, headline*

A government ban on public transportation from entering COVID-19 red zones will effectively lock down areas with the large-scale social restriction (PSBB) measures in place.

According to acting transportation minister Luhut Binsan Panjaitan, the ban starts on Friday and will be in effect until June 1, in line with President Joko "Jokowi" Widodo's decision to prohibit Idul Fitri *mudik* (exodus) to curb the spread of COVID-19.

This means the number of people traveling to their hometowns for Idul Fitri will fall drastically this year, affecting land, sea and air transportation companies. Last year, a total of 3.53 million people used air transportation and 5.11 million people used railway services for *mudik*.

Aviation analyst Alvin Lie said Garuda Indonesia had already suffered a 30 percent drop in revenue for the period of March and April, as the company was operating 20 percent up to 30 percent of its capacity. With the ban on *mudik*, Garuda will suffer more.

Organization of Land Transportation Owners (Organda) chairman Adrianto Djokosoetono said that even before the ban on *mudik*, the number of land transport passengers had already dropped by 90 percent. So, the ban will only aggravate the problem.

State-owned railway operator PT Kereta Api Indonesia (KAI) has stopped all long-distance and local passenger train services following the ban on *mudik*.

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## Share prices increase in April after deepest fall in March

*Kontan, p. 1*

Stock prices on the Indonesian Stock Exchange (IDX) increased by 16.7 percent in April with the main index – the Jakarta Composite Index (JCI) – closing at 4,593 on Thursday, rising from the lowest level this year at 3,937 recorded in March.

Market capitalization also improved to Rp 5,311 trillion (US\$354 billion) from the lowest level this year of Rp 4,515, but still below last year's high of Rp 7,241 trillion.

With improving stock prices, the number of listed companies with a market capitalization of over Rp 100 trillion (US\$6.7 billion) has increased to 10 companies from eight companies in March. Last month, the capitalization of Bank BNI (BBNI), Bank BRI (BBRI), Barito Pacific (BRPT), Indofood CBP Sukses Makmur (ICBP), Charoen Pokhpand (CPIN) and Gudang Garam (GGRM) all fell from Rp 100 trillion each. This month, the capitalization of ICBP and BRPT returned to over Rp 100 trillion each.

Avere Investama analyst Teguh Hidayat, however, warned that the improving prices of big-cap stocks do not necessarily represent a positive sentiment because the overall market sentiment was still negative. He noted that the price increase represents a market correction to their deep fall in prices.

Anugerah Sekuritas analyst Bertoni Rio concurred and said overall market sentiment was still negative, but noted that a number of big-cap stocks had positive sentiments. BRPT, for example, has good prospects because of falling crude oil prices as the company consumes crude oil as its raw material.

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## **MTN issuers need government support**

*Investor Daily, headline*

More medium-term note (MTN) issuers face the risk of defaults this year due to the coronavirus pandemic. Therefore, the Financial Services Authority (OJK) needs to support these issuers to prevent them from defaulting. A total of 109 MTNs mature this year, totaling Rp 24 trillion (US\$1.54 billion).

Support or stimulus from the OJK is needed to help both MTN issuers and investors. The OJK, however, has to be selective in helping MTN issuers. It has to help only companies unable to pay their maturing MTN because of the pandemic; not because of mismanagement.

According to data from the Indonesian Central Securities Depository (KSEI), 373 MTNs have been issued by 200 corporations, including state-owned enterprises (SOEs) and their subsidiaries. This year, there have been a total of 109 MTNs from 46 issuers, with average interest rates of 11 percent.

A number of companies have shown indications of defaults. They have failed to pay their interests on time. They include PT Corpus Prima Mandiri, PT Eatwell Culinary Indonesia, PT Oligo Infrastruktur Indonesia and PT Corpus Asa Mandiri.

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Anugerah Sekuritas Indonesia fixed income chief Ramdhan Ario Maruto said the coronavirus pandemic had effected most companies, including MTN issuers. If the pandemic does not recede soon, many of these issuers will face difficulties in paying interests and will even face a risk of defaults.

“Rescheduling is one possible solution in this situation,” Ramdhan said.

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## **Energy SOEs bear the cost of falling demand and subsidies**

*Koran Tempo, Economic page*

State-owned enterprises (SOEs) in the energy sector are likely to book lower profits this year due to slowing demand and more than that, because they have to bear the costs of some government incentives for the people, such as subsidized electricity, gas and gasoline.

State electricity company PT PLN president director Zulkifli Zaini said that demand for electricity, especially from businesses, had continued to fall since the coronavirus pandemic started. The biggest drop in demand was recorded in Java and Bali, with demand falling by 9.55 percent in April. Zulkifli projected that electricity demand would fall by 9.7 percent for this year.

“In our calculation, every 1 percent drop in demand would result in a potential reduction of our revenue by Rp 2.8 trillion [US\$180 million],” Zulkifli said, adding that with a 9.7 percent drop in demand for this year, PLN’s revenue would fall by Rp 28 trillion.

PLN’s burden gets heavier with the government giving free electricity to households with a 450kv electricity supply and 50 percent discounts to households with 900 kv electricity supply for three months. Although the government would eventually shoulder the cost, PLN has to bear the subsidy upfront and later be reimbursed by the government. So far, the government owes PLN Rp 48 trillion in electricity subsidies.

State oil and gas holding company Pertamina also faces a similar situation, suffering a 35 percent fall in fuel demand. Also, with international crude oil prices falling below \$25 per barrel, Pertamina’s refineries bear a higher cost of crude from local producers. Therefore, Pertamina CEO Nicke Widyawati said the company decided to cut its capital expenditure by 25 percent and operational expenditure by 30 percent.

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Similarly, state gas company PT PGN has to bear the cost of falling demand and at the same time, the company has been told to cut down gas prices for industries to \$6 per million British thermal unit (mmbtu).

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