

Thursday, March 19th, 2020

GENERAL NEWS AND HEADLINES

More referral hospitals prepared as COVID-19 cases surge

Kompas, Headline

The sharp increase in confirmed COVID-19 cases in Indonesia has pushed the government to add more referral hospitals and laboratories to handle the new coronavirus. The government also plans to utilize rapid testing kits to expedite the detection of COVID-19 transmissions.

Government's spokesperson for COVID-19-related matters, Achmad Yurianto, said that the government would involve a number of private hospitals, including Siloam Kelapa Dua Hospital in Tangerang, Mitra Keluarga Hospital in Jatiasih and Hermina Hospital in Karawang, to treat COVID-19 patients.

"These three hospitals will dedicate all of their beds, which total 300 beds, to treat COVID-19 patients," said Achmad on Wednesday.

The addition of private hospitals increases the total number of referral hospitals for COVID-19 in the country to 375 hospitals.

Indonesian nationals abroad asked to return home

Koran Tempo

The government has issued a decree that requests all Indonesian nationals who are travelling abroad to immediately return to Indonesia. This decree, however, excludes those whose travels are for urgent reasons or cannot be delayed.

The decree, which was issued by the government through the Foreign Ministry on Tuesday, starts being enforced today. In issuing the decree, the government's main consideration is the increasing number of countries that have started curbing the frequency of their international flights amid the COVID-19 outbreak.

The Foreign Ministry's director for citizen protection, Judha Nugraha, said countries would likely continue tightening their preventive measures against the new coronavirus by further limiting the number of international flights. Should this occur, it is feared that Indonesian nationals abroad will experience great difficulties returning home.

Mass prayer in Gowa poses grave risk of COVID-19 transmissions

Republika, p. 2

As many as 8,695 people decided to take part in a grand *tabligh* (religious) gathering in Gowa regency, South Sulawesi, despite the surge of COVID-19 cases in the country and the government's advice for the general public to practice social distancing by staying at home.

Nationals of other Asian countries also plan to attend the gathering, which was organized by Islamic group Jamaah Tabligh (JT), and thus further increase the risk of COVID-19 transmissions.

The Gowa administration had reportedly revoked its permit for the mass prayer, while the Gowa police chief had also asked the gathering's organizers to postpone the event. However, as confirmed by Gowa administration executive Arifuddin Saeni, the organizers rebuffed the regency administration's appeal.

Two weeks ago, a similar mass prayer in Malaysia resulted in 513 COVID-19 cases. This makes the mass prayer in Malaysia the major source of COVID-19 transmission in the country, which has recorded 760 confirmed COVID-19 cases.

KPU commissioner deposed for misinterpreting court verdict

Media Indonesia, p. 3

The Election Organization Ethics Council (DKPP) decided on Wednesday to dismiss General Elections Commission (KPU) commissioner Evi Novida Ginting for wrongly interpreting the Constitutional Court's verdict on a legislative candidate's total number of votes in the 2019 legislative election.

The DKPP also issued a warning for the remaining five KPU commissioners.

Evi reportedly interfered with the KPU's regional branch in Pontianak, West Kalimantan, so that it did not correct its record on the total number of votes earned by a legislative candidate even though the court had issued a verdict that the number of the candidates' votes had been illicitly inflated.

Jakarta deputy governor hearing to go ahead despite COVID-19

The Jakarta Post, p. 5

The confirmation hearing for the Jakarta deputy governor, set to take place on March 23, will go ahead as planned with some restrictions imposed as precautionary measures against COVID-19, the Jakarta Council said.

The council is expected to hold a plenary session on March 23 to choose between Gerindra Party politician Riza Patria and Prosperous Justice Party (PKS) politician Nurmansyah Lubis as a deputy to Jakarta Governor Anies Baswedan for the 2020-2022 period.

Council Speaker Prasetyo Edi Marsudi said attendees of the plenary session would be limited to city councillors, Jakarta agency heads and mayors. The Jakarta Health Agency is expected to help with the standard operating procedure, such as by providing face masks, hand sanitizer and conducting temperature checks.

"[Governor] Anies should have a partner in this kind in this kind of situation. He needs input from a partner, namely a deputy governor," Prasetyo, a Indonesian Democratic Party of Struggle (PDI-P) politician, told the press at his office on Tuesday.

BUSINESS AND ECONOMICS NEWS AND HEADLINES

COVID-19: Option of regional quarantine

Bisnis Indonesia, headline

The number of Indonesians infected with COVID-19 has increased to 227, with the number of deaths spiking to 19. More decisive actions such as regional quarantine or a lockdown may be needed to curb the increasing rate of the virus' spread.

Center for Strategic and International Studies (CSIS) economic department head Yose Rizal Damuri said that people who are in poverty, have low wages, or rely on daily wages from the informal sector are vulnerable to the impact of a regional quarantine, because they generally do not have savings and regular work. Yose added that they needed a safety net with cash transfers.

Finance Minister Sri Mulyani Indrawati stated that the government had prepared a budget for a lockdown as the final option if the situation worsened, prioritizing the 2020 state budget for three main sectors: health, social safety net and businesses, especially for the healthcare industry.

Center of Reform on Economics (CORE) director Mohammad Faisal said that the plan for a lockdown must be announced in advance to blunt the impact of panic buying of essential goods.

Meanwhile, Indonesian Chamber of Commerce and Industry (Kadin) export development chairman stated that the government must take part in fulfilling daily needs, especially food, in the event of a lockdown. Indonesian Logistics and Forwarder Association (ALFI) chairman Yukki Nugrahawan said the government could learn from Malaysia on how to make sure distribution continued as usual.

Time to cut fuel, electricity, gas prices

Kontan, headline

International crude oil prices continue to fall with the WTI crude price dipping to \$22.88 per barrel as of 10.45 p.m. Wednesday, the lowest level since 2002, a 53.58 percent drop year to date. The falling international crude oil price is a boon for Indonesia's budget.

The government has set the Indonesian Crude Price (ICP) at \$63 per barrel in the 2020 budget. Therefore, it's time for the government to revise down the selling prices of fuels, liquefied petroleum gas (LPG) and electricity rates.

During a limited Cabinet meeting on Wednesday, President Joko Widodo told his Cabinet ministers to review the impact of crude oil prices on the budget, on the Indonesian economy and also on the selling prices of fuels, both subsidized and non-subsidized fuels.

Based on the assumption that when ICP decreases from \$63 to \$60 per barrel, the price of Pertamina's 92-oktane Pertamax fuel should decrease from the current price of Rp 9,200 per liter to Rp 8,100 per liter. Meanwhile, the price of subsidized Premium fuel should fall from Rp 6,450 to Rp 5,700 per liter. Coordinating Economic Minister Airlangga Hartarto said the government was still calculating the new prices for both subsidized and non-subsidized fuels, by considering the international crude oil prices in the future.

Tax office boosts efforts to collect taxes as budget burdens multiply

The Jakarta Post, p. 1

"FILE YOUR TAX RETURNS." As if once is not enough, this message is repeated three times in gigantic lettering on billboards across Indonesia. It projects the dire need for taxpayers to file their annual tax returns (SPTs) so the government can secure the funds needed to stimulate the economy amid the COVID-19 pandemic.

Tax office spokesperson Hestu Yoga Saksama said the authority targeted for at least 80 percent of 19 million individual taxpayers to file their SPTs, adding that the tax office had several strategies in place to ensure taxpayers filed their SPTs.

The tax office is encouraging individuals to file their SPTs online as it has suspended direct face-to-face services in compliance with the government's social distancing policy to help limit the spread of COVID-19.

The tax office has also extended the deadline to file tax returns from March 31 to April 30, "to make things easier and provide certainty for individual taxpayers", it said in a statement on Sunday.

According to tax office data, 7.5 million taxpayers had filed their annual tax returns as of Monday, an increase from 6.9 million in the same period last year. A total of 306,464 taxpayers have filed their tax returns face-to-face this year, compared to last year's figure of 407,044.

Finance Minister Sri Mulyani Indrawati has also taken to social media to communicate the tax office's new policies. "We ask taxpayers to file their tax returns online or through the post office, and to avoid face-to-face interactions to minimize the potential for transmission."

The government announced on Friday that it would allocate Rp 120 trillion (US\$8.1 billion) from the state budget to stimulate the economy by providing tax incentives and subsidies for workers, businesses and families affected by the pandemic.

BI expected to cut reference rate by 25 to 50 bps

Investor daily, headline

Bank Indonesia (BI) is expected to cut its reference rate – the BI Seven Day Reverse Repo Rate (7DRRR) – by 25 to 50 basis points (bps) during BI's board of directors meeting on Wednesday and Thursday. The rate cut is seen as a preemptive measure to cushion the Indonesian economy from the expected global economic slowdown.

The rate cut is also to respond to the measure taken by the United States Federal Reserve that decided on Sunday to cut its reference rate – the US Fed Funds Rate (FFR) – by 100 bps from 1.00-1.25 percent to the range of 0.00-0.25 percent. The latest rate cut was the second this month alone after the Fed cut its reference rate by 50 bps on March 3.

In addition, the Fed also launched a US\$700 billion quantitative easing program to reduce the impacts of the coronavirus pandemic on the US economy.

Last February, BI also cut its 7DRRR reference rate by 25 bps to 4.75 percent. In addition, the central bank also cut its deposit facility rate by 25 bps to 4.00 percent.

Economist Eric Sugandi from Kebangsaan University predicted that BI would cut the 7DRRR rate by 25 to 50 bps although it would negatively impact the rupiah, which on Wednesday weakened to Rp 15,223 per US dollar.

Auto association downplays impact of COVID-19

The Jakarta Post, p. 8 (Business page)

The Indonesian automotive industry is not anticipating a heavy blow from the novel coronavirus outbreak, although the February sales figure dropped to the lowest level in eight months and the industry's top event, the Indonesia International Motor Show (IIMS) 2020, had been "postponed indefinitely".

Car sales continued to decline with 79,573 units sold in February, a 2.73 percent decrease from 81,809 units in February last year and the lowest level since June 2019, according to data provided by the Association of Indonesian Automotive Manufacturers (Gaikindo).

However, the association downplayed the foreseeable impacts from COVID-19, which the World Health Organization declared a "pandemic" in Geneva on March 11.

"We do not expect COVID-19 to greatly impact the market. Car sales in February were impacted by the virus [outbreak], as the hard-hit tourist industry was forced to postpone purchases of tour buses and other vehicles," Gaikindo chairman Yohannes Nangoi told *The Jakarta Post* on Tuesday.

Sales had also declined in January as a result of widespread severe flooding in several regions, including the capital city, and growing negative sentiment and public fears of the COVID-19 epidemic that emerged in Wuhan, China, on Dec. 31, 2019.

Domestic car sales were also expected to follow a downward trend in March and April as the COVID-19 continued to disrupt the economy and the daily lives of Indonesians.

"I think there will be a further fall in March as the virus closes schools, offices and dissuade people from visiting retail shops, including car showrooms," Yohannes said.

The industry association is, however, maintaining its 2020 sales target of 1.05 million cars.

In contrast, the decision to postpone the IIMS, one of the biggest industry expos in Indonesia, is likely to spell trouble for the automotive industry.

Disclaimer:

Tenggara Strategics always aims to use reliable sources in providing our best analysis to our clients, and is not responsible for any errors, inaccuracies and/or viewpoints in the original source material upon which we have based our analysis. The analysis contained in this document is intended exclusively for our clients who have subscribed to this service, and is not for public consumption or dissemination.

Nothing contained herein shall to any extent substitute for the independent investigations and the sound technical and business judgment of the reader. In no event will Tenggara Strategics, including its employees, be liable for any decisions made or actions taken in reference to the information contained in these documents, or for any incidental, consequential, indirect, special or exemplary damages, including damages from loss of profits or opportunities, even if advised of the possibility of such damages.