

## Future Indonesia - An Analysis by the Japanese Expert Mr. Kazuhisa Matsui

### (4) Towards COVID-19 Control and Economic Recovery, the Key is Economic Recovery of Java

- **COVID-19 infection has still been spread in August, and the positive rate remains as high as 12-13%**
- **GDP growth in Q2-2020 was worsened to -5.23%, but it was not so worse than other ASEAN countries.**
- **The FY 2021 Budget aims at COVID-19 control and economic recovery. It depends on Java.**

#### ◆ The infection continues, and positive rate remains high

As of August 24, the Government of Indonesia (GoI) reported a total of 155,412 cases and 6,759 deaths. The number of the recovery was 111,060. The cases is now ranked the 23rd highest in the world, the second highest in ASEAN after the Philippines.

The increase of recovery rate (cumulative number of the recovered / cumulative number of cases) and the decrease of death rate (cumulative number of deaths / cases) have consistently continued. The severity risk seems to be reduced, but the positive ratio remain as high as 12-13%.

#### ◆ GDP growth -5.32% in Q2 was not as low as other countries

According to BPS, GDP growth in Q2-2020 was -5.32%. PSBB damaged transportation and warehouse (-30.84%), hotel and restaurant (-22.02%), commerce (-7.57%), and manufacturing (-6.19%). On the other hand, information and telecommunications grow at a high rate of 10.88%, and agriculture, forestry and fisheries kept growth of 2.19%. Agricultural production seems to be solid. In addition, private consumption as major base of GDP growth was -5.51%, and investment (gross fixed capital formation) was -8.61%.

The number of -5.32% this time is on of the lowest growth since the currency crisis of 1998, but it can be said that it is doing better than other ASEAN countries. For example, GDP growth in Q2-2020 was -17.1% in Malaysia, -16.5% in the Philippines, -12.6% in Singapore, and -12.2% in Thailand, except Vietnam (0.36%). Vietnam is only the country to enjoy the positive growth in Q2-2020.

#### ◆ The FY 2021 Budget for economic recovery and reform

In August 14, President Joko Widodo announced the FY 2021 Budget at the National Assembly (DPR) along with the Independence Day speech. The budget plan has four goals: economic recovery from COVID-19, structural reform to enhance competitiveness, digitalization acceleration, and population bonus utilization. With the budget deficit to 5.5% of GDP, the budget plan has been set up with total revenue of Rp1,776.4 trillion and total expenditure of Rp2,747.5 trillion, based on macroeconomic indicators in 2021 as GDP growth rate of 4.5-5.5%, inflation rate of 3%, and US\$ rate of 14,600 Rupiah.

#### ◆ The key is the economic recovery of Java

In case of GDP growth in Q2-2020 by region, Java was the lowest growth rate at -6.69%, followed by Bali and Nusa Tenggara at -6.29%. In Java, which shares for 50-60% of new daily COVID-19 cases in Indonesia, the number of the poor in urban areas has increased remarkably, and the number may be further increased. The economic recovery of Java may be the key to whether the Indonesian economy will recover.

**Author: Mr. Kazuhisa Matsui (Managing Director, Matsui Glocal LLC) / Independent consultant to connect Indonesia-Japan.**

He has almost 35 years experiences in research, study and consulting on Indonesian affairs, such as senior researcher of IDE-JETRO (1985-2008), JICA expert in Bappenas, JETRO expert, etc. He has stayed in Jakarta, Makassar and Surabaya for more than 15 years.

