



ASIA PERSPECTIVE

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Indonesia Economic Update Report

This Issue:

Indonesia's Economic Growth in Q2
Indonesian Ride-Hailing Firm Gojek Receives
Investments from Facebook and PayPal

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Indonesia's economy suffers sharp downturn in Q2 due to COVID-19

In 2020 Q2, Indonesia witnessed its biggest economic contraction since the Asian financial crisis in 1998. Even though the COVID-19 situation is improving, it has left millions out of work and forcing businesses into bankruptcy, hitting the economy hard.

Indonesia's Gross Domestic Product (GDP) fell by 5.32% during 2020 Q2 (YoY) as the ongoing global pandemic shut down large parts of the country. The contraction is considerably bigger than the government's forecasted estimate of negative 4.3%.

Household spending, which makes up for more than half of Indonesia's GDP, fell by 5.51% (YoY) in the second quarter, far below the recorded growth of 5.18% during the same period last year. At the same time, investments contracted by 8.61% (YoY), as businesses sharply pulled back on their investments during the uncertain times.

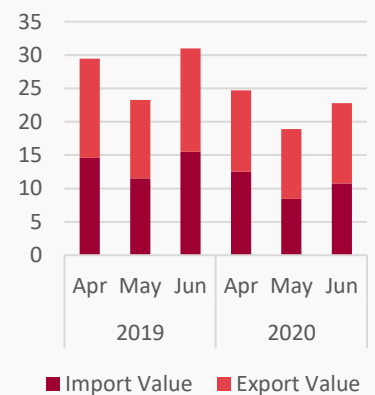
Governmental expenditures fell by 6.9% in the second quarter as business trips and social gatherings were cancelled or postponed due to virus containment measures.

Despite the weak quarter, the Indonesian government's still expects an economic growth of around 1% for the full 2020.

Indonesia achieves a trade surplus for the second consecutive quarter

Due to COVID-19, both imports and exports to and from Indonesia fell heavily in the second quarter. Import fell mostly due to a decreased domestic demand and consumption caused by the pandemic, while exports also took a hit due to restrictions and economic slowdown worldwide. The trade surplus amounted to USD 2.9 billion in the second quarter of 2020.

Trade Balance of Indonesia in Q2 2019 and Q2 2020 (Billion USD)



Overall, the value of imported goods contracted 16.96% (YoY) while the value of exported goods fell by 11.66% (YoY) in the second quarter of 2020.

Indonesian Ride-Hailing Firm Gojek Receives Investments from Facebook and PayPal

In early June this year, both Facebook and Paypal announced its investment in the Indonesian ride-hailing, payment platform and food delivery firm Gojek, joining both Google and Tencent who has previously invested in the company.

Indonesia's ride-hailing Gojek continues to attract high-tech firms as both Facebook and PayPal invest in the start-up. Neither of the companies disclosed the size of the investments, but Facebook explained in a blog post that the investment underscores the company's efforts to help smaller businesses digitalize and receive an online presence.

The investments will help Gojek ramp up its payment and financial services, bringing millions of Indonesian people into the digital landscape. As small and medium-sized enterprises comprise a majority of the Indonesian economy, helping them go online is vital for the country's economic growth in the longer run. The coronacrisis has made this clear, as businesses with an online presence has managed the problems better. Just during the last three months, over 100,000 Indonesian enterprises has forced to go online to survive, a process which under normal circumstances could take years to finalize.

Further, Gojek also said that the collaboration with PayPal will enable users of the digital wallet to access American firm's network of more than 25 million merchants worldwide.



Facebook and PayPal invest in Indonesian ride-hailing firm Gojek, joining previous investors such as Google and Tencent.

Indonesia's internet economy is the fastest growing in Southeast Asia. It is projected to exceed 130 billion USD by 2025, driven mainly by the adoption of digital payments. The increasing online presence of Indonesia's huge population brings many opportunities for investors in the country. Global tech companies are presented with a valuable opportunity to expand and build their commercial services to micro, small and

medium sized enterprises. However, experts say that global tech companies that wants to succeed in Southeast Asia needs deep local knowledge of each market, something that Gojek can provide.

In recent years, Gojek has acquired a number of financial technology companies, including payment gateway Midtrans. The acquisition has helped Gojek to build its payment ecosystem, which is targeted towards business owners and merchandisers, with the goal of providing a holistic solution for merchandisers to grow their businesses. As of today, Gojek's payment solution, GoPay, is available in Indonesia, Thailand and Philippines. More than half of all transactions made on Gojek is done through GoPay, while over half a million of merchandisers accepts it as a payment form in physical store. Now, with its new investors, there are new room for expansion. Analysts point out that Gojek will be able to embed Facebook's digital wallet on its platform, attracting even more merchandisers and customers.



Gojek employees on motorbikes on the streets of Indonesia

However, amidst all positive news, Gojek announced in June that the firm has been forced to cut 9% of its staff due to the COVID-19 pandemic. As a result of the cut, Gojek is forced to close down their lifestyle service division, GoLife, which has offered cleaning services, massages, etc., as well as their physical food courts they operate, GoFood Festivals. Instead, the firm is set to prioritize its high-impact core business of ride-hailing, payment infrastructure and food delivery amongst the crisis. The firm ensured that these are the only layoffs caused by COVID-19 that the company will carry out.

It's not only Gojek who has suffered from the crisis. In June, the Singapore based competitor Grab also announced a lay-off of 5% of their staff, making the problem widespread in the industry.

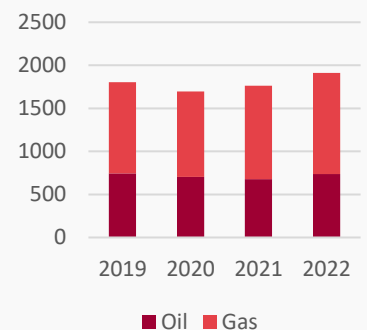
Indonesian Oil and Gas Production Expected to Rise Next Year



The Indonesian government expects domestic ready-to-use oil and gas to reach between 1.76 million and 1.91 million barrels of oil equivalent per day in 2021. The forecast is higher than this year's expected output of 1.70 million barrels of oil equivalent per day, and more in line with previous year's production, which reached 1.80 daily barrels. The expected output might be subjected to changes as shifts in crude oil prices occur during the year.

The local price benchmark for crude oil prices in 2021 is expected to hit between 40 USD and 50 USD, an increase from this year's 33 USD price tag. However still considerably lower than last year's pre-corona levels of 62 USD per barrel.

Expected oil and gas production in 2021 (in thousand barrels)



By 2030, Indonesia aims to become a major global gas exporter as domestic oil production has been unable to reach desired export levels. However, gas exports are expected to help plug the country's energy trade deficit.



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