

Office facelift



Posing for a photo are (left to right) Manulife Indonesia director and chief financial officer Meylindawati, president director and CEO Ryan Charland, director and chief marketing officer Novita Rumngangan and director and chief operating officer Hans de Waal at the launch ceremony of the Connect & Collaboration to be Champions (Triple Cs) project in Jakarta on Monday. The project will be completed in the first quarter of 2021, transforming Manulife's head office using an open space and simple office concept.

JP/Dhoni Setiawan

Wage subsidy expanded to include furloughed, reduced pay workers

Additional 2.7 million workers to get benefits

Dzulfiqar Fathur Rahman

The Jakarta Post/Jakarta

A week after it launched the COVID-19 wage subsidy program, the government announced on Monday that it had increased the scheme to cover a total of 15.7 million workers to spur household spending and prevent the economy from slipping further.

From its initial target of 13 million workers, the government increased the number of targeted recipients by an additional 2.7 million workers to help boost their purchasing power. The government also increased the budget for the program by 13.9 percent to Rp 37.7 trillion (US\$2.57 billion) to cover the expansion in targeted recipients.

People eligible for the wage subsidy are workers who earn less than Rp 5 million per month and are active members of the Workers Social Security Agency (BPJS Ketenagakerjaan) as of June 30. Eligible recipients will receive

a total wage subsidy of Rp 2.4 million starting in September, disbursed in installments of Rp 1.2 million every two months to cover a total period of four months.

"There was an [uncovered] group, namely workers who have not been laid off but have been furloughed or [have had] pay cuts because their employers are facing difficulties. They need assistance," Budi Gunadi Sadikin, who heads the national economic recovery task force, said in a virtual press conference on Monday.

The wage subsidy program was initially launched on Aug. 4 after Indonesia recorded an economic contraction of 5.32 percent year-on-year in the second quarter as household spending and investment shrank. The government has allocated Rp 695.2 trillion in stimulus funding to minimize the economic impacts of the health crisis. But it has spent only 21.7 percent of the budget as of Aug. 6, at a time when accelerated spending was needed most.

Budi said the expanded scheme was meant to fill the gap left by the existing safety net programs. The Family Hope Program (PKH), the Staple Food Card, and the pre-employment card social assistance programs have a combined budget of almost Rp 50 trillion and together cover around 29 million eligible households.

BPJS Ketenagakerjaan director Agus Susanto said that the agency had collated the names and addresses of the eligible recipients in its database. But the available data did not include the recipients' bank account information, which was needed for the government to disburse the wage subsidy as direct transfers.

"Hence, on Saturday we notified their employers to complete the bank account data for their workers [with] wages below Rp 5 million [to correspond] with the data they reported to BPJS Ketenagakerjaan," he said.

The wage subsidy program applied to eligible recipients of

all occupations, said Manpower Minister Ida Fauziyah.

Ida added that the government was involving law enforcement agencies, including the National Police, the Attorney General's Office, the Supreme Audit Agency (BPK), the Development Finance Comptroller (BPKP) and the Corruption Eradication Commission (KPK) to prevent any irregularities and ensure that the program was administered well.

"This is to ensure that we, as users of the state budget, deliver the program to the correct target. We will [transfer] the money directly to the recipients' bank accounts. So it will not go anywhere [else]," said the minister.

As of May, 3 million Indonesians have been either jobless or unable to work as a result of the health crisis, which has brought the economy to a virtual standstill. With a possible recession pending third-quarter growth, the government has projected 5 million job losses this year.

H2 of 2020: Hoping for one engine to revive economic growth

Andry Asmoro

Jakarta

As expected, Indonesia's economic growth contracted 5.3 percent in the second quarter, following significant deceleration in the previous quarter. It was lower than our forecast of a 6.1 percent contraction but higher than the market consensus. Most of the contraction came from sectors that have been hit heavily by the COVID-19 pandemic as well as the large-scale social restrictions (PSBB), such as transportation, retail and wholesale trade.

On the flip side, positive support came from the shift of the rice harvest season from Q1 of 2020 to Q2 of 2020, this was one of the reasons why Q2 performance was unexpectedly lower than most of the forecasts. The harvest shift drove a 2.19 percent year-on-year (yoy) increase in the agriculture sector, which contributes around 15 percent of Indonesia's GDP. It is worth noting that manufacturing and agriculture are the biggest contributors to Indonesia's economy, with a combined share of around 30 percent. Furthermore, both account for around 44 percent of the total workforce in Indonesia. Thus, seasonally the harvesting period will have a positive impact on the quarterly performance as well as the purchasing power of the farmer during that period.

From the expenditure side, household spending plummeted 5.51 percent yoy (vs. 2.83 percent yoy in Q1 of 2020 and 5.18 percent yoy in Q2 of 2019) as a consequence of the implementation of PSBB limiting personal spending, particularly for transportation and recreation during Idul Fitri.

Moreover, government spending decelerated by 6.9 percent yoy as declining tax revenues amid the pandemic hampered the government's economic stimulus realization, and gross fixed capital



ANALYSIS

Andry Asmoro

Chief economist of Bank Mandiri

formation (GFCF) or investment plunged 8.61 percent yoy (vs. 1.7 percent yoy in Q1 of 2020 and 4.55 percent yoy in Q2 of 2019) due to lower demands which forced many businesses to halt their investment activities, especially in vehicles and equipment.

Declining investment activity caused imports to contract 16.96 percent yoy (vs. -2.19 percent yoy in Q1 2020 and -6.84 percent yoy in Q2 2019) as a huge chunk of imports (around 90 percent) were raw material and capital goods. This also caused service imports such as shipping to fall. Exports decelerated by 11.66 percent yoy (vs. 0.23 percent yoy in Q2 and -1.73 percent yoy in Q1) amid the global lockdowns, lowering the global demand. The decline, however, was less than imports, thus a trade surplus was still recorded.

Now, the million-dollar question will be: What is the outlook for the second half? We believe that, at this juncture, the recovery to the pre-COVID-19 performance level will take a long time. The only game changer will come if a vaccine is found and proven. Prior to that, the recovery will heavily depend on how fast government spending can be disbursed in the third quarter.

Indonesia still has room to have full-year positive growth despite all of the global challenges that affect two engines of growth, investment and trade.

There are three drivers to support growth if the government successfully accelerates government spending:

(i) Indonesians still have a relatively high willingness to spend or consume compared to other countries. Currently, the marginal propensity to consume (MPC)

in Indonesia reached around 0.52, or around 52 percent of total income was spent for consumption. This translates into a higher fiscal multiplier impact of around two times, derived from the equation of $1/(1-MPC)$. Thus, additional government spending of around Rp 100 trillion (US\$6.85 billion) will lead to additional economic growth of around Rp 200 trillion. We expect that the government will push the cash transfer this quarter to support the economy at least in the last quarter this year;

(ii) Several pieces of anecdotal evidence revealed that the economy had improved and bounced back from the rock-bottom level in March and April. Our Big Data analysis, using Google Maps data, depicted that the mall visit rate rebounded to between 40 and 50 percent of the pre-COVID-19 level post-PSBB relaxation between July 1 and 5. Most of the consumers went to the supermarket to buy groceries while others went for personal care. In the same period, the restaurant visit rate increased to around 30 and 40 percent of pre-COVID-19 levels.

The rate depicted that when consumer confidence was back to the pre-COVID-19 level, people started to dine out and reallocate their spending to secondary goods. It is worth noting that consumer confidence has become the major concern for middle to upper consumers during the COVID-19 pandemic. Thus, the confidence will soar when the government has successfully contained the virus;

(iii) Commodity prices were relatively stable in the third quarter or passed the rock-bottom level last quarter. Based on our

calculation, coal prices were stabilized in July and August while crude palm oil (CPO) and rubber prices increased 6.3 percent and 2.6 percent respectively in July. The same pattern occurs in August, when CPO prices improved on a month-on-month basis, reaching \$683 per ton (vs. an average of \$533 per ton in Q2 of 2020). We believe that the prices will be normalized but will not touch the lowest level in the last quarter. This is a good basis to expect that sales of other goods that relate closely to the commodity sector, such as automotive and heavy equipment, will improve despite the fact that it will not be back to pre-COVID-19 levels anytime soon.

Those three factors are supposedly the main factors that Indonesia will improve in the second half. In this case, the accelerated spending is important to assure that the recovery curve will not be flattened or head south.

It is worth noting that some sectors could still be resilient with a low break-even point (BEP), such as retail — both fast-moving consumer goods (FMCG) and non-FMCG — with a BEP between around 30 and 40 percent of revenue, while others require a higher BEP level at above 45 percent such as restaurants and hotels. Thus, keeping the people's confidence to spend will be as important as keeping the purchasing power for the middle to lower income level to assure the recovery path is heading north.

At this juncture, we believe the government will be able to tackle all economic challenges as well as health sector issues to keep Indonesia's economy on the right track to recovery.

Forex reserves hit all-time from bonds, govt loans

Adrian Wail Akhlah

The Jakarta Post/Jakarta

Indonesia's foreign exchange (forex) reserves increased to US\$135.1 billion in July, the highest level ever, following the government's move to issue global bonds, Bank Indonesia (BI) announced Friday.

The current reserves level, an increase from \$131.7 billion in June, is estimated to be sufficient to support 8.6 months of imports and payments of the government's short-term debts.

"BI is of the view that the foreign exchange reserves are adequate, supported by stability and a positive outlook for the economy, in line with various policy responses to push for economic recovery," the central bank said in a statement. The rise in forex reserves in July was driven by the government's global bonds issuance and government loans, according to the central bank.

The government has raised 100 billion yen (\$930 million) from the issuance of five-tranche samurai bonds to help cover the fiscal deficit and fund the coronavirus pandemic response in early July.

The deal was finalized in Japan on July 2 and sold in maturities of 20 years, worth 1.5 billion yen with a coupon rate of 1.8 percent; 10 years, worth 13.4 billion yen with a 1.59 percent coupon rate; and seven years, worth 10.1 billion yen with a 1.48 percent coupon rate.

The government previously planned to raise \$5.5 billion from loans from multilateral organizations in the second half of the year, after raising \$1.8 billion in the first half from five multilaterals, including the World Bank and the Asian Development Bank.

"We are focusing on getting loans from our multilateral partners in the second half of this year after focusing on raising funds from global bonds in the first half," said Luky on July 27.

The government faces the daunting task having to raise Rp 900.4 trillion from the issuance of sovereign debt papers in the second half of the year to cover its budget deficit of 6.34 percent of GDP and repay its debts, after raising Rp 630.5 trillion from the issuance of debt papers in the first half.

It has also unveiled a \$40 billion bond sale program with the

central bank as part of the "burden sharing" scheme aimed at easing the government's debt burden.

"Although it has been declining, we see the risks from the ongoing COVID-19 pandemic remaining and thus still creating uncertainty in the global financial market," said Bank Mandiri economist Andry Asmoro in a note.

There will be some delays in foreign direct investment inflows as the global value chain has been seriously disrupted, he went on to say, adding that imports had declined more than exports due to the halt in production and investment activities.

"Hence, it may shrink the current account deficit, supporting Indonesia's balance of payment, foreign reserves and rupiah exchange rate in 2020," Andry said.

Reported earlier, the popularity of global bonds issued by the Indonesian government and corporations has spiked as both investors and issuers seek to limit foreign currency risks and improve liquidity amid market uncertainty, according to securities company Mandiri Sekuritas.

Mandiri Sekuritas, a subsidiary of state-owned Bank Mandiri, has seen its revenue from the global bonds business increase 41 percent year-on-year in the first half as the government was actively issuing US dollar bonds.

"Investors consider Indonesia's dollar-denominated bonds as premium ones," Mandiri Sekuritas president director Danni Danusaputro said during a press conference on July 23.

The government has issued Rp 630.5 trillion (\$43.1 billion) worth of sovereign debt papers (SBN) as of the end of June, including \$4.3 billion from a three-tranche US dollar-denominated bond in April and \$2.5 billion from a three-tranche global sukuk (sharia-compliant bond) last month, according to the Finance Ministry.

The government also raised 100 billion yen (\$930 million) from the issuance of five-tranche samurai bonds earlier this month.

The vast amount of debt papers was issued by the government to cover its budget deficit of 6.34 percent of GDP this year as Rp 695.2 trillion has been allocated to bolstering the economy and strengthening the health-care system amid the COVID-19 pandemic.

Solution found



JP/Dhoni Setiawan

Deputy for business restructuring at the Cooperatives and Small and Medium Enterprises Ministry Eddy Satria (right) and Gojek Co-CEO Andre Soelistyo (center) listen to an explanation from Gojek vice president of merchant marketing Diera Yosefina Hartono during the launch of #MelajuBersamaGojek (#CruisingWithGojek) initiative in Jakarta on Monday. The initiative aims to help small and medium enterprises go digital while supporting economic recovery amid the COVID-19 pandemic.

CIMB NIAGA

ANNOUNCEMENT EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS PT Bank CIMB Niaga Tbk

Hereby announced to the Shareholders of PT Bank CIMB Niaga Tbk (the "Company") that the Extraordinary General Meeting of Shareholders (the "Meeting") of the Company will be held on **Friday, 25 September 2020**.

Pursuant to the Articles of the Association ("AoA") of the Company and the Financial Services Authority (*Otoritas Jasa Keuangan*) Regulation Number 15/POJK.04/2020 regarding the Plan and Implementation of the General Meeting of Shareholders of the Publicly-Held Company ("OJK Regulation No. 15/2020") and OJK Regulation No. 16/POJK.04/2020 regarding the Implementation of the General Meeting of Shareholders of the Publicly-Held Company in Electronic, hereby informed as follows:

- The Invitation and Agenda of the Meeting will be published through 1 (one) daily newspaper in Bahasa Indonesia with nationwide circulation, 1 (one) daily newspaper in English, website of the Company, website of the Indonesian Stock Exchange ("IDX"), and website of Indonesia Central Securities Depository (*PT Kustodian Sentral Efek Indonesia* or hereinafter referred to "KSEI"), on **Thursday, 27 August 2020** (the "Meeting Invitation").
- Shareholders who are entitled to attend or be represented and vote in the Meeting, i.e. the shareholders who are listed in the Company's Shareholders Register and/or the Shareholders whose Securities Account are registered in KSEI, on **Wednesday, 26 August 2020 at 16:00 Western Indonesian Time**.
- One or more Shareholders that (collectively) represent at least 1/20 (one-twentieth) of the total number of outstanding shares of the Company with valid voting rights may propose the agenda items for the Meeting. The agenda items proposed by the Company's Shareholders will be included in the agenda for the Meeting to the extent that they are in compliance with the provisions of Article 11 paragraph 11.11 of the Company's AoA, and Article 16 of OJK Regulation No. 15/2020, namely:
 - The proposal shall be submitted in writing and shall have been received by the Board of Directors of the Company at least 7 (seven) days prior to the Meeting Invitation;
 - The proposal is accompanied by the reasons for which it is submitted and the relevant materials of the proposed agenda item for the Meeting;
 - The proposal constitutes as an agenda item that requires approval from the Meeting and is not contrary to the prevailing laws and regulations as well as the Company's AoA; and
 - The Board of Directors of the Company is of the opinion that the proposal has been put forward in good faith and in the interests of the Company.
- The Company strongly suggests the Shareholders to authorize the proxy through the platform of Electronic General Meeting System provided by KSEI (eASY.KSEI), as a mechanism for electronic proxy (e-Proxy) in the process of organizing the Meeting. The e-Proxy facility is available for Shareholders who are entitled to attend the Meeting from the date of the Meeting Invitation to 1 (one) working day before the day of the Meeting, which is **Thursday, 24 September 2020**.

This Meeting announcement is also available and can be accessed on the Company's website (www.cimbniaga.co.id), IDX website (www.idx.co.id), and KSEI website (www.ksei.co.id).

Jakarta, 12 August 2020
Board of Directors of the Company