

Covid-19: Current and Post Effects on F&B industry in Indonesia



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Chairman of Indonesian Food and Beverage Industry Association

**Webminar: Food Ingredients Asia
May 2020**



NORMAL CONDITION

**Mission Possible:
Indonesia towards the 4th Largest World Economic**

Market & Industry Overview

Mission Possible:
Seizing the Opportunities of Future Work to Drive Inclusive Growth



Source: Bappenas (Indonesia Vision 2045)



Indonesia

The 4th largest population. 265.02 millions (2018) with growth rate 1.33% (2010 - 2018)

GDP growth 5.02% (YoY-2019)

GDP per capita 4,174.9 USD (2019)

Expenditure/ Capita:

-Food 49.51 %
-Processed food 16.82% (2018)

Inflation 2.72 % (YoY 2019)

GDP 1.1 Trillions USD (2019)

Huge opportunity for Food Industry

All About Food Industry (YoY) (Source: BPS – MoI)

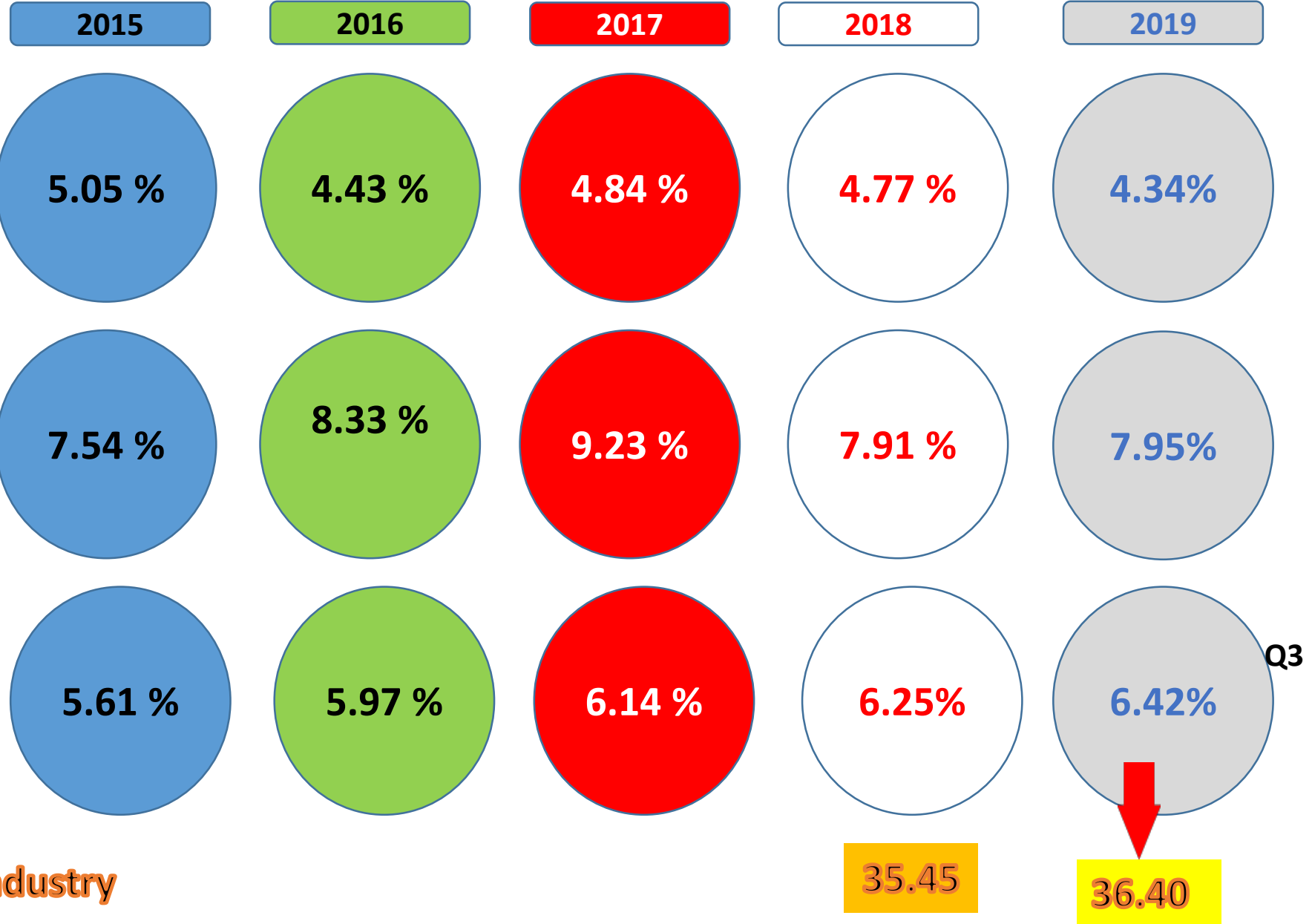
2018:
17.63 % to GDP



**Non-Oil
Industry
Sector growth**

**Food Industry
growth**

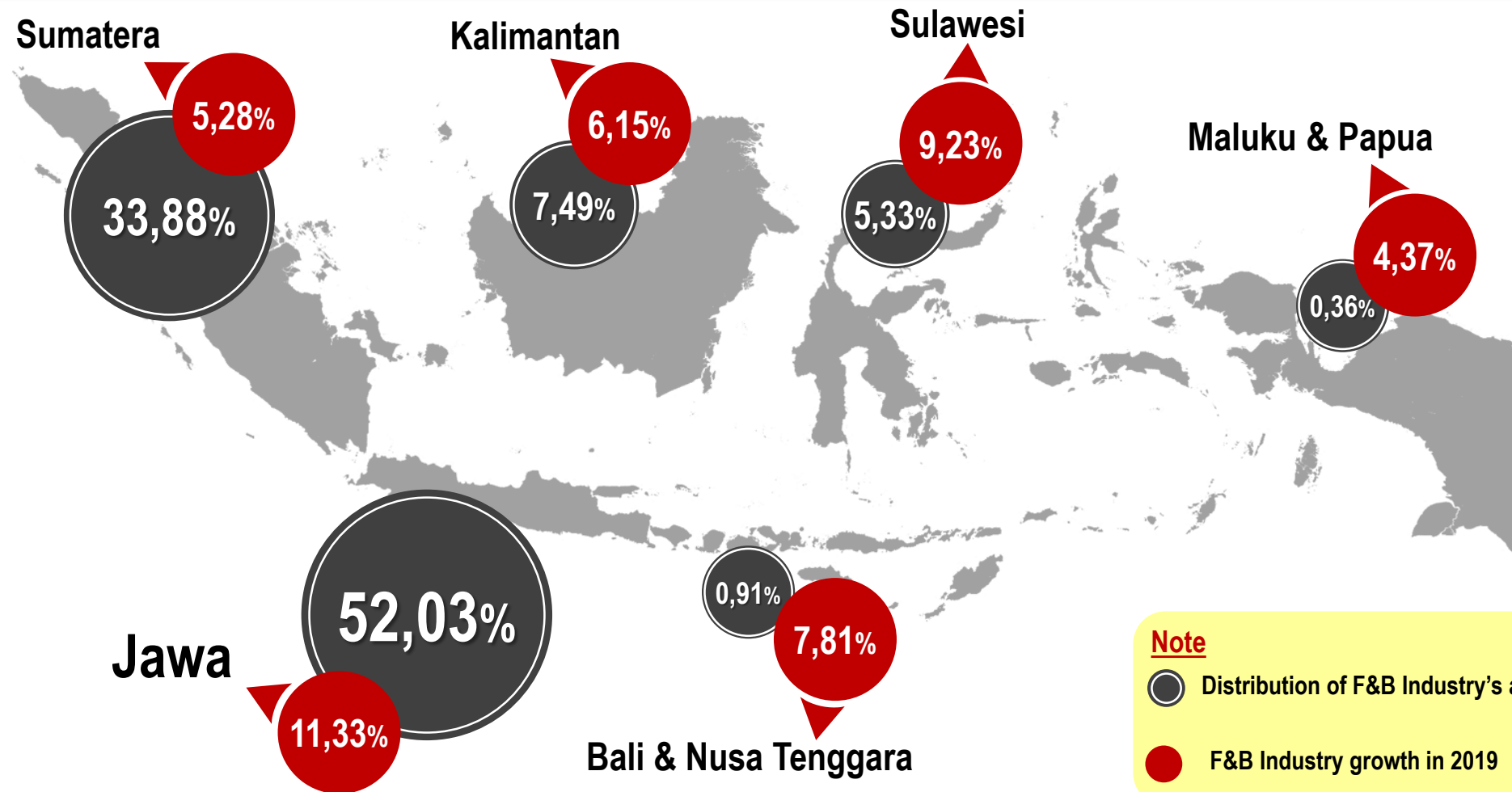
**Contribution
Food Industry
to Total GDP**



Spatial Added Value of the Food and Beverage Industry in 2019



The Spatial Value Added Structure of Food and Beverage Industries in 2019 is still dominated by the provincial groups in Java that contributed to the Total Added Value of the Food and Beverage Industry by 52.03 percent.



Note
● Distribution of F&B Industry's added value in 2019
● F&B Industry growth in 2019

All About Food Industry: F&B Investment Realization

Investment in F&B industry sector 2018:

- DDI grow around 1.4%
- FDI grow **minus 33.6%**

Investment in F&B industry sector 2019:

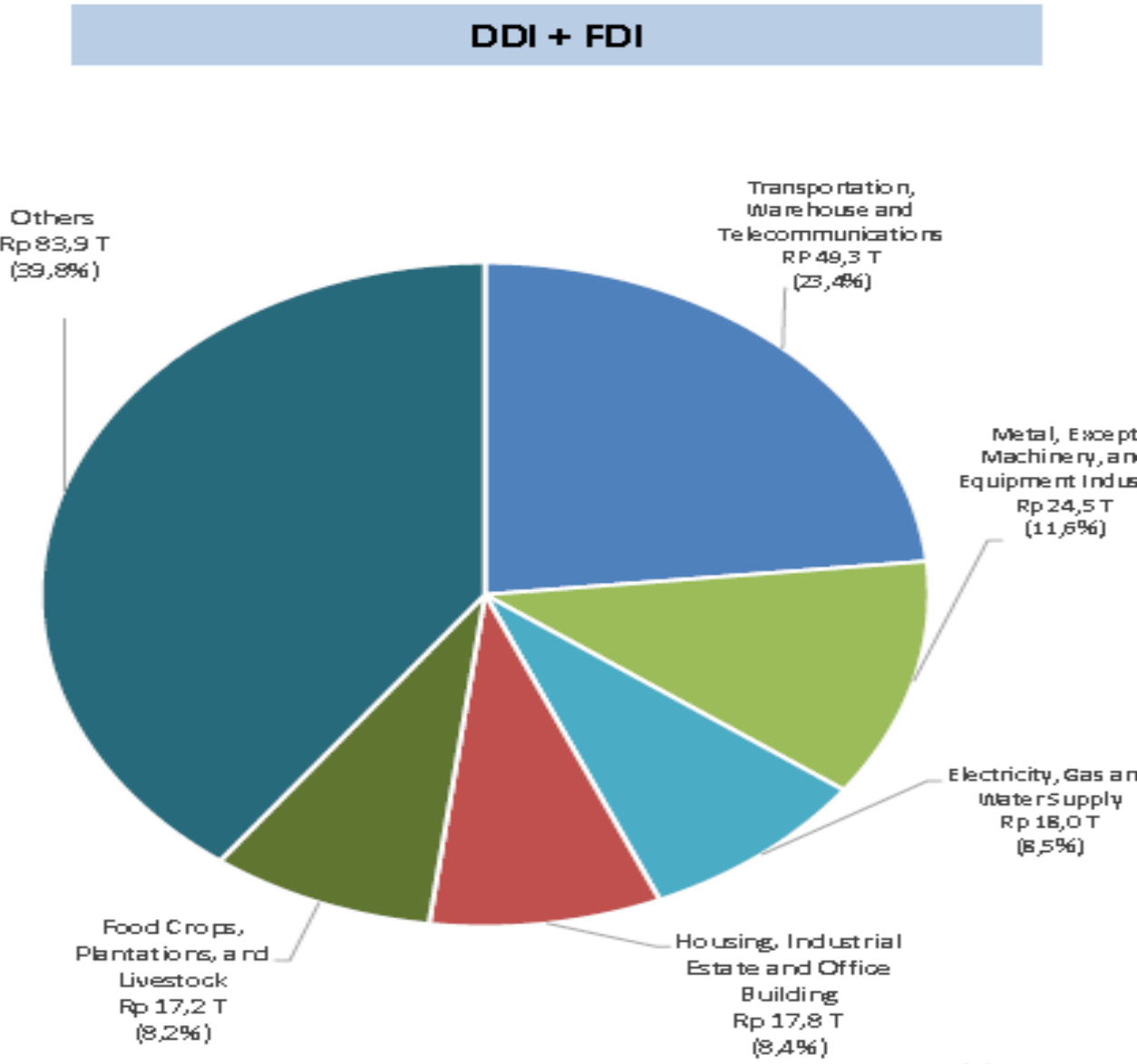
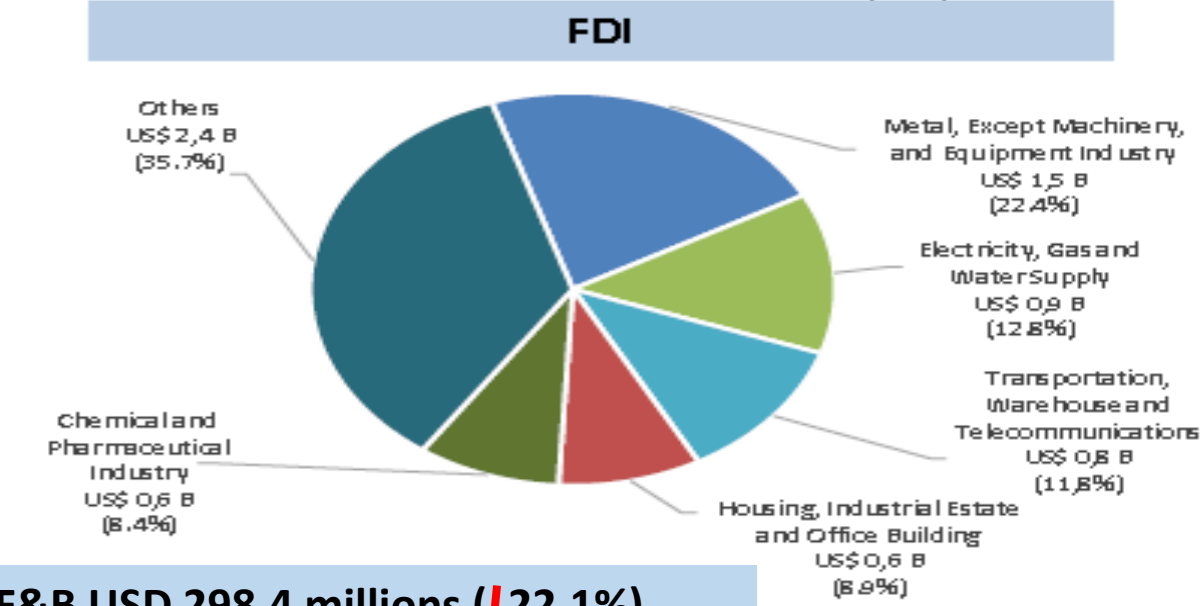
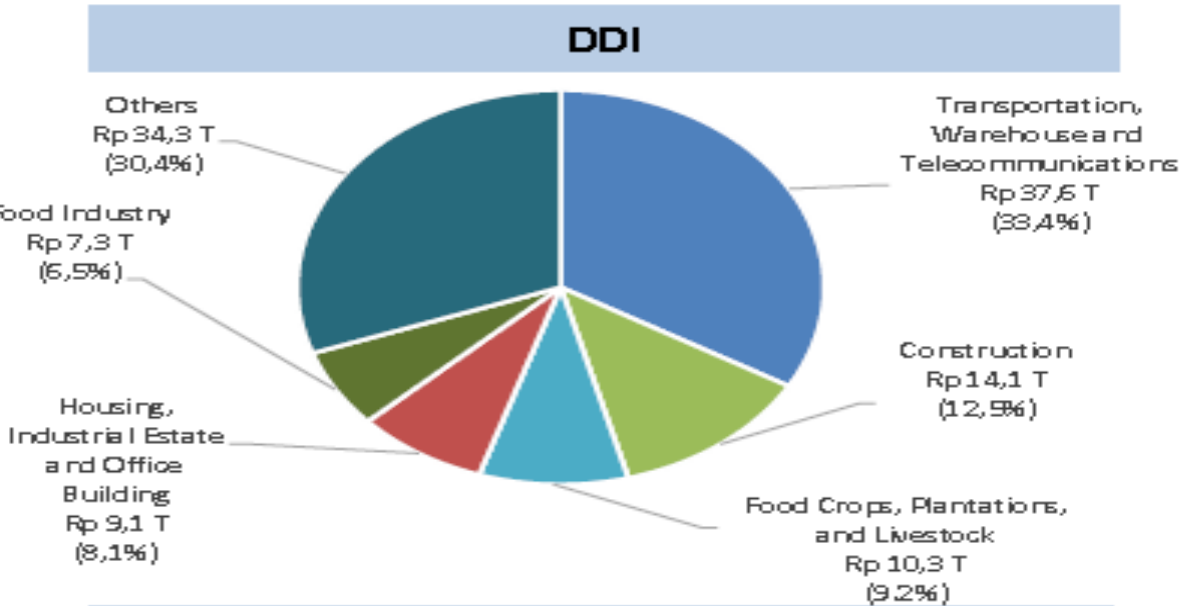
- DDI grow **minus 6.4%**
- FDI grow **minus 2.7%**

INVESTMENT	2015		2016		2017		2018		2019	
	P	I	P	I	P	I	P	I	P	I
DDI (Rp. Billions)	879	24,533.99	1,169	32,028.50	1,419	38,540.10	1,562	39,087.93	2,419	36,602.5
FDI (USD million)	886	1,521.18	1,947	2,115.00	1,649	1,970.30	1,377	1,307.31	1,848	1,272.2
Total	1,765		3,116		3,068		2,939		4,267	

Challenging in F&B Investment



Investment Realization in Quarter I 2020: Based on Sector

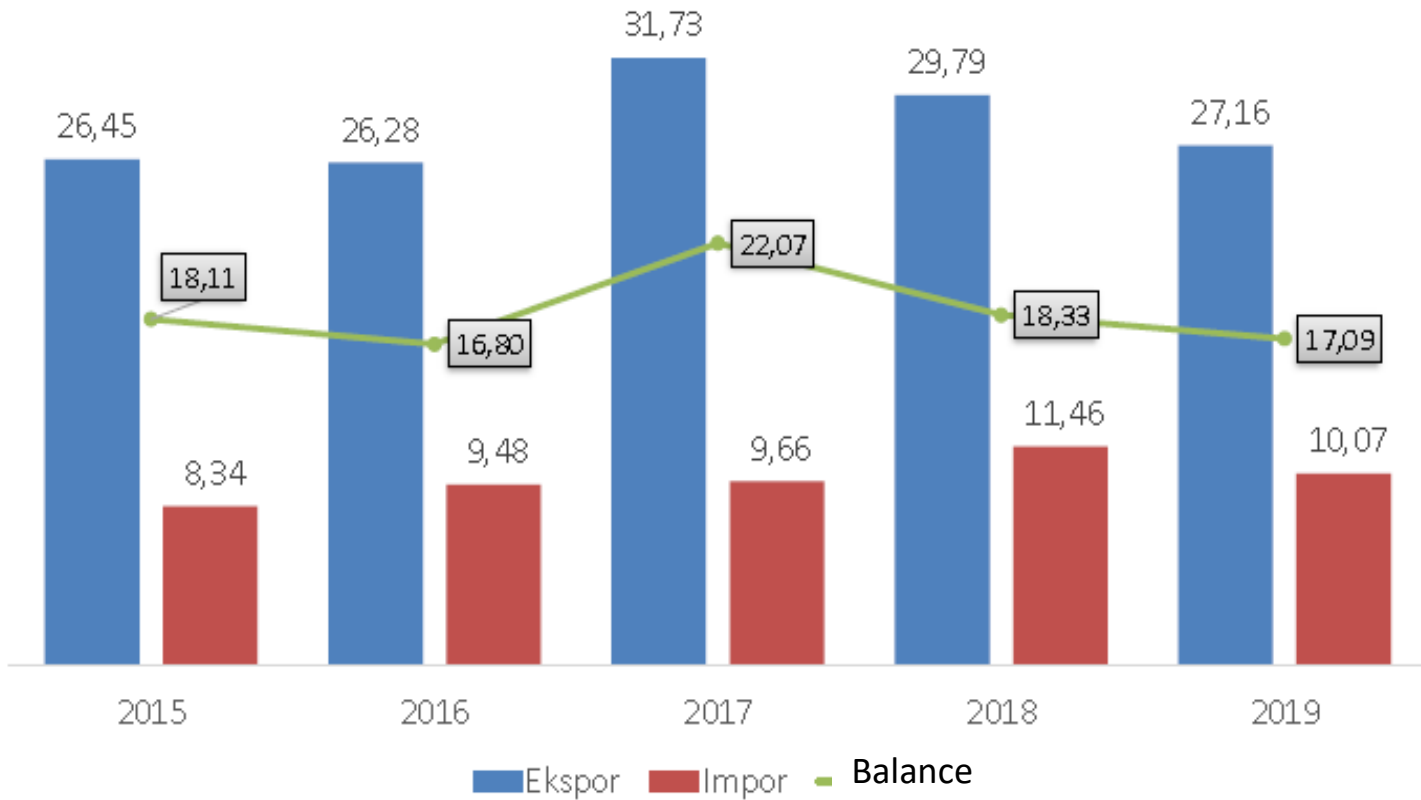


F&B USD 298.4 millions (↓22.1%)

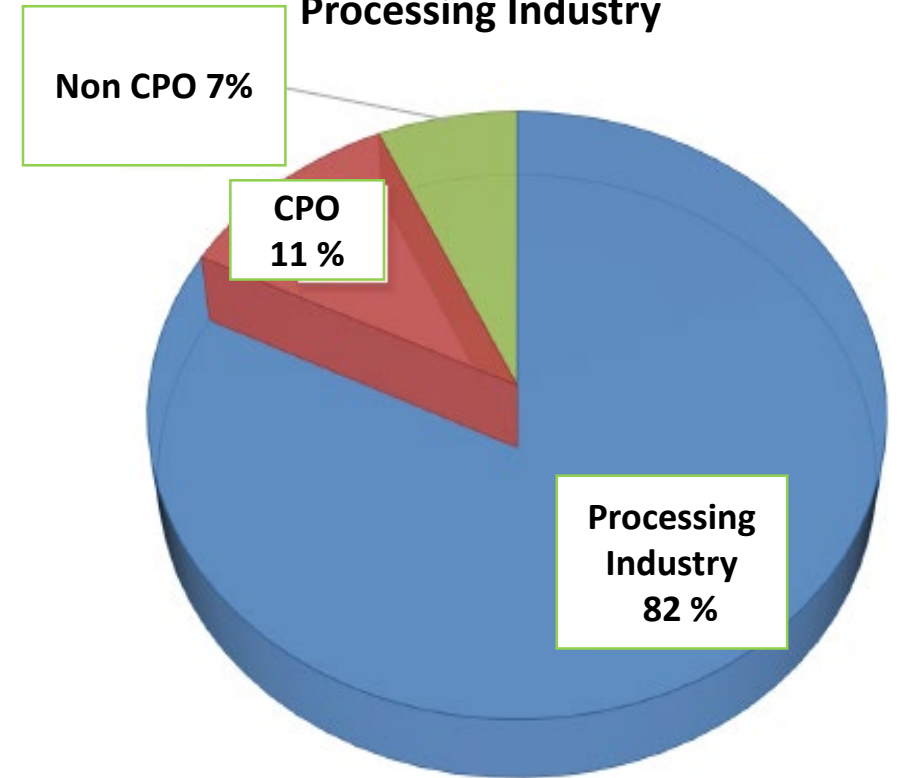
T= Trillion
B= Billion

Export – Import Food products included CPO in 2019

Balance Export – Import (Bill USD)



Export Contribution of Food Industry to Processing Industry



Source: Pusdatin, Mol

Export of Non-Oil sector still increase until March 2020

	2019	2020	%
January	12,693	12,605	(0.69)
February	11,445	13,122	14.65
March	12,981	13,420	3.38

Million USD	SECTOR	2019**	2020***	%
		Jan - Mar	Jan - Mar	
Source: BPS	Food and Beverage	6,434.30	7,194.24	11.81
	Food	6,407.64	7,173.18	11.95
	Beverage	26.66	21.07	(20.97)

Every country wants to ensure food availability

- As of March, exports are still rising,
- It is estimated that exports will decline after March 2020

Balance Trade Agriculture up to February 2020 (in USD)

Source: MoA

	Export (Jan-Feb)		%	Import (Jan-Feb)		Balance (Jan-Feb)	
	2019	2020	2019	2019	2020	2019	2020
Horticulture	75,513,871	91,073,333	21	244,166,035	167,838,895	(168,652,164)	(76,765,562)
Livestock	94,826,485	125,702,326	33	490,461,803	490,590,207	(395,635,318)	(364,887,881)
Food Crop	16,054,764	17,894,231	11	1,147,534,974	1,189,865,017	(1,131,480,210)	(1,171,970,786)
Plantation	4,028,178,644	5,805,922,164	44	628,968,489	785,427,083	3,399,210,155	5,020,495,081
Total Agriculture	4,214,573,764	6,040,592,054	43	2,511,131,301	2,633,721,202	1,703,442,463	3,406,870,852

Trade Balance of Semi processed & Processed Food in 2016-2020 Feb

in 1000 USD . Source: BPS/ Ministry of Trade

Indonesia – World

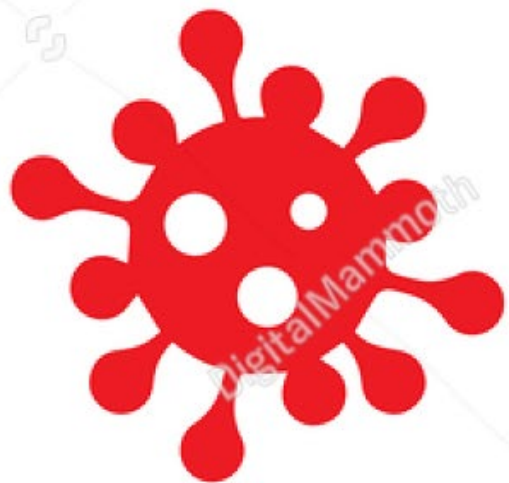
Export			Import			Balanced		
2018	2019	2020 Mar	2018	2019	2020 Mar	2018	2019	2020 Mar
7,447,061	7,458,641	1,790,759	8,452,702	7,483,268	2,045,674	(1,005,642)	(24,627)	(254,915)

Indonesia – ASEAN

Indonesia – ASEAN	Export			Import			Balanced		
Country	2018	2019	2020 Mar	2018	2019	2020 Mar	2018	2019	2020 Mar
MALAYSIA	706,744	584,079	137,908	535,346	413,538	105,116	171,399	170,540	32,792
PHILIPPINE	753,221	967,450	150,838	49,368	31,877	15,376	703,852	935,573	135,462
SINGAPORE	394,631	346,945	88,288	235,631	280,799	79,359	159,001	66,146	8,929
VIETNAM	273,387	265,844	40,377	65,403	49,587	13,587	207,984	216,257	26,790
CAMBODIA	270,727	324,998	94,321	444	2,926	131	270,283	322,072	94,191
THAILAND	234,788	237,127	72,664	1,705,984	1,436,655	385,302	(1,471,196)	(1,199,529)	(312,638)
BRUNEI DARUSSALAM	13,441	13,217	3,149	1	56	0	13,440	13,161	3,148
MYANMAR	62,010	51,752	14,646	5,993	2,535	44	56,017	49,217	14,602
LAOS	231	75	44	62	159	840	169	(84)	(796)

Indonesia – RECP + Taiwan

Indonesia - RCEP + Taiwan	Export			Import			Balanced		
Country	2018	2019	2020 Mar	2018	2019	2020 Mar	2018	2019	2020 Mar
JAPAN	291,306	350,255	77,358	27,082	29,295	10,203	264,224	320,961	67,155
PR of CHINA	397,428	420,853	78,415	843,455	795,401	180,483	(446,027)	(374,547)	(102,068)
SOUTH KOREA	195,046	175,218	41,879	146,879	134,687	33,015	48,167	40,530	8,864
NEW ZEALAND	178,636	128,566	53,135	51,008	66,073	13,955	127,628	62,493	39,180
AUSTRALIA	214,889	236,885	62,461	432,254	282,987	165,984	(217,365)	(46,102)	(103,523)
INDIA	120,986	139,065	40,582	119,578	92,222	22,199	1,408	46,844	18,383
TAIWAN	80,193	77,926	17,268	29,822	45,755	10,143	50,371	32,170	7,125



COVID-19

Coronavirus

Status Covid-19 (7th May 2020)

<https://www.google.com/search?client=firefox-b-d&q=global+data+covid-19>

Indonesia

Confirmed **13,112**
+338

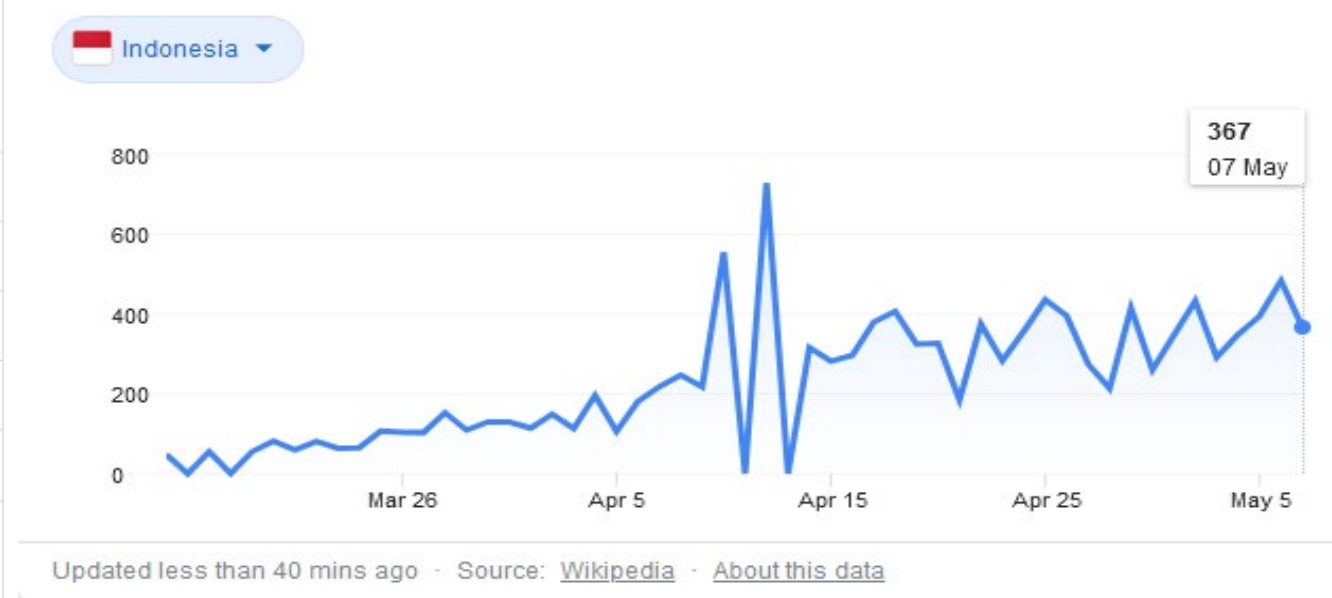
Recovered **2,494**

Deaths **943**
+35

Location	Confirmed ↓	Recovered	Deaths
Banten	505	122	56
Jakarta	4,955	745	424
West Java	1,404	184	92
East Java	1,284	215	138
Central Java	933	161	65

Additional cases are new cases reported yesterday · Updated less than 20 mins ago · Source: [Wikipedia](#) · [About this data](#)

Country	Confirmed	Recovered	Deaths
Worldwide	3.94M	1.32M	275K
Indonesia	13,112	2,494	943
Taiwan	440	355	6



The trend is still going up
When it end? →
Many factors affect the transmission

Ad Hoc Policy due to COVID-19 Pandemic

Central Government's Policy:

1. Maintain buying power
2. Request industries to continue operating (especially strategic industries such as food, health, etc.)
3. Processed food products are expected to support food availability during a pandemic
4. Operating industries must implement strict pandemic prevention protocols, including regulating workers to comply with established procedures (physical distancing, wearing masks, etc.)

1. Presidential Decree 12/2020: Determination of non-natural disasters spreading corona virus disease 2019 (COVID -19) as a national disaster (13 April 2020)
2. Minister of Industry Circular 7/2020: Guidelines for Submitting Application for Licensing for Industrial Activity during the Public Health Emergency COVID-19 (9 April 2020)
3. Minister of Industry Circular 4/2020: Implementation of Factory Operations in the Public Health Emergency COVID-19 (7 April 2020)
4. Minister of Trade's Letter 317/2020: Maintaining the Availability and Smooth Supply of Goods for the Community (3 April 2020)
5. BPOM Circular No: HK.02.02.1.2.04.20.12 / 2020: Efforts to Maintain the Availability of Quality Medicines and Food during the Period of Specific Emergency Situations in the Covid-19 Plague in Indonesia (3 April 2020)
6. Government Regulations in Lieu of Law 1/2020: State Financial Policies and Financial System Stability for Handling Covid-19 Pandemic and/or in Overcoming Threats that Harm National Economy and/or Financial System Stability (31 March 31 2020)
7. Presidential Decree 11/2020: Determination of Community Health Emergency due to Corona Virus Disease (31 March 2020)
8. Presidential Decree 9/2020: Amendment of Presidential Decree 7/2020 concerning Task Force for the Acceleration of Handling Covid-19 (20 March 2020)

SURAT KETERANGAN/IZIN OPERASIONAL DAN MOBILITAS KEGIATAN INDUSTRI

Nomor: 00001

Kementerian perindustrian memberikan izin operasional dan mobilitas untuk menjalankan kegiatan industri kepada perusahaan industri yang tersebut di bawah ini:

PT Indo Pangan

yang beralamat di **Jl. Raya Arteri Km 19, Brangsong, Brangsong, Kabupaten Kendal, Jawa Tengah,**

sebagai industri yang memerlukan keberlanjutan dalam proses produksinya dan perlu diberikan dukungan kemudahan dan fasilitasi kelancaran mobilisasi usahanya oleh pihak/instansi terkait.

PT Indo Pangan tetap memperhatikan jumlah minimum karyawan dan wajib memenuhi ketentuan pelaksanaan operasional pabrik dalam masa kedaruratan kesehatan masyarakat Corona Virus Disease 2019 (Covid-19), sesuai Surat Edaran Menteri Perindustrian Nomor 4 Tahun 2020.

PT Indo Pangan bertanggung jawab secara hukum apabila terdapat tindakan pelanggaran dan penyalahgunaan Surat Keterangan ini. Apabila selanjutnya ditemukan hal-hal yang bertentangan dengan perundangan dan ketentuan yang berlaku, maka Surat Keterangan ini dinyatakan batal demi hukum.

Keaslian isi Surat Keterangan ini dapat dicek dengan cara men-scan gambar QR Code berikut:



The industry must implement strict protocols for the prevention of Covid-19



MENTERI PERINDUSTRIAN REPUBLIK INDONESIA

- Yth. 1. Ketua Kamar Dagang dan Industri Indonesia
2. Ketua Asosiasi Pengusaha Indonesia
3. Ketua Asosiasi Industri
4. Pimpinan Perusahaan Industri/Perusahaan Kawasan Industri

di

Tempat

SURAT EDARAN

MENTERI PERINDUSTRIAN REPUBLIK INDONESIA

NOMOR 7 TAHUN 2020

TENTANG

PEDOMAN PENGAJUAN PERMOHONAN PERIZINAN PELAKSANAAN KEGIATAN INDUSTRI DALAM MASA KEDARURATAN KESEHATAN MASYARAKAT CORONA VIRUS DISEASE 2019 (COVID-19)



PEDOMAN

PRODUKSI DAN DISTRIBUSI PANGAN OLAHAN

PADA MASA STATUS DARURAT KESEHATAN
CORONA VIRUS DISEASE 2019 (COVID-19)
DI INDONESIA



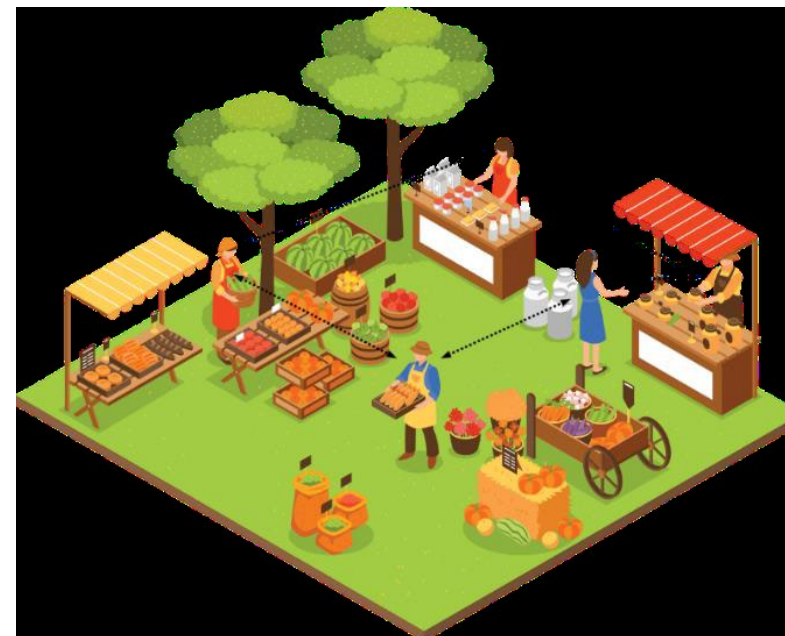
BADAN PENGAWAS OBAT DAN MAKANAN RI
APRIL 2020

GUIDELINES FOR MANUFACTURING AND DISTRIBUTION OF PROCESSED FOOD in Emergency Health Status of COVID-19 in INDONESIA

E-book

<https://bit.ly/PedomanProduksiDistribusiPanganOlahan>

- **Food Sanitation: GMP, HACCP**
- **Personal hygiene and health**
- **Physical Distancing**
- **Distribution & Retail : GDP**
- **Delivery Services**
- **Sales facility for Ready to Eat Food**



Impact

- ~~(Social Distancing)~~ → Physical Distancing
- PSBB (large-scale social restrictions), instead of lock down → regulated by 4 Provinces and 22 District/City (update 3rd May 2020)
- Psychology's impact (fear factor, worries)
- Most activities and tourism stops
- People's income suddenly drops or stops
- Potential for food insecurity and the addition of poor population
- Production and Consumption is disrupted
- Certain products category is increasing during WFH (milk, spices, cooking oil, flour, biscuits, and also nutritional food)
- Online market is increasing significantly in percentage (from small a small base)
- Supply Chain disrupted (especially fresh food) → including export import in GVC

Economic

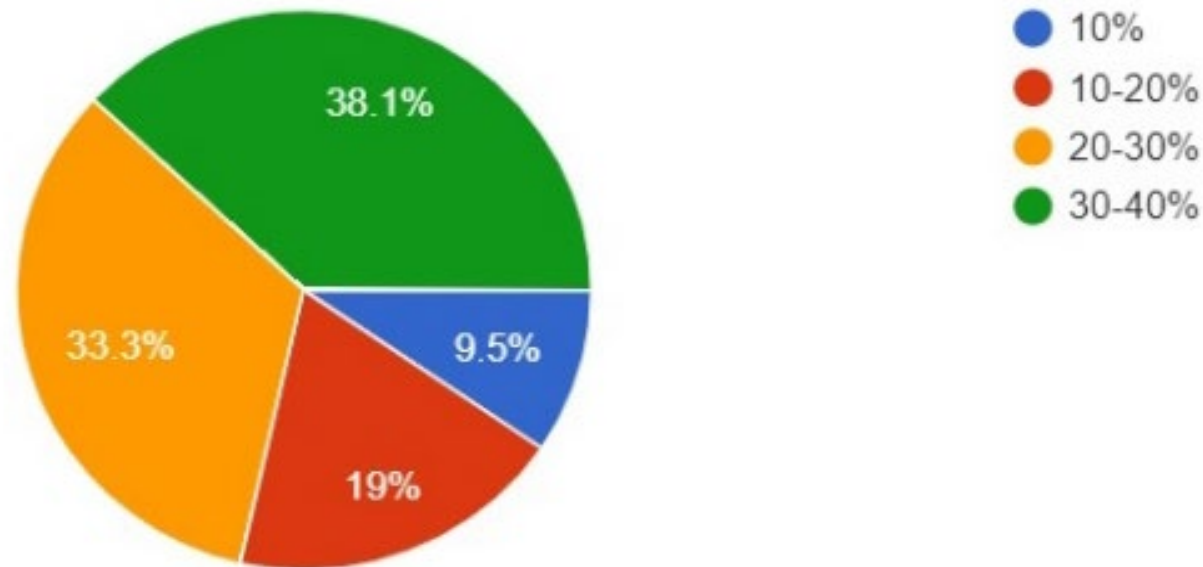


- Distrust
- Capital out flow
- Exchange rate pressure
- Cash flow risk
- Lack of working capital

Survey to member : Impact Pandemic Covid-19

- Sales decline occurred after the 3rd week of March
- Normally, before the fasting month Ramadhan and Eid, the sale of food products should increase sharply
- Unfortunately, it not be happened → NO FESTIVE , the sales is predicted as a normal month

**2nd April 2020: An estimate of what percentage of sales will decline in the next two months?
(63 respondent)**



Opportunity

Food category is still good sales

- **Cooking oil**
- **Seasoning**
- **Milk and liquid milk**
- **Breakfast food**
- **Canned fish and meat**
- **Instant noodle**
- **Dry food**
- **Biscuits**
- **Functional and nutritious food**

- **Good sales occur in the Modern Trade (MT) in big cities**
- **Whereas in traditional markets (GT) it is mostly down**
- **Many outlets are closed during restriction**
- **Demand decreases**
- **People (especially medium low class income) focus on purchasing basic necessities products**

FMCG F&B markets:

- **MT = 26 – 27 %**
- **GT = 73 – 71%**
- **Online = 1 – 2 %** (during Covid-19 is reported the sales increase significantly up to 500 – 600% , but from small base)

Opportunity: Food Delivery Services and Online Order during Pandemic Covid-19

2020

Penghasilan di segmen pesan-antar makanan secara online diperkirakan mencapai **US\$122,74 miliar**

Sumber: Statista
LFQ



- Segmen pasar terbesar adalah pengiriman dari platform kepada konsumen dengan volume pasar mencapai **US\$62,8 miliar** tahun 2020

Daftar Negara Pertumbuhan Bisnis Pesan-Antar Makanan Terbesar di Dunia

Negara	Angka Penetrasi Pasar Bisnis Pesan-Antar Makanan (US\$)
Cina	45,91 miliar
Amerika Serikat	23,99 miliar
India	9,21 miliar
Inggris	5,43 miliar
Brasil	2,99 miliar



Sales of F&B Products in E-commerce have Risen Sharply during Covid-19

Anggoro Suryo Jati - detikInet

Jumat, 24 Apr 2020 09:31 WIB

0 komentar

SHARE



- Reported by e-Commerce Sirclo enabler, the demand for **food and beverage products increased 143% from February to March 2020**. Products such as instant packaged drinks, packaged juices, and milk were the highest increasing products, followed by resistant food packaging products. long time, like biscuits, gravy, and snacks.
- Until the **second week of April, the increase in demand for these products has been 1.5 times compared to February**. Until the end of April, the increase compared to February is expected to reach 261%.

Forbes report: Five Ways That Coronavirus Will Change The Way We Eat

<https://www.forbes.com/sites/daphneewingchow/2020/03/31/five-ways-that-coronavirus-will-change-the-way-we-eat/#35f0226c1a2b>

1. Home cooking will make a resurgence

- [Yelp's Coronavirus Impact Report](#) : consumers want food with **minimal human touch points**.
- Survey by [Technomic](#): 32 % of adults plan to **eat at restaurants less often** due to COVID-19 concerns..
- Survey by [Variety](#) : 47 % of respondents agreed that the idea of going to a major public event **“will scare me for a long time.”**
- Home cooking could also result in an increase in sales of cooking staples, meal kits and accompaniments to meals.

2. Healthy and Organic Eating will become increasingly important

- An **increase in demand** for organic food, vegan, vegetarian and other healthy foods as a result of the pandemic.
- The March performance of organic food companies such as Nourish Organics, which experienced an increase in sales of approximately 30 % and the surge in demand for organic vegetable box delivery in the United Kingdom

3. Food Safety will come under a tighter lens

- **No evidence that coronavirus is transmitted via food**
- Survey by [The Packer](#), grocery shoppers have **changed their shopping habits due to fears of catching coronavirus from food**.
- Survey respondents : **buying less fresh produce** in grocery stores and **more canned foods** due to fears around food safety.
- Consumers want **food that is pre-packaged**. Even among those who understand that they cannot catch coronavirus from food, there is an elevated fear around food safety that has even **extended to home kitchens**.

Forbes report: Five Ways That Coronavirus Will Change The Way We Eat

<https://www.forbes.com/sites/daphneewingchow/2020/03/31/five-ways-that-coronavirus-will-change-the-way-we-eat/#35f0226c1a2b>

4. There will be reduced demand for exotic, risqué foods

- 20,000 wildlife farms in China have been shut down or quarantined and a strict ban is being implemented on the farming and consumption of exotic animals.
- Although there is some **disagreement** around which **animal transferred the virus to humans**, it is an accepted fact that outbreaks are more likely when exotic animals from different environments, with viruses that are specific to those environments, are kept in close proximity.

5. There will be greater focus on eating local

- Yelp's Coronavirus Impact Report: consumers are more likely to want to **know the source of their food**.
- Community-supported agriculture (increase in demand of 430 %) and farms (increase in demand of 149 %).
- On the supply side, the interruption of global supply chains and closure of borders due to COVID-19 will impact **foreign food production and reduce imports**.
- Consumers will also want to **limit their exposure to crowds** for quite some time, which will increase the demand for **online purchasing of food, curb side pick up, take out and delivery**.

How to anticipate: Shifting the Patterns of Life and Business

Based on several survey, courtesy of Mc Kinsey, FIA, Palette, Forbes, etc

Shifting in sales channels

- Distribution channels, including those related to food safety and sanitation / hygiene
- The way to market the products and services
- Changes in product handling systems
- Less dine in, more home eating

Shifting the mindset of earning income and spending

- Each social class has a different character, but all will be influenced by experience during COVID-19
- Shifting of lifestyle

Shifting in the mindset of food safety and Resource

- Health concern and eating more healthy food (nutritional, plant based & functional food)
- Packaging becomes an important element in extending the shelf life and food safety
- Fresh, Frozen and packaged food
- Concern the origin of food

Shifting in brand loyalty

- Opportunity for new comer
- Challenges

The Food Industry must be Ready to Adapt the Changes



Impact to Food Trade & GVC

- The end of Trade War
- Entering a New Normal Economic Era

IMF (24th March 2020)

- COVID-19 may trigger **global recession** in 2020 that could be worse than the one triggered by the global financial crisis of 2008-2009
- World economic output should **recover in 2021**

McKinsey

- Global slowdown in demand to improve and consumer confidence to recover when disease is perceived “**under control**”
- Retailers with **thin margins** in affected areas likely to face severe drops in demand,
- Liquidity and **working capital constraints**, forcing companies at risk (especially SMEs) to lay off workers
- Cross-sector impacts due to **logistics challenges**
- Governments may step in with **stimulus strategy** (e.g., Postponing employee benefit payments)
- Risk mitigation by pursuing **online / omni-channel strategies** given accelerated trend in consumer behavior

Indonesia

- **Maintain Food security : availability – affordability – nutritious**
- **Maintain Buying power**
- **Incentives package and Grant to ensure efficiency in the production and supply chain**

Mitigating impacts of COVID-19 on food trade and markets

Joint Statement by QU Dongyu, Tedros Adhanom Ghebreyesus and Roberto Azevedo, Directors-General of FAO, WHO and WTO

(<http://www.fao.org/news/story/en/item/1268719/icode/>) 31 March 2020, Rome/Geneva

1. Millions of people around the world **depend on international trade** for their food security and livelihoods.
2. **Countries should ensure that any trade-related measures do not disrupt the food supply chain.**
3. **Uncertainty about food availability** can spark a wave of export restrictions, creating a **shortage on the global market.**
4. The **balance between food supply and demand**, resulting in **price spikes** and increased price volatility.
5. From previous crises that such measures are particularly damaging for low-income. Must prevent the repeat of such damaging measures.
6. **International cooperation becomes vital.**
7. In the midst of the COVID-19 lockdowns, every effort must be made to ensure that **trade flows as freely as possible**, specially to **avoid food shortage.**
8. Food producers and food workers at processing and retail level **are protected to minimize the spread** of the disease within this sector and maintain food supply chains.
9. Consumers, in particular the most vulnerable, must continue **to be able to access food** within their communities under strict safety requirements.
10. **Information on food-related trade measures**, levels of food production, consumption and stocks, as well as on food prices, is available to all in real time.
11. Response to COVID-19 does not unintentionally create **unwarranted shortages of essential items** and exacerbate **hunger and malnutrition.**



7 April 2020

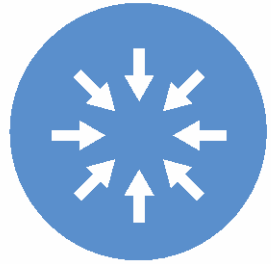
Food supply chain disruptions and trade protectionist measures amid COVID-19 pandemic could cause food shortages across ASEAN

**Joint Statement ASEAN BAC, EU-ABC, AFBA and FIA
Recommendations to ASEAN leaders:**

1. We commit to do whatever we can to **ensure uninterrupted food production and supply chains**, including the preservation of open borders for goods, both at an upstream and downstream level
2. **All people involved in food and beverage supply chains** are considered to be critical infrastructure and essential like healthcare workers
3. Protect the labour supply to keep supply chains functioning, with the prerequisite of businesses implementing measures such as **provision of personal protective equipment and safe distancing**. Ensure those who are sick or feeling unwell do not work to protect others.
4. Ensure **public and private consultation** for any policy decision around the supply of food to mitigate the effects of the crisis as much as possible

Meet immediate needs of vulnerable populations: Issues on trade and tax policies

Adjustments to trade and tax policies



Encourage better functioning food markets through improved regional political and economic integration and better functioning for trade in food



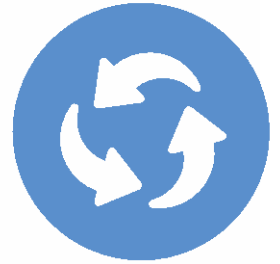
Immediately review trade and taxation policy options and their likely impacts



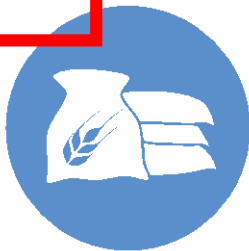
Avoid generalized subsidies for food consumers



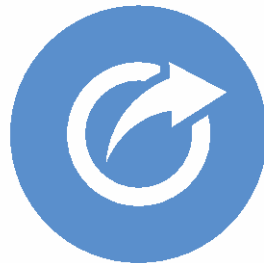
Reduce restrictions on use of stocks



Improve efficiency of trade facilitation



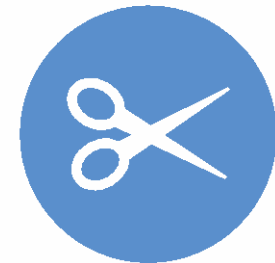
Use limited strategic grain reserves



Minimize use of export restrictions

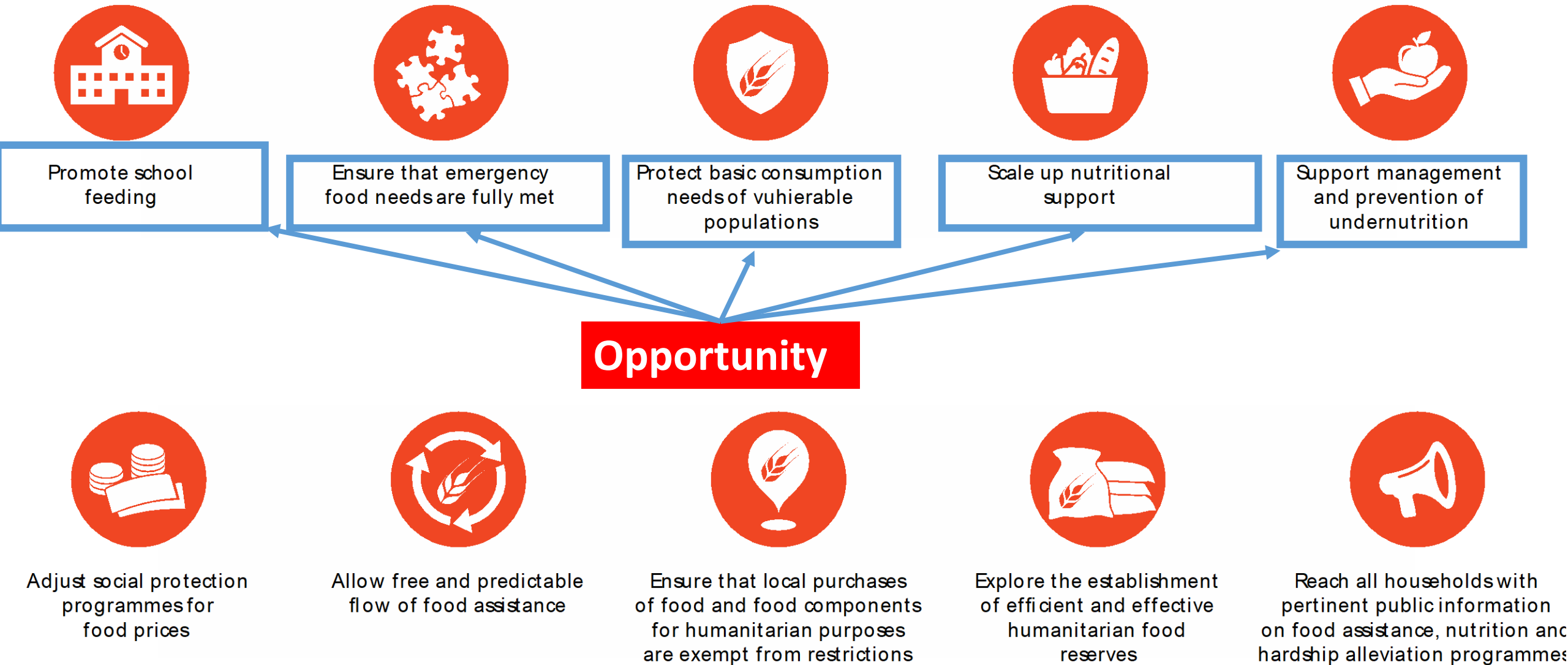


Reduce import tariffs and other restrictions



Temporarily reduce VAT and other taxes

Meet immediate needs of vulnerable populations: Emergency Food Assistance, nutrition interventions and safety nets enhanced and made more accessible



Role of Food Industry in the Value Chain

AVAILABILITY

More plentiful of nutritious food, more productive land use

AFFORDABILITY

to fulfill food and nutrition for each individual

CONSUMPTION

food safety, nutrition & Health (Reformulation), Tasty solution, processing, storage, household storage, food flows to meet demand



What to do: Mitigating impacts of COVID-19 on food trade and markets

Focus on combating Pandemic Covid-19

One Policy : Central – Local Government

One Team : All stakeholders at the same position with one policy

Industry must continue to run so that the economy can continue to grow and create jobs

In particular the food industry plays an important role in food availability

People's purchasing power must be maintained

Food demand must be fulfilled , including adequate nutrition and **safe food**, so that productivity can be maintained, including the food supply chain must be kept running well

4 Crisis has occurred

Conclusions of the FEMA - IPB discussion on Agribusiness (21st April 2020)

Trade relations crisis due to trade wars

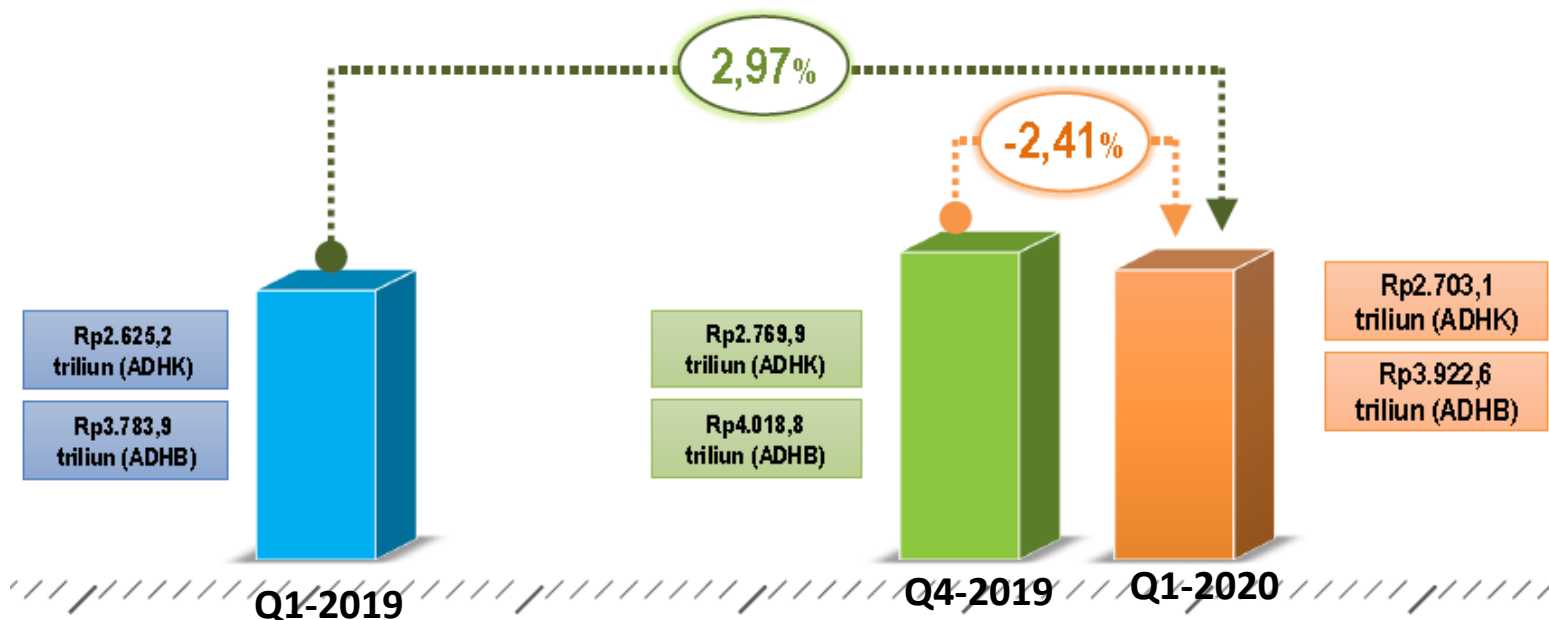
Health crisis due to Covid-19

Petroleum crisis due to falling oil prices

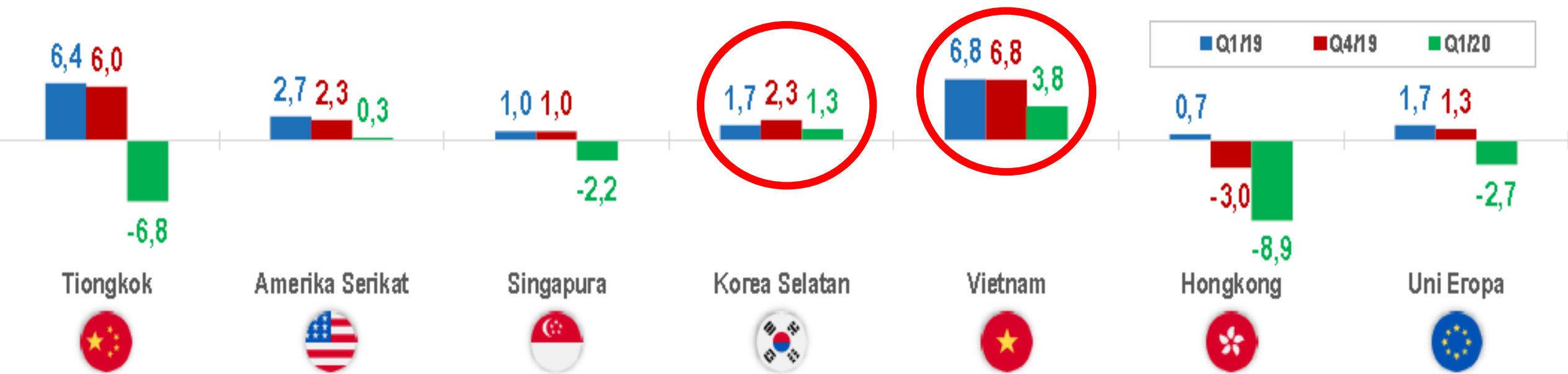
**A global leadership crisis due to excessive nationalism
(Nationalism – Protectionism)**

**FOOD CRISIS
must not occur**

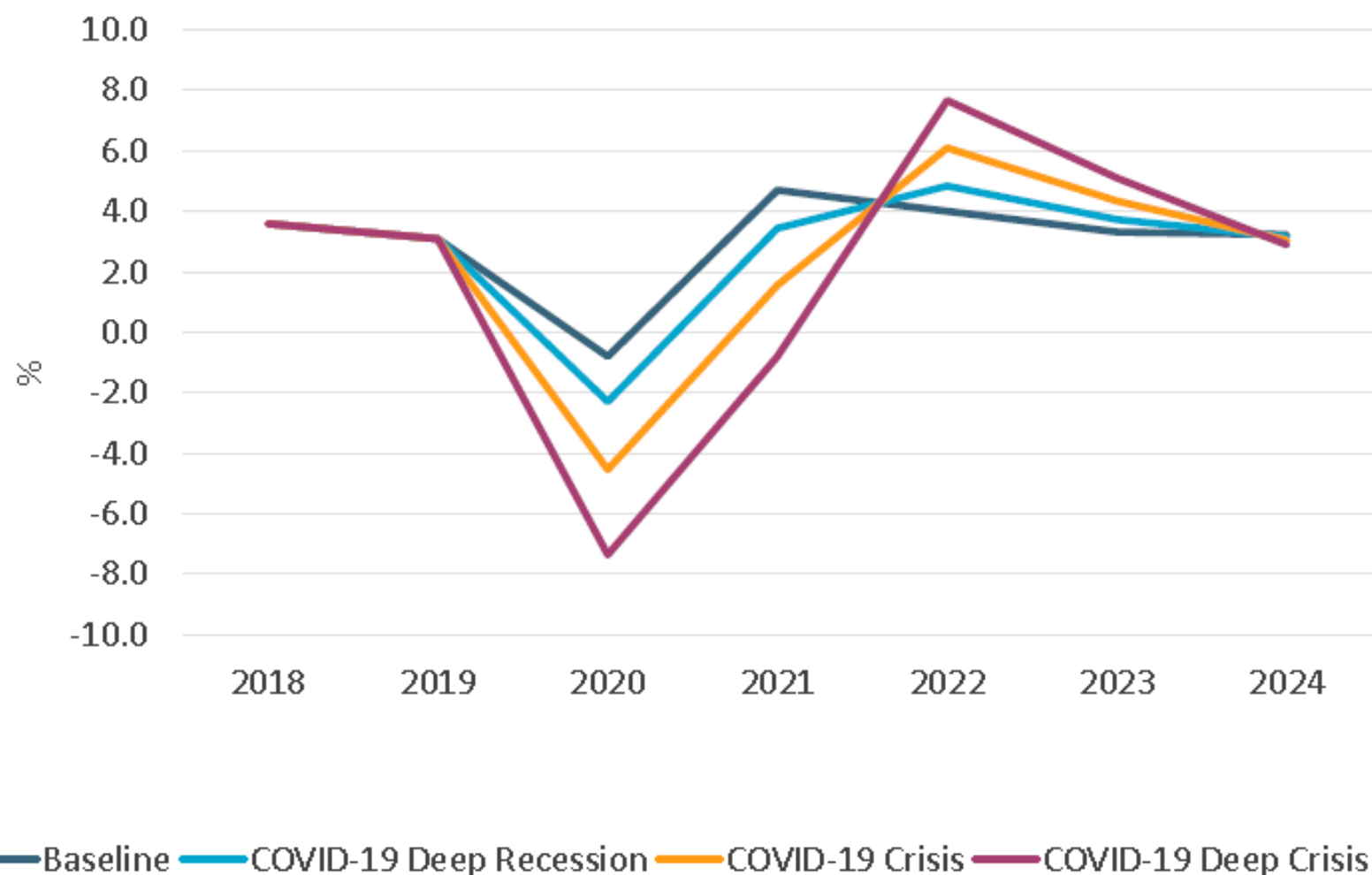
Economic Growth Q1-2020: Indonesia and several Country Partner (Source: BPS)



**Indonesia MoF 2020 Scenario:
GDP Growth (0.4%) - 2.3%**



Global Real GDP Growth: 2018-2024



GDP / Capita will drop significantly in 2020

COVID-19 is causing multiple sectors of the economy to shut down in their entirety, creating high unemployment levels and financial uncertainty within the self-employed category. The pandemic's duration will dictate future economic outcomes. For example, under a Deep Crisis scenario (a pandemic duration of 2-6 quarters, global infection rates of 20-50% and a mortality rate of 1.5-3.5%), there would be a drop of nearly -5.5% to -9.0% in global GDP / capita in 2020.

Source: Euromonitor International

Optimizing the Policy Mix to Combat the COVID-19 Pandemic and Maintaining Economic Sustainability



Mitigating the Pandemic's Impact

FISCAL POLICY

Line ministries and regional gov't: budget priorities to tackle COVID-19

Rp190 T Spending cut/saving
Rp55 T Spending Reallocation

Budget
Refocusing &
Reallocation

STIMULUS I
Rp8,5 T

STIMULUS II
Rp22,5 T

STIMULUS III
Rp405,1

Maintaining people's purchasing power and ease of export and import:

- Fiscal stimulus
- Non-Fiscal Stimulus
- Policy in the Financial Sector

Strengthening the domestic economy through:

- Accelerating spending & encouraging labor-intensive policies
- Spending stimulus

Rescuing national health and economy, as well as maintaining the stability of the financial sector (through **Perppu No.1 Tahun 2020**)

- State Financial Policy (health, social safety net, business support & economic recovery financing support)
- Policy in the Financial Sector

MONETARY AND FINANCIAL POLICY

MONETARY*

- Reducing BI 7DRR
- Increasing *triple intervention* intensity
- Lowering Currency Statutory Reserve (GWM) in Rupiah & foreign currency
- Extend SBN tenure

BANKING

- Relaxation of credit/financing/fund provision requirements for MSMEs
- MSMEs credit/financing restructuring


Economic Stimulus Programs for MSMEs and Cooperatives



- 1. Interest subsidy and recap guarantee relief programs (KUR, PMN, Pegadaian)**
 - Inclusive part of the **Economic Safety Net (Rp. 70.1 T – Cluster III)**
 - **Interest subsidy** and **Installment payment** following the **KUR** scheme
 - Facilitating **Fintech** to become **channelling agent** to access **KUR and PIP**
 - The **fiscal impact** for the Payment of Interest Subsidies and Principal Delays :
 - KUR = **Rp 6.1 T** (19.5 million Customers);
 - PNM = **Rp 2.3 T** (6.5 million Customers);
 - Pegadaian = **Rp 5.3 T** (10 million Customers).
- 2. The Saving and Loan Cooperatives (KSP)** is facilitated through **LPDB**, where the amount and total is taken from the **budget reallocation and refocussing** of the Ministry of Cooperatives and SMEs.
- 3. Financing for rural banks, PNM, Pegadaian (pawnshops)** is accessed through the **Financial Safety Net** that is being prepared (draft of Cluster IV GR is under process)
- 4. Exemption of MSME income tax** (to 0%) for a **period of 6 months**:
Tariff decrease in MSME's Final Income Tax from 0.5% → 0% (**fiscal impact: Rp. 2.4 T**)
- 5. The use of Warung (stalls)** for food distribution is coordinated by Ministry of Social Affairs and OJK through **the Laku Pandal program**.



Opportunity after COVID-19 (Recovery Stage)

- 
- Human behavior → Paranoid, Health Prevention, cleaner & hygienic attention
 - Life style → Channel shift (less eating out, travelling, etc), virtual living, product handling, etc
 - Business Model → anticipating demand of staple food, nutritious and healthier food
 - Supply Chain and Food Trade → more hygienic channel, modern trade, online platform, etc

With the various changes, the Food Industry is expected to recover the fastest

- In general, **processed food products** are expected to recover quickly because they are needed by the community as basic needs. Moreover, there are some concerns about eating fresh food because of limited shelf life, logistical problems, and food safety
- **Staple food products** are definitely needed first and foremost
- Then food related to the **fulfillment of nutrition and health**, like milk, cereal, functional food, etc
- Likewise the **food of pleasure**, especially for the upper middle class after waiting within limits during the pandemic

F&B Industry Q1-2020

- Q to Q : - 0.7 %
- Y on Y : + 3.94%

F&B Industry -2020

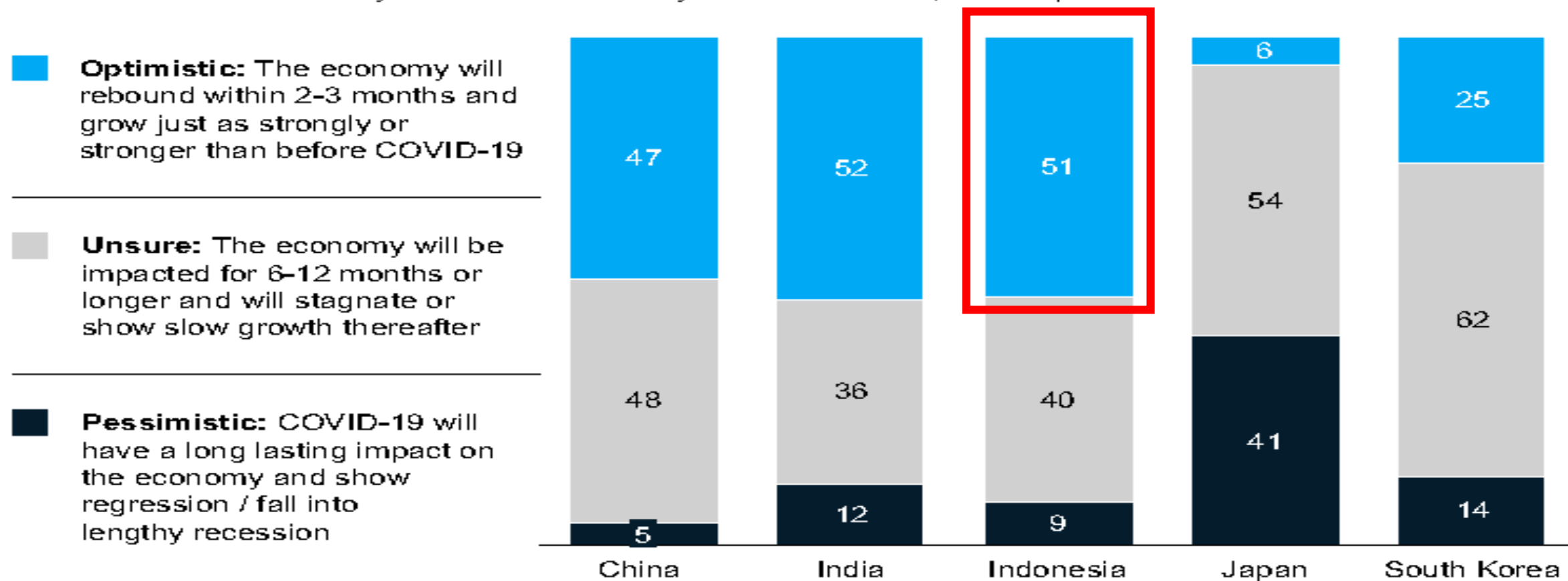
- Y on Y : 4 – 5 %
- *Projection

McKinsey Survey: Consumer Optimism

Consumer sentiment by country

Consumer optimism likely tracks the stage of COVID progression, recently publicized government measures, and news events

Confidence in own country's economic recovery after COVID-19¹, % of respondents



1. Q: What is your overall confidence level regarding economic conditions after the COVID-19 outbreak? Rated from 1 very optimistic to 6 very pessimistic

Source: McKinsey & Company COVID-19 Consumer Pulse Surveys (China 3/23-3/30/2020 N = 1,048; South Korea 3/28-3/29/2020 N = 600; Japan 3/28-3/29/2020 N = 600; Indonesia 3/28-3/29/2020 N = 691; India 3/27-3/30/2020 N = 582)



What to do ? → Collaboration in Harnessing the Opportunity after COVID-19

**Focus in combating
Covid-19**

**Maintain the
purchasing power of
the people with
various Government's
programs**

**Support the business
to survive with
providing fiscal and
non-fiscal incentives**

**Relaxing policies in the
process of economic
recovery**

**Government -
Business collaboration
to accelerate recovery**

**Global Collaboration:
technologies &
innovation to accelerate
the recovery process**
**New Products and
Ingredients to fulfill the
new demand**

**Supporting SMEs to be
exist in the recovery
process & minimize
status gap**

Innovate your
Management
& Human
Capital

Innovate your
Products

Innovate your
Market

Innovate your
way to meet
Consumers



Featuring



One Way to Realize Your Innovation



Thank you

Stay Safe & Healthy