



MACROECONOMIC UPDATE

DESCRIPTION 01

Aliquam id adipiscing arcu. Integer congue metus mi, non fringilla diam auctor, eget. Suspendisse porttitor arcu. Res. Augue feugit rhoncus.

DESCRIPTION 02

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VACCINE: THE HOPE

PEFINDO is of the view that an effective and mass produced COVID-19 vaccine is the key to ending the current global health crisis and its devastating economic impacts. As of August 13, 2020, just one such vaccine has been approved for early use, “Sputnik V”, developed by the Gamaleya Research Institute in Moscow, although experts have raised considerable concerns over its safety and efficacy given that it has not yet completed Phase 3 clinical trials. At the same time, hopes for an effective vaccine stem from the fact that researchers around the world are developing more than 165 vaccines against the novel coronavirus, with 31 of these already undergoing human trials. If everything goes well, we will move closer to health and economic recovery.



VACCINE ON THE WAY

“Sputnik V”, formerly known as Gam-COVID-Vac and developed by the Gamaleya Research Institute in Moscow, was registered by the Ministry of Health of the Russian Federation on August 11, 2020, becoming the first approved COVID-19 vaccine in the world. It is being manufactured by Binnopharm in Zelenograd, which can produce 1.5 million doses per year, with plans to expand its manufacturing capacity. However, there are some concerns and unanswered questions over its safety and effectiveness, given that it has not yet completed Phase 3 clinical trials.

Some countries — such as Germany, India, the United States, the United Kingdom — and even some Russian experts have raised doubts over the quality and safety of Russia’s vaccine. But on August 14, Vietnam announced it will buy 50 million to 150 million doses of Sputnik V.

Setting aside the controversy over Sputnik V, World Health Organization data as of August 13 shows that researchers around the world are developing more than 165 vaccines against the novel coronavirus, with 31 of these already undergoing human trials. At least 15 candidate vaccines are already in Phase 2 trials, and 7 are in the third and final stage of clinical trials. The US government itself has chosen three vaccine candidates to fund for Phase 3 trials under Operation Warp Speed: Moderna’s mRNA-1273, the University of Oxford and AstraZeneca’s AZD1222, and Pfizer and BioNTech’s BNT162. Indonesia’s Bio Farma also began the Phase 3 clinical trial of a COVID-19 vaccine on August 11, with hopes that mass immunization can begin early next year.

As we know, the COVID-19 pandemic has spread with alarming speed. Beyond infecting millions of people, it is also bringing about economic downturns on a global scale. Based on the World Bank’s Global Economic Prospects in June 2020, every region is subject to substantial growth downgrades. East Asia and the Pacific will grow by a scant 0.5%, South Asia will contract by 2.7%, Sub-Saharan Africa by 2.8%, Middle East and North Africa by 4.2%, Europe and Central Asia by 4.7%, and Latin America by 7.2%. Indonesia is expected to grow by only 2.1% but in the worst-case scenario, it can drop to –3.5%.

TABLE 1. OVERVIEW OF SARS-COV-2 VACCINE CANDIDATES CURRENTLY IN PHASE 2 AND PHASE 3 CLINICAL TRIALS AS OF AUGUST 13, 2020

No.	Candidate	Sponsor	Trial Phase	Institution
1	Inactivated vaccine	Wuhan Institute of Biological Products; China National Pharmaceutical Group (Sinopharm)	Phase 3	Henan Provincial Center for Disease Control and Prevention
2	CoronaVac	Sinovac	Phase 3	Sinovac Research and Development Co., Ltd.
3	mRNA-1273	Moderna	Phase 3	Kaiser Permanente Washington Health Research Institute
4	Bacillus Calmette-Guerin (BCG) live-attenuated vaccine	University of Melbourne and Murdoch Children's Research Institute; Radboud University Medical Center; Faustman Lab at Massachusetts General Hospital	Phase 2/3	University of Melbourne and Murdoch Children's Research Institute; Radboud University Medical Center; Faustman Lab at Massachusetts General Hospital
5	AZD1222	The University of Oxford; AstraZeneca; IQVIA	Phase 2/3	The University of Oxford, the Jenner Institute
6	BNT162	Pfizer, BioNTech	Phase 2/3	Multiple study sites in Europe and North America
7	Ad5-nCoV	CanSino Biologics	Phase 3	Tongji Hospital; Wuhan, China
8	Adjuvant recombinant vaccine candidate	Anhui Zhifei Longcom Biopharmaceutical, Institute of Microbiology of the Chinese Academy of Sciences	Phase 2	
9	ZyCoV-D	Zydus Cadila	Phase 2	Zydus Cadila
10	Covaxin	Bharat Biotech; National Institute of Virology	Phase 2	
11	BBIBP-CorV	Beijing Institute of Biological Products; China National Pharmaceutical Group (Sinopharm)	Phase 1/2	Henan Provincial Center for Disease Control and Prevention
12	GX-19	Genexine	Phase 1/2	
13	Sputnik V	Gamaleya Research Institute, Acellena Contract Drug Research and Development	Phase 1/2	Various
14	Self-amplifying RNA vaccine	Imperial College London	Phase 1/2	Imperial College London
15	LUNAR-COV19	Arcturus Therapeutics and Duke-NUS Medical School	Phase 1/2	Duke-NUS Medical School, Singapore

Source: RAPS.org (2020)



VACCINE TO STIMULATE INDONESIA'S ECONOMIC RECOVERY

The COVID-19 pandemic has caused significant economic disruption in Indonesia. Based on Statistics Indonesia (BPS) data, Indonesia's GDP contracted 5.32% Year-on-Year (YoY) in the second quarter of 2020 – the lowest since the first quarter of 1999. Based on expenditure, all of the components of GDP have dropped significantly. Household spending, which makes up more than 50% of domestic GDP, fell 5.51% YoY, while Gross Fixed Capital Formation, which indicates investment and accounts for more than 30% of GDP, dropped 8.61% YoY. The Indonesian government has consequently allocated IDR695.2 trillion (USD49.3 billion) to COVID-19 spending to boost economic growth and strengthen healthcare systems amid the pandemic. However, government expenditures – which was expected to grow – in fact also declined by 6.90% YoY.

The contraction was followed by the declining trend of inflation rates since February 2020 to 1.54% YoY by July, below Bank Indonesia's target of 2- 4% YoY. As the pandemic disrupted businesses and factories, with people forced to stay home to contain the spread of the disease, about 3.7 million individuals have already lost their jobs this year, according to data from the National Development Planning Agency (Bappenas). According to SMERU Research Institute publication in April 2020, COVID-19 is expected to increase the poverty rate from 9.2% in September to between 9.7% and 12.4% by the end of 2020, implying that 1.3 million to 8.5 million more people will be pushed into poverty in Indonesia this year.

On August 11, President Joko Widodo said he was optimistic that the Indonesian vaccine candidate developed jointly with Chinese pharmaceutical company Sinovac Biotech will successfully complete Phase 3 clinical trials. According to Bio Farma, 540 volunteers were gathered in the first phase of registration for the clinical trial, and 1,080 volunteers are expected to be enrolled in the second phase. If the clinical trial proves that the candidate vaccine is safe and effective in preventing COVID-19, State-Owned Enterprises Minister Erick Thohir claimed Bio Farma would be ready to produce 250 million doses of it per year by the end of 2020. With the total number of confirmed cases in Indonesia exceeding 155,000 as of August 23, with 6,700 fatalities, the vaccine development is offering hope for the recovery of the Indonesian economy and people's way of life.

The United Nations (UN) has warned that the COVID-19 pandemic is far more than a health crisis, as it affects societies and economies at their core. To weather the uncertainties caused by the pandemic, which is expected to continue affecting the economy next year, and in order to tackle the socio-economic challenges it creates, the Indonesian government will raise its 2021 state budget deficit assumption to 5.2% of GDP. As a result, the government would have an additional IDR179 trillion in the state budget for priority programs on food security, industrial area development, technology development, education and health care. In 2020, the government has already set aside IDR695.2 trillion for stimulus measures to strengthen the country's healthcare response and boost the economy.

Based on a Forbes survey on August 12 about when experts believe enough doses of FDA-approved COVID-19 vaccines to inoculate 25 million people will be distributed in the United States, most were divided between those who expect it between October 2020 and March 2021, and those who expect it between March 2021 and September 2021. However, the former Bank of India governor and former chief economist of the International Monetary Fund, Raghuram Rajan, warned that even with the arrival of a vaccine, the brutal economic impact of COVID-19 will last longer. Even when enough vaccines have been manufactured, it will still be challenging to get them to hundreds of millions of people.

As a consequence, the pandemic has also caused a decrease in the productivity of individuals and thus corporations, creating a supply shock followed by demand shock from Indonesian consumers. This has also led to significant volatility in the financial market. We hope the vaccine will be successful, and massive production is needed to reduce uncertainty and move closer to economic recovery. If the vaccine is approved in December 2020, we expect economic recovery to begin at the second quarter of 2021, where lockdowns would be eased, the virus is under control, and the labor market and consumer spending are starting to recover. Once these things happen, by the second half of 2021, the economy will hopefully begin return to its pre-pandemic level as of March 2020.