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**Voluntary Report** – Voluntary - Public Distribution

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**Country:** Indonesia

**Post:** Jakarta

**Report Category:** Food Service - Hotel Restaurant Institutional

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**Report Highlights:**

Indonesia's once thriving Hotel, Restaurant and Institutional food service sector has seen a sharp decline in sales as a result of social distancing measures implemented to mitigate the spread of COVID-19. The once booming tourism industry has seen travel nearly cease as domestic and foreign travelers stay home and airlines and hotels drastically reduced operations.

## **Background**

On March 2, 2020, Indonesia confirmed its first case of COVID-19. Since then, the virus has spread and been confirmed in all 34 provinces, with Java island representing the highest number of cases. As of May 18, Indonesia had confirmed 18,010 cases and reported 1,191 deaths related to the virus.

On March 31, 2020, the Government of Indonesia (GOI) issued a regulation implementing Large-Scale Social Distancing (locally known as PSBB) to mitigate the spread of COVID-19. As of May 8, 2020, 13 cities across four provinces have been approved by the Ministry of Health to implement PSBB for 14 days, which can be extended as needed. Cities implementing PSBB include Jakarta, Bandung, Surabaya, Bogor, and Makassar. The restrictions include the temporary closure of schools and offices, restricted religious activities, limited access to public spaces, closure of social and cultural sites, and transportation restrictions. Businesses that provide services related to defense and security, public orders, food and agriculture, fuel and gas, healthcare, finance, communication, strategic industries, export-import, distribution/logistics and other basic needs are exempted from mandatory closure.

## **Economic Data**

Year	2018				2019				2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP Growth	5.06%	5.17%	5.17%	5.17%	5.07%	5.06%	5.04%	5.02%	2.97%
Accommodation Sector Growth	4.38%	4.30%	4.30%	4.31%	2.98%	1.76%	1.40%	1.34%	-4.55%
Food and Beverages Service Activities Growth	5.41%	5.69%	5.91%	6.03%	6.59%	6.68%	6.65%	6.92%	3.52%

Source: [BPS 2020](#)

## **Restaurant Sector**

Following the implementation of social distancing measures, most restaurants in Indonesia have limited their services, and many have been forced to temporarily close operations. In some cities such as the capital Jakarta, PSBB requirements have limited operating hours and restricted service to takeaway or online ordering for delivery. Most restaurants located in shopping malls, normally a major social destination for many Indonesians, have been forced to close as the malls themselves have shutdown. According to the Indonesian Shopping Center Association (APPBI), 327 shopping centers across Indonesia were closed or were operating under limited capacity. This also negatively impacted many quick-service restaurant chains that typically fill shopping areas.

## **Indonesia: Foodservice Market Structure**

Foodservice Outlets	2018		2019		Top 5 Brand Shares
	Number of outlets	Sales value (in US\$ million)	Number of outlets	Sales value (in US\$ million)	
Cafés/ Bar	5,477	2,502.5	5,622	2,641.8	Starbucks, Excelso Café, The Coffee Bean & tea Leaf, Coffee Toffee, Black Canyon
Full-Service	102,863	32,198.2	104,860	34,122.5	Pizza Hut, Restoran Sederhana, Solaria,

Restaurants					D'Cost Seafood, Fish & Co
Limited-Service Restaurants*	6,639	2,012.6	6,970	2,256.1	KFC, McDonald's, HokBen, J Co Donuts & Coffee, Richeese Factory
Self-Service Cafeterias**	606	194.7	617	206.0	Hypermart, Transmart Carrefour, Carrefour, Ikea Restaurant
Street Stalls/ Kiosks	94,025	1,256.2	95,696	1,374.9	Chatime, Edam Burger, Kokumi, Kebab Turki Baba Rafi, Kamu Tea
Total	209,610	38,164.3	213,765	40,601.3	

Note: \*Fast Food; \*\*Self-Service Cafeterias: ready-to-eat food from food and beverage areas in grocery outlets

Source: Euromonitor International (2020)

As Indonesians switch to preparing food at home, restaurants at every level are struggling to stay afloat. Faced with declining revenues, many restaurants are unable to pay rents, utilities and staff. Unofficial estimates suggest upwards of 200,000 restaurant employees have been laid off since March and some restauranteurs have noted the current crisis has been more damaging to business than the 1998 financial crisis.

Despite far fewer dine-in customers, which generally account for 90 percent of restaurant sales, many outlets have experienced a surge in delivery and takeaway sales. Indonesia's two largest ride-hailing and food delivery players, Gojek and Grab, have experienced an increase in ordering food-delivery services. Gojek confirmed online food (GoFood) order transactions in April increased by 10 percent compared to March. Meanwhile, Grab reported that in March, 2020 healthy food orders increased by 7.4 percent and total food delivery orders rose 4 percent.

At least 6,800 restaurants have temporarily closed, with total losses expected to reach \$133 million (Rp2 trillion) through June 2020. Imported wine sales to foodservice channels and hotels have stopped almost completely. Similarly, beef importers have seen a 90 percent decline in sales to foodservice.

#### Impact on Large Chain Restaurants

The franchise owner of a large U.S.-based chain of restaurants recently noted that under normal circumstances online ordering and takeaway service accounted for 20 percent of sales. Under PSBB, these sales have increased, however, not nearly enough to compensate for the 90 percent decline in dine-in sales. The owner noted that without tax incentives, such as those provided under Ministry of Finance regulation 44/2020 which provides relief to businesses impacted by the virus, many outlets could not remain open past July.

KFC, one of the largest chain restaurants in Indonesia, has also been forced to temporarily close 100 outlets, mostly due to the closure of shopping malls during PSBB. KFC has 689 stores in the country, and 233 of them are located in shopping malls.

#### Impact on Café and Coffee Outlets

PSBB implementation has led to the closure of many café and coffee outlets that fill nearly every transportation center, office building, and shopping mall across Indonesia. Kopi Kenangan, one of the fastest growing grab-and-go coffee shops, confirmed that only 47 percent of its outlets operated normally during PSBB. As most shopping centers typically have several coffee outlets, an estimated 45

percent of all coffee outlets have been closed or forced to operate with limited capacity. To mitigate significant sales declines at brick and mortar locations, many coffee shops are trying to sell products using online platforms. Through online marketing campaigns, outlets are offering discounts and vouchers for coffee by the liter through prominent delivery services.

#### Impact on Mid-High Level Dining

According to data from the Indonesian National Statistics Agency (BPS), more than 70 percent of medium to large-scale restaurants are located inside shopping malls and office spaces. These restaurants, which often attract business diners and middle-upper income Indonesians with modern menus featuring Western ingredients, have had to close many outlets. [Ismaya Group](#) (21 restaurant brands) and [Boga Group](#) (13 restaurant brands) are among upper middle restaurant chains which have temporarily closed since end of March 2020.

#### Impact on Street Food and Stalls

Indonesia's street food and stalls are one of the largest categories in foodservice, primarily serving low to middle income consumers. Since mid-March 2020, sales at these vendors have decreased significantly, with many noting a 50 to 80 percent decline. Many have had to temporarily close their business as most customers are accustomed to eating at the makeshift dine-in areas set up next to the stalls and few have been able to take advantage of delivery service or take away service.

#### Institutional Food Service

Indonesia's catering industry has been among the most affected by COVID-19. The industry depends on food service for weddings, business meetings, and corporate and educational dining halls for a major portion of overall sales. According the Indonesian Catering Company Association, restrictions on mass activities, work-from-home policies and school and business closures have reduced sales by 90 percent. The pandemic has also affected Aerofood ACS, the largest airline caterer, whose production has dropped by 97 percent due to declining international and domestic flights. The company directly sources many of its premium ingredients from overseas, including beef, wine and dairy.

#### Hotel Sector

Indonesia's hotel sector has been hard hit by the loss of domestic and foreign travellers as well as social distancing measures enacted to prevent the spread of Covid-19. To date 1,642 hotels across the country have temporarily closed, affecting more than 1.7 million employees. The major tourist destinations such as Bali, along with West Java and Jakarta, have been the most impacted.

#### **Occupancy Rate of Star Hotels 2018 – 2020**

Year	Jan	Feb	March	April	May	June	July	August	Sep	Oct	Nov	Dec
2018	51.91	56.21	57.10	57.43	53.86	52.04	59.30	60.01	58.95	58.84	60.19	59.75
2019	51.47	52.44	52.88	53.90	43.53	52.27	56.73	54.14	53.52	56.77	58.58	59.39
2020	49.17	49.22	32.24									

Source: [BPS 2020](#)

## Tourism

On April 23, 2020, the Ministry of Transportation issued regulation 25/2020 suspending commercial passenger air transportation services from April 24 to May 31, 2020 except for limited purposes such as repatriation, certain business travel, official state travel, emergency situations, medical and logistics. The regulation was issued to prevent the further spread of Covid-19 during the annual exodus after Ramadan when many Indonesians leave major cities and travel to their hometowns and villages. Following an initial stoppage, national carrier Garuda and Lion Air Group have reopened limited domestic flight service.

The number of weekly outbound international flights has declined dramatically from over 400 to about 25 per week. International departures are all being routed through Soekarno-Hatta International Airport in Jakarta. Currently there are no international departures from Surabaya, Medan, or Bali. All domestic and some international airlines require passengers submit a Covid-19 free health certificate issued within seven days of travel. Similar requirements have been put in place on passengers seeking to travel to Indonesia.

In 2019, BPS recorded 16 million tourists visited Indonesia. The top five national origins were: Malaysia (18.5%), China (12.8%), Singapore (12%), Australia (8.6%) and India (4.1%). During the first quarter of 2020, total number of foreign visitors accounted for 2.6 million, dropped by 28 percent from 3.6 million during the same period in 2019. The decline, which began in February, accelerated dramatically in March when arrivals reached only 40 percent of their 2019 totals. The Ministry of Tourism estimates total foreign visitors may only reach 5 million during 2020.

### **Number of Foreign Tourists 2018 – 2020 (thousand tourists)**

Tourist	2018							2019							2020		
	Q1			Q2	Q3	Q4	Total	Q1			Q2	Q3	Q4	Total	Q1		
	Jan	Feb	March					Jan	Feb	March					Jan	Feb	March
A S E A N	393	411	517	1,346	1,35	1,437	5,453	448	502	547	1,577	1,522	1,561	6,157	441	344	192
ASIA (Excl.ASEAN)	398	493	481	1,445	1,662	1,369	5,847	439	459	421	1,28	1,405	1240	5,245	457	224	129
Europe	119	130	164	466	688	444	2,011	127	131	151	468	675	523	2,076	156	155	78
Oceania	120	101	122	395	449	388	1,575	119	89	4	389	481	432	1,514	134	99	46
America	39	45	52	146	145	141	568	46	43	59	163	171	166	648	49	44	20
Middle East	23	15	21	51	108	50	267	17	15	19	58	103	53	264	28	14	4
Africa	5	5	7	20	27	25	89	6	5	6	22	30	30	99	7	5	3
Total	1,098	1,198	1,363	3,868	4,429	3,855	15,810	1,201	1,244	1,208	3,957	4,387	4,004	16,002	1,272	885	471

Source: BPS 2020

Tourist arrivals are expected to continue declining in the future. As the number of tourists have declined, many hotels in prominent tourist destinations have been forced to temporarily close operations. Many of the higher-end hotels cater to foreign travellers and carry premium U.S. products such as wine, beef, cheese and fresh fruit. Although increased demand in the retail sector may make up for some of the decline, the loss of demand due to fewer foreign travellers is expected to negatively impact exports of these products, particularly cuts or preparations targeted for the sector.

The Ministry of Tourism has indicated they are hopeful three major destinations (Bali, Riau and Yogyakarta) will fully reopen to tourists in October 2020.

### **Impact on U.S. Trade**

Most U.S. consumer-oriented exports to Indonesia began 2020 showing solid growth compared to the first quarter of 2019. Post does not expect this trend to continue when official trade data is released for April, as businesses across the food service sector have been forced to close or greatly reduce operations. Although government mandated social distancing measures are likely to be eased or lifted in June (Jakarta is tentatively scheduled to ease restrictions beginning June 5, with malls and restaurants allowed to reopen, but to only allow customers at 50 percent store capacity) and July, the impact of these measures and changes in consumer behaviour are expected to linger for the remainder of 2020 and possibly beyond. Post expects to see significant declines in exports of dairy (particularly cheeses used in food service), beef (especially prime cuts served at high-end restaurants and hotels), frozen potatoes, and wine.

### **Selected Consumer-Oriented Products - Quarterly (\$thousand)**

Description	Indonesia Import from the World			Growth 20/19	Indonesia Import from U.S.			Growth 20/19
	Q1 (2018)	Q1 (2019)	Q1 (2020)		Q1 (2018)	Q1 (2019)	Q1 (2020)	
Dairy Products	283,917	262,697	308,908	17.6%	41,096	22,981	72,227	214.3%
Food Preps. & Misc. Bev	184,200	199,596	224,242	12.3%	20,671	22,580	27,752	22.9%
Beef & Beef Products	86,237	136,704	122,928	-10.1%	9,762	14,288	21,711	52.0%
Processed Vegetables	24,228	42,733	44,744	4.7%	6,786	11,480	13,209	15.1%
Fresh Fruit	189,522	231,597	129,603	-44.0%	8,113	8,436	10,042	19.0%
Processed Fruit	50,499	57,155	71,016	24.3%	4,639	5,209	6,499	24.8%
Tree Nuts	10,879	14,878	11,346	-23.7%	2,150	3,637	2,694	-25.9%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	16,522	14,230	22,175	55.8%	102	171	1,766	933.9%
Fruit & Vegetable Juices	6,050	4,485	6,867	53.1%	288	479	1,471	207.1%
Tea	11,662	14,440	13,750	-4.8%	52	408	869	113.1%
Condiments & Sauces	20,774	24,836	23,695	-4.6%	688	1,077	820	-23.8%
Pork & Pork Products	1,957	846	1,806	113.5%	505	308	811	163.8%
Coffee, Roasted and Extracts	43,391	27,215	19,559	-28.1%	602	522	467	-10.6%
Chocolate & Cocoa Products	46,387	50,306	44,445	-11.7%	353	688	341	-50.4%
Wine & Beer	3,719	4,394	291	-93.4%	178	224	0	-99.9%

Source: TDM

### **Attachments:**

No Attachments.