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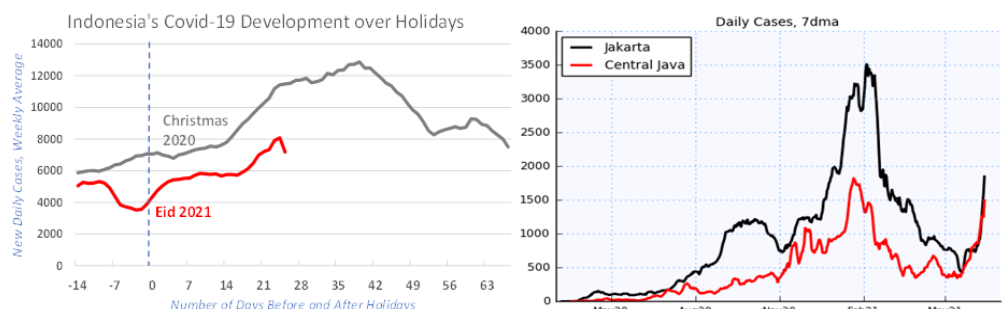
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The Aftermath

Indonesia's post-holiday virus uptick threatens its recovery

- For a while, there was some hope that Indonesia could escape the brunt of the latest Covid-19 wave that has swept through many of its neighbours. While there were already new [hotspots in some border provinces](#), the situation in major population centres in Java and Sumatra remained calm.
- Unfortunately, the 'ceasefire' is now over, and a new wave appears poised to hit Indonesia. On Sunday, for instance, the national tally came in at 9868, the highest since February this year. Rather than being kept at bay in relatively less populous border areas, the new wave is now hitting bigger provinces hard, with Jakarta and Central Java becoming the new hotspots.
- While the invasion of the more transmissible variant is culpable, the situation is worsened by the flouting of the government ban on *mudik*, whereby Indonesians flock back to their hometown during the Eid festive period. The Health Minister said that the surge in hotspots such as Kudus of Central Java has been driven by travel-related family clusters, for instance.
- Judging from the last upsurge after Christmas, cases are likely to pick up further for at least 2 more weeks before any turnaround. Even then, going by the same timeline, it may still take us 6 more weeks to late July to see the situation 'normalize'. And that is presuming that the new variant will not increase either the severity and duration of the current wave more markedly.
- As it stands, in Jakarta – where cases jumped by 50% in the past week alone – the hospital occupancy has reportedly reached 75% already, forcing the government to rope in hotel rooms as isolation wards. To curb the spread, the government has also tightened social restrictions, with a cap of 25% capacity for offices in the worst-affected areas, compared to 50% before.
- The latest development is not good for the economy, especially for private consumption, which was just showing some [encouraging signs of recovery](#). For Bank Indonesia, while the governor just told the parliament yesterday that the policy rate is "already low", signalling no cut this week, any rapid worsening of the virus situation over the next month might change its calculations – especially if the Fed plays ball and keeps mum about tapering.



Source: OCBC, Bloomberg, Komite Penanganan Covid-19 dan Pemulihan Ekonomi Nasional.

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