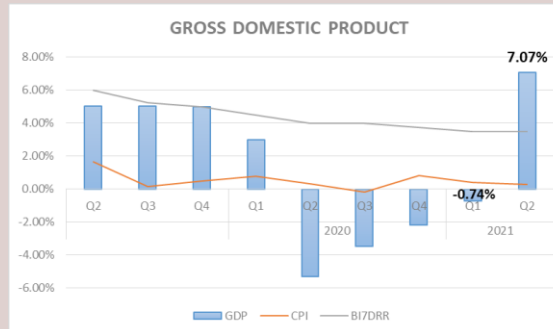


## Economic Update

### Highlight Juli :

- The Indonesian economy in the second quarter of 2021 recorded positive growth for the first time since the outbreak of the Covid-19 pandemic in early 2020, amounting to 7.07% (yoy). On a quarterly basis, quarter II-2021 compared to the previous quarter experienced a growth of 3.31 percent (q-to-q).
- Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in July 2021 experienced inflation of 0.08% (mtm), after recording a deflation of 0.16% (mtm) in the previous month.
- The Bank Indonesia Board of Governors Meeting (RDG) on 21-22 July 2021 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.50%, the Deposit Facility interest rate at 2.75%, and the Lending Facility interest rate at 4.25%.
- The Federal Reserve (The Fed) early Thursday (29/7/2021) announced its monetary policy. The United States central bank (The Federal Reserves / The Fed) decided to keep its benchmark interest rate in the range of 0-0.25 percent on Wednesday (28/7).

### Economic Growth



The Indonesian economy in the second quarter of 2021 recorded positive growth for the first time since the outbreak of the Covid-19 pandemic in early 2020, amounting to 7.07%

(yoy). On a quarterly basis, quarter II-2021 compared to the previous quarter experienced a growth of 3.31 percent (q-to-q). This performance continued the improvement that had occurred until the first quarter of 2021 and was the highest growth since the fourth quarter of 2004 (7.16%, yoy). This growth has caused the value of real GDP in the second quarter to exceed the real GDP value in the fourth quarter of 2019, before the Covid-19 pandemic. The economic recovery was supported by the positive performance of all components of demand and business sectors (LU).

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in July 2021 experienced inflation of 0.08% (mtm), after recording a deflation of 0.16% (mtm). The core group in July 2021 recorded inflation of 0.07% (mtm), slowing from inflation in the previous month of 0.14% (mtm). In general, the slowdown in core inflation was influenced by the limited recovery in demand in line with the mobility restriction policy to address the increasing spread of the Covid-19 delta variant. **The volatile food category experienced 0.14% (mtm) inflation in July 2021, an increase from the previous month's 1.23% (mtm) deflation.** This development was mainly driven by rising horticultural commodity prices in line with reduced supply at the beginning of the planting period and weather constraints in several production centers. **The administered prices group in July 2021 recorded inflation of 0.05% (mtm), an increase compared to the previous month which experienced deflation of 0.21% (mtm).** This development was mainly influenced by the increase in the price of filtered kretek cigarettes in line with the transmission of the continued increase in tobacco excise.<sup>1</sup>

<sup>1</sup> Bi.go.id

Tabel 1. Economic Indicator		
Indicator	Jun	Jul
Inflation (yoy)	1.33%	1.52%
Inflation (mtm)	-0.16%	0.08%
Trade Balance (USD Miliar)	1316.40	*
Foreign Reserves (USD Miliar)	137.1	137.3

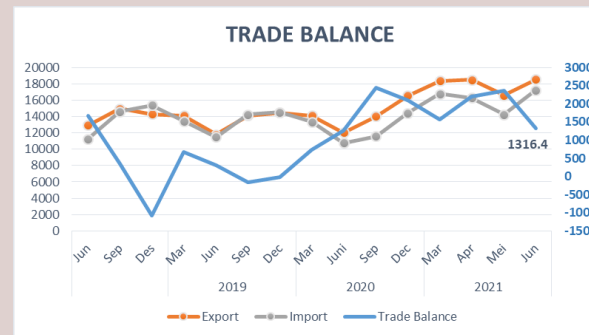
Keterangan : \* belum rilis

Tabel 2. Economic Indicator		
Indicator	Q1'21	Q2'21
GDP	-0.74%	7.07%
NPI (USD Million)	5520	*
CAD (USD Million)	-997	*

Keterangan : \* belum rilis

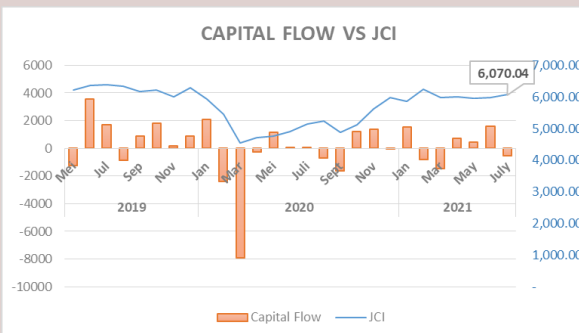
Tabel 3. Comodity		
Comodity	Jun	Jul
Brent Oil (USD/Barrels)	75.13	76.33
WTI (USD/Barrels)	73.47	73.95
CPO (MYR/Metrictons)	3,782.00	4,656.00
Batu bara (USD/Metrictons)	134.70	149.75
Emas (USD/troy oz)	1,770.11	1,814.19

## Indonesia's Trade Balance



Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance in June 2021 returned to a surplus of 1.32 billion US dollars, although lower than the previous month's surplus of 2.70 billion US dollars. With these developments, Indonesia's trade balance has again recorded a positive value since May 2020. Indonesia's trade balance in January-June 2021 as a whole recorded a surplus of 11.86 billion US dollars, much higher than the achievement in the first half of 2020 of 5.43 billion dollars. US. Bank Indonesia views the trade balance surplus as contributing positively to maintaining the external resilience of the Indonesian economy. Going forward, Bank Indonesia will continue to strengthen policy synergies with the Government and relevant authorities to support economic recovery.<sup>2</sup>

## Capital Inflow



The Composite Stock Price Index (JCI) throughout the last week of July 2021 has experienced a correction of up to 0.52 percent. Profit taking is thought to be the cause. On Friday (30/7/2021), the JCI closed at 6069.84, down 0.83 percent from yesterday's closing at 6,120.72. However, if you compare it on a month-to-month basis, the JCI rose 1.41 percent compared to last June's closing level of 5985.48.<sup>3</sup>

<sup>2</sup> Bi.go.id

<sup>3</sup> Bisnis.com

Tabel 4. Currencies			
Currencies	Jun	Jul	% Change
USD/IDR	14,500	14,463	0.26%
USD/HKD	7.7651	7.7718	-0.09%
USD/SGD	1.3454	1.3544	-0.67%
USD/MYR	4.1490	4.2205	-1.72%
USD/CNY	6.4571	6.4614	-0.07%
USD/JPY	111.11	109.72	1.25%
AUD/USD	1.3336	1.3616	-2.10%
EUR/USD	0.8433	0.8424	0.11%
GBP/USD	0.7230	0.7192	0.53%

### Exchange Rate Movement

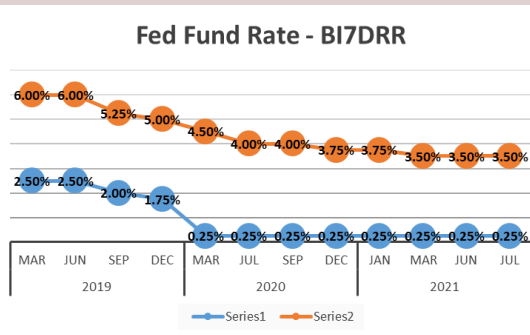
The rupiah exchange rate recorded a slight strengthening against the United States (US) dollar throughout last July. In fact, there is a big moment that can actually make the rupiah strengthen sharply.

According to Refintiv data, the rupiah strengthened 0.24% to Rp 14,460/US\$ throughout July. The range of movement is also fairly narrow at Rp 14,420/US\$ to Rp 14,565/US\$, even being the narrowest so far this year. The announcement of the monetary policy of the US central bank (The Fed) became a big moment for the rupiah in July, which provided an opportunity for strengthening. The main reason it was difficult to strengthen sharply was the implementation of emergency Community Activity Restrictions (PPKM) which later changed to PPKM levels 3 and 4, which were implemented from 3 to 25 July, then continued until 9 August with some easing.<sup>4</sup>



Tabel 5. Interest Rate		
Indicator	Jun	Jul
BI 7DRR	3.50%	3.50%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

### Interest Rate Movement



The Bank Indonesia Board of Governors Meeting (RDG) on 21-22 July 2021 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.50%, the Deposit Facility interest rate at 2.75%, and the

Lending Facility interest rate at 4.25%. This decision is in line with the need to maintain exchange rate stability and the financial system due to uncertainty in global financial markets, amid low inflation forecasts and efforts to support economic growth from Covid-19.<sup>5</sup>

Meanwhile, the Federal Reserve (The Fed) early Thursday (29/7/2021) announced its monetary policy. The United States central bank (The Federal Reserves / The Fed) decided to keep its benchmark interest rate in the range of 0-0.25 percent on Wednesday (28/7). Furthermore, Powell said the Fed purchases \$80 billion worth of treasury securities every month and \$40 billion of mortgage-backed securities.<sup>6</sup>

<sup>4</sup> Cnbcindonesia.com

<sup>5</sup> Bi.go.id

<sup>6</sup> Cnbcindonesia.com

<b>Our View</b>						
<b>Macroeconomics Indicator and Forecast</b>						
	2016	2017	2018	2019	2020	2021f
<b>National Account</b>						
GDP	5,03%	5,07%	5,17%	5,02%	-2,19%	3.50-4.50%
Inflasi (yoy)	3,58%	3,61%	3,13%	2,72%	1.68%	1.75-2.20%
<b>Other</b>						
FFR	0,75%	1,50%	2,50%	1,75%	0.25%	0.00-0.25%
BI7DRR	4,75%	4,25%	6,00%	5,00%	3.75%	3.00-3.50%
USD/IDR	13.461	13.554	14.394	13.866	14.050	14.100-14.400

**The achievement of Indonesia's GDP or economic growth** was quite encouraging in the second quarter of 21st. However, in the third quarter it is predicted that the economy will not grow as high as the second quarter because of the PPKM policy due to the drastic increase in the spread of COVID-19. It is projected that the economy in the third quarter of 21 will grow 4.00-5.00%.

Annual **inflation** in July recorded inflation after previously deflation. It is predicted that inflation will remain under control in August. In 2021, annual inflation will still be low with the extension of the PPKM implementation.

**The Fed** is predicted to implement a policy of increasing US interest rates by the end of 2022. In addition, it is predicted to take steps to reduce bond purchases later this year or early next year depending on how the fate of the labor market in the next few months.

**Bank Indonesia** is predicted to maintain the trend of low interest rates this year and will increase interest rates in 2022 if economic growth and rising inflation are in line with the outlook from Bank Indonesia.

**The Rupiah exchange** rate tends to move sideways throughout July. It is projected that the movement of the Rupiah in August will be dominated by external sentiment on improving US economic data and the Fed's policy of tightening monetary policy.