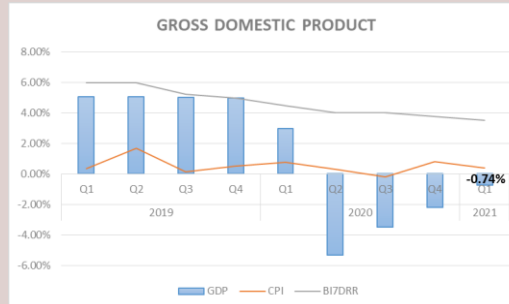


## Economic Update

### Highlight April :

- The Indonesian economy in the first quarter of 2021 against the first quarter of 2020 experienced a growth contraction of 0.74 percent (y-on-y). The Indonesian economy in the first quarter of 2021 compared to the previous quarter experienced a growth contraction of 0.96 percent (q-to-q).
- Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) inflation in April 2021 was recorded at 0.13% (mtm), an increase compared to the previous month's inflation of 0.08% (mtm)
- The central bank of the United States Federal Reserve has again maintained its policy benchmark interest rate at a low level of close to 0%.
- The Board of Governors Meeting (RDG) of Bank Indonesia on 19-20 April 2021 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.50%, the Deposit Facility rate at 2.75%, and the Lending Facility interest rate at 4,25%.

### Economic Growth



The Indonesian economy in the first quarter of 2021 against the first quarter of 2020 experienced a growth contraction of 0.74 percent (y-on-y). The Indonesian economy in the first quarter of 2021

compared to the previous quarter experienced a growth contraction of 0.96 percent (q-to-q).<sup>1</sup> Thus, Indonesia's GDP contraction occurred for four consecutive quarters. This means that Indonesia is still trapped in the 'abyss' of economic recession. However, compared to the previous three quarters, the economic contraction in the first quarter of 2021 has improved considerably.

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) inflation in April 2021 was recorded at 0.13% (mtm), an increase compared to the previous month's inflation of 0.08% (mtm). Annually, CPI inflation for April 2021 was recorded at 1.42% (yoy), slightly higher than last month's inflation of 1.37% (yoy). The volatile food category experienced 0.15% (mtm) inflation in April 2021, slowing down from the previous month's inflation of 0.56% (mtm). This slowdown was driven by deflation in horticultural commodities and rice as the harvest season entered.

The administered prices group in April 2021 recorded inflation of 0.11% (mtm), an increase compared to inflation in the previous month of 0.02% (mtm). This development was driven by the increase in cigarette prices, particularly filter clove cigarettes, in line with the continued transmission of excise tax increases on tobacco products.<sup>2</sup>

Meanwhile, Indonesia's foreign exchange reserves at the end of April 2021 were recorded at 138.8 billion US dollars, an increase compared to the position at the end of March 2021 of 137.1 billion US dollars. The increase in the position of foreign exchange reserves in April 2021 was mainly influenced by tax and service revenues and the withdrawal of government foreign loans. Going forward, Bank Indonesia views that foreign exchange reserves will remain adequate, supported by stability and a maintained economic outlook, along with various policy responses to promote economic recovery.<sup>3</sup>

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

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

<sup>3</sup> Bi.go.id

Tabel 1. Economic Indicator		
Indicator	Mar	Apr
Consumer Price Index (yoy)	1.37%	1.42%
Consumer Price Index (mtm)	0.08%	0.13%
Trade Balance (USD Billion)	1.57	*
Foreign Reserves (USD Billion)	137.1	138.8

\* unpublished

Tabel 2. Economic Indicator		
Indikator	Q4'20	Q1'21
GDP	-2.19%	-0.74%
NPI (USD Million)	(200)	*
CAD (USD Million)	795	*

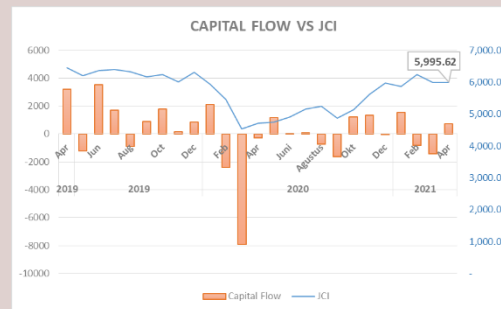
Tabel 3. Comodity		
Comodity	Mar	Apr
Brent Oil (USD/Barrels)	63.54	67.25
WTI (USD/Barrels)	59.16	63.58
CPO (MYR/Metrictons)	4,061.00	4,408.00
Coal (USD/Metrictons)	96.25	93.30
Gold (USD/troy oz)	1,707.71	1,769.13

## Indonesia Trade Balance



Indonesia's trade balance in March 2021 returned to a surplus of US \$ 1.57 billion, although it decreased slightly compared to the previous month's surplus of US \$ 1.99 billion. The trade balance surplus in March 2021 is influenced by the continuing surplus in the non-oil and gas trade balance. In March 2021, the non-oil and gas trade balance surplus was US \$ 2.94 billion, an increase compared to the surplus in February 2021 of US \$ 2.43 billion. Meanwhile, non-oil and gas imports increased in all components, in line with continued improvement in domestic economic activity. Meanwhile, the oil and gas trade deficit increased from US \$ 0.44 billion in February 2021 to US \$ 1.37 billion, influenced by increasing oil and gas imports amid relatively stable oil and gas exports.<sup>4</sup>

## Capital Flow



Throughout April 2021, the Composite Stock Price Index (JCI) edged up 0.17% to the level of 5,995.61. At the close of trading the previous month, JCI was closed at the level of 5,985.52. From the internal side, the release of economic data for April has actually improved, but various institutions have cut projections for Indonesia's economic growth this year, triggered by an increase in the number of Covid-19 cases. Meanwhile, from the global side, the US economic recovery which is going well is accompanied by the rapid distribution of the Covid-19 vaccine, making it more attractive from emerging markets. This is indicated by the US stock index which continues to set new record highs.<sup>5</sup>

<sup>4</sup> Bi.go.id

<sup>5</sup> Kontan.co.id

Tabel 4. Currencies			
Currencies	Maret	April	% Change
USD/IDR	14,525	14,445	0.55%
USD/HKD	7.7741	7.7675	0.08%
USD/SGD	1.3448	1.3308	1.04%
USD/MYR	4.1450	4.0880	1.38%
USD/CNY	6.5528	4.4749	31.71%
USD/JPY	110.72	109.31	1.27%
AUD/USD	1.3161	1.2959	1.53%
EUR/USD	0.8525	0.8320	2.41%
GBP/USD	0.7255	0.7235	0.28%

Tabel 5. Suku Bunga Acuan		
Indikator	Maret	April
BI 7DRR	3.50%	3.50%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

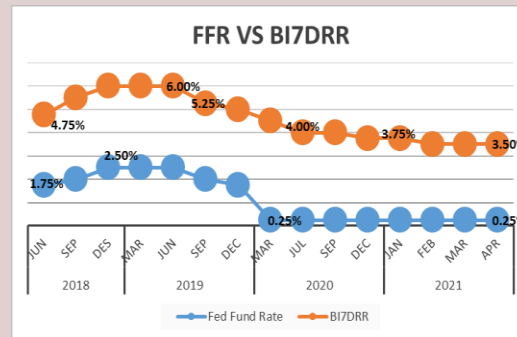
## Foreign Exchange

The rupiah exchange rate strengthened at the close of trading in April 2021. On Friday (30/4/2021), US \$ 1 was priced at Rp. 14,400 when the spot market opened. The rupiah closed with an appreciation of 0.34% at IDR 14,445 / US \$.



This is the strongest closing position since March 29, 2021. The strengthening of the rupiah was caused by the results of the meeting of the US Central Bank (The Federal Reserve / The Fed). Regarding the benchmark interest rate, as expected, it was unchanged at 0-0.25%.<sup>6</sup>

## Interest Rate



The central bank of the United States Federal Reserve has again kept its benchmark interest rate policy at a low level of close to 0%

and maintaining a monthly asset purchase pace of US \$ 120 billion.

Fed Governor Jerome Powell said the Fed would stick to keep its benchmark interest rate in the range of zero to a quarter of a percent.

The decision was taken through the Federal Open Markets Committee (FOMC) meeting on April 28, 2021. US central bankers repeated that they would not change the rate of bond purchases until further substantial progress was made on employment and inflation goals. The Board of Governors Meeting (RDG) of Bank Indonesia on 19-20 April 2021 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.50%, the Deposit Facility rate at 2.75%, and the Lending Facility interest rate at 4,25%.

This decision is in line with the need to maintain the stability of the Rupiah exchange rate against the impact of high global financial market uncertainty, although inflation forecasts remain low. To further support the national economic recovery, Bank Indonesia will optimize the mix of accommodative monetary and macroprudential policies and accelerate the digitization of the payment system.<sup>7</sup>

<sup>6</sup> Cnbcindonesia.com

<sup>7</sup> Bi.go.id

## Our View

### Macroeconomics Indicator and Forecast

	2016	2017	2018	2019	2020	2021f
<b>National Account</b>						
GDP	5,03%	5,07%	5,17%	5,02%	-2,19%	4.00-4.75%
Inflasi (yoy)	3,58%	3,61%	3,13%	2,72%	1.68%	1.75-2.30%
<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%	3.25-3.50%
USD/IDR	13.461	13.554	14.394	13.866	14.050	13.850-14.150

**The achievement of GDP or economic growth** in Indonesia continues its contraction in the first quarter of 2021. Even though it is still contracting, it has improved compared to the previous 3 quarters in line with the vaccine process and the increase in people's purchasing power. Optimistically, economic growth can still reach 4.00-4.75% in 2021.

**Annual inflation** until April 2021 is still low. It is predicted that in 2021, annual inflation will still be low in the range of 1.75-2.30% but will be much higher than in 2020 and in the target range of  $3 \pm 1\%$ .

**The Fed**, continues to ensure to keep interest rates low. And it will not raise the benchmark interest rate until there are signs of inflation towards the 2% target. As well as not changing policies such as stimulus and target purchases of securities.

Bank Indonesia is predicted to have very limited room to reduce the **BI7DRR** this year. The trend of low interest rates is predicted to persist until the end of the year. Especially with the consideration of the domestic economy which is gradually recovering.

**The Rupiah exchange rate** continued to depreciate during the month of April. There is no internal or external sentiment that has been able to generate the Rupiah. It is predicted that the Rupiah will continue to move with a tendency to weaken in the month of May.