

## Economic Update

### Highlight December :

- Even though it has improved, the Consumer Price Index (CPI) inflation in 2020 was recorded at a low 1.68% (yoy) and was below the target range of  $3.0 \pm 1\%$ . The controlled December 2020 CPI boosted the achievement of low 2020
- Indonesia's trade balance in November 2020 recorded a surplus of 2.61 billion US dollars.
- The Board of Governors Meeting (RDG) of Bank Indonesia on 16-17 December 2020 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.75%, the Deposit Facility rate at 3.00%, and the Lending Facility interest rate at 4.50%.
- The US Federal Reserve on Wednesday (16/12/2020) kept its benchmark interest rate unchanged at a record low near zero after completing its end-of-2020 policy meeting, while forecasting interest rates to remain there at least until 2023.

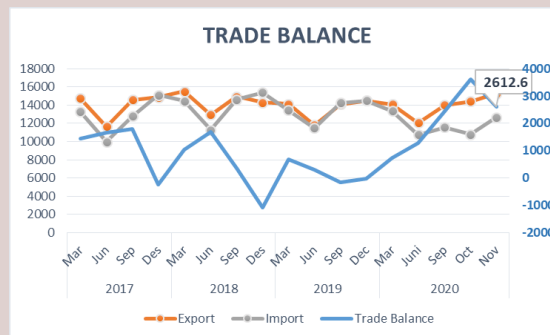
### Gross Domestic Product

Indonesia's economic growth in the third quarter of 2020 improved, driven by the increased realization of the Government's stimulus as well as the improvement in community mobility and global demand. The Indonesian economy in the third quarter of 2020 grew at a high rate of 5.05% (qtq), after experiencing a contraction of 4.19% (qtq) in the previous quarter. On an annual basis, the improvement in the domestic economy was also evident from the reduction in growth contraction to 3.49% (yoy) from the contraction in the second quarter of 2020 of 5.32% (yoy).<sup>1</sup>



Even though it has improved, the Consumer Price Index (CPI) inflation in 2020 was recorded at a low 1.68% (yoy) and was below the target range of  $3.0 \pm 1\%$ . The controlled December 2020 CPI boosted the achievement of low 2020 inflation. On a monthly basis, CPI inflation in December 2020 reached 0.45% (mtm), an increase from 0.28% (mtm) the previous month. This low inflation is influenced by domestic demand that has not been strong as a result of the Covid-19 pandemic, adequate supply, and policy synergies between Bank Indonesia and the Government, both at the central and regional levels in maintaining price stability. Going forward, Bank Indonesia will consistently maintain inflation within its target range of  $3.0 \pm 1\%$  in 2021.<sup>2</sup>

### Indonesia's Trade Balance



Indonesia's trade balance in November 2020 recorded a surplus of 2.61 billion US dollars.

Under these conditions, Indonesia's trade balance has recorded a surplus for the last

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

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

**Tabel 1. Economic Indicator**

Indicator	November	December
Consumer Price Index (yoy)	1.59%	1.68%
Consumer Price Index (mtm)	0.28%	0.45%
Trade Balance (USD Billion)	2.62	*
Foreign Reserves (USD Billion)	133.6	135.9

\* unpublished

**Tabel 2. Economic Indicator**

Indicator	Q2'20	Q3'20
GDP	-5.32%	-3.49%
NPI (USD Billion)	(7,628)	2,100
CAD (USD Billion)	(2,896)	964

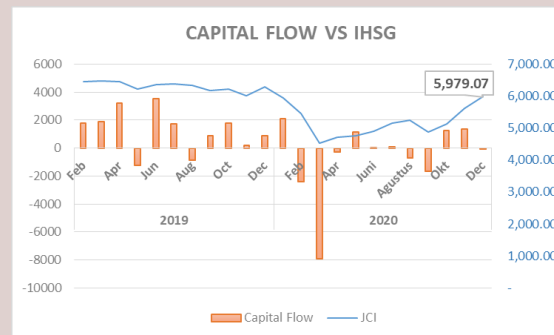
**Tabel 3. Comodity**

Comodity	November	December
Brent Oil (USD/Barrels)	47.59	51.80
WTI (USD/Barrels)	45.34	48.52
CPO (MYR/Metrictons)	3,449.00	3,891.00
Batu bara (USD/Metrictons)	70.30	80.50
Emas (USD/troy oz)	1,776.95	1,898.36

seven months since May 2020. Indonesia's trade balance in January-November 2020 as a whole recorded a surplus of 19.66 billion US dollars, much higher than the achievements in the same period the previous year which was experienced a deficit of 3.51 billion US dollars.

The October 2020 trade balance surplus was influenced by the non-oil and gas trade balance surplus and the decline in the oil and gas trade balance deficit. The November 2020 non-oil and gas trade balance recorded a surplus of 2.94 billion US dollars, continuing the positive performance in the previous month which experienced a surplus of 4.04 billion US dollars. Meanwhile, non-oil and gas imports, both in the consumption, raw materials, and capital goods categories, experienced an increase in line with gradual improvement in economic activity. Meanwhile, the oil and gas trade deficit decreased from US \$ 465.4 million in October 2020 to US \$ 322.9 million.<sup>3</sup>

### Capital Flow



The Composite Stock Price Index (IHSG) fell in the last trade of 2020. Wednesday (30/12), the JCI fell 57.10 points or 0.95% to 5,979.07 at the end of trading on the Indonesia Stock

Exchange (IDX). With this decline, the JCI accumulated a 5.09% decline throughout 2020.<sup>4</sup>

JCI's journey throughout the year has been dominated by the sentiment of the COVID-19 pandemic. Starting trading in 2020, the JCI is already in a downward trend. Investors are starting to be wary of the impact of the pandemic that has emerged in China. A sharp decline in the JCI began in March, after President Joko Widodo announced the first case of Corona in Indonesia on March 2. The JCI fell sharply on March 12 to drop below the 5,000 level, responding to negative sentiment from the announcement of US President Donald Trump who issued a temporary travel tire from Europe to deal with the spread of the Corona virus. JCI's lowest position was reached on March 24, closing at 3,937,632 levels. After reaching its lowest point, the JCI slowly began to take an upward trend. The JCI again broke through the 5,000 level on June 9, namely 5,035,055.

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

<sup>4</sup> Kontan.co.id

Tabel 4. Currencies

Currencies	November	Desember	% Change
USD/IDR	14,120	14,050	0.50%
USD/HKD	7.7514	7.7526	-0.02%
USD/SGD	1.3416	1.3234	1.36%
USD/MYR	4.0738	4.0365	0.92%
USD/CNY	6.5789	6.5233	0.85%
USD/JPY	104.31	103.19	1.07%
AUD/USD	1.3616	1.3011	4.44%
EUR/USD	0.8384	0.8132	3.01%
GBP/USD	0.7506	0.7340	2.22%

Tabel 5. Interest Rate

Indicator	November	December
BI 7DRR	3.75%	3.75%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

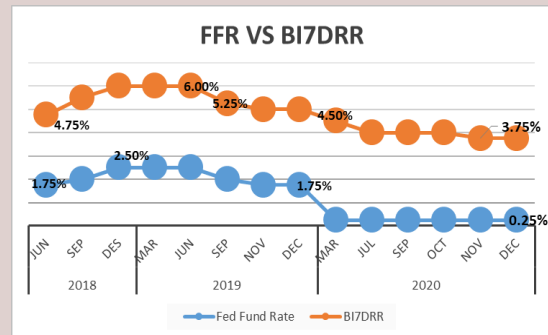
## Exchange Rate

Trading in the last week of 2020 only lasts 3 days. Even though it was short, the rupiah was able to close this week nicely. The Garuda currency scored a 0.8% strengthening against the United States dollar (US) to Rp 14,040 / US \$. Throughout 2020, the spot rupiah exchange rate weakened 1.33% from the level of Rp 13,866 per US dollar at the end of last year. The rupiah had touched the weakest level this year at Rp 16,575 per US dollar which was reached on March 23, 2020.<sup>5</sup>



## Interest Rate

The US Federal Reserve on Wednesday (16/12/2020) kept its benchmark interest rate unchanged at a record low near zero after completing its end-of-2020 policy meeting, while forecasting interest rates to remain there at least until 2023. "The ongoing public health crisis will continue to weigh on economic activity, jobs and inflation in the near term, and pose considerable risks to the economic outlook in the medium term," the Fed said. The US central bank decided to maintain its target range for the federal funds rate (FFR) at 0-0.25%.<sup>6</sup>



The Board of Governors Meeting (RDG) of Bank Indonesia on 16-17 December 2020 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.75%, the Deposit Facility rate at 3.00%, and the Lending Facility interest rate at 4.50%.

This decision is consistent with forecasts for low inflation and maintained external stability, as well as efforts to support economic recovery. Bank Indonesia strengthens policy synergies and supports various further policies to build optimism for national economic recovery, through the opening of productive and safe economic

<sup>5</sup> Cnbcnindonesia.com

<sup>6</sup> Idxchannel.okezone.com

sectors for Covid-19, accelerating fiscal stimulus, channeling banking credit from the demand and supply side, continuing monetary and macroprudential stimuli, and accelerate economic and financial digitization.<sup>7</sup>

<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%	<i>*unpublished</i>	3.50-4.00%
CPI (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%	3.25-3.75%
USD/IDR	13.461	13.554	14.394	13.866	14.050	13.650-13.950

**The achievement of GDP** or Indonesia's economic growth in the fourth quarter of 2020 is predicted to still be minus 2.9% -0.9% according to Finance Minister Sri Mulyani. Meanwhile, in 2021, it is expected to improve with a positive catalyst for the distribution of the Covid-19 vaccine. It is predicted that Indonesia can grow up to 4.00% in 2021.

Annual inflation for 2020 is low and is below the inflation target target of 2% - 4%. However, there is hope that in 2021, the government estimates that the vaccination process can start in 2021 so that little by little people can return to their activities outside the home in peace and help increase inflation.

**The Fed**, The Fed's low interest rate policy is predicted to last in 2021. Strengthened by the Fed's meeting in December, the central bank also reiterated its projection to keep its short-term benchmark interest rate near zero percent until at least 2023.

**BI7DRR** It is predicted that it will continue to decline in 2021, but with the distribution of the covid-19 vaccine scheduled for the second quarter of 2021 it will be a positive sentiment for BI to keep interest rates low.

**Exchange Rate** moving quite stable in December. However, in January, negative sentiments such as PPKM (Imposition of Restrictions on Community Activities) could weaken the movement of the Rupiah going forward.

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