

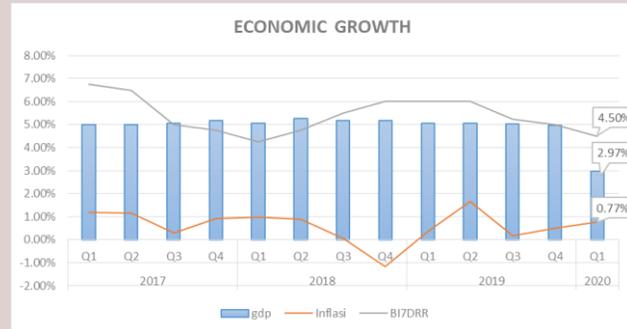
Economic Update

Highlight May :

- Consumer Price Index (CPI) inflation in May 2020 remained low recorded at 0.07% (mtm), lower than the previous month inflation of 0.08% (mtm).
- Indonesia's Balance of Payments (NPI) performance in the first quarter of 2020 was maintained, supporting the stability of the external sector of the Indonesian economy. Overall, the balance of payments experienced a deficit of USD 8.5 billion in the first quarter of 2020.
- During May 2020, the composite share price index (CSPI) on the Indonesia Stock Exchange rose 0.79% or 37.43 points from 4,716.40 on April 30 to 4,753.61 on May 29, ending trading this month.
- Throughout May, the rupiah strengthened 1.69% against the greenback. The strengthening of the rupiah slowed, because in the previous month the country's currency was able to book an appreciation of more than 9%.
- Meeting of the Board of Commissioners of the Indonesian Deposit Insurance Corporation (LPS) on Wednesday (5/27/2020) decided to reduce the guarantee interest rate for rupiah and foreign currency deposits in commercial banks and rupiah deposits in Rural Banks (BPR) by 25 basis points each. (bps).

Gross Domestic Product

Indonesia's Economic Growth in the first quarter of 2020 was 2.97% (yoy), slowing compared to the previous quarter's achievement of 4.97% (yoy). The influence of COVID-19 on Indonesia's economic growth is mainly on the decline in domestic demand. Household consumption is recorded at 2.84% (yoy), far lower than the performance in the fourth quarter of 2019 of 4.97% (yoy). Investment also slowed down by 1.7% (yoy) mainly due to slowing investment in buildings.



Consumer Price Index (CPI) inflation in May 2020 remained low recorded at 0.07% (mtm), lower than the previous month inflation of 0.08% (mtm). Inflation in May 2020 was also lower than the inflation pattern in the Ramadhan and Idul Fitri periods, which in the last five years averaged 0.69% (mtm). Annual inflation was recorded at 2.19% (yoy), down from last month's inflation of 2.67% (yoy). Low inflation is influenced by a slowing core that is from 0.17% (mtm) in the previous month to 0.06% (mtm).

Volatile food inflation again recorded deflation of 0.50% (mtm), deeper than the previous month which experienced deflation of 0.09% (mtm). Influenced by price corrections in several commodities such as various chilies, eggs, and garlic in line with slowing demand. The administered prices group also recorded inflation of 0.67% (mtm), after deflating 0.14% (mtm) in the previous month. The development of administered prices group inflation in May 2020 stemmed from an increase in air freight rates, train fares, filter clove cigarettes, and household fuels.¹

¹ Bi.go.id

Tabel 1. Economic Indicator

Indicator	April	May
Inflasi (yoy)	2.67%	2.19%
Inflasi (mtm)	0.08%	0.07%
Trade Balance (USD Billion)	-0.35	*
Foreign Reserves (USD Billion)	127.9	130.5

*unpublished

Tabel 2. Economic Indicator

Indicator	Q4'19	Q1'20
GDP	4.97%	2.97%
NPI (USD Million)	(4,259)	(8,500)
CAD	(8,122)	(3,924)

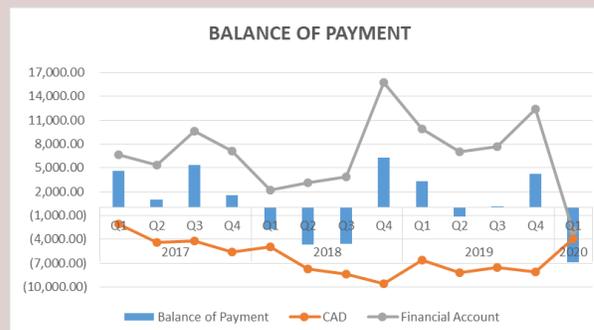
Tabel 3. Comodity

Comodity	April	May
Brent Oil (USD/Barrels)	25.27	35.33
WTI (USD/Barrels)	18.84	35.49
CPO (MYR/Metrictons)	2,088.00	2,373.00
Coal (USD/Metrictons)	52.35	52.00
Gold (USD/troy oz)	1,686.50	1,730.27

Indonesia's Balance of Payment

Indonesia's Balance of Payments (NPI) performance in the first quarter of 2020 was maintained so as to sustain the stability of the external sector of

the Indonesian economy. In the first quarter of 2020 the current account balance improved significantly with the deficit narrowing to USD 3.9 billion (1.4% of GDP), from a deficit in the fourth quarter of 2019 of USD 8.1 billion (2.8% of GDP). The declining deficit was mainly due to an increase in the goods trade balance surplus and a decrease in the services account and primary income account deficit. Meanwhile, the capital and financial account also recorded a deficit in the first quarter of 2020, in line with increasing global uncertainty. The recorded deficit of USD 2.9 billion (1.1% of GDP) was mainly influenced by the portfolio investment deficit as the impact of the expanding Covid-19 pandemic caused economic uncertainty and encouraged foreign investors to sell off their portfolio assets. Overall, the balance of payments experienced a deficit of USD 8.5 billion in the first quarter of 2020.



Indonesia's foreign exchange reserves at the end of May 2020 were recorded at 130.5 billion US dollars, an increase compared to the position at the end of April 2020 of 127.9 billion US dollars. The position of foreign exchange reserves is equivalent to financing 8.3 months of imports or 8.0 months of imports and payment of government foreign debt. The increase in foreign exchange reserves in May 2020 was mainly influenced by the withdrawal of Government foreign debt and the placement of foreign exchange banking at Bank Indonesia. Going forward, Bank Indonesia views that foreign exchange reserves remain adequate, supported by stability and a favorable economic outlook.²

Looking ahead, the performance of the balance of payments is predicted to remain good so that it can sustain external sector resilience. The BOP outlook is supported by the current account deficit in 2020 which is predicted to be lower than 2.0% of GDP.

² Bi.go.id

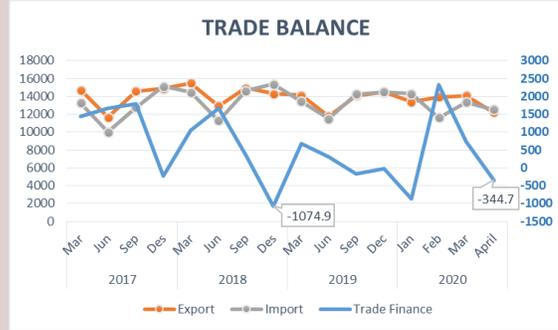
Tabel 4. Currencies			
Currencies	April	Mei	% Change
USD/IDR	14,882	14,610	1.83%
USD/HKD	7.7520	7.7512	0.01%
USD/SGD	1.4099	1.4135	-0.26%
USD/MYR	4.3022	4.3465	-1.03%
USD/CNY	7.0632	7.1364	-1.04%
USD/JPY	107.18	107.83	-0.61%
AUD/USD	1.5357	1.4998	2.34%
EUR/USD	0.9128	0.9008	1.32%
GBP/USD	0.7940	0.8102	-2.03%

Tabel 5. Interest Rate		
Indicator	April	May
BI 7DRR	4.50%	4.50%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

Indonesia's Trade Balance

Indonesia's trade balance in April 2020 recorded a deficit of 344.7 million US dollars, after a surplus in the previous month of 715.7 million US dollars.

This development was influenced by slowing world demand, disruption of global supply chains, and low commodity prices in line with the impact of the COVID-19 pandemic that spread throughout the world. Despite the deficit, Indonesia's overall trade balance from January to April 2020 remained a surplus of 2.25 billion US dollars, higher than the achievements in the same period the previous year a deficit of 2.35 billion US dollars.

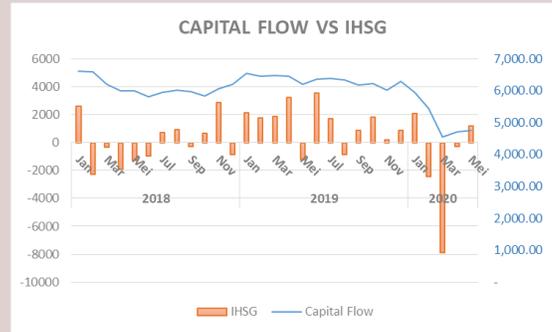


The April 2020 trade balance deficit was influenced by the deficit in the non-oil and gas and oil and gas trade balance. The non-oil and gas trade balance had a deficit of US \$ 100.9 million in April 2020, down from the previous month's US \$ 1.67 billion surplus. This development was due to a decrease in the export performance of manufactured products and mineral fuels, especially coal. The positive performance of exports of gold, iron and steel, and oil and vegetable fats can withstand a deeper decline in non-oil and gas exports. Meanwhile, the oil and gas trade balance in April 2020 was a deficit of 243.8 million US dollars, lower than the deficit in the previous month of 953.3 million US dollars. The decrease in the deficit was mainly influenced by the decline in oil and gas imports in line with the decline in oil and gas prices.³

³ Bi.go.id

Capital Flow

During May 2020, the composite share price index (CSPI) on the Indonesia Stock Exchange rose 0.79% or 37.43 points from 4,716.40 on April 30 to 4,753.61 on May 29, ending trading this month. Within a



month foreign investors still recorded net sell transactions (net sell) on the regular market of Rp 7.2 trillion. But in all markets (all markets including negotiating markets) foreigners recorded a net buy of Rp 6.44 trillion. During May, JCI moved with very high volatility. A number of factors that influence the movement of the index are tense relations between the US-China, information about the corona virus vaccine (Covid-19), and stimuli launched by the government and the central bank. JCI experienced a sharp gain in the last weeks of May, following the movement of world stock indices. The trigger factor was optimism that business reopening in a number of countries was expected to accelerate economic recovery. Domestically, banking shares experienced a sharp strengthening at the end of the month because market participants responded positively to the stimulus from the Financial Services Authority (OJK), which provided relaxation of liquidity for banks.⁴

Foreign Exchange



The Rupiah has completed trade in May 2020. In the fifth month, the rupiah still recorded a strengthening before the United States dollar (US).

Throughout May, the rupiah strengthened 1.69% against the greenback. The strengthening of the rupiah slowed, because in the previous month the country's currency was able to book an appreciation of more than 9%. The strengthening of the rupiah is driven by the flow of foreign capital in government bonds, aka Government Securities (SBN)⁵

Interest Rate

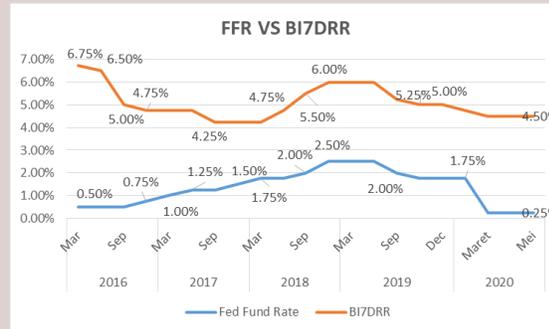
⁴ Investor Daily

⁵ Cnbcindonesia.com

The central bank of the United States / The Fed decided to hold the benchmark interest rate in the range of current levels. Among the ideas of the US central bank discussed at the policy setting meeting last April, according to the minutes released Wednesday (5/20) are more detailed guidelines for the path of short-term interest rates, and restrictions on long-term interest rates. During the meeting, there was no discussion about negative interest rates, a controversial approach to monetary policy supported by US President Donald Trump and has

been used in Europe and Japan. However, negative interest rates seen by the US central bank are very risky and ineffective.

The same decision was taken by Bank Indonesia (BI). **The Bank Indonesia Board of Governors'**



Meeting (RDG) on 18-19 May 2020 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 4.50%, the Deposit Facility interest rate at 3.75%, and the Lending Facility interest rate at 5 , 25%. This decision considers the need to maintain exchange rate stability amid the uncertainty of global financial markets, although Bank Indonesia sees room for a fall in interest rates in line with low inflationary pressures and the need to encourage economic growth, especially in 2020.⁶

A meeting of the Board of Commissioners of the Indonesian Deposit Insurance Corporation (LPS) on Wednesday (5/27/2020) decided to reduce the interest rate of guarantees for rupiah and foreign currency deposits in commercial banks and rupiah deposits in Rural Banks (BPR) each by 25 basis points (bps). The interest rate for rupiah-denominated deposits at commercial banks fell to 5.50%, while for BPRs it fell to 8%. While the guarantee interest rate for foreign currency deposits at commercial banks will be 1.50%. This guarantee interest rate applies for the period 30 May 2020 - 30 September 2020. Chairman of the LPS Board of Commissioners Halim Alamsyah said the decline in the guarantee interest rate was driven by conditions of financial system stability that were relatively maintained despite pressures on financial market performance.⁷

⁶ Bi.go.id

⁷ Lps.go.id