

Economic Update

March Highlight :

- Consumer Price Index (CPI) inflation in March 2021 was 0.08% (mtm), slightly lower than the previous month's inflation of 0.10% (mtm).
- Indonesia's balance of payments (BOP) in the fourth quarter of 2020 remained good, thus supporting external resilience. The balance of payments in the fourth quarter of 2020 had a low deficit of US \$ 0.2 billion, supported by a continuing surplus in the current account, amidst low deficit capital and financial transactions.
- The central bank of the United States (US) The Federal Reserve (The Fed) maintains interest rates low, namely in the range of 0 percent to 0.25 percent.
- The Bank Indonesia Board of Governors Meeting (RDG) on 17-18 March 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%.

Gross Domestic Product

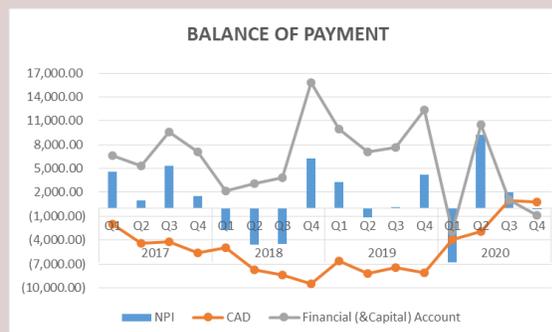
The Indonesian economy in 2020 experienced a growth contraction of 2.07 percent (c-to-c) compared to 2019. The Indonesian economy in the fourth quarter of 2020 against the



fourth quarter of 2019 experienced a growth contraction of 2.19 percent (y-on-y). This made the Indonesian economy experience negative growth (contraction) in three consecutive quarters. the economy throughout 2020 was minus because all the main driving sectors contracted. Meanwhile, the main supporting sectors for the economy are household consumption and investment.

The Consumer Price Index (CPI) inflation in March 2021 was 0.08% (mtm), slightly lower than the previous month's inflation of 0.10% (mtm). Annually, CPI inflation in March 2021 was recorded at 1.37% (yoy), relatively stable compared to inflation in the previous month of 1.38% (yoy). The volatile food category experienced inflation of 0.56% (mtm) in March 2021, an increase from the previous month's deflation of 0.01% (mtm). Inflationary pressure in the volatile foods category was mainly driven by movements in commodity prices for cayenne pepper and shallots due to weather factors. The administered prices group in March 2021 recorded low inflation of 0.02% (mtm), down from the previous month's inflation of 0.21% (mtm). This development was driven by movements in administered prices commodity prices which were relatively stable in March 2021.¹

Balance of Payment



Indonesia's Balance of Payments (BOP) in the fourth quarter of 2020 remained good, thus supporting external resilience. The balance of payments in the fourth quarter of

¹ Bi.go.id

Tabel 1. Economic Indicator		
Indicator	Feb	Mar
Consumer Price Index (yoy)	1.38%	1.37%
Consumer Price Index (mtm)	0.10%	0.08%
Trade Balance (USD Billion)	2.00	*
Foreign Reserves (USD Billion)	138.8	137.1

* unpublished

Tabel 2. Economic Indicator		
Indikator	Q3'20	Q4'20
GDP	-3.49%	-2.19%
NPI (USD Million)	2,100	(200)
CAD (USD Million)	964	795

Tabel 3. Comodity		
Comodity	Feb	Mar
Brent Oil (USD/Barrels)	66.13	63.54
WTI (USD/Barrels)	61.50	59.16
CPO (MYR/Metrictons)	3,986.00	4,061.00
Batu bara (USD/Metrictons)	85.10	96.25
Emas (USD/troy oz)	1,734.04	1,707.71

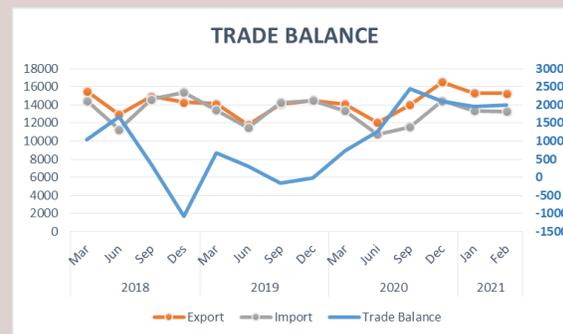
2020 had a low deficit of US \$ 0.2 billion, supported by a continuing surplus in the current account, amidst low deficit capital and financial transactions. With these developments, the overall balance of payments in 2020 will be a surplus of 2.6 billion US dollars.

The current account surplus continued in the fourth quarter of 2020, supported by an increasing surplus in the goods balance. In the fourth quarter of 2020 the current account returned to a surplus of 0.8 billion US dollars (0.3% of GDP), continuing the surplus in the previous quarter of 1.0 billion US dollars (0.4% of GDP).

Capital and financial transactions in the fourth quarter of 2020 remained sound, supported mainly by a surplus of direct investment and portfolio investment. The capital and financial account in the fourth quarter of 2020 recorded a low deficit of US \$ 0.9 billion (0.3% of GDP).

Meanwhile, **Indonesia's foreign exchange reserves at the end of March 2021 were recorded at US \$ 137.1 billion, which remains high, although it is decreasing compared to the position at the end of February 2021 of US \$ 138.8 billion.** The position of foreign exchange reserves is equivalent to financing 10.1 months of imports or 9.7 months of imports and servicing of government external debt, and is above the international adequacy standard of around 3 months of imports. The decline in foreign exchange reserves in March 2021 was mainly influenced by the payment of government external debt according to the payment maturity pattern.²

Trade Balance



Indonesia's trade balance in February 2021 returned to a surplus of US \$ 2.0 billion, a slight increase from the previous month's surplus of US \$ 1.96 billion. The trade balance surplus in

February 2021 was influenced by the non-oil and gas trade balance surplus of 2.44 billion US dollars, slightly lower than the surplus in January 2021 of 2.63 billion US dollars. Exports of a number of manufactured products, such as iron and steel as well as vehicles and parts thereof, improved after being corrected in the previous month. Meanwhile, non-oil and gas imports experienced an increase, especially in the capital goods category, in line with continued improvement in domestic economic activity.³

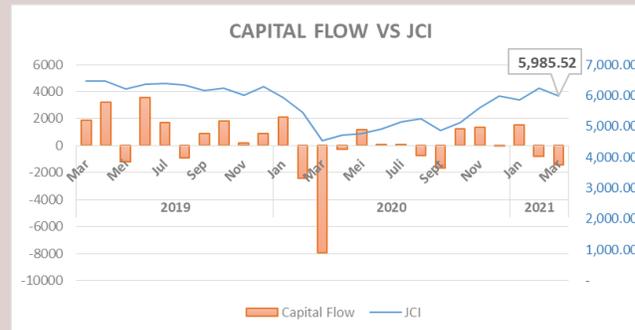
² Bi.go.id

³ Bi.go.id

Tabel 4. Currencies			
Currencies	Februari	Maret	% Change
USD/IDR	14,235	14,525	-2.04%
USD/HKD	7.7566	7.7741	-0.23%
USD/SGD	1.3326	1.3448	-0.92%
USD/MYR	4.0498	4.1450	-2.35%
USD/CNY	6.4737	6.5528	-1.22%
USD/JPY	106.57	110.72	-3.89%
AUD/USD	1.2977	1.3161	-1.42%
EUR/USD	0.8282	0.8525	-2.94%
GBP/USD	0.7177	0.7255	-1.09%

Tabel 5. Interest Rate		
Indicator	February	March
BI 7DRR	3.75%	3.50%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

Capital Flow



The Jakarta Composite Index (JCI) weakened -4.11% throughout March 2021. The JCI closed at 5,985.52

levels on Wednesday (31/3). This position shows a monthly weakening of -4.11% compared to Friday (26/2) which closed at the level of 6,241.80. This condition is due to pressures on US bond yields triggered by optimism for US economic recovery in 2021. The USD1.9 trillion stimulus has sparked investor expectations for a recovery in the US economy and rising inflation for this year. Another factor is the threat of the third wave of the spread of the corona virus pandemic in Europe. A number of countries have returned to lockdown. From within the country, the vaccination program in Indonesia is still running somewhat slowly. This has slowed down the process of national economic recovery.⁴

Foreign Exchange

The rupiah exchange rate has weakened quite sharply against the United States dollar (US) during the first quarter of 2021. The rupiah at the end of 2020 was at the level of Rp. 14,040 / US \$, while at the end of the



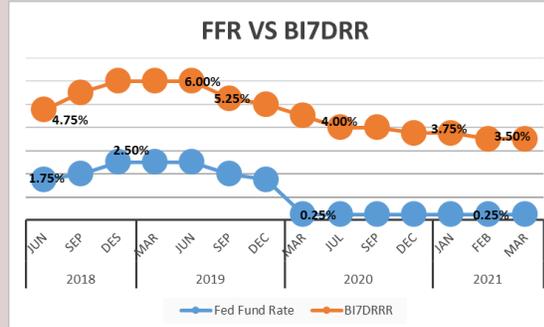
first quarter of 2021, Wednesday (31/3/2021), it was at Rp. 14,520 / US \$, meaning that it had weakened 3.42%. The 10-year tenor US Treasury yield, which rose to over 1.7% and was at its highest level since January 2020, triggered the strengthening of the US dollar. Treasury yields were at levels before the corona virus became a pandemic, and the US central bank (The Fed) has yet to clear its interest rates and reactivate its US \$ 120 billion per month asset purchase (QE) program by March 2020. Recovery expectations The US economy is faster than expected, and the increase in inflation has

⁴ Indopremiere.com

made market participants to release Treasury which makes their yields rise.⁵

Interest Rate

The central bank of the United States (US) The Federal Reserve (The Fed) maintains interest rates low, namely in the range of 0 percent



to 0.25 percent. The decision was taken through the Federal Open Markets Committee (FOMC) meeting on March 16-17, 2021. However, the Fed gave a somewhat hawkish tone,

namely that it is ready to adjust monetary policy should risks arise. One of the risks referred to is a spike in inflation. The Fed predicts the US inflation rate will move higher in the coming months, although temporarily. Other risks include developments in public health due to the pandemic, labor market and financial market conditions

The Board of Governors Meeting (RDG) of Bank Indonesia on 17-18 March 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 increasing uncertainty on global financial markets, amidst the forecast for inflation that remains low. To further support national economic recovery, Bank Indonesia will further optimize accommodative macroprudential policies, accelerate money market deepening, support international policies, and digitize the payment system.⁶

⁵ Cnbcindonesia.com

⁶ Bi.go.id

Our View

Macroeconomics Indicator and Forecast

	2016	2017	2018	2019	2020	2021f
National Account						
GDP	5,03%	5,07%	5,17%	5,02%	-2,19%	4.50-5.00%
Inflasi (yoy)	3,58%	3,61%	3,13%	2,72%	1.68%	1.75-2.30%
Other						
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

GDP attainment or Indonesia's economic growth in 2020 contracted even though it shows the continuing process of economic improvement. Continuing in the first quarter of 2021, it is predicted that economic growth will still be recorded at minus but improve compared to 2020. We are optimistic that economic growth will still reach 4.5-5% in 2021.

Annual **inflation** for 2020 is low and below the inflation target target of 2% - 4%. It is predicted that in 2021, annual inflation will remain low in the range of 1.75-2.30% but will be much higher than in 2020. In April, it is predicted that inflation will increase driven by increased consumption ahead of Eid.

The Fed, made sure to keep interest rates low. And it will not raise the benchmark interest rate until there are signs of inflation towards the 2% target.

It is predicted that Bank Indonesia already has very limited room to reduce the **BI7DRR** this year. To further support national economic recovery, Bank Indonesia will further optimize accommodative macroprudential policies, accelerate money market deepening, support international policies, and digitize the payment system.

The **Rupiah exchange rate** was quite depressed during March trading due to the soaring US Treasury hike. It is projected that the movement of the Rupiah will continue to weaken this April.