

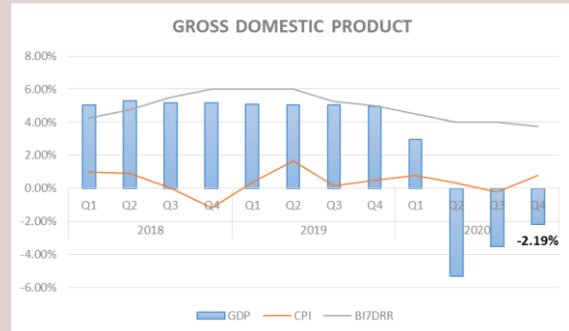
Economic Update

Highlight :

- 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).
- Consumer Price Index (CPI) inflation in January 2021 was recorded at 0.26% (mtm), lower than the previous month's inflation of 0.45% (mtm).
- Indonesia's trade balance in December 2020 returned to a surplus, amounting to 2.10 billion US dollars, continuing the surplus that had occurred since May 2020.
- At the Federal Open Market Committee (FOMC) meeting that was held on January 26-27, 2021, the Fed decided to maintain the target range for the reference interest rate, aka the fed fund rate (FFR), at 0% to 0.25%.
- The Board of Governors Meeting (RDG) of Bank Indonesia on 20-21 January 2021 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%.

Gross Domestic Product

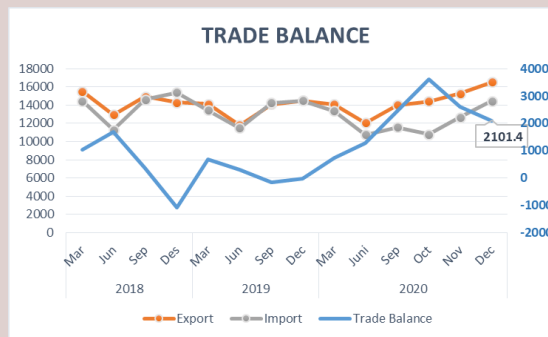
The Indonesian economy in 2020 experienced a growth contraction of 2.07 percent (c-to-c) compared to 2019. The Indonesian economy in the fourth quarter of 2020 against the



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.

Consumer Price Index (CPI) inflation in January 2021 was recorded at 0.26% (mtm), lower than the previous month's inflation of 0.45% (mtm). This development was influenced by a slowdown in inflation in the volatile food category and deflation in the administered prices category, while core inflation continued to climb. Annually, CPI inflation for January 2021 was recorded at 1.55% (yoy), down from last month's inflation of 1.68% (yoy). Going forward, Bank Indonesia remains committed to maintaining price stability and strengthening policy coordination with the Government, both at the central and regional levels, in order to control inflation in 2021 in accordance with its target range of 3,0%±1%.¹

Trade Balance



Indonesia's trade balance in December 2020 returned to a surplus, amounting to 2.10 billion US dollars, continuing the surplus that had occurred since May 2020.

¹ Bi.go.id

Tabel 1. Economic Indicator		
Indicator	Dec	Jan
Consumer Price Index (yoy)	1.68%	1.55%
Consumer Price Index (mtm)	0.45%	0.26%
Trade Balance (USD Billion)	2.10	*
Foreign Reserves (USD Billion)	135.9	138.0

*unpublished

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

*unpublished

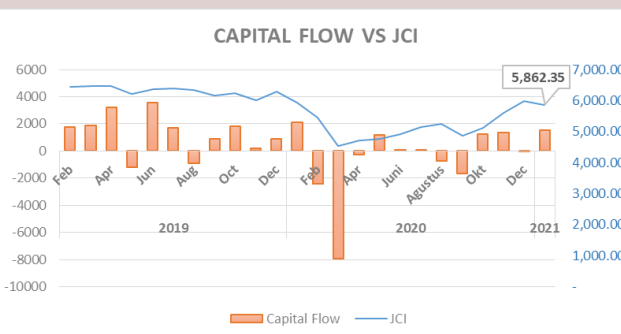
Tabel 3. Comodity		
Komoditas	Dec	Jan
Brent Oil (USD/Barrels)	51.80	55.88
WTI (USD/Barrels)	48.52	52.20
CPO (MYR/Metrictons)	3,891	3,935
Batu bara (USD/Metrictons)	80.50	86.20
Emas (USD/troy oz)	1,898.36	1,847.65

With these developments, overall in 2020 the trade balance will be a surplus of 21.74 billion US dollars, much higher than the achievements in 2019 which experienced a deficit of 3.59 billion US dollars.

The trade balance surplus in December 2020 was mainly influenced by the non-oil and gas trade balance which returned to a surplus. The December 2020 non-oil and gas trade balance was a surplus of 2.56 billion US dollars, continuing the positive performance in the previous month which was a surplus of 2.92 billion US dollars. Meanwhile, non-oil and gas imports for all components of goods increased in line with gradual improvement in domestic economic activity. Meanwhile, the oil and gas trade balance was still a deficit of 0.46 billion US dollars, influenced by the increase in oil and gas imports which was higher than the increase in oil and gas exports.²

Meanwhile, Indonesia's foreign exchange reserves at the end of January 2021 amounted to 138.0 billion US dollars, an increase from the position at the end of December 2020 of 135.9 billion US dollars. The position of foreign exchange reserves is equivalent to financing 10.5 months of imports or 10.0 months of imports and servicing of government foreign debt. The increase in the position of foreign exchange reserves in January 2021 was mainly influenced by the issuance of government global bonds and tax revenues.³

Capital Flow



The Jakarta Composite Index (JCI) closed again with a correction on the last trading day of January 2021, Friday

(29/1/2021). It has been 7 days of trading in a row, JCI always ends in the red zone. Even though last weekend the JCI was still at the level of 6,307. JCI closed with a correction of 1.96% to the level of 5,862.35

The Jakarta Composite Index (JCI) closed again with a correction on the last trading day of January 2021, Friday (29/1/2021). It has been 7 days of trading in a row, JCI always ends in the red zone. Even though last weekend the JCI was still at the level of 6,307. JCI closed with a correction of 1.96% to the level of 5,862.35.

That way, the JCI has corrected by 7.05% in the past week. The correction that occurred this week was so terrible that it eroded the

² Bi.go.id

³ Bi.go.id

Tabel 4. Currencies			
Currencies	December	January	% Change
USD/IDR	14,050	14,030	0.14%
USD/HKD	7.7526	7.7534	-0.01%
USD/SGD	1.3234	1.3290	-0.42%
USD/MYR	4.0365	4.0400	-0.09%
USD/CNY	6.5233	6.4283	1.46%
USD/JPY	103.19	104.68	-1.44%
AUD/USD	1.3011	1.3082	-0.55%
EUR/USD	0.8132	0.8240	-1.33%
GBP/USD	0.7340	0.7295	0.61%

Tabel 5. Suku Bunga Acuan		
Indikator	December	January
BI 7DRR	3.75%	3.75%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

JCI performance in January. There is no January Effect for this year. Consecutive corrections over the past five days caused the main benchmark stock index to experience a correction of 1.95% in the first month of 2021. ⁴

Exchange Rate

On Friday trading (29/1) the rupiah exchange rate strengthened by 0.34% to a level of Rp 14,030 per US dollar and slightly strengthened by 0.03% in a week.

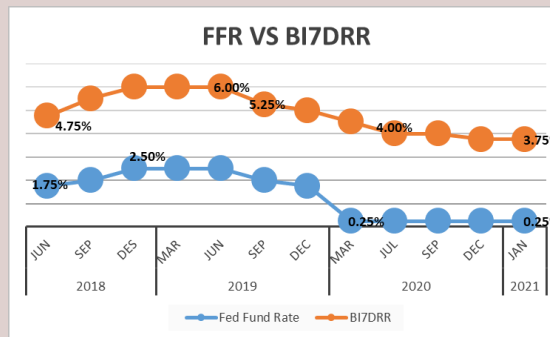
Meanwhile, Bank Indonesia's middle rate (Jisdor) recorded a slight decrease of 0.21% of the rupiah to a level of Rp 14,084 per US dollar in a week. ⁵

The driving factor for the Rupiah is supported by the fairly heavy flow of foreign capital into the country and the high demand for risky assets.

In addition, market players also responded to the release of the first reading of US economic growth figures. In 2020, the country's Gross Domestic Product (GDP) will grow -3.5%, the worst achievement since World War II. However, this figure is slightly better than the market consensus of predicting -3.6%, thus making the market excited.



Interest Rate



In the Federal Open Market Committee (FOMC) meeting that was held on January 26-27, 2021, the Fed decided to maintain the target range of the reference interest rate, aka the fed

fund rate (FFR) at 0% to 0.25%.

The policy reiterates the Fed's promise to use all available means to support the US economy during the time of the coronavirus pandemic. The US Central Bank also maintains a policy of purchasing securities worth US \$ 120 billion per month until there is significant progress on

⁴ Cnbcindonesia.com

⁵ Cnbcindonesia.com

the employment absorption and inflation targets. The Fed also made no changes regarding the composition of securities purchases.

The Board of Governors Meeting (RDG) of Bank Indonesia on 20-21 January 2021 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 with the Government and other relevant authorities and supports various further policies to build optimism for national economic recovery, through opening up productive and safe economic sectors, accelerating fiscal stimulus, channeling bank credit from the demand and supply side, continuing monetary stimulus and macroprudential, and accelerate economic and financial digitization.⁶

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%	3.50-4.00%
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%	3.25-3.75%
USD/IDR	13.461	13.554	14.394	13.866	14.050	13.850-14.150

GDP achievement or Indonesia's economic growth in 2020 it will contract, although it shows the continuing process of economic recovery. Continuing in the first quarter of 2021 is predicted to grow slower than the same period last year. We are optimistic that economic growth can still reach approximately 5% this year.

Annual **inflation** for 2020 is low and is below the inflation target target of 2% - 4%. It is predicted that in 2021, annual inflation can increase in line with increasing economic activity and improving people's purchasing power.

The Fed, The Fed's low interest rate policy is predicted to persist in 2021. The United States economy will need stable and sustainable monetary and fiscal policy support throughout 2021. This is due to the economic slowdown in the first half before reaching a vaccine-driven mid-year rebound.

BI7DRR It is also predicted that it will keep interest rates low following the policy of the US central bank which maintains monetary easing until the economy recovers. As long as there are no signs of increasing pressure on inflation.

The rupiah **exchange rate** strengthened 0.18% year to date in early February 2021. The rupiah has a good prospect this year, supported by Indonesia's economic growth which is estimated to be positive. This is in line with the global economic recovery, which is driven by optimism regarding the corona virus vaccination.