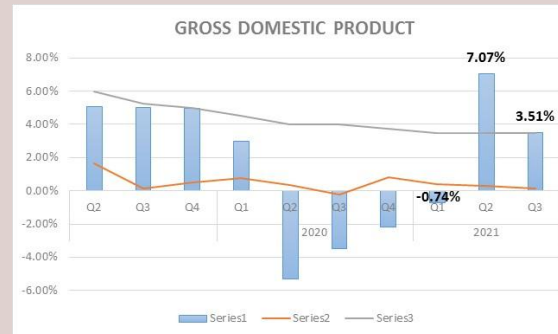


## Economic Update

### Highlight December :

- The Consumer Price Index (CPI) in December 2021 experienced 0.57% (mtm) inflation, an increase from inflation in the previous month which was recorded at 0.37% (mtm).
- Indonesia's trade balance surplus in November 2021 remained high at 3.51 billion US dollars, although lower than the surplus in the previous month of 5.74 billion US dollars.
- Data from the Indonesia Stock Exchange (IDX), throughout December, the JCI fell 0.29 percent or 19.19 points to a level of 6,581.48 from the position of 6,533.93 at the end of trading last November.
- The Bank Indonesia Board of Governors Meeting (RDG) on 15-16 December 2021 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.50%, the Deposit Facility interest rate at 2.75%, and the Lending Facility interest rate at 4.25%.
- The release of Indonesia's manufacturing PMI data slowed from 53.9 to 53.5 in December 2021. Persistent supply constraints are still the main reason in Indonesia's manufacturing sector.

### Economic Growth

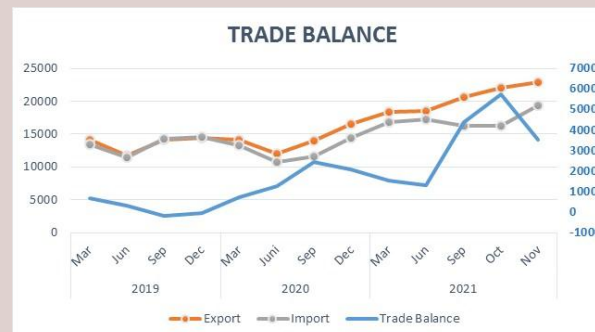


Indonesia's economy in the third quarter of 2021 grew positively by 3.51% (yoy), more than the previous quarter's achievement of 7.07% (yoy). The Indonesian economy at the end of 2021 is

estimated to be able to achieve growth as in the second quarter of 2021, which is above 7 percent on an annual basis (yoy). Indonesia's positive growth economy is technically out of recession.

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in December 2021 experienced inflation of 0.57% (mtm), an increase from inflation in the previous month which was recorded at 0.37% (mtm). Rising CPI inflationary pressure at the end of the year was driven by volatile foods and administered prices inflation. On an annual basis, CPI inflation in December 2021 was recorded at 1.87% (yoy), higher than inflation in the previous month of 1.68% (yoy). Inflation remains low, below its target range of 3.0±1% in 2021 and maintained within the target range of 3.0±1% in 2022. Going forward, Bank Indonesia remains committed to maintaining price stability and strengthening policy coordination with the Government, both at the national and regional levels, in order to keep inflation within the target range.<sup>1</sup>

### Indonesia's Trade Balance



Data from the Central Statistics Agency (BPS), Indonesia's November 2021 Trade Balance Surplus remained high at US\$3.51 billion, although lower than the

previous month's surplus of US\$5.74 billion. With these developments, Indonesia's trade balance has continued to record a positive value since

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

Tabel 1. Economic Indicator		
Indicator	Nov	Dec
Consumer Price Index (yoy)	1.68%	1.87%
Consumer Price Index (mtm)	0.37%	0.57%
Trade Balance (USD Billion)	3513.80	*
Foreign Reserves (USD Billion)	145.9	144.9

Keterangan : \* belum rilis

Tabel 2. Economic Indicator		
Indicator	Q2'21	Q3'21
GDP	7.07%	3.51%
NPI (USD Million)	(282)	10,597
CAD (USD Million)	(2,200)	4,500

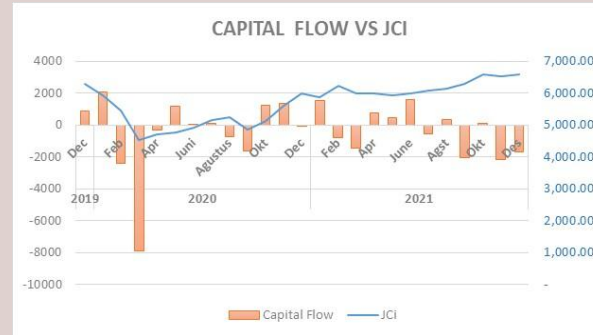
Keterangan : \* belum rilis

Tabel 3. Comodity		
Comodity	November	December
Brent Oil (USD/Barrels)	70.57	77.78
WTI (USD/Barrels)	66.18	75.21
CPO (MYR/Metrictons)	5,188.00	5,159.00
Batu bara (USD/Metrictons)	152.00	169.60
Emas (USD/troy oz)	1,774.52	1,829.20

Tabel 4. Currencies			
Currencies	Nov	Dec	% Change
USD/IDR	14,332	14,263	0.48%
USD/HKD	7.7974	7.7966	0.01%
USD/SGD	1.3656	1.3490	1.22%
USD/MYR	4.2040	4.1665	0.89%
USD/CNY	6.3645	6.3561	0.13%
USD/JPY	113.17	115.08	-1.69%
AUD/USD	1.4031	1.3768	1.87%
EUR/USD	0.8820	0.8795	0.28%
GBP/USD	0.7519	0.7390	1.72%

May 2020. Indonesia's trade balance in January-November 2021 as a whole recorded a surplus of USD 34.32 billion, much higher than the achievement in the same period in 2020 of USD 19.52 billion. Bank Indonesia views the trade balance surplus as contributing positively to maintaining the external resilience of the Indonesian economy. Going forward, Bank Indonesia will continue to strengthen policy synergies with the Government and relevant authorities to support economic recovery.<sup>2</sup>

### Capital Inflow



Based on data from the Indonesia Stock Exchange (IDX), throughout December, the JCI fell 0.29 percent or 19.19 points to a level of 6,581.48

from 6,533.93 at the end of trading last November. Movement is quite limited due to the lack of domestic sentiment and concerns about the high number of Covid-19 cases in the US and Europe.<sup>3</sup>

### Exchange Rate Movement



The rupiah exchange rate on the spot market strengthened 7.5 points or 0.05 percent to the level of Rp. 14,263 per US dollar on Friday (12/31/2021). The

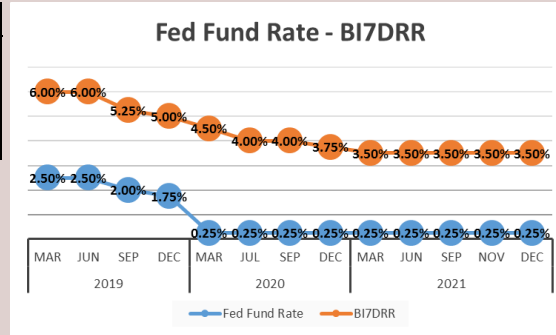
situation of increasing Covid-19 transmission in the world due to the Omicron variant which is more or less a concern for market participants. So that some countries also impose restrictions on economic activity. Rupiah moved in a narrow range at the end of this year because there was not much activity in the financial market.<sup>4</sup>

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

<sup>3</sup> Cnbcindonesia.com

<sup>4</sup> bisnis.com

Tabel 5. Interest Rate		
Indikator	Nov	Dec
BI 7DRR	3.50%	3.50%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%



The Bank Indonesia Board of Governors Meeting (RDG) on 15-16 December 2021 decided to maintain the BI 7-Day Reverse Repo Rate (BI7DRR) at 3.50%, the Deposit Facility interest rate at

2.75%, and the Lending Facility interest rate at 4.25%. This decision is in line with the need to maintain stability in the exchange rate and financial system, amidst the low inflation forecast and efforts to support economic growth. Bank Indonesia also continues to optimize the entire policy mix to maintain macroeconomic and financial system stability and support efforts to improve the economy.<sup>5</sup>

Meanwhile, the central bank of the United States (US) The Federal Reserve (The Fed) has announced it will accelerate the pace of reducing asset purchases (tapering off) which marks a departure from policies imposed at the beginning of the health crisis. The Fed doubled the pace of tapering by halting purchases of US\$30 billion a month of Treasury and mortgage-backed securities. Economic developments and changing prospects require this evolution of monetary policy. The economy has made rapid progress towards maximum employment.<sup>6</sup>

<sup>5</sup> Bi.go.id

<sup>6</sup> Bisnis.com

## Our View

### Macroeconomics Indicator and Forecast

Indicator	2017	2018	2019	2020	2021	2022f
GDP	5,07%	5,17%	5,02%	-2,19%	*belum rilis	3.8-5%
Inflasi (yoy)	3,61%	3,13%	2,72%	1.68%	1.87%	2.8-3.3%
<b>Other</b>						
FFR	1,50%	2,50%	1,75%	0.25%	0.25%	0.25-1.00%
BI7DRR	4,25%	6,00%	5,00%	3.75%	3.50%	3.75-4.25%
USD/IDR	13.554	14.394	13.866	14.050	14.263	14.200-14.600

**Indonesia's GDP achievement or economic growth** in 2022 is predicted to increase due to several regions that have entered the green zone and have been vaccinated against Covid-19. Recent studies reveal that the Omicron variant is said to tend to produce milder symptoms than other variants. Positive economic growth indicates that Indonesia is technically out of recession.

**The inflation** rate at the beginning of the year will be higher than before but will still be maintained in line with the issue of rising energy prices such as basic electricity tariffs and the elimination of fuel which is expected to raise production costs. As a result, people's purchasing power will be eroded again. Optimism for economic recovery and the trend of surging global inflation will also lift domestic inflation up in 2022.

**The Fed** will carry out monetary policy from a dovish to a hawkish strategy in 2022 through accelerating tapering off or reducing monetary stimulus, namely reducing asset purchases more aggressively. The Fed will also raise the benchmark interest rate (Federal Funds Rate (FFR) three times in 2022 by 75 basis points to 1.00% percent in line with the election of the world economy.

Bank Indonesia is predicted to maintain the low **interest rate** trend of 3.5% in early 2022 and will increase interest rates at the end of the first quarter. BI's macro-prudential and monetary policy mix will remain loose at the beginning of this year. The benchmark interest rate policy will be kept low to support economic growth, until there are signs of increasing inflation.

**The Rupiah exchange** rate will remain stable next year despite various sentiments. Some of them are the problem of handling the Covid-19 pandemic to the issue of tapering the United States (US).