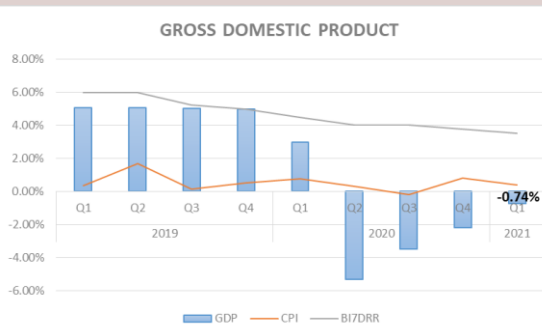


Economic Update

June Highlight :

- Bank Indonesia (BI) estimates that the economic growth rate in the second quarter of 2021 will be lower than the previous estimate of 7 percent.
- Based on data from the Central Statistics Agency (BPS), inflation in the Consumer Price Index (CPI) in June 2021 experienced deflation of 0.16% (mtm), after recording inflation of 0.32% (mtm) in the previous month.
- Indonesia's trade balance in May 2021 returned to a surplus of 2.36 billion US dollars, an increase compared to the previous month's surplus of 2.29 billion US dollars.
- The Bank Indonesia Board of Governors Meeting (RDG) on 16-17 June 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 Fed changed its stance by accelerating its plan to increase its benchmark interest rate. Having previously stated that he does not plan to do so before 2023 has passed, Jerome Paul has now indicated an increase in 2023 to two times

Economic Growth



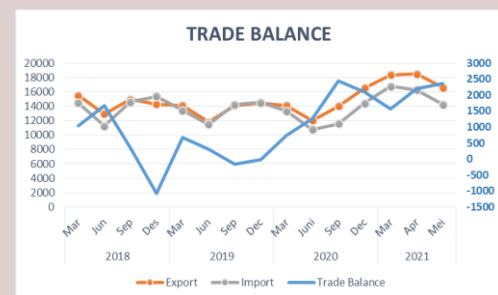
The Indonesian economy in the first quarter of 2021 compared to the first quarter of 2020 experienced a growth contraction of 0.74 percent (yoy). Indonesia's economy in the first quarter of

2021 compared to the previous quarter experienced a growth contraction of 0.96 percent (q-to-q).¹ Bank Indonesia (BI) estimates that the economic growth rate in the second quarter of 2021 will be lower than the previous estimate of 7 percent. Governor of Bank Indonesia Perry Warjiyo said that before there was a significant increase in Covid-19 cases, it was seen that economic activity in the second quarter jumped very high compared to the first quarter of 2021.

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) inflation in June 2021 experienced deflation of 0.16% (mtm), after recording inflation of 0.32% in the previous month (mtm). This development was influenced by lower inflation in all groups, namely core, volatile foods and administered prices. On an annual basis, CPI inflation in June 2021 was recorded at 1.33% (yoy), lower than last month's inflation of 1.68% (yoy). The core group in June 2021 recorded inflation of 0.14% (mtm), slowing from inflation in the previous month of 0.24% (mtm). The volatile foods category experienced deflation of 1.23% (mtm) in June 2021, down from the previous month's inflation of 0.39% (mtm). The administered prices group in June 2021 recorded a deflation of 0.21% (mtm), a decrease compared to the previous month which experienced inflation of 0.48% (mtm).²

Indonesia's Trade Balance

Indonesia's trade balance in May 2021 returned to a surplus of 2.36 billion US dollars, an increase compared to the previous month's surplus of 2.29 billion US dollars.



¹ BPS.go.id

² Bi.go.id

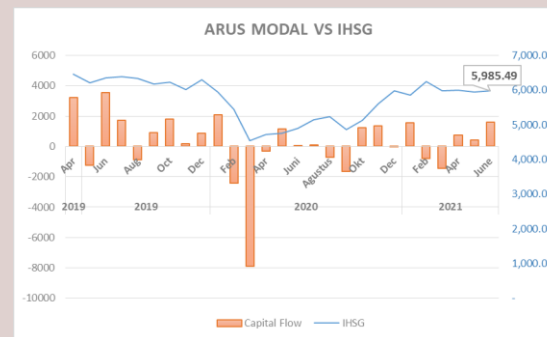
| Tabel 1. Economic Indicator | | |
|-------------------------------|-------|--------|
| Indicator | May | Jun |
| Inflation (yoy) | 1.68% | 1.33% |
| Inflation (mtm) | 0.32% | -0.16% |
| Trade Balance (USD Miliar) | 2.36 | * |
| Foreign Reserves (USD Miliar) | 136.4 | * |

Keterangan : * belum rilis

Indonesia's trade balance has again recorded a positive value since May 2020. Bank Indonesia views the trade balance surplus as contributing positively to maintaining the external resilience of the Indonesian economy. The non-oil and gas trade balance surplus was USD 3.49 billion, an increase compared to the surplus in April 2021 of USD 3.35 billion. Meanwhile, the oil and gas trade balance deficit was relatively stable from 1.06 billion US dollars in April 2021 to 1.13 billion US dollars, influenced by non-oil and gas exports and imports that remained strong. ³

Capital Flow

| Tabel 2. Economic Indicator | | |
|-----------------------------|--------|--------|
| Indicator | Q4'20 | Q1'21 |
| GDP | -2.19% | -0.74% |
| NPI (USD Million) | (200) | 5520 |
| CAD (USD Million) | 795 | -997 |



Capital market trading semester I 2021 ends on Wednesday (30/6). The Composite Stock Price Index (JCI) failed to close past the 6,000 level, but was at 5,985. With this level, the JCI

recorded an increase of 0.11% compared to the end of 2020 closing at the level of 5,979. Among the bourses in the Southeast Asian region, the performance of the Indonesian index is in the fourth best position. Throughout the first semester of 2021, capital markets in all countries are still overshadowed by the spread of the Covid-19 virus, including Indonesia. The JCI movement in the second half of this year still has the potential to strengthen. An increase could happen, even though Covid-19 cases in the country have increased in recent times. Moreover, there is the potential for the government to impose restrictions on community activities (PPKM) on an emergency basis. The increase in Covid-19 cases and the potential for restrictions will only be a negative sentiment in the short term. ⁴

| Tabel 3. Comodity | | |
|----------------------------|----------|----------|
| Comodity | May | Jun |
| Brent Oil (USD/Barrels) | 69.32 | 75.13 |
| WTI (USD/Barrels) | 66.32 | 73.47 |
| CPO (MYR/Metrictons) | 4,024.00 | 3,782.00 |
| Batu bara (USD/Metrictons) | 118.90 | 134.70 |
| Emas (USD/troy oz) | 1,906.87 | 1,770.11 |

Foreign Exchange

The rupiah exchange rate weakened to Rp 14,500 per United States (US) dollar at the end of the first semester of 2021. Wednesday (30/6), the spot rupiah exchange rate weakened 0.10% from yesterday's position. Meanwhile, during the first half of this



³ Bi.go.id

⁴ Katadata.co.id

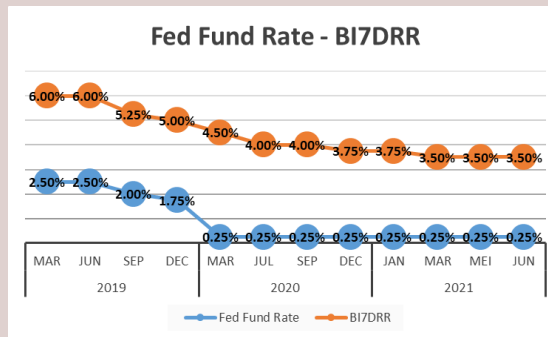
| Tabel 4. Currencies | | | |
|---------------------|--------|--------|----------|
| Currencies | Mei | Jun | % Change |
| USD/IDR | 14,280 | 14,500 | -1.54% |
| USD/HKD | 7.7611 | 7.7651 | -0.05% |
| USD/SGD | 1.3217 | 1.3454 | -1.79% |
| USD/MYR | 4.1252 | 4.1490 | -0.58% |
| USD/CNY | 6.3701 | 6.4571 | -1.37% |
| USD/JPY | 109.58 | 111.11 | -1.40% |
| AUD/USD | 1.2930 | 1.3336 | -3.14% |
| EUR/USD | 0.8179 | 0.8433 | -3.11% |
| GBP/USD | 0.7036 | 0.7230 | -2.75% |

| Tabel 5. Interest Rate | | |
|------------------------|--------------|--------------|
| Indicator | May | Jun |
| BI 7DRR | 3.50% | 3.50% |
| Fed Funds Rate | 0.00 - 0.25% | 0.00 - 0.25% |

year, the spot rupiah exchange rate weakened 3.20% from Rp 14,050 per US dollar at the end of 2020. The reason is none other than the sharp spike in domestic Covid cases and the Federal Reserve's hawkish position to weigh on the rupiah exchange rate in recent weeks. However, domestically, the rupiah's fundamentals are still strong. The trade surplus is still large as the effect of higher commodity prices, the wide difference in real interest rates, and the still strong central bank foreign exchange reserves are the reasons for the strong fundamentals of the rupiah.⁵

Interest Rate

The Bank Indonesia Board of Governors Meeting (RDG) on 16-17 June 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 consistent with forecasts for inflation to remain low, as well as efforts to maintain the stability of the Rupiah exchange rate and accelerate efforts to recover the

economy. Bank Indonesia also continues to optimize the accommodative monetary and macroprudential policy mix and accelerate the digitization of Indonesia's payment system to strengthen efforts to recover the national economy.⁶

Meanwhile, in the meeting of the Federal Open Market Committee (FOMC), the Fed changed its attitude by accelerating the plan to increase the benchmark interest rate. Having previously stated that he does not plan to do so before 2023 has passed, Jerome Paul has now indicated an increase in 2023 to two times. Powell in his statement acknowledged that inflation could accelerate faster than the central bank's previous expectations. The inflation target was also raised to 3.4% in 2021, up 100 percentage points from the March projection although he still considered the inflation pressure to be "temporary".⁷

⁵ Kontan.co.id

⁶ Bi.go.id

⁷ Cnbcindonesia.com

| 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% | 3.50-4.50% |
| Inflasi (yoy) | 3,58% | 3,61% | 3,13% | 2,72% | 1.68% | 1.75-2.20% |
| 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 | 14.000-14.350 |

The achievement of **GDP** or Indonesia's economic growth is projected to decline again. Both the government and Bank Indonesia cut their predictions, the government cut it to 3.7-4.5% while BI was in the range of 4.1-5.1%. This is due to the recent spike in Covid-19 cases, which has forced the government to issue an emergency PPKM policy that has the potential to affect the rate of improvement in economic growth.

Annual inflation until June 2021 is still low. It is predicted that in 2021 annual inflation will still be low, especially due to the extension of the PPNBM stimulus and the implementation of an emergency PPKM due to the high spike in Covid-19 cases.

The Fed unexpectedly changed its stance by accelerating its plan to raise its benchmark interest rate. Having previously stated that he does not plan to do so before 2023 has passed, Jerome Paul has now indicated an increase in 2023 to two times.

Bank Indonesia is predicted to have very limited space to reduce BI7DRR this year. However, with the change in policy from the Fed, it is possible that next year BI will raise interest rates.

The **Rupiah exchange rate** tended to weaken throughout June due to a fairly high spike in cases of Covid. It is predicted that the Rupiah will move quite volatile, sensitive to both external and internal sentiments.