

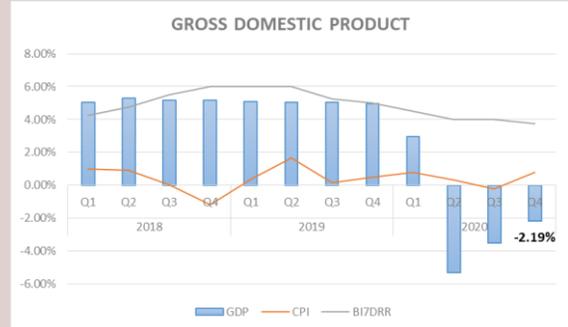
## Economic Update

### Highlight February :

- Consumer Price Index (CPI) inflation in February 2021 was 0.10% (mtm), lower than the previous month's inflation of 0.26% (mtm).
- Indonesia's foreign exchange reserves at the end of February 2021 amounted to 138.8 billion US dollars, an increase from the position at the end of January 2021 of 138.0 billion US dollars.
- In the Federal Open Market Committee (FOMC) meeting that was held on February 16-17, 2021, the Fed decided to maintain an accommodative monetary policy.
- The Bank Indonesia Board of Governors Meeting (RDG) on 17-18 February 2021 decided to lower the BI 7-Day Reverse Repo Rate (BI7DRR) by 25 bps to 3.50%, the Deposit Facility rate by 2.75%, and the interest rate Lending Facility of 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 February 2021 was 0.10% (mtm), lower than the previous month's inflation of 0.26% (mtm).**

Annually, CPI inflation for February 2021 was recorded at 1.38% (yoy), down from last month's inflation of 1.55% (yoy).

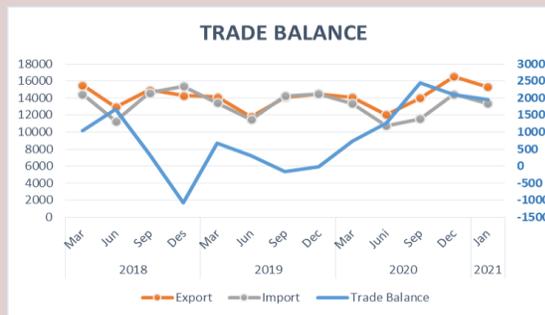
**The volatile food category in February 2021 experienced deflation of 0.01% (mtm), or lower than the previous month's inflation of 1.15% (mtm).**

Mainly due to deflation in the commodity meat and eggs of broilers.

**The administered prices group in February 2021 experienced inflation of 0.21% (mtm), an increase from the previous month's deflation of 0.19% (mtm).**

Inflation in this category was mainly driven by tariff increases on several toll roads and increases in air transport rates for several airlines.<sup>1</sup>

### Trade Balance



**Indonesia's trade balance in January 2021** recorded a surplus of US \$ 1.96 billion, although it decreased slightly compared to the previous month's surplus of US \$ 2.1

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

Tabel 1. Economic Indicator		
Indicator	Jan	Feb
Consumer Price Index (yoy)	1.55%	1.38%
Consumer Price Index (mtm)	0.26%	0.10%
Trade Balance (USD Billion)	1.96	*
Foreign Reserves (USD Billion)	138.0	138.8

Keterangan : \* belum rilis

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

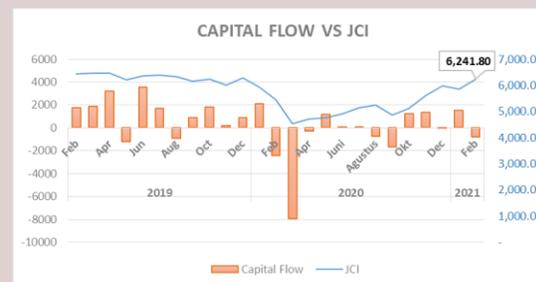
Keterangan : \* belum rilis

Tabel 3. Comodity		
Komoditas	Jan	Feb
Brent Oil (USD/Barrels)	55.88	66.13
WTI (USD/Barrels)	52.20	61.50
CPO (MYR/Metrictons)	3,935.00	3,986.00
Batu bara (USD/Metrictons)	86.20	85.10
Emas (USD/troy oz)	1,847.65	1,734.04

billion. With these developments, Indonesia's trade balance has experienced a consecutive surplus since May 2020. The January 2021 trade balance surplus was influenced by the continuing surplus in the non-oil and gas trade balance. In January 2021, the non-oil and gas trade balance surplus increased to US \$ 2.63 billion, higher than the December 2020 surplus of US \$ 2.56 billion. This development was influenced by exports which increased by 15.30 billion US dollars. Meanwhile, the oil and gas trade deficit increased slightly from US \$ 0.46 billion in December 2020 to US \$ 0.67 billion, influenced by the decline in oil and gas exports amid rising oil and gas imports.<sup>2</sup>

Meanwhile, **Indonesia's foreign exchange reserves at the end of February 2021** amounted to 138.8 billion US dollars, an increase from the position at the end of January 2021 of 138.0 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 external debt, and is above the international adequacy standard of around 3 months of imports. Bank Indonesia assesses that the foreign exchange reserves are capable of supporting external sector resilience and maintaining macroeconomic and financial system stability.<sup>3</sup>

### Capital Flow



The Composite Stock Price Index (IHSG) throughout February 2021 has increased quite significantly. Opening the index below the psychological 6,000 level, the JCI closed

February above 6,200. Throughout February 2021, the composite index was influenced by investor optimism for the economic recovery in 2021, both globally and domestically. In addition, the increase in world commodity prices was also a positive catalyst for the market, causing the share prices of a number of commodity-related issuers to skyrocket.<sup>4</sup>

### Foreign Exchange

The Rupiah currency closed February spot market trading at Rp 14,235/US\$, the weakest since November 5 last year. During February, the



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

<sup>3</sup> Bi.go.id

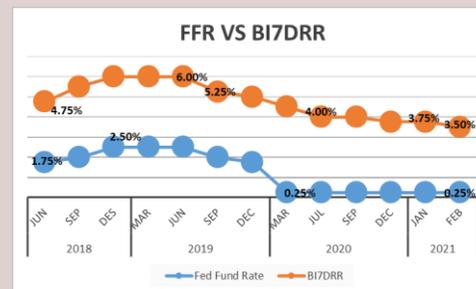
<sup>4</sup> Cnbcindonesia.com

Tabel 4. Currencies			
Currencies	January	February	% Change
USD/IDR	14,030	14,235	-1.46%
USD/HKD	7.7534	7.7566	-0.04%
USD/SGD	1.3290	1.3326	-0.27%
USD/MYR	4.0400	4.0498	-0.24%
USD/CNY	6.4283	6.4737	-0.71%
USD/JPY	104.68	106.57	-1.81%
AUD/USD	1.3082	1.2977	0.80%
EUR/USD	0.8240	0.8282	-0.51%
GBP/USD	0.7295	0.7177	1.61%

Tabel 5. Suku Bunga Acuan		
Indicator	January	February
BI 7DRR	3.75%	3.50%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

rupiah depreciated significantly, namely 4.32%. The rupiah also holds the status of the weakest major Asian currency over the past month. When the Yellow Continent's currency strengthens, the rupiah (and the Indian rupee) turns red. The main trigger for the weakening of the rupiah this week is the increase in yield on US bonds (Treasury). Over the past week, US Treasury yields rose 17 basis points to 1.515% which is the highest level since early February 2020 or before the corona virus was declared a pandemic, and before the US central bank (Federal Reserve / The Fed) cut its interest rates down to 0, 25%.

### Interest Rate



In the **Federal Open Market Committee (FOMC) meeting that was held on February 16-17, 2021**, the Fed decided to maintain an accommodative monetary policy. The decision implies that the Fed maintains its

benchmark interest rate near zero percent and maintains a minimum monthly bond purchase of USD120 billion. The Fed has pledged to narrow interest rates near zero until inflation rises to 2% and looks set to exceed that goal.

**The Board of Governors Meeting (RDG) of Bank Indonesia on 17-18 February 2021 decided to lower the BI 7-Day Reverse Repo Rate (BI7DRR) by 25 bps to 3.50%, the Deposit Facility rate by 2.75%, and the Lending rate. Facility of 4.25%.** Going forward, Bank Indonesia will direct all policy instruments to support national economic recovery, while maintaining control of inflation and maintaining stability of the Rupiah exchange rate, as well as supporting financial system stability.<sup>5</sup>

**Lembaga Penjamin Simpanan (LPS) decreases the guarantee interest rate by 25 bps (basis points) for rupiah at commercial banks and rural credit banks (BPR) as well as for foreign currency deposits at commercial banks.** Thus, the LPS guarantee interest rate for rupiah deposits at commercial banks is 4.25% and for foreign currencies at commercial banks is 0.75%. Meanwhile, the guarantee interest rate for rupiah at BPR was 6.75%. The Guarantee Interest Rate is valid from February 25, 2021 to May 28, 2021.<sup>6</sup>

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

<sup>6</sup> Lps.go.id

## Our View

### Macroeconomics Indicator and Forecast

	2016	2017	2018	2019	2020	2021f
<b>National Account</b>						
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%
<b>Other</b>						
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 growth will slow down compared to the same period last year. We are optimistic that economic growth can still reach around 5% this year.

**Annual inflation** for 2020 is low and below the inflation target target of 2% - 4%. It is predicted that in 2021, annual inflation will improve in line with the increase in economic activity and improvement in people's purchasing power because vaccines have been running smoothly throughout the first quarter of 2021, although not yet on target.

**The Fed**, ensures to use monetary instruments fully to support the economy, as well as help ensure the economic recovery is as strong as possible. 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. The Central Bank during the pandemic has endeavored to use all its policy instruments to promote national economic recovery.

**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 vaccination.