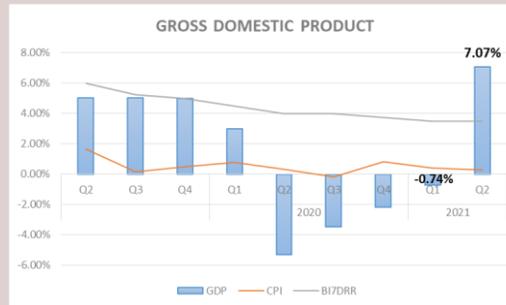


Economic Update

September Highlight :

- The Consumer Price Index (CPI) in September 2021 experienced deflation of 0.04% (mtm), after recording inflation of 0.03% (mtm) in the previous month
- Indonesia's trade balance surplus in August 2021 reached 4.74 billion US dollars and the highest since December 2006
- Based on data from the Indonesia Stock Exchange (IDX), throughout September the JCI managed to gain 136.64 percent or 2.22 points. JCI unmitigated rose more than 2% to 6,286,943
- September is over and the domestic currency should feel a 0.32% correction in September. The rupiah was impacted by market concerns about a global slowdown, rising energy prices, and very higher US treasury yields
- The Bank Indonesia Board of Governors Meeting (RDG) on 20-21 September 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%.

Gross Domestic Product



(yoy). On a quarterly basis, quarter II-2021 compared to the previous quarter experienced a growth of 3.31 percent (q-to-q).

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in September 2021 experienced deflation of 0.04% (mtm), after recording inflation of 0.03% (mtm) in the previous month.

This development was influenced by deflation in the volatile foods category and a decline in core inflation, amidst rising inflation in the administered prices category. On an annual basis, CPI inflation in September 2021 was recorded at 1.60% (yoy), slightly higher than inflation in the previous month of 1.59% (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 maintain 2021 inflation within the target range of 3,0% ± 1%.¹

Trade Balance



The Indonesian economy in the second quarter of 2021 recorded positive growth for the first time since the outbreak of the Covid-19 pandemic in early 2020, amounting to 7.07%

Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance surplus in August 2021 reached 4.74 billion US dollars and the highest since December 2006.

With these developments, Indonesia's trade balance has continued to record a positive value since May 2020. Indonesia's trade balance in January-August 2021 as a whole recorded a surplus of 19.17 billion US dollars, much higher than the achievement in the same period in 2020 of 10.96 billion US dollars. The trade balance surplus in August 2021 was

¹ Bi.go.id

| Tabel 1. Economic Indicator | | |
|-------------------------------|-------|--------|
| Indikator | Ags | Sep |
| Inflation (yoy) | 1.59% | 1.60% |
| Inflation (mtm) | 0.03% | -0.04% |
| Trade Balance (USD Miliar) | 4740 | * |
| Foreign Reserves (USD Miliar) | 144.8 | * |

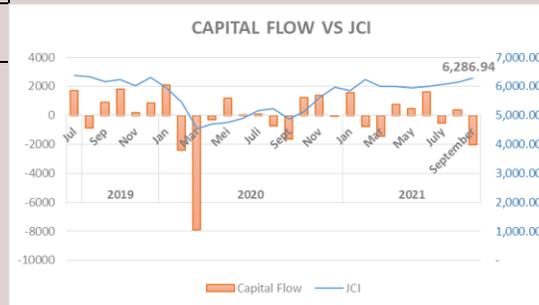
*unpublished

| Tabel 2. Economic Indicator | | |
|-----------------------------|--------|-------|
| Indicator | Q1'21 | Q2'21 |
| GDP | -0.74% | 7.07% |
| NPI (USD Million) | 5520 | -282 |
| CAD (USD Million) | -997 | -2200 |

| Tabel 3. Commodity | | |
|----------------------------|---------|---------|
| Commodity | Ags | Sep |
| Brent Oil (USD/Barrels) | 72.99 | 78.52 |
| WTI (USD/Barrels) | 68.50 | 75.03 |
| CPO (MYR/Metrictons) | 4254.00 | 4833.00 |
| Batu bara (USD/Metrictons) | 174.25 | 218 |
| Emas (USD/troy oz) | 1813.62 | 1756.95 |

influenced by an increasing non-oil and gas trade balance surplus. In August, the non-oil and gas trade balance surplus was 5.73 billion US dollars, higher than the surplus in July 2021 of 3.39 billion US dollars. Meanwhile, the oil and gas trade balance deficit slightly increased from USD 0.79 billion in July 2021 to USD 0.98 billion in August 2021.²

Arus Modal Masuk



Based on data from the Indonesia Stock Exchange (IDX), throughout September the JCI managed to gain 136.64 percent or 2.22 points. JCI unmitigated jumped more than 2% to 6,286,943. This level is the highest since March 23 last. The strengthening of the JCI was partly supported by the swift inflow of foreign funds into the capital market. According to RTI data, foreign investors recorded a net purchase of Rp 1.69 trillion on Wednesday (29/9). In the past week, foreign investors have recorded a net buy of Rp 5.25 trillion in all markets.³

Foreign Exchange

The rupiah exchange rate in the spot market weakened and returned to the level of Rp. 14,300/US\$ on Thursday (30/9/2021). Rupiah has weakened for three trading days in a row. **September is over and the domestic currency should feel a 0.32% correction in September.** The rupiah was impacted by market concerns about a global slowdown, rising energy prices, and very higher US treasury yields.



Investors are claimed to be worried that the US central bank, The Fed, will start withdrawing policy support just as global growth slows.⁴ **The Bank Indonesia Board of Governors Meeting (RDG) on 20-21 September 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**

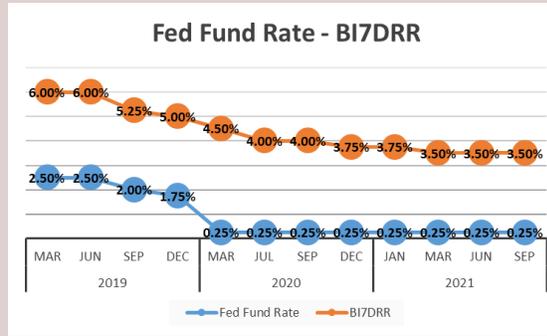
² Bi.go.id

³ Cnbcindonesia.com

⁴ Cnbcindonesia.com

| Tabel 4. Currencies | | | |
|---------------------|--------|--------|----------|
| Currencies | Agst | Sept | % Change |
| USD/IDR | 14,268 | 14,313 | -0.32% |
| USD/HKD | 7.7771 | 7.7863 | -0.12% |
| USD/SGD | 1.3449 | 1.3577 | -0.95% |
| USD/MYR | 4.1552 | 4.1862 | -0.75% |
| USD/CNY | 6.4607 | 6.4448 | 0.25% |
| USD/JPY | 110.02 | 111.29 | -1.15% |
| AUD/USD | 1.3669 | 1.3837 | -1.23% |
| EUR/USD | 0.8468 | 0.8636 | -1.98% |
| GBP/USD | 0.7270 | 0.7422 | -2.09% |

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



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 low inflation forecasts and efforts to support economic

growth.

Meanwhile, Federal Reserve Governor Jerome Powell said the United States central bank could start reducing its bond-buying program or tapering in November this year and complete the process by mid-2022. This tapering plan refers to the Fed's next Federal Open Market Committee (FOMC) meeting on 2 -3 November 2021.⁵

⁵ Bisnis.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% | 3.00-3.50% |
| USD/IDR | 13.461 | 13.554 | 14.394 | 13.866 | 14.050 | 14.100-14.400 |

The achievement of GDP or Indonesia's economic growth in the third quarter is predicted to be slightly restrained due to the delta variant of the covid explosion. With the enactment of the PPKM, it has an impact on public consumption, so it is feared that economic growth in the third quarter will slow down slightly, although it is still in the positive zone.

Inflationary pressures in October are not expected to be as severe as September which recorded deflation. In October, although inflation remained low, it would increase compared to the previous month due to the easing of the PPKM policy.

The Fed is predicted to reduce liquidity (tapering off) in November and continue in 2022. However, the Fed will not necessarily adopt a policy of raising interest rates. The increase in interest rates is predicted to occur in the second quarter of 2022.

Bank Indonesia is predicted to maintain the trend of low interest rates this year and will increase interest rates in 2022. Bank Indonesia has anticipated the negative impact of tapering off the Fed with Rupiah stability through Triple Intervention, maintaining bond yields and conducting stress tests.

The Rupiah exchange rate is predicted to continue to move sideways at least until the end of the year. The fluctuation of the Rupiah exchange rate cannot be separated from the intervention of Bank Indonesia which aims to maintain the stability of the Rupiah exchange rate until the end of 2021.

Credit. Bank Indonesia is still optimistic that credit will grow 4-6% in 2021. The forecast for credit disbursement in 2021 is supported by optimism about monetary and economic conditions, as well as relatively subdued credit disbursement risks.