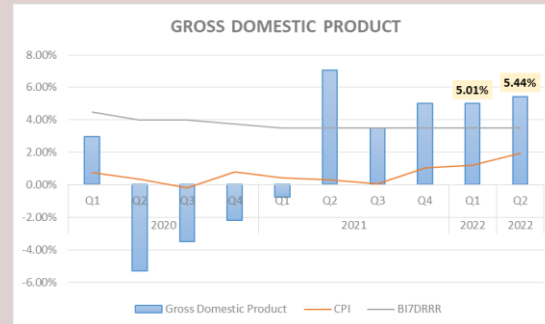


Economic Update

August Highlights :

- growth in the second quarter of 2022 still grew positively by 5.44 % (yoy), lower than the previous quarter's achievement of 5.01 % (yoy).
- The Consumer Price Index (CPI) in August 2022 experienced deflation of 0.21% (mtm) after inflation of 0.64% (mtm) in the previous month.
- Indonesia's trade balance in July 2022 again recorded a surplus of 4.23 billion US dollars, although lower than the surplus in the previous month of 5.15 billion US dollars.
- Indonesia's Balance of Payments (BOP) in the second quarter of 2022 recorded a surplus that supported the maintenance of external resilience. In the second quarter of 2022, the balance of payments recorded a surplus of 2.4 billion US dollars,
- The Board of Governors Meeting (RDG) of Bank Indonesia on 22-23 August 2022 decided to increase the BI 7-Day Reverse Repo Rate (BI7DRR) by 25 bps to 3.75%, the Deposit Facility interest rate by 25 bps to 3.00%, and Lending Facility interest rate of 25 bps to 4.50%.

Economic growth

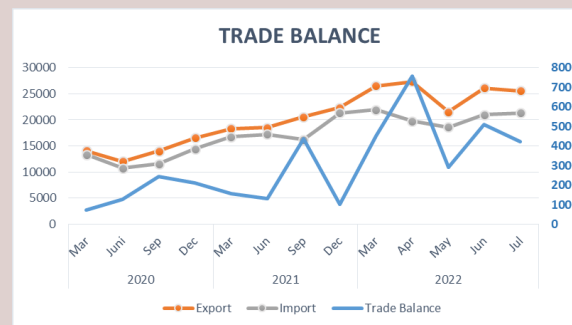


2022 was supported by growth in household consumption, because yesterday's Eid activity was enough to encourage household consumption and also the formation of gross fixed capital (PMTB) or investment which also boosted economic growth.

growth in the second quarter of 2022 still grew positively by 5.44 % (yoy), higher than the previous quarter's achievement of 5.01 % (yoy). Economic growth in the second quarter of

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in August 2022 experienced deflation of 0.21% (mtm) after experiencing inflation of 0.64% (mtm) in the previous month. Deflation stemmed mainly from lower prices for *volatile foods* and lower *administered prices inflation*, amidst rising core inflation. With these developments, CPI inflation in August 2022 was recorded at 4.69% (yoy), lower than inflation in the previous month of 4.94% (yoy).¹

Indonesia's Trade Balance ia



Based on data from the Central Statistics Agency (BPS), **Indonesia's trade balance in July 2022 again recorded a surplus of 4.23 billion US dollars, although lower than the surplus in the previous month of 5.15 billion US dollars.** The trade balance surplus in July 2022 came from the non-oil and gas trade balance surplus. Going forward, Bank Indonesia will continue to strengthen policy synergies with the Government and relevant policy authorities to increase external resilience and support national economic recovery.²

Based on data from the Central Statistics Agency (BPS), **Indonesia's trade balance in July 2022 again recorded a surplus of 4.23 billion US dollars, although lower than the surplus in the**

¹Bi.go.id

²Bi.go.id

Table 1. Economic Indicators

Indicator	Jul'22	Aug'22
Inflation (yoy)	4.94%	4.69%
Inflation (mtm)	0.64%	-0.21%
Trade balance (USD Billion)	4.220	*
Foreign Exchange Reserves (USD Billion)	132.2	*

Description: * not released yet
Source : bi.go.id

Table 2. Economic Indicators

Indicator	Q1'22	Q2'22
GDP	5.01%	5.44%
NPI (USD Millions)	(1.482)	2.818
CAD (USD Millions)	221	3900

Description: * not released yet
Source : bps.go.id

Table 3. Commodities

Commodity	Jul'22	Aug'22
Brent Oil (USD/Barrels)	110.01	96.49
WTI (USD/Barrels)	98.62	89.55
CPO (MYR/Metrictons)	4.355.00	4.003.00
Coal (USD/Metrictons)	407,90	425.00
Gold (USD/troy oz)	1,765.94	1,711.04

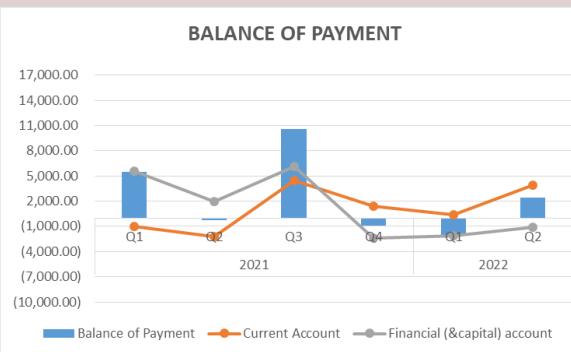
Source: bloomberg

Table 4. Currencies

Currencies	Jul'22	Aug'22	% Change
USD/IDR	14,834	14,843	-0.06%
USD/HKD	7.8500	7.8493	0.01%
USD/SGD	1.3805	1.3971	-1.20%
USD/MYR	4.4508	4.4755	-0.55%
USD/CNY	6.7445	6.8904	-2.16%
USD/JPY	133.27	138.96	-4.27%
AUD/USD	1.4316	1.4617	-2.10%
EUR/USD	0.9785	0.9947	-1.65%
GBP/USD	0.8216	0.8604	-4.72%

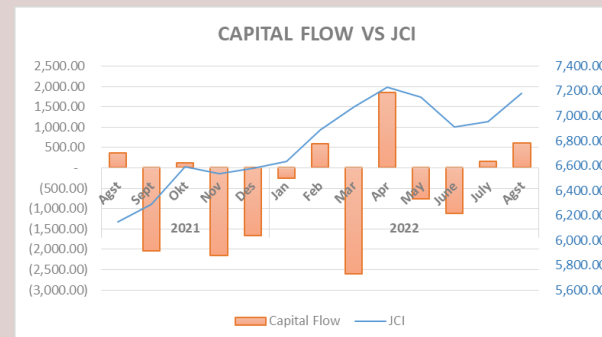
Source: bloomberg

Indonesia's Balance of Payments



Indonesia's Balance of Payments (BOP) in the second quarter of 2022 recorded a surplus that supported the maintenance of external resilience. In the second quarter of 2022, the BOP recorded a surplus of US\$2.4 billion, after experiencing a deficit of US\$1.8 billion in the previous quarter. The improvement in BOP performance was supported by an increasing current account surplus and an improvement in the capital and financial account deficit. With these developments, the position of foreign exchange reserves at the end of June 2022 reached 136.4 billion US dollars, equivalent to 6.4 months of import financing and servicing of government external debt, and was above international adequacy standards.³

Capital Inflow



The Composite Stock Price Index (JCI) closed in the green zone after opening in the red zone on Wednesday (31/8). Citing data from the Indonesia Stock Exchange (IDX) via RTI Business, the JCI rose 19.11 points or 0.27% to 7,178,590 at the close of trading.

Other sectors that also rose, namely the transportation sector rose 0.32%, the infrastructure sector rose 0.41%, the health sector rose 0.25%, the basic industrial sector rose 0.10%, the energy sector rose 0.08%, and the industrial sector up 0.12%. Meanwhile, sectors in the red zone, namely the non-primary sector, fell 0.06%, the primary sector fell 0.17%, the property sector fell 0.41%, and the technology sector fell 1.35%.⁴

³Bi.go.id

⁴Kontan.co.id

Table 5. Reference Interest Rate		
Indicator	Jul'22	Aug'22
BI 7DRR	3.50%	3.75%
Fed Funds Rate	2.25-2.50%	2.25-2.50%

Source: bloomberg

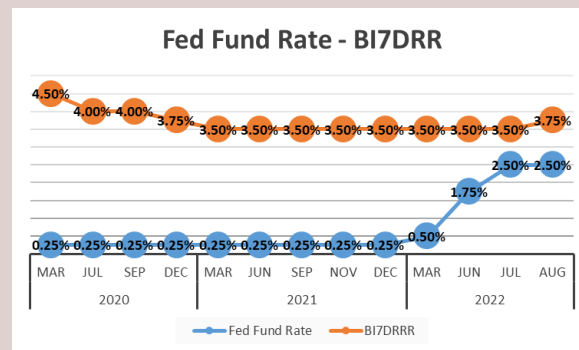
Exchange Rate Movement



The Rupiah exchange rate strengthened 0.12% or 0.1260 Points against the US Dollar (Wednesday, 31 August 2022). Based on Bloomberg data, the

rupiah exchange rate closed stagnant so that it was parked at Rp14,843.00 per US dollar. Even though the economic growth and inflation rate in Indonesia are in good performance, it is still necessary to be aware of negative sentiments in the global economy that threaten the Indonesian economy.

Interest rate



The Board of Governors Meeting (RDG) of Bank Indonesia on 22-23 August 2022 decided to increase the BI 7 - Day Reverse Repo Rate (BI7DRR) by 25 bps to 3.75%, the Deposit Facility

interest rate by 25 bps to 3.00%, and Lending Facility interest rate of 25 bps to 4.50%. The decision to increase interest rates is a *pre-emptive* and *forward looking step* to mitigate the risk of rising core inflation and inflation expectations due to the increase in non-subsidized fuel prices and *volatile food inflation*, as well as strengthening the rupiah exchange rate stabilization policy in line with its fundamental value. the uncertainty of global financial markets remains high, in the midst of increasingly strong domestic economic growth .⁵

The Federal Reserve raised its benchmark interest rate by three-quarters of a percentage point (75 basis points) on Wednesday (27/7) with rates to a range between 2.25% and 2.50%. So the Fed has raised its benchmark interest rate until July 2022 for a total of 225 basis points . The central bank raised interest rates to combat inflation, which hit its highest level since the 1980s.⁶

⁵Bi.go.id

⁶Kontan.co.id

Our View						
Macroeconomics Indicator and Forecast						
Indicator	2017	2018	2019	2020	2021	2022f
GDP	5.07%	5.17%	5.02%	-2.19%	5.02%	4.80-5.50% _
Inflation (yoy)	3.61%	3.13%	2.72%	1.68%	1.87%	3.40-3.80%
Other						
FFR	1.50%	2.50%	1.75%	0.25%	0.25%	3.25-3.50%
BI7DRR	4.25%	6.00%	5.00%	3.75%	3.50%	3.50-4.25%
USD/IDR	13,554	14,394	13,866	14,050	14,263	14,300-14,700

The achievement of Indonesia's GDP or economic growth in the third quarter of 2022 is predicted to be quite stable, this is driven by the improving conditions of the Covid-19, as well as the increase in global commodity prices coupled with the potential for high fiscal income so that the government's expectations of reducing the 2023 State Budget deficit are below 3% of GDP is possible.

Inflation _ September is expected to be overshadowed by hyperinflationary pressures, High inflation reaching double digits will be contributed by the components of food and energy and this will be a heavy burden for the community. On the one hand, society has just emerged from the pandemic Covid-19.

This year, it is estimated that interest rate hikes will occur at every meeting of the Fed and this year it is scheduled that there will be two more meetings to be held. So the Fed is predicted to hoist interest rates 2 more times this year, which is another 50 *basis points* (bps) in September and 25 bps in November, which means it will bring the *Fed funds rate* to the range of 3.25% -3, 50% by the end of this year.

Bank Indonesia (BI) . The increase in inflation due to fuel prices will certainly encourage BI to raise the benchmark interest rate. It is estimated that the increase in general inflation will reach 6.27% this year and core inflation above the target *range* , this will encourage Bank Indonesia (BI) to raise the benchmark interest rate (BI7DRRR) by a maximum of 100 bps to 4.75% in the remainder of 2022. , or higher than our initial assumption of 50 bps to 4.25% before the increase in subsidized fuel.

Rupiah exchange rate . The rupiah exchange rate was under pressure, amidst the uncertainty in global financial markets that remained high. With the potential for a trade balance surplus to continue, there is a potential for the current account balance to return to a surplus in 2022, thereby reducing the need for transactional foreign exchange. Thus, it can give additional strength to the rupiah exchange rate and then maintain the stability of the rupiah exchange rate.