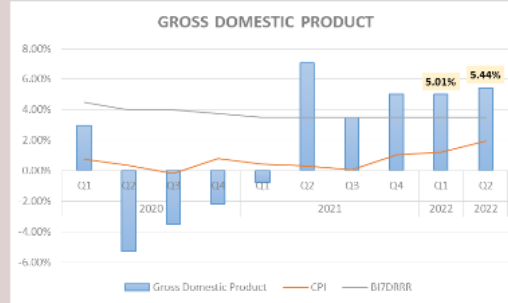


Economic Update

Highlight July:

- Indonesia's economic growth in the second quarter of 2022 still grew positively at 5.44% (yoy), lower than the previous quarter's achievement of 5.01% (yoy).
- The Consumer Price Index (CPI) in July 2022 experienced inflation of 0.64% (mtm), an increase compared to inflation in the previous month which was recorded at 0.61% (mtm).
- Indonesia's trade balance in June 2022 again recorded a surplus of 5.09 billion US dollars, an increase compared to the previous month's surplus of 2.90 billion US dollars.
- The Composite Stock Price Index (JCI) on Friday's trading slightly corrected 5.69 points or 0.08% to 6,951.12.
- The Board of Governors Meeting (RDG) of Bank Indonesia on 20-21 July 2022 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%.

Economic growth



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

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

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in July 2022 experienced inflation of 0.64% (mtm), an increase compared to inflation in the previous month which was recorded at 0.61% (mtm). The increase in inflation (mtm) was primarily driven by inflation in the administered prices category, in the midst of maintained low core inflation and the declining volatile foods category. With these developments, on an annual basis, CPI inflation in July 2022 was recorded at 4.94% (yoy), higher than inflation in the previous month of 4.35% (yoy).¹

Indonesia's Trade Balance



Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance in June 2022 again recorded a surplus of 5.09 billion US dollars, an increase compared to the

previous month's surplus of 2.90 billion US dollars. 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

¹ Bi.go.id

² Bi.go.id

Tabel 1. Economic Indicators

Indicator	Jun'22	Jul'22
Consumer Price Index (yoy)	4.35%	4.94%
Consumer Price Index (mtm)	0.61%	0.64%
Trade Balance (USD Billion)	5.09	*
Foreign Reserves (USD Billion)	136.4	132.2

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

Tabel 2. Economic Indicators

Indicator	Q1'22	Q2'22
GDP	5.01%	5.44%
NPI (USD Million)	(1,482)	*
CAD (USD Million)	221	*

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

Tabel 3. Commodity

Commodity	June'22	Jul'22
Brent Oil (USD/Barrels)	114.81	110.01
WTI (USD/Barrels)	105.76	98.62
CPO (MYR/Metrictons)	5,088.00	4,355.00
Coal (USD/Metrictons)	385.95	407.90
Gold (USD/troy oz)	1,807.27	1,765.94

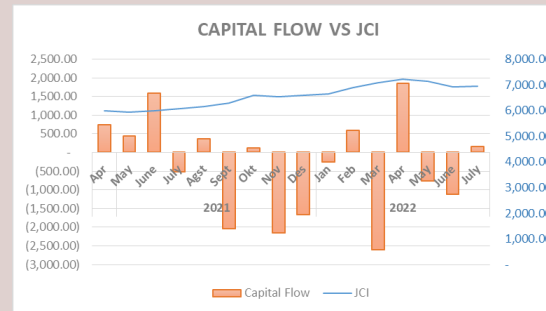
Source : bloomberg

Tabel 4. Currencies

Currencies	June'22	Jul'22	% Change
USD/IDR	14,903	14,834	0.46%
USD/HKD	7.8463	7.8500	-0.05%
USD/SGD	1.3905	1.3805	0.72%
USD/MYR	4.4082	4.4508	-0.97%
USD/CNY	6.6993	6.7445	-0.67%
USD/JPY	135.72	133.27	1.81%
AUD/USD	1.4486	1.4316	1.17%
EUR/USD	0.9539	0.9785	-2.58%
GBP/USD	0.8212	0.8216	-0.05%

Source : bloomberg

Capital Inflow



level of 6,951.12 at the close of trading.

The Composite Stock Price Index (JCI) closed in the red zone on Friday (29/7). Citing data from the Indonesia Stock Exchange (IDX), the JCI slightly corrected 5.69 points or 0.08% to a

Pressure on the JCI occurred in the decline of seven sectors from a total of 11 sectors on the IDX. The sector that fell the most was the health sector, which fell 2.66%. The raw goods sector fell 1.18%. The primary consumer goods sector slumped 0.79%. The technology sector eroded 0.71%. The transportation sector fell 0.35%. Meanwhile, the infrastructure sector fell 0.14% and the property and real estate sector fell 0.10%. Meanwhile, the other four sectors that gained strength were the industrial sector, which rose 3.90%. The energy sector rose 1.02%. The non-primary consumer goods sector rose 0.60% and the financial sector edged up 0.05%. The total volume of stock trading on the IDX on Friday reached 31.46 billion shares with a total transaction value of Rp 16.74 trillion.³

Exchange Rate Movement



Rp. 14,834 per US dollar. It is predicted that external sentiment will still dominate the movement of the rupiah exchange rate against the United States (US) dollar. However, the Fed's move to raise the benchmark interest rate by 75 bps is considered a less hawkish market so that it becomes a positive sentiment for the rupiah.

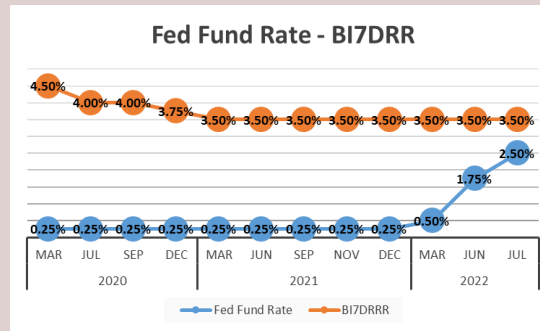
The Rupiah exchange rate strengthened 0.59% or 87.5 Points against the US Dollar (Friday, 29 July 2022). Based on data from Bloomberg, Garuda's currency closed up 0.59 percent or up 87.5 points so that it was parked at

³ Kontan.co.id

Tabel 5. Reference Interest Rate		
Indicator	June'22	Jul'22
BI 7DRR	3.50%	3.50%
Fed Funds Rate	1.50-1.75%	2.25-2.50%

Source : bloomberg

Interest rate



The Bank Indonesia Board of Governors Meeting (RDG) on 20-21 July 2022 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 the core inflation forecast which is still under control amidst the risk of the impact of the global economic slowdown on domestic economic growth. Bank Indonesia continues to be aware of the risk of rising inflation expectations and core inflation going forward, as well as strengthening the response to the necessary monetary policy mix through stabilizing the Rupiah exchange rate, strengthening monetary operations and interest rates.⁴

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%. This means that the Fed has raised its benchmark interest rate until July 2022 for a total of 225 basis points. Central bank raises interest rates to fight inflation hit highest level since 1980s.⁵

⁴ Bi.go.id

⁵ Kompas.com

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 in August is expected to decline until the end of the year in line with the supply of food commodities that will increase and core inflation in July 2022 is maintained at a low level of 2.86 percent (year-on-year/yoy). the basis for BI's interest rate policy, because core inflation reflects supply and demand.

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, namely 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). In the midst of the interest rate policy of the United States (US) Federal Reserve (The Fed), which is increasingly aggressive, Bank Indonesia (BI) is predicted to not be aggressively raising the benchmark interest rate or the BI 7 Days Reserve Repo Rate (BI7-DRRR) as long as there is no increase. significant increase in core inflation. However, it is likely that BI will raise the benchmark interest rate at the beginning of the third quarter of 2022 or at the beginning of the second half of this year, namely in August 2022 or September 2022.

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.