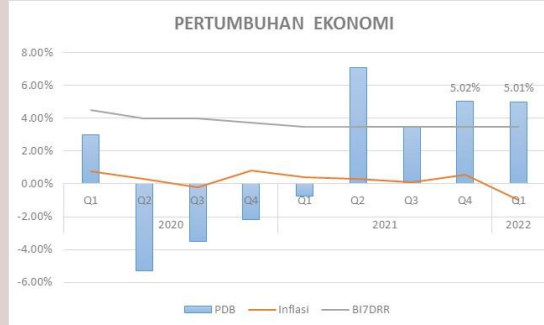


Economic Update

Highlight June:

- Indonesia's economic growth in the first quarter of 2022 still grew positively at 5.01% (yoy), lower than the previous quarter's achievement of 5.02% (yoy).
- The Consumer Price Index (CPI) in June 2022 experienced inflation of 0.61% (mtm), an increase compared to inflation in the previous month which was recorded at 0.40% (mtm).
- Indonesia's trade balance in May 2022 again recorded a surplus of 2.90 billion US dollars, although lower than the surplus in the previous month which reached 7.56 billion US dollars.
- JCI closed down 0.44% to 6,911.58 in late trading. Caused by foreign investors leaving the domestic market.
- The Board of Governors Meeting (RDG) of Bank Indonesia on 22-23 June 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%.

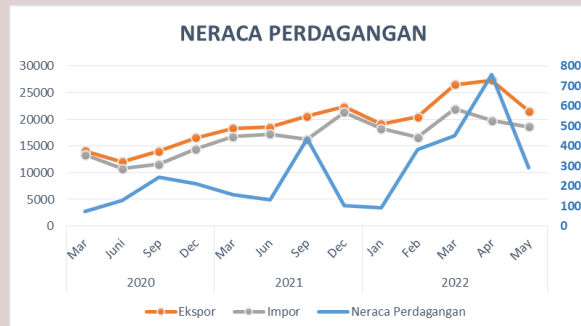
Economic growth



Indonesia's economic growth in the first quarter of 2022 still grew positively at 5.01% (yoy), lower than the previous quarter's achievement of 5.02% (yoy).

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in June 2022 experienced inflation of 0.61% (mtm), an increase compared to inflation in the previous month which was recorded at 0.40% (mtm). This development was influenced by an increase in inflation in the volatile food category, particularly for some horticultural commodities, amid a decline in core inflation and administered prices. On an annual basis, CPI inflation in June 2022 was recorded at 4.35% (yoy), higher than inflation in the previous month. By the end of 2022, CPI inflation is predicted to be slightly higher than the upper limit of the target range, and return to within the target range of 3.0±1% in 2023.¹

Indonesia's Trade Balance



Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance in May 2022 again recorded a surplus of 2.90 billion US dollars, although lower than the surplus in the

previous month which reached 7.56 billion US dollars. This positive performance has continued Indonesia's trade balance surplus since May 2020. Bank Indonesia views that the trade balance surplus has contributed positively to maintaining the external resilience of the Indonesian economy.²

¹ Bi.go.id

² Bi.go.id

Tabel 1. Economic Indicators

Indicator	May'22	Jun'22
Inflation (yoy)	3.55%	4.35%
Inflation (mtm)	0.40%	0.61%
Balance of trade (USD Miliar)	2900	*
Foreign exchange reserves (USD Miliar)	135.6	*

Keterangan : * belum rilis

Tabel 2. Economic Indicators

Indicator	Q4'21	Q1'22
GDP	5.02%	5.01%
NPI (USD Million)	(954)	(1,482)
CAD (USD Million)	1,400	221

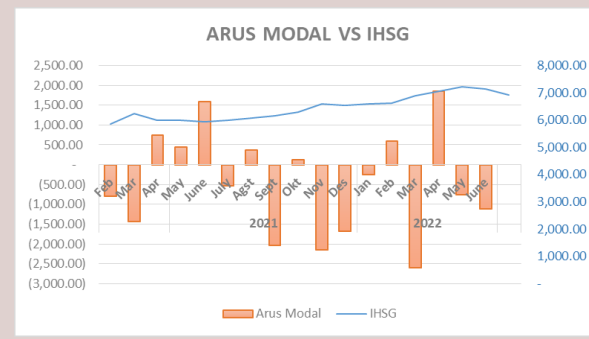
Tabel 3. Commodity

Commodity	May'22	June'22
Brent Oil (USD/Barrels)	122.84	114.81
WTI (USD/Barrels)	114.67	105.76
CPO (MYR/Metrictons)	6,607.00	5,088.00
Coal (USD/Metrictons)	427.00	385.95
Gold (USD/troy oz)	1,837.35	1,807.27

Tabel 4. Currencies

Currencies	May'22	June'22	% Change
USD/IDR	14,578	14,903	-2.23%
USD/HKD	7.8471	7.8463	0.01%
USD/SGD	1.3699	1.3905	-1.50%
USD/MYR	4.3767	4.4082	-0.72%
USD/CNY	6.6718	6.6993	-0.41%
USD/JPY	128.67	135.72	-5.48%
AUD/USD	1.3934	1.4486	-3.96%
EUR/USD	0.9316	0.9539	-2.39%
GBP/USD	0.7935	0.8212	-3.49%

Capital Inflow



Turning Weakened, JCI closed down 0.44% to 6,911.58 in late trading. This is because foreign investors left the domestic market during June with a jumbo net sell of IDR 3.8 trillion in

the regular market as of the close of Wednesday (29/6). JCI fluctuations during the first half of this year, especially the May-June period, cannot be separated from global sentiment, especially the effect of the increase in the benchmark interest rate by the central banks of major countries and the aftermath of the war in Ukraine. The potential for an economic recession as well as the impact of the aggressive action of hoisting the benchmark interest rate is the background that haunts stock investors.

The Composite Stock Price Index (JCI) turned depressed until the end of trading Thursday (30/6) until 15.00 WIB, the JCI closed down 30.769 points or 0.44% to 6,911,582. The index with the deepest weakness was printed by the Raw Goods Sector IDX, which fell 1.71% until the end of trading. IDX Health Sector became the sector with the largest gain in trading today, after soaring 1.12%. Followed, Technology Sector IDX rose 1.07%.³

Exchange Rate Movement



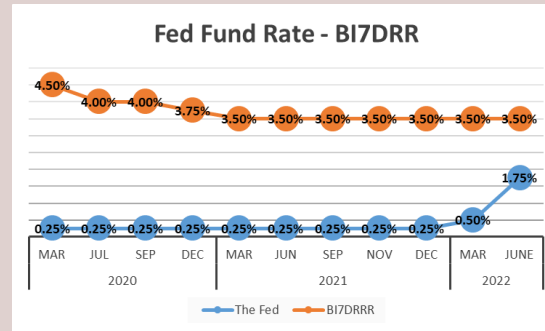
Rupiah Exchange Rate Weakened 0.2% or 34 Points against the US Dollar (Thursday, 30 June 2022). Based on Bloomberg data, Garuda's currency closed down 0.34 percent or 50.50 points so that it was parked at

Rp. 14,903.00 per US dollar. This is due to the aggressive stance of the Fed due to concerns about rising interest rates and also the recession in the US.

³ Kontan.co.id

Interest rate

Tabel 5. Reference Interest Rate		
Indicator	May'22	June'22
BI 7DRR	3.50%	3.50%
Fed Funds Rate	0.75-1.00%	1.50-1.75%



The Board of Governors Meeting (RDG) of Bank Indonesia on 22-23 June 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 in line with the need to control inflation and maintain exchange rate stability, as well as continue to encourage economic growth, amidst high external pressures related to geopolitical tensions between Russia and Ukraine and the acceleration of normalization of monetary policy in various developed and developing countries. Improvements in the world economy continue but the risk is lower than previously estimated, accompanied by rising inflation and accelerated normalization of monetary policy in various countries.⁴

The US central bank, The Fed raised the benchmark interest rate by 75 basis points (bps) on Wednesday (15/6/2022) local time to 1.50-1.75%. The interest rate hike was the largest since 1994. The interest rate hike was the Fed's latest move to curb the worst inflation faced by the US for the past 40 years. Fed Chair Jerome Powell said the Fed aims to bring inflation back to 2% from the current 8% or more.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%	3.4-3.8%
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 July is expected to increase again, this is driven by volatile food prices which are still high, besides that it is also influenced by restrictions on purchasing fuel oil (BBM) type Pertalite which will have an impact on reducing demand for fuel oil. and the discourse on increasing the basic electricity tariff, as well as increasing the prices of imported goods.

The Fed Is Predicted To Raise Interest Rates 3 More Times This Year. The Fed will raise interest rates again 75 basis points (bps) in July (26-27 July 2022) by raising US interest rates another 75 basis points which means it will bring the Fed funds interest rate to a range of 2.25%-2.50% in order to suppress inflation. Then, hoisting another 50 bps in September and 25 bps in November this will bring the Fed funds rate to a range of 3.25% -3.50% by the end of this year.

Bank Indonesia (BI). In the midst of increasingly aggressive interest rate policies of the United States (US) Federal Reserve (The Fed), Bank Indonesia (BI) is not predicted to be aggressively raising the benchmark interest rate or the BI 7 Day Reserve Repo Rate (BI7-DRRR). 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 July 2022 or August 2022.

Rupiah exchange rate. Global uncertainty is predicted to continue for a long time, Bank Indonesia (BI) as the monetary custodian, is considered to have given a very good response in maintaining the volatility of the rupiah movement. In the midst of surging commodity prices which are still high, although slowly starting to show improvement to a lower level compared to the previous 2-3 months, will still overshadow the weakening of the Rupiah against the US dollar.