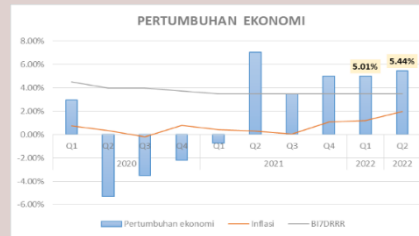


## Economic Update

### Highlight Oktober:

- Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in October 2022 experienced deflation of 0.11% (mtm), lower than the initial forecast and inflation of the previous month which was recorded at 1.17% (mtm).
- Indonesia's trade balance in September 2022 again recorded a surplus of 4.99 billion US dollars.
- The Fed's policy for no raise ethnic group flower on month October 2022 continues with increase by 75 bps on November in \_ The Federal Open Market Committee (FOMC) meeting which takes place November 1-2, 2022, is 3.75 – 4 percent.
- Meeting Board The Governor (RDG) of Bank Indonesia on 19-20 October 2022 decided for increase the BI 7-Day Reverse Repo Rate (BI7DRR) by 50 bps to 4.75%, the interest rate flower Deposit Facility by 50 bps to 4.00%, and ethnic group flower Lending Facility by 50 bps to 5.50%.

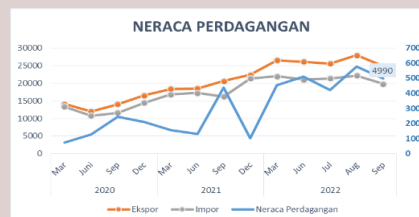
### Economic growth



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)

Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in October 2022 experienced deflation of 0.11% (mtm), lower than the initial forecast and inflation of the previous month which was recorded at 1.17% (mtm). The realization of inflation that was lower than the initial forecast was in line with the impact of the fuel price adjustment on the increase in volatile food inflation and inflation in the administered prices category, which was not as high as the initial forecast. Annual CPI inflation was recorded at 5.71% (yoy), lower than the initial forecast and the previous month's CPI inflation of 5.95% (yoy).<sup>1</sup>

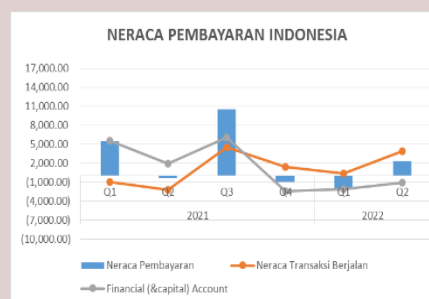
### Indonesia's Trade Balance



Indonesia's trade balance in September 2022 again recorded a surplus of 4.99 billion US dollars, although lower than the surplus in the previous month of 5.71 billion US dollars.

Bank Indonesia views that the trade balance surplus has contributed positively to maintaining the external resilience of the Indonesian economy. 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.<sup>2</sup>

### 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.

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

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

**Table 1. Indicators Economy**

Indicator	Sept'22	Okt'22
Inflation ( yoy )	5.95%	5.71%
Inflation ( mtm )	1.17%	-0.11%
balance trade (USD Billion )	4990	*
Reserve Foreign Exchange (USD Billion )	130.8	*

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

**Table 2. Economic Indicators**

Indikator	Q1'22	Q2'22
GDP	5,01%	5,44%
NPI (USD Million)	(1.482)	2.818
CAD (USD Million)	221	3.900

Source: bps.go.id

**Table 3. Commodities**

Commodity	Sept'22	Okt'22
Brent Oil (USD/Barrels)	87.96	94.83
WTI (USD/Barrels)	79.49	86.53
CPO ( MYR / Metrictons )	3,327.00	3,858.00
Stone coal ( USD/ Metrictons )	433.70	356.30
Gold (USD/troy oz )	1,660.61	1,633.56

Source : bloomberg

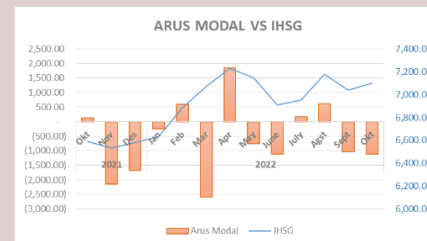
**Tabel 4. Currencies**

Currencies	Sept'22	Okt'22	% Change
USD/IDR	15,227	15,598	-2.44%
USD/HKD	7.8498	7.8497	0.00%
USD/SGD	1.4353	1.4165	1.31%
USD/MYR	4.6375	4.7280	-1.95%
USD/CNY	7.1159	7.3050	-2.66%
USD/JPY	144.74	148.71	-2.74%
AUD/USD	1.5624	1.5627	-0.02%
EUR/USD	1.0202	1.0120	0.80%
GBP/USD	0.8953	0.8719	2.61%

Source : bloomberg

The position of Indonesia's foreign debt (ULN) in August 2022 fell again. Bank Indonesia (BI) noted that external debt as of the end of August 2022 was recorded at US\$ 397.4 billion, down by US\$ 2.8 billion compared to the previous month which was US\$ 400.2 billion. The decline in government external debt was due to a decrease in loans in line with loan repayments and the net increase in the position of Government Securities (SBN) in line with the increase in inflows in domestic SBN which reflected the confidence of foreign investors that was maintained amidst the high uncertainty of global financial markets.<sup>3</sup>

### Capital Inflow



The Composite Stock Price Index (JCI) closed higher, rising 0.61 percent or 42.85 points to a level of 7,098.89 in late November trading, Monday (31/10/2022). Throughout trading, the JCI moved in the range of 7,065.40-7,113.11. Market capitalization was recorded at Rp9,452.28 trillion.

A total of seven sectors supported the strengthening of the JCI. The energy sector led the gains by 2.17% to 2,069.5. The transportation and logistics sector also increased by 1.94% to 1,845.74. Meanwhile, four sectors were observed to weaken, and the industrial sector was the most depressed by 0.90% to a level of 1,273.96.<sup>4</sup>

### Exchange Rate Movement



The rupiah exchange rate against the United States dollar closed lower in early trading on Monday (31/10/2022). The Rupiah continued to weaken along with the majority of other currencies in the Asia Pacific region.

Based on Bloomberg data, the rupiah ended trading with a **weakening of 0.28 percent or 43.5 points to Rp15,598.00 per US dollar**. The weakening of the rupiah was a market reaction to the action of the European Central Bank (ECB) which raised interest rates by 75 basis points to 2%.

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

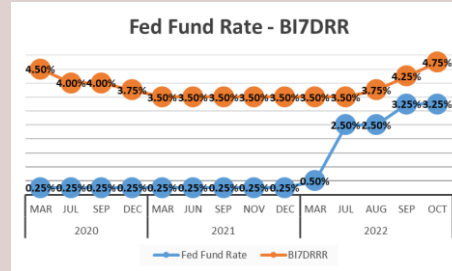
<sup>4</sup> Kontan.co.id

**Table 5. Reference Interest Rate**

Indikator	Sept'22	Okt'22
BI 7DRR	4.25%	4.75%
Fed Funds Rate	3.00-3.25%	3.75-4.00%

Source : bloomberg

## Interest rate



The Board of Governors Meeting (RDG) of Bank Indonesia on 19-20 October 2022 decided to increase the BI 7-Day Reverse Repo Rate (BI7DRR) by 50 bps to 4.75%, the Deposit Facility interest rate by 50 bps to 4.00%, and

Lending Facility interest rate of 50 bps to 5.50%. The decision to increase the interest rate is a front loaded, pre-emptive, and forward looking measure to reduce inflation expectations which are currently too high (overshooting) and ensure that core inflation will return to the target of  $3.0 \pm 1\%$  earlier, in the first half of the year. the first year of 2023, as well as strengthening the rupiah exchange rate stabilization policy so that it is in line with its fundamental value due to the strengthening of the US dollar and high uncertainty in global financial markets, in the midst of increasing demand for the domestic economy which remains strong.<sup>5</sup>

The Fed's policy not to raise interest rates in October 2022 was followed by an increase of 75 bps in November at the Federal Open Market Committee (FOMC) Meeting which took place November 1-2, 2022 to 3.75 – 4 percent. The Fed said that continued rate hikes would likely be needed for inflation to return to the Fed's target of 2 percent. So that the Fed has raised its benchmark interest rate until November 2022 for a total of 375 basis points.

banking is getting lower. Banks have also cultivated adequate reserves in mitigating credit risk. The current NPL reserve makes the net banking quite low at the level of 0.79% in August 2022, lower than the same position last year of 1.08%.<sup>6</sup>

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

<sup>6</sup> Kontan.co.id

Our View						
Macroeconomics Indicator and Forecast						
Indikator	2017	2018	2019	2020	2021	2022f
GDP	5,07%	5,17%	5,02%	-2,19%	5.02%	4.80%-5.50%
Inflasi (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%	3.75%-4.50%
BI7DRR	4,25%	6,00%	5,00%	3.75%	3.50%	4.25%-5.00%
USD/IDR	13.554	14.394	13.866	14.050	14.263	14.900-15.000

**The achievement of GDP or Indonesia's economic growth** in the third quarter of 2022 grew more than 5.5% on an annual basis or year on year (yoy). This is certainly higher than the achievement of economic growth in the second quarter of 2022 which was 5.4% yoy. The improvement in economic growth in the third quarter of 2022 is supported by aggregate demand from the domestic side, namely private consumption growth which is still strong.

**Consumer Price Index (CPI)** inflation in October 2022 experienced deflation of 0.11% (mtm), lower than the initial forecast and inflation in the previous month which was recorded at 1.17% (mtm). The realization of inflation that was lower than the initial forecast was in line with the impact of the fuel price adjustment on the increase in volatile foods inflation and inflation in the administered prices category, which was not as high as the initial forecast.

**The Fed Funds Rate (FFR)** is estimated to have the potential to increase to 4.5 percent by the end of 2022. The global financial market is still filled with high uncertainty, especially with the aggressive steps taken by central banks in many countries, especially the United States (US) and it is estimated that the FFR will continue to decline. peaked at 4.5 percent by the end of this year. This creates uncertainty in financial markets, especially in emerging markets, including Indonesia.

**Bank Indonesia (BI)** could raise interest rates up to 75 basis points in November 2022. The decision to increase is a front loaded, pre-emptive, forward looking step to lower inflation expectations and ensure core inflation returns to the target of 3% plus minus 1 percent in the second half of 2023. In addition, to strengthen the stabilization of the rupiah exchange rate so that it is in line with its fundamental value due to high global market uncertainty.

**The Rupiah exchange rate** is estimated to continue to weaken against the United States (US) dollar until the end of 2022. The current weakening of the rupiah is due to the aggressive policy of the Fed which plans to increase interest rates until 2023.