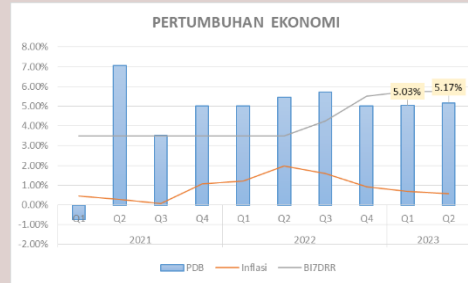


## Economic Update

### August Highlights :

- Data from the Central Statistics Agency (BPS) shows that Indonesia's economic growth in the second quarter of 2023 was recorded at 5.17% (yoy), an increase from growth in the previous quarter of 5.04% (yoy).
- The Central Statistics Agency (BPS), the Consumer Price Index (CPI) for August 2023 recorded a deflation of 0.02% (mtm), so that on an annual basis it experienced inflation of 3.27% (yoy).
- Based on data from the Central Bureau of Statistics, Indonesia's trade balance surplus continued in July 2023 of US\$1.31 billion, although it was lower than the surplus in June 2023 of US\$3.45 billion.
- The Bank Indonesia Board of Governors (RDG) meeting on 23-24 August 2023 decided to maintain the BI 7- Day Reverse Repo Rate (BI7DRR) at 5.75%, the Deposit Facility interest rate at 5.00%, and the Lending Facility interest rate at 6,50%

### Economic growth

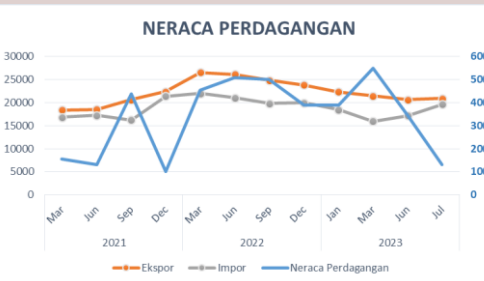


Data from the Central Statistics Agency (BPS) shows that Indonesia's economic growth in the second quarter of 2023 was recorded at 5.17% (yoy), an increase from growth in the previous quarter of 5.04% (yoy). Going forward, Bank

Indonesia will continue to strengthen the synergy of the Government's fiscal stimulus with Bank Indonesia's macroprudential stimulus to encourage economic growth, especially from the demand side. Bank Indonesia projects economic growth in 2023 to reach the range of 4.5 - 5.3 %.<sup>1</sup>

Inflation in August 2023 was maintained within the target range of 3.0 ± 1%. Based on data from the Central Statistics Agency (BPS), the Consumer Price Index (CPI) in August 2023 recorded deflation of 0.02% (mtm), so that on an annual basis inflation experienced 3.27% (yoy). With these developments, Bank Indonesia believes that inflation will remain under control within the target range of 3.0 ± 1% in the remainder of 2023 and 2.5% ± 1% in 2024.<sup>2</sup>

### Indonesia 's Trade Balance



Based on data from the Central Bureau of Statistics, Indonesia's trade balance surplus continued in July 2023 of US\$1.31 billion, although it was lower than the surplus in June 2023 of US\$3.45 billion. Bank Indonesia

views this development as positive for efforts to continue to maintain the external resilience of the Indonesian economy. Going forward, Bank Indonesia will continue to strengthen policy synergies with the Government and other authorities in order to continue to enhance external resilience and support national economic recovery.<sup>3</sup>

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

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

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

Table 1. Economic Indicators		
Indicator	Jul'23	Aug'23
Inflation (yoy)	3.08%	3.27%
Inflation (mtm)	0.21%	-0.02%
Trade balance (USD Billion)	1310	*
Foreign Exchange Reserves (USD Billion)	137.7	*

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

Table 2. Economic Indicators		
Indicator	Q1'23	Q2'23
GDP	5.03%	5.17%
BOP (USD Millions)	6,500	(7,400)
CAD (USD Millions)	2,982	(1,900)

Source: bps.go.id

Table 3. Commodities		
Commodity	Jul'23	Aug'23
Brent Oil (USD/Barrels)	85.56	86.86
WTI (USD/Barrels)	81.80	83.63
CPO (MYR/Metrictons)	3,792.00	3,860.00
Batu bara (USD/Metrictons)	137.30	156.00
Emas (USD/troy oz)	1,965.09	1,940.19

Sumber : bloomberg

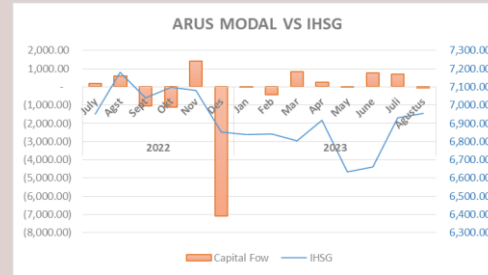
Tabel 4. Currencies			
Currencies	Jul'23	Agst'23	% Change
USD/IDR	15,080	15,230	-0.99%
USD/HKD	7.7984	7.8418	-0.56%
USD/SGD	1.3296	1.3512	-1.62%
USD/MYR	4.5070	4.6385	-2.92%
USD/CNY	7.1428	7,2589	-1.63%
JPY/USD	142.29	145.54	-2.28%
AUD/USD	1.4887	1.5422	-3.59%
EUR/USD	0.9093	0.9222	-1.42%
GBP/USD	0.7791	0.7891	-1.27%

Sumber : bloomberg

Table 5. School Bunga Acuan		
Indicator	July'23	Aug'23
BI 7DRR	5.75%	5.75%
Fed Funds Rate	5.25-5.50%	5.25-5.50%

Source: bloomberg

## Capital Inflow



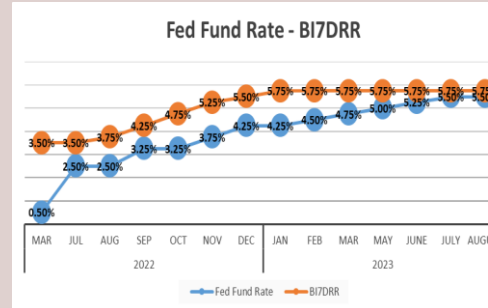
The Composite Stock Price Index (IHSG) closed in the red zone with a correction of 0.19% or 13.4 points to the level of 6,953.26 at the end of August 2023 trading, Thursday (31/8). Throughout trading, the composite index moved from the level of 6924.23 to the level of 6982.35. A total of 190 stocks were still able to end higher, 335 stocks fell, and 227 other stocks were stagnant. The health sector fell the most with a correction reaching 1.66 %. Its position was followed by the infrastructure sector which weakened 1.19 %.<sup>4</sup>

## Exchange Rate Movements



The rupiah exchange rate closed higher Thursday (31/8/2023) at 15.15 WIB to IDR 15,230 per US dollar. The rupiah closed higher along with most other Asian currencies. The strengthening of the rupiah occurred when the dollar index strengthened 0.21 percent to 103.37. Several currencies in the Asian region that also strengthened were the Japanese yen which rose 0.26 percent, the Hong Kong dollar rose 0.05 percent, the South Korean won strengthened 0.04 percent, and the Philippine peso strengthened 0.26 percent.<sup>5</sup>

## Interest rate



The Bank Indonesia Board of Governors' Meeting (RDG) on 23-24 August 2023 decided to maintain the BI 7- Day Reverse Repo Rate (BI7DRR) at 5.75%, the Deposit Facility interest rate at 5.00%, and the Lending Facility interest rate at 6.50%. The decision to maintain the BI7DRR at 5.75% is consistent with the monetary policy stance to ensure that inflation remains under control within the target range of 3.0 ± 1% in the remainder of 2023 and 2.5 ± 1% in 2024.<sup>6</sup>

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

<sup>5</sup>Cnbcindonesia.com

<sup>6</sup>Bi.go.id

Our View						
Macroeconomics Indicators and Forecasts						
Indicator	2018	2019	2020	2021	202 2	2023f
GDP	5,17%	5,02%	-2,19%	5.02%	5.31%	4.70%-5.30%
Inflasi (yoy)	3,13%	2,72%	1.68%	1.87%	5.51%	4.25%-5.25%
Other						
FFR	2,50%	1,75%	0.25%	0.25%	4.50%	5.00% -6.0 0 %
BI7DRR	6.00%	5.00%	3.75%	3.50%	5.50 %	5.00 % -5.50%
USD/IDR	14,394	13,866	14,050	14,263	15,572.50	14,750-15,250

**Achievement of GDP or economic growth.** In the third quarter of 2023, Indonesia's economic growth is estimated to be below that achieved in the second quarter of 2023. This is because in the second quarter there is the Eid holiday and the new school year which are triggers for *household* consumption to remain high.

**Inflation.** It is estimated that inflation will decline to around 3.00 percent for the rest of this year. This projection is based on the direction of controlled food prices and the influence of *the high base effect* due to adjustments in subsidized fuel prices in the previous year. Apart from that, we are also obliged to anticipate challenges from El Nino and extreme weather which can impact food inflation.

**Fed Funds Rate (FFR).** It is estimated that the United States (US) Central Bank or The Fed will raise interest rates again until September by 25 bps, it is predicted that the Fed Funds Rate will be in a fairly high range of 5.75 percent. Furthermore, after the increase in September, the Fed will not immediately cut interest rates but will hold it while looking at economic conditions in 2024. So it is certain that The Fed's interest rates will remain high compared to the previous period.

**Bank Indonesia (BI).** It is estimated that Bank Indonesia (BI) will maintain its benchmark interest rate at 5.75 percent for the remainder of 2023 while remaining wary of future global economic developments which are still full of uncertainties.

**Rupiah exchange rate** The rupiah exchange rate is projected to weaken in 2023. Sentiment affecting the movement of the rupiah still depends on how much external pressure is. Such as the risk of a global economic slowdown, as well as inflation and benchmark interest rates that are still high in several countries.