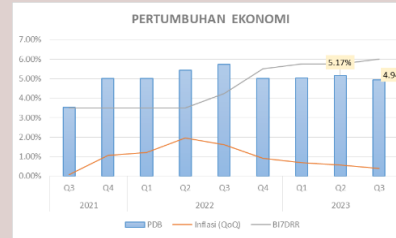


## Economic Update

### December Highlights :

- Based on data from the Central Statistics Agency (BPS), CPI inflation in December 2023 was recorded as low at 0.41% (mtm) so that 2023 CPI inflation was 2.61% (yoy).
- Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance surplus continued in November 2023 at 2.41 billion US dollars, although it was lower than the surplus in October 2023 of 3.47 billion US dollars.
- The Bank Indonesia Board of Governors (RDG) meeting on 20-21 December 2023 decided to maintain the BI - Rate at 6.00%, the Deposit Facility interest rate at 5.25%, and the Lending Facility interest rate at 6.75% .
- Bank Indonesia (BI) noted that banking Third Party Funds (DPK) in November 2023 were recorded at IDR 8,029.7 trillion, or grew by 3.8 % (yoy).
- Bank Indonesia noted that banking credit distribution in November 2023 was recorded at IDR 6,930.1 trillion, or grew 9.7% (yoy), increased compared to the previous month by 8.7% (yoy).

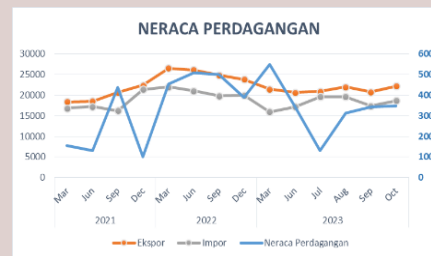
### Economic growth



growth in 2023 will remain in the range of 4.5 -5.3 %.<sup>1</sup>

Based on data from the Central Statistics Agency (BPS), CPI inflation in December 2023 was recorded as low at 0.41% (mtm) so that 2023 CPI inflation was 2.61% (yoy). The development of inflation in 2023 is lower than inflation in 2022 which was recorded at 5.51 % (yoy). Looking ahead, Bank Indonesia believes inflation will remain under control within the target range of 2.5 ± 1% in 2024.<sup>2</sup>

### Indonesia 's Trade Balance



Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance surplus continued in November 2023 at 2.41 billion US dollars, although it was lower than the surplus in October 2023 of 3.47 billion US dollars. The

November 2023 trade balance surplus comes mainly from the continued non-oil and gas trade balance surplus. Although lower than the previous month's achievement, the non-oil and gas trade balance in November 2023 still recorded a surplus of 4.62 billion US dollars. This development is in line with the continued strength of non-oil and gas exports which reached 20.72 billion US dollars. The positive performance of non-oil and gas exports, apart from being supported by the continued strength of exports of natural resource-based commodities such as Crude Palm Oil (CPO), coal, precious metals and tin, was also supported by machine and electrical equipment manufacturing products.<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	Nov'23	Dec'23
Inflation (yoy)	2.86%	2.61%
Inflation (mtm)	0.38%	0.41%
Trade balance (USD Billion)	2412.2	*
Foreign Exchange Reserves (USD Billion)	138.1	*

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

Table 2. Economic Indicators		
Indicator	Q2'23	Q3'23
GDP	5.17%	4.94%
NPI (USD Million)	(7,400)	(1,181)
CAD (USD Million)	(1,900)	(900)

Source: bps.go.id

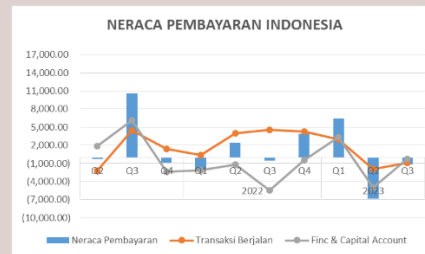
Table 3. Commodities		
Commodity	Nov'23	Dec'23
Brent Oil (USD/Barrels)	82.83	77.04
WTI (USD/Barrels)	75.96	71.65
CPO (MYR/Metrictons)	3,754.00	3,662.00
Batu bara (USD/Metrictons)	132.15	146.40
Emas (USD/troy oz)	2,036.41	2,062.98

Sumber : bloomberg

Tabel 4. Currencies			
Currencies	Nov'23	Des'23	% Change
USD/IDR	15,510	15,399	0.72%
USD/HKD	7.8104	7.8115	-0.01%
USD/SGD	1.3373	1.3203	1.27%
USD/MYR	4.6613	4,5940	1.44%
USD/CNY	7.1351	7,1000	0.49%
JPY/USD	148.20	141.04	4.83%
AUD/USD	1.5139	1,4681	3.03%
EUR/USD	0.9184	0.9059	1.37%
GBP/USD	0.7922	0.7855	0.85%

Sumber : bloomberg

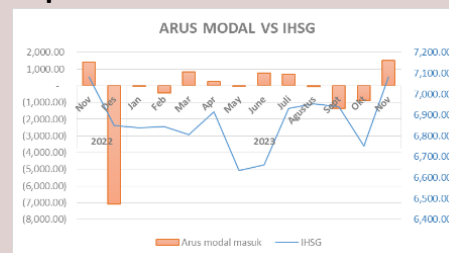
## Balance of Payments



Indonesia's Balance of Payments (NPI) performance in the third quarter of 2023 improved amid increasing uncertainty in the global economy. NPI in the third quarter of 2023 showed significant improvement by recording a deficit of 1.5 billion US dollars, lower than the deficit in the previous quarter of 7.4 billion US dollars. **The current account balance improved, supported by improvements in the performance of the trade balance in goods and services, which remained solid.** In the third quarter of 2023, the current account recorded a deficit of 0.9 billion US dollars (0.2% of GDP), much lower than the deficit of 2.2 billion US dollars (0.6% of GDP) in the previous quarter.

**The performance of capital and financial transactions also improved amidst increasing global financial market uncertainty.** Capital and financial transactions in the third quarter of 2023 recorded a deficit of 0.3 billion US dollars (0.1% of GDP), much lower than the deficit of 4.8 billion US dollars (1.4% of GDP) in the previous quarter.

## Capital Inflow



**Composite Stock Price Index (IHSG) fell 31.09 points or weakened 0.43% to 7,272.79 at the close of trading Friday (29/12/2023).** The decline in the JCI on the last trading day of 2023 was influenced by movements in global stock exchanges, world commodity prices, and investors' profit-taking actions. Based on the IDX-IC Sectoral Index, six stock sectors were corrected, the raw goods sector fell the most, minus 2.36%. Followed by the transportation goods sector and the infrastructure sector, minus 1.54 % and 1.28% respectively . Meanwhile there were five sectors that increased, led by the technology sector with an increase of 1.60 %. Then the primary consumer goods sector and the health sector rose 0.99 % and 0.90% respectively .<sup>4</sup>

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

Table 5. School Bunga Acuan		
Indicator	Nov'23	Dec'23
BI 7DRR	6.00%	6.00%
Fed Funds Rate	5.25-5.50%	5.25-5.50%

Source: bloomberg

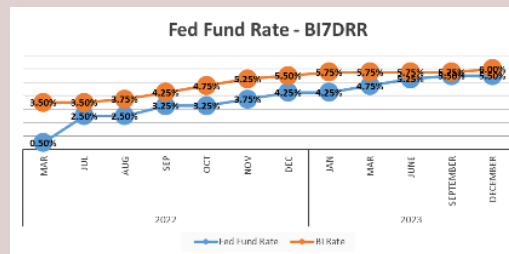
## Exchange Rate Movements



The rupiah exchange rate closed the end of 2023 by strengthening to IDR 15,399 per US dollar. Based on Bloomberg data, Friday (29/12/2023), the rupiah closed up 0.12% or 18.50 points to IDR 15,399 per US dollar, while the

index that measures the strength of the greenback weakened 0.09% or 0.09 points to 101.13 at 15.15 WIB. The US dollar was dragged down by market expectations that the US Federal Reserve will start reducing interest rates in early March. *The greenback* remained generally weaker on the last trading day of the year, amid a holiday lull ahead of the New Year.<sup>5</sup>

## Interest rate



The Bank Indonesia Board of Governors (RDG) meeting on 20-21 December 2023 decided to maintain the BI - Rate at 6.00%, the Deposit Facility interest rate at

5.25%, and the Lending Facility interest rate at 6.75%. Starting December 21 2023, Bank Indonesia will use the name BI-Rate as the policy interest rate replacing the BI 7- Day (Reverse) Repo Rate to strengthen monetary policy communication. The decision to maintain the BI-Rate at 6.00% remains consistent with the focus of *pro-stability monetary policy*, namely to strengthen the stabilization of the Rupiah exchange rate as well as *pre-emptive* and *forward looking steps* to ensure inflation remains under control within the target of 2.5 ± 1% in 2024.<sup>6</sup>

<sup>5</sup>Cnbcindonesia.com

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

Our View						
Macroeconomics Indicator and Forecast						
Indikator	2018	2019	2020	2021	2022	2023f
GDP	5,17%	5,02%	-2,19%	5.02%	5.31%	4.50%-5.30%
Inflasi (yoy)	3,13%	2,72%	1.68%	1.87%	5.51%	4.00%-4.75%
Other						
FFR	2,50%	1,75%	0.25%	0.25%	4.50%	5.00%-6.00%
BI7DRR	6,00%	5,00%	3.75%	3.50%	5.50%	6.00%-6.25%
USD/IDR	14.394	13.866	14.050	14.263	15.572,50	15.750-16.000

**Achievement of GDP or economic growth.** The Indonesian economy is projected to continue to grow in 2024, continuing the growth in 2023. However, the growth rate in those two years is predicted to be lower than 2022 at 5.31 percent. The government estimates that Indonesia's economic growth in 2023 will grow by 5.1 percent and in 2024 by 5.2 percent, while Bank Indonesia estimates that Indonesia's economic growth in 2024 will be in the range of 4.7-5.5 percent.

**Inflation.** It is estimated that Indonesia's inflation rate in 2024 will reach 3% or a decrease of 0.6% compared to 2023, namely 3.6%. This lower inflation estimate is driven by stable energy prices in 2024.

**Fed Funds Rate (FFR).** Fed Fund Rates are predicted to be cut by 100 bases throughout 2024 to 4.5 %. How much and how quickly the Fed cuts interest rates will be an important factor in the direction of Bank Indonesia's monetary policy.

**Bank Indonesia (BI).** It is possible that BI will lower interest rates first before the Fed. This condition can occur with the assumption that Indonesian inflation remains under control and the rupiah exchange rate also continues to be stable.

**Rupiah exchange rate .** The performance of the Rupiah exchange rate is predicted to weaken next year. This occurs as uncertainty ahead of the 2024 general election continues to haunt investors. Historically, the rupiah has underperformed against other currencies ahead of election contests.