

## Economic Update

### September Highlights :

- Based on data from the Central Statistics Agency (BPS), September 2023 Consumer Price Index (CPI) inflation was recorded at 0.19% (mtm), so that on an annual basis it was 2.28% (yoy), lower than the previous month's CPI inflation which was recorded at 3.27% (yoy).
- Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance in August 2023 recorded a surplus of 3.12 billion US dollars, higher than the surplus in July 2023 of 1.29 billion US dollars.
- The Bank Indonesia Board of Governors (RDG) meeting on 20-21 September 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% .

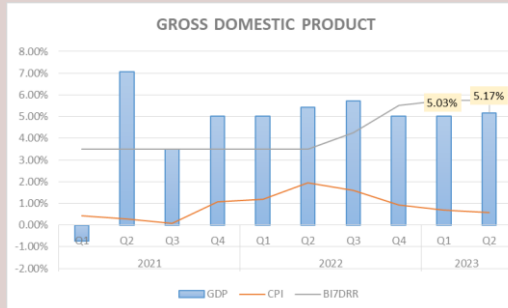
Table 1. Economic Indicators

Indicator	Aug'23	Sept'23
Inflation (yoy)	3.27%	2.28%
Inflation (mtm)	-0.02%	0.19%
Trade balance (USD Billion)	3120	*
Foreign Exchange Reserves (USD Billion)	137.1	*

Description: \* not yet released

Source : bi.go.id

### 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 predicts economic growth in 2023 will reach the range of 4.5 -5.3 %.<sup>1</sup>

Inflation in September 2023 will remain maintained within the target range of 3.0 ± 1%. Based on data from the Central Statistics Agency (BPS), September 2023 Consumer Price Index (CPI) inflation was recorded at 0.19% (mtm), so that on an annual basis it was 2.28% (yoy), lower than the previous month's CPI inflation which was recorded at 3.27% (yoy). With these developments, Bank Indonesia believes that inflation will remain under control within the target range of 3.0 ± 1% in 2023 and 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 in August 2023 recorded a surplus of 3.12 billion US dollars, higher than the surplus in July 2023 of 1.29 billion US

dollars. Bank Indonesia views this development as positive for further supporting the external resilience of the Indonesian economy. Going forward, Bank Indonesia will continue to strengthen policy synergies with the Government and other authorities to continue to increase 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 2. Economic Indicators**

Indicator	Q1'23	Q2'23
GDP	5.03%	5.17%
NPI (USD Million)	6,500	(7,400)
CAD (USD Million)	2,982	(1,900)

Source: bps.go.id

**Table 3. Commodities**

Commodity	Aug'23	Sept'23
Brent Oil (USD/Barrels)	86.86	95.31
WTI (USD/Barrels)	83.63	90.79
CPO (MYR/Metrictons)	3,860.00	3,689.00
Batu bara (USD/Metrictons)	156.00	160.10
Emas (USD/troy oz)	1,940.19	1,848.63

Sumber : bloomberg

**Tabel 4. Currencies**

Currencies	Agst'23	Sept'23	% Change
USD/IDR	15,230	15,460	-1.51%
USD/HKD	7.8418	7.8306	0.14%
USD/SGD	1.3512	1.3662	-1.11%
USD/MYR	4.6385	4.6950	-1.22%
USD/CNY	7.2589	7.2980	-0.54%
JPY/USD	145.54	149.37	-2.63%
AUD/USD	1.5422	1.5540	-0.77%
EUR/USD	0.9222	0.9458	-2.56%
GBP/USD	0.7891	0.8197	-3.89%

Source: bloomberg

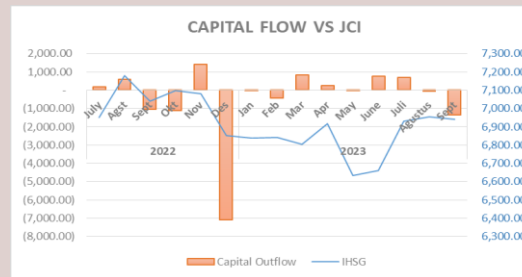
**Table 5. Reference Interest Rates**

Indicator	Aug'23	Sept'23
BI 7DRR	5.75%	5.75%
Fed Funds Rate	5.25-5.50%	5.25-5.50%

Source: bloomberg

Source: SPI OJK (processed data)

## Capital Inflow



The Composite Stock Price Index (IHSI) strengthened to 6,939.49 at the close of the second trading session today, Friday (29/9/2023). There were seven sectors that

strengthened today, led by the transportation and logistics sector which rose 1.41%, then the financial sector rose 0.83%, and the technology sector rose 0.61%. Meanwhile, there were three stock sectors that weakened. The raw materials sector fell the most, namely minus 1.13 %, followed by the health sector which fell 0.57%, and the energy sector fell 0.83%.<sup>4</sup>

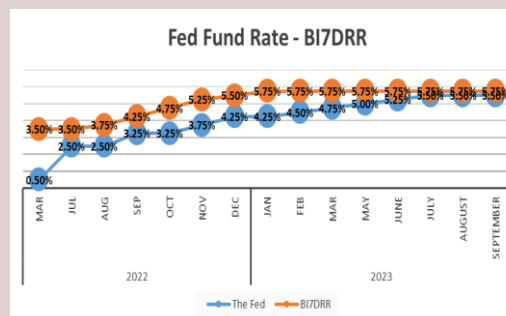
## Exchange Rate Movements



The rupiah exchange rate against the United States (US) dollar closed higher in trading this weekend, Friday (29/9/2023). Quoting Bloomberg data, the rupiah closed up 60 points or 0.39 percent to the level of IDR

15,460 per US dollar. Meanwhile, the majority of other currencies in the Asian region closed higher. The Korean won, for example, strengthened 0.63 percent, the Chinese yuan rose 0.19 percent, and the Indian rupee strengthened 0.13 percent. Furthermore, the Malaysian ringgit rose 0.44 percent and the Thai baht strengthened 0.26 percent.<sup>5</sup>

## Interest rate



The Bank Indonesia Board of Governors (RDG) meeting on 20-21 September 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%. This decision is consistent with monetary policy to ensure inflation remains low and controlled within the target range of 3.0 ± 1% in 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 Forecast						
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%-6.00%
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.** Economic growth in the third and fourth quarters is expected to be below growth in the second quarter of 2023. What needs to be paid attention to in the remainder of the year is the potential for inflation driven by El Nino. Apart from that, the condition of the global economy is still clouded by uncertainty due to the geopolitical crisis.

**Inflation.** It is estimated that Indonesia will experience an inflation rate of 5.25 percent at the end of 2023. Indonesia is currently one of the countries that has succeeded in suppressing inflation amidst the high inflation rates of developed countries such as the US, UK and other European countries. . Meanwhile, controlling inflation is still the main issue in developed countries today, such as the US, UK and Euro Zone countries. High inflation in these countries is increasingly exacerbated by increases in world commodity and oil prices.

**Fed Funds Rate (FFR).** It is estimated that there is still room for the Fed's interest rate to increase in the fourth quarter of 2023, this is due to persistent inflation on the services side, tight labor market, as well as rising oil prices. The Fed's increase in interest rates in the fourth quarter of 2023 will have an impact on the financial markets of developing countries. As a result, there is an outflow of foreign capital and an increasing weakening of the rupiah exchange rate in developing countries.

**Bank Indonesia (BI).** It is estimated that Bank Indonesia (BI) will increase the Bank Indonesia 7 Day Reverse Repo Rate benchmark interest rate to 6% until the end of 2023. The trend of increasing the BI benchmark interest rate will continue and will only decrease in 2024. This is in response to inflation figures which are also is estimated to have decreased to 3.8 % on an annual basis.

**Rupiah exchange rate** In 2023, the rupiah will still be overshadowed by global economic uncertainty. Such as the risk of a global economic slowdown, as well as inflation and benchmark interest rates which are still high in several countries.