

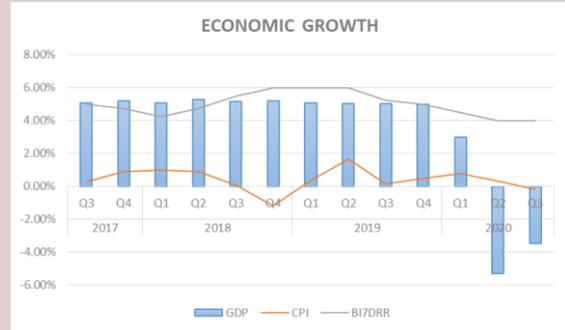
Economic Update

November's Highlight :

- The Consumer Price Index (CPI) in November 2020 recorded inflation of 0.28% (mtm), higher than inflation in the previous month which was recorded at 0.07% (mtm).
- Indonesia's balance of payments recorded a surplus of USD 2.1 billion in the third quarter of 2020, continuing the surplus of USD 9.2 billion in the previous quarter.
- Indonesia's trade balance in October 2020 recorded a surplus of 3.61 billion US dollars.
- The Bank Indonesia Board of Governors Meeting (RDG) on 18-19 November 2020 lowered the BI 7-Day Reverse Repo Rate (BI7DRR) by 25 bps to 3.75%, the Deposit Facility rate by 25 bps to 3.00%, and the Lending Facility rate of 25 bps to 4.50%.
- The IDIC through the Board of Commissioners Meeting (RDK) on Monday, November 23, 2020, stipulated a 50 bps reduction in the Guarantee Interest Rate for deposits in Rupiah, as well as a 25 bps reduction for deposits in foreign currency at Commercial Banks.

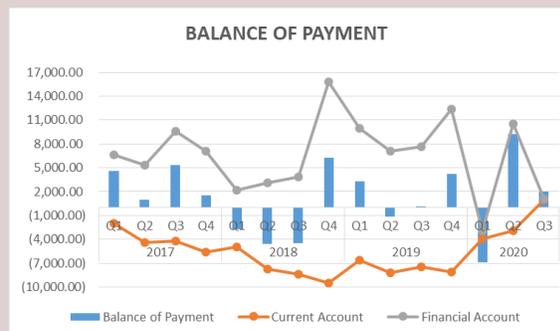
Gross Domestic Product

Indonesia's economic growth in the third quarter of 2020 improved, driven by the increased realization of the Government's stimulus as well as the improvement in community mobility and global demand. The Indonesian economy in the third quarter of 2020 grew at a high rate of 5.05% (qtq), after experiencing a contraction of 4.19% (qtq) in the previous quarter. On an annual basis, the improvement in the domestic economy was also evident from the reduction in growth contraction to 3.49% (yoy) from the contraction in the second quarter of 2020 of 5.32% (yoy).



The improvement in economic growth is largely supported by improving public consumption where the Consumer Price Index (CPI) in November 2020 recorded inflation of 0.28% (mtm), higher than inflation in the previous month which was recorded at 0.07% (mtm). This development was influenced by core inflation which remained low amid rising inflation in the volatile food and administered prices groups. Annually, November 2020 CPI inflation was recorded at 1.59% (yoy), slightly up from last month's inflation of 1.44% (yoy).¹

Indonesia's Balance of Payment



The Indonesian Balance of Payments (BOP) recorded a surplus in the third quarter of 2020, supporting Indonesia's external resilience. The balance of payments recorded

a surplus of 2.1 billion US dollars in the third quarter of 2020, continuing the surplus of 9.2 billion US dollars in the previous quarter. The continuing balance of payments surplus is supported by surpluses from the current account and capital and financial transactions.

¹ Bi.go.id

Tabel 1. Economic Indicator

Indicator	October	November
Consumer Price Index (yoy)	1.44%	1.59%
Consumer Price Index (mtm)	0.07%	0.28%
Trade Balance (USD Billion)	3.61	*
Foreign Reserves (USD Billion)	133.7	133.6

* unpublished

Tabel 2. Economic Indicator

Indicator	Q2'20	Q3'20
GDP	-5.32%	-3.49%
NPI (USD Billion)	(7,628)	2,100
CAD (USD Billion)	(2,896)	964

Tabel 3. Comodity

Comodity	October	November
Brent Oil (USD/Barrels)	37.46	47.59
WTI (USD/Barrels)	35.79	45.34
CPO (MYR/Metrictons)	3,252.00	3,449.00
Batu bara (USD/Metrictons)	58.20	70.30
Emas (USD/troy oz)	1,878.81	1,776.95

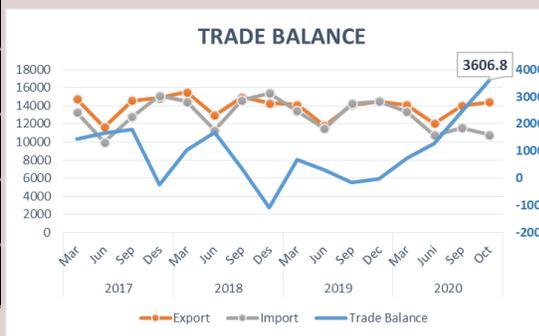
The current account recorded a surplus in the third quarter of 2020, supported by an increase in the goods balance surplus. In the third quarter of 2020, the current account recorded a surplus of US \$ 1.0 billion (0.4% of GDP), after recording a deficit of US \$ 2.9 billion (1.2% of GDP) in the previous quarter.

Capital and financial transactions.

The capital and financial account recorded a surplus in the third quarter of 2020, amid adjustments in capital flows due to increased uncertainty on global financial markets.

The capital and financial account again recorded a surplus of US \$ 1.0 billion (0.4% of GDP), after experiencing a surplus of US \$ 10.6 billion (4.3% of GDP) in the previous quarter. This surplus was supported by inflows of direct investment and other net investment, amidst the adjustment of portfolio investment as uncertainty in global financial markets increased. ²

Indonesia's Trade Balance



Indonesia's trade balance in October 2020 recorded a surplus of 3.61 billion US dollars. This development continues the previous month's surplus of US \$ 2.39 billion. With these

developments, overall Indonesia's trade balance in January-October 2020 recorded a surplus of 17.07 billion US dollars, much higher than the achievement in the same period the previous year which experienced a deficit of 2.12 billion US dollars.

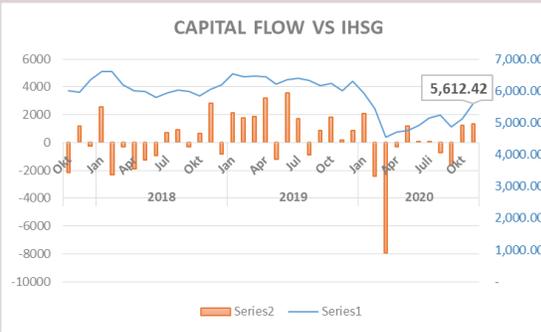
The October 2020 trade balance surplus was influenced by the continuing non-oil and gas trade balance surplus. In October 2020, the non-oil and gas trade balance surplus was recorded at USD 4.06 billion, higher than the surplus in the month. Influenced by the increase in non-oil and gas exports, especially in the commodity fats and animal / vegetable oils, mineral fuels, and footwear. Meanwhile, non-oil and gas imports decreased in line with weak domestic demand. The oil and gas trade balance deficit decreased from US \$ 504.6 million in September 2020 to US \$ 450.1 million, influenced by the decline in oil and gas exports which was lower than the decline in oil and gas imports. ³

² Bi.go.id

³ Bi.go.id

Tabel 4. Currencies			
Currencies	October	November	% Change
USD/IDR	14,625	14,120	3.45%
USD/HKD	7.7522	7.7514	0.01%
USD/SGD	1.3664	1.3416	1.81%
USD/MYR	4.1558	4.0738	1.97%
USD/CNY	6.6915	6.5789	1.68%
USD/JPY	104.66	104.31	0.33%
AUD/USD	1.4228	1.3616	4.30%
EUR/USD	0.8586	0.8384	2.35%
GBP/USD	0.7724	0.7506	2.82%

Capital Flow



The Composite Stock Price Index (IHSG) throughout November recorded a gain of 9.72 percent. Likewise with capital inflow through the stock market.

Throughout November, foreigners recorded a net foreign buy of Rp 4.96 trillion in all markets.

Tabel 5. Interest Rate		
Indicator	October	November
BI 7DRR	4.00%	3.75%
Fed Funds Rate	0.00 - 0.25%	0.00 - 0.25%

But the composite stock price index closed disappointingly with the closing down on Monday's trading (30/11/2020). Foreign investors have recorded over Rp2 trillion in net sell transactions. Big caps or big caps are the selling target. Concerns related to the increase in Covid-19 cases, especially those occurring in Indonesia, caused panic selling to occur.

Exchange Rate

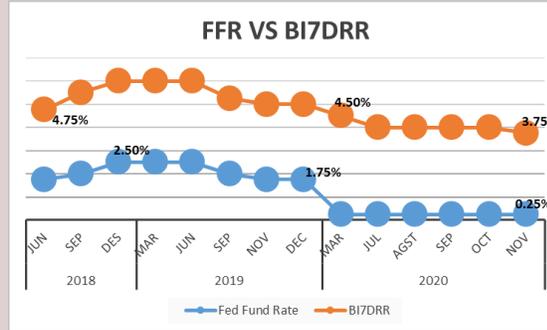
The rupiah exchange rate strengthened sharply against the United States dollar (US) in November, the improving sentiment of market players caused capital flows to rush into Indonesia which made the Garuda



Currency powerful. Based on Refinitiv data, the rupiah posted a 3.63% strengthening in the spot market throughout November. Compared to other major Asian currencies, the strengthening of the rupiah is the biggest, so it is the best. Biden's victory is considered beneficial for emerging market countries like Indonesia, because the US-China trade war is likely to end or at least not get worse. In addition, the fiscal stimulus will also be bigger than that of Trump and the Republican Party. The rupiah is also still supported by the current account which was a surplus for the first time in 9 years. ⁴

⁴ Cnbcnindonesia.com

Interest Rate



Minutes of the November 4-5 Federal Reserve Meeting revealed that policymakers are providing more guidance on bond-buying strategies in the near term, but that there is no need

for immediate adjustments yet. Most participants considered that guidance for asset purchases should imply that increases in securities holdings will diminish and run out before the Fed starts raising its target range of reference interest rates.⁵

The Meeting of the Board of Governors (RDG) of Bank Indonesia on 18-19 November 2020 decided to lower the BI 7-Day Reverse Repo Rate (BI7DRR) by 25 bps to 3.75%, the Deposit Facility rate by 25 bps to 3.00%, and Lending Facility rate of 25 bps to 4.50%. This decision takes into account the forecast for continued low inflation, maintained external stability, and as further steps to accelerate national economic recovery.⁶

Lembaga Penjamin Simpanan through the Board of Commissioners Meeting on Monday, 23 November 2020, has determined a reduction in the Guarantee Interest Rate of 50 bps for deposits in Rupiah at Commercial Banks and BPRs, as well as a 25 bps reduction for deposits in foreign currency. at a Commercial Bank. The LPS Guarantee Interest Rate applicable to Rupiah commercial banks is 4.50%, foreign exchange 1.00% and for BPRs is 7.00%.

⁵ Bisnis.com

⁶ Bi.go.id

Our View

Macroeconomics Indicator and Forecast

	2015	2016	2017	2018	2019	2020f
National Account						
GDP	4,88%	5,03%	5,07%	5,17%	5,02%	-1,50-3,00%
Inflasi (yoy)	3,35%	3,58%	3,61%	3,13%	2,72%	1,50%
Other						
FFR	0,50%	0,75%	1,50%	2,50%	1,75%	0,00%
BI7DRR	7,50%	4,75%	4,25%	6,00%	5,00%	3,75%
USD/IDR	13.792	13.461	13.554	14.394	13.866	14.100-14.300

GDP achievement or Indonesia's economic growth in the third quarter of 2020 it improved even though a recession was inevitable. Indonesia's economic growth is predicted to return to normal and grow positively like before the pandemic in 2021.

Annual inflation in 2019 which was below 3.00% was the lowest since 2009 which was recorded at 2.78%. It is predicted that inflation in 2020 will be lower than in 2019.

The Fed, cut its benchmark interest rate by 100 basis points (bps) to 0-0.25% as of March 15, 2020 and will last until November 2020. The Fed's policy has recently been concerned with bond buying strategies and will continue until the end of the year.

The BI7DRR was lowered by 25bps in November. It is predicted to be the last decline by BI this year considering the focus of BI considering the need to maintain the stability of the Rupiah exchange rate.

The Rupiah exchange rate moved quite satisfactorily in November. Mostly dominated by the weakening of the dollar due to the discussion of the latest fiscal stimulus in the US which is getting closer to the agreement so that investors are starting to venture into riskier assets including the Rupiah.