

Economic Update

January Highlights :

- Data from the Central Statistics Agency (BPS) shows that economic growth in the fourth quarter of 2023 grew by 5.04% (yoy), an increase compared to growth in the previous quarter of 4.94% (yoy).
- Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance surplus continued in December 2023 at 3.31 billion US dollars, higher than the surplus in November 2023 of 2.41 billion US dollars.
- The Bank Indonesia Board of Governors (RDG) meeting on January 16-17 2024 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% .

Economic growth

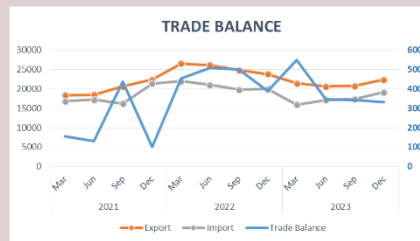


Data from the Central Statistics Agency (BPS) shows that economic growth in the fourth quarter of 2023 grew by 5.04% (yoy), an increase compared to growth in the previous quarter of 4.94% (yoy). With these developments,

Indonesia's overall economic growth in 2023 recorded strong growth of 5.05 % (yoy).¹

Consumer Price Index (CPI) inflation in January 2024 is maintained within the target range of 2.5 ± 1%. Based on inflation data from the Central Statistics Agency which has used the Cost of Living Survey (SBH) with a new base year of 2022, CPI inflation in January 2024 was recorded at 0.04% (mtm), so that on an annual basis it was 2.57% (yoy) , lower than CPI inflation in the previous month was 2.61% (yoy).²

Indonesia 's Trade Balance



Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance surplus continued in December 2023 at 3.31 billion US dollars, higher than the surplus in November 2023 of 2.41 billion US

dollars. With these developments, Indonesia's trade balance in January-December 2023 recorded a surplus of 36.93 billion US dollars, continuing the surplus achieved in the same period in 2022 of 54.46 billion US dollars. The December 2023 trade balance surplus comes mainly from an increase in the non-oil and gas trade balance surplus. The non-oil and gas trade balance in December 2023 recorded a surplus of 5.20 billion US dollars, an increase compared to the previous month's achievement of 4.62 billion US dollars. This development is in line with strong non-oil and gas exports which reached 20.93 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 coal and metal ore, was also supported by machine and mechanical equipment manufacturing products.³

¹Bps.go.id

²Bi.go.id

³Bi.go.id

Table 1. Economic Indicators		
Indicator	Dec'23	Jan'24
Inflation (yoy)	2.61%	2.57%
Inflation (mtm)	0.41%	0.04%
Trade balance (USD Billion)	3307.2	*
Foreign Exchange Reserves (USD Billion)	146.4	*

* not published yet
Source : bi.go.id

Table 2. Economic Indicators		
Indicator	Q3'23	Q4'23
GDP	4.94%	5.04%
NPI (USD Million)	(1,181)	*
CAD (USD Million)	(900)	*

Source : bps.go.id

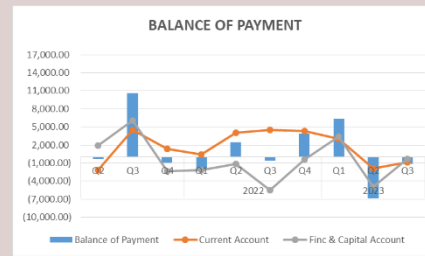
Table 3. Commodities		
Commodities	Des'23	Jan'24
Brent Oil (USD/Barrel)	77.04	81.71
WTI (USD/Barrels)	71.65	75.85
CPO (MYR/Metrictons)	3,662.00	3,814.00
Price (USD/Metrictons)	146.40	116.50
Emas (USD/troy oz)	2,062.98	2,039.52

Source : bloomberg

Tabel 4. Currencies			
Currencies	Des'23	Jan'24	% Change
USD/IDR	15,399	15,783	-2.49%
USD/HKD	7.8115	7.8181	-0.08%
USD/SGD	1.3203	1.3408	-1.55%
USD/MYR	4.5940	4.7330	-3.03%
USD/CNY	7.1000	7.1689	-0.97%
JPY/USD	141.04	146.92	-4.17%
AUD/USD	1.4681	1.5226	-3.71%
EUR/USD	0.9059	0.9244	-2.04%
GBP/USD	0.7855	0.7881	-0.34%

Source : bloomberg

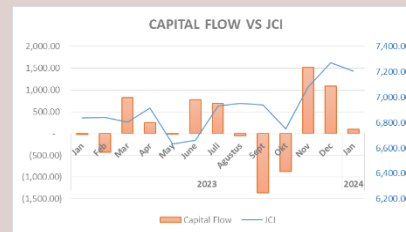
Balance of Payments



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



The composite stock price index (IHSG) closed in the green zone with a gain of 15.7 points or 0.22 percent on the trading market, Wednesday (31/1/2024). Based on the IDX-IC Sectoral Index, eight sectors increased, led by the primary consumer goods sector which increased by 0.75%, followed by the technology sector and the infrastructure sector which increased by 0.59% and 0.53% respectively. Meanwhile, three sectors fell, namely the non-primary consumer sector which fell the most by 0.2%, followed by the health sector and the raw goods sector which fell by 0.12% and 0.04% respectively.⁴

Exchange Rate Movements



Quoting Bloomberg data, the rupiah closed down 2.50 points or 0.02% to Rp. 15,782.5 per US dollar on Wednesday (31/12/2023). Garuda's currency weakened 2.5 points or minus 0.02 percent from previous trading. Solid US economic data has led traders to reduce their forecast for an interest rate cut in March

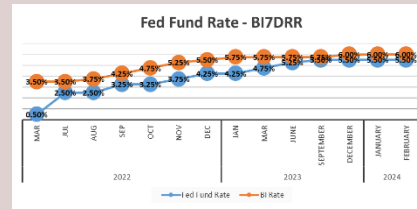
⁴Kontan.co.id

Table 5. Interest Rates		
Indicator	Dec'23	Jan'24
BI 7DRR	6.00%	6.00%
Fed Funds Rate	5.25-5.50%	5.25-5.50%

Source: bloomberg

to 42%, from around 89% last month. Apart from that, the weakening of the rupiah is also in line with China's manufacturing data which is still contracting.⁵

Interest rate



The Bank Indonesia Board of Governors (RDG) meeting on January 16-17 2024 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%. 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 2024.⁶

⁵Cnbcindonesia.com

⁶Bi.go.id

Our View						
Macroeconomics Indicators and Forecast						
Indicator	2018	2019	2020	2021	2022	2024f
GDP	5,17%	5,02%	-2,19%	5.02%	5.31%	4.90%-5.30%
Inflasi (yoy)	3,13%	2,72%	1.68%	1.87%	5.51%	2.00%-4.00%
Other						
FFR	2,50%	1,75%	0.25%	0.25%	4.50%	3.50%-3.75%
BI7DRR	6,00%	5,00%	3.75%	3.50%	5.50%	5.00%-5.75%
USD/IDR	14.394	13.866	14.050	14.263	15.572,50	15.000-15.800

Achievement of GDP or economic growth. Domestic demand conditions play an important role in supporting domestic economic growth when export performance declines. Economic growth in 2024 will also be supported by election activity, which is expected to contribute to a surge in public consumption. The encouragement of consumption from the activities of non-governmental institutions related to households (LNPR) increased drastically during the election campaign from the fourth quarter of 2023 to November 2024.

Inflation. The inflation target for 2024 is in the range of 1.5 % to 3.5%, down from the inflation target for 2023 of 2%-4%. Although the potential for inflation will reach the upper limit of 3.2% in 2024 due to pressure on global energy and food prices due to the Ukraine-Russia and Israel-Palestine conflicts, and El-Nino.

Fed Funds Rate (FFR). It is predicted that the United States central bank will only reduce interest rates in June 2024 by 50 basis points, followed by an additional cut of 125 basis points for the rest of the year.

Bank Indonesia (BI). The reduction in Bank Indonesia's benchmark interest rate or BI rate is expected to be limited this year. It is estimated that BI has room to reduce the benchmark interest rate by a maximum of only 50 basis points (bps) in 2024. This follows global economic conditions which have not improved, even though the Federal Reserve or The Fed interest rate is expected to fall three times by the end of the year.

Rupiah exchange rate. The performance of the Rupiah exchange rate is predicted to plummet or weaken next year. This occurs as uncertainty ahead of the 2024 general election continues to haunt investors.