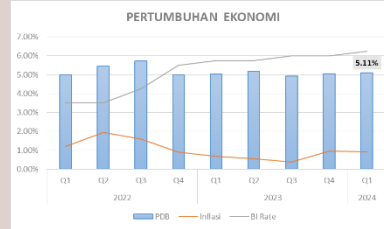


Economic Update

May Highlights :

- Data from the Central Statistics Agency (BPS) shows that economic growth in the first quarter of 2024 was 5.11% (yoy), an increase compared to growth in the previous quarter of 5.04% (yoy).
- Consumer Price Index (CPI) inflation in May 2024 remains maintained within the target range of $2.5 \pm 1\%$. CPI inflation in May 2024 recorded deflation of 0.03% (mtm), so that on an annual basis it decreased to 2.84% (yoy) from the previous month's realization of 3.00% (yoy)
- the *Deposit Facility* interest rate at 5.50%, and the *Lending Facility* interest rate at 7.00%.
- The performance of Indonesia's Balance of Payments (NPI) in the first quarter of 2024 remains maintained. The current account deficit remains low amidst the global economic slowdown. With these developments, NPI in the first quarter of 2024 recorded a deficit of 6.0 billion US dollars.

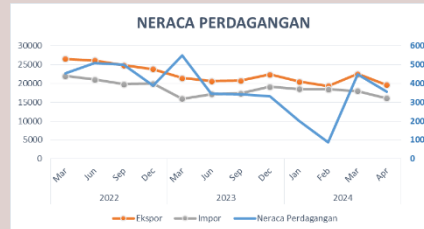
Economic growth



Data from the Central Statistics Agency (BPS) shows that economic growth in the first quarter of 2024 was 5.11% (yoy), an increase compared to growth in the previous quarter of 5.04% (yoy). Increased economic growth in the first quarter of 2024 is supported by higher domestic demand. Household consumption grew by 4.91% (yoy) in line with the 2024 elections, national holidays and collective leave.¹

Consumer Price Index (CPI) inflation in May 2024 remains maintained within the target range of $2.5 \pm 1\%$. Based on data from the Central Statistics Agency, CPI inflation in May 2024 recorded deflation of 0.03% (mtm), so that on an annual basis it decreased to 2.84% (yoy) from the previous month's realization of 3.00% (yoy). This controlled inflation is the result of consistent monetary policy and close inflation control synergy between Bank Indonesia and the Government (Central and Regional) in the Central and Regional Inflation Control Teams (TPIP and TPID) through strengthening the National Food Inflation Control Movement (GNPIP) in various regions.²

Trade Balance



Based on data from the Central Statistics Agency (BPS), Indonesia's trade balance surplus continued in April 2024 at 3.56 billion US dollars, lower than the surplus in March 2024 of 4.58 billion US dollars. Bank

Indonesia views this development as positive for further supporting the external resilience of the Indonesian economy. The continued trade balance surplus in April 2024 mainly comes from the non-oil and gas trade balance surplus which remains good. The non-oil and gas trade balance in April 2024 recorded a surplus of 5.17 billion US dollars, in line with non-oil and gas exports remaining strong at 18.27 billion US dollars.³

¹Bps.go.id

²Bi.go.id

³Bi.go.id

Table 1. Economic Indicators		
Indicator	Apr'24	May 24
Inflation (yoy)	3.00%	2.84%
Inflation (mtm)	0.25%	-0.03%
Trade balance (USD Billion)	3560	*
Foreign Exchange Reserves (USD Billion)	136.2	*

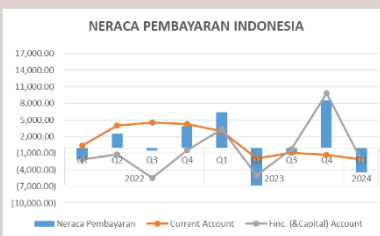
Description: * not yet released
Source : bi.go.id

Indonesia's foreign exchange reserve position at the end of April 2024 remained high at 136.2 billion US dollars, although it decreased compared to the position at the end of March 2024 of 140.4 billion US dollars. The decline in foreign exchange reserves was influenced, among other things, by the Government's foreign debt payments and the need to stabilize the Rupiah exchange rate in line with increasing global financial market uncertainty. The position of foreign exchange reserves is equivalent to financing 6.1 months of imports or 6.0 months of imports and payment of the Government's foreign debt, and is above the international adequacy standard of around 3 months of imports.

Table 2. Economic Indicators		
Indicator	Q4'23	Q1'24
GDP	5.04%	5.11%
NPI (USD Million)	8,495	(6,000)
CAD (USD Million)	(1,120)	(2,161)

Source: bps.go.id

Balance of Payments



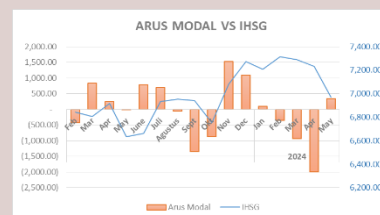
The performance of Indonesia's Balance of Payments (NPI) in the first quarter of 2024 remains maintained. The current account deficit remains low amidst the global economic slowdown. With these developments, the NPI in the first

Table 3. Commodities		
Commodity	Apr'24	May 24
Brent Oil (USD/Barrels)	87.86	81.62
WTI (USD/Barrels)	81.93	76.99
CPO (MYR/Metrictons)	3,862.00	4,069.00
Coal (USD/Metrictons)	142.25	142.40
Gold (USD/troy oz)	2,286.25	2,327.33

Source: bloomberg

quarter of 2024 recorded a deficit of 6.0 billion US dollars and the position of foreign exchange reserves at the end of March 2024 remained high at 140.4 billion US dollars, or the equivalent of financing 6.2 months of imports and foreign debt payments. government, and is above the international adequacy standard of around 3 months of imports.⁴

Capital Inflow



The composite stock price index (IHSG) at the close of trading Friday (31/5/2024) weakened 63.4 points (0.90%) to 6,970.7. The transaction value in today's trading reached IDR 31.33 trillion. A total of 199 shares recorded an increase, 372 shares

Table 4. Currencies			
Currencies	Apr'24	May 24	% Change
USD/IDR	16,259	16,253	0.04%
USD/HKD	7.8239	7.8197	0.05%
USD/SGD	1.3655	1.3512	1.05%
USD/MYR	4.7725	4.7065	1.38%
USD/CNY	7.2410	7.2418	-0.01%
JPY/USD	157.80	157.31	0.31%
AUD/USD	1.5449	0.5031	67.43%
EUR/USD	0.9376	0.9218	1.68%
GBP/USD	0.8005	0.7848	1.96%

Source: bloomberg

decreased, and 209 shares were stagnant. Almost all stock sectors fell at the close of trading today, led by the infrastructure sector which fell 3.1%, followed by the health sector 2.4%, industry 2.1%, primary consumer goods 1.2%, and the raw goods sector 1%. Strengthening occurred in the financial sector by 0.4%.⁵

⁴Bi.go.id

⁵Kontan.co.id

Table 5. Reference Interest Rates

Indicator	Apr'24	May 24
BI 7DRR	6.25%	6.25%
Fed Funds Rate	5.25-5.50%	5.25-5.50%

Source: bloomberg

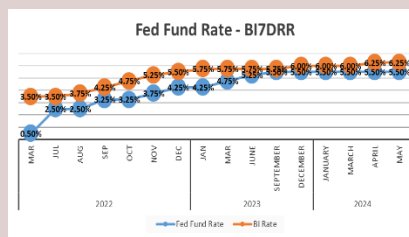
Exchange Rate Movements



The rupiah exchange rate against the United States (US) dollar strengthened on Friday (31/5/2024) and touched the level of IDR 16,252.5. The Rupiah experienced limited strengthening amidst the weakening of the majority of other

Asian currencies against the US dollar. The Rupiah opened stronger due to US Gross Domestic Product (GDP) data being revised downwards, however the strengthening of the Rupiah was limited due to Chinese manufacturing data.⁶

Interest rate



*the Deposit Facility interest rate at 5.50%, and the Lending Facility interest rate at 7.00%. This decision is consistent with *pro-stability* monetary policy , i.e as a *pre-emptive* and *forward looking* step to ensure inflation remains*

under control within the target of $2.5 \pm 1\%$ in 2024 and 2025, including effectiveness in maintaining foreign capital inflows and stability of the Rupiah exchange rate.⁷

⁶Cnbcindonesia.com

⁷Bi.go.id

Our View						
Macroeconomics Indicators and Forecast						
Indicator	2019	2020	2021	202 2	202 3	202 4 f
GDP	5.02%	-2.19%	5.02%	5.31%	5.04%	4.90% -5.30 %
Inflation (yoy)	2.72%	1.68%	1.87 %	5.51 %	3.61%	2.00 % -4.00%
Other						
FFR	1.75%	0.25%	0.25%	4.50 %	5.50%	3.50% - 3.75 %
BI7DRR	5.00%	3.75%	3.50%	5.50 %	6.00%	5.00 % -5.75%
USD/IDR	13,866	14,050	14,263	15,572.50	15,399.00	15,800-16,000

Achievement of GDP or economic growth. Economic growth in 2024 is predicted to remain strong in the range of 4.7-5.5% (yoy) supported by domestic demand, especially from continued growth in consumption and building investment in line with the continued development of the National Strategic Project (PSN).

Inflation. Inflation is expected to continue to decline from an average of 3.7% in 2024 to 2.8% in 2024 and 2025. Improvements in supply management and well-managed inflation expectations will help keep inflation within the lower inflation target range . In addition, better world oil price prospects and relatively broad fiscal space are expected to help stabilize movements in domestic price components regulated by the government.

Fed Funds Rate (FFR). With the current interest rate at 5.25%-5.5%, the Fed is expected to reduce interest rates to 3.5%-3.75% in 2024. The Fed's interest rate reduction will begin in June 2024 by 50 basis points followed by additional cuts of 125 basis points for the rest of the year.

Bank Indonesia (BI). Bank Indonesia is estimated to have room to reduce the BI- Rate in the second half of 2024. BI is expected to reduce its benchmark interest rate by 25 bps in the third quarter of 2024 and by 50 bps in the fourth quarter of 2024. These estimates were made taking into account the latest developments from the global and domestic side.

Rupiah exchange rate . The rupiah exchange rate will strengthen in 2024, when compared to the level in 2023. This is in line with the potential for continued inflow of foreign funds in 2024. However, challenges come from external conditions, namely the current account balance which may turn into a deficit after being in surplus in the last few years.

Loan . The banking industry is expected to maintain the momentum of loan growth of 10-12 percent in 2024. This is considering that liquidity will become increasingly abundant in line with the implementation of the macroprudential liquidity incentive policy or KLM for sectors that have leverage for economic growth.