

# economic

FLASH REPORT SERIES

**BI September Meeting :  
Keeping Interest Rates Unchanged**



## Exhibit 1. Indonesia Macro Data Forecast

Macro Indicators	2020	2021F
Real GDP (%YoY)	-2.07	3.76
Average Inflation (%YoY)	2.04	1.87
BI-7 DRR (%)	3.75	3.5
Budget Deficit (%GDP)	6.09	5.73
USD/IDR	14,500	14,414
10 Year Indo GB (%)	5.89	6.46
JCI	5,979	6,320
EPS Growth (%)	-30	20

Source : BI, MoF, BPS, MNCS Estimate

## Exhibit 2. Global & Domestic Key Rates

Rates (%)	Dec-20	Sep-21*
BI-7 DRR	3.75	3.50
Lending Facility	4.50	4.25
Deposit Facility	3.00	2.75
10 Year Indo GB	5.89	6.14
FFR	0.25	0.25
ECB Rate	0.00	0.00
BoE Rate	0.10	0.10
BoJ Rate	-0.10	-0.10

Source : Bloomberg, BI as of Sep 17, 2021

## Expecting September Policy Rates to Stay

We expect Bank Indonesia (BI) to hold BI 7 Day Reverse Repo Rate at 3.50%, Lending Facility Rate at 4.25% and Deposit Facility Rate at 3.75% this September. Keeping interest rate unchanged is the appropriate response to maintain stability while at the same time spurring growth amid low and manageable inflation and pressure from global monetary policy normalization.

## Tracking Indonesia's Economy

The recent development has shown that the impact of tight social restriction has derailed consumer sentiment (Exhibit 3) and manufacturing activity (Exhibit 4). However international trade remained solid with Indonesia's exports and imports value jumped to a record high in August-21. Indonesia successfully recorded a 16 straight months of trade surplus with last month figure came to a more than a decade high with USD4.74bn surplus (Exhibit 5). The consequences of surplus are lower CAD and soaring Indonesia FX reserves position to an all time high (Exhibit 6).

The inflationary pressure stayed low and manageable (Exhibit 7) despite rising imports and ample liquidity in the economy due to supply and demand interaction and low inflation expectation. While lower money velocity also justified low inflationary pressure (Exhibit 8). Still accommodative macro policy was offset by limited public mobility that hampered consumption and investment as one of inflation building block.

Rupiah was stably traded below IDR 14,300/USD recently (Exhibit 9), while the benchmark of 10 year Indo GB yield hit a multi year low at 6.14% (Exhibit 10). So far BI has implemented a pro growth policy to support the economy. BI-government coordination through burden sharing scheme until next year is another macro policy synergy to bring back Indonesia's economy to its long term growth trajectory.

## Global Monetary Policy

The Fed's September meeting is expected to give a further detail on when the central bank start to slow its asset purchase. Elsewhere in Europe, ECB decided to start curbing the value of Pandemic Emergency Purchase Program (PEPP). Now it comes to a monetary normalization period on the back of recovery momentum and rising inflation. Some of DM countries are expected to come with more hawkish tone although rising interest rates needs a more stringent test. However, rising inflation in some G20 EM countries such as in Russia, Brazil and Mexico has forced the central bank to rise the policy rate. Given the path of monetary policy normalization and urgency to spur growth, holding interest rates at current level is appropriate response for BI.



**Tirta Widi Gilang Citradi**

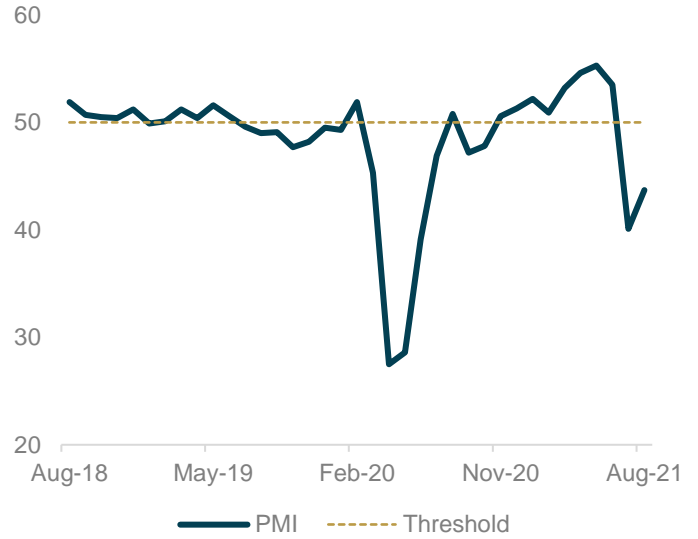
Economist & Fixed Income Analyst

**Exhibit 3. Indonesia Consumer Confidence**



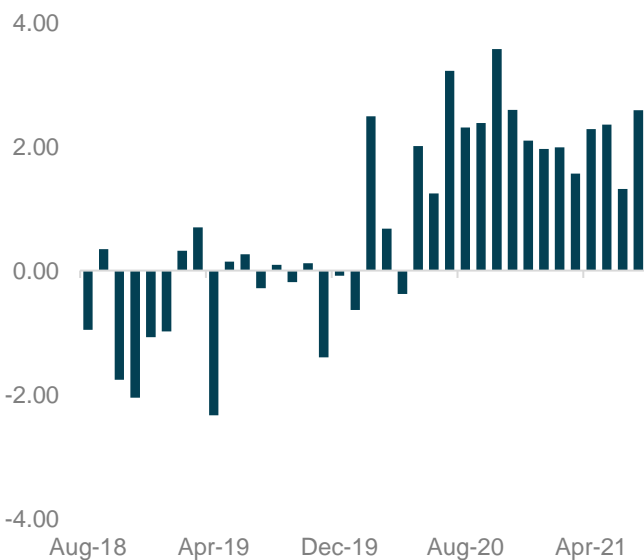
Source : Bank Indonesia

**Exhibit 4. Indo Manufacturing PMI**



Source : IHS Markit

**Exhibit 5. Indo Trade Balance (USD bn)**



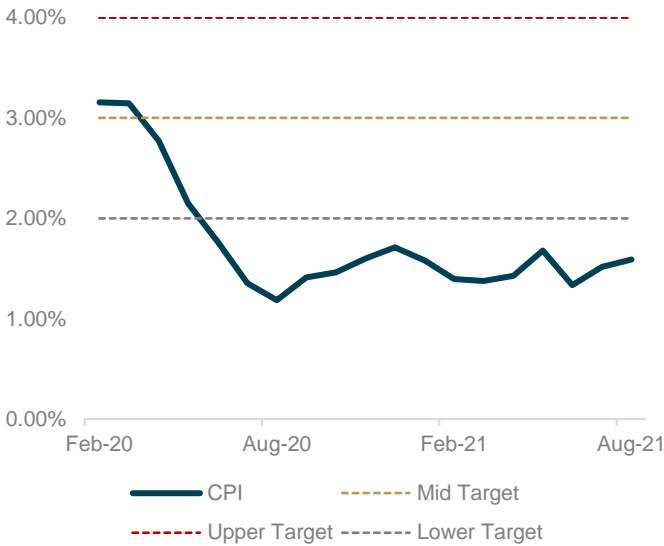
Source : Bank Indonesia

**Exhibit 6. Indo FX Reserves Position (USD bn)**



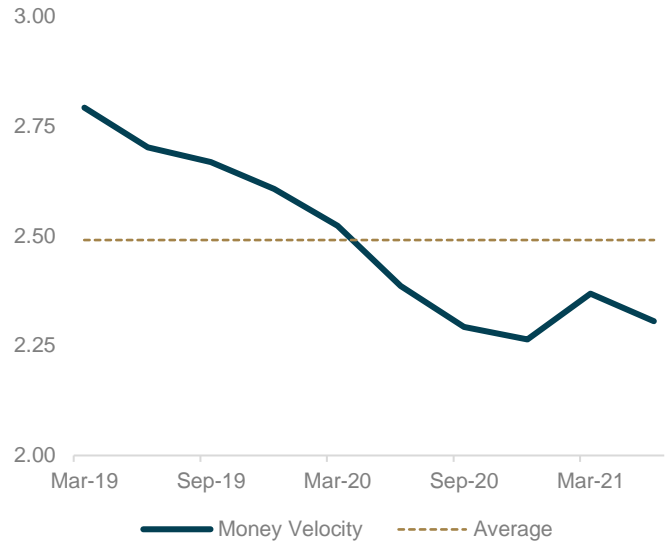
Source : Bank Indonesia

**Exhibit 7. Indo Inflation Rate (%YoY)**



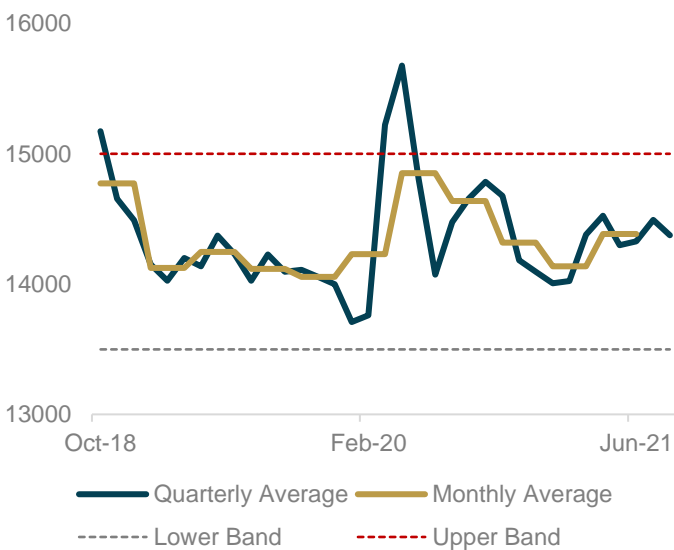
Source : BPS, Bank Indonesia

**Exhibit 8. Indo Money Velocity**



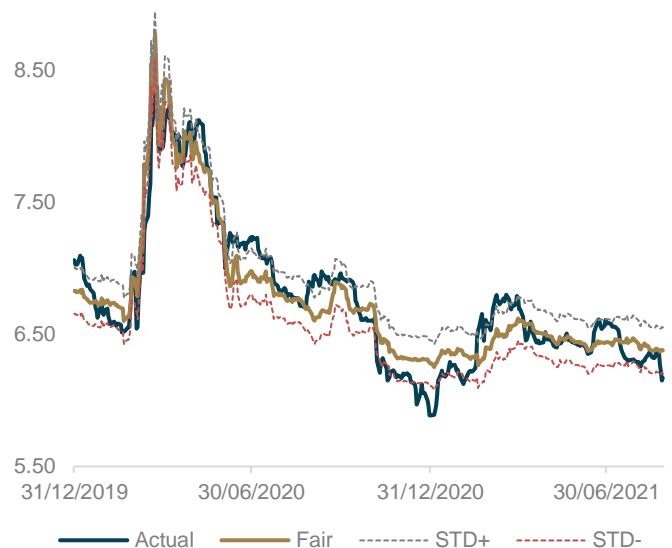
Source : Bank Indonesia, MNCS

**Exhibit 9. USD/IDR Movement**



Source : Bloomberg, MNCS

**Exhibit 10. 10 Year Indo GB Yield**



Source : Bloomberg, MNCS

## MNC Research Industry Ratings Guidance

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

## MNC Research Investment Ratings Guidance

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

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