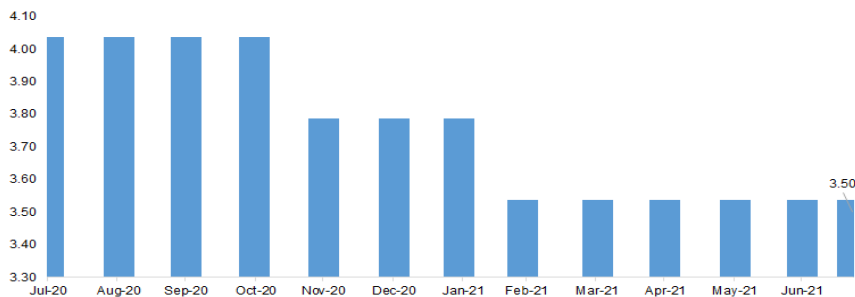


# Macroeconomic Report

## Low Inflation Holds BI 7-DRRR

### BI 7-DRRR Movement



Source: Bloomberg, NHKS Research

### Low Inflation Holds BI 7-DRRR Back

Bank Indonesia (BI) maintains the BI Seven Day Reserve Repo Rate (BI 7-DRRR) interest rate at 3.50% in July 2021. Inflation realisation and outlook are still low at around 1.8% and 2.2% in 2021. NHKSI sees other factors considered by BI were: China and the US economic recovery, the potential increase in global inflation as the economy grows, high rupiah volatility, and domestic economic pressure due to the increasing daily average number of Covid-19 cases. We also see that BI do not need to be concern about the increase in global interest rates, especially as the Fed will not start its tapering program this year.

### New Loan in 3Q21 Grows Higher

BI projects demand for new loans to grow higher in 3Q21. This can be seen from the high Weighted Net Balance (WNB) estimates at 87.1% or higher than 53.9%, indicating a financing performance recovery in 3Q21. BI assesses that the new loan disbursements are for working capital loans, followed by investment loans and consumption loans. The distribution of housing or apartment ownership loans is still a top priority for consumption loans. However, the 3Q21 lending policy is not expected to be as tight as in the previous quarter.

### UST Yield Decline Boosts SUN Offering

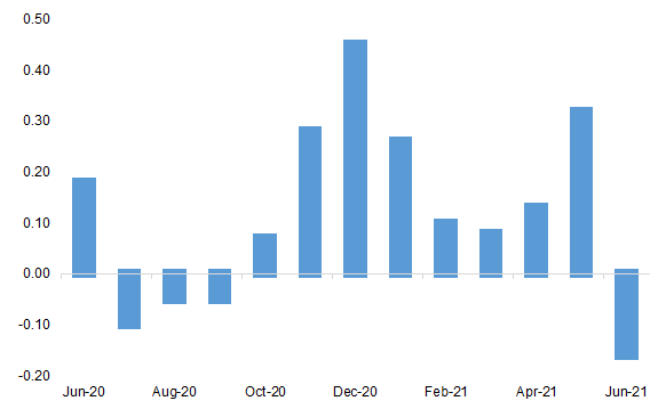
On Tuesday (21/07), the government successfully won seven series amounting to IDR 34 trillion from the total incoming bid of IDR 95.6 trillion in the Government Debt Securities (SUN) auction. The high big this time around was supported by the downward trend of UST yield. Liquidity was high, as SUN FR0053 worth IDR 98.5 trillion which matured on July 15 2021 was also listed. The highest incoming bids were booked by benchmark candidate FR0090 (5.7 years), FR0091 (10.7 years), and FR0092 (20.9 years). Market participants have responded positively to the three series, which still offer attractive yield. The auction was also held amid the wait for Bank Indonesia's benchmark interest rate BI-7DRRR data for July, which is projected to be maintained at 3.50%.

**Arief Machrus**

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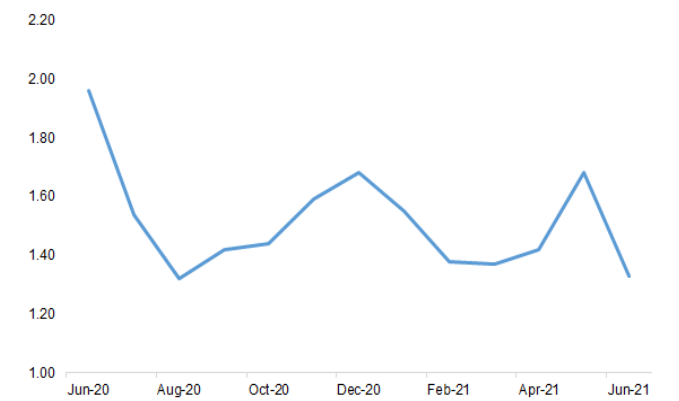
Please consider important disclaimer

CPI MoM % | Jun. 20 - Jun. 21



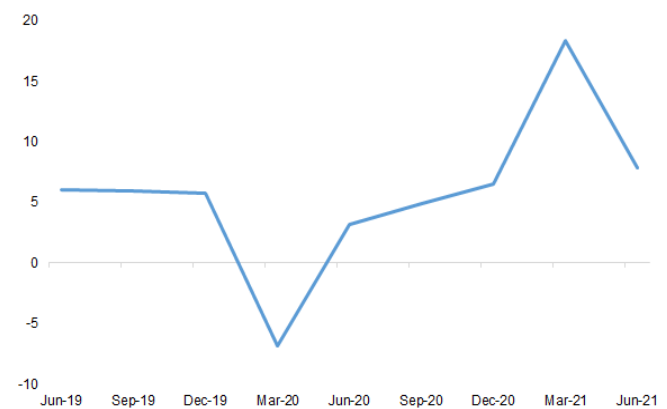
Source: Bloomberg, NHKS Research

CPI YoY % | Jun. 20 - Jun. 21



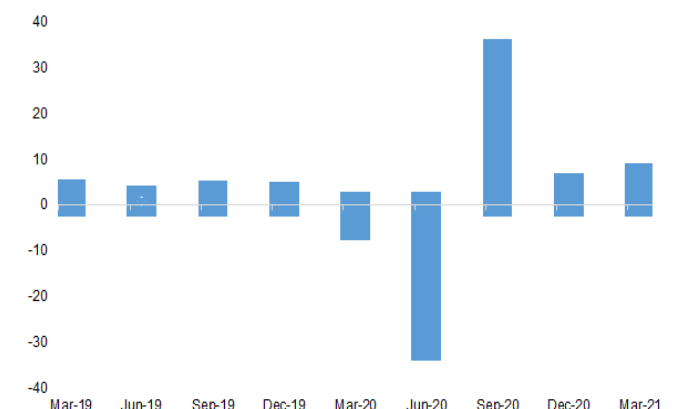
Source: Bloomberg, NHKS Research

China GDP | Jun. 19 - Jun. 21



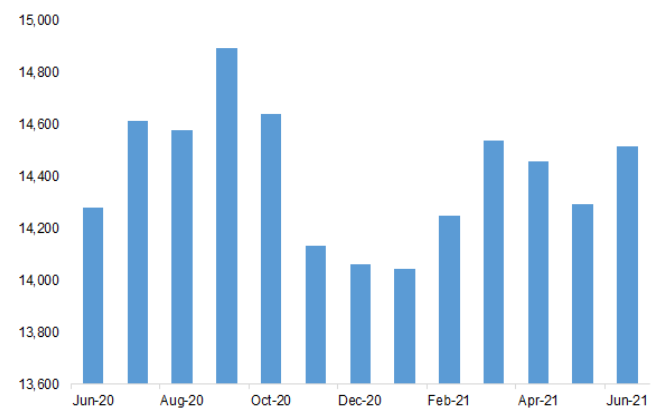
Source: Bloomberg, NHKS Research

US GDP | Mar. 19 - Mar 21



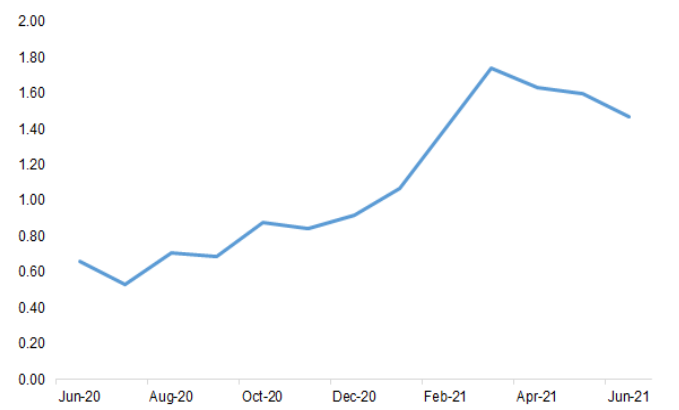
Source: Bloomberg, NHKS Research

USDIDR | Jun. 20 - Jun. 21



Source: Bloomberg, NHKS research

UST 10Y | Jun. 20 - Jun. 21



Source: Bloomberg, NHKS research

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