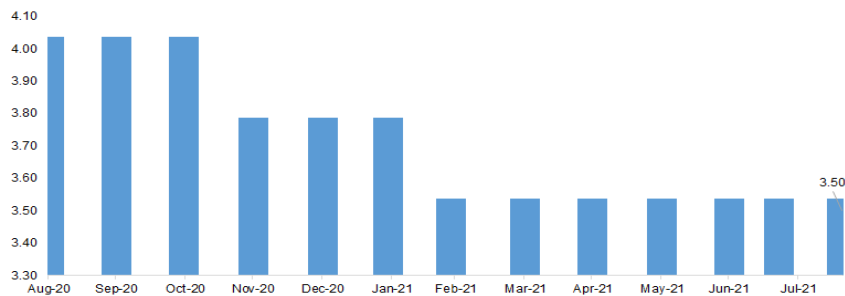


Macroeconomic Report

Economic Pressure Holds BI 7-DRRR

BI 7-DRRR Movement



Source: Bloomberg, NHKS Research

3Q21 GDP Holds BI 7-DRRR

Bank Indonesia continued to maintain BI 7-Days Reverse Repo Rate (BI 7-DRRR) benchmark rate at 3.50%. Economic pressure may happen again in 3Q21, thus NHKSI Research also saw the need for low interest rate to support domestic recovery. Economic activities in July until September may potentially slow down, despite growing more than 7% YoY in the previous quarter. We saw the data indicator Manufacturing Purchasing Managers' Index (PMI) for July 2021 contracted, falling to 40.1. Although it was in the expansion phase, reaching 53.5 the previous month. The decline in Manufacturing PMI also marked the first contraction of the manufacturing sector in the past nine months. Other indicators such as Consumer Confidence Index (CCI) for July fell to the pessimistic phase at 80.2 points, compared to 107.4 in the previous month. Pessimistic CCI indicated concerns about the domestic economy in the next six months.

Significant Import Decline Boosts Trade Surplus

Statistics Indonesia recorded a trade balance surplus in July 2021. Although export value was depressed, a steeper decline in import boosted the huge surplus in this period. In more detail, import in July 2021 was recorded at USD 15.1 billion, down 12.2% MoM compared to USD 17.2 billion in June 2021. However, export in July 2021 was only down 4.3% MoM from its value of USD 18.5 billion in June 2021 to USD 17.7 billion. Decline in imports happened to both oil and gas and non-oil and gas sectors. Oil and gas import was booked at USD 1.8 billion or down 22.3% MoM. Meanwhile, non-oil and gas import fell 10.7% from USD 14.9 billion to USD 13.3 billion in the same period. NHKSI Research saw that the pressure on imports in July, as well as the reimplementation of PPKM affected the decreasing activity in domestic industrial sector.

Wait and See as July FOMC Meeting Minutes Released

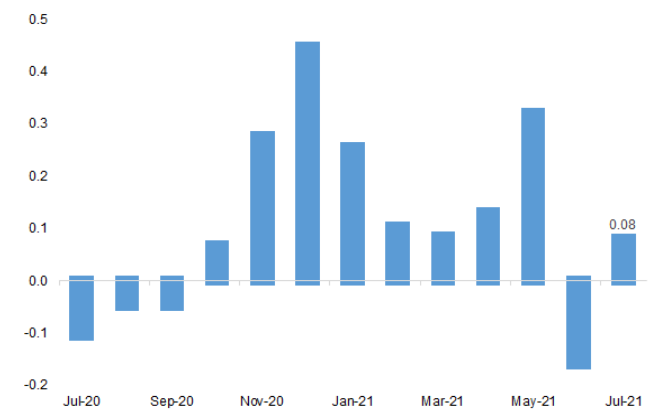
The incoming bid for Government Debt Securities (SUN) on last Wednesday (18/08) only amounted to IDR 77 trillion. This figure is much lower than the previous auction which gained almost IDR 108 trillion. NHKSI Research saw that the wait and see manner of investors as the release of Federal Open Market Committee (FOMC) approaches was the cause of the decline in incoming bid. Investors held back due to the speculations that the Fed will start tapering at the end of the year, although the latest auction offered more attractive yields compared to the previous one. In detail, FR0090 offered an average weighted yield of 5.27%; FR0091 at 6.29%; FR0088 at 6.32%; and FR0092 at 6.92. However, the government managed to gain around IDR 30 trillion or slightly below the indicative target of IDR 33 trillion.

Arief Machrus

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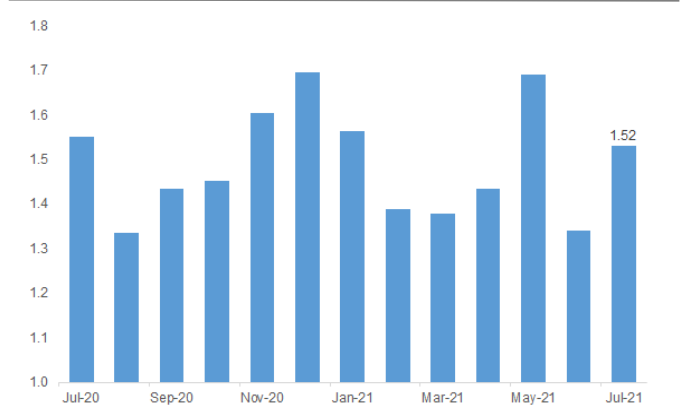
Please consider important disclaimer

CPI MoM % | Jul. 20 - Jul. 21



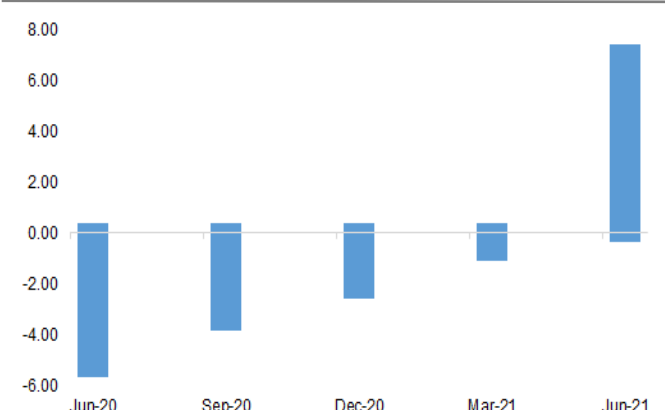
Source: Bloomberg, NHKS Research

CPI YoY % | Jul. 20 - Jul. 21



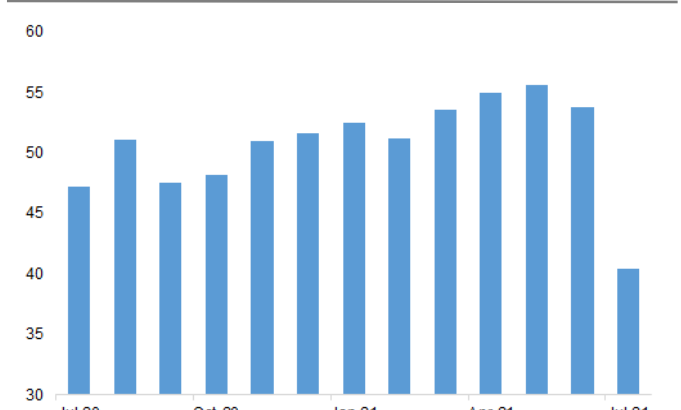
Source: Bloomberg, NHKS Research

Indonesia's GDP (YoY) | Jun. 20 - Jun. 21



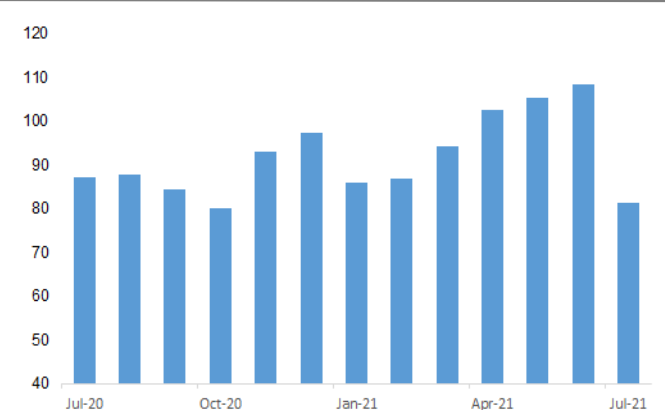
Source: Bloomberg, NHKS Research

Indonesia PMI Manufacture | July 2020 - July 2021



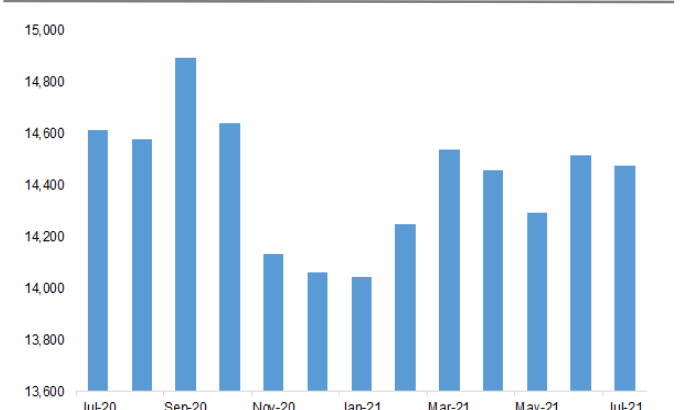
Source: Bloomberg, NHKS Research

Indonesia Consumer Confidence Index | July 2020 - July 2021



Source: Bloomberg, NHKS research

USD/IDR | July 2020 - July 2021



Source: Bloomberg, NHKS research

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