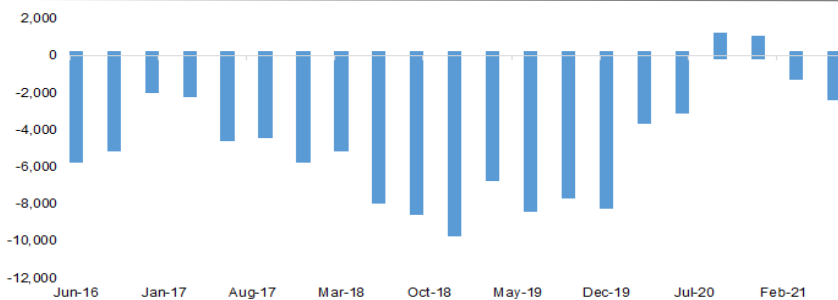


Macroeconomic Report

Payment Balance Deficit and Wider CAD

Indonesia's BoP Current Account Deficit (USD Mn)



Source: Bloomberg, NHKS Research

Balance of Payments Recorded USD 400 Million Deficit

Bank Indonesia (BI) recorded that Indonesia's 2Q21 Balance of Payments (BOP) experienced a deficit of USD 400 million. This figure is much lower than the previous quarter which recorded a surplus of more than USD 4 billion. In more detail, the current account deficit (CAD) in 2Q21 was valued at USD 2.2 billion, or 0.8% of Gross Domestic Product (GDP). 2Q21 CAD was larger compared to 1Q21 which was at USD 1.1 billion or 0.4% of GDP. NHKSI Research see that 2Q21 figures were influenced by an increase of surplus in the goods balance, due to increased demand from major trading partner countries. Meanwhile, the primary income account deficit was in line with the increase in payment of investment returns. We also see that the increase in the services account deficit was caused by a widening deficit in transportation services, in line with the increase in payments for freight services for imports of goods. This caused foreign exchange reserves of 2Q21 to be booked at USD 137.1 billion, still far above international adequacy standards.

Extended Burden Sharing Holds SBN Yield Back

NHKSI Research sees the plan for Joint Decree (SKB) III to carry out burden sharing, impacted the relatively high demand for SBN. This decision between the Government and BI will limit the increase in yield of Government Securities (SBN), both on Government Bonds (SUN) and Sharia Government Securities (SBSN). Previously, the SBN market was faced with the potential for normalization of the Fed's tapering policy. In more detail, in the draft of Working Meeting of the Ministry of Finance (Kemenkeu), BI, and Commission XI of the Indonesian House of Representatives, the purchase of SBN by BI for the 2022 State Budget (APBN) is set at IDR 224 trillion. This allocation is 4% higher than burden sharing in the 2021 State Budget of IDR 215 trillion.

Earlier Tapering Off Depresses Sukuk Auction

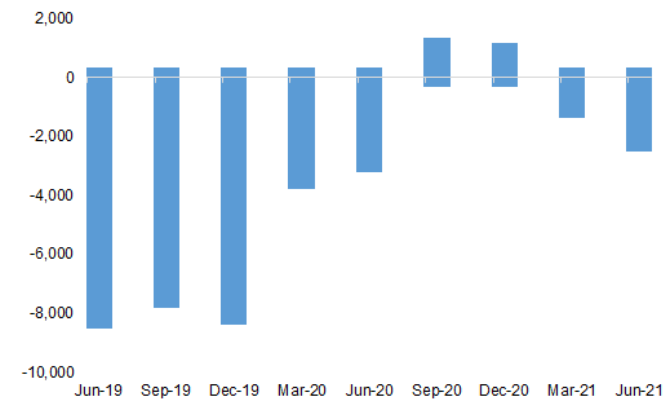
NHKSI Research see the possibility of earlier tapering off by the Fed still as a negative sentiment for Tuesday's Sukuk auction (24/08). We also saw that a number of investors anticipated all possibilities, by paying closer attention to short-tenor Sukuk, compared to the long tenors which have wider yield volatility. On the other hand, the selectiveness of the banking sector in lending, amid the potential pressure of Indonesia's Gross Domestic Product (GDP) in 3Q21, led banks to return to Sukuk. This resulted in a relatively stable Sukuk auction this time. Based on data from the Directorate General of Financing and Risk Management (DJPPR) as of August 20, banking ownership in SBSN is valued at IDR 335 trillion, or 43% of the total tradable SBSN of IDR 782 trillion. This portion far exceeds insurance and pension funds, and BI, which are at 21% and 10% respectively.

Arief Machrus

arief.machrus@nhsec.co.id

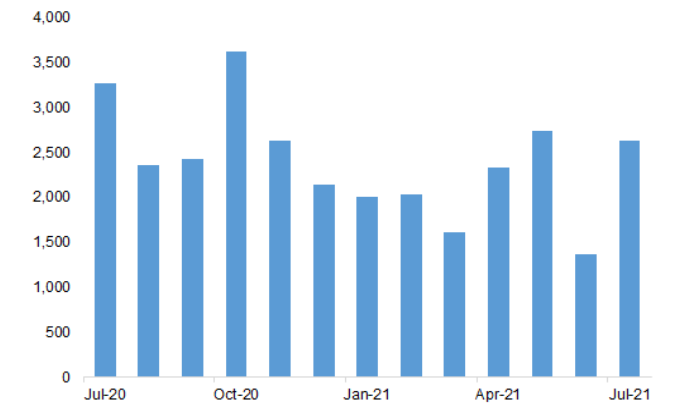
Please consider important disclaimer

Indonesia's BoP CAD (USD Mn) | Jun. 19 - Jun. 21



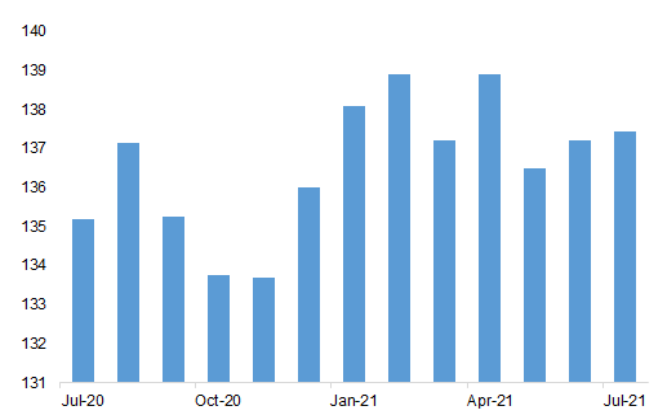
Source: Bloomberg, NHKS Research

Indonesia's Trade Balance (USD Mn) | July 2020 - July 2021



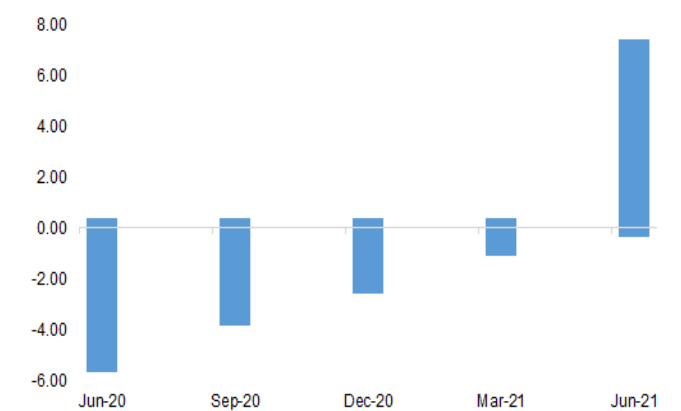
Source: Bloomberg, NHKS Research

Indonesia Foreign Reserves (USD Bn) | July 2020 - July 2021



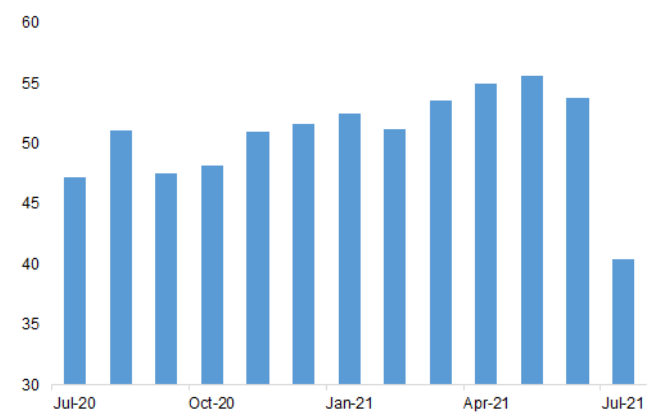
Source: Bloomberg, NHKS Research

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



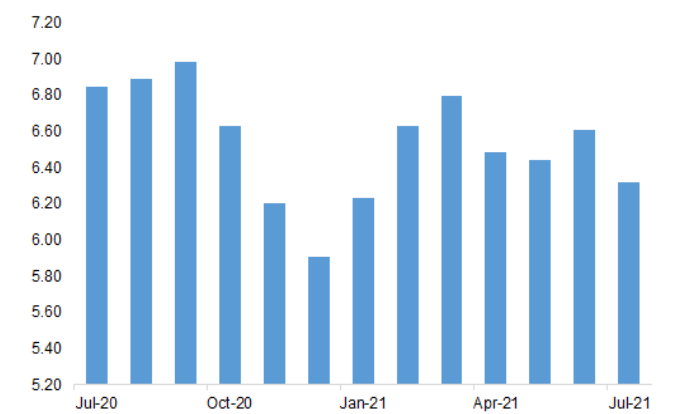
Source: Bloomberg, NHKS Research

Indonesia PMI Manufacture | July 2020 - July 2021



Source: Bloomberg, NHKS research

Indonesia's 10Y Govt. Bond (%) | July 2020 - July 2021



Source: Bloomberg, NHKS research

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entity of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not suitable for all investors. Although the information here is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, respective employees, and agents disclaim any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents liable for errors, omissions, misstatements, negligence, inaccuracy arising herefrom.

All rights reserved by PT NH Korindo Sekuritas Indonesia