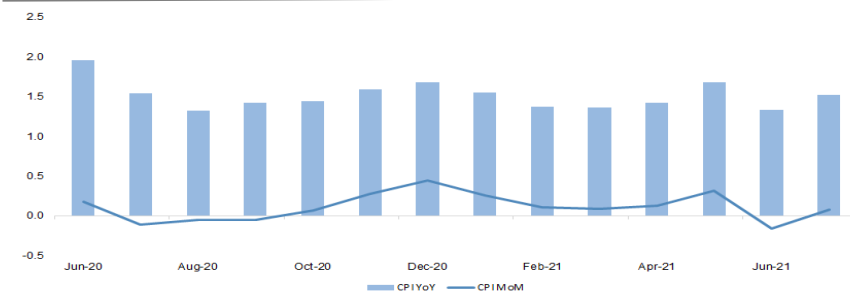


Macroeconomic Report

PPKM has Limited Demand Recovery

Indonesia's Consumer Price Index



Source: Bloomberg, NHKS Research

Core Inflation Slows Down

Indonesia Statistics (BPS) recorded the Consumer Price Index (CPI) for July 2021 to experience an inflation of 0.08% MoM. This figure increased from the previous month, which booked 0.16% MoM deflation. NHKSI Research observed that inflation in July was due to an inflation increase in the volatile food and administered prices category. On an annual basis, CPI inflation in July 2021 was 1.52% YoY, higher than the previous month's 1.33% YoY. Meanwhile, the core group for July 2021 recorded inflation of 0.07% MoM, or down from the previous month's inflation of 0.14% MoM. We also see that the re-implementation of the PPKM has limited demand recovery, which then slowed down core inflation.

PPKM Depresses July Manufacturing PMI

Indonesia's Manufacturing Purchasing Managers' Index (PMI) in July fell to 40.10, or the lowest since June 2020 at 39.10. The current Manufacturing PMI level also shows that Indonesia's manufacturing sector is not in an expansionary stage, which is indicated by a PMI reading above 50. NHKSI Research sees that the Level 4 Implementation of Community Activity Restrictions (PPKM) has a significant impact on the domestic economy, both in terms of demand and production, as well as the unemployment rate. The Delta variant of the Covid-19 outbreak which has increased sharply since June is the main factor to the decline of Indonesia's PMI. For the record, the government has implemented PPKM Level 4 since last July, after implementing Emergency PPKM.

Incoming Bid Over IDR 100 Trillion

The 10-year benchmark candidate FR0091 recorded an entry bid of almost IDR 40 trillion in yesterday's Government Bond (SUN) auction. It was followed by the 5-year benchmark candidate FR0090, at IDR 26.3 trillion. Meanwhile, the total won in yesterday's SUN auction was IDR 34 trillion or the same as the previous auction, and slightly above the indicative target of IDR 33 trillion. In more detail, the weighted average yields of FR0090 and FR0091 are at 5.21% and 6.27% respectively. The yields were 13 bps and 8 bps lower than their positions in the previous auction. NHKSI Research views that the decline in UST yields, which reached a level below 1.2%, and high domestic liquidity, are still the positive sentiments for the bond market this week.

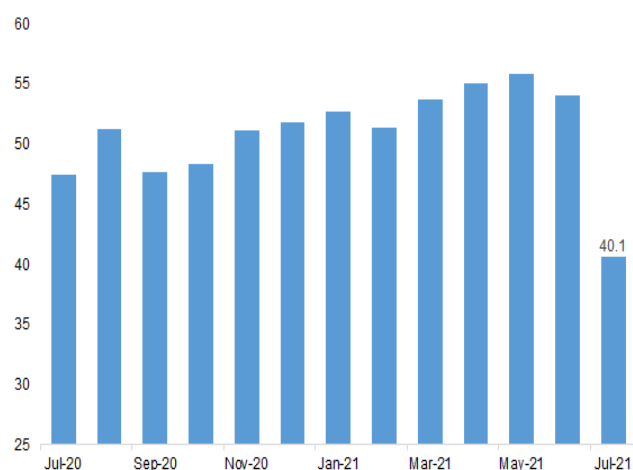
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Please consider important disclaimer

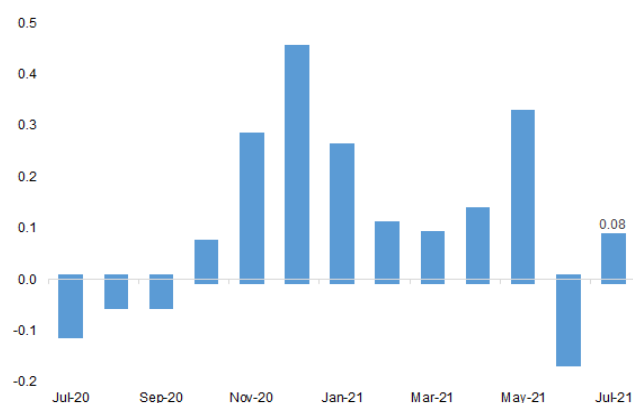
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PMI Manufacture | July 2020 - July 2021



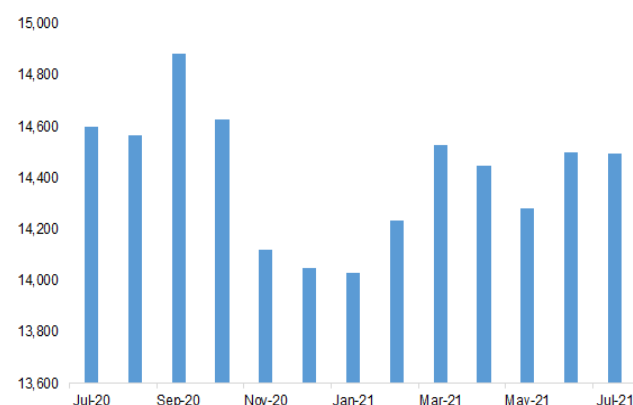
Source: Bloomberg, NHKS Research

Indonesia CPI MoM (%) | July 2020 - July 2021



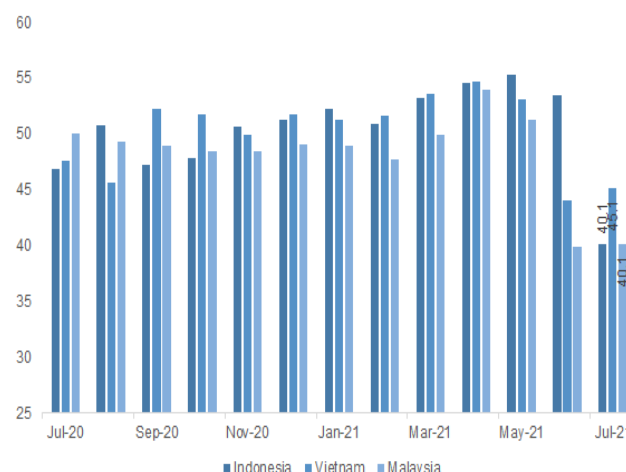
Source: Indonesia Statistics, NHKS Research

USD/IDR Movement | July 2020 - July 2021



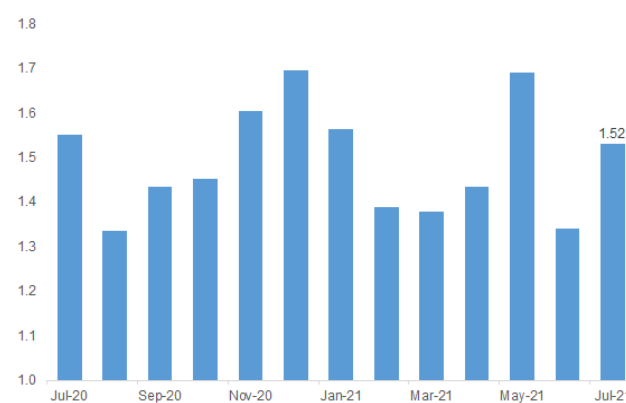
Source: Bloomberg, NHKS Research

Regional PMI Manufacture | July 2020 - July 2021



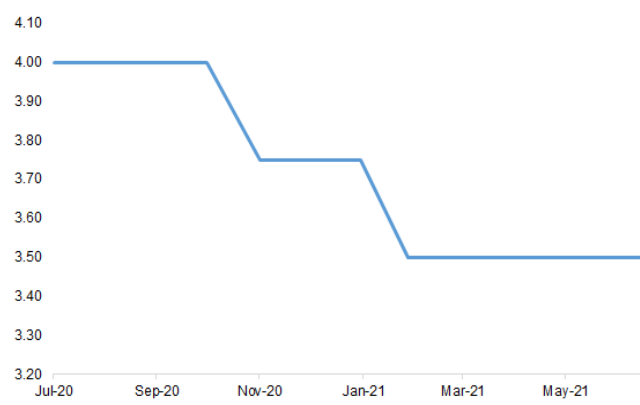
Source: Bloomberg, NHKS Research

Indonesia CPI YoY (%) | July 2020 - July 2021



Source: Bloomberg, NHKS Research

Indonesia BI 7-DRRR | July 2020 - July 2021



Source: Bloomberg, NHKS Research

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