

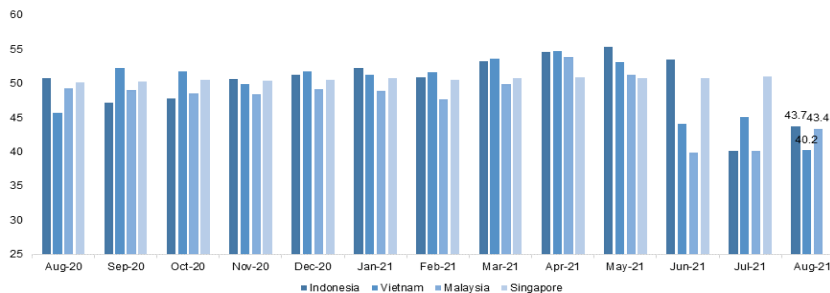
# Macroeconomic Report

## Easing Economic Activity Restriction Boosts Manufacturing Performance



Macroeconomic Report | Sept. 2, 2021

### Indonesia's PMI Manufacturing



Source: Bloomberg, NHKS Research

### Lower Manufacturing Contractions

IHS Markit noted that Indonesia's Manufacturing Purchasing Managers' Index (PMI) in August was at 43.7, or higher than 40.1 in the previous month. Although it was still in the contraction phase, Indonesia's manufacturing in August 2021 showed improvement. The easing of restrictions on economic activity, boosted output and new demand in August 2021, slowing down the decline compared to July 2021. NHKSI Research sees that Indonesian manufacturing is still faced with the accumulation of employment buildup amidst workforce downsizing. Manufacturing also experienced a decline in pre-production inventories, delays in delivery, and increased raw material costs in August 2021. Meanwhile, the gradual easing of social restrictions boosted optimism about the prospects of the domestic manufacturing industry.

### Education and Health Drive Inflation

Statistics Indonesia (BPS) recorded inflation of 0.03% with the Consumer Price Index (CPI) at the level of 106.57 for August 2021. This time, inflation was due to rising prices as indicated by the increase in most expenditure group indexes, such as Health by 0.32%, and Education by 1.20%. These groups recorded a higher increase than the other groups. The new school year in August, and the need for a number of medical tests ahead of the easing of activities restrictions, pushed the indexes for these two groups to rise. In more detail, inflation for calendar year 2021 is 0.84% YtD, and annual inflation is 1.59% YoY.

### Burden Sharing Depresses SBN Supply

NHKSI Research sees that the certainty of burden sharing between Bank Indonesia and the government has made the supply of Government Securities (SBN), both Government Debt Securities (SUN) and Government Islamic Securities (SBSN) low in the primary market. This can be seen from the decrease in the indicative target of SUN auctions, from IDR 33 trillion to only IDR 21 trillion. With supply cuts, amid high demand, investors were aggressively interested in the SUN auction last Tuesday (31/08). We also saw that both the Bank Indonesia Seven Reverse Repo Rate (BI 7-DRRR) and the Fed Funds Rate (FFR), which were maintained at low levels, increased investor interest in Indonesian government securities. Based on data from the Directorate General of Budget Financing and Risk Management (DJPPR), yesterday's bids for SUN auctions reached IDR 116.1 trillion, or the highest bid this year, and even the second highest in history.

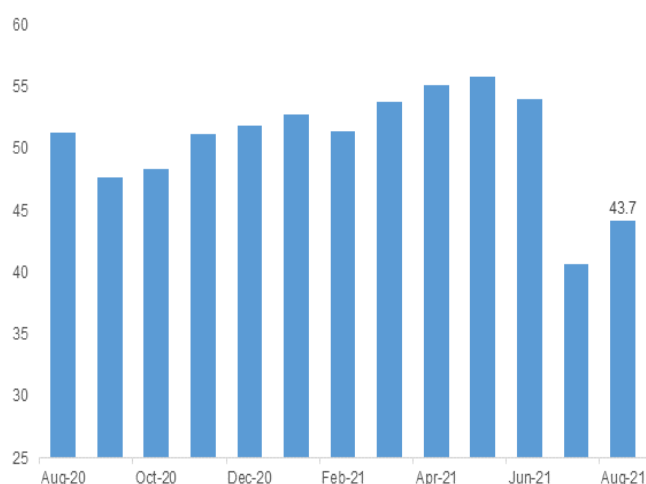
**Arief Machrus**

arief.machrus@nhsec.co.id

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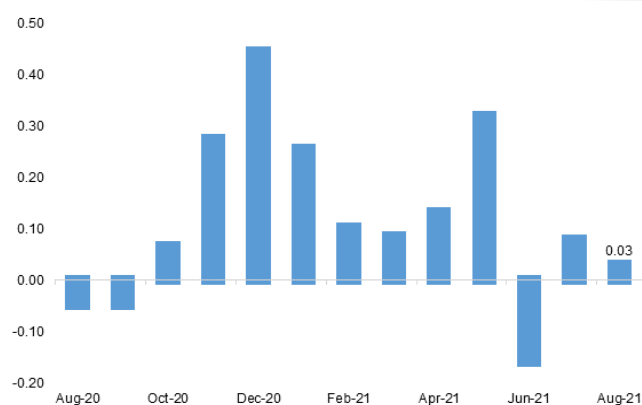
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## Indonesia's PMI Manufacturing | Aug. 2020 - Aug. 2021



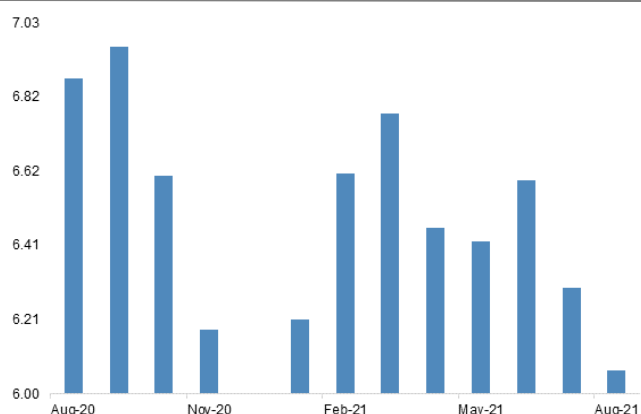
Source: Bloomberg, NHKS Research

## Indonesia CPI MoM (%) | Aug. 2020 - Aug. 2021



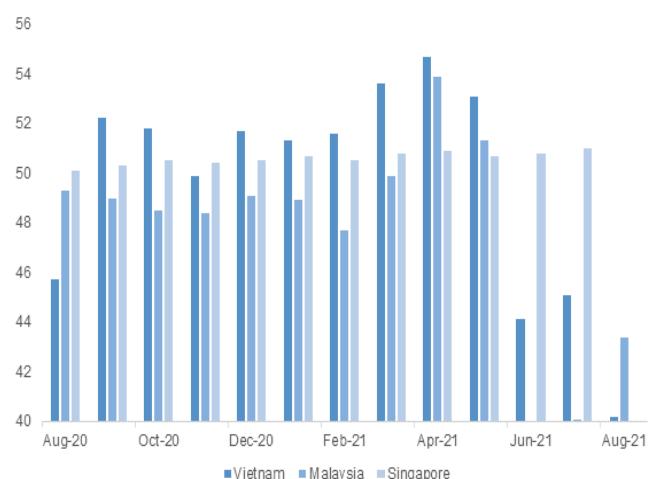
Source: Indonesia Statistics, NHKS Research

## GIDN10Y Yield | Aug. 2020 - Aug. 2021



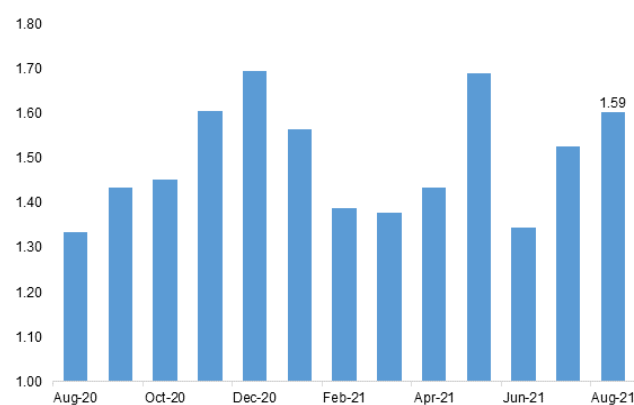
Source: Bloomberg, NHKS Research

## Regional PMI Manufacturing | Aug. 2020 - Aug. 2021



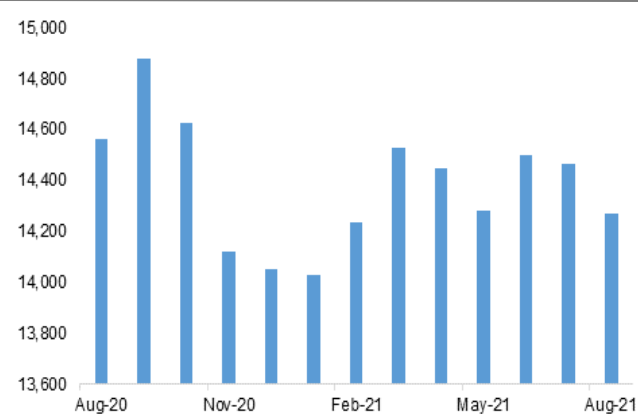
Source: Bloomberg, NHKS Research

## Indonesia CPI YoY (%) | Aug. 2020 - Aug. 2021



Source: Bloomberg, NHKS Research

## USD/IDR | Aug. 2020 - Aug. 2021



Source: Bloomberg, NHKS Research

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