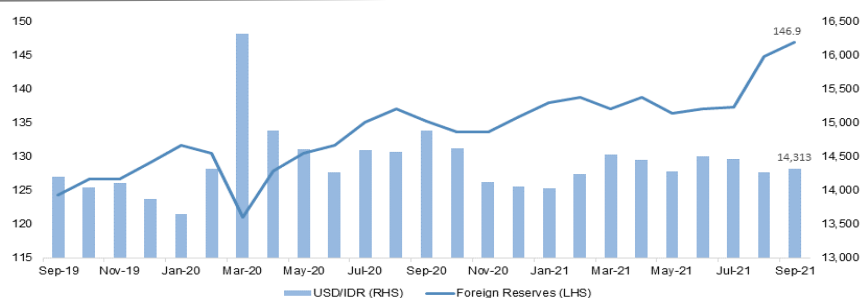


# Macroeconomic Report

## In Anticipation of The Fed's Tapering Off

### Indonesia's Foreign Exchange Reserves



Source: Bloomberg, NHKS Research

#### Global Bond and Euro SDG Boost Forex Reserves

NHKS Research sees the government's success in issuing RI0731 (Reopening) global bond with 10-year tenor and RI0961 (New Issuance) with 40-year tenor with a total of USD 1.25 billion, as one of the factors in the increase of September's foreign exchange reserves. Forex reserves in September was booked at USD 146.9 billion, an increase of USD 2.1 billion, or grew 1.5% from August which was at USD 144.8 billion. Other than global bond, the government also issued Euro-denominated Sustainable Development Goals (SDG) Sovereign Debt Securities (SUN) amounting to EUR 500 million with a 12-year tenor. Meanwhile, forex reserves increase in September was also supported by tax revenues. Furthermore, the foreign exchange reserves is equivalent to financing 8.9 months of imports or 8.6 months of imports and servicing of government external debt.

#### Anticipates the Fed's Tapering Off

NHKS Research also sees the uptrend of forex reserves increases the monetary capability of Bank Indonesia (BI) in responding the Fed's tapering off policy; which is projected to start in November 2021. Previously, forex reserves in August booked an increase of up to USD 7.5 billion, with the allocation of Special Drawing Rights (SDR) of USD 6.31 billion from the International Monetary Fund (IMF). Furthermore, the current forex reserves position is significantly higher than the position when taper tantrum in 2013 happened, at around USD 90 billion to USD 100 billion. We also see low risk of capital outflow, as foreign investor ownership in Government Securities (SBN), both SUN or State Sharia Securities (SBSN/Sukuk) is only recorded at 21.5% (as of October 7, 2021). This is much lower compared to the end of 2020 which was greater than 25%.

#### Consumer Confidence Index Improves

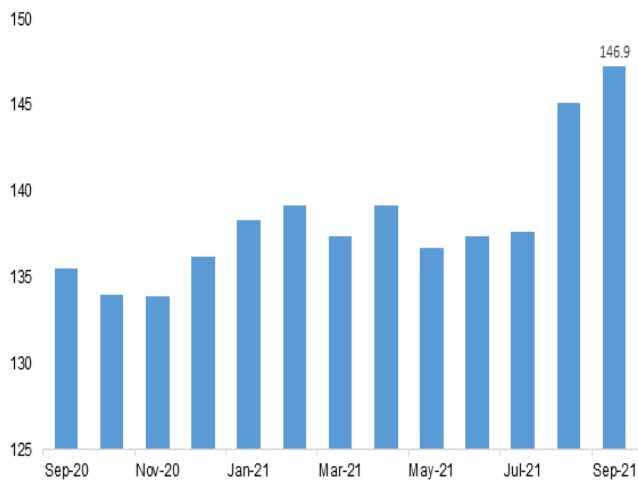
Increased mobility encourages community economic activities. BI stated that consumer confidence increased for the September 2021 period. This can be seen from the September Consumer Confidence Index (IKK) which was recorded at 95.5 or improved from the previous month's 77.3. NHKS Research sees that the continued increase in community economic activities has the potential to boost consumer confidence to an optimistic level or an index above 100. Meanwhile, rising commodity prices also encourage improvements in expected income and CCI, especially outside Java. Price increases have been seen in several commodities such as: crude palm oil, coal, and other plantation products.

**Arief Machrus**

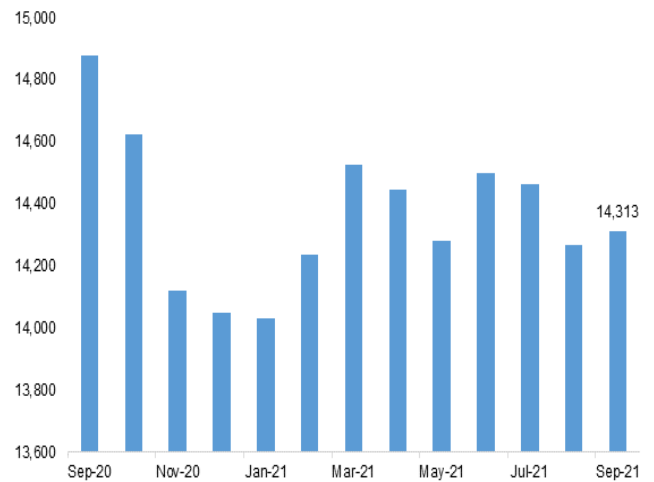
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Please consider important disclaimer

Foreign Exchange Reserves | Sept. 2020 - Sept. 2021



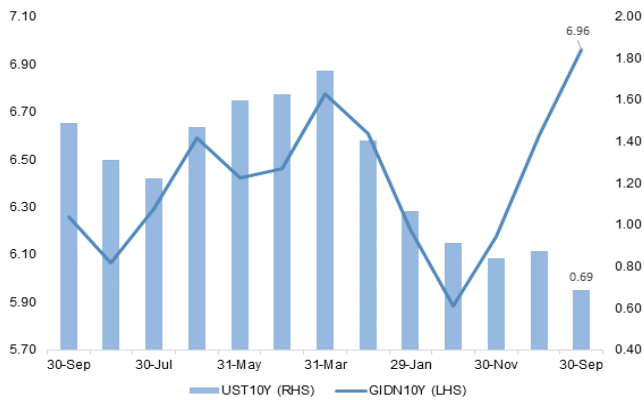
Indonesia's Rupiah | Sept. 2020 - Sept. 2021



Source: Bloomberg, NHKS Research

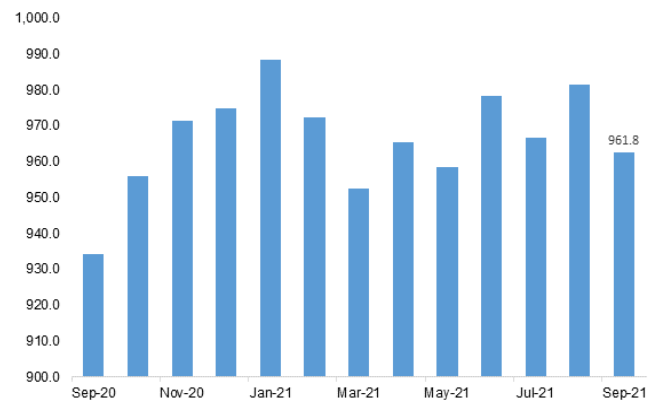
Source: Bloomberg, NHKS Research

GIDN10Y Vs. UST10Y | Sept. 2020 - Sept. 2021



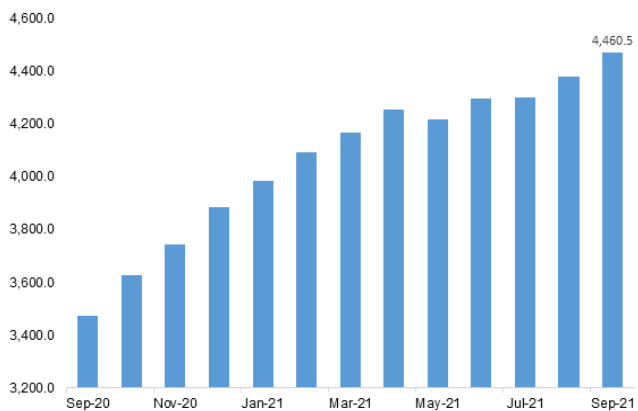
Source: Bloomberg, NHKS Research

Non-Residence Ownership in Govt. Securities | Sept. 2020 - Sept. 2021



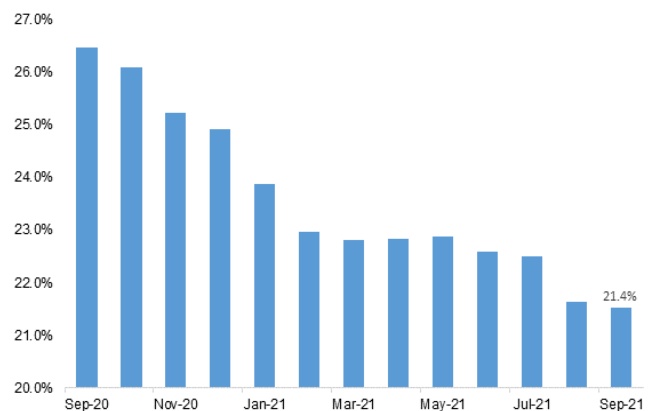
Source: Bloomberg, NHKS Research

Total Tradable Govt. Securities | Sept. 2020 - Sept. 2021



Source: Bloomberg, NHKS Research

Non-Residence Ownership in Govt. Securities (%) | Sept. 2020 - Sept. 2021



Source: Bloomberg, NHKS Research

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