**INDONESIA: MONTHLY MONITORING**

**AUGUST 2021 EDITION**

**SUMMARY.**  The Delta variant outbreak in Indonesia has weighed on confidence and consumption. The pace of vaccinations has accelerated, the fiscal position has not deteriorated, and so far there appears to be no repricing of Indonesian assets.

*Covid-19. Cases rose quickly in July but began to fall in August. Mobility restrictions were tightened in Java and Bali and vaccinations have accelerated past 1 million doses/day.*



*Real. Lockdowns affected activity, with PMI down to a one-year low and consumer confidence back to late 2020 levels. But momentum remains strong in public investment and capital goods imports. Inflation remains below target.*

*External. Trade registered a US$2.6 billion surplus in July; the 15th consecutive month of surplus. Bond outflows reached US$ 800 million, but equity flows remain positive. International reserves are stable but rapidly rising imports mean falling coverage.*

*Fiscal: Revenue remains strong in July, reaching IDR1,031.5 trillion, up 11.8 percent (yoy, ytd), supported by Non-OG Income Tax and VAT which up 10.4 percent (yoy, ytd) and 17.4 percent (yoy, ytd) respectively. Social spending increased in response to the imposition of restrictions on community activities. The deficit has reached 2.0 percent of GDP, with gross bond issuance now at IDR873.9 trillion (72.4 percent of the target). PEN realization has reached IDR305.5 trillion or 41 percent of the target.*

*Financial and Monetary. Credit shrank again while deposits grew, and NPLs rose slightly to 3.3 percent from 3.1 in December 2020. The BI has continued its supportive stance, keeping the policy rate at 3.5 percent. The rupiah has returned to April levels but only small changes to CDS and EMBIG spreads imply no major repricing of Indonesia risk.*

**Indonesia: Growth, Inflation, and Balance of Payments**



**Indonesia: Fiscal and Financial**

