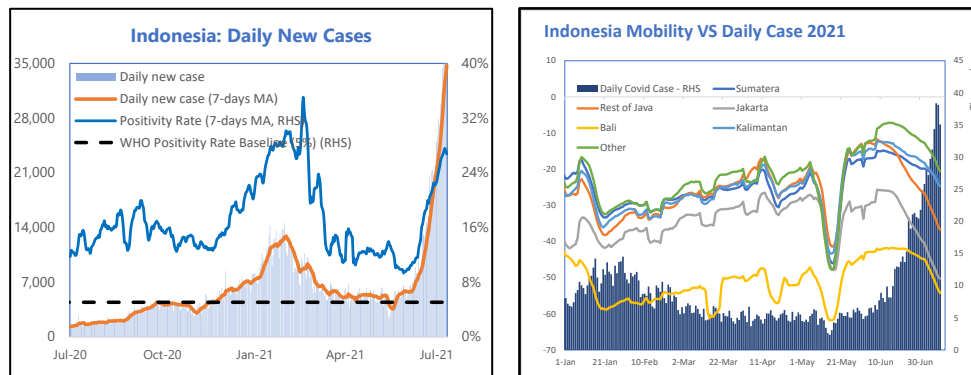


INDONESIA: MONTHLY MONITORING

JULY 2021 EDITION

SUMMARY. Growth momentum until end-June was strong, but is likely to be derailed by the new COVID-19 spike. Inflation, however remains inflation low and the external position strong.

Covid-19. Cases began to rise rapidly at the end of June – from around 4000/day at the beginning of June to 35,000 by mid-July, leading to strict lockdowns in Java and Bali.



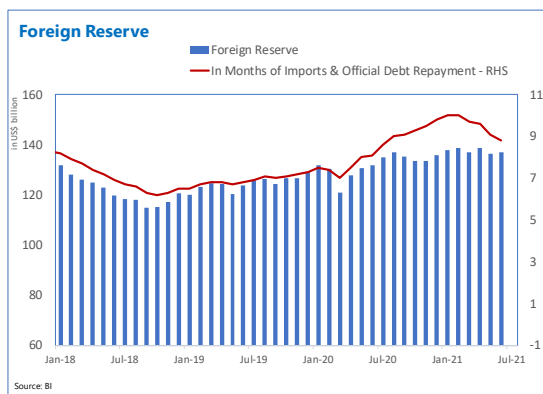
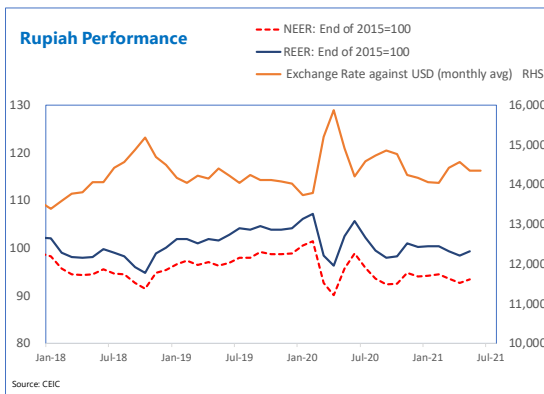
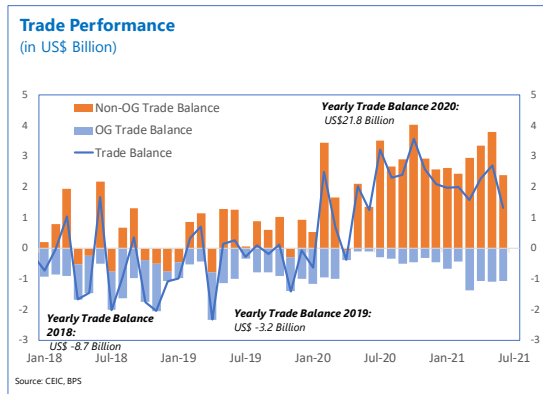
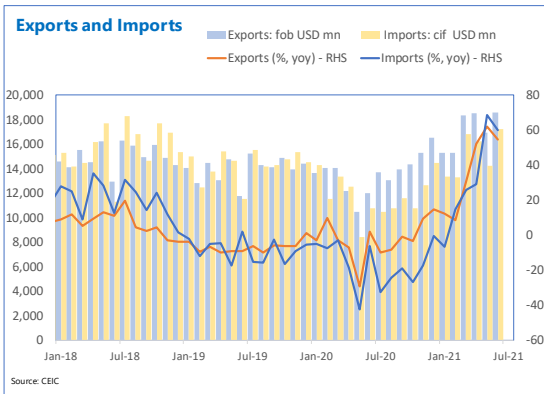
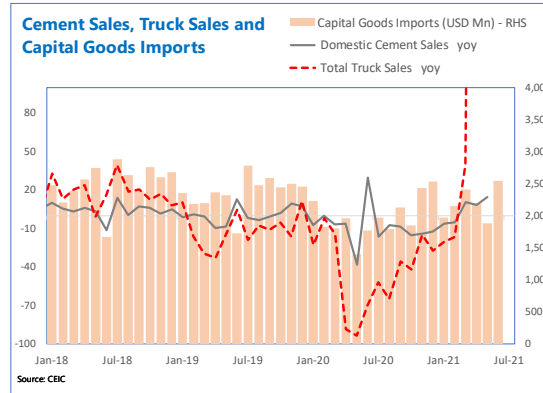
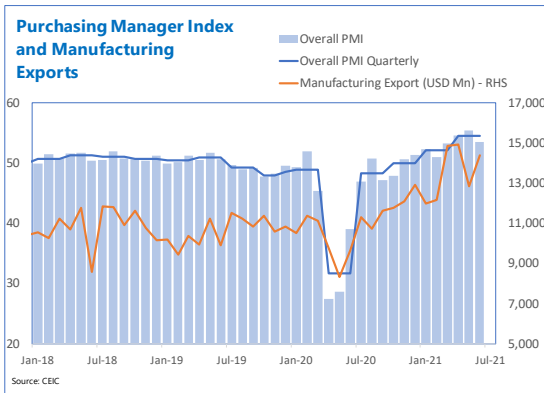
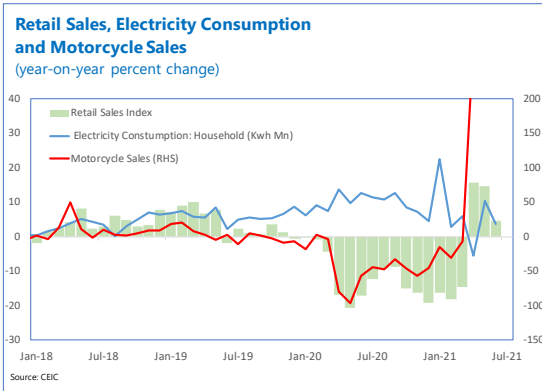
Real. Until the lockdowns, a recovery appeared within sight. Retail sales rose 4.5 percent (yoy) and had returned to pre-pandemic levels. Manufacturing PMI grew by 36.8 percent (yoy), with exports particularly strong at 54.5 percent (yoy). Capital goods imports growth appeared to strengthen to 43.4 percent (yoy), and truck sales growth has been extremely strong. However, new restrictions and falling mobility will weigh on this recovery.

External. The trade balance hit US\$1.3 billion in June, as strong export growth, particularly from commodities, leads more subdued domestic demand. June net portfolio inflows reached US\$1.8 billion, highest since the pandemic started. Despite uncertainty about U.S. economic and monetary policy, interest spreads remain high and have kept the rupiah relatively stable.

Fiscal. VAT, up 14.8 percent (yoy), and Non-oil and gas income tax, 8.4 percent (yoy), have revived. Expenditure growth is driven by health and social spending, up 79.1 percent (yoy), and capital expenditure up 90.2 percent (yoy). The budget deficit has reached 1.6 percent of GDP, parallel to last year's evolution, and PEN realization has reached 36.1 percent of target.

Financial and Monetary. Bank liquidity remains ample and the BI policy rate has been stable since February 2021. The Indonesian Rupiah 10-year bond yield has continued to fall, to 6.6 percent at end-June, though this is not falling transmitting to lending rates. Credit has contracted again while deposits have risen. Banks' CAR remains strong.

Indonesia: Growth, Inflation, and Balance of Payments



Indonesia: Fiscal and Financial

