

07 July 2020

Macroeconomics Indicator

	2019	2020F
GDP growth (%YoY)	5.04	2.45
Inflation (%YoY)	2.72	1.80
BI rate (% Year-end)	5.00	4.00
Rp/US\$ (Year-end)	14,155	15,500
CA balance (% of GDP)	2.82	2.51
Fiscal balance (% of GDP)	2.21	5.07

Jun20 FX reserve: pick-up from global sukuk issuance

- FX reserve picked-up to US\$131.7bn in Jun from US\$130.5bn in May, due to global sukuk issuance (sharia-compliant bond) at US\$2.5bn.
- Foreign investors recorded a net inflow of US\$0.04bn in June, consists of +US\$0.37bn in bonds and -US\$0.32bn in equity.
- We think that Rupiah will be relatively stable until year-end from drop in oil import value and high FX reserves to cushion volatility.

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Indonesia's FX reserve increased by US\$1.2bn to US\$131.7bn in Jun20 (US\$130.5bn in May20). The current reserves level is estimated to be equivalent of 8.1 months of imports and government's external debt servicing. This is higher than international standard of 3-months' worth of import and debt servicing. The increase in FX reserves was largely attributed to global sukuk issuance during June amounted at US\$2.5bn consisted of: US\$750mn for 5y tenor, US\$1bn for 10y tenor and US\$750mn for 30y tenor.

Net capital inflow in Jun20

Foreign investors booked a slim net buy of US\$0.04bn in the domestic financial markets, largely from the bond market at US\$0.37bn. On the contrary, the equity market recorded a net sell of US\$0.32bn. The inflows were lower compared to the inflow in May20 at US\$1.02bn. In addition, in the midst of extremely volatile global capital market, the issuance of global sukuk received a very good response from global and local investors resulting in an order book of US\$16.66bn or around 6.7x of its initial target of US\$2.5bn.

Stable Rupiah outlook

Our gauge of the exchange market pressure (EMP) suggests that there are no imminent pressures to Rupiah at the moment. Concurrently, oil imports have declined by 10% in terms of volume and by 30% in terms of value as of May which shall alleviate pressure for Rupiah.

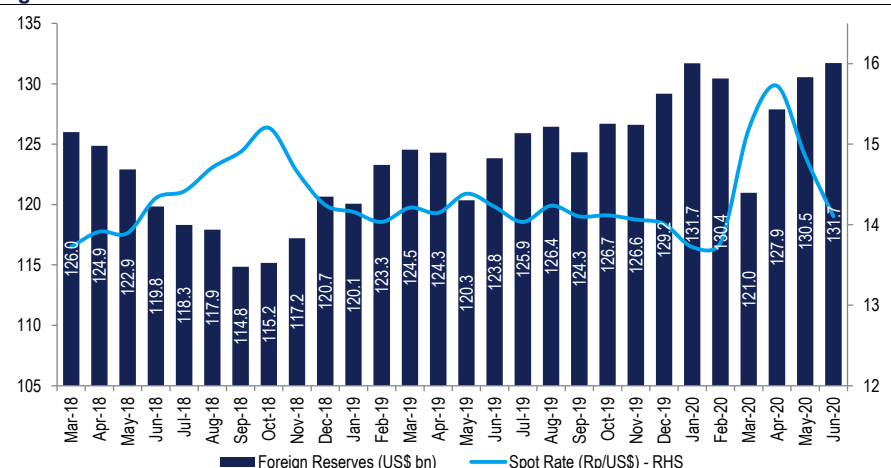
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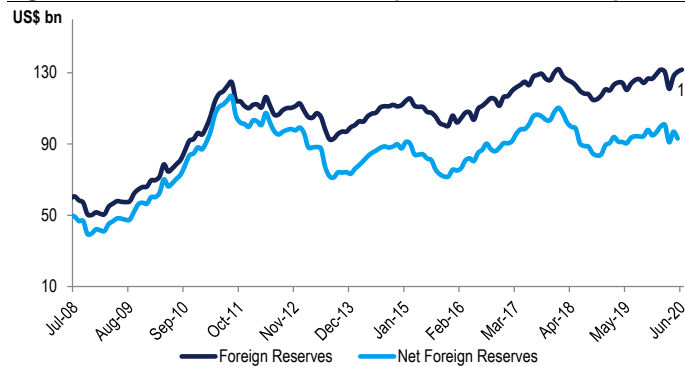
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Fig. 1: Forex reserves continue to increase



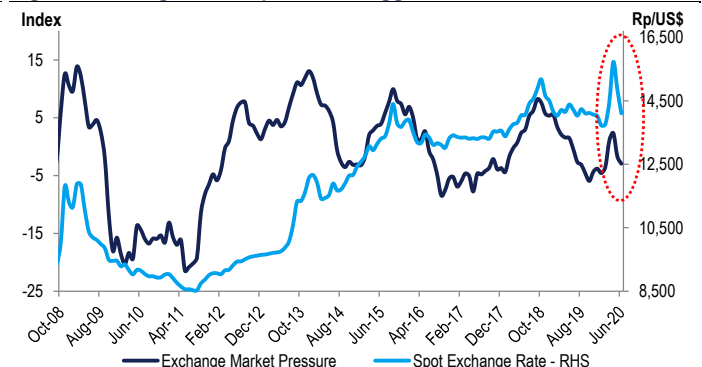
Source: BI, Bloomberg, Indo Premier

Fig. 2: Both forex and net-forex is adequate to withstand the pressure



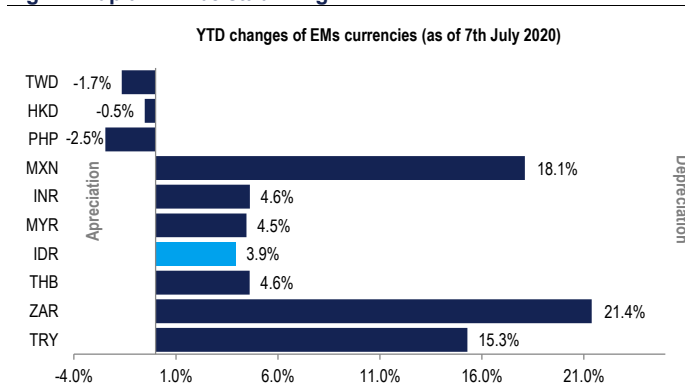
Source: BI, CEIC, Indo Premier

Fig. 3: Exchange market pressure suggest no immediate threats'



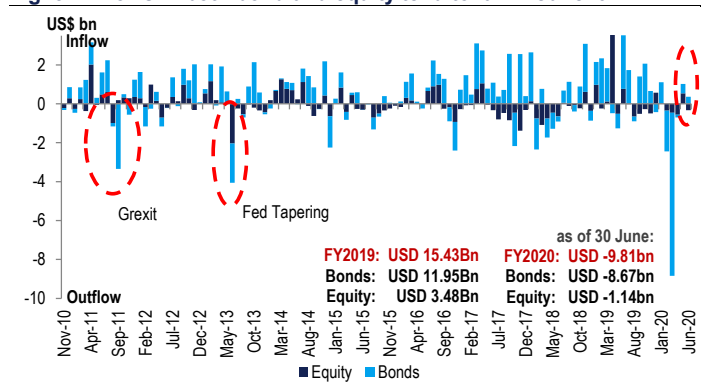
Source: Bloomberg, Indo Premier

Fig. 4: Rupiah will be stabilizing



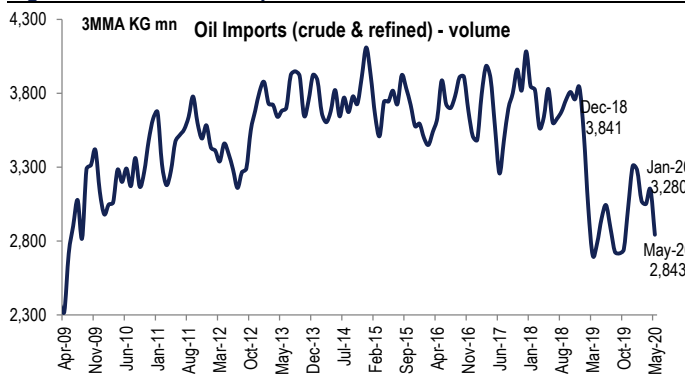
Source: Bloomberg, Indo Premier

Fig. 5: Inflows in both bond and equity tend to fall in June20



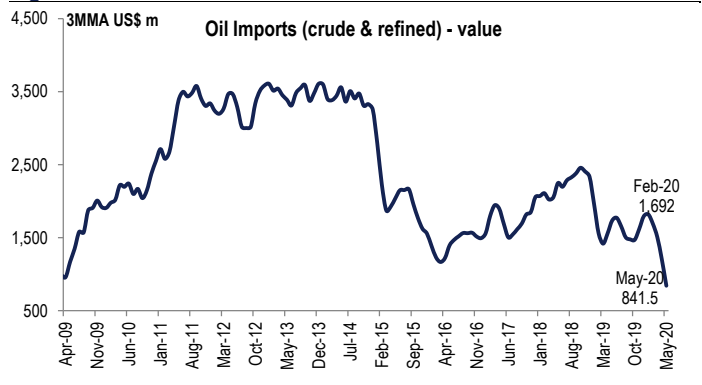
Source: Bloomberg, Indo Premier

Fig. 6: Low level of oil imports in volume term



Source: BPS, Indo Premier

Fig. 7: also in terms of value



Source: BPS, Indo Premier

ANALYSTS CERTIFICATION

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