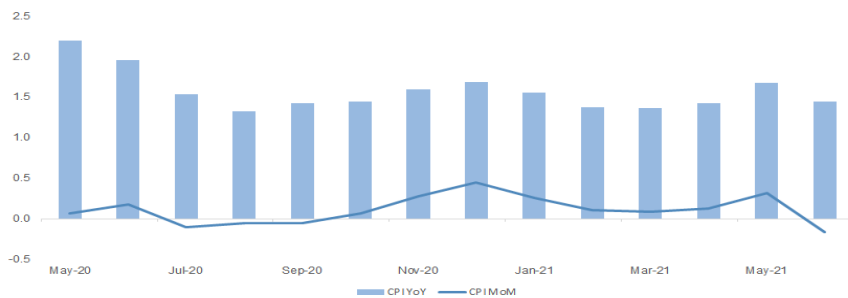


Macroeconomic Report

Deflation amidst Manufacturing Expansion

Indonesia's Consumer Price Index



Source: Bloomberg, NHKS Research

First Deflation of 2021

Statistics Indonesia (BPS) recorded the Consumer Price Index (CPI) for the June 2021 period to experience deflation of 0.16% MoM. Meanwhile, on a yearly and annual basis, inflation was 0.74% YtD and 1.33% YoY respectively. Deflation in June 2021 is lower than in May 2021, which booked inflation of 0.32% MoM, and June last year's inflation at 0.18%. The deflation was mainly influenced by the decline in prices of a number of commodities in the food, beverage, and tobacco segment by 0.71% with a share of 0.18%. In more detail, deflation also occurred in the transportation group by 0.35% with a share of 0.04%.

Indonesian Manufacturing Continues Expansion

The result of IHS Markit's survey is to release the Purchasing Managers Index (PMI) of Indonesian manufacturing in June which was at 53.5. A number above 50 indicates that manufacturing is still expanding amid the impact of the increase in Covid-19 cases. The expansion was supported by the export value of the manufacturing industry which grew 30.5% YoY, to USD 66.70 billion in January-May 2021. Thus, the manufacturing industry contributed the highest to total national exports. Furthermore, the large portion of processing industry products indicates a shift in Indonesia's exports, from primary commodities to high value-added manufactured products.

Strict PPKM Overshadows the Last Sukuk Auction in 2Q21

Investors are closely watching the government's plan to enforce a stricter policy for the Micro-Scale Activity Restrictions (PPKM). The government won Sovereign Sharia Securities (Sukuk) worth IDR 12.5 trillion in last Tuesday's auction. This was higher than the previous auction, which amounted to IDR 10 trillion. Meanwhile, PBS027 and PBS017 were the series which garnered the largest interest from investors, accounting for 58% of the total bids. Rupiah depreciation also influenced the last Sukuk auction for the 2Q21 period. Rupiah weakened 0.28% to IDR 14,480/USD.

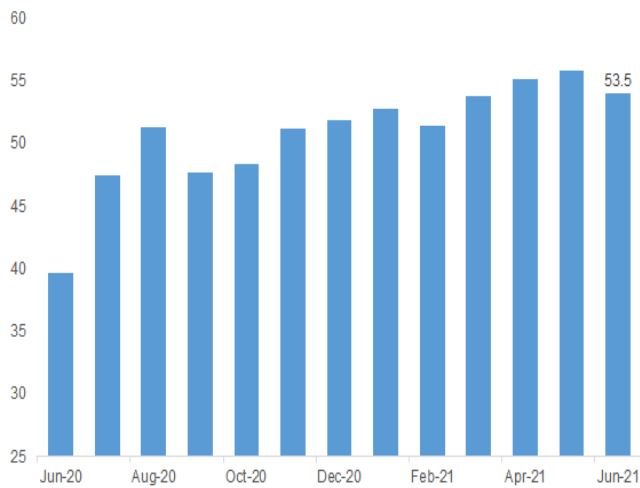
Arief Machrus

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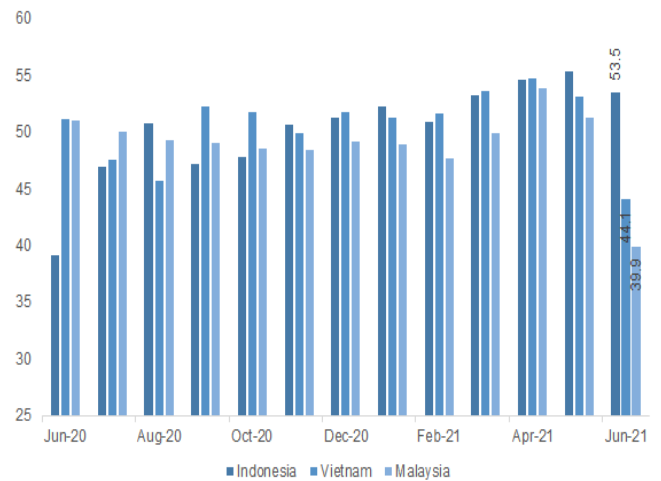
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PMI Manufacture | June 2020 - June 2021



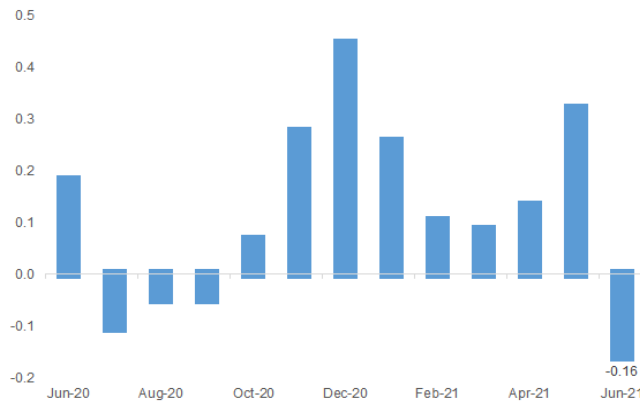
Regional PMI Manufacture | June 2020 - June 2021



Source: Bloomberg, NHKS Research

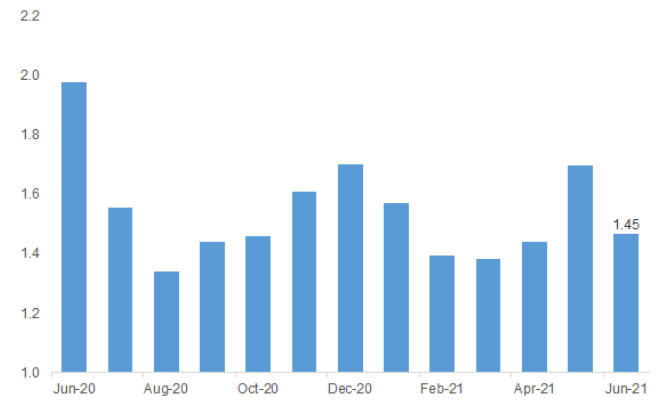
Source: Bloomberg, NHKS Research

Indonesia CPI MoM (%) | June 2020 - June 2021



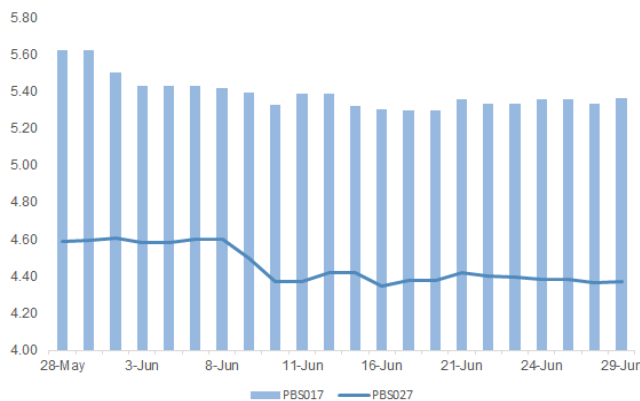
Source: Indonesia Statistics, NHKS Research

Indonesia CPI YoY (%) | June 2020 - June 2021



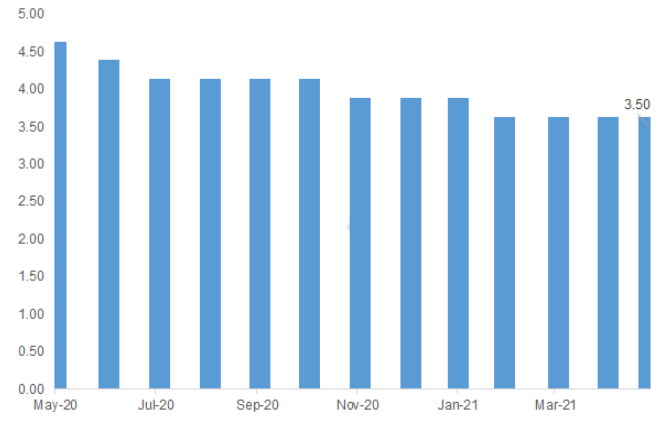
Source: Bloomberg, NHKS Research

PBS027 & PBS017 Yield | May 28 - June 29, 2021



Source: Bloomberg, NHKS Research

Indonesia BI 7-DRRR | May 2020 - June 2021



Source: Bloomberg, NHKS Research

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