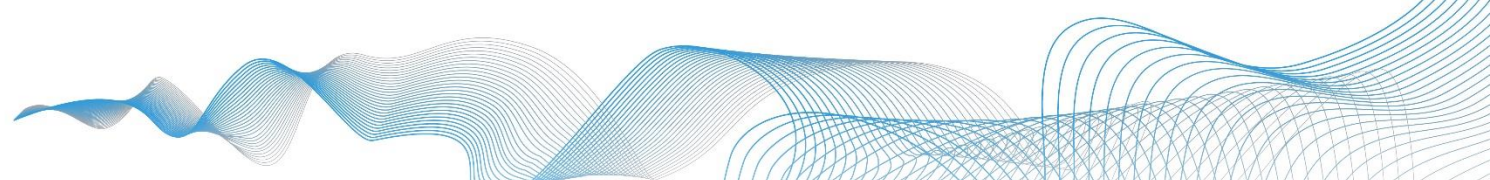




INDONESIA: ECONOMIC UPDATE AND POLICY RESPONSE

Economic and Monetary Policy Department
Macroprudential Policy Department
Payment System Policy Department

EXECUTIVE SUMMARY



The global economic recovery is continued as expected. Global economic growth momentum is rebounding on the back of extraordinary fiscal stimuli introduced in several advanced economies, particularly the United States (US). The recent gains have been also boosted by economic recovery in China in response to large fiscal stimuli and a flattening of the COVID-19 curve, which have increased investment in the manufacturing industry amidst more muted economic performance in other developing economies. The global economic recovery prompted increases in several early indicators in September 2020, including public mobility, the Purchasing Managers' Index (PMI) for manufacturing and services as well as consumer confidence in many countries. Moving forward, the global economic recovery will be influenced by lower COVID-19 transmission rates, increasing public mobility and continued policy stimuli. Furthermore, the global economic recovery will increase world trade volume and international commodity prices in line with previous projections. Meanwhile, global financial market uncertainty remains higher in response to geopolitical issues, such as the US election and Brexit negotiations, coupled with trade tensions between the US and China. Such dynamics will impede capital flows to developing economies and restrain currency appreciation in a number of countries, including Indonesia.

The domestic economy is also recovering gradually, primarily driven by fiscal stimuli and stronger exports. Developments in August-September 2020 revealed higher government spending for fiscal stimuli relating to social protections and SME support. Export performance has exceeded previous projections on the back of persistent global demand, primarily from the US and China. Regionally, several regions outside Java have contributed to stronger exports, including Sumatra, Bali-Nusa Tenggara and Sulawesi-Maluku-Papua. Fiscal stimuli and higher exports along with solid building investment in current national strategic projects have bolstered the economic recovery despite subdued household consumption. External sector resilience was maintained in the third quarter of 2020 despite a rebalancing of foreign capital flows. Consistent with Bank Indonesia's stabilization measures, rupiah exchange rates have remained relatively under control. Inflation remained low on weak domestic demand and adequate supply. In line with Bank Indonesia's accommodative monetary and macroprudential policy stance, liquidity conditions have stayed loose, prompting lower interest rates and stimulating economic

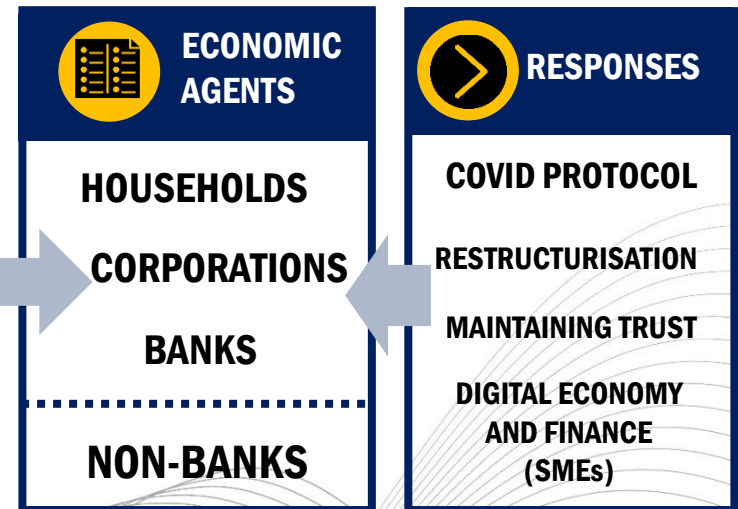
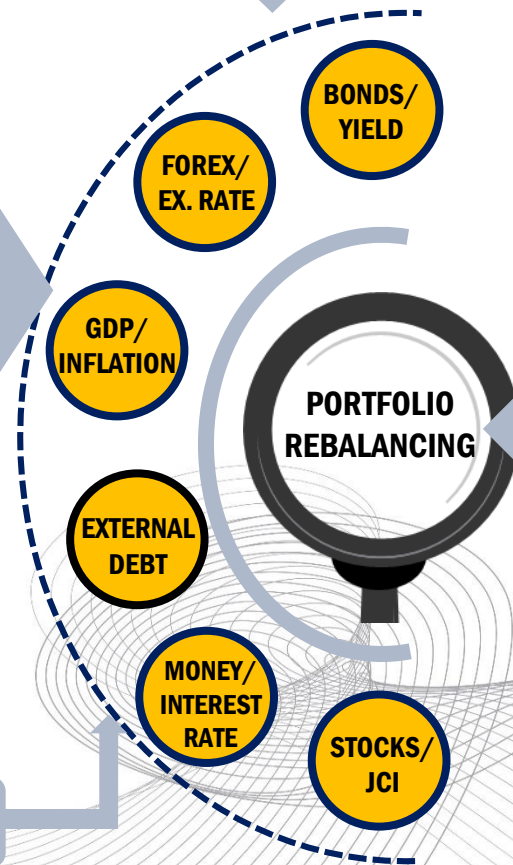
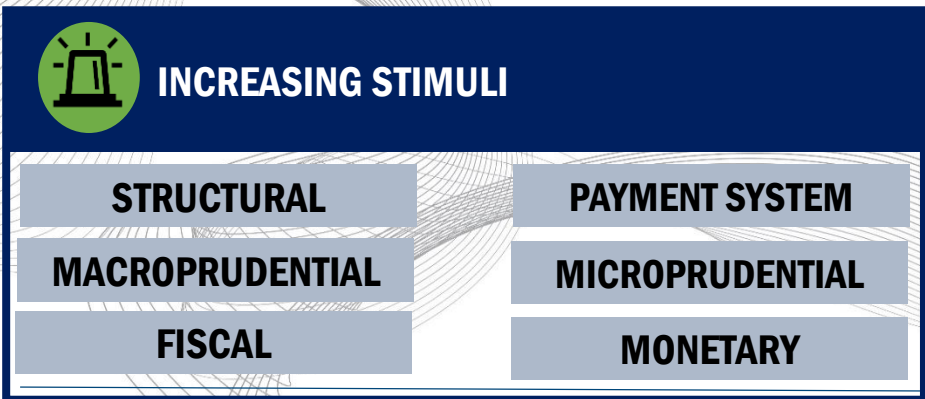
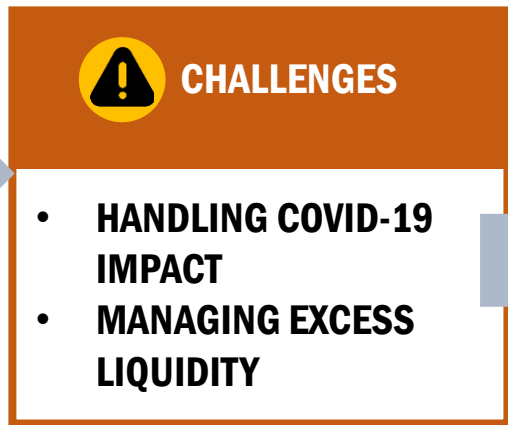
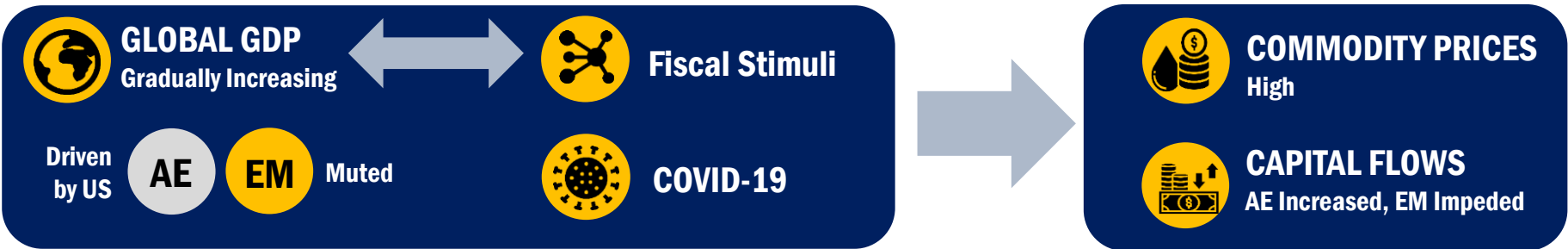
financing. Financial system stability well maintained, although the risks associated with COVID-19 transmission on financial system stability continue to demand vigilance. Cash and non-cash payment system transactions are increasing in line with the economic recovery, accompanied by rapid economic and financial digitalization.

Bank Indonesia will strengthen monetary expansion synergy with fiscal stimuli by the Government in order to stimulate national economic recovery momentum. Bank Indonesia continues its commitment to funding the 2020 state budget through SBN purchases in the primary market in accordance with Act No. 2 of 2020, through market mechanisms and private placement, as part of the efforts to accelerate the national economic recovery program, while maintaining macroeconomic stability. As of 8th October 2020, Bank Indonesia had purchased Rp60.18 trillion worth of SBN in the primary market through market mechanisms pursuant to the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 16th April 2020, including auction schemes, greenshoe options (GSO) and private placement. Meanwhile, funding realization and burden sharing to fund public goods in the state budget by Bank Indonesia through private placement in accordance with the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 7th July 2020 currently stand at Rp229.68 trillion. In addition, Bank Indonesia has also realized burden sharing with the Government to fund non-public goods-SME totalling 90.88 trillion pursuant to the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 7th July 2020. Through such synergy, the Government can focus on accelerating state budget realization in order to stimulate the national economic recovery.

On the consideration of these assessments, The BI Board of Governors agreed on 12th and 13th October 2020 to hold the BI 7-Day Reverse Repo Rate at 4.00%, while also maintaining the Deposit Facility (DF) and Lending Facility (LF) rates at 3.25% and 4.75%. The decision is consistent with the need to maintain rupiah exchange rate stability against a backdrop of projected low inflation. Bank Indonesia is focusing on the quantity channel by providing liquidity, including support for the Government in terms of accelerating state budget realization in 2020 to hasten the economic recovery from COVID-19.



Synergy to Accelerate National Economic Recovery



LIQUIDITY



GLOBAL ECONOMY



DOMESTIC ECONOMY



BANK INDONESIA POLICY MIX



GLOBAL ECONOMY



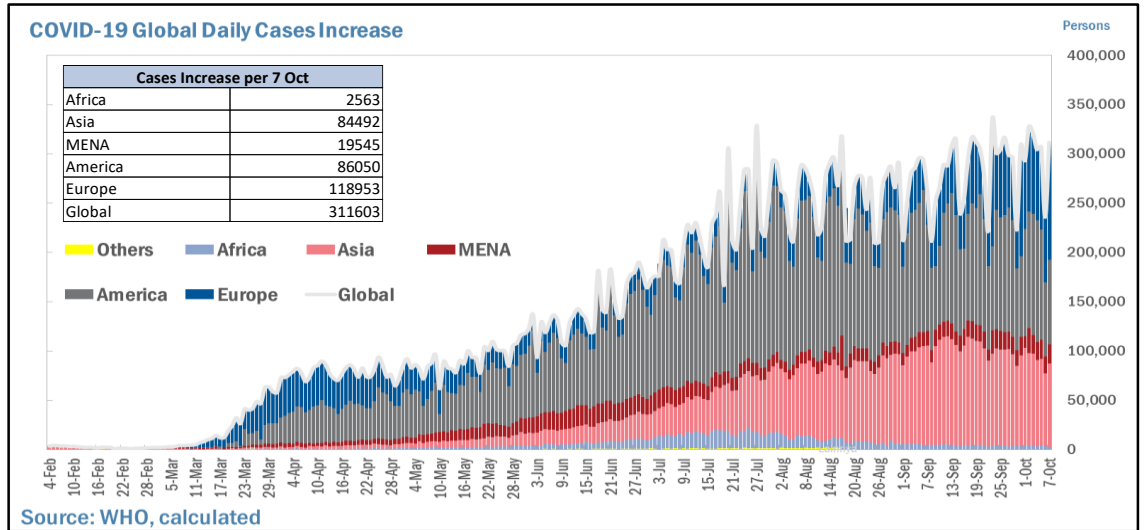
Increasing COVID-19 daily cases, but fatality rate continues to decline

GLOBAL CASES ARE MORE THAN 35 MILLION PERSONS...

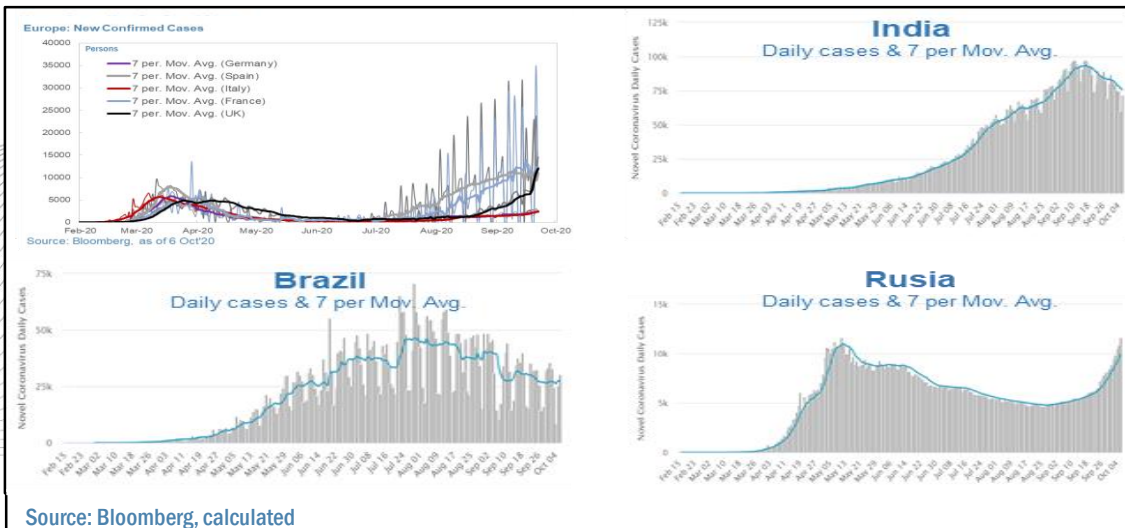
No	Negara	Confirmed Cases	Total Deaths	Fatality Rate	Total Recovered
1	USA	7,776,224	216,784	2.79	4,983,380
2	India	6,835,655	105,554	1.54	5,827,704
3	Brazil	5,002,357	148,304	2.96	4,391,424
4	Russia	1,248,619	21,865	1.75	995,275
5	Colombia	877,683	27,180	3.10	773,973
6	Spain	872,276	32,562	3.73	150,376*
7	Argentina	840,915	22,226	2.64	670,725
8	Peru	835,662	33,009	3.95	723,606
9	Mexico	799,188	82,726	10.35	560,895
10	South Africa	685,155	17,248	2.52	618,127
22	Indonesia	315,714	11,472	3.63	240,291
	Rest of Affected Country	10,305,958	341,526	3.31	7,143,944
	Total	36,395,406	1,060,456	2.91	26,929,344

Source: www.worldometers.info/coronavirus; per 7 October 2020. *Bloomberg

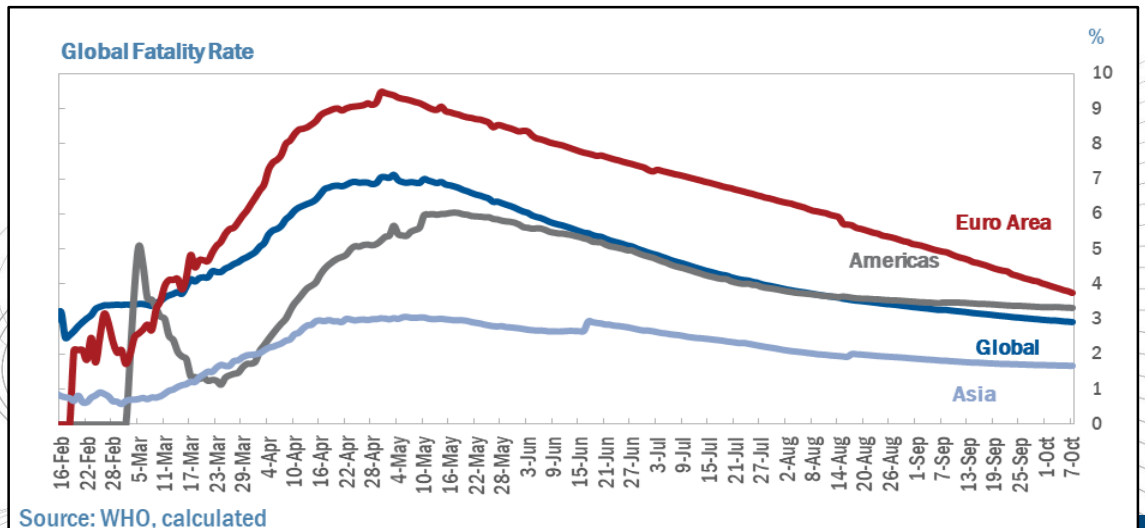
... GLOBAL DAILY CASES STILL INCREASE



EUROPE EXPERIENCES SECOND WAVE, HIGH NUMBER OF CASES IN EM



CONTINUING DECLINE IN FATALITY RATE





Continued fiscal and monetary stimuli to support economic recovery

LOWER POLICY RATE AND LIQUIDITY EASING

CENTRAL BANK	Current (%)	YTD2020 (Δbps, freq.)	LIQUIDITY STIMULUS	NEXT MPC Meeting
FED	0.25	150 2	Sep'20: Adding Treasury securities and agency mortgage-backed securities at least at the current pace	5 Nov'20
PBOC*	2.20	40 2	Sep'20 (same as Aug'20): Support MSME & agriculture with a targeted relending rate of 1.95% (3M), 2.15% (6M) & 2.25% (1Yr)+2% rediscount rate	20 Okt'20
ECB	-0.50	0 0	Sep'20 (same as Jul '20): Keep maintaining PEPP purchase target of EUR1.35tn and will continue until the end of Jun'21. APP's pace is also maintained at EUR20bn + EUR120 (s.d Dec'20) per month as long as necessary	29 Okt'20
BOJ	-0.10	0 0	Sep'20: Actively making asset purchases for exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) with a limit of JPY12 trillion and JPY180 billion, respectively. For commercial paper and corporate bonds, each will be maintained at the level of JPY2 trillion and JPY3 trillion.	29 Okt'20
BOE	0.15	65 2	Sep'20 (same as Aug'20): Continue purchasing government bonds (APP) with a total target of GBP 745 bn	5 Nov'20
BOC	0.25	150 3	Sep'20 (same as Jul'20): Continue the QE program with large-scale asset purchases of government bond at least \$ 5 bio per week	28 Okt'20
RBNZ	0.25	75 1	Sep'20 (same as Aug'20): Continue LSAP up to NZD100 bn (NZ Govt. Bond, Local Govt Bond, NZ Government Inflation-Index Bond) until Jun 22	11 Nov'20
RBA	0.25	50 1	Okt'20 (same as Sep'20): Increase the Term Funding Facility up to 2% outstanding credit with a fixed rate of 0.25% for up to 3 years. Continue to purchase Government bonds to keep ACGB 3yr-yield at ± 0.25%	3 Nov'20
BOK	0.50	75 2	Aug'20 (same as Jul'20): Continuing bond market stabilization fund (KRW100 tn bonds and CP), stock support fund (KRW10.7 tn), Government SSB outright purchase 10yr / 20yr KRW 1.5tn	14 Okt'20
RBI	4.00	115 2	Aug'20: Continue to purchase Government bonds at INR 430 billion, LTRO Policy at INR 1 trillion	TBA
MAS	Flattened \$ NEER slope 0%, re-centered down the band		Increase forex swaps by 25% & provide USD Facility up to US \$ 60 billion of funding	TBA
BOT	0.50	75 3	Sep'20 (same as Aug'20): Continuing Gov bond purchase (100 billion baht 13-20 Mar) and Bond mutual funds program	18 Nov'20
BSP	2.25	175 4	Sep'20 (same as Aug'20): Buy Gov securities PHP 300 bn (1.6% GDP), decrease Minimum Liquidity Ratio (small bank)	19 Nov'20
BNM	2.00	175 4	Sep'20 (same as Jul'20): Cumulatively the policy rate has decreased by 125 bps and reserve requirement (RR) of 100 bp to 2%, supported by easing the requirements for fulfilling RR	3 Nov'20
BCB	2.00	250 5	Sep'20 (same as Agt'20). Decrease in RR & capital conservation buffers, and temporary easing of provisioning rules	28 Okt'20

CONTINUED EXPANSIONARY FISCAL POLICY

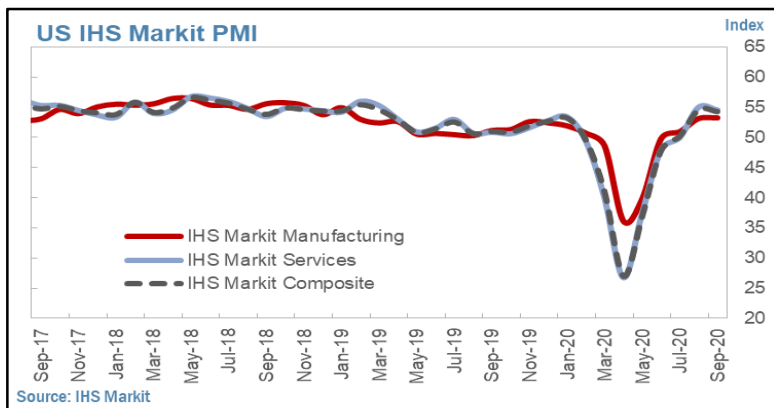
COUNTRY	AMOUNT OF STIMULUS (USD)	% OF GDP	NOTE
AS	USD8.3bn (phase 1) + USD50bn (phase 2) + USD2trn (phase 3) + USD434bn (phase 4) + USD1trn (in the pipeline)	13% of GDP (Phase 1 - 4) + 4.9% of GDP (in the pipeline)	Phase 5 (in the pipeline): Negotiations on additional fiscal packages of ± \$ 1-1.5 trillion. Executive Orders 8 Aug: i) Extension of giving UI; ii) postponement of income tax payments; iii) postponement of payment of student loans; and (iv) minimizing evictions and foreclosures
EURO AREA	USD 80bn Direct EU Budget Support + USD615bn recov fund (phase 1) + USD860bn NGEU (ph 2), USD1,2tn MFF	17% of GDP	Recovery fund phase 1 (ESM support finance health USD274bn, EIB support finance to companies USD200bn, SURE to protect workers and jobs USD114bn); NGEU (USD450bn grants and USD410bn loans); 70% of NGEU funds will be distributed in 2021-2022, 30% will be distributed in 2023
UK	USD37bn (phase 1)+ USD379bn (ph 2) + USD116bn (ph 3) + USD184.000 (ph 4) + USD37,6bn (ph 5) + Support international response (USD2,8bn + USD195mn)	21% of GDP	Fiscal stimulus is provided for grants to MSMEs, tax cuts for retailers, payment of workers' wages, increased tax credit for unemployment, job creation, green infrastructure investment, tax cuts
JAPAN	USD1,1tn (1 st supplementary) + USD1,1tn (2 nd supplementary)	21% of GDP+ 21% GDP	Expanded fiscal policy with a 2 nd supplementary of USD1.1tn for medical spending, company subsidies, support to household, emergency spending, and transfers to local government
AUSTRALIA	USD 169.5bn	12.7% of GDP	Commonwealth level (USD 149.1bn) and state government (USD 20.4bn) for workers, households, business and health
NEW ZEALAND	USD 40.65bn	21.3% of GDP	Target of USD 13.4bn disbursed by end of Jun'20. Stimulus is used for healthcare, social protection, workers & unemployment, tax relief, infrastructure investment
CHINA	USD 656bn	4.5% of GDP	About 60% is used for public investment; 32% for tax relief, unemployment insurance, & social security; and 9% for healthcare
HONG KONG	USD3.9bn Anti Epidemic Fund+ USD15,5bn (phase 2) + 17,7 bn (phase 3) = total USD37,38bn	10% of GDP	Phase 2 + 3: Includes wage subsidies for private sector workers, budgets to encourage sectors affected by the biggest COVID-19 (tourism & aviation), subsidies for permanent residents, loans for business, payment of business taxes
MALAYSIA	USD1.55 bn (Phase 1)+ 17.5bn (Phase 2) + 2.3bn (Phase 3) + 4.9 bn (Phs 4)+2.4bn (Phs 5)	8.3% of GDP (Phase 1-5)	The fifth stimulus was announced in Sep'20 for additional wage subsidies, MSME assistance, and cash transfers for households
PHILIPPINES	USD 521mn (phase 1) + USD26bn (phase 2) + USD 2.85bn (sedang diajukan)	5.7% of GDP	Phase 2: wage subsidies, loans to MSME, infrastructure program in 2021
SINGAPORE	USD 38.4 bn (phase 1) + USD 41,7bn (phase 2)+ USD 3,6bn (phase 3), USD 23,2 (phase 4)	20% of GDP	For social care, economic stabilization, containing outbreaks and unforeseen expenditure
KOREA	USD 58.2 (46,1 + 5,3+6,8)bn supplementary / USD 16,7bn (stimulus)	3,5% (supplementary)/ 1,0% for stimulus	In September, the 4 th supplementary budget was approved to support MSMEs, labor, poor households, and daycare.
TAIWAN	USD 35bn (Relief package proposed)	5.36% of GDP	USD2 bn in the pipeline
THAILAND	Stimulus packages for phases I, II, and III of USD48.1bn (THB 1.5 trillion) + Additional USD1.64bn	-Stimulus packages phase I, II, III: 9.6% of GDP -Addition 0.3% GDP	- September: additional subsidy package for prosperous families - Stimulus packages I, II and III include: (i) health; ii) assistance for workers, farmers, entrepreneurs affected by Covid-19; iii) support for individuals & businesses through soft loans and tax relief; (iv) reduction of water and electricity bills, and social security contributions; (v) support for local tourism, tourists and soft loans for MSMEs
INDIA	USD 22.6bn + USD 27bn	6.8% of GDP	1.9% of GDP: direct spending and foregone of deferred revenue + 4.9% of GDP: below-the-line measures designed to support business and shore up credit provision to several sectors



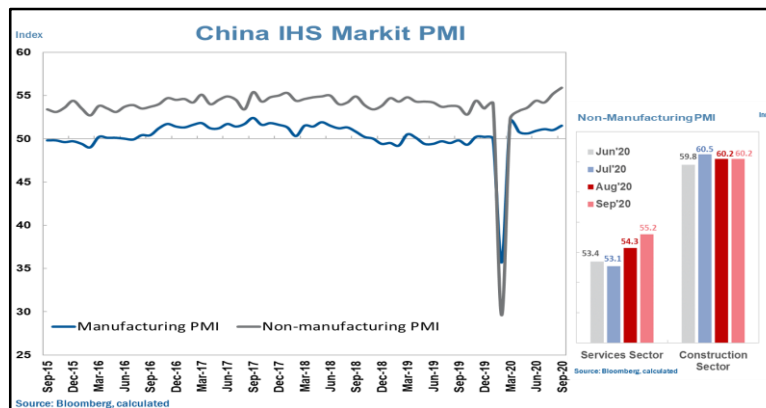
The global economic recovery is proceeding as expected

- Global economic growth is rebounding on the back of extraordinary fiscal stimuli in several advanced economies, particularly the US
- The recent gains have been also boosted by economic recovery in China in response to large fiscal stimuli and a flattening of the COVID-19 curve amidst muted economic performance in other developing economies
- Several early indicators of production and consumer confidence in US, China, and Europe have increased in September 2020

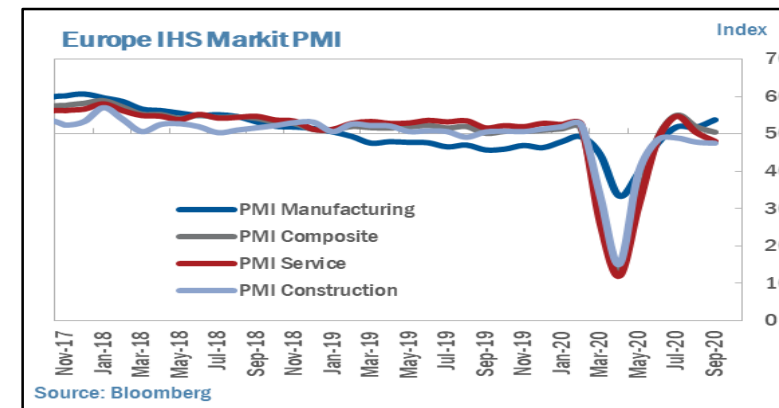
US MANUFACTURING EXPANSION CONTINUES



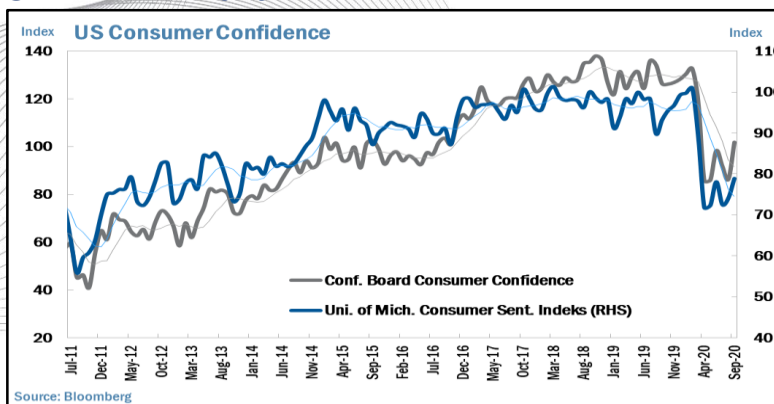
CHINA'S NON-MANUFACTURING EXPANSION ALSO CONTINUES



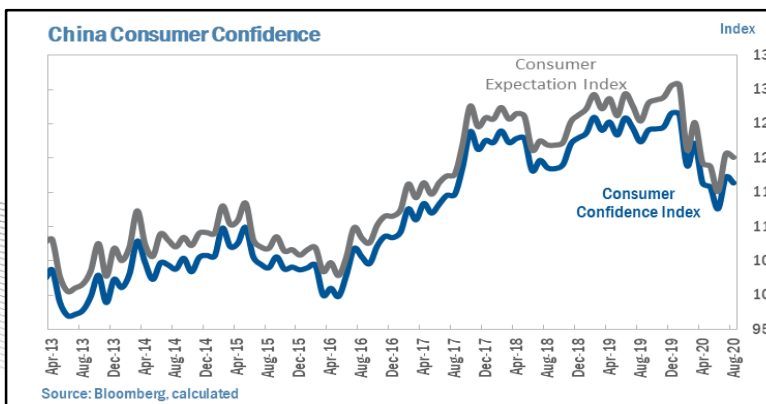
EUROPE'S SECTORAL PROSPECTS IMPROVE, ESPECIALLY MANUFACTURING



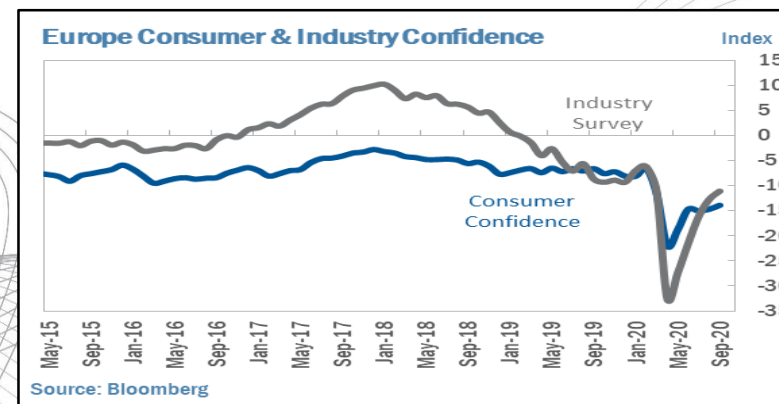
CONSUMER CONFIDENCE IN US INCREASED IN SEPTEMBER 2020



CONSUMER CONFIDENCE IN CHINA IS GRADUALLY RECOVERING



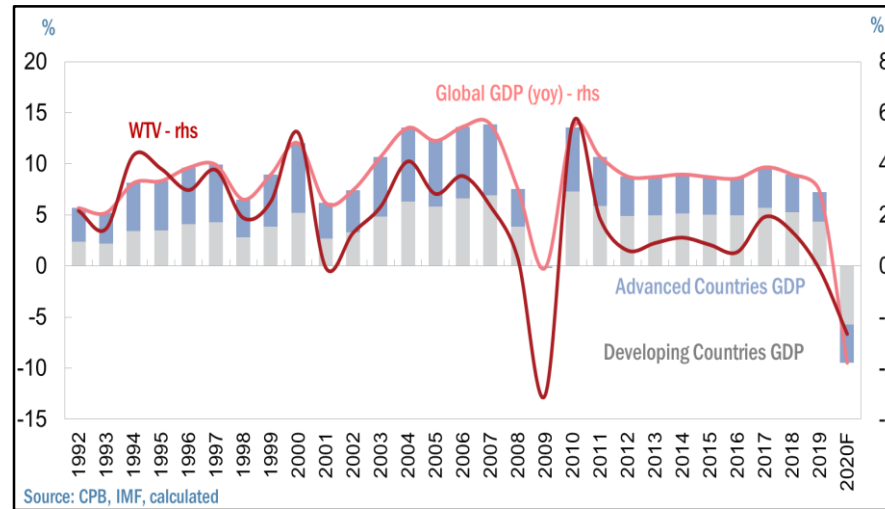
CONSUMER & INDUSTRY CONFIDENCE IN EUROPE ADVANCED



World trade volume and commodity prices increase

- The global economic recovery will increase world trade volume and international commodity prices in line with previous projections
- The continued increase of exports in various countries and the global container index indicate improvement in the world trade activity in the third quarter of 2020
- The improvement in prices for Indonesia's main export commodities was mainly driven by higher prices for CPO and metals, in line with increasing demand from China

WTV PROSPECT IMPROVES FOR SECOND HALF OF 2020 AS GLOBAL ECONOMIC GROWTH RECOVERS

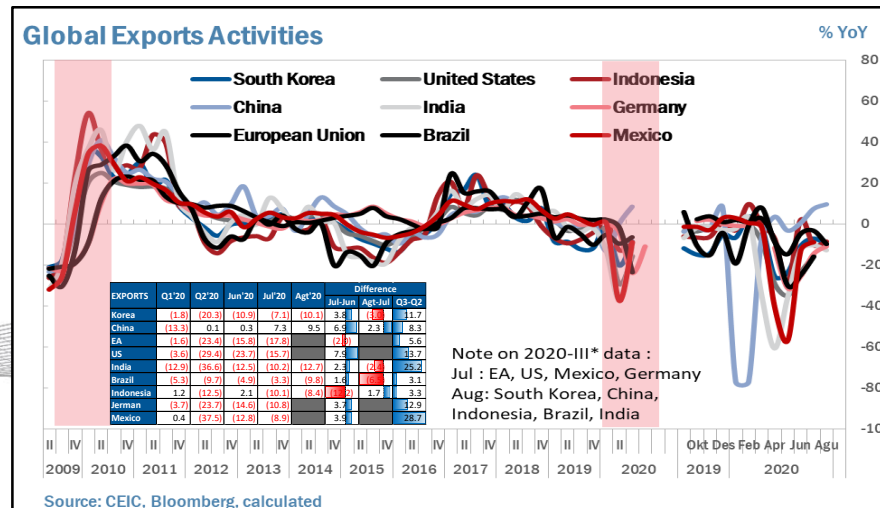


COMMODITY PRICES INCREASE SUPPORTED BY CHINA'S INCREASING DEMAND

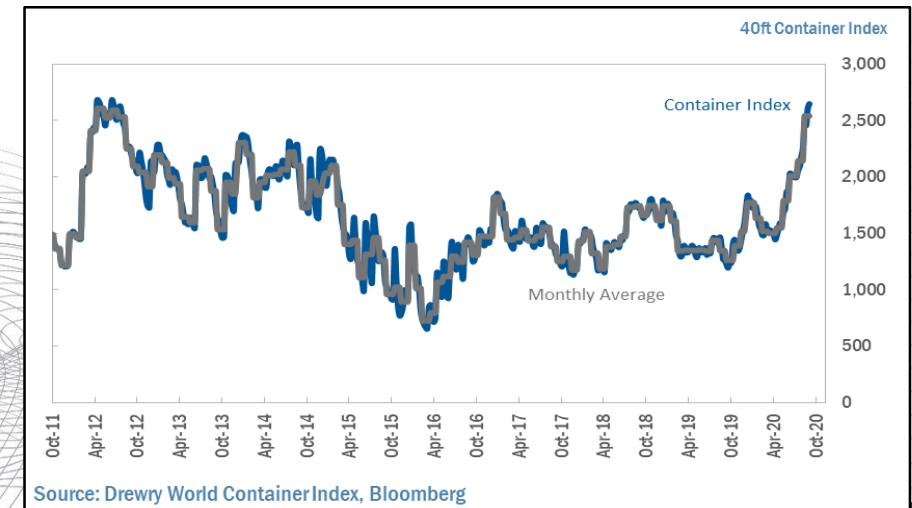
COMMODITY	2016	2017	2018	2019	2020 (YTD)*
Copper	-10.5	27.1	6.7	-7.8	-2.0
Coal	6.8	48.2	2.5	-8.6	-20.5
CPO	21.3	5.7	-19.2	-2.3	21.0
Rubber	-2.2	28.1	-16.8	12.4	-9.7
Nicker	-15.4	8.9	27.8	7.0	-5.1
Tin	13.1	13.1	0.5	-7.5	-9.3
Aluminium	-3.5	22.9	7.4	-14.1	-7.3
Coffee	4.3	-2.9	-15.4	-11.8	3.4
Others	1.0	6.8	1.2	-0.7	-4.3
Indonesian Export Commodity Price Index	5.4	21.7	-2.8	-3.0	-4.4
Oil (Brent)**	44.1	54.4	71	64	42

Source: Bloomberg; *) As of 9 October 2020; **) In USD/barel; other commodities (%.yoy)

GLOBAL EXPORTS RECOVER IN Q3'20



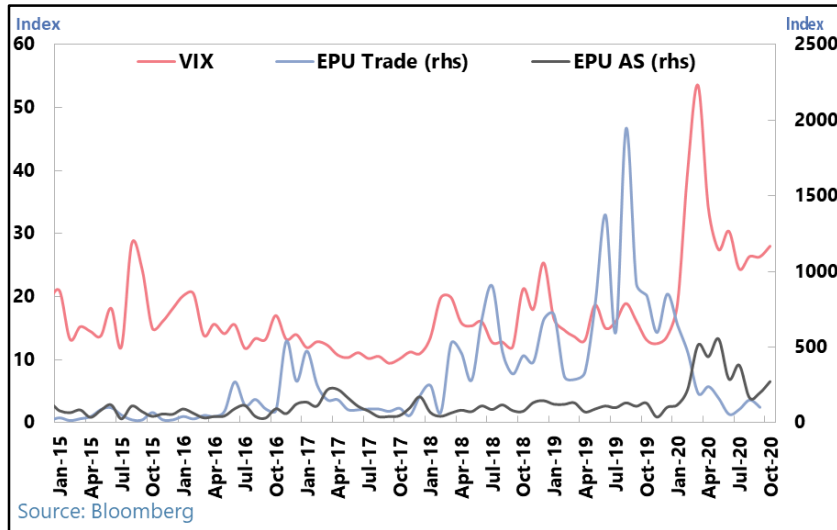
CONTAINER INDEX ROSE IN Q3'20



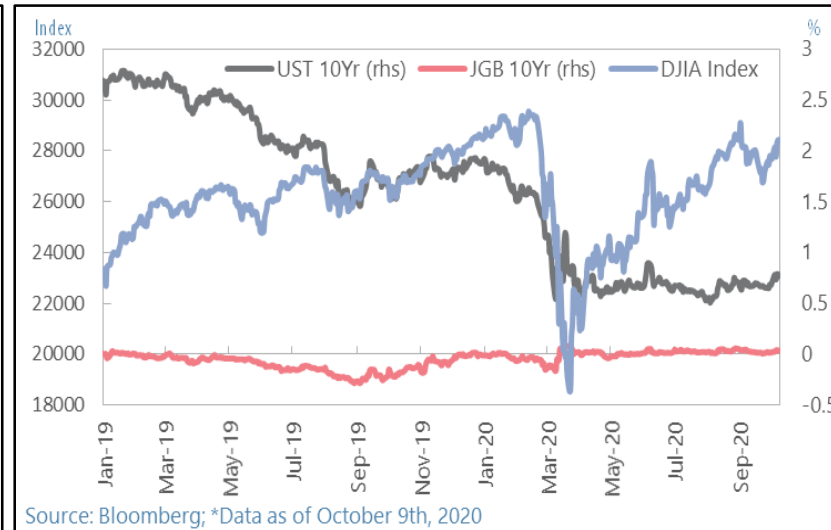


Restrained capital flows to emerging market amid high uncertainty

FINANCIAL MARKET UNCERTAINTY IS INCREASING, ESPECIALLY VIX AND EPU TRADE



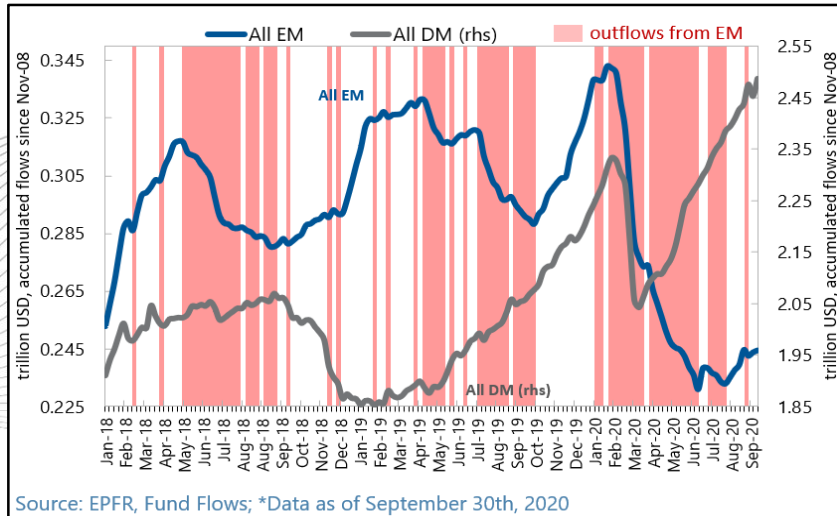
CORRECTED STOCK MARKET, WHILE UST YIELD IS STABLE



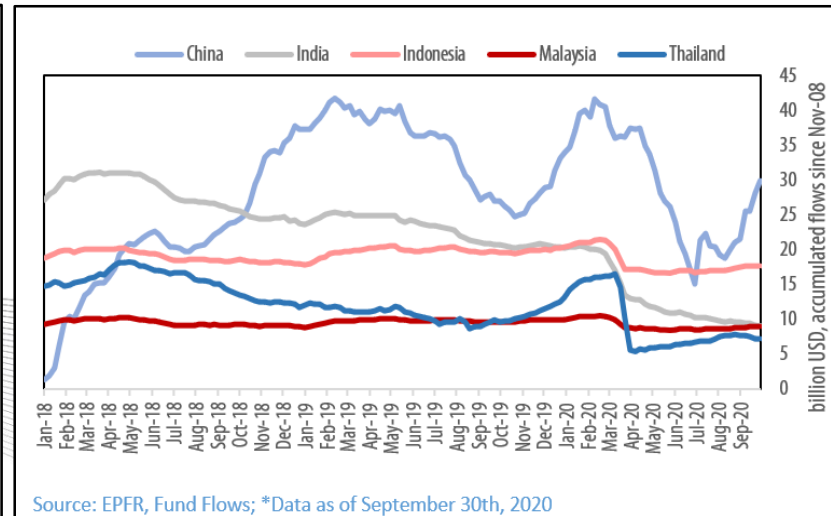
EMERGING MARKET RISK AND CDS SHOWS AN INCREASE



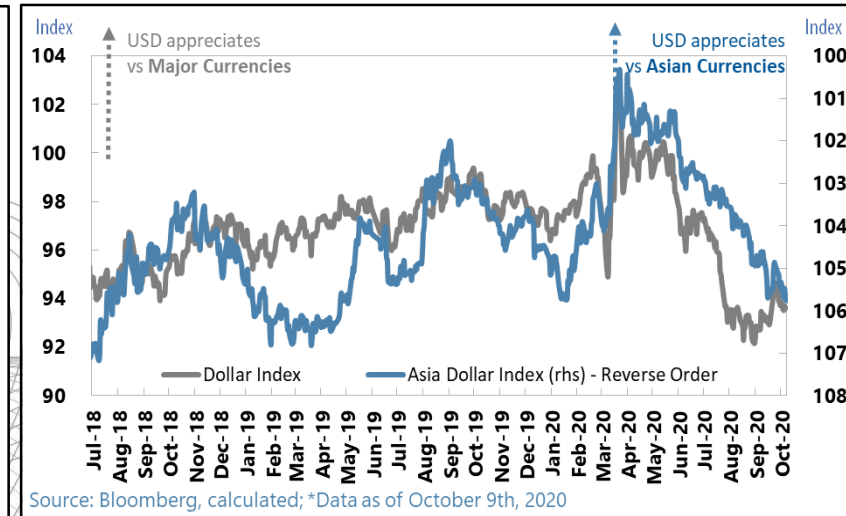
DETAINED CAPITAL INFLOWS, ESPECIALLY TO EMERGING MARKET



LIMITED PORTFOLIO INFLOWS IN SEVERAL EM ASIA COUNTRIES, EXCEPT CHINA



USD APPRECIATES ON MAJOR AND ASIAN CURRENCIES IN SEPTEMBER



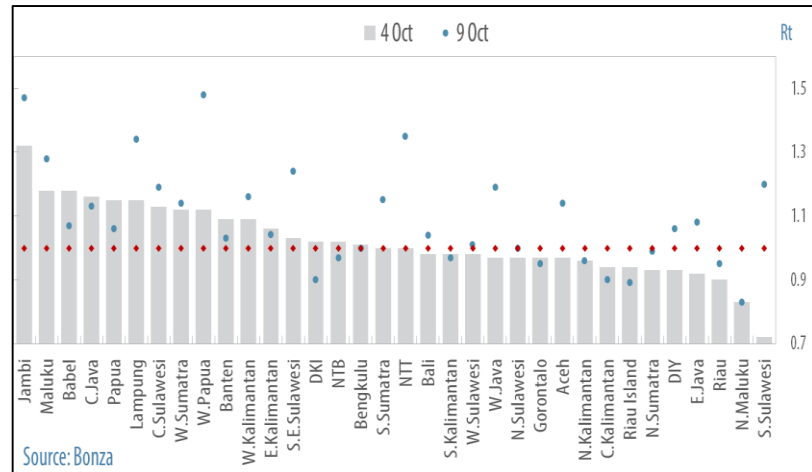


DOMESTIC ECONOMY

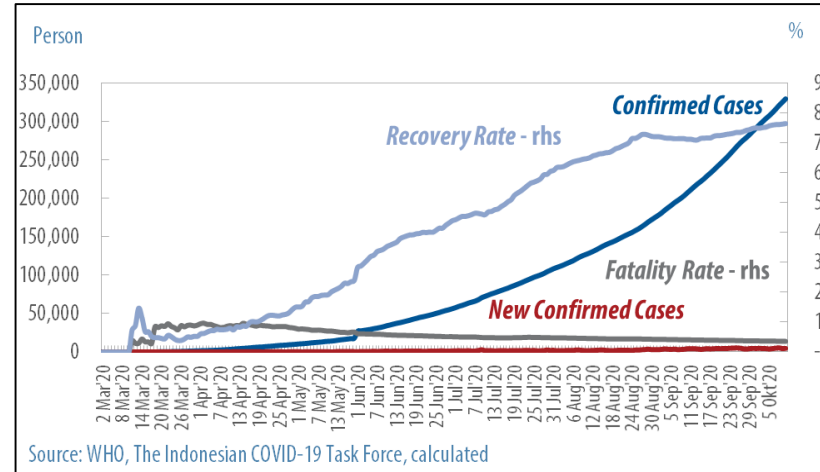


Development in September-October 2020: COVID-19 cases remained high, slower increase in mobility

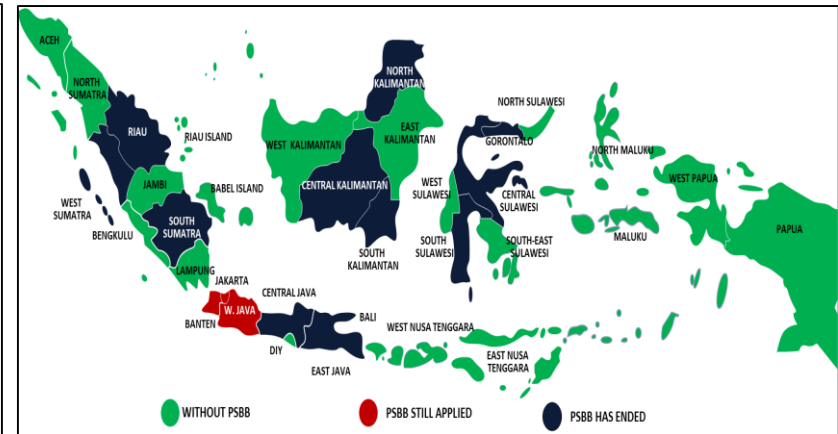
COVID-19 SPREADING RATE IN PROVINCIAL LEVEL REMAINS HIGH



INDONESIA'S COVID-19 POSITIVE CASES ARE STILL INCREASING

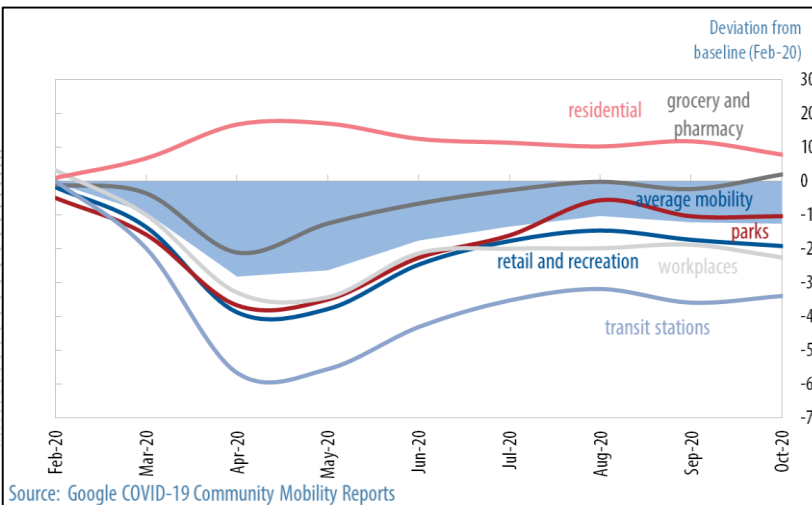


JAKARTA, BANTEN, AND 5 REGENCIES/CITIES IN WEST JAVASTILL APPLY MORE STRICT COVID-19 PROTOCOL

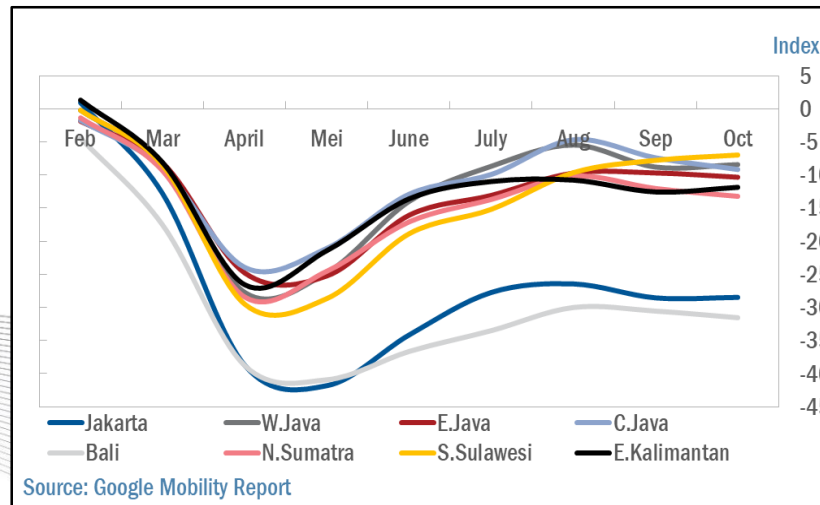


PSBB STILL APPLIED: West Java (Bogor City, Bekasi City, Depok City, Bogor Regency, Bekasi Regency) ; DKI Jakarta (since September 14th more strict measures), Banten (since September 8th more strict measures)

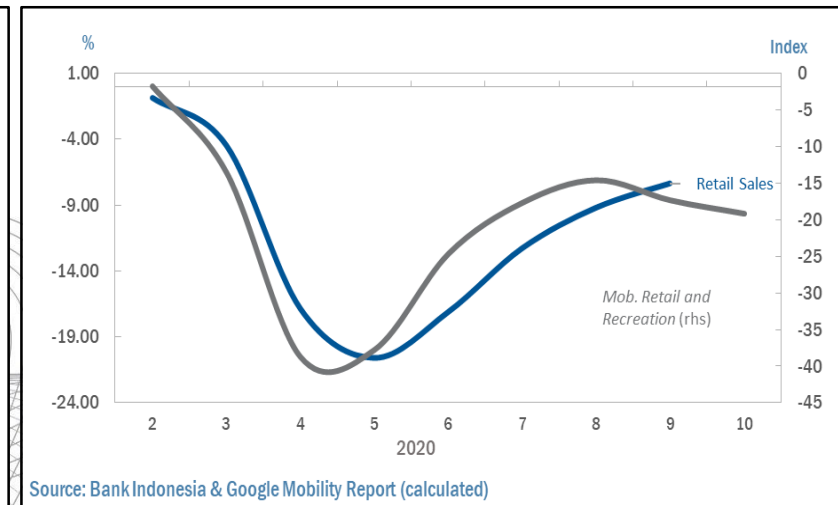
LIMITED INCREASE IN PUBLIC MOBILITY IN SEPTEMBER 2019



MOBILITY IN MOST REGIONS SLOWED



RETAIL AND RECREATION MOBILITY FLATTEN AND STILL BELOW PRE COVID-19 LEVEL





The domestic economy is gradually recovering, primarily driven by fiscal stimuli and stronger exports

- Developments in August-September 2020 revealed higher government spending given the fiscal stimuli relating to social protections and SME support
- Fiscal stimuli and higher exports along with solid building investment in current national strategic projects have bolstered the economic recovery despite subdued household consumption
- Domestic economic gains in Indonesia are reflected in a number of early indicators, including retail and online sales, job vacancies as well as private income

GDP IS RECOVERING AFTER RECORDED A CONTRACTION IN Q2-2020

Components	2018				2018	2019				2020		
	I	II	III	IV		I	II	III	IV	2019	I	II
Household Consumption	4.96	5.17	5.00	5.08	5.05	5.02	5.18	5.01	4.97	5.04	2.83	-5.51
Non-Profit Institution Serving Household (NPISH) Consumption	8.12	8.77	8.61	10.82	9.10	16.96	15.29	7.41	3.53	10.62	-5.09	-7.76
Government Consumption	2.71	5.21	6.26	4.56	4.80	5.22	8.23	0.98	0.48	3.25	3.75	-6.90
Investment (GFCF)	7.92	5.81	6.92	6.01	6.64	5.03	4.55	4.21	4.06	4.45	1.70	-8.61
Building Investment	6.12	4.96	5.60	5.02	5.41	5.48	5.46	5.03	5.53	5.37	2.76	-5.26
NonBuilding Investment	13.56	8.33	10.73	8.96	10.31	3.69	1.96	1.95	-0.13	1.80	-1.46	-18.62
Exports	5.84	7.48	8.34	4.59	6.55	-1.58	-1.73	0.10	-0.39	-0.87	0.23	-11.66
Imports	12.46	14.94	13.77	7.11	11.88	-7.47	-6.84	-8.30	-8.05	-7.69	-2.19	-16.96
GDP	5.06	5.27	5.17	5.18	5.17	5.07	5.05	5.02	4.97	5.02	2.97	-5.32

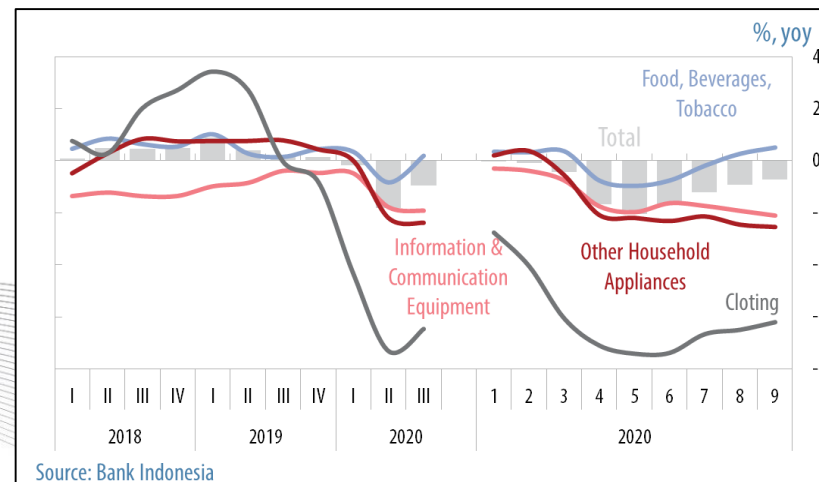
Source: BPS

ACCELERATION OF FISCAL STIMULI REALIZATION

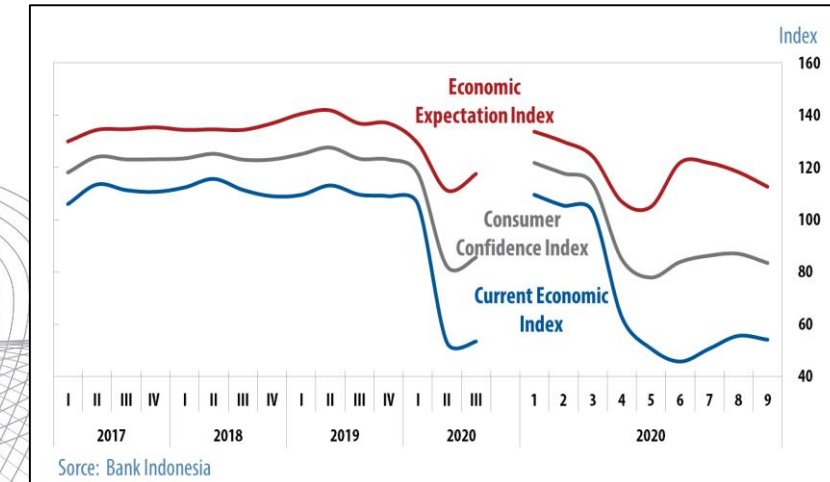
Spending Items	Budget (Rp Trillion)	July (Rp Trillion)	Aug. (Rp Trillion)	Sept. (Rp Trillion)	Sept. %Budget
Health	87.6	7.1	14.0	21.9	25.0
Social Safety Net	203.9	85.4	112.9	157.0	77.0
Economic Sector & Regional Government	106.1	7.4	13.8	26.6	25.1
Total Public Goods	397.5	99.9	140.7	205.6	51.7
SMEs	123.5	31.2	52.1	84.9	68.7
Corporate Financing	53.6	0.0	0.0	0.0	0.0
Total Non Public Goods	177.0	31.2	52.1	84.9	47.9
Business Incentives	120.6	16.6	18.9	28.1	23.3
Others	120.6	16.6	18.9	28.1	23.3
Total	695.2	147.7	211.6	318.48	45.81

Source: Ministry of Finance

RETAIL SALES PICKED UP



RESTRAINED CONSUMER CONFIDENCE

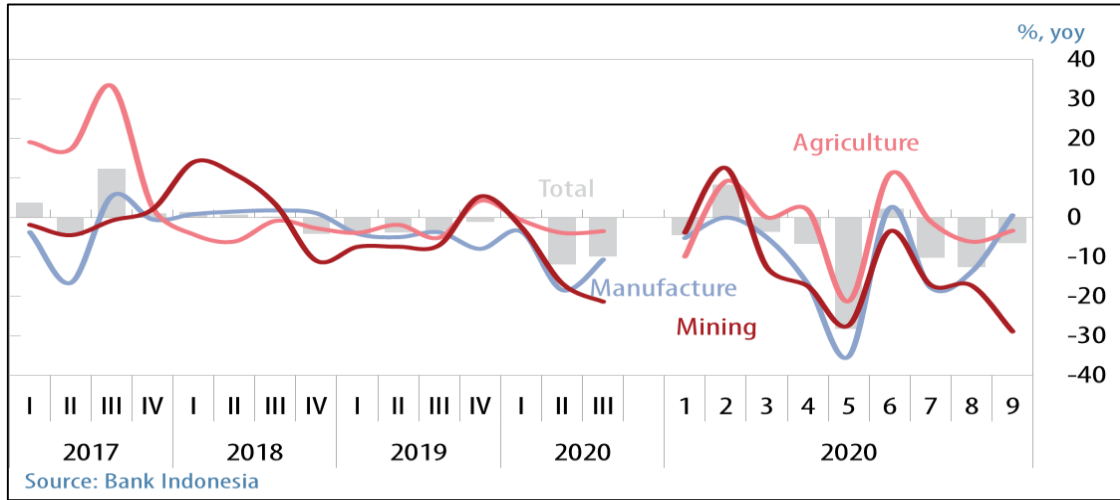




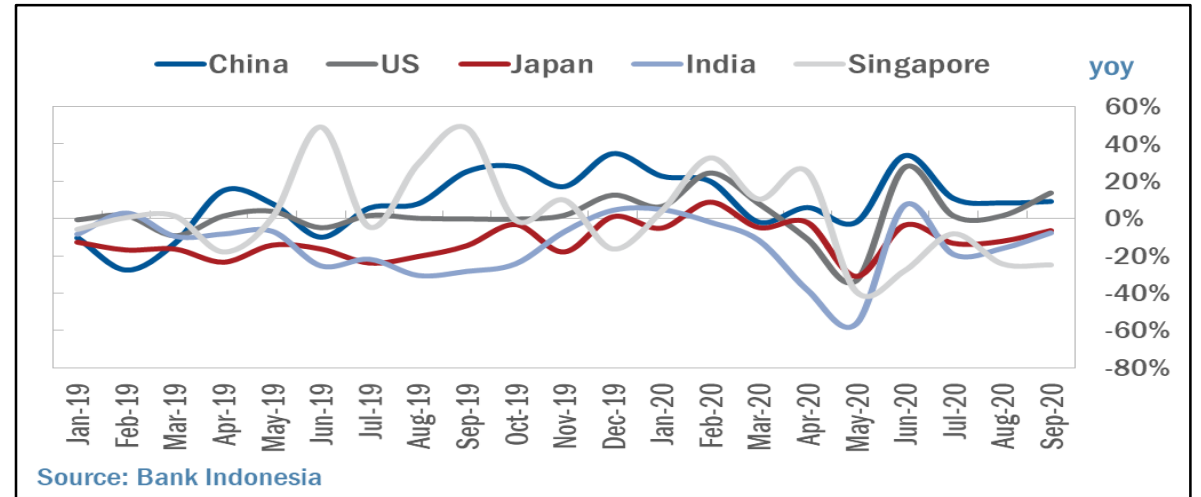
Improved export performance supports economic recovery

Export performance has exceeded previous projections on the back of persistent global demand, primarily from the United States and China, for several commodities from Indonesia, mainly iron and steel, pulp and waste paper as well as textiles and textile products.

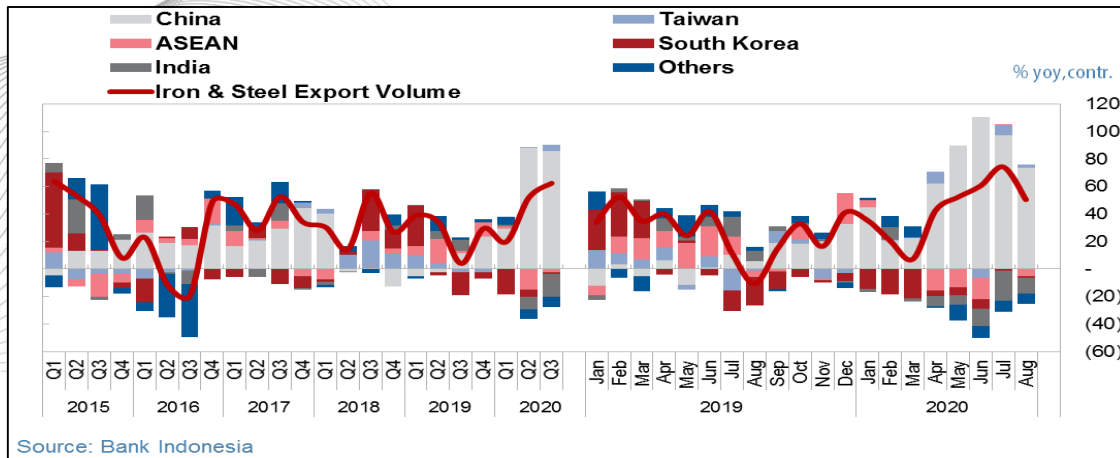
EXPORTS PICKED UP ON THE BACK OF HIGHER GLOBAL DEMAND...



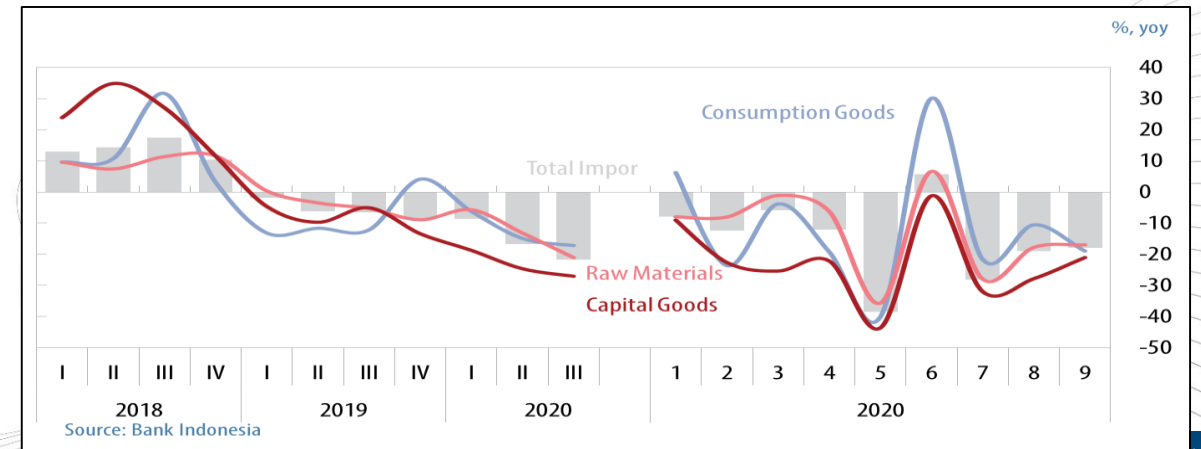
DEMAND FROM US AND CHINA ROSE



IRON AND STEELS EXPORTS TO CHINA SURGED



CAPITAL GOOD AND RAW MATERIALS IMPORTS CONTINUE TO RISE





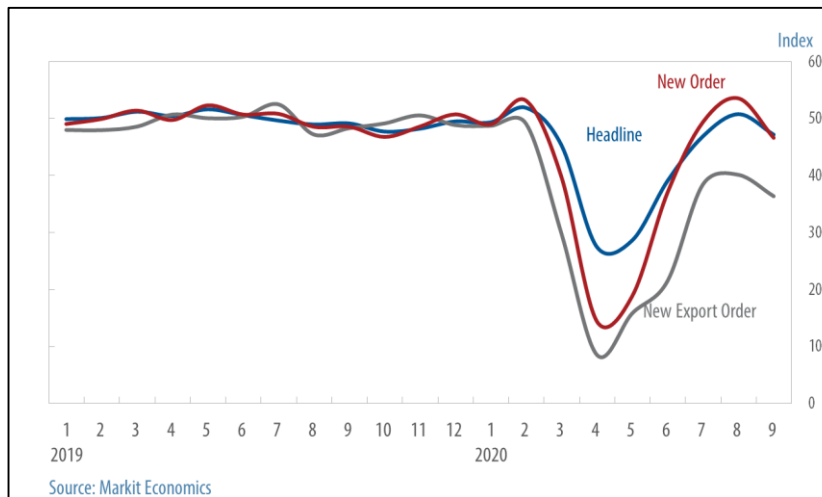
Performance of main economic sectors begin to improve

MAIN SECTORS ARE RECOVERING AFTER CONTRACTION IN THE PREVIOUS QUARTER...

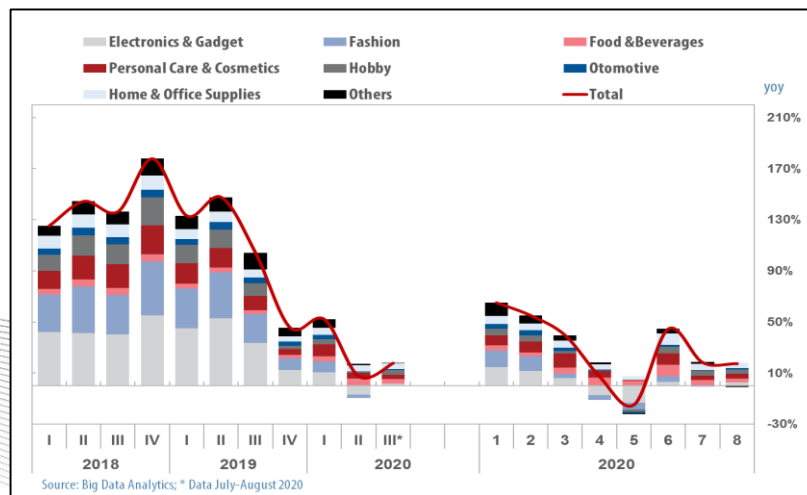
Components	2019				2019	2020	
	I	II	III	IV		I	II
Agriculture, Forestry, and Fisheries	1.82	5.33	3.12	4.26	3.64	0.02	2.19
Mining and excavation	2.32	-0.71	2.34	0.94	1.22	0.45	-2.72
Processing Industry	3.85	3.54	4.14	3.66	3.80	2.06	-6.19
Electricity and Gas Procurement	4.12	2.20	3.75	6.01	4.04	3.85	-5.46
Water Supply	8.95	8.33	4.85	5.41	6.83	4.55	4.56
Construction	5.91	5.69	5.65	5.79	5.76	2.90	-5.39
Wholesale Retail, Car and Motorcycle Repairs	5.21	4.63	4.43	4.24	4.62	1.60	-7.57
Transportation and Warehousing	5.45	5.88	6.66	7.55	6.40	1.29	-30.84
Provision of Accommodation, Food and Beverages	5.87	5.53	5.41	6.41	5.80	1.95	-22.02
Information and Communication	9.06	9.60	9.24	9.71	9.41	9.80	10.88
Financial Services and Insurance	7.23	4.49	6.15	8.49	6.60	10.62	1.03
Real Estate	5.40	5.71	5.97	5.85	5.74	3.79	2.30
Corporate Services	10.36	9.94	10.22	10.49	10.25	5.39	-12.09
Government Administration, Defence and Compulsory Social Security	6.41	8.85	1.87	2.06	4.67	3.16	-3.22
Education Services	5.64	6.31	7.81	5.46	6.29	5.89	1.21
Health Services and Other Social Activities	8.64	9.13	9.18	7.82	8.68	10.39	3.71
Other Services	9.97	10.72	10.71	10.78	10.55	7.09	-12.60
GDP	5.07	5.05	5.02	4.97	5.02	2.97	-5.32

Source: BPS

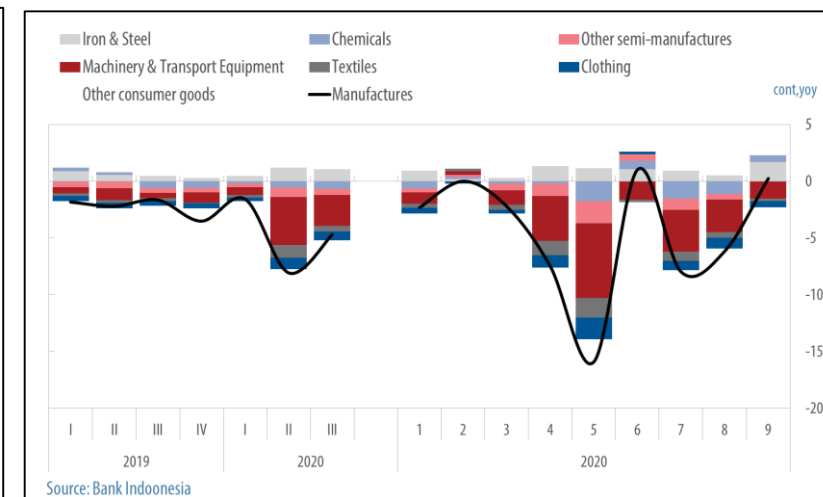
MANUFACTURE: PMI REMAINS STRONG



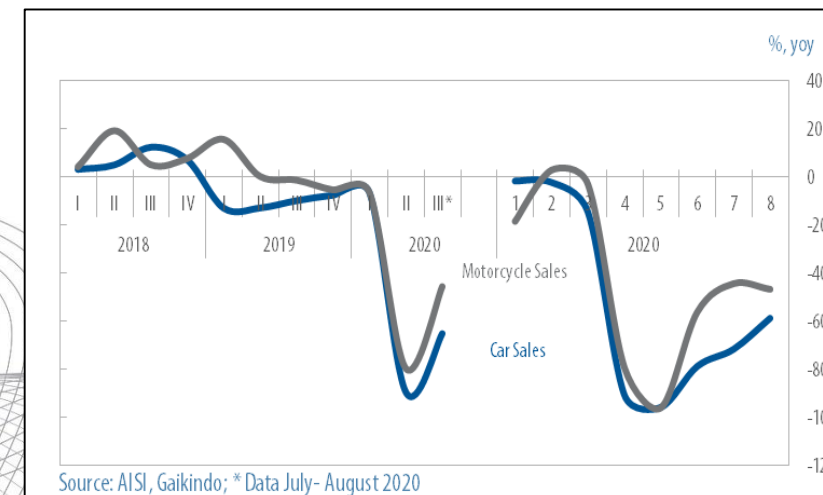
TRADE: ONLINE SALES ROSE



MANUFACTURE: INCREASED IRON AND STEEL, PULP AND WASTE PAPER, AND CPO EXPORTS



TRADE: MOTOR VEHICLE SALES PICKED UP

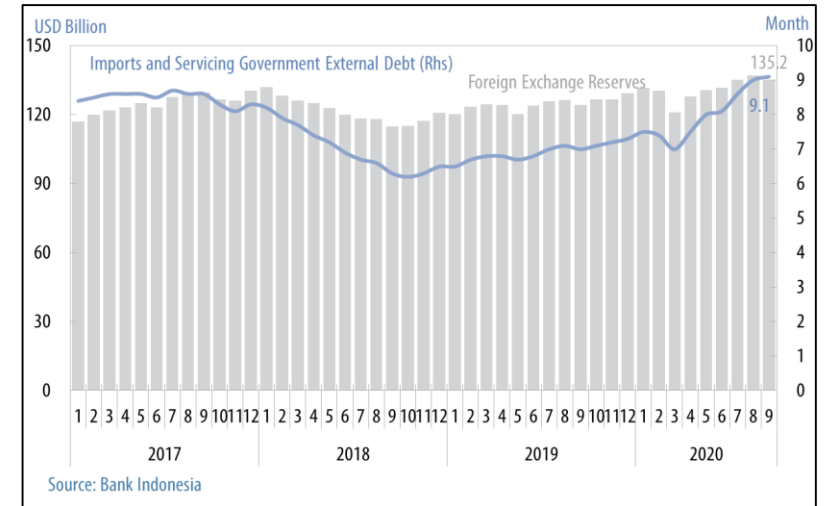




Maintained external sector resilience

- The current account is expected to record a surplus in the third quarter of 2020, stemming from stronger exports and weaker imports on compressed domestic demand. The surplus is supported by a relatively large trade balance surplus compared with conditions in the previous period. In July-August 2020, the trade balance recorded a USD5.57 billion surplus
- The position of Official Reserve Assets at the end of September 2020 remained high at USD135.2 billion, equivalent to 9.5 months of imports or 9.1 months of imports and servicing government external debt, which is well above the international adequacy standard of around three months

OFFICIAL RESERVE ASSETS INCREASED, REINFORCING EXTERNAL SECTOR RESILIENCE

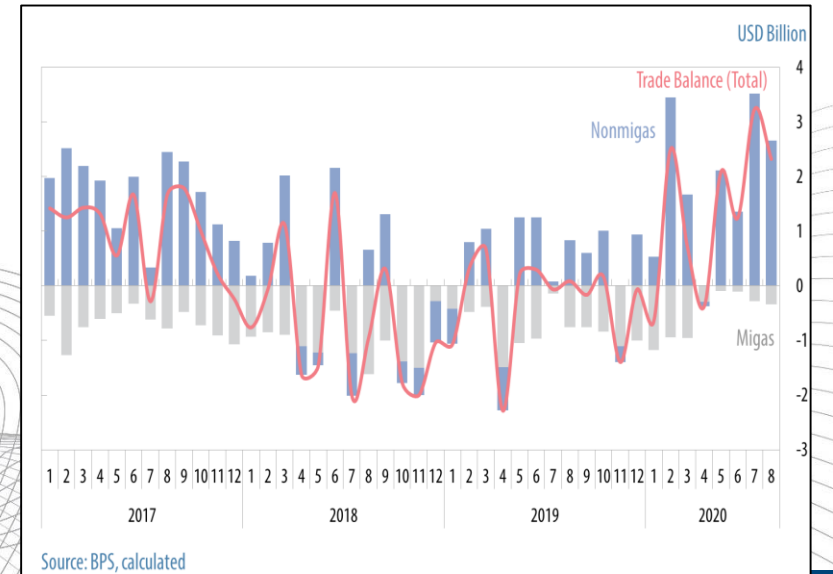


INDONESIA'S BALANCE OF PAYMENT REMAINS SOLID

Items (Billion USD)	2017					2018					2019					2020	
	I	II	III	IV	Total	I	II	III	IV	Total	I*	II*	III**	IV***	Total***	I*	II**
Current Account	-2.0	-4.4	-4.2	-5.6	-16.2	-4.9	-7.8	-8.4	-9.5	-30.6	-6.6	-8.2	-7.5	-8.1	-30.4	-3.7	-2.9
A. Goods	5.6	4.8	5.3	3.1	18.8	2.3	0.3	-0.4	-2.5	-0.2	1.3	0.6	1.4	0.3	3.5	4.4	4.0
- Exports, fob	40.8	39.2	43.4	45.6	168.9	44.4	43.7	47.7	44.9	180.7	41.2	40.2	43.7	43.4	168.5	41.7	34.7
- Imports, fob	-35.1	-34.3	-38.1	-42.5	-150.1	-42.1	-43.4	-48.1	-47.4	-181.0	-39.9	-39.6	-42.3	-43.1	-164.9	-37.3	-30.7
a. Non-Oil and Gas	7.6	6.1	6.3	5.2	25.3	4.4	3.2	3.4	0.1	11.2	3.4	3.5	3.4	3.5	13.8	7.1	4.8
b. Oil and Gas	-2.2	-1.5	-1.3	-2.4	-7.3	-2.4	-2.7	-3.5	-2.8	-11.4	-2.1	-2.9	-2.1	-3.2	-10.3	-2.7	-0.8
B. Services, Primary Income, Secondary Income	-7.7	-9.2	-9.5	-8.7	-35.0	-7.3	-8.1	-8.0	-7.0	-30.4	-1.6	-1.9	-2.3	-2.0	-7.7	-1.9	-2.2
Capital and Financial Account	6.7	5.3	9.6	7.1	28.7	2.2	3.1	4.0	15.9	25.2	9.9	6.8	7.4	12.6	36.7	-3.0	10.5
1. Direct Investment	2.6	4.5	7.0	4.4	18.5	4.7	2.4	4.5	0.9	12.5	6.0	5.8	5.2	3.2	20.1	4.1	3.4
2. Portfolio Investment	6.5	8.1	3.8	2.6	21.1	-1.1	0.1	-0.1	10.5	9.3	5.2	4.6	4.9	7.1	21.7	-6.1	9.8
3. Other Investment	-2.5	-7.3	-1.2	0.2	-10.7	-1.5	0.6	-0.5	4.7	3.3	-1.4	-3.6	-2.7	2.4	-5.4	-0.7	-2.7
Overall Balance	4.5	0.7	5.4	1.0	11.6	-3.9	-4.3	-4.4	5.4	-7.1	2.4	-2.0	0.0	4.3	4.7	-8.5	9.2
Memorandum :																	
- Reserve Assets Position	121.8	123.1	129.4	130.2	130.2	126.0	119.8	114.8	120.7	120.7	124.5	123.8	124.3	129.2	129.2	121.0	131.7
In Months of Imports & Official Debt Repayment	8.6	8.6	8.6	8.3	8.3	7.6	6.9	6.3	6.43	6.43	6.7	6.8	6.9	7.3	7.3	7.0	8.1
Current Account (% GDP)	-0.8	-1.7	-1.6	-2.16	-1.6	-1.9	-3.0	-3.2	-3.7	-2.9	-2.5	-3.0	-2.6	-2.8	-2.7	-1.4	-1.2

Source: Bank Indonesia: *Provisional Figures **Very Provisional Figures

TRADE BALANCE IS EXPECTED TO RECORD A SURPLUS IN THE Q3 2020

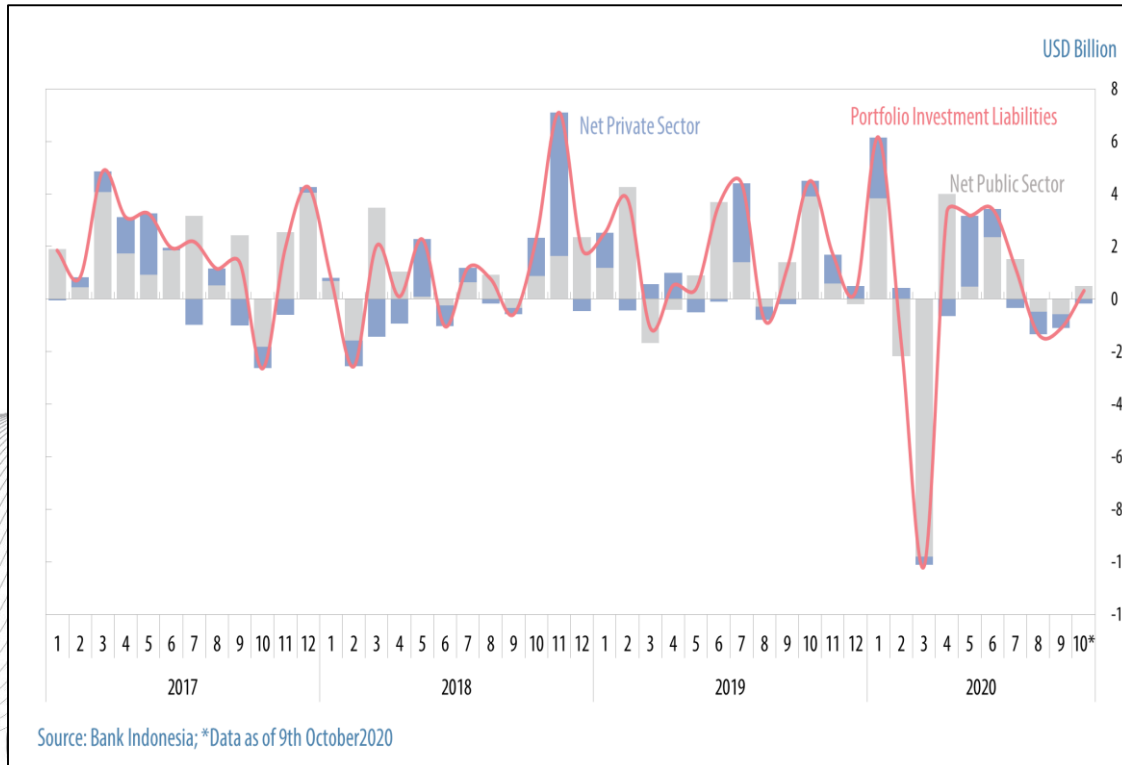




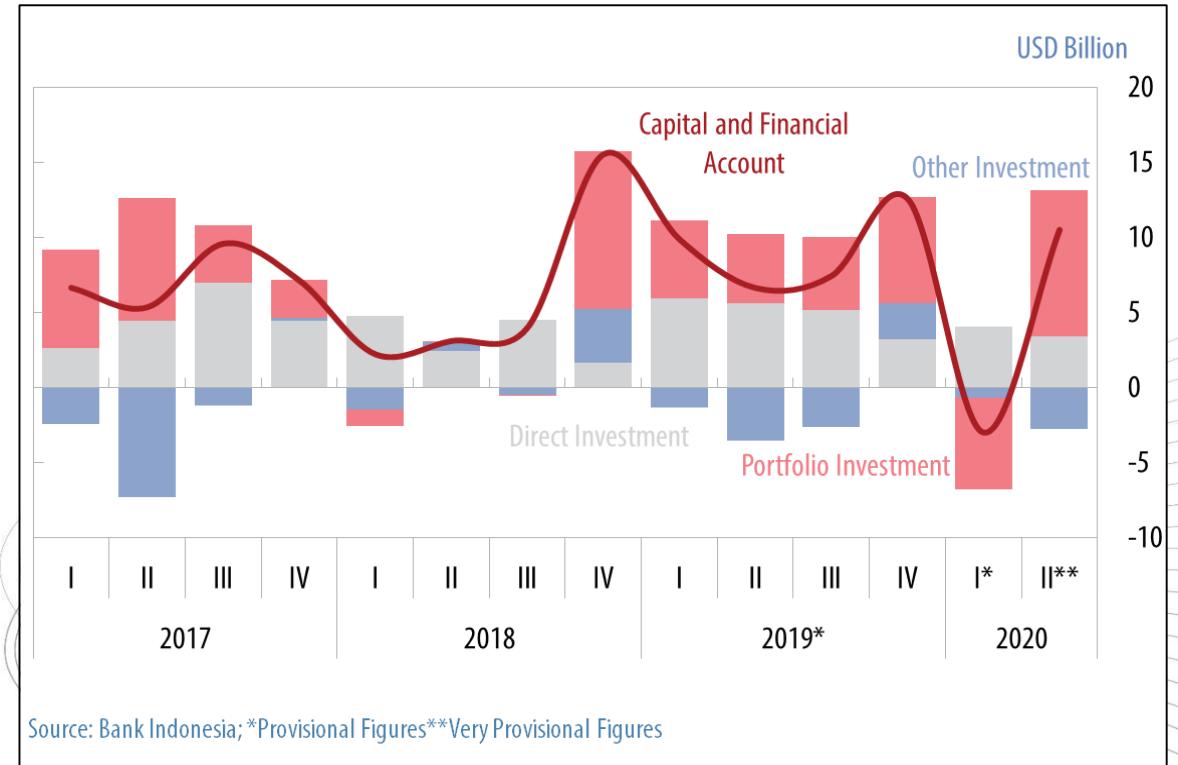
Foreign capital inflows were gradually increase in October 2020

- The overall balance of payments is expected to record a surplus in the third quarter of 2020 despite a net outflow of foreign portfolio investment of USD1.24 billion on the back potential surplus on both current account and financial account
- Foreign capital inflows were gradually returning to domestic financial markets, with a net inflow of USD0.33 billion at the beginning of October 2020
- Moving forward, Bank Indonesia projects a low current account deficit below 1.5% of GDP in 2020, thus reinforcing external sector resilience

GRADUALLY INCREASED FOREIGN CAPITAL INFLOWS



...REINFORCING CAPITAL AND FINANCIAL ACCOUNT SURPLUS PROSPECT

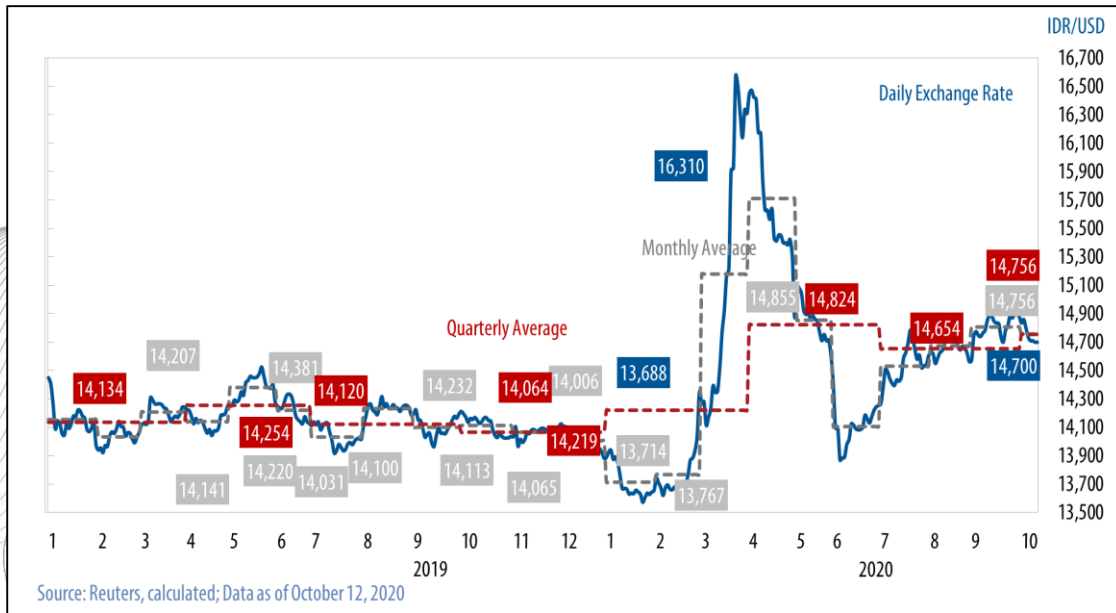




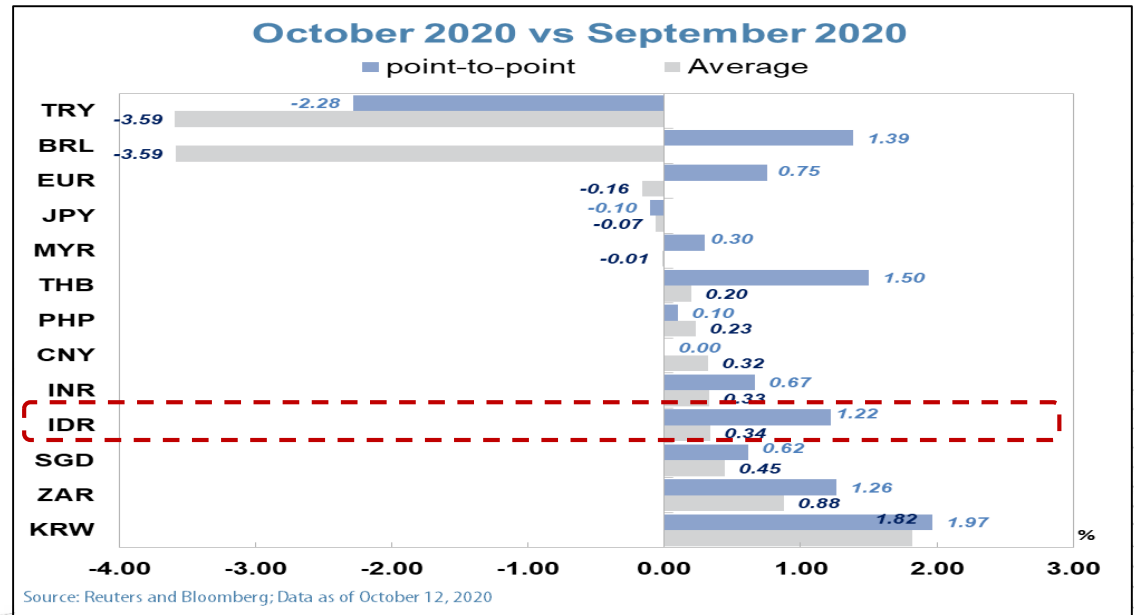
Rupiah remained stable, supported by Bank Indonesia's stabilization measures

- In September 2020, the rupiah depreciated 2.13% (ptp) in response to higher financial market uncertainty stemming from global and domestic factors. As of 12th October 2020, the rupiah has appreciated by 1.22% (ptp) or 0.34% on the average, compare with level recorded in September 2020
- Rupiah appreciated in October 2020 as foreign capital inflows to domestic financial markets were maintained in line with increasing global liquidity and maintained investor confidence in the domestic economic outlook
- Moving forward, Bank Indonesia expects the rupiah to appreciate as the currency is still fundamentally undervalued, supported by low and stable inflation, a narrow current account deficit, highly attractive domestic financial assets for investment as well as a lower risk premium in Indonesia and ample global liquidity. Bank Indonesia will continue to strengthen exchange rate stabilization policy in line with the Rupiah's fundamental value and market mechanisms through effective monetary operations and by providing market liquidity.

RUPIAH APPRECIATED IN OCTOBER 2020



RUPIAH APPRECIATED 1.22% (PTP)

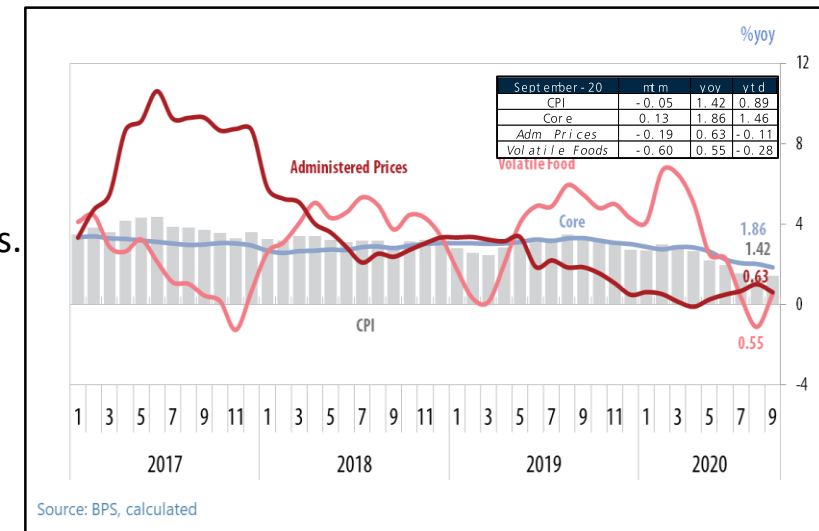




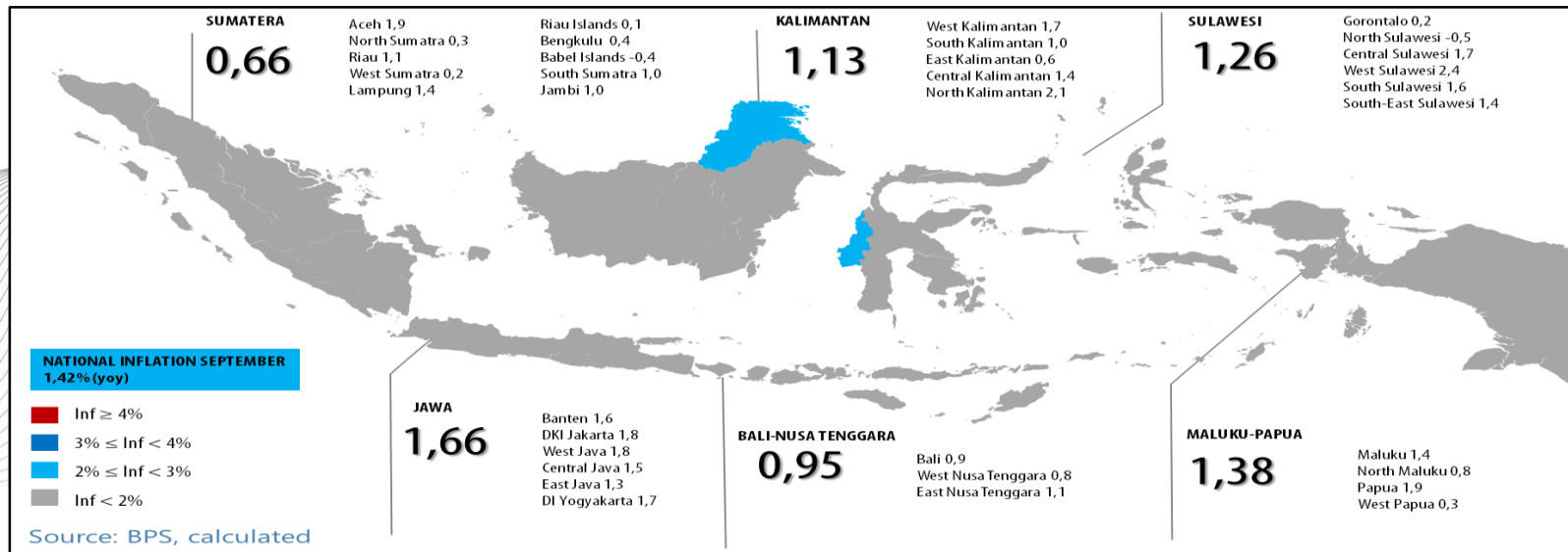
Inflation remains low on subdued domestic demand and adequate supply

- The Consumer Price Index (CPI) in September 2020 recorded deflation of 0.05% (mtm) or 0.89% (ytd), so that it remains low at 1.42% (yoy) on annual basis. This was influenced by lower core inflation in line with subdued domestic demand, and the consistency of Bank Indonesia to anchor inflation expectations within the target range and maintain exchange rate stability.
- Volatile food inflation remains low due to the continued decline in food prices in line with compressed domestic demand, adequate supply, maintained distribution, and low global food prices. Administered prices inflation has slowed mainly due to continued reductions in air transport fares.
- Bank Indonesia predicts inflation in 2020 below the lower bound of the inflation target before returning to its target range of 3.0% ± 1% in 2021. Bank Indonesia consistently maintains price stability and strengthens policy coordination with the Government, both at the central and regional levels, to keep inflation under control within its target range.

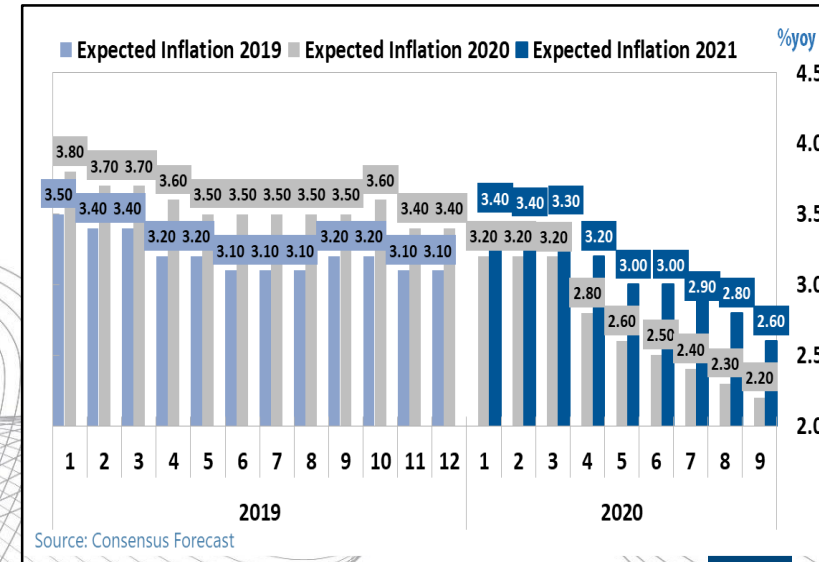
MAINTAINED LOW AND CONTROLLED INFLATION



...SUPPORTED BY LOW INFLATION IN ALL REGIONS



....INFLUENCED BY MAINTAINED LOW INFLATION

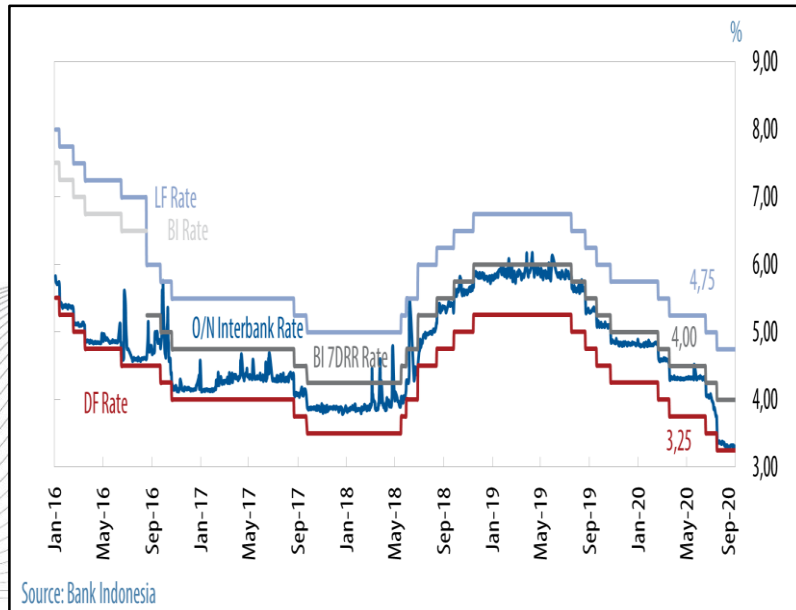




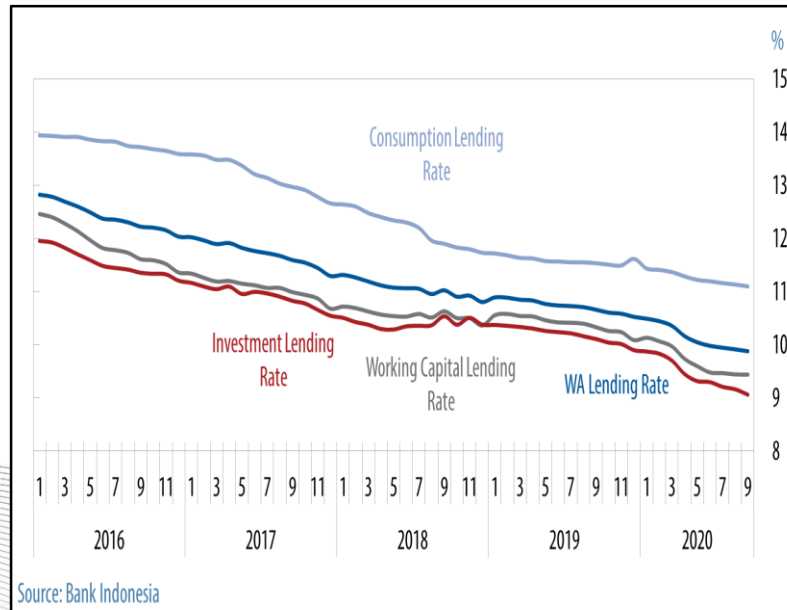
In line with Bank Indonesia's accommodative policy, liquidity conditions have stayed loose, prompting lower interest rates

- As of 9th October 2020, Bank Indonesia had injected around Rp667.6 trillion of additional liquidity through quantitative easing into the banking system, primarily in the form of lower reserve requirements total Rp155 trillion and monetary expansion total Rp496.8 trillion
- Loose liquidity conditions edged up the ratio of liquid assets to deposits in September 2020 to 31.23%, coupled with a low overnight interbank rate of 3.29% in the reporting period
- Policies to inject liquidity and reduce the BI 7-Day (Reverse) Repo Rate have effectively lowered deposit and lending rates from 5.49% and 9.92% in August 2020 to 5.18% and 9.88% in September 2020
- In terms of monetary aggregates, M1 and M2 growth remained high in September 2020 at 17.6% (yoy) and 12.3% (yoy) respectively

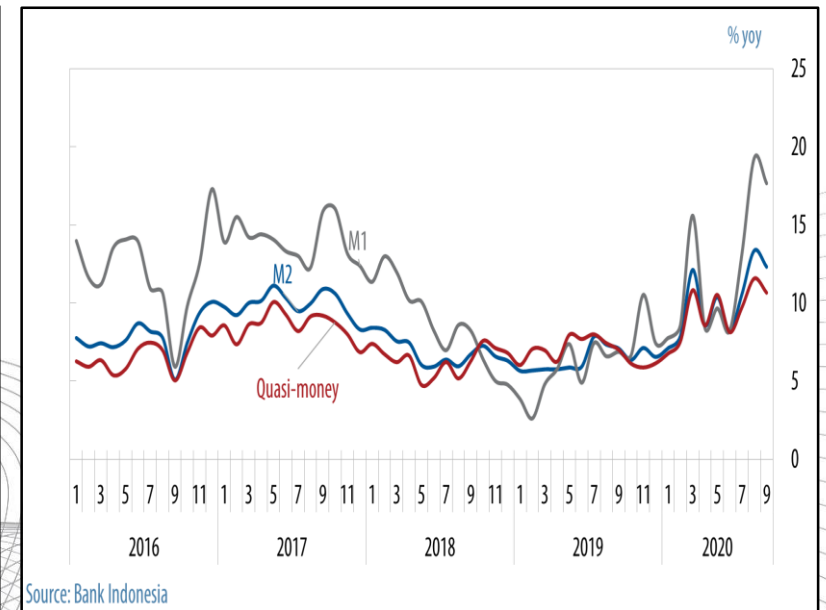
DECREASING OVERNIGHT INTERBANK RATE



... AND BANK LENDING RATE



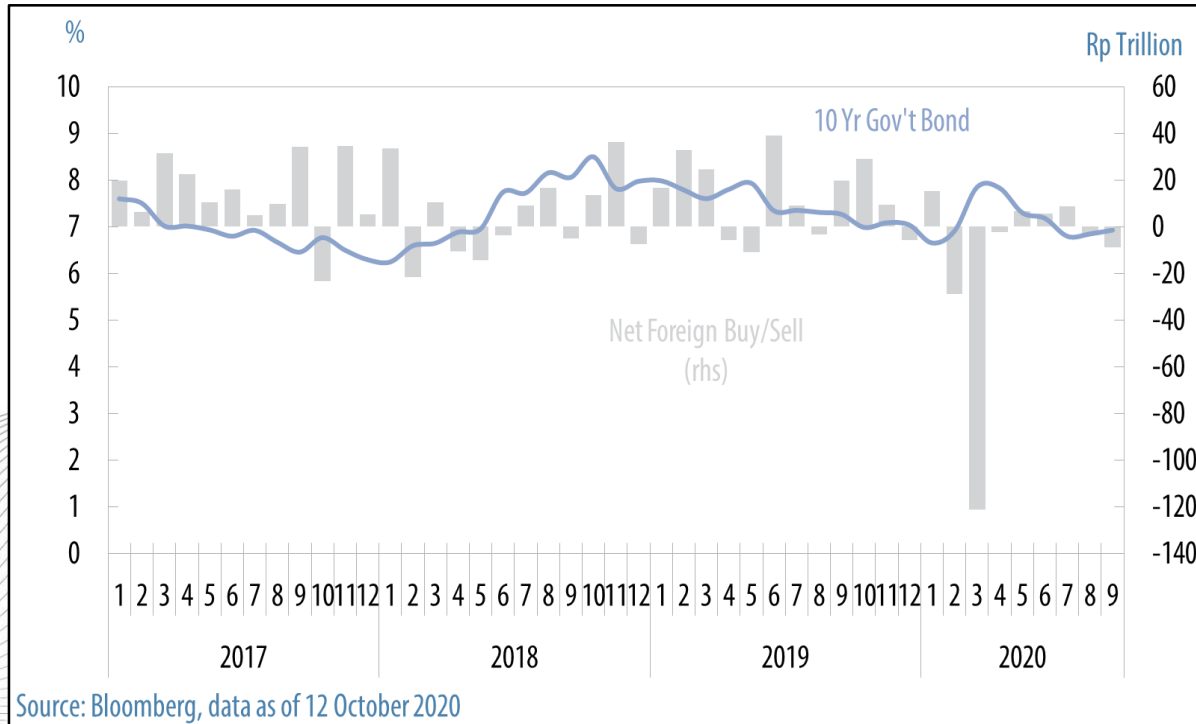
BROAD MONEY REMAINED HIGH



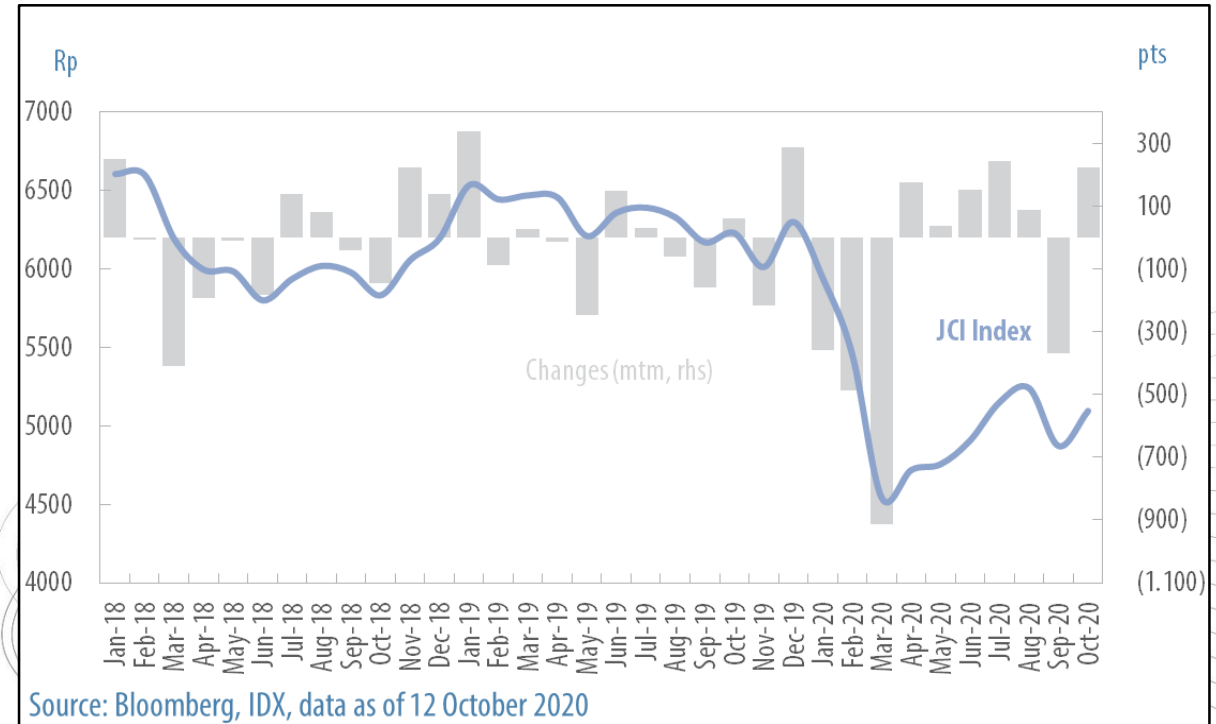
Domestic financial market is recovering

- The benchmark 10-year SBN yield decreased from 6.93% at the end of September 2020 to 6.87% as of 12th October 2020
- On the stock market, the JCI showed positive performance with an increase of 4.6% (mtm) up to 12th October 2020 in line with the performance of stock exchanges in most countries

YIELD OF 10-YEAR GOVERNMENT BOND (SBN) DECREASED



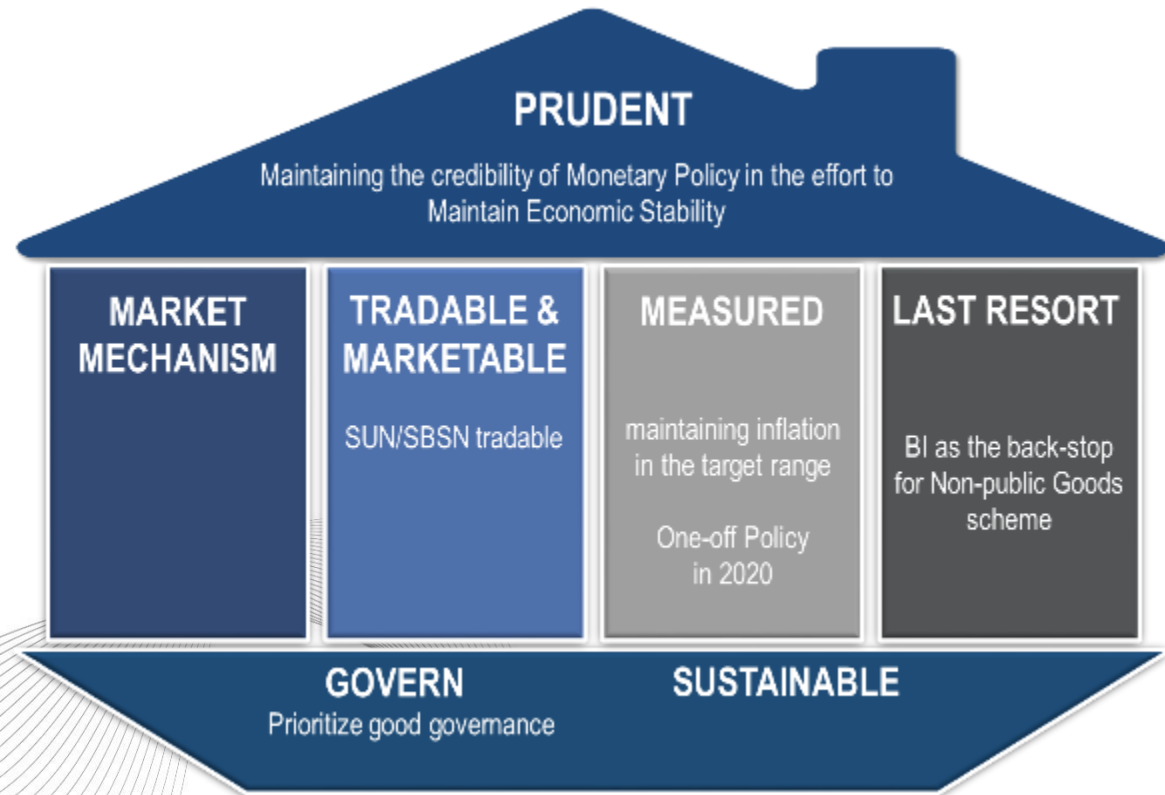
RECENT DEVELOPMENT SHOWED POSITIVE JCI PERFORMANCE





Strengthened the synergy between monetary expansion and fiscal stimuli acceleration

PRINCIPLES OF FUNDING AND BURDEN SHARING



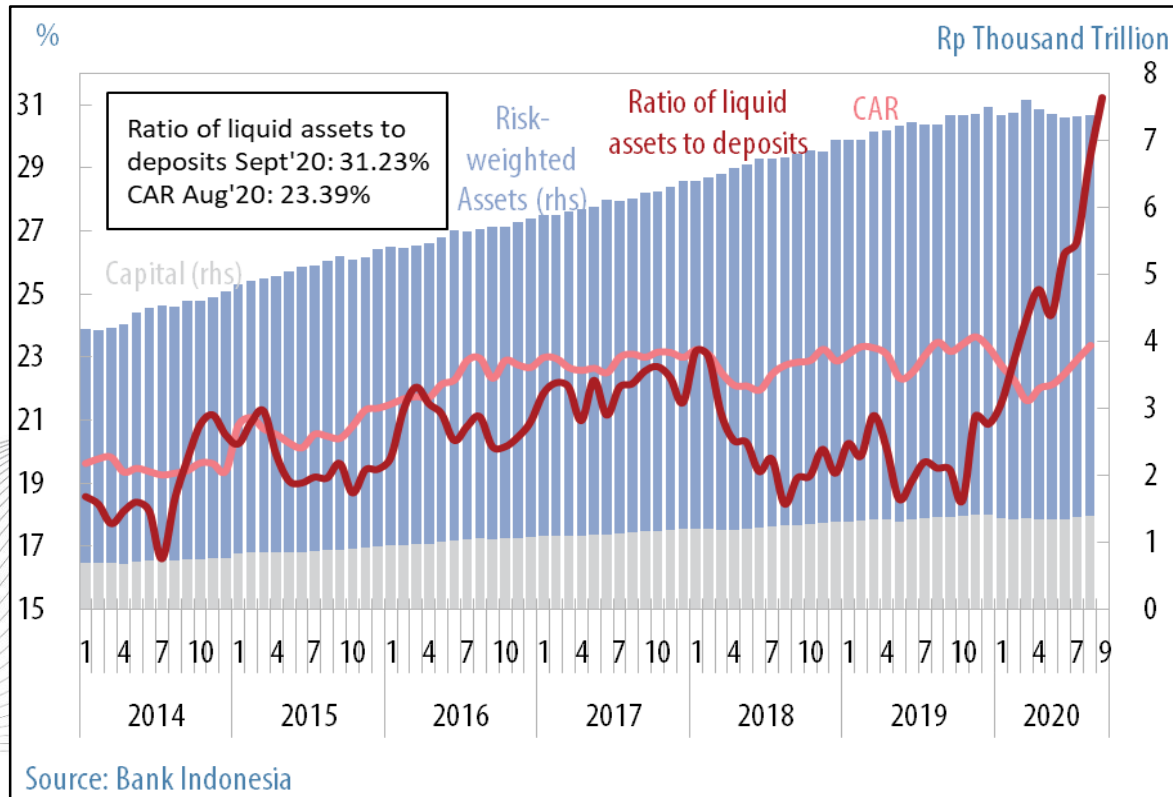
- Bank Indonesia continues its commitment to funding the 2020 state budget through SBN purchases in the primary market in accordance with Act No. 2 of 2020, through market mechanisms and private placement, as part of the efforts to accelerate the national economic recovery program, while maintaining macroeconomic stability
- As of 8th October 2020, Bank Indonesia had purchased Rp60.18 trillion worth of SBN in the primary market through market mechanisms pursuant to the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 16th April 2020, including auction schemes, greenshoe options (GSO) and private placement
- Meanwhile, funding realisation and burden sharing to fund public goods in the state budget by Bank Indonesia through private placement in accordance with the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 7th July 2020 currently stand at Rp229.68 trillion
- Bank Indonesia has also realised burden sharing with the Government to fund non-public goods-SME totalling 90.88 trillion pursuant to the Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued on 7th July 2020
- Through such synergy, the Government can focus on accelerating state budget realisation in order to stimulate the national economic recovery.



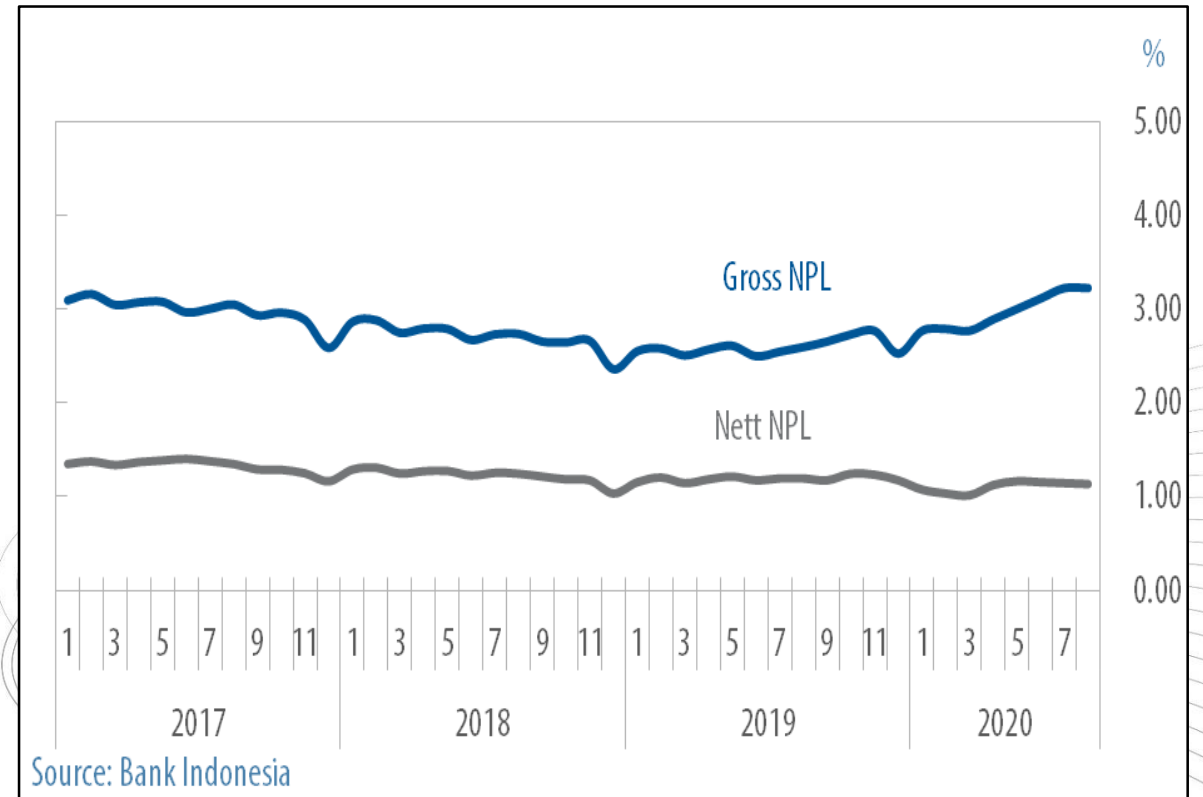
Financial system stability remains solid

- Financial system stability has been maintained, reflected in high Capital Adequacy Ratio (CAR) in August 2020 at 23.39%
- Moreover NPL ratios remained low as in August at of 3.22% (gross) and 1.14% (nett)
- Nevertheless, the potential risks associated with COVID-19 transmission on financial system stability must still be monitored

HIGH BANKING INDUSTRY'S CAPITAL



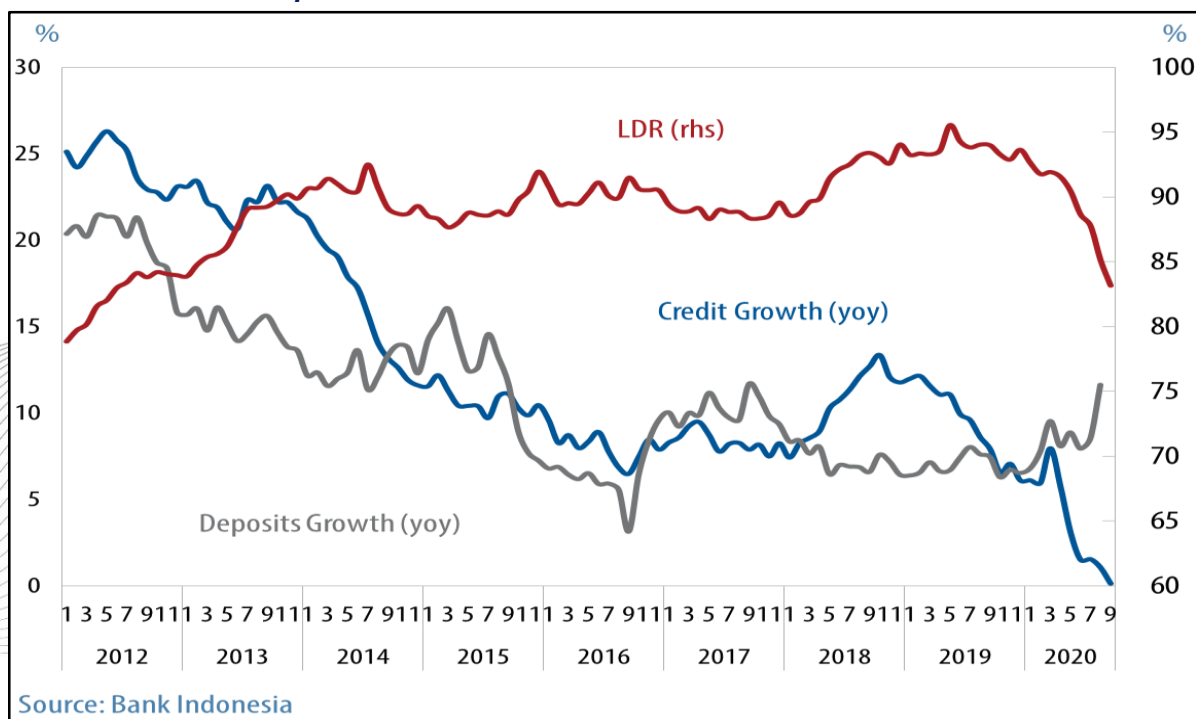
MAINTAINED CREDIT RISK



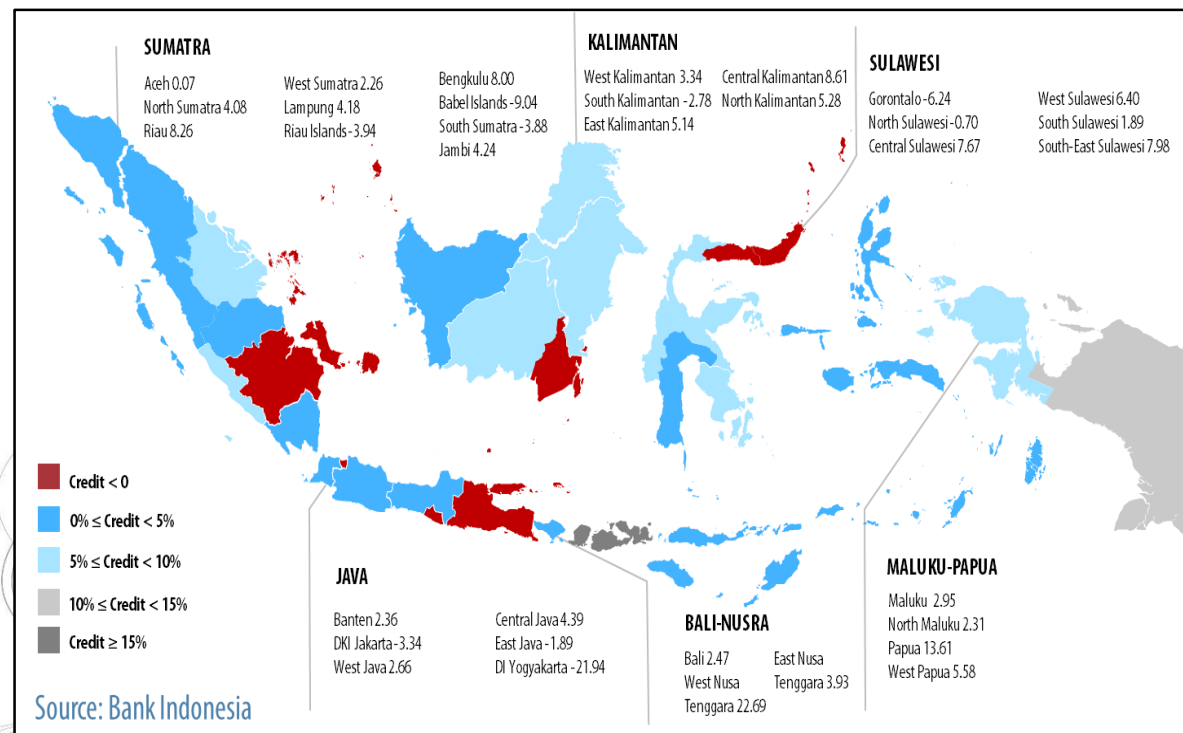
Bank intermediation function remains suboptimal

- The intermediation function of the financial sector remains weak due to subdued loan growth in line with compressed domestic demand and a cautious banking industry
- Credit growth decelerated to 0.12% (yoy) in September 2020 from 1.04% (yoy) in August 2020. In contrast, deposit growth accelerated from 11.64% (yoy) in August 2020 to 12.88% (yoy) on the back of fiscal expansion
- The bank loan restructuring program is continuing, including SMEs that account for 36% of total credit, supported by increasing liquidity
- Moving forward, the bank intermediation function is expected to improve in line with the promising corporate outlook and domestic economic recovery as well as consistent policy synergy

SLUMPED CREDIT, INCREASED DEPOSIT GROWTH



SLUGGISH CREDIT GROWTH IN MOST REGIONS

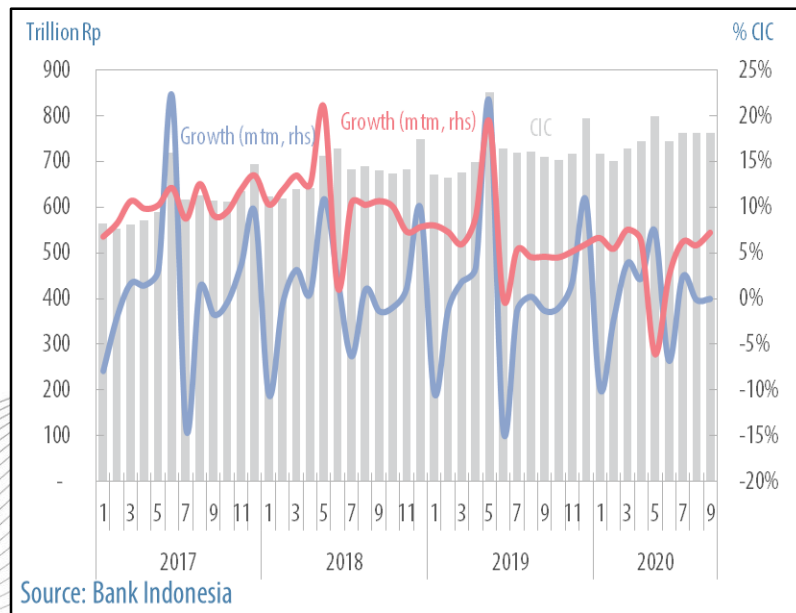




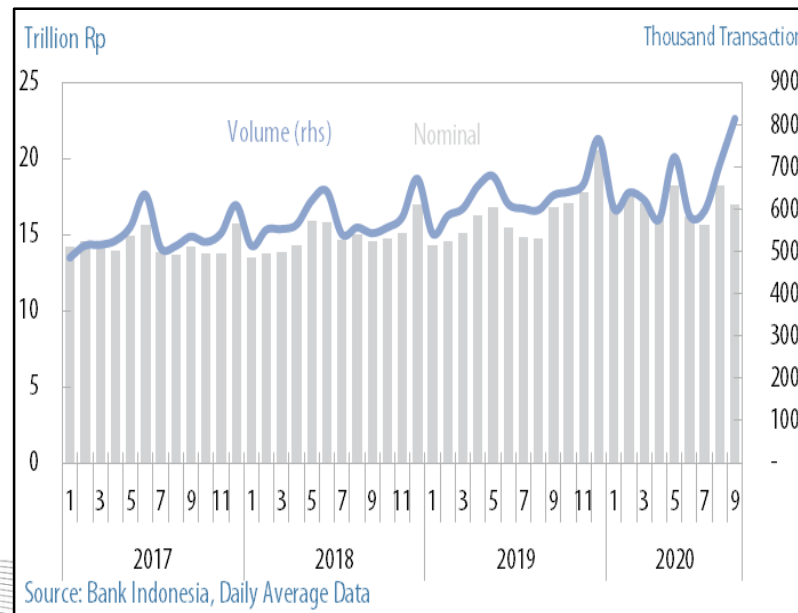
Cash and non-cash payment system transactions are increasing

- Cash and non-cash payment system transactions are increasing in line with the economic recovery
- Growth of currency in circulation increased from 5.82% (yoy) in August 2020 to 7.2% (yoy) in September 2020, reaching Rp762.1 trillion
- Large value non-cash payments settled through BI Real Time Gross Settlement (BI-RTGS) System and small value payments settled through BI National Clearing System (SKNBI) run seamlessly.

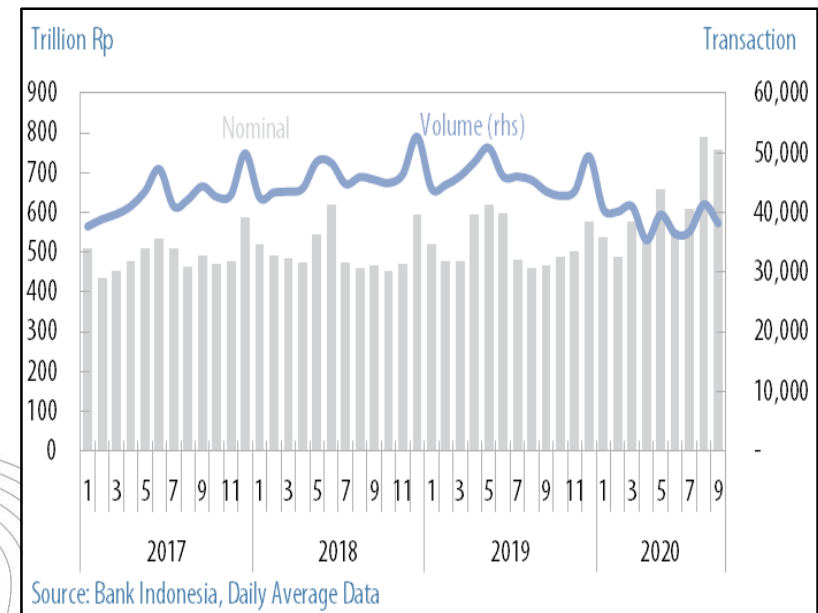
CURRENCY IN CIRCULATION INCREASED



SKNBI TRANSACTION ACCELERATED



BI-RTGS SYSTEM TRANSACTION REMAINED HIGH

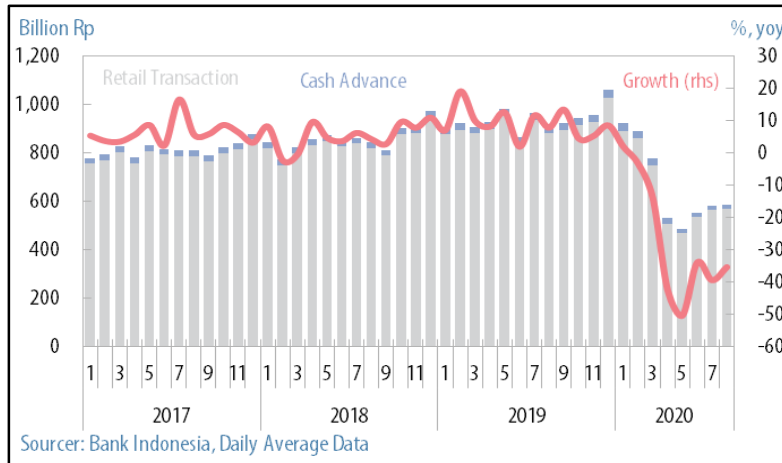




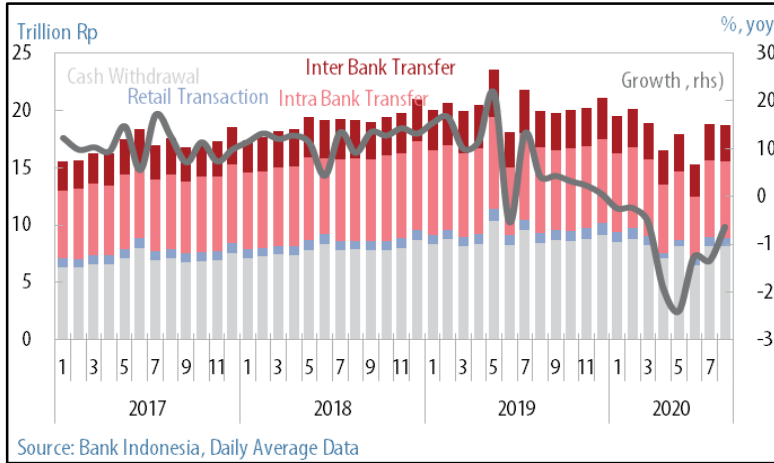
The acceleration of economic and financial digitalization continues

- Transaction value using ATM/debit cards, credit cards and electronic money recorded a shallower contraction.
- The increasing volume of digital transactions reflects that payments in digital format remain strong
- Moving forward, Bank Indonesia will continue to accelerate payment digitalization and expand the digital ecosystem

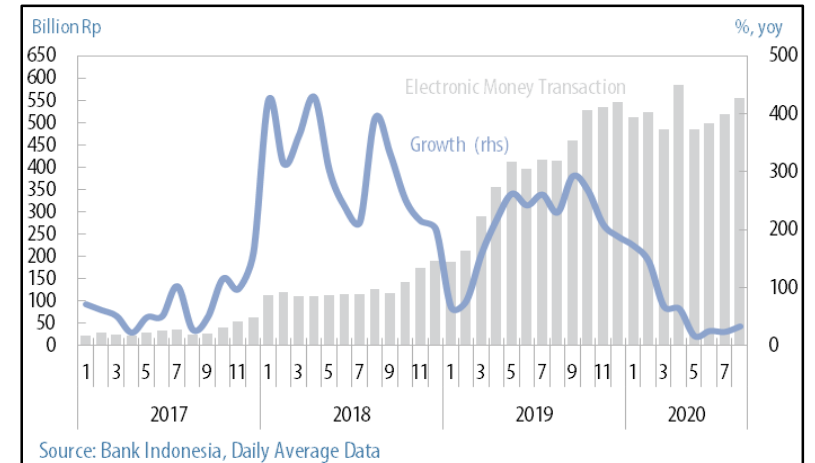
CREDIT CARD TRANSACTION IMPROVED



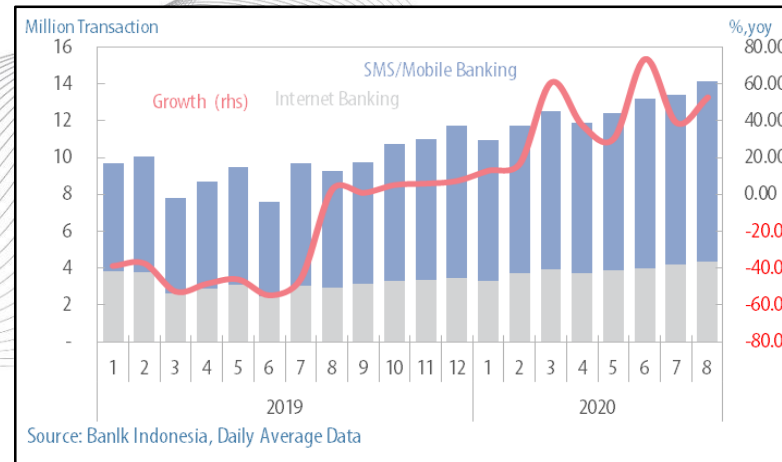
ATM/DEBIT CARD TRANSACTION INCREASED



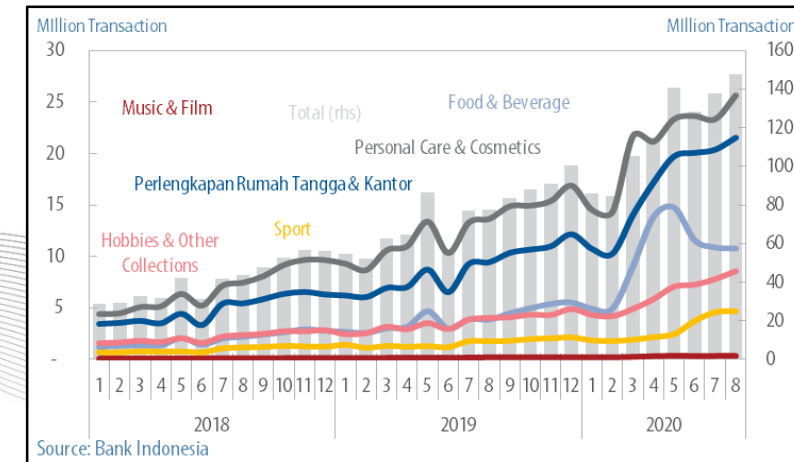
ELECTRONIC MONEY REMAINED STRONG



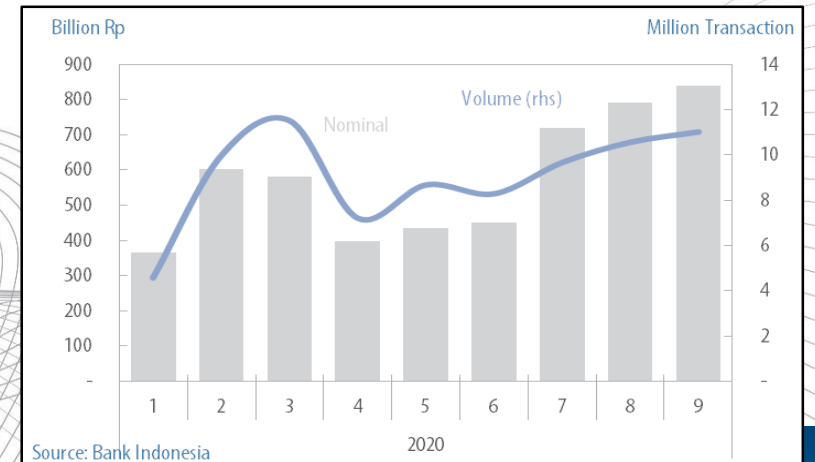
BANKING TRANSACTIONS REMAINED HIGH



DOMESTIC E-COMMERCE TRANSACTIONS ACCELERATED



GREATER PUBLIC DEMAND ON QRIS TRANSACTION





BANK INDONESIA POLICY MIX



BI Board of Governors Decision on 12nd and 13rd of Oktober 2020

BI 7-Day Reverse Repo Rate
STAY

4.00%

Deposit Facility (DF) Rate
STAY

3.25%

Lending Facility (LF) Rate
STAY

4.75%

POLICY FOCUS:

- The decision is consistent with the need to maintain rupiah exchange rate stability against a backdrop of projected low inflation. Bank Indonesia is focusing on the quantity channel by providing liquidity, including support for the Government in terms of accelerating state budget realization in 2020 to hasten the economic recovery from COVID-19.
- Bank Indonesia is also implementing the following measures:
 - Maintaining rupiah exchange rate stabilization policy in line with the currency's fundamental value and market mechanisms;
 - Strengthening the monetary operations strategy in order to reinforce the accommodative monetary policy stance;
 - Accelerating money market and foreign exchange market deepening through infrastructure development, including Electronic Trading Platforms (ETP) as well as a Central Counterparty (CCP);
 - Strengthening policy implementation to stimulate SMEs through corporatization, increasing capacity, access to finance as well as digitalization in line with the National Made in Indonesia Movement (Gernas BBI); and
 - Strengthening the digital economy and finance ecosystem through the use of digital payment instruments as well as collaboration between the banking industry, FinTech and e-commerce to support the national economic recovery program;
- Bank Indonesia will continue to implement the follow-up policy measures required to support the national economic recovery program by carefully observing global economic and financial market dynamics as well as COVID-19 transmission and the impact on the economic outlook of Indonesia over time. Close policy coordination with the Government and Financial System Stability Committee will constantly be strengthening in order to maintain macroeconomic and financial system stability, while accelerating the national economic recovery.



Further strengthening of Bank Indonesia's Policy Mix to mitigate COVID-19

LOWER BI 7-DAY REVERSE REPO RATE

STABILIZATION OF THE RUPIAH

MONEY MARKET AND FOREIGN EXCHANGE

QUANTITATIVE EASING

ACCOMODATIVE MACROPRUDENTIAL POLICY

PAYMENT SYSTEM POLICY

BGM 19-20 FEB, 2 MARCH, AND 18-19 MARCH 2020

1. Lower BI7DRR by 25 bps in February to 4,75%, and other 25 bps in March to 4,50%
2. Lower a 50bps of daily rupiah reserve requirement (RR) for the banks engaged in export-import financing, and expanding rupiah RR cut for SME
3. Lower Foreign Exchange Reserve Requirement from 8% to 4%
4. Rupiah accounts (vostro) of foreign investors as underlying of DNDF
5. Domestic custodian bank for global investors
6. Triple intervention: spot, DNDF, & purchasing SBN in the secondary market
7. Daily FX swap auction and Repo auction of SBN
8. Liquidity injection through monetary operation
9. Relaxation of Macroprudential Intermediation Ratio
10. QRIS campaign to SME, traditional markets, students and worship places
11. Lower SKNBI cost

BGM 13-14 APRIL AND 18-19 MAY 2020

1. Hold the BI 7-Day Reverse Repo Rate at 4.50% for external stability & stimulate growth
2. Strengthening the intensity of triple intervention policy
3. Providing liquidity for the banking industry on restructuring MSME loans and ultra-micro with formal loans
4. Lower the rupiah RR ratios by 200bps for conventional commercial banks and by 50bps for Islamic banks
5. Strengthening Monetary operations and Islamic financial market deepening through FLisBI, PaSBI and SiPA
6. Relaxing the additional demand deposit obligations on the MIR
7. Raised the MLB by 200bps for conventional commercial banks and by 50bps for Islamic banks
8. Increasing the non-cash payment instruments uptake
9. Strengthening policy mix and coordination with the Government & other authorities
10. Accelerating implementation of digital economy & finance

BGM 17-18 JUNE 2020 AND 15-16 JULY 2020

1. Lower BI7DRR to 4,00%, 25 bps in June and 25 bps in July
2. Maintaining Rupiah exchange rate stabilization policy in line with the currency's fundamental value and market mechanisms
3. Providing reserve requirement remuneration of 1.5% per year for banks meeting daily and average rupiah reserve requirements
4. Strengthening a synergized expansive monetary policy response with accelerated fiscal stimuli from the Government:
 - ✓ firmly committed to funding the APBN 2020 through SBN purchases in the primary market to finance the budgets for healthcare, social protections, sectoral government ministries and agencies & local government
 - ✓ Burden sharing with the Government to accelerate MSME and corporate sector recoveries
5. Expediting payment system digitalization to hasten the digital economy and finance implementation as part of the economic recovery efforts

BGM 18-19 AUGUST 2020 BGM 16-17 SEPTEMBER 2020

1. Hold BI7DRR at 4,00%
2. Focusing on the quantity channel by providing liquidity to stimulate economic recovery from COVID-19, including supporting Government in accelerating 2020 state budget realization
3. Maintaining rupiah stabilization policy in line with fundamental value & market mechanisms
4. Strengthening MO strategy in order to accelerate monetary policy transmission
5. Lowering the minimum limit of DP on green automotive loans/financing from 5-10% to 0%, in compliance with prudential principles
6. Extending the 50bps lower on rupiah reserve requirements, as an incentive for banks disbursing loans to SMEs and for export-import activity as well as to non-SMEs operating in priority sectors as stipulated in the national economic recovery program, from 31st Dec' 20 previously until 30th Jun'21;
7. Accelerating development of money market instruments to support corporate and SME financing in line with the national economic recovery program
8. Strengthening synergy with the banking industry, FinTech, Government and relevant authorities to accelerate digitalization, amongst others, by supporting SME digitalization and the Made in Indonesia National Movement (GERNAS BBI), and promoting the use of QRIS for e-commerce
9. Expanding QRIS acceptance to bolster the economic recovery and accelerate SME by extending 0% Merchant Discount Rate (MDR) for micro-businesses from 30th Sept'20 previously until 31st Dec'20

BGM 12-13 OCTOBER 2020

1. Hold BI7DRR at 4,00%
2. Focusing on the quantity channel by providing liquidity to stimulate economic recovery from the COVID-19, including BI supporting for the Government in accelerating state budget realization in 2020
3. Maintaining rupiah exchange rate stabilization policy in line with the currency's fundamental value and market mechanisms
4. Strengthening the monetary operations strategy in order to reinforce the accommodative monetary policy stance
5. Accelerating money market and foreign exchange market deepening through infrastructure development, including Electronic Trading Platforms (ETP) as well as a Central Counterparty (CCP)
6. Strengthening policy implementation to stimulate SMEs through corporatization, increasing capacity, access to finance as well as digitalization in line with the National Made in Indonesia Movement (Gernas BBI)
7. Strengthening the digital economy and finance ecosystem through the use of digital payment instruments as well as collaboration between the banking industry, FinTech and e-commerce to support the national economic recovery program

THANK YOU

Further information is available at:

1. Board of Governors' Meeting Press Release (<https://www.bi.go.id/en/ruang-media/siaran-pers/Default.aspx>)
2. Monetary Policy Review (<https://www.bi.go.id/en/publikasi/kebijakan-moneter/tinjauan/Default.aspx>)