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Economic Outlook Indonesia

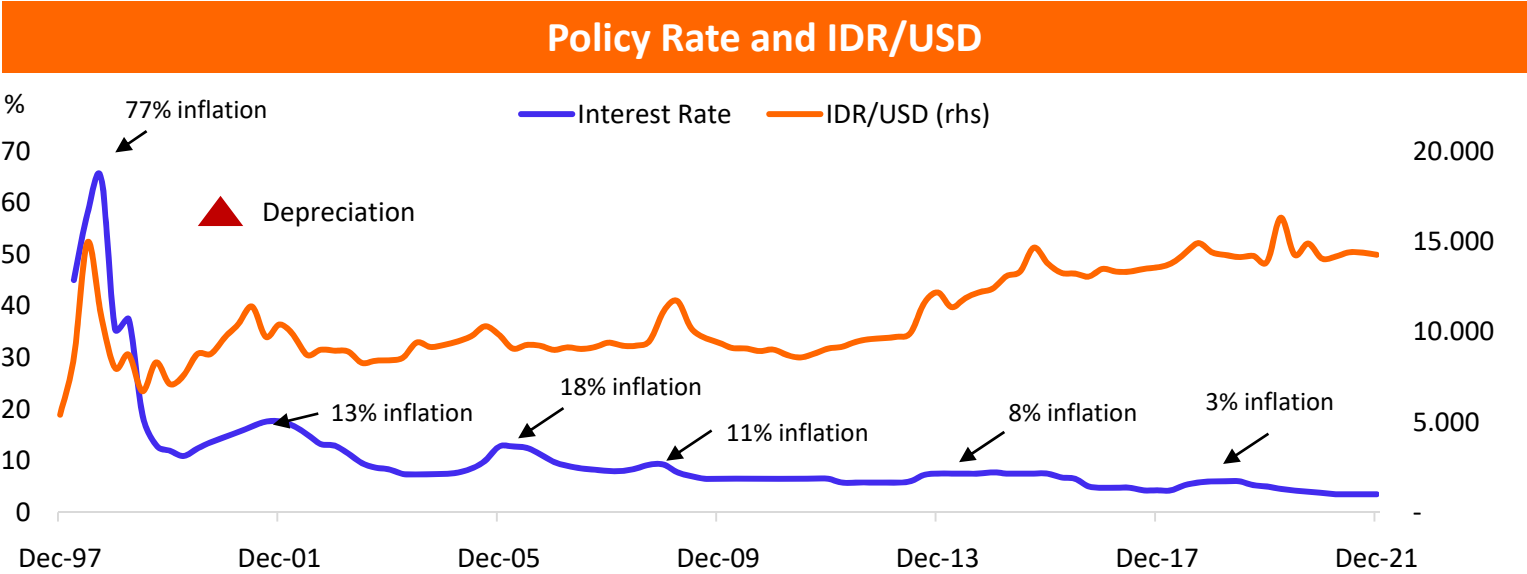
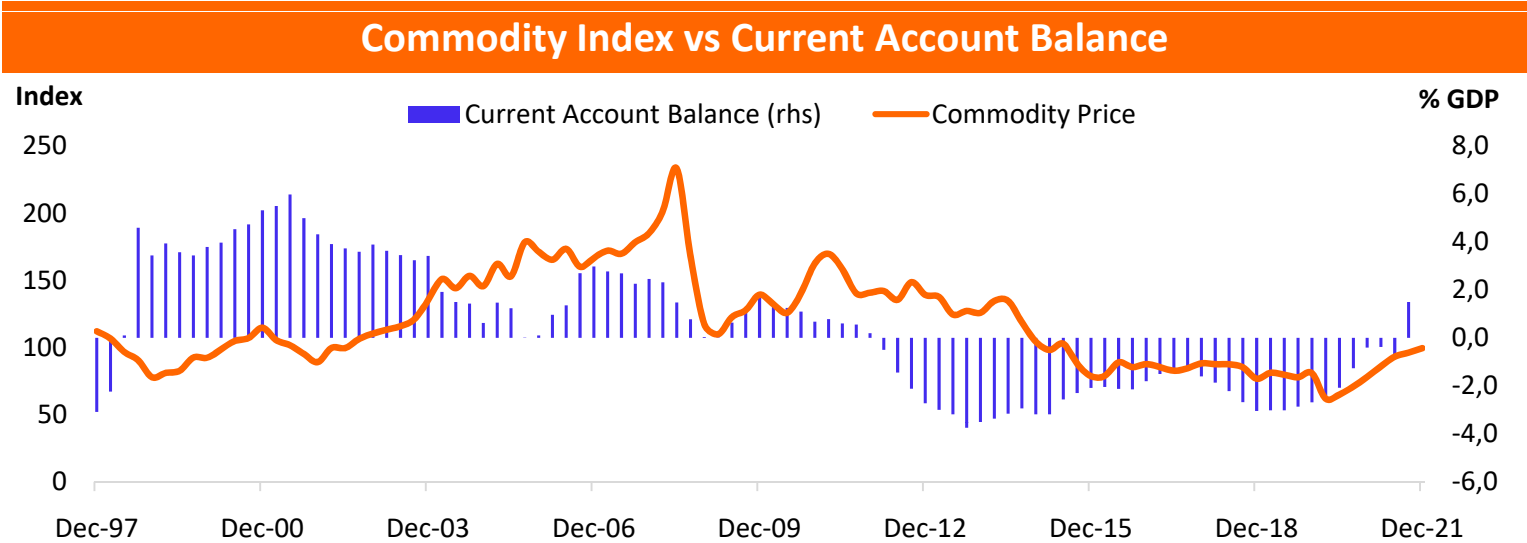
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A Commodity Driven Economy

- Indonesia's economic stability or volatility depends on the mix of commodity prices.

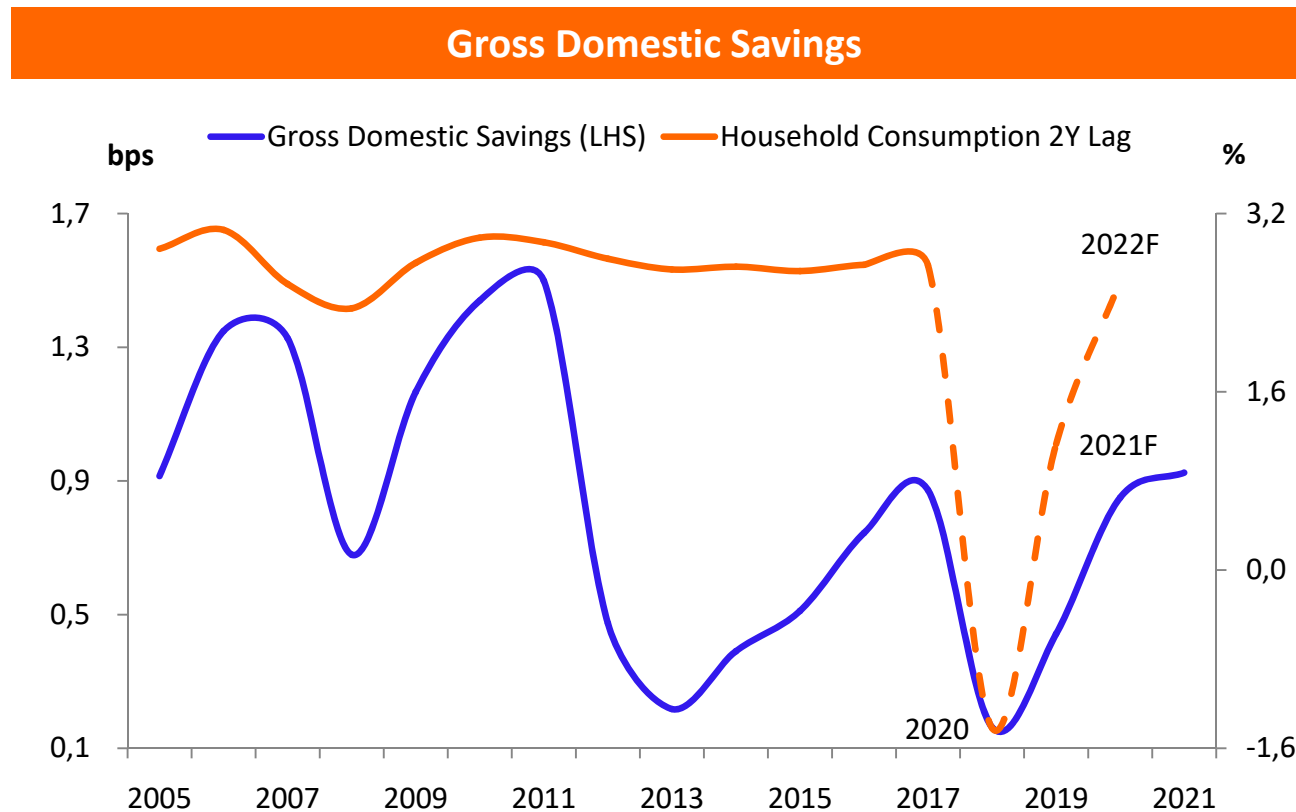


Source: Bloomberg, BI policy rate is BI7-Day RR, BI Rate, SBI Rate



Gross Domestic Savings

- Gross Domestic Savings (GDS) consists of savings from household, corporate, and public sectors, after their income are used for consumption. What drives GDS are FDI and export. GDS moved well in-line with commodity prices as the economy relies heavily on them.
- There's a 2-year lag adjustment between GDS and household consumption. GDS signals that household consumption would increase in 2021 and even further in 2022.

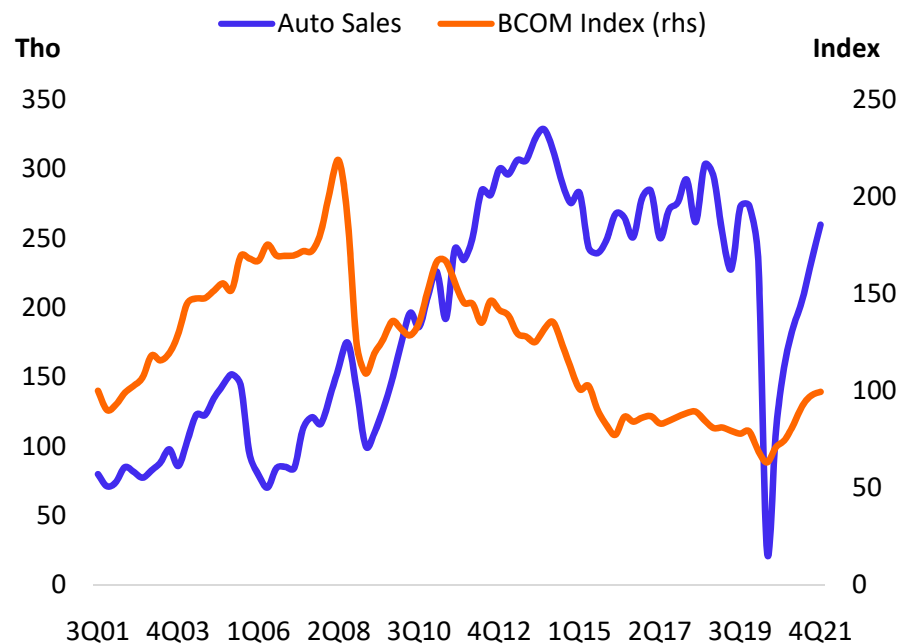


Source: BPS, Bank Indonesia, Danamon

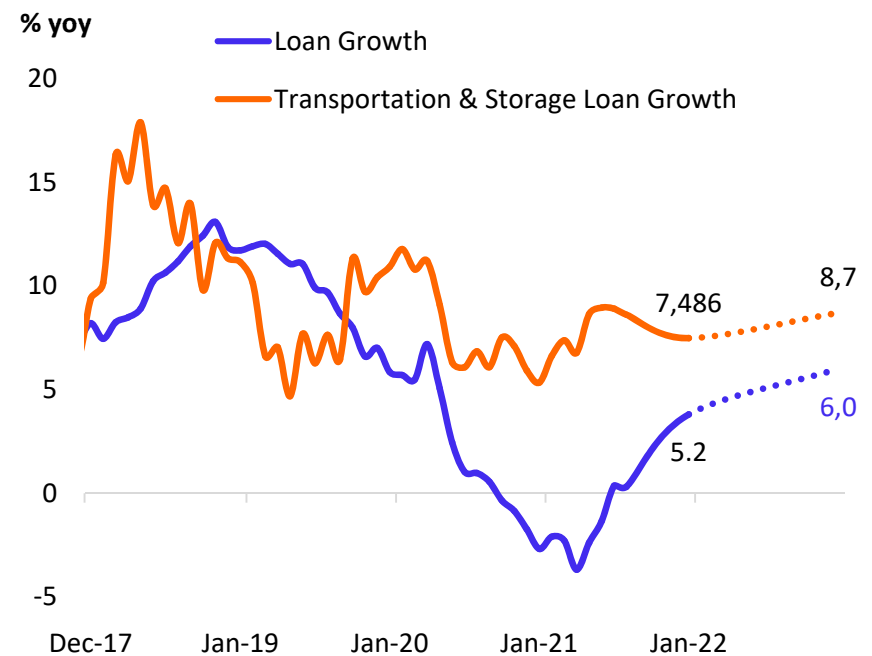
Spillover to Sales

- Auto sales have been positively correlated with commodity prices.
- After a significant drop at the wake of the pandemic, auto sales began to recover on the back of commodity surge and tax incentive.

Auto Sales vs Commodity Price

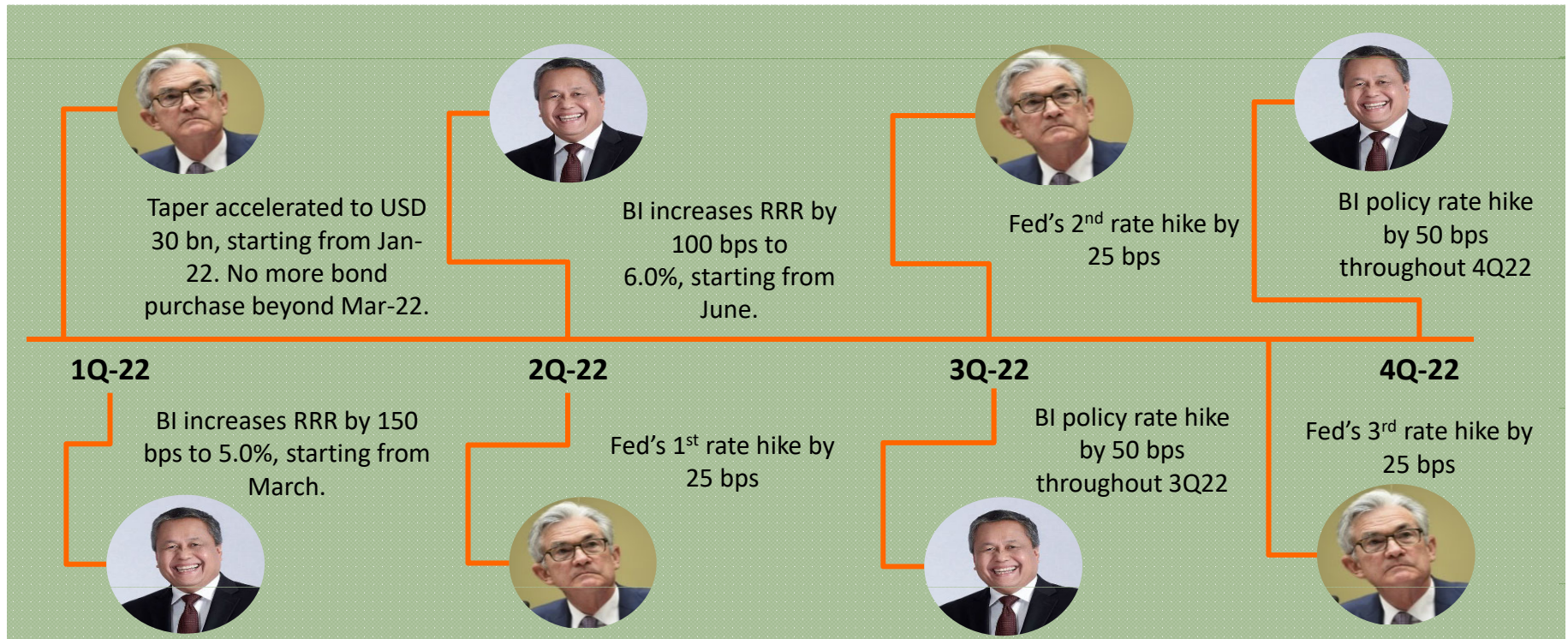
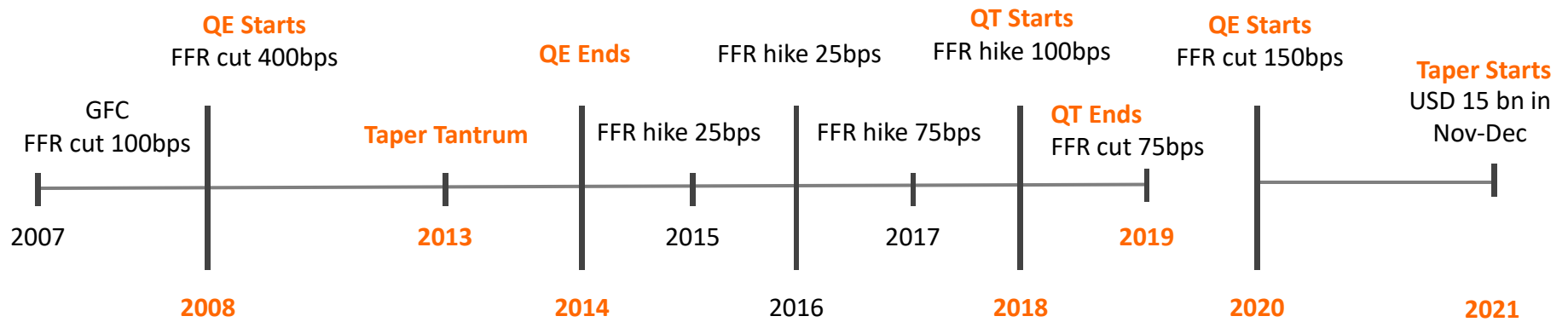


Loan Growth Forecast



Source: Bloomberg, GAIKINDO, Danamon

Monetary Normalization



Source: The Fed, Bank Indonesia, Danamon



Facts:

- *Divergence in Real Sector Economy vs Financial Market*
- *Money flew out of QE countries during GFC, but stayed-in during Covid*
- *Fund flow shifted to financial market during QE, then to real sector after monetary normalization*

Risk: *Mix of Commodity Price?*

Opportunity: *Domestic Demand-Led Real Sector?*



Thank You

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Appendix



Macro Assumption

- The global economy to normalize in 2022. Sound recovery in the US would cement plans for a tapering this year, and rate hike next year.
- Prices of oil and exported commodities would normalize as well next year.
- Widening current account deficit could mean weaker Rupiah, amid the reversal in US monetary policy. However, FDI is expected to help cushion its impact to IDR.
- Domestic economic growth will return to pre-pandemic level as long as Covid figures are manageable.
- Indonesia's economic engine will shift from external trade to domestic demand starting in 2022 onwards, provided healthy environment and stable politics.
- Domestic economic recovery could have an adverse implication towards IDR bond market, as banks convert its bond holding to finance loan.

	Unit	2020	2021	2022F
Indonesia				
Real GDP Growth*	% yoy	-2.1	3.4	5.1
CPI Inflation	% yoy	1.7	1.9	4.0
BI 7D RRR	% p.a.	3.75	3.50	4.00
LPS Rate	% p.a.	4.50	3.50	4.50
FX – Average	IDR/USD	14,529	14,296	14,511
FX – Year End	IDR/USD	14,050	14,253	14,628
10Y Govies Fair Yield	% p.a.	5.89	6.38	7.20
Current Account Balance*	% GDP	-0.4	-1.0	-1.9
Loan	% yoy	-2.7	5.2	6.0
Third Party Fund	% yoy	11.1	12.2	4.8
Loan to Deposit*	%	82.5	77.7	78.6

Source: BPS, BI, LPS, BI, MoF, OJK, Danamon, *unpublished

PRODUCT

Extensive range on Treasury product capabilities to meet your company requirements.

- FX Today, FX Tom, FX Spot
- FX Forward
- FX Swap
- Domestic Non-Deliverable Forward
- Cross Currency Swap
- Interest Rate Swap
- Overnight Index Swap
- IDR & USD Government Bonds
- IDR Corporate Bonds
- Dual Currency Investment
- Call Spread Option



BENEFIT & RISK

Benefit:

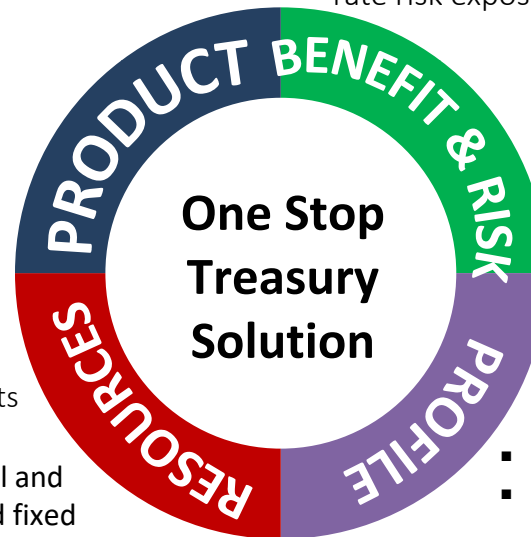
- Provide a series of banking services in fulfilling customer's FX requirement, ranging from plain FX to derivative product.
- Provide investment alternative for customers and diversify investment portfolio, i.e. bonds investment.
- Provide hedging instrument to cover foreign exchange and interest rate risk exposure.

Risk:

- Risk of fluctuation in exchange rate and interest rate changes
- Settlement risk
- Compliance risk

RESOURCES

- Experienced Treasury Sales team that are knowledgeable in Treasury products covering retail and corporate clients.
- Strong Economist team covering global and Indonesia macro economic update and fixed income market.
- Our Economist team publishes comprehensive economic reviews and has regular group discussion with regulators.
- Our Economist team was awarded by Focus Economics in 2021 and Consensus Economics in 2018.



TREASURY PROFILE

- One of major players in Onshore FX, Derivative, and Bonds market.
- One of **Primary Dealers** for Government Bonds.
- One of JIBOR contributors.
- Various channels available for dealing, i.e. recorded phone, Bloomberg Request For Quote (RFQ), and Eikon Messenger
- Experienced in serving Multi National Companies (MNC), State Owned Enterprise (SOE), big local corporations, offshore investors, and offshore banks.

Currency Coverage	USD	EUR	GBP	AUD	NZD	SGD	JPY
	CHF	CAD	HKD	CNH	SAR	THB	SEK