

ECONOMIC & MARKET COMMENTARY

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PT. Bank Negara Indonesia (Persero) Tbk.
New York Agency - Treasury Department

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Global Market Update



- Despite a more resilient economy in Q4, the Eurozone will struggle to gather momentum and the economy will be restrained, at least in the short term. As far as inflation, headline and core CPI jumped in January, although the rise should not be interpreted as an indication of sustained price growth across the Eurozone. The headline inflation rose 0.9% year over year, while core inflation picked up to 1.4% year over year in the first month of the year.

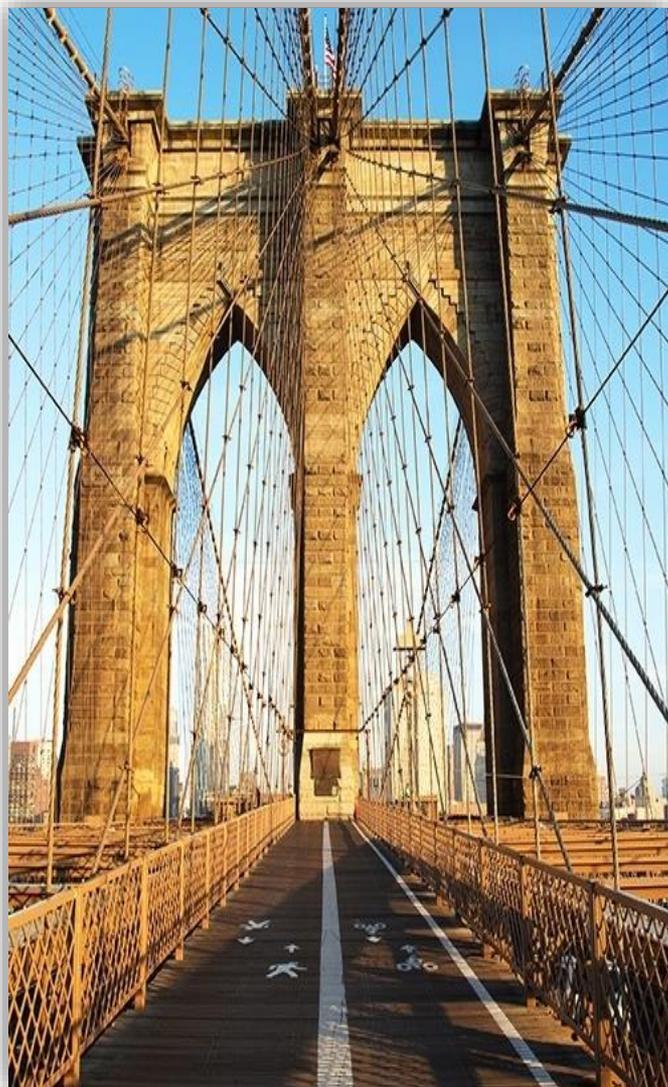


- In the UK, the FTSE All-Share index posted negative returns in January amid weakness in the financials, industrials and consumer goods sectors. Other sectors saw gains, with oil & gas and basic materials among the best performers. The roll-out of vaccines picked up speed but lockdown restrictions weighed on economic activity. The composite purchasing managers' index, a measure of service and manufacturing sector activity, fell to 40.6 in January from 50.4 in December.



- PMI data in China indicate renewed restrictions in small provinces outside of Beijing are having a modest impact on the Chinese economy. China's economy is still outperforming, but prolonged lockdowns could introduce risks to the economy.

US Market Update



FED Fund Rate : 0.25% (Jan 27, 2021 – No Change)
Next Meeting : March 17, 2021
Interest Rate on Excess Reserve : 0.10%



Current Account (% of GDP) as of Q3 2020 is -2.6%
vs -2.5% on Q2 2020



Trade balance as of December 2020 was -\$66.6bn
vs -\$69.0bn on November 2020



Unemployment Rate (%) as of January 2021 is 6.3% vs
6.7% on December 2020



Export YoY (%) December 2020 was -10.2% VS -12.7
November 2020 & Import YoY (%) December 2020 was -
0.2% VS 0.4 November 2020



Real GDP YoY as of Q4 2020 was -2.5% VS -2.8% in
Q3 2020



Gov't budget balance (% of GDP) as of January 2021
was -16.2% VS -15.6% on December 2020

US Market Update

- In January, with nonfarm payrolls increasing by 49,000 while the unemployment rate fell to 6.3%. The total number of unemployed is 10.1 million, which is lower than December.
- The S&P 500 was down 1.11% in January, bringing its one-year return to 15.15%. The Dow Jones Industrial Average lost 2.04% for the month and was up 6.11% for the one-year period. The S&P MidCap 400 increased 1.45% for the month and 16.59% for the one-year period.
- Market attention was concentrated on the January consumer price data, as inflation has come back into focus. There is renewed concern among market participants that inflation is about to take off once the economy re-opens and demand accelerates. But, such concerns have not yet meaningfully presented themselves in consumer price data, with the core consumer price index unchanged for the month of January.



ID Market Update

- In January 2021, core inflation increased to 0.14% (mtm) from 0.05% (mtm) in December 2020. The monthly increase primarily stemmed from rice with a side dish as a knock-on effect of inflationary pressures on volatile foods. Annually, however, core inflation of 1.56% (yoy) in January 2021 was relatively stable compared with 1.60% (yoy) in December 2020. Persistently low core inflation is linked to weak domestic demand, policy consistency by Bank Indonesia to anchor inflation expectations, maintained exchange rate stability as well as relatively stable international non-food prices.
- Indonesia's official reserve assets stood at USD138.0 billion as of end-January 2021, increased from USD135.9 billion as of end-December 2020. The position of official reserve assets was equivalent to finance 10.5 months of imports or 10.0 months of imports and servicing government's external debt, and well above the international adequacy standard of three months imports.
- Indonesia's trade balance maintained a surplus in January 2021 despite narrowing slightly to USD1.96 billion from USD2.1 billion the month earlier. Indonesia has, therefore, maintained a trade surplus since May 2020. Bank Indonesia is confident that the trade surplus will contribute to preserving external economic resilience in Indonesia.



Thank You

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