**INDONESIA: MONTHLY MONITORING**

**OCTOBER 2021**

**SUMMARY.** Optimism has begun to return as COVID-19 cases fell dramatically. The external position remains very strong, partly due to commodity prices. Revenue has held up well during the current COVID-19 surge and there are signs of reviving credit.

Covid-19. By end-September, mobility restrictions had brought COVID-19 cases down 95 percent from their July peak.

 

Real. These same restrictions reversed the growth trend underway before the current spike. PMI contracted again, and other key real sector indicators such as cement and truck sales and capital goods imports also declined. Inflation remains very subdued.

External. The August trade surplus reached US$4.7 billion. High prices for commodities such as coal and palm oil are a key driver. Portfolio inflows, mainly into bond, were strong with a US$ 1.3 billion capital inflow recorded in August. The rupiah appreciated by 1.3 percent in August, in line with improved global and domestic sentiment.

Fiscal: Revenue reached IDR1,177.6 trillion, growing 13.9 percent over last year’s total to August Non-oil and gas income tax and VAT were up 12.0 and 18.5 percent respectively. Expenditure grew 1.5 percent over Jan-Aug 2020, with capital expenditure very strong. The deficit reached 2.3 percent of GDP, and gross bond issuance IDR979.8 trillion. PEN realization as of September 17, 2021 reached IDR395.9 trillion or 53.2 percent of the target, led by social protection and health programs.

Financial and Monetary. The BI extended its accommodative policy stance while issuing new regulations on lending to SMEs. Domestic credit remains in contractionary territory but consumption loans and working capital are now growing. Bank profitability remains high.

**Indonesia: Growth, Inflation, and Balance of Payments**



**Indonesia: Fiscal and Financial**

