Summary of key economic developments

Indonesia’s real sector recorded weak outcomes in June with the Manufacturing Purchasing Manager’s Index (PMI) falling and the motorcycle and car sales growing much slower than May. On the prices side, headline inflation eased largely due to a slower increase of housing, electricity, gas and fuel prices. Core inflation remained stable, while administered price inflation continued to track downwards. Foreign exchange reserves were down from the end of May, partly due to repayment of external debts and Bank Indonesia’s attempts to manage currency volatility. Despite the intervention, the Rupiah depreciated against the USD. Other Indonesian financial assets also recorded weak outcomes with the Jakarta Composite Index posting losses and bond yields, on average, increasing across all tenors.

Further details

- **The Nikkei/Markit Indonesia Manufacturing Purchasing Managers’ Index declined from 51.7 in May 2018 to 50.3 in June 2018.** The fall was due to slower growth in output and new orders. However, employment increased for the first time in three months.

- **Motorcycle and car sales dropped 1.2 percent yoy and 11.2 percent in June 2018, respectively, after growing by 10.9 percent and 6.8 percent, respectively, in May.**

- **Headline inflation eased to 3.1 percent yoy in June from 3.2 percent in May.** Prices increased at a softer pace despite the festive holidays, especially housing, electricity, gas and fuel prices. Administered price inflation also eased to 2.9 percent from 3.6 percent, while core inflation remained stable at 2.7 percent in June.

- **The Consumer Confidence Index surged up to 128.1 in June from 125.1 in May.** The increase was mostly driven by an improvement in the gauge of current and future economic conditions, current employment prospects and an increase in the purchase of durable goods. However, consumer confidence about price expectations decreased.

- **The trade deficit shrank slightly to USD 1.5 billion in May from a deficit of USD 1.6 billion in April.** Exports grew by 12.5 percent yoy, largely due to an increase in mining exports, while growth of imports was 28.1 percent yoy, mainly due to an increase in raw oil and gas imports, on the back of increases in commodity prices.

- **Official reserve assets declined by USD 3.1 billion to USD 119.8 billion at the end of June 2018.** The decline in reserves in June was mainly due to external debt repayments and Bank Indonesia’s efforts to keep the Rupiah stable.

- **Indonesian financial assets recorded weak outcomes in the 30 days to July 9, 2018.** The Rupiah depreciated by 3.1 percent against the U.S. dollar. Bond yields, on average, increased across all tenors. The Jakarta Composite Index declined by 3.1 percent.

- **Bank Indonesia (BI) raised its 7-Day Reverse Repo Rate by 50 basis points to 5.25 percent. BI also raised the Deposit Facility and Lending Facility rates by the same amount to 4.50 percent and 6.00 percent, respectively, effective on 29 June 2018.**

- **BI also announced that it is easing the down-payment requirements for mortgage loans to compensate for the interest rate hike, effective on 01 August 2018.**

- **The Government established a private investment firm to help state-owned enterprises (SOEs) fund infrastructure projects, so that the country would no longer rely solely on the state budget and funds from SOEs.**