

PIER Snapshot: Jan-25 BI-Rate

15 January 2025

Indicators	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Jan-25
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.00	6.00	5.75
Deposit Facility Rate (%)	4.25	3.00	2.75	4.75	5.25	5.25	5.50	5.25	5.25	5.00
Inflation Rate (%yoy)	2.72	1.68	1.87	5.51	2.81	3.05	2.51	1.84	1.57	
Core Inflation Rate (%yoy)	3.02	1.60	1.56	3.36	1.82	1.77	1.90	2.09	2.26	

Bank Indonesia cut BI-Rate by 25bps, citing a lowered GDP projection

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- **Bank Indonesia (BI) opted to reduce policy rate in the Jan-25 meeting, raising concerns about domestic growth.**

At its Jan-25 meeting (RDG), BI reduced the BI-rate by 25bps, from 6.00% to 5.75%. We actually had already observed the potential for a rate cut by BI in the Dec-24 meeting, given the weaker inflation and domestic demand indicators. However, BI chose to maintain the rate at that time and postpone the cut until Jan-25. According to BI, there are downside risks to domestic growth for 2025. BI has revised its 2024 GDP growth forecast to slightly below the midpoint of the 4.70% - 5.50% range and downgraded its 2025 projection from 4.80% - 5.60% to 4.70% - 5.50%. The lower growth outlook is attributed to risks stemming from exports and investment, driven by global growth weakening and the potential for a Trade War 2.0 amidst the US president-elect Donald Trump's inward-facing policies. Additionally, BI expressed concerns about inflationary pressures in 2025, particularly following the government's decision to exclude most goods and services from the VAT rate hike, thereby increasing the room for further rate cut. On Rupiah stability, while global uncertainties persist in the global financial markets, BI noted that the risks to the Rupiah were more measurable than in the previous month due to greater clarity on the Fed and US government's policy stance. Consequently, BI believes Rupiah stability can be maintained despite this month's rate cut.

- **Recent developments in Indonesia's banking sector.**

Loan growth in Dec-24 was recorded at 10.39%yoy, a slight decline from the previous month's 10.79%yoy increase. Compared to Dec-23, the growth at the end of 2024 was deemed stagnant, as 2023 also saw a 10.39%yoy rise in loans. Investment loans remained the primary driver of loan growth, increasing by 13.62%yoy, followed by consumer loans and working capital loans, which grew by 10.61%yoy and 8.35%yoy, respectively. Conversely, loan growth to Micro, Small, and Medium Enterprises (MSMEs) continued to ease, down from 4.02%yoy to 3.37%yoy. BI estimates loan growth for 2025 to strengthen to 11% - 13%. As of Nov-24, the banking sector's overall Non-Performing Loan (NPL) ratio remained stable at 2.19% (gross), showing a slight improvement from 2.20% (gross) in Oct-24..

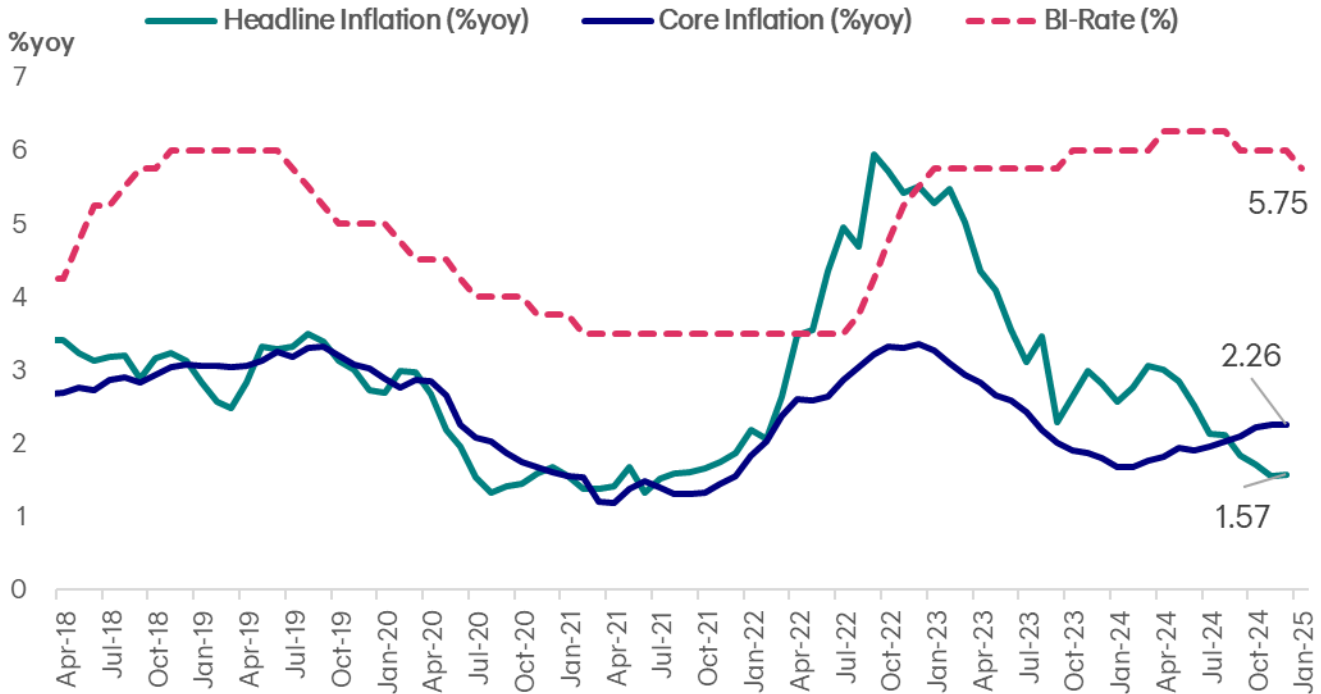
- **Our PIERspectives on BI's monetary policy.**

According to BI's Jan-25 meeting, BI stated that there remains room for further rate cuts in 2025; however, any such action will be highly dependent on both global and domestic economic data. Yet, given the continued uncertainty driven by risks related to trade and currency wars, we maintain our projection that the BI-rate will remain at 5.75% through the end of 2025. Additionally, both the markets and BI anticipate that the Fed may only reduce the Federal Funds Rate (FFR) by 25bps in the second half of 2025, which will keep the risks to the Rupiah's stability elevated throughout the year. Furthermore, the widening current account deficit (CAD) increases the risk of a twin deficit, particularly in light of the "pro-growth" fiscal policies under President Prabowo's administration against the background of Trade War 2.0, which will further constrain BI's ability to reduce its policy rate.

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15 January 2025

BI-Rate and Inflation (%)



Source: Statistic Indonesia & PIER

YtD Comparison of Asian Currencies

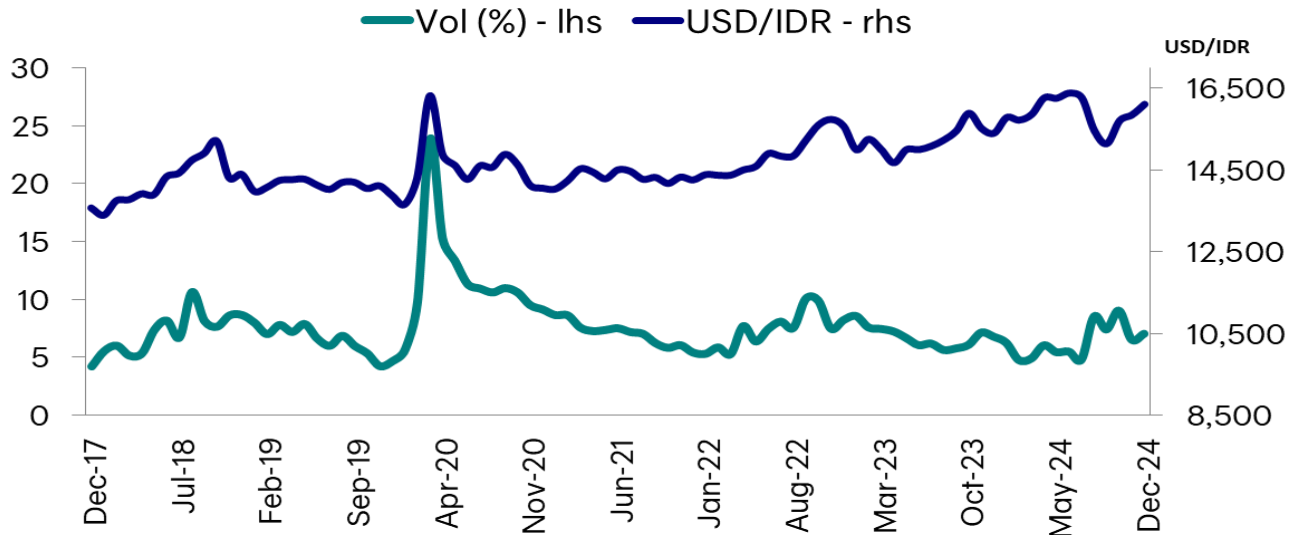


Source: Bloomberg

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15 January 2025

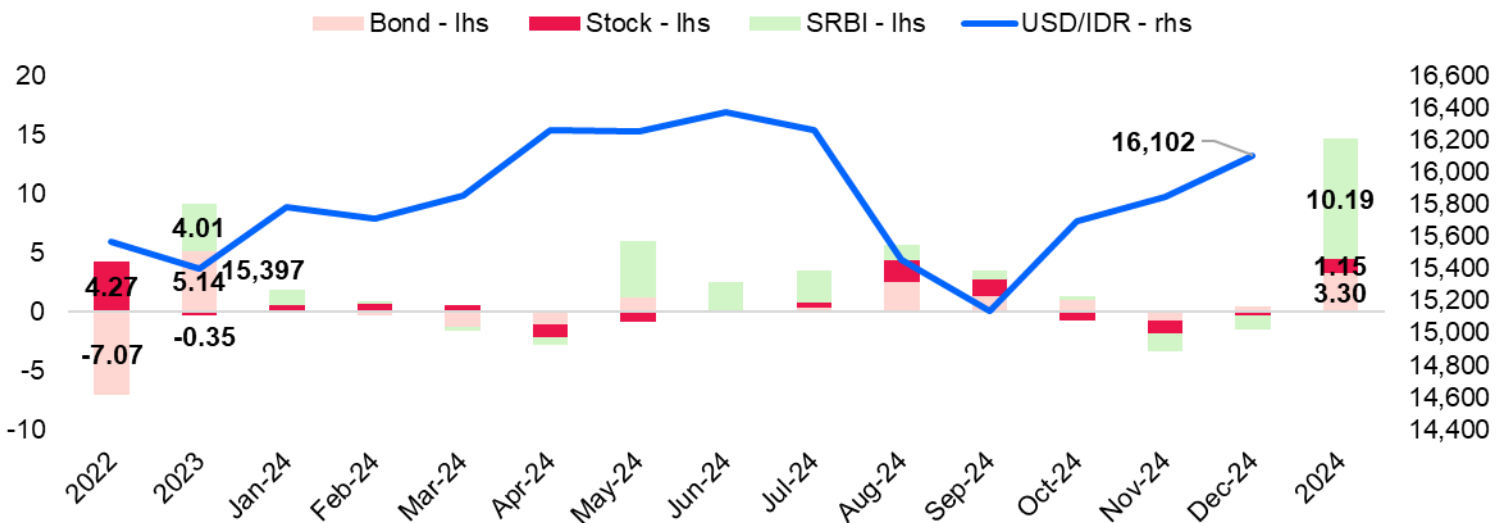
USD/IDR and Volatility



Source: Bloomberg & PIER

Foreign Flows in Indonesia's Capital Market (USD bn)

Portfolio Flow in 2024



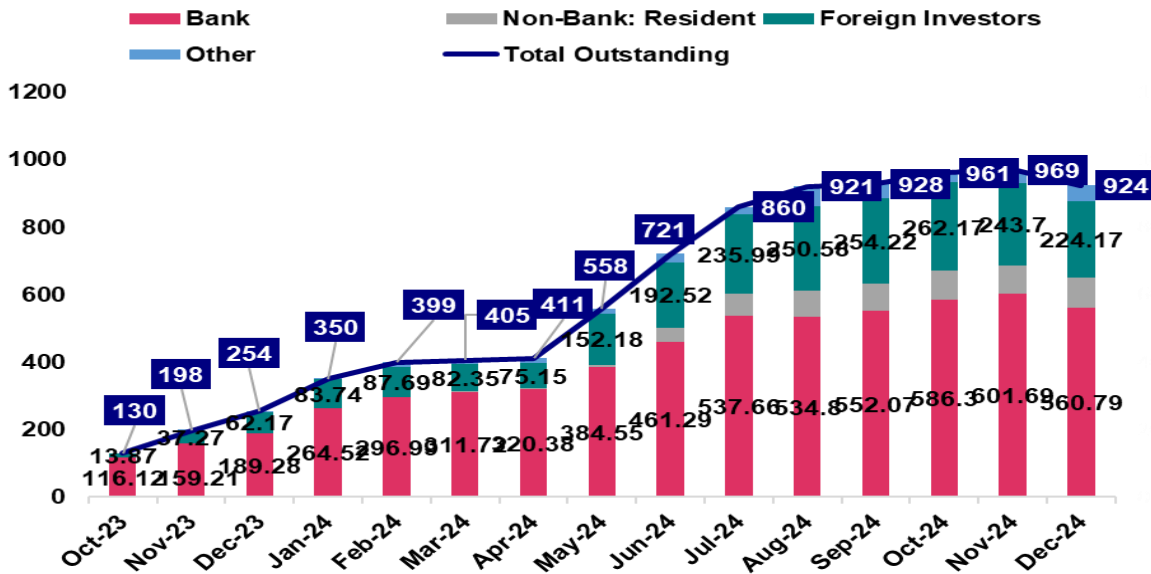
Source: Bloomberg, BI, & PIER

PIER Snapshot: Jan-25 BI-Rate

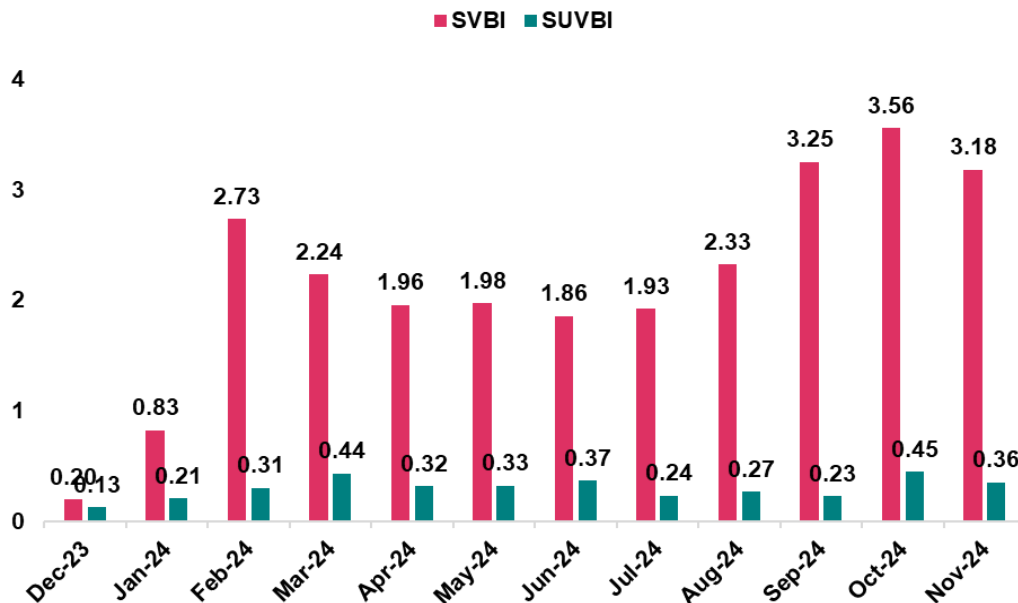
15 January 2025

SRBI, SVBI, and SUVBI

Ownership of SRBI (IDR tn)



Outstanding of SVBI and SUVBI (USD bn)



Source: Bank Indonesia and PIER

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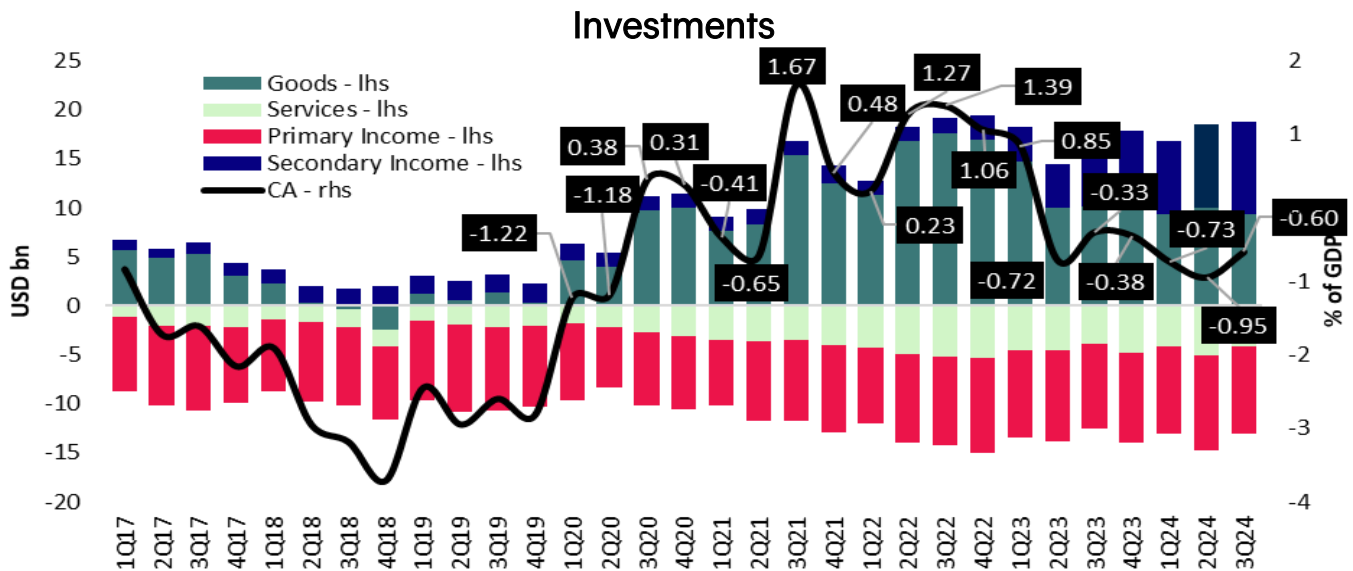
15 January 2025

Deeper Import Contraction Caused a Surge in Trade Surplus

(in \$mn)	Exports			Imports			Trade Balance		
	TOTAL	Non Oil&Gas Export	Oil&Gas Export	TOTAL	Non Oil&Gas Import	Oil&Gas Import	TOTAL	Non Oil&Gas Balance	Oil&Gas Balance
FY2019	167,683	155,894	11,789	171,276	149,390	21,885	-3,593	6,503	-10,096
FY2020	163,192	154,941	8,251	141,569	127,312	14,257	21,623	27,629	-6,006
FY2021	231,609	219,362	12,248	196,190	170,661	25,529	35,420	48,701	-13,282
FY2021	231,609	219,362	12,248	196,190	170,661	25,529	35,420	48,701	-13,282
FY2022	291,904	275,906	15,998	237,447	197,031	40,416	54,457	78,875	-24,418
FY2023	258,774	242,853	15,922	221,886	186,056	35,830	36,888	56,797	-19,909
Jan-24	20,493	19,096	1,398	18,495	15,796	2,698	1,999	3,299	-1,301
Feb-24	19,273	18,056	1,217	18,440	15,461	2,980	833	2,595	-1,763
Mar-24	22,538	21,253	1,285	17,961	14,635	3,327	4,577	6,618	-2,041
Apr-24	19,615	18,265	1,350	16,896	13,911	2,984	2,719	4,354	-1,634
May-24	22,326	20,906	1,419	19,400	16,651	2,748	2,926	4,255	-1,329
Jun-24	20,845	19,614	1,231	18,450	15,180	3,271	2,395	4,434	-2,039
Jul-24	22,237	20,814	1,423	21,736	18,179	3,558	501	2,636	-2,135
Aug-24	23,440	22,237	1,204	20,665	18,017	2,648	2,775	4,220	-1,445
Sep-24	22,056	20,905	1,151	18,825	16,296	2,529	3,231	4,609	-1,378
Oct-24	24,422	23,076	1,345	21,938	18,272	3,666	2,483	4,804	-2,321
Nov-24	23,998	22,684	1,314	19,632	17,061	2,570	4,367	5,623	-1,256
Dec-24	23,461	21,922	1,539	21,222	17,925	3,297	2,239	3,996	-1,757
FY2024	264,703	248,826	15,877	233,660	197,384	36,275	31,044	51,442	-20,398
Growth	2.3	2.5	-0.3	5.3	6.1	1.2			

Source: Statistics of Indonesia and PIER

The 3Q24 BoP Recorded a Surplus, Attributable to a Substantial Influx of Portfolio Investments



Source: Bank Indonesia & PIER

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15 January 2025

PIER's Economic & Market Forecast (as of 13-Jan-25)

	2019	2020	2021	2022	2023	1Q24	2Q24	3Q24	4Q24F	2024F	1Q25F	2Q25F	3Q25F	4Q25F	2025F	2026F	2027F
National Account																	
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.11	5.05	4.95	5.00	5.02	5.12	5.10	5.11	5.10	5.11	5.21	5.28
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	4.91	4.93	4.91	4.92	4.92	5.02	5.00	5.02	5.00	5.01	5.12	5.17
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	19.91	1.42	4.62	4.67	6.54	3.97	5.25	5.78	6.02	5.37	6.08	6.16
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	3.79	4.43	5.15	4.58	4.50	4.85	5.03	5.18	5.34	5.11	5.73	6.27
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	1.44	8.18	9.09	9.95	7.21	6.44	-4.99	-10.86	-6.86	-4.32	-1.64	7.95
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	1.46	7.79	11.47	11.36	8.09	8.47	-2.99	-8.97	-6.88	-2.93	0.04	10.06
Nominal GDP (IDR tn) - nominal	15,832.66	15,443.35	16,976.75	19,588.09	20,892.38	5,288.49	5,536.50	5,638.89	5,652.83	22,116.71	5,653.94	5,924.77	6,051.16	6,071.39	23,701.25	25,468.14	27,432.94
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.72	342.37	356.92	355.94	1,392.95	347.39	357.28	361.61	364.68	1,430.96	1,568.22	1,737.25
Inflation & Unemployment																	
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.79	2.78	2.03	1.61	2.30	1.79	1.91	2.20	2.31	2.05	2.25	2.44
Headline Inflation Rate (2022=100, % yoy, eop)	2.59	1.68	1.87	5.41	2.81	3.05	2.51	1.84	1.57	1.57	2.13	1.99	2.26	2.33	2.33	2.44	2.71
Unemployment Rate (%)	5.18	7.07	6.49	5.86	5.32	4.82	4.82	4.91	4.91	4.91	5.03	5.03	5.03	5.03	5.03	4.98	4.93
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.04	-0.34	-1.08	-2.29	-2.29							
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.69	7.07	6.45	7.00	7.00	7.37	7.47	7.52	7.30	7.30	7.07	6.67
External Sector																	
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.41	8.04	6.51	7.32	29.28	6.44	6.32	5.92	6.40	25.08	17.40	16.11
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.27	9.29	10.03	9.29	9.35	37.97	8.47	8.35	7.95	8.43	33.21	25.53	18.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-2.15	-2.48	-3.25	-2.15	-1.76	-9.64	-3.15	-5.05	-4.56	-4.13	-16.90	-26.34	-36.56
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.16	-0.73	-0.95	-0.60	-0.49	-0.69	-0.91	-1.41	-1.26	-1.13	-1.18	-1.68	-2.10
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	140.18	149.92	155.72	155.72	154.10	151.69	152.79	154.11	154.11	153.41	152.21
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,295	15,618	15,881	15,895	16,275	16,583	16,734	16,649	16,560	16,246	15,794
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,375	15,140	16,102	16,102	16,382	16,653	16,761	16,502	16,502	15,994	15,670
Commodity Price																	
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	135.1	145.8	129.8	129.8	112.1	107.2	105.3	101.0	101.0	99.4	96.6
CPO Price (USD/MT)	763.7	1,016.4	1,270.3	940.4	797.8	942.9	873.7	932.6	1,189.7	1,189.7	952.5	923.6	895.2	880.3	880.3	870.1	820.1
Oil Price (USD/BBL)	65.85	49.87	74.31	80.90	77.9	85.5	82.6	80.9	73.8	73.8	78.2	79.8	80.2	74.4	74.4	82.9	82.4
Interest Rate																	
Fed Funds Rate (%)	1.75	0.25	0.25	4.50	5.50	5.50	5.50	5.00	4.50	4.50	4.50	4.25	4.25	4.00	4.00	3.75	3.50
Real Sector																	
Car Sales (Unit)	1,030,126	532,027	887,202	1,048,040	1,005,802	215,250	194,768	223,197	232,508	865,723	178,851	226,285	225,816	231,587	862,539	883,893	912,456
Car Sales (% yoy)	-10.5	-48.4	66.8	18.1	-4.0	-23.8	-13.0	-10.5	-7.0	-13.9	-16.9	16.2	1.2	-0.4	-0.4	2.5	3.2
Motorcycles Sales (Unit)	6,487,460	3,660,616	5,057,516	5,221,470	6,236,992	1,735,090	1,435,904	1,701,502	1,460,814	6,333,310	1,480,153	1,610,707	1,621,798	1,501,844	6,214,502	6,254,257	6,554,351
Motorcycles Sales (% yoy)	1.6	-43.6	38.2	3.2	19.4	-4.9	4.2	12.0	-3.6	1.5	-14.7	12.2	-4.7	2.8	-1.9	0.6	4.8

Note:

 : quarterly realization

Source: Permata Institute for Economic Research (PIER)

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