

# PIER Snapshot: Jun-24 BI-Rate

20 June 2024

Indicators	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Mar-24	Apr-24	May-24	Jun-24
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.25	6.25
Deposit Facility Rate (%)	4.25	3.00	2.75	4.75	5.25	5.25	5.50	5.50	5.50
Inflation Rate (%yoy)	2.72	1.68	1.87	5.51	2.81	3.05	3.00	2.84	
Core Inflation Rate (%yoy)	3.02	1.60	1.56	3.36	1.82	1.77	1.82	1.93	

## Bank Indonesia Maintained BI-rate at 6.25%, Refining Countercyclical Macroprudential Policy to Ensure Rupiah Stability

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- **Bank Indonesia (BI) kept the policy rate steady at 6.25%.**

BI maintained the policy rate at 6.25% during its Jun-24 meeting, amidst increasing uncertainty in the financial market. According to BI Governor, Perry Warjiyo, the current pressure on the Rupiah is only temporary. He attributed the Rupiah's volatility in Jun-24 to uncertainty in the global financial market, a seasonal increase in corporate demand for US Dollars, and concerns over Indonesia's fiscal sustainability. Given that these factors are transient, BI anticipates that the Rupiah's volatility will subside in the coming months.

- **BI is enhancing the Bank Foreign Funding Ratio (RPLN) instrument to improve the management of foreign funding.**

RPLN is BI's countercyclical macroprudential tool designed to enhance the management of banks' short-term foreign funding sources. This policy regulates the maximum limit of short-term foreign funding relative to bank capital, which can be adjusted according to BI's countercyclical parameters based on a forward-looking assessment of the financial cycle, external risks, and financial system risks. The RPLN threshold is set at 30%, with a countercyclical parameter of 0% or  $\pm 5\%$ . This policy will take effect on 1-Aug-24.

- **Updates on Indonesia's banking sector.**

Loan growth in May-24 registered an annual increase of 12.15%yoy, slightly down from 13.09%yoy in the previous month. The corporate and consumer sectors continued to drive strong loan growth in May-24. Investment, working capital, and consumer loan growth recorded annual increases of 14.80%yoy, 11.69%yoy, and 10.47%yoy, respectively. Conversely, MSME loan growth decelerated to 6.74%yoy in May-24, down from 7.30%yoy in the previous month. The growth of Third-Party Funds (TPF) continued to accelerate, reaching 8.63%yoy compared to 8.21%yoy in the prior month. The Non-Performing Loan (NPL) ratio rose to 2.33% in Apr-24 from 2.25% in Mar-24 (gross), while the Capital Adequacy Ratio (CAR) remained high at 25.78% in Apr-24. BI maintained its loan growth projection for 2024, estimating an increase of 10 – 12%.

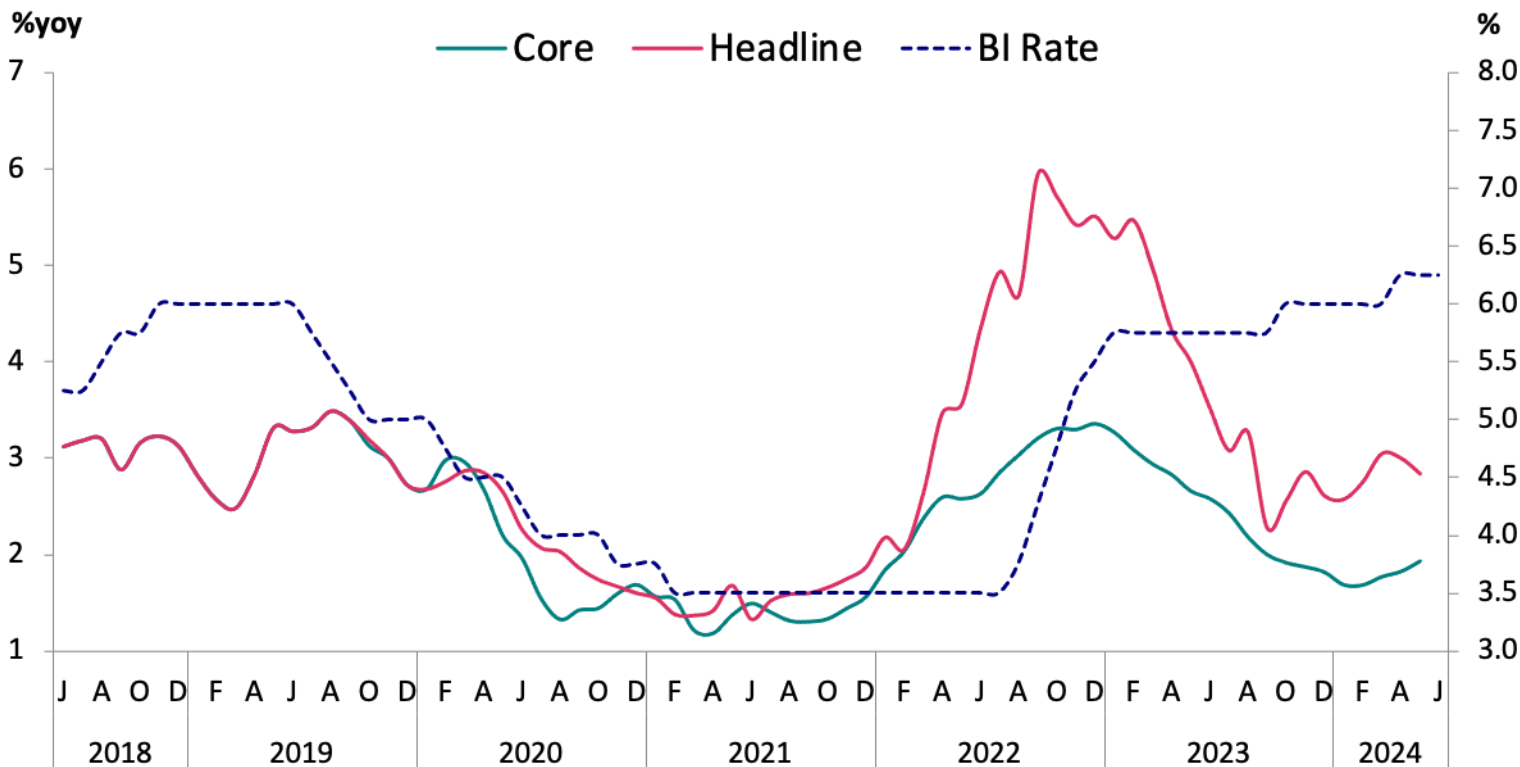
- **Our PIERpective on BI's monetary policy.**

During the Jun-24 FOMC meeting, the Fed adjusted its policy rate outlook, indicating an intention to reduce FFR by only 25bps in 2024. Consequently, pressure on the Rupiah is expected to ease towards the end of the year. We anticipate that the first FFR cut will occur in Dec-24, effectively ruling out any rate cut possibility from BI this year. We maintain our projection that the BI-rate will remain at 6.25% through the end of 2024, with potential for a rate cut in 1Q25.

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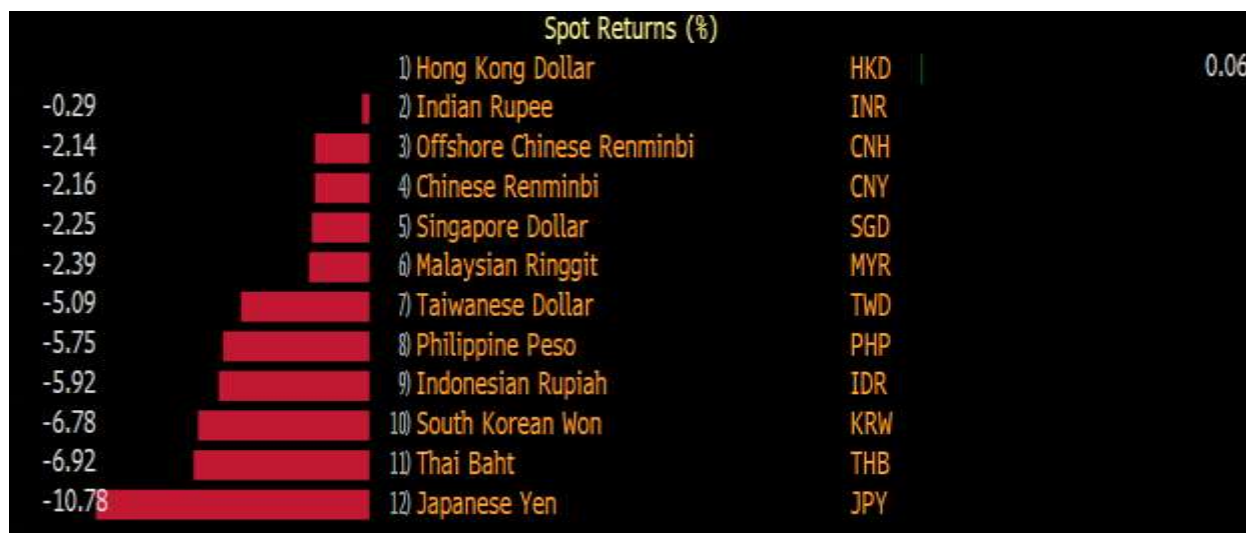
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## BI-Rate and Inflation (%)



Source: Statistic Indonesia & PIER

## YtD Comparison of Asian Currencies

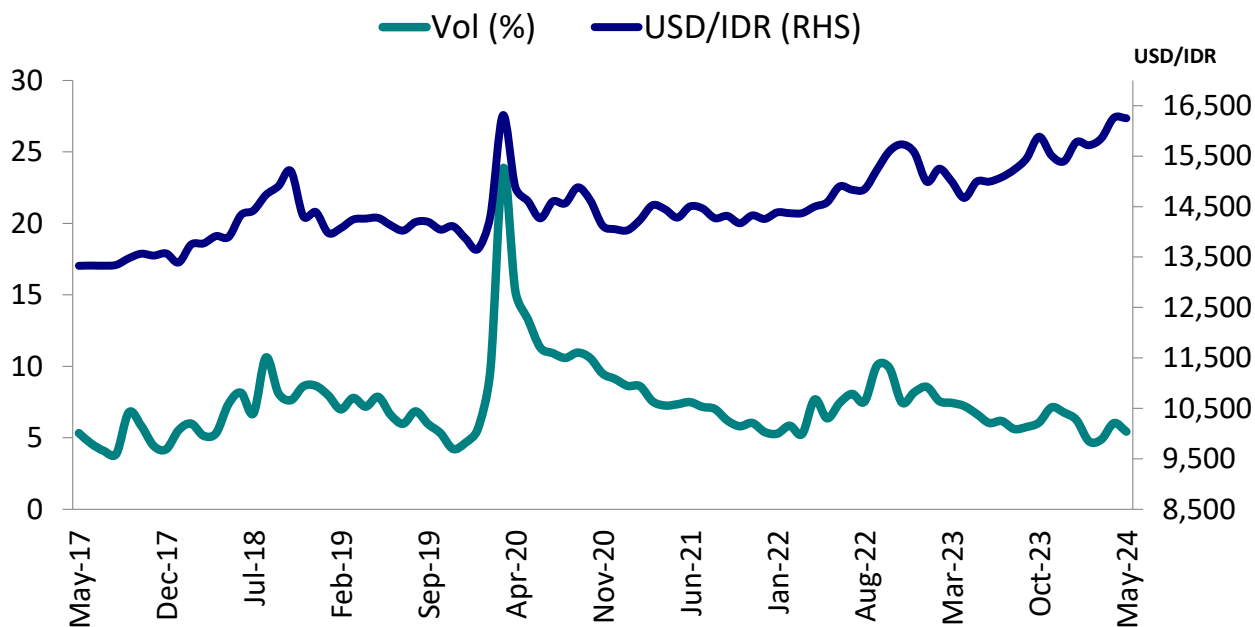


Source: Bloomberg

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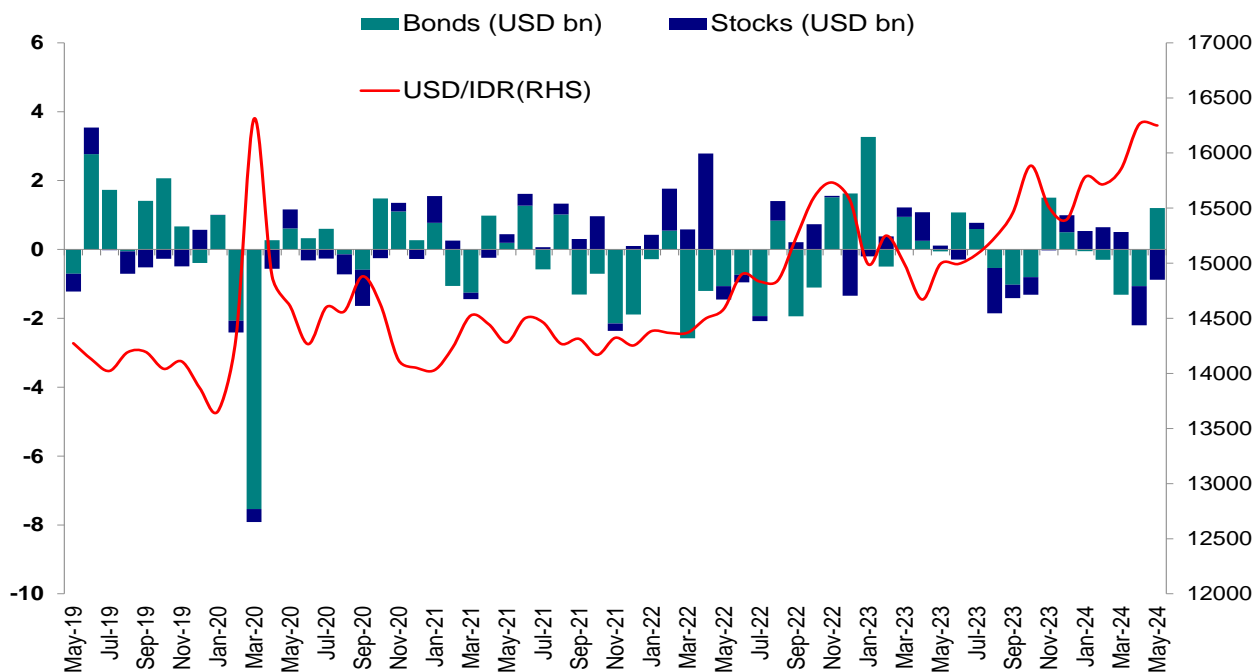
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## USD/IDR and Volatility



Source: Bloomberg & PIER

## Foreign Flows in Indonesia's Capital Market (USD mn)



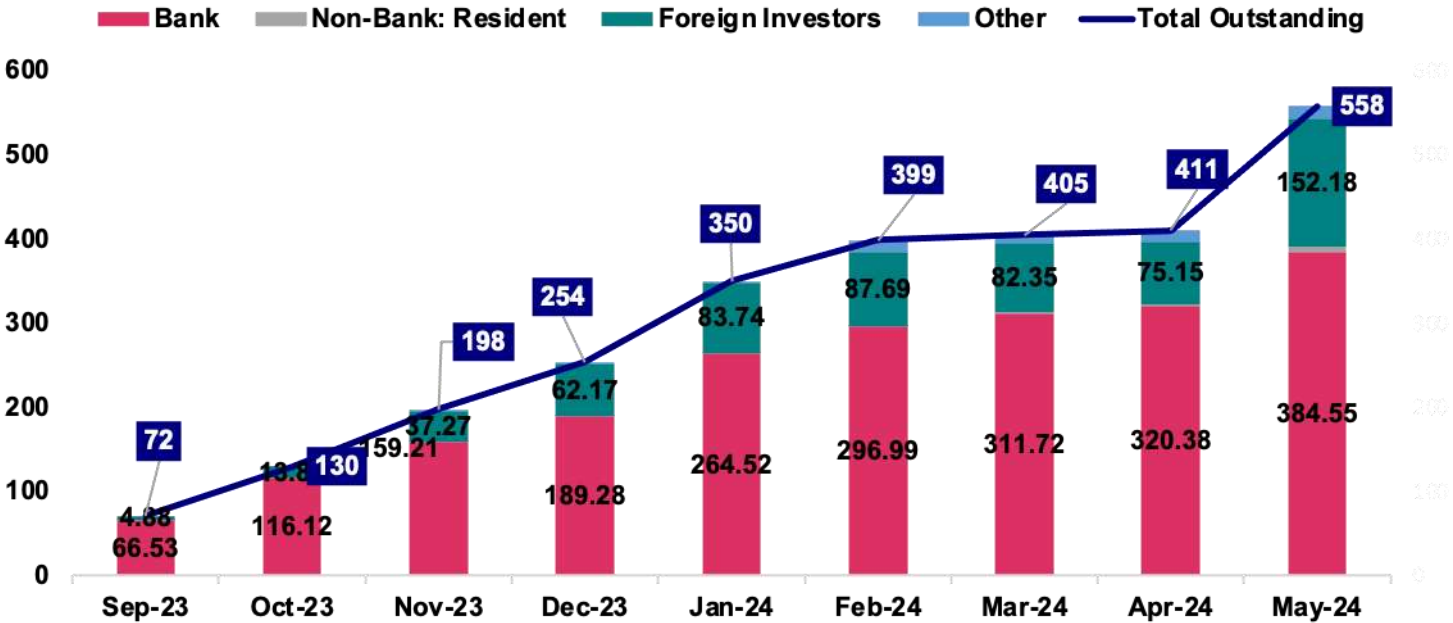
Source: Bloomberg & PIER

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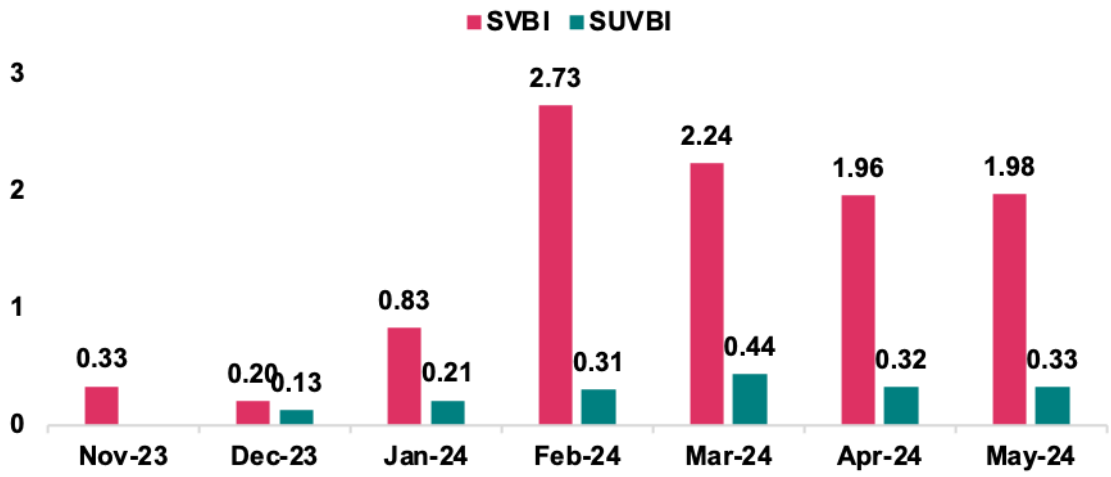
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## SRBI, SVBI, and SUVBI

### Ownership of SRBI (IDR tn)



### Outstanding of SVBI and SUVBI (USD bn)



Source: Bank Indonesia & PIER

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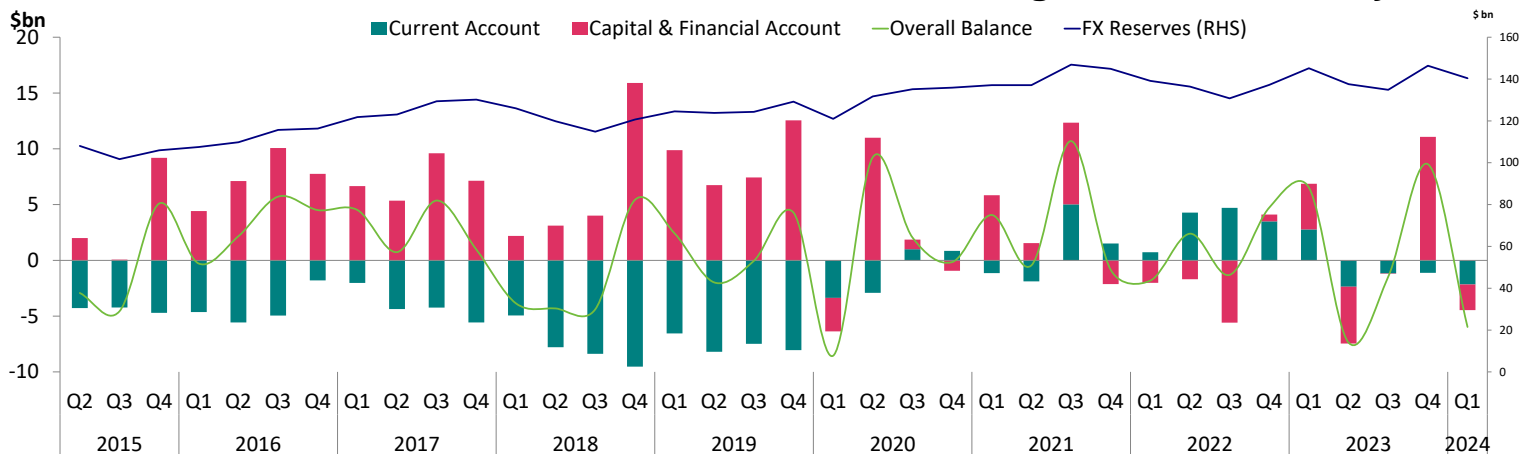
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### Trade Activities Improved Following Normalization of Economic Activities

(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
FY2018	180,013	162,841	17,172	188,711	158,842	29,869	-8,699	3,999	-12,697
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	258,797	242,875	15,923	221,886	186,056	35,830	36,911	56,819	-19,908
Jan-24	20,494	19,097	1,398	18,495	15,796	2,698	2,000	3,300	-1,301
Feb-24	19,274	18,057	1,217	18,440	15,461	2,980	833	2,596	-1,763
Mar-24	22,539	21,254	1,285	17,961	14,635	3,327	4,578	6,619	-2,041
Apr-24	19,616	18,265	1,350	16,896	13,911	2,984	2,720	4,354	-1,634
May-24	22,327	20,910	1,419	19,400	16,652	2,748	2,927	4,258	-1,329
Jan-May-23	108,052	101,472	6,580	91,577	77,160	14,418	16,475	24,312	-7,838
Jan-May-24	104,249	97,582	6,669	91,191	76,454	14,737	13,058	21,128	-8,068
Growth	-3.5	-3.8	1.4	-0.4	-0.9	2.2			

Source: Statistics of Indonesia & PIER

### 1Q24 Current Account Deficit Widened Amid Rising Global Uncertainty



Source: Bank Indonesia & PIER

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### PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
<b>National Account</b>												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.11	5.10	5.05	5.00	5.07	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	4.91	4.88	4.95	5.00	4.93	5.10	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	19.90	6.89	4.81	5.05	8.07	5.49	6.08
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	3.79	3.63	3.79	4.89	4.04	5.83	6.62
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	0.50	-1.09	1.27	4.95	1.50	9.61	10.41
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	1.77	-0.95	2.88	6.36	2.60	11.80	12.63
Nominal GDP (IDR tn) - nominal	15,832.66	15,443.35	16,976.75	19,588.09	20,892.38	5,288.29	5,655.74	5,727.73	5,731.44	22,403.21	24,266.91	26,317.21
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.70	346.45	353.39	354.71	1,392.25	1,534.97	1,732.43
<b>Inflation &amp; Unemployment</b>												
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.79	3.10	3.15	3.07	3.03	3.15	3.18
Headline Inflation Rate (2022=100, % yoy, eop)	2.59	1.68	1.87	5.41	2.81	3.05	3.18	3.12	3.08	3.08	3.25	3.15
Unemployment Rate (%)	5.18	7.07	6.49	5.86	5.32	4.82	4.82	4.94	4.94	4.94	5.03	4.93
<b>Fiscal Condition</b>												
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.04	-0.30	-0.75	-2.18	-2.18	-2.56	-2.84
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.73	7.25	7.16	7.10	7.10	6.39	5.87
<b>External Sector</b>												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.31	6.11	5.44	6.52	25.38	23.41	17.22
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.45	9.82	8.13	7.44	7.84	33.23	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-1.88	-2.16	-3.97	-3.91	-3.06	-13.10	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.14	-0.64	-1.15	-1.11	-0.86	-0.94	-1.22	-1.54
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	131.99	132.52	140.42	140.42	140.77	144.21
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,325	16,208	16,158	16,119	15,817	15,201
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,235	16,245	16,121	16,121	15,595	14,897
<b>Commodity Price</b>												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	124.4	121.0	117.5	117.5	103.8	90.3
CPO Price (USD/MT)	763.7	1,016.4	1,270.3	940.4	797.8	942.9	813.7	821.7	829.6	829.6	818.0	808.3
Oil Price (USD/BBL)	65.85	49.87	74.31	80.90	77.9	85.5	81.0	80.7	80.3	80.3	78.9	82.0
<b>Interest Rate</b>												
Fed Funds Rate (%)	1.75	0.25	0.25	4.50	5.50	5.50	5.50	5.50	5.25	5.25	4.50	3.75
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.25	6.25	6.25	5.50	4.75
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.28	9.34	9.40	9.41	9.41	8.97	8.30
<b>Banking Sector</b>												
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	12.40	10.58	10.69	10.79	10.79	11.34	11.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	7.44	6.28	8.15	10.57	10.57	9.39	9.22
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.2	86.1	85.9	84.0	84.0	85.5	87.5
<b>Real Sector</b>												
Car Sales (Unit)	1,030,126	532,027	887,202	1,048,040	1,005,802	215,069	202,128	252,240	279,733	949,170	1,071,763	1,144,675
Car Sales (% yoy)	-10.5	-48.4	66.8	18.1	-4.0	-1.0	-9.7	1.2	25.4	4.2	2.3	6.8
Motorcycles Sales (Unit)	6,487,460	3,660,616	5,057,516	5,221,470	6,236,992	1,735,090	1,026,925	1,604,918	1,502,065	5,868,997	6,300,894	6,436,790
Motorcycles Sales (% yoy)	1.6	-43.6	38.2	3.2	19.4	17.6	-25.5	5.6	-0.9	0.7	0.4	2.2

Source: Permata Institute for Economic Research (PIER)



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