

PIER Snapshot: Mar-24 BI-Rate

22 May 2024

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

BI Maintained BI-Rate at 6.25% to Kept Rupiah's Stability

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- **BI kept interest rate Steady at 6.25%.**

Bank Indonesia (BI) held BI-rate at 6.25% in the May-24 meeting as BI remained cautious on global uncertainty. BI stated that maintaining policy rate was 'pre-emptive and forward looking' policy to keep Rupiah's stability and inflation level. BI affirmed that macroprudential policy stance remain 'pro-growth', while monetary policy stance tends to be 'pro-stability'. Currently, BI still expects that the Fed would cut interest rate by 25bps in 2024, thus BI still kept current policy rate unchanged.

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

Loan growth in Apr-24 recorded 13.09%yoy from 12.04%yoy in a month earlier, supported by BI's Macroprudential Liquidity Policy Incentives (KLM) policy, which increased banking sector liquidity. Corporate and household loan became the main contributors of strong loan growth in Apr-24. Investment, working capital, and consumer loan growth rose by 15.69%yoy, 13.25%yoy, and 10.34%yoy, respectively. On the other side, MSME loan only grew by 7.30%yoy. The Third-Party Fund (TPF) growth in the reporting period recorded 8.21%yoy from 7.44%yoy in the previous month, reflecting ample liquidity condition in banking sectors. Non-Performing Loan (NPL) in Mar-24 decreased to 2.25% (gross) from 2.35% (gross) in Feb-24, while Capital Adequacy Ratio (CAR) in Mar-24 remained high at 25.96%. BI expected that loan growth in 2024 would be ranging around 10-12%yoy.

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

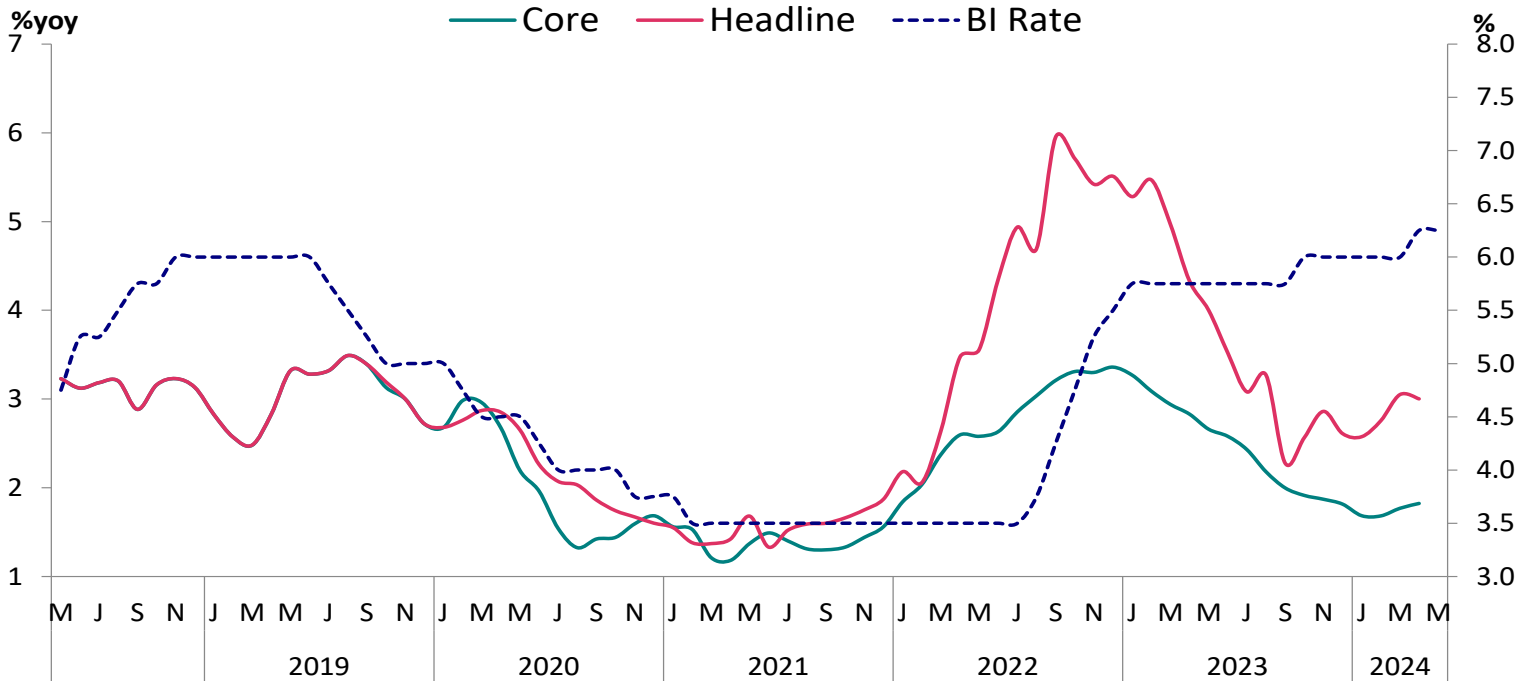
We expect that BI's future monetary policy direction regarding policy rates will be highly dependent on developments in the global economy, particularly in the US economic condition and the geopolitical situation in the Middle East. Prior to the Apr-24 meeting, BI indicated that its decision to cut the BI-rate would not be influenced by the Fed's policy rate decisions. However, during the Apr-24 meeting, BI's stance seemed to shift. We now anticipate that future BI-rate movements will be heavily influenced by the Fed's policy rate changes. The opportunity for BI-rate cuts will arise once the Fed begins reducing its policy rates.

Therefore, since we anticipate that the Fed will only reduce the Fed Funds Rate by 25bps in Dec-24, we expect BI to maintain the BI-rate at the current level of 6.25% until the end of 2024. This suggests that the room for BI rate cuts would be open in 1H-2025.

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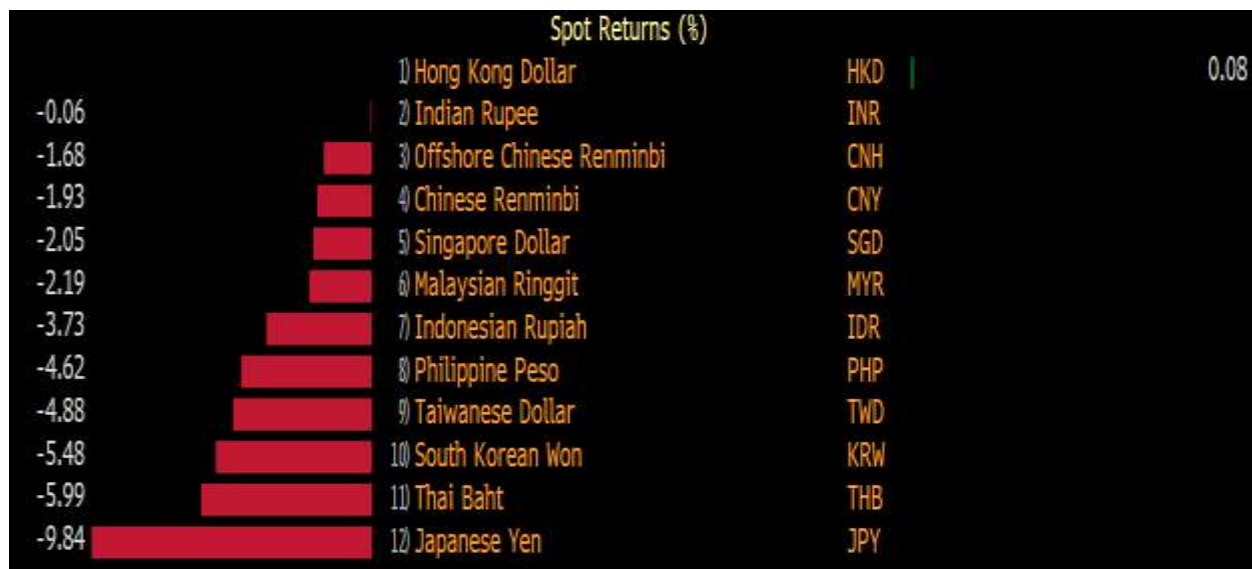
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BI-Rate and Inflation (%)



Source: Statistic Indonesia & PIER

YtD Comparison of Asian Currencies

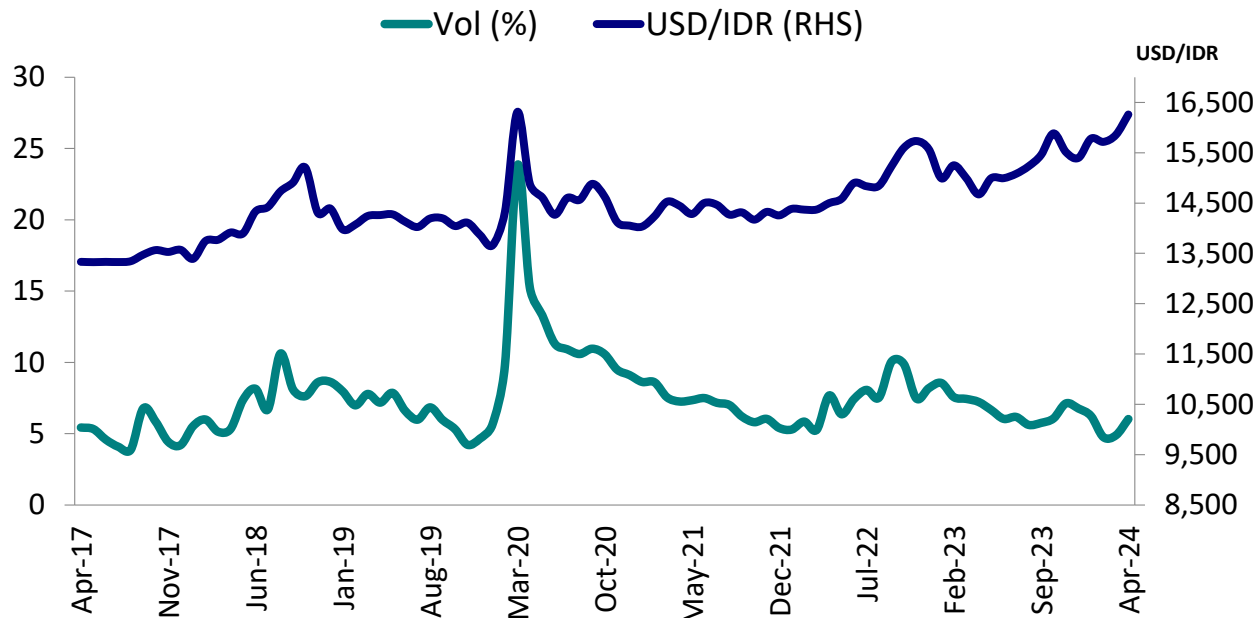


Source: Bloomberg

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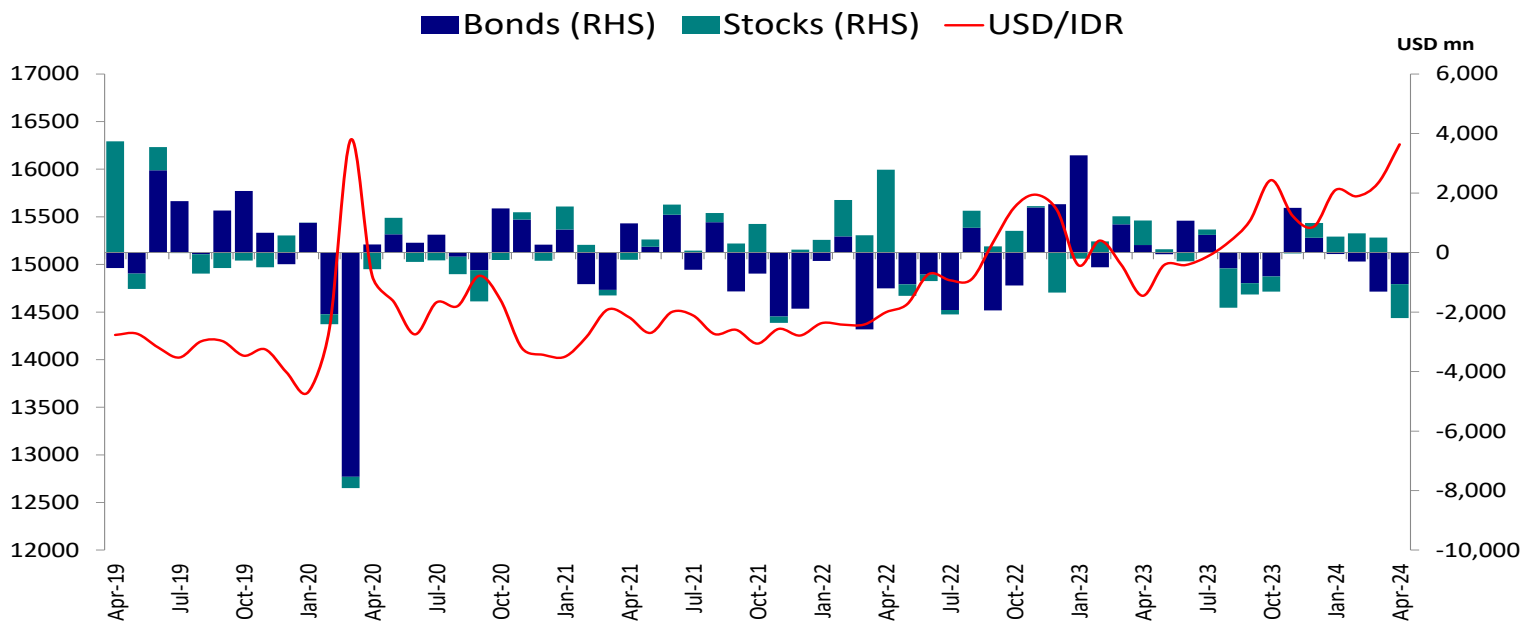
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USD/IDR and Volatility



Source: Bloomberg & PIER

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



Source: Bloomberg & PIER

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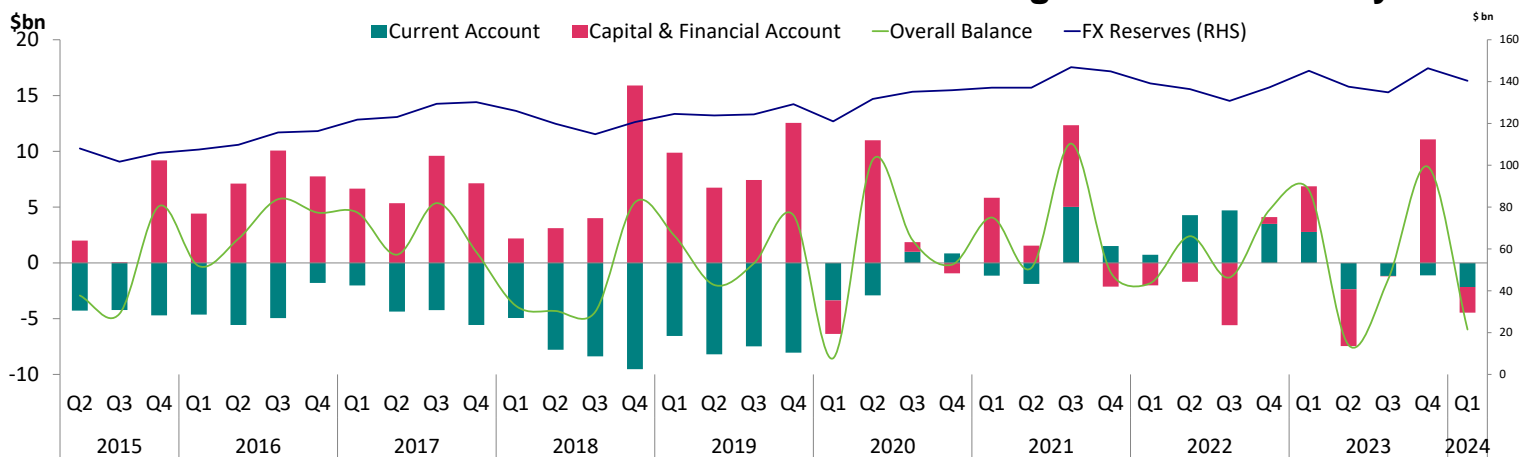
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Trade Surplus Shrank During Festive Season

(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	19,615	18,265	1,350	16,057	13,096	2,960	3,559	5,169	-1,610
Jan-Apr-23	86,345	81,074	5,271	70,298	59,015	11,282	16,047	22,059	-6,011
Jan-Apr-24	81,922	76,672	5,250	70,952	58,988	11,965	10,969	17,684	-6,715
Growth	-5.1	-5.4	-0.4	0.9	0.0	6.0			

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
National Account												
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
Inflation & Unemployment												
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
Fiscal Condition												
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
External Sector												
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
Commodity Price												
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
Interest Rate												
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
Banking Sector												
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
Real Sector												
Car Sales (Unit)	1,030,126	532,027	887,202	1,048,040	1,005,802	313,529	202,128	252,240	279,733	1,047,630	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	2,144,597	1,026,925	1,604,918	1,502,065	6,278,505	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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