

PIER Snapshot: Oct-24 BI-Rate

16 October 2024

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

Bank Indonesia Sustained BI-Rate at 6.00% to Safeguard Rupiah Stability

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- **Bank Indonesia maintained the policy rate steady at 6.00%.**

Bank Indonesia (BI) held its policy rate, namely BI-rate, steady at 6.00% during the Oct-24 Board of Governors Meeting, aligning with market expectations to preserve the stability of the Rupiah. BI Governor, Perry Warjiyo, stated that the central bank's immediate focus is on maintaining short-term stability in response to rising global uncertainties, driven by heightened geopolitical tensions in the Middle East and the upward trend in US Treasury yields and the US Dollar Index amid robust US economic data. Looking ahead, a continued decline in policy rates among advanced economies, particularly the US, is still anticipated, although ongoing geopolitical risks will require careful monitoring. This environment calls for cautious policy formulation to address potential global spillover effects, emphasizing measures to attract foreign capital inflows and reinforce exchange rate stability, thereby sustaining economic stability and growth.

On a positive note, BI indicated there is still room for a rate cut before the end of 2024, and it continues to project medium-term appreciation of the Rupiah, backed by Indonesia's strong economic fundamentals and favorable outlook. Over the longer term, BI reaffirmed its commitment to a pro-growth monetary policy stance. In terms of macroprudential measures, BI plans to strengthen the Macroprudential Liquidity Buffer (KLM) policy to support economic recovery and extend various other macroprudential policies, including the Countercyclical Capital Buffer (CCyB), Macroprudential Intermediation Ratio (RIM), Loan-to-Value (LTV) ratio, and Macroprudential Liquidity Reserve (PLM).

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

Loan growth in Indonesia decelerated in Sep-24, with the annual rate easing to 10.85%yoy from 11.40%yoy in Aug-24. The slowdown was observed across all three major loan categories: investment loans grew by 12.26%yoy which was down from 13.08%yoy, working capital loans expanded by 10.88%yoy compared to 10.75%yoy, and consumer loans increased by 10.01% which was down from 10.83%. Meanwhile, loans to Micro, Small, and Medium Enterprises (MSMEs) showed signs of recovery, with growth rising to 5.04%yoy from 4.42%yoy in Aug-24. As of Aug-24, the banking sector's Non-Performing Loan (NPL) ratio remained stable at 2.26% (gross), while the Capital Adequacy Ratio (CAR) saw a slight improvement, reaching 26.69% from 26.56%.

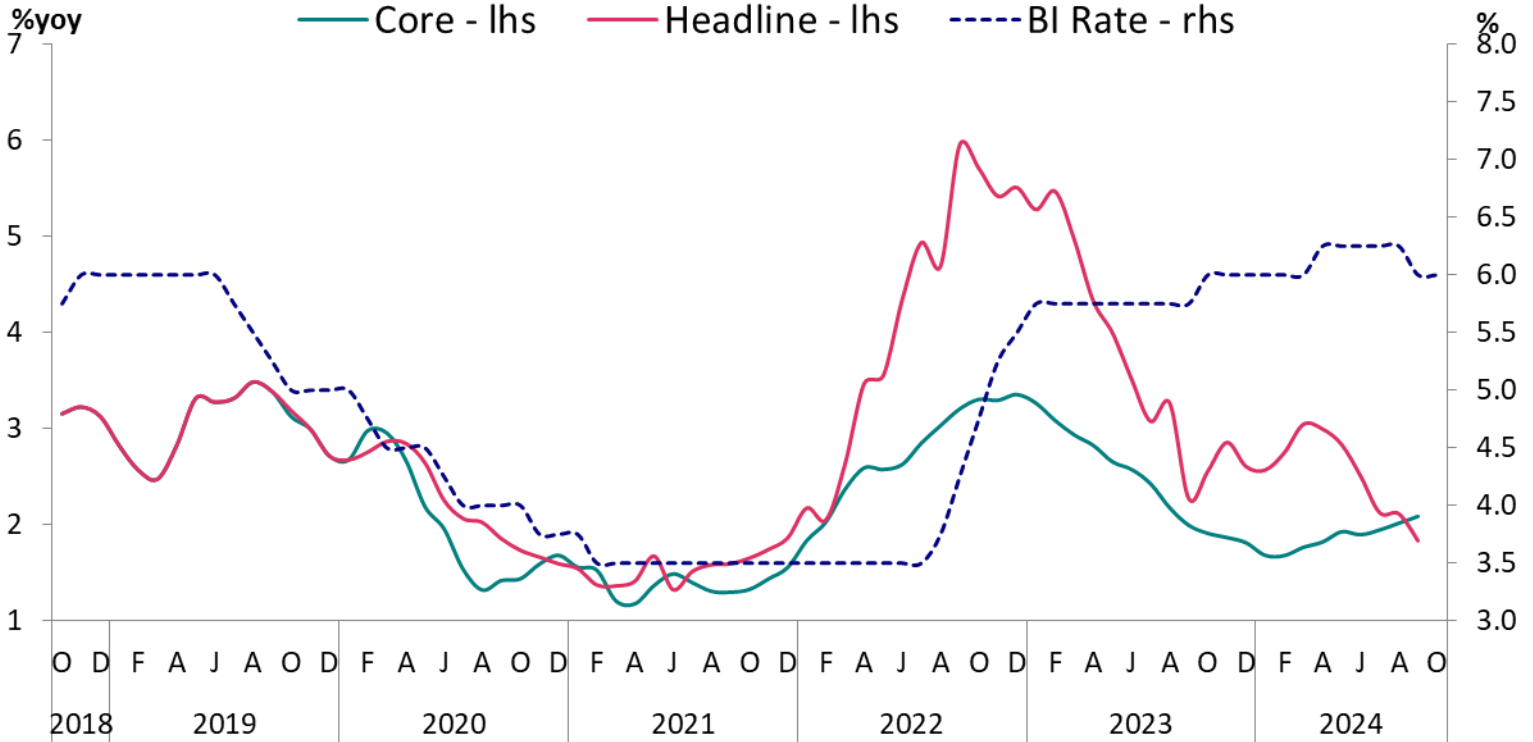
- **Our PIERspectives on BI's monetary policy.**

Following the Fed's jumbo 50bps rate cut during the Sep-24 Federal Open Market Committee (FOMC) meeting, we anticipate an additional 50bps reduction before the year's end, supported by the ongoing US disinflation trend, despite temporary labor market tightness. Our outlook remains unchanged. Market expectations, moreover, already factor in 25bps cut in both Nov and Dec-24 FOMC meeting. Considering the Fed's monetary policy trajectory, Indonesia's low inflation path, the manageable current account deficit outlook, and the potential for Rupiah appreciation in the near term, we maintain our projection that BI will lower its policy rate by 50bps to 5.50% in the final two months of 2024.

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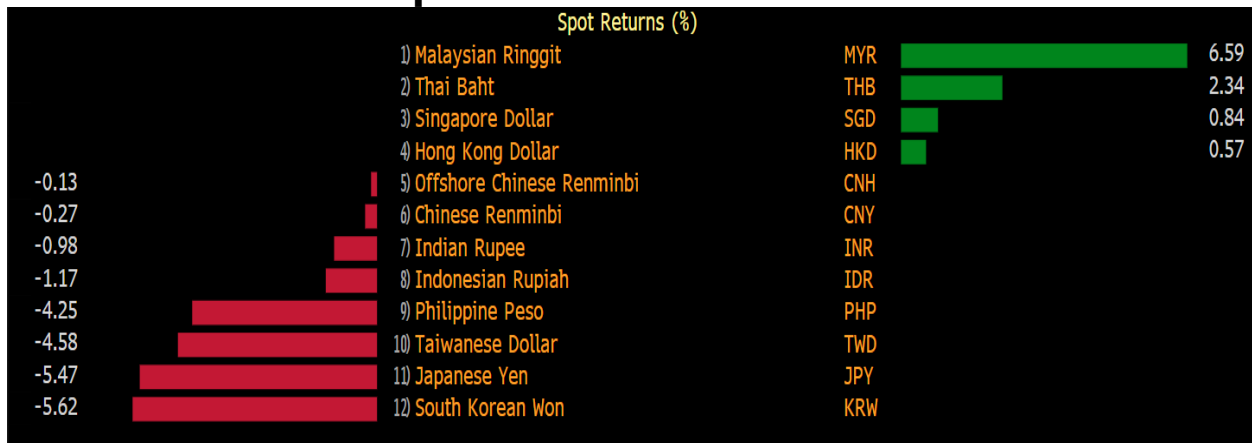
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BI-Rate and Inflation (%)



Source: Statistic Indonesia & PIER

YtD Comparison of Asian Currencies

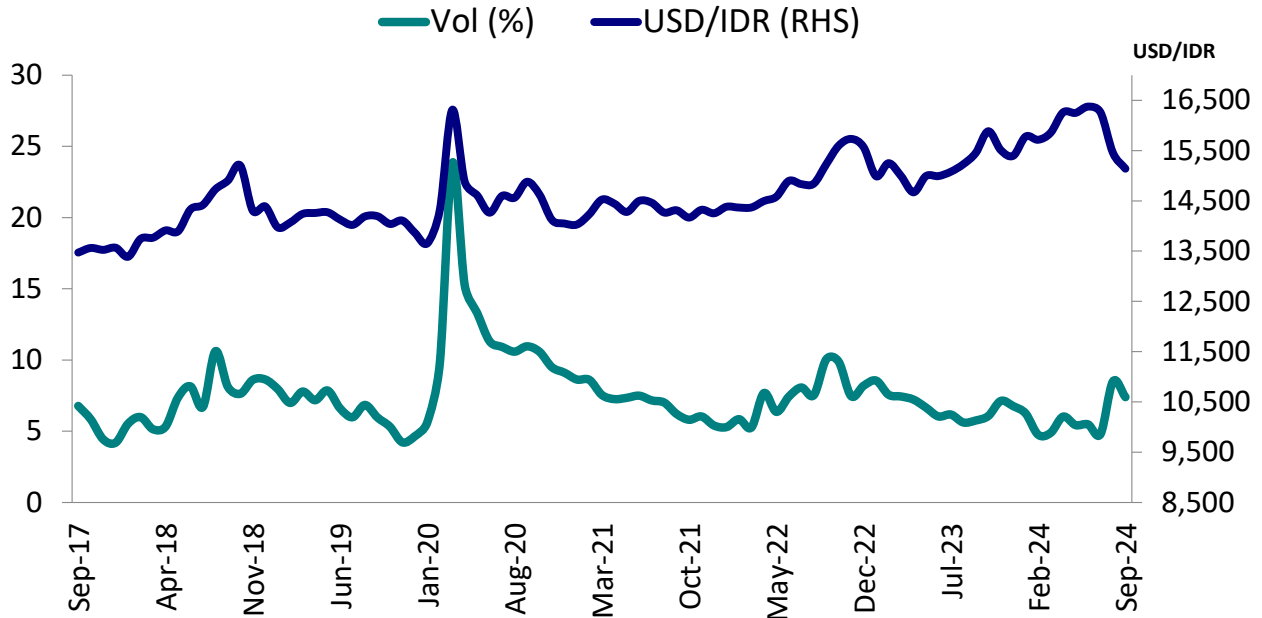


Source: Bloomberg

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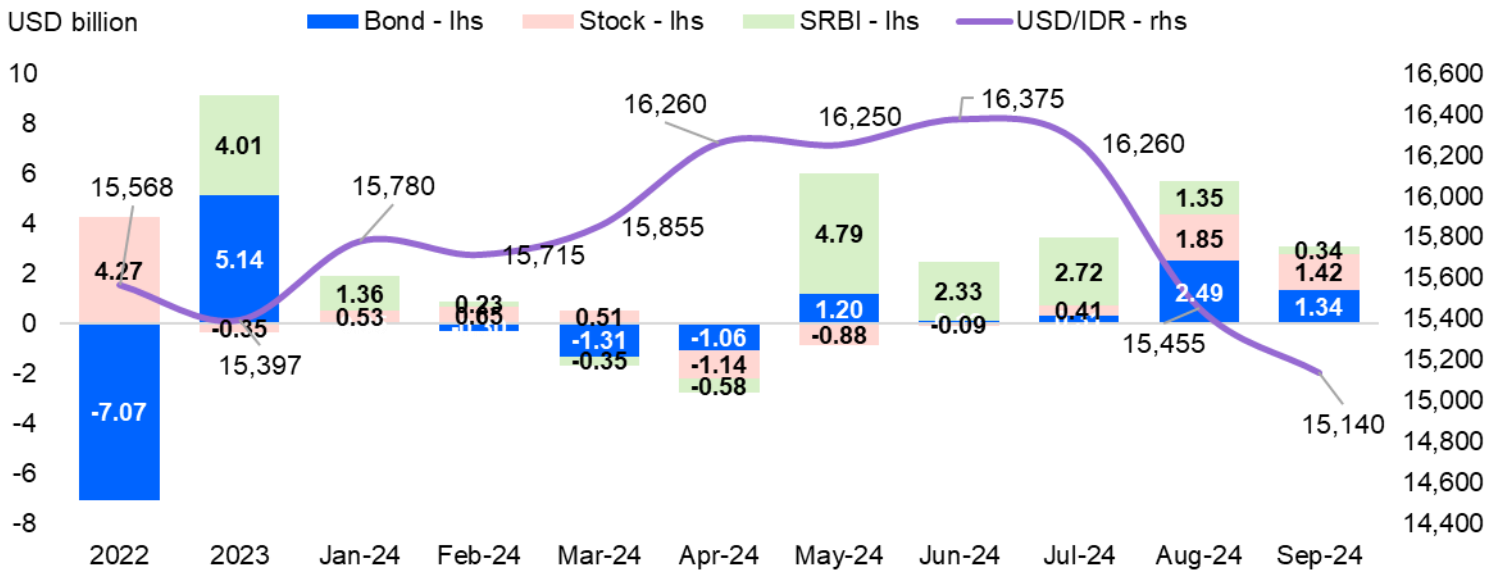
USD/IDR and Volatility



Source: Bloomberg & PIER

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

Portfolio Flow



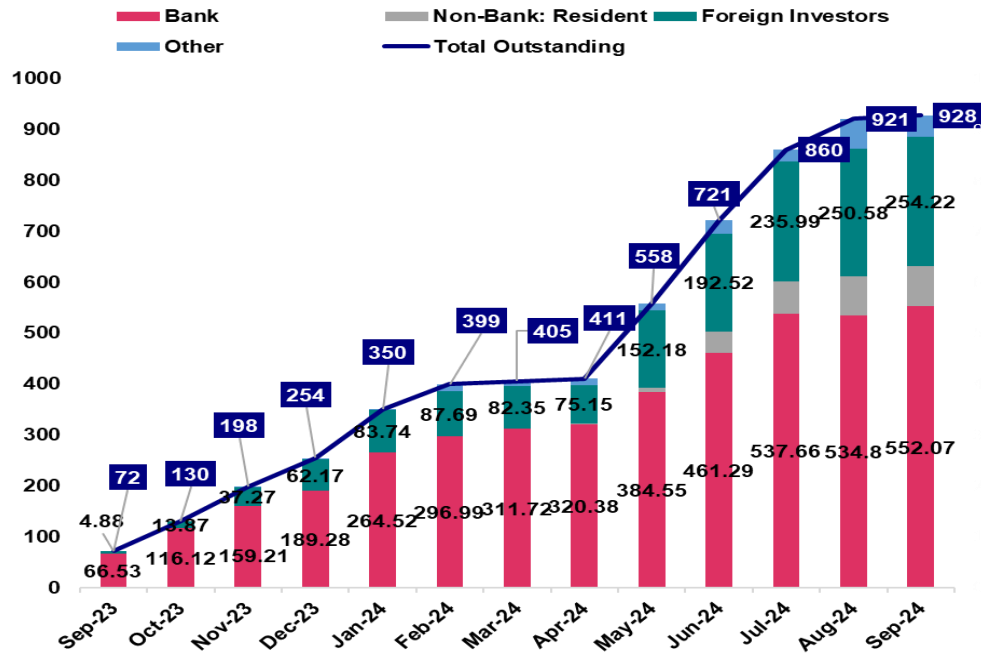
Source: Bloomberg & PIER

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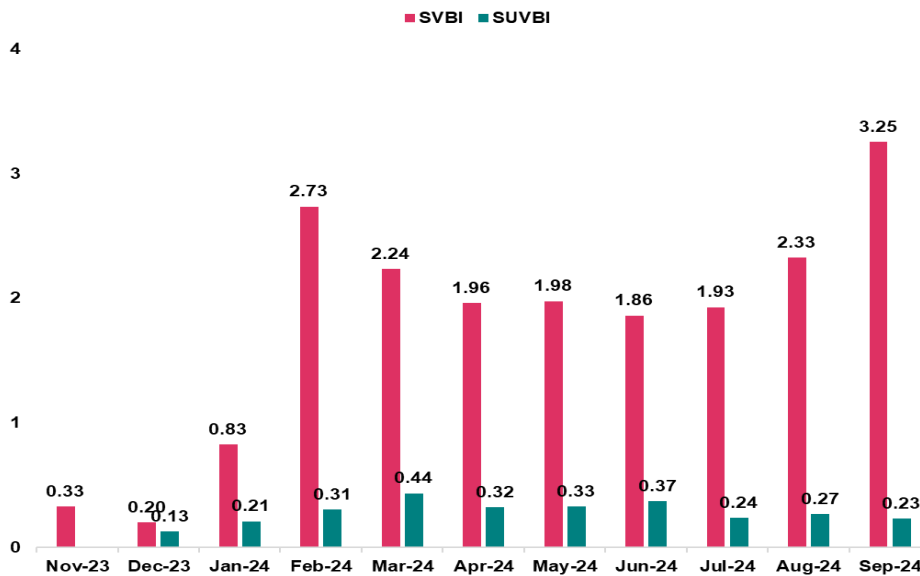
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SRBI, SVBI, and SUVBI

Ownership of SRBI (IDR tn)



Outstanding of SVBI and SUVBI (USD bn)



Source: Bank Indonesia & PIER

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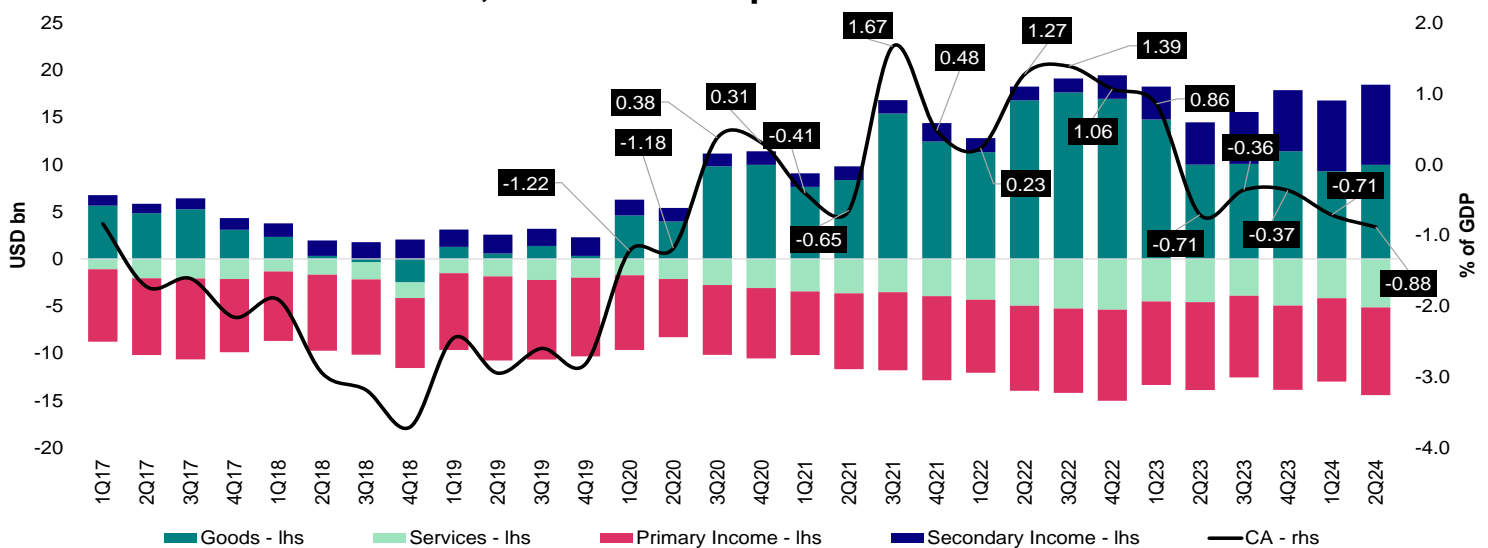
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A decline in monthly import activity drove a rise in trade surplus

(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	258,791	242,868	15,923	221,886	186,056	35,830	36,904	56,812	-19,908
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	22,082	20,912	1,170	18,825	16,296	2,529	3,257	4,616	-1,359
Jan-Sep-23	192,243	180,452	11,790	164,520	138,757	25,763	27,723	41,695	-13,972
Jan-Sep-24	192,848	181,152	11,696	170,868	144,126	26,742	21,981	37,027	-15,046
Growth	0.3	0.4	-0.8	3.9	3.9	3.8			

Source: Statistics of Indonesia & PIER

The BoP Deficit Narrowed, Thanks to Surplus in the Portfolio Investment Balance



Source: Bank Indonesia & PIER

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PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24	2Q24	3Q24F	4Q24F	2024F	1Q25F	2Q25F	3Q25F	4Q25F	2025F
National Account															
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.11	5.05	5.02	5.00	5.04	5.14	5.13	5.17	5.14	5.15
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	4.91	4.93	4.88	5.00	4.93	5.08	5.05	5.02	5.00	5.04
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	19.90	1.42	4.81	5.05	6.71	3.97	5.25	5.78	6.02	5.37
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	3.79	4.43	3.79	4.89	4.23	5.13	5.79	6.07	6.26	5.83
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	1.37	8.28	1.27	4.95	3.92	8.77	9.99	10.23	9.47	9.61
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	1.94	8.57	2.88	6.36	4.92	10.68	11.97	12.64	11.88	11.80
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	5,658.03	5,691.22	22,174.24	5,692.53	5,972.29	6,123.55	6,161.37	23,949.73
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.72	342.37	362.28	369.32	1,411.68	372.86	395.75	410.69	416.56	1,595.86
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	2.28	2.51	2.49	2.59	3.06	3.11	2.81
Headline Inflation Rate (2022=100, % yoy, eop)	2.59	1.68	1.87	5.41	2.81	3.05	2.51	1.84	2.33	2.33	2.50	2.74	3.06	3.12	3.12
Unemployment Rate (%)	5.18	7.07	6.49	5.86	5.32	4.82	4.82	4.94	4.94	4.94	4.94	4.94	5.03	5.03	5.03
Fiscal Condition															
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.04	-0.34	-1.26	-2.63	-2.63	0.05	-0.93	-1.47	-2.67	-2.67
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.73	7.07	6.45	6.55	6.55	6.54	6.43	6.26	6.30	6.30
External Sector															
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.41	8.03	6.67	6.35	28.47	6.43	6.14	5.70	5.17	23.44
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.19	9.28	9.96	8.67	8.35	36.26	8.43	8.14	7.70	7.17	31.44
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-2.14	-2.41	-3.02	-2.78	-2.76	-10.96	-3.20	-5.27	-4.81	-5.39	-18.67
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.16	-0.71	-0.88	-0.77	-0.75	-0.78	-0.86	-1.33	-1.17	-1.29	-1.17
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	140.18	149.92	154.89	154.89	157.18	157.76	158.82	158.77	158.77
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,295	15,618	15,410	15,777	15,267	15,091	14,910	14,791	15,015
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,375	15,140	15,347	15,347	15,191	14,997	14,819	14,777	14,777
Commodity Price															
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	135.1	145.8	108.8	108.8	113.8	116.5	117.2	108.2	108.2
CPO Price (USD/MT)	763.7	1,016.4	1,270.3	940.4	797.8	942.9	873.7	932.6	846.3	846.3	860.5	868.3	871.6	850.1	850.1
Oil Price (USD/BBL)	65.85	49.87	74.31	80.90	77.9	85.5	82.6	80.9	74.9	74.9	78.2	79.8	80.2	74.4	74.4
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	4.25	4.00	3.75	3.50	3.50
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.00	5.50	5.50	5.25	5.00	4.75	4.75	4.75
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.27	9.27	9.30	9.28	9.28	9.02	8.98	8.94	8.96	8.96
Banking Sector															
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	12.40	12.36	11.40	10.79	10.79	10.92	11.06	11.20	11.34	11.34
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	7.44	8.45	7.70	8.00	8.00	9.89	11.17	11.41	10.70	10.70
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.2	85.8	85.9	84.0	86.0	85.0	85.7	86.1	86.5	86.5
Real Sector															
Car Sales (Unit)	1,030,126	532,027	887,202	1,048,040	1,005,802	215,068	192,836	215,665	225,741	849,310	208,322	216,098	239,174	244,851	908,444
Car Sales (% yoy)	-10.5	-48.4	66.8	18.1	-4.0	-23.9	-13.8	-13.5	-9.7	-15.6	-3.1	12.0	10.9	8.5	7.0
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	1,606,008	6,478,504	1,342,907	1,754,031	1,761,736	1,626,554	6,485,228
Motorcycles Sales (% yoy)	1.6	-43.6	38.2	3.2	19.4	-4.9	4.2	12.0	6.0	3.9	-22.6	22.2	3.4	1.3	0.1

Note:
 : quarterly realization

Source: Permata Institute for Economic Research (PIER)

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