

# PIER Snapshot: Sep-24 BI-Rate

## 18 September 2024

Indicators	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Mar-24	Jun-24	Jul-24	Aug-24	Sep-24
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.25	6.25	6.00
Deposit Facility Rate (%)	4.25	3.00	2.75	4.75	5.25	5.25	5.50	5.50	5.50	5.25
Inflation Rate (%yoy)	2.72	1.68	1.87	5.51	2.81	3.05	2.51	2.13	2.12	
Core Inflation Rate (%yoy)	3.02	1.60	1.56	3.36	1.82	1.77	1.90	1.95	2.02	

## Bank Indonesia Lowers Policy Rate for the First Time Since 2021

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- Bank Indonesia (BI) unexpectedly reduced the BI-Rate by 25bps to 6.00%.**  
 At the Sep-24 meeting (RDG), Bank Indonesia (BI) announced a 25bps reduction in the BI-rate to 6.00%, citing manageable inflation, the stability of the Rupiah, and the aim to support economic growth. This marks BI's first policy rate cut since Feb-21.

BI outlined five key reasons for the rate cut:

- There is increasing clarity regarding the direction of global policy rates and global economic growth, reducing the need to wait for the FOMC's decision in Sep-24. Other major global central banks, such as the ECB and BoE, have already aggressively lowered their benchmark rates.
- Based on US economic data trends, BI projects the Fed Funds Rate (FFR) will be cut three times this year (in September, November, and December), and four times next year (in 1Q25, 2Q25, 3Q25, and 4Q25).
- The 2-yr US Treasury yield, which influences SRBI purchases by non-residents, is now below the 10-yr yield, signaling the end of the inverted yield curve. This suggests that the market no longer perceives short-term recession risks in the US.
- Domestically, the Rupiah has stabilized and is trending stronger. SRBI policy has proven effective in attracting capital inflows, and inflation has consistently declined, remaining at low levels. Additionally, this is a form of efforts to support economic growth.
- There is a need to stimulate credit growth, complemented by accommodative macroprudential policies. The BI-rate cut will also lead to cheaper fiscal financing, enabling more expansive fiscal policies.

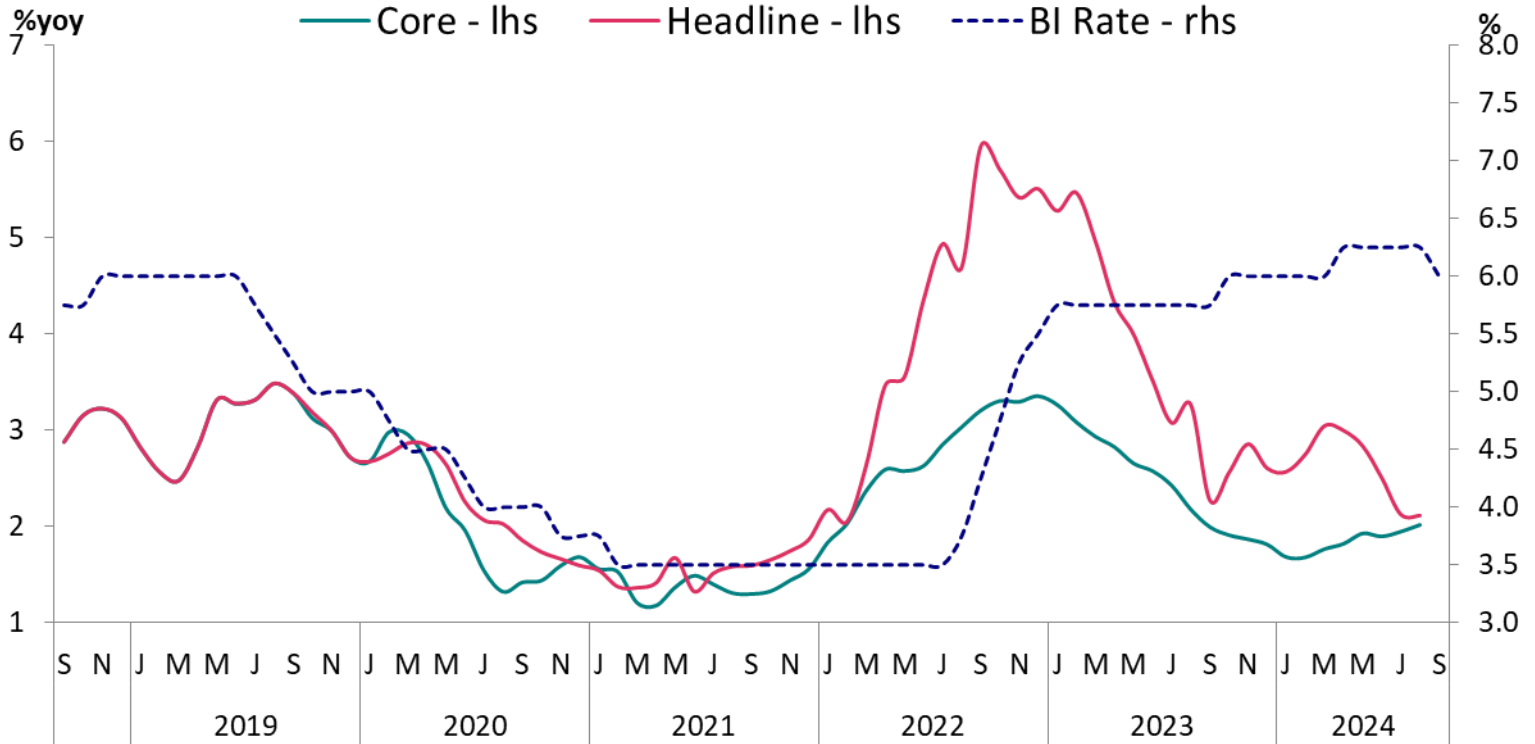
Given these factors, BI believes "the time is right" to reduce the BI-rate. Regarding future BI-rate cuts, BI will continue to monitor global and domestic economic and financial market data, and assess the impact of this rate cut on the economy and financial markets.

- Recent developments in Indonesia's banking sector.**  
 Loan growth slowed in Aug-24, easing to 11.40%yoy from 12.40%yoy in Jul-24. Growth across three loan categories—investment, working capital, and consumer loans—moderated, with annual increases of 13.08%yoy, 10.75%yoy, and 10.83%yoy, respectively, compared to 15.20%yoy, 11.68%yoy, and 10.98%yoy in Jul-24. MSME loan growth continued to weaken, recording a 4.42%yoy increase, down from 5.16%yoy in Jul-24. As of Jul-24, the Non-Performing Loan (NPL) ratio stood at 2.27% (gross), while the Capital Adequacy Ratio (CAR) remained strong at 26.56%.
- Our PIERspectives on BI's monetary policy.**  
 Given the current trend of easing US inflation and a softening US labor market, we anticipate the Fed will lower FFR by approximately 75 – 100bps over the remainder of 2024. Additionally, Indonesia's inflation is expected to stay subdued, and the current account deficit should remain manageable. Considering the Fed's monetary policy outlook, Indonesia's low inflation trajectory, a manageable current account, and the expected appreciation of the Rupiah, we have revised our BI-rate projection for 2024. Initially, we forecasted the BI-rate to reach 5.75% by year-end. However, we now foresee the possibility of an additional rate cut of 25 – 50bps, bringing the BI-rate to a range of 5.50 – 5.75% by the end of 2024.

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## BI-Rate and Inflation (%)



Source: Statistic Indonesia & PIER

## YtD Comparison of Asian Currencies

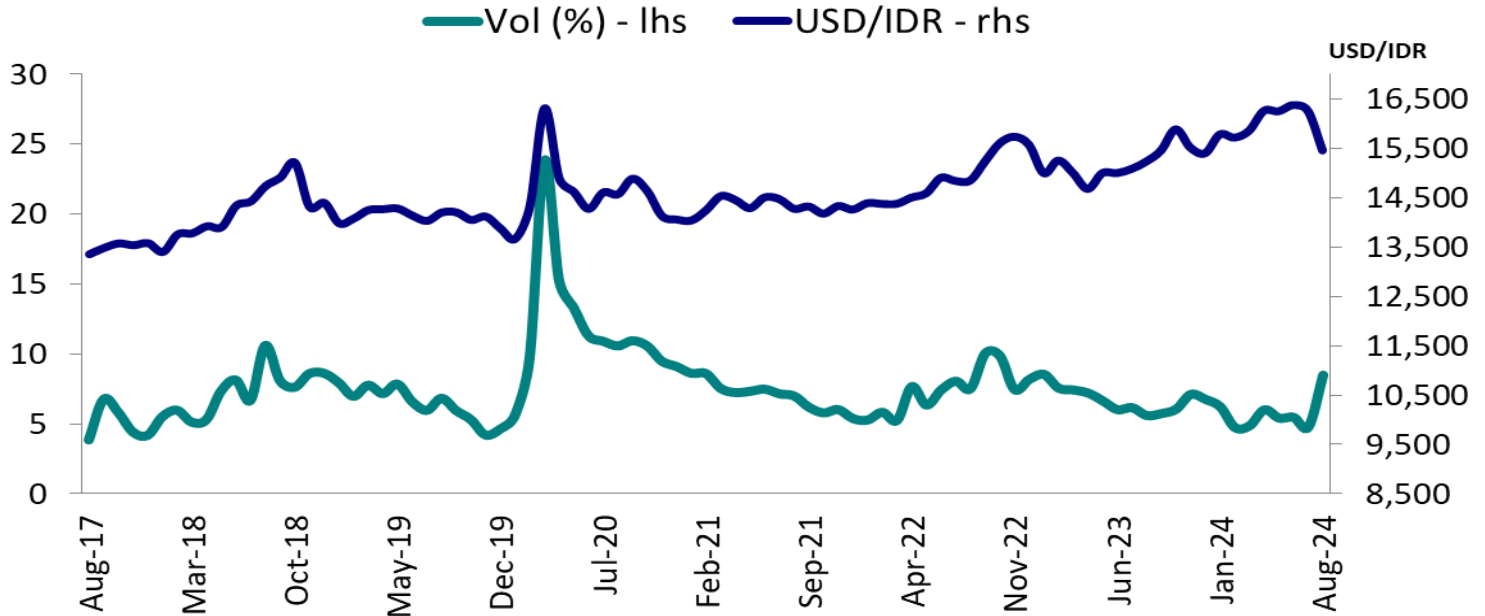


Source: Bloomberg

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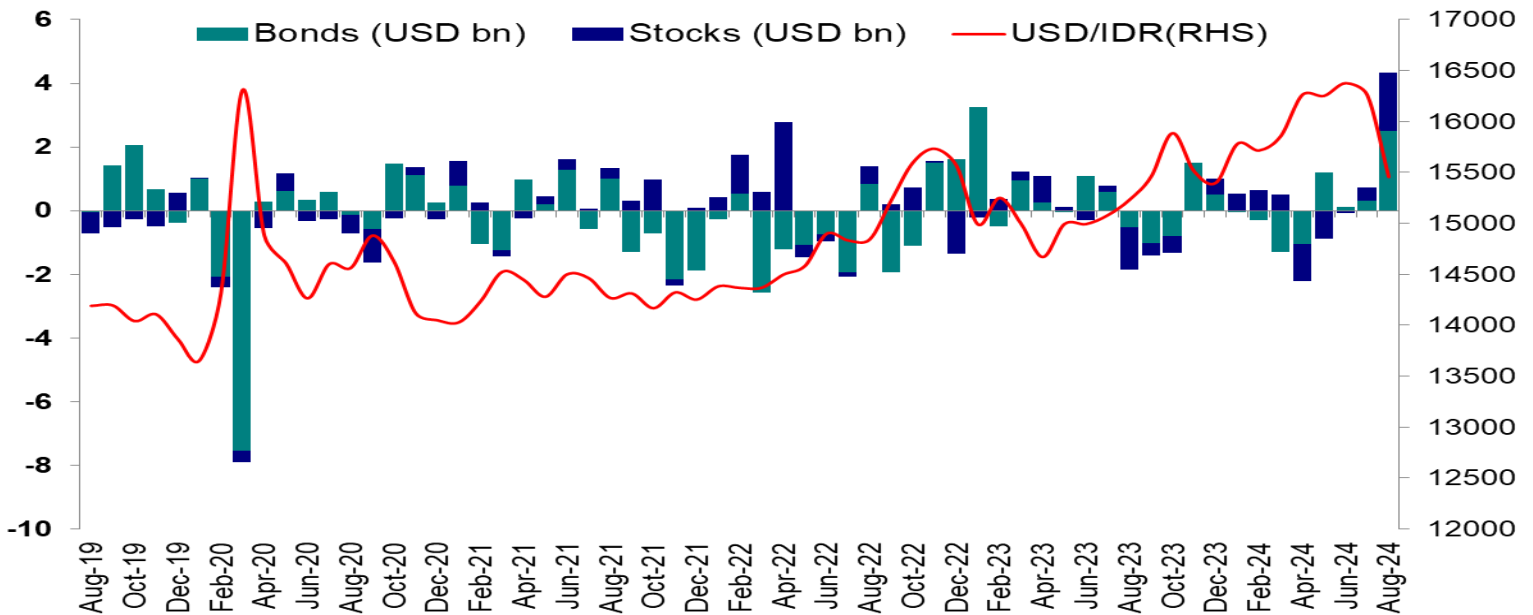
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## USD/IDR and Volatility



Source: Bloomberg & PIER

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



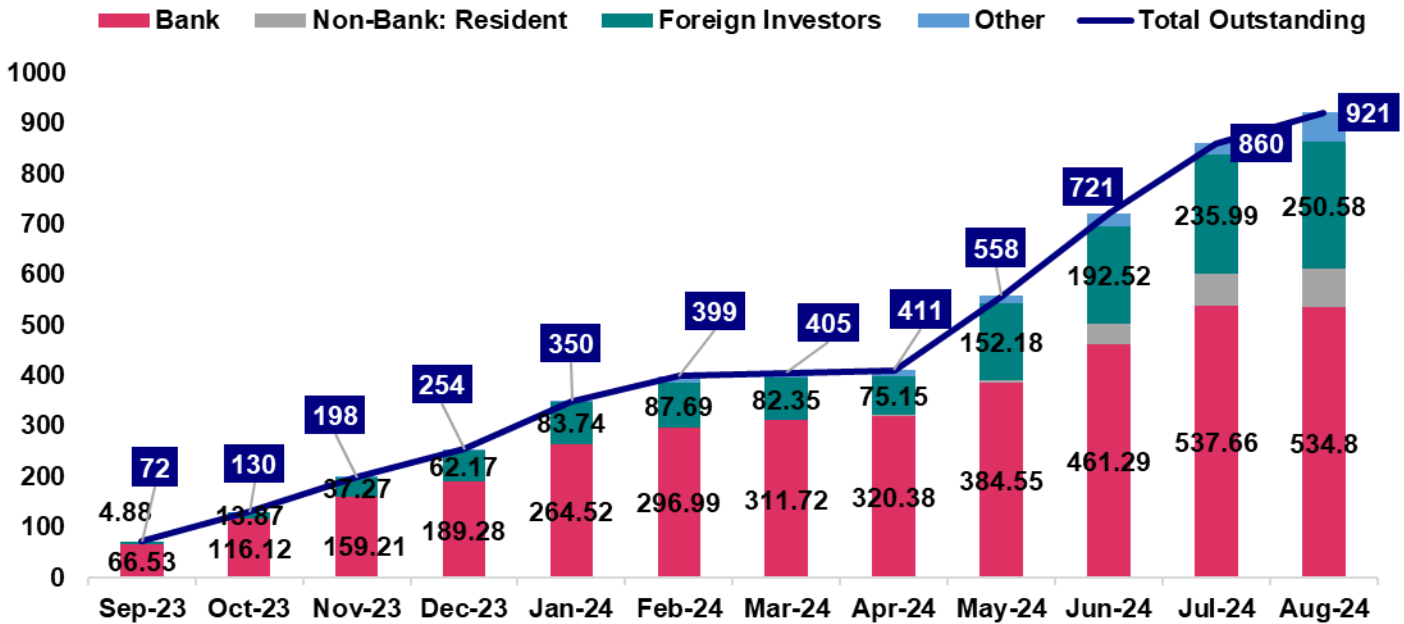
Source: Bloomberg & PIER

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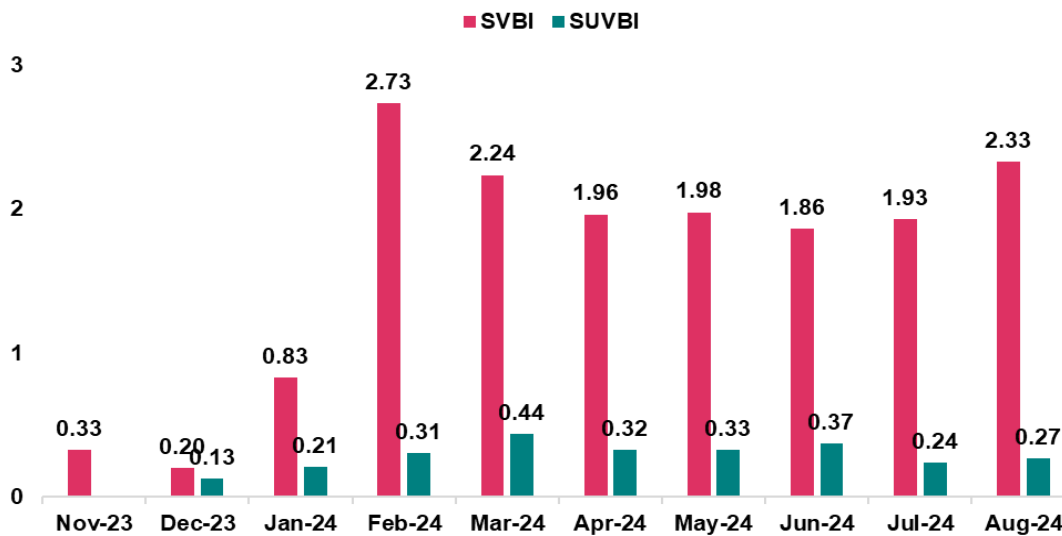
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## SRBI, SVBI, and SUVBI

### Ownership of SRBI (IDR tn)



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



Source: Bank Indonesia & PIER

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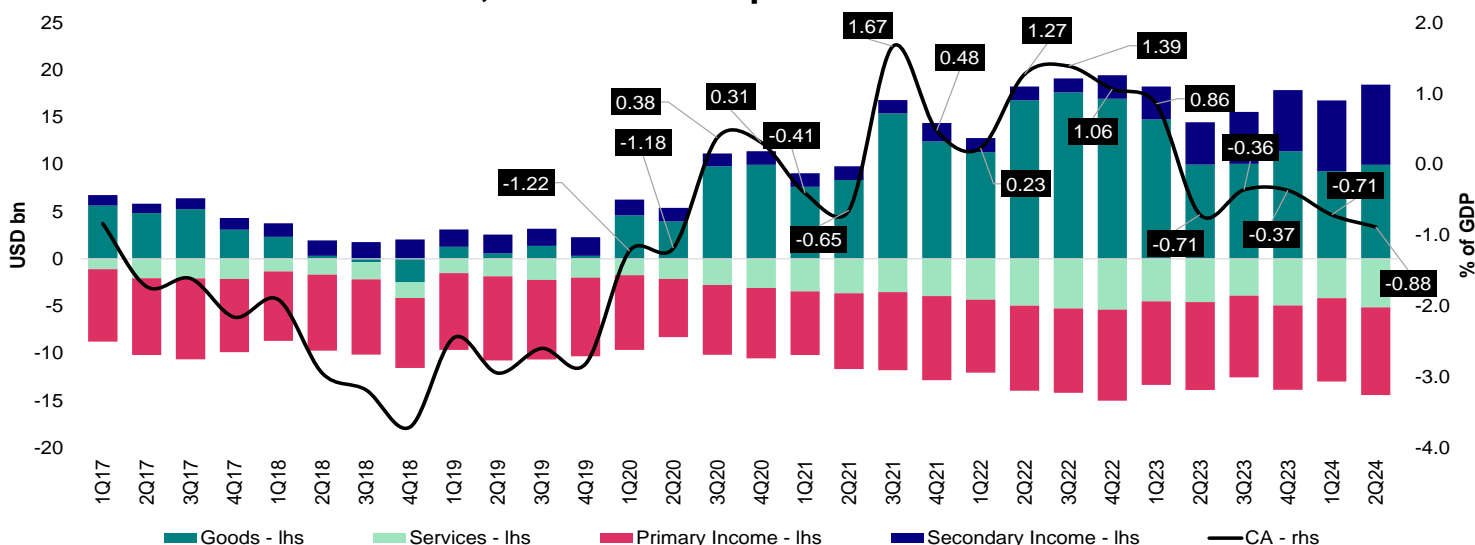
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### CPO Prices Rose in Aug-24, Contributing to a Higher Trade Surplus

(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
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	258,792	242,870	15,923	221,886	186,056	35,830	36,906	56,814	-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	23,565	22,361	1,204	20,665	18,017	2,648	2,900	4,345	-1,445
Jan-Aug-23	171,498	161,113	10,385	147,178	124,744	22,434	24,320	36,369	-12,049
Jan-Aug-24	170,891	160,365	10,527	152,043	127,829	24,214	18,848	32,536	-13,687
Growth	-0.4	-0.5	1.4	3.3	2.5	7.9			

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	2025F	2026F
<b>National Account</b>												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.11	5.05	5.02	5.00	5.04	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	4.91	4.93	4.88	5.00	4.93	5.12	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	19.90	1.42	4.81	5.05	6.71	5.37	6.08
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	5.83	6.62
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	1.37	8.28	1.27	4.95	3.92	9.61	10.40
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	1.94	8.57	2.88	6.36	4.92	11.80	12.62
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	5,680.74	5,691.22	22,196.94	23,974.55	25,920.27
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.72	342.37	350.45	356.58	1,387.11	1,547.89	1,733.00
<b>Inflation &amp; Unemployment</b>												
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.79	2.78	2.21	2.28	2.52	2.81	2.85
Headline Inflation Rate (2022=100, % yoy, eop)	2.59	1.68	1.87	5.41	2.81	3.05	2.51	2.27	2.33	2.33	3.12	2.91
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	-0.34	-1.26	-2.63	-2.63	-2.67	-2.86
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.73	7.07	6.87	6.59	6.59	6.29	6.25
<b>External Sector</b>												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.41	8.03	6.64	6.32	28.41	23.31	17.11
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.19	9.28	9.96	8.67	8.35	36.26	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-2.14	-2.41	-3.02	-2.78	-2.76	-10.96	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.16	-0.71	-0.88	-0.79	-0.77	-0.79	-1.21	-1.54
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	140.18	145.12	150.45	150.45	155.10	158.95
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,295	16,210	15,961	16,062	15,497	14,963
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,375	16,152	15,863	15,863	15,231	14,773
<b>Commodity Price</b>												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	135.1	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	873.7	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	82.6	79.0	80.3	80.3	84.1	85.4
<b>Interest Rate</b>												
Fed Funds Rate (%)	1.75	0.25	0.25	4.50	5.50	5.50	5.50	5.25	4.75	4.75	3.75	3.00
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.00	5.75	5.75	5.00	4.50
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.27	9.27	9.30	9.28	9.28	8.76	8.21
<b>Banking Sector</b>												
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	12.40	12.36	10.69	10.79	10.79	11.34	11.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	7.44	8.45	8.15	10.57	10.57	9.39	9.22
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.2	85.8	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	215,068	192,836	239,628	250,823	898,463	964,587	1,030,208
Car Sales (% yoy)	-10.5	-48.4	66.8	18.1	-4.0	-23.9	-13.9	-3.9	0.3	-10.7	7.4	6.8
Motorcycles Sales (Unit)	6,487,460	3,660,616	5,057,516	5,221,470	6,236,992	1,735,090	1,435,904	1,604,918	1,502,065	6,277,976	6,238,984	6,153,840
Motorcycles Sales (% yoy)	1.6	-43.6	38.2	3.2	19.4	-4.9	4.2	5.6	-0.9	0.7	-0.6	-1.4

**Note:**

: quarterly realization

Source: Permata Institute for Economic Research (PIER) - forecast as of 22 August 2024

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