

PIER Snapshot: Jan-24 BI Rate

17 January 2024

Indicators	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Jan-24
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00
Deposit Facility Rate (%)	4.25	3.00	2.75	4.75	5.25	5.25
Inflation Rate (%yoy)	2.72	1.68	1.87	5.51	2.61	
Core Inflation Rate (%yoy)	3.02	1.60	1.56	3.36	1.80	

BI held BI rate to maintain Rupiah stability and support economic growth

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- BI left BI rate unchanged at 6.00% to support economic growth.**

Bank Indonesia (BI) held BI rate at 6.00% in the first meeting in 2024. Deposit and lending facility rates were also unchanged at 5.25% and 6.75%, respectively. BI revised the projection for Fed Funds Rate (FFR) from previously expecting 50bps rate cut to 75bps rate cut in 2024, signaling that BI expects more a dovish stance from the Fed moving forward. To further maintain stability, BI will prioritize deepening financial market to attract foreign investors. For external sector, BI projected that Indonesia's current account in 2023 would be around deficit of 0.4% of GDP to surplus of 0.4% of GDP. In 2024, BI expects the current account to post a deficit of 0.1% of GDP to 0.9% of GDP.

- Updates on Indonesia's banking sector.**

Loan growth in 2023 eased to 10.83%yoy from 11.35%yoy in 2022. Loan growth in 2023 was driven by corporate and consumer loans. From the supply side, loan growth was supported by BI loose macroprudential policy, such as KLM and PLM. Based on sector, the highest loan growth came from transportation, social service, trade, and utility. Meanwhile, Non-Performing Loan (NPL) (gross) as of Nov-23 fell to 2.19% from 2.43%. NPL (net), meanwhile, remained stable at 0.75%.

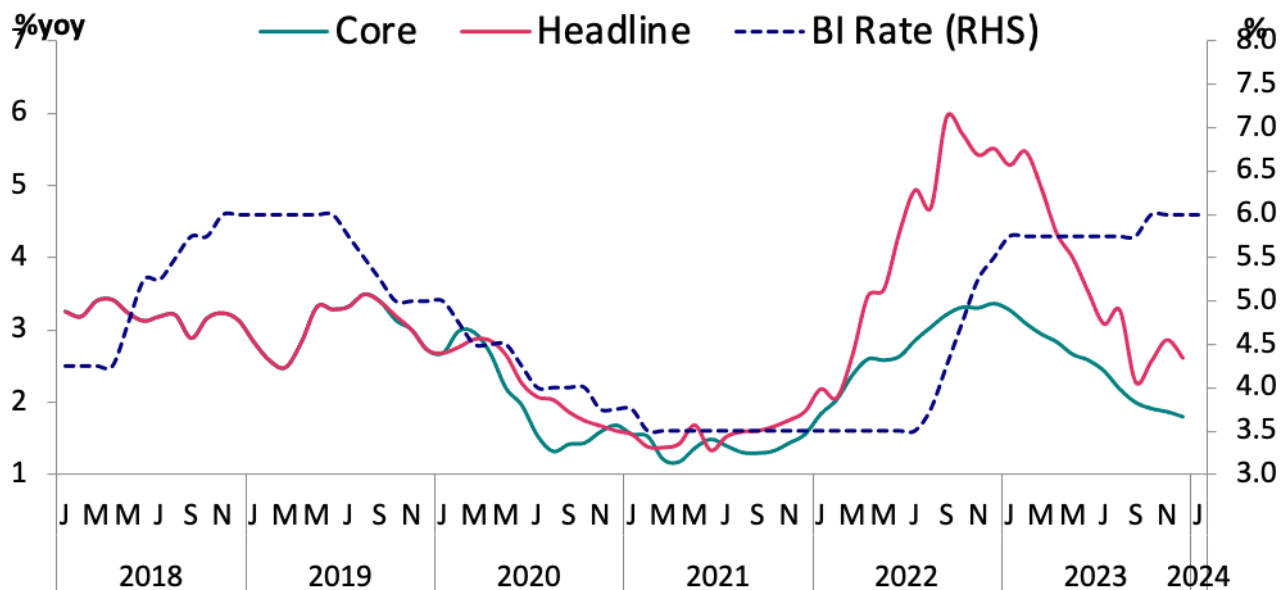
- Our Outlook on BI monetary policy.**

Given the current development of domestic economic condition and recent signal from BI, we expect that BI will continue to maintain BI rate in the first half of 2024. Inflation will be within BI's inflation target range of 1.5%-3.5%, due to food price stabilization after the end of El-Nino effect. However, the main risk of inflation may come from energy price, which could be under pressure from the geopolitical tension in the Middle East and Red Sea. Moreover, Rupiah stability is seen to improve in 2024, especially in the second half of 2024 due to incoming capital flows from both direct and portfolio investments. Direct investment may improve after the 2024 election is over, while portfolio investment will improve after the Fed gives clarity regarding the timing of policy rate cut. Rupiah risk in 2024 will be coming from wider-than-expected current account deficit, particularly if the geopolitical tension worsens, followed by China's more-than-anticipated economic slowdown. We still expect that BI will cut BI rate by 50bps to 5.50% in the second half of 2024, supported by improved Rupiah stability and easing inflation.

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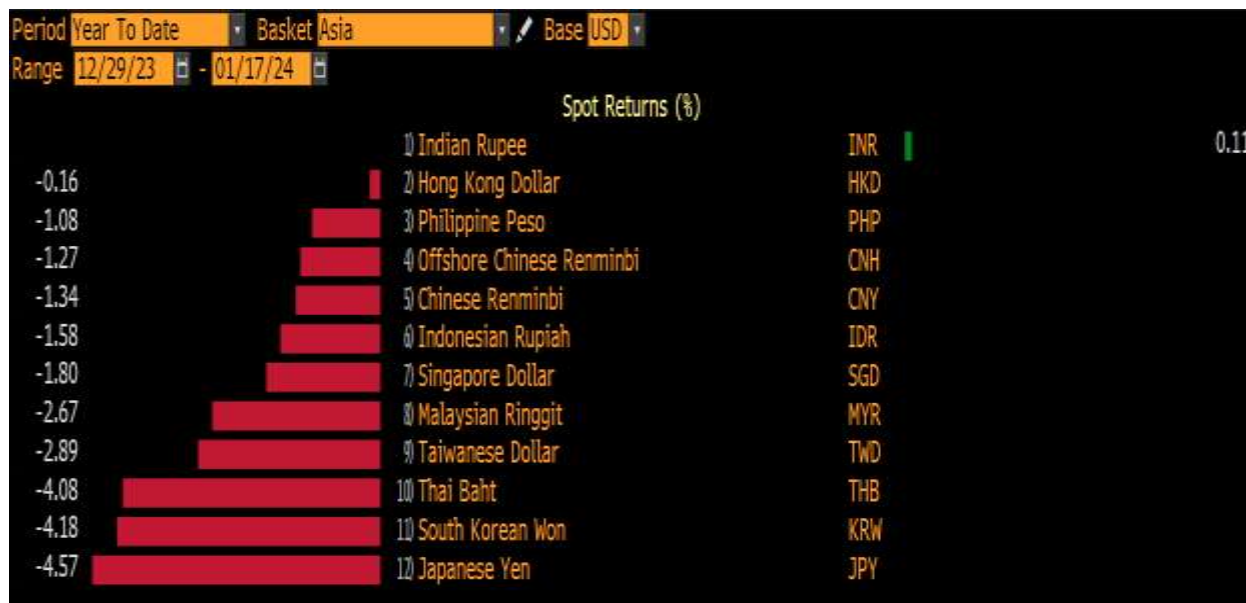
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BI Rate and Inflation (%)



Source: Bloomberg & PermataBank Economic Research

Asian Currencies Comparison

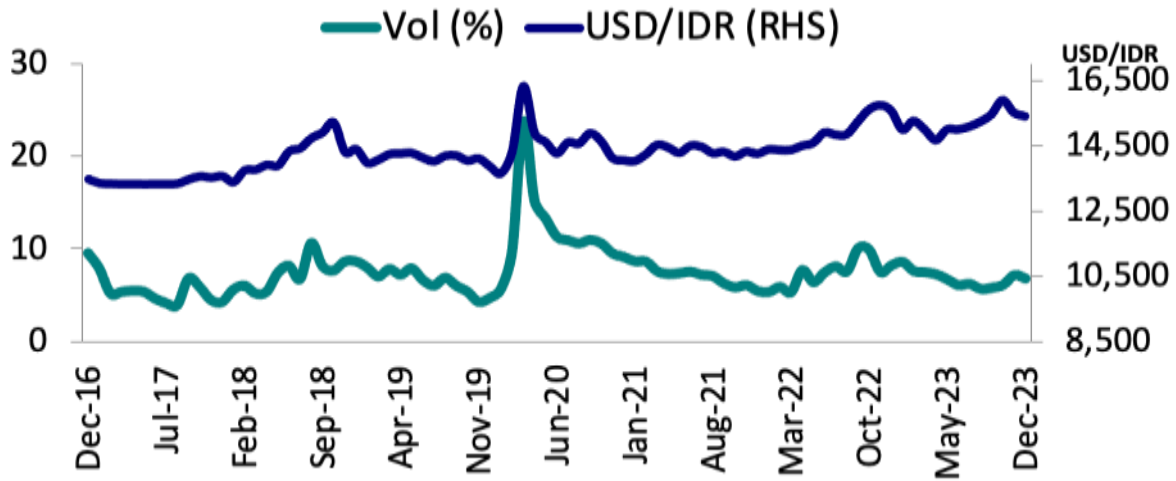


Source: Bloomberg & PermataBank Economic Research

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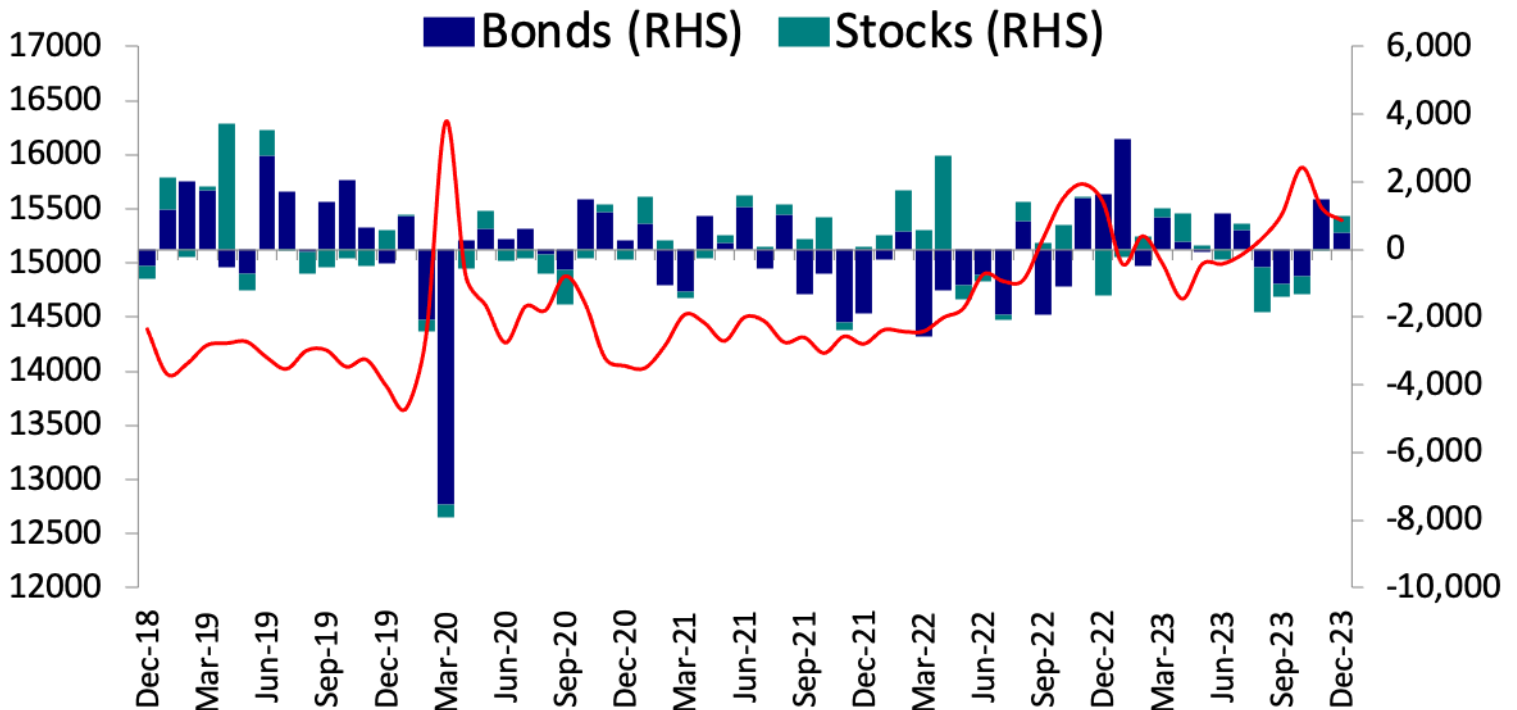
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USD/IDR and Volatility



Source: Bloomberg, PermataBank Economic Research

Foreign Flows in Indonesia's Capital Market



Source: Bloomberg, PermataBank Economic Research

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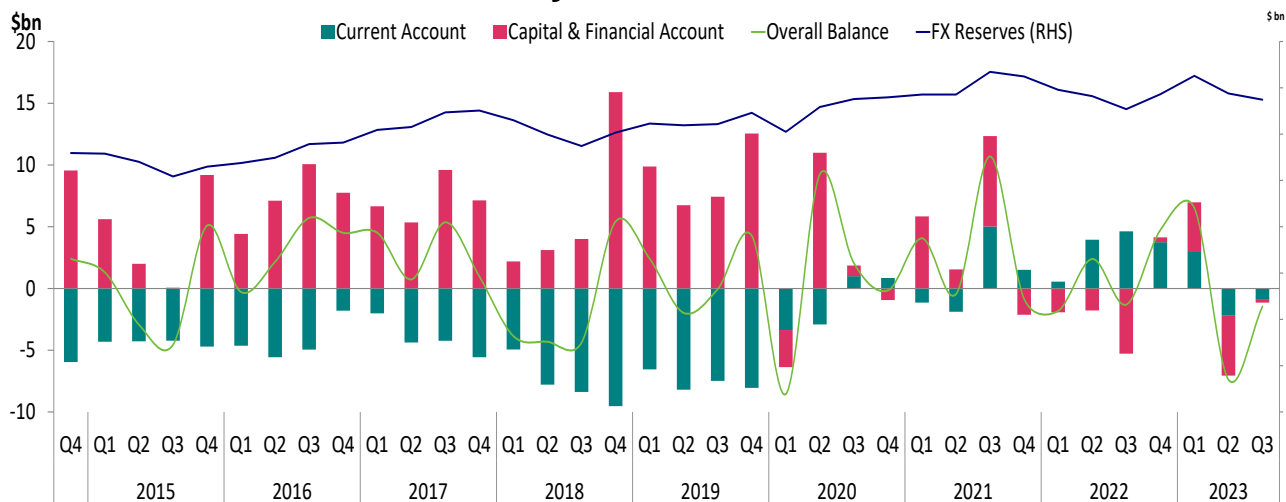
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2023 Trade Balance Recorded Lower Surplus Amidst Normalization in Commodity Prices

(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	219,349	12,252	196,190	170,661	25,529	35,420	48,688	-13,277
FY2021	231,609	219,349	12,252	196,190	170,661	25,529	35,420	48,688	-13,277
FY2022	291,852	276,014	15,838	237,447	197,031	40,416	54,405	78,984	-24,579
Jan-23	22,324	20,836	1,488	18,443	15,537	2,906	3,881	5,299	-1,418
Feb-23	21,321	20,195	1,187	15,919	13,513	2,407	5,402	6,682	-1,220
Mar-23	23,416	22,078	1,338	20,588	17,573	3,015	2,828	4,505	-1,677
Apr-23	19,284	18,025	1,259	15,348	12,393	2,955	3,936	5,633	-1,696
May-23	21,707	20,398	1,309	21,280	18,145	3,135	427	2,254	-1,827
Jun-23	20,601	19,342	1,260	17,150	14,928	2,222	3,451	4,413	-963
Jul-23	20,862	19,635	1,227	19,570	16,438	3,132	1,292	3,197	-1,905
Aug-23	21,998	20,679	1,319	18,880	16,218	2,662	3,118	4,461	-1,343
Sep-23	20,747	19,342	1,405	17,342	14,013	3,329	3,405	5,329	-1,924
Oct-23	22,147	20,776	1,370	18,673	15,466	3,207	3,474	5,310	-1,836
Nov-23	21,998	20,715	1,283	19,587	16,098	3,489	2,412	4,618	-2,206
Dec-23	22,414	20,935	1,479	19,107	15,734	3,372	3,307	5,201	-1,893
FY2023	258,819	242,957	15,923	221,886	186,055	35,830	36,933	56,901	-19,908
Growth	-11.3	-12.0	0.5	-6.6	-5.6	-11.3			

Source: Statistics of Indonesia, PermataBank Economic Research

Current Account Deficit Narrowed to 0.25% of GDP on Lower Deficit in Services and Primary Income Balances



Source: Bank Indonesia, PermataBank Economic Research

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Macro Economic Indicator

Indicators	2018	2019	2020	2021	2022	2023F	2024F
Inflation (%YoY)	3.1	2.7	1.7	1.9	5.51	2.61	3.08
Exchange Rate Eop (Rp/US\$)	14,390	13,866	14,050	14,253	15,568	15,397	15,124
Curent Account (% GDP)	-3.0	-2.7	-0.4	0.28	1.00	-0.14	0.70
Fiscal Balance (% GDP)	-1.8	-2.2	-6.1	-4.7	-2.4	-1.65	-2.1
BI Rate	6.00	5.00	3.75	3.50	5.50	6.00	5.50
Credit Growth (%)	11.8	6.1	-2.1	5.2	11.4	8.6	9.8
Deposit Growth (%)	6.4	6.5	11.1	12.2	9.0	2.5	8.5
Car Sales (1000 Units)	1,150	1,030	532	887	1,048	1,005	1,048
Car Sales Growth (%)	6.50	-10.61	-48.35	66.73	18.16	-4.11	4.28
Motorcycle Sales (1000 Units)	6,383	6,487	3,663	5,057	5,221	6,237	6,279
Motorcycle Sales Growth (%)	8.45	1.63	-43.54	38.06	3.25	19.45	0.67
Unemployment Rate (%)	5.40	5.16	7.07	6.49	5.86	5.32	5.40
International Reserve (US\$ bn)	120.7	129.2	135.9	144.9	137.2	146.4	152.0
Fed Rate	2.50	1.75	0.25	0.25	4.50	5.50	4.75
GDP Growth (%)	5.17	5.02	-2.07	3.69	5.31	5.04	5.07

Note : the red numbers are forecast

Source : Permata Institute for Economic Research

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