

PIER Snapshot: Mar-24 BI-Rate

20 March 2024

Indicators	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Jan-24	Feb-24	Mar-24
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.00	6.00
Deposit Facility Rate (%)	4.25	3.00	2.75	4.75	5.25	5.25	5.25	5.25
Inflation Rate (%yoy)	2.72	1.68	1.87	5.51	2.81	2.57	2.75	
Core Inflation Rate (%yoy)	3.02	1.60	1.56	3.36	1.82	1.68	1.68	

BI Kept BI-Rate at 6.00% as the Attempt to Synergize Economic Growth and Monetary Stability

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- BI left policy rate unchanged to continue maintaining monetary stability and supporting economic growth.**
 Bank Indonesia (BI) decided to hold BI-rate at 6.00% in the Mar-24 meeting for fifth consecutive months. Deposit and lending facility rates also stayed at 5.25% and 6.75%, correspondingly. BI affirmed to keep maintaining pro-stability monetary policy and pro-growth for macroprudential policy. BI remained cautious regarding timing and frequencies of the Fed's policy rate cut, especially because BI expected that despite the disinflation progress, US inflation tends to be still above the 2% target until 2025. Regarding the Bank of Japan (BoJ) policy shift leaving ultra-loose monetary policy, BI didn't consider it as a significant risk to domestic monetary and financial market stability. To mitigate the looming uncertainty in the global financial market and temporary inflation risk from surging food prices, particularly rice, BI still considers cutting BI-rate around the second term of 2024.
- Updates on Indonesia's banking sector.**
 Loan growth in Feb-24 eased slightly to 11.28%yoy from 11.83%yoy in a month earlier. Based on supply side, ample liquidity in the banking sector supported solid growth of loan in Feb-24. Ample banking liquidity was reflected by AL/DPK which recorded 27.41%. Meanwhile, from the demand side, corporate and household loans are expected to increase after the 2024 election period. Major sector contributing to solid loan growth was agriculture, mining, construction, trading, social services, and business services. Non-Performing Loan (NPL) in Jan-24 rose to 2.35% (gross) from 2.19% (gross), while Capital Adequacy Ratio (CAR) in Jan-24 recorded 27.52%.
- Our PIERpective on BI's monetary policy.**
 Risk on stability remains relatively high due to domestic and international factors. From the domestic side, inflationary risk emerges in the short term, mainly because of surging of volatile price inflation, mostly related to food prices. Higher volatile price inflation is caused by the impact of El-Nino and stronger demand of food during Ramadan and Eid al-Fitr festive season. Notably narrowing trade surplus in Feb-24, moreover, became risk that needs to anticipate going forward, especially because export performance weakened.

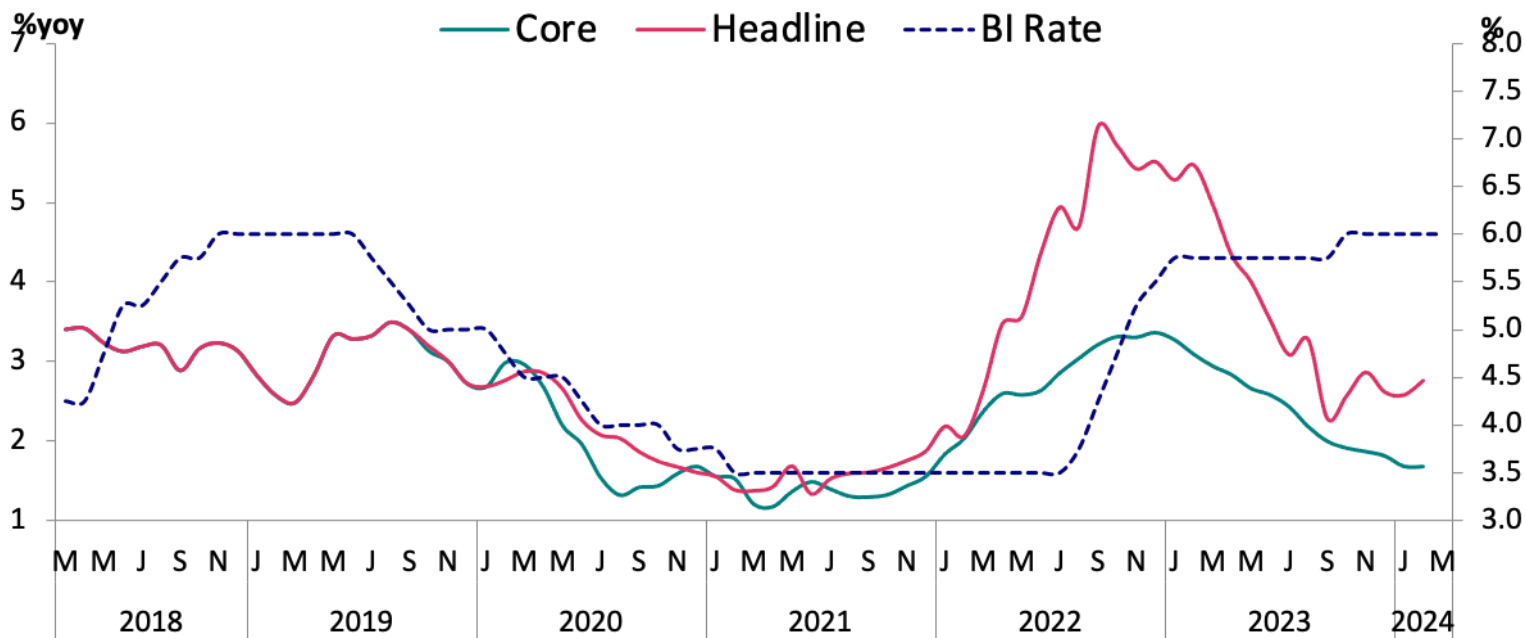
Global financial market is still filled with uncertainty from the Fed's monetary policy regarding its policy rate cut. In the last two months, market expectation shifted from around 100-125bps to 75-100bps rate cut because US economic indicators, especially inflation, still recorded solid figures, pushing investors to expect the Fed to be more hesitant in cutting the rate. Currently, market expects the first cut to happen in Jun-24, shifting from Mar-24 in the beginning of the year.

Due to those monetary risks, BI tends to be more hesitant to cut BI-rate rate early. Thus, we uphold our expectation that BI will cut BI-rate by 50bps to 5.50% in the second half of 2024.

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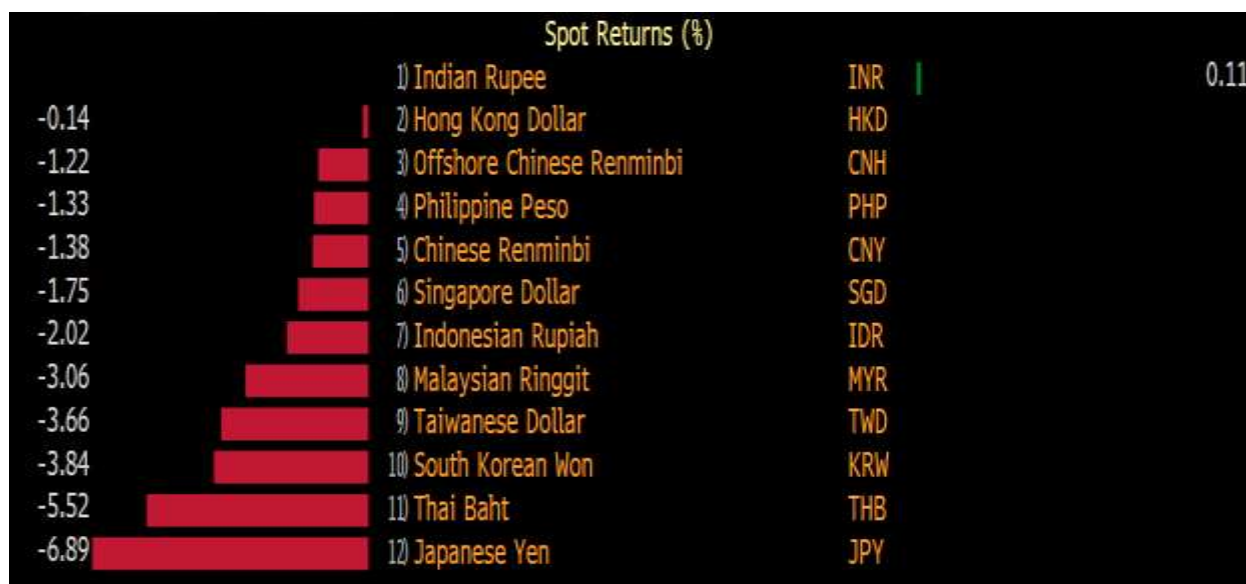
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BI-Rate and Inflation (%)



Source: Bloomberg & PIER

YtD Comparison of Asian Currencies

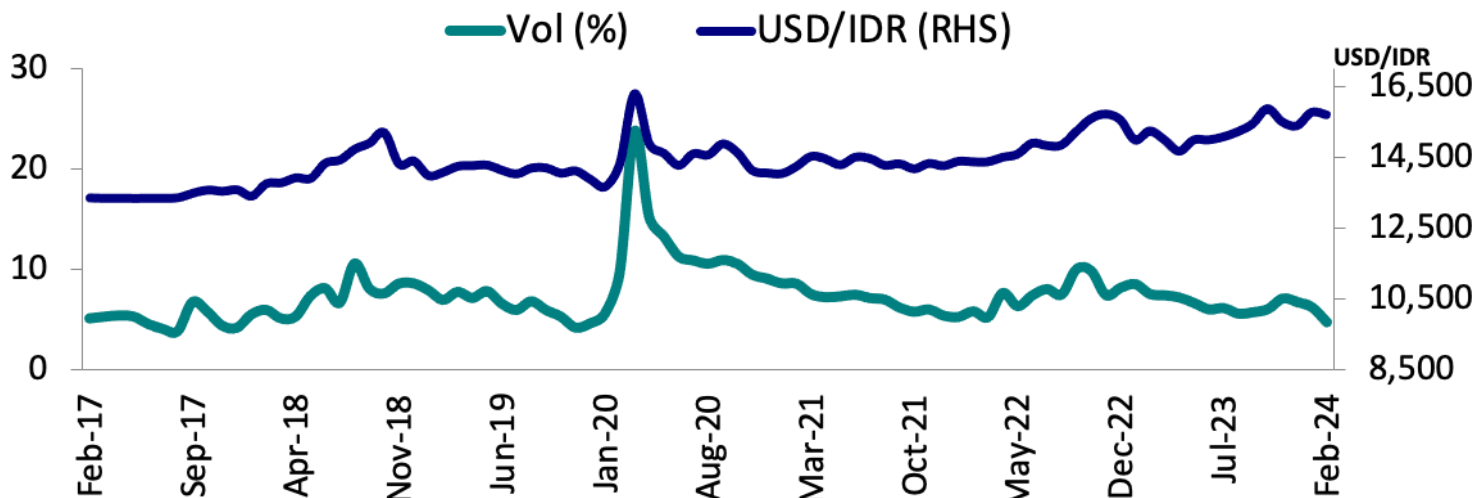


Source: Bloomberg

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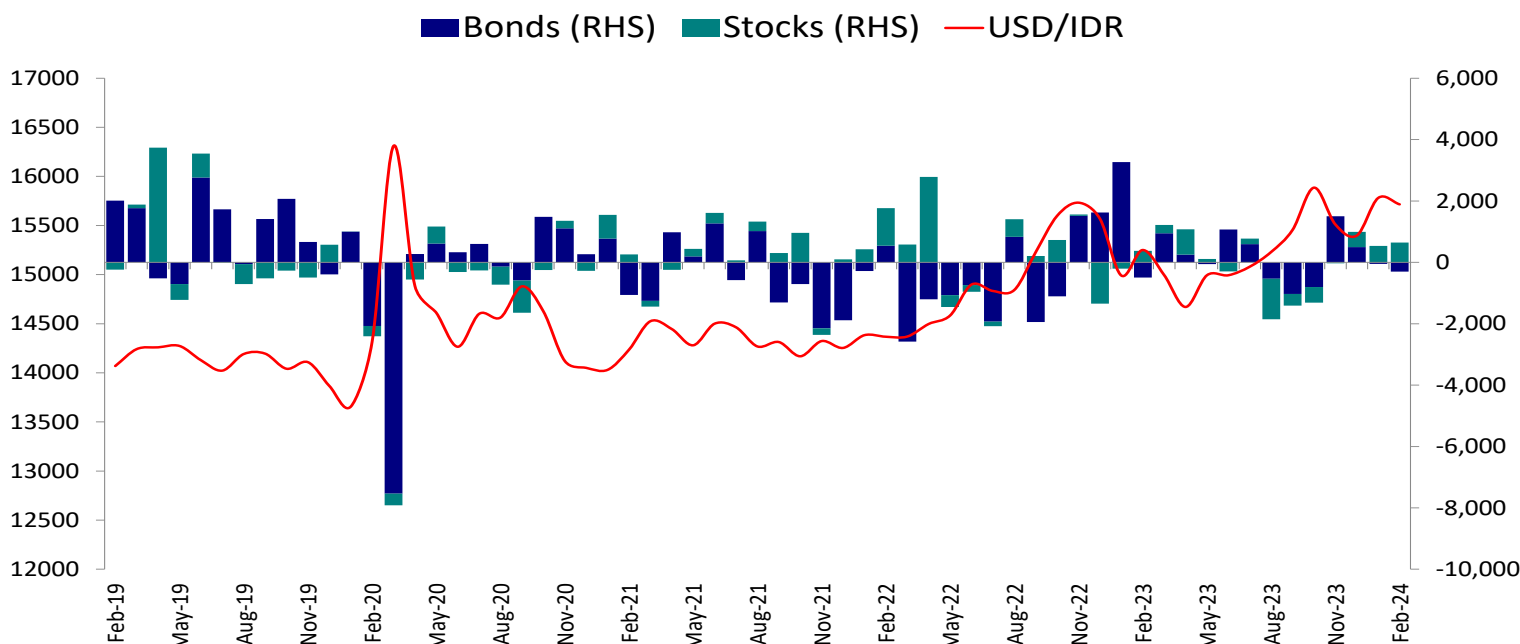
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USD/IDR and Volatility



Source: Bloomberg & PIER

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



Source: Bloomberg & PIER

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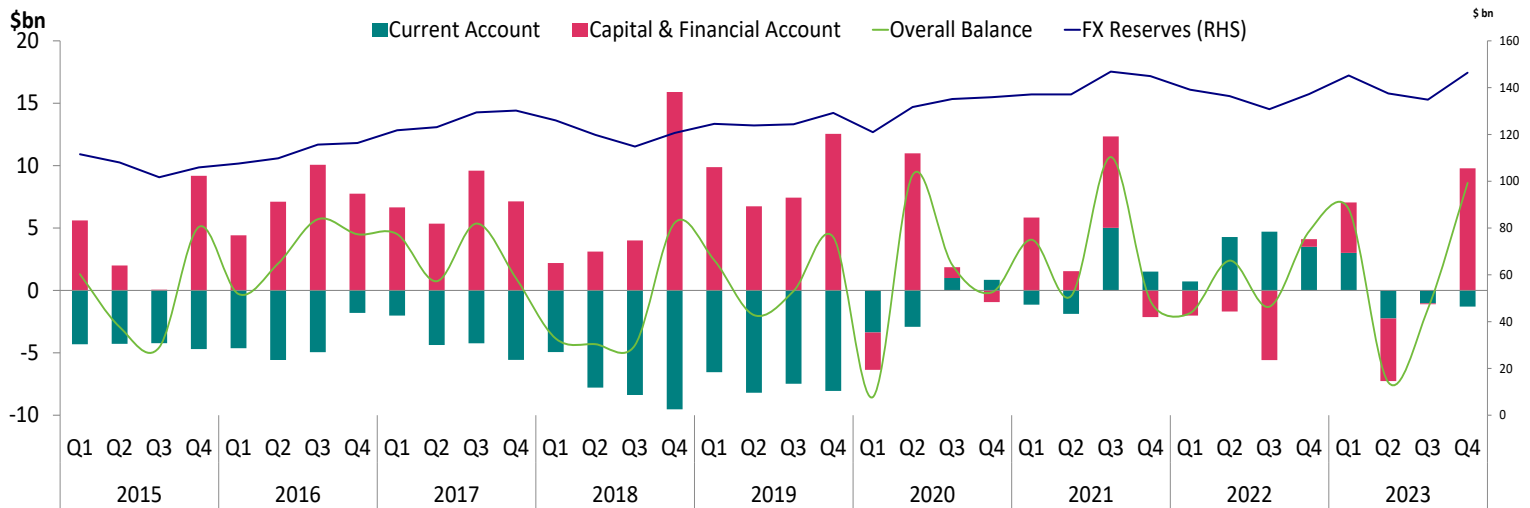
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Feb-24 Trade Balance Registered Its Smallest Surplus since May-23

(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
Jan-23	22,324	20,836	1,488	18,443	15,537	2,906	3,881	5,299	-1,418
Feb-23	21,321	20,135	1,187	15,919	13,513	2,407	5,402	6,622	-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	19,341	1,405	17,342	14,013	3,329	3,405	5,328	-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	22,392	20,913	1,479	19,107	15,735	3,372	3,285	5,179	-1,894
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	19,307	18,090	1,217	18,440	15,461	2,980	867	2,630	-1,763
Jan-Feb-23	43,645	40,971	2,674	34,362	29,050	5,313			
Jan-Feb-24	39,801	37,187	2,615	36,935	31,257	5,678			
Growth	-8.8	-9.2	-2.2	7.5	7.6	6.9			

Source: Statistics of Indonesia & PIER

2023 Balance of Payment Recorded Higher Surplus amid Inflow from Portfolio Investment



Source: Bank Indonesia & PIER

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PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24F	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
National Account												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.10	5.11	5.05	5.00	5.07	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	5.18	5.20	5.15	5.05	5.14	5.10	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	5.05	4.79	4.81	5.05	4.93	5.52	6.09
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	4.58	4.23	5.13	5.11	4.78	5.83	6.62
Nominal GDP (IDR trn) - nominal	15,832.66	15,443.35	16,976.75	19,588.09	20,892.38	5,485.18	5,656.44	5,727.52	5,731.41	22,600.55	24,479.95	26,548.14
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	355.01	366.11	374.25	378.60	1,473.98	1,641.11	1,807.17
Inflation & Unemployment												
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.97	3.10	3.15	3.07	3.07	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	5.14	5.14	5.28	5.28	5.28	5.14	4.91
Fiscal Condition												
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.25	0.05	-0.75	-2.14	-2.14	-2.00	-2.04
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.62	6.65	6.33	6.26	6.26	6.04	5.63
External Sector												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.56	6.11	5.44	6.52	25.63	23.41	17.22
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.35	9.57	8.13	7.44	8.54	33.68	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-1.57	-1.35	-3.37	-3.31	-2.36	-10.38	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.11	-0.38	-0.92	-0.88	-0.60	-0.70	-1.13	-1.46
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	151.84	143.24	143.87	152.18	152.18	156.04	157.88
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,451	15,450	15,304	15,138	15,336	14,918	14,691
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,468	15,444	15,241	15,093	15,093	14,783	14,565
Commodity Price												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	133.1	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	805.8	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	77.8	77.7	79.0	80.3	80.3	84.1	85.4
Interest Rate												
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	2.75
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.00	6.00	5.50	5.50	4.50	4.00
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.28	9.23	9.21	9.15	9.15	8.55	8.00
Banking Sector												
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	10.48	10.58	10.69	10.79	10.79	11.34	11.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	4.84	6.28	8.15	10.57	10.57	9.39	9.22
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.8	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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