

# PIER Snapshot: Jan-24 BI Rate

## 21 February 2024

Indicators	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Jan-24	Feb-24
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.00
Deposit Facility Rate (%)	4.25	3.00	2.75	4.75	5.25	5.25	5.25
Inflation Rate (%yoy)	2.72	1.68	1.87	5.51	2.61	2.57	
Core Inflation Rate (%yoy)	3.02	1.60	1.56	3.36	1.82	1.68	

## BI maintained policy rate as BI still focused on maintaining monetary stability

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- **BI held BI rate unchanged to support Rupiah stability.**

Bank Indonesia (BI) kept BI rate at 6.00% in Feb-24. Deposit and lending facility rates were stable at 5.25% and 6.75%, consecutively. BI plans to loosen its monetary policy by lowering policy rate in second half of 2024 when BI's assessment on Rupiah and inflation to remain stable. BI also affirmed that macroprudential policy is BI's main measures for supporting economic growth.

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

Loan growth in Jan-24 continued to grow faster compared to previous month, reflecting solid domestic economic condition. Loan growth in Jan-24 rose to 11.83%yoy from 10.38%yoy in a month earlier. According to BI, higher loan growth was supported by macroprudential policy leading to adequate liquidity condition and improving risk appetite from banking industry. Based on the type of credit, strong loan growth was driven by investment and working capital, which rose by 13.39%yoy dan 12.26%yoy, respectively. Meanwhile, by sector, solid loan growth was supported by mining, social services, and business services. Third Party Fund (TPF) in Jan-24 posted 5.80%yoy from 3.73%yoy in Dec-23. Non-Performing Loan (NPL) posted 2.19% (gross) and 0.71% (net), implying manageable condition in banking industry. Capital Adequacy Ratio (CAR) in Dec-23 recorded 27.79% due to banking placement of liquid securities.

- **Our Outlook on BI monetary policy.**

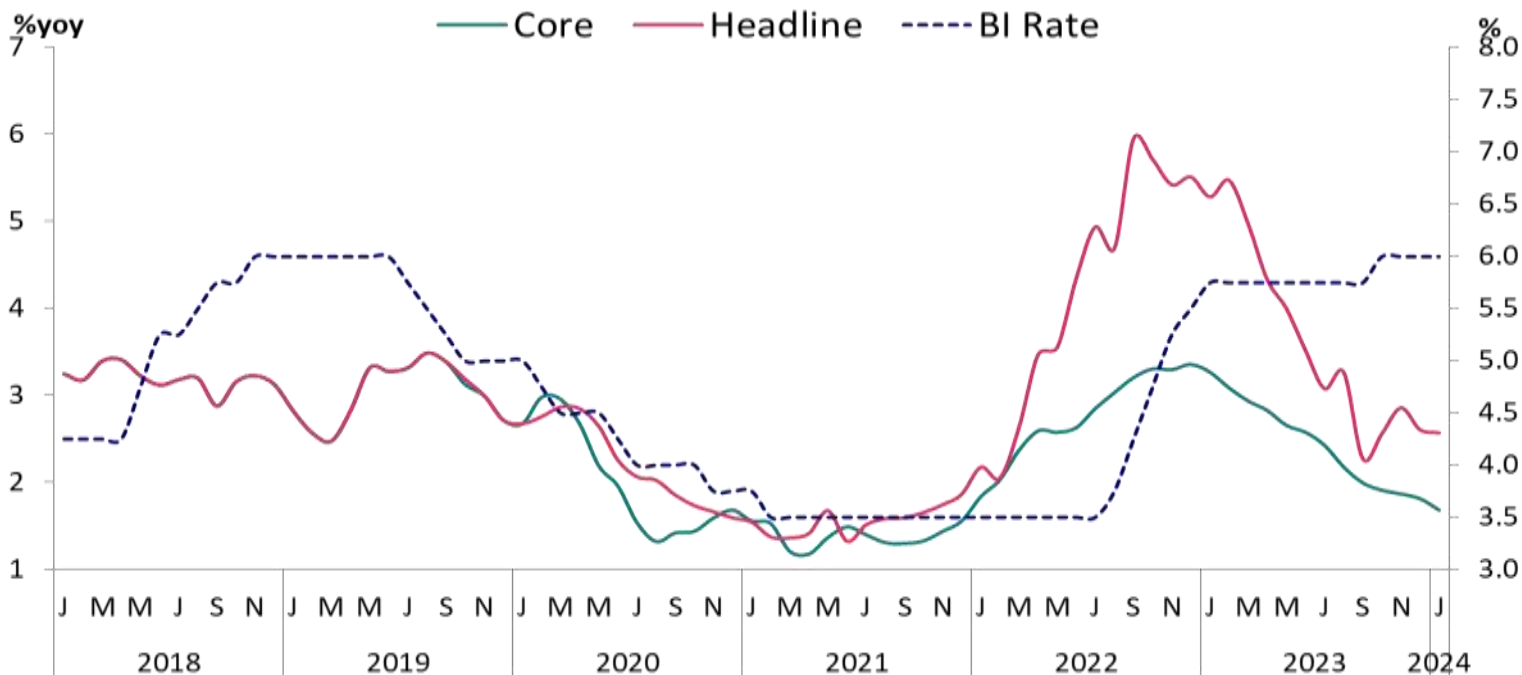
In line with our expectation, BI also signaled rate cut in second half of 2024. Inflationary risk remained high due to foodstuff price, which remained high due to El-Nino effect. In the short term, the foodstuff price would likely temporarily increase on festive season. We reiterate that inflation would be subdued within BI's target in 2024, ranging between 1.5%-3.5%.

The Rupiah stability risk is still considered high, especially because the Fed will maintain its benchmark interest rate longer until second half of 2024, coupled with global slowing down. Global economic slowdown risk will put pressure on Indonesia current account balance which eventually could trigger more dynamic in Rupiah exchange rate. However, on the flipside, we could expect that foreign investors would start to invest through Foreign Direct Investment (FDI) sooner due to easing uncertainty risk regarding election. We still expect that BI will cut BI rate by 50bps to 5.50% in the second half of 2024, considering stable inflation and manageable Rupiah trend.

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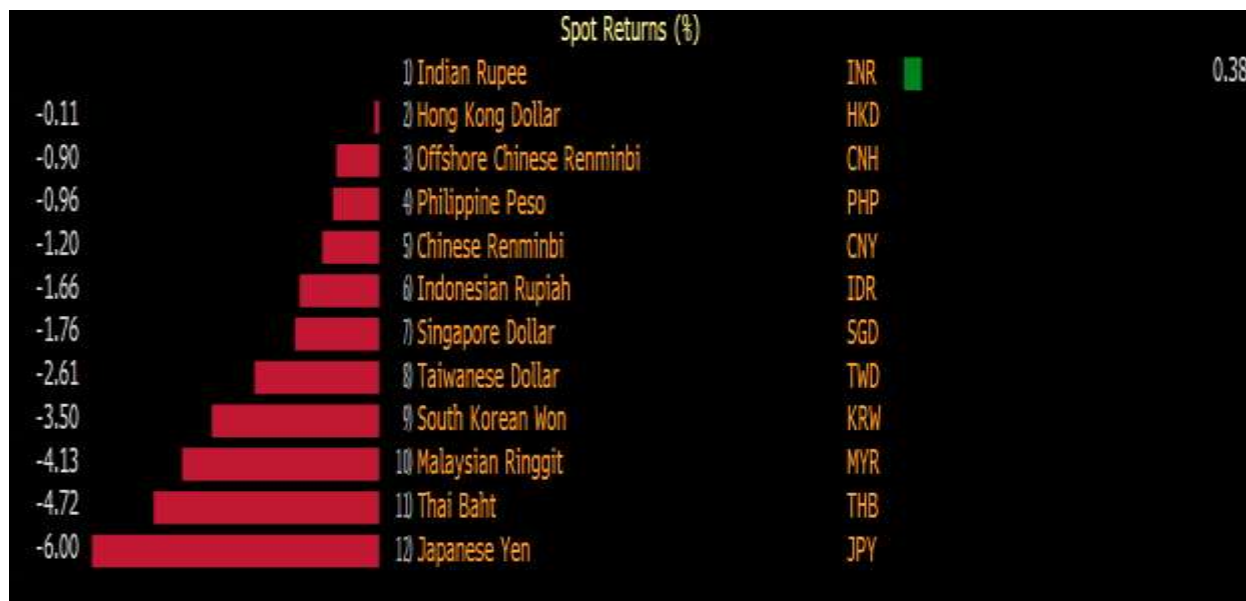
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## BI Rate and Inflation (%)



Source: Bloomberg & PIER

## Asian Currencies Comparison

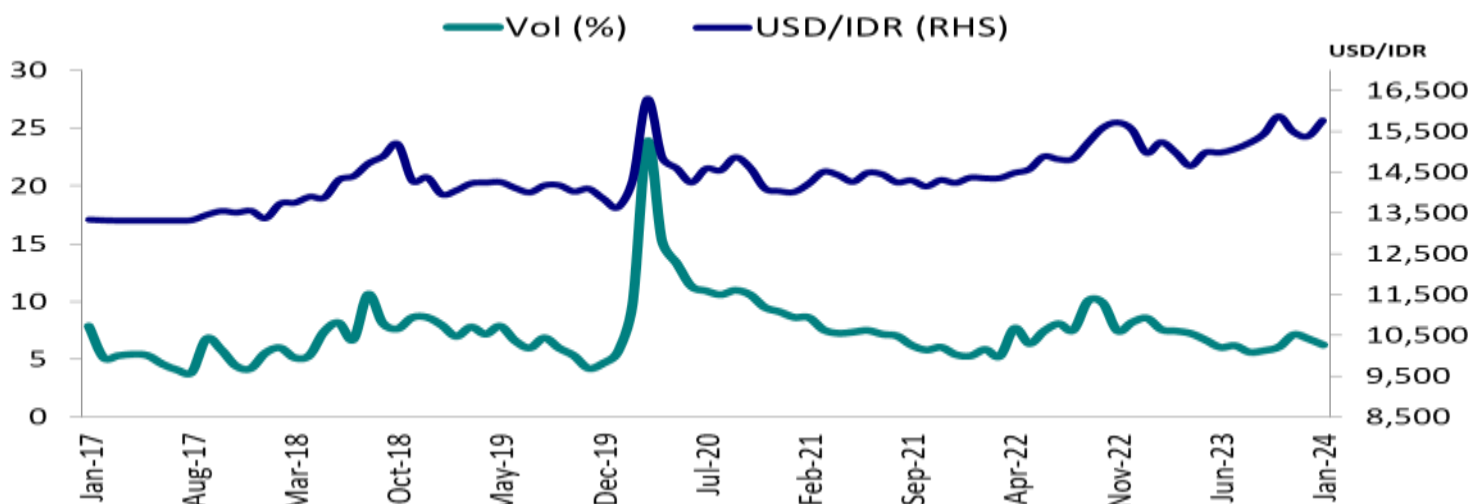


Source: Bloomberg

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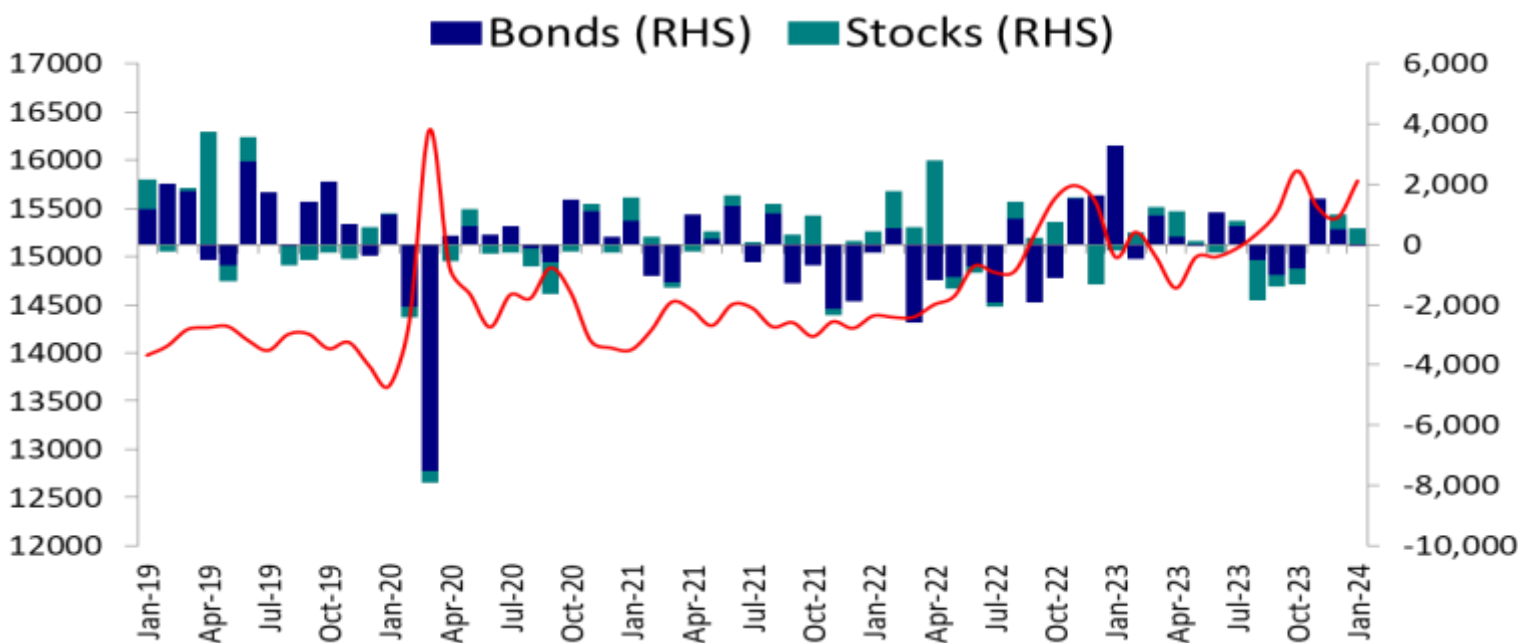
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## USD/IDR and Volatility



Source: Bloomberg & PIER

## Foreign Flows in Indonesia's Capital Market



Source: Bloomberg & PIER

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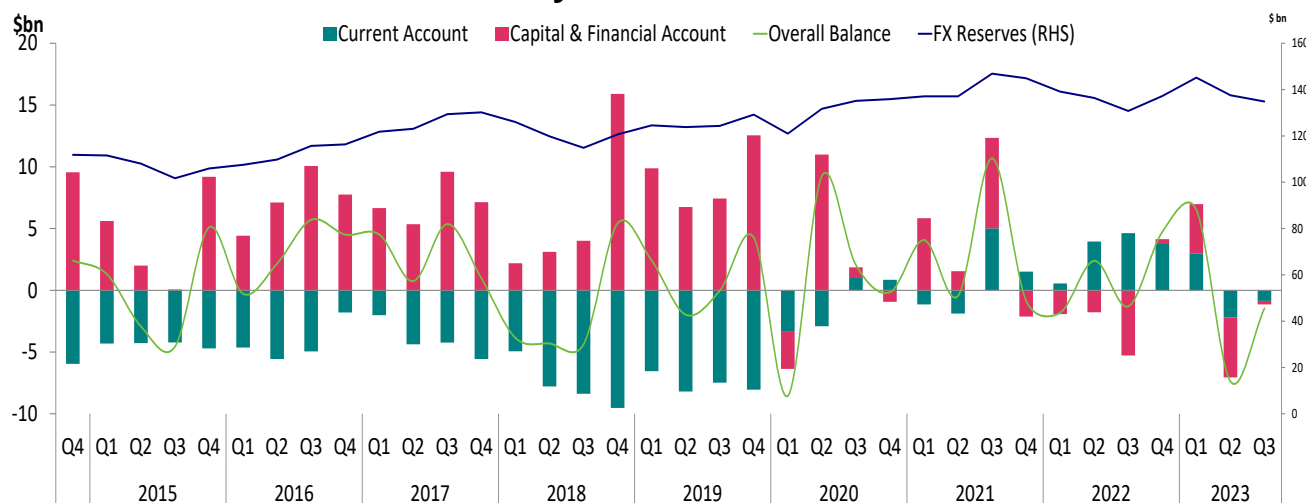
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### Jan-24 Trade Surplus Notably Shrunk due to oversupply of Energy in China

(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	20,524	19,127	1,398	18,509	15,811	2,698	2,015	3,316	-1,301
Growth	-8.1	-8.2	-6.1	0.4	1.8	-7.2			

Source: Statistics of Indonesia & PIER

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



Source: Bank Indonesia & PIER

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	2019	2020	2021	2022	2023	1Q24F	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
<b>National Account</b>												
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
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	-5.23	-2.39	1.27	4.95	-0.29	9.62	10.41
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	-4.63	-2.95	2.88	6.36	0.57	11.82	12.65
<b>Inflation &amp; Unemployment</b>												
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
<b>Fiscal Condition</b>												
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
<b>External Sector</b>												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.93	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	45.08*	9.57	8.13	7.44	8.54	33.68	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	12.87	-2.01*	-1.35	-3.37	-3.31	-2.36	-10.38	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	0.98	-0.14*	-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
<b>Commodity Price</b>												
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
<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	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
<b>Banking Sector</b>												
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

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