

25 June 2024

Macroeconomics Indicator

	2022	2023E	2024F
GDP growth (%YoY)	5.31	5.01	5.08
Inflation (%YoY)	5.51	2.61	3.59
BI rate (% Year-end)	5.50	6.00	6.00
Rp/US\$ (Average)	14,855	15,234	15,800
CA deficit (% of GDP)	+1.1	-0.5	-0.7
Fiscal deficit (% of GDP)	2.38	1.65	2.30

Pick-up in M2 from higher onshore US\$ third party deposit

- M2 edged-up to +7.6% yoy in May24 (+6.9% yoy in Apr24), mainly from a surge in US\$ third party deposit at +10.1% yoy (+4.2% yoy in Apr24).
- BI's open monetary operation grew by +35% yoy in May24 driven mainly by the SRBI at 71% YTD (63% of total OMO)
- We view that the pick-up in money supply growth will be insufficient to promote higher economic growth (c.+4.9% in 2Q24F).

M2 grew higher from US\$ third party deposit that linked to SRBI

Broad money supply (M2) rebounded to post higher growth at +7.6% yoy in May24 (+6.9/+7.2% yoy in Apr/Mar24). The higher M2 growth was coming from a rebound in net foreign asset (NFA) at +0.6% yoy (-1.1% yoy in both Apr/Mar24) sourced from higher US\$ third party deposit by +10.1% yoy (+4.2% yoy in Apr24). Our discussion with respective officials suggests that the increase in onshore US\$ third party deposit was linked to the surge in SRBI by Rp147.5tr to Rp558tr in May24 (Rp410.7tr in Apr24) or 71% YTD (63% of total OMO).

SRBI gained more traction

We think the increasing popularity of SRBI emanates from the high interest rate ranging from 7.1-7.4% for 6-12 months tenor. For comparison, the 10y government bond (SUN) yield is only around 7% currently. Overall, the SRBI absorbs domestic liquidity by Rp61tr/month in avg since its first introduction in Sep23 (see fig.7).

NDA inching-up from more government spending

Meanwhile the net domestic asset (NDA) inched-up to +9.6% yoy in May24 (+9.3% yoy in Apr24), sourced mainly from lower contraction in the net claim to the central government at -3.8% yoy (-6.6% yoy in Apr24) amid higher government spending at +14% yoy (+11% yoy in Apr24), offset by slower growth in private loan at +11.4% yoy (+12.3% yoy in Apr24). However, worth noting that the higher government spending in May24 was for subsidy and fuel compensation payments (+3.7%/+13.2% yoy), which has a minimum multiplier effect to economic activity compared to social aid or other types of spending. Hence, we believe the increase in the government spending in May24 will unlikely have a meaningful impact to economic activity growth.

Private loan decelerated, but mortgage pick-up

Private loan decelerated to +11.4% yoy in May24 (+12.3% yoy in Apr24), mostly due to the lower growth in working capital loan at +10.8% yoy (+12.4% yoy in Apr24). On the contrary, mortgage was picking-up at +8.8% yoy (+7.8%/+7.7% in Apr/Mar24). We believe the property tax incentives of free VAT are starting to have an impact.

Economic growth to be at c.+4.9% yoy in 2Q24

We are on the view that the inched-up money supply growth will unlikely suffice to fuel higher growth in 2Q24. We believe economic activity growth will decelerate to c.+4.9% yoy in 2Q24 vs. +5.1% yoy in 1Q24. Nevertheless, we believe more M2 growth may be created by the new administration via more government spending in the 2H24.

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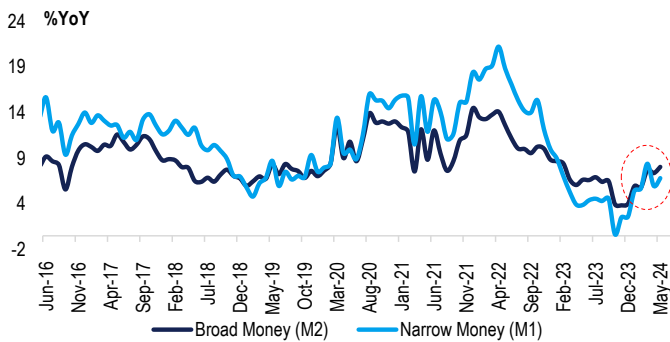
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Fig. 1: Money supply summary: M2 rebounded from NFA

	2018	2019	2020	2021	2022	2023	2024	Mar-24	Apr-24	May-24	Mar-24	Apr-24	May-24
	%YoY							%YoY			%MoM		
Broad Money (M2)	6.3	6.5	12.5	14.0	8.4	3.5	7.2	7.2	6.9	7.6	1.7	0.4	0.4
Net Foreign Asset	-6.4	4.4	13.6	5.8	4.9	3.6	-1.1	-1.1	-1.1	0.6	-2.1	-0.9	-1.6
Net Domestic Asset	11.4	7.2	12.2	16.7	9.4	3.4	9.7	9.7	9.3	9.6	2.8	0.8	1.0
Narrow Money (M1)	6.5	7.4	14.9	17.9	9.5	2.1	7.9	7.9	5.5	6.3	2.7	0.1	-0.3
Deposit	6.1	6.4	11.4	12.2	9.4	3.8	7.4	7.4	8.1	8.5	1.7	0.5	0.6
Private Loan	11.7	5.9	-2.6	4.9	11.0	10.3	11.9	11.9	12.3	11.4	2.0	0.8	0.9
L/D Ratio (%)	97.5	97.0	84.9	79.4	80.5	85.6	86.3	86.3	86.5	86.8	---	---	---

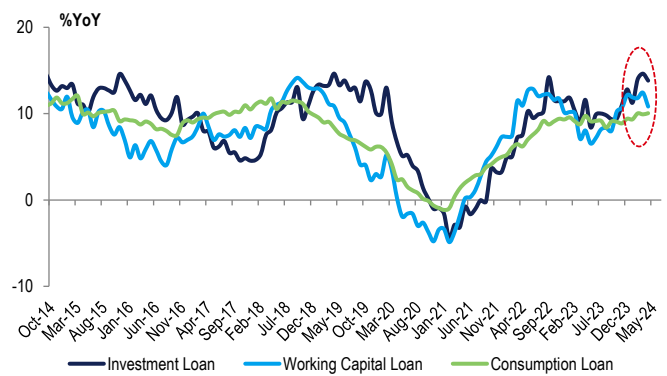
Source: BI, Indo Premier

Fig. 2: both M2 and M1 accelerated



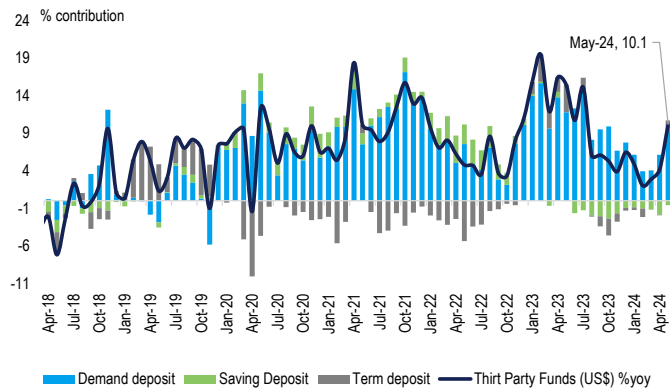
Source: BI, Indo Premier

Fig. 3: almost all type of loan decreases, except consumption loan



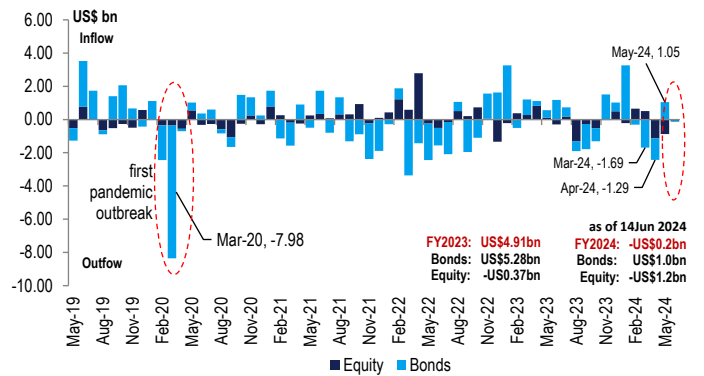
Source: BI, Indo Premier

Fig. 4: On-shore US\$ deposits surged



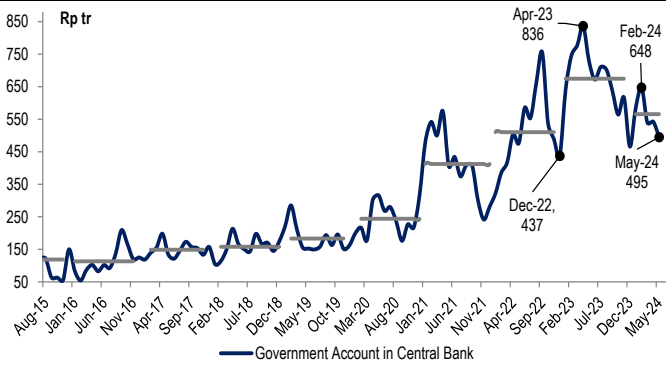
Source: BI, Indo Premier

Fig. 5: Bond market rebounded from SRBI



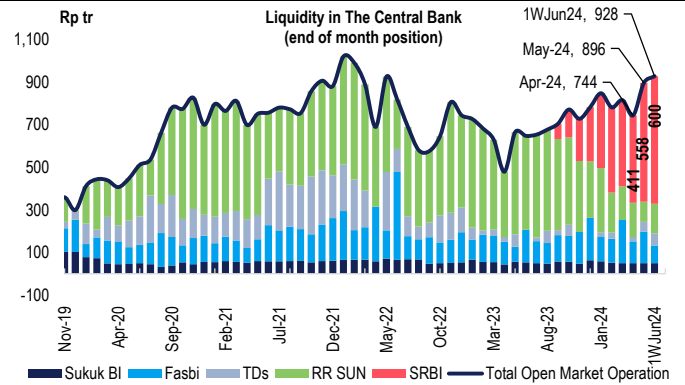
Source: BI, Bloomberg, Indo Premier

Fig. 6: Govt account in BI decreases



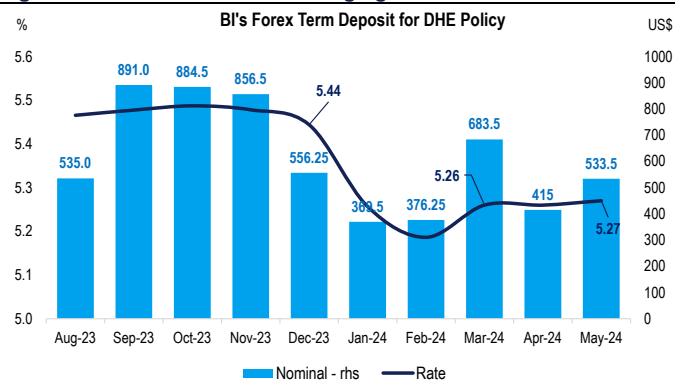
Source: BI, Indo Premier

Fig. 7: SRBI absorbs banking system's liquidity



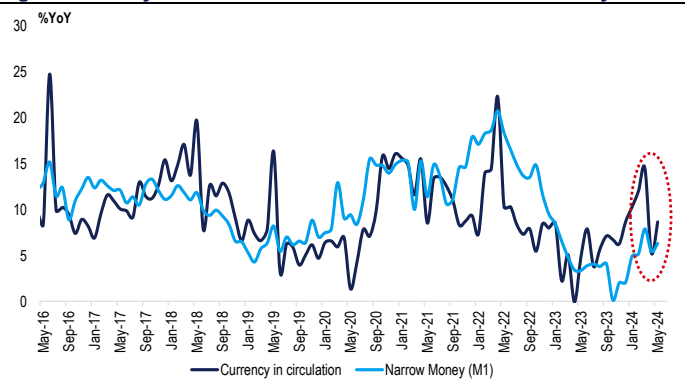
Source: BI, Indo Premier

Fig. 8: DHE instrument still challenging



Source: BI, Indo Premier

Fig. 9: currency in circulation increased due to school holiday



Source: BI, Indo Premier

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