

08 July 2024

Macroeconomics Indicator

	2023	2024F	2025P
GDP growth (%YoY)	5.05	5.05	5.23
Inflation (%YoY)	2.61	2.73	3.49
BI rate (% Year-end)	6.00	6.50	6.00
Rp/US\$ (Average)	15,244	16,015	16,218
CA deficit (% of GDP)	-0.1	-0.6	-0.8
Fiscal deficit (% of GDP)	1.65	2.28	2.55

FX reserve continued to increase suggesting a new equilibrium for Rupiah

- FX reserves increased further by US\$1.2bn to US\$140.2bn in Jun24 (vs. US\$139bn in May24) mainly from global bonds issuance at c.US\$2.3bn.
- Rupiah depreciated further at -1.6% mom/-9.3% yoy/-5.3% YTD to Rp16.4k/US\$ in Jun24, from +0.3% mom/-8.2% yoy/-3.6% YTD in May24
- We expect Rupiah to be at c.Rp16k/US\$ avg in FY24, with the assumption of another 25bp increase in the BI rate to 6.5% by year-end.

FX reserve increase suggests a new equilibrium for Rupiah

FX reserve rose further by US\$1.2bn to US\$140.2bn in Jun24 (US\$139/136.2bn in May/Apr24) amid global sharia bonds issuance of US\$2.35bn and international trade tax at c.US\$1.85bn. Our estimation of the Rupiah sterilization during Jun24 was at around c.US\$3bn. In addition, the FX reserve position was equivalent to 6.3 months of imports or 6.1 months of imports and government debt payments. We are on the view that the further increase in reserves in Jun24 was suggesting a new equilibrium for Rupiah at above Rp16k/US\$.

Rupiah volatility remained high

The Rupiah reversed into depreciation territory at -1.6% mom/-9.3% yoy/-5.3% YTD to roughly Rp16.4k/US\$ in Jun24. Previously, the Rupiah had eased to +0.3% mom/-8.2% yoy/-3.6% YTD in May24 (from -2.6% mom/-8.4% yoy/-3.9% YTD in Apr24). This was in parallel with other EM such as Thailand Baht and Mexican Peso at -7.3/-7.9% YTD (see fig.3), as the DXY is appreciating to 105.9 index point in Jun24 from 104.6/102.2 index point in May/Jan24.

DHE inflows improves but have neutral impact on Rupiah

The inflows of DHE policy fund improved further to US\$0.7bn in Jun24 from US\$0.63/0.4bn in May/Apr24. By far, the impact of the DHE policy fund to Rupiah proven to be broadly neutral (see fig.5). Since the first introduction in Aug23, the DHE fund dynamics seems to be insignificant to influence both Rupiah movement and onshore US\$ supply.

Rupiah likely to average higher in FY24

With the increase in reserves, we are on the view that current Rupiah level of around Rp16k/US\$ may be the new equilibrium level. The increase in reserves was pointing to minimum Rupiah-intervention, just to keep Rupiah from depreciating too much (instead of bringing stronger Rupiah). Therefore, we see the Rupiah to be depreciating to Rp16k/US\$ average in FY24 from Rp15.2k/US\$ in FY23. Nevertheless, we think the policy rate may still be increased by 25bp to put more stability to the Rupiah by year-end should there be any unexpected global volatility.

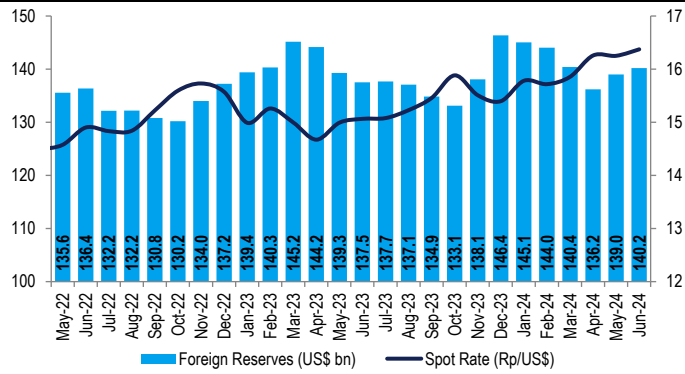
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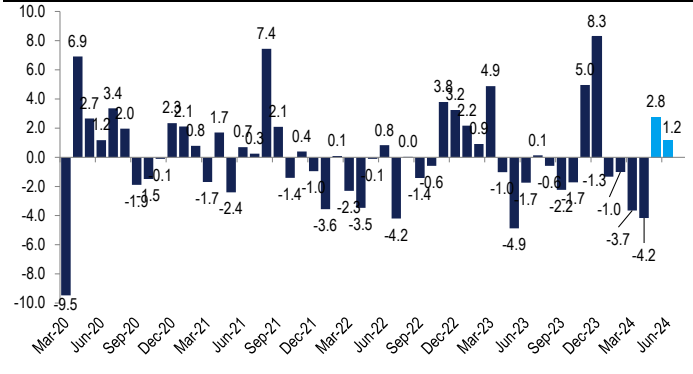
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Fig. 1: FX reserve increase suggest acceptance to new Rp level



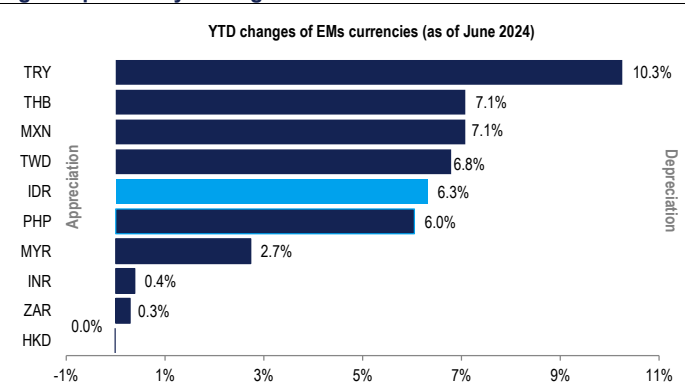
Source: BI, Bloomberg, Indo Premier

Fig. 2: Two consecutive months of FX increase



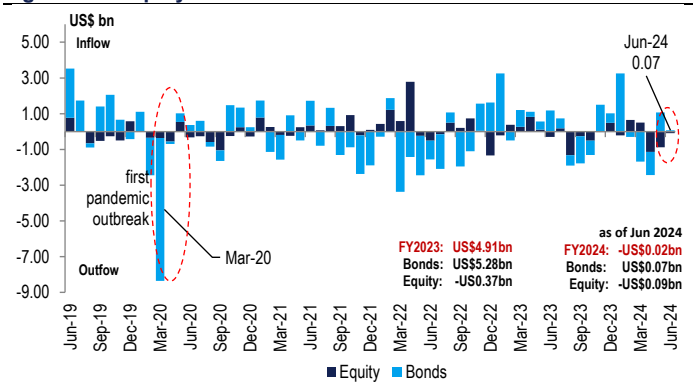
Source: Bloomberg, Indo Premier

Fig. 3: Rp volatility still high



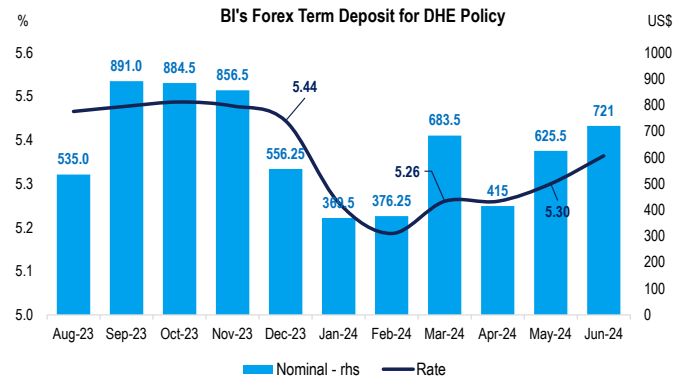
Source: BI, IMF, Indo Premier

Fig. 4: both equity and bonds seems to be muted



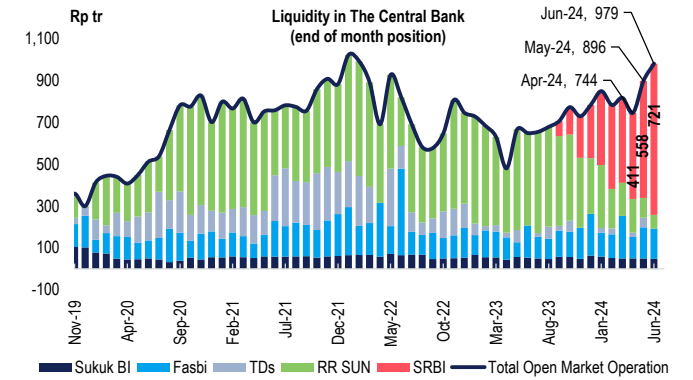
Source: Bloomberg, Indo Premier

Fig. 5: DHE policy fund improving



Source: BI, Indo Premier

Fig. 6: foreign investor on SRBI gaining pace



Source: BI, Indo Premier

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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