

20 February 2025

Macroeconomics Indicator

	2023	2024E	2025F
GDP growth (%YoY)	5.05	5.03	5.23
Inflation (%YoY)	2.61	1.57	3.16
BI rate (% Year-end)	6.00	6.00	5.50
Rp/US\$ (Average)	15,244	15,853	16,288
CA deficit (% of GDP)	-0.1	-0.7	-1.5
Fiscal deficit (% of GDP)	1.65	2.3	2.8

F: forecast, P: preliminary; all baseline scenario

Unchanged BI rate to guard Rupiah

- BI held the BI rate at 5.75% to mitigate currency volatility as Rupiah has depreciated by -0.9% YTD vs. MYR/THB at +0.5%/+2.0%.
- BI is still open for further rate cut in FY25, though the timing will depend on Rupiah situation. For FFR, BI only expects 25bp one-time cut in FY25.
- We keep our view of BI rate at 5.5% in FY25 (another 25bp cut in 2H25). Risk to our call is FFR dynamics and Rupiah volatility.

Status quo in BI rate to mitigate currency volatility

Bank Indonesia (BI) decided to maintain the policy rate at 5.75%, along with the deposit/lending facilities at 5%/6.5%. This in-line with ours/consensus expectations of unchanged rate (however 14 out of 35 surveyed economist predicts 25bp cut). The decision was made primarily to maintain currency stability, defined as a condition where Rupiah movement is in-line with other EM currencies. Already, Rupiah were one of the weakest currencies in FY25 at -0.9% YTD (vs VND/MYR/THB at -0.1%/+0.5%/+2% YTD). This coincided with narrowing Indonesia's asset price gap vs. US, leading to higher onshore demand for US\$. The 10Y SUN yield has fallen to 6.8% in Feb25 (7.0% in Jan25) while the UST 10Y has remained elevated at 4.5% in Jan-Feb25).

Limited FFR trajectory, but further BI rate cut is still possible

On the FFR forecast, BI has kept the expectation of only one cut of -25bp in FY25 (similar to Jan25 forecast). Specifically, BI emphasized that the FFR cut will only happen as early as 2H25. This is likely due to the elevated US headline/core inflation at 3.0%/3.3% yoy in Jan25 (2.9%/3.2% in Dec24). Moreover, further US inflation risk might persist from higher trade tension as Trump has recently threatened to announce additional reciprocal tariffs on Apr25. Nevertheless, BI pointed out that the room for further rate cut in FY25 is still available, although the timing is contingent on the Rupiah situation. On the domestic economy, it kept (1) GDP growth expectation at c.+4.7-5.5%; and (2) current account deficit at c.-0.5% to -1.3% of GDP in FY25.

Drop in SRBI yield shall be positive for domestic liquidity

Total SRBI fell by -Rp2tr to Rp892tr in 19th Feb25, down from Rp894tr in Jan25. Furthermore, foreign investor participation in SRBI increased to 26.6% in Jan25 (24.3% in Dec24), reflecting a foreign inflow of +Rp13.5tr. In parallel, local ownership in SRBI has decreased by -Rp43.1tr amidst lower absorption rate at 26% (bid vs. awarded, 44% in Dec24). Nevertheless, SRBI's avg yield has declined to 6.5% in Feb25 (7.0% in Jan25), which may impact foreign investor appetite.

We maintain our BI rate projection at c.5.5% in FY25

We believe the unchanged rate to be supportive for Rupiah stability. Furthermore, we see limited room for further rate cut in 1H25, given the risk of Yuan devaluation and possibility of unchanged FFR. For now, we keep our view of BI rate cut by 50bp in FY25 (another 25bp cut). We expect Rupiah to average Rp16.3k/US\$ in FY25, as pressure from stronger DXY might persist until year-end.

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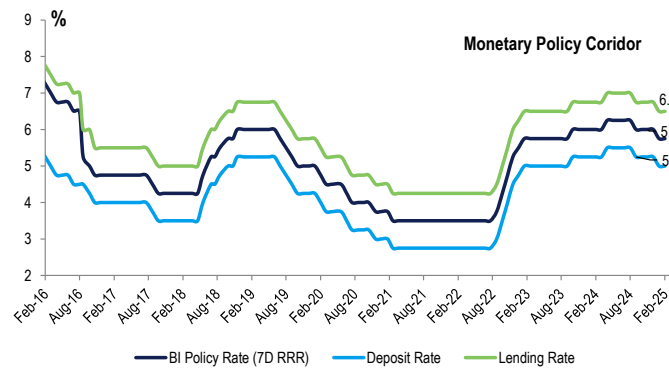
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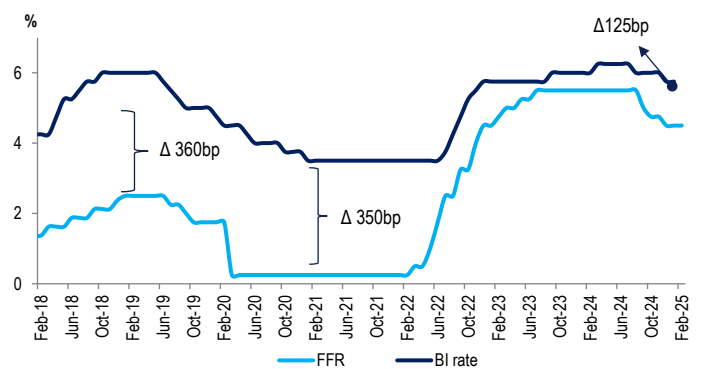
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Fig. 1: BI rate unchanged at 5.75%



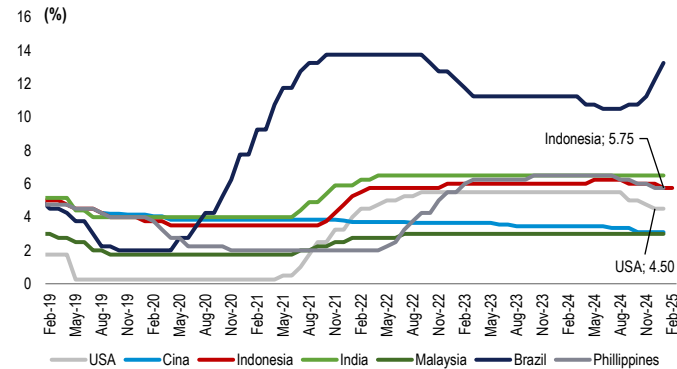
Source: BI, Indo Premier

Fig. 2: BI rate – FFR spread stayed at 125bp



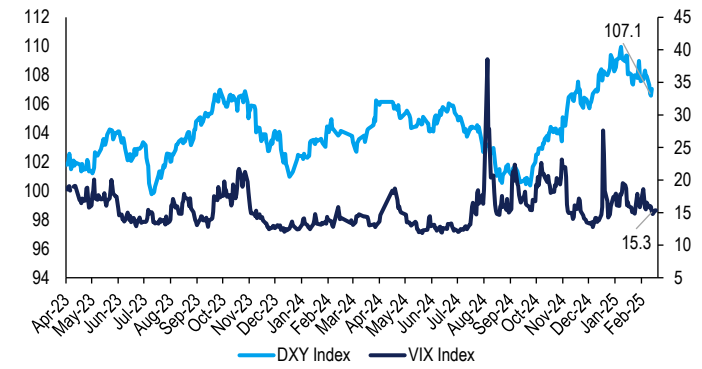
Source: BI, Bloomberg, Indo Premier

Fig. 3: Nominal policy rate of Indonesia is still competitive



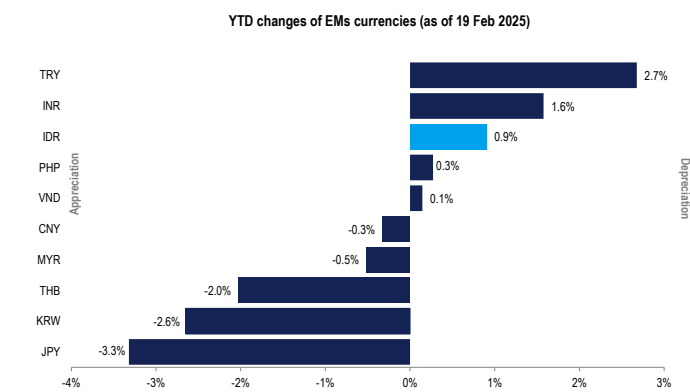
Source: Bloomberg, Indo Premier

Fig. 4: DXY already eased off to the 107 level



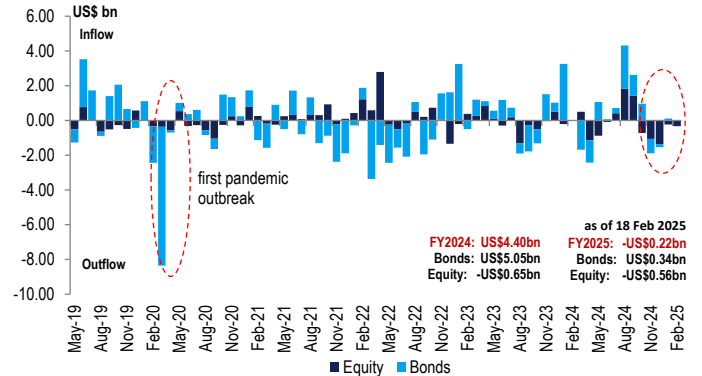
Source: Bloomberg, Indo Premier

Fig. 5: Rupiah is one of the most depreciated EM currency



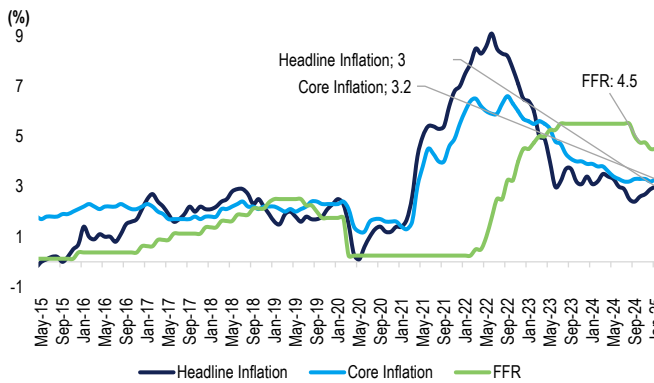
Source: Bloomberg, Indo Premier

Fig. 6: Outflows were coming mostly from equity



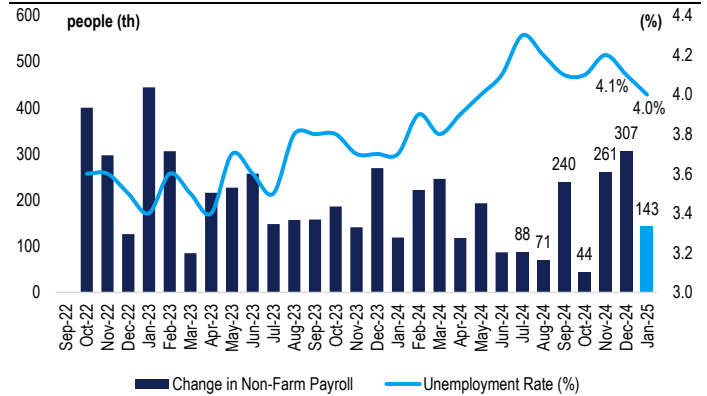
Source: Bloomberg, Indo Premier

Fig. 7: US inflation increased recently on Jan25



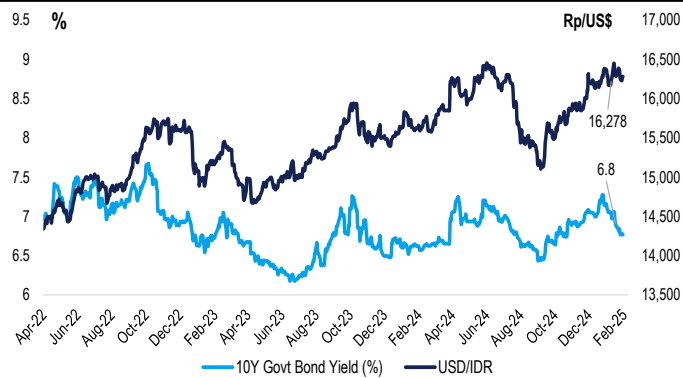
Source: Bloomberg, Indo Premier

Fig. 8: While the US unemployment rate is decreasing



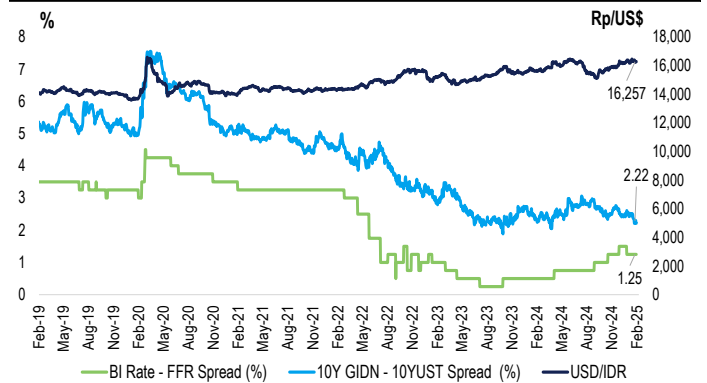
Source: Bloomberg, Indo Premier

Fig. 9: 10Y Indonesia gov't bond yield has declined



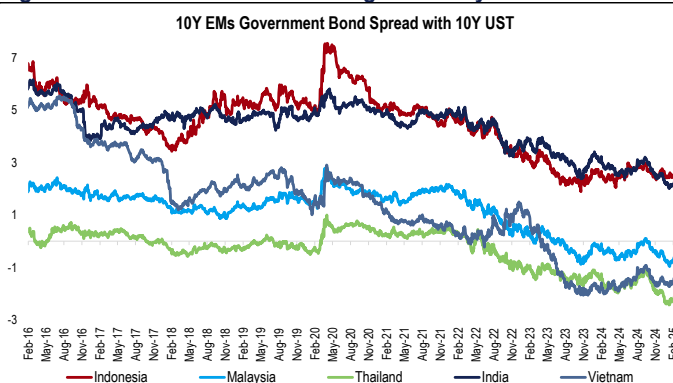
Source: Bloomberg, Indo Premier

Fig. 10: Hence, GIDN – UST spread trended lower



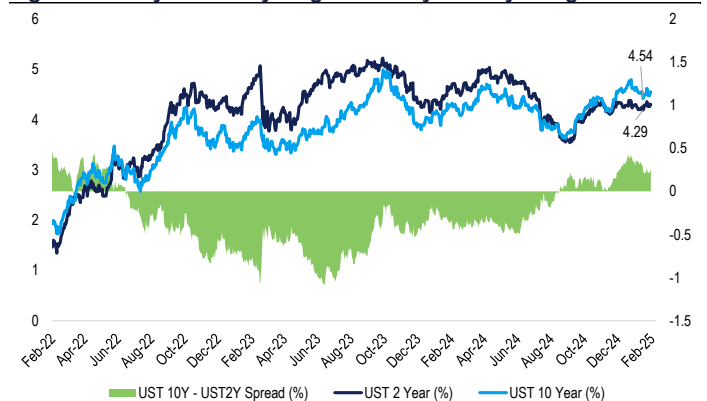
Source: Bloomberg, Indo Premier

Fig. 11: Also relative with other EMs gov't bond yield



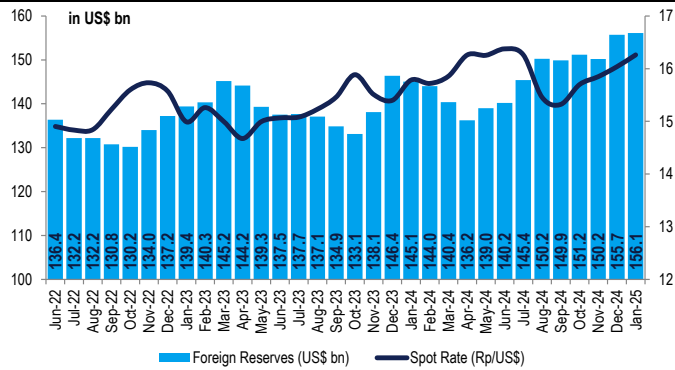
Source: Bloomberg, Indo Premier

Fig. 12: US 10 year and 2 year gov't bond yield stayed high



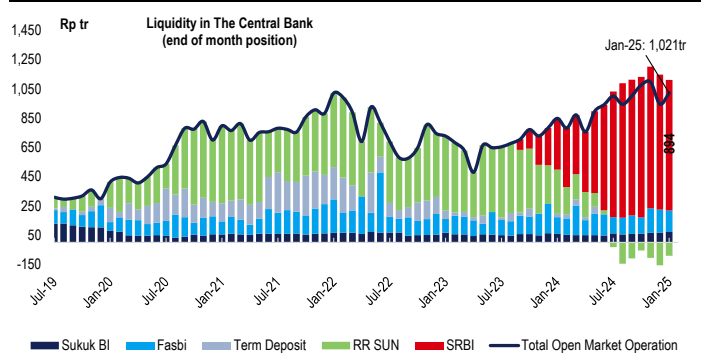
Source: Bloomberg, Indo Premier

Fig. 13: FX reserve maintained the all-time high position



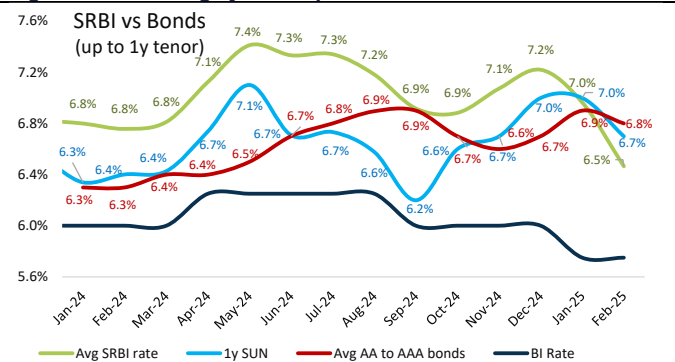
Source: BI, Indo Premier

Fig. 14: SRBI fell further, but OMO grew more from RR sun



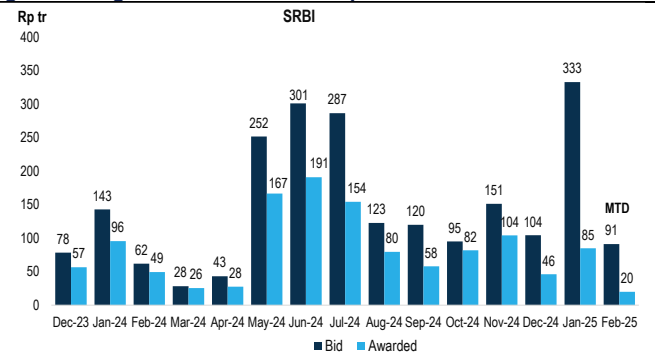
Source: BI, Indo Premier

Fig. 15: SRBI average yield drop further to 6.5%



Source: BI, Bloomberg, Indo Premier

Fig. 16: Along with lower SRBI absorption rate



Source: BI, Indo Premier

Fig. 17: SRBI position decreased but along with higher foreign ownership

SRBI ownership (Rp tr)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Bank	264.5	297.0	311.7	320.3	384.6	461.3	537.7	534.8	552.1	586.3	601.7	560.8	562.3
Non bank	83.9	87.9	83.4	77.1	159.2	233.9	299.8	327.9	334.1	345.8	328.6	315.2	321.2
Resident	0.2	0.2	1.0	2.0	7.0	41.4	63.8	77.3	79.9	83.6	84.9	91.1	83.5
Non-resident	83.7	87.7	82.4	75.2	152.2	192.5	236.0	250.6	254.2	262.2	243.7	224.2	237.7
Others	1.6	14.5	9.9	13.2	14.5	25.9	22.8	58.1	41.4	28.6	38.9	47.5	10.5
Total	350.0	399.4	405.0	410.6	558.2	721.1	860.3	920.8	927.6	960.7	969.2	923.5	894.0
monthly increase	95.6	49.4	5.6	5.7	147.6	162.8	139.2	60.5	6.9	33.0	8.5	-45.6	-29.6

SRBI ownership (% of total)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Bank	75.6	74.4	77.0	78.0	68.9	64.0	62.5	58.1	59.5	61.0	62.1	60.7	62.9
Non bank	24.0	22.0	20.6	18.8	28.5	32.4	34.9	35.6	36.0	36.0	33.9	34.1	35.9
Resident	0.1	0.0	0.3	0.5	1.3	5.7	7.4	8.4	8.6	8.7	8.8	9.9	9.3
Non-resident	23.9	22.0	20.3	18.3	27.3	26.7	27.4	27.2	27.4	27.3	25.1	24.3	26.6
Others	0.5	3.6	2.4	3.2	2.6	3.6	2.7	6.3	4.5	3.0	4.0	5.1	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BI, Indo Premier

ANALYSTS CERTIFICATION

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