

14 April 2025

Macroeconomics Indicator

	2023	2024	2025F
GDP growth (%YoY)	5.05	5.03	5.02
Inflation (%YoY)	2.61	1.57	1.97
BI rate (% Year-end)	6.00	6.00	5.50
Rp/US\$ (Average)	15,244	15,853	16,571
CA deficit (% of GDP)	-0.1	-0.6	-1.5
Fiscal deficit (% of GDP)	1.65	2.3	2.8

F: forecast, P: preliminary; all baseline scenario

Another all-time high level of FX reserves despite weakening Rupiah

- FX reserves rose by +US\$2.6bn to US\$157.1bn in Mar25, coming primarily from foreign loan withdrawals at c.US\$1.3bn.
- Rupiah was depreciated by -0.7% mom/-4.8% yoy to Rp16.5k/US\$ in Mar25 despite lower DXY of 104.2 (-3.9% YTD).
- We revised our Rupiah expectation to 16.5k/US\$ (previously at Rp16.2k/US\$). Risk is persistent trade war.

FX reserves grew higher from foreign loan withdrawal

FX reserves rose by US\$2.6bn to US\$157.1bn in Mar25 (US\$154.5bn in Feb25), another all-time high level. This was coming from foreign loan withdrawals at c.US\$1.3bn and international trade tax at c.US\$1.2bn. In general, we think that the increase points to minimum Rupiah intervention. Hence, the depreciation in Mar25 might not be concerning from BI side. Overall, the FX reserve position is equivalent to 6.7 months of imports or 6.5 months of imports and gov't debt payments; and roughly 28% higher than the minimum IMF requirement.

Global turmoil results in persisting currency volatility

Capital outflow from Indonesia recorded at -US\$0.5bn in Mar25 (-US\$1.2bn in Feb25), suggesting continuing flight-to-quality trend. As a result, Rupiah was depreciated by -0.7% mom/-4.8% yoy to Rp16.5k/US\$ level in Mar25 (Rp16.4k/US\$ level in Feb25). The Rupiah level was one of the worst among EMs currencies, it diverged from the DXY that has declined by -3.9% YTD in Mar25 to 104.2 (see fig. 3 and 8). Nevertheless, the US reciprocal tariffs announcement in early Apr25 has made Rupiah to depreciate further by -2.7% mom/-4.9% yoy to the Rp16.9k/US\$ level. Despite the recent 90-day postponement, we expect the weakening trend of Rupiah to continue.

DHE policy extension still showed minimum impact

The new law extending the DHE requirements came into effect in Mar25. However, despite the extension, the realization of DHE funds declined to US\$0.29bn (US\$0.32bn) in Mar25. This occurred alongside a relatively stagnant average DHE term deposit rate of 4.5% in both Mar/Feb25.

A pick-up in SRBI yield to increase foreign appetite

Total SRBI inched down by -Rp0.57tr to Rp893.3tr in Mar25 (Rp893.9tr in Feb25), representing 96.6% of total OMO. This confirms the fifth consecutive mom decline in SRBI since Dec24. Despite the decline, foreign investor participation in SRBI inched up to 26.3% in Mar25 (25.8% in Feb25), representing +Rp4.1tr inflow. To boost further foreign appetite, BI has recently increased the SRBI average yield to 6.7% in Apr25 (6.4% in Mar25). Nevertheless, we see the potential increase of SRBI yield to be limited, given the tight domestic liquidity condition and the relatively high cost to catch up with the increase in UST10Y (projected to stay high at above 4.5% in FY25).

We revised our Rupiah expectation; risk remained from trade tension

We keep our BI rate expectation at c.5.5% in FY25, implying one more 25bp cut, mainly due to: (1) the need for economic stimulus for domestic economic activities and (2) the Fed's plan to cut the FFR by 50bp in FY25 (expected to be as early as Jun25). Risk to our call is further escalation in trade tensions, particularly between US & China (see our previous report [here](#)). Accordingly, we revise up Rupiah expectation to average at c.Rp16.5k/US\$ in FY25 (previously at Rp16.2k/US\$).

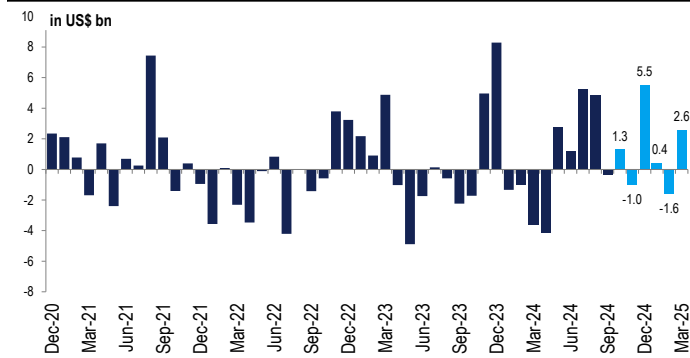
Luthfi Ridho

PT Indo Premier Sekuritas
luthfi.ridho@ipc.co.id
 +62 21 5088 7168 ext. 721

Axel Azriel

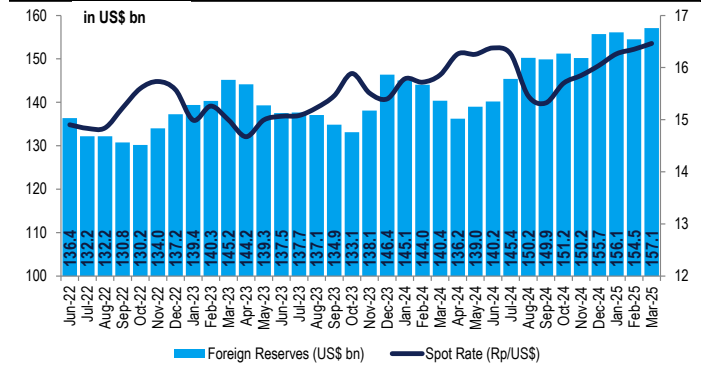
PT Indo Premier Sekuritas
axel.azriel@ipc.co.id
 +62 21 5088 7168 ext. 717

Fig. 1: FX reserve increased in Mar25



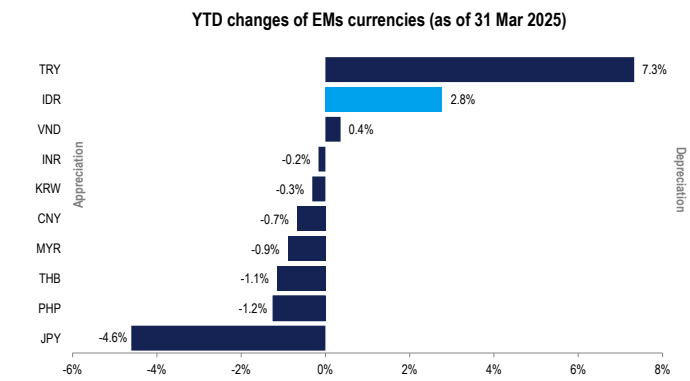
Source: BI, Bloomberg, Indo Premier

Fig. 2: Primarily from foreign loan withdrawals



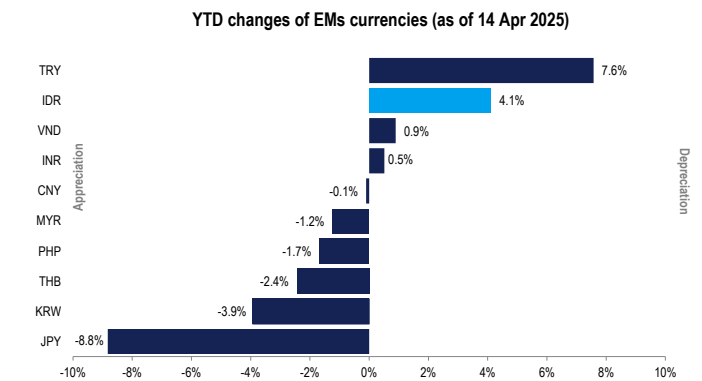
Source: BI, Bloomberg, Indo Premier

Fig. 3: Rupiah is still one of the worst performing currencies YTD



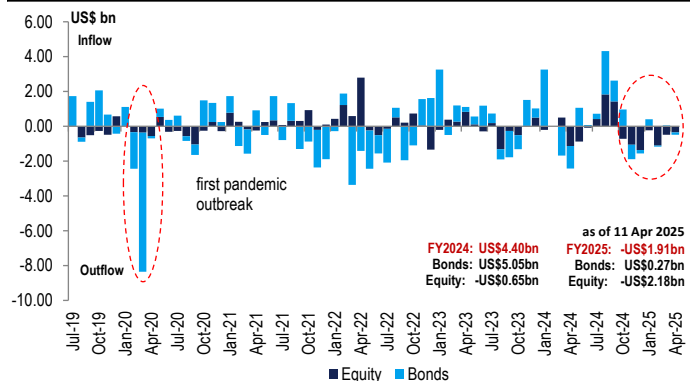
Source: Bloomberg, Indo Premier

Fig. 4: Post-tariff announcement, Rupiah weakened further



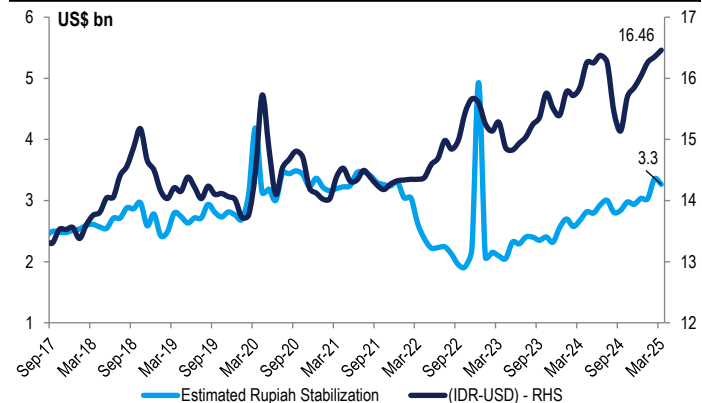
Source: Bloomberg, Indo Premier

Fig. 5: Persistent outflow coming from the equity market



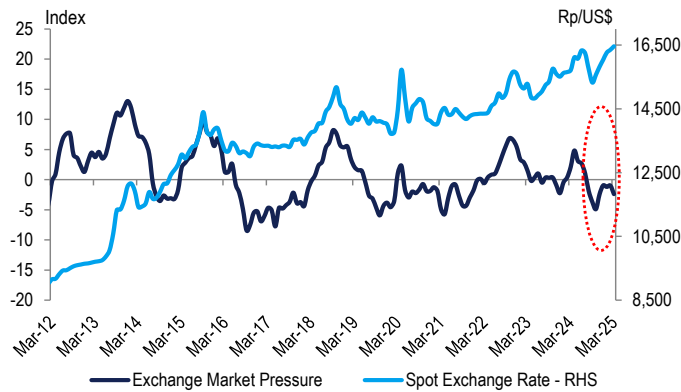
Source: Bloomberg, Indo Premier

Fig. 6: Our estimation suggests high Rupiah stabilization measures



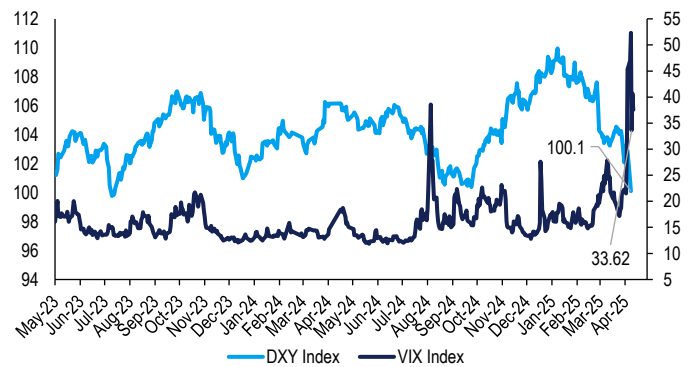
Source: BI, Indo Premier

Fig. 7: Exchange market pressure (EMP) declined further



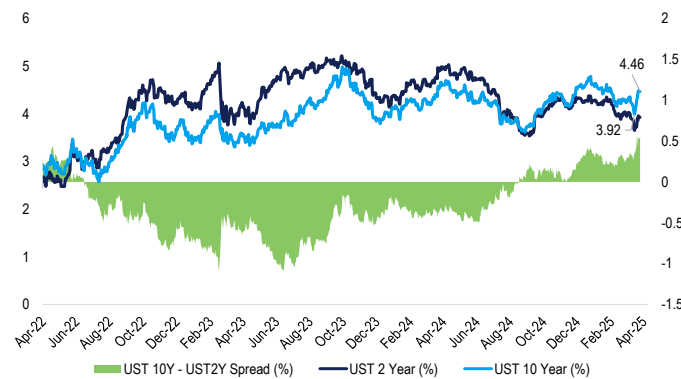
Source: Bloomberg, Indo Premier

Fig. 8: DXY fell while market volatility surged



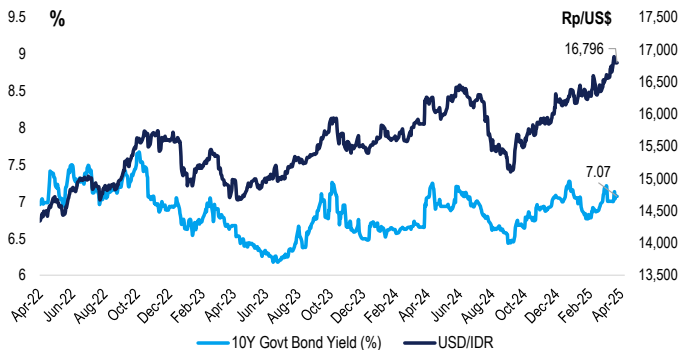
Source: Bloomberg, Indo Premier

Fig. 9: UST 10Y and 2Y yield increased



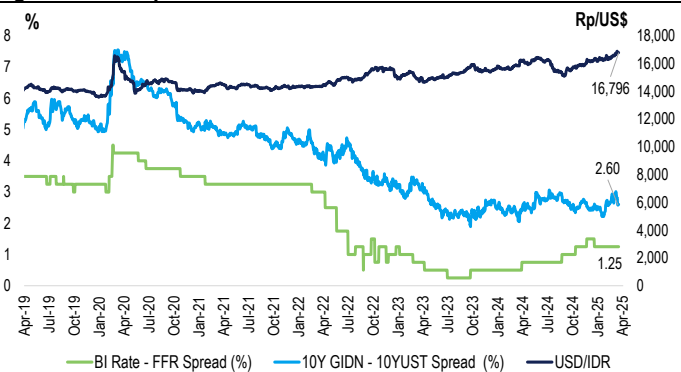
Source: Bloomberg, Indo Premier

Fig. 10: While 10Y Indonesia govt bond yield remains stable



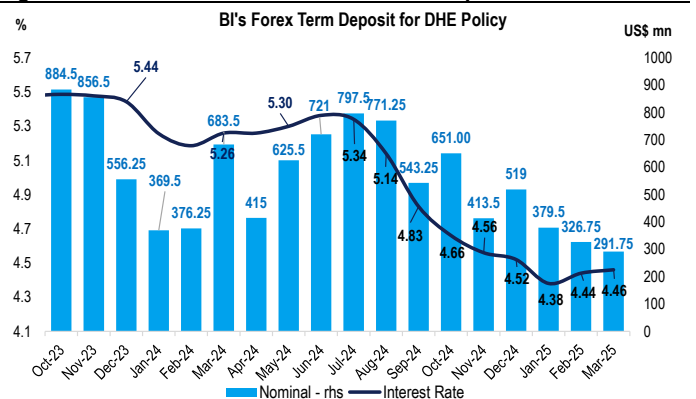
Source: Bloomberg, Indo Premier

Fig. 11: Lower spread between 10Y GIDN – 10Y UST



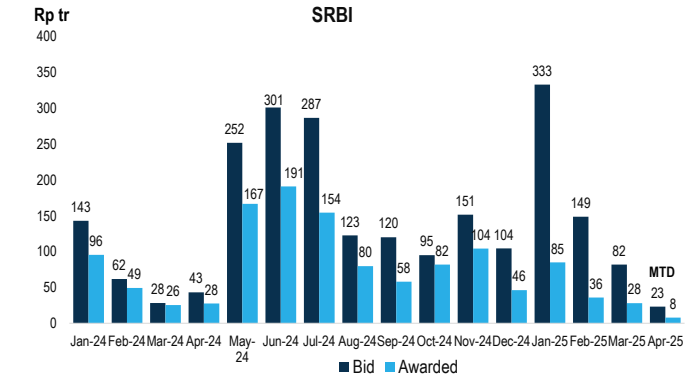
Source: Bloomberg, Indo Premier

Fig. 12: DHE extension still showed minimal impact



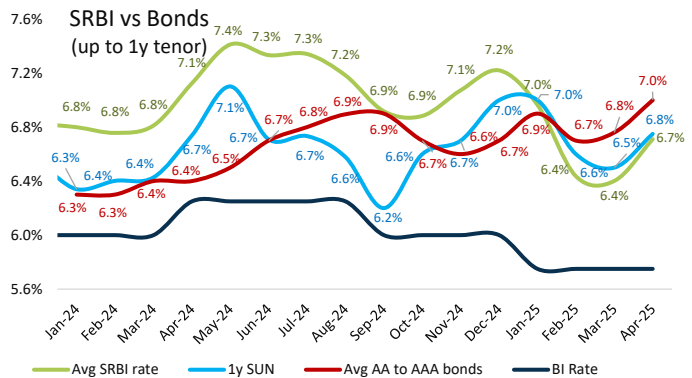
Source: BI, Indo Premier

Fig. 13: SRBI issuance keeps trending down



Source: BI, Indo Premier

Fig. 14: Average SRBI return fell below corporate bonds and SUN



Source: BI, Indo Premier

ANALYSTS CERTIFICATION

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