

BI Policy:

Waiting for the Clouds to Part

21 January 2025

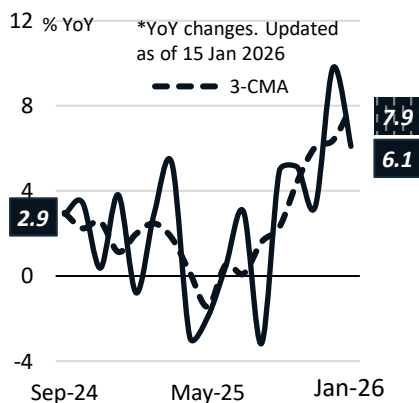
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- **Bank Indonesia (BI) maintained its benchmark interest rate at 4.75% during its first 2026 meeting**, in line with market consensus. The decision to hold was influenced by improvements in the real sector along with a weakening Rupiah, which has fallen 0.5% WoW against the Dollar.

- **Indeed, the global backdrop has been relatively unfriendly, triggering sell-off from some markets.** Increased geopolitical tension in the Western Hemisphere, along with an expected rise in Japan's deficit has shifted investors' asset mix towards 'traditional' forms of money (such as precious metals).

- However, **DEX index itself has declined (-0.5% WoW) due to the continued policy uncertainty** of the Trump administration, indicating the sharper depreciation of Rupiah was partly caused by domestic concerns.

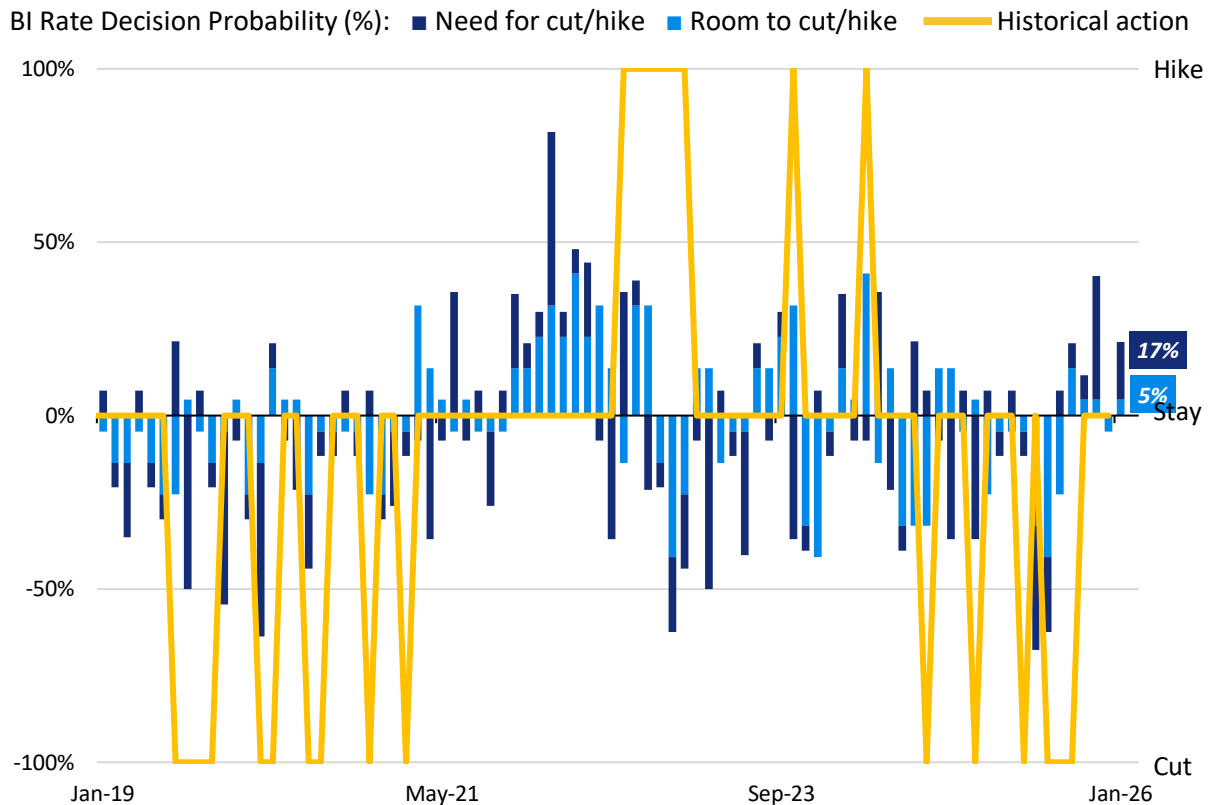
- Another factor that nudged BI towards a hold may be the upcoming seasonal factors in Q1-26. Many importers are likely to start loading up on inventory **in preparation of various religious holidays in Q1-26**, while the government might try to continue its consumption stimulus through subsidy and social assistance spending, making this timing of depreciation quite unfortunate.

- However, there's still a kernel of good news. We have seen signs of improvement in some real sector indicators, suggesting **previous stimulus measures are starting to yield positive results.** Credit growth surged to 9.69% YoY (vs 7.74% In Nov-25), spearheaded by a 21.06% rise in the investment segment. Moreover, lending rates have fallen 15 bps in Dec-25, potentially opening more credit demand.

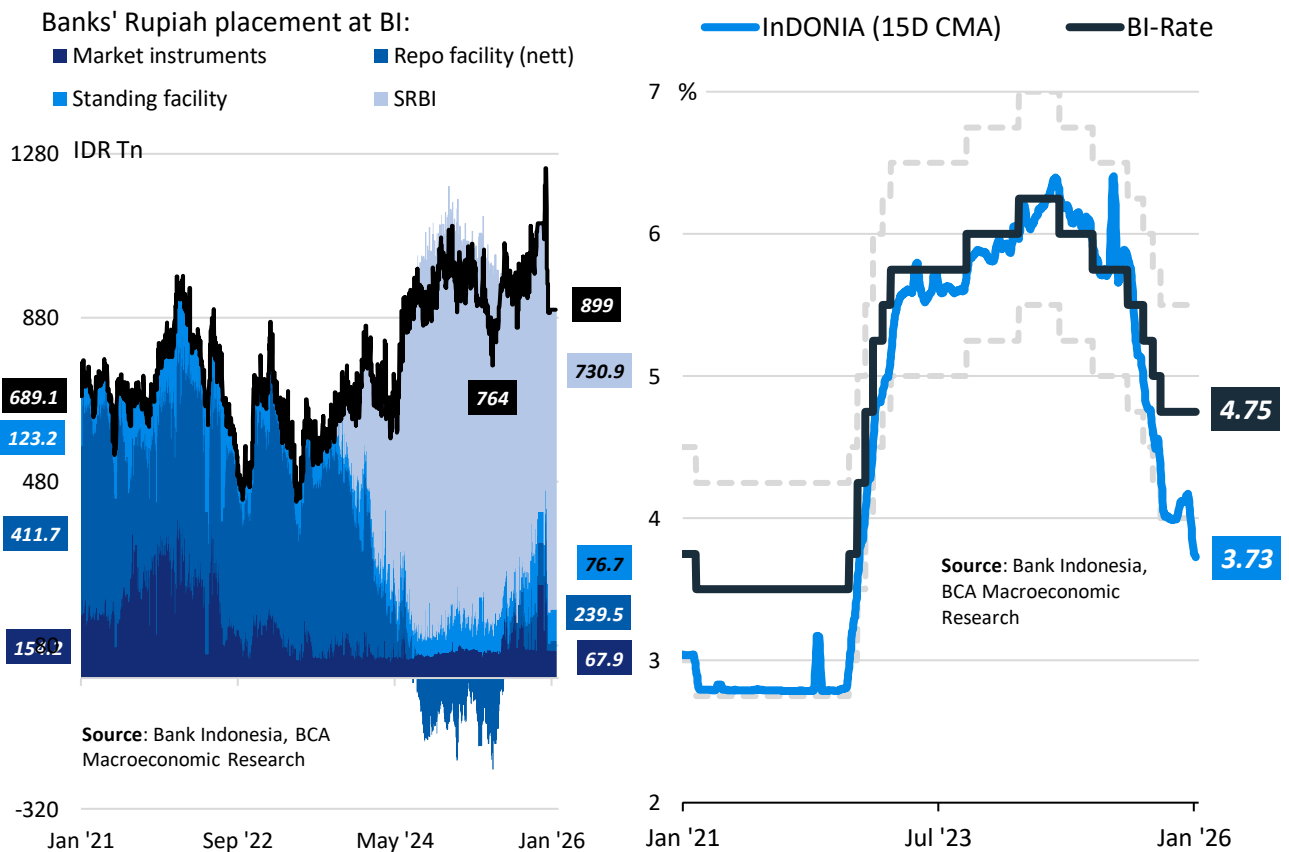
- Looking forward, **there are three factors that may hinder BI from acting on its dovish bias.** First, capital flow and Rupiah

may be affected by President Trump's continuous erratic actions in the geopolitical front. Second, yield on longer term bonds remains high due to global fiscal risk, especially in Japan considering its recent stimulus push. Third, latest development on US inflation and unemployment rate may delay the rate cut trajectory of The Fed. We still see the probability of another 1-2 cuts this year, contingent on The Fed's own move and IDR volatility.

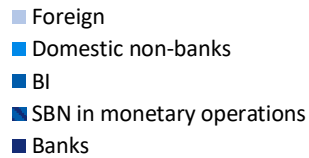
1 Improving real indicators amidst falling Rupiah point our model to a no-cut scenario



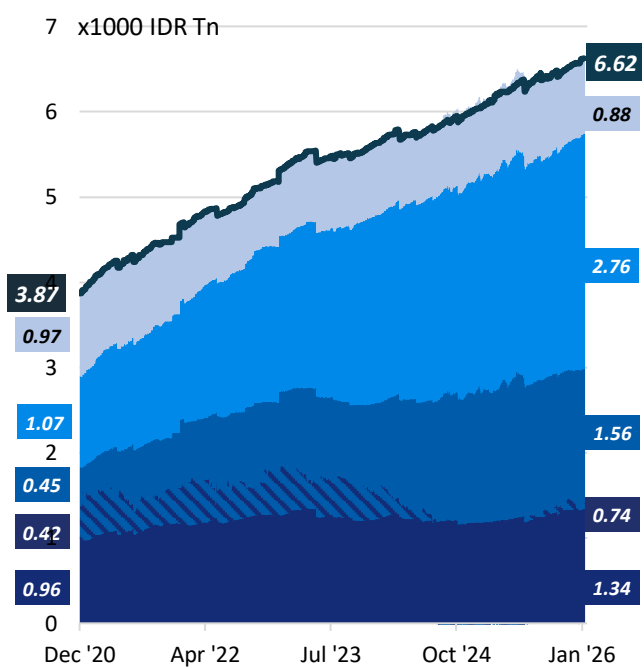
2 InDONIA rate falls below DF as BI's absorption instruments see less usage



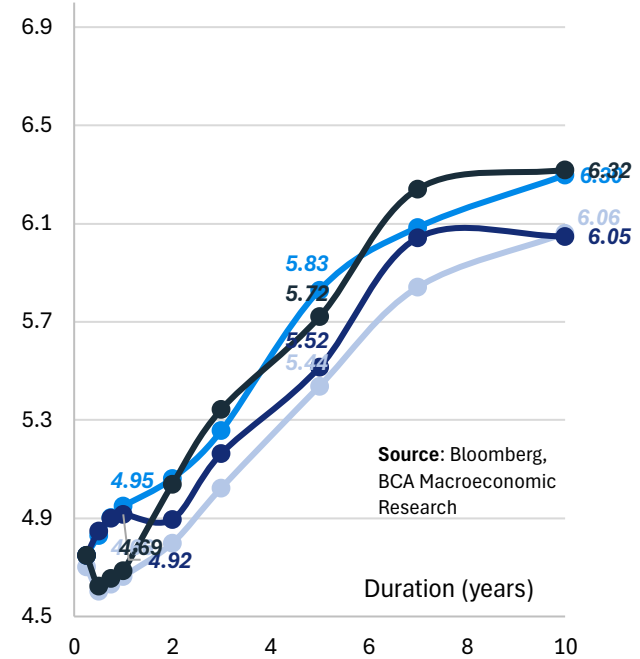
Ownership of marketable SBNs:



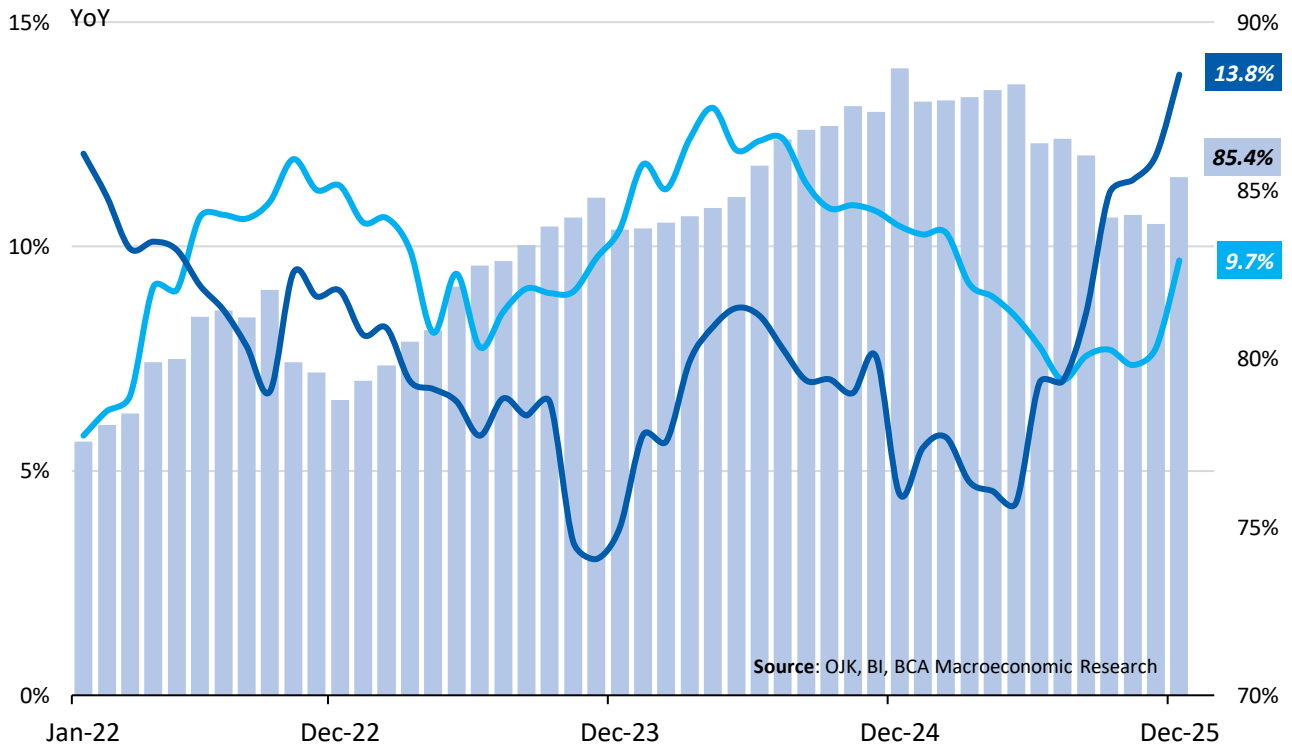
Source: DJPPR



Indonesia yield curve:

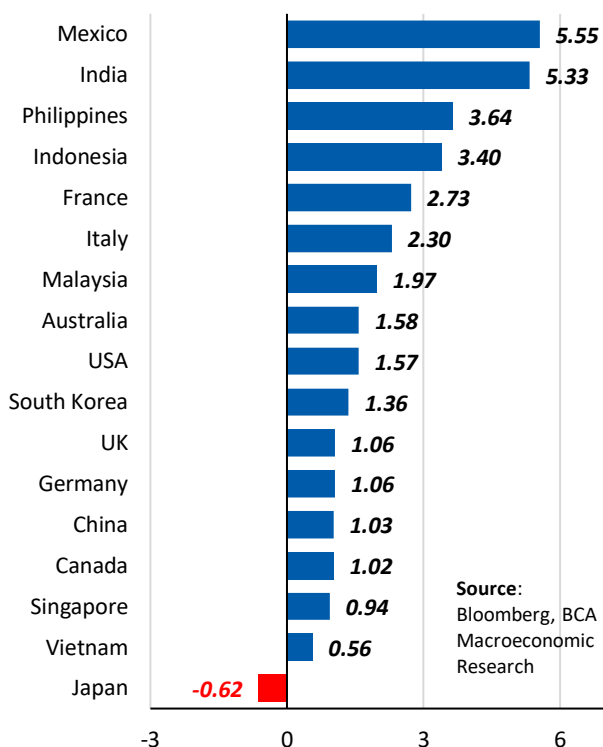


Source: Bloomberg, BCA Macroeconomic Research

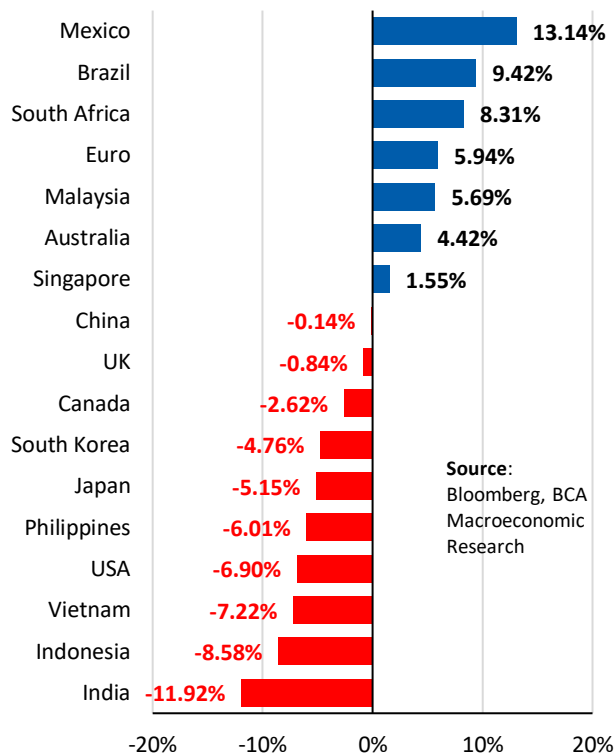


Source: OJK, BI, BCA Macroeconomic Research

Real interest rates (10Y Sovereign bond yield - CPI inflation, %), per country:



Nominal effective exchange rate (NEER %) changes per country since 1 Jan 25:



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	20-Jan	-1 mth	Chg (%)
US	3.75	Dec-25	1.05	Baltic Dry Index	1,650.0	2,023.0	-18.4
UK	3.75	Aug-25	0.55	S&P GSCI Index	571.4	542.2	5.4
EU	2.15	Jun-25	0.25	Oil (Brent, \$/bbl)	64.9	60.5	7.4
Japan	0.75	Jan-25	-2.15	Coal (\$/MT)	112.0	107.8	3.9
China (lending)	2.00	Sep-24	3.55	Gas (\$/MMBtu)	3.99	3.58	11.5
Korea	2.50	May-25	0.20	Gold (\$/oz.)	4,763.4	4,338.9	9.8
India	5.25	Jun-25	3.92	Copper (\$/MT)	12,855.3	11,886.2	8.2
Indonesia	4.75	Sep-25	1.83	Nickel (\$/MT)	17,413.8	14,615.4	19.1
Money Mkt Rates	20-Jan	-1 mth	Chg (bps)	CPO (\$/MT)	1,000.6	957.2	4.5
				Rubber (\$/kg)	1.83	1.78	2.8
SPN (1Y)	4.19	4.76	-56.4	External Sector	Nov	Oct	Chg (%)
SUN (10Y)	6.31	6.13	17.6				
INDONIA (O/N, Rp)	3.69	4.17	-48.4	Export (\$ bn)	22.52	24.24	-7.08
JIBOR 1M (Rp)	5.03	5.03	-0.4	Import (\$ bn)	19.86	21.84	-9.08
Bank Rates (Rp)	Oct	Sep	Chg (bps)	Trade bal. (\$ bn)	2.66	2.39	11.23
				Central bank reserves (\$ bn)*	150.1	149.9	0.09
Lending (WC)	8.30	8.46	-16.00	Prompt Indicators	Oct	Sep	Aug
Deposit 1M	4.75	4.96	-21.00				
Savings	0.68	0.70	-2.00				
Currency/USD	20-Jan	-1 mth	Chg (%)	Consumer confidence index (CCI)	121.2	115.0	117.2
UK Pound	0.744	0.747	0.45	Car sales (%YoY)	-4.4	-15.1	-19.0
Euro	0.853	0.854	0.13				
Japanese Yen	158.2	157.8	-0.25	Motorcycle sales (%YoY)	8.4	7.3	0.7
Chinese RMB	6.961	7.041	1.15				
Indonesia Rupiah	16,950	16,745	-1.21	Manufacturing PMI	Dec	Nov	Chg (bps)
Capital Mkt	20-Jan	-1 mth	Chg (%)				
JCI	9,134.7	8,609.6	6.10	USA	51.8	52.2	-40
DJIA	48,488.6	48,134.9	0.73	Eurozone	48.8	49.6	-80
FTSE	10,126.8	9,897.4	2.32	Japan	50.0	48.7	130
Nikkei 225	52,991.1	49,507.2	7.04	China	50.1	49.9	20
Hang Seng	26,487.5	25,690.5	3.10	Korea	50.1	49.4	70
Foreign portfolio ownership (Rp Tn)	Dec	Nov	Chg (Rp Tn)	Indonesia	51.2	53.3	-210
Stock	4,186.7	4,017.6	169.11				
Govt. Bond	878.7	1,343.0	-464.38				
Corp. Bond	4.7	4.1	0.64				

Source: Bloomberg, BI, BPS

Notes:

*Data from earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, >50 indicates economic expansion, <50 otherwise



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Indonesia – Economic Indicators Projection

	2020	2021	2022	2023	2024	2025E	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.0	5.1
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.2	7.9
GDP per capita (USD)	3912	4350	4784	4920	4960	5014	5362
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9*	2.5
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75*	4.00
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05*	6.50
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468*	16,784
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690*	16,842
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	40.0	33.8

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time
- Numbers marked with (*) for 2025 are final; other numbers for 2025 are our projections

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