

## BI Policy:

# Waiting for the Clouds to Part

21 January 2025

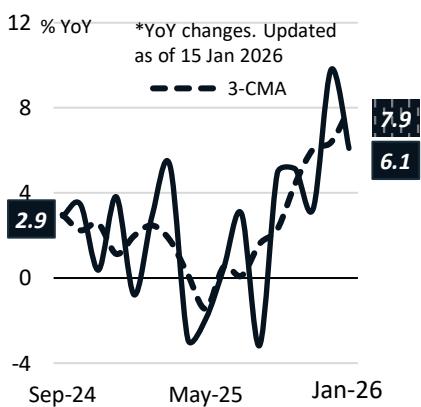
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### BCA Consumer Spending Index\*



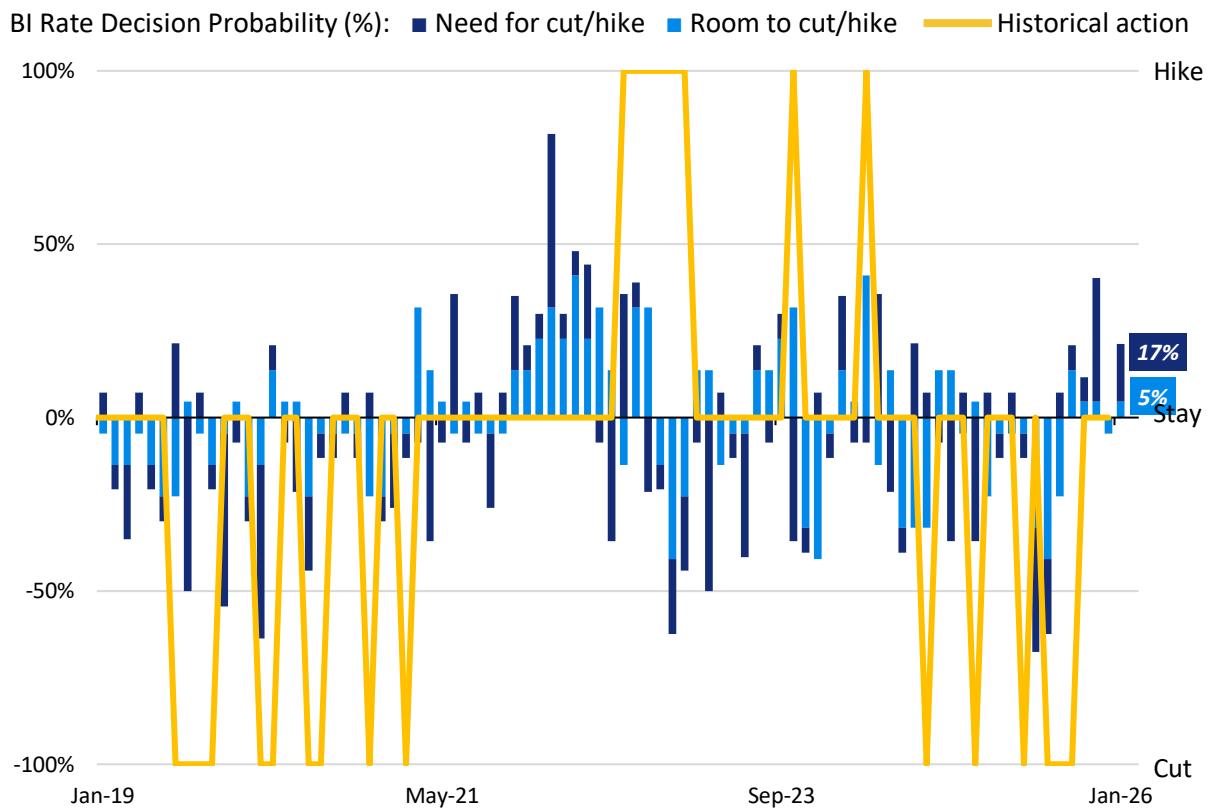
### BCA Business Transaction Index\*



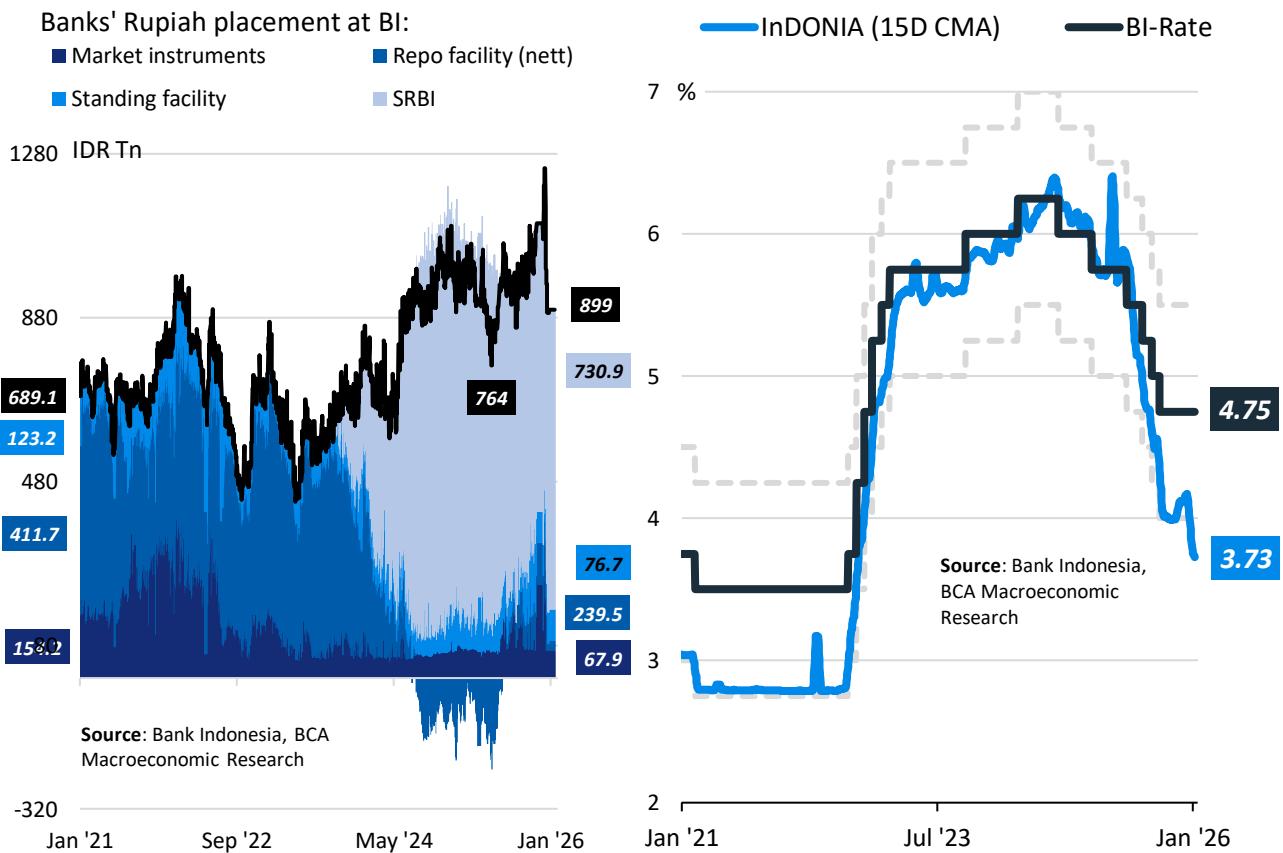
- **Bank Indonesia (BI) maintained its benchmark interest rate at 4.75% during its first 2026 meeting**, in line with market consensus. The decision to hold was influenced by improvements in the real sector along with a weakening Rupiah, which has fallen 0.5% WoW against the Dollar.
- **Indeed, the global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

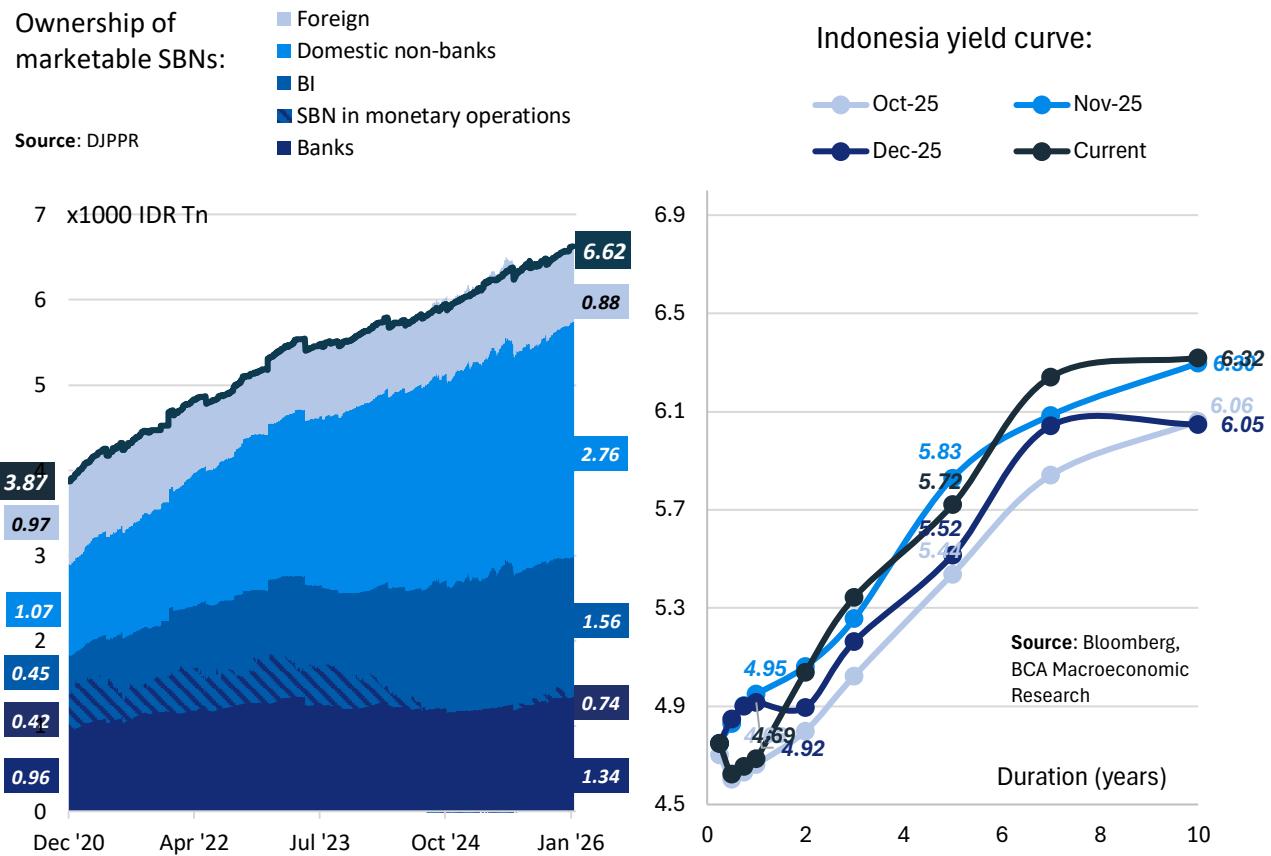
## 1 Improving real indicators amidst falling Rupiah point our model to a no-cut scenario



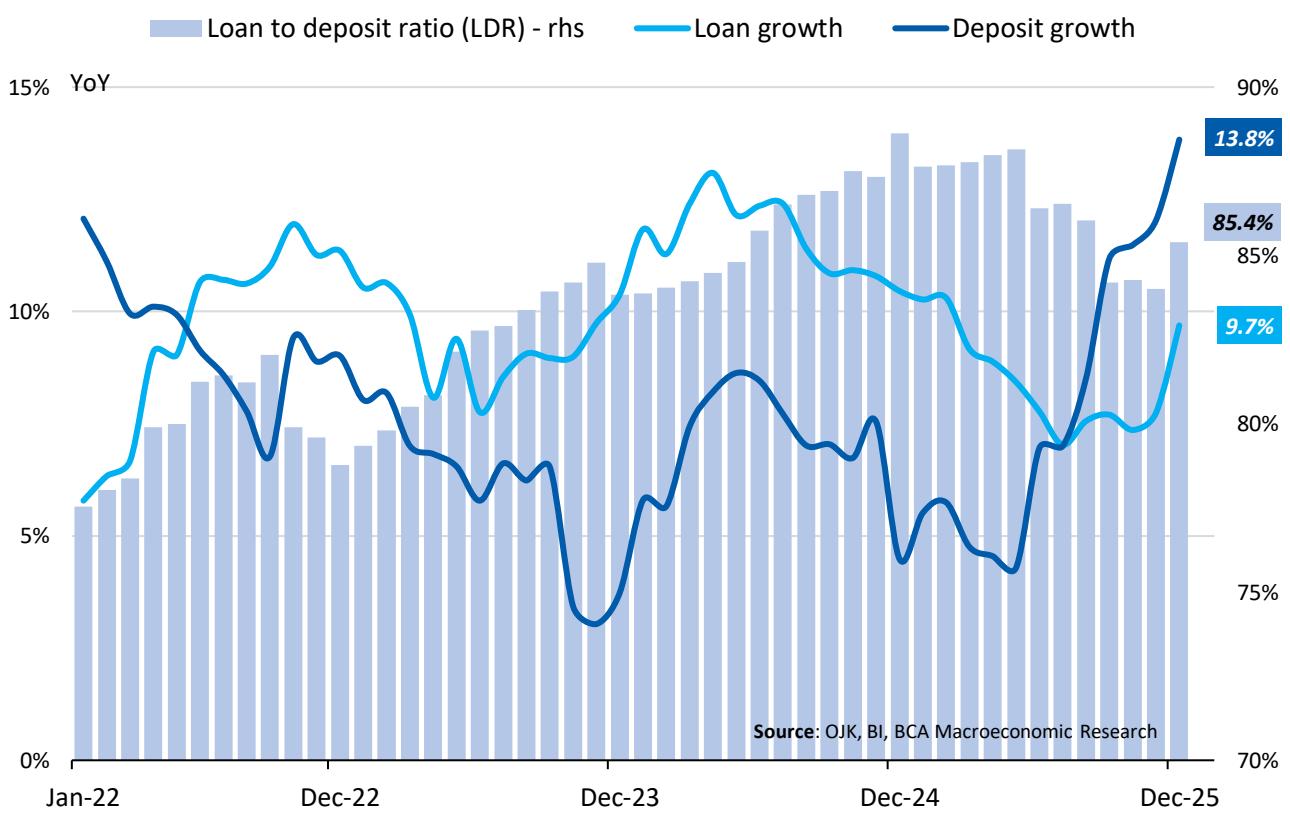
## 2 InDONIA rate falls below DF as BI's absorption instruments see less usage



### 3 A more turbulent global environment leads to **rising long term yield**



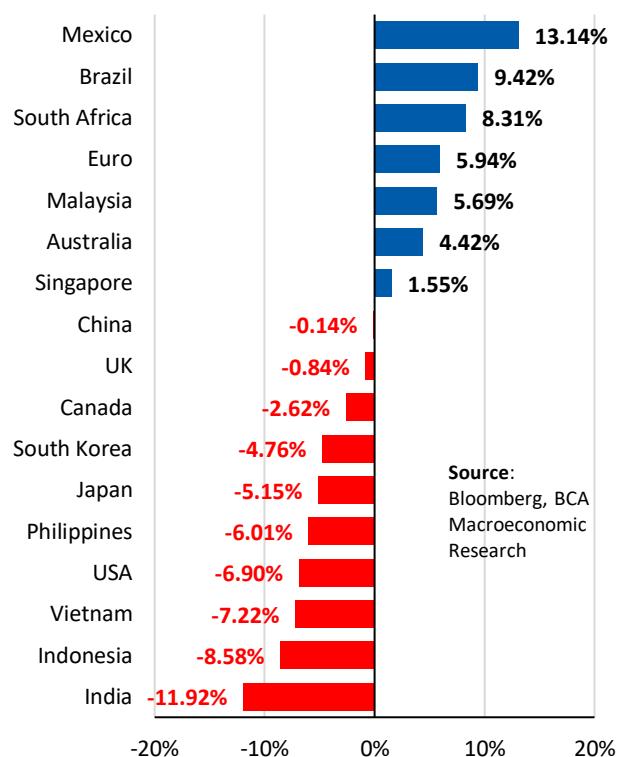
### 4 LDR rises as **loan growth accelerates faster than deposit growth**



**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
				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	Export (\$ bn)	22.52	24.24	-7.08
INDONIA (O/N, Rp)	3.69	4.17	-48.4	Import (\$ bn)	19.86	21.84	-9.08
JIBOR 1M (Rp)	5.03	5.03	-0.4	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	Consumer confidence index (CCI)	121.2	115.0	117.2
Savings	0.68	0.70	-2.00	Car sales (%YoY)	-4.4	-15.1	-19.0
Currency/USD	20-Jan	-1 mth	Chg (%)	Motorcycle sales (%YoY)	8.4	7.3	0.7
UK Pound	0.744	0.747	0.45	Manufacturing PMI	Dec	Nov	Chg (bps)
Euro	0.853	0.854	0.13	USA	51.8	52.2	-40
Japanese Yen	158.2	157.8	-0.25	Eurozone	48.8	49.6	-80
Chinese RMB	6.961	7.041	1.15	Japan	50.0	48.7	130
Indonesia Rupiah	16,950	16,745	-1.21	China	50.1	49.9	20
Capital Mkt	20-Jan	-1 mth	Chg (%)	Korea	50.1	49.4	70
JCI	9,134.7	8,609.6	6.10	Indonesia	51.2	53.3	-210
DJIA	48,488.6	48,134.9	0.73				
FTSE	10,126.8	9,897.4	2.32				
Nikkei 225	52,991.1	49,507.2	7.04				
Hang Seng	26,487.5	25,690.5	3.10				
Foreign portfolio ownership (Rp Tn)	Dec	Nov	Chg (Rp Tn)				
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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