Some ripple beneath the tranquil sea of liquidity

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Summary

- Indonesia's interbank rates have trended upward over the past month, driven by stronger loan growth, although deposit growth has also accelerated.
- Swift fiscal spending realisation helps stabilise deposit growth, while strong investment needs, rising import demand, and continued portfolio outflows may erode private liquidity.
- Despite the recent strain on private liquidity, overall liquidity conditions within the commercial banking sector may remain ample, thanks to government interventions.

- Another outlook-shattering event hit the global economy over the past week. The US Supreme Court has ruled against the executive branch's power to impose import tariffs on countries (country-specific tariffs), invalidating the "reciprocal" US import tariffs that had become deeply interwoven into analysts' outlooks and worldviews. The ruling removes the Trump administration's premier revenue-getting mechanisms, adding further uncertainty to the US fiscal outlook, as reflected in the noticeable rise in long-term UST yields following the decision.
- While President Trump has responded to the ruling by enacting a 15% global tariff on imports to the US (up from 10% a couple the day before), uncertainties still cloud the global economy. First, readers of US law do not seem convinced that the new tariff will hold, as such a measure can typically only enacted during a balance-of-payment crisis – something that the US economy hardly experienced now, especially as the AI boom continued to attract foreign inflows into US financial markets.
- Second, the new global tariffs may only remain in place for up to 150 days (until 24 July 2026) without US Congress endorsement, with the probability of such approval appearing uncertain as Congress is bogged down in prolonged budget talks on top of the looming mid-term elections. Another important question concerns the possibility of tariff refunds, which the US Treasury Secretary has yet to address. Finally, the fate of US bilateral trade deals has also been a topic of query, Indonesia having finalised its agreement only a couple of days ago, particularly concerning more itemised provisions of these agreements.
- Given these manifold uncertainties, it may be best to postpone the discussion on the capriciousness of US trade rules and their impact on the Indonesian economy until the dust has settled. After all, our outlook for stronger GDP growth in 2026 stems from domestic rather than external factors, with elements such as domestic private liquidity may function as a balancing force against the public sector's lofty ambition to spend and boost growth.

A slow crawl upward

- While popular focus has been directed towards the recent shift in US tariff policies, **the increasingly apparent change in domestic liquidity management also warrants some discussion, especially for the domestic banking sector**. As we have noted in a recent report, BI appears to have benefited from a greater rein in stabilising the Rupiah, meaning that the task of lowering rates and providing funding to support the government's programmes has increasingly fallen on domestic commercial banks.
- This dynamic was clearly seen since the final month of last year when loan growth jumped by 3.08% MoM (from 1.10% MoM in the previous month). As widely reported, the stronger loan growth came from the SOE sector, driven by the need to support the government's Red-White Village Cooperatives (KDMP) programme. **This government-driven positive shock in loan growth sends the LDR ratio higher since early Q3-2025** ***(see Chart 1)***, a trend which may continue as our big data has also indicated a less conservative attitude towards financing among private businesses.

> ***"Apart from the public sector, the private sector has also shown a less conservative attitude towards financing"***

- We also draw our assessment on the tightening private liquidity condition from the recent uptrend in the interbank rates ***(see Chart 2)***, which has continued unabated in the past month. However, this assessment may face a couple of objections. First, while we refer to the rising LDR in December 2025, Bank Indonesia reported that deposit growth (13.48% YoY) has outpaced loan growth (9.96% YoY) in January 2026, indicating a potential reversal in the LDR trend.
- Second, the said uptick in the interbank rates may reflect a seasonal increase in the demand for cash, as often happens during festive periods, rather than a more persistent decline in the private liquidity condition. Third, the swift fiscal spending realisation (+25.7% YoY in January 2026, against 9.78% YoY increase in revenue) may provide further support for deposit growth.
- However**, some risks lead us to believe that deposit growth may not continue to outpace loan growth in the coming periods.** For instance, complexities due to another round of budget efficiency review may complicate fiscal spending in the upcoming months, which will be a drag on private deposits given the stronger correlation between the two in the past couple of years.
- Meanwhile, the higher deposit growth observed in the past couple of months may also be an unfortunate byproduct of stronger loan growth, rather than a reflection of the yields on those loans. **While banks have swiftly disbursed the funds, the aforementioned borrowers may be slower in realising their expenditures, leading them to park the borrowed funds within the banking system as deposits, thereby explaining the simultaneous spike in loan and deposit growth**. Ergo, deposit growth may slow as debtors withdraw these funds to realise their CAPEX drive, while, as is the nature of business, returns on investment may not materialise as quickly to replenish the withdrawn funds.
- **The detrimental impact of accelerated CAPEX spending on deposit growth may prove to be more significant if the upcoming CAPEX drive translates into stronger import demand**, as latest news on imports of pick-up trucks from

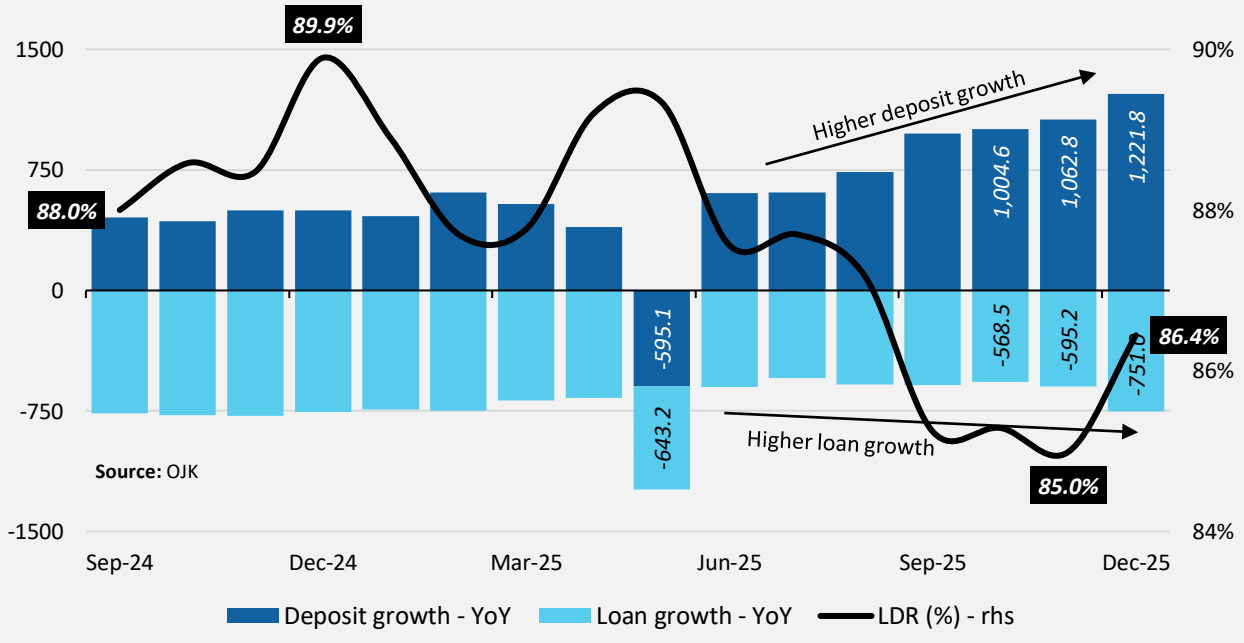
India unfortunately suggests. Coupled with improving domestic consumption – which may send demand for imported consumer goods northwards – **stronger import demand could place Indonesia's external balance (and, private liquidity) under greater strain**, particularly if export growth fails to keep pace with accelerating imports.

- In this context, it might be worth the time to return to the discussion on the complications surrounding the recent developments in US trade policies. In hindsight, the invalidated "reciprocal" US import tariffs remove the relative tariff advantage that Indonesia had enjoyed against its higher-tariff competitors, as import demand has shifted toward alternative producers that faced lower trade barriers. With those tariffs now struck down, US consumers and businesses may gradually return to sourcing goods from previously high-tariffed countries such as China and Vietnam, which may lead to Indonesia and other substitute suppliers finding themselves pushed toward the periphery of the US supply chain once again.
- **Taken together, the factors outlined above – along with continued portfolio outflows – point to a more likely scenario in which the recent rise in interbank rates reflects more stretched private-sector liquidity conditions *(see Table 1)***, rather than a seasonal fluctuation associated with the ongoing festive period. It is understandable, then, that the government has decided to extend the placement of IDR 200 Tn of its funds within the commercial banking system, as allowing the deposits to mature as scheduled in March could intensify liquidity pressures from a mere strain into a more acute stress.

Chart 1

Acceleration on both sides

Loan growth may shift to a higher gear in 2026, driven by significant funding needs to support the government's growth programmes



Source: OJK

Chart 2

Moving up from the nadir

Interbank rates only rose slightly since late January 2026, indicating still-ample liquidity although sudden rate spikes have also been common

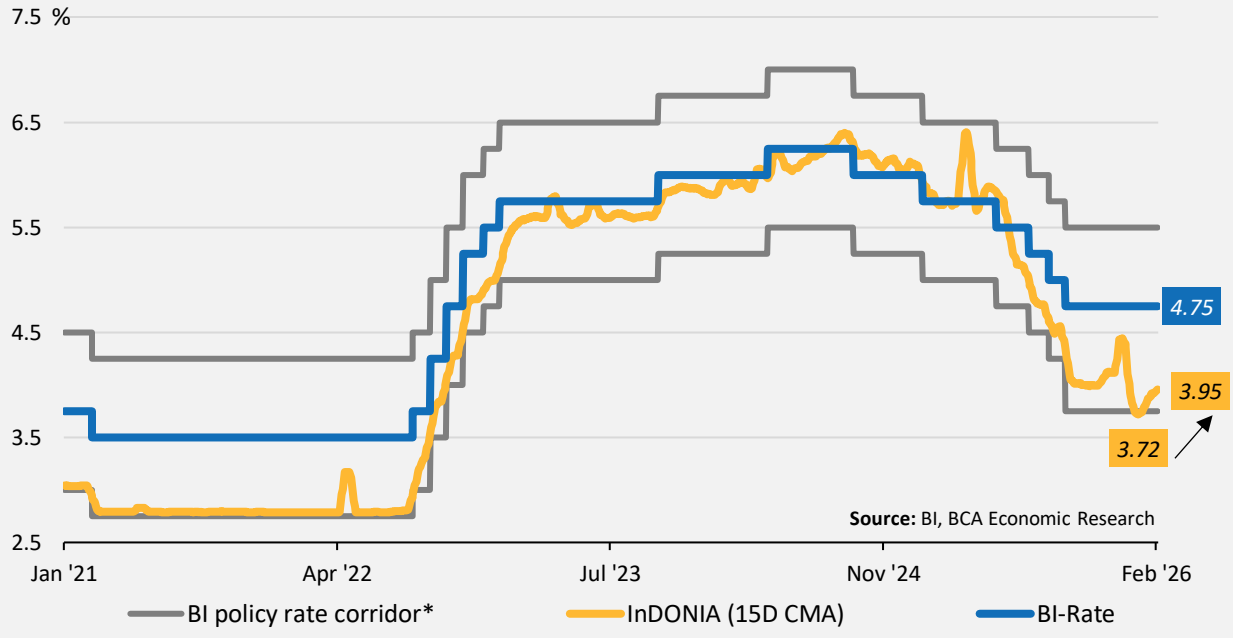


Chart 3

More drags and some stimulants

Higher loan growth and net fiscal spending may cancel out the drag on deposit growth due to lower external balance and portfolio outflows, keeping the domestic liquidity condition stable

		Deposit growth (YoY, %)	Loan growth (YoY, %)	Net fiscal spending (MTD, IDR Tn)	Net portfolio inflows (MTD, USD Bn)	Trade balance (USD Bn)
2025	J	9.0%	4.8%	23.5	-96.1	3.5
	F	9.7%	5.6%	7.8	-564.9	3.1
	M	8.7%	4.7%	73.0	-378.6	4.3
	A	8.5%	4.3%	-108.5	-846	0.2
	M	8.1%	3.8%	25.3	2136.7	4.3
	J	7.6%	6.5%	183.2	-945.1	4.1
	J	6.7%	6.8%	32.8	536	4.2
	A	7.0%	8.0%	84.5	1725.8	5.5
	S	7.2%	8.4%	49.9	-2763.2	4.3
	O	7.0%	8.2%	108.2	-878.4	2.4
	N	7.9%	8.5%	80.6	820	2.7
	D	9.3%	10.5%	134.8	1099.7	2.5
2026	J	9.7%	13.5%		-216.9	
	F				-304.3	

Source: BI, OJK, Indonesia MoF, BPS, Bloomberg, BCA Economic Research

Economic Calendar

		Actual	Previous	Forecast*
02 February 2026				
ID	S&P Global Manufacturing PMI	52.6	51.2	51.4
ID	**Trade balance (Dec-25), USD Bn**	**2.52**	**2.66**	**3.0**
ID	**Inflation Rate YoY, %**	**3.55**	**2.92**	**3.9**
US	S&P Global Manufacturing PMI	52.4	51.8	51.9
05 February 2026				
ID	**GDP Growth Rate YoY, %**	**5.39**	**5.04**	**5.2**
EA	Retail Sales YoY, %	1.3	2.3	2.0
06 February 2026				
ID	**Foreign Exchange Reserves, USD Bn**	**154.6**	**156.5**	**-**
ID	Property Price Indeks YoY, %	0.83	0.84	1.0
09 Februay 2026				
ID	Consumer Confidence	127.0	123.5	123.9
ID	Motorbike Sales YoY, %	3.1	14.5	-
ID	Car Sales YoY, %	7	25.7	-
10 February 2026				
ID	Retail Sales YoY, %	3.5	6.3	5.5
US	Retail Sales YoY (Dec-25), %	2.4	3.3	2.9
11 February 2026				
CN	Inflation Rate YoY, %	0.2	0.8	0.5
US	Non Farm Payrolls, th	130	48	40.0
13 February 2026				
US	Inflation Rate YoY, %	2.4	2.7	2.4
19 February 2026				
ID	**BI-Rate Decision, %**	**4.75**	**4.75**	4.75
ID	Loan Growth YoY, %	9.96	9.69	9.6
US	Trade balance (Dec-25), USD Bn	-70.3	-53	-58.0
20 February 2026				
ID	Current Account, (USD Bn)	-2.5	4.0	2.0
US	PCE Price Index YoY, %	2.9	2.8	2.8
23 February 2026				
ID	M2 Money Supply YoY, %	10.0	9.6	-

*Forecasts of some indicators are simply based on market consensus
Bold indicates indicators covered by the BCA Monthly Economic Briefing report

Selected Macroeconomic Indicator

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	3.75	Dec-25	1.35
UK	3.75	Aug-25	0.75
EU	2.15	Jun-25	0.45
Japan	0.75	Dec-25	-0.75
China (lending)	2.00	Sep-24	4.15
Korea	2.50	May-25	0.50
India	5.25	Dec-25	2.50
Indonesia	4.75	Sep-25	1.20

Money Mkt Rates	20-Feb	-1 mth	Chg (bps)
SPN (1Y)	4.57	4.19	37.6
SUN (10Y)	6.45	6.31	14.3
INDONIA (O/N, Rp)	3.98	3.69	29.6
JIBOR 1M (Rp)	5.03	5.03	0.0

Bank Rates (Rp)	Oct	Sep	Chg (bps)
Lending (WC)	8.30	8.46	-16.00
Deposit 1M	4.75	4.96	-21.00
Savings	0.68	0.70	-2.00

Currency/USD	20-Feb	-1 mth	Chg (%)
UK Pound	0.742	0.744	0.31
Euro	0.849	0.853	0.50
Japanese Yen	155.1	158.2	2.00
Chinese RMB	6.905	6.961	0.81
Indonesia Rupiah	16,873	16,950	0.46

Capital Mkt	20-Feb	-1 mth	Chg (%)
JCI	8,271.8	9,134.7	-9.45
DJIA	49,626.0	48,488.6	2.35
FTSE	10,686.9	10,126.8	5.53
Nikkei 225	56,825.7	52,991.1	7.24
Hang Seng	26,413.4	26,487.5	-0.28

Foreign portfolio ownership (Rp Tn)	Jan	Dec	Chg (Rp Tn)
Stock	4,021.0	4,186.7	-165.77
Govt. Bond	878.6	1,327.7	-449.17
Corp. Bond	5.2	4.7	0.53

Trade & Commodities	20-Feb	-1 mth	Chg (%)
Baltic Dry Index	2,043.0	1,729.0	18.2
S&P GSCI Index	602.3	571.4	5.4
Oil (Brent, $/brl)	71.8	64.9	10.5
Coal ($/MT)	120.6	112.0	7.7
Gas ($/MMBtu)	3.15	3.99	-21.1
Gold ($/oz.)	5,107.5	4,763.4	7.2
Copper ($/MT)	12,881.0	12,855.3	0.2
Nickel ($/MT)	17,143.5	17,413.8	-1.6
CPO ($/MT)	1,035.5	1,001.5	3.4
Rubber ($/kg)	1.94	1.83	6.0

External Sector	Dec	Nov	Chg (%)
Export ($ bn)	26.35	22.52	16.99
Import ($ bn)	23.83	19.86	20.02
Trade bal. ($ bn)	2.51	2.66	-5.61
Central bank reserves ($ bn)*	156.5	150.1	4.27

Prompt Indicators	Jan	Dec	Nov
Consumer confidence index (CCI)	127.0	123.5	124.0
Car sales (%YoY)	7.0	17.9	-1.0
Motorcycle sales (%YoY)	3.1	14.5	2.1

Manufacturing PMI	Jan	Dec	Chg (bps)
USA	52.4	51.8	60
Eurozone	49.5	48.8	70
Japan	51.5	50.0	150
China	50.3	50.1	20
Korea	51.2	50.1	110
Indonesia	52.6	51.2	140

Source: Bloomberg, BI, BPS

Notes:

*Data from an earlier period

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

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

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	5.1	5.1
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	7.9
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	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	4.50
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	41.1	33.8
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-0.4

Notes:

- *USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time*

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