

**The BI Rate Maintained at 6.00% : Still A Pro-Stability Stance**

The Bank Indonesia Board of Governors (RDG), in line with its pro-stability policy, decided to maintain the benchmark interest rate at 6.00% (Cons: 6.00%, KBVS: 5.75%, Prev: 6.00%). This decision primarily aims to preserve Rupiah stability amid global geopolitical uncertainties and the potential pause in Fed rate cuts in Dec '24 and along 1Q25. Moreover, we view this as a cautious move by Bank Indonesia to protect the fundamental stability of the Rupiah, which could come under pressure, especially with the upcoming release of the 3Q24 current account data, scheduled for tomorrow (Nov 21, 2024). We anticipate a deficit of USD-2.60 bn (Cons: USD-2.96 bn, Prev: USD-3.02 bn). Additionally, this decision aligns with the relatively limited increase in foreign exchange reserves, which, as of Oct '24, rose by USD4.83 bn YTD, amid a trade surplus of USD24.50 bn for the same period.

On the other hand, both headline and core inflation, which remain within Bank Indonesia's target range, provide room for further potential BI rate cuts in the future. Headline CPI inflation in Oct '24 stood at just 1.71% YoY or 0.82% YTD. Even if headline inflation rises by 0.73% MoM in the last two months of 2024, which seems unlikely given the stability of basic goods and subsidized fuel prices, headline inflation is projected to reach only 2.50% YoY by the end of 2024. Our forecast is for headline inflation to reach 1.7% by the end of 2024. Similarly, core inflation, at 2.21% YoY or 1.91% YTD, is expected to close at 2.4% YoY by the end of 2024.

In addition to this, Bank Indonesia is optimizing its policy tools (such as SRBI, SUVBI, etc.), strengthening its repo policies for both Rupiah and foreign exchange, and intervening in the foreign exchange market through spot transactions, DNDF, and secondary market SBN. Looking ahead, we anticipate that Bank Indonesia will remain cautious, given the volatility of the DXY and the ongoing risk-off sentiment among global investors.

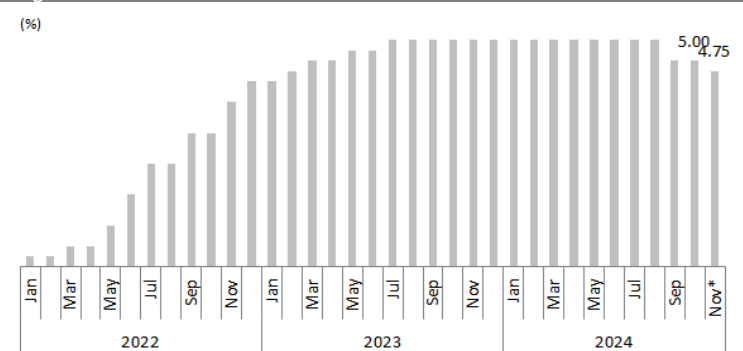
Then, with global geopolitical risks still uncertain, the ongoing risk-off sentiment driven by high US Treasury yields, and expectations regarding Trump's policies as his finance minister appointment awaits, we anticipate that Bank Indonesia will remain highly cautious and data-dependent in its approach to future interest rate decisions, despite the likelihood of a 25 bps Fed rate cut in Dec '24.

Table 1. Interest Rate Data

| Indicators  | 20-Nov-24 |      | Monthly Changes (in bps) | Ytd Changes (in bps) |
|---|-----------|------|--------------------------|----------------------|
|   | Latest    | M-1  |                          |                      |
| <b>Policy Rate (in %)</b>                                     |           |      |                          |                      |
| United States   | 4.75      | 5.00 | (25.0)                   | (75.0)               |
| European Union  | 3.40      | 3.65 | (25.0)                   | (110.0)              |
| United Kingdom  | 4.75      | 5.00 | (25.0)                   | (50.0)               |
| Japan   | 0.25      | 0.25 | 0.0                      | 35.0                 |
| China   | 3.10      | 3.35 | (25.0)                   | (35.0)               |
| India   | 6.50      | 6.50 | 0.0                      | 0.0                  |
| Thailand  | 2.25      | 2.50 | (25.0)                   | (25.0)               |
| Philippines   | 6.00      | 6.25 | (25.0)                   | (50.0)               |
| Indonesia   | 6.00      | 6.00 | 0.0                      | 0.0                  |
| <b>Global Monetary Policy Change (in number of countries)</b> |           |      |                          |                      |
| Easing  | 3         | 7    |                          |                      |
| Unchanged   | 17        | 10   |                          |                      |
| Tightening  | 16        | 0    |                          |                      |
| <b>Average International Interest Rate (in %)</b>             |           |      |                          |                      |
| USD LIBOR -1 Month  | 4.96      | 4.96 | 0.0                      | (45.0)               |
| USD LIBOR -3 Months   | 4.85      | 4.85 | 0.0                      | (75.6)               |
| USD LIBOR -6 Months   | 4.68      | 4.68 | 0.0                      | (117.8)              |
| <b>Domestic Interbank Money Market (in %)</b>                 |           |      |                          |                      |
| INDONIA   | 6.17      | 6.30 | (13.3)                   | 16.8                 |
| JIBOR - 1 Month   | 6.64      | 6.80 | (16.5)                   | 24.9                 |
| JIBOR - 3 Months  | 6.82      | 7.08 | (25.6)                   | 7.1                  |
| JIBOR - 6 Months  | 7.05      | 7.20 | (15.0)                   | 18.1                 |
| JIBOR - 12 Months   | 7.20      | 7.36 | (15.1)                   | 15.5                 |

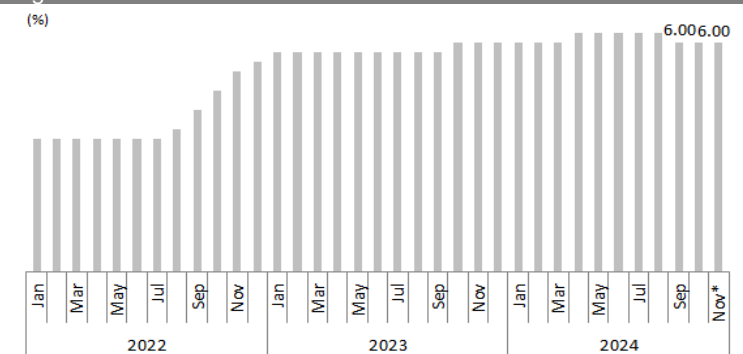
Sources : Each Central Bank and GlobalRates – treated (2024)

Fig 1. Fed Rate



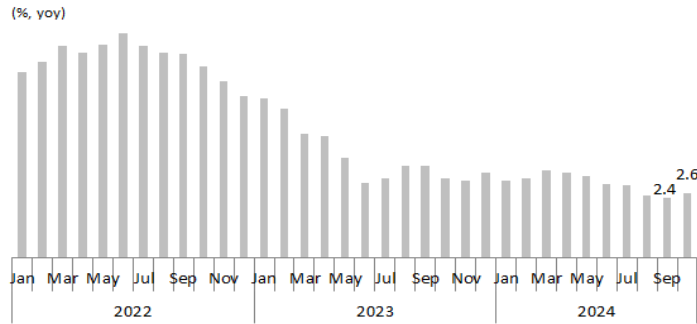
Source: The Fed – treated (2024)

Fig 2. BI Rate



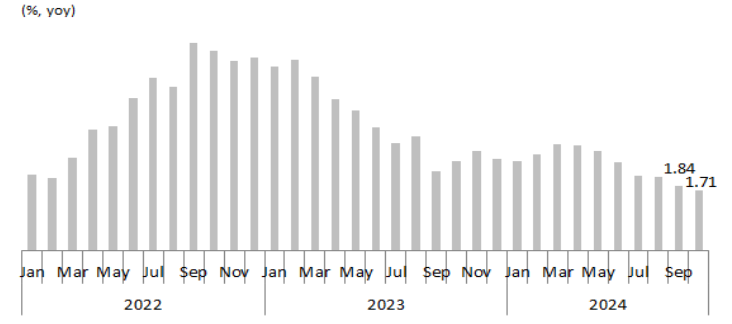
Source: Bank Indonesia – treated (2024)

Fig 3. US CPI Inflation



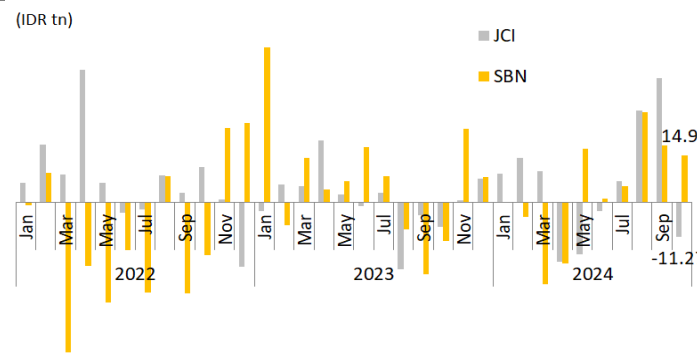
Source : US BLS – treated (2024)

Fig 4. Indonesia CPI Inflation



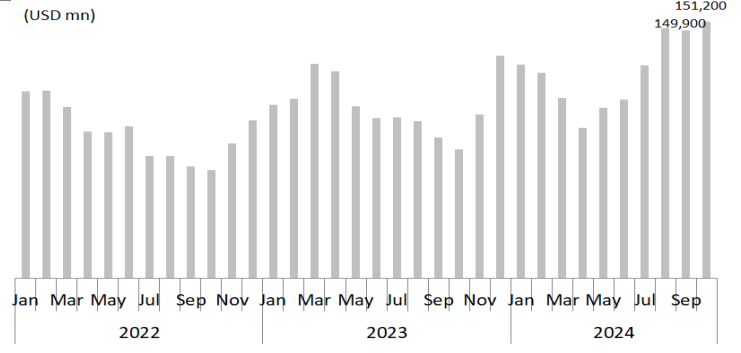
Source : BPS – treated (2024)

Fig 5. Indonesia Portfolio Flow



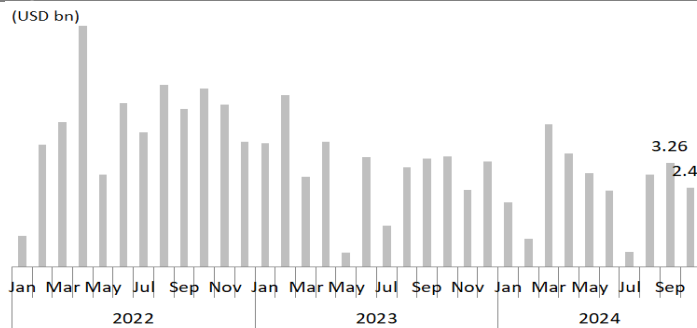
Source : Bloomberg – treated (2024)

Fig 6. Indonesia FX Reserves



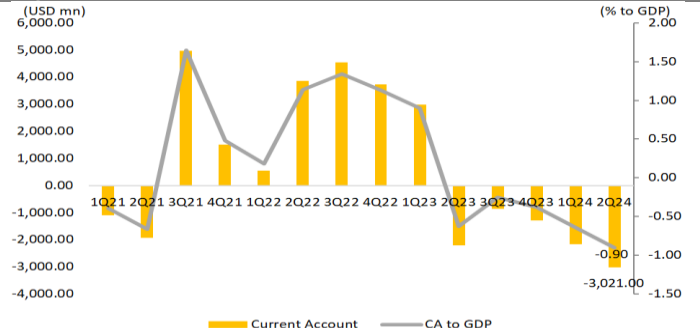
Source : BI – treated (2024)

Fig 7. Indonesia Trade Balance



Source : BI – treated (2024)

Fig 8. Indonesia Current Account



Source : BI – treated (2024)

Table 2. Fed Rate Probabilities, as of 20 Nov '24

| MEETING DATE | MEETING PROBABILITIES |         |         |         |         |         |         |         |
|--------------|-----------------------|---------|---------|---------|---------|---------|---------|---------|
|              | 275–300               | 300–325 | 325–350 | 350–375 | 375–400 | 400–425 | 425–450 | 450–475 |
| 18–Dec–24    | 0.0%                  | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 59.1%   | 40.9%   |
| 29–Jan–25    | 0.0%                  | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 15.2%   | 54.5%   | 30.4%   |
| 19–Mar–25    | 0.0%                  | 0.0%    | 0.0%    | 0.0%    | 9.1%    | 38.7%   | 40.0%   | 12.1%   |
| 30–Apr–25    | 0.0%                  | 0.0%    | 0.0%    | 2.7%    | 18.0%   | 39.1%   | 31.7%   | 8.5%    |
| 18–Jun–25    | 0.0%                  | 0.0%    | 1.2%    | 9.6%    | 27.5%   | 35.8%   | 21.2%   | 4.7%    |
| 30–Jul–25    | 0.0%                  | 0.3%    | 3.5%    | 14.4%   | 29.7%   | 31.8%   | 16.8%   | 3.4%    |
| 17–Sep–25    | 0.1%                  | 1.1%    | 6.1%    | 18.1%   | 30.2%   | 28.2%   | 13.6%   | 2.6%    |
| 17–Sep–25    | 0.3%                  | 1.9%    | 8.2%    | 20.2%   | 29.9%   | 25.7%   | 11.7%   | 2.2%    |

Source : CME Group – treated (2024)

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