

BI Rate Maintained at 5.75%: Balancing Stability and Growth

As anticipated, Bank Indonesia (BI) has maintained the BI Rate at 5.75% (Cons: 5.75%, KBVS: 5.75%, Prev: 5.75%). This decision aligns with the current Deposit Facility Rate, which remains at 5.00%, and the Lending Facility Rate at 6.50%. We view this as a balanced approach by BI, reflecting a compromise between pro-growth and pro-stability objectives. This aligns with the theme of this month’s Board of Governors Meeting (RDG): *“BI Rate Remains at 5.75%: Preserving Stability, Supporting Economic Growth.”*

Last month’s pro-growth stance, marked by a 25 bps cut in the BI Rate on Jan 15, ‘25, has positively impacted domestic funding costs over the past month. This effect has been transmitted through a decline in interbank money market rates, evidenced by the INDONIA rate decreasing by -28.56 bps since the previous RDG meeting, reaching 5.69% as of Feb 18, ‘25. Similarly, the JIBOR rates have also fallen: the 1-week JIBOR dropped by -27.85 bps to 6.01%, the 1-month JIBOR by -24.337 bps to 6.37%, the 3-month JIBOR by -23.21 bps to 6.68%, the 6-month JIBOR by -27.92 bps to 6.78%, and the 12-month JIBOR by -24.75 bps to 6.97%. Furthermore, a significant decline was observed in the weighted average yield from SRBI auctions. The yield for the 6-month SRBI fell by -68.08 bps to 6.38%, the 9-month SRBI by -67.63 bps to 6.42%, and the 12-month SRBI by -76.87 bps to 6.46%, between the Jan 10 and Feb 14, 2025 auctions.

In this RDG, BI reaffirmed its commitment to strengthening pro-market monetary operations, stabilizing the Rupiah exchange rate, enhancing macroprudential liquidity incentives, and expanding international cooperation in central banking, including the connectivity of payment systems and local currency transactions. Additionally, BI announced the expansion of instruments for managing Foreign Exchange Proceeds (DHE SDA) under Government Regulation No. 8 of 2025. The expanded instruments include: a) Placement in Foreign Currency Term Deposits (TD Valas DHE) with tenors of up to 12 months; b) Placement in SVBI and SUVBI instruments with tenors of up to 12 months; c) Utilization through conversion of TD Valas DHE into FX Swaps, FX Swaps with underlying TD Valas DHE, SVBI, and SUVBI; and using these instruments as collateral for Rupiah-denominated bank loans. **These measures are expected to positively impact domestic exchange rate stability, maintain adequate liquidity of the Rupiah, USD, and other currencies in the banking and financial system, and alleviate concerns over funding constraints for exporters amidst the implementation of the new DHE SDA regulations.**

Moreover, BI continues to strengthen policy coordination with the government to safeguard stability and promote economic growth in line with the government’s **Asta Cita program**. The enhanced coordination between monetary, fiscal (government), and macroprudential authorities (OJK and LPS), supported by various policy measures and joint statements, is expected to generate positive momentum for the overall national economy.

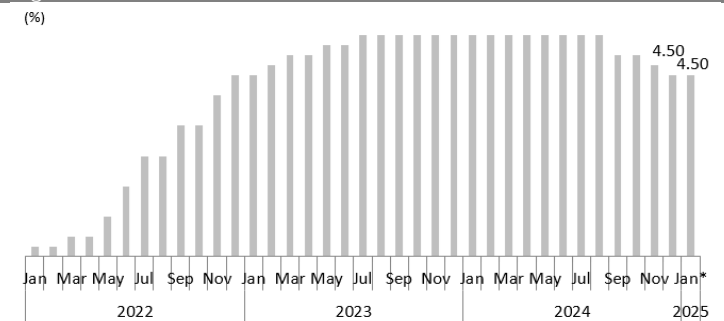
While a more inward-looking monetary policy may elevate short-term risks of capital outflows and Rupiah volatility due to global imbalances and a flight to quality, the move is likely to yield positive long-term outcomes. It offers an opportunity to foster investment optimism, strengthen consumer purchasing power, lower investment funding costs, and create better employment opportunities. As BI navigates these trade-offs, its decision underscores the delicate balance between addressing immediate market dynamics and fostering an environment conducive to robust, inclusive growth.

Table 1. Interest Rate Data

Indicators	19-Feb-25		Monthly Changes (in bps)	Ytd Changes (in bps)
	Latest	M-1		
Policy Rate (in %)				
United States	4.50	4.50	0.0	(100.0)
European Union	2.90	3.15	(25.0)	(160.0)
United Kingdom	4.50	4.75	(25.0)	(75.0)
Japan	0.50	0.25	25.0	60.0
China	3.10	3.10	0.0	(35.0)
India	6.25	6.50	(25.0)	(25.0)
Thailand	2.25	2.25	0.0	(25.0)
Philippines	5.75	5.75	0.0	(75.0)
Indonesia	5.75	5.75	0.0	(25.0)
Global Monetary Policy Change (in number of countries)				
Easing	3	2		
Unchanged	5	3		
Tightening	6	3		
Average International Interest Rate (in %)				
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)
Domestic Interbank Money Market (in %)				
INDONIA	5.93	6.07	(14.3)	(7.2)
JIBOR - 1 Month	6.51	6.63	(11.6)	12.2
JIBOR - 3 Months	6.81	6.92	(10.4)	6.3
JIBOR - 6 Months	6.94	7.06	(11.5)	7.4
JIBOR - 12 Months	7.12	7.22	(10.0)	6.5

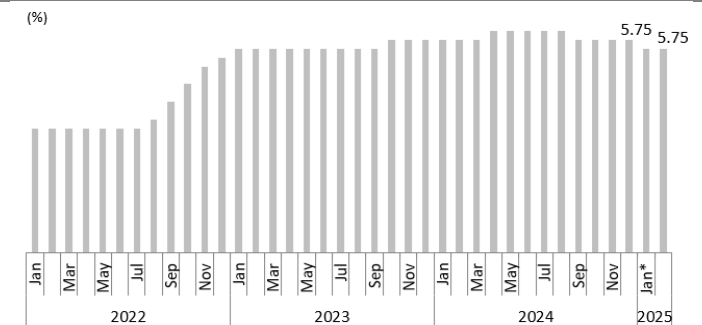
Sources: Each Central Bank and GlobalRates – treated (2025)

Fig 1. Fed Rate



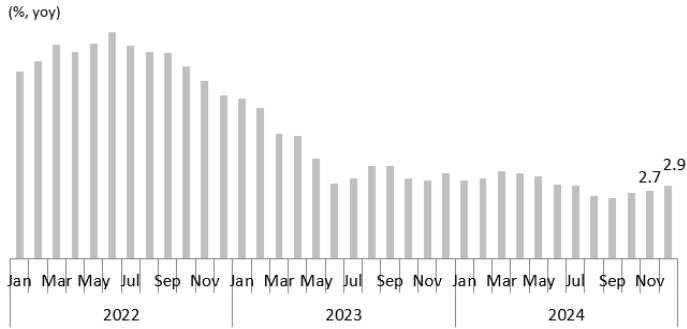
Source: The Fed – treated (2025)

Fig 2. BI Rate



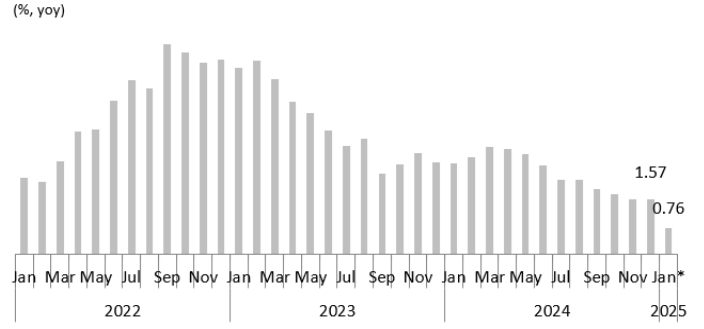
Source: Bank Indonesia – treated (2025)

Fig 3. US CPI Inflation



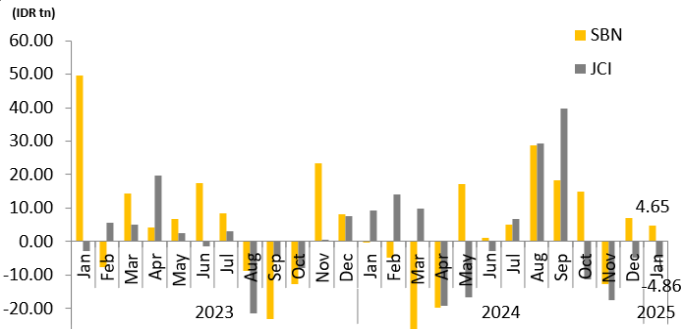
Source: US BLS – treated (2025)

Fig 4. Indonesia CPI Inflation



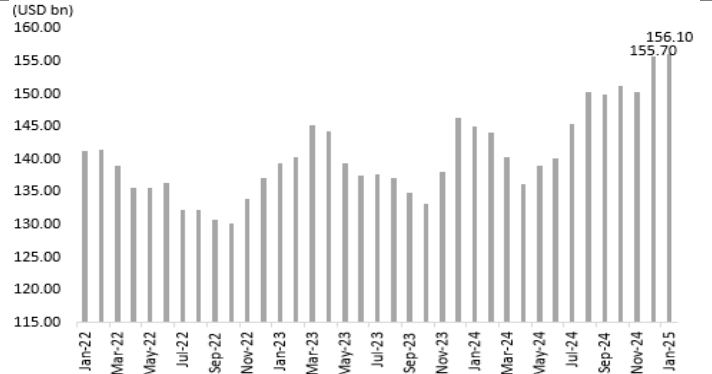
Source: BPS – treated (2025)

Fig 5. Indonesia Portfolio Flow



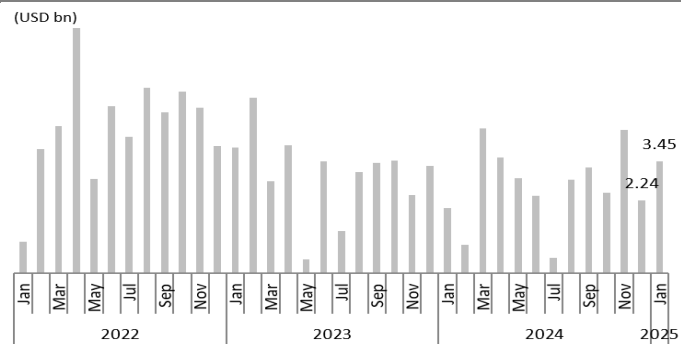
Source: Bloomberg – treated (2025)

Fig 6. Indonesia FX Reserves



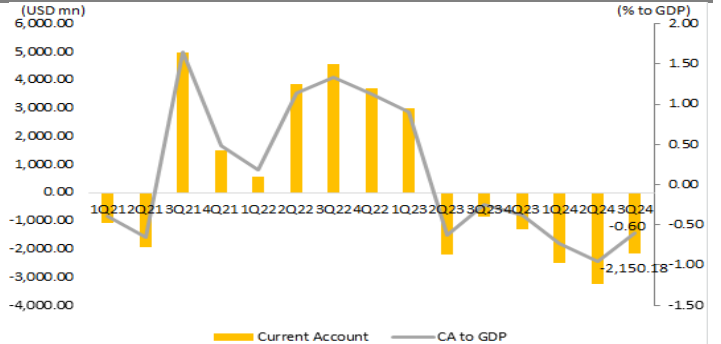
Source: BI – treated (2025)

Fig 7. Indonesia Trade Balance



Source: BI – treated (2025)

Fig 8. Indonesia Current Account



Source: BI – treated (2025)

Table 2. Fed Rate Probabilities, as of 19 Feb '25

MEETING DATE	MEETING PROBABILITIES					
	300-325	325-350	350-375	375-400	400-425	425-450
19-Mar-25	0.0%	0.0%	0.0%	0.0%	2.5%	97.5%
30-Apr-25	0.0%	0.0%	0.1%	0.3%	13.0%	86.7%
18-Jun-25	0.0%	0.0%	0.1%	5.0%	40.5%	54.4%
30-Jul-25	0.0%	0.2%	1.1%	12.0%	43.2%	43.7%
17-Sep-25	0.1%	0.4%	4.7%	22.2%	43.4%	29.4%
29-Oct-25	0.1%	1.1%	7.9%	26.1%	40.8%	24.0%
10-Dec-25	0.3%	2.6%	11.9%	29.4%	37.1%	18.7%

Source: CME Group – treated (2025)

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