

Bank Indonesia Rate Decision

Policy rate held steady to stabilise the rupiah amid global uncertainties

- Bank Indonesia (BI) maintained its policy rate at 6.00% at its eleventh Board of Governor meeting this year, in line with expectations.

- The Deposit Facility and Lending Facility rates were also retained at 5.25% and 6.75%, respectively.
- BI statement:** This decision aligns with previous policy statements, aiming to keep inflation "within the target of 1.5% - 3.5% in 2024 and 2025 and to support sustainable economic growth." It added, "The focus of monetary policy is directed at strengthening the stability of the rupiah exchange rate from the impact of increasing geopolitical and global economic uncertainty with political developments in the US."

- Sustained growth and controlled inflation, but weak rupiah limits room for easing**

- GDP:** The 2024 growth forecast remains unchanged at 4.7% - 5.5% (2023: 5.1%) and is expected to increase in 2025, supported by government and household consumption alongside rising investment. While the 2025 growth target has not been disclosed, we expect it to remain steady amid global economic and financial uncertainties.
- Inflation:** BI expects inflation to remain at 1.5% - 3.5% for 2024 and 2025 (2023: 3.7%). Notably, inflation slowed to 1.71% in October (Sep: 1.84%), the lowest in three years, driven by higher food supply from the ongoing harvest season. BI expects inflation to remain stable, supported by the domestic capacity to meet domestic demand. We share this view with the likelihood that inflation will settle below our target of 2.7%.
- Rupiah:** As of November 19th, the rupiah has depreciated 2.8% against the USD compared to the end of 2023. While this decline milder than the peso (-6.3%), it underperformed the ringgit and baht, which strengthened by 2.7% and 1.1%, respectively. BI attributes this pressure to changes in US political developments.

- Monetary easing push to 2025 amid rupiah vulnerabilities to global uncertainty**

- Policy stance:** Rising global financial uncertainty, geopolitical tensions, and China's weak economic recovery are expected to keep BI's monetary policy unchanged in the near term. The current stance aims to support the vulnerable rupiah despite anticipated US Fed rate cuts in the coming months. However, we expect policy easing to resume in 2025 as the rupiah stabilises.
- Room for easing:** We believe BI has room for monetary easing in 2025 to support growth, particularly as a sign of a slowing economy emerge. GDP growth moderated to 4.95% 3Q24 in (2Q24: 5.05%), lagging behind Vietnam (7.4%; 2Q24: 7.1%) and Malaysia (5.3%; 2Q24: 5.9%).
- USDIDR year-end forecast (15,631; 2023: 15,493):** We maintain the year-end forecast as the rupiah remains weak due to rising geopolitical tensions and renewed USD strength. Nevertheless, we still expect slight appreciation from current levels by year-end, backed by expected US Fed rate cuts.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
4.75% (-0.25%)	UK	Base Rate	Nov-24
3.75% (-0.50%)	Canada	Overnight Rate	Oct-24
3.10% (-0.25%)	China	Loan Prime Rate (1Y)	Oct-24
3.25% (-0.25%)	Euro Area	Key Deposit Facility Rate	Oct-24
6.00% (-0.25%)	Philippines	Target Reverse Repurchase	Oct-24
2.25% (-0.25%)	Thailand	Repo Rate	Oct-24
3.25% (-0.25%)	South Korea	Base Rate	Oct-24
4.75% (-0.50%)	New Zealand	Official Cash Rate	Oct-24
4.75% - 5.00% (-0.50%)	USA	Funds Rate Target	Sep-24
6.00% (-0.25%)	Indonesia	BI Rate	Sep-24
0.25% (+0.15%)	Japan	Overnight Call Rate	Jul-24
4.35% (+0.25%)	Australia	Cash Rate	Nov-23
3.00% (+0.25%)	Malaysia	Overnight Policy Rate	May-23

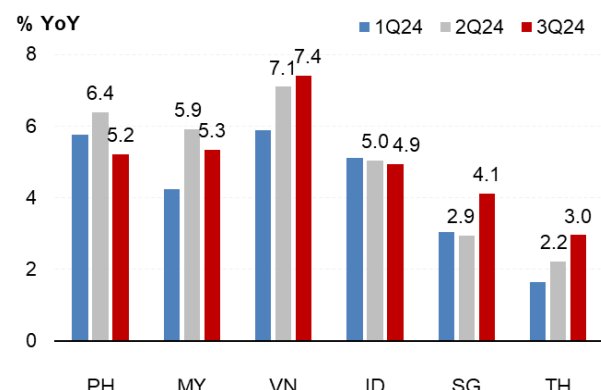
Source: Bloomberg, Kenanga Research

Graph 1: Inflation, Policy Rate and USDIDR trend



Source: Bank Indonesia, Macrobond, Kenanga Research

Graph 2: ASEAN-5 (+Vietnam) GDP Growth



Source: Macrobond, Kenanga Research

21 October 2024

Table 2: Board of Governor (BOG) Meeting Schedule for 2024/ KIBB Outlook

No.	Date		KIBB Research Outlook	BI Decision
1st	16-17 January (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
2nd	20-21 February (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
3rd	19-20 March (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
4th	23-24 April (Tue and Wed)	<input checked="" type="checkbox"/>	No change	25 bps hike
5th	21-22 May (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
6th	19-20 Jun (Wed and Thu)	<input checked="" type="checkbox"/>	No change	No change
7th	16-17 July (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
8th	20-21 August (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
9th	17-18 September (Tue and Wed)	<input checked="" type="checkbox"/>	No change	25 bps cut
10th	15-16 October (Tue and Wed)	<input checked="" type="checkbox"/>	25 bps cut	No change
11th	19-20 November (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
12th	17-18 December (Tue and Wed)	<input type="checkbox"/>	No change	

Source: Bank Indonesia, Kenanga Research

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