

# Bank Indonesia Rate Decision

Holds rates as rupiah faces global uncertainty

- Bank Indonesia (BI) kept its policy rate at 5.75% in its second Board of Governor meeting this year, in line with both house and market expectations

- Deposit and Lending Facility Rates:** unchanged at 5.00% and 6.50%, respectively.

- BI statement:** The decision aims to keep inflation within the 1.5% - 3.5% target range for 2025 and 2026, support Rupiah stability amid global uncertainty and sustain economic growth.

- GDP growth forecast and CPI target for 2025 remain unchanged with domestic demand driving growth

- GDP:** BI maintained its 2025 GDP growth forecast at 4.7% - 5.5% following sustained growth in 2024 (5.0%; 2023: 5.0%). Growth will be supported by higher investment, sustained household consumption, and stronger exports.

- Inflation:** BI expects headline inflation to remain within the 1.5% - 3.5% target range in 2025. Notably, January inflation moderated sharply to 0.76% (Dec 24: 1.57%), its lowest since April 2000 (0.14%), due to deflation in administered prices following a temporary 50.0% electricity tariff discount for households with electricity capacity below 2,200 Volt-Ampere (VA) effective from January until February 2025.

- Rupiah:** As of February 19, the Rupiah has depreciated 0.9% against the USD since end-2024, contrasting with regional peers, which have broadly strengthened, led by Thai Baht (+1.2%), Malaysian Ringgit (+0.5%), and Philippine Peso (+0.2%). BI expects the Rupiah to strengthen in February, supported by policy measures.

- Policy rate adjustment hinges on exchange rate stability amid rising external headwinds

- Policy stance:** BI's decision highlights its focus on Rupiah stability amid heightened global financial uncertainty following Trump's renewed tariff threat. This has prompted BI to counter the Rupiah's depreciation as the USD strengthens on safe-haven demand.

- Room for easing:** BI has scope to cut rates as global central banks shift toward easing to support growth, while domestic inflation remains subdued. Risks to GDP growth outlook persist, with a global slowdown potentially weighing on commodity prices and exports, dampening Indonesia's growth prospects. Meanwhile, BI's Governor has indicated openness to easing, but we believe policy easing would only be possible if the exchange rate stabilises, which seems unlikely in the near term, limiting room for policy adjustments.

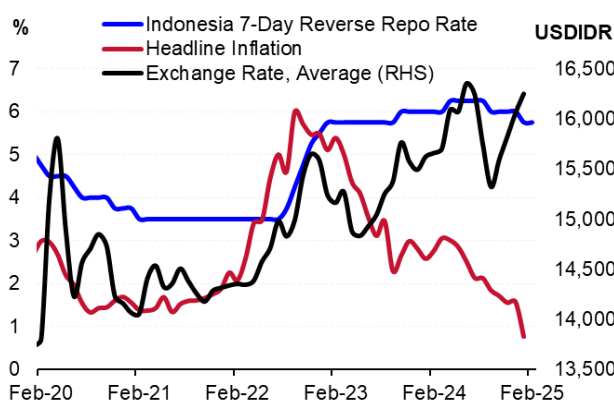
- USDIDR year-end forecast (16,050; 2024: 16,221):** Rising global financial uncertainty under the new US administration limits Rupiah upside. Near-term pressure from risk-off sentiment before a modest appreciation toward year-end, contingent on a lower US Fed policy rate.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
3.75% (-0.50%)	New Zealand	Official Cash Rate	Feb-25
4.10% (-0.25%)	Australia	Cash Rate	Feb-25
4.50% (-0.25%)	UK	Base Rate	Feb-25
0.50% (+0.25%)	Japan	Overnight Call Rate	Jan-25
2.75% (-0.25%)	Euro Area	Key Deposit Facility Rate	Jan-25
5.75% (-0.25%)	Indonesia	BI Rate	Jan-25
5.75% (-0.25%)	Philippines	Target Reverse Repurchase	Dec-24
4.25% - 4.50% (-0.25%)	USA	Funds Rate Target	Dec-24
3.25% (-0.50%)	Canada	Overnight Rate	Dec-24
3.00% (-0.25%)	South Korea	Base Rate	Nov-24
2.25% (-0.25%)	Thailand	Repo Rate	Oct-24
3.10% (-0.25%)	China	Loan Prime Rate (1Y)	Oct-24
3.00% (+0.25%)	Malaysia	Overnight Policy Rate	May-23

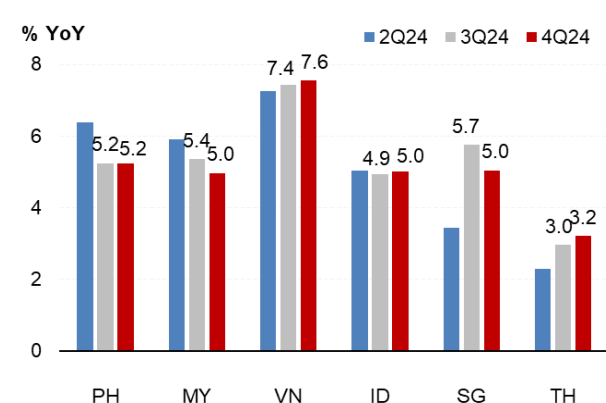
Source: Bloomberg, Kenanga Research

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

20 February 2025

**Table 2: Board of Governor (BOG) Meeting Schedule for 2025/ KIBB Outlook**

No.	Date		KIBB Research Outlook	BI Decision
1st	14-15 January (Tue and Wed)	<input checked="" type="checkbox"/>	No change	25 bps rate cut
2nd	18-19 February (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
3rd	18-19 March (Tue and Wed)	<input type="checkbox"/>	No change	
4th	22-23 April (Tue and Wed)	<input type="checkbox"/>	No change	
5th	20-21 May (Tue and Wed)	<input type="checkbox"/>	No change	
6th	17-18 Jun (Wed and Thu)	<input type="checkbox"/>	No change	
7th	15-16 July (Tue and Wed)	<input type="checkbox"/>	No change	
8th	19-20 August (Tue and Wed)	<input type="checkbox"/>	No change	
9th	16-17 September (Tue and Wed)	<input type="checkbox"/>	No change	
10th	21-22 October (Tue and Wed)	<input type="checkbox"/>	No change	
11th	18-19 November (Tue and Wed)	<input type="checkbox"/>	No change	
12th	16-17 December (Tue and Wed)	<input type="checkbox"/>	No change	

Source: Bank Indonesia, Kenanga Research

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