

BI Rate Maintained at 6.00%; Waiting For Fed Guidance

The decision to maintain the BI-Rate at 6.00% (Prev: 6.00%) is driven by the imperative of stabilizing inflation and preserving Rupiah stability. This is complemented by BI's push for domestic liquidity and continued promotion of the optimization of SRBI, SVBI, SUVBI, and the implementation of DHE SDA. Additionally, BI implies the intention to remain active in the SBN market to uphold attractiveness and stability, especially amidst rising geopolitical risks and their potential impacts on global supply chain disruptions.

Moreover, BI anticipates a Fed Rate reduction in 2H24 by up to 75 bps until the end of 2024. We expect this to be followed by a corresponding decrease in the BI-Rate, potentially larger if the Rupiah stabilizes and tends to appreciate throughout 2024. This outlook is supported by expectations of sustained inflation, although the risk of volatile food inflation, particularly foodstuffs, remains pertinent, especially considering the possibility of a new El Nino ending in Apr '24 followed by La Nina from Jul to Sep '24.

Furthermore, BI forecasts global economic growth to exceed previous estimates, expecting it to reach 3.0% in 2024, primarily driven by the economic performance of the US and India. On one hand, this is anticipated to lead to a global USD appreciation, while simultaneously fostering an increase in trade surplus and domestic current account surplus, attracting capital inflows due to the attractiveness of domestic government bond yields, thus stabilizing the Rupiah. Moreover, the peaceful conduct of elections is expected to promptly reduce domestic *wait-and-see* behavior, positively impacting domestic investment sectors.

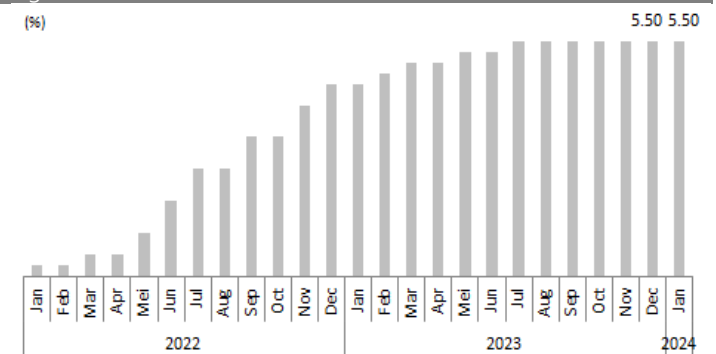
Additionally, we continue to emphasize the importance of effective policy coordination among economic authorities to mitigate inflation risks, maintain macroprudential stability, and ensure robust payment system policies. This coordination should also synergize with fiscal stimulus measures by the Government to stimulate economic growth, particularly from the domestic demand side.

Table 1. Interest Rate Data

Indicators	21-Feb-24		Monthly Changes (in bps)	Ytd Changes (in bps)
	Latest	M-1		
Policy Rate (in %)				
United States	5.50	5.50	0.0	0.0
European Union	4.50	4.50	0.0	0.0
United Kingdom	5.25	5.25	0.0	0.0
Japan	-0.10	-0.10	0.0	0.0
China	3.45	3.45	0.0	0.0
India	6.50	6.50	0.0	0.0
Thailand	2.50	2.50	0.0	0.0
Philippines	6.50	6.50	0.0	0.0
Indonesia	6.00	6.00	0.0	0.0
Global Monetary Policy Change (in number of countries)				
Easing	17	10		
Unchanged	52	20		
Tightening	8	0		
Average International Interest Rate (in %)				
USD LIBOR -1 Month	5.43	5.45	(2.2)	84.0
USD LIBOR -3 Months	5.57	5.59	(2.0)	67.0
USD LIBOR -6 Months	5.65	5.60	5.0	41.0
Domestic Interbank Money Market (in %)				
INDONESIA	5.81	5.85	(3.8)	71.0
JIBOR - 1 Month	6.64	6.65	(1.0)	37.0
JIBOR - 3 Months	6.94	6.95	(1.4)	29.0
JIBOR - 6 Months	7.06	7.07	(0.8)	30.0
JIBOR - 12 Months	7.19	7.20	(1.0)	22.0

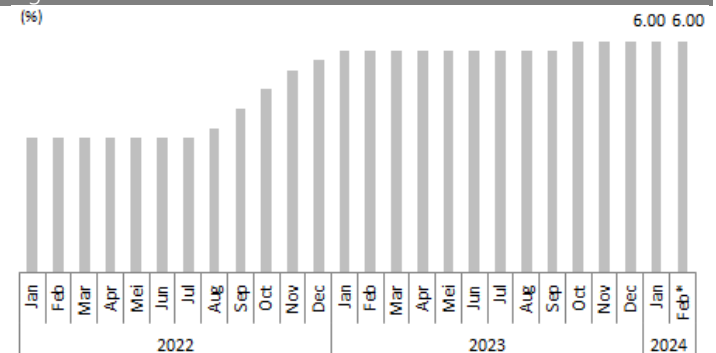
Sources : Each Central Bank and GlobalRates – treated (2024)

Fig 1. Fed Rate



Source: The Fed – treated (2024)

Fig 2. BI7DRR



Source: Bank Indonesia – treated (2024)

Fig 3. US CPI Inflation



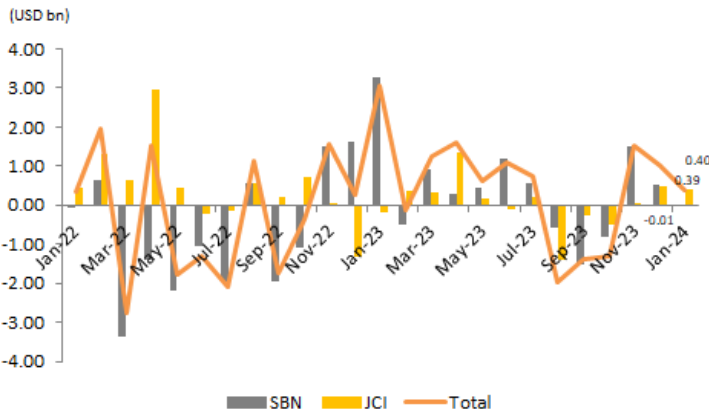
Source : US BLS - treated (2024)

Fig 4. Indonesia CPI Inflation



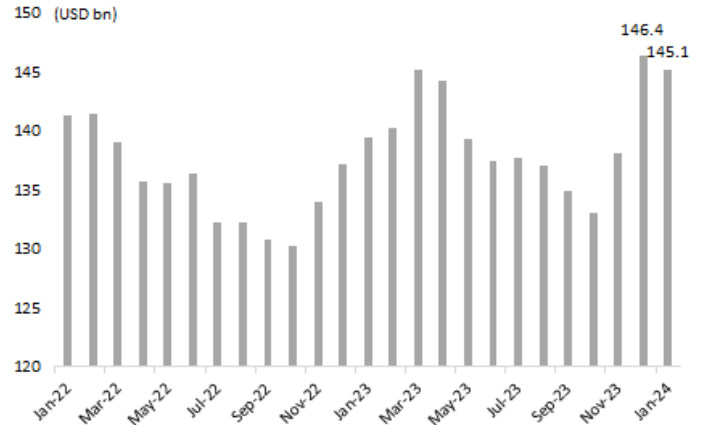
Source : BPS - treated (2024)

Fig 5. Indonesia Portfolio Flow



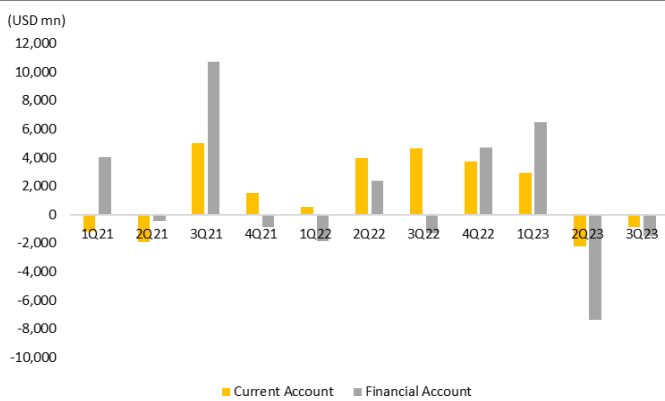
Source : Bloomberg - treated (2024)

Fig 6. Indonesia FX Reserves



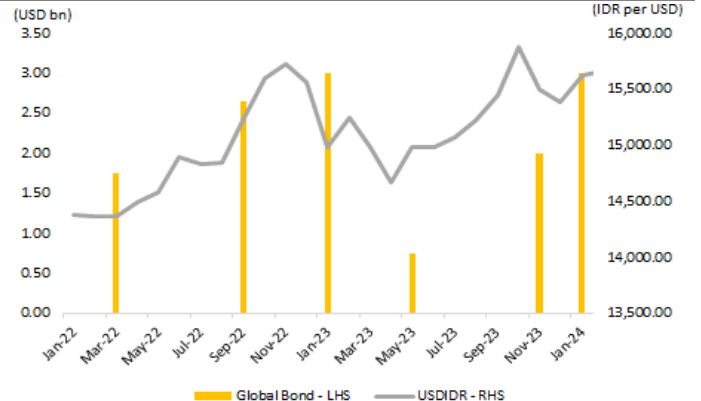
Source : BI - treated (2024)

Fig 7. Indonesia Balance of Payment



Source : BI - treated (2024)

Fig 8. USDIDR and Indonesia's Global Bond Issuance



Source : BI - treated (2024)

Table 2. Fed Rate Probabilities, as of 21 February 2024

MEETING DATE	MEETING PROBABILITIES							
	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
20-Mar-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.5%	91.5%
1-May-24	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	34.1%	63.3%
12-Jun-24	0.0%	0.0%	0.0%	0.0%	1.7%	23.1%	53.1%	22.2%
31-Jul-24	0.0%	0.0%	0.0%	1.1%	16.1%	43.2%	32.3%	7.3%
18-Sep-24	0.0%	0.0%	0.9%	12.6%	37.0%	34.8%	13.0%	1.7%
7-Nov-24	0.0%	0.5%	7.7%	26.8%	35.7%	22.1%	6.4%	0.7%
18-Dec-24	0.3%	5.4%	20.7%	32.9%	26.5%	11.4%	2.5%	0.2%

Source : CME Group – treated (2024)

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