

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

The decision to maintain the BI Rate at 6.00% (Cons: 6.00%, KBVS: 6.00%, Prev: 6.00%) reflects a pro-stability approach aimed at ensuring inflation remains within the target range of 2.5±1% for 2024 and 2025, while simultaneously supporting sustainable economic growth. This decision also holds the Deposit Facility rate steady at 5.25%, and the Lending Facility rate at 6.75%. Although inflation in Sep '24, at 1.84% YoY – is approaching the lower bound of BI’s target – the decline in FX Reserves to USD149.92 bn in the same month was one of the main factors driving BI’s decision to keep the rates unchanged.

In essence, we view this as an effort to maintain the interest rate differential between the BI Rate and the Fed Rate at 100 bps, while also preserving the yield spread between the SUN10Y and US10Y at above 250 bps. This helps sustain investor interest in domestic portfolios and is expected to support future Rupiah expectations, keeping it within the range of IDR 15,400 – 15,700 per USD, at least until the Federal Open Market Committee (FOMC) meeting on Nov 7, when a further 25 bps reduction in the Fed Rate is anticipated.

Additionally, in this Governor's Board Meeting, BI emphasized continued optimization of SRBI, SVBI, and SUVBI, strengthening competitive term-repo transactions and FX swaps, and implementing stabilization strategies for the Rupiah through interventions in the FX market via spot transactions, Domestic Non-Deliverable Forward (DNDF), and SBN in the secondary market. These measures are expected to be complemented by fiscal policy announcements from the new cabinet in the coming days, ensuring monetary stability as we approach this critical juncture.

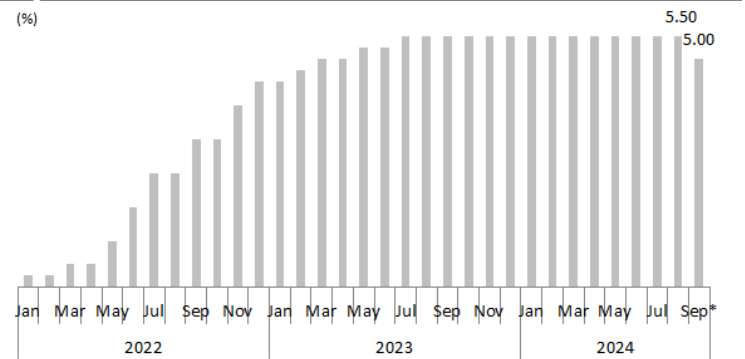
Looking ahead, with global geopolitical risks still uncertain, the possibility of a significant stimulus from China, and the US presidential election on November 5, we strongly commend BI’s decision. However, with the anticipated Fed Rate cut, we hope that BI will follow suit in the coming months, as it aligns with efforts to maintain inflation control and Rupiah stability.

Table 1. Interest Rate Data

Indicators	16-Oct-24		Monthly Changes (in bps)	Ytd Changes (in bps)
	Latest	M-1		
Policy Rate (in %)				
United States	5.00	5.50	(50.0)	(50.0)
European Union	3.65	4.25	(60.0)	(85.0)
United Kingdom	5.00	5.00	0.0	(25.0)
Japan	0.25	0.25	0.0	35.0
China	3.35	3.35	0.0	(10.0)
India	6.50	6.50	0.0	0.0
Thailand	2.50	2.50	0.0	0.0
Philippines	6.25	6.50	(25.0)	(25.0)
Indonesia	6.00	6.00	0.0	0.0
Global Monetary Policy Change (in number of countries)				
Easing	7	9		
Unchanged	11	7		
Tightening	0	2		
Average International Interest Rate (in %)				
USD LIBOR -1 Month	4.96	5.13	(16.9)	(45.0)
USD LIBOR -3 Months	4.85	5.12	(27.1)	(75.6)
USD LIBOR -6 Months	4.68	4.91	(22.8)	(117.8)
Domestic Interbank Money Market (in %)				
INDONIA	6.30	6.30	(0.3)	30.2
JIBOR - 1 Month	6.80	6.90	(9.6)	41.4
JIBOR - 3 Months	7.08	7.18	(10.1)	32.8
JIBOR - 6 Months	7.20	7.30	(9.9)	33.1
JIBOR - 12 Months	7.36	7.46	(9.9)	30.6

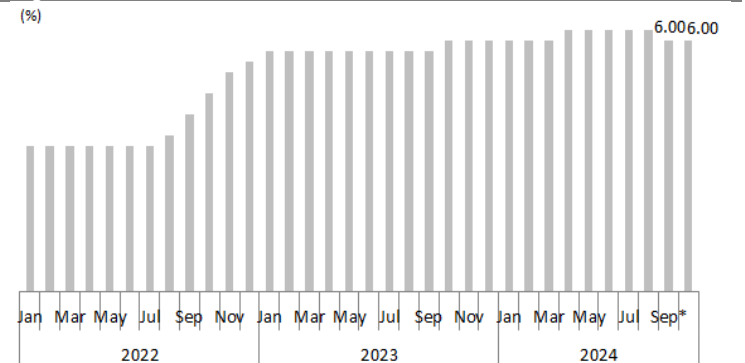
Sources : Each Central Bank and GlobalRates – treated (2024)

Fig 1. Fed Rate



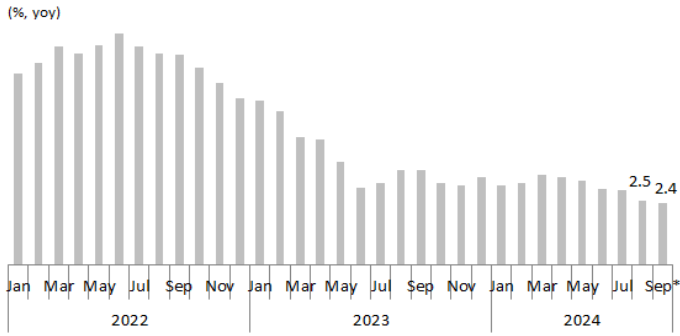
Source: The Fed – treated (2024)

Fig 2. BI Rate



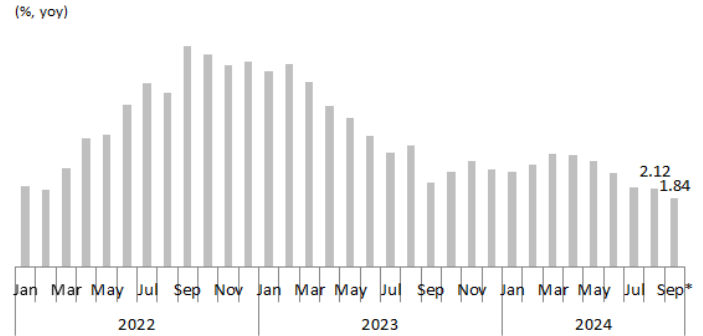
Source: Bank Indonesia – treated (2024)

Fig 3. US CPI Inflation



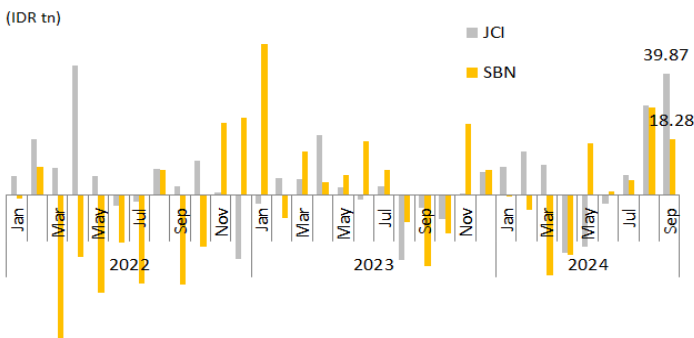
Source : US BLS – treated (2024)

Fig 4. Indonesia CPI Inflation



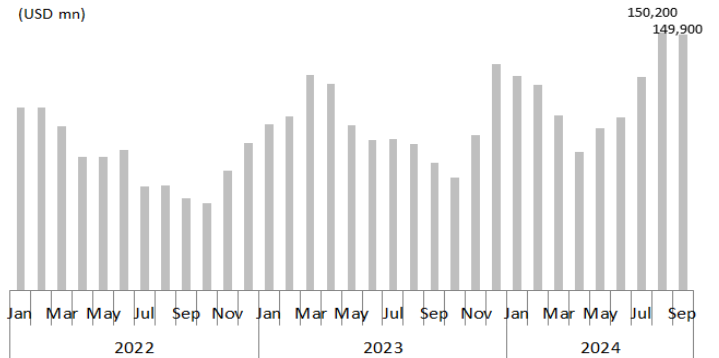
Source : BPS – treated (2024)

Fig 5. Indonesia Portfolio Flow



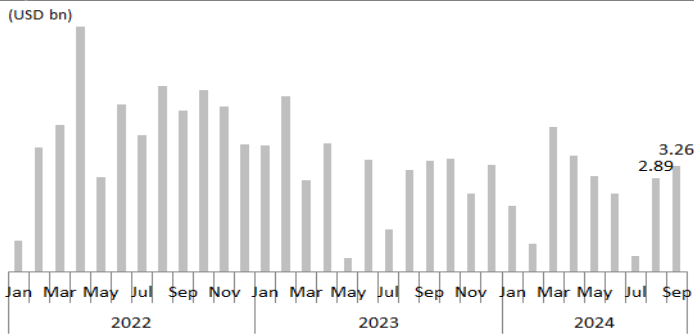
Source : Bloomberg – treated (2024)

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 16 Oct '24

MEETING DATE	MEETING PROBABILITIES								
	275–300	300–325	325–350	350–375	375–400	400–425	425–450	450–475	475–500
7–Nov–24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	95.4%	4.6%
18–Dec–24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	84.3%	15.1%	0.5%
29–Jan–25	0.0%	0.0%	0.0%	0.0%	0.0%	61.3%	34.0%	4.5%	0.1%
19–Mar–25	0.0%	0.0%	0.0%	0.0%	57.6%	35.7%	6.3%	0.4%	0.0%
30–Apr–25	0.0%	0.0%	0.0%	37.2%	43.5%	16.7%	2.5%	0.2%	0.0%
18–Jun–25	0.0%	0.0%	24.6%	41.3%	25.7%	7.3%	0.9%	0.1%	0.0%
30–Jul–25	0.0%	9.2%	30.9%	35.5%	18.9%	4.9%	0.6%	0.0%	0.0%
17–Sep–25	3.4%	17.3%	32.6%	29.3%	13.6%	3.3%	0.4%	0.0%	0.0%

Source : CME Group – treated (2024)

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