

BI Maintains BI7DRR at 6.00%, Strengthening Monetary-Fiscal Policy Coordination

Bank Indonesia (BI) has chosen to keep the BI7DRR rate at 6.00% (Cons: 6.00%, KBVS: 6.00%, Prev: 6.00%). Simultaneously, BI also maintains the Deposit Facility interest rate at 5.25%, while the Lending Facility rate remains at 6.75%. This decision follows the stabilization of the Rupiah exchange rate below IDR15700 per USD. It comes after experiencing Rupiah depreciation pressure, reaching levels above IDR15,800 per USD between 20 Oct and 3 Nov '23, peaking at IDR15,939 per USD on 30 Oct '23. Notably, a day before the Rupiah depreciation, the RDG-BI decided to increase the benchmark interest rate by 25 bps on 19 Oct '23. This occurred while considering the DXY, which has maintained levels above 106 from 23 Sep to 3 Nov '23, after last registering at that level on 30 Nov '22.

An intriguing aspect of this RDG BI is BI's statement explicitly mentioning, "The coordination between Bank Indonesia's policies and the government's fiscal policies continues to be enhanced to maintain macroeconomic stability and support economic growth." We perceive this as BI's recognition of the issuance of the USD2.0 bn Global Sukuk on 7 Nov '23, with tenors of 5 and 10 years (Green series) – refer to Fig.8, p.2. This, in conjunction with conditions that contributed to the return of capital inflows into tradable SBNs, indicated by an increase in Non-Resident ownership by USD5.10 bn between 7 Nov and 22 Nov '23, with USD4.97 bn in the form of SUN (conventional bonds). This further led to a decrease in SUN10Y yield by -3.80 bps and a 0.59% appreciation of the Rupiah against the USD in the same period. It is also worth noting that the realization of the APBN (State Budget) until 30 Sep '23, recorded a surplus of IDR67.7 tn, equivalent to 0.32% of GDP, compared to the budget target of IDR-598.15 tn deficit or -2.84% of GDP.

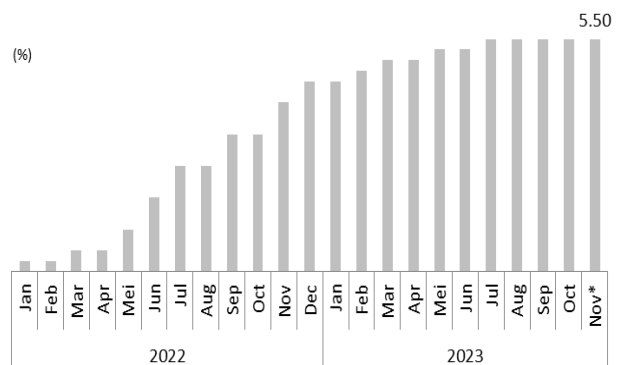
Moreover, in this RDG, BI reiterated its pro-growth stance. This is evident from the strengthened effectiveness in implementing Macroprudential Liquidity Incentive Policies (KLM) amounting to IDR138.0 tn from 1 Oct '23, to Nov '23. This will be complemented by reinforcing communication, socialization, and coordination with the Government, financial authorities, Ministries/Agencies, banking sector, and business entities. Additionally, BI continues to promote the deepening of the Base Interest Rate for Loans (SBDK) transparency policy, focusing on interest rates for credits in 10 economic sectors to stimulate the Policy Interest Rate Transmission. This is expected to be facilitated by reinforcing the pro-market nature of monetary operational strategies. We further anticipated this will prompt BI to maintain the BI7DRR at the level of 6.00% until the end of 2023, with the potential for a quicker decrease in 2024.

Table 1. Interest Rate Data

Indicators	19-Oct-23		Monthly Changes (in bps)	Ytd Changes (in bps)
	Latest	M-1		
Policy Rate (in %)				
United States	5.50	5.50	0.0	100.0
European Union	4.50	4.50	0.0	200.0
United Kingdom	5.25	5.25	0.0	175.0
Japan	-0.10	-0.10	0.0	0.0
China	3.45	3.45	0.0	(20.0)
India	6.50	6.50	0.0	25.0
Thailand	2.50	2.50	0.0	125.0
Philippines	6.25	6.25	0.0	75.0
Indonesia	6.00	6.00	0.0	50.0
Global Monetary Policy Change (in number of countries)				
Easing	6	6		
Unchanged	20	14		
Tightening	5	2		
Average International Interest Rate (in %)				
USD LIBOR -1 Month	5.46	5.45	0.8	113.6
USD LIBOR -3 Months	5.64	5.66	(1.6)	123.8
USD LIBOR -6 Months	5.81	5.86	(5.4)	102.7
Domestic Interbank Money Market (in %)				
INDONIA	5.88	5.64	23.9	43.3
JIBOR - 1 Month	6.66	6.40	25.5	665.5
JIBOR - 3 Months	6.95	6.74	21.6	192.9
JIBOR - 6 Months	7.07	6.85	22.0	127.6
JIBOR - 12 Months	7.20	7.01	19.0	100.0

Sources : Each Central Bank and GlobalRates – treated (2023)

Fig 1. Fed Rate



Source: The Fed – treated (2023)

Fig 2. BI7DRR



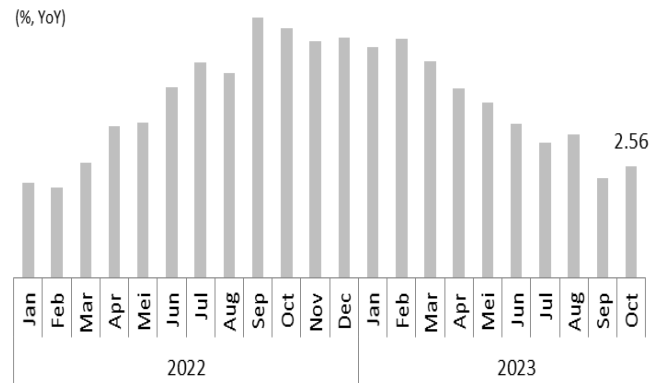
Source: Bank Indonesia – treated (2023)

Fig 3. US CPI Inflation



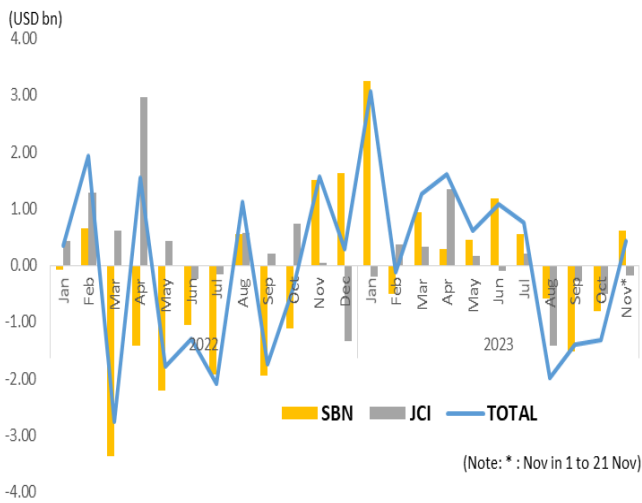
Source : US BLS – treated (2023)

Fig 4. Indonesia CPI Inflation



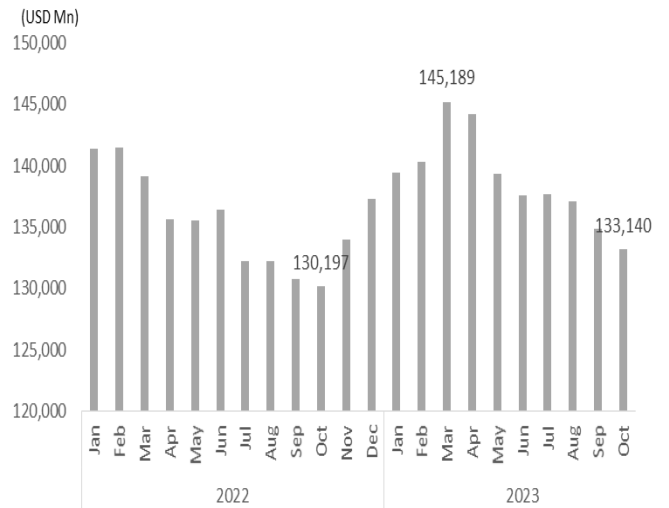
Source : BPS – treated (2023)

Fig 5. Indonesia Portfolio Flow



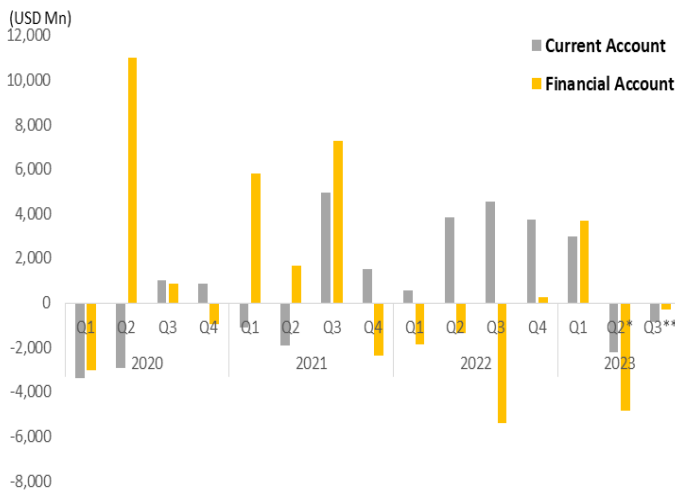
Source : Bloomberg – treated (2023)

Fig 6. Indonesia FX Reserves



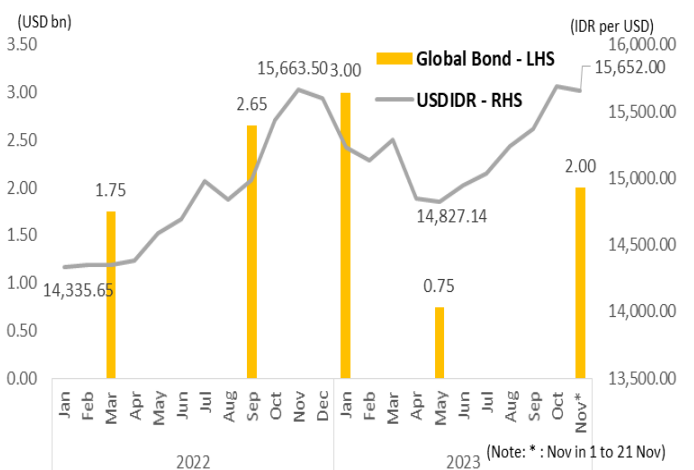
Source : BI – treated (2023)

Fig 7. Indonesia Balance of Payment



Source : BI – treated (2023)

Fig 8. USDIDR and Indonesia's Global Bond Issuance



Source : BI – treated (2023)

Table 2. Fed Rate Probabilities, as of 23 November 2023

MEETING DATE	FED RATE PROBABILITIES								
	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575
13-Dec-23			0.0%	0.0%	0.0%	0.0%	0.0%	97.8%	2.2%
31-Jan-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	93.7%	6.2%
20-Mar-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	26.2%	69.2%	4.5%
1-May-24	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	45.9%	39.5%	2.5%
12-Jun-24	0.0%	0.0%	0.0%	0.0%	6.3%	29.8%	42.6%	20.1%	1.2%
31-Jul-24	0.0%	0.0%	0.0%	3.5%	19.4%	36.9%	30.1%	9.6%	0.5%
18-Sep-24	0.0%	0.0%	2.1%	13.2%	30.1%	32.7%	17.6%	4.1%	0.2%
7-Nov-24	0.0%	1.1%	7.9%	22.0%	31.5%	24.8%	10.5%	2.0%	0.1%
18-Dec-24	0.8%	6.2%	18.5%	29.1%	26.5%	14.1%	4.2%	0.6%	0.0%

Source : CME Group – treated (2023)

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