



# Domestic Macro Flash

BI Board of Governors Meeting | January 16<sup>th</sup>, 2025

## BI Cuts Rates Amidst Global Uncertainty, Targeting Economic Growth

### Previous Data (BI Rate)

Period	Actual	Change
Dec 2024	6.00%	-
Nov 2024	6.00%	-
Oct 2024	6.00%	-

Source : Bank Indonesia

### Headline Inflation

Period	MoM	YoY
Dec 2024	0.44%	1.57%
Nov 2024	0.30%	1.55%
Oct 2024	0.08%	1.71%

Source : Badan Pusat Statistik (BPS)

### Exchange Rate USD-IDR and Dollar Index (EoM)

Period	USD-IDR	Dollar Index
Jan 2024*	16,306	109.03
Dec 2024	16,241	107.24
Nov 2024	15,840	105.74

Source : Investing.com | \*(15/1)

### Comparison by Country

AEs	Interest Rate	EMDEs	Interest Rate
Canada	3.25%	Brazil	12.25%
Euro Area	3.15%	China	3.10%
Japan	0.25%	India	6.50%
Singapore	2.93%	Malaysia	3.00%
Switzerland	0.50%	Mexico	10.00%
UK	4.75%	Russia	21.00%
US	4.50%	Thailand	2.25%

Source: Tradingeconomics | Last Updated

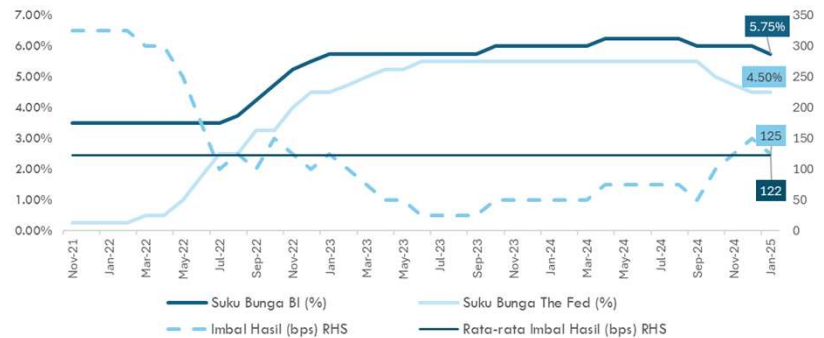
AEs–Negara Maju | EMDEs–Negara Berkembang

**Research Analyst**  
**Nur Ryshalti**  
+62 21 255 6138 Ext. 8302  
nur.ryshalti@phintracosekuritas.com

**Head of Research & Education**  
**Valdy Kurniawan**  
+62 21 255 6138 Ext. 8302  
valdy@phintracosekuritas.com

Period	BI Rate	Deposit Facility	Lending Facility
RDG BI (15/01/25)	5.75%	5.00%	6.50%

Figure 1. Spread between BI Rate and Fed Rate



Source : Phintraco Sekuritas Research | Bank Indonesia

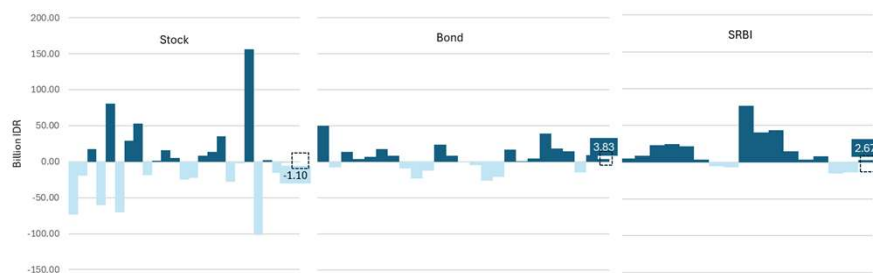
The Bank of Indonesia (BI) Board of Governors meeting cut the interest rate by 25 bps to 5.75%, with the Deposit Facility rate at 5.00% and the Lending Facility rate at 6.50% on January 15, 2025. This move aims to support Indonesia's economic growth target. Additionally, it ensures inflation remains within the 2.5±1% target for 2025 and 2026. BI also focuses on maintaining pro-market stability for the Rupiah exchange rate through open market operations in the Spot market, Domestic Non-Deliverable Forward (DNDF), and Government Securities (SBN) in the secondary market. The interest rate reduction was influenced by global factors, including decreased uncertainty in Trump administration policies, namely a 7.7% fiscal deficit, and anticipation of the impact of rising US Treasury Yield (UST) 10-year rates. BI also forecasts only one cut rate 25 bps in the Fed Fund Rate (FFR) in 2025, affecting the Dollar Index (DXY) movement. In domestic factor, recent data shows Indonesia's inflation rate is lower than BI's target. Furthermore, BI considers the exchange rate relatively stable and aligned with Indonesia's economic fundamentals. Lastly, BI projects lower economic growth for Indonesia in 2025 than previously estimated.

The interest rate differential between BI and the Fed, at 125bps, is above the three-year average of 122 bps. The current gap has increased by 75 bps compared to the same period last year, indicating a widening trend between the two rates (Figure 1). This significant difference could influence foreign capital flows into the domestic market.

Foreign investor activity shows net inflows into Indonesia's SBN and SRBI markets, although the stock market still recorded net outflows until January 9, 2025 (Figure 2). Looking ahead, we expect the Indonesian bond market to remain attractive as the spread between 10-year Indonesia Government Bond (IGB) and 10-year UST tends to widen to 263 bps (15/1), above the one-year average of 244 bps.

We anticipate that BI still has room for future interest rate cuts in 2025. This aligns with the dynamics of global and national economic indicators. Additionally, BI want to increasing market liquidity, which is expected to boost credit distribution to the public, supporting Indonesian economic growth.

Figure 2. Foreign Flow in Indonesia Capital Market (Jan 23-Jan 25)



Source : Phintraco Sekuritas Research | Bank Indonesia