



FX & Interest Rate

Capital Flow and financial market dynamics, as of October 2024, foreign investors have shown strong net inflows throughout the year, with IDR39.91 Tn in the stock market, IDR43.51 Tn in Indonesian Government Bonds (SBN), and IDR200 Tn in Bank Indonesia Securities (SRBI). This reflects solid investor interest, although there have been fluctuations due to foreign capital outflows from government securities. Despite these fluctuations, Indonesia’s foreign reserves reached USD151.2 Bn in October, providing a buffer against external volatility. Looking ahead, we expect Bank Indonesia (BI) to continue offering attractive yields on SRBI to stabilize the rupiah, especially as a significant volume of SRBI will mature over the next six months.

Economic Growth and challenges, Indonesia’s economy grew 4.95% yoy in Q3 2024, below expectations of 5%. Household consumption slowed, contributing 2.55 percentage points (pcp) to GDP growth, down from the usual 2.6 pcp. This slowdown is linked to rising unemployment, which increased by 31% yoy, and a four-consecutive month contraction in manufacturing. Despite this, sectors like food production, basic metals, and electronics showed positive growth. For the full year of 2024, Indonesia's GDP growth is expected to reach 5%, driven by government stimulus and steady consumption.

Bank Indonesia’s (BI) policy direction, in response to global and domestic challenges, BI will continue measures to stabilize the rupiah and support growth. There is room for further rate cuts by the end of 2024, with the possibility of continued adjustments into 2025, depending on global inflation trends and the actions of the Fed. We also see that BI will maintain its strategy of using SRBI, SVBI, and SUVBI to manage market volatility. Additionally, BI is focused on expanding QRIS adoption and digital transactions. For 2025, BI’s monetary policy will strike a balance between stability and growth, as the Fed Funds Rate is expected to decrease to 4.5% by the end of 2024, easing external pressures on Indonesia’s economy.

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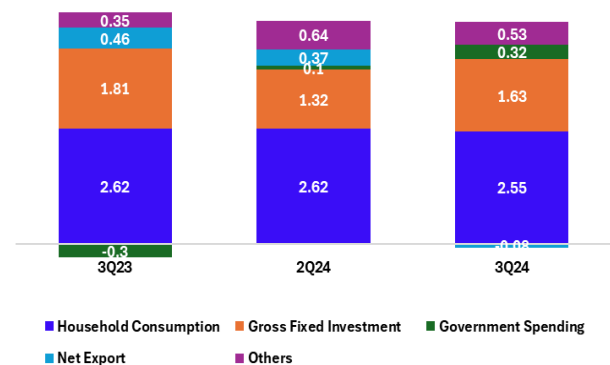
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Chart 1. Fed rate Cut might not be dramatic

Meeting Date	375 - 400	400 - 425	425 - 450	450 - 475	475 - 500
7 November 2024	0.0%	0.0%	0.0%	97.6%	2.4%
18 Desember 2024	0.0%	0.0%	68.4%	30.9%	0.7%
29 Januari 2025	0.0%	35.1%	49.2%	15.4%	30.0%
19 Maret 2025	21.8%	43.8%	28.2%	6.1%	10.0%
7 Mei 2025	29.9%	38.0%	20.0%	3.9%	10.0%
18 Juni 2025	33.4%	30.4%	13.2%	2.3%	0.0%
30 Juli 2025	32.8%	27.0%	11.0%	1.8%	0.0%
17 September 2025	31.7%	24.0%	9.3%	1.5%	0.0%
29 Oktober 2025	30.8%	22.2%	8.4%	1.3%	0.0%
12 Desember 2025	29.6%	20.4%	7.4%	1.1%	0.0%

Source: Bloomberg

Chart 2. Slowdown in Household Consumption Growth



Source: Badan Pusat Statistik Indonesia

Automotive Industry

Revised car sales target and market conditions. Gaikindo recently revised its 2024 national car sales target from 1.1 million units to 850,000 units, citing a slowdown in consumer spending and diminished purchasing power, since the second half of 2024. Despite this adjustment, Gaikindo plans to boost sales through year-end initiatives, particularly targeting corporate bulk purchases. December is typically a peak month for car sales, as companies often utilize their year-end budgets to acquire new units, creating opportunities for promotional campaigns across various market segments.

Consumer trends and financing options. To stimulate sales, car manufacturers are offering attractive deals, such as 0% interest rates and low down payments, which remain particularly popular among middle- and lower-income segments. However, the broader macroeconomic environment is exerting pressure on middle-class consumers, especially those at the lower end, who are struggling with rising inflation and financial burdens, including online loans and gambling debts. In response, car manufacturers are introducing additional incentives, such as extended warranties, low-interest financing, and promotional giveaways, to maintain consumer interest despite these economic challenges.

Chart 3. Trends in 4W Sales in Indonesia

2024		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
ASTRA														
	TOYOTA + LEXUS	21,111	23,732	21,425	15,448	23,897	25,652	27,310	26,183	25,591				210,439
	DAIHATSU	14,363	15,088	16,552	9,481	14,983	14,967	13,910	13,829	12,676				125,489
	ISUZU	2,350	2,245	2,251	1,849	2,265	3,073	2,371	2,002	1,670				20,076
	UD TRUCKS	148	167	147	126	179	208	186	181	159				1,501
	PEUGEOT	12	8	3	4	-	-	-	-	-				27
	Subtotal for ASTRA	37,984	41,240	40,378	26,908	41,324	43,900	43,777	42,195	40,096				357,802
	ASTRA LGCC	12,244	12,091	10,070	7,926	11,451	11,391	12,020	11,703	10,222				101,118
NON ASTRA														
	mitsubishi	8,996	8,244	8,464	5,993	9,386	8,700	7,809	8,530	8,165				74,287
	HONDA	8,413	9,081	10,572	4,611	7,294	7,618	6,249	7,556	7,926				69,320
	SUZUKI	6,138	4,993	6,670	4,986	5,762	4,584	5,410	5,265	5,183				48,991
	HYUNDAI	3,003	2,428	1,812	1,485	1,408	1,908	1,701	1,823	1,596				17,164
	WULING	2,177	1,200	2,080	1,188	909	964	1,526	1,866	2,004				13,914
	CHERY	299	431	803	590	968	848	780	798	673				6,190
	BYD	-	-	-	-	-	1,596	1,925	2,940	2,075				8,536
	OTHERS	2,748	3,155	3,941	3,001	4,340	4,497	5,052	5,331	4,949				37,014
	Subtotal for NON ASTRA	31,774	29,532	34,342	21,854	30,067	30,715	30,452	34,109	32,571				275,416
	TOTAL DOMESTIC	69,758	70,772	74,720	48,762	71,391	74,615	74,229	76,304	72,667				633,218

Source: Astra, GAIKINDO

Indonesia's Selected Economic Indicators

	2022	2023	2024E	2025E
National Accounts				
Real GDP (% y-o-y)	5.3	5.0	5.05	5.11
Domestic demand ex. inventory (% y-o-y)	3.8	4.6	4.90	4.95
Real Consumption: Private (% y-o-y)	4.9	4.9	4.82	4.98
Real Gross Fixed Capital Formation (% y-o-y)	3.9	4.4	4.20	4.40
GDP (USD bn) — nominal	1,319	1,371	1,445	1,503
GDP per capita (USD) — nominal	4,783	4,920	5,067	5,219
Open Unemployment Rate (%)	5.9	5.3	5.0	5.0
External Sector				
Exports (% y-o-y, BoP Basis)	25.6	-11.3	-6.80%	4.17%
Imports (% y-o-y, BoP Basis)	21.6	-7.3	-2.11%	2.41%
Trade balance (USD bn, BoP Basis)	62.7	46.4	33.1	38.0
Current account (% of GDP)	1.0	-0.1	-0.8	-0.9
Central government debt (% of GDP)	39.6	38.9	39.13	39.05
International Reserves –IRFCL (USD bn)	137.2	146.4	142.0	142.0
Reserve Cover (Months of imports & ext. debt)	5.9	6.5	6.3	6.3
Currency/USD (Year-end)	15,573	15,399	15,000	14,755
Currency/USD (Average)	14,855	15,244	15,661	14,865
Other				
BI 7-Day Reverse Repo rate (% year end)	5.50	6.00	5.75	5.00
Consumer prices (% year end)	5.51	2.61	2.19	2.51
Fiscal balance (% of GDP; FY)	-2.38	-1.65	-2.70	-2.57
S&P's Rating – FCY	BBB	BBB	BBB	BBB

Source: CEIC, E= Danamon Estimates

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