



## FX & Interest Rate

In January 2025, the SRBI yield dropped below 7%, following a surprise 25-basis-point rate cut by Bank Indonesia on January 15. This move, despite the Rupiah remaining above IDR 16,000 against the USD, reflects Bank Indonesia's shift toward supporting domestic growth rather than solely stabilizing the currency. By allowing the Rupiah to depreciate alongside other Asian currencies, the central bank aims to improve Indonesia's export competitiveness, making local goods more attractive in global markets.

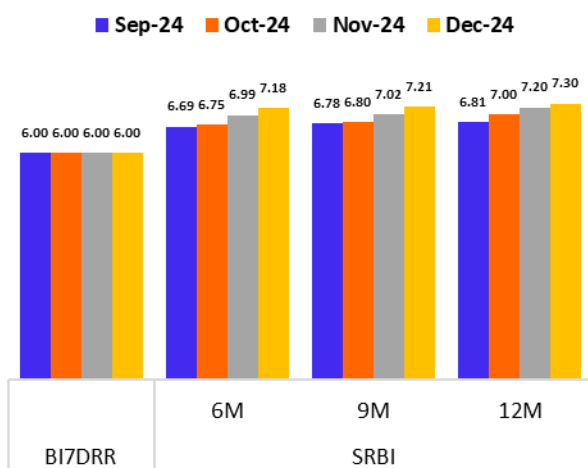
Indonesia's inflation rate dropped in January 2025, with a deflation of -0.76% mom and 0.76% yoy. This was mainly driven by the government's 50% electricity discount, which contributed a deflationary impact of -1.44%. While prices of some items rose, such as red chili and gold, the overall deflationary effect helped keep inflation within the government's target range of 2.5±1%. With inflation expected to remain low, Bank Indonesia has the flexibility to implement further rate cuts to stimulate economic growth.

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Bank Indonesia introduced a policy requiring exporters to retain 100% of their export proceeds (DHE SDA) within the country for 12 months, starting in March 2025. This initiative aims to bolster foreign reserves, stabilize the Rupiah, and improve liquidity. Exporters can use DHE SDA placements as credit collateral or for swaps to meet their Rupiah needs. The policy is designed to strengthen Indonesia's foreign reserves and support the Rupiah amid ongoing global trade uncertainties.

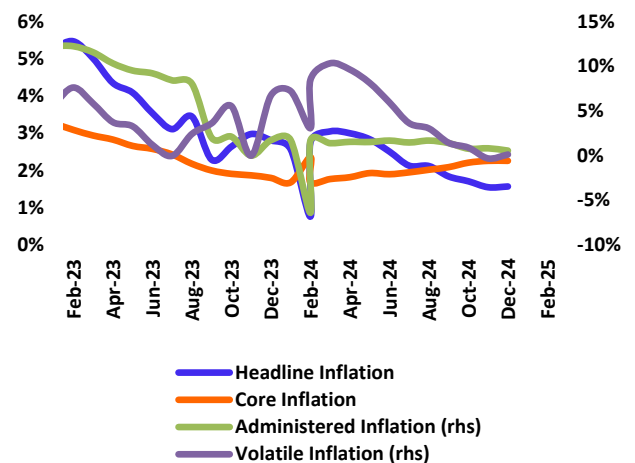
Please see the important disclaimer and information on the back of this report.

Chart 1. The SRBI Yield is Increasing Over Time



Source: Bank Indonesia

Chart 2. A deflation of -0.76% mom, mainly driven by the government's 50% electricity discount



Source: Indonesia Statistic Agency

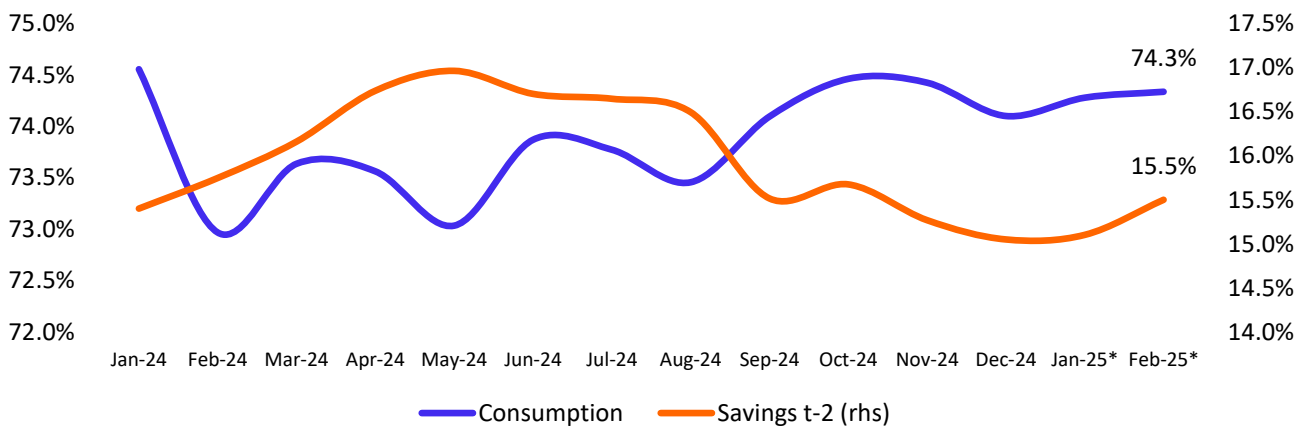
**Automotive Industry**

**The domestic automotive industry contracted in 2024, but the 2025 stimulus package incentive is rolling.** In 2024, 4W wholesales reached 865,723 units, 13.9% lower than the previous year’s wholesale at 1,005,802 units. A similar trend happened in 2W wholesales with 5,893,957 sold in 2024, 5.5% lower than 2023 at 6,236,992 units. It results from declining consumer confidence for most of 2024 as the manufacturing PMI enters contraction from Jul-24 to Nov-24. Despite lower wholesale, Electric Vehicles (EVs) wholesale still book strong growth at 168% yoy, a signal that EVs are gaining ground in their adoption, especially in urban areas.

**Trump’s tariffs on Chinese-made products could boost Chinese EV expansion in Indonesia.** Since Feb-25, President Donald Trump imposed an additional 10% tariff on Chinese exports to the United States (U.S.). This tariff would pressure Chinese manufacturers to search for other markets outside the U.S. Furthermore, it is also important as the overcapacity problem still lingers in the Chinese economy, with industrial production growing at 6.2% yoy, higher than domestic consumption at 1.6% yoy. Indonesia’s position as a large regional market for 4W products is placed to receive a further influx of Chinese EVs.

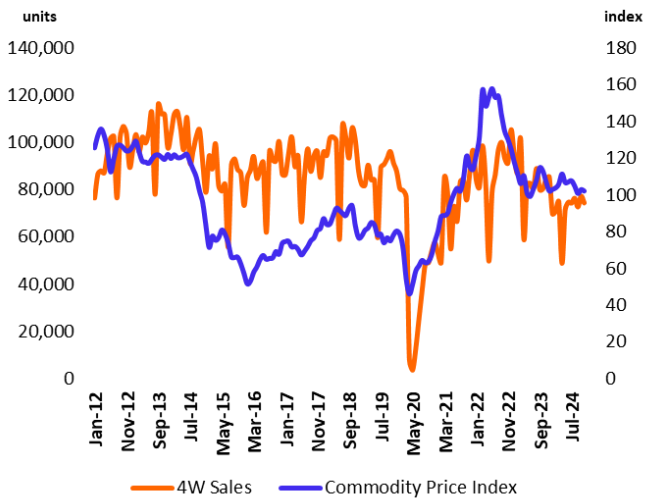
**Recovering savings rate in Dec-24 will strengthen automotive wholesales in Feb-25.** Consumption among Indonesian consumers is supported by savings from the two months prior. After declining until its lowest figure of 15% in Oct-24, savings finally picked up pace in Dec-24 at 15.5%. Further support also came from the Eid-al Fitr festivity in Mar-25 that would seasonally boost demand for 2W and 4W vehicles. With lower financing costs as BI cut the 7DRR by 25-bps in Jan-25, we expect that the automotive industry would gain strength, at least in the first quarter of 2025.

*Chart 3. Consumption increase among Indonesian consumers is preceded by the increase of savings in the two months beforehand.*



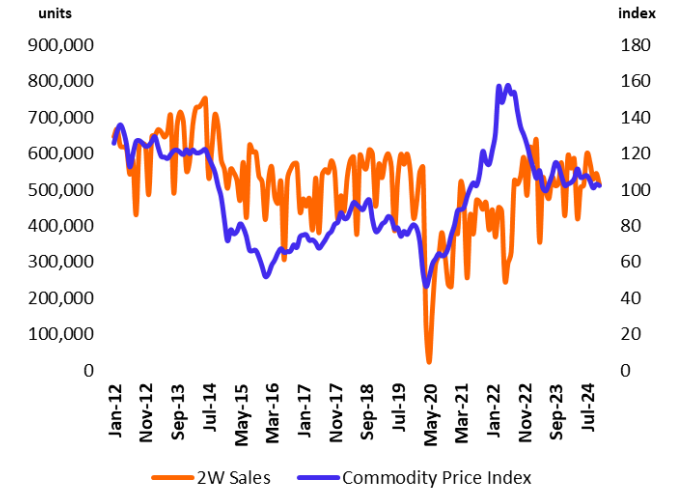
Source: Bank Indonesia, Bank Danamon Indonesia

**Chart 4. 4W Sales would Increase as Current Incomes Strengthen**



Source: CEIC

**Chart 5. 2W Sales would Increase as Current Incomes Strengthen**



Source: CEIC

## Indonesia's Selected Economic Indicators

	2022	2023	2024E	2025E
<b>National Accounts</b>				
Real GDP (% y-o-y)	5.3	5.0	5.05	5.11
Domestic demand ex. inventory (% y-o-y)	3.8	4.6	4.9	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	4.2	4.4
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
<b>External Sector</b>				
Exports (% y-o-y, BoP Basis)	25.6	-11.3	4.91	4.17
Imports (% y-o-y, BoP Basis)	21.6	-7.3	2.53	2.41
Trade balance (USD bn, BoP Basis)	62.7	46.4	31.64	32.87
Current account (% of GDP)	1.0	-0.1	-0.3	-0.5
Central government debt (% of GDP)	39.6	38.9	39.13	39.05
International Reserves –IRFCL (USD bn)	137.2	146.4	150	148
Reserve Cover (Months of imports & ext. debt)	5.9	6.5	6.3	6.3
Currency/USD (Year-end)	15,573	15,399	16,300	16,055
Currency/USD (Average)	14,855	15,244	15,872	16,197
<b>Other</b>				
BI 7-Day Reverse Repo rate (% year end)	5.5	6	6	5.75
Consumer prices (% year end)	5.51	2.61	1.6	2.5
Fiscal balance (% of GDP; FY)	-2.38	-1.65	-2.3	-2.5
S&P's Rating – FCY	BBB	BBB	BBB	BBB

Source: CEIC, E= Danamon Estimates

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#### **ANALYST CERTIFICATION**

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