



### FX & Interest Rate

**Bank Indonesia (BI) maintained its 5.75% policy rate, prioritizing stability** despite signs of an economic slowdown. Household consumption softened, and retail sales declined, prompting BI to raise the Macroprudential Liquidity Policy (KLM) and RRR incentives from 4% to 5%, injecting IDR 60 trillion into priority sectors like housing and agriculture. While rates remain unchanged, a 25-bps cut in 2025 is possible, depending on UST yields, USD trends, and domestic growth prospects. We see room for BI to lower rates to 5.5% by year-end.

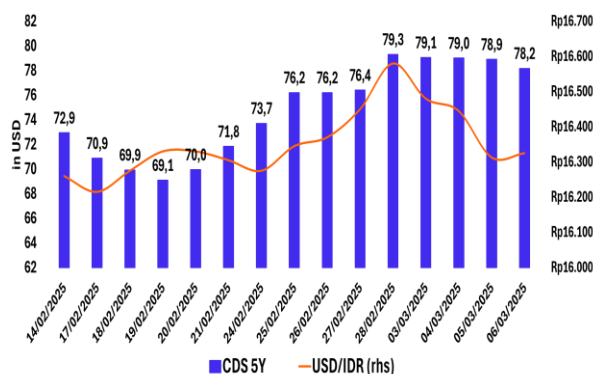
**The Rupiah remains fundamentally solid despite external pressures.** After briefly weakening to IDR 16,600/USD, it rebounded to IDR 16,300/USD, supported by a narrowing Current Account Deficit (CAD) and a stronger balance of payments (BOP) surplus. In 2024, the CAD stood at 0.6% of GDP (USD 8.9 billion), widening from 0.1% in 2023, as export growth slowed amid weaker global demand. However, foreign direct investment and portfolio inflows boosted the financial account surplus to USD 16.4 billion, up from USD 9.9 billion in 2023. In 2025, the BOP is expected to remain healthy, with a CAD range of 0.5%-1.3% of GDP, supported by continued foreign capital inflows and strong investor confidence. The DXY weakened to 104, as Trump's tariff policies on China, Canada, and Mexico, alongside weak US labor data, raised expectations for Fed rate cuts, which could further support the Rupiah.

**Despite this, capital outflows remain a concern, pressuring financial markets.** Indonesia's 5-year CDS premiums rose from 70.34 bps (Feb 21) to 75.13 bps (Feb 27), reflecting increased risk perception. Foreign investors recorded a net sell of IDR 10.33 trillion (Feb 24-27), mainly in equities, government bonds (SBN), and Rupiah securities (SRBI). However, JP Morgan's upgraded outlook for several Indonesian stocks, along with a strong economic growth outlook, could drive a rebound in capital inflows into financial instruments.

[treasury.economist@danamon.co.id](mailto:treasury.economist@danamon.co.id)

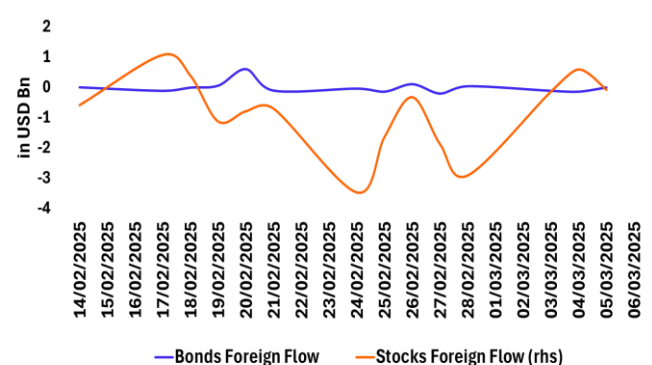
Please see the important disclaimer and information on the back of this report.

**Chart 1. Persistent Outflows and IDR Under Pressure**



Source: Bloomberg

**Chart 2. Surging CDS Amid Persistent Capital Outflows**



Source: Bloomberg

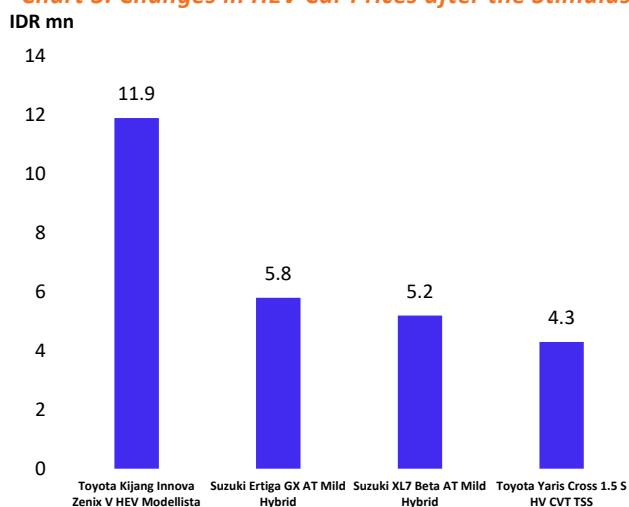
## Automotive Industry

**Automotive sales fell in Jan-25, but a 25-bps rate cut and still-high savings rate in Jan-25 offer some optimism.** In Jan-25, domestic 4W wholesales dropped 11.3% year-over-year to 61,843 units, while 2W sales declined 6.0% to 557,191 units. The dip coincided with a slight drop in Consumer Confidence Index from 127.7 in Dec-24 to 127.2 in Jan-25. However, an expanding manufacturing PMI, lower interest rates, and a recovering savings rate of 15.3% in Jan-25 could boost automotive demand in Mar-25, especially with preparations for the annual Eid exodus.

**President Trump's 25% tariff on car imports is unlikely to impact Indonesia's automotive exports.** In Feb-25, Trump imposed the tariff on various goods, including automotive imports worth USD 235 bn in 2024, primarily affecting major exporters to the U.S. such as Mexico (USD 78.5 bn), Japan (USD 39.7 bn), and South Korea (USD 36.6 bn). Indonesia isn't among the top 10 car exporters to the U.S., minimizing any direct impact. Moreover, Indonesia's automotive exports are largely catered toward emerging markets consumer like ASEAN, Mexico, and Saudi Arabia, rather than developed economies like the U.S.

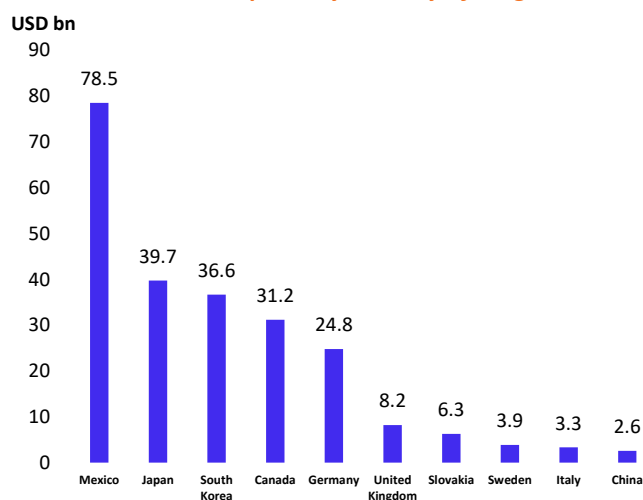
**Hybrid Electric Vehicles (HEV) price started to drop as the 3% Luxury Sales Tax incentive rolled.** Since Feb-25, HEV price tags has dropped by around 2-3%. Vehicles from Toyota, such as the Kijang Innova Zenix saw a price cut of IDR 10–13 million, while the Yaris Cross Hybrid decreased by IDR 4–7 million. Meanwhile, the Suzuki Ertiga and XL7 Mild Hybrid, Indonesia's most affordable HEVs, saw prices drop by IDR 5–6 million. This decline highlights the tangible impact of tax reductions on hybrid vehicle pricing.

**Chart 3. Changes in HEV Car Prices after the Stimulus**



Source: Bank Danamon Indonesia

**Chart 4. U.S. Car Imports by Country of Origin, 2024**



Source: Statista

## Indonesia's Selected Economic Indicators

	2022	2023	2024	2025E
<b>National Accounts</b>				
Real GDP (% y-o-y)	5.3	5.0	5.03	5.11
Domestic demand ex. inventory (% y-o-y)	3.8	4.6	4.94	4.95
Real Consumption: Private (% y-o-y)	4.9	4.9	4.9	4.98
Real Gross Fixed Capital Formation (% y-o-y)	3.9	4.4	4.61	4.4
GDP (USD bn) — nominal	1,319	1,371	1,440	1,503
GDP per capita (USD) — nominal	4,783	4,920	4,960	5,219
Open Unemployment Rate (%)	5.9	5.3	4.9	5.0
<b>External Sector</b>				
Exports (% y-o-y, BoP Basis)	25.6	-11.3	6.51	4.17
Imports (% y-o-y, BoP Basis)	21.6	-7.3	7.95	2.41
Trade balance (USD bn, BoP Basis)	62.7	46.4	31.04	32.87
Current account (% of GDP)*	1.0	-0.1	-0.6	-0.5
Central government debt (% of GDP)	39.6	38.9	39.13	39.05
International Reserves –IRFCL (USD bn)	137.2	146.4	155.7	148.0
Reserve Cover (Months of imports & ext. debt)	5.9	6.5	6.5	6.3
Currency/USD (Year-end)	15,573	15,399	16,235	16,320
Currency/USD (Average)	14,855	15,244	15,920	16,245
<b>Other</b>				
BI 7-Day Reverse Repo rate (% year end)	5.5	6.0	6.0	5.5
Consumer prices (% year end)	5.51	2.61	1.57	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

Treasury Economist



A member of  MUFG

**PT Bank Danamon Indonesia, Tbk.**

Menara Bank Danamon

Jl. H.R. Rasuna Said Kav. C-10, Kuningan

Jakarta 12940

Indonesia

Email: [treasury.economist@danamon.co.id](mailto:treasury.economist@danamon.co.id)

Fax: +62 21 80645263

#### ANALYST CERTIFICATION

We hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views in this report.

#### DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Bank Danamon Indonesia, Tbk. and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof. We expressly disclaim any responsibility or liability (express or implied) of P.T. Bank Danamon Indonesia, Tbk. its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Bank Danamon Indonesia, Tbk. its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission there from which might otherwise arise is hereby expressly disclaimed. The information contained in this report is not be taken as any recommendation made by P.T. Bank Danamon Indonesia, Tbk. or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.