

# Macro Note

## Indonesia: Money Supply Growth Slowed Further in January 2019

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### Broad Money Determinant

Broad Money supply (M2) growth slowed further to 5.5% yoy in January 2019 at IDR5,645tn vs December 2018 at 6.3% (Figure 1 & 2). The slowdown in M2's growth was driven by a contraction in Net Foreign Asset (NFA), which recorded -9.3% yoy in January 2019 vs December 2018's print of -6.4%. This number shows decline in Indonesia's overseas demand deposit; in line with government's foreign debt repayment in January 2019. Meanwhile, Net Domestic Asset (NDA) growth remained steady at 11.4% yoy.

### Loans

Outstanding loans disbursed by banking industry stood at IDR5,216tn in the reporting period as growth slightly increased to 11.9% yoy in January 2019 vs. 11.7% in the previous month (Figure 3). Investment loan grew by 12.6% yoy in January 2019 vs. 10.9% in December 2018 mainly in tobacco and plantation (palm oil). Working capital loan remained steady at 12.9% yoy due to slowdown in retail trade, hotel, restaurant, and agriculture. On the other hand, slower growth in mortgage, vehicle and multipurpose loans brought loan growth to 9.9% yoy in January 2019 vs. December 2018's 10.3%.

### Deposits

Banking industry confirmed slower deposits growth in January 2019, which decelerated to 5.1% yoy (IDR5,366tn), down from 6.1% in the previous month (Figure 4). Demand deposits slowed from December 2018's 5.2% yoy to January 2019's 1.9%, especially in Greater Jakarta and West Java region. Similarly, savings deposits and time deposits growth slowed to 6.8% yoy in January vs. December's 7.3% and 5.4% yoy vs. 5.6% in the same period. This is in line with lower saving to income ratio in January, according to a survey of Bank Indonesia (BI) consumers.

### Lending and Deposit Rate

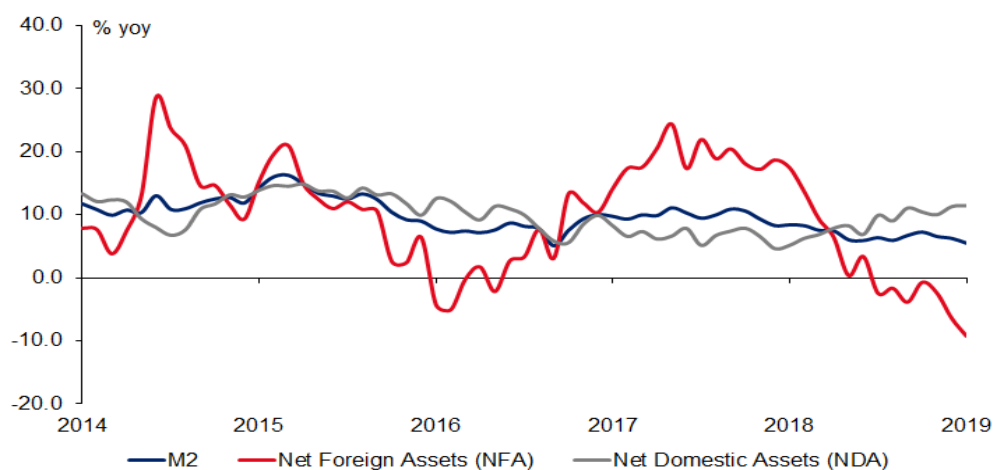
Time deposit interest rates increased in January 2019. Time deposit interest rates with tenors of 1, 3, 6 and 12 months averaged at 6.91%, 6.91%, 7.20%, and 6.69%, respectively. On the other hand, the average lending rate increased by 8 basis points to 10.88% from the previous month.

### Bank Indonesia (BI) to support Bank's Liquidity

According to Bank Indonesia Governor Perry Warjiyo, Indonesia's central bank will continue to supply liquidity to banks as it seeks to shield them from the impact of an aggressive tightening cycle last year. Bank Indonesia, which lent a total of 195 trillion rupiah (\$13.8 billion) to banks in December and January through repo auctions, will continue to ensure the lenders are able to support economic growth amid slower deposit. The monetary authority remains focused on financial stability and is vigilant against potential external risks.

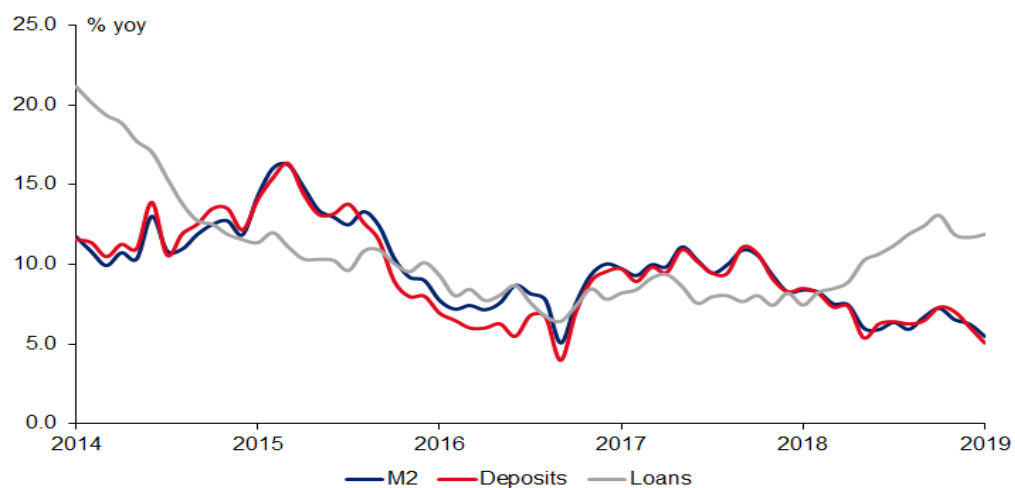
### Fig 1. M2, NFA, NDA

Source: Bank Indonesia, UOB Global Economics & Markets Research



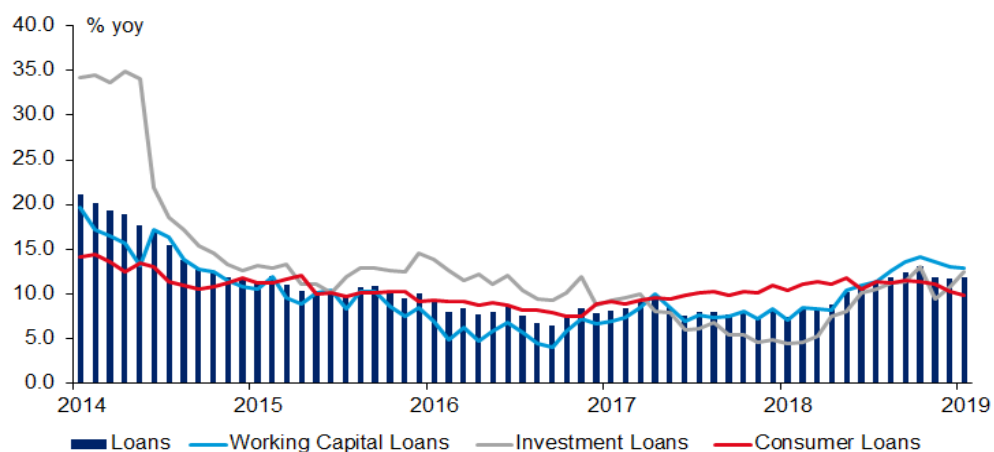
### Fig 2. M2, Deposits, Loans

Source: Bank Indonesia, UOB Global Economics & Markets Research



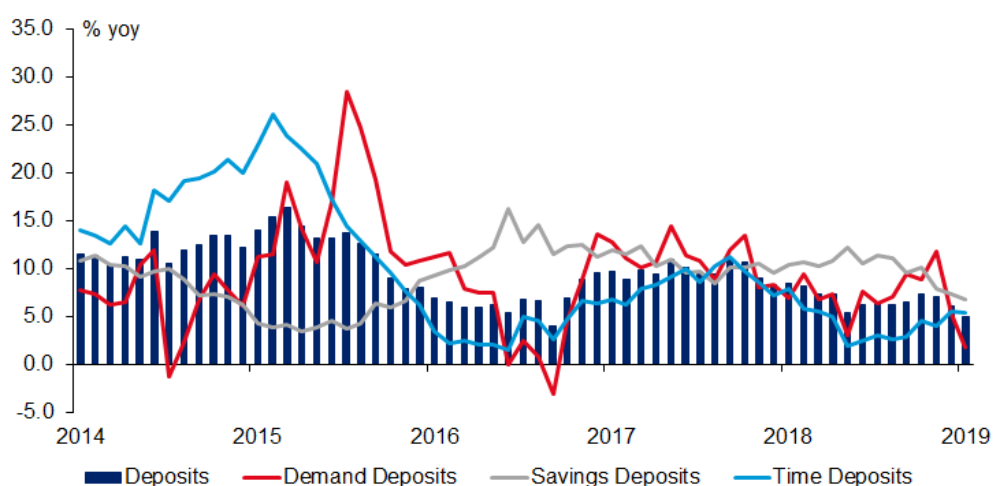
### Fig 3. Loans Growth

Source: Bank Indonesia, UOB Global Economics & Markets Research



### Fig 4. Deposits Growth

Source: Bank Indonesia, UOB Global Economics & Markets Research



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