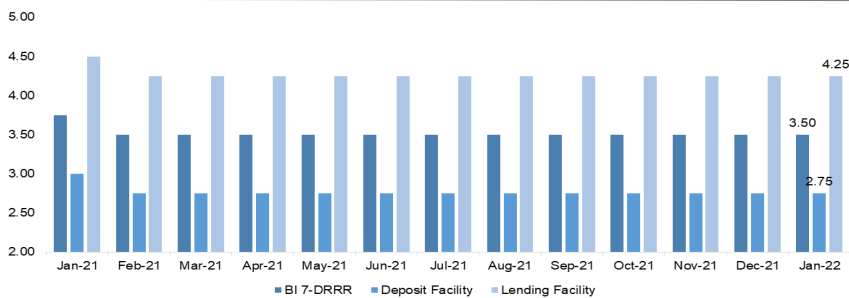


# Macroeconomic Report

## BI 7-DRRR Maintained and GWM Gradually Increased

### BI 7DRRR, Deposit & Lending Facility Rate Movement



Source: Bloomberg, NHKS Research

### BI 7DRRR Maintained at the Beginning of 2022

The result of Bank Indonesia's Board of Governors Meeting (RDG) once again decided to keep the BI Seven Days Reverse Repo Rate (BI 7-DRRR) at 3.50% or the same level since February 2021. NHKSI Research sees the wait and see approach of BI is due to the Fed's plan to increase the Fed Fund Rate (FFR) four times in 2022, starting at the upcoming March 2022. Furthermore, BI also maintained the deposit facility and lending facility, at 2.75% and 4.25% respectively. We also see the continuation of domestic economic recovery, amid the sentiment of the Covid-19 Omicron variant case upsurge.

### Statutory Reserve Requirement Increase Three Times

Meanwhile, BI will gradually increase the Statutory Reserve Requirement (GWM) three times until the end of 3Q22. First, BI will raise GWM by 150 bps from 3.50% to 5.00% on March, 2022. Then, 100bps rise to 6.00% on June, 2022. The third one, BI will increase GWM by 50bps to 6.50% in September 2022. NHKSI Research sees the increase of GWM will suppress the liquidity of banking sector, after the banking sector previously held back credit distribution due to domestic economic growth slowdown. For the record, the Liquid Assets Ratio per Third Party Fund is 35.2%. This ratio is higher compared to pre Covid-19 pandemic level which was only 23%.

### Expectation for High Lead in Sukuk Auction

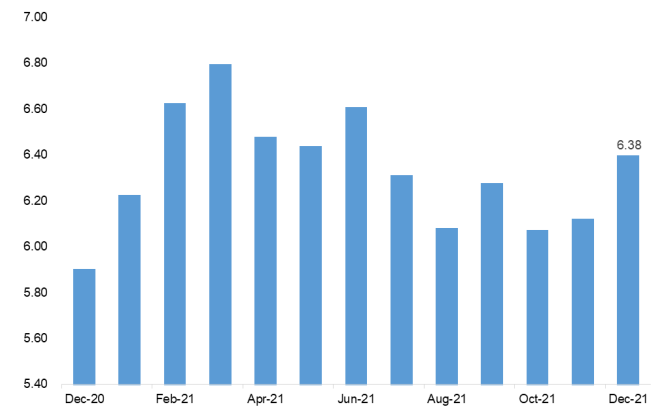
Sentiments from BI and the Fed will still influence the National Islamic Securities (SBSN/Sukuk) on Tuesday (25/01). Meanwhile, market participants will respond negatively to the market speculation of four time increases of FFR. NHKSI Research projects investors will have high interest in the short tenor Sukuk such as PBS031 and BPS032, and avoid long tenors which have wide yield volatility window. In the previous sukuk auction, the government set the yields for PBS033 and PBS034 at 6.75% and 6.50%, respectively. The 25-year and 17-year sukuk recorded incoming yields of between 6.85%-7.27%; and 6.55%-7.15%.

**Arief Machrus**

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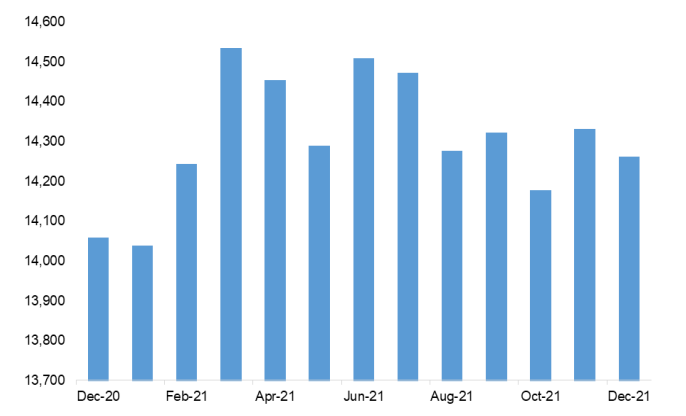
Please consider important disclaimer

GIDN10Y (%) | Dec. 2020 - Dec. 2021



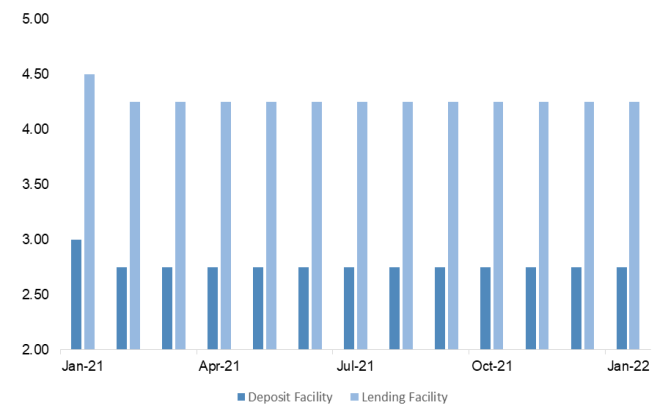
Source: Bloomberg, NHKS Research

USDIDR | Dec. 2020 - Dec. 2021



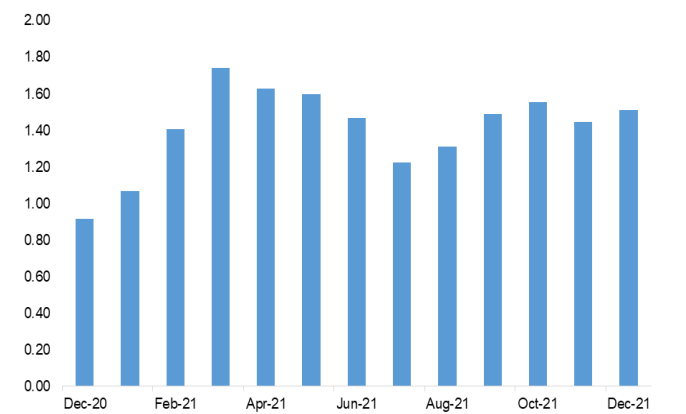
Source: Bloomberg, NHKS Research

Deposit & Lending Facility Rate (%) | Jan. 21 - Jan. 22



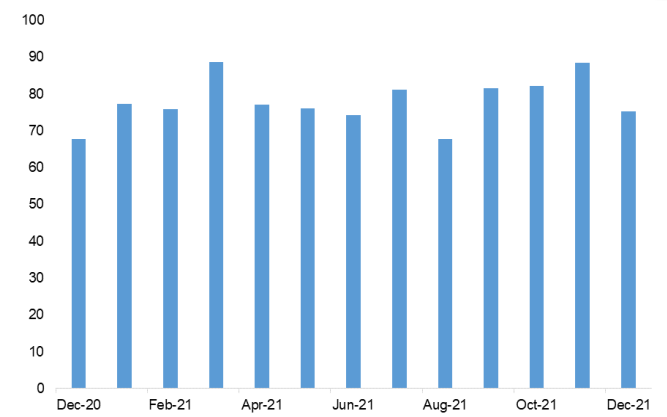
Source: Bloomberg, NHKS Research

UST10Y (%) | Dec. 2020 - Dec. 2021



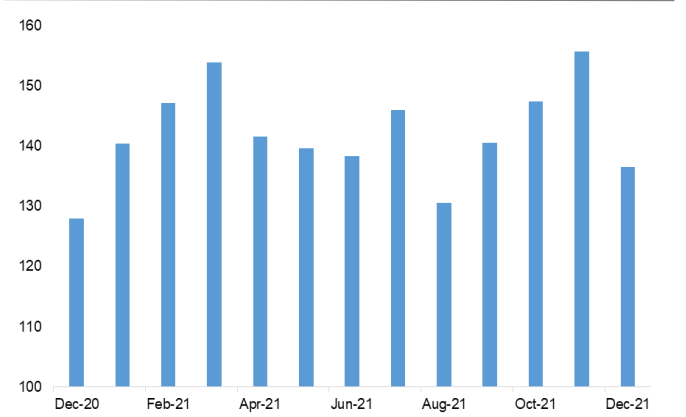
Source: Bloomberg, NHKS Research

Indonesia's CDS 5Y | Dec. 2020 - Dec. 2021



Source: Bloomberg, NHKS research

Indonesia's CDS 10Y | Dec. 2020 - Dec. 2021



Source: Bloomberg, NHKS research

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