

# Macro Brief

Office of Chief Economist

BANKING INDUSTRY UPDATE

17 January 2025



Economic Indicators	2024	2025F
Real GDP (% yoy)	5.06*	5.13
Inflation (% yoy, eoy)	1.57	2.38
IDR/USD (eoy)	16,102	15,753
BI Rate (%)	6.00	5.50

F = OCE BMRI forecast

yoy = year-on-year

eoy = end of year

avg = average

\*) Nowcasting 5.05

Key Rates (%)	Dec-24	Jan-25*
BI Rate	6.00	5.75
Deposit Facility Rate	5.25	5.00
Lending Facility Rate	6.75	6.50
IDR 10Y Bond Yield	7.06	7.13
Fed Funds Rate	4.75	4.50
ECB Rate	3.15	3.15
BoE Rate	4.75	4.75
BoJ Rate	0.35	0.35

\*) as of 17 January 2025

Source: Bloomberg

## The Banking Sector's Performance Remains Stable Amid Various Global Challenges

- **The banking sector's performance has remained stable despite facing various economic challenges.** Loan growth in 2024 stable at 10.39% yoy, compared to 10.38% yoy in 2023. Meanwhile, deposit growth (DPK) remained relatively limited at 4.48% yoy, with a nominal increase of IDR 379 tn. Banking liquidity was tighter, as reflected in the loan-to-deposit ratio (LDR), which continued to rise to 88.57%, compared to 83.83% recorded at the end of December 2023.
- Investment loans dominated growth by 13.62% yoy (vs 12.26% yoy in 2023). Consumer loan growth was also faster at 10.61% yoy in 2024 (vs 9.10% yoy in 2023). Meanwhile, working capital loans grew at a slower pace of 8.35% yoy in 2024 (vs 10.05% in 2023)

Based on a more detailed data from Banking Statistic Oct-24, several sectors with the largest contributions continued to grow positively. The wholesale and retail trade sector grew by 8.33% yoy, the manufacturing industry grew by 7.53%, the agriculture and plantation sector grew by 7.60%. Financial sector grew significantly by 24.3% yoy. These four sectors accounted for 43.6% of total credit distribution.

By segment, growth driver comes from the corporate segment which grew by 13.3% yoy (vs 13.2% yoy in Sep-24), driven by sectors' recovery. Accelerated growth in the corporate sector accompanied by healthy asset quality, reflected in the NPL ratio at 2.19%. Meanwhile, the growth of the MSME segment slowed to 4.76% yoy (vs 5.04% yoy in Sep-24), with stable asset quality with NPL ratio at 4.02%.

- Loan growth continues to be supported by Bank Indonesia's macroprudential incentive policy (KLM). As December 2024, the total incentives disbursed reached Rp 295 trillion.

## Deposit Growth driven by the Corporate Sector

- **Deposits grew by 4.48% yoy in 2024 (vs. 3.73% in 2023), but overall growth remains relatively low.** According to BI data, the corporate segment dominated deposit growth. The share of corporate deposits increased from 34.72% in September 2024 to 35.06% in October 2024, while household deposits remained stable at 48.27%. This aligns with data from the Deposit Insurance Corporation (LPS), which shows that large deposits (>Rp 5 billion) experienced significant growth, rising by 9.54% yoy. Growth in foreign currency deposits converted to Rupiah (IDR) has declined significantly since its peak in early 2022. As of November 2024, growth had shrunk to 7.5% yoy, much lower than the 20% yoy recorded in June. This highlights the importance of managing exchange rate fluctuation risks and supporting import activities for raw materials, which are essential components in the production process.

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- Detailed data as of Oct-24 indicates current account growth decelerated at 6.72% yoy (vs 9.38% yoy in Sep-24), while time deposits and savings grew faster each by 6.18% yoy (vs 4.9% yoy in Sep-24) and by 7.43% yoy (vs 7.30% yoy in Sep-24).
- **Deposit growth of KBMI 4 banks consistently recorded the highest growth, reaching 15.02% in Oct-24**, as competition in acquiring funding tightens and more challenging especially for smaller banks.

## OUR VIEW: Liquidity condition remains challenging

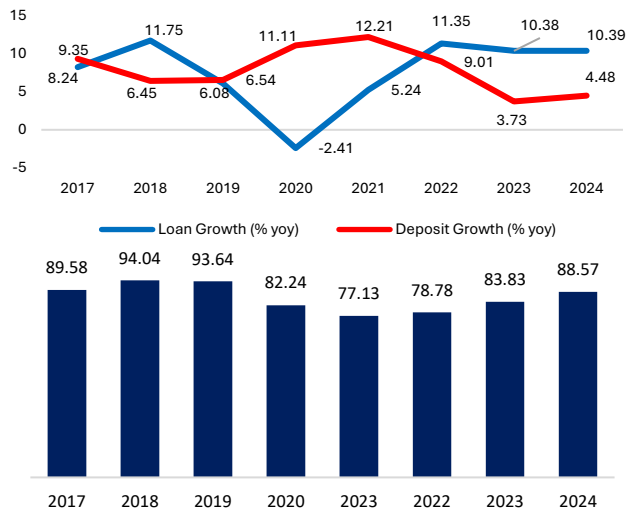
- Loan growth this year should still be supported by stable economic growth, sectors' recovery, BI's policy support (liquidity incentives) and the prospect of rate cut. Support may also come from the implementation of the new government's program.
- Yet, the recent market fluctuation may pose challenges to the economy as well as to the banking liquidity. Market volatility increases driven by policy uncertainties in the US, waiting for Trump inauguration in Jan 20. Expansionary US fiscal policy will raise concern on inflation and diminish the prospect of rate cuts. Market fluctuation may lead to remaining high SRBI issuance to attract more capital inflows. The risk of a trade war between the U.S. and China could further restrict export performance. The risk of escalating trade war may also affect Indonesia's trade performance, ultimately disrupting the flows of Foreign Exchange Export Proceeds (DHE) and FX liquidity. Further, the decline in household savings has also contributed to the tighter liquidity.
- Therefore, liquidity conditions into 2025 are expected to remain challenging. We still expect loan growth this year to reach 11.04%, outpacing the deposit growth at 8.58%, reflecting remaining tight liquidity.

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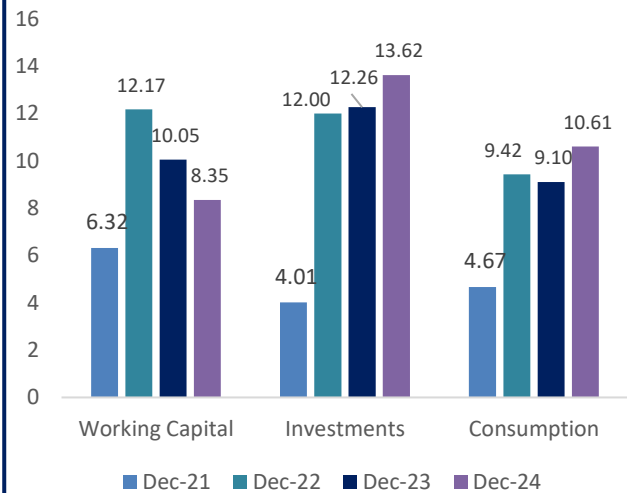


## Loan, Deposit Growth (% yoy) and LDR



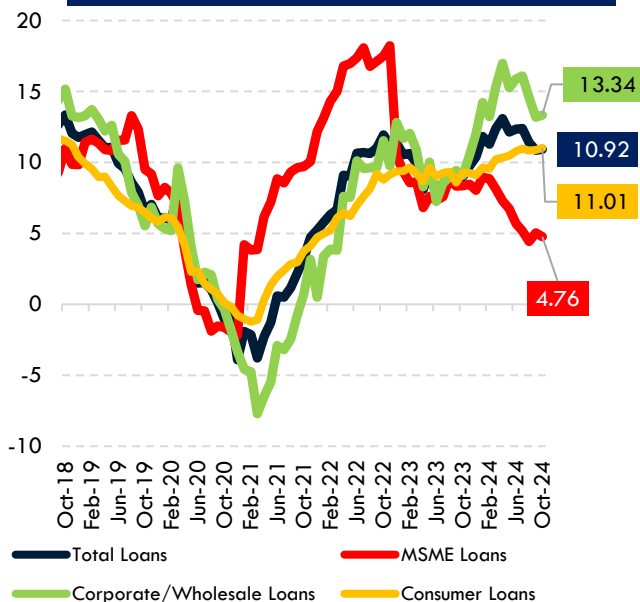
Source: Indonesian Banking Statistics, OJK

## Loan growth by type (% yoy)



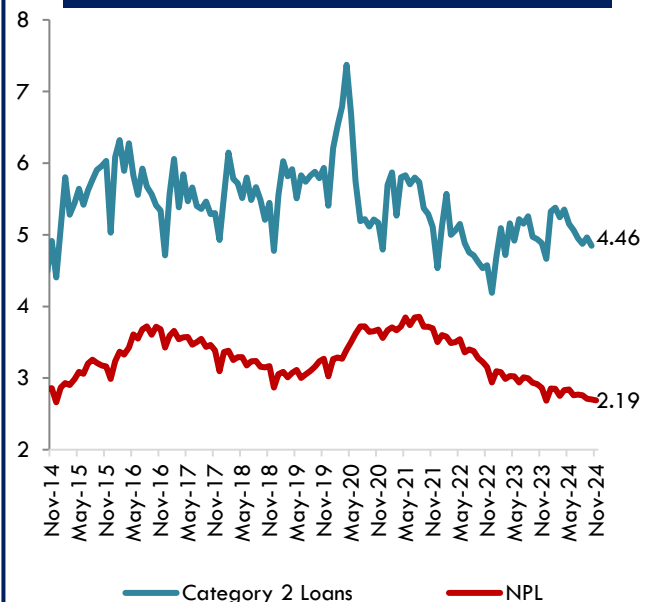
Source: Indonesian Banking Statistics, OJK

## Loan Growth by segment (% yoy)



Source: Indonesian Banking Statistics, OJK

## Non-Performing Loan Ratio (%)



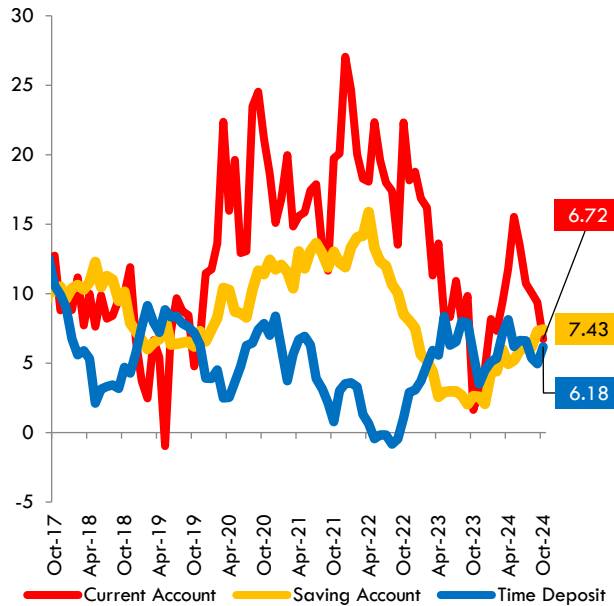
Source: Indonesian Banking Statistics, OJK

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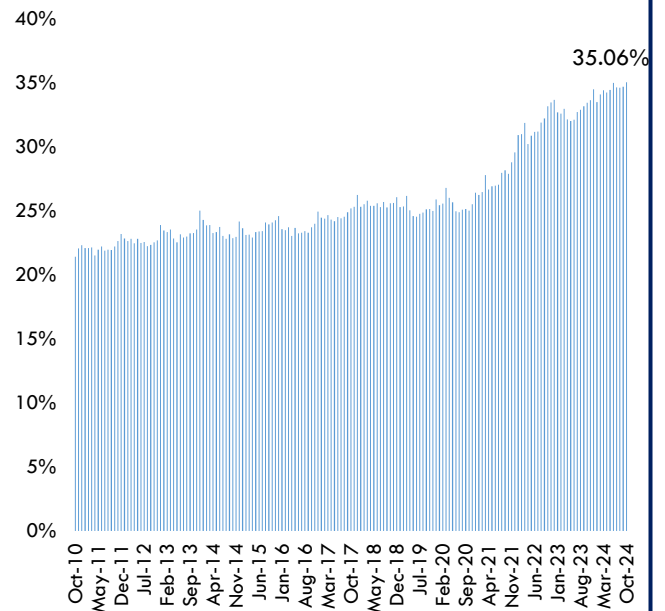


Deposit Growth by type (% yoy)



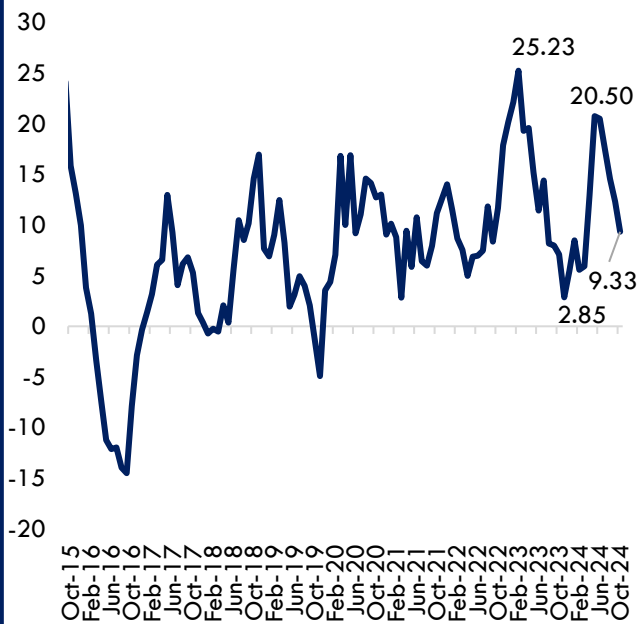
Source: Indonesian Banking Statistics, OJK

Share of Corporate in Third Party Fund



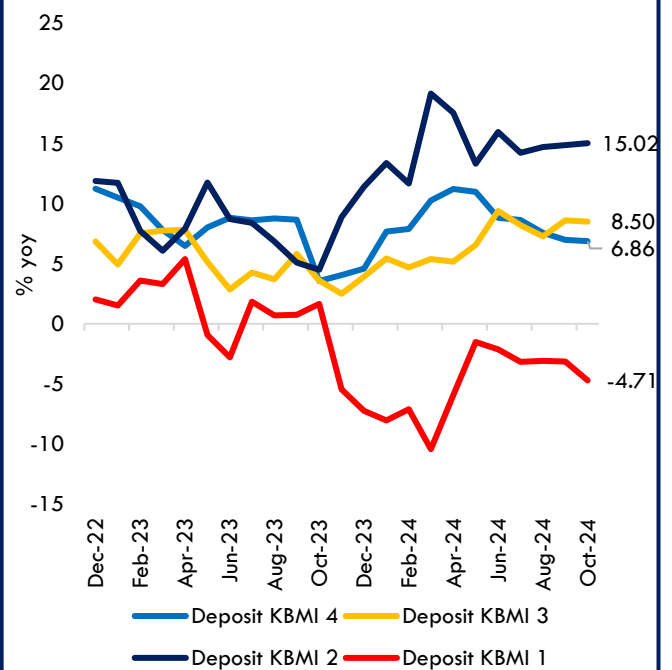
Source: Bank Indonesia

FX Deposit Growth



Source: OJK

Deposit Growth base on KBMI



Source: OJK

## Our Team

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