

# Money Development

DANAREKSA RESEARCH INSTITUTE

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## Money Developments: Modest Growth

Money supply grew at a slightly slower pace in April than it did in March. Broad money or M2 grew by 7.4 percent YoY in April, or slightly lower than its growth pace of 7.5 percent YoY in March. The slower pace of M2 growth was mainly due to the slower growth of M1 (narrow money) which grew by only 10.2 percent YoY in April, or less than the 11.9 percent YoY growth pace in March. By contrast, the growth rate of quasi money increased from 6.2 percent YoY in March to 6.6 percent YoY in April. This helped to avert a further slowdown in the pace of M2 growth.

Deposits growth was stagnant in April at 7.3 percent YoY. As for credit growth, it edged up to 8.9 percent in April from 8.5 percent in the previous month. Despite this, the uptrend in consumer credit growth corrected slightly as it fell to 11.1 percent.

## Money Supply: Moderate Slowdown

Money supply grew at a slightly slower pace in April than it did in March. Broad money or M2 grew by 7.4 percent YoY in April, or slightly lower than its growth pace of 7.5 percent YoY in March. The slower pace of M2 growth was mainly due to the slower growth of M1 (narrow money) which grew by only 10.2 percent YoY in April, or less than the 11.9 percent YoY growth pace in March. The slower growth of both cash and IDR giro reined in M1 growth in April. Cash grew by 13.8 percent YoY in April, or down from its growth pace of 17.1 percent YoY in March. As for IDR giro, its growth slowed from 8.7 percent YoY in March to 7.9 percent YoY in April. The slowdown of M1 was consistent with slower than expected GDP growth in Q1 2018 (5.06 percent). By contrast, the growth rate of quasi money increased from 6.2 percent YoY in March to 6.6 percent YoY in April. This helped to avert a further slowdown in the pace of M2 growth.

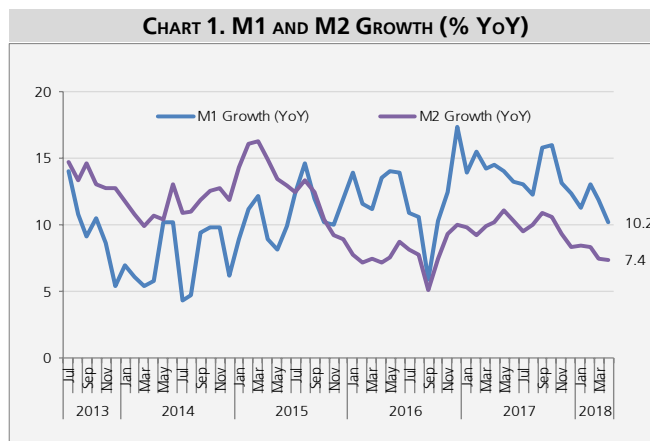
The slower growth of M2 in April owed to the slowdown in net foreign assets growth since foreign exchange reserves declined as the rupiah depreciated in April. Furthermore, the growth of government accounts in BI and the banking system climbed from 11.7 percent YoY in March to 16.6 percent YoY in April, in line with government bond issuances which increased from IDR 66.83 trillion in March to IDR 78.14 trillion in April.

In May, money supply is expected to grow at a moderate pace. Global uncertainties – especially in the US – remain high, affecting rupiah volatility and creating the potential for capital outflows. BI's benchmark interest rate was hiked twice in May (50 bps in total). The onset of the fasting month of Ramadan should, however, help to support money supply growth in May.

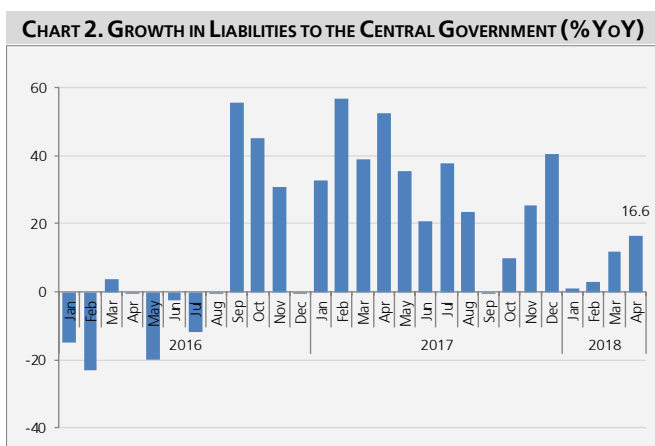
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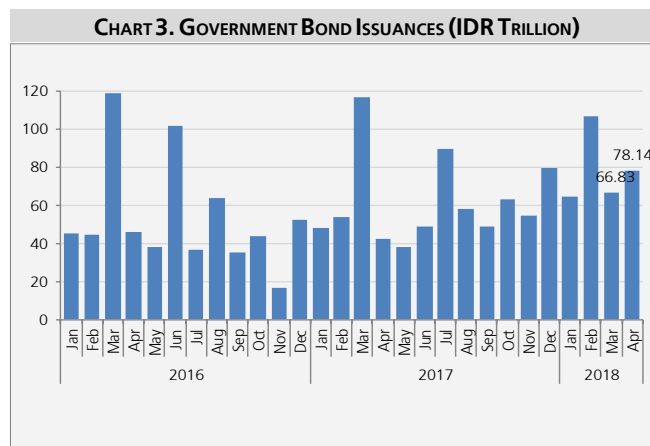
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Source: Bank Indonesia



Source: Bank Indonesia



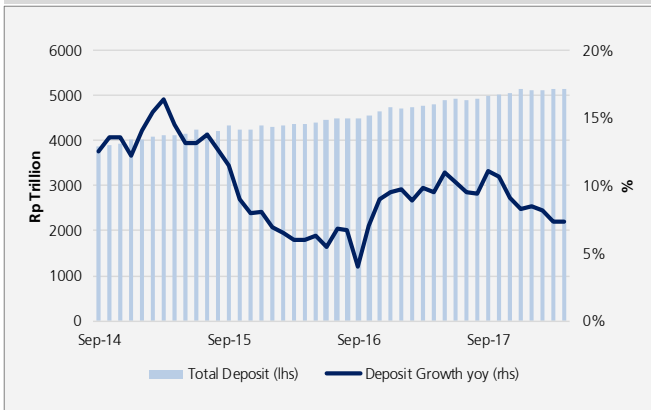
Source: Indonesia Ministry of Finance

## Deposits and Credit Growth: Modest Growth

Deposits growth was stagnant in April at 7.3 percent YoY. After growth fell sharply from 9.4 percent in February to 6.8 percent in March, demand deposits growth improved slightly to 7.4 percent. However, time deposits recorded slower growth of 5 percent. All in all, deposits growth has been reined in by the downtrend in deposit rates. As for credit growth, it edged up to 8.9 percent in April from 8.5 percent in the previous month. Despite this, the uptrend in consumer credit growth corrected slightly as it fell to 11.1 percent. Working capital loans also grew at a slower pace of 8.2 percent. However, investment credit jumped from 5.3 percent to 7.6 percent in April.

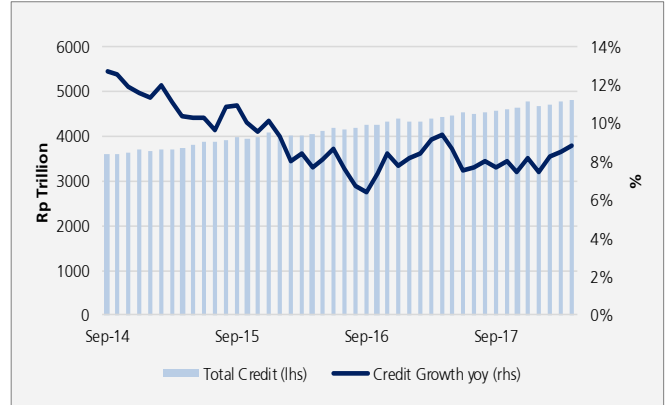
In May, we expect faster credit growth on the back of brisker economic activity. Nonetheless, some volatility created by external factors may disrupt lending. Deposits, meanwhile, are expected to grow moderately given that the hikes in the benchmark rate won't be reflected yet, bank customers will make large withdrawals for Ramadan, and because of heightened risks that the assets allocation preferences of fund holders may be affected. In 2018, banks are expected to lend more aggressively, supported by easing NPLs and BI's loose macro-prudential policy as well as faster economic growth (estimated to reach 5.2 – 5.3 percent) and benign inflation which has declined to its lowest rate in the past three years. All in all, we expect credit to grow in the range of 9.5 - 10 percent in 2018.

**CHART 3. TOTAL DEPOSITS GROWTH**



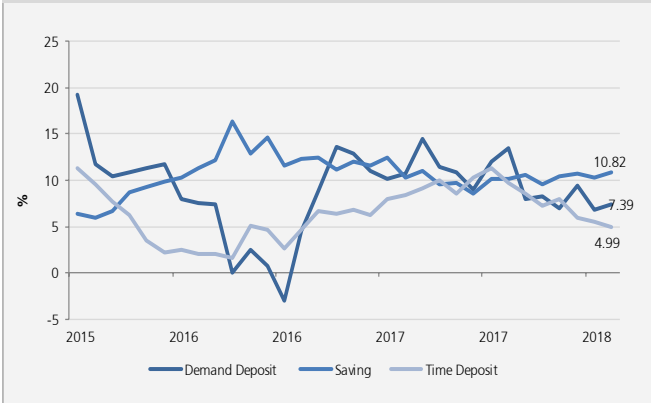
Source: Bank Indonesia

**CHART 4. TOTAL CREDIT GROWTH**



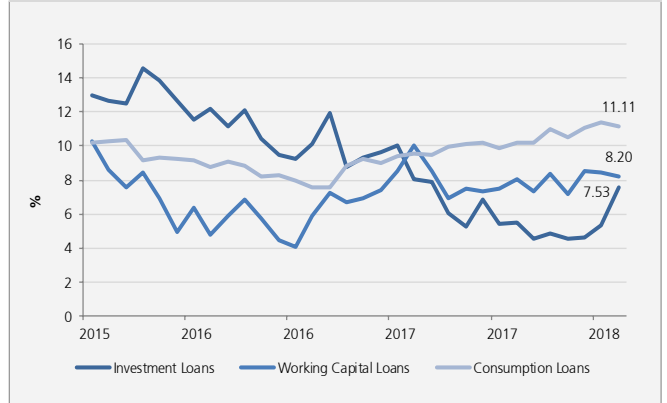
Source: Bank Indonesia

**CHART 5. GROWTH OF DEPOSIT COMPONENTS**



Source: Bank Indonesia

**CHART 6. GROWTH OF CREDIT COMPONENTS**



Source: Bank Indonesia

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