

Bank Indonesia extends pause for fifth straight meeting

Bank Indonesia kept rates unchanged again in March at 6%



Indonesia's central bank governor Perry Warjiyo

6.0% BI policy rate

As expected

BI extends pause for fifth meeting

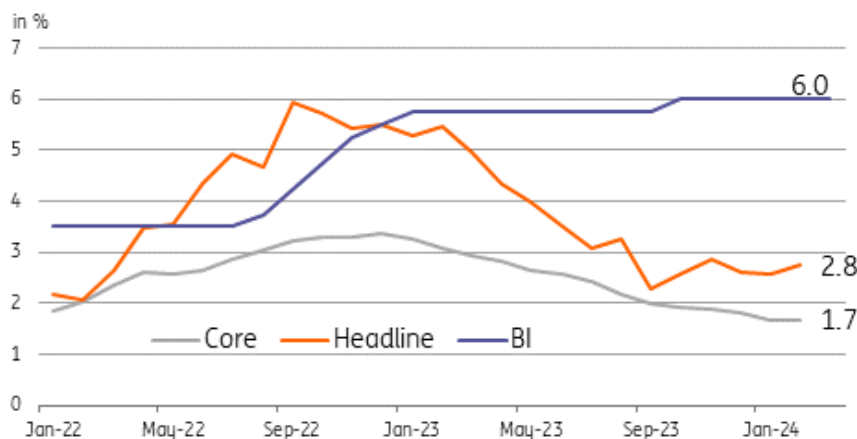
Bank Indonesia (BI) kept policy rates untouched at 6%, extending their pause for a fifth time. This decision was widely expected by market participants.

The central bank reported that bank lending rose 11.3% year-on-year for February with loan growth pegged to grow between 10-12% YoY for the year, despite the relatively tight monetary policy stance. Meanwhile, BI expects inflation to remain within their new target of 1.5% to 3.5% YoY for the year despite seeing a slight uptick in the first few months of the year.

BI remains upbeat on domestic growth, retaining its growth outlook for the year (4.7-5.5% YoY)

while expecting the current account to settle between a deficit of 0.9% and a surplus of 0.1% of GDP. With growth momentum intact, there is perhaps little incentive for BI to push for cuts in the near term, indicating it "has space to wait for 2H" before doing so.

BI on hold again, likely waiting on the Fed



Source: Badan Pusat Statistik and Bank Indonesia

BI likely on hold well into the second half, IDR stability remains key

BI indicated that it expects the Fed to begin rate cuts sometime in the second half of the year. Given this outlook, we see BI keeping rates unchanged well into the second half of 2024 after recent trade data showed a [disappointing narrowing of the trade surplus](#).

The much smaller trade surplus points to fading support for the rupiah, which is a key determinant for the timing of the BI rate cut.

Thus we believe BI will likely wait for the Fed to carry out its pivot before considering any potential cuts of their own. Furthermore, we continue to expect IDR stability to be the key determinant for the timing of any potential BI easing this year.