

Snap | 20 June 2019

Bank Indonesia keeps rates steady but cuts RRR

The central bank opted to keep its powder dry but rate cuts may follow in the near term. Bank Indonesia did however cut the RRR by 50 basis points



6.0% 7-day reverse repo rate

As expected

Bank Indonesia keeps policy rate at 6.0%

With the Fed standing pat but opening the door for possible easing, Bank Indonesia opted to keep its powder dry given the uncertainties emanating from the ongoing trade war. Citing a widening trade deficit (2.5-3.0%) on likely weaker exports, the central bank did vow to implement a policy mix that would spur growth momentum while still ensuring stability of the Indonesian financial system.

IDR stable for the time being

Governor Perry Warjiyo cited a stable currency, with the Indonesian rupiah seeing a relatively less volatile year in 2019 compared to 2018. Bouts of currency weakness have still surfaced this year mainly due to concerns about the still wide current account and the impact from the global trade conflict. The stability of the IDR appears to be one of the focal points for decisions regarding monetary policy and we expect any moves by the central bank to take the IDR's progress into consideration.

Bank Indonesia keeps rates steady, cuts RRR by 50bps to spur lending

With the Fed widely expected to cut rates as early as July, comments from Governor Warjiyo point to possible further easing from BI, which was one of the busier monetary authorities in 2018. Warjiyo did indicate that he had room to cut rates, with the central bank looking to time such a move appropriately. The door appears wide open for easing from Bank Indonesia. Meanwhile, in a bid to help boost loan growth and overall growth momentum, the central bank opted to enact a token cut to the reserve requirement ratios (RRR), trimming the RRR across the board which will likely be a prelude to possible policy rate cuts down the line should the IDR's stability prove resilient.

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