

Bank Indonesia keeps rate unchanged as expected

Bank Indonesia has extended its pause for a fifth consecutive meeting as inflation edges toward the central bank's target range



Bank of Indonesia
Governor Perry Warjiyo
(right)

5.75%

 BI policy rate

As expected

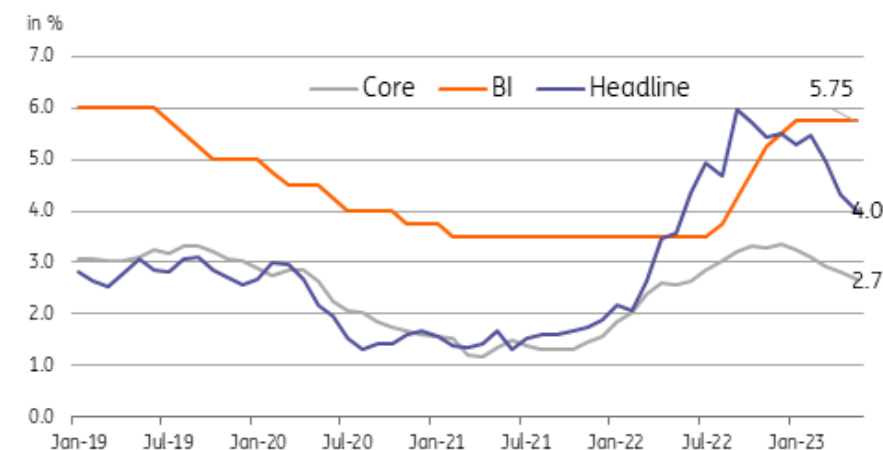
BI leaves rates untouched

Bank Indonesia (BI) kept policy rates steady for a fifth straight meeting at 5.75%. BI expects domestic growth to remain robust (4.5-5.3% year-on-year) with loan growth managing to expand by 9.4%YoY despite BI's recent round of tightening late last year.

Inflation continues to moderate with the latest reading sliding back within BI's target band of 2-4%YoY, helped along by positive base effects and moderating commodity prices.

BI likely retained policy rates to help provide support for the Indonesian rupiah (IDR), which has come under some pressure of late. Meanwhile, the central bank also indicated that it would be continuing its “operation twist” where it will sell short-term bonds in the market.

BI to extend pause even as inflation reverts to target



Source: Badan Pusat Statistik and Bank Indonesia

Warjiyo on hold for the next few meetings, pivot determined by IDR stability

Governor Perry Warjiyo indicated that the central bank would be extending its “accommodative macroprudential policy stance”, and we believe that BI will remain on hold for a couple of more meetings. BI may only be able to consider an eventual pivot to rate cuts once pressure on the IDR dissipates while inflation stays subdued.

Thus, we believe any adjustment to BI’s policy stance will likely be dependent on the stability of the currency.

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