

Indonesia: Central bank open to easing further in 2020

After pausing at the 21 November meeting, Bank Indonesia points to further easing in 2020



Perry Warjiyo,
Governor of Bank
Indonesia

Source: IMF/Flickr

BI retains accommodative stance

Bank Indonesia (BI) Governor Perry Warjiyo retained his dovish leaning, indicating that the central bank would continue to deploy a "mix of policies" to push for growth momentum. Warjiyo has unloaded 100 basis points worth of rate cuts and also lowered reserve requirements to provide fresh liquidity to help support Indonesia's sagging growth trajectory. The governor indicated that the central bank's easing would likely be moving in line with stimulus from the fiscal side as "rate cuts and liquidity injections have not been able to save the world" on their own.

Bank Indonesia to ease policy rates further in 2020

The recent comments from the BI governor reflect our earlier expectation that the [central bank would resume rate cuts in 2020 to give growth an added push](#). The November pause, in response to the Federal Reserve's own neutral stance, will likely give way to calls for monetary easing, with growth in Indonesia remaining trapped in the 5% range. President Jokowi had earlier vowed reforms in the area of labour and corporate taxes with the aim of plugging a chronic current

account deficit via increased high-value exports and a cutback on energy imports. Although such moves will boost the Indonesian rupiah and growth in the medium term, the outlook over the coming months remains challenging, with the central bank likely to be called upon to cut policy rates further, with the first strike as early as 1Q 2020.