

Bank Indonesia keeps rates unchanged again

Bank Indonesia (BI) has kept its policy rate at 5.75% while maintaining its growth outlook



Indonesia's central bank governor Perry Warjiyo

5.75%

BI policy rate

7-day reverse repurchase rate

As expected

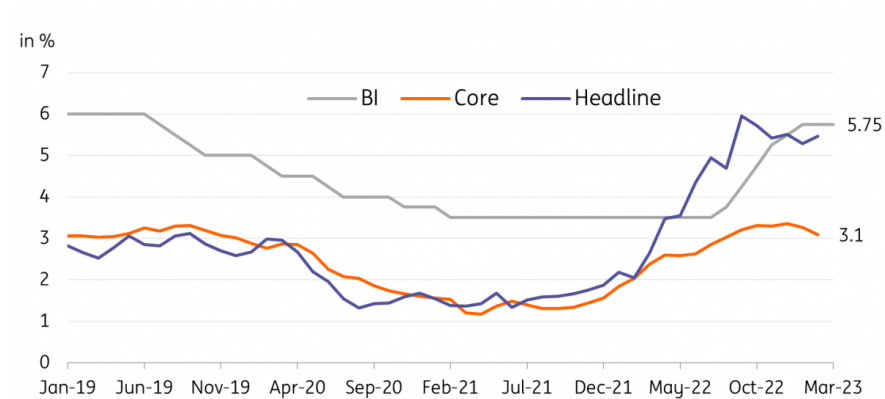
Slowing inflation gives BI room to pause, again

Bank Indonesia kept its policy rate untouched for a second consecutive meeting today. BI maintained its 7-day reverse repurchase rate at 5.75% pointing to slowing core inflation and relatively manageable headline inflation.

The central bank retained its growth outlook of 4.5-5.3% year-on-year while the current account is expected to fall by between -0.4 to +0.4% of GDP. BI Governor Perry Warjiyo said that bank lending activity remained healthy despite the string of tightening last year with the latest bank lending

growth hitting 10.7%YoY.

BI maintains rate at 5.75%



Source: Badan Pusat Statistik and Bank Indonesia

BI likely to extend pause into 2023

Governor Warjiyo shared that BI conducted stress tests to gauge the banking system's resilience in light of recent concerns about global banks. With inflation moderating, we believe BI has room for an extended pause, allowing Warjiyo the space to assess the potential fallout from any adjustments that the US Federal Reserve may carry out in the coming months.

We believe any future policy decisions will take direction from the stability of the Indonesian rupiah (IDR), which remains pressured during bouts of uncertainty. A recent programme for exporters to retain export earnings onshore may help shore up the currency, however fading support from the trade balance could still translate to the IDR lagging any regional rally.