

Bank Indonesia holds rates at its first meeting of 2024

Bank Indonesia holds rates at 6% and is likely remain on hold for most of 2024



Indonesia's central bank governor Perry Warjiyo

6.0% BI policy rate

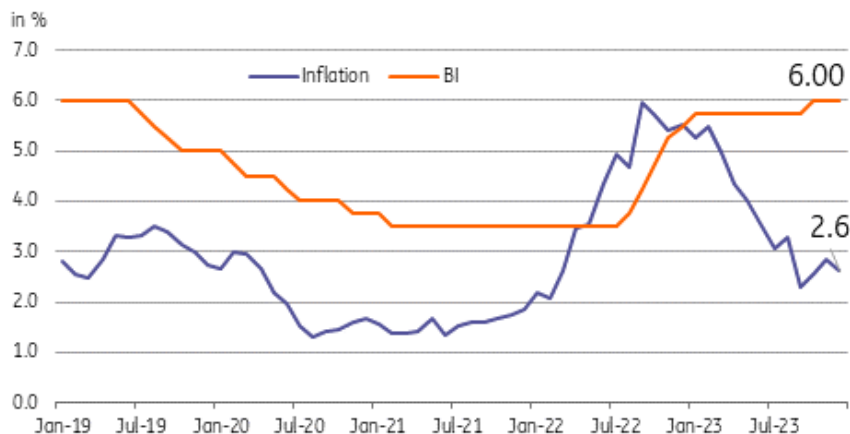
As expected

BI keeps rates at 6%

Bank Indonesia (BI) kept policy rates at 6% today despite pointing to a less upbeat outlook for the global economy. It retained its outlook for domestic growth, with GDP expected to expand between 4.7-5.5% year-on-year. The central bank also revised its forecast for Indonesia's current account surplus to range between 0.1% to 0.5%, narrower than the previous estimate of 0.9% of GDP. Despite some lingering concerns about price pressures, Governor Perry Warjiyo still believes inflation will settle within BI's 2024 target of 1.5-3.5%.

Bank Indonesia likely kept policy rates untouched while keeping an eye on a potential inflation flare up and remaining aware of the need to maintain support for the IDR. The IDR remains pressured to open the year, down roughly 0.5% for the year.

BI likely to extend pause well into 2024



Source: Badan Pusat Statistik and BI

BI likely on hold for first half of the year

BI reiterated it would continue with its currency stabilisation measures, with the central bank likely to intervene and provide support to the IDR during episodes of volatility. Governor Warjiyo also shared that BI expects the Federal Reserve to begin cutting policy rates in the second half of the year, suggesting that the BI will also likely wait for the latter half of the year before considering potential monetary easing. Warjiyo also indicated that he would need a firmer IDR and slower inflation before he pulls the trigger on rate cuts.

With the IDR still under pressure and inflation slightly above the central bank's inflation target midpoint, we believe Bank Indonesia will keep rates at 6% for the first half of the year but will likely shift to accommodation once the Fed starts cutting policy rates.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.