

Indonesia: Central bank keeps rates unchanged as expected

Bank Indonesia kept its policy rate steady but trimmed its outlook on growth



Perry Warjiyo,
Governor of Bank
Indonesia

Source: IMF/Flickr

3.5%

 BI policy rate

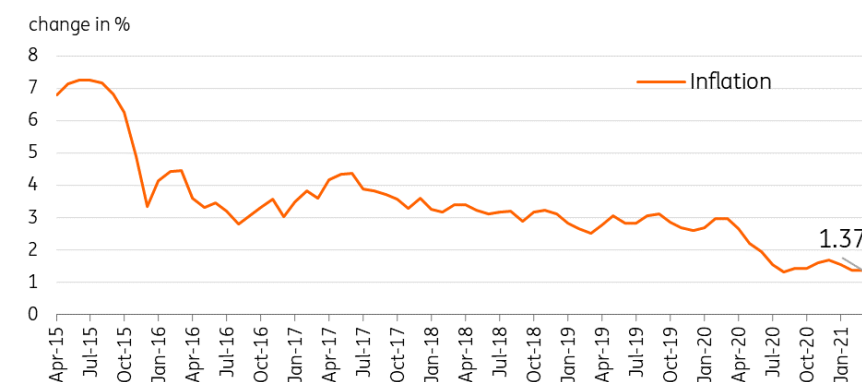
As expected

Central bank pauses again despite dimming outlook

Bank Indonesia (BI) left its policy settings untouched despite below-target inflation and a dimming outlook on growth. BI trimmed its growth projection for the year to 4.1-5.1% (previously at 4.3-5.3%) as authorities extend partial lockdown measures to the first week of May. New Covid-19 infections remain elevated even as the government continues to deploy vaccines to quell the spread of the virus, a development that is likely weighing on consumer sentiment. Meanwhile, the currency has come under pressure recently in reaction to developments in the global bond

market, prodding Governor Perry Warjiyo to settle for a pause at this meeting to lend support to the Indonesian rupiah.

Indonesia inflation



Source: Badan Pusat Statistik

On hold until further notice

BI continues to urge commercial banks to pass on lower borrowing costs to consumers, unveiling several measures to help bolster bank lending for automotive and home loans. Despite these recent efforts, the central bank reported that loan growth remains in the red (-4.1%) in March although monetary officials point to signs that lending activity may bounce back in the coming months. BI will likely be on hold until pressure on the currency dissipates substantially with the central bank likely to push other lending measures to support growth in the near term.

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>.