

Indonesia: Central bank to pause after recent salvo

Bank Indonesia may opt to pause after a string of easing measures to gauge the impact of its recent rate cut salvo.



Perry Warjiyo,
Governor of Bank
Indonesia

Source: IMF/Flickr

Bank Indonesia expected to keep rates steady

After slashing policy rates for 4 straight meetings, we expect Bank Indonesia (BI) to pause at its policy meeting on Thursday, 21 November. Market consensus points to a pause with 21 out of 31 analysts predicting Warjiyo to keep rates steady. At the close of its most recent cut last October, Governor Warjiyo indicated that the stance of the central bank remained “accommodative”, suggesting that he was open to easing policy rates further. With the Fed all but done with its rate cuts for the year, we expect BI to take stock of its recent easing cycle and gauge the impact of its recent rate cut salvo.

IDR stability and growth momentum

During the recent easing spell, Governor Warjiyo clearly opted to champion growth stimulus given that the IDR was on a general appreciation trend for the most part of 2019. Growth momentum does appear to be impaired by the global headwinds but going to the close of the year, we predict Warjiyo to lend some stability to the Rupiah given its recent stumble in November. We also expect

BI to remain on hold at its December meeting, keeping the door open for further rate cuts in 2020 should growth continue to be challenged and if the Fed resumes its rate cut cycle.