

Snap | 20 November 2019

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.

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 www.ing.com.