

Indonesia: Central bank to stay on hold but retain accommodative stance

Bank Indonesia will likely keep rates unchanged on 23 January. We expect Governor Warjiyo to keep the door open for further rate cuts



Perry Warjiyo,
Governor of Bank
Indonesia

Source: IMF/Flickr

Bank Indonesia expected to stand pat

Bank Indonesia (BI) is expected to keep rates unchanged at the policy meeting on 23 January 2020, with monetary authorities monitoring the recent performance of the IDR. The IDR had opened the year on a strong note, with foreign inflows sustained from last year. Foreign inflows were likely driven on hopes for swift delivery of the President's reform package - Jokowi has vowed to revamp labour laws while also lowering corporate taxes. The recent emerging market sell-down, induced by concerns linked to the new strain of coronavirus, reminded monetary authorities that portfolio flows can reverse very quickly. The IDR is now under pressure with foreign players opting to stay defensive amidst the new health scare.

Governor Warjiyo to retain accommodative stance

Governor Warjiyo will be expected to reiterate his accommodative stance, with inflation well within target and growth momentum still sluggish amidst the global trade war. We will be watching for clues for when Warjiyo will time his next policy rate cut. With global growth only expected to post

a modest recovery in 2020, we believe that the BI Governor will cut policy rates as early as the first quarter and when IDR exhibits more stability on financial account inflows.