

## Indonesia: Fiscal stimulus to match central bank easing

President Jokowi has called for faster growth with Indonesia looking to jumpstart economic activity with fiscal and monetary stimulus



Indonesian President  
Joko 'Jokowi' Widodo

### Indonesia looks to twin stimulus to weather headwinds

With the global outlook dimming, Indonesia will look to stimulus from both fiscal and monetary policy to help the economy weather the storm and kick growth into a higher gear. This week, Bank Indonesia rattled off the fourth of a series of policy rate cuts to whittle the 7-day reverse repurchase to 5.0% to revitalise lending growth. It looks as though Indonesia will complement monetary easing efforts with fiscal stimulus with the country now expecting the deficit to GDP target to rise to 2.0-2.2% according to Luky Alfirman, Director-General for Finance.

Alfirman confirms that the government will be unveiling counter-cyclical measures to support flagging growth momentum with the trade war weighing on global trade. These comments were echoed by Finance Minister Indrawati, who indicated that the budget deficit might increase with the country resorting to more borrowing while revenue collection remains challenged amidst the economic downturn.

## All hands on deck

President Jokowi started his fresh new term with a cabinet revamp by reaching out across the political divide to get former rivals and technocrats on board his team. With Indrawati (Finance) and Governor Warjiyo (Bank Indonesia) staying put, we expect both ministers to continue delivering stimulus in the coming months as Jokowi calls for faster growth via an influx of investment flows. As such, the door remains open for further cuts by the central bank as inflation remains within target while fiscal stimulus can be wielded further as the cap for the deficit target (-3.0% of GDP) remains well above their current goal of 1.93%.

### Author

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto: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>.