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Bank Indonesia’s leadership change – continuity or shifting priorities?

A surprise resignation from Bank Indonesia s governor introduces fresh policy uncertainty at a time when investor sentiment toward Indonesian assets was improving. While Acting Governor Damayanti should provide near-term continuity, markets will be watching the appointment of a permanent successor closely for signs of any shift in priorities

A surprise resignation by Bank Indonesia Governor Perry Warjiyo (L) has led former Senior Deputy Governor Destry Damayanti (R) to assume the role of Acting Governor

Bank Indonesia Governor Perry Warjiyo has unexpectedly stepped down from his role. Having served as governor from 2018 to 2026, Warjiyo was widely regarded by global investors as a steady and credible policymaker. During his tenure, he helped steer Indonesia through major global challenges, including the Covid-19 pandemic, while implementing decisive policy measures to preserve macroeconomic stability and support the rupiah.

While Warjiyo cited personal reasons for his resignation, the move has inevitably raised questions about the independence of Bank Indonesia and the future direction of monetary policy. It also reignites the debate over whether the central bank could place greater weight on supporting economic growth in the period ahead.

Recent policy decisions under Governor Warjiyo suggest that exchange rate stability remains Bank Indonesia's primary focus. At the same time, growth considerations appear to be playing an increasingly important role in the policy mix. That is why the timing of his resignation comes as something of a surprise. Markets had started to gain confidence that BI was successfully balancing support for growth with its commitment to currency and macroeconomic stability. The key question now is whether this balance will be maintained under new leadership.

The resignation also comes at a less-than-ideal moment for the Indonesian rupiah. Foreign participation in Indonesia's local bond market had begun to recover in recent months, reflecting improving investor sentiment. Confidence was gradually returning following recent rate decisions aimed at supporting growth, alongside targeted measures to stabilise the rupiah. With Warjiyo's departure, investors are likely to reassess the policy outlook. The main question is whether Bank Indonesia will lean more aggressively toward supporting growth or continue prioritising macroeconomic and currency stability. How the next governor navigates these competing objectives will be closely watched by both domestic and global markets.

Acting Governor Destry Damayanti has been part of Bank Indonesia's leadership since she was appointed Senior Deputy Governor in 2019. She has been closely involved in many of the central bank's key policy initiatives, including the introduction of Bank Indonesia Rupiah Securities (SRBI), which have become an important tool for supporting rupiah stability and attracting foreign portfolio inflows. Given her deep familiarity with the existing policy framework and BI's recent policy evolution, her appointment on an interim basis should provide a degree of continuity and help reassure markets during the leadership transition.

However, if a different candidate is ultimately nominated as the permanent replacement, investors will be closely watching for potential shifts in policy priorities. In particular, we would assess whether changes could emerge in the following areas:

- The balance between growth and stability objectives, including the extent to which monetary policy is used to support economic activity versus defend the rupiah.
- Foreign exchange intervention strategy and the central bank's tolerance for currency volatility.
- The future role of SRBI and other liquidity management tools in attracting portfolio inflows and supporting domestic financial markets.
- Coordination with the government on fiscal and economic policy, especially given Bank Indonesia's prominent role during the pandemic.
- The pace and direction of future rate decisions, particularly if growth slows or external conditions become more challenging.

For now, continuity remains the base case. But the appointment process will be critical in determining whether Bank Indonesia maintains its current policy approach or gradually shifts toward a different set of priorities. Markets are likely to remain cautious until there is greater clarity on who will ultimately lead the central bank and what that means for Indonesia's policy mix going forward.

Author

Deepali Bhargava
Regional Head of Research, Asia-Pacific
Deepali.Bhargava@ing.com

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