Indonesia

20 March 2024

Bank Indonesia Stays on Hold

Lavanya Venkateswaran
Senior ASEAN Economist
+65 6530 6875
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
+65 6530 6818
Ahmad.Enver@ocbc.com

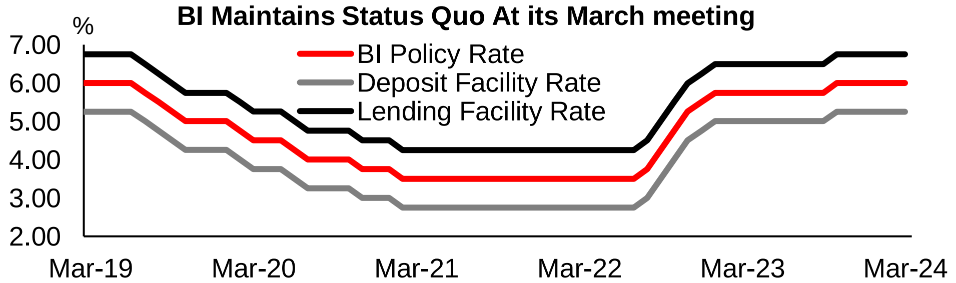
- Bank Indonesia left its policy rate unchanged at 6.00%, in line with expectations.
- BI made no changes to its assessments on growth, inflation and external balances. It, did, however, note that it will expand the sectors eligible for macroprudential incentives.
- We continue to expect a cumulative 125bp in rate cuts in 2024, starting late 2Q, mirroring our house view on the timeline of the US Fed rate cuts.

BI left its policy rate unchanged at 6.00%, in line with expectations. There were limited changes to BI's assessment on growth, inflation or the external backdrop relative to its 21 February meeting.

During the press conference, BI noted that its decision was consistent with its 'pro-stability' policy. On inflation, BI noted that it is confident that the recent volatility in inflation is temporary. On growth, BI continued to expect 2024 GDP growth to be within the range of 4.7-5.5%. Notwithstanding, it expanded the sectors eligible for macroprudential incentives to boost loan growth. Loan growth stood at 11.3% in February (January: 11.8%).

BI stated that it maintained IDR stability and looking ahead, it sees the currency as remaining stable, with a tendency to strengthen. In addition, BI maintained its current account deficit forecast range of '-0.1 to -0.9% of GDP'. If these materialise as planned, external vulnerabilities will be reduced. Finally, BI still expects that the US Federal Reserve to lower its policy rate in 2H24, which is also when it sees room to lower its policy rate.

Our view is that economic growth will slow this year to 4.8% YoY versus 5.0% in 2023 on the back of fading commodity tailwinds, some normalisation in household consumption following the election-related boost and a wait-and-see approach on investment spending. This, we believe, will validate BI's bias to support growth and ease monetary policy settings. Our expectation remains for a cumulative 125bp in rate cuts from BI, starting in late 2Q24, mirroring our house view on the timeline of the US Federal rate cuts.



Source: Bank Indonesia, CEIC, OCBC

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
Cindyckeung@ocbcwh.com

Herbert Wong
Hong Kong & Macau
HerberthtWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com