

Indonesia Investments

‘Monetary Policy Indonesia’

- Bank Indonesia Keeps Benchmark Interest Rate at 3.50% in April 2021. There Seems No Need to Adjust Its Policy in the Near Term
- Indonesian Rupiah Seems to Have Stabilized Thanks to Easing US Treasury Yields in April
- US Federal Reserve Expected to Keep Its Monetary Policy Ultra-Accommodative in the Months/Years to Come
- Indonesia’s Economic Recovery Continues Albeit Uncertainties Persist

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**Van Der Schaar Investments B.V.
CV Indonesia Investments**

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Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. Topics in these updates will often be discussed in more detail (and in an updated form) in forthcoming monthly reports.

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Monetary Policy and Rupiah Update: Bank Indonesia Leaves Interest Rate Unchanged

The central bank of Indonesia (Bank Indonesia) decided to leave its interest rates unchanged at the two-day monetary policy meeting that ended on 20 April 2021. The benchmark BI Seven-Day Reverse Repo Rate was held at 3.50 percent, while the deposit facility and lending facility rates were kept at 2.75 percent and 4.25 percent, respectively.

Ahead of the meeting, Indonesia Investments was not sure about the outcome of this meeting. Indeed, we predicted – last month – that Bank Indonesia would only raise its rates (by 25 basis points, bps) in case the rupiah would approach the IDR 14,750 per US dollar level ahead of the meeting (or a 50 bps hike in case the rupiah would approach IDR 15,000 per US dollar). However, considering the rupiah more-or-less stabilized between IDR 14,500 and IDR 14,600 per US dollar since the start of April 2021, it therefore seemed not necessary for Bank Indonesia to adjust its rates.

Particularly considering credit expansion remains at a very weak level in Indonesia, as reflected by a **4.13** percent year-on-year (y/y) credit contraction in March 2021 (which is a bad omen for the country's economic growth in Q1-2021), it makes sense if Bank Indonesia would prefer to keep borrowing costs low, and thereby allowing economic recovery.

[...]

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