

Quarterly outlook on monetary, banking, and payment system in Indonesia: quarter II, 2017

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Abstrak

This paper analyzes the economic condition of the second quarter of 2017 and provides the outlook for 2017 and 2018. It covers the global dynamics and domestic in national level as well as spatial views in Indonesia. From external, global economic expansion continues, entailing a shift in the sources of growth with China and Europe was expected to increase, while US economy grew slower than expected. At home, Indonesia economic growth was stable on the back of gain in investment particularly building investment. On the other hand, household consumption growth slowed, government consumption contracted after spending was delayed, and exports posted slower growth. Spatially, the slowdown occurred in Java, Sulawesi, and Kalimantan. CPI invitation was maintained within the target range despite increasing demand during the lead up to national religious holidays. Balance of payments recorded a surplus while current account deficit remains well maintained and financed by a large surplus in the capital and financial account. The rupiah rate moved steadily, with lower volatility relative to peer countries. The banking industry was well maintained and continued to strengthen financial system stability. The continued easing of monetary policy was responded by declining rates on deposits and loans. Moving forward, Bank Indonesia expects economic growth to accelerate in 2017, and grow higher in 2018 on the back of increased investment and consumption in line with more expensive government spending along with space to ease monetary policy. On the other hand, inflationary pressures will be controlled in line with more expansive government spending along with space to ease monetary policy. On the other hand, inflationary pressures will be controlled in line with the lower inflation target.