

## **BI Announces 5 Follow-up Policy Measures to Protect the Economy**

On March 2, Bank Indonesia (the central bank of Indonesia) announced five follow-up policy measures with the aim of mitigating negative economic impact of the COVID-19 pandemic.

"Bank Indonesia has strengthened policy coordination with the Government and other relevant authorities to stabilise the rupiah and contain the risks to the domestic economy associated with COVID-19", the Governor of Bank Indonesia, Perry Warjiyo said.-

To strengthen coordination and the various policy measures already taken, Bank Indonesia introduced five follow-up policy measures to maintain monetary and financial market stability as well as mitigate the COVID-19 risks as follows:

1. Intensify triple intervention policy to ensure rupiah exchange rates move in line with the currency's fundamental value and market mechanisms. To that end, Bank Indonesia will optimise its intervention strategy in the DNDF market, spot market and SBN market in order to minimise the risk of increasing rupiah exchange rate volatility.
2. Lower the FX reserve requirements for commercial banks from 8% to 4%, effective 16th March 2020, which will increase FX liquidity in the banking industry by around USD3.2 billion and simultaneously alleviate foreign exchange market pressures.
3. Lower the rupiah reserve requirements by 50bps for banks financing export-import activity in coordination with the Government. Effective from 1st April 2020 for a period of nine months before a further review, this policy is expected to facilitate export-import activity through lower costs/fees.
4. Expand the range of underlying transactions available to foreign investors in order to provide alternative hedging instruments against rupiah holdings.
5. Reaffirm that global investors can utilise global and domestic custodian banks to conduct investment activity in Indonesia.

Moving forward, Bank Indonesia will continue to rigorously monitor financial market and economic developments, including the impact of COVID-19, while strengthening the policy mix and coordination with the Government and other relevant authorities to maintain economic stability, build economic growth momentum and accelerate structural reforms.

Source: BI