

**Statement by the Staff Representative on Indonesia**  
**July 3, 2019**

The information below has become available following the issuance of the staff report. It does not alter the thrust of the staff appraisal.

1. **On June 20, Bank Indonesia (BI) kept the policy rate unchanged, reduced bank reserve requirements, and indicated that it would keep an accommodative macroprudential policy stance.** The 7-Day Reverse Repo rate remains at 6.00 percent. BI lowered rupiah bank reserve requirement by 50 bps, to 6.0 percent for conventional banks and 4.5 percent for Islamic banks, effective from July 1, 2019. The BI also indicated that it would keep the accommodative macroprudential policy stance to support bank lending and, in coordination with the Government, continue to pursue payment system and financial deepening reforms to support growth.
2. **Headline inflation** increased to 3.3 percent (y/y) in May 2019, from 2.8 percent in April 2019, due mainly to higher food prices. Core inflation remained broadly stable at 3.1 percent (y/y). In line with historical dynamics, food price inflation is expected to moderate after the Ramadhan period, while headline inflation is expected to converge to the forecasted 3.1 percent by end-2019.
3. **The trade balance** improved in May 2019, registering a US\$200 million surplus, compared to a deficit of US\$2.3 billion in April 2019.