Weakening Economy, Bank of Indonesia Urged to Press Rupiah Decreasing Exchange Rate

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YOGYAKARTA - Economics professor from UGM, Prof. Dr. Bambang Sudibyo, MBA., said the economic growth of Indonesia would be at 4.7%, in line with the predictions of the IMF and the World Bank. The slowing growth is due to internal factors because of the decreasing investment and consumption growth and the slow absorption of the state budget. The external factors are the weakening commodity prices and the negative impacts of the U.S. Central Bank monetary policy.

“The U.S. has no monetary room, interest reference is almost 0 percent. Now they create the monetary room by slowly increasing interest rates but not yet implemented, which impacts on the rupiah exchange rate,” said Bambang in a seminar entitled *Balancing Indonesia Economy* at Faculty of Economics and Business UGM in Hotel Tentrem Yogyakarta, Saturday (19/9).

Bambang predicted that the weakening of the rupiah will continue to go until there is a certainty from the U.S. Central Bank to increasing the interest rates. “The rupiah exchange rate will be kept halted by the US Central Bank policy,” he said, adding the weakening rupiah will affect unemployment and poverty rates.

Economic observer from Australian National University, Prof. Hal Hill, said the Joko Widodo government would have a big homework in terms of economy, i.e. increasing people's income per capita. Indonesia is seen as left behind other Asian countries, such as China and India. Indonesia, however, is seen as able to reduce poverty rate. In the 60s the rate was 60 percent, in the next 30 years it has been reduced by 10 percent. This, however, is not significant as compared to that during Soeharto’s presidency.

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