

Indonesia's central bank cuts growth forecast on global downturn

JAKARTA, Des. 1 (Xinhua) -- Bank Indonesia (BI), the central bank, lowered its forecast for economic growth in 2012 for a second time on Wednesday on fears that ongoing problems in Europe and the U.S. might weaken the global economy, the Jakarta Post reported on Thursday.

"The central bank cut its estimate of Indonesia's gross domestic product (GDP) growth for 2012 to 6.3 percent, down from 6.5 percent," BI Director for Economic and Monetary Policy Research Perry Warjiyo said.

The government's initial growth estimate was 6.7 percent.

Economists and international financial institutions, including the World Bank and the International Monetary Fund, have joined BI in lowering economic growth forecasts for Indonesia.

"This is caused by the impact of lower global economic growth on our exports. If exports slide, demand for investment will drop, " Perry told reporters after meeting with House Commission XI overseeing financial affairs.

Export growth might level off at between 12.8 and 13.3 percent, down from an initial estimate of 16.4 percent for 2011, according to BI data.

"Domestic consumption and other investments that are domestic- oriented will remain strong (including) construction, transportation, and additional machinery to meet domestic demand," Perry said.

Domestic consumption growth is expected to remain steady between 4.6 to 5.1 percent next year versus the 4.8 percent forecast for this year, while investment growth would accelerate to between 10.2 and 10.6 percent from 7.7 percent, according to the data.