Published 27 July 2026

BANK INDONESIA — GOVERNOR SUCCESSION

Perry Warjiyo Steps Down as Bank Indonesia Governor, Two Years Early

Bank Indonesia Governor Perry Warjiyo has stepped down, roughly two years ahead of his term's scheduled end in 2028. On its own, a resignation proves nothing about political interference — but it lands just as the 2026 revision of the P2SK Law (Undang-Undang Pengembangan dan Penguatan Sektor Keuangan) has thinned the institutional firewall between BI, the government and Parliament. The question worth watching is not only who succeeds him, but how much room the new architecture leaves for pressure to enter unseen.

KEY TAKEAWAYS

- **Resignation is not proof of intervention** — but it arrives after P2SK's 2026 revision measurably narrowed the institutional firewall separating BI from the government and Parliament.
- **De jure independence is intact**: the law still requires BI to reject interference. What must now be monitored is de facto independence — how that guarantee holds up in practice.
- **BI's mandate has broadened** well beyond rupiah stability to growth and job creation, widening the scope for BI to be pressured into cutting rates or loosening liquidity.
- **Ministers may sit in Board of Governors meetings** without a vote, and Parliament controls BI's budget, structure and remuneration — leverage that does not require a formal instruction to exert pressure.
- **Succession risk is the flashpoint**: market concern would intensify sharply if Thomas Djiwandono — the President's nephew, on the Board for only months — leapfrogs Senior Deputy Governor Destry Damayanti.
- **The risk to watch is fiscal dominance** — monetary policy increasingly bent to accommodate government financing and growth targets rather than inflation and the rupiah.

Bottom line — Perry's exit alone does not show BI has lost its independence. But if the Governorship then passes to a relative of the President with only months at the central bank, the market will be right to ask whether that independence is still real de facto, or only a sentence written into law.

REVIEW FOCUS

BI Governor

Bank Indonesia Governor Succession (Pergantian Gubernur Bank Indonesia)

Status	**Resignied, 2 yrs early**
Term originally due	**2028**
Effective	**27 July 2026**
Legal basis	**UU P2SK (2026 rev.)**

KEY FACTS

Outgoing Governor
Perry Warjiyo

Institutional frontrunner — Senior Deputy Governor
Destry Damayanti

Political frontrunner — President's nephew
Thomas Djiwandono

Key risk
Fiscal dominance

** P2SK = Undang-Undang Pengembangan dan Penguatan Sektor Keuangan (Financial Sector Development & Strengthening Law). "Frontrunner" labels reflect institutional seniority vs. political proximity discussed in this note — not a Kiwoom prediction of the appointment outcome.*

OVERSIGHT LEVERS UNDER P2SK

BI Board of Governors
Sets monetary policy; ministers may attend without voting rights

Government Ministers
Present at meetings; influence without a formal instruction or vote

DPR (Parliament)
Approves BI's budget, cost standards, structure & remuneration

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INSTITUTIONAL BACKGROUND

Is Bank Indonesia's Independence Being Tested?

Perry Warjiyo's resignation cannot, of course, be immediately treated as evidence of political intervention. However, the Financial Sector Development and Strengthening Law — P2SK, or Pengembangan & Penguatan Sektor Keuangan — particularly after its latest revision in 2026, has made the institutional firewall separating Bank Indonesia, the government and Parliament considerably thinner.

De jure, Bank Indonesia remains an independent institution. The law still states that BI must remain free from interference by the government or any other party, and that it is required to reject any attempt at intervention. What now needs to be monitored is its de facto independence: how that independence is actually exercised in practice.

Since P2SK, BI's mandate has become much broader. The central bank is no longer expected only to preserve rupiah stability, but also to support payment-system stability, financial-system stability, real-sector growth, and even job creation. Such a mandate may sound positive — but it also creates greater room for BI to be pressured into cutting interest rates or loosening liquidity to support growth, even when conditions surrounding the rupiah, inflation, or external stability may not fully justify such a move.

THREE CHANNELS OF POLITICAL LEVERAGE

1

Broader Mandate

Growth and employment goals sit alongside price stability, widening the case for policy accommodation even when the rupiah or inflation outlook does not fully justify it.

2

Ministerial Presence

Ministers may speak at monthly Board of Governors meetings without a vote. Political intervention does not always arrive as a formal instruction — a seat in the room can shape the atmosphere on its own.

3

Parliamentary Leverage

BI's budget, cost standards, structure, HR and remuneration all require DPR approval, and Parliament's recommendations must be followed up — a lever independent of any single rate decision.

Parliament may not be able to dismiss the BI Governor simply because it disagrees with an interest-rate decision or with the current level of the rupiah. Nevertheless, control over budgets and organisational matters can still become a powerful source of institutional pressure. Therefore, Perry's resignation should not immediately be read as a direct consequence of P2SK implementation.

2026
Year of the latest P2SK revision that narrowed BI's institutional firewall

Non-voting
Status of ministers who may attend BI's monthly Board of Governors meetings

De jure
vs. de facto — the gap now under the market's watch

Months
Thomas Djiwandono's tenure on the BI Board before a possible promotion

However, P2SK has created an institutional setting in which political influence over Bank Indonesia can enter more easily, operate more broadly, and, at the same time, become more difficult to prove. De jure, BI may still be independent. De facto, however, its independence increasingly depends on the willingness and courage of the members of the Board of Governors to say "no" to both the government and Parliament.

SUCCESSION & MARKET RISK

Thomas Djiwandono, Fiscal Dominance, and the Burden of Proof

1 A Politically Charged Frontrunner

Market concerns would clearly intensify if Thomas Djiwandono (the President's nephew) were subsequently appointed as the next Governor of Bank Indonesia, making him the political frontrunner, despite the experience and seniority of Senior Deputy Governor Destry Damayanti. Institutionally, Destry is the most natural figure to lead BI through the transition; Thomas only joined the Board of Governors several months ago. If he were promoted to Governor within such a short period, the market would find it difficult to view the appointment as a normal central-bank succession process.

2 Legality Is Not Credibility

Legally, Thomas could be appointed if nominated by the President and approved by Parliament. However, legality does not automatically create credibility. His family relationship with the President, his very limited experience as a central banker, and the possibility that he could leapfrog the Senior Deputy Governor may create the perception that the relationship between the government and BI is shifting from policy coordination towards political control.

"Legality does not automatically create credibility."

3 The Fiscal Dominance Risk

The greatest risk to watch is fiscal dominance — when monetary policy is increasingly directed towards accommodating government needs, such as lowering sovereign borrowing costs, maintaining liquidity for government programmes, accelerating economic growth, or supporting fiscal financing. If that happens, BI's policy priorities could begin to shift: monetary decisions would no longer be based primarily on inflation, the rupiah, and external stability, but would increasingly be adjusted to accommodate the government's fiscal requirements and political agenda. Recent concerns privately conveyed by several foreign institutions could then begin to materialise — that Indonesia's major financial institutions, including its largest banks, are increasingly being used as instruments to accommodate government priorities.

4 The Burden of Proof

The key issue is not simply whether Thomas is competent. The more important question is whether the next Governor of Bank Indonesia will be sufficiently independent to say "no" to the President when monetary stability conflicts with the government's growth agenda or fiscal requirements. If Thomas is ultimately appointed, the burden of proof will lie with the government, which will need to demonstrate that Bank Indonesia is not being transformed into an extension of the economic cabinet. Without clear communication and convincing evidence, the market could respond negatively through a weaker rupiah, higher government-bond yields, a rising risk premium, and growing concern that future rate decisions are driven more by political pressure than monetary considerations.

CONCLUSION

De Jure Independence, De Facto Doubt

BOTTOM LINE

Perry Warjiyo's resignation is not, by itself, evidence that Bank Indonesia has lost its independence. However, if — after BI's institutional safeguards have already been weakened by P2SK — the governorship is then handed to a relative of the President who has only spent several months at the central bank, the market would be entirely justified in asking whether that independence is still genuinely alive.

Is Bank Indonesia's independence still genuinely alive de facto, or does it now exist only de jure — as a sentence written into law?

SOURCE

Reuters — "Bank Indonesia governor Perry Warjiyo steps down, government says" (27 Jul 2026)
https://www.reuters.com/world/asia-pacific/bank-indonesia-governor-perry-warjiyo-steps-down-government-says-2026-07-27/

Indonesia central bank governor Perry Warjiyo steps down in surprise move

By Reuters

July 27, 2026 7:53 AM GMT+7 · Updated 37 mins ago

Indonesia's Central Bank Governor Perry Warjiyo speaks during a press conference at the Bank Indonesia's headquarters in Jakarta, Indonesia, January 17, 2024. REUTERS/Willy Kurniawan Purchase Licensing Rights

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