

BI 7-Day Reverse Repo Rate Held at 3.50%

SYNERGY MAINTAINING STABILITY AND STRENGTHENING RECOVERY

The BI Board of Governors Meeting agreed on 21st and 22nd July 2021 to hold:

BI 7-Day Reverse Repo Rate at **3.50%**

Deposit Facility (DF) rates at **2.75%**

Lending Facility (LF) rates at **4.25%**

The decision is consistent with the need to maintain exchange rate and financial system stability given elevated global financial market uncertainty amidst projected low inflation and efforts to revive economic growth impacted by the Covid-19 pandemic. In addition, Bank Indonesia continues to optimise its policy mix towards maintaining macroeconomic and financial system stability while supporting efforts to improve the national economy. Bank Indonesia continues to strengthen policy synergy with the Financial System Stability Committee in terms of implementing the Integrated Policy Package and strengthen policy coordination with the Government and other relevant authorities to revive economic growth.

2021 OUTLOOK

ECONOMIC GROWTH
3.5%-4.3%

CURRENT ACCOUNT
Deficit range 0.6%-1.4% of GDP

INFLATION
Target range 3.0% ± 1%

ASSESSMENT

1. GLOBAL ECONOMY

The global economic recovery is expected to exceed previous projections despite the recent uptick of global financial market uncertainty in response to the Delta Covid-19 variant that continues to spread with rapidity in many countries.

2021 Forecast
5.8% (yoy)

2. DOMESTIC ECONOMY

At home, lower domestic economic growth is expected than previously projected, given the emergence of the Delta variant.

3. INDONESIA'S BALANCE OF PAYMENT

Indonesia's Balance of Payments (BOP) is predicted to remain solid, thereby reinforcing external sector resilience.

4. EXCHANGE RATE

Given Bank Indonesia's stabilisation measures, rupiah exchange rate movements have remained under control despite increasing global financial market uncertainty.

0.29% (ptp)
1.14% (average)
compared to June's level

as of 21st July, 2021

5. INFLATION

Inflation remains low. Bank Indonesia remains firmly committed to maintaining price stability and strengthening policy coordination with the central and regional governments, including to safeguard supply during mobility restrictions.

6. LIQUIDITY

Liquidity conditions remain loose in line with Bank Indonesia's accommodative monetary policy stance and the impact of synergy between Bank Indonesia and the Government to support the national economic recovery.

Quantitative Easing in 2021

Rp101.10 Trillion

as of 19th July, 2021

Purchase of SBN in Primary Market in 2021

Rp124.13 Trillion

as of 19th July, 2021

7. INTEREST RATE

A low policy rate and loose liquidity conditions in the banking industry have prompted lower lending rates despite ongoing rigidity.

Overnight Interbank Rate

2.79%

153 bps

May 2021

Bank Deposit Rate

3.60%

209 bps

May 2021

Prime Lending Rates

8.86%

169 bps

May 2021

8. FINANCIAL STABILITY

Financial system resilience is still solid despite further opportunities to revive the bank intermediation function.

9. PAYMENT SYSTEM

Bank Indonesia will continue to strengthen payment system policy towards accelerating digital economic and financial transactions and supporting the national economic recovery.

Nominal Transaction:

Electronic Money

Rp132.03 Trillion
41.01% (yoy)

Q1 & Q2 2021

Digital Banking

Rp17,901.76 Trillion
39.39% (yoy)

Q1 & Q2 2021

E-commerce Transaction

Rp186.75 Trillion
63.36% (yoy)

Q1 & Q2 2021

POLICY MIX



1. Maintaining rupiah exchange rate policy to preserve stability.



2. Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of accommodative monetary policy.



3. Nurturing intermediation by strengthening prime lending rate (PLR) transparency with an emphasis on the risk premium and its impact on setting interest rates for new loans across various credit segments.



4. Strengthening the payment system ecosystem through PBI PJP/PIP implementation to simplify a more efficient licensing/approval process, while fostering innovation in terms of payment system services.



5. Increasing support for a fast, simple, affordable, secure and reliable payment system that underpins government social aid program (bansos) disbursements and online transaction efficiency.



6. Strengthening exports by extending the SPE exemptions that were due to end on 29th November 2020 until 31st December 2022.



7. Promoting trade and investment as well as continuing to socialise the use of local currency settlement (LCS) in conjunction with other relevant institutions.

