

BI 7-Day Reverse Repo Rate Held at 3.50%

SYNERGY MAINTAINING STABILITY AND STRENGTHENING RECOVERY

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.

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 rapidly in many countries.

Economic Growth



Economic growth is accelerating in the United States and Europe.



China's economic growth remains solid.



The economic outlooks for India and ASEAN have been downgraded.

2021 FORECAST
5.8% (yoy)

Financial Market



Elevated global financial market uncertainty has been stoked by :

- Market concerns over the latest wave of Covid-19 infections.
- Potential fallout in the global economy, together with anticipation of the US Federal Reserve's tapering policy.

Investors are pursuing the flight to quality.

2. DOMESTIC ECONOMY

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



2nd Quarter of 2021

The domestic economic recovery has endured, primarily driven by exports, fiscal spending and nonbuilding investment.



3rd Quarter of 2021

Economic moderation is expected after the Government reintroduced mobility restrictions to break the domestic chain of Delta variant transmission.



4th Quarter of 2021

Economic growth is predicted to regain upward momentum, as the vaccination rollout and strict compliance to health protocols allow for greater public mobility along with ongoing stimuli and improving export performance.

3. INDONESIA'S BALANCE OF PAYMENTS (BOP)

Indonesia's BOP is predicted to remain solid, thereby reinforcing external sector resilience.

Current Account

The current account deficit remains low, underpinned by :



Trade Balance
Surplus
USD6.30 Billion

Q2-2021

Capital and Financial Account

Expected to maintain a surplus on capital inflows in the form of :



PORTFOLIO INVESTMENT
Net Inflow
USD4.28 Billion
Net Outflow
USD0.70 Billion

Q2-2021 Outlook as of 19th July 2021

Reserve Assets :

End of June 2021

USD137.1 Billion

Equivalent to 9.2 months of imports or 8.8 months of imports and servicing government external debt.

4. EXCHANGE RATE

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



21st July 2021

0.29% (ptp)
1.14% (average)
Compared to June



Bank Indonesia constantly strengthens rupiah exchange rate stabilisation measures in line with the currency's fundamental value and market mechanisms through effective monetary operations and adequate market liquidity.

The rupiah has succumbed to depreciatory pressures as a result of flight to quality that triggered capital outflows from developing economies amidst an adequate domestic supply of foreign exchange.

5. INFLATION

Inflation remains low.



Consumer Price Index (CPI)
-0.16% (mtm) | **1.33%** (yoy)



CORE INFLATION
0.14% (mtm) | **1.49%** (yoy)



VOLATILE FOOD
-1.23% (mtm) | **1.60%** (yoy)

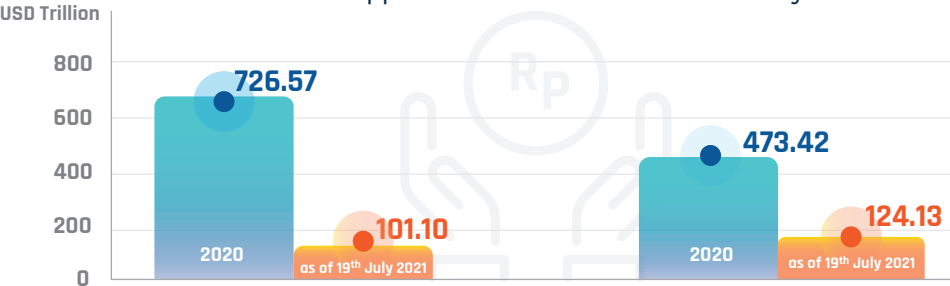


ADMINISTERED PRICES
-0.21% (mtm) | **0.49%** (yoy)

June 2021

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

Purchase of SBN in Primary Market

Liquidity conditions remain loose

32.95%
Ratio of liquid assets to deposits

June 2021

11.28% (yoy)
Deposit Growth

June 2021

Liquidity in the economy has increased

M1

17.0% (yoy) June 2021

M2

11.4% (yoy) June 2021

7. INTEREST RATE

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

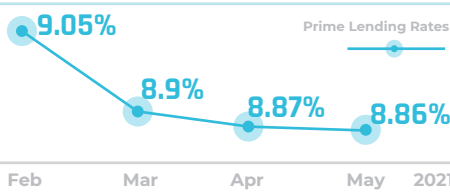
Overnight Interbank Rate

153 bps
2.79%
May 2021

1-month Deposit Rate

209 bps
3.60%
May 2021

PLR 169 bps
(May 2020 - 2021)



8. FINANCIAL STABILITY

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

(CAR) in the banking industry remained high

24.28%
Capital Adequacy Ratio (CAR)
May 2021

Intermediation needs to improved.

0.59% (yoy)
Credit Growth
June 2021

Credit risk maintained.

3.35% / **1.10%**
(Gross) / (nett)
May 2021

Efficiency and profitability relatively stable.

85.49% BOPO efficiency ratio
4.56% Net Interest Margin (NIM)
May 2021

Economic financing through capital market increase.

Rp 56.08 Trillion (gross)
May 2021

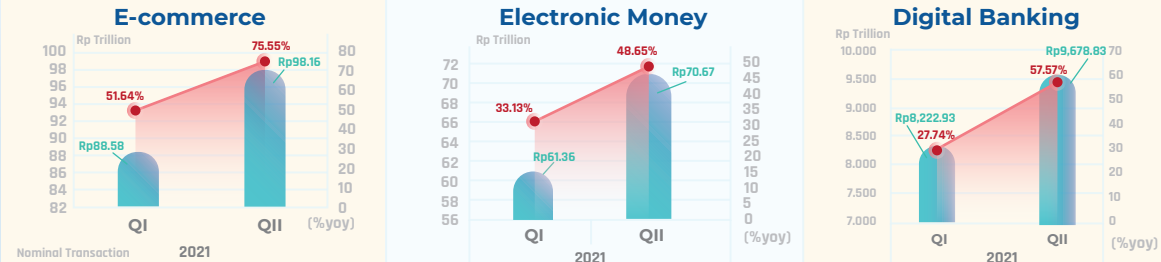
Corporate financial performance improved.
Corporate Interest Coverage Ratio (ICR)

1.43
Q-II data projection

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.

Non Cash



Cash



Currency in circulation

Rp 832.4 Trillion

11.74% (yoy)

June 2021

2021 PROSPECT



ECONOMIC GROWTH
3.5%-4.3%



CURRENT ACCOUNT
Deficit 0.6%-1.4% of GDP



INFLATION
Under control within the 3.0% ± 1%

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%**

POLICY MIX



1. Maintaining rupiah exchange rate policy to preserve stability.



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.



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



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



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.



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.



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

