

BI 7-Day Reverse Repo Rate Held at 3.50%

The BI Board of Governors Meeting agreed on 9th and 10th February 2022 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%**

2022 PROSPECT



ECONOMIC GROWTH
4.7-5.5%



CURRENT ACCOUNT
Deficit 1.1% - 1-9% of PDB



INFLATION
3.0% ± 1%

SYNERGY MAINTAINING STABILITY AND STRENGTHENING NATIONAL ECONOMIC RECOVERY

The decision is consistent with the need to maintain exchange rate stability, control inflation and stimulate economic growth amid a build-up of external pressure. Bank Indonesia has also optimised its policy mix to maintain stability and support economic recovery momentum. Bank Indonesia will also continue to strengthen policy synergy with the Government and Financial System Stability Committee to accelerate the vaccination rollout and reopen economic sectors, facilitate fiscal and monetary coordination as well as revive lending to the corporate sector and other priority sectors, while maintaining macroeconomic and financial system stability and driving the national economic recovery.

POLICY MIX



- Strengthening exchange rate policy to maintain rupiah stability in line with market mechanisms and economic fundamentals.
- Normalising liquidity policy, as announced on 20th January 2022, via the following adjustments to rupiah reserve requirements :
 - Incrementally raising the rupiah reserve requirement for conventional commercial banks from the current average requirement of 3.0% and daily requirement of 0.5% as follows:
 - From 1st March 2022, Bank Indonesia will raise the reserve requirement by 1.5% to 5.0%, calculated fully as an average. Banks fulfilling RR obligations will receive 1.5% remuneration on the RR based on 4.0% of deposits.
 - From 1st June 2022, Bank Indonesia will raise the reserve requirement by 1.0% to 6.0%, calculated fully as an average. Banks fulfilling RR obligations will receive 1.5% remuneration on the RR based on 5.0% of deposits.
 - From 1st September 2022, Bank Indonesia will raise the reserve requirement by 0.5% to 6.5%, calculated fully as an average. Banks fulfilling RR obligations will receive 1.5% remuneration on the RR based on 5.5% of deposits.
 - Incrementally raising the rupiah reserve requirement for sharia banks and business units from the current average requirement of 3.0% and daily requirement of 0.5% as follows:
 - From 1st March 2022, Bank Indonesia will raise the reserve requirement by 0.5% to 4.0%, calculated fully as an average. Banks fulfilling RR obligations will receive 1.5% 'athaya on the RR based on 3.0% of deposits.
 - From 1st June 2022, Bank Indonesia will raise the reserve requirement by 0.5% to 4.5%, calculated fully as an average. Banks fulfilling RR obligations will receive 1.5% 'athaya on the RR based on 3.5% of deposits.



- From 1st September 2022, Bank Indonesia will raise the reserve requirement by 0.5% to 5.0%, calculated fully as an average. Banks fulfilling RR obligations will receive 1.5% 'athaya on the RR based on 4.0% of deposits.



- Providing incentives for banks disbursing loans/financing to priority sectors and MSMEs and/or achieving the RPIM target in the form of a 1% reduction in the average rupiah reserve requirement, from 1st March 2022.



- Strengthening prime lending rate (PLR) transparency in the banking industry with a focus on interest rate spread against neighbouring countries.



- Increasing the QRIS transaction limit from Rp5 million to Rp10 million per transaction, from 1st March 2022, to drive private consumption and accelerate the national economic recovery.



- Expanding the use of Local Currency Settlement (LCS) as a means to settle bilateral trade and investment transactions with major trading partners, especially in Asia.
- Strengthening international policy by expanding cooperation with other central banks and international organisations in trading partner countries, promoting trade and investment in conjunction with relevant institutions as well as ensuring the success of six priority agendas in the Finance Track together with the Ministry of Finance during Indonesia's G20 presidency in 2022.

1. GLOBAL ECONOMY

The global economic recovery progressed as expected despite the looming risks of increasing Omicron cases, faster monetary policy normalisation by several central banks and escalating geopolitical tensions.

Global Economic Growth

in 2021

2022
4.4%*



* Forecast

Actual economic growth recorded in the United States, Europe and China demonstrated gains.

The continuing economic recovery was recently confirmed by several strong indicators:

- Purchasing Manager's Index (PMI).
- Consumer confidence.
- Retail sales, despite a surge of Omicron cases.

World trade volume and international commodity prices are increasing, thereby bolstering the export outlook in developing economies.

Financial Market

- The global economy continues to face elevated financial market uncertainty in line with faster policy normalisation planned in several advanced economies, particularly the United States and Europe, in response to a build-up of inflationary pressures caused by supply chain disruptions and solid demand, rapid transmission of the Omicron variant and an escalation of geopolitical tensions. Such conditions could potentially restrain capital flows and intensify currency pressures in developing economies, including Indonesia.

2. DOMESTIC ECONOMY

National economic recovery momentum has continued in 2022.

2021
3.69%

In the fourth quarter of 2021



Indonesia's economy expanded 5.02% (yoy), improving from 3.51% (yoy) in the previous period.

In 2022



The national economic recovery process is expected to persist though the recent spike in Omicron cases demands heightened vigilance.

February 2022



Several economic indicators are still solid:

- Retail sales.
- Consumer expectations.
- Manufacturing PMI, though community mobility improvements are fading.

3. INDONESIA'S BALANCE OF PAYMENTS (BOP)

Indonesia's Balance of Payments (BOP) is projected to remain solid.

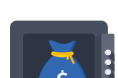
The BOP in 2021 is expected to amass a larger surplus compared with conditions one year earlier.

Foreign capital inflows to domestic financial markets have been maintained.



TRADE BALANCE
Surplus
0.3% of PDB

2021



PORTFOLIO INVESTMENT
Net Inflows
USD 1.1 Billion

Until 8th February 2022

Reserve Assets:

End of January 2022:

141.3 Billion

Equivalent to **7.6** months of imports or **7.4** months of imports and servicing government external debt.

4. EXCHANGE RATE

Rupiah exchange rate movements remain under control despite elevated global financial market uncertainty.



9th February 2022

0.17% (ptp)

Compared to January's level

0.27% (average)



Rupiah exchange rate developments are supported by:

- Maintained foreign capital inflows and domestic foreign-exchange supply.
- Positive perception concerning the domestic economic outlook.
- Exchange rate stabilisation measures implemented by Bank Indonesia

Bank Indonesia continues to strengthen rupiah exchange rate stabilisation policy in line with market mechanisms and economic fundamentals through measures to enhance the effectiveness of monetary operations and adequate market liquidity.

5. INFLATION

Inflation is low and contributing to economic stability.



Consumer Price Index (CPI) **0.56% (mtm)** | **2.18% (yoy)**



CORE INFLATION

0.42% (mtm) | **1.84% (yoy)**



VOLATILE FOOD

1.30% (mtm) | **3.35% (yoy)**



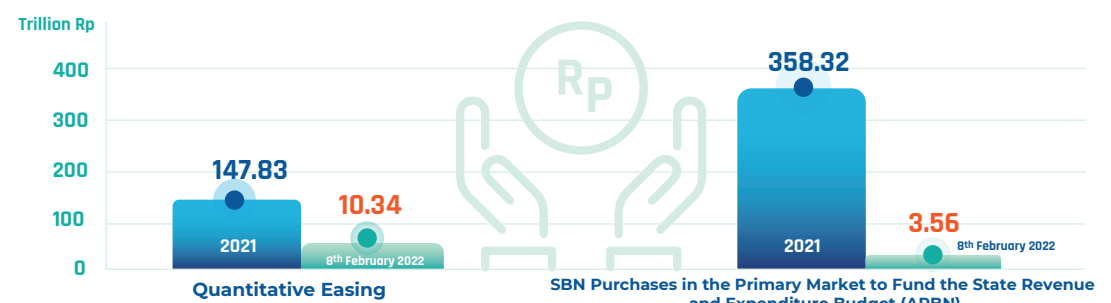
ADMINISTERED PRICES

0.38% (mtm) | **2.37% (yoy)**

January 2022

6. LIQUIDITY

Liquidity conditions remain loose given the impact of policy synergy between Bank Indonesia and the Government to support the national economic recovery.



Liquidity in the banking industry remained loose.



35.12%

December 2021

Ratio of liquid assets to deposits



12.21% (yoy)

December 2021

Deposit Growth

Liquidity in the economy has increased

M1

17.9% (yoy)

December 2021

M2

13.9% (yoy)

December 2021

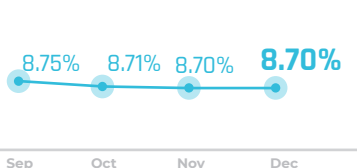
7. INTEREST RATE

A consistently low policy rate, loose liquidity conditions and improving risk perception have continued to edge down lending rates in the banking industry.

Overnight Interbank Rate
25 bps
2.79%
(December 2020 - December 2021)

1-month Deposit Rate
131 bps
2.96%
(December 2020 - December 2021)

Prime Lending Rates (PLR)



8. FINANCIAL STABILITY

Financial system resilience is solid, accompanied by a gradual revival of the bank intermediation function.

The Capital Adequacy Ratio (CAR) in the banking industry remained high.

25.67%

Capital Adequacy Ratio (CAR)
December 2021

Credit risk maintained.

3.00% (Gross) / 0.88% (Nett)

Non Performing Loan (NPL)
December 2021

Economic financing through capital market increase.

Rp 371.45 Trillion (bruto)

December 2021

The bank intermediation function expanded.

5.24% (yoy)

Credit Growth
December 2021

Efficiency and Profitability slightly increase.

83.68%

BOPO efficiency ratio
December 2021

Net Interest Margin (NIM)

4.51%

December 2021

Corporate financial performance is maintained.

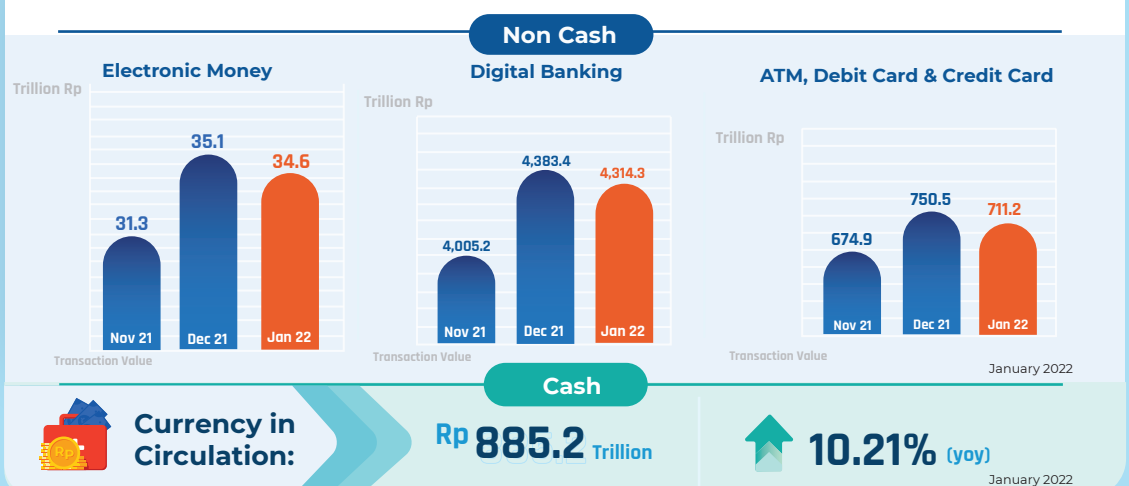
Interest Coverage Ratio (ICR) korporasi

2.36

Q-1 Data Projection 2022

9. PAYMENT SYSTEM

Bank Indonesia will continue accelerating payment system digitalisation to expedite the economic recovery and expand an inclusive and efficient economy and finance.



Cash



Currency in Circulation:

Rp 885.2 Trillion



10.21% (yoy)

January 2022