

BI 7-Day Reverse Repo Rate Held at 3.50%

The BI Board of Governors Meeting agreed on 15th and 16th December 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%**

OUTLOOK



ECONOMIC GROWTH
• 2021 : 3.2%-4.0%
• 2022 : 4.7%-5.5%



CURRENT ACCOUNT
• 2021: 0.3% to -0.5% of GDP
• 2022: -1.1% to -1.9% of GDP



INFLATION
• 2021: Below the lower bound of the 3.0% ± 1% target corridor
• 2022: 3.0% ± 1%

SYNERGY MAINTAINING STABILITY AND STRENGTHENING RECOVERY

The decision is consistent with the need to maintain exchange rate and financial system stability amid projected low inflation and efforts to revive economic growth. In addition, Bank Indonesia continues to optimise its policy mix towards maintaining macroeconomic and financial system stability, while supporting national economic recovery efforts, and also continue to strengthen policy coordination with the Government and Financial System Stability Committee to maintain financial system stability and revive bank lending to the corporate and priority sectors, thereby helping to catalyse economic growth and exports as well as economic and financial inclusion.

POLICY MIX

1. Confirming the Bank Indonesia Policy Mix direction for 2022 as conveyed at the 2021 Bank Indonesia Annual Meeting held on 24th November 2021. Monetary policy in 2022 will be oriented towards maintaining stability, while pro-growth macroprudential and payment system policies will focus on driving economic growth together with money market deepening as well as an inclusive and green economy and finance.
2. Maintaining rupiah exchange rate policy to preserve stability in line with the currency's fundamental value and market mechanisms.
3. Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of the accommodative monetary policy stance.



4. Strengthening prime lending rate (PLR) transparency in the banking industry by deepening the assessment of prime lending rate spread against term deposit rates by bank group.



5. Maintaining the Rpl fee charged by Bank Indonesia to banks using the National Clearing System (SKNBI) and Rp2,900 maximum charged by banks to their customers, which was due to end on 31st December 2021, until 30th June 2022 to support the national economic recovery.



6. Targeting 15 million new QRIS users in 2022 to boost QRIS transactions through coordination with Payment Service Providers (PSP) and relevant government ministries/agencies.



7. Promoting trade and investment as well as continuing to socialise Local Currency Settlement (LCS) in conjunction with other relevant institutions. In December 2021 and January 2022, promotional activities will be organised in China and Finland.

1. GLOBAL ECONOMY

Global economic growth in 2021 is consistent with projections and expected to persist in 2022 despite ongoing supply chain disruptions and increasing cases of Covid-19.

Global Economic Growth

2021
5.7%* (yoy)
2022
4.4%* (yoy)
*Forecast



Less divergent global economic growth is expected moving forward.

November 2021



Purchasing Managers Index (PMI), consumer confidence and retail sales, pointed to an ongoing recovery.



World trade volume and international commodity prices continue to rise, thereby supporting the export outlook in developing economies.

Financial Market



Global financial market uncertainty continued in response to the Omicron variant of Covid-19 and the announcement by the Fed concerning an earlier monetary policy tightening cycle than planned, thus restricting capital flows and intensifying currency pressures in developing countries, including Indonesia.

2. DOMESTIC ECONOMY

Bank Indonesia expects the domestic economic recovery process to endure and accelerate in 2022.

Fourth quarter of 2021



Economic growth is projected to improve in line with increasing mobility.

December 2021



Several indicators confirmed the recovery is intact, such as:

- Increasing community mobility in several regions.
- Higher retail sales.
- Growing consumer confidence
- Expansionary Manufacturing PMI.

In 2022



Economic gains will primarily stem from increasing private consumption, exports and fiscal spending.

3. INDONESIA'S BALANCE OF PAYMENTS (BOP)

Indonesia's Balance of Payments (BOP) remains solid.

Current Account

Current account performance improved in the fourth quarter of 2021 given the ongoing goods trade surplus.



TRADE BALANCE
Surplus
USD 3.5 Billion
November 2021

Reserve Assets:

End of November 2021

145.9 Billion

Equivalent to **8.3** months of imports or **8.1** months of imports and servicing government external debt.

Capital and Financial Account



PORTFOLIO INVESTMENT
Net Outflow
USD 2.3 Billion
October until 14th December 2021

4. EXCHANGE RATE

In response to external sector resilience and Bank Indonesia's stabilisation measures, rupiah exchange rate movements remain under control despite continued global financial market uncertainty.



15th December 2021
0.07% (ptp)
0.70% (average)
Compared to November's level

Bank Indonesia continues to strengthen rupiah exchange rate stabilisation policy in line with the currency's fundamental value and market mechanisms through effective monetary operations and adequate market liquidity.



The weaker rupiah stems from:

- Foreign capital outflows despite a maintained domestic supply of foreign exchange.
- Positive perception of investors concerning the promising domestic economic outlook.

5. INFLATION

Inflation remains low, thereby reinforcing economic stability.



Consumer Price Index (CPI) **0.37% (mtm)** | **1.75% (yoy)**

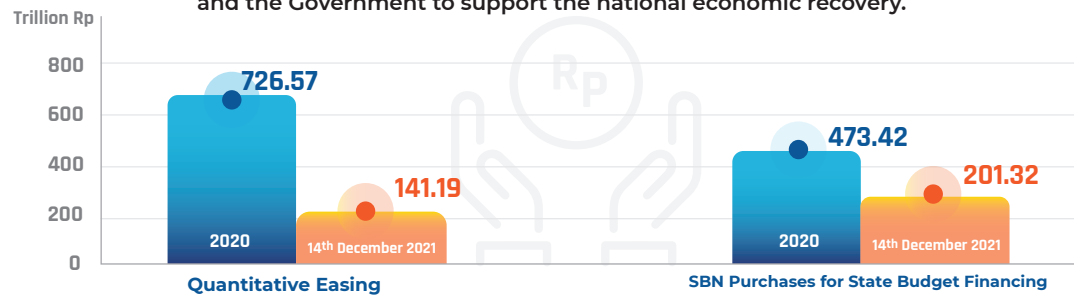
CORE INFLATION
0.17% (mtm) | **1.44% (yoy)**

VOLATILE FOOD
1.19% (mtm) | **3.05% (yoy)**

ADMINISTERED PRICES
0.37% (mtm) | **1.69% (yoy)**
November 2021

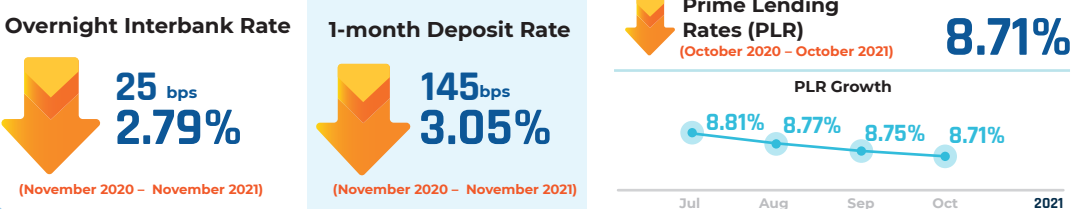
6. LIQUIDITY

Liquidity conditions remain very 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.



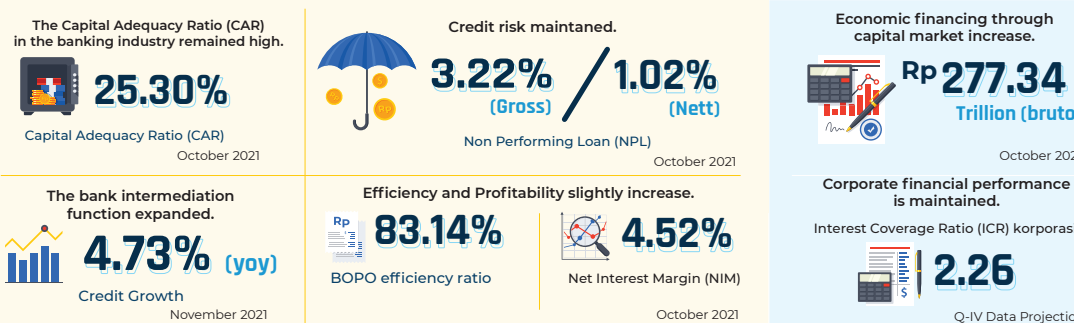
7. INTEREST RATE

Bank Indonesia's decision to maintain a low policy rate, coupled with very loose liquidity conditions in the banking industry, have maintained a lower lending rate trend.



8. FINANCIAL STABILITY

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



9. PAYMENT SYSTEM

Bank Indonesia will continue to expand payment system digitalisation and accelerate integration of the digital economy and finance ecosystem, including financial and economic inclusion and reviving economic growth.

