

BI 7-Day Reverse Repo Rate Held at 3.50%

The BI Board of Governors Meeting agreed on 23rd and 24th May 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
4.5%-5.3%



CURRENT ACCOUNT
Deficit 0.5% - 1.3% of GDP



INFLATION
3.0% ± 1%

STRENGTHENING SYNERGY TO MAINTAIN STABILITY AND SUPPORT RECOVERY

The decision is consistent with the need to manage inflation and maintain exchange rate stability, while continuing to foster economic growth amid escalating external pressures stemming from the geopolitical tensions between Russia and Ukraine as well as faster monetary policy normalisation in several advanced and developing economies. Bank Indonesia constantly monitors inflation developments and institutes the measures necessary to manage inflation within the predetermined 3.0%±1% target corridor set for 2022 and 2023. Towards that end, synergy with the central and regional governments through national and regional inflation control teams (TPIP and TPID) is constantly strengthened.

POLICY MIX

- Strengthening exchange rate policy to maintain Rupiah stability in line with market mechanisms and economic fundamentals.
- Accelerating liquidity policy normalisation by incrementally raising Rupiah reserve requirements.
- Increasing incentives for banks disbursing loans/financing to priority sectors and MSMEs and/or meeting the target Macroprudential Inclusive Financing Ratio (RPIM) from 1st September 2022.
- Maintaining prime lending rate transparency in the banking industry with a focus on lending rates for priority sectors.
- Maintaining support for MSME development through the Karya Kreatif Indonesia (KKI) expo to support the economic recovery, including the National BBI Movement promoting pride in Indonesian-made products and Proud to Travel in Indonesia Movement (GBWI).

- Strengthening payment system policy to reinforce economic recovery and accelerate inclusive digitalisation.

- Strengthening international policy by expanding cooperation with other central banks and authorities in partner countries, promoting trade and investment in priority sectors in synergy with the relevant institutions as well as ensuring the success of the six priority agendas in the Finance Track of Indonesia's G20 Presidency in 2022 in conjunction with the Ministry of Finance.

1. GLOBAL ECONOMY

The global economic recovery remains intact but at risk of slowing, accompanied by rising inflation and faster monetary policy normalisation in various jurisdictions.

Global Economic Growth

- Escalating geopolitical tensions between Russia and Ukraine
 - Strict implementation of China's zero-Covid policy - Faster
 - Faster monetary policy normalisation in various countries
- Is weakening the global economic recovery.

Economic growth in various jurisdictions, including Europe, United States (US), Japan, China and India, is at risk of falling below the previous projection.

World trade volume is also potentially lower than previously forecast in line with the risk of subdued global economic improvements and ongoing global supply chain disruptions.

Financial Market

International commodity prices continue to rise, including energy, food and metals, thus intensifying inflationary pressures globally. In response to higher global inflation, several advanced and developing economies, including the US, are accelerating monetary policy normalisation, thus exacerbating global financial market uncertainty. Such conditions are restricting foreign capital flows and increasing currency pressures in developing economies, including Indonesia.

6. LIQUIDITY

Bank Indonesia continues to normalise liquidity policy by incrementally raising Rupiah reserve requirements without disrupting liquidity conditions in the banking industry.

Banking liquidity remains loose



Ratio of liquid assets to deposits
29.38%
April 2022



Deposit Growth
10.11% (yoy)
April 2022

Liquidity in the economy remained ample

M1

20.76% (yoy)
April 2022

M2

13.60% (yoy)
April 2022

Through fiscal-monetary coordination, BI has continued to purchase SBN in the primary market to fund the national economic recovery as part of the State Budget in 2022 totalling:

Rp30.17 Trillion
as of 23rd May 2022

via primary auction, greenshoe options and private placement.

7. INTEREST RATE

The banking industry continues to lower interest rates in line with lower credit risk.

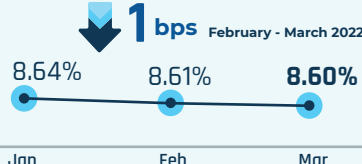
IndoNIA Rate

2.81%
27 April 2022

1-month Deposit Rate

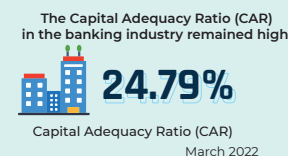
80 bps
2.86%
April 2021 - April 2022

Prime Lending Rates (PLR)



8. FINANCIAL STABILITY

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



March 2022



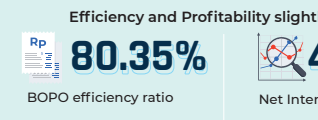
March 2022



March 2022



April 2022



March 2022

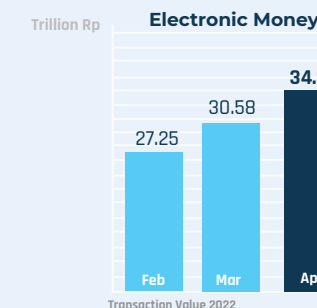


Q-II Data Projection

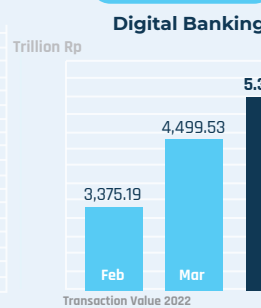
9. PAYMENT SYSTEM

Bank Indonesia continually strengthens payment system digitalisation to nurture economic inclusion in the context of economic recovery.

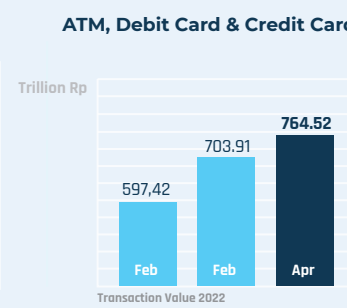
Non Cash



Transaction Value 2022



Transaction Value 2022



Transaction Value 2022

Bank Indonesia is also accelerating BI-FAST implementation by expanding the number of participants by seven banks, with an additional bank planned for the third week of June 2022.



The total of BI-FAST participant is **52** and representing **82%** of the national retail payment system.

Cash



Currency in Circulation: **23.2% (yoy)** **Rp1,039.1 Trillion**
April 2022

2. DOMESTIC ECONOMY

At home, the domestic economic improvements have endured on the back of stronger domestic demand and persistently solid exports.



Economic Growth First Quarter of 2022
5.01% (yoy)

- Such developments were primarily explained by:
- Increasing household consumption
 - Building investment
 - Maintained export performance given greater community mobility and solid demand in Indonesia's major trading partners
 - Most economic sectors are also contributing to domestic economic growth, including the manufacturing industry, wholesale and retail trade as well as transportation and storage

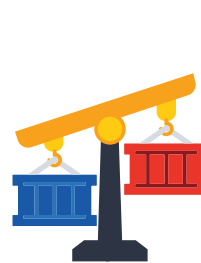
Second Quarter of 2022



- Various early indicators point to further economic improvements, including:
- Positive retail sales growth
 - An expansionary Manufacturing Purchasing Managers Index (PMI)
 - High export and import realisation, supported by greater mobility and financing disbursed by the banking industry

3. INDONESIA'S BALANCE OF PAYMENTS (BOP)

Indonesia's Balance of Payments (BOP) remains solid, thereby supporting external sector resilience.



CURRENT ACCOUNT

Surplus
USD 0.2 Billion
(0.07% of GDP)

First Quarter of 2022

TRADE BALANCE

Surplus
USD 7.6 Billion

April 2022

PORTFOLIO INVESTMENT



First Quarter of 2022

Net Outflows
USD 1.2 Billion

as of 20th May 2022

Reserve Assets:

End of April 2022 : **135.7 USD Billion**

Equivalent to 6.9 months of imports or 6.7 months of imports and servicing government external debt.

4. EXCHANGE RATE

The Rupiah succumbed to depreciatory pressures in line with other regional currencies as global financial market uncertainty increased.

as of 23rd May 2022



Depreciated
1.20%
on the level recorded at the end of April 2022

2.87%
on the level recorded at the end of 2021

Stems from:

- Foreign capital outflows as a corollary of elevated global financial market uncertainty despite maintained domestic foreign exchange supply
- Positive perception surrounding Indonesia's economic outlook

Looking ahead, the value of the Rupiah is expected to remain stable in line with solid economic fundamentals in Indonesia, particularly the lower current account deficit and sustained forex supply from the corporate sector. Bank Indonesia will continue to strengthen Rupiah stabilisation policy in line with market mechanisms and economic fundamentals.

5. INFLATION

Inflation remains under control and continues to support economic stability.



Consumer Price Index (CPI) **0.95 (mtm)** | **3.47% (yoy)**

CORE INFLATION
0.36% (mtm) | **2.60% (yoy)**

VOLATILE FOOD
2.30% (mtm) | **5.48% (yoy)**

ADMINISTERED PRICES
1.83% (mtm) | **4.83% (yoy)**
April 2022



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