

BI 7-Day Reverse Repo Rate Raised 50 bps to 4.75%

SYNERGY MAINTAINING STABILITY AND RECOVERY MOMENTUM

The BI Board of Governors Meeting agreed on 19th and 20th October 2022 to raise:

BI 7-Day Reverse Repo Rate to **4.75%**

Deposit Facility (DF) rates to **4.00%**

Lending Facility (LF) rates to **5.50%**

The decision to raise the policy rate was taken as a front-loaded, pre-emptive and forward-looking measure to:

- ✓ Lower overshooting inflation expectations and return core inflation to the 3.0%±1% target corridor in the first half of 2023.
- 🪙 Strengthening exchange rate stabilisation policy in line with the rupiah's fundamental value in response to broad-based US dollar appreciation and elevated global financial market uncertainty amid strong and increasing domestic demand.

2022 OUTLOOK

ECONOMIC GROWTH
4.5%-5.3%

CURRENT ACCOUNT
Surplus in the 0.4-1.2% of GDP range

INFLATION
Projected exceeding the upper limit of the 3.0%±1% target

CREDIT GROWTH
Projected in the 9-11% (yoy) range

ASSESSMENT

- 1. GLOBAL ECONOMY**
Global economic is prone to moderation, accompanied by intense inflationary pressures and global financial market uncertainty.
- 2. DOMESTIC ECONOMY**
The national economic recovery remains intact.
- 3. INDONESIA'S BALANCE OF PAYMENT**
Indonesia's Balance of Payments (BOP) remains sound in line with persistently strong non-oil and gas export performance.
- 4. EXCHANGE RATE**
Rupiah stability has been maintained despite increasing global financial market uncertainty and US dollar appreciation.

- 5. INFLATION**
The impact of fuel price adjustment on volatile food and administered price hikes was weaker than initially forecast. Low core inflation was maintained.

- 6. LIQUIDITY**
Ample liquidity in the banking industry and economy remains.

Loose liquidity in the banking industry	
Ratio of Liquid Assets to Deposits September 2022	Deposit Growth September 2022
27.35%	6.77% (yoy)

Liquidity in the economy remained ample	
The growth of the money supply in a narrow sense M1 September 2022	The growth of the money supply in a broad sense M2 September 2022
13.5% (yoy)	9.1% (yoy)

BI continues to purchase SBN in the primary market to fund the national economic recovery and finance the health and humanitarian aspects of the Covid-19 pandemic, totalling:
Rp138.08 Trillion
as of 19th October 2022

- 8. FINANCIAL STABILITY**
Financial system resilience remains solid, particularly in the banking industry, in terms of capital and liquidity.
 - 9. PAYMENT SYSTEM**
Bank Indonesia is strengthening payment system policy and accelerating digitalisation to improve the efficiency of economic transactions and support economic recovery.
- Transaction Value Growth:**
- | Electronic Money | Digital Banking |
|-----------------------|-----------------------|
| 35.79% (yoy) | 29.47% (yoy) |
| Third quarter of 2022 | Third quarter of 2022 |
- | ATM, Debit Card & Credit Card | Currency in Circulation |
|-------------------------------|-------------------------|
| 30.74% (yoy) | 7.61% (yoy) |
| Third quarter of 2022 | Third quarter of 2022 |

As of 19th October 2022

Depreciated **8.03% (ytd)**
Comparatively lower than the currency depreciation experienced in other peer countries:

Country	Depreciation (%)
India	10.42%
Malaysia	11.75%
Thailand	12.55%

on the level recorded at the end of 2021

- 7. INTEREST RATE**
Policy rate hikes are raising money market rates amid interest rate rigidity in the banking industry.
- | IndoNIA | SBDK |
|------------------------------|--------------------|
| 3.82% | 8.60% |
| ↑ 102 bps | ↑ 4 bps |
| compared to end of July 2022 | July - August 2022 |
- as of 19th October 2022

POLICY MIX

- Strengthening monetary operations by increasing the interest rate structure in the money market in accordance with the higher BI 7-Day Reverse Repo Rate (BI7DRR).
- Strengthening rupiah stabilisation policy as part of the measures to control inflation, primarily imported inflation.
- Continue buying/selling SBN in the secondary market to strengthen transmission of the BI7DRR by increasing the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen exchange rate stabilisation measures.

- Maintaining accommodative macroprudential policy to revive bank lending to businesses by:
 - Holding: (a) the countercyclical capital buffer (CCyB) at 0%, (b) Macroprudential Intermediation Ratio (MIR) in the 84-94% range, and (c) Macroprudential Liquidity Buffer (MPLB) at 6% with repo flexibility of 6% and sharia MPLB at 4.5% with repo flexibility of 4.5%.
 - Maintaining looser Loan/Financing-to-Value (LTV/FTV) ratios on property loans/financing to a maximum of 100% on all property types (landed houses, apartments and shop/office house) for banks meeting specific NPL/NPF criteria, to revive credit growth in the property sector in line with risk management and prudential principles, effective from 1st January 2023 to 31st December 2023.
 - Maintaining looser down payment requirements on automotive loans/financing at 0% for all types of new motor vehicle in order to revive credit growth in the automotive sector, while applying risk management and prudential principles, effective from 1st January 2023 to 31st December 2023.

- Maintaining prime lending rate (SBDK) transparency policy.
- Strengthening payment system policy through digitalisation of the banking industry and non-bank financial institutions by expanding the participation, ecosystem and utilisation of BI-FAST, while accelerating the adoption of National Open API Payment Standards (SNAP).
- Strengthening international cooperation with other central banks and financial authorities, promoting trade and investment in priority sectors in synergy with other relevant institutions as well as ensuring the success of the six priority agendas in the Finance Track of Indonesia's G20 Presidency, specifically at the G20 Leaders' Summit in November 2022.

Scan for further information

