

BI 7-Day Reverse Repo Rate Held at 5.75%

SYNERGY MAINTAINING STABILITY AND REVIVING GROWTH

The BI Board of Governors Meeting agreed on 15th and 16th February 2023 to hold:

BI 7-Day Reverse Repo Rate (BI7DRR) at **5.75%**

Deposit Facility (DF) rate at **5.00%**

Lending Facility (LF) rate at **6.50%**



The decision is consistent with the pre-emptive and forward-looking monetary policy stance to ensure lower inflation expectations and inflation moving forward.



Bank Indonesia is confident that a BI7DRR rate of 5.75% is sufficient to maintain core inflation within the 3.0%±1% target corridor in the first semester of 2023 and return Consumer Price Index (CPI) inflation to the 3.0%±1% target in the second semester of 2023.



Rupiah stabilisation policy to control imported inflation has been strengthened with foreign exchange proceeds of export management through the implementation of foreign exchange monetary operations using foreign exchange proceeds of exports (DHE) in accordance with market mechanisms.

2023 OUTLOOK

ECONOMIC GROWTH
Upward bias towards the upper bound of the 4.5-5.3% range

CURRENT ACCOUNT
Surplus of 0.4% - Deficit of 0.4% of GDP

INFLATION
3.0%±1%

ASSESSMENT

1. GLOBAL ECONOMY

Global economic growth could potentially exceed the previous projection after China ended its zero-Covid policy.

2. DOMESTIC ECONOMY

Indonesia's economic growth is projected to remain strong, with potential gains driven by higher exports and improving domestic demand, primarily private consumption.

3. INDONESIA'S BALANCE OF PAYMENT

The Balance of Payments (BOP) remains sound, thereby supporting external resilience.

4. EXCHANGE RATE

The Rupiah continues to appreciate, thus supporting economic stability.

The Rupiah as of 15th February 2023:

Appreciated
2.39%

compared to the end of December 2022 level
Rupiah appreciation has outpaced currencies in several other developing economies:



Philippines
0.99%



Thailand
0.85%

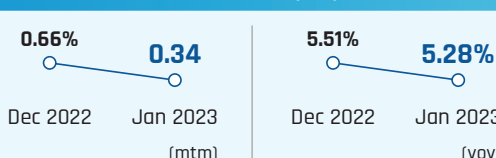


Malaysia
0.27%

5. INFLATION

Inflation is still falling and lower than previous projection.

Consumer Price Index (CPI) Inflation



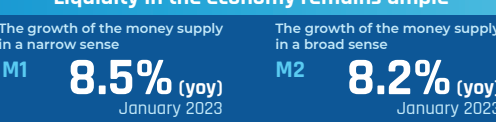
6. LIQUIDITY

Liquidity conditions in the banking industry and economy remain ample to increase lending/financing and sustain the economic recovery.

Liquidity in the banking industry remains ample



Liquidity in the economy remains ample



7. INTEREST RATE

Interest rates in the banking industry are still conducive to economic recovery.

IndoNIA

5.47%

as of 18th February 2023

Short-term SBN Yields ↑

100 bps
compared to the end of July 2022

Lending Rate

9.25%

8.94% Jul 2022 Jan 2023

1-Month Term Deposit Rate

3.95%

2.89% Jul 2022 Jan 2023

Prime Lending Rate ↑

8.72% 4 bps

November - December 2022

8. FINANCIAL STABILITY

Financial system resilience remains solid, particularly the banking industry.

9. PAYMENT SYSTEM

Digital economy and finance transactions are growing rapidly and driving economic activity.

Transaction Value:

Electronic Money

↑ Rp36.57 Trillion
26.08% (yoy)

January 2023

Digital Banking

↑ Rp4,900.56 Trillion
27.96% (yoy)

January 2023

ATM, Debit Card & Credit Card

↑ Rp689.09 Trillion
5.42% (yoy)

January 2023

Currency in Circulation

↑ Rp930.05 Trillion
5.07% (yoy)

January 2023

POLICY MIX



Strengthening monetary operations to increase the effectiveness of monetary policy transmission.



Strengthening Rupiah stabilisation policy as part of the measures to control inflation, particularly imported inflation, through foreign exchange market intervention, including spot and Domestic Non-Deliverable Forward (DNDF) transactions, as well as buying/selling government securities (SBN) in the secondary market.



Continuing the twist operation by selling short-term SBN in the secondary market to increase the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen Rupiah stabilisation measures.



Strengthening foreign exchange proceeds of exports (DHE) management through the implementation of foreign-exchange monetary operations in the form of foreign currency term deposits (TD) as an instrument for exporters to place foreign exchange proceeds of exports through banks to Bank Indonesia in accordance with market mechanisms, effective from 1st March 2023.



Continuing prime lending rate (PLR) transparency policy with a focus on the impact of the policy rate on lending rates for investment loans and working capital loans.



Strengthening payment system digitalisation policy by:

- Expanding QRIS and BI-FAST, as well as digitalisation of the social assistance programs (Bansos), regional government financial transactions and transportation modes to increase private consumption and revive economic growth.
- Increasing cross-border payment transactions through QRIS linkage cooperation and interconnected cross-border payment systems.



Strengthening international cooperation with other central banks and authorities in partner countries, while promoting trade and investment in priority sectors in synergy with relevant institutions. In addition, Bank Indonesia is continuing to collaborate with relevant government ministries/agencies to ensure a successful ASEAN Chairmanship in 2023, particularly in terms of the finance track.

Scan for further information

