

BI 7-Day Reverse Repo Rate Held at 3.50%

SYNERGY MAINTAINING STABILITY AND STRENGTHENING RECOVERY

The BI Board of Governors Meeting agreed on 20th and 21st July 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%**

The decision is consistent with projections of manageable core inflation despite the risks posed by global economic moderation on domestic economic growth. Bank Indonesia continues to remain vigilant of rising inflation expectations and core inflation moving forward, while strengthening the optimal monetary policy mix response necessary through rupiah stabilisation measures, strengthening monetary operations and interest rates. Bank Indonesia is also strengthening coordination with the central and regional governments as well as relevant institutions through national and regional inflation control teams (TPIP and TPID) to manage inflationary pressures on the supply side and bolster production to support food security. Furthermore, Bank Indonesia continues to build monetary and fiscal policy coordination with the Government to maintain macroeconomic stability and support the national economic recovery process. Similarly, Bank Indonesia continues to strengthen policy synergy with the Financial System Stability Committee to maintain macroeconomic and financial system stability, while reviving lending to businesses in priority sectors to support economic growth, exports as well as economic and financial inclusion.

2022 OUTLOOK

ECONOMIC GROWTH
4.5%-5.3%

CURRENT ACCOUNT
Surplus 0.3% - deficit 0.5% of GDP

INFLATION
Exceed the target corridor 3.0%±1.0%

CREDIT GROWTH
9.0% - 11.0% (yoy)

ASSESSMENT

1. GLOBAL ECONOMY

The global economy is expected to expand more slowly than previously projected amid the growing risk of stagflation and elevated global financial market uncertainty.

The Global Economic Growth Projection for 2022
2.9%

2. DOMESTIC ECONOMY

At home, the domestic economic improvements remain intact despite the impact of global economic moderation demanding careful vigilance.

3. INDONESIA'S BALANCE OF PAYMENT

Indonesia's Balance of Payments (BOP) remains solid despite a build-up of pressure on capital flows.

4. EXCHANGE RATE

The rupiah faces increasing depreciatory pressures, similar to other regional currencies, amid persistent global financial market uncertainty.

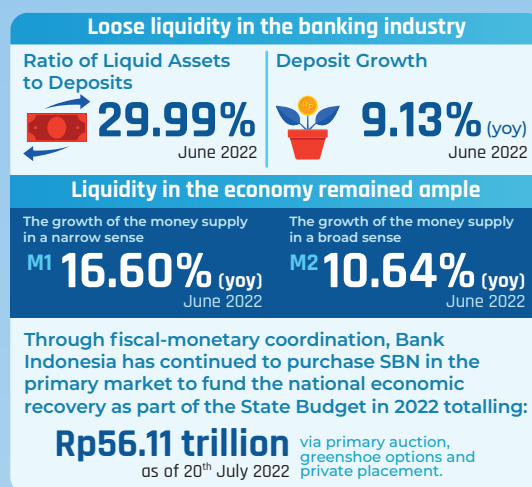
Depreciated
0.60% (ptp) on the level recorded at the end of June 2022
4.90% (ytd) on the level recorded at the end of June 2021
as of 20th July 2022

5. INFLATION

Inflation is rising due to supply-side pressures in line with higher international commodity prices and supply chain disruptions.

6. LIQUIDITY

Bank Indonesia continues to normalise liquidity policy by raising rupiah reserve requirements gradually and maintaining the RR incentive without disrupting liquidity conditions or the intermediation function in the banking industry.



7. INTEREST RATE

The banking industry continues to reduce interest rates in line with improving risk perception.

IndoNIA Rate
2.80%
fairly stable compared with conditions in June 2021
June 2022

1 Month Deposit Rate
↓ 2.81%
69 bps
June 2021 - June 2022

Prime Lending Rates
↓ 8.58%
1 bps
April - May 2022

8. FINANCIAL STABILITY

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

9. PAYMENT SYSTEM

Bank Indonesia is strengthening payment system policy to accelerate financial inclusion and economic recovery.

Transaction Growth (Value):

Electronic Money

↑ 39.85% (yoy)

Second quarter of 2022

Digital Banking

↑ 38.45% (yoy)

Second quarter of 2022

ATM, Debit Card & Credit Card

↑ 17.26% (yoy)

Second quarter of 2022

Currency in Circulation

↑ 9.36% (yoy)

Second quarter of 2022

POLICY MIX



Strengthening monetary operations as a pre-emptive and forward-looking measure to mitigate the risk of rising inflation expectations and core inflation by increasing the interest rate structure in the money market and releasing SBN in the secondary market.



Strengthening rupiah stabilisation policy to help manage inflation through foreign exchange market intervention, supported by stronger monetary operations.



Maintaining prime lending rate transparency policy in the banking industry with a focus on consumer loan interest rates.



Expanding cross-border QRIS by, among others, accelerating implementation, piloting local currency settlement (LCS) with other Asian countries and organising National QRIS Week to achieve the target of 15 million new users.



Ensuring smooth and orderly operationalisation of the National Open API Payment Standard (SNAP), particularly for first mover payment service providers (PSP), while preparing for second mover implementation targeted for December 2022, as well as expanding cross-border QRIS by, among others, accelerating implementation and piloting LCS.



Strengthening international policy by expanding cooperation and collaboration with central banks and relevant authorities in other jurisdictions as well as ensuring the success of the six priority agendas in the Finance Track of Indonesia's G20 Presidency in 2022.

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