

BI 7-Day Reverse Repo Rate Raised 50 bps to 4.25%

SYNERGY MAINTAINING STABILITY AND RECOVERY MOMENTUM

The BI Board of Governors Meeting agreed on 21st and 22nd September 2022 to raise:

BI 7-Day Reverse Repo Rate to **4.25%**

Deposit Facility (DF) rates to **3.50%**

Lending Facility (LF) rates to **5.00%**

The decision to raise the policy rate was taken as a front-loaded, pre-emptive and forward-looking measure to lower inflation expectations and return core inflation to the 3.0%±1% target corridor in the latter half of 2022, while simultaneously strengthening exchange rate stabilisation policy in line with the rupiah's fundamental value, caused by elevated global financial market uncertainty amid strong and increasing domestic demand.

Policy coordination among the central government, regional governments and strategic partners within the Central and Regional Inflation Control Teams (TIPI and TPID) is constantly strengthened through the effective implementation of the National Movement for Food Inflation Control (GNPIP) in various regions. Policy synergy between Bank Indonesia and government fiscal policy, as well as with the Financial System Stability Committee, is also being strengthened to maintain macroeconomic and financial system stability, while reviving lending to businesses in priority sectors to stimulate economic growth and exports, while increasing economic and financial inclusion.

Bank Indonesia continues to strengthen international cooperation with other central banks and authorities in partner countries, while promoting investment and trade in priority sectors in synergy with other relevant institutions. Coordination with the Ministry of Finance and other relevant government ministries/agencies is also being strengthened to ensure the success of the six priority agendas in the Finance Track of Indonesia's G20 Presidency in 2022, including the 4th FMCBG meeting in October 2022 and the G20 Leaders' Summit in November 2022.

2022 OUTLOOK

ECONOMIC GROWTH
4.5%-5.3%

INFLATION
Beyond the upper limit of the 3.0%±1%

ASSESSMENT



1. GLOBAL ECONOMY

The global economy is prone to moderation, accompanied by intense inflationary pressures and global financial market uncertainty.



2. DOMESTIC ECONOMY

At home, the national economic recovery remains intact given improving domestic demand and positive export performance.



3. INDONESIA'S BALANCE OF PAYMENT

Indonesia's Balance of Payments (BOP) is expected to improve in line with solid export performance.



4. EXCHANGE RATE

Rupiah stability has been maintained despite increasing global financial market uncertainty.

Depreciated
1.03% (pt)
on the last reported at the end of August 2022
as of 21st September 2022



5. INFLATION

Soaring global food and energy prices, coupled with higher fuel prices at home, are intensifying inflationary pressures.



6. LIQUIDITY

Ample liquidity in the banking industry and economy remains.



7. INTEREST RATE

The bank intermediation function continues to improve and support the economic recovery.



8. FINANCIAL STABILITY

Financial system resilience remains solid, particularly the banking industry, in terms of capital and liquidity.



9. PAYMENT SYSTEM

Bank Indonesia is strengthening payment system policy and accelerating digitalisation to support economic recovery.

Transaction Value:



Bank Indonesia continues to:

Ensure the availability of quality rupiah currency fit for circulation throughout the territory of the Republic of Indonesia, including the new 2022 series of rupiah banknotes.
Foster payment system innovation, including ongoing preparations for the gradual implementation of a domestic government credit card (GPKP), which will increase KRP acceptance and transactions, while improving government transaction efficiency.

POLICY MIX



Strengthening monetary operations by increasing the interest rate structure in the money market in accordance with the higher BI7DRR to lower inflation expectations and return core inflation to the target.



Strengthening rupiah stabilisation policy as part of the measures to control inflation through foreign exchange market intervention, including spot and DNDF transactions, as well as buying/selling SBN in the secondary market.



Continuing operation twist through the buying/selling of SBN in the secondary market to strengthen rupiah stabilisation policy by increasing the attractiveness of SBN yields for foreign portfolio investment inflows by raising short-term SBN yields in line with the higher BI7DRR and creating a flatter long-term SBN yield structure considering the transient nature of current inflationary pressures, with inflation expected to return to the target corridor in the medium-long term.



Maintaining prime lending rate transparency policy in the banking industry with a focus on bank profitability.



Accelerating and expanding regional payment digitalisation by utilising the momentum created by announcing the winners of the National Working Group to Accelerate and Expand Local Digitalisation (P2DD) Championship.



Accelerating the milestone of 15 million QRIS users and increasing BI-FAST use in payment transactions.

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