BANK INDONESIA
CENTRAL BANK OF THE REPUBLIC OF INDONESIA

BI Board of Governors Meeting, June 2021

BI 7-Day Reverse Repo Rate Held At 3.50%

Synergy Strengthening Recovery, Maintaining Stability

The decision is consistent with projected low inflation and efforts to maintain Rupiah exchange rate stability, while boosting the economic recovery. Bank Indonesia also continues to optimise the accommodative monetary and macroprudential policy mix and accelerate payment system digitalisation in Indonesia to support the national economic recovery through the following policy measures:

1. GLOBAL ECONOMY

Economic Growth

The global economic recovery is proceeding as expected amidst lower global financial market uncertainty.

A stronger US economic recovery, coupled with economic gains in China and several European countries in line with the orderly vaccination rollout and ongoing policy stimuli.

Various early indicators in May 2021 confirmed increasing global economic recovery momentum based on the upward Purchasing Managers Index (PMI), rising consumer confidence and retail sales in several countries.

World trade volume and international commodity prices are tracking upward trends.

Financial Market

Global financial market uncertainty is easing after the US Federal Reserve clarified its accommodative policy direction and viewed that it was too early for tapering.

The Fed will continue to purchase securities.

Global capital flows to developing countries increased.

2. DOMESTIC ECONOMY

Domestic economic growth continued to gain momentum in the second quarter of 2021.

Household consumption increased on a seasonal spike in demand during National Religious Holidays (HBKN).

Domestic economic gains were also reflected in other indicators, including consumer expectations, online sales and Manufacturing PMI.

Export performance continues to improve in response to rising demand in Indonesia's main trading partners.

3. INDONESIA'S BALANCE OF PAYMENTS

Improvements recorded in Indonesia's Balance of Payments (BOP) have helped to bolster external sector resilience.

The current account deficit remains low and manageable, underpinned by a maintained goods trade surplus.

TRADE BALANCE
SURPLUS
USD2.4 Billion
May 2021

PORTFOLIO
Net Inflows
USD6.5 Billion
as of 15th June 2021

Reserve Assets:

End of May 2021: **USD136.4 Billion**

Equivalent to 9.5 months of imports or 9.1 months of imports and servicing government external debt.

4. EXCHANGE RATE

Rupiah exchange rates strengthened in response to foreign capital inflows and Bank Indonesia stabilisation measures.

as of 16th June 2021
0.30% (ptp)
0.49% (average)
Compared to May's level

Bank Indonesia will continue to strengthen exchange rate stabilisation policy in line with the Rupiah's fundamental value and market mechanisms.

The Rupiah continues to regain lost value as a corollary of foreign capital inflows to domestic financial markets in line with lower global financial market uncertainty and the improving perception of investors concerning the domestic economic outlook.

5. INFLATION

Inflation remains under control despite a seasonal spike in demand during National Religious Holidays (HBKN).

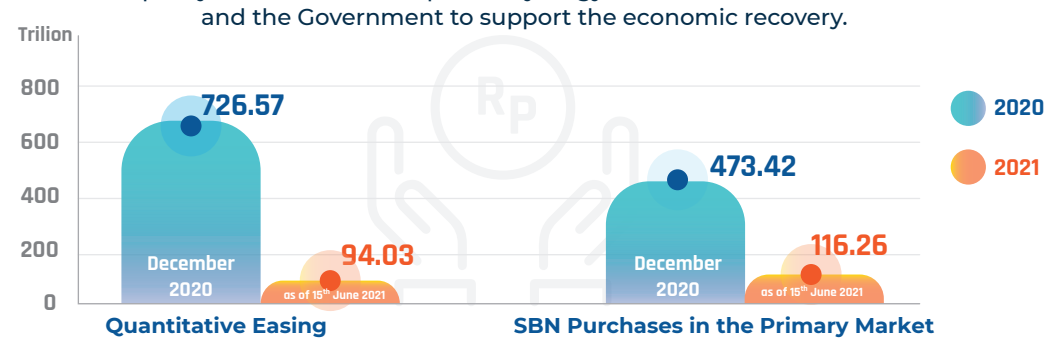
CONSUMER PRICE INDEX **0.32%** (mtm) | **1.68%** (yoy)

CORE INFLATION	VOLATILE FOOD	ADMINISTERED PRICES
0.24% (mtm) | 1.37% (yoy)	0.39% (mtm) | 3.66% (yoy)	0.48% (mtm) | 0.93% (yoy)

May 2021

6. LIQUIDITY

Liquidity conditions remain loose in line with Bank Indonesia's accommodative monetary policy stance and the impact of synergy between Bank Indonesia and the Government to support the economic recovery.



Quantitative Easing — SBN Purchases in the Primary Market

Loose economic liquidity conditions.
Liquid Asset to Deposits — May 2021
M2 **8.1%** (yoy) May 2021

Third Party Fund Growth.
Third Party Fund — May 2021
M1 **12.6%** (yoy) May 2021

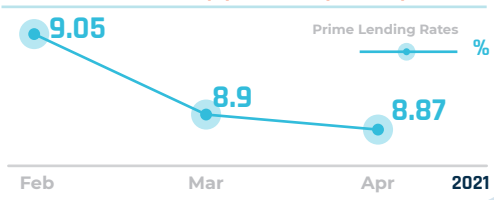
7. INTEREST RATE

Monetary policy interest rates remained low and liquidity was still loose, pushing bank lending rates to continue to decline, although they were still limited.

Overnight Interbank Rate
153 bps
2.79%
(April 2020-April 2021)

Bank Deposit Rate
207 bps
3.66%
(April 2020-April 2021)

Prime Lending Rates **177** bps
(April 2020-April 2021)



8. FINANCIAL STABILITY

Financial system resilience is still solid despite further opportunities to stimulate the bank intermediation function.

The Capital Adequacy Ratio (CAR) in the banking industry was high
24.21%
Capital Adequacy Ratio (CAR)
April 2021

Intermediation remained weak
-1.28% (yoy)
Credit Growth
May 2021

Efficiency and profitability slightly improved
85.47%
BOPO Effeciency Ratio
4.55%
Net Interest Margin (NIM)
April 2021

Economic financing through capital market increase
Rp **48.93** Trillion (gross)
April 2021

Credit Risk Maintained
3.22% (gross) / **1.06%** (nett)
Non Performing Loans (NPL)
April 2021

Corporate financial performance improved
Interest Coverage Ratio (ICR) korporasi
1.45
**) Q-II data projection

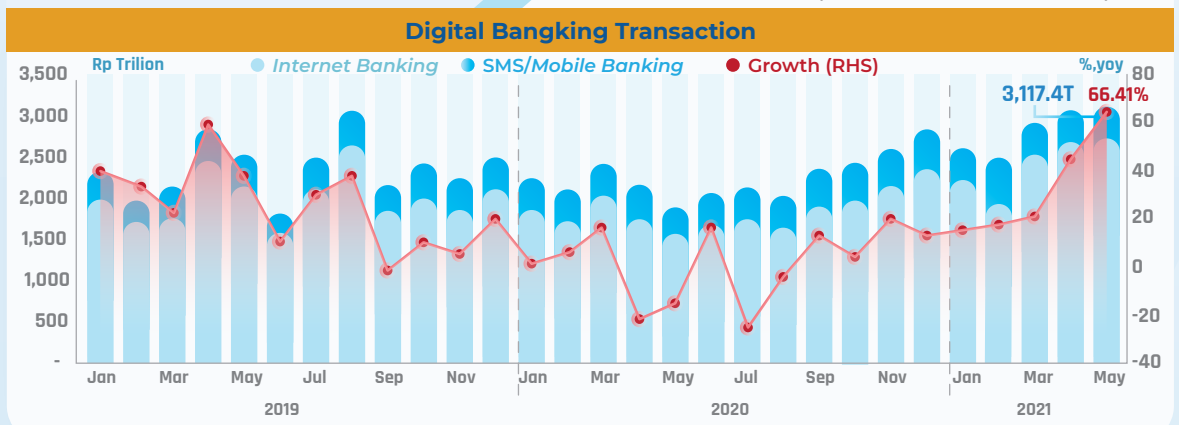
9. PAYMENT SYSTEM

Bank Indonesia will continue to strengthen payment system policy towards accelerating digital economic and financial transactions and supporting the national economic recovery.

Cash

Currency In Circulation
Rp **851.3** Trillion
May 2021
6.6% (yoy)
May 2021

Digital Bangking Transaction



2021 PROSPECT

ECONOMIC GROWTH 4.1% - 5.1%

CURRENT ACCOUNT Deficit 1.0% - 2.0% of GDP

INFLATION Under control within the 3.0% ± 1%

The BI Board of Governors Meeting agreed on 16th and 17th June 2021 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%**

POLICY MIX

1. Maintaining Rupiah exchange rate policy to preserve stability in line with the currency's fundamental value and market mechanisms.
2. Maintaining the strengthening strategy for monetary operations to reinforce the effectiveness of the accommodative monetary policy stance.
3. Strengthening Prime Lending Rate (PLR) transparency in the banking industry with an emphasis on suppressing higher interest rates on new loans, the affecting factors (increasing risk perception and profit margin) as well as PLR analysis at individual banks.
4. Extending policy of lower late payment penalties on credit cards at 1% of the outstanding balance, or a maximum of Rp100,000, until 31st December 2021.
5. Accelerating the money market deepening program by strengthening the corresponding regulatory framework and implementing the Multi-Matching Electronic Trading Platform (ETP), specifically targeting the Rupiah money market and foreign exchange market.
6. Promoting trade and investment as well as continuing to socialise the use of local currency settlement (LCS) in conjunction with other relevant institutions.

