

BI 7-Day Reverse Repo Rate Tetap 3,50%

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%**

2022 PROSPECT

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)

SYNERGY MAINTAINING STABILITY AND STRENGTHENING RECOVERY

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 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.

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.

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.

Global Economic Growth



- Global inflationary pressures continue to intensify in response to high commodity prices caused by supply chain disruptions given the ongoing geopolitical tensions between Russia and Ukraine, coupled with the proliferation of inward-looking policies, particularly in terms of food.
- Several countries, particularly the United States, have tightened monetary policy more aggressively, thus impeding the economic recovery and exacerbating the risk of stagflation.

Economic growth in several jurisdictions, including the US, Europe, Japan, China and India, has been revised downwards, accompanied by growing recession concerns in the US.

Financial Market

Global financial market uncertainty remains high, thus restraining foreign capital flows and intensifying currency pressures in developing economies, including Indonesia.

2. DOMESTIC ECONOMY

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



- Domestic economic recovery process remains intact, confirm by several early indicators in June 2022 and the latest BI survey, including:
 - Consumer confidence
 - Retail sales
 - Manufacturing Purchasing Managers Index (PMI)
- Export performance is stronger than previously projected, particularly in terms of coal, metalliferous ores and iron and steel, supported by persistently strong export demand and high international commodity prices.
- Global economic moderation could impact export performance.
- Higher inflation could stifle private consumption.
- Domestic economic sectors, led by:
 - Trade
 - Transportation and Storage
- Locally, recent economic gains have been supported by all regions of the Indonesian archipelago, particularly Java, Sumatra and Sulawesi-Maluku-Papua (Sulmapu).

3. INDONESIA'S BALANCE OF PAYMENTS (BOP)

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

Current Account



4. EXCHANGE RATE

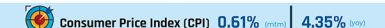
The rupiah faces increasing depreciatory pressures, similar to other international currencies, amid persistent global financial market uncertainty.



Moving forward, Bank Indonesia will continue to monitor forex supply and strengthen rupiah stabilisation policy in line with market mechanisms and economic fundamentals, thereby supporting efforts to manage inflation and maintain macroeconomic stability.

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.

Incremental adjustments to rupiah reserve requirements and RPs incentives provided from 1st March-15th July 2022 have absorbed approximately Rp219 trillion of liquidity in the banking industry.



Through fiscal-monetary coordination, Bank Indonesia has continued to purchase SBN in the primary market to fund the national economic recovery as part of the State Budget in 2022 totalling:

Rp556.11 Trillion

via primary auction, greenhouse options and private placement.

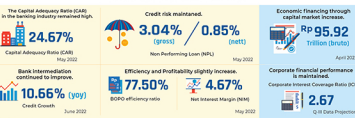
7. INTEREST RATE

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



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.



Bank Indonesia is strengthening coordination and collaboration with the National Working Group to Accelerate and Expand Local Digitalisation (NAGD) in order to accelerate regional digitalisation and support local economic growth.

Bank Indonesia has launched payment system regulatory reform by relaxing digital financial services (DFS) regulations in order to expand access to finance and accelerate financial inclusion.

Bank Indonesia continues to ensure the availability of quality rupiah currency fit for circulation throughout the territory of the Republic of Indonesia, including the distribution of rupiah banknotes and coins to 3T (outlying, frontier, remote) regions, while strengthening educational efforts concerning Rupiah Love, Pride and Understanding.

Currency in Circulation:

9.36% (yoy)

Second Quarter of 2022