

BI 7-Day Reverse Repo Rate Raised 25 bps to 5.75%

The BI Board of Governors Meeting agreed on 18th and 19th January 2023 to raise:

BI 7-Day Reverse Repo Rate to **5.75%**

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

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

SYNERGY MAINTAINING STABILITY AND RECOVERY MOMENTUM



The more calculated decision to raise the policy rate is a front-loaded, pre-emptive and forward-looking follow-up measure to continue lowering inflation expectations and inflation moving forward.



Bank Indonesia is confident that raising the BI 7-Day Reverse Repo Rate (BI7DRR) 225bps since August 2022 to 5.75% is sufficient to ensure core inflation remains within the 3.0%±1% target corridor in the first semester of 2023 and Consumer Price Index (CPI) inflation returns 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 monetary operations, including the implementation of foreign currency term deposit (TD) instruments using foreign exchange proceeds of exports (DHE) in accordance with market mechanisms.

2023 OUTLOOK



ECONOMIC GROWTH
Midpoint of the **4.5%-5.3%** range



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



INFLATION
3.0% ± 1%



CREDIT GROWTH
10%-12% (yoy)



THE VALUE OF ELECTRONIC MONEY TRANSACTIONS:
Rp495.2 trillion



THE VALUE OF DIGITAL BANKING TRANSACTIONS
Rp64,175.1 trillion

POLICY MIX

- Strengthening monetary operations by increasing the interest rate structure in the money market in accordance with the higher BI7DRR.
- Strengthening rupiah stabilisation policy as part of the measures to control inflation, primarily 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 to buy/sell SBN in the secondary market to strengthen transmission of the higher BI7DRR by increasing the attractiveness of SBN yields for foreign portfolio investment inflows to strengthen rupiah stabilisation measures.
- Implementing foreign exchange monetary operations (MO) in the form of foreign currency term deposits (TD) as an instrument for exporters to place export proceeds through banks to Bank Indonesia.
- Continuing prime lending rate (PLR) transparency policy with a focus on the interest rate response in the banking industry to the policy rate.



Strengthening payment system policy to maintain economic recovery momentum as follows:

- Accelerating BI-FAST implementation by expanding BI-FAST participation, including banks and non-bank financial institutions, and service channels, while implementing Phase 1 Stage II services, namely Bulk Credit, Direct Debit and Requests for Payment.
- Accelerating implementation and socialisation of the Domestic Government Credit Card in accordance with the timeline in 2023.
- Continuing to expand QRIS implementation through strategies to achieve 45 million users and 1 billion transactions in 2023, while developing QRIS features and cross-border QRIS.



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 coordinating with relevant government ministries/agencies to ensure a successful ASEAN Chairmanship in 2023, particularly in terms of the Finance Track.

1. GLOBAL ECONOMY

Global economic moderation is deepening beyond the previous projection.

Economic Growth

Projection for world economic growth in 2023:

2.6% >>> 2.3%

Projections for economic growth have experienced significant corrections, accompanied by increasing risk of potential recessions in the United States (US) and Europe.

Financial Market

- Global financial market uncertainty has also begun to ease, thus increasing global capital flows to developing economies.

Inflationary Pressures



There are early indications of milder global inflationary pressures in response to global economic moderation, with high inflation nonetheless.

Monetary Policy Rates



Monetary policy tightening in advanced economies is approaching its peak, with interest rates predicted to remain high throughout 2023.

2. DOMESTIC ECONOMY

At home, the national economy continues to improve on solid domestic demand.

2022



Economic growth is projected with a bias towards the upper bound of the **4.5-5.3%** range.

Economic growth in 2022, driven by:

- Export
- Household Consumption
- Non-Building Investment

Household Consumption



Is expected to accelerate given greater public mobility after the Government ended community activity restrictions (PPKM).

2023



Is predicted to improve in response to the promising business outlook, an influx of foreign direct investment (FDI) and the ongoing completion of national strategic projects (PSN).



Slower export growth is anticipated due to the global economic slowdown, which will be offset, however, by growing demand from China.

3. INDONESIA'S BALANCE OF PAYMENTS (BOP)

A Balance of Payments (BOP) is projected to record a surplus, thus supporting external resilience.



The Current Account in 2022

the current account surplus is projected in the

>>> 0.4%-1.2% of GDP range

thus exceeding the capital and financial account deficit caused by global financial market uncertainty.

Foreign Capital Inflows

Foreign capital inflows returning to domestic financial markets at the beginning of 2023.

Portfolio Investment

Net Inflows
USD 4.6 Billion as of 17th January 2023

Reserve Assets:

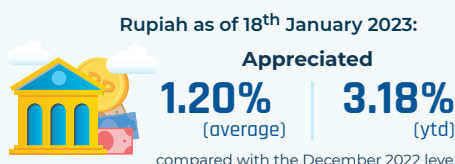
The End of December 2022:

USD 137.2 billion

Equivalent to **6.0** months of imports or **5.9** months of imports and servicing government external debt.

4. EXCHANGE RATE

Rupiah appreciates thereby supporting economic stability.



Rupiah appreciation has outpaced currencies in several other developing economies:



Rupiah stabilisation policy to control imported inflation has been strengthened with foreign exchange monetary operations, including the implementation of foreign currency term deposit (TD) instruments using foreign exchange proceeds of exports (DHE) in accordance with market mechanisms.

5. INFLATION

Inflation is falling faster than expected.



Consumer Price Index (CPI) Inflation

5.51% (yoy) the end of 2022

6.5% (yoy) the Consensus Forecast Projection (after subsidised fuel prices were adjusted in September 2022)



Core Inflation

3.36% (yoy) the end of 2022

4.61% (yoy) the Bank Indonesia projection



Lower CPI and core inflation are the result of close coordination between the Government and Bank Indonesia through a front-loaded, pre-emptive and forward-looking monetary policy response, supported by various control measures targeting volatile food (VF) inflation through the National Movement for Food Inflation Control (GNPIP).

Moving forward, Bank Indonesia is confident:

Core Inflation will remain at the 3.0%±1% target in the first semester of 2023

CPI inflation will return to the 3.0%±1% target in the second semester of 2023.



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.

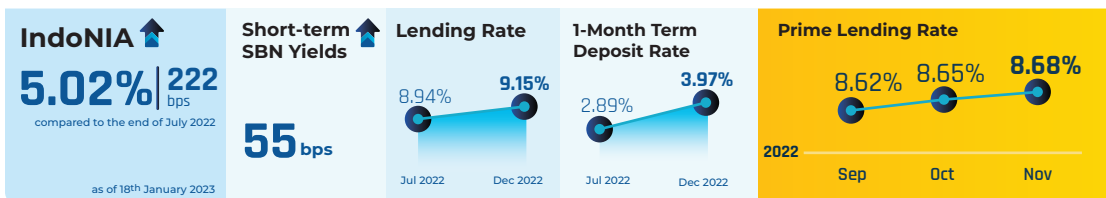


Liquidity in the economy remains ample.



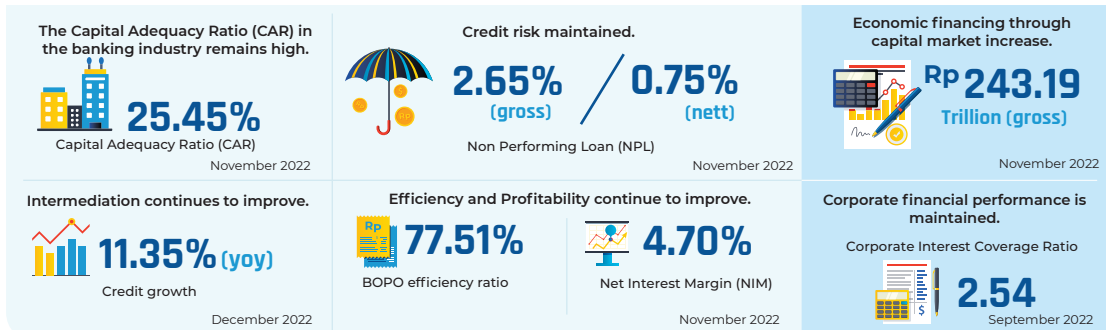
7. INTEREST RATE

Banking interest rate is raising, which nevertheless remain conducive to economic recovery.



8. FINANCIAL STABILITY

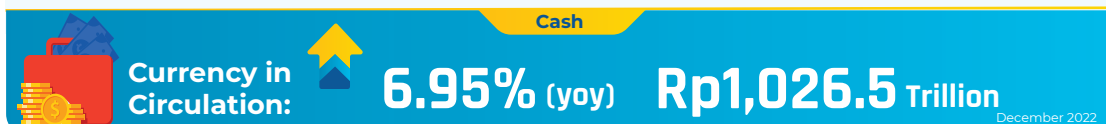
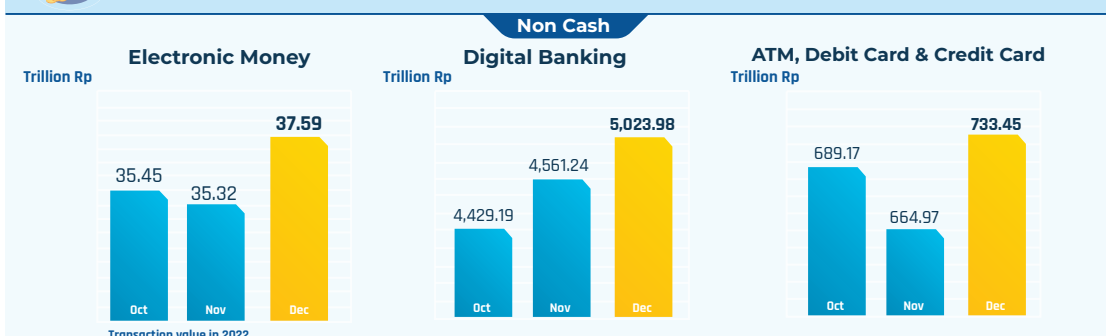
Financial system resilience remains solid, particularly the banking industry, in terms of capital and liquidity.



9. PAYMENT SYSTEM

Continue to maintain stability and increase efficiency by strengthening payment system policy and accelerating digitalisation to sustain economic recovery momentum.

Continue to ensure the availability of quality rupiah currency fit for circulation throughout the territory of the Republic of Indonesia, including (3T) areas.



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