

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

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%**

2022 PROSPECT



ECONOMIC GROWTH
4.5%-5.3%



INFLATION
Beyond The Upper Limit Of The
3.0% ± 1.0%

SYNERGY MAINTAINING STABILITY AND RECOVERY MOMENTUM



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 2023, 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 (TPIP 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, 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.

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.

1. GLOBAL ECONOMY

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

Global Economic Growth

In 2023



Economic growth is expected to decelerate further, particularly in the United States, Europe and China, with the threat of recession looming in several advanced economies.



- Inflation in advanced economies and emerging markets is soaring, with the rising trend of core inflation prompting more aggressive monetary policy in many jurisdictions.
- The US Federal Reserve has hiked the federal funds rate, with potentially more aggressive increases ahead.



- World trade volume is also low.
- Supply disruptions are increasing, thus creating persistently high energy prices.

Financial Market

Strengthened the US dollar and heightened global financial market uncertainty, thus restraining portfolio investment flows and intensifying currency pressures in emerging markets, including Indonesia.

6. LIQUIDITY

Ample liquidity in the banking industry and economy remains.

Bank Indonesia continues to normalise liquidity policy by raising rupiah reserve requirements (RR) and maintaining the RR incentive, which absorbed **Rp269.3 trillion** of liquidity in the banking industry from 1st March to 15th September 2022.

Loose liquidity in the banking industry

26.52%
Ratio of liquid assets to deposits
August 2022

7.77% (yoy)
Deposit Growth
August 2022

Liquidity in the economy remained ample

M1 13.7% (yoy)
The growth of the money supply in a narrow sense
August 2022

M2 9.5% (yoy)
The growth of the money supply in a broad sense
August 2022

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: **Rp102.3 Trillion** as of 20th September 2022

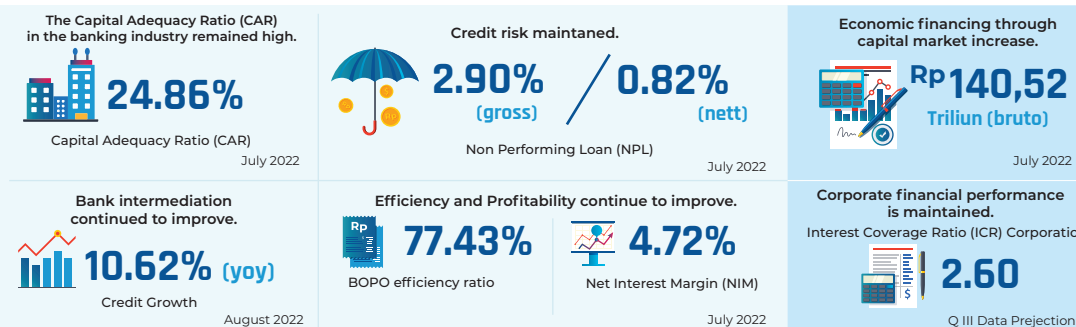
7. INTEREST RATE

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



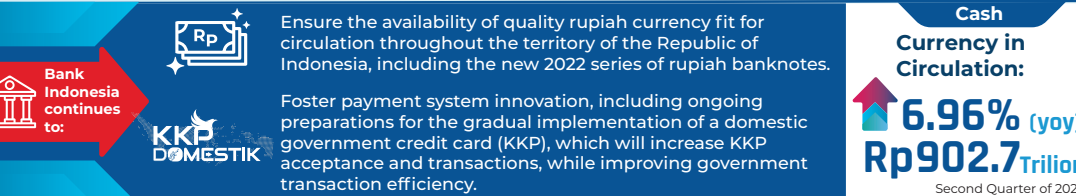
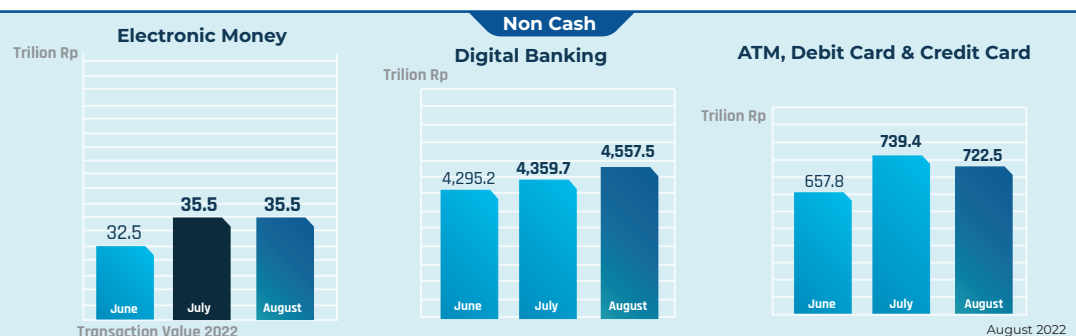
8. FINANCIAL STABILITY

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.



2. DOMESTIC ECONOMY

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

- Private consumption has grown significantly on rising incomes, available financing and stronger consumer confidence in line with increasing mobility.
- Household consumption is supported by government policy to increase social assistance and maintain public purchasing power, particularly among low earners, amid rising inflation after the Government reallocated fuel subsidies.
- Domestic demand has also increased in terms of investment, non-building investment in particular.

August 2022



Several early indicators and the latest surveys conducted by Bank Indonesia are improvements, including:

- Improving consumer confidence
- Retail sales
- Manufacturing Purchasing Managers Index (PMI)



- Solid export performance is expected to persist, specifically in terms of crude palm oil (CPO), coal, iron and steel in line with strong demand in key trading partners and government policy to stimulate CPO exports, while relaxing entry restrictions for international travellers.
- Manufacturing industry, mining and agriculture are improve.

3. INDONESIA'S BALANCE OF PAYMENTS (BOP)

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

Third Quarter of 2022



A strong current account is projected, underpinned by improving export performance on:

- Strong demand in several key trading partners
- Government policy support to stimulate exports
- Persistently high international commodity prices



Portfolio Investment

Third Quarter of 2022
Net Outflows
USD 0.6 Billion

As of 20th September 2022

Reserve Assets:

End of August 2022:

132.2 Billion

Equivalent to **6.1** months of imports or **6.0** months of imports and servicing government external debt.

4. EXCHANGE RATE

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

as of 21st September 2022

Depreciated 1.03% (ptp)
on the level recorded at the end of August 2022

With the support of:

- Domestic foreign exchange supply
- Positive perception concerning Indonesia's economic outlook
- Bank Indonesia stabilisation measures



Moving forward, Bank Indonesia will continue to strengthen rupiah stabilisation policy in line with the currency's fundamental value, thereby reinforcing macroeconomic stability and efforts to manage inflation.

5. INFLATION

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



Consumer Price Index (CPI) -0.21 (mtm) | 4.69% (yoy)



CORE INFLATION 0.38% (mtm) | 3.04% (yoy)



VOLATILE FOOD -2.90% (mtm) | 8.93% (yoy)



ADMINISTERED PRICES 0.33% (mtm) | 6.84% (yoy)

August 2022



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