

BI 7-Day Reverse Repo Rate Held at 3.50%

SYNERGY MAINTAINING STABILITY AND STRENGTHENING RECOVERY

The decision is consistent with the need to maintain exchange rates and financial system stability amid projected low inflation and efforts to revive economic growth. In addition, Bank Indonesia continues to optimise its policy mix towards maintaining macroeconomic and financial system stability, while supporting national economic recovery, including continues to strengthen policy synergy with the Government and Financial System Stability Committee to maintain financial system stability and stimulate lending to the corporate sector and other priority sectors, thus boosting economic growth and exports, while increasing economic and financial inclusion.

1. GLOBAL ECONOMY

The global economic recovery remains intact, though the recent surge of Covid-19 cases and disruptions to the supply chain in several countries demand attention.

Economic Growth

2021 FORECAST
5.8% (yoy)



- The pace of economic recovery in the latter half of 2021 is slower than previously expected in the US, China and Japan.
- Economic recoveries in Europe and Latin America are accelerating, thus underpinning global economic growth.



Manufacturing Purchasing Managers Index (PMI) and retail sales, remain solid despite the PMI Suppliers' Delivery Times Index pointing to transportation delays.



World trade volume and international commodity prices have posted strong gains.

Financial Market



- Global financial market uncertainty has not fully subsided.
- Corporate default in China's financial markets, the US Federal Reserve's tapering policy and rising Covid-19 cases are influencing global investor preferences concerning portfolio flows to developing economies.

2. DOMESTIC ECONOMY

The domestic economy is recovering gradually.



Greater public mobility after the Government relaxed virus-related restrictions in response to a flattening of the Covid-19 curve.



Such dynamics were captured in several early indicators, including retail sales, consumer expectations, Manufacturing PMI as well as payment transactions through the National Clearing System (SKNBI) and Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system.



Moving forward, the economic recovery is expected to endure given the faster vaccination rollout, persistently strong export performance, reopening of more priority sectors and ongoing policy stimuli.

3. INDONESIA'S BALANCE OF PAYMENTS (BOP)

Indonesia's Balance of Payments (BOP) is predicted to remain solid.

Current Account

The current account is expected to improve, supported by a persistent goods trade surplus.



TRADE BALANCE
Surplus
USD 4.7 Billion
August 2021

Capital and Financial Account

Foreign capital inflows maintained.



PORTFOLIO INVESTMENT
Net Inflow
USD 1.5 Billion
July until 17th September 2021

Reserve Assets :

End of August 2021 : **USD 144.8 Billion**

Equivalent to 9.1 months of imports or 8.7 months of imports and servicing government external debt.

4. EXCHANGE RATE

The Rupiah is regaining lost value despite elevated global financial market uncertainty.



As of 20th September 2021

0.18% (ptp)
0.94% (average)
compared to August's level



The stronger Rupiah is supported by:

- Positive perception of investors concerning domestic economic recovery.
- Maintained supply of foreign exchange domestically.
- Stabilisation measures implemented by Bank Indonesia.

5. INFLATION

Inflation remains low, thereby reinforcing economic stability.



Consumer Price Index (CPI) **0.03%** (mtm) | **1.59%** (yoy)



CORE INFLATION
0.21% (mtm) | **1.31%** (yoy)



VOLATILE FOOD
-0.64% (mtm) | **3.80%** (yoy)



ADMINISTERED PRICES
0.02% (mtm) | **0.65%** (yoy)

August 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 national economic recovery.



32.67%
Ratio of liquid assets to deposits

M1

9.8% (yoy) August 2021



8.81% (yoy)
Deposit Growth

M2

6.9% (yoy) August 2021

7. INTEREST RATE

Bank Indonesia's decision to maintain a low policy rate, coupled with loose liquidity conditions in the banking industry, have prompted lower lending rates despite ongoing rigidity.

Overnight Interbank Rate

55 bps
2.82%
(July 2020 – July 2021)

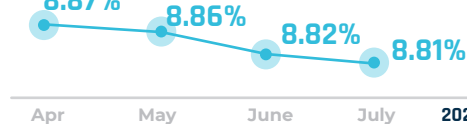
1-month Deposit Rate

205 bps
3.43%
(July 2020 – July 2021)



PLR 8.81%
July 2021

Prime Lending Rates



8. FINANCIAL STABILITY

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

CAR in the banking industry remained high.

24.57%
Capital Adequacy Ratio (CAR)
July 2021

Credit risk maintained.

3.35% / 1.09%
(Gross) / (Nett)
Non Performing Loan (NPL)
July 2021

Economic financing through capital market increase.

Rp 99.47 Trillion (Gross)
July 2021

Intermediation needs to be improved.

1.16% (yoy)
Credit Growth
August 2021

Efficiency and Profitability slightly increase.

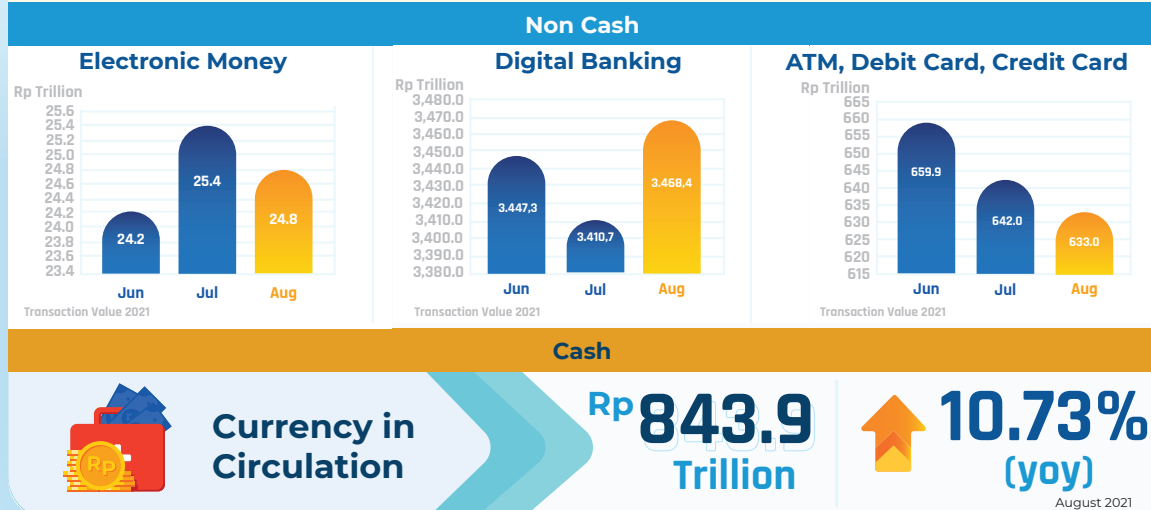
84.23%
BOPO efficiency ratio
4.54%
Net Interest Margin (NIM)
July 2021

Corporate financial performance is maintained.

1.88
Corporate Interest Coverage Ratio (ICR)
Q-II 2021

9. PAYMENT SYSTEM

Bank Indonesia continues to bolster digital economic and financial ecosystem integration by strengthening payment system policy and policy coordination with other relevant authorities.



2021 PROSPECT



ECONOMIC GROWTH
3.5%-4.3%



CURRENT ACCOUNT
Deficit in the range of 0.6%-1.4% of GDP



INFLATION
Within the 3.0% ± 1% target corridor



CREDIT GROWTH
In the range of 4%-6%

The BI Board of Governors Meeting agreed on 20th and 21st September 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.



4. Accelerating the expansion of QRIS merchants, targeting markets, shopping malls and places of worship, to increase digital economic and financial ecosystem integration, while simultaneously supporting health protocols.



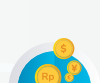
2. Continuing the strengthening strategy for monetary operations to reinforce the effectiveness of the accommodative monetary policy stance.



5. Strengthening policy coordination with the Government in relation to trialling social aid program (bansos) digitalisation and government transaction electrification to increase government spending realisation.



3. Strengthening prime lending rate (PLR) transparency policy by deepening the assessment of PLR transmission to interest rates on new loans by loan type and bank group.



6. Promoting trade and investment as well as continuing to socialise the use of local currency settlement (LCS) in conjunction with other relevant institutions. In September and October 2021, Bank Indonesia will promote trade and investment in Japan, China and UK.