

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

SYNERGY MAINTAINING STABILITY AND RECOVERY MOMENTUM

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

BI 7-Day Reverse Repo Rate (BI7DRR) to **5.75%**

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

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



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) 225 bps 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

ASSESSMENT



1. GLOBAL ECONOMY

Global economic moderation is deepening beyond the previous projection.



2. DOMESTIC ECONOMY

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



3. INDONESIA'S BALANCE OF PAYMENT

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



4. EXCHANGE RATE

Rupiah appreciates thereby supporting economic stability.

The Rupiah as of 18th January 2023:

Appreciated
3.18% (ytd)

compared with the December 2022 level
Rupiah appreciation has outpaced currencies in several other developing economies:


Philippines
2.08% (ytd)


Malaysia
2.04% (ytd)


India
1.83% (ytd)



5. INFLATION

Inflation is falling faster than expected.

Consumer Price Index (CPI) Inflation
5.51% (yoy)
The end of 2022

6.51% (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



6. LIQUIDITY

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

Ratio of Liquid Assets to Deposits
31.20%
December 2022

Deposit Growth
9.01% (yoy)
December 2022

Liquidity in the economy remains ample

The growth of the money supply in a narrow sense
M1 9.5% (yoy)
December 2022

The growth of the money supply in a broad sense
M2 8.3% (yoy)
December 2022



7. INTEREST RATE

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

IndoNIA ↑
5.02%
compared to the end of July 2022 as of 18th January 2023

Short-term SBN Yields ↑
55 bps

Lending Rate
8.94% → **9.15%**
Jul 2022 → Dec 2022

1-Month Term Deposit Rate
2.89% → **3.97%**
Jul 2022 → Dec 2022

Prime Lending Rate ↑
8.68% | **3 bps**
October - November 2022



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.

Transaction Value:

Electronic Money

↑ **Rp37.59 Trillion**
24.75% (yoy)

December 2022

Digital Banking

↑ **Rp5,023.98 Trillion**
13.88% (yoy)

December 2022

ATM, Debit Card & Credit Card

↑ **Rp733.45 Trillion**
16.85% (yoy)

December 2022

Currency in Circulation

↑ **Rp1,026.5 Trillion**
6.95% (yoy)

December 2022

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.



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