

BI 7-Day Reverse Repo Rate Raised 25 bps to 5.50%

SYNERGY MAINTAINING STABILITY AND RECOVERY MOMENTUM

The BI Board of Governors Meeting agreed on 21st and 22nd December 2022 to raise:

BI 7-Day Reverse Repo Rate (BI7DRR) to **5.50%**

Deposit Facility (DF) rate to **4.75%**

Lending Facility (LF) rate to **6.25%**



The decision as a follow-up step in a front-loaded, pre-emptive, and forward-looking measure to ensure continued lower expected inflation and inflation so that core inflation is maintained within the range of 3.0±1%.



The Rupiah exchange rate stabilization policy is continuously strengthened to control imported inflation in addition to mitigating spillover effects arising from the strong US dollar and elevated global financial market uncertainty.

Economic Prospects

ECONOMIC GROWTH

CURRENT ACCOUNT

INFLATION

2022

Upward bias of the 4.5-5.3% range

Surplus of 0.4% - 1.2% of GDP

Above the 3.0±1% target

2023

Midpoint of the 4.5-5.3% range

Surplus of 0.4% - deficit of 0.4% of GDP

3.0±1%

ASSESSMENT

1. GLOBAL ECONOMY

Global economic growth decelerates along with high uncertainty.

2. DOMESTIC ECONOMY

Domestic economic growth in Indonesia remains favorable.

Economic Growth:



Domestic demand is resilient affected by households purchasing power and maintained confidence of economic players.

3. INDONESIA'S BALANCE OF PAYMENT

Indonesia's Balance of Payment remains strong to support external resilience.

4. EXCHANGE RATE

Consistent with Bank Indonesia's stabilization measures, Rupiah stability was well manageable despite elevated global financial market uncertainty.

The US dollar (DXY) Index
Remain high
104.16

as of 21st December 2022

The Rupiah as of 21st December 2022:

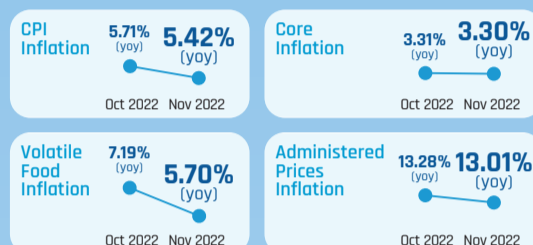
Depreciated
8.56% (ytd)
compared to the end of 2021

Comparatively lower than the currency depreciation experienced in other peer countries, such as:



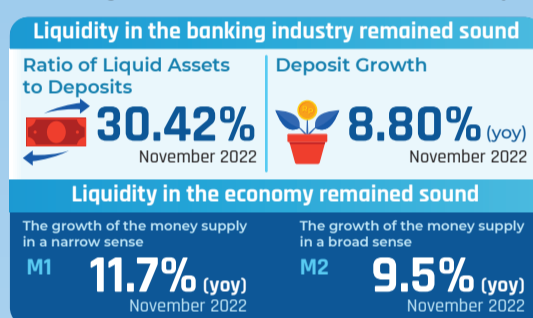
5. INFLATION

Expected inflation and monthly inflation constantly decrease and become lower than previously projected, although remain high.



6. LIQUIDITY

Liquidity in the banking industry and economy is still adequate to stimulate lending/financing and continued economic recovery.



7. INTEREST RATE

Banking interest rate remains supportive to 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 continues to improve payment system efficiency by strengthening payment system policy and accelerating payment system digitalization to maintain economic recovery momentum. Bank Indonesia continues to ensure the availability of quality rupiah currency fit for circulation throughout the territory of the Republic of Indonesia and ensure orderly national payment in anticipation of Christmas and New Year.

Transaction Value:



POLICY MIX



Strengthening monetary operations by increasing the interest rate structure in the money market in accordance with the higher BI7DRR.



Strengthening Rupiah exchange rate stabilization policy as part of the measures to control inflation.



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 exchange rate stabilization measures.



Issuing new foreign exchange monetary operation (MO) instruments to boost placement of Export Proceeds, especially from Natural Resource, domestically.



Strengthening accommodative, inclusive, and sustainable macroprudential policy through amendment the reserve requirement (GWM) incentive to be applied from 1 April 2023.



Continuing prime lending rate (PLR) transparency policy with a focus on bank's interest rate responses to the policy rate.



Strengthening payment system policy to increase efficiency in order to maintain economic recovery momentum by extending the validity of penalty for late credit card payment of 1% or Rp100,000 at the maximum and extending the validity of QRIS Merchant Discount Rate (MDR) for merchants in the Micro Business category at 0% until 30 June 2023.



Taking strategic steps to ensure orderly national payment system to anticipate Christmas and New Year.



Strengthening international cooperation with other central banks and partner country authorities, and facilitation of investment and trade promotion implementation in priority sector in cooperation with the relevant institutions. In addition, Bank Indonesia coordinates with the relevant Ministries/Institutions for successful 2023 ASEAN Chairmanship, especially in the finance track.



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