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## 5. Monetary Policy Response, Q3/2007

Based on Bank Indonesia's assessment and evaluation of macroeconomic performance and monetary aggregates in Q2/2007, it can be concluded that the Indonesian economy is on the right track. Various economic indicators point to positive trends alongside the stability maintained in macroeconomic indicators and the financial system. In view of the steady improvement in the economy and confidence in the outlook for achievement of the inflation target, set at  $6\pm 1\%$  and  $5\pm 1\%$  for 2007 and 2008, there is room for further relaxation of monetary policy. **In the Board of Governors' Meeting convened on 5 July 2007, Bank Indonesia decided to lower the BI Rate by 25 bps to 8.25%.** This easing in the rate is expected to sustain the momentum for accelerated economic activity while maintaining macroeconomic stability for the future.

**In monetary policy, BI will adhere to a prudent, measured course** while carefully monitoring the dynamics in the economy. Developments in microeconomic conditions, macro stability and prospects will be carefully evaluated on an ongoing basis. **The Inflation Targeting Framework (ITF), launched two years ago, will continue to be implemented on a consistent basis.** The ITF has shown encouraging results, demonstrated in the downward trend in inflation, stable public expectations of inflation and the stable value of the rupiah. From there, Bank Indonesia's efforts to keep inflation at an optimum level are expected to provide added momentum for the economy.