

SYNERGY STRENGTHENING NATIONAL ECONOMIC RESILIENCE AND REVIVAL

**ECONOMIC
REPORT
ON INDONESIA**

2023

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The Bank Indonesia Office Complex (Koperbi), located in the new capital city of the Indonesian archipelago (IKN), is based on the concept of the Garuda Bird in flight and metamorphosing into a physical form. It symbolises Bank Indonesia's presence in the nascent capital city as part of the journey towards an advanced Indonesia or *Indonesia Maju* (Advanced Indonesia). The golden hues outlining the sketch signify glory, authority and nobility, while the bright accents embellishing the Garuda Bird represent optimism in the spirit of revival. The red nuances of the Dayak fern motif denote eternal life, courage, strength and fighting spirit. The digital lines that form the building's foundations reflect Indonesia's readiness to embrace the era of the digital economy. Blue shades characterise professionalism and credibility in terms of building the domestic economy, coupled with an avowed commitment to collaborate in synergy with various elements of the nation towards the realisation of *Indonesia Maju*.







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The Economic Report on Indonesia is an evaluation report on the implementation of Bank Indonesia policies in the previous year, as well as Bank Indonesia's policy direction and target setting for the coming year. This fulfills Bank Indonesia's obligation to convey information to the public as intended in Article 58 paragraph (7) of Act No. 23 of 1999 concerning Bank Indonesia as last amended by Act No. 4 of 2023 concerning Development and Strengthening of the Financial Sector.



VISION

To become the foremost digital central bank with strong governance that creates a tangible contribution to the national economy, while becoming the best central bank amongst emerging market countries towards an advanced Indonesia or *Indonesia Maju* (Advanced Indonesia).

MISSION

1. To achieve and maintain Rupiah stability through effective monetary policy and the Bank Indonesia policy mix, sustainably, consistently and transparently, towards fostering sustainable economic growth.
2. To maintain payment system stability by instituting payment system policies, regulations, licensing, implementation and supervision, as well as Rupiah currency management, which includes accelerating the digital economy and finance to foster sustainable economic growth.
3. To maintain financial system stability by formulating and instituting macroprudential policies that nurture sustainable economic growth.
4. To support macroeconomic stability and sustainable economic growth through the Bank Indonesia policy mix, synergized with the (central and regional) Government, relevant authorities or institutions, and/or other strategic partners, as well as international cooperation.
5. To increase financial market deepening through money market and foreign exchange market regulations, supervision and development, including the supporting infrastructure, towards strengthening Bank Indonesia policy effectiveness and supporting national economic financing.
6. To increase economic-financial inclusion, including sustainable (conventional and Islamic) finance, and consumer protection through policymaking and the implementation of Bank Indonesia's work program.
7. To create a digital-based central bank in terms of the policies and institutional arrangements by prioritising a good and professional Bank Indonesia Institutional and Policy Governance System through resource and organisational management.

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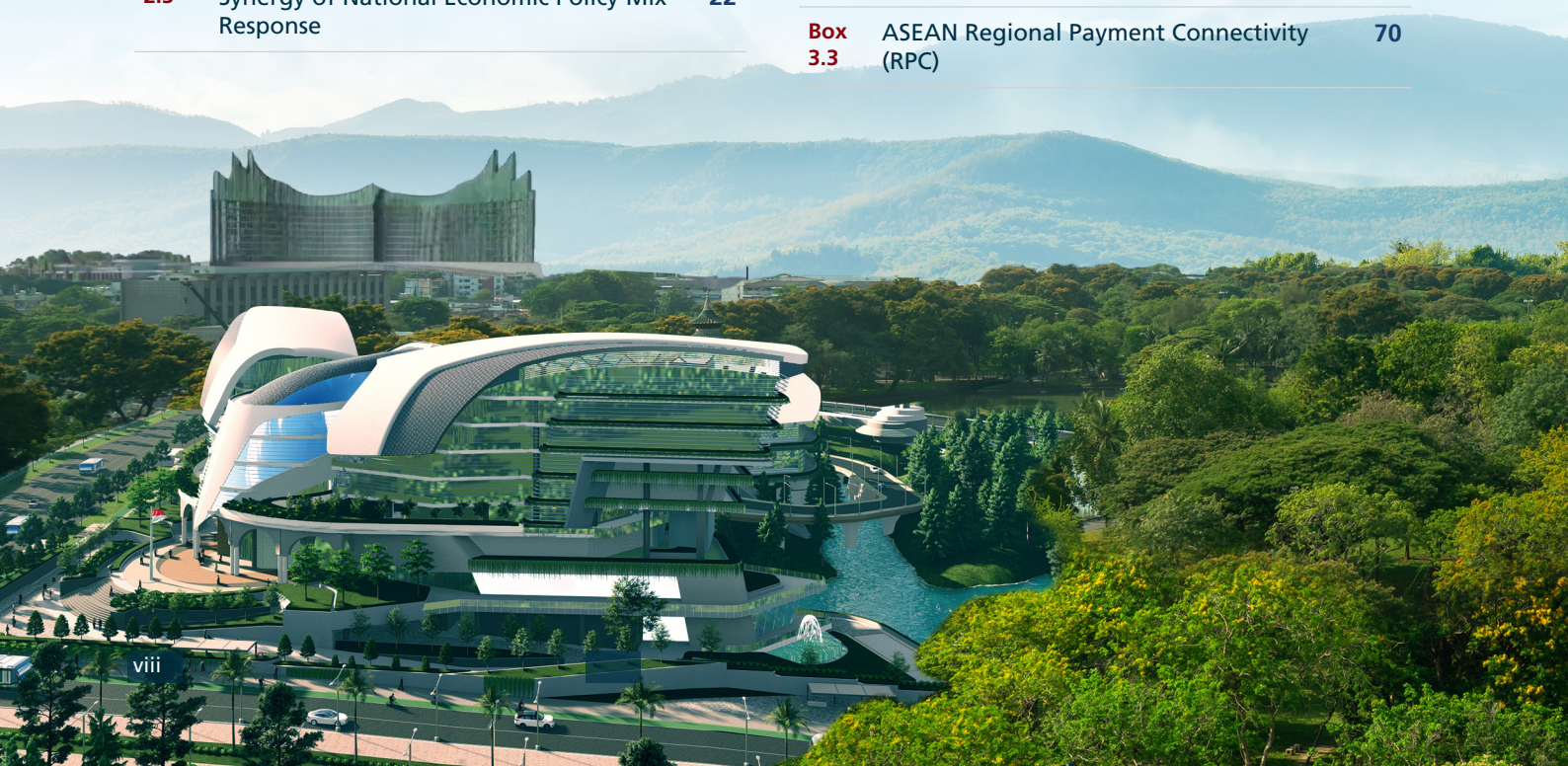
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DODY B. WALUYO

DEPUTY GOVERNOR

Served until 18 April 2023





Foreword



PERRY WARJIYO
GOVERNOR

Let us offer praise and thanksgiving to Allah *Subhanahu wa Ta'ala* (SWT), God the Almighty, for by His Mercy and Grace Bank Indonesia is able to present the Economic Report on Indonesia 2023 publication for transparency of Bank Indonesia policy towards the public as mandated in article 58 paragraph (7) of Act No. 23 of 1999 concerning Bank Indonesia as amended several times, lastly by Act No. 4 of 2023 concerning Development and Strengthening of the Financial Sector.

It is befitting that we give thanks for the sustained resilience and sound growth of the Indonesian economy in 2023 amid the challenges of global economic turmoil. The economy maintained vibrant growth alongside prudently managed stability. Indonesia's balance of payments were again strong, supported by healthy performance in the current account and by a capital and financial account in surplus despite heightened uncertainties in the global economy. The Rupiah exchange rate remained stable with support from the Bank Indonesia stabilisation policy during a time of a strong US dollar. Inflation eased at a faster pace and was curbed within the targeting range. Credit growth increased alongside prudently managed resilience of the banking system and financial system stability, bolstered by sustained adequate liquidity, strong capital and low credit risk.

Indispensable to Indonesia's resilient economic performance and healthy growth was the consistency of the Bank Indonesia policy mix working in synergy with the national economic policy mix.

Indispensable to Indonesia's resilient economic performance and healthy growth was the consistency of the Bank Indonesia policy mix working in synergy with the national economic policy mix. In 2023, Bank Indonesia optimised a range of policy instruments that paved the way for mitigation of the negative impacts of global spillover within the context of preserving stability and supporting national economic growth. Monetary policy prioritising inflation control whereas Rupiah exchange rate stability was implemented by measured actions that sustained healthy economic growth. At the same time, the easing of macroprudential policies and payment system policies focused on support for economic growth while preserving stability. Key to these positive economic achievements was the close synergy of the Bank Indonesia policy mix with the Government and the Financial System Stability Committee (KSSK).

Three important lessons can be drawn from the continued strong resilience of the economy in 2023. *First*, the resilient performance in the national economy was in no small part attributable to the strength of the Government and Bank Indonesia synergy in the national economic policy mix. United we are strong and will rise together, epitomising the strength of ***The Power of We***. *Second*, the consistency of Bank Indonesia policies in safeguarding the economy, particularly from the threats posed by the Covid-19 crisis and uncertainties of

global economic turbulence, represented a tangible contribution to the national economy in keeping with the Bank Indonesia vision and work culture of delivering a vital contribution – “**I Take Pride in the Importance of BI**.” *Third*, innovation in formulating policy mix responses supported by highly developed competence and proven theoretical frameworks (**book smart**), the ability to learn strategic lessons from a wealth of experience and continue to build strength (**street smart**), and the upholding of sincerity in intentions and virtuous character (**spiritual smart**) comprised the essential principles in the success of sustaining national economic resilience.

Looking to the future, the dynamics in the global economy are projected to change rapidly amid continued high uncertainty, all of which call for vigilance, foresight and appropriate responses. In this regard, the Bank Indonesia policy mix in 2024 will again focus on preserving stability and driving economic growth, working in close synergy with national economic policy. In 2024, the Bank Indonesia monetary policy will retain a pro-stability focus in order to safeguard macroeconomic stability by adhering to the inflation target and preserving Rupiah stability. Meanwhile, four other Bank Indonesia policies for macroprudential regulation, the payment system, financial market deepening and the inclusive and green economy and finance will aim for and comprise part of the national economic policy synergy for driving sustainable economic growth (pro-growth). Like before, Bank Indonesia will also continue to forge closer synergy and coordination with Government policy and the KSSK as well as with the financial industry, business and associations in order to strengthen national economic resilience, recovery and revival in the medium-long term in moving towards an Advanced Indonesia. Various perspectives on the economy are presented in the Economic Report on Indonesia 2023, featuring the theme of Synergy Strengthening National Economic Resilience and Revival. The main substance of the Economic Report on Indonesia 2023 is presented in the first five chapters: Chapter 1, Global Economic Performance and Prospects: Moderating Growth, Heightened Uncertainty; Chapter 2, National

Economic Performance and Prospects: Stability Maintained, Recovery Intact; Chapter 3, Bank Indonesia Policy Mix in 2023: Maintaining Stability, Supporting Sustainable Growth; Chapter 4, National Economic Policy Mix Synergy: Five Directions of the Policy Response; and Chapter 5, Bank Indonesia Policy Mix Direction in 2024: Maintaining Stability, Reviving Sustainable Growth. The publication of the Economic Report on Indonesia 2023 is also supplemented with thematic narratives in Chapter 6, Indonesia’s ASEAN Chairmanship in 2023, ASEAN Matters: Epicentrum of Growth; and Chapter 7, Strengthening Downstreaming Policy for Economic Revival. An enriched assessment of the domestic economy is presented in a box titled Economic Implications of the Demographic Transition. Detailed elaborations of the Bank Indonesia policy mix in 2023 are presented in three boxes in Chapter 3: Strengthening of the Macroprudential Liquidity Incentive Policy, Launching of the Government Segment Indonesia Credit Card, and ASEAN Regional Payment Connectivity (RPC).

In conclusion, our hope is that the Economic Report on Indonesia will have a lasting role as a key, quality reference work about Bank Indonesia policies and the Indonesia’s economic performance, while bolstering optimism for an even better outlook for the Indonesian economy. That optimism is also reflected in the Garuda Bird design for the Bank Indonesia Office Complex building in Nusantara, the new capital city, representing tenacity and fortitude for revival. May Allah *Subhanahu wa Ta’ala* (SWT), God the Almighty, bestow upon us guidance, lightening of our burdens, excellence and abundance of blessings as we continue delivering an impactful contribution for the advancement of the Indonesian economy.

Jakarta, 31 January 2024

Governor of Bank Indonesia



Perry Warjiyo