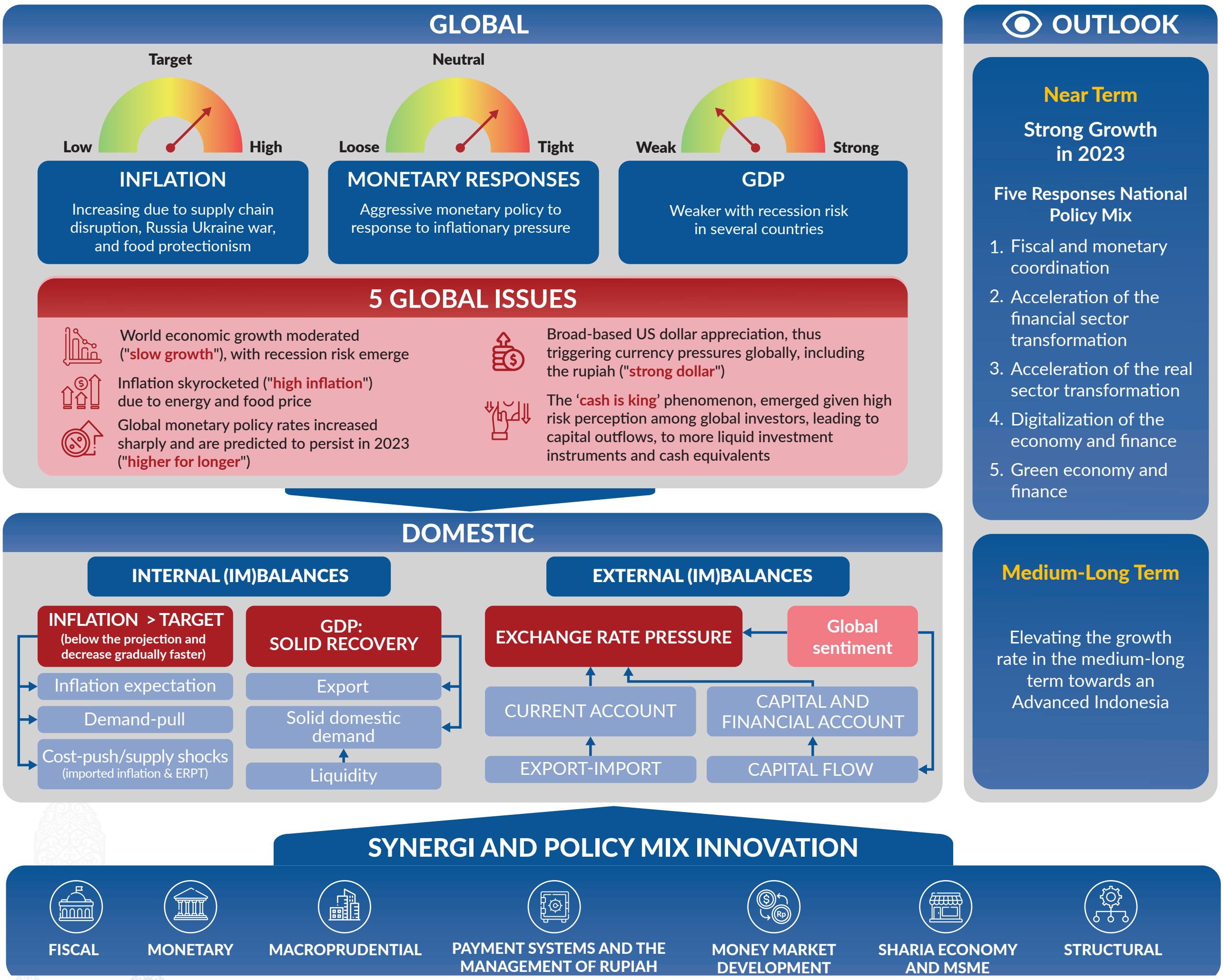
OVERVIEW

SYNERGY AND INNOVATION STRENGTHENING RESILIENCE AND REVIVAL TOWARDS ADVANCED INDONESIA

The global economy experienced another downturn in 2022, triggered by global geopolitical tensions that increased recession risk and led to high inflation. Policy synergy and innovation between Bank Indonesia and the Government, under the auspices of the Financial System Stability Committee (KSSK), effectively maintained economic resilience against the global turmoil and sustained the momentum of national economic recovery in 2022. Moving forward, the Bank Indonesia policy mix and close synergy with national economic policy will continue to be strengthened, thus bolstering economic resilience and accelerating the economic recovery and revival. A promising national economic outlook is projected for Indonesia, supported by an economic structure that is resilient in the medium-long term, thereby strengthening Indonesia's transformation towards an advanced economy.

Increasing global economic turmoil in 2022 posed various challenges for efforts to accelerate the national economic recovery. The global risks were triggered by a protracted war between Russia and Ukraine that reignited political and economic fragmentation. In general, five interrelated issues emerged in 2022, each demanding vigilance due to the potential spillover pressures on the national economy. *First*, world economic growth moderated as a corollary of political and economic fragmentation globally, with recession risk emerging in the United States and Europe (slow growth). *Second*, inflation skyrocketed in advanced economies due to food and energy supply disruptions (high inflation). *Third*, global monetary policy rates increased sharply and are predicted to persist in response to soaring inflation, such as the federal funds rate (FFR) (higher for longer). *Fourth*, broad-based US dollar appreciation in line with FFR hikes and global financial market uncertainty, thus triggering currency pressures globally, including the rupiah (strong dollar). *Fifth*, the 'cash is king' phenomenon emerged given high risk perceptions among global investors, leading to capital outflows from emerging economies, including Indonesia, to more liquid investment instruments and cash equivalents (Diagram 1). Such developments demanded increased vigilance and an appropriate policy response due to the potential risk of stagflation, recession and high inflation (resflation).

Diagram 1. Economic Challenges as well as Policy Synergy and Innovation to Strengthen Resilience and Revival Towards Advanced Indonesia



Bank Indonesia strengthened policy synergy and innovation with the Government and Financial System Stability Committee (KSSK) to maintain economic resilience against the global risks and to strengthen the ongoing national economic recovery. The Government oriented fiscal policy as a shock absorber to protect Indonesians, support priority sectors and nurture national economic recovery, including massive fiscal stimuli for Covid-19 handling and domestic price stabilisation. Bank Indonesia aligned the full panoply of policy mix instruments, as an integral part of the national policy direction, towards accelerating the economic recovery and simultaneously maintaining stability. Amid early signs of economic recovery and to safeguard the domestic economy from global spillovers, Bank Indonesia oriented monetary policy towards maintaining stability (pro-stability), while implementing macroprudential policy, payment system policy, financial market deepening as well as economic and financial inclusion (pro-growth). Fiscal and monetary policy synergy was further strengthened through BI participation in funding the State Budget (APBN), including the health and humanitarian aspects of the Covid-19 pandemic. In addition, Bank Indonesia also strengthened coordination with the Government and KSSK to maintain financial system stability and revive lending to businesses in priority sectors, thereby fostering economic growth, exports as well as economic and financial inclusion.

Policy synergy was a key factor for economic recovery sustainability and the maintenance of stability in 2022. Export performance remained solid in line with strong demand in several of Indonesia's major trading partners, supported by government policy. Economic growth in 2022 is projected to accelerate into the 4.5-5.3% range, with a bias towards the upper bound. External stability was also maintained, supported by a healthy balance of payments in line with a current account surplus despite pressures on the capital and financial account, particularly in terms of portfolio investment. The positive balance of payments and agile Bank Indonesia response contributed to maintaining rupiah stability, notwithstanding the strong dollar phenomenon and elevated global financial market uncertainty. Inflation exceeded the target in 2022 after an adjustment to subsidised fuel prices, however the resulting inflation rate was lower than initially projected and is forecast to return to the target corridor in 2023. Financial system stability was maintained in 2022 along with resilience while financial intermediation accelerated.

A significant 2022 agenda item was Indonesia's G20 Presidency, under the theme of "Recover Together, Recover Stronger". This global agenda had strategic importance to strengthen global coordination in mitigating the near term global economic risks and bolstering world economic resilience over the medium term. In synergy with the Ministry of Finance and other government ministries/agencies, Bank Indonesia played an active role in the Finance Track. Six main agenda items were the focus of discussions in the finance track, namely: exit strategy to support recovery; addressing scarring effects to secure future growth; payment systems in the digital era; sustainable finance; digital financial inclusion; international taxation. Based on these discussions, Indonesia's G20 Presidency successfully yielded various agreements and recommendations to be used as references and/or considerations for member countries when formulating future policies.

Looking ahead, Bank Indonesia will continue to orient its policy mix in 2023 towards strengthening economic resilience and accelerating economic recovery and revival in close synergy with national economic policy. The direction of the policy mix will simultaneously serve to dampen the spillover effect of global shocks. To that end, pro-stability monetary policy in 2023 will remain oriented towards preserving stability (pro-stability), while maintaining a front-loaded, pre-emptive and forward-looking policy rate to continue reining in inflation expectations and manage core inflation down into the 3.0%±1% target corridor. Meanwhile, macroprudential policy, payment system digitalisation, money market development as well as the green and inclusive economy and finance will be oriented towards accelerating the national economic recovery (pro-growth). In addition, the policy direction of Bank Indonesia will continue to work in synergy with the national economic policy mix to foster economic growth in Indonesia towards its medium term path in pursuit of *Indonesia Maju* (Advanced Indonesia).

The economic recovery in Indonesia is projected to remain intact in the near term and to gain momentum over the medium term. In 2023, the economy is forecast to expand at a healthy pace, notwithstanding a slight moderation towards the midpoint of the 4.5-5.3% range in line with a softening of the world economic growth outlook. External stability will be maintained on the back of solid balance of payments' performance. Inflationary pressures will also be brought under control in the 3.0%±1% target corridor, while financial system stability will be maintained. In the medium term, the national economy is expected to regain momentum on a path towards Advanced Indonesia. This outlook is supported by the ongoing global economic recovery and stronger domestic economic performance in response to structural reforms in the real sector, coupled with an acceleration of national digital economy and finance. In the medium term, Bank Indonesia projects national economic growth to increase towards 5.0-5.8% in 2027. Inflation will remain under control in the 1.5-3.5% range, supported by higher economic productivity and efficiency. Bank Indonesia also predicts a manageable current account deficit in the 1.2-2.0% of GDP range, thereby bolstering external sector resilience in Indonesia. Overall, therefore, Indonesia is expected to become a high-income advanced economy by 2047.

The promising medium term domestic economic outlook will be supported by policy synergy to accelerate economic transformation in Indonesia towards an advanced economy. To this end, structural reform will be strengthened continuously, including through Bank Indonesia policy transformation. Transformation and innovation of the main Bank Indonesia policy mix (monetary policy, macroprudential policy, payment system policy and rupiah currency management) will remain ongoing concerns along with the supporting policies that are necessary in response to increasingly complex economic dynamics. Meanwhile, Bank Indonesia will accelerate payment system digitalisation as key to supporting solid and inclusive economic growth. Entering a new era of economic and financial digitalisation, Bank Indonesia remains agile in terms of accelerating an inclusive and efficient digital economy and finance. In that regard, Bank Indonesia will develop the Digital Rupiah as the sole digital payment instrument considered legal tender in Indonesia for various digital economic and financial transactions. Digital Rupiah development encompasses three salient features, namely: (i) developing a digital platform for the *Khazanah Digital Rupiah (KDR)* or the Digital Rupiah Vault for issuance purposes as well as determining banks and non-banks as wholesale distributors; (ii) developing integrated, interconnected and interoperable (3I) payment system and money market infrastructure; and (iii) selecting compatible platforms and technologies based on the platforms developed by other central banks and international organisations. The initiative is outlined in a white paper published by Bank Indonesia, entitled Project Garuda, which contains the rationale and roadmap for Digital Rupiah development, to be implemented gradually.

Global Economy: Worsening with Recession/Inflation Risk

Global geopolitical tensions triggered by the protracted war between Russia and Ukraine have again undermined the outlook for world economic growth. The Russia-Ukraine war and ensuing rounds of sanctions have restrained the global supply of commodities. Such conditions exacerbated global supply chain disruptions, especially in light of the ongoing trade war between the US and China and Covid-19 mobility restrictions, which remained an issue in China. Consequently, global economic growth moderated in line with lower aggregate supply brought on by global political and economic fragmentation as well as supply chain disruptions. World economic growth in 2022 was revised down from 4.4% (the initial projection for 2022) to 3.0%, before declining further to 2.3% in 2023. Sharp corrections occurred in the US, Europe and Latin America in 2023 on lower supply and demand. On the supply side, the decline stems from limited energy supply, with the demand side impacted by aggressive monetary tightening and weaker consumer purchasing power squeezed by high inflation.

Global inflation climbed steeply in 2022 due to sharp increases in international food and energy prices. Against a backdrop of ultra-stimulus policies during the Covid-19 pandemic, a combination of supply-side imbalances and demand-side recovery pushed up inflation significantly. The imbalances arose from global supply chain disruptions and labour market tightness in several countries, pushing up prices further. The war between Russia and Ukraine triggered further supply disruptions, raising energy and food prices due to Russia's role as a large global energy and metal producer. Such dynamics sparked soaring prices of oil, coal and nickel, among others, in the first semester of 2022 and intensified pressures on global inflation. The intensity of inflationary pressures varied between jurisdictions based on domestic supply conditions and the policy response taken by the relevant authorities. Overall, the impact of this political and economic fragmentation on inflation in developing economies was milder than in advanced economies, except in Latin America.

The challenges became even more complex when central banks around the world tightened monetary policy to control rising inflation. The US Federal Reserve (Fed) and European Central Bank (ECB), as well as central banks in several emerging economies, hiked their respective policy rates aggressively in 2022. The FFR increased from 0-0.25% at the beginning of 2022 to 4.25-4.50% by the end of the year, with expectations of a further hike to 4.75-5.00% in the first quarter of 2023 and of high rates persisting longer to rein in inflation. Consequently, world economic growth is moderating, accompanied by recession risk in the US and Europe, reflecting declining aggregate demand caused by monetary tightening and an erosion of consumer purchasing power brought on by high inflation.

Global financial market uncertainty also increased significantly. Aggressive policy rate hikes by the Fed have created a very strong US dollar and triggered broad-based depreciation pressures on various global currencies, including the rupiah. Also, risks have increased in global financial markets, which prompted a portfolio rebalancing among global investors as they withdraw funds from securities in favour of more liquid instruments. At the extreme, a "cash is king" phenomenon also emerged. Overall, such inauspicious developments have been compounded by global economic and financial spillovers through the trade channel and financial channel to developing economies, including Indonesia. Global economic developments, therefore, still require close attention and an optimal response due to the impending risk of stagflation, even recession and high inflation.

Domestic Economy: Cautiously Optimistic

The domestic economic recovery is intact despite the downgraded global economic outlook. Economic growth continued to accelerate through the third quarter of 2022, achieving 5.72% (yoy) (Table 1). Robust growth was supported by solid export performance and domestic demand given increasing community mobility and continuing public purchasing power. Economic improvements throughout 2022 were underpinned by stronger economic growth in all regions of the archipelago. Overall, economic growth in 2022 is projected with a bias towards the upper end of Bank Indonesia's 4.5-5.3% projection. Furthermore, similar economic gains are expected in 2023, with a mild moderation predicted towards the midpoint of the 4.5-5.3% range. Persistently strong domestic demand in line with increasing mobility and the ongoing completion of national strategic projects (PSN) will sustain Indonesia's economic recovery, despite slightly softer export performance in response to global economic moderation. Economic growth is projected to rebound in the 4.7-5.5% range in 2024.

Indonesia's balance of payments remained solid, supporting external resilience. A healthy current account was maintained in 2022 on the back of solid exports in line with high international commodity prices and improving global demand for Indonesian commodities. Overall, the current account in 2022 is projected to record surplus of a 0.4-1.2% of GDP. Meanwhile, the capital and financial account was primarily supported by investment in the form of foreign direct investment (FDI), which offset the outflow of foreign portfolio investment caused by global financial market uncertainty. Taken together, these factors supported a manageable and comparatively narrow overall deficit in 2022. The position of reserve assets at the end of December 2022 stood at USD137.2 billion, more than adequate to safeguard Indonesia's external resilience. In 2023, a solid balance of payments performance is projected to continue, underpinned by a sound current account, coupled with a capital and financial account surplus in line with more FDI and a return of portfolio investment inflows. The current account surplus is expected to narrow a little and possibly swing into a small deficit (into a range of -0.4 to 0.4% of GDP) on softer export performance compared with conditions in 2022 due to global economic moderation. Notwithstanding these movements, Bank Indonesia stabilisation measures will maintain rupiah stability despite persistently elevated global financial market uncertainty. At the end of 2022, the value of the rupiah stood at Rp15,568 per US dollar, depreciating 8.45% from the level recorded at the end of 2021. Notably, this rupiah depreciation during 2022 was less severe than experienced by currencies in several other countries in the region, including the Philippines (8.50%) and India (10.15%). Moving forward, Bank Indonesia will continue to strengthen rupiah stabilisation policy in line with the currency's fundamental value to bolster inflation control measures and reinforce macroeconomic stability.

The policy response instituted by Bank Indonesia, accompanied by close synergy with the Government, effectively dampened inflationary pressures despite adjustments to fuel prices in September 2022. Fuel price hikes intensified monthly inflationary pressures significantly in September 2022 before

Table 1. Domestic Economic Indicators

Components	2020	2021	2022			
			I	II	III	IV
Economic Growth (Percent, yoy)	**-2.07**	**3.69**	**5.02**	**5.45**	**5.72**	
Household consumption (Percent, yoy)	-2.63	2.02	4.34	5.51	5.39	
Government consumption (Percent, yoy)	1.96	4.17	-6.94	-4.86	-2.88	
GFCF (Percent, yoy)	-4.96	3.80	4.09	3.07	4.96	
GFCF construction (Percent, yoy)	-3.78	2.32	2.58	0.92	0.07	
GFCF non-construction (Percent, yoy)	-8.44	8.42	8.66	9.65	19.24	
Export of goods and services (Percent, yoy)	-8.14	24.04	16.70	20.02	21.64	
Import of goods and services (Percent, yoy)	-16.72	23.31	15.88	12.37	22.98	
CPI Inflation (Percent, yoy)	**1.68**	**1.87**	**2.64**	**4.35**	**5.95**	**5.51**
Core Inflation (Percent, yoy)	1.60	1.56	2.37	2.63	3.21	3.36
Volatile Food Inflation (Percent, yoy)	3.62	3.20	3.25	10.07	9.02	5.61
Administered Prices Inflation (Percent, yoy)	0.25	1.79	3.06	5.33	13.28	13.34
Balance of Payment						
Current Account Deficit (Percent, GDP)	-0.42	0.29	0.18	1.19	1.28	
Capital and Financial Account (USD billion)	7.92	12.50	-1.99	-1.16	-6.07	
Overall Balance (USD billion)	2.60	13.46	-1.82	2.39	-1.30	
Official Reserve Assets (USD billion)	135.90	144.91	139.13	136.38	130.78	137.2
Exchange rate (Average; USD/IDR)	14,525	14,296	14,344	14,566	14,935	15,568
JCI (Index)	5,240.78	6,222.27	6,809.48	7,058.12	7,030.10	6,957.13
10-year government bond yields (Percent)	6.98	6.34	6.55	7.14	7.22	7.14
Banking						
Total Credit (Percent, yoy)	-2.41	5.24	6.65	10.66	11.00	11.35
CAR (end of period, Percent)*	23.81	25.67	24.79	24.66	25.09	25.45*
NPL (end of period, Percent)	3.06	3.00	2.99	2.86	2.78	2.65*
State Budget**						
Tax Revenue (IDR trillion)	1,285.1	1,547.8				2,034.5
Primary balance (IDR trillion)	-633.6	-431.6				-78.0
State budget deficit (Percent GDP)	-5.78	-4.57				-2.38

Source: BPS, Bank Indonesia, Ministry of Finance and BEI
Notes: *as of November 2022; **Preliminary Figures

fading gradually in the subsequent months. The second-round effect of fuel price hikes on volatile food (VF) inflation and core inflation was mild. This was inextricably linked to the positive contribution of close policy synergy and coordination through the Central and Regional Inflation Control Teams (TPIP and TPID) as well as the National Movement for Food Inflation Control (GNPIP) to safeguard supply availability, uninterrupted distribution, price stability and effective communication. The knock-on effect to core inflation was similarly weak, in line with anchored inflation expectations and compressed inflationary pressures on the demand side. Such conditions lowered inflation expectations and monthly inflation, despite remaining on the high side. Consumer Price Index (CPI) inflation in 2022 was recorded at 5.51%, lower than the initial projection, but above the 3.0%±1% target. Looking ahead, milder inflationary pressures are forecast. These would bring CPI inflation back to the 3.0%±1% target in 2023, supported by core inflation, which is also expected to be within the 3.0%±1% corridor in 2023.

Ample liquidity was maintained in the banking industry and economy, thereby supporting new loan disbursements and economic recovery. In December 2022, the ratio of liquid assets to third-party funds remained high at 31.2%, thus sustaining funds available to the banking industry for lending. Such conditions were also consistent with the accommodative liquidity policy stance adopted by Bank Indonesia. Loose liquidity conditions also supported relatively rigid lending rates in the banking industry despite policy rate hikes, which was conducive to increase bank lending. Credit growth in December 2022 stood at 11.35% (yoy), underpinned by broad gains across all loan types and economic sectors. The intermediation function also recovered in the sharia banking industry, with financing growth recorded at 20.15% (yoy) in December 2022. MSME loans also recorded strong growth (10.47%, yoy) in December 2022, predominantly supported by the micro segment. Supply- and demand-side improvements contributed to positive credit growth in the reporting period. On the supply side, a stronger intermediation function was supported by ample liquidity and lending standards that remained loose in the banking industry. Meanwhile, improving corporate performance and household consumption helped to drive demand for financing. Based on the latest developments and synergy between the authorities, financial sector and business community, credit growth is forecast to increase in the 10-12% (yoy) range during 2023.

Financial system resilience remained solid, particularly the banking industry. The Capital Adequacy Ratio (CAR) in the banking industry was still high in November 2022 at 25.45% in line with rising profitability and risk-weighted assets (RWA), accompanied by mitigated credit risk. Strong capital helped to minimise credit risk, as reflected by low NPL ratios of 2.65% (gross) and 0.75% (net) in November 2022. Meanwhile, liquidity risk in the banking industry was well mitigated with ample liquidity, as indicated by a high ratio of liquid assets to third-party funds. Moving forward, efforts to preserve banking system stability will be strengthened to mitigate various risks associated with domestic macroeconomic conditions and global shocks, while maintaining banking system resilience.

Digital economic and financial transactions increased rapidly. This is consistent with Bank Indonesia policy to accelerate payment system digitalisation and support the national economic recovery. Impressive performance of the digital economy and finance was also in line with greater public acceptance and growing public preference towards online retail, the expansion and convenience of the digital payment system as well as the acceleration of digital banking. The value of electronic money (e-money) transactions in 2022 grew 36.0% (yoy) to Rp399.6 trillion, with 23.9% growth projected in 2023 to reach Rp495.2 trillion. The value of digital banking transactions in 2022 increased 28.72% (yoy) to Rp52,545.8 trillion, with 22.13% growth projected in 2023 to reach Rp64,175.1 trillion. Faster payment system digitalisation also prompted rapid e-commerce transaction growth, expanding 18.7% to Rp476 trillion in 2022, with 11.8% growth projected in 2023 to reach Rp533 trillion. In terms of currency in circulation, Bank Indonesia constantly strives to ensure the availability of rupiah currency fit for circulation throughout the entire territory of the Republic of Indonesia, including circulation of the new 2022 series rupiah banknotes. In 2022, currency in circulation increased 6.95% (yoy) to Rp1,026.5 trillion, with a further 7.6% increase expected in 2023 to reach Rp1,104 trillion.

In the medium to long term, the economic outlook will improve on a path towards *Indonesia Maju*. This is underpinned by improvements in the world economic outlook, coupled with greater investment and productivity stemming from structural reforms in the financial and real sectors, which include efforts to accelerate the digital economy and finance. Successful downstreaming will increase the value added of exports, attract investment and boost productivity. In addition, a conducive business climate and stronger investment, including the Job Creation Act, amongst others, will shore up sources of higher economic growth. In the medium term, economic growth in Indonesia is projected to improve to 4.8-5.6% in 2025, followed by 4.9-5.7% in 2026 and 5.0-5.8% in 2027. Furthermore, low inflation is anticipated within the 1.5-3.5% range, supported by increasing production capacity through efficiency and productivity gains to meet higher aggregate demand in the domestic economy. A manageable and narrow current account deficit is also forecast, thereby bolstering external sector resilience in Indonesia. Overall, and based on the aforementioned prospects, Indonesia is expected to achieve advanced economy status by 2047.

In the medium and short term, several global economic risks continue to demand vigilance due to their potential impact on economic resilience and revival in Indonesia. In the near term, global turmoil will influence the domestic economy through the trade and financial channels. In the trade channel, the impact of global economic moderation and potential economic recession in several countries could erode the contribution of exports to economic growth. Meanwhile, higher international energy and food prices would perpetuate intense inflationary pressures in Indonesia. In the financial channel, a strong US dollar, high policy rates and US Treasury (UST) yields, as well as elevated risk premiums and global financial market uncertainty could trigger capital outflows, higher SBN yields and rupiah depreciation. In the medium to long term, multipolar risks could impact world trade volumes and, therefore, the domestic economic revival towards *Indonesia Maju*. Such risks stem from political and economic fragmentation that is undermining the dominance of the United States and Europe in world trade and the global economy, simultaneously increasing Asia's role, particular China and India, while elevating the position of several African countries as global trade destinations.

Bank Indonesia Policy Mix in 2022

Close policy synergy between the Government, Bank Indonesia and KSSK bolstered economic growth in 2022. Synergy helped to accelerate the vaccination program in 2022, thus allowing for looser economic and community mobility restrictions, which strengthened economic growth in 2022. Indonesia achieved herd immunity in the second quarter of 2022 in line with the faster vaccination rollout by the Government, supported by funding from Bank Indonesia. The Government continued to loosen community activity restrictions (PPKM) in line with the rapid vaccination program, including booster vaccinations, and a flattening of Covid-19 transmission. Policy coordination and synergy through KSSK, in terms of providing fiscal, monetary, macroprudential and microprudential incentives to priority sectors, were also continuously strengthened. This included broadening the scope of priority sectors eligible to receive policy incentives from 38 to 46 priority sectors, thereby accelerating the national economic recovery.

Fiscal and monetary coordination was also strengthened to drive national economic recovery and maintain stability, including Bank Indonesia participation in funding the State Budget (APBN). Bank Indonesia is firmly committed to supporting State Budget funding of the health and humanitarian aspects of the Covid-19 pandemic and to accelerate national economic recovery momentum. In accordance with implementation of the Joint Decree (KB) of the Finance Minister and Bank Indonesia Governor, Bank Indonesia continued to purchase SBN in the primary market to fund the national economic recovery and to finance the health and humanitarian aspects of the Covid-19 pandemic. Overall, in 2022, Bank Indonesia purchased SBN totalling Rp273.11 trillion, consisting of KB I funds totalling Rp49.11 trillion and KB III funds totalling Rp224 trillion. The Government also increased its energy compensation fund and subsidy allocation from Rp152.5 trillion to Rp502.4 trillion in 2022 in order to maintain price stability and mitigate the impact of higher global oil prices on domestic inflation and public purchasing power. The direction of fiscal policy as a shock absorber effectively restrained rising inflation in Indonesia in 2022, leading to less significant increases in inflation compared with other countries and, therefore, necessitating less aggressive policy rate (BI7DRR) hikes than in other jurisdictions.

Coordinated inflation control between Bank Indonesia and the Central and Regional Governments was strengthened to manage the second-round effect of fuel price adjustments. The Government adjusted subsidised fuel prices in September 2022 to maintain fiscal sustainability and reallocate subsidies to more appropriate segments. This was inevitable amid global oil price shocks triggered by geopolitical tensions as well as inward-looking food and energy policies. Bank Indonesia, therefore strengthened coordination and synergy with the Central and Regional Governments through the TPIP and TPID teams to manage the second-round effect of fuel price adjustments and rising international food prices. Such efforts included: coordinated inflation control on the supply and demand sides through the GNPIP movement; additional fiscal budget support to lower regional inflation through the Regional Incentive Fund (DID) and use of Unexpected Expenditures (BTT), transportation subsidies using the General Transfer Fund (DTU), among others and other stabilisation policies to dampen rising inflation.

Bank Indonesia is committed to orienting the full panoply of its policy instruments as an integral part of the national policy mix to accelerate economic recovery and simultaneously maintain stability. To that end, monetary policy relating to liquidity, interest rates and exchange rates is oriented towards maintaining stability (pro-stability). Meanwhile, the four other instruments, namely macroprudential policy, payment system digitalisation, money market development as well as the green and inclusive economy and finance, are oriented towards accelerating the national economic recovery (pro-growth).

Bank Indonesia is normalising monetary policy by gradually reducing excess liquidity in the banking industry. Liquidity policy normalisation is implemented by raising the Rupiah Reserve Requirements (RR) gradually in a well-calibrated, well-planned and well-communicated manner. With this strategy, raising the Rupiah RR has not affected the bank's ability to disburse loans or purchase SBN to fund the State Budget, thereby maintaining monetary and financial system stability, while sustaining the national economic recovery. Liquidity policy normalisation also supports effective policy rate transmission to interest rates of longer tenors.

After holding a historically low BI7DRR until July 2022, Bank Indonesia has increased its policy rate several times since August 2022 as a front-loaded, pre-emptive and forward-looking measure to maintain stable inflation. Until the middle of 2022, core inflation remained low, below 3% (yoy), in line with the muted impact of demand-side inflation; anchored inflation expectations; exchange rate stability; and fiscal policy support to maintain subsidised fuel prices. With mild core inflationary pressures and national economic improvements at the early stage of the national economic recovery, Bank Indonesia held BI7DRR at the low level of 3.50%. However, as the intensity of global uncertainty escalated, global energy and food prices continued to rise, which began to edge up core inflation and inflation expectations. In response to higher core inflation and inflation expectations due to the second-round effects of rising volatile food (VF) inflation and recent fuel price adjustments, in August 2022 Bank Indonesia raised the BI7DRR by 25bps. Bank Indonesia strengthened its commitment in controlling inflation with further BI7DRR hikes in September, October and November 2022, by 50bps on each occasion, to 5.25%. This would to rein in overshooting inflation expectations and ensure that core inflation returned quickly to within the 3.0%±1% target corridor in the first half of 2023. In December 2022, Bank Indonesia raised the BI7DRR by a further 25bps to 5.50% as a follow-up measure to continue lowering inflation expectations and inflation, thereby keeping core inflation within the 3.0%±1% target.

Stabilisation policy was strengthened continuously to manage rupiah exchange rates in line with the currency's fundamental value and market mechanisms. Rupiah stabilisation policy was strengthened as part of the efforts to control inflation, particularly imported inflation. The policy was implemented through a triple intervention strategy, targeting the spot market; the Domestic Non-Deliverable Forwards (DNDF) market; and buying/selling government securities (SBN) in the secondary market to increase the attractiveness of SBN yields for portfolio investment inflows. In this latter regard, rupiah stabilisation policy was implemented through a 'twist operation' (namely the buying/selling of SBN in the secondary market) to increase the attractiveness of SBN yields for short term SBN portfolio investment and create a flatter SBN yield structure.

Accommodative macroprudential policy was continuously strengthened in synergy with KSSK policy to revive lending to businesses and bolster the economic recovery. Bank Indonesia refined the Macroprudential Inclusive Financing Ratio (RPIM) to boost bank lending to MSMEs and low-income individuals (PBR). Bank Indonesia also offered incentives to banks disbursing loans/financing to priority sectors and MSMEs and/or achieving the RPIM target. Bank Indonesia also maintained accommodative macroprudential policy measures, instituted previously, by holding the Countercyclical Capital Buffer (CCyB) at 0%; the Macroprudential Intermediation Ratio (MIR) at 84-94%; as well as the Macroprudential Liquidity Buffer (MPLB) for conventional commercial banks at 6% with repo flexibility of 6% and for sharia banks at 4.5% with repo flexibility of 4.5%. Furthermore, Bank Indonesia maintained a looser Loan/Financing-to-Value (LTV/FTV) Ratio for property loans/financing of up to 100% and relaxed downpayment requirements on automotive loans/financing to as low as 0% for all new vehicle purchases.

Bank Indonesia accelerated and expanded payment system digitalisation to expedite national integration of the digital economy with the finance ecosystem, while simultaneously driving the economic recovery. In accordance with the Indonesia Payment System Blueprint (BSPI) 2025, the policy focus in 2022 was oriented towards three major priorities, namely: regulatory reform; the development of retail payment system infrastructure; and payment system standardisation. Regulatory reform aimed to streamline the licensing procedure, supported by strengthening regulations and supervision to nurture innovation and simultaneously mitigate risk in the payment system industry. Meanwhile, the development of an integrated, interconnected and interoperable (3I) payment system infrastructure continues to support the national digital economic and financial ecosystem. Furthermore, Bank Indonesia continued to expand QRIS for use as the QR national standard in order to accelerate payment system digitalisation. Implementation of the National Open API Payment Standard (SNAP) was strengthened by involving market leaders to accelerate development of the digital economic and financial ecosystem. In terms of rupiah currency management, Bank Indonesia continued rupiah currency management transformation in accordance with the implementation stages of the Rupiah Currency Management Blueprint (BPPUR) 2025. Meanwhile, Bank Indonesia issued a 2022 series of innovative new banknotes to improve the quality of rupiah currency.

Acceleration of financial market development continued to strengthen the effectiveness of monetary policy transmission, financing infrastructure and the corporate sector, thereby supporting the national economic recovery. Financial market infrastructure digitalisation and strengthening was continued by bolstering integrated, interconnected, interoperable, secure and reliable money market infrastructure. Seeking to strengthen the effectiveness of monetary policy transmission, in 2022 Bank Indonesia focused on developing repo transactions and strengthening rupiah benchmark rates. Bank Indonesia also deepened the foreign exchange market by focusing on the development of Domestic Non-Deliverable Forwards (DNDF) as well as expanding and strengthening the Local Currency Settlement (LCS) framework. In addition, Bank Indonesia also developed financial instruments as a source of economic financing and strengthened risk management in synergy with financial sector authorities and market participants.

Several supporting policies were also instituted to shore up the national economic recovery. Close synergy with the Government, banking industry and other institutions helped accelerate development of the national sharia economy and finance as a new source of inclusive economic growth in synergy with the Government and other stakeholders. Bank Indonesia also worked to formulate policies for an inclusive and green economy and finance, which further supported economic recovery by improving the competitiveness of MSMEs as a new source of national economic growth. On the external side, Bank Indonesia's international policy was implemented in cooperation with the Government to further macroeconomic and financial system stability; to support economic recovery; as well as to advance the interests of Bank Indonesia and the economic interests of Indonesia. Bank Indonesia also strengthened international recognition as the best central bank among emerging markets.

Indonesia's G20 Presidency: Global Synergy Driving Economic Recovery

A significant agenda item in 2022 was Indonesia's G20 Presidency, under the theme of "Recover Together, Recover Stronger". The Group of Twenty (G20) comprises 19 major countries and the European Union as a leadership forum for international economic cooperation among advanced and developing economies, representing more than 80% of global GDP. The goal of the forum is to achieve strong, sustainable, balanced and inclusive global economic growth. To that end, G20 not only focuses on macroeconomic and financial issues, yet also deals with trade issues, climate change, sustainable development, health, agriculture, energy, the environment and anti-corruption. The G20 agenda in 2022 had strategic significance as a forum to strengthen global coordination and mitigate global economic risks in the near term, while strengthening global economic resilience in the medium term.

In conjunction with the Ministry of Finance and other government ministries/agencies, Bank Indonesia played an active role in the Finance Track of Indonesia's G20 Presidency in 2022. The finance track in 2022 had six main agendas. *First*, a post-pandemic exit strategy policy with a focus on policy strategies to recover together from the crisis, achieved through a well-calibrated, well-planned and well-communicated policy mix framework. *Second*, policy to overcome the scarring effect of the pandemic in several areas, namely the labour sector, household sector, corporate sector and financial sector. *Third*, payment system innovation in the digital era to overcome the challenge of high costs, slow payments, limited access and low transparency. *Fourth*, policy to nurture sustainable finance as an integral part of the efforts to overcome climate change. *Fifth*, policy to increase financial inclusion through discussions on integrating the supply and demand sides of the financial sector to promote financial inclusion, while simultaneously increasing economic productivity and inclusiveness. *Sixth*, international taxation to achieve a fair, sustainable and modern international tax system.

Indonesia's G20 Presidency also discussed five strategic issues. *First*, how to overcome the health issues caused by the Covid-19 pandemic and maintain food security compromised by supply disruptions. *Second*, how to integrate various macroeconomic policies into an effective policy mix. *Third*, how to apply a policy mix in order to maintain macroeconomic and financial system stability as well as bolster economic recovery. *Fourth*, how to design central bank digital currency (CBDC) in order to facilitate cross-border payment connectivity, while maintaining monetary and financial system stability. In addition, how to mitigate the adverse impact of crypto assets on financial system stability through an effective regulatory and supervisory framework. *Fifth*, how to transition, including the support of sustainable finance, towards net zero carbon emissions.

Regional payment connectivity policy to strengthen cross-border payment connectivity was one of the concrete outcomes of Indonesia's G20 Presidency. Bank Indonesia signed a Memorandum of Understanding (MoU) on Cooperation in Regional Payment Connectivity (RPC) with four other central banks in the ASEAN region, namely Bank Negara Malaysia (BNM), Bangko Sentral ng Pilipinas (BSP), the Monetary Authority of Singapore (MAS) and Bank of Thailand (BOT). This MoU is a step towards interoperable cross-border payment system cooperation in the ASEAN region, to drive the regional economic recovery. It is an important milestone of Indonesia's ASEAN Chairmanship in 2023.

National Economic Policy Mix: Synergy and Innovation

Within the national economic policy mix, synergy and innovation will be improved to strengthen resilience and to boost recovery momentum and economic revival. The national economic policy mix encompasses five salient aspects, namely: (i) fiscal and monetary coordination; (ii) accelerating financial sector transformation; (iii) accelerating real sector transformation; (iv) economic and financial digitalisation; and (v) green economy and finance. Seeking to strengthen resilience against the impact of global turmoil, close coordination between the fiscal policies of the Government and monetary policies of Bank Indonesia will be strengthened as a shock absorber to maintain macroeconomic stability internally (inflation returning to 3.0%±1% target, fiscal deficit below 3% of GDP) and externally (rupiah stability, competitive SBN yields and balance of payments surplus). Policy coordination between the Ministry of Finance, Bank Indonesia, Financial Services Authority (OJK) and Indonesia Deposit Insurance Corporation (LPS) under the auspices of the KSSK framework is also strengthened to ensure the resilience of individual financial institutions and systemically in the face of emerging global and domestic shocks. In striving to maintain national economic recovery momentum, certain policies could be improved. Namely, coordination between fiscal policy (through the allocation of State Budget expenditures to drive consumption and investment) and macroprudential policy, payment system digitalisation, money market development and the economic and financial inclusion program.

Moving forward, the direction of fiscal policy will be oriented towards strengthening resilience and economic recovery by consistently implementing fiscal consolidation and reform. Amid soaring international commodity prices and escalating global uncertainty risks, fiscal policy in 2023 will remain vigilant, anticipatory and responsive. To that end, the State Budget (APBN) in 2023 has been formulated as a shock absorber to minimise the impact of global turmoil on macroeconomic instability and the ongoing national economic recovery. This is achieved through budget allocation oriented towards: (i) managing inflation and maintaining public purchasing power; (ii) sustaining the recovery (reducing unemployment and alleviating poverty); and (iii) protecting priority expenditures (strengthening national economic productivity and fundamentals). At the same time, fiscal consolidation and reforms will be strengthened to maintain State Budget sustainability in the medium-long term by (i) preparing a buffer to anticipate uncertainty and (ii) strengthening the fundamentals for fiscal consolidation and sustainability in the medium term. This direction for fiscal policy underlies the State Budget architecture for 2023 to strengthen resilience and revive national economic recovery optimism, while remaining vigilant of the impact of global turmoil. The State Budget in 2023 was formulated based on several macroeconomic assumptions, namely: 5.3% economic growth; 3.6% inflation; 7.9% average benchmark 10-year SBN yield; Rp14,800 per US dollar average exchange rate; and an oil price of USD90 per barrel. Fiscal consolidation will be implemented with a State Budget deficit in 2023 of 2.84% of GDP as a commitment to policy normalisation after three years of the Covid-19 pandemic, when more than 3% of GDP was permitted.

Real sector transformation policy is improved continuously to nurture further national economic revival towards *Indonesia Maju*. Based on an endogenous growth model approach, transformation policy to increase economic capacity encompasses five mutually supporting factors that require integration, namely: infrastructure development; downstreaming; structural reform; economic digitalisation; and HR development. These will increase economic capacity, bolster stability and achieve high growth in the medium term. On the supply side, aggregate supply will increase, thus expanding potential output of the economy in line with more capital and labour that is boosted by higher productivity, stemming from real sector transformation policy. On the demand side, downstreaming policy will boost exports due to additional value added, while attracting FDI and investment for infrastructure development. Overall, potential output capacity will increase more in the medium term, thus driving higher growth while maintaining stability. External resilience will also strengthen, owing to higher exports and FDI which, taken together, support a balance of payments surplus.

Tourism development is one policy that must be improved due to the various constraints previously brought on by the Covid-19 pandemic. Policy must remain focused on further development of 10 priority tourism destinations, especially the five super priority tourism destinations (DPSP), without disregarding the possibility of development for other destinations. As public mobility increases following the Covid-19 pandemic, the Government has targeted 1.4 billion trips by domestic travellers in 2023. To that end, the strategy to accelerate and strengthen tourism recovery must be continued and strengthened, using the 3A (attractions, access and amenities) and 2P (players, promotion) approach. Coordination between the Joint Secretariat for the Acceleration of Tourism Development (*Sekber Pariwisata*) and the Coordinating Ministry for Maritime Affairs and Investment, Ministry of Tourism and Creative Economy, Bank Indonesia as well as other government ministries/agencies and relevant strategic partners has produced ten strategic measures. These include: relaxing travel restrictions; increasing the carrying capacity of airlines; accelerating development of the five super priority tourism destinations; organising and hosting national and international events; meetings, incentives, conventions and exhibitions (MICE) activities; financing support for players in the tourism industry and creative economy; development of MSMEs in the tourism industry and creative economy and tourism villages; as well as broader promotion concerning the re-opening of tourism in Indonesia, accompanied by a faster vaccination program and expansion of cleanliness, health, safety and environmental sustainability (CHSE) certification at all destinations. Promotional programs, including domestic programs, like the Proud to Travel in Indonesia Movement (BWI), and targeted international promotional programs must be improved. Bank Indonesia will continue to support the success of the various targeted international tourism development programs.

Bank Indonesia Policy Mix Direction in 2023

The direction of Bank Indonesia's policy mix in 2023 will remain oriented towards strengthening economic resilience, recovery and revival in close synergy with national economic policy. The direction of the policy mix intends to minimise spillovers from global turmoil, including economic recession risk and soaring inflation, policy rate hikes by the Fed and other central banks, currency pressures from the strong US dollar and persistently elevated global financial market uncertainty. To that end, BI monetary policy in 2023 will remain oriented towards maintaining stability (pro-stability), particularly in pursuit of the inflation target and rupiah stability, with support for macroeconomic and financial system stability. Meanwhile, Bank Indonesia's four other main policies—namely, macroprudential policy, payment system digitalisation, money market development, and the inclusive and green economy and finance--will remain oriented towards collective efforts to accelerate the economic recovery (pro-growth).

BI monetary policy in 2023 will focus on rupiah stabilisation and managing inflation back into the target corridor as mitigation measures against spillover effects of global economic turmoil. Global shocks have and will continue to impact national economic performance, including inflation, exchange rates and foreign capital flows. Soaring international food and energy prices have intensified inflationary pressures and impeded capacity to revive domestic economic growth in various jurisdictions. At the same time, aggressive policy rate hikes by the US Fed and the strong US dollar have triggered depreciation pressures on global currencies, including the rupiah. Pressures on exchange rates, as well as on monetary, fiscal and financial system stability, are on the rise due to portfolio investment outflows--especially away from SBN--stemming from perceptions of heightened risk and the cash is king phenomenon among global investors.

Seeking to overcome the impossible trinity of the monetary policy trilemma and minimise global spillovers, Bank Indonesia will continue optimising its three main monetary policy instruments, namely interest rates, rupiah stabilisation measures and reserve assets. The policy rate will be directed towards ensuring that core inflation remains in the 3.0%±1% target corridor in close synergy with the Government to control AP and VF inflation. Rupiah stabilisation policy is critical to minimise the impact of soaring global food and energy prices on imported inflation, while simultaneously maintaining macroeconomic and financial system stability to support the national economic recovery. At the same time, Bank Indonesia is continuing to buy/sell SBN in the secondary market to maintain attractive SBN yields (in a twist operation) to attract foreign portfolio investment inflows, thereby bolstering rupiah stability and sustaining adequate foreign exchange reserves.

Bank Indonesia will maintain an accommodative macroprudential policy in 2023 to revive bank lending and support national economic recovery, while maintaining financial system stability. The direction of macroprudential policy will continue to be based upon optimising three targets, namely: balanced intermediation; maintained financial system stability; and economic and financial inclusion. The relaxation of all macroprudential policy instruments, combined with the provision of incentives for the banking industry, should achieve 10-12% credit growth during 2023, which will further boost economic recovery and nurture sustainable economic and financial inclusion. Bank Indonesia institutes accommodative macroprudential policy by holding the CCyB at 0%; the MPLB at 6% with repo flexibility of 6% and; the sharia MPLB at 4.5% with repo flexibility of 4.5%. Furthermore, Bank Indonesia is also maintaining a looser Loan/Financing-to-Value (LTV/FTV) policy on property loans/financing of up to 100% and downpayment requirements on automotive loans/financing as low as 0% for all new vehicle purchases, which will remain in effect until the end of December 2023.

Macroprudential policy to revive bank lending, including the Macroprudential Intermediation Ratio (MIR) and prime lending rate (PLR) transparency, will be continued and strengthened in terms of effectiveness through macroprudential supervision of the banking industry. Furthermore, accommodative macroprudential policy in the form of RR incentives will also be expanded to stimulate lending to priority sectors as part of the coordinated KSSK policy to bolster national economic recovery. Stronger credit growth moving forward will be supported by the banking industry on the supply side, coupled with increasing corporate demand, given the ongoing economic recovery. Bank Indonesia is confident the credit growth projection of 10-12% in 2023 will be achieved. Meanwhile, Bank Indonesia will continue strengthening synergy and coordination with the Government and KSSK to revive bank lending to the corporate sector, thus strengthening national economic resilience and recovery.

Payment system policy in 2023 will still be oriented towards accelerating payment system digitalisation for further national integration of the digital economy and the finance ecosystem, along with Digital Rupiah development and expanding cross-border payment system cooperation. The direction of payment system policy will remain in accordance with implementation of the Indonesia Payment System Blueprint (BSPI) 2025. Progress in terms of the national digital economy and finance has created various opportunities and challenges for rapid development in moving forward, with a clear vision, strategy and concrete programs for payment system digitalisation contained in BSPI 2025. These are fully supported by active participation by the industry with a view to digitalising financial services and payments to consumers, while accelerating public acceptance of fast, simple, affordable, secure and reliable digital payment transactions.

Payment system policy in 2023 will be implemented through five key strategies that mutually strengthen national integration of the digital economy and the finance ecosystem. *First*, formulating national standards as ‘One Language’ for payment system services collaboratively between Bank Indonesia and the industry, supported by a campaign of acceptance and use by consumers. *Second*, accelerating regulatory reform and end-to-end national payment system industry consolidation as ‘One Nation’ to develop healthy and innovative unicorns in Indonesia that are competitive nationally and internationally, with preparations to become future wholesalers in terms of issuing and circulating the Digital Rupiah. *Third*, developing further (retail and wholesale) payment system infrastructure (3I) as ‘One Country’ to accelerate national integration of the digital economy and finance ecosystem and as a future prerequisite for issuance of the Digital Rupiah. *Fourth*, safe, efficient and fair pricing policy and market conduct for the national payment system industry to support the national interest and interest of consumers, while bolstering industry competitiveness nationally and globally. *Fifth*, further development of the Digital Rupiah (CBDC) as legal tender in

Indonesia through finalisation of the conceptual design, development of business models, including preparations for wholesaler participants, as well as development of the technology platforms required to issue and circulate the Digital Rupiah moving forward.

Bank Indonesia will develop the Digital Rupiah as the only legal digital payment instrument in Indonesia for various digital economic and financial transactions. The Digital Rupiah is expected to fulfil the traditional monetary functions as a medium of exchange, store of value and unit of account, while serving as a monetary anchor for other digital currencies in the Republic of Indonesia. Two types of Digital Rupiah will be issued, namely wholesale digital rupiah (w-Rupiah Digital) and retail digital rupiah (r-Rupiah Digital), developed based on a gradual, integrated end-to-end approach from wholesale to retail. The Digital Rupiah will complement existing currency (banknotes and coins) and third-party deposits at Bank Indonesia. During the immediate stage, Digital Rupiah development will begin with the w-Rupiah Digital for use cases concerning issuance, destruction and interbank transfers. During the intermediate stage, various use cases for the w-Rupiah Digital will be developed from the first stage and expanded with additional use cases to support monetary operations and financial market transactions. In the end state, the integrated end-to-end w-Rupiah Digital to r-Rupiah Digital, concept will be trialled and tested.

Money market development policy in 2023 will remain oriented towards strengthening the effectiveness of integrated monetary operations and monetary policy transmission, with the creation of modern and efficient money markets, thereby strengthening financing for the national economy. The direction of money market development shall remain consistent with the objectives and programs contained in the Blueprint for Money Market Development (BPPU) 2025, namely to develop modern money markets based on international standards, while transforming monetary management that is integrated with the money markets. The development focus also remains the same, namely the aspects of an efficient money market: (3P) products, participants and pricing; and the 3I infrastructure that links the money market and payment system. In 2023, emphasis will be placed on the 3I aspects--infrastructure, participants and products--to support the integration of BI monetary operations with money market development. With this in mind, money market development policy in 2023 will focus on four main programs as follows. *First*, the development of 3I monetary operations infrastructure with money market infrastructure to strengthen monetary policy transmission effectiveness and accelerate money market modernisation in Indonesia. *Second*, consolidation of monetary operations participants with money market players as strategic, critical and aligned with the criteria of systemically important financial institutions (SIFIs) and, therefore in line with the classification of systemically important payment systems (SIPS). *Third*, the development of money market instruments that help maintain (rupiah and foreign exchange) money market and bond market stability, particularly in terms of derivatives such as DNDF, repos as well as exchange rate and interest rate swaps, without impacting the development of instruments for financing. *Fourth*, strengthening efficient market mechanisms to determine the interest rate structure (IndONIA and Repo); exchange rate structure (DNDF); and hedging structure (exchange rate and interest rate swaps). All of these would strengthen monetary policy transmission and financial market stability. In addition, various programs to increase the use of local currency transactions (LCT) to facilitate trade and investment with partner countries will be accelerated by strengthening synergy and coordination with other relevant authorities.

Bank Indonesia will also continue expanding and strengthening MSME development programs, like the Indonesia Pride, Go Export and Go Digital movements. MSME development by Bank Indonesia emphasises value added to support inflation control and to increase foreign exchange through corporatisation, capacity building and facilitating access to finance to enhance MSME competitiveness. Corporatisation is achieved by strengthening the institutional arrangements, expanding partnerships and developing business models to create new entrepreneurs. End-to-end MSME capacity building is supported by digitalisation to increase production, improve financial management and unlock market access. As further steps, the Karya Kreatif Indonesia (KKI), or Indonesia Creative Works Exhibition, which aims to encourage MSMEs to Go Export and Go Digital, is being improved continuously. Likewise synergy with the Government should ensure success of initiatives like the National BBI Movement, which promotes pride in Indonesian-made products; and the Proud to Travel in Indonesia Movement (BWI) #DiIndonesiaAja, which have the participation of all 46 Bank Indonesia offices in various regions.

Bank Indonesia also supports strengthening the role of the sharia economy and finance as a new source of economic growth. Accelerating implementation of the halal value chain (HVC) ecosystem, both locally and globally, will be expanded to incorporate aspects including the players, institutions and supporting infrastructure. The current focus of HVC ecosystem development will remain prioritised towards halal food and modest fashion. In terms of Islamic finance, sharia money market development to support Islamic finance will be implemented through the development of foreign currency transaction instruments and inclusive Sukuk BI. Bank Indonesia also strengthens synergies with various parties constantly, including the National Islamic Economy and Finance Committee (KNEKS); Islamic boarding schools (*pesantren*); Islamic Economic Society (MES); business associations; the banking industry; scholars; academics; and the public in general. Policy synergy with the Government will be strengthened to support the achievement of economic sustainability with a stable, inclusive and green financial system. In response to the future challenges of climate change that pose a threat to economic stability, and as an active contribution from Bank Indonesia to achieve the net zero carbon emissions target, Bank Indonesia will implement comprehensive transformation by strengthening green finance policy.

Bank Indonesia will conduct international policy to fully support the success of Indonesia's ASEAN Chairmanship in 2023 in close synergy with the Government, particularly in the financial integration track. The six priority agenda items of the finance track during Indonesia's G20 Presidency in 2022, under the theme "Recover Together, Recover Stronger", will be continued as a priority agenda under ASEAN Financial Integration during Indonesia's ASEAN Chairmanship in 2023, entitled Recovery-Rebuilding, Digital Economy Sustainability. In this regard, one of the flagship programs is Advancing ASEAN-5 Payment Connectivity with Cross-Border Payment Linkage cooperation, namely QR and fast payment connectivity using LCT. In addition, Bank Indonesia will remain active in various international cooperation forums to support the national economic recovery by strengthening international cooperation multilaterally, regionally and bilaterally, as well as with various domestic stakeholders.