BANK INDONESIA

MONETARY POLICY

REPORT

Quarter IV 2021



Foreword

Bank Indonesia has a single overarching mandate, namely to achieve and maintain rupiah stability. Nevertheless, rupiah stability encompasses two aspects, namely price stability of goods and services, as reflected in stable inflation, as well as rupiah exchange rate stability to currencies in other countries. The Government has set the inflation target for 2022 at 3.0±1%. To that end, Bank Indonesia implements sustainable, consistent and transparent monetary policy that also pays due regard to the prevailing economic policies of the Government. In pursuance of its mandate, Bank Indonesia institutes an optimal mix of monetary, macroprudential, payment system and rupiah currency management policies.

Bank Indonesia regularly publishes the Monetary Policy Report each quarter after the Board of Governors Meeting has been convened in January, April, July and October. The Report has two primary functions, namely: (i) to provide economic data, analysis and projections to help form and anchor rational expectations as part of the anticipative monetary policymaking framework; and (ii) as a medium for the Board of Governors to publicly explain and clarify the various considerations underlying monetary policy decision-making at Bank Indonesia.

The Board of Governors

PERRY WARJIYO
Governor

DESTRY DAMAYANTI
Senior Deputy Governor

DODY BUDI WALUYO
Deputy Governor

DONI PRIMANTO JOEWONO
Deputy Governor

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Deputy Governor

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Deputy Governor

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Executive Summary

The global economic recovery is projected to persist despite the recent surge of Omicron cases, intense inflationary pressures and faster normalisation of monetary policy by several central banks. Domestic economic growth is forecast to accelerate in 2022. Indonesia's Balance of Payments (BOP) is projected to remain solid. As a corollary of Bank Indonesia's stabilisation measures and external sector resilience, rupiah exchange rate movements remain under control despite persistent global financial market uncertainty. Inflation in 2021 was low and contributed to economic stability. Liquidity conditions are still loose in line with Bank Indonesia's accommodative monetary policy stance and the impact of synergy between Bank Indonesia and the Government to support the national economic recovery. A consistently low policy rate and loose liquidity conditions in the banking industry have continued to edge down lending rates. Financial system resilience is solid, accompanied by a gradual revival of the bank intermediation function. Bank Indonesia will continue expanding payment system digitalisation and accelerating implementation of an inclusive digital economy and finance ecosystem to spur economic growth.

The BI Board of Governors Meeting agreed on 19th and 20th January 2022 to hold the BI 7-Day Reverse Repo Rate at 3.50%, while also maintaining the Deposit Facility (DF) rates at 2.75% and Lending Facility (LF) rates at 4.25%. The decision is consistent with the need to maintain inflation, exchange rate and financial system stability for economic growth amid a build-up of external pressure.



CHAPTER I

Global and Domestic Economic Developments

The global economic recovery is projected to persist despite the recent surge of Omicron cases, intense inflationary pressures and faster normalisation of monetary policy by several central banks. A more synchronous recovery is expected, not only in the United States and China yet also in Europe, Japan and India. Ongoing economic improvements were recently confirmed by several strong indicators released in December 2021, including the Purchasing Managers Index (PMI), consumer confidence and retail sales. Bank Indonesia projects global economic growth, therefore, at 4.4% in 2022. World trade volume and international commodity prices continue to rise, thus propping up the export outlook in developing economies. Global financial market uncertainty persists in response to the Fed's recent announcement to accelerate policy normalisation given the build-up of inflationary pressures in the United States caused by supply chain disruptions and growing demand, coupled with rapid transmission of the Omicron variant of Covid-19. Such conditions have impeded capital flows and intensified currency pressures in developing economies, including Indonesia.

Domestic economic growth is forecast to accelerate in 2022. The latest economic indicators released in December 2021 point to a faster recovery process, including public mobility, retail sales and consumer confidence indicators. Overall, the national economy is projected to grow in the 3.2-4.0% range in 2021, before accelerating to 4.7-5.5% in 2022 on the back of stronger private consumption and investment as the Government maintains an expansive fiscal posture and export performance remains solid, despite the ever-present risk of increasing Covid-19 cases that continues to demand vigilance. The growth projections are supported by increasing public mobility given the faster vaccination program rollout, broader reopening of economic sectors and ongoing policy stimuli. The major economic sectors, namely the manufacturing industry, trade, construction

and agriculture, continue to gain momentum. Spatially, economic improvements are expected in all regions of the archipelago, particularly Java, Sumatra, Kalimantan and Balinusra, in line with persistently solid exports, growing domestic demand and the major economic sectors in each region.

Indonesia's Balance of Payments (BOP) is projected to remain solid. The BOP surplus in 2021 is expected to surpass the previous year, supported by a current account surplus of approximately 0.2% of GDP and a larger capital and financial account surplus. Entering 2022, foreign capital inflows to domestic financial markets have been maintained, as reflected by a modest net inflow of portfolio investment totalling USD0.2 billion as of 18th January 2022. Furthermore, the position of reserve assets at the end of December 2021 was high at USD144.9 billion, equivalent to 8.0 months of imports or 7.8 months of imports and servicing government external debt, which is well above the 3-month international adequacy standard. Looking ahead, robust BOP performance in 2022 is expected, bolstered by a low and manageable current account deficit in the 1.1-1.9% of GDP range. In addition, the capital and financial account is forecast to record a larger surplus in 2022 than in the previous year, primarily due to foreign capital flows in the form of foreign direct investment (FDI) given the recent improvements to the domestic investment climate.

As a corollary of Bank Indonesia's stabilisation measures and external sector resilience, rupiah exchange rate movements remain under control despite persistent global financial market uncertainty. As of 19th January 2022, the value of the rupiah depreciated by 0.77% (ptp) and 0.01% on average compared with the December 2021 level. The weaker rupiah stems from muted foreign capital inflows despite a maintained domestic supply of foreign exchange and the positive perception of investors concerning the promising domestic economic outlook. Rupiah depreciation is relatively lower, however, than the lost value experienced in several other emerging economies, namely the Philippines (0.98% ytd) and Russia (2.89% ytd). Looking ahead, Bank Indonesia expects to maintain rupiah exchange rate stability in line with solid economic fundamentals despite continued global financial market uncertainty. Furthermore, Bank Indonesia continues to strengthen rupiah exchange rate stabilisation policy in line with the currency's fundamental value and market mechanisms through effective monetary operations and adequate market liquidity.

Inflation in 2021 was low and contributed to economic stability. In 2021, the Consumer Price Index (CPI) was recorded at 1.87% (yoy), which is below the 3.0%±1% target despite increasing from 1.68% (yoy) in 2020. Inflation in 2021 was influenced by weak domestic demand compressed by the Covid-19 pandemic, stable exchange rates, anchored inflation expectations, adequate supply and orderly distribution of foodstuffs as well as policy synergy between Bank Indonesia and the Government to maintain price stability. Looking ahead, Bank Indonesia projects-controlled inflation in 2022 within the 3.0%±1% target corridor in line with sufficient aggregate supply to meet growing aggregate demand, anchored inflation expectations and exchange rate stability, coupled with the optimal policy response instituted by Bank Indonesia and the Government. Bank Indonesia remains firmly committed to maintaining price stability and strengthening policy coordination with the central and regional governments through national and regional inflation control teams (TPI and TPID) to control headline inflation within the target.

Liquidity conditions are still loose in line with Bank Indonesia's accommodative monetary policy stance and the impact of synergy between Bank Indonesia and the Government to support the national economic recovery. Bank Indonesia has injected liquidity through quantitative easing (QE) to the banking industry totalling Rp147.83 trillion in 2021 and Rp5.93 trillion in 2022 (as of 18th January 2022). Bank Indonesia in 2021 purchased SBN to fund the State Revenue and Expenditure Budget (APBN) totalling Rp358.32 trillion, consisting of: (i) Rp143.32 trillion through the primary market in accordance with the Joint Decree (KB) issued by the Minister of Finance and Governor of Bank Indonesia, which remains effective until 31st December 2022, and (ii) private placement totalling Rp215 trillion to fund the health and humanitarian budgets for Covid-19 pandemic handling in accordance with the Joint Decree (KB) issued by the Minister of Finance and Governor of Bank Indonesia on 23rd August 2021. In 2022 (as of 18th January 2022), Bank Indonesia has purchased SBN in the primary market totalling Rp2.20 trillion. The expansive monetary policy stance supported loose liquidity conditions in the banking industry in December 2021, as reflected by high ratio of liquid assets to deposits at 35.12% and deposit growth of 12.21% (yoy). Liquidity in the economy has also increased, as indicated by narrow (M1) and broad (M2) money supply aggregates, which grew 17.9% (yoy) and 13.9% (yoy) in the reporting period. Bank Indonesia will normalise liquidity policy in 2022, while safeguarding the banking industry's ability to extend financing to the corporate sector and buy SBN to fund the State Revenue and Expenditure Budget (APBN).

A consistently low policy rate and loose liquidity conditions in the banking industry have continued to edge down lending rates. In the markets, the overnight interbank rate and 1-month deposit rate have fallen 25bps and 131bps since December 2020 to 2.78% and 2.96% in December 2021. In the credit market, the banking industry continues to lower prime lending rates (PLR), accompanied by lower interest rates on new loans across all bank groups. Increasing economic activity and greater public mobility have improved risk perception in the banking industry, prompting lower interest rates on new loans. Notwithstanding, significantly smaller reductions in lending rates compared to deposit rates have increased interest rate spread and net interest margin (NIM) in the banking industry. Consequently, Bank Indonesia acknowledges that the banks' role in lending/financing could be improve, including by lowering lending rates, to hasten the national economic recovery.

Financial system resilience is solid, accompanied by a gradual revival of the bank intermediation function. The Capital Adequacy Ratio (CAR) in the banking industry remained high in November 2021 at 25.59%, with persistently low NPL ratios of 3.19% (gross) and 0.98% (nett). The bank intermediation function continues to gain momentum, with 5.24% (yoy) credit growth recorded in December 2021 across all loan types, including working capital loans, consumer loans and investment loans at 6.32% (yoy), 4.67% (yoy) and 4.01% (yoy) respectively. Demand for credit on the corporate side showed signs of growth, while on the supply side, the banking industry lowered lending standards, particularly to priority sectors, in line with lower credit risk perception. MSME loans enjoyed significant growth on higher demand in line with recovering business activity and government program support. Meanwhile, Bank Indonesia continues to hold the accommodative macroprudential policy stance, while expanding macroprudential policy to priority sectors and MSMEs. Bank Indonesia projects credit growth in 2022, therefore, in the 6-8% range and deposit growth at 7-9%.

Bank Indonesia will continue expanding payment system digitalisation and accelerating implementation of an inclusive digital economy and finance ecosystem to spur economic growth. In 2021, Digital economic and financial transactions proliferated with rapidity given greater public acceptance and growing public preference towards online retail as well as the expansion of digital payments and digital banking. The value of e-money transactions increased 49.06% (yoy) to Rp305.4 trillion in 2021, which is projected to expand another 17.13% (yoy) in 2022 to reach Rp357.7 trillion. The value of digital banking transactions increased 45.64% (yoy) to Rp39,841.4 trillion in 2021, which is projected to expand another 24.83% (yoy) in 2022 to reach Rp49,733.8 trillion. In terms of cash, currency in circulation grew 6.78% (yoy) in December 2021 to Rp959.8 trillion. In 2022, Bank Indonesia will continue to foster payment system innovation, maintain a seamless and reliable payment system as well as strengthen coordination between government ministries/agencies to ensure adequate availability of rupiah currency fit for circulation throughout the territory of the Republic of Indonesia.



CHAPTER II

Bank Indonesia Policy Response

The BI Board of Governors Meeting agreed on 19th and 20th January 2022 to hold the BI 7-Day Reverse Repo Rate at 3.50%, while also maintaining the Deposit Facility (DF) rates at 2.75% and Lending Facility (LF) rates at 4.25%. The decision is consistent with the need to maintain inflation, exchange rate and financial system stability for economic growth amid a build-up of external pressure.

Reiterating the statement relayed at the Bank Indonesia Annual Meeting 2021 held on 24th November 2021, Bank Indonesia will direct its policy mix in 2022 towards maintaining stability by supporting national economic recovery efforts. In this case, monetary policy in 2022 will focus on maintaining stability, while macroprudential policy, payment system policy, money market deepening as well as an inclusive and green economy and finance will be maintained to revive economic growth. The direction of the BI policy mix in 2022 is as follows:

Monetary policy in 2022 will focus on maintaining stability, while mitigating the global impact of policy normalisation in advanced economies, the US Federal Reserve in particular.

1. Strengthening rupiah exchange rate policy to maintain exchange rate stability in line with economic fundamentals and market mechanisms.
    a. Normalising liquidity policy, while safeguarding the banking industry's ability to extend financing to the corporate sector and buy SBN to fund the State Revenue and Expenditure Budget (APBN) as the ratio of liquid assets to deposits is currently high at 35.12%.
    b. Normalisation will be achieved by gradually increasing rupiah reserve requirements for conventional commercial banks from the current level of 3.5% as follows:

i. 150bps increase to 5.0%, with a daily requirement of 1.0% and average requirement of 4.0%, effective from 1st March 2022

ii. 100bps increase to 6.0%, with a daily requirement of 1.0% and average requirement of 5.0%, effective from 1st June 2022

iii. 50bps increase to 6.5%, with a daily requirement of 1.0% and average requirement of 5.5%, effective from 1st September 2022

c. Normalising liquidity policy by gradually increasing rupiah reserve requirements for sharia banks and sharia business units from the current level of 3.5% as follows:

i. 50bps increase to 4.0%, with a daily requirement of 1.0% and average requirement of 3.0%, effective from 1st March 2022

ii. 50bps increase to 4.5%, with a daily requirement of 1.0% and average requirement of 3.5%, effective from 1st June 2022

iii. 50bps increase to 5.0%, with a daily requirement of 1.0% and average requirement of 4.0%, effective from 1st September 2022

iv. Providing reserve requirement remuneration of 1.5% for conventional commercial banks, sharia banks and sharia business units meeting the rupiah and average reserve requirements referred to in points b and c.

2. Strengthening the accommodative macroprudential policy stance in 2022 to revive bank lending to the corporate sector and drive the national economic recovery, while maintaining financial system stability.

a. Offering incentives for banks disbursing financing to priority sectors and inclusive financing and/or banks achieving the Macroprudential Inclusive Financing Ratio (RPIM) target in the form of a 100bps reduction in the daily reserve requirement, effective from 1st March 2022

b. Strengthening implementation of the Macroprudential Inclusive Financing Ratio (RPIM), primarily through bank commitment to the RPIM target, based on the expertise and business models available.

c. Maintaining accommodative macroprudential policy by holding: (a) the Countercyclical Capital Buffer (CCyB) at 0%, (b) Macroprudential Intermediation Ratio (MIR) in the 84-94% range with a lower disincentive parameter of 84% from 1st January 2022, and (c) Macroprudential Liquidity Buffer (MPLB) at 6% with repo flexibility of 6% and the sharia MPLB at 4.5% with repo flexibility of 4.5%.

d. Strengthening prime lending rate (PLR) transparency in the banking industry with a focus on interest rate spread by bank group (Appendix).

3. Accelerating payment system digitalisation to stimulate economic recovery, particularly in terms of household consumption, while advancing an inclusive and efficient economy and finance by:

a. Expanding QRIS uptake through: (i) implementation of a strategy to attract 15 million new QRIS users in 2022 via collaboration with the industry, government ministries/agencies and the community, (ii) expansion of QRIS features, (iii) preparation of business models and the technical aspects of cross-border QRIS implementation with Malaysia.

b. Increasing the number of participants, expanding the services and garnering greater acceptance of BI-FAST for more efficient transactions between banks and members of the public.

c. Intensifying the electronification program through: (i) social aid program (bansos) digitalisation, (ii) electronification of local government services, particularly the acceleration and expansion of regional digitalisation (P2DD), (iii) integration of different transportation modes.

d. Safeguarding the availability of quality rupiah currency fit for circulation throughout the territory of the Republic of Indonesia by strengthening the digitalisation strategy and expanding currency distribution, including the

Sovereign Rupiah Expedition Program (*Program Ekspedisi Rupiah Berdaulat*) in outer, frontier and remote (3T) regions, while expanding the Rupiah Love, Pride and Understanding movement (*Cinta Bangga dan Paham (CBP) Rupiah*).

4. Accelerating foreign exchange market deepening to support rupiah exchange rate stability, while expanding the availability of hedging instruments and promoting international trade and investment.
    a. Implementing regulatory reform of the domestic foreign exchange market, primarily focusing on: (i) relaxing the threshold on spot transactions with an underlying from USD25,000 per month to USD100,000 per month, (ii) developing a non-US dollar reference rate against the rupiah as a fixing rate for derivative transactions to support hedging activity, (iii) standardising the instruments to support transaction digitalisation through the Electronic Trading Platform (ETP) and Central Counterparty (CCP).
    b. Expanding the use of Local Currency Settlement (LCS) through socialisation activities targeting the banking industry, corporate sector and other potential users in cooperation with relevant institutions during January and February 2022.
5. Strengthening policy for an inclusive and green economy and finance, particularly on the credit demand side, to support a sustainable economic recovery through MSME development and the empowerment of low-income individuals to level up MSMEs and sharia businesses, while strengthening Bank Indonesia's green and institutional policies to support the transition towards a low-carbon economy.
6. Strengthening international policy by expanding cooperation with other central banks and international organisations, promoting trade and investment and ensuring the success of six priority agendas in the Finance Track in conjunction with the Ministry of Finance during Indonesia's G20 Presidency in 2022.

Bank Indonesia will also continue strengthening policy coordination with the Government and Financial System Stability Committee to accelerate the vaccination rollout and reopen economic sectors, facilitate fiscal and monetary coordination as well as revive lending to the corporate sector and other priority sectors, while maintaining macroeconomic and financial system stability and driving the national economic recovery.

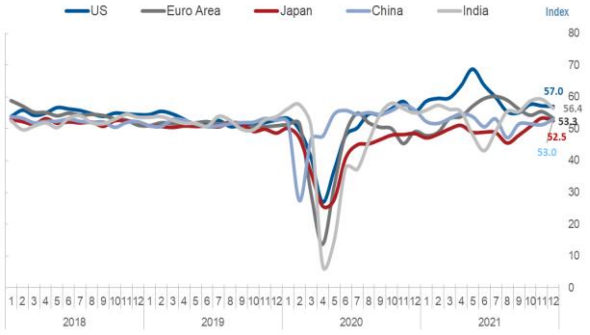
The global economic recovery is projected to persist despite the recent surge of Omicron cases, intense inflationary pressures and faster normalisation of monetary policy by several central banks

Global GDP Growth

Country	2019	2020	2021*	2022*
World	**2.8**	**-3.1**	**5.7**	**4.4**
Advanced economies	**1.7**	**-4.5**	**5.0**	**3.8**
United States	2.3	-3.4	5.6	3.8
Europe	1.5	-6.3	5.0	4.2
Japan	0.0	-4.6	1.9	2.7
Emerging economies	**3.7**	**-2.1**	**6.1**	**4.8**
China	6.0	2.3	8.1	5.2
India	4.8	-7.1	9.0	8.2
ASEAN-5	4.9	-3.4	3.9	5.4
Latin America	0.1	-7.0	5.1	2.8
Emerging Euro	2.5	-2.0	4.7	3.7
Middle East & Central Asia	1.5	-2.8	4.1	3.8

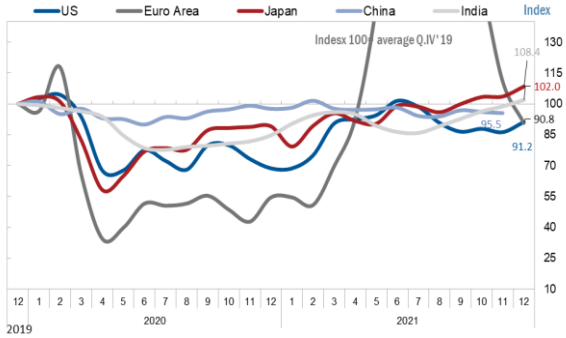
Source: IMF WEO. *Bank Indonesia Projection

Global PMI



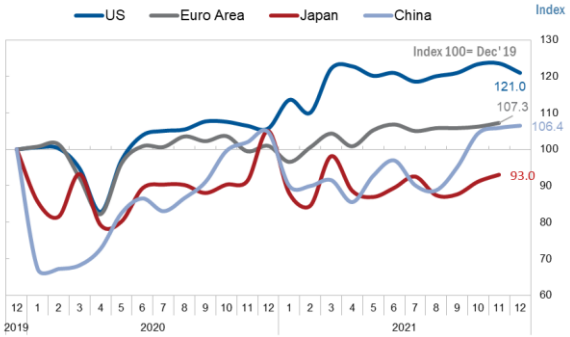
Source: IHS Markit, Bloomberg (China)

Consumer Confidence Index



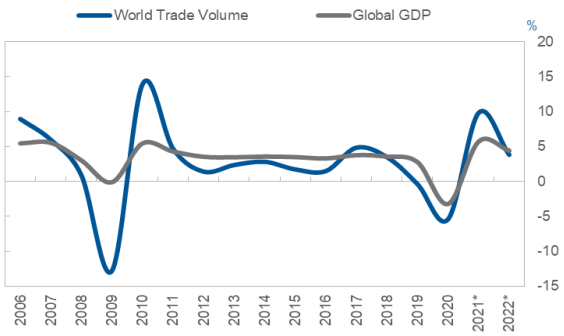
Source: Bloomberg, calculated

Retail Sales



Source: CEIC, calculated

World Trade Volume and Global GDP



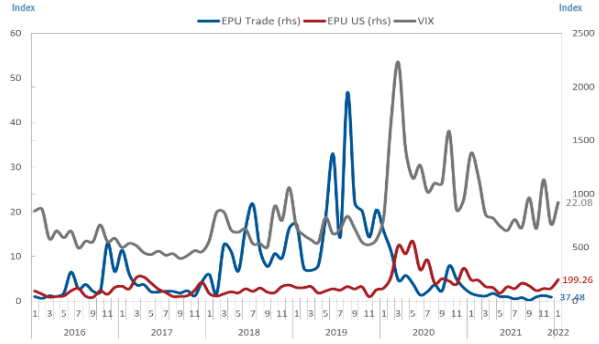
Source: CPB, IMF, * Bank Indonesia Projection

Commodity Prices

Commodity	2018	2019	2020					2021				2022
			Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	YTD*
Copper	6.7	-7.8	-7.8	-12.3	11.8	21.6	3.3	50.3	80.3	44.3	33.1	4.7
Coal	2.5	-8.6	-8.0	-28.2	-27.9	-9.8	-18.5	19.5	92.8	203.9	204.7	-8.5
CPO	-19.2	-2.3	33.3	14.0	35.5	34.9	29.4	47.1	84.6	60.4	53.0	19.5
Rubber	-16.8	12.4	-18.6	-22.7	3.8	36.4	-0.3	37.7	42.7	6.6	-11.2	-1.2
Nickel	27.8	7.0	3.8	0.0	-8.1	3.9	-0.1	37.9	41.4	33.7	23.0	16.0
Tin	0.5	-7.5	-17.2	-20.4	3.1	12.6	-5.5	46.1	86.1	91.1	101.2	29.3
Aluminium	7.4	-14.1	-5.8	-15.9	-2.6	9.8	-3.7	22.9	57.7	52.2	43.0	18.3
Coffee	-15.4	-11.8	14.8	-2.8	2.9	-3.4	3.0	6.7	39.0	55.2	91.4	37.7
Others	1.2	-0.7	-2.1	-5.6	-4.9	-4.5	-4.3	0.3	7.6	3.9	4.0	6.3
Indonesian Export Commodity Prices	**-2.8**	**-3.0**	**1.5**	**-10.4**	**-1.7**	**7.5**	**-0.8**	**23.7**	**58.5**	**79.5**	**76.5**	**5.6**
Oil (Brent)**	71	64	51	31	43	45	42	61	69	73	79	83

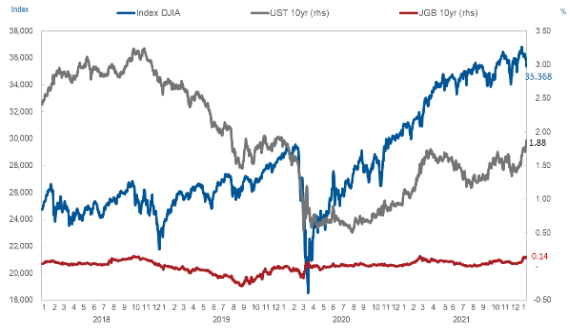
Source: Bloomberg. Data as of 18th January 2022
**Oil in USD/ Barrel, other commodities (%, yoy)

Global Uncertainty Index



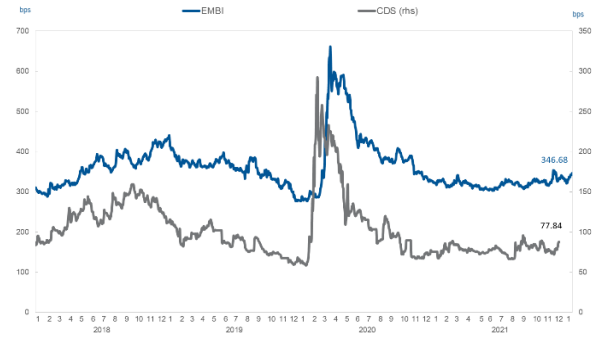
Source: Bloomberg. Data as of 18th January 2022

10 Yr UST & JGB Yield and DJIA Index



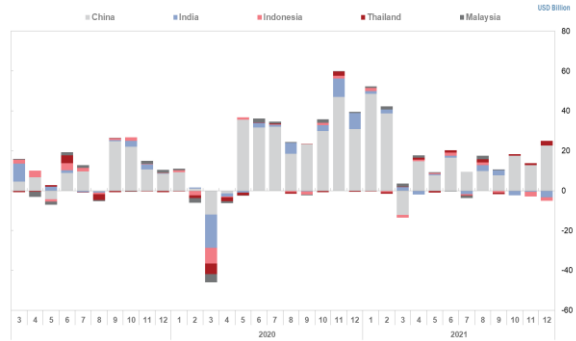
Source: Bloomberg. Data as of 18th January 2022

Risk Perception on EM and Indonesia



Source: Bloomberg. Data as of 18th January 2022

Emerging Market Capital Flow



Source: IIF

Domestic economic growth is forecast to accelerate in 2022

Economic Growth - Expenditure Side

Components	2019	2020				2020	2021		
		I	II	III	IV		I	II	III
Household Consumption	5.04	2.83	-5.51	-4.05	-3.61	-2.63	-2.21	5.96	1.03
Non-Profit Institution Serving Household (NPISH) Consumption	10.62	-5.09	-7.76	-1.97	-2.14	-4.29	-3.99	4.15	2.96
Government Consumption	3.25	3.75	-6.90	9.76	1.76	1.94	2.58	8.03	0.66
Investment (GFCF)	4.45	1.70	-8.61	-6.48	-6.15	-4.95	-0.23	7.54	3.74
Building Investment	5.37	2.76	-5.26	-5.60	-6.63	-3.78	-0.74	4.36	3.36
NonBuilding Investment	1.80	-1.46	-18.62	-8.99	-4.71	-8.38	1.39	18.58	4.89
Exports	-0.87	0.23	-11.66	-11.66	-7.21	-7.70	7.09	31.98	29.16
Imports	-7.69	-2.19	-16.96	-23.00	-13.52	-14.71	5.38	31.72	30.11
GDP	**5.02**	**2.97**	**-5.32**	**-3.49**	**-2.19**	**-2.07**	**-0.71**	**7.07**	**3.51**

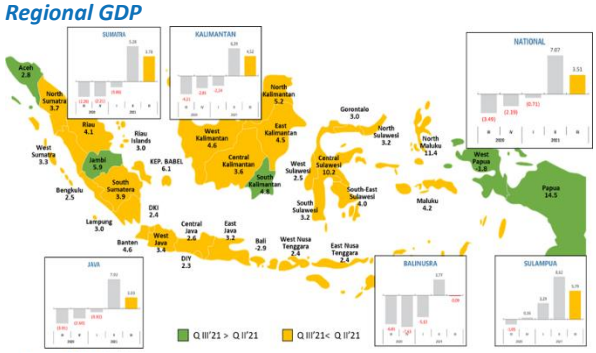
Source: BPS

Economic Growth – Economic Sectors Side

Components	2019	2020				2020	2021		
		I	II	III	IV		I	II	III
Agriculture, Forestry, and Fisheries	3.64	0.02	2.19	2.16	2.59	1.75	3.38	0.43	1.31
Mining and excavation	1.22	0.45	-2.72	-4.28	-1.20	-1.95	-2.02	5.22	7.78
Manufacture	3.80	2.06	-6.19	-4.34	-3.14	-2.93	-1.38	6.58	3.68
Electricity and Gas Procurement	4.04	3.85	-5.46	-2.44	-5.01	-2.34	1.68	9.09	3.85
Water Supply	6.83	4.56	4.56	5.94	4.98	4.94	5.46	5.78	4.56
Construction	5.76	2.90	-5.39	-4.52	-5.67	-3.26	-0.79	4.42	3.84
Wholesale Retail, Car and Motorcycle Repairs	4.62	1.60	-7.57	-5.05	-3.64	-3.72	-1.23	9.45	5.16
Transportation and Warehousing	6.40	1.29	-30.84	-16.71	-13.42	-15.04	-13.12	25.10	-0.72
Provision of Accomodation, Food and Beverages	5.80	1.95	-22.02	-11.81	-8.88	-10.22	-7.26	21.58	-0.13
Information and Communication	9.41	9.80	10.88	10.72	10.91	10.58	8.71	6.90	5.51
Financial Services and Insurance	6.60	10.62	1.03	-0.95	2.37	3.25	-2.97	8.33	4.29
Real Estate	5.74	3.79	2.30	1.96	1.25	2.32	0.94	2.82	3.42
Corporate Services	10.25	5.39	-12.09	-7.61	-7.02	-5.44	-6.10	9.94	-0.59
Government Administration, Defence and Compulsory Social Security	4.67	3.16	-3.22	1.82	-1.55	-0.03	-2.91	9.63	-9.96
Education Services	6.29	5.89	1.21	2.41	1.36	2.63	-1.53	5.89	-4.42
Health Services and Other Social Activities	8.68	10.39	3.71	15.29	16.54	11.60	3.38	11.68	14.06
Other Services	10.55	7.09	-12.60	-5.55	-4.84	-4.10	-5.15	11.97	-0.30
GDP	**5.02**	**2.97**	**-5.32**	**-3.49**	**-2.19**	**-2.07**	**-0.71**	**7.07**	**3.51**

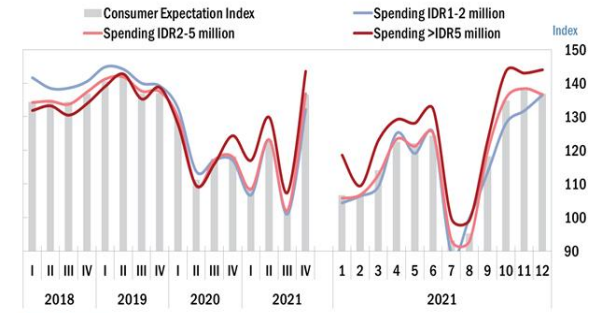
Source: BPS

Regional GDP



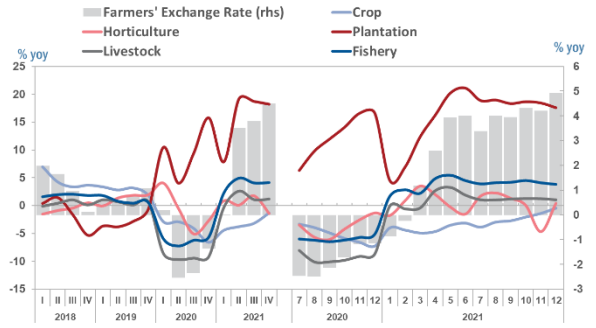
Source: BPS, calculated

Consumer Expectation Index



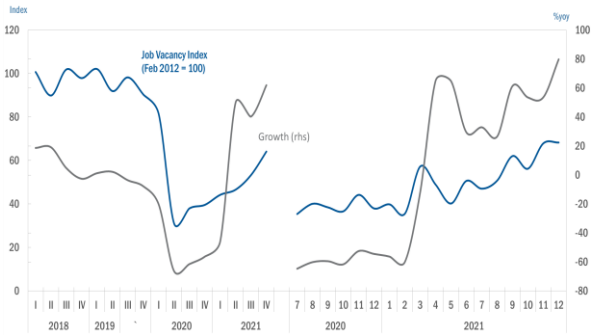
Source: Bank Indonesia

Farmers' Exchange Rate



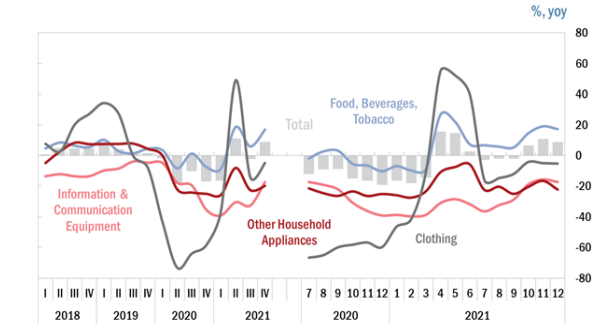
Source: BPS, calculated; * data as of November 2021

Job Vacancy Index



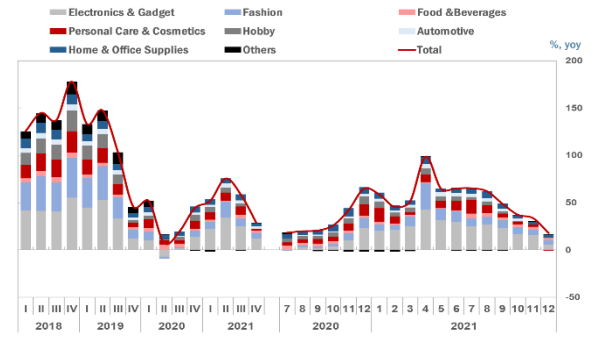
Source: Big Data Analytics Bank Indonesia

Retail Sales



Source: Bank Indonesia

Online Sales



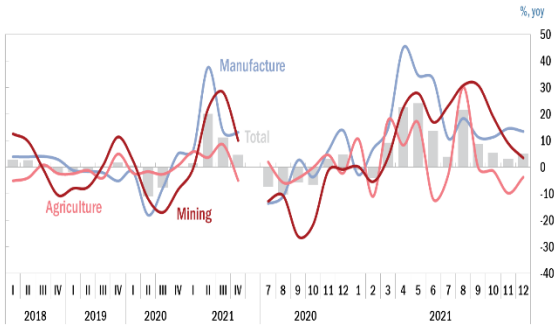
Source: Big Data Analytics Bank Indonesia

Realization of State Budget (APBN)

ITEMS	2020		2021		2022
	Realization (IDR Trillion)	% Realization PERPRES 72	Budget (IDR Trillion)	Realization as of December 2021 (IDR Trillion)	Budget (IDR Trillion)
A. State Income and Grants	**1,647.8**	**96.9%**	**1743.6**	**1,743.6**	**1,846.1**
I. Domestic Income	**1,629.0**	**95.9%**	**1742.7**	**1,742.7**	**1,845.6**
1. Tax Income	**1,285.1**	**91.5%**	**1444.5**	**1,444.5**	**1,510.0**
2. NonTax Income	**343.8**	**116.9%**	**298.2**	**298.2**	**335.6**
II. Grant	**18.8**	**1448.7%**	**0.9**	**0.9**	**0.6**
B. State Expenditures	**2,595.5**	**94.8%**	**2750.0**	**2,750.0**	**2,714.2**
I. Central Government Expenditures	**1,833.0**	**92.8%**	**1954.5**	**1,954.5**	**1,944.5**
1. Employee Spending	380.5	94.3%	421.1	421.1	426.5
2. Spending for Goods	422.3	154.6%	362.5	362.5	339.7
3. Capital Expenditures	190.9	139.0%	246.8	246.8	199.2
4. Payment of Debt Obligations	314.1	92.7%	373.3	373.3	405.9
5. Subsidies	196.2	102.2%	175.4	175.4	207.0
6. Grant Expenditure	6.3	123.7%	6.8	6.8	4.8
7. Social Assistance	202.5	116.1%	161.4	161.4	147.4
8. Other Expenditures	120.0	26.6%	207.3	207.3	214.0
II. Transfer to Regions and Village Funds	**762.5**	**99.8%**	**795.5**	**795.5**	**769.6**
1. Transfer to Regions	691.4	99.8%	723.5	723.5	701.6
2. Village Funds	71.1	99.9%	72.0	72.0	68.0
C. Primary Balance	**(633.6)**		**(633.1)**	**(633.1)**	**(462.2)**
D. Budget Surplus/Deficit	**(947.7)**		**(1006.4)**	**(1,006.4)**	**(868.0)**
Surplus/Deficit (%GDP)	**(6.1)**		**(5.7)**	**(5.7)**	**(4.9)**

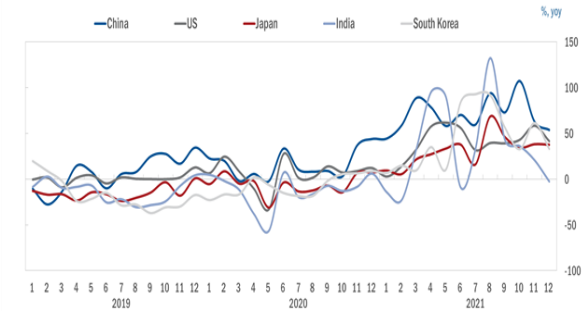
Source: Ministry of Finance

Non-oil and Gas Exports



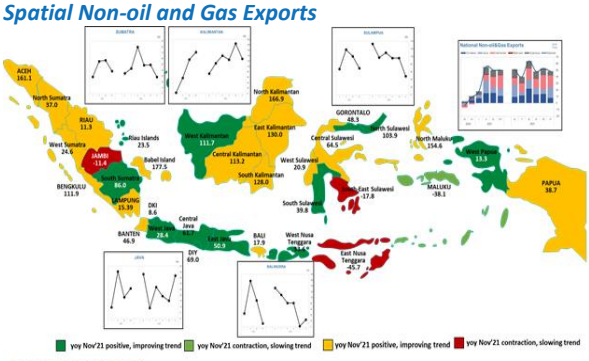
Source: Bank Indonesia

Non-Oil and Gas Exports to Main Destination Countries



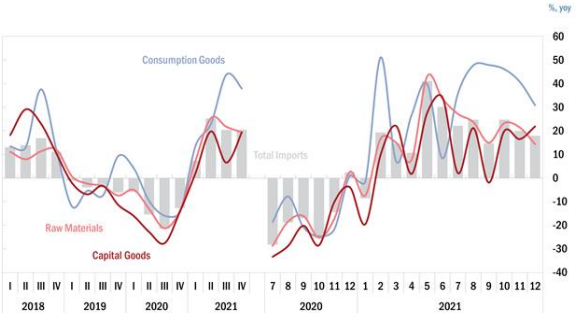
Source: Bank Indonesia

Spatial Non-oil and Gas Exports



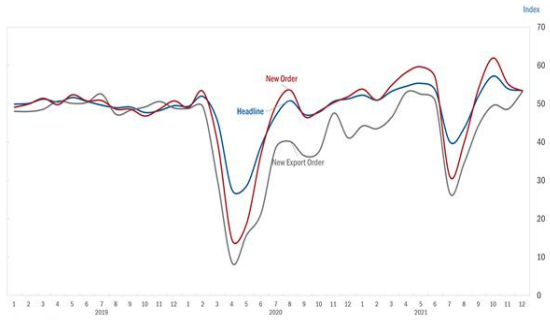
Source: Bank Indonesia

Non-oil and Gas Imports



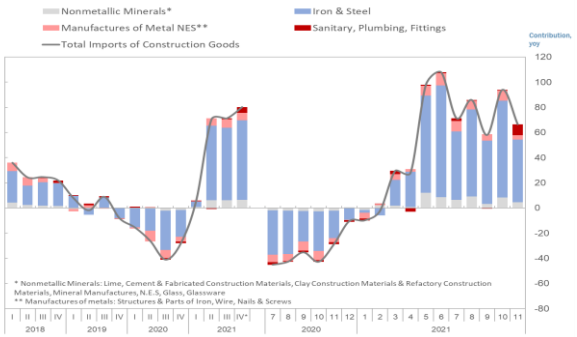
Source: Bank Indonesia

Manufacturing Purchasing Managers' Index (PMI)



Source: Markit Economics

Import of Construction Goods



Source: Bank Indonesia. * Data as of November 2021

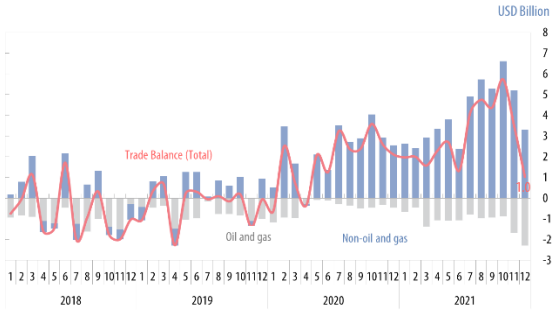
Indonesia's Balance of Payments (BOP) is projected to remain solid and as a corollary of Bank Indonesia's stabilisation measures and external sector resilience, rupiah exchange rate movements remain under control despite persistent global financial market uncertainty

Indonesia's Balance of Payments

Items (Billion USD)	2019	2020*					2021		
		I	II	III	IV	Total	I**	II**	III**
Current Account	**-30.3**	**-3.4**	**-2.9**	**1.1**	**0.9**	**-4.3**	**-1.1**	**-2.2**	**4.5**
A. Goods	3.5	4.5	4.0	9.8	10.0	28.2	7.6	8.1	15.0
- Exports, fob	168.5	41.7	34.6	40.8	46.2	163.4	49.4	54.3	61.7
- Imports, fob	-164.9	-37.2	-30.7	-31.0	-36.2	-135.1	-41.7	-46.2	-46.7
a. Non-Oil and Gas	12.0	5.8	3.3	9.4	11.3	29.9	10.0	11.6	18.1
b. Oil and Gas	-10.3	-2.6	-0.8	-0.7	-1.2	-5.4	-2.3	-3.4	-2.9
B. Services	-7.6	-1.7	-2.1	-2.7	-3.1	-9.6	-3.4	-3.7	-3.6
C. Primary Income	-33.8	-7.9	-6.2	-7.4	-7.4	-28.9	-6.7	-8.1	-8.3
D. Secondary Income	7.6	1.7	1.4	1.4	1.4	5.9	1.4	1.5	1.4
Capital and Financial Account	36.6	-3.0	10.8	0.9	-1.0	7.6	5.5	1.9	6.10
1. Direct Investment	20.5	4.3	4.2	0.9	4.2	13.6	4.2	5.3	3.3
2. Portfolio Investment	22.0	-6.3	9.7	-2.0	2.0	3.4	4.9	4.4	1.1
3. Other Investment	-6.1	-0.6	-3.3	1.9	-7.4	-9.4	-3.6	-7.8	1.5
Overall Balance	4.7	-8.5	9.2	2.1	-0.2	2.6	4.1	-0.4	10.7
Memorandum :									
- Reserve Assets Position	129.2	121.0	131.7	135.2	135.9	135.9	137.1	137.1	146.9
In Months of Imports & Official Debt Repayment	7.3	7.0	8.1	9.1	9.8	9.8	9.7	8.8	8.6
- Current Account (% GDP)	-2.7	-1.2	-1.2	0.4	0.3	-0.4	-0.4	-0.8	1.5

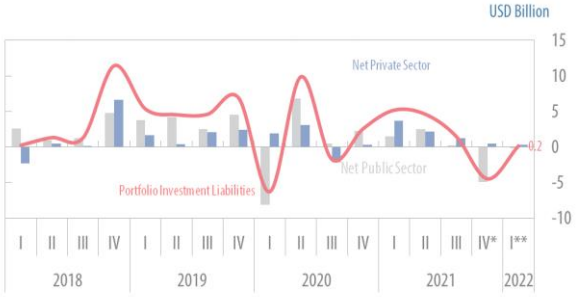
Source: Bank Indonesia. *Provisional Figures; ** Very Provisional Figures

Trade Balance



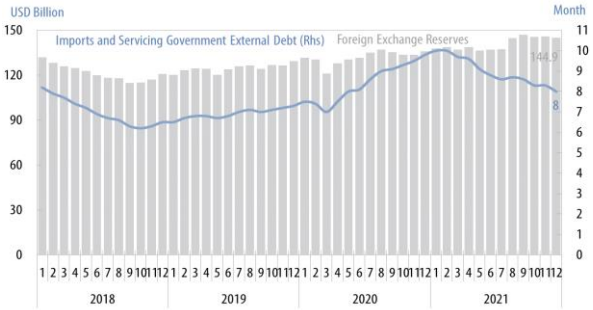
Source: BPS

Capital Flows



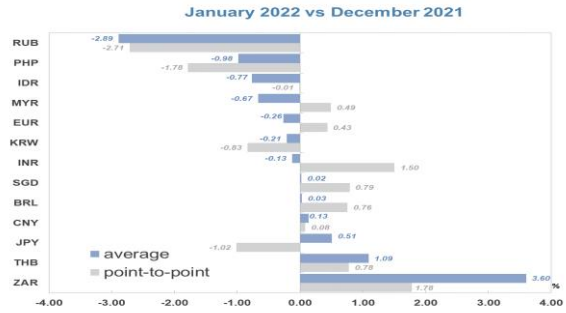
Source: Bank Indonesia. *Data as of 18 January 2022
Provisional Figures; ** Very Provisional Figures

Official Reserve Asset



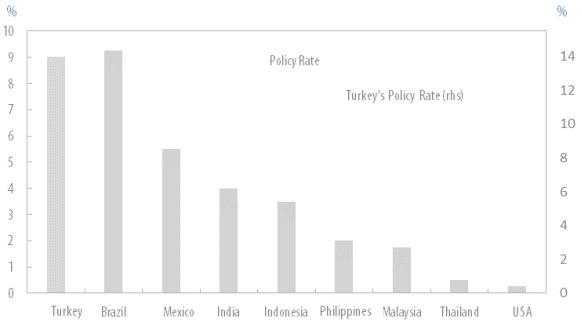
Source: Bank Indonesia

Rupiah vs Peer Countries



Source: Bloomberg and Reuters. Data as of 19 January 2022

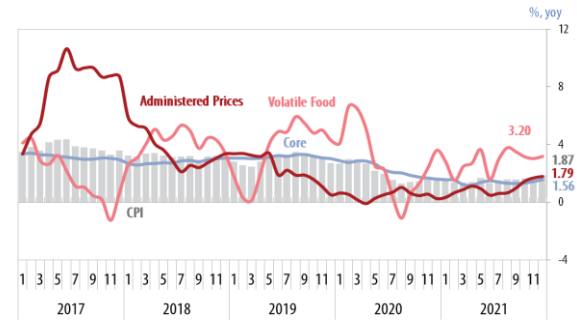
Peers Country Interest Rate Policies



Source: Bloomberg. Data as of 19 January 2022

Inflation in 2021 was low and contributed to economic stability

CPI Inflation



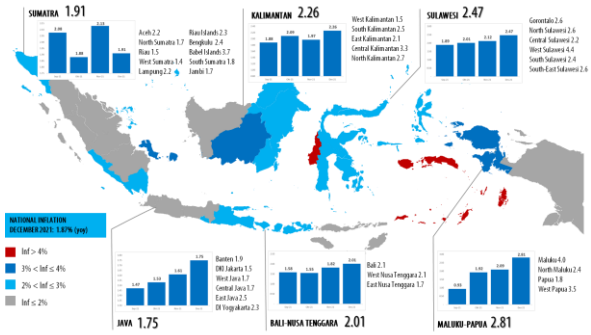
Source: BPS, calculated

Inflation Expectations



Source: Consensus Forecast

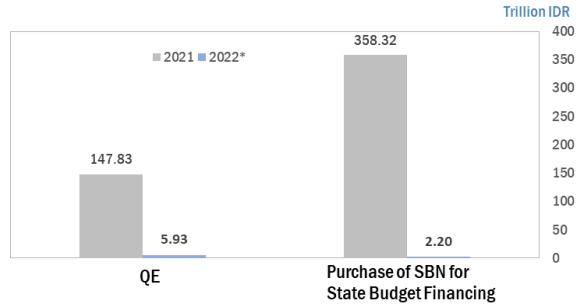
Regional Inflation



Source: BPS, calculated

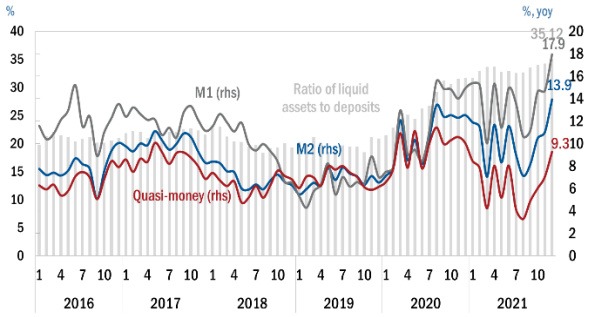
Liquidity remains loose while financial system resilience is solid, accompanied by a gradual revival of the bank intermediation function

Quantitative Easing (QE) and SBN Purchases by Bank Indonesia for State Budget Financing



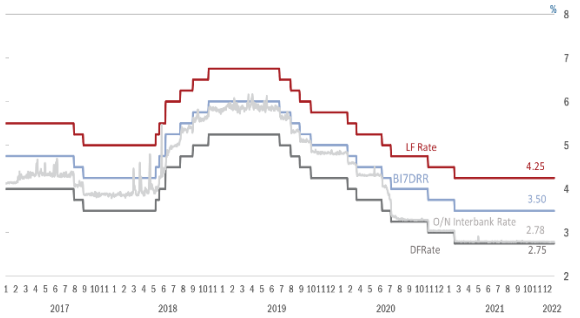
Source: Bank Indonesia. *Data as of 18th January 2022

Broad Money and Ratio of Liquid Assets to Deposits



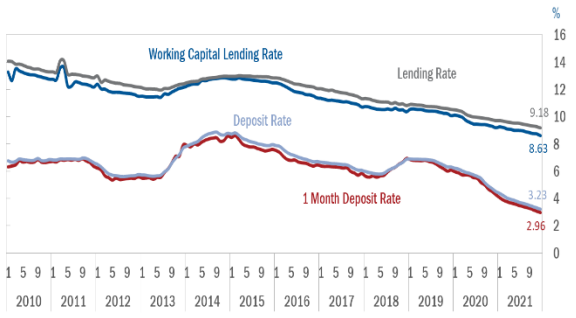
Source: Bank Indonesia

Policy Rate (BI7DRR) and Overnight Interbank Rate



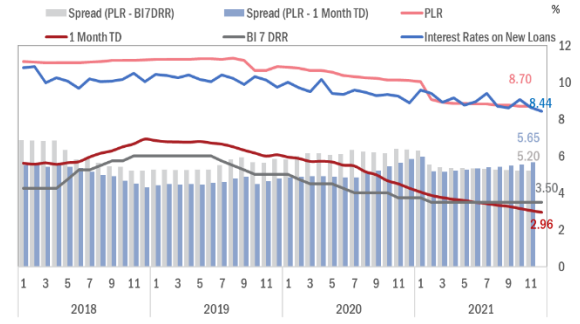
Source: Bank Indonesia

Banking Interest Rates



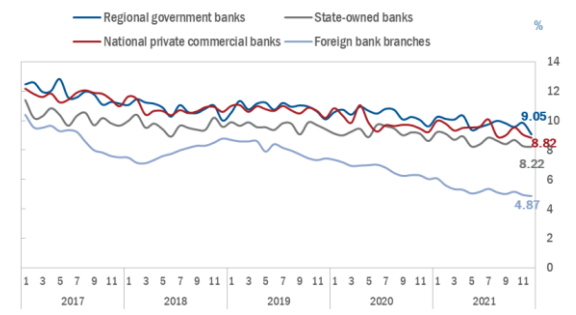
Source: Bank Indonesia

Policy Rate (BI7DRR) Transmission to Prime Lending Rate (PLR)



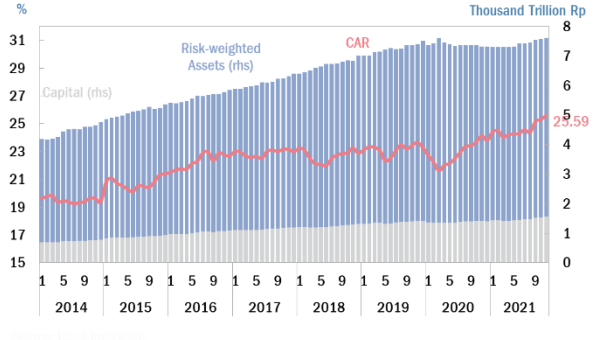
Source: OJK, Bank Indonesia, calculated

Lending Rates on New Loans by Bank Group



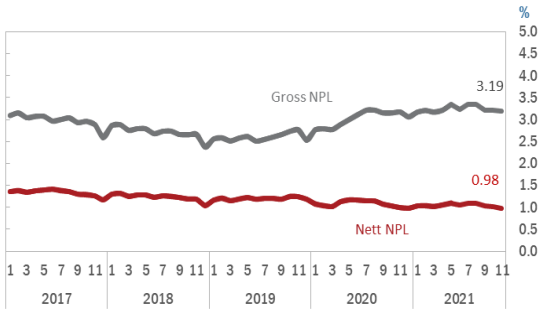
Source: OJK, Bank Indonesia, calculated

Banking Industry's Capital



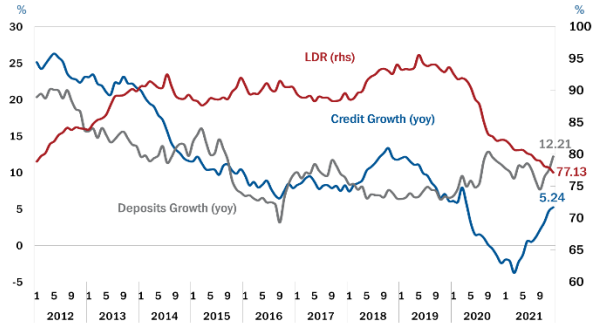
Source: Bank Indonesia

Credit Risk (NPL)



Source: OJK, Bank Indonesia

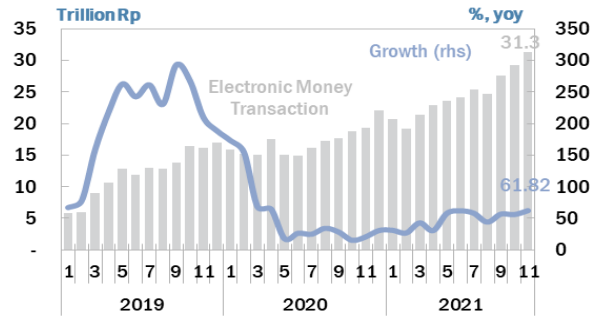
Credit and Deposit Developments



Source: Bank Indonesia

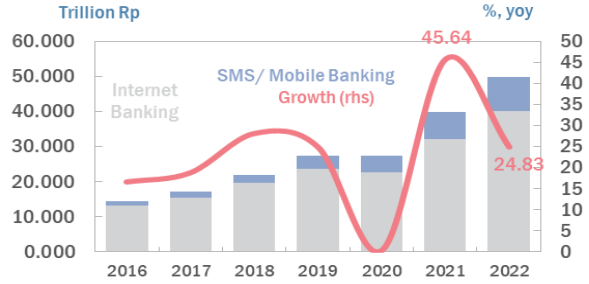
Bank Indonesia will continue expanding payment system digitalisation and accelerating implementation of an inclusive digital economy and finance ecosystem to spur economic growth

Electronic Money Transactions



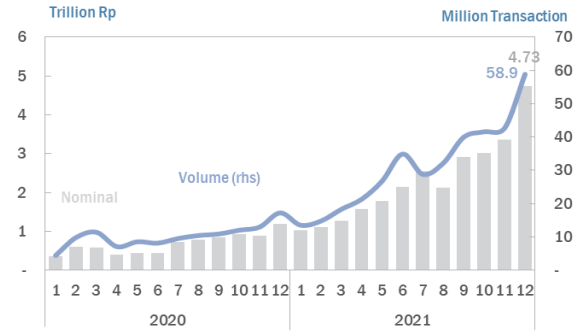
Source: Bank Indonesia

Digital Banking Transactions Value



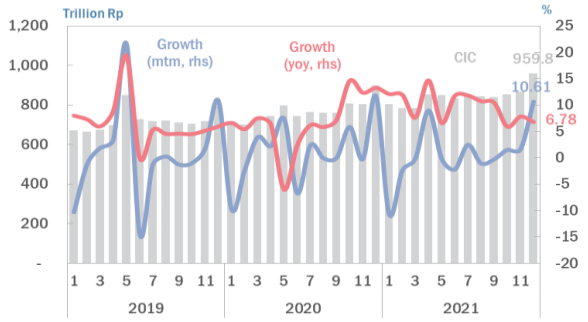
Source: Bank Indonesia

QRIS Transactions



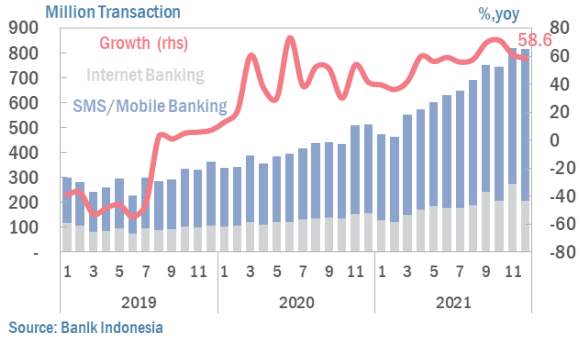
Source: Bank Indonesia

Currency in Circulation



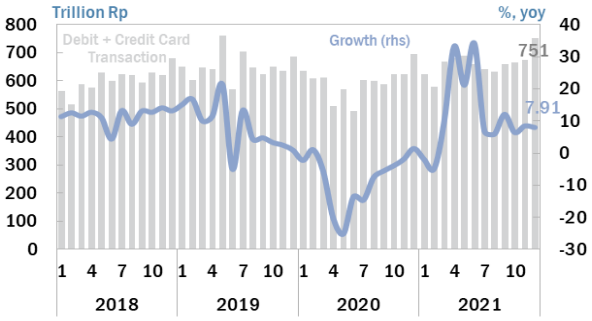
Source: Bank Indonesia

Digital Banking Transactions Volume



Source: Bank Indonesia

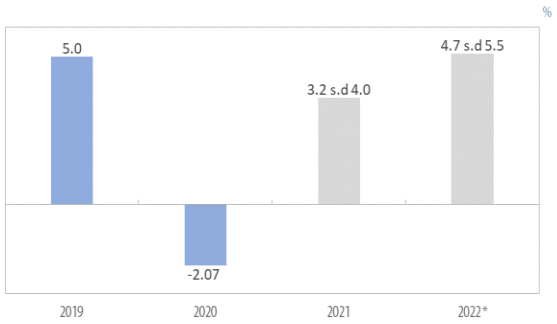
ATM/Debit and Credit Card Transactions



Source: Bank Indonesia

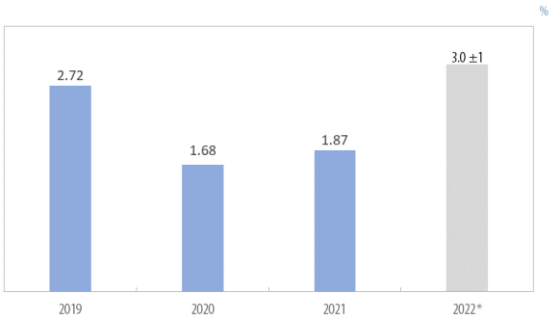
Domestic economic growth is forecast to accelerate in 2022

Indonesia GDP Projection



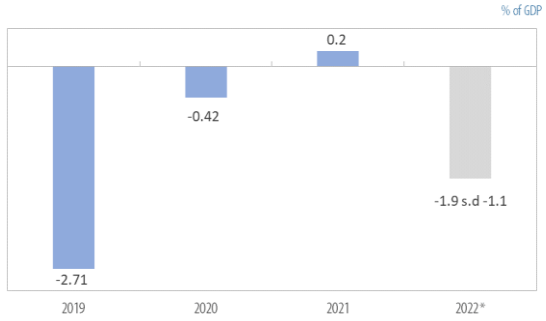
Source: Bank Indonesia. *Bank Indonesia's Projection

Indonesia CPI Inflation Projection



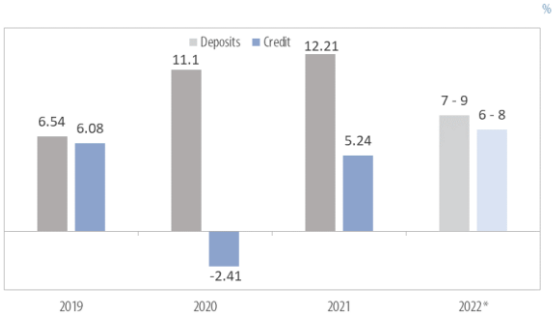
Source: Bank Indonesia. *Bank Indonesia's Projection

Current Account Deficit Projection



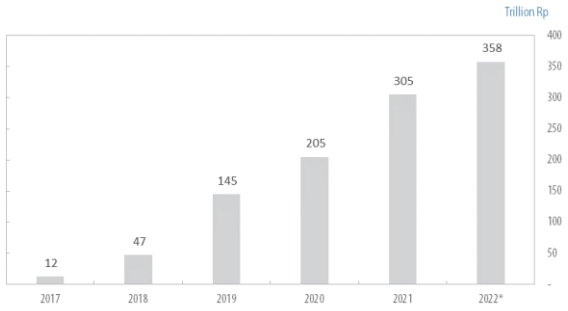
Source: Bank Indonesia. *Bank Indonesia's Projection

Credit and Deposits Projection



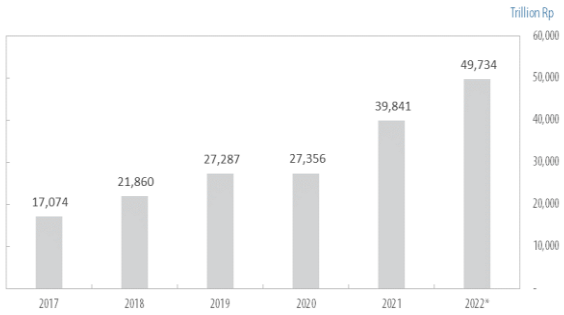
Source: Bank Indonesia. *Bank Indonesia's Projection

Electronic Money Transactions Projection



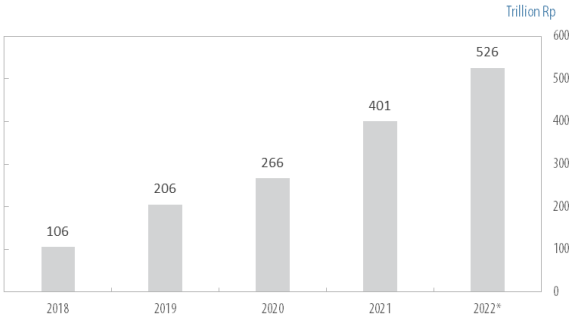
Source: Bank Indonesia. *Bank Indonesia's Projection

Digital Banking Transactions Projection



Source: Bank Indonesia. *Bank Indonesia's Projection

E-Commerce Transactions Projection



Source: Bank Indonesia. *Bank Indonesia's Projection

BANK INDONESIA

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