

BANK INDONESIA POLICY MIX FOR NATIONAL ECONOMIC RECOVERY

3 March 2021

Perry Warjiyo
Governor

POSITIVE INDONESIA ECONOMIC OUTLOOK FOR 2021

Indonesia economic improvement is in line with improved global economy, increased mobility with vaccination, fiscal and monetary stimulus, and supports from credit and financing from banks. Macroeconomic and financial stability maintained.

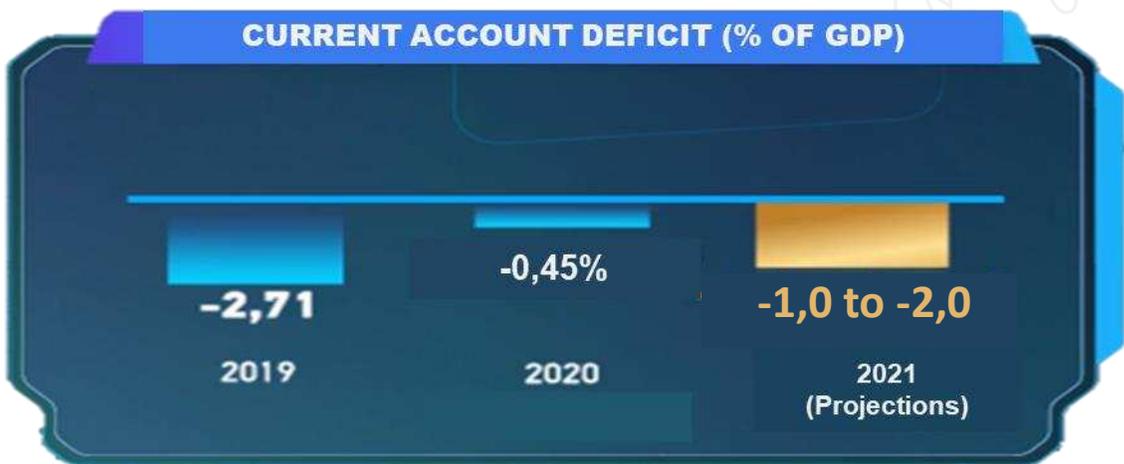
Economic growth was driven by export, consumption, and investment...



Inflation within the target range of 3±1% in 2021...



CAD under controlled, thus supporting the resilience of external sector...

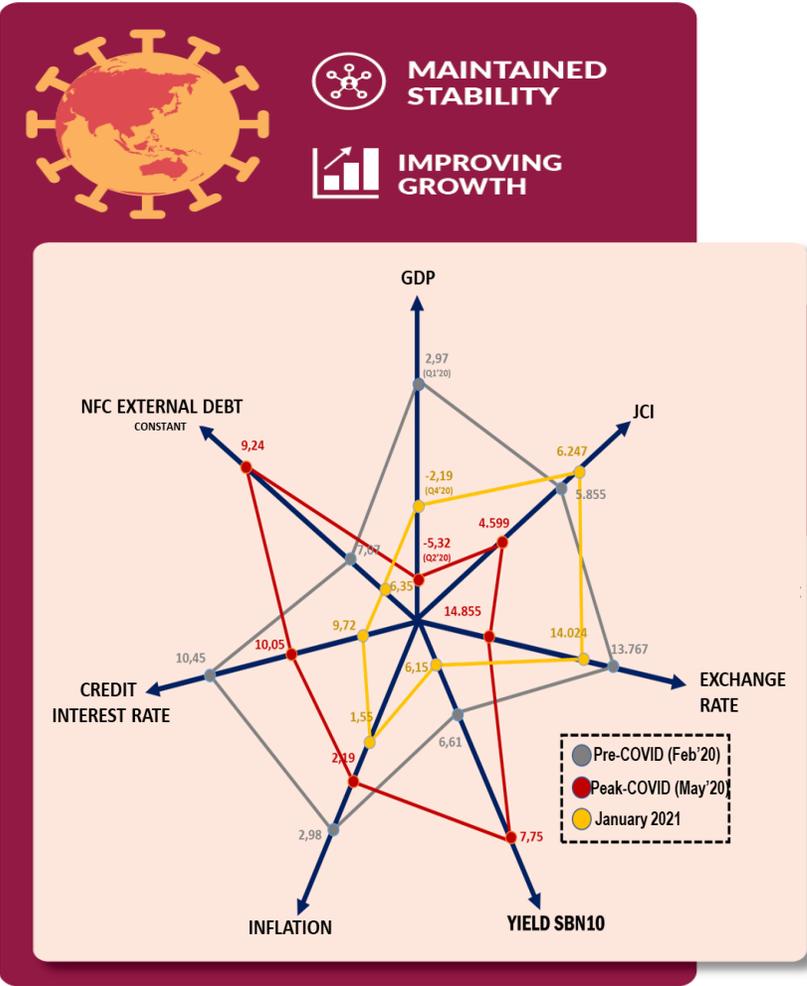


Credit & third party deposits increased in line with the improving economic outlook & continued fiscal, monetary, & macroprudential stimulus...



SYNERGY FOR BUILDING OPTIMISM: ONE PREREQUISITE, FIVE STRATEGIES

Synergizing to Build Optimism for Economic Recovery



PREREQUISITE CONDITIONS
 Vaccinations and Covid-19 Protocol Discipline

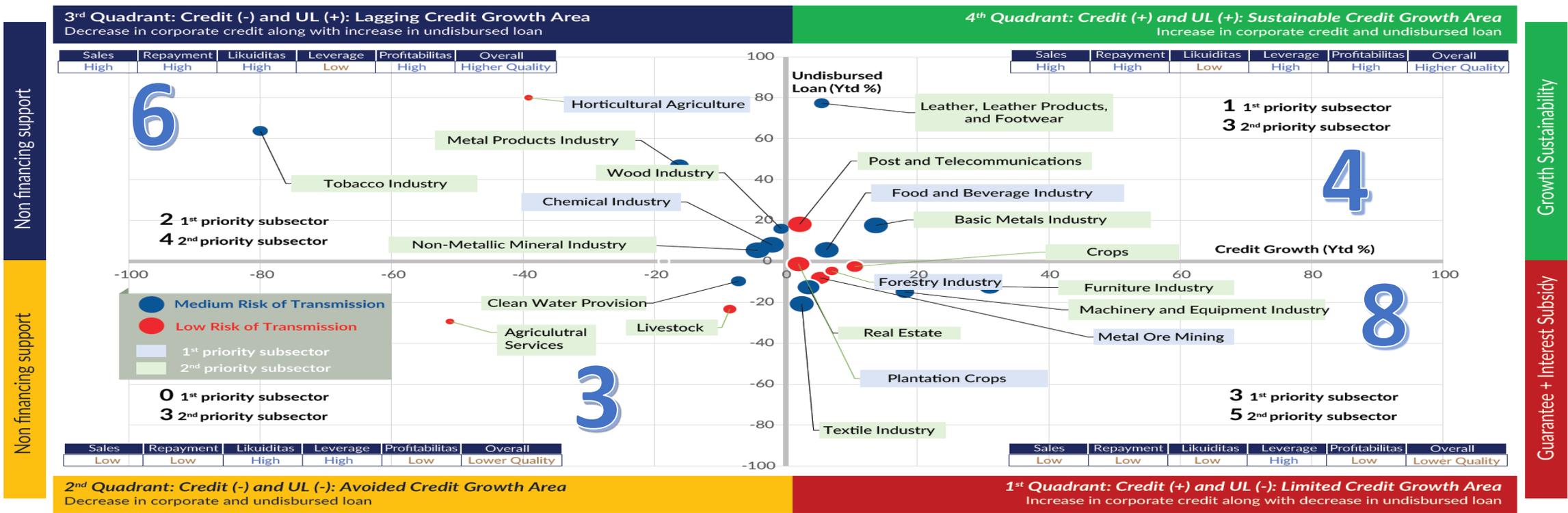


- 5 POLICY RESPONSE**
1. Opening of Productive and Safe Sectors
 2. Acceleration of Fiscal Stimulus (budget realization)
 3. Credit Increment from Supply and Demand Side
 4. Monetary Stimulus and Macroprudential Policy
 5. Economic and Financial Digitalization, especially MSME

KSSK POLICY PACKAGE: SYNERGY IN BOOSTING BANK CREDIT TO PRIORITY SECTORS

Synergy between KSSK (MOF, BI, OJK, LPS) with banks and corporation is aimed to boost credit and financing to priority sectors that contribute to high growth and exports. The KSSK policy packages (1 February 2021) includes: (i) Fiscal incentives, budget support and financing to business, (ii) Monetary stimulus, accommodative macroprudential policy, and digitalization of payments system, (iii) financial sector prudential policy, and (iv) deposit insurance policy.

CREDIT GROWTH MAPPING (%YTD) AND UNDISBURSED LOAN (%YTD) BY SUBSECTOR (PER AUGUST 2020)



Note: There are two additional industrial subsectors, namely motor vehicles and pulp in the 4th quadrant, calculated using HS8 data.

BANK INDONESIA POLICIES TO SUPPORT ECONOMIC RECOVERY

All instruments of Bank Indonesia policy mix --- monetary, macroprudential, and payments system – for stimulating economic recovery, coordinated closely with the Government and Financial System Stability Committee (KSSK)..

1 MONETARY POLICY STIMULUS

- i. Stabilizing Rupiah exchange rate through triple intervention (spot, DNDF, and bonds). Rupiah strengthened from Rp16,575 per dollar AS in 23 March 2020 to around Rp14,300 nowadays.
- ii. Interest rate cuts 6 (six) times since 2020 of 150 bps to 3.50%, the lowest in the history.
- iii. Large liquidity injection (Quantitative Easing, QE) of Rp761.3 trillion (4.89% of GDP) since 2020, among the largest in the Emerging Economies.
- iv. Participating in financing the Government Budget through purchase of bonds in the primary market. For 2020 Budget the total amount Rp473.42 trillion (3.04% of GDP), while for 2021 Budget so far about Rp47.53 trillion (26 February 2021).

2 MACROPRUDENTIAL POLICY RELAXATION

- i. Adoption of 0% Down Payment for bank loans for automotive purchases, as well as 100% LTV/FTV ratio for bank loans/financing to property, starting from March 1, 2021 to December 2021.
- ii. Publication of transparency of bank base lending interest rate to accelerate monetary transmission.
- iii. Maintaining accommodative macroprudential policy in terms of Macroprudential Intermediation Ratio (MIR) of 84-94%, Macroprudential Liquidity Buffer (MLB) of 6%, and Countercyclical Capital Buffer (CCB) of 0%.

3 PAYMENTS SYSTEM DIGITALIZATION

- i. Expanding the uses of QRIS nationwide for 12 millions merchant in 2021. Continuing electronification of Government social programs, transportation modes, and Government fiscal operations.
- ii. Developing BI FAST retail payments, interlink of Digital Banking and Fintech, payments regulatory reforms, and other agenda under Blueprint of Indonesian Payment System (BSPI) 2025.

4 DEVELOPMENT OF MSME, SHARIA ECONOMIC AND FINANCE, FINANCIAL MARKET DEEPENING, IN COORDINATION WITH THE GOVERNMENT AND OTHER AGENCIES

BI BOARD OF GOVERNORS DECISION ON 17th – 18th FEBRUARY 2021

BI 7-Day Reverse Repo Rate

LOWER

3,50%

Deposit Facility (DF) Rate

LOWER

2,75%

Lending Facility (LF) Rate

LOWER

4,25%

POLICY FOCUS:

- The decision is consistent with projected low inflation and maintained exchange rate stability as well as follow-up efforts to support national economic recovery momentum.
- In addition, Bank Indonesia has also instituted policy measures in synergy with Financial System Stability Committee policy, as contain in the Integrated Policy Package to Increase Corporate Financing and Accelerate the Economic Recovery as follows:
 1. Maintaining **rupiah exchange rate stabilization policy** in line with the currency's fundamental value and market mechanisms;
 2. **Strengthening the monetary operations strategy** to reinforce the accommodative monetary policy stance;
 3. Relaxing **down payment requirements on automotive loans/financing** to minimum 0% for all new motor vehicles to stimulate credit growth in the automotive sector, while maintaining prudential principles and risk management, effective from 1st March 2021 until 31st December 2021;
 4. Relaxing **the Loan/Financing-to-Value (LTV/FTV) ratio on housing loans/financing** to maximum 100% on all residential property (landed houses, apartments and shop houses/office houses) for banks meeting specific NPL/NPF criteria, and repealing regulations on the gradual liquidation of partially prepaid property to stimulate credit growth in the property sector, while maintaining prudential principles and risk management, effective from 1st March 2021 until 31st December 2021;
 5. Publishing the "**Assessment of Policy Rate Transmission to Prime Lending Rates in the Banking Industry**" to accelerate monetary policy transmission and expand the dissemination of information to corporate and individual consumers in order to enhance governance, market discipline and competition in the credit market;
 6. Facilitating **trade and investment promotion** for productive sectors and tourism as well as socializing the use of **local currency settlement (LCS)** domestically and internationally in conjunction with other relevant institutions and stakeholders. In February and March 2021, a series of promotional and socialization activities will be held in Japan, Singapore, Malaysia and Thailand as well as in Indonesia as part of the National BBI Movement that promotes pride in Indonesian-made products (Gernas BBI);
 7. Supporting development of an **inclusive and efficient digital economy and finance ecosystem, specifically targeting SMEs**, to drive the economic recovery, including Gernas BBI and the Indonesia Proud of Travelling Movement (GBWI) by; i) extending the QRIS 0% **merchant discount rate (MDR)** for micro enterprises until 31st December 2021, ii) expanding **QRIS acceptance to 12 million merchants** in collaboration with payment system service providers as well as the central and local government, and iii) Encouraging **collaboration between e-commerce, SMEs, and the Government** to strengthen the competitiveness of domestic SME products for the domestic and export markets;
- Moving forward, Bank Indonesia will continue to direct all policy instruments towards supporting the national economic recovery, while controlling inflation and maintaining rupiah exchange rate stability and financial system stability. Furthermore, policy coordination with the Government and Financial System Stability Committee will constantly be strengthened, including implementation of the integrated policy package with a focus on efforts to overcome supply and demand-side constraints in terms of bank lending to the business community and priority sectors to support economic growth and national economic recovery.

#1. AUTOMOTIVE: DOWN PAYMENT REQUIREMENT ON AUTOMOTIVE LOANS/FINANCING

Current Regulation on down payment Requirement on Automotive loans/Financing

Vehicle Type	Down Payment Requirement on Non-Green Vehicles		Down Payment Requirement on Green Vehicles	
	NPL Requirements Met**	NPL Requirements Not Met **	NPL Requirements Met**	NPL Requirements Not Met **
Two Wheels	15%	20%	0%	15%
Two Wheels or More (non-Commercial)	15%	25%	0%	20%
Two Wheels or More (Commercial)	10%	15%	0%	10%

*) previous regulation, PBI No. 21/13/PBI/2019

**) Requirements as follows :

1. Gross NPL/NPF ratio <5%; and
2. Net NPL/NPF of automotive loans/financing <5%.

New Regulation on down payment Requirement on Automotive loans/Financing

Vehicle Type	Down Payment Requirement on Non-Green Vehicles		Down Payment Requirement on Green Vehicles	
	NPL Requirements Met**	NPL Requirements Not Met **	NPL Requirements Met**	NPL Requirements Not Met **
Two Wheels	0%	10%	0%	10%
Two Wheels or More (non-Commercial)	0%	10%	0%	10%
Two Wheels or More (Commercial)	0%	5%	0%	5%

Note:

Green vehicles include battery electric vehicles (BEVs) as stipulated in prevailing laws and regulations on accelerating the battery electric vehicle program for road transportation.

#2. PROPERTY: RELAXATION OF THE LTV/FTV RATIO & HOMES UNDER CONSTRUCTION

1 RELAXATION OF LTV/FTV RATIO

Maximum 100% on all residential property for banks meeting specific NPL/NPF criteria.

Current LTV/FTV Ratio on Non-Green Property Loans

Facility	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*					
	Property Loans/Financing based on Murabah and Istishna Contract		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabah and Istishna Contract			Property Financing based on MMQ and IMBT Contracts		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type > 70	-	85%	-	90%	85%	75%	65%	90%	80%	70%
Type > 21 - 70	-	90%	-	95%	-	85%	75%	-	85%	75%
Type ≤ 21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type > 70	-	85%	-	90%	85%	75%	65%	90%	80%	70%
Type > 21 - 70	-	90%	-	90%	95%	85%	75%	95%	85%	75%
Type ≤ 21	-	90%	-	90%	-	85%	75%	-	85%	75%
Shop House/Office House	-	90%	-	90%	-	85%	75%	-	85%	75%

New LTV/FTV Ratio on Non-Green Property Loans

Facility	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*					
	Property Loans/Financing based on Murabah and Istishna Contract		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabah and Istishna Contract			Property Financing based on MMQ and IMBT Contracts		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type > 70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type > 21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤ 21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%
Apartment										
Type > 70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type > 21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤ 21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%
Shop House/Office House	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%

Current LTV/FTV Ratio on Green Property Loans

Facility	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*					
	Property Loans/Financing based on Murabah and Istishna Contract		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabah and Istishna Contract			Property Financing based on MMQ and IMBT Contracts		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type > 70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type > 21 - 70	-	95%	-	-	-	90%	80%	-	90%	80%
Type ≤ 21	-	-	-	-	-	-	-	-	-	-
Apartment										
Type > 70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Type > 21 - 70	-	95%	-	95%	-	90%	80%	-	90%	80%
Type ≤ 21	-	95%	-	95%	-	90%	80%	-	90%	80%
Shop House/Office House	-	95%	-	95%	-	90%	80%	-	90%	80%

New LTV/FTV Ratio on Green Property Loans

Facility	NPL/NPF Criteria Met				NPL/NPF Criteria Not Met*					
	Property Loans/Financing based on Murabah and Istishna Contract		Property Financing based on MMQ and IMBT Contracts		Property Loans/Financing based on Murabah and Istishna Contract			Property Financing based on MMQ and IMBT Contracts		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Landed House										
Type > 70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type > 21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤ 21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%
Apartment										
Type > 70	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%
Type > 21 - 70	100%	100%	100%	100%	95%	95%	95%	95%	95%	95%
Type ≤ 21	100%	100%	100%	100%	100%	95%	95%	100%	95%	95%
Shop House/Office House	100%	100%	100%	100%	95%	90%	90%	95%	90%	90%

2

REPEALING REGULATIONS ON GRADUAL LOAN DRAWDOWNS OF PARTIALLY PREPAID PROPERTY (INDENT)

Current Regulation		
Maximum cumulative loan drawdowns	up to 30% of ceiling	upon completion of loan contract
Maximum cumulative loan drawdowns	up to 50% of ceiling	Upon completion of foundations
Maximum cumulative loan drawdowns	up to 90% of ceiling	upon completion of roof
Maximum cumulative loan drawdowns	up to 100% of ceiling	Upon signing of BAST, accompanied by AJB and a cover note

New Regulation

1. Repeals regulations concerning the gradual loan drawdowns of indent and the **maximum cumulative drawdowns** of property loans or property financing.
2. Banks are required to maintain prudential principles and risk management when determining drawdowns on property loans/financing of homes under construction (indent).

PROPERTY SECTOR SALES AND LOANS START TO INCREASE

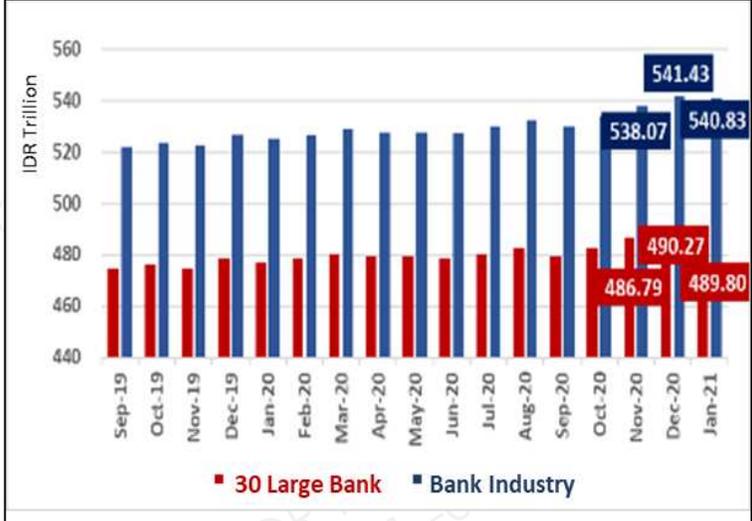
Loan on property sector growth started to improve in line with increasing sales on housing sector...

- Property sector started to improve inline with increasing sales on housing, particularly medium house type purchased by “investor type” buyer.
- Based on Survey by BI, most consumer uses bank loan (75.31%) to buy property.
- Property loan growth improves from 1.54% (yoy) in September 2020 to 3.01 % (yoy) on January 2021.
- Improvements recorded in many segments of property (types and sizes)
- NPL remain well maintained at about 2.72% (gross).

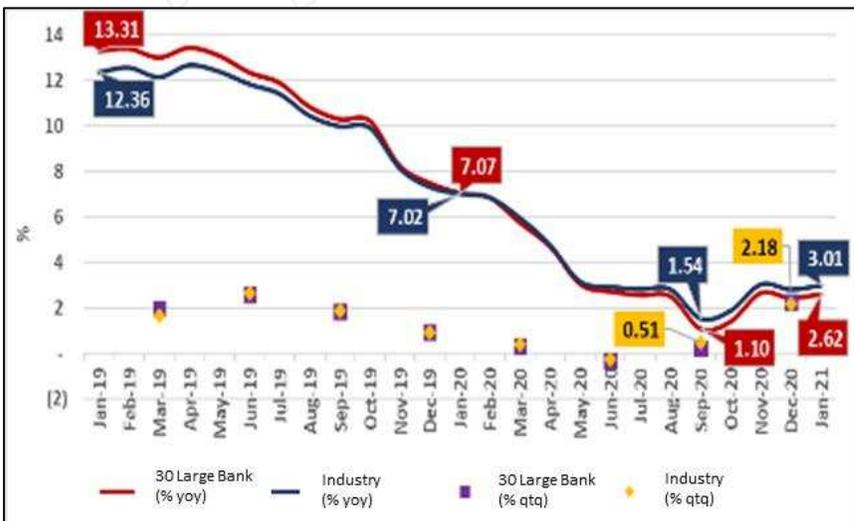
The Growth of Residential Property Sales...



Nominal Property Sector Loan...

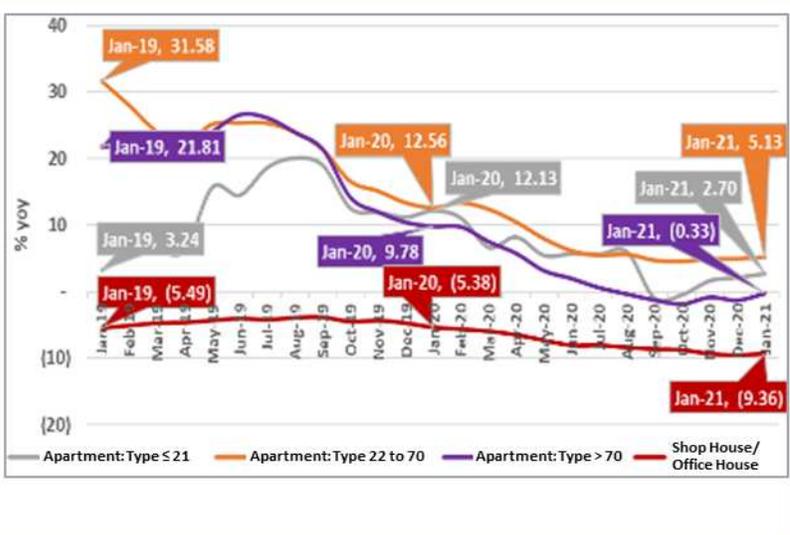
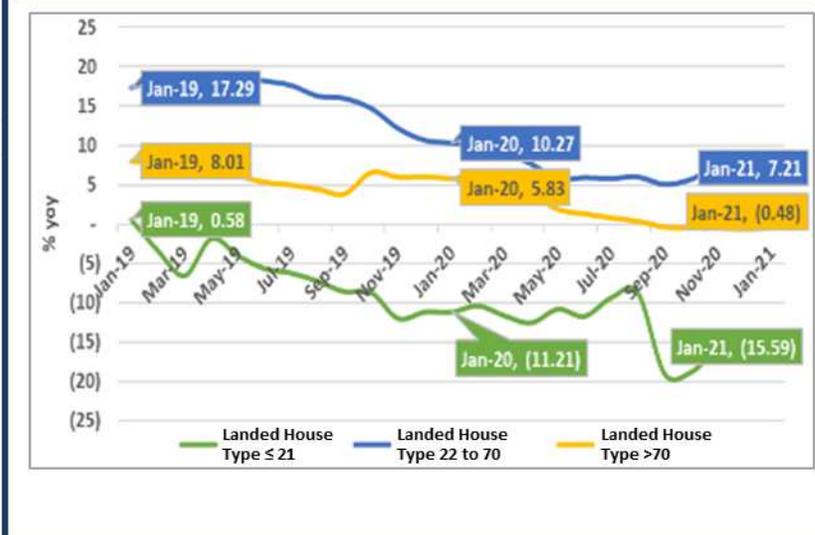


The Growth of Property Sector Loan (yoy & qtq)...



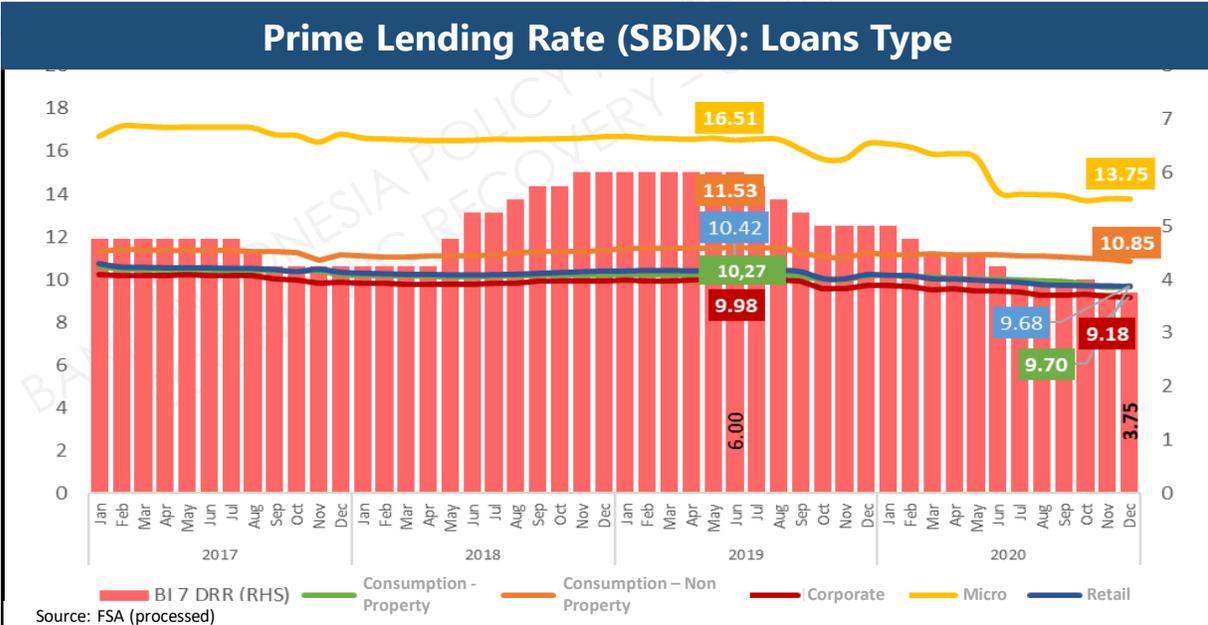
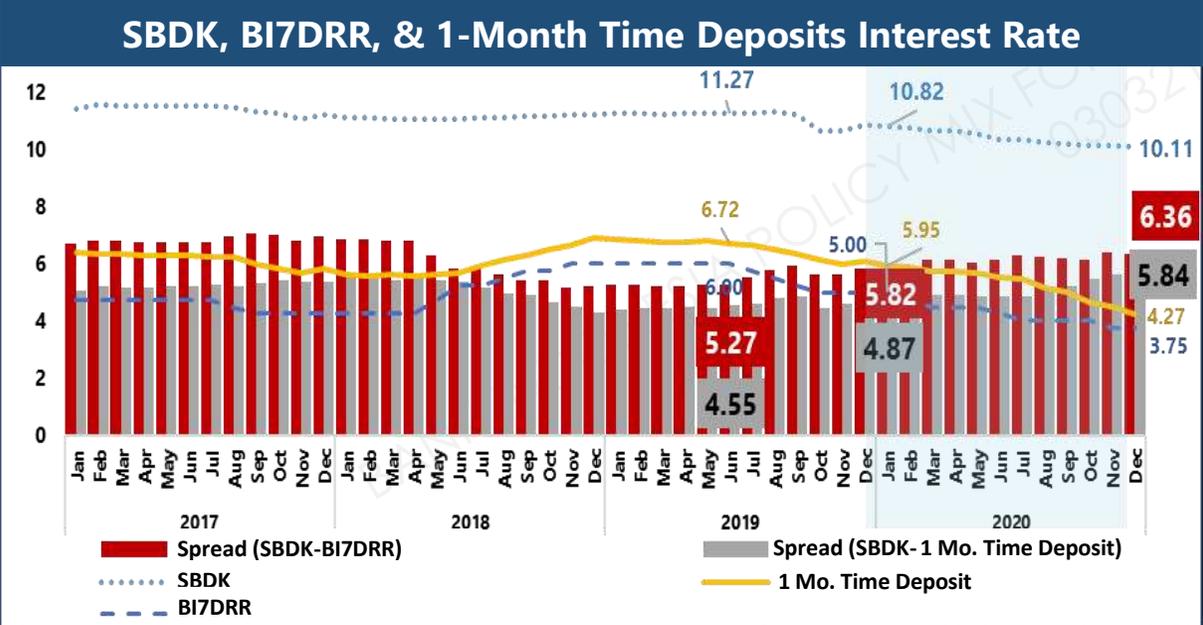
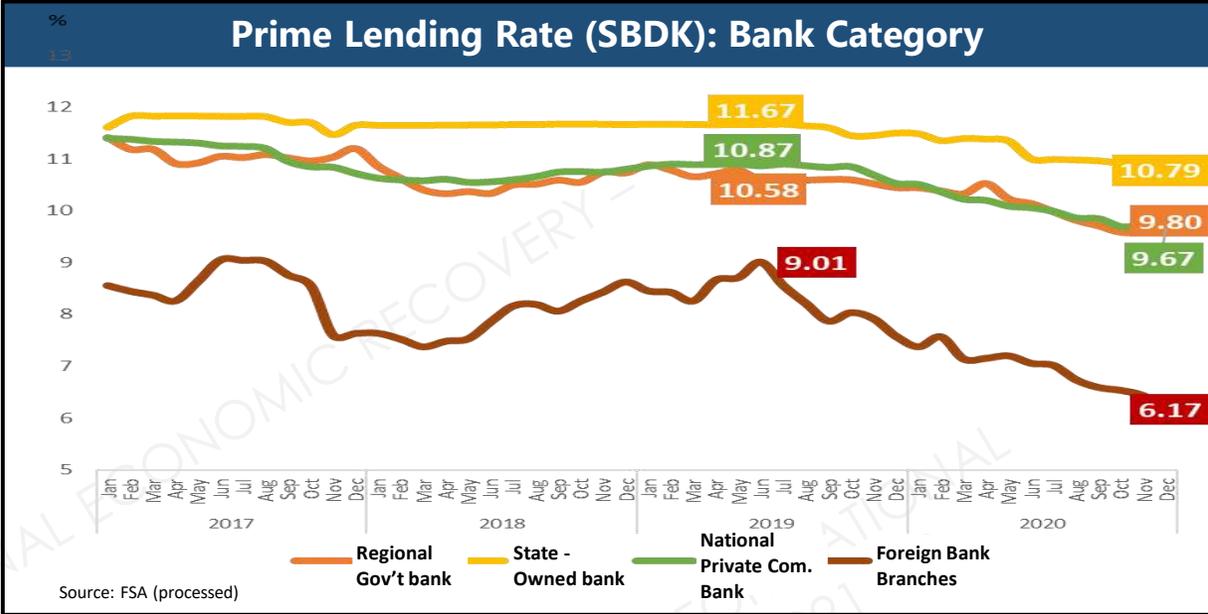
Source: Bank Indonesia

The Growth of Property Sector Loan by type (Landed House and Apartment) and Size (yoy & qtq)...



#3. PRIME LENDING RATE (SBDK) TRANSPARENCY

In 2020, although the BI7DRR lowered by 125 bps and 1-month deposit rate declined 181 bps, the prime lending rate only fell 75bps to 10.11%. This has given rise to a significant spread between the prime lending rate, BI7DRR and 1-month term deposit rate of 6.36% and 5.84% respectively. By bank group, the highest prime lending rate was recorded at state-owned banks totaling 10.79%, followed by regional government banks (9.80%), national private commercial banks (9.67%) and foreign bank branches (6.17%). In terms of loan type, prime lending rates on microloans currently average 13.75%, non-housing consumer loans (10.85%), housing loans (9.70%), retail loans (9.68%) and corporate loans (9.18%)...



ACCELERATED DIGITAL ECONOMY AND FINANCE SUPPORTING ECONOMIC RECOVERY

...As shown in fast growing e-commerce, electronic money, and digital banking. Supported by accelerated digitalization of payment systems as well as strong public preferences and acceptance of digital transactions at the back of Covid-19...



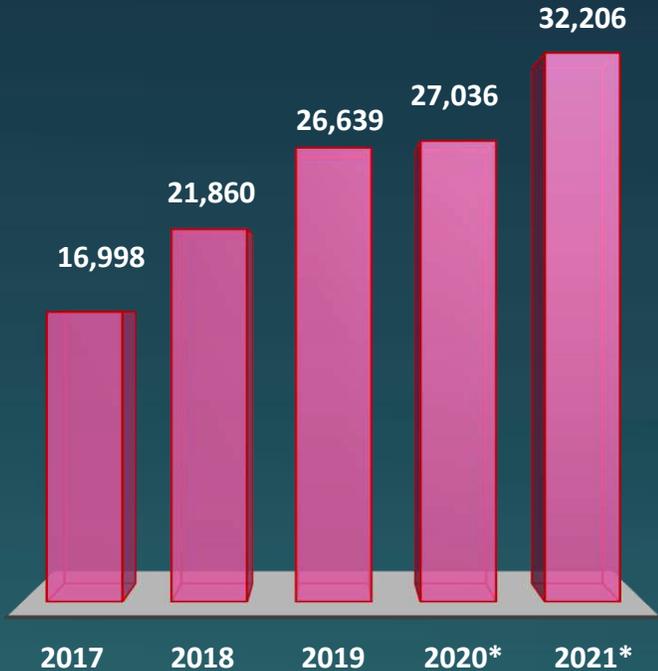
E-COMMERCE transaction in 2021 will increase by 33.2%...



The use of **ELECTRONIC MONEY** will increase by 32.3% in 2021...



DIGITAL BANKING transaction will grow by 19.1% in 2021...



In Trillion Rupiah
Source: Bank Indonesia, *Bank Indonesia projection

BANK INDONESIA POLICY MIX FOR NATIONAL ECONOMIC RECOVERY

MNC Group Investor Forum 2021

3 March 2021

Perry Warjiyo
Governor

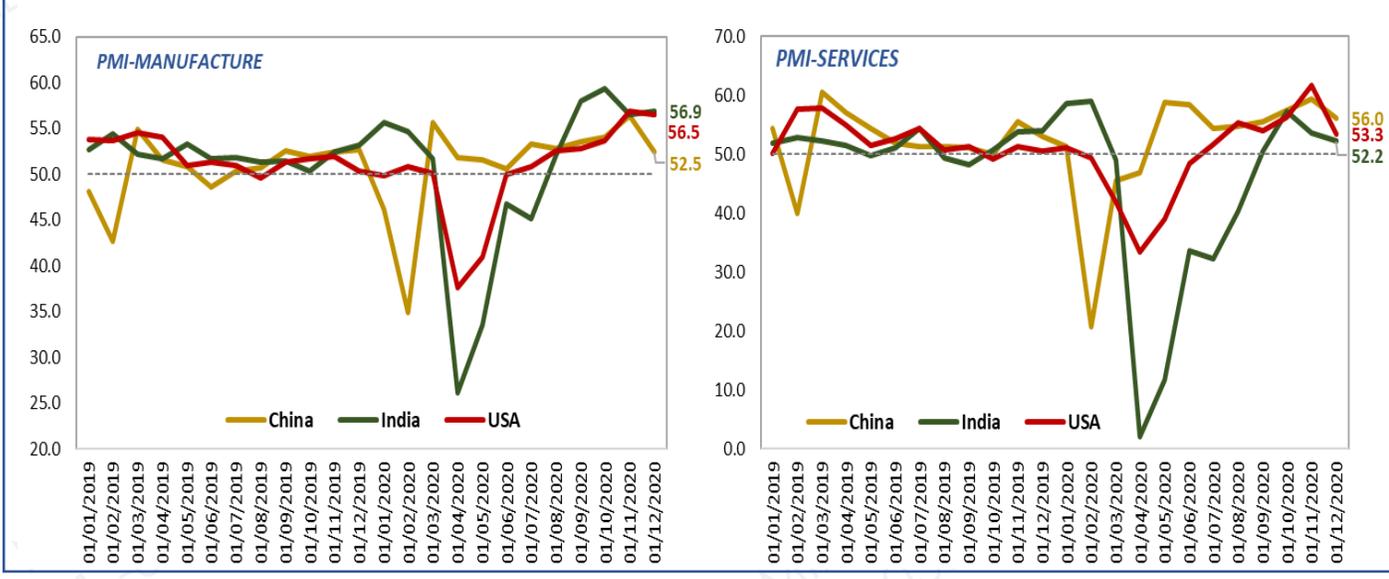
THE GLOBAL ECONOMIC RECOVERY IS EXPECTED TO CONTINUE IMPROVING

This is in line with the current Covid-19 vaccination rollout & increase mobility, coupled with ongoing fiscal & monetary policy stimuli

Purchasing Manager's Index manufacture & services in US, China, & India remained in an expansionary phase

	2019	2020*	2021*
Global Economic Growth	2.8	-3.5	5.1
Advanced Economies	1.6	-4.7	4.1
United States	2.2	-3.5	4.7
Euro Area	1.3	-6.8	4.5
Japan	0.7	-4.8	2.8
Emerging Economies	3.7	-2.6	5.8
China	6.1	2.3	8.1
India	4.2	-8.4	9.0
Latin America	0.0	-7.4	3.1
ASEAN-5	4.9	-3.4	5.8
World Trade Volume	-0.4	-5.7	4.7
Indonesian Export Commodity Price Index	-3.0	-0.8	4.0

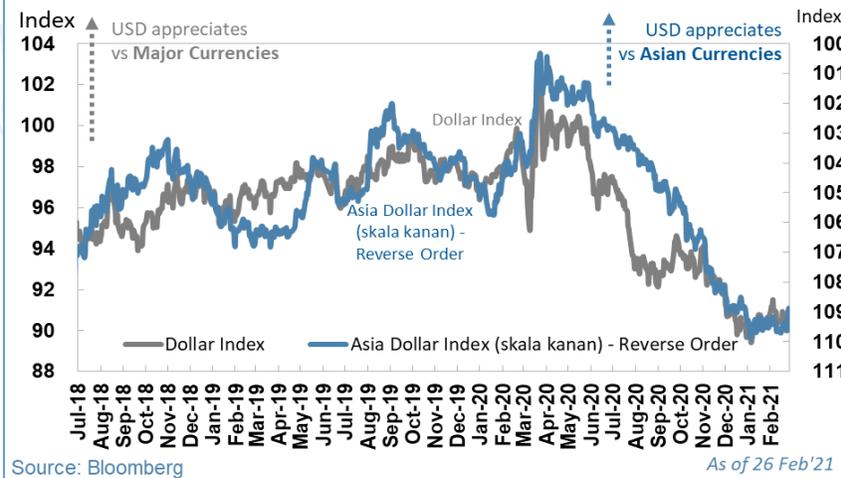
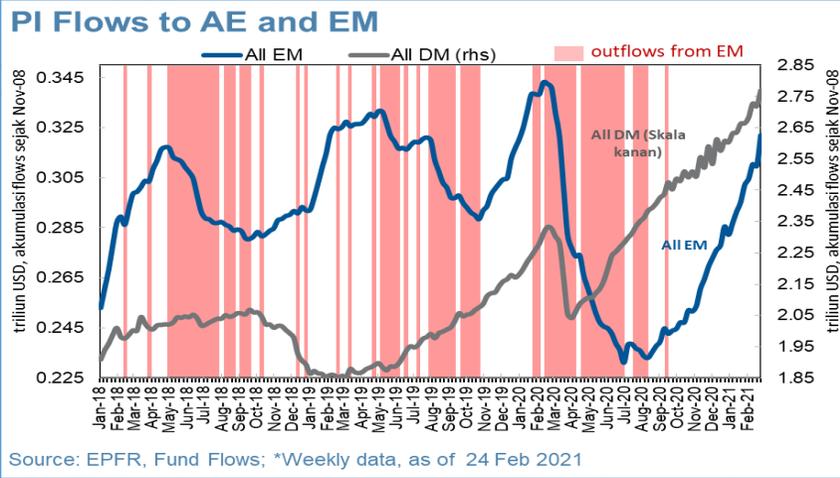
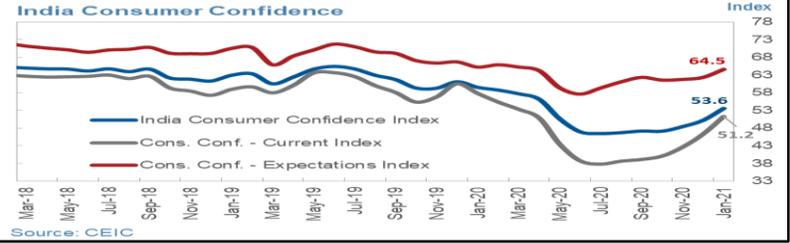
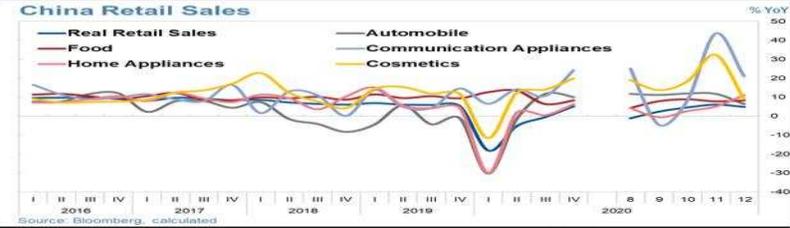
Source: World Economic Outlook October 2020, Bank Indonesia projection relative to prev. projections Note: * projection



Retail sales in China and consumer confidence in India continue to grow

Capital flows to EM continues, in line with abundant global liquidity & low interest rate environment

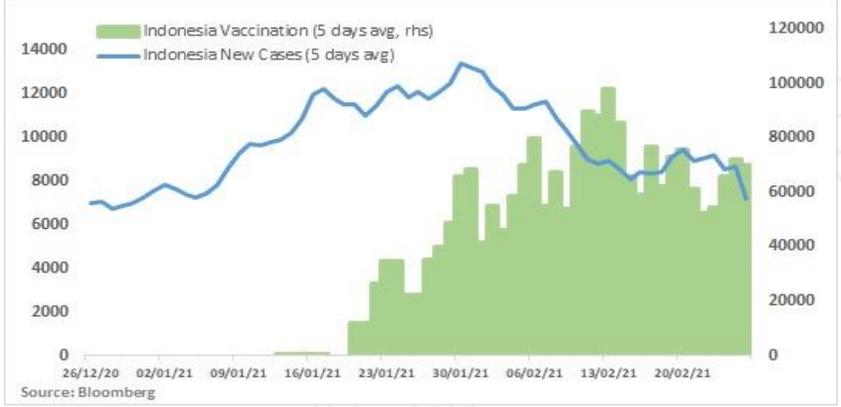
... fueled currency appreciation in various countries, including Indonesia



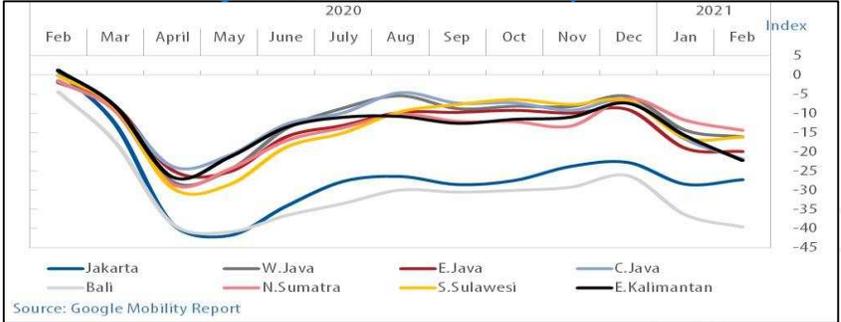
VACCINATION AS NECESSARY CONDITION FOR ECONOMIC RECOVERY

Government is expediting the vaccination through out the country, as well as provisions of region with large contribution to the economy (starting from wider Jakarta area). Vaccine & Covid-19 protocol will increase mobility and economic recovery ...

New cases tend to slow down, vaccination shots increasing...



Mobilities Slowing down after Year End holidays



Source: Bloomberg, processed, as of 22 February 2021

Vaccination Program to Achieve Herd Immunity

Merk Vaksin	Penerima Vaksin	TOTAL (JUTA ORANG)	TOTAL (JUTA DOSAGE)	Q4 2020		Q1 2021			Q2 2021		Q3 2021			Q4 2021			Q1 2022		
				Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Sinovac	Testing	1.5	3	3															
Sinovac	Petugas Kesehatan*	1.46	2.92		0.52	1.06	0.52	0.83											
Sinovac	Petugas Publik**	16.9	33.8			5.96	12.31	5.96	9.56										
Sinovac + Lainnya	Lansia	21.5	43			7.31	14.19	7.31	14.19										
Kombinasi 5 Vaksin	Masyarakat Rentan Penularan (secara demografis)	63.9	127.8					10.65	10.65	10.65	10.65	10.65	10.65	10.65	10.65	10.65	10.65	10.65	10.65
Kombinasi 5 Vaksin	Lainnya (umum)	77.7	155.4					12.95	12.90	12.90	12.90	12.90	12.90	12.90	12.90	12.90	12.90	12.90	13.45
KEBUTUHAN DOSIS VAKSIN		182.96	365.9	3.00	0.52	14.34	27.02	37.70	47.30	23.55	24.10								
AKUMULASI (Vaksin)				3.0	3.5	17.9	44.9	82.6	129.9	153.4	177.0	200.5	224.1	247.6	271.2	294.7	318.3	341.8	365.9
PROGRESS (%POPULASI) RDG JAN				0.6%	2.3%	4.1%	5.8%	18.0%	20.6%	23.1%	33.4%	43.7%	54.1%	61.0%	67.9%				
PROGRESS (%POPULASI) RDG FEB BASELINE LAMA				0.6%	0.7%	0.8%	2.0%	10.1%	18.2%	26.0%	33.0%	37.4%	41.8%	46.1%	50.5%	54.9%	59.3%	63.6%	67.9%
PROGRESS (%POPULASI) RDG FEB BASELINE BARU				0.6%	0.7%	3.3%	8.3%	15.3%	24.1%	28.5%	32.8%	37.2%	41.6%	45.9%	50.3%	54.7%	59.0%	63.4%	67.8%
				Testing kepada semua kalangan		2.5%	6.3%		2.4%			-0.2%			-0.2%				
				Wave I (Priorities)															
				Wave II															

BLUEPRINT OF INDONESIA PAYMENT SYSTEMS (BSPI) 2025 & REGULATORY REFORM



ENVIRONMENTAL SCANNING



Complexities of business models & risks



Regulatory rigidity, complexity, & Rule-based



Regulatory reform by other jurisdictions

BSPI 2025

5
Indonesia Payment System Blueprint Initiative 2025



BSPI 2025: WG 5 INITIATIVE



Integration of Regulation, License, Supervision, and Reporting

Regulatory reform through i.e. restructuring the regulatory framework and enacting BI Regulation (PBI) on Payment Systems.



REGULATORY REFORM



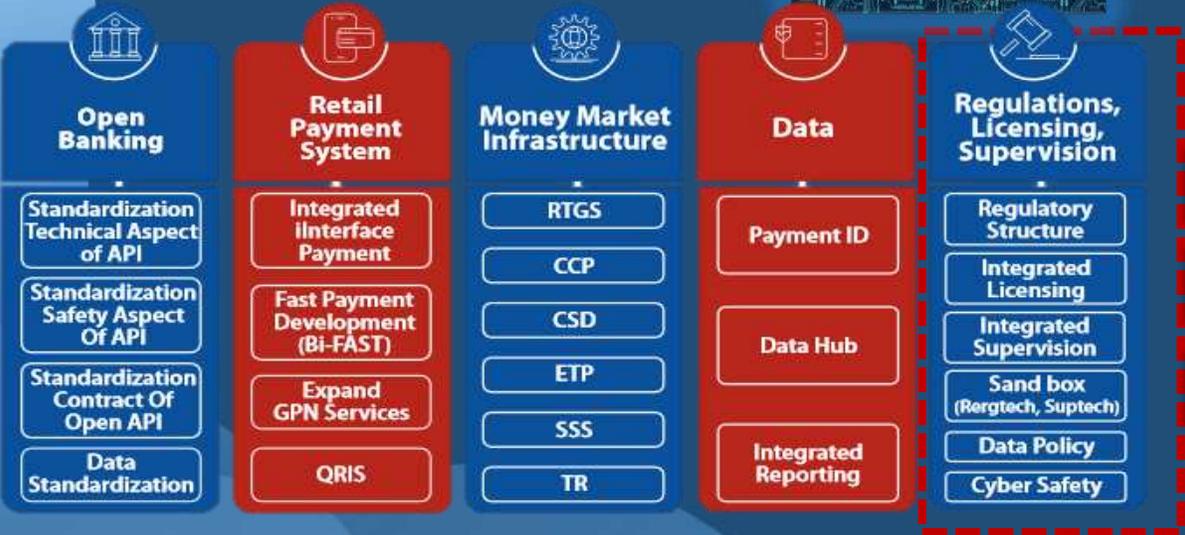
Strike the Right Balance between Optimizing Innovation & Maintaining Stability & National Interest

Restructuring the Regulatory Framework Regulatory Alignment Strengthening Integration Function

BI Regulation (PBI) on Payment Systems

Activity-based Risk-based Principle-based

REGULATORY PRINCIPLES
Structured Agile & Forward Looking Proportional



- Accommodating Digital Economy & Finance
- Strengthening & Simplifying Regulation
- Restructuring Payment Systems Industry

GENERAL PRINCIPLES OF PAYMENT SYSTEMS REGULATORY REFORM

1. ACCESS POLICY



9 PJSP

PJP License PIP Designation

- ➔ New Reclassification: Payment Service Providers (PJP) & Payment Infrastructure Providers (PIP).
- ➔ Adjustment on Access Policy : licensing & designation.
- ➔ Bundling Licensing for PJP.
- ➔ Minimum Requirements for Capitals (Initial & On-Going).

Licensing & Capital Requirements

1	AIS, PIAS, AInS, & Remittance	Rp15B
2	AInS & PIAS	Rp5B
3	Remittance Services	Rp500M/1B

Capital for PIP

1	PIP Switching Providers	Rp100B
2	PIP & global networks	Grandfathering & written guarantee

2. OWNERSHIP & CONTROL (NBFI)

- ✓ Capital Requirements.
- ✓ To boost innovation & maintaining stability.
- ✓ National interest.

OWNERSHIP

Foreign Ownership of Financial Shares

PJP ≤ 85%

PIP ≤ 20%

PENGENDALIAN

Voting Rights (Foreign)	Special Right (Domestically Owned)	Veto Right (Domestically Owned)	Other Types of Control
PJP ≤ 49%	To nominate the majority of BOD/BOC members	Approval of GMS that has significant impacts	
PIP ≤ 20%			

3. PAYMENT SYSTEMS PROVIDERS

A. New Classification of Payment Systems Providers

Classification	CRITERIAS
Systemic (PSPS)	Size
Critical (PSPK)	Interconnectedness
General (PSPU)	Substitutability
	Complexity

B. Risk-Based Processing for Activity, Product, & Cooperation Developments

Risks	Approval	Report
High Risks	APPROVAL	REPORT
Medium Risks		
Low Risks		

Supervision

Risks Management

Payment Systems Capital Requirement (KPSP)

Performance (transaction-based) & Classification

1. Rasio min. capital = 10% of TTMR

2. Additional surcharge:

- PIP PSPS = 5%
- PJP PSPS = 2,5%
- PJP PSPK = 1,5%

4. SANDBOX 2.0



Regulatory Sandbox → Innovation Lab → Industrial Sandbox

5. DATA PROCESSING/INTEGRATED PS INFORMATION



Data Capturing

Data Processing Infrastructure

Protection of Personal Data

Risk Management

ACCELERATION OF FISCAL STIMULUS FOR SUPPORTING CONSUMPTION AND INVESTMENT

Under 2021 Budget, fiscal stimulus for social program of Rp449.5 trillion & capital expenditures for infrastructures of Rp387.4 trillion will support economic recovery from consumption and investment. The implementation of Job Creation Law will also attract more foreign direct investments ...

2021 STATE BUDGET STRATEGIC POLICIES



EDUCATION
(IDR550.0 T)



HEALTH
(IDR254.0 T)



SOCIAL SECURITY
(IDR449.5 T)



INFRASTRUCTURE
(IDR387.4 T)



FOOD SECURITY
(IDR99.0 T)

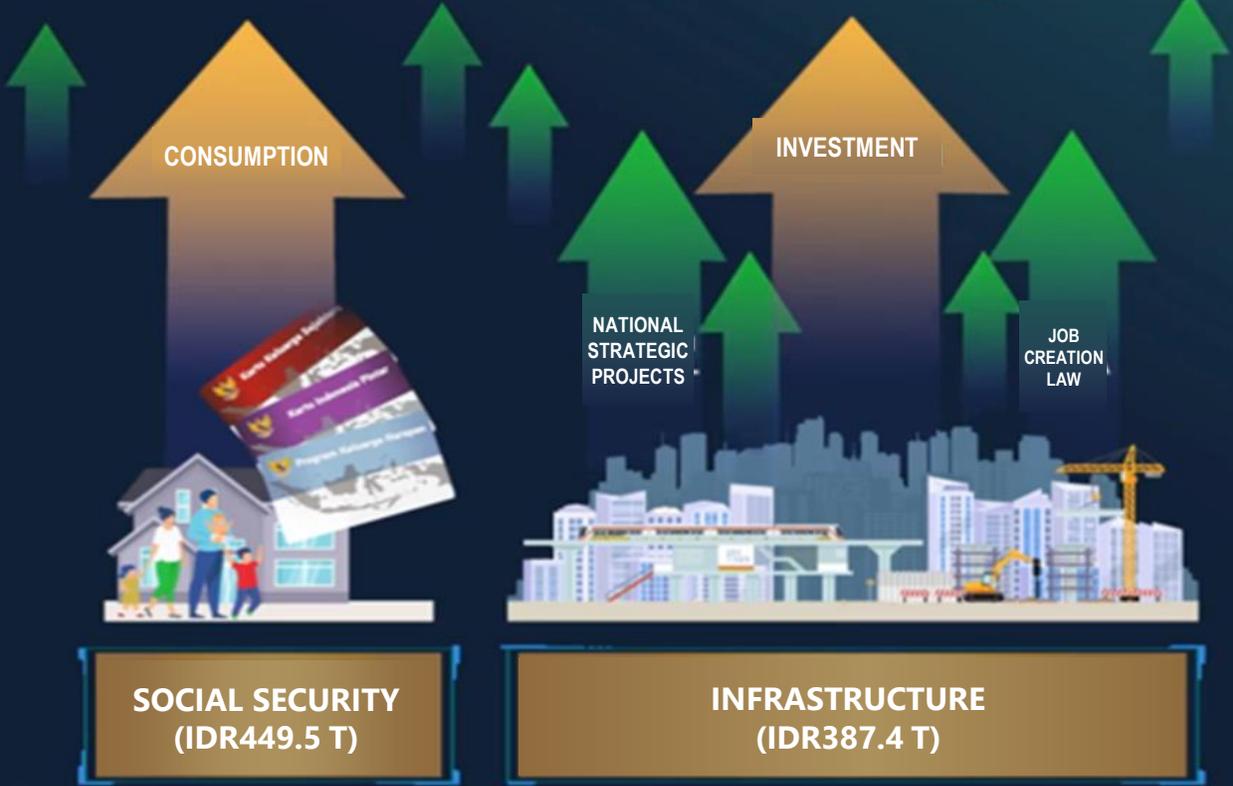


TOURISM
(IDR14.2 T)



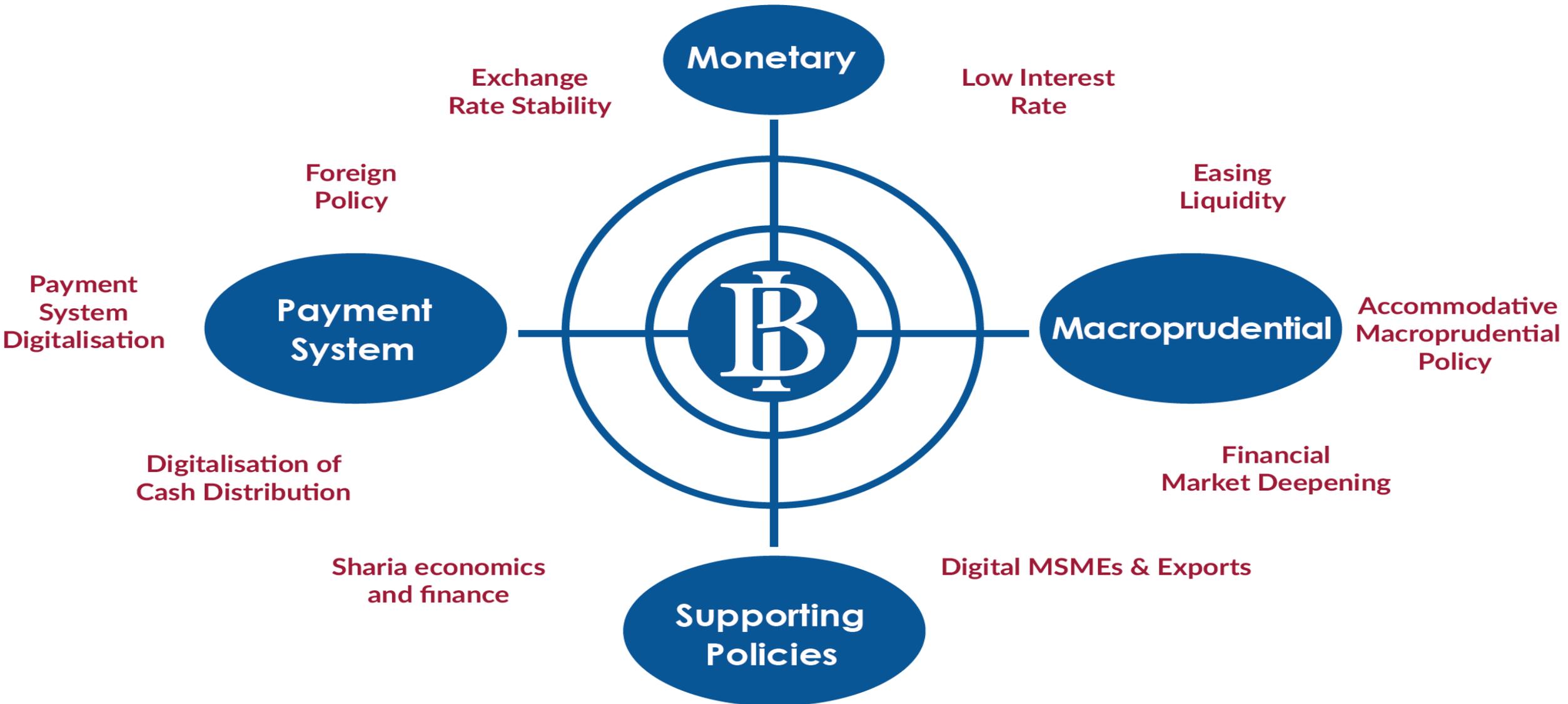
ICT
(IDR26.0 T)

HIGHER ECONOMIC GROWTH



Source: Ministry of Finance

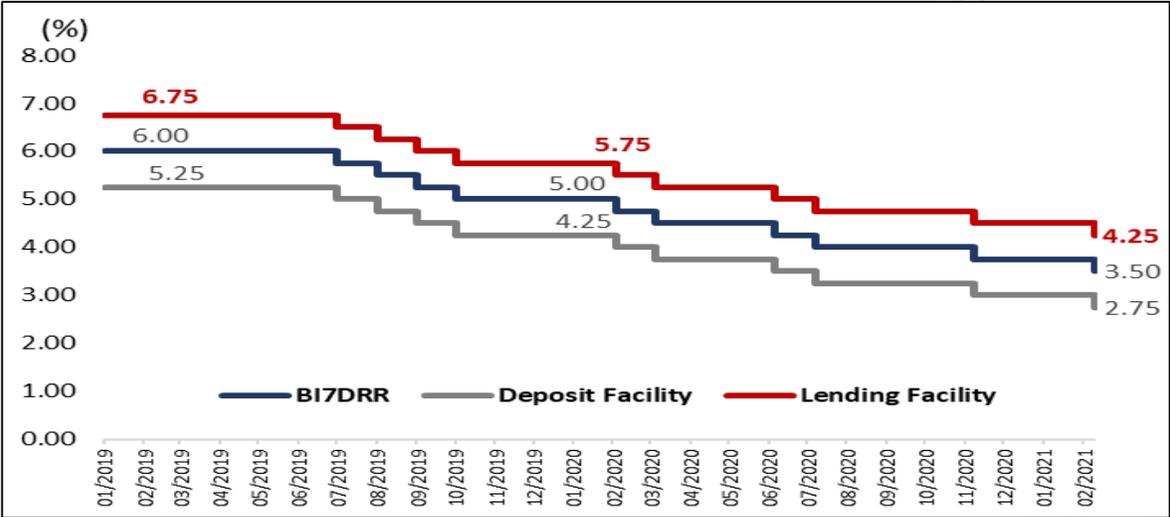
BANK INDONESIA 2021 POLICY MIX: REINFORCING ECONOMIC RECOVERY OPTIMISM



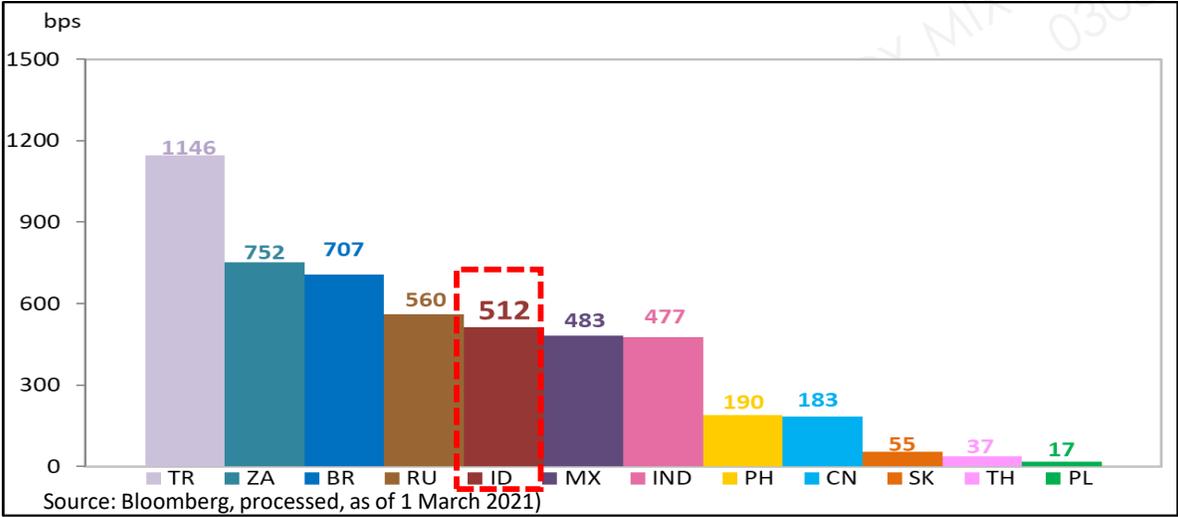
MONETARY POLICY DIRECTION: LOW INTEREST RATE AND LOOSE LIQUIDITY

Low interest rates and loose liquidity will be maintained until there are signs of increasing inflationary pressure.

BI7DRR will remain low until there are signs of increasing inflationary pressure...



SBN Yield is still attractive relative to other countries...



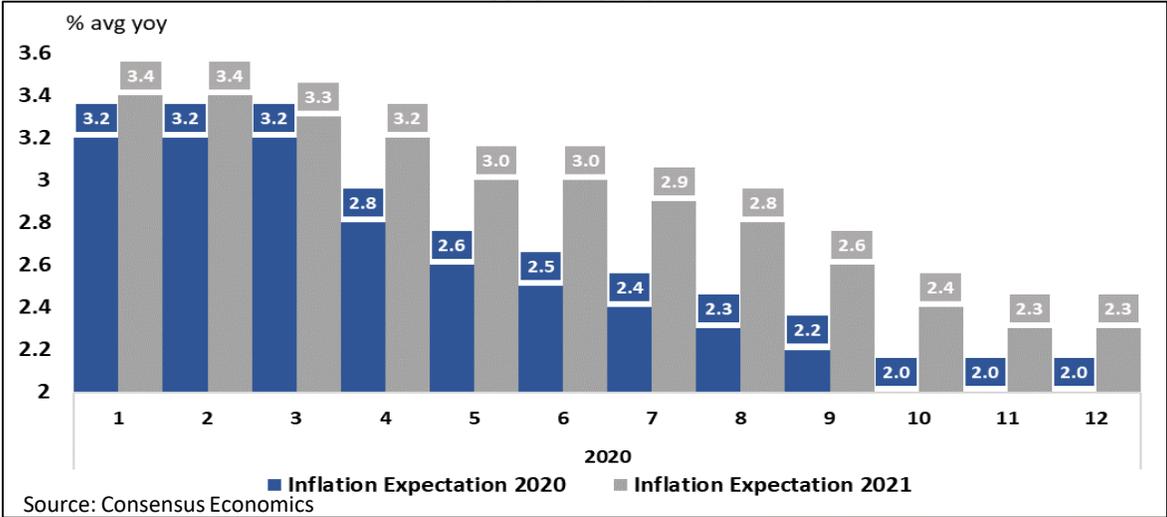
QE 2020 & 2021 : IDR761,3 Trillion (4.89% GDP)

2020 QE: IDR726,6 Trillion (4,71% GDP)

- SBN Purchase from secondary market Rp166.2 Trillion
- Term-repo and FX Swap Rp389.6 trillion
- Reduction in RR Rupiah 300 bps around Rp155 trillion
- Not imposing additional reserves requirement penalty for RIM Rp15.8 trillion

2021 QE : IDR34,7 Trillion (as of 26 February 2021)

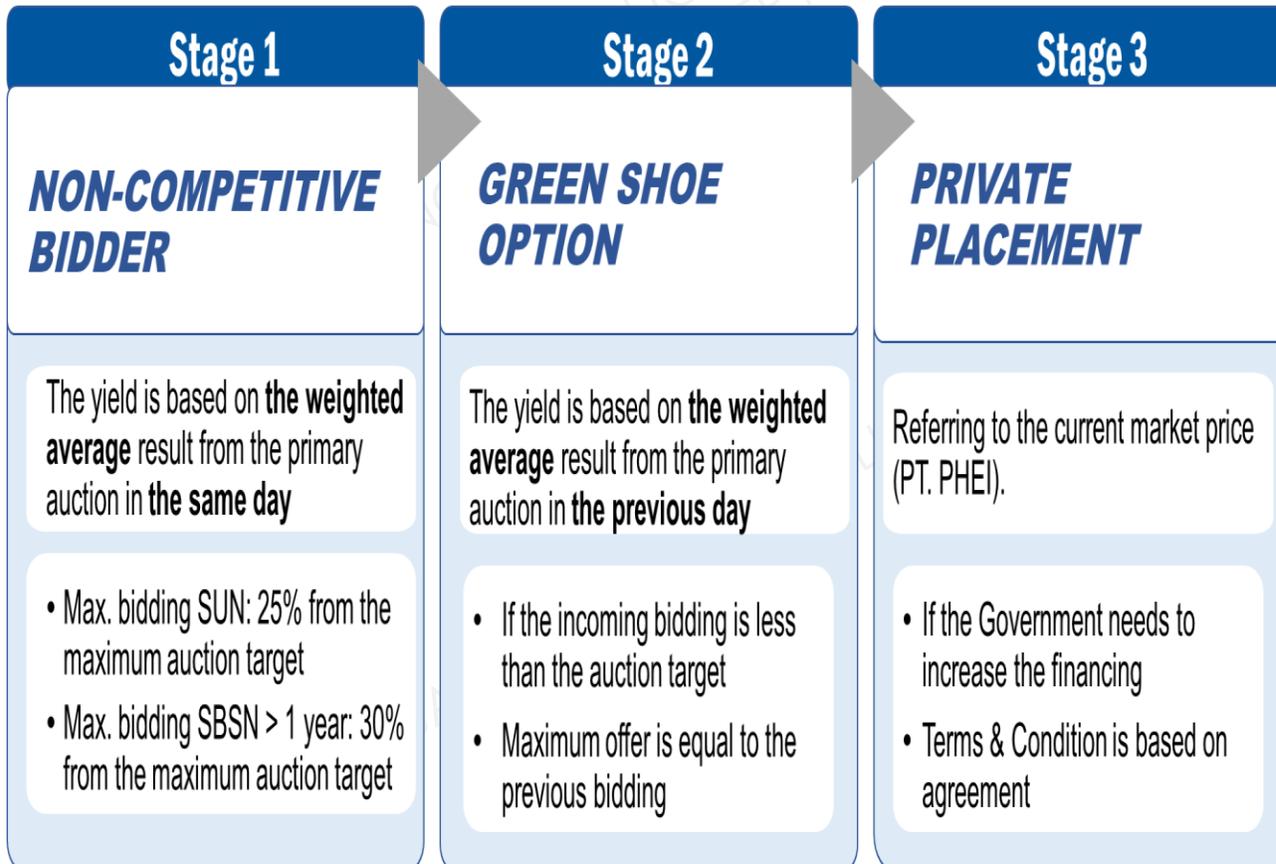
Inflation expectation remain within the target range...



FISCAL AND MONETARY POLICY COORDINATION: BANK INDONESIA PURCHASE OF GOVERNMENT BOND IN THE PRIMARY MARKET

For participation in the financing of 2021 Budget, Bank Indonesia extend the purchase of government bond from primary market (as a stand-by buyer) with the extension of first Joint Decree of the Minister of Finance and Governor of Bank Indonesia issued of 16th April 2020 to 31st December 2021. Direct purchase of government bond based on the second Joint Decree of 7th July 2020 only applied for 2020 Budget (one-off).

MECHANISM OF GOVERNMENT BOND PURCHASE FROM PRIMARY MARKET



- Total government bonds owned by BI Rp926.1 trillion (transaction date, 26th February 2021).
- 2020 purchased from the primary market Rp473,5 trillion, of which: Rp75.9 trillion (KB1) and Rp397.6 trillion (KB 2).
- 2021 purchased from primary market (KB1) Rp47.5 trillion (as of 26th February 2021)

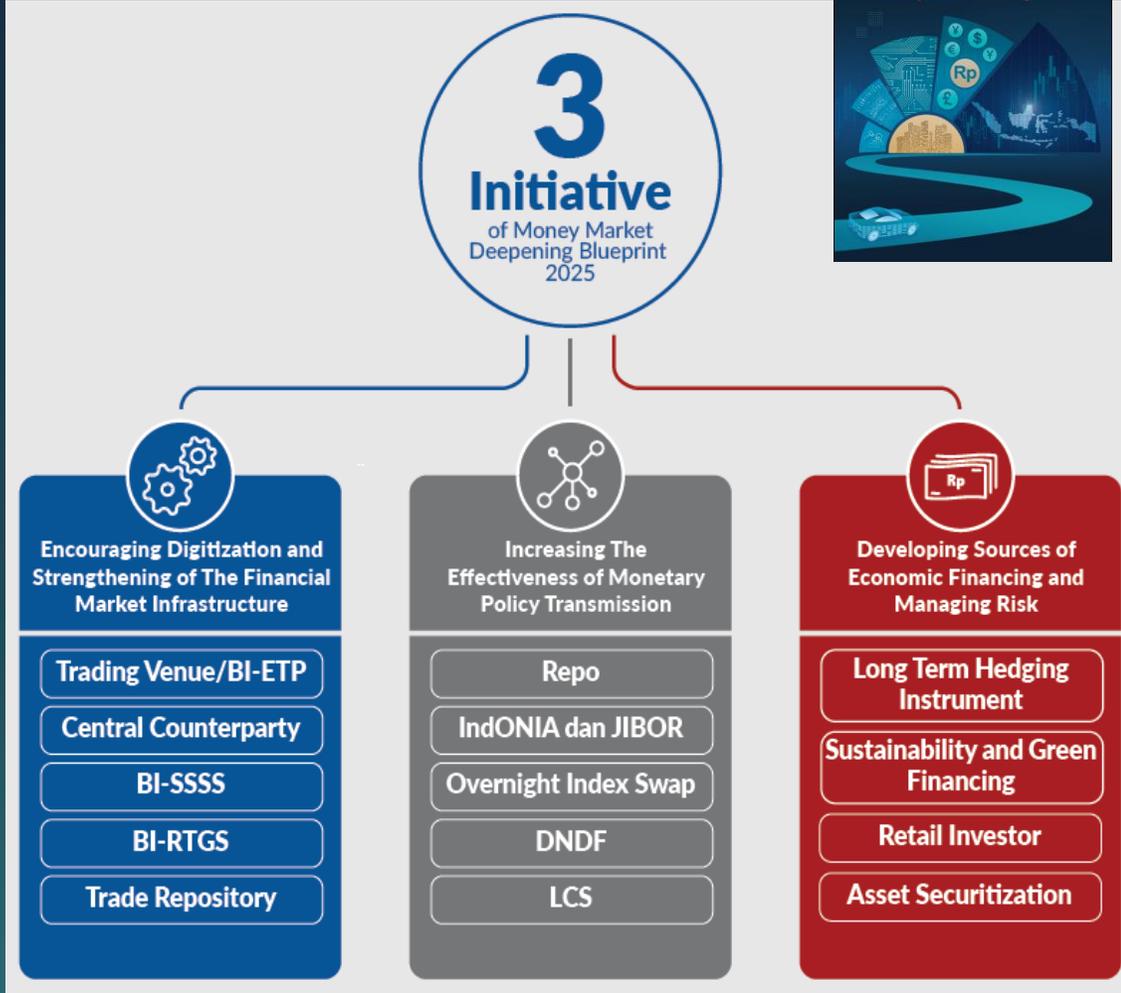
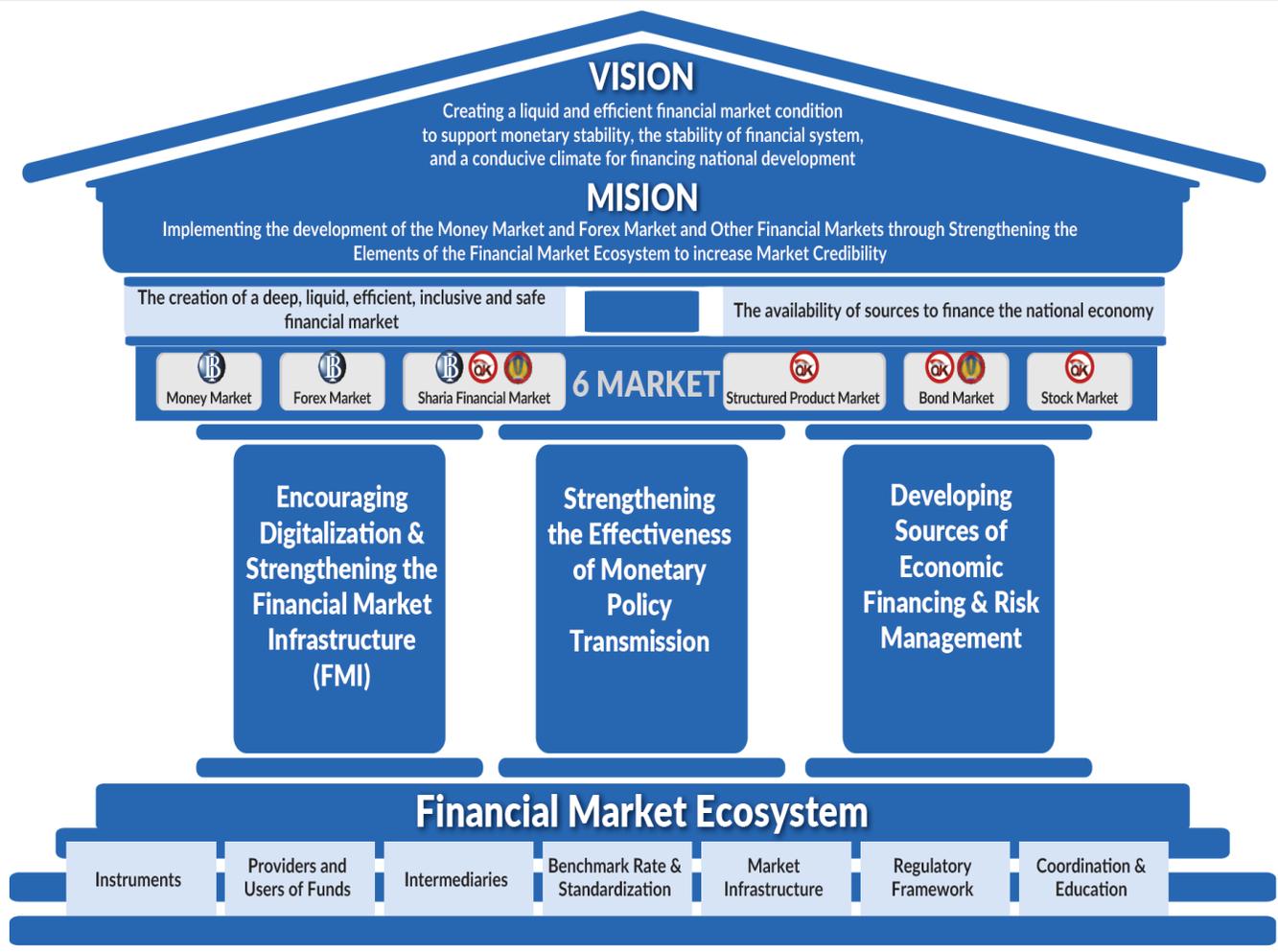
SBN Purchased by Bank Indonesia in 2021 (Trillion Rupiah)*

Law No. 2/2020			Secondary Market	TOTAL
Auction	GSO	PP		
18.39	29.14	0.00	6.62	54.15
47.53				

*as of 26th February 2021

BLUEPRINT FOR MONEY MARKET DEVELOPMENT (BPPU) 2025: BUILDING A MODERN AND ADVANCED MONEY MARKET IN A DIGITAL ERA

Focusing on modernizing financial market infrastructures (FMI), strengthening monetary transmissions, and developing sources of economic financing and risk management. Priorities for 2021: multi-matching trading platform and CCP, further deepening DNDF, CCS, IRS & Repo, as well as CPs and MTNs.



DOMESTIC ECONOMY RECOVERY CONTINUES; STABILITY REMAINS INTACT

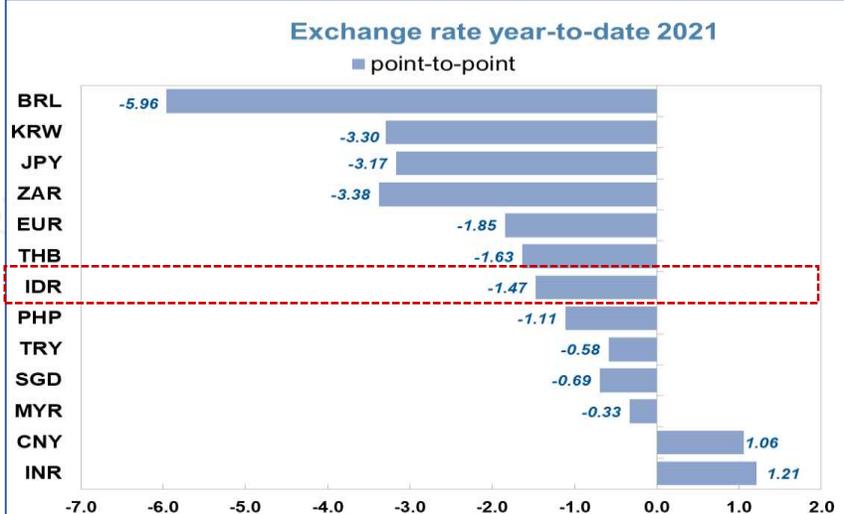
Indonesia's economic growth in 2021 is projected in the range of 4,3-5,3%, previously 4,8-5,8%.

CAD is expected low, in the range 1.0-2.0% of GDP range in 2021, supporting external sector resilience

Rupiah continues to appreciate supported by BI's stabilization policy & maintained foreign capital inflow

Components	2019	2020***				2020***	2021F
		I	II	III	IV		
GDP	5.02	2.97	-5.32	-3.49	-2.19	-2.07	4.3 - 5.3
Household Cons.	5.04	2.83	-5.52	-4.05	-3.61	-2.63	
Government Cons.	3.26	3.77	-6.90	9.76	1.76	1.94	
Investment	4.45	1.70	-8.61	-6.48	-6.15	-4.95	
Building	5.37	2.76	-5.26	-5.60	-6.63	-3.78	
Non-building	1.83	-1.46	-18.62	-8.99	-4.71	-8.38	
Exports	-0.86	0.36	-12.02	-11.66	-7.21	-7.70	
Imports	-7.39	-3.62	-18.29	-23.00	-13.52	-14.71	

Component (USD billion)	2019*	2020**				2020**
		I	II	III	IV	
Current Account	-30.3	-3.6	-2.9	1.0	0.8	-4.7
A. Goods	3.5	4.5	4.0	9.8	10.0	28.2
- Export, fob	168.5	41.7	34.6	40.8	46.2	163.3
- Import, fob	-164.9	-37.2	-30.7	-31.0	-36.2	-135.1
a. Non Oil and Gas	12.0	5.8	3.3	9.4	11.3	29.9
b. Oil and Gas	-10.3	-2.6	-0.8	-0.7	-1.2	-5.4
B. Services, Primary & Secondary Income	-33.8	-8.1	-6.9	-8.8	-9.2	-32.9
Capital and Financial Account	36.6	-3.1	10.9	0.9	-0.9	7.8
1. Direct Investment	20.5	4.3	4.2	1.4	4.2	14.1
2. Portfolio Investment	22.0	-6.1	9.8	-1.9	2.2	3.9
3. Other Investment	-6.0	-1.3	-3.1	1.5	-7.3	-10.2
Overall Balance	4.7	-8.5	9.2	2.1	-0.2	2.6
Memorandum:						
-FX Reserves	129.2	121.0	131.7	135.2	135.9	135.9
In months of import and servicing government debt	7.3	7.0	8.1	9.1	9.8	9.8
- CA Deficits (in % GDP)	-2.71	-1.31	-1.20	0.38	0.29	-0.45



* Preliminary figures; ** Very preliminary figures; *** Very very preliminary figures

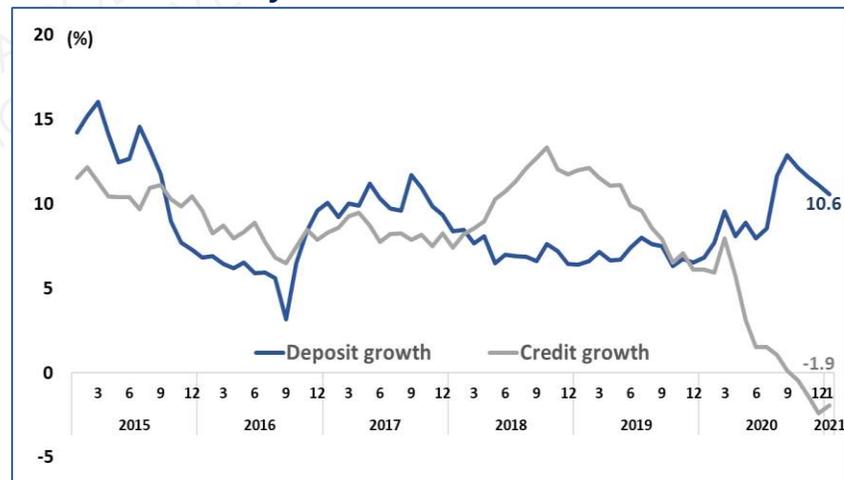
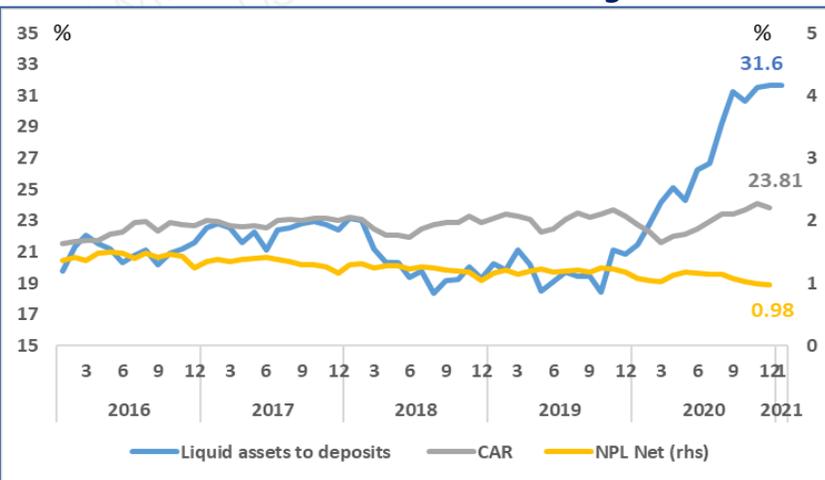
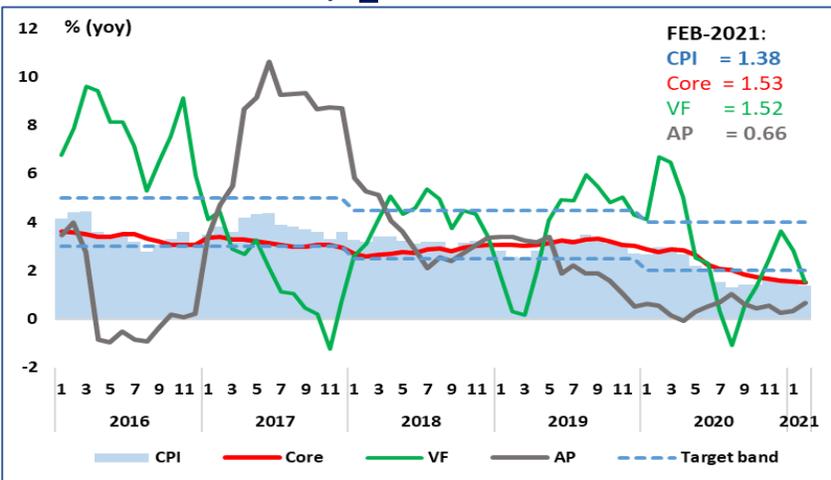
* including financial derivatives

Source: Reuters & Bloomberg, data as of 26 Feb 2021

Inflation is low & projected to remain under control within the 3,0+1% corridor in 2021.

Financial system resilience remains solid, the risks associated with Covid-19 to demand vigilance

The projection of credit/financing growth in 2021 is revised down from 7-9% to 5-7%.



SUMMARY OF ECONOMIC PROJECTION

No	INDICATORS	2019	2020*					2021*
			Q-1	Q-2	Q-3	Q-4*	2020*	
1	World GDP (% , yoy)	2.8	-1.6	-8.5	-2.2	-1.7*	-3.5*	5.1
	- USA	2.2	0.3	-9.0	-2.8	-2.5	-3.5	4.7
	- China	6.0	-6.8	3.2	4.9	6.5	2.3	8.1
	- India	4.9	3.1	-23.9	-7.5	-5.2*	-8.4*	9.0
2	INDONESIA GDP (% , yoy)	5.02	2.97	-5.32	-3.49	-2.19	-2.07	4.3 to 5.3
3	Current Account (% GDP)	-2.72	-1.31	-1.30	0.38	0.29	-0.45	-1.0 to -2.0
4	FX RESERVES (\$ Billion)	129.2	121.0	131.7	135.2	135.9	135.9	-
5	Rupiah Exchange Rate (Rp/US\$)⁺	1,883	16,310	14,255	14,880	14,050	14,050	-
6	CPI Inflation (% , yoy)	2.72	2.96	1.96	1.42	1.68	1.68	3 <u>±</u>1%
7	BI7DRR Interest Rate (%)	5.0	4.5	4.25	4.0	3.75	3.75	-
8	BANKING							
	- Deposit Interest Rate (1Mo, %)	6.1	5.8	5.6	4.5	3.8	3.8	-
	- Lending Interest Rate (%)	10.5	10.4	10.0	9.9	9.7	9.7	-
	- 3 rd Party Funds (% , yoy)	6.5	9.5	8.0	12.9	11.1	11.1	7.0 to 9.0
	- Loans (% , yoy)	6.1	8.0	1.5	0.1	-2.4	-2.4	5.0 to 7.0

* Forecast, ⁺eop

TRANSITIONAL PROVISIONS REGULATORY FRAMEWORK

 **Reclassification of Activities & Conversion of Existing License**



Processing of License & Approval in Accordance with Prevailing Regulations


Appointment of Self Regulatory Organization (SRO)

 **Evaluation of License/Designation Requirements incl. minimum capitals**



2 Years Grace Period



Renewal or Revocation of License/Designation



 **Implementation of Grandfathering Provisions for Financial Ownership & Control**

As long as there are NO CHANGE on:

-  **1** Foreign Ownership; and/or
- 2** Foreign Control

Principles for Grandfathering

- COMPLIANCE LEVEL**
To existing regulations
- FAIRNESS**
To all providers

GRANTED TO PROVIDERS WITH THE HIGHEST COMPLIANCE

THE INDONESIA DIGITAL ECONOMY & FINANCE FESTIVAL

The Festival is initiated by Bank Indonesia to promote the literacy, acceptance and public participations supporting the development of digital economy & finance ecosystem in Indonesia.

TITLE & THEME

“THE INDONESIA DIGITAL ECONOMY & FINANCE FESTIVAL”

Accelerating the digitalization of payment system to support the development of digital economy & finance ecosystem in Indonesia.

OBJECTIVE:

- Promoting the literacy, support, and participations, as well as collaboration between industry, the Government, and general public to support Bank Indonesia’s policy and initiatives on digitalization of payment system.
- Communicating the progress of Indonesia’s Payment System Blueprint 2025.
- Promoting innovation in the area of digital economy and finance to support the economic recovery.

SCHEDULE:

- *Pre Event:* January to March 2021
- *Event:* 5 s.d. 8 April 2021



PROMOTING BANK FINANCING TO BUSINESS AND ECONOMY: LENDING RATE TRANSPARENCY POLICY

Bank Indonesia in coordination with OJK is strengthening the transparency of lending rates to improve the effectiveness of monetary policy transmission, promote market conduct, and support consumer protection.

LENDING RATE TRANSPARENCY POLICY

Stage 1

Reinforcing Public Communication and Transparency of Lending Rates

Publishing the central bank's assessment on bank lending rates using published bank Base Lending Rate (BLR/SBDK) and its spread over policy rates and cost of fund (1-month deposit rates)

Notes:

- Will be implemented immediately using published BLR (i.e. SBDK data published and reported to the OJK).

Stage 2

Issuing Regulation on the Transparency of Lending Rate

Strengthening the legal aspect on the transparency of lending rates by issuing BI regulation as complement or substitution of existing BLR regulation issued by OJK. The issuance of new regulation will be coordinated with OJK.

Notes:

- The regulation will provide stronger legal basis to underpin the publication of detail lending rates.

Stage 3

Strengthening the effectiveness of Policy Rates Transmission

Strengthening the effectiveness of policy rate transmission by requiring bank to use an explicit external / internal benchmark rate in determining floating lending rate.

Notes:

- Could be more effective to improve policy rate transmission and at the same time, supporting consumer protection.

Necessary Condition: Need to strengthen supervision on the policy implementation (BI/OJK)