

**QUARTERLY ANALYSIS:**  
**The Progress of Monetary, Banking and Payment System**  
**Quarter II – 2012**

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During the increasing uncertainty of the global economy, Indonesia is still able to grow by 6.4% (yoy). The main source of the economic growth is domestic demands, which are the increasing household consumptions and investments. The high household consumption is in accordance with the consumers' confidence and stable consumers' purchasing power, as indicated from the high sales of retailer. The high consumption and conducive business climate lead to the increase of investment. This condition is supported by business agents' optimism. Meanwhile, the export growth slowed rapidly as the impact of the slowing down global economy that leads to decreasing demand of the main trading partner country and the low price of commodities. On the other hand, import increase along with the increase of investment activities, particularly machinery and conveyance equipment investment. In the future, the prospect of Indonesian economy would remain strong by 6.3-6.7% in 2012; even several factors of risk should be monitored.

The performance of Indonesia's balance of payments (BOP) experienced a deficit of US\$ 2.8 billion during the quarter II 2012, which was higher than the previous quarter. The condition was triggered by the increase of current transaction deficit as the impact of the weakening global demands and the decreasing export price commodities, while the domestic demands remained high. Even though the capital and the financial transaction recorded a significant surplus, the amount was not sufficient to offset the current transaction deficit, hence put a depreciation pressure on rupiah. Meanwhile, the foreign exchange reserve was US\$ 106.5 billion at the end of quarter II 2012 or equivalent to 5.7 months of import and government foreign debt disbursement.

Rupiah exchange rate experience depreciation pressure with stable volatility supported with stabilization policy by Bank Indonesia. Rupiah by point-to-point, depreciated by 2.56% (qtq) to Rp 9,277 per US Dollar. The weakening of Rupiah is generally in accordance with the exchange rate depreciation in other Asia regions. The pressure on rupiah exchange rate was triggered by both external and domestic sides. Externally, the pressure was influenced by the dynamics of the crisis in Europe that encouraged the increase of foreign exchange demand related to the portfolio rebalancing of non-resident agents. From domestic side, the increase of domestic foreign exchange demand is along with the high import. Bank Indonesia keeps

maintaining the stability in foreign exchange market and monetary instrument to support the stabilization of rupiah along with its fundamental and the movement of regional currency in Asia.

The CPI Inflation pressure remained relatively low in quarter II. CPI inflation rate in quarter II 2012 was recorded by 0.90% (*qtq*) then it was recorded by 4.53% annually (*yoy*). Fundamentally, the inflation is well maintained indicated in a low core inflation of 4.15% (*yoy*) along with the decrease of global commodities price and better expectation. Meanwhile, the price of food increased due to the shock of supplies. On the other hand, the administered prices inflation was minimum along with the absence of the government price regulation on strategic goods and service. In the future, the inflation pressure is estimated to be moderate within its target range of 4.5% + 1% in 2012 and 2013.

Along with the stable macroeconomic performance the financial system also remains stable. Banking industry recorded a more solid performance as reflected by the Capital Adequacy Ratio (CAR) that is far above the minimum requirement of 8% and by the stable gross Non Performing Loan (NPL) below 5%. Meanwhile, the banking intermediation remained improving reflected from the credit growth by 26.3% (*yoy*) at the end of May 2012. The high credit distribution was contributed by the growth of investment and working capital credit that are expected to increase the economic capacity. Investment credit, working capital credit, and consumption credit grew by 29.3% (*yoy*), 28.9% (*yoy*), and 20.3% (*yoy*) respectively.

The solid economic performance of Indonesia is not apart from reliable payment system. In economic activities, the main strategic role of the payment system is to guarantee the process of payment transaction for both society and business activities. During quarter II 2012, the payment system showed positive performance. Both transaction value and transaction volume of the payment system kept highly growing during quarter II 2012 along with the solid economic activities. Besides that, the rapid development of the transaction payment system was also supported by Bank Indonesia's policy to ensure an efficient, quick, save, and reliable payment system. In money distribution, the fiat money still plays a vital role as a medium of exchange for society. It is reflected from the high growth of distributed fiat money (UYD) during quarter II 2012, along with the solid development of the economic activities.