

BI Policy:

Cruising for more loans

20 August 2025

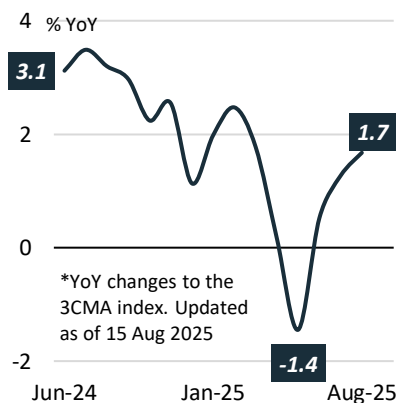
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- **Bank Indonesia lowered its policy rate to 5.00% at today's meeting**, deviating from analysts' consensus. Nonetheless, the decision aligns with our outlook for an additional 25-50 bps of cuts through the remainder of 2025, as moving the interest rate closer to its neutral level should help sustain the ongoing growth momentum.

- Despite robust real indicators leading our model to discount the need for another BI rate cut in Aug-25 (**see Chart 1**), signals of an incoming rate cut are all around in the financial market. For instance, **short- and long-term yields are declining** (-24.4 bps MTD for 12M SRBI, -18.6 bps MTD for 10Y SBN), **consistent with improving liquidity conditions in the banking sector (see Charts 2-3)**.

- Despite this, loan growth continued to decelerate (7.03% YoY in Jul-25), with the 0.76% MoM contraction in working capital loans particularly alarming. **The robust demand for SBNs is symptomatic of the weakening intermediation role within the banking sector**, a condition BI is seeking to address.

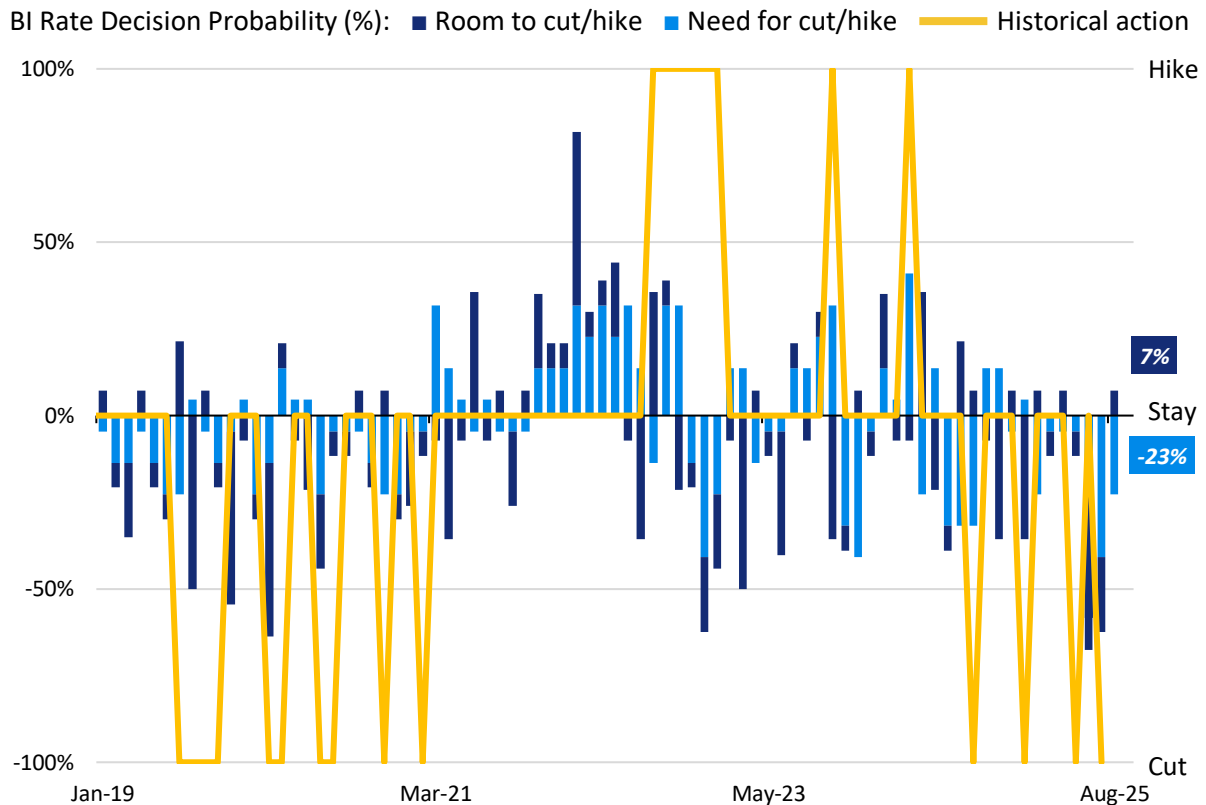
- Historically, **accelerating deposit growth (7.00% YoY in Jul-25) alongside slowing loan growth has often portended weaker nominal GDP growth**. This condition is not ideal, particularly for the government, which has crafted its fiscal posture on the assumption of accelerating NGDP growth. A further reduction in the real interest rate may help counter this condition (**see Chart 5**), maintaining the need for BI to loosen its policy stance.

- Fortunately, some signals appear to support BI's conviction. Inflation is picking up (while still anchored within the target range), in line with improving consumer spending as reflected in

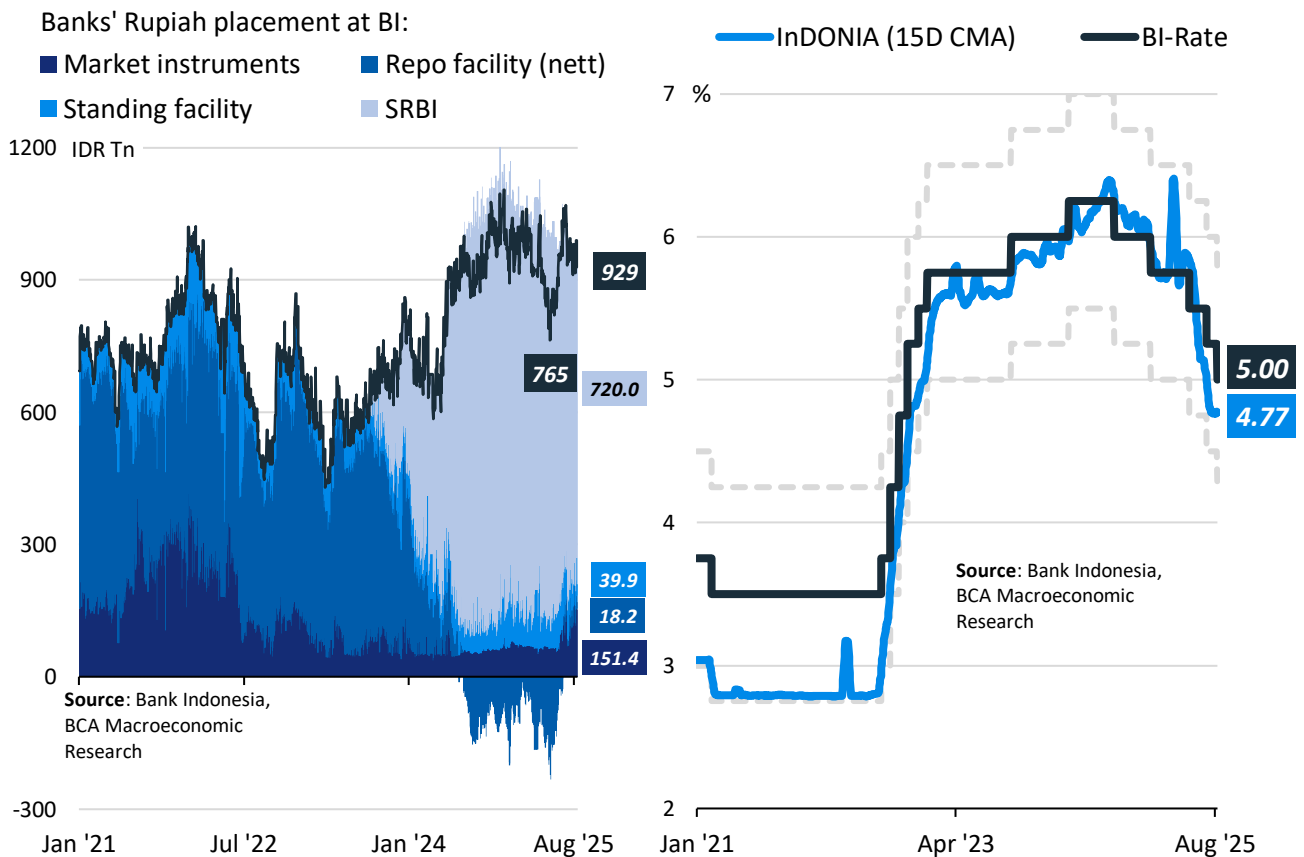
our big data indices. **Stronger fiscal spending realisation further reinforces this trend**, helping to re-energise economic activity that should translate positively to the demand for loans.

- **The room may remain open for BI to maintain its dovish signal**. The Rupiah is stable at the 16,200-16,300 range, supported by foreign inflows to the domestic financial market. Meanwhile, the USD index remains flat. BI seems to expect this situation to hold, as markets are gearing up for an FFR cut scenario in the Sep-25 FOMC meeting.

1 Strong real sector indicators skew our model to a no-cut scenario



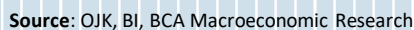
2 BI continue to shut the door to the SRBI market, returning liquidity back to the banking sector



3



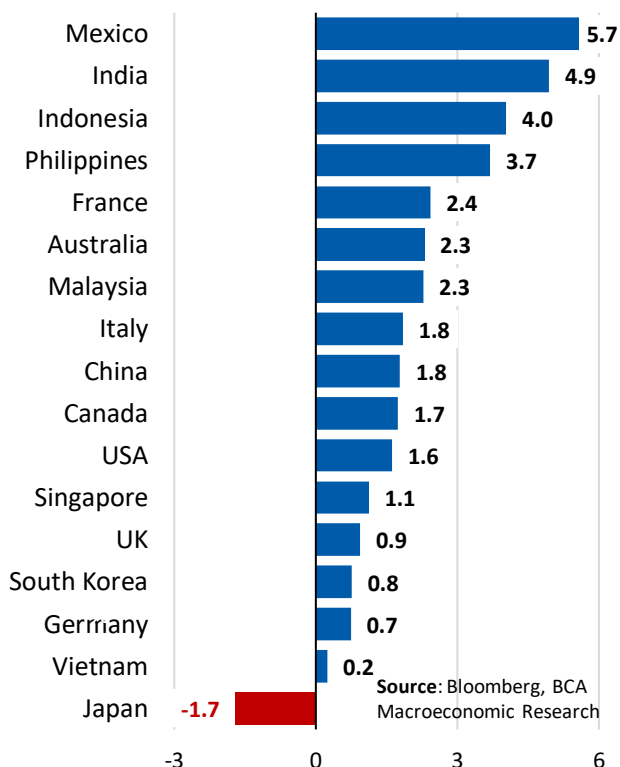
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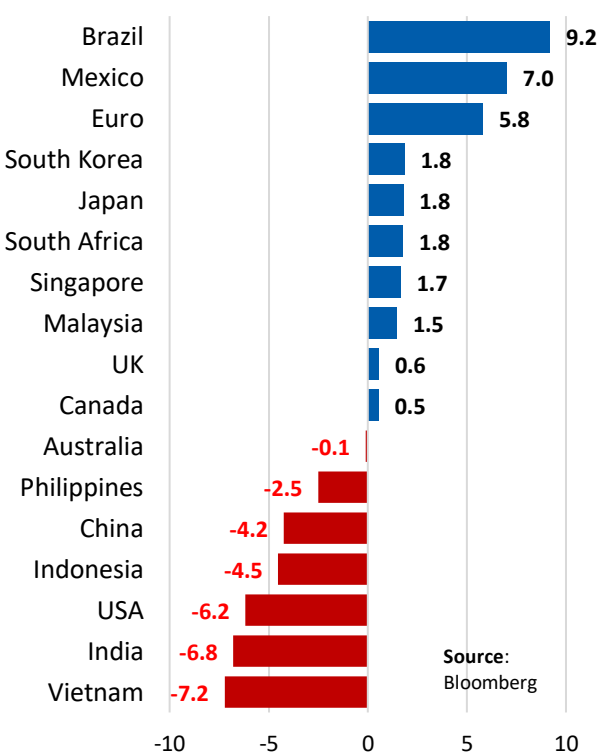
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Indonesia's real interest rates remain one of the highest compared to its peers

Real interest rates (10Y Sovereign bond yield - CPI inflation), per country:

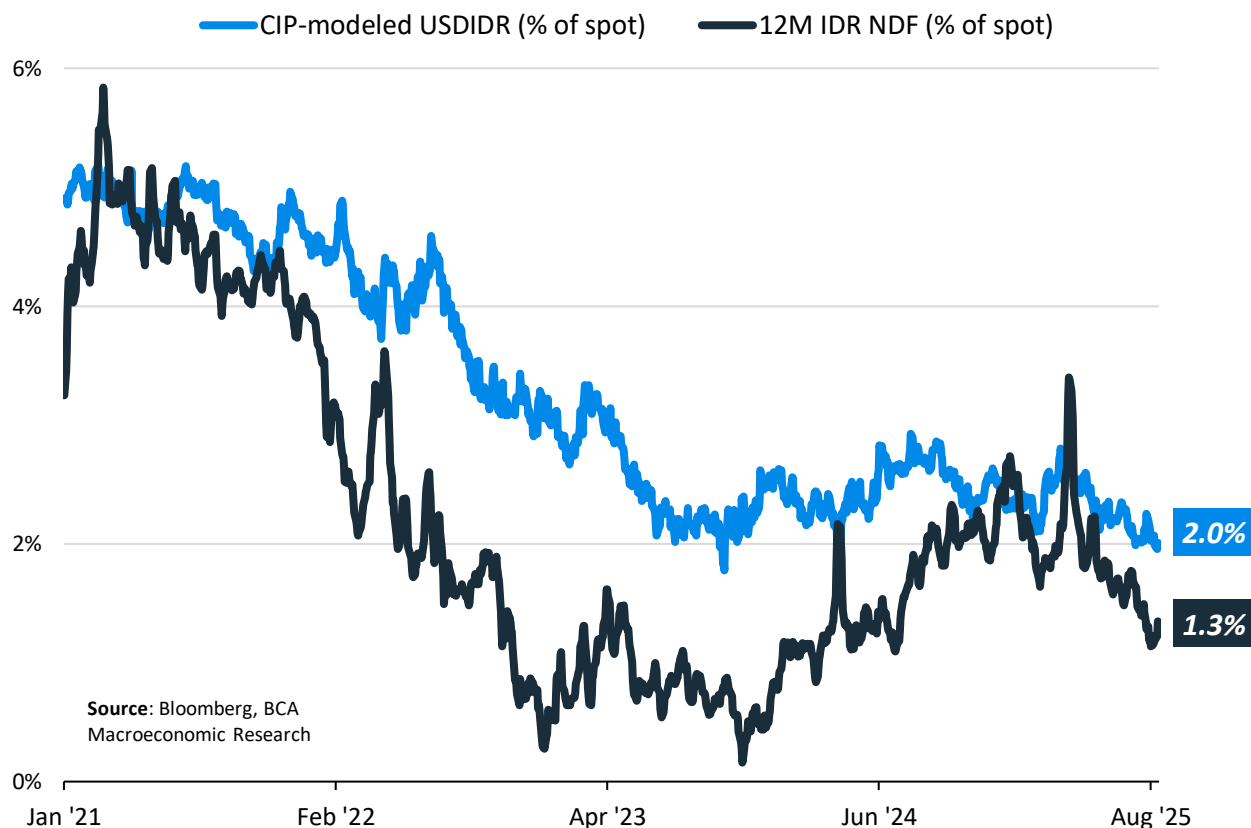


Nominal effective exchange rate (NEER), YTD changes per country:



6

The Rupiah is expected to remain stable, allowing BI to maintain its dovish signal



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	19-Aug	-1 mth	Chg (%)
US	4.50	Dec-24	1.80	Baltic Dry Index	1,964.0	2,052.0	-4.3
UK	4.00	Aug-25	0.20	S&P GSCI Index	532.5	551.6	-3.5
EU	2.15	Jun-25	0.15	Oil (Brent, \$/bbl)	65.8	69.3	-5.0
Japan	0.50	Jan-25	-2.80	Coal (\$/MT)	112.0	113.0	-0.8
China (lending)	2.00	Sep-24	4.35	Gas (\$/MMBtu)	2.87	3.50	-18.0
Korea	2.50	May-25	0.40	Gold (\$/oz.)	3,315.8	3,349.9	-1.0
India	5.50	Jun-25	3.95	Copper (\$/MT)	9,595.2	9,724.7	-1.3
Indonesia	5.00	Aug-25	2.63	Nickel (\$/MT)	14,800.8	15,023.6	-1.5
Money Mkt Rates	19-Aug	-1 mth	Chg (bps)	CPO (\$/MT)	1,059.5	996.6	6.3
SPN (1Y)	5.13	5.46	-33.1	Rubber (\$/kg)	1.75	1.73	1.2
SUN (10Y)	6.40	6.52	-12.8	External Sector	Jun	May	Chg (%)
INDONIA (O/N, Rp)	4.78	4.83	-4.7	Export (\$ bn)	23.44	24.61	-4.78
JIBOR 1M (Rp)	5.86	5.89	-3.1	Import (\$ bn)	19.33	20.31	-4.82
Bank Rates (Rp)	May	Apr	Chg (bps)	Trade bal. (\$ bn)	4.10	4.30	-4.60
Lending (WC)	8.64	8.66	-1.72	Central bank reserves (\$ bn)*	152.6	152.5	0.05
Deposit 1M	4.86	5.02	-15.57	Prompt Indicators	Jul	Jun	May
Savings	0.70	0.69	1.18	Consumer confidence index (CCI)	118.1	117.8	117.5
Currency/USD	19-Aug	-1 mth	Chg (%)	Car sales (%YoY)	-18.4	-22.5	-15.1
UK Pound	0.741	0.745	0.56	Motorcycle sales (%YoY)	-0.5	-0.3	-0.1
Euro	0.859	0.860	0.18	Manufacturing PMI	Jul	Jun	Chg (bps)
Japanese Yen	147.7	148.8	0.77	USA	49.8	52.9	-310
Chinese RMB	7.182	7.175	-0.11	Eurozone	49.8	49.5	30
Indonesia Rupiah	16,245	16,290	0.28	Japan	48.9	50.1	-120
Capital Mkt	19-Aug	-1 mth	Chg (%)	China	49.5	50.4	-90
JCI	7,862.9	7,311.9	7.54	Korea	48.0	48.7	-70
DJIA	44,922.3	44,342.2	1.31	Indonesia	49.2	46.9	230
FTSE	9,189.2	8,992.1	2.19				
Nikkei 225	43,546.3	39,819.1	9.36				
Hang Seng	25,122.9	24,825.7	1.20				
Foreign portfolio ownership (Rp Tn)	Jul	Jun	Chg (Rp Tn)				
Stock	3,539.4	3,336.8	202.60				
Govt. Bond	935.7	995.6	-59.93				
Corp. Bond	4.7	4.3	0.39				

Source: Bloomberg, BI, BPS

Notes:

*Data from earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, **>50** indicates economic expansion, **<50** otherwise



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Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	5.0
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	7.2
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	5100
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.2
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	4.75
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	6.57
USD/IDR exchange rate (average)	14,141	14,529	14,297	14,874	15,248	15,841	16,350
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,625
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.0
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	-1.0

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time

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