

## The demand side of the IDR 200 Tn question

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### Summary

- Lower global volatilities may have enabled the government to assume more risk in its fiscal management, as reflected in the plan to transfer up to IDR 200 Tn of the government's cash reserves into commercial banks' accounts.
- Rather than liquidity support, the higher deposit rate on the government's cash deposits should encourage banks to expand their credit portfolio.
- Challenges to the policy include subdued loan demand and banks' cautious lending stance, which could weigh on margins as lenders engage in rate competition to attract creditors.

- Some important US economic data were released last week, ahead of the pivotal FOMC meeting later this week. First, the revised annual non-farm payroll data shows that the US economy added 911k fewer jobs in the 12 months through March 2025 than first reported, invalidating the Fed's concern on a "tight" US labour market.
- The release of the August 2025 US CPI data was the other key monetary event of the past week. In hindsight, the number does not seem to present a rate cut environment, with the inflation rate moving higher to 2.9% YoY (0.4% MoM) while the core inflation remains at 3.31% YoY. The lower-than-expected US PPI figure, however, tells a different story. The 2.6% YoY PPI inflation (vs. 3.1% forecast), driven by a 0.2% MoM decline in service costs, further signals weakening US labour demand.
- Meanwhile, the reported decline in margins across several wholesale businesses helps ease

concerns about tariff impacts spilling over into retail prices. Against this backdrop, market participants now expect a total of 75 bps in FFR cuts for the remainder of 2025, keeping the USD index stable at 97.5 and driving the benchmark 2Y UST yield down by 6.11 bps MTD.

- Alas, the dovish turn in the sentiment on the US financial market does not seem to manifest in the Indonesian financial market. Net foreign outflows to the tune of USD 519.1 Mn are recorded from the domestic equities and sovereign bond markets, while the Rupiah briefly dropped to 16,475/USD (-2.32% YTD). The market appears to interpret the recent personnel changes in the Red-and-White Cabinet as a risk, as shifts in key ministerial positions may also herald changes in the government's fiscal policies.

## Pushing banks into a treadmill

- Indeed, the new Minister of Finance is not short of ideas in formulating his own fiscal policy. On his first meeting with the parliament, Minister Purbaya signalled his intention to reverse the planned cuts to transfers for regional governments in the 2026 fiscal year, without altering the IDR 638.8 Tn (-2.48% of GDP) deficit target set for the period. What captures the most attention, however, is the plan to shift up to IDR 200 Tn of the government's cash reserves from Bank Indonesia to state-owned commercial banks, as the new MoF see the slowing monetary base and loan growth as the root of Indonesia's below-potential GDP growth.

- The policy is underpinned by sound macro-economic reasoning. **BI's liabilities to the central government have grown exponentially in recent years, rising to IDR 495.5 Tn by the end of 2024 from IDR 281.3 Tn in 2021.** This fiscal buffer is, of course, important – particularly during periods of elevated uncertainty, as observed a few quarters ago. However, this buildup of the government's cash position in BI's coffers, together with other market-stabilising interventions such as SRBI issuance (which peaked at IDR 971.82 trillion in mid-November 2024), has also drained liquidity from the commercial banking system, contributing to the deceleration in loan growth since April 2024.

- The dovish turn in global sentiment allows the government to price in less risk in its fiscal policymaking, encouraging the government to

be more adventurous in executing policies to boost lending growth. However, several questions remain regarding the IDR 200 Tn deposit transfer plan, with the first one being the objective of the policy.

- As repeatedly stated by the MoF, the policy is designed to incentivise banks to expand their credit portfolio. SOE banks participating in the scheme will pay higher rates on these fresh deposits (80.476% of BI rate, same with what BI pays on its liabilities to the government, *see Chart 1&2*), compelling them to deploy the additional liquidity toward higher-yielding loans rather than reinvesting it in SBN or other

financial assets for merely fair returns. Notably, the MoF explicitly stated that the transferred deposits may not be used to purchase SBNs, although it remains unclear how the government intends to enforce this provision.

***“Rather than a liquidity support, the IDR 200 Tn deposits may better be seen as a challenge from the government for banks to boost their loan growth”***

- **The next question is how banks intend to channel these fresh deposits into loans.** While the slight uptick in the NPL ratio (2.22% as of June 2025, up from 2.08% in December 2024) suggests that overall credit quality has remained broadly stable in 2025, a closer examination of the data reveals that this stability is largely driven by an improvement in the NPL ratio for non-MSME loans (*see Chart 3*), whereas credit quality appears to be deteriorating in other loan categories.
- Ergo, banks are unlikely to be overly adventurous in expanding their loan portfolios, with most banks may choose to direct support on the government's flagship programmes or

the corporate sector to preserve credit quality. However, one factor contributing to the ongoing decline in the NPL ratio for non-MSME loans is the corporate sector's more cautious approach to bank borrowing, as evidenced by the higher saving rates recorded across multiple industries in our internal big data.

- Hence, **the final – and arguably most critical – question should concern the underlying demand for loans within this segment of the lending market.** Alas, banks may face fierce competition for lending within this segment. Loan demand appears concentrated in a handful of sectors, with borrowing seemingly driven more by factors other than an improving earnings outlook (*see Chart 4*).
- Reports of some businesses self-financing their expansion projects further tilt the competition landscape against banks, potentially forcing them to compete on price to gain more share in the corporate segment of the lending market. At its extreme, the new MoF's policy may translate to a double squeeze on a bank's margin, as participating banks will face a higher deposit rate. At the same time, lowering the lending rate will be necessary to maintain the bank's share in the competitive corporate segment, **with our early assessment suggesting that the IDR 200 Tn deposit injection could lower the lending rate on productive loans by around 14 bps.**

- The ideal scenario for commercial banks, then, is to ease this competition by identifying promising yet financially underserved sectors, thereby assisting the government in unearthing underappreciated areas of the economy that could help bring growth momentum closer to its potential. In addition, the government could help mitigate risks in those sectors through incentives such as credit guarantee programs, tax incentives, or technical support for MSMEs, as support for this segment does not currently appear to be as high on the government's priority list as in yesteryear.
- In parallel, policies such as deploying the government's cash reserves to reduce reliance on SBN issuance and improving fiscal spending realisation may have far-reaching effects in stimulating economic activity, thereby positively influencing loan demand. Until such measures take full effect, however, bank-employed analysts may find themselves working extended hours in the months ahead.

***“Tepid and concentrated demand for loans, especially in the corporate segment, present a challenge for the policy and a risk for banks”***

Chart 1

### More of a task than a gift

The IDR 200 Tn cash transfer from the government's BI accounts is not a bailout on banks, as the liquidity condition has been improving in the past couple of months

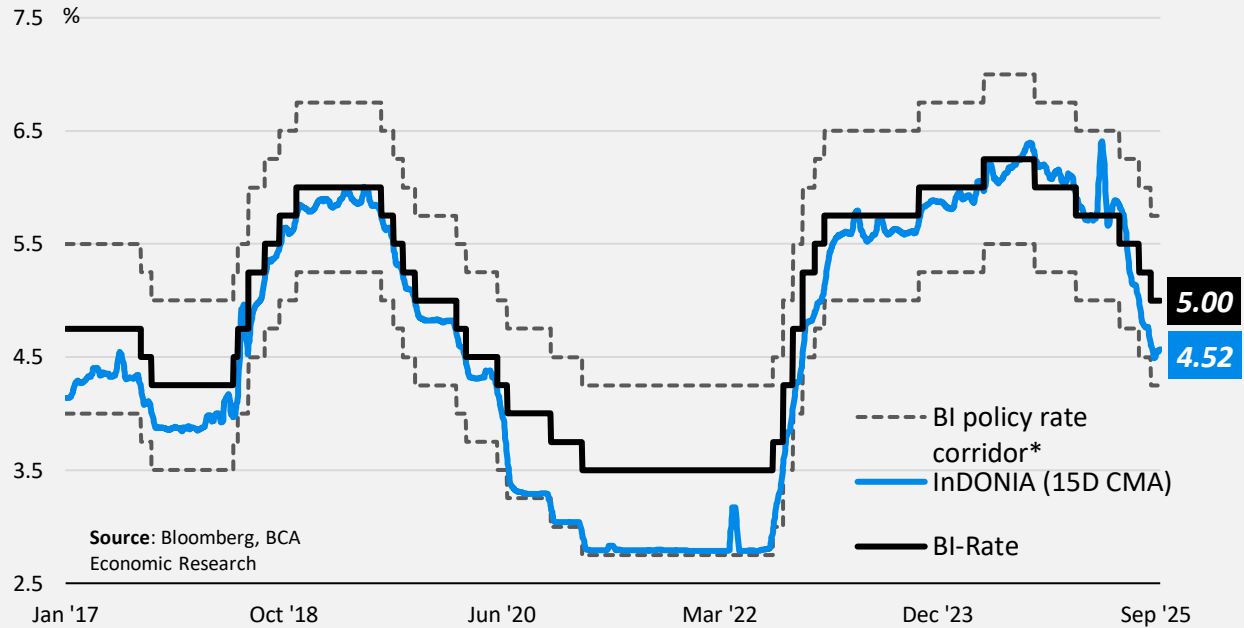
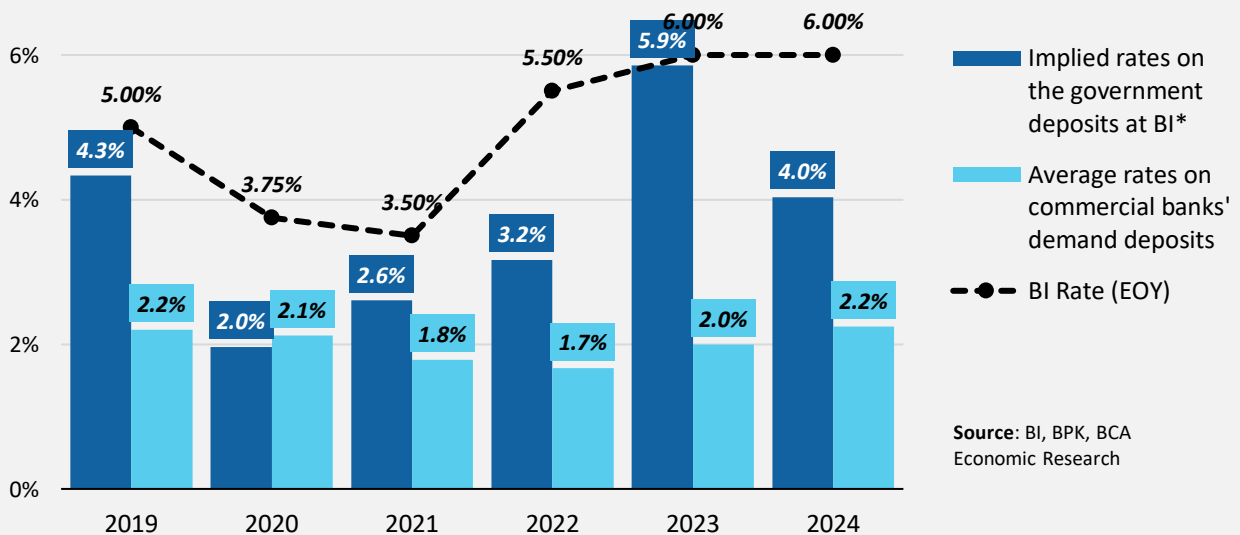


Chart 2

### Running on a treadmill

Liquidity injection from the government may push SOE banks' COF, increasing pressure on banks to disburse more credit to offset these additional funding costs.



\*Pendapatan atas penempatan uang negara pada BI (LKPP), divided by BI liabilities to the government (LKT BI). Used as a proxy for the CoF on the IDR 200 Tn liquidity injection.

Chart 3

### Lured by safety

Banks may compete on non-MSME loans given its improving credit quality, although the improvement is partly explained by the corporate sector's conservative approach to borrowing.

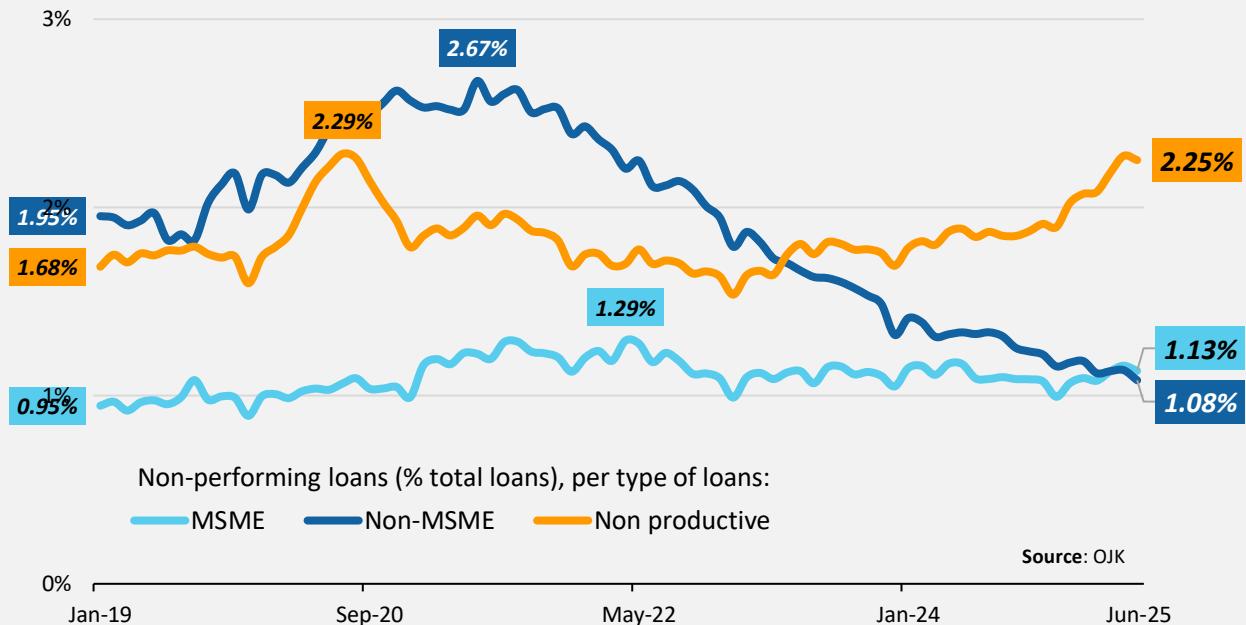
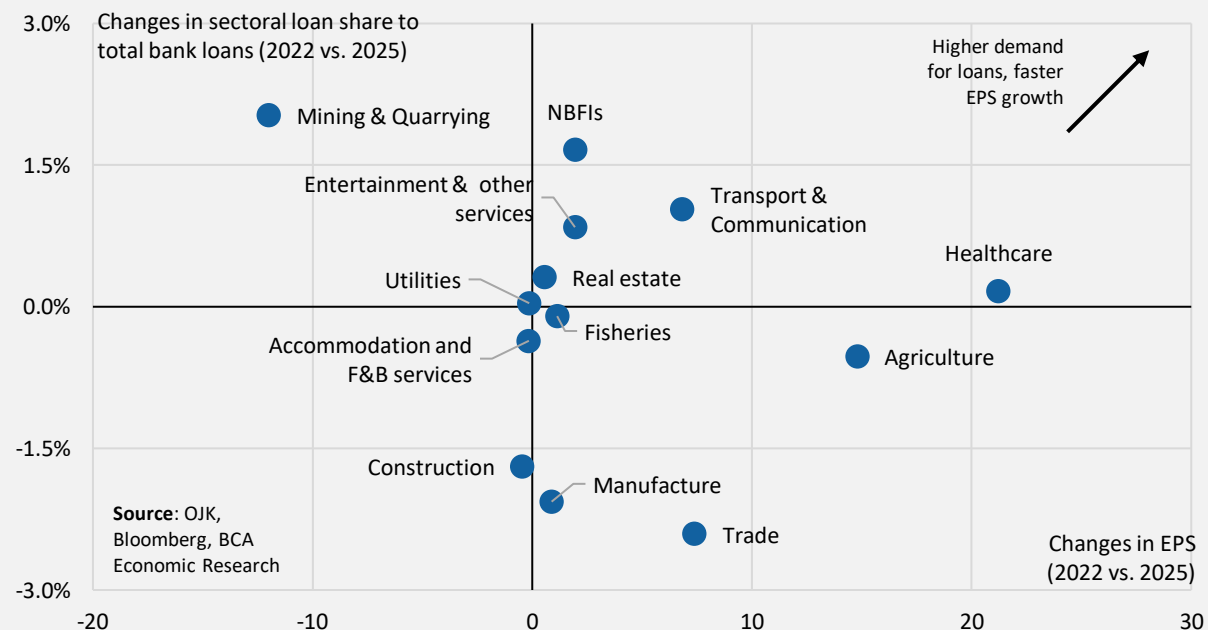


Chart 4

### Competing for big fish in a small pond

Banks may need to compete on price to expand their credit portfolio, as uncertain growth outlook in some sectors may limit the demand for loans.



Economic Calendar				
		Actual	Previous	Forecast*
01 September 2025				
ID	S&P Global Manufacturing PMI	51.5	49.2	49.8
ID	<b>Trade balance (Jul-25), USD Bn</b>	<b>4.18</b>	<b>4.11</b>	<b>6.0</b>
ID	<b>Inflation Rate YoY, %</b>	<b>2.31</b>	<b>2.37</b>	<b>2.4</b>
02 September 2025				
US	S&P Global Manufacturing PMI	53.0	49.8	53.3
04 September 2025				
EA	Retail Sales YoY, %	2.2	3.5	2.3
US	Trade balance, USD Bn	-78.3	-59.1	-79.3
05 September 2025				
US	Non Farm Payrolls, th	22	79	75.0
08 September 2025				
CN	Trade balance, USD Bn	102.33	98.24	95.0
ID	<b>Foreign Exchange Reserves, USD Bn</b>	<b>150.7</b>	<b>152</b>	-
ID	Motorbike Sales YoY, %	0.7	-2.0	-
09 September 2025				
ID	Car Sales YoY, %	-19.0	-18.0	-
10 September 2025				
CN	Inflation Rate YoY, %	-0.4	0	-0.1
ID	Consumer Confidence	117.2	118.1	119.3
11 September 2025				
ID	Retail Sales YoY, %	4.7	1.3	1.5
US	Inflation Rate YoY, %	2.9	2.7	2.8
15 September 2025				
CN	Retail Sales YoY, %	3.4	3.7	5.0
16 September 2025				
US	Retail Sales YoY, %		3.9	-
17 September 2025				
ID	<b>BI-Rate Decision, %</b>		<b>5.0</b>	-
18 September 2025				
US	<b>Fed Interest Rate Decision, %</b>		<b>4.5</b>	<b>4.25</b>
ID	Loan Growth YoY, %		7.03	-
23 September 2025				
ID	M2 Money Supply YoY, %		6.5	-
26 September 2025				
US	PCE Price Index YoY, %		2.6	-

\*Forecasts of some indicators are simply based on market consensus

Bold indicates indicators covered by the BCA Monthly Economic Briefing report

### Selected Macroeconomic Indicator

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	12-Sep	-1 mth	Chg (%)
US	4.50	Dec-24	1.60	Baltic Dry Index	2,126.0	2,017.0	5.4
UK	4.00	Aug-25	0.20	S&P GSCI Index	548.4	535.1	2.5
EU	2.15	Jun-25	0.05	Oil (Brent, \$/bbl)	67.0	66.1	1.3
Japan	0.50	Jan-25	-2.60	Coal (\$/MT)	104.8	115.5	-9.3
China (lending)	2.00	Sep-24	4.75	Gas (\$/MMBtu)	2.86	2.93	-2.4
Korea	2.50	May-25	0.80	Gold (\$/oz.)	3,643.1	3,348.3	8.8
India	5.50	Jun-25	3.43	Copper (\$/MT)	9,994.1	9,753.4	2.5
Indonesia	5.00	Aug-25	2.69	Nickel (\$/MT)	15,219.8	15,126.0	0.6
Money Mkt Rates	12-Sep	-1 mth	Chg (bps)	CPO (\$/MT)	1,045.3	1,029.6	1.5
SPN (1Y)	5.10	5.10	0.5	Rubber (\$/kg)	1.75	1.74	0.6
SUN (10Y)	6.32	6.41	-9.7	External Sector	Jul	Jun	Chg (%)
INDONIA (O/N, Rp)	4.58	4.75	-17.3	Export (\$ bn)	24.75	23.44	5.60
JIBOR 1M (Rp)	5.52	5.87	-34.7	Import (\$ bn)	20.58	19.33	6.43
Bank Rates (Rp)	Jun	May	Chg (bps)	Trade bal. (\$ bn)	4.17	4.10	1.71
Lending (WC)	8.62	8.64	-1.78	Central bank reserves (\$ bn)*	152.0	152.6	-0.38
Deposit 1M	4.89	4.86	2.28	Prompt Indicators	Aug	Jul	Jun
Savings	0.71	0.70	0.82	Consumer confidence index (CCI)	117.2	118.1	117.8
Currency/USD	12-Sep	-1 mth	Chg (%)	Car sales (%YoY)	-19.0	-18.4	-22.5
UK Pound	0.738	0.741	0.41	Motorcycle sales (%YoY)	0.7	-0.5	-0.3
Euro	0.852	0.857	0.51	Manufacturing PMI	Aug	Jul	Chg (bps)
Japanese Yen	147.7	147.8	0.11	USA	53.0	49.8	320
Chinese RMB	7.125	7.181	0.79	Eurozone	50.7	49.8	90
Indonesia Rupiah	16,378	16,289	-0.54	Japan	49.7	48.9	80
Capital Mkt	12-Sep	-1 mth	Chg (%)	China	50.5	49.5	100
JCI	7,854.1	7,791.7	0.80	Korea	48.3	48.0	30
DJIA	45,834.2	44,458.6	3.09	Indonesia	51.5	49.2	230
FTSE	9,283.3	9,147.8	1.48				
Nikkei 225	44,768.1	42,718.2	4.80				
Hang Seng	26,388.2	24,969.7	5.68				
Foreign portfolio ownership (Rp Tn)	Aug	Jul	Chg (Rp Tn)				
Stock	3,760.3	3,539.4	220.93				
Govt. Bond	953.9	1,213.4	-259.57				
Corp. Bond	4.5	4.7	-0.16				

Source: Bloomberg, BI, BPS

Notes:

\*Data from an earlier period

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

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



## 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	2.8
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	6.32
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	-0.75

**Notes:**

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

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