

FOMC:

Reining in expectations

30 October 2025

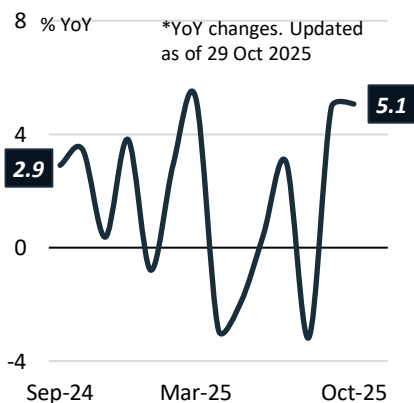
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- **The Fed lowers the Fed Funds Rate by 25 bps to 3.75-4.00% in today's FOMC meeting, in line with expectations. The central bank has also set 1 December 2025 as the termination date for its balance sheet runoff (QT),** a response to ongoing liquidity strains in the money market. The positive liquidity effect is expected to be sizable, especially on the short end of the market, as the central bank pledges to reinvest maturing MBS into T-Bills.

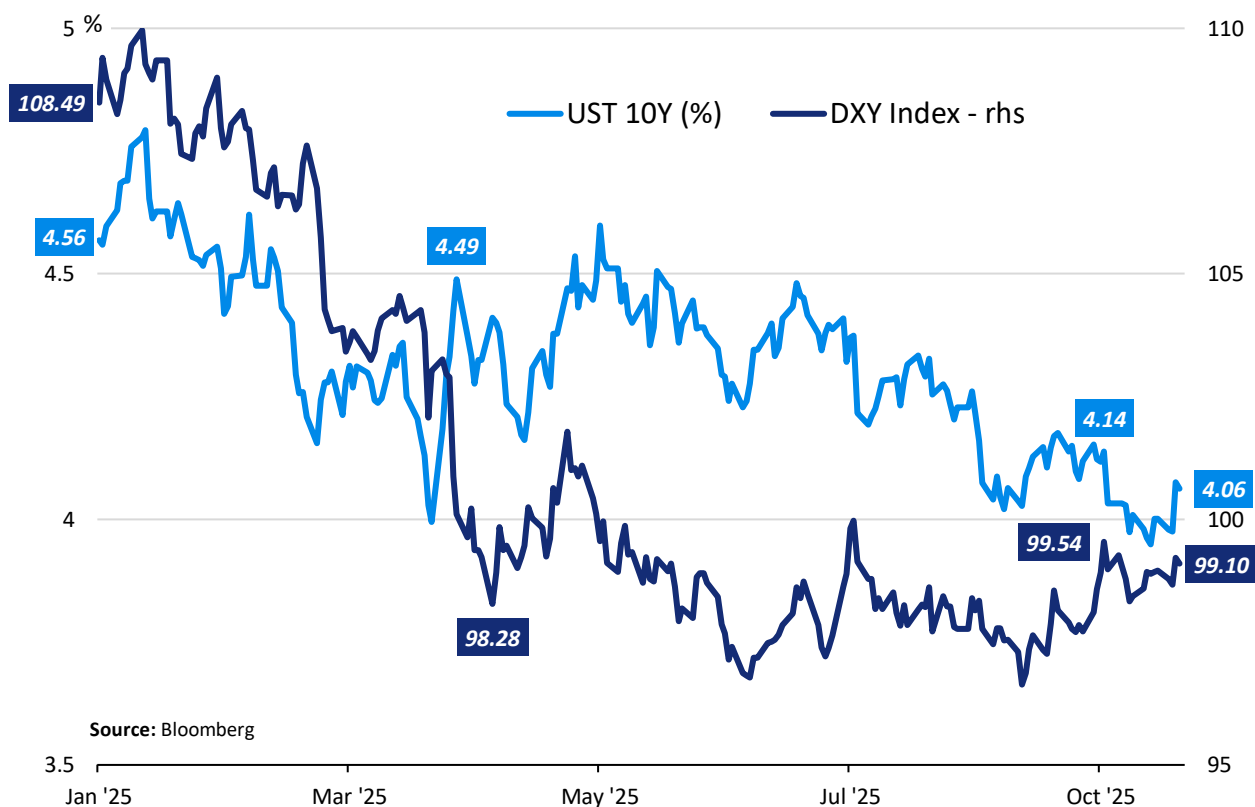
- **However, the market's reaction appeared muted (see Chart 1).** The DXY index rose by 0.39% following the policy announcement, while both equities and Treasury markets ended the day flat. **Fed Chairman Jerome Powell's reluctance to signal further policy easing in the upcoming FOMC meeting explains the dry response,** as he noted that FOMC members have observed stronger economic activity (see Chart 3).

- Despite the upbeat remarks on growth momentum, **the case for a rate cut at the upcoming FOMC meeting remains solid.** Chairman Powell noted that inflation is approaching the 2% target when excluding tariff effects, while recent large-scale corporate layoffs indicate that labour demand has been stalling. **Hence, the decision not to offer a more definitive signal for a Dec-25 FFR cut may be intended to preserve policy flexibility,** potentially adding a degree of monetary policy uncertainty in the year ahead.

- **Bank Indonesia's policy stance seems well-calibrated to withstand the current bout of global monetary policy uncertainty.** BI decided to delay its rate-cutting campaign at the Oct-25 policy meeting, instead opting to fine-tune its macroprudential incentives to encourage banks to align with BI's earlier, front-loaded rate cuts. The expected lower lending rate may thus increase the demand for loans that may sustain the real sector, while the healthy real policy rate spread (which has fallen below 100bps before the recent FFR cut) may shelter the domestic financial market from short-term global uncertainties.

- **Improved policy transmission may lessen BI's need to stay ahead of the curve amid this easing cycle,** which had earlier exposed the Rupiah to depreciation pressure when the Fed postponed FFR cuts to the final quarter of the year. In other words, BI may now have the flexibility to follow the Fed in cutting rates, striking a balance between its pro-growth signal and pro-stability mandate.

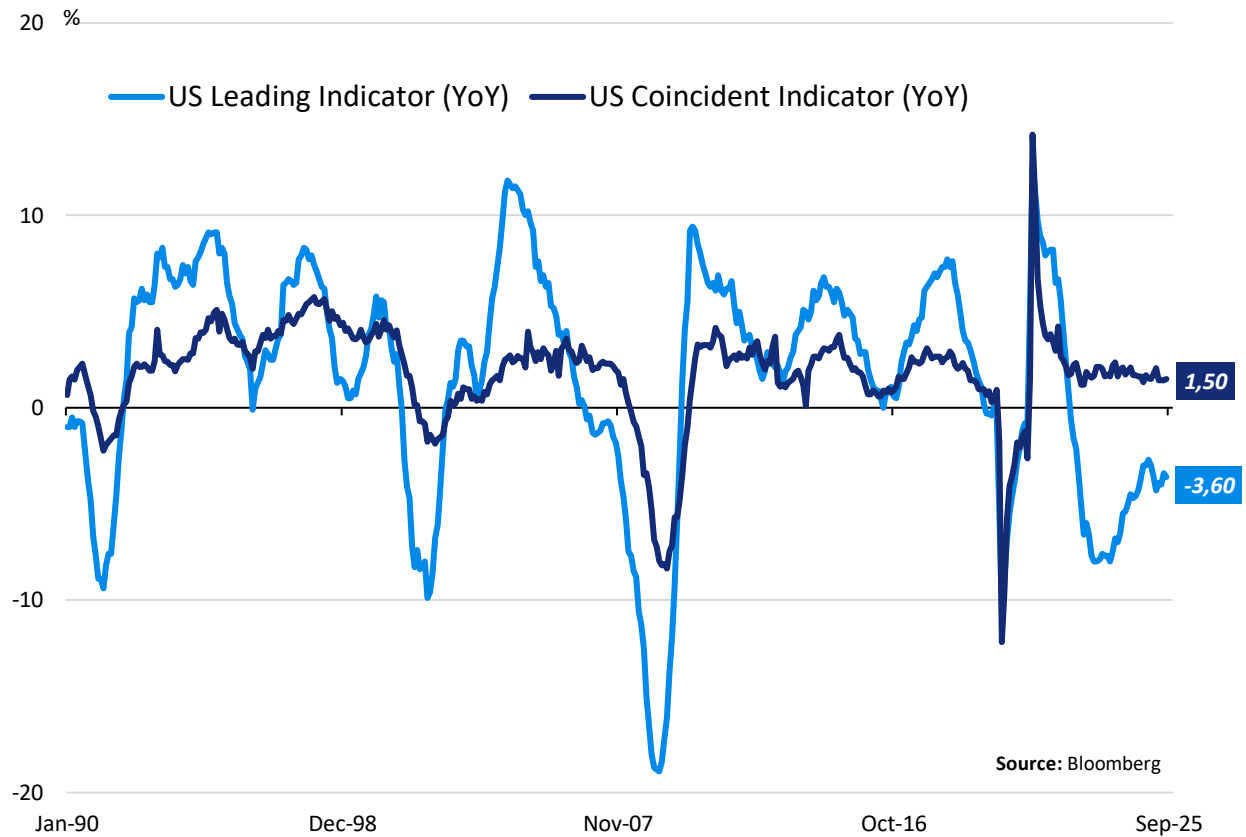
1 Market reactions to the FFR cut remains muted as the Fed plays down further rate cuts signal



2 Credit spreads are declining despite the limited FFR cut signal



3

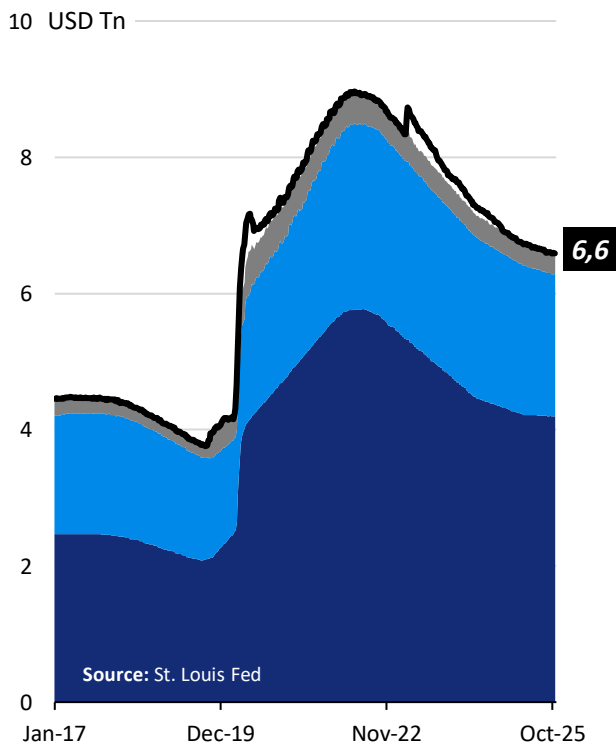
The Fed refuses to offer a firmer signal for further rate cuts as **the US economy remains robust**

4

Banks' liquidity is drying up amidst the TGA refill operation, **prompting the Fed to end QT**

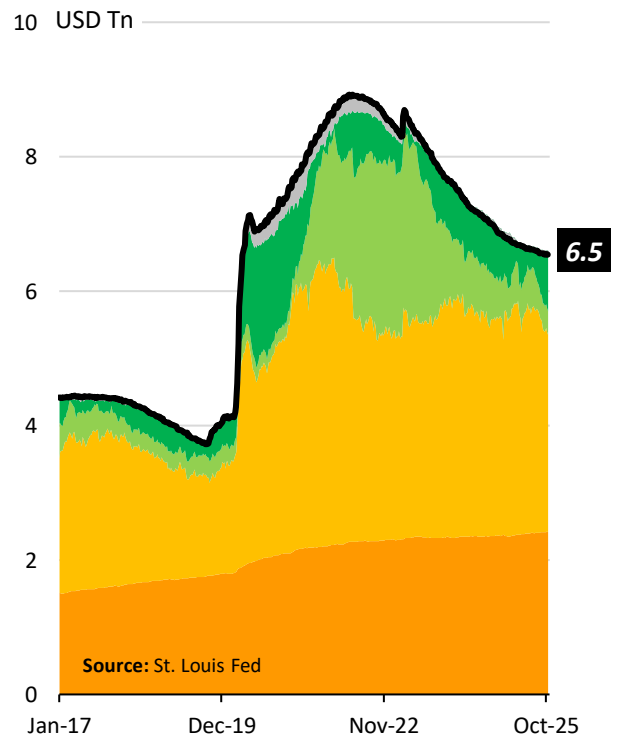
Fed balance sheet: Asset side

Other Loans and swaps MBS UST



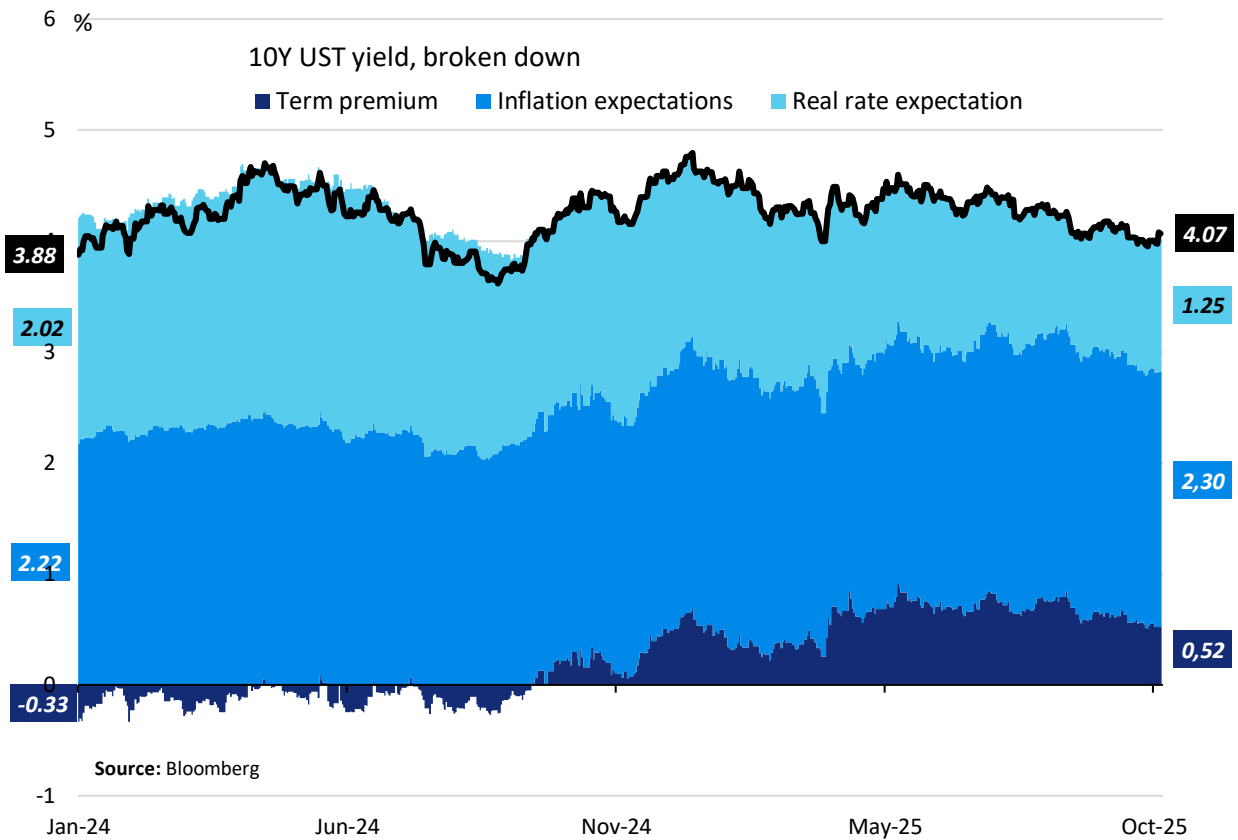
Fed balance sheet: Liabilities side

Others TGA RRP Bank reserves Currency in circulation



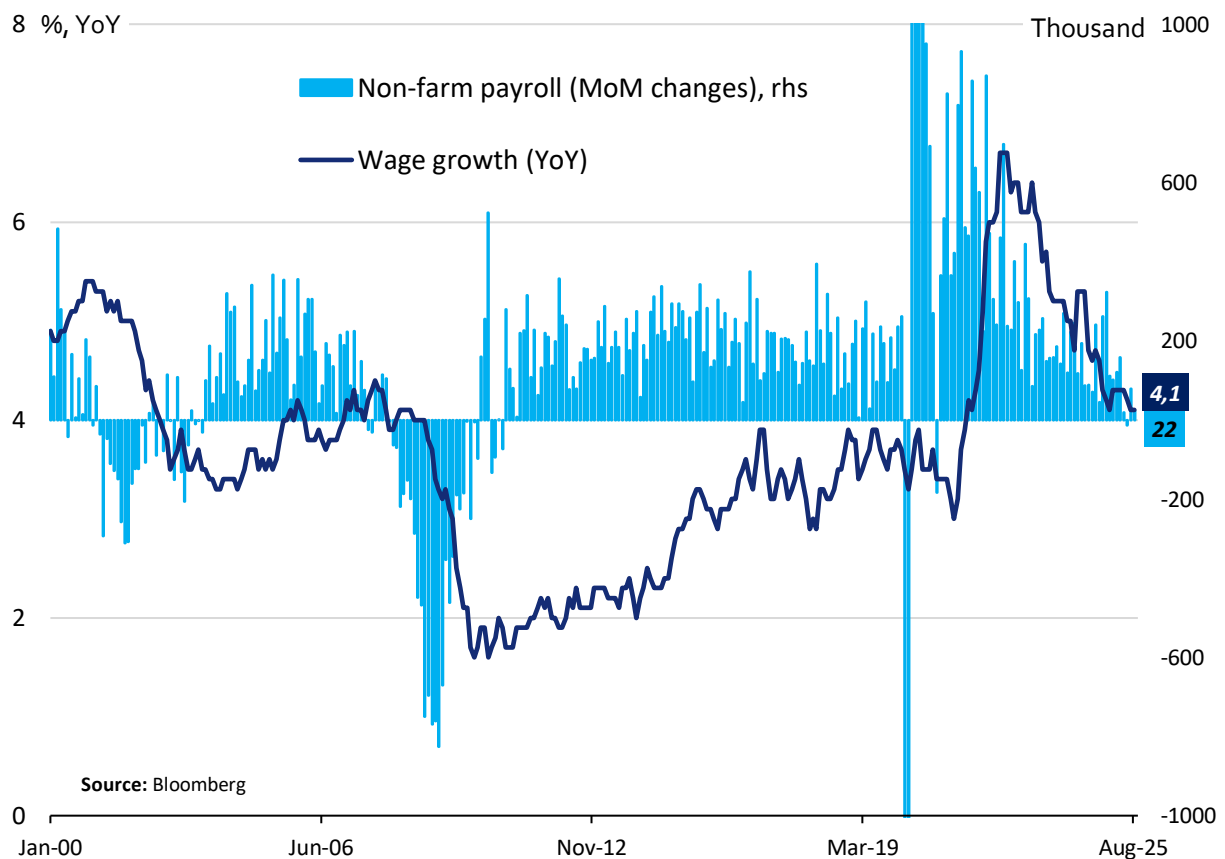
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Lower real rate expectation help to keeps the UST yield stable amidst rising risks perception



6

The US labour market continue to weakens, highlighting the urgency for the Fed to cut rates



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	29-Oct	-1 mth	Chg (%)
US	4.00	Oct-25	1.00	Baltic Dry Index	1,961.0	2,259.0	-13.2
UK	4.00	Aug-25	0.20	S&P GSCI Index	554.8	561.4	-1.2
EU	2.15	Jun-25	-0.05	Oil (Brent, \$/bbl)	64.9	70.1	-7.4
Japan	0.50	Jan-25	-2.40	Coal (\$/MT)	109.9	108.8	1.1
China (lending)	2.00	Sep-24	4.65	Gas (\$/MMBtu)	3.36	2.89	16.3
Korea	2.50	May-25	0.40	Gold (\$/oz.)	3,930.1	3,760.0	4.5
India	5.50	Jun-25	3.96	Copper (\$/MT)	11,163.8	10,142.6	10.1
Indonesia	4.75	Sep-25	2.10	Nickel (\$/MT)	15,162.0	14,988.1	1.2
Money Mkt Rates	29-Oct	-1 mth	Chg (bps)	CPO (\$/MT)	1,011.7	1,032.8	-2.0
SPN (1Y)	4.67	5.01	-34.2	Rubber (\$/kg)	1.79	1.76	1.7
SUN (10Y)	5.99	6.41	-41.5	External Sector	Aug	Jul	Chg (%)
INDONIA (O/N, Rp)	4.00	3.97	2.8	Export (\$ bn)	24.96	24.75	0.87
JIBOR 1M (Rp)	5.09	5.17	-7.6	Import (\$ bn)	19.48	20.58	-5.35
Bank Rates (Rp)	Aug	Jul	Chg (bps)	Trade bal. (\$ bn)	5.49	4.17	31.50
Lending (WC)	8.55	8.61	-6.00	Central bank reserves (\$ bn)*	150.7	152.0	-0.84
Deposit 1M	5.24	5.36	-12.00	Prompt Indicators	Sep	Aug	Jul
Savings	0.70	0.68	2.00	Consumer confidence index (CCI)	115.0	117.2	118.1
Currency/USD	29-Oct	-1 mth	Chg (%)	Car sales (%YoY)	-15.1	-19.0	-18.4
UK Pound	0.758	0.746	-1.55	Motorcycle sales (%YoY)	7.3	0.7	-0.5
Euro	0.862	0.854	-0.87	Manufacturing PMI	Sep	Aug	Chg (bps)
Japanese Yen	152.7	149.5	-2.12	USA	52.0	53.0	-100
Chinese RMB	7.099	7.135	0.51	Eurozone	49.8	50.7	-90
Indonesia Rupiah	16,619	16,741	0.73	Japan	48.5	49.7	-120
Capital Mkt	29-Oct	-1 mth	Chg (%)	China	51.2	50.5	70
JCI	8,166.2	8,099.3	0.83	Korea	50.7	48.3	240
DJIA	47,632.0	46,247.3	2.99	Indonesia	50.4	51.5	-110
FTSE	9,756.1	9,284.8	5.08				
Nikkei 225	51,307.7	45,355.0	13.12				
Hang Seng	26,346.1	26,128.2	0.83				
Foreign portfolio ownership (Rp Tn)	Sep	Aug	Chg (Rp Tn)				
Stock	3,846.5	3,760.3	86.20				
Govt. Bond	912.8	1,213.4	-300.66				
Corp. Bond	4.1	4.5	-0.40				

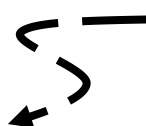
Source: Bloomberg, BI, BPS

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	2.8
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	4.50
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	16,461
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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