

BI Policy:

Just a speed bump, not a U-turn

20 November 2025

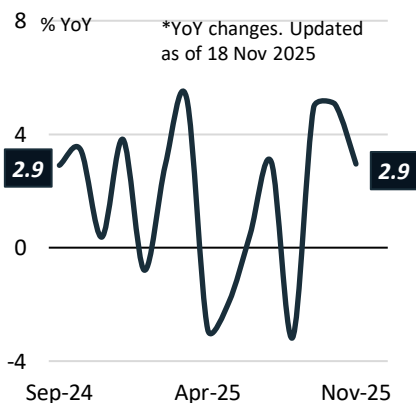
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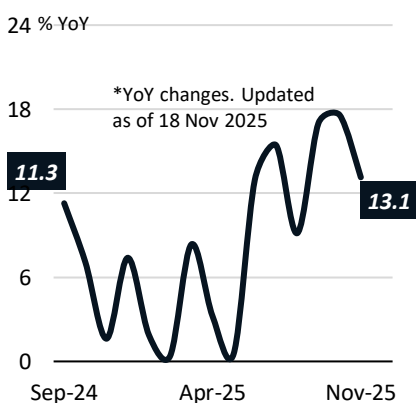
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- **Bank Indonesia (BI) maintained its benchmark interest rate at 4.75% at the Nov-25 meeting, in line with market consensus.** Two main factors underpinned this decision, the depreciation of Rupiah this month and market expectations that the Fed will also pause rate cuts for the remainder of 2025.

- Indeed, **market sentiment has experienced a sharp reversal.** Expectation in a December Fed cut has faded dramatically, with the probability now below 50%. The key reasons are the latest FOMC minutes, which made clear that a December cut is far from certain, and the resolution of US government shutdown. Against this backdrop, the Rupiah has weakened by approximately 0.69% mtd.

- The big question now is: Are we facing just a temporary speed bump, or has the wind truly changed direction? We believe it is the former, as the US labor market continues to exhibit a clear and persistent weakening trend. This view is further supported by futures pricing, which still implies at least 2–3 Fed rate cuts in 2026. In other words, **some of the factors driving the Rupiah's depreciation this month are likely transitory.**

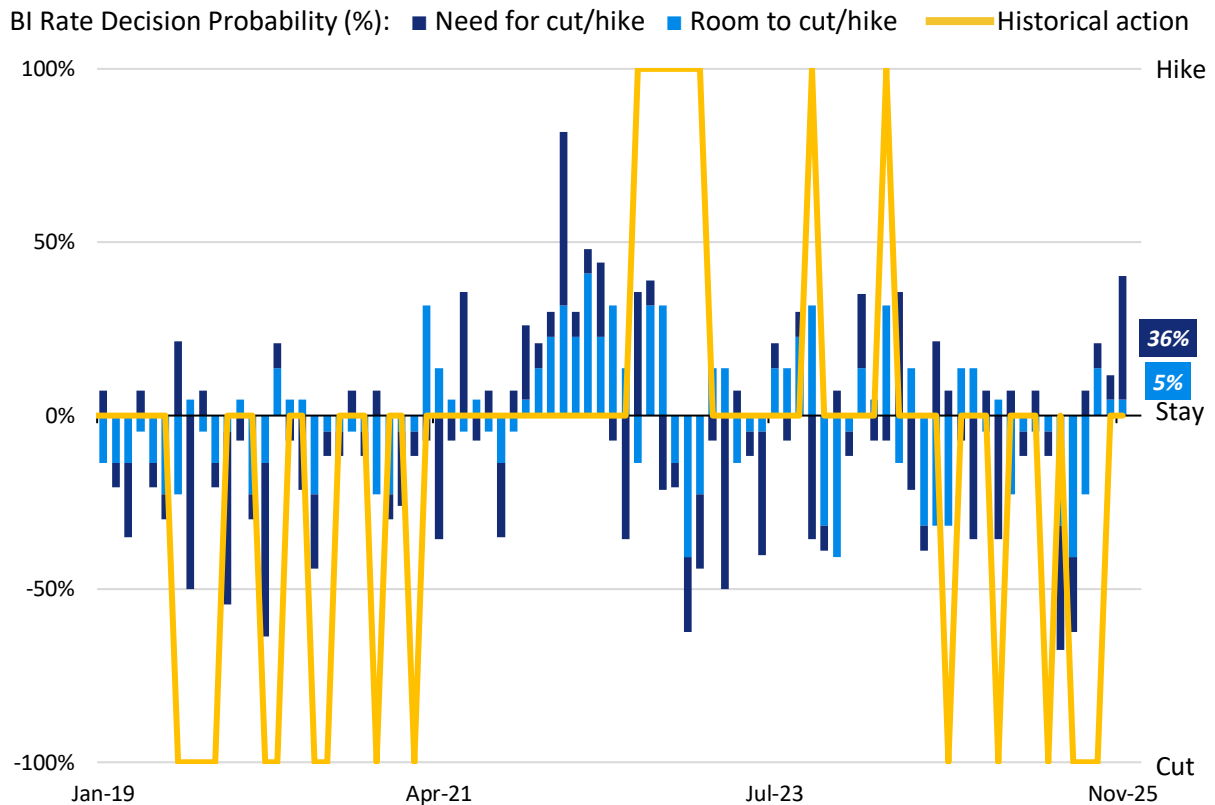
- For BI, waiting remains the best strategy for now. Credit growth did slow to 7.36% YoY in October, but several real sector indicators have already started to show signs of recovery at the beginning of Q4. **The recent level of credit growth therefore simply reflects the natural lag in the transmission of liquidity injections and the recovery in spending into actual lending.**

- Nevertheless, a gradual pace may not be sufficient to reach the growth target. That is why both BI and the government appear to be going all-out with supportive measures. **BI expects an additional IDR 18.5 trillion in liquidity from its newly introduced interest rate incentive program (KLM – interest rate channel) while the Ministry of Finance is injecting an extra IDR 76 trillion into state-owned banks.** BI is also developing instruments to strengthen Local Currency Transaction (LCT) frameworks, specifically for CNY and

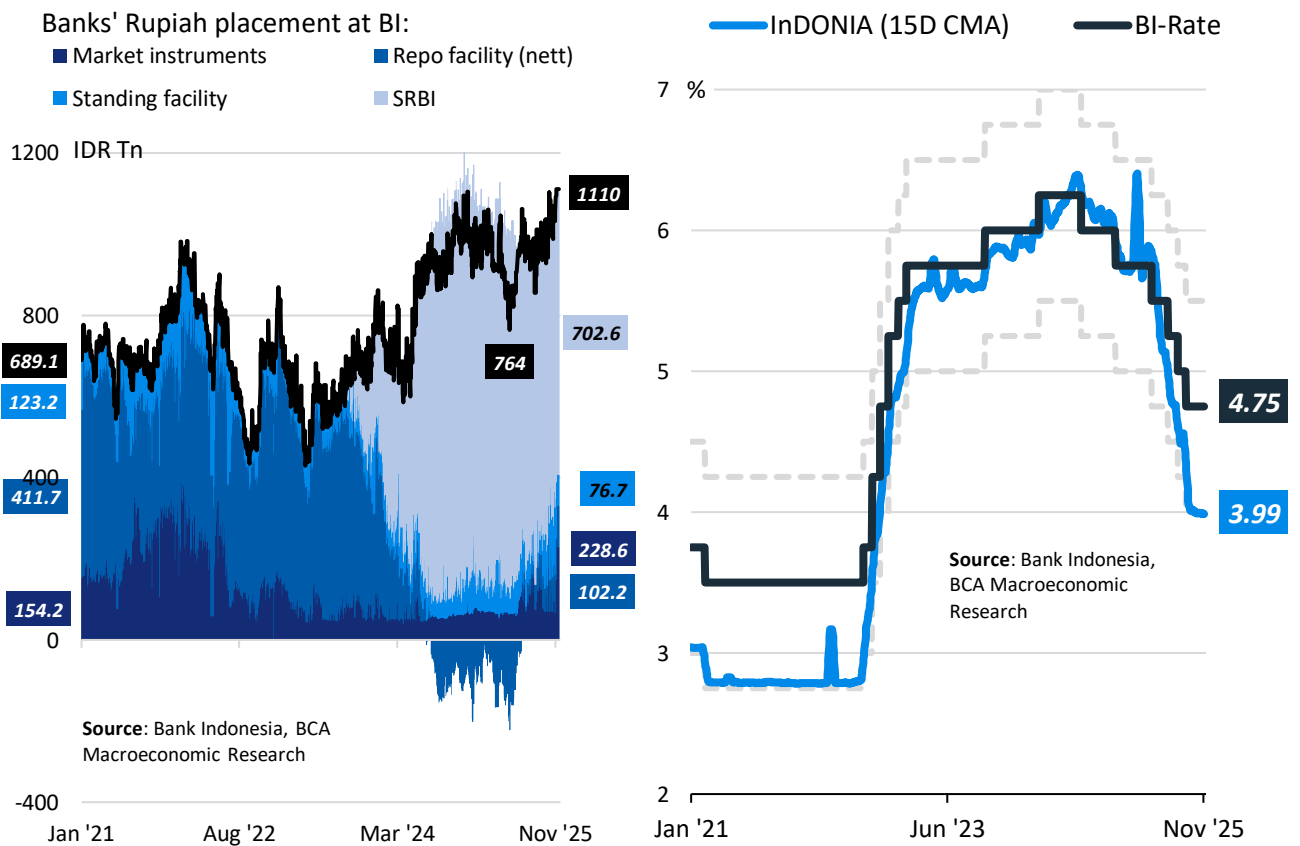
JPY. In the long run, this can reduce the Rupiah's exposure to USD volatility.

- This is likely to be the dominant theme from BI through December: Exploring alternative supportive policies while waiting for the current storm of global uncertainty to pass. In other words, we assess that **the probability of another BI rate cut this year has become increasingly slim**, and BI is far more likely to resume its easing cycle next year.

1 Improving real indicators amidst FX pressures point our model to a no-cut scenario



2 Government interventions lead to a sizable improvement in banks' liquidity

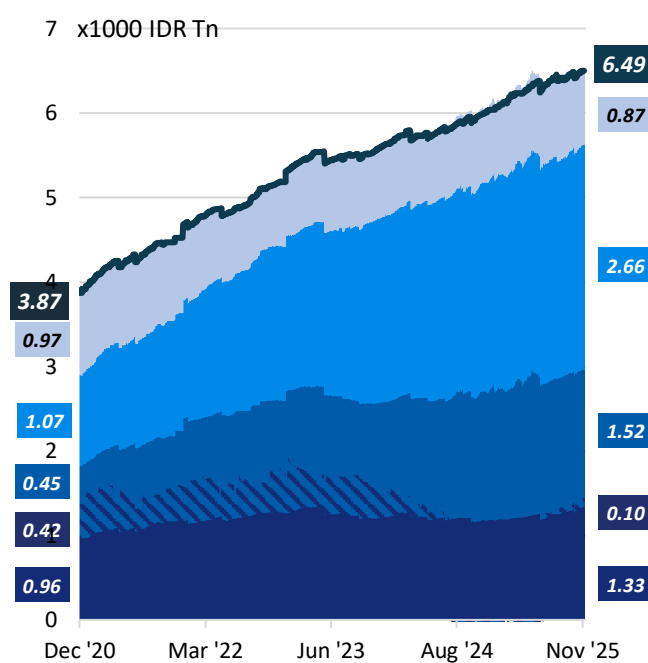


3 Yield curve moves lower as liquidity condition improves

Ownership of marketable SBNs:

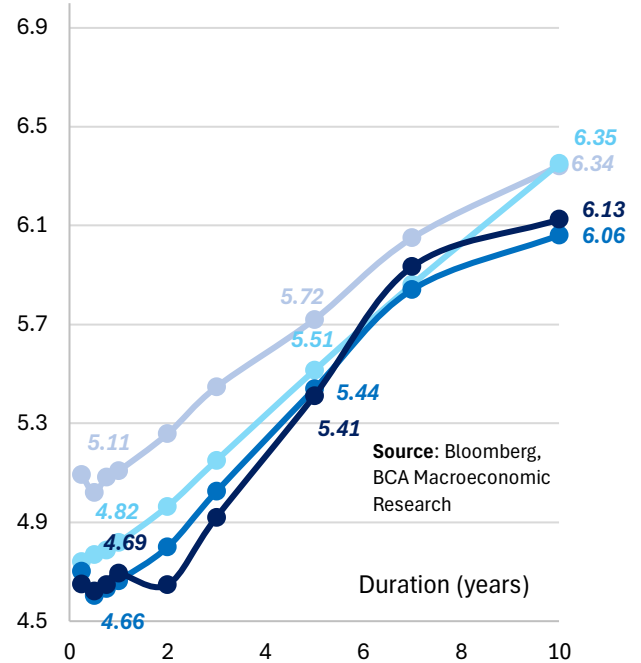
Foreign
Domestic non-banks
BI
SBN in monetary operations
Banks

Source: DJPPR



Indonesia yield curve:

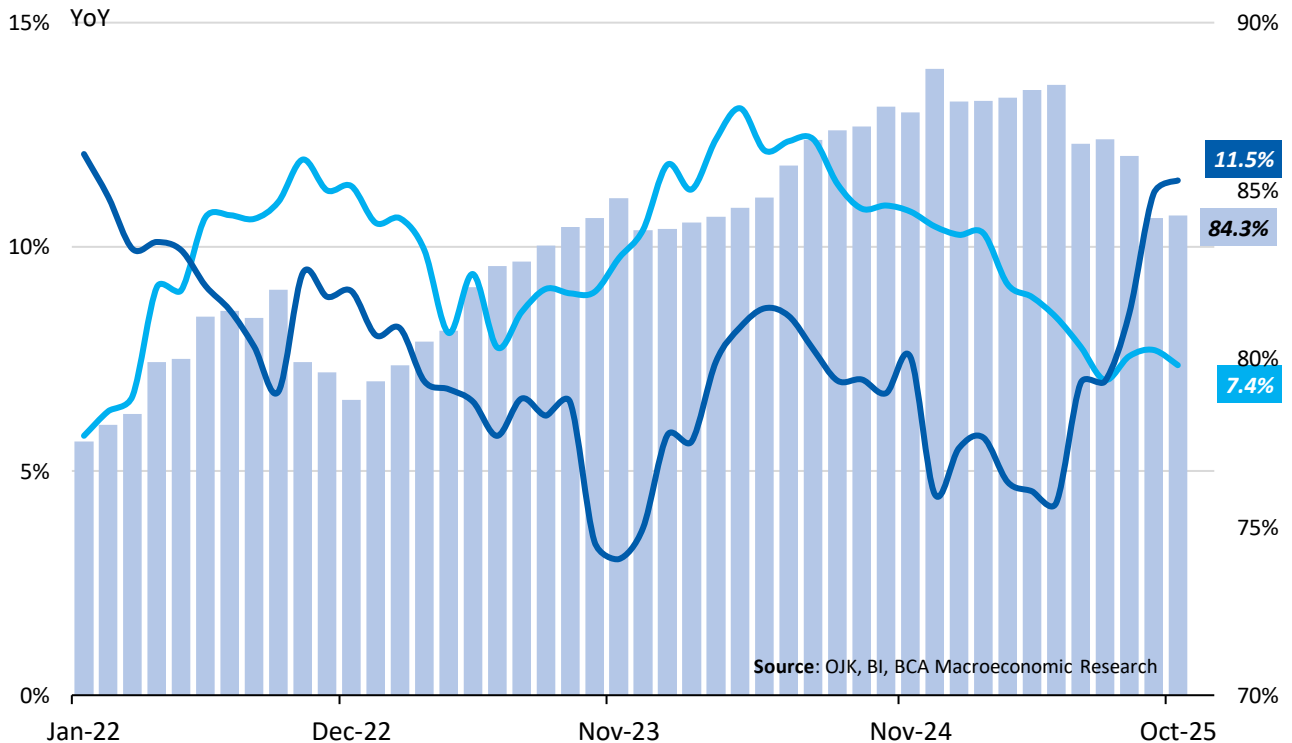
Aug-25
Sep-25
Oct-25
Current



Source: Bloomberg, BCA Macroeconomic Research

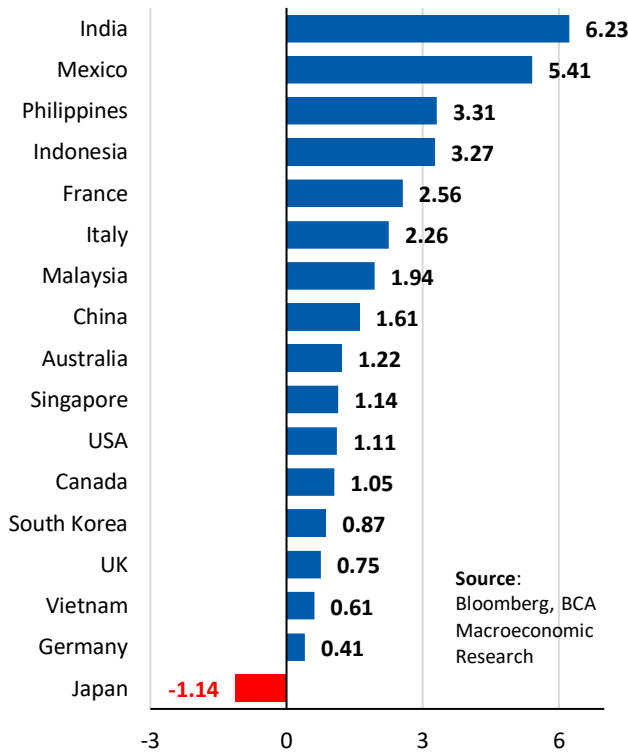
4 Loan growth slows down despite an acceleration in deposit growth

Loan to deposit ratio (LDR) - rhs
Loan growth
Deposit growth

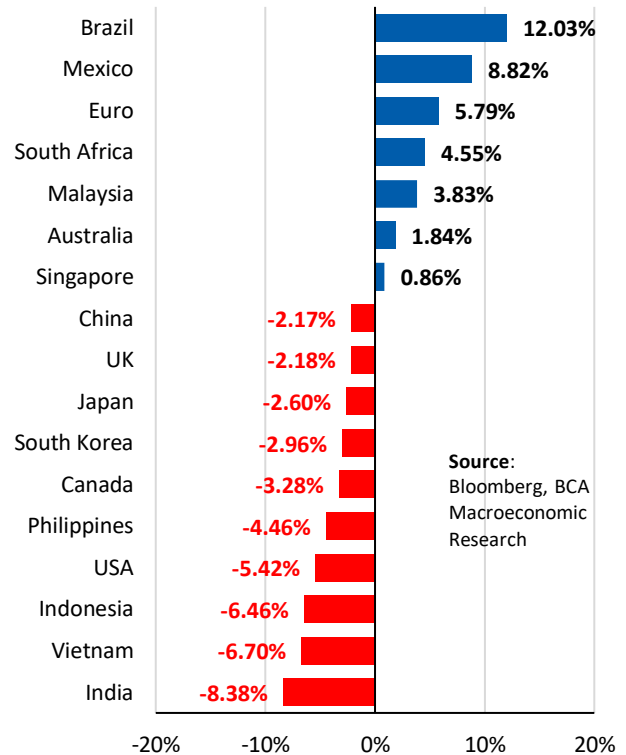


Source: OJK, BI, BCA Macroeconomic Research

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



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



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	19-Nov	-1 mth	Chg (%)
US	4.00	Oct-25	1.00	Baltic Dry Index	2,260.0	2,069.0	9.2
UK	4.00	Aug-25	0.40	S&P GSCI Index	555.5	539.8	2.9
EU	2.15	Jun-25	0.05	Oil (Brent, \$/bbl)	63.5	61.3	3.6
Japan	0.50	Jan-25	-2.40	Coal (\$/MT)	113.4	110.0	3.1
China (lending)	2.00	Sep-24	4.15	Gas (\$/MMBtu)	3.94	2.65	48.7
Korea	2.50	May-25	0.10	Gold (\$/oz.)	4,078.0	4,251.8	-4.1
India	5.50	Jun-25	5.25	Copper (\$/MT)	10,719.4	10,587.7	1.2
Indonesia	4.75	Sep-25	1.89	Nickel (\$/MT)	14,452.3	14,923.9	-3.2
Money Mkt Rates	19-Nov	-1 mth	Chg (bps)	CPO (\$/MT)	996.5	1,046.9	-4.8
SPN (1Y)	4.56	4.66	-10.6	Rubber (\$/kg)	1.77	1.74	1.7
SUN (10Y)	6.13	5.95	17.3	External Sector	Sep	Aug	Chg (%)
INDONIA (O/N, Rp)	3.99	4.03	-3.9	Export (\$ bn)	24.68	24.96	-1.14
JIBOR 1M (Rp)	5.05	5.15	-10.6	Import (\$ bn)	20.34	19.48	4.42
Bank Rates (Rp)	Aug	Jul	Chg (bps)	Trade bal. (\$ bn)	4.34	5.49	-20.85
Lending (WC)	8.55	8.61	-6.00	Central bank reserves (\$ bn)*	148.7	150.7	-1.31
Deposit 1M	5.24	5.36	-12.00	Prompt Indicators	Oct	Sep	Aug
Savings	0.70	0.68	2.00	Consumer confidence index (CCI)	121.2	115.0	117.2
Currency/USD	19-Nov	-1 mth	Chg (%)	Car sales (%YoY)	-4.4	-15.1	-19.0
UK Pound	0.766	0.745	-2.74	Motorcycle sales (%YoY)	8.4	7.3	0.7
Euro	0.867	0.858	-1.00	Manufacturing PMI	Oct	Sep	Chg (bps)
Japanese Yen	157.2	150.6	-4.17	USA	52.5	52.0	50
Chinese RMB	7.114	7.127	0.18	Eurozone	50.0	49.8	20
Indonesia Rupiah	16,703	16,585	-0.71	Japan	48.2	48.5	-30
Capital Mkt	19-Nov	-1 mth	Chg (%)	China	50.6	51.2	-60
JCI	8,406.6	7,915.7	6.20	Korea	49.4	50.7	-130
DJIA	46,138.8	46,190.6	-0.11	Indonesia	51.2	50.4	80
FTSE	9,507.4	9,354.6	1.63				
Nikkei 225	48,537.7	47,582.2	2.01				
Hang Seng	25,830.7	25,247.1	2.31				
Foreign portfolio ownership (Rp Tn)	Oct	Sep	Chg (Rp Tn)				
Stock	3,823.5	3,846.5	-23.05				
Govt. Bond	880.5	1,213.4	-332.89				
Corp. Bond	4.1	4.1	-0.02				

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	4.75
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	16,461
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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