

BI Policy:

A Merry Mix of Two Mandates

18 December 2025

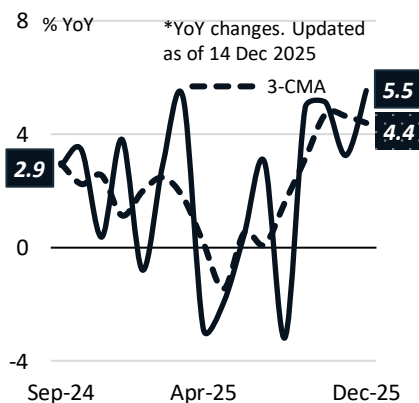
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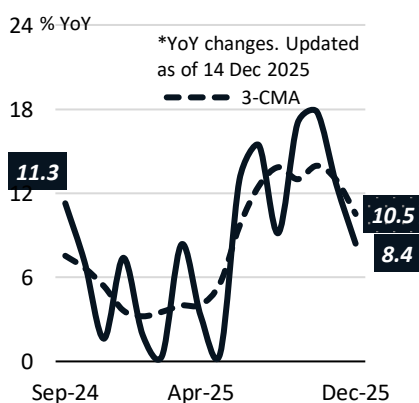
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- **Bank Indonesia (BI) maintained its benchmark interest rate at 4.75% during the Dec-25 meeting**, in line with market consensus. Accompanying this decision, BI also made slight adjustments to the existing KLM (Macprudential Liquidity Incentive Policy) structure and introduced interest rates on banks' excess reserves at BI.

- What has happened in the last two months does justify BI's tilt towards a pro-stability decision. **The volatility of the Rupiah has increased, but several indicators in the real sector have shown recovery**, despite credit growth remaining stagnant at 7.74% YoY (Nov-25). Meanwhile, **the Fed's interest rate cut last week cannot be said to create room for BI to be more accommodative**, as it was accompanied by a widening divergence among FOMC members, reducing the certainty of further rate cuts next year.

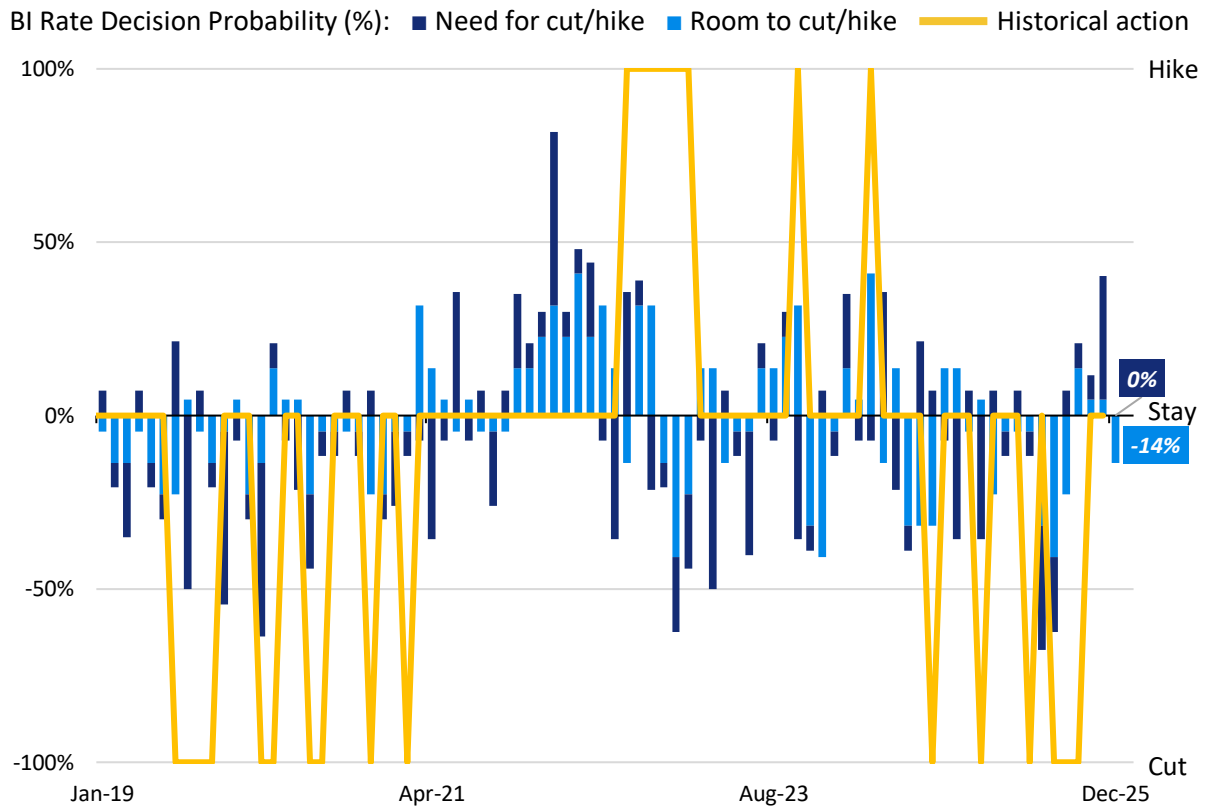
- Nevertheless, the pro-growth side did not leave empty-handed from yesterday's meeting. BI slightly adjusted the portion of the KLM incentive by shifting 50 bps from the lending channel to the interest rate channel. This means that, although it is only 50 bps, **there is an additional incentive that is not limited to specific sectors, but is applicable more broadly, which should facilitate a quicker transmission to M2 growth.**

- Perhaps what is more interesting and raises questions is BI's decision to offer an interest rate of 3.5% on banks' excess reserves at BI (previously none). In theory, providing additional incentives for reserves at the central bank is an absorption policy. But BI may be looking at a broader pipeline. **In addition to providing flexibility for banks to choose where to place their assets, the additional buffer for bank profits will lead to better capital and liquidity, which may subsequently lead**

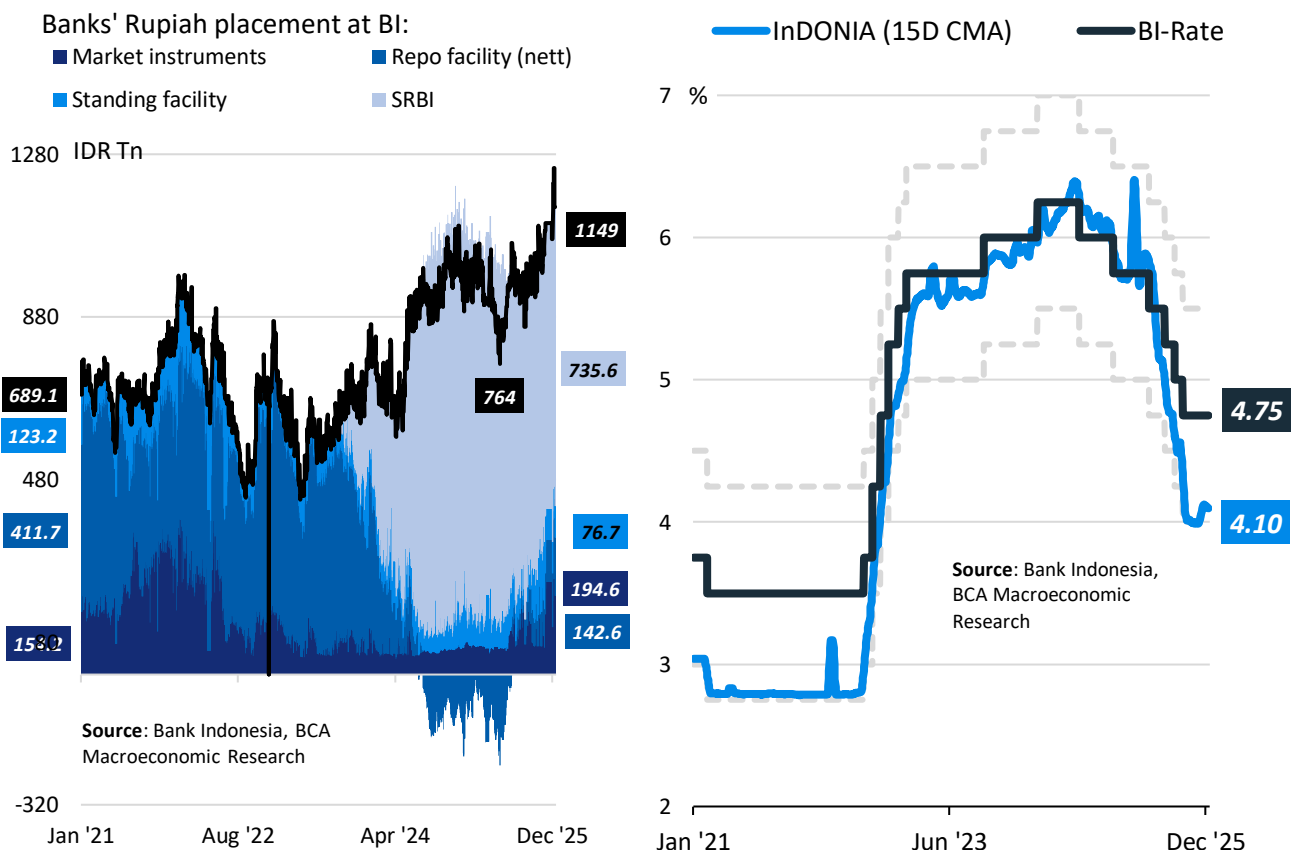
to improved credit growth. For BI itself, this serves as another tool to control the level of excess reserves, which we can argue is slightly more direct to loans, rather than relying on transmission from policy rates to the interbank market first.

- Next year, we see room for BI to continue rate cuts, following the Fed. However, the transmission to credit growth may be uncertain if the stability of the Rupiah continues to be a concern due to several risks, such as a declining trade surplus and high global long-term yields.

1 Improving real indicators amidst stable Rupiah point our model to a no-cut scenario



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

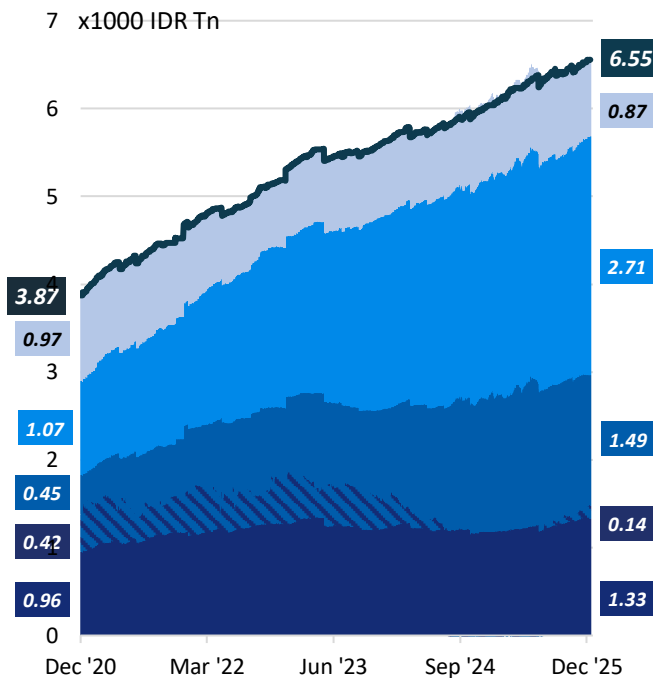


3 Yield curve moves lower as liquidity condition improves

Ownership of marketable SBNs:

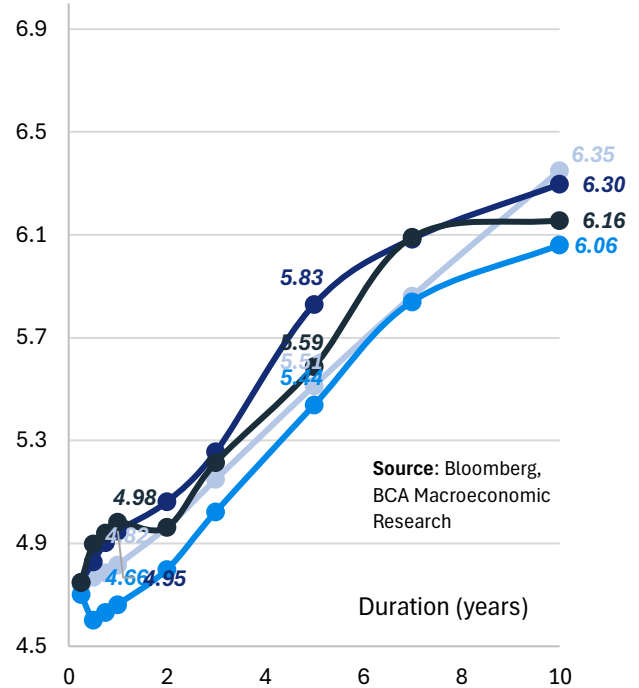
- Foreign
- Domestic non-banks
- BI
- SBN in monetary operations
- Banks

Source: DJPPR



Indonesia yield curve:

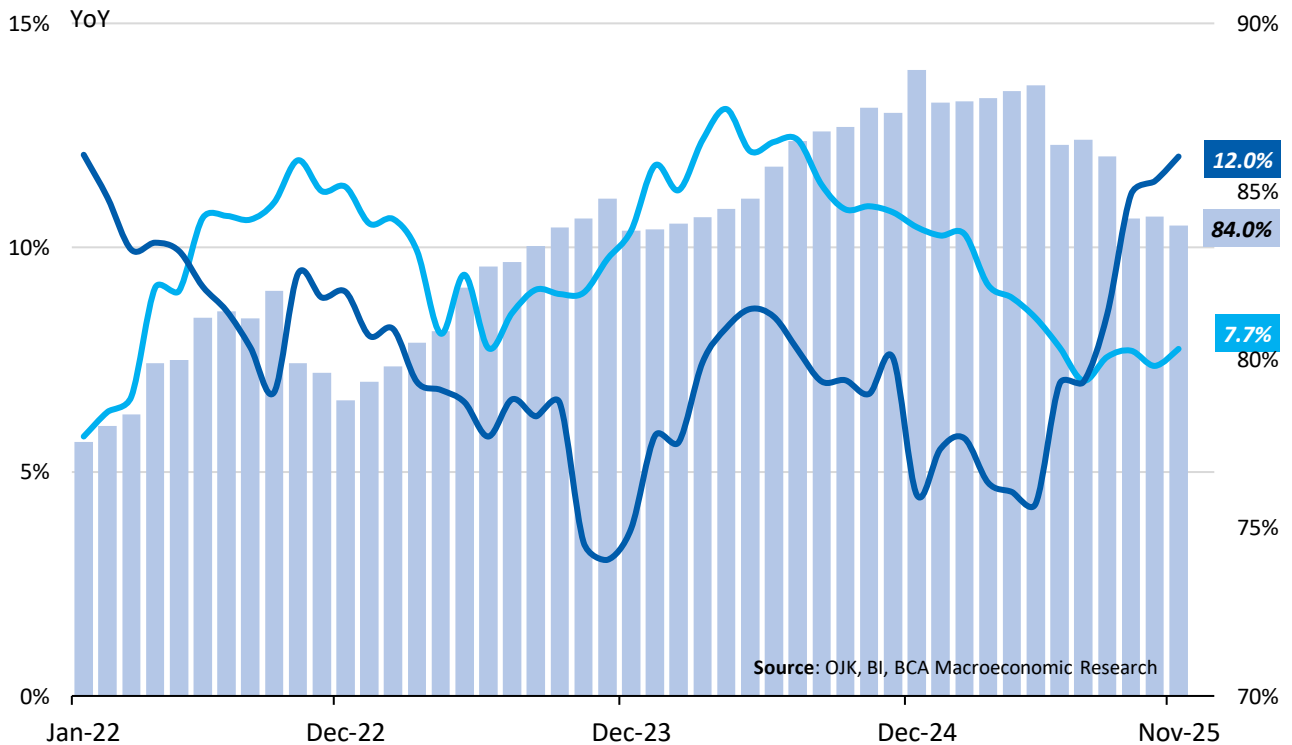
- Sep-25
- Oct-25
- Nov-25
- Current



Source: Bloomberg, BCA Macroeconomic Research

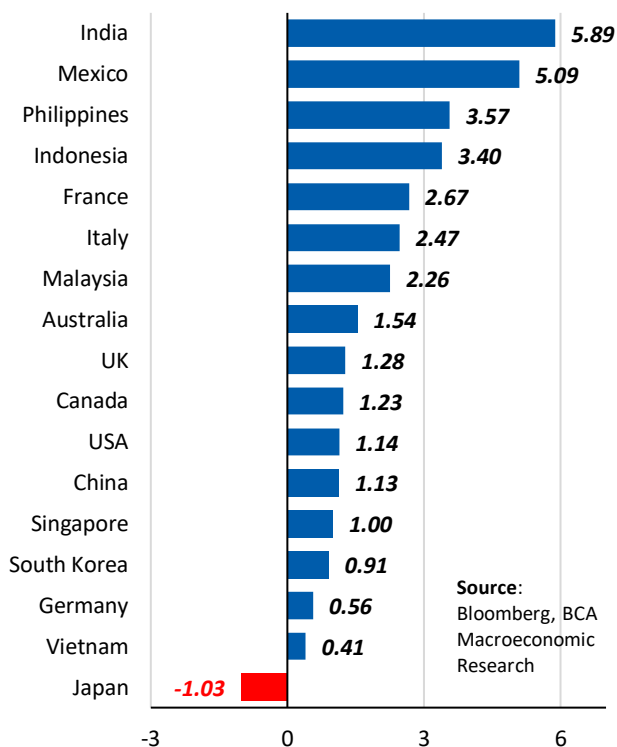
4 Both loan and deposit growth accelerate slightly

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

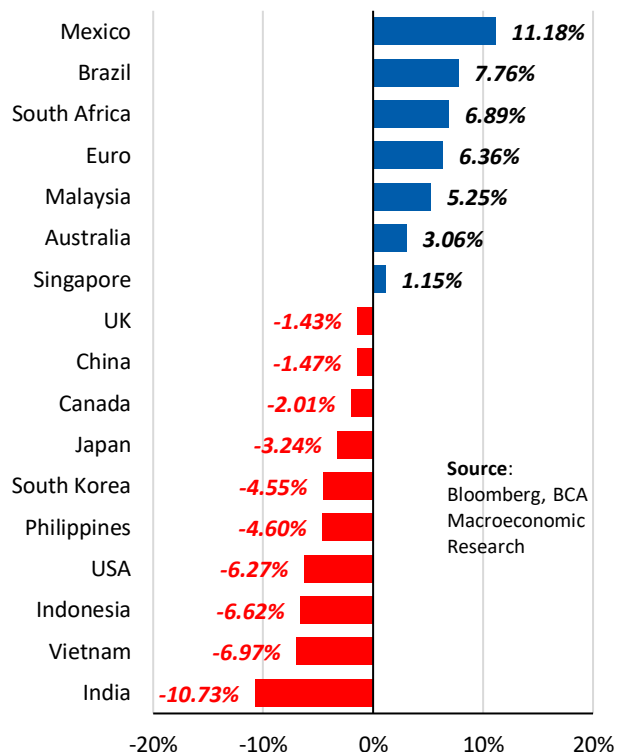


Source: OJK, BI, BCA Macroeconomic Research

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	17-Dec	-1 mth	Chg (%)
US	3.75	Dec-25	0.75	Baltic Dry Index	2,204.0	2,125.0	3.7
UK	4.00	Aug-25	0.80	S&P GSCI Index	539.3	559.3	-3.6
EU	2.15	Jun-25	0.05	Oil (Brent, \$/bbl)	59.7	64.4	-7.3
Japan	0.50	Jan-25	-2.50	Coal (\$/MT)	106.1	113.9	-6.8
China (lending)	2.00	Sep-24	3.65	Gas (\$/MMBtu)	3.66	3.49	4.9
Korea	2.50	May-25	0.10	Gold (\$/oz.)	4,338.3	4,084.1	6.2
India	5.25	Jun-25	4.54	Copper (\$/MT)	11,727.2	10,855.9	8.0
Indonesia	4.75	Sep-25	2.03	Nickel (\$/MT)	14,202.2	14,696.9	-3.4
Money Mkt Rates	17-Dec	-1 mth	Chg (bps)	CPO (\$/MT)	969.8	981.0	-1.1
				Rubber (\$/kg)	1.77	1.75	1.1
SPN (1Y)	4.73	4.49	23.2	External Sector	Oct	Sep	Chg (%)
SUN (10Y)	6.12	6.11	0.6	Export (\$ bn)	24.24	24.68	-1.79
INDONIA (O/N, Rp)	4.16	4.00	15.8	Import (\$ bn)	21.84	20.34	7.41
JIBOR 1M (Rp)	5.03	5.05	-1.5	Trade bal. (\$ bn)	2.39	4.34	-44.91
Bank Rates (Rp)	Sep	Aug	Chg (bps)	Central bank reserves (\$ bn)*	149.9	148.7	0.80
Lending (WC)	8.46	8.55	-9.00	Prompt Indicators	Oct	Sep	Aug
Deposit 1M	4.96	5.24	-28.00	Consumer confidence index (CCI)	121.2	115.0	117.2
Savings	0.70	0.70	0.00	Car sales (%YoY)	-4.4	-15.1	-19.0
Currency/USD	17-Dec	-1 mth	Chg (%)	Motorcycle sales (%YoY)	8.4	7.3	0.7
UK Pound	0.748	0.759	1.56	Manufacturing PMI	Nov	Oct	Chg (bps)
Euro	0.852	0.861	1.03	USA	52.2	52.5	-30
Japanese Yen	155.7	154.6	-0.73	Eurozone	49.6	50.0	-40
Chinese RMB	7.044	7.099	0.79	Japan	48.7	48.2	50
Indonesia Rupiah	16,688	16,704	0.10	China	49.9	50.6	-70
Capital Mkt	17-Dec	-1 mth	Chg (%)	Korea	49.4	49.4	0
JCI	8,677.3	8,370.4	3.67	Indonesia	53.3	51.2	210
DJIA	47,886.0	47,147.5	1.57				
FTSE	9,774.3	9,698.4	0.78				
Nikkei 225	49,512.3	50,376.5	-1.72				
Hang Seng	25,468.8	26,572.5	-4.15				
Foreign portfolio ownership (Rp Tn)	Nov	Oct	Chg (Rp Tn)				
Stock	4,017.6	3,823.5	194.16				
Govt. Bond	872.2	1,343.0	-470.87				
Corp. Bond	4.1	4.1	-0.04				

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	5014
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	40.0
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	0.0

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time
- Numbers marked with (*) for 2025 are final; other numbers for 2025 are our projections

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