OVERVIEW

STRONG AND SELF-RELIANT: SYNERGY TO FOSTER HIGHER AND RESILIENT ECONOMIC GROWTH

Indonesia's economy in 2025 performed well and remained resilient amid heightened global volatility and uncertainty. Stability was maintained, with inflation remaining within the 2.5±1% target range and the Rupiah exchange rate kept under control, supported by Bank Indonesia's strong commitment. Financial system stability was preserved, while payment system digitalization accelerated rapidly, thereby supporting economic growth in 2025. Strong synergy in the national economic policy mix between the Government and Bank Indonesia was a key driver of the economy's resilience to external shocks. Looking ahead, this policy-mix synergy will need to be further strengthened to foster higher and more resilient economic growth on the path toward the Golden Indonesia 2045.

Indonesia's economy continued to perform well and remained resilient amid heightened global volatility and uncertainty. Economic growth in 2025 remained solid, supported by preserved stability, with inflation contained within the 2.5±1% target range. External resilience remained strong, as reflected in a sound Balance of Payments (BOP), underpinned by a sizable trade surplus. Bank lending/ financing remained sound, although further strengthening was needed to better support economic growth, amid sustained financial system stability. In addition, digital economic and financial transactions remained robust, supported by a secure, seamless, and reliable payment system, resilient infrastructure, and an improving industry structure.

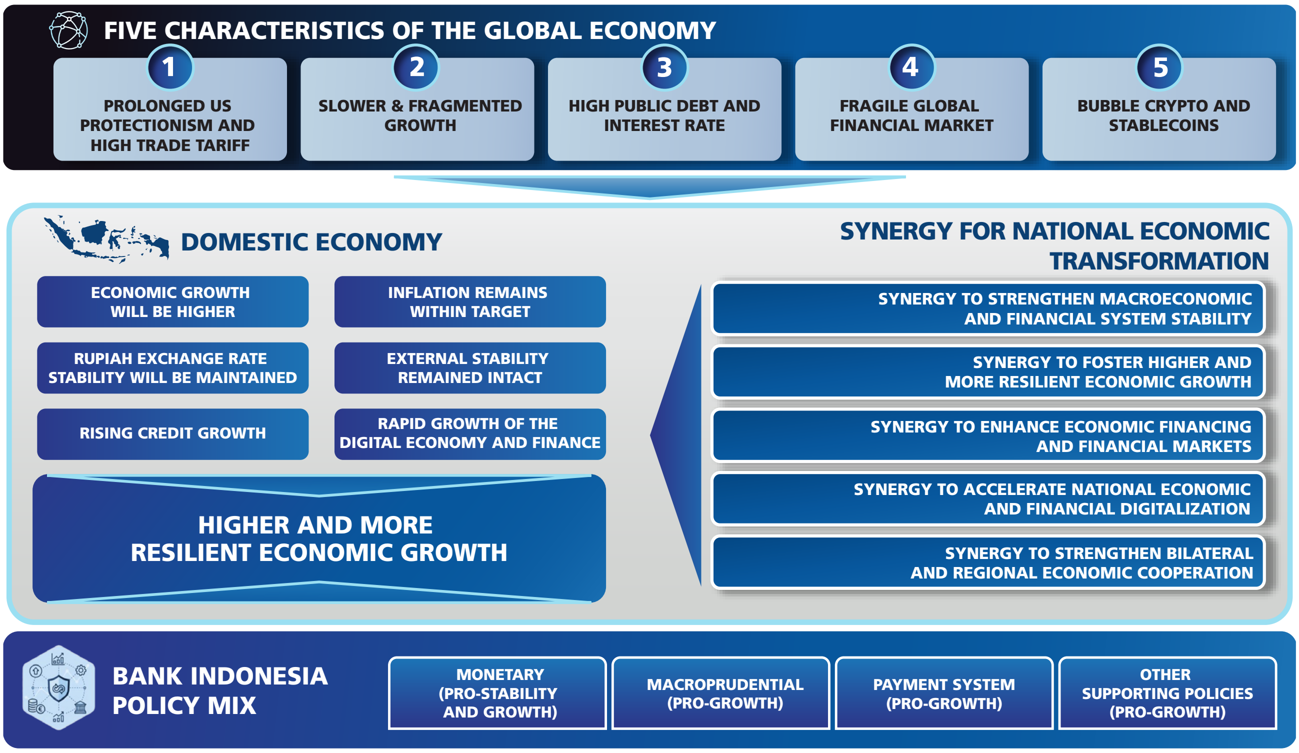
Strong synergy in the national economic policy mix was a key driver in achieving higher and more resilient economic growth. Bank Indonesia's policy mix in 2025 continued to be strengthened and oriented toward fostering economic growth while maintaining stability, in close synergy with national economic policies. Monetary policy was directed to support economic growth while preserving stability ("pro-growth and stability") amid persistently high global uncertainty. Meanwhile, macroprudential and payment system policies were further strengthened to promote higher economic growth ("pro-growth"). These three core elements of Bank Indonesia's policy mix were supported by strengthened money market and foreign exchange market (PUVA) deepening, the development of micro, small, and medium enterprises (MSMEs) and sharia economy and finance, as well as international policy initiatives. In parallel, sound and credible State Budget (APBN) fiscal policy served as an effective countercyclical instrument to preserve growth momentum for macroeconomic stabilization (stabilization function); to support the acceleration of economic transformation toward Golden Indonesia 2045 (allocation function); and to promote equitable public welfare (distribution function). In line with this, efforts to strengthen the APBN were pursued through "collecting more, spending better, and innovative financing". These policy measures were reinforced by structural policies aimed at enhancing the economy's capacity to achieve higher and more sustainable growth.

> Synergy in the national economic policy mix between the Government and Bank Indonesia needs to be further strengthened to foster higher and more resilient economic growth toward Golden Indonesia 2045

Looking ahead, synergy in the national economic policy mix between the Government and Bank Indonesia will continue to be strengthened to foster higher and more resilient economic growth. Stronger synergy is essential to mitigate global and domestic economic risks so that it can support sustainable economic growth. The synergy in the national economic transformation policy mix will be directed toward five key areas: (i) strengthening stability and boosting demand; (ii) promoting downstreaming, industrialization, and a people-centered economy; (iii) enhancing financing and deepening financial markets; (iv) accelerating national economic and financial digitalization; and (v) strengthening international investment and trade cooperation (Figure 1).

In line with the importance of such policy synergy, Bank Indonesia's policy mix will continue to be oriented toward fostering economic growth while maintaining stability. Monetary policy will be directed at achieving the inflation target and maintaining Rupiah exchange rate stability, while continuing to leverage available policy space to support economic growth ("pro-stability and growth") that remains below its potential capacity. Meanwhile, macroprudential and payment system policies will continue to be geared toward promoting higher economic growth ("pro-growth"). This mix of monetary, macroprudential, and payment system policies will be supported by policies to accelerate money market and foreign exchange market

Figure 1. Challenges and Synergies for Higher and More Resilient Economic Growth



deepening, as well as by policies to develop an inclusive economy and finance, including MSMEs and sharia economy and finance. Looking ahead, Bank Indonesia will continue to calibrate its policy mix in line with global and domestic economic dynamics.

Bank Indonesia projects that Indonesia's positive economic performance in 2025 will continue in the years ahead. Strengthened synergy in the national economic transformation policy mix across the five key areas, outlined above, will be critical to fostering higher and more resilient growth. Economic growth in 2025 is projected to be in the range of 4.7–5.5% and is expected to increase to 4.9–5.7% in 2026 and 5.1–5.9% in 2027. With the support of the national economic transformation policy mix, economic growth in 2031, projected at 5.6–6.4% under the "Baseline" scenario, is expected to rise to 6.1–6.9% under the "Optimistic" scenario and even higher to 6.9–7.7% under the "Super Optimistic" scenario. Price stability is expected to be maintained, with inflation remaining within the 2.5±1% target range, while Rupiah exchange rate stability will also be preserved, supported by a current account balance projected to remain small, ranging from a deficit of 0.4% to a surplus of 0.4% of GDP in 2031. Bank credit/financing is projected to grow optimally at around 12–16% per year. On the fiscal side, the budget deficit is expected to remain below 3% of GDP, reflecting the continued consistency and credibility of Indonesia's fiscal policy.

Global Economic Performance and Outlook: Slowing Growth, High Uncertainty

Global uncertainty in 2025 remained elevated, driven by intensifying trade wars and persistent geopolitical frictions. Unilateral tariffs imposed by the United States (US) triggered retaliatory measures from several major countries, further escalating global trade war. Meanwhile, geopolitical tensions persisted, including the unresolved Russia–Ukraine war and heightening tensions in the Middle East in line with intensified Israeli attacks on Palestine. These developments heightened global financial market uncertainty, adversely affecting confidence among economic agents and investors across countries.

US tariff policies and escalating geopolitical tensions weighed on slower global economic growth alongside widening fragmentation across countries. Tariff measures reduced the volume and value of global trade and further exacerbated disruptions to global supply chains. The adverse impact on economic activity was more apparent in the deterioration of consumer and producer sentiment, reflecting heightened uncertainty over income and business prospects. Global economic growth is projected to slow to 3.3% in 2025 and further to 3.2% in 2026 and 2027. Growth divergence across countries persisted, with advanced and emerging economies slowing at different paces. As a result, the pace of global disinflation proceeds more slowly than in previous projections.

Overall, the global monetary policy stance remained accommodative throughout 2025. Elevated global uncertainty prompted central banks to adopt a more cautious approach in determining the pace and timing of policy rate cuts. The US central bank, the Federal Reserve (the Fed), which began lowering the Federal Funds Rate (FFR) to 4.50% in September 2024, opted to postpone further cuts until September 2025, reducing the rate to 4.25%, followed by additional cuts in October 2025 to 4.00%, and in December 2025 to 3.75%. Differences in the magnitude and timing of policy rate reductions were also observed across emerging economies, including China, India, the Republic of Korea, Malaysia, the Philippines, and Indonesia.

Heightened uncertainty in global financial markets prompted capital outflows from Emerging Market Economies (EMEs). US tariff policies and persistent geopolitical tensions widened risk premia in global financial markets, prompting investors to reallocate portfolios toward perceived safe-haven assets, particularly US Treasury securities and gold. In foreign exchange markets, the US Dollar Index (DXY) remained elevated, accompanied by persistently high volatility. This reflected sustained yield differentials across countries in line with the generally accommodative monetary policy stances among central banks.

Looking ahead, the global economy is expected to remain marked by elevated uncertainty. At least five key global developments warrant close attention. *First*, the persistence of trade wars as well as the polarization of trade and investment across countries in addressing global trade imbalances. *Second*, global economic growth is projected to slow amid widening fragmentation across countries. *Third*, rising global public debt has imposed an increasingly heavy burden on both advanced economies and emerging economies. *Fourth*, global financial markets continue to harbor significant vulnerabilities and risks, particularly stemming from non-bank financial institutions (NBFIs). *Fifth*, vulnerabilities and risks in global financial markets are intensifying alongside the rapid expansion of privately issued and traded digital currencies and assets. The dynamics, prospects, and risks in an increasingly volatile and challenging global environment have significant implications for EMEs, including Indonesia. Accordingly, these conditions need to be addressed through the formulation and implementation of an optimal national economic policy mix.

National Economic Performance and Outlook: Preserved Stability, Rising Growth

Indonesia's economy in 2025 continued to perform well and remained resilient amid elevated global volatility and uncertainty. Economic growth in the second and third quarters of 2025 outperformed earlier projections. Non-oil and gas exports performance improved, driven by front-loading of exports to the United States in anticipation of tariff adjustments, alongside higher exports of agricultural and manufactured products. The acceleration in economic growth was also supported by robust domestic demand, particularly private investment and the realization of several Government priority programs, including the development of Special Economic Zones (SEZs) across various regions. Household consumption also grew solidly in line with high mobility, although it needs to be further strengthened amid declining consumer expectations, especially among lower-middle income groups, and limited job availability. Overall, economic growth in 2025 was projected to be in the range of 4.7–5.5% and is expected to increase further in 2026 and 2027 to 4.9–5.7% and 5.1–5.9%, respectively. Synergy in the national economic policy mix between the Government and Bank Indonesia will need to be continuously strengthened to foster higher growth from both the demand and supply sides while maintaining macroeconomic stability.

Indonesia's external economic resilience has remained strong despite global volatility, supported by a sound Balance of Payments (BOP). For full-year 2025, the current account was projected to improve from a deficit of 0.6% of GDP in 2024, shifting into a range of between a deficit of 0.5% to a surplus of 0.3% of GDP. Meanwhile, heightened global volatility adversely affected the capital and financial account; net portfolio investment outflows were only partly offset by continued inflows of foreign direct investment. By the end of 2025, portfolio investment recorded net outflows of USD6.8 billion. As of end-December 2025, foreign exchange reserves remained strong at USD156.5 billion. This level was equivalent to 6.4 months of imports or 6.3 months of imports and servicing of Government external debt, well above the international adequacy standard of around 3 months of imports (Table 1).

Indonesia's external resilience was also reflected in maintained stability of the Rupiah exchange rate amid worsening global conditions. Pressures on the Rupiah intensified at times due to the imposition of US tariff policies and other global developments; however, Bank Indonesia's stabilization measures successfully prevented a deeper depreciation. In late August 2025, pressures on the Rupiah re-emerged amid global pressures, including policy rate cuts by the Fed that were perceived as less dovish

Table 1. National Economic Performance and Prospects

Components	2021	2022	2023	2024	2025			
					I	II	III	IV
Economic Growth (Percent, yoy)	3.70	5.31	5.05	5.03	4.87	5.12	5.04	
Household Consumption (Percent, yoy)	2.01	4.94	4.82	4.94	4.95	4.97	4.89	
Government Consumption (Percent, yoy)	4.25	-4.42	3.02	6.61	-1.37	-0.33	5.49	
Gross Fixed Capital Formation (Percent, yoy)	3.80	3.87	3.76	4.61	2.12	6.99	5.04	
Construction (Percent, yoy)	2.32	0.91	4.04	5.51	1.35	4.89	3.02	
Non-construction (Percent, yoy)	8.42	12.53	3.03	2.23	4.32	12.93	10.34	
Export of Goods and Services (Percent, yoy)	17.99	16.23	1.34	6.51	6.44	10.95	9.91	
Import of Goods and Services (Percent, yoy)	24.86	15.00	-1.60	7.95	4.00	11.48	1.18	
CPI Inflation (Percent, yoy)	1.87	5.51	2.61	1.57	1.03	1.87	2.65	2.92
Core Inflation (Percent, yoy)	1.56	3.36	1.80	2.26	2.48	2.37	2.19	2.38
Volatile Food Inflation (Percent, yoy)	3.20	5.61	6.73	0.12	0.37	0.57	6.44	6.21
Administered Prices Inflation (Percent, yoy)	1.79	13.34	1.72	0.56	-3.16	1.34	1.10	1.93
Indonesia Balance of Payments								
Current Account Deficit (Percent of GDP)	0.30	1.00	-0.15	-0.62	-0.05	-0.76	1.09	
Capital and Financial Transactions (billion US Dollar)	12.57	-8.68	9.87	17.91	-0.39	-3.52	-8.07	
Overall Balance (billion US Dollar)	13.46	4.00	6.30	7.21	-0.79	-6.74	-6.38	
Foreign Exchange Reserves (billion US Dollar)	144.91	137.23	146.38	155.72	157.09	152.57	148.74	156.47
Exchange Rate (average; IDR per US Dollar)	14,296	14,873	15,247	15,841	16,352	16,514	16,364	16,667
Jakarta Composite Index (average; Index)	6,222.27	6,964.56	6,853.65	7,299.58	6,767.74	6,853.86	7,621.56	8,385.36
10-Year Government Bond Yield (average; Percent)	6.34	7.02	6.62	6.84	7.00	6.90	6.54	6.20
Banking								
Total Credit (Percent, yoy)	5.24	11.35	10.38	10.39	9.16	7.77	7.70	9.69
CAR (end of period, Percent)	25.67	25.63	27.66	26.65	25.38	25.81	26.15	26.05*
NPL (end of period, Percent)	3.00	2.44	2.19	2.08	2.17	2.22	2.24	2.05
State Budget**								
Tax Revenue (trillion Rupiah)	1,547.8	2,034.6	2,154.2	2,231.8				2,217.9
Primary Balance (trillion Rupiah)	-431.6	-74.1	102.6	-20.7				-180.7
State Budget Deficit (Percent of GDP)	-4.57	-2.35	-1.61	-2.30				-2.92

Source: BPS, Bank Indonesia, Ministry of Finance, and Indonesia Stock Exchange
Notes: *Data as of November 2025; **Overall year 2025; preliminary figure

than anticipated; a US Government shutdown; and domestic factors, such as social unrest and market concerns over a widening fiscal deficit. As of end-December 2025, the Rupiah stood at Rp16,675 per US dollar, representing a depreciation of 3.48% from its end-December 2024 level. Overall, Rupiah movements remained relatively stable compared with those of other emerging market currencies and were stronger than most advanced economy currencies, excluding the US dollar. Rupiah stabilization was supported not only by consistent implementation of Bank Indonesia's stabilization policies, but also by increased foreign exchange conversion into Rupiah by exporters following the strengthening of the Foreign Exchange Export Proceeds from Natural Resources (DHE SDA) policy.

Price stability was preserved, with inflation remaining low within the 2.5±1% target range, thereby supporting overall economic stability. Consumer Price Index (CPI) inflation in December 2025 was recorded at a low level of 2.92% (yoy). Core inflation remained subdued at 2.38% (yoy), supported by the consistent interest rate policy in anchoring inflation expectations within the target range; ample economic capacity; contained imported inflation in line with Bank Indonesia's Rupiah stabilization policy; and the positive effects of digitalization. Volatile food (VF) inflation stood at 6.21% (yoy). Meanwhile, administered price (AP) inflation was recorded at 1.93% (yoy), in line with limited Government-mandated price adjustments. Looking ahead, Bank Indonesia expects CPI inflation to remain low in 2026 and 2027, within the 2.5±1% target range, supported by continued consistency in monetary policy and strengthened synergy with the Government in inflation control at both the central and regional levels.

Monetary and financial market stability was maintained alongside reductions in Bank Indonesia's policy rate. Throughout 2025, Bank Indonesia reduced the BI-Rate five times, by a cumulative 125 bps to 4.75% in December 2025, marking its lowest level since 2022. BI-Rate cuts, together with Bank Indonesia's monetary liquidity expansion, drove declines in money market rates, the Indonesia Overnight Index Average (INDONIA), and Government Securities (SBN) yields. Nevertheless, pass-through to bank interest rates remained relatively slow, with one-month deposit rates declining by only 56 bps and lending rates by 39 bps through December 2025. BI-Rate reductions were also supported by liquidity expansion measures aimed at enhancing the effectiveness of interest rate transmission, increasing liquidity, and accelerating money and foreign exchange market deepening. These measures included a reduction in the outstanding stock of Bank Indonesia Rupiah Securities (SRBI) by Rp186.07 trillion, as well as purchases of Government Securities (SBN), including secondary-market purchases and debt-switching programs, totaling Rp332.14 trillion. Liquidity expansion was further reinforced through the macroprudential liquidity incentive (KLM), which added Rp388.06 trillion to banking system liquidity by end-December 2025. Money market deepening was also strengthened through the implementation of the 2030 Money Market and Foreign Exchange Market Deepening Blueprint (BPPU) and an enhanced role for Primary Dealers, which significantly increased market transactions.

Financial system stability remained well-maintained, supported by strong bank capital adequacy and low risk from non-performing loans. The banking Capital Adequacy Ratio (CAR) stood at 26.05% in November 2025, indicating a robust capacity to absorb risks. Meanwhile, the banking Non-Performing Loan (NPL) ratio remained low in November 2025. Contained credit risk was also reflected in the continued decline of the Loan at Risk (LAR) ratio. Nevertheless, bank credit/financing disbursements still need to be further strengthened to better support economic growth. Credit growth stood at 9.69% (yoy) in December 2025, with investment credit growing strongly at 21.06% (yoy), while working capital and consumer credit remained on a moderating trend at 4.52% and 6.58% (yoy), respectively. Slower credit/financing growth was influenced by banks' prudent stance and still-moderate credit demand. Looking ahead, financial system stability is expected to remain well maintained alongside improving national economic performance. Bank Indonesia will continue to strengthen policy synergy with the Financial System Stability Committee (KSSK) to safeguard financial system stability.

Digital economic and financial transactions continued to perform strongly, supported by a secure, seamless, and reliable payment system. In the fourth quarter of 2025, the value of Bank Indonesia Real-Time Gross Settlement (BI-RTGS) transactions increased by 31.04% (yoy) to Rp65,069.78 trillion. On the retail side, BI-FAST transaction volume grew by 30.44% (yoy) to 1,358.65 million transactions. Digital payment transactions reached 14.26 billion, recording growth of 39.21% (yoy). QRIS transactions continued to expand rapidly, growing by 139.99% (yoy), with the number of users reaching 59.53 million and merchants 42.75 million. In terms of Rupiah currency management, currency in circulation (CiC) grew by 12.90% (yoy) to Rp1,359.94 trillion, in line with increased economic activity. Payment system stability remained well maintained, underpinned by resilient infrastructure and an improving industry structure. From an infrastructure perspective, the reliability and availability of the Bank Indonesia Payment System (SPBI) were well preserved. From an industry structure perspective, payment system interconnectivity and the expansion of the Digital Economy and Finance (EKD) ecosystem continued to strengthen. Transactions based on the National Open API Payment Standard (SNAP) also increased in line with broader SNAP adoption. In parallel with the growth of non-cash transactions, Bank Indonesia remained committed to ensuring the availability of Rupiah currency in adequate amounts, appropriate denominations, and fit-for-circulation quality across all regions of the Republic of Indonesia (NKRI), including the frontmost, the outermost, and the remote areas. This commitment reflects Bank Indonesia's role in safeguarding national sovereignty and supporting a payment system that is safe, seamless, and reliable.

Bank Indonesia Policy Mix 2025: Fostering Growth, Maintaining Stability

Bank Indonesia's policy mix in 2025 continued to be strengthened and oriented toward fostering economic growth while maintaining stability, in close synergy with the national economic policy mix. In the area of monetary policy, in line with low and well-contained inflation within the target range, Bank Indonesia reduced policy rates and expanded monetary operations to support economic growth while safeguarding Rupiah exchange rate stability. In the macroprudential policy area, liquidity incentives were provided to banks to encourage credit/financing to priority sectors under the Government's *Asta Cita* programs. Meanwhile, in the payment system area, payment system digitalization was further accelerated to promote digital economic and financial inclusion, particularly in the real sector and among MSMEs. These three core components of Bank Indonesia's policy mix were supported by strengthened policies to deepen the money and foreign exchange market, develop MSMEs and the sharia economy and finance, as well as by international policy initiatives.

Bank Indonesia's monetary policy in 2025 was implemented through BI-Rate reductions, Rupiah exchange rate stabilization, and monetary liquidity expansion. These measures were aimed at optimizing the monetary policy trilemma, namely maintaining price stability, exchange rate stability, and adequate foreign exchange reserves. Price stability was pursued through five BI-Rate cuts totaling 125 bps in 2025, bringing the policy rate to 4.75% in December 2025. These interest rate decisions were forward-looking and pre-emptive, guiding the inflation outlook to remain contained within the 2.5±1% target range. Bank Indonesia also continued to strengthen coordination with both central and regional governments in inflation control. Meanwhile, Rupiah exchange rate stabilization was further reinforced through: offshore market intervention via Non-Deliverable Forward (NDF);

domestic market intervention through the spot market, Domestic Non-Deliverable Forward (DNDF); and purchases of Government Securities (SBN) in the secondary market. These measures were complemented by liquidity expansion through a pro-market monetary operations strategy aimed at strengthening interest rate transmission, increasing liquidity, and accelerating money and foreign exchange market deepening. This strategy included a reduction in the outstanding stock of Bank Indonesia Rupiah Securities (SRBI) and purchases of SBN, including secondary-market purchases and debt-switching operations. The three monetary instruments, BI-Rate policy, Rupiah exchange rate stabilization, and monetary liquidity expansion, were supported by adequate foreign exchange reserves. Bank Indonesia consistently ensured reserve adequacy in line with international standards to support Government external debt servicing and Rupiah exchange rate stabilization policies.

Macroprudential policy was implemented by strengthening liquidity incentives and easing all macroprudential instruments to promote credit and financing growth while safeguarding financial system stability (FSS). Macroprudential policy was further reinforced to achieve optimal credit growth, maintain FSS, and enhance financial inclusion. The Macroprudential Liquidity Incentive (KLM) was increased to encourage bank credit expansion to priority sectors in line with the Government's *Asta Cita* programs. The Bank Foreign Funding Ratio (RPLN) instrument was eased to broaden banks' alternative sources of external funding. In addition, the Macroprudential Liquidity Buffer (PLM) was relaxed to provide additional liquidity through a reduction in the required securities holdings relative to third-party funds (TPF). Other macroprudential policy instruments remained accommodative to further support credit expansion. Macroprudential and money market surveillance of the banking system was also strengthened to help safeguard FSS, supported by close coordination within the Financial System Stability Committee (KSSK).

Bank Indonesia continued to accelerate payment system digitalization and ensure adequate Rupiah currency circulation to support smooth, efficient, and productive economic and financial transactions. Digital payment system transformation was implemented consistently in line with the Indonesia Payment System Blueprint (BSPI) 2030. Digitalization was accelerated through instrument innovation and the expansion of digital payment services; strengthening of the payment system industry structure and infrastructure stability; as well as integration of the national digital economy and finance ecosystem. In 2025, Bank Indonesia continued to broaden digital payment acceptance through more affordable QRIS pricing schemes for Public Service Agency (BLU) and Public Service Obligation (PSO) merchants. In terms of innovation, QRIS features were expanded through the launch of QRIS Tap, based on Near Field Communication (NFC) technology. Meanwhile, strengthening of the payment system industry structure was advanced through wider implementation of the National Open API Payment Standard (SNAP). Institutional strengthening of the payment system industry was undertaken through enhanced surveillance and risk management, including measures to address illegal transactions and cyber threats. Payment system infrastructure stability was maintained through optimization of BI-FAST Phase I, Stage 2 features, including bulk transfers, request-for-payment services, and direct debit transfers. The digitalization of Government financial transactions was also strengthened through the Regional Transaction Digitalization Acceleration and Expansion Program (P2DD) and expanded acceptance of the Indonesia Credit Card (KKI). Externally, international synergy was broadened through the implementation of Regional Payment Connectivity (RPC) within ASEAN and the establishment of a new cross-border QRIS corridor between Indonesia and Japan. In Rupiah currency management, Bank Indonesia consistently ensured the adequacy and quality of Rupiah currency, while strengthening synergy and collaboration with various stakeholders to guarantee the availability of Rupiah that is high-quality, reliable, and easily accessible to all segments of society.

Bank Indonesia continued to accelerate the deepening of a modern, advanced, and integrated money and foreign exchange market (PUVA), aligned with a pro-market monetary operations strategy, to strengthen the effectiveness of monetary policy transmission, financial system stability, and national economic financing. Since the implementation of the 2030 Money Market and Foreign Exchange Market Deepening Blueprint (BPPU 2030), transactions in Indonesia's money and foreign exchange markets have continued to show positive developments, as reflected, among others, in higher average daily transaction values of repurchase agreements (repo), Overnight Index Swaps (OIS), and Domestic Non-Deliverable Forward (DNDF). From a pricing perspective, various initiatives were directed toward establishing an efficient money market term structure across maturities ranging from two weeks to twelve months. Bank Indonesia also continued to promote the development of PUVA market participants to become more active, competent, ethical, and professional, while strengthening the role of market associations, including through the accelerated implementation of Primary Dealers in the money and foreign exchange markets. On the infrastructure front, strengthening and development were undertaken comprehensively across the front-end, middle-end, and back-end layers to ensure transaction smoothness, process efficiency, and enhanced risk management. In addition, Bank Indonesia continued to strengthen synergy with other financial sector authorities, the Ministry of Finance, the Financial Services Authority (OJK), and the Indonesia Deposit Insurance Corporation (LPS), both in advancing financial market development through education and financial literacy and in broadening sources of economic financing.

Bank Indonesia continued to strengthen synergy and collaboration in accelerating Economic Inclusion, Financial Inclusion, and Sustainable Finance (IEKB) to support resilient and sustainable national economic growth. IEKB implementation was pursued through: (i) the development of an integrated, competitive, and inclusive sustainable economic ecosystem; (ii) the optimization of inclusive and sustainable financing; and (iii) the expansion of inclusive and sustainable economic and financial literacy, as well as strengthened synergies. In addition, Bank Indonesia continued to promote the development of a self-reliant and inclusive national sharia economy and finance. This development was pursued through the strengthening of three strategic pillars, namely: (i) the development of an integrated and competitive Halal Value Chain (HVC) ecosystem; (ii) the optimization of sharia financing; and (iii) the strengthening of sharia economic and financial literacy and inclusion. At the global level, Bank Indonesia continued to strengthen its international policy engagement to support macroeconomic resilience and stability, as well as economic growth. Efforts were also intensified to increase international transactions in local currencies through strengthened cooperation and broader implementation, alongside the active enhancement of bilateral central banking cooperation. Bank Indonesia further strengthened synergy and coordination with ministries and government agencies to manage positive perceptions of Indonesia's economy and to promote investment and trade. Bank Indonesia's international reputation continued to strengthen, as reflected in its active participation in various international cooperation forums. Throughout 2025, Bank Indonesia received several international awards, including: the Central Banking Awards; the Asian Banker Awards; the Global Islamic Economy and Finance Awards (GIFA) 2025; the Contact Center World Global Asia Pacific Top Ranking Performers Award 2025; and the Asia Pacific Stevie Awards 2025.

In the institutional policy area, Bank Indonesia continued to undertake policy transformation, organizational transformation, digitalization, and human capital development to strengthen its policy and institutional framework in responding to an evolving strategic environment. In the policy area, Bank Indonesia continued to reinforce the regulatory framework of the Bank Indonesia Policy Mix (BKBI), which integrates monetary, macroprudential, and payment system policies, supported by complementary policies to achieve the objectives mandated by law. Institutional transformation was focused on three core agendas. *First*, strengthening central bank policy and institutional governance systems based on the principles of independence, consistency, coordination, accountability, and transparency (IKKAT). *Second*, digitalizing policy and institutional work processes toward the vision of becoming a leading digital central bank. *Third*, strengthening Bank Indonesia's professional leadership with high competence (book-smart), strong experience (street-smart), and strong moral integrity (spiritual-smart), through the "*Aku Bangga BI Bermakna*" (AB3) work culture program.

Policy Mix for National Economic Transformation: Synergy to Foster Higher and Resilient Growth

Looking ahead, strengthening synergy in the national economic policy mix will need to focus on five key areas to foster higher and more resilient economic growth. *First*, macroeconomic and financial system stability must remain the top priority. Indonesia is internationally recognized for its ability to maintain macroeconomic stability. Going forward, this stability will become increasingly essential to support growth from the aggregate demand side, while also strengthening national economic resilience amid rapidly evolving and highly uncertain global economic and financial conditions. In this context, Rupiah exchange rate stability and low, well-contained inflation need to be continuously maintained. Fiscal discipline must also be preserved, with the fiscal deficit kept below 3% of GDP. In addition, banking system resilience and stability need to be further strengthened. Accordingly, close coordination between the Government's fiscal policy and Bank Indonesia's monetary policy, as well as strengthened policy synergy within the Financial System Stability Committee (KSSK), will remain essential.

***Second*, real sector transformation needs to be accelerated to strengthen domestic sources of higher economic growth**. Accelerating this transformation is also essential to reinforce food and energy security, which serve as key pillars of national economic resilience and self-reliance. Industrial policy through downstreaming and the industrialization of natural resources needs to be prioritized in the development of strategic national industries, including the mineral, plantation, agriculture, and fisheries sectors. The development of commercially viable business models is critical to attract investment, both by the Government, including through Danantara, and by private investors, domestically and internationally. To this end, structural reform policies aimed at improving the investment climate, connectivity infrastructure, and research and development need to be continuously advanced to enhance competitiveness and productivity across capital, labor, innovation, and efficiency.

***Third*, financing sources need to be further developed to support real sector transformation programs, particularly downstreaming and the industrialization of natural resources**. Achieving higher economic growth requires substantial capital and investment, which cannot be fully financed through the State Budget (APBN). Financing for downstreaming and natural resource industrialization projects can be sourced from Danantara, the banking sector and other financial institutions, as well as private investors, both domestic and foreign. Financing instruments may take the form of equity investment, bank credit, and the issuance of bonds and other securities. Accordingly, financial market deepening is crucial to support national economic financing, including through enhanced liquidity, more competitive interest rates, and the availability of hedging instruments against interest rate and exchange rate risks. Bank Indonesia will continue to maintain close coordination within the Financial System Stability Committee (KSSK) to advance financial market deepening efforts.

***Fourth*, national economic and financial digitalization needs to be continuously accelerated to achieve higher and more resilient economic growth**. Indonesia has been among the faster adopters of digitalization, particularly in payment system digitalization and retail digital economic and financial transactions. The use of QRIS, mobile banking, e-commerce, and BI-FAST has continued to expand among the public and micro, small, and medium enterprises (MSMEs). Notably, these digital innovations' convenience, speed, and low transaction costs promote inclusivity by broadening access to economic and financial services. The digitalization of Government financial transactions has also continued to advance, supporting improved revenue collection and greater efficiency in budget expenditures at both the central and regional levels. Looking ahead, the acceleration of payment system digitalization and the national digital economy and finance need to be further strengthened, alongside the continued expansion of digital-based service businesses across various segments of the economy. The development of both retail and wholesale payment system digitalization will continue, including initiatives on the Digital Rupiah and Digital Financial Assets by Bank Indonesia in accordance with its statutory mandate. Cross-border cooperation in digital payments also needs to be expanded, including QRIS and BI-FAST connectivity, as well as the wider use of Local Currency Transactions (LCT) in the settlement of trade, investment, and financial transactions.

***Fifth*, the effectiveness of trade and investment cooperation with major partner countries needs to be further enhanced**. Indonesia's trade and investment cooperation should be focused on key bilateral and regional partners that provide the greatest mutual benefits, including ASEAN+3 (China, Japan, and the Republic of Korea), India, the Middle East, and the European Union, while continuing to support multilateral cooperation. Such cooperation needs to be closely aligned with Indonesia's strategic interests in trade and investment, particularly in supporting natural resource downstreaming programs and their associated financing needs. Cooperation should also encompass the expansion of Local Currency Transactions (LCT), the advancement of financial market deepening, and the strengthening of cross-border digital payment cooperation to facilitate bilateral and regional trade and investment.

Direction of Bank Indonesia's Policy Mix in 2026: Fostering Growth, Maintaining Stability

Bank Indonesia's policy mix in 2026 will continue to be oriented toward supporting economic growth while maintaining stability. This policy stance is based on the assessment that Indonesia's economic and financial cycles remain below their potential levels and are expected to move toward optimal conditions around 2027–2028. From the economic cycle perspective, this assessment is reflected in inflation projections that are expected to remain well contained within the 2.5±1% target range in 2026 and 2027; economic growth, which is still below national output capacity, is projected at 4.9–5.7% in 2026 and 5.1–5.9% in 2027. From the financial cycle perspective, credit growth is projected to remain below optimal levels, at 8–12% in 2026 and 9–13% in 2027. Also looking ahead, synergy between Bank Indonesia's policy mix, Government policies, and the Financial System Stability Committee (KSSK) will continue to be strengthened to foster higher and more resilient economic growth, while safeguarding macroeconomic and financial system stability on the path toward Golden Indonesia 2045.

Bank Indonesia's monetary policy in 2026 will be oriented toward achieving the inflation target and maintaining Rupiah exchange rate stability, while continuing to utilize available policy space for BI-Rate reductions to support higher economic growth. The monetary policy stance will be implemented through four core instruments. *First*, a forward-looking and pre-emptive interest rate policy to achieve the inflation target and foster higher economic growth. *Second*, monetary liquidity expansion through a pro-market monetary operations strategy to strengthen the effectiveness of BI-Rate transmission to bank interest rates and to accelerate money and foreign exchange market deepening. *Third*, Rupiah exchange rate stabilization measures to safeguard external stability from global uncertainty spillovers. *Fourth*, maintaining adequate foreign exchange reserves to support Rupiah stabilization and Government external debt servicing, underpinned by the management of foreign exchange flows in line with international standards. Bank Indonesia will continue to strengthen monetary–fiscal policy coordination to achieve the inflation target, preserve macroeconomic stability, and support higher and more resilient economic growth.

Bank Indonesia will also continue to maintain an accommodative macroprudential policy stance in 2026 to promote bank credit and financing in support of higher economic growth, while safeguarding financial system stability. This accommodative stance will be pursued through three key measures. *First*, strengthening the effectiveness of the Macroprudential Liquidity Incentive (KLM) forward-looking lending channel to encourage greater bank credit and financing to priority sectors. *Second*, accelerating the decline in deposit and lending rates through the effectiveness of the KLM forward-looking interest channel and necessary policy responses, including coordination within the Financial System Stability Committee (KSSK) to reduce special rates for large depositors and to narrow lending rate margins. *Third*, strengthening systemic surveillance to preserve banking resilience against global shocks and operational risks, including through enhancements to the Integrated Crisis Management Protocol (PMKT). Policy coordination with the Government and the KSSK will also continue to be strengthened to expand credit and financing to priority sectors; reinforce financial system stability; and support the continuity of financial sector reforms mandated under the Financial Sector Development and Strengthening Act (P2SK Act).

Bank Indonesia will continue to accelerate the Digital Economy and Finance (EKD) for future generations, guided by the Indonesia Payment System Blueprint (BSPI) 2030. The direction of payment system policy in 2026 will focus on accelerating digitalization to further support sustainable economic growth through five key measures. *First*, regarding infrastructure, Bank Indonesia will develop the New BI-FAST and industry fast-payment solutions; modernize BI-RTGS; and strengthen payment data infrastructure that is fully interconnected, integrated, and interoperable (3i) to support policymaking, industry business development, and the public interest. *Second*, concerning industry consolidation, Bank Indonesia will reinforce payment system digitalization within the banking sector; promote interlinkages between banks and fintechs; and advance regulatory reforms to support consolidation of the payment system industry and the restructuring of the Nonbank Money Changer (KUPVA BB) industry to further strengthen payment integrity. *Third*, regarding innovation and digital acceptance, Bank Indonesia will collaborate with the Indonesia Payment System Association (ASPI) to promote innovation and balanced digital payment acceptance; strengthen consumer protection through the Indonesia Digital Innovation Center (PIDI); and public campaigns and education and literacy programs. *Fourth*, from an internationalization perspective, Bank Indonesia will expand international cooperation in retail payment systems, both bilaterally and multilaterally, including through the development of NEXUS. *Fifth*, on Digital Rupiah development, Bank Indonesia will proceed with the next phase of experimentation, with a focus on the development of the Securities Ledger.

Money market and foreign exchange market deepening continues to play a vital role in supporting the effectiveness of Bank Indonesia's policy transmission, financial system stability, and fiscal and economic financing. The money market and foreign exchange market (PUVA) deepening policy in 2026 will focus on five key programs. *First*, the development of repo products will be pursued in line with efforts to increase transaction volumes and liquidity in the secondary markets for Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Sukuk (SUKBI), Bank Indonesia Foreign Exchange Securities (SVBI), and Bank Indonesia Foreign Exchange Sukuk (SUVBI), while supporting the formation of Overnight Index Swap (OIS) and Foreign Exchange Swap (FX Swap) markets. These initiatives aim to enhance the effectiveness of monetary transmission, maintain Rupiah stability, strengthen hedging activities, and improve short-term liquidity management. *Second*, efficient market mechanisms will be strengthened to support the formation of interest rate structures (INDONIA, OIS, and repo), exchange rate instruments (DNDF), and hedging instruments (IRS and FX Swap). *Third*, market consolidation will be reinforced through strengthening PUVA Primary Dealers; enhancing the role of the Indonesian Money Market and Foreign Exchange Market Association (APUVINDO) in the implementation of monetary operations strategies; and PUVA development, including improving participant quality and enforcing the Market Code of Conduct. *Fourth*, integrated (3i: interconnected, integrated, and interoperable) infrastructure for the money market and foreign exchange market, monetary operations, and payment systems will be developed through the implementation of PUVA payment system and market data infrastructure. These will also serve as a foundation for supporting the issuance of the Digital Rupiah. *Fifth*, synergy and coordination in economic financing will be strengthened to support the development of a well-governed money market and foreign exchange market.

Bank Indonesia will continue to expand and strengthen its role in accelerating Economic Inclusion, Financial Inclusion, and Sustainable Finance (IEKB) to support resilient and sustainable national economic growth. IEKB will focus on developing an integrated, competitive, and inclusive sustainable economic ecosystem. In addition, Bank Indonesia will emphasize the optimization of financing, literacy, and synergy in inclusive and sustainable economic and financial development. To these ends, several initiatives are noteworthy. *First*, to enhance competitiveness, Bank Indonesia will continue to strengthen business models, guidelines, and various facilitation schemes, including the implementation of pilot projects encompassing capacity building and expanded market access, including along supply chains. *Second*, to broaden access to financing for MSMEs, financing business matching will continue to be strengthened through synergy with ministries/government agencies, financial institutions, and Bank Indonesia's Regional Offices nationwide. *Third*, financial literacy and synergy will continue to be expanded through implementation of the Core Competencies for Financial Literacy and Inclusion (KLIK) via standardized education modules, and sustained education and mentoring programs across regions. Bank Indonesia will also continue to strengthen its role in accelerating the comprehensive development of the sharia economic and financial ecosystem. The development of the Halal Value Chain (HVC) ecosystem will remain focused on priority sectors, namely halal food, modest fashion, and Muslim-friendly tourism. In the area of commercial sharia finance, sharia money market deepening policies to support sharia financing will be pursued through the development of financing business models that support priority sharia economy sectors, the implementation of the Sharia Financing Month (BPS), the strengthening of macroprudential policies that support priority sharia sectors, and policies related to sharia Primary Dealers. Furthermore, the expansion of sharia economic and financial literacy and inclusion will continue to be pursued in close synergy with relevant stakeholders.

Bank Indonesia will continue to strengthen close synergy and coordination with the Government to further enhance Indonesia's position at the bilateral, regional, particularly in Asia, and at the global levels. International policy is directed at advancing national interests by strengthening economic resilience against global spillovers and fostering cooperation to support sustainable economic growth. In 2026, Bank Indonesia's international policy will focus on three main pillars. *First*, strengthening and expanding bilateral cooperation with key partner central banks in the areas of central banking; payment systems; Local Currency Transactions (LCT); and international financial cooperation, including Bilateral Swap Arrangements (BSA). *Second*, reinforcing regional cooperation, particularly through ASEAN Financial Integration; ASEAN Payments Connectivity (APC); and the strengthening of the Chiang Mai Initiative Multilateralisation (CMIM) as a regional financial safety net among ASEAN+3 economies. *Third*, active participation in advancing national interests within international economic, monetary, and financial agendas. In addition, Bank Indonesia will continue to strengthen positive market perceptions among investors and rating agencies, as well as promote trade and investment through its Investor Relations Unit (IRU) network. Furthermore, the role of this network (comprising the national IRU, Regional IRUs (RIRU), and Global IRUs (GIRU) offices) will be reinforced across regions and abroad. Bank Indonesia will also continue to enhance its institutional leadership through chairing international cooperation forums and earning international recognition and awards in areas including the policy mix, research, innovation, institutional development, leadership, and the digitalization of payment systems and currency circulation.

Bank Indonesia will continue to implement its institutional transformation agenda by consistently upholding principles of sound and professional governance. Institutional transformation will be further strengthened and refined, particularly in implementing the mandate of the Bank Indonesia Act, as amended most recently by the Financial Sector Development and Strengthening Act (P2SK Act). Going forward, institutional transformation will remain focused on three priority areas. *First*, strengthening organizational functions and work processes that are integrated, aligned, and comprehensive. *Second*, enhancing the digitalization of policy and institutional work processes through the refinement of digital-based business process re-engineering, emphasizing collaborative work and supported by the utilization of artificial intelligence. *Third*, strengthening human capital through leadership development, the cultivation of new capabilities, and reinforcement of the Employee Value Proposition (EVP). Furthermore, Bank Indonesia will continue to strengthen policy and institutional governance to build a central bank that is credible, professional, well governed, and transparent.