

CHAPTER 2

NATIONAL ECONOMIC PERFORMANCE AND OUTLOOK: PRESERVED STABILITY, RISING GROWTH

Synergy in the national economic policy mix supported Indonesia's resilient and robust economic performance amid heightened global turbulence and uncertainty. Indonesia's economic growth in 2025 was projected in the range of 4.7–5.5%, with macroeconomic stability preserved. CPI inflation remained within the 2.5±1% target range, with all inflation components under control. Financial system stability was maintained, supported by adequate liquidity, strong banking capital, and low credit risk. Economic and financial digitalization continued to expand rapidly. Going forward, Indonesia's economic growth in 2026 is projected to increase to the range of 4.9–5.7%, underpinned by strong economic stability.





Indonesia's economy has continued to perform well and remain resilient amid elevated global volatility and uncertainty. *First*, Indonesia's economic resilience has remained strong, underpinned by the preservation of macroeconomic stability and sustained high growth. The recovery from the COVID-19 pandemic has continued and strengthened further. *Second*, robust and prudent policy coordination, particularly between the Government's fiscal policy and Bank Indonesia's monetary policy, has successfully supported domestic demand while maintaining a balance between stability and growth. *Third*, Indonesia has consistently reinforced its commitment to economic transformation through improvements in the investment climate, accelerated infrastructure development, and downstreaming of natural resources to enhance domestic value addition. Structural improvements across economic sectors have continued, strengthening the supply side to support high economic growth. *Fourth*, Indonesia has demonstrated strong leadership in various international fora, including through active participation in global and regional cooperation. The success of Indonesia's G20 Presidency in 2022 was internationally recognized for advancing critical agendas, such as strengthening global fiscal-monetary policy coordination, health cooperation, debt resolution for low-income countries, and cross-border payment system digitalization. In the ASEAN

region, Indonesia's ASEAN Chairmanship in 2023 reaffirmed its active role in strengthening regional stability and integration.

Over the past six years, Indonesia's economy has recorded strong performance, ranking among the best in emerging market economies (EMEs).

Since 2019, economic growth has consistently remained above 5%, except during the COVID-19 pandemic (Table 2.1.). Even then, the economic contraction was among the mildest compared to other countries. Macroeconomic and financial system stability has been well maintained. Inflation remained low and contained, averaging below 3% during 2019–2024, while the Rupiah exchange rate remained stable, supported by Bank Indonesia's strong monetary policy commitment. The fiscal deficit also remained low at less than 3% of GDP, except during the peak of the COVID-19 in 2020–2021, after which it rapidly reverted to a prudent path through the Government's fiscal consolidation efforts. External resilience also remained solid, with the current account deficit staying low and even recording a surplus in 2021 and 2022, supported by stronger export performance in line with the progress of natural-resource downstreaming. Similarly, financial system stability has been maintained, with the banking industry's Capital Adequacy Ratio (CAR) remaining high at above 20%. Solid credit growth has also supported financing for productive sectors and reinforced

Table 2.1. Indonesia's Economic Performance: 2019–2024

Indicator	Unit	2019	2020	2021	2022	2023	2024
Economic Growth	%yoy	5.02	-2.07	3.70	5.31	5.05*	5.03**
Current Account	% GDP	-2.71	-0.42	0.30	1.00	-0.15	-0.62*
Fiscal Deficit	% GDP	-2.20	-6.14	-4.57	-2.35	-1.61	-2.30
CPI Inflation	%yoy	2.72	1.68	1.87	5.51	2.61	1.57
Rupiah Exchange Rate	IDR/USD (average)	14,139	14,525	14,296	14,873	15,247	15,841
BI-Rate	%	5.00	3.75	3.50	5.50	6.00	6.00
Bank Lending	%	6.08	-2.41	5.24	11.35	10.38	10.39
Banking Capital (CAR)	%	23.31	23.81	25.67	25.63	27.66	26.65

Source: BPS, Bank Indonesia

Note: *Preliminary figure; **Very preliminary figure

the momentum of economic growth. Indonesia's positive economic performance has likewise been accompanied by rapid acceleration of payment system digitalization, which has continued to expand and has become an important driver of inclusive economic growth.

The strong synergy of the national economic policy mix between the Government and Bank Indonesia has supported Indonesia's resilient economic performance. The Government's fiscal policy has remained prudent, maintaining the deficit below 3% of GDP, while supporting economic growth through capital expenditure to stimulate investment and social protection programs to sustain household consumption. Meanwhile, Bank Indonesia has optimally implemented its policy mix to maintain stability and foster growth, with the monetary policy for inflation control and Rupiah exchange rate stability, macroprudential policy to encourage bank lending and financing, and payment system policy to accelerate inclusive and efficient digitalization of the national economy and finance. Structural transformation policies have also been continuously strengthened. Infrastructure development has progressed through National Strategic Projects (PSN) across various sectors, including transportation, water resources, housing, and telecommunications. Institutional and regulatory reforms have been pursued through the enactment of Law

Number 6 of 2023 on Job Creation to improve the investment climate, and Law Number 4 of 2023 on Financial Sector Development and Strengthening (P2SK Act) to enhance resilience, expand financial services, and improve efficiency in the national financial system. Moving forward, synergy of the national economic policy mix between the Government and Bank Indonesia must be further strengthened and broadened to drive higher and more resilient economic growth.

Indonesia's positive economic performance continues in 2025 and is projected to strengthen further in 2026 and 2027. Economic growth in the second and third quarters of 2025 exceeded expectations, reaching 5.12% (yoy) and 5.04% (yoy), respectively, compared to 4.87% (yoy) in the first quarter of 2025 (Table 2.2.). Non-oil and gas export performance improved, driven by front-loading exports to the United States in anticipation of tariff adjustments, alongside higher exports of agricultural and manufactured products, particularly crude palm oil (CPO) to India following import duty reductions. 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 remained solid in line with high mobility, although it requires further reinforcement amid declining consumer

Table 2.2. Indonesia's Economic Growth by Expenditure (% ,yoy)

Component	2023*	2024**	2025***			2025 ^p	2026 ^p	2027 ^p
			I	II	III			
Economic Growth	5.05	5.03	4.87	5.12	5.04	4.7-5.5	4.9-5.7	5.1-5.9
Private Consumption	4.94	5.11	4.91	5.04	4.87	4.6-5.4	4.9-5.7	4.9-5.7
Government Consumption	3.02	6.61	-1.37	-0.33	5.49	2.0-2.8	7.2-8.0	5.9-6.7
Investment	3.76	4.61	2.12	6.99	5.04	4.8-5.6	5.6-6.4	6.4-7.2
Exports	1.34	6.51	6.44	10.95	9.91	7.7-8.5	4.9-5.7	5.3-6.1
Imports	-1.60	7.95	4.00	11.48	1.18	6.5-7.3	5.0-5.8	5.8-6.6

Note: *Preliminary Figure; **Very Preliminary Figure; ***Very Very Preliminary Figure; ^pBank Indonesia's Projection
Source: BPS, Bank Indonesia



expectations, especially among lower-income groups, and limited job availability. Looking ahead, Indonesia's economy is expected to continue improving. Overall, economic growth in 2025 will range between 4.7–5.5%, rising further to 4.9–5.7% in 2026 and 5.1–5.9% in 2027. Synergy of the national economic policy mix between the Government and Bank Indonesia must be continuously strengthened to drive higher growth from both the demand and supply sides while safeguarding economic stability. On the fiscal side, the realization of Government spending under the State Budget must be accelerated to stimulate domestic demand, including the implementation of social programs such as Free Nutritious Meals (MBG), People's Schools, Public Housing, and the Red and White Village Cooperatives (*Koperasi Desa Merah Putih*, KDMP), as well as priority projects related to food security, energy, defense and security, and the Government's 2025 Economic Policy Package. On the supply side, the implementation of natural resource downstreaming and structural reforms must be expedited to promote economic sectors with high growth potential and job creation. Bank Indonesia will continue strengthening its policy mix (monetary, macroprudential, and the payment system) to support economic growth through interest rate reductions, liquidity easing, enhanced macroprudential incentives, and accelerated digitalization of the economy and finance.

From the production side, economic growth has primarily been supported by capital-intensive sectors, while labor-intensive sectors still require further stimulus to enhance their contribution to the economy. Positive performance is particularly evident in export-oriented sectors and those linked to natural resource downstreaming, such as the manufacturing industry, which recorded relatively high growth in line with increased production capacity and domestic value added (Table 2.3.). Sectors related to infrastructure development and improved connectivity, such as construction and transportation and warehousing, have also contributed to national economic growth. In addition, sectors related to rising household consumption and accelerated

digitalization, such as wholesale and retail trade, accommodation and food services, and information and communication, have posted stronger growth. Various service sectors, including financial and insurance services, corporate services, as well as health and social activities, have also continued to strengthen. These developments across sectors illustrate Indonesia's increasingly robust post-pandemic economic recovery. The initial recovery occurred in sectors directly affected by the scarring effect during 2021–2022, followed by export-oriented sectors during 2022–2024, with momentum now shifting toward sectors driving stronger domestic demand. Looking ahead, sectors such as agriculture, retail trade, accommodation and food services, information and communication, particularly those related to digitalization, as well as other service sectors must continue to be strengthened. These sectors play a critical role not only in supporting higher economic growth but also in creating broader employment opportunities. Achieving a balanced growth pattern between capital-intensive and labor-intensive sectors is essential to reinforce Indonesia's economic strength and self-reliance, while fostering higher and more resilient growth.

Indonesia's solid economic growth has been supported by positive performance across nearly all regions. In the third quarter of 2025, the highest growth was recorded by Java at 5.17% (yoy), followed by Sulawesi, Maluku, and Papua (Sulampua) at 4.96% (yoy), Sumatra at 4.90% (yoy), Bali and Nusa Tenggara (Balinusra) at 4.71% (yoy), and Kalimantan at 4.70% (yoy). From a sectoral perspective, stronger growth for Java was driven by increased industrial capacity and higher agricultural production. In Eastern Indonesia, mineral downstreaming, particularly nickel, bauxite, and copper, supported industrial growth in that region. From an expenditure perspective, amid household consumption that remains below 5% in most regions, investment has been the main driver, particularly industrial investment in Investment Zones (KI) and Special Economic Zones (SEZs) on Java (Batang, Kendal, Gresik) and Sulampua (nickel downstreaming). Export performance was supported by metal

Table 2.3. Indonesia's Economic Growth by Sectors (% , yoy)

Sector	2023*	2024**	2025***			2025 ^p	2026 ^p	2027 ^p
			I	II	III			
Economic Growth	5.05	5.03	4.9	5.1	5.0	4.7 - 5.5	4.9 - 5.7	5.1 - 5.9
Agriculture, Forestry, and Fisheries	1.31	0.67	10.5	1.7	4.9	4.4 - 5.2	5.2 - 6.0	5.4 - 6.2
Mining and Quarrying	6.12	4.90	-1.2	2.0	-2.0	1.0 - 1.8	2.8 - 3.6	4.0 - 4.8
Manufacturing Industry	4.64	4.43	4.5	5.7	5.5	5.1 - 5.9	5.0 - 5.8	4.9 - 5.7
Electricity and Gas	4.91	4.77	5.1	0.9	2.9	3.0 - 3.8	4.5 - 5.3	4.1 - 4.9
Water Supply, Waste Management, Waste and Recycling Management	4.90	1.56	0.2	0.8	3.3	2.2 - 3.0	4.3 - 5.1	4.6 - 5.4
Construction	4.91	7.02	2.2	5.0	4.2	4.7 - 5.5	7.5 - 8.3	7.1 - 7.9
Wholesale and Retail Trade, Motor Vehicle and Motorcycle Repair	4.85	4.86	5.0	5.4	5.5	5.0 - 5.8	5.3 - 6.1	5.1 - 5.9
Transportation and Warehousing	13.96	8.69	9.0	8.5	8.6	8.1 - 8.9	10.8 - 11.6	10.4 - 11.2
Accommodation and Food Services	10.00	8.56	5.8	8.0	8.4	7.4 - 8.2	6.4 - 7.2	6.2 - 7.0
Information and Communication	7.59	7.57	7.7	7.9	9.7	7.5 - 8.3	8.0 - 8.8	9.5 - 10.3
Financial and Insurance Services	4.77	4.74	4.0	3.2	0.8	4.9 - 5.7	7.6 - 8.4	7.5 - 8.3
Real Estate	1.43	2.50	2.9	3.7	4.0	3.5 - 4.3	3.0 - 3.8	2.8 - 3.6
Business Services	8.24	8.38	9.3	9.3	9.9	8.3 - 9.1	6.1 - 6.9	5.9 - 6.7
Public Administration, Defense, and Mandatory Social Security	1.51	6.40	4.8	4.7	4.3	3.9 - 4.7	5.2 - 6.0	4.6 - 5.4
Education Services	1.77	3.75	5.0	1.4	10.6	4.1 - 4.9	6.4 - 7.2	7.1 - 7.9
Health Services and Social Activities	4.67	8.11	5.8	3.8	6.8	5.3 - 6.1	4.0 - 4.8	3.9 - 4.7
Other Services	10.52	9.80	9.8	11.3	9.9	8.7 - 9.5	7.0 - 7.8	6.7 - 7.5

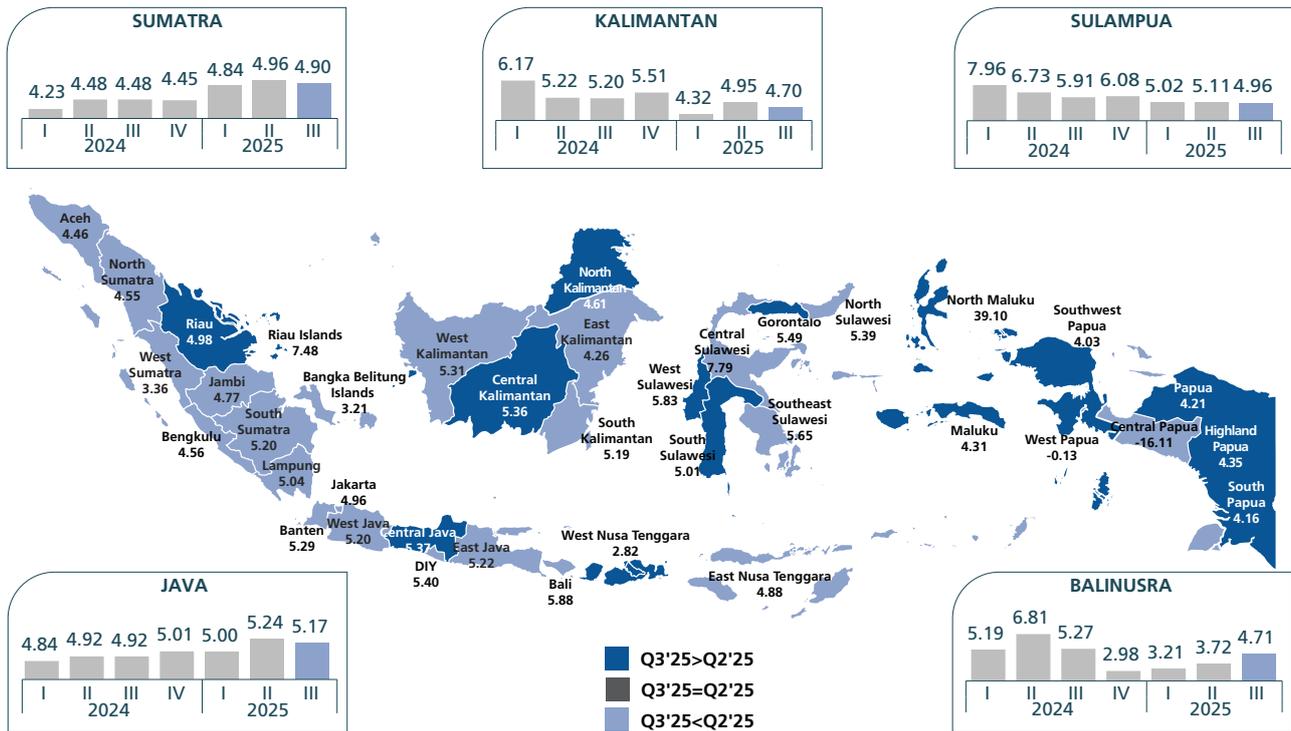
Note: *Preliminary Figure; **Very Preliminary Figure; ***Very Very Preliminary Figure; ^pBank Indonesia's Projection
Source: BPS, Bank Indonesia

commodities from Java, crude palm oil (CPO) from Sumatra, and steel exports from Sulampua, while coal exports from Kalimantan were affected by weaker external demand. Given these developments, overall regional economic growth in 2025 is projected as follows: Sumatra at 4.8–5.2%; Java at 4.7–5.5%; Kalimantan at 4.3–5.1%; Balinusra at 4.2–5.0%; and Sulampua at 4.2–4.8%. In 2026, growth in these regions is expected to increase to 4.9–5.3%, 4.7–5.5%, 4.6–5.4%, 5.5–6.3%, and 5.6–6.4%, respectively (Figure 2.1.).

Indonesia's external economic resilience has remained robust despite global volatility, supported by a healthy Balance of Payments (BOP). Current account performance through the third quarter of 2025 performed relatively well, underpinned by a large trade surplus amounting to USD40 billion. Despite the global economic slowdown, Indonesia's non-oil and gas exports, including manufacturing, agriculture, and mining, continued to grow strongly, in line with exporters' anticipation of reciprocal US tariffs (Graph 2.1.). Mining exports of downstream



Figure 2.1. Indonesia's Regional Economic Growth in Quarter III 2025 (% , yoy)

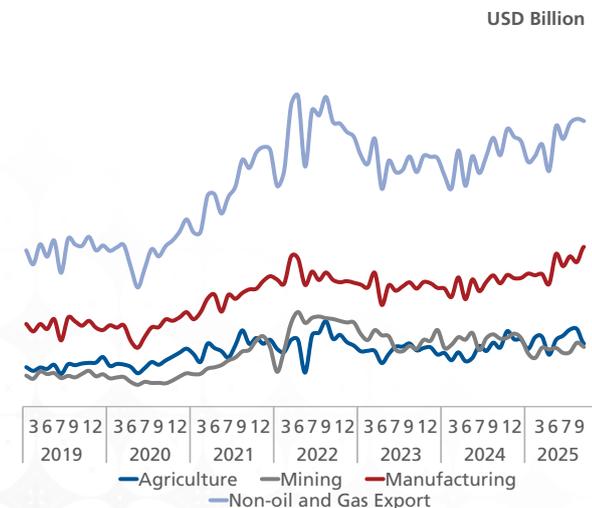


Source: BPS, calculated

natural resource commodities also recorded significant gains, particularly nickel and copper (Graph 2.2.). For the full year 2025, the current account is projected to record a smaller deficit than the previous year, ranging from a deficit of 0.5% to a surplus of 0.3% of GDP. Meanwhile, heightened global volatility adversely affected the capital and financial account, resulting in net

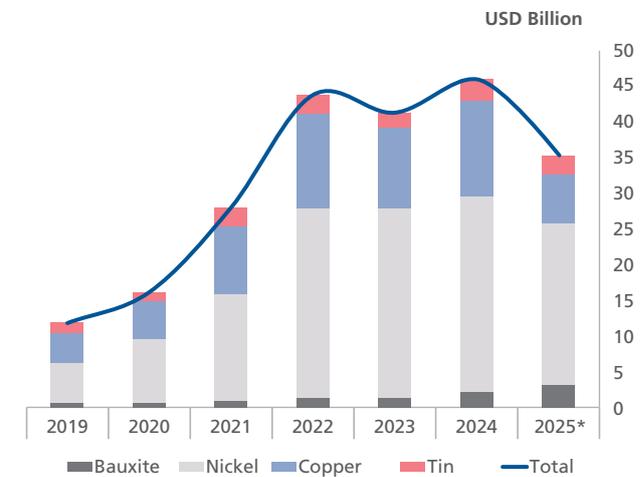
portfolio investment outflows, notwithstanding continued positive inflows of foreign direct investment. To the end of 2025, portfolio investment recorded net outflows of USD6.8 billion. Indonesia's reserve assets at the end of December 2025 recorded USD156.5 billion, increasing from USD155.7 billion at the end of 2024. This level is equivalent to 6.4 months of

Graph 2.1. Indonesian Non-oil and Gas Exports



Source: Directorate General of Customs and Excise

Graph 2.2. Exports of Downstream Mineral and Coal Mining Products



Note: *Data as of November 2025 (Cumulative)

Source: Directorate General of Customs and Excise

imports or 6.3 months of imports and servicing government external debt, well above the international adequacy standard of around 3 months of imports (Table 2.4.). In 2026, the BOP is projected to return to a surplus, resulting in higher official reserve assets. The current account deficit is expected to remain low, within the range of deficit 0.9-0.1% of GDP, underpinned by solid export performance, including from downstream activities. The capital and financial account is forecasted to record a surplus, driven by foreign direct investment and renewed portfolio inflows in line with Indonesia's positive economic outlook.

Indonesia's external resilience is also reflected in maintained Rupiah stability amid deteriorating global conditions, supported by Bank Indonesia's strong commitment. As previously noted, the imposition of high unilateral tariffs by President Trump triggered foreign portfolio outflows and depreciation of emerging market currencies, including Indonesia's. The Rupiah came under significant pressure in offshore Non-Deliverable Forward (NDF) markets following the US tariff announcement in early April 2025. To reinforce Rupiah stabilization, Bank Indonesia intensified and sustained its intervention in offshore NDF markets across Asia, Europe, and the United

Table 2.4. Indonesia's Balance of Payments (USD Billion)

Component	2021	2022	2023	2024*					2025		
				I	II	III	IV	Total	I*	II*	III**
Current Account	3.5	13.2	-2.0	-2.4	-3.0	-2.0	-1.3	-8.7	-0.2	-2.7	4.0
A. Goods	43.8	62.7	46.3	9.3	10.0	9.2	11.3	39.8	13.0	10.6	16.1
- Exports, fob	232.8	292.5	257.7	61.9	62.3	67.5	71.3	263.1	65.9	68.0	73.9
- Imports, fob	-189.0	-229.9	-211.4	-52.6	-52.3	-58.3	-60.0	-223.3	-52.9	-57.4	-57.8
a. Non-oil and Gas	57.8	89.8	67.8	15.1	15.2	14.7	17.8	62.8	18.8	15.7	20.9
b. Oil and Gas	-13.0	-24.8	-19.9	-5.5	-4.6	-4.4	-5.1	-19.6	-4.7	-4.2	-4.8
B. Services	-14.6	-20.0	-17.7	-4.2	-5.0	-4.2	-5.2	-18.6	-5.4	-5.2	-4.3
C. Primary Income	-32.0	-35.3	-36.0	-8.8	-9.4	-8.5	-9.0	-35.9	-9.4	-9.8	-9.4
D. Secondary Income	6.3	5.8	5.4	1.3	1.4	1.5	1.6	5.9	1.6	1.7	1.7
Capital and Financial Account	12.5	-9.2	9.8	-2.4	2.5	8.0	9.5	17.6	-0.4	-3.6	-8.1
1. Direct Investment	17.3	18.1	14.4	4.8	2.3	5.1	3.6	15.9	2.6	3.5	2.5
2. Portfolio Investment	5.1	-11.6	2.2	-2.1	3.2	9.8	-2.5	8.3	1.0	-8.1	-7.1
3. Other Investments	-10.2	-15.6	-6.9	-4.7	-3.4	-7.2	8.4	-6.9	-4.2	1.0	-3.4
Overall Balance	13.5	4.0	6.3	-6.0	-0.6	5.9	7.9	7.2	-0.8	-6.7	-6.4
Memorandum:											
- Reserve Assets	144.9	137.2	146.4	140.4	140.2	149.9	155.7	155.7	157.1	152.6	148.7
In Months of Imports and Official Debt Repayment	7.8	5.9	6.5	6.2	6.1	6.4	6.5	6.5	6.5	6.1	6.0
- Current Account (% GDP)	0.3	1.0	-0.1	-0.7	-0.9	-0.6	-0.4	-0.6	0.0	-0.8	1.1

Source: Bank Indonesia

Note: *Preliminary figure. **Very preliminary figure

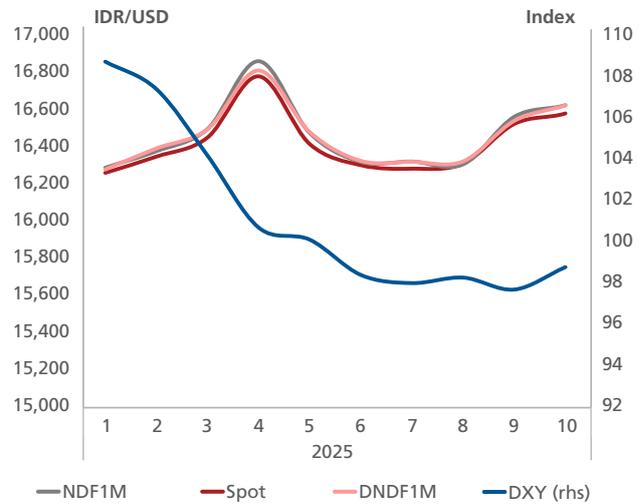


External resilience of Indonesia's economy was supported by the stability of the Rupiah exchange rate amid deteriorating global conditions

States.³ These interventions complemented domestic stabilization measures through the triple intervention strategy in spot transactions, Domestic Non-Deliverable Forward (DNDF) markets, and secondary market purchases of Government Securities (SBN). All monetary instruments were optimized, including Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Forex Securities (SVBI), and Bank Indonesia Forex Sukuk (SUVBI), to support Rupiah stability. As a result of Bank Indonesia's strong commitment, the Rupiah appreciated to around Rp16,300 per US dollar by August 2025, compared to Rp16,865 per US dollar on April 8, 2025, following the US tariff announcement (Graph 2.3.). However, renewed pressures emerged from late August 2025 due to external factors, such as smaller-than-expected Federal Funds Rate (FFR) cuts and a US government shutdown, as well as domestic factors, including social unrest and market concerns over a widening fiscal deficit. By the end of December 2025, the Rupiah exchange rate stood at Rp16,675 per US dollar,

3 A more detailed explanation of Non-Deliverable Forward (NDF) can be found in Box 2.1. Exchange Rate Intervention Innovation in the Offshore Non-Deliverable Forward (NDF) Market.

Graph 2.3. Rupiah and US Dollar Exchange Rates: Spot, NDF, DNDF



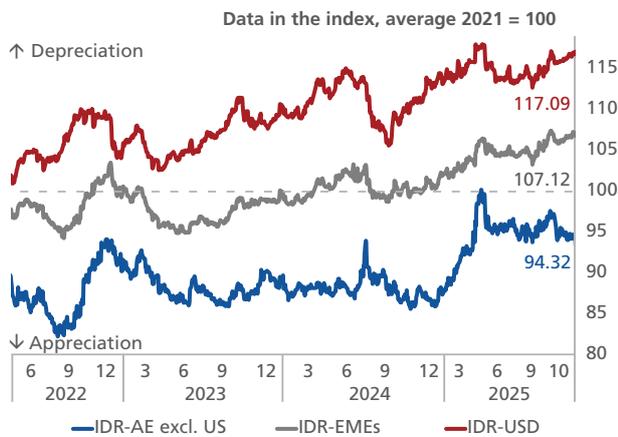
Source: Reuters and Bloomberg

weakening by 3.48% from the level at the end of December 2024, with an average of Rp16,466 per US dollar throughout 2025. Overall, Rupiah movements remained relatively stable compared to other emerging market currencies and were stronger than most advanced economy currencies, excluding the US dollar (Graph 2.4.). In addition to consistent stabilization policies, Rupiah stability was supported by increased foreign exchange conversion to Rupiah by exporters following the strengthened policy on Foreign Exchange Export Proceeds from Natural Resources (DHE SDA). Looking ahead, the Rupiah is expected to remain stable, supported by Bank Indonesia's firm commitment to exchange rate stability, attractive yields, low inflation, and Indonesia's positive economic growth outlook.



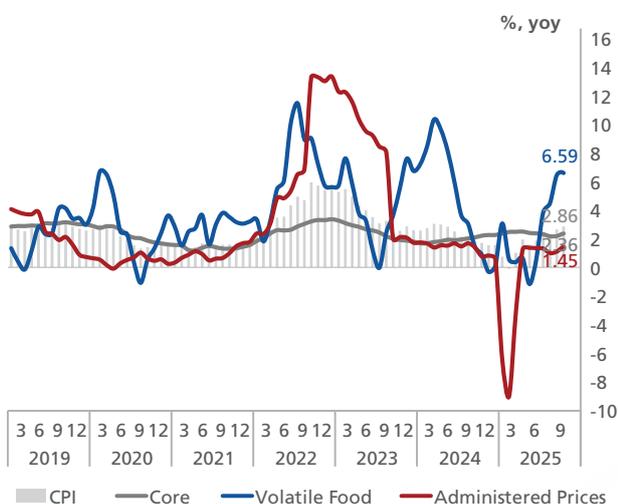
The High-Level Meeting (HLM) of the Central Inflation Control Team (TPIP) was convened as a demonstration of the Government and Bank Indonesia's commitment to maintaining CPI inflation within the target range of 2.5±1% in 2025.

Graph 2.4. Rupiah Exchange Rate Indexes vs Group of EMEs Currencies and Group of other AE Currencies



Price stability was preserved, with inflation remaining low within the 2.5±1% target range, thereby supporting overall economic stability. CPI inflation in 2025 was recorded at 2.92% (yoy), reflecting stable inflation components (Graph 2.5.). Core inflation remained low at 2.38% (yoy), stemming from consistent interest rate policy in anchoring inflation expectations within target, ample economic capacity, contained imported inflation in line with Bank Indonesia's Rupiah exchange rate stabilization policy, and the positive impact of digitalization. Volatile food (VF) inflation was relatively contained at 6.21% (yoy),

Graph 2.5. CPI, Core, Volatile Food (VF) and Administered Prices (AP) Inflation



supported by efforts to safeguard food supply availability and reinforced by strong synergy in inflation control between Bank Indonesia and the Government (central and regional) through TPIP and TPID, as well as strengthened implementation of the National Food Security Program across regions. Meanwhile, inflation in the administered prices (AP) group was recorded at 1.93% (yoy), in line with the limited price adjustment policies regulated by the Government.⁴ Through its Head Office and 46 representative offices, Bank Indonesia actively supported the National Movement for Food Inflation Control (GNPIP) via flagship programs to boost productivity; strengthen food security; promote interregional cooperation; facilitate food distribution; organize subsidized discount markets; digitalize data; and enhance coordination and communication with central and regional governments. Looking ahead, Bank Indonesia is confident that inflation will remain low within the 2.5±1% target range in 2026 and 2027, supported by consistent monetary policy and close coordination with the Government in inflation control at both central and regional levels.

Monetary and financial market stability has been maintained alongside a continued process of interest rate reductions in line with Bank Indonesia's policy of monetary easing. Consistent with low inflation and the need to support economic growth, following a 25 bps cut in September 2024, Bank Indonesia reduced the BI-Rate five times during 2025, in January, May, July, August, and September, each by 25 bps. Consequently, the BI-Rate was lowered by a cumulative 150 bps to 4.75% in November 2025, marking its lowest level since 2022. In line with BI-Rate reductions and Bank Indonesia's liquidity expansion, money market rates (INDONIA) declined by 190 bps from 6.03% at the beginning of 2025 to 4.13% as of 31 December 2025 (Graph 2.6.). SRBI yields for 6-, 9-, and 12-month tenors also fell by 231 bps, 230 bps, and 234 bps, respectively, to 4.85%, 4.90%, and 4.92% as of 19 December 2025, supporting an accommodative monetary stance.

⁴ A more detailed explanation of inflation control synergy and the 2025 inflation outcome can be found in Box 2.2. Synergy in Inflation Control to Safeguard Price Stability.

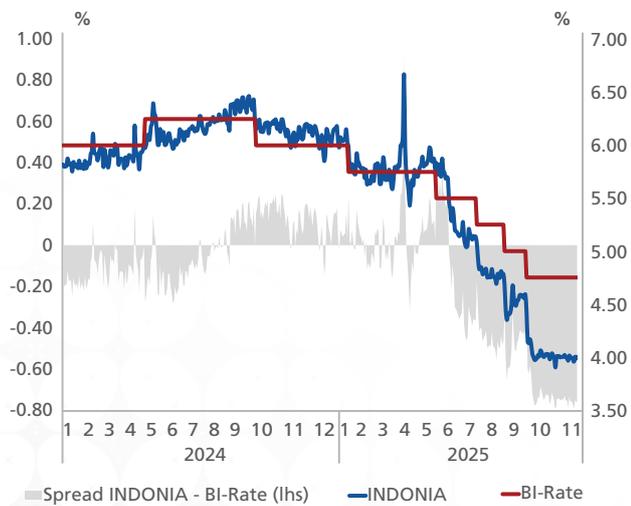


Government Securities (SBN) yields for 2-year tenors decreased by 197 bps from 6.96% at the start of 2025 to 4.99% on 31 December 2025, while 10-year tenors fell by 119 bps from a peak of 7.26% in mid-January 2025 to 6.07% on 31 December 2025. Nevertheless, the decline in bank interest rates has been relatively slow and needs to accelerate. Compared to the 125 bps reduction in the BI-Rate during 2025, 1-month deposit rates fell by only 56 bps from 4.81% at the start of 2025 to 4.25% in December 2025, mainly due to special rates offered to large depositors, which account for 26.67% of total third-party funds (TPF). Lending rates declined even more gradually, by just 39 bps from 9.20% at the start of 2025 to 8.81% in December 2025 (Graph 2.7.). Bank Indonesia is working closely with the

Financial System Stability Committee (KSSK) to accelerate reductions in both deposit and lending rates to stimulate credit and financing for higher economic growth.

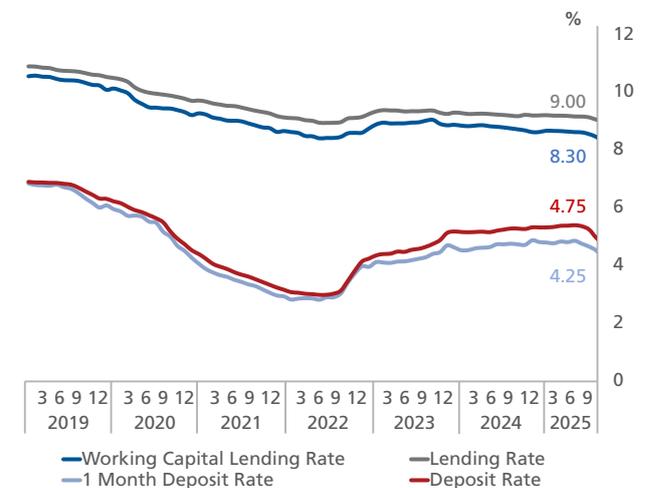
Monetary stability has been further reinforced by Bank Indonesia’s expanded monetary operations to enhance the effectiveness of interest rate transmission, increase liquidity, and accelerate money market and foreign exchange (FX) market deepening. In this regard, Bank Indonesia lowered the interest rate structure of monetary instruments and FX swaps to support liquidity expansion and expedite the transmission of lower deposit and lending rates in the banking industry. Liquidity expansion was further pursued through reductions in

Graph 2.6. BI-Rate and INDONIA



Source: Bank Indonesia

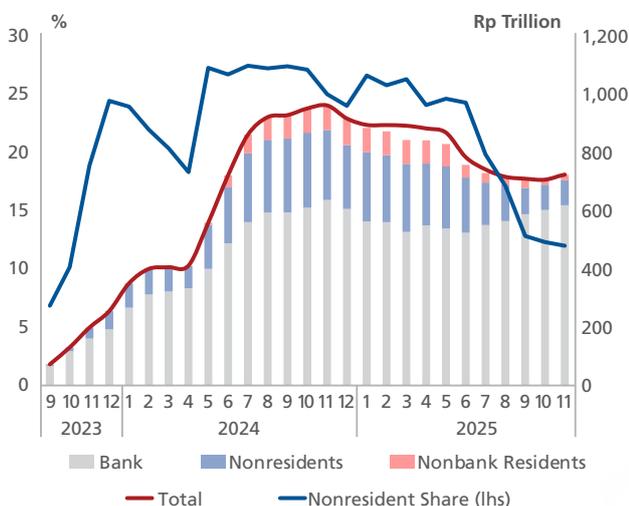
Graph 2.7. Bank Interest Rates



Source: Bank Indonesia

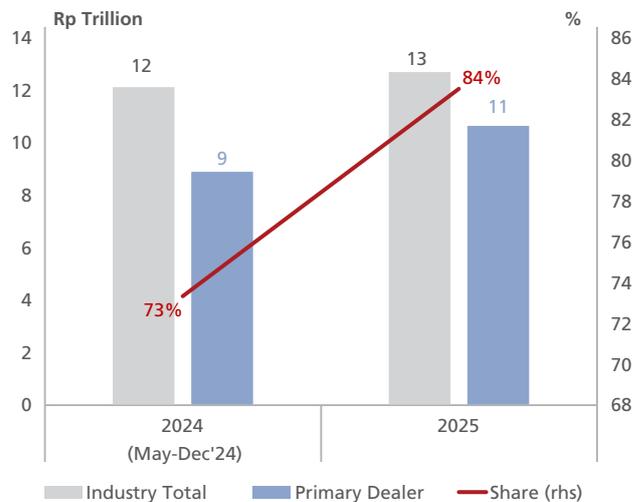
Bank Indonesia Rupiah Securities (SRBI) and purchases of Government Securities (SBN) in the secondary market. The outstanding position of SRBI declined by Rp186.07 trillion, from Rp916.97 trillion at the beginning of 2025 to Rp730.90 trillion as of 31 December 2025 (Graph 2.8.). In addition, Bank Indonesia purchased SBN as part of close synergy between monetary and fiscal policies, amounting to Rp332.14 trillion as of 31 December 2025, including secondary market purchases and debt-switching programs with the Government totaling Rp246.68 trillion. To foster money market deepening, Bank Indonesia continued implementing the 2030 Money Market and Foreign Exchange Market Deepening Blueprint (BPPU 2030) in collaboration with the Indonesian Money Market and Foreign Exchange Market Association (APUVINDO), focusing on product development, pricing, participants, and infrastructure. The results have been remarkable, with average daily transactions in the money market increasing from just Rp10.12 trillion in 2020 to Rp50.8 trillion in 2025, and FX market transactions rising from USD4.8 billion to USD10.13 billion over the same period. The implementation of the Primary Dealer system since May 2024 has also boosted SRBI transactions in the secondary market and repo transactions among market participants. The share of Primary Dealers in SRBI secondary market transactions increased from an average of 73% in 2024 to 84% in 2025 (up to December 2025) (Graph 2.9.).

Graph 2.8. SRBI Position: Banks, Nonresidents and Nonbank Residents



Source: Bank Indonesia

Graph 2.9. Role of Primary Dealers in SRBI Secondary Market Transactions

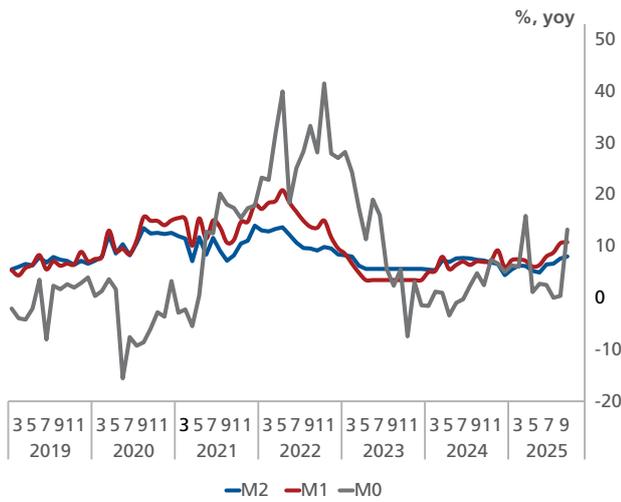


Source: Bank Indonesia

The accommodative monetary policy pursued by Bank Indonesia through interest rate reductions and monetary expansion increased the money supply and contributed to loose liquidity conditions in the banking industry. Adjusted Reserve Money (M0), which accounts for the impact of the lower Reserve Requirement resulting from the macroprudential liquidity incentive (KLM), grew by 16.8% (yoy) in December 2025, higher than the growth of unadjusted M0, which stood at 11.4% (yoy). From its affecting factors, the increase in Adjusted M0 was driven by Bank Indonesia's monetary liquidity expansion and the Government's financial expansion, reflected in Net Claims on Central Government (NCG). The monetary policy easing also contributed to higher growth of broad money (M2), which rose from 5.46% (yoy) in January 2025 to 8.3% (yoy) in November 2025 (Graph 2.10.). By components, the increase in M2 growth was driven by the rise in narrow money (M1), which increased from 7.25% (yoy) in January 2025 to 11.4% (yoy) in November 2025, in line with the growth of currency in circulation, which rose from 10.30% (yoy) in January 2025 to 14.6% (yoy) in November 2025. From the affecting factors, the increase in M2 was primarily driven by higher Net Foreign Assets (NFA). Going forward, the money supply is expected to increase in line with the Government's fiscal expansion. Meanwhile, banking liquidity remained ample, as reflected in the high Liquid



Graph 2.10. Economic Liquidity

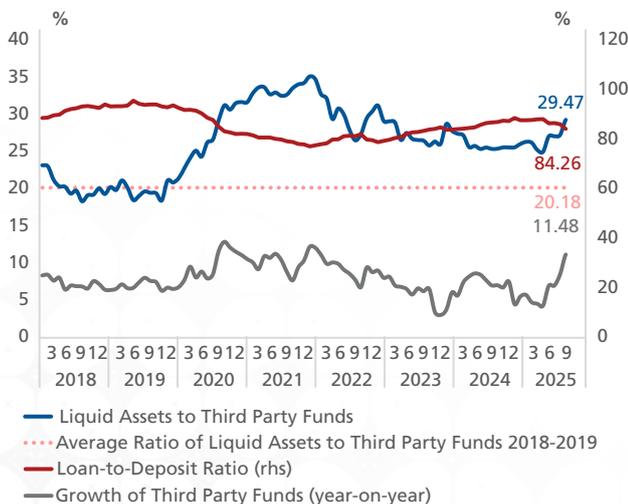


Source: Bank Indonesia

Assets to Third-Party Funds (LA/TPF) ratio. Adequate banking liquidity was also evident from the Loan-to-Deposit Ratio (LDR), which indicates accumulated funds that have not yet been channeled into credit. As of December 2025, the LA to TPF and LA to LDR ratios stood at 28.57% and 85.35%, respectively, thus indicating overall loose liquidity conditions in the banking industry (Graph 2.11.).

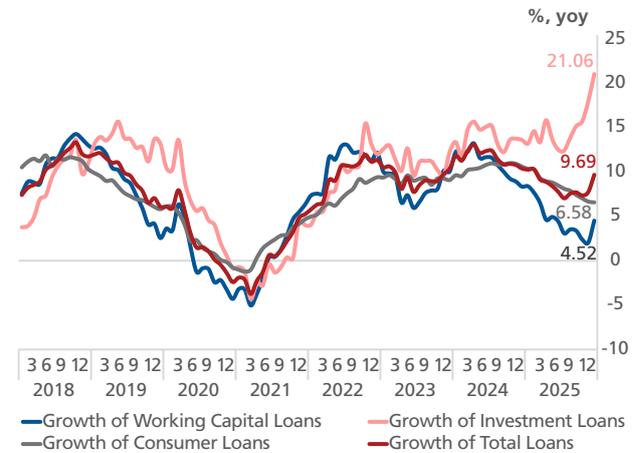
Amid Bank Indonesia's interest rate reductions and liquidity expansion, bank credit/financing disbursements still need to be further strengthened to support economic growth. Credit growth stood at 9.69% (yoy) in December

Graph 2.11. Banking Liquidity



Source: Bank Indonesia

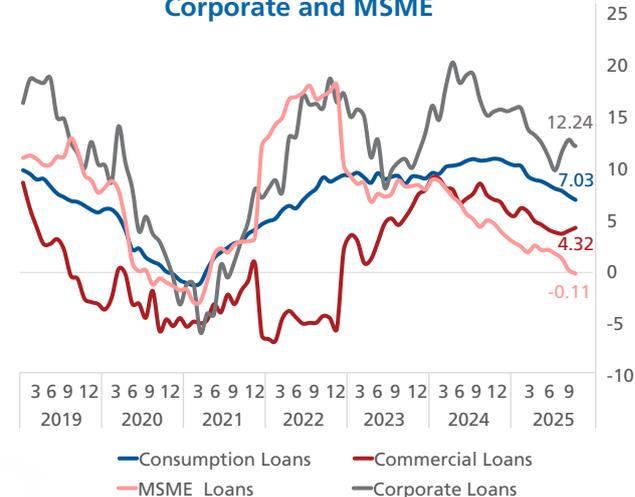
Graph 2.12. Credit Growth by Usage Type: Investment, Working Capital and Consumer Loans



Source: Bank Indonesia

2025. By type of use, investment credit growth increased to 21.06% (yoy). Working capital and consumer credit continued on a slowing trend, at 4.52% and 6.58% (yoy), respectively, by year-end; working capital credit improved (Graph 2.12.). By segment, corporate credit continued to post solid growth at 18.33% (yoy), while commercial, consumer, and MSME credit growth declined to 4.22% (yoy), 6.58% (yoy), and -0.30% (yoy), respectively (Graph 2.13.). By economic sector, credit growth was supported by Electricity, Gas, and Water (35.15%), Construction (27.85%), and Social Services (18.53%). Credit growth to Industry (5.95%), Trade (4.04%), and other sectors needs to be further strengthened to support

Graph 2.13. Credit Growth by Segment: Consumption, Commercial, Corporate and MSME



Source: Bank Indonesia

higher economic growth (Table 2.5.). Credit/financing disbursements were impacted by banks' prudential stance and the still-moderate credit demand. On the supply side, banks' willingness to extend credit generally remained adequate, as reflected in relatively loose lending requirements, except for consumer and MSME credit segments in line with banks' prudential stance amid elevated credit risks in these segments. Banks maintained ample financing capacity, supported by Third-Party Funds (TPF) growth of 13.83% (yoy) in December 2025, driven by Government financial expansion, including Government fund placements in several large banks, as well as Bank Indonesia's liquidity-easing measures and macroprudential policy incentives. On the demand side, the still-weak credit demand was affected by businesses' wait-and-see attitude, continued corporate internal financing optimization, and relatively high lending rates. The undisbursed loan facilities reflect current conditions; they remained sizeable at Rp2,439.2 trillion, or 22.12% of total available credit limits as of December 2025, mainly in the corporate segment, significantly in the manufacturing, mining, corporate service, and

trade sectors, particularly working capital loans. Looking forward, Bank Indonesia will continue to strengthen coordination with the Government and the Financial System Stability Committee (KSSK) to enhance bank credit/financing growth and improve the interest rate structure.

Financial system stability continued to be well-maintained, supported by strong capital adequacy and low credit risk. The banking Capital Adequacy Ratio (CAR) stood at 26.05% in November 2025, indicating robust capacity to absorb risks and support credit growth (Graph 2.14.). Meanwhile, the banking Non-Performing Loans (NPL) ratio remained low at 2.21% (gross) and 0.86% (net) in November 2025. Contained credit risk was also reflected in the continued decline of the Loans at Risk (LAR) ratio. Banks have generally maintained a substantial provisions for impairment losses (CKPN) to cover potential credit risks. The results of stress tests indicate strong resilience of Indonesia's banking industry, as reflected in the CAR remaining above 25% across various scenarios. Corporates' sound debt servicing capacity also supported banking capital and liquidity resilience, reflected

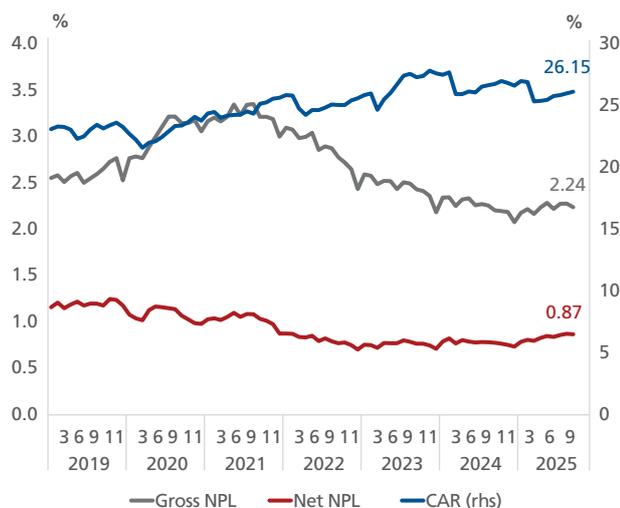
Table 2.5. Credit by Economic Sector

Economic Sector	Growth (% , yoy)				Contribution (% , yoy)			
	Dec-22	Dec-23	Dec-24	Dec-25	Dec-22	Dec-23	Dec-24	Dec-25
Labor-Intensive Sectors								
Social Services	18.23	35.06	21.15	18.53	0.56	1.14	0.84	0.81
Construction	4.26	(0.37)	0.02	27.85	0.28	(0.02)	0.00	1.41
Trade	6.61	8.77	4.27	4.04	1.25	1.59	0.77	0.68
Agriculture	10.10	8.45	4.84	14.20	0.76	0.63	0.35	0.99
Capital-Intensive Sectors								
Manufacturing	12.19	4.72	9.56	5.95	2.01	0.78	1.51	0.93
Corporate Service	26.60	16.98	13.09	10.30	2.26	1.64	1.34	1.08
Transportation	2.22	19.28	19.16	11.77	0.12	0.94	1.01	0.67
Mining	54.35	22.36	28.59	7.17	1.45	0.83	1.17	0.34
Gas and Water Supply	1.64	13.33	19.75	35.15	0.05	0.34	0.51	0.99
Other								
Other	9.55	9.10	10.61	6.58	2.68	2.51	2.89	1.80
	11.35	10.38	10.39	9.69	11.35	10.38	10.39	9.69

Source: Bank Indonesia



Graph 2.14. CAR and NPL in Banking Industry



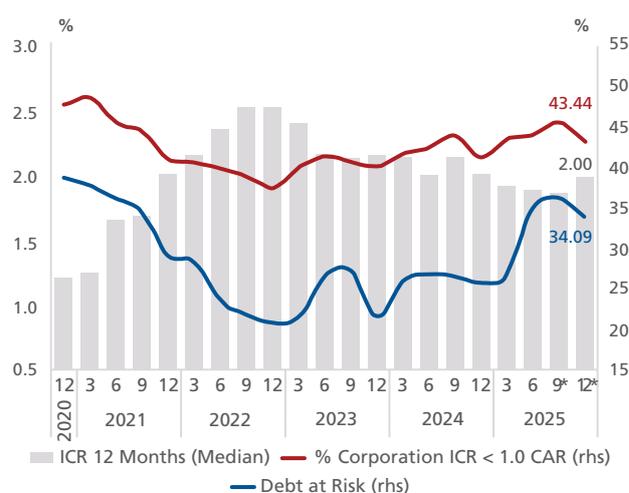
Source: OJK and Bank Indonesia

in the Interest Coverage Ratio (ICR) and solid profitability (Graph 2.15.). Going forward, financial system stability is expected to remain well preserved in line with 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. On the wholesale side, BI-RTGS transactions in the fourth quarter of 2025 increased by 31.04% (yoy) to reach 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 were recorded at 14.26 billion, growing by 39.21% (yoy). QRIS transactions continued to surge, posting growth of 139.99% (yoy), with the number of users reaching 59.53 million and merchants totaling 42.75 million.⁵ Meanwhile, Rupiah currency management recorded growth in Currency in Circulation (CiC) of 12.90% (yoy) to Rp1,359.94 trillion (Table 2.6.). Payment system stability remained intact, supported by resilient infrastructure and an improving industry structure. From an infrastructure perspective, the reliability and

⁵ A more detailed explanation of QRIS transaction developments can be found in Box 2.3. Acceleration of QRIS Transactions: Expanding Payment System Digitalization and Financial Inclusion.

Graph 2.15. Interest Coverage Ratio (ICR)



Note: *Bank Indonesia's Projection
Source: Bank Indonesia

smooth operation of Bank Indonesia's Payment System (SPBI) were well maintained. From an industry structure perspective, interconnection of payment systems and expansion of the Digital Economy and Finance ecosystem continued to make progress. Payment transactions based on the National Open API Payment Standard (SNAP) also increased in line with broader adoption. In parallel with noncash transactions, Bank Indonesia remains committed to ensuring the availability of Rupiah currency in sufficient quantity, appropriate denominations, and fit-for-circulation quality across all regions of the Republic of Indonesia, including the frontmost, the outermost, and the remote areas. This reflects Bank Indonesia's unwavering commitment to safeguarding national sovereignty and supporting a secure, seamless, and reliable payment system.

The positive performance of Indonesia's domestic economy reflects close policy coordination between the Government and Bank Indonesia to drive economic growth while maintaining stability. To safeguard macroeconomic stability, the Government's fiscal policy remained prudent, with the fiscal deficit in 2025 projected at around 2.92% of GDP, still below the deficit ceiling of 3.0% of GDP. Bank Indonesia's monetary policy remained focused on maintaining Rupiah exchange rate stability and inflation within the 2.5±1% target range. Inflation

Table 2.6. Indonesia's Payment System Projections 2025–2027

Component		Growth (%)				Nominal/Volume			
		2024	2025*	2026*	2027*	2024	2025*	2026*	2027*
I. Cashless									
1. Digital Payment	Nominal (IDR Trillion)	19.3	10.8	12.4	14.8	70,890.4	78,563.1	88,310.7	101,410.3
	Volume (Million)	40.7	34.1	30.0	23.9	36,659.2	49,167.8	63,925.9	79,206.7
2. QRIS	Nominal (IDR Trillion)	191.6	125.3	109.2	82.4	659.9	1,486.80	3,110.6	5,674.3
	Volume (Million)	191.7	146.4	10.6	10.6	6,239.7	15,374.2	17,000.0	18,797.7
3. BI-FAST	Nominal (IDR Trillion)	54.7	36.6	26.7	20.3	8,913.8	12,176.2	15,429.5	18,568.7
	Volume (Million)	62.4	45.2	29.8	25.2	3,430.0	4,862.6	6,312.5	7,902.9
4. BI-RTGS System	Nominal (IDR Trillion)	12.8	19.1	11.2	9.0	178,920.3	149,344.0	166,015.0	180,967.0
	Volume (Million)	3.2	0.9	0.3	0.1	10.2	10.3	10.3	10.3
II. Cash									
Currency in Circulation	Nominal (IDR Trillion)	9.3	8.1	7.2	7.3	1,204.5	1,273.2	1,301.9	1,497.2

Source: Bank Indonesia

Note: *Bank Indonesia Projection

control synergy between Bank Indonesia and the Government, both central and regional, continued to be strengthened through the Central and Regional Inflation Control Teams (TPIP/TPID) and implementation of the National Movement for Food Inflation Control (GNPIP) across various regions. Fiscal and monetary policy synergy was also directed toward supporting economic growth. On the fiscal side, stimulus was provided through social protection programs to sustain household purchasing power and accelerated realization of ministry/government agency spending. In addition, the Government implemented various *Asta Cita* programs in line with national priority projects focused on food security, energy, defense and security, as well as the Government's 2025 Economic Policy Package. From Bank Indonesia's side, macroprudential liquidity policy (KLM) had disbursed liquidity incentives amounting to Rp388.06 trillion up to the first week of December 2025 to banks, aimed at encouraging credit/financing disbursement to priority sectors, including: (i) agriculture, industry, and downstreaming; (ii)

services, including the creative economy; (iii) construction, real estate, and housing; and/or (iv) MSMEs, cooperatives, inclusion, and sustainability. Policy synergy was further strengthened in the development of the national digital economy and finance, including through elektronification of social assistance disbursements and government financial transactions at both central and regional levels. Coordination within the Financial System Stability Committee (KSSK) was also pursued to maintain financial system stability and support the role of the financial sector in financing the economy for sustainable and inclusive growth.

The positive performance of the domestic economy was the result of close policy coordination between the Government and Bank Indonesia through synergy in the national economic policy mix



Box
2.1.

Exchange Rate Intervention Innovation in the Offshore Non-Deliverable Forward (NDF) Market

Developments in global financial markets significantly influenced the Rupiah exchange rate, even when the domestic market was closed during national holidays. This was evident during the extended Eid al-Fitr holiday in 2025, coinciding with the announcement of reciprocal tariff policy by the United States Government (“Liberation Day”). Global financial market uncertainty increased, leading to depreciation of the US dollar index against major currencies (DXY), a decline in US Treasury (UST) yields, corrections in risk assets, and depreciation of regional currencies, including the Rupiah.

During the Eid holiday in 2025, heightened global financial market uncertainty triggered sharp depreciation in the offshore USD/IDR NDF rate, requiring a swift and appropriate response. The NDF rate weakened by 2.33% to Rp17,005 on 4 April 2025. As a foreign exchange derivative contract settled in cash without physical exchange of foreign currency, the NDF warrants close attention, because its movements reflect market expectations of the exchange rate. Movements in the offshore USD/IDR NDF occurring outside domestic market trading hours, particularly while the New York market is closed, have historically influenced the opening of the Rupiah spot market on the following day, especially when the domestic market was closed and liquidity was limited.

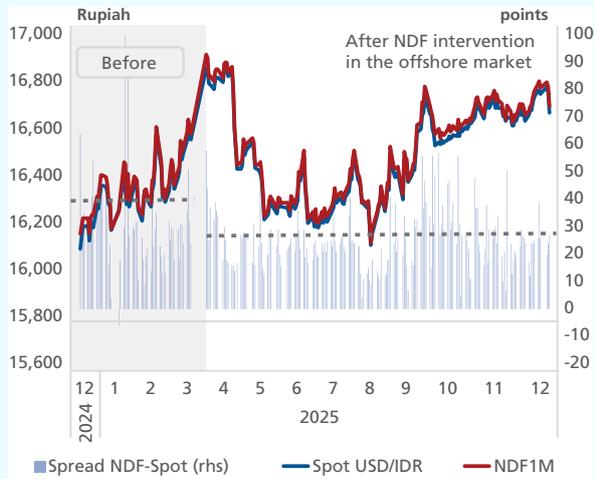
The close relationship between offshore NDF closing and domestic spot opening provided the basis for Bank Indonesia to be innovative in its offshore NDF intervention to maintain exchange rate stability. Implementation of

offshore NDF intervention was based on three key considerations: instrument; timing; and intervention volume. In terms of instrument, offshore NDF transactions were directed to influence excessive market expectations of exchange rate movements, complementing the role of spot and DNDF interventions. In terms of timing, offshore NDF intervention was conducted primarily outside domestic foreign exchange trading hours to manage exchange rate movements before the market opened. In terms of volume, offshore NDF and DNDF transactions were executed in adequate amounts to ensure exchange rate movements remained within a range consistent with fundamentals.

Overall, offshore NDF intervention effectively supported the strategy to maintain Rupiah exchange rate stability amid global market pressures. Movements in offshore NDF and USD/IDR spot (Graph B2.1.1.) in early April 2025 during the Eid holiday period showed increased NDF transactions followed by pressure on the Rupiah exchange rate. Following offshore NDF intervention on 7 April 2025, the market responded swiftly with Rupiah appreciation to around Rp16,600, accompanied by reduced NDF transaction volatility. In subsequent periods, offshore NDF intervention continued, thereby supporting Rupiah exchange rate stability.

Implementation of offshore NDF intervention also enabled continuous monitoring of NDF movements. Bank Indonesia was able to monitor NDF developments around the clock and across global markets in Asia, Europe, and New York following the

Graph B2.1.1. Spot USD/IDR and NDF Transactions



Source: Reuters and Bloomberg, calculated

implementation of this strategy. Furthermore, this strategy supported efforts to safeguard the adequacy of foreign exchange reserves. Overall, strengthening exchange rate stabilization strategy through offshore NDF transactions complemented existing stabilization instruments, thereby contributing to maintaining Rupiah exchange rate stability amid increasingly volatile global market dynamics.



Box
2.2.

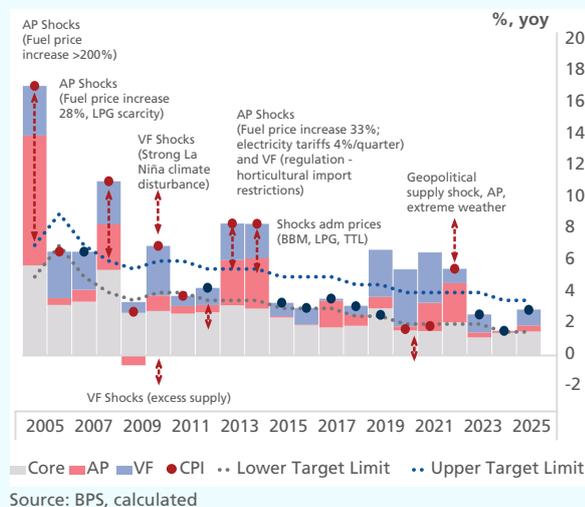
Synergy in Inflation Control to Safeguard Price Stability

Consumer Price Index (CPI) inflation in 2025 remained within the target range of $2.5 \pm 1\%$, supported by stable inflation components. Based on data from Statistics Indonesia (BPS), CPI inflation in 2025 was recorded at 2.92% (yoy), still within the target range, although higher than CPI inflation in 2024 of 1.57% (yoy) (Graph B2.2.1.). This development was underpinned by low core inflation of 2.38% (yoy), contributing 1.53% (yoy) to CPI inflation. Spatially, controlled CPI inflation was reflected in most provinces remaining within the national target range.

CPI inflation in 2025 was maintained within its target, but developments in volatile food (VF) inflation warranted close attention. VF inflation in 2025 was recorded at 6.21% (yoy), rising significantly compared with 0.12% (yoy) in 2024. Commodities contributing substantially to VF inflation included red chili, fresh fish, bird's eye chili, rice, broiler chicken meat, shallots, and chicken eggs, influenced by supply-demand dynamics and input production costs.

Various synergies in VF inflation control policies were implemented by Bank Indonesia and the Central and Regional Governments in 2025 through the Central Inflation Control Team (TPIP) and Regional Inflation Control Teams (TPID). These synergies generally encompassed efforts to maintain price affordability; to ensure supply availability; improve distribution efficiency; and strengthen communication effectiveness to anchor economic actors' expectations. In terms of price affordability, food price control strategies continued to be strengthened. On the supply side, various measures were undertaken. Food production in 2025 increased compared with 2024, as reflected in rice and horticultural commodities. Based on BPS data, rice production in 2025 was projected to be higher than in 2024, particularly in Java as the main production center contributing more than half of total national rice output (Graph B2.2.2.). Meanwhile, distribution efficiency was enhanced through improved connectivity and strengthened interregional cooperation (KAD).

Graph B2.2.1. Development of Inflation Disaggregation



Graph B2.2.2. Regional Rice Production





The TPIP–TPID Coordination Meeting and the strengthening of the National Movement for Food Inflation Control (GNPIP) in the Bali and Nusa Tenggara regions were conducted to reinforce coordination in regional inflation control.

Looking ahead, policy synergy between Bank Indonesia and the Government in maintaining price stability will continue to be reinforced. Strengthening synergy is crucial to mitigate risks that could drive food prices higher, such as weather and climate changes, natural disasters, increased demand from the Free

Nutritious Meal (MBG) program, and seasonal demand surges ahead of national religious holidays (HBKN). In this regard, optimization of the National Food Security Program must be sustained, taking into account regional characteristics to ensure price stability of rice and other key food commodities.



Box
2.3.

Acceleration of QRIS Transactions: Expanding Payment System Digitalization and Financial Inclusion

Payment system digitalization has become a catalyst in transforming the domestic economic and financial sectors. Technology-based financial services, such as e-wallets, mobile banking, and QR code-based payments, have enabled faster and more efficient transactions, thereby accelerating the growth of digital economic and financial transactions in Indonesia. In November 2025, the volume of digital payment transactions reached 4.66 billion, growing 41.12% (yoy), supported by broader acceptance of digital payments. Transaction volumes via mobile and internet applications grew 15.91% (yoy) and 16.11% (yoy), respectively, including QRIS transactions, which surged 143.64% (yoy). Chen et al. (2019) found that digital payment platforms stimulate consumption by facilitating transactions, improving financial management, and enhancing consumer confidence.

One important dimension of payment system digitalization is its positive impact on financial inclusion. According to Demirgüç-Kunt et al. (2018), broader access to formal financial services mediated by digital technology creates opportunities for unbanked groups, such as micro-entrepreneurs and households in rural areas. In Indonesia, this urgency was reflected in the still large unbanked population, with around 44% of adults lacking formal financial accounts in 2024. Consequently, increased adoption of digital payments by consumers and MSMEs has become a strategic pathway to accelerate national financial inclusion.

QRIS accelerates digital payments and serves as an entry point for MSMEs into the digital economy ecosystem. QRIS is a standard designed to facilitate interoperability and interconnection across various payment

instruments and funding sources, both offline and online. Furthermore, through QRIS merchant onboarding, MSMEs gain access to digital payment accounts, opening opportunities to participate in the digital ecosystem at low cost. This also expands access to other financial services, such as financing and investment, supported by the availability of electronic transaction records that can be used to assess MSMEs' financial profiles.

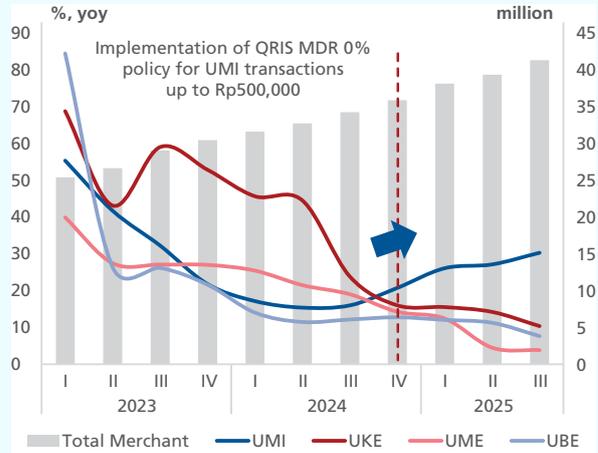
QRIS transactions are dominated by MSMEs, with increasing transaction volume and value. MSME merchants accounted for 40.92 million or 95.74% of total QRIS merchants in Q4-2025. Micro enterprises (UMI) had the largest share (62.72%), followed by small enterprises (UKE) (27.94%) and medium enterprises (UME) (5.08%). In terms of transaction volume, MSMEs dominated with 3.74 billion transactions or 72.42% of total QRIS transactions, with the largest share from UKE (35.19%), followed by UME (19.36%) and UMI (17.87%). In line with transaction volume growth, MSME transaction value reached Rp332.68 trillion, accounting for 72.17% of total QRIS transactions. UKE dominated transaction value with a share of 35.90%, followed by UME (22.92%) and UMI (13.34%). Compared with the same period in 2024, both volume and value of MSME QRIS transactions in Q4-2025 increased in a significant way. MSME QRIS transaction volume rose 125.16%, with UKE growing 166.23%, UMI 162.47%, and UME 59.49%. MSME QRIS transaction value also increased (96.26%), dominated by UKE (147.08%), followed by UMI (126.80%) and UME (40.14%).

Transaction volume per MSME QRIS merchant also showed a steeply rising trend. Volume per MSME QRIS merchant grew 82.78% in Q4-2025 compared with the same period in

2024. Growth was particularly strong in UKE (141.56%), followed by UMI (97.69%) and UME (61.02%). MSME ticket size became increasingly retail-oriented in line with the expansion of QRIS merchants, particularly UMI. MSME QRIS ticket size in Q4-2025 was Rp88,716, down 12.83% (yoy). The decline was mainly in UMI, which fell 13.59% (yoy), from Rp76,928 to Rp66,474. The 0% Merchant Discount Rate (MDR) policy for UMI, effective 1 December 2024, was indicated as one factor influencing the downward trend in MSME ticket size, particularly UMI (Graph B2.3.1.). This was consistent with the expansion of UMI merchants following that policy.

Looking ahead, strengthening the QRIS ecosystem will continue to broaden adoption of digital payments more evenly, thereby further promoting financial inclusion. These efforts must be supported by policy synergy among authorities, industry, and stakeholders in terms of regulation, infrastructure, and digital literacy. With this foundation, the

Graph B2.3.1. Expansion of QRIS Merchants Continues, Especially Micro Enterprises (UMI), After MDR 0% Policy



Note: For transactions above Rp500,000
Source: Bank Indonesia, calculated

digital payment system will not serve as an enabler of transaction efficiency, but also as a strategic instrument to expand financial inclusion and foster inclusive and sustainable economic growth.



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