

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



**ECONOMIC
REPORT
ON INDONESIA**

2025



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RESILIENT ECONOMIC GROWTH**



The five horses pulling a chariot symbolize synergy and the strength of the nation as it continues to move forward toward a better future, driven by a spirit of mutual support and complementarity amid technological advancement.

The Red and White flag not only represents national identity and sovereignty, but also embodies a spirit of nationalism that is deeply integrated with the nation's forward momentum, affirming that every step of Indonesia's economic transformation is propelled by unity and a profound love for the homeland.

The Sidomukti and Kawung batik motifs represent prosperity and welfare respectively, as well as order and fertility that generate sustainable benefits. Together, these motifs merge into a symbol of Indonesia's inclusive and sustainable economic growth.

The golden tendrils convey the meaning of a strong spirit of synergy in driving sustainable economic growth. The brown and gold colors symbolize the roots of people-centered economy and enduring prosperity, while the red and blue colors reflect courage and a continuous drive for innovation, as well as calmness and the stability of the national economy.







ECONOMIC
REPORT
ON INDONESIA
2025

ISSN 0522-2572

The Economic Report on Indonesia is an evaluation report on the implementation of Bank Indonesia policies in the previous year, as well as Bank Indonesia's policy direction and target setting for the coming year. This fulfills Bank Indonesia's obligation to convey information to the public as intended in Article 58 paragraph (7) of Act No. 23 of 1999 concerning Bank Indonesia as last amended by Act No. 4 of 2023 concerning Development and Strengthening of the Financial Sector.



VISION

To become the leading digital central bank with strong governance that creates a tangible contribution to the national economy, while becoming the best central bank amongst emerging market countries toward an advanced Indonesia or *Indonesia Maju*.

MISSION

1. To achieve and maintain Rupiah stability through effective monetary policy and the Bank Indonesia policy mix, sustainably, consistently and transparently, toward fostering sustainable economic growth.
2. To maintain payment system stability by instituting payment system policies, regulations, licensing, implementation and supervision, as well as Rupiah currency management, which includes accelerating the digital economy and finance to foster sustainable economic growth.
3. To maintain financial system stability by formulating and instituting macroprudential policies that nurture sustainable economic growth.
4. To support macroeconomic stability and sustainable economic growth through the Bank Indonesia policy mix, synergized with the (central and regional) Government, relevant authorities or institutions, and/or other strategic partners, as well as international cooperation.
5. To increase financial market deepening through money market and foreign exchange market regulations, supervision and development, including the supporting infrastructure, toward strengthening Bank Indonesia policy effectiveness and supporting national economic financing.
6. To increase economic-financial inclusion, including sustainable (conventional and Islamic) finance, and consumer protection through policymaking and the implementation of Bank Indonesia's work program.
7. To create a digital-based central bank in terms of the policies and institutional arrangements by prioritizing a good and professional Bank Indonesia Institutional and Policy Governance System through resource and organizational management.

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FILIANINGSIH HENDARTA
DEPUTY GOVERNOR



JUDA AGUNG
DEPUTY GOVERNOR



PERRY WARJIYO
GOVERNOR



DESTRY DAMAYANTI
SENIOR DEPUTY GOVERNOR

AIDA S. BUDIMAN
DEPUTY GOVERNOR

RICKY PERDANA GOZALI
DEPUTY GOVERNOR



DONI P. JOEWONO
DEPUTY GOVERNOR
Served until 10 August 2025





Foreword



PERRY WARJIYO
GOVERNOR OF BANK INDONESIA

Let us offer praise and thanksgiving to Allah *Subhanahu wa Ta'ala* (SWT), God the Almighty, for by His mercy and grace, Bank Indonesia is able to present the Economic Report on Indonesia (LPI) 2025 as part of Bank Indonesia's policy transparency to the public as intended in Article 58 paragraph (7) of Act No. 23 of 1999 concerning Bank Indonesia, as amended several times, lastly by Act No. 4 of 2023 concerning Development and Strengthening of the Financial Sector.

Alhamdulillah, we are grateful that in 2025 Indonesia's economy performed well and demonstrated strong resilience amid heightened global economic and geopolitical turbulence. Indonesia remained among the best-performing Emerging Market Economies (EMEs), with relatively high growth and preserved stability. Inflation remained within the $2.5 \pm 1\%$ target range, while Rupiah exchange rate stability was maintained, reflecting Bank Indonesia's strong commitment. Financial system stability was also maintained, supported by robust bank capitalization and low risk from non-performing loans, amid credit growth that still required further impetus. Payment system digitalization accelerated rapidly, thereby reinforcing the national digital economy and finance ecosystem and, overall, supporting economic growth in 2025.

Indonesia's economy, which remains sound and resilient, is the result of a collective national effort, reinforced by strong fiscal–monetary policy synergy, thereby ensuring that growth and stability move in tandem

These positive achievements were the result of a collective national effort underpinned by policy synergy between Bank Indonesia, the Central and Regional Governments, and the relevant authorities. Throughout 2025, Bank Indonesia strengthened and directed its policy mix to promote economic growth while maintaining stability, in close synergy with the Government's *Asta Cita* programs. *First*, Bank Indonesia reduced the BI-Rate five times, by a total of 125 bps to 4.75% in December 2025, the lowest level since 2022. *Second*, Bank Indonesia pursued Rupiah exchange rate stabilization to safeguard the economy's external resilience against global volatility. *Third*, monetary liquidity expansion was implemented through pro-market monetary operations to strengthen the effectiveness of interest rate transmission, increase liquidity, and accelerate money market and foreign exchange (FX) market deepening. *Fourth*, Bank Indonesia purchased Government Securities (SBN) in the secondary market, consistent with the expansionary monetary policy through BI-Rate reductions and monetary liquidity expansion. *Fifth*, Bank Indonesia provided a Macroprudential Liquidity Incentive (KLM) to banks to encourage credit/financing to the Government's *Asta Cita* priority sectors. *Sixth*, the acceleration of digital payment systems continued, directed at expediting the national digital economy and finance to drive efficiency, productivity, and higher, more inclusive economic growth.

Indonesia's favorable and resilient economic performance in 2025 offered three key lessons. *First*, consistent and prudent macroeconomic policies to strengthen stability and resilience must continue, as they are a key pillar supporting sustainable economic growth. *Second*, these efforts must be reinforced by strong synergy between Bank Indonesia, the Central and Regional Governments, and the Financial System Stability Committee (KSSK) to increase effectiveness in safeguarding Indonesia's economic resilience from adverse global spillovers. *Third*, successful policy implementation requires a combination of professional leadership and high competence in formulating the policy mix (book-smart), deep practical experience in implementation (street-smart), and an unwavering commitment to moral integrity (spiritual-smart) as the foundation for maintaining national economic resilience.

Looking ahead, we must remain optimistic yet mindful and vigilant—*Eling lan Waspodo*—amid global turbulence that is expected to persist. We are optimistic that various positive achievements will continue, and that Indonesia's economic prospects will improve. At the same time, we must remain vigilant against ongoing global turmoil and uncertainty, together with potential negative spillovers to the national economy. To this end, synergy in the national economic policy mix must be further strengthened to achieve higher and more resilient growth, including to mitigate global spillovers. This synergy encompasses five priority areas. *First*, synergy to strengthen macroeconomic and financial system stability as a prerequisite for higher growth while reinforcing national economic resilience. *Second*, synergy to promote higher and more resilient growth through real-sector transformation, including industrial policy with downstreaming and industrialization, accompanied by structural reform. *Third*, synergy to enhance economic financing and financial markets by developing financing sources—domestic and foreign—to support real-sector transformation programs. *Fourth*, synergy to accelerate payment system and broader economic-financial digitalization to achieve high and resilient growth. *Fifth*, synergy

to advance bilateral and regional economic cooperation, in both trade and investment, to support natural resource downstreaming programs and their financing needs.

Bank Indonesia is committed to continuously strengthening its policy mix to promote economic growth while maintaining stability, in close synergy with the national economic policy mix. Monetary policy will be directed at maintaining stability (pro-stability) while utilizing available room to support higher economic growth (pro-growth). Meanwhile, macroprudential policy and payment system policy will continue to be directed at supporting higher economic growth (pro-growth). This mix of monetary, macroprudential, and payment system policies is supported by the acceleration of money market and FX market (PUVA) deepening in accordance with the Blueprint for Money Market and Foreign Exchange Market Deepening 2030 (BPPU 2030) to strengthen the effectiveness of monetary policy transmission, develop a modern, internationally benchmarked secondary market, and expand instruments for economic financing. Programs to develop an inclusive and green economy and finance, including MSMEs and the sharia economy and finance, will also continue to be expanded.

In alignment with these developments, LPI 2025 adopts the theme "Strong and Self-Reliant: Synergy to Foster Higher and Resilient Economic Growth." The core substance of LPI 2025 is elaborated in five initial chapters, enriched by two thematic chapters and strengthened assessments in boxes within each chapter. In more detail, the first five chapters comprise: Chapter 1 "Global Economic Performance and Outlook: Slowing Growth, High Uncertainty"; Chapter 2 "National Economic Performance and Outlook: Preserved Stability, Rising Growth"; Chapter 3 "Bank Indonesia Policy Mix 2025: Fostering Growth, Maintaining Stability"; Chapter 4 "Policy Mix for National Economic Transformation: Synergy to Foster Higher and Resilient Growth"; and Chapter 5 "Direction of Bank Indonesia Policy Mix in 2026: Fostering Growth, Maintaining Stability." The remaining



chapters comprise Chapter 6 “Accelerating Economic Transformation through Strengthening Structural Policies and Industrialization Policies,” and Chapter 7 “Inclusive Economy for Sustainable Economic Growth.”

Finally, we hope that LPI 2025 will be useful and serve as a credible, high-quality reference on Indonesia’s economic developments and outlook, synergy in the national economic policy mix, and the direction of Bank Indonesia’s policy mix. LPI 2025 is expected to foster optimism for a strong and self-reliant Indonesian economy through synergy to drive higher and more resilient growth. This spirit of synergy is reflected in the visual elements of the LPI 2025 cover, in five ways. *First*, five horses pulling a chariot symbolize the nation’s synergy and strength, continuously moving toward a better future with a spirit of mutual reinforcement and assistance in step with technological progress. *Second*, the Red-and-White flag not only symbolizes national identity and sovereignty but also embodies nationalism that moves in union with the nation’s progress, affirming that each step of Indonesia’s economic transformation is driven by unity and

love of the motherland. *Third*, the Sidomukti and Kawung batik motifs depict prosperity and welfare respectively, as well as order and fertility that yield lasting benefits; together, they symbolize Indonesia’s inclusive and sustainable economic growth. *Fourth*, golden tendrils signify a strong spirit of synergy in advancing sustainable economic progress. *Fifth*, brown and gold represent the roots of people-centered economy and sustainable prosperity, while red and blue reflect courage and an innovative spirit, together with calm and national economic stability.

May Allah SWT, the Almighty God, bestow His mercy, protection, ease, and blessings upon our every step as we strive to contribute meaningfully toward the Golden Indonesia 2045.

Jakarta, 28 January 2026

Governor of Bank Indonesia

Perry Warjiyo

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

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

were reinforced by structural policies aimed at enhancing the economy's capacity to achieve higher and more sustainable growth.

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 $2.5 \pm 1\%$ 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 $2.5\pm 1\%$ 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.

CHAPTER 1

GLOBAL ECONOMIC PERFORMANCE AND OUTLOOK: SLOWING GROWTH, HIGH UNCERTAINTY

The global economy in 2025 has been characterized by heightened uncertainty due to protectionist policies in the United States (US) and persistent geopolitical tensions, resulting in slower growth across many countries. Looking ahead, the global outlook will be shaped by five key features that warrant close attention, namely ongoing wars and polarization of cross-border trade and investment, slowing global growth with widening fragmentation among countries, swelling global public debt, elevated vulnerabilities and risks in global financial markets, and the proliferation of privately issued digital currencies and assets. These dynamics and prospects necessitate an appropriate national economic policy mix response.



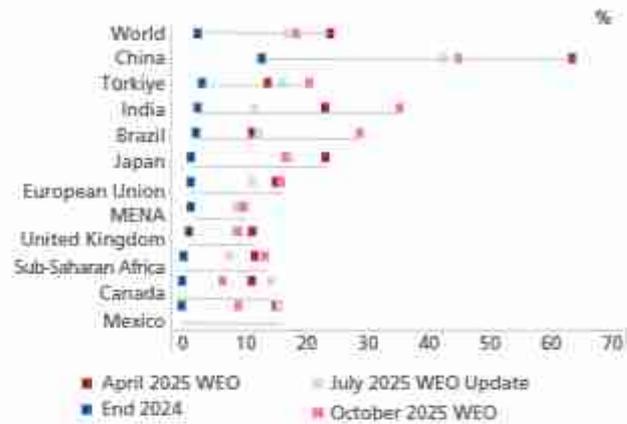


The world remains turbulent with persistent uncertainty. Geopolitical tensions remain elevated, with the Russia-Ukraine war in Europe still unresolved and rising tensions in the Middle East in line with intensified Israeli attacks on Palestinian territories. In the economic sphere, US President Donald Trump launched a trade war on 2 April 2025 by imposing a universal 10% import tariff on all goods entering the US, supplemented by very high reciprocal tariffs on 57 trading partners, including China, Canada, Mexico, and the European Union.

The unilateral imposition of import tariffs by Trump, referred to domestically as "Liberation Day", was intended to protect domestic industries and address the US trade balance deficit arising from its perceived lack of competitiveness in multilateral trade. China was subjected to effective import tariffs of up to 54%, while Canada and Mexico faced tariff rates of up to 25%. Several smaller countries were also hit with high tariffs, including Cambodia (49%), Vietnam (46%), and Myanmar (44%) in Asia, as well as Lesotho (50%) and Madagascar (47%) in Africa. In response to the unilateral US tariff policy, several major countries, including Canada, China, and the European Union, announced retaliatory tariffs, thereby intensifying the global trade war. Meanwhile, other countries entered negotiations to secure lower tariff rates, often by committing to increase imports from the US. Nevertheless, US tariff measures remained elevated, particularly against China, although not as severe as initially threatened by President Trump (Graph 1.1.). Furthermore, the escalating trade war and geopolitical tensions have heightened global financial market uncertainty, adversely affecting business sentiment and investor confidence across countries (Graph 1.2.).

Global economic growth has slowed, accompanied by widening cross-country fragmentation driven by the United States' unilateral tariff measures and ongoing geopolitical tensions

Graph 1.1. US Effective Tariff Rates: China, Mexico, Japan, Total



Note: WEO: World Economic Outlook published by IMF
MENA: Middle East and North Africa

Source: Bank Indonesia, adapted from various sources

The unilateral US tariff policy and escalating geopolitical tensions have weighed on global economic performance, contributing to slower growth amid widening fragmentation among countries. The tariff measures reduced the volume and value of global trade and intensified the impact of global supply chain disruptions that had already emerged since 2024 due to persistent geopolitical tensions. Import growth in North America, for instance, fell sharply from 22.1% in Q1-2025 to 0.7% and 1.7% in Q2 and Q3-2025, respectively. Export growth in Asia and Europe, which had increased in Q2-2025 in anticipation of the US tariff hikes, began to moderate in Q3-

Graph 1.2. Global Financial Market Uncertainty Index



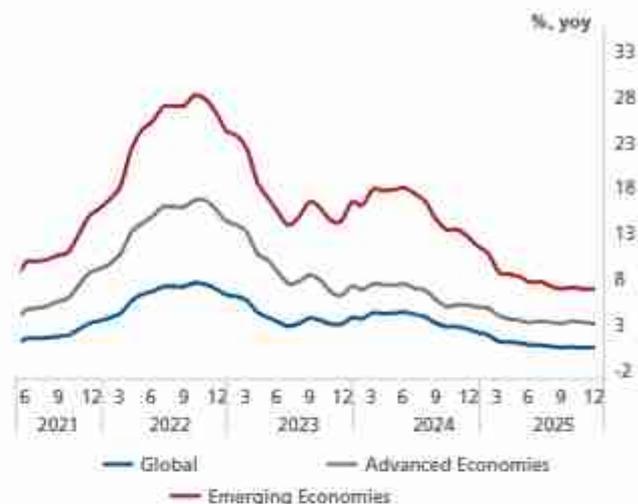
Note: Data as of 31 December 2025
*The uncertainty index is derived from Principal Component Analysis (PCA) of the selected variables.

Source: Bank Indonesia, adapted from various sources

2025. The adverse impact on real sector activity was also apparent in deteriorating consumer and producer sentiment, reflecting heightened uncertainty surrounding income prospects and business conditions worldwide. Overall, global growth is projected to slow to 3.3% in 2025 and 3.2% in 2026–2027 (Table 1.1). Growth divergence across countries persisted. Advanced economies were projected to decelerate from 1.8% in 2024 to 1.7% in 2025 before improving to 1.8% in 2026–2027. Meanwhile, emerging economies were projected at 4.3% in 2025, easing to 4.1% in 2026 and 4.0% in 2027. The tariff measures also pushed gold prices sharply higher, alongside rising prices of several food commodities and services, compounding the inflationary impact of higher wages following immigration policy adjustments in the US. Consequently, global disinflation progressed more slowly than in the previous projection, with inflation projected at 3.9% and 3.8% in 2025 and 2026. Over the same period, inflation in advanced economies is projected to remain around 2.4%, while inflation in emerging economies is estimated at 4.8% and 4.7% (Graph 1.3).

Among the advanced economies, the US economy has begun to moderate, while the Euro Area continues to recover. US economic growth is projected to slow from 2.8% in 2024 to 2.1% in 2025, improve to 2.3% in 2026, and then

Graph 1.3. Global Inflation: Advanced Economies and Emerging Economies



Source: Bank Indonesia, adapted from various sources

ease to 2.1% in 2027, assuming no additional tariff increases. The unilateral tariff policy has succeeded in reducing US imports but has not generated an increase in exports, thereby initiating downward pressure on growth through the external sector (Graph 1.4). Meanwhile, weak competitiveness in US industries, excluding digital technology and defense, has weighed on investment, limiting the contribution of domestic demand amid softening consumption linked to labor market moderation and high inflation (Graph 1.5). Room for use of fiscal policy has also narrowed, given the high fiscal deficit and

Table 1.1. Global Economic Growth: Advanced Economies and Emerging Economies (% , yoy)

Country	2023	2024	2025*	2026*	2027*
World	3.5	3.3	3.3	3.2	3.2
Advanced Economies	1.7	1.8	1.7	1.8	1.8
United States	2.9	2.8	2.1	2.3	2.1
Euro Area	0.4	0.9	1.3	1.3	1.4
Japan	1.2	0.1	1.1	0.8	0.7
Emerging Economies	4.7	4.3	4.3	4.1	4.0
China	5.4	5.0	5.0	4.4	4.0
India	8.7	6.5	7.4	6.6	6.7
ASEAN-5	4.1	4.6	4.4	4.3	4.5
Latin America	2.4	2.4	2.2	2.2	2.6

Note: *Bank Indonesia's Projection
Source: WEO-IMF, Bank Indonesia



Graph 1.4. United States Economic Growth



*Nowcasting for Q4 2025 as of 15 January 2026
Source: BEA and Fed Atlanta, processed

mounting government debt, compounded by the temporary government shutdown, triggered by unresolved political negotiations. The tariff policy has also slowed the disinflation process, with inflation projected at 2.6% in 2025 and 2.9% in 2026, thereby constraining the extent of Federal Funds Rate (FFR) reductions from 4.5% in 2024 to 3.75% by end-2025. The Federal Reserve is expected to resume easing only in mid-2026. Meanwhile, the Euro Area recovery continues, with growth projected to rise from 0.9% in 2024 to 1.3% in 2025 and 2026, and further to 1.4% in 2027, supported by improving private consumption in line with monetary policy easing,

Graph 1.5. United States Inflation

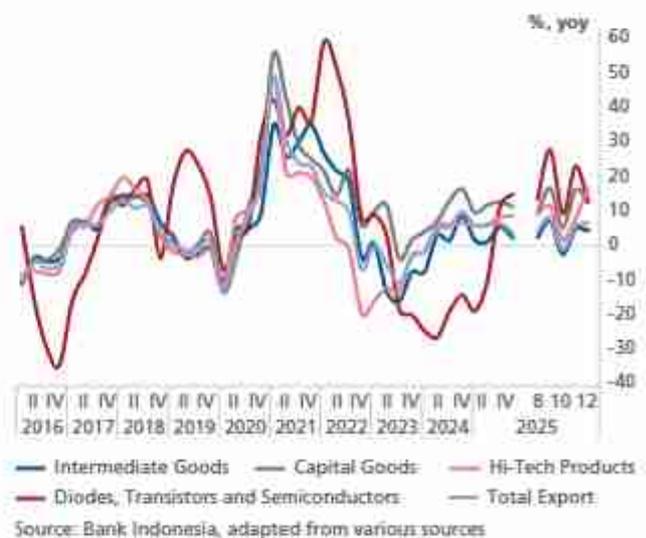


Note:
PPI: Producer Price Index
PCE: Personal Consumption Expenditure
Source: Bank Indonesia, adapted from various sources

fiscal stimulus, and front-loading of exports in anticipation of trade agreements with the US. Inflation in the Euro Area continues to decline from 2.4% in 2024 to 2.0% and 1.9% in 2025 and 2026, enabling the European Central Bank (ECB) to make more aggressive and earlier policy rate cuts than the FFR, from 3.0% in 2024 to 2.0% in 2025. In Japan, economic growth is projected to strengthen to 1.1% in 2025, supported by sustained wage improvements, before moderating to 0.8% in 2026 and 0.7% in 2027 due to structural challenges from an aging population, persistently high inflation, and weaker exports owing to US tariff policy.

In Emerging Market Economies (EMEs), the impact of US tariff policy on economic slowdown has been most pronounced in China and Latin America, while economic performance in India and ASEAN-5 has remained relatively resilient. China's economic growth slowed from 5.0% in 2024 and 2025 to 4.4% and 4.0% in 2026 and 2027, respectively. Elevated US tariffs have weighed on China's export growth, except for technology-based products, supported by strong adoption of technology and Artificial Intelligence (AI) as well as government stimulus measures (Graph 1.6.). To date, there are no indications of significant trade diversion from China to other countries, including those in ASEAN. Domestic consumption in China also remains subdued and is expected to remain weak going forward, despite

Graph 1.6. China: Exports by Commodity Group



Source: Bank Indonesia, adapted from various sources

sizeable fiscal stimulus and an accommodative monetary policy (Graph 1.7.). Meanwhile, India's economy has demonstrated strong resilience, with growth reaching 7.4% in 2025 and remaining robust at around 6.6% and 6.7% in 2026 and 2027. India's growth outlook is underpinned by sustained improvements in domestic consumption and continued expansion in manufacturing, supported by fiscal spending despite a downward trend in line with fiscal consolidation efforts by the Government. Malaysia, Thailand, Indonesia, and the Philippines also reflect resilience, with growth projected to ease slightly from 4.6% in 2024 to 4.4% and 4.3% in 2025 and 2026 before rebounding to 4.5% in 2027. Inflation across ASEAN-5 remains contained at around 2.7% in 2025 and 2.8% in 2026 and 2027.

US tariff policy and global geopolitical tensions, along with their impact on fragmentation and delayed disinflation, have placed central banks in a more challenging position in setting monetary policy, even though the overall stance remained accommodative throughout 2025. Global economic uncertainty has prompted central banks to adopt a more cautious approach in determining the pace and timing of policy rate reductions (Table 1.2.). The Federal Reserve (Fed), for instance, which began lowering the FFR to 4.50% in September 2024, opted to delay further cuts until September 2025 to 4.25%, October 2025 to

Graph 1.7. China: Domestic Demand Indicators



Source: Bank Indonesia, adapted from various sources

4.00%, and December 2025 to 3.75%. In contrast, the European Central Bank (ECB) continued reducing its policy rate from 3.00% in December 2024 to 2.50% in Q1-2025, 2.00% in Q2-2025, and maintained 2.00% through October 2025. Differences in the magnitude and timing of policy rate cuts have also emerged among emerging economies, including China, India, the Republic of Korea, Malaysia, the Philippines, and Indonesia. In general, central banks in emerging economies must weigh the adverse effects of global uncertainty on achieving inflation targets against the need to stimulate domestic economic growth. This:

Table 1.2. Monetary Policy Rates: Advanced Economies and Emerging Economies (%)

	2024	2025			
		Q1	Q2	Q3	Q4
Advanced Economies					
Federal Reserve (FED)	4.50	4.50	4.50	4.25	3.75
European Central Bank (ECB)	3.00	2.50	2.00	2.00	2.00
Bank of England (BOE)	4.75	4.50	4.25	4.00	4.00
Bank of Japan (BOJ)	0.25	0.50	0.50	0.50	0.50
Emerging Economies					
People's Bank of China (PBoC)	1.50	1.50	1.40	1.30	1.40
Bank of Korea (BOK)	3.00	2.75	2.50	2.50	2.50
Reserve Bank of India (RBI)	6.50	6.25	5.50	5.50	5.25
Bangko Sentral ng Pilipinas (BSP)	5.75	5.75	5.25	5.00	4.75

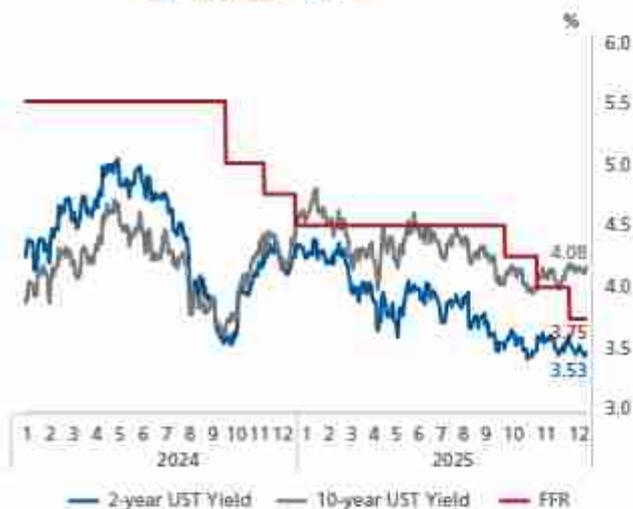
Source: Bank Indonesia, adapted from various sources



challenge has become more pronounced given the delayed FFR reductions and the sizeable US fiscal deficit and government debt, both of which have exerted significant influence on capital flows and exchange rate dynamics in emerging economies. As of November 2025, the US fiscal deficit and government debt were estimated at around 5.9% of GDP and USD38.4 trillion, respectively, among the highest globally. Consequently, although the yield on 2-year US Treasuries declined to 3.53% in December 2025 following the FFR cut, the yield on 10-year US Treasuries remained elevated at around 4.13%, reflecting the persistently high fiscal deficit and government debt (Graph 1.8).

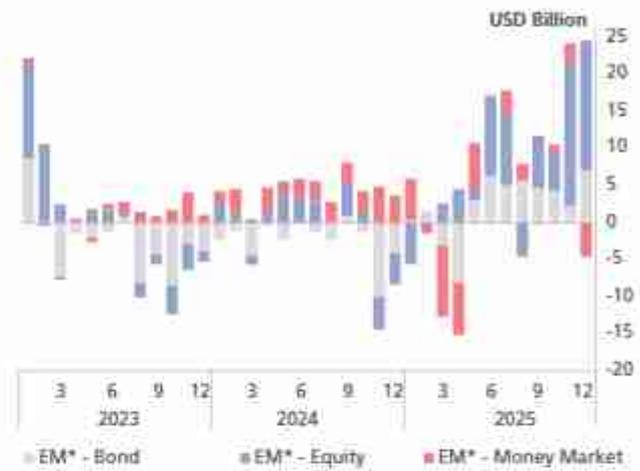
Global financial market uncertainty has also increased significantly, accompanied by capital outflows from emerging markets toward safe-haven assets, particularly US Treasuries and gold. Policy rate reductions by central banks, including the FFR cuts, should have supported global financial market stability. However, US tariff measures and persistent geopolitical tensions have widened risk premia in global financial markets, prompting investors to reallocate portfolios to perceived safe assets. Consequently, substantial foreign portfolio outflows from EMEs occurred in Q2-2025, particularly in bonds and money market instruments (Graph 1.9). With progress in tariff negotiations and greater clarity regarding FFR reductions, portfolio inflows resumed in Q3-2025, primarily to EMEs

Graph 1.8. FFR vs 2- and 10-year US Treasury Yields



Source: Bank Indonesia, adapted from various sources

Graph 1.9. Foreign Capital Flows to Emerging Economies: Bond, Equity, Money Market

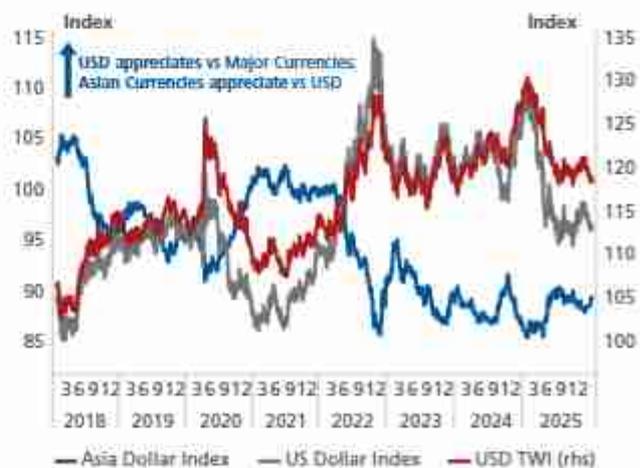


Note: *Excluding China

Source: Bank Indonesia, adapted from various sources

offering attractive yields relative to the US and maintaining sound macroeconomic and financial system stability. In the foreign exchange market, the US dollar tended to weaken against major global currencies such as the euro and the pound sterling, yet remained highly volatile against Asian currencies (Graph 1.10). This reflected persistent yield differentials across countries in line with the monetary policy rate adjustments. Overall, elevated volatility in capital flows and exchange rates continued to pose challenges for EMEs in mitigating the adverse spillover effects and strengthening external resilience to support domestic economic growth.

Graph 1.10. USD Index vs Advanced Economies and Asian Countries



Note: Trade-Weighted Index (TWI)

Source: Bank Indonesia, adapted from various sources



Looking ahead, the global economy is expected to remain characterized by ongoing trade wars and geopolitical tensions among countries, amid highly dynamic and challenging conditions. Although the tariffs ultimately imposed by the US were not as high as President Trump's initial threat on 2 April 2025, bilateral tariff negotiations between the US and China, as well as other countries, are likely to continue until the US Government considers its trade balance objectives sufficiently addressed. The new administration resulting from the 2024–2025 general elections also tend to adopt more populist policy stances, including expansive fiscal spending and high levels of public debt, as well as other policies aimed at maintaining popularity. The increasing use of transactions and derivative products linked to public debt in advanced economies by Non-Bank Financial Institutions (NBFIs), which remain subject to limited regulation and supervision, is expected to create significant risk and volatility in global financial markets. At the same time, the rapid pace of the digital technology revolution, including the use of Artificial Intelligence (AI) in finance, such as cryptocurrency trading, stablecoins, and other digital asset products by private entities, will further heighten risks and volatility in global financial markets. It will also challenge the ability of national authorities, including central banks, to maintain effective oversight and control.¹

¹ A comprehensive elaboration on the digital technology revolution is presented in Box 1.1. Digital Innovation: Opportunities and Challenges for the Economy.

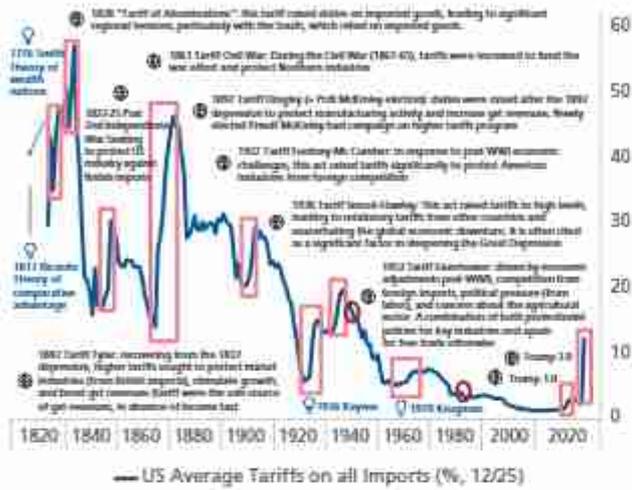
The following factors, either individually or collectively, could have a significant impact on the outlook and the risks of further deterioration in the global economy going forward. At least five (5) key trends warrant close attention.

First, the persistence of trade wars and the polarization of trade and investment among countries in addressing global trade imbalances. Unilateral tariff policy has been used previously by the US Government to tackle its large trade balance deficit caused by weak economic competitiveness (Graph 1.11.). Even before World War II, high tariffs were imposed during 1919–1923 under the Fordney-McCumber Tariff Act to protect US agriculture and industry. In 1934, the US Government introduced reciprocal tariff policies with varying rates for trading partners through the Most-Favored Nations (MFN) concept. After World War II, tariffs declined sharply with the establishment of General Agreement on Tariffs and Trade (GATT) to liberalize global

The global economy is expected to remain affected by the continuation of trade wars and geopolitical tensions among countries, marked by high dynamics and significant challenges



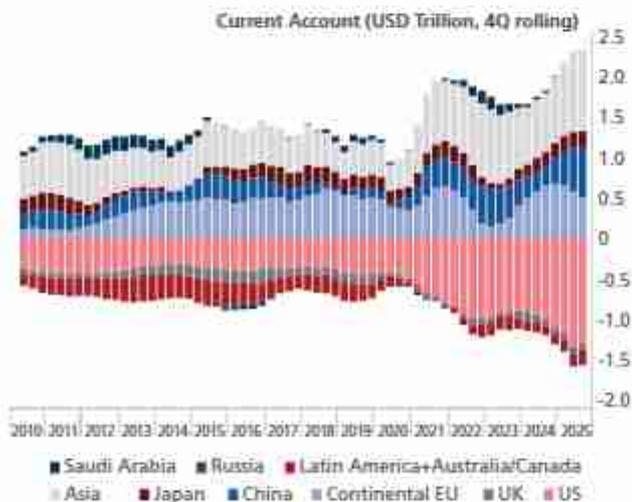
Graph 1.11. A Brief History of US Protectionism: From Politics to Economics



Source: SJERF (2025)

trade. However, the ballooning trade deficit in the 1980s reignited US protectionist policies, including tariffs on steel imports under the Bush Administration in 2002–2003. In 2018, the Trump Administration imposed new tariffs on commodities such as steel and aluminum, which triggered retaliation from China. With Trump's return to office in 2025, reciprocal tariff policies were reinstated at the highest level since 1934 to address the trade deficit which has been widening since 2020 (Graph 1.12.). This historical pattern indicates that trade wars initiated by the US Government are likely to persist as a

Graph 1.12. US Economy and World Trade Imbalances

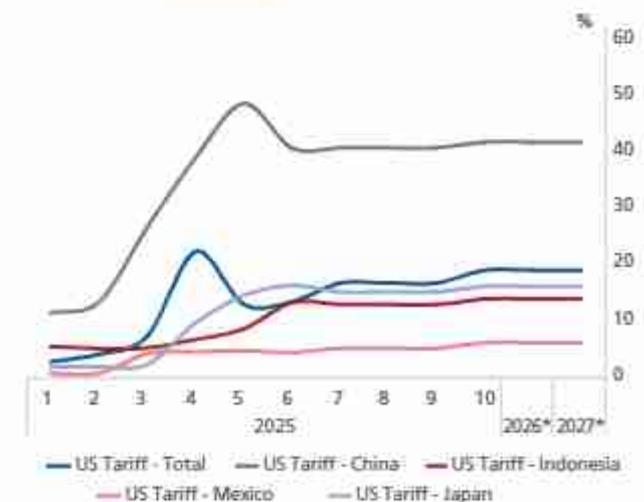


Source: CEIC

political and economic strategy against trading partners with large trade surpluses, despite opposition in multilateral cooperation. In other words, trade polarization will intensify going forward, prompting countries to prioritize bilateral and regional cooperation over multilateral arrangements under the World Trade Organization (WTO).

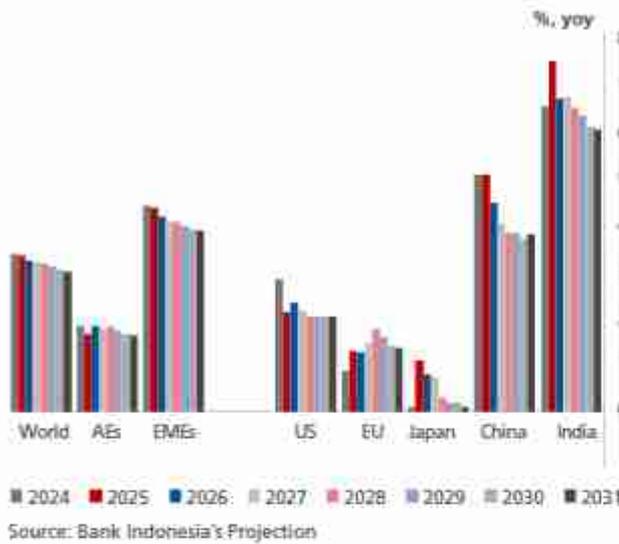
Second, global economic growth is expected to slow amid widening fragmentation among countries. Considering the long history of US protectionist policies to address its large trade balance deficit, it is no exaggeration to expect that high tariffs and bilateral negotiations will persist going forward. China is projected to face elevated tariffs from the US until its trade surplus with the US declines, in addition to political considerations stemming from rivalry among major global powers (Graph 1.13.). Supply chain disruptions will continue, with global trade volume expected to fall from around 4.1% in 2025 to 2.6% in 2026. Consequently, global economic growth is projected to stagnate at around 3%, with downside risks if the US-led trade war persists (Graph 1.14.). The US economy is expected to stagnate with growth around 2%, while recession risks increase due to weak industrial competitiveness and household consumption, exacerbated by the impact of immigration policy on labor markets and persistent inflationary

Graph 1.13. US Continues to Impose Reciprocal Tariff Policies on China and Other Countries



Source: Bank Indonesia's Projection

Graph 1.14. Global Economic Growth Projections and Cross-Country Fragmentation



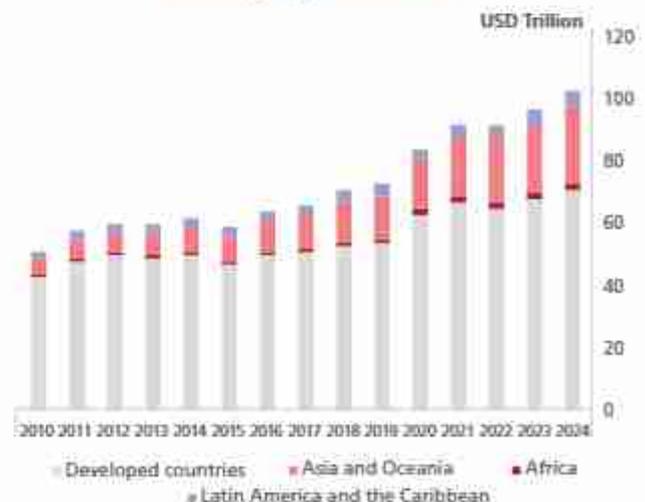
pressures from import tariffs. China's economy, most affected by high tariffs, is projected to slow further to around 4%, although the pace of trade diversion from China to other countries outside the US could provide some growth impetus. India's economy is expected to maintain strong growth of around 6%, supported by robust domestic demand, particularly from household consumption. Meanwhile, global inflationary pressures and inflation in many countries are expected to remain elevated due to persistently high non-oil commodity prices as a result of high import tariffs and ongoing global supply chain disruptions. These conditions will constrain the room for further monetary policy rate cuts in many countries starting in 2026 to stimulate domestic economic growth. Therefore, future growth momentum will largely depend on the implementation of structural and industrial reform policies to drive the real sector, supported by expanded bilateral and regional trade and investment cooperation.

Third, the surge in global public debt has imposed an increasingly heavy burden on both advanced economies and emerging economies.² Total global government debt has now reached USD110.9 trillion (94.6% of GDP), with two-thirds,

² A more detailed elaboration on fiscal deficits and public debt is presented in Box 1.2. Fiscal Deficits and Public Debt in Advanced Economies, Particularly the United States, and Implications for Global Financial Markets.

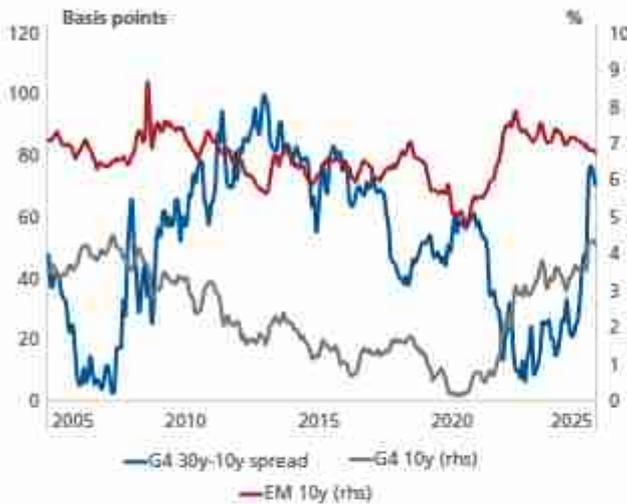
approximately USD74.8 trillion, concentrated in advanced economies (Graph 1.15.). This staggering figure reflects how expansionary fiscal policies and economic stimulus over the past decade have resulted in significant fiscal strain across many countries. The United States and China are the two largest debtors, combined accounting for more than half of total global public debt. US Government debt totals USD38.3 trillion (125% of GDP), representing more than one-third of global debt, while China ranks second with USD18.7 trillion (96% of GDP). Japan ranks third with USD9.8 trillion (230% of GDP), followed by the United Kingdom (USD4.1 trillion, 103% of GDP) and France (USD3.9 trillion, 117% of GDP). Elevated government debt levels have been driven by long-term social spending, rising defense budgets, and mounting demographic costs associated with aging populations. The challenge is that ballooning public debt has pushed global interest rates higher, creating a burden not only for advanced economies but also for emerging markets and developing countries. Yields on 10-year government bonds in four major advanced economies (US, UK, Euro Area, and Japan), for example, have risen from around 0% during the COVID-19 period to approximately 4%, with the 30-year yield spread widening to nearly 80 basis points by end-2025 (Graph 1.16.). Consequently, government bond yields in EMEs have surged from around 5% in 2020

Graph 1.15. Global Public Debt: Advanced Economies, Emerging and Developing Economies





Graph 1.16. Public Debt Interest Rates: Advanced Economies and Emerging Economies



Source: IMF, Global Financial Stability Report, October 2025

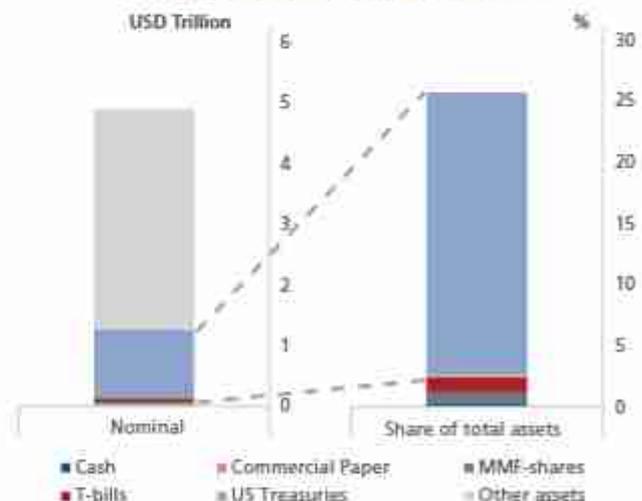
to approximately 8% currently. This implies that EMEs must achieve nominal economic growth of around 8% just to service their government debt obligations. The impact is even more severe for developing countries, particularly in Africa, where debt servicing costs exceed budget allocations for education and health programs, thereby exacerbating poverty.

Fourth, global financial markets harbor significant vulnerabilities and risks, particularly stemming from Non-Bank Financial Institutions (NBFIs). The global financial crisis underscored the dangers of derivative products linked to housing debt originated by NBFIs, known as the subprime mortgage crisis, which subsequently triggered a systemic global crisis. Since then, substantial progress has been made in strengthening regulation and supervision of the banking sector, including higher capital requirements, improved risk management, and enhanced cross-border cooperation under the Financial Stability Board (FSB) and the Bank for International Settlements (BIS). However, global initiatives to strengthen regulation and oversight of NBFIs are still in progress and have yet to reach a global consensus, compounded by challenges in monitoring transaction data and institutional structures. Meanwhile, the development of derivative products and transactions by NBFIs has surged rapidly, this time leveraging the massive public debt of advanced economies as

underlying transactions. For example, NBFIs in the US are currently estimated to hold around USD5 trillion in bonds as underlying assets for their derivative products, one-third of which comprises US Government debt (Graph 1.17.). These derivative products include a wide range of instruments, such as repurchase agreements (repos), interest rate swaps, options, and other instruments, which remain unregulated in terms of margin requirements, leverage ratios relative to the underlying bond value, or mandatory capital increases commensurate with transaction size for NBFIs. Furthermore, these derivative products are often combined with hedging instruments against US dollar exchange rate risk, such as foreign exchange swaps, forwards, and options. This explains why the US dollar continues to appreciate despite interest rate differentials between the US and other advanced economies (Graph 1.18.). Consequently, the layering of derivative transactions by NBFIs poses significant vulnerabilities and risks in the event of a market reversal, which could trigger large-scale fire sales due to panic among market participants, a scenario reminiscent of the global financial crisis in 2008.

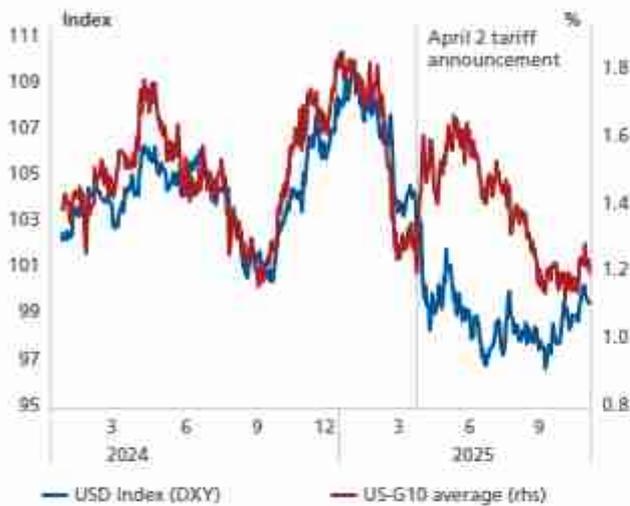
Fifth, vulnerabilities and risks in global financial markets are increasing in line with the proliferation of privately issued and traded digital currencies and assets. As is widely known, cryptocurrencies are digital currencies issued and circulated by private entities through computer networks, independent

Graph 1.17. Bond Holdings by Non-Bank Financial Institutions (NBFIs) in the US



Source: IMF, Global Financial Stability Report, October 2025

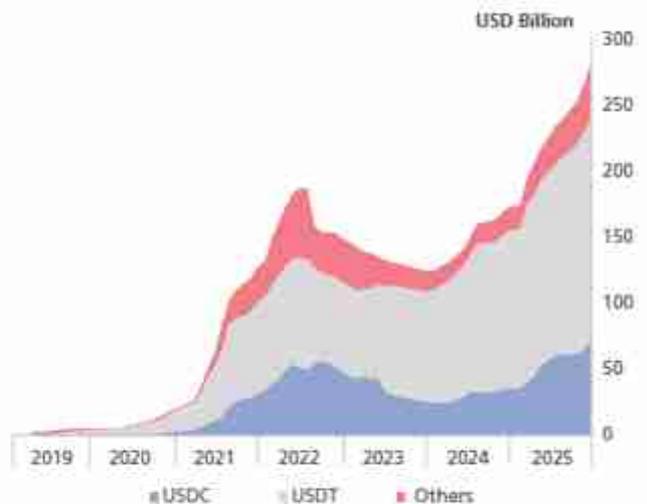
Graph 1.18. USD Index vs Interest Rate Differentials with Advanced Economies



Source: IMF, Global Financial Stability Report, October 2025

of any central authority, whether government or central bank. The first cryptocurrency trade involved Bitcoin in 2009, and by June 2023, more than 25,000 cryptocurrencies had emerged in the market, with around 40 of them having a market capitalization exceeding USD1 billion. As of April 2025, global cryptocurrency market capitalization is estimated at USD2.70 trillion. In 2014, stablecoins emerged as a type of cryptocurrency designed to maintain value stability against a specific asset or a basket of assets, which may include currencies, bonds, commodities, or other cryptocurrencies. Nevertheless, the value of stablecoins is not always stable, as it depends on the stabilization mechanism, which may involve computer algorithms and/or the value of underlying assets. By June 2025, the market capitalization of stablecoin trading is estimated to exceed USD255 billion, most of which is linked to the US dollar (USDC) and/or US Government bonds (USDT), as shown in Graph 1.19. Furthermore, global financial markets have witnessed the trading of tokenized assets, enabling ownership and buy-sell transactions. Stablecoins are not limited to tokenized digital assets but also include tokenization of tangible and intangible assets. For example, trading in tokenized US Government bond funds has grown rapidly and is estimated to reach around USD7.4 billion (Graph 1.20.). The increasing issuance and trading of cryptocurrencies, stablecoins, and tokenized

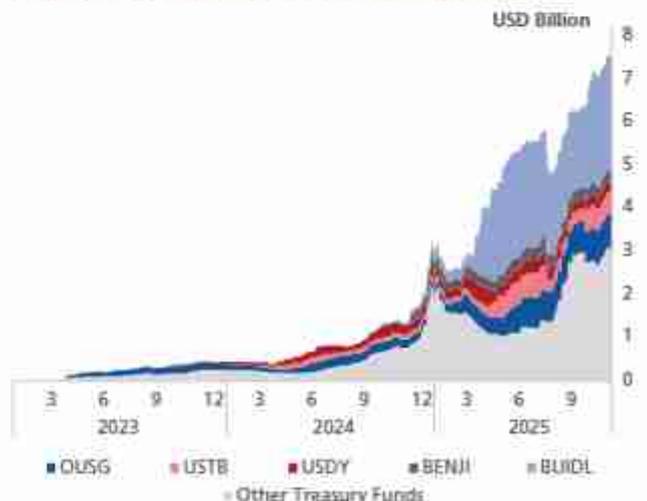
Graph 1.19. Stablecoin Market Capitalization



Source: IMF, Global Financial Stability Report, October 2025

assets by private entities on digital platforms have amplified vulnerabilities and risks in global financial markets. Unlike Central Bank Digital Currency (CBDC), which is formally issued by central banks, these various forms of cryptobased currencies and financial assets are issued and traded by private entities. To date, there is no clear regulation or supervision equivalent to that applied to other financial institutions under the principle of "same activities, same risks, same regulations". Moreover, the circulation of these digital currencies and assets is suspected to facilitate money laundering, in addition to raising concerns about consumer protection.

Graph 1.20. Tokenized US Treasury Funds



Source: IMF, Global Financial Stability Report, October 2025



The dynamics, outlook, and risks of a highly volatile and challenging global economy have significant implications for Emerging Market Economies (EMEs), including Indonesia, and therefore require an optimal response through a well-calibrated national economic policy mix. One critical lesson in navigating a global economy marked by geopolitical turmoil, protectionist policies, and financial market volatility is **STRONG AND SELF-RELIANT**. Strong, by strengthening external stability to withstand the adverse impact of global shocks. Self-reliant, by continuously fostering domestic sources of economic growth.

At least five (5) critical aspects must be considered to ensure that the national economy becomes strong and self-reliant while achieving higher and more resilient growth.

First, the importance of maintaining macroeconomic and financial system stability through a stable exchange rate, low inflation, a manageable fiscal deficit, a strong banking system, and deep financial markets. Close coordination between government fiscal policy and central bank monetary policy is essential, as is coordination to safeguard financial system stability. It must be recognized that most crises experienced by countries, including Indonesia in the past, originated from economic instability, particularly exchange rate volatility.

Second, the need to accelerate real sector transformation through industrial and structural policies to strengthen domestic sources of growth. In addition to continuously promoting domestic consumption and investment, it is crucial to reinforce food and energy security as key pillars of national economic resilience and self-reliance. Industrial policy should aim to enhance productivity and value-added in priority economic sectors to drive higher growth, while structural policy should focus on creating an investment climate conducive to stimulating robust capital formation and trade both domestically and internationally.

Third, the need to continuously develop financing sources to support real sector transformation programs. Fiscal deficit financing must remain sustainable to avoid excessive dependence on public debt, which could ultimately burden the state and society. Therefore, private financing, through banking, other financial institutions, and both domestic and foreign investment, must be strengthened. Financial market deepening is critical to support national economic financing by improving liquidity, ensuring competitive interest rates, and providing hedging instruments for interest rate and exchange rate risks.

Fourth, accelerating the digitalization of the national economy and the financial system to achieve higher and more resilient growth. Rapid digitalization of payment systems and retail economic-financial transactions is essential to facilitate fast, easy, and low-cost daily transactions, thereby expanding inclusive economic and financial access for the public. Similarly, the development of wholesale payment systems must continue, including experimentation with Central Bank Digital Currency (CBDC) issuance and digital financial assets (asset tokenization). Cross-border cooperation in digital payment systems, including connectivity for both retail and wholesale payment infrastructures, must be strengthened and expanded.

Fifth, enhancing the effectiveness of trade and investment cooperation with key partner countries. In a world marked by US protectionist policies and economic polarization, trade and investment cooperation should focus on the most beneficial bilateral and regional partnerships, while continuing to advocate multilateral cooperation. This includes collaboration to expand the use of local currencies (Local Currency Transactions, LCT), deepen financial markets, and strengthen cross-border digital payment systems to facilitate bilateral and regional trade and investment.

Box
1.1.**Digital Innovation: Opportunities and Challenges for the Economy**

Global digital technology developments have continued to exhibit increasingly broad and structured dynamics. This has been reflected in the expanding use of artificial intelligence (AI), the rapid growth of crypto assets, and the rising use of stablecoins both as investment instruments and as means of payment across jurisdictions. On one hand, these developments have the potential to enhance economic efficiency and widen access to financial services. On the other hand, they also introduce new risks that may affect macroeconomic stability, the financial system, and the effectiveness of monetary and macroprudential policies.

From a benefits perspective, the use of AI contributes to higher efficiency in production and operational processes, including through automation, supply-chain optimization, and strengthened data-driven analytics. Qian et al. (2024) examined the impact of AI on production efficiency among advanced manufacturing firms and on corporate environmental, social, and governance (ESG) performance. Using financial data and annual reports from listed Chinese manufacturing firms during 2010–2022, the study found a significant positive effect of AI on manufacturing efficiency and ESG outcomes. Integration of AI into production processes—from intelligent logistics to automated scheduling and quality control—streamlined operations, improved product quality, and minimized costs. AI also enabled automation, smart manufacturing, market-trend forecasting, and product-design

optimization, thereby enhancing efficiency and competitiveness. In addition, AI supported better corporate social responsibility practices, governance efficiency, and sustainable development. Li et al. (2025) documented that AI adoption is negatively correlated with energy intensity in manufacturing firms, as AI improves productivity and energy efficiency.

In the medium term, AI adoption has the potential to support higher productivity and raise potential output, particularly in countries capable of integrating the technology with digital-infrastructure development and improvements in human-capital capacity. The magnitude of these benefits depends on the readiness of data-governance regulations, governance standards, and mitigation of operational risks associated with AI-based models. Several examples of countries and forms of AI utilization are summarized in Table B1.1.1.

Meanwhile, crypto assets and stablecoins are expanding the options for digital investment and payment instruments, including for cross-border transactions which have historically faced high costs and low speed. Stablecoins backed by assets denominated in major currencies may offer alternative stores of value and mediums of exchange within digital ecosystems. As shown in Graph 1.19. and Graph B1.1.1., the global market capitalization of stablecoins has grown significantly in recent years, with most reserves placed in US-dollar-denominated financial instruments, particularly US Treasury securities. These



Table B1.1.1. Selected Countries and Applications of AI

Country	Form of AI Utilization
Singapore	Through the "Smart Nation" initiative, AI is used to develop smart cities and enhance public services, including real-time traffic management, urban planning, and public service delivery.
India	Through the digital agriculture revolution, AI connects farmers, marketplaces, and government services, including climate and pest-outbreak alerts. This has increased productivity by up to 25% through strengthened market linkages and faster responses to on-field challenges.
China	Large technology firms, such as Alibaba, Tencent, and Baidu have invested billions of US dollars in facial recognition, natural language processing, and large language models, in alignment with government priorities. Public-private synergy has accelerated national-scale AI projects, such as smart-city infrastructure, surveillance, and e-commerce, resulting in lower crime rates and improved traffic conditions.
Estonia	AI is used in e-government services, including tax payments, business registration, and identity verification.
UAE	AI is used for visa processing, traffic-fine payments, and other public services. Dubai integrates AI across industries, transforming governance and accelerating the development of sustainable and intelligent cities. The city has also issued a Universal Blueprint for Artificial Intelligence as a roadmap for global AI-based innovation.
United States	Companies such as Google, Microsoft, Meta, IBM, and OpenAI lead developments from cloud-computing platforms to generative AI. AI is used for fraud detection and security in finance; medical diagnosis and personalized treatment in healthcare; and in electric-vehicle technologies (e.g., Tesla) in the automotive industry.
United Kingdom	The National Health Service (NHS) has experimented with AI-assisted diagnostic tools for clinical imaging, accelerating patient examinations, and reducing radiologists' workloads.

Source: Dubai State of AI Report, 2025

developments indicate that the increasing use of stablecoins not only relates to payment systems but also entails macro-financial implications by creating new linkages between digital assets and international financial markets.

The emergence of AI, crypto assets, and stablecoins offers new opportunities, but also introduces significant risks. Key challenges associated with AI include issues of data privacy and security, as well as potential algorithmic bias, all of which require appropriate oversight. AI development, adoption, and implementation also drive higher investment needs, especially for data-center infrastructure,

Graph B1.1.1. Reserve Composition of the Two Largest Stablecoin Issuers



Note: Using the latest reports, namely Sep'25 for Tether and Nov'25 for Circle.

Source: Tether, Circle, Goldman Sachs GIR

which increases electricity demand and may exert upward pressure on energy-related inflation. In addition, dependence on technology-component suppliers, dominated by several Asian countries, particularly Taiwan as the largest chip manufacturer controlling more than 60% of global output, poses risks requiring careful attention.

From a financial-stability perspective, volatility in crypto-asset prices, stablecoins' dependence on specific reserve assets, and potential liquidity risks and run dynamics may heighten the sensitivity of financial systems to global financial-market conditions. The linkages between stablecoins and money-market instruments in advanced economies may also introduce additional transmission channels for external shocks, particularly during episodes of global liquidity tightening. Furthermore, AI-based algorithmic trading and certain portfolio strategies may amplify procyclical behavior and heighten market volatility.

Overall, digital-technology developments bring structural benefits while simultaneously creating cross-sectoral and cross-border risks, implying multidimensional policy challenges. The impact of opportunities and risks will depend heavily on the strength of macroeconomic fundamentals, the depth and integration of domestic financial systems, and the adaptive capacity of policy frameworks amid continuing digital innovation. Authorities must ensure a balanced approach between supporting innovation and safeguarding financial stability through technology-neutral principles, strengthened macro-financial surveillance, and enhanced cross-authority and cross-border coordination. In this context, initiatives related to Central Bank Digital Currency (CBDC) development, comprehensive regulatory frameworks for crypto assets and stablecoins, and the use of digital technology, including AI, in supervisory (suptech) and regulatory (regtech) functions are becoming increasingly relevant.



Box
1.2.

Fiscal Deficits and Public Debt in Advanced Economies, Particularly the United States, and Implications for Global Financial Markets

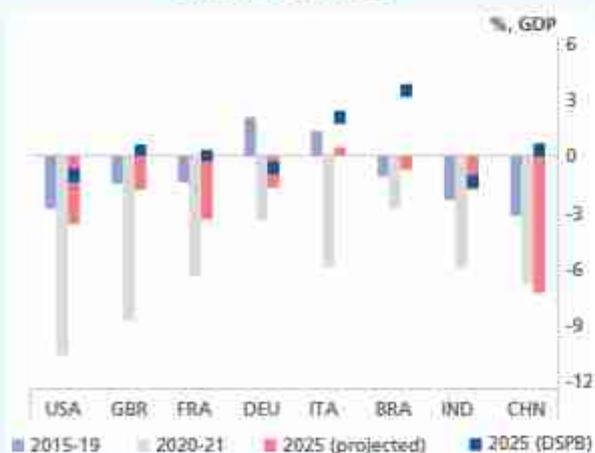
Global fiscal pressures have intensified in recent years due to rising public debt in both advanced economies and Emerging Market Economies (EMEs). Total government debt remains dominated by advanced economies, with United States (US) Government debt accounting for more than 33% of global public debt—exceeding the combined total of EMEs, which stands at about 31%. The US Government’s debt position has continued its persistent upward trend, narrowing fiscal-consolidation space and heightening perceptions of fiscal risk, both domestically and globally (Graph B1.2.1.).

The large financing needs associated with the US fiscal deficit have driven increased issuance of US Treasury securities, keeping long-term US Treasury yields at elevated levels. These higher yields reflect heightened fiscal risks arising from an increasing debt-to-GDP ratio and higher interest-payment burdens. The implications have extended to global

financial markets, given the role of US Treasury securities as benchmarks for asset pricing and international financing.

Elevated US Treasury yields have contributed to a persistently high global term premium. Rising term premiums have tightened global financial conditions and reduced the attractiveness of financial assets in EMEs. Additionally, heightened perceptions of fiscal risk in major economies have added to global financial-market uncertainty. These developments have strengthened the tendency for global investors to shift portfolios toward safe-haven countries and assets, such as US Treasury securities, gold, and other low-risk instruments, including those issued by advanced economies like the Euro Area and Japan (Graph B1.2.2. and B1.2.3.). As a result, portfolio inflows into EMEs—particularly in the form of portfolio investment—have declined, accompanied by increased cross-border capital-flow volatility.

Graph B1.2.1. Primary Balance of Selected Major Countries



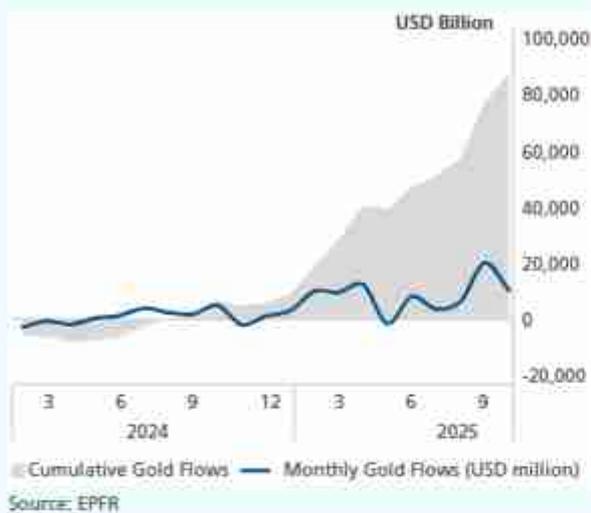
Note: DSPB: Debt-Stabilizing Primary Balance
Source: IMF WEO, October 2025

Graph B1.2.2. Portfolio Capital Flows to EMEs and Demand for Safe-Haven Assets



Source: Bloomberg

Graph B1.2.3. Developments in Global Gold Demand



From the perspective of EMEs, higher global fiscal risks and persistently high term premiums exacerbate crowding-out risks and challenges related to external financing. Capital flows to EMEs have become increasingly sensitive to shifts in

global sentiment, especially for countries with high dependence on foreign portfolio investment and foreign-currency debt exposure. These pressures heighten domestic financial-market volatility, exert depreciation pressures on exchange rates, and raise external financing costs.

For Indonesia, the global fiscal risks influencing global capital-flow dynamics must be mitigated consistently. Higher global yields and the tendency toward flight-to-safety may place downward pressure on capital inflows, affect Rupiah exchange-rate stability, and increase sovereign financing risk premiums. To mitigate spillover effects of global fiscal risks on domestic macroeconomic stability, Indonesia's external resilience must continue to be strengthened through optimal policy-mix measures, complemented by accelerated financial-market deepening and strengthened domestic investor base.



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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 ^f	2026 ^f	2027 ^f
			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; ^fBank 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 [†]	2026 [†]	2027 [†]
			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

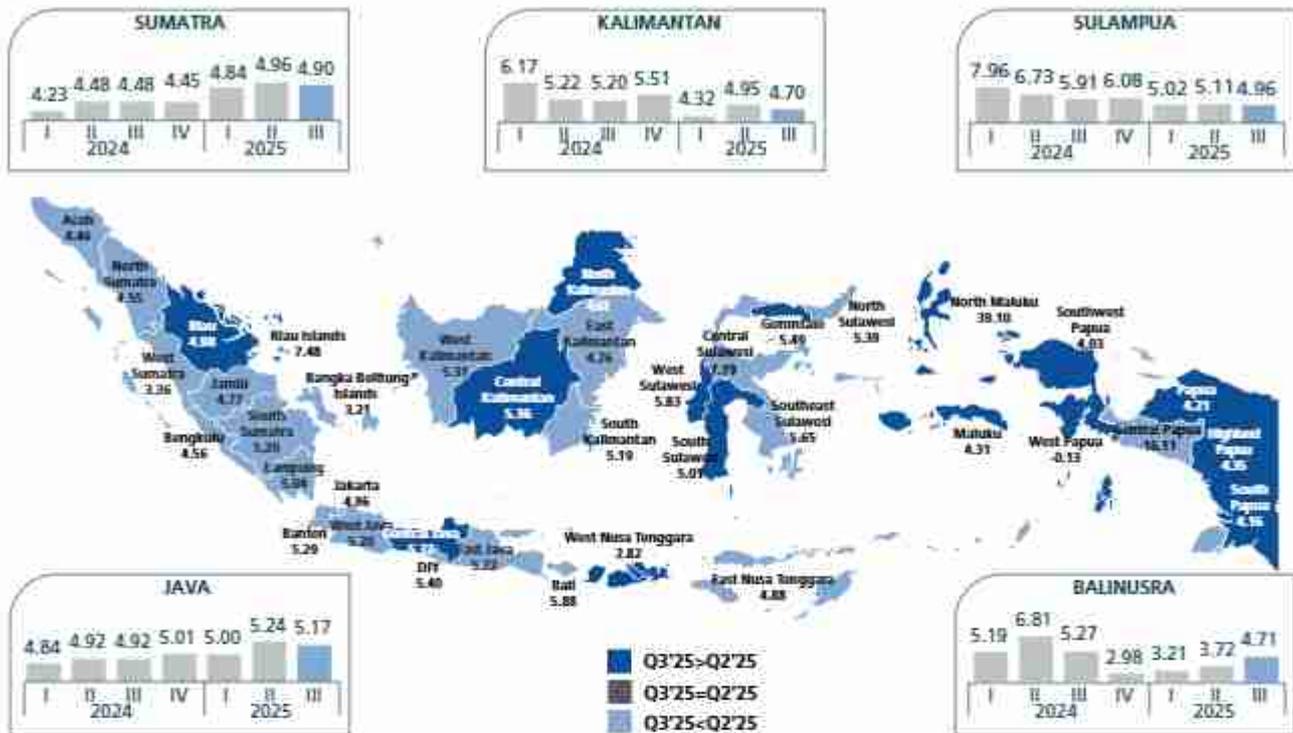
Note: *Preliminary Figure; **Very Preliminary Figure; ***Very Very Preliminary Figure; [†]Bank Indonesia's Projection
Source: BPS, Bank Indonesia

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)

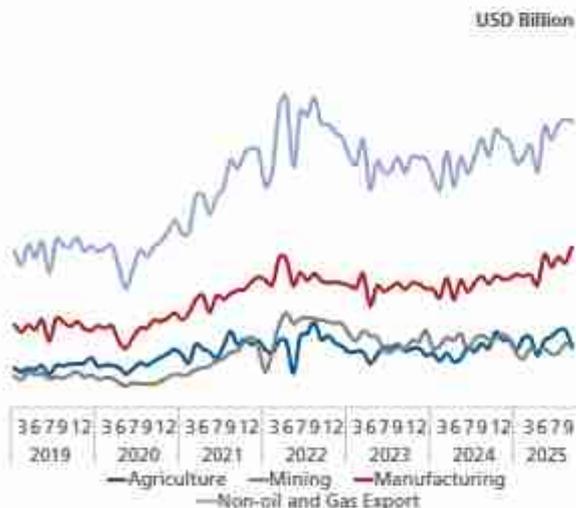


Source: BPS, calculated

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

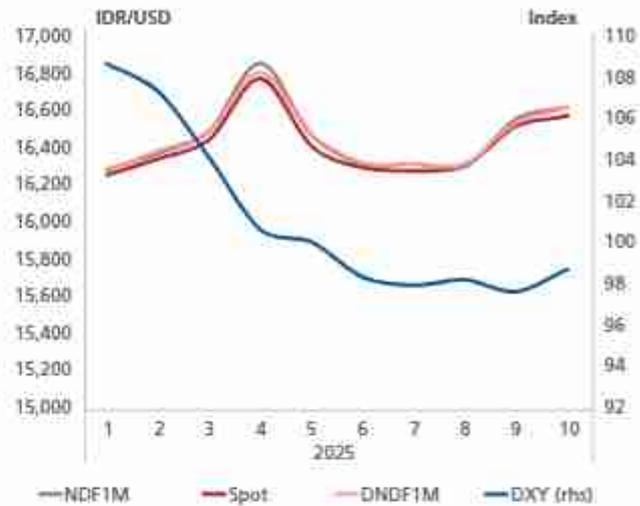


External resilience of Indonesia's economy was supported by the stability of the Rupiah exchange rate amid deteriorating global conditions

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 (PIIP) 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



Note: Based on daily data; Data as of Nov'25
Composite indexes based on trade weights: SGD (13%), CNY (52%), INR (11%), KRW (9%), THB (7%), MYR (9%).
Source: Reuters and Bloomberg

Price stability was preserved, with inflation remaining low within the $2.5 \pm 1\%$ 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



Source: BPS

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 TPID 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 $2.5 \pm 1\%$ 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.



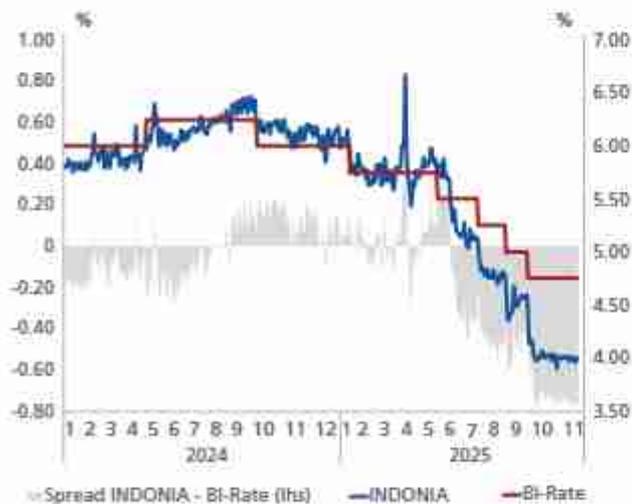
Bank Indonesia, the Financial Services Authority (OJK), and the banking industry signed the Interbank Master Derivatives Agreement and launched the Matchmaking Overnight Index Swap (OIS) in Jakarta on 26 September 2025 to strengthen synergy in developing domestic financial instruments.

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.

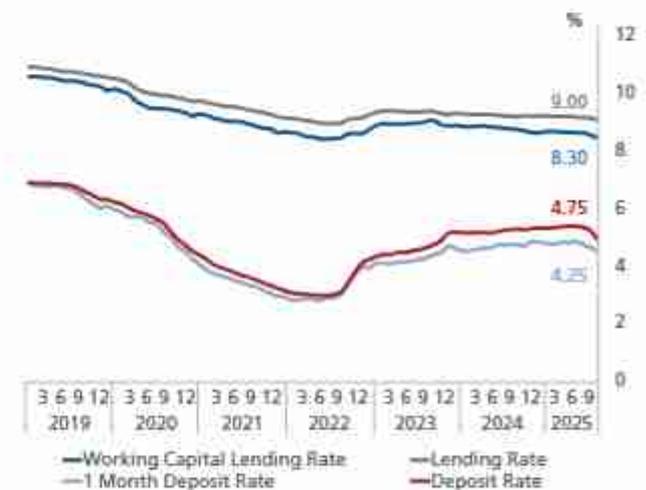
Monetary stability has been further reinforced by Bank Indonesia's expanded monetary operations to enhance the effectiveness of interest rate transmission, increase liquidity, and accelerate money market and foreign exchange (FX) market deepening. In this regard, Bank Indonesia lowered the interest rate 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

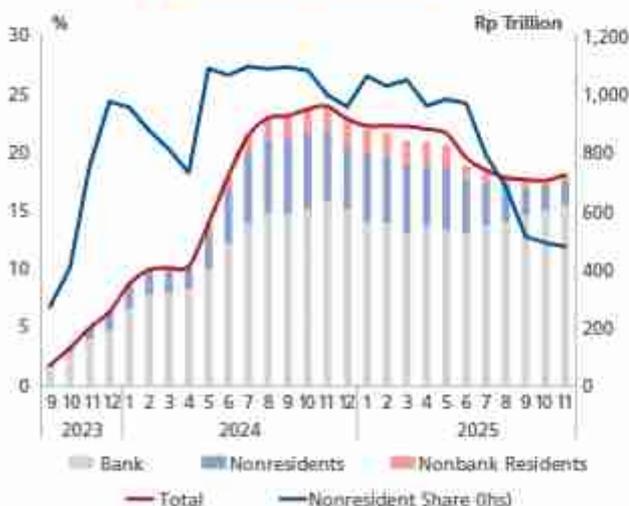
Graph 2.7. Bank Interest Rates



Source: Bank Indonesia

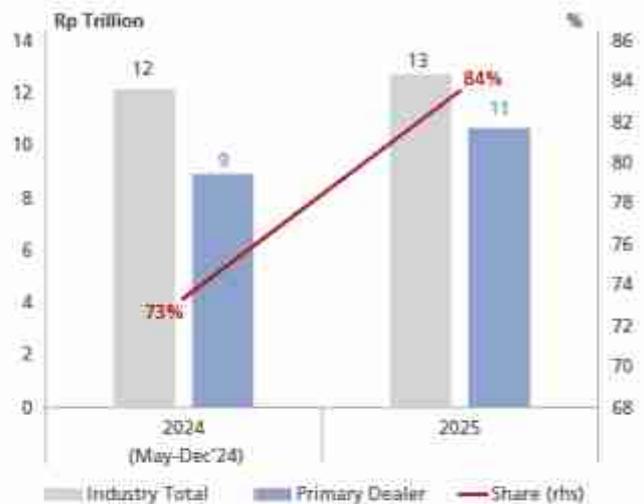
Bank Indonesia Rupiah Securities (SRBI) and purchases of Government Securities (SBN) in the secondary market. The outstanding position of SRBI declined by Rp186.07 trillion, from Rp916.97 trillion at the beginning of 2025 to Rp730.90 trillion as of 31 December 2025 (Graph 2.8.). In addition, Bank Indonesia 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

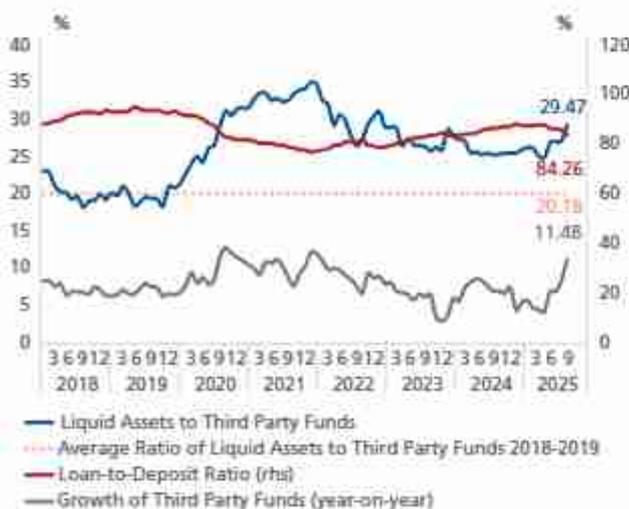


Source: Bank Indonesia

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

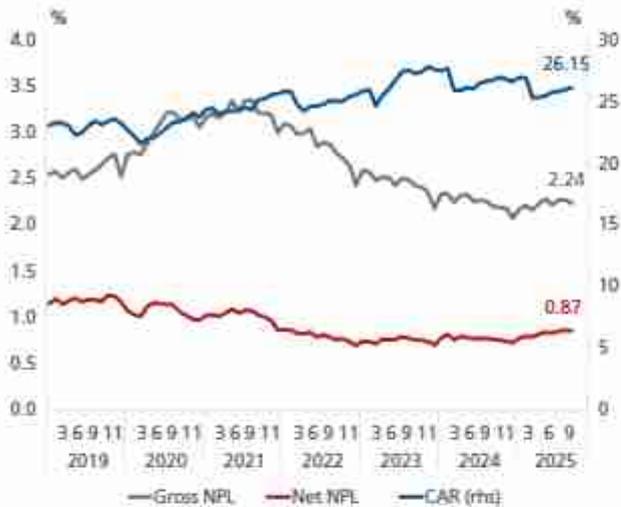
Table 2.5. Credit by Economic Sector

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 electronification 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.

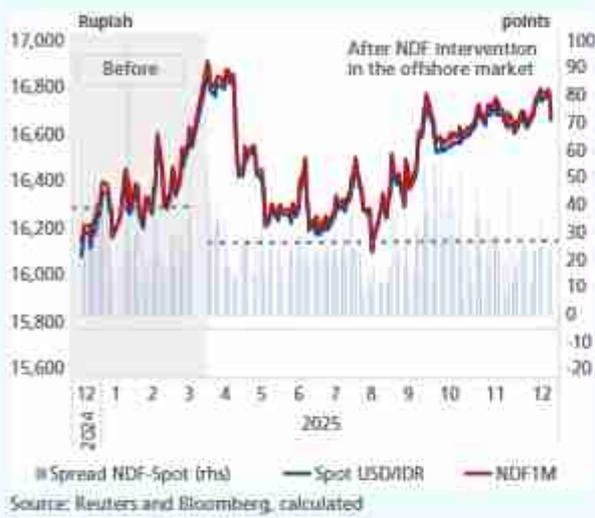
The close relationship between offshore NDF closing and domestic spot opening provided the basis for Bank Indonesia to be innovative in its offshore NDF intervention to maintain exchange rate stability. Implementation of

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



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.

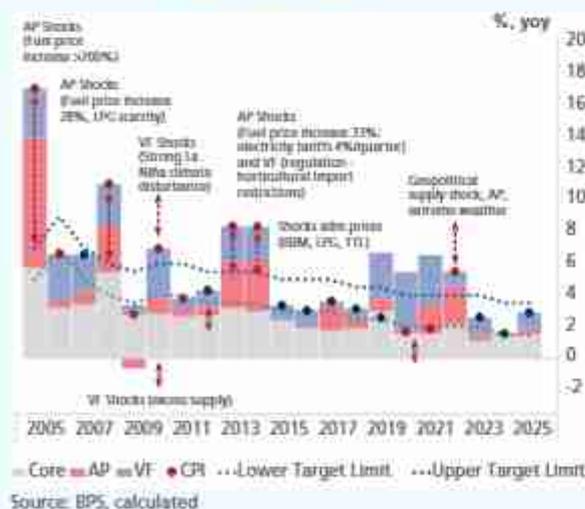
Synergy in Inflation Control to Safeguard Price Stability

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.

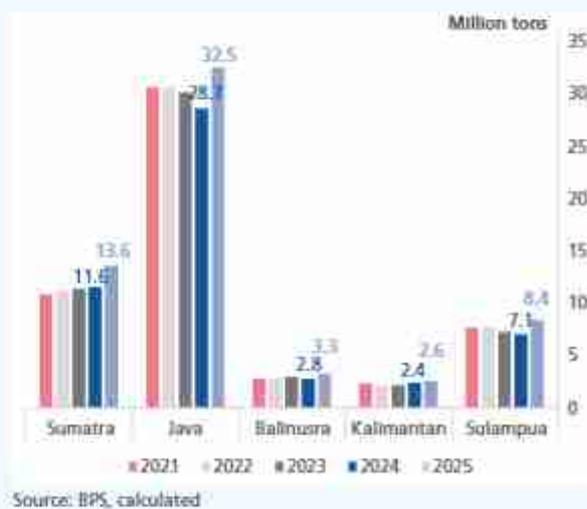
CPI inflation in 2025 was maintained within its target, but developments in volatile food (VF) inflation warranted close attention. VF inflation in 2025 was recorded at 6.21% (yoy), rising significantly compared with 0.12% (yoy) in 2024. Commodities contributing substantially to VF inflation included 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.

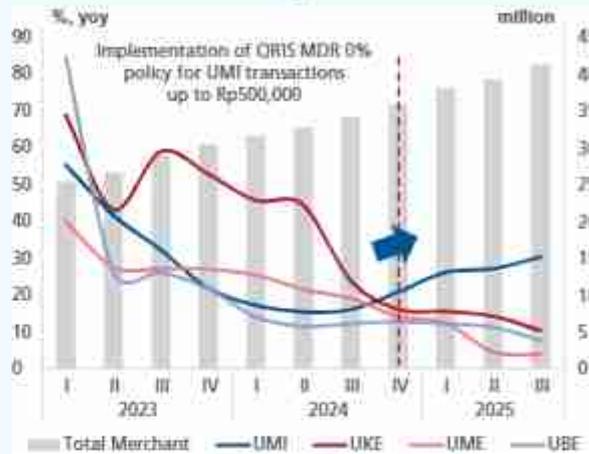
QRIS transactions are dominated by MSMEs, with increasing transaction volume and value. MSME merchants accounted for 40.92 million or 95.74% of total QRIS merchants in Q4-2025. Micro enterprises (UMI) had the largest share (62.72%), followed by small enterprises (UKE) (27.94%) and medium enterprises (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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CHAPTER 3

BANK INDONESIA POLICY MIX 2025: FOSTERING GROWTH, MAINTAINING STABILITY

Bank Indonesia implements a policy mix to promote economic growth while maintaining stability, in close synergy with national economic policies. Monetary policy is oriented toward safeguarding stability while continuously assessing the available space to support economic growth (pro-stability and growth), whereas macroprudential policy and payment system policy are directed toward fostering sustainable economic growth (pro-growth). This policy mix represents a balance between safeguarding stability against the adverse spillover effects of global uncertainty and collective efforts to promote higher and more resilient economic growth. The main policy mix is supported by strengthened policies for money market and foreign exchange (FX) market deepening, micro, small and medium enterprises (MSMEs), and sharia economy and finance development, as well as international policy initiatives.





Bank Indonesia's policy mix in 2025 was strengthened and directed toward fostering economic growth while maintaining stability, in close synergy with national economic policies. In terms of monetary policy, with inflation remaining low and within the target range, Bank Indonesia reduced interest rate and expanded monetary operations to stimulate economic growth, while safeguarding Rupiah exchange rate stability. In terms of macroprudential policy, liquidity incentives are provided to the banking industry to encourage credit and financing to priority sectors under the Government's *Asta Cita* program. In terms of payment system policy, digitalization is accelerated to promote economic and financial inclusion, particularly in the real sector and among micro, small, and medium enterprises (MSMEs). These three core components of Bank Indonesia's policy mix are supported by measures to deepen the money market and foreign exchange market, develop MSMEs and the sharia economy and finance, as well as strengthen international policy.

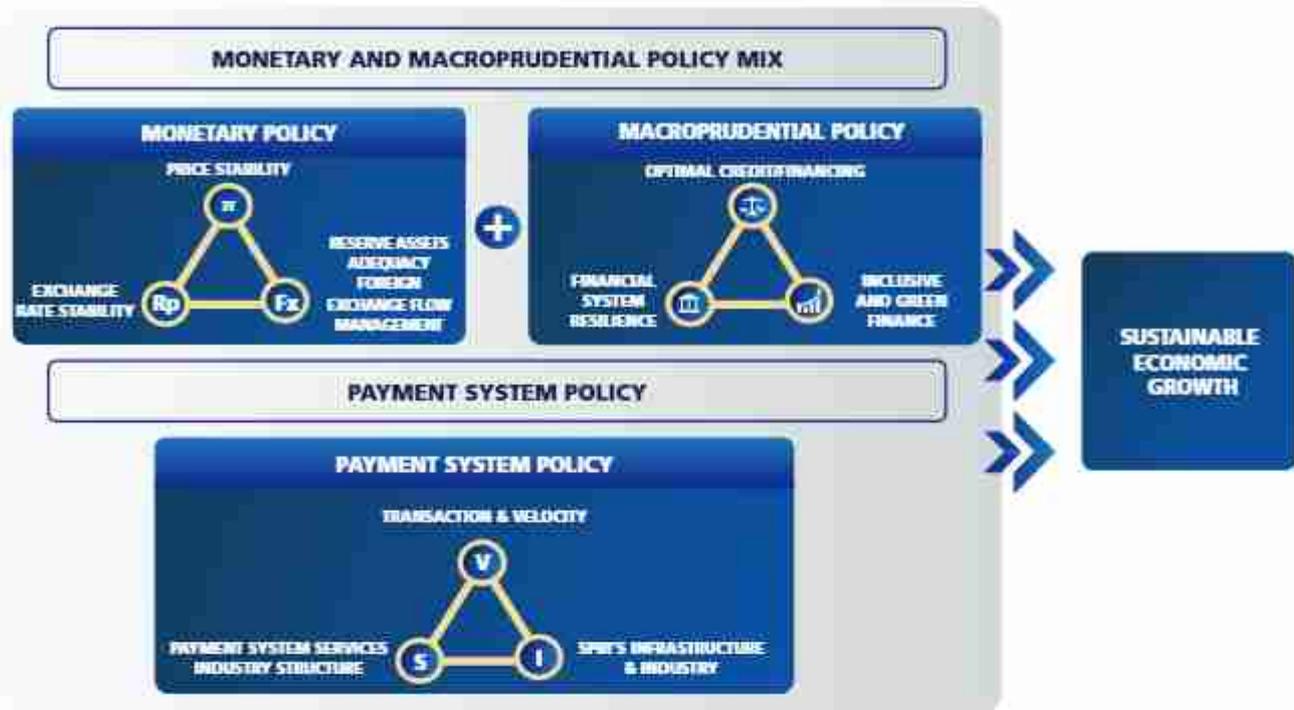
3.1. Bank Indonesia's Policy Mix Conception

In accordance with the Bank Indonesia Act, as amended most recently by the Financial Sector Development and Strengthening Act (UU P2SK), the objective of Bank Indonesia as the central bank of the Republic of Indonesia is to achieve Rupiah stability, maintain payment system stability, and contribute to preserving financial system stability (SSK) in support of sustainable economic growth. Rupiah stability is measured by achieving the inflation target set by the Government and maintaining Rupiah exchange rate stability, supported by adequate foreign exchange reserves (Figure 3.1.). Payment system stability is reflected in the velocity of money circulation, comprising banknotes, account-based money, and digital money, that aligns with the needs of the economy, a healthy and efficient national payment system industry structure, and the provision of secure and reliable payment system infrastructure. Meanwhile, financial system stability is reflected in optimal credit/financing growth, mitigated

financial system risks, and the expansion of economic and financial inclusion. In this regard, Bank Indonesia contributes to maintaining SSK through macroprudential policy in the banking sector from a macro-financial linkage perspective, considering that SSK is a shared responsibility among the Ministry of Finance, Bank Indonesia, the Financial Services Authority (OJK), and the Deposit Insurance Corporation (LPS) under the Financial System Stability Committee (KSSK). These three stability objectives of Bank Indonesia are critical and, therefore, oriented toward supporting sustainable economic growth.

To achieve its objectives, Bank Indonesia performs three main functions: monetary policy, macroprudential policy, and payment system policy. Accordingly, Bank Indonesia's support for sustainable economic growth is pursued through these three functions, which can be elaborated as follows. *First*, through monetary policy, achieving the inflation target and Rupiah exchange rate stability is essential for the development of various economic and financial activities by the Government, the financial sector, businesses, and the public. Low inflation strengthens purchasing power and enhances certainty for businesses. Similarly, Rupiah exchange rate stability is vital for controlling inflation, maintaining financial system stability, ensuring stability in the Government Securities (SBN) market and fiscal financing, and providing certainty for businesses. *Second*, through payment system policy, innovation in payment instruments, smooth transactions, a healthy industry structure, and stable payment system infrastructure determine the velocity, efficiency, and productivity of various economic and financial activities, both account-based and digital. Likewise, the circulation of banknotes in sufficient quantity and quality is necessary for the public, including in the frontmost, the outermost, and the remote regions. *Third*, through macroprudential policy, optimal growth in bank lending/financing, supported by the maintenance of banking system stability and close synergy within the KSSK, plays an important role in promoting sustainable economic growth. To support the implementation of these three functions, Bank

Figure 3.1. Bank Indonesia Policy Mix 2025



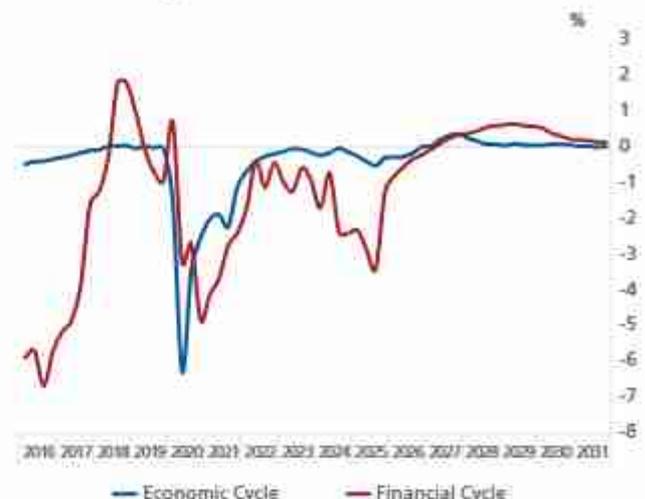
Source: Bank Indonesia

Indonesia is also vested with authority in money market deepening and international policy, in addition to participating in MSME development and the sharia economy and finance.

In carrying out its three core functions, Bank Indonesia adopts an optimal policy mix to strike a balance between maintaining stability and supporting national economic growth, while also considering the impact of global economic developments. The policy mix is based on Bank Indonesia's assessments, projections, and simulations of movements in the national economic and financial cycles going forward. In this regard, an accommodative policy mix stance is applied when the cycle is contracting and below potential economic capacity (stagnation or recession), whereas a tighter policy stance is adopted when the cycle is expanding beyond potential capacity (boom or overheating). For example, at present, Indonesia's economic and financial cycles are trending upward yet remain below potential economic capacity (Graph 3.1.). This is reflected, among others, in low core inflation, a narrow current account deficit, and economic growth that has not yet become broad-based, that is,

covering most sectors. Conceptually, therefore, Bank Indonesia's policy mix stance, comprising monetary, macroprudential, and payment system policies, tends to be accommodative to balance the achievement of stability and sustainable economic growth. Nevertheless, as an open economy, the spillover effects of global turmoil influence national economic stability and resilience. As explained elsewhere in this report,

Graph 3.1. Indonesia's Economic and Financial Cycles



Source: Bank Indonesia and Consensus Indonesia



US tariff policies and global geopolitical tensions have exerted pressures on Rupiah exchange rate stability and triggered foreign portfolio investment outflows. These considerations underpin the current policy mix stance, whereby monetary policy is oriented toward “pro-growth and stability,” while payment system and macroprudential policies remain “pro-growth,” supported by measures to deepen the money market and programs to foster economic and financial inclusion.

Based on the stance of Bank Indonesia’s policy mix, the following outlines the key policy instruments implemented in 2025.

- i. **Bank Indonesia’s monetary policy is implemented through reductions in the BI-Rate, Rupiah exchange rate stabilization, and liquidity expansion.** These measures aim to optimize the monetary policy trilemma, namely maintaining price stability, exchange rate stability, and adequate foreign exchange reserves.⁶ The BI-Rate has been lowered six times, totaling 150 basis points since September 2024, to 4.75%, the lowest level since 2022. Rupiah stabilization measures have been reinforced through interventions in the offshore market via Non-Deliverable Forward (NDF) transactions and interventions in the domestic market through spot transactions, Domestic Non-Deliverable Forward (DNDF), and purchases of Government Securities (SBN) in the secondary market. Rupiah liquidity expansion has also been pursued through reductions in Bank Indonesia Rupiah Securities (SRBI) positions and purchases of SBN, including secondary market purchases and debt-switching programs, as part of close synergy between Bank Indonesia’s monetary policy and the Government’s fiscal policy. Monetary policy is further supported by Macroprudential Liquidity Incentives (KLM) and accelerated payment system digitalization to stimulate economic growth.
- ii. **In the area of macroprudential policy, liquidity incentives were strengthened, and all macroprudential instruments were eased to encourage bank credit/financing growth and support the maintenance of financial system stability.** In this regard, the three objectives of the macroprudential policy trilemma, optimal credit, financial system stability, and financial inclusion, moved in the same direction and were further reinforced. The KLM policy was strengthened to promote bank credit disbursement to priority sectors aligned with the Government’s priority programs under the *Asta Cita* framework. The Bank Foreign Funding Ratio (RPLN) instrument was eased to broaden banks’ alternative funding sources from abroad. The Macroprudential Liquidity Buffer (PLM) was also relaxed to provide additional liquidity by reducing the required securities holdings relative to Third-Party Funds. Other macroprudential policy instruments remained accommodative to support credit expansion, namely the Countercyclical Capital Buffer (CCyB), the Macroprudential Intermediation Ratio (RIM), the Loan-to-Value/Financing-to-Value (LTV/FTV) ratios for property credit/financing, and down payment requirements for motor vehicle credit/financing. Macroprudential and money market surveillance of the banking system were also strengthened to help safeguard financial system stability, supported by close coordination within the Financial System Stability Committee (KSSK).
- iii. **Acceleration of payment system digitalization and ensuring adequate currency circulation continued to be pursued to support smooth, efficient, and productive economic and financial transactions.** Digitalization is implemented through innovation in payment instruments and expansion of digital payment services, strengthening the industry structure and payment system infrastructure stability, and integrating the national digital economy and finance ecosystem. Implementation of the Indonesia Payment System Blueprint (BSPI) 2025 has successfully achieved various

⁶ As part of efforts to maintain price stability, Bank Indonesia has also consistently provided support, among others, through the development of food clusters. A more detailed explanation can be found in Box 3.1. Development of Food Clusters to Support Price Stability.

strategic transformations in payment systems, including broader acceptance of QRIS, implementation of BI-FAST, and the National Open API Payment Standard (SNAP), which have increased payment velocity and retail transaction efficiency. Digital payment system transformation continues under BSPI 2030, focusing on strengthening payment system resilience and expanding interconnection and interoperability, both domestically and internationally. In 2025, Bank Indonesia continued to broaden digital payment acceptance through QRIS pricing schemes that are more affordable for Public Service Agency (BLU) and Public Service Obligation (PSO) merchants. In terms of innovation, QRIS features have been expanded with the launch of QRIS Tap, based on Near Field Communication (NFC) technology. The payment system industry structure is reinforced to ensure interconnection and interoperability among payment service providers through expanded SNAP implementation and strengthened industry governance via enhanced surveillance and risk management, including measures against illegal transactions and cyber threats. Payment system infrastructure stability was maintained through optimization of BI-FAST Phase I Stage 2 features, which include bulk transfers, request for payment, and direct debit transfers. In line with public financial digitalization, Bank Indonesia strengthens the digitalization of government financial transactions through the Regional Digitalization Acceleration and Expansion Program (P2DD) and increased acceptance of the Indonesia Credit Card (KKI) to improve transparency, efficiency, and fiscal governance. Furthermore, international synergy was expanded through the implementation of Regional Payment Connectivity (RPC) within ASEAN and the establishment of a new QRIS cross-border payment corridor between Indonesia and Japan to strengthen cross-border connectivity and support regional digital economic integration. Meanwhile, to ensure smooth, efficient, and productive

economic and financial transactions across Indonesia, particularly in areas with limited digital acceptance and infrastructure, Bank Indonesia continues to ensure the adequacy and quality of Rupiah currency and strengthens collaboration with various stakeholders to guarantee the availability of high-quality, reliable, and easily accessible Rupiah currency for all segments of society.

3.2. Monetary Policy

Interest rate policy in 2025 was determined at each monthly Board of Governors Meeting (RDG) in a forward-looking and pre-emptive manner to steer inflation forecasts for the next two years within the target range set by the Government, namely $2.5 \pm 1\%$ in 2025 and 2026. As previously explained, Bank Indonesia reduced the BI-Rate six times by a total of 150 basis points, from 6.25% in September 2024 to 4.75% in September 2025, marking the lowest level since 2022 (Graph 3.2). The BI-Rate reductions were decided by Bank Indonesia in September 2024 and, during 2025, in January, May, July, August, and September, each by 25 basis points. At the monthly RDG held on 16–17 December 2025, Bank Indonesia also decided to maintain the BI-Rate at 4.75%, the Deposit Facility rate at 3.75%, and the Lending Facility rate at 5.50% to continue encouraging banks to utilize liquidity easing for the real sector. This decision aligns with the Government's

Graph 3.2. BI-Rate and INDONESIA





efforts to stimulate economic growth while keeping inflation in 2025 and 2026 within the 2.5±1% target range (Graph 3.3.) and maintaining Rupiah exchange rate stability in line with its fundamentals. Moving forward, Bank Indonesia will continue to monitor economic growth and inflation prospects to leverage room for further BI-Rate reductions while considering Rupiah exchange rate stability.

Rupiah exchange rate stabilization policy is implemented to safeguard the external resilience of the national economy against the impact of global turmoil. Strengthening the Rupiah stabilization strategy in line with fundamentals was pursued through interventions in the domestic market via spot and Domestic Non-Deliverable Forward (DNDF) transactions, as well as offshore market interventions through Non-Deliverable Forward (NDF) transactions. This strategy was complemented by purchases of Government Securities (SBN) in the secondary market to enhance liquidity and maintain financial market stability. The Rupiah exchange rate, which had reached around Rp17,000 per US dollar in early April 2025, has since appreciated and stabilized at around Rp16,300–16,700 per US dollar. Bank Indonesia remains firmly committed to maintaining Rupiah exchange rate stability as an integral part of economic stability and the stability of the Republic of Indonesia.

Liquidity expansion was implemented through a pro-market monetary operations strategy to strengthen the effectiveness of interest rate transmission, increase liquidity, and accelerate money market and foreign exchange market deepening. This strategy comprised three measures. *First*, increasing liquidity in the money market and banking sector by reducing SRBI positions from Rp916.97 trillion at the beginning of 2025 to Rp730.90 trillion as of 31 December 2025 (Graph 3.4). *Second*, lowering the interest rate structure of monetary instruments and foreign exchange swaps in line with liquidity expansion to accelerate the effectiveness of reductions in deposit and lending rates. SRBI yields for tenors of 6, 9, and 12 months declined by 231 bps, 230 bps, and 235 bps, respectively, since the beginning of 2025 to 4.85%, 4.90%, and 4.92% as of 19 December 2025 (Graph 3.5). *Third*, strengthening the role of

Monetary liquidity expansion, implemented through a pro-market monetary operations strategy, strengthens the effectiveness of policy rate transmission, enhances liquidity, and accelerates money market and foreign exchange market deepening

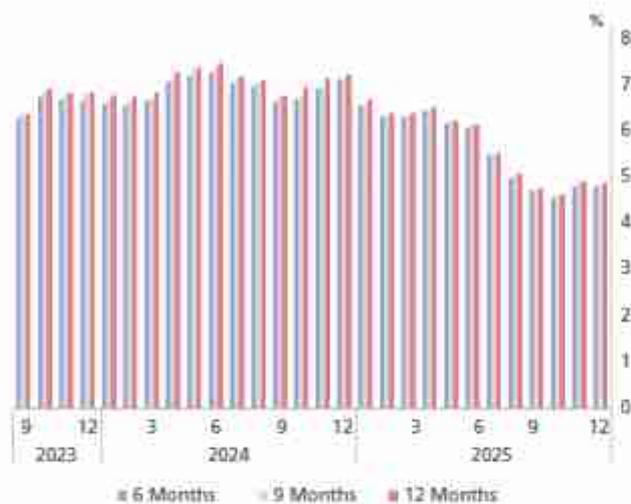
Graph 3.3. Inflation Expectations



Graph 3.4. SRBI Position



Graph 3.5. SRBI Rate



Source: Bank Indonesia

primary dealers to increase SRBI transactions in the secondary market and repurchase agreement (repo) transactions among market participants. Furthermore, to reinforce the effectiveness of liquidity expansion, as mentioned earlier, at the RDG on 16–17 December 2025, Bank Indonesia maintained the Deposit Facility rate at 3.75% to encourage banks to channel excess liquidity into credit to the real sector, thereby supporting higher economic growth.

Bank Indonesia continues to optimize various pro-market instrument innovations.⁷ Since November 2025, Bank Indonesia has expanded the underlying assets for repos in its monetary operations to include other high-quality securities issued by financial institutions established or owned by the Government to support Government programs aimed at public welfare. To support the 2030 Money Market and Foreign Exchange Market Deepening Blueprint (BPPU), Bank Indonesia also introduced BI-FRN (Floating Rate Notes) and developed Overnight Index Swaps (OIS) for tenors beyond overnight to establish an interest rate structure based on money market transactions. In support of the sharia money market, Bank Indonesia expanded the investor base for Sukuk Bank Indonesia (SUKBI) to include banks and non-bank financial institutions, as well as non-residents.

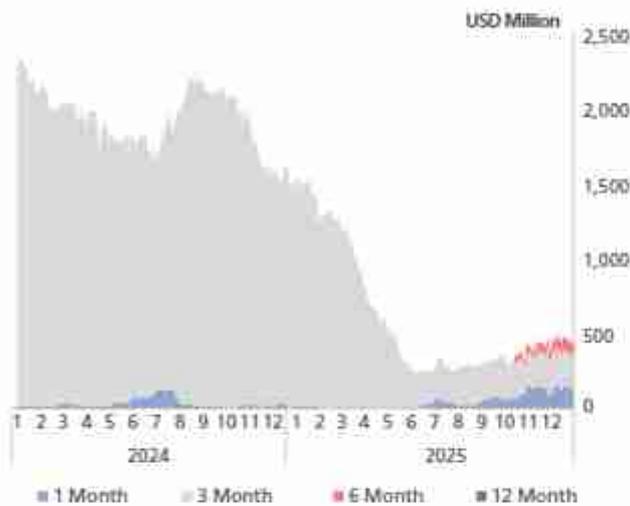
⁷ A more detailed explanation of innovations in monetary operations strategy can be found in Box 3.2. Innovation in Pro-Market Monetary Operations Strategy to Accelerate Financial Market Deepening and Improve Market Efficiency.

Purchases of SBN from the secondary market were conducted in line with the accommodative monetary policy stance through BI-Rate reductions and liquidity expansion. As of 31 December 2025, Bank Indonesia had purchased SBN amounting to Rp332.14 trillion since January 2025, including Rp246.68 trillion through secondary market purchases and debt-switching programs with the Government. SBN purchases in the secondary market were carried out based on market mechanisms, in a measured, transparent manner, and consistent with monetary policy objectives to maintain economic stability and preserve monetary policy credibility. Furthermore, these purchases represent close synergy between Bank Indonesia’s monetary policy and the Government’s fiscal policy to jointly maintain macroeconomic stability and stimulate economic growth. In this regard, part of the SBN purchased was utilized by the Government to finance people-centered economic programs, such as Public Housing and the Red and White Village Cooperatives (KDMP).

The three monetary instruments mentioned above—namely, BI-Rate policy, Rupiah exchange rate stabilization, and liquidity expansion—are supported by adequate foreign exchange reserves and foreign exchange flow management. Bank Indonesia consistently ensures reserve adequacy in accordance with international standards to support the Government’s external debt servicing and Rupiah stabilization policy. At the end of December 2025, the position of foreign exchange reserves stood at USD 156.5 billion, equivalent to 6.4 months of imports or 6.3 months of imports and Government external debt servicing, well above the international adequacy standard of approximately 3 months of imports. Bank Indonesia assesses that this level of reserves is sufficient to support external sector resilience and maintain macroeconomic and financial system stability. Furthermore, to support Rupiah exchange rate stability, Bank Indonesia also facilitates the implementation of the mandatory retention policy for Foreign Exchange Export Proceeds from Natural Resources (DHE SDA) in the domestic financial system in accordance with Government Regulation (PP) No. 8 of 2025.



Graph 3.6. Foreign Currency TD DHE Position



Source: Bank Indonesia

The instruments for placement and utilization of DHE SDA have been expanded to include, among others, placement in foreign currency Term Deposit (TD) instruments for tenors of up to 12 months (Graph 3.6), and placement in Bank Indonesia Foreign Exchange Securities (SVBI) and Bank Indonesia Foreign Exchange Sukuk (SUVBI) instruments for tenors of up to 12 months (Graph 3.7). In addition to foreign currency placement instruments, the flexibility provided under Government Regulation No. 8 of 2025 also encourages greater conversion of foreign currency into Rupiah. This has resulted in an increase in foreign currency supply from corporations, which in turn has contributed to higher Rupiah third-party funds (TPF) in the corporate sector.

Graph 3.7. SVBI Position



Source: Bank Indonesia

Bank Indonesia continues to strengthen coordination with Governments, both central and regional, in controlling inflation and supporting national economic growth. With respect to inflation control, particularly volatile food prices, synergies with Central and Regional Governments have been consistently enhanced through the Inflation Control Teams (TPIP/TPID). This has been implemented under the National Movement for Food Inflation Control (GNPIP) with full support from Bank Indonesia, involving both Bank Indonesia's Head Office and its 46 representative offices across Indonesia. Food inflation control adheres to the 4K Strategy, namely price affordability (*Keterjangkauan Harga*), supply availability (*Ketersediaan Pasokan*), uninterrupted distribution (*Kelancaran Distribusi*), and effective communication (*Komunikasi Efektif*). Bank Indonesia's support for GNPIP includes various programs, namely Productivity Enhancement, Food Security, Interregional Cooperation, Food Distribution Facilitation, Subsidized Discount Market, Data Digitalization, and Coordination and Public Communication, as shown in Table 3.1. Furthermore, Bank Indonesia consistently supports various Government initiatives to stabilize prices, including the Stabilization of Food Supply and Prices (SPHP) program, particularly for rice, and the intensive monitoring of food prices through periodic coordination meetings at the TPID and TPIP levels, as well as inspections at both market and producer levels. These actions are not limited to stabilizing short-term food prices but are also directed toward building a resilient and adaptive food security ecosystem in which supply chain efficiency, regional empowerment, and inter-agency coordination form the core foundation for maintaining price stability. In addition to price stabilization efforts, Bank Indonesia continues to support the Government, particularly at the regional level, in accelerating regional economic growth. This includes strengthening economic policy advisory to optimize potential sectors in each region, empowering MSMEs, promoting regional investment and trade through the Regional Investor Relation Unit (RIRU), and actively participating in the Regional Economic Growth Acceleration Team (TP2ED). It is expected that such

Table 3.1. Bank Indonesia's Support in GNPIP for Inflation Control in 2025

No.	GNPIP Flagship Program	Target	Achievement	Unit	Implementation (% to Target)					
					National	Sumatra	Jawa	Bali	Kalimantan	Sulawesi
1	Productivity Enhancement									
a.	Optimization of Good Agricultural Practices (GAP)	125	678	Program	542.40%	600.00%	529.27%	362.50%	437.50%	608.00%
b.	Food Cluster Institution	75	300	Program	400.00%	221.05%	317.86%	240.00%	1,140%	330.77%
2	Food Security									
a.	Replication of Best Practices	127	222	Program	174.80%	177.14%	182.50%	137.50%	193.33%	162.07%
b.	Food Downstreaming	115	178	Program	154.78%	105.88%	207.89%	100.00%	150.00%	159.09%
c.	Offtaker Partnership Facilitation	46	126	Program	273.91%	238.46%	307.14%	400.00%	333.33%	200.00%
3	Interregional Cooperation	132	378	MoU	286.36%	331.58%	339.53%	211.11%	188.24%	220.00%
4	Food Distribution Facilitation	226	1,690	Program	747.79%	863.93%	1,084.62%	600.00%	244.83%	368.18%
5	Subsidized Discount Market	13,800	19,993	Implementation	144.88%	148.60%	155.42%	119.13%	137.50%	133.20%
6	Data Digitalization	66	108	Program	163.64%	130.00%	181.82%	320.00%	162.50%	118.18%
7	Coordination and Public Communication									
a.	Institutional Coordination	626	980	Activities	156.55%	135.23%	180.58%	123.68%	126.83%	176.61%
b.	TPID Capacity Building	136	330	Program	242.65%	294.44%	259.57%	144.44%	212.50%	196.43%
c.	Managing Inflation Expectation	472	1,188	Program	251.69%	209.92%	192.81%	322.22%	259.38%	376.29%
d.	Food Diversification and Processing	175	282	Program	161.14%	119.15%	222.41%	150.00%	150.00%	128.95%
e.	Utilization of KLM Incentives	73	144	Program	197.26%	104.76%	254.17%	200.00%	155.56%	264.29%

Source: PowerApps GNPIP

Data as of 31 December 2025

synergy will foster high, inclusive, and sustainable regional economic growth, thereby supporting the national economic growth vision.

3.3. Macprudential Policy

To further encourage bank credit/financing to priority sectors and support the Government's *Asta Cita* program, Bank Indonesia strengthened implementation of the Macprudential Liquidity Incentive (KLM) policy. This innovative macroprudential easing policy has been in place since its initial implementation in March 2022 as part of Bank Indonesia's policy mix to support sustainable economic growth. Liquidity incentives were provided to banks in the form

of a reduction in Minimum Reserve Requirement (GWM) obligations to stimulate credit/financing growth for businesses. Bank Indonesia viewed the reduction of GWM through KLM liquidity incentives as more productive for the economy than lowering GWM obligations for all banks, which could otherwise have been used for currency speculation or for purposes unrelated to credit/financing for businesses. Based on this consideration, Bank Indonesia periodically reviews the implementation of KLM and, from time to time, strengthens its effectiveness in encouraging banks to channel credit/financing, both in terms of sector coverage and incentive size (Graph 3.8.). From the perspective of priority sector coverage, KLM initially targeted sectors recovering from the scarring effects of the COVID-19 pandemic and



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Bank Indonesia received "The Best Systemic and Prudential Regulator" in Asia Pacific Award 2025 from The Asian Banker. The award underscored the success of Bank Indonesia's macroprudential policies.

later expanded to sectors with high leverage for economic growth. In 2025, priority sector coverage was further strengthened to support job absorption capacity and the Government's *Asta Cita* program, with increasing incentive amounts. In December 2025, performance-based and forward-looking KLM policy incentives were further strengthened, comprising the lending channel and the interest rate channel. The size of KLM liquidity incentives was increased from 5.0% to 5.5% of third-party funds (TPF).

The strengthening of the KLM lending channel was implemented to encourage bank credit/financing, particularly to priority sectors, namely: (i) agriculture, industry, and downstreaming; (ii) services, including the creative economy; (iii) construction, real estate, and housing; and/or (iv) MSMEs, cooperatives, inclusion, and sustainable sectors, which are also designated as Government priority sectors in supporting economic growth. In addition, KLM incentives through the interest rate channel were also provided to banks that were responsive to reductions in the policy rate.

Graph 3.8. Evolution of Macroprudential Liquidity Incentive (KLM) Policy



Source: Bank Indonesia

The use of KLM liquidity incentives by banks continues to increase, in line with credit/financing growth, to support sustainable economic growth. As of end-December 2025, total KLM incentives amounted to Rp388.06 trillion. These were distributed as follows: State-Owned Banks (BUMN), Rp177.1 trillion; National Private Commercial Banks (BUSN), Rp169.5 trillion; Regional Development Banks (BPD), Rp34.6 trillion; and Foreign Bank Branch Offices (KCBA), Rp7.0 trillion. Overall, a total of 124 banks had received KLM liquidity incentives in significant amounts, namely in the range of 4–5% and more than 5% of their respective third-party funds (TPF), with 58 banks and 31 banks in each category, respectively (Graph 3.9). From the perspective

Graph 3.9. Number of Banks Receiving KLM Incentives

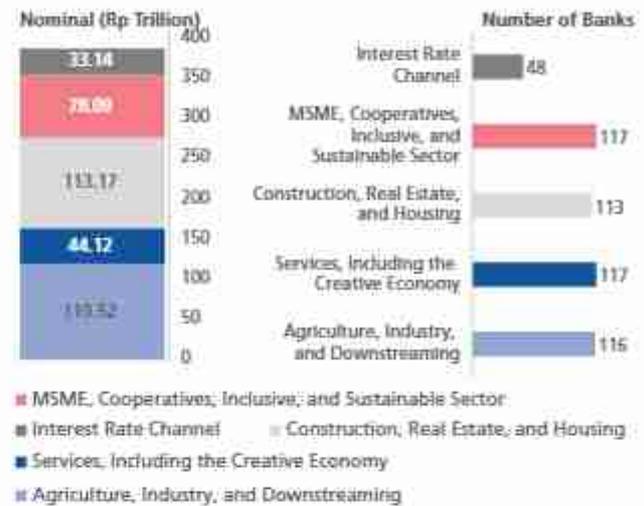


Source: Bank Indonesia

of priority sectors under the KLM lending channel, as illustrated in Graph 3.10., the largest allocation of KLM incentives was channeled to credit/financing in the Agriculture, Industry, and Downstreaming sector (Rp119.52 trillion), followed by the Construction, Real Estate, and Housing sector (Rp113.17 trillion), inclusive of financing for MSMEs, Cooperatives, Inclusion, and Sustainable sectors (Rp78.09 trillion), and the Services sector, including the creative economy (Rp44.12 trillion). Meanwhile, KLM incentives through the interest rate channel amounted to Rp33.14 trillion. The provision of KLM liquidity incentives was assessed to be effective in encouraging banks to expand credit/financing in support of sustainable economic growth. Going forward, Bank Indonesia will periodically conduct assessments of the speed at which banks adjust lending rates in response to changes in the policy rate, as well as the coverage of priority sectors, to ensure alignment with Government programs and job creation objectives.

Bank Indonesia implements a performance-based and forward-looking Macroprudential Liquidity Incentive (KLM) policy comprising a lending channel and an interest rate channel

Graph 3.10. KLM Disbursements by Priority Sector



Source: Bank Indonesia

Bank Indonesia strengthened the Bank Foreign Funding Ratio (RPLN) instrument to enhance banks' funding capacity in support of optimal liquidity management and bank lending. The RPLN policy is an innovative countercyclical macroprudential instrument designed to strengthen banks' short-term foreign funding in line with economic needs. RPLN regulates the maximum limit of short-term bank liabilities relative to capital. Short-term liabilities covered by RPLN include: short-term foreign debt of banks; short-term domestic foreign currency bonds; and/or short-term risk participation transactions. RPLN has two policy features: a countercyclical and a risk-based approach. The RPLN limit is dynamic, determined by countercyclical parameters that consider macroeconomic and financial cycles, as well as the banking industry's foreign debt cycle, which is evaluated periodically. Using a risk-based approach, the application of countercyclical parameters in RPLN considers external risks and macro-financial risks, including prudential principles covering capital capacity, credit risk, and market risk. Effective 1 June 2025, Bank Indonesia set the countercyclical parameter at 5%, thereby increasing the maximum RPLN limit from 30% to 35%.⁸ The implementation of this

8. Regulation of Member of Board of Governors Number 12 of 2025 on The Amendment to Regulation of Member of Board of Governors Number 7 of 2024 on the Implementing Regulation of the Bank's Foreign Funding Ratio.



countercyclical parameter strengthens banks' liquidity capacity in line with national economic needs while maintaining prudential principles.

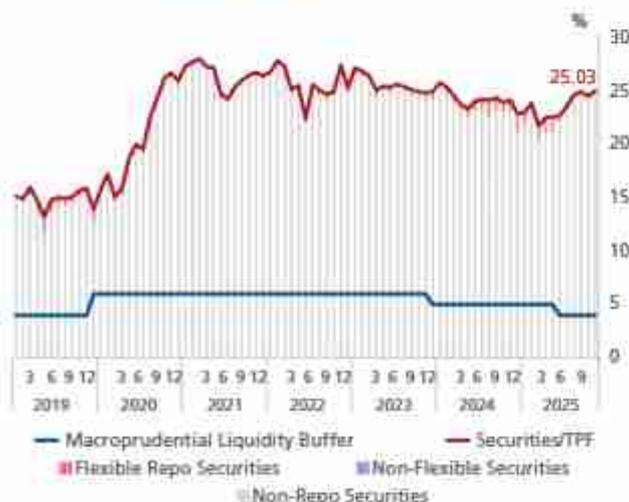
Bank Indonesia continued to maintain adequate banking liquidity, including flexibility in the Macroprudential Liquidity Buffer (PLM) ratio, to strengthen credit/financing while safeguarding financial system stability. As explained previously, ample banking liquidity conditions were reflected in the LA/TPF and LDR ratios, which stood at 28.57% and 85.35%, respectively, in December 2025. To enhance flexibility in liquidity management, Bank Indonesia relaxed the PLM ratio, which requires banks to hold a portion of liquid assets in high-quality securities such as Government Securities (SBN). Effective 1 June 2025, Bank Indonesia reduced the PLM ratio from 5% to 4% for Conventional Commercial Banks (BUK) and Sharia PLM ratio from 3.5% to 2.5% for Sharia Commercial Banks/Sharia Business Units (BUS/UUS).⁹ (Graph 3.11.). In addition to lowering the PLM ratio, Bank Indonesia also adjusted the repo flexibility feature in PLM/Sharia PLM policies. The repo flexibility for fulfilling the PLM requirement for BUK was reduced to 4% from the previous 5%, while the repo flexibility

for sharia-compliant securities to meet the Sharia PLM requirement for BUS was reduced to 2.5% from 3.5%. These adjustments provided banks with greater room to manage liquidity through repo transactions on securities they hold to meet PLM/Sharia PLM obligations. As of November 2025, all banks had PLM ratios above 5% of TPF, with 79 banks above 20% and 22 banks between 10–20% (Graph 3.12.). Almost all securities for PLM compliance were held by banks, with only a small portion being transacted through repos to Bank Indonesia. This development indicated ample liquidity in the banking system, thereby supporting credit/financing for the economy. As outlined in the previous chapter, banks tended to place excess liquidity in securities as an alternative use of funds amid still-weak credit demand from eligible businesses. Going forward, as Indonesia's economic recovery continues to strengthen, bank lending/financing is expected to grow further.

Accommodative macroprudential policy is maintained to help preserve financial system stability and support sustainable economic growth. In addition to expanding the coverage of priority sectors and increasing KLM liquidity incentives, strengthening the RPLN, and providing flexibility in the PLM ratio, other macroprudential policy instruments remain accommodative to safeguard financial system stability and support sustainable economic

⁹ Regulation of Members of the Board of Governors Number 11 of 2025 concerning the Eighth Amendment to Regulation of Members of the Board of Governors Number 21/22/PADG/2019 on the Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffer for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units.

Graph 3.11. Macroprudential Liquidity Buffer (PLM)



Source: Bank Indonesia

Graph 3.12. Distribution of Macroprudential Liquidity Buffer (PLM)



Source: Bank Indonesia

growth. In this regard, Bank Indonesia continued the various accommodative macroprudential instruments that have previously been implemented. The Loan-to-Value/Financing-to-Value (LTV/FTV) ratio was maintained at 100% for all property types (including public housing), and the relaxation of 0% down payment requirements for motor vehicle credit/financing was upheld. Likewise, Bank Indonesia continued to maintain a 0% Countercyclical Capital Buffer (CCyB) and a Macroprudential Intermediation Ratio (RIM) of 84–94% (with the RIM realization at 83.95% by the first week of December 2025) to support liquidity flexibility and bank lending. For its part, the Macroprudential Inclusive Financing Ratio (RPIM) promotes inclusive economic and financial development, especially for MSMEs, whereas the Prime Lending Rate (SBDK) transparency policy supports the effectiveness of interest rate and macroprudential policy transmission.

Bank Indonesia continued to strengthen macroprudential and money market surveillance of the banking system to maintain financial system stability. Macroprudential surveillance focuses on the macroeconomic–financial linkages of large banks, which play an essential role in lending/financing and financial system stability. This surveillance assessed liquidity risk, market risk (interest rate and exchange rate risk), and credit risk arising from domestic and global macroeconomic dynamics. Risk assessment were conducted for individual large banks and their interlinkages within the banking system, both in the short term (cross-section) and dynamically over the next two years (forward-looking). Stress tests using these three risk parameters were based on projections of Indonesia's macroeconomic outlook and on the impact of global economic dynamics. Meanwhile, market surveillance focused on assessing the three risks arising from transaction activities and the interconnectedness of large banks in the money and foreign exchange markets. In addition to risk assessments, macroprudential and market surveillance also focus on human resources capabilities, risk management, and technology used in large banks. Both forms of surveillance are mandated by the Financial Sector

Development and Strengthening Act (P2SK Act), which enhances Bank Indonesia's mandate on macroprudential policy and deepens the money and foreign exchange markets. The results of macroprudential and market surveillance are essential considerations in formulating Bank Indonesia's policy mix and are an integral part of bilateral supervisory coordination with the OJK, as well as broader coordination to maintain financial system stability within the Financial System Stability Committee (KSSK).

Bank Indonesia strengthened policy synergy with KSSK and other authorities to maintain financial system stability. Throughout 2025, KSSK held regular quarterly meetings and additional sessions as necessary. Coordination with KSSK aimed to conduct joint assessments of financial system conditions and coordinate policy responses to safeguard financial system stability. Overall, the financial system remained sound and resilient during 2025, withstanding pressures from global and domestic conditions. Bank Indonesia contributed to preserving financial system stability through exchange rate stability, optimal credit/financing growth, surveillance of major banks, particularly with respect to liquidity and market risks, and payment system stability. Stress testing on financial system stability was conducted jointly, along with simulations of coordination for the prevention and management of potential crises. KSSK also coordinated in preparing follow-up actions on regulations required for implementing the P2SK Act. In this regard, Bank Indonesia had issued 16 out of 17 requisite Bank Indonesia Regulations (PBI), with the remaining regulation to be completed within the prescribed timeline. Bank Indonesia further strengthened collaboration with various authorities and international forums in the areas of macroprudential policy and financial system stability, as part of efforts to reinforce domestic financial system resilience and contribute to global financial stability. This commitment was reflected in Bank Indonesia's active role in strategic international forums, such as the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS). Bank Indonesia also reinforced its leadership role in the Asia-Pacific region by serving as Chair



of the Working Group on Banking Supervision (WGBS) under the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) for the 2024–2026 term. In this capacity, Bank Indonesia actively promoted discussions on strategic issues, such as strengthening financial sector supervision, banking digitalization, and climate risk assessment, which are all increasingly relevant to financial system stability. As a result of these efforts and active engagement, Bank Indonesia received the Best Systemic and Prudential Regulator in Asia Pacific Award 2025 from The Asian Banker.

3.4. Payment System Policy

Bank Indonesia has continued to accelerate payment system digitalization through innovation in instruments and the expansion of digital payment services to strengthen integration of the national digital economy–financial ecosystem.¹⁰ The use of Quick Response Code Indonesia Standard (QRIS), as the only national QR standard for digital economic–financial transactions in Indonesia, has been expanded continuously through a broad acceptance campaign, coupled with innovative ease and convenience features for the public. In 2025, a wide-ranging campaign to expand QRIS acceptance were implemented nationally and in various regions through the 46 representative offices of Bank Indonesia. Bank Indonesia has further innovated QRIS features in collaboration with the Indonesia Payment System Association (ASPI) through the development of national standards for QRIS Tap (QRIS TAP), particularly to support digital public services and retail transactions. To further increase digital payment transactions for the people-centered economy, Bank Indonesia in 2025 continued to provide incentives in the form of broadened digital acceptance as a commitment to supporting the provision of public services by the Government through the QRIS pricing scheme for Public Service Agency (BLU) and Public Service

Obligation (PSO) merchants, reduced from 0.4% to 0%. As of the fourth quarter of 2025, QRIS users totaled 59.53 million, surpassing the target of 58.0 million, with 42.75 million merchants, most of which are MSMEs. Spatially (Graph 3.13.), most QRIS users were located in the Java region, totaling 40.83 million, followed by Sumatra (10.40 million), Sulawesi, Maluku and Papua (3.38 million), Kalimantan (2.95 million) and Bali–Nusa Tenggara (1.98 million). The acceleration in QRIS transactions also continued, with a transaction volume increase of 139.99% (yoy) and a transaction nominal increase of 107.22% (yoy) (Graph 3.14.). The rising popularity of QRIS among the public indicates the growing benefits of digital payment system acceleration by Bank Indonesia to support inclusive and sustainable economic growth.

The broadening of acceptance and stability of BI-FAST has been enhanced as the retail payment system infrastructure increasingly popular among the public. As is known, BI-FAST began implementation in 2022 as a nationally driven retail payment system infrastructure to meet the rapidly growing needs of retail transactions, equipped with real-time features and 24/7 nonstop operation. Bank Indonesia also provides various benefits, including open participation, options for independent or shared infrastructure, a maximum transaction limit of Rp250 million per transaction, and a BI-FAST pricing scheme of up to Rp2,500 per transaction for customers, with a

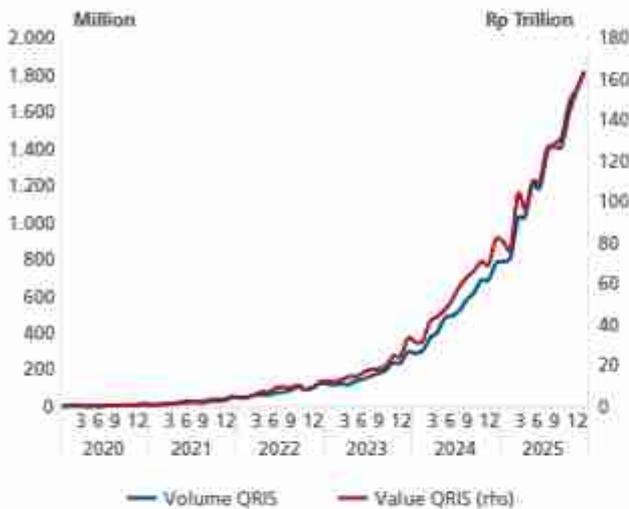
Graph 3.13. Number of QRIS Users per Region



Source: Bank Indonesia

10 More detailed explanations regarding innovation in the payment systems sector can be found in Box 3.3. Hackathon: Developing Digital Talent to Drive Innovation in the Digital Economy and Finance Ecosystem.

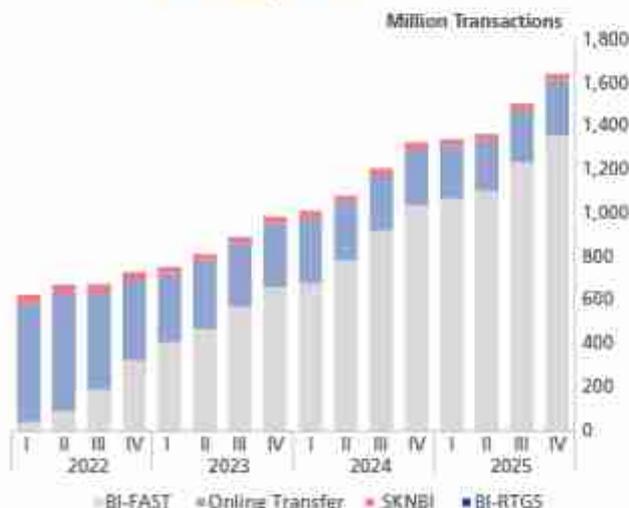
Graph 3.14. QRIS Performance: Transaction Volume and Value



Source: Bank Indonesia

fee of Rp19 per transaction paid by participants to Bank Indonesia. The introduction of BI-FAST Phase I Stage 2 features has also been optimized to include bulk transfer services, request-for-payment, and direct debit transactions to support digital economic and financial services. As of the fourth quarter of 2025, the volume of retail payment transactions below Rp250 million processed through BI-FAST reached 1,358.65 million transactions, accounting for 82.6% of total retail payment transaction volume (Graph 3.15.). The BI-FAST transaction value is generally retail under Rp500,000 per transaction, representing around 59.6% of all transaction

Graph 3.15. BI-FAST Transaction Volume vs Other Retail Payments

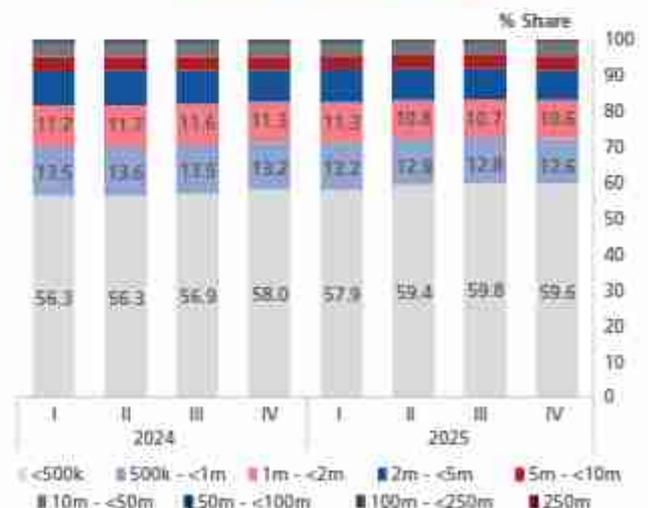


Source: Bank Indonesia

segments (Graph 3.16.). These developments indicate that BI-FAST is increasingly capable of providing inclusive digital payment services to the public and nurturing cooperation in payment services. As public acceptance continues to grow, Bank Indonesia is strengthening BI-FAST service stability end-to-end, from the stability of payment system infrastructure at Bank Indonesia to the technology and risk management of Payment Service Providers (PSPs), as well as the services provided by PSPs to the public. Consumer protection, prevention against illegal transactions, and the reliability of cybersecurity technology remain key priorities in Bank Indonesia's policy and supervisory framework.

Digital payment system services offered by the banking industry and nonbank PSPs have increased rapidly in line with the growing interconnection between industry players. Digital payments in 2025 were projected to reach 49.76 billion transactions, with a value of approximately Rp80.77 trillion (Graph 3.17.). This rapid development reflected the increasing public acceptance and preference for digital payment services, which provide convenience in conducting various economic and financial transactions quickly, easily, and at low cost. In this regard, to further facilitate digital payment transactions for the public while simultaneously strengthening the structure of the payment system industry, the implementation

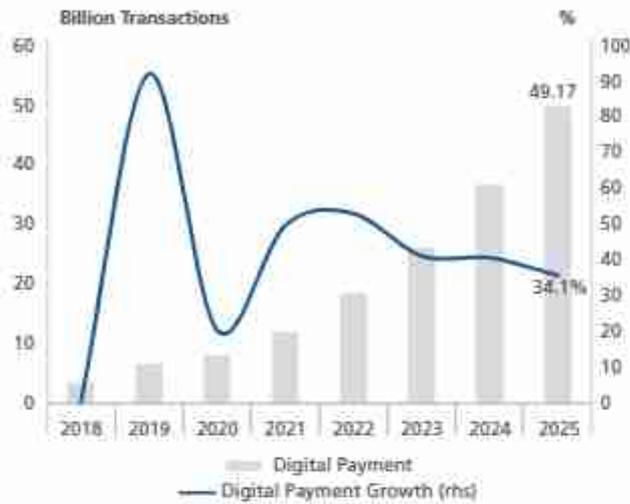
Graph 3.16. BI-FAST Transaction Volume by Transaction Value Bracket



Source: Bank Indonesia



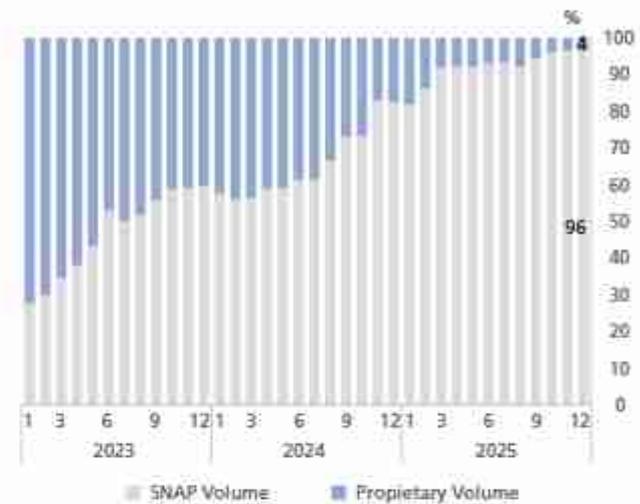
Graph 3.17. Digital Payment Transaction Volume



Source: Bank Indonesia

of the National Open API Payment Standard (SNAP) continued to be expanded to support interconnection of digital banking services between banks and fintech. Following SNAP implementation for first movers and second movers in 2022 and 2023, Bank Indonesia, in collaboration with ASPI, has optimized efforts in 2025 to expand SNAP integration and adoption in the MSME and non-profit segments. SNAP adoption in the interconnection of payment services by the payment system industry has also demonstrated significant progress, accounting for approximately 96% of total payment transaction volume (Graph 3.18). To strengthen a healthy, efficient, and stable PSP industry structure, Bank Indonesia continues to enhance payment system surveillance, including human

Graph 3.18. Composition of Transaction Volume among SNAP Participants



Source: Bank Indonesia

resource competency, risk management practices, and the reliability of technology infrastructure. The results of such surveillance serve as the basis for determining the health and classification of PSPs in their participation in BI-FAST, licensing processes, and the development of payment services to the public.

Bank Indonesia continued to strengthen policy synergy with the Central and Regional Governments in the digitalization of social assistance distribution and government financial transactions. The smooth delivery of Non-Cash Social Assistance (BSNT) to Beneficiary Families (KPM) was maintained through coordination, facilitation, and education, as well as monitoring activities involving all Bank Indonesia



The Indonesia-Japan Cross-Border QRIS was officially launched on 17 August 2025, in conjunction with the 80th Independence Day of the Republic of Indonesia.

representative offices. The implementation and acceptance of the Government segment of the Indonesia Credit Card (KKI) continued to be expanded to support efficiency in government financial transactions and promote financial inclusion. Launched in August 2022, the Government segment of KKI is a national credit card scheme for domestic use, starting with government transactions and later extending to retail transactions. After successfully integrating QRIS into the Government segment of KKI, Bank Indonesia in 2025 focused on promoting the use of the KKI Government segment to further expand its acceptance. With these various benefits, and supported by consistent efforts from Bank Indonesia and the Indonesia Payment System Association (ASPI) to strengthen implementation and acceptance, the number of participating Regional Governments continued to increase. Likewise, KKI transactions continued to grow in both volume and value, dominated by transactions from Regional Governments using the QRIS feature. KKI transactions were most common in the transportation and hotel sectors. The implementation of Regional Government Transaction Digitalization (ETPD) is also being expanded in collaboration with the Regional Digitalization Acceleration and Expansion Task Force (P2DD) through the establishment of P2DD catalyst forums. In addition, synergy with ministries, institutions, and other authorities continues through the organization of the Indonesia Digital Economy and Finance Festival (FEKDI) in October 2025.

Bank Indonesia continued expanding cross-border payment cooperation through implementation of the Regional Payment Connectivity (RPC) initiative in ASEAN and with several other important economic partner countries of Indonesia. The expansion of cross-border QR-based payment cooperation has now been implemented between Bank Indonesia and the Bank of Thailand (BoT), Bank Negara Malaysia (BNM), the Monetary Authority of Singapore (MAS), and Japan's Ministry of Economy, Trade and Industry (METI). These developments indicated that an increasing

number of residents in both countries are using QR to facilitate transactions, particularly retail transactions for tourism. For example, QR cooperation between Bank Indonesia and BNM is currently facilitated by 8 PSPs in Malaysia and 57 PSPs in Indonesia, with usage in Indonesia totaling around 708 thousand transactions, valued at approximately Rp162.88 billion (Graph 3.19.). In 2025, the establishment of a new cross-border QRIS corridor between Indonesia and Japan has been carried out to further strengthen cross-border connectivity. Cross-border QRIS cooperation will continue to be expanded with other partner countries, including the initiation of cooperation extensions with China, South Korea, India, and Saudi Arabia, to promote faster, cheaper, more transparent, and more inclusive cross-border payments, particularly for micro, small, and medium enterprises. This initiative is expected to foster economic activity, including the tourism sector, as well as encourage the use of local currencies for bilateral transactions within the Local Currency Transaction (LCT) framework. As of November 2025, LCT usage had reached equivalent of USD22.2 billion, increased by 53.3% from an average of USD14.5 billion in 2024. Most local currency transactions were between Indonesia and China, followed by transactions with Japan, Malaysia, Thailand, South Korea, and the United Arab Emirates (Graph 3.20).

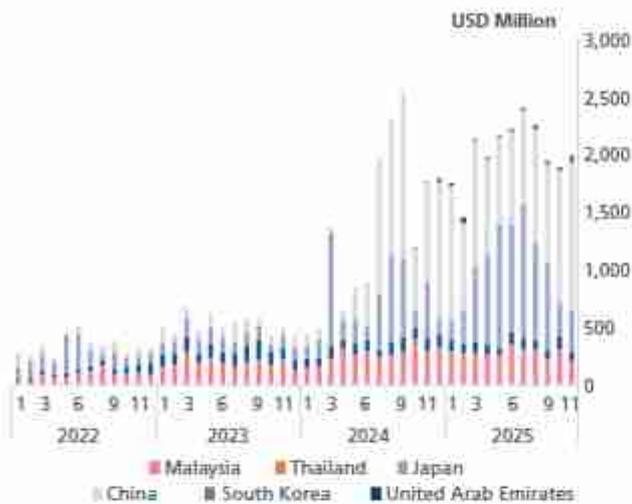
Graph 3.19. Cross-Border QRIS Transactions between Indonesia and Malaysia



Source: Bank Indonesia



Graph 3.20. Local Currency Transaction (LCT)



Source: Bank Indonesia

Bank Indonesia also continues to develop the Digital Rupiah through "Project Garuda" to ensure that the Rupiah remains the sole legal tender in Indonesia in the digital era. This initiative is likewise a manifestation of the mandate stipulated in Act Number 4 of 2023 on Financial Sector Development and Strengthening (P2SK Act), which designates Bank Indonesia as the only institution authorized to issue Rupiah currency in Indonesia. After receiving various inputs from the industry and associations, ministries and government agencies, academics, and the public, Bank Indonesia is currently in the process of experimenting with technology through proof of concept (POC), focusing on the issuance and circulation of Digital Rupiah. At present, Bank Indonesia is testing alternative technological solutions, weighing options between centralized and decentralized approaches, and balancing the trade-off between speed and security for the future issuance of Digital Rupiah. The output of this POC will serve as the foundation for subsequent stages, namely sandboxing, piloting, and prototyping in the development of the first stage (immediate phase), which will focus on the circulation of Digital Rupiah from Bank Indonesia to designated banks acting as wholesalers. This stage will also form the starting point for the next stage (intermediate phase), which will involve the use of Digital Rupiah for digital financial securities (digital financial assets).

In the area of Rupiah currency management, Bank Indonesia continues to advance the transformation of Rupiah currency management based on the Blueprint *Pengelolaan Uang Rupiah* (BPPUR) 2030, with the themes of modern, collaborative, and sustainable. The implementation of this transformation covers various aspects, including Rupiah currency availability, Rupiah currency distribution, and Rupiah currency management infrastructure. Strengthening the aspect of Rupiah currency availability is carried out through enhancing the accuracy of estimating Rupiah currency demand, optimizing Rupiah currency inventory management, as well as improving the quality of Rupiah currency materials and design to ensure the circulation of higher-quality and more sustainable currency. In the area of Rupiah currency distribution, efficiency improvements in the distribution system are pursued through the optimization of distribution routes by leveraging better infrastructure and interregional connectivity, as well as through the implementation of business process re-engineering in Rupiah currency distribution. These efforts are aimed at enhancing the effectiveness of the Rupiah currency distribution process, resulting in more efficient resource utilization. Synergy and collaboration with strategic partners are also continuously strengthened to expand service coverage, ensure timeliness, and maintain the security of Rupiah currency distribution across all regions of the Republic of Indonesia. Optimization of Rupiah currency distribution is also carried out through the development of Partner Cash Centers (*Sentra Kas Mitra*) and Service Partners (*Mitra Layanan*). The infrastructure of modern Rupiah currency management continues to be strengthened through the development of Digital Smart Cash Management as part of the integrated digitalization of the currency management ecosystem. This innovation is intended to enable planning, monitoring, supervision, and decision-making processes that are faster, more accurate, and based on robust data.

Bank Indonesia continued to expand its services to the public in an effort to meet the demand for high-quality Rupiah currency across Indonesia. As part of its efforts to broaden services that meet the public's need for Rupiah currency, Bank Indonesia consistently conducted mobile cash services (*kas keliling*) in various regions, including in the frontmost, the outermost, and the remote (3T) areas. The implementation of mobile cash services in 3T regions has been carried out through the *Ekspedisi Rupiah Berdaulat* (ERB) program, which this year has reached 90 islands in 18 provinces. These efforts reflected Bank Indonesia's commitment to strengthening its mission to ensure the availability of high-quality, evenly distributed, and accessible Rupiah currency for all segments of society across the country, as part of efforts to uphold national sovereignty. In addition to ERB, Bank Indonesia also organized the 2025 *Semarak Rupiah Ramadan dan Berkah Idulfitri* (SERAMBI) program. This program represented Bank Indonesia's concrete commitment to ensuring the availability of Rupiah currency in fit-for-circulation condition, in adequate quantities and appropriate denominations, and distributed evenly throughout Indonesia. The realized SERAMBI 2025 outflow amounted to Rp161.3 trillion. SERAMBI 2025 was implemented through various exchange service channels. Nationally, a total of 6,897 service points were provided, consisting of 4,141 banking service points and 2,756 direct service points operated by Bank Indonesia.

Bank Indonesia also promoted the implementation of sustainable Rupiah currency management. Bank Indonesia's commitment to sustainability principles (green commitment) was manifested through the Sustainable Rupiah Currency Management program, which covered the entire currency management cycle, from printing and circulation to the destruction of Rupiah currency. In the printing aspect, Bank Indonesia strengthened the application of sustainability principles through enhancements to the Rupiah currency life cycle. This effort was realized through the use of durable paper in the design and printing process, aimed at improving physical durability and extending the circulation life of the currency. In the circulation aspect, the green commitment was reflected in the implementation of environmentally friendly vehicles, including Euro 4- and Euro 5-compliant vehicles as well as hybrid vehicles, to support efficient and low-emission currency distribution. Meanwhile, in the destruction aspect, Bank Indonesia applied the circular economy concept through two main initiatives, waste to energy and waste to product, as a form of environmental responsibility in each stage of currency management. The utilization of Rupiah currency waste for energy was carried out by processing waste briquettes from shredded banknotes as co-firing material in several power plants. This initiative generated approximately 1.15 million kWh of electricity





per year, equivalent to the electricity needs of around 72.3 thousand households, using approximately 5,517 tons of Rupiah currency waste annually. In addition, the utilization of Rupiah currency waste was developed through the waste-to-product program, including processing waste into soil composters and value-added craft products, thereby providing economic benefits while supporting sustainable environmental management. With a spirit of transformation and digitalization, Bank Indonesia continues to advance the development of modern, collaborative, and sustainable Rupiah currency management.

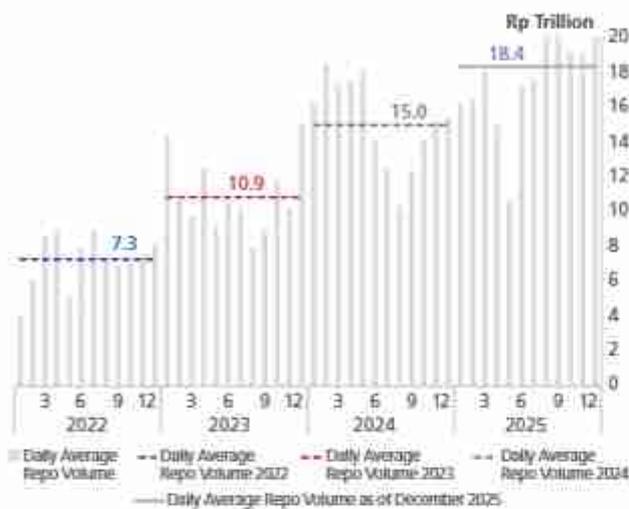
3.5. Money Market and Foreign Exchange Market Deepening

Bank Indonesia continued to accelerate the deepening of modern, advanced, and integrated money and foreign exchange markets in synergy with a pro-market Monetary Operations strategy to strengthen the effectiveness of monetary policy transmission, financial system stability, and national economic financing. Building on the achievements and positive momentum established through the implementation of the 2025 Money Market Development Blueprint (BPPU 2025), Bank Indonesia has set the 2030 Money Market and Foreign Exchange Market Deepening Blueprint (BPPU 2030) as the strategic direction and foundation for money market and foreign exchange market development in Indonesia. The issuance of BPPU 2030 also represented the implementation of the Financial Sector Development and Strengthening Act (P2SK Act), which mandates Bank Indonesia to regulate, develop, and supervise money market and foreign exchange market. The P2SK Act further expanded this mandate by designating Bank Indonesia as the authority responsible for regulating, developing, and supervising money market and foreign exchange market derivatives, which were previously under the jurisdiction of the Commodity Futures Trading Regulatory Agency (Bappebti). BPPU 2030 was designed with strategic objectives focused on four key areas: products; pricing; participants; and financial market infrastructure, referred to as 3P+I. The transformation under BPPU 2030

strengthened the BPPU 2025, particularly in terms of integration with the pro-market monetary operation strategy, the strategic targets for 3P+I, the development of money market and foreign exchange market infrastructure based on the 3i principles (interconnection, interoperability, and integration) supported by data digitalization, as well as the reinforcement of regulation and supervision of the money market and foreign exchange market. The strategic objectives of BPPU 2030 will be achieved through three main strategies: (1) developing diverse and liquid products with credible and transparent pricing; (2) fostering active and competent market participants and building financial market infrastructure that meets the 3i principles; (3) strengthening synergy and coordination to support the effectiveness of monetary policy. Bank Indonesia viewed modern and advanced money and foreign exchange markets to be a critical foundation for enhancing the effectiveness of monetary operations and policy transmission, maintaining financial system stability, supporting fiscal financing by the Government, and expanding access to financing for businesses and the economy.

Since the implementation of BPPU 2030, transactions in Indonesia's money market and foreign exchange market have continued to record positive developments. In terms of product development in the money market, data show that the average daily value of repo transactions in 2025 reached Rp18.4 trillion, an increase of 22.5% from Rp15 trillion in 2024 and up 69.2% from Rp10.9 trillion in 2023 (Graph 3.21.). Meanwhile, Overnight Index Swap (OIS) transactions also increased, with the average daily value reaching Rp52.8 billion in 2025, up 7.76% from Rp49 billion in 2024. These positive developments were driven by several initiatives in 2025, namely: (1) the implementation of the Primary Dealers (PD) obligation in money market and foreign exchange market to increase repo transaction counterparties and expand the signing of the Global Master Repurchase Agreement (GMRA); (2) the expansion of repo underlying monetary operations, initiating broader use of repo among market participants; (3) the issuance of BI FRN

Graph 3.21. Daily Average Repo Transactions



Source: Bank Indonesia

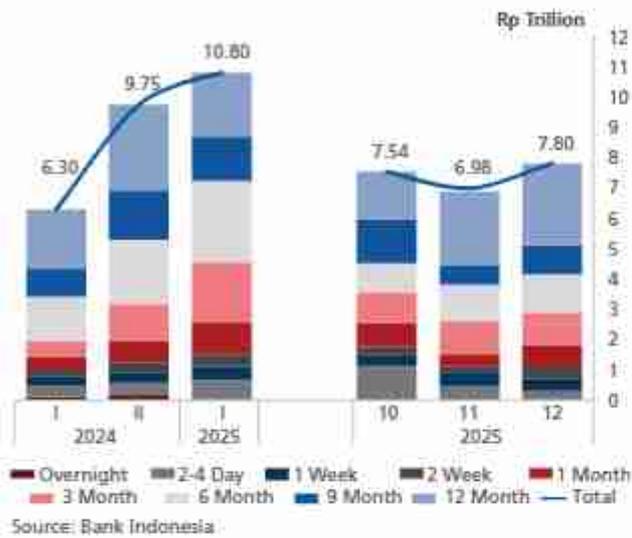
(Floating Rate Note) as a marketable security instrument with a floating coupon. Specifically, the first initiative, mandating Primary Dealers in money market and foreign exchange market to enhance repo transaction counterparties and expanding GMRA adoption, has contributed to strengthening interconnections among repo market participants. Consequently, this initiative is expected to boost transaction volume and efficiency, broaden the market participant base, and bolster investor confidence both domestically and internationally. The second initiative, expanding repo underlying Bank Indonesia's monetary operations with other high-quality securities (such as corporate bonds and corporate sukuk issued by financial services institutions (FSIs) established or designated by the Government to support government programs for public welfare and prosperity, that is, special mission vehicles) has initiated broader use of repo underlying among market participants. The third initiative, the issuance of BI-FRN as a marketable security instrument with a floating coupon will increase participants' exposure to interest rate risk. This is expected to stimulate growth in OIS transactions as an interest rate hedging instrument. Higher OIS transaction volume will support price formation in the money market and complement the money market term structure. In line with these initiatives, efforts to enhance liquidity in the OIS market also included developing the role of brokerage firms

to facilitate OIS matchmaking in November 2025. In particular, the positive development of repo transactions reflected the strengthening role of repo as an instrument that enables market participants to manage banking liquidity using marketable securities (particularly SBN and SRBI). This progress has also had a positive impact on the Government Securities (SBN) market. SBN liquidity has increased and yields declined, thereby contributing positively to reducing the Government's fiscal financing burden.

Money market and foreign exchange market deepening has also been reinforced through Bank Indonesia's pro-market monetary operations strategy. This strategy included the provision of money market instruments (namely SRBI, SUKBI, SVBI, SUVBI, and BI-FRN) to stimulate secondary market transactions in these instruments, thereby strengthening the market's role as a source of price discovery. Developments in secondary market transactions of money market instruments in 2025 have shown positive results, driven by the upward trend in SRBI transactions. In the first half of 2024, the average daily volume of SRBI transactions in the secondary market was approximately Rp6.3 trillion. Following the implementation of money market and foreign exchange market Primary Dealers in May 2024, the average daily volume of SRBI transactions in the secondary market continued to increase, reaching Rp10.8 trillion in the first half of 2025 (Graph 3.22). In line with this progress, interconnections among market participants also improved, as reflected in the average daily SRBI transactions between Primary Dealers, which rose from Rp3.83 trillion in the second half of 2024 to Rp4.02 trillion in the first half of 2025, and between Primary Dealers and Non-Primary Dealers, which increased from Rp7.08 trillion to Rp8.17 trillion over the same period (Graph 3.23). This achievement also demonstrated the growing capacity and capability of banks and other market participants in managing liquidity and investment portfolios, which previously relied heavily on Bank Indonesia's monetary operations. The increase continued in the second half of 2025, as reflected in the average daily

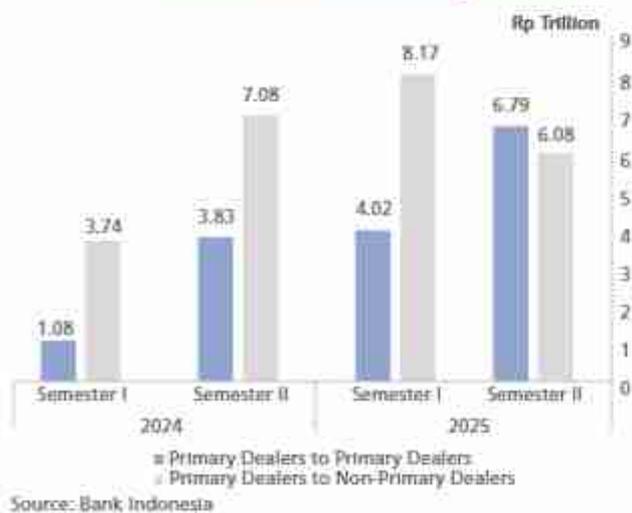


Graph 3.22. SRBI Transactions in the Secondary Market by Tenor



SRBI transactions between Primary Dealers, which reached Rp6.79 trillion. Meanwhile, the average daily SRBI transactions between Primary Dealers and Non-Primary Dealers amounted to Rp6.08 trillion, lower than in the first half of 2025, in line with the Rupiah liquidity expansion policy. These positive developments were supported by Bank Indonesia's policy to restructure market participants through the selection of Primary Dealers to enhance transactions and interconnections within money and foreign exchange markets. This achievement further demonstrated the growing capacity and capability of banks and other market participants

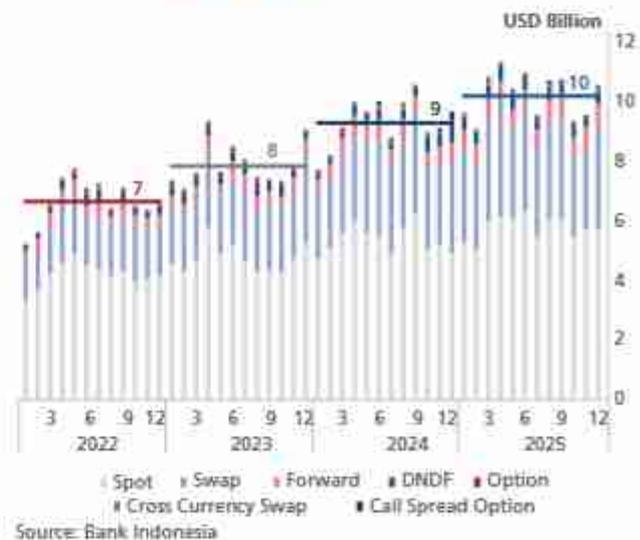
Graph 3.23. SRBI Transactions between Primary Dealers and Non-Primary Dealers



in managing liquidity and investment portfolios, which previously relied heavily on Bank Indonesia's monetary operations.

In line with these developments, foreign exchange (FX) market transactions have also recorded a positive performance. The average daily FX transaction value in 2025 stood at USD10.13 billion, an increase of 10% from USD9.23 billion in 2024 and 30% from USD7.79 billion in 2023 (Graph 3.24.). Although transactions remain dominated by spot trades, the share of FX derivative transactions continued to rise, reaching 43% compared to 42% in 2024 and 40% in 2023. Consistent with the development of FX derivative transactions, the average daily volume of Domestic Non-Deliverable Forward (DNDF) transactions continued to increase, reaching USD364 million per day in 2025, up from USD298 million per day in 2024 and USD268 million in 2023. The increase in DNDF volume has enhanced the competitiveness of DNDF pricing compared to offshore NDF, thereby improving transaction efficiency. These positive developments were supported by several strategic measures in 2025, including: (1) the implementation of DNDF facilities for money market and foreign exchange market Primary Dealers, marking the expansion of Primary Dealer coverage in the FX market; (2) the implementation of coordination and synergy forums with market associations to support

Graph 3.24. Daily Average Foreign Exchange Transactions



FX market development; and (3) the efforts to broaden the adoption of standardized contracts for margin requirements.

Foreign exchange (FX) product development initiatives have primarily been directed at enhancing liquidity in the FX market. First, the implementation of FX Primary Dealers in early second semester of 2025 contributed to the growth of DNDF transactions, both in terms of volume and interconnections among participants. Second, coordination with the market association, APUVINDO, covering DNDF development evaluation and dissemination of hedging implementation, supported the expansion of FX market participants. Bank Indonesia has fulfilled its G20 commitment on Over-the-Counter (OTC) Derivatives Market Reform through the implementation of standardized DNDF transactions cleared via the Central Counterparty (CCP). Third, the enforcement of provisions on Non-Centrally Cleared Derivatives (NCCD), or Margin Requirements for Derivative Transactions not cleared through CCP, effective 1 September 2025, also reinforced Bank Indonesia's efforts to further develop DNDF cleared through CCP. Accordingly, in 2025 Bank Indonesia introduced the expansion of standardized margin contracts, beginning with the signing of commitments by market participants. These strategic measures are expected to strengthen DNDF as a hedging instrument for banks, market participants, and the corporate sector.

Positive developments in the money and foreign exchange markets have also been supported by the receipt of netting opinion from the International Swaps and Derivatives Association (ISDA) in April 2025 and collateral opinion in August 2025, thereby facilitating the implementation of close-out netting. Following the attainment of netting opinion status, Bank Indonesia will focus on expanding the adoption of standardized money market and foreign exchange market contracts, including GMRA, ISDA, PIDI, and Margin Requirement Contracts. These efforts are consistent with Bank Indonesia's strategic plan to continue developing money market and foreign exchange

market products by deepening repo and DNDF transactions and expanding to other instruments, such as Interest Rate Swaps (IRS) and cross-currency swaps. Regulatory reform in the money market and foreign exchange market continued to be strengthened through the issuance of implementing provisions governing money market transactions and transaction facilities. The continuation of these regulatory reforms remained directed toward the objective of deepening the money and foreign exchange markets to enhance the effectiveness of monetary policy transmission, safeguard financial system stability, and support sustainable growth in national economic financing.

From a pricing perspective, initiatives have been directed toward establishing an efficient money market term structure for tenors ranging from two weeks to twelve months. In the money market, Bank Indonesia has set INDONIA as the reference rate for overnight tenor and Compounded INDONIA for tenors of 30, 90, 180, and 360 days, which are backward-looking. Furthermore, as part of benchmark reform, Bank Indonesia issued BI-FRN (Floating Rate Note) to encourage the development of Overnight Index Swap (OIS) transactions. Prices formed through OIS transactions will support the establishment of a forward-looking interest rate structure in the money market, particularly for tenors ranging from two weeks to twelve months. These developments are expected to facilitate the formation of a credible money market curve, thereby strengthening the price discovery function in the money market.

In the foreign exchange market, JISDOR and Non-USD/IDR reference rates have been developed as daily exchange rate benchmarks in line with prevailing international best practices. The Non-USD/IDR reference rates were expanded to 17 currency pairs in 2025, from 14 currency pairs in 2024, with the addition of AED/IDR, PHP/IDR, and INR/IDR. In line with initiatives in the money market, the development of FX Swap and FX Forward transactions for longer tenors will be directed toward establishing an FX Forward Curve as a benchmark for derivative transactions in the foreign exchange market. The formation

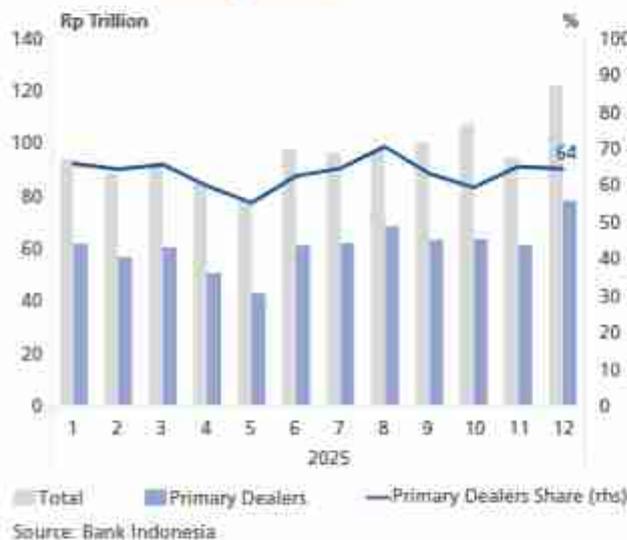


of a credible money market curve and FX Forward Curve that accurately reflects actual market conditions indicates a deep and efficient money and foreign exchange market, thereby strengthening the overall effectiveness of monetary policy transmission.

Bank Indonesia consistently developed money market and foreign exchange market participants to become more active, competent, and professional, while strengthening the role of associations in accelerating money market and foreign exchange market deepening. As part of restructuring money market and foreign exchange market participants to create active players, Bank Indonesia implemented money market and foreign exchange market Primary Dealers in 2024. As of December 2025, Bank Indonesia has designated 20 banks as money market and foreign exchange market Primary Dealers, which have made a significant contribution to accelerating money market and foreign exchange market development.¹¹ This is reflected in the share of average daily transactions by money market and foreign exchange market Primary Dealers, which reached 64% in the money market (Graph 3.25.) and 71% in the foreign exchange market (Graph 3.26.). This achievement was supported by the implementation of money market and

¹¹ As of January 2026, a total of 21 banks have been designated as Primary Dealers for the Rupiah Foreign Exchange Money Market.

Graph 3.25. Primary Dealers Transactions in the Money Market



Graph 3.26. Primary Dealers Transactions in the Foreign Exchange Market



foreign exchange market Primary Dealers policies, including: (1) the strengthening money market and foreign exchange market Primary Dealers obligations, encompassing their role as market makers; active participation in monetary operations; and active engagement in money market and foreign exchange market transactions; (2) the enhancement of money market and foreign exchange market Primary Dealers capacity through increased repo counterparty lines and provision of DNDF facilities specifically for money market and foreign exchange market Primary Dealers; (3) regular performance evaluations to ensure compliance with money market and foreign exchange market Primary Dealer criteria. In greater detail, under the first initiative, money market and foreign exchange market Primary Dealers play a key role in supporting strategic money market and foreign exchange market deepening initiatives in line with BPPU 2030 implementation, including executing repo transactions alongside expanding repo underlying assets with high-quality securities and contributing to OIS price formation through quotation provision. Under the second initiative, capacity strengthening was accelerated through the implementation of repo counterparty line obligations in April 2025 and the provision of DNDF facilities for money market and foreign exchange market Primary Dealers starting in the

second semester of 2025 to boost liquidity and efficiency in the domestic repo and FX derivative markets. Furthermore, Bank Indonesia conducted regular evaluations of money market and foreign exchange market Primary Dealer performance, based on established criteria to ensure the effectiveness of achieving the objectives of money market and foreign exchange market Primary Dealer implementation.

In terms of quality, money market and foreign exchange market participants have demonstrated significant improvement in competency, as reflected by the treasury certification ownership rate, which reached 95% of total treasury dealers in 2025. This achievement indicated enhanced professionalism and capacity among money market and foreign exchange market participants. Such progress was inseparable from the joint efforts of Bank Indonesia and stakeholders to continuously refine the Indonesian National Work Competency Standards (SKKNI) for Treasury to ensure relevance with market dynamics and the latest financial industry requirements. The refinement aimed to strengthen the credibility of treasury professional certification as a national competency benchmark while ensuring that market participants possess technical expertise, integrity, and professionalism in accordance with global standards. In the process of enhancing money market and foreign exchange market participant quality, the Indonesian Money Market and Foreign Exchange Market Association (APUVINDO) continued to play an active role as Bank Indonesia's strategic partner, including in the administration of treasury certification and the implementation of the Market Code of Conduct.

The acceleration of money market and foreign exchange market development has been carried out by engaging APUVINDO as Bank Indonesia's strategic partner across all aspects of 3P+I to deepen the money and foreign exchange markets. Several concrete collaborative measures by APUVINDO in market development included: (1) drafting accounting guidelines for money market and foreign exchange market transactions cleared through the CCP, prepared

by APUVINDO in collaboration with KPEI, the Indonesian Institute of Accountants (IAI), and CCP members; (2) conducting sharing sessions for all banks on the implementation and benefits of various money market and foreign exchange market development initiatives, such as money market and foreign exchange market products and CCP; and (3) evaluating money market and foreign exchange market development initiatives. Through close coordination with Bank Indonesia, APUVINDO's work programs were consistently aligned with the policy direction of BPPU 2030 and the mandate of Bank Indonesia Regulation No. 6 of 2024 concerning the money market and foreign exchange market, with the aim of strengthening governance, efficiency, and competitiveness of the national financial markets.

In terms of money market and foreign exchange market infrastructure, strengthening and development have been carried out comprehensively across three layers: front-end, middle-end, and back-end. The first, infrastructure enhancement, namely the front-end, was aimed at supporting the integration strategy of money market and foreign exchange market with pro-market monetary operations to accelerate liquidity in money market and foreign exchange market transactions, to maintain financial system stability, and to promote efficient price formation. Front-end enhancement on the Bank Indonesia Electronic Trading Platform (BI-ETP) has been implemented through feature upgrades to accommodate: (1) the issuance of BI-FRN (Floating Rate Notes); (2) the expansion of Bank Indonesia repo underlying to include other high-quality securities issued by financial institutions in the form of public entities with special assignments; and (3) adjustment of the participant platform through collateral search feature enhancements. The capability of transaction facilities continued to be strengthened to support the implementation of the pro-market monetary operations strategy, aimed at encouraging market participants to manage liquidity primarily through transactions between participants rather than transactions with Bank Indonesia. The enhancement of front-end infrastructure for participant-to-participant



transaction facilities included: (1) the issuance of regulations governing transaction facilities; (2) the development of interconnection between market participants' transaction systems and the Central Counterparty (CCP); (3) the strengthening of the role of brokerage firms as operators for interbank OIS matchmaking.

Second, infrastructure strengthening at the middle end focused on enhancing the CCP for the money market and foreign exchange market. Since its launch on 30 September 2024, the volume of DNDF transactions cleared through CCP money market and foreign exchange market has continued to increase, reaching USD1.3 billion, with the average daily volume rising to USD9.3 million in October 2025 compared to USD4 million in the initial implementation month (September 2024), although in November and December 2025 it declined to USD 2.9 million and USD 2.95 million, respectively, in line with year-end cyclical factors (Graph 3.27.). Utilization of CCP money market and foreign exchange market by market participants further improved money market and foreign exchange market transaction efficiency through novation, multilateral netting, and strengthened risk management, particularly counterparty risk. CCP money market and foreign exchange market enhancements throughout 2025 included: (1) the upgrading of CCP money market and foreign exchange market features to clear various tenor

variations; (2) the strengthening of the CCP money market and foreign exchange market rulebook to accommodate feature and capability improvements; (3) the issuance of accounting guidelines for money market and foreign exchange market transactions cleared through CCP by APUVINDO. Further CCP strengthening measures include: (1) organizing CCP workshops and national seminars, as well as conducting CCP awareness programs in collaboration with APUVINDO; (2) expanding CCP money market and foreign exchange market participants; (3) initiatives to obtain recognized CCP status from regulators in the European Union (European Commission and European Securities and Markets Authority) and the United Kingdom (His Majesty's Treasury and Bank of England).

The enhancement of CCP money market and foreign exchange market capabilities has also been implemented through the addition of Tri-Party Agent Repo (TPA Repo) services, which commenced operations on 29 September 2025. The expansion of CCP's role as TPA Repo provider enabled banks to delegate collateral management, transaction administration and settlement, as well as repo transaction reporting from their back office to TPA Repo. Through TPA Repo, market participants can reduce operational risk while promoting more efficient, transparent, and standardized repo transactions, thereby supporting the acceleration of repo market development. Furthermore, the expansion of CCP services as a Tri-Party Repo Agent reflected the implementation of Financial Market Infrastructure (FMI) aligned with the 3i principles, supported by end-to-end operational integration with settlement systems for both securities and funds, namely BI-SSSS and BI-RTGS (Figure 3.2.). At the initial stage, eight banks participated as piloting members of TPA Repo, namely Bank Mandiri, BNI, BRI, Bank Permata, Bank Danamon, Bank CIMB Niaga, Maybank, and BPD Jawa Timur. Since the implementation of TPA Repo on 29 September 2025 to 31 December 2025, the volume of interbank repo transactions via TPA Repo reached Rp339 billion, with tenors distributed across overnight (O/N), one week, and two weeks.

Graph 3.27. Daily Average DNDF Transactions through Central Counterparty

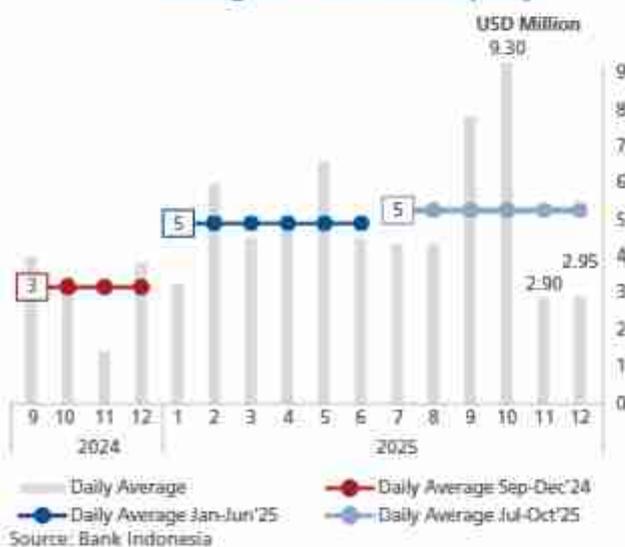


Figure 3.2. Tri-Party Agent (TPA) Repo Business Process



Source: Bank Indonesia

Third, back-end infrastructure strengthening focused on the Bank Indonesia Scripless Securities Settlement System (BI-SSSS). The capability of back-end infrastructure to settle various types and variations of money market and foreign exchange market transactions played a crucial role in supporting the success of product development initiatives aimed at increasing money market and foreign exchange market diversity and liquidity. Enhancements to BI-SSSS have been implemented through system development to support: (1) the issuance of BI-FRN, including settlement of Bank Indonesia repo auctions with BI FRN as underlying, settlement of BI-FRN transactions in the secondary market among participants, and BI-FRN coupon payments; (2) the expansion of Bank Indonesia Sukuk investors from banks to include nonbank investors; (3) the extension of Bank Indonesia repo underlying to other high-quality securities issued by financial institutions in the form of public entities with special assignments. In addition to upgrading the current system, Bank Indonesia has initiated the development of BI-SSSS Generation III by preparing business

requirements with active involvement and input from market participants represented by industry associations.

Bank Indonesia continued to strengthen synergy with other financial sector authorities, the Ministry of Finance, the Financial Services Authority (OJK), and the Deposit Insurance Corporation (LPS), both for financial market development through education and literacy as well as for mobilizing sources of economic financing. This synergy was reinforced through the Financial Sector Development Coordination Forum (FK-PSK), comprising the four financial sector authorities Bank Indonesia (BI), OJK, the Ministry of Finance (MoF), and LPS on an ongoing basis in accordance with the mandate of the Financial Sector Development and Strengthening Act (P2SK Act). Synergy within FK-PSK is also directed toward expanding the retail investor base through the Leading Indonesian Financial Literacy Campaign (LIKE IT). Throughout 2025, seven LIKE IT events were held in various cities across Indonesia, targeting the younger generation. Through LIKE IT, young



people were encouraged to increase their participation in financial market investment as part of financial planning education, while simultaneously fostering investment that will play an important role in increasing savings and financing for the national economy. Investment in financial markets has become increasingly accessible, supported by accelerated payment system digitalization and continuous innovation in retail investment products offered by banks and securities companies. In addition, synergy and strengthening efforts have been pursued to harmonize tax regulations for the money market and banking regulations to support the development of financial instruments as sources of financing for national economic development, as well as to enhance inter-market infrastructure for greater efficiency, reliability, and security of financial market infrastructure. Furthermore, Bank Indonesia actively participated in developing a sustainable financial sector (environmental, social, and governance, ESG). Synergy and harmonization efforts have also been undertaken to support money market and foreign exchange market development as part of providing financing sources for national economic development.

3.6. Economic Inclusion, Financial Inclusion, Sustainable Finance, and Sharia Economic and Finance

Bank Indonesia continued to strengthen synergy and collaboration to accelerate Economic Inclusion, Financial Inclusion, and Sustainable Finance (IEKB) as part of efforts to support resilient and sustainable national economic growth. The implementation of IEKB was carried out through: (i) the development of an integrated and competitive inclusive and sustainable economic ecosystem; (ii) the optimization of inclusive and sustainable financing; and (iii) the expansion of inclusive and sustainable economic-financial literacy and synergy. More specifically, ecosystem development focused on empowering inclusive enterprises to enhance the competitiveness of MSMEs and subsistence groups, end-to-end from upstream to downstream. This was pursued through various strategic initiatives, such as ECO-RISE (Empowering Community & MSMEs toward Resilient, Inclusive, and Sustainable Economy) and comprehensive capacity-building and mentoring programs. These initiatives were further strengthened by expanding market access through *Karya Kreatif Indonesia* (KKI)



The Governor of Bank Indonesia delivered a welcoming address at the Opening Ceremony of *Karya Kreatif Indonesia* (KKI) 2025 on August 7, 2025.

as a flagship program for domestic MSME market development, the DIGDAYA UMKM program (Digitalization for Enhancing MSME Competitiveness) to broaden digital market access, as well as curated trade promotion efforts both domestically and internationally. On another front, infrastructure development and digitalization were directed at creating an efficient and adaptive business ecosystem through the development of replicable business models, enhancements to the Indonesia SME Export Hub, and the strengthening of data systems, monitoring, and program evaluation. On the financing aspect, Bank Indonesia promoted inclusive and sustainable financing, including through the development of inclusive and sustainable financing infrastructure. This was achieved, among others, through the use of SIAPIK (Financial Information Recording Application System), BI-SAID (Database of Potentially Bankable MSME Profiles), and a green calculator designed to support business transition toward a green economy. Financing facilitation continued to be expanded through program innovations that promote financial access, equitable development, and long-term growth. Meanwhile, in the area of literacy and economic-financial synergy, Bank Indonesia enhanced public understanding of the potential and risks of inclusive and sustainable finance through the implementation of KLIK (Core Competencies for Financial Literacy and Inclusion), standardized educational modules, and continuous education and mentoring initiatives across regions. Synergy strengthening was also pursued through BERSATU UMKM (Collaborate, Unite, and Advance MSMEs), an initiative aimed at increasing financial inclusion through collaboration with relevant ministries and government agencies.

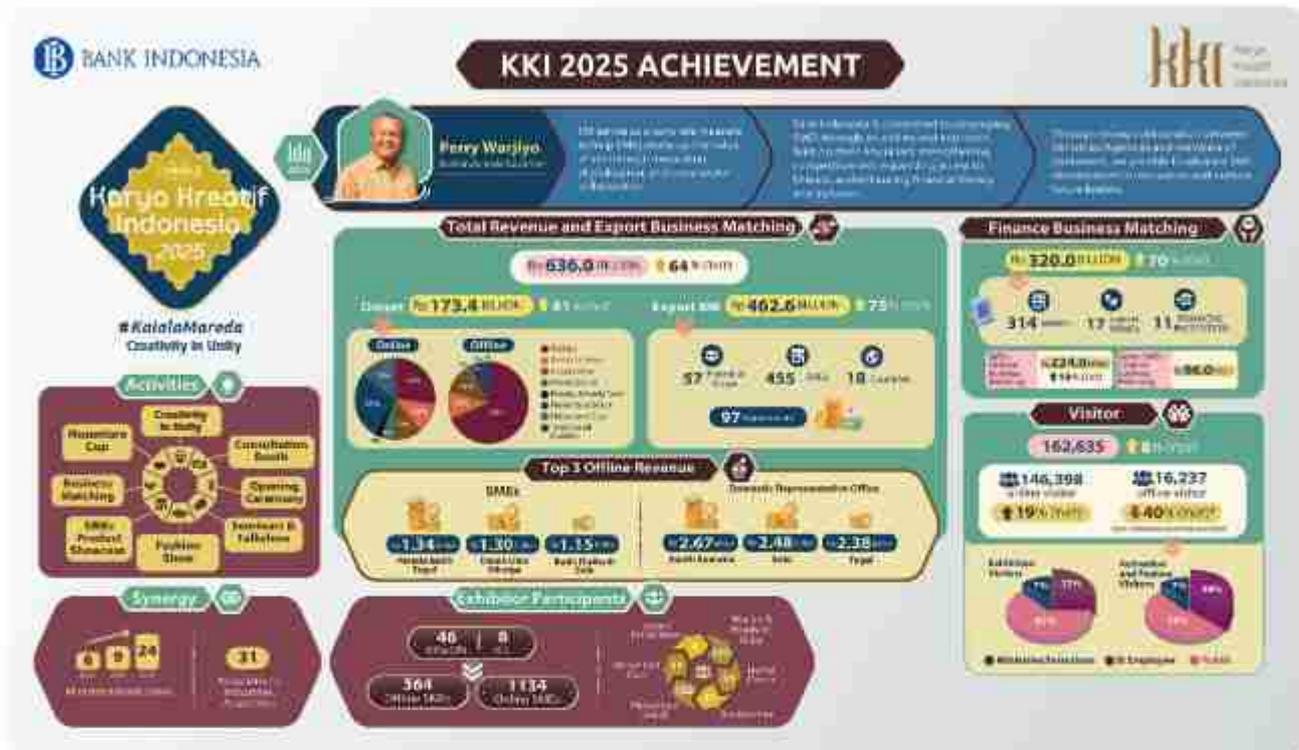
To accelerate inclusive and sustainable economic and financial development, Bank Indonesia continued to strengthen collaboration and synergy with various ministries, government agencies, and strategic partners at the national level. Through the active role of its regional and overseas offices, Bank Indonesia consistently implemented a range of initiatives, including financing and export business matching activities, MSME onboarding, as well as capacity-

building programs aimed at enhancing the competitiveness of MSME actors. One concrete form of this collaboration was reflected in the implementation of Karya Kreatif Indonesia (KKI) 2025, which carries the theme “Synergy and Innovation: Strengthening the Role of MSMEs as the Engine of Sustainable Economic Growth”, featuring East Nusa Tenggara (NTT) as the focus region and the hashtag #KalalaMareda, meaning “creativity in unity” derived from the Sumbanese language. In collaboration with more than 24 ministries/government agencies and 31 associations, industries, and academic institutions, KKI 2025 achieved remarkable results. The event involved more than 1,400 MSMEs and attracted over 150,000 visitors both online and onsite. It recorded significant increases in MSME revenue, export business matching outcomes that grew by 64% to reach Rp636 billion, and financing and green MSME business matching that rose by 70% (yoy) to reach Rp320 billion (Figure 3.3.). Beyond these accomplishments, KKI 2025 also stands as concrete evidence of Bank Indonesia’s commitment to advancing sustainable economic and financial practices. Through the KKI BIJAK initiative (KKI as Bank Indonesia’s Commitment to Environmental Sustainability), all carbon emissions generated during the event were offset through the purchase of 150 tons of CO₂ carbon credits and the planting of more than 20,000 trees, representing tangible steps toward environmentally friendly event management. These achievements demonstrated the effectiveness of cross sector synergy in building a resilient, competitive, and environmentally conscious MSME ecosystem. They also encouraged business actors to continue innovating, strengthening digital capabilities, and expanding into global markets in support of inclusive and sustainable national economic growth.

Bank Indonesia continued to promote the development of national sharia economy and finance that is independent and inclusive. This development was pursued through 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



Figure 3.3. Karya Kreatif Indonesia (KKI) 2025 Achievements



Source: Bank Indonesia

economy literacy and inclusion. These three main strategies were further elaborated into six strategic initiatives (six pillars) to accelerate the national sharia economy, namely: (i) GERBANG SANTRI (*Pesantren* Development and Halal Value Chain Movement); (ii) JAWARA Ekspor (Sharia Entrepreneur Network Driving Exports); (iii) GEMA HALAL (Collective Movement for Halal Acceleration); (iv) SAPA SYARIAH (Sharia Trade and Financing Synergy); (v) KANAL ZISWAF (National Collaboration for ZISWAF Development); and (vi) LENTERA EMAS (Sharia Economic and Financial Literacy and Inclusion toward Golden Indonesia). Subsequently, these six initiatives were focused on supporting the three main strategies above. First, strengthening the Halal Value Chain ecosystem through the strategic initiatives GERBANG SANTRI, JAWARA Ekspor, and GEMA HALAL. Second, strengthening sharia financing through the strategic initiatives SAPA SYARIAH and KANAL ZISWAF. Third, strengthening sharia economy literacy and inclusion through the strategic initiative LENTERA EMAS.

All of the above initiatives were directed to contribute to the targets of the Sharia Economy Priority Program (PP) in the National Medium-Term Development Plan (RPJMN) 2025–2029, the National Long-Term Development Plan (RPJPN) 2025–2045, *Asta Cita* toward Golden Indonesia, as well as to strengthen synergy and collaboration across programs of all stakeholders. Throughout 2025, the strengthening of the Halal Value Chain ecosystem was carried out through: “*Pesantren*” (Islamic boarding schools) business empowerment programs, which have been implemented in more than 1,000 *pesantren* business units across 34 provinces with diverse business sectors; programs to promote the growth of Indonesia’s halal product exports, through the selection and curation of potential exporters and products, mentoring, and promotion; and programs to increase domestic production of halal raw materials, accelerate upstream halal certification, strengthen halal centers, and enhance halal information systems for consumer protection and product traceability. The strengthening of sharia finance was undertaken through the reinforcement of

policies, regulations, and innovations, including KLM and the Sharia Restricted Investment Account (SRIA); the development of sharia money market and foreign exchange market, covering product, pricing, participants, and infrastructure (3P+I); facilitation programs for financing and trade access, including Sharia Financing Month; the development of the Sharia Economic Development Fund (SEDF) business model; and the establishment of the Integrated Center (PINTER) for ZISWAF data, which serves as a unified system to manage ZISWAF data in Indonesia. For the strengthening of sharia economy literacy and inclusion, Bank Indonesia conducted sharia economy literacy and inclusion surveys, standardized literacy content, and enhanced the quality of sharia economy human resources. In addition, collaboration and digitalization were reinforced, including through a series of activities, such as the Sharia Economy Festival (FESyar) in three regions, the National Sharia Economy Forum, and the 12th Indonesia Sharia Economic Festival (ISEF) in Jakarta in 2025.

The close synergy among all stakeholders in the development of the sharia economy successfully supported the flagship programs FESyar and ISEF 2025. The increasingly solid

collaboration between Bank Indonesia and the National Committee for Sharia Economy and Finance (KNEKS), relevant ministries/government agencies, and other strategic partners, including international institutions such as the Islamic Development Bank (IsDB), International Islamic Financial Market (IIFM), International Islamic Liquidity Management (IILM), and the Islamic Financial Services Board (IFSB), once again ensured the successful implementation of a series of sharia economy activities in Indonesia. In 2025, the National Sharia Economy and Finance Forum (Sarasehan Nasional Ekonomi Keuangan Syariah) was organized in collaboration with the Indonesian Ulema Council, aimed at strengthening synergy in the development of the sharia economy in Indonesia. This activity involved various parties to achieve the targets of the RPJMN 2025–2029, which include increasing the contribution of Sharia GDP and strengthening Indonesia’s position in the State of Global Islamic Economy (SGIE) Report. Furthermore, ISEF 2025 hosted 100 series of activities in collaboration with 34 ministries/government agencies, 30 international partners, and more than 700 MSMEs and industries. The value of business matching in financing and trade during the five-day ISEF reached Rp2.7

Figure 3.4. Achievements of the 12th Indonesia Sharia Economic Festival (ISEF) 2025



Source: Bank Indonesia



trillion, consisting of Rp2.5 trillion in financing commitments and realizations, and Rp231 billion in trade commitments and realizations. Combined with the achievements during FESyar as the road to ISEF, the total value of business matching reached Rp3.1 trillion. This figure is an increase of more than 50% compared with last year's value of Rp2 trillion (Figure 3.4). ISEF has become one of the activities that demonstrates Indonesia's leadership in the sharia economy and finance sector, as reflected in, among others, Indonesia maintaining its position in the global top 3 in the State of Global Islamic Economy (SGIE) Report 2024/2025.

3.7. International Policy

Bank Indonesia continued to strengthen international policies to support resilience and macroeconomic stability. Cooperation with international partners through the global financial safety net (GFSN) was further reinforced to mitigate spillover effects of global uncertainty. In 2025, Bank Indonesia and the People's Bank of China (PBoC) agreed to renew the Bilateral Currency Swap Arrangement (BCSA) for a five-year period. This cooperation enables the exchange of local currencies between the two central banks up to CNY400

billion (equivalent to USD55 billion) with an equivalent amount in Rupiah. In addition, Bank Indonesia strengthened BCSA cooperation with the Reserve Bank of Australia valued at AUD10 billion (equivalent to USD6.2 billion) for a five-year period. These agreements underscored the important role of international cooperation as part of Bank Indonesia's policy mix in supporting *Asta Cita*, particularly in maintaining external sector resilience. At the ASEAN+3 regional level, Bank Indonesia actively reinforced the GFSN and participated in discussions on the New Financing Structure of the Chiang Mai Initiative Multilateralization (CMIM). These collaborations have further strengthened Indonesia's external resilience buffer, which was previously developed through cooperation with the Federal Reserve and Bank for International Settlements (BIS). Bank Indonesia highlights three important aspects at various international forums as follows: (i) the active involvement of international organizations, particularly the IMF, is required to emphasize the importance of open international trade policies to promote economic growth; (ii) an integrated policy mix and macroprudential policy innovations are necessary to maintain exchange rate and inflation stability while promoting green and inclusive financing; and (iii) commitment to an open, inclusive, and rule-based multilateral trading system.

Bank Indonesia is striving to increase transactions in local currencies and to establish cross-border payment connectivity

Bank Indonesia continued its efforts to increase transactions in local currency through strengthening cooperation and encouraging implementation.¹² Since the initiative was launched in 2018, Bank Indonesia has established Local Currency Transaction (LCT) cooperation with eight central banks, namely Bank Negara Malaysia (BNM); Bank of Thailand (BoT); Japan Ministry of Finance (JMOF); PBoC, Monetary Authority of Singapore (MAS); Bank of Korea (BoK); Central Bank of the United Arab Emirates (CBUAE); and Reserve Bank of India (RBI). In 2025, the LCT cooperation with PBoC, BNM, and BoT was renewed to promote the use of local currencies in bilateral transactions. The renewal of the cooperation expanded the LCT framework, to now include current account transactions, capital transactions, and financial transactions that were previously limited to trade and direct investment. The LCT cooperation with CBUAE has been implemented since early 2025. With these developments, businesses have options to settle cross-border payment transactions using direct exchange rate quotations provided by Appointed Cross Currency Dealer (ACCD) banks. Cooperation has also been strengthened with BNM and BoT, synergizing with cross-border payment system initiatives. In addition, synergy initiatives have been conducted with Japan and China through the High Level LCT Campaign and Cross-Border QR activities between Indonesia-Japan and Indonesia-China. To increase the utilization of LCT in Indonesia, a National Task Force on LCT has been established since 2023, comprising parties from across ministries/ government agencies.

Bank Indonesia actively enhanced bilateral central banking cooperation to strengthen institutional capacity and promote cooperation in the payment systems. Structured Bilateral Cooperation (SBC) with central bank partners continued to be implemented by focusing on various central banking duties (monetary, macroprudential, and payment systems) and other specific areas, such as: Sharia economics and finance; the green economy; Anti-Money Laundering (AML); Countering the Financing of Terrorism (CFT); and Countering Proliferation Financing (CPF). In 2025, Bank Indonesia successfully established bilateral partnerships with Banque de France (BdF) and the State Bank of Vietnam (SBV). With these additions, since its initiation in 2015, Bank Indonesia has established bilateral cooperation with 15 partner central banks, including the Federal Reserve (The Fed), Bank of England (BoE), and the People's Bank of China (PBoC). These collaborations strengthened Bank Indonesia's institutional capacity, expanded opportunities for financial cooperation, and reflected its leadership role among regional central banks.

Cooperation in the field of payment system has been continuously strengthened to enhance cross border payment connectivity. Cross-border payment cooperation using QR codes has been implemented with the BoT; BNM; MAS; and Japan's Ministry of Economy, Trade and Industry (METI). At the ASEAN regional level, Regional Payment Connectivity (RPC) cooperation was also expanded. RPC was initially signed in November 2022 by the ASEAN-5 central banks (Bank Indonesia, BNM, MAS, BoT, and Bangko Sentral ng Pilipinas (BSP)). RPC members now total nine countries after the National Bank of Cambodia (NBC) joined the initiative in April 2025. Cross-border payment connectivity must be nurtured to encourage faster, cheaper, transparent, and inclusive cross border payments.

Bank Indonesia has consistently strengthened synergy and coordination with ministries/ government agencies to manage positive stakeholder perception toward the Indonesian economy, as well as to promote investment and trade. Synergy has been achieved through

¹² A more detailed explanation of the efforts to increase transactions in local currencies can be found in Box 3.4. Synergy to Expand Local Currency Use in Support of Domestic Financial Market Deepening.



intensive engagement and communication with international rating agencies and stakeholders. As the secretariat of the national Investor Relations Unit (IRU), Bank Indonesia promoted positive perceptions of the Indonesian economy to maintain Indonesia's sovereign rating, which remains one level above investment grade with a stable outlook from Moody's (Baa2), Standard & Poor's (BBB), and Fitch (BBB). Indonesia has even obtained two levels above investment grade (BBB+) with a stable outlook from the Japan's rating agency R&I. Maintaining stakeholder perceptions was important for increasing foreign capital inflows into both portfolio instruments and direct investment. Bank Indonesia's effort to facilitate investment and trade promotion through IRU (at national level), Regional IRU (RIRU, at sub-national level), and Global IRU (GIRU, at global level), continued to be strengthened by synergized, targeted, and outcome-oriented strategies.

Bank Indonesia's international reputation grew stronger, as reflected by its active participation in various international cooperation forums. Throughout 2025, Bank Indonesia chaired the ASEAN Senior Level Committee on Financial Integration (SLC). The meeting discussed measures to strengthen policy coordination to maintain macroeconomic stability and promote sustainable economic growth; it also agreed to the strategic direction of the ASEAN Economic Community Sectoral Plan for Financial Cooperation 2026–2030. In addition, Bank Indonesia chaired the EMEAP Working Group on Banking Supervision (WGBS), which addressed developments in banking regulation and supervision across the Asia-Pacific region. When leading the SEACEN Board of Governors (BOG) Meeting 2025, Bank Indonesia emphasized the need to enhance regional economic resilience through closer collaboration amid global uncertainty, digital transformation, and the transition toward a sustainable economy. Beyond the regional level, Bank Indonesia actively participated in international cooperation forums such as: the IMF; G20; and Bank for International

Settlements (BIS), including Islamic international forums, such as the International Islamic Liquidity Management (IILM) and the Islamic Financial Services Board (IFSB). In line with Indonesia's BRICS membership since January 2025, Bank Indonesia actively participated in financial track discussions. These forums emphasized the importance of policy coordination, strengthened multilateralism, reforming global governance, and collaborating to address climate-related risks. Indonesia's membership in BRICS reflects its commitment to multilateral cooperation, which opens opportunities for Indonesia to expand its strategic partners, as well as to strengthen its geopolitical and diplomatic position through flexible and equitable cooperation mechanisms. From the economic and trade perspective, Indonesia gains broader market access to non-traditional markets and attracts infrastructure investment through the New Development Bank (NDB) established by BRICS to finance infrastructure projects.

Bank Indonesia received several international awards in 2025. The Central Banking Award presented Bank Indonesia with the Reserve Manager of the Year 2025 award, in recognition for its transformation of the reserve management framework, which enhanced agility and flexibility in managing foreign exchange reserves amid global uncertainty. Bank Indonesia also received the Best Systemic and Prudential Regulator in Asia Pacific 2025 award from The Asian Banker. This recognition reflected the successful implementation of accommodative and well-targeted macroprudential policies to maintain financial system stability and to manage the digital financial ecosystem. Bank Indonesia's role in developing sharia economics and finance also earned international recognition. Bank Indonesia received the Best Central Banker of the Year 2025 and Best Central Bank for Facilitation & Support in Islamic Economy and Finance awards at the annual Global Islamic Finance Award (GIFA) 2025. The Contact Center, "BICARA", received international recognition by winning Best Employee Engagement, Best

Employee Wellness, Best Self-Service Technology, and Best Customer Service awards at the Contact Centre World Global Asia Pacific Top-Ranking Performers Awards 2025. These achievements demonstrated Bank Indonesia's commitment to delivering excellent public services and promoting information transparency. In the field of human resource management, Bank Indonesia earned silver and bronze at the Asia Pacific Stevie Award 2025. The throve of international awards received have strengthened Bank Indonesia's reputation as the best central bank among emerging markets.

3.8. Bank Indonesia Transformation

Bank Indonesia continued to strengthen the transformation, which began in 2018, to reinforce its policy and institutional framework in responding to the evolving strategic environment. Bank Indonesia consistently monitored global and national economic dynamics, as well as various changes in the strategic environment, including demographic shifts among employees, which were increasingly dominated by millennials and Generation Z. In responding to these strategic developments and in building a credible, professional, well-governed, accountable, and transparent central bank, Bank Indonesia sharpened several transformation agendas and implemented them gradually.

In the area of policymaking, Bank Indonesia continued to strengthen the regulation of the Bank Indonesia Policy Mix, which integrated monetary, macroprudential, and payment system policies, underpinned by policies to achieve the objectives mandated by law. This was accompanied by Business Process Re-engineering (BPR) and was implemented across various policy functions, including the development of blueprint frameworks, instruments, and infrastructure. In the monetary sector, improvements were made through monetary regulatory reforms by refining regulations

aligned with the Bank Indonesia Policy Mix and developing digitalization of statistical business processes. In the macroprudential sector, Bank Indonesia reformed macroprudential regulations by strengthening the regulations related to liquidity management in banking and the economy. Bank Indonesia also continued to enhance macroprudential policy formulation, among others through the advancement of macroprudential framework. In the payment system sector, regulatory reforms were carried out through the issuance of relevant provisions to support stability, efficiency, and integration of the national payment system. Bank Indonesia also continuously transformed the payment system in line with BSPI 2025–2030. Steps included infrastructure development, particularly data infrastructure, to support the digital economic and financial ecosystem; to strengthen industry competitiveness; to foster innovation and expand acceptance; to develop cross-border payment system connectivity; and to advance the Digital Rupiah.

Bank Indonesia continued to implement comprehensive institutional transformation to build a credible, professional, well-governed, and transparent central bank. The transformation of policy mix, institutional governance, organizational structure and work processes, human resources, and digitalization, which was initiated in 2018, continued to be strengthened and refined. These efforts specifically aimed to enhance the execution of Bank Indonesia's duties and authorities in the digital era; to ensure stronger capacity to safeguard the national economy against global shocks; and to implement the mandate of the Bank Indonesia Act, as amended, most recently through P2SK Act. This institutional transformation focused on three main agendas. First, strengthening the central bank policy governance 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. And third, reinforcing Bank Indonesia's professional leadership with high competence (book-smart), strong experience (street-smart), and noble character (spiritual-smart) through the work culture program "*Aku Bangga BI Bermakna*" (AB3). Bank Indonesia also continued to strengthen institutional accountability to the Indonesian House of Representatives (DPR-RI), to maintain an unqualified opinion (WTP) on its financial statements from the Indonesian Supreme Audit Agency (BPK-RI), and to enhance public transparency.

As further details for the first of these agenda items, Bank Indonesia consistently prioritized five strong, professional governance principles in accordance with the mandate of the law through central bank policies and institutional governance system based on Independence, Consistency, Coordination, Accountability, and Transparency principles. As part of the Republic of Indonesia, Bank Indonesia is granted independence by law in carrying out its duties and authorities as a central bank in the areas of monetary policy, payment systems, and macroprudential policy. This authority is applied consistently in the policy formulation process through well-governed monthly Board of Governors Meetings (RDG) and is regularly evaluated in weekly Board of Governors Meetings. Furthermore, in line with the principle of coordination, Bank Indonesia maintained a strong commitment to synergy and coordination with the Government to achieve national economic stability and growth. Bank Indonesia also upheld accountability principles, including through the submission of the Institutional Report to the President and DPR-RI, as well as transparency principles by holding monthly press conferences regarding the policies determined by Bank Indonesia during the monthly RDG and publishing reports on the implementation of its duties and authorities.

The balance of these five principles was implemented through formulation strategies, execution strategies, and control strategies for both main policies and institutional policies. The application of strategies for policy governance is reflected in the framework of the main policy mix, which integrates monetary policy, payment systems, and macroprudential policy, strengthened by supporting policies to optimally achieve Bank Indonesia's objectives as mandated by the Bank Indonesia Act. Meanwhile, the application of strategies in institutional governance is reflected in the institutional policy mix framework, which integrated strategic plans and work programs as well as Bank Indonesia's business processes and organizational structure to ensure optimal implementation with good and professional governance, supported by measured resource utilization. The strengthening of the institutional policy mix framework is carried out as a strategic step to ensure that all institutional elements of Bank Indonesia support the achievement of the institution's objectives effectively, efficiently, and in line with the compliance principles. Bank Indonesia also complemented various provisions in the areas of policy and institutional governance required for the implementation of these strategies.

To implement strategies in key policy and institutional areas (Figure 3.5.), Bank Indonesia applied a medium-term and an annual strategic planning system. Strategic planning was formulated based on the objectives and mandates stated in the Bank Indonesia Act, the vision and mission of Bank Indonesia, as well as collective strategic foresight from the Board of Governors. The medium-term strategic plan was outlined in the Strategic Business Plan (RBS) for a five-year period. The RBS serves as the foundation for preparing Bank Indonesia's annual work plan, which was developed based on the Annual Strategic Direction of Bank Indonesia Governor (ATGBI). The results of Bank Indonesia's strategic planning were subsequently communicated to all work units through internal communication forums.

Figure 3.5. Bank Indonesia Strategic Planning System



Source: Bank Indonesia

As further steps to realize good and professional governance in the formulation and implementation of policies, Bank Indonesia refined the provisions on the decision-making system in line with prevailing laws and regulations. Based on the Board of Governors Regulation (PDG) No. 3 of 2025, this Regulation concerns the Decision-Making System at Bank Indonesia and the Role of Members of the Board of Governors, which is an improvement of PDG No. 24/5/PDG/2022 on Decision-Making at Bank Indonesia in the Digital Era. Bank Indonesia's policies consist of central bank main policies and institutional policies. Decisions at Bank Indonesia were classified into three types, namely: Principal and Strategic Policies; Implementation of Principal and Strategic Policies; and Policies Not Classified as Principal and Strategic. The decision-making process was carried out adaptively and in a streamlined manner through the application of the 3S principles (Simplification, Standardization, and Systemization). In addition, provisions regulated the roles of the Board of Governors Members, which include: (i) in Board of Governors Meetings; (ii) in Committees;

(iii) as directors of strategic programs and transformation programs; and (iv) as coordinators for the operational execution of Work Units.

The Board of Governors' and its Members' commitment to leading Bank Indonesia's performance in maintaining economic stability and supporting sustainable economic growth was realized through the formulation and determination of strategic policies during the Board of Governors Meeting (RDG). In accordance with the Bank Indonesia Act, the RDG serves as the highest decision-making forum for determining principal and strategic policies. To strengthen governance and policy quality, the formulation process was carried out in stages, emphasizing checks and balances through initiation, verification, recommendation, and approval phases. The initiation and verification stages were conducted by the Work Unit, either by the Head of the Work Unit or through the Work Unit Directors Meeting. Furthermore, the recommendation stage was carried out by Committees through Committee Meetings, while the approval stage takes place in the



RDG. Decision-making in the RDG was based on deliberation to reach consensus, applying the principle of collective collegiality.

As for the second agenda item, Bank Indonesia accelerated the digitalization of policy and institutional work processes, prioritizing governance, streamlined processes, and collaborative work, supported by the development of data center and Artificial Intelligence (AI) capabilities. Bank Indonesia consistently promoted digital transformation through the development of a digital business platform, data center and AI, as well as strengthening technology capabilities and end-to-end security. The development of the digital business platform, which serves as the main foundation for modernizing policy and institutional business processes, focused on the digitalization of payment systems and strategic decision-making processes, which are continuously reinforced throughout 2025. The digitalization of payment systems was realized through the expansion of BI-FAST features to become more inclusive and through the exploration of Digital Rupiah innovation under the Garuda Project as a response to global digital financial system dynamics. In line with this, transformation was also carried out in governance and the effectiveness of decision-making processes through the development of the Digital Workplace (DWP) platform as a supporting medium for RDG implementation. This platform was implemented gradually to strengthen information integration, accelerate analytical processes, and improve the quality of policy formulation. Digitalization of work processes continued to be reinforced continually, while maintaining governance and collaboration among work units in line with the principles of one input, one process, and multiple purposes.

Bank Indonesia continued to advance the development of its Data Center as part of digital innovation to support the digital economy as well as institutional and policy business processes. The Data Center served as the epicentrum of change for Bank Indonesia's digital transformation, through tangible actions

aimed at realizing a Data-Driven Institution capable of leveraging AI and Machine Learning (ML) in decision-making. This development encompassed two major dimensions, namely serving as a catalyst for business processes and strengthening data center capabilities. These initiatives were implemented through an end-to-end approach, starting with data democratization using metadata, automation of data flows and processing (data factory), data innovation experimentation, and exploration of data technologies, including the development of ML/AI models (data innovation) and the development of the Omnidata Intelligence Platform.

Bank Indonesia consistently promoted the enhancement of technology infrastructure capabilities to strengthen its information systems in support of increasingly complex tasks. These efforts included reinforcing cyber resilience and security through the adoption of advanced technologies, implementation of certifications, and optimization of monitoring for existing infrastructure. The application of new technological innovations, as well as the renewal of existing infrastructure, was carried out continuously to ensure that the quality, stability, and availability of information system services remain reliable and adaptive to the dynamic needs of the organization. In addition, Bank Indonesia also strengthened its governance aspects through the formulation of regulations on information system security and cyber resilience applicable to all payment system operators, money market participants, foreign exchange market participants, and other entities under Bank Indonesia's supervision, as a strategic measure to build a secure and robust digital financial ecosystem.

And third, Bank Indonesia strengthened professional leadership with high competence, extensive experience, and noble character through the work culture program "*Aku Bangsa BI Bermakna*" (AB3). Bank Indonesia continuously fostered human capital with strong performance and integrity to realize its vision of becoming a leading digital central bank. Human resource



management was also directed toward creating future leaders of Bank Indonesia who were professional and embodied the 3-Smart aspects, namely high competence (book-smart), strong experience (street-smart), and noble character (spiritual-smart) across three pillars, specifically leadership, family, and well-being. In addition, Bank Indonesia continued to develop a modern office atmosphere, relationships, and work facilities that better support digitalization and are aligned with the behavioural traits of millennial employees.

Amid changes in the strategic environment and the increasing composition of employees from Gen Y and Z, Bank Indonesia continued to promote the development of employee capabilities as the engine of organizational change. These efforts were carried out through strategies for fulfilling and maintaining human resources, as well as strengthening the Employee Value Proposition 3.0 (EVP 3.0). Their implementation was a priority in transforming human resource policies, aimed at increasing employee engagement at Bank Indonesia. This included competitive remuneration programs, health care with focused on physical wellness, and peaceful retirement with emphasis on the *Pensiun Berkah* program.

The development of digital capabilities for human resources was an essential part of the transformation of human resources (HR) and work culture at Bank Indonesia. These capabilities were required to support the digitalization of work processes and improve adaptation to technological changes. To achieve this, Bank Indonesia designed and implemented learning modules based on the concept of the Digital Central Bank curriculum. In addition, the strengthening of HR competencies was emphasized in areas, such as: data science and data analytics; the application of Artificial Intelligence (AI) to central bank functions; and expanding knowledge of the green economy and finance as part of Bank Indonesia's strategic role in the era of digital transformation and sustainability. As further steps, learning infrastructure was reinforced through the development of a Learning Management System (LMS) and a Digital/Cyber Library, which were continuously improved, including by enriching e-learning modules from both internal sources and external partners. Furthermore, Bank Indonesia continued to encourage research in support of policy formulation, including through the management of international journals.



Box

3.1.

Development of Food Clusters to Support Price Stability

One of the measures to support Bank Indonesia's mandate of maintaining Rupiah stability is stabilization of volatile food prices, among others through the development of food clusters. Since 2014, Bank Indonesia's food cluster development has focused on commodities that strengthen food security and are sources of volatile food inflationary pressures. Through the food cluster development program, increased MSME capacity is expected to narrow the gap between supply and demand and thereby reducing food price pressures that drive inflation. The cluster program also aims to empower micro, small, and medium enterprises (MSMEs) as it involves numerous farmers and MSMEs.

The food cluster business model is developed on an end-to-end basis and is directed at raising productivity, intensification, and downstreaming. This is pursued by replicating

best practices across the value chain—from upstream (cultivation) to downstream (post-harvest processing and partnerships with off-takers/industry; Figure B3.1.1.). Development of strategic food MSMEs is also carried out by promoting the use of digital technologies based on the Internet of Things (digital farming) to increase productivity as well as broaden market access and improve efficiency in agricultural commodity distribution chains.

One success story of a food cluster business model that has implemented best practices is the chili cluster in West Java. Upstream, the cluster has applied sustainable farming practices through the use of organic fertilizers and pesticides and waste utilization; digital farming (application of digital technology in agricultural cultivation), such as smart fertigation and irrigation; and the use of superior seedlings. The cluster has also

Figure B3.1.1. Development of an Upstream–Downstream Food Cluster Business Model



Source: Bank Indonesia

implemented the Pot Up method with the support of smart greenhouses. The Pot Up system is a cultivation method whereby seedlings are placed in pots or containers in a greenhouse before transplanting. Transplanting is generally done 20 days after seeding (DAS), but with the Pot Up method it is performed when plants are older (45–60 DAS). Consequently, the days to harvest become shorter—60 days after planting (DAP)—compared with conventional methods that require 80–110 DAP (Figure B3.1.2.). Through the Pot Up method, cultivation costs can be more efficient, and farmers can start seeding earlier during the off-season before the rains arrive. With these various implementations and best practices, the cluster’s chili productivity now exceeds 15 tons per hectare, above the national average of 9.1 tons/ha. Downstream, post-harvest management in this cluster meets standards,

including sorting, grading, packing, washing, drying and quality control. Post-harvest management is also Prima 3-certified, indicating that the horticultural products are professionally managed, safe for consumption and ready for wide distribution. The cluster has also advanced downstream by producing derivative products such as dried chili and chili powder, which are marketed through more than five distribution partners, including modern retail and online platforms.

Food clusters also contribute to regional inflation control through participation in the National Movement for Food Inflation Control (GNPIP). Clusters play an active role in market operations with the Central Government and Regional Governments. In addition, clusters and private parties have initiated weekly promotional programs for the same purpose—controlling food prices.

Figure B3.1.2. Comparison between Conventional Methods and the Pot-Up Method



DAS: Days After Sowing | DAT: Days After Transplanting
Source: Bank Indonesia



Box
3.2.

Innovation in Pro-Market Monetary Operations Strategy to Accelerate Financial Market Deepening and Improve Market Efficiency

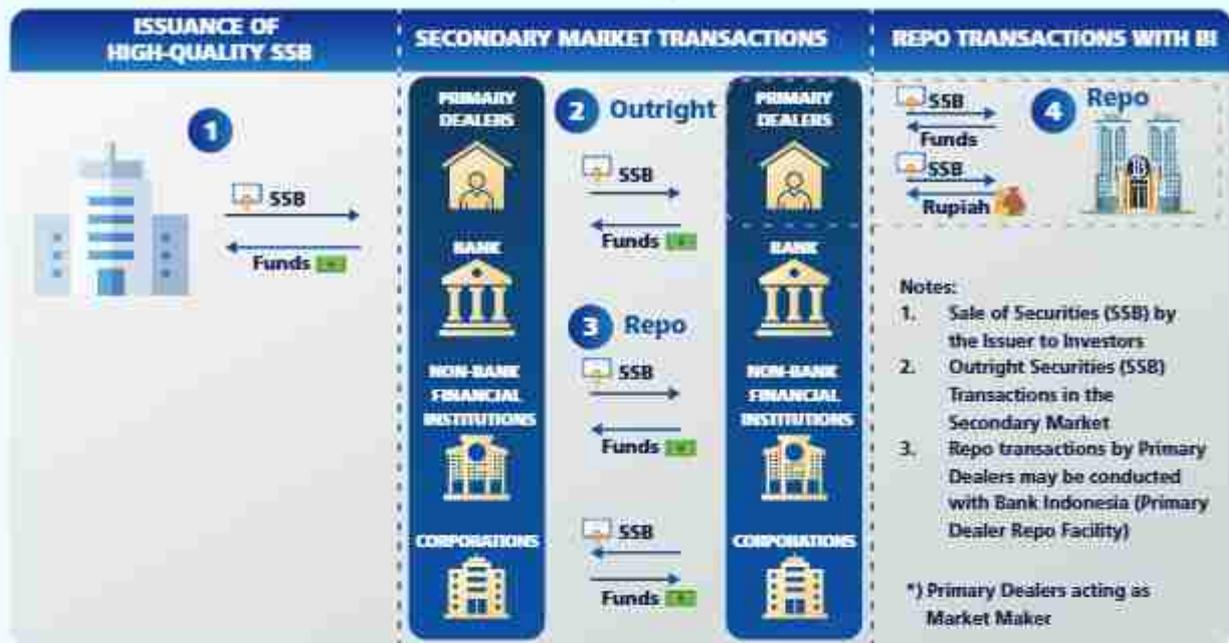
The Blueprint for Money Market and Foreign Exchange Market Deepening (BPPU) 2030, which is integrated with Pro-Market Monetary Operations (OM), has been formulated to guide the direction of MM-FX (PUVA) market deepening in realizing modern, advanced financial markets. The formulation of BPPU 2030 is a response to an evolving environment, including rising global uncertainty stemming from United States protectionist policies that have significant implications for global macroeconomic and financial system stability. In line with the strengthened mandate of Bank Indonesia under the P25K Act, the BPPU vision is directed toward building a modern and advanced MM-FX (PUVA) market integrated with Pro-Market OM to support effective monetary policy transmission; to safeguard financial system stability; and to promote financing of the national economy. To realize this vision, Bank Indonesia is undertaking various strategic measures, including strengthening monetary operations with the objectives, among others, of reinforcing market mechanisms to increase transaction activity and deepen liquidity in the money and foreign exchange markets.

Throughout 2025, Bank Indonesia continued to strengthen the implementation of Pro-Market OM through three innovations, including on the instrument side, to accelerate market deepening, and to enhance market efficiency. First, Bank Indonesia expanded the types of underlying collateral for repos in monetary operations to include other high-quality securities issued by financial service institutions established or founded by the Government to support Government programs for public welfare. This initiative aims to broaden the availability of liquid assets while supporting the Government's

welfare financing programs. Second, Bank Indonesia promoted development of the Overnight Index Swap (OIS) market by issuing Floating Rate Notes (BI-FRN) and facilitating OIS matchmaking to strengthen the formation of a transaction-based, interest rate structure in the money market. Third, to deepen the sharia money market, Bank Indonesia broadened the investor base for Sukuk Bank Indonesia (SUKBI) so that the instrument can be held by banks and nonbanks, including residents and non-residents, in the secondary market.

Further regarding the first innovation—expanding the range of OM repo underlying collateral—this is a strategic step to provide a more diverse and liquid MM-FX (PUVA) product set to support market deepening and economic financing. To date, banks' preference to purchase corporate securities for yield enhancement and inventory, with a tendency to hold to maturity, has constrained the potential increase in secondary-market transactions. This condition is reflected in KSEI data showing outstanding corporate bonds of Rp446.3 trillion as of September 2025, with holdings still dominated by the banking sector. The initiative to expand OM repo underlying collateral serves as an important catalyst to optimize the role of high-quality corporate bonds as repo collateral, both for monetary operations and for inter-participant transactions in the money market (Figure B3.2.1.). Implementation of this initiative is being carried out in stages, starting with corporate bonds and corporate sukuk, to be subsequently expanded to asset-backed securities (EBA). From the participant side, Primary Dealers in the MM-FX (PUVA) market play a key role as eligible participants, given their role as market makers and in promoting liquidity distribution in the MM-FX (PUVA)

Figure B3.2.1. Development of High-Quality Securities (SSB) as Underlying Assets for Repo Transactions



Source: Bank Indonesia

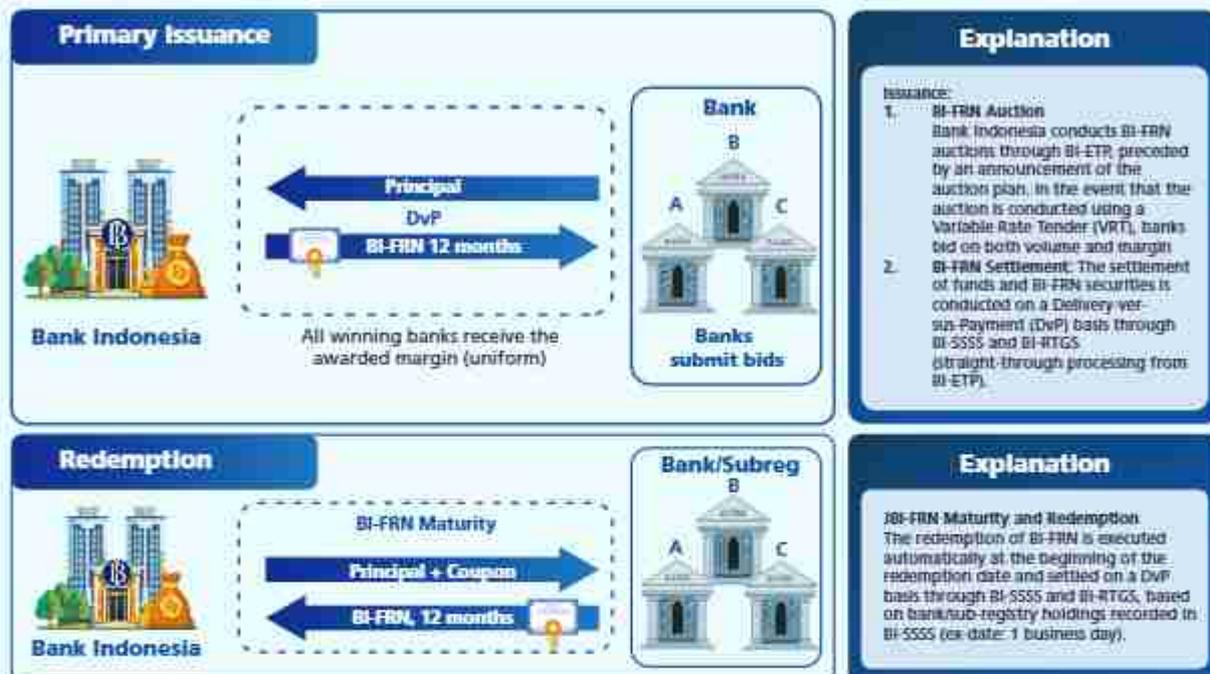
market. Supporting infrastructure is being strengthened to enable implementation of the initiative, including: (i) development of the BI-Electronic Trading Platform (BI-ETP); (ii) additional Tri-Party Agent Repo (TPA Repo) services by the Central Counterparty (CCP); and (iii) enhancements to BI-SSSS. With these strategic measures by Bank Indonesia, corporate bonds and corporate sukuk are expected to become more liquid, which encourages development of the corporate bond market; accelerates transactions and deepens the MM-FX (PUVA) markets; and ultimately supports sustainable economic growth.

As for the second innovation, the development of BI-FRN and Overnight Index Swaps (OIS) is part of a regulatory-led strategy aimed at introducing more diverse money market products, while strengthening a transaction-based term structure of interest rates in the money market. As INDONIA-based money market instruments (products), the initial issuance of BI-FRN with floating coupons increases market participants' exposure to interest rate dynamics, thereby driving the

need for hedging through OIS (Figure B3.2.2.). Higher OIS transaction volumes are expected to reinforce the pricing process in the money market and complete the term structure for tenors of up to 12 months. This will, in turn, underpin the formation of a credible money market yield curve that functions as a market price reference. The issuance of BI-FRN is also expected to encourage securities issuance in the market using coupons referenced to money market transactions. On the participant side, Primary Dealers in the MM-FX (PUVA) market play a key role as market makers in the OIS market by providing two-way quotes to strengthen efficient and transparent price discovery. In line with this initiative, since November 2025 Bank Indonesia has facilitated OIS matchmaking, i.e., the process of matching bid/ask OIS transactions submitted by market participants to the OIS Matchmaking Operator using a method determined by Bank Indonesia. In practice, brokerage firms, as the medium for interbank transactions, play an important role in ensuring the effectiveness of the matchmaking process.



Figure B3.2.2. BI-FRN Transaction Mechanism



Source: Bank Indonesia

Collectively, these initiatives are strategic steps to increase the credibility, transparency and effectiveness of Rupiah interest rates, thereby supporting money market deepening and enhancing the effectiveness of monetary policy transmission.

Lastly, concerning the third innovation, expanding the SUKBI investor base would broaden access to SUKBI ownership and secondary-market transactions in support of Pro-Market OM policy. Bank Indonesia has strengthened SUKBI features as the main sharia OM instrument since 2018 so that it can be held and traded by banks and/or nonbanks (residents/non-residents) in the secondary market. From a product perspective, SUKBI has been developed as a liquid pro-market OM instrument, characterized by use of SBSN and/or Bank Indonesia's global sukuk as underlying, tenors of 1 day to 12 months, scripless form, secondary-market tradability, and issuance under the al-musyarakah al-muntahiyah

bi al-tamlik contract. In terms of pricing, market-formed prices are aligned with the monetary policy stance. On participants, the instrument involves BUS, UUS and BUK, with new features enabling ownership and trading by banks and/or nonbanks, including residents and non-residents, in the secondary market. On infrastructure, strengthening spans front-to-end supporting systems with 3I characteristics (interconnection, integration, interoperability), including custody via BI-SSSS for non-bank investors; provision of SUKBI ISIN codes by KSEI; provision of SUKBI Fair Market Prices (HPW) by PHEI; and the clarification of secondary-market tax treatment through coordination with relevant authorities. With these enhanced SUKBI features, the effectiveness of SUKBI as a pro-market OM instrument is expected to increase in line with higher secondary-market transactions, supporting its role as a high-quality liquid asset (HQLA) and encouraging capital inflows to help maintain exchange rate stability.

Box
3.3.

Hackathon: Developing Digital Talent to Drive Innovation in the Digital Economy and Finance Ecosystem

Developing digital talent is a foundational element in building an innovative digital economy and finance ecosystem. This effort requires a platform that not only fosters cross-sector creativity and collaboration, but also generates digital solutions aligned with market needs. Initiatives such as Hackathons have proven effective in stimulating creativity and innovative ideas, while training and certification delivered through learning platforms and digital innovation hubs play a role in strengthening technical capacity and broadening digital innovation across financial services (Kamariotou & Kitsios, 2022; Gumbo & Moos, 2024).

Since 2024, Bank Indonesia has organized Hackathon competitions to develop digital talent by expanding participation to attract innovative ideas and potential talent in the digital economy and finance area. The Hackathon serves as a forum for developing idea exploration, use cases, and talent in synergy with partners, associations, and communities to foster a more innovative digital finance ecosystem. In 2025, Bank Indonesia again held a Hackathon in collaboration with the Financial Services Authority (OJK). The BI–OJK Hackathon 2025 was designed as a proof of concept for the operationalization of the Indonesia Digitalization Innovation Center (PIDI)—a hub for collaboration, experimentation and development of digital innovations within the national digital economy and finance ecosystem.

The BI–OJK Hackathon 2025 carried the main theme “Empowering the Future: Innovating Digital Services and Financial Solutions for Inclusive Growth and a Resilient Economy.” Three problem statements guided the search for innovations: (1) AI as a Service (AlaaS) for Digital Delivered Service Export (DDSE); (2) Financial Innovation & Public Services; and (3) Risk Management & Consumer Protection. These themes were designed to strengthen national digital innovation. AlaaS for DDSE promotes the use of AI for digital service exports through adaptive learning, cybersecurity, multilingual chatbots, and cross-border settlement. Financial Innovation & Public Services focuses on leveraging AI/ML to expand financial literacy and inclusion, support MSME credit profiling, and optimize public services, such as social assistance. Risk Management & Consumer Protection targets enhanced transaction risk mitigation, fraud prevention, smart-contract auditing, and digital-asset analytics to safeguard the integrity and reliability of the payment system.

The competition series ran from April to September 2025, open to professionals and students. The kick-off and roadshow were conducted in April–June 2025 to open registration and deliver technical seminars, followed by prototype development, coaching and final assessments through July–August 2025. Finalist selection and final prototype submissions marked the innovation-curation phase ahead of showcasing, which was then followed by business matching in August–September 2025.



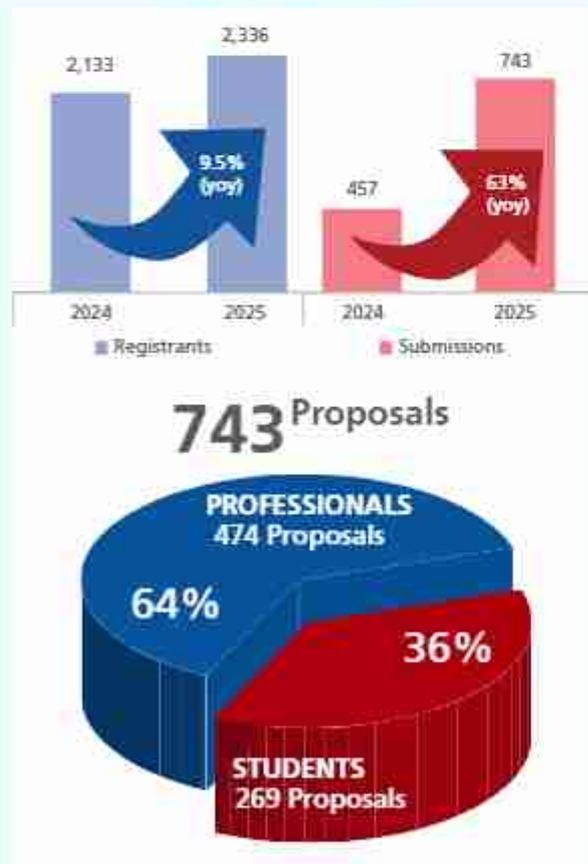
Outcomes of the BI-OJK Hackathon 2025 improved compared with 2024, in terms of both registrants and proposals submitted. Total registrants reached 2,336 participants, up 9.5% from 2024, while 743 proposals were received, representing an increase of 63%. By participant composition, 64% of proposals were submitted by professionals and 36% by students (Graph B3.3.1.).

Through a tiered selection process, 30 semi-finalists were selected and subsequently 10 finalists were designated, with innovation focuses aligned to and supportive of Bank Indonesia's policy mandates, including Digitally Delivered Service Export (DDSE), consumer protection, the Acceleration

and Expansion of Regional Digitalization (P2DD), and strengthening payment system security (Graph B3.3.2.). In the professional category, innovations encompassed an enterprise knowledge platform, a chatbot for MSMEs, WhatsApp-based fraud detection, public-infrastructure development monitoring, and a real-time fraud-detection system. Meanwhile, the student category presented AI-based solutions for social-assistance transparency, children's financial literacy, document automation and MSME export matching, on-chain analytics-based crypto fraud detection, and accelerated smart-contract audits.

By applying an end-to-end approach—from idea exploration and prototype development to business matching—the Hackathon successfully generated innovation proofs-of-concept ready for implementation. Going forward, strengthening the continuity of Hackathon outcomes and integrating them with the Indonesia Digitalization Innovation Center (PIDI) initiative are expected to accelerate the adoption and scalability of innovative solutions that effectively address forthcoming payment system challenges.

Graph B3.3.1. Registrants and Proposal Submissions for the BI-OJK Hackathon 2025



Source: Bank Indonesia

Graph B3.3.2. Semifinalists' Problem Statements



Source: Bank Indonesia

Box
3.4.

Synergy to Expand Local Currency Use in Support of Domestic Financial Market Deepening

Local Currency Transaction (LCT) cooperation is one of the strategic initiatives to promote currency diversification and strengthen exchange rate stability. Amid ongoing geopolitical uncertainty, intra-Asian economic transactions continue to increase. Japan and China have close economic ties with Indonesia, as reflected in their top-three positions both as export destinations and import origins (average 2020–2024; Tables B3.4.1 and B3.4.2). Nevertheless, the use of local currencies in regional transactions remains relatively limited and is dominated by hard currencies, thereby increasing exchange rate exposure. This underscores the relevance of LCT cooperation with key partner countries such as China and Japan. LCT cooperation promotes currency diversification in economic and financial transactions, thereby supporting lower transaction costs, smoother trade and investment, and easier cross-border transactions and financial integration. Ultimately, LCT cooperation can strengthen exchange rate stability while fostering strong and sustainable economic growth.

Table B3.4.1. Top Three Destination Countries for Indonesia's Export

No.	Country	Average Exports, 2020-2024 (in billion USD)	Share (%)
1	China	55.6	23.0
2	United States	24.4	10.1
3	Japan	19.3	8.0

Source: SEKI, processed

Table B3.4.2. Top Three Countries of Origin for Indonesia's Imports

No.	Country	Average Imports, 2020-2024 (in billion USD)	Share (%)
1	China	57.8	27.8
2	Singapore	19.4	9.4
3	Japan	15.1	7.3

Source: SEKI, processed

Implementation of Indonesia–China LCT and Indonesia–Japan LCT has continued to grow rapidly. LCT transactions increased over the past five years, reaching USD22.2 billion during January–November 2025. During that period, Indonesia–China LCT transaction volume totaled USD10.5 billion, making it the largest contributor with a 47.3% share of total LCT transactions with all partner countries. Meanwhile, Indonesia–Japan LCT recorded USD7.3 billion, with a 32.9% share. LCT utilization has been concentrated in strategic sectors, suggesting the broader benefits of the LCT framework in supporting national economic growth. These achievements offer tangible benefits from LCT for business; Chinese and Japanese corporations operating in Indonesia can improve cost efficiency and reduce exchange rate risk exposure by using local currencies.



The substantial market potential of Indonesia–China and Indonesia–Japan LCT continues to be tapped by expanding the cooperation framework. Development of the LCT ecosystem continues across product, pricing, participant and infrastructure dimensions. LCT cooperation between Indonesia and China and between Indonesia and Japan were strengthened through the signing of an enhanced Memorandum of Understanding (MoU) with the People’s Bank of China on 25 May 2025 and a Memorandum of Commitment (MoC) with Japan’s Ministry of Finance on 15 December 2025. These agreements expand the scope of LCT cooperation to cover current-account transactions, capital transactions and financial transactions, while being synergized with cross-border payment initiatives. Cooperation between Indonesia and China has also been reinforced through the establishment of a Joint Work Program to implement joint initiatives at the technical level. Furthermore, synergy has been strengthened with ministries/agencies that are members of the National LCT Task Force (*Satgasnas* LCT) as well as with partner-country authorities.

LCT outreach continued throughout 2025 under the 3T principles—Targeted, Integrated, and Planned—and in synergy with cross-border payment initiatives. Bank Indonesia and the People’s Bank of China conducted a joint high-level campaign for LCT and cross-border QR between Indonesia and China, held in parallel in Beijing and

Jakarta on 11 September 2025. On the Indonesia–Japan corridor, Bank Indonesia and Japanese authorities—including the Ministry of Economy, Trade and Industry (METI), the Payments Japan Association (PIA), and Japan Quick Response (JPQR)—held a joint high-level campaign for LCT and cross-border QR in Jakarta and Osaka on 25 August 2025. These activities reflect a strategic collaborative effort to broaden local currency use, accelerate QR implementation and strengthen bilateral relations.

Synergy to expand local currency use supports domestic financial market deepening. In line with increasing local-currency transactions, liquidity needs for RMB and JPY in the domestic money market have also risen, while demand for IDR in China or Japan remains limited. Development of the onshore RMB and JPY FX money markets is therefore helpful in maintaining Rupiah exchange rate stability. JPY and RMB (including CNY and CNH) are among the most actively traded currencies in the domestic FX market. By ensuring adequate RMB and JPY liquidity onshore, banks can purchase RMB or JPY directly in the interbank market so that prices are formed through direct quotations (RMB/IDR or JPY/IDR). Deepening of the RMB/JPY FX market by strengthening RMB/JPY liquidity sources is being pursued through product expansion, enhancing the capabilities of ACCD banks in providing RMB/JPY liquidity, and strengthening international financial cooperation among the relevant authorities.

CHAPTER 4

POLICY MIX FOR NATIONAL ECONOMIC TRANSFORMATION: SYNERGY TO FOSTER HIGHER AND RESILIENT GROWTH

Real-sector transformation is essential to achieve stronger and more resilient economic growth. In this context, synergies within the national economic policy mix must be directed toward five key areas. First, synergy to strengthen macroeconomic and financial-system stability. Second, synergy between the national economic policy mix and real-sector transformation to support higher and more resilient economic growth. Third, synergy among the Government, the Financial System Stability Committee (KSSK), and Bank Indonesia to expand and strengthen various sources of economic and financial-market funding. Fourth, synergy to accelerate digitalization of Indonesia's economy and financial system. Fifth, synergy to enhance the effectiveness of bilateral and regional trade and investment cooperation.





The strong performance and robust national economic policy mix achieved thus far provides a solid foundation for advancing toward higher and more resilient growth. As highlighted in previous sections, Indonesia's economy has demonstrated strong resilience with relatively high growth. Macroeconomic and financial system stability has been maintained despite successive waves of global turmoil. Indonesia's economic growth ranks among the best in Emerging Market Economies (EMEs), in line with expansionary economic and financial cycles. The strength of the national economic policy mix, through close synergy between the Government's fiscal policy and Bank Indonesia's policy, complemented by coordination within the Financial System Stability Committee (KSSK), has been internationally recognized. Real sector transformation also continues through industrial policies, including downstreaming of natural resources, and structural reforms to improve the investment climate and accelerate infrastructure development, supported by social protection programs for low-income households. This strong synergy within the national economic policy mix must be further reinforced moving forward.

Looking ahead, several global and domestic challenges must be anticipated to strengthen synergy and achieve higher and more resilient national economic growth. From a global perspective, as outlined in the first chapter above, at least five challenges warrant close attention. First, persistent protectionist policies in the United States and ongoing geopolitical tensions, which are widening trade and investment fragmentation, shifting patterns toward bilateral and regional arrangements rather than multilateral cooperation. Second, slowing global economic growth accompanied by spatial shifts in growth patterns, including from the US and China toward the European Union, India, and several other EMEs. Third, high public debt and elevated interest rates in advanced economies, which cause a heavy burden on Emerging Market and Developing Economies (EMDEs) in terms of fiscal and monetary policy space to maintain stability and stimulate growth, even for financing social programs. Fourth, heightened vulnerabilities and systemic risks

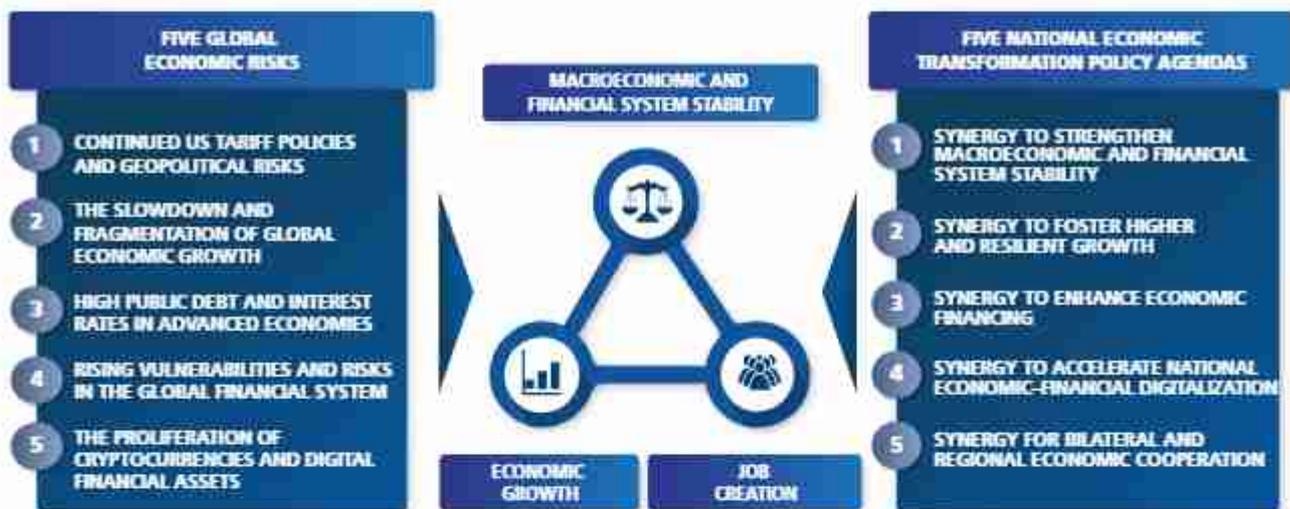
in global financial markets, stemming from leveraged transactions in derivative products linked to sovereign debt, particularly by Non-Bank Financial Institutions (NBFIs) under weak regulatory and supervisory frameworks. Fifth, proliferation of cryptocurrency issuance and trading, as well as digital financial assets (stablecoins and tokenized assets) globally by private entities without adequate regulation or oversight by competent authorities, including risks related to illegal transactions, consumer protection, and cybersecurity.

From a domestic perspective, synergy within the national economic policy mix needs to be strengthened to achieve higher and more resilient economic growth going forward, including to mitigate the impact of global dynamics. This policy mix synergy must respond to at least five key challenges (Figure 4.1.).

First, macroeconomic and financial system stability must remain a priority. Indonesia is internationally recognized for its ability to maintain national economic stability. Going forward, this stability will become even more essential to support growth from the aggregate demand side, owing to the need to strengthen national economic resilience amid rapidly changing and highly uncertain global economic and financial conditions. Rupiah exchange rate stability as well as low and stable inflation must continue to be preserved. The fiscal deficit must be maintained at no more than 3% of GDP. Banking system resilience and stability must continue to be reinforced. Accordingly, coordination between the Government's fiscal policy and Bank Indonesia's monetary policy, as well as coordination within the Financial System Stability Committee (KSSK), must continue to be strengthened.

Second, real sector transformation needs to be accelerated to enhance sources for higher domestic economic growth. This also serves to strengthen food and energy security as critical pillars of national economic resilience and self-reliance. Industrial policies emphasizing downstreaming and industrialization of natural resources must be prioritized for strategic

Figure 4.1. Five Agendas of the National Economic Transformation Mix



Source: Bank Indonesia

national industries, including minerals, plantation commodities, agriculture, and fisheries. Indonesia is richly endowed with natural resources, yet they have not been fully optimized, and some have even been exploited illegally. Downstreaming and industrialization must focus on increasing value-added through derivative products, such as in palm oil processing and lithium battery production. Developing commercially viable business models is crucial to attract investment from both the Government (including through Danantara) and private sources, both domestically and internationally. To this end, structural reforms to improve the investment climate, connectivity infrastructure, and research capacity must continue to be advanced to raise competitiveness and productivity, in the areas of capital, labor, and innovation as well as efficiency.

Third, sources of financing must continue to be developed to support real sector transformation, particularly downstreaming and natural resource industrialization. Achieving high economic growth requires substantial capital and investment, which cannot be financed solely by the State Budget (APBN). A clear national financing strategy is needed. The APBN should be optimized for financing social and people-centered economic programs, while keeping the fiscal deficit below 3% of GDP; examples of such programs would include: Free Nutritious Meals (MBG); People's Schools; Public Housing;

Red and White Village Cooperatives (KDMP); and Fishermen Villages. Meanwhile, the significant capital and investment needs for downstreaming and natural resource industrialization projects can be financed through Danantara, the banking sector and other financial institutions, as well as private domestic and international investors. Financing instruments may take the form of equity investment, bank credit, and the issuance of bonds and other securities. In this context, financial market deepening is crucial to provide the requisite financing of the national economy, through, for instance, increasing liquidity, ensuring competitive interest rates, and providing hedging instruments for interest rate and exchange rate risks. Bank Indonesia will maintain close coordination within the KSSK to advance such financial market deepening.

Fourth, national economic and financial digitalization must continue to be accelerated to achieve high, resilient economic growth. Indonesia is among the fastest-growing countries in digitalization, particularly in payment system digitalization and retail digital economic-financial transactions. QRIS, Mobile Banking, E-Commerce, and BI-FAST are increasingly favored by the public and MSMEs because they enable fast, practical, and affordable economic and financial transactions, thereby expanding inclusive economic and financial access. Likewise, digitalization of Government



financial transactions continues to advance and has strengthened revenue collection and improved expenditure efficiency at both the central and regional levels. Going forward, national payment system and digital economic-financial digitalization must continue to be accelerated. The expansion of digital service businesses across economic segments must also continue to boost national economic growth. Payment system digitalization, both retail and wholesale, must be further developed, including the issuance and development of Digital Rupiah and Digital Financial Assets by Bank Indonesia in accordance with its statutory mandate. Cross-border cooperation in digital payments that has been pursued to date, must also be expanded, including QRIS connectivity, BI-FAST connectivity, and the use of local currencies (Local Currency Transactions, LCT) for trade, investment, and financial transactions.

Fifth, the effectiveness of trade and investment cooperation with major partner countries must continue to be enhanced. As noted earlier, US protectionist policies and global economic polarization across countries will persist. Therefore, Indonesia's trade and investment cooperation must focus on key bilateral and regional partners that provide the greatest strategic benefits, including ASEAN+3 (China, Japan, South Korea), India, the Middle East, and the European Union, while still advocating multilateral cooperation. Such bilateral and regional cooperation is also important in supporting Indonesia's interests in trade and investment related to natural resource downstreaming programs and their financing needs. This cooperation also includes expanding the use of local currencies (Local Currency Transactions, LCT), advancing financial market deepening, and strengthening cross-border digital payment cooperation to facilitate bilateral and regional trade and investment.

4.1. Synergy to Strengthen Macroeconomic and Financial System Stability

Going forward, the macroeconomic and financial system policy mix needs to be strengthened further to maintain stability and support higher, more resilient economic growth. As noted, risks to national economic stability and resilience stemming from adverse global spillovers are expected to increase. Elevated US Treasury yields and interest rates in advanced economies, along with rising volatility and risk premia in global financial markets, may trigger foreign portfolio outflows and exert pressure on the Rupiah exchange rate. Indonesia's external resilience may also be compromised by the limited surplus in the capital and financial account of the Balance of Payments, as well as declining foreign exchange reserves due to the need for Rupiah stabilization. Rising SBN yields and the limited inflows of foreign portfolio investment into Indonesia may likewise disrupt fiscal deficit financing. On the internal stability side, inflationary pressures may intensify amid higher domestic food and global commodity prices, as domestic demand strengthens. Similarly, adverse global spillovers may increase market risks (on both the exchange rate and interest rates), liquidity risks, and credit risks on Indonesia's banking system and financial markets.

Policy coordination among the Government, Bank Indonesia, and the Financial System Stability Committee (KSSK), which has been closely maintained thus far, needs to be further strengthened to formulate and implement the macroeconomic and financial system policy mix going forward amid persistent global volatility. Coordination between the Government's fiscal policy and Bank Indonesia's monetary and macroprudential policies must continue to be directed toward maintaining a balance between

safeguarding macroeconomic stability and supporting domestic demand-driven growth, both consumption and investment. Coordination between the Government and Bank Indonesia begins with the formulation of macroeconomic assumptions in the annual preparation of the State Budget (APBN), particularly for economic growth, inflation, the exchange rate, and Government Securities (SBN) interest rates. Regular coordination is undertaken to assess and forecast economic developments and to harmonize the Government's fiscal policy responses with Bank Indonesia's monetary policy responses. Coordination is also conducted in the planning of SBN issuances, both annually and periodically, in global and domestic markets to finance the fiscal deficit with competitive interest rates, while maintaining monetary and financial market stability. Meanwhile, coordination to maintain financial system stability and, at the same time, encourage financing from the financial sector to support economic growth is carried out through the KSSK, which convenes quarterly. In addition to assessments, projections, and policy responses of each institution, KSSK meetings also discuss vulnerabilities and risks arising from global or domestic developments, as

well as coordinated policy measures to be taken jointly. The results of the quarterly KSSK meetings are communicated to the public.

The Government's fiscal policy for 2026 is directed towards promoting economic growth while maintaining Indonesia's macroeconomic stability. In line with this objective, fiscal policy is formulated as a countercyclical policy to respond to global economic turbulence and uncertainty risks, as well as to safeguard the domestic economy and public welfare. The macroeconomic assumptions underpinning the 2026 State Budget (APBN) include economic growth of 5.4%, inflation within the 2.5±1% target range, an average 10-year Government Securities (SBN) yield of 6.9%, and an average exchange rate of Rp16,500 per US dollar. The fiscal deficit in the 2026 APBN is to be maintained at the prudent level of 2.68% of GDP to preserve fiscal sustainability and Indonesia's international credibility (Table 4.1.). State revenue would increase by 4.9% from 2025 to Rp3,153.6 trillion, driven mainly by higher tax revenues. Central Government expenditure is set to rise by 16.6% to Rp3,149.7 trillion, while transfers to regions and village funds would decline to

Table 4.1. State Budget (APBN) in 2026

ITEM (TRILLION RUPIAH)	2025	2026
STATE REVENUE	3,005.1	3,153.6
Tax Revenue	2,490.9	2,693.7
Taxes	2,189.3	2,357.7
Customs and Excise	301.6	336.0
Non-Tax State Revenue	513.6	459.2
STATE EXPENDITURE	3,621.3	3,842.7
Central Government Spending	2,701.4	3,149.7
Ministry/Agency Spending	1,160.1	1,510.5
Non-Ministry/Agency Spending	1,541.4	1,639.2
Transfer to Region	919.9	693.0
Primary Balance	-63.3	-89.7
BUDGET DEFICIT	-616.2	-689.1
% Deficit to GDP	-2.53	-2.68
FINANCING REQUIREMENT	616.2	689.1

Source: Ministry of Finance.



Rp693.0 trillion, or 75.3% of the 2025 APBN. The significant increase in Central Government spending is primarily allocated to goods and capital expenditures to support economic growth, particularly through production and investment. In addition, fiscal stimulus is directed toward supporting household consumption, including increased allocations for social assistance and other non-energy-compensation spending. Notably, the increase in other non-energy-compensation spending reflects the allocation for financing *Asta Cita* programs to be implemented by the Central Government through regional channels, such as Free Nutritious Meals (MBG), Red and White Village Cooperatives (KDMP), and others; previously these were part of transfer-to-regions allocations. Overall, the expenditure composition in the 2026 APBN represents a fiscal policy stance that balances the need to maintain macroeconomic stability with stimulus to promote economic growth and public welfare. The fiscal deficit, amounting to Rp689.1 trillion, would be financed through the optimization of program loans and the issuance of Government Securities (SBN) in both domestic and global financial markets.

Under the Government's *Asta Cita* vision, President Prabowo Subianto has outlined eight priority programs aimed at improving public welfare, creating jobs, and fostering high economic growth. A portion of the funding for these eight priority programs has been allocated into the 2026 State Budget (APBN) (Figure 4.2.). *First*, the food security program, with a total budget allocation of Rp164.4 trillion, covers food estates and reserves, fertilizer subsidies, and support for Indonesian state food logistics agency (Bulog). *Second*, the energy security program (with a total budget of Rp402.4 trillion) includes energy subsidies, development of New and Renewable Energy (NRE), and rural electrification. *Third*, the Free Nutritious Meals (MBG) program allocates Rp335 trillion for 82.9 million students, pregnant women, and toddlers, supported by the establishment of the Nutrition Provision Service Units (SPPG) involving farmers, fishers, livestock breeders, and MSMEs. *Fourth*, the education program (a total allocation of Rp769.1 trillion) includes the Smart Indonesia Program (PIP) for 21.1 million students; the Smart Indonesia Card (KIP) for 1.2 million university students; improvements to

Figure 4.2. Eight Priority Programs of President Prabowo Subianto



Source: Ministry of Finance

teacher salaries and competencies; and LPDP scholarships for 4,000 students. The Government will also build *Sekolah Rakyat* (People's School), allocating Rp24.9 trillion annually. *Fifth*, the health program, with a total budget of Rp244 trillion, includes insurance premium assistance for 96.8 million beneficiaries. *Sixth*, the village, cooperatives, and MSME development program, including the establishment of 80,000 Red and White Village Cooperatives (KDMP), supported by fund placements in SOE banks for low-interest lending. In 2026, 27,700 KDMP would be established with loans amounting to around Rp83 trillion, increasing to 80,000 KDMP with total loans reaching around Rp240 trillion by 2029. *Seventh*, the universal defense program, including modernization of primary defense systems, strengthening of reserve components, technological mastery, and the development of domestic strategic industries. *Eighth*, the acceleration of investment, trade, and housing. For housing, the Government plans to build 3 million housing units through the Housing Financing Liquidity Facility (FLPP) and Housing Financing Liquidity Facility (BSPS) in villages, urban areas, and coastal regions, totaling Rp54.3 trillion in 2026, increasing to Rp111.9 trillion starting in 2027. The Government will also

provide VAT-Borne-by-the-Government (PPN DTP) incentives for 770,000 commercial housing units. For investment, the Government will accelerate USD38 billion in downstreaming projects, financed partly by the State Budget (APBN) and partly by Danantara, as well as domestic and foreign private investors.

With strong synergy between the Government fiscal policy and Bank Indonesia's monetary policy, Bank Indonesia's monetary policy in 2026 will be directed toward supporting higher economic growth while still achieving the inflation target and maintaining the Rupiah exchange rate stability. This will be carried out primarily through three key instruments: interest rate policy, Rupiah exchange rate stabilization, and secondary market purchases of Government Securities (SBN). *First*, with inflation projected to remain within the 2.5±1% target range in 2025 and 2026, Bank Indonesia will assess the room for further interest rate reductions to help boost economic growth to 5.40% in 2026. As previously explained, since September 2024, Bank Indonesia has reduced the BI-Rate six times by a total of 150 bps to 4.75% as of October 2025. In synergy with the Government's fiscal policy and the Financial System Stability Committee (KSSK),



Bank Indonesia also continues to encourage banks to lower their lending rates and expand credit/financing to support stronger economic growth. *Second*, Rupiah exchange rate stability will continue to be safeguarded as a key factor in maintaining macroeconomic and financial system stability, supporting business activity, and sustaining national economic growth. This will be undertaken through Bank Indonesia's foreign exchange interventions in both offshore markets (offshore NDF) and domestic markets (spot and DNDF). *Third*, Bank Indonesia will conduct secondary market purchases of SBN as part of monetary operations to stabilize the Rupiah exchange rate and maintain adequate liquidity in the money market and banking system. As previously noted, up to 31 December 2025, Bank Indonesia has purchased SBN amounting to Rp332.14 trillion since January 2025, including secondary market purchases and a debt-switching program with the Government totaling Rp246.68 trillion. Bank Indonesia and the Ministry of Finance have also agreed that part of the fund from these SBN purchases will be allocated to finance public housing programs and the KDMP program under the Government's *Asta Cita* agenda at low interest rates. In addition to these three instruments, there is close coordination between Bank Indonesia and the Government concerning inflation control, particularly for administered prices and volatile foods, through the Inflation Control Teams (TPI) at both the central and regional levels.

Synergy between the Government's fiscal policy and Bank Indonesia's macroprudential policy is also being strengthened to support high-growth sectors and those with significant job-creation potential. In this regard, through the Macroprudential Liquidity Incentive (KLM) policy, Bank Indonesia provides additional liquidity incentives to banks that channel credit/financing to the Government's priority sectors to promote economic growth and job creation. Aligned with the Government's *Asta Cita* programs, these priority economic sectors include: (i) agriculture, manufacturing, and natural resource downstreaming; (ii) services, including the creative economy; (iii) construction, real estate,

and housing, including public housing; and (iv) MSMEs, cooperatives, inclusive and sustainable sectors. As previously explained, by the end of December 2025, total KLM incentives amounted to Rp388.06 trillion, which were allocated to the priority sectors, namely Agriculture, Industry, and Downstreaming sector; Construction, Real Estate, and Housing sector; Inclusive MSMEs, Cooperatives, inclusive and sustainable financing sector; as well as Services sector, including the creative economy. Meanwhile, the Government supports these priority sectors through fiscal incentives and necessary regulatory facilitation. In the case of KUR disbursements, for example, the Government determines eligible sectors, requirements, loan amounts, and fiscal incentives in the form of interest subsidies. For the public housing program, the Government provides fiscal incentives in the form of interest subsidies and administrative cost assistance, with amounts adjusted to the type of housing being financed. This synergy between Bank Indonesia's macroprudential policy and the Government's fiscal policy strengthens bank credit/financing growth while simultaneously supporting higher economic growth and greater job creation.

Synergy in the Financial System Stability Committee (KSSK) is directed toward strengthening financial system stability and becoming more resilient in the face of global spillovers, while also supporting economic financing, including inclusive and green finance. KSSK meetings, comprising the Ministry of Finance, Bank Indonesia, the OJK, and the LPS, are held quarterly to assess financial system stability (SSK) conditions and determine the required coordinated policy measures. Policy coordination focuses on six key aspects: (i) assessing the current condition and status of financial system stability and coordinating the necessary policy responses; (ii) coordinating efforts to promote credit and financial sector financing for the economy; (iii) coordinating financial market development (including financial education and literacy); (iv) coordinating macroprudential and microprudential supervision (including oversight of operational and cyber risks); (v) coordinating the handling and

resolution of financial institution problems; and (vi) coordinating the strengthening of regulations and requirements, including the follow-up implementation of the P2SK Act (Figure 4.3.). In this regard, as previously discussed, synergy between Bank Indonesia's monetary policy and the Government's fiscal policy to maintain financial system stability is directed towards contained inflation; Rupiah exchange rate stability; interest rate policy; and the issuance of SBN for fiscal financing, all amid global pressures. To safeguard banking system stability, close coordination is carried out between Bank Indonesia's macroprudential supervision, focusing on macro-financial linkages of large banks, and the OJK's microprudential supervision to maintain the soundness of individual banks. The OJK also strengthens the supervision of non-bank financial institutions, capital markets, fintech companies, and consumer protection in financial services. The LPS continues to strengthen deposit insurance and bank resolution, implemented in close coordination with the OJK and Bank Indonesia, in accordance with their respective mandates. Readiness simulations for coordinated responses, both among the four KSSK institutions collectively and bilaterally, on handling financial sector issues are continuously enhanced. Beyond this, KSSK coordination continues to be strengthened to finalize all regulations and provisions required for the implementation of

the P2SK Act. Overall, the implementation of the P2SK Act further reinforces the development and strengthening of the financial sector, supporting financial system stability and economic financing for sustainable growth going forward.

Policy coordination between the Government and Bank Indonesia must also be strengthened further to manage foreign exchange flows, safeguard national economic resilience, and support higher economic growth. The Government has issued Government Regulation No. 8 of 2025 on Foreign Exchange Export Proceeds from Natural Resources (PP DHE SDA) as a reinforcement of Government Regulation No. 36 of 2023 to optimize the management and utilization of DHE SDA for public welfare and the national economy, through financing economic development, increasing domestic liquidity circulation, strengthening foreign exchange reserves, and maintaining Rupiah exchange rate stability. The regulation requires 100% of DHE SDA valued greater than or equal to USD250,000 be placed within the Indonesian financial system (in Special Accounts), with strengthened provisions for non-oil and gas natural resources, namely increasing the retention requirement from 30% for 3 months to 100% (after exemptions for Rupiah conversion, imports, loan payments, dividends, and foreign exchange taxes) for 12 months. The monitoring of the

Figure 4.3. Policy Coordination within the KSSK Maintains Financial System Stability

**FINANCIAL SYSTEM STABILITY COMMITTEE (KSSK)
POLICY COORDINATION**



Source: Bank Indonesia



implementation of Government Regulation No. 8 of 2025 shows that DHE SDA placements in Special Accounts amount to around USD11–12 billion per month, equivalent to 87–89% of total natural resources exports, which are around USD13–15 billion per month. Exporter compliance in placing and depositing DHE SDA (that is, DHE is deposited within three months of the export date) has been substantial, reaching 94% for non-oil and gas and 100% for oil and gas. Government Regulation No. 8 of 2025 has also been effective in increasing foreign exchange supply to the domestic market, supported by the flexibility policy for conversion into Rupiah. This has subsequently increased corporate deposits denominated in IDR in the banking system and expanded foreign exchange supply in the domestic FX market. Several measures can be pursued to enhance further the utilization of DHE SDA for the national economy. From Bank Indonesia's side, policy strengthening may include optimizing the placement of DHE SDA at Bank Indonesia, both by expanding DHE placement instruments and by improving returns (pricing). Similar measures may also be undertaken by the Government, including issuing Foreign Currency SBN in the domestic market, particularly in non-USD currencies (such as the Yen and Renminbi), which could simultaneously expand the use of Local Currency Transactions (LCT) in cross-border trade and investment cooperation.

4.2. Synergy to Foster Higher and Resilient Growth

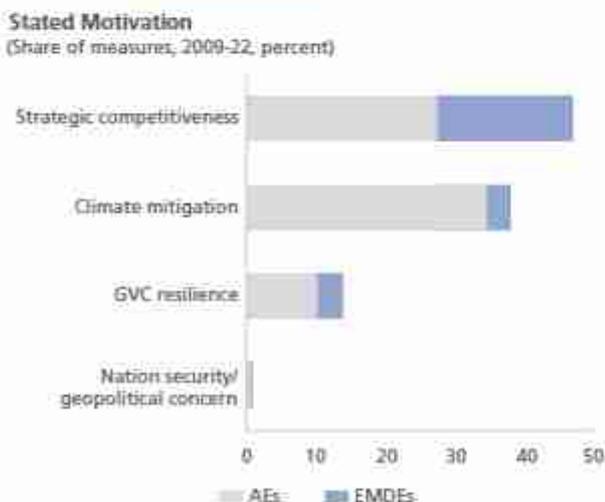
The synergy of real sector transformation policies is crucial to strengthening the capacity of the national economy in achieving higher and more resilient growth. As previously highlighted, synergy between Government fiscal policy, Bank Indonesia's monetary and macroprudential policies, as well as policy coordination in the Financial System Stability Committee (KSSK), must be continuously reinforced to drive growth from the aggregate demand side (household consumption, investment, and net exports) while maintaining macroeconomic and financial system stability. To achieve higher and more resilient economic growth, efforts

to enhance the capacity of the economy from the aggregate supply side through increased value-added production across economic sectors must be consistently pursued. In this regard, the synergy of real sector transformation policies is essential to continuously strengthen capital, labor, and productivity in order to raise value-added production in those sectors. Real sector transformation policies should be implemented through both structural reform policies and industrial policies. Structural policies are directed at improving the investment climate, fostering healthy business competition, enhancing infrastructure connectivity (both physical and digital), as well as advancing trade and investment policies (domestic and international), all of which will positively impact production across economic sectors. Meanwhile, industrial policies are directed at increasing value-added production in specific economic sectors that constitute national priorities to support higher economic growth and large-scale job creation, including downstreaming and industrialization, particularly those based on natural resources. Through the synergy of macroeconomic policies to stimulate aggregate demand and real sector transformation policies to strengthen aggregate supply, higher and more resilient economic growth can be achieved while safeguarding macroeconomic and financial system stability.

Since 2009, an increasing number of countries have adopted industrial policies to strengthen economic resilience, particularly in energy and food, while also promoting higher economic growth. This trend has been most pronounced in advanced economies, including the United States, the European Union, and Canada, as well as in several Emerging Market Economies (EMEs) such as China. A significant acceleration occurred following the COVID-19 pandemic, which underscored the importance of energy and food resilience for national economies. In general, industrial policy is defined as a policy undertaken by a country to transform its domestic economic structure through various instruments, including subsidies and specific regulatory facilities in the fields of investment, market access, and finance, targeting sectors or commodities

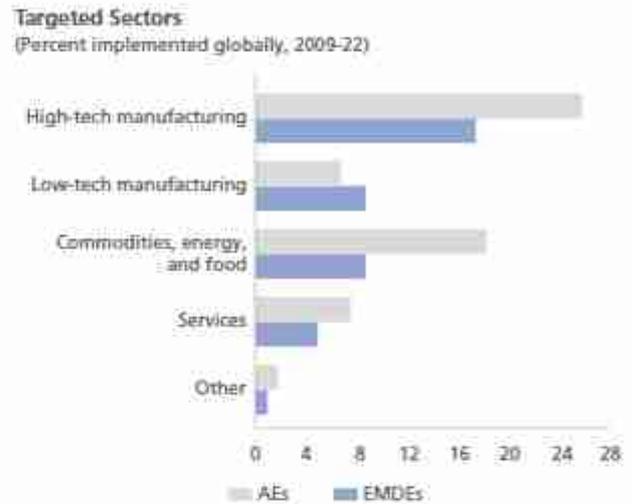
designated as national priorities. Economic considerations may be based on the need to correct market failures, such as protecting infant industries that are not yet able to compete globally. Another common consideration in both advanced economies and EMDEs, is to strengthen strategic competitiveness; climate mitigation considerations are more prevalent among advanced economies (Graph 4.1.). As for targeted sectors, industrial priorities in advanced economies are predominantly high-technology manufacturing, commodities, energy and food, as well as services (Graph 4.2.). In EMDEs, the sectors targeted by industrial policies vary, ranging from manufacturing to commodities, energy, and services, depending on technological readiness and the availability of natural resources. These developments demonstrate that industrial policy can be pursued by a country to strengthen its domestic economic structure in support of higher and more resilient economic growth. Such industrial policies must be carefully formulated in terms of sector selection, business model development, investment and financing policies, while taking into account the fiscal constraints of the Government. Furthermore, industrial policy must be accompanied by structural reform policies to improve the investment climate, enhance infrastructure connectivity governance, and advance financial market development.

Graph 4.1. Industrial Policy: Economic Considerations



Source: IMF, World Economic Outlook, October 2025

Graph 4.2. Industrial Policy: Targeted Economic Sectors



Source: IMF, World Economic Outlook, October 2025

In Indonesia, to achieve higher and more resilient economic growth, the Government has launched real sector transformation policies focusing on downstreaming and industrialization as well as job creation. In line with the fifth National Priority under the *Asta Cita* Vision, downstreaming and industrialization are directed at enhancing value-added and competitiveness; increasing local content requirement (LCR); strengthening financing and investment; and developing supporting infrastructure. For its part, job creation is directed at developing local human resources, facilitating technology transfer, and promoting economic equity (Figure 4.4.). Accordingly, the policy direction encompasses the following aspects: (i) accelerating downstreaming of industries based on primary natural resources, alongside strengthening labor-intensive industries with skilled workers, innovation-driven technology, and export orientation; and (ii) promoting industrial agglomeration through increased investment in priority special economic zones as new growth centers to support downstreaming acceleration. The objectives are: (i) to increase value-added, productivity, and competitiveness of the manufacturing industry, with the target of raising the share of Manufacturing in GDP from 18.67% in 2023 to 21.90% in 2029; and (ii) to strengthen domestic and global economic integration, with the ratio of Gross Fixed Capital Formation (GFCF) rising



Figure 4.4. Real Sector Transformation Policies in the Asta Cita:
Promoting Higher and More Resilient Growth



Source: RPJMN (Bappenas)

Real-sector transformation policies, particularly those promoting downstreaming, industrialization, and job creation, are designed to achieve higher and more resilient economic growth

from 29.3% to 29.9% of GDP, and exports of goods and services increasing from 21.7% to 22.6% of GDP over the same period.

From the perspective of industrial policy, real sector transformation will be focused on downstreaming of primary natural resource commodities and strengthening priority manufacturing industries. In the National Medium-Term Development Plan (RPJMN), downstreaming and the development of resource-based industries will continue to increase domestic value-added (Figure 4.5.). Downstreaming of natural resources will be concentrated on primary commodities, namely nickel, copper, bauxite, tin, palm oil, coconut, and seaweed. Innovation-driven, technology-intensive industries will be focused on the development of the semiconductor industry and the aerospace

industry, while basic industries will be directed at strengthening basic metals, iron and steel, as well as developing the chemical industry. Meanwhile, strengthening priority manufacturing sector will pursue two main strategies, namely medium-high technology industries and low-technology, labor-intensive industries (Figure 4.6.). The medium-high technology industry strategy will focus on automobiles, electric batteries, petrochemicals, and semiconductors. The supporting low-

Figure 4.5. Priority Natural Resource Downstreaming Commodities in the RPJMN



Source: RPJMN (Bappenas)

Figure 4.6. Strengthening of Priority Manufacturing Industries in the RPJMN



Source: Bank Indonesia

technology industry strategy will focus on resource-based products such as nickel, bauxite, copper, tin, crude palm oil (CPO), and processed rubber for industrial use. The labor-intensive industry strategy and regional flagship products will emphasize garments, sports shoes, as well as selected plantation, agricultural, and fishery products. The choice of strategy is based on several factors, including technological adoption capacity, the establishment of downstreaming and industrialization value chains, and the availability of exploration of the relevant natural resource commodities.

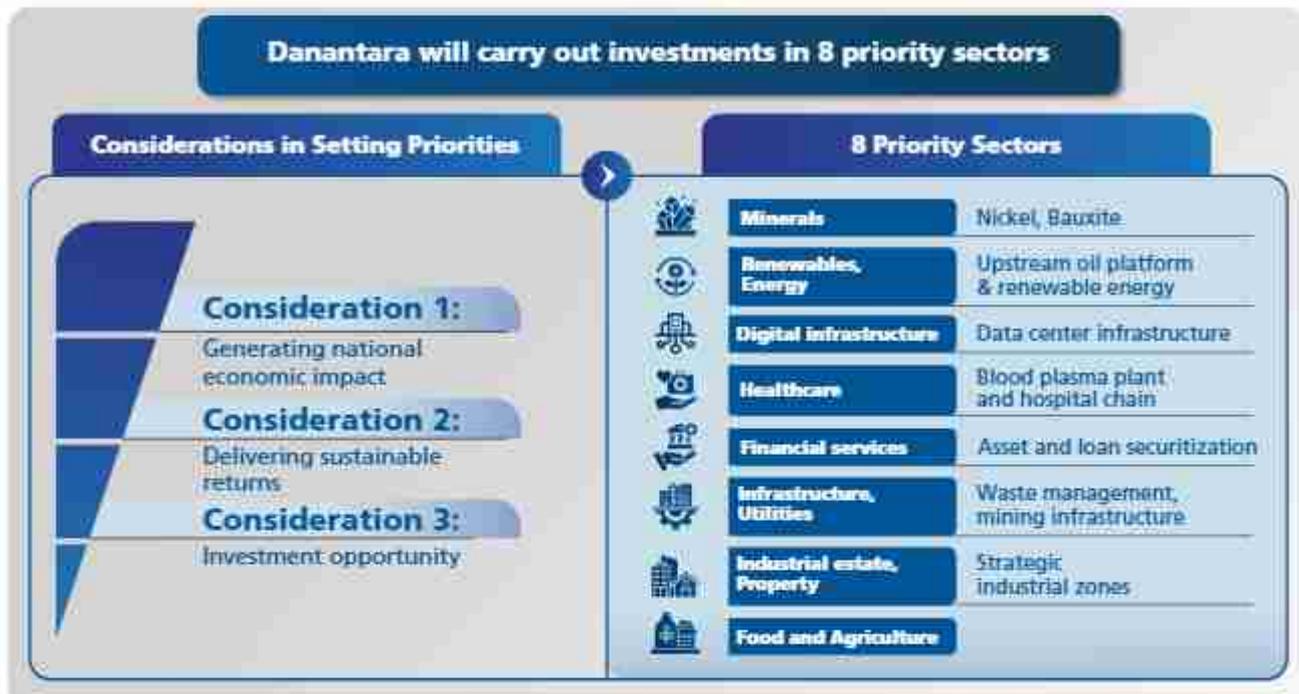
Danantara plays an important role both in the implementation of business models and in investment into downstreaming and industrialization projects of natural resources. In determining priorities, Danantara considers three main factors: the ability to generate impact on the national economy, the magnitude of sustainable investment returns, and the feasibility of realizing investment opportunities. Based on these three considerations, Danantara has identified eight priority sectors, namely: (i) minerals, focusing on nickel and bauxite commodities; (ii) renewable energy, particularly advanced oil and gas products; (iii) digital infrastructure, focusing on data centers; (iv)

health, through the development of plasma fractionation facilities and hospital supply chains; (v) financial services, through asset securitization and credit; (vi) facilities and infrastructure, particularly waste processing and mining infrastructure; (vii) development of industrial estates; and (viii) food and agriculture (Figure 4.7.). As previously highlighted, the development of commercially viable business models in downstreaming and industrialization across these priority sectors is essential to attract investment, both from the Government through Danantara and from private investors, domestic and foreign alike.

Structural reform policies are critically important to the success of industrial policies involving downstreaming and industrialization of primary natural resources and other national priority sectors. Well-designed industrial policies targeted at addressing market failures on the production side can improve performance both in prioritized sectors and at the aggregate level. The experience of South Korea illustrates how well-directed subsidies with clear objectives, implemented under sound institutional governance, can drive structural transformation in sectors such as electronics and automotive. Nevertheless, it must be acknowledged that the effectiveness of industrial policy depends heavily on technological adoption capacity, institutional capability and governance, as well as the structure of market competition in the respective country. This is why the success of industrial policy requires, and indeed depends upon, structural policies aimed at improving the investment climate, fostering healthy business competition, enhancing infrastructure connectivity (both physical and digital), and advancing trade and investment policies (domestic and international) pursued by the country concerned. Similar to industrial policy, structural policy is undertaken to overcome barriers to growth and productivity. The difference lies in the scope, where structural policy generates positive impacts across all economic sectors, whereas industrial policy is more narrowly directed at priority sectors. The challenge, however, is that structural policy is more difficult to implement due to reliance on



Figure 4.7. Danantara's Investment in 8 Priority Sectors



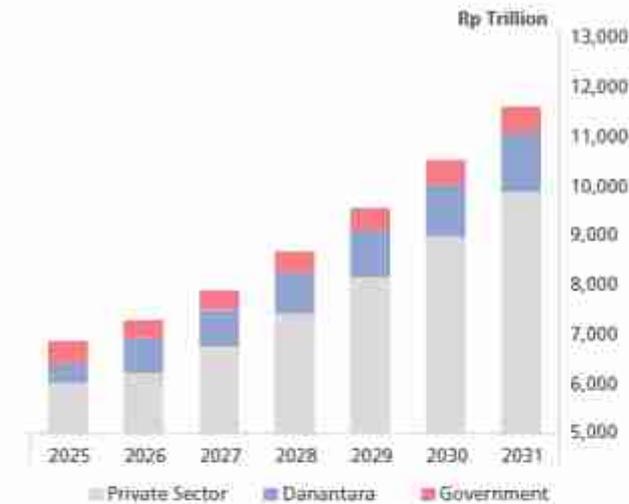
Source: Danantara

government bureaucracy at both central and regional levels. Accordingly, a combination of structural reform policies and industrial policies can be an effective option. This approach can be pursued by implementing industrial policies to boost productivity, value-added, and competitiveness of priority sectors within special economic zones as growth centers, while simultaneously undertaking structural reforms to improve the investment climate, infrastructure connectivity, institutional governance and bureaucracy, as well as innovation and research development to accelerate technology adoption. In this context, the development of several Special Economic Zones (SEZs), such as Batang, Sei Mangke, and Weda Bay, as growth centers for downstreaming and industrialization of natural resources and other priority sectors, represents an appropriate policy step in combining industrial and structural policies.

4.3. Synergy to Enhance Economic Financing

Synergy in enhancing financing is critically important to support higher and more resilient economic growth. As previously highlighted, the capital and investment needed for real sector transformation programs, particularly downstreaming and industrialization of natural resources and other priority sectors, are substantial and cannot be met solely through the State Budget (APBN). Therefore, a clear national financing strategy is required. In this regard, total investment needs during 2025–2031 are estimated to reach Rp62.54 thousand trillion, rising from Rp6.88 thousand trillion in 2025 to Rp11.63 thousand trillion in 2031 (Graph 4.3.). Of this amount, with budget allocations focused on social programs and the fiscal deficit capped at no more than 3% of GDP, investment financing from the APBN during 2025–2031 is

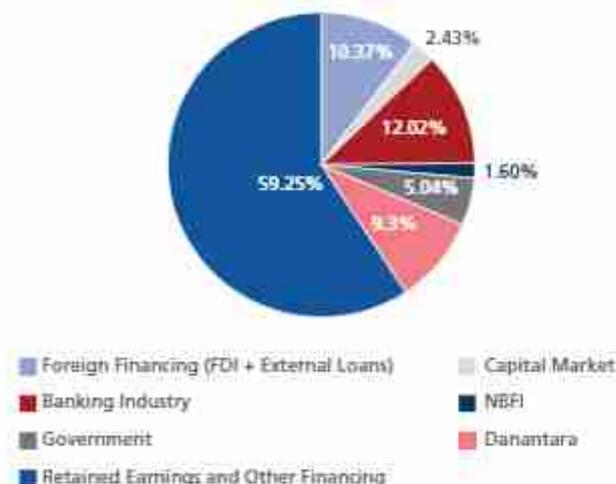
Graph 4.3. Projected Total Investment and Sources of Finance: 2025-2031



Source: Bank Indonesia

estimated at Rp3.15 thousand trillion (around 5.0%). Meanwhile, investment financing from Danantara is estimated to reach Rp5.84 thousand trillion (around 9.3%) over the same period. The largest contribution to meeting the investment financing needs is expected to come from the private sector, amounting to Rp53.56 thousand trillion (around 85.6%) during 2025–2031 (Graph 4.4.). This represents the greatest challenge to the successful implementation of real sector transformation policies aimed at fostering higher and more resilient economic growth. Addressing this challenge requires the formulation of clear business models, strong institutional governance,

Graph 4.4. Projected Composition of Sources of Investment Financing: 2025-2031



Source: Bank Indonesia

and robust technological adoption capacity within downstreaming and industrialization programs, thereby ensuring commercial viability to attract private investment from both domestic and foreign investors.

Policy synergy among the Government, Danantara, the Financial System Stability Committee (KSSK), and Bank Indonesia must be strengthened to explore private financing sources in order to meet the substantial investment needs going forward. In this context, consistent with the established financing patterns for business investment, around 59.25% of total private investment needs (equivalent to approximately Rp37.1 thousand trillion during 2025–2031) generally originate from internal funds, including retained earnings and other financing sources (Graph 4.4.). The next sources of financing are foreign financing, either in the form of foreign direct investment (FDI) or external loans, accounting for around 10.37% (Rp6.5 thousand trillion during 2025–2031), additional bank credit/financing at around 12.02% (Rp7.52 thousand trillion during 2025–2031), with the remainder sourced from capital markets and non-bank financial institutions. For new projects where internal financing contributions are more limited, the share of investment needs met through bank credit/financing and foreign financing will naturally be larger. Accordingly, policy synergy to mobilize financing from these four main sources, internal funds, banking, FDI, and Government budget, must be optimized to achieve high growth in the next five years. The focus of synergy should be directed at four key aspects, namely: optimal project financing structures; appropriate financing sources; liquidity and hedging needs; and financial education and literacy. The feasibility of investment projects will determine the optimal financing structure. The greater a project’s commercial viability, the more its financing structure can rely on private channels, such as bank credit/financing, bond or other securities issuance in the domestic capital market, or loans from foreign investors. Certain projects generate commercial returns, enabling private investment needs to be largely met by private



sources, including internal funds, bank credit, and foreign loans and investment. However, other projects still require partial financing and fiscal incentives from the Government to strengthen their commercial viability. Such fiscal incentives and/or other Government policies include tax rates, interest subsidies, and policy certainty, particularly during the grace period from the construction phase to the initial operational stage. Once again, this underscores the critical importance of improving the investment climate, advancing bureaucratic reform, and conducting thorough feasibility studies (Figure 4.8.).

Furthermore, synergy among the Ministry of Finance, the Financial Services Authority (OJK), the Deposit Insurance Corporation (LPS), and Bank Indonesia is essential for coordination in mobilizing financing sources from the financial sector. Financing may take the form of investment, credit, or issuance of bonds and other securities. Deepening the financial market is critically important to support financing of the national economy, including enhancing liquidity, ensuring competitive interest rates, and providing hedging instruments for interest rate and exchange rate risks. In this regard, Bank Indonesia will continue to implement the Money Market Deepening Blueprint (BPPU)

2025–2030, encompassing product development, pricing, market participants, and infrastructure. As explained in the previous chapter, during the implementation of BPPU 2020–2025, average daily transaction values in the money market reached more than Rp54 trillion, while in the foreign exchange market they exceeded USD10 billion per day. In addition, Bank Indonesia continues to strengthen synergy with the three institutions within the Financial System Stability Committee (KSSK) to formulate joint measures in meeting required financing sources. As previously highlighted, Bank Indonesia will continue to optimize liquidity incentives (KLM) to encourage bank credit/financing to priority sectors that support growth and job creation. Beyond macroprudential policy coordination with microprudential supervision to ensure credit optimization and safeguard banking system risks, Bank Indonesia’s synergy with OJK also encompasses harmonization of regulations governing bond issuance and transactions as well as Commercial Paper, and harmonization of licensing for financial markets, including inter-market infrastructure and supporting professions in the financial sector. In addition to fiscal policy coordination with monetary and macroprudential policies as previously described, Bank Indonesia’s synergy with the Ministry of Finance also

Figure 4.8. Economic Financing Business Model



Source: Bank Indonesia

extends to deepening the government bond market and harmonizing taxation of financial transactions in both the capital market and the money and foreign exchange market. Financial market development synergy within the KSSK and with ministries/government agencies, authorities, and market participants continues to be pursued to foster innovation in economic financing instruments and hedging, including debt instruments, interest rate and exchange rate swaps, and optimization of local currency transactions (LCT).

4.4. Synergy to Accelerate National Economic and Financial Digitalization

Indonesia's digital economy has enormous potential to serve as a key driver of high economic growth, both through investment and productivity gains. In line with the National Digital Economy Strategy 2030, Indonesia is focusing on developing digital infrastructure, transforming the trade sector (including MSMEs), adopting technologies such as artificial intelligence (AI), and providing efficient digital government services. The overarching objective is to significantly increase the value of Indonesia's digital economy by 2030 and strengthen national competitiveness through digital

innovation and collaboration. *First*, the digital infrastructure strategy is being pursued through the development of physical infrastructure such as fiber optic networks, Base Transceiver Station (BTS) towers, and satellites, including Satria and low-earth-orbit satellites, to ensure coverage across all regions of Indonesia, including the frontmost, outermost, and remote areas. *Second*, digital transformation across sectors, particularly trade, is being promoted by supporting MSMEs to upgrade and integrate into a broader digital ecosystem. *Third*, the adoption of innovative technologies such as AI, cloud computing, and fintech is being accelerated to enhance efficiency and productivity. *Fourth*, the digital government strategy focuses on modernizing public services to make them more accessible and efficient, while leveraging data for improved decision-making. *Fifth*, the cybersecurity and regulatory strategy aims to build a regulatory framework that supports digital innovation while safeguarding consumers and national interests, and to strengthen cybersecurity to create a secure digital ecosystem. With the implementation of the national digital economy strategy, Indonesia's digital economy is projected to surge from USD90 billion in 2024 to as high as USD360 billion by 2030. Digital economy growth is expected to contribute significantly to Indonesia's GDP



The 2025 FEKDI, organized by Bank Indonesia in collaboration with the OJK's IFSE, carried the theme "Synergy and Innovation to Accelerate Indonesia's Digital Economic and Financial Transformation."



in 2030. The advanced implementation of AI is projected to further boost overall digital economy growth.

Bank Indonesia will continue to accelerate the digitalization of the payment system to support the national Digital Economy and Finance and promote high and inclusive economic growth. This will be achieved through the SPBI 2030 programs, including the development of payment infrastructure (retail, wholesale, and data), industry restructuring, innovation development, international cooperation, and the development of Digital Rupiah. Bank Indonesia continues to promote the payment system and financial sector digitalization as a leverage point to enhance the productivity of payment and financial services for the economy. The growing adoption of QRIS and BI-FAST in serving the payment needs of people across all segments demonstrates their significant contribution to inclusive economic growth. Likewise, digital banking services, through online and mobile banking, continue to expand rapidly. Bank Indonesia will also establish the Indonesia Digital Innovation Center (PIDI) to strengthen public digital literacy and acceptance. The digitalization of the social programs distribution and Government financial transactions will continue to expand. Bank Indonesia is also enhancing synergy in Anti-Money Laundering; Countering the Financing of Terrorism; and Countering the Financing of Proliferation of Weapons of Mass Destruction (APU PPT PPPSPM) with the PPATK, the OJK, relevant ministries/government agencies, the payment system and banking industries, as well as international forums. Taken together these will ensure the integrity and resilience of the national payment ecosystem. Furthermore, bilateral and international cooperation in cross-border payment systems will continue to be expanded, not only with ASEAN-5 countries but also with Japan, China, South Korea, Saudi Arabia, and India.

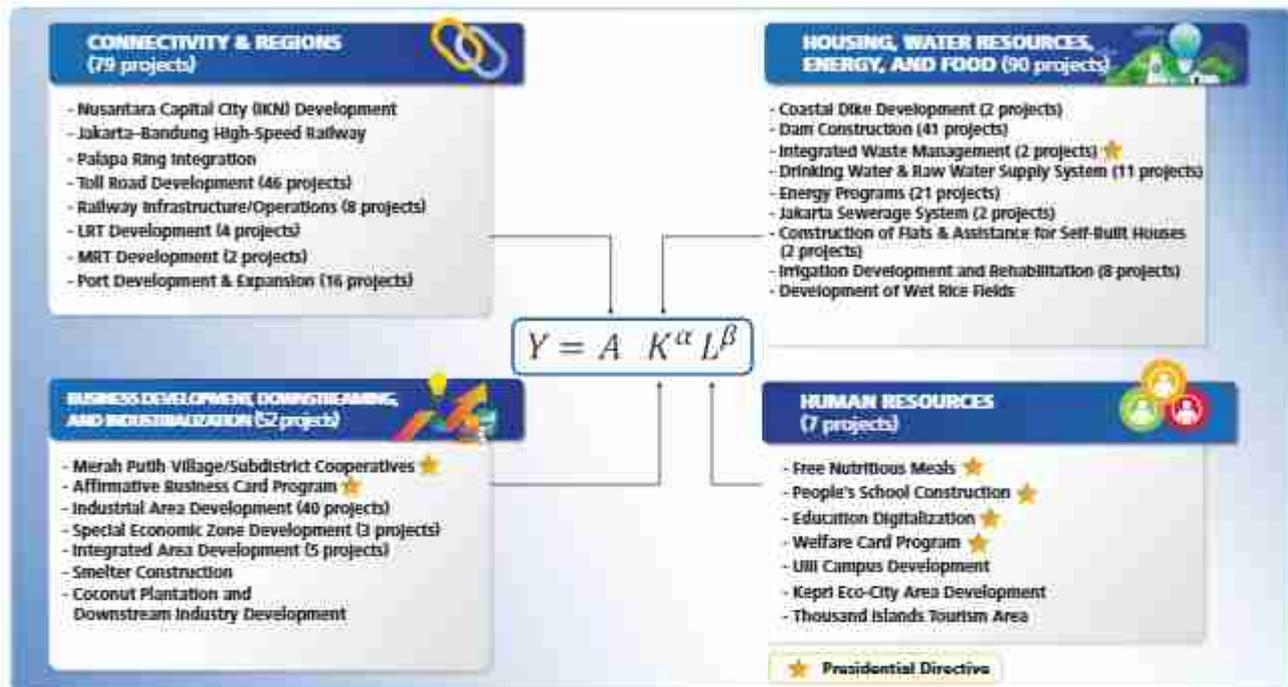
4.5. Synergy in International Trade and Investment Cooperation

Strengthening the effectiveness of trade and investment cooperation with major partner countries is essential to support the success of real-sector transformation policies.¹³ Indonesia has established economic cooperation at the bilateral, regional, and multilateral levels to enhance trade, investment, and economic growth. At the regional level, Indonesia actively participates in the ASEAN Free Trade Area (AFTA) to strengthen economic cooperation within the region. Bilaterally, Indonesia maintains free trade agreements with key trading partners. With China, Indonesia has signed a strategic memorandum of understanding for investment in manufacturing, renewable energy, and logistics. This cooperation aims to attract investment, create jobs, and integrate MSMEs into global supply chains. Cooperation with Japan includes investments in industrial sectors such as port development and vehicle manufacturing, as well as student exchanges in technology-related fields. With South Korea, Indonesia has established a special strategic partnership focused on defense and trade, as well as the Indonesia–Korea Comprehensive Economic Partnership Agreement (IK-CEPA). Indonesia also maintains cooperation with Australia in free trade agreements and business partnerships across various sectors such as infrastructure, agriculture, and natural resources. Cooperation with Switzerland covers trade, investment, tourism, and development, with Switzerland being one of Indonesia's significant investors. Indonesia's regional and multilateral cooperation also extends to the European Union,¹⁴ the International Monetary Fund (IMF), the G20, and the World Trade Organization (WTO). As discussed earlier, US protectionist policies and global economic polarization across countries are expected to persist. Therefore, Indonesia's trade and investment cooperation should focus on

¹³ Further explanation on investment and trade-promotion synergy is provided in Box 4.1, Synergy in Investment and Trade Promotion to Strengthen the Economy.

¹⁴ Additional details on Indonesia–EU cooperation can be found in Box 4.2, Cooperation under the IEU-CEPA: A Strategy to Strengthen International Trade Policy

Figure 4.9. Impact of National Strategic Projects on the Enhancement of National Economic Capacity



Source: Bank Indonesia, Government Work Plan, processed

major bilateral and regional partners that offer the most significant strategic benefits, while continuing to advocate multilateral cooperation. Moreover, such bilateral and regional cooperation is essential to support Indonesia's interests in trade and investment related to natural resource downstreaming programs and their financing needs. This includes cooperation to expand the use of local currencies (Local Currency Transactions, LCT), advance financial market deepening, and strengthen cross-border digital payment cooperation to facilitate bilateral and regional trade and investment.

4.6. Indonesia's Medium-Term Economic Outlook

Overall, the five national economic policy mix strategies described above can foster higher and more resilient economic growth. The positive impact on economic growth may derive both from demand-side stimulus (aggregate demand) as well as from strengthening national supply capacity (aggregate supply). In particular, significant growth gains in terms of capital, labor, and productivity may result from the implementation of national strategic projects, including 79 projects on connectivity and

regional development, 90 projects on housing, water resources, energy and food, 52 projects on business enhancement, downstreaming and industrialization, and 7 projects on human resource development¹⁵ (Figure 4.9.). The extent to which growth can be improved will depend upon the speed, accuracy, and effectiveness of implementation. In this regard, three scenarios can be simulated. First, the "Baseline" scenario, involving implementation of carry-over projects, ongoing projects, and those already groundbreaking. Second, the "Optimistic" scenario, which refers to the Baseline scenario plus the implementation of new projects that have not yet commenced or reached groundbreaking, characterized by relatively low costs and potential for faster financing, including funding from the State Budget (APBN). Third, the "Super Optimistic" scenario, which builds on the Optimistic scenario by adding projects that have not yet commenced or reached groundbreaking, but characterized by relatively higher costs and longer financing timelines, largely funded through private investment from

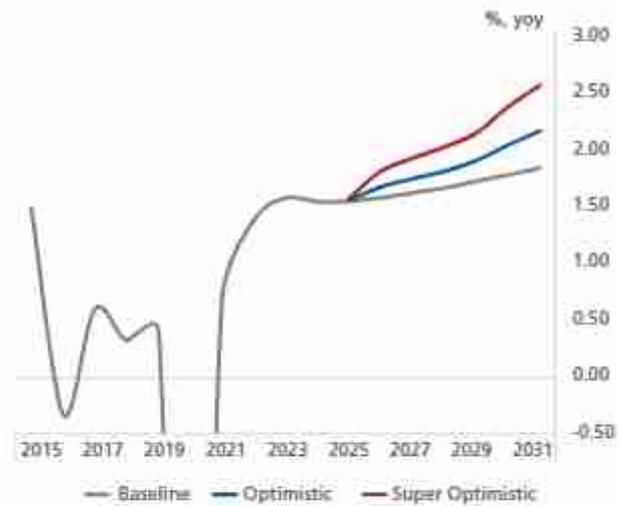
¹⁵ Further elaboration on the significant contributions of capital, labor, and productivity growth is presented in Box 4.3, Optimizing National Strategic Programs to Accelerate Economic Growth.



both domestic and foreign sources. The scenario levels also reflect the intensity of structural reform policy implementation, which is stronger in each successive scenario. Structural policies are reflected in: (i) enhancing "Productivity" through accelerated infrastructure development, strengthened research and development capacity, technology adoption, and improved market efficiency; (ii) strengthening "Capital" through improvements in the investment climate, increased foreign direct investment (FDI) and domestic investment, and support for capital-intensive sectors; and (iii) improving "Labor" quality through better access to and quality of education, higher labor force participation, and creation of formal employment opportunities.

The three scenarios described above can foster higher economic growth going forward, albeit with different levels of achievement. As mentioned, the key lies in the speed and effectiveness of implementing various Government and private sector's programs and projects that can promote growth from the demand side through consumption and investment, as well as from the improvement in national economic capacity. The five agendas of national economic transformation policies are interrelated and mutually reinforcing in terms of increasing investment and capital, absorbing labor and raising household income, as well as improving productivity and economic efficiency. This will be reflected in rising productivity growth (Total Factor Productivity/TFP), with the largest increase occurring under the Super Optimistic scenario compared with the other two scenarios (Graph 4.5.). In other words, with the same level of capital investment and labor absorption, economic growth outcomes will be higher. To achieve high economic growth, a balance must be maintained between capital-intensive sectors, which enhance economic capacity (aggregate supply side), and labor-intensive sectors, which increase income and consumption (aggregate demand side). Likewise, the Incremental Capital-Output Ratio (ICOR) will decline, with the largest reduction under the Super Optimistic scenario

Graph 4.5. Projected Productivity Growth: 2025-2031

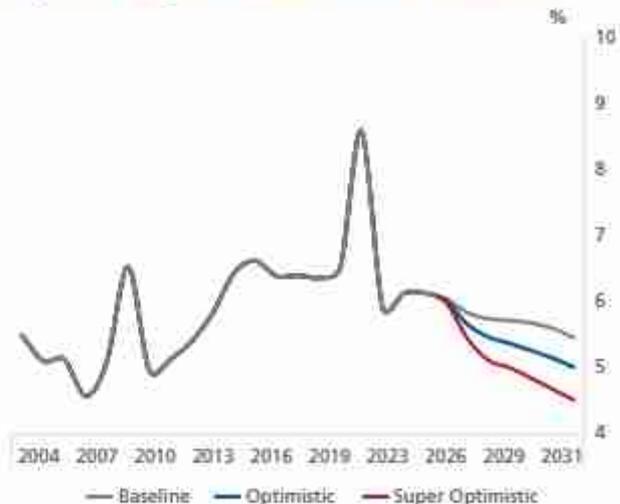


Source: Bank Indonesia

compared with the other two scenarios (Graph 4.6.). A lower ICOR indicates greater efficiency in the national economy, as achieving high growth requires a smaller amount of investment.

The increase in Total Factor Productivity (TFP) and the decline in the Incremental Capital-Output Ratio (ICOR) resulting from the implementation of the national economic transformation policy mix will jointly enhance the achievement of high and resilient growth while maintaining macroeconomic stability. The economic growth,

Graph 4.6. Projected ICOR Decline: 2025-2031



Source: Bank Indonesia

which is projected at around 4.7–5.5%, in 2025, is expected to increase to 4.9–5.7% in 2026 and 5.1–5.9% in 2027 (Table 4.2.). With the implementation of the national economic transformation policy mix, economic growth in 2031 under the “Baseline” scenario, estimated at 5.6–6.4%, is projected 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 will be maintained, with inflation remaining under control within the range of $2.5 \pm 1\%$, while the current account balance will remain low, at around a deficit of 0.4% to a surplus of 0.4% of GDP in 2031. Indonesia’s internal and external economic stability can be maintained through the strengthening of aggregate supply capacity, which will meet the rising demand under the national economic transformation policy mix. Bank credit/financing is expected to grow optimally at around 12–16% per year. Fiscal deficits will also remain contained at below 3% of GDP, consistent with Indonesia’s established credibility.

As a note, the simulation of economic performance outcomes resulting from the implementation of the national economic transformation policy mix must be continuously evaluated in line with evolving dynamics and the necessary policy mix responses. Several assumptions underpin this simulation. First,

global economic growth is assumed to slow from 3.1% in 2025 to 3.0% in 2030, with the US monetary policy rate declining from 4.0% to 3.5%. This assumption may change with the continuation of tariff policies by the US Government under President Trump. The rapidly changing geopolitical and global economic dynamics could affect Indonesia’s economic stability and growth outcomes. Second, in addition to the Government’s strategic programs under *Asta Cita*, the role of the private sector, including large corporations, MSMEs, the creative economy, services, digital financial economy, and tourism, is critically important as drivers of economic growth and job creation. In this regard, improving the investment climate, developing infrastructure, and ensuring business certainty are key to fostering economic growth and employment. Equally important is the preservation of macroeconomic and financial system stability, which has established credibility for Indonesia’s economic performance recognized internationally. In this context, close coordination among Government policies, Bank Indonesia policies, and Financial System Stability Committee (KSSK) policies in responding to rapidly changing geopolitical and global economic dynamics is a prerequisite and foundation for the success of the national economic transformation policy mix in achieving high and sustainable economic growth toward Golden Indonesia 2045.

Table 4.2. Indonesia’s Economic Projections 2025–2031

Indicator	Unit	2025	2026	2027	2031		
					Baseline	Optimistic	Super Optimistic
Economic Growth	%, yoy	4.7–5.5	4.9–5.7	5.1–5.9	5.6–6.4	6.1–6.9	6.9–7.7
CPI Inflation	%, yoy	2.92*	2.5 ± 1	2.5 ± 1	2.5 ± 1	2.5 ± 1	2.5 ± 1
Current Account	% GDP	0.3 to -0.5	-0.1 to -0.9	-0.4 to -1.2	0.2 to -0.6	0.3 to -0.5	0.4 to -0.4
Credit Growth	%, yoy	9.69*	8–12	9–13	10–14	11–15	12–16

Note: *represent actual values

Source: BPS, Bank Indonesia, Bank Indonesia’s Projection



Box
4.1.

Synergy in Investment and Trade Promotion to Strengthen the Economy

Bank Indonesia works in close synergy with ministries and government agencies in shaping economic actors' perceptions of Indonesia's economic outlook through the linkage of the Investor Relations Unit (IRU), Regional IRU (RIRU), and Global IRU (GIRU). This synergy is complemented by the facilitation of investment and trade promotion through IRU at the central level, RIRU at the regional level, and GIRU at the international level. This is made possible as Bank Indonesia operates 14 Domestic Representative Offices (serving as RIRU) and five Overseas Representative Offices (serving as GIRU). RIRU plays a role in building relationships with project and product owners in the regions, providing education, and preparing potential projects and products. Meanwhile, GIRU plays a role in establishing relationships with investors, trading partners, international financial institutions, as well as government representatives and business associations abroad.

Promotion through the IRU–RIRU–GIRU linkage is guided by three core principles. First, “Synergized”, meaning synergy across institutions to enhance promotion effectiveness. This synergy is achieved through strengthened collaboration between Bank Indonesia, local governments, ministries and agencies (including the Ministry of Foreign Affairs, Ministry of Investment/ Indonesian Investment Coordinating Board, and Ministry of Trade), as well as Indonesian representatives overseas (Indonesian Embassies, Consulates General, Indonesia Investment Promotion Centers, and Indonesia Trade Promotion Centers). Second, “Targeted”, meaning facilitation programs focus on priority subsectors and key partner countries with large investment value or those

that have trade and financial agreements with Indonesia. Third, “Outcome-Oriented”, meaning that strategies are directed toward prospective investors and buyers with strong transaction potential and high interest in Indonesian investment projects and MSME products.

Throughout 2025, Bank Indonesia actively organized and participated in various investment and trade promotion facilitation activities, which will continue in 2026. Bank Indonesia participated in several events in Asia, Australia, Europe, and the United States. BI also showcased MSME products and held business forums at the Indonesia Pavilion during the World Expo Osaka, Japan. BI likewise participated in the ASEAN Conference 2025 in Singapore and Shoppe Object 2025 in New York, USA. Investment promotion efforts delivered concrete outcomes, including investment agreements for the Floating Solar Power Plant project in Lampung; a Waste Management System in South Kalimantan; the Bolaang Mongondow Refuse Derived Fuel project in North Sulawesi; Solar Power Plant and Wind Power Plant projects in West Java; and a Mini Hydro project in Bengkulu. Meanwhile, trade promotion achievements included coffee bean exports and spice purchase contracts from Japanese buyers, as well as export contracts secured during the Food Hotel Asia exhibition in Singapore. These various activities will continue in 2026 to attract more investors and promote products from BI-assisted MSMEs. Going forward, the IRU–RIRU–GIRU linkage will also focus on promoting green industries and sustainable products, in line with the global shift in investor and buyer preferences toward the green economy.

Box
4.2.

Cooperation under the IEU-CEPA: A Strategy to Strengthen International Trade Policy

Global trade challenges arising from the imposition of US tariffs have encouraged the Government to take a more active role in advancing bilateral trade cooperation with key partner countries, including the Indonesia–European Union Comprehensive Economic Partnership Agreement (IEU-CEPA). In this regard, the Government of the Republic of Indonesia and the European Union signed the IEU-CEPA on 23 September 2025, with implementation targeted for 2027 after securing approval from the EU’s 27 member states and completing Indonesia’s ratification process. Authorities in Indonesia and the European Union expect trade and investment flows to increase as the IEU-CEPA comes into force. The agreement has a broad scope, covering trade in goods, trade in services, and investment.

The commitments on trade in goods under IEU-CEPA include both tariff and non-tariff provisions aimed at strengthening national export performance. On tariffs, Indonesia and the EU have agreed to eliminate tariffs on 98% of Indonesia’s export products, reducing duties to 0%. Approximately 80% of products will enjoy immediate tariff elimination once the agreement becomes effective, while the remaining tariff reductions will be phased in over time. Tariff removal also applies to Indonesia’s major export products, including palm oil, textiles and textile products, fisheries, footwear, apparel, and accessories. On non-tariff measures, both parties agreed to simplify export–import procedures and strengthen cooperation between customs authorities. The IEU-CEPA is expected to enhance Indonesia’s export competitiveness through expanded market access. In 2024, Indonesia–EU trade reached USD30.1 billion,

generating a USD4.5 billion surplus for Indonesia. Indonesia’s trade surplus further increased to USD5.7 billion as of September 2025 (Graph B4.2.1).

In line with these commitments, Indonesia and the EU also agreed to expand market access in several strategic services sectors, including financial services and professional services. In financial services, Indonesia secured market-access commitments covering insurance and insurance-related services as well as banking and other financial services. These commitments span all four modes of service supply: mode 1 (cross-border supply), mode 2 (consumption abroad), mode 3 (commercial presence), and mode 4 (movement of natural persons). This expanded market access opens new opportunities for Indonesian financial-services players to operate in Europe. The European Union also offers a sizeable market for professional services, such as architecture, engineering, and information and computer technology.

Graph B4.2.1. Development of the Indonesia–European Union Trade Balance



*as of September
Source: Bank Indonesia



Through a Mutual Recognition Arrangement (MRA), the professional qualifications of Indonesian workers may be recognized in EU member states.

The IEU-CEPA provides investment certainty for businesses in Indonesia and the European Union. The agreement opens market access and ensures equal treatment for businesses from both parties. It also governs investment protection, regulatory transparency related to requirements and licensing, as well as dispute-settlement mechanisms. These provisions are expected to provide legal certainty and strengthen investor confidence. On one hand, the investment arrangements under IEU-CEPA may increase foreign capital inflows, facilitate technology transfer, and create employment opportunities. On the other hand, Indonesia needs strategies to protect domestic businesses and strengthen the capacity of local industries to penetrate the EU market.

The signing of the IEU-CEPA is a strategic step to promote Indonesia's foreign investment and trade cooperation amid elevated global uncertainty driven by ongoing geopolitical tensions. A key aspect to underline is that the full potential of the IEU-CEPA will only materialize if Indonesia can utilize it optimally. In the short term, crucial steps include completing the ratification process and intensively disseminating information to businesses. In the medium term, structural reforms to create a more conducive business climate are essential to enhance productivity and competitiveness, enabling Indonesia to fully capture the benefits of the IEU-CEPA. This, in turn, will strengthen Indonesia's participation in the Global Value Chain. Optimal utilization of the IEU-CEPA is expected to support high-quality and sustainable national economic growth, while creating employment and serving as a new source of economic expansion.

Box
4.3.Optimizing National Strategic Programs to
Accelerate Economic Growth

The implementation of National Strategic Projects (PSN) as part of real-sector transformation plays a critical role in strengthening Indonesia's long-term economic potential. Conceptually, the rise in potential economic growth can be explained through the Solow Growth Model. Under this framework, the main sources of growth are capital, productivity, and labor—each assumed to operate under full employment within the production process. The Solow model is commonly represented using a Cobb-Douglas production function:

$$Y_t = A_t K_t^\alpha L_t^{1-\alpha}$$

where Y_t : Total output in period t
 K_t : Capital in period t
 L_t : Labor in period t
 A_t : Productivity in period t
 α : Capital share of income

Based on the Solow Growth Model, the composition of Indonesia's growth sources needs to be strengthened in a more balanced manner. Over the past 50 years, Indonesia's economic growth has been driven predominantly by capital and labor—which jointly account for more than 98% of total growth—while the contribution of productivity, reflecting economic efficiency, remains below 2% (Bappenas, 2025). Furthermore, Indonesia's 2024 economic growth of 5.03% (yoy) continued to rely on relatively modest contributions from capital, productivity, and labor (Economic Report on Indonesia, 2024). This condition is expected to persist in 2025. Consequently, contributions from capital accumulation, productivity enhancement, and labor quality to overall economic growth need to be strengthened.

To boost Indonesia's long-term growth potential, the key drivers of growth must be reinforced through economic-transformation policies. Studies such as Juhro and Trisnanto (2018) highlight that Indonesia's growth strategy should concentrate on strengthening production-factor inputs. First, strengthening capital through the creation of new sources of economic growth. Second, strengthening labor through improving human-capital quality. Third, increasing productivity through technological advancement and innovation. In this context, the Government is advancing national economic transformation through various National Strategic Projects (PSN). Of the 228 PSN implemented by the Government, 142 projects are designed to enhance capital formation, 79 projects aim to strengthen productivity, and 7 projects focus on expanding labor growth.

In theory, the implementation of National Strategic Projects (PSN) will boost economic growth while maintaining macroeconomic stability. These strategic projects expand economic capacity by strengthening capital, productivity, and labor. Consequently, potential output increases in the medium to long term, consistent with the Solow Growth Model. The Aggregate Demand–Aggregate Supply (AD–AS) framework can also be used to illustrate how PSN affects economic growth through adjustments in aggregate demand and supply, and its implications for inflation (Figure B4.3.1). In the early stage of project implementation, increased investment required for project development shifts the demand curve to the right, raising output and generating upward pressure on prices. Subsequently, as strategic projects begin operating and expand the capital stock, enhance labor absorption, and boost



productivity, the aggregate supply curve also shifts to the right. This supply-side shift creates a new equilibrium with higher output and lower price pressures, thereby keeping inflation under control.

Strengthening the supply side through productivity gains, capital accumulation, and labor improvements leads to a more efficient economy in the medium term. Studies by the IMF (2015) and the World Bank (2020, 2022) show that more than half of medium-term growth variation is explained by improvements in productivity—particularly in countries undertaking substantial investments in infrastructure, logistics connectivity, and human-capital quality. In the context of PSN, capital strengthening is reflected in expanded manufacturing activity, downstreaming and

industrialization, and the development of housing, water resources, energy, and food infrastructure. Improvements in productivity come from enhanced connectivity and spatial development, including digital infrastructure. Labor enhancement is achieved through progress in human-capital development.

National Strategic Projects that strengthen productivity, capital, and labor not only raise economic growth but also reinforce macroeconomic stability and external resilience. An increase in potential output—driven by productivity, capital formation, and labor—supports a pattern of growth that is relatively non-inflationary, as highlighted by IMF (2015) and Borio (2014). From the external side, productivity gains and larger production capacity enhance export competitiveness and reduce import dependence. This contributes to an improvement in the current account (CA) balance over the medium term. A stronger CA boosts external resilience by increasing foreign-exchange reserves and lowering risk premiums, which support exchange-rate stability. A strengthening CA position also signals an improving savings–investment gap, thereby reducing reliance on volatile external financing. World Bank (2022) further shows that economies with productivity-driven growth tend to rely less on volatile external capital flows and are better able to finance investment through domestic sources and long-term capital inflows.

Figure B4.3.1. Aggregate Demand–Aggregate Supply (AD–AS) Curve – Illustration of PSN Implementation and Its Impact on Potential Output and Inflation



Source: Bank Indonesia

CHAPTER 5

DIRECTION OF BANK INDONESIA POLICY MIX IN 2026: FOSTERING GROWTH, MAINTAINING STABILITY

Bank Indonesia's policy mix in 2026 will continue to be directed toward fostering economic growth while maintaining stability. Monetary policy will be oriented toward striking a balance between safeguarding stability and considering the space to also support economic growth (pro-stability and growth). Meanwhile, macroprudential policy, payment system policy, money market and foreign exchange market deepening, MSME and sharia economic and financial development, as well as international policy, will be directed toward supporting economic growth (pro-growth). Bank Indonesia will also continue to strengthen synergy and coordination with the Government and the Financial System Stability Committee (KSSK), as well as with the financial industry, business community, and associations. Institutional transformation programs will also be further reinforced, consistently prioritizing the principles of good governance and professionalism.





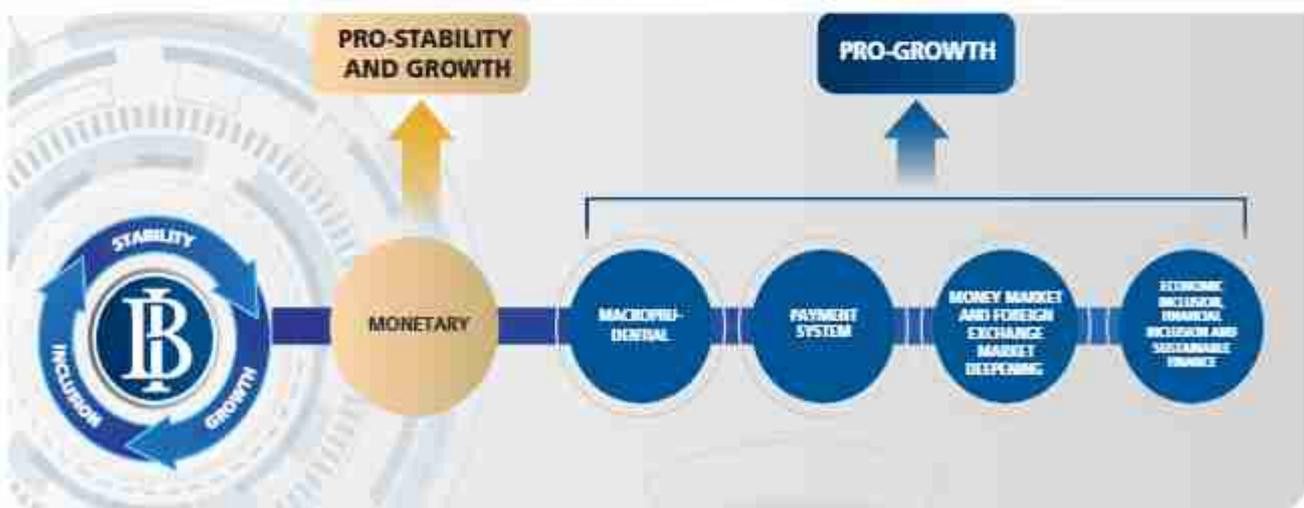
Bank Indonesia's policy mix in 2026 will remain directed toward supporting economic growth while maintaining stability. This policy stance is based on the assessment that Indonesia's economic and financial cycles are still operating below potential and expected to approach optimal levels around 2027–2028. From an economic cycle perspective, this is reflected in inflation projections that remain controlled within the 2.5±1% target range in 2026 and 2027, alongside economic growth that is still below national output capacity, estimated at 4.9–5.7% and 5.1–5.9% during the same period, as previously outlined. From a financial cycle perspective, this is indicated by strong financial system stability and credit growth that remains below optimal levels, projected at 8–12% in 2026 and 9–13% in 2027. Synergy between Bank Indonesia's policy mix, Government policies, and coordination within the Financial System Stability Committee (KSSK) will continue to be strengthened to drive higher and more resilient economic growth while safeguarding macroeconomic and financial system stability toward Golden Indonesia.

This policy direction underpins Bank Indonesia's monetary, macroprudential, and payment system policies in 2026, in line with its mandate under the Bank Indonesia Act. With inflation projected to remain low in 2026 and 2027, monetary policy in 2026 will be directed at optimizing room to

Bank Indonesia's policy mix in 2026 will continue to be directed toward fostering economic growth while maintaining stability

support economic growth (pro-growth) while maintaining Rupiah exchange rate stability (pro-stability), particularly amid prolonged global uncertainty (Figure 5.1.). Macroprudential and payment system policies will remain focused on fostering higher economic growth (pro-growth). Macroprudential policy will remain accommodative to encourage bank lending and financing, particularly to priority sectors that drive economic growth and job creation in line with the Government's *Asta Cita* program, including MSMEs, economic inclusion, and green finance. Payment system digitalization will continue to be accelerated in accordance with the Indonesia Payment System Blueprint (BSPI) 2030, focusing on: strengthening infrastructure (retail, wholesale, and data); industry consolidation; innovation and acceptance; international cooperation; and development of the Digital Rupiah. The monetary, macroprudential, and payment system policy mix will be supported by accelerated money market and foreign exchange market deepening under the Money Market Development Blueprint (BPPU)

Figure 5.1. Direction of Bank Indonesia Policy Mix in 2026



Source: Bank Indonesia

2030 to enhance monetary policy transmission; to develop a modern secondary market aligned with international standards; and to expand instruments for economic financing. Programs to promote inclusive economic and financial development, including MSMEs and the sharia economy and finance, will also be expanded. Bank Indonesia will continuously calibrate its monetary, macroprudential, and payment system policy mix in response to evolving global and domestic economic dynamics.

5.1. Direction of Monetary Policy

Bank Indonesia's monetary policy in 2026 will be directed toward achieving the inflation target and maintaining Rupiah exchange rate stability, while optimizing policy space to support higher economic growth. As explained above, with inflation projected to remain within the target and growth remaining below potential, there is still room for further monetary policy easing beyond the measures implemented in 2025 to bolster economic growth. Nevertheless, as discussed in Chapter 1, elevated global economic uncertainty is expected to persist in 2026. This will be driven by the impact of US tariff policies and global geopolitical developments; the slowing and broadening of global economic fragmentation; high debt and interest rates in advanced economies; heightened vulnerabilities and risks in global financial markets; as well as the increasing prevalence of private-sector issuance and trading of cryptocurrencies and digital financial assets. This high level of global uncertainty must continue to be closely monitored and addressed with appropriate policies to safeguard Indonesia's external resilience and mitigate its potential adverse impacts on domestic economic stability and growth. Volatility in foreign capital flows and pressures on the exchange rate are expected to continue in 2026, requiring Bank Indonesia to maintain its monetary policy focus on Rupiah exchange rate stabilization to mitigate their

negative impact on national economic stability. To maintain Rupiah exchange rate stability, monetary policy in 2026 will continue to be implemented in a consistent, prudent, and well-calibrated manner, in line with evolving global and domestic economic dynamics, to achieve the inflation target while utilizing available space to support higher economic growth in 2026 and 2027.

The direction of Bank Indonesia's monetary policy in 2026 for stability and economic growth will be implemented through four core instruments (Figure 5.2.). *First*, an interest rate policy that is forward-looking and pre-emptive to achieve the inflation target set by the Government, while optimizing policy space to support higher economic growth. *Second*, monetary liquidity expansion through a pro-market monetary operations strategy to strengthen the effectiveness of policy transmission from the BI-Rate reduction to bank lending rates and to accelerate the deepening of the money and foreign exchange markets. *Third*, Rupiah exchange rate stabilization to safeguard Indonesia's external stability from the spillover effects of global uncertainty. *Fourth*, maintaining adequate foreign exchange reserves to support Rupiah exchange rate stabilization and the Government's external debt payments, supported by the management of foreign exchange flows in line with international standards. Bank Indonesia will continue to strengthen monetary and fiscal policy coordination with the Government to achieve the inflation target, maintain macroeconomic stability, and drive higher and more resilient growth.

Concerning the first core policy, Bank Indonesia's interest rate policy will continue to be directed in a forward-looking, pre-emptive manner to achieve the inflation target set by the Government, $2.5 \pm 1\%$ in 2026 and 2027, while optimizing space for further monetary policy easing to support higher economic growth. As explained elsewhere in this report, in line



Figure 5.2. Direction of Bank Indonesia Monetary Policy in 2026



Source: Bank Indonesia

with low inflation and the need to support stronger economic growth, Bank Indonesia reduced the BI-Rate six times by a total of 150 bps, from 6.25% in September 2024 to 4.75% in September 2025, the lowest level since 2022. In addition, during the Board of Governors Meeting (RDG) on 16–17 September 2025, Bank Indonesia also decided to lower the Deposit Facility rate by a larger magnitude, namely by 50 bps to 3.75%, to further encourage banks to utilize liquidity easing to support the real sector. Going forward, considering the continued low inflation projections for 2026 and 2027 within the 2.5±1% target range, and in line with the collective efforts to promote higher economic growth, Bank Indonesia views that there remains room for further BI-Rate reductions. Utilization of this additional room for BI-Rate reductions will be based on assessments of evolving data and conditions (data-dependent), particularly considering the need to maintain Rupiah exchange rate stability amid the prolonged global uncertainty. Bank Indonesia will also continue to take measures to strengthen the transmission effectiveness of BI-Rate reductions, particularly in lowering bank lending rates.

As explained in Chapter 3, the BI-Rate cuts have been followed by significant declines in INDONESIA rates in the money market and yields on Government Securities (SBN) across all tenors, thereby increasing transactions, efficiency, and the depth of domestic financial markets. However, the decline in bank deposit rates remains slow due to the still-high large depositor special rates. Similarly, the decline in lending rates has been limited, partly due to elevated risk premia and overhead costs in bank. In addition to reducing the BI-Rate and continuing monetary liquidity expansion, Bank Indonesia is also maintaining close coordination with the Financial System Stability Committee (KSSK) to strengthen the transmission effectiveness of lower policy interest rates in order to promote higher credit growth and stronger economic growth.

As for the second core policy, monetary liquidity expansion through a pro-market monetary operations strategy will be further strengthened to enhance the effectiveness of interest rate transmission and accelerate the deepening of the money and foreign exchange markets. Liquidity expansion through the monetary program is

PERTEMUAN TAHUNAN BANK INDONESIA 2025 TANGGUH DAN MANDIRI: SINERGI MENDORONG PERTUMBUHAN EKONOMI LEBIH TINGGI DAN BERDAYA TAHAN



President Prabowo Subianto delivered directives at the Bank Indonesia Annual Meeting (PTBI) 2025.

directed to ensure that liquidity conditions align with the optimal requirements of the money market and the broader economy. Its magnitude is determined based on projections of Reserve Money (M0) and broad money (M1 and M2), consistent with forecasts of relevant economic indicators, while taking into account other factors such as developments in foreign capital flows (Net Foreign Assets, NFA) and the Government's financial operations (Net Claims on Government, NCG). Based on this monetary program, Bank Indonesia conducts monetary liquidity expansion through monetary operations by optimizing the interest rate structure and volume of all available instruments, including SRBI, SUKBI, SVBI, and SUVBI. In 2025, for example, monetary liquidity expansion by end-2025 was reflected in a decline in SRBI volume of Rp186.07 trillion, accompanied by a decrease in the SRBI interest rate for the 6-month tenor by 231 bps to 4.85%. Under the same monetary program, Bank Indonesia also expanded monetary liquidity through secondary market purchases of Government Securities (SBN). In 2025, as previously noted, Bank Indonesia purchased SBN amounting to Rp332.14 trillion up to 31 December 2025, with yields on 2-year and 10-year SBN declining by 197 bps and 119 bps to 4.99% and 6.07%, respectively, thereby helping reduce the Government's SBN interest burden in the State Budget (APBN). Going forward, Bank

Indonesia will continue to expand monetary liquidity in line with the 2026 monetary program, both through all available monetary instruments and through secondary market purchases of SBN, supported by close policy coordination with the Government's fiscal authorities.

Bank Indonesia will also continue to optimize its pro-market monetary operations strategy to strengthen further the effectiveness of BI-Rate transmission to the financial sector, as well as to maintain overall market and financial system stability. The strengthening of the pro-market monetary operations strategy will be carried out through four key measures. *First*, optimizing repo and DNDF transactions by involving banks that utilize the Central Counterparty (CCP) to strengthen transaction risk mitigation and enhance market efficiency. *Second*, developing the Overnight Index Swap (OIS) market through the issuance of Floating Rate Notes (BI-FRN) and OIS matchmaking for tenors beyond overnight to establish an interest rate structure based on actual money market transactions. The development of the OIS market is necessary because the use of JIBOR as a reference rate will be discontinued in 2026. This forms part of efforts to improve domestic money market pricing. *Third*, expanding the underlying repo instruments in Bank Indonesia's monetary operations to include other high-quality securities



issued by Government established financial institutions to support Government programs for public welfare. *Fourth*, broadening the investor base for Bank Indonesia Sukuk (SUKBI) to allow ownership by banks and non-banks, including residents and non-residents, to strengthen the monetary instrument and attract capital inflows. These measures are intended to strengthen the effectiveness of monetary policy transmission and accelerate financial market deepening.

Third, the Rupiah exchange rate stabilization policy will continue to be implemented to safeguard Indonesia's external resilience from the impact of global volatility, thereby contributing positively to sustainable economic stability and growth. Fundamentally, the Rupiah should strengthen and move stably, consistent with low inflation, attractive yields on domestic financial assets, and relatively strong domestic economic growth. Nevertheless, as explained in Chapter 1, elevated uncertainty in the global economy and financial markets has increased the risk of portfolio outflows from EMEs and exerted pressure on various global currencies, including the Rupiah. Consequently, Rupiah exchange rate stability must continue to be maintained to protect Indonesia's external resilience from these global shocks. Rupiah stability is also important for maintaining controlled inflation, particularly imported inflation, and for ensuring business certainty to support economic growth. Rupiah stability is also crucial for preserving the Government's fiscal performance, particularly in maintaining the attractiveness of SBN yields for State Budget (APBN) financing needs. In addition, Rupiah stability is critical for safeguarding the financial system stability, particularly against exchange rate risks that affect the balance sheets of both banks and corporates, while also supporting confidence among businesses and the public. To this end, the Rupiah stabilization measures implemented by Bank Indonesia to date will be continued in 2026. Exchange rate stabilization will be conducted through foreign exchange interventions in both offshore markets (offshore NDF) and the domestic market (spot,

The direction of monetary policy in 2026 to safeguard stability and foster economic growth will be pursued through four main instruments, namely interest rate policy, monetary liquidity expansion, Rupiah exchange rate stabilization policy, and adequacy of foreign exchange reserves

DNDF, and secondary market transactions in Government Securities/SBN). The offshore NDF interventions conducted since early April 2025 to mitigate the negative impact of US tariff policies, executed continuously across Asian, European, and US markets through Bank Indonesia's overseas representative offices, have proven effective and will therefore continue to be implemented to stabilize the Rupiah exchange rate. In addition to the significant influence of offshore Rupiah movements on onshore markets, NDF interventions are more efficient because they normally require relatively minor volumes and do not involve actual fund transfers, thus exerting minimal impact on foreign exchange reserves.

Fourth, the adequacy of foreign exchange reserves will be maintained to support Rupiah exchange rate stabilization and the Government's external debt payments, and reserves will be strengthened through the management of foreign exchange flows in line with international standards. Foreign exchange reserve adequacy will continue to be enhanced through Balance of Payments surpluses, foreign exchange monetary operations, and optimization of reserve management. In this regard, the optimization of foreign exchange reserve management will continue to be reinforced through the implementation of Strategic Asset Allocation (SAA) to achieve optimal investment returns while meeting liquidity needs for the Government's external

debt payments and Rupiah exchange rate stabilization policy. In addition to placing reserves in high-quality financial assets with low exchange rate risk, gold purchases will also be conducted in a safe, gradual, and well-calibrated manner. Bank Indonesia will also continue to optimize the expansion of foreign exchange placement instruments for Foreign Exchange Export Proceeds from Natural Resources (DHE SDA) to support the implementation of Government Regulation No. 8 of 2025. Bilateral cooperation with several central banks, including Malaysia, India, and China, has been established to utilize swap arrangements and bilateral purchases of Government Securities (SBN) in reserve management. International cooperation is likewise being strengthened, including multilateral collaboration with the BIS for foreign reserve management, bilateral swap arrangements with several central banks including the United States, Japan, China, and ASEAN, as well as regional cooperation under ASEAN+3 (China, Japan, and South Korea) within the Chiang Mai Initiative Multilateralism (CMIM) framework to enhance the Regional Financial Arrangement (RFA) in Asia. As a follow-up to the P2SK Act, Bank Indonesia has also issued a Bank Indonesia Regulation governing foreign exchange flow management to strengthen Indonesia's external resilience, consistent with the open foreign exchange system and international standards in line with IMF guidelines. The regulation covers the management of foreign exchange flows under normal conditions, under pressure, and in crisis conditions, as well as the coordination mechanism among Bank Indonesia, the Government, and the KSSK to safeguard macroeconomic and financial system stability.

Policy coordination between Bank Indonesia's monetary policy and the Government's fiscal policy continues to be strengthened to reinforce external resilience against global shocks, control inflation, and promote sustainable economic growth. Coordination to safeguard external resilience against global spillovers is carried out by aligning Bank Indonesia's monetary operations for Rupiah exchange rate stabilization with the

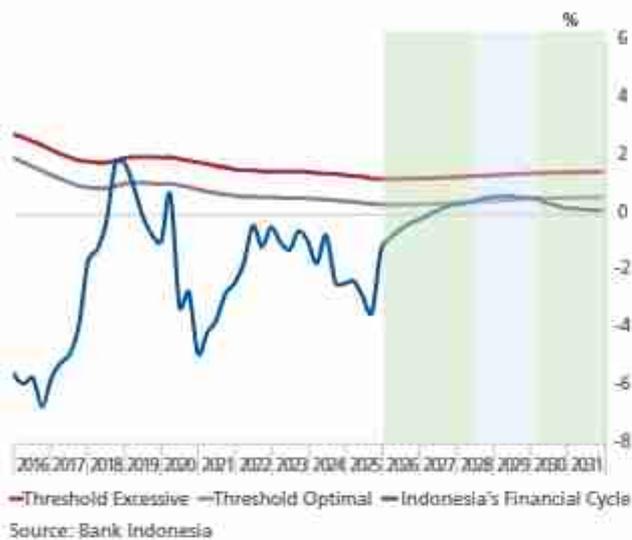
Government's issuance of Government Securities (SBN) for fiscal financing in both domestic and global markets, from the annual planning stage through ongoing implementation. Coordination for inflation control, particularly volatile food and administered prices, with the Central and Regional Governments is strengthened through the Central and Regional Inflation Control Teams (TPIP and TPID), supported by the National Food Security Front (*Gerakan Nasional Pengendalian Inflasi Pangan*, GNPIP), which mobilizes all 46 Bank Indonesia regional offices across the country. Meanwhile, coordination to support economic growth from the domestic demand side, particularly consumption and investment, is carried out by synchronizing Bank Indonesia's interest rate reductions and monetary liquidity expansion via the banking system with the Government's fiscal stimulus to boost the real sector at both the central and regional levels. In addition, Bank Indonesia provides recommendations on national economic policies, including those based on the Regional Economic and Financial Assessment (KEKDA) conducted by Bank Indonesia's representative offices throughout Indonesia.

5.2. Direction of Macprudential Policy

Bank Indonesia will continue to strengthen accommodative macroprudential policies in 2026 to stimulate bank lending/financing in support of higher economic growth, while maintaining financial system stability. The direction of this accommodative macroprudential policy is based on three key considerations. *First*, Indonesia's financial cycle in 2026 and 2027 remains below optimal financing capacity and is expected to start increasing by the end of 2027, reaching its peak in 2029 (Graph 5.1.). This aligns with the economic cycle, which remains below national output capacity, primarily due to sluggish consumption and investment amid slowing exports driven by global economic conditions. Therefore, accommodative macroprudential policies are needed to strengthen banking

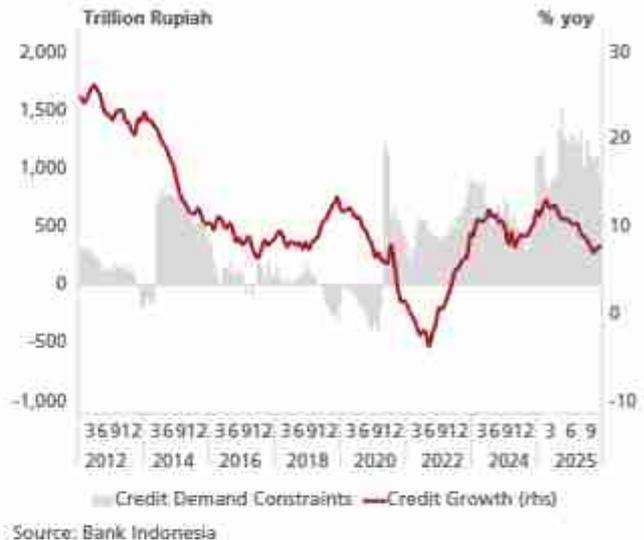


Graph 5.1. Indonesia's Financial Cycle



capacity in providing credit/financing, particularly for sectors that drive growth and job creation. *Second*, in line with the *Asta Cita* Vision, the Government has designed several National Priority Programs to stimulate growth and employment, requiring substantial financing support. As outlined in Chapter 4, these strategic programs include downstreaming of natural resources, strengthening the manufacturing industry, food security, supported by infrastructure and housing development, including public housing. Social and people-centered economic programs such as MBG, KDMP, MSMEs, and the creative economy will also continue. Therefore, synergy between Bank Indonesia's macroprudential policies and the Government's fiscal and industrial policies is crucial to address demand constraints that have kept bank credit/financing low (Graph 5.2.). Such synergy is a key component in meeting the substantial financing needs of these national strategic programs. *Third*, the accommodative macroprudential policy is consistent with the soundness of financial system stability, reflected in high capital adequacy ratio, ample liquidity, and low non-performing loans. Nevertheless, several vulnerabilities may arise from both global and domestic economic dynamics, which could affect the sustainability of financial system stability going forward. Therefore, close synergy is required between accommodative macroprudential policies to stimulate credit/

Graph 5.2. Credit Demand Constraints



financing and strengthened banking system surveillance by Bank Indonesia, along with microprudential supervision by the Financial Services Authority (OJK). Coordination within the Financial System Stability Committee (KSSK) also needs to be reinforced, not only to safeguard financial system stability but also to promote lending/financing by banks and other financial institutions in meeting the substantial financing needs of the national economy, while simultaneously supporting the implementation of financial sector reforms mandated by the Financial Sector Development and Strengthening Act (P2SK Act).

All macroprudential policy instruments will remain accommodative to achieve banking credit/financing growth of around 8–12% in 2026 while maintaining financial system stability. Discussions in Chapters 2 and 3 indicate that the low credit/financing growth is mainly due to the slow adjustment in bank interest rates and weak credit demand from the real sector. Meanwhile, several risks to financial system stability must continue to be monitored, arising from both global market volatility and operational risks, particularly cybersecurity. Therefore, the direction of macroprudential policy in 2026 will be pursued through the following three steps (Figure 5.3.). *First*, strengthening the effectiveness of the Macroprudential Liquidity Incentive Policy (KLM; see Box 5.1.) forward-looking lending channel

Figure 5.3. Direction of Macroprudential Policy in 2026



Source: Bank Indonesia.

to encourage banks to increase credit/financing to priority sectors, including adjustments to sectors and the size of incentives provided, as well as synergy with the Government, KSSK, and related parties, including Danantara, to stimulate credit demand from the real sector. *Second*, accelerating the reduction of deposit and lending interest rates through the effectiveness of the KLM forward-looking interest channel and necessary responses, including KSSK coordination to lower special rates for large depositors and reduce lending interest margins (see Box 5.1.). *Third*, strengthening systemic surveillance to maintain banking resilience against global shocks and operational risks, including through the enhancement of the Integrated Crisis Management Protocol. Policy coordination with the Government and KSSK will also continue to be strengthened to boost credit/financing to priority real sectors, enhance financial system stability resilience, and ensure the sustainability of financial sector reforms as mandated by the Financial Sector Development and Strengthening Act (P2SK Act). These three steps are described in more detail, as follows.

First, the strengthening of the effectiveness of the KLM forward-looking lending channel incentive to increase bank credit/financing to priority sectors for growth and employment. As explained in Chapter 3, as a strong commitment by Bank Indonesia to support economic growth, starting December 2025, KLM incentives will be performance-based and forward-looking through the lending channel and interest rate channel.¹⁶ The total KLM incentive will be increased to 5.5% of third-party funds (TPF). Banks will receive incentives based on their commitment to channel credit/financing to specific sectors (lending channel) and reduce lending/financing interest rates in line with Bank Indonesia's policy rate direction (interest rate channel). Banks can receive KLM lending channel incentives through a reduction in the minimum reserve requirement (GWM) of up to 5% of TPF and KLM interest rate channel incentives of up to 0.5% of TPF. The sectors eligible for KLM lending channel incentives include: (i) agriculture, manufacturing, and downstreaming sectors; (ii) services sectors, including creative economy; (iii) construction,

16 A more detailed explanation of the Forward-Looking Macroprudential Liquidity Incentive Policy is presented in Box 5.1. Innovation in Performance-Based and Forward-Looking Macroprudential Liquidity Incentive Policy.



real estate, and housing sectors; and/or (iv) MSMEs, cooperatives, inclusion, and sustainability sectors, which are also priority sectors for the Government in supporting economic growth. The size of the incentive given to banks under the lending channel also considers adjustments based on the realization of credit/financing growth compared to previous commitments. Meanwhile, the provision of KLM incentives through the interest rate channel is based on the speed at which banks adjust new lending/financing rates to Bank Indonesia's policy rate. Bank Indonesia will continuously assess the effectiveness of these KLM liquidity incentives to further encourage bank credit/financing to these priority sectors. In addition to policy measures, Bank Indonesia will actively strengthen synergy and coordination with the Government, KSSK, Danantara, banks, and businesses to stimulate credit demand. Synergy can be achieved through discussions, communication, and seminars to find joint solutions to overcome various obstacles in credit distribution, both in specific sectors and in aggregate, while reinforcing confidence and optimism about future economic growth prospects.

Second, the efforts to expedite faster reduction of interest rates to boost credit/financing for higher economic growth. As mentioned earlier, the slow decline in bank interest rates has become one of the main obstacles to the effectiveness of Bank Indonesia's policy

transmission in boosting credit growth. The cause is the phenomenon of special deposit rates demanded by large depositors, which accounted for Rp2,682.97 trillion (26.67% of total third-party funds) in December 2025, with deposit rates reaching 4.96% (Table 5.1.). In addition, government depositors (both SOEs and non-SOEs) amounted to Rp807.14 trillion with deposit rates around 4.87%. This phenomenon indicates a distortion in market mechanisms due to the stronger bargaining power of large depositors against banks, amid a weak banking industry structure caused by the excessive number of banks. As a result, inefficiencies occur in both the banking industry and the economy because of high funding costs. This is reflected in the large spread between special deposit rates and the maximum deposit insurance rate set by the Deposit Insurance Corporation (LPS), with a median of around 1.18% since 2013, rising to 1.46% in December 2025 (Graph 5.3.). Inefficiency in the banking industry is also evident from the high spread between lending rates and deposit rates, due to both credit risk premiums and significant overhead costs, compared to other countries. This issue prompted Bank Indonesia to introduce KLM incentives, which are linked to the speed of lending rate reductions compared to BI Rate cuts, as explained earlier. In other words, banks that are slow to reduce their lending rates will be required to maintain higher reserve requirements at Bank Indonesia, while KLM incentives will be given to banks that reduce their

Table 5.1. Special Rate for Large Depositors

Category	Nominal (Trillion Rupiah)					Share of Total Third-Party Funds (%)		Special Rates (%) - IDR				
	2023	2024	Oct-25	Nov-25	Dec-25	Nov-25	Dec-25	2023	2024	Oct-25	Nov-25	Dec-25
Non-Residents	3.87	5.67	7.07	7.33	7.49	7.31	6.70	5.14	5.34	5.17	5.00	4.95
Government	447.02	468.56	817.16	891.48	807.14	55.30	54.50	6.77	6.66	5.10	4.87	4.87
Government - SOE	255.33	272.34	331.15	315.57	331.15	50.13	45.22	6.84	6.60	5.58	5.48	5.22
Government non-SOE	191.69	196.22	486.01	575.91	475.99	58.61	63.58	6.69	6.74	4.78	4.54	4.62
Individuals	462.42	402.29	415.68	406.22	402.48	10.19	9.96	5.87	5.97	5.50	5.36	5.28
Private NBFi	165.78	218.31	262.48	261.76	292.88	50.90	52.74	6.40	6.36	5.40	5.21	5.11
Private Non-NBFi	761.01	975.31	1,154.40	1,113.92	1,172.97	30.22	30.31	5.85	6.02	5.13	4.97	4.87
Total	1,840.10	2,070.14	2,656.79	2,680.70	2,682.97	27.08	26.67	6.13	6.19	5.21	5.02	4.96

Source: Bank Indonesia

Graph 5.3. Special Rate - LPS Rate Spread



Source: Bank Indonesia

rates more quickly. Bank Indonesia will continue to evaluate the effectiveness of this forward-looking interest channel KLM in accelerating the decline in bank interest rates and formulate necessary strengthening measures. Bank Indonesia will also maintain coordination within KSSK to take joint steps to accelerate the reduction of special deposit rates and lending rate margins.

Third, strengthening systemic surveillance to maintain banking resilience against global shocks and operational risks, including through the enhancement of the Integrated Crisis Management Protocols. Bank Indonesia's systemic surveillance, as part of macroprudential supervision, focuses on large banks which, due to their macroeconomic-financial sector linkages, are considered to have a significant impact on credit/financing distribution and overall financial system stability. Key aspects of Bank Indonesia's systemic surveillance include credit/financing performance, resilience to liquidity risk, market risk (exchange rate and government bond yields), credit risk, operational risk, and interconnections in funding, money markets, and payment systems. In this context, as previously mentioned, global spillover effects can exert excessive pressure on the Rupiah exchange rate, cause sharp increases in government bond yields, tighten liquidity due to capital outflows, and reduce business activity. Operational risk, including mitigation of cyberattacks, will also be a major concern. This is due to the rapid

digitalization in banking and payment systems, which can create not only operational risks from technological disruptions but also cyberattacks on one bank that can quickly spread to others. These considerations drive Bank Indonesia to strengthen the Integrated Crisis Management Protocols, which integrate monitoring vulnerabilities and preventing risks to financial system stability, whether from liquidity, market, and credit risks, with institutional risks arising from operational risks, including cyberattacks. In its implementation, Bank Indonesia coordinates closely with KSSK to jointly maintain financial system stability, and bilaterally with OJK for microprudential supervision. Therefore, Bank Indonesia will reinforce synergy between macroprudential surveillance of the banking system and OJK's microprudential supervision under the well-established coordination mechanisms. This coordination is crucial to mitigate market risk (exchange rate and interest rate), liquidity risk, credit risk, and operational risk, thereby preserving financial system stability. Close coordination within KSSK also needs to be strengthened to maintain financial system stability while supporting the implementation of financial sector reforms mandated by the Financial Sector Development and Strengthening Act (P2SK Act).

5.3. Direction of Payment System Policy

Through the roadmap of Indonesia Payment System Blueprint (BSPI) 2030, Bank Indonesia will continue accelerating the national digital economy and finance for the next generation. BSPI 2030 is designed to establish a payment system that supports the integration of the national digital economy and finance, thereby ensuring the effective role of central bank functions in currency circulation, monetary policy, and financial system stability. The vision of BSPI 2030 will be achieved through five key initiatives, namely Infrastructure, Industry, Innovation, International, and Digital Rupiah (4I-DR), which serve as the main strategic direction (Figure 5.4.). *First*, strengthening and modernizing payment system infrastructure, covering retail, wholesale, and payment system data. *Second*, consolidating and restructuring the



Figure 5.4. Five Initiatives of Indonesia Payment System Blueprint (BSPI) 2025-2030



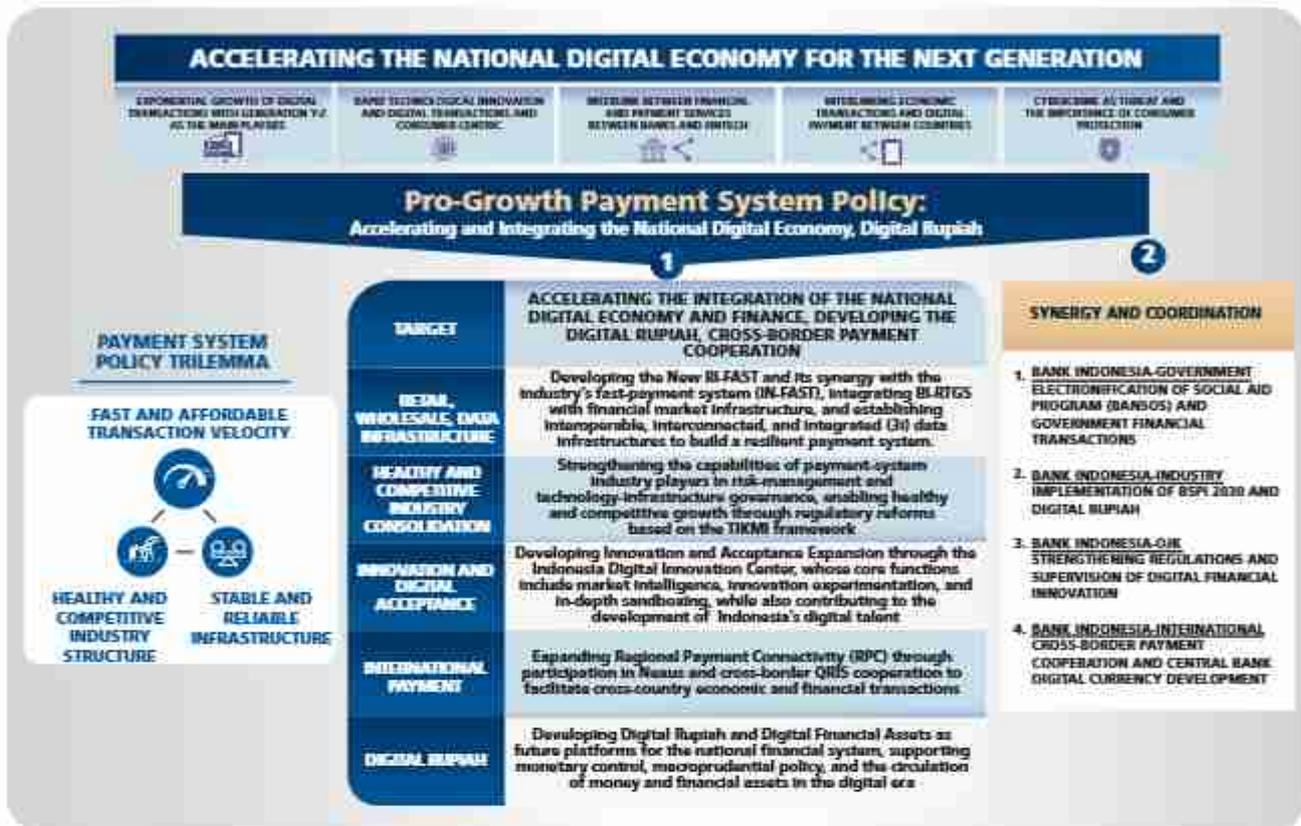
Source: Bank Indonesia

payment system industry. *Third*, expanding digital innovation and acceptance. *Fourth*, enhancing international interconnection and cooperation. *Fifth*, developing the Digital Rupiah. These five strategic pillars have been further elaborated into main programs with clear development stages and timelines for completion, as detailed below.

The direction of payment system policy in 2026 reflects Bank Indonesia's commitment to advancing the strategic programs under BSPI 2030, aimed at further accelerating digitalization to support sustainable economic growth. As shown in Table 2.6 of Chapter 2, the objective is to increase digital payment transactions from 49.2 billion transactions valued at Rp78,563.1 trillion in 2025 to 63.9 billion transactions (30.0%) valued at Rp88,310.7 trillion (12.4%) by 2026. QRIS transactions are projected to increase from 15.4 billion transactions in 2025 to 17.0 billion transactions (10.6%) in 2026, with the number of users expected to reach 60 million and merchants 45 million, the majority of which are MSMEs. BI-FAST transactions are expected to rise from 4.8 billion transactions in 2025 to 6.3 billion transactions (29.8%) in 2026, while BI-RTGS transactions will increase from 10.28 million transactions valued at Rp149,344.0 trillion in 2025 to 10.32 million transactions (0.3%) valued at Rp166,015.0 trillion (9.0%) in 2026.

As mentioned, the direction of payment system policy in 2026 will be implemented through five key measures. *First*, in terms of payment system infrastructure, Bank Indonesia will develop the New BI-FAST and support the industry fast-payment, modernize BI-RTGS, and strengthen interoperable, interconnected, and integrated (3i) payment data infrastructure to support policymaking, industry business development, and the public interest (Figure 5.5.). *Second*, in terms of industry consolidation, Bank Indonesia will reinforce payment system digitalization within the banking sector as the primary institution, promote interlinkage between banks and fintech, and advance regulatory reform to consolidate the payment system industry and restructure the Nonbank Money Changer industry to further strengthen payment integrity. *Third*, in terms of innovation and digital acceptance, Bank Indonesia will collaborate with the Indonesia Payment System Association (ASPI) to promote innovation and balanced digital payment acceptance alongside consumer protection through the Indonesia Digital Innovation Center/PIDI (including the development of Indonesia's digital talent), public campaigns, and education/literacy programs. *Fourth*, in terms of internationalization of payments, Bank Indonesia

Figure 5.5. Direction of Bank Indonesia Payment System Policy in 2026



Source: Bank Indonesia

will expand bilateral and multilateral cooperation in retail payment systems, including through the development of NEXUS. *Fifth*, in terms of Digital Rupiah development, Bank Indonesia will proceed with the next phase of experimentation, focusing on the development of the Securities Ledger. Details follow, immediately below.

First, the development of retail and wholesale payment infrastructure, as well as data infrastructure will be oriented toward the interconnection, interoperability, and integration (3i) of payment transaction digitalization, industry consolidation, innovation and acceptance, as well as the internationalization of the national digital economy and finance. In terms of retail payment systems, Bank Indonesia will develop the New BI-FAST in synergy with the industry's fast-payment infrastructure to facilitate future digital transaction needs, both in terms of stability and scalability, through the development of modular system architecture within the application for payment enquiry, clearing, and settlement (Figure 5.6.). This modular architecture

is considered more capable of responding to the evolution of service features in line with public and business needs. For wholesale payment system infrastructure, the modernization of BI-RTGS will be designed to integrate with the development of money market and foreign exchange market infrastructure through the adoption of the ISO 20022 messaging standard, the development of multicurrency features, and other features that reinforce 3i principles across financial market infrastructure, end-to-end. The multicurrency feature will enhance settlement efficiency for both domestic and cross-border transactions. The adoption of ISO 20022 aims to make Rupiah and foreign currency transactions more efficient through greater seamlessness and higher granularity. Risk management will also be strengthened through enhancements to the Liquidity Saving Mechanism (LSM) as well as strengthened fraud-management and end-point security features. Further, Bank Indonesia will initiate the development of data centers to ensure end-to-end payment system data



Figure 5.6. Direction of Retail and Wholesale Payment System Infrastructure and Data Development in BSPI 2030



Source: Bank Indonesia

flows, that is, from consumers to merchants, banking, and nonbank industries, through to final settlement within Bank Indonesia's payment system infrastructure. This is crucial to optimize the central bank functions of maintaining price, financial system, and payment system stability. Payment system data infrastructure will be developed to strengthen transaction integrity and policymaking through the development of Payment ID, BI-Payment Info, and BI-Payment Clear. Payment ID will function as a unique identifier for each payment service user, enabling the system to acquire and process granular digital data for policymaking purposes, industry business development, and public services. The processed data will be uploaded to the BI-Payment Info platform as public infrastructure provided by Bank Indonesia to distribute digital payment system data for the national benefit. In this context, BI Payment Clear will be able to access suspicious transaction data from BI-Payment Info Platform to safeguard payment transactions against fraud by strengthening industry capacity in risk management. With BI-Payment Clear linked to the fast-payment infrastructure, online retail transactions can undergo pre-transaction integrity checks, including validity and security screening.¹⁷ Industry players may flag and refuse suspicious or suspected fraudulent transactions.

Second, the payment system industry policy will be directed toward strengthening a healthy, competitive industry that ensures the central bank's currency circulation function. Industry restructuring focuses on reinforcing the role of the banking sector as the core of the money supply process within the monetary and financial system (Figure 5.7.). Therefore, Bank Indonesia has formulated criteria to assess industry players' size and risk capability, comprising Transactions, Interconnection, Competency, Risk Management, and Information Technology (TIKMI). Assessment of a participant's TIKMI rating will be conducted periodically and will serve as a basis for licensing requirements, activity and product development, business partnerships, access to payment system infrastructure, and Bank Indonesia's supervisory tools. Bank Indonesia is also committed to supporting the development of human resources competency in the payment system sector through certification programs in collaboration with the Indonesia Payment System Association (ASPI). In addition, Bank Indonesia is also strengthening the regulatory framework for nonbank money changers to enhance the integrity of foreign exchange transactions. This effort is undertaken to prevent nonbank money changer from being used as a means for money laundering or unreported transactions. The structuring aims to reinforce KYC practices, reporting, and supervision to ensure better monitoring of foreign exchange inflows and outflows.

¹⁷ A more detailed elaboration on BI-Payment Clear connected with fast payment is presented in Box 5.2. Development of BI-Payment Clear to Strengthen National Payment Integrity.

Figure 5.7. Direction of Payment System Industry Consolidation in BSPI 2030



Source: Bank Indonesia

Third, Bank Indonesia, in collaboration with the industry, will continue promoting innovation and digital payment acceptance that is balanced with consumer protection, integrity, stability, and fair business competition. Payment service innovation will be encouraged within a healthy competitive environment that ensures the end-to-end integration of the national digital economy and finance. Standardization of payment methods, both on instruments and payment channels, will be directed toward innovations with strong potential for mass adoption, based on the principle of "one language." Beside preventing risks of unfair competition, this standardization is also intended to ensure the continuity of digital

economy and finance end-to-end integration, which represents the ultimate objective of BSPI 2030. Effective collaboration processes with industry participants will be optimized through the strengthening of the Indonesia Digital Innovation Center (PIDI) (Figure 5.8). PIDI will be developed through three functional pillars: (1) In-depth sandboxing, providing an effective testing environment for innovation; (2) Market intelligence, enabling continuous monitoring of industry developments; and (3) Design thinking, an iterative process that includes joint research and assessments with industry and, where relevant, expert involvement. In addition, PIDI will support the development

Figure 5.8. Direction of Innovation and Digital Payment System Acceptance



Source: Bank Indonesia



of globally competitive digital innovations as well as the strengthening of digital talent to enhance future employment rate. The execution of these functions will incorporate efforts to ensure consumer protection, stability, including risk management, integrity and compliance, as well as healthy competition. Meanwhile, digital payment acceptance, which has progressed effectively in recent years, will continue to be strengthened through education and public campaign programs to accelerate adoption in line with sound risk management and consumer protection, particularly on the user side. Similarly, consumer protection will be reinforced through enhancements of the regulatory framework and the mechanisms designed to facilitate the interest of all stakeholders (the public, businesses, and payment system industry players). Public awareness of rights and obligations as users of payment services will also be strengthened through these digital literacy programs.

Fourth, Bank Indonesia will expand international cooperation to strengthen cross-border payment connectivity in support of regional economic integration, particularly within ASEAN. Cross-border payment connectivity is essential to facilitate seamless economic and financial transactions across countries, safeguard stability, and build a sustainable economy while prioritizing national interests (Figure 5.9.). This

initiative will be implemented through two key programs: (1) Expanding the coverage of cross-border QRIS cooperation, and (2) Preparing national payment system infrastructure for cross-border interoperability. Cross-border QRIS cooperation between Indonesia and Malaysia, Thailand, Singapore, and Japan will be extended to South Korea, Saudi Arabia, and India. Cross-border payment connectivity will also be strengthened through the interconnection of payment system infrastructures, both bilaterally and multilaterally. On the retail side, Bank Indonesia is advancing multilateral interconnection of fast payment through Project Nexus, together with Malaysia, Thailand, Singapore, Philippines, and India, in collaboration with the Bank for International Settlements (BIS). Bank Indonesia is actively involved in the development of Project Nexus Phase III, which produces a roadmap for multilateral interconnection among five ASEAN countries and India for the remittance use case. For wholesale payment system connectivity, the modernization of BI-RTGS, as previously outlined, will be prepared from the outset to anticipate and meet future cross-border interconnection demands. RTGS interconnection has also become a G20 agenda under the enhancing cross-border payments initiative, which must be anticipated early on given Indonesia's position as a G20 member.

Figure 5.9. Direction of International Payment System Connectivity in BSPI 2030



Source: Bank Indonesia

Fifth, Bank Indonesia will continue advancing the development of the Digital Rupiah through the next phase of experimentation, focusing on replicating wholesale market functions and deepening the financial market. The exploratory initiative for Indonesia's Central Bank Digital Currency (CBDC), or the "Digital Rupiah," is carried out under Project Garuda, with the objectives to: (i) safeguard the sovereignty of the Rupiah in accordance with the Currency Act and the P2SK Act; (ii) strengthen its role in the international arena; and (iii) accelerate the integration of the national digital economy and finance (Figure 5.10.). The implementation of Project Garuda is structured into three phases. In the first phase (immediate), development began with the w-Digital Rupiah, covering the use cases of issuance, redemption, and inter-party fund transfers, which have been completed. In 2026, the second, experimentation phase will focus on testing the use of digital securities through tokenization, including use cases for monetary operations and other financial transactions. In the final phase (end state), the concept of an integrated end-to-end w-Digital Rupiah to r-Digital Rupiah framework will be piloted.

In addition to the five key programs outlined above, Bank Indonesia will continue strengthening synergy and coordination with both the Central and Regional Governments as well as with the payment system industry. Coordination with the Government (both central

and regional) will primarily focus on expanding the electrification of regional government financial transactions by reinforcing the Regional Digitalization Acceleration and Expansion Task Force (TP2DD), promoting the disbursement of social assistance, and expanding the use of the Government segment of the Indonesia Credit Card (KKI). The digitalization of MSMEs and the tourism sector will also be further intensified through the National Movement Proud of Indonesian Products (BBI) and Proud to Travel in Indonesia (BBWI) across various regions. Synergy and coordination between Bank Indonesia and the Financial Services Authority (OJK) in regulating and supervising digital payment system development and financial institution digitalization will be strengthened in accordance with the mandate of the P2SK Act, including areas related to crypto assets and the Financial Technology Industry (ITSK), digital financial literacy and consumer protection, as well as cybersecurity. Synergy with the banking sector, the payment system association, fintech associations, and other industry associations will continue to be reinforced both in expanding existing digital payment programs, such as QRIS, SNAP, and BI-FAST, and in broadening public access to these services. It remains a guiding principle of Bank Indonesia that payment system policies, regulations, and supervision are formulated and implemented collaboratively with the industry (industry-friendly policy).

Figure 5.10. Direction of Digital Rupiah Development in BSPI 2030



Source: Bank Indonesia



5.4. Money Market and Foreign Exchange Market Deepening Policy

The deepening of the money market and foreign exchange market plays a vital role in supporting the effectiveness of Bank Indonesia's policy transmission, financial system stability, as well as fiscal and economic financing. Since its launched in 2024, the Money Market and Foreign Exchange Market Deepening Blueprint (BPPU) 2030, by building on the Money Market Development Blueprint 2025, has consistently driven various strategic achievements in money market and foreign exchange market deepening across all aspects of product, pricing, participant, and infrastructure (3P+I). The comprehensive money market and foreign exchange market deepening in these 3P+I aspects serves as a fundamental basis for strengthening the effectiveness of Bank Indonesia's policy transmission, particularly in interest rate, exchange rate, and pro-market monetary operations aimed at ensuring financial system stability and supporting economic growth. Liquidity management and asset portfolio by banking industry and investors will, in turn, become more efficient and flexible, thereby reinforcing financial system stability. In line with this, the development of the Government Securities (SBN) market also plays an important role in facilitating fiscal financing for the Government. Accordingly, a deep and efficient money market and foreign exchange market enables smoother liquidity management and provides credible hedging instruments for mitigating interest rate and exchange rate risks, ultimately bolstering business resilience and supporting the national economic financing.

The Money Market and Foreign Exchange Market Deepening Blueprint (BPPU) 2030 has been formulated as a strategic roadmap toward modern and advanced money market and foreign exchange market deepening to enhance monetary policy transmission, financial system stability, and strengthen national economic financing, fully aligned with Bank Indonesia's mandate and authority under the Financial Sector Development and Strengthening Act (P2SK Act). The direction of money market

and foreign exchange market transformation under BPPU 2030 strengthens the initiatives of BPPU 2025 in several ways. These include: integration with the pro-market monetary operations strategy; the establishment of more measurable strategic targets across the 3P+I dimensions; the development of money market and foreign exchange market infrastructure based on the 3i principles and integrated with Payment System and money market and foreign exchange market data infrastructure; as well as reinforced regulation and supervision in accordance with international standards and best practices. Product development will prioritize increasing repo and DNDF transactions, with average daily targets of Rp30 trillion and USD1 billion, respectively, by 2030, supported by the expansion of Bank Indonesia repo underlying and the issuance of BI-FRN. These strategic initiatives will further catalyze the development of derivative instruments, particularly interest rate products, such as Overnight Index Swaps (OIS) and foreign exchange products like FX Swaps. Pricing initiatives is another key area. It will be oriented toward establishing an efficient term structure for money market and foreign exchange market products across tenors from two weeks to twelve months. This will be done through the formation of a Money Market Curve and FX Forward Curve, interconnecting larger and more active transactions between money market and foreign exchange market Primary Dealers and other market participants. This would be supported by CCP money market and foreign exchange market infrastructure built on the 3i principles and integrated with Electronic Trading Platforms (ETP) in the market, ETP and BI-SSSS in Bank Indonesia, as well as BI-FAST and BI-RTGS payment system infrastructure. These steps would be fully in line with the initiative to integrate Payment System and money market and foreign exchange market data infrastructure.

Money market and foreign exchange market deepening policy for 2026 will remain pro-growth through the development of a modern money market and foreign exchange market based on international standards, while strengthening the effectiveness of Bank Indonesia's policy mix transmission and

supporting financing for sustainable economic growth. In this regard, the 2026 Money Market and Foreign Exchange Market deepening policy will focus on five main programs (Figure 5.11.). *First*, developing repo products in line with efforts to increase the transaction volume and liquidity in the secondary market for SRBI, SUKBI, and Bank Indonesia Foreign Exchange Securities (SVBI)/Bank Indonesia Foreign Exchange Sukuk (SUVBI). At the same time, it would support the formation of Overnight Index Swap (OIS) as well as Foreign Exchange Swap (FX Swap) markets to enhance monetary transmission effectiveness, Rupiah stability, hedging, and short-term liquidity management. *Second*, strengthening efficient market mechanisms for forming interest rate structures (INDONIA, OIS, and repo), exchange rates (DNDF), and hedging instruments (IRS and FX Swap). *Third*, reinforcing market participant consolidation through strengthening money market and foreign exchange market Primary Dealers and enhancing the role of the Indonesian Money Market and Foreign Exchange Market Association (APUVINDO) as Bank Indonesia's strategic partner in implementing monetary operations strategies and money market and foreign exchange market development. This

would include enhancing participant quality and enforcing the Market Code of Conduct. *Fourth*, developing integrated (3i) infrastructure for the money market and foreign exchange market, monetary operations, and payment systems through the implementation of Payment System and money market and foreign exchange market data infrastructure. This will also serve as the foundation for supporting the issuance of Digital Rupiah, including digital assets. *Fifth*, strengthening synergy and coordination in economic financing to ensure the creation of a well-governed money market and foreign exchange market.

As indicated in Figure 5.11., product and pricing development will be one key focus for deepening liquidity, fostering product innovation, and strengthening efficient and credible price formation. In the money market, product innovation will focus on increasing transaction volume and liquidity, particularly in repo transactions including more eligible repo underlying assets (to include corporate bonds and corporate sukuk); and issuing BI-FRN as a floating rate instrument to support the development of the Overnight Index Swap (OIS) market (Figure 5.12.). These efforts are aligned

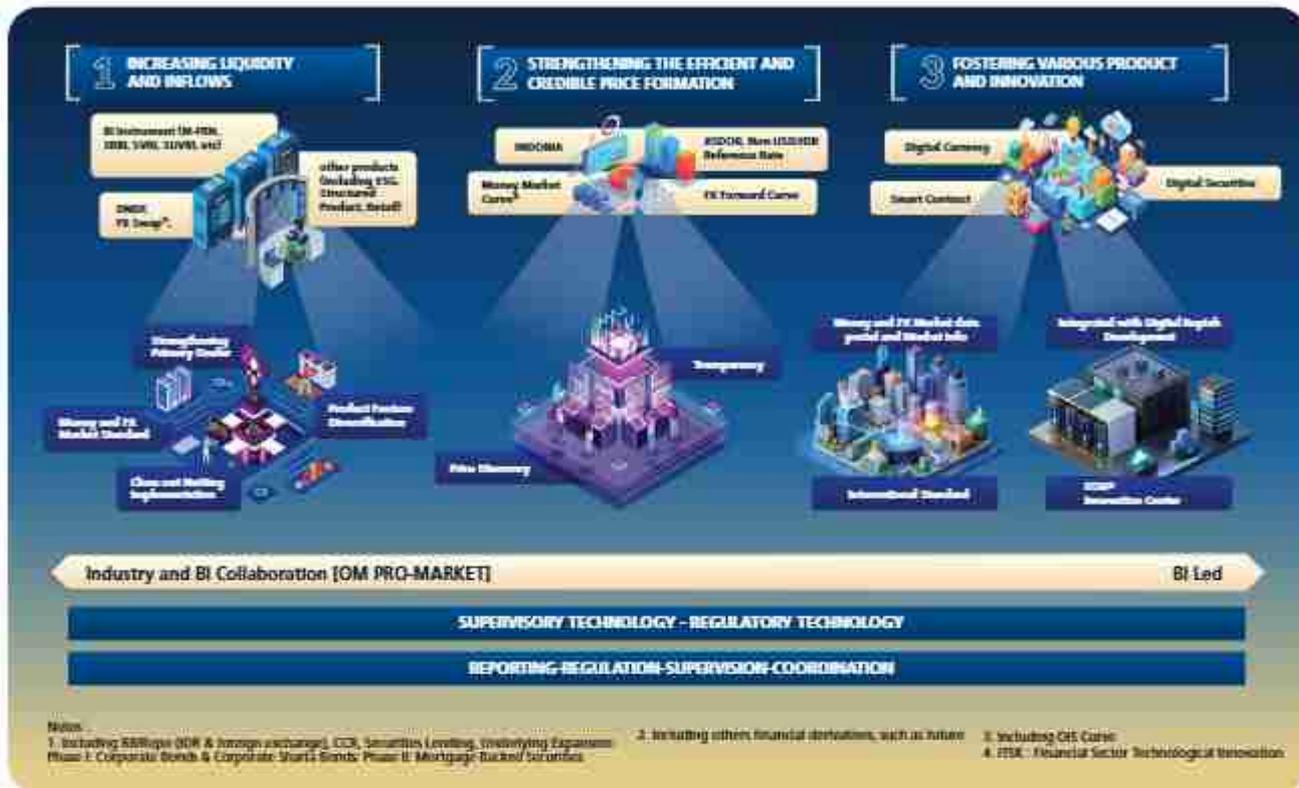
Figure 5.11. Direction of Money Market and Foreign Exchange Market Deepening Policy in 2026



Source: Bank Indonesia



Figure 5.12. Direction of Product and Pricing Development in BPPU 2030



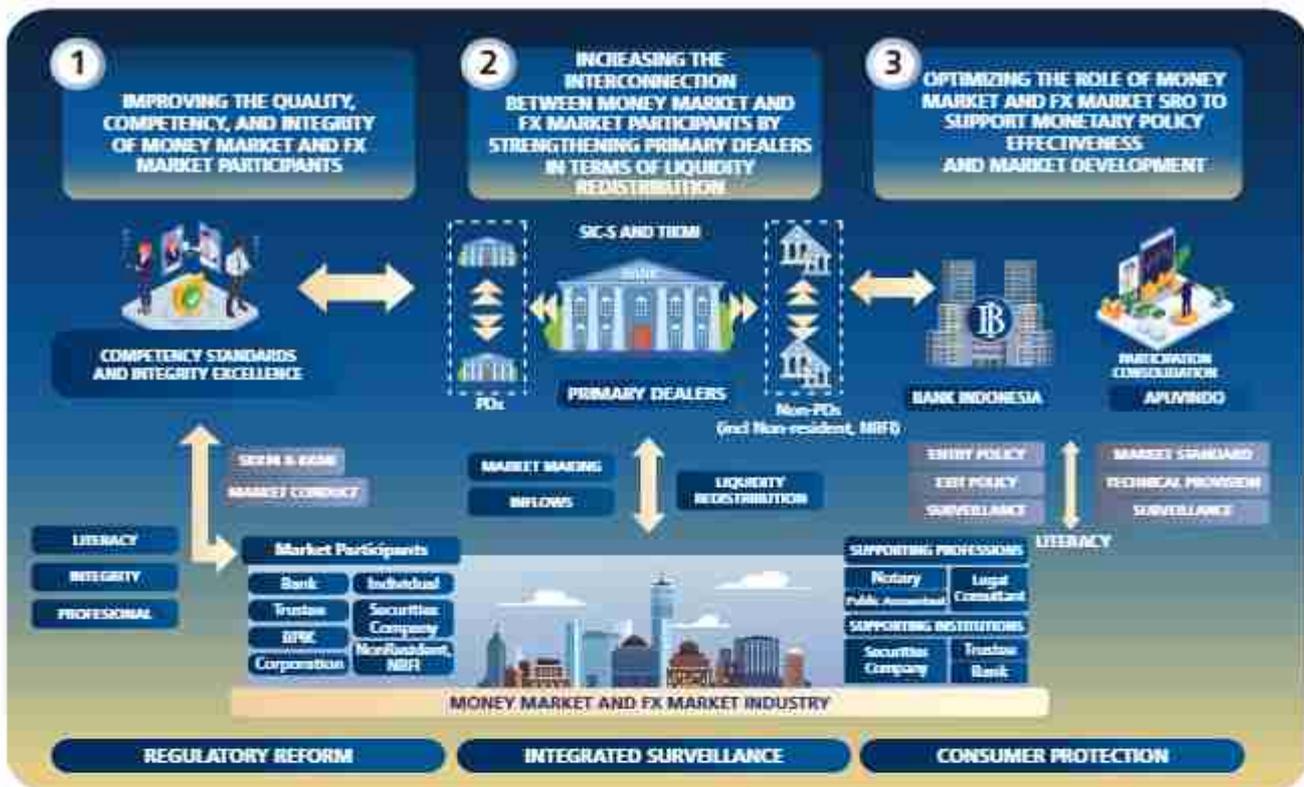
Source: Bank Indonesia

with the development of efficient and credible pricing based on the INDONIA reference rate and the establishment of an interest rate term structure for tenors ranging from two weeks to twelve months. In the foreign exchange market, product development will focus on increasing transaction volume to enhance liquidity in DND and FX Swap, supported by efforts to expand standardized margin contracts. As for pricing, strengthening JSDOR and non-USD/IDR reference rates as efficient and credible exchange rate benchmarks continues, supported by the formation of an exchange rate term structure for tenors from two weeks to twelve months. These steps on product and pricing development will be aligned with the pro-market monetary operations strategy to increase liquidity in floating instruments based on INDONIA. Likewise, they would support the formation of the Money Market Curve, and FX Swap and FX Forward transactions with a view to the formation of an FX Forward Curve to serve as a market pricing benchmark. Concerning infrastructure development (including ETP, monetary operations, and CCP), key concerns

are strengthening the role of Primary Dealers as market makers in the money and foreign exchange markets; diversifying features and standardizing products; and expanding the participant base in coordination with authorities and APUVINDO.

A second key focus is the development of competent and professional money market and foreign exchange market participants with integrity. This would be accompanied by strengthening financial market infrastructure integrated with Payment System and money market and foreign exchange market data infrastructure to ensure stability and reliability in compliance with the 3i principles and international standards. Through collaboration with APUVINDO, Bank Indonesia continues to advance money market and foreign exchange market development, including enhancing the quality of market participants (Figure 5.13.). Competency enhancement is pursued through the refinement and standardization of treasury professional certification. The strengthening of market ethics has been initiated through the

Figure 5.13. Direction of Market Participant in BPPU 2030



Source: Bank Indonesia

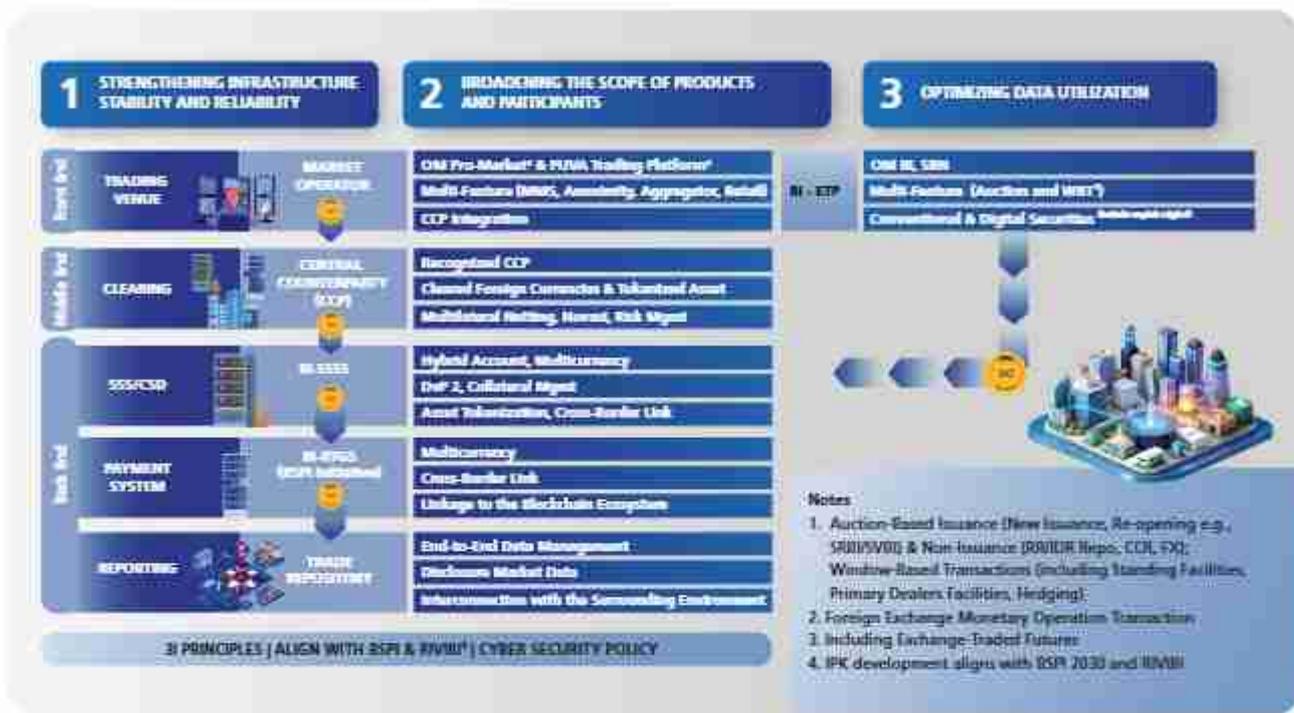
enhancement of the Market Code of Conduct (MCoC) and the Islamic Financial Market Code of Conduct (ICoC) as ethical guidelines for money market and foreign exchange market participants, mandated by Bank Indonesia in alignment with international best practices and current market developments.

As for strengthening money market and foreign exchange market infrastructure, this encompasses three aspects: front-end, middle-end, and back-end (Figure 5.14.). *Front-end* will be strengthened through enhancement of trading venues, consisting of BI-ETP and Market Operators (MO), particularly to support the pro-market monetary operations strategy and boost repo, DNDF, and OIS transactions. *Middle-end* enhancement will focus on strengthening and developing CCP money market and foreign exchange market, including: (1) initiating the process to obtain recognized CCP status; (2) interconnecting CCP with other transaction facilities; and (3) developing CCP Repo. *Back-end* improvements include strategies to strengthen SSS/CSD through BI-SSSS development to support pro-market

monetary operations; the development of BI-SSSS Generation III; and integration with the payment system through BI-RTGS development as outlined in BSPI 2030. Money market and foreign exchange market infrastructure development will also adopt international messaging standards such as ISO 20022 for: (1) BI-RTGS Generation III; (2) BI-SSSS Generation III; (3) Trade Repository; and (4) Central Counterparty. These would improve efficiency, transparency, and security in transactions, while preparing for money market and foreign exchange market digitalization in the future. Money market and foreign exchange market infrastructure strengthening will also be integrated with Payment System and money market and foreign exchange market data infrastructure, including the development of: (1) BI-Payment Clear; (2) BI-Payment Info; (3) data capturing and data analytics infrastructure up to its utilization for various use cases; (4) integration of Payment ID with Investor ID; and (5) a trade repository. These initiatives aim to create interconnected, interoperable, and integrated market infrastructure to establish a modern and advanced money market and foreign



Figure 5.14. Direction of Infrastructure Development in BPPU 2030



Source: Bank Indonesia

exchange market with high volume and liquidity, diverse participant segments, and a stable and efficient market.

The third key focus, synergy and coordination in economic financing, are directed toward supporting the creation of a money market and foreign exchange market with good governance. Synergy with the pro-market monetary operations strategy and macroprudential surveillance is design to increase liquidity and transactions in the money market and foreign exchange market; ensure market and infrastructure stability; and foster efficient price formation in line with market conduct. The strategy encompasses product and pricing development; participant and infrastructure enhancement; as well as regulatory harmonization between monetary operations, money market and foreign exchange market deepening, and monetary market surveillance with macroprudential measures to maintain financial system stability. Synergy in safeguarding financial system stability and economic financing is implemented through regulation and supervision in accordance

with international standards under bilateral coordination between Bank Indonesia and OJK. Meanwhile, collaboration within the Financial Sector Development Coordination Forum (FK-PSK), as mandated by Article 11 of the P2SK Act, involves the Ministry of Finance in developing the government bond market for development financing, Bank Indonesia in money market and foreign exchange market deepening, OJK in capital market development, and LPS in deposit insurance. Synergy within the Sustainable Finance Committee (KKB), as mandated by Article 224 of the P2SK Act, is pursued to coordinate sustainable finance development for the green economy and the achievement of Sustainable Development Goals (SDGs). This includes the Ministry of Finance in financing government projects and programs, Bank Indonesia in formulating macroprudential policies and money market and foreign exchange market development, and OJK in financing through banking and capital markets. The formation of FK-PSK has strengthened and streamlined financial sector development synergy, enabling end-to-end coverage of financing needs across the economy.

5.5.

Economic Inclusion, Financial Inclusion, and Sustainable Finance Policy, and Sharia Economic and Financial Policy

Bank Indonesia continues to expand and strengthen its role in accelerating Economic Inclusion, Financial Inclusion, and Sustainable Finance (IEKB) as part of efforts to support resilient and sustainable national economic growth. These efforts focus on developing an integrated, competitive, inclusive and sustainable economic ecosystem. In this context, Bank Indonesia places emphasis on optimizing financing, literacy, and synergy in the field of inclusive and sustainable economic and financial development. Several points are relevant in this regard. *First*, to enhance competitiveness, Bank Indonesia will continue strengthening business models, guidelines, and various facilitation schemes. This includes the implementation of pilot projects that encompass capacity-building and expanded market access, including supply chain development. These initiatives are carried out end-to-end, targeting export-oriented MSMEs, tourism-supporting MSMEs, food clusters, subsistence groups, and primary commodities such as coffee, corn, and other regional flagship products. As a concrete example of its commitment to sustainability, Bank Indonesia will also develop circular MSME guidelines, such as those based on the utilization of plastic waste, pineapple leaves, and organic waste, and implement sustainable MSME pilot projects. Competitiveness enhancement further includes the development of more comprehensive green MSME business models. This initiative is supported by the development of the Green Calculator version 2 to measure business sustainability performance. *Second*, to broaden MSME financing access, financing business matching will continue to be strengthened through synergy with various ministries/ government agencies, financial institutions, and Bank Indonesia Regional Offices nationwide. These efforts not only focus on conventional financing but also aim to increase access to green financing, including the preparation of facilitation plans for green financing support infrastructure (including sustainability reporting).

The expansion of financing access is supported by the BI-SAID platform (Database of Potentially Bankable MSME Profiles), which enables financial institutions to directly access data on eligible MSMEs. In addition, the Financial Information Recording Application System (SIAPIK) continues to be developed to support MSMEs in conducting digital financial bookkeeping. *Third*, literacy and synergy will continue to be expanded through the implementation of KLIK (Core Competencies for Financial Literacy and Inclusion), standardized educational modules, and ongoing education and mentoring programs across regions. Program synergy will continue to be strengthened, including through the flagship *Karya Kreatif Indonesia* (KKI) program as a platform for cross-stakeholder collaboration in enhancing MSME capacity and competitiveness. Synergy is further reinforced through strategic commitments between Bank Indonesia and various ministries/ government agencies, formalized through Memorandum of Understanding that serve as a strong foundation for cooperation and as concrete steps to advance economic inclusion, financial inclusion, and sustainable finance. Beyond the domestic scope, Bank Indonesia will continue to actively strengthen Indonesia's position in various international cooperation forums, including the G20-SFWG; Blue Finance Advisory Committee; ASEAN WC-FINC; and APRACA. Participation in these forums broadens collaboration, strengthens national representation, and promotes the adoption of green and inclusive economic practices aligned with the Sustainable Development Goals (SDGs).

Bank Indonesia continues to strengthen its role in accelerating the comprehensive development of the sharia economic and financial ecosystem as part of efforts to establish sharia economy as a new source of inclusive and sustainable growth. 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 short term (2027), strengthening the HVC ecosystem will be carried out through piloting sharia economic independence business models including *pesantren*, piloting halal trading houses, expanding halal centers, and facilitating



market access for the hajj and umrah ecosystem. In the medium term (2028–2031), strengthening the HVC ecosystem will be pursued through a series of market access facilitation measures for priority sharia economy sectors and the expansion of halal certification. In addition, HVC ecosystem development will be extended to the pharmaceutical sector as one of the strategic sectors that plays an important role in strengthening the sharia economy in Indonesia. These efforts are expected to foster economic independence of the community while expanding the reach and competitiveness of national halal products. From the perspective of commercial sharia finance, policies to deepen the sharia money market in support of sharia financing in the short term (2027) are implemented through the development of financing business models. These support priority sharia economy sectors as well as the Values-Based Economy; the implementation of Sharia Financing Month; strengthening macroprudential policies that support priority sharia economy sectors; and policies related to sharia Primary Dealers. In the medium term (2028–2031), this will be pursued through innovations in Sharia Finance the support the Values-Based Economy in line with industry developments (including blended finance); strengthen and expand the implementation of Sharia Financing Month; and the implementation of sharia Primary Dealers. These are accompanied by steps to strengthen the growth trajectory and projections of sharia banking financing to remain aligned with national economic dynamics and financing needs of priority sectors. Furthermore, the expansion of sharia economy literacy and inclusion will continue in synergy with stakeholders. In the short term (2027), the focus is directed at strengthening the foundation through the utilization of integrated ZISWAF data; the implementation of the National Strategy for Sharia Economic and Financial Literacy and Inclusion in Indonesia (SNLIEKSI) as the national policy umbrella; and encouraging innovation in the establishment of supporting institutions for inclusion to expand alternative sharia financing. At the same time, sharia economy literacy and inclusion surveys (to measure achievements) as well as program synergies across ministries/

government agencies and between central and regional governments, continue to be strengthened, including integrated national sharia economy campaigns. In the medium term (2028–2031), policies will focus on accelerating and expanding impact, among others through: strengthening the implementation of SNLIEKSI; developing business models for the real sector and sharia finance; and utilizing digitalization and big data analytics to reinforce sustainable literacy and inclusion strategies that deliver tangible benefits for public welfare. At the global level, Bank Indonesia will also coordinate with various stakeholders to support the strengthening of Bank Indonesia's leadership in international sharia fora through active involvement in supporting the formulation of global sharia financial standards together with the Islamic Financial Services Board (IFSB) and the development of sharia financial liquidity together with the International Islamic Liquidity Management (IILM).

5.6. International Policy

Bank Indonesia will continue collaborating in close synergy with the Government to strengthen Indonesia's position in bilateral relations, within the Asian region, as well as globally. International policy aims to support the national interest by strengthening economic resilience against global impacts and expanding cooperation to support sustainable economic growth. Bank Indonesia's international policy encompasses the central bank and national economic policy mix, Local Currency Transactions (LCT), and promoting trade and investment in close synergy with the Government and the KSSK. In 2026, international policy will focus on three main aspects. *First*, strengthening and expanding bilateral cooperation with key partner central banks in the areas of central banking, payment systems, LCT, and international financial cooperation, including Bilateral Swap Arrangements (BSA). *Second*, expanding regional cooperation, particularly ASEAN Financial Integration, ASEAN Payment Connectivity (APC), and strengthening the Chiang Mai Initiative Multilateralization (CMIM) as a form of regional financial cooperation among ASEAN+3 countries.

And *third*, active participation in championing national interests within economic, monetary, and international financial agendas. Bank Indonesia plays an active role in various international cooperation forums, including the G20, IMF, Financial Stability Board (FSB), Bank for International Settlements (BIS), as well as Islamic finance forums such as IFSB and IILM. Furthermore, Bank Indonesia will continue improving positive perceptions among investors and rating agencies, while promoting trade and investment through the Bank Indonesia's Investor Relations Units, nationally (IRU), regionally (RIRU), and globally (GIRU), by empowering and leveraging the network of Bank Indonesia offices in various regions and abroad. Bank Indonesia will also strengthen institutional leadership by chairing international cooperation forums and gaining global recognition in areas such as policy mix, research, innovation, institutional development, leadership, and the digitalization of payment systems and currency circulation.

Bank Indonesia will continue strengthening cooperation with main partner central banks in formulating monetary and macroprudential policy, as well as payment systems, LCT, and international financial cooperation. Existing

bilateral cooperation with central banks in Malaysia, Thailand, Singapore, Japan, China, South Korea, United States, United Kingdom, France, and India will be expanded to other countries. Payment system cooperation through QR interoperability and FAST Payments with Malaysia, Thailand, Singapore, and Japan will be expanded to South Korea, China, India, and Saudi Arabia. The bilateral use of local currencies through LCT with Malaysia, Thailand, Japan, South Korea, UAE, China, Singapore, and India will also continue to expand. This expansion will cover new partner countries and a broader scope of transactions to cover trade and investment, portfolio investment and payment transactions, as well as increase the number of appointed participating banks. In order to support LCT implementation, Bank Indonesia is conducting bilateral swap arrangements in local currency with Bank Negara Malaysia (MYR24 billion or Rp82 trillion); Bank of Korea (KRW10.7 trillion or Rp115 trillion); People's Bank of China (CNY400 billion or Rp878 trillion); Monetary Authority of Singapore (SGD9.5 billion or Rp100 trillion); and Reserve Bank of Australia (AUD10 billion or Rp100 trillion). In addition, Bank Indonesia will maintain bilateral cooperation to strengthen foreign exchange reserve capacity against global



Bank Indonesia convened the Bank Indonesia Annual Meeting (PIB) 2025 to present the performance achievements of 2025 and the policy direction for 2026.



shocks, including Bilateral Swap Arrangement (BSA) with the Bank of Japan (USD22.76 billion) and a Bilateral Repo Line (BRL) with the Monetary Authority of Singapore (USD3 billion).

5.7. Institutional Transformation Policy

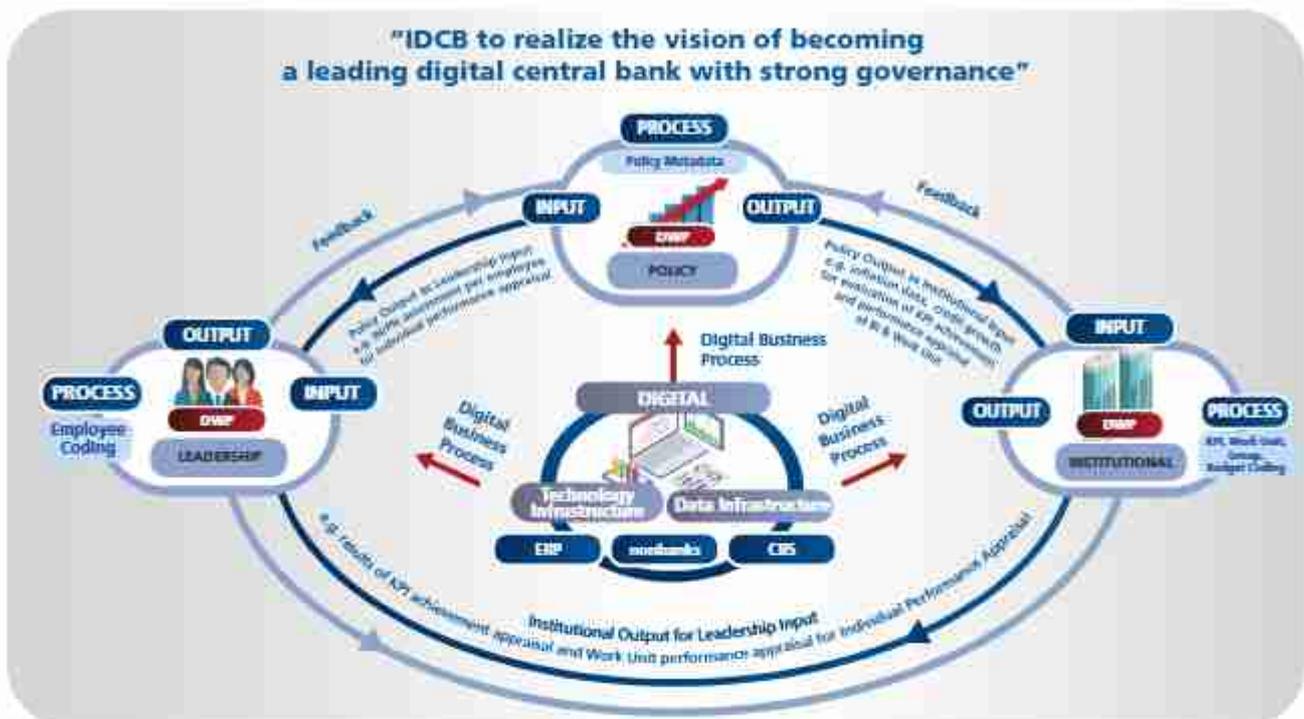
Bank Indonesia will continue to implement institutional transformation programs by consistently prioritizing principles of good and professional governance. Institutional transformation will be further strengthened and refined, particularly in implementing the mandate of the Bank Indonesia Act, which has undergone several amendments, most recently through the P2SK Act. Going forward, institutional transformation will remain focused on three main 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 that emphasize collaborative work and is supported by the utilization of Artificial Intelligence. *Third*, strengthening human resources through leadership development, the cultivation of new capabilities, and reinforcement of the Employee Value Proposition. Furthermore, Bank Indonesia will consistently strengthen policy and institutional governance to build a credible, professional, well-governed, and transparent central bank. More details on each of these three areas is provided immediately below.

First, Bank Indonesia continues to strengthen organizational functions to support the effective, efficient, and compliant implementation of its duties and the achievement of its objectives. Organizational strengthening and refinement are consistently strategy-driven and take into account the framework in each area while ensuring continuity between organizational structures and business processes. These efforts also include the application of best practices and the adaptive use of infrastructure and technology according to needs. All organizational strengthening and refinement initiatives are underpinned by the 3S principles,

which are Simplification, Standardization, and Systematization. Going forward, organizational strengthening will focus, among other things, on assessing the organizational functions of Bank Indonesia's Representative Offices, in line with the implementation of the refined framework for regional economic and financial policies. The refinement of organizational functions is expected to support the achievement of regional economic and financial policy objectives, namely: low and stable regional inflation; expanded access to financing; as well as fast, easy, and affordable velocity, supported by a sound payment system industry structure and the availability of high-quality and reliable Rupiah currency. This is consistent with Bank Indonesia's mandate to maintain Rupiah stability, safeguard payment system stability, and contribute to financial system stability in support of sustainable economic growth.

Second, Bank Indonesia will continue to pursue digital transformation to support the implementation of policy and institutional transformation in order to realize its vision of becoming a leading digital central bank. Bank Indonesia continues to develop integrated decision-making processes and business process re-engineering in policy formulation and implementation, institutional management, and human resource management within the Integrated Digital Central Bank (IDCB) framework (Figure 5.15.). The development of IDCB has been supported by governance and effective decision-making processes through the development of the Digital Workplace (DWP) platform. The development of DWP applications is currently underway to cover policy formulation in the context of Monthly Board of Governors Meetings and policy implementation in the context of Weekly Board of Governors Meetings; they will be implemented gradually to strengthen Bank Indonesia's policy formulation processes. IDCB development also leverages data and Artificial Intelligence as catalysts in business process transformation. Going forward, Bank Indonesia will continue to expand AI/ML-based data innovations in the monetary, macroprudential, and payment system sectors. AI and ML development is conducted in accordance with

Figure 5.15. Direction of Integrated Digital Central Bank (IDCB) Development



Source: Bank Indonesia

the VITAL principles (Visualizing the outcomes, Theory understood, Algorithm fitted, and Learn the meaning) to ensure optimal integration into business processes. Building on the development of digitalized decision-making and work processes in policy area, Bank Indonesia will also continue to strengthen the digitalization of work processes, particularly in institutional areas. The strengthening of digitalization in the institutional area will focus on leveraging digitalization to support performance monitoring and evaluation processes, including the reinforcement of the DWP application to support decision-making within the institutional area. IDCB development will continue to be supported by readiness in process, people, and technology to realize "one input, one process, multi-purposes," along with strong governance and secure, end-to-end information systems in supporting the execution of Bank Indonesia's duties.

Third, Bank Indonesia remains committed to strengthening human resources to ensure professional leadership, high performance, and noble character. Human resource development at Bank Indonesia will continue

to focus on enhancing visionary leadership characterized by "strategic spiritual leadership", combining high competence (book-smart), strong experience (street-smart), and noble character (spiritual-smart). In addition, Bank Indonesia continues to strengthen strategies for fulfilling and maintaining human resources through reinforcement of the Employee Value Proposition (EVP). This is one of the priorities of human resource policy transformation aimed at enhancing employee engagement at Bank Indonesia, encompassing competitive remuneration programs; health care focusing on physical wellness; and peaceful retirement focusing on the Pensiun Berkah program. In line with the vision of becoming a leading digital central bank, Bank Indonesia will also continue to strengthen human resource competencies to support the implementation of central bank duties, particularly in fostering digital mindsets and technical capabilities, such as the utilization of Artificial Intelligence. These human resource transformation efforts will continue to ensure the availability of human capital who are adaptive, strong in leadership, and able to work optimally in facing the challenges of digitalization.



Box
5.1.

Innovation in Performance-Based and Forward-Looking Macprudential Liquidity Incentive Policy

Bank Indonesia further strengthened the macroprudential liquidity incentive (KLM) policy to support national priority programs. In line with the mandate of Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (P2SK Law), Bank Indonesia remains committed to encouraging credit/financing disbursement to support sustainable economic growth. Accordingly, Bank Indonesia reinforced the KLM policy to encourage banks to channel credit/financing to sectors covered under the Government's *Asta Cita* program, including agriculture, downstreaming, tourism and the creative economy, housing, as well as inclusion and sustainability.

As an innovation, Bank Indonesia also linked the KLM policy to the transmission of the policy rate. This policy innovation aimed to strengthen the transmission of the policy rate to banking interest rates. At present, pass-through from the policy rate to lending rates still requires further improvement. Compared with the 125 bps reduction in the BI-Rate during 2025, the one-month deposit rate only declined by 56 bps, from 4.81% at the beginning of 2025 to 4.25% in December 2025. The persistently high cost of funds limited the decline in bank lending rates, which fell by only 39 bps, from 9.20% at the beginning of 2025 to 8.81% in December 2025. To address this, Bank Indonesia provided greater liquidity incentives to banks that were able to reduce lending rates more rapidly. More effective interest rate transmission was expected to stimulate credit demand, thereby increasing bank lending to support sustainable economic growth.

Performance-based and forward-looking KLM incentives were granted to banks based on their performance in sectoral credit/financing disbursement (*lending channel*) as well as the alignment of lending rates with Bank Indonesia's policy direction (*interest rate channel*). Based on periodic evaluations of KLM incentive amounts, Bank Indonesia strengthened the interest rate channel, effective as of 16 December 2025. This adjustment was intended to accelerate the decline in bank lending rates while continuing to encourage credit/financing disbursement to the real sector. Banks could receive KLM incentives up to 5.5% of third-party funds (TPF), consisting of lending channel incentives and interest rate channel incentives, with maximum allocations of 4.5% and 1% of TPF, respectively. The incentive amount for the interest rate channel was determined based on the speed at which banks adjusted lending/financing rates in response to changes in Bank Indonesia's policy rate, measured using the elasticity of new lending rates to the BI-Rate. Meanwhile, KLM lending channel incentives were provided based on banks' commitments to sectoral credit/financing growth. The sectors eligible for KLM lending channel incentives included: (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, which are also Government priority sectors in supporting economic growth. The detailed allocation of KLM incentives under the lending channel and interest rate channel is presented in Table B5.1.1.

Bank Indonesia will continue to evaluate the effectiveness of performance-based and forward-looking KLM incentives through the lending channel and interest rate channel. Furthermore, prudence remains the

guiding principle in policy implementation to safeguard financial system stability while strengthening the role of banks in supporting national economic recovery.

Table B5.1.1. KLM Incentive Rates: Lending Channel and Interest Rate Channel

Details of the New KLM Incentive Rates (effective as of 16 December 2025)

Sector Group	Credit/Financing Growth Tier (% yoy)	KLM (%)	
		Credit/Financing Share (%)	
		At or Below Threshold	Above Threshold
		≤10%	>10%
Agriculture, Industry, and Downstreaming	≤0%	0%	1.3%
	>0-3%	1.3%	1.4%
	>3-7%	1.4%	1.5%
	>7%	1.5%	1.5%
		≤2%	>2%
Services Sector, including Creative Economy	≤0%	0%	0.2%
	>0-6%	0.2%	0.4%
	>6-12%	0.4%	0.6%
	>12%	0.6%	0.6%
		≤2%	>2%
Construction, Real Estate, and Housing	≤0%	0%	1.0%
	>0-3%	1.0%	1.2%
	>3-7%	1.2%	1.4%
	>7%	1.4%	1.4%
		≤1%	>1%
MSMEs, Cooperatives, Inclusion, and Sustainable Finance	≤0%	0%	0.7%
	>0-4%	0.7%	1.0%
	>4%	1.0%	1.0%

Note: The additional KLM incentive, which was previously capped at 0.3% if specific criteria were met, is currently set at 0.0%.

Elasticity of New Credit Interest Rates with BI-Rate	KLM (%)
<0.3	0%
≥0.3 to <0.6	0.9%
≥0.6	1.0%

Source: Bank Indonesia



Box
5.2.

Development of BI-Payment Clear to Strengthen National Payment Integrity

The rapid growth of retail transactions, particularly fast payment services that operate in real time and on a 24/7 basis, has created opportunities for efficiency but also introduced greater risks. The rising incidence of fraud in digital transactions—commonly referred to as *faster payment, faster fraud*—is one such risk, necessitating stronger national payment system infrastructure. This phenomenon, also observed in Brazil, India, and several other countries, has made risk mitigation an urgent priority for operators, participants, and regulators.

Global experience demonstrates that effective fraud mitigation requires a centralized, data-driven approach combined with industry-wide synergy. Various countries have strengthened their payment systems through artificial intelligence-based fraud detection systems, data exchange platforms, integrated watchlists, and mechanisms to delay suspicious transactions. These practices underscore that safeguarding payment system integrity cannot rely solely on individual participants' efforts; it also requires centralized risk intelligence capable of mapping transaction patterns across participants, detecting anomalies more rapidly, and connecting with the entire industry ecosystem.

In response, Bank Indonesia developed BI-Payment Clear as a foundational infrastructure to strengthen transaction integrity. BI-Payment Clear serves as a central risk observability layer that ensures all transactions—whether processed through BI-FAST or industry payment system infrastructure—are subject to higher security standards. BI-Payment Clear is equipped with

core features such as transaction rejection and alert, a rules engine-based fraud detection system, fraudster database, fraudster enquiry, potential fraud watchlist, and anomaly transaction analytics. These features operate simultaneously to enhance early detection and accelerate risk response at the national level. Figure B5.2.1 illustrates BI-Payment Clear features in mobile banking applications.

BI-Payment Clear will establish the foundation for a more resilient future payment ecosystem. With smarter systems, more coordinated responses, and stronger protection, Indonesia is advancing toward a digital payment era that is not only fast and inclusive, but also secure. Amid accelerating innovation, the presence of BI-Payment Clear reflects the commitment that modernization of the payment system must not compromise user security. On the contrary, security is the primary prerequisite for innovation to grow and gain trust across all segments of society.

Figure B5.2.1. Illustration of the BI-Payment Clear Feature in Mobile Banking Applications



Source: Bank Indonesia

CHAPTER 6

ACCELERATING ECONOMIC TRANSFORMATION THROUGH STRENGTHENING STRUCTURAL POLICIES AND INDUSTRIALIZATION POLICIES

To achieve higher and more resilient economic growth, the transformation of the real sector must continue to be strengthened through structural policies that serve as the foundation for industrialization policies. Strengthening structural policies is pursued through improvements in the investment climate, the creation of healthy business competition, enhancement of infrastructure reliability, as well as the strengthening of trade and investment cooperation. Meanwhile, industrialization policies are directed toward optimizing natural resources to generate higher value-added, strengthen the manufacturing base, and improve external resilience. Industrialization, supported by structural reforms as its foundation, will drive higher economic growth with more evenly distributed benefits, thereby reinforcing national stability.





The national policy mix from both the demand and supply sides is highly strategic in fostering higher and more resilient economic growth. On the demand side, synergy among the Government's fiscal policy, Bank Indonesia's monetary and macroprudential policies, as well as policy coordination within the Financial System Stability Committee (*Komite Stabilitas Sistem Keuangan—KSSK*), needs to be further strengthened to promote growth while maintaining macroeconomic and financial system stability. On the supply side, enhancing economic capacity must continue through increasing value-added across economic sectors. In this regard, real sector transformation through structural and industrialization policies should continuously enhance capital accumulation, labor, and productivity, thereby increasing value-added in production across economic sectors.

The strategy of strengthening structural and industrialization policies constitutes a key element in enhancing economic capacity. Structural policies as a foundation are directed toward improving the investment climate, fostering healthy competition, enhancing connectivity and reliability of infrastructure (both physical and digital), and strengthening trade and investment cooperation. Meanwhile, industrialization policies are aimed at increasing value-added in selected priority economic sectors to promote higher economic growth and large-scale job creation, including through industrialization and downstreaming, particularly those based on natural resources (SDA).

6.1. Conceptual Framework of Structural and Industrialization Policies

Structural policies are a critical aspect of economic transformation toward high-quality and resilient growth. In modern economic literature, structural policies are often defined as a set of policies aimed at fundamentally reforming the economic structure. These policies differ from short-term macroeconomic policies as they focus on long-term systemic changes. In practice, structural policies generally encompass regulatory and governance improvements;

enhancement of the business environment; as well as reforms in goods and services markets, labor markets, and the financial system. The IMF (2024) emphasizes that structural reforms can spur productivity, employment, and economic growth, including through lowering entry and exit barriers, enhancing competitiveness, and improving labor market policies.

From a theoretical perspective, structural policies contribute to economic growth by strengthening the supply side through three main channels. These channels consist of (i) improvements in productivity and allocative efficiency of resources; (ii) capital deepening and investment driven by lower costs of doing business and greater availability of financing; and (iii) increased labor force participation and labor quality through improved incentives and mobility in labor markets (Égert, 2017). Reforms in product markets, labor markets, as well as regulatory quality and institutional frameworks act as levers to improve economic incentives, enhance efficiency, and strengthen competitiveness.

These three channels, in turn, can accelerate long-term economic growth through increases in production factors. Regulatory reforms, improvements in the investment climate, and reforms in goods and services markets, labor markets, and financial markets attract investment, thereby increasing capital accumulation, production capacity, and employment absorption. In addition, structural policies that enhance the quality of human resources (SDM) improve labor quality. Structural policies also play a critical role in fostering technological progress, thereby increasing total factor productivity (TFP).

Industrialization policy refers to policies pursued by a country to strengthen its domestic economic structure through the development of the industrial sector. In theory, industrialization contributes to economic growth through structural changes that expand economic capacity. Increased adoption of technology in the industrial sector raises productivity through process efficiency, quality improvements, and

cost reductions. Industrialization, which marks a shift from traditional to modern sectors, also promotes job creation—from factory construction and operations to multiplier effects in supporting sectors. In addition, industrialization drives capital stock accumulation, as it requires substantial investment.

Industrialization is a prerequisite for economic development before entering the high-growth, “take-off” phase. Rostow (1960) emphasized that before entering the take-off stage, countries must undergo fundamental changes characterized by a shift from agricultural dominance toward industrial activities. This transformation includes agricultural modernization, productivity improvements, and the reallocation of resources toward non-agricultural activities, including manufacturing industries.

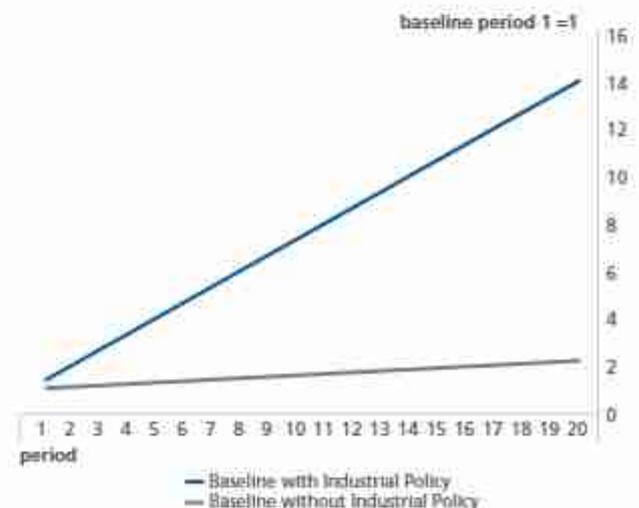
Industrialization policy is often implemented through Government policy instruments oriented towards enhancing the role of the industrial sector. The IMF (2025) classifies industrial policy instruments into three categories: subsidized financing, direct support, and other policy instruments. Subsidized financing is generally directed at easing financing constraints in certain sectors, including through interest subsidies, guarantees, and concessional loans. Direct support is provided in the form of transfers such as grants and direct funding assistance to stimulate investment, innovation, and production capacity expansion. In addition to these instruments, industrial policy often takes the form of protectionist measures, such as tariffs and non-tariff barriers, aimed at protecting and developing domestic industries (Aiyar et al., 2025; Criscuolo et al., 2022).

The motivation for industrialization policies stems from the need to address market failures and strengthen the competitiveness of potentially strong domestic sectors that are not yet globally competitive. The OECD (2024) and IMF (2024) highlight that market mechanisms often fail to allocate resources toward high value-added sectors due to learning-by-doing

externalities in the development of infant industries, limited availability of long-term financing for high-risk sectors, and coordination failures across investment activities. For example, markets have been inadequate in fostering investment in advanced technology sectors such as semiconductors and renewable energy due to high risks and upfront costs (IMF, 2024). However, the benefits of industrial policies in enhancing production capacity are accompanied by increased fiscal and inflationary risks. IMF simulations (2025) show that scenarios involving industrial policy interventions in the form of a 10% production subsidy and a 12% tariff on strategic sectors increase production volumes and reduce production costs (Graphs 6.1. and 6.2.). Aggregate TFP rises with positive spillovers to other sectors, albeit at a substantial fiscal cost of approximately 5.5% of GDP annually in the form of subsidies. In the short-term, industrialization also leads to higher consumer prices, driven by increased demand for raw materials, energy, and labor.

Industrialization policies also face several challenges that warrant close attention. *First*, rising social and economic inequality during the early stages of transition. While industrialization can boost economic growth and welfare, the benefits may not be evenly distributed, leading to higher inequality, which eventually declines

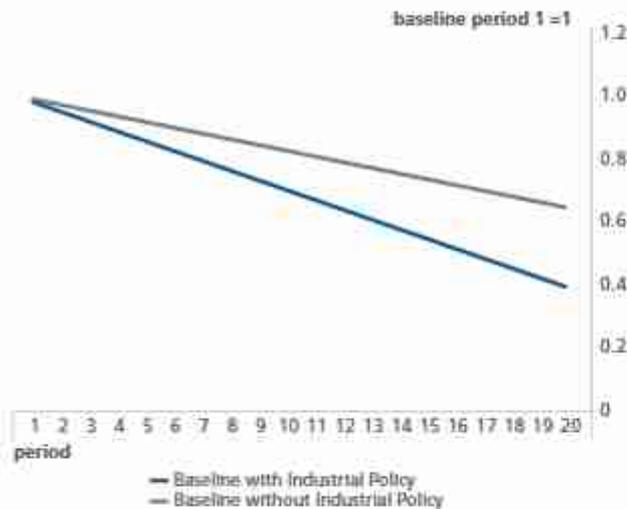
Graph 6.1. Simulation Illustration of the Impact of Industrial Policy on Domestic Production Volume



Source: IMF Simulations (2025), processed



Graph 6.2. Simulation Illustration of the Impact of Industrial Policy on Production Costs



Source: IMF Simulations (2025), processed

after reaching a turning point consistent with Kuznetsian dynamics (Ansari, 2023). *Second*, environmental impacts include depletion of natural resources, environmental degradation, and increased waste and pollution. Negative externalities may arise when industries pursue profits without regard to ecological consequences. Nevertheless, such impacts follow an inverted-U curve (Azam et al., 2024), where the turning point can be reached more quickly through stronger regulation and the adoption of clean technologies. *Third*, dependence on fossil-based energy, necessitating the parallel development of new and renewable energy sources. *Fourth*, rapid technological advancement, where automation reduces labor demand. High-tech industrial processes require skilled labor that may not be readily available domestically, while limited technology transfer can create external dependence. *Fifth*, policy consistency and strong governance. The success of industrialization in South Korea and China has been supported by long-term policy consistency and well-governed, disciplined institutions.

Accordingly, industrialization policies must be accompanied by the fulfillment of several key prerequisites to ensure effective economic transformation. *First*, appropriate policy design is essential; industrial policy should not be broad-based but targeted toward sectors

with high spillover effects and increasing returns to scale, supported by a long-term industrialization roadmap. *Second*, structural policy support as a foundation through improved institutional quality, strong governance, policy integrity, and effective inter-agency and inter-authority coordination. *Third*, maintaining macroeconomic and financial system stability to create a conducive environment for long-term industrial investment. *Fourth*, active private sector participation as the main industrial actor and largest source of financing. *Fifth*, complementary policies in education, innovation, and infrastructure. Without these prerequisites, industrial policies risk inefficient resource allocation and uncontrollable fiscal burdens, thereby diminishing medium-to-long-term growth and transformation benefits.

Industrialization remains a primary strategy for economic development in many countries, including Indonesia. Bappenas (2024) underscores that industrialization constitutes a “game changer” and a mandatory stage of transformation that Indonesia must undergo to achieve higher economic growth. The manufacturing sector has also been proven to be the most effective growth engine compared with other sectors, given its strong multiplier effects on the broader economy. Industrialization is further capable of generating substantial employment opportunities, particularly in anticipation of the demographic dividend, while simultaneously attracting new investment inflows. By increasing product value-added, industrialization supports improvements in the economic structure and reduces dependence on imported industrial inputs and technology-intensive goods. Industrialization is also crucial for the transition toward a modern economy and a green energy ecosystem. For example, without a strong industrial base, a country would not be able to produce solar panels, electric vehicle (EV) batteries, and wind turbines, nor develop decarbonization technologies. Moreover, industrialization reduces reliance on a commodity-based natural resource economy that is highly vulnerable to global price volatility.

Successful industrialization, supported by structural reforms as its foundation, promotes higher economic growth with more evenly distributed benefits, thereby reinforcing national stability. The impact of structural and industrialization policies is aligned with the concept of *Sumitronomics*,¹⁸ which emphasizes three key pillars: high economic growth, equitable distribution of development benefits, and dynamic national stability. Industrialization positions the industrial sector as an aggressive engine of economic growth while simultaneously reducing import dependence through product diversification. This is consistent with the *Sumitronomics* vision of high economic growth and national self-reliance. Furthermore, the spatial dispersion of industrial activities across regions ensures that the benefits of industrialization are shared more broadly across society, in line with the pillar of equitable development benefits under *Sumitronomics*. The third pillar of *Sumitronomics* further implies that industrialization can only be successful if national stability is well maintained.

Based on the foregoing discussion, downstreaming policies constitute an integral component of industrial policy that reflects the concept of dynamic comparative advantage. Essentially, downstreaming represents a form of industrialization that transforms raw materials or primary commodities into intermediate or final products with higher value-added. This policy underscores the role of the Government in encouraging more efficient and sustainable expansion of production capacity in products with competitive advantages (Rodrik, 2004). Improvements in production efficiency are enabled through the adoption of continuously advancing technologies, investment in education and human capital quality enhancement, as well as the more efficient utilization of production resources (Redding, 1999).

¹⁸ *Sumitronomics* is a development-oriented economic framework derived from the economic thinking of Prof. Sumitro Djojohadikusumo, one of Indonesia's founding economists. The term is short for Sumitro Economics and has recently been re-articulated as a strategic reference for Indonesia's medium-to-long-term development agenda.

6.2. Indonesia's Structural Policies

Strong structural policies constitute the foundation for successful and sustainable industrialization. The IMF (2024) underscores that structural policies are at the core of the medium-term strategies of industrialized economies. In this context, structural policies provide the basis for enhancing production capacity, reducing market distortions, strengthening industrial efficiency, and supporting long-term economic transformation. Baquie et al. (2025) further emphasize that structural policies reinforce the linkage between industrialization policies and overall economic performance. The role of structural policies is also highlighted by Ciminelli et al. (2019), who demonstrate that the simultaneous implementation of structural reforms across regulatory dimensions—such as trade tariffs, domestic finance related to regulation and supervision, external finance related to capital account openness, labor market aspects including employment protection, and competitiveness—can increase medium-term annual economic growth.

Indonesia's investment climate and competitiveness have continued to improve, although there remains room for further strengthening. *Indonesia's Business Ready (B-Ready) Index* reached a score of 63 out of 100 in 2024 (World Bank, 2024). Relatively strong performance was recorded in labor, utilities, and business location indicators, in line with the implementation of regulatory reforms, risk-based licensing, and the strengthening of basic infrastructure. Meanwhile, according to the *IMD World Competitiveness Yearbook* (IMD, 2025), Indonesia's competitiveness ranking stood at 40th out of 69 countries globally (Graph 6.3.), outperforming India, Italy, the Philippines, Brazil, South Africa, and Türkiye. Improvements in Indonesia's competitiveness were supported by progress in the pillars of economic performance, business efficiency, and domestic market dynamism, underpinned by macroeconomic stability, business licensing reforms, and increased



Structural policies as the foundation for downstreaming policies are directed toward improving the investment climate, promoting fair competition, strengthening infrastructure connectivity, and enhancing trade and investment cooperation

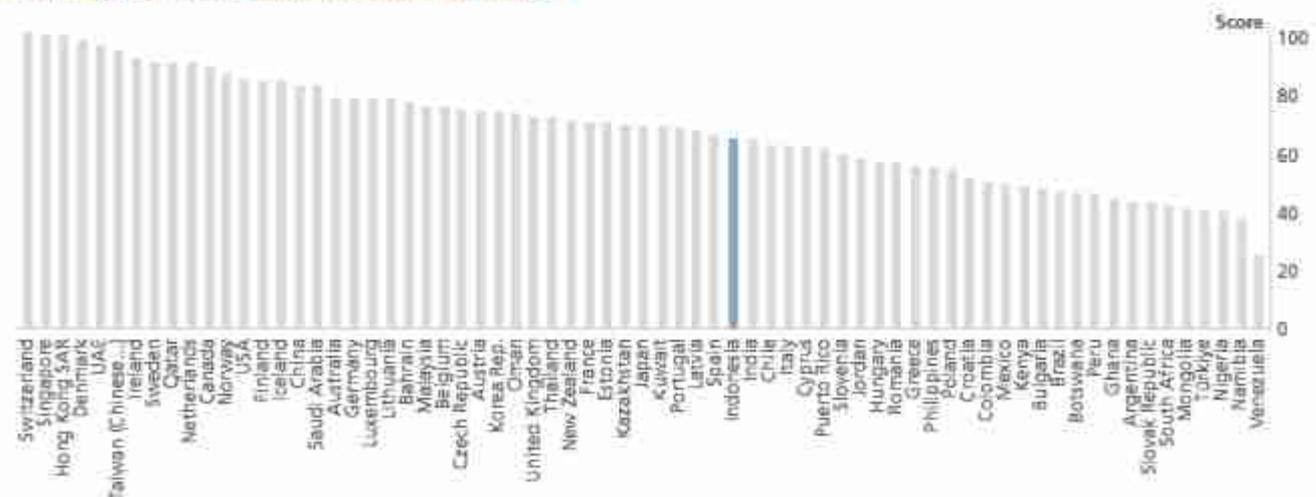
investment realization. In addition, Indonesia's Corruption Perception Index (CPI) improved from 34 in 2023 to 37 in 2024, reflecting a more favorable perception of anti-corruption efforts and supporting improvements in the investment climate.

Structural policies are directed toward improving the investment climate, fostering healthy business competition, strengthening infrastructure connectivity, and enhancing trade and investment policies to support successful industrialization. Deléchat et al. (2024) emphasize the importance of structural policies in underpinning the effectiveness of industrialization policies. More broadly, structural policies are also designed to address various constraints on economic growth and productivity, similar to industrial policies. The key

distinction lies in their scope: structural policies are economy-wide, while industrial policies are typically targeted at selected priority sectors.

Improvements in the national investment climate are pursued through integrated policy breakthroughs aimed at enhancing business certainty and fostering healthy competition. The Government has implemented regulatory harmonization and simplification across sectors, most notably through the revision of dozens of laws under the Job Creation Law (*Undang-Undang Cipta Kerja*) to enhance licensing efficiency. A risk-based approach to business licensing has been introduced, simplifying licensing procedures according to business risk levels—allowing low-risk businesses to commence operations more quickly while ensuring proportionate supervision for higher-risk activities. Institutionally, investment licensing authority has been centralized under the Ministry of Investment/Indonesia Investment Coordinating Board (BKPM) and operationalized via the integrated Online Single Submission (OSS) system, supported by service level agreements (SLA) and the positive fictitious (*fiktif positif*) approval mechanism. In addition, fiscal incentives such as reductions in the corporate income tax (CIT) rate have been provided to enhance investment attractiveness. These measures are aligned with the business environment reform roadmap established in 2021 and collectively

Graph 6.3. Global Competitiveness Ranking



Source: IMD WCI (2025)



reflect the Government's commitment to creating a more conducive, transparent, and competitive investment climate to support job creation and sustainable economic growth.

Structural reforms in investment policy also include the re-arrangement of foreign direct investment (FDI) regulations to enhance business certainty while safeguarding investment quality. In line with Minister of Investment and Downstreaming/Head of BKPM Regulation No. 5 of 2025, FDI governance includes the establishment of a minimum investment value of IDR 10 billion. In addition, a minimum paid-in and subscribed capital requirement of IDR 2.5 billion is stipulated to strengthen investor commitment, accompanied by more flexible provisions regarding the use of funds for operational purposes. Differential treatment is also provided for specific sectors, including property, accommodation, and natural resource-based sectors. Overall, these FDI regulations reflect the Government's structural reform agenda to foster a more transparent, proportional, and productivity-oriented investment climate, aligned with regulatory simplification, risk-based licensing, and strengthened governance in order to support economic transformation and sustainable growth.

Structural reforms aimed at fostering healthy competition enhance efficiency, promote innovation, reduce economic costs, and improve resource allocation. The Government, in collaboration with the Business Competition Supervisory Commission (*Komisi Pengawas Persaingan Usaha*–KPPU), has undertaken modernization of competition policies to strengthen national competitiveness. These efforts include updating competition regulations in line with the digital economy, harmonizing cross-sectoral policies, enhancing the institutional capacity of competition law enforcement agencies, and integrating technology into competition monitoring and enforcement mechanisms.

Structural reforms through the strengthening of physical and digital infrastructure connectivity are critical in supporting economic transformation, equitable development, and national competitiveness. Physical connectivity is essential for accelerating access to public services and fostering inter-regional economic integration. The Government remains committed to developing modern, efficient, and affordable physical connectivity, encompassing the integration of land, sea, air, and rail transport modes, reducing logistics cost disparities between western and eastern regions, and improving the national Logistics Performance Index (LPI). Connectivity enhancement and regional development initiatives form part of the National Strategic Projects (PSN). Infrastructure provision is also extended to remote areas in line with the Sumitronics concept, which emphasizes equitable distribution of development benefits. On the digital front, the Government has expanded broadband access through the construction of Base Transceiver Stations (BTS) and fiber-optic networks and has issued the National Digital Infrastructure Roadmap 2025 to guide future development. All of these initiatives require strong infrastructure governance.

The Government has strengthened structural policies through the provision of more competitive, targeted, and transparent fiscal incentive packages to enhance investment attractiveness and accelerate real sector transformation. These incentives are administered through a one-stop integrated process at the Ministry of Investment and Downstreaming/BKPM and include key schemes such as tax holiday, tax allowance, import duty exemptions, and super tax deduction. Under the tax holiday scheme, corporate income tax reductions of up to 100% are granted for large-scale investments and pioneer industries for a specified period, alongside a mini tax holiday for medium-scale investments. The tax allowance provides reductions in taxable income, accelerated depreciation and amortization,



lower dividend tax rates, and extended loss carry-forward periods, particularly for priority sectors and regions. Import duty exemptions for machinery, goods, and raw materials are provided to reduce initial investment costs and support capacity expansion. Meanwhile, super-tax deduction incentives are designed to stimulate strategic activities such as vocational education, research and development (R&D), and labor-intensive industries. Collectively, these incentives form part of the Government's structural reform agenda to lower the cost of doing business, improve investment quality and productivity, and maintain healthy competition, thereby strengthening national economic competitiveness over the medium- to long-term.

Structural reforms through improvements in human capital quality serve as a robust foundation for economic transformation. Over the 2025–2029 medium-term, the Government, under National Priority (PN) 4, is committed to strengthening Indonesia's human capital development. Key policy directions include accelerating the 13-year compulsory education program, enhancing teaching and learning quality, strengthening education governance systems, expanding access to high-quality higher education and Science, Technology, Engineering, Arts, and Mathematics (STEAM), and fostering a culture of literacy to promote creativity and innovation. In addition, the Government is strengthening vocational education and training and the labor market ecosystem to create a conducive employment environment that supports improved labor quality and productivity, including greater participation of women in the workforce.

Structural reform policies are further reinforced through enhanced domestic and international trade and investment cooperation. The Government promotes a collaborative pentahelix approach that integrates the roles of Government, the business sector, academia, communities, and the media to encourage

high-quality and sustainable investment realization (Figure 6.1.). Through clear policy direction and investment diplomacy strategies, the Government ensures legal certainty and a conducive business environment. International business collaboration is oriented toward downstreaming, innovation, and job creation as tangible outcomes of cross-border investment partnerships. Academia contributes research-based inputs and strengthens human capital capacity, while communities help ensure that investment delivers inclusive welfare and local empowerment. The media plays a role in enhancing transparency, public communication, and Indonesia's positive image as a competitive investment destination. Pentahelix approach is complemented by facilitation strategies such as right-to-match mechanisms, investor forums, and optimization of international cooperation platforms, reflecting the Government's commitment to building a coordinated, adaptive, and quality-oriented international cooperation ecosystem as part of structural reform and national economic transformation.

Government programs under the National Strategic Projects (PSN) framework can be interpreted as structural policies supporting long-term economic transformation. Productivity enhancement is pursued through 79 PSN focused on connectivity infrastructure and economic zone development. Meanwhile, 142 PSN are aimed at strengthening the economic structure through increased capital accumulation, including 90 projects related to housing, water resources, energy, and food; 21 projects related to energy programs and swamp rice land development; and 52 PSN related to business development, downstreaming, and industrialization. From a labor perspective, seven projects are dedicated to human capital strengthening, four of which constitute Presidential directives: the free nutritious meal program, people's school development, education digitalization, and welfare card programs.

6.3. Indonesia's Industrialization Policy

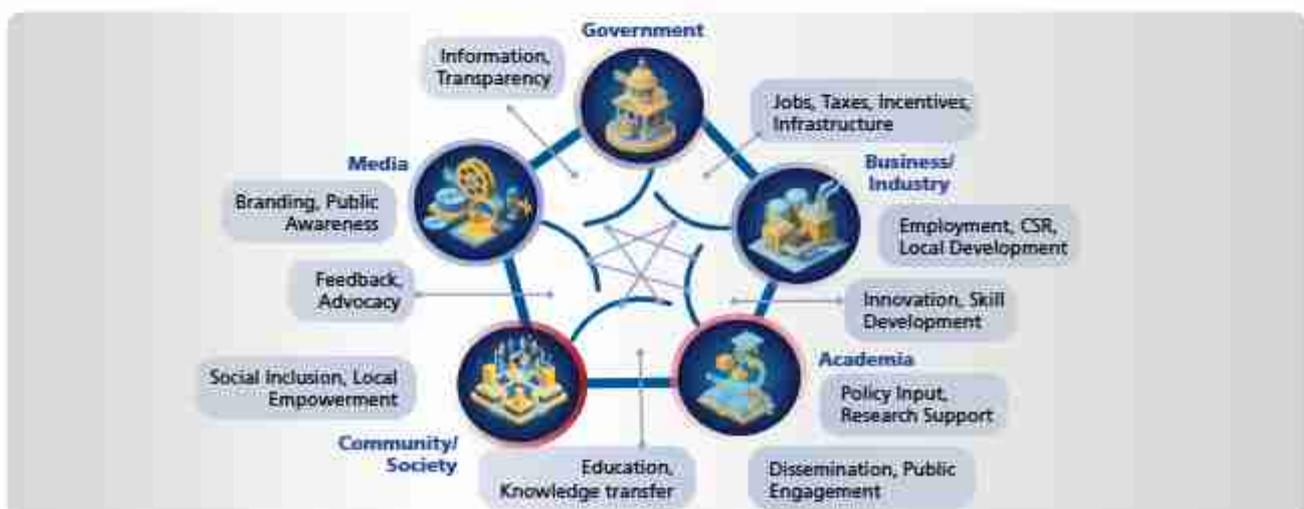
6.3.1. Developments in Global Industrialization Policies

In line with rising of global uncertainty, industrialization policies have once again been adopted by many countries. Going forward, the global economy will face a number of challenges, including slowing economic growth amid widening fragmentation across countries. This slowdown has been driven by heightened global uncertainty following the implementation of unilateral tariff policies by the US Government and persistent geopolitical tensions. US tariff policies have contributed to declining global trade volumes and exacerbated disruptions in global supply chains. At the same time, global disinflation is expected to be constrained by the impact of US tariffs and persistently elevated non-oil commodity prices. These conditions will limit the scope for monetary policy rate cuts to further stimulate domestic growth. Consequently, economic growth will increasingly depend on the implementation of structural reform and industrial policies to activate the real sector. This trend is reflected in the rise of new industrial policy interventions, particularly in the post-COVID-19 pandemic period (Graph 6.4.).

The number of countries implementing industrialization policies to strengthen economic resilience and promote growth continues to rise, particularly among advanced economies such as the US, the European Union, and Canada, as well as several emerging economies, including China. The post-pandemic period has marked a paradigm shift from a development approach relying solely on market mechanisms toward a more active role of the state in shaping medium- to long-term economic structures. Modern industrial policies are no longer limited to trade protection or import substitution but also encompass targeted fiscal incentives, long-term financing support, government procurement policies, and facilitation of research and development (R&D).

The primary motivation for adopting industrialization policies is to enhance the global competitiveness of domestic products through subsidies and direct support instruments. This motivation is prevalent across both advanced economies and Emerging Market and Developing Economies (EMDEs). Other considerations, such as climate mitigation and strengthening global value chain resilience, are more dominant among advanced economies (Graph 6.5.). In terms of sectoral focus, advanced economies tend to prioritize high-technology manufacturing,

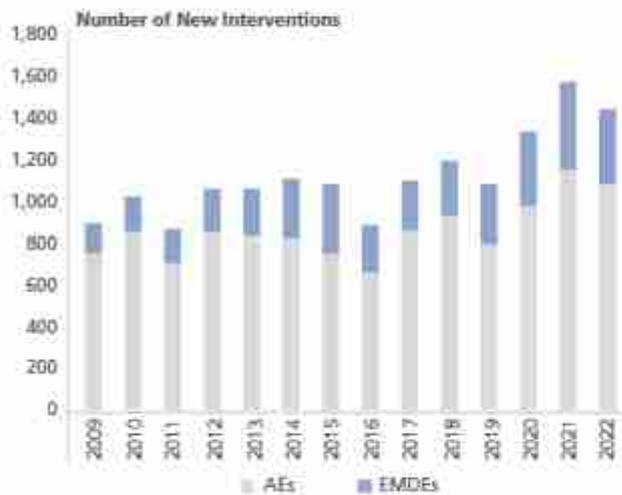
Figure 6.1. Pentahelix Model to Strengthen International Cooperation



Source: BKPM



Graph 6.4. Increase in Global Industrial Policy Interventions

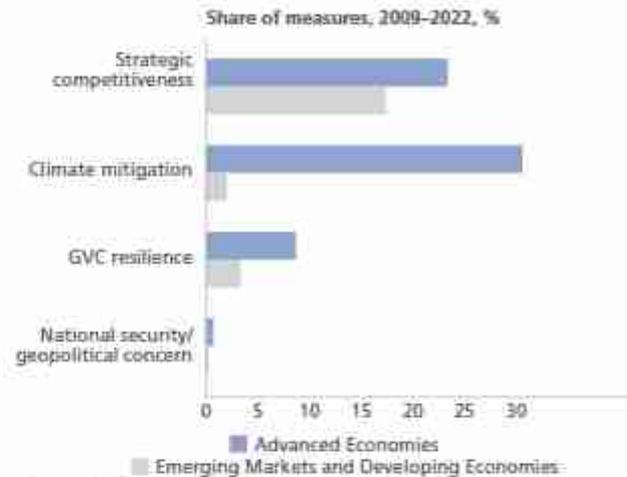


Source: WEO IMF, October 2025, processed

commodities, energy, food, and services sectors. In developing economies, industrial policy priorities are more diverse—ranging from high-tech manufacturing and commodities to energy, food, and services—depending on technological readiness and natural resource endowments (Graph 6.6.). By instrument, the IMF (2025) notes that during 2009–2022, subsidized financing and direct support accounted for more than 80% of industrial policy interventions globally, both in advanced economies and emerging market economies (Graph 6.7.).

For Indonesia and the ASEAN region, global industrial policy dynamics present opportunities to strengthen positions within global value chains. Increased cross-border production relocation and investment driven by geo-economic fragmentation and friend-shoring strategies create opportunities to strengthen domestic manufacturing bases and attract investment in green technology and electric vehicle (EV) sectors. However, these opportunities are accompanied by risks, including heightened capital flow volatility, external pressures on exchange rates, and potential widening of current account deficits if industrial policies are not well coordinated and effectively implemented.

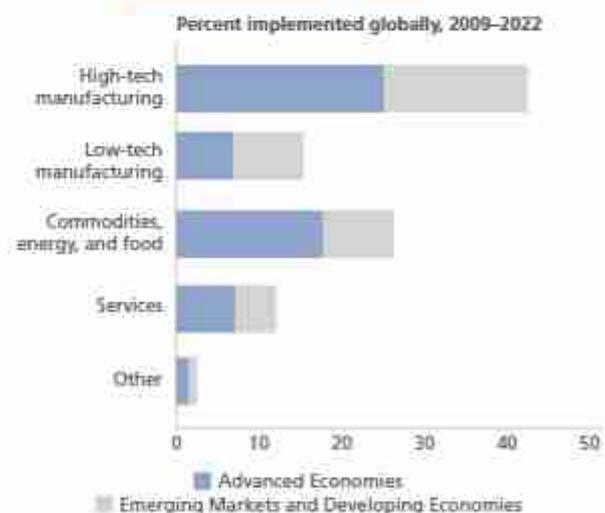
Graph 6.5. Motivation for Global Industrialization Policies



Source: WEO IMF, October 2025, processed

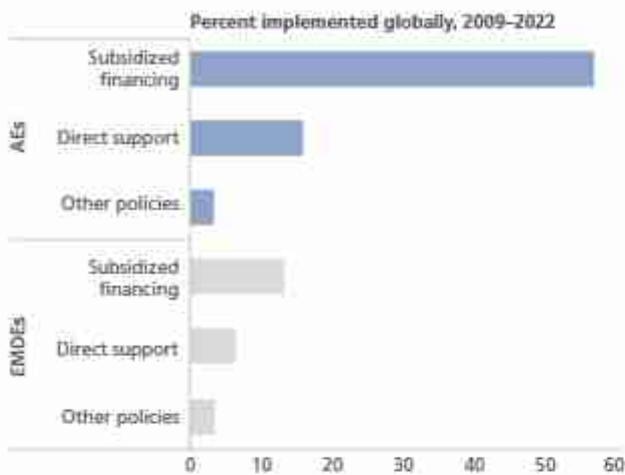
The success of industrialization policies varies across countries, influenced by country-specific characteristics and industrialization models. South Korea’s industrialization succeeded due to a clear long-term vision, close coordination between the Government and the private sector, and a strong focus on technological and human capital development. China demonstrates the role of long-term planning and large-scale state support in accelerating technology diffusion, albeit with challenges such as overcapacity risks and trade tensions. Conversely, Brazil’s experience illustrates that protectionism without strong oversight and performance discipline can result in

Graph 6.6. Priority Sectors of Global Industrialization Policies



Source: WEO IMF, October 2025, processed

Graph 6.7. Global Industrial Policy Interventions by Instrument



Source: WEO IMF, October 2025, processed

subsidy dependence, distortions, and weakened competitiveness. These international experiences provide valuable lessons for designing Indonesia’s industrial policy framework.

South Korea’s experience illustrates how well-designed industrial policies can drive real sector transformation. Since the 1970s, the South Korean Government has implemented large-scale industrialization policies to promote structural transformation in strategic sectors. These policies were implemented gradually in line with technological and capacity development. The Korean industrialization model was based on partnerships between the state and private conglomerates (*chaebol*), with *chaebol* acting as lead firms aligned with the Government’s long-term vision. Government support included industrial planning, targeted financing, performance-based fiscal incentives with clear targets, and export-oriented productivity enhancement. Domestic market protection served as an incubation mechanism for early-stage industries, complemented by selective protection for strategic sectors. Industrialization was further supported by directed financing toward priority sectors with close coordination between the Government and monetary authorities.

South Korea’s industrialization was underpinned by strong structural policies. The Government implemented industrial policies consistently

over the long-term and conducted rigorous evaluations, terminating subsidies and incentives for non-productive sectors. For example, the government provides support to more than one company in the automotive sector, however in its development, the Hyundai company has become dominant. South Korea’s significant investment in R&D—exceeding 5% of GDP—played a key role in closing technological gaps through learning-by-doing and reverse engineering. Strong governance and complementary policies, including anti-corruption campaigns, industrial estate development, capital goods import facilitation, skilled labor education, and agrarian reform, further supported success. These factors enabled sustained productivity and export growth, positioning South Korea as one of the most successful industrialization cases among developing economies.

China has implemented industrialization policies on a much larger scale and intensity through long-term planning and strong state support. Since the early stages of economic reform, China has integrated industrialization strategies into national development plans, prioritizing manufacturing and strategic technologies such as electric vehicles (EVs), solar panels, and semiconductors. These policies involved massive investment, fiscal incentives, and low-cost financing, supported by gradual integration into global markets. Export orientation and active participation in international value chains accelerated structural transformation, making China a global manufacturing hub. Supporting ecosystems were developed through industrial zones, logistics infrastructure, and public procurement policies to encourage domestic demand. China also built an integrated R&D ecosystem linking academia and industry, pursued aggressive technology transfer, supported by a mutually supportive financing ecosystem of the government and financial institutions as well as innovative financing schemes. The government also protects the domestic market along with expanding the supply of raw materials and global marketing, as well as protecting technology exports. While fiscal risks and market discipline require careful



management, China has successfully increased technological competitiveness and strengthened its position in the global supply chain, while also highlighting the importance of long-term planning and industry policy integration with national development agenda.

In contrast, the unsuccessful implementation of industrial policies in Brazil provides important lessons on the limitations of import-substitution-based industrialization. Brazil's industrialization strategy relied heavily on high protection for domestic industries and state-owned enterprises as the primary policy instruments, with the objective of reducing import dependence and promoting manufacturing growth. In its early stages, this strategy temporarily expanded production capacity; however, its narrow domestic market orientation constrained economies of scale and limited integration with global markets. The absence of performance-based evaluation mechanisms and policy discipline resulted in the continued provision of state support despite persistently low productivity, leading to fiscal subsidy dependence and increased budgetary pressures. At the same time, private sector R&D investment remained relatively low, with manufacturing research yielding success in only a

limited number of sectors and lacking sufficient integration with market needs. Moreover, weak governance and policy oversight as part of structural policies generated price distortions and resource misallocation. Over the long-term, this strategy failed to strengthen competitiveness and external resilience, and contributed to external debt crises during the 1980s. Brazil's experience underscores that overly protectionist industrialization policies, in the absence of performance-based incentives and safeguard mechanisms, carry significant risks of subsidy dependency and structural competitiveness erosion (Table 6.1.).

6.3.2. Developments in Indonesia's Industrialization Policy

Indonesia's industrialization policy has evolved from import substitution toward value-added enhancement and manufacturing base strengthening. Historically, downstream policies developed gradually and shifted in orientation in line with domestic and global economic dynamics. During the early post-independence and New Order periods, industrial policy was dominated by import substitution, while natural resource-based exports served primarily as raw material suppliers

Table 6.1. Industrial Policies of South Korea, China, and Brazil

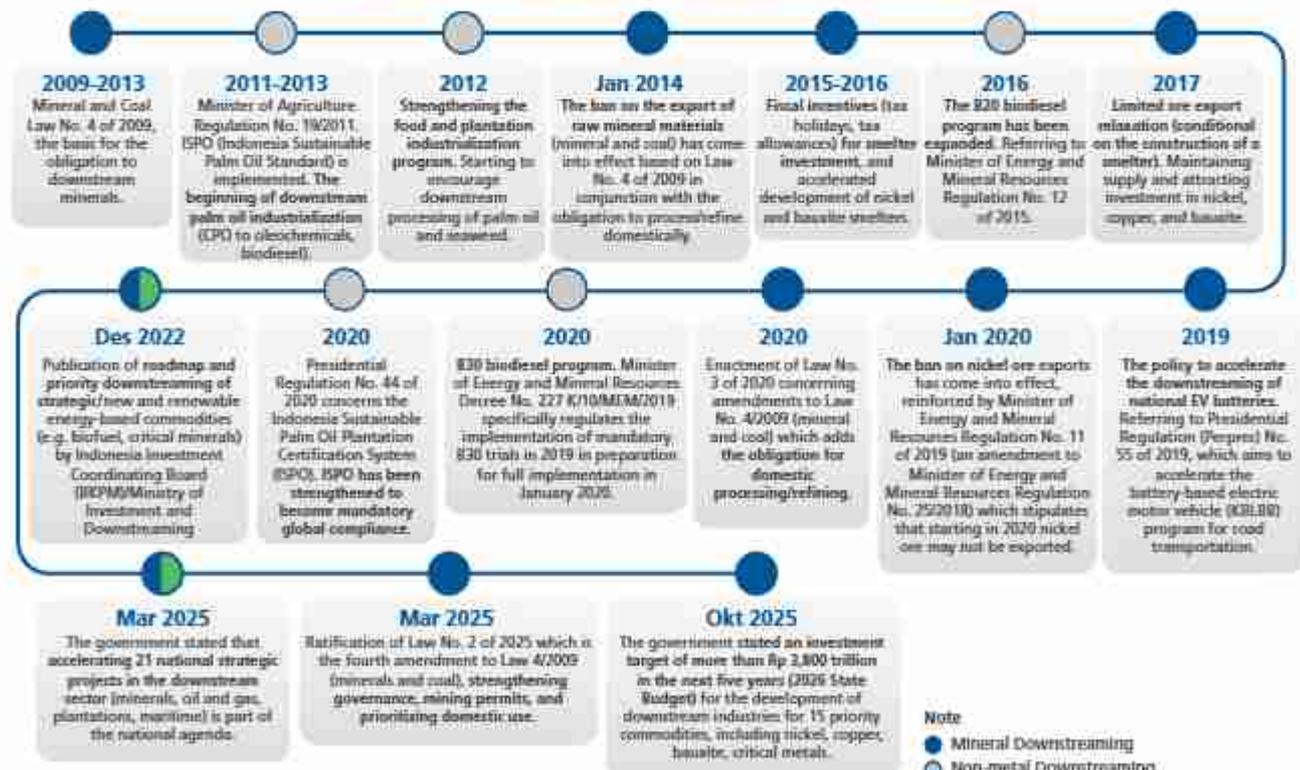
Aspect	South Korea	China	Brazil
 Main strategies in industrialization	Export based industrialization	Hybrid: import substitution in the initial stage, followed by export orientation and global value chain integration	Industrialization to substitute imported products
 Target market	Focuses on global markets to drive economies of scale	Focuses on the very large domestic market and global market	Focuses on the domestic market, which is relatively limited
 Business entity ownership structure	Dominated by the private sector, government support is given to export-based companies	A mix of state-owned, semi-state-owned enterprises, and large private companies, but the role of the state dominates	Depends on government-owned enterprises and multinational companies
 Learning & Discipline	Encourage the application, mastery, and redevelopment of foreign technology	Aggressive in absorbing, imitating, and upgrading foreign technology	Limited technology absorption and redevelopment
 Quality of industrial policy implementation	Strong governance, complementary policies and discipline	Governance of industrialization policy, although discipline is not as strict as South Korea, but policy implementation is very fast	The lack of governance of industrialization policies results in the positive impact of policies being suboptimal
 Outcome	Successfully utilized the global value chain and become a high-income country	Successfully carried out industrial upgrading and became a global manufacturing hub, but is still in the upper-middle income country zone	Still stuck in the middle-income trap

Source: WEO IMF, October 2025

and foreign exchange earners with limited downstreaming. From the 1980s to the early 2000s, policy orientation shifted toward primary commodity-based exports alongside trade and investment liberalization, however, reinforcing dependence on raw material exports. A major turning point occurred with Law No. 4 of 2009 on Mineral and Coal Mining, which mandated domestic processing and refining to increase value-added. Since then, downstreaming, particularly in the mining sector, has been positioned as an instrument to increase state revenue, improve terms of trade, and attract investment in the processing industry. This was followed by the nickel ore export ban in January 2020, through the Minister of Energy and Mineral Resources Regulation Number 11 of 2019 concerning Mineral and Coal Mining Business, marking a decisive step in positioning downstreaming as a core instrument of structural economic transformation. Over time, downstreaming expanded beyond mining to include agriculture and food sectors, and became closely linked to manufacturing strengthening, job creation, productivity enhancement, and external resilience (Figure 6.2).

Industrialization, through strengthened downstreaming, has not only increased export value-added but also enhanced investment attractiveness in manufacturing. Over the past decade, the share of processed products in Indonesia's export structure rose from 67.14% in 2014 to 71.80% in 2024 (Graph 6.8.). This reflects the growing contribution of manufacturing to export performance and the positive impact of structural transformation towards increasing export competitiveness and resilience. Investment related to downstreaming during 2024 through Q3-2025 reached Rp839.2 trillion, or 26.7% of total domestic and foreign investment, significantly higher than Rp375.4 trillion or 26.5% in 2023 (Table 6.2.). This underscores Indonesia's increasing attractiveness as a value-added manufacturing investment destination, while emphasizing the role of downstreaming as a catalyst in shifting investment patterns from the extractive sector to the productive sector based on processing and accelerating the transformation of the national economic structure.

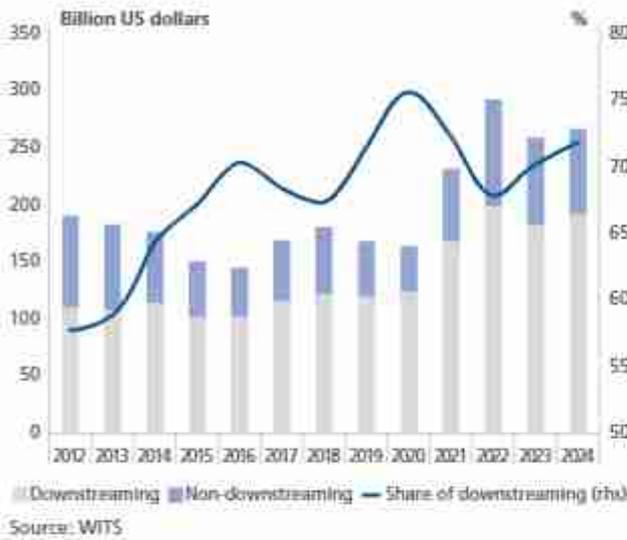
Figure 6.2. The Development of Indonesia's Downstreaming



Source: Bank Indonesia, processed from various sources



Graph 6.8. Contribution of Industrialization to National Exports



Despite progress, downstreaming can be further strengthened as a foundation for future economic transformation. First, while downstreaming has improved export performance—particularly in basic metals—it remains concentrated in intermediate products, with continued reliance on imports of certain derivative products, such as tin and copper. Second, downstreaming has boosted investment, including FDI, but export-oriented production often remains vulnerable to external shocks. Third, employment absorption has increased, yet human capital quality and R&D capacity remain limited, as reflected in Indonesia’s relatively low global innovation index ranking (Graph 6.9.).

6.3.3. Strengthening Indonesia’s Industrialization Policy

Achieving the vision of Golden Indonesia requires real sector transformation through structural reform and industrialization policies. The first phase of transformation (2025–2029)

Indonesia’s industrialization promotes higher value-added in export products and strengthens the investment attractiveness of the manufacturing sector

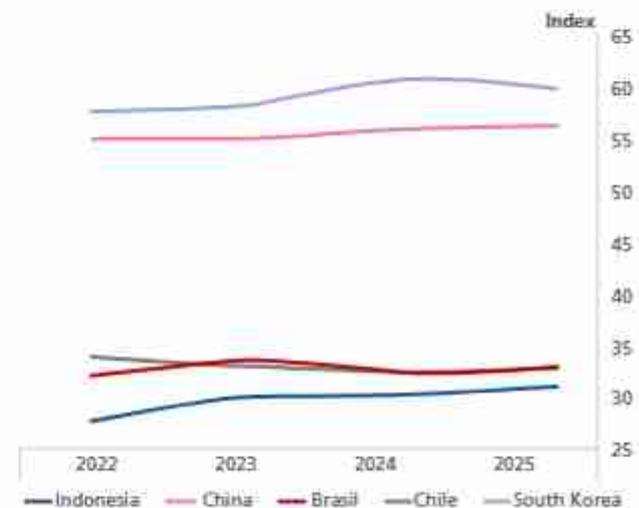
Table 6.2. Contribution of Industrialization to National Investment

Sector	Investment (Rp trillion)	
	2023	2024 – Q3 2025
Downstreaming sectors	375.4 (26.5%)	839.2 (26.7%)
Non-downstreaming sectors	1,043.5 (73.5%)	2,309.3 (73.3%)
Total	1,418.9 (100%)	3,148.5 (100%)

Source: BKPM, calculated

focuses on strengthening downstreaming of natural resources, research, innovation, and labor productivity (Figure 6.3.). The 2025–2029 National Medium-Term Development Plan (RPJMN) identifies downstreaming and natural resource-based industrial development as National Priority 5 of 8 National Priorities. It aimed at building a high value-added, regionally integrated, and globally competitive industrial foundation, thereby acting as a key driver of regional and national economic growth. Accordingly, medium-term industrialization policies are directed toward: (i) the development of downstreaming in priority natural resource-based industries; skilled labor-intensive industries; innovation- and technology-intensive industries; as well as export-oriented industries; (ii) the development of industrial agglomerations in priority Industrial Estates (KI) and Special Economic Zones (KEK) as new growth centers; (iii) the optimization of the backbone of economic integration and the

Graph 6.9. Global Innovation Index



Source: World Intellectual Property Organization, processed

Figure 6.3. Stages of Economic Transformation



Source: National Development Planning Agency (Bappenas), 2024

strengthening of the national logistics system; (iv) the enhancement of investment to support domestic and global economic integration; (v) the expansion of domestic, interregional, and export trade, along with increased participation in global value chains; and (vi) the optimization of national strategic investment.

Industrial downstreaming policy focuses on priority natural resource commodities and strengthening priority manufacturing industries. Priority commodities selected must make a significant contribution to GDP. In addition, these commodities should generate high value-added, taking into account their potential for local employment absorption, industrial readiness,

The direction of industrialization policy through downstreaming focuses on priority natural resource commodities and the strengthening of priority manufacturing industries

investment opportunities, availability of raw materials, and environmental impacts. Natural resource downstreaming is aimed not only at increasing value-added and enhancing export competitiveness, but also at strengthening Indonesia's position in global value chains (GVCs), reducing import dependence, and promoting more optimal utilization of natural resources. In this regard, priority commodities over the medium-term include nickel, copper, bauxite, tin, palm oil, coconut, and seaweed (Figure 6.4.), with potential inclusion of rare earth elements, given strong global demand, particularly for electric vehicles, batteries, electronic devices, and advanced defense systems. Nevertheless, the management of rare earth elements remains closed to private sector participation and is carried out entirely by the Mineral Industry Agency. Innovation- and technology-intensive industries will focus on the semiconductor and aerospace industries, while basic industries will emphasize the strengthening of basic metals, iron and steel, and the chemical industry. These policies are reinforced through industrial agglomeration in priority Industrial Estates (KI)



Figure 6.4. Priority Natural Resource Downstreaming Commodities under the National Medium-Term Development Plan (RPJMN)



Source: National Medium-Term Development Plan (Bappenas)

and Special Economic Zones (KEK), such as Sei Mangkei SEZ, Batang Integrated Industrial Estate (KIT Batang), and Weda Bay Industrial Estate (KI Weda Bay).

Priority manufacturing development follows a two-pronged approach reform strategy, targeting medium-to-high-technology industries and labor-intensive, low-technology industries. Industrial strategies for medium-to high-technology sectors are focused on the automotive industry, electric batteries, petrochemicals (benzene, xylene, and propylene), and semiconductors (Figure 6.5.). Supporting industrial strategies for low-technology sectors are focused on natural resource-based products such as nickel, bauxite, copper, tin, crude palm oil (CPO), and processed rubber for industrial use. Labor-intensive industrial strategies and regionally leading products are focused on garments, sports footwear, as well as a range of plantation, agricultural, and fisheries products. The selection of these strategies is based on several considerations, including technological adoption capacity, the development of downstreaming and industrial value chains, and the availability of exploration potential of the relevant natural resource commodities. Overall, strengthening priority manufacturing industries through this two-pronged approach is expected to enhance national industrial productivity

and competitiveness, reinforce the resilience of the economic structure, and reaffirm the manufacturing sector's role as the main engine of long-term economic growth that is inclusive and sustainable.

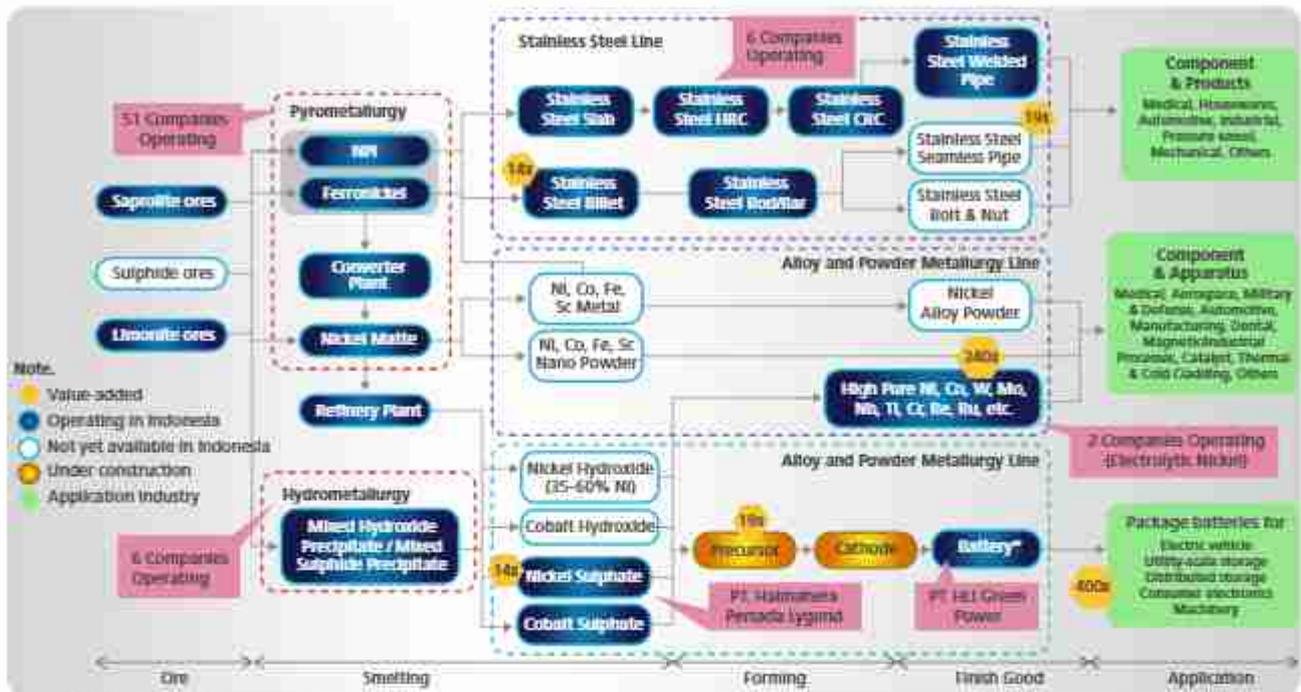
Nickel downstreaming exemplifies successful value chain development, shifting exports from raw materials to high value-added products. The policy banning nickel ore exports since January 2020, combined with the accelerated development of processing facilities, has promoted a transition in exports from raw materials to higher value-added processed products, including ferronickel, nickel pig iron (NPI), and intermediate products for the electric vehicle battery industry (Figure 6.6.). This transformation has significantly increased the export value of nickel downstreaming products and strengthened Indonesia's position within the global supply chain for the metals and clean technology industries (Graph 6.10.). In addition, foreign direct investment (FDI) inflows have also increased, particularly in the development of smelters and integrated industrial estates, bringing in capital, technology, and access to global markets. Beyond trade and investment, the impact of nickel downstreaming policies extends further by fostering the emergence of new industrial centers outside Java, such as in Morowali Regency and Central Halmahera Regency. The development of industrial hubs

Figure 6.5. Strengthening Priority Manufacturing Industries



Source: Bank Indonesia

Figure 6.6. Industrial Tree of the Nickel Commodity

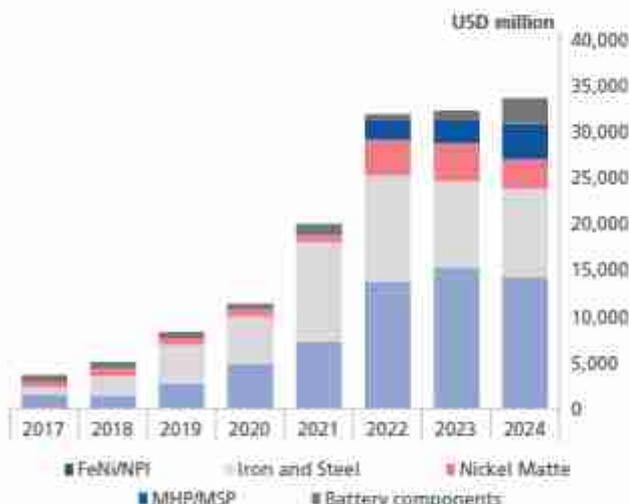


Source: Ministry of Industry

in these regions has accelerated local economic transformation from areas dominated by primary activities—namely agriculture and raw material mining—into centers of high value-added processing industries. Regional economic structures have also shifted, as reflected in the rising contribution of the manufacturing sector to gross regional domestic product (GRDP), the

creation of non-agricultural employment, and the expansion of related economic activities, including logistics services, construction, housing, and trade (Figure 6.7.). Accordingly, nickel downstreaming not only serves as an instrument for increasing national value-added, but also acts as a catalyst for more balanced development, the strengthening of the industrial base outside Java, and the acceleration of regional economic transformation toward a more productive and competitive economic structure.

Graph 6.10. Exports of Nickel Downstreaming Products

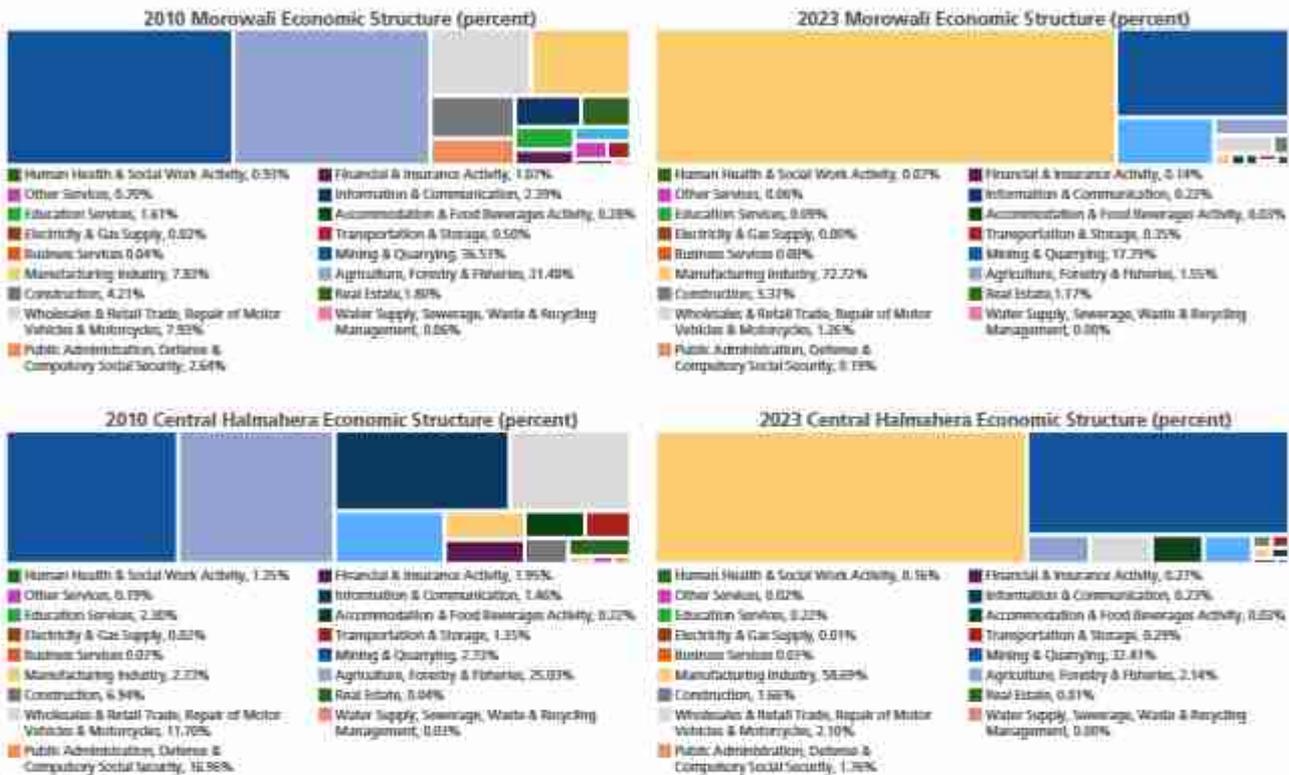


Source: CEIC, processed

Industrialization requires a strengthened role and support from State-Owned Enterprises (SOEs) as well as private corporations, including in financing downstreaming investment. The roles of SOEs and the private sector are complementary and mutually reinforcing. SOEs serve as anchors of industrialization, particularly in strategic and capital-intensive priority sectors. In this context, SOEs play a key role in paving the way for downstreaming development. SOEs also contribute to the creation of markets and the establishment of downstreaming industrial ecosystems.



Figure 6.7. Economic Structure of Nickel Downstreaming Hub Regions



Source: CEIC, processed

Meanwhile, private corporations play a crucial role in downstreaming through investment, production, and downstream-oriented innovation. Foreign private corporations act as accelerators of industrialization and as key entry points for technology transfer and integration into global value chains. Furthermore, the role of the private sector is critically important in financing investment, given the limited fiscal financing capacity.

Industrialization through downstreaming can function as an engine of economic equity, supporting an inclusive and sustainable economic structure. Downstreaming strengthens local economies through industrial partnerships with communities and micro, small, and medium enterprises (MSMEs). MSMEs participate in downstreaming value chains through the provision of raw materials, small-scale downstream processing, and the distribution of downstreaming products in local markets. In addition, the development of downstreaming industries and Industrial Estates (KI) and Special Economic Zones (KEK) outside Java promotes

more balanced economic development and creates new employment opportunities beyond Java.

Strategic partnerships between downstreaming industries, communities, and MSMEs continue to be expanded. Synergies among downstreaming corporations, local communities, regional governments, and MSMEs are being strengthened through mutually beneficial relationships. The contribution of downstreaming companies in developing local MSME businesses can be further expanded through deeper integration into local value chains. For instance, in several regions downstreaming companies have involved local communities in workforce recruitment as well as in the provision of local goods and services. Moreover, companies have contributed to the development of surrounding MSME ecosystems, including food stalls, housing rentals, and logistics services for employees and nearby communities. This model supports long-term economic sustainability, more equitable welfare outcomes, and the strengthening of regional economic structures.

Going forward, global demand prospects for Indonesia's leading export commodities are projected to remain strong, supporting the sustainability of downstreaming policies. These favorable prospects are aligned with the development of green industries and new and renewable energy (NRE), electronics, construction activities, and rising global food demand. Demand for nickel commodities continues to increase, driven by the electric vehicle industry and other NRE-related industries. Prospects for bauxite demand remain strong, supported by green industries, such as electric vehicles, solar panels, and wind turbines. Meanwhile, demand prospects for palm oil are expected to continue rising, particularly for food and biodiesel needs, while demand for seaweed is also projected to remain strong, especially for biostimulant and food industries.

Prospects for rising global demand are supported by the availability of adequate mineral reserves and land resources. The reserves and land area of nearly all of Indonesia's leading commodities rank among the world's top ten and are geographically dispersed across regions (Figure 6.8.). Indonesia possesses the world's largest nickel reserves, primarily located in Sulawesi

and North Maluku. In addition, Indonesia holds the world's second-largest tin reserves, concentrated in the Bangka Belitung Islands. Indonesia's bauxite reserves are also substantial, ranking sixth globally and distributed across Kalimantan, Sumatra, and Java. Indonesia is also the world's largest palm oil producer in terms of plantation area, mainly located in Sumatra and Kalimantan. Indonesia's seaweed production ranks second globally, with production centers spread across various regions. Rare earth mineral reserves are also abundant, particularly in Sulawesi, positioning Indonesia as one of the countries with very significant rare earth potential worldwide.

Going forward, the strengthening of downstreaming needs to be supported by the optimization of research and innovation. The success of industrialization in South Korea and China, among others, has been underpinned by strong research and development (R&D) capacity. Meanwhile, the role of R&D in Indonesia in driving industrial upgrading—including deeper downstreaming, technological mastery, and the development of high value-added products—remains suboptimal. This condition is reflected, among others, in the relatively low

Figure 6.8. Map of Natural Resource Endowments and Mineral Reserves of Key Commodities, 2024



Source: Ministry of Energy and Mineral Resources (2025)



level of government expenditure on science and technology (S&T) capacity building and innovation, which stands at around 0.28% of GDP. This level is lower than that of South Korea (4.81% of GDP), Thailand (1.31% of GDP), and Malaysia (1.04% of GDP) in 2020. Therefore, the Government has set a target to gradually increase spending on research and innovation to reach 0.45% of GDP by 2029. Over the medium-term, the Government is strengthening research and innovation policies directed toward increasing the contribution of science and technology and innovation to national development; enhancing vocational education, training and labor productivity; as well as developing a national talent management system. The increased contribution of science and technology and innovation to national development is pursued through the development of an integrated ecosystem extending through downstreaming and utilization, particularly within the industrial sector.

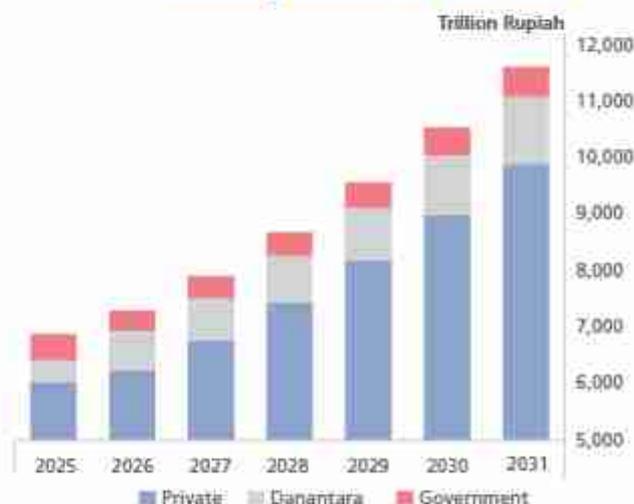
6.3.4. Investment and Financing Needs for National Industrialization

International experience shows that appropriate financing models are critical for successful industrialization. China, for example, relies on bank consortia supported by industrial policy and fiscal incentives (Geißendörfer & Haas, 2022). South Korea combines *chaebol* leadership with export credit and long-term financing (Lim, 2012). Meanwhile, mineral-producing countries such as Chile and Australia leverage synergies among national companies, sovereign wealth funds, and public-private partnerships (Mami, 2023; Britt & Czarnota, 2024). Lessons from these international practices underscore the critical role of the state in ensuring the success of industrialization, particularly in reducing early-stage investment risks and providing business certainty.

Capital and investment needs for real sector transformation, especially for natural resource downstreaming and industrialization, are substantial and cannot rely solely on the state budget (APBN). Total investment requirements for 2025–2031 are estimated at Rp62.54 thousand

trillion; it increases from Rp6.88 thousand trillion in 2025 to Rp11.63 thousand trillion by 2031 (Figure 6.11.). These investment needs are expected to be financed from three main sources, namely the Government, State-Owned Enterprises including Danantara, and the private sector. Considering the limited, available fiscal space—including the prioritization of social spending and the statutory fiscal deficit ceiling of no more than 3% of GDP—investment financing from the State Budget over the period is projected at Rp3.15 thousand trillion, or around 5.0% of total investment needs. Meanwhile, investment financing from SOEs and Danantara is estimated at approximately Rp5.84 thousand trillion, or 9.3% over the same period. The largest share of investment financing is expected to be provided by the private sector, amounting to an estimated Rp53.56 thousand trillion, or around 85.6% of total investment requirements. This sizable share of private sector financing constitutes the greatest challenge to the successful implementation of real sector transformation policies. This challenge further highlights the need to establish clear and commercially viable business models, strengthen governance and institutional frameworks, and enhance technological adoption capacity within natural resource downstreaming and industrialization programs, so that they remain attractive both to domestic investors and foreign investors.

Graph 6.11. Projected Total Investment and Financing Sources for 2025–2031



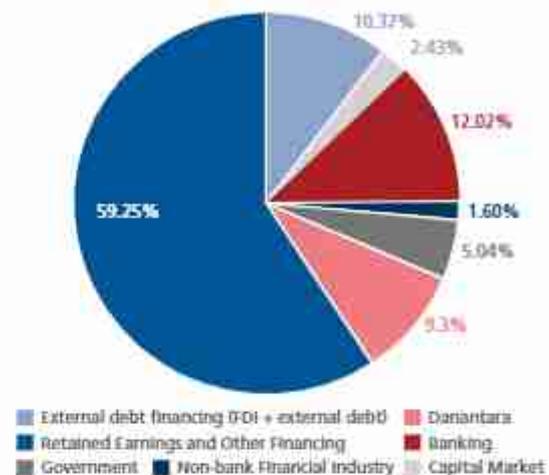
Source: Bank Indonesia, processed

Policy synergy among the Government, Danantara, Financial System Stability Committee (KSSK), and Bank Indonesia must be strengthened to mobilize private financing to meet substantial future investment needs. Based on prevailing private sector investment financing patterns, approximately 59.25% of total private investment requirements during the 2025–2031 period—equivalent to around Rp37.1 thousand trillion—is projected to be sourced from internal corporate funds, comprising retained earnings and other internal financing sources (Figure 6.12.). In addition, private sector financing sourced from external funding, in the form of foreign direct investment (FDI) or external borrowing, is estimated to account for around 10.37% of total private sector requirements, or approximately Rp6.5 thousand trillion. Further private sector financing is expected to come from bank credit and financing, amounting to around 12.02% of private investment needs, or approximately Rp7.52 thousand trillion over the same period. The remainder of private sector financing is projected to be sourced from the capital market and non-bank financial institutions. For new projects with limited internal funding availability, a larger share of investment requirements is expected to be fulfilled through bank credit/financing and external financing.

Policy synergy to mobilize financing from four main sources—namely internal funds, banking, foreign direct investment, and the Government budget—needs to be optimized in order to achieve high economic growth over the next five years. In this regard, policy synergy is focused on four key aspects: optimal project financing structures; appropriate financing sources;

Policy synergy between the Government, Danantara, the Financial System Stability Committee (KSSK), and Bank Indonesia needs to be further strengthened to support industrialization financing

Graph 6.12. Investment Financing Sources Composition Projection 2025–2031



Source: Bank Indonesia, processed

liquidity and hedging; and financial education and literacy. Project financing structures may be sourced from the private sector, including bank credit/financing, issuance of bonds or other securities in the domestic capital market, as well as borrowing from foreign investors. In addition, some projects generate commercial returns, allowing a significant portion of their investment needs to be met by the private sector through equity, bank credit, foreign loans, and foreign direct investment. However, other projects continue to require partial financing support and fiscal incentives from the Government to enhance their commercial viability. Such fiscal incentives and/or other government policies include tax arrangements, interest subsidies, and policy certainty, particularly during the grace period from the construction phase to the initial stage of operations.

Danantara plays a significant role both in business model implementation and in investment financing for natural resource downstreaming and industrialization projects. In this context, Danantara serves as a long-term financing lever (anchor investor) to accelerate downstreaming by reducing early-stage project risks, ensuring the formation of integrated upstream–downstream ecosystems, and attracting private sector investment. In determining its investment priorities, Danantara considers at least three key factors, namely:



(i) the impact on the national economy; (ii) sustainable returns; and (iii) the feasibility of realizable investment opportunities. Based on these considerations, Danantara focuses its investment portfolio on eight priority sectors, namely: (i) the mineral sector, particularly nickel and bauxite commodities; (ii) renewable energy, including downstream oil and gas products; (iii) digital infrastructure, particularly data centers; (iv) healthcare, including the development of plasma fractionation facilities and hospital value chains; (v) financial services, including asset and credit securitization; (vi) infrastructure and facilities for waste processing and mining infrastructure; (vii) industrial estate development; and (viii) food and agriculture. The development of commercially viable business models for downstreaming and industrialization in these priority sectors is essential to attract investment from both the Government—through Danantara—and private investors, domestically and internationally. In implementation, Danantara can strengthen the bankability of downstreaming projects through a combination of equity instruments, project financing, and co-investment with strategic partners, including by facilitating access to external financing.

6.4 Synergy between Structural Policies and Industrialization

Economic transformation toward sustainable industrialization requires strong and consistent policy coordination across authorities, as well as close synergy between structural and industrial policies. The success of industrialization in other countries has been supported by strong synergy among the Government, the private sector, and other authorities, complemented by structural policies as a foundational element. In South Korea, successful industrialization has been underpinned by integrated policies among the Government, the central bank, the banking sector, and industry, with chaebol serving as the main growth engines. By comparison, in China, downstreaming policies have been implemented in an integrated manner across authorities and the private sector, with a dominant role played by the Government, thereby supporting

successful industrialization. Industrialization policies in both countries have been reinforced by structural policies, including well-governed institutional frameworks and strong research and development (R&D) activities.

A policy mix combining structural reform and industrialization policies serves as an alternative approach for the development of priority sectors. Structural reforms are generally more challenging to implement due to their reliance on government bureaucracy at both central and regional levels. Accordingly, a combination of structural reform policies and industrial policies may represent a pragmatic option. This approach can be pursued by implementing industrial policies to enhance productivity, value-added, and competitiveness of leading sectors within Special Economic Zones (KEK) as growth centers, while simultaneously advancing reform policies to improve the investment climate, infrastructure connectivity, governance and institutional efficiency, as well as innovation and research to accelerate technology adoption. In this regard, the development of several Industrial Estates (KI) and Special Economic Zones (KEK)—including Batang, Sei Mangkei, and Weda Bay—as growth centers for natural resource downstreaming and industrialization, as well as other priority sectors, represents an appropriate policy step within the combined implementation of industrial and structural policies.

Policy reforms in Industrial Estates (KI) and Special Economic Zones (KEK) need to be accelerated to transform these areas into competitive engines of downstreaming and industrialization. Lessons from international experience indicate that the key success factors for KI/KEK development include the availability of reliable infrastructure and utilities, encompassing logistics connectivity, energy access, and essential area services. In addition, the availability of skilled labor is required through strengthened link and match programs and training. Equally important are deregulation or integrated licensing simplification and land certainty, supported by easier access to financing and funding schemes aligned with the characteristics of industrial projects. These policy



reforms need to be implemented on a tailor-made basis, reflecting the specific characteristics and challenges faced by each area. Under the 2025–2045 National Long-Term Development Plan (RPJPN), the Government has mapped thematic economic transformation by region, with natural resource-based industries to be concentrated in Sumatra and Sulawesi (Figure 6.9.). From the financing perspective, access to long-term funding needs to be expanded through strengthening of the banking sector and financing institutions, project financing and blended finance schemes, as well as selective and performance-based incentives to accelerate investment inflows and enable the development of integrated value chains from upstream to downstream.

The development of selected Special Economic Zones (KEK) and Industrial Estates (KI) has the potential to serve as downstreaming business models going forward, supported by adequate incentives, strategic locations, and reliable area infrastructure and utilities. Lessons drawn from three illustrative zones indicate that Batang Industrial Estate demonstrates how a combination of proximity to major markets and logistics hubs, comprehensive investment incentive packages, and strengthened connectivity—including port support and transport access—can accelerate tenant entry and promote manufacturing-based export growth. Weda Bay Industrial Estate underscores the importance of sufficient and sustainable

Figure 6.9. Regional Thematic Economic Transformation



Source: National Long-Term Development Plans (RPJPN) 2025-2045



energy availability, as well as licensing certainty, as prerequisites for the expansion of mineral downstreaming areas to ensure that subsequent investment can proceed without disruption. Meanwhile, Sei Mangkei Special Economic Zone highlights the need for more targeted reforms, particularly energy pricing incentives and expedited development of supporting infrastructure. Logistics connectivity to ports, provision of worker housing, strengthened waste management, and accelerated completion of environmental documentation constitute critical supporting infrastructure to enhance the competitiveness of the zones and attract downstream industrial investment on a sustainable basis.

Synergy between structural and industrial policies ensures that long-term foundational economic reforms are aligned with the direction of industrial development. Such synergy does not occur automatically, but rather requires a systematic and well-coordinated approach. At least five key approaches reflect the synergy between structural and industrial policies.

First, maintaining macroeconomic and financial system stability as a prerequisite for successful industrialization. Fiscal policy is directed toward supporting economic growth through productive expenditure, while continuing to safeguard macroeconomic stability. Fiscal incentives and stimulus measures to support industrialization are implemented in a calibrated manner, taking fiscal sustainability into account. Bank Indonesia's monetary policy is oriented toward supporting economic growth while consistently achieving the inflation target and maintaining Rupiah exchange rate stability. Coordination between the Government's fiscal policy and Bank Indonesia's monetary and macroprudential policies is continuously strengthened to strike a balance between safeguarding macroeconomic stability and promoting economic growth. Furthermore, policy synergy within the Financial System Stability Committee (KSSK) is directed toward reinforcing financial system stability.

Second, structural and industrial policies share a common objective of transforming the real sector to foster higher and more resilient economic growth. Synergy between structural and industrial policies is essential to enhance productivity, capital accumulation, and labor capacity. Structural policies focus on strengthening economic fundamentals through improvements in the investment climate, healthy business competition, infrastructure connectivity, and trade and investment policies. Industrial policies, meanwhile, are directed toward increasing value-added in selected economic sectors designated as national priorities. Synergy between the two policies can be achieved when structural policies are also designed to prioritize sectors aligned with industrial policy objectives. Industrial Estates (KI) and Special Economic Zones (KEK) represent one model of such structural–industrial policy synergy. Industrial policies in KI/KEK are generally implemented to enhance productivity in specific priority sectors as growth centers, supported by structural reforms aimed at improving the investment climate, connectivity infrastructure, governance and institutional bureaucracy, human capital quality, and the development of research and development (R&D) to accelerate technology adoption. Over the long-term, the Government has mapped regional thematic economic transformation, with natural resource-based industries to be concentrated in Sumatra and Sulawesi. Accordingly, future synergy between structural and industrial policies will be more region-specific and better aligned with local characteristics. Structural policies also support the development of micro, small, and medium enterprises (MSMEs) as strategic partners in downstreaming industries. In this context, MSMEs participate in providing raw materials, undertaking initial processing, delivering logistics and supporting services, conducting small-scale processing, and carrying out local distribution and marketing. The role of MSMEs in industrialization supports a more inclusive and sustainable economy.

Third, industrialization requires substantial investment financing, thereby necessitating structural policies to facilitate access to financing. The Government plays a strategic role through industrial policies by providing incentives and strengthening downstream regulations. In addition, the Government's role in structural policies is critical in improving the investment climate, including through licensing simplification, enhanced legal certainty, and ease of doing business to attract long-term industrial investment. Bank Indonesia supports Government policies by continuously assessing room for further BI-Rate reductions in line with prevailing economic conditions. Monetary policy is complemented by liquidity expansion to strengthen the effectiveness of interest rate transmission from BI-Rate adjustments to banking sector interest rates, including lending rates for priority sectors. Macroprudential policy remains accommodative to encourage bank credit and financing, particularly to priority sectors that support economic growth and job creation in line with the Government's *Asta Cita*. Bank Indonesia also supports industrial financing through financial market deepening, including the development of the money market and foreign exchange market (PUVA). Synergy between Bank Indonesia and the Financial Services Authority (OJK) is pursued to optimize credit distribution while safeguarding banking system risks. Financial market development synergy within KSSK, as well as with ministries, agencies, authorities, and market participants, continues to be strengthened to foster innovation in financing and hedging instruments. In addition, Bank Indonesia, in coordination with fiscal policy and KSSK, continues to encourage banks to lower lending rates and expand credit and financing to priority sectors. Enhanced synergy among the Government, Danantara, KSSK, and Bank Indonesia is also pursued to explore private sector financing sources.

Fourth, structural reform through the development of physical and digital infrastructure connectivity serves as the foundation of industrialization policy. Infrastructure development needs to be aligned with the industrialization roadmap. The availability of physical infrastructure connecting regions across Indonesia, including the provision of basic infrastructure within KI and KEK, is essential for effective industrialization. Furthermore, integrated multimodal logistics infrastructure supports downstreaming value chains. Digital infrastructure development supports downstreaming by enhancing efficiency, strengthening integrated value chains, reducing transaction and logistics costs, and expanding market access and global integration. In this regard, Bank Indonesia contributes through the acceleration of payment system digitalization.

Fifth, export-oriented industrialization policies are supported by international trade and investment cooperation. Indonesia has pursued bilateral, regional, and multilateral economic cooperation to enhance trade, investment, and economic growth. For example, Indonesia has signed strategic memorandum of understanding (MoU) with China to promote investment in manufacturing, renewable energy, and logistics sectors. This cooperation aims to attract investment, create jobs, and increase MSMEs participation in global supply chains. In the realm of international cooperation, Bank Indonesia continues to strengthen the management of positive perceptions among investors and rating agencies to support the investment climate, while promoting trade and investment through Bank Indonesia's Investor Relations Unit (IRU).



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CHAPTER 7

INCLUSIVE ECONOMY FOR SUSTAINABLE ECONOMIC GROWTH

Sustainable economic growth requires not only a high growth rate but also inclusiveness and equity. In line with the Asta Cita agenda, the Government has set out priority programs to accelerate economic activity while strengthening income distribution, including through mineral and non-mineral resources downstreaming and targeted social and economic programs. These programs are underpinned by fiscal financing and private sector participation to foster more balanced growth. Bank Indonesia supports sustainable economic growth through a comprehensive policy mix encompassing monetary, macroprudential, and payment system policies, complemented by initiatives to strengthen micro, small, and medium enterprises (MSMEs).





Inclusive economic policy is a key pillar of sustainable economic growth. In this regard, an inclusive economy is directed to ensure that the benefits of economic growth are shared across all segments of society. Inclusive economic policies promote equitable access to education, health services, employment opportunities, and business prospects. In the long-run, equitable access strengthens human capital capacity and overall economic productivity. Inclusivity also plays an important role in reducing social and economic vulnerabilities, reinforcing the foundation of domestic consumption, and creating a more stable and sustainable basis for long-term growth.

Strengthening an inclusive economy has become increasingly urgent for Indonesia in light of ongoing structural challenges. Amid global dynamics marked by persistent uncertainty, a growth strategy that prioritizes inclusivity has become crucial to safeguarding national economic resilience. To address these challenges, the Government has introduced various priority programs as the implementation of the President's Vision and Mission set out in the *Asta Cita*, which is anchored in a people-centered and inclusive economy to promote equitable welfare while expanding job creation. In alignment with these efforts, Bank Indonesia supports the achievement of equitable growth through its main policy mix and complementary policies to maintain macroeconomic stability, strengthen policy transmission, and foster inclusive and sustainable economic growth.

7.1. General Policies to Support an Inclusive Economy

Sustainable economic growth requires not only a high growth rate but also an inclusive economic structure to maintain long-term macroeconomic stability. An inclusive economy is characterized by equitable access to education and health services, employment opportunities, and economic prospects for all groups of society. Equitable access to education and health fosters skilled and productive human capital to meet labor market needs and create entrepreneurial opportunities. Expanding employment

Sustainable economic growth requires not only a high growth rate but also an inclusive and equitable economic structure

opportunities and business prospects enables the population to earn higher and more evenly distributed incomes, which subsequently becomes a source of economic growth in both the short- and long-term. In the short-term, adequate income strengthens household consumption and supports the optimal utilization of production capacity. In the long-term, sufficient income enables investment in better education, thereby producing higher-quality, more productive, and more innovative human capital. This improvement in human capital productivity and innovation reinforces sustainable economic growth and creates a positive, self-reinforcing cycle (virtuous cycle) within the national economy.

The government seeks to strengthen an inclusive economy and promote equitable, broad-based growth through national policies and priority programs supported by well-targeted and sustainable fiscal measures. These policies include the acceleration of natural resource downstreaming, both in mineral and agricultural sectors, as a structural transformation strategy to increase domestic value-added, reinforce economic resilience, and expand job creation (Coordinating Ministry for Economic Affairs, 2024). In parallel, the Government is strengthening people-centered economic programs and productive social initiatives, including measures to enhance food and energy security; the implementation of the free nutritious meals program (MBG) as an investment in human capital development and equitable welfare; the development of *Koperasi Desa Merah Putih* (KDMP); and the construction of three million housing units to support the housing sector and related industries (President of the Republic of Indonesia, 2024). Taken together, these policies are

directed at strengthening the role of MSMEs, increasing labor absorption, and expanding the domestic demand base—particularly in rural areas and among lower-income groups—thereby supporting inclusive and sustainable economic growth.

The literature indicates that inclusive growth requires both fiscal and monetary policy support, given the significant implications of growth quality and distribution for macroeconomic and financial stability—core mandates of the central bank. Research further finds that high income inequality not only reduces the sustainability of medium-term growth but also weakens the effectiveness of monetary policy transmission through consumption and credit channels (Ostry et al., 2014; Dabla-Norris et al., 2016; Ampudia et al., 2018; Furceri et al., 2017; Borio, 2014). These studies further highlight that more equitable income and consumption distribution help support price stability, as aggregate demand becomes more stable and business cycle volatility declines in an inclusive environment. Meanwhile, financial inclusion—characterized, among others, by broader access to credit and payment instruments—can strengthen the resilience of households and MSMEs against shocks, thereby reducing systemic risks and enhancing financial system stability (Demirgüç-Kunt & Martínez Pería, 2012; World Bank, 2014; World Bank, 2022). Therefore, sustainable economic growth requires participation of the central bank as the authority responsible for monetary policy, the financial system, and the payment system.

Bank Indonesia supports inclusive and sustainable growth through an integrated mix of monetary, macroprudential, and payment system policies, complemented by initiatives to strengthen MSMEs and advance the green economy. On the monetary policy front, Bank Indonesia sets the policy rate and manages liquidity in the financial markets while optimizing policy mix synergy with the Government to maintain price stability. On the macroprudential side, Bank Indonesia implements macroprudential policies to encourage bank lending and ensure effective transmission from the financial sector to the real sector, including through incentive

policies for priority sectors and MSMEs, such as green financing. Bank Indonesia also strengthens accommodative macroprudential policies while maintaining a strong orientation toward stability. On the payment system side, Bank Indonesia promotes financial inclusion through payment system digitalization, including the development of QRIS, which expands access to financial services for MSMEs and underserved communities while lowering their transaction costs. Beyond its core policies, Bank Indonesia also supports inclusive growth through complementary initiatives, including the development of MSME clusters and food clusters across Indonesia.

7.2. Government Priority Programs for Inclusive Growth

The government positions inclusive and equitable economic growth as a core element of national development, grounded in the President's Vision and Mission as articulated in the *Asta Cita*. Inclusive growth is understood not only as an increase in aggregate output but also as a development process capable of reducing poverty, expanding employment opportunities, and raising household incomes in a more equitable manner. Through priority programs, national development is directed not only at achieving high economic growth but also at ensuring that the benefits of development are distributed fairly and felt by all members of society. President Prabowo Subianto emphasizes that economic growth without equitable distribution provides no strategic value for the nation, asserting that development "must guarantee both growth and welfare for all citizens."

This medium-term vision is articulated in the 2025–2029 National Medium-Term Development Plan (RPJMN). The 2025–2029 RPJMN sets out the development targets, performance indicators, and cross-ministerial programs that serve as the foundation for implementing the national agenda (Bappenas, 2025). The implementation of development programs each year is subsequently supported by fiscal policies integrated into the State Budget (APBN) and reinforced through



public financing instruments and private sector participation, ensuring that the agenda for inclusive, sustainable, and equitable growth can be carried out consistently.

7.2.1. *Asta Cita* and National Priority Programs in the 2025–2029 RPJMN

The *Asta Cita* sets out eight Presidential missions for the 2025–2029 period as the primary instrument for advancing the vision of Golden Indonesia 2045 (Figure 7.1.). These eight missions serve as the strategic direction for national development and emphasize structural transformation through the strengthening of human capital, industrial downstreaming, food and energy security, public service system reform, as well as enhanced defense and governance. They are operationalized through 17 Presidential strategic programs within the 2025–2029 National Medium-Term Development Plan (RPJMN) (RPJMN 2025–2029 Document, Bappenas). The incorporation of the *Asta Cita* ensures alignment between medium-term development direction and long-term national objectives, while also ensuring that the human development agenda, economic transformation—including industrial downstreaming—, national resilience, and governance reforms are

implemented in an integrated and cross-sectoral manner. Within this framework, the *Asta Cita* provides strategic coherence for the human development agenda, economic transformation, national resilience, and governance, while the 17 Presidential strategic programs in the RPJMN function as cross-sectoral and inter-ministerial implementation instruments.

The *Asta Cita* emphasizes not only high economic growth but also equitable development to ensure the broad-based distribution of development gains. On the growth front, the Government promotes downstreaming based on mineral and agricultural resources, given that Indonesia continues to export a substantial share of its commodities in raw form and has yet to fully optimize domestic value-added. This downstreaming strategy is expected to strengthen the industrial base, attract investment, and create employment, thereby serving as a more inclusive source of growth. On the equity front, the Government implements people-centered programs (such as the MBG program, improvements in education quality, health system reforms, village development, cooperatives and MSMEs), as well as social protection measures to strengthen human capital and local economies. Through this approach,

Figure 7.1. Presidential Vision and Mission, 2025–2029



Source: RPJMN 2025–2029 Document, Bappenas

the *Asta Cita* is directed toward balancing growth and equity on the path toward achieving Golden Indonesia 2045.

To safeguard long-term growth targets, the 2025–2029 RPJMN functions as the implementation framework for the 2025–2045 RPJPN, which aims to strengthen the foundations for transformation toward Golden Indonesia 2045. The RPJMN underscores that the 2025–2029 period is directed toward reinforcing the transformational foundations that will enable accelerated development in the subsequent phases of the RPJPN (Figure 7.2.). The 2025 State Budget (APBN), functioning as a transition budget, serves as the primary instrument to align the development agenda of the new administration with the continuity of ongoing policies, particularly those related to macroeconomic stability and fiscal consolidation.

In 2025, which marks the first phase of the RPJMN, the implementation of priority programs emphasizes institutional capacity building, governance improvements, and enhancements in public expenditure quality, supported by regulatory formulation and cross-ministerial harmonization. At this stage, the Government begins pursuing the RPJMN indicator targets, including reducing stunting to 18.8%, increasing the Program for International Student Assessment (PISA) scores, and raising life expectancy to 74.43 years in 2025 from 72.13 years in 2024. The emphasis on strengthening these foundational

elements is intended to ensure that program expansion and accelerated development in subsequent periods can be carried out effectively, in a coordinated manner, and sustainably.

Entering the mid-period of the first phase of the RPJMN, program implementation is directed toward achieving a broader scale and accelerating development outcomes. The Government emphasizes the full implementation of 83 priority activities, which include strengthening food security; promoting clean energy; advancing industrial downstreaming; developing basic infrastructure; accelerating government digital transformation; and improving education and health services. During this period, macroeconomic indicators move toward their intermediate targets, including an increase in economic growth to 6.3% in 2026 and 7.5% in 2027; a reduction in the poverty rate toward 5–7%; and an improvement in the Gini ratio to the range of 0.375–0.382. These developments take place in the context of a development investment requirement amounting to Rp47,573.45 trillion for the 2025–2029 period, of which more than 86% is expected to be financed from non-state budget (non-APBN) sources.

In the final period of the first phase of the RPJMN, the results of a series of interventions begin to yield structural impacts on productivity, human capital quality, development equity, and national economic resilience. Improvements in

Figure 7.2. Stages of the RPJMN and RPJPN



Source: RPJMN 2025–2029 Document, Bappenas



education quality through national assessments and PISA; enhanced primary healthcare services through the expansion of *puskesmas* and regional hospitals; the integration of adaptive social protection services; as well as the strengthening of domestic agriculture and energy. All contribute to the enhancement of national economic capacity. During this period, economic growth is targeted to reach 8.0% in 2029; poverty is expected to decline to 4.5–5.0%; stunting to decrease to 14.2%; and financial market deepening to produce a financial sector asset-to-GDP ratio of around 213.6%. In addition, regional development is directed at promoting convergence in growth across regions, particularly through the accelerated development of transportation, energy, and digital infrastructure.

This medium-term development phase demonstrates how the *Asta Cita* is operationalized in a gradual, measurable, and consistent manner, in line with the targets of the 2025–2045 National Long-Term Development Plan (RPJPN). The success of this five-year trajectory depends heavily on the effectiveness of governance, the quality of central–regional coordination, enhanced financing capacity, and the Government’s ability to mobilize greater private sector investment to support national economic transformation. In this context, the State Budget (APBN) serves not only as a source of financing but also as a catalytic instrument to strengthen business confidence, reduce investment risks, and encourage sustained participation from the non-government sector.

7.2.2. Implementation of the *Asta Cita* in Government Priority Programs

To support the implementation of the *Asta Cita*, the 2025 State Budget (APBN 2025) is designed to provide fiscal support, particularly for eight priority programs. Accordingly, the APBN 2025 functions as a financing instrument that ensures the President’s vision in the *Asta Cita* is translated into concrete actions and executed in a focused manner through the allocation of state resources (Ministry of Finance, 2025). The ultimate objective of these programs is to

The Government implements national priority programs to promote inclusive, competitive, and sustainable economic growth toward achieving Golden Indonesia 2045

promote inclusive, competitive, and sustainable economic growth toward achieving Golden Indonesia 2045, as outlined in the national planning framework prepared by the Ministry of National Development Planning/Bappenas. The eight APBN 2025 priority agendas are: (1) food security programs; (2) energy security; (3) the free nutritious meals program (MBG); (4) improvements in education quality; (5) health system reform; (6) village development, cooperatives, and MSMEs; (7) comprehensive defense initiatives; and (8) the acceleration of investment, trade, and housing. Each agenda represents a fiscal refinement of the *Asta Cita* and the strategic programs within the RPJMN.

Food security is the first priority program, reflecting lessons from the pandemic and global supply chain disruptions that exposed vulnerabilities in the national food system. These vulnerabilities include high dependence on imports of strategic food commodities; elevated price volatility; limited logistics and food storage capacity; and uneven regional distribution, leading to disparities in prices and food access. Through this program, the Government aims to strengthen the availability, affordability, and stability of food supplies while improving the welfare of domestic food producers. This objective aligns with the 2025 target of increasing the Farmers’ Terms of Trade (NTP) to the range of 115–120 and reinforcing the position of domestic food producers within the national supply chain. As of December 2025, the NTP had reached 125.35.

The second priority program is energy security, with a focus on stabilizing energy prices and ensuring affordable energy for households and businesses. The Government directs this

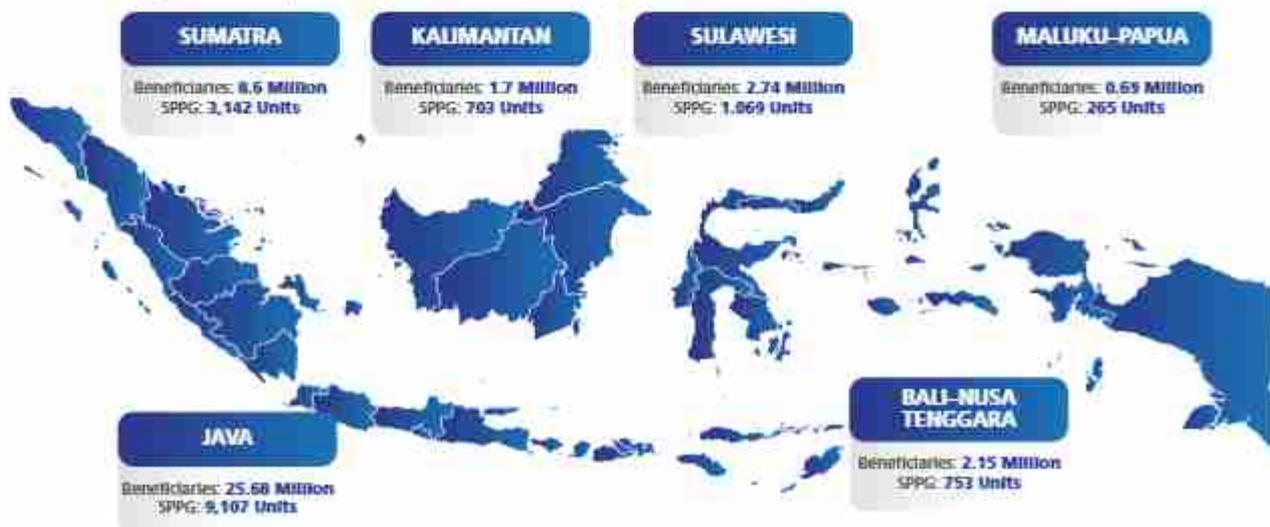
program primarily through energy subsidies and compensation to safeguard household purchasing power, support economic activity, and contain the impact of rising global energy prices on domestic inflation. In addition, the energy security policy aims to ensure a reliable and affordable energy supply, particularly for electricity and subsidized fuel (BBM). As of December 2025, the Government had provided electricity subsidies and compensation to 42.8 million subsidized electricity customers.

The third priority program is the free nutritious meals program (*Makan Bergizi Gratis/MBG*), which represents a key policy innovation. The program targets school-age children and vulnerable groups, including pregnant women, delivering multiple benefits by improving nutritional outcomes, preventing stunting, and increasing school participation. From an inclusive growth perspective, MBG strengthens Indonesia's human capital from an early age while helping to reduce social disparities across income groups. As of December 2025, the MBG program had reached approximately 53.8 million beneficiaries and was supported by more than 19,000 Nutrition Fulfillment Service Units (*Satuan Pelayanan Pemenuhan Gizi/SPPGs*) across regions (Figure 7.3.). This progress reflects the expansion of access to nutrition services, contributing

directly to improvements in human capital quality and a narrowing of social disparities across income groups.

The fourth priority program is education, designated by the Government as a key instrument to harness the demographic dividend and advance the transition to a knowledge-based economy. The program focuses on improving the quality of learning, expanding equitable access to education, and strengthening the alignment of education with labor market needs and technological developments. These efforts were reflected in the reinforcement of school quality improvement programs, the development of model and flagship schools, and the revitalization of educational facilities and infrastructure. Within the RPJMN framework, improvements in education quality are expected to be reflected in enhanced learning outcomes, including higher Program for International Student Assessment (PISA) scores and reduced interregional disparities in education. As of December 2025, the program had provided assistance under the *Program Indonesia Pintar (PIP)/Kartu Indonesia Pintar (KIP)* for tertiary education and other scholarships to 21.5 million student beneficiaries; delivered Teacher Professional Allowance (TPG)/Lecturer Professional Allowance (TPD) to 1.4 million

Figure 7.3. Spatial Distribution of MBG Beneficiaries and the Number of SPPGs



Notes: Data as of 30 November 2025
Source: APBN Kita, Ministry of Finance



non-civil servant teachers and lecturers; and, in terms of infrastructure, revitalized 12.5 thousand schools and established 166 community schools and Garuda flagship schools.

The fifth priority program is health, which focuses on strengthening health system capacity to address communicable and non-communicable diseases, expanding health insurance coverage, and supporting the sustainability of the health financing system. The strengthening of the health system is intended to enhance the capacity of primary and referral health services, reinforce the resilience of the national health system, and ensure the long-term sustainability of health financing. The program emphasizes the expansion of promotive and preventive services, including early disease detection, stunting management, and the control of communicable and non-communicable diseases. As of December 2025, free health check services had reached 80 million people and were implemented across 10,095 community health centers (*puskesmas*), representing 98.3% of all *puskesmas*, in 510 districts/municipalities (99.2% of total districts/municipalities). These achievements reflected the strengthened outreach of primary health services as a foundation for improving labor productivity.

The sixth priority program is village- and grassroots-based development, aimed at supporting economic growth, promoting economic equity, and eradicating poverty. With priority setting increasingly directed toward productive activities, improved access to financing is expected to strengthen local economic capacity, reduce poverty, and reinforce social resilience at the grassroots level. Village development, *Koperasi Desa Merah Putih* (KDMP), and MSMEs were facilitated, among others, through *Kredit Usaha Rakyat* (KUR) and various local economic empowerment programs. Through this approach, the Government targeted a reduction in extreme poverty, an increase in village household incomes, and accelerated convergence of development across regions. As of December 2025, KUR beneficiaries had reached 4.6 million debtors, along with 100 community groups associated with fishing villages, national salt production, and saline tilapia cultivation.

The seventh priority program focuses on ensuring stability and security as essential prerequisites for a conducive investment and trade climate. The comprehensive defense program—which covers defense (Ministry of Defense and the Indonesian National Armed Forces), security (National Police, State Intelligence Agency, and National Narcotics Agency), and law enforcement (Corruption Eradication Commission, Attorney General's Office, and the Judiciary)—was reinforced to maintain social and political stability. The strengthening of the comprehensive defense system is directed toward enhancing national preparedness, modernizing the defense system, and advancing the domestic defense industry. Sustained stability is expected to bolster business and investor confidence in the prospects of the national economy.

The eighth priority program is to accelerate investment and strengthen global trade competitiveness to support inclusive and sustainable economic growth. The Government established *Daya Anagata Nusantara* (Danantara) as an investment driver to accelerate economic transformation, expand employment opportunities, and enhance Indonesia's position within global value chains. Investment strengthening initiatives are carried out in parallel with the acceleration of public housing development through the target provision of three million housing units, supported by various financing schemes, including the Housing Financing Liquidity Facility (FLPP), the Self-Help Housing Stimulus Assistance program for rural, urban, and coastal areas, as well as Government-Borne Value Added Tax (VAT DTP) incentives for commercial housing to maintain affordability. As of December 2025, FLPP implementation had reached 278.9 thousand housing units, or nearly 80% of the target of 350 thousand units.

7.2.3. Financing Sources for People-Centered Priority Programs: Fiscal and Private

People-centered priority programs under the *Asfa Cita* are supported by a combination of fiscal resources and private sector funding. On the fiscal side, available resources will be

optimized to finance people-centered programs while ensuring that the budget deficit remains prudent and well-managed. In the 2025 Draft State Budget, government expenditure increased to around Rp3,621.3 trillion, with state revenue amounting to approximately Rp3,005.1 trillion and a deficit of Rp616.2 trillion, or 2.53% of GDP, which was more expansionary compared with the 2024 State Budget. Nevertheless, the 2025 State Budget remained within the statutory maximum deficit limit of below 3% of GDP, as stipulated in Law Number 17 of 2003 on State Finance. As of end-December 2025, the fiscal deficit reached 2.92%, with realized revenue and expenditure amounting to Rp2,756.3 trillion and Rp3,451.4 trillion, respectively.

The 2025 State Budget (APBN) was designed to safeguard macroeconomic stability, promote inclusion, and support sustainability. This was reflected in its reference assumptions, namely economic growth of 5.2%, an unemployment rate of 4.5–5.0%, and extreme poverty at 0% (Table 7.1.). The policy stance aligns with the objectives of the new administration, which established eight national priority agendas—known as *Asta Cita*—as the key pillars for achieving more equitable and just economic growth. The composition of state expenditure demonstrates a strong focus on enhancing human capital quality and strengthening social

protection: education is allocated approximately 20% of Central Government expenditure, or Rp724.3 trillion; social protection around 13.9% or Rp503.2 trillion; infrastructure about 9% or Rp324.6 trillion; and health around 6% or Rp218.5 trillion.

As the primary instrument for financing development, the 2025 State Budget (APBN) was designed to support the eight *Asta Cita* priority agendas. This approach was taken to ensure that the implementation of these priority agendas generated maximum impact in strengthening the foundations of inclusive growth. The following description outlines how each *Asta Cita* agenda was supported through fiscal spending and its realization throughout 2025 (Table 7.2.). As of December 2025, the realization of state expenditure for priority programs ranged from 70% to 95%. Several subprograms in food security and education even reached 100%, including the distribution of Bulog subsidies and food reserves, the disbursement of PIP/ KIP tertiary education assistance and other scholarships, as well as the Teacher Professional Allowance (TPG). Meanwhile, flagship programs such as MBG also recorded relatively high realization, reaching 74.5%. The following presents the details of the Government’s priority program realizations in 2025.

Table 7.1. State Budget (APBN) and Development Targets

No.	Indicator	APBN 2024 Outturn	APBN 2025 Proposal	APBN 2025 Outturn	Brief Description
1	State Revenue (IDR trillion)	2,842.5	± 3,005.1	2,756.3	Revenue growth in line with a broadened tax base
2	State Expenditure (IDR trillion)	3,350.3	± 3,621.3	3,451.4	2025 expenditure is more expansionary, prioritizing priority programs
3	Nominal Deficit (IDR trillion)	507.8	± 616.2	695.1	Maintained within fiscal discipline parameters
4	Deficit (% PDB)	2.29	2.53	2.92	The deficit remains below 3 percent of GDP
5	Economic Growth Target (%)	5.03	5.2	-	The 2025 target is higher than the 2024 outturn
6	Unemployment Target (%)	5.0–5.7	4.5–5.0	4.5–5.0	Refinement of the unemployment target
7	Extreme Poverty (%)	0–1	0	0	Reduction in the extreme poverty rate

Source: RPJMN 2025–2029, Bappenas and Ministry of Finance



Table 7.2. Detailed Realisation of Priority Programs

No.	Priority Programs (<i>Asta Cita</i>)	2025 Target (IDR trillion)	2025 Outturn (IDR trillion)	%
1	Food Security	146.6	131.2	89.5
	a. KUR and Fertiliser Subsidies	104.5	96.4	92.2
	b. Strategic food reserves	20.0	12.7	63.5
	c. Bulog and food stockpile	22.1	22.1	100.0
2	Energy Security (Subsidies)	394.3	305.2	77.4
3	Free Nutritious Meals (MBG)	71.0	51.5	72.5
4	Education	80.1	75.5	94.3
	a. PIP/KIP/Other scholarship	27.7	27.7	100.0
	b. Educational Allowances for School Teachers and University Lecturers (non-civil servants)	22.2	22.2	100.0
	c. Community and Garuda flagship school (<i>Sekolah rakyat & unggulan Garuda</i>)	10.2	6.7	65.7
	d. School renovation	20.0	18.9	94.5
5	Health	55.8	50.8	91.0
	a. Government Subsidies for JKN Health Insurance Contributions (PBI)	46.5	46.3	99.6
	b. Free Health Check-ups and Tuberculosis (TB) Services; Revitalisation of 32 Hospitals	9.3	6.5	69.9
6	Villages, Cooperatives, and MSMEs	40.4	34.0	84.2
7	Total Defense	245.2	102.2	41.7
8	Investment and Housing (FLPP)	35.2	29.2	83.0

Note: Realization is reported up to December 2025, except for item 7, which uses outturn data up to the first half of 2025
Source: APBN Kita (December 2025), Ministry of Finance

1. Food Security Program

In the 2025 State Budget (APBN), expenditure categorized under food security amounted to approximately Rp146.6 trillion, with realization reaching Rp131.2 trillion as of December 2025. This included support for production, distribution, price stabilization, and the strengthening of food reserves. Building on this foundation, the 2025 APBN positioned food security as part of a broader agenda, namely food sovereignty, by reinforcing financing for irrigation, agricultural extension services, downstreaming of agricultural products, and food logistics.

2. Energy Security Program

In 2025, various energy subsidy and compensation schemes, including fuel and electricity subsidies, were allocated approximately Rp394.3 trillion,

with realization amounting to Rp305.2 trillion for 42.8 million subsidized electricity customers as of December 2025. These measures served as important instruments for maintaining household purchasing power, enhancing industrial competitiveness, and supporting inflation stability.

3. Free Nutritious Meals Program (*Makan Bergizi Gratis/MBG*)

Under the 2025 State Budget (APBN 2025), the Government allocated Rp71 trillion to this program as part of the education and social protection budget. As of December 2025, program realization reached Rp51.5 trillion, benefiting 53.8 million recipients and supported by 19,343 Nutrition Fulfillment Service Units (SPPGs) across Indonesia.

4. Education Program

The budget allocation for the priority education program amounted to Rp80.1 trillion, with realized expenditure reaching Rp75.5 trillion as of December 2025. The program reflected a strengthened focus on improving learning quality, expanding equitable access, and integrating the MBG program as part of the school ecosystem. Of the total education budget, Rp27.7 trillion was utilized for students and university students, and Rp22.2 trillion for non-civil-servant teachers, lecturers, and education personnel. The realization for community schools and Garuda flagship schools reached Rp6.7 trillion, while expenditure for school revitalization amounted to Rp18.9 trillion, supporting the revitalization of 12.5 thousand schools and madrasahs.

5. Health Program

In 2025, the Government allocated Rp55.8 trillion for the health program, with realization reaching Rp50.8 trillion as of December 2025. The program focused on reducing stunting and strengthening primary health services through free health checks (CKG), hospital revitalization, and Tuberculosis (TB) treatment. For CKG and TB screening, examinations had been conducted for 80 million people.

6. Village Development, Cooperatives, and MSMEs

In 2025, the budget allocation amounted to Rp40.4 trillion, with realization reaching Rp34.0 trillion as of December 2025, channelled through KUR interest subsidies and ministry/agency support programs. This program was directed toward improving community welfare and breaking the cycle of poverty by strengthening access to financing, facilitating business activities, and enhancing institutional support. The disbursement of KUR interest subsidies supported 4.6 million productive MSME debtors across Indonesia.

7. Total Defense System

In 2025, the budget allocation for the total defense program amounted to approximately Rp376.4 trillion, an increase compared with the previous period's allocation of Rp331.9 trillion. For the defense budget specifically, during the first semester of 2025 the ceiling increased from Rp166.1 trillion to Rp245.2 trillion, with realization reaching Rp102.2 trillion.¹⁹ This increase reflected the Government's orientation toward developing an integrated defense system by strengthening personnel, modernizing defense equipment, and enhancing the domestic defense industry.

8. Investment Acceleration and Strengthening Global Trade Competitiveness

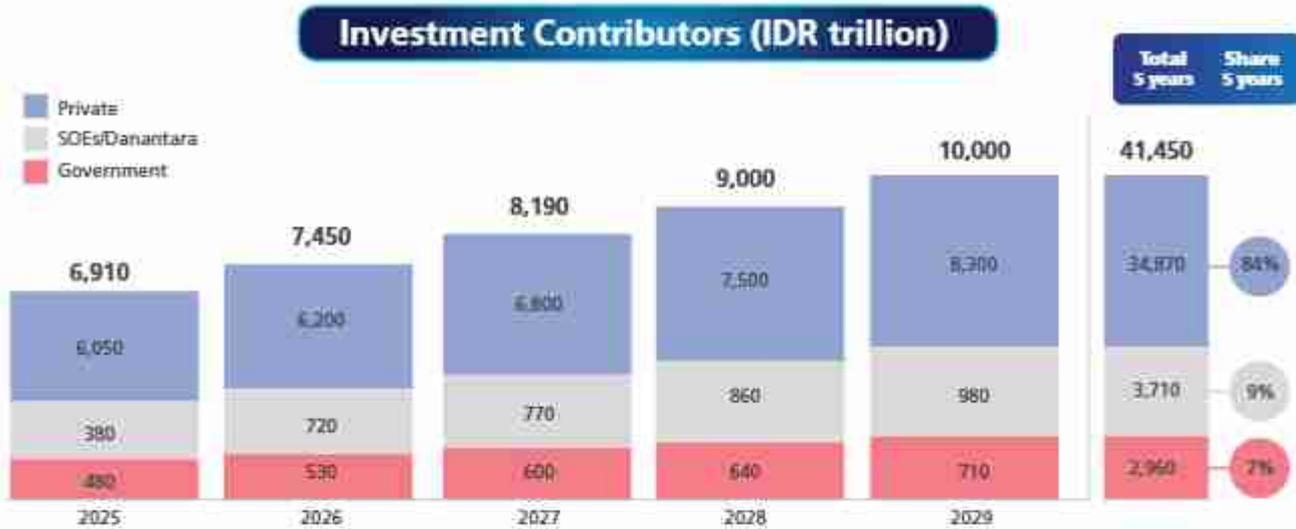
In 2025, the total target for housing units projected to receive support through the FLPP scheme reached 350,000 units, with a budget ceiling of Rp35.2 trillion. As of end-December 2025, FLPP realization amounted to Rp29.2 trillion, financing 278.9 thousand housing units. These targets and outcomes reflected the Government's commitment to fulfilling citizens' basic right to adequate housing and to stimulating economic activity through the construction sector.

Private financing also plays an important role in strengthening the people-centered economy, particularly for programs related to investment acceleration, trade, infrastructure, and housing. The role of private financing in supporting these priority programs was reflected quantitatively in the projected investment contributors for the 2025–2029 period (Figure 7.4.). Total investment needs over the five-year period were estimated to reach Rp41,540 trillion, with the largest contribution expected from the private sector at Rp34,870 trillion, or around 84% of total investment. Meanwhile, the roles of SOEs and Danantara were projected to reach Rp3,710 trillion, or around 9%, while the Government's contribution through the State Budget (APBN) was projected at around Rp2,960 trillion, or approximately 7%.

¹⁹ Realization through the first half of 2025.



Figure 7.4. Investment Contributors, 2025–2029



Source: Ministry of Finance (2025)

To enhance private sector participation, the Government promotes Public–Private Partnership (PPP) schemes and strengthens the role of financial institutions and long-term investors. The private sector is enabled to participate in financing transportation, energy, and housing infrastructure. As various innovative financing instruments are developed and the role of Government investment funds is strengthened, these efforts are expected to reduce pressure on the State Budget (APBN) while accelerating the provision of infrastructure and public services. Specifically for village development, cooperatives, and MSMEs, the financing structure combines Village Funds amounting to Rp71 trillion per year with access to financing from banks and microfinance institutions, credit guarantee programs, and various technical support schemes. Through this approach, people-centered priority programs are expected to have a sustainable financing base that is not fully dependent on the APBN and is able to mobilize participation from the private sector and communities.

7.3. Bank Indonesia’s Support for Advancing an Inclusive and Sustainable Economy

Bank Indonesia also supports inclusive and green economic growth through an integrated policy mix of monetary, macroprudential, and payment systems policies, complemented by supporting measures. Monetary policy is

directed toward promoting an inclusive and green economy through inflation control and the utilization of green, sustainable, or ESG bonds. Meanwhile, macroprudential policy is aimed at increasing the flow of financing to productive and sustainable sectors with broad economic impact, including through macroprudential liquidity policy incentives. In addition, payment system policy support is directed toward fostering financial inclusion through payment system digitalization, such as QRIS.

In addition to its three core policies, Bank Indonesia also contributes to inclusive and green economic growth through complementary policies. These policies include: (i) empowering inclusive enterprises to enhance the competitiveness of MSMEs and subsistence groups through an end-to-end approach; (ii) promoting inclusive and sustainable financing through the implementation of integrated

Bank Indonesia supports inclusive and green economic growth through a policy mix encompassing monetary, macroprudential, and payment systems policies, as well as complementary policies



programs supported by adequate infrastructure and effective coordination mechanisms; and (iii) strengthening inclusive economic and financial literacy as well as sustainable finance through education on inclusive and sustainable financial practices. The synergy between monetary, macroprudential, payment system, and inclusive and green economic–financial policies with fiscal policy is expected to support economic growth that is not only strong but also inclusive and sustainable.

7.3.1. Monetary Policy

Monetary policy plays an important role in supporting inclusive economic growth by preserving financial stability and maintaining low, stable inflation through interest rate policy. During 2025, Bank Indonesia lowered the BI-Rate by 125 bps to help support economic growth. In its implementation, this rate reduction was carried out while continuously monitoring inflation developments to ensure that inflation remained within the target of $2.5 \pm 1\%$. Inflation in 2025 stood at 2.92% (yoy), with core inflation at 2.38% (yoy). The stability of core inflation was supported by the consistency of Bank Indonesia's monetary policy rate in anchoring inflation expectations in line with the target, as well as low imported inflation. The literature shows that variables such as policy interest rates and inflation have a significant relationship with

income inequality (Hu et al., 2024; Rolim et al., 2024). When inflation rises, the purchasing power of lower- and middle-income groups tends to decline more sharply than that of higher-income groups, widening inequality. Conversely, controlling inflation through appropriate interest rate policies can help reduce economic disparities. Furthermore, a study involving 31,869 households across 38 countries shows that low-income groups tend to identify inflation as one of the main challenges to improving welfare. Empirical evidence indicates that reductions in poverty rates and changes in real minimum wages are negatively correlated with inflation (Easterly & Fischer, 2001).

Bank Indonesia plays an active role in maintaining inflation within the target range through close coordination with the Government under the TPIP/TPID and GNPIP frameworks, in support of inclusive economic growth. Pratikto et al. (2015) show that food price inflation is the largest contributing factor to rising poverty. In line with this, Rio and Armayani (2025) find that increases in the prices of essential products, including food, lead households to reduce discretionary spending, reallocate budgets, and experience a decline in welfare. Therefore, in managing food inflation (volatile food), Bank Indonesia continues to coordinate with both the central and regional Governments through TPIP/



TPID, as well as through the implementation of the National Movement for Food Inflation Control (GNPIP) across various regions with Bank Indonesia's full support. A number of studies indicate that coordination between the central and local Governments, including through TPID, is effective in stabilizing and reducing inflation levels (Dharma, 2015; Purwono et al., 2020).

Throughout 2025, Bank Indonesia, in coordination with the Central and Regional Governments through the TPIP/TPID and GNPIP frameworks, reached a number of agreements through coordination meetings across all regions of Indonesia to manage food inflation (Table 7.3.). GNPIP achievements during 2025—under the theme of strengthening productivity and ensuring smooth food distribution to maintain price stability and national food security—were well above the targets. This demonstrated Bank Indonesia's commitment to maintaining inflation across the country through the seven flagship GNPIP programs, namely productivity enhancement, strengthening food security, interregional cooperation, facilitation of food

distribution, affordable market programs, data digitalization, and coordination and communication (Table 7.4.).

Bank Indonesia supports price stability and inclusive economic growth through its food cluster programs. In 2025, the program expanded to 125 food clusters, delivering productivity gains of more than 10%. Development is carried out through end-to-end assistance, ranging from support in meeting good agricultural practices standards and enhancing product quality to business diversification into derivative products and expanded access to information, including business matching, trade promotion, and onboarding.

Bank Indonesia promotes the development of a green economy through its monetary operations. In conducting these operations, Bank Indonesia accepts green, sustainable, or ESG bonds as collateral in bank repo transactions, thereby strengthening banks' incentives to hold such instruments and enabling access to Rupiah liquidity to finance sustainable projects.

Table 7.3. Outcomes of the 2025 Regional TPIP–TPID Coordination Meeting

JAVA (21 Feb '25)	SUMATRA (24 Apr '25)	BALINUSRA (23 May '25)	KALIMANTAN (25 Sept '25)	SULAMPUIA (27 Oct '25)
				
<ul style="list-style-type: none"> • Strengthening productivity in production centers and deficit areas to enhance food self-reliance • Strengthening the implementation of the Sustainable Agricultural Land Protection (PLP2B) policy • Refining cropping patterns to ensure balanced supply • Strengthening MBG supply through an enhanced role of regional- and village-owned enterprises (BUMD/BUMDes) 	<ul style="list-style-type: none"> • Increasing production in production centers and deficit areas to enhance food self-reliance • Refining cropping patterns to ensure an even distribution of supply • Strengthening food downstreaming, particularly for various chili products 	<ul style="list-style-type: none"> • Strengthening youth participation in agriculture • Enhancing productivity in surplus and deficit regions • Enhancing linkages between food MSMEs, hotels, and regional food enterprises • Enhancing connectivity and port infrastructure 	<ul style="list-style-type: none"> • Enhancing food security, including through the development of warehousing and cold storage infrastructure • Productivity strengthening across production centers and deficit areas • Accelerating the implementation of the People's Paddy Field Development (CSFD) and Land Optimisation (Oplat) programs • Strengthening interregional cooperation (KAD) to meet supply needs, including for the new capital city (IXN), in synergy with state-owned logistics enterprises 	<ul style="list-style-type: none"> • Implementing food price stabilisation in a more targeted, timely, and location-specific manner • Ensuring continuous availability of horticultural and fisheries supplies • Facilitating logistics access and more efficient financing

Source: Bank Indonesia

Table 7.4. GNPIP 2025 Performance Outcomes

No.	GNPIP Flagship Program	Target	Achievement	Unit	Implementation (% to Target)					
					National	Susatra	Jawa	Baliwara	Kalimantan	Sulampua
1	Productivity Enhancement									
a.	Good Agricultural Practices (GAP) Optimization	125	678	Program	542.40%	600.00%	529.27%	362.50%	437.50%	608.00%
b.	Food Cluster Institutional Strengthening	75	300	Program	400.00%	221.05%	317.86%	240.00%	1,140%	330.77%
2	Food Security Strengthening									
a.	Best Practices Replication	127	222	Program	174.80%	177.14%	182.50%	137.50%	193.33%	162.07%
b.	Food Downstreaming	115	178	Program	154.78%	105.88%	207.89%	100.00%	150.00%	159.09%
c.	Offtaker Partnership Facilitation	46	126	Program	273.91%	238.46%	307.14%	400.00%	333.33%	200.00%
3	Interregional Cooperation	132	378	MoU	286.36%	331.58%	339.53%	211.11%	188.24%	220.00%
4	Food Distribution Facilitation	226	1,690	Program	747.79%	863.93%	1,084.62%	600.00%	244.83%	368.18%
5	Low-Price Food Markets	13,800	19,993	Implementation	144.88%	148.60%	155.42%	119.13%	137.50%	133.20%
6	Data Digitalization	66	108	Program	163.64%	130.00%	181.82%	320.00%	162.50%	118.18%
7	Coordination and Communication									
a.	Institutional Coordination	626	980	Activities	156.55%	135.23%	180.58%	123.68%	126.83%	176.61%
b.	TPID Capacity Building	136	330	Program	242.65%	294.44%	259.57%	144.44%	212.50%	196.43%
c.	Expectation Anchoring	472	1,188	Program	251.69%	209.92%	192.81%	322.22%	259.38%	376.29%
d.	Food Product Diversification and Anchoring	175	282	Program	161.14%	119.15%	222.41%	150.00%	150.00%	128.95%
e.	Utilization of KLM Incentives	73	144	Program	197.26%	104.76%	254.17%	200.00%	155.56%	264.29%

Source: PowerApps GNPIP

Data as of 31 December 2025

In addition, Bank Indonesia aligns its investment portfolio toward sustainability, particularly through holdings of sustainable debt securities—debt instruments issued to finance activities or projects that deliver environmental and/or social benefits while adhering to sound governance principles. Bank Indonesia also allocates a portion of its foreign exchange reserves to green, social, and sustainability bonds, contributing to the development of financial markets that support environmental, social, and governance (ESG) objectives.

7.3.2. Macprudential Policy

The *Asta Cita* and the Government's Priority Programs encompass priority sectors whose financing needs further strengthening. Priority sectors engaged in national strategic programs include agriculture, manufacturing, construction, trade, and social services (Figure 7.5.). The

involvement of the agricultural sector primarily covers food security programs, the free nutritious meals (MBG) program, and energy security initiatives that will utilize crude palm oil (CPO) as the raw material for biodiesel. The manufacturing sector is involved in the MBG program; energy security programs; downstreaming of food and natural resources; health programs; as well as education programs, particularly the revitalization of school facilities and infrastructure. The diverse involvement of manufacturing in national priority programs will at least include the food and beverage industry, the chemical industry, and the furniture industry. Meanwhile, the involvement of the construction sector mainly arises from the housing development program, as well as school and hospital revitalization programs. Involvement of the trade sector originates from the MBG program and the *Koperasi Desa Merah Putih* (KDMP). Engagement by the social services sector,



Figure 7.5. Sectoral Financing Potential from Government Priority Programs



Source: Bank Indonesia

particularly health services, primarily derives from programs to improve healthcare services. The involvement of these priority sectors requires financing support through macroprudential policies. By the end of 2025, credit growth in the agriculture, construction, and social services sectors is expected to continue increasing and remain stable, whereas credit growth in the manufacturing and trade sectors will need to be further strengthened.

National priority programs incorporate MSMEs and sustainable and green sectors into their implementation. The Government's priority programs, particularly *Koperasi Desa Merah Putih* (KDMP), *Koperasi Kelurahan Merah Putih* (KKMP), and the free nutritious meals (MBG) program, create opportunities for MSME participation in strengthening the local economy and supporting the Government's supply chain. MSME participation in the KDMP/ KKMP programs has generated positive impacts, including institutional strengthening through the establishment of organized business clusters that support the development of business capacity. MSMEs have also gained access to more affordable inputs and services, including subsidized fertilizers, gas, and basic food

staples. In addition, these programs provide opportunities for supplementary income through various business services and expand market access through the role of KDMP as an aggregator of MSME products, supported by technical assistance from local cooperative agencies. MSME participation as suppliers in the MBG program has also delivered positive outcomes, including higher income from scheduled SPPG orders and more stable price certainty (Figure 7.6.). The MBG program has additionally encouraged MSMEs to diversify their products in line with the raw material requirements of the SPPG. Furthermore, the Government's priority programs also have the potential to involve the green sector, particularly through housing programs that will enable the development of green-based housing, such as the use of renewable and environmentally-friendly energy. The involvement of the MSME and sustainable sectors likewise requires financing support, given that financing to these sectors was on a slowing trend toward the end of 2025.

The involvement of priority sectors in national priority programs creates opportunities to expand credit and financing demand. Credit continued to grow strongly at 9.69% in

Figure 7.6. MSME Participation in the MBG Program



Source: Bank Indonesia

December 2025, although this was slightly lower than the 10.39% recorded a year previously. One of the challenges originated from the MSME sector, whose growth contracted further by 0.30% in the year ended December 2025 (Figure 7.1.). Banks tended to be more cautious in extending credit to MSMEs, as reflected in the rising MSME lending requirement index (Figure 7.2.).²⁰ MSME credit risk increased in line with weaker performance resulting from the decline in household purchasing power. In December 2025, MSME NPLs stood at 4.33% (gross), increasing from 3.76% (gross) in December 2024. The

Graph 7.1. Credit Growth, Including MSMEs



Source: Bank Indonesia, processed

potential involvement of priority sectors, including MSMEs, in the Government’s strategic programs, along with macroprudential policy support, is expected to encourage credit/financing growth.

Bank Indonesia leverages the Macroprudential Liquidity Incentive (KLM) to support priority sectors, MSMEs, and the green sector, with the objective of fostering credit and financing growth in line with the Government’s priority programs. As part of Bank Indonesia’s policy mix, the KLM incentive policy has been eased

Graph 7.2. MSME Credit Lending Requirement Index



Source: Bank Indonesia, processed

²⁰ The Lending Requirement Index (LRI) measures the degree of tightness or ease in banks’ lending conditions for extending credit to borrowers. The index also reflects banks’ risk appetite and prevailing credit supply conditions.



The Grebeg UMKM x DJAMUAN Istimewa DIY 2025 event, organised by Bank Indonesia, aimed to boost MSME sales and expand access to the digital economy.

since 2022. Bank Indonesia periodically evaluates the KLM incentive policy to strengthen its effectiveness in encouraging banks to extend credit, both in terms of sectoral coverage and the size of the incentives. Bank Indonesia has further strengthened the forward-looking, performance-based KLM incentive policy—comprising the lending channel and the interest rate channel—with the maximum incentive level set at 5.5%, as elaborated in Chapter 5. In support of the Government’s priority programs, the enhanced KLM policy has facilitated priority sectors involved in these programs, namely the agriculture, manufacturing, trade, construction, and social services sectors. As specifically concerns downstreaming, incentives are provided to banks extending credit to food downstreaming and advanced downstreaming based on natural resources. In addition, as part of support for inclusive and sustainable economic development, the KLM incentive policy also provides incentives for the MSME sector, cooperatives, financial inclusion, and sustainability-related activities. This policy support is expected to stimulate financing in the priority sectors involved in national priority programs, thereby accelerating the achievement of program objectives.

Bank Indonesia also supports inclusive financing through the Macroprudential Inclusive Financing Ratio (*Rasio Pembiayaan Inklusif Makroprudensial*/RPIM), while promoting housing ownership financing through the LTV/FTV policy. Bank Indonesia has implemented the RPIM policy

since 2021 with the objective of promoting credit growth, particularly for MSMEs, MSME Corporates meeting specific criteria, and Low-Income Individuals (PBR), thereby accelerating economic recovery and strengthening financial inclusion. Banks are expected to diversify their financing portfolios to inclusion sectors in line with each bank’s commitment. The banking industry’s RPIM realization reached 33.57% in 2024, increasing from 33.55% in 2023. As part of accommodative macroprudential policy, Bank Indonesia continues to apply a maximum Loan to Value or Financing to Value (LTV/FTV) ratio of 100%, including for environmentally friendly (green) housing loans. This policy supports the public housing development program by promoting the expansion of housing ownership financing.

7.3.3. Payment Systems Policy

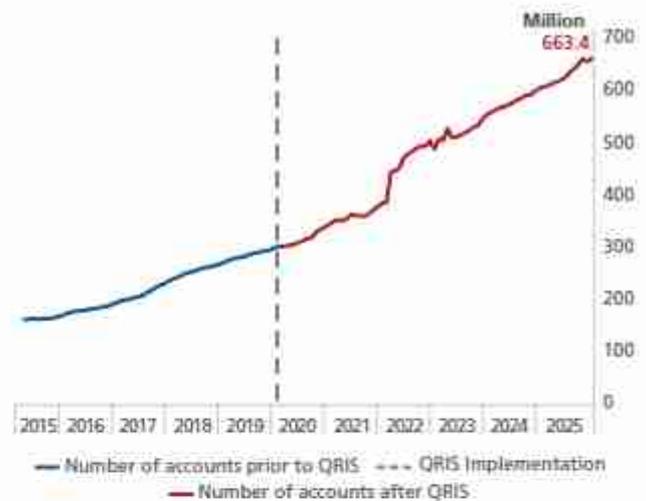
The digitalization of the payment system is an integral part of the national digital economic transformation, enhancing transaction efficiency while expanding financial inclusion. In developing the payment ecosystem, the two-sided market framework serves as a key foundation, whereby adoption is determined by a balance between users and merchants. Within this framework, greater value for users encourages merchant acceptance, which in turn raises transaction intensity on the user side. This approach underpins the expansion of acceptance for the Quick Response Code Indonesian Standard (QRIS).

The transformation of public payment behavior marked the starting point of the acceleration of payment system digitalization in Indonesia. In the initial phase of implementation, QRIS development was demand-driven, as reflected in faster growth in the number of users relative to merchants. Bank Indonesia's initiatives in payment system outreach and education, together with national campaigns coordinated across ministries and agencies—such as *QRIS Jelajah Indonesia*—have increased public awareness and interest in using QRIS for daily transactions. The features offered by QRIS meet the needs of retail payments that are fast, convenient, affordable, secure, and reliable, thereby shifting preferences toward non-cash payments. As of the fourth quarter of 2025, the number of QRIS users reached approximately 59.53 million, indicating the broadening adoption of digital payment instruments on the consumer side.

Growth in the number of QRIS users reflects not only the adoption of non-cash payment instruments but also broader structural changes. Following the implementation of QRIS, bank account growth increased significantly compared with the pre-QRIS period (Graph 7.3.). This development indicates that QRIS has also served as an entry point for strengthening public connectivity with the formal financial system, a key prerequisite for financial inclusion.

In line with these conditions, strengthening the supply side has become a key factor in encouraging QRIS adoption among merchants. In an economy dominated by micro, small, and medium enterprises and micro-scale businesses, decisions to adopt digital payments are highly sensitive to cost considerations. Limited profit margins and high sensitivity to additional operating costs make digital payment service fees a major barrier to QRIS adoption, particularly in the micro and informal sectors. Accordingly, supply-side development needs to be supported by economic incentives to promote the sustainable adoption of QRIS.

Graph 7.3. Trends in the Number of Savings Accounts Following the Implementation of QRIS



Source: Bank Indonesia

In response to these challenges, Bank Indonesia has consistently strengthened supply-side policies to lower cost barriers and strengthen economic incentives for merchants. A key measure has been the regulation of the QRIS Merchant Discount Rate (MDR), including the introduction of a 0% MDR for micro-enterprise merchants, with a maximum transaction value of Rp500,000, effective 1 December 2024. This policy has served as an important catalyst for expanding QRIS acceptance, particularly among MSMEs. Following the implementation of the 0% MDR, the number of QRIS merchants rose sharply, with MSME merchants now accounting for more than 90% of total QRIS merchants. As of the fourth quarter of 2025, the number of QRIS merchants reached approximately 42.75 million, reflecting a more inclusive supply-side transformation and broader merchant adoption of digital payments.

Bank Indonesia has also strengthened the supply side through gradual and well-calibrated adjustments to QRIS transaction limits. In the initial phase of implementation, transaction limits were set at relatively low levels to support risk management and ensure infrastructure readiness, at Rp2 million per transaction



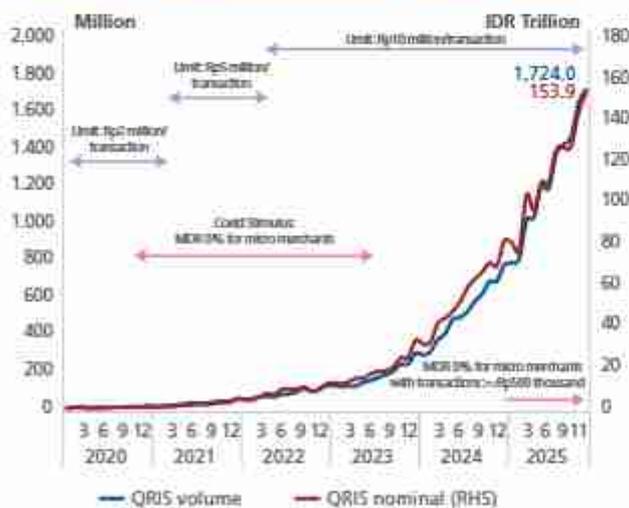
(Graph 7.4.). As adoption expanded, alongside improvements in system stability and the capacity of providers and merchants, the transaction limit was progressively increased to Rp5 million and subsequently to Rp10 million per transaction. These adjustments broadened the scope of QRIS usage beyond small-value retail payments to higher-value transactions, enhancing its relevance for medium-scale merchants and expanding digital payment use across economic sectors. This policy has played an important role in increasing transaction intensity and value, while supporting sustained growth in QRIS transactions and the evolution of a more mature payment ecosystem on the supply side.

Supply-side strengthening has also been pursued through the designation of QRIS as a national standard supported by regulation and payment system innovation. Board of Governors Member Regulation No. 21/18/PADG/2019 on the Implementation of the National Standard Quick Response Code for Payments designated QRIS as the national standard for QR payment codes to ensure interoperability across providers and to expand ease of use nationwide. As a single

standardized “language,” QRIS facilitates seamless interconnection and has significantly increased off-us transactions.²¹ In 2025, off-us transactions accounted for 90% of total QRIS transactions, up from 42% in 2023. This shift indicates a structural transformation in the payment ecosystem, reflecting reduced inter-provider frictions and stronger efficiency and integration in the national retail payment system. The standard has enabled further QRIS innovation and the expansion of its functions and uses, including QRIS with paylater as a source of funds; QRIS TUNTAS (cash withdrawal, cash deposit, and transfers); and the development of cross-border QRIS. At present, QRIS serves not only as a domestic payment instrument but also as part of regional and global payment system integration (Figure 7.7.). These initiatives enhance the attractiveness of QRIS for merchants and users while improving the efficiency of interregional and cross-border transactions.

As a further consideration, supply-side transformation through the expansion of QRIS merchants has driven deeper structural changes, particularly the transition of business activity from the informal to the formal sector. The digitalization of transactions through QRIS enables safer, more transparent, and electronically recorded transactions. This transaction history provides an important foundation for businesses to enhance credibility and expand access to formal financial services, including bank financing and other financial institutions. Lower transaction costs and more efficient payment processes encourage merchants to increase the intensity of QRIS usage, while consumers benefit from greater convenience in transactions. The rising number of merchants with regular and repeat transactions can serve as an early proxy for business formalization.

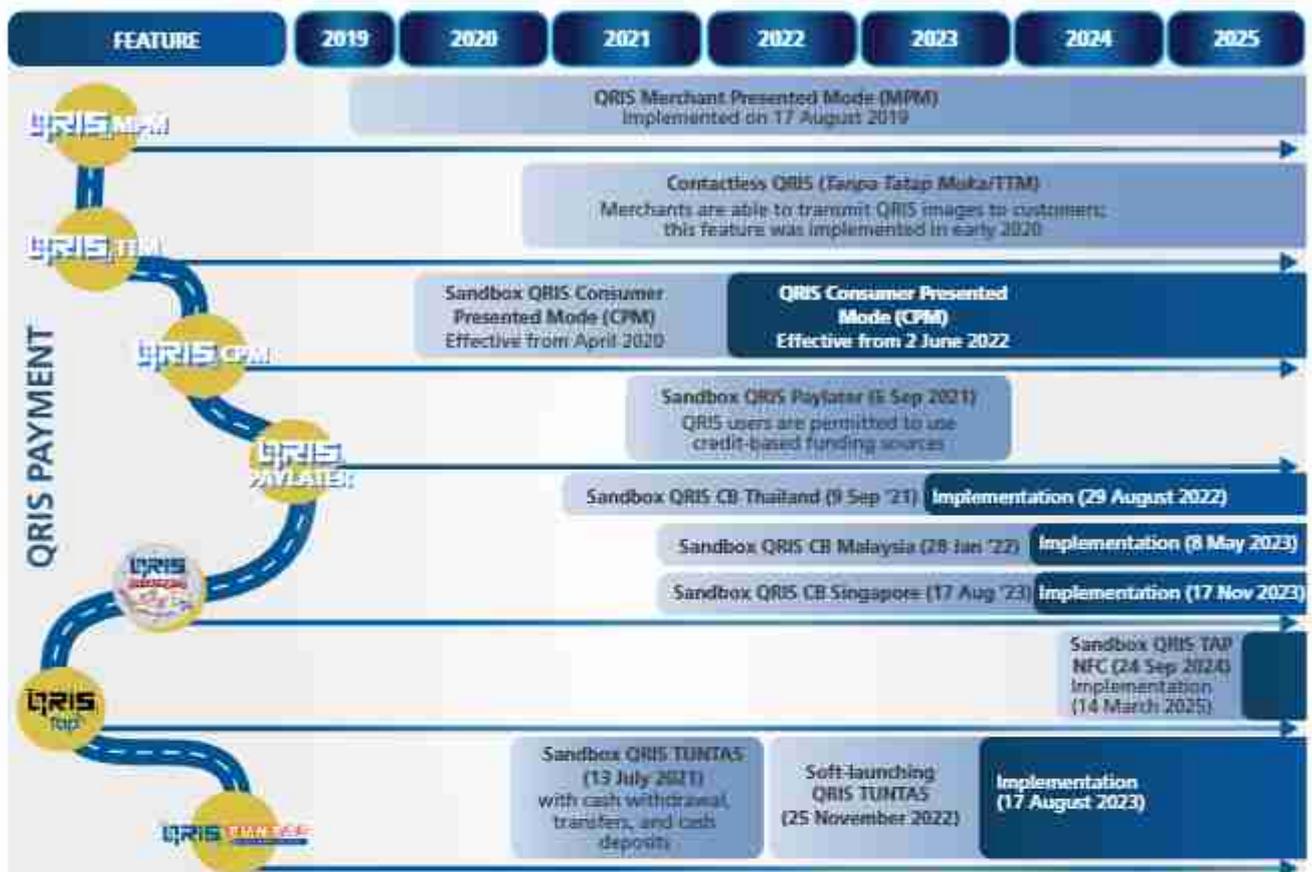
Graph 7.4. QRIS Limit and MDR Policy Timeline



Source: Bank Indonesia

²¹ Off-us transactions refer to transactions in which the issuer and the acquirer are different institutions. In contrast, on-us transactions are those in which the issuer and the acquirer are the same institution.

Figure 7.7. Developments in QRIS Innovation



Source: Bank Indonesia

Ultimately, a balanced strengthening of the demand and supply sides is key to the success of payment system digitalization. Rising public preference for digital payments needs to be matched by broad merchant availability, accommodative pricing policies, and strengthened regulation and payment system innovation. Synergies between the two sides support sustained growth in the volume and value of QRIS transactions. In turn, higher QRIS transaction activity can generate tangible gains in economic efficiency, promote business formalization, strengthen financial inclusion, and support inclusive and sustainable economic growth.

7.3.4. Inclusive and Green Financial Economic Policies

The development of inclusive and green economic and financial policies aims to support Bank Indonesia's core policy objectives by strengthening economic inclusion, financial inclusion, and sustainable finance, thereby supporting sustainable economic growth. These objectives are pursued through three main strategies: (i) an integrated and competitive inclusive economy; (ii) optimal inclusive financing and sustainable finance; and (iii) expanded literacy and strengthened synergies in inclusive and sustainable economic and financial development.



The strategy focuses on empowering inclusive enterprises to enhance the competitiveness of MSMEs and subsistence groups through an end-to-end value-chain approach, alongside expanded market access, infrastructure development, and digitalization. Enterprise empowerment is pursued through corporatization to strengthen business institutions and capacity-building for MSMEs in production, human resources, and marketing, supported by intensive training and mentoring. Market access is expanded through supply chain integration at both national and global levels, including business matching between MSMEs and large enterprises, off-takers, and international buyers. In addition, MSMEs are encouraged to onboard digital platforms and e-commerce to broaden market reach, while trade promotion efforts are actively strengthened both domestically and internationally.

Infrastructure development and digitalization are designed to support the full spectrum of inclusive economic and financial programs. Key areas include the provision of integrated tools and MSME databases, the development of adaptive and sustainable business models, the implementation of pilot projects as proof of concept, and the formulation of replicable MSME

development guidelines. With adequate infrastructure and digital support, these programs are expected to be implemented more effectively, measurably, and sustainably.

Inclusive enterprise empowerment is implemented through a range of strategic initiatives, including ECO-RISE,²² with program targets tailored to MSME segments such as manufacturing MSMEs, food clusters, MSMEs with export potential, digitally enabled MSMEs, and green MSMEs. For manufacturing MSMEs, program implementation is pursued through MSME supply-chain partnership business models, with a focus on MSME aggregators that function as hubs for raw material processing, finishing stages, quality control (QC), and packaging, supported by supply-chain partnership contracts with industry (Figure 7.8.). This development focus is aligned with the downstreaming agenda as a strategic instrument to increase domestic value added while strengthening economic equity.

Empowerment programs are grouped based on supply-chain partnership models, including transactional partnerships (short-term), collaborative partnerships (coordination and risk-sharing), and strategic partnerships (long-term, trust- and contract-based). Under transactional

Figure 7.8. Supply Chain Partnership Model for MSMEs



Source: Bank Indonesia

22 ECO Rise: Empowering Community & MSMEs toward a Resilient, Inclusive, and Sustainable Economy.

partnerships, MSMEs remain at an early stage with limited legal status and business capacity (Figure 7.9). Empowerment efforts focus on strengthening basic foundations through the facilitation of business licensing; basic financial management training; digital literacy; initial promotion; access to microfinance; and the adoption of basic production standard operating procedures (SOPs), with the objective of integrating MSMEs into the formal ecosystem. Under collaborative partnerships, MSMEs have achieved stronger legal standing and market access. Support is directed toward strengthening collective institutions (cooperatives and associations); facilitating national certification; enhancing managerial and leadership capacity; developing cluster-based financing; digitalizing payments; and expanding marketing through business matching and national exhibitions. Under strategic partnerships, MSMEs are positioned to compete at the national and international levels. Facilitators, including Bank Indonesia, act as catalysts through export certification assistance; policy advocacy; technological innovation development; institutional strengthening through formal cooperatives or MSME holdings; expanded access to investor financing; supply-chain integration; and promotion in global markets. As of the third quarter of 2025, there were 1,956 MSMEs in the

manufacturing sector employing 26,192 workers, with processed food and beverages accounting for 49.03% and textiles and textile products (TPT) for 27.10% of total commodities (Figure 7.10.).

In food clusters, empowerment is implemented through an integrated end-to-end approach spanning upstream to downstream activities, including cultivation, post-harvest processing, and the development of partnerships with off-takers and industry. Upstream development focuses on improving productivity through the adoption and replication of best practices across all stages of cultivation, covering fertilization, seed selection, cropping patterns, irrigation systems, and pest management. These best practices are derived from analytical assessments and the implementation of pilot projects.

Successful pilot projects are subsequently replicated across Bank Indonesia-supported food clusters, with a targeted productivity increase of over 10%, in line with one of the Central Inflation Control Team (TPIP) programs. As of the third quarter of 2025, there were 290 food clusters supported by Bank Indonesia, comprising rice, chili, shallot, cattle, fish, and other clusters (Figure 7.11.). As for downstream activities, empowerment focuses on post-harvest handling to reduce food loss, the development of

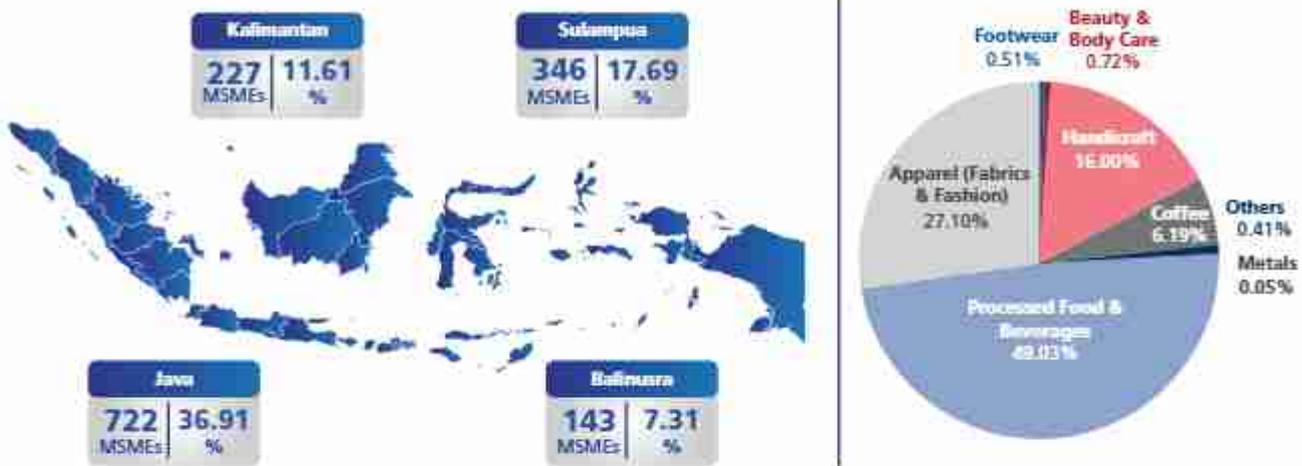
Figure 7.9. MSME Journey under the Partnership Model



Source: Bank Indonesia



Figure 7.10. Geographic Distribution and Composition of Processing MSMEs under Bank Indonesia's Development Program



Source: Bank Indonesia

processed products to enhance value added, and partnerships with off-takers and industry through downstreaming, in line with the food cluster downstreaming business model (Figure 7.12.).

Empowerment initiatives also target export-potential MSMEs, using two main strategies: (i) a pull strategy (market-driven) to identify market needs, and (ii) a push strategy focused on facilitating MSME capacity building. Under the pull strategy, Bank Indonesia plays a role

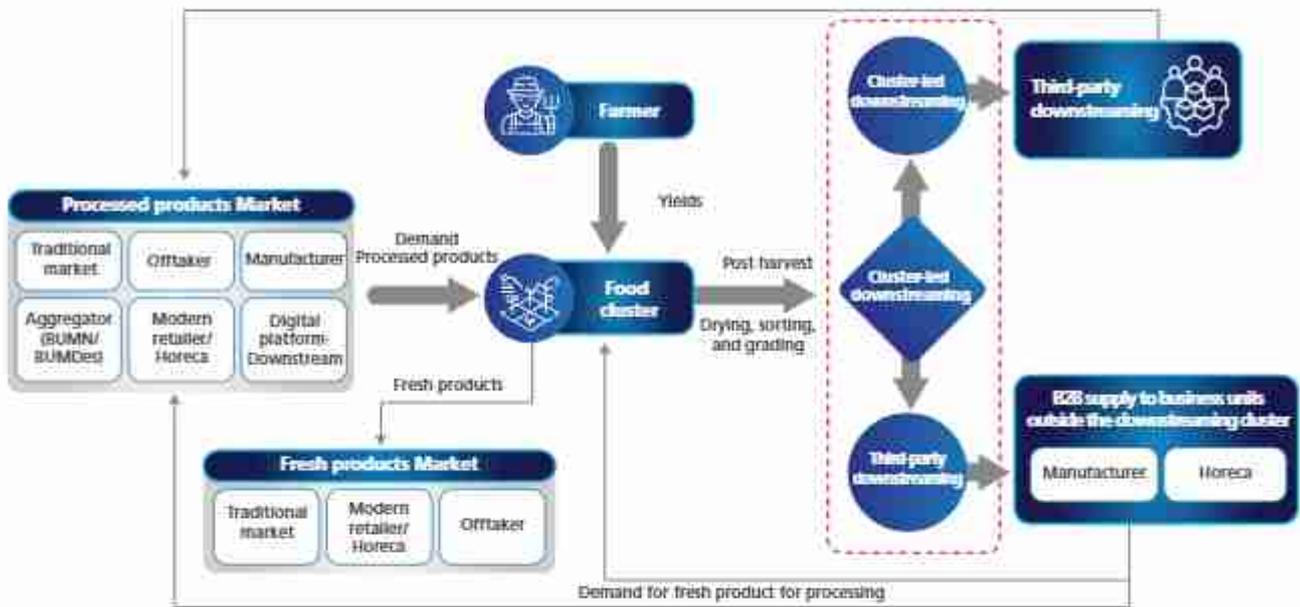
in facilitating selective and targeted trade selection and promotion, business matching, and the development of trading houses. These efforts are complemented by the push strategy, which strengthens MSME capacity through the development of export modules; refinement of e-catalogues; capacity-building programs; and mentoring. To support this approach, Bank Indonesia has developed the MSME Go Global Guidelines as a reference for MSME facilitators and enterprises to prepare for entry into

Figure 7.11. Geographic Distribution of Bank Indonesia-Supported Food Clusters



Source: Bank Indonesia

Figure 7.12. Business Model for Food Cluster Downstreaming



Source: Bank Indonesia

global markets, with a focus on strengthening the 5K aspects (quality, quantity, capacity, continuity, and packaging) and the 2S aspects (standardization and certification) (Figure 7.13.). For ease of application, the guidelines comprise nine structured steps, ranging through export support programs and mentoring; legal compliance; and export product readiness; readiness assessment; and the formulation of go-global strategies.

Efforts to promote MSME digitalization are carried out under the DIGDAYA UMKM program (Digitalization for Enhancing MSME Competitiveness). This program aims to strengthen MSME capacity in online marketing and business digitalization by providing education; facilitating optimal onboarding to digital marketing channels tailored to business needs; and supporting MSMEs in moving up the value ladder through sustained digital

Figure 7.13. MSME Go Global Guidelines



Source: Bank Indonesia



marketing capacity building. DIGDAYA UMKM is implemented in several stages, encompassing program selection and planning; education; mentoring; as well as monitoring and evaluation.

Bank Indonesia also guides MSMEs to adopt sustainable business practices through the Green MSME Program. Through this program, MSMEs are expected to integrate green business concepts by developing green processes and green outputs, while committing to sustainability principles and circular economic value chains to achieve economic, social, and environmental objectives. Green MSMEs are classified into three stages—Eco-Adopter, Eco-Entrepreneur, and Eco-Innovator (Figure 7.14.).

A range of strategies has been designed to promote inclusive and sustainable financing through integrated programs, supported by adequate infrastructure and effective coordination. This approach aims to ensure that financing reaches a wide range of communities and business segments in an optimal manner. In enhancing MSMEs' access to financing, Bank Indonesia provides end-to-end facilitation, including: digital business financial recording through the Financial Recording Application Information System (SIAPIK); the implementation of financing business matching; and the provision of a database of potentially financeable MSME profiles (BISAID). Digital recording through SIAPIK, which applies the principles of being Standardized, Easy, Secure, Simple, and Reliable, enables MSMEs to maintain standardized financial statements, thereby facilitating financial institutions' assessment of creditworthiness while

enhancing transparency and accountability in the financing process. As for MSME financing business matching it is designed to reduce information asymmetries between MSMEs and financial institutions and to facilitate direct engagement through one-on-one sessions. Through this mechanism, MSMEs are expected to better understand financing procedures and requirements, while improving their prospects of accessing financing. As an option, business matching can also be independently conducted by financial institutions through the BISAID platform (Figure 7.15.), which allows flexible, real-time access to and analysis of potential MSME profiles. By combining digital approaches with direct interaction, this strategy is expected to strengthen a more efficient, transparent, and sustainable MSME financing ecosystem.

Efforts to advance green financing continue to be strengthened, including through expanded use of the Green Calculator. The Green Calculator is a mobile-based tool designed to facilitate carbon emission calculations and is freely accessible to a broad range of users, including MSMEs, enabling direct measurement of emissions. In addition, the Indonesian Green Economy Index (IEHI) has been developed as an instrument to measure and monitor progress in green economy implementation. By integrating environmental, social, and economic dimensions relevant to the national context, the index captures the dynamics of an inclusive transition toward a low-carbon economy. IEHI provides a more systematic basis for mapping follow-up strategies to support sustainable financing.

Figure 7.14. Stages of Green MSME Development



Source: Bank Indonesia

Figure 7.15. BISAID – Database of MSMEs with Financing Potential

The screenshot shows the BISAID web application interface. At the top, there is a blue header with the BISAID logo and a 'Logout' button. Below the header, a navigation sidebar on the left lists various menu items: 'Home', 'Business Matching', 'Request Data UMKM', 'UMKM yang Didiri', 'Layanan Monev', 'Produk Pembiayaan UMKM', 'Monitoring', 'Notifikasi', and 'Peta Data Lembaga'. The main content area is titled 'Request Data UMKM' and contains a form with the following fields: 'Provinsi' (dropdown menu), 'Kabupaten / Kota' (dropdown menu), 'Sektor Usaha' (dropdown menu), and 'Lupa Data' (dropdown menu). There are two buttons: a blue 'Cari' button and a blue 'Kembali ke Awal' button. At the bottom right, there is a search bar with the label 'Search:'. Below the form, there is a table header with columns: 'No.', 'RUB', 'Nama Perusahaan / Nama Pengusaha', 'Sektor Usaha', and 'Lama B'.

Source : Bank Indonesia

Inclusive and sustainable economic and financial literacy is also promoted through structured, large-scale, and targeted education programs. Implementation is carried out through education on inclusive and sustainable finance, financial services literacy, and the development of supporting literacy strategies under the Core Competency Program for Financial Literacy and Inclusion (KLIK). Literacy strengthening under the program is based on Digital Financial Services modules developed around core competencies through comprehensive analytical assessments. To reach a broad audience, the modules are designed across multiple competency levels, from basic to advanced, and they cover a wide range of topics, including financial management, investment, and protection against digital risks. Using simple and accessible language, the program aims to enhance financial literacy among target groups, foster high-quality financial inclusion, and strengthen consumer empowerment. From a sustainable finance perspective, literacy efforts are also supported by the Green Economic and Financial Education (EKH) publication entitled *“Indonesia’s Green Economy: A Path toward a Sustainable Future”*. The publication is intended to deepen understanding among financial institutions,

businesses, and the public. Presented in a clear and communicative manner, it conveys the strategic importance of the green economy as a pathway toward equitable, resilient, and sustainable development, covering key issues such as: climate change urgency; green economic and financial concepts; the circular economy; sustainable financing policy and strategic issues; transition dynamics toward a green economy; and Indonesia’s development trajectory toward Net Zero Emissions and Golden Indonesia 2045.

All inclusive and sustainable economic and financial programs are implemented through strong collaboration and cross-sectoral synergies across a wide range of stakeholders. These include: ministries and government agencies; local governments; the financial services industry; business; academia; and civil society organizations. Such collaboration is intended to ensure effective program planning, implementation, and evaluation in line with community needs. With broad stakeholder engagement, program outreach is expected to expand, implementation to become more targeted, and the resulting impact and benefits to be tangible and sustainably felt across all segments of society.



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Appendices



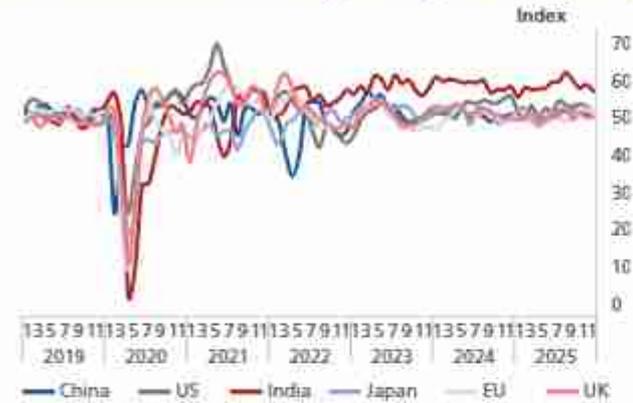


Chart Set 1.

Global Economic Moderation Accompanied by Higher Uncertainty

Global economic moderation, as reflected by slower expansion of services sector

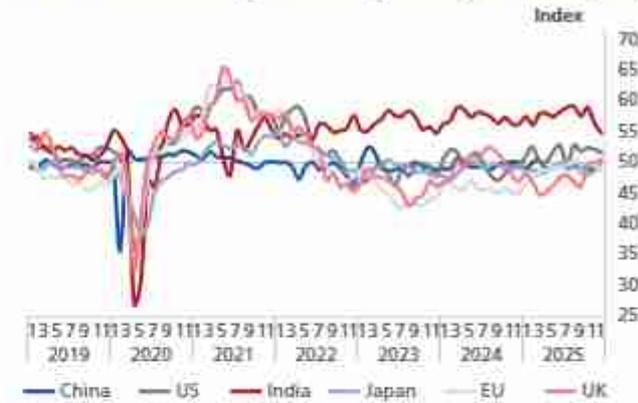
Global Services Purchasing Managers' Index (PMI)



Source: IHS Markit, Bloomberg (China)

Manufacturing sector continues to experience contraction in most major economies

Global Manufacturing Purchasing Managers' Index (PMI)



Source: IHS Markit, Bloomberg (China)

Deepening geopolitical tensions contributing to global commodity price volatility, particularly oil prices

Indonesia Export Commodity Prices and Global Oil Price

Commodity	2019	2020	2021	2022	2023	2024	2025
Oil (Brent)**	55	35	75	87	74	82	85
Indonesia Commodity Exports	102	93	107	102	109	100	107
Copper	42	40	41	58	51	43	47
Gold	23	28	27	27	28	28	27
Crude	10	10	10	10	10	10	10
Iron	48	48	48	48	48	48	48
Wheat	47	47	47	47	47	47	47
Rice	80	80	80	80	80	80	80
Aluminum	84	84	84	84	84	84	84
Coffee	36	36	36	36	36	36	36
Other	63	63	63	63	63	63	63

Source: Bloomberg
**Oil in USD/Barrel, other commodities (% yoy)

Labor market conditions in advanced economies remain tight, as reflected by low unemployment rates

Unemployment Rates in AEs (US and Europe)



Source: FRED, Bloomberg

Fiscal expansion in US, while the FFR remains at a high-level, has driven an increase in UST yields and term premia

US Treasury Yield and 10-year Term Premium



Source: Bloomberg

Financial Condition Index (FCI) of major countries remains relatively tight compared with historical trend despite some signs of easing

Financial Condition Index (FCI) of Major Countries



Source: Bloomberg, Data as of 31 December 2025

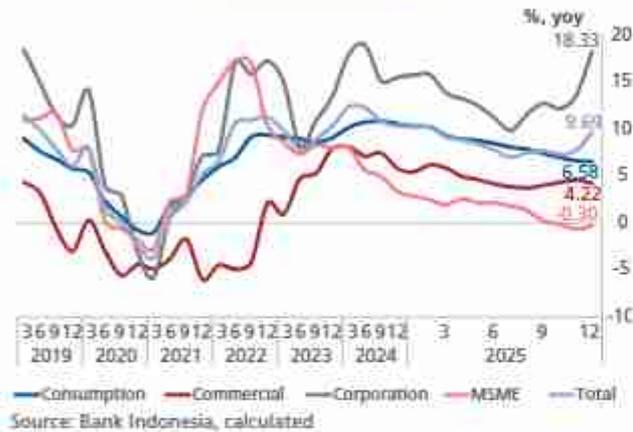


Chart Set 3.

Positive Bank Intermediation Growth underpinned by Maintained Financial System Resilience in terms of Capital, Credit Risk and Liquidity

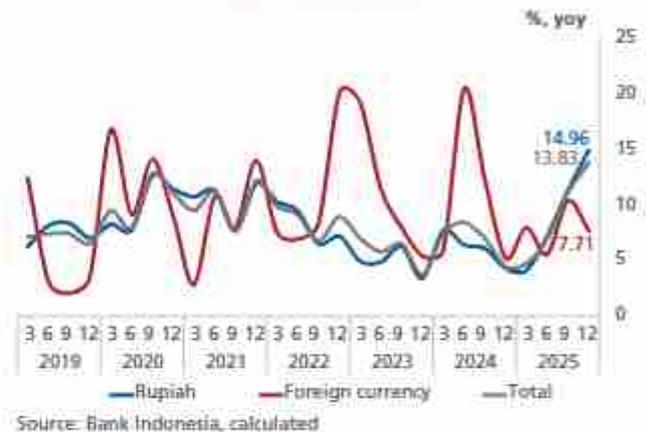
Credit growth remains positive, primarily driven by corporate sector...

Credit by Segment



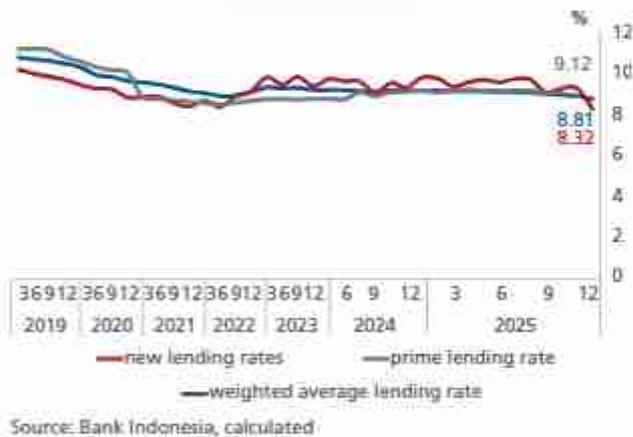
...supported by strong growth in third-party funds (TPF), in both Rupiah and foreign currency TPF

TPF by Currency



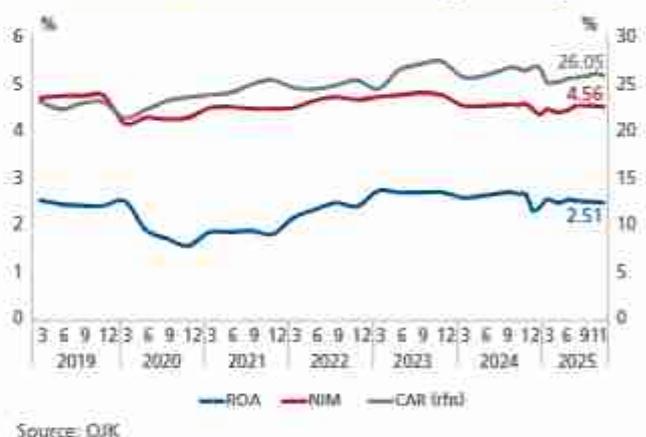
Conductive lending rates declining

Lending Rates



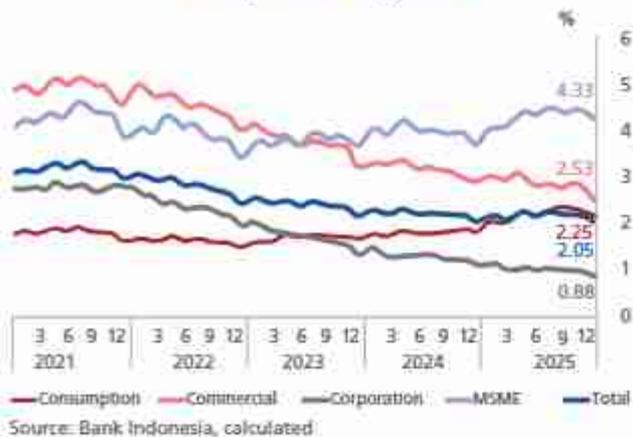
Bank profitability maintained, thus contributing to high Capital Adequacy Ratio (CAR)

ROA, NIM and CAR of Banking Industry



Credit risk mitigated, as reflected by NPL ratio below 5% threshold...

NPL by Credit Segment



...and lower LaR ratio, already below pre-pandemic levels as an aggregate

LaR by Credit Segment

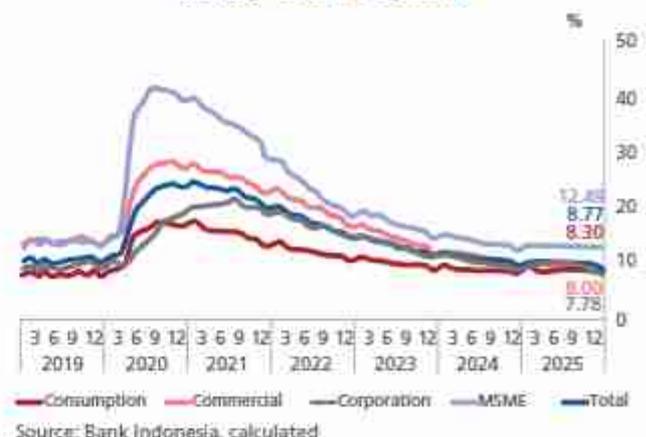


Chart Set 4.

Digital Economy and Financial Transactions Remain Strong, Supported by a Secure, Smooth, and Reliable Payment System

Digital banking transactions continued upward trend, dominated by mobile banking



Source: Bank Indonesia

Credit card transactions continued upward trend, driven by private retail transactions



Source: Bank Indonesia

Electronic money (E-money) transactions (banks and non-banks) continued upward trend, dominated by retail transactions



Source: Bank Indonesia

E-Commerce transactions increase in line with public preference for retail via online platforms



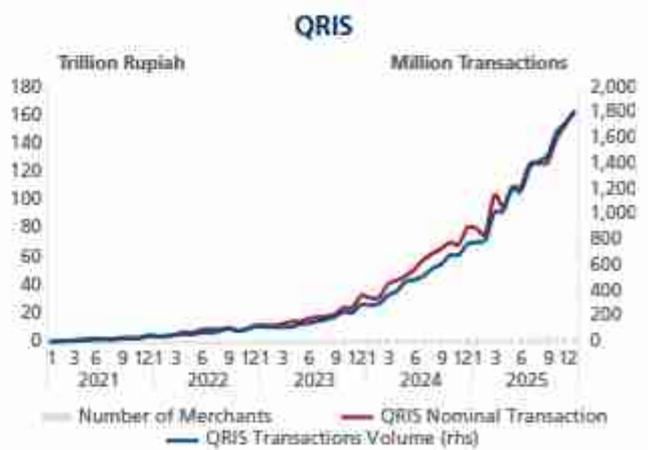
Source: Bank Indonesia

BI-FAST transactions indicate positive trend in line with the expansion of service channels and the development of new features



Source: Bank Indonesia

QRIS transactions continue to record impressive growth, supported by expansion of merchants and end-users



Source: Bank Indonesia



Bank Indonesia Policy Mix 2025

I. Monetary Policies

No	Policy	Policy Description	Goals and Background
1.	Interest Rate Policy	a. Lowered the BI-Rate by 25 bps to 5.75%, the Deposit Facility rate by 25 bps to 5.00%, and the Lending Facility rate by 25 bps to 6.50% at the January 2025 Board of Governors Meeting.	The decision to lower the BI-Rate to 5.75% was consistent with the continued low inflation forecasts for 2025 and 2026 that remained within the 2.5±1% target range, the maintenance of the Rupiah exchange rate in line with fundamentals to keep inflation within its target, and the need to help support economic growth.
		b. Maintained the BI-Rate at 5.75%, the Deposit Facility rate at 5.00%, and the Lending Facility rate at 6.50% at the February 2025 Board of Governors Meeting.	This decision was consistent with efforts to keep inflation forecasts for 2025 and 2026 remained within the 2.5±1% target range, to stabilize the Rupiah exchange rate in line with fundamentals amid persistently high global uncertainty, and to help support economic growth.
		c. Maintained the BI-Rate at 5.75%, the Deposit Facility rate at 5.00%, and the Lending Facility rate at 6.50% at the March 2025 Board of Governors Meeting.	This decision was consistent with efforts to keep inflation forecasts for 2025 and 2026 remained within the 2.5±1% target range, to maintain Rupiah exchange rate stability in line with fundamentals amid continued high global uncertainty, and to help support economic growth.
		d. Maintained the BI-Rate at 5.75%, the Deposit Facility rate at 5.00%, and the Lending Facility rate at 6.50% at the April 2025 Board of Governors Meeting.	This decision was consistent with efforts to keep inflation forecasts for 2025 and 2026 remained within the 2.5±1% target range, to maintain Rupiah exchange rate stability in line with fundamentals amid rising global uncertainty, and to help support economic growth.
		e. Lowered the BI-Rate by 25 bps to 5.50%, the Deposit Facility rate by 25 bps to 4.75%, and the Lending Facility rate by 25 bps to 6.25% at the May 2025 Board of Governors Meeting.	The decision to lower the BI-Rate to 5.50% was consistent with low inflation forecasts for 2025 and 2026 that remained within the 2.5±1% target range, efforts to maintain Rupiah exchange rate stability in line with fundamentals, and to help support economic growth.
		f. Maintained the BI-Rate at 5.50%, the Deposit Facility rate at 4.75%, and the Lending Facility rate at 6.25% at the June 2025 Board of Governors Meeting.	This decision was in line with inflation forecasts for 2025 and 2026 remaining within the 2.5±1% target range, Rupiah exchange rate stability in line with fundamentals amid persistently high global uncertainty, and the need to continue supporting economic growth.
		g. Lowered the BI-Rate by 25 bps to 5.25%, the Deposit Facility rate by 25 bps to 4.50%, and the Lending Facility rate by 25 bps to 6.00% at the July 2025 Board of Governors Meeting.	The decision to lower the BI-Rate to 5.25% was consistent with the lower inflation forecasts for 2025 and 2026, which remain within the 2.5±1% target range, the maintenance of Rupiah exchange rate stability in line with fundamentals, and the need to continue supporting economic growth.
		h. Lowered the BI-Rate by 25 bps to 5.00%, the Deposit Facility rate by 25 bps to 4.25%, and the Lending Facility rate by 25 bps to 5.75% at the August 2025 Board of Governors Meeting.	The decision to lower the BI-Rate to 5.00% was consistent with inflation forecasts for 2025 and 2026 remaining low within the 2.5±1% target range, the maintenance of Rupiah exchange rate stability, and the need to support economic growth in line with the economy's capacity.

No	Policy	Policy Description	Goals and Background
		<p>l. Lowered the BI-Rate by 25 bps to 4.75%, the Deposit Facility rate by 50 bps to 3.75%, and the Lending Facility rate by 25 bps to 5.50% at the September 2025 Board of Governors Meeting.</p>	<p>The decision to lower the BI-Rate to 4.75% was in line with joint efforts to support economic growth while maintaining low inflation forecasts for 2025 and 2026 within the 2.5±1% target range and Rupiah exchange rate stability in line with fundamentals.</p>
		<p>j. Maintained the BI-Rate at 4.75%, the Deposit Facility rate at 3.75%, and the Lending Facility rate at 5.50% at the October 2025 Board of Governors Meeting.</p>	<p>This decision was consistent with inflation forecasts for 2025 and 2026 remaining low within the 2.5±1% target range, efforts to maintain Rupiah exchange rate stability in line with fundamentals amid persistently high global uncertainty, and policy synergy to help further strengthen economic growth.</p>
		<p>k. Maintained the BI-Rate at 4.75%, the Deposit Facility rate at 3.75%, and the Lending Facility rate at 5.50% at the November 2025 Board of Governors Meeting.</p>	<p>This decision was consistent with efforts to maintain Rupiah exchange rate stability amid persistently high global uncertainty, while continuing to strengthen the effectiveness of transmission of the monetary and macroprudential easing measures implemented to date to safeguard stability and support the national economy.</p>
		<p>l. Maintained the BI-Rate at 4.75%, the Deposit Facility rate at 3.75%, and the Lending Facility rate at 5.50% at the December 2025 Board of Governors Meeting.</p>	<p>This decision was consistent with inflation forecasts for 2025 and 2026 remaining low within the 2.5±1% target range, efforts to maintain Rupiah exchange rate stability amid persistently high global uncertainty, and continued strengthening of the effectiveness of transmission of the monetary and macroprudential easing measures implemented to date to safeguard stability and support the national economy.</p>
2.	Exchange Rate Stability	<p>Stabilized the rupiah exchange rate through interventions in the form of Non-Deliverable Forward (NDF) transactions in offshore markets, as well as spot, Domestic Non-Deliverable Forward (DNDF) transactions in the domestic market and purchases of Government Securities (SBN) in the secondary market.</p>	<p>Bank Indonesia optimized all monetary instruments, including reinforcement of the pro-market monetary operations strategy through the optimization of SRBI, SVBI, SUVBI, and SUKBI instruments to strengthen policy effectiveness in attracting foreign portfolio inflows and supporting Rupiah exchange rate stability amid rising uncertainty in the global economy and financial markets.</p>
3.	Monetary Operations	<p>a. Optimization of Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Foreign Currency Securities (SVBI), Bank Indonesia Foreign Currency Sukuk (SUVBI), and Bank Indonesia Sukuk (SUKBI) as pro-market monetary instruments.</p> <p>b. Strengthened the strategy for term-repo and foreign currency swap transactions.</p> <p>c. Issued BI-FRN (Floating Rate Notes) to support the development of the Overnight Index Swap (OIS) for tenors beyond overnight, in efforts to establish an efficient interest rate structure in the money market.</p>	<p>Bank Indonesia strengthened the pro-market monetary operations strategy to reinforce the effectiveness of monetary policy transmission, accelerate deepening of the money market and foreign exchange market, expand liquidity, and stimulate foreign capital inflows.</p>



No	Policy	Policy Description	Goals and Background
		<p>d. Managed the interest rate structure of monetary instruments and foreign currency swaps to strengthen the effectiveness of policy rate transmission while maintaining the attractiveness of foreign portfolio inflows to domestic financial assets.</p> <p>e. Expanded the underlying assets for repo operations in Bank Indonesia's monetary operations to include other high quality securities issued by financial institutions established or formed by the Government to support Government programs for public welfare.</p> <p>f. Expanded foreign exchange monetary operation instruments through spot and swap transactions in Chinese Yuan (CNY) and Japanese Yen (JPY) against the rupiah, integrated with money market and foreign exchange market development.</p>	
4.	Policy Coordination for Inflation Control	<p>Convened the High-Level Meeting of the Central Inflation Control Team (HLM TPIP) on 31st January 2025. The meeting was chaired by the Coordinating Minister for Economic Affairs and attended by the Governor of Bank Indonesia; the Minister of Finance; the Minister of Home Affairs; the Vice Minister of Trade; the Vice Minister of Public Works; the Vice Minister of Marine Affairs; the Acting Head of Statistics Indonesia; and echelon I officials and/or equivalent representatives from ministries and agencies that are members of the TPIP.</p>	<p>The Government and Bank Indonesia agreed to strengthen synergy and coordination to keep Consumer Price Index (CPI) inflation within the 2.5±1% target range in 2025. Three strategic measures would be pursued to strengthen inflation control in 2025, as follows:</p> <ol style="list-style-type: none"> 1. Maintain 2025 inflation within the 2.5±1% target range in support of accelerating national economic growth. 2. Strengthen central-regional coordination through the establishment of the Inflation Control Roadmap for 2025–2027, including the following measures: <ol style="list-style-type: none"> a. ensuring the affordability of food commodity prices and transportation fares during the National Religious Holidays (HBKN) period; b. increasing food productivity to maintain supply availability across time periods and regions; c. ensuring smooth interregional distribution of food, particularly from surplus to deficit areas; d. strengthening the availability and reliability of food data; and e. enhancing communication synergy to manage public inflation expectations. <p>The HLM TPIP also established the Inflation Control Roadmap for 2025–2027 to ensure that inflation remains within the target range of 2.5±1% for 2025–2027, as determined by the Government.</p>

No	Policy	Policy Description	Goals and Background
		<p>Convened the 2025 National Coordination Meeting (<i>Rakornas</i>) on Inflation Control and the Acceleration and Expansion of Regional Digitalization (P2DD), held in conjunction with the 2025 Annual Meeting of Bank Indonesia (PTBI). PTBI adopted the theme "Resilience and Self Reliance: Synergy Toward Higher and Enduring Economic Growth" at Bank Indonesia's Head Office. The event was attended by the President of the Republic of Indonesia; the Coordinating Minister for Economic Affairs; the Governor of Bank Indonesia; the Minister of Home Affairs; the Minister of Finance; the Coordinating Minister for Food Affairs and several Ministers of the Cabinet; leaders of state institutions; Ambassadors to Indonesia; Provincial/Regency/Municipality Governments receiving the 2025 TPID Award and the 2025 TP2DD Championship; and relevant associations.</p>	<p>The President of the Republic of Indonesia conveyed appreciation to the Ministers and related officials in attendance, particularly the Central Inflation Control Team (TPIP) and the Regional Digitalization Acceleration Team (TP2DD), for their synergy, unity, and reconciliation in formulating policies that prioritize public welfare.</p> <p>The Coordinating Minister for Economic Affairs, in his capacity as Chair of TPIP, also stated that inflation remained well-controlled within the national target range, supported by the consistency of BI's interest rate policy and the Government's fiscal incentives in guiding inflation expectations.</p> <p>Furthermore, the policy mix across fiscal, monetary, and real sectors, along with continued implementation of the four main inflation control strategies—price affordability, supply availability, smooth distribution, and effective communication (4K)—continued to be pursued to ensure inflation remained within the target range.</p>
5.	Policy Coordination for Services Sector	<p>Cross ministerial/agency synergy to strengthen the performance of the services sector, including tourism and connectivity was pursued through the following initiatives:</p> <ol style="list-style-type: none"> Accelerating the implementation of quality tourism to support the achievement of national priorities under the 2025–2029 National Medium-Term Development Plan (RPJMN), in collaboration with the Ministry of National Development Planning Agency (Bappenas), the Ministry of Tourism, the Coordinating Ministry for Economic Affairs, and Statistics Indonesia (BPS). Strengthening national logistics, particularly through the preparation of studies supporting policies to address over-dimension over-loading (ODOL) logistics vehicles, in collaboration with the Coordinating Ministry for Infrastructure and Regional Development, BPS, the Ministry of National Development Planning/Bappenas, the Ministry of Trade, and the Ministry of Transportation. Supporting the development of globally competitive Muslim friendly tourism through the preparation of the Indonesia Muslim Travel Index (IMTI) 2025, in collaboration with the Ministry of Tourism and the ENHAI Halal Tourism Center (EHTC). 	<ol style="list-style-type: none"> Bank Indonesia played an active role in preparing assessments and measurements of quality tourism implementation in priority and regenerative destinations under the 2025–2029 RPJMN. This assessment built on initiatives since 2022 with the Joint Secretariat for Tourism and was included in the insight Report 2025, which reviewed the application of quality tourism indicators across five priority destinations and three regenerative destinations, along with policy recommendations to advance quality tourism in support of sustainable economic growth. Bank Indonesia collaborated with the Ministry of Tourism and the Ministry of National Development Planning/Bappenas in preparing the Indonesia Tourism Outlook 2025/2026, which presents the landscape of domestic and global tourism, progress in implementing quality tourism, and opportunities arising from evolving trends and strategic directions for tourism development to support the <i>Asfa Cita</i> national agenda. Bank Indonesia contributed to the preparation of studies assessing the impact of policies addressing over-dimension over-loading logistics vehicles. This study formed part of the national strategy to strengthen the logistics ecosystem and would be incorporated into the forthcoming Presidential Regulation on National Logistics Strengthening. Bank Indonesia also played a role in empowering Tourism Awareness Groups (Pokdarwis) to support inclusive and sustainable economic and financial development. Bank Indonesia implemented Pokdarwis programs in Batang River Tourism Village in West Sumatra and Bilebante Tourism Village in West Nusa Tenggara.



No	Policy	Policy Description	Goals and Background
6.	Policy Coordination for Manufacturing	<p>Cross-ministerial/agency synergy to strengthen the manufacturing sector continued through the following initiatives:</p> <ol style="list-style-type: none"> 1. Bank Indonesia coordinated with the National Economic Council to reinforce inter-institutional coordination in strengthening the manufacturing sector, particularly labor-intensive industries. 2. Bank Indonesia coordinated with the National Task Force for Downstreaming Acceleration and National Energy Resilience as part of efforts to strengthen inter-institutional coordination in supporting the strategic agenda for accelerating natural resource downstreaming. 3. Bank Indonesia continued its synergy with the Ministry of Industry to strengthen the manufacturing sector as part of joint efforts to support economic growth and maintain stability. 	<ol style="list-style-type: none"> 1. Bank Indonesia and the National Economic Council conducted in-depth assessments of the constraints hindering recovery in labor-intensive industries, particularly textiles and textile products (TPT) which showed relatively slow improvement, and formulated strategic recommendations to accelerate recovery. Coordination took place through a high-level meeting followed by technical discussions. 2. Downstreaming policy constitutes one of the missions in the national priorities (<i>Asta Cita</i>). Accordingly, high-level coordination with the National Task Force for Downstreaming Acceleration and National Energy Resilience served as a forum for policy dialogue and exchange of views. The discussions emphasized efforts to promote downstreaming and the potential expansion of downstreaming from the mining sector to the food sector to ensure that Indonesia's transition toward becoming an advanced economy proceeds inclusively and supports job creation. 3. Bank Indonesia and the Ministry of Industry signed an extension of the Memorandum of Understanding (MoU) on cooperation and coordination in carrying out their respective duties and functions on 24 September 2025. The scope of the MoU included: <ul style="list-style-type: none"> (i). policy synergy to support sustainable economic growth through industrial sector strengthening; (ii). synergy in developing economic and financial inclusion, both conventional and sharia, for small and medium industries (IKM) and micro, small, and medium enterprises (MSMEs) in the industrial sector; (iii). use of data and/or information; (iv). human resource capacity building; and (v). other cooperation and coordination agreed upon by both institutions. <p>The MoU was followed up with a series of activities in 2025 focusing on strengthening industrial policies through the optimization of Industrial Estates (KI) and Special Economic Zones (KEK), optimization of trade routes, financing, enhancement of MSME/SMI capabilities, and strengthening of policy-related data and information.</p>

II. Macprudential Policies

No	Policy	Policy Description	Goals and Background
Intermediation			
1.	Macprudential Liquidity Incentive (KLM) Policy	<ol style="list-style-type: none"> a. Strengthening of KLM effective 1 January 2025 with a maximum incentive of 4% of third-party funds (TPF).²³ 	<p>The KLM incentives were directed to encourage credit distribution to priority sectors that support job creation and sectors capable of improving public welfare, including the lower-middle income group. The incentives were also directed to the MSME and Ultra Micro (UMi) segments, as well as the green sector.</p>

23 Board of Governors Regulation Number 21 of 2024 dated 12th December 2024 concerning the Second Amendment to Board of Governors Regulation Number 11 of 2023 dated 27 December 2023 on the Implementation of the Macprudential Liquidity Incentive Policy.

No	Policy	Policy Description	Goals and Background
		<p>b. Strengthening of KLM effective 1 April 2025, increasing the maximum incentive from 4% to 5% of TPF.²⁴</p>	<p>Strengthening of the KLM aims to adjust the distribution of incentive allocations toward priority sectors that are more supportive of economic growth and job creation. Incentives are also directed to support the Government's <i>Asta Cita</i> programs in the housing sector, including public housing.</p>
		<p>c. Performance-based and forward-looking strengthening of the KLM, effective 1st December 2025, raising the maximum incentive to 5.5% of TPF. KLM incentives are allocated at a maximum of 5% through the lending channel and 0.5% through the interest rate channel.²⁵</p>	<p>The strengthening of the KLM is intended to promote intermediation that can accelerate sustainable economic growth in a more targeted manner, while also enhancing the effectiveness of policy rate transmission to lending rates.</p>
		<p>d. Performance based and forward-looking strengthening of the KLM, effective 16th December 2025, with a maximum incentive of 5.5% of TPF. KLM incentives are allocated at a maximum of 4.5% through the lending channel and 1% through the interest rate channel.</p>	<p>Incentives are provided to banks that commit to extending credit/financing to designated sectors (lending channel) and set lending/financing rates aligned with the direction of Bank Indonesia's policy rate (interest rate channel).</p>
2.	Loan to Value/Financing to Value (LTV/FTV) ratios for property mortgages (or other financing) and downpayments for motor vehicle loans/financing	<p>Bank Indonesia continued the relaxation of LTV/FTV ratios for property loans/financing to a maximum of 100% for all property categories, as well as the minimum downpayment requirement for motor vehicle loans/financing to no less than 0%, effective from 1st March 2021 to 31st December 2021, has been extended annually through 31 December 2026.²⁶</p>	<p>Bank Indonesia has announced further relaxation in the LTV/FTV ratios for property mortgages and down payment for motor vehicle ownership to promote credit growth in the property and automotive sectors without sacrificing prudential principles and risk management.</p>
3.	Interest Rate Transparency	<p>a. Continued with the policy for transparency in the base lending rate (BLR) along with deepening of KLM priority sectors.</p> <p>b. Effective 1 January 2026, the assessment of prime lending rate transparency includes the effectiveness of banking interest rate responses to reductions in the Bank Indonesia policy rate.</p>	<p>The purpose of transparency in base lending rate assessment is to achieve stronger transmission of Bank Indonesia monetary and macroprudential policies. Through transparency, members of the public and the business community benefit from access to information on developments in the base lending rate for the banking system and lending rates offered by banks. The expectation is that improved transmission of the policy rate to lending rates with competitive and efficient pricing of loan interest rates will sustain credit demand and in turn promote economic recovery.</p>

24 Board of Governors Regulation Number 7 of 2025 dated 26th March 2025 concerning the Third Amendment to Board of Governors Regulation Number 11 of 2023 dated 27 December 2023 on the Implementation of the Macroprudential Liquidity Incentive Policy.

25 Board of Governors Regulation Number 27 of 2025 dated 1st December 2025 concerning Implementation Regulations for the Macroprudential Liquidity Incentive Policy.

26 Board of Governors Regulation Number 30 of 2025 dated 19th December 2025 concerning Seventh Amendment to Board of Governors Regulation Number 21/25/PADG/2019 concerning Loan to Value Ratios for Property Credit, Financing to Value Ratios for Property Financing, and Downpayment Requirements for Motor Vehicle Credit or Financing.



No	Policy	Policy Description	Goals and Background
			Besides promoting more effective monetary policy transmission, Bank Indonesia is also working hard to expand information dissemination to credit consumers at the corporate and household levels. Further objectives of these publications are to improve governance, market discipline and competition in formation of bank base lending rates so that the offered base lending rates will be more competitive in stimulating credit demand and driving economic recovery.
4.	Macroprudential Intermediation Ratio (MIR)	<p>a. Continued the implementation of accommodative macroprudential policies to encourage bank credit/financing to the business sector by maintaining the MIR within the range of 84-94% throughout 2025.</p> <p>b. The MIR framework was strengthened through the addition of provisions enabling Bank Indonesia to designate other securities, along with their criteria and mechanisms, to be eligible for inclusion in the MIR, effective 20th October 2025.²⁷</p>	<p>The MIR and Sharia MIR are macroprudential instruments for the purpose of managing the bank intermediary function in line with growth capacity and targets for the economy while continuing to uphold prudential principles.</p> <p>For more robust implementation of relaxed macroprudential policies to promote sustainable economic growth, Bank Indonesia maintained the MIR and Sharia MIR within the range of 84-94%.</p>
5.	Countercyclical Capital Buffer (CCyB)	Continued accommodative macroprudential policies by maintaining the CCyB ratio at 0% throughout 2025. ²⁸	For more robust implementation of relaxed macroprudential policies, designed to promote sustainable economic growth, Bank Indonesia has maintained the CCyB at 0%. This is supported by the absence of any increase in systemic risk from excessive credit growth and ensuing requirements for additional capital to absorb losses that may result.
Resilience			
6.	Macroprudential Liquidity Buffer (MPLB)	a. Continued an accommodative macroprudential policy stance by reducing the Macroprudential Liquidity Buffer (MPLB) ratio for Conventional Commercial Banks (CCB) and Sharia Commercial Banks (SCB), effective 1 st June 2025. The MPLB for CCB was reduced to 4% from 5%, with repo flexibility of 4%. Meanwhile, the Sharia MPLB for SCB was reduced to 2.5% from 3.5%, with repo flexibility of 2.5%.	<p>The reduction of the MPLB ratio and the flexibility feature is intended to provide banks with greater leeway in managing liquidity for lending/financing while simultaneously promoting financial market deepening.</p> <p>In line with this, the addition of eligible securities that can be counted toward MPLB/Sharia MPLB fulfillment is intended to further enhance banking flexibility in liquidity management, thereby supporting further growth in intermediation.</p>

27 Board of Governors Regulation Number 23 of 2025 dated 20th October 2025 concerning the Macroprudential Intermediation Ratio and the Macroprudential Liquidity Buffer for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units.

28 Bank Indonesia Regulation Number 17/22/PSB/2015 concerning Mandatory Formation of the Countercyclical Buffer dated 28th December 2015.

No	Policy	Policy Description	Goals and Background
		b. Expanded the types of securities eligible to be counted toward MPLB fulfillment, namely BI-FRN and securities issued by other financial institutions established or founded by the Government to support Government programs for public welfare, as designated by Bank Indonesia, including PT SMF (Sarana Multigriya Finansial) corporate bonds/ sukuk and other high-quality securities effective 20 October 2025. ²⁹	The strengthening of the MPLB was carried out in line with the well-maintained liquidity resilience of the banking system, as reflected in the high-level of MPLB-eligible securities held by banks.
7.	Provision of PLIP	Expanded the types of securities eligible as PLIP collateral to include BI-FRN and securities issued by other financial institutions established or founded by the Government to support Government programs for public welfare, as designated by Bank Indonesia, namely PT Sarana Multigriya Finansial (SMF) corporate bonds/ sukuk and other high-quality securities. ³⁰	<p>The P2SK Act strengthened Bank Indonesia's mandate in formulating and implementing macroprudential policy, including the authority to act as Lender of Last Resort (LoLR) through the provision of PLIP/PLIPS funding.</p> <p>The strengthening of various aspects of PLIP/PLIPS provision is expected to enhance the effectiveness of resolving liquidity problems experienced by commercial banks.</p>
Financial Inclusion			
8.	Macroprudential Inclusive Financing Ratio (RPIM)	Continued the RPIM policy to support the growth of inclusive financing. ³¹	The RPIM requirements for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units were issued to support joint Government efforts to improve access to financing and development for MSMEs and low-income individuals (PBR), and to encourage banks to contribute optimally toward RPIM fulfillment. Each bank is required to contribute to RPIM fulfillment in accordance with its expertise and business model while upholding prudential principles and sound risk management.
9.	The Bank Foreign Funding Ratio (RPLN)	Maintained an accommodative macroprudential policy stance by increasing the Countercyclical Parameter by 5%, thereby raising the Bank Foreign Funding Ratio (RPLN) from a maximum of 30% to 35% of bank capital, effective 1st June 2025. ³²	Strengthened implementation of the RPLN policy was intended to increase banks' foreign funding sources in line with the needs of the economy while maintaining prudential standards.

29 Board of Governors Regulation Number 11 of 2025 dated 28th May 2025 concerning the Eighth Amendment to Board of Governors Regulation Number 21/22/PADG/2019 dated 28 November 2019 concerning the Macroprudential Intermediation Ratio and the Macroprudential Liquidity Buffer for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units.

30 Board of Governors Regulation Number 22 of 2025 dated 20th October 2025 concerning the Amendment to Board of Governors Regulation Number 22 of 2023 dated 28 December 2023 on the Implementation of Short-Term Liquidity Assistance for Conventional Commercial Banks.

31 Bank Indonesia Regulation Number 23/13/PBI/2021 dated 31st August 2021 concerning the Macroprudential Inclusive Financing Ratio for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units.

32 Board of Governors Regulation Number 12 of 2025 dated 28th May 2025 concerning the Amendment to Board of Governors Regulation Number 7 of 2024 dated 1 August 2024 on the Implementation of the Bank Foreign Funding Ratio.



No	Policy	Policy Description	Goals and Background
Policy Coordination			
10.	Regular Meetings Financial System Stability Committee (KSSK)	Regular meetings of the KSSK were convened throughout 2025 to coordinate efforts to safeguard financial system stability and accelerate national economic recovery.	The KSSK held quarterly meetings as a form of coordination among financial system authorities (the Ministry of Finance, Bank Indonesia, OJK, and LPS) to maintain financial system stability. Outcomes of the coordination included policy formulation, both as integrated policy packages and as synergized policy mixes across authorities. Deliberations generally covered assessments of the economy and the financial system, policy formulation, and topical issues considered closely related to maintaining financial system stability.
11.	Bank Indonesia–OJK Coordination	Strengthened coordination between Bank Indonesia and OJK to harmonize policies and regulations in support of policy effectiveness. Bank Indonesia policies harmonized with OJK included KLM, RPLN, PLJP/PLJPS, RIM–MPLB, and Payment System Industry regulations. Several OJK policies and regulations supporting the bank intermediation function, which were harmonized with Bank Indonesia regulations, included the draft OJK Regulation (RPOJK) on transparency and publication of bank reports; compliance requirements for the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) for Sharia Commercial Banks and Sharia Business Units; leverage ratio requirements for Sharia Commercial Banks; reporting by commercial banks through the OJK reporting system; information technology implementation by Rural Banks and Sharia Rural Banks; the use of foreign workers and knowledge-transfer programs by commercial banks; and the administration of sharia investment products. In addition, coordination between Bank Indonesia and OJK also covered the exchange of data and/or information, joint stress tests, bank examinations, licensing and/or approvals, and the implementation of KKD.	Harmonization of policies and/or regulations and macroprudential–microprudential coordination serve as forms of synergy to support financial system stability through growth in bank intermediation and banking products, bank resilience with controlled risks, and the development of inclusive, MSME, and green financing.
12.	Bank Indonesia–LPS Coordination	Strengthened bilateral coordination between Bank Indonesia and LPS in 2025 through harmonization of policies and/or regulations, including refinement of the Memorandum of Understanding on Cooperation and Coordination in the execution of the functions, duties, and authorities of Bank Indonesia and the Indonesian Deposit Insurance Corporation (LPS). Coordination also included exchange of data and/or information, implementation of simulations, inter-authority institutional benchmarking, and coordination meetings.	Harmonization and coordination between Bank Indonesia and the Indonesian Deposit Insurance Corporation were undertaken to safeguard financial system stability in line with the mandate of the P2SK Act.

III. Payment System Policies

No	Policy	Policy Description	Goals and Background
1.	The direction of payment system policy as spelt out in BSP1 2030	Through BSP1 2030, Bank Indonesia seeks to maintain the sustainability of payment system digitalization. BSP1 2030 includes five main initiatives, namely: developing payment system infrastructure; strengthening and consolidating the national payment system industry; strengthening digital innovation and increasing acceptance; strengthening international cooperation; and developing a digital currency or digital Rupiah (4I-RD).	Creation of the 2030 Indonesian payment system will support the integration of the digital financial ecosystem within a consolidated and resilient structure. This should guarantee the function of the central bank in regard to the circulation of money, monetary policy and Financial System Stability amidst a changing strategic environment, marked by increasing participation of the Y, Z and Alpha generations as well as heightened cyber risks and increasingly large fund flows globally.
2.	Continuing policy to reduce Bank Indonesia National Clearing System (SKNBI) Fees	Reductions in SKNBI fees: from banks to Bank Indonesia from Rp600 to Rp1; and from customers to banks from a maximum of Rp3,500 to a maximum of Rp2,900, effective from 1st April 2020.	To increase cost efficiency to support economic activities.
3.	Continuing credit card policy on maximum interest rate limits, minimum payments and late penalties	Credit Card Policy: a. Reducing the maximum credit card interest rate from 2% per month to 1.75% per month. b. Reduction in the minimum payment value from 10% to 5%. c. Reducing late payment fines from 3% or a maximum of Rp150,000 to 1% or a maximum of Rp100,000.	To increase efficiency to maintain economic recovery momentum and accelerate inclusive digitalization.
4.	Expansion of QRIS Features for Scanless Payments and Adjustment of QRIS MDR for BLU and PSO Criteria	Implemented the strengthening of QRIS merchant discount rate (MDR) policy for the criteria of Public Service Agencies (BLU) and Public Service Obligation (PSO) from 0.4% to 0%, which will take effect from 14 th March 2025, concurrently with QRIS (scanless).	Supports innovation in the digital payment system as an alternative payment method that is faster, more convenient, affordable, secure and reliable for the public, particularly in supporting public services and retail transactions digitally.
5.	Expansion of Payment Service Inclusiveness through Expanded QRIS Acceptance	Implemented an acceptance expansion strategy targeting 58 million QRIS users, 40 million merchants, and 6.5 billion QRIS transaction volumes.	Aims to encourage household consumption and payment system innovation in support of inclusion and the acceleration of national economic recovery.
6.	Expansion of the Indonesia-Japan Cross-Border QRIS Cooperation Corridor	Launched the Indonesia-Japan cross-border QRIS cooperation on 17 th August 2025.	Aims to promote the convenience and efficiency of cross-border transactions, strengthen payment system innovation and interconnection, and support increased economic activity, tourism, and financial inclusion between Indonesia and Japan.
7.	Expansion of Interconnection through Implementation of the National Open API Payment Standard (SNAP)	Expanded SNAP integration to all payment system service providers (PJP) to integrate all non-MSME and non-profit users.	Aims to support interlinkages, particularly across banking and relevant participants, consistent with the principles of interconnection, interoperability, and integration.



No	Policy	Policy Description	Goals and Background
8.	Expansion of Alternative Payment Services for the Public and Corporates through the Release of BI-FAST Features Phase 1 Stage 2	Released features that process fund transfers from one sending customer to multiple receiving customers simultaneously, enabling MSMEs or corporates to conduct multiple payments at the same time. Furthermore, released a feature that processes collection of funds from one company to one billed customer. Another feature, Request for Payment (RFP), is a BI-FAST service that processes a transfer of funds from a paying customer to a receiving customer, preceded by a payment request from the receiving customer.	Provides alternative payment methods for the public and businesses, including MSMEs.
9.	Expansion of the Implementation of <i>Kartu Kredit Indonesia</i> (KKI) for the Government Segment	Expanded implementation of <i>Kartu Kredit Indonesia</i> (KKI) for the Government segment as an initiative to support governance and efficiency of Government expenditure transactions through a more competitive pricing scheme.	Aims to foster national self-reliance, ensure sovereignty over Government transaction data, enhance processing cost efficiency, optimize the domestic scheme, and expand acceptance, including to the MSME sector.
10.	Expansion of Electronification of Local Government Transactions (ETPD), Electronification of Social Assistance, and Electronification of the Transport Sector	a. Innovation, acceleration, and expansion of Electronification of Local Government Transactions (ETPD), including integration of local government financial management. b. Bank Indonesia support for the distribution of non-cash social assistance. c. Bank Indonesia support in the electronification and integration of transport-mode payment systems.	Aims to accelerate regional digitalization to support regional economic growth in line with the acceleration of economic recovery, while also promoting growth as well as economic and financial inclusion.
11.	Strengthening Public Digital Literacy through the Indonesia Digital Economy and Finance Festival (FEKDI)	Promoted, educated, and socialized various digital initiatives and innovations in Indonesia. Bank Indonesia, together with the Coordinating Ministry for Economic Affairs of the Republic of Indonesia and associations, held FEKDI 2025, in collaboration with Indonesia Fintech Summit & Expo (IFSE), on 30 th October–1 st November 2025.	<ul style="list-style-type: none"> Enhance support, participation, and synergy among industry, ministries/institutions, local governments, and the public for Bank Indonesia's payment system digitalization policies and initiatives. Communicate payment system digitalization initiatives and policies in 2025, as well as digitalization programs of ministries/institutions and associations/industry. Encourage innovation in the digital economy and finance and strengthen national economic resilience and recovery.

IV. Broad Money Management Policies

No	Policy	Policy Description	Goals and Background
1.	Rupiah Currency Management Blueprint (BPPUR) 2024–2030	BPPUR 2024–2030 is a strategic business plan for Rupiah money management (PUR) in 2024–2030. Its vision is: "Ensuring the Availability of a High Quality and Dependable Rupiah Currency in Maintaining	The execution of PUR duties in the future will be marked by increasingly rapid trends in the development of non-cash and the digitalization of payments, as well as demographic shifts that will also influence people's preferences in using banknotes

No	Policy	Policy Description	Goals and Background
		the Stability of the Payment System for the Sovereignty of the Unitary State of the Republic of Indonesia”.	and coins. Improved geographic connectivity and development of the PUR industry can be an opportunity for BI to expand and improve the quality of cash services to the general public. BPPUR 2024–2030 was drafted in response to the latest developments in the strategic environment. This blueprint is a continuation of BPPUR 2019–2025 in achieving Rupiah sovereignty in line with developments in the digitalization of payments.
2.	Increasing Rupiah Literacy through the Indonesian Sovereign Rupiah Festival (FERBI)	<p>a. FERBI is an event which seeks to increase Rupiah literacy. The event has been held annually since 2022. FERBI 2025 was held on 15–17 August 2025 in Jakarta under the theme “Close Synergy in Safeguarding Rupiah Sovereignty”. The implementation of FERBI included:</p> <p>b. Rupiah Exhibition, featuring a Rupiah banknote exhibition introducing the history and transformation of the Rupiah as a means of payment over time.</p> <p>c. National dialogue, featuring discussions with public figures to explore Rupiah messages and themes through light and engaging discussions.</p> <p>d. Rupiah entertainment and education stage, showcasing Indonesia’s cultural diversity, such as traditional dances depicted on Rupiah banknotes along with Rupiah education.</p>	Serves as a public education initiative on Rupiah and implementation of the <i>Cinta, Bangga, Paham</i> (CBP) Rupiah program, with the objectives to: (1) strengthen public understanding of the Rupiah’s role in the nation’s historical journey; (2) foster optimism and national spirit; and (3) strengthen the sovereignty of the Republic of Indonesia through the Rupiah.
3.	Centralization of Money Distribution	<p>Bank Indonesia conducts centralized distribution of the Rupiah currency in all regions of the Republic of Indonesia through the implementation of Front Office (FO), Middle Office (MO), business processes which are achieved through:</p> <p>a. Improving the national money distribution network.</p> <p>b. Implementation of the FO function in all Bank Indonesia Representative Offices to provide cash and money processing services.</p> <p>c. Strengthening the PUR Command Center in carrying out the MO function as the line of command for ensuring adequate national cash.</p> <p>d. Determination of eight Bank Indonesia Representative Offices as Regional Cash Depots (DKW) which carry out FO and BO functions.</p> <p>e. Establishment of the South Sulawesi Main Cash Depot (DKU) which carries out BO functions to distribute and store money.</p>	Bank Indonesia centralized money distribution in order to provide Rupiah currency that is fit-forcirculation in sufficient quantities and in appropriate denominations in a timely manner as legal tender throughout the territory of the Republic of Indonesia. Implementation of distribution centralization is done by prioritizing efficiency, giving consideration to the available routes and modes of transportation in addition to adopting sound inventory management practices to optimize cash storage capacity.



No	Policy	Policy Description	Goals and Background
4.	Digitalization of Equipment and Infrastructure	The digitalization and automation of equipment and cash infrastructure at all Bank Indonesia Representative Offices takes into account the needs and conditions of money processing in line with the implementation of the FOMOBO business process in centralizing money distribution. Digitalization and automation are achieved through the use of an automated banknote feeding system (ABFS); automated banknote packaging system (ABPS); implementation of a warehouse management system (WMS) with a racking system; and serial bank note readers. In addition, strengthening the decision support system and executive information system has been carried out to underpin monitoring; early warning; and taking a more complete, accurate, current and complete PUR policy strategy.	Cash infrastructure digitalization is aimed at supporting the implementation of increasingly modern, integrated, efficient and safe money circulation and processing by having less human intervention.
5.	Coordination of Planning, Printing and Destruction of Rupiah Currency Policies with the Government	In carrying out its duties related to PUR, Bank Indonesia always coordinates with the Government in implementing the activities of planning, printing and destroying Rupiah currency as mandated in Law No. 7 of 2011 concerning the Rupiah Currency.	Coordination related to planning, printing and destruction of Rupiah banknotes is carried out by Bank Indonesia together with the Government to ensure the availability of Rupiah banknotes fit-for-circulation in sufficient quantities and appropriate denominations in society.
6.	Strengthening Coordination with Industry through the Rupiah Currency Management Industry Forum (FORINPUR)	In an effort to organize the PUR industry, Bank Indonesia has adopted a collaborative approach with industry to form the PUR Industry Forum (FORINPUR) as a means for the communication and coordination of PUR policies between stakeholders and industry whose members are Bank Indonesia, Banks, Rupiah Money Processing Service Providers (PIPUR) and other related parties. FORINPUR is a forum for communicating Bank Indonesia's policies to regulate the PUR industry, as well as obtain feedback from the industry regarding various strategic issues that can influence the effectiveness and efficiency of PUR policies.	Routine and scheduled implementation of FORINPUR can encourage the implementation of BPPUR 2024–2030 through support from the PUR industry, as well as create a forum for dialogue between BI and Industry to encourage optimization and improvements in cash services.
7.	Improving Distribution Strategy and Cash Services	Bank Indonesia continues to evaluate the selection of routes and modes of transportation for the distribution of money throughout the territory of the Republic of Indonesia. At the same time, evaluations are also carried out on cash service activities which include synergies with other parties (e.g., mobile cash and plans for developing partner cash centers and service partners) by giving consideration to effectiveness and efficiency. As a strategic move in the Rupiah distribution policy, Bank Indonesia established cooperation with national transportation providers, namely PT KAI, PELNI and ASDP, via the signing of a Memorandum of Understanding. It is	Improving distribution strategies and cash services is closely related to efforts to achieve PUR's vision, namely ensuring the availability of high quality and trusted Rupiah banknotes in maintaining the stability of the payment system for the sovereignty of the Unitary State of the Republic of Indonesia (NKRI).

No	Policy	Policy Description	Goals and Background
		<p>hoped that cooperation at the national level can increase the effectiveness and optimization of Rupiah distribution activities throughout Indonesia.</p>	
8.	Developing Damaged/ Defective Rupiah Currency Exchange Services via the online PINTAR Application	<p>Bank Indonesia provides first-rate services to the general public through online ordering services for exchanging damaged/defective Rupiah using the PINTAR application which is not only intended for people who will exchange their banknotes at Bank Indonesia offices but also for people who will exchange them through mobile cash services.</p>	<p>Bank Indonesia provides an online order service to the public to exchange damaged/defective Rupiah banknotes, so that people can order cash services prior to coming to a Bank Indonesia office or mobile cash service location to minimize the potential for crowds and provide certainty to the public in obtaining the cash services they need.</p>
9.	Preventing and Eradicating Counterfeit Rupiah Currency	<p>In addition to continuous coordination with all elements of the Coordinating Agency for the Eradication of Counterfeit Rupiah, Bank Indonesia has taken various preventive and pre-emptive measures to prevent counterfeiting of Rupiah. Preventive measures are taken by strengthening the security features of money to produce Rupiah banknotes that are difficult to counterfeit but still easy for the public to recognize and identify their authenticity. Meanwhile, pre-emptive measures are taken by Bank Indonesia in collaboration with various parties through public education related to the 'Love, Pride, and Understanding the Rupiah' concept. In addition, Bank Indonesia provides support for laboratory examination of Rupiah banknotes whose authenticity is in doubt in relation to the disclosure of cases by law enforcement officers. In particular, Bank Indonesia provides expert testimony in investigations and trials of criminal cases of counterfeiting Rupiah banknotes, whilst also exchanging data/information on the discovery of counterfeit Rupiah banknotes to law enforcement officers.</p>	<p>Bank Indonesia is implementing various policies to prevent and eradicate the circulation of counterfeit Rupiah banknotes so that Rupiah currency is increasingly trusted as a legal means of payment throughout the territory of the Republic of Indonesia.</p>
10.	Environment-Friendly Rupiah Money Management (PUR)	<p>PUR activities that pay attention to environmental sustainability, including all business processes in PUR activities (e.g. more environmentally-friendly, paper money processing waste management).</p>	<p>From a global and national perspective, there are various low-carbon development and environmental impact awareness initiatives, including: Sustainable Development Goals (SDGs) 2030; the Paris Agreement; the G20 Bali Declaration; and the National Greenhouse Gas Action Plan (RAN-GRK). From Bank Indonesia's side, a green Bank Indonesia framework is being developed which includes policy and institutional pillars, one being PUR.</p>



V. Financial Market Development Policies

No	Policy	Policy Description	Goals and Background
1.	Issuance of Money Market and Foreign Exchange Market Regulations as the Implementation of the P2SK Law Mandate	Board of Governors Regulation (PADG) Number 9 of 2025 concerning Money Market and Foreign Exchange Market (PUVA) Supporting Institutions and Money Market and Foreign Exchange Market Supporting Professions (PADG LPPP).	This PADG regulates Money Market and Foreign Exchange Market Supporting Institutions and Supporting Professions. The scope of regulation covers the duties, obligations, and registration of PUVA Supporting Institutions and PUVA Supporting Professions that provide services in money market and foreign exchange market activities.
		Board of Governors Regulation (PADG) Number 13 of 2025 concerning Transaction Facility Providers (PADG Transaction Facility Providers).	This PADG regulates Transaction Facility Providers. The scope of regulation includes the functions and obligations of transaction facility providers, ETP providers, inter-market ETP providers, brokerage firms, systematic internalisers, licensing, application of prudential principles, risk management and governance, data and information, supervision, and sanctions.
		Board of Governors Regulation (PADG) Number 16 of 2025 concerning Amendments to Board of Governors Regulation Number 13 of 2024 on Money Market Transactions (PADG Amendment to PADG Money Market Transactions).	This PADG regulates amendments to PADG Number 13 of 2024 on Money Market Transactions. The scope of regulation relates to the implementation of money market transaction matchmaking to support price discovery in money market transactions, including the mechanism for money market transaction matchmaking, money market transaction matchmaking operators, publication of matchmaking results, and transaction standardization.
		Board of Governors Regulation (PADG) Number 26 of 2025 concerning Financial Derivatives with Underlying Assets in the Form of Money Market and Foreign Exchange Market Products (PADG PUVA Derivatives).	This PADG regulates financial derivatives with underlying assets in the form of money market and foreign exchange market products. The scope of regulation includes: PUVA derivative products; reference prices (pricing); PUVA derivative players; financial market infrastructure used in PUVA derivative transactions; PUVA derivative transactions, licensing, data and information; application of prudential principles; risk management and governance; consumer protection; implementation of anti-money laundering measures; prevention of terrorism financing; prevention of financing the proliferation of weapons of mass destruction; supervision; procedures for imposing sanctions; exit policy; and coordination.
		<ul style="list-style-type: none"> Board of Governors Regulation (PADG) Number 2 of 2025 concerning the Settlement of Bilateral Transactions between Indonesia and the United Arab Emirates Using Rupiah and Dirham through Banks (PADG Rupiah-Dirham Bilateral Transactions). Board of Governors Regulation (PADG) Number 5 of 2025 concerning Amendments to Board of Governors Regulation Number 23/12/PADG/2021 on the Settlement of Bilateral Transactions between Indonesia and Malaysia Using Rupiah and Ringgit through Banks (PADG Amendment to Rupiah-Ringgit Bilateral Transactions). 	These PADGs regulate the settlement of bilateral transactions between Indonesia and partner countries. The regulations cover the appointment of Appointed Cross Currency Dealer (ACCD) banks and transactions in partner country currencies against the Rupiah, along with their settlement. The scope of regulation includes the appointment of ACCD banks, account opening and settlement mechanisms, price quotations, thresholds, and underlying transactions.

No	Policy	Policy Description	Goals and Background
		<ul style="list-style-type: none"> Board of Governors Regulation (PADG) Number 6 of 2025 concerning Amendments to Board of Governors Regulation Number 22/34/PADG/2020 on the Settlement of Bilateral Transactions between Indonesia and Thailand Using Rupiah and Baht through Banks (PADG Amendment to Rupiah–Baht Bilateral Transactions). Board of Governors Regulation (PADG) Number 17 of 2025 concerning the Settlement of Bilateral Transactions between Indonesia and China Using Rupiah and Renminbi through Banks (PADG Rupiah–Renminbi Bilateral Transactions). 	
2.	Strengthening PUVA Primary Dealer	<p>Enhancing the Role of PUVA Primary Dealer as Liquidity Provider and Market Maker.</p> <p>Enhancing Dealer Capacity through Competency Standardization and Strengthening Code of Ethics Implementation.</p> <p>Strengthening PUVA Primary Dealer Capabilities through Activation of DNDF Facilities in Foreign Exchange Market Deepening.</p>	<ul style="list-style-type: none"> Strengthening the role of PUVA Primary Dealer as liquidity provider and market maker is directed at increasing the depth and efficiency of the money market and foreign exchange market, while reinforcing a credible price discovery process. Policy implementation is carried out through expanding the obligations of PUVA Primary Dealer to actively transact in the money market and foreign exchange market in accordance with Bank Indonesia regulations, including the obligation to continuously provide two-way price quotations. This market-making mechanism ensures that prices formed are objective, transparent, and reflective of actual market conditions, while supporting the effectiveness of market-based monetary policy transmission (OM (Monetary Operation) Pro-Market). Competency standardization and strengthening the integrity of market participants are aimed at ensuring that increased transaction activity is accompanied by adequate human resource quality and governance. Bank Indonesia, together with stakeholders, has completed the formulation of the Indonesian National Work Competency Standards (SKKNI) in the Treasury Sector, which serve as the main reference for training and certification of PUVA participants. Strengthening the code of ethics is implemented through more targeted and periodic dissemination, as well as updating the substance of the code of ethics in line with global best practices, in order to mitigate misconduct risks and safeguard the credibility of the financial market. Activation of DNDF facilities is directed at deepening the domestic foreign exchange market. Bank Indonesia encourages PUVA Primary Dealer to be more active in conducting DNDF transactions as part of their role as market makers in the foreign exchange market. This increased activity is expected to support the availability of liquidity in the foreign exchange market, strengthen



No	Policy	Policy Description	Goals and Background
			Rupiah stability, and enhance the effectiveness of exchange rate stabilization policies through transparent and measurable market mechanisms.
3.	Expansion of Underlying Repo OM BI	Expansion of underlying repo in Bank Indonesia monetary operations involves the inclusion of other high-quality securities issued by corporations in the form of public financial service institutions with special assignments.	<ul style="list-style-type: none"> • PUVA development is carried out through the development of money market products, one of which is repo, integrated with the OM Pro-Market strategy. • Development is implemented through the initiative to expand underlying repo in Bank Indonesia monetary operations with other high quality securities in the form of corporate bonds and corporate sukuk. • This initiative is supported by the application of haircuts that facilitate the provision of reference prices. • The initiative is expected to make corporate bonds and corporate sukuk more liquid, thereby supporting PUVA deepening and economic financing.
4.	Issuance of BI-FRN and Development of OIS	Issuance of BI-FRN and facilitation of OIS matchmaking are aimed at forming an interest rate structure based on transactions in the money market.	<ul style="list-style-type: none"> • BI-FRN (Bank Indonesia Floating Rate Note) is a Rupiah-denominated security issued by Bank Indonesia as a short-term debt recognition instrument with a floating interest rate that refers to the money market interest rate. • The existence of BI-FRN provides a floating interest rate instrument based on INDONIA that can be utilized by market participants in managing interest rate exposure and supporting the development of interest rate derivative transactions, including Overnight Index Swap (OIS). • OIS transactions formed in the market provide price discovery that reflects forward-looking interest rate expectations, thereby supporting the formation of a money market interest rate structure. • Bank Indonesia facilitates OIS matchmaking, namely the process of matching bid and ask OIS submitted by market participants to OIS Matchmaking Operators in accordance with the provisions and methodology established by Bank Indonesia. • In its implementation, the role of brokerage firms as transaction facilities is strengthened to support the smooth process of OIS matchmaking, enhance price transparency, and deepen money market liquidity.
5.	Strengthening Transaction Facility Providers	Expansion of transaction facility providers.	The granting of an operational license to the Indonesia Stock Exchange (IDX) as an Inter-market ETP Provider on 28th November 2025, to facilitate repo transactions in PUVA using the Alternative Market Organizing System (SPPA).
6.	Strengthening PUVA CCP Operations	Encompassed enhancements in operations, risk management, and institutional capacity.	Strengthening PUVA Central Counterparty (CCP) operations throughout 2025 was carried out through the enhancement of clearing features across various tenors, refinement of the rule book, and issuance of PUVA accounting guidelines by APUVINDO.

No	Policy	Policy Description	Goals and Background
		Addition of Tri-Party Agent Repo Services.	<p>The capability of PUVA CCP was strengthened through the addition of Tri-Party Agent Repo (TPA Repo) services, which commenced operations on 29 September 2025.</p> <p>The expansion of CCP's role as the organizer of TPA Repo enabled the transfer of collateral management, administration, settlement, and reporting functions of repo transactions to TPA Repo, thereby reducing operational risk and promoting repo transactions that are more efficient, transparent, and standardized.</p>
7.	Development of Data Infrastructure	Bank Indonesia participated as an observer in the Regulatory Oversight Committee (ROC), an International Governance Body (IGB) established to oversee the Global Legal Entity Identifier System (GLEIS).	Participation in ROC provides Bank Indonesia with access to global cooperation and best practices, thereby strengthening internal capacity and regulatory alignment in relation to the implementation of the Global Legal Entity Identifier.
8.	Development of PUVA Derivatives Following the Transfer of Authority from BAPPEBTI to Bank Indonesia	Strengthening cooperation and coordination in relation to financial and commodity derivative.	<ul style="list-style-type: none"> • The drafting of a Memorandum of Understanding (MoU) and Cooperation Agreement (CA) between Bank Indonesia and BAPPEBTI was undertaken to support the transfer of PUVA derivatives regulatory and supervisory responsibilities and ensure the continuity of activities in the PUVA derivatives market, while enhancing cross-authority synergy in carrying out the transfer of responsibilities. • The MoU and CA between Bank Indonesia and BAPPEBTI concerning the transfer of PUVA derivatives regulatory and supervisory responsibilities from BAPPEBTI to Bank Indonesia have been effective for one year, since 10th January 2025. • Strengthened cooperation and coordination among Bank Indonesia, OJK, and BAPPEBTI were directed at the implementation of each authority's duties and responsibilities in relation to financial and commodity derivatives.
		Roadmap for PUVA Derivatives Development Aligned with BPPU 2030.	The PUVA derivatives development roadmap constitutes a strategic plan to build the PUVA derivatives market in line with BPPU 2030, thereby supporting the implementation of Bank Indonesia's mandate in PUVA.
		Strengthening PUVA Derivatives Data and Information.	<ul style="list-style-type: none"> • Data collection of PUVA derivatives participants is required as a strategic step for updating and verifying data to support evaluation, structural and risk analysis, as well as the formulation and implementation of PUVA derivatives policies. • Development of Bank Indonesia's integrated licensing system was undertaken to support licensing processes in accordance with the implementation of PADG on PUVA derivatives. • Policy development for PUVA derivatives reporting systems was carried out to provide accurate, comprehensive, and integrated data as the basis for data-driven supervision, as well as for the evaluation and refinement of PUVA derivatives policies.



No	Policy	Policy Description	Goals and Background
9.	Strengthening APUVINDO's Role as a Self-Regulatory Organization (SRO) for PUVA	Strengthening the institutional capacity and strategic role of APUVINDO is aimed at improving the quality of PUVA participants and enhancing industry representation at both the domestic and global levels.	<ul style="list-style-type: none"> Strengthening the role of APUVINDO as a PUVA SRO is directed at bridging Bank Indonesia's policy framework with consistent and sustainable implementation at the market participant level. APUVINDO functions as a forum for PUVA participants' aspirations as well as a strategic partner of Bank Indonesia in ensuring that market deepening proceeds credibly and in line with the vision of BPPU 2030. Policy implementation is carried out through strengthening APUVINDO's governance and organizational structure, gradually expanding membership, and reinforcing the association's role in developing participant competencies through the formulation of the Indonesian National Work Competency Standards (SKKNI) and the Indonesian National Qualification Framework (KKNI) in PUVA Treasury, as well as the application and updating of the Market Code of Conduct in line with global standards. At the global level, APUVINDO strengthens the representation of industry participants (Local Foreign Exchange Market Committee) in Indonesia through active participation and membership in the Global Foreign Exchange Committee (GFXC). APUVINDO has also been listed in the Global Public Register for its role in maintaining the Statement of Commitment to the market code of conduct for PUVA participants.
10.	Implementation of Cross-Authority Coordination Activities to Support Economic Financing from the Financial Market	<p>In 2025, cross-authority coordination to support economic financing continues to be implemented.</p> <p>Bank Indonesia, together with the Ministry of Finance, OJK, and LPS, has carried out a series of Advanced Indonesian Financial Literacy (LIKE IT) activities in various cities to improve financial literacy and expand the retail investor base.</p> <p>In addition, cross-authority coordination has also been undertaken through other work programs, including joint workshops between Bank Indonesia and OJK related to repo, as well as various coordination meetings discussing cross-cutting issues in the financial market.</p>	<ul style="list-style-type: none"> Pursuant to Article 11 of the P2SK Law, in developing the financial sector, Bank Indonesia, the Ministry of Finance, the Financial Services Authority (OJK), and the Indonesian Deposit Insurance Corporation (LPS) coordinate and may involve other ministries/agencies. Bank Indonesia continues to strengthen synergy with the Ministry of Finance, OJK, and LPS to encourage economic financing from the financial market. Bank Indonesia also continues to enhance synergy with other authorities, ministries, and institutions in the development of the financial market.

VI. Sharia Economic and Financial Policies

No	Policy	Policy Description	Goals and Background
1.	Macroprudential Liquidity Incentive Policy (KLM)	Policy strengthening was undertaken through the issuance of applicable KLM regulations, including for Sharia Commercial Banks (BUS) and Sharia Business Units (UUS), in the form of a relaxation of liquidity-based macroprudential policy with a maximum incentive of 4.0% of Third-Party Funds (TPF).	An accommodative macroprudential policy stance continued to be pursued to encourage sharia banking financing to priority sectors supporting economic growth and job creation, including MSMEs and the green economy, while remaining consistent with the prudential principle.

No	Policy	Policy Description	Goals and Background
		<p>a. Board of Governors Regulation (PADG) Number 4 of 2024 concerning the Amendment to PADG Number 11 of 2023, effective from 1st June 2024, which covered adjustments to the scope of specified sectors, eligibility criteria, the magnitude of the KLM incentive, and applicable thresholds.</p> <p>b. Second Amendment to the KLM PADG, effective from 1st January 2025, which covered adjustments to the scope of specified sectors, the coverage of environmentally sustainable credit/ financing, as well as refinements to KLM criteria, thresholds, and tiering.</p> <p>Subsequently, further strengthening of the prevailing KLM framework was implemented, including for BUS and UUS, through an enhanced relaxation of liquidity based macroprudential policy with a maximum incentive of 5.5% of TPF, consisting of a maximum of 5.0% for incentives related to the disbursement of financing to specified sector groups, and a maximum of 0.5% linked to movements in financing yields that are consistent with Bank Indonesia's policy direction.</p> <p>a. Bank Indonesia Regulation (PBI) Number 9 of 2025 on the Macroprudential Liquidity Incentive Policy, effective from 1st December 2025, which regulates a performance-based and forward-looking macroprudential liquidity incentive scheme.</p> <p>b. Board of Governors Regulation (PADG) Number 27 of 2025 on the Implementing Regulation of the Macroprudential Liquidity Incentive Policy, effective from 1st December 2025, which sets out the implementing provisions governing operational mechanisms and technical aspects of the provision of macroprudential liquidity incentives, including details on the scope of specified sectors, the magnitude of KLM incentives, and the reporting period for KLM to the banking industry.</p>	
2.	Short-Term Liquidity Assistance Based on Sharia Principles for Sharia Commercial Banks	The regulatory framework for short-term Liquidity Assistance Based on Sharia Principles for Sharia Commercial Banks (PLIPS) was enhanced through the issuance of Bank Indonesia Regulation (PBI) Number 8 of 2025 concerning the Amendment to PBI Number 5 of 2023 on Short-Term Liquidity Assistance Based on Sharia Principles for Sharia Commercial Banks.	Following the enactment of the P2SK Law, which amended several statutory provisions in the financial sector, including those related to strengthening the handling of bank liquidity problems through PLIPS arrangements, Bank Indonesia Regulation Number 5 of 2023 on Short-Term Liquidity Assistance Based on Sharia Principles for Sharia Commercial Banks (PLIPS) was issued. This was followed by the issuance of implementing regulations governing operational



No	Policy	Policy Description	Goals and Background
		The refinement of PLIPS provisions included, the addition of other high-quality Sharia securities as eligible collateral for PLIPS.	<p>mechanisms and technical aspects of PLIPS provision through Board of Governors Regulation (PADG) Number 1 of 2024 on the Implementing Regulation of Short-Term Liquidity Assistance Based on Sharia Principles for Sharia Commercial Banks (PLIPS).</p> <p>In line with the Pro Market Monetary Operations (OM Pro-Market) policy direction, which expands the range of high-quality Sharia securities eligible for use in monetary operations transactions, Bank Indonesia amended the provisions governing PLIPS collateral by adding high-quality Sharia securities as eligible collateral for PLIPS. This amendment was formalized through the issuance of Bank Indonesia Regulation Number 8 of 2025 concerning the Amendment to Bank Indonesia Regulation Number 5 of 2023 on Short-Term Liquidity Assistance Based on Sharia Principles for Sharia Commercial Banks.</p>
3.	Sharia Money Market and Foreign Exchange Market (PUVA)	<p>Support for deepening the Sharia Money Market and Foreign Exchange Market (PUVA) was pursued through the development of supporting market professions, the expansion of Rupiah Monetary Operations (OM Rupiah) instruments, and the issuance of regulatory provisions.</p> <p>a. Development of a new supporting profession in the Sharia money market, namely the Sharia Money Market Expert (ASPU), which was incorporated into the review of the Indonesian National Work Competency Standards (SKKNI) for the PUVA Treasury field. The ASPU profession is regulated under PADG Number 25 of 2025 on Sharia Money Market Experts, which governs duties and obligations, registration, provision of ASPU services, prohibitions, submission of data and/or information, supervision, and procedures for the imposition of sanctions.</p> <p>b. Implementation of the expansion of SUKBI investors, in line with the OM pro-market policy direction. Following a series of assessments, development initiatives, and regulatory refinements, SUKBI has been tradable by non-bank investors in the secondary market since 20th October 2025, as stipulated under Board of Governors Member Regulation Number 20 of 2025 on Rupiah Monetary Operations.</p>	<p>In line with the enactment of the Financial Sector Development and Strengthening Law (P2SK Law), which affirms Bank Indonesia's authority in the regulation, development, and supervision of the money market and foreign exchange market, as subsequently articulated in the 2030 Money Market and Foreign Exchange Market Deepening Blueprint (BPPU 2030), these policies reflect Bank Indonesia's efforts to realize a modern and advanced PUVA. Such development is expected to contribute to the deepening of financial markets and, in turn, support monetary policy effectiveness, financial system stability, and synergy in national economic financing.</p> <p>The strengthening of Bank Indonesia's authority in the regulation, development, and supervision of the money market and foreign exchange market also encompasses activities conducted based on Sharia principles.</p> <p>To build Sharia-compliant money and foreign exchange markets, active, professional, and competent market participants are required. This support includes the presence of supporting professions, one of which is the ASPU, which plays a critical role in ensuring Sharia compliance and supporting the development of instruments and activities in the Sharia Money Market. To facilitate ASPU development, regulatory provisions governing duties, obligations, registration, reporting, supervision, and sanctions for ASPU have been established through the ASPU PADG.</p> <p>In addition, Bank Indonesia has developed Rupiah Monetary Operations instruments through the expansion of the types of securities eligible for use in Rupiah Monetary Operations transactions. This expansion has been undertaken in line with market based (pro-market) mechanisms to support money market deepening.</p> <p>Through the issuance of PADG Number 20 of 2025 on Rupiah Monetary Operations, Bank Indonesia has expanded the eligibility of SUKBI ownership to bank and non-bank investors, including non-residents, in order to enhance instrument attractiveness and encourage foreign capital inflows.</p>

No	Policy	Policy Description	Goals and Background
4.	Policy Coordination in the Development and Strengthening of an Integrated and Competitive Halal Value Chain Ecosystem	<p>Policy coordination in development and strengthening was conducted through the empowerment of Sharia-based businesses, development of the halal value chain, and enhancement of infrastructure and digitalization, in collaboration with relevant ministries/institutions, associations, and other strategic partners, through:</p> <ol style="list-style-type: none"> Capacity building and business model development for community-based Sharia business actors, including MSMEs (including the IKRA platform), Islamic boarding schools (<i>pesantren</i>) (including <i>Hebitren</i>), women's communities, and rural communities; Strengthening of the Halal Product Assurance (JPH) ecosystem through facilitation of accelerated halal certification for MSME products and slaughterhouses (RPH), development of halal centers and halal raw material shops (<i>tobaku halal</i>), and halal certification training; Development of the Halal Traceability application, an information system designed to track product materials and processes from upstream stages to consumers (from farm to table); Development of modest fashion through strengthened synergy with the Government and associations in organizing the Indonesia International Modest Fashion Festival, encompassing fashion shows, trade shows, exhibitions, and business matching; and development of a Sustainable Muslim Friendly and Attractive Tourism (SMART MFT) Hub ecosystem model and empowerment of Muslim-Friendly Tourism (PRM) Tourism Awareness Groups (<i>Pokdarwis</i>). 	<p>The strengthening of the halal product ecosystem is aimed at promoting the development of an inclusive and green national Sharia economy. The policy is directed toward increasing the contribution of halal products to the national economy, thereby supporting Bank Indonesia's main policy objectives through Indonesia's achievement as a global halal industry hub. The development of business models in the agricultural sector, within a community-based spatial ecosystem framework that includes Islamic boarding schools, has been undertaken to encourage increased food production, thereby supporting inflation control efforts.</p>
5.	Policy Coordination in the Development and Strengthening of Optimal Sharia Financing	<p>Support the development and strengthening of the Sharia financing system in collaboration with relevant ministries/ institutions, including through:</p> <ol style="list-style-type: none"> Implementation of a pilot phase for the Sharia Restricted Investment Account (SRIA) in collaboration with relevant authorities and institutions. Strengthening of the Sharia Financing and Trade Access Facilitation Program for MSMEs and Sharia business actors through the Sharia Financing Month (BPS). Strengthening of institutional capacity and cooperation with ministries/ agencies and business incubators. 	<p>The Financial Sector Development and Strengthening Law (P2SK Law) provides opportunities for Sharia banking to highlight the unique risk-sharing characteristics of Sharia-compliant financial products in order to enhance the contribution of the Sharia financial sector to inclusive, sustainable, and equitable economic growth. As a follow-up to the P2SK Law, SRIA serves as an investment product through which Sharia banks mobilize funds from investment account holders and channel them to finance specific projects under a profit-sharing scheme.</p> <p>The Sharia Financing Month serves as a collaborative platform among ministries/institutions and the Sharia financial services industry to strengthen Sharia finance through the organization of various activities under the Festival Ekonomi Syariah (FESyar) and the Indonesia Sharia Economic Festival (ISEF), while also supporting the National Financial Inclusion Month.</p>



No	Policy	Policy Description	Goals and Background
6.	Policy Coordination in Strengthening Literacy, Inclusion, and the Halal Lifestyle	<p>Strengthening of literacy, inclusion, and the halal lifestyle was carried out in collaboration with ministries/institutions, associations, and other strategic partners through:</p> <ul style="list-style-type: none"> a. Launch of the national initiative “<i>Gerakan Literasi dan Inklusi Ekonomi dan Keuangan Syariah Menuju Indonesia Emas (LENTERA Emas)</i>”, as a follow-up to the implementation of the National Strategy for Sharia Economic and Financial Literacy and Inclusion (SNLIEKSI). <p>This movement targets three priority segments, namely youth, business actors, and women, and is anchored on three main strategies:</p> <ul style="list-style-type: none"> (i) enhancing public literacy and preferences for Sharia economic and financial products; (ii) expanding public access to Sharia financial products and services; and (iii) strengthening national pentahelix synergies to accelerate inclusive and sustainable growth of the Sharia economy. <ul style="list-style-type: none"> b. Organization of a series of Sharia Economy Festival (FESyar) activities across three regions (Sumatra, Eastern Indonesia, and Java), with the Indonesia Sharia Economic Festival (ISEF) 2025 as the culmination. c. Organization of the 2025 National Sharia Economics Olympiad (OESN) for senior high school students and equivalent levels, aimed at enhancing Sharia economic literacy among the younger generation. <p>Implementation of capacity-building initiatives for educator human resources, through ten Training of Trainers (ToT) programs targeting preachers (<i>da’i/da’iyah</i>), student leaders, content creators, teachers, and journalists across various regions in Indonesia.</p>	<p>Indonesia possesses significant potential to become a global center for the Sharia economy and finance (EKSyar), supported by the world’s largest Muslim population and national policy directions articulated in the 2025–2045 National Long-Term Development Plan (RPJPN) and the 2025–2029 National Medium-Term Development Plan (RPJMN). However, Sharia economic and financial literacy remains at 42.84% and inclusion at 11.26%, indicating a gap between knowledge and the utilization of halal products and Sharia financial services.</p> <p>Accordingly, strengthening literacy, inclusion, and the halal lifestyle is essential to support the development of an inclusive and sustainable national Sharia economy. Policies have therefore been directed toward:</p> <ol style="list-style-type: none"> 1. Enhancing public literacy, preferences, and awareness of the Sharia economy and halal lifestyle through structured education, competitions, festivals, and national campaigns targeting priority segments. 2. Expanding inclusion and utilization of Sharia economic products and services through synergies among literacy programs, capacity building, and ecosystem strengthening. 3. Realizing a collaborative and sustainable national Sharia economy movement as an instrument to accelerate inclusive Sharia economic growth in support of the Golden Indonesia 2045 Vision.
7.	Policy Coordination in the Development and Strengthening of Sharia Social Finance	<p>Support the development and strengthening of Sharia social finance through the development of productive waqf assets and the digitalization of the waqf sector, in collaboration with relevant ministries/institutions, including through the following programs:</p> <ul style="list-style-type: none"> a. Strengthening human resource capacity through certification programs for <i>nazhir/amil</i> as managers of ZISWAF; b. Pilot implementation of the Technical Notes on Waqf Core Principles (TN WCP) and the Technical Notes on Zakat Core Principles (TN ZCP); 	<p>The integration of Sharia commercial and social sectors has been pursued to enhance Sharia financing, financial inclusion, and socio-economic welfare through the development of productive waqf assets under a blended finance framework in Indonesia, including digitalization to accelerate the achievement of these objectives. In addition, the P2SK Law mandates the accelerated implementation of Sharia banks as <i>nazhir</i>. The revision of the Waqf Law is intended to strengthen the role of the Indonesian Waqf Board (BWI) in advancing and developing national waqf, with a focus on operational effectiveness, empowerment, and strategic advocacy.</p>

No	Policy	Policy Description	Goals and Background
		<p>c. Development of business models to enhance financial access for subsistence groups and micro-entrepreneurs based on Sharia social funds (<i>Mustahik Naik Kelas/MUKLAS</i>);</p> <p>d. Waqf auction initiatives;</p> <p>e. Strengthening of ZISWAF data infrastructure through support for the establishment of the Integrated ZISWAF Information Center (<i>PINTER ZAWAIS</i>) and optimization of the Satu Wakaf Indonesia application; and</p> <p>f. Facilitation of the revision of Law Number 41 of 2004 on Waqf.</p>	

VII. International Policies

No	Policy	Policy Description	Goals and Background
1.	International Financial Safety Net (JPKI) Cooperation	Renewal of the Bilateral Currency Swap Arrangement (BCSA) between Bank Indonesia and the People's Bank of China (PBOC).	<ul style="list-style-type: none"> • BI and PBOC agreed to renew the Bilateral Currency Swap Arrangement (BCSA) for a five-year term. The agreement was signed by both Governors and became effective on 31st January 2025. • The BCSA cooperation facilitates the exchange of local currencies of up to CNY 400 billion (equivalent to USD 55 billion) against the corresponding value in Rupiah. • Both central banks are committed to further promoting bilateral trade and direct investment in local currencies, as well as working in synergy to maintain financial market stability.
		Renewal of the Bilateral Currency Swap Arrangement (BCSA) between Bank Indonesia and the Reserve Bank of Australia (RBA).	<ul style="list-style-type: none"> • BI and RBA agreed to renew the Bilateral Currency Swap Arrangement (BCSA). The agreement was signed on 4th March 2025 for a five-year period. • The BCSA cooperation facilitates the exchange of local currencies of up to AUD 10 billion (equivalent to USD 6.2 billion) against the corresponding value in Rupiah. • The renewal of the agreement reaffirms the commitment of Bank Indonesia and the RBA to further promote bilateral trade and investment in support of economic development in Indonesia and Australia, while contributing to the financial stability of both countries.
2.	Initiation of Local Currency Transaction (LCT) Cooperation	Strengthening LCT Cooperation with BNM and BOT.	<ul style="list-style-type: none"> • Bank Indonesia, Bank Negara Malaysia (BNM), and the Bank of Thailand (BOT) strengthened the implementation of local currency usage in bilateral transactions between Indonesia–Malaysia and Indonesia–Thailand, effective from 27th March 2025. • This implementation represents an intensification of Local Currency Transaction (LCT) cooperation through the expansion of transaction coverage in local currencies to encompass all types of transactions, namely current account transactions, capital transactions, and financial transactions, and is carried out in synergy with cross-border payment system initiatives.
		Strengthening LCT Cooperation with China.	<ul style="list-style-type: none"> • On 25 May 2025, Bank Indonesia strengthened LCT cooperation with China through the signing of an enhanced Memorandum of Understanding (MoU). The agreement expanded the scope of LCT cooperation to include current account transactions, capital transactions, and financial transactions. LCT between Indonesia and China was officially implemented on 8 September 2025. • Bank Indonesia and the People's Bank of China (PBOC) conducted a joint high-level LCT and cross-border QRIS campaign between Indonesia and China in Beijing on 11th September 2025.



No	Policy	Policy Description	Goals and Background
		Strengthening LCT Cooperation with Japan.	<ul style="list-style-type: none"> These activities reflect the strategic collaboration between BI-PBOC in promoting wider use of local currencies, accelerating cross-border QR implementation, and strengthening bilateral relations. On 15th December 2025, Bank Indonesia renewed and strengthened LCT cooperation with Japan through the signing of an enhanced Memorandum of Commitment (MoC). The agreement expanded the scope of LCT cooperation from previously covering current account transactions and direct investment to include all types of bilateral transactions. Bank Indonesia and Japanese authorities, the Ministry of Economy, Trade and Industry (METI), the Payments Japan Association (PIA), and Japan Quick Response (JPQR), conducted a joint high-level LCT and cross-border QR campaign on 25th August 2025, held concurrently in Jakarta and Osaka.
3.	Initiation of Payment System Cooperation	Expansion of Regional Payment Connectivity (RPC) Cooperation in the ASEAN Region.	<ul style="list-style-type: none"> The Regional Payment Connectivity (RPC) initiative is aimed at strengthening financial integration in the Southeast Asian region. Continuing growth in participation reflects the significant potential of RPC to expand payment connectivity cooperation across ASEAN and beyond. The National Bank of Cambodia officially became an RPC member, as marked by the signing of the 4th Supplemental MoU on RPC on 1st April 2025. RPC membership has now expanded to nine ASEAN central banks, namely Bank Indonesia, Bangko Sentral ng Pilipinas, Bank Negara Malaysia, the Monetary Authority of Singapore, the Bank of Thailand, the State Bank of Vietnam, the Brunei Darussalam Central Bank, the Bank of the Lao People's Democratic Republic (BoL), and the National Bank of Cambodia.
4.	Expansion and Strengthening of Cooperation to Enhance Institutional and Central Banking Capacity	<p>Signing of Structured Bilateral Cooperation (SBC) with the State Bank of Vietnam (SBV).</p> <p>Signing of Structured Bilateral Cooperation (SBC) with Banque de France (BdF).</p> <p>Strengthening Bilateral Cooperation with the Bank of England (BoE).</p>	<ul style="list-style-type: none"> Bank Indonesia and the SBV agreed to enhance bilateral cooperation in the area of central banking. The MoU was signed by the Governor of Bank Indonesia and the Governor of SBV and became effective on 7th March 2025 for a five-year term. The MoU strengthens strategic collaboration between the two central banks in the areas of monetary policy, macroprudential policy and financial system stability, payment and settlement systems, and digital innovation. Bank Indonesia and BdF agreed to strengthen bilateral cooperation in the area of central banking. The MoU was signed by the Governor of Bank Indonesia and the Governor of BdF and became effective on 15th May 2025 for a five-year period. The agreement reflects the shared commitment to strengthen more structured and strategic collaboration between the two central banks across key areas of central banking, including monetary policy, macroprudential policy and financial stability, as well as payment and settlement systems. BI and BdF also committed to promoting financial stability, economic strength, and sustainable growth at both the national and global levels. BI and BoE extended their bilateral cooperation under the Terms of Engagement on 8th July 2025 for a three-year period. The strategic BI-BoE relationship provides benefits for both central banks, particularly in the delivery of training and technical assistance in the field of central banking.

No	Policy	Policy Description	Goals and Background
5.	Policy to Maintain Positive Perceptions of Indonesia's Economy	Policies were pursued to maintain international stakeholder confidence in the resilience of Indonesia's economy amid global uncertainty, supported by policy credibility and a strong and synergized policy mix between Bank Indonesia and the Government.	<ul style="list-style-type: none"> To support efforts to attract high-quality foreign portfolio capital inflows, BI conducted twelve post-Monthly Board of Governors' Meeting (RDG) Investor Conference Calls (ICC) in an intensive and proactive manner, in coordination with the Ministry of Finance. Indonesia successfully maintained its sovereign credit ratings at one notch above the lowest investment-grade level from Fitch (BBB, stable outlook), Moody's (Baa2, stable outlook), and S&P Global Ratings (BBB, stable outlook), as well as two notches above the lowest investment-grade level from Japan Credit Rating Agency (JCR) (BBB+, stable outlook) and Rating and Investment Information, Inc. (R&I) (BBB+, stable outlook).
6.	International Policy Coordination with Strategic Domestic and International Partners	Strengthening IRU–RIRU–GIRU Linkages (Investor Relation Unit – Regional Investor Relation Unit – Global Investor Relation Unit).	<ul style="list-style-type: none"> Enhanced orchestration of investment and trade promotion activities was undertaken through a more selective and re-strategized approach, alongside strengthened monitoring of follow-up actions for investment projects and trade promotions. Through the utilization of IRU–RIRU–GIRU linkages, Bank Indonesia facilitated 29 investment promotion activities showcasing 28 investment projects from 14 Regional Investor Relation Units (RIRU) Domestic Representative Offices (KPw DN), as well as 33 trade promotion activities involving approximately 150 MSMEs under the guidance or partnership of 35 Domestic Representative Offices.
		Implementation of Bilateral Cooperation Programs with the Bank of England (BoE).	<ul style="list-style-type: none"> BI–BoE Regional Workshop on Payment Systems for ASEAN Central Banks, held on 27–28 February 2025, discussed topics including: Central Bank Digital Currencies (CBDCs); Digital Securities and Operational Resilience; ISO 20022; Risk Management in Financial Market Infrastructure (FMIs); Future Payments; and RTGS Intraday Liquidity. The workshop featured collaboration among central bank speakers from Bank Indonesia (BI), the Bank of England (BoE), the Hong Kong Monetary Authority (HKMA), and the Bank of Thailand (BOT) (for the cross-border payment session). RTGS related discussions between BI and BoE were conducted in several sessions throughout May and June 2025, focusing on interconnection models between RTGS systems and blockchain-based financial market infrastructures. These discussions were undertaken as part of the follow-up to the implementation of the Indonesia Payment System Blueprint 2030 (BPSP 2030). BI–BoE Workshop for ASEAN Central Banks on Conjunctural Financial Stability Risks, held on 23rd July 2025, discussed: the Countercyclical Capital Buffer (CCyB); supervision of Non-Bank Financial Institutions (NBFIs); climate risk; big data and Artificial Intelligence (AI); and crypto assets within the FSB/G20 agenda.
		Implementation of Structured Bilateral Cooperation (SBC) Programs with the Bank of Japan (BoJ).	<ul style="list-style-type: none"> Technical Level Meeting (TLM) between BI–BoJ on 24th March 2025 discussed the way forward for BI–BoJ SBC and policy dialogue, in preparation for the BI–BoJ High-Level Meeting (HLM), including the exchange of information on economic and monetary policy developments and responses to global issues. Quarterly policy dialogues were held on 24th March, 2nd July, 6th November, and 23rd December 2025, facilitating the exchange of information on economic conditions and central bank policies. BI–BoJ High-Level Meeting (HLM) on 6th November 2025 was conducted to strengthen synergy and evaluate the progress of BI–BoJ bilateral cooperation, as well as cooperation beyond with stakeholders in Japan. Discussion on Operational Risk Management and Oversight of Financial Market Infrastructure Payment Systems, held on 17th November 2025, was conducted to explore and strengthen oversight practices.



No	Policy	Policy Description	Goals and Background
		Implementation of Structured Bilateral Cooperation (SBC) Programs with the Federal Reserve Bank of New York (FRBNY).	<ul style="list-style-type: none"> • Discussion on Harnessing Artificial Intelligence–Machine Learning (AI–ML) for Enhanced Decision–Making, Ethical Practices, and Systemic Stability, held on 29–31 January 2025, explored best practices in the practical application of AI/ML. • Discussion on Performance–Based Budgeting and Central Bank Efficiency, held on 20th March 2025, aimed to obtain best practices in financial management, with a focus on efficiency and budget optimization. • Discussion on the Natural Rate of Interest and the Non–Cyclical Rate of Unemployment, held on 23rd September 2025, was conducted to strengthen analytical methodologies.
		Implementation of Structured Bilateral Cooperation (SBC) Programs with Banque de France (BdF).	<ul style="list-style-type: none"> • Discussion on Green Central Banking and Green Human Resources Practices, held on 6th October 2025, aimed to enhance Bank Indonesia’s expertise in human resource management. • Discussion on Innovating Cyber Defense and Safeguarding the Financial Sector from Emerging Digital Risks through Collaborative Strategies, held on 16–17 December 2025, explored and strengthened Bank Indonesia’s capabilities in cyber risk mitigation.
		Implementation of Structured Bilateral Cooperation (SBC) Programs with Deutsche Bundesbank.	Discussion on the Impact of Energy and Food Prices on Household and Retailer Inflation Expectations, held on 22 nd September 2025. The discussion aimed to obtain a comprehensive understanding of the role of inflation expectations in post-pandemic inflation dynamics, the influence of food inflation on expectation formation, and Deutsche Bundesbank’s strategies in maintaining well-anchored inflation expectations amid energy and food price shocks and heightened global uncertainty.
		Implementation of SBC with the Central Bank of the Republic of Türkiye (CBRT).	<ul style="list-style-type: none"> • HLM BI–CBRT focusing on economic developments and central bank policies were held on 24th April 2025 and 28–29 September 2025. • Discussion on Issues of Guarantees, held on 24th June 2025, discussed bank guarantees as a means to promote Indonesia–Türkiye trade. • Discussion on the New Reserve Management Framework, held on 26th June 2025, addressed foreign exchange reserve management and risk management frameworks for investment instruments. • Discussion on the Hybrid Currency Circulation Model, held on 14th November 2025, discussed currency circulation management.
		Implementation of SBC Programs with the Reserve Bank of India (RBI).	<ul style="list-style-type: none"> • Discussion of Tools for Central Banking Implementation: Liquidity and Intervention Monitoring, Forecasting, and Potential Enhancement, held on 29–30 October 2025, discussed the development of integrated analytical tools linked to market data, fiscal flows, and global dynamics to support precise liquidity and foreign exchange reserve management. • Discussion on The Challenges of External Debt Reporting and Effectiveness of Implementation of Prudential Principles on External Debt Management, held on 6–7 November 2025. The activity discussed regulatory frameworks and external debt reporting management through the alignment of best practices in Indonesia and India, resulting in practical recommendations to enhance prudential effectiveness, data quality, and external debt risk mitigation.

No	Policy	Policy Description	Goals and Background
		Implementation of SBC Programs with Other Partner Central Banks: Bank of Korea (BoK), Bank of The Lao People's Democratic Republic (BoL), National Bank of Cambodia (NBC), State Bank of Vietnam (SBV), Monetary Authority of Singapore (MAS).	<ul style="list-style-type: none"> • Discussion on Foreign Exchange Exposures and Household Debt with the Bank of Korea (BoK) on 20th June 2025, focusing on the implementation of macroprudential policy, particularly in addressing risks arising from exchange rate exposure and household debt. • Technical Level Meeting (TLM) BI-BoL on 14th November 2025, discussing the way forward for BI-BoL SBC cooperation and a sharing session on hosting the SEACEN Board of Governors Meeting. • Discussion on Government Bonds and SVBI (Custodian Services, Regulatory Framework) and FX Reserve Management between BI-NBC on 23rd June 2025, focusing on foreign exchange reserve management and the promotion of investment instruments among central banks. • Discussion on Organizational Design, Management, and Human Resource Development BI-SBV on 11–12 November 2025, exploring human resource management and development practices. • Discussion on The Implementation of the Green Finance Action Plan by the Monetary Authority of Singapore in Supporting the Sustainable held on 27th March 2025, covering green institutional frameworks for managing climate-related risks and supporting the transition toward a green economy. This discussion formed part of Bank Indonesia's efforts to deepen its engagement on green finance.
		Facilitation of Study Visits and Benchmarking Requests from Non SBC Partners.	The facilitation of capacity-building activities in the form of study visits constituted one of the efforts to strengthen Bank Indonesia's institutional leadership in the region. In 2025, a number of activities were conducted with non-SBC partner central banks, including discussions on financial markets (BSP), macro stress testing dan digital innovation (Brunei Darussalam Central Bank/ BDCB), currency circulation management (Bank of Uganda/BoU), and financial risks management (National Bank of Kazakhstan/NBK).

VIII. Inclusive and Green Economic and Financial Policies

No	Policy	Policy Description	Goals and Background
1.	Integrated and Competitive Inclusive Economic Ecosystem	Empowerment of inclusive enterprises, encompassing the empowerment of micro, small, and medium enterprises (MSMEs) and subsistence groups, was pursued to enhance competitiveness.	<ul style="list-style-type: none"> • Inclusive enterprise empowerment was implemented through corporatization to strengthen business institutions, alongside capacity building for MSMEs across production, human resources, and marketing aspects, supported by intensive training and mentoring. • Inclusive enterprise empowerment included: <ol style="list-style-type: none"> 1. Food clusters: empowerment was carried out in an integrated manner from upstream to downstream, covering: cultivation activities; post-harvest processing; and the development of partnerships with off-takers and industry. Upstream food cluster development focused on improving productivity through the application and replication of best practices across all stages of cultivation, including: fertilization; seeding; cropping pattern management; irrigation systems; and plant pest control (HPT). These best practices were derived from studies and the implementation of pilot projects. 2. Export potential MSMEs: empowerment was undertaken through both pull strategy and push strategy. Optimization of pull strategy was pursued through curation and trade promotion; business matching; and the expansion of trading houses. Push strategy was



No	Policy	Policy Description	Goals and Background
			<p>implemented through refinement of e-catalogue; capacity building; implementation of export modules; and ongoing mentoring.</p> <ol style="list-style-type: none"> 3. Green MSMEs: MSMEs were encouraged to adopt sustainable business practices through the Green MSMEs Program. Under this program, MSMEs are expected to elaborate green business concepts by developing green processes and green outputs, with a commitment to sustainability principles and a circular economy value chain to achieve economic, social, and environmental objectives. Green MSME are classified into three stages, namely Eco Adopter, Eco Entrepreneur, and Eco Innovator. 4. MSMEs Go Digital: this program aims to enhance MSME capacity in online marketing and business digitalization through education, facilitation of optimal onboarding to various digital marketing channels tailored to business needs, and encouragement for MSME to level up through sustained strengthening of digital marketing capabilities. 5. Subsistence groups: programs were implemented to advance subsistence groups through the replication of subsistence group business models, in synergy with relevant ministries and agencies.
		Expansion of MSMEs Market Access.	Expansion of market access was pursued through supply chain integration, both at the national and global levels, including through business matching between MSMEs and large enterprises, off-takers, and international buyers. In addition, MSMEs were encouraged to onboard to various digital platforms and e-commerce channels to broaden market reach. Trade promotion efforts were also actively undertaken, both domestically and internationally.
		Infrastructure Development and Digitalization.	<p>Infrastructure support and digitalization were strengthened to help realize an integrated and competitive inclusive economic ecosystem through:</p> <ol style="list-style-type: none"> 1. Provision of integrated MSME tools and databases; 2. Development of adaptive and sustainable business models; 3. Implementation of pilot projects as demonstration models; and 4. Preparation of replicable MSME development guidelines.
2.	Optimal inclusive Financing and Sustainable Finance	Increasing access to financing are focused on facilitating financing support in line with the needs and capacity of MSME, in synergy with relevant policymakers.	<ul style="list-style-type: none"> • End-to-end facilitation of access to financing, encompassing digital business financial record-keeping through the Financial Information Recording Application System (SIAPIK), implementation of financing business matching, and the provision of a database of MSME with financing potential (BISAID). • To support sustainable financing, facilitation was provided to expand the utilization of the Green Calculator. The Green Calculator is a mobile-based tool designed to facilitate carbon emissions calculations and is accessible free of charge to various stakeholders.

No	Policy	Policy Description	Goals and Background
3.	Expanded Literacy and Synergy for Inclusive and Sustainable Economy and Finance	Strengthening Inclusive Economic-Financial Literacy and Sustainable Finance Literacy.	<ul style="list-style-type: none"> Expansion of financial access and financial literacy through financial literacy programs is pursued to achieve quality financial inclusion and to support the implementation of the National Strategy for Financial Inclusion (SNKI). Bank Indonesia implemented financial education and literacy programs, through the preparation of a financial literacy core competencies framework and lesson plan guidelines, complemented by educational materials on Digital Financial Services (DFS). Expansion of financial access and literacy continues to be pursued through the development of modules, guidelines, and competencies in a targeted, massive, and structured manner. From the perspective of sustainable finance, literacy enhancement was undertaken with reference to the Green Economy and Finance Education (EKH) book entitled "Indonesia's Green Economy: Pathway Toward a Sustainable Future". The publication was prepared to deepen understanding among the financial industry, business actors, and the general public.
		Strengthening Synergy for Inclusive and Sustainable Economy and Finance.	<p>All inclusive and sustainable economic and financial programs are implemented through strong collaboration and synergy with a wide range of cross-sector stakeholders.</p> <p>These stakeholders include ministries/institutions, local governments, the financial services industry, business actors, academia, and community organizations.</p>



Glossary of Terms

Term	Meaning
3I	Integration, interoperability, and interconnection, describing the interconnectedness of financial market infrastructure.
Administered Prices	The inflation component consisting of goods and services whose prices are regulated by the Government.
Advisory	A service or role that provides professional advice, guidance, or recommendations to others.
Aggregate Demand	The total demand for final goods and services produced in an economy at a given price level.
Aggregate Demand–Aggregate Supply (AD–AS)	An economic model analyzing the relationship between aggregate demand, aggregate supply, price levels, and output in an economy.
Aggregate Supply	The total supply of final goods and services offered in an economy at a given price level.
AI as a Service (AIaaS)	A service model providing access to Artificial Intelligence (AI) services via cloud platforms without requiring large infrastructure investment.
Appointed Cross Currency Dealer (ACCD)	Banks appointed by authorities of two countries to facilitate Local Currency Settlement (LCS) by opening partner currency accounts in each jurisdiction.
Appreciation	An increase in the domestic currency's value against foreign currencies.
ASEAN-5	The five founding members of ASEAN (Association of Southeast Asian Nations): Singapore, Malaysia, Thailand, Indonesia, and the Philippines.
Asset Tokenization	The process of creating digital representations of physical/financial assets in the form of tradable tokens.
Balinusra Region	The Bali and Nusa Tenggara region, covering Bali, West Nusa Tenggara, and East Nusa Tenggara.
Bank Indonesia Foreign Exchange Securities (SVBI)	Foreign currency-denominated short-term debt issued by Bank Indonesia, backed by foreign currency securities owned by Bank Indonesia.
Bank Indonesia Foreign Exchange Sukuk (SUVBI)	Foreign currency-denominated sukuk issued by Bank Indonesia, backed by sharia-compliant foreign currency securities owned by Bank Indonesia.
Bank Indonesia Policy Mix (BKBI)	Dynamic integration of complementary and mutually reinforcing policies, namely monetary, macroprudential, and payment system policies, supported by auxiliary policies to ensure consistency in fulfilling Bank Indonesia's mandate and objectives.
Bank Indonesia Rupiah Securities (SRBI)	Rupiah-denominated short-term debt issued by Bank Indonesia, backed by Bank Indonesia-owned securities as underlying assets.
Bankability	The ability of a project or commercial transaction requiring financing to take on risk acceptable to lenders.
Baseline Scenario	A scenario based on assumptions of ongoing or initiated projects (groundbreaking).
BI-Electronic Trading Platform (BI-ETP)	Infrastructure used as an electronic transaction facility.
BI-FAST	A real-time, 24/7 payment system service that accelerates transaction settlement to replace the Bank Indonesia National Clearing System (SKNBI).
BI-FRN (Floating Rate Notes)	Rupiah-denominated short-term debt securities with variable interest rates.
Bilateral Currency Swap Arrangement (BCSA)	Bilateral financial cooperation commonly undertaken by central banks, enabling one central bank to obtain foreign currency from its partner by exchanging local currencies, with re-exchange at agreed maturity.

Term	Meaning
BI-Payment Clear	Bank Indonesia Infrastructure serving as a central risk observability layer to ensure all transactions, whether via BI-FAST or industry payment system infrastructure, are processed under higher security standards.
BI-Payment Info	Bank Indonesia Infrastructure providing interface services for granular data processing.
BI-Real Time Gross Settlement (BI-RTGS)	Infrastructure for electronic fund transfers settled immediately by individual transaction.
BI-Scripless Securities Settlement System (BI-SSSS)	Infrastructure for electronic administration and settlement of securities transactions.
Blockchain	An immutable record of token ownership and transfers maintained in a distributed ledger.
Blueprint	As used in this report, a detailed plan stating objectives and the means to achieve them.
Book-Smart	Professional leadership characterized by high competence.
Boom/Overheating	A period when the economic cycle rises above potential capacity.
Bulk Transfer	Large-scale, transfer services.
Business Matching	Service that facilitates business meetings between economic actors.
Business Process Re-engineering	A management approach to radically redesign business processes utilizing available organizational resources.
Capital Adequacy Ratio (CAR)	A measure of whether a bank has sufficient paid-up capital; measured as the ratio of capital to risk-weighted assets (RWA).
Capital Inflows	Foreign capital inflows (portfolio or direct investment) into a country.
Capital Intensive	Economic sectors requiring large capital investment and relatively less labor.
Capital Share of Income ()	The proportion of total income in the economy received by capital owners, often contrasted with the share of labor.
Cashless	Payment methods other than cash, such as electronic money, mobile banking, or internet banking.
Central Bank Digital Currency (CBDC)	Electronic central bank money, representing a central bank liability, denominated in the official currency, and usable as a medium of exchange, unit of account, and store of value.
Central Counterparty (CCP)	A systemic financial market infrastructure that performs clearing and novation of members' transactions.
Central Securities Depositories (CSD)	Entities facilitating settlement and safekeeping of securities, providing asset services including corporate actions and redemptions.
Centralized	Concentration of authority and decision-making power.
Circular Economy	An economic system aimed at minimizing waste and maximizing resource re-use.
Close-Out Netting	Termination of financial transactions through early termination, valuation, and offsetting of obligations under a master agreement to produce a single net payable amount.
Cloud Computing	Provision of computing services such as data storage, servers, and software via the internet.
Cobb-Douglas Production Function	An algebraic relationship between output produced using inputs of capital and labor, with parameters for productivity and the respective shares of capital and labor.
Collateral	Assets pledged by borrowers to lenders as security for loans or other financial obligations.
Competitiveness	The ability of a country, company, or product to compete in domestic and international markets, encompassing efficiency, productivity, and price competitiveness.
Compounded	Average interest calculated over longer periods (30–360 days), with interest being paid on earned interest, possibly on a daily basis.



Term	Meaning
Comprehensive Economic Partnership Agreement (CEPA)	A wide-ranging economic agreement between two or more countries covering trade in goods/services, investment, and other forms of economic transactions and cooperation.
Consumer Protection	Safeguards for consumers covering the conduct of financial service providers.
Contingent Reserve Arrangement (CRA)	A joint reserve agreement among member countries (e.g., BRICS) to provide emergency liquidity support for financial stability.
Core Inflation	The inflation component that tends to be stable or persistent, influenced by fundamental factors such as demand–supply interaction, external conditions (exchange rate, international commodity prices), and future inflation expectations.
Countercyclical Capital Buffer (CCyB)	Additional capital required of banks, to anticipate losses from shocks that could disrupt financial system stability.
Counterparty	The other party involved in a transaction or agreement.
Counterparty Line	Credit or risk limits set against a counterparty.
Counterparty Risk	The risk that one or more parties to a financial transaction fail to meet their obligations.
COVID-19	A strain (19) of Coronavirus (CoV), which is a large family of viruses causing illnesses ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV).
Cross-Border Payments	Payments conducted across national borders.
Crowding-Out	A condition when government spending reduces private investment.
Crypto Assets	Intangible commodities in the form of digital assets utilizing cryptography, peer-to-peer networks, and distributed ledgers to regulate unit creation, verify transactions, and secure transactions without third-party involvement.
Curation	The process of selecting and assessing product quality.
Currency Pair	A quotation of two currencies showing the exchange rate in the foreign exchange market.
Current Account Deficit	A deficit (that is, imports exceed exports) in the Balance of Payments component that covers merchandise trade, services, primary income, and secondary income.
Cyber Threats	Criminal attempts to gain unauthorized access to computers, computing systems, or networks with intent to cause harm.
Data Capturing	Methods of collecting information and converting it into a format readable and usable by computers.
Data Dependent	As used in this report, the process of using current data and evolving conditions to determine policy changes.
Debt Instruments	Securities evidencing debt relationships, such as bonds, sukuk, or commercial paper.
Debt Switching	A mechanism implemented by Bank Indonesia and the Government to extend the tenor of maturing government debt.
Decentralized	Decision-making conducted independently by lower-level units or regions.
Demographic Dividend	Potential economic gains arising from changes in population age structure, where the working-age population proportion exceeds dependents.
Deposit	A banking product similar to savings but with a fixed withdrawal period agreed between the bank and customer.
Deposit Facility	Placement of Rupiah funds by participants in Bank Indonesia's Standing Facilities, conducted conventionally or based on sharia principles.
Depreciation	A decline in the domestic currency's value against foreign currencies.

Term	Meaning
Derivative	A financial instrument whose value is derived from an underlying asset.
Digital Agriculture Revolution	Transformation of the agricultural sector through digital technology adoption.
Digital Economy	An economy oriented toward advances in information and communication technology.
Digital Economy and Finance (EKD)	Bank Indonesia's initiative to enhance efficiency, convenience, and inclusiveness through integration of digital economy and finance.
Digital Farming	Utilization of digital technology in agricultural cultivation.
Digital Finance	Financial services utilizing digital technology platforms such as mobile or web applications via third parties.
Digital Securities	Securities issued and/or transferred within a distributed ledger technology ecosystem.
Digital Smart Cash Management	Part of digital ecosystem services provided by banks for institutions to manage and conduct transactions in real time online.
Digitalization	The process of converting physical, printed, audio, or video formats into digital form.
Digitally Delivered Service Export (DDSE)	Export of services delivered and consumed entirely through digital channels without physical movement of people or goods.
Direct Debit	Direct debit transfer mechanism.
Dispute Settlement Mechanism	Formal mechanisms for resolving disputes under international agreements, such as arbitration or special panels.
Divergence	As used in this report, a condition when economic growth rates across countries move further apart.
Domestic Non-Deliverable Forward (DNDF)	A domestic hedging instrument in forward exchange markets wherein there is no actual purchase and sale of currencies; only the gain or loss on foreign exchange movements is paid at the settlement date.
Downstreaming (Hilirisasi)	Increasing a commodity's value-added by processing them into final products.
Dynamic Comparative Advantage	A country's evolving ability to produce certain goods more efficiently than others over time, driven by technology, resource availability, and consumer preferences.
Eco-Adopter	MSMEs adopting environmentally friendly practices, though not yet integrated into their core business model.
Eco-Entrepreneur	MSMEs embedding sustainable practices into their core business model and capturing opportunities in the "green market."
Eco-Innovator	MSMEs innovating in production, marketing, organization, and business practices to reduce environmental impact.
E-Commerce	Trade transactions using internet technology.
Economic and Financial Inclusion	Wider access to financial or goods markets, especially among under-served groups.
Economic Cycle	Fluctuations in economic activity around its long-term growth trend.
Economic Transformation	A continuous process aimed at directing the economy toward higher-productivity sectors or increasing productivity within a sector.
Electronification	Transition from cash-based payments to non-cash payments.
Emerging Economies	Countries transitioning from developing to advanced economies.
Emerging Market and Developing Economies (EMDEs)	Group of developing countries and emerging market economies.
Employee Value Proposition (EVP)	The package of financial and non-financial benefits offered by organizations to employees in return for their skills, abilities, and experience.



Term	Meaning
End-to-end	Policies implemented comprehensively, integrated, and inclusively.
Engine of Organizational Change	Individuals, groups, or other driving forces within an organization that trigger and facilitate transformation and innovation.
Executives Meeting of East Asia-Pacific Central Banks (EMEAP)	A cooperative organization of central banks and monetary authorities in East Asia and the Pacific.
Export	Selling goods or services abroad.
Financial Cycle	Fluctuations in financial activity around its long-term growth trend.
Financial Inclusion	Expansion of financial services for lower-income groups to include formal financial products.
Financial Stability Board (FSB)	An international body monitoring and making recommendations on the global financial system.
Financial Technology (Fintech)	Use of technology in financial systems to produce new products, services, technologies, and/or business models, potentially impacting monetary stability, financial system stability, and payment system efficiency, security, and reliability.
Financing to Value	The ratio of financing provided by banks relative to asset value for purchase of, for example, an automobile.
Fiscal Deficit	The difference between government revenue and expenditure, when expenditure exceeds revenue. In Indonesia and several other countries, it is subject to a legal limit of 3% of GDP.
Fiscal Stimulus	Government fiscal policy aimed at boosting aggregate demand, expected to influence short-term economic activity.
Flight-to-Safety	Investor behavior of reallocating funds to 'safe' assets during heightened global uncertainty and risk.
Foreign Direct Investment (FDI)	Ownership investment by companies or individuals from one country into another to manage businesses or assets directly.
Foreign Exchange	Foreign currencies (or precious metals) that are widely accepted for cross-border payments.
Forward-Looking Policy	Policy measures aimed at, for example, achieving future inflation targets, considering time lags in policy transmission.
Friend-Shoring	Investing with or sourcing from friendly countries.
Front-Loading	As used in this report, exporters' strategy of accelerating shipments to anticipate potentially adverse events, like new tariff policies.
FX Forward (Foreign Exchange Forward)	A contract to exchange two currencies in the future at a rate that is agreed today.
FX Swap (Foreign Exchange Swap)	A transaction exchanging two currencies with an agreement to reverse the transaction at a specified future date at a specified rate.
Garuda Project	An umbrella initiative exploring the design of Indonesia's Central Bank Digital Currency (CBDC), later referred to as Rupiah Digital.
General Agreement on Tariffs and Trade (GATT)	An international agreement to reduce trade barriers among countries.
Generation Y (Millennials)	Population born between 1981 and 1996.
Generation Z	Population born between 1997 and 2012.
Geo-Economic Fragmentation	The breakdown of global economic integration into bilateral or regional blocs.
Gini Ratio	A measure of income inequality ranging from zero (perfect equality) to one (perfect inequality).
Global Foreign Exchange Committee (GFXC)	An international forum of central banks and private sector participants to promote a robust, liquid, open, and transparent foreign exchange market through strengthened codes of conduct.

Term	Meaning
Global Spillover	Transmission effects of global economic and financial shocks onto the domestic economy.
Global Value Chains (GVCs)	A global production network where stages of production are spread across countries according to each country's comparative advantage.
Government Shutdown	Suspension of government activities due to unresolved political negotiations.
Green Economy	A sustainable economy considering environmental, social, and governance aspects.
Green Economy and Finance	Economic and financial products or systems supporting environmental and climate sustainability.
Green Finance	Sustainable finance considering environmental aspects.
Hackathon	A competition organized by Bank Indonesia to solve digital economy and finance challenges through technology-based innovation.
Haircut	A reduction in the value to the lender of a loan, reflecting the risk of default.
Halal Lifestyle	A lifestyle emphasizing consumption of products and services compliant with halal principles.
Halal Value Chain (HVC)	A halal ecosystem covering upstream to downstream industries, including halal tourism, halal cosmetics and pharmaceuticals, halal food, and halal finance.
Hedging	Investor activities to reduce or eliminate sources of risk.
Hedging Instruments	Financial products such as derivatives (swaps, forwards, options) used to reduce risks from price, interest rate, or exchange rate fluctuations.
High-Quality Liquid Asset (HQLA)	Assets easily convertible to cash with minimal loss of value; important for meeting liquidity needs.
Import	Purchasing goods or services from abroad.
Imported Inflation	Inflation caused by rising prices of imported goods, often due to exchange rate depreciation.
Inclusive Economy	An economy where all individuals can contribute and earn income with fair access to resources and opportunities.
Incremental Capital-Output Ratio (ICOR)	A ratio showing the amount of capital investment required to generate one unit of additional output growth.
Indonesia Credit Card (KKI)	A domestic credit card instrument processed through the National Payment Gateway.
INDONIA	The interest rate index for unsecured overnight Rupiah lending transactions between banks in Indonesia.
Infant Industries	Newly developing industries requiring government protection (or support) to grow and compete.
Infrastructure for the Money Market	Facilities and systems supporting transactions in the money market.
Institutional Transformation	Wide-ranging transformation of an institution, encompassing organizational and work process strengthening, human resources and work culture, and digitalization.
Integration	As used in this report, consolidation of post-trade infrastructure into a single institution for transaction value chain services.
Intelligent Logistics	Logistics systems utilizing digital technology, sensors, and data analytics to optimize supply chains, transport efficiency, and goods distribution.
Interbank Sharia Fund Management Certificate Transaction (SiPA)	Interbank funding transactions under sharia principles using the wakalah bi al-istitsmar contract.
Interconnection	The ability of systems to exchange information or transact indirectly, not requiring intermediaries.



Term	Meaning
Internal Funding	Financing sourced internal to a company, such as retained earnings or owner capital injections.
International Swaps and Derivatives Association (ISDA)	A professional association established in 1985 to promote and enhance swap and derivative trading.
Interoperability	The ability of two systems to communicate or transact directly.
Investment	Accumulation of assets with the expectation of future returns; also known as capital spending.
Investment Grade	A rating indicating the riskiness of financial instruments, particularly bonds.
Islamic Financial Market Code of Conduct (ICoC)	Professional moral guidelines governing conduct in the money and foreign exchange markets based on sharia principles.
ISO 20022	An open global messaging standard for financial information, providing consistent, rich, and structured data usable across financial transactions.
Jakarta Interbank Offered Rate (JIBOR)	The average indicative interest rate for unsecured Rupiah lending offered among contributing banks for tenors beyond overnight.
Jakarta Interbank Spot Dollar Rate (JISDOR)	A reference rate representing the USD/IDR spot exchange rate from interbank foreign exchange transactions, including transactions with offshore banks.
Java Region	Covers Jakarta, West Java, Central Java, Yogyakarta, East Java, and Banten.
Kalimantan Region	Covers West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, and North Kalimantan.
Know Your Customer (KYC)	A principle applied by banks to identify customers, monitor their transactions, and report suspicious activities.
Labor-Intensive	Economic sectors or activities requiring more labor relative to capital.
Leadership	The ability to lead, direct, and influence other persons or groups toward achieving common goals.
Lender of Last Resort	Bank Indonesia's role as the ultimate liquidity provider to banks facing liquidity difficulties to prevent systemic crises.
Lending Facility	Provision of Rupiah funds by Bank Indonesia to Standing Facility participants for conventional monetary operations.
Lending Requirement	Conditions that must be met by loan applicants in the credit approval process.
Liquidity	A company's ability to meet short-term obligations.
Liquidity Provider	Parties supplying liquidity in the market.
Liquidity Saving Mechanism (LSM)	A feature designed to enhance risk management and liquidity efficiency.
Loan at Risk (LAR) Ratio	A ratio measuring the proportion of total bank loans potentially at risk.
Loan-to-Value (LTV) Ratio	The ratio of a bank loan relative to asset value.
Local Currency Transaction (LCT)	Bilateral transactions between two countries conducted in local currencies, with payments settled within each country's jurisdiction.
M0	Central bank liabilities (Bank Indonesia) to commercial banks, rural banks (BPR), and the private sector (excluding the central government and foreign entities).
M1	Narrowly-defined money, consisting of currency in circulation plus demand deposits.
M2	Broadly-defined money, consisting of M1 plus quasi-money (time deposits and savings in Rupiah and foreign currency, as well as foreign currency demand deposits), and non-equity securities.

Term	Meaning
Machine Learning	A form of artificial intelligence enabling systems to learn from data and improve performance without explicit intervention.
Macro-Financial Surveillance	The process of monitoring and analyzing the linkages between macroeconomic conditions and financial system stability to detect potential risks and safeguard economic resilience.
Macroprudential	A financial regulatory approach aimed at mitigating risks to the overall financial system.
Macroprudential Intermediation Ratio (RIM)	A policy instrument used by Bank Indonesia to manage systemic risk by regulating bank intermediation activities. It measures the ratio of a bank's financing (that is, its loans and securities held) relative to its funding (including deposits and securities issued).
Macroprudential Liquidity Incentive Policy (KLM)	Incentives provided by Bank Indonesia to banks through reductions in reserve requirements (GWM) to support specific types of credit/financing disbursements.
Macroprudential Policy Trilemma	Three objectives pursued by Bank Indonesia in macroprudential policy: optimal credit/financing, financial system stability, and inclusive and green finance.
Market Code of Conduct (MCoC)	Professional moral guidelines governing conduct in the money and foreign exchange markets.
Market Maker	Parties shaping the financial market through active roles such as trading and price quotations, thereby encouraging other market participants to transact.
Market Operator (MO)	Entities other than Bank Indonesia that operate, provide, or use systems to conduct financial transactions.
Market Surveillance	The process of supervising and analyzing financial market activities to identify and assess risks that may affect banking stability and the economy.
Market-Led Development	Market development driven by the needs and dynamics of market participants themselves.
Matchmaking	The process of connecting two parties with complementary interests or needs to cooperate, transact, or form partnerships.
Metadata	Structured reference data that helps sort and identify attributes of the information it describes.
Microprudential	Concerns policies that cover financial institutions individually, often to guard against instability.
Middle Income Trap	Characterization of a situation wherein a country has achieved middle income status but finds it very difficult to progress further.
Minimum Reserve Requirement (GWM)	Minimum funds that banks must maintain in cash or current accounts at Bank Indonesia.
Modern Office	A workplace concept designed to support collaboration, flexibility, digitalization, and employee well-being, often accommodating millennial and Gen Z needs.
Monetary Policy Trilemma	Three objectives pursued by Bank Indonesia in monetary policy: price stability, exchange rate stability, and adequacy of foreign exchange reserves.
Money Market Curve	A curve illustrating the relationship between short-term money market interest rates and their tenors/maturities.
Multicurrency	Involving more than one currency (often used in different countries).
Multilateral Netting	Settlement of transactions by calculating net positions among multiple parties to reduce transaction volume and increase efficiency.
Mutual Recognition Arrangement (MRA)	An agreement between two countries or regions to mutually recognize standards, certifications, or qualifications.



Term	Meaning
National Open API Payment Standard (SNAP)	National Open API Payment Standard established by Bank Indonesia to foster a healthy, competitive, and innovative payment system industry; promote integration, interconnection, interoperability, and secure, reliable payment infrastructure; and improve fair, efficient market practices in payment system operations.
National Strategic Projects (PSN)	Government priority projects aimed at driving economic growth, infrastructure, and real sector transformation.
National Supply Chain	The domestic supply chain.
Nationally Driven	Infrastructure development driven and directed by national interests and policies.
Nazhir (Waqf Manager)	A party receiving waqf assets from a Wakif (donor) to manage and develop them according to their intended purpose.
Net Zero Emission	A condition where the amount of greenhouse gas emissions released into the atmosphere is balanced by the amount absorbed or removed.
New and Renewable Energy (NRE)	Environmentally friendly energy sources such as solar, wind, and geothermal.
Non-Bank Financial Institutions (NBFIs)	Institutions operating legally in the financial sector, but outside the formal banking system.
Non-Centrally Cleared Derivatives (NCCD)	Derivative transactions not cleared through a CCP.
Non-Deliverable Forward (NDF)	A forward contract used for hedging in foreign exchange markets where the underlying currency is not deliverable. At settlement, there is no physical exchange of currencies; instead, the difference between the contracted forward rate and the prevailing spot rate is settled in a freely convertible currency.
Non-Performing Loan (NPL)	A bank loan that is not being repaid.
Non-USD/IDR Reference Rate	A benchmark exchange rate representing foreign currencies other than USD against the Rupiah.
Omnidata Intelligence Platform	A centralized facility equipped with advanced analytical capabilities.
Online	Connected via computer networks, the internet, and similar platforms.
Open Unemployment Rate (TPT)	The percentage of the labor force not working but actively seeking employment relative to the total labor force.
Optimistic Scenario	A scenario including baseline projects plus new projects not yet started, with low costs and potential for rapid financing (including state budget/APBN).
Overnight	The daily interest rate for interbank transactions.
Overnight Index Swap (OIS)	A financial derivative contract to exchange interest rate payments over a specified time period, calculated using daily compounding. Typically, one party pays a floating rate, the other a fixed rate.
Palapa Ring	A broadband infrastructure connecting 57 districts/cities in Indonesia to expand equitable access.
Pandemic	A widespread disease outbreak across several continents or globally.
Payment ID	A unique identifier assigned to each payment participant.
Payment System	Systems facilitating the transfer of monetary value between parties.
Policy Mix	The simultaneous use of multiple policies.
Pot Up System	A cultivation method where seedlings are kept in pots or containers in greenhouses before transplanting.
Pre-Emptive	Policy measures taken to anticipate future risks affecting, for example, inflation targeting, macroeconomic stability, and financial system stability, taking into consideration policy time lags.

Term	Meaning
Price Discovery	The process of investigating prices and yields.
Price Disparity	Price differences across regions for the same commodity.
Pricing	A policy scheme setting fees applied in conducting transactions through systems.
Primary Dealer in the Money and Foreign Exchange Market (PUVA)	Banks or other entities approved by Bank Indonesia to perform obligations and activities in the money and foreign exchange markets.
Pro-Growth	Policies implemented to support economic growth.
Pro-Market Monetary Operation	Implementation of monetary policy integrating monetary management with development and supervision of PUVA primary dealers.
Promotion	Activities introducing products to consumers to increase sales and market reach.
Proof of Concept (PoC)	A product demonstration focused on determining whether an idea can be realized.
Pro-Stability	Policies implemented to maintain economic or financial stability.
Public Service Obligation (PSO)	Obligations imposed by the Government on companies or service providers to deliver public services at specified standards, which may not be achieved under free market conditions.
Pull Strategy	MSME development strategy creating demand (demand-pull) through promotion, product curation, and market/buyer connections.
Push Strategy	MSME development strategy strengthening supply capacity (supply-push) through training, mentoring, and access to raw materials/modernization.
QR Code	A technology feature enabling payments by scanning a code via mobile applications at merchants' outlets.
QRIS Cross-Border	A collaborative initiative to build standardized settlement infrastructure for cross-border trade.
QRIS Merchant Discount Rate (MDR)	Discounted service fees charged to merchants by Payment Service Providers (PSPs) for transactions using QRIS.
QRIS TAP	A QRIS feature enabling payments without scanning (tap), facilitating faster, touchless process.
QRIS TUNTAS	QRIS Cash Withdrawal, Transfer, and Cash Deposit feature allowing users to transfer funds between QRIS users, withdraw cash, and deposit cash via ATMs, Cash Deposit Machines (CDMs), or QRIS TUNTAS agents.
Quick Response Code Indonesian Standard (QRIS)	Integration of various QR codes from different Payment System Service Providers (PISPs), developed jointly by the payment system industry and Bank Indonesia to make QR code transactions easier, faster, and more secure.
Quotation	An offer of price for products or services.
Real Sector Transformation	Structural change from reliance on primary sectors (agriculture, mining) to higher value-added secondary (manufacturing) and tertiary (services) sectors.
Reciprocal Tariff	Taxes or trade restrictions imposed by one country in response to similar measures by another country.
Regional Payment Connectivity (RPC)	A regional payment connectivity cooperation agreement among Bank Indonesia, Bank Negara Malaysia, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore, and Bank of Thailand.
Regtech	Utilization of technology to achieve regulatory compliance effectively and efficiently.
Regulatory Reform	The process of changing or improving regulatory systems to enhance quality, efficiency, and effectiveness.
Rent-Seeking	Seeking profit without contributing to societal welfare, typically by manipulating systems.



Term	Meaning
Repurchase Agreement (Repo)	Conditional sale of securities by banks with an obligation to repurchase at an agreed price and maturity.
Request for Payment	Payment made upon request.
Retail Payment	Small-value payment transactions conducted by individuals or MSMEs.
Retained Earnings	Profits retained by a company after dividends have been deducted.
Retaliation	Economic countermeasures taken by a country against another country's trade policies deemed harmful.
Revealed Symmetric Comparative Advantage (RSCA)	An indicator measuring a country's comparative competitiveness in specific products.
Reverse Engineering	The process of dismantling or analyzing a product to understand its workings, replicate it, or improve its design.
Rupiah Digital	The digital form of the Rupiah currency.
Safe-Haven Asset	Financial assets considered relatively safe and stable during periods of stress or uncertainty.
Sandboxing	A security technique that evaluates technology innovations in a controlled environment.
Saving-Investment Gap	The difference between domestic savings and investment in an economy.
Scarring Effect	Structural damage to the economy with long-term impacts.
Securities Ledger	The component of the Digital Rupiah ledger recording securities transactions.
Securities Settlement System (SSS)	Entities enabling securities transfer and settlement through book-entry in accordance with agreed rules, allowing securities transfers with or without payment.
Self-Regulatory Organization in Money and Foreign Exchange Markets (SRO PUVA)	A legally incorporated Indonesian institution designated by Bank Indonesia to support development of the money and foreign exchange markets.
Sharia Money Market Expert (ASPU)	Professional with competence and certification in sharia principles to perform functions related to operations and transactions in the sharia money market.
Sharia Repo	Sale of sharia-compliant securities under sharia principles with a promise to repurchase at an agreed future date.
Sharia Restricted Investment Account (SRIA)	A sharia banking investment product where customer funds are pooled and allocated specifically to finance certain projects/products under sharia principles.
Smart Nation	A national initiative led by Singapore's Ministry of Digital Development and Information (MDDI) to build a digital future where people live meaningful and fulfilling lives enabled by technology, creating opportunities for all.
Smart-Contract	A set of computer program codes defining business logic on a distributed ledger network, serving as rules or conditions for accessing the ledger.
Social Assistance	Government provision of financial or material aid to individuals, families, groups, and/or communities, delivered selectively and non-continuously to protect against social risks.
Sovereign Credit Rating	Independent assessment of a country's creditworthiness, helping investors evaluate risks associated with investing in that country.
Special Rate	Deposit interest rates offered by banks to large depositors, generally higher than standard deposit rates, reflecting strong bargaining power on the part of the depositor.
Spiritual-smart	Professional leadership characterized by noble character.
Spot	Cash transactions where fund settlement occurs within two business days after the transaction date.

Term	Meaning
Stablecoins	Cryptocurrencies designed to maintain stable value relative to specific assets or baskets of assets.
Stagnation or Recession	Periods when the economic cycle declines well below potential capacity. Technically, a recession is two successive quarters of declines in GDP.
Standing Facilities	Provision of Rupiah funds by Bank Indonesia to banks (including placement of Rupiah funds by banks at Bank Indonesia) for monetary operations conducted conventionally and under sharia principles.
Statement of Commitment	A declaration submitted by PUVA participants containing their commitment to uphold the PUVA code of ethics and to act ethically and professionally.
Strategic Asset Allocation (SAA)	A long-term portfolio strategy involving asset class allocation and periodic rebalancing.
Street-Smart	Professional leadership characterized by strong practical experience.
Stress Test	A test for resilience.
Structural Reform	Fundamental changes made to a system.
Subprime Mortgage Crisis	A financial crisis triggered by defaults on sub-prime mortgage loans in the United States, which spread to the global financial system in 2007–2008.
Subsidy	Government transfers that reduce the price of goods or services.
Sukuk	Long-term sharia-compliant securities issued by an entity to sukuk holders.
Sulampua Region	The Sulawesi, Maluku, and Papua region, covering North Sulawesi, Central Sulawesi, South Sulawesi, Southeast Sulawesi, Gorontalo, West Sulawesi, Maluku, North Maluku, Papua, West Papua, Southwest Papua, Central Papua, Highland Papua, and South Papua.
Sumatra Region	Covers Aceh, North Sumatra, West Sumatra, Riau, Jambi, South Sumatra, Bengkulu, Lampung, Riau Islands, and Bangka Belitung Islands.
Sumitronomics	An economic concept emphasizing high growth, equitable distribution of development benefits, and dynamic national stability. Named after Sumitro Djokohadikusomo, an Indonesian economist, academic, and politician, mainly during the 1960s and 1970s.
Super Optimistic Scenario	A scenario including optimistic projects plus new projects not yet started, with high costs and long-term financing from domestic/foreign private sources.
Supervisory Technology (Suptech)	Use of innovative technology by supervisory authorities to support implementation of supervisory functions.
Sustainable Finance	Comprehensive support from the financial services industry for sustainable growth through alignment of economic, social, and environmental interests.
Systemic Risk	Risk that could disrupt the stability of an entire system.
Term Premium	Additional yield received by investors for holding long-term bonds compared with short-term bonds, compensating for risk.
Term Repurchase Agreement (Term Repo)	Short-term collateralized loan where securities are sold and later repurchased at a pre-agreed higher price.
Terms of Trade	An important economic indicator reflecting the ratio of a country's export prices to its import prices.
The Fed	The Federal Reserve System, informally "The Fed," the central bank of the United States.
The Macroprudential Liquidity Buffer (PLM)	A macroprudential instrument designed to strengthen banking liquidity resilience, requiring banks to hold liquidity buffers in the form of government securities (SSB) at a certain proportion of Rupiah third-party funds (DPK).
Tokenization	The process of creating digital versions of banknotes and coins with validity verification.



Term	Meaning
Traceability	The ability to trace and verify the entire journey of a product.
Trade Fragmentation	The breakdown of global trade into bilateral or regional blocs due to protectionism and geopolitical tensions.
Trade Polarization	The tendency of international trade to concentrate among certain economic blocs or countries, reducing flows with non-bloc partners.
Trading Partner	Regions/countries that buy or sell goods/services to one another.
Tri-Party Repo Agent	A neutral, third party facilitating and managing repo transactions between two principal parties to ensure efficiency, security, and compliance with OJK regulations.
Triple Intervention	Rupiah stabilization strategy through: i) interventions in the spot market; ii) provision of foreign exchange liquidity via DNDF hedging instruments; and iii) purchases of Government Securities (SBN) in the secondary market to maintain Rupiah liquidity adequacy.
Two-Pronged Approach Reform Strategy	As used in this report, an industrial reform strategy focusing on two paths: development of medium-high technology industries and labor-intensive/low-technology industries.
Unbanked	Refers to individuals or entities without access to banking or similar financial services.
Underlying Repo	Security used as collateral in Bank Indonesia's monetary operations (repo).
Undisbursed Loan	Loans approved but not yet disbursed or utilized by borrowers in accordance with disbursement requirements.
Unique Identifier	A numeric or alphanumeric string linked to a single entity within a system.
US Treasuries	US securities in the form of government bonds issued by the US Department of the Treasury to finance the federal government deficit.
Vocational Training	Training focused on applied skills, e.g., technicians and nurses.
Volatile Food	Inflation in food items whose price movements are predominantly influenced by shocks, such as harvests, natural disruptions, or domestic/international commodity price developments.
Volatility	A measure of the degree of price or value fluctuations of an asset over a given period.
Waste to Energy	The process of converting waste into energy.
Waste to Product	The process of converting waste or residues into new products with economic value.
Wholesale Payment	Large-value payment transactions conducted by institutions or corporations.
Wholesaler	As used in this report, entities with direct access to Digital Rupiah from Bank Indonesia, responsible for distributing Digital Rupiah to retailers and end-users.
Yield	Return on an asset, usually expressed as a percent of the value of that asset.

ABBREVIATIONS

Abbreviation	Term in Full
2S	Standardization and Certification
3I	Integration, Interconnection, Interoperability
3P+I	Product, Participant, Pricing, and Infrastructure
3S	Systematization, Simplification and Standardization
3T	The Frontmost, the Outermost, and the Remote regions
4I-RD	Infrastructure, Industry, Innovation, International and Digital Rupiah
4K	Price Affordability, Supply Availability, Smooth Distribution and Effective Communication
5K	Quality, Quantity, Capacity, Continuity, and Packaging
AB3	<i>Aku Bangga BI Bermakna</i> /I'm Proud BI is Meaningful
ABFS	Automated Banknote Feeding System
ABPS	Automated Banknote Packaging System
ACCD	Appointed Cross Currency Dealer
AD-AS	Aggregate Demand-Aggregate Supply
AFI	ASEAN Financial Integration
AFTA	ASEAN Free Trade Area
AI	Artificial Intelligence
AIaaS	Artificial Intelligence as a Service
APBN	State Budget
APC	ASEAN Payment Connectivity
APU PPT PPSPM	Anti-Money Laundering, Counter-Terrorism Financing, and Counter-Proliferation of Weapons of Mass Destruction Financing
APU-PPT	Anti-Money Laundering and Counter-Terrorism Financing
APUVINDO	Indonesian Money Market and Foreign Exchange Market Association
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN + China, Japan, and South Korea
ASPI	Indonesian Payment Systems Association
ASPU	Sharia Money Market Expert
ATGBI	Annual Strategic Direction of Bank Indonesia Governor

Abbreviation	Term in Full
B-Ready	Business Ready
Balinusra	Bali-Nusa Tenggara
Bappebti	Indonesian Commodity Futures Trading Regulatory Agency
Bappenas	The Ministry of National Development Planning
BBJ	Proudly Made in Indonesia
BBWI	Proud to Travel in Indonesia
BCBS	Basel Committee on Banking Supervision
BCSA	Bilateral Currency Swap Arrangement
BdF	Banque de France
BERSATU UMKM	Collaborate, Unite, and Advance MSMEs
BI	Bank Indonesia
BI-ETP	Bank Indonesia – Electronic Trading Platform
BI-FAST	Bank Indonesia – Fast Payment
BI-FRN	Bank Indonesia – Floating Rate Note
BI-RTGS	Bank Indonesia – Real Time Gross Settlement
BI-SAID	Financing Business Matching and the Provision of a Database of Potentially Financeable MSME Profiles
BI-SSSS	Bank Indonesia – Scripless Securities Settlement System
BIS	Bank for International Settlements
BKBI	Bank Indonesia Policy Mix
BLU	Public Service Agency
BNM	Bank Negara Malaysia
BoE	Bank of England
BoG	Board of Governors
BoK	Bank of Korea
BoL	Bank of The Lao People's Democratic Republic
BOP	Indonesia Balance of Payments
BoT	Bank of Thailand
Botasupal	Coordinating Body for the Eradication of Counterfeit Rupiah
BPD	Regional Development Bank



Abbreviation	Term in Full
BPK-RI	Audit Board of the Republic of Indonesia
BPPU 2025	2025 Money Market Development Blueprint
BPPU 2030	2030 Money Market and Foreign Exchange Market Deepening Blueprint
BPPUR	Rupiah Currency Management Blueprint
BPR	Business Process Re-engineering
bps	Basis points
BPS	Sharia Financing Month
BPS	Statistics Indonesia
BRICS	Brazil, Russia, India, China, and South Africa (economic cooperation forum)
BRISC	BRICS Rapid Security Channel
BRL	Bilateral Repo Line
BSA	Bilateral Swap Arrangement
BSNT	Non-Cash Social Assistance
BSPI	Indonesia Payment System Blueprint
BSPS	Self-Help Housing Assistance Program
BTPF	BRICS Payment Task Force
BTS	Base Transceiver Station
BUK	Conventional Bank
BUMN	State-Owned Enterprises (SOEs)
BUS	Sharia/Islamic Bank
BWI	Indonesian Waqf Body
CA	Current Account
CAR	Capital Adequacy Ratio
CBDC	Central Bank Digital Currency
CBP	Cross-border Payment
CBP Rupiah	Love, Pride and Understanding of the Rupiah
CBRT	Central Bank of the Republic of Turkey
CBUAE	Central Bank of the United Arab Emirates
CCP	Central Counterparty
CCP PUVA	Money Market and Foreign Exchange Market Deepening Central Counterparty
CCP SBNT	Interest Rates and Exchange Rates Central Counterparty
CCS	Cross Currency Swap
CCyB	Countercyclical Capital Buffer
CEP	Comprehensive Economic Partnership

Abbreviation	Term in Full
CHT	Tobacco Excise
CIC	Currency in Circulation
CKG	Free Health Check Program
CKPN	Provisions for Impairment Losses
CMIM	Chiang Mai Initiative Multilateralization
COVID-19	Corona Virus Disease 2019
CPI	Consumer Price Index
CPO	Crude Palm Oil
CRA	Contingent Reserve Arrangement
Danantara	Daya Anagata Nusantara
DDSE	Digitally Delivered Service Export
DF	Deposit Facility
DFS	Digital Financial Services
DHE	Foreign Exchange Export Proceeds
DHE SDA	Foreign Exchange Export Proceeds from Natural Resources
DIGDAYA UMKM	Digitalization for Enhancing MSME Competitiveness
DKU	Main Cash Depot
DKW	Regional Cash Depot
DNDF	Domestic Non-Deliverable Forward
DPR RI	House of Representatives of the Republic of Indonesia
DSAS-IAI	Sharia Accounting Standards Board – Indonesian Institute of Accountants
DSN	National Sharia Council
DWP	Digital Workplace Platform
DXY	US Dollar Index
EBA	Asset-Backed Securities
EBT	New and Renewable Energy
ECB	European Central Bank
ECO RISE	Empowering Community & MSMEs toward Resilient, Inclusive, and Sustainable Economy
EHTC	ENHAI Halal Tourism Center
EKD	Digital Economy and Finance
EKH	Green Economic and Financial Education
EKSYAR	Sharia Economy
EMDEs	Emerging Market and Developing Economies

Abbreviation	Term in Full
EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
EMEs	Emerging Market Economies
ERB	<i>Ekspedisi Rupiah Berdaulat/Sovereign Rupiah Expedition</i>
ESG	Environmental, Social, and Governance
ETP	Electronic Trading Platform
ETPD	Regional Government Transaction Digitalization
EU	European Union
EVP	Employee Value Proposition
FDI	Foreign Direct Investment
FDP	Food Distribution Facilitation Program
FEKDI	Indonesian Digital Economy and Finance Festival
FERBI	Indonesian Sovereign Rupiah Festival
FESyar	Sharia Economy Festival
FFR	Federal Funds Rate
FinTech	Financial Technology
FK-PSK	Financial Sector Development Coordination Forum
FLPP	Housing Financing Liquidity Facility
FMI	Financial Market Infrastructure
FMI-PS	Financial Market Infrastructure-Payment System
FOMOBO	Front Office, Middle Office, and Back Office
FORINPUR	Rupiah Currency Management Industry Forum
FRBNY	Federal Reserve Bank of New York
FSB	Financial Stability Board
FSS	Financial System Stability
FTV	Financing to Value
FX	Foreign Exchange
FX Forward Curve	Foreign Exchange Forward Curve
FX Swap	Foreign Exchange Swap
G20	Group of Twenty
GATT	General Agreement on Tariffs and Trade
GBI	Governor of Bank Indonesia
GDP	Gross Domestic Product

Abbreviation	Term in Full
GEMA HALAL	Collective Movement for Halal Acceleration
GERBANG SANTRI	Islamic Boarding School and Halal Value Chain Development Movement
GFC	Global Financial Crisis
GFXC	Global Foreign Exchange Committee
GIFA	Global Islamic Finance Award
GIRU	Global Investor Relation Unit
GLEIS	Global Legal Entity Identifier System
GMRA	Global Master Repurchase Agreement
GNPIP	National Movement for Food Inflation Control
GRK	Greenhouse Gases
GVC	Global Value Chain
HBKN	National Religious Holidays
HEBITREN	Islamic Boarding School Business and Economics Association
HLM	High Level Meeting
HPT	Crop Pests
HPW	Fair Market Price
HR	Human Resources
HSS	Days After Sowing
HST	Days After Planting
IAI	Indonesian Institute of Accountants
ICC	Investor Conference Call
ICoC	Islamic Financial Market Code of Conduct
ICOR	Incremental Capital Output Ratio
ICR	Interest Coverage Ratio
IDCB	Integrated Digital Central Banking
IEHI	Indonesia Green Economy Index
IEKB	Economic Inclusion, Financial Inclusion, and Sustainable Finance
IEU CEPA	Indonesia-European Union Comprehensive Economic Partnership Agreement
IFSB	Islamic Financial Services Board
IFSE	Indonesia Fintech Summit and Expo
IGB	International Governance Body
IIFM	Islamic International Financial Market
IIGMA	Indonesia Islamic Global Market Association



Abbreviation	Term in Full
ILM	International Islamic Liquidity Management
IK-CEPA	Indonesia-Korea Comprehensive Economic Partnership Agreement
IKKAT	Independence, Consistency, Coordination, Accountability, Transparency
IKM	Small and Medium Industries
IKN	Nusantara Capital City
IKNB	Non-Bank Financial Industry
IMF	International Monetary Fund
IMTI	Indonesia Muslim Travel Index
INDONIA	Indonesia Overnight Index Average
IP	Industrial Policy
IPK	Corruption Perceptions Index
IPK	Financial Market Infrastructure
IPRS	Islamic Profit Rate Swap
IRS	Interest Rate Swap
IRU	Investor Relations Unit
ISDA	International Swaps and Derivatives Association
ISDB	Islamic Development Bank
ISEF	Indonesia Sharia Economic Festival
ISIC	The International Standard Industrial Classification of All Economic Activities
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
ITSK	Financial Sector Technological Innovation
JAWARA Ekspor	Sharia Entrepreneurship Network for Export Promotion
JISDOR	Jakarta Interbank Spot Dollar Rate
JPH	Halal Product Assurance
JPKI	International Financial Safety Net
KAD	Interregional Cooperation
KANAL ZISWAF	National Collaboration for Zakat, Infaq, Alms, and Waqf Development
KCBA	Foreign Bank Branch Offices
KDMP	Red and White Village Cooperative
KEK	Special Economic Zone
KEKDA	Review of Regional Economies and Finances

Abbreviation	Term in Full
KI	Industrial Estates
KI	Investment Zones
KI IWIP	Indonesia Weda Bay Industrial Park Investment Area
KIP	Smart Indonesia Card
KK	Working Group
KKB	Sustainable Finance Committee
KKD	Joint Committee of Members of the Board of Governors of Bank Indonesia and the Board of Commissioners of the Financial Services Authority
KKI	Indonesia Creative Works
KKI	Indonesia Credit Card
KKI BIJAK	Bank Indonesia Creative Works for Environmental Sustainability
KKMP	Red and White Urban Village Cooperative
KLIK	Core Competencies in Financial Literacy and Inclusion
KLM	Macroprudential Liquidity Incentive Policy
KNEKS	National Committee of Economic and Financial Sharia
KPBU	Public and Private Partnership
KPEI	Indonesia Securities Clearing and Guarantee Corporation
KPM	Beneficiary Families
KPw DN	Domestic Representative Office
KPw LN	Overseas Representative Office
KSEI	Central Custodian of Indonesian Securities
KSSK	Financial System Stability Committee
KUPVA BB	Non-Bank Foreign Exchange Business Activities
KUR	People's Business Credit
KYC	Know Your Customer
LA/TPF	Liquid Assets/Third-Party Funds
LAKU	Complete, Accurate, Timely, and Comprehensive
LCT	Local Currency Transaction
LDR	Loan to Deposit Ratio
LENERA Emas	Literacy and Inclusion of Sharia Economics and Finance toward Golden Indonesia
LF	Lending Facility
LGA	Electricity, Gas, and Water
LUKE IT	Indonesian Financial Literacy Program

Abbreviation	Term in Full
LMS	Learning Management System
LNS	Sharia Hedging
LoLR	Lender of Last Resort
LPDP	Education Endowment Fund Agency
LPS	Deposit Insurance Agency
LRT	Light Rail Transit
LTV/FTV	Loan to Value/Financing to Value
MAS	Monetary Authority of Singapore
MBG	Free Nutritious Meals Program
MCoC	Market Code of Conduct
MDR	Merchant Discount Rate
MEA	People's Economy of ASEAN
METI	Ministry of Economy, Trade and Industry
MFNs	Most-Favored Nations
ML	Machine Learning
MO	Market Operator
MoC	Memorandum of Commitment
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MRA	Mutual Recognition Arrangement
MRT	Mass Rapid Transit
MSME	Micro, Small and Medium Enterprises
NBFIs	Non-Bank Financial Institutions
NCCD	Non-Centrally Cleared Derivatives
NCG	Net Claims on Government
NDB	New Development Bank
NDF	Non-Deliverable Forward
NFA	Net Foreign Assets
NFC	Near Field Communication
NHS	National Health Service
NKRI	Unitary State of the Republic of Indonesia
NPI	Nickel Pig Iron
NPL	Non-Performing Loan
NTP	Farmers' Terms of Trade
OECD	Organisation for Economic Co-operation and Development
OESN	National Sharia Economics Olympiad
OIS	Overnight Index Swap

Abbreviation	Term in Full
OJK	Financial Services Authority
OM pro-market	Pro-Market Monetary Operations
OSS	Online Single Submission
OTC	Over the Counter
P2DD	Acceleration and Expansion of Regional Digitalization
P2SK Act	Financial Sector Development and Strengthening Act
PADG	Regulation of Members of the Board of Governors
PBI	Bank Indonesia Regulation
PBoC	People's Bank of China
PBR	Low-Income Individuals
PD	Primary Dealer
PDG	Bank Indonesia's Board of Governors Regulation
PHEI	Indonesia Bond Pricing Agency
PIDI	Indonesia Digitalization Innovation Center
PINTER ZAWAIS	Integrated ZISWAF Information Center
PIP	Smart Indonesia Program
PISA	Programme for International Student Assessment
PJP	Payment Service Providers
PJPUR	Rupiah Money Processing Service Providers
PLIP	Short-Term Liquidity Loans
PLIPS	Sharia Short-Term Liquidity Financing
PLM	Macroprudential Liquidity Buffer
PMKT	Integrated Crisis Management Protocol
PoC	Proof of Concept
Pokdarwis	Tourism Conscious Group
PP	Government Regulation
PP	Priority Program
PPATK	Financial Transaction Reports and Analysis Center
PPN DTP	Value-Added Tax Borne by the Government
PRM	Muslim Friendly Tourism
PSN	National Strategic Project
PSO	Public Service Obligation



Abbreviation	Term in Full
PSP	Payment Service Provider
PSPS	Systemic Payment System Organizer
PUAS	Sharia Interbank Money Market
PUVA	Money Market and Foreign Exchange Market
QR	Quick Response
QR Code	Quick Responses Code
QRIS	Quick Response Code Indonesian Standard
QRIS TAP	QRIS Without Scanning
r-CBDC	Retail CBDC
R&D	Research and Development
Rakornas	National Coordination Meeting
RAN-GRK	National Greenhouse Gas Action Plan
RBI	Reserve Bank of India
RBS	Strategic Business Plan
RDG	Board of Governors Meeting
Repo	Repurchase Agreement
RFA	Regional Financial Arrangement
RFP	Request for Payment
RIM	Macroprudential Intermediation Ratio
RIRU	Regional Investor Relation Unit
RIVIBI	Bank Indonesia Digital Innovation Master Plan
ROC	Regulatory Oversight Committee
RPC	Regional Payment Connectivity
RPIM	Macroprudential Inclusive Financing Ratio
RPJMN	National Medium-Term Development Plan
RPJPN	National Long-Term Development Plan
RPLN	External Debt Ratio
RPOJK	Draft Financial Services Authority Regulation
RSCA	Revealed Symmetric Comparative Advantage
RTGS	Real Time Gross Settlement
SAA	Strategic Asset Allocation
SAPA SYARIAH	Synergy of Sharia Trade and Financing
Satgasnas LCT	National LCT Task Force
SBC	Structured Bilateral Cooperation
SBDK	Base Rate for Lending

Abbreviation	Term in Full
SBK	Commercial Paper
SBN	Government Securities
SBV	State Bank of Vietnam
SDA	Natural Resources
SDGs	Sustainable Development Goals
SEACEN	South East Asian Central Banks
SEDF	Sharia Economic Development Fund
SERAMBI	Rupiah Promotion during Ramadan and Eid al-Fitr
SGIE	State of Global Islamic Economy
SIAPIK	Financial Information Recording Application System
SIMA	Interbank Mudharabah Investment Certificate
SIPA	Sharia Interbank Fund Management Certificate
SKKNI	Indonesian National Work Competency Standards
SKM	Machine-Made Kretek Cigarettes
SKNBI	Bank Indonesia National Clearing System
SKT	Hand-Rolled Kretek Cigarettes
SLA	Service Level Agreement
SLC	Senior Level Committee
SMART MFT	Sustainable Musim Friendly and Attractive Tourism
SNAP	National Open API Payment Standard
SNKI	National Strategy for Inclusive Finance
SNLIEKSI	National Strategy for Literacy and Inclusion of Sharia Economics and Finance in Indonesia
SPBI	Bank Indonesia Payment System
SPHP	Food Supply and Price Stabilization
SPPA	Alternative Market Operator System
SPPG	Nutrition Fulfillment Service Unit
SRBI	Bank Indonesia Rupiah Securities
SRIA	Sharia Restricted Investment Account
SRO	Self-Regulatory Organization
SSB	Securities
SSS	Securities Settlement System
SUKBI	Bank Indonesia Sukuk
Sulampua	Sulawesi-Maluku-Papua

Abbreviation	Term in Full
Suptech	Supervisory Technology
SUVBI	Bank Indonesia Foreign Exchange Sukuk
SVBI	Bank Indonesia Foreign Exchange Securities
TD	Term Deposit
TFP	Total Factor Productivity
TIKMI	Transactions, Interconnection, Competence, Risk Management and Information Technology
TLM	Technical Level Meeting
TN WCP	Technical Notes on Waqf Core Principles
TP2DD	Regional Digitalization Acceleration and Expansion Team
TP2ED	Regional Economic Growth Acceleration Team
TPA Repo	Tri-Party Agent Repo
TPD	Lecturer Professional Allowance
TPF	Third-Party Funds
TPG	Teacher Professional Allowance
TPI	Inflation Control Team
TPID	Regional Inflation Control Team
TIPI	Central Inflation Control Team
TPT	Textiles and Textile Products
TSF	Transition and Sustainable Finance

Abbreviation	Term in Full
TUNTAS	Cash Withdrawal, Transfer, Cash Deposit
UKE	Small Enterprises
UME	Medium Enterprises
UMI	Micro Enterprises
UMi	Ultra Micro
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
UUS	Sharia/Islamic Business Unit
VF	Volatile Food
WC	Working Committee
WCY	World Competitiveness Yearbook
WEO	World Economic Outlook
WG	Working Group
WGBS	Working Group on Banking Supervision
WMS	Warehouse Management System
WTO	World Trade Organization
WTP	Unqualified Opinion
yoy	year on year
YSSC	Youth Sharia Sociopreneur Competition
ytd	year to date
ZISWAF	Zakat, Infaq, Alms and Waqf



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