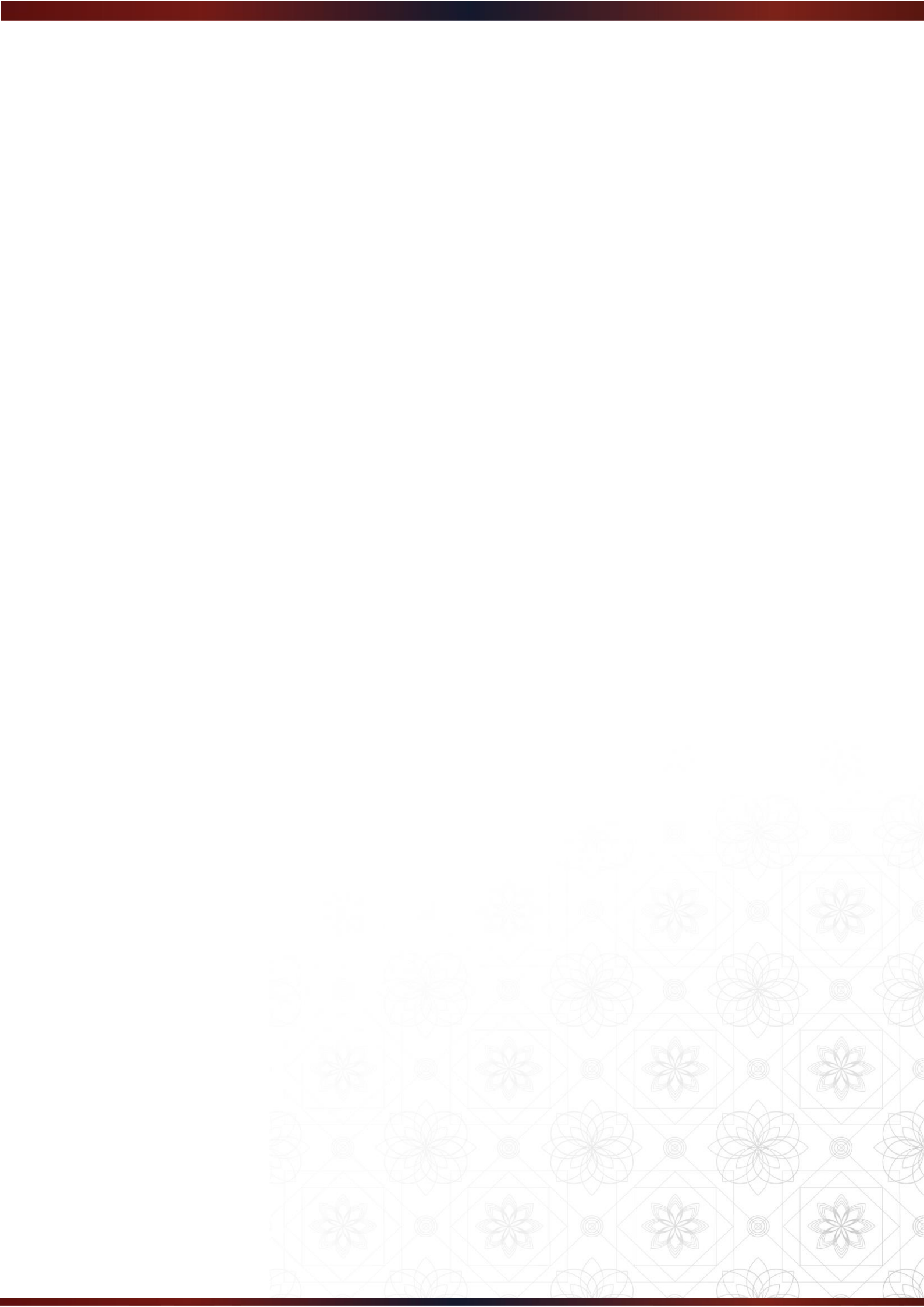


MONETARY POLICY REPORT

QUARTER III 2025







FOREWORD

Bank Indonesia has a mandate, namely to achieve Rupiah stability, maintain payment system stability, and to include maintaining financial system stability in order to support sustainable economic growth. Nevertheless, rupiah stability encompasses two aspects, namely price stability of goods and services, as reflected in stable inflation, as well as rupiah exchange rate stability to currencies in other countries. The inflation target was set by the Government, in coordination with Bank Indonesia, at $2.5 \pm 1\%$ in 2025. To that end, Bank Indonesia implements sustainable, consistent, and transparent monetary policy through efforts to achieve low and stable inflation, a stable exchange rate, and an adequate level of foreign exchange reserves. In pursuance of its mandate, Bank Indonesia institutes an optimal mix of monetary,

macroprudential, and payment system policies.

Bank Indonesia regularly publishes the Monetary Policy Report after the Board of Governors Meeting has been convened in January, April, July, and October. The Review has two primary functions, namely: (i) to provide economic data, analysis and projections to help form and anchor rational expectations as part of the anticipative monetary policymaking framework; and (ii) as a medium for the Board of Governors to publicly explain and clarify the various considerations underlying monetary policy decision-making at Bank Indonesia.



The Board of Governors

PERRY WARJIYO
Governor

DESTRY DAMAYANTI
Senior Deputy Governor

JUDA AGUNG
Deputy Governor

AIDA S. BUDIMAN
Deputy Governor

FILIANINGSIH HENDARTA
Deputy Governor

RICKY PERDANA GOZALI
Deputy Governor



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Executive Summary

The global economy remains on a slowing trend due to the impact of the United States (US) tariff policy, which continues to create persistently high uncertainty. The US has imposed additional tariffs on pharmaceuticals, furniture and the automotive sector, effective from 1st October 2025, and announced plans to introduce an additional 100% tariff on products from China. Various indicators show that the US tariff measures have weakened global trade performance, as reflected in the slowing exports and imports in most countries. In the US, economic growth remains weak, leading to a continued decline in labor market conditions. Economic growth in Japan, Europe, and India also remains subdued, influenced by household consumption, despite the fiscal and monetary stimulus measures that have been implemented. Meanwhile, China's economy recorded an improvement in the third quarter of 2025, supported by fiscal stimulus. In line with that, short-term US Treasury yields have declined, and the US dollar currency index (DXY) has tended to weaken. Capital flows to emerging markets (EM) remain volatile amid persistently high global financial market uncertainty. Such conditions demand vigilance and stronger policy responses to mitigate the spillover effects of persistent global economic and financial market uncertainty on the domestic economy.

At home, Indonesia's economic growth remains sound and needs to be enhanced to align with the economic capacity. Recent developments indicate that economic growth in the third quarter of 2025 was supported by increasing exports in anticipation of the implementation of US reciprocal tariffs, especially in palm oil (CPO) and iron and steel commodities. Meanwhile, domestic demand still requires further strengthening to increase household consumption and investment. Government spending has contributed to the strengthening of domestic demand and economic growth in the third quarter of 2025. By sector, economic growth was driven by solid agricultural production, manufacturing and trade. Spatially, economic growth in Java and Sumatra is predicted to exceed earlier forecast, driven by the performance of the manufacturing and agriculture sectors. Indonesia's Balance of Payments (BOP) remains sound, thereby supporting external resilience. The rupiah exchange rate remains under control amid global uncertainty, supported by Bank Indonesia's stabilization policy. In general, inflationary pressures remained within the target range. Bank Indonesia views that the reduction in banking interest rates needs to be encouraged in line with the accommodative monetary policy maintained by Bank Indonesia and the placement of

Government Excess Budget Balance (SAL) funds in banks. The performance of digital economic and financial transactions in third quarter 2025 continued to improve, supported by a secure, smooth, and reliable payment system.

The global economic outlook remains subdued, consistent with earlier projections. Taking into account recent global developments and dynamics, Bank Indonesia projects that global economic growth in 2025 at 3.1%, slightly higher than the previous forecast of 3.0%.

On the domestic front, Bank Indonesia will continue to strengthen its policy mix through strengthening the monetary, macroprudential and payment system policies, in synergy with the Government's fiscal stimulus and real sector policies to boost national economic growth. Overall economic growth in 2025 is projected to be slightly above the midpoint of the 4.6–5.4% range, and increasing in 2026. External resilience is projected to remain sound and Rupiah is projected to remain stable, underpinned by Bank Indonesia's strong commitment to maintaining exchange rate stability, attractive yields, low inflation, and solid economic growth prospects. Inflation will remain under control and within the 2.5%±1% target corridor in 2025 and 2026. Given the developments until September 2025, Bank Indonesia projects 2025 credit growth to be at the lower bound of the 8–11% range and increasing in 2026.

The Board of Governors Meeting (RDG) of Bank Indonesia on 21-22 October 2025 decided to maintain the BI-Rate at 4.75%, the Deposit Facility rate at 3.75%, and the Lending Facility rate at 5.50%. The decision consistent with the projection of low inflation in 2025 and 2026 within the 2.5±1% target corridor, efforts to maintain Rupiah exchange rate stability in line with its fundamentals amid persistently high global uncertainty, and synergy to strengthen economic growth. Going forward, Bank Indonesia will continue to monitor the effectiveness of transmission of loose monetary policy that has been implemented, the outlook for economic growth and inflation, as well as Rupiah exchange rate stability in optimizing the room for BI-Rate cuts. Bank Indonesia also strengthens macroprudential policy to further encourage lower lending rates, increase liquidity, and boost credit/financing growth to support higher economic growth. Payment system policy remains oriented towards supporting economic growth by expanding the acceptance of digital payments, while strengthening the structure of the payment system industry and the resilience of payment system infrastructure.



CHAPTER 1

Global and Domestic Economic Developments

The global economy remains on a slowing trend due to the impact of the United States (US) tariff policy, which continues to create persistently high uncertainty. The US has imposed additional tariffs on pharmaceuticals, furniture and the automotive sector, effective from 1st October 2025, and announced plans to introduce an additional 100% tariff on products from China. Various indicators show that the US tariff measures have weakened global trade performance, as reflected in the slowing exports and imports in most countries. In the US, economic growth remains weak, leading to a continued decline in labor market conditions. Economic growth in Japan, Europe, and India also remains subdued, influenced by household consumption, despite the fiscal and monetary stimulus measures that have been implemented. Meanwhile, China's economy recorded an improvement in the third quarter of 2025, supported by fiscal stimulus. The probability of a further Fed Funds Rate (FFR) cut has increased, due to weak labor market conditions in the

US. In line with that, short-term US Treasury yields have declined, and the US dollar currency index (DXY) has tended to weaken. Capital flows to emerging markets (EM) remain volatile amid persistently high global financial market uncertainty.

At home, Indonesia's economic growth remains sound and needs to be enhanced to align with the economic capacity. Recent developments indicate that economic growth in the third quarter of 2025 was supported by increasing exports in anticipation of the implementation of US reciprocal tariffs, especially in palm oil (CPO) and iron and steel commodities. Meanwhile, domestic demand still requires further strengthening to increase household consumption and investment. Government spending has contributed to the strengthening of domestic demand and economic growth in the third quarter of 2025. By sector, economic growth was driven by solid agricultural production, manufacturing and trade. Spatially,

economic growth in Java and Sumatra is predicted to exceed earlier forecast, driven by the performance of the manufacturing and agriculture sectors.

Indonesia's Balance of Payments (BOP) remains sound, thereby supporting external resilience. The current account in the third quarter of 2025 is projected to record a surplus, supported by the continued trade surplus in September 2025. Non-oil and gas exports increased amid the global economic slowdown in line with exporters' anticipation of the implementation of US reciprocal tariffs, including exports to India and China for crude palm oil (CPO) and iron and steel commodities. The performance of the capital and financial account is expected to record a deficit, driven by portfolio investment net outflows amid high global uncertainty and external debt repayments, while foreign direct investment remains positive. From September 2025 to 20 October 2025, portfolio investment recorded net outflows of USD 5.26 billion, prompting Bank Indonesia to conduct interventions to stabilize the Rupiah exchange rate. The level of foreign exchange reserves at the end of September 2025 remained strong at USD148.7 billion, equivalent to 6.2 months of imports or 6.0 months of imports and servicing government external debt, and above the international adequacy standard of around 3 months of imports.

The rupiah exchange rate remains under control amid global uncertainty, supported by Bank Indonesia's stabilization policy. As of 21 October 2025, the Rupiah stood at Rp16,585 per US dollar, appreciating by 0.45% (ptp) compared with the level at end-September 2025. The Rupiah had previously depreciated by 1.05% (ptp) in September 2025 relative to the end of August 2025, influenced by the heightened uncertainty during that period. To maintain Rupiah exchange rate stability, Bank Indonesia implemented stabilization measures through interventions in the spot market and Non-Deliverable Forward (NDF) markets, both offshore and onshore (DNDF), as well as secondary market purchases of Government Securities (SBN). These policy responses produced positive outcomes, as reflected in the Rupiah's appreciation in October 2025. The increase in foreign exchange conversions into Rupiah by exporters, in line with the strengthened implementation of the Foreign Exchange Proceeds from Natural Resources (DHE SDA) policy, also supported the maintained stability of the Rupiah.

In general, inflationary pressures remained within the target range. Consumer Price Index (CPI) inflation in September was recorded at 2.65% (yoy). Core inflation remained low at 2.19% (yoy), influenced by economic growth that remains below capacity and monetary policy consistency to anchor inflation expectations to the target corridor, as well as low imported inflation. Administered prices (AP) inflation

also remained low at 1.10% (yoy) in line with declining transportation fares and gasoline prices amid an increase in cigarettes retail prices. Meanwhile, volatile food (VF) inflation increased to 6.44% (yoy), primarily driven by higher commodity prices of chili, onion, rice, and chicken meat, following the end of the harvest period and rising production input costs.

Bank Indonesia's policy mix continues to be strengthened to support economic growth and maintain macroeconomic stability. Monetary policy has been implemented through a reduction in the BI Rate, stabilization of the Rupiah exchange rate, and expansion of monetary liquidity. The BI Rate has been reduced by 150 basis points since September 2024 to 4.75%, marking its lowest level since 2022. Bank Indonesia continues strengthening its stabilization policy response, including measured intervention in offshore NDF markets and triple intervention strategy with a focus on spot and DNDF transactions, while also purchasing SBN in the secondary market. In line with this, Bank Indonesia sets competitive interest rates for foreign exchange monetary instruments to maintain the attractiveness of fund placements in Indonesia, thereby supporting the stability of the Rupiah exchange rate. Bank Indonesia has also pursued Rupiah liquidity expansion by reducing the outstanding position of monetary instruments (SRBI) from Rp916.97 trillion at the beginning of 2025 to Rp707.05 trillion as of 21 October 2025. In addition, Bank Indonesia has purchased government securities (SBN) as part of a close synergy between monetary and fiscal policies, amounting to Rp268.36 trillion as of 21 October 2025, including secondary market purchases and a debt-switching program with the Government totaling Rp199.45 trillion. Purchases of SBN in the secondary market are conducted in accordance with market mechanisms, measured, transparent, and consistent with the monetary policy program in maintaining macroeconomic stability, preserving monetary policy credibility. Monetary policy is also supported by macroprudential liquidity incentive policies (KLM) and the acceleration of payment system digitalization to promote economic growth.

The implementation of the Macroprudential Liquidity Incentive Policy (KLM) revives bank lending/ financing. As of the first week of October 2025, Bank Indonesia disbursed KLM incentives totaling Rp393 trillion, with Rp173.6 trillion to the state-owned banks, Rp174.4 trillion to national private commercial banks, Rp39.1 trillion to regional government banks and Rp5.7 trillion to foreign bank branches. By sector, the incentives were primarily disbursed to priority sectors, namely Agriculture, Trade and Manufacturing, Real Estate, Public Housing, Construction, Transportation, Storage, Tourism and the Creative Economy, as well as the MSME, Ultra Micro and Green sectors.

Bank Indonesia views that the reduction in banking interest rates needs to be encouraged in line with the accommodative monetary policy maintained by Bank Indonesia and the placement of Government Excess Budget Balance (SAL) funds in banks.

Following a cumulative 150 bps reduction in the BI-Rate since September 2024 and the monetary liquidity expansion by Bank Indonesia, the INDONIA rate trended downwards by 204 bps, from 6.03% at the beginning of 2025 to 3.99% as of 21 October 2025. The SRBI rates for tenors of 6, 9, and 12 month have also declined by 251 bps, 254 bps, and 257 bps since the beginning of 2025, to 4.65%, 4.67%, and 4.70% as of 17 October 2025. Government Securities (SBN) yields on tenors of 2-years decreased by 218 bps, from 6.96% at the beginning of 2025 to 4.78% as of 21 October 2025, while the 10-year tenor have also decreased by 132 bps, from its peak of 7.26% in mid-January 2025 to 5.94%. Nevertheless, the adjustment in bank interest rates has experience a lag, and therefore needs to be accelerated. Compared with the 150 bps reduction in the BI-Rate, the 1-month deposit rate declined only by 29 bps, from 4.81% at the beginning of 2025 to 4.52% in September 2025, mainly affected by the provision of special rates to large depositors, which account for around 26% of total third-party funds (DPK). Lending rates reductions have been even slower, easing only 15 bps, from 9.20% at the beginning of 2025 to 9.05% in September 2025.

The accommodative monetary policy and the placement of the Government Surplus Budget Balance (SAL) funds in banks have contributed to an increase in money supply. Growth of adjusted base money (M0), which takes into account the impact of lower reserve requirement (GWM) at Bank Indonesia due to the provision of the macroprudential liquidity incentive (KLM) policy, was recorded at 18.58% (yoy) in September 2025, higher than the M0 growth (excluding KLM's impact) of 13.16% (yoy). Based on the affecting factors, the increase in Adjusted M0 was influenced by the government's financial expansion in Net Claims on Government (NCG). The monetary policy easing also affected the growth of broad money (M2), which increased from 5.46% (yoy) in January 2025 to 7.59% (yoy) in August 2025. By components, the increase in M2 growth was influenced by the growth of narrow money (M1) from 7.25% (yoy) in January 2025 to 10.51% (yoy) in August 2025, in line with the growth of the currency from 10.30% (yoy) in January 2025 to 13.41% (yoy) in August 2025. In terms of influencing factors, the increase in M2 mainly came from the increase in Net Foreign Assets (NFA). Moving forward, money supply is projected to increase in line with the Government's fiscal expansion.

¹ Digital payments include transactions through mobile applications and the internet.

Bank lending must continue to be increased to support economic growth. Credit growth in September 2025 was recorded at 7.70% (yoy), although slightly increased from 7.56% (yoy) in August 2025. Demand for credit remains subdued, influenced by the wait-and-see attitude prevalent in the corporate sector, the optimisation of internal financing by corporations, and relatively high lending rates. This development is reflected in the sizable undisbursed loans, which reached Rp2,374.8 trillion or 22.54% of the loans available in September 2025, mainly from the corporate segment, particularly in the Trade, Manufacturing, and Mining sectors, and dominated by working capital loans. On the supply side, bank lending capacity remains adequate, supported by a Liquid Assets to Third-Party Funds (LA/TPF) ratio of 29.29%, and Third-Party Funds growth of 11.18% (yoy) in September 2025, in line with the Government's fiscal expansion, including fund placements in several major banks, as well as Bank Indonesia's monetary liquidity expansion and macroprudential policy incentives. Lending appetite of the banks generally remains favorable, as reflected in relatively relaxed lending requirements, except in the consumer and MSME segments, where banks remain cautious due to credit risk concerns in these segments. Working capital and consumer loans growth moderated at 3.37% (yoy) and 7.42% (yoy), respectively, while investment loans increased by 15.18% (yoy). MSME credit and Islamic financing growth moderated to 0.23% (yoy) and 7.55% (yoy), respectively.

The banking sector remains resilient. Bank capital remains high, accompanied by ample liquidity and low credit risk. In terms of capital, Capital Adequacy Ratio (CAR) in August 2025 increased to 26.03%, making it stronger in absorbing risks. The banking sector's Non-Performing Loan (NPL) ratio remained low at 2.28% (gross) and 0.87% (net) in August 2025. The NPL (gross) of MSMEs has beginning to decline from 4.55% in August 2025 to 4.46% in September 2025, although remains at a high level. The latest BI stress tests indicate solid banking industry resilience, supported by maintained corporate repayment capacity and profitability. Moving forward, Bank Indonesia will continue to strengthen policy synergy with the Financial System Stability Committee (KSSK) to mitigate various global and domestic economic risks that could potentially affect financial system stability.

The performance of digital economic and financial transactions in third quarter 2025 continued to improve, supported by a secure, smooth, and reliable payment system. The volume of digital payments¹ reached 12.99 billion transactions or grew by 38.08% (yoy) in the third quarter of 2025,

supported by the expansion of digital payment acceptance and channels. Mobile and internet banking transactions each grew 13.11% (yoy) and 17.80% (yoy), including QRIS transactions which grew 147.65% (yoy). This positive performance was supported by an increasing number of users and merchants. From an infrastructure perspective, the volume of retail transactions processed through BI-FAST grew 32.34% (yoy) to reach 1,223.82 million transactions, with a value of Rp3.024,08 trillion in third quarter 2025. On the wholesale or high-value side, the BI-RTGS system processed 2.76 million transactions in third quarter 2025, with a transaction value of Rp17,170.27 trillion. In terms of rupiah currency management, total currency in circulation grew 13.49% (yoy) to Rp1,200.05 trillion in third quarter 2025.

Payment system stability remained well-maintained, supported by stable infrastructure and a healthy industry structure. Stable infrastructure was reflected in the smooth and reliable operation of the Bank Indonesia Payment System (SPBI), as well as the adequate supply of currency in both quantity and

quality in third quarter 2025. A sound industry structure was demonstrated by the strengthening interconnectivity among payment system participants, accompanied by the expanding Digital Economy and Finance (EKD) ecosystem. The expansion of the adoption of the National Open API Payments Standards (SNAP) supports the strengthening of interconnection, reflected in the increasing number of SNAP-based payment transactions. Going forward, Bank Indonesia will continue to ensure the availability, reliability, and security of the SPBI infrastructure, both retail and wholesale, as well as the broader payment system infrastructure across the industry. In addition, the payment system industry structure will continue to be strengthened by focusing on the operational risk management aspects and technological infrastructure of industry players and the digital economy and finance ecosystem. Bank Indonesia will also continue to safeguard the availability of Rupiah currency in sufficient quantity and proper quality for circulation throughout the entire territory of the Republic of Indonesia, including frontier, outermost, and remote (3T) areas.



CHAPTER 2

ECONOMIC PROSPECT

The global economic prospect remains on a slowing trend due to the impact of the United States (US) tariff policy, which continues to create persistently high uncertainty. Bank Indonesia projects that global economic growth in 2025 at 3.1%, slightly higher than the previous forecast of 3.0%. In global financial markets, capital flows to emerging markets (EM) remain volatile amid persistently high global financial market uncertainty. Such conditions demand vigilance and stronger policy responses to mitigate the spillover effects of persistent global economic and financial market uncertainty on the domestic economy.

At home, Indonesia's economic growth remains sound and needs to be enhanced to align with the economic capacity. For the second half of 2025 as a whole, economic growth is projected to improve in line with the implementation of the Government priority projects related to food security, energy, defense and security programs, as well as the 2025 Government Economic Policy Package, including social assistance

programs scheduled for disbursement in the fourth quarter of 2025. Bank Indonesia will also continue to strengthen its policy mix through strengthening the monetary, macroprudential and payment system policies, in synergy with the Government's fiscal stimulus and real sector policies to boost national economic growth. With these developments, overall economic growth in 2025 is projected to be slightly above the midpoint of the 4.6–5.4% range, and increasing in 2026.

Indonesia's external economic resilience is expected to remain sound. Looking ahead, the trade surplus and foreign direct investment inflows are expected to continue. With these developments, the 2025 BOP is projected to remain resilient, with the current account deficit for the full year projected to be lower than previously forecast. In 2026, the BOP is also expected to remain solid, supported by a healthy current account deficit and increasing capital inflows in line with Indonesia's favorable economic outlook.

The Rupiah is projected to remain stable, underpinned by Bank Indonesia's strong commitment to maintaining exchange rate stability, attractive yields, low inflation, and solid economic growth prospects. Bank Indonesia continues to strengthen its stabilization policy response, including measured intervention in offshore NDF market and the implementation of a triple intervention strategy in the spot market, DNDF, and SBN transactions in the secondary market.

Bank Indonesia is confident that inflation will remain under control and within the 2.5%±1% target corridor in 2025 and 2026. Core inflation is projected to remain low, in line with well-anchored inflation expectations, adequate economic capacity, managed imported inflation, as well as the positive impact of digitalisation. Meanwhile, VF inflation is expected to remain manageable, supported by synergy in inflation control by the Central and Regional Inflation Control Teams (TPIP/TPID) and strengthened implementation of the National Movement for Food Inflation Control (GNPIP).

Bank lending must continue to be enhanced to support economic growth. 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. Bank Indonesia will continue strengthening KLM policy to encourage bank lending/financing through the implementation of a forward-looking KLM framework aimed at supporting higher credit growth. Furthermore, the provision of KLM incentives will also be based on how quickly banks adjust their lending/financing rates in response to Bank Indonesia's policy rate, in order to accelerate the transmission of lower interest rates in the banking system. Bank Indonesia will also continue to strengthen policy synergy with the Financial System Stability Committee (KSSK) to mitigate various global and domestic economic risks that could potentially affect financial system stability. Overall, Bank Indonesia projects 2025 credit growth to be at the lower bound of the 8–11% range and increasing in 2026. In line with this, money supply is projected to increase as the Government's fiscal expansion.



CHAPTER 3

Bank Indonesia Policy Response

The Board of Governors Meeting (RDG) of Bank Indonesia on 21-22 October 2025 decided to maintain the BI-Rate at 4.75%, the Deposit Facility rate at 3.75%, and the Lending Facility rate at 5.50%. The decision consistent with the projection of low inflation in 2025 and 2026 within the $2.5 \pm 1\%$ target corridor, efforts to maintain Rupiah exchange rate stability in line with its fundamentals amid persistently high global uncertainty, and synergy to strengthen economic growth. Going forward, Bank Indonesia will continue to monitor the effectiveness of transmission of loose monetary policy that has been implemented, the outlook for economic growth and inflation, as well as Rupiah exchange rate stability in optimizing the room for BI-Rate cuts. Bank Indonesia also strengthens macroprudential policy to further encourage lower lending rates, increase liquidity, and

boost credit/financing growth to support higher economic growth. Payment system policy remains oriented towards supporting economic growth by expanding the acceptance of digital payments, while strengthening the structure of the payment system industry and the resilience of payment system infrastructure.

The direction of the monetary, macroprudential, and payment system policy mix aimed at maintaining stability and supporting sustainable economic growth is supported by the following policy measures:

1. Strengthening the pro-market monetary operations strategy to enhance the the effectiveness of the transmission of lower interest rate, increase liquidity, accelerate money market and foreign exchange market deepening by:

- i. managing the interest rate structure of monetary instruments and foreign exchange swaps in line with monetary liquidity expansion, and to accelerate the effectiveness of lowering the deposit and lending rates in the banking industry;
 - ii. increasing liquidity in the money market and banking industry by lowering the position of Bank Indonesia Rupiah Securities (SRBI), and purchasing Government Securities (SBN) in the secondary market in a measured manner;
 - iii. expanding the underlying repo for Bank Indonesia's monetary operations to include other high-quality securities issued by financial institutions established or founded by the Government to support Government programs for public welfare;
 - iv. issuing BI-FRN (Floating Rate Notes) and developing Overnight Index Swaps (OIS) for tenors above overnight to generate an interest rate structure based on money market transactions;
 - v. expanding the SukBI investors to include both bank and non-bank institutions, as well as non-residents; and
 - vi. strengthening the function of Primary Dealers (PD) to increase SRBI transactions in the secondary market and repurchase agreement (repo) transactions between market participants;
2. Strengthening the rupiah exchange rate stabilization strategy in line with its fundamentals through interventions in the spot and Domestic Non-Deliverable Forward (DNDF) transactions in the domestic market, and Non-Deliverable Forward (NDF) transactions in the offshore market. This strategy is accompanied by the purchase of Government Securities (SBN) in the secondary market to increase liquidity and maintain financial market stability;
3. Strengthening the Macroprudential Liquidity Incentive Policy (KLM) to become both performance-based and forward-looking, effective as of 1 December 2025, through the following measures:
 - i. incentives to banks for their commitment in distributing credit/financing to certain sectors (lending channel) and setting credit/financing interest rates in line with the direction of Bank Indonesia's policy rate (interest rate channel).
 - ii. the KLM incentives available to banks consist of lending channel incentive, of up to 5% of third-party funds (DPK) and interest rate channel incentive of up to 0.5% of third-party funds, bringing the total incentive up to 5.5% of third-party funds;
 - iii. the sectors eligible for lending channel incentives consist of: (i) agriculture, manufacturing, and downstream sectors; (ii) service sector, including the creative economy; (iii) construction, real estate, and housing; and/or (iv) MSMEs, cooperatives, inclusion and sustainable sectors, which are also priority sectors of the Government in supporting economic growth;
 - iv. the incentive amount granted to banks under the lending channel also takes into account an adjustment factor based on the realisation of credit or financing growth compared with the committed credit or financing growth in the previous period;
 - v. the measurement of incentives for lending or financing interest rates (interest rate channel) is based on the speed at which banks adjust their new lending or financing rates in response to changes in Bank Indonesia's policy rate;
4. Strengthening of accommodative macroprudential policy by maintaining: (i) Countercyclical Capital Buffer Ratio (CCyB) of 0%; (ii) Macroprudential Intermediation Ratio (RIM) in the range of 84-94%; (iii) The maximum Loan to Value/Financing to Value (LTV/FTV) ratio for property loans/financing is set at 100%, and the minimum down payment for bank's motor vehicle loans/financing is set at 0%, effective from 1 January to 31 December 2026; (iv) the maximum Bank Foreign Funding Ratio (RPLN) of 35% to the bank capital; and (v) Macroprudential Liquidity Buffer Ratio (PLM) of 4% with repo flexibility of 4%, and Sharia PLM ratio of 2.5% with repo flexibility of 2.5%;
5. Strengthening the publication of assessments on the transparency of Prime Lending Rates (SBDK), with a more in-depth analysis of lending rates based on the priority sectors covered under the KLM;

6. Fostering innovation and expanding digital acceptance through the Indonesia Digital Economy and Finance Festival in synergy with the Indonesia Fintech Summit and Expo 2025 (FEKDI and IFSE 2025), featuring various initiatives, including: (i) Launching QRIS Tap In/Tap Out; (ii) Initiation of the Indonesia-South Korea QRIS Cross-Border Sandbox; (iii) Kick off of the Capacity Building and Literacy Program for the Synergy of Regional Digitalisation Acceleration and Expansion (KATALIS P2DD); and (iv) Announcement of the winners of the BI-OJK Hackathon 2025 and QRIS Jelajah Budaya Indonesia (Cultural Journey of Indonesia); and

7. Strengthening and expanding international cooperation in central banking areas, including payment system connectivity and Local Currency Transactions (LCT), while promoting trade and investment in priority sectors in synergy with relevant institutions.

Bank Indonesia continues to enhance policy coordination with the Financial System Stability Committee (KSSK) to safeguard financial system stability. Policy synergy between Bank Indonesia and the Government is also being enhanced to maintain stability and strengthen economic growth in line with the Government's Asta Cita program.

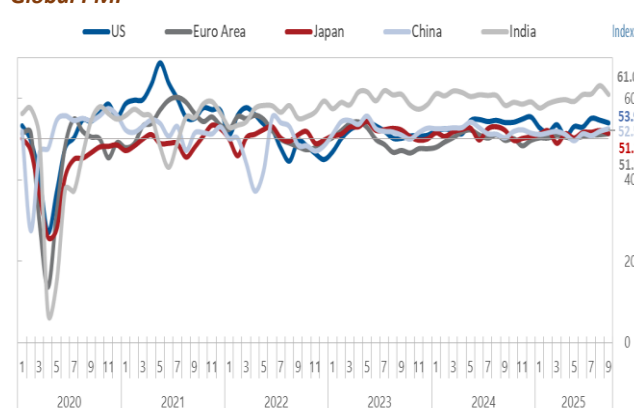
The global economy remains on a slowing trend due to the impact of the United States (US) tariff policy, which continues to create persistently high uncertainty.

Global GDP Growth

Country	2020	2021	2022	2023	2024	2025*
World	-2.8	6.3	3.5	3.3	3.3	3.1
Advanced economies	-4.2	5.6	2.6	1.7	1.8	1.6
United States	-2.8	5.9	1.9	2.9	2.8	2.0
Euro Area	-6.1	5.6	3.4	0.4	0.9	1.0
Japan	-4.2	2.2	1.0	1.5	0.1	1.0
Emerging economies	-1.8	6.9	4.1	4.4	4.3	4.1
China	2.2	8.4	3.0	5.2	5.0	4.8
India	-6.6	8.3	6.8	7.7	6.5	6.6
ASEAN-5	-4.4	4.0	5.5	4.0	4.6	4.4
Latin America	-7.0	7.4	4.2	2.4	2.4	1.9
Emerging Euro	-1.6	7.3	1.2	3.3	3.4	2.1
Middle East & Central Asia	-2.6	4.3	5.4	2.0	2.4	3.4

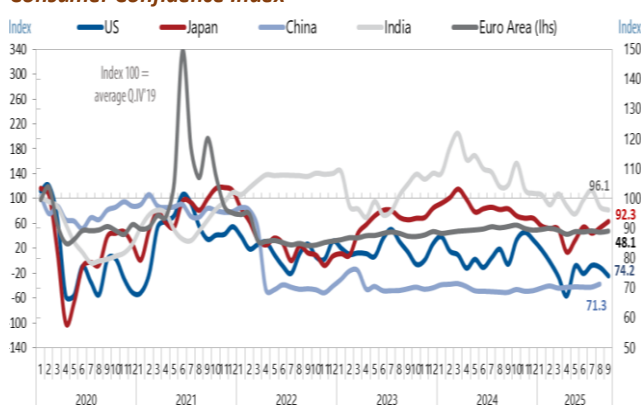
Source: IMF WEO. *Bank Indonesia Projection

Global PMI



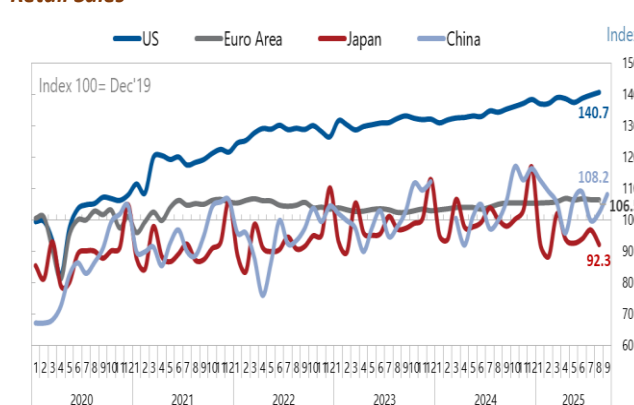
Source: IHS Markit, Bloomberg (China)

Consumer Confidence Index



Source: Bloomberg, calculated

Retail Sales



Source: CEIC, calculated

Global Inflation



Source: Bloomberg and IMF, calculated

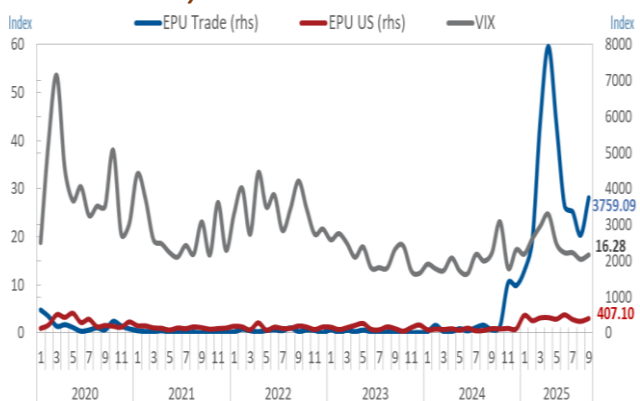
Commodity Prices

Commodity	2022				2023				2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Copper	17.4	-1.8	-17.7	-16.4	-5.2	-10.2	-11.0	8.6	3.1	-3.3	-4.7	18.8	11.2	12.8	8.8	4.3
Coal	94.1	73.2	11.1	-1.8	32.3	-2.9	-27.7	-36.7	-35.8	-25.9	-27.7	-16.3	0.2	-11.3	-15.3	-14.4
CPO	56.7	56.5	-12.2	-24.9	15.3	-35.6	-42.0	-3.2	-5.9	-25.9	0.5	6.2	6.2	31.3	10.5	17.1
Rubber	1.7	2.2	-6.0	-19.8	-4.9	-21.1	-27.3	-8.0	11.5	-13.5	17.9	44.3	40.6	40.0	35.3	9.3
Nickel	59.4	66.7	16.0	30.3	42.1	-6.7	-22.8	-7.0	-31.8	-17.3	-35.7	-16.9	-19.9	-7.2	-21.3	-8.2
Tin	80.6	25.3	-30.3	-43.1	0.0	-38.6	-29.4	13.8	14.6	-16.8	0.2	25.3	18.5	23.4	16.7	21.0
Aluminium	54.3	20.2	-11.0	-14.7	9.4	-24.9	-21.3	-6.6	-5.5	-15.7	-8.2	12.3	10.0	16.9	7.4	17.1
Coffee	82.5	50.8	18.3	-21.2	24.6	-26.4	-19.3	-28.6	-2.1	-20.1	7.1	19.9	55.9	65.7	36.4	100.7
Others	5.2	6.4	7.3	6.3	6.3	-1.5	-1.7	-2.2	-3.1	-2.1	-1.0	-0.2	0.3	0.1	-0.2	1.1
Indonesian Export Commodity Prices	47.0	37.7	1.3	-6.8	15.3	-12.7	-21.7	-12.2	-12.0	-16.0	-8.2	1.7	6.1	8.7	1.5	2.9
Oil (Brent)**	101	113	101	88	101	81	78	97	84	83	83	85	80	75	81	76

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

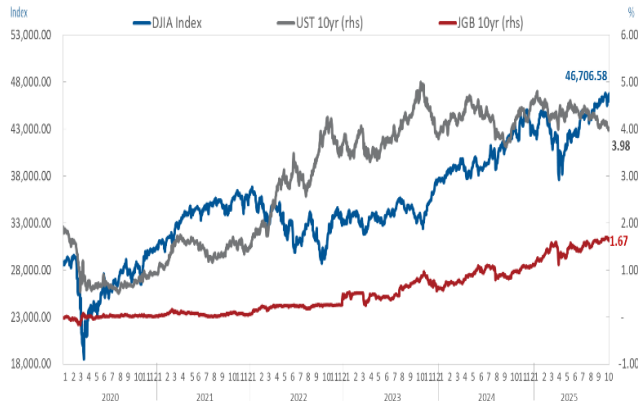
Source: Bloomberg. Data as of 20 October 2025

Global Uncertainty Index



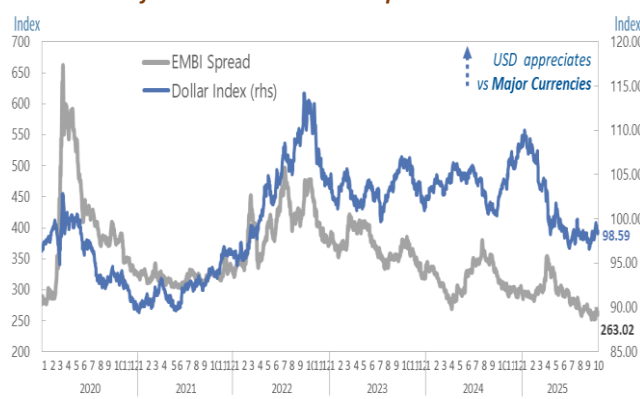
Source: Bloomberg

10 Yr UST & JGB Yield and DJIA Index



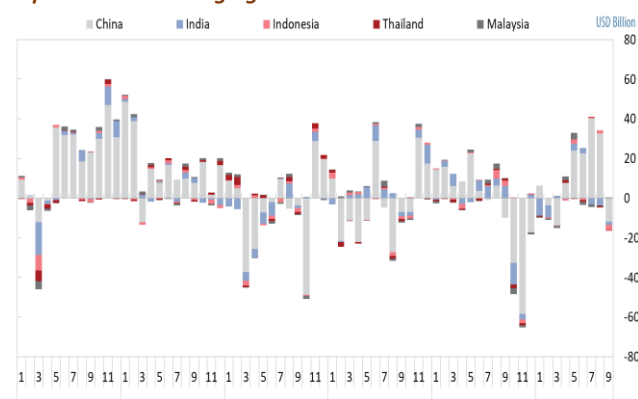
Source: Bloomberg. Data as of 20 October 2025

US Dollar Performance and Risk Perception Indicators on EM



Source: Bloomberg. Data as of 20 October 2025

Capital Flow to Emerging Market



Source: IIF

Economic growth in Indonesia remains sound and needs to be enhanced to align with the economic capacity.

Economic Growth – Expenditure Side

Components	2022	2023				2024				2025	
		I	II	III	IV	I	II	III	IV	I	II
Household Consumption	4.94	4.53	5.22	5.05	4.47	4.82	4.91	4.93	4.91	4.98	4.94
Non-Profit Institution Serving Household (NPISH) Consumption	5.66	6.29	8.78	6.40	18.37	10.03	24.13	9.79	11.46	6.06	12.48
Government Consumption	-4.42	3.33	10.52	-3.86	2.94	3.02	20.44	2.03	4.62	4.17	6.61
Investment (GFCF)	3.87	1.53	4.05	5.08	4.32	3.76	3.78	4.42	5.16	5.03	4.61
Building Investment	0.91	0.08	3.32	6.31	6.42	4.04	5.46	5.31	6.02	5.26	5.51
NonBuilding Investment	12.53	5.70	6.10	2.05	-0.78	3.03	-0.78	1.97	2.96	4.40	2.23
Exports	16.23	11.72	-2.84	-3.91	1.66	1.34	1.48	8.13	8.79	7.63	6.51
Imports	15.00	4.12	-3.25	-6.82	0.14	-1.60	1.50	7.79	11.92	10.36	7.95
GDP	5.31	5.04	5.17	4.94	5.04	5.05	5.11	5.05	4.95	5.02	5.03

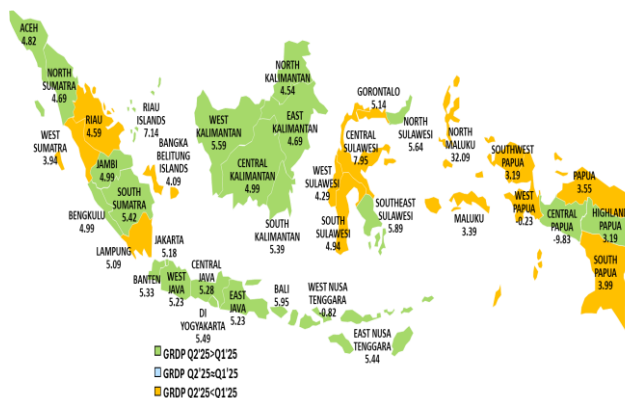
Source: BPS

Economic Growth – Economic Sectors Side

Components	2022	2023				2024				2025	
		I	II	III	IV	I	II	III	IV	I	II
Agriculture, Forestry, and Fisheries	2.25	0.44	2.03	1.49	1.13	1.31	-3.54	3.25	1.69	0.71	0.67
Mining and excavation	4.38	4.92	5.01	6.95	7.46	6.12	9.31	3.17	3.46	3.95	4.90
Manufacture	4.89	4.43	4.88	5.19	4.07	4.64	4.13	3.95	4.72	4.89	4.43
Electricity and Gas Procurement	6.61	2.67	3.15	5.06	8.68	4.91	5.35	5.39	5.02	3.42	4.77
Water Supply	3.23	5.70	4.78	4.49	4.66	4.90	4.44	0.84	0.03	1.06	1.56
Construction	2.01	0.32	5.23	6.39	7.68	4.91	7.59	7.29	7.48	5.81	7.02
Wholesale Retail, Car and Motorcycle Repairs	5.53	4.94	5.30	5.10	4.09	4.85	4.58	4.85	4.82	5.19	4.86
Transportation and Warehousing	19.87	15.93	15.28	14.74	10.33	13.96	8.66	9.56	8.64	7.92	8.69
Provision of Accommodation, Food and Beverages	11.94	11.54	9.91	10.93	7.88	10.00	9.34	10.15	8.32	6.61	8.56
Information and Communication	7.73	7.11	8.03	8.51	6.74	7.59	8.41	7.66	6.82	7.45	7.57
Financial Services and Insurance	1.93	4.45	2.86	5.24	6.56	4.77	3.93	7.90	5.49	1.74	4.74
Real Estate	1.72	0.37	0.96	2.21	2.18	1.43	2.54	2.16	2.32	2.97	2.50
Corporate Services	8.77	6.37	9.59	9.37	7.62	8.24	9.63	7.96	7.93	8.08	8.38
Government Administration, Defence and Compulsory Social Security	2.52	2.13	8.18	-6.24	1.63	1.51	18.89	2.81	0.94	1.16	6.40
Education Services	0.55	1.02	5.42	-2.09	2.63	1.77	7.43	2.44	2.58	2.95	3.75
Health Services and Other Social Activities	2.75	4.77	8.27	2.92	3.09	4.67	11.65	8.57	7.65	5.20	8.11
Other Services	9.47	8.90	11.89	11.14	10.15	10.52	8.92	8.85	9.95	11.36	9.84
GDP	5.31	5.04	5.17	4.94	5.04	5.05	5.11	5.05	4.95	5.02	5.03

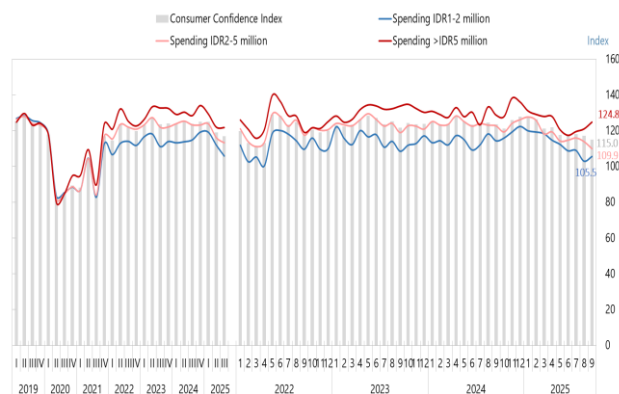
Source: BPS

Growth of Regional Economic (GRDP) of the Second Quarter of 2025



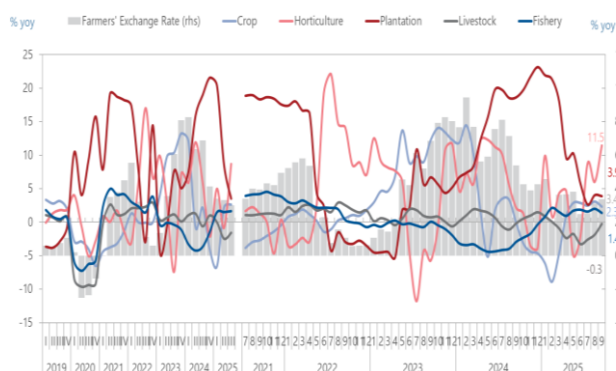
Source: BPS, calculated

Consumer Confidence Index



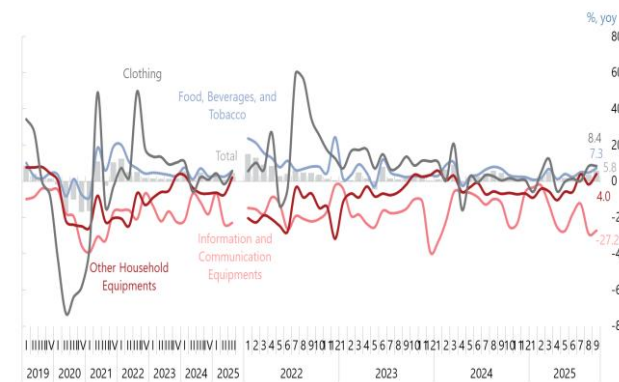
Source: Bank Indonesia

Farmers' Exchange Rate



Source: BPS, calculated

Retail Sales



Source: Bank Indonesia

Realization of State Budget (APBN)

ITEMS	2021		2022		2023		2024		2025	
	Budget (IDR Trillion)	Realization as of December 2021 (IDR Trillion)	Budget (IDR Trillion)	PERPPES 90/2022 (IDR Trillion)	Budget (IDR Trillion)	Realization as of December 2023 (IDR Trillion)	Budget (IDR Trillion)	Realization of December 2024 (IDR Trillion)	Budget (IDR Trillion)	Realization as of September 2025 (IDR Trillion)
A. State Income and Grants	1,743.6	2,009.6	1,846.1	2,266.2	2,635.4	2,463.0	2,774.3	2,463.0	2,842.5	3,005.1
I. Domestic Income	1,742.7	2,005.1	1,845.6	2,265.6	2,629.7	2,462.6	2,761.3	2,462.6	2,812.2	3,004.5
1. Tax Income	1,444.5	1,546.8	1,510.0	1,784.0	2,034.6	2,021.2	2,155.4	2,021.2	2,232.6	2,490.9
2. NonTax Income	298.2	458.3	335.6	481.6	595.2	441.4	605.9	441.4	579.5	513.6
II. Grant	0.9	4.5	0.6	0.6	5.6	0.4	13.0	0.4	30.3	0.6
B. State Expenditures	2,750.0	2,773.6	2,714.2	3,106.4	3,095.5	3,061.2	3,121.9	3,061.2	3,350.3	3,621.3
I. Central Government Expenditures	1,954.5	1,987.9	1,944.5	2,301.6	2,279.2	2,246.5	2,240.6	2,246.5	2,486.8	2,701.4
1. Employee Spending	421.1	387.7	426.5	426.5	420.4	442.6	412.3	442.6	464.5	521.5
2. Spending for Goods	362.5	529.6	339.7	339.7	420.0	387.0	429.8	387.0	459.3	486.9
3. Capital Expenditures	246.8	228.6	199.2	199.2	240.4	199.1	307.3	199.1	328.1	234.1
4. Payment of Debt Obligations	373.3	343.5	405.9	405.9	386.3	441.4	439.9	441.4	488.4	552.9
5. Subsidies	175.4	241.0	207.0	283.7	252.8	298.5	269.6	298.5	291.9	307.9
6. Grant Expenditure	6.8	4.3	4.8	4.8	5.8	0.0	0.2	0.0	0.1	0.2
7. Social Assistance	161.4	173.6	147.4	147.4	161.5	148.6	157.6	148.6	153.1	140.1
8. Other Expenditures	207.3	79.5	214.0	494.4	403.9	329.3	224.6	329.3	267.3	458.0
II. Transfer to Regions and Village Funds	795.5	785.7	769.6	804.8	816.2	814.7	881.3	814.7	863.5	919.9
1. Transfer to Regions	723.5	713.9	701.6	736.8	748.3	744.7	811.4	744.7	792.6	848.9
2. Village Funds	72.0	71.9	68.0	67.9	67.9	70.0	69.9	70.0	70.9	71.0
C. Primary Balance	(633.1)	(420.5)	(462.2)	(494.4)	(464.1)	(156.8)	92.2	(156.8)	(19.4)	(63.3)
D. Budget Surplus/Deficit	(1,006.4)	(764.0)	(868.0)	(840.2)	(460.1)	(598.2)	(347.6)	(598.2)	(507.8)	(616.2)
Surplus/Deficit (%GDP)	(5.7)	(4.5)	(4.9)	(4.5)	(2.3)	(2.8)	(1.65)	(2.8)	(2.29)	(2.5)

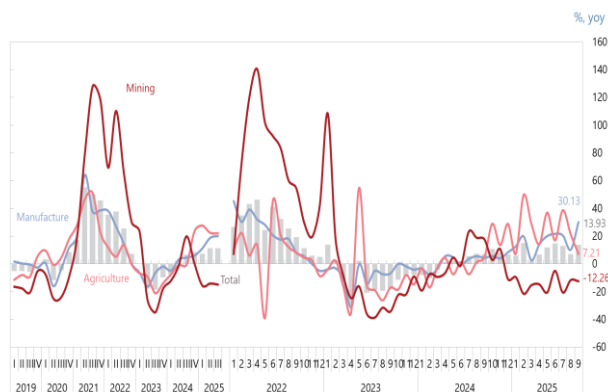
Source: Ministry of Finance

Manufacturing Purchasing Managers' Index (PMI)



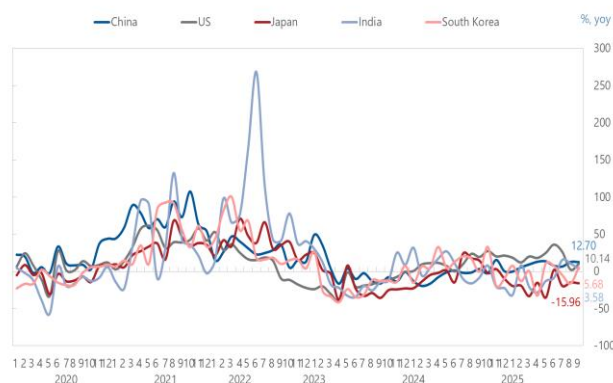
Source: Markit Economics

Non-oil and Gas Exports



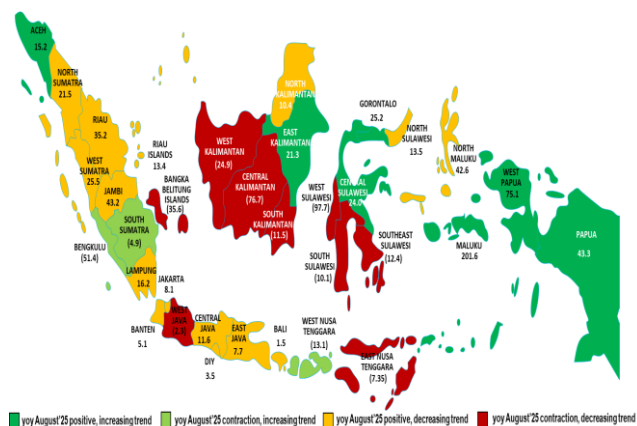
Source: Ministry of Finance, calculated by Bank Indonesia

Non-Oil and Gas Exports to Main Destination Countries



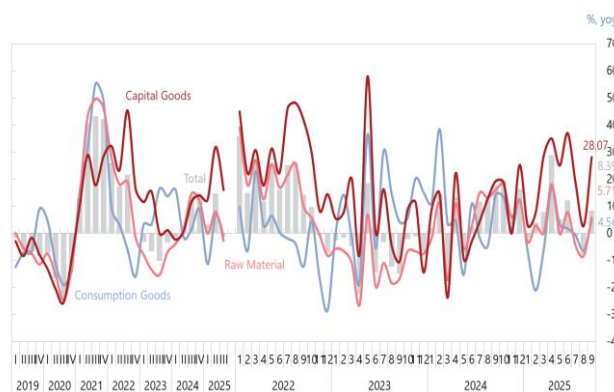
Source: Ministry of Finance, calculated by Bank Indonesia

Spatial Non-oil and Gas Exports



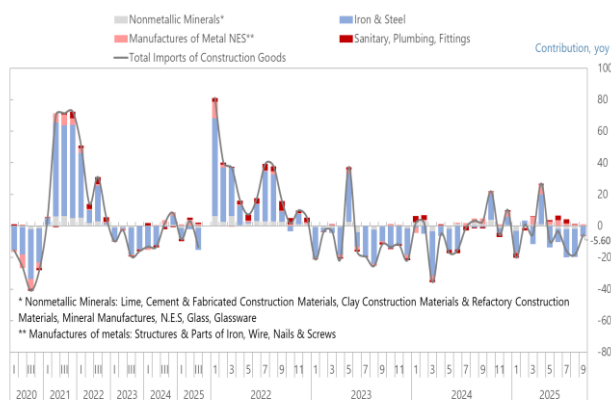
Source: Ministry of Finance, calculated by Bank Indonesia.
*Data as of August 2025

Non-oil and Gas Imports



Source: Ministry of Finance, calculated by Bank Indonesia

Import of Construction Goods



Source: Ministry of Finance, calculated by Bank Indonesia

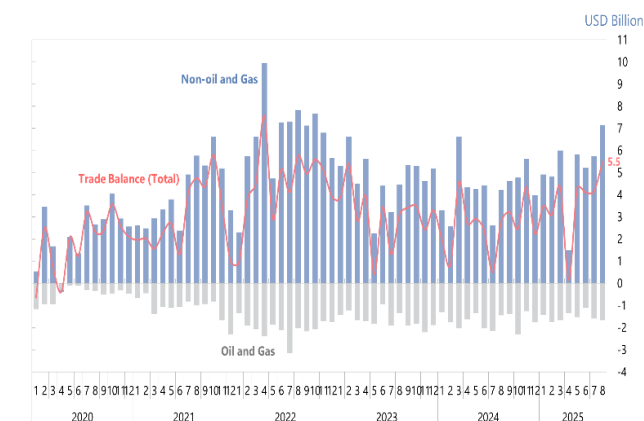
Indonesia's Balance of Payments (BOP) remains sound, thereby supporting external resilience. The rupiah exchange rate remains under control amid global uncertainty, supported by Bank Indonesia's stabilization policy.

Indonesia's Balance of Payments

Items (Billion USD)	2022				2023				2024*				2025	
	I	II	III	IV	Total	I	II	III	IV	Total	I	II	I*	II**
Current Account	0.7	4.3	4.7	3.5	13.2	2.9	-2.3	-1.3	-1.4	-2.0	-2.4	-3.0	-2.0	-12
A. Goods	11.3	16.8	17.6	17.0	62.7	14.8	10.0	10.2	11.4	46.3	9.3	10.0	9.2	11.3
- Exports, fob	66.8	75.2	77.8	72.8	292.5	66.8	61.6	63.5	65.9	257.7	61.9	62.3	67.5	71.3
- Imports, fob	-55.5	-58.4	-60.2	-55.8	-229.9	-52.1	-51.6	-53.3	-54.5	-211.4	-52.6	-52.3	-58.3	-60.0
a. Non-Oil and Gas	17.2	24.4	25.2	23.0	89.8	19.0	15.2	16.0	17.7	67.8	15.1	15.2	14.7	17.8
b. Oil and Gas	-5.7	-7.2	-6.5	-5.4	-24.8	-3.9	-4.7	-5.4	-5.9	-19.9	-5.5	-4.6	-4.4	-5.1
B. Services	-4.3	-5.0	-5.3	-5.4	-20.0	-4.5	-4.5	-3.9	-4.8	-17.7	-4.2	-5.0	-4.2	-5.2
C. Primary Income	-7.7	-9.0	-8.9	-9.6	-35.3	-8.8	-9.2	-8.8	-9.3	-36.0	-8.8	-9.4	-8.5	-9.0
D. Secondary Income	1.5	1.5	1.3	1.6	5.8	1.4	1.4	1.3	1.3	5.4	1.3	1.4	1.5	1.7
Capital and Financial Account	-2.0	-1.7	-5.6	0.6	-8.7	4.0	-4.4	-0.5	10.8	9.9	-2.4	2.6	8.0	9.4
1. Direct Investment	4.6	6.6	3.4	3.4	18.1	4.4	3.9	2.7	3.4	14.4	4.9	2.3	5.1	3.4
2. Portfolio Investment	-3.2	-3.6	-3.1	-1.7	-11.6	3.0	-2.6	-3.0	4.9	2.2	-2.1	3.2	9.8	-2.5
3. Other Investment	-3.6	-4.6	-5.9	-1.5	-15.6	-3.6	-5.6	-0.1	2.4	-6.9	-3.3	-7.2	8.5	-6.7
Overall Balance	-1.8	2.4	-1.3	4.7	4.0	6.5	-7.4	-1.5	8.6	6.3	-6.0	-0.6	5.9	7.9
- Reserve Assets Position	139.1	136.4	130.8	137.2	137.2	145.2	137.5	134.9	146.4	140.4	140.2	149.9	155.7	157.1
In Months of Imports & Official Debt Repayment	7.0	6.4	5.7	5.9	5.9	6.2	6.0	6.0	6.5	6.5	6.2	6.1	6.4	6.5
- Current Account (% GDP)	0.2	1.3	1.4	1.1	1.0	0.9	-0.7	-0.4	-0.4	-0.1	-0.7	-0.9	-0.6	-0.1

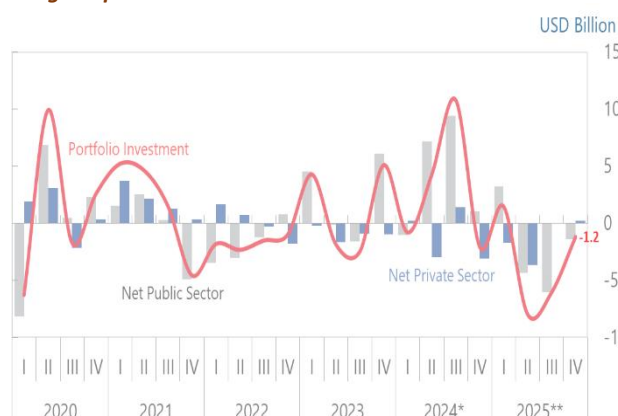
Source: Bank Indonesia. *Provisional Figures; ** Very Provisional Figures

Trade Balance



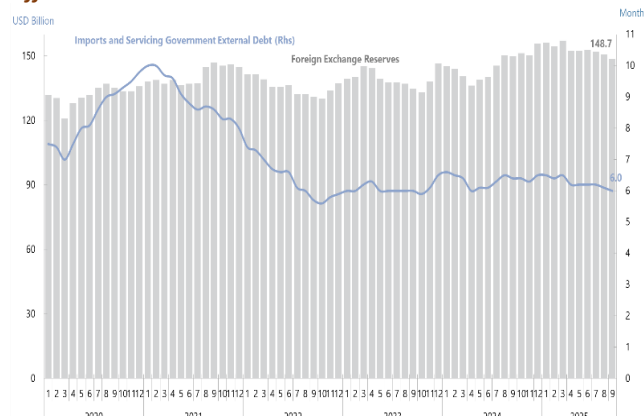
Source: BPS

Foreign Capital Flows



Source: Bank Indonesia. *Provisional Figures; ** Very Provisional Figures. Data as of 20 October 2025

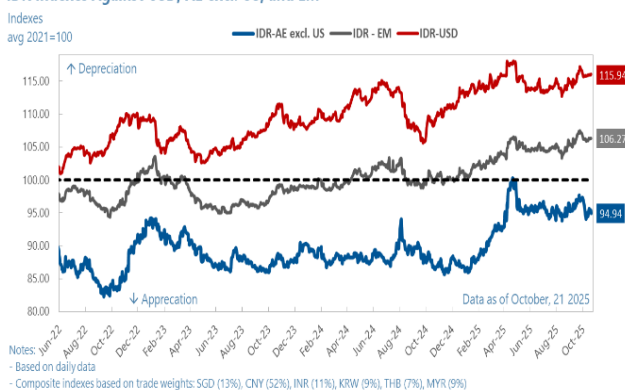
Official Reserve Asset



Source: Bank Indonesia

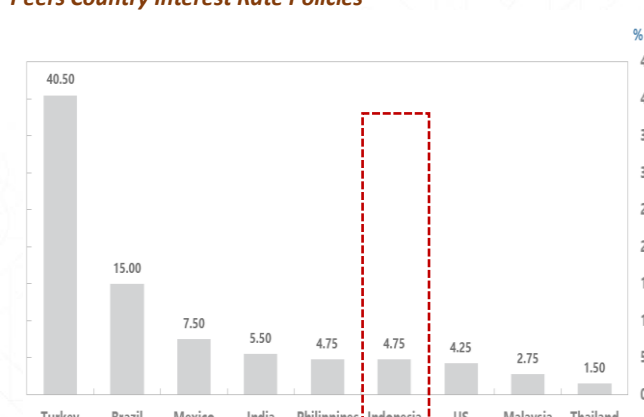
IDR Indexes Against USD, AE Exc. US and EM Currencies

IDR Indexes Against USD, AE excl. US, and EM



Source: Bloomberg. Data as of 21 October 2025

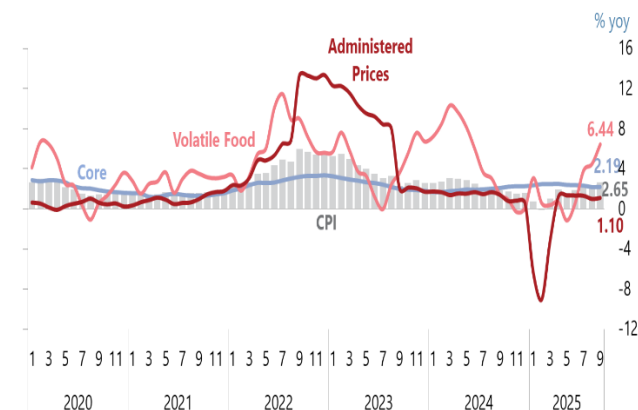
Peers Country Interest Rate Policies



Source: Bloomberg. Data as of 21 October 2025

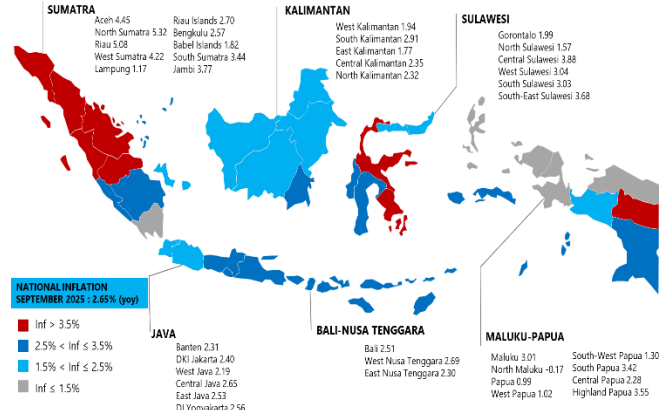
In general, inflationary pressures remained within the target range.

CPI Inflation



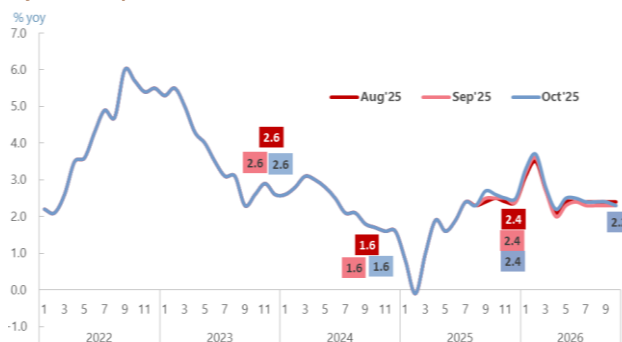
Source: BPS

Inflation Rate across Provinces



Source: BPS

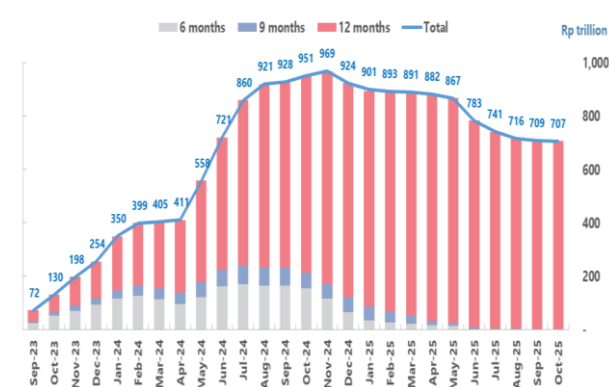
Inflation Expectation



Source: Consensus Economics

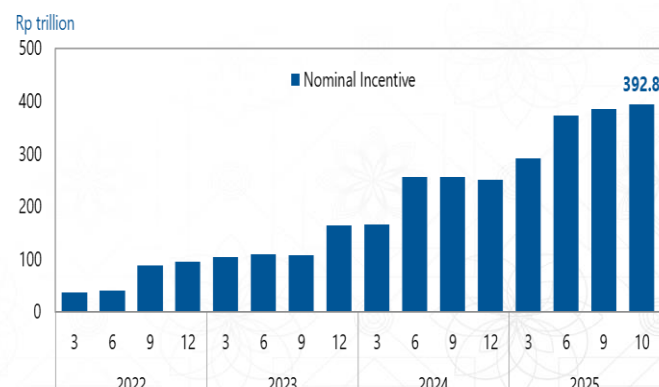
Bank Indonesia's policy mix continues to be strengthened to support economic growth and maintain macroeconomic stability. The implementation of the Macroprudential Liquidity Incentive Policy (KLM) revives bank lending/financing.

SRBI Outstanding Position



Source: Bank Indonesia. Data as of 20 October 2025

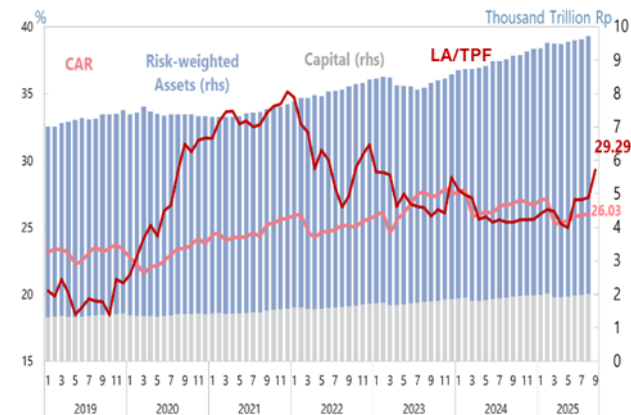
KLM Incentives Disbursement



Source: Bank Indonesia

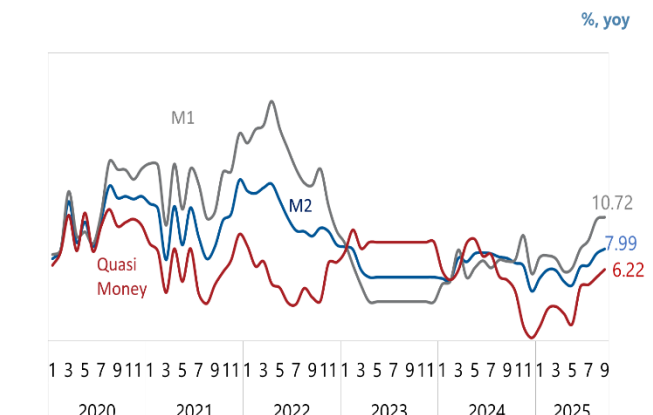
Bank Indonesia views that the reduction in banking interest rates needs to be encouraged in line with the accommodative monetary policy maintained by Bank Indonesia and the placement of Government Excess Budget Balance (SAL) funds in banks. The accommodative monetary policy and the placement of the Government Surplus Budget Balance (SAL) funds in banks have contributed to an increase in money supply. Bank lending must continue to be increased to support economic growth. The banking sector remains resilient.

The Ratio of Liquid Assets to Deposits and Capital Banking



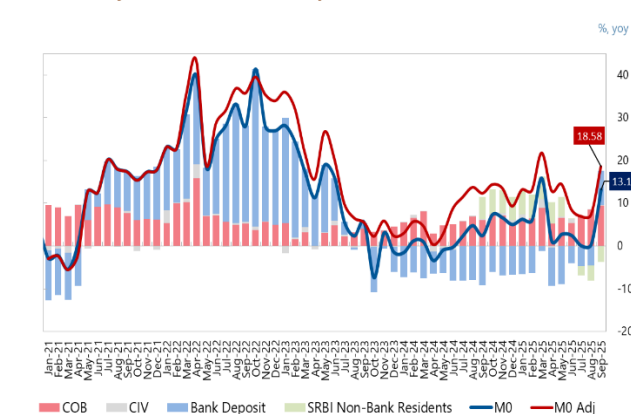
Source: Bank Indonesia

Money Supply



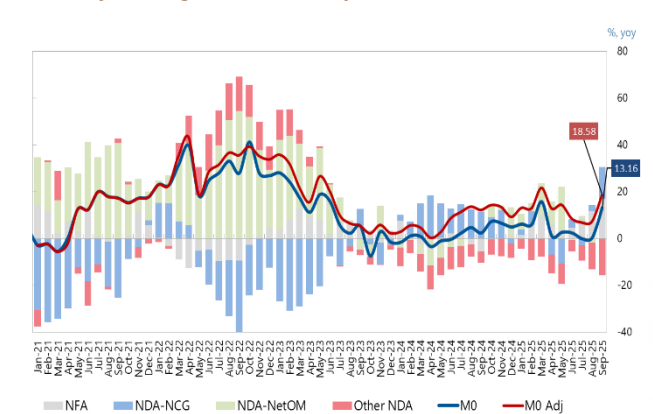
Source: Bank Indonesia

M0, M0 Adjusted, and the Component



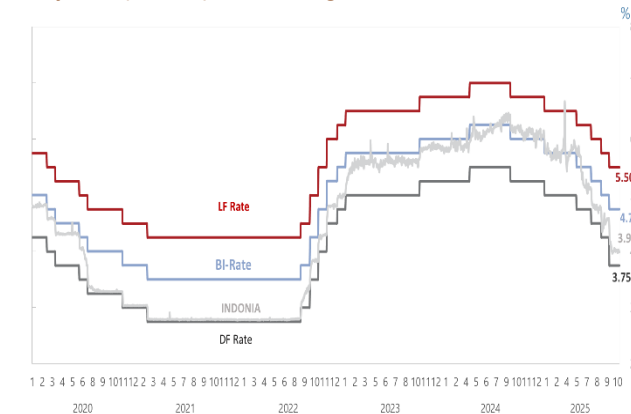
Source: Bank Indonesia

Factor Influencing M0 and M0 Adjusted



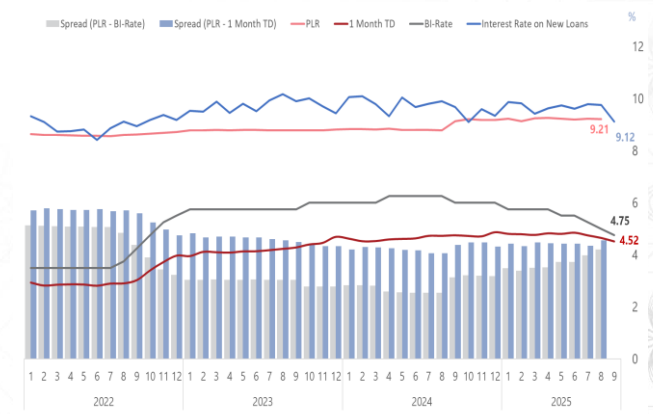
Source: Bank Indonesia

Policy Rate (BI Rate) and Overnight Interbank Rate



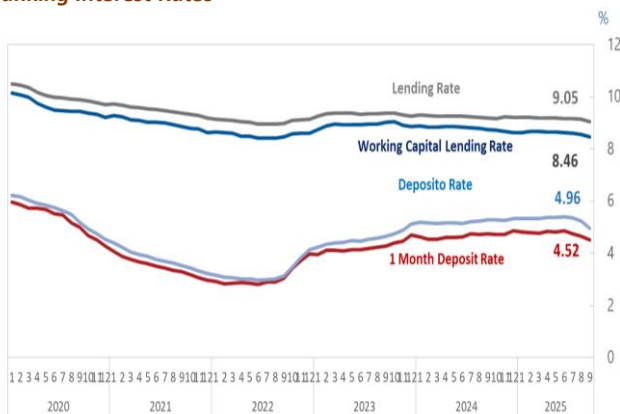
Source: Bank Indonesia

BI-Rate Transmission to PLR



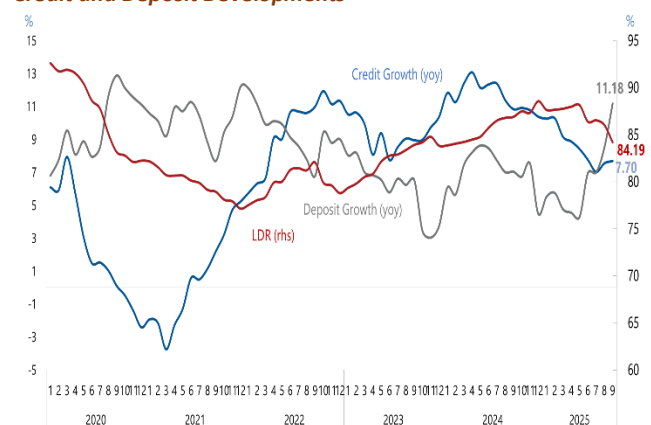
Source: OJK, Bank Indonesia, calculated

Banking Interest Rates



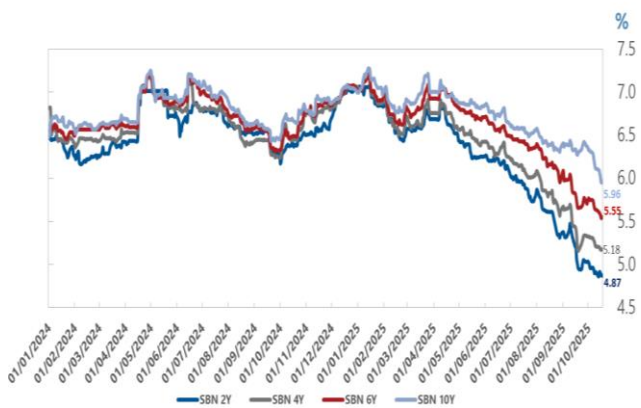
Source: Bank Indonesia

Credit and Deposit Developments



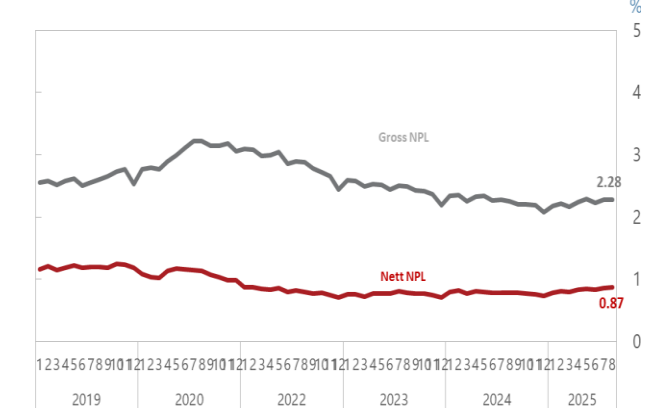
Source: Bank Indonesia

SBN Yield



Source: Bank Indonesia

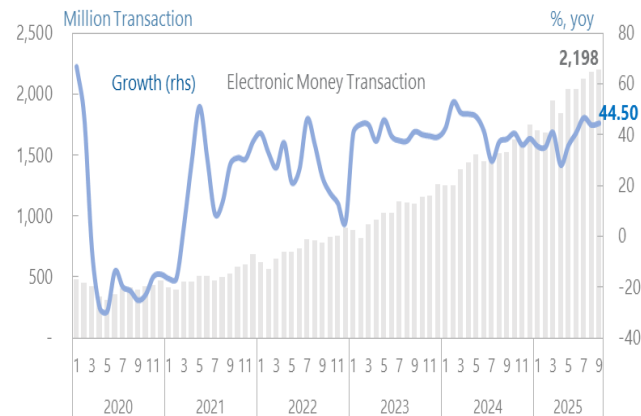
Credit Risk (NPL)



Source: Bank Indonesia, OJK

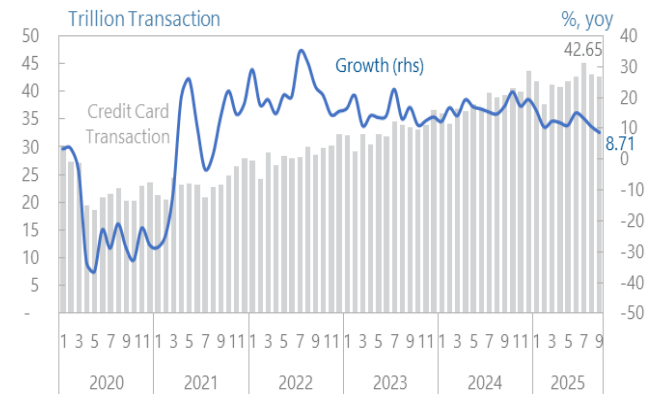
The performance of digital economic and financial transactions in third quarter 2025 continued to improve, supported by a secure, smooth, and reliable payment system. Payment system stability remained well-maintained, supported by stable infrastructure and a healthy industry structure.

Electronic Money Transactions Volume



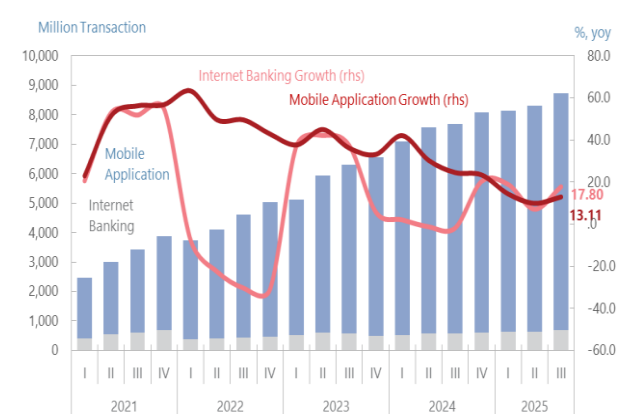
Source: Bank Indonesia

Credit Card Transactions Volume



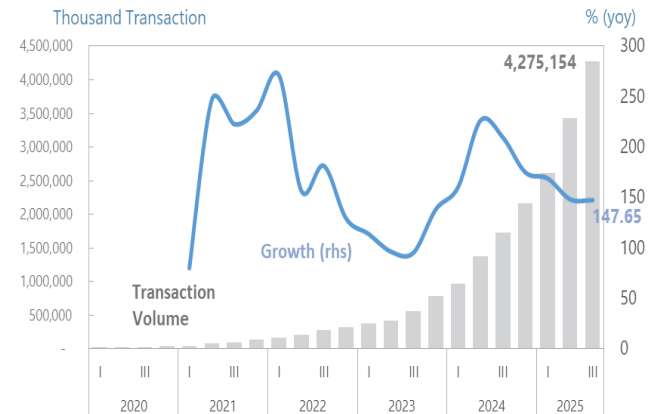
Source: Bank Indonesia

Digital Banking Transactions Volume



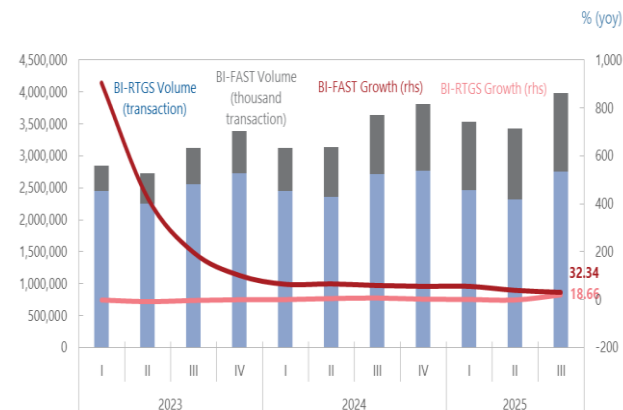
Source: Bank Indonesia

QRIS Transactions Volume



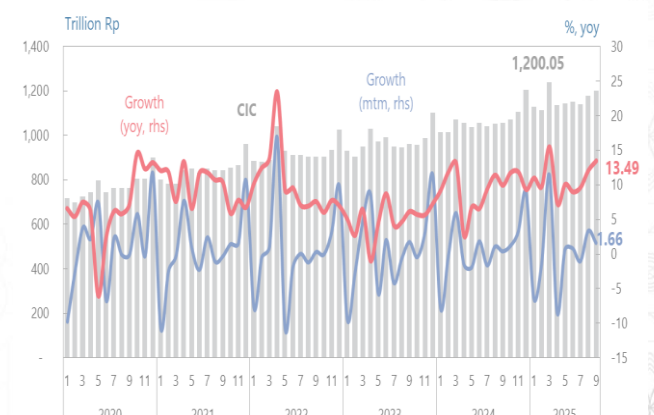
Source: Bank Indonesia

BI-FAST and BI-RTGS Transaction Volume



Source: Bank Indonesia

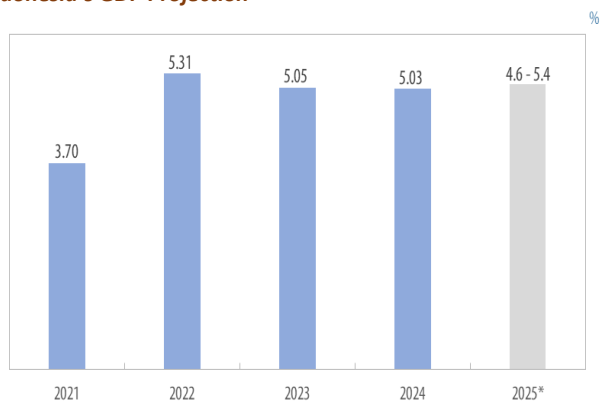
Currency in Circulation



Source: Bank Indonesia

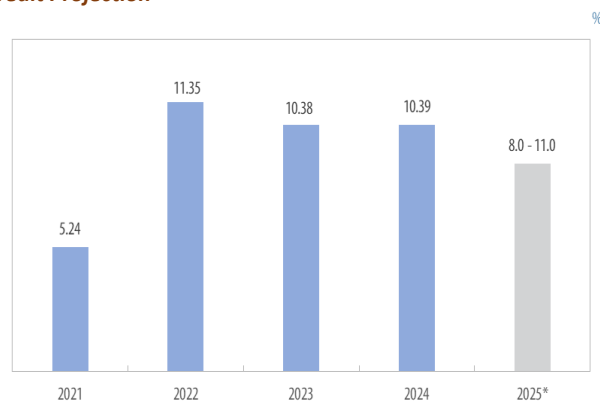
The national economic growth in 2025 is projected in the range of 4.6–5.4% and needs to be continuously strengthened.

Indonesia's GDP Projection



Source: Bank Indonesia. *Bank Indonesia's Projection

Credit Projection



Source: Bank Indonesia. *Bank Indonesia's Projection



BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

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