

MNI Bank Indonesia Preview – November 2025

Meeting Date: Wednesday, 19 November 2025

Announcement Time: 07:20 GMT/14:20 WIB

Link To Statement: https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_251323.aspx

Contents

- **Page 3-6:** BI October 2025 Meeting Statement
- **Page 7-8:** Sell-Side Analyst Views

MNI POV (Point Of View): BI Could Hold To Wait & See

Bank Indonesia (BI) announces its rates decision on Wednesday 19 November and could hold or ease as it has reasons for both. Bloomberg consensus is expecting it to be on hold with only 5/30 forecasting 25bp of easing but recently BI has gone against majority expectations. In October, it held when it was expected to ease. On the one hand, it may hold if it is concerned about the softer USDIDR since the 22 October decision and renew its focus on FX stability. It may also want to wait for the 75bp of rate cuts in H2 to feed through to the economy as lending rates are little changed compared to the amount of easing this cycle. On the other hand, it could cut 25bp to 4.5% as it still sees room for further easing, inflation is within the band, there are signs of softer domestic growth and it has become more pro-growth. It is likely to retain its easing bias but with the currency weaker and policy transmission lags, BI can afford to wait for the 10 December Fed decision before considering whether to ease again on 17 December.

Figure 1: Inflation expected to stay in the band



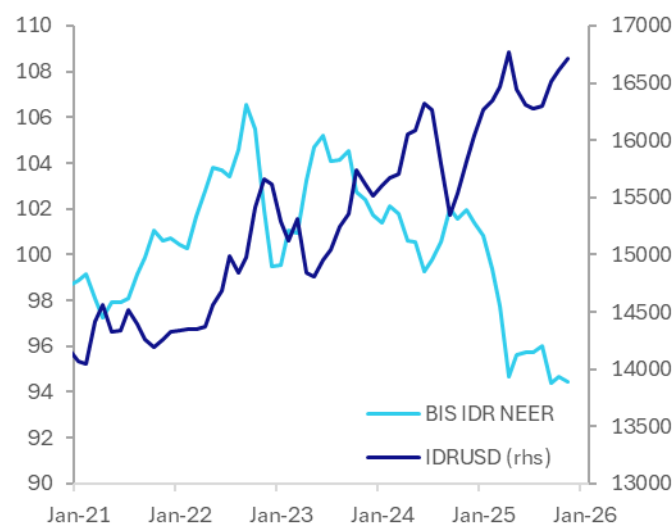
Source: MNI – Market News/Refinitiv

Indonesia's inflation was higher than expected in October and above September's print but remained firmly within BI's corridor and special factors are driving headline which rose to 2.9% y/y from 2.7%. There are base effects from Q1's temporary electricity discount and it was also boosted by a pickup in volatile food inflation. The personal care

& others component rose 11.9% y/y up from 9.6% driving core inflation to 2.4% from 2.2%, still around Bank Indonesia's 2.5% corridor mid-point, but this was due to higher gold prices which rose 3.7% in October after almost 12% in September. Softer domestic demand growth is likely to keep underlying inflation pressures contained though and BI continues to expect inflation this year and next to remain in its band as price expectations stay anchored with headline forecast to average 2.6%.

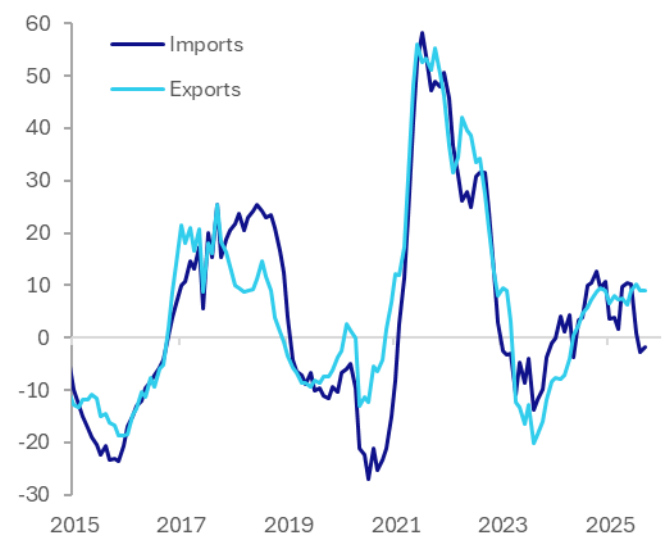
When BI announced its 2026 forecasts this month, it said that it remains committed to IDR stability and will use its tools including intervention to support the currency. USDIDR has trended higher over November and BI has intervened to stall the move. However, at around 16762, it is up a percent since the 22 October decision and around 0.6% m/m in November to date, the fourth consecutive monthly increase. The rupiah is also weaker against Indonesia's trading partners with the BIS IDR NEER down 0.5% since the last meeting and 7.4% y/y, as there have been foreign portfolio outflows over political stability and fiscal concerns. These trends are likely to worry BI and it may want to keep the rate differential with the US steady.

Figure 2: IDR weakening could keep BI on hold



Source: MNI – Market News/Refinitiv

Figure 3: Imports signal soft domestic demand; y/y% 3-mth moving average



Source: MNI – Market News/Refinitiv

If BI holds in November, it is likely to reiterate that it is “monitoring the transmission effectiveness of accommodative monetary policy” and that it would like to see lower lending rates and an improvement in lending growth to support economic activity (it is forecasting 2026 loan growth of 8-12%). Q3 GDP slowed slightly to 5.0% y/y from 5.1% driven by weaker investment growth but was supported by a pickup in government spending. BI expects it to rise to 5.3% in 2026 and has said that it will continue to support the government's pro-growth measures.

Trade and survey data since the last BI decision has signalled stronger growth in Q4 to date with a pickup in October consumer confidence and manufacturing activity. The 3-month average of the trade surplus in September rose to its highest since December 2022 driven by robust export growth at 11.4% y/y. Shipments to China, US, Europe, Singapore and Thailand have been strong but weak to Japan, India and Australia. However, the 3-month average of import growth fell 1.7% y/y, a sign of soft domestic demand. Tourist arrivals are also slowing but still rose 9.6% y/y 3-month average in September.

BI noted this month that it still sees room to cut rates further and expects to maintain its easing stance into next year. Given its focus on FX stability, the uncertain outlook for the 10 December Fed meeting is important. The lack of data due to the record US government shutdown has made the decision difficult. The USD OIS market has a less than 50% chance of a rate cut priced in for that meeting but almost 100% by 28 January. BI's next meeting is 17 December, after the Fed, and so it can decide to watch and wait in November, especially given little of 2025's five rate cuts have been passed on, and monitor rupiah movements, Fed pricing, domestic lending rates and activity data. This makes a December cut a clear possibility, especially if the Fed eases and BI can then keep the rate differential constant.

Bank Indonesia October 2025 Meeting Statement

The Bank Indonesia Board of Governors decided on 21st-22nd October 2025 to hold the BI-Rate at 4.75%, while also maintaining the Deposit Facility (DF) rate at 3.75% and the Lending Facility (LF) rate at 5.50%. The decision is consistent with low inflation, projected in 2025 and 2026 within the 2.5±1% target corridor, ongoing efforts to maintain rupiah exchange rate stability in line with economic fundamentals as well as synergy to strengthen economic growth. Moving forward, Bank Indonesia will continue monitoring the transmission effectiveness of accommodative monetary policy, economic growth and inflation as well as rupiah exchange rate stability to consider further room for BI-Rate reductions. Bank Indonesia will also strengthen macroprudential policy to further lower interest rates, increase liquidity and drive credit/financing growth in pursuit of 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 strengthening the resilience of payment system infrastructure.

Bank Indonesia has, therefore, strengthened its monetary, macroprudential and payment system policy mix to strengthen economic growth, while maintaining stability through the following policy measures:

1. Strengthening the pro-market monetary operations strategy to enhance the effective transmission of lower interest rates, increase liquidity, accelerate money market and foreign exchange market deepening by:
 - i. managing the interest rate structure of monetary instruments and forex swaps in line with monetary liquidity expansion and to accelerate lower 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 underlying repurchase agreements (repo) in BI monetary operations with other high-quality securities issued by financial services institutions (FSIs) formed or established by the Government to support government programs for public welfare and prosperity,
 - iv. issuing BI-FRN (Floating-Rate Notes) and developing Overnight Index Swaps (OIS) for longer tenors to create a transaction-based interest rate structure in the money market,
 - v. expanding the investor base for SukBI to include banks and non-banks, including 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 players.
2. Strengthening the rupiah stabilisation strategy in line with economic fundamentals, primarily through domestic foreign exchange market intervention with a focus on spot and domestic non-deliverable forward (DNDF) transactions as well as intervention in offshore non-deliverable forward (NDF) transactions, while also purchasing government securities (SBN) in the secondary market to increase liquidity and maintain financial market stability.
3. Strengthening forward-looking and performance-based Macroprudential Liquidity Incentive Policy (KLM) (Appendix 1), effective from 1st December 2025, through:
 - i. incentives for banks committed to disbursing loans/financing to specific sectors (lending channel) and pricing loans/financing in line with the policy rate set by Bank Indonesia (interest-rate channel),
 - ii. KLM incentives in the form of lending channel incentives, up to 5% of third-party funds (TPF), and interest rate channel incentives, up to 0.5% of TPF, bringing the total incentive to a maximum of 5.5% of TPF,
 - iii. sectors eligible for lending channel incentives include: (i) the agricultural, manufacturing and downstream sector, (ii) services sector, including the creative economy, (iii) construction, real estate and housing sector, and/or (iv) MSME, cooperative, inclusion and sustainability sector, which are also priority sectors set by the Government to support economic growth,

- iv. the size of the incentive awarded to banks in the lending channel also considers adjustment factors for the realisation of credit/financing growth against the credit/financing growth commitments of the previous period,
 - v. the incentive in the interest rate channel is measured based on the speed at which banks adjust lending rates to the policy rate set by Bank Indonesia.
4. Strengthening accommodative macroprudential policy by maintaining the: (i) Countercyclical Capital Buffer (CCyB) at 0%, (ii) Macroprudential Intermediation Ratio (MIR) in the 84-94% range, (iii) Loan/Financing-to-Value (LTV/FTV) ratio for property loans/financing at a maximum of 100% and downpayment requirements on automotive loans/financing at a minimum of 0%, effective from 1st January - 31st December 2026, (iv) Bank Foreign Funding Ratio (RPLN) at a maximum of 35% of bank capital, and (v) Macroprudential Liquidity Buffer (MPLB) at 4%, with repo flexibility of 4%, and the Sharia Macroprudential Liquidity Buffer at 2.5%, with repo flexibility of 2.5%.
 5. Strengthening the assessment of prime lending rate (PLR) transparency with a focus on interest rates based on priority sectors in accordance with the scope of Macroprudential Liquidity Incentive Policy (KLM) policy (Appendix 2).
 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 and programs, which include: (i) launching QRIS Tap In/Tap Out, (ii) initiating the QRIS Cross-Border Sandbox between Indonesia and South Korea, (iii) kicking off the Capacity Building Program and Literacy Synergy for Accelerating and Expanding Regional Digitalisation (KATALIS P2DD), and (iv) announcing the winners of the BI-OJK Hackathon 2025 and QRIS Exploring Indonesian Culture flagship program.
 7. Strengthening and expanding international cooperation among central banks, including payment system connectivity and Local Currency Transactions (LCT), while promoting trade and investment in priority sectors in synergy with relevant institutions.

Bank Indonesia is strengthening policy synergy with the Financial System Stability Committee (KSSK) to maintain financial system stability. Bank Indonesia is also strengthening policy synergy with the Government to maintain stability and support economic growth in line with the Government's Asta Cita program.

The global economy continues tracking a moderating trend due to US reciprocal tariffs and 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 point to weaker global trade performance because of US tariff policy, as reflected by slower imports and exports to and from most countries. In the US, the economy remains sluggish, thereby perpetuating a weaker labour market. Economies in Europe, Japan and India remain weak as a result of household consumption despite the fiscal-monetary stimuli introduced. Meanwhile, China's economy accelerated in the third quarter of 2025 due to fiscal stimuli. Such developments will impact economic growth in 2025, with the forecast upgraded to 3.1% from the 3.0% projected previously. The probability of an upcoming reduction in the Federal Funds Rate (FFR) has increased in line with labour market weakness in the US. In the global financial markets, short-term US Treasury yields decreased, which prompted a lower DXY Index. Capital flows to emerging markets (EM) continue to fluctuate in line with the heightened uncertainty persisting in global financial markets. Such conditions demand vigilance and a strong policy response to mitigate the spillovers from high economic and global financial market uncertainty on the domestic economy.

At home, economic growth in Indonesia remains solid and must be increased in line with economic capacity. The latest indicators pointed to economic growth in the third quarter of 2025, supported by higher exports in anticipation of US reciprocal tariffs, particularly in terms of crude palm oil (CPO) as well as iron and steel. Meanwhile, there remains a further opportunity to strengthen domestic demand, thereby increasing household consumption and investment. Government spending contributed to strengthening 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, regional economic growth in Java and Sumatra are expected above the previous projections due to manufacturing and agriculture. Overall, economic growth in the latter half of 2025 is forecast to improve in line with the implementation of government priority projects related to food and energy security, defence and security, as well as the Government's Economic Policy Package for 2025, which includes social assistance disbursements in the fourth quarter of 2025. Bank Indonesia will also continue strengthening the national policy mix by optimising its monetary, macroprudential and payment system policy mix in synergy with the

fiscal stimuli and real sector policies of the Government to drive national economic growth. Overall, therefore, economic growth in 2025 is projected above the midpoint of the 4.6-5.4% range, before accelerating in 2026.

Indonesia's Balance of Payments (BOP) remains sound, thereby supporting external resilience. The Current Account (CA) in the third quarter of 2025 is projected to record a surplus, supported by a maintained trade surplus in September 2025. Non-oil and gas exports tracked an upward trend despite global economic moderation given the front-loading of exports in anticipation of US reciprocal tariffs, including shipments of CPO as well as iron and steel bound for India and China. The Capital and Financial Account (CFA) is expected to run a deficit in response to net outflows of portfolio investment given high global uncertainty and servicing external debt, despite positive foreign direct investment (FDI). From September to 20th October 2025, portfolio investment recorded a net outflow of USD5.26 billion, prompting intervention by Bank Indonesia to stabilise rupiah exchange rates. The position of foreign reserves at the end of September 2025 remained solid at USD148.7 billion, equivalent to 6.2 months of imports or 6.0 months of imports and servicing government external debt, which is well above the international adequacy standard of around 3 months of imports. Moving forward, the trade surplus and foreign capital inflows are expected to be maintained. Consequently, Bank Indonesia projects resilient BOP performance in 2025, with a narrower current account deficit forecast in 2025 than the previous projection. In 2026, Bank Indonesia expects BOP performance to remain solid, underpinned by a healthy CA and increasing capital flows in line with Indonesia's promising economic outlook.

Rupiah exchange rates remain stable, supported by Bank Indonesia's stabilisation policy against a backdrop of high global uncertainty. The value of the rupiah against the US dollar on 21st October 2025 stood at Rp16,585, appreciating by 0.45% (ptp) compared with the level recorded at the end of September 2025. The rupiah experienced 1.05% (ptp) depreciation in September 2025 compared with the level at the end of August 2025 due to high uncertainty. Maintaining rupiah stability, Bank Indonesia intervened in the spot market as well as the offshore NDF and onshore DNDF markets, while also purchasing SBN in the secondary market. Bank Indonesia's policy response was positive, with the rupiah regaining lost value in October 2025. The increasing conversion of foreign exchange into rupiah by exporters after the Government strengthened policy concerning the foreign exchange proceeds of exports of natural resources (DHE SDA) further bolstered the value of the rupiah. Moving forward, Bank Indonesia expects the rupiah to remain stable, underpinned by Bank Indonesia's commitment to maintain rupiah stability, alongside attractive yields, low inflation and the positive economic growth outlook for Indonesia. Furthermore, Bank Indonesia continues strengthening its stabilisation 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 general, mild inflationary pressures have been maintained within the target corridor. Consumer Price Index (CPI) inflation was recorded at 2.65% (yoy) in September 2025. Core inflation remained low at 2.19% (yoy), impacted by economic growth that remains below capacity, monetary policy consistency to anchor inflation expectations to the target corridor, as well as low imported inflation. Administered prices (AP) also remained low at 1.10% (yoy) after the Government adjusted fuel prices and discounted airfares, contrasting higher retail prices for cigarettes. Meanwhile, volatile food (VF) inflation accelerated to 6.44% (yoy), primarily driven by higher prices of chilis, various alliums, rice and purebred chicken meat due to the end of the harvesting season and higher costs of production inputs. Looking ahead, Bank Indonesia is confident that headline inflation will remain under control and within the 2.5%±1% target corridor in 2025 and 2026. Low core inflation is projected in line with anchored inflation expectations, adequate economic capacity, managed imported inflation, as well as the positive impact of digitalisation. Bank Indonesia also expects VF inflation to remain manageable, supported by inflation control synergy between Bank Indonesia and the Central and Regional Government Inflation Control Teams (TPIP/TPID), while strengthening implementation of the National Movement for Food Inflation Control (GNPIP) in various regions.

Bank Indonesia continues strengthening its policy mix to boost economic growth, while maintaining economic stability. Monetary policy includes BI-Rate reductions, rupiah exchange rate stabilisation and monetary liquidity expansion. Bank Indonesia has reduced the BI-Rate by 150 bps since September 2024 to 4.75%, the lowest level since 2022. In addition, Bank Indonesia is strengthening its rupiah stabilisation policy through 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. Meanwhile, Bank Indonesia has priced foreign currency monetary instruments competitively to maintain the attractiveness of placements in Indonesia and strengthen rupiah stability. Bank Indonesia is also expanding liquidity by lowering the position of SRBI monetary instruments from Rp916.97 trillion at the beginning of 2025 to Rp707.05 trillion on 21st October 2025. Through close monetary and fiscal policy synergy, Bank Indonesia has also purchased SBN to the tune of Rp268.36 trillion (as of 21st October 2025), including SBN purchased in the secondary market, alongside a debt switching program

with the Government, totalling Rp199.45 trillion. Bank Indonesia is undertaking measured and transparent SBN purchases in the secondary market in line with market mechanisms, which is consistent with monetary programs to maintain economic stability, thereby strengthening monetary policy credibility. Monetary policy is also supported by Macprudential Liquidity Incentive Policy (KLM) and accelerating payment system digitalisation in pursuit of sustainable economic growth.

Bank Indonesia continues strengthening the implementation of Macprudential Liquidity Incentive Policy (KLM) to revive bank lending/financing. As of the first week of October 2025, Bank Indonesia disbursed KLM incentives totalling Rp393 trillion, with Rp173.6 trillion allocated to 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. Moving forward, Bank Indonesia will continue strengthening KLM policy to revive bank lending/financing by strengthening forward-looking KLM policy in pursuit of higher credit growth. Furthermore, incentives will be disbursed based on the speed at which banks adjust lending rates to the policy rate set by Bank Indonesia to accelerate the transmission of lower interest rates in the banking industry.

Bank Indonesia is of the view that interest rates in the banking industry must be lowered further in line with the accommodative monetary policy stance and accumulated budget surplus placed by the Government in the banking industry. In the money market, consistent with the BI-Rate reductions totalling 150 bps taken since September 2024 and the monetary liquidity expansion policy instituted by Bank Indonesia, the INDONIA money market reference rate also trended downwards by 204 bps from 6.03% at the beginning of 2025 to 3.99% as of 21st October 2025. Meanwhile, SRBI rates for tenors of 6, 9 and 12 months also tracked downward trends, namely by 251 bps, 254 bps and 257 bps since the beginning of 2025 to 4.65%, 4.67% and 4.70% on 17th October 2025. SBN yields on tenors of 2 years decreased by 218 bps from 6.96% at the beginning of 2025 to 4.78% on 21st October 2025, while SBN yields on tenors of 10 years have also decreased by 132 bps from a peak of 7.26% in the middle of January 2025 to 5.94% currently. Lower lending rates in the banking industry continue to experience a lag and efforts must be taken to accelerate further reductions. Compared with the BI-Rate reductions totalling 150 bps, the 1-month term deposit rate has only fallen by 29 bps from 4.81% at the beginning of 2025 to 4.52% in September 2025, primarily held back by the special rates offered by banks to large depositors, accounting for 26% of total third-party funds in the banking industry. Moreover, lending rate reductions have been even slower, falling just 15 bps from 9.20% at the beginning of 2025 to 9.05% in September 2025.

Accommodative monetary policy and accumulated budget surplus placements by the Government in the banking industry have increased money supply. Growth of adjusted base money (M0), namely base money that has isolated the impact of lower reserve requirements (RR) due to the provision of macroprudential liquidity incentives (KLM), stood at 18.58% (yoy) in September 2025, higher than M0 growth (not adjusted) of 13.16% (yoy). Based on the affecting factors, higher adjusted M0 growth stemmed from the expansion of net claims on central government (NCG). Expansionary monetary policy was also reflected in growth of broad money (M2), which accelerated from 5.46% (yoy) in January 2025 to 7.59% (yoy) in August 2025. By component, stronger M2 growth was influenced by an uptick in narrow money (M1), namely from 7.25% (yoy) in January 2025 to 10.51% (yoy) in August 2025 as currency outside banks (COB) accelerated from 10.30% (yoy) in January 2025 to 13.41% (yoy) in August 2025. M2 growth was primarily driven by an increase of Net Foreign Assets (NFA). Moving forward, money supply is expected to accelerate in line with fiscal expansion.

Click here for [full statement](#)

Sell-Side Analyst Views

ANZ (unch): “We expect BI to adopt a prudent stance at its upcoming November meeting (Wednesday 19 November at 15:20 SGT) and keep its policy rate steady at 4.75%. This cautious approach follows a pause in October amid concerns over the stability of the IDR. The combination of the USD/IDR remaining elevated and foreign capital flows showing net sales in the first week of November support the case for maintaining the current rate.

- That said, BI is expected to retain an easing bias, with further rate cuts considered a matter of timing given still sluggish domestic demand and lacklustre loan growth.
- Our baseline expectation is that the Fed will lower its policy rate by 25bp in December, potentially giving BI the opportunity to resume its own easing path. We continue to anticipate two additional 25bp cuts in BI’s current easing cycle, taking the policy rate to 4.25%.”

Bank New York (unch): “We expect Bank Indonesia (BI) to keep the policy rate unchanged at 4.75% while maintaining an easing bias. We see room for easing, but there is no urgency to do so. The central bank is likely to reiterate its “all-out pro-growth, while maintaining stability” strategy, signaling further rate cuts and expansionary policy and a three-prong strategy: intervention in spot FX, domestic non-deliverable forwards, government bonds and offshore rupiah (IDR). Monetary policy transmission is the key issue, and BI is expected to encourage lower lending rates and higher lending growth.”

DBS (unch): “We see a more than even chance that the central bank will lean towards a pause in November due to a weaker currency whilst pushing for faster policy transmission. Expectations for a December rate cut by the US Fed have also been tempered after relatively hawkish remarks by the FOMC chair last month. BI expects two rate cuts from the US Fed by 1Q26 in its baseline view. In the interim, the central bank is likely to encourage faster policy transmission and undertake macroprudential measures to lower the effective lending rate.

- Deputy Governor Aida S. Budiman had remarked that despite 150bp cuts by the BI since second half of 2024, banks had only lowered loan rates by 15bp, while markets-based rates, i.e. interbank rates (IndoNIA is down ~230bp vs Aug24) and 6-month SRBI yields (- 240bp since Aug24), had fallen more notably.
- Commentary is likely to stay dovish to keep the door open for further easing towards late-2025 and early 2026.”

Goldman Sachs (unch): “We expect Bank Indonesia (BI) to keep its policy rate unchanged at 4.75% at its upcoming meeting on November 19 (Bloomberg consensus: 4.75%). BI kept the policy rate unchanged at 4.75% at its October 22 meeting, citing exchange rate stability amidst high global uncertainty.

- In terms of recent data, Indonesia’s Q3 GDP growth edged lower to 5.0% yoy in Q3 on lower investment growth. Meanwhile, headline inflation rose to 2.9% yoy in October (vs. 2.7% yoy in September), but remained comfortably within BI’s target range of 1.5-3.5%.
- On the FX front, the IDR has depreciated by 0.8% since the last BI meeting.
- In our view, BI is likely to pause next week, assess the growth-inflation trajectory and the transmission of past rate actions alongside IDR stability before moving on policy rate changes again. We continue to expect an additional cumulative 50bp rate cuts but now shift the timing of one 25bp rate cut to Q1 2026 (vs. Q4 2025). This implies a 25bp rate cut in the December meeting and the next 25bp rate cut in Q1 2026.”

ING (unch): “We expect Bank Indonesia to keep its policy rate unchanged at 4.75% on Wednesday, given the recent surge in headline inflation and the Federal Reserve’s hawkish tone. Elevated price pressures argue against near-term easing. However, given the soft domestic growth outlook and our expectation that the Fed will cut again in December 2025, we believe BI is not yet done with its easing cycle. Once inflation stabilises, further rate cuts remain likely to support growth.”

Societe Generale (unch): “Following three consecutive surprise rate cuts (of 25bp each) by Bank Indonesia (BI), we now expect the central bank to keep the policy rate unchanged at 4.75% for the second time in a row.

- Indonesia’s headline CPI for October rose slightly to 2.86%yoy, marking the second consecutive month it has remained above BI’s median target of 2.5%, and the first time since June 2024. This calls for a

cautious approach from the central bank, especially now that the real policy rate is back at the long-term average level.

- BI also faces challenges from a weakening external environment. Concerns about Indonesia's growth prospects and a potentially worsening budget deficit have prompted foreign bondholders to exit, with outflows reaching nearly 8.5% from August levels. This has pushed the share of foreign holders to a historic low of 13.5% of the outstanding bonds.
- Meanwhile, although the currency has remained relatively stable, it has depreciated by 3.0%YTD, approaching its lowest level.
- Furthermore, given the relatively weak transmission of monetary policy actions so far, the central bank may prefer to pause before considering another rate cut."

UOB (-25bp): "Our economist, Enrico Tanuwidjaja, is with the minority, expecting a 25-bps cut in this meeting. Based on the Oct monetary policy statement, Enrico views that the monetary easing cycle is not done yet, though it is close to reaching the end of it. At the current level of 4.75% and with inflation is projected to remain largely within BI's target range of 1.5-3.5%, there still exists room for BI to ease further. We therefore maintain our forecast for BI's rate to be cut by a further 25bps in 4Q25 and subsequently by another 25bps in 1Q26 to reach 4.25% and to remain there throughout 2026."

Unauthorized disclosure, publication, redistribution or further dissemination of this information may result in criminal prosecution or other severe penalties. Any such authorization requires the prior written consent of Market News International. Redistribution of this information, even at the instruction of your employer, may result in personal liability or criminal action unless such redistribution is expressly authorized in writing by Market News International. Violators will be prosecuted. This information has been obtained or derived from sources believed to be reliable, but we make no representation or warranty as to its accuracy or completeness. This is not an offer or solicitation of an offer to buy/sell. Copyright © 2024 Market News International, Inc. All rights reserved.