

# MNI Bank Indonesia Preview – October 2025

**Meeting Date:** Thursday, 22 October 2025

**Announcement Time:** 08:20 BST/14:20 WIB

**Link To Statement:** [https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_2721925.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2721925.aspx)

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## MNI POV (Point Of View): More Cuts To Support Growth

Bank Indonesia has become increasingly difficult to read over recent months as it has shifted towards supporting growth rather than focusing on FX stability. September was its third consecutive 25bp easing bringing rates to 4.75%. It stated in September that its decision was "consistent with joint efforts to stimulate economic growth", so another rate cut on 22 October can't be ruled out. Given USDIDR has stabilised over October, IDR NEER is higher since the September decision, BI's pro-growth stance, softer data and Fed cuts expected in October and December, another BI rate cut this month looks likely. It is likely to stay with "strengthening its policy mix" which includes rate cuts, IDR stabilisation and "monetary liquidity expansion". Bloomberg consensus is split between 25 analysts expecting a 25bp cut to 4.5% and 9 forecasting unchanged at 4.75%.

**Figure 1: Underlying inflation stable within BI's band**



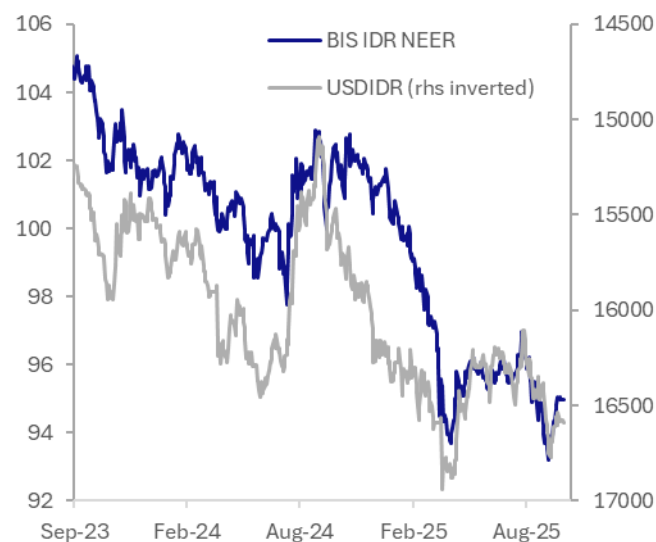
Source: MNI – Market News/Refinitiv

September core inflation held at 2.2%, 0.3pp below April's peak, while headline was higher than expected at 2.65% up from August's 2.3% due to higher volatile food prices and gold jewellery. Both measures remain well within Bank Indonesia's 1.5-3.5% target band though and it expects them to stay within the corridor in 2026. Underlying inflation should be contained by weaker domestic demand, anchored inflation expectations and the impact of digitalisation. Despite the IDR NEER down 7.5% y/y in September, BI believes that imported inflation will be "managed". The September S&P Global manufacturing PMI noted that there had been a pickup in cost inflation to its highest since

February driven by higher raw material prices but this would only be partially passed on and selling price inflation remained moderate, suggesting soft pricing power.

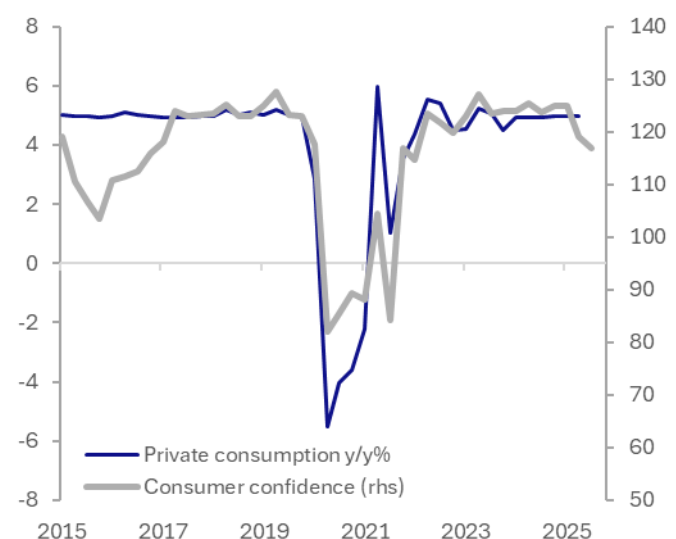
While USIDR is up 1.3% since the 17 September BI decision, the pair has stabilised under 16600 during October helped by intervention. Against a basket of currencies though, the IDR is 0.8% stronger since the last meeting and 0.4% m/m in October, which the central bank is likely to find reassuring. However, it has had to intervene to support the currency in recent months and FX reserves fell in September for the third consecutive month to be down 2.5% since June and 5.3% since the March peak. Its ongoing money market deepening efforts are likely to continue to be optimised to support the currency.

**Figure 2: Intervention helps IDR stabilisation**



Source: MNI – Market News/Refinitiv

**Figure 3: Consumption slowing**



Source: MNI – Market News/Refinitiv

In September BI noted that “economic growth in Indonesia must be increased in line with economic capacity” suggesting that it believes there is a negative output gap and with data since the last meeting looking softer, this view and its desire to support growth are unlikely to change in October. It observed that consumption in Q3 is “restrained” given lower sentiment driven by a weaker labour market. Consumer confidence fell to 115 in September bringing the Q3 average to 1.8% below Q2’s signalling that real consumption slowed in the quarter. Retail sales growth in August moderated to 3.5% y/y and auto sales continue to contract.

In addition, the September manufacturing PMI deteriorated to 50.4 from 51.5 but the Q3 average was still over 3 points above Q2’s but was below ASEAN’s level. S&P Global reported contracting overseas orders for the second month in the quarter but merchandise export growth held up in the 3-months to August but given the frontloading of shipments to the US in the year to July, it is likely to slow in coming months. Exports have remained strong to EM Asia but have slowed to the OECD.

BI also mentioned that capex needs to be supported by “accelerating the realisation of various government priority programs”, which was an addition to the last statement. The 2026 government deficit target at 2.68% remains below the 3% threshold but was revised up 0.2pp from the draft due to higher expenditure. The outcome is vulnerable to disappointing growth given the government is assuming 5.4% and the substantial global risks. There are risks associated with coordinated easy monetary and fiscal policy. BI’s recent agreement to support government priority programmes, including purchasing government bonds, as well as the government’s increased oversight of the central bank are adding to independence concerns in the market. Signs of fiscal slippage or inflation heading higher will be monitored closely.

BI can cut twice in Q4 (there are three meetings) and keep the rate differential with the US stable assuming the Fed eases at its two remaining 2025 meetings in line with market pricing. It will also continue to monitor monetary policy transmission given that its policy rate is significantly below the 6.25% peak and last month it didn’t seem happy with the slow reduction in lending rates. Its agreement to support fiscal policy in boosting growth and its concerns regarding the transmission mechanism are likely to mean the easing cycle still has some way to go but possibly at the cost of upside inflation risks.

## Bank Indonesia September 2025 Meeting Statement

The Bank Indonesia Board of Governors decided on 16-17<sup>th</sup> September 2025 to lower the BI-Rate by 25 bps to 4.75%, while also lowering the Deposit Facility (DF) rate by 50 bps to 3.75% and the Lending Facility (LF) rate by 25 bps to 5.50%. The decision is consistent with joint efforts to stimulate economic growth by maintaining low inflation, projected in 2025 and 2026 within the 2.5±1% target corridor, while maintaining rupiah exchange rate stability in line with economic fundamentals. Moving forward, Bank Indonesia will continue monitoring economic growth and inflation to consider further room for BI-Rate reductions based on rupiah exchange rate stability. Therefore, Bank Indonesia will continue strengthening monetary liquidity expansion and accommodative macroprudential policy to lower interest rates, boost liquidity and revive lending/financing 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 and attract foreign capital inflows by:
  - i. managing the interest rate structure of monetary instruments and forex swaps in line with monetary liquidity expansion and to accelerate the effective transmission to 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, and
  - iii. 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 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 1).
4. Expanding digital acceptance by strengthening the implementation of QRIS Cross-Border and QRIS TAP, and
5. 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 also strengthening policy synergy with the Government to maintain stability and nurture economic growth in line with the Government's Asta Cita program. In addition, Bank Indonesia will continue strengthening policy synergy with the Financial System Stability Committee (KSSK) to maintain financial system stability.

**The global economy continues to moderate as a corollary of US reciprocal tariffs and persistently high uncertainty.** Various indicators point to economic moderation in most countries, accompanied by growth disparity between jurisdictions. In the US, economic confidence has declined since the implementation of tariff policy, which has undermined household consumption and raised unemployment. Economic performance in China has also slowed due to lower exports, primarily to the US, in response to the reciprocal tariffs, coupled with weaker domestic demand, particularly investment. Economies in Europe and Japan are also tracking a downward trend given pressures on export performance. On the other hand, India's economy accelerated slightly in response to fiscal stimuli to drive consumption. Consequently, Bank Indonesia forecasts potentially lower economic growth in 2025



than the previous projection of around 3.0%. The restrained global economic outlook and milder inflationary pressures have pushed most central banks to favour accommodative monetary policy, excluding Japan. Higher unemployment in the US has strengthened expectations of an imminent reduction in the Federal Funds Rate (FFR). In the global financial markets, US Treasury yield decreased in line with expectations of an FFR reduction, which prompted a lower DXY Index. Against a backdrop of heightened uncertainty, global capital flows to gold are increasing, while capital flows to emerging markets (EM) are restrained. Moving forward, global financial market volatility will persist, which must be anticipated by strengthening various responses, accompanied by policy coordination to maintain domestic economic resilience.

**At home, economic growth in Indonesia must be increased in line with economic capacity.** In the third quarter of 2025, several indicators pointed to restrained household consumption given lower consumer expectations, particularly among lower-middle-income households, coupled with limited job availability. Investment must be strengthened by accelerating the realisation of various government priority programs, including the development of special economic zones (KEK) in different regions. Meanwhile, exports are forecast to improve on the back of higher agricultural and manufacturing exports, particularly crude palm oil (CPO) to India in line with lower import duties. Bank Indonesia will continue strengthening policy coordination and synergy with the Government to accelerate economic growth, while maintaining economic stability. From a fiscal perspective, government spending is expected to increase in the second half of the year in line with the implementation of government priority projects relating to food and energy security as well as security and defence, alongside the Government's Economic Policy Package for 2025. Furthermore, Bank Indonesia will continue optimising its monetary, macroprudential and payment system policy mix to drive economic growth through lower interest rates, looser liquidity, increasing macroprudential incentives, as well as faster economic and financial digitalisation. By strengthening policy synergy between Bank Indonesia and the Government, economic growth in the second semester of 2025 is forecast to improve, bringing the projection for 2025 to above the midpoint of the 4.6-5.4% range.

**Indonesia's Balance of Payments (BOP) remains sound, thereby supporting external resilience.** Trade Balance in July 2025 amassed a larger USD4.2 billion surplus, bolstered by agricultural and manufacturing exports, which is thus expected to maintain a narrow current account deficit in the third quarter of 2025. Meanwhile, the capital and financial account is expected to remain manageable, supported by direct investment and a sustained portfolio investment surplus. In the third quarter of 2025 (as of 15<sup>th</sup> September 2025), portfolio investment to government securities (SBN) recorded net inflows of USD432 million, thereby maintaining the net inflows of USD1.6 billion recorded in the second quarter of 2025. The position of foreign reserves at the end of August 2025 was recorded at USD150.7 billion, equivalent to 6.3 months of imports or 6.1 months of imports and servicing government external debt, which is well above the international adequacy standard of around 3 months of imports. Bank Indonesia projects solid BOP performance in 2025, supported by a narrow current account deficit in the range of 0.5% to 1.3% of GDP, accompanied by a maintained capital and financial account surplus despite persistently high global uncertainty.

**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 in September 2025 (as of 16<sup>th</sup> September 2025) appreciated by 0.30% (ptp) compared with the level recorded at the end of August 2025. Rupiah stability is supported by consistent stabilisation policy instituted by Bank Indonesia amid high uncertainty plaguing global financial markets and 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). In general, rupiah exchange rate movements are relatively stable compared with currencies in other developing economies and advanced economies. 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. Bank Indonesia also continues optimising the full panoply of monetary instruments available, which includes strengthening its pro-market monetary operations strategy to bolster rupiah exchange rate stability.

**In general, mild inflationary pressures have been maintained.** Low Consumer Price Index (CPI) inflation was recorded in August 2025 at 2.31% (yoy), edged downwards by lower core inflation and administered prices (AP). Core inflation fell to 2.17% (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) inflation decelerated to 1.00% (yoy) after the Government adjusted non-subsidised fuel prices and discounted airfares to celebrate Indonesian Independence. Meanwhile, volatile food (VF) inflation accelerated to 4.47% (yoy), primarily driven by higher rice prices after the end of the harvesting season. Looking ahead, Bank

Indonesia is confident that CPI inflation will remain under control and within the  $2.5\% \pm 1\%$  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 125 bps since September 2024 to 5.00%, 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 is also expanding liquidity by lowering the position of SRBI monetary instruments from Rp916.97 trillion at the beginning of 2025 to Rp716.62 trillion on 15<sup>th</sup> September 2025. Through close monetary and fiscal policy synergy, Bank Indonesia has also purchased SBN to the tune of Rp217.10 trillion (as of 16<sup>th</sup> September 2025), including SBN purchased in the secondary market, alongside a debt switching program with the Government, totalling Rp160.07 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 the credibility of monetary policy. Monetary policy is also supported by Macroprudential Liquidity Incentive Policy (KLM) and accelerating payment system digitalisation in pursuit of sustainable economic growth.

Click here for [full statement](#)

## Sell-Side Analyst Views

**Commerzbank (-25bp):** “Bank Indonesia (BI) could cut the BI Rate again by 25bp to 4.5% at the next meeting on 22 October. In the September meeting, BI Governor Perry Warjiyo adopted a dovish tone and described BI's monetary policy stance as “all-out pro-growth, while maintaining stability”.

- Inflation is unlikely to be a policy constraint despite the September uptick. Headline inflation is still comfortably within BI's 1.5-3.5% target range.
- The more pressing signal comes from activity data, where fading front-loading in exports and weakening domestic consumption point to downside risks to growth.
- The key concern is IDR stability. There were signs of BI stepping up intervention to help stabilize USD-IDR below 16,800 in late September.”

**DBS (-25bp):** “Given the central bank's recent action, dovish cues, signs of BI-government policy coordination, and upcoming US Fed cuts, we build on one cut for BI in 4Q25 to 4.50%, and another 25bp in 1Q26 to 4.25%. We would not be surprised if the 50bp cut gets frontloaded to 4Q25.”

- “The central bank opined that the negative output gap might close by late 2026 or early 2027, hinging on incoming data, suggesting rates will stay low in 2026 as well.”
- “All hands are on deck to support growth by not only increasing liquidity but also lowering costs, as evidenced by successive rate cuts, a push to hasten policy transmission, a reduction in SRBI issuances, coinciding with the government's move to infuse liquidity and introduce “8+4+5” stimulus measures.”

**Goldman Sachs (unch):** “Despite Indonesia's solid fiscal metrics, reported potential proposals by the government to change the State Finance Law which could see current ceiling raised for the annual budget deficit (3% of GDP) and debt-to-GDP ratio (60% of GDP), has kept these concerns top of mind for investors. The drag from those concerns, alongside the surprise cut from the BI and our expectation of two more 25bp cuts in Q4 lead us to expect the IDR to underperform other NJA peers.”

**JP Morgan (-25bp):** “Considering a more pro-growth reaction function, we think that Bank Indonesia (BI) will be incentivized to “frontload” easing before 1Q26 by delivering two 25bp rate cuts in October and November. Should growth pressures persist early next year, the central bank may look past the temporary surge in headline CPI and lean on the weak core CPI profile to deliver more easing, if necessary.”

- “Since end-1Q25, headline and core inflation have diverged on the combination of the following factors: unfavorable base effects from the temporary electricity tariff discounts in Jan-Feb, weather disruptions pushing up food prices, and weaker domestic demand pushing down core inflation. Our view is that this disconnect will become even more pronounced, with headline CPI potentially breaching the upper bound of the 1.5-3.5% target range in 1Q26 on base effects and core CPI decelerating to 1.5%oya.”

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