

MNI Bank Indonesia Preview – September 2025

Meeting Date: Wednesday, 17 September 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_251323.aspx

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MNI POV (Point Of View): BI Pause, Monitors Events

After Bank Indonesia (BI) has had to intervene to defend the rupiah over the last two weeks due to political unrest and then President Prabowo's decision to remove respected finance minister Indrawati, rates are likely to be left at 5% on 17 September especially given the central bank's focus on FX stability. Only two of the 34 analysts reporting to Bloomberg expect a 25bp rate cut. BI eased in both July and August bringing the total this cycle to 125bp and it has monthly meetings, so it can be cautious to ensure that the rupiah stabilises, that there aren't significant portfolio outflows and to monitor political and fiscal developments. It is likely to maintain its easing bias as it expected inflation to moderate within its band and it appears to believe that demand is out of line with supply saying in August that there is a "need to drive economic growth commensurate with economic capacity".

Indonesians took to the streets in late August to protest cost-of-living pressures and a weak labour market at a time of generous housing and other allowances for politicians. Then on 8 September the much-respected finance minister Indrawati was replaced by President Prabowo with Purbaya who apparently supports Prabowo's 8% growth target. While Purbaya has said that he will respect the 3% deficit ceiling, fiscal policy developments will be monitored closely for lapses in discipline. At this point, he has only made changes to boost lending. Both the protests and the replacement of the finance minister pushed USDIDR towards 16500 and BI intervened.

Figure 1: Core inflation moderating

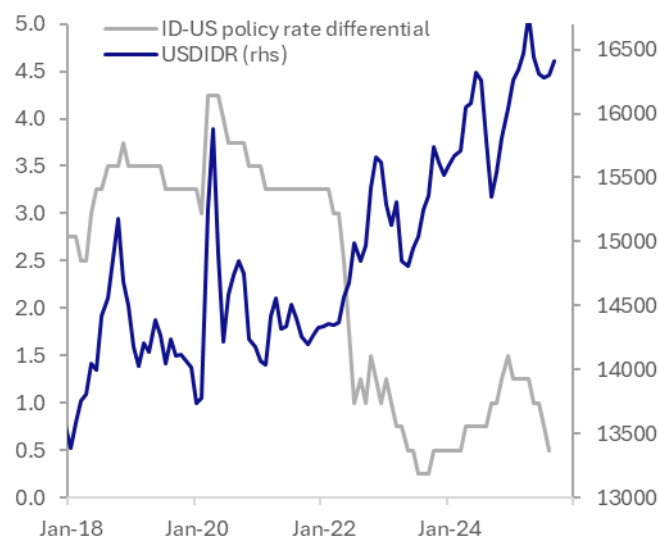


Source: MNI – Market News/Refinitiv

USDIDR is around 1% higher since the August BI meeting at around 16400. It had been moving around 16250 in the days before the 20 August cut. Recent rupiah softness has not just been against the greenback but has been broad based with the BIS IDR NEER down 1.5% since the last meeting and the September average down 1.2% m/m and 7% y/y after -4.5% y/y. FX reserves also fell in August to their lowest level since November driven by IDR intervention and overseas debt payments. Given the impact on the currency of recent political instability and that the situation is still being monitored, BI is unlikely to add to pressure on the rupiah by cutting on the same day as the Fed and which would keep the policy rate differential at its lowest since March 2024. With the Fed widely expected to ease 25bp, it is an opportunity to bring it back a bit which may help to support the IDR. BI is likely to monitor the tone of the Fed's September decision to gauge the outlook for US monetary policy.

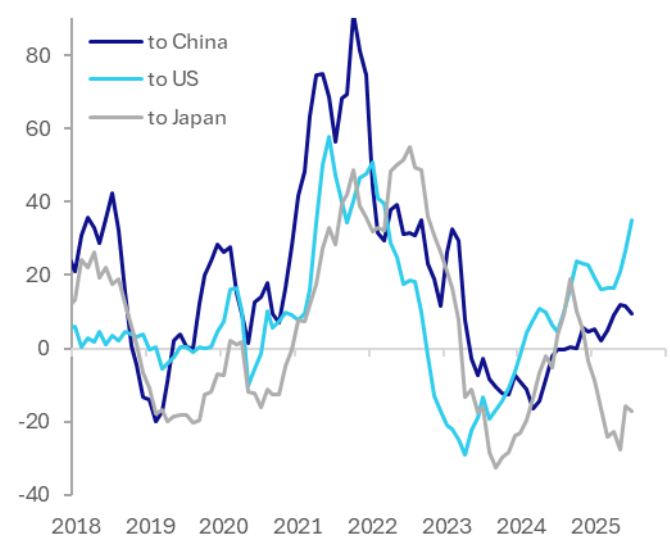
BI has always reminded the market that it has a number of tools to defend the currency, which includes but is not isolated to just intervention. It also has its money market deepening instruments SRBI, SVBI and SUVBI, which also serve to increase liquidity and monetary policy transmission to support growth. JP Morgan notes that SRBI yields usually moderate in the lead up to a rate cut but since the August meeting they are higher (see sell-side views). 2-year IDR yields have stabilised after falling following the last BI decision, and recently a decline has been in line with an easing.

Figure 2: Rate differential may turn in September



Source: MNI – Market News/Refinitiv

Figure 3: Goods exports y/y% 3-mth average



Source: MNI – Market News/Refinitiv

Headline inflation moderated 0.1pp to 2.3% y/y in August with lower transportation inflation offsetting higher food driven by rice prices. Core moderated to 2.2% y/y from 2.3%, the lowest since October, reflecting softer domestic demand (see [MNI Inflation In Lower Half Of The Band](#)). Both are now below the mid-point of BI's 1.5-3.5% target band but in August the central bank said that it is "confident" that inflation will remain within the corridor this year and next with inflation expectations anchored, spare capacity, effects from digitalisation and "managed imported inflation". However, S&P Global reported in the Indonesian PMI that there was increased cost inflation for manufacturers in August due to the stronger USD which was passed on to customers driving selling price inflation to its highest since July 2024.

Economic data since the August meeting has been mixed with robust merchandise export growth and the manufacturing PMI returning to positive territory but consumer confidence falling to its lowest in almost three years. Weak household sentiment is signalling a slowdown in consumption in Q3 (see [MNI Consumer Sentiment](#)). However, July merchandise exports rose 9.9% y/y with shipments to key destinations China and the US robust but also to the rest of ASEAN and the EU. The August PMI also reported growth in both domestic and export orders.

BI's monthly meeting schedule gives it the flexibility to pause and monitor developments. Given that it has only recently intervened to defend the rupiah due to political uncertainty, it is likely to be on hold this month to ensure that FX stability has returned while maintaining its easing bias given it believes the output gap is negative. Assuming that the political environment settles, another 25bp rate cut, possibly two, by year end is likely. There are three meetings before end-2025.

Bank Indonesia August 2025 Meeting Statement

The Bank Indonesia Board of Governors decided on 19-20th August 2025 to lower the BI-Rate by 25 bps to 5.00%, while also lowering the Deposit Facility (DF) rate by 25 bps to 4.25% and the Lending Facility (LF) rate by 25 bps to 5.75%. The decision is consistent with projections of decreasing inflation in 2025 and 2026 within the 2.5±1% target corridor, maintained rupiah exchange rate stability in line with economic fundamentals and the need to drive economic growth commensurate with economic capacity. Moving forward, Bank Indonesia will continue considering further room for interest rate reductions to strengthen economic growth given projections of lower inflation, while maintaining rupiah exchange rate stability. Meanwhile, Bank Indonesia continues optimising accommodative macroprudential policy to revive lending/financing, lower interest rates and increase liquidity in the banking industry in pursuit of higher economic growth. Payment system policy is also 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 maintain stability and strengthen sustainable economic growth 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. strengthening the effective transmission of lower interest rates by managing the interest rate structure of monetary instruments and forex swaps by maintaining the attractiveness of portfolio inflows to domestic financial assets,
 - ii. maintaining adequate liquidity in the money market and banking industry through Bank Indonesia Rupiah Securities (SRBI) auctions in a measured manner and purchasing government securities (SBN) in the secondary market, and
 - iii. strengthening the function of Primary Dealers (PD) to increase Bank Indonesia Rupiah Securities (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 prime lending rate (PLR) transparency assessment with a focus on interest rates based on priority sectors in accordance with the scope of Macroprudential Liquidity Incentive Policy (KLM) policy (Appendix).
4. Expanding digital acceptance by: (i) strengthening awareness among users and merchants concerning the implementation of QRIS Cross-Border cooperation with Japan for the outbound Indonesian corridor, (ii) developing QRIS Cross-Border cooperation with Japan for the inbound Indonesian corridor and preparing for the implementation of QRIS Cross-Border cooperation with China, and (iii) expanding implementation of QRIS Tap by increasing digital adoption in various sectors and regions, 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 the stability of the financial system.

The global economy is moderating as the United States (US) expands implementation of reciprocal import tariffs. On 7th August 2025, the US expanded the scope of its reciprocal import tariffs from 44 to 70 countries, with tariffs imposed on certain countries, including India and Switzerland, higher than originally announced. The implementation of reciprocal import tariffs poses the emerging risk of further global economic moderation. Bank

Indonesia forecasts potentially lower economic growth in 2025 than the previous projection of around 3.0%. In the US, the economic growth outlook is expected to be lower in response to weaker domestic demand. India's economy is also weakening due to the impact of higher tariffs, thereby restraining export performance and the manufacturing sector. Meanwhile, the economies of Europe, Japan and China are expected to improve as a corollary of lower tariff agreements and fiscal support. Lower growth, coupled with disinflation, has pushed most central banks to favour accommodative monetary policy, excluding Japan. Milder inflationary pressures in the US are strengthening expectations of a future reduction in the Federal Funds Rate (FFR). In the near term, however, global financial market uncertainty persists, thus demanding vigilance to maintain domestic economic resilience against the impact of global spillovers.

Economic growth in Indonesia exceeded projections in the second quarter of 2025. Second-quarter growth in 2025 was recorded at 5.12% (yoy), up from 4.87% (yoy) in the first quarter of 2025. Stronger economic performance was supported by investment in line with positive capital investment growth and household consumption as community mobility increased. Exports of goods and services also increased due to the front-loading of exports bound for the US in anticipation of tariffs, accompanied by an influx of inbound international travellers. By sector, broad-based gains were recorded across all economic sectors, including the manufacturing industry, trade, as well as information and communication. Spatially, economic growth in all regions accelerated, led by the Java region. Economic growth is forecast to improve in the second semester of 2025, underpinned by positive export performance and increasing domestic demand in line with expansionary fiscal spending. Following the gains recorded in the second quarter of 2025, economic growth overall in 2025 is forecast above the midpoint of the 4.6-5.4% range. Bank Indonesia will continue strengthening policy coordination and synergy with the Government to accelerate economic growth in line with national economic capacity. To that end, government spending, including through the implementation of priority programs, will help boost domestic economic activity. Furthermore, Bank Indonesia will continue optimising its monetary, macroprudential and payment system policy mix to drive economic growth in line with low inflation and maintained rupiah stability.

Indonesia's Balance of Payments (BOP) remains sound, thereby supporting external resilience. In the second quarter of 2025, the current account deficit is projected to remain low and manageable, bolstered by a goods trade surplus recorded at USD4.1 billion in June 2025 due to exports of natural resources and manufacturing products. In the third quarter of 2025, portfolio investment inflows to government securities (SBN) have been maintained, with net inflows totalling USD1.0 billion recorded in July and August 2025 (as of 15th August 2025). Net inflows observed in August 2025 indicate early signs of positive stock market performance in line with the promising economic outlook and lower interest rates in Indonesia. The position of foreign reserves at the end of July 2025 remained high at USD152.0 billion, equivalent to 6.3 months of imports or 6.2 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, while tracking an appreciating trend on the back of Bank Indonesia's stabilisation policy and maintained foreign capital inflows. The value of the rupiah against the US dollar in August 2025 (as of 19th August 2025) appreciated by 1.29% (ptp) compared with the level recorded at the end of July 2025. The latest exchange rate developments were supported by consistent stabilisation policy instituted by Bank Indonesia, maintained foreign capital inflows, primarily to SBN instruments, 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). Moving forward, Bank Indonesia expects the rupiah to remain stable and gain value, 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 through the Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Foreign Exchange Securities (SVBI) and Bank Indonesia Foreign Exchange Sukuk (SUVBI) instruments, to boost policy effectiveness in terms of attracting portfolio inflows and supporting rupiah exchange rate stability.

Low Consumer Price Index (CPI) inflation was maintained in July 2025, thereby bolstering economic stability. CPI inflation in July 2025 was recorded low at 2.37% (yoy), underpinned by lower administered prices (AP) inflation and manageable volatile food (VF) inflation. Core inflation fell to 2.32% (yoy) as a result of monetary policy consistency to anchor inflation expectations to the target corridor, accompanied by low imported inflation and

international food prices. VF inflation remained under control at 3.82% (yoy), supported by the adequate supply of key food commodities and close synergy to manage inflation between Bank Indonesia and the Central and Regional Government Inflation Control Teams (TPIP/TPID) through the National Movement for Food Inflation Control (GNPIP). Meanwhile, AP inflation decelerated to 1.32% (yoy). Looking ahead, Bank Indonesia is confident that CPI inflation will remain under control and within the 2.5%±1% target corridor in 2025 and 2026. Core inflation is projected to remain manageable 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.

Bank Indonesia continues optimising its pro-market monetary operations strategy to strengthen transmission of the lower BI-Rate to interest rates in the money market and banking industry. BI-Rate reductions totalling 100 bps since September 2024 have been accompanied by lower interest rates in the money market, with further measures required to continue lowering interest rates in the banking industry. In the money market, consistent with the BI-Rate reduction implemented in July 2025 and the monetary operations strategy instituted by Bank Indonesia, the IndONIA money market reference rate also trended downwards to 4.78% on 19th August 2025 from 5.14% prior to the BI-Rate reduction announced in July 2025. Meanwhile, SRBI rates for tenors of 6, 9 and 12 months, as of 15th August 2025, also tracked downward trends, namely from 5.85%, 5.86% and 5.87% before the BI-Rate reduction in July 2025 to 5.28%, 5.32% and 5.34%. On the other hand, SBN yields on tenors of 2 years decreased from 5.86% to 5.54%, while yields on 10-year tenors retreated from 6.56% to 6.40%. Similarly, the 1-month term deposit rate began tracking a downward trend, namely from 4.85% in June 2025 to 4.75% in July 2025. Meanwhile, lower lending rates in the banking industry continue to experience a lag. In July 2025, lending rates in the banking industry stood at 9.16%, relatively unchanged from the previous month. Moving forward, Bank Indonesia acknowledges a further opportunity for the banking industry to lower interest rates and increase financing to support stronger economic growth.

Bank Indonesia continues optimising its pro-market monetary operations strategy to support adequate liquidity in the money market and banking industry. To that end, Bank Indonesia has continued reducing the auction volume of SRBI, accompanied by a lower SRBI position. As of 15th August 2025, the position of SRBI was recorded at Rp720.01 trillion, down from Rp916.97 at the beginning of January 2025. Seeking to expand liquidity, Bank Indonesia also focused monetary operations on shorter tenors. The implementation of Primary Dealers (PD) since May 2024 has also increased SRBI transactions in the secondary market along with repurchase agreement (repo) transactions between market players. Meanwhile, the respective positions of SVBI and SUVBI instruments, as of 15th August 2025, stood at USD4.56 billion and USD460 million. In addition, Bank Indonesia is also buying SBN in the secondary market to strengthen monetary policy to expand liquidity, while simultaneously reflecting close synergy with the fiscal policy of the Government. In 2025 (as of 19th August 2025), Bank Indonesia has purchased SBN to the tune of Rp186.06 trillion, through the secondary market totalling Rp137.80 trillion and the primary market totalling Rp48.26 trillion in treasury bills (SPN), including sharia SPN. Moving forward, Bank Indonesia will continue optimising its pro-market monetary operations strategy to increase liquidity and boost the effectiveness of monetary policy transmission in pursuit of economic growth by achieving the inflation target and maintaining rupiah exchange rate stability.

Loans disbursed by the banking industry must be increased to support economic growth. Credit growth in July 2025 was recorded at 7.03% (yoy), down from 7.77% (yoy) in June 2025. On the supply side, amid policy rate reductions, ample liquidity and the macroprudential policy incentives instituted by Bank Indonesia, bank prudence when disbursing loans was reflected by higher lending standards, among others. Consequently, the banking industry continued investing its additional liquidity in securities. Loose liquidity conditions in the banking industry were also supported by faster growth of third-party funds (TPF), accelerating to 7.00% (yoy) in July 2025 in line with fiscal expansion. On the demand side, the main contributors to credit growth were export-oriented sectors, particularly mining and plantation crops, alongside transportation, manufacturing and social services. Overall, moderating credit growth reflects sluggish demand from businesses, which tend to favour internal funds for business expansion. By loan type, growth of investment loans and working capital loans remains sluggish at 8.11% (yoy) and 3.08% (yoy), contrasting solid 12.42% (yoy) growth of investment loans in line with strong investment growth. On the other hand, sharia financing recorded 8.31% (yoy) growth, while MSME loan growth remained low at 1.82% (yoy) in the reporting period. Moving forward, Bank Indonesia will continue nurturing bank lending, which includes through accommodative macroprudential policies and strengthening coordination with the Financial System Stability Committee (KSSK). Overall, Bank Indonesia projects growth of loans disbursed by the banking industry in 2025 in the 8-11% range.

Click here for [full statement](#)

Sell-Side Analyst Views

ANZ (unch): “We are maintaining our forecast for Bank Indonesia (BI) to keep its policy rate at 5.00% at the upcoming September meeting (Wednesday 17 September at ~15:20 SGT), following back-to-back 25bp cuts in July and August. Recent developments have further strengthened our call for a pause.

- The abrupt departure of former Finance Minister Sri Mulyani Indrawati has stoked fears over the government’s commitment to fiscal discipline and sapped investor confidence. With the rupiah under renewed pressure, BI’s priority is likely to shift back to external stability.
- While we don’t expect BI to reverse its easing bias, the balance of risk to our forecast for two more 25bp rate cuts in Q4 is tilted toward a slower and more cautious approach.”

Bank of America (unch): “We expect BI to pause in this meeting, given the need to focus on IDR stability amid changes at the finance ministry. That said, we won’t rule out liquidity measures, such as further relaxation to Liquidity Incentive Policy (abbreviated as KLM) that lowers the effective RRR, or other macroprudential policies. For post-policy press conference, we look for further clarity on how fiscal-monetary policies would be further enhanced, latest plans for the government to deposit IDR 200tn from their cash balance with banks (instead of BI), burden sharing schemes and/or any tweaks to monetary operations.”

Bank of New York (unch): “We expect Bank Indonesia to keep the policy rate unchanged at 5.0% while maintaining an easing bias. The central bank is likely to reiterate its intention to “continue to look for room to further lower rates” and “make efforts to encourage bank lending and economic growth,” as well as maintain its triple-intervention strategy and utilize offshore NDF instruments. Maintaining financial stability is the top priority in the near term.”

DBS (unch): “Bank Indonesia is expected to keep the benchmark rate unchanged at 5.0% this week after two back-to-back cuts. BI meets a day ahead of the US FOMC decision, where the Fed is expected to resume policy easing. BI’s pause this month is likely to be temporary, as policymakers take stock of recent rupiah volatility in wake of protests and cabinet reshuffle, transmission of rate cuts undertaken this year and firmer near-term food inflation.

- Food (and beverages) inflation rose by the fastest pace in a year at 4% yoy in August. This was partly driven by a jump in average retail prices of rice by 4% yoy in August vs -0.9% y/y in 1Q25, besides the producer price index for rice rising by 6.0% yoy vs -2.4% in 1Q25, adding to inflation buoyancy. Authorities are taking measures to boost rice supply by more than 1.0mn tons under the Food Supply and Price Stabilisation (SPHP) program from the State Logistics Agency (Bulog), besides other premium variants. The government projected a surplus of 3.5mn tons (at circa 33-34mn tons) of domestic rice production this year, dismissing the need for imports.
- We expect the central bank to adopt a cautious and data dependent stance in 4Q25, with our baseline forecast for a 25bp cut by year-end, which will take the rate to 4.75%.”

Goldman Sachs (unch): “We expect Bank Indonesia (BI) to keep its policy rate unchanged at 5.00% at its upcoming meeting (Bloomberg consensus: 5.00%). BI had lowered its policy rate by 25bp at its August meeting, citing a benign inflation outlook, a stable IDR, and the need to support growth. However, recent political unrest followed by the dismissal of the Finance Minister Sri Mulyani on 8 September has raised fiscal concerns.

- The IDR weakened by around 1% following the finance minister’s removal. Additionally, foreign investors have sold nearly \$0.7bn in equity in the first nine days of September, further weighing on the IDR. Such developments have reduced the odds of a rate cut in the September meeting in our view.
- Meanwhile, headline inflation edged down slightly in August and remains comfortably within the BI’s inflation target of 1.5-3.5%.
- Taken together, we think that the BI is likely to take a pause next week and thus push our rate cut call to Q4, from September, where we now expect two 25bp rate cuts, keeping our terminal rate unchanged at 4.50%.”

ING (unch): “We expect Bank Indonesia will leave its policy rate unchanged at 5% on Wednesday. The recent cabinet changes, including the replacement of Finance Minister Sri Mulyani, risk a wider fiscal deficit. The new finance minister will look to recast next year’s spending plans. We think BI would look for some clarity on fiscal

expansion before making the next rate move. With softer inflation prints helping real policy rates stay high -- close to 3.4% -- we continue to expect BI to deliver another 50bp of rate cuts by the first quarter of 2026."

JP Morgan (unch): "Going into the September policy meeting next week, we have decided to change our call from a 25bp cut to a hold. Despite the dovish re-pricing of the Fed funds rate, IDR volatility has picked up in response to domestic political developments (i.e., street demonstrations, partial cabinet reshuffle) in recent weeks. We think that Bank Indonesia (BI) will opt to err on the side of caution and wait for FX volatility to subside further before resuming easing in October. Our terminal rate forecast for 4.25% (three more 25bp cuts) by year-end remains unchanged."

- "Adjusted for FX liabilities and the forward book, net reserves stood at US\$98.6 billion as of July. In our view, reserve adequacy is not in question. The import cover ratio of gross reserves is around 7.5x (international adequacy standard: 3x), while net reserves are almost US\$10 billion above the US\$90 billion threshold that BI has maintained over the years.
- Nonetheless, we are wary of a potential reversal in foreign portfolio inflows, especially into government bonds. After a strong, multi-month risk-on rally, foreign ownership share of bonds has risen to 14.9%, the highest level since last November. Elevated foreign positioning increases the risk of a near-term pullback."
- "We also observe that movements in SRBI yields have served as a decent signal of policy rate decisions. Since its introduction in September 2023, SRBI yields have dropped an average 30bp in the preceding weeks of rate cuts, with more limited movements preceding rate holds and hikes. Since the surprise cut in August, SRBI yields have risen 5-8bp across the 6 to 12-month tenors, bringing the spread over the policy rate to the lowest level, an indication that BI may stand pat this month."
- "Remarks from the new Finance Minister suggest policy continuity for now, especially pertaining to upholding the 3% deficit ceiling. Instead, other measures are being deployed to boost growth. For example, Mr. Purbaya has announced an IDR200 trillion transfer from the government's budget surplus balance (SAL) (IDR450 trillion as of August) to state-owned banks to spur lending. From BI's standpoint, this operation also only temporarily changes the composition of the liability base (IDR200 trillion transferred from SAL to bank reserves) and as such does not constitute monetary base expansion."
- "We believe that the IDR200 trillion cash injection (5% of the liability base of state-owned banks; 0.8% of GDP) will help to relieve tight liquidity conditions at the state-owned banks.
- As for the broader fiscal trajectory, we mentioned in our Budget 2026 note that optimistic GDP/revenue assumptions do not provide much leeway for spending increases without hitting the 3% deficit ceiling. We await a more comprehensive blueprint that balances fiscal discipline and economic growth."

MUFG (unch): "The removal of Sri Mulyani as finance minister has introduced additional policy uncertainty, following recent street protests over a proposed increase in housing allowances for lawmakers. Despite these developments, policy buffers such as Bank Indonesia's FX intervention and increased fiscal support for growth should help contain rupiah weakness. The rupiah has depreciated to the 16,500 level against the US dollar during the week before easing.

- Sri Mulyani, who served as finance minister for more than 10 years and well regarded by foreign investors, provided a key pillar of market confidence. Her departure raises concerns about fiscal discipline and weighs on foreign investor sentiment. She is succeeded by Purbaya, an economist and former Chairman of Deposit Insurance Corporation. His background suggests his policy orientation could be towards risk management and maintaining trust in banking system. But it will take time for him to build credibility.
- Purbaya now faces the delicate task of balancing support for President Prabowo's social policies, such as free nutritious meal programmes, while also boosting economic growth and ensuring fiscal sustainability. As an initial step, he has announced the injection of government cash reserves into five state-owned banks, with a total of IDR200 trillion to be distributed. We see this move as part of a broader policy response to lower bank lending rates, revive credit growth, and support the broader policy agenda."
- The credit slowdown is especially sharp among micro small and medium enterprises. Both consumption and corporate loans have also turned lower. While BI has cut rates by 5 times so far, lending rates have not fallen significantly, and consumption loan rate has apparently ticked higher. Further BI rate cuts are necessary to help revive credit growth.
- Looking ahead, we expect the rupiah will remain anchored by policy buffers, including Bank Indonesia FX intervention, increased fiscal support, and the winding down of SRBI outstanding to release more liquidity

into the local economy. BI could hold the policy rate unchanged next week to assess recent macro and monetary policy impact on the economy.”

Societe Generale (unch): “We expect Bank Indonesia (BI) to remain on hold in September following the August 2025 BI Monetary Policy Committee (MPC) decision to cut the policy rate. This marked an unprecedented second consecutive rate cut, which went against consensus expectations. Despite the central bank’s optimistic growth outlook for 2025 and 2026—highlighted by the recent budget projecting a likely 5.4% year-on-year growth—BI appears to remain cautious, and rightly so.

- Although the 2Q25 headline real GDP data suggested some strength, clear signs of weakening economic activity emerged from various high-frequency indicators. Coupled with strong global growth headwinds, these factors indicated the possibility of a rate cut.
- Indonesia’s August headline inflation eased to 2.3% year-on-year from 2.4% in July. This decline reflects seasonal normalization after the school holiday, with decreases in transportation and education components. While food prices eased slightly, they remain relatively elevated. However, core inflation dropped to 2.2%, the lowest in nearly a year, reflecting weak domestic demand conditions. With headline inflation likely to end the year slightly below Bank Indonesia’s median inflation target of 2.4%, we see room for one final rate cut of 25 basis points during 4Q25, which would bring the terminal rate to 4.75%.”

Scotiabank (unch): “Everyone in consensus expects Bank Indonesia to hold its policy rate at 5% on Wednesday. Uh oh. This is one central bank with a proclivity toward surprises.” “Cut to inject some confidence, or hold to stabilize the currency?”

- “Bank Indonesia is expected to pause its easing cycle on Wednesday, after delivering back-to-back 25bps surprise rate cuts.”
- “The currency has been slightly weakening of late partly due to anti-government protests that sparked market turmoil. The catalyst was the firing of Indonesia’s finance minister in the wake of social unrest caused by long simmering inequality concerns and policy missteps including tone deaf housing allowances given to lawmakers.”

UOB (unch): “Our economist, Enrico Tanuwidjaja, expects BI to stay on pause in Sep, but he sees an additional rate cut of 25 bps in 4Q25 (to 4.75%). BI stated that it still sees room to continue its easing streak, but contingent on external volatility and uncertainty in determining the timing. With BI’s stance that remains dovish to support economic growth, he expects such bias will likely be favorable for domestic liquidity conditions.”

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