

MNI Bank Indonesia Preview – July 2025

Meeting Date: Wednesday, 16 July 2025

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

Link To Statement: <https://www.bi.go.id/en/statistik/indikator/bi-rate.aspx>

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MNI POV (Point Of View): No Change in a Close Call.

Following on from two rate cuts earlier this year, Bank Indonesia (“BI”) held rates steady in June, citing stable inflation, a resilient Rupiah and a focus on its ‘pro-market’ monetary operations. The bank has indicated that the timing of future rate cuts will depend on global conditions and Rupiah stability.

The Central Bank’s focus on the Rupiah as part of the stabilisation strategy has continued in the period since the last meeting, with notable success. The Rupiah has produced moderate gains of -0.40% to 16,250, trading within a very tight range. This comes against a backdrop of IDR peers performing well in a period of weakening USD.

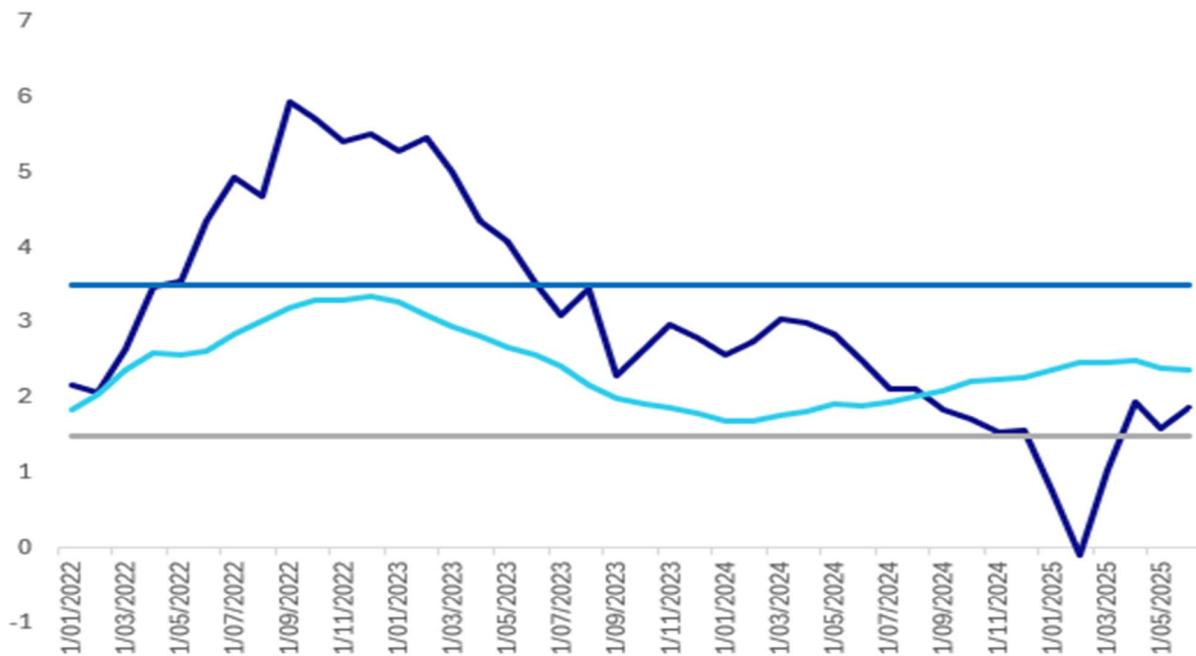


This has occurred without materially impacting FX reserves which have stabilised at US152bn. Whilst lower than the March highs of US\$157bn, reserves remain higher than at any point in history and provides the financial flexibility for the BI should volatility present challenges.

In the press release from the last monetary policy meeting the Bank Indonesia pointed to its focus on strengthening its monetary policy response and optimising its pro-market monetary operations. In the time since the last meeting IndONIA money market reference rates have continued to decline. The overnight rate has declined -5bps to 5.13% and the 7-day has declined -7bps to 5.75%. Over the same period the 2-year government bond yield has declined -21bps to 5.96%. Despite the stability in the currency, IndONIA and Government bonds, equity flows turned negative over the last month and outflows (according to our analysis) remain at US\$3.5bn year to date. Over the last month, the Jakarta Composite has been relatively stable, declining just -0.15%.

Indonesia's CPI continues to flirt with the bottom end of the Central Banks' range. The June result of +1.87% was a modest pick-up from May's release of 1.60% with most categories in line with May's result, though food rose by +1.99% (up from 1.03% in May), it wasn't enough, and Core CPI declined modestly.

Indonesia CPI / Core CPI vs Target Bands



source: Bloomberg Finance LP / MNI

Global uncertainties remain elevated, particularly regarding tariffs given a potential imposition of an additional 10% in US tariffs on imports from BRICS countries being threatened by President Trump. The market is balanced with a small majority leaning to no change (on the BBG survey 17 no change, 14 cut). All of this to us adds up to the view that the BI are in no rush and in what is a close call, should remain on hold at the meeting on July 16.



Bank Indonesia June 2025 Meeting Statement

The Bank Indonesia (BI) Board of Governors decided on 17-18th June 2025 to hold the BI-Rate at 5.50%, the Deposit Facility (DF) rate at 4.75% and the Lending Facility (LF) rate at 6.25%. The decision is consistent with low and controlled inflation projected in 2025 and 2026 within the 2.5%±1% target corridor, Rupiah exchange rate stability in line with economic fundamentals amid persistently high global uncertainty and the ongoing need to drive economic growth. Moving forward, Bank Indonesia will continue monitoring further room to lower the BI-Rate in pursuit of economic growth, while maintaining inflation within the target range and exchange rate stability in line with economic fundamentals. Meanwhile, Bank Indonesia continues optimising accommodative macroprudential policy to foster sustainable economic growth, deploying various strategies to revive credit growth and enhance liquidity management flexibility in the banking industry. Furthermore, payment system policy is also oriented towards supporting economic growth by expanding the acceptance of digital payments, while strengthening infrastructure and effectively consolidating the structure of the payment system industry.

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

1. Strengthening the Rupiah stabilisation strategy in line with economic fundamentals, primarily through intervention in offshore non-deliverable forward (NDF) transactions as well as domestic foreign exchange market intervention with a focus on spot and domestic non-deliverable forward (DNDNF) transactions, while also purchasing government securities (SBN) in the secondary market to maintain financial market stability.
2. Strengthening the pro-market monetary operations strategy to enhance monetary policy transmission effectiveness, maintain adequate 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 to strengthen the effective transmission of lower interest rates, while attracting portfolio inflows to domestic financial assets,
 - ii. strengthening the strategies for Bank Indonesia Rupiah Securities (SRBI) auctions and purchasing government securities (SBN) in the secondary market to maintain sufficient liquidity in the money market and banking industry, 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.
3. Strengthening prime lending rate (PLR) publication transparency 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 accelerating preparations for the implementation of QRIS Cross-Border: (i) between Indonesia and Japan, specifically for outbound transactions to Japan, and (ii) between Indonesia and China in terms of initiating QRIS Cross-Border trials.
5. Extending the tariff policy for the National Clearing System (SKNBI) and credit card policy until 31st December 2025 as follows:
 - i. National Clearing System fees of Rp1 for banks and up to Rp2,900 for bank customers, and
 - ii. Minimum payment policy for credit cardholders of 5% of the outstanding balance and late payment penalties of 1% of the outstanding balance up to a maximum of Rp100,000.

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. Bank Indonesia will also strengthen and expand 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.

Global economic uncertainty eased slightly yet remains high due to dynamic negotiations of the reciprocal tariff policy introduced by the US, coupled with escalating geopolitical tensions in the Middle East. Various indicators point to global economic moderation triggered by US tariff policy. Economic growth in advanced economies, namely the US, Europe and Japan, is tracking a downward trend despite the implementation of expansionary fiscal policy and accommodative monetary policy. China's economy is decelerating on the back of lower exports, particularly to the US, amid softer domestic demand, contrasting solid growth in India driven by robust investment. Consequently, the world economic outlook for 2025 remains at 3.0%. Meanwhile, milder inflationary pressures in the US are consistent with economic moderation despite a spike in inflation of various commodities due to tariff policy, thereby strengthening expectations for a future reduction in the Federal Funds Rate (FFR). In global financial markets, a rebalancing of capital flows from the US to save-haven assets and also to financial assets in emerging markets continues. Such developments have continued pressuring the DXY Index and ADXY Index. Moving forward, global economic uncertainty is expected to remain elevated due to ongoing tariff negotiations between the US and several trading partners, accompanied by escalating geopolitical tensions in the Middle East. Such inauspicious conditions demand vigilance and a strong coordinated policy response to maintain external resilience, control stability and drive domestic economic growth.

At home, economic growth in Indonesia must be strengthened constantly against a backdrop of global uncertainty caused by US tariff policy and geopolitical tensions. Economic activity in the second quarter of 2025 indicated improvements in terms of non-oil and gas export performance due to the frontloading of exports bound for the US as an anticipatory response by exporters to US tariff policy. Meanwhile, sources of growth from domestic demand through household consumption and investment must be strengthened. From a government perspective, fiscal policy has been implemented to accelerate spending through the disbursement of 13th-month salaries for civil servants and transportation subsidies, while bolstering social assistance to beneficiary families (KPM). On the other hand, Bank Indonesia has lowered interest rates and loosened liquidity through various monetary policy instruments, accompanied by increasing macroprudential liquidity incentives to revive lending to priority sectors. Moving forward, national economic growth in Indonesia is projected to improve in the second semester of 2025, and overall, with Bank Indonesia forecasting economic growth in 2025 within the 4.6-5.4% range. The multifaceted policy response must be strengthened to drive economic growth in terms of domestic and external demand. Furthermore, Bank Indonesia will continue strengthening synergy to foster economic growth by bolstering its monetary, macroprudential and payment system policy mix, accompanied by fiscal stimuli and real sector policy from the Government, including implementation of the Asta Cita program.

Indonesia's Balance of Payments (BOP) remains sound in line with maintained portfolio inflows, thereby supporting external resilience. In April 2025, the trade balance recorded a USD0.2 billion surplus, thus maintaining the USD4.3 billion surplus recorded in March 2025. Such positive export performance is expected to persist in the second quarter of 2025, primarily underpinned by exports of crude palm oil (CPO), electrical machinery, iron and steel, as well as organic chemicals. Portfolio investment inflows, dominated by SBN, have been maintained in line with the promising economic outlook for Indonesia, high yields on domestic financial instruments and lower global financial market uncertainty. Foreign capital inflows to SBN instruments in the second quarter of 2025 (as of 16th June 2025) recorded net inflows totalling USD1.7 billion. The position of foreign reserves at the end of May 2025 remained high at USD152.5 billion, equivalent to 6.4 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. In 2025, Bank Indonesia expects solid BOP performance to be maintained, supported by a manageable current account deficit in the 0.5-1.3% of GDP range, accompanied by a maintained capital and financial account surplus despite persistently high global uncertainty.

Rupiah exchange rates are appreciating, underpinned by Bank Indonesia's stabilisation policy and an increasing supply of foreign exchange by residents and non-residents. Against the US dollar, the value of the Rupiah in June 2025 (as of 17th June 2025) appreciated by 0.06% (ptp) compared with the level recorded at the end of May 2025. The Rupiah also tended to appreciate against a basket of developing economies (DE) currencies, as major trading partners of Indonesia, and advanced economies (AE) currencies, excluding the US dollar. This was influenced by foreign capital inflows, particularly to SBN instruments, and foreign currency supply from residents, primarily the corporate sector, as exporters convert more foreign currency into Rupiah after the implementation of government policy concerning the foreign exchange proceeds of exports of natural resources (DHE SDA). Moving forward, Bank Indonesia expects the Rupiah to remain stable, underpinned by Bank Indonesia's commitment to maintain Rupiah stability, together with 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 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.

Consumer Price Index (CPI) inflation was controlled in May 2025, thus strengthening economic stability. CPI inflation in May 2025 was recorded at 1.60% (yoy), accompanied by manageable core inflation recorded at 2.40% (yoy), in line with BI-Rate policy consistency to anchor inflation expectations to the target corridor. Volatile food (VF) recorded 1.17% (yoy) deflation, supported by the adequate supply of major food commodities and close synergy to manage inflation between Bank Indonesia and the Central and Regional Government Inflation Control Teams through the National Movement for Food Inflation Control (GNPIP) in various regions. Meanwhile, administered prices (AP) recorded 1.36% (yoy) inflation, up from 1.25% (yoy) the month earlier, which was primarily affected by higher prices of potable water and various cigarette products given the ongoing transmission of higher excise taxes on tobacco products. Looking ahead, Bank Indonesia is confident 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 strengthening its monetary policy response, which includes optimising its pro-market monetary operations strategy to improve monetary policy transmission through the interest rate channel after the recent reduction in the BI-Rate. In the money market, consistent with the BI-Rate reduction implemented in May 2025 and the monetary operations strategy instituted by Bank Indonesia, the IndONIA money market reference rate also trended downwards to 5.34% on 17th June 2025 from 5.77% prior to the BI-Rate reduction announced in May 2025. Meanwhile, SRBI rates for tenors of 6, 9 and 12 months, as of 13th June 2025, also tracked downward trends, namely to 6.22%, 6.26% and 6.27% from 6.40%, 6.44% and 6.47% before the BI-Rate reduction in May 2025. On the other hand, SBN yields on tenors of 2 years decreased from 6.16% to 6.13%, while yields on 10-year tenors decreased from 6.84% to 6.71%. Furthermore, interest rates in the banking industry have begun to decline, albeit moderately. In May 2025, the 1-month term deposit rate was recorded at 4.81%, down slightly from 4.83% in April 2025, while the aggregate lending rate stood at 9.18% in May 2025, retreating modestly from 9.19% in April 2025. Moving forward, Bank Indonesia acknowledges a further opportunity for the banking industry to lower interest rates and increase new loan disbursements to support stronger economic growth.

Bank Indonesia continues optimising its pro-market monetary operations strategy to support effective monetary policy transmission through adequate liquidity. To that end, Bank Indonesia continues optimising its pro-market SRBI, SVBI and SUVBI monetary instruments. As of 16th June 2025, the position of SRBI was recorded at Rp811.11 trillion, thereby supporting monetary policy to expand liquidity. Meanwhile, the respective positions of SVBI and SUVBI instruments in the same period were recorded at USD2,060.5 million and USD480 million. 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. 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 17th June 2025), Bank Indonesia has purchased SBN Rp124.33 trillion, through the secondary market totalling Rp87.04 trillion and the primary market totalling Rp37.29 trillion in treasury bills (SPN), including sharia SPN. Moving forward, Bank Indonesia will continue optimising its pro-market monetary operations strategy to boost the effectiveness of monetary policy transmission towards achieving the inflation target and maintaining Rupiah exchange rate stability.

The role of loans disbursed by the banking industry to support economic growth must be increased further. Credit growth in May 2025 was recorded at 8.43% (yoy), following 8.88% (yoy) growth in April 2025.

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Sell-Side Analyst Views

ANZ (25bps cut): "We think the odds are in favour of Bank Indonesia (BI) delivering a 25bp rate cut at its upcoming meeting (Wednesday 16 July, ~15:20 SGT) as long as global risk sentiment continues to hold up. BI has a clear easing bias and has repeatedly signalled it is on the lookout for scope to further lower rates. As maintaining IDR stability remains a key consideration for BI, the timing of rate cuts will hinge on a supportive external environment. Conditions have turned more conducive since BI's pause at its last meeting in June, with the USD/IDR reasonably stable, foreign inflows returning to the government bond market, and the yield premium of Bank Indonesia Rupiah Securities (SRBI) – which are part of BI's toolkit to shore up support for the currency – over the policy rate narrowing. The key risk to our forecast is if risk sentiment deteriorates sharply, with potential triggers including tariff disappointment and/or a much stronger-than-anticipated US CPI print. Our base case is for three more 25bp rate cuts in the current cycle, taking the policy rate to 4.75% (vs 5.50% currently)."

Bank of America (unch): "We see BI staying cautious and keeping rates unchanged for now. While BI remains open for cuts, the degree of global uncertainties - one of the key areas BI said it is monitoring closely - is arguably more elevated vs. the last meeting. IDR has also remained broadly unchanged (rather than strengthened) against the USD and vs. 6 EM currencies (one of its preferred NEER metrics)."

BNY (25bps cut): "Indonesia, Bank Indonesia (Wednesday, July 16) - Bank Indonesia (BI) is expected to deliver the third rate cuts this year to 5.25% to stimulate growth and boost attractiveness for Indonesia government bonds. Bank Indonesia's Governor Warjiyo commented recently that Bank Indonesia is "all out pushing economic growth" by lowering key rate twice and will lower it again. We expect BI to maintain its current triple intervention strategy as well as via offshore NDF."

DBS (unch): "After a period of stability in the Rupiah, the Liberation Day 2.0 tariffs have again rattled the currency markets, with the US dollar firming up in the past week. Despite a modest uptick in June's inflation to 1.9% YoY from 1.6% month before readings were well within the central bank's target. Selected food categories (like chillies, rice etc.) added to the headline, besides airfares and precious metals, while sea/rail transport tariffs receded on fare discounts announced for June-July. Core inflation flatlined at 2.4% YoY. Despite a conducive inflation environment, recent financial market action might convince policymakers to stay on pause this week."

Goldman Sachs (unch): "We expect Bank Indonesia (BI) to keep the policy rate unchanged at 5.5% in its meeting next week (Bloomberg consensus: 5.25%). Our on-hold view is a close call. On the one hand, USIDR is relatively unchanged at ~16,300 compared to the June meeting. Headline CPI inflation rose modestly higher in June while core CPI inflation remained comfortably within BI's inflation target range of 1.5-3.5%. Global uncertainties also remained high, especially on the tariff front given a potential imposition of an additional 10pp in US tariffs on import from BRICS countries (including Indonesia). On the other hand, IDR has somewhat outperformed peer currencies like MYR, PHP, INR, month-to-date. In a recent budget hearing in the parliament, the government revised down growth expectation for 2025 to 4.7-5.0% from 5.2%, previously – describing 5.0% growth this year as challenging. This opens an opportunity for BI to lower its growth projection further from the current 4.6-5.4% range (GSe: 4.7%). The BI has also lowered the SRBI rate significantly in the last auctions ~20bp lower. Overall, we think the probability of BI to hold policy rate unchanged is slightly higher than a cut, mainly due to the elevated global uncertainties which could impact IDR stability. We still expect the central bank will ease its policy rate three more times this cycle with a 25bp/quarter pace."



ING (unch): "We believe the macro environment remains well-positioned for Bank Indonesia to cut rates to support economic growth. However, ongoing tariff uncertainties will delay rate cuts. Hence, we expect BI's policy rate to remain unchanged at 5.5%."

Morgan Stanley: (25bps cut): " We expect Bank Indonesia to cut rates by 25bps as currency stability and rise in trade tensions will mean a need to utilize the policy space to support growth."

MUFG (25bps cut risk): "In Indonesia, BI has maintained a dovish tone despite holding rates in June. Bank Indonesia Governor Perry Warjiyo, in recent parliamentary remarks, indicated that the central bank remains committed to supporting growth. We look for BI to cut rates by 25bps in Q3, possibly as early as this month, ahead of our earlier projection for a September move."

Scotiabank (Easing Bias): "Bank Indonesia faces a difficult balancing act at its upcoming monetary policy meeting on Wednesday, as it weighs the economic risks of newly announced US tariffs against the need to preserve Rupiah stability. Renewed easing is a definite possibility. After delivering two rate cuts earlier this year, the central bank held rates steady in June, citing stable inflation and a resilient Rupiah. The bank has indicated that the timing of future rate cuts will depend on global conditions and Rupiah stability. Since then, the economic outlook has become more uncertain. The Trump administration has announced a 32% tariff on Indonesian exports, set to take effect on August 1st. While the Rupiah has remained relatively stable so far, it has edged slightly lower and could come under renewed pressure amid upcoming trade negotiations with the US and Trump's threat of additional tariffs targeting BRICS-aligned countries. This growing external uncertainty is expected to weigh on the country's economic growth. Hence, complicating the bank's policy to support growth without undermining the Rupiah's stability."

Societe Generale (25bps Cut): "Given the benign inflation, weak growth prospects, and the recently announced 32% tariff on Indonesian merchandise exports effective August 1, 2025, which adds to the growth headwinds, we anticipate that Bank Indonesia (BI) will announce a 25bp policy rate cut (to 5.25%) in its meeting next week. We maintain our expectation of a terminal policy rate of 5.0% by the first quarter of 2026. However, we do not rule out the possibility of an earlier rate cut, depending on how the economic data evolves."

UOB (Easing Bias): "The Bank Indonesia (BI, Wed 17 Jul 3:20 pm SGT). Based on the latest Bloomberg survey (11 Jul), of the four economists surveyed two expect another pause from BI at 5.50% while the other two expect BI to cut by 25-bps to 5.25%. According to our economist, Enrico Tanuwidjaja, BI has lowered its growth forecast for 2025 by 0.10-ppt to 4.6%-5.4% amidst rising global challenges and uncertainty, especially surrounding the US tariff policy. Going forward, we keep our forecast for the BI rate to be cut once more in 3Q25 by 25 bps to reach 5.25% and stay at that level till the end of the year."

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