## Indonesia

22 October 2025

# BI kept policy rates unchanged

- Bank Indonesia (BI) kept its benchmark policy rate unchanged at 4.75% against consensus and our expectations of a 25bp cut.
- We see BI's stance as dovish given its take on the need for additional support for growth and weaker credit demand.
- We maintain our forecast for a cumulative 50bps in rate cuts for the remainder of the year. The risk is that these cuts are pushed into early 2026.

Lavanya Venkateswaran
Senior ASEAN Economist
+65 6530 6875
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
+65 6530 6818
Ahmad.Enver@ocbc.com

Bank Indonesia kept its benchmark policy rate unchanged at 4.75% against consensus and our expectations of a 25bp cut. BI's tone remained dovish, with Governor Perry Warjiyo declaring that the stance was 'all-out' growth supportive. Nonetheless, BI took a breather at this meeting following three consecutive months of delivering rate cuts through to September.

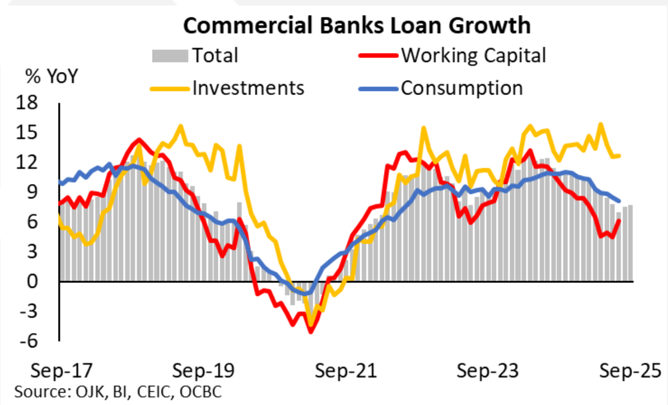
BI did, however, announce some additional measures to complement its growth supportive stance. BI will strength its macroprudential liquidity incentive (KLM) from 1 December 2025 adding incentives of lower reserve requirements for banks that can adjust their lending rates lower. Previous incentives of lowering the reserve requirements for banks that lend to priority sectors such as mineral down streaming, construction, real estate etc. will remain in place.

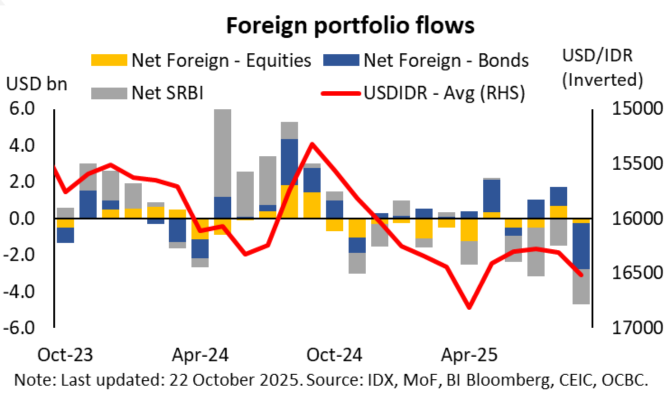
In addition, BI announced measures to fine tune and deepen monetary policy operations. It noted that it will increase liquidity in the money and banking markets through measured reductions in SRBI and the purchase of government bonds in the secondary market. Further, it added that it will issue a BI-FRN (floating rate note) and work on developing an Overnight Swap Index (OIS) for tenors above overnight to form an interest rate structure based on transactions in the money market.

| Notable macroprudential measures announced in 2025 | | | | |
|---|---|---|---|---|
| Measures | Jan-25 | Mar-25 | May-25 | Oct-25 |
| Macroprudential Liquidity Incentive Measures | 400bp maximum. *No change from previous meeting.* | Raised to a maximum of 500bp, up from 400bp previously. | - | Raised to a maximum of 550bp, up from 500bp previously. |
| Loan/Financing Ratio and Downpayment requirements | 100% LTV/FTV, and 0% for down payment, effective 1 Jan 2025* *No change from previous meeting.* | - | - | Extend through 31 December 2026. |
| Countercyclical Capital Buffer | 0%. *No change from previous meeting.* | - | - | Unchanged |
| Macroprudential Liquidity Buffer | 5%. *No change from previous meeting.* | - | Lowered to 4.0% from 5.0% for conventional banks, and to 2.5% from 3.5% for syariah banks. | Unchanged |
| Bank Foreign Funding Ratio | 30%. *No change from previous meeting.* | - | Raised to a maximum of 35% from 30%. | unchanged |

**Growth support still needed**

BI maintained its forecasts on the growth and inflation stating that GDP growth will be slightly above the midpoint of the 4.6-5.4% range in 2025 and will rise in 2026 while headline inflation will remain within its 1.5-3.5% target range. Even so, BI noted that GDP growth "remains below national capacity" and that domestic demand still needs to be strengthened.



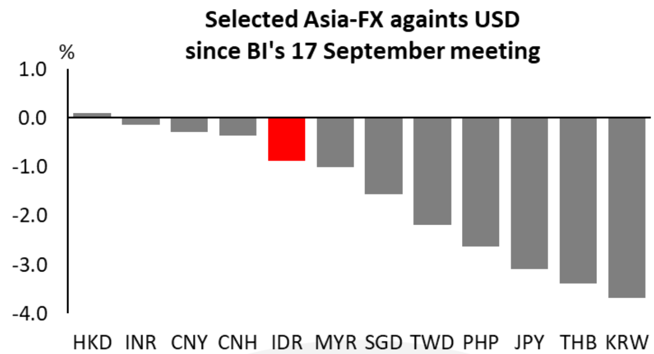
Specifically, on the credit front, BI noted that bank credit demand remains weak affected by the 'wait-and-see' approach from businesses, optimisation of internal financing by corporations and relatively high interest rates. BI continues to incentivise banks to lower lending rates, with credit growth still lower at 7.7% YoY in September.

On the external front, BI noted that it remains active with its stabilisation policy in the NDFs and DNDFs and SBN markets. Specifically, BI added that from September 2025 until 20 October 2025, portfolio investments recorded a net outflow of USD5.26bn necessitating BI to stabilise the currency.

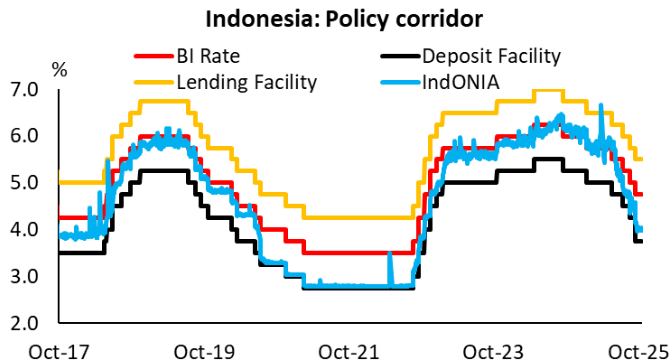
**Rate cuts are still on the table**

Our forecast remains for BI to lower its policy rate by a cumulative 50bps for the remainder of the year, taking the policy rate to 4.25% by end-2025. BI's expectations of incremental rate cuts from the US Federal Reserve in order to maintain favourable interest rate differentials, and weaker growth outlook continue to support our call for lower rates from BI.

The timing of the rate cut will remain dependent on IDR moves, particularly given recent portfolio outflows. The risk is that these cuts are pushed into early 2026.




Note: FX performance against the USD between 17th September 2025 and 22nd October closing. Source: Bloomberg, OCBC.




Source: Bank Indonesia, CEIC, OCBC.

**Bank Indonesia decision tracking**

| Strengthening of the Macroprudential Liquidity Incentive (KLM) policy that is performance-based and forward-looking – October 2025 | |
|---|---|
| **Incentives for Credit/Financing Distribution to Specific Sectors (Lending Channel)** | |
| **Sector** | **Maximum incentives (500bps)** |
| Agriculture, Industry, and Downstreaming | 150 |
| Services, including Creative Economy | 60 |
| Construction, Real Estate, and Housing | 140 |
| MSMEs, Cooperatives, Inclusion and Sustainability | 150 |
| | |
| **Incentives for Setting New Credit Interest Rates or New Financing Reward Percentages Aligned with Bank Indonesia's Policy Direction** | |
| **Elasticity of New Credit Interest Rate / New Financing Reward Percentage with BI Rate** | **Maximum incentives (50bps)** |
| <0.3 | 0 |
| ≥0.3 - <0.6 | 40 |
| ≥0.6 | 50 |

## Macro Research

**Selena Ling**
Head of Research & Strategy
lingssselena@ocbc.com

**Tommy Xie Dongming**
Head of Asia Macro Research
xied@ocbc.com

**Keung Ching (Cindy)**
Hong Kong & Macau Economist
cindyckeung@ocbc.com

**Herbert Wong**
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

**Lavanya Venkateswaran**
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

**Ahmad A Enver**
ASEAN Economist
ahmad.enver@ocbc.com

**Jonathan Ng**
ASEAN Economist
jonathanng4@ocbc.com

**Ong Shu Yi**
ESG Analyst
shuyiong1@ocbc.com

## FX/Rates Strategy

**Frances Cheung, CFA**
Head of FX & Rates Strategy
francescheung@ocbc.com

**Christopher Wong**
FX Strategist
christopherwong@ocbc.com

## Credit Research

**Andrew Wong**
Head of Credit Research
wongvkam@ocbc.com

**Ezien Hoo, CFA**
Credit Research Analyst
ezienhoo@ocbc.com

**Wong Hong Wei, CFA**
Credit Research Analyst
wonghongwei@ocbc.com

**Chin Meng Tee, CFA**
Credit Research Analyst
mengteechin@ocbc.com