

Bank Indonesia cuts BI Rate by 25 bps to 4.75%

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Bank Indonesia Rate and Federal Reserve Funds Rate (in %)

	BI Rate	FFR	Spread
Dec-19	5.00	1.75	3.25
Dec-20	3.75	0.25	3.50
Dec-21	3.50	0.25	3.25
Dec-22	5.50	4.50	1.00
Dec-23	6.00	5.50	0.50
Dec-24	6.00	4.50	1.50
Jan-25	5.75	4.50	1.25
Mar-25	5.75	4.50	1.25
Apr-25	5.75	4.50	1.25
May-25	5.50	4.50	1.00
Jul-25	5.25	4.50	0.75
Aug-25	5.00	4.50	0.50
Sep-25 E	4.75	4.25	0.50
Oct-25 F	4.75	4.00	0.75
Dec-25 F	4.75	3.50	1.25

Bloomberg; Yellow shaded area is CIMBN Economist Forecast

Indonesia 12M SRBI, FX reserves, and USDIDR

	12M SRBI	FX reserves (USD bn)	USD/IDR
Dec-19	NA	129.2	13,901
Dec-20	NA	135.9	14,105
Dec-21	NA	144.9	14,278
Dec-22	NA	137.2	15,592
Dec-23	6.90%	146.4	15,439
Dec-24	7.30%	155.7	16,157
Jan-25	6.74%	156.1	16,312
Mar-25	6.43%	157.1	16,566
Jun-25	6.19%	152.6	16,231
Jul-25	5.57%	152.0	16,325
Aug-25	5.11%	150.7	16,461

Bloomberg; BI; *Latest data

Bank Indonesia (BI) once again lowered its benchmark

interest rate, the BI Rate, by 25 basis points (bps) to 4.75% during the Board of Governors' Meeting on 17 September 2025. This decision aims to support economic growth while maintaining Indonesia's inflation within the target range of 2.5% ± 1% and ensuring stability of the USD/IDR exchange rate. In total, the BI Rate has been cut by 150 bps, each by 25 bps, in January, May, July, August, and September 2025, as well as in September 2024.

With this decision, the reduction in the BI Rate has surpassed the **Federal Reserve's (the Fed) rate cuts** of 100 bps. The difference lies in the timing, as the Fed cut its rates last year, but has not yet done so this year.

Similar policy easing has also been implemented by **central banks in ASEAN**. In 2025, the Philippine central bank (BSP) and the Bank of Thailand (BoT) reduced their policy rates by 75 bps each. BSP's and BoT's current benchmark rates stand at 5.0% and 1.50%, respectively. Furthermore, Bank Negara Malaysia (BNM) lowered its benchmark rate by 25 bps to 2.75%.

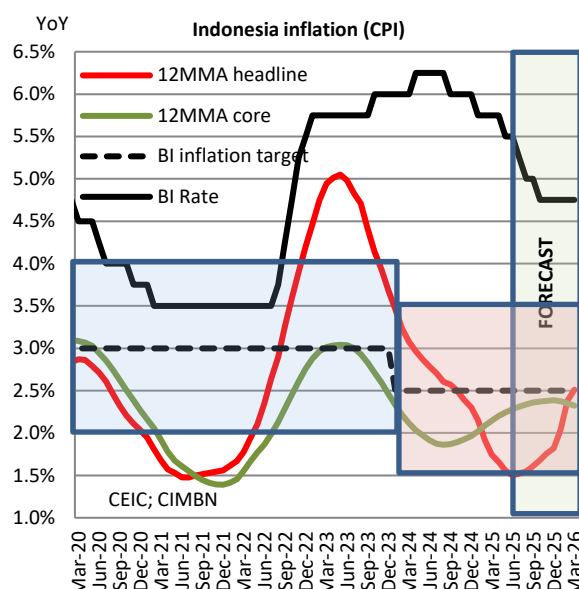
The world's two largest economies, **the United States and China**, have experienced slower growth due to high interest rates since 2022, compounded by the global trade war. In 2025, U.S. economic growth is projected at 1.6%—the lowest in five years—according to Bloomberg's economist consensus. Meanwhile, China is expected to grow by 4.8%, its lowest in three years.

Domestically, the economy grew by 5.12% year-on-year (yoy) in 2Q2025—the highest in eight quarters. Strong growth in 2Q2025 was driven by investment and export spending, while household consumption remained relatively stable. The lower BI Rate is expected to further strengthen household consumption and investment growth.

BI has also sought to **increase liquidity** in the domestic financial system through a series of monetary and macroprudential policies. These include repo and swap operations, raising banks' maximum foreign borrowing limit to 35% of capital, relaxing the macroprudential liquidity buffer ratio by 100 bps, purchasing government bonds, reducing outstanding SRBI, and increasing inclusive macroprudential liquidity incentives to 5% of third-party funds (DPK).

These measures are expected to boost **loan and deposit (DPK) growth**. In August 2025, banking loan grew by 7.6% yoy, down from 10.9% yoy in August 2024. Meanwhile, DPK growth is estimated at 7.5% yoy in August 2025, slightly higher than 7.1% in August 2024.

Chart of Indonesia inflation and BI-Rate forecast



The forecast of Indonesia trade balance and current account balance in 2025

	2023	2024	2025 F
Trade balance (goods) (USD bn)	36.9	31.0	35.0
Current account (USD bn)	-2.1	-8.9	-4.0
Current account (% GDP)	-0.2	-0.6	-0.30
FX reserves (USD bn)	146.4	155.7	157.0

CEIC; CIMBN Economist forecast

Macroeconomic forecasts

Variables	Jul25	Aug25 E	Sep25 F
Trade balance (USD bn)	4.17	2.80	2.80
Inflation rate (% mom)	0.30	-0.08	-0.03
Inflation rate (% yoy)	2.37	2.31	2.40
BI Rate (%)	5.25	5.00	5.00

Variables	2Q25	3Q25 E	2025 F
GDP (% yoy)	5.12	5.06	5.00
CPI (% yoy)	1.87	2.40	2.16
BI Rate (%)	5.50	4.75	4.75
10Y INDOGB (%)	6.63	6.30	6.20
USD/IDR	16,231	16,000	15,800

Yellow-shaded cells are CIMBN Economist's Forecasts

Additionally, the **USD/IDR exchange rate**, which has decreased to around 16,430 in the third week of September from 16,900 in April, likely contributed to BI's decision to continue lowering its policy rate. The average USD/IDR exchange rate from January to September 2025 stood at 16,393, increased 2.85% yoy.

The Federal Reserve is expected to cut its benchmark interest rate (FFR) at the 17 September 2025 meeting, or later tonight. BI is projected to maintain the BI Rate at 4.75% in its October 2025 meeting. The BI Rate could potentially be cut by another 25 bps to 4.50% this year if the USD/IDR remains stable below 16,500. If this projection holds true, the spread between the BI Rate and Indonesia's inflation would be around 200–225 bps by year-end, a level similar to pre-COVID-19 conditions.

Furthermore, Indonesia's **current account** deficit may narrow, as domestic consumption and imports weaken due to the global trade war, opening room for additional rate cuts. The current account deficit stood at USD 8.9 billion in 2024 and is projected to narrow to USD 4.0 billion, equivalent to 0.30% of GDP, in 2025.

On the other hand, Indonesia's financial market stability can be maintained by ensuring **a sufficient spread between the BI Rate and the FFR**, as well as between the SRBI and U.S. government bond yields. BI is expected to maintain a spread of 50–125 bps between the BI Rate and the FFR, and 125–175 bps between the 12-month SRBI and the 1-year U.S. government bond yield.

Interest rate spread (in %)

	12M SRBI	12M UST	Spread
Dec-23	6.90%	4.76%	2.13%
Dec-24	7.30%	4.14%	3.16%
Jan-25	6.74%	4.15%	2.59%
Mar-25	6.43%	3.99%	2.44%
Apr-25	6.74%	3.85%	2.89%
May-25	6.27%	4.10%	2.17%
Jun-25	6.19%	3.98%	2.20%
Jul-25	5.57%	4.09%	1.48%
Aug-25	5.11%	3.83%	1.27%
12-Sep-25	5.08%	3.65%	1.43%
Dec-25 F	4.75%	3.25%	1.50%

CEIC; BI; CIMBN Economist forecast

SRBI Ownership (IDR tn)

	Dec-23	Dec-24	Aug-25
Total	254.5	923.5	715.6
Bank	189.3	560.8	563.5
Non Bank	62.4	315.2	148.2
Non Bank: Resident	0.2	91.1	25.7
Non Bank: Non Resident	62.2	224.2	122.5
Others	2.8	47.5	3.9

CEIC

Indonesia banking growth (in % yoy)

	Aug 2023	Aug 2024	Aug 2025
Loan	8.9%	10.9%	7.6%
DPK	6.2%	7.1%	7.5%
LDR ratio	83.3%	86.3%	86.4%

CEIC; BI

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