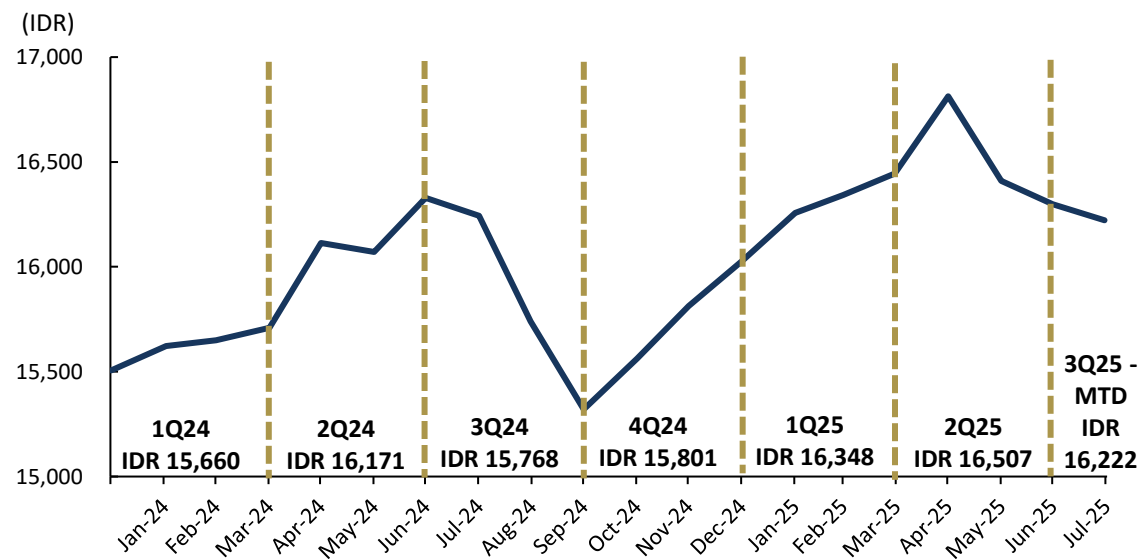


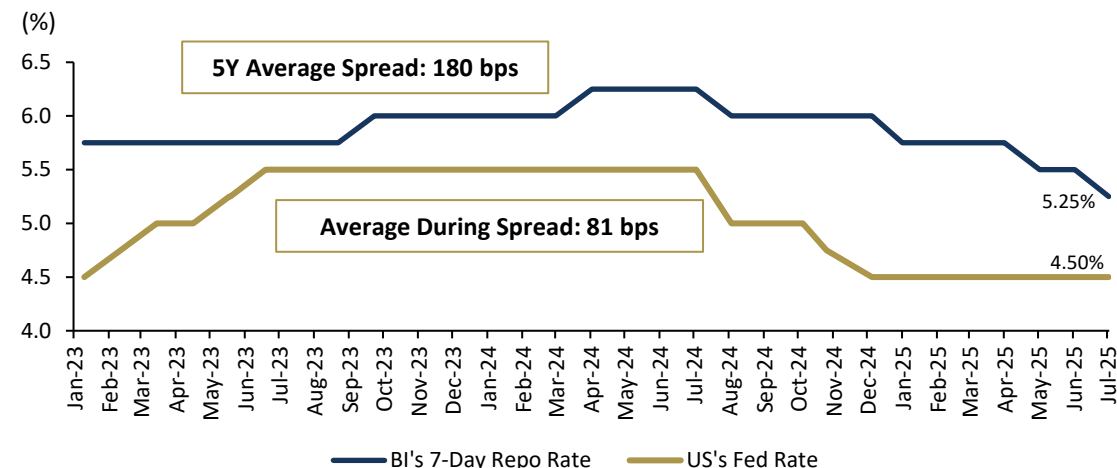
BI's 7-Day Repo Rate: 16 July 2025

- Bank Indonesia (BI) reduced its benchmark interest rate by 25 bps to 5.25% in its July 2025 Board of Governors Meeting, a move largely anticipated by the market. The decision was made against the backdrop of benign inflation, stable IDR, and the need to maintain momentum in domestic economic recovery. The central bank also adjusted the overnight deposit and lending facility rates to 4.50% and 6.00%, respectively, maintaining symmetry across its policy corridor.
- The rate cut reflects BI's confidence in the inflation trajectory, with annual CPI still comfortably within the 2.5±1% target range. Although inflation edged up to 1.87% in June from 1.60% in May, the uptick was modest and in line with seasonal dynamics, particularly following Ramadan and Eid festivities. BI expects inflation to remain anchored for the remainder of 2025 and into 2026, supported by controlled food prices, stable energy costs, and anchored inflation expectations.
- The Rupiah's recent appreciation—up 0.34% against the US dollar in June—and its relative stability into mid-July underscore the central bank's effective intervention strategy amid ongoing global volatility. These stabilization measures have strengthened foreign investor confidence and helped preserve external balance, especially as trade tensions with the U.S. begin to ease following constructive negotiations.
- From a growth perspective, the rate cut provides additional monetary space to stimulate the real economy. BI projects GDP growth in the 4.6%–5.4% range this year, supported by a rebound in exports, stronger household consumption, and fiscal-monetary alignment. The government's ongoing structural reforms and targeted stimulus—particularly in labor, manufacturing, and downstream sectors—are expected to complement monetary easing.
- Looking ahead, Bank Indonesia appears to be taking a proactive but cautious stance—leveraging the current macroeconomic stability to support growth while remaining vigilant against external headwinds. The decision to lower rates reinforces BI's dual commitment to maintaining price and exchange rate stability while fostering an environment conducive to sustainable economic expansion.

Quarterly USD/IDR Rate 1Q24 – 3Q25 MTD



Fed Rate vs BI's Rate



Monthly FX Reserves

