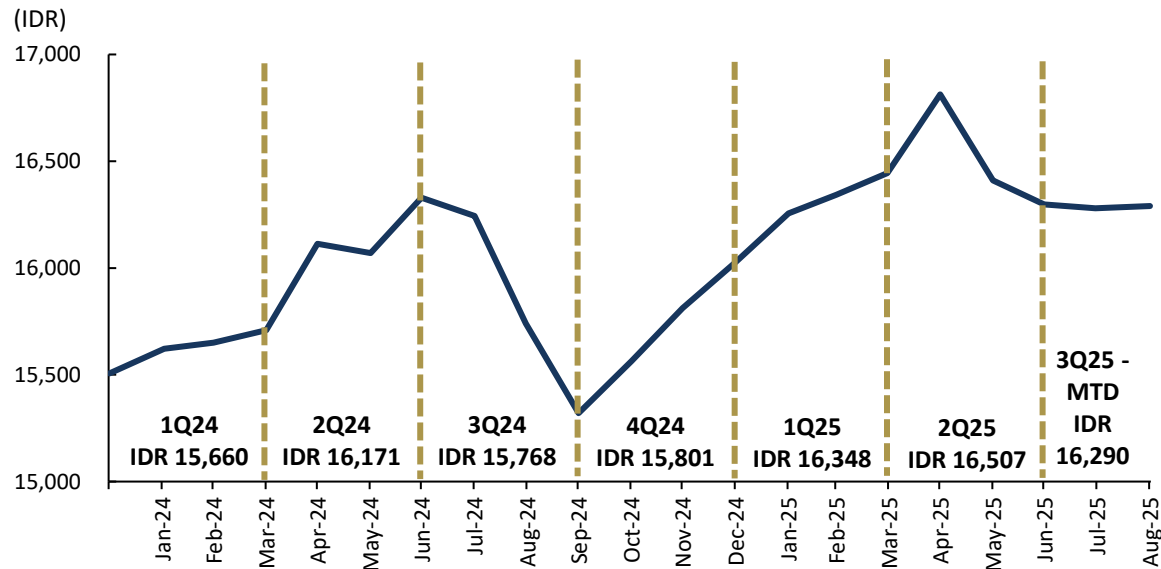


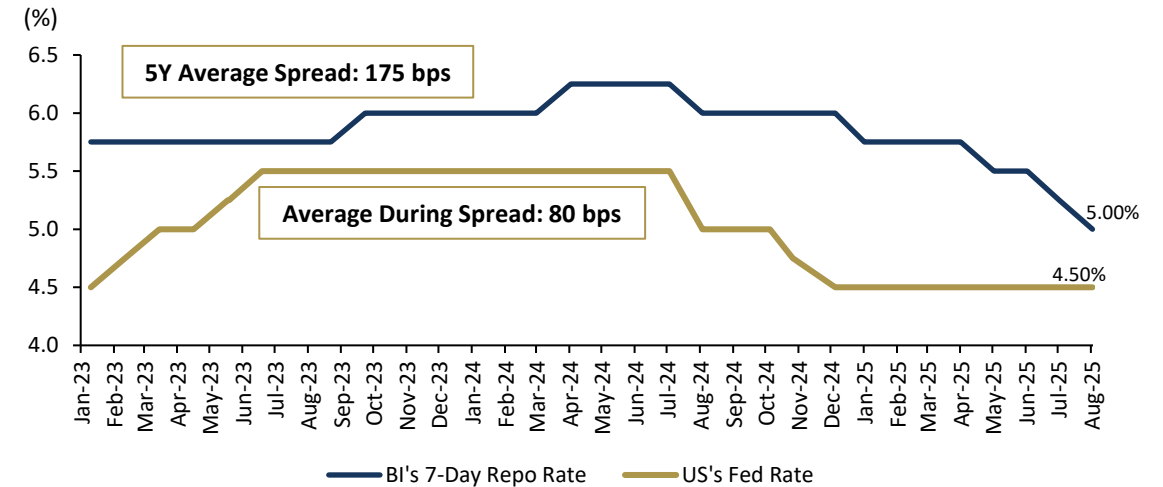
BI's 7-Day Repo Rate: 20 August 2025

- At the August 2025 policy meeting, BI surprised the market by cutting its benchmark interest rate 25 bps to 5.00%, the lowest level since Oct-22 and signalling stronger support for economic growth amid manageable inflation, although the IDR has been underperforming other regional currencies. While the move came slightly earlier than consensus, which expected a pause this month, it remains in line with SSI's estimate for that BI would maintain an accommodative stance throughout 2H25.
- The decision reflects BI's confidence in inflation and macro stability. Headline inflation accelerated to 2.37% YoY in July from 1.87% in June, marking its highest level in a year, mainly driven by seasonal demand and food price pressures. However, inflation remains comfortably within BI's 2025–2026 target range of 2.5% \pm 1%, providing policymakers room to support growth without risking price stability, particularly as core inflation has stayed subdued on government food supplies interventions.
- While the local currency has been weaker than its regional peers, the IDR has remained relatively stable despite global market uncertainties, supported by Indonesia's solid trade performance and robust external buffers. The country recorded sizeable 2Q25 trade surpluses, partly driven by front-loading exports ahead of US tariff deadline in August. Meanwhile, FX reserves stood at USD 152 bn in July, equivalent to 6.3 months of imports, well above the international adequacy benchmark. With the IDR remaining below IDR 16,500 level, BI is confident to ease policy, particularly as global central banks, led by the US Federal Reserve, are signalling potential pivot toward more accommodative policies later this year.
- For financial markets, the easing cycle has several implications. The back-to-back cuts are expected to compress government bond yields, as investors anticipate further policy accommodation in the near term. Manageable inflation and relatively stable IDR should help sustain capital inflows into Indonesia's bond market, improving liquidity and supporting financing for government and corporate issuers alike.
- Overall, BI's decision to cut rates for the second consecutive month reflects the need to reinforce domestic growth momentum amid global economic slowdown and uncertainties, allowing for Indonesia to weather external headwinds and sustain economic growth in 2H25 and beyond.

Quarterly USD/IDR Rate 1Q24 – 3Q25 MTD



Fed Rate vs BI's Rate



Monthly FX Reserves

