BANK INDONESIA

STRONG AND SELF-RELIANT: SYNERGY TO FOSTER HIGHER AND RESILIENT ECONOMIC GROWTH

BANK INDONESIA
ANNUAL MEETING 2025

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STRONG AND SELF-RELIANT: SYNERGY TO FOSTER HIGHER AND RESILIENT ECONOMIC GROWTH

Remarks of the Governor of Bank Indonesia
BANK INDONESIA ANNUAL MEETING
Jakarta, 28th November 2025

We are honored to welcome,

The President of the Republic of Indonesia, Gen (Ret.) Prabowo Subianto

Distinguished Guests,

- Leaders and Members of MPR, DPR, DPD RI,
- Leaders of State Institutions,
- Excellencies Ambassadors and Representatives of friendly countries,
- Ministers of the Red and White Cabinet,
- Our esteemed predecessors as Governors and fellow Members of the Board of Governors of Bank Indonesia,
- Chairperson and Members of the Board of Commissioners of the Financial Services Authority (OJK) and the Deposit Insurance Corporation (LPS),
- Governors, Mayors, and Regents from across Indonesia,
- Leaders of Banking Institutions, Corporations, and National Media,
- Honored Guests.

Assalamu'alaikum Warahmatullahi Wabarakaatuh,
Peace be upon us all, Shalom,
Om Swastyastu, Namo Buddhaya,
Greetings of Virtue.

First and foremost, let us offer our praise and gratitude to Allah Subhanahu wa Ta'ala (SWT), the Almighty God, for His blessings and grace that enable us to gather today at **the Bank Indonesia Annual Meeting 2025**. With utmost humility, we extend **our sincere appreciation to the President** for graciously attending this event along with all distinguished guests, and for providing guidance to strengthen the synergy of national economic policies in driving higher and more resilient growth going forward.

We also convey our congratulations to the 47 recipients of **the Bank Indonesia Award 2025** from the banking sector, corporations, and individuals across 5 areas and 19 categories, covering monetary stability management, macroprudential policy, payment systems, MSME and sharia economy development, as well as support for Bank Indonesia's policies. This year, Bank Indonesia also presents 3 Special Awards as a tribute to Strategic Partners for their role in safeguarding nationalism and the sovereignty of the Republic of Indonesia, and for supporting the spirit of Asta Cita throughout the nation. The Bank Indonesia Award, held annually in conjunction with the Bank Indonesia Annual Meeting, represents both appreciation and national recognition for stakeholders who have supported the implementation of Bank Indonesia's mandates.

On this auspicious occasion, allow us to present an evaluation of economic performance in 2025, as well as the outlook and policy direction of Bank Indonesia for 2026. This presentation is summarized under the theme: **"Strong and Self-Reliant: Synergy to Foster Higher and Resilient Economic Growth."**

Overall, we are grateful that Indonesia's economy in 2025 has performed well amid heightened global volatility and uncertainty. Economic growth has remained relatively high with stability preserved. The strong synergy of the national economic policy mix between the Government and Bank Indonesia has been a key factor in achieving this performance. This synergy must continue to be reinforced to drive higher and more resilient growth toward Golden Indonesia (*Indonesia Emas*) going forward.

In detail, our presentation will cover five parts. *First*, evaluation of global economic performance and outlook amid dynamics, risks, and uncertainties. *Second*, evaluation of national economic performance and outlook, highlighting resilience and stronger growth. *Third*, report and evaluation of Bank Indonesia's policy mix throughout 2025 to maintain stability and support sustainable growth. *Fourth*, synergy of national economic policy mix between the Government and Bank Indonesia to drive higher and more resilient growth going forward. Fifth, Bank Indonesia's policy mix direction for 2026 to strengthen stability and promote sustainable economic growth. **This explanation also serves to fulfill Bank Indonesia's accountability and transparency mandate as stipulated in the Bank Indonesia Act.**

I. Global Economic Performance and Outlook: Slowing Growth, High Uncertainty

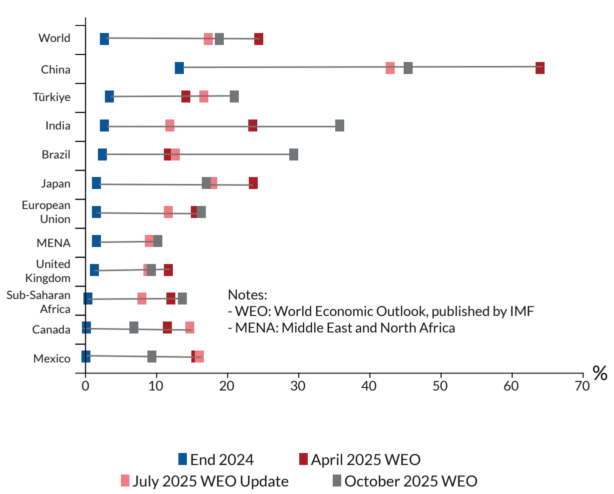
The global economy continues to face heightened turbulence amid persistent uncertainty. Geopolitical tensions remain elevated, with the conflict between Russia and Ukraine in Europe yet to be resolved and escalating tensions in the Middle East in line with intensified Israeli attacks on Palestine. In the economic sphere, the United States (US) President Donald Trump initiated a trade war on 2 April 2025 through the imposition of a universal import tariff of 10% on all goods entering the US, accompanied by substantially high reciprocal tariffs on 57 trading partners, including China, Canada, Mexico, and the European Union.

The unilateral imposition of import tariffs by Trump, referred to domestically as "Liberation Day", was intended to protect domestic industries and address the US trade balance deficit arising from its perceived lack of competitiveness in multilateral trade. China was subjected to effective import tariffs of up to 54%, while Canada and Mexico faced rates of up to 25%. Smaller countries were also hit with high tariffs, including Cambodia (49%), Vietnam (46%), and Myanmar (44%) in Asia, as well as Lesotho (50%) and Madagascar (47%) in Africa.

In response to the unilateral US tariff policy, several major countries, including Canada, China, and the European Union, announced retaliatory tariffs, thereby intensifying the global trade war. Meanwhile, other countries entered negotiations to secure lower tariffs, often by committing to increase imports from the US. Nevertheless, US tariff measures remained elevated, particularly against China, although not as severe as initially threatened by President Trump (Graph 1.a). Furthermore, the escalating trade war and geopolitical tensions have heightened global financial market uncertainty, adversely affecting business sentiment and investor confidence across countries (Graph 1.b).

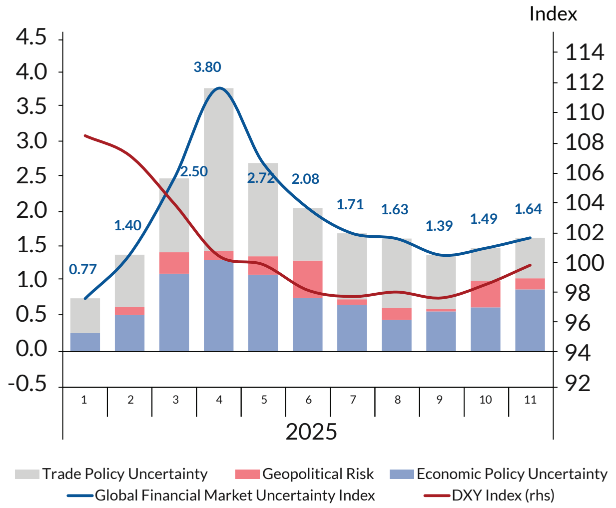
The unilateral US tariff policy and escalating geopolitical tensions have weighed on global economic performance, contributing to slower growth amid widening fragmentation among countries. The tariff measures reduced the volume and value of global trade and intensified the impact of global supply chain disruptions that had already emerged since 2024 due to persistent geopolitical tensions. Import growth in North America, for instance, fell sharply from 22.1% in Q1-2025 to 0.7% and 1.7% in Q2 and Q3-2025, respectively. Export growth in Asia and Europe, which had increased in Q2-2025 in anticipation of the US tariff hikes, began to moderate in Q3-2025. The adverse impact on real sector activity was more apparent in the deteriorating consumer and producer

Graph 1.a. US Effective Tariff Rates: China, Mexico, Japan, Indonesia, Total



Source: Bank Indonesia, adapted from various sources

Graph 1.b. Global Financial Market Uncertainty Index



Note: Data as of 3 November 2025

Source: Bank Indonesia, adapted from various sources

Table 1. Global Economic Growth: Advanced Economies and Emerging Economies (%, yoy)

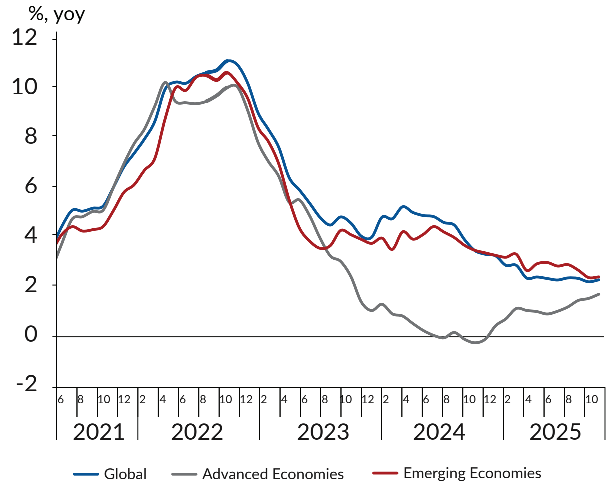
	2023	2024	2025*	2026*	2027*
World	**3.5**	**3.3**	**3.1**	**3.0**	**3.1**
Advanced Economies	**1.7**	**1.8**	**1.7**	**1.6**	**1.8**
United States	2.9	2.8	2.0	2.0	2.1
Euro Area	0.4	0.9	1.3	1.3	1.4
Japan	1.2	0.1	1.0	0.5	0.5
Emerging Economies	**4.7**	**4.3**	**4.1**	**3.9**	**4.0**
China	5.4	5.0	4.8	4.2	4.0
India	8.7	6.5	6.6	6.4	6.7
ASEAN-5	4.1	4.6	4.4	4.3	4.5
Latin America	2.4	2.4	1.9	2.2	2.6

Source: WEO-IMF, Bank Indonesia

Note: *Bank Indonesia's Projection

sentiment, reflecting heightened uncertainty surrounding income prospects and business conditions worldwide. Overall, global economic growth slowed from 3.3% in 2024 to 3.1% in 2025 and 3.0% in 2026, before edging up to 3.1% in 2027 (Table 1). Growth divergence across country persisted. Advanced economies decelerated from 1.8% in 2024 to 1.7% in 2025 and 1.6% in 2026, before recovering to 1.8% in 2027. Meanwhile, emerging economies fell to 4.1% and 3.9% in 2025 and 2026, before improving to 4.0% in 2027. The tariff measures also pushed gold prices sharply higher, alongside rising prices of several food commodities and services, compounding the inflationary impact of higher wages following immigration policy adjustments in the US and other advanced economies. Consequently, global disinflation progressed more slowly than the previous projection, with inflation projected at 4.3% and 4.1% in 2025 and 2026. Over the same period, inflation in advanced economies is projected to remain around 2.4%, while inflation in emerging economies is estimated at 5.5% and 5.1% (Graph 2).

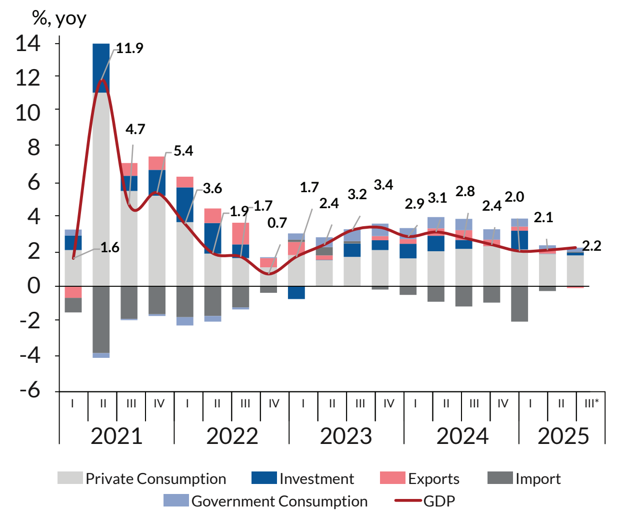
Graph 2. Global Inflation: Advanced Economies and Emerging Economies



Source: Bank Indonesia, adapted from various sources

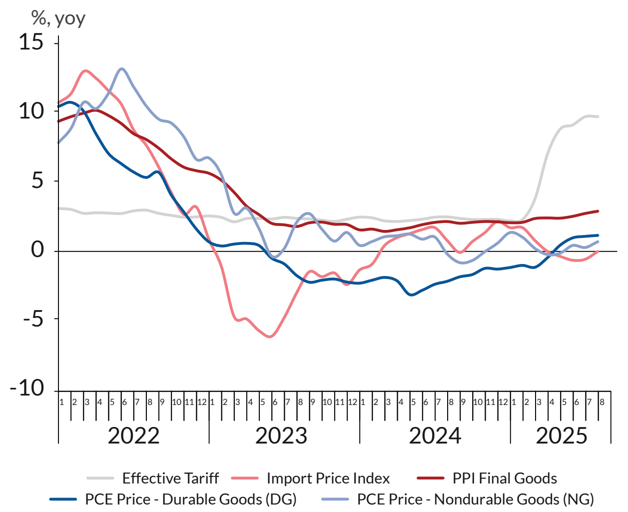
In advanced economies, the US economy has begun to moderate, while the Euro Area continues to recover. US economic growth is projected to slow from 2.8% in 2024 to 2.0% in both 2025 and 2026, before edging up slightly to 2.1% in 2027, assuming no additional tariff increases. The unilateral tariff policy has succeeded in reducing US imports but has not generated an increase in exports, thereby exerting downward pressure on growth through the external sector (Graph 3.a). Meanwhile, weak competitiveness in US industries, excluding digital technology and defense, has weighed on investment, limiting the contribution of domestic demand amid softening consumption linked to labor market moderation and high inflation (Graph 3.b). Fiscal policy space has also narrowed, given the high fiscal deficit and mounting government debt, compounded by the temporary government shutdown triggered by unresolved

Graph 3.a. United States Economic Growth



Note: *) Nowcasting for Q3 2025 as of 14 November 2025
Source: Bank Indonesia, adapted from various sources

Graph 3.b. United States Inflation

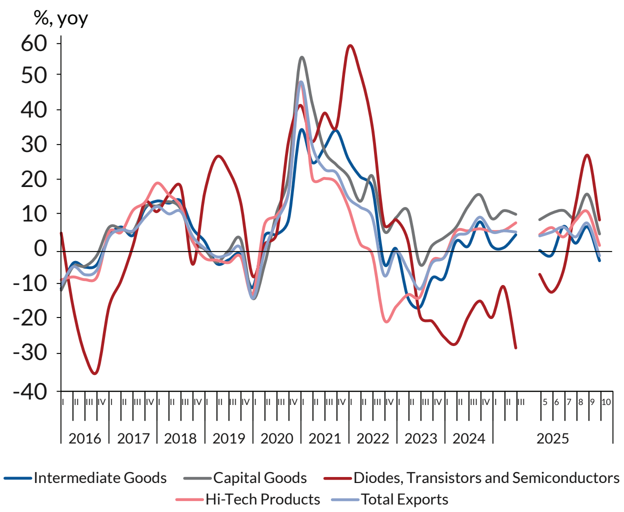


Note: Producer Price Index (PPI), Personal Consumption Expenditure (PCE)
Source: Bank Indonesia, adapted from various sources

political negotiations. The tariff policy has also slowed disinflation process, with inflation projected at 2.9% in 2025 and 3.0% in 2026, thereby constraining the extent of Federal Funds Rate (FFR) reductions from 4.5% in 2024 to 4.0% currently. The Federal Reserve is expected to hold off on further FFR cuts for the remainder of 2025 and resume rate cuts only in 2026. Meanwhile, the Euro Area recovery continues, with growth projected to rise from 0.9% in 2024 to 1.3% in 2025 and 2026, and further to 1.4% in 2027, supported by improving private consumption in line with monetary policy easing, fiscal stimulus, and front-loading of exports in anticipation of trade agreements with the US. Inflation in the Euro Area continues to decline from 2.4% in 2024 to 2.0% and 1.9% in 2025 and 2026, enabling the European Central Bank (ECB) to make more aggressive and earlier policy rate cut than the FFR, from 3.0% in 2024 to 2.0% in 2025. In Japan, economic growth is projected to strengthen to 1.0% in 2025, supported by sustained wage improvements, before moderating to 0.5% in 2026 and 2027 due to structural challenges from an aging population, persistently high inflation, and weaker exports as a result of US tariff policy.

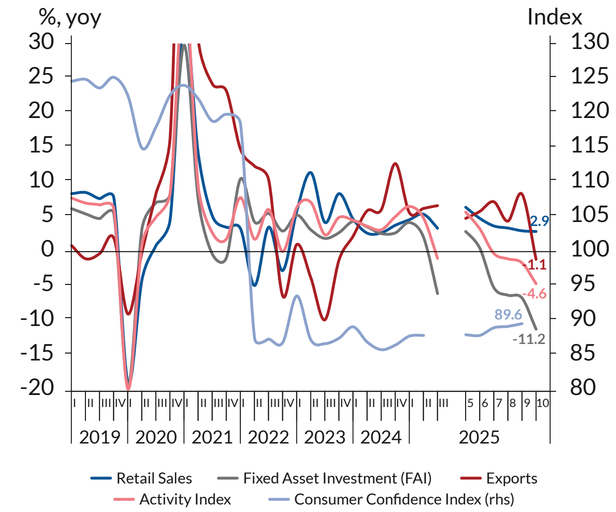
In Emerging Market Economies (EMEs), the impact of US tariff policy on economic slowdown has been most pronounced in China and Latin America, while economic performance in India and ASEAN-5 has remained relatively resilient. China's economic growth slowed from 5.0% in 2024 to 4.8% in 2025 and is projected to fall further to 4.2% and 4.0% in 2026 and 2027. Elevated US tariffs have weighed on China's export growth, except for technology-based commodities, supported by strong adoption of technology and Artificial Intelligence (AI) as well as government stimulus measures (Graph 4.a). To date, there are no indications of significant trade diversion from China to other countries, including those in ASEAN. Domestic consumption in China also remains subdued and is expected to remain weak going forward, despite sizeable fiscal stimulus and accommodative monetary policy (Graph 4.b). Meanwhile, India's economy has demonstrated strong resilience, with growth reaching 6.6% in 2025 and remaining robust at around 6.4% and 6.7% in 2026 and 2027. India's growth outlook is underpinned by sustained improvements in domestic consumption and continued expansion in manufacturing, supported by fiscal spending despite a downward trend in line with fiscal consolidation efforts by the government. Economic performance in ASEAN-5 (Singapore, Malaysia, Thailand, Indonesia, and the Philippines) also reflects resilience, with growth projected to ease slightly from 4.6% in 2024 to 4.4% and 4.3% in 2025 and 2026 before rebounding to 4.5% in 2027. Inflation across ASEAN-5 remains contained at around 2.7% during 2025–2027.

Graph 4.a. China: Exports by Commodity Group



Source: Bank Indonesia, adapted from various sources

Graph 4.b. China: Domestic Demand Indicators



Source: Bank Indonesia, adapted from various sources

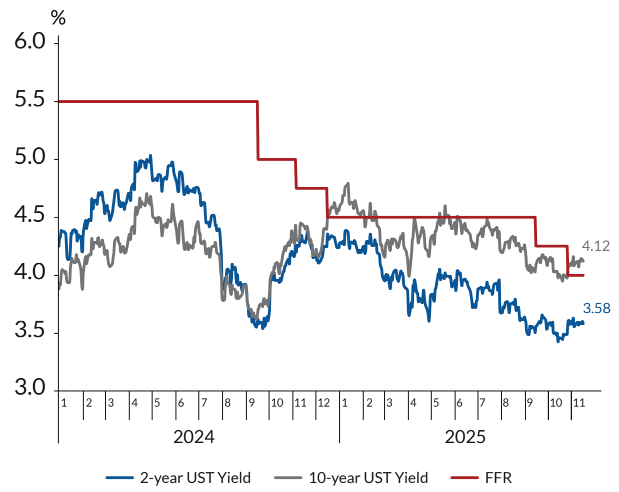
US tariff policy and global geopolitical tensions, along with their impact on fragmentation and delayed disinflation, have placed central banks in a more challenging position in setting monetary policy, even though the overall stance remains accommodative throughout 2025. Global economic uncertainty has prompted central banks to adopt a more cautious approach in determining the pace and timing of policy rate reductions (Table 2). The Federal Reserve (Fed), for instance, which began lowering the FFR to 4.50% in September 2024, opted to delay further cuts until September 2025 to 4.25% and October 2025 to 4.00%. In contrast, the European Central Bank (ECB) continued reducing its policy rate from 3.00% in December 2024 to 2.50% in Q1-2025 and 2.00% in Q2-2025. Differences in the magnitude and timing of policy rate cuts have also been emerged among Emerging Economies, including China, India, South Korea, Malaysia, the Philippines, and Indonesia. In general, central banks in Emerging Economies must weigh the adverse effects of global uncertainty on achieving inflation targets against the need to stimulate domestic economic growth. This challenge has become more pronounced given the delayed

Table 2. Monetary Policy Rates: Advanced Economies and Emerging Economies (%)

	2024	2025		
		Q1	Q2	Q3
Advanced Economies				
Federal Reserve (FED)	4.50	4.50	4.50	4.25
European Central Bank (ECB)	3.00	2.50	2.00	2.00
Bank of England (BOE)	4.75	4.50	4.25	4.00
Bank of Japan (BOJ)	0.25	0.50	0.50	0.50
Emerging Economies				
People's Bank of China (PBOC)	1.50	1.50	1.40	1.30
Bank of Korea (BOK)	3.00	2.75	2.50	2.50
Reserve Bank of India (RBI)	6.50	6.25	5.50	5.50
Bangko Sentral ng Pilipinas (BSP)	5.75	5.75	5.25	5.00

Source: Bank Indonesia, adapted from various sources

Graph 5. FFR vs 2- and 10-years US Treasury Yield

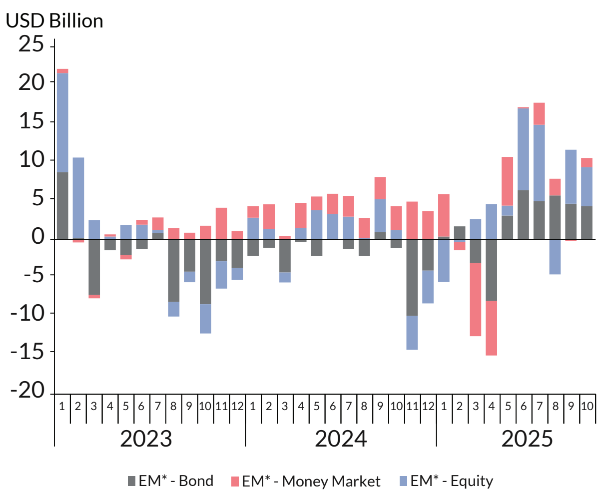


Source: Bank Indonesia, adapted from various sources

FFR reductions and the sizeable US fiscal deficit and government debt, both of which have exerted significant influence on capital flows and exchange rate dynamics in Emerging Economies. As of October 2025, the US fiscal deficit and government debt were estimated at around 6.25% of GDP and USD38.3 trillion, among the highest globally. Consequently, although the yield on 2-year US Treasuries declined to 3.58% on 18 November 2025 following the FFR cut, the yield on 10-year US Treasuries remained elevated at around 4.12%, reflecting the persistently high fiscal deficit and government debt (Graph 5).

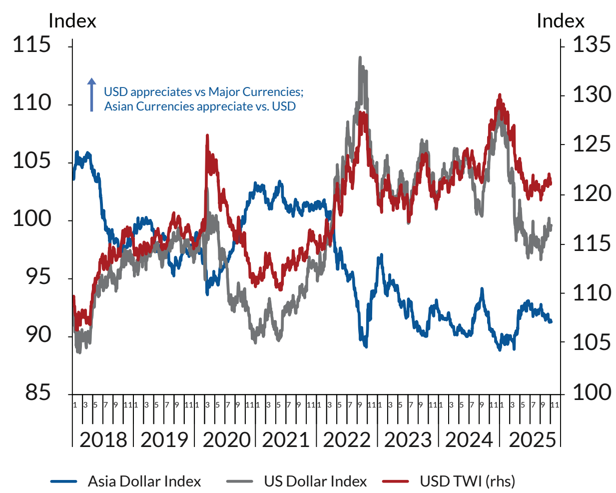
Global financial market uncertainty has also increased significantly, accompanied by capital outflows from Emerging Markets toward safe-haven assets, particularly US Treasuries and gold. Policy rate reductions by central banks, including the FFR cut, should have supported global financial market stability. However, US tariff measures and persistent geopolitical tensions have risen risk premia in global financial markets, prompting investors to reallocate portfolios to perceived safe assets. Consequently, substantial foreign portfolio outflows from EMEs occurred in Q2-2025, particularly in bonds and money market instruments (Graph 6.a). With progress in tariff negotiations and greater clarity regarding FFR reductions, portfolio inflows resumed in Q3-2025, primarily to EMEs offering attractive yields relative to the US and maintaining sound macroeconomic and financial system stability. In the foreign exchange market, the US dollar tended to weaken against major global currencies such as the Euro and Pound sterling, yet remained highly volatile against Asian currencies (Graph 6.b). This reflects persistent yield differentials across countries in line with the monetary policy rate adjustments described above. Overall, elevated volatility in capital flows and exchange rates continues to pose challenges for EMEs in mitigating the adverse spillover effects and strengthening external resilience to support domestic economic growth.

Graph 6.a. Foreign Capital Flows to Emerging Economies: Bond, Equity, Money Market



Note: *) Excluding China
Source: Bank Indonesia, adapted from various sources

Graph 6.b. USD Index vs Advanced Economies and Asian Countries



Note: Trade-Weighted Index (TWI)
Source: Bank Indonesia, adapted from various sources

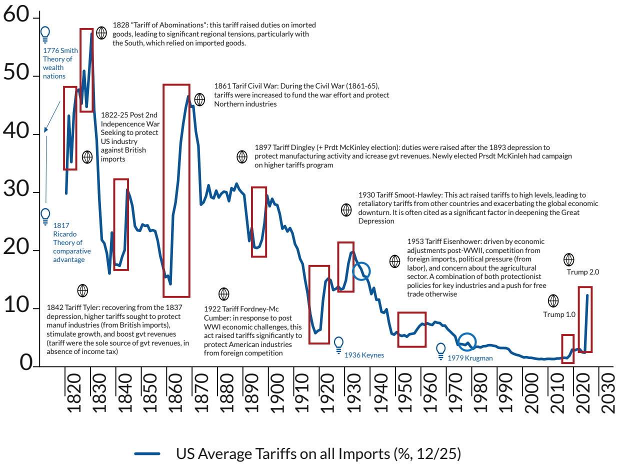
Looking ahead, the global economy is expected to remain characterized by ongoing trade wars and geopolitical tensions among countries, amid highly dynamic and challenging conditions. Although the tariffs ultimately imposed by the US were not as high as President Trump's initial threat on 2 April 2025, bilateral tariff negotiations between the US and China, as well as other countries, are likely to continue until the US Government considers its trade balance objectives sufficiently addressed. The new administrations resulting from the 2024–2025 general elections also tend to adopt more populist policy stances, including expansive fiscal spending and high level public debt, as well as other policies aimed at maintaining popularity. The increasing use of transactions and derivative products linked to public debt in advanced economies by Non-Bank Financial Institutions (NBFIs), which remain subject to limited regulation and supervision, is expected to create significant risks and volatility in global financial markets. At the same time, the rapid pace of the digital technology revolution, including the use of Artificial Intelligence (AI) in finance, such as cryptocurrency trading, stablecoins, and other digital asset products by private entities, will further heighten risks and volatility in global financial markets and challenge the ability of national authorities, including central banks, to maintain effective oversight and control.

The following factors, either individually or collectively, could have a significant impact on the outlook and risks of further deterioration in the global economy going forward. At least five (5) key trends warrant close attention.

i. ***First*, the persistence of trade wars and polarization of trade and investment among countries in addressing global trade imbalances.** Unilateral tariff policy is not the first measure taken by the US Government to tackle its large trade balance deficit caused by weak economic competitiveness (Graph 7.a). Even before World War II, high tariffs were imposed during 1919–1923 under the Fordney-McCumber Tariff Act to protect US agriculture and industry. In 1934, the US Government introduced reciprocal tariff policies with varying rates for trading partners through the Most Favored Nations (MFN) concept. After World War II, tariffs declined sharply with the establishment of GATT to liberalize global trade. However, the ballooning trade deficit in the 1980s reignited US protectionist policies, including tariffs on steel imports under the Bush Administration in 2002–2003. In 2018, the Trump Administration imposed new tariffs on commodities such as steel and aluminum, which triggered retaliation from China. With Trump's return to office in 2025, reciprocal tariff policies were reinstated at the highest level since 1934 to address the widening trade deficit since 2020 (Graph 7.b). This historical pattern indicates that trade wars initiated by the US Government will persist as a political and economic strategy against trading partners with large trade surpluses, despite opposition in multilateral cooperation. In other words, trade polarization will intensify going forward, prompting countries to prioritize bilateral and regional cooperation over multilateral arrangements under the World Trade Organization (WTO).

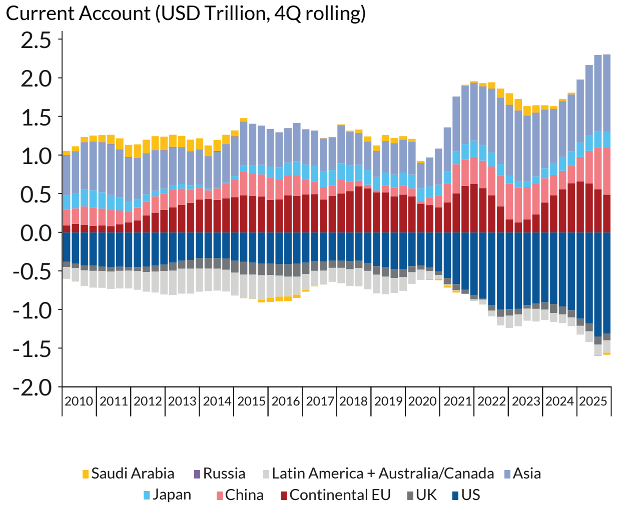
ii. ***Second*, global economic growth is expected to slow amid widening fragmentation among countries.** Considering the long history of US protectionist policies to address its large trade balance deficit, it is not an exaggeration to expect that high tariffs and bilateral negotiations will persist going forward. China is projected to face elevated tariffs from the US until its trade surplus with the US declines, in addition to political considerations stemming from rivalry between major global powers (Graph 8.a). Supply chain disruptions will continue, with global trade volume expected to fall from around 3.6% in 2025 to 2.3% in 2026. Consequently, global economic growth is projected to stagnate at around 3%, with downside risks if the US-led trade war persists (Graph 8.b). The US economy is expected to stagnate with growth around 2%, while recession risks increase due to weak

Graph 7.a. A Brief History of US Protectionism: From Politic to Economic



Source: SUERF Policy Brief No. 1260, September 2025

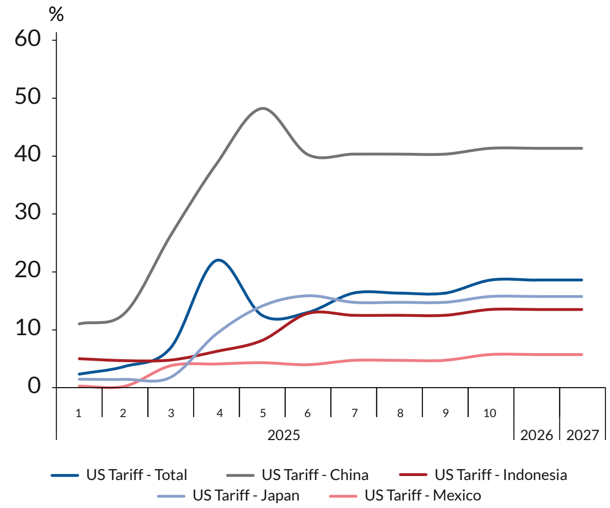
Graph 7.b. US Economy and World Trade Imbalances



Source: CEIC

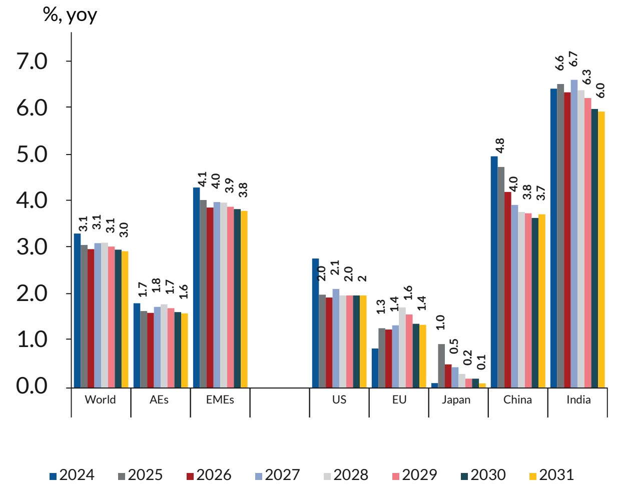
industrial competitiveness and household consumption, exacerbated by immigration policy impacts on labor markets and persistent inflationary pressures from import tariffs. China's economy, most affected by high tariffs, is projected to decline further to around 3.7%, although the pace of trade diversion from China to other countries outside the US could provide some growth impetus. India's economy is expected to maintain strong growth of around 6%, supported by robust domestic demand from household consumption. Meanwhile, global inflationary pressures and inflation in many countries are expected to remain elevated due to persistently high non-oil commodity prices as a result of high import tariffs and ongoing global supply chain disruptions. These conditions will constrain the room for further monetary policy rate cuts in many countries starting in 2026 to stimulate domestic economic growth. Therefore, future growth momentum will largely depend on the implementation of structural and industrial reform policies to drive the real sector, supported by expanded bilateral and regional trade and investment cooperation.

Graph 8.a. US Reciprocal Tariff Policy Continues Impost on China and Other Countries



Source: Bank Indonesia's Projection

Graph 8.b. Global Economic Growth Projections and Cross-Country Fragmentation

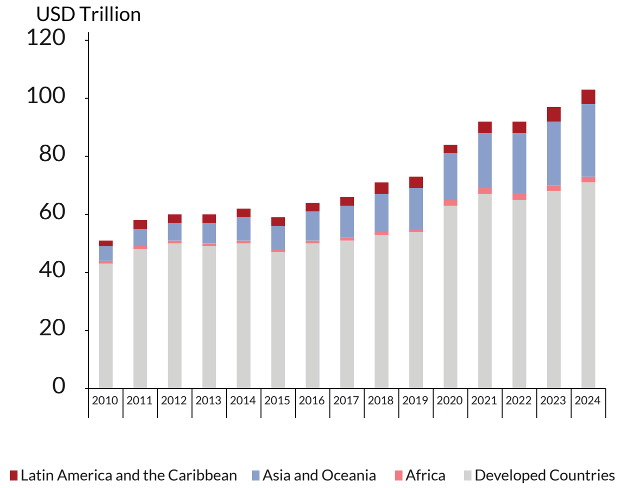


Source: Bank Indonesia's Projection

iii. ***Third*, the surge in global public debt has imposed an increasingly heavy burden on both advanced economies and Emerging Economies.** Total global government debt has now reached USD110.9 trillion (94.6% of GDP), with two-thirds, approximately USD74.8 trillion, concentrated in advanced economies (Graph 9.a). This staggering figure reflects how expansionary fiscal policies and economic stimulus over the past decade have resulted in significant fiscal strain across many countries. The United States and China are the two largest debtor, accounting for more than half of global debt combined. US government debt totals USD38.3 trillion (125% of GDP), representing more than one-third of global debt, while China ranks second with USD18.7 trillion (96% of GDP). Japan is third with USD9.8 trillion (230% of GDP), followed by the United Kingdom (USD4.1 trillion, 103% of GDP) and France (USD3.9 trillion, 117% of GDP). Elevated government debt levels have been driven by long-term social spending, rising defense budgets, and mounting demographic costs associated with aging populations. The challenge is that ballooning public debt has pushed global interest rates higher, creating a burden not only for advanced economies but also for Emerging Markets and developing countries. Yields on 10-year government bonds in four major advanced economies (US, UK, Euro Area, and Japan), for example, have risen from around 0% during the COVID-19 period to approximately 4%, with the 30-year yield spread widening to nearly 80 basis points today (Graph 9.b). Consequently, government bond yields in EMEs have surged from around 5% in 2020 to approximately 8% currently. This implies that EMEs must achieve nominal economic growth of around 8% to service their government debt obligations. The impact is even more severe for developing countries, particularly in Africa, where debt servicing costs exceed budget allocations for education and health programs, thereby exacerbating poverty.

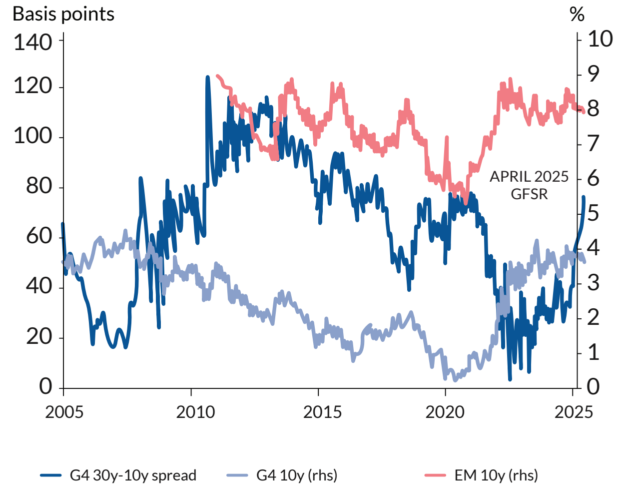
iv. ***Fourth*, global financial markets harbor significant vulnerabilities and risks, particularly stemming from Non-Bank Financial Institutions (NBFIs).** The global financial crisis underscored the dangers of derivative products linked to housing debt by NBFIs, known as the subprime mortgage crisis, which subsequently triggered a systemic global crisis. Since then, substantial progress has been made in strengthening regulation and supervision of the banking sector, including higher capital requirements, improved risk management, and enhanced cross-border cooperation under the Financial Stability Board (FSB) and the Bank for

Graph 9.a. Global Public Debt: Advanced Economies and Emerging and Developing Economies



Source: UNCTAD, A World of Debt, Report 2025

Graph 9.b. Public Debt Interest Rates: Advanced Economies and Emerging Economies

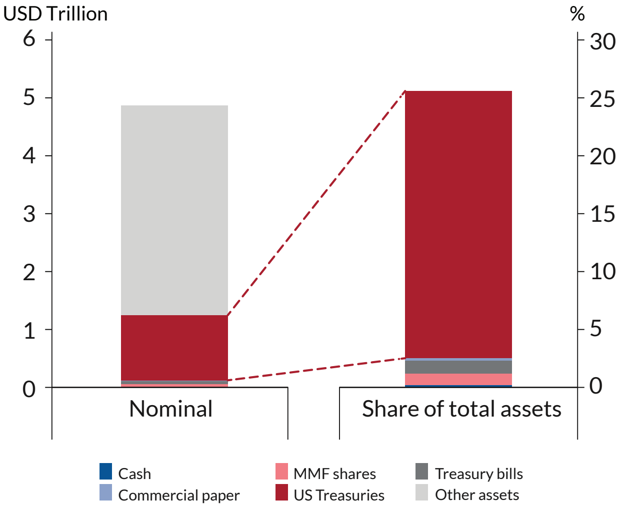


Source: IMF, Global Financial Stability Report, October 2025

International Settlements (BIS). However, global initiatives to strengthen regulation and oversight of NBFIs still in progress and have yet to reach a global consensus, compounded by challenges in monitoring transaction data and institutional structures. Meanwhile, the development of derivative products and transactions by NBFIs has surged rapidly, this time leveraging the massive public debt of advanced economies as underlying transactions. For example, NBFIs in the US are currently estimated to hold around USD5 trillion in bonds as underlying assets for their derivative products, one-third of which comprises US government debt (Graph 10.a). These derivative products include a wide range of instruments such as repurchase agreements (repos), interest rate swaps, options, and others, which remain unregulated in terms of margin requirements, leverage ratios relative to the underlying bond value, or mandatory capital increases commensurate with transaction size for NBFIs. Furthermore, these derivative products are often combined with hedging instruments against US dollar exchange rate risk, such as foreign exchange swaps, forwards, and options. This explains why the US dollar continues to appreciate despite interest rate differentials between the US and other advanced economies (Graph 10.b). Consequently, the layering of derivative transactions by NBFIs poses significant vulnerabilities and risks in the event of a market reversal, which could trigger large-scale fire sales due to panic among market participants, a scenario reminiscent of the global financial crisis in 2008.

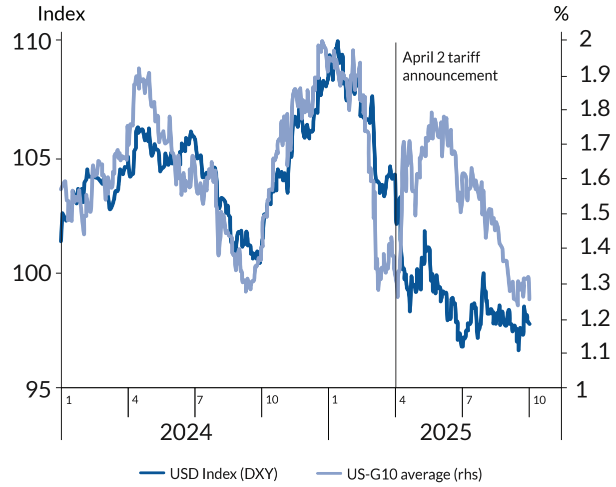
v. ***Fifth*, vulnerabilities and risks in global financial markets are increasing in line with the proliferation of privately issued and traded digital currencies and assets**. As is widely known, cryptocurrencies are digital currencies issued and circulated by private entities through computer networks, independent of any central authority, whether government or central bank. The first cryptocurrency trade involved Bitcoin in 2009, and by June 2023, more than 25,000 cryptocurrencies had emerged in the market, with around 40 of them having a market capitalization exceeding USD1 billion. As of April 2025, global cryptocurrency market capitalization is estimated at USD2.70 trillion. In 2014, stablecoins emerged as a type of cryptocurrency designed to maintain value stability against a specific asset or a basket of assets, which may include currencies, bonds, commodities, or other cryptocurrencies. Nevertheless, the value of stablecoins is not always stable, as it depends on the stabilization mechanism, which may involve computer algorithms and/or the value of underlying

Graph 10.a. Bond Holdings by Non-Bank Financial Institutions (NBFIs) in the US



Source: IMF, Global Financial Stability Report, October 2025

Graph 10.b. USD Index vs Interest Rate Differentials with Advanced Economies



Source: IMF, Global Financial Stability Report, October 2025

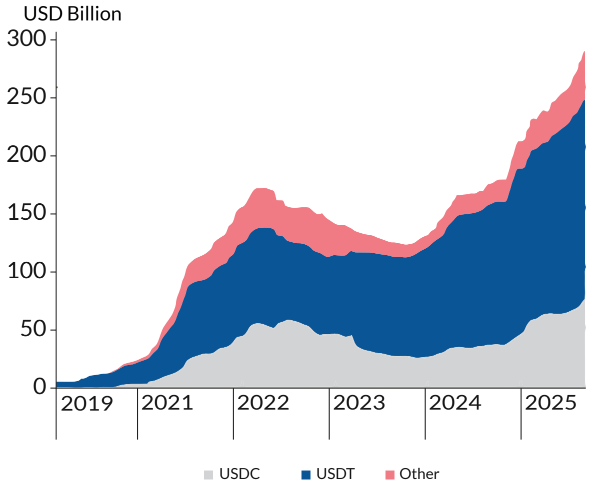
assets. By June 2025, the market capitalization of stablecoin trading is estimated to exceed USD255 billion, most of which is linked to the US dollar (USDC) and/or US government bonds (USDT), as shown in Graph 11.a. Furthermore, global financial markets have witnessed the trading of tokenized assets, enabling ownership and buy-sell transactions. Stablecoins are not limited to tokenized digital assets but also include tokenization of tangible and intangible assets. For example, trading in tokenized US government bond funds has grown rapidly and is estimated to reach around USD7.4 billion (Graph 11.b). The increasing issuance and trading of cryptocurrencies, stablecoins, and tokenized assets by private entities on digital platforms have amplified vulnerabilities and risks in global financial markets. Unlike Central Bank Digital Currency (CBDC), which is formally issued by central banks, these various forms of crypto-based currencies and financial assets are issued and traded by private entities. To date, there is no clear regulation or supervision equivalent to that applied to other financial institutions under the principle of "same activities, same risks, same regulations." Moreover, the circulation of these digital currencies and assets is suspected to facilitate money laundering, in addition to raising concerns about consumer protection.

The dynamics, outlook, and risks of a highly volatile and challenging global economy have significant implications for Emerging Market Economies (EMEs), including Indonesia, and therefore require an optimal response through a well-calibrated national economic policy mix. One critical lesson in navigating a global economy marked by geopolitical turmoil, protectionist policies, and financial market volatility is: **STRONG AND SELF-RELIANT**. Strong by strengthening external stability to withstand the adverse impact of global shocks. Self-reliant by continuously fostering domestic sources of economic growth.

At least five (5) critical aspects must be considered to ensure the national economy becomes strong and self-reliant while achieving higher and more resilient growth.

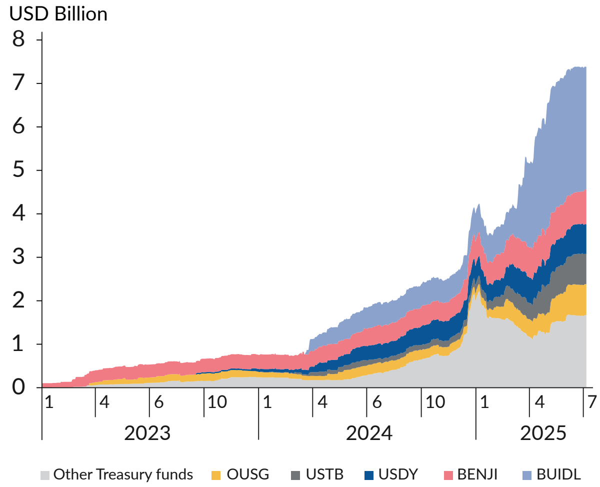
i. *First*, the importance of maintaining macroeconomic and financial system stability through a stable exchange rate, low inflation, a manageable fiscal deficit, a strong banking system, and deep financial markets. Close coordination between government fiscal policy and central bank monetary policy is essential, as is coordination to safeguard financial system stability. It must be recognized that most crises experienced by countries, including Indonesia in the past, originated from economic instability, particularly exchange rate volatility.

Graph 11.a. Stablecoin Market Capitalization



Source: IMF, Global Financial Stability Report, October 2025

Graph 11.b. Tokenized US Treasury Funds



Source: IMF, Global Financial Stability Report, October 2025

ii. *Second*, the need to accelerate real sector transformation through industrial and structural policies to strengthen domestic sources of growth. In addition to continuously promoting domestic consumption and investment, it is crucial to reinforce food and energy security as key pillars of national economic resilience and self-reliance. Industrial policy should aim to enhance productivity and value-added in priority economic sectors to drive higher growth, while structural policy should focus on creating an investment climate conducive to stimulating robust capital formation and trade both domestically and internationally.

iii. *Third*, the need to continuously develop financing sources to support real sector transformation programs. Fiscal deficit financing must remain sustainable to avoid excessive dependence on public debt, which could ultimately burden the state and society. Therefore, private financing, through banking, other financial institutions, and domestic and foreign investment, must be strengthened. Financial market deepening is critical to support national economic financing by improving liquidity, ensuring competitive interest rates, and providing hedging instruments for interest rate and exchange rate risks.

iv. *Fourth*, accelerating the digitalization of the national economy and financial system to achieve higher and more resilient growth. Rapid digitalization of payment systems and retail economic-financial transactions is essential to facilitate fast, easy, and low-cost daily transactions, thereby expanding inclusive economic and financial access for the public. Similarly, the development of wholesale payment systems must continue, including experimentation with Central Bank Digital Currency (CBDC) issuance and digital financial assets (asset tokenization). Cross-border cooperation in digital payment systems, including connectivity for retail and wholesale payment infrastructures, must be strengthened and expanded.

v. *Fifth*, enhancing the effectiveness of trade and investment cooperation with key partner countries. In a world marked by US protectionist policies and economic polarization, trade and investment cooperation should focus on the most beneficial bilateral and regional partnerships, while continuing to advocate multilateral cooperation. This includes collaboration to expand the use of local currencies (Local Currency Transactions, LCT), deepen financial markets, and strengthen cross-border digital payment systems to facilitate bilateral and regional trade and investment.

II. National Economic Performance and Outlook: Maintained Stability, Rising Growth

Indonesia's economy has continued to perform well and remain resilient amid elevated global volatility and uncertainty. *First*, Indonesia's economic resilience has remained strong, underpinned by preserved macroeconomic stability and sustained high growth. The recovery from the COVID-19 pandemic has continued and strengthened further. *Second*, robust and prudent policy coordination, particularly between the Government's fiscal policy and Bank Indonesia's monetary policy, has successfully supported domestic demand while maintaining a balance between stability and growth. *Third*, Indonesia has consistently reinforced its commitment to economic transformation through improvements in the investment climate, accelerated infrastructure development, and downstreaming of natural resources to enhance domestic value addition. Structural improvements across economic sectors have continued, strengthening the supply side to support high economic growth. *Fourth*, Indonesia has demonstrated strong leadership in various international fora, including through active participation in global and regional cooperation. The success of Indonesia's G20 Presidency in 2022 was internationally recognized for advancing critical agendas, such as strengthening global fiscal-monetary policy coordination, health cooperation, debt resolution for low-income countries, and cross-border payment system digitalization. In the ASEAN region, Indonesia's ASEAN Chairmanship in 2023 reaffirmed its active role in strengthening regional stability and integration.

Over the past six years, Indonesia's economy has recorded strong performance, ranking among the best in emerging market economies (EMEs). Since 2019, economic growth has consistently remained above 5%, except during the COVID-19 pandemic (Table 3). Even then, the economic contraction was among the mildest compared to other countries. Macroeconomic and financial system stability has been well maintained. Inflation remained low and contained, averaging below 3% during 2019–2024, while Rupiah exchange rate remained stable, supported by Bank Indonesia's strong monetary policy commitment. The fiscal deficit also remained low at below 3% of GDP, except during the peak of the COVID-19 in 2020–2021, after which it rapidly reverted to a prudent path through the Government's fiscal consolidation efforts. External resilience also remained solid, with the current account deficit staying low and even recording a surplus in 2021 and 2022, supported by stronger export performance in line with the progress of natural-resource downstreaming. Similarly, financial system stability has been maintained, with the banking industry's Capital Adequacy Ratio (CAR) remaining high at above 20%. Solid credit growth has also supported financing for productive sectors and reinforced economic growth momentum. Indonesia's positive economic performance has likewise been accompanied by rapid acceleration of payment system digitalization, which has continued to expand and has become an important driver of inclusive economic growth.

The strong synergy of the national economic policy mix between the Government and Bank Indonesia has supported Indonesia's resilient economic performance. The Government's fiscal policy has remained prudent, maintaining the deficit below 3% of GDP, while supporting economic growth through capital expenditure to stimulate investment and social protection programs to sustain household consumption. Meanwhile, Bank Indonesia has optimally implemented its policy mix to maintain stability and foster growth, comprising monetary policy for inflation control and Rupiah exchange rate stability, macroprudential policy to encourage bank lending and financing, and payment system policy to accelerate inclusive and efficient digitalization of the national economy and finance. Structural transformation policies have also been continuously strengthened. Infrastructure development has progressed through National Strategic Projects (PSN) across various sectors, including transportation, water resources, housing, and telecommunications. Institutional and regulatory reforms have been

Table 3. Indonesia's Economic Performance: 2019-2024

Indicator	Unit	2019	2020	2021	2022	2023	2024
Economic Growth	%yoy	5.02	-2.07	3.70	5.31	5.05*	5.03**
Current Account	%GDP	-2.71	-0.42	0.30	1.00	-0.15	-0.62*
Fiscal Deficit	%GDP	-2.20	-6.14	-4.57	-2.35	-1.61	-2.30
CPI Inflation	%yoy	2.72	1.68	1.87	5.51	2.61	1.57
Rupiah Exchange Rate	IDR/USD (average)	14,139	14,525	14,296	14,873	15,247	15,841
BI-Rate	%	5.00	3.75	3.50	5.50	6.00	6.00
Bank Lending	%yoy	6.08	-2.41	5.24	11.35	10.38	10.39
Bank Capital (CAR)	%	23.31	23.81	25.67	25.63	27.66	26.65

Source: BPS, Bank Indonesia

Note: *Preliminary Figure; **Very Preliminary Figure pursued through the enactment of Law Number 6 of 2023 on Job Creation to improve the investment climate, and Law Number 4 of 2023 on Financial Sector Development and Strengthening (P2SK Act) to enhance resilience, expand financial services, and improve efficiency in the national financial system. Moving forward, synergy of the national economic policy mix between the Government and Bank Indonesia must be further strengthened and broadened to drive higher and more resilient economic growth.

Indonesia's positive economic performance continues in 2025 and is projected to strengthen further in 2026 and 2027. Economic growth in the second and third quarters of 2025 exceeded expectations, reaching 5.12% (yoy) and 5.04% (yoy), respectively, compared to 4.87% (yoy) in the first quarter of 2025 (Table 4). Non-oil and gas export performance improved, driven by front-loading exports to the United States in anticipation of tariff adjustments, alongside higher exports of agricultural and manufactured products, particularly crude palm oil (CPO) to India following import duty reductions. Economic growth was also supported by robust domestic demand, particularly private investment and the realization of several Government priority programs, including the development of Special Economic Zones (SEZs) across various regions. Household consumption remained solid in line with high mobility, although it requires further reinforcement amid declining consumer expectations, especially among lower-income groups, and limited job availability. Looking ahead, Indonesia's economy is expected to continue improving. Overall, economic growth in 2025 will range between 4.7–5.5%, rising further to 4.9–5.7% in 2026 and 5.1–5.9% in 2027. Synergy of the national economic policy mix between the Government and Bank Indonesia must be continuously strengthened to drive higher growth from both the demand and supply sides while safeguarding economic stability. On the fiscal side, the realization of Government spending under the State Budget must be accelerated to stimulate domestic demand, including the implementation of social programs such as Free Nutritious Meals (MBG), People's Schools, Public Housing, and the Red and White Village Cooperatives (*Koperasi Desa Merah Putih*, KDMP), as well as priority projects related to food security, energy, defense and security, and the Government's 2025 Economic Policy Package. On the supply side, the implementation of natural resource downstreaming and structural reforms must be expedited to promote economic sectors with high growth potential and job creation. Bank Indonesia will continue strengthening its policy mix, monetary, macroprudential, and payment system, to support economic growth through interest rate reductions, liquidity easing, enhanced macroprudential incentives, and accelerated digitalization of the economy and finance.

Table 4. Indonesia's Economic Growth by Expenditure (%, yoy)

Component	2023*	2024**	2025***			2025^P	2026^P	2027^P
			I	II	III			
Economic Growth	**5.05**	**5.03**	**4.87**	**5.12**	**5.04**	**4.7-5.5**	**4.9-5.7**	**5.1-5.9**
- Private Consumption	4.94	5.11	4.91	5.04	4.87	4.6-5.4	4.9-5.7	4.9-5.7
- Government Consumption	3.02	6.61	-1.37	-0.33	5.49	2.0-2.8	7.2-8.0	5.9-6.7
- Investment	3.76	4.61	2.12	6.99	5.04	4.8-5.6	5.6-6.4	6.4-7.2
- Exports	1.34	6.51	6.44	10.95	9.91	7.7-8.5	4.9-5.7	5.3-6.1
- Imports	-1.60	7.95	4.00	11.48	1.18	6.5-7.3	5.0-5.8	5.8-6.6

Source: BPS, Bank Indonesia

Note: *Preliminary Figure; **Very Preliminary Figure; ***Very Very Preliminary Figure; ^P Bank Indonesia's Projection

From a production side, economic growth has primarily been supported by capital-intensive sectors, while labor-intensive sectors still require further stimulus to enhance their contribution to the economy. Positive performance is particularly evident in export-oriented sectors and those linked to natural resource downstreaming, such as the manufacturing industry, which recorded relatively high growth in line with increased production capacity and domestic value addition (Table 5). Sectors related to infrastructure development and improved connectivity, such as construction and transportation and warehousing, have also contributed to national economic growth. In addition, sectors related to rising household consumption and accelerated digitalization, such as wholesale and retail trade, accommodation and food services, and information and communication, have posted stronger growth. Various service sectors, including financial and insurance services, corporate services, as well as health and social activities, have also continued to strengthen. These developments across sectors illustrate Indonesia's increasingly robust post-pandemic economic recovery. The initial recovery

Table 5. Indonesia's Economic Growth by Sectors (%, yoy)

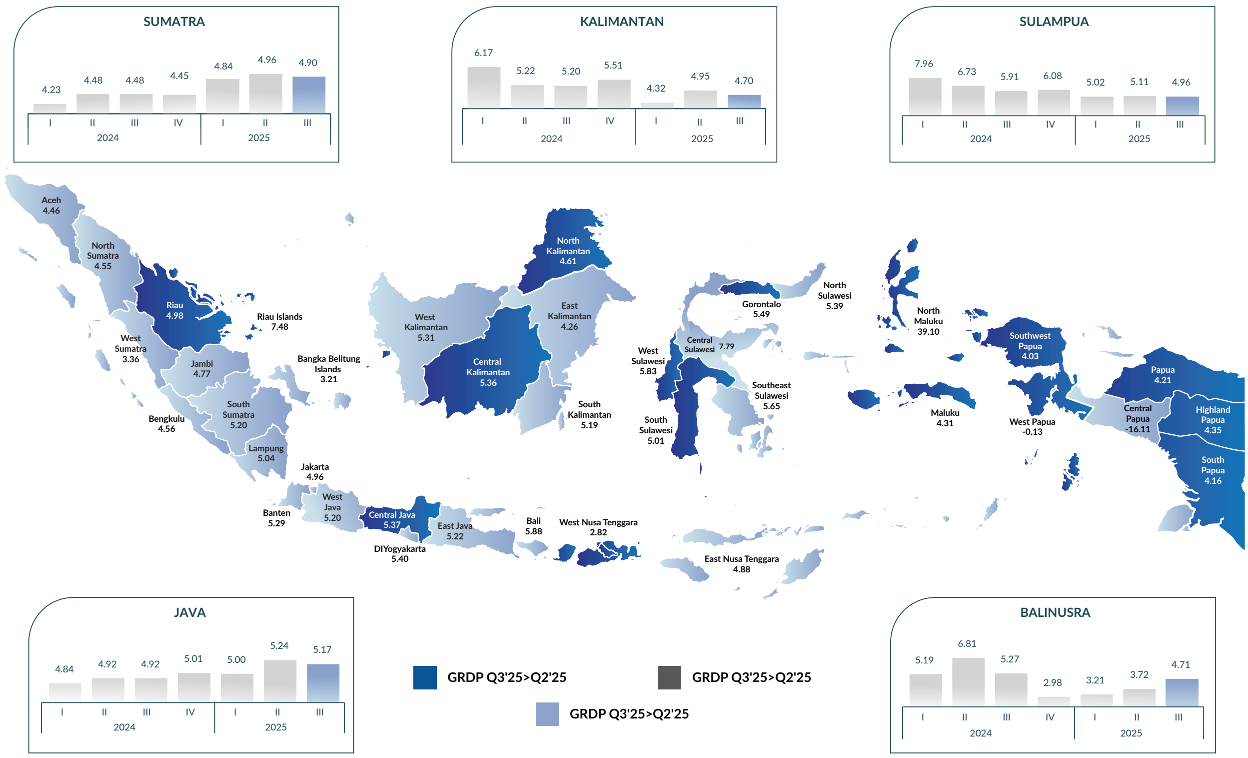
Sector	2023*	2024**	2025***			2025P	2026P	2027P
			I	II	III			
Economic Growth	**5.05**	**5.03**	**4.9**	**5.1**	**5.0**	**4.7-5.5**	**4.9-5.7**	**5.1-5.9**
Agriculture, Forestry, and Fisheries	1.31	0.67	10.5	1.7	4.9	4.4-5.2	5.2-6.0	5.4-6.2
Mining and Quarrying	6.12	4.90	-1.2	2.0	-2.0	1.0-1.8	2.8-3.6	4.0-4.8
Manufacturing Industry	4.64	4.43	4.5	5.7	5.5	5.1-5.9	5.0-5.8	4.9-5.7
Electricity and Gas	4.91	4.77	5.1	0.9	2.9	3.0-3.8	4.5-5.3	4.1-4.9
Water Supply, Waste Management, Waste and Recycling Management	4.90	1.56	0.2	0.8	3.3	2.2-3.0	4.3-5.1	4.6-5.4
Construction	4.91	7.02	2.2	5.0	4.2	4.7-5.5	7.5-8.3	7.1-7.9
Wholesale and Retail Trade, Motor Vehicle and Motorcycle Repair	4.85	4.86	5.0	5.4	5.5	5.0-5.8	5.3-6.1	5.1-5.9
Transportation and Warehousing	13.96	8.69	9.0	8.5	8.6	8.1-8.9	10.8-11.6	10.4-11.2
Accommodation and Food Services	10.00	8.56	5.8	8.0	8.4	7.4-8.2	6.4-7.2	6.2-7.0
Information and Communication	7.59	7.57	7.7	7.9	9.7	7.5-8.3	8.0-8.8	9.5-10.3
Financial and Insurance Services	4.77	4.74	4.0	3.2	0.8	4.9-5.7	7.6-8.4	7.5-8.3
Real Estate	1.43	2.50	2.9	3.7	4.0	3.5-4.3	3.0-3.8	2.8-3.6
Business Services	8.24	8.38	9.3	9.3	9.9	8.3-9.1	6.1-6.9	5.9-6.7
Public Administration, Defense, and Mandatory Social Security	1.51	6.40	4.8	4.7	4.3	3.9-4.7	5.2-6.0	4.6-5.4
Education Services	1.77	3.75	5.0	1.4	10.6	4.1-4.9	6.4-7.2	7.1-7.9
Health Services and Social Activities	4.67	8.11	5.8	3.8	6.8	5.3-6.1	4.0-4.8	3.9-4.7
Other Services	10.52	9.80	9.8	11.3	9.9	8.7-9.5	7.0-7.8	6.7-7.5

Source: BPS, Bank Indonesia

Note: *Preliminary Figure; **Very Preliminary Figure; ***Very Very Preliminary Figure; PBank Indonesia's Projection occurred in sectors directly affected by the scarring effect during 2021–2022, followed by export-oriented sectors during 2022–2024, and is now shifting toward sectors driving stronger domestic demand. Looking ahead, sectors such as agriculture, retail trade, accommodation and food services, information and communication, particularly those related to digitalization, as well as other service sectors must continue to be strengthened. These sectors play a critical role not only in supporting higher economic growth but also in creating broader employment opportunities. Achieving a balanced growth pattern between capital-intensive and labor-intensive sectors is essential to reinforce Indonesia's economic strength and self-reliant, while fostering higher and more resilient growth.

Indonesia's solid economic growth has been supported by positive performance across nearly all regions. In the third quarter of 2025, the highest growth was recorded in Java at 5.17% (yoy), followed by Sulawesi, Maluku, and Papua (Sulampua) at 4.96% (yoy), Sumatra at 4.90% (yoy), Bali and Nusa Tenggara (Balinusra) at 4.71% (yoy), and Kalimantan at 4.70% (yoy). From a sectoral perspective, stronger growth in Java was driven by increased industrial capacity and higher agricultural production. In Eastern Indonesia, mineral downstreaming, particularly nickel, bauxite, and copper, supported industrial growth in the region. From an expenditure perspective, amid household consumption that remain below 5% in most regions, investment has been the main driver, particularly industrial investment in Investment Zones (KI) and Special Economic Zones (SEZs) in Java (Batang, Kendal, Gresik) and Sulampua (nickel downstreaming). Export performance was supported by metal commodities in Java, crude palm oil (CPO) from Sumatra, and steel exports from Sulampua, while coal exports from Kalimantan were affected by weaker external demand. Given these developments, overall regional economic growth in 2025 is projected as follows: Sumatra at 4.8–5.2%, Java at 4.7–5.5%, Kalimantan at 4.3–5.1%, Balinusra at 4.2–5.0%, and Sulampua at 4.2–4.8%. In 2026, growth in these regions is expected to increase to 4.9–5.3%, 4.7–5.5%, 4.6–5.4%, 5.5–6.3%, and 5.6–6.4%, respectively (Figure 1).

Figure 1. Indonesia's Regional Economic Growth in Quarter III 2025 (%, yoy)

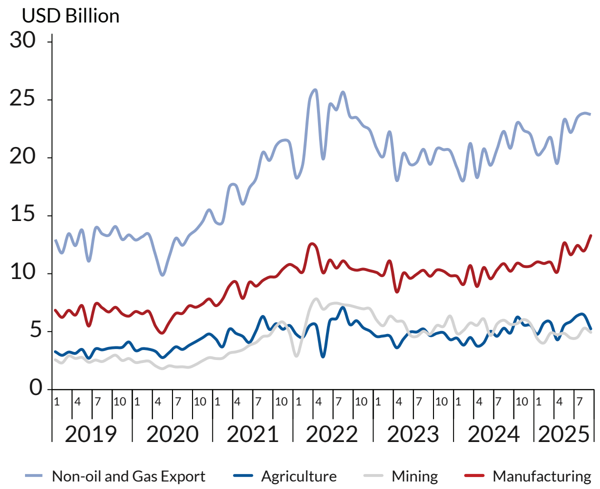


Source: BPS

Indonesia's external economic resilience has remained robust despite global volatility, supported by a healthy Balance of Payments (BOP). Current account performance through the third quarter of 2025 performed relatively well, underpinned by a large trade surplus amounting to USD40 billion. Despite the global economic slowdown, Indonesia's non-oil and gas exports, including manufacturing, agriculture, and mining, continued to grow strongly, in line with exporters' anticipation of reciprocal US tariffs (Graph 12.a). Mining exports of downstream natural resource commodities also recorded significant gains, particularly nickel and copper (Graph 12.b). For the full year 2025, the current account is projected to record a smaller deficit than the previous year, ranging from a surplus of 0.1% to a deficit of 0.7% of GDP. Meanwhile, heightened global volatility adversely affected the capital and financial account, resulting in net portfolio investment outflows, despite continued positive inflows of foreign direct investment. Up to the third quarter of 2025, portfolio investment recorded net outflows of USD14 billion, prompting Bank Indonesia to intervene in the market to stabilize the Rupiah exchange rate. Indonesia's reserve assets at the end of October 2025 remained strong at USD149.9 billion, down from USD155.7 billion at the end of 2024. This level is equivalent to 6.2 months of imports or 6.0 months of imports and servicing government external debt, well above the international adequacy standard of around 3 months of imports (Table 6). In 2026, the BOP is projected to return to a surplus, supported by higher reserve assets. The current account deficit is expected to remain low, within the range of 1.0% to 0.2% of GDP, underpinned by solid export performance, including from downstreaming activities. The capital and financial account is forecasted to record a surplus, driven by foreign direct investment and renewed portfolio inflows in line with Indonesia's positive economic outlook.

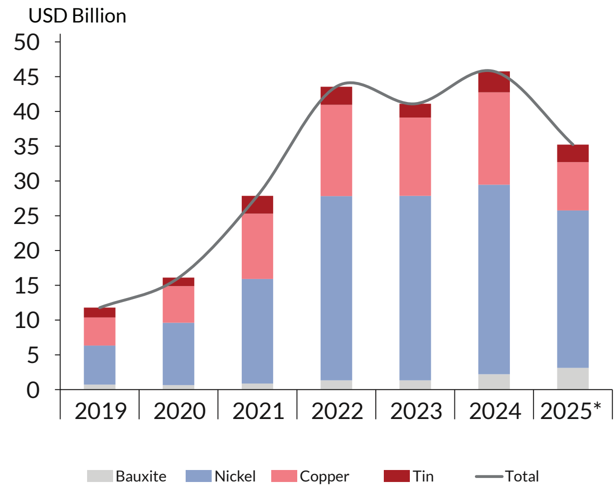
Indonesia's external resilience is also reflected in the maintained stability of the Rupiah amid deteriorating global conditions, supported by Bank Indonesia's strong commitment. As previously noted, the imposition of high unilateral tariffs by President Trump triggered foreign portfolio outflows and depreciation of emerging market currencies, including Indonesia. The Rupiah came under significant pressure in offshore Non-Deliverable Forward (NDF) markets following the US tariff announcement in early April 2025. To reinforce Rupiah stabilization, Bank Indonesia intensified and sustained interventions in offshore NDF markets across Asia, Europe, and the United States. These interventions

Graph 12.a. Indonesian Non-oil and Gas Exports



Source: Directorate General of Customs and Excise

Graph 12.b. Exports of Downstream Mineral and Coal Mining Products



Note: *Data as of September 2025 (Cumulative)
Source: Directorate General of Customs and Excise

Table 6. Indonesia's Balance of Payments (USD Billion)

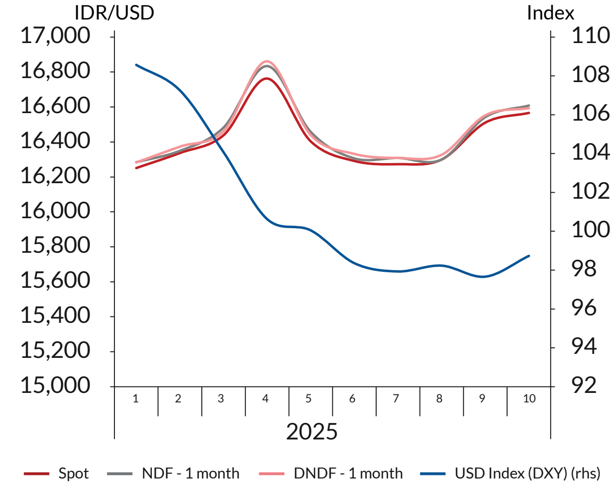
Component	2021	2022	2023	2024*					2025		
				I	II	III	IV	Total	I*	II*	III**
Current Account	**3.5**	**13.2**	**-2.0**	**-2.4**	**-3.0**	**-2.0**	**-1.3**	**-8.7**	**-0.2**	**-2.7**	**4.0**
A. Goods	43.8	62.7	46.3	9.3	10.0	9.2	11.3	39.8	13.0	10.6	16.1
- Exports, fob	232.8	292.5	257.7	61.9	62.3	67.5	71.3	263.1	65.9	68.0	73.9
- Imports, fob	-189.0	-229.9	-211.4	-52.6	-52.3	-58.3	-60.0	-223.3	-52.9	-57.4	-57.8
a. Non-oil and Gas	57.8	89.8	67.8	15.1	15.2	14.7	17.8	62.8	18.8	15.7	20.9
b. Oil and Gas	-13.0	-24.8	-19.9	-5.5	-4.6	-4.4	-5.1	-19.6	-4.7	-4.2	-4.8
B. Services	-14.6	-20.0	-17.7	-4.2	-5.0	-4.2	-5.2	-18.6	-5.4	-5.2	-4.3
C. Primary Income	-32.0	-35.3	-36.0	-8.8	-9.4	-8.5	-9.0	-35.9	-9.4	-9.8	-9.4
D. Secondary Income	6.3	5.8	5.4	1.3	1.4	1.5	1.6	5.9	1.6	1.7	1.7
Capital and Financial Account	**12.6**	**-8.7**	**9.9**	**-2.4**	**2.6**	**8.1**	**9.7**	**17.9**	**-0.4**	**-3.5**	**-8,1**
1. Direct Investment	17.3	18.1	14.4	4.8	2.3	5.1	3.6	15.9	2.6	3.5	2.5
2. Portfolio Investment	5.1	-11.6	2.2	-2.1	3.2	9.8	-2.5	8.3	1.0	-8.1	-7.1
3. Other Investment	-10.2	-15.6	-6.9	-4.7	-3.4	-7.2	8.4	-6.9	-4.2	1.0	-3.4
Overall Balance	**13.5**	**4.0**	**6.3**	**-6.0**	**-0.6**	**5.9**	**7.9**	**7.2**	**-0.8**	**-6.7**	**-6.4**
Memorandum:											
- Reserve Assets	**144.9**	**137.2**	**146.4**	**140.4**	**140.2**	**149.9**	**155.7**	**155.7**	**157.1**	**152.6**	**148.7**
In Months of Imports and Official Debt Repayment	7.8	5.9	6.5	6.2	6.1	6.4	6.5	6.5	6.5	6.1	6.0
- Current Account (% GDP)	**0.3**	**1.0**	**-0.1**	**-0.7**	**-0.9**	**-0.6**	**-0.4**	**-0.6**	**0.0**	**-0.8**	**1.1**

Source: Bank Indonesia

Note: *Preliminary Figure. **Very Preliminary Figure

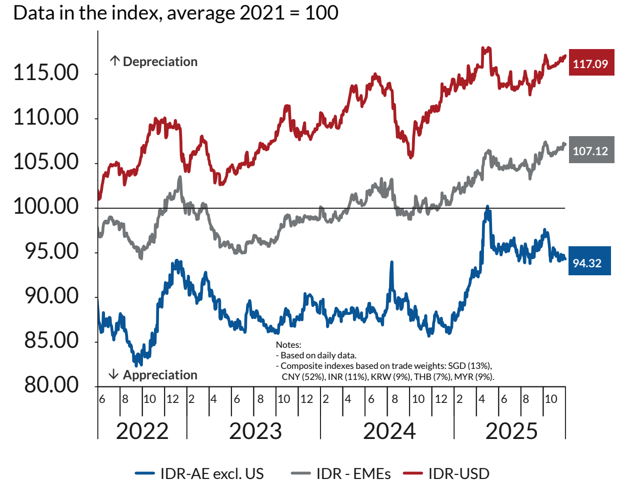
complemented domestic stabilization measures through the triple intervention strategy in spot transactions, Domestic Non-Deliverable Forward (DNDF) markets, and secondary market purchases of government securities (SBN). All monetary instruments were optimized, including Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Forex Securities (SVBI), and Bank Indonesia Forex Sukuk (SUVBI), to support Rupiah stability. As a result of Bank Indonesia's strong commitment, the Rupiah appreciated to around Rp16,300 per US dollar by August 2025, compared to Rp16,865 per US dollar on April 8, 2025, following the US tariff announcement (Graph 13.a). However, renewed pressures emerged from late August 2025 due to global factors, such as smaller-than-expected Federal Funds Rate (FFR) cuts and a US government shutdown, as well as domestic factors, including social unrest and market concerns over a widening fiscal deficit. As of November 18, 2025, the Rupiah stood at Rp16,735 per US dollar, weakening by 4.01% from end-December 2024, with an average of Rp16,430 per US dollar throughout 2025. Overall, Rupiah movements remained relatively stable compared to other emerging market currencies and were stronger than most advanced economy currencies, excluding the US dollar (Graph 13.b).
In addition to consistent stabilization policies, Rupiah stability was supported by increased foreign exchange conversion to Rupiah by exporters

Graph 13.a. Rupiah and US Dollar Exchange Rates



Source: Reuters and Bloomberg

Graph 13.b. Rupiah Exchange Rate Indexes vs Group of EMEs Currencies and Group of other AE Currencies

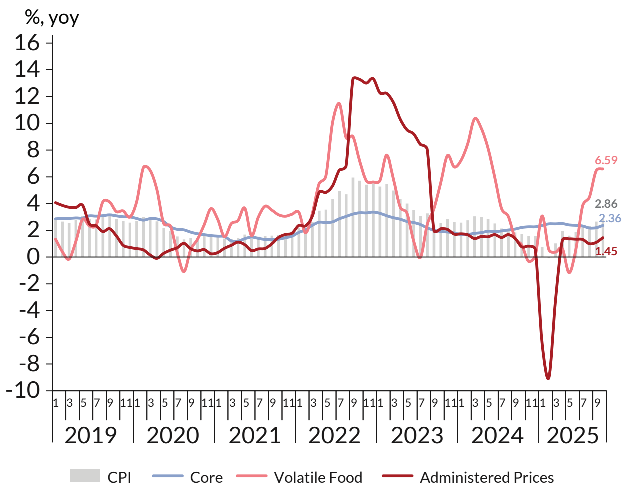


Note: Data as of 18 Nov'25
Source: Reuters and Bloomberg

following the strengthened policy on Foreign Exchange Proceeds from Natural Resource Exports (DHE SDA). Looking ahead, the Rupiah is expected to remain stable, supported by Bank Indonesia's firm commitment to exchange rate stability, attractive yields, low inflation, and Indonesia's positive economic growth outlook.

Price stability has been preserved, with inflation remaining low within the 2.5±1% target range, thereby supporting overall economic stability. Consumer Price Index (CPI) inflation in October 2025 was recorded at a low level of 2.86% (yoy) (Graph

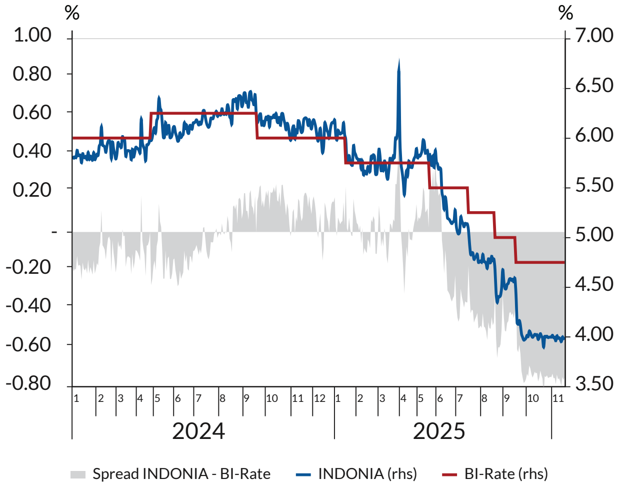
Graph 14. CPI, Core, Volatile Food (VF) and Administered Prices (AP) Inflation



Source: BPS

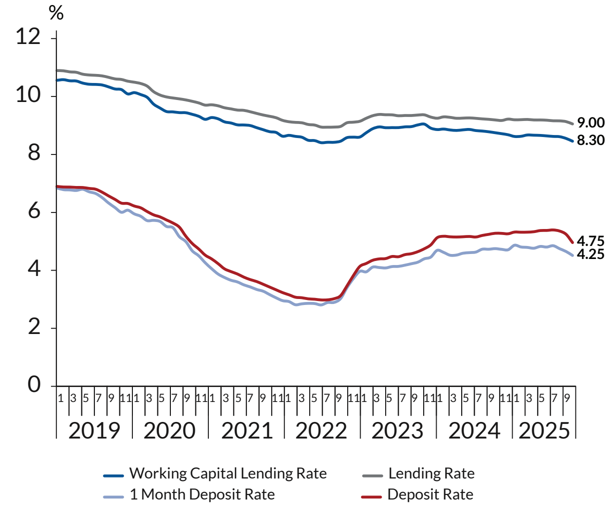
14). Core inflation remained subdued at 2.36% (yoy), influenced by economic growth still below potential capacity and supported by Bank Indonesia's consistent monetary policy stance in anchoring inflation expectations within the target range, as well as low imported inflation. Administered prices (AP) inflation also remained low at 1.45% (yoy), in line with declining transportation and fuel tariffs amid higher retail cigarette prices. Meanwhile, volatile food (VF) inflation was contained at 6.59% (yoy), supported by adequate supply of key food commodities and strong coordination in inflation control by the Central and Regional Inflation Control Teams (TPIP/TPID) through the National Movement for Food Inflation Control (GNPIP). Through its Head Office and 46 representative offices, Bank Indonesia actively supports GNPIP implementation via flagship programs to boost productivity, strengthen food security, promote interregional cooperation, facilitate food distribution, organize subsidized discount markets, digitalize data, and enhance coordination and communication with central and regional governments. By year-end 2025, CPI inflation is projected to remain low within the 2.5±1% target range. Similarly, for 2026 and 2027, Bank Indonesia is confident that inflation will remain well-controlled within the 2.5±1% target range, supported by consistent monetary policy and close coordination with the Government in managing inflation at both central and regional levels.

Graph 15.a. BI-Rate and INDONIA



Source: Bank Indonesia

Graph 15.b. Bank Interest Rates

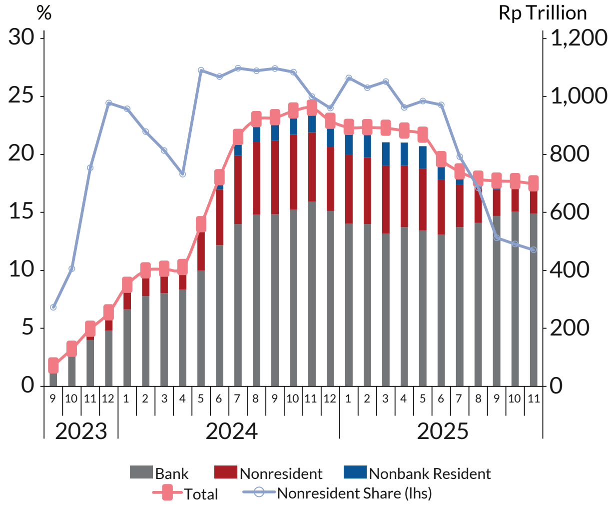


Source: Bank Indonesia

Monetary and financial market stability has been maintained alongside a continued process of interest rate reductions in line with Bank Indonesia's monetary policy easing. Consistent with low inflation and the need to support economic growth, following a 25 bps cut in September 2024, Bank Indonesia reduced the BI-Rate five times during 2025, in January, May, July, August, and September, each by 25 bps. Consequently, the BI-Rate was lowered by a cumulative 150 bps to 4.75% in November 2025, marking its lowest level since 2022. In tandem with BI-Rate reductions and Bank Indonesia's liquidity expansion, money market rates (INDONIA) declined by 203 bps from 6.03% at the beginning of 2025 to 4.00% as of 18 November 2025 (Graph 15.a). SRBI yields for 6-, 9-, and 12-month tenors also fell by 254 bps, 256 bps, and 257 bps, respectively, to 4.62%, 4.65%, and 4.69% as of 14 November 2025, supporting an accommodative monetary stance. Government bond (SBN) yields for 2-year tenors decreased by 226 bps from 6.96% at the start of 2025 to 4.70% on 18 November 2025, while 10-year tenors fell by 113 bps from a peak of 7.26% in mid-January 2025 to 6.13% on 18 November 2025. Nevertheless, the decline in bank interest rates has been relatively slow and requires acceleration. Compared to the 125 bps reduction in the BI-Rate during 2025, 1-month deposit rates fell by only 56 bps from 4.81% at the start of 2025 to 4.25% in October 2025, mainly due to special rates offered to large depositors, which account for 27% of total third-party funds (DPK). Lending rates declined even more gradually, by just 20 bps from 9.20% at the start of 2025 to 9.00% in October 2025 (Graph 15.b). Bank Indonesia is working closely with the Financial System Stability Committee (KSSK) to accelerate reductions in both deposit and lending rates to stimulate credit and financing for higher economic growth.

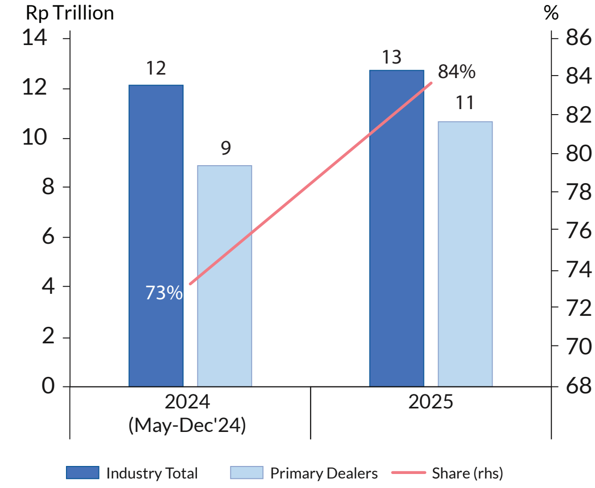
Monetary stability has also been reinforced through Bank Indonesia's expanded monetary operations to enhance the effectiveness of interest rate transmission, increase liquidity, and accelerate money market and foreign exchange (FX) market deepening. In this regard, Bank Indonesia lowered the interest rate structure of monetary instruments and FX swaps to support liquidity expansion and expedite the transmission of lower deposit and lending rates in the banking industry. Liquidity expansion was further pursued through reductions in Bank Indonesia Rupiah Securities (SRBI) and purchases of government securities (SBN) in the secondary market. The outstanding position of SRBI declined by Rp217.66 trillion, from Rp916.97 trillion at the beginning of 2025 to Rp699.30 trillion as of 17 November 2025 (Graph 16.a). In addition, Bank Indonesia purchased SBN as part of close synergy between monetary and fiscal policies, amounting to Rp289.91 trillion as of 18 November

Graph 16.a. SRBI Position: Banks, Nonresidents and Nonbank Residents



Source: Bank Indonesia

Graph 16.b. Role of Primary Dealers in SRBI Secondary Market Transactions

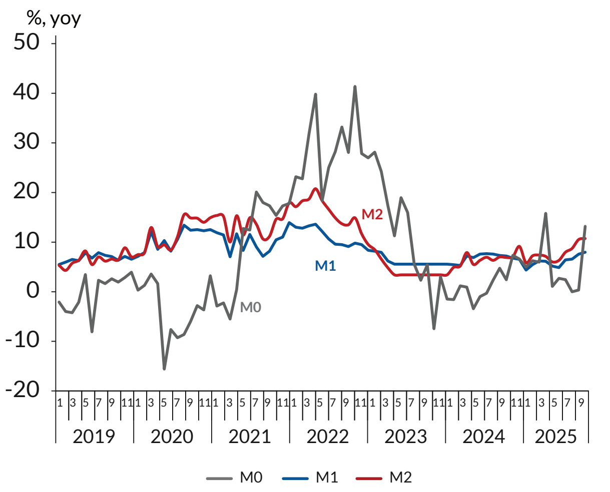


Source: Bank Indonesia

2025, including secondary market purchases and debt-switching programs with the Government totaling Rp212.6 trillion. To foster money market deepening, Bank Indonesia continued implementing the Money Market Development Blueprint (BPPU) in collaboration with the Indonesian Money Market and Foreign Exchange Market Association (APUVINDO), focusing on product development, pricing, participants, and infrastructure. The results have been remarkable, with average daily transactions in the money market increasing from just Rp10.12 trillion in 2020 to Rp54.43 trillion in 2025 (up to October), and FX market transactions rising from USD4.8 billion to USD10.15 billion over the same period. The implementation of the Primary Dealer system since May 2024 has also boosted SRBI transactions in the secondary market and repo transactions among market participants. The share of Primary Dealers in SRBI secondary market transactions increased from an average of 73% in 2024 to 84% in 2025 (up to October) (Graph 16.b).

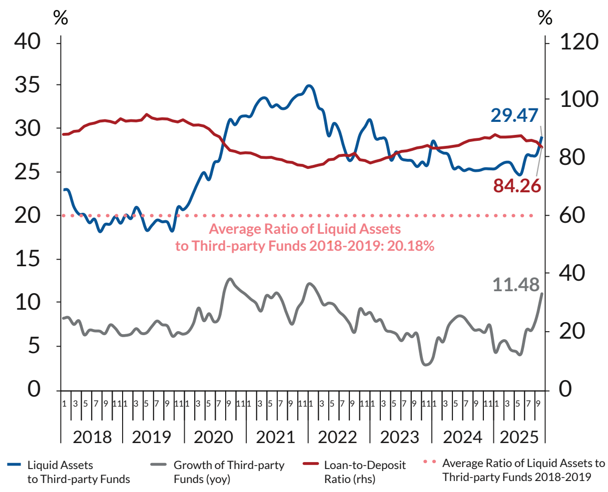
The accommodative monetary policy pursued by Bank Indonesia through interest rate reductions and monetary expansion increased the money supply and contributed to loose liquidity conditions in the banking industry. Adjusted Reserve Money (M0), which accounts for the impact of the lower Reserve Requirement resulting from the macroprudential liquidity incentive (KLM), grew by 14.38% (yoy) in October 2025, higher than the growth of unadjusted M0, which stood at 7.75% (yoy). From its affecting factors, the increase in Adjusted M0 was driven by Bank Indonesia's monetary liquidity expansion and the Government's financial expansion, reflected in Net Claims on Central Government (NCG). The monetary policy easing also contributed to higher growth of broad money (M2), which rose from 5.46% (yoy) in January 2025 to 7.96% (yoy) in September 2025 (Graph 17.a). By components, the increase in M2 growth was influenced by the rise in narrow money (M1), which increased from 7.25% (yoy) in January 2025 to 10.72% (yoy) in September 2025, in line with the growth of currency in circulation, which rose from 10.30% (yoy) in January 2025 to 14.5% (yoy) in September 2025. From the affecting factors, the increase in M2 was primarily driven by higher Net Foreign Assets (NFA). Going forward, the money supply is expected to increase in line with the Government's fiscal expansion. Meanwhile, banking liquidity remained ample, as reflected in the high Liquid Assets to Third-Party Funds (LA/TPF) ratio. Adequate banking liquidity was also evident from the Loan-to-Deposit Ratio (LDR), which indicates the accumulation of funds that have not yet been channeled into credit. As of October 2025, the LA/TPF and LDR ratios stood at 29.47% and 84.26%,

Graph 17.a. Economic Liquidity



Source: Bank Indonesia

Graph 17.b. Banking Liquidity

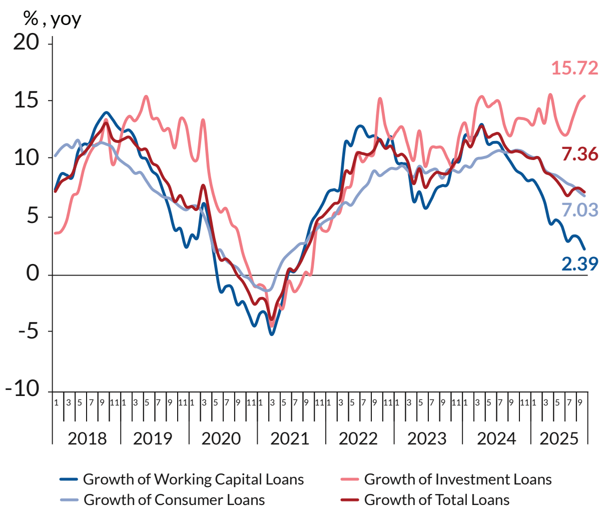


Source: Bank Indonesia

respectively, thus indicating overall loose liquidity conditions in the banking industry (Graph 17.b).

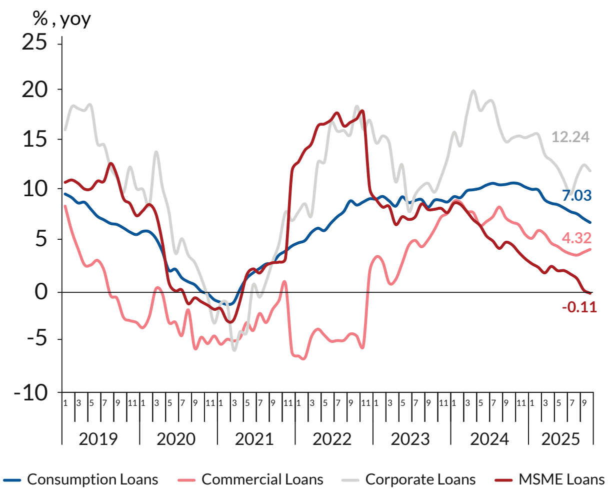
Amid Bank Indonesia's interest rate reductions and liquidity expansion, bank credit/financing disbursements still need to be further strengthened to support economic growth. Credit growth stood at 7.36% (yoy) in October 2025. By type of use, working capital credit and consumer credit growth moderated to 2.39% (yoy) and 7.03% (yoy), respectively, while investment credit growth increased to 15.72% (yoy) (Graph 18.a). By segment, corporate credit continued to posted solid growth at 12.24% (yoy), while commercial, consumer, and MSME credit growth declined to 4.32% (yoy), 7.03% (yoy), and -0.11% (yoy), respectively (Graph 18.b). By economic sector, credit growth was supported by export-oriented sectors, such as mining (14.49%), as well as by domestically oriented sectors, such as social services (23.11%), electricity, gas, and water (25.16%), and transportation (15.38%). Credit growth in the manufacturing sector (7.53%), agriculture (3.54%), trade (0.93%), and several other sectors needs to be strengthened to support higher economic growth (Table 7). Credit/financing disbursement was influenced by banks' prudential

Graph 18.a. Credit Growth by Usage Type: Investment, Working Capital and Consumer Loans



Source: Bank Indonesia

Graph 18.b. Credit Growth by Segment: Consumption, Commercial, Corporate and MSME



Source: Bank Indonesia

Table 7. Credit by Economic Sector

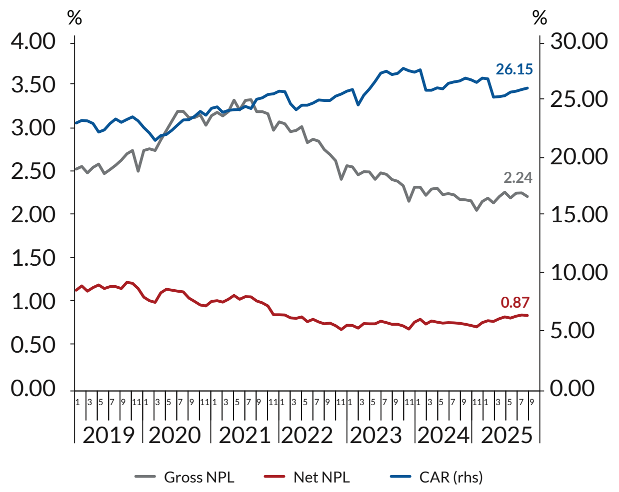
Economic Sector	Growth (%, yoy)				Contribution (%, yoy)			
	Oct-22	Oct-23	Oct-24	Oct-25	Oct-22	Oct-23	Oct-24	Oct-25
Labor Intensive Sectors								
Social Services	15.33	33.79	19.27	23.11	0.46	1.06	0.74	0.95
Construction	5.94	(0.68)	(0.06)	0.19	0.39	(0.04)	(0.00)	0.01
Trade	8.40	5.55	8.17	0.93	1.61	1.03	1.47	0.16
Agriculture	9.59	8.49	7.21	3.54	0.72	0.63	0.53	0.25
Capital Intensive Sectors								
Manufacturing	15.44	4.16	7.53	7.53	2.50	0.70	1.20	1.17
Corporate Service	24.19	18.19	14.99	6.69	2.01	1.68	1.50	0.69
Transportation	5.50	14.30	16.11	15.38	0.29	0.71	0.84	0.84
Mining	67.17	15.23	25.69	14.49	1.73	0.59	1.04	0.67
Gas and Water Supply	(7.54)	4.36	23.77	25.16	(0.23)	0.11	0.58	0.68
Other								
Other	8.70	9.28	11.01	7.03	2.45	2.54	3.02	1.93
	11.95	**8.99**	**10.92**	**7.36**	**11.95**	**8.99**	**10.92**	**7.36**

Source: Bank Indonesia

stance and the still-moderate credit demand. On the supply side, banks' willingness to extend credit generally remained adequate, as reflected in relatively loose lending requirements, except for consumer and MSME credit segments in line with banks' prudential stance amid elevated credit risks in these segments. Banks maintained ample financing capacity, supported by Third-Party Funds (TPF) growth of 11.48% (yoy) in October 2025, driven by Government financial expansion, including Government fund placements in several large banks, as well as Bank Indonesia's liquidity-easing measures and macroprudential policy incentives. On the demand side, the still-weak credit demand was affected by businesses' wait-and-see attitude, continued corporate internal financing optimization, and relatively high lending rates. The undisbursed loan facilities reflect the current condition, which remained sizeable at Rp2,450.7 trillion, or 22.97% of total available credit limits as of October 2025, mainly in the corporate segment, with significant contributions from the manufacturing, business services, construction, and mining sectors, particularly for working capital loans. Bank Indonesia projects credit growth in 2025 to be at the lower end of the 8–11% range and to increase further in 2026. In the future, Bank Indonesia will continue to strengthen coordination with the Government and the Financial System Stability Committee (KSSK) to enhance bank credit/financing growth and improve the interest rate structure.

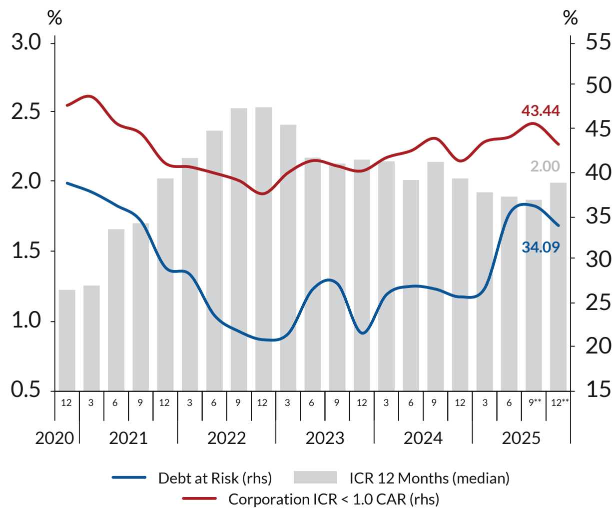
Financial system stability remained well-maintained, supported by strong capital adequacy and low credit risk. The banking Capital Adequacy Ratio (CAR) stood at 26.15% in September 2025, indicating robust capacity to absorb risks and support credit growth (Graph 19.a). Meanwhile, the banking Non-Performing Loan (NPL) ratio remained low at 2.24% (gross) and 0.87% (net) in September 2025. The contained credit risk was also reflected in the continued decline of the Loan at Risk (LAR) ratio.

Graph 19.a. CAR and NPL in Banking Industry



Source: OJK and Bank Indonesia

Graph 19.b. Interest Coverage Ratio (ICR)



Note: **Bank Indonesia's Projection
Source: Bank Indonesia

Banks have generally maintained substantial Allowance for Impairment Losses to cover potential credit risks. Stress test results indicated strong resilience of Indonesia's banking industry, as reflected in the CAR remaining above 25% across various scenarios. Corporates' sound debt-servicing capacity also supported banking capital and liquidity resilience, reflected in the Interest Coverage Ratio (ICR), and solid profitability (Graph 19.b). Going forward, financial system stability is expected to remain well preserved in line with improving national economic performance. Bank Indonesia will continue to strengthen policy synergy with the Financial System Stability Committee (KSSK) to safeguard financial system stability.

Digital economic and financial transactions continued to perform strongly, supported by a secure, seamless, and reliable payment system. On the wholesale side, BI-RTGS transactions in October 2025 increased by 35.02% (yoy) to reach Rp22,524.6 trillion. On the retail side, BI-FAST transaction volume grew by 31.96% (yoy) to 446.8 million transactions. Digital payment transactions were recorded at 4.45 billion, growing by 31.20% (yoy). QRIS transactions continued to surge, posting growth of 139.45% (yoy), with the number of users reaching 58.30 million and merchants totaling 41.19 million. Meanwhile, Rupiah currency management recorded growth in Currency in Circulation (CiC) of 13.37% (yoy) to Rp1,213.76 trillion (Table 8). Payment system stability remained intact, supported by resilient infrastructure and an improving industry structure. From an infrastructure perspective, the reliability and smooth operation of Bank Indonesia's Payment System (SPBI) were well maintained. From an industry structure perspective, interconnection of payment systems and expansion of the Digital Economy and Finance ecosystem continued to progress. Payment transactions based on the National Open API Payment Standard (SNAP) also increased in line with broader adoption. In parallel with non-cash transactions, Bank Indonesia remains committed to ensuring the availability of Rupiah currency in sufficient quantity, appropriate denominations, and fit-for-circulation quality across all regions of the Republic of Indonesia, including the frontmost, the outermost, and the remote (3T) areas. This reflects Bank Indonesia's unwavering commitment to safeguarding national sovereignty and supporting a secure, seamless, and reliable payment system.

The positive performance of Indonesia's domestic economy reflects close policy coordination between the Government and Bank Indonesia to drive economic growth while maintaining stability. To safeguard macroeconomic stability,

Table 8. Indonesia Payment System Projections 2025-2027

Transaction		Growth (%)				Nominal/Volume			
		2024	2025*	2026*	2027*	2024	2025*	2026*	2027*
I. Cashless									
1. Digital Payment	Nominal (Rp Trillion)	19.3	10.8	12.4	14.8	70,890.4	78,563.1	88,310.7	101,410.3
	Volume (Million)	40.7	34.1	30.0	23.9	36,659.2	49,167.8	63,925.9	79,206.7
2. QRIS	Nominal (Rp Trillion)	191.6	125.3	109.2	82.4	659.9	1,486.80	3,110.6	5,674.3
	Volume (Million)	191.7	146.4	10.6	10.6	6,239.7	15,374.2	17,000.0	18,797.7
3. BI-FAST	Nominal (Rp Trillion)	54.7	36.6	26.7	20.3	8,913.8	12,176.2	15,429.5	18,568.7
	Volume (Million)	62.4	45.2	29.8	25.2	3,430.0	4,862.6	6,312.5	7,902.9
4. BI-RTGS System	Nominal (Rp Trillion)	12.8	19.1	11.2	9.0	178,920.3	149,344.0	166,015.0	180,967.0
	Volume (Million)	3.2	0.9	0.3	0.1	10.2	10.3	10.3	10.3
II. Cash									
	Nominal (Rp Trillion)	9.3	8.1	7.2	7.3	1,204.5	1,273.2	1,301.9	1,497.2

Source: Bank Indonesia

Note: *Bank Indonesia's Projection

the Government's fiscal policy remained prudent, with the fiscal deficit in 2025 projected at around 2.75% of GDP, indicating continued progress in fiscal consolidation. Bank Indonesia's monetary policy remained focused on maintaining Rupiah exchange rate stability and inflation within the 2.5±1% target range. Inflation control synergy between Bank Indonesia and the Government, both central and regional, continued to be strengthened through the Central and Regional Inflation Control Teams (TPIP/TPID) and implementation of the National Movement for Food Inflation Control (GNPIP) across various regions. Fiscal and monetary policy synergy was also directed toward supporting economic growth. On the fiscal side, stimulus was provided through social protection programs to sustain household purchasing power and accelerated realization of ministry/government agency spending. In addition, the Government implemented various Asta Cita programs in line with national priority projects focused on food security, energy, defense and security, as well as the Government's 2025 Economic Policy Package. On the monetary side, Bank Indonesia disbursed macroprudential liquidity incentives (KLM) totaling Rp404.6 trillion as of the first week of November 2025 to banks, aimed at stimulating credit and financing to priority sectors, including mineral and food downstreaming, MSMEs, automotive, trade, electricity-gas-water (LGA), tourism, and the creative economy. Policy synergy was further strengthened in the development of the national digital economy and finance, including through electronification of social assistance disbursements and government financial transactions at both central and regional levels. Coordination within the Financial System Stability Committee (KSSK) was also pursued to maintain financial system stability and support the role of the financial sector in financing the economy for sustainable and inclusive growth.

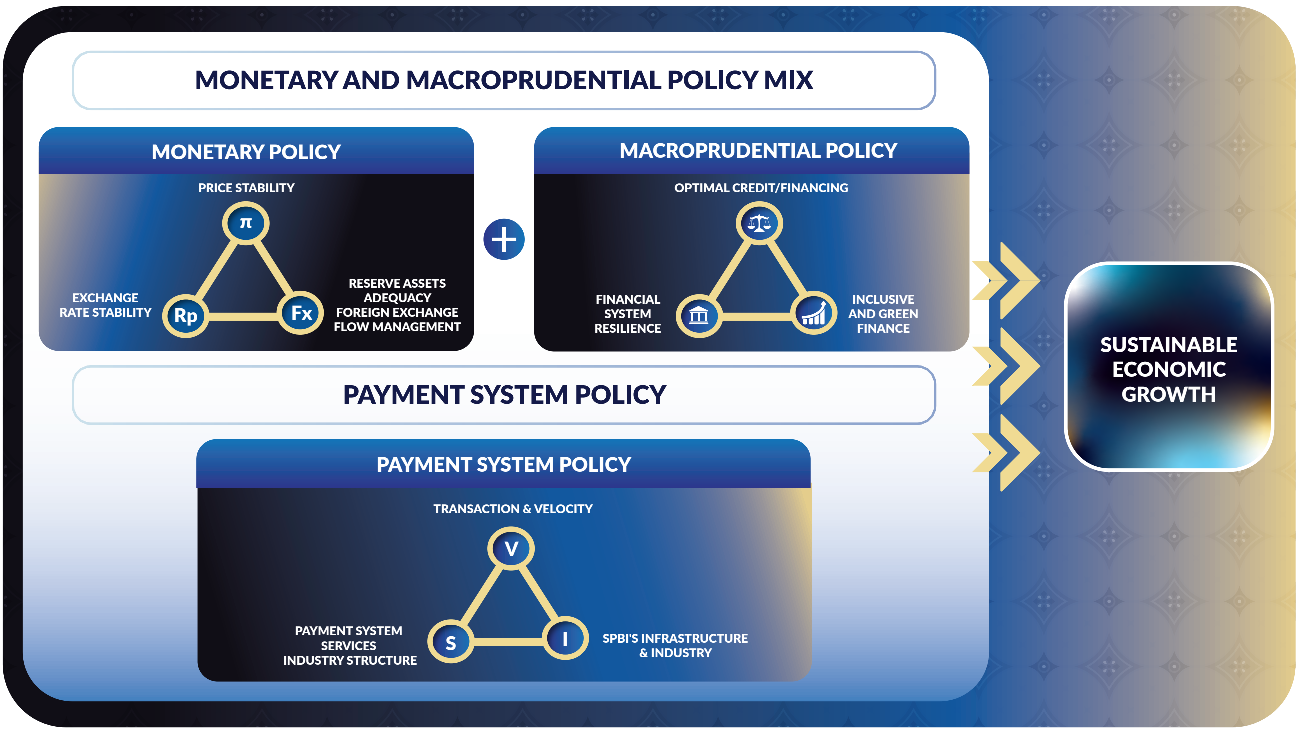
III. Bank Indonesia Policy Mix 2025: Fostering Growth, Maintaining Stability

Bank Indonesia's policy mix in 2025 will continue to be strengthened and directed toward fostering economic growth while maintaining stability, in close synergy with national economic policy. In terms of monetary policy, with inflation remaining low and within the target range, Bank Indonesia reduce interest rate and expand monetary operations to stimulate economic growth, while safeguarding Rupiah exchange rate stability. In terms of macroprudential policy, liquidity incentives are provided to the banking industry to encourage credit and financing to priority sectors under the Government's Asta Cita program. In terms of payment system policy, digitalization is accelerated to promote economic and financial inclusion, particularly in the real sector and among MSMEs. These three core components of Bank Indonesia's policy mix is supported by measures to deepen the money market and foreign exchange market, develop MSMEs and the sharia economy and finance, as well as strengthen international policy.

Bank Indonesia's Policy Mix Conception

In accordance with the Bank Indonesia Act, as amended most recently by the Financial Sector Development and Strengthening Act (UU P2SK), the objective of Bank Indonesia as the central bank of the Republic of Indonesia is to achieve Rupiah stability, maintain payment system stability, and contribute to preserving financial system stability (SSK) in support of sustainable economic growth. Rupiah stability is measured by achieving the inflation target set by the Government and maintaining Rupiah exchange rate stability, supported by adequate foreign exchange reserves (Figure 2). Payment system stability is reflected in the velocity of money circulation, comprising banknotes, account-based money, and digital money, that aligns with the needs of the economy, a healthy and efficient national payment system industry structure, and the provision of secure and reliable payment system infrastructure. Meanwhile, financial system stability is reflected in optimal credit/financing growth, mitigated financial system risks, and the expansion of economic and financial

Figure 2. Bank Indonesia Policy Mix 2025



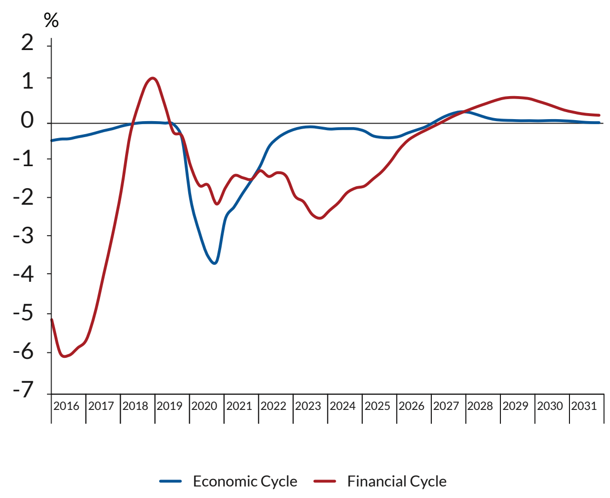
Source: Bank Indonesia

inclusion. In this regard, Bank Indonesia contributes to maintaining SSK through macroprudential policy in the banking sector from a macro-financial linkage perspective, considering that SSK is a shared responsibility among the Ministry of Finance, Bank Indonesia, the Financial Services Authority (OJK), and the Deposit Insurance Corporation (LPS) under the Financial System Stability Committee (KSSK). These three stability objectives of Bank Indonesia are critical and, therefore, oriented toward supporting sustainable economic growth.

To achieve its objectives, Bank Indonesia performs three main functions: monetary policy, macroprudential policy, and payment system policy. Accordingly, Bank Indonesia's support for sustainable economic growth is pursued through these three functions, which can be elaborated as follows. First, through monetary policy, achieving the inflation target and Rupiah exchange rate stability is essential for the development of various economic and financial activities by the Government, the financial sector, businesses, and the public. Low inflation strengthens purchasing power and enhances certainty for businesses. Similarly, Rupiah exchange rate stability is vital for controlling inflation, maintaining financial system stability, ensuring stability in the Government Securities (SBN) market and fiscal financing, and providing certainty for businesses. Second, through payment system policy, innovation in payment instruments, smooth transactions, a healthy industry structure, and stable payment system infrastructure determine the velocity, efficiency, and productivity of various economic and financial activities, both account-based and digital. Likewise, the circulation of banknotes in sufficient quantity and quality is necessary for the public, including in the frontmost, the outermost, and the remote (3T) regions. Third, through macroprudential policy, optimal growth in bank lending/financing, supported by maintained banking system stability and close synergy within the KSSK, plays an important role in promoting sustainable economic growth. To support the implementation of these three functions, Bank Indonesia is also vested with authority in money market deepening and international policy, in addition to participating in MSME development and the sharia economy and finance.

In carrying out its three core functions, Bank Indonesia adopts an optimal policy mix to strike a balance between maintaining stability and supporting national economic growth, while also considering the impact of global economic developments. The policy mix is based on Bank Indonesia's assessments, projections, and simulations of movements in the national economic and financial cycles going forward. In this regard, an accommodative policy mix stance is applied when the cycle is contracting and below potential economic capacity (stagnation or recession), whereas a tighter policy stance is adopted when the cycle is expanding beyond potential capacity (boom or overheating). For example, at present, Indonesia's economic and financial cycles are trending upward yet remain below potential economic capacity (Graph 20). This is reflected, among others, in low core inflation, a narrow current account deficit, and economic growth that has not yet become broad-based across most sectors. Conceptually, therefore, Bank Indonesia's policy mix stance, comprising monetary, macroprudential, and payment system policies, tends to be accommodative to balance the achievement of stability and sustainable economic

Graph 20. Indonesia's Economic and Financial Cycles



Source: Bank Indonesia, Consensus Indonesia growth. Nevertheless, as an open economy, the spillover effects of global turmoil influence national economic stability and resilience. As previously explained, US tariff policies and global geopolitical tensions have exerted pressure on Rupiah exchange rate stability and triggered foreign portfolio investment outflows. These considerations underpin the current policy mix stance, whereby monetary policy is oriented toward "pro-growth and stability," while payment system and macroprudential policies remain "pro-growth," supported by measures to deepen the money market and programs to foster economic and financial inclusion.

Based on the stance of Bank Indonesia's policy mix, the following outlines the key policy instruments implemented in 2025.

i. **Bank Indonesia's monetary policy is implemented through reductions in the BI-Rate, Rupiah exchange rate stabilization, and liquidity expansion.** These measures aim to optimize the monetary policy trilemma, namely maintaining price stability, exchange rate stability, and adequate foreign exchange reserves. The BI-Rate has been lowered six times, totaling 150 basis points since September 2024, to 4.75%, the lowest level since 2022. Rupiah stabilization measures have been reinforced through interventions in the offshore market via Non-Deliverable Forward (NDF) transactions and interventions in the domestic market through spot transactions, Domestic Non-Deliverable Forward (DNDF), and purchases of Government Securities (SBN) in the secondary market. Rupiah liquidity expansion has also been pursued through reductions in Bank Indonesia Rupiah Securities (SRBI) positions and purchases of SBN, including secondary market purchases and debt-switching programs, as part of close synergy between Bank Indonesia's monetary policy and the Government's fiscal policy. Monetary policy is further supported by macroprudential liquidity incentives (KLM) and accelerated payment system digitalization to stimulate economic growth.

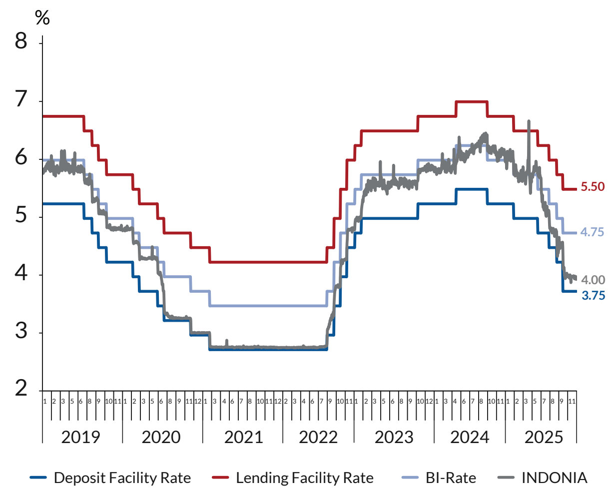
ii. **In the area of macroprudential policy, liquidity incentives were strengthened, and all macroprudential instruments were eased to encourage bank credit/financing growth and support the maintenance of financial system stability.** In this regard, the three objectives of the macroprudential policy trilemma, optimal credit, financial system stability, and financial inclusion, moved in the same direction and were further reinforced. The KLM policy was strengthened to promote bank credit disbursement to priority sectors aligned with the Government's priority programs under the Asta Cita framework. The Bank Foreign Funding Ratio (RPLN) instrument was eased to broaden banks' alternative funding sources from abroad. The Macroprudential Liquidity Buffer (PLM) was also relaxed to provide additional liquidity by reducing the required securities holdings relative to Third-Party Funds (TPF). Other macroprudential policy instruments remained accommodative to support credit expansion, namely the Countercyclical Capital Buffer (CCyB), the Macroprudential Intermediation Ratio (RIM), the Loan-to-Value/Financing-to-Value (LTV/FTV) ratios for property credit/financing, and down payment requirements for motor vehicle credit/financing. Macroprudential and money market surveillance of the banking system were also strengthened to help safeguard financial system stability, supported by close coordination within the Financial System Stability Committee (KSSK).

iii. **Acceleration of payment system digitalization and ensuring adequate currency circulation continue to be pursued to support smooth, efficient, and productive economic and financial transactions.** Digitalization is implemented through innovation in payment instruments and expansion of digital payment services, strengthening the industry structure and payment system infrastructure stability, and integrating the national digital economy and finance ecosystem. Implementation of the Indonesia Payment System Blueprint (IPSB) 2025 has successfully achieved various strategic transformations in payment systems, including broader acceptance of QRIS, implementation of BI-FAST, and the National Open API Payment Standard (SNAP), which have increased payment velocity and retail transaction efficiency. Digital payment system transformation continues under IPSB 2030, focusing on strengthening payment system resilience and expanding interconnection and interoperability domestically and internationally. In 2025, Bank Indonesia continues to broaden digital acceptance through QRIS pricing schemes that are more affordable for Public Service Agency (BLU) and Public Service Obligation (PSO) merchants. In terms of innovation, QRIS features have been expanded with the launch of QRIS Tap, based on Near Field Communication (NFC) technology. The payment system industry structure is reinforced to ensure interconnection and interoperability among payment service providers through expanded SNAP implementation and strengthened industry governance via enhanced surveillance and risk management, including measures against illegal transactions and cyber threats. Payment system infrastructure stability is maintained through optimization of BI-FAST Phase I Stage 2 features, which include bulk transfers, request for payment, and direct debit transfers. In line with public financial digitalization, Bank Indonesia strengthens the digitalization of government financial transactions through the Regional Digitalization Acceleration and Expansion Program (P2DD) and increased acceptance of the Indonesia Credit Card (KKI) to improve transparency, efficiency, and fiscal governance. Furthermore, international synergy is expanded through the implementation of Regional Payment Connectivity (RPC) within ASEAN and the establishment of a new QRIS cross-border payment corridor between Indonesia and Japan to strengthen cross-border connectivity and support regional digital economic integration. Meanwhile, to ensure smooth, efficient, and productive economic and financial transactions across Indonesia, particularly in areas with limited digital acceptance and infrastructure, Bank Indonesia continues to ensure the adequacy and quality of Rupiah currency and strengthens collaboration with various stakeholders to guarantee the availability of high-quality, reliable, and easily accessible Rupiah currency for all segments of society.

Monetary Policy

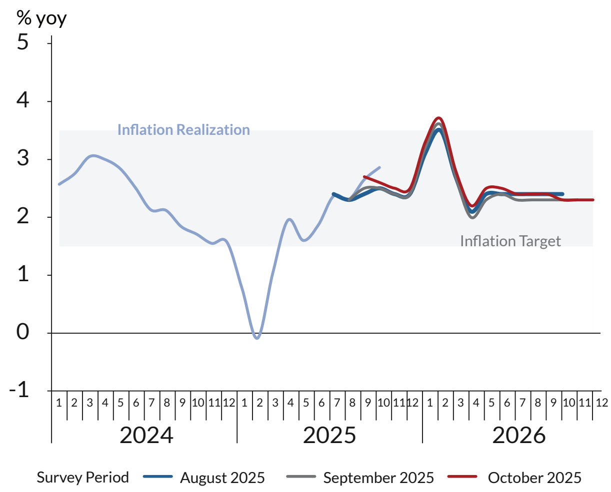
Interest rate policy in 2025 is determined at each monthly Board of Governors Meeting (RDG) in a forward-looking and pre-emptive manner to steer inflation forecasts for the next two years within the target range set by the Government, namely 2.5±1% in 2025 and 2026. As previously explained, Bank Indonesia reduced the BI-Rate six times by a total of 150 basis points, from 6.25% in September 2024 to 4.75% in September 2025, marking the lowest level since 2022 (Graph 21.a). The BI-Rate reductions were decided by Bank Indonesia in September 2024 and, during 2025, in January, May, July, August, and September, each by 25 basis points. At the monthly RDG held on 18–19 November 2025, Bank Indonesia also decided to maintain the BI-Rate at 4.75%, the Deposit Facility rate at 3.75%, and the Lending Facility rate at 5.50% to continue encouraging banks to utilize liquidity easing for the real sector. This decision aligns with the Government's efforts to stimulate economic growth while keeping inflation in 2025 and 2026 within the 2.5±1% target range (Graph 21.b) and maintaining Rupiah exchange rate stability in line with its fundamentals. Moving forward, Bank Indonesia will continue to monitor economic growth and inflation prospects to leverage room for further BI-Rate reductions while considering Rupiah exchange rate stability.

Graph 21.a. BI-Rate and INDONIA



Source: Bank Indonesia

Graph 21.b. Inflation Expectations



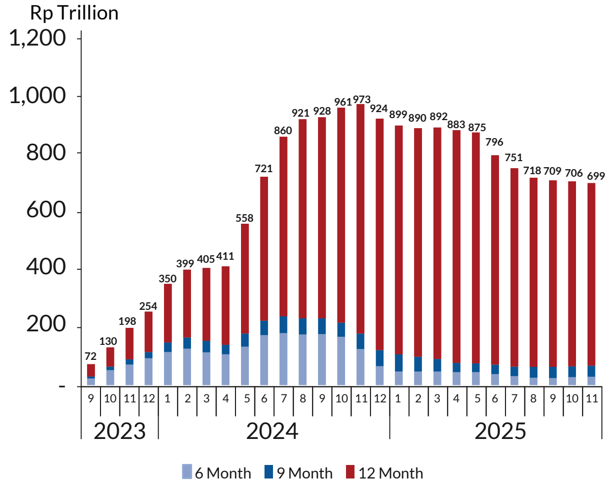
Source: Consensus Forecast

Rupiah exchange rate stabilization policy is implemented to safeguard the external resilience of the national economy against the impact of global turmoil. Strengthening the Rupiah stabilization strategy in line with fundamentals was pursued through interventions in the domestic market via spot and Domestic Non-Deliverable Forward (DNDF) transactions, as well as offshore market interventions through Non-Deliverable Forward (NDF) transactions. This strategy was complemented by purchases of Government Securities (SBN) in the secondary market to enhance liquidity and maintain financial market stability. The Rupiah exchange rate, which had reached around Rp17,000 per US dollar in early April 2025, has since appreciated and stabilized at around Rp16,300–16,700 per US dollar. Bank Indonesia remains firmly committed to maintaining Rupiah exchange rate stability as an integral part of economic stability and the stability of the Republic of Indonesia.

Liquidity expansion was implemented through a pro-market monetary operations strategy to strengthen the effectiveness of interest rate transmission, increase liquidity, and accelerate money market and foreign exchange market deepening. This strategy comprised three measures. First, increasing liquidity in the money market and banking sector by reducing SRBI positions from Rp916.97 trillion at the beginning of 2025 to Rp699.30 trillion as of 17 November 2025 (Graph 22.a). Second, lowering the interest rate structure of monetary instruments and foreign exchange swaps in line with liquidity expansion to accelerate the effectiveness of reductions in deposit and lending rates. SRBI yields for tenors of 6, 9, and 12 months declined by 254 bps, 256 bps, and 257 bps, respectively, since the beginning of 2025 to 4.62%, 4.65%, and 4.69% as of 14 November 2025 (Graph 22.b). Third, strengthening the role of primary dealers to increase SRBI transactions in the secondary market and repurchase agreement (repo) transactions among market participants. Furthermore, to reinforce the effectiveness of liquidity expansion, as mentioned earlier, at the RDG on 18–19 November 2025, Bank Indonesia maintained the Deposit Facility rate at 3.75% to encourage banks to channel excess liquidity into credit for the real sector, thereby supporting higher economic growth.

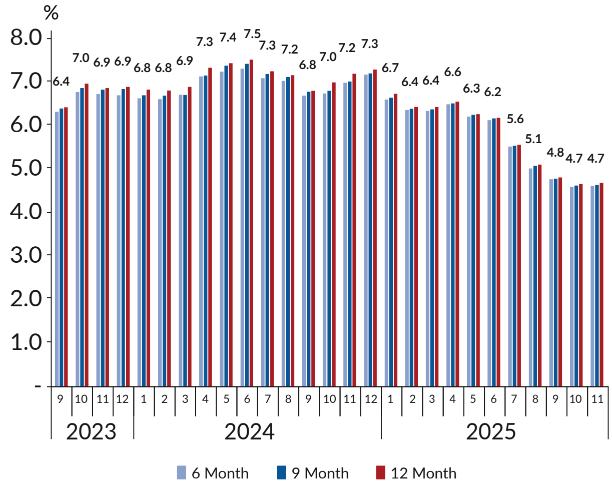
Bank Indonesia continue to optimize various pro-market instrument innovations. Since November 2025, Bank Indonesia has expanded the underlying assets for repos in its monetary operations to include other high-quality securities issued by financial institutions established or owned by the Government to support Government programs aimed at public welfare. To support the Money Market Development Blueprint (BPPU) 2030, Bank Indonesia also introduced BI-FRN (Floating Rate

Graph 22.a. SRBI Position



Source: Bank Indonesia

Graph 22.b. SRBI Rate



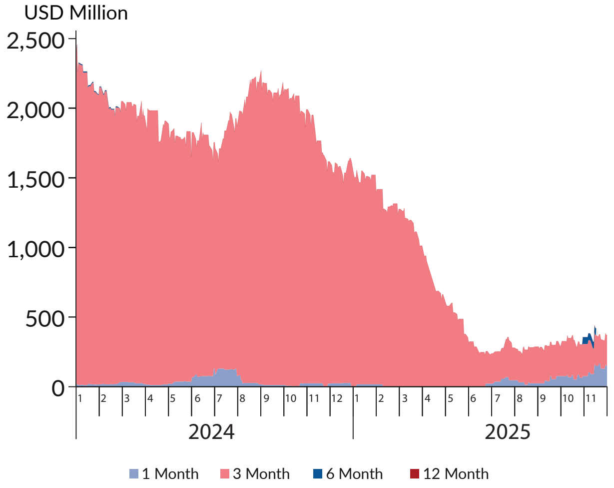
Source: Bank Indonesia

Notes) and developed Overnight Index Swaps (OIS) for tenors beyond overnight to establish an interest rate structure based on money market transactions. In support of the Islamic money market, Bank Indonesia expanded the investor base for Sukuk Bank Indonesia (SUKBI) to include banks and non-bank institutions, as well as non-residents.

Purchases of SBN from the secondary market were conducted in line with the accommodative monetary policy stance through BI-Rate reductions and liquidity expansion. As of 18 November 2025, Bank Indonesia had purchased Rp289.91 trillion since January 2025, including Rp212.60 trillion through secondary market purchases and debt-switching programs with the Government. SBN purchases in the secondary market were carried out based on market mechanisms, in a measured, transparent manner, and consistent with monetary policy objectives to maintain economic stability and preserve monetary policy credibility. Furthermore, these purchases represent close synergy between Bank Indonesia's monetary policy and the Government's fiscal policy to jointly maintain macroeconomic stability and stimulate economic growth. In this regard, part of the SBN purchased was utilized by the Government to finance people-oriented economic programs, such as Public Housing and the Red and White Village Cooperatives (KDMP) initiative.

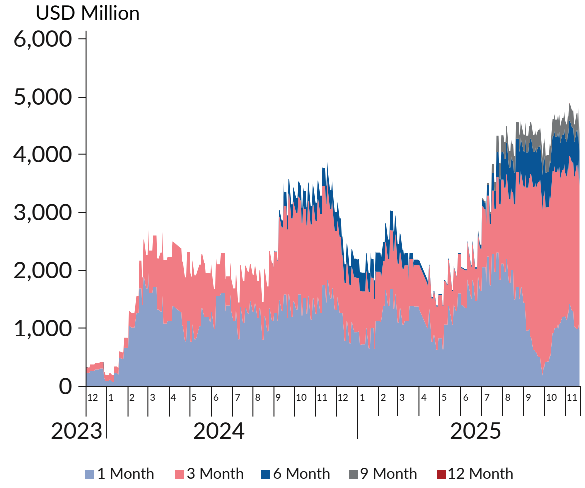
The three monetary instruments mentioned above, BI-Rate policy, Rupiah exchange rate stabilization, and liquidity expansion, are supported by adequate foreign exchange reserves and foreign exchange flow management. Bank Indonesia consistently ensures reserve adequacy in accordance with international standards to support the Government's external debt servicing and Rupiah stabilization policy. At the end of October 2025, the position of foreign exchange reserves stood at USD149.9 billion, equivalent to 6.2 months of imports or 6.0 months of imports and Government external debt servicing, well above the international adequacy standard of approximately 3 months of imports. Bank Indonesia assesses that this level of reserves is sufficient to support external sector resilience and maintain macroeconomic and financial system stability. Furthermore, to support Rupiah exchange rate stability, Bank Indonesia also facilitates the implementation of the mandatory retention policy for Foreign Exchange Export Proceeds from Natural Resources (DHE SDA) in the domestic financial system in accordance with Government Regulation (PP) No. 8 of 2025. The instruments for placement and utilization of DHE SDA have been expanded to include, among others, placement in foreign currency Term Deposit (TD) instruments for tenors of up to 12 months (Graph 23.a), and placement in Bank Indonesia Foreign Exchange Securities

Graph 23.a. Foreign Currency TD DHE Position



Source: Bank Indonesia

Graph 23.b. SVBI Position



Source: Bank Indonesia

(SVBI) and Bank Indonesia Foreign Exchange Sukuk (SUVBI) instruments for tenors of up to 12 months (Graph 23.b). In addition to foreign currency placement instruments, the flexibility provided under Government Regulation No. 8 of 2025 also encourages greater conversion of foreign currency into Rupiah. This has resulted in an increase in foreign currency supply from corporations, which in turn has contributed to higher Rupiah third-party funds (DPK) in the corporate sector.

Bank Indonesia continues to strengthen coordination with the Government, both central and regional, in controlling inflation and supporting national economic growth. With respect to inflation control, particularly food prices (volatile food), synergy with the Government, both Central and Regional, through the Inflation Control Teams (TPIP/TPID) under the National Movement for Food Inflation Control (GNPIP) has been continuously enhanced with full support from Bank Indonesia, involving both the Head Office and the 46 representative offices across Indonesia. Food inflation control adheres to the 4K Strategy, namely price affordability, supply availability, smooth distribution, and effective communication. Bank Indonesia's support for GNPIP includes various programs, namely Productivity Enhancement, Food Security, Interregional Cooperation, Food Distribution Facilitation, Subsidized Discount Market, Data Digitalization, and Coordination and Public Communication, as shown in Table 9. Furthermore, Bank Indonesia consistently supports various Government initiatives to stabilize prices, including the Stabilization of Food Supply and Prices (SPHP) program, particularly for rice, and the intensive monitoring of food prices through periodic coordination meetings at the TPID and TPIP levels, as well as inspections at both market and producer levels. These actions are not limited to stabilizing short-term food prices, but are also directed toward building a resilient and adaptive food security ecosystem in which supply chain efficiency, regional empowerment, and inter-agency coordination form the core foundation for maintaining price stability. In addition to price stabilization efforts, Bank Indonesia continues to support the Government, particularly at the regional level, in accelerating regional economic growth. This includes strengthening economic policy advisory to optimize potential sectors in each region, empowering MSMEs, promoting regional investment and trade through the Regional Investor Relation Unit (RIRU), and actively participating in the Regional Economic Growth Acceleration Team (TP2ED). It is expected that such synergy will foster high, inclusive, and sustainable regional economic growth, thereby supporting the national economic growth vision.

Table 9. Bank Indonesia's Support in GNPIP for Inflation Control in 2025

GNPIP Flagship Program	Target	Achievement	Unit	Implementation (% to Target)					
				National	Sumatra	Java	Balinusra	Kalimantan	Sulampua
Productivity Enhancement									
a. Optimization of Good Agricultural Practices (GAP)	125	345	Program	276.00	277.14	190.24	250.00	343.75	380.00
b. Food Cluster Institution	75	171	Program	228.00	121.05	82.14	160.00	1030.00	107.69
Food Security									
a. Replication of Best Practices	127	80	Program	62.99	45.71	62.50	100.00	80.00	65.52
b. Food Downstreaming	115	67	Program	58.26	50.00	34.21	85.71	114.29	68.18
c. Offtaker Partnership Facilitation	46	65	Program	141.30	123.08	78.57	400.00	250.00	110.00
Interregional Cooperation	132	199	MoU	150.76	192.11	160.47	188.89	117.65	80.00
Food Distribution Facilitation	226	854	Program	377.88	362.30	632.05	142.86	182.76	152.27
Subsidized Discount Market	13,800	14,368	Implementation	104.12	104.60	105.98	108.88	93.67	105.96
Data Digitalization	66	69	Program	104.55	70.00	90.91	240.00	150.00	100.00
Coordination and Public Communication									
a. Institutional Coordination	626	582	Activities	92.97	68.18	97.57	100.00	95.12	116.94
b. TPID Capacity Building	136	154	Program	113.24	105.56	102.13	111.11	168.75	110.71
c. Managing Inflation Expectation	472	818	Program	173.31	97.71	126.14	218.52	203.13	317.53
d. Food Diversification and Processing	175	123	Program	70.29	34.04	72.41	120.00	109.09	76.32
e. Utilization of KLM Incentives	73	74	Program	101.37	61.90	75.00	140.00	66.67	214.29

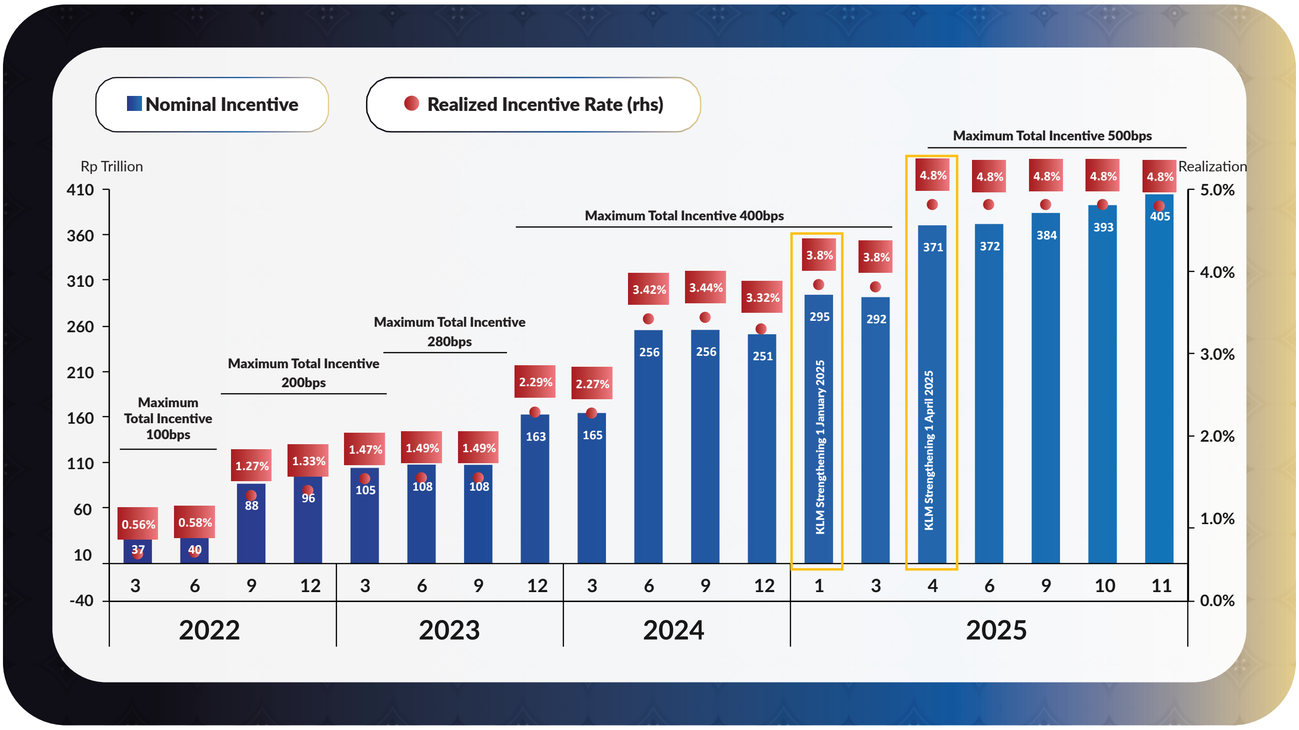
Source: PowerApps GNPIP

Data as of 14 November 2025

Macroprudential Policy

To further encourage bank credit/financing to priority sectors and support the Government's Asta Cita program, Bank Indonesia strengthened the implementation of the Macroprudential Liquidity Incentive Policy (KLM). This innovative macroprudential easing policy has been in place since its initial implementation in March 2022 as part of Bank Indonesia's policy mix to support sustainable economic growth. Liquidity incentives were provided to banks in the form of a reduction in Minimum Reserve Requirement (GWM) obligations to stimulate credit/financing growth for businesses. Bank Indonesia viewed the reduction of GWM through KLM liquidity incentives as more productive for the economy than lowering GWM obligations for all banks, which could otherwise have been used for currency speculation or for purposes unrelated to credit/financing for businesses. Based on this consideration, Bank Indonesia periodically reviews the implementation of KLM and, from time to time, strengthens its effectiveness in encouraging banks to channel credit/financing, both in terms of sector coverage and incentive size (Graph 24). From the perspective of priority sector coverage, KLM initially targeted sectors recovering from the scarring effects of the COVID-19 pandemic and later expanded to sectors with high leverage for economic growth. In 2025, priority sector coverage was further strengthened to support job absorption capacity and the Government's Asta Cita program, with increasing incentive amounts. The size of KLM liquidity incentives was increased from 4% to 5% of third-party funds, effective April 1, 2025. The strengthening of KLM aimed to boost bank credit/financing primarily to priority sectors, namely Agriculture, Trade, and Manufacturing sectors, Real Estate, Public Housing, and Construction sectors, Transportation, Warehousing, Tourism, and Creative

Graph 24. Evolution of Macroprudential Liquidity Incentive (KLM) Policy



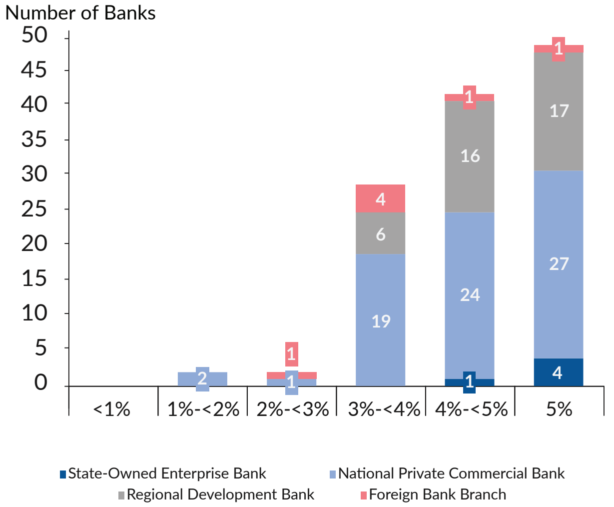
Source: Bank Indonesia

Economy sectors, MSMEs and ultra-micro businesses sectors, environmentally sustainable financing sectors, which contributed to economic growth through job creation (labor-intensive) and supported the Government's Asta Cita program.

The use of KLM liquidity incentives by banks continues to increase, in line with credit/financing growth, to support sustainable economic growth. As of the first week of November 2025, total KLM incentives reached Rp404.6 trillion, distributed to State-Owned Banks (BUMN) at Rp179.4 trillion, National Private Commercial Banks (BUSN) at Rp179.9 trillion, Regional Development Banks (BPD) at Rp39.3 trillion, and Foreign Bank Branch Offices (KCBA) at Rp6 trillion. In total, 124 banks had received significant KLM liquidity incentives, with 49 banks receiving 5% of TFP and 42 banks receiving between 4–5% of TFP (Graph 25.a). From the perspective of priority sectors (Graph 25.b), the largest KLM incentives were allocated to credit/financing in Agriculture, Trade, and manufacturing sectors (Rp133.15 trillion), followed by the Housing sector (Rp107.84 trillion) and inclusive MSME financing (Rp81.19 trillion), the Green Economy Sector (Rp36.38 trillion), Transportation and Storage, Tourism and Creative Economy (Rp23.90 trillion), and inclusive Ultra-Micro financing (Rp22.11 trillion). Thus, the provision of KLM liquidity incentives was considered effective in encouraging banks to channel credit/financing to support sustainable economic growth. Going forward, Bank Indonesia plans to periodically assess the coverage of these priority sectors to ensure alignment with Government programs, including sectors that create job opportunities.

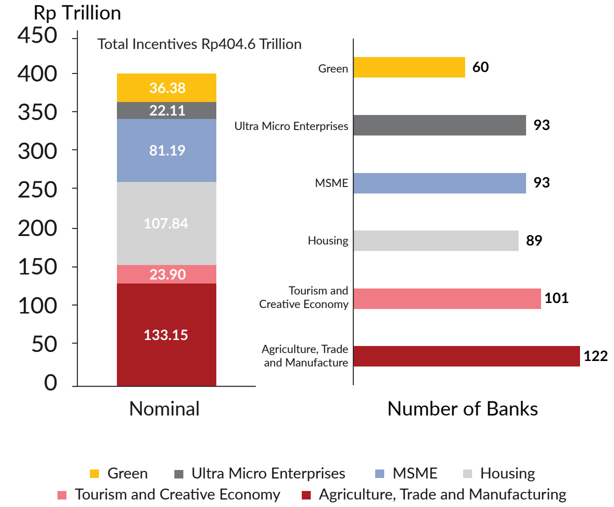
Bank Indonesia strengthens the Bank Foreign Funding Ratio (RPLN) instrument to enhance bank funding capacity in support of optimal liquidity management and bank lending. The RPLN policy is an innovative countercyclical macroprudential instrument designed to strengthen banks' short-term foreign funding in line with economic needs. RPLN regulates the maximum limit of short-term bank liabilities relative to capital. Short-term liabilities considered in RPLN included short-term foreign debt of banks, short-term Domestic Foreign Currency Bonds, and/or short-term Risk Participation Transactions. RPLN has two policy features: a

Graph 25.a. Number of Banks Receiving KLM Incentives



Source: Bank Indonesia

Graph 25.b. KLM Disbursements by Priority Sector



Source: Bank Indonesia

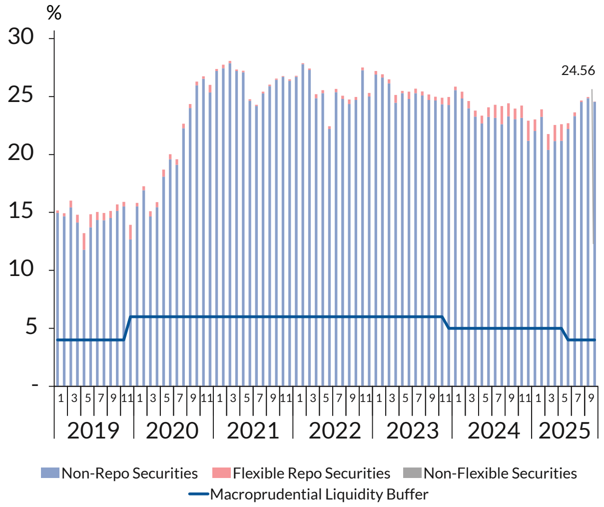
countercyclical and a risk-based approach. The RPLN limit is dynamic, determined by countercyclical parameters that consider macroeconomic and financial cycles, as well as the banking industry's foreign debt cycle, which is evaluated periodically. Using a risk-based approach, the application of countercyclical parameters in RPLN considers external risks and macro-financial risks, including prudential principles covering capital capacity, credit risk, and market risk. Effective 1 June 2025, Bank Indonesia set the countercyclical parameter at 5%, thereby increasing the maximum RPLN limit from 30% to 35%[1]. The implementation of this countercyclical parameter strengthens banks' liquidity capacity in line with national economic needs while maintaining prudential principles.

Bank Indonesia continues to maintain adequate banking liquidity, including flexibility in the Macroprudential Liquidity Buffer (PLM) ratio, to strengthen credit/financing while safeguarding financial system stability. As explained previously, ample banking liquidity conditions was reflected in the LA/TPF and LDR ratios, which stood at 29.47% and 84.26% in October 2025. To enhance flexibility in liquidity management, Bank Indonesia relaxed the PLM ratio, which requires banks to hold a portion of liquid assets in high-quality securities such as government bonds (SBN). Effective 1 June 2025, Bank Indonesia reduced the PLM ratio from 5% to 4% for Conventional Commercial Banks (BUK) and Sharia PLM ratio from 3.5% to 2.5% for Islamic Commercial Banks/Islamic Business Units (BUS/UUS)[2] (Graph 26.a). In addition to lowering the PLM ratio, Bank Indonesia also adjusted the repo flexibility feature in PLM/Sharia PLM policies. The repo flexibility for fulfilling the PLM requirement for BUK was reduced to 4% from the previous 5%, while the repo flexibility for sharia-compliant securities to meet the Sharia PLM requirement for BUS was reduced to 2.5% from 3.5%. These adjustments provide banks with greater room to manage liquidity through repo transactions on securities they hold to meet PLM/PLM Sharia obligations. As of October 2025, all banks had PLM ratios above 5% of TFP, with 73 banks above 20% and 31 banks between 10–20% (Graph 26.b). Almost all securities for PLM compliance were held by banks, with only a small portion being transacted through repos to Bank Indonesia. This development indicated ample liquidity in the banking system, thereby supporting credit/financing for the economy. As outlined in the previous chapter, banks tended to place excess liquidity in securities as an alternative use of funds amid still-weak credit demand from

1 Regulation of Member of Board of Governors Number 12 of 2025 on The Amendment to Regulation of Member of Board of Governors Number 7 of 2024 on the Implementing Regulation of the Bank's Foreign Funding Ratio

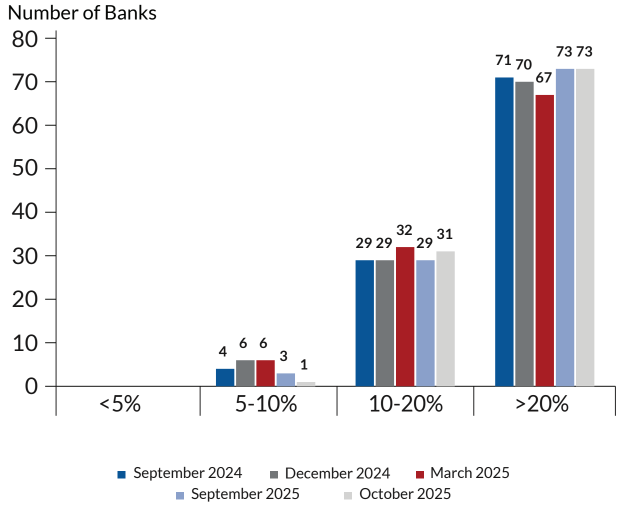
2 Regulation of Member of Board of Governors Number 11 of 2025 on the Eighth Amendment to Regulation of Member of Board of Governors Number 21/22/PADG/2019 on Macroprudential Intermediation Ratio and Macroprudential Liquidity Buffers for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units

Graph 26.a. Macroprudential Liquidity Buffer (PLM)



Source: Bank Indonesia

Graph 26.b. Distribution of Macroprudential Liquidity Buffer (PLM)



Source: Bank Indonesia

eligible businesses. Going forward, as Indonesia's economic recovery continues to strengthen, bank lending/financing is expected to grow further.

In addition to expanding the coverage of priority sectors and increasing KLM liquidity incentives, strengthening the RPLN, and flexibility in the PLM ratio, other macroprudential policy instruments remains accommodative to safeguard financial system stability and support sustainable economic growth. In this regard, Bank Indonesia continues the various accommodative macroprudential instruments that had previously been implemented. The Loan-to-Value/Financing-to-Value (LTV/FTV) ratio is maintained at 100% for all property types (including public housing), and the relaxation of 0% down payment requirements for motor vehicle credit/financing was upheld. Likewise, Bank Indonesia continued to maintain a 0% Countercyclical Capital Buffer (CCyB) and a Macroprudential Intermediation Ratio (RIM) of 84–94% (with the RIM realization at 85.21% at the end of October 2025) to support liquidity flexibility and bank lending, the Macroprudential Inclusive Financing Ratio (RPIM) for promoting inclusive economic and financial development, especially for MSMEs, and the Prime Lending Rate (SBDK) transparency policy for supporting the effectiveness of interest rate and macroprudential policy transmission.

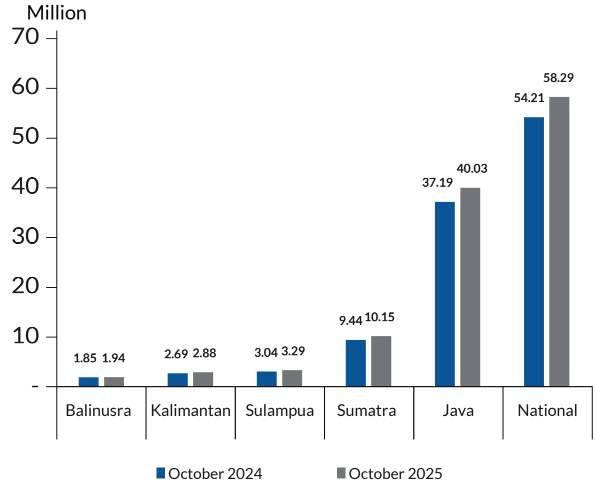
Bank Indonesia continues to strengthen macroprudential and money market surveillance of the banking system to maintain financial system stability. Macroprudential surveillance focuses on the macroeconomic–financial linkages of large banks, which play an essential role in lending/financing and financial system stability. The surveillance assesses liquidity risk, market risk (interest rate and exchange rate risk), and credit risk arising from domestic and global macroeconomic dynamics. Risk assessment is conducted for individual large banks and its interlinkages within the banking system, both in the short term (cross-section) and dynamically over the next two years (forward-looking). Stress tests on these three risk aspects were based on projections of Indonesia's macroeconomic outlook and the impact of global economic dynamics. Meanwhile, market surveillance focuses on assessing the three risks arising from transaction activities and the interconnectedness of large banks in the money and foreign exchange markets. In addition to risk assessments, macroprudential and market surveillance also focus on human resources capabilities, risk management, and technology used in large banks. Both forms of surveillance are mandated by the Financial Sector Development and Strengthening Act (P2SK Act), which enhances Bank Indonesia's mandate on macroprudential policy and deepens the money and foreign exchange markets. The results of macroprudential and market surveillance are essential considerations in formulating Bank Indonesia's policy mix and are an integral part of bilateral supervisory coordination with the OJK, as well as broader coordination to maintain financial system stability within the KSSK.

Bank Indonesia strengthens policy synergy with the Financial System Stability Committee (KSSK) and various authorities in maintaining financial system stability. Throughout 2025, KSSK held regular quarterly meetings and additional sessions when necessary. Coordination with KSSK aims to conduct joint assessments of financial system conditions and coordinate policy responses to safeguard financial system stability. Overall, the financial system remained sound and resilient, withstanding pressures from global and domestic conditions. Bank Indonesia contributed to preserving financial system stability through exchange rate stability, optimal credit/financing growth, surveillance on major banks, particularly with respect to liquidity and market risks, and payment system stability. Stress testing on financial system stability was conducted jointly, along with simulations of coordination for the prevention and management of potential crisis. KSSK also coordinated in preparing follow-up actions on regulations required for implementing the P2SK Act. In this regard, Bank Indonesia has issued 16 out of 17 Bank Indonesia Regulations (PBI), with the remaining regulation to be completed within the prescribed timeline. Bank Indonesia further strengthened collaboration with various authorities and international forums in the areas of macroprudential policy and financial system stability, as part of efforts to reinforce domestic financial system resilience and contribute to global financial stability. This commitment is reflected in Bank Indonesia's active role in strategic international forums such as the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS). Bank Indonesia also reinforced its leadership role in the Asia-Pacific region by serving as Chair of the Working Group on Banking Supervision (WGBS) under the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) for the 2024–2026 term. In this capacity, Bank Indonesia actively promoted discussions on strategic issues such as strengthening financial sector supervision, banking digitalization, and climate risk assessment, which are increasingly relevant to financial system stability. As a result of these efforts and active engagement, Bank Indonesia received the Best Systemic and Prudential Regulator in Asia Pacific Award 2025 from The Asian Banker.

Payment System Policy

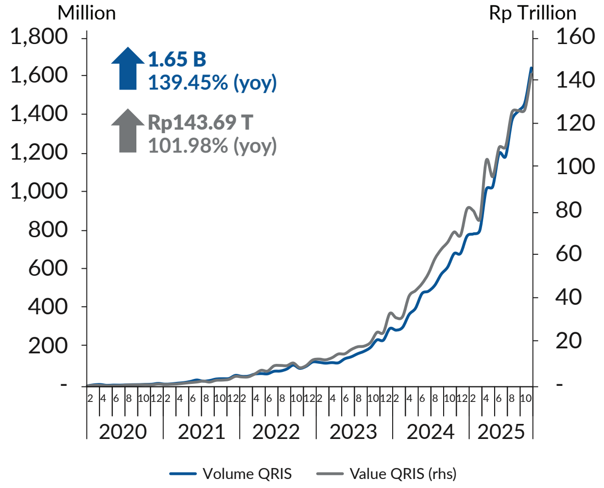
Bank Indonesia has continued to accelerate payment system digitalization through innovation in instruments and the expansion of digital payment services to strengthen integration of the national digital economy–financial ecosystem. The use of Quick Response Code Indonesia Standard (QRIS), as the only national QR standard for digital economic–financial transactions in Indonesia, has been expanded continuously through a broad acceptance campaign, coupled with innovative ease and convenience features for the public. In 2025, a wide-ranging campaign to expand QRIS acceptance will be implemented nationally and in various regions through the 46 representative offices of Bank Indonesia. Bank Indonesia has further innovated QRIS features in collaboration with the Indonesia Payment System Association (ASPI) through the development of national standards for QRIS Tap (QRIS TAP), particularly to support digital public services and retail transactions. To further increase digital payment transactions for the people's economy, Bank Indonesia in 2025 continue providing incentives in the form of broadened digital acceptance as a commitment to supporting the provision of general public services by the Government through the QRIS pricing scheme for Public Service Agency (BLU) and Public Service Obligation (PSO) merchants, reduced from 0.4% to 0%. As of October 2025, QRIS users totaled 58.30 million, surpassing the target of 58.0 million, with 41.19 million merchants, most of which are

Graph 27.a. Number of QRIS Users per Region



Source: Bank Indonesia

Graph 27.b. QRIS Performance: Transaction Volume and Value



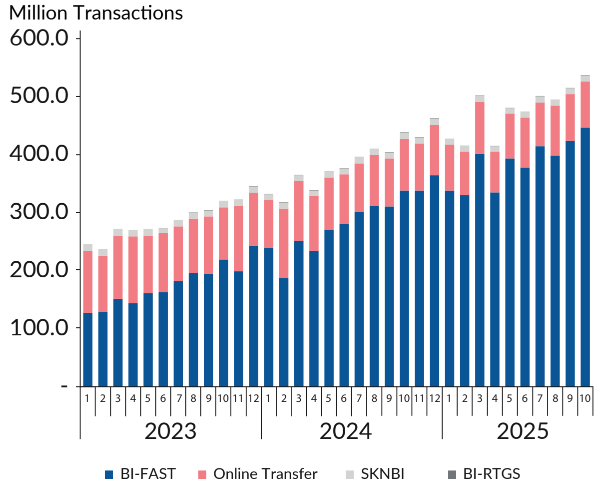
Source: Bank Indonesia

MSMEs. Spatially (Graph 27.a), most QRIS users are in the Java region, totaling 40.0 million, followed by Sumatra (10.2 million), Sulawesi, Maluku and Papua (3.3 million), Kalimantan (2.9 million) and Bali–Nusa Tenggara (1.9 million). The acceleration in QRIS transaction also continued, with transaction volume increase of 139.45% (yoy) and transaction nominal increase of 102.0% (yoy) (Graph 27.b). The rising popularity of QRIS among the public indicates the growing benefits of digital payment system acceleration by Bank Indonesia to support inclusive and sustainable economic growth.

The broadening of acceptance and stability of BI-FAST has been enhanced as the retail payment system infrastructure increasingly popular among the public. As is known, BI-FAST began implementation in 2022 as nationally driven retail payment system infrastructure to meet the rapidly growing needs of retail transactions, equipped with real-time features and 24/7 nonstop operation. Bank Indonesia also provides various benefits, including open participation, options for independent or shared infrastructure, a maximum transaction limit of Rp250 million per transaction, and a BI-FAST pricing scheme of up to Rp2,500 per transaction for customers, with a fee of Rp19 per transaction paid by participants to Bank Indonesia. The introduction of BI-FAST Phase I Stage 2 features has also been optimized to include bulk transfer services, request-for-payment, and direct debit transactions to support digital economic and financial services. As of October 2025, the volume of retail payment transactions below Rp250 million processed through BI-FAST reached 446.77 million transactions, accounting for 83.2% of total retail payment transaction volume (Graph 28.a). The BI-FAST transaction value is generally retail under Rp500,000 per transaction, representing around 60.0% of all transaction segments (Graph 28.b). These developments indicate that BI-FAST is increasingly capable of providing inclusive digital payment services to the public and nurturing cooperation in payment services. As public acceptance continues to grow, Bank Indonesia is strengthening BI-FAST service stability end-to-end, from the stability of payment system infrastructure at Bank Indonesia to the technology and risk management of Payment Service Providers (PSPs), as well as the services provided by PSPs to the public. Consumer protection, prevention against illegal transactions, and the reliability of cyber-security technology remain key priorities in Bank Indonesia's policy and supervisory framework.

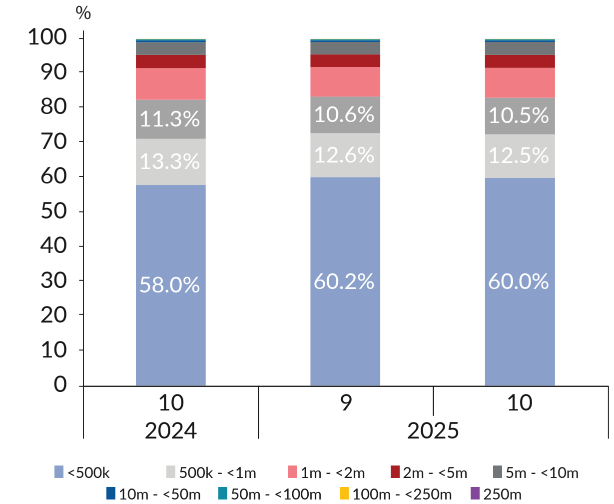
Digital payment system services offered by the banking industry and nonbank PSPs have increased rapidly in line with the growing interconnection between industry players. Digital payments in 2025 are projected to reach 49.2 billion transactions, with a value of approximately Rp78.4 trillion (Graph

Graph 28.a. BI-FAST Transaction Volume vs Other Retail Payments



Source: Bank Indonesia

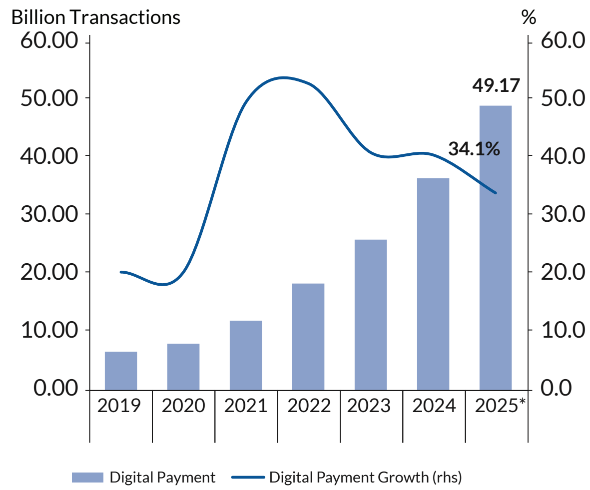
Graph 28.b. BI-FAST Transaction Volume by Transaction Value Bracket



Source: Bank Indonesia

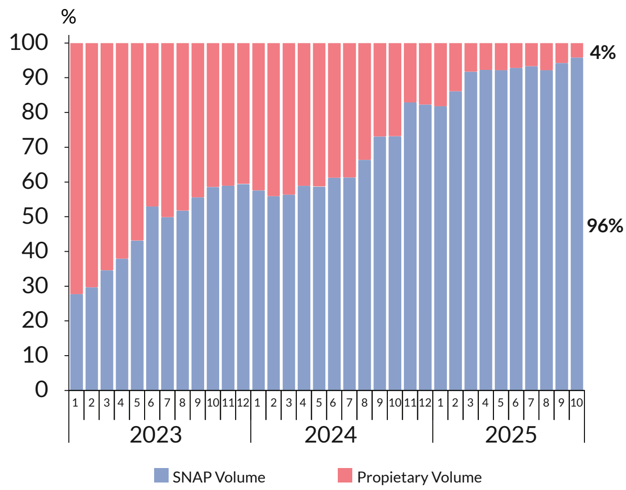
29.a). This rapid development reflects the increasing public acceptance and preference for digital payment services, which provide convenience in conducting various economic and financial transactions quickly, easily, and at low cost. In this regard, to further facilitate digital payment transactions for the public while simultaneously strengthening the structure of the payment system industry, the implementation of the National Open API Payment Standard (SNAP) continues to be expanded to support interconnection of digital banking services between banks and fintech. Following SNAP implementation for first movers and second movers in 2022 and 2023, Bank Indonesia, in collaboration with ASPI, has optimized efforts in 2025 to expand SNAP integration and adoption in the MSME and nonprofit segments. SNAP adoption in the interconnection of payment services by the payment system industry has also demonstrated significant progress, accounting for approximately 96% of total payment transaction volume (Graph 29.b). To strengthen a healthy, efficient, and stable PSP industry structure, Bank Indonesia continues to enhance payment system surveillance, including human resource competency, risk management practices, and the reliability of technology infrastructure. The results of

Graph 29.a. Digital Payment Transaction Volume



Note: *Projection
Source: Bank Indonesia

Graph 29.b. Composition of Transaction Volume among SNAP Participants



Source: Bank Indonesia

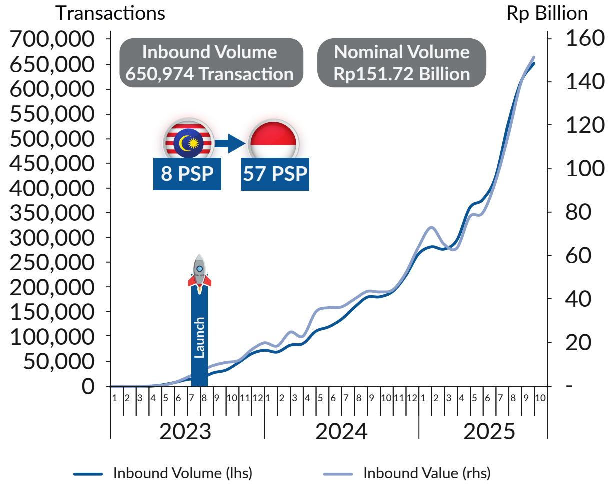
such surveillance serve as the basis for determining the health and classification of PSPs in their participation in BI-FAST, licensing processes, and the development of payment services to the public.

Bank Indonesia continues strengthening policy synergy with the Central and Regional Governments in the digitalization of social assistance distribution and government financial transactions. The smooth delivery of NonCash Social Assistance (BSNT) to Beneficiary Families (KPM) is maintained through coordination, facilitation, and education, as well as monitoring activities involving all Bank Indonesia representative offices. The implementation and acceptance of the Government segment of the Indonesia Credit Card (KKI) continue to be expanded to support efficiency in government financial transactions and promote financial inclusion. Launched in August 2022, the Government segment of KKI is a national credit card scheme for domestic use, starting with government transactions and later extending to retail transactions. After successfully integrating QRIS into the Government segment of KKI, Bank Indonesia in 2025 focuses on promoting the use of the KKI Government segment to further expand its acceptance. With these various benefits, and supported by consistent efforts from Bank Indonesia and the Indonesia Payment System Association (ASPI) to strengthen implementation and acceptance, the number of participating Regional Governments continues to increase. Likewise, KKI transactions continue to grow in both volume and value, dominated by transactions from Regional Governments using the QRIS feature. KKI transactions are most common in the transportation and hotel sectors. The implementation of Regional Government Transaction Digitalization (ETPD) is also being expanded in collaboration with the Regional Digitalization Acceleration and Expansion Task Force (P2DD) through the establishment of P2DD catalyst forums. In addition, synergy with ministries, institutions, and other authorities continues through the organization of the Indonesia Digital Economy and Finance Festival (FEKDI) in October 2025.

Bank Indonesia continued expanding cross-border payment cooperation through implementation of the Regional Payment Connectivity (RPC) initiative in ASEAN and with several other important economic partner countries of Indonesia. Cross-border QR-based payment cooperation has now been implemented between Bank Indonesia and the Bank of Thailand (BoT), Bank Negara Malaysia (BNM), the Monetary Authority of Singapore (MAS), and Japan's Ministry of Economy, Trade and Industry (METI). These developments indicate that an increasing number of residents in both countries are using QR to facilitate transactions, particularly retail transactions for tourism. For example, QR cooperation between Bank Indonesia and BNM is currently facilitated by 8 PSPs in Malaysia and 57 PSPs in Indonesia, with usage in Indonesia totaling around 650 thousand transactions, valued at approximately Rp151.72 billion (Graph 30.a). In 2025, the establishment of a new cross-border QRIS corridor between Indonesia and Japan has been carried out to further strengthen cross-border connectivity. Cross-border QRIS cooperation will continue to be expanded with other partner countries, including the initiation of cooperation extensions with China, South Korea, India, and Saudi Arabia, to promote faster, cheaper, more transparent, and more inclusive cross-border payments, particularly for micro, small, and medium enterprises. This initiative is expected to foster economic activity, including the tourism sector, as well as encourage the use of local currencies for bilateral transactions within the Local Currency Transaction (LCT) framework. As of October 2025, LCT usage had reached equivalent of USD20.2 billion, or an average of USD2.0 billion per month, increased by 58.8% from an average of USD1.4 billion per month in 2024. Most local currency transactions were between Indonesia and China, followed by transactions with Japan, Malaysia, Thailand, South Korea, and the United Arab Emirates (Graph 30.b).

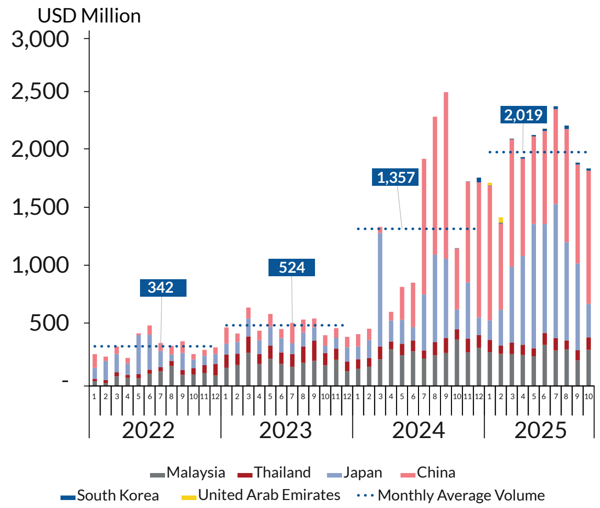
Bank Indonesia also continues to develop the Digital Rupiah through "Project Garuda" to ensure that the Rupiah remains the sole legal tender in

Graph 30.a. Cross-Border QRIS Transactions between Indonesia and Malaysia



Source: Bank Indonesia

Graph 30.b. Local Currency Transaction (LCT)



Source: Bank Indonesia

Indonesia in the digital era. This initiative is likewise a manifestation of the mandate stipulated in Act Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Act), which designates Bank Indonesia as the only institution authorized to issue Rupiah currency in Indonesia. After receiving various inputs from the industry and associations, ministries and government agencies, academics, and the public, Bank Indonesia is currently in the process of experimenting with technology through proof of concept (POC), focusing on the issuance and circulation of Digital Rupiah. At present, Bank Indonesia is testing alternative technological solutions, weighing options between centralized and decentralized approaches, and balancing the trade-off between speed and security for the future issuance of Digital Rupiah. The output of this POC will serve as the foundation for subsequent stages, namely sandboxing, piloting, and prototyping in the development of the first stage (immediate phase), which will focus on the circulation of Digital Rupiah from Bank Indonesia to designated banks acting as wholesalers. This stage will also form the starting point for the next stage (intermediate phase), which will involve the use of Digital Rupiah for digital financial securities (digital financial assets).

In the area of Rupiah currency management, Bank Indonesia continues to advance the transformation of Rupiah currency management based on the Blueprint Pengelolaan Uang Rupiah (BPPUR) 2030, with the themes of modern, collaborative, and sustainable. The implementation of this transformation covers various aspects, including Rupiah currency availability, Rupiah currency distribution, and Rupiah currency management infrastructure. Strengthening the aspect of Rupiah currency availability is carried out through enhancing the accuracy of estimating Rupiah currency demand, optimizing Rupiah currency inventory management, as well as improving the quality of Rupiah currency materials and design to ensure the circulation of higher-quality and more sustainable currency. In the area of Rupiah currency distribution, efficiency improvements in the distribution system are pursued through the optimization of distribution routes by leveraging better infrastructure and interregional connectivity, as well as through the implementation of business process reengineering in Rupiah currency distribution. These efforts are aimed at enhancing the effectiveness of the Rupiah currency distribution process, resulting in more efficient resource utilization. Synergy and collaboration with strategic partners are also continuously strengthened to expand service coverage, ensure timeliness, and maintain the security of Rupiah currency distribution across all regions of the Republic of Indonesia. Optimization of Rupiah currency distribution is also carried out through the development of Partner Cash Centers (*Sentra Kas Mitra*) and Service

Partners (*Mitra Layanan*). The infrastructure of modern Rupiah currency management continues to be strengthened through the development of Digital Smart Cash Management as part of the integrated digitalization of the currency management ecosystem. This innovation is intended to enable planning, monitoring, supervision, and decision-making processes that are faster, more accurate, and based on robust data.

Bank Indonesia continues to expand its services to the public in an effort to meet the demand for high-quality Rupiah currency across Indonesia. As part of its efforts to broaden services that meet the public's need for Rupiah currency, Bank Indonesia consistently conducts mobile cash services (kas keliling) in various regions, including in the frontmost, the outermost, and the remote (3T) areas). The implementation of mobile cash services in 3T regions is carried out through the Ekspedisi Rupiah Berdaulat (ERB) program, which this year has reached 90 islands in 18 provinces. These efforts reflect Bank Indonesia's commitment to strengthening its mission to ensure the availability of high-quality, evenly distributed, and accessible Rupiah currency for all segments of society across the country, as part of efforts to uphold national sovereignty. In addition to ERB, Bank Indonesia also organized the 2025 Semarak Rupiah Ramadan dan Berkah Idulfitri (SERAMBI) program. This program represents Bank Indonesia's concrete commitment to ensuring the availability of Rupiah currency in fit-for-circulation condition, in adequate quantities and appropriate denominations, and distributed evenly throughout Indonesia. The realized SERAMBI 2025 outflow amounted to Rp161.3 trillion. SERAMBI 2025 was implemented through various exchange service channels. Nationally, a total of 6,897 service points were provided, consisting of 4,141 banking service points and 2,756 direct service points operated by Bank Indonesia.

Bank Indonesia also promotes the implementation of sustainable Rupiah currency management. Bank Indonesia's commitment to sustainability principles (green commitment) is manifested through the Sustainable Rupiah Currency Management program, which covers the entire currency management cycle, from printing and circulation to the destruction of Rupiah currency. In the printing aspect, Bank Indonesia strengthens the application of sustainability principles through enhancements to the Rupiah currency life cycle. This effort is realized through the use of durable paper in the design and printing process, aimed at improving physical durability and extending the circulation life of the currency. In the circulation aspect, the green commitment is reflected in the implementation of environmentally friendly vehicles, including Euro 4 and Euro 5–compliant vehicles as well as hybrid vehicles, to support efficient and low-emission currency distribution. Meanwhile, in the destruction aspect, Bank Indonesia applies the circular economy concept through two main initiatives, waste to energy and waste to product, as a form of environmental responsibility in each stage of currency management. The utilization of Rupiah currency waste for energy is carried out by processing waste briquettes from shredded banknotes as co-firing material in several power plants. This initiative generates approximately 1.15 million kWh of electricity per year, equivalent to the electricity needs of around 72.3 thousand households, using approximately 5,517 tons of Rupiah currency waste annually. In addition, the utilization of Rupiah currency waste is also developed through the waste-to-product program, including processing waste into soil composters and value-added craft products, thereby providing economic benefits while supporting sustainable environmental management. With a spirit of transformation and digitalization, Bank Indonesia continues to advance the development of modern, collaborative, and sustainable Rupiah currency management.

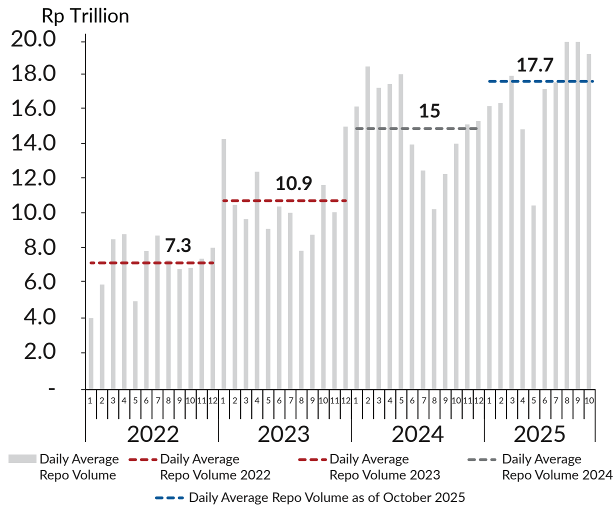
Money Market and Foreign Exchange Market Deepening

Bank Indonesia continues to accelerate the deepening of modern, advanced, and integrated money market and foreign exchange market in

synergy with a pro-market Monetary Operations strategy to strengthen the effectiveness of monetary policy transmission, financial system stability, and national economic financing. Building on the achievements and positive momentum established through the implementation of the Money Market Development Blueprint (BPPU) 2025, Bank Indonesia has set the Money Market and Foreign Exchange Market Deepening Blueprint 2030 (BPPU 2030) as the strategic direction and foundation for money market and foreign exchange market development in Indonesia. The issuance of BPPU 2030 also represents the implementation of the Financial Sector Development and Strengthening Act (P2SK Act), which mandates Bank Indonesia to regulate, develop, and supervise money market and foreign exchange market. The P2SK Act further expands this mandate by designating Bank Indonesia as the authority responsible for regulating, developing, and supervising money market and foreign exchange market derivatives, which were previously under the jurisdiction of the Commodity Futures Trading Regulatory Agency (Bappebti). BPPU 2030 is designed with strategic objectives focused on four key areas: products, pricing, participants, and financial market infrastructure, referred to as 3P+I. The transformation under BPPU 2030 strengthens the BPPU 2025, particularly in terms of integration with the pro-market monetary operation strategy, the strategic targets for 3P+I, the development of money market and foreign exchange market infrastructure based on the 3i principles (interconnection, interoperability, and integration) supported by data digitalization, as well as the reinforcement of regulation and supervision of money market and foreign exchange market. The strategic objectives of BPPU 2030 will be achieved through three main strategies: (1) developing diverse and liquid products with credible and transparent pricing; (2) fostering active and competent market participants and building financial market infrastructure that meets the 3i principles; (3) strengthening synergy and coordination to support the effectiveness of monetary policy. Bank Indonesia views that modern and advanced money market and foreign exchange market is a critical foundation for enhancing the effectiveness of monetary operations and policy transmission, maintaining financial system stability, supporting fiscal financing by the Government, and expanding access to financing for businesses and the economy.

Since the implementation of BPPU 2030, transactions in Indonesia's money market and foreign exchange market have continued to record positive developments. In terms of product development in the money market, data as of October 2025 show that the average daily value of repo transactions in 2025 reached Rp17.7 trillion, an increase of 17.9% from Rp15 trillion in 2024 and up 62.7% from Rp10.9 trillion in 2023 (Graph 31). Meanwhile, Overnight Index Swap (OIS) transactions also increased, with the average daily value reaching Rp66.5 billion as of October 2025, up 35.71% from Rp49 billion in 2024. These positive developments were driven by several initiatives in 2025, namely: (1) the implementation of the Primary Dealers (PD) obligation in money market and foreign exchange market to increase repo transaction counterparties and expand the signing of the Global Master Repurchase Agreement (GMRA); (2) the expansion of repo underlying in monetary operations, initiating broader use of repo underlying among market participants; (3) the issuance of BI–FRN (Floating Rate Note) as a marketable security instrument with a floating coupon. Specifically, the

Graph 31. Daily Average Repo Transactions



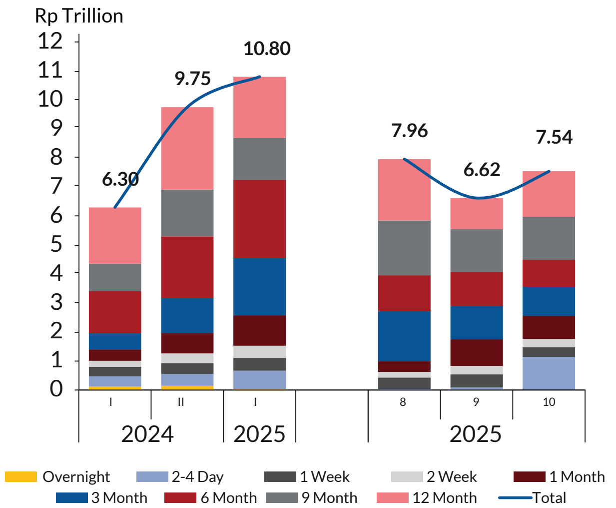
Source: Bank Indonesia

first initiative, mandating Primary Dealers in money market and foreign exchange market to enhance repo transaction counterparties and expanding GMRA adoption has contributed to strengthening interconnections among repo market participants. Consequently, this initiative is expected to boost transaction volume and efficiency, broaden the market participant base, and bolster investor confidence both domestically and internationally. The second initiative, expanding repo underlying in Bank Indonesia's monetary operations with other high-quality securities such as corporate bonds and corporate sukuk issued by financial services institutions (FSIs) established or designated by the Government to support government programs for public welfare and prosperity (special mission vehicles) has initiated broader use of repo underlying among market participants. The third initiative, the issuance of BI–FRN as a marketable security instrument with a floating coupon will increase participants' exposure to interest rate risk, thereby expected to stimulate growth in OIS transactions as an interest rate hedging instrument. Higher OIS transaction volume will support price formation in the money market and complement the money market term structure. In line with these initiatives, efforts to enhance liquidity in the OIS market also included developing the role of brokerage firms to facilitate OIS matchmaking in November 2025.

In particular, the positive development of repo transactions reflects the strengthening role of repo as an instrument that enables market participants to manage banking liquidity using marketable securities (particularly SBN and SRBI). This progress has also had a positive impact on the government securities (SBN) market. SBN liquidity has improved and yields have declined, thereby contributing positively to reducing the Government's fiscal financing burden.

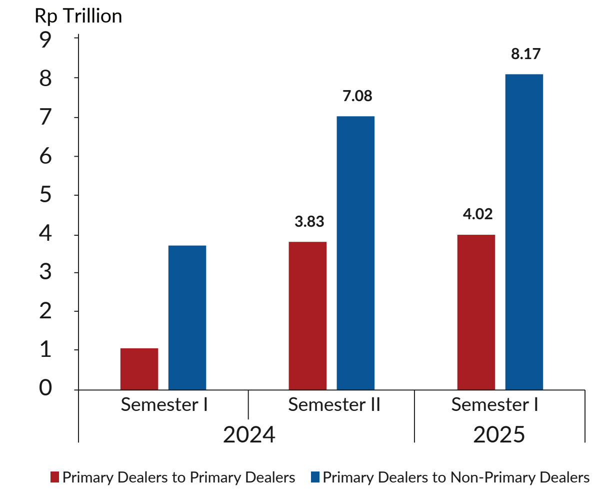
Money market and foreign exchange market deepening has also been reinforced through Bank Indonesia's pro-market monetary operations strategy. This strategy includes the provision of money market instruments, namely SRBI, SUKBI, SVBI, SUVBI, and BI-FRN, to stimulate secondary market transactions in these instruments, thereby strengthening the market's role as a source of price discovery. Developments in secondary market transactions of money market instruments in 2025 have shown positive results, driven by the upward trend in SRBI transactions. In the first half of 2024, the average daily volume of SRBI transactions in the secondary market was approximately Rp6.3 trillion. Following the implementation of money market and foreign exchange market Primary Dealers in May 2024, the average daily volume of SRBI transactions in the secondary market continued to increase, reaching Rp10.8 trillion in the first half of 2025 (Graph

Graph 32.a. SRBI Transactions in the Secondary Market by Tenor



Source: Bank Indonesia

Graph 32.b. SRBI Transactions between Primary Dealers and Non-Primary Dealers

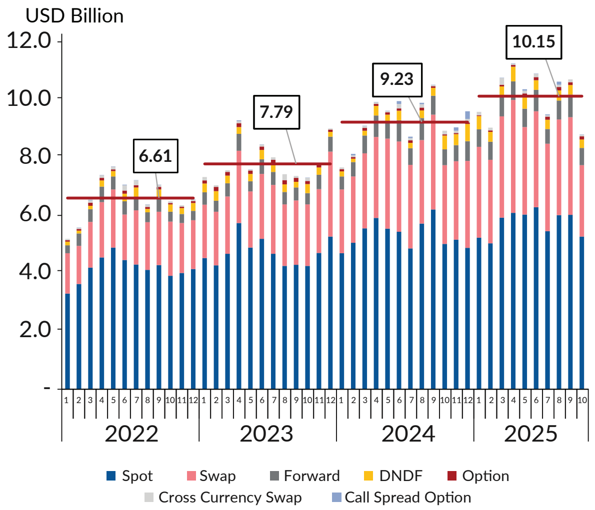


Source: Bank Indonesia

32.a). In line with this progress, interconnections among market participants also improved, as reflected in the average daily SRBI transactions between Primary Dealers, which rose from Rp3.83 trillion in the second half of 2024 to Rp4.02 trillion in the first half of 2025, and between Primary Dealers and Non-Primary Dealers, which increased from Rp7.08 trillion to Rp8.17 trillion over the same period (Graph 32.b). These positive developments were supported by Bank Indonesia's policy to restructure market participants through the selection of Primary Dealers to enhance transactions and interconnections within money market and foreign exchange market. This achievement also demonstrates the growing capacity and capability of banks and other market participants in managing liquidity and investment portfolios, which previously relied heavily on Bank Indonesia's monetary operations.

In line with these developments, foreign exchange (FX) market transactions have also recorded positive performance. As of October 2025, the average daily FX transaction value stood at USD10.15 billion, an increase of 10% from USD9.23 billion in 2024 and 30% from USD7.79 billion in 2023 (Graph 33). Although transactions remain dominated by spot trades, the share of FX derivative transactions continued to rise, reaching 43% compared to 42% in 2024 and 40% in 2023. Consistent with the

Graph 33. Daily Average Foreign Exchange Transactions



Source: Bank Indonesia

development of FX derivative transactions, the average daily volume of Domestic Non-Deliverable Forward (DNDF) transactions continued to increase, reaching USD368 million per day in 2025 (as of October), up from USD298 million per day in 2024 and USD268 million in 2023. The increase in DNDF volume has enhanced the competitiveness of DNDF pricing compared to offshore NDF, thereby improving transaction efficiency. These positive developments were supported by several strategic measures in 2025, including: (1) the implementation of DNDF facilities for money market and foreign exchange market Primary Dealers, marking the expansion of Primary Dealer coverage in the FX market; (2) the implementation of coordination and synergy forums with market associations to support FX market development; (3) the efforts to broaden the adoption of standardized contracts for margin requirements.

Foreign exchange (FX) product development initiatives have primarily been directed at enhancing liquidity in the FX market. First, the implementation of FX Primary Dealers in early second semester of 2025 contributed to the growth of DNDF transactions, both in terms of volume and interconnections among participants. Second, coordination with the market association, APUVINDO, covering DNDF development evaluation and dissemination of hedging implementation, supported the expansion of FX market participants. Bank Indonesia has fulfilled its G20 commitment on Over-the-Counter (OTC) Derivatives Market Reform through the implementation of standardized DNDF transactions cleared via the Central Counterparty (CCP). Third, the enforcement of provisions on Non-Centrally Cleared Derivatives (NCCD) or Margin Requirements for Derivative Transactions not cleared through CCP, effective 1 September 2025, also reinforced Bank Indonesia's efforts to further develop DNDF cleared through CCP. Accordingly, in 2025 Bank Indonesia introduced the expansion of standardized margin contracts, beginning with the signing of commitments by market participants. These strategic measures are expected to strengthen DNDF as a hedging instrument for banks, market participants, and the corporate sector.

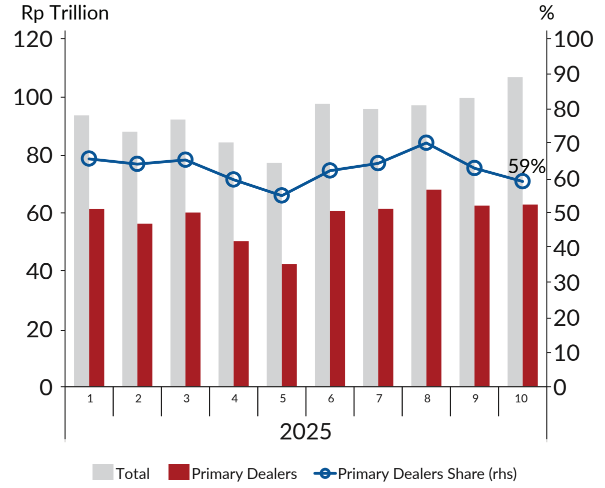
Positive developments in the money and foreign exchange markets have also been supported by the receipt of netting opinion from the International Swaps and Derivatives Association (ISDA) in April 2025 and collateral opinion in August 2025, thereby facilitating the implementation of close-out netting. Following the attainment of netting opinion status, Bank Indonesia will focus on expanding the adoption of standardized money market and foreign exchange market contracts, including GMRA, ISDA, PIDI, and Margin Requirement Contracts. These efforts are consistent with Bank Indonesia's strategic plan to continue developing money market and foreign exchange market products by deepening repo and DNDF transactions and expanding to other instruments such as Interest Rate Swaps (IRS) and cross-currency swaps. Regulatory reform in the money market and foreign exchange market continues to be strengthened through the issuance of implementing provisions governing money market transactions and transaction facilities. The continuation of these regulatory reforms remains directed toward the objective of deepening the money and foreign exchange markets to enhance the effectiveness of monetary policy transmission, safeguard financial system stability, and support sustainable growth in national economic financing.

From a pricing perspective, initiatives have been directed toward establishing an efficient money market term structure for tenors ranging from two weeks to twelve months. In the money market, Bank Indonesia has set INDONIA as the reference rate for overnight tenor and Compounded INDONIA for tenors of 30, 90, 180, and 360 days, which are backward-looking. Furthermore, as part of benchmark reform, Bank Indonesia issued BI-FRN (Floating Rate Note) to encourage the development of Overnight Index Swap (OIS) transactions. Prices formed through OIS transactions will support the establishment of a forward-looking interest rate structure in the money market, particularly for tenors of two weeks to twelve months. These developments are expected to facilitate the formation of a credible money market curve, thereby strengthening the price discovery function in the money market.

In the foreign exchange market, JISDOR and Non-USD/IDR reference rates have been developed as daily exchange rate benchmarks in line with prevailing international best practices. The Non-USD/IDR reference rates were expanded to 17 currency pairs in 2025, from 14 currency pairs in 2024, with the addition of AED/IDR, PHP/IDR, and INR/IDR. In line with initiatives in the money market, the development of FX Swap and FX Forward transactions for longer tenors will be directed toward establishing an FX Forward Curve as a benchmark for derivative transactions in the foreign exchange market. The formation of a credible money market curve and FX Forward Curve that accurately reflects actual market conditions indicates a deep and efficient money and foreign exchange market, thereby strengthening the overall effectiveness of monetary policy transmission.

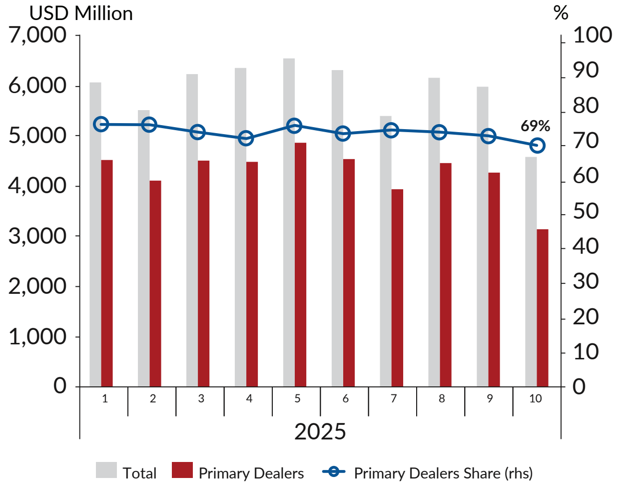
Bank Indonesia consistently develops money market and foreign exchange market participants to become more active, competent, and professional, while strengthening the role of associations in accelerating money market and foreign exchange market deepening. As part of restructuring money market and foreign exchange market participants to create active players, Bank Indonesia implemented money market and foreign exchange market Primary Dealers in 2024. As of October 2025, Bank Indonesia has designated 20 banks as money market and foreign exchange market Primary Dealers, which have made a significant contribution to accelerating money market and oreign exchange market development. This is reflected in the share of average daily transactions by money market and foreign exchange market Primary Dealers, which reached 59% in the money market (Graph 34.a) and 69% in the foreign exchange market (Graph 34.b). This achievement was supported by the implementation of money market and foreign exchange market Primary Dealers policies, including: (1) the strengthening money market and foreign exchange market Primary Dealers obligations, encompassing their role as market makers, active participation in monetary operations, and active engagement in money market and foreign exchange market transactions; (2) the enhancement of money market and foreign exchange market Primary Dealers capacity through increased repo counterparty

Graph 34.a. Primary Dealers Transactions in the Money Market



Source: Bank Indonesia

Graph 34.b. Primary Dealers Transactions in the Foreign Exchange Market



Source: Bank Indonesia

lines and provision of DNDF facilities specifically for money market and foreign exchange market Primary Dealers; (3) regular performance evaluations to ensure compliance with money market and foreign exchange market Primary Dealer criteria. In greater detail, under the first initiative, money market and foreign exchange market Primary Dealers play a key role in supporting strategic money market and foreign exchange market deepening initiatives in line with BPPU 2030 implementation, including executing repo transactions alongside expanding repo underlying assets with high-quality securities and contributing to OIS price formation through quotation provision. Under the second initiative, capacity strengthening was accelerated through the implementation of repo counterparty line obligations in April 2025 and the provision of DNDF facilities for money market and foreign exchange market Primary Dealers starting in the second semester of 2025 to boost liquidity and efficiency in the domestic repo and FX derivative markets. Furthermore, Bank Indonesia conducts regular evaluations of money market and foreign exchange market Primary Dealer performance based on established criteria to ensure the effectiveness of achieving the objectives of money market and foreign exchange market Primary Dealer implementation.

In terms of quality, money market and foreign exchange market participants have demonstrated significant improvement in competency, as reflected by the treasury certification ownership rate, which reached 95% of total treasury dealers in 2025. This achievement indicates enhanced professionalism and capacity among money market and foreign exchange market participants. Such progress is inseparable from the joint efforts of Bank Indonesia and stakeholders to continuously refine the Indonesian National Work Competency Standards (SKKNI) for Treasury to ensure relevance with market dynamics and the latest financial industry requirements. The refinement aims to strengthen the credibility of treasury professional certification as a national competency benchmark while ensuring that market participants possess technical expertise, integrity, and professionalism in accordance with global standards. In the process of enhancing money market and foreign exchange market participant quality, the Indonesian Money Market and Foreign Exchange Market Association (APUVINDO) continues to play an active role as Bank Indonesia's strategic partner, including in the administration of treasury certification and the implementation of the Market Code of Conduct.

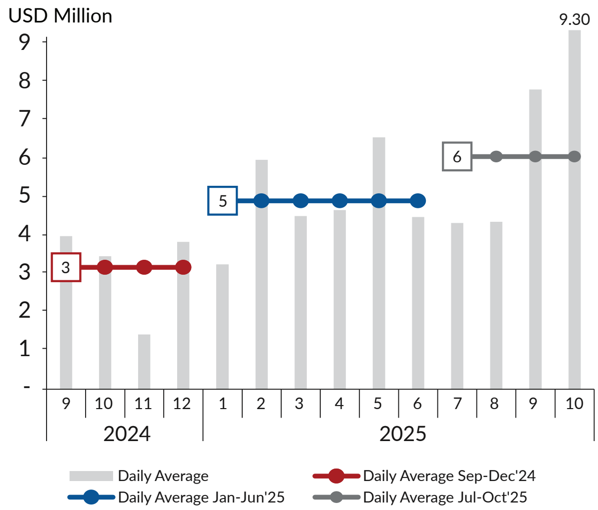
The acceleration of money market and foreign exchange market development has been carried out by engaging APUVINDO as Bank Indonesia's strategic partner across all aspects of 3P+I to deepen the money and foreign exchange markets. Several concrete collaborative measures by

APUVINDO in market development include: (1) drafting accounting guidelines for money market and foreign exchange market transactions cleared through the CCP, prepared by APUVINDO in collaboration with KPEI, the Indonesian Institute of Accountants (IAI), and CCP members; (2) conducting sharing sessions for all banks on the implementation and benefits of various money market and foreign exchange market development initiatives, such as money market and foreign exchange market products and CCP; and (3) evaluating money market and foreign exchange market development initiatives. Through close coordination with Bank Indonesia, APUVINDO work programs are consistently aligned with the policy direction of BPPU 2030 and the mandate of Bank Indonesia Regulation No. 6 of 2024 concerning the money market and foreign exchange market, with the aim of strengthening governance, efficiency, and competitiveness of the national financial market.

In terms of money market and foreign exchange market infrastructure, strengthening and development have been carried out comprehensively across three layers: front-end, middle-end, and back-end. The first infrastructure enhancement, namely the front-end, is aimed at supporting the integration strategy of money market and foreign exchange market with pro-market monetary operations to accelerate liquidity in money market and foreign exchange market transactions, maintain financial system stability, and promote efficient price formation. Front-end enhancement on the Bank Indonesia Electronic Trading Platform (BI-ETP) has been implemented through feature upgrades to accommodate: (1) the issuance of BI-FRN (Floating Rate Note); (2) the expansion of Bank Indonesia repo underlying to include other high-quality securities issued by financial institutions in the form of public entities with special assignments; (3) the adjustment of participant platform through collateral search feature enhancement. The capability of transaction facilities continues to be strengthened to support the implementation of the pro-market monetary operations strategy, aimed at encouraging market participants to manage liquidity primarily through transactions between participants rather than transactions with Bank Indonesia. The enhancement of front-end infrastructure for participant-to-participant transaction facilities includes: (1) the issuance of regulations governing transaction facilities; (2) the development of interconnection between market participants' transaction systems and the Central Counterparty (CCP); (3) the strengthening of the role of brokerage firms as operators for interbank OIS matchmaking.

Second, infrastructure strengthening at the middle-end focuses on enhancing the CCP for the money market and foreign exchange market. Since its launch on 30 September 2024, the volume of DNDF transactions cleared through CCP money market and foreign exchange market has continued to increase, reaching USD1.3 billion, with the average daily volume rising to USD9.3 million in October 2025 compared to USD4 million in the initial implementation month (September 2024) (Graph 35). Utilization of CCP money market and foreign exchange market by market participants further improves money market and foreign exchange market transaction efficiency through novation, multilateral netting, and strengthened risk management, particularly counterparty risk. CCP money market and foreign exchange market

Graph 35. Daily Average DNDF Transactions through Central Counterparty

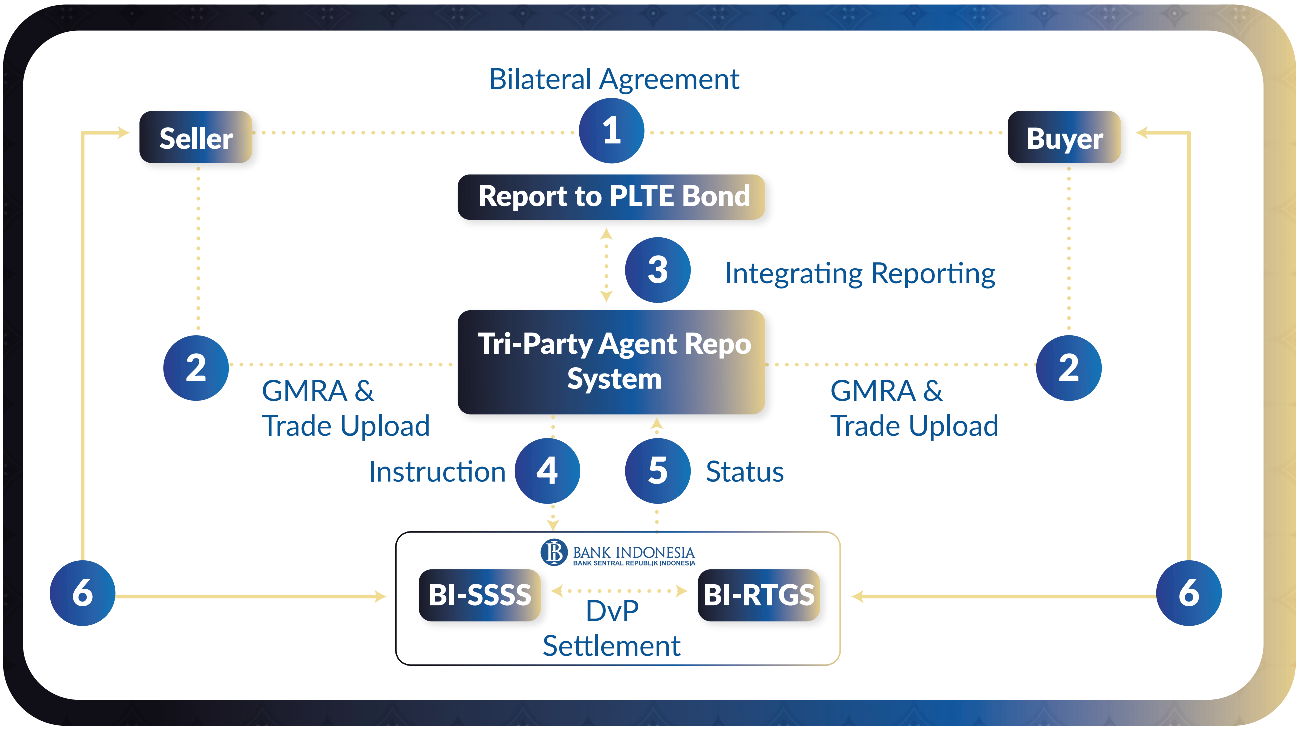


Source: Bank Indonesia

enhancements throughout 2025 include: (1) the upgrading of CCP money market and foreign exchange market features to clear various tenor variations; (2) the strengthening of the CCP money market and foreign exchange market rulebook to accommodate feature and capability improvements; (3) the issuance of accounting guidelines for money market and foreign exchange market transactions cleared through CCP by APUVINDO. Further CCP strengthening measures include: (1) organizing CCP workshops and national seminars, as well as conducting CCP awareness programs in collaboration with APUVINDO; (2) expanding CCP money market and foreign exchange market participants; (3) initiatives to obtain recognized CCP status from regulators in the European Union (European Commission and European Securities and Markets Authority) and the United Kingdom (His Majesty's Treasury and Bank of England).

The enhancement of CCP money market and foreign exchange market capabilities has also been implemented through the addition of Tri-Party Agent Repo (TPA Repo) services, which commenced operations on 29 September 2025. The expansion of CCP's role as TPA Repo provider enables banks to delegate collateral management, transaction administration and settlement, as well as repo transaction reporting from their back office to TPA Repo. Through TPA Repo, market participants can reduce operational risk while promoting more efficient, transparent, and standardized repo transactions, thereby supporting the acceleration of repo market development. Furthermore, the expansion of CCP services as a Tri-Party Repo Agent reflects the implementation of Financial Market Infrastructure (FMI) aligned with the 3i principles, supported by end-to-end operational integration with settlement systems for both securities and funds, namely BI-SSSS and BI-RTGS (Figure 3). At the initial stage, eight banks participated as piloting members of TPA Repo, namely Bank Mandiri, BNI, BRI, Bank Permata, Bank Danamon, Bank CIMB Niaga, Maybank, and BPD Jawa Timur. Within one month of TPA Repo implementation (as of 31 October 2025), the volume of interbank repo transactions via TPA Repo reached IDR194 billion, with tenors distributed across overnight (O/N), one week, and two weeks.

Figure 3. Tri-Party Agent (TPA) Repo Business Process



Source: Bank Indonesia

Third, back-end infrastructure strengthening focuses on the Bank Indonesia Scripless Securities Settlement System (BI-SSSS). The capability of back-end infrastructure to settle various types and variations of money market and foreign exchange market transactions plays a crucial role in supporting the success of product development initiatives aimed at increasing money market and foreign exchange market diversity and liquidity. Enhancements to BI-SSSS have been implemented through system development to support: (1) the issuance of BI-FRN, including settlement of Bank Indonesia repo auctions with BI-FRN as underlying, settlement of BI-FRN transactions in the secondary market among participants, and BI-FRN coupon payments; (2) the expansion of Bank Indonesia Sukuk investors from banks to include non-bank investors; (3) the extension of Bank Indonesia repo underlying to other high-quality securities issued by financial institutions in the form of public entities with special assignments. In addition to upgrading the current system, Bank Indonesia has initiated the development of BI-SSSS Generation III by preparing business requirements with active involvement and input from market participants represented by industry associations.

Bank Indonesia continues to strengthen synergy with other financial sector authorities, the Ministry of Finance, the Financial Services Authority (OJK), and the Deposit Insurance Corporation (LPS), both for financial market development through education and literacy as well as for mobilizing sources of economic financing. This synergy is reinforced through the Financial Sector Development Coordination Forum (FK-PSK), comprising the four financial sector authorities Bank Indonesia (BI), OJK, the Ministry of Finance (MoF), and LPS on an ongoing basis in accordance with the mandate of the Financial Sector Development and Strengthening Act (P2SK Act). Synergy within FK-PSK is also directed toward expanding the retail investor base through the Leading Indonesian Financial Literacy Campaign (LIKE IT). Throughout 2025, seven LIKE IT events were held in various cities across Indonesia, targeting the younger generation. Through LIKE IT, young people are encouraged to increase their participation in financial market investment as part of financial planning education, while simultaneously fostering investment that will play an important role in increasing savings and financing for the national economy. Investment in financial markets has become increasingly accessible, supported by accelerated payment system digitalization and continuous innovation in retail investment products offered by banks and securities companies. In addition, synergy and strengthening efforts have been pursued to harmonize tax regulations for the money market and banking regulations to support the development of financial instruments as sources of financing for national economic development, as well as to enhance inter-market infrastructure for greater efficiency, reliability, and security of financial market infrastructure. Furthermore, Bank Indonesia actively participates in developing a sustainable financial sector (environmental, social, and governance, ESG). Synergy and harmonization efforts have also been undertaken to support money market and foreign exchange market development as part of providing financing sources for national economic development.

Economic Inclusion, Financial Inclusion, Sustainable Finance, and Sharia Economic and Finance

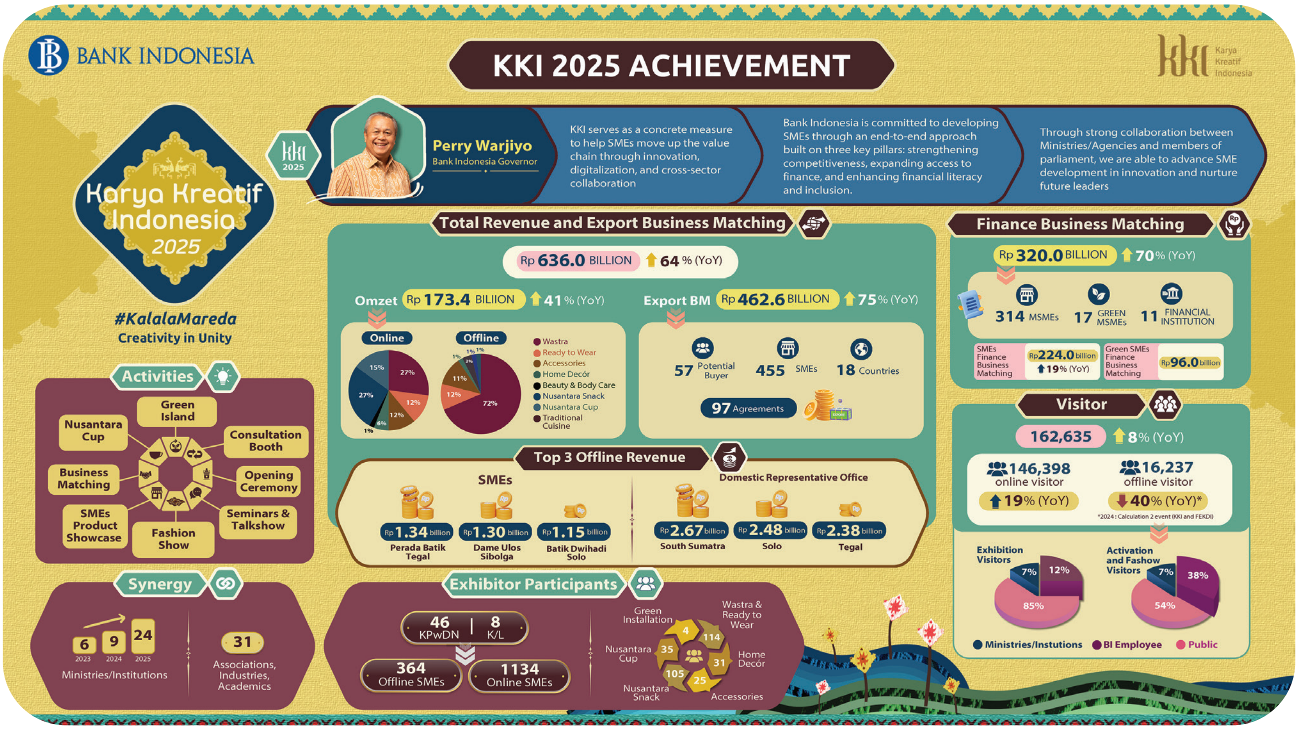
Bank Indonesia continues to strengthen synergy and collaboration to accelerate Economic Inclusion, Financial Inclusion, and Sustainable Finance (IEKB) as part of efforts to support resilient and sustainable national economic growth. The implementation of IEKB is carried out through: (i) the development of an integrated and competitive inclusive and sustainable economic ecosystem, (ii) the optimization of inclusive and sustainable financing, and (iii) the expansion of inclusive and sustainable economic–financial literacy and synergy.

More specifically, ecosystem development focuses on empowering inclusive enterprises to enhance the competitiveness of MSMEs and subsistence groups, end-to-end from upstream to downstream. This is pursued through various strategic initiatives, such as ECO-RISE (Empowering Community & MSMEs toward Resilient, Inclusive, and Sustainable Economy) and comprehensive capacity-building and mentoring programs. These initiatives are further strengthened by expanding market access through Karya Kreatif Indonesia (KKI) as a flagship program for domestic MSME market development, the DIGDAYA UMKM program (Digitalization for Enhancing MSME Competitiveness) to broaden digital market access, as well as curated trade promotion efforts both domestically and internationally.

On another front, infrastructure development and digitalization are directed at creating an efficient and adaptive business ecosystem through the development of replicable business models, enhancements to the Indonesia SME Export Hub, and the strengthening of data systems, monitoring, and program evaluation. On the financing aspect, Bank Indonesia promotes inclusive and sustainable financing, including through the development of inclusive and sustainable financing infrastructure. This is achieved, among others, through the use of SIAPIK (Financial Information Recording Application System), BI-SAID (Database of Potentially Bankable MSME Profiles), and a green calculator designed to support business transition toward a green economy. Financing facilitation continues to be expanded through program innovations that promote financial access, equitable development, and long-term growth. Meanwhile, in the area of literacy and economic–financial synergy, Bank Indonesia enhances public understanding of the potential and risks of inclusive and sustainable finance through the implementation of KLIK (Core Competencies for Financial Literacy and Inclusion), standardized educational modules, and continuous education and mentoring initiatives across regions. Synergy strengthening is also pursued through BERSATU UMKM (Collaborate, Unite, and Advance MSMEs), an initiative aimed at increasing financial inclusion through collaboration with relevant ministries and government agencies.

To accelerate inclusive and sustainable economic and financial development, Bank Indonesia continues to strengthen collaboration and synergy with various ministries, government agencies, and strategic partners at the national level. Through the active role of its regional and overseas offices, Bank Indonesia consistently implements a range of initiatives, including financing and export business matching activities, MSME onboarding, as well as capacity-building programs aimed at enhancing the competitiveness of MSME actors. One concrete form of this collaboration is reflected in the implementation of Karya Kreatif Indonesia (KKI) 2025, which carries the theme “Synergy and Innovation: Strengthening the Role of MSMEs as the Engine of Sustainable Economic Growth”, featuring East Nusa Tenggara (NTT) as the focus region and the hashtag #KalalaMareda, meaning “creativity in unity” derived from the Sumbanese language. In collaboration with more than 24 ministries/government agencies and 31 associations, industries, and academic institutions, KKI 2025 achieved remarkable results. The event involved more than 1,400 MSMEs and attracted over 150,000 visitors both online and onsite. It recorded significant increases in MSME revenue, export business matching outcomes that grew by 64% to reach IDR 636 billion, and financing and green MSME business matching that rose by 70% (yoy) to reach IDR 320 billion (Figure 4). Beyond these accomplishments, KKI 2025 also stands as concrete evidence of Bank Indonesia’s commitment to advancing sustainable economic and financial practices. Through the KKI BIJAK initiative (KKI as Bank Indonesia’s Commitment to Environmental Sustainability), all carbon emissions generated during the event were offset through the purchase of 150 tons of CO_2 carbon credits and the planting of more than 20,000 trees, representing tangible steps toward environmentally friendly event management. These achievements demonstrate the effectiveness of cross-sector synergy in building a resilient, competitive, and environmentally conscious MSME ecosystem. They also encourage business actors to continue innovating, strengthening digital capabilities, and expanding into global markets in support of inclusive and sustainable national economic growth.

Figure 4. Karya Kreatif Indonesia (KKI) 2025 Achievements



Source: Bank Indonesia

Bank Indonesia continues to promote the development of national sharia economy and finance that is independent and inclusive. This development is pursued through three strategic pillars, namely: (i) the development of an integrated and competitive Halal Value Chain (HVC) ecosystem; (ii) the optimization of sharia financing; and (iii) the strengthening of sharia economy literacy and inclusion. These three main strategies are further elaborated into six strategic initiatives (six pillars) to accelerate the national sharia economy, namely: (i) GERBANG SANTRI (Pesantren Development and Halal Value Chain Movement); (ii) JAWARA Ekspor (Sharia Entrepreneur Network Driving Exports); (iii) GEMA HALAL (Collective Movement for Halal Acceleration); (iv) SAPA SYARIAH (Sharia Trade and Financing Synergy); (v) KANAL ZISWAF (National Collaboration for ZISWAF Development); and (vi) LENTERA EMAS (Sharia Economic and Financial Literacy and Inclusion toward Golden Indonesia). Subsequently, these six initiatives are focused on supporting the three main strategies above. First, strengthening the Halal Value Chain ecosystem through the strategic initiatives GERBANG SANTRI, JAWARA Ekspor, and GEMA HALAL. Second, strengthening sharia financing through the strategic initiatives SAPA SYARIAH and KANAL ZISWAF. Third, strengthening sharia economy literacy and inclusion through the strategic initiative LENTERA EMAS.

All of the above initiatives are directed to contribute to the targets of the Sharia Economy Priority Program (PP) in the National Medium-Term Development Plan (RPJMN) 2025–2029, the National Long-Term Development Plan (RPJPN) 2025–2045, Asta Cita toward Golden Indonesia (*Indonesia Emas*), as well as to strengthen synergy and collaboration across programs of all stakeholders. Throughout 2025, the strengthening of the Halal Value Chain ecosystem was carried out through: “Pesantren” (Islamic boarding schools) business empowerment programs, which have been implemented in more than 1,000 pesantren business units across 34 provinces with diverse business sectors; programs to promote the growth of Indonesia’s halal product exports, through the selection and curation of potential exporters and products, mentoring, and promotion; and programs to increase domestic production of halal raw materials, accelerate upstream halal certification, strengthen halal centers, and enhance halal information systems for consumer protection and product traceability. The strengthening of sharia finance was undertaken through the reinforcement of policies, regulations, and innovations, including KLM and the Sharia Restricted Investment Account (SRIA); the development of Sharia money market and foreign exchange market, covering product, pricing, participants, and infrastructure (3P+I); facilitation programs for financing and trade access, including Sharia Financing Month; the development of the Sharia Economic Development Fund (SEDF) business model; and the establishment of the Integrated Center (PINTER) for ZISWAF data, which serves as a unified system to manage ZISWAF data in Indonesia. For the strengthening of sharia economy literacy and inclusion, Bank Indonesia conducted sharia economy literacy and inclusion surveys, standardized literacy content, and enhanced the quality of sharia economy human resources. In addition, collaboration and digitalization were reinforced, including through a series of activities such as the Sharia Economy Festival (FESyar) in three regions, the National Sharia Economy Forum, and the 12th Indonesia Sharia Economic Festival (ISEF) in Jakarta in 2025.

The close synergy among all stakeholders in the development of the sharia economy successfully supported the flagship programs FESyar and ISEF 2025. The increasingly solid collaboration between Bank Indonesia and the National Committee for Sharia Economy and Finance (KNEKS), relevant ministries/government agencies, and other strategic partners, including international institutions such as the Islamic Development Bank (IsDB), International Islamic Financial Market (IIFM), International Islamic Liquidity Management (IILM), and the Islamic Financial Services Board (IFSB), once again ensured the successful implementation of a series of sharia economy activities in Indonesia. In 2025, the National Sharia Economy and Finance Forum (*Sarasehan Nasional Ekonomi Keuangan Syariah*) was organized in collaboration with the Indonesian Ulema Council, aimed at strengthening synergy in the development of the sharia economy in Indonesia. This activity involved various parties to achieve the targets of the RPJMN 2025–2029, which include increasing the contribution of Sharia GDP and strengthening Indonesia's position in the *State of Global Islamic Economy (SGIE)* Report. Furthermore, ISEF 2025 hosted 100 series of activities in

Figure 5. Achievements of the 12th Indonesia Sharia Economic Festival (ISEF) 2025

Source: Bank Indonesia

collaboration with 34 ministries/government agencies, 30 international partners, and more than 700 MSMEs and industries. The value of business matching in financing and trade during the five-day ISEF reached Rp2.7 trillion, consisting of Rp2.5 trillion in financing commitments and realizations, and Rp231 billion in trade commitments and realizations. Combined with the achievements during FESyar as the road to ISEF, the total value of business matching reached Rp3.1 trillion. This figure increased by more than 50% compared with last year's value of Rp2 trillion (Figure 5). The organization of ISEF has become one of the activities that demonstrates Indonesia's leadership in the sharia economy and finance sector, as reflected among others in Indonesia maintaining its position as a global top 3 in the State of Global Islamic Economy (SGIE) Report 2024/2025.

International Policy

Bank Indonesia continued to strengthen international policies to support resilience and macroeconomic stability. Cooperation with international partners through the global financial safety net (GFSN) is being further reinforced to mitigate the spillover effects of global uncertainty. In 2025, Bank Indonesia and the People's Bank of China (PBoC) agreed to renew the Bilateral Currency Swap Arrangement (BCSA) for a five-year period. This cooperation enables the exchange of local currencies between the two central banks up to CNY400 billion (equivalent to USD55 billion) with an equivalent amount in Rupiah. In addition, Bank Indonesia strengthened BCSA cooperation with the Reserve Bank of Australia valued at AUD10 billion (equivalent to USD6.2 billion) for a five-year period. These agreements underscore the important role of international cooperation as part of Bank Indonesia's policy mix in supporting Asta Cita, particularly in maintaining external sector resilience. At the ASEAN+3 regional level, Bank Indonesia actively reinforced the GFSN and participated in discussions on the New Financing Structure of the Chiang Mai Initiative Multilateralization (CMIM). These collaborations have further strengthened Indonesia's external resilience buffer, that was previously developed through cooperation with the Federal Reserve and Bank for International Settlements (BIS). Bank Indonesia highlights three important aspects at various international forums as follows: (i) the active involvement of international organizations, particularly the IMF, is required to emphasize the importance of open international trade policies to promote economic growth; (ii) an integrated policy mix and macroprudential policy innovations are necessary to maintain exchange rate and inflation stability while promoting green and inclusive financing; and (iii) commitment to an open, inclusive, and rule-based multilateral trading system.

Bank Indonesia continued its efforts to increase transactions in local currency through strengthening cooperation and encouraging its implementation. Since the initiative was launched in 2018, Bank Indonesia has established LCT cooperation with eight central banks, namely Bank Negara Malaysia (BNM), Bank of Thailand (BoT), Japan Ministry of Finance (JMOF), PBoC, Monetary Authority of Singapore (MAS), Bank of Korea (BoK), Central Bank of the United Arab Emirates (CBUAE), and Reserve Bank of India (RBI). In 2025, the Local Currency Transaction (LCT) cooperation with PBoC, BNM, and BoT was renewed to promote the use of local currencies in bilateral transactions. The renewal of the cooperation expanded the LCT framework, now include current account transactions, capital transactions, and financial transactions which was previously limited to trade and direct investment. The LCT cooperation with CBUAE has been implemented since early 2025. With these developments, businesses have options to settle cross-border payment transactions using direct exchange rate quotations provided by Appointed Cross Currency Dealer (ACCD) banks. Cooperation has also been strengthened with BNM and BoT, synergizing with cross-border payment system initiatives. In addition, synergy initiatives have been conducted with Japan and China through High Level LCT Campaign and Cross-Border QR activities between Indonesia-Japan and Indonesia-China. To increase the utilization of LCT in Indonesia, a National Task Force on LCT has been established since 2023, comprising parties from across ministries/government agencies

Bank Indonesia actively enhanced bilateral central banking cooperation to strengthen institutional capacity and promote cooperation in the payment systems. Structured Bilateral Cooperation (SBC) with central bank partners continues to be implemented by focusing on various central banking duties (monetary, macroprudential, and payment systems) and other specific areas, such as Islamic economics and finance, green economy, Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Countering Proliferation Financing (CPF). In 2025, Bank Indonesia successfully established bilateral partnerships with Banque de France (BdF) and the State Bank of Vietnam (SBV). With these additions, since its initiation in 2015, Bank Indonesia has established bilateral cooperation with 15 partner central banks, including the Federal Reserve (The Fed), Bank of England (BoE), and the People's Bank of China (PBoC). These collaborations strengthened Bank Indonesia's institutional capacity, expanded opportunities for financial cooperation, and reflect its leadership role among regional central bank.

Cooperation in the field of payment system has been continuously strengthened to enhance cross-border payment connectivity. Cross-border payment cooperation using QR codes has been implemented with the BoT, BNM, MAS, and Japan's Ministry of Economy, Trade and Industry (METI). At the ASEAN regional level, Regional Payment Connectivity (RPC) cooperation was also expanded. RPC was initially signed in November 2022 by the ASEAN-5 central banks (Bank Indonesia, BNM, MAS, BoT, and Bangko Sentral ng Pilipinas (BSP)). RPC members now total nine countries after the National Bank of Cambodia (NBC) joined the initiative in April 2025. Cross-border payment connectivity must be nurtured to encourage faster, cheaper, transparent, and inclusive cross-border payments.

Bank Indonesia has consistently strengthened synergy and coordination with ministries/ government agencies to manage positive stakeholder perception toward the Indonesian economy, as well as to promote investment and trade. Synergy has been achieved through intensive engagement and communication with international rating agencies and stakeholders. As the secretariat of the national Investor Relations Unit (IRU), Bank Indonesia manage positive perceptions of the Indonesian economy to maintain Indonesia's sovereign rating remains one level above investment grade with a stable outlook from Moody's (Baa2), Standard & Poor's (BBB), and Fitch (BBB). Indonesia has even obtained two levels above investment grade (BBB+) with a stable outlook from the Japan's rating agency R&I. Maintaining stakeholder perceptions is important for increasing foreign capital inflows into portfolio instruments and direct investment. Bank Indonesia's effort to facilitate investment and trade promotion through IRU (at national level), Regional IRU (RIRU, at sub-national level), and Global IRU (GIRU, at global level), continue to be strengthened by synergized, targeted, and outcome-oriented strategies.

Bank Indonesia's international reputation grew stronger, as reflected by its active participation in various international cooperation forums. Throughout 2025, Bank Indonesia chaired the ASEAN Senior Level Committee on Financial Integration (SLC). The meeting discussed measures to strengthen policy coordination to maintain macroeconomic stability and promote sustainable economic growth, as well as agreed the strategic direction of the ASEAN Economic Community Sectoral Plan for Financial Cooperation 2026–2030. Bank Indonesia also chaired the EMEAP Working Group on Banking Supervision (WGBS) that addressed developments in banking regulation and supervision across the Asia-Pacific region. When leading the SEACEN Board of Governors (BOG) Meeting 2025, Bank Indonesia emphasized the need to enhance regional economic resilience through closer collaboration amid global uncertainty, digital transformation, and the transition toward a sustainable economy. Beyond the regional level, Bank Indonesia actively participated in international cooperation forums such as the IMF, G20, and Bank for International Settlements (BIS), including Islamic international forums such as the International Islamic Liquidity Management (IILM) and the Islamic Financial Services Board (IFSB). In line with Indonesia's BRICS membership since January 2025, Bank Indonesia actively participate in financial track discussions. These forums emphasize the importance of policy coordination, strengthening multilateralism, reforming global governance, and collaborating to address climate-related risks.

Bank Indonesia received several international awards in 2025. The Central Banking Award presented Bank Indonesia with the Reserve Manager of the Year 2025 award in recognition for its transformation of the reserve management framework, which was considered to enhance agility and flexibility in managing foreign exchange reserves amid global uncertainty. Bank Indonesia also received the Best Systemic and Prudential Regulator in Asia Pacific 2025 award from The Asian Banker. This recognition reflected the successful implementation of accommodative and well-targeted macroprudential policies to maintain financial system stability and manage the digital financial ecosystem. Bank Indonesia's role in developing Islamic economics and finance earned international recognition. Bank Indonesia received the Best Central Banker of the Year 2025 and Best Central Bank for Facilitation & Support in Islamic Economy and Finance awards at the annual Global Islamic Finance Award (GIFA) 2025. The Contact Centre "BICARA" received international recognition by winning Best Employee Engagement, Best Employee Wellness, Best Self-Service Technology, and Best Customer Service awards at the Contact Centre World Global Asia Pacific Top-Ranking Performers Awards 2025. These achievements demonstrate Bank Indonesia's commitment to delivering excellent public services and promoting information transparency. In the field of human resource management, Bank Indonesia earned silver and bronze at the Asia Pacific Stevie Award 2025. The throve of international awards received have strengthened Bank Indonesia's reputation as the best central bank among emerging markets.

Bank Indonesia Transformation

Bank Indonesia continued to strengthen the transformation, which began in 2018, to reinforce its policy and institutional framework in responding to the evolving strategic environment. Bank Indonesia consistently monitored global and national economic dynamics, as well as various changes in the strategic environment, including demographic shifts among employees, which were increasingly dominated by millennials and Generation Z. In responding to these strategic developments and in building a credible, professional, well-governed, accountable, and transparent central bank, Bank Indonesia sharpened several transformation agendas and implemented them gradually.

Bank Indonesia continued to strengthen the regulation of the Bank Indonesia Policy Mix, which integrated monetary, macroprudential, and payment system policies, underpinned by supporting policies to achieve the objectives mandated by law. This was accompanied by Business Process Re-engineering (BPR) and was implemented across various policy functions, including the development of blueprint frameworks, instruments, and infrastructure. In the monetary sector, improvements were made through monetary regulatory reforms by refining regulations aligned with Bank Indonesia Policy Mix and developing digitalization of statistical business processes. In the macroprudential sector, Bank Indonesia reformed macroprudential regulations by strengthening the regulations related to liquidity management in banking and the economy. Bank Indonesia also continued to enhance macroprudential policy formulation, among others through the advancement of macroprudential framework. In the payment system sector, regulatory reforms were carried out through the issuance of relevant provisions to support stability, efficiency, and integration of the national payment system. Bank Indonesia also continuously transformed the payment system in line with IPSB 2025–2030, which included infrastructure development, particularly data infrastructure, to support the digital economic and financial ecosystem, strengthen industry competitiveness, foster innovation and expand acceptance, develop cross-border payment system connectivity, and advance the Digital Rupiah.

Bank Indonesia continues to implement comprehensive institutional transformation to build a credible, professional, well-governed, and

transparent central bank. The transformation of policy mix, institutional governance, organizational structure and work processes, human resources, and digitalization, which had been initiated since 2018, is continuously strengthened and refined. This effort is specifically aimed to enhance the execution of Bank Indonesia's duties and authorities in the digital era, as well as to ensure stronger capacity to safeguard the national economy against global shocks and to implement the mandate of the Bank Indonesia Act, which had been amended several times, most recently through P2SK Act. The institutional transformation focuses on three main agendas. First, strengthening the central bank policy governance and institutional governance systems based on the principles of independence, consistency, coordination, accountability, and transparency (IKKAT). Second, digitalizing policy and institutional work processes toward the vision of becoming a leading digital central bank. Third, reinforcing Bank Indonesia's professional leadership with high competence (book-smart), strong experience (street-smart), and noble character (spiritual-smart) through the work culture program "Aku Bangga BI Bermakna" (AB3). Bank Indonesia also continued to strengthen institutional accountability to the Indonesian House of Representatives (DPR-RI), maintain an unqualified opinion (WTP) on its financial statements from the Indonesian Supreme Audit Agency (BPK-RI), and enhance public transparency.

First, Bank Indonesia consistently prioritizes good and professional governance principles in accordance with the mandate of the law through central bank policies and institutional governance system based on Independence, Consistency, Coordination, Accountability, and Transparency (IKKAT) principles. As part of the Republic of Indonesia, Bank Indonesia is granted independence by law in carrying out its duties and authorities as a central bank in the areas of monetary policy, payment systems, and macroprudential policy. This authority is applied consistently in the policy formulation process through well-governed monthly Board of Governors Meetings (RDG) and is regularly evaluated in weekly Board of Governors Meetings . Furthermore, in line with the principle of coordination, Bank Indonesia maintains a strong commitment to synergy and coordination with the Government to achieve national economic stability and growth. Bank Indonesia also uphold accountability principles, including through the submission of the Institutional Report to the President and DPR-RI, as well as transparency principles by holding monthly press conferences regarding the policies determined by Bank Indonesia during the monthly RDG and publishing reports on the implementation of its duties and authorities.

The balance of these five principles is implemented through formulation strategies, execution strategies, and control strategies for both main policies and institutional policies. The application of strategies for policy governance is reflected in the framework of the main policy mix, which integrated monetary policy, payment systems, and macroprudential policy, strengthened by supporting policies to optimally achieve Bank Indonesia's objectives in accordance with the mandate of the Bank Indonesia Act. Meanwhile, the application of strategies in institutional governance is reflected in the institutional policy mix framework, which integrated strategic plans and work programs as well as Bank Indonesia's business processes and organizational structure to ensure optimal implementation with good and professional governance, supported by measured resource utilization. The strengthening of the institutional policy mix framework iscarried out as a strategic step to ensure that all institutional elements of Bank Indonesia were able to support the achievement of the institution's objectives effectively, efficiently, and in line with the compliance principles. Bank Indonesia also complements various provisions in the areas of policy and institutional governance required for the implementation of these strategies.

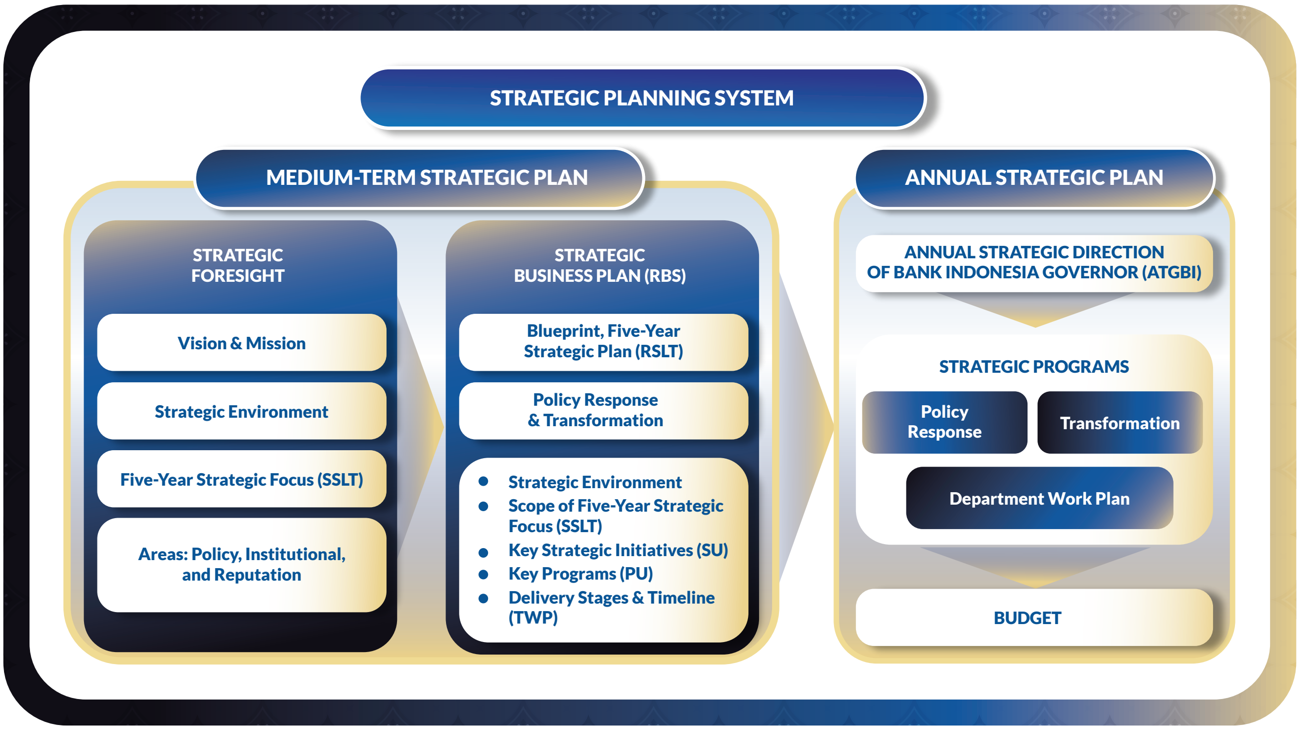
To implement strategies in key policy and institutional areas (Figure 6), Bank Indonesia applies a medium-term and annual strategic planning system. Strategic planning is formulated based on the objectives and mandates stated in the Bank

Indonesia Act, the vision and mission of Bank Indonesia, as well as collective strategic foresight from the Board of Governors. The medium-term strategic plan is outlined in the Strategic Business Plan (RBS) for a five-year period. The RBS serves as the foundation for preparing Bank Indonesia's annual work plan, which is developed based on the Annual Strategic Direction of Bank Indonesia Governor (ATGBI). The results of Bank Indonesia's strategic planning are subsequently communicated to all work units through internal communication forums.

Furthermore, to realize good and professional governance in the formulation and implementation of policies, Bank Indonesia refines the provisions on the decision-making system in line with prevailing laws and regulations. Based on the Board of Governors Regulation (PDG) No. 3 of 2025 concerning the Decision-Making System at Bank Indonesia and the Role of Members of the Board of Governors, which is an improvement of PDG No. 24/5/PDG/2022 on Decision-Making at Bank Indonesia in the Digital Era, Bank Indonesia's policies consist of central bank main policies and institutional policies. Decisions at Bank Indonesia are classified into three types, namely Principal and Strategic Policies, Implementation of Principal and Strategic Policies, and Policies Not Classified as Principal and Strategic. The decision-making process is carried out adaptively and in a streamlined manner through the application of the 3S principles (Simplification, Standardization, and Systemization). In addition, the respective provision regulates the roles of the Board of Governors Members, which include (i) in Board of Governors Meetings, (ii) in Committees, (iii) as directors of strategic programs and transformation programs, and (iv) as coordinators for the operational execution of Work Units.

The Board of Governors and its members commitment to leading Bank Indonesia's performance in maintaining economic stability and supporting sustainable economic growth is realized through the formulation and determination of strategic policies during the Board of Governors Meeting (RDG). In accordance with the Bank Indonesia Act, the RDG serves as the highest decision-making forum for determining principal and strategic policies. To strengthen governance and policy quality, the formulation process is carried out in stages, emphasizing checks and balances through initiation, verification, recommendation, and approval

Figure 6. Bank Indonesia Strategic Planning System



Source: Bank Indonesia

phases. The initiation and verification stages are conducted by the Work Unit, either by the Head of the Work Unit or through the Work Unit Directors Meeting. Furthermore, the recommendation stage is carried out by Committees through Committee Meetings, while the approval stage takes place in the RDG. Decision-making in the RDG is based on deliberation to reach consensus, applying the principle of collective collegiality.

Second, Bank Indonesia accelerates the digitalization of policy and institutional work processes, prioritizing governance, streamlined processes, and collaborative work, supported by the development of data center and Artificial Intelligence (AI) capabilities. Bank Indonesia consistently promotes digital transformation through the development of a digital business platform, data center and AI, as well as strengthening technology capabilities and end-to-end security. The development of the digital business platform, which serves as the main foundation for modernizing policy and institutional business processes, focuses on the digitalization of payment systems and strategic decision-making processes, which are continuously reinforced throughout 2025. The digitalization of payment systems is realized through the expansion of BI-FAST features to become more inclusive and through the exploration of Digital Rupiah innovation under the Garuda Project as a response to global digital financial system dynamics. In line with this, transformation is also carried out in governance and the effectiveness of decision-making processes through the development of the Digital Workplace (DWP) platform as a supporting medium for RDG implementation. This platform is implemented gradually to strengthen information integration, accelerate analysis processes, and improve the quality of policy formulation. Digitalization of work processes continueslybeing reinforced while maintaining governance and collaboration among work units in line with the principles of one input, one process, and multi purposes.

Bank Indonesia continues to advance the development of its Data Center as part of digital innovation to support the digital economy as well as institutional and policy business processes. The Data Center serves as the epicentrum of change for Bank Indonesia's digital transformation, through tangible actions aimed at realizing a Data-Driven Institution capable of leveraging AI and Machine Learning (ML) in decision-making. This development encompasses two major dimensions, namely serving as a catalyst for business processes and strengthening data center capabilities. These initiatives are implemented through an end-to-end approach, starting with data democratization using metadata, automation of data flow and processing (data factory), data innovation experimentation, and exploration of data technologies, including the development of ML/AI models (data innovation) and the development of the Omnidata Intelligence Platform.

Bank Indonesia consistently promotes the enhancement of technology infrastructure capabilities to strengthen its information systems in support of increasingly complex tasks. These efforts includes reinforcing cyber resilience and security through the adoption of advanced technologies, implementation of certifications, and optimization of monitoring for existing infrastructure. The application of new technological innovations as well as the renewal of existing infrastructure is carried out continuously to ensure the quality, stability, and availability of information system services remained reliable and adaptive to the dynamic needs of the organization. In addition, Bank Indonesia also strengthenes its governance aspects through the formulation of regulations on information system security and cyber resilience applicable to all payment system operators, money market participants, foreign exchange market participants, and other entities under Bank Indonesia's supervision, as a strategic measure to build a secure and robust digital financial ecosystem.

Third, Bank Indonesia strengthenes professional leadership with high competence, extensive experience, and noble character through the work culture program *"Aku Bangga BI Bermakna" (AB3)*. Bank Indonesia continuously fosters human capital with strong performance and integrity to realize its vision of becoming a leading digital central bank. Human resource management is also directed toward creating future leaders of Bank Indonesia who were professional and embodied the 3-Smart aspects, namely high competence (*book smart*), strong experience (*street smart*), and noble character (*spiritual smart*) through nine programs across three pillars, specifically leadership, family, and well-being. In addition, Bank Indonesia continues to develop a modern office atmosphere, relationships, and work facilities that better supported digitalization and aligned with the behavioural traits of millennial employees.

Amid changes in the strategic environment and the increasing composition of employees from Gen Y and Z, Bank Indonesia continues to promote the development of employee capabilities as the engine of organizational change. These efforts are carried out through strategies for fulfilling and maintaining human resources, as well as strengthening the Employee Value Proposition 3.0 (EVP 3.0) becomes one of the priorities in transforming human resource policies, aimed at increasing employee engagement at Bank Indonesia. This includes competitive remuneration programs, health care with focus on physical wellness, and peaceful retirement with focus on the Pensiun Berkah program.

The development of digital capabilities for human resources is an essential part of the transformation of HR and work culture at Bank Indonesia. These capabilities are required to support the digitalization of work processes and improve adaptation to technological changes. To achieve this, Bank Indonesia designes and implements learning modules based on the concept of the Digital Central Bank curriculum.

In addition, the strengthening of HR competencies is emphasized in areas such as data science, data analytics, and the utilization of Artificial Intelligence (AI) in carrying out central bank functions, as well as expanding knowledge of green economy and finance as part of Bank Indonesia's strategic role in the era of digital transformation and sustainability. Learning infrastructure is reinforced through the development of a Learning Management System (LMS) and a Digital/Cyber Library, which are continuously improved, including by enriching e-learning modules from both internal sources and external partners. Furthermore, Bank Indonesia continues to encourage research to support policy formulation, including through the management of international journals.

IV. Policy Mix for National Economic Transformation: Synergy to Foster Higher and Resilient Growth

The strong performance and robust national economic policy mix achieved thus far provide a solid foundation for advancing toward higher and more resilient growth. As highlighted in previous sections, Indonesia's economy has demonstrated strong resilience with relatively high growth. Macroeconomic and financial system stability has been maintained despite successive waves of global turmoil. Indonesia's economic growth ranks among the best in Emerging Market Economies (EMEs), in line with expansionary economic and financial cycles. The strength of the national economic policy mix, through close synergy between the Government's fiscal policy and Bank Indonesia's policy, complemented by coordination within the Financial System Stability Committee (KSSK), has been internationally recognized. Real sector transformation also continues through industrial policies, including downstreaming of natural resources, and structural reforms to improve the investment climate and accelerate infrastructure development, supported by social protection programs for low-income households. This strong synergy within the national economic policy mix must be further reinforced moving forward.

Looking ahead, several global and domestic challenges must be anticipated to strengthen synergy and achieve higher and more resilient national economic growth. From a global perspective, as outlined in Section I, at least five challenges warrant close attention. *First*, persistent protectionist policies in the United States and ongoing geopolitical tensions, which are widening trade and investment fragmentation, shifting patterns toward bilateral and regional arrangements rather than multilateral cooperation. Second, slowing global economic growth accompanied by spatial shifts in growth patterns, including from the US and China toward the European Union, India, and several other EMEs. Third, high public debt and elevated interest rates in advanced economies, which cause a heavy burden on Emerging Markets and Developing Economies (EMDEs) in terms of fiscal and monetary policy space to maintain stability and stimulate growth, even for financing social programs. Fourth, heightened vulnerabilities and systemic risks in global financial markets, stemming from leveraged transactions in derivative products linked to sovereign debt, particularly by Non-Bank Financial Institutions (NBFIs) under weak regulatory and supervisory frameworks. Fifth, proliferation of cryptocurrency issuance and trading, as well as digital financial assets (stablecoins and tokenized assets) globally by private entities without adequate regulation or oversight by competent authorities, including risks related to illegal transactions, consumer protection, and cybersecurity.

From domestic perspective, synergy within the national economic policy mix needs to be strengthened to achieve higher and more resilient economic growth going forward, including to mitigate the impact of global dynamics. This policy mix synergy must respond to at least five key challenges (Figure 7).

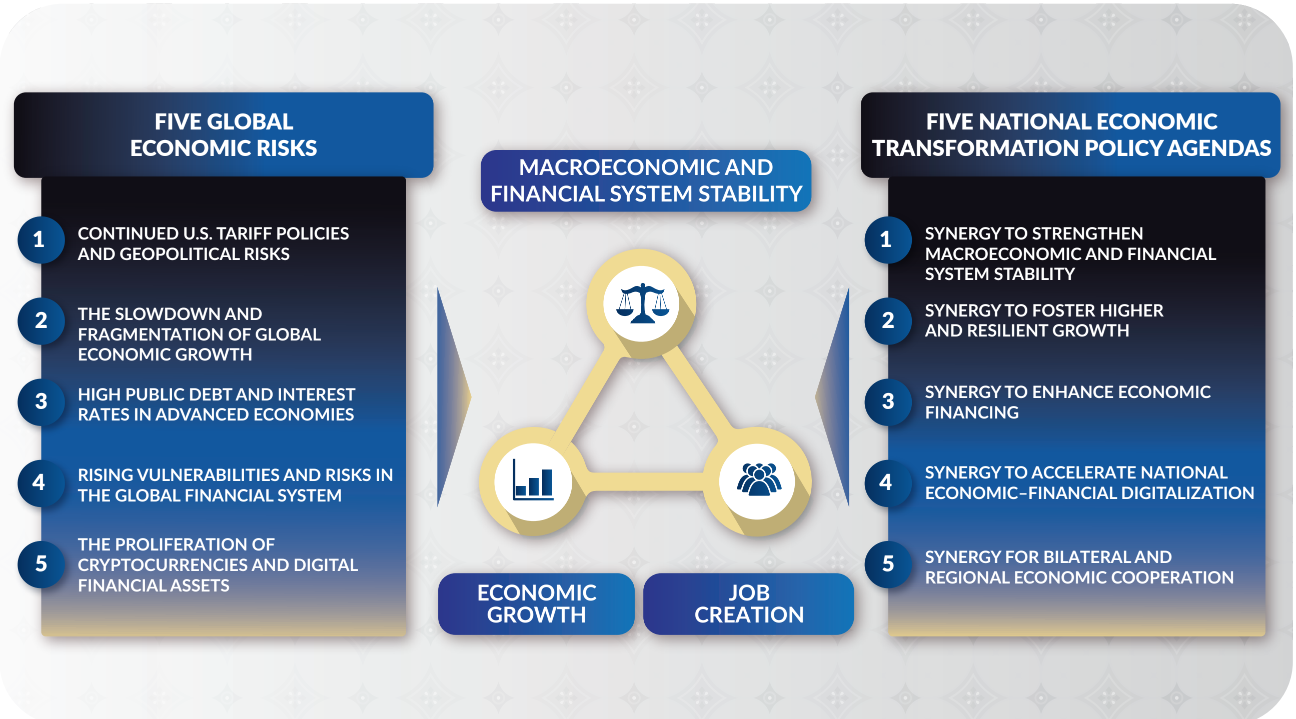
i. First, macroeconomic and financial system stability must remain a priority. Indonesia is internationally recognized for its ability to maintain national economic stability. Going forward, this stability will become even more essential to support growth from the aggregate demand side, while strengthening national economic resilience amid rapidly changing and highly uncertain global economic and financial conditions. Rupiah exchange rate stability as well as low and stable inflation must continue to be preserved. The fiscal deficit must be maintained at no more than 3% of GDP. Banking system resilience and stability must continue to be reinforced. Accordingly, coordination between the Government's fiscal policy and Bank Indonesia's monetary policy, as well as coordination within the Financial System Stability Committee (KSSK), must continue to be strengthened.

ii. Second, real sector transformation needs to be accelerated to enhance sources for higher domestic economic growth. This also aims to strengthen food and energy security as key pillars of national economic resilience and self-reliant. Industrial policies emphasizing downstreaming and industrialization of natural resources must be prioritized for strategic national industries, including minerals, plantation commodities, agriculture, and fisheries. Indonesia is richly endowed with natural resources, yet they have not been fully optimized, and some have even been exploited illegally. Downstreaming and industrialization must focus on increasing value-added through derivative products, such as in palm oil processing and lithium battery production. Developing commercially viable business models is crucial to attract investment from both the Government (including through Danantara) and private investors domestically and internationally. To this end, structural reforms to improve the investment climate, connectivity infrastructure, and research capacity must continue to be advanced to raise competitiveness and productivity, in the area of capital, labor, and innovation as well as efficiency.

iii. Third, sources of financing must continue to be developed to support real sector transformation, particularly downstreaming and natural resource industrialization. Achieving high economic growth requires substantial capital and investment, which cannot be financed solely by the State Budget (APBN). A clear national financing strategy is needed. The APBN should be optimized for financing social and people-centered economic programs, with the fiscal deficit maintained below 3% of GDP, such as Free Nutritious Meals (MBG), People's Schools, Public Housing, Red and White Village Cooperatives (KDMP), and Fishermen Villages. Meanwhile, the significant capital and investment needs for downstreaming and natural resource industrialization projects can be financed through Danantara, the banking sector and other financial institutions, as well as private domestic and international investors. Financing instruments may take the form of equity investment, bank credit, and the issuance of bonds and other securities. Financial market deepening is crucial to support the financing of the national economy, by increasing liquidity, ensuring competitive interest rates, and providing hedging instruments for interest rate and exchange rate risks. Bank Indonesia will maintain close coordination within the KSSK to advance such financial market deepening.

iv. Fourth, national economic and financial digitalization must continue to be accelerated to achieve high and resilient economic growth. Indonesia is among the fastest-growing countries in digitalization, particularly in payment system digitalization and retail digital economic–financial transactions. QRIS, Mobile Banking, E-Commerce, and BI-FAST are increasingly favored by the public and MSMEs because they enable fast, practical, and affordable economic and financial transactions, thereby expanding inclusive economic and financial access. Likewise, digitalization of Government financial transactions continues to advance and has strengthen revenue collection and improve expenditure efficiency at both the central and regional levels. Going forward, national payment system and digital economic–financial digitalization must continue to be accelerated.

Figure 7. Five Agendas of the National Economic Transformation Mix



Source: Bank Indonesia

The expansion of digital service businesses across economic segments must also continue to boost national economic growth. Payment system digitalization, both retail and wholesale, must be further developed, including the issuance and development of Digital Rupiah and Digital Financial Assets by Bank Indonesia in accordance with its statutory mandate. Cross-border cooperation in digital payments that has been pursued thus far must also be expanded, including QRIS connectivity, BI-FAST connectivity, and the use of local currencies (Local Currency Transactions, LCT) for trade, investment, and financial transactions.

v. Fifth, the effectiveness of trade and investment cooperation with major partner countries must continue to be enhanced. As noted earlier, US protectionist policies and global economic polarization across countries will persist. Therefore, Indonesia's trade and investment cooperation must focus on key bilateral and regional partners that provide the greatest strategic benefits, including ASEAN+3 (China, Japan, South Korea), India, the Middle East, and the European Union, while still advocating multilateral cooperation. Such bilateral and regional cooperation is also important in supporting Indonesia's interests in trade and investment related to natural resource downstreaming programs and their financing needs. This cooperation also includes expanding the use of local currencies (Local Currency Transactions, LCT), advancing financial market deepening, and strengthening cross-border digital payment cooperation to facilitate bilateral and regional trade and investment.

Synergy to Strengthen Macroeconomic and Financial System Stability

The macroeconomic and financial system policy mix needs to continue to be strengthened going forward to maintain stability and support higher, more resilient economic growth. As noted above, risks to national economic stability and resilience stemming from adverse global spillovers are expected to increase. Elevated US Treasury yields and interest rates in advanced economies, along with heightened volatility and risk premia in global financial markets, may trigger foreign portfolio outflows and exert pressure on the Rupiah exchange rate. Indonesia's external resilience may also be compromised by the limited surplus in the capital and financial account of the Balance of Payments, as well as declining foreign exchange reserves due to the need for Rupiah stabilization. Rising SBN yields and the limited inflows of foreign portfolio investment into Indonesia may likewise disrupt fiscal deficit financing. On the internal stability side, inflationary pressures may intensify amid higher domestic food and global commodity prices, as domestic demand strengthens. Similarly, adverse global spillovers may increase market risks (exchange rate and interest rate risks), liquidity risks, and credit risks on Indonesia's banking system and financial markets.

Policy coordination among the Government, Bank Indonesia, and the Financial System Stability Committee (KSSK), which has thus far been closely maintained, needs to be further strengthened to formulate and implement the macroeconomic and financial system policy mix going forward amid persistent global volatility. Coordination between the Government's fiscal policy and Bank Indonesia's monetary and macroprudential policies must continue to be directed toward maintaining a balance between safeguarding macroeconomic stability and supporting domestic demand-driven growth, both consumption and investment. Coordination between the Government and Bank Indonesia begins with the formulation of macroeconomic assumptions in the annual preparation of the State Budget (APBN), particularly economic growth, inflation, the exchange rate, and Government Securities (SBN) interest rates. Regular coordination is undertaken to assess and forecast economic developments and to harmonize the Government's fiscal policy responses with Bank Indonesia's monetary policy responses. Coordination is also conducted in the planning of SBN issuances, both annually and periodically, in global and domestic markets to finance the fiscal deficit with competitive interest rates, while maintaining monetary and financial market stability. Meanwhile, coordination to maintain financial system stability and, at the same time, encourage financing from the financial sector to support economic growth is carried out through the KSSK, which convenes quarterly meetings. In addition to assessments, projections, and policy responses of each institution, KSSK meetings also discuss vulnerabilities and risks arising from global or domestic developments, as well as coordinated policy measures to be taken jointly. The results of the quarterly KSSK meetings are communicated to the public.

The Government's fiscal policy for 2026 is directed toward promoting economic growth while maintaining Indonesia's macroeconomic stability. In line with this objective, fiscal policy is formulated as a countercyclical policy to respond to global economic turbulence and uncertainty risks, as well as to safeguard the domestic economy and public welfare. The macroeconomic assumptions underpinning the 2026 State Budget (APBN) include economic growth of 5.4%, inflation within the 2.5±1% target range, an average 10-year Government Securities (SBN) yield of 6.9%, and an average exchange rate of Rp16,500 per US dollar. The fiscal deficit in the 2026 APBN is maintained at a prudent level of 2.68% of GDP to preserve fiscal sustainability and Indonesia's international credibility (Table 10). State revenue is projected to increase by 4.9% from 2025 to Rp3,153.6 trillion, driven mainly by higher tax revenues. Central Government expenditure is set to rise by 16.6% to Rp3,149.7 trillion, while transfers to regions and village funds are set to decline to Rp693.0 trillion, or 75.3% of the 2025 APBN. The significant increase in Central Government spending is primarily allocated to goods and capital expenditures to support economic growth, particularly through production and investment. In addition, fiscal stimulus is also directed toward supporting household consumption, including increased allocations for social assistance and other non-energy-compensation spending. It should be noted that the increase in other non-energy-compensation spending reflects the allocation for financing Asta Cita programs implemented by the Central Government through regional channels, such as Free Nutritious Meals (MBG), Red and White Village Cooperatives (KDMP),

Table 10. State Budget (APBN) in 2026

ITEM (TRILLION RUPIAH)	2025	2026
STATE REVENUE	3,005.1	3,153.6
Tax Revenue	2,490.9	2,693.7
Taxes	2,189.3	2,357.7
Customs and Excise	301.6	336.0
Non-Tax State Revenue	513.6	459.2
STATE EXPENDITURE	3,621.3	3,842.7
Central Government Spending	2,701.4	3,149.7
Ministry/Agency Spending	1,160.1	1,510.5
Non- Ministry/Agency Spending	1,541.4	1,639.2
Transfers to regions	919.9	693.0
Primary Balance	-63.3	-89.7
BUDGET DEFICIT	-616.2	-689.1
% Deficit to GDP	-2.53	-2.68
FINANCING REQUIREMENT	616.2	689.1

Source: Ministry of Finance

and others, which were previously part of transfer-to-regions allocations. Overall, the expenditure composition in the 2026 APBN represents a fiscal policy stance that balances the need to maintain macroeconomic stability with stimulus to promote economic growth and public welfare. Fiscal deficit, amounting to Rp689.1 trillion, will be financed through the optimization of program loans and the issuance of Government Securities (SBN) in both domestic and global financial markets.

Under the Government's Asta Cita vision, President Prabowo Subianto has outlined eight priority programs aimed at improving public welfare, creating jobs, and fostering high economic growth. A portion of the funding for these eight priority programs have been allocated into the 2026 State Budget (APBN) (Figure 8). *First*, the food security program, with a total budget allocation of Rp164.4 trillion, covers food barn and reserves, fertilizer subsidies, and support for Bulog. *Second*, the energy security program, with a total budget of Rp402.4 trillion, includes energy subsidies, development of New and Renewable Energy (NRE), and rural electrification. *Third*, the Free Nutritious Meals (MBG) program, with an allocation of Rp335 trillion for 82.9 million students, pregnant women, and toddlers, supported by the establishment of the Nutrition Provision Service Units (SPPG) involving farmers, fishers, livestock breeders, and MSMEs. *Fourth*, the education program, with a total allocation of Rp769.1 trillion, includes the Smart Indonesia Program (PIP) for 21.1 million students, the Smart Indonesia Card (KIP) for 1.2 million university students, improvements to teacher salaries and competencies, and LPDP scholarships for 4,000 students. The Government will also build Sekolah Rakyat, allocating Rp24.9 trillion annually. *Fifth*, the health program, with a total budget of Rp244 trillion, includes insurance premium assistance for 96.8 million beneficiaries. *Sixth*, the village, cooperatives, and MSME development program, including the establishment of 80,000 Red and White Village Cooperatives (KDMP), supported by fund placements in SOE banks for low-interest lending. In 2026, 27,700 KDMP are planned to be established with loans amounting to around Rp83 trillion, increasing to 80,000 KDMP with total loans reaching around Rp240 trillion by 2029. *Seventh*, the universal defense program, including modernization

Figure 8. Eight Priority Programs of President Prabowo Subianto

Source: Ministry of Finance

of primary defense systems, strengthening of reserve components, technological mastery, and the development of domestic strategic industries. *Eighth*, the acceleration of investment, trade, and housing. For housing, the Government plans to build 3 million housing units through the Housing Financing Liquidity Facility (FLPP) and Housing Financing Liquidity Facility (BSPS) in villages, urban areas, and coastal regions, totaling Rp54.3 trillion in 2026, increasing to Rp111.9 trillion starting in 2027. The Government will also provide VAT (PPN) borne by the Government (DTP) incentives for 770,000 commercial housing units. For investment, the Government will accelerate US$38 billion in downstreaming projects, financed partly by the State Budget (APBN) and partly by Danantara, as well as domestic and foreign private investors.

With strong synergy between the Government fiscal policy and Bank Indonesia's monetary policy, Bank Indonesia's monetary policy in 2026 will be directed toward supporting higher economic growth while still achieving the inflation target and maintaining the Rupiah exchange rate stability. This will be carried out primarily through three key instruments: interest rate policy, Rupiah exchange rate stabilization, and secondary market purchases of Government Securities (SBN). *First*, with inflation projected to remain contained within the 2.5±1% target range in 2025 and 2026, Bank Indonesia will assess the room for further interest rate reductions to help boost economic growth to 5.40% in 2026. As previously explained, since September 2024, Bank Indonesia has reduced the BI-Rate six times by a total of 150 bps to 4.75% as of October 2025. In synergy with the Government's fiscal policy and the Financial System Stability Committee (KSSK), Bank Indonesia also continues to encourage banks to lower their lending rates and expand credit/financing to support stronger economic growth. *Second*, Rupiah exchange rate stability will continue to be safeguarded as a key factor in maintaining macroeconomic and financial system stability, supporting business activity, and sustaining national economic growth. This will be undertaken through Bank Indonesia's foreign exchange interventions in both offshore markets (offshore NDF) and domestic markets (spot and DNDF). *Third*, Bank Indonesia will conduct secondary market purchases of SBN as part of monetary operations to stabilize the Rupiah exchange rate and maintain adequate liquidity in the money market and banking system. As previously noted, up to 18 November, Bank Indonesia has purchased SBN amounting to Rp289.91 trillion since January 2025, including secondary market purchases and a debt-switching program with the Government totaling Rp212.60 trillion. Bank Indonesia and the Ministry of Finance have also agreed that part of the fund from these SBN purchases will be allocated to finance public housing programs and the KDMP program under the Government's Asta Cita agenda at low interest rates. In addition to these three instruments, monetary policy coordination between Bank Indonesia and the Government is also very close in inflation control, particularly for administered prices and volatile food, through the Inflation Control Teams (TPI) at both the central and regional levels.

Synergy between the Government's fiscal policy and Bank Indonesia's macroprudential policy is also being strengthened to support high-growth sectors and those with significant job-creation potential. In this regard, through the Macroprudential Liquidity Incentive (KLM) policy, Bank Indonesia provides additional liquidity incentives to banks that channel credit/financing to the Government's priority sectors to promote economic growth and job creation. Aligned with the Government's Asta Cita programs, these priority economic sectors include: (i) the agriculture, manufacturing, and natural resource downstreaming sectors; (ii) the services sector, including the creative economy; (iii) the construction, real estate, and housing sectors, including public housing; and (iv) the MSME, cooperatives, inclusion, and sustainability sectors. As previously explained, up to the first week of November 2025, total KLM incentives reached Rp404.6 trillion, which were allocated to priority sectors, namely agriculture, trade and manufacturing, real estate, public housing and construction, transportation, warehousing, tourism and the creative economy, as well as MSMEs, ultra-micro enterprises, and green sectors. Meanwhile, the Government supports these priority sectors through fiscal incentives and necessary regulatory facilitation. In the case of KUR disbursement, for example, the Government determines eligible sectors, requirements, loan amounts, and fiscal incentives in the form of interest subsidies. For the public housing program, the Government provides fiscal incentives in the form of interest subsidies and administrative cost assistance, with amounts adjusted to the type of housing being financed. This synergy between Bank Indonesia's macroprudential policy and the Government's fiscal policy strengthens bank credit/financing growth while simultaneously supporting higher economic growth and greater job creation.

Synergy in the Financial System Stability Committee (KSSK) is directed toward strengthening financial system stability and becomes more resilient to global spillovers, while also supporting economic financing, including inclusive and green finance. KSSK meetings, comprising the Ministry of Finance, Bank Indonesia, the OJK, and the LPS, are held quarterly to assess financial system stability (SSK) conditions and determine the required coordinated policy measures. Policy coordination focuses on six key aspects: (i) assessing the current condition and status of financial system stability and coordinating the necessary policy responses; (ii) coordinating efforts to promote credit and financial sector financing for the economy; (iii) coordinating financial market development (including financial education and literacy); (iv) coordinating macroprudential and microprudential supervision (including oversight of operational and cyber risks); (v) coordinating the handling and resolution of financial institution problems; and (vi) coordinating the strengthening of regulations and requirements, including the follow-up implementation of the P2SK Act (Figure 9). In this regard, as previously discussed, synergy between Bank Indonesia's monetary policy and the Government's fiscal policy to maintain financial system stability is directed toward ensuring contained inflation, Rupiah exchange rate stability, interest rate, and the issuance of SBN for fiscal financing amid global pressures. To safeguard banking system stability, close coordination is carried out between Bank Indonesia's macroprudential supervision, focusing on macro-financial linkages of large banks, and the OJK's microprudential supervision to maintain the soundness of individual banks. The OJK also

Figure 9. Policy Coordination within the KSSK Maintains Financial System Stability

Source: Bank Indonesia

strengthens the supervision of non-bank financial institutions, capital markets, fintech companies, and consumer protection in financial services. The LPS continues to strengthen deposit insurance and bank resolution, implemented in close coordination with the OJK and Bank Indonesia, in accordance with their respective mandates. Readiness simulations for coordinated responses, both among the four KSSK institutions collectively and bilaterally, on handling financial sector issues are continuously enhanced. Beyond this, KSSK coordination continues to be strengthened to finalize all regulations and provisions required for the implementation of the P2SK Act. Overall, the implementation of the P2SK Act further reinforces the development and strengthening of the financial sector, supporting financial system stability and economic financing for sustainable growth going forward.

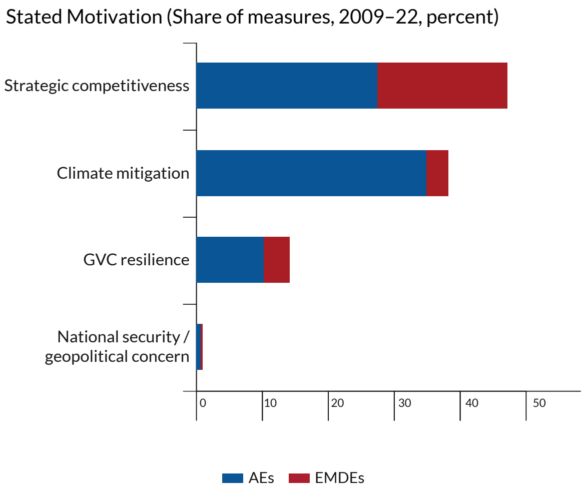
Policy coordination between the Government and Bank Indonesia must also continue to be strengthened to manage foreign exchange flows, safeguard national economic resilience, and support higher economic growth. The Government has issued Government Regulation No. 8 of 2025 on Export Proceeds from Natural Resources (PP DHE SDA) as a reinforcement of Government Regulation No. 36 of 2023 to optimize the management and utilization of DHE SDA for public welfare and the national economy, through financing economic development, increasing domestic liquidity circulation, strengthening foreign exchange reserves, and maintaining Rupiah exchange rate stability. The regulation requires 100% of DHE SDA valued greater than or equal to USD250,000 to be placed within the Indonesian financial system (in Special Accounts), with strengthened provisions for non-oil and gas natural resources, namely increasing the retention requirement from 30% for 3 months to 100% (after exemptions for Rupiah conversion, imports, loan payments, dividends, and foreign exchange taxes) for 12 months. The monitoring of the implementation of Government Regulation No. 8 of 2025 shows that DHE SDA placements in Special Accounts amount to around USD11–12 billion per month, equivalent to 87–89% of total SDA exports, which are around USD13–15 billion per month. Exporter compliance in placing and depositing DHE SDA, meaning DHE is placed within three months after the export date, has been substantial, reaching 94% for non-oil and gas and 100% for oil and gas. Government Regulation No. 8 of 2025 has also been effective in increasing foreign exchange supply to the domestic market, supported by the flexibility policy for conversion into Rupiah. This has subsequently increased the corporates' deposits denominated in IDR in the banking system and expanded foreign exchange supply in the domestic FX market. Several measures can be pursued to enhance further the utilization of DHE SDA for the national economy. From Bank Indonesia's side, policy strengthening may include optimizing the placement of DHE SDA at Bank Indonesia, both by expanding DHE placement instruments and by improving returns (pricing). Similar measures may also be undertaken by the Government, including issuing Foreign Currency SBN in the domestic market, particularly in non-USD currencies (such as the Yen and Renminbi), which could simultaneously expand the use of Local Currency Transactions (LCT) in cross-border trade and investment cooperation.

Synergy to Foster Higher and Resilient Growth

The synergy of real sector transformation policies is crucial to strengthening the capacity of the national economy in achieving higher and more resilient growth. As previously highlighted, synergy between Government fiscal policy, Bank Indonesia's monetary and macroprudential policies, as well as policy coordination in the Financial System Stability Committee (KSSK), must be continuously reinforced to drive growth from the aggregate demand side (household consumption, investment, and net exports) while maintaining macroeconomic and financial system stability. To achieve higher and more resilient economic growth, efforts to enhance the capacity of the economy from the aggregate supply side through increased value-added production across economic sectors must be consistently pursued. In this regard, the synergy of real sector transformation policies is essential to continuously strengthen capital, labor, and productivity in order to raise value-added production in those sectors. Real sector transformation policies should be implemented through both structural reform policies and industrial policies. Structural policies are directed at improving the investment climate, fostering healthy business competition, enhancing infrastructure connectivity (both physical and digital), as well as advancing trade and investment policies (domestic and international), all of which will positively impact production across economic sectors. Meanwhile, industrial policies are directed at increasing value-added production in specific economic sectors that constitute national priorities to support higher economic growth and large-scale job creation, including downstreaming and industrialization, particularly those based on natural resources. Through the synergy of macroeconomic policies to stimulate aggregate demand and real sector transformation policies to strengthen aggregate supply, higher and more resilient economic growth can be achieved while safeguarding macroeconomic and financial system stability.

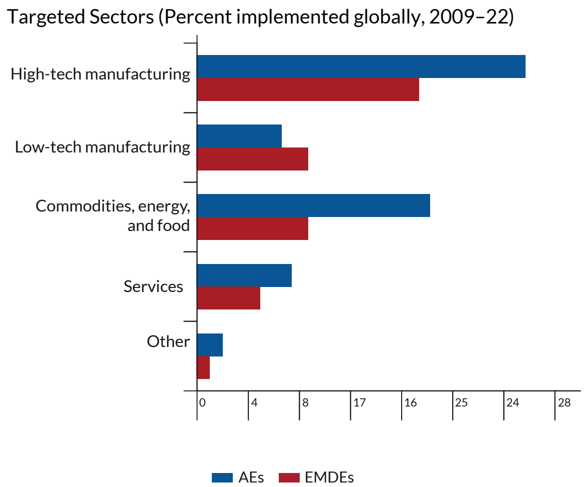
Since 2009, an increasing number of countries have adopted industrial policies to strengthen economic resilience, particularly in energy and food, while also promoting higher economic growth. This trend has been most pronounced in advanced economies, including the United States, the European Union, and Canada, as well as in several emerging market economies (EMEs) such as China. A significant acceleration occurred following the COVID-19 pandemic, which underscored the importance of energy and food resilience for national economies. In general, industrial policy is defined as a policy undertaken by a country to transform its domestic economic structure through various instruments, including subsidies and specific regulatory facilities in the fields of investment, market access, and finance, targeting sectors or commodities designated as national priorities. Economic considerations may be based on the need to correct market failures, such as protecting infant industries that are newly established domestically and not yet able to compete globally. Considerations to strengthen strategic competitiveness are widely observed in both advanced economies and EMDEs, while climate mitigation considerations are more prevalent in advanced economies (Graph 36.a). Meanwhile, priority sectors targeted by industrial policies in advanced economies are predominantly high-technology manufacturing, commodities, energy and food, as well as services (Graph 36.b). In EMDEs, the sectors targeted by industrial policies vary, ranging from manufacturing to commodities, energy, and services, depending on technological

Graph 36.a. Industrial Policy: Economic Considerations



Source: IMF, World Economic Outlook, October 2025

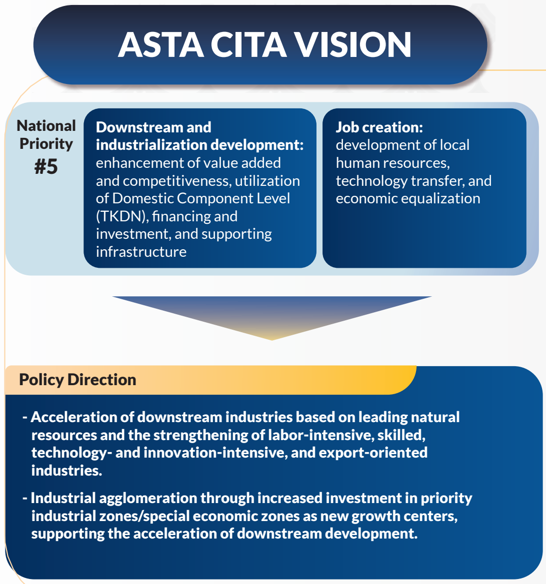
Graph 36.b. Industrial Policy: Target Economic Sectors



Source: IMF, World Economic Outlook, October 2025 readiness and the availability of natural resources. These developments demonstrate that industrial policy can be pursued by a country to strengthen its domestic economic structure in support of higher and more resilient economic growth. Such industrial policies must be carefully formulated in terms of sector selection, business model development, investment and financing policies, while taking into account the fiscal constraints of the Government. Furthermore, industrial policy must be accompanied by structural reform policies to improve the investment climate, enhance infrastructure connectivity governance, and advance financial market development.

In Indonesia, to achieve higher and more resilient economic growth, the Government has launched real sector transformation policies focusing on downstreaming and industrialization as well as job creation. In line with the fifth National Priority under the Asta Cita Vision, downstreaming and industrialization are directed at enhancing value-added and competitiveness, increasing the domestic component level (*Tingkat Komponen Dalam Negeri*, TKDN), strengthening financing and investment, and developing supporting infrastructure. Meanwhile, job creation is directed at developing local human resources, facilitating technology transfer, and promoting economic equity (Figure 10). Accordingly, the policy direction encompasses the following aspects: (i) accelerating downstreaming of industries based on primary natural resources, alongside strengthening labor-intensive industries with skilled workers, innovation-driven technology, and export orientation; as well as (ii) promoting industrial agglomeration through increased investment in priority special economic zones as new growth centers to support downstreaming acceleration. The objectives are: (i) to increase value-added, productivity, and competitiveness of the manufacturing industry, with the target of raising the share of Manufacturing in GDP from 18.67% in 2023 to 21.90% in 2029; and (ii) to strengthen domestic and global economic integration, with the ratio of Gross Fixed Capital Formation (GFCF) rising from 29.3% to 29.9% of GDP, and exports of goods and services increasing from 21.7% to 22.6% of GDP over the same period.

Figure 10. Real Sector Transformation Policies in the Asta Cita: Promoting Higher and More Resilient Growth



No	Targets and Indicators	Baseline 2024	Target 2025	Target 2029
	Realization of Increased Value Added, Productivity, and Competitiveness in the Manufacturing Industry.			
1	Manufacturing Industry to GDP Ratio (%)	18.67 (2023)	20.80	21.90
	Realization of Enhanced Domestic and Global Economic Integration			
2	Logistics Costs (% of GDP)	14.29 (2022)	13.52	12.50
3	Gross Fixed Capital Formation (% of GDP)	29.3 (2023)	29.4	29.9
4	Exports of Goods and Services (% of GDP)	21.7 (2023)	21.7	22.6

Source: RPJMN (Bappenas)

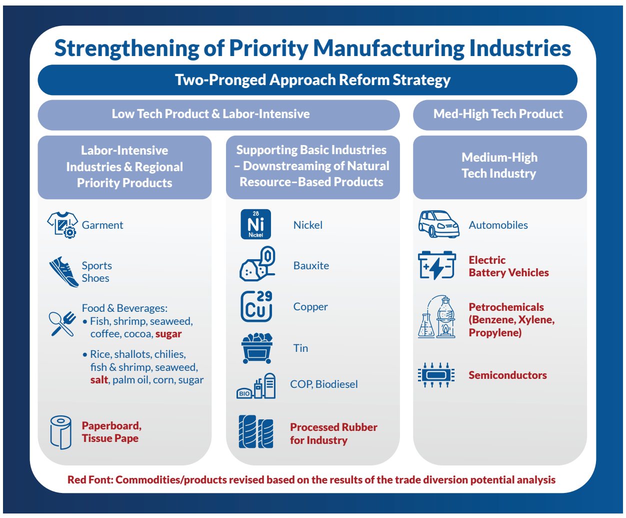
From the perspective of industrial policy, real sector transformation will be focused on downstreaming of primary natural resource commodities and strengthening priority manufacturing industries. In the National Medium-Term Development Plan (RPJMN), downstreaming and the development of resource-based industries will be continued to increase domestic value-added (Figure 11.a). Downstreaming of natural resources will be concentrated on primary commodities, namely nickel, copper, bauxite, tin, palm oil, coconut, and seaweed. Innovation-driven technology-intensive industries will be focused on the development of the semiconductor industry and the aerospace industry, while basic industries will be directed at strengthening basic metals, iron and steel, as well as developing the chemical industry. Meanwhile, strengthening priority manufacturing sector will be pursued through two main strategies, namely medium-high technology industries and low-technology, labor-intensive industries (Figure 11.b). The medium-high technology industry strategy will focus on automobiles, electric batteries, petrochemicals, and semiconductors. The supporting low-technology industry strategy will focus on resource-based products such as nickel, bauxite, copper, tin, crude palm oil (CPO), and processed rubber for industrial use. The labor-intensive industry strategy and regional flagship products will focus on garments, sports shoes, as well as selected plantation, agricultural, and fishery products. The choice of strategy is based on several factors, including technological adoption capacity, the establishment of downstreaming and industrialization value chains, and the availability of exploration of the relevant natural resource commodities.

Danantara plays an important role both in the implementation of business models and in investment into downstreaming and industrialization projects of natural resources. In determining priorities, Danantara considers three main factors: the ability to generate impact on the national economy, the magnitude of sustainable investment returns, and the feasibility of realizing investment opportunities. Based on these three considerations, Danantara has identified eight priority sectors, namely: (i) minerals, focusing on nickel and bauxite commodities; (ii) renewable energy, particularly advanced oil and gas products; (iii) digital infrastructure, focusing on data centers; (iv) health, through the development of plasma fractionation facilities and hospital supply chains; (v) financial services, through asset securitization and credit; (vi) facilities and infrastructure, particularly

Figure 11.a. Priority Natural Resource Downstreaming Commodities in the RPJMN

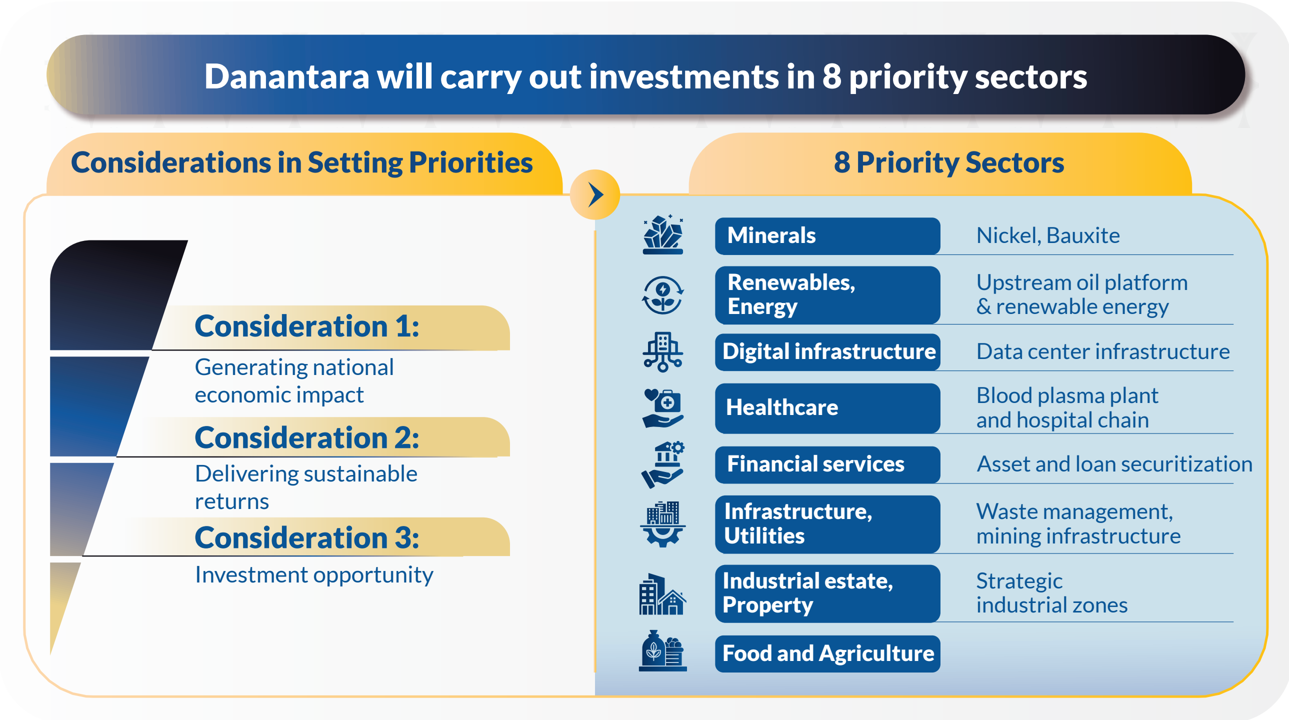
Source: RPJMN (Bappenas)

Figure 11.b. Strengthening of Priority Manufacturing Industries in the RPJMN



Source: Bank Indonesia

Figure 12. Danantara's Investment in 8 Priority Sectors



Source: Danantara

waste processing and mining infrastructure; (vii) development of industrial estates; and (viii) food and agriculture (Figure 12). As previously highlighted, the development of commercially viable business models in downstreaming and industrialization across these priority sectors is essential to attract investment, both from the Government through Danantara and from private investors, domestic and foreign alike.

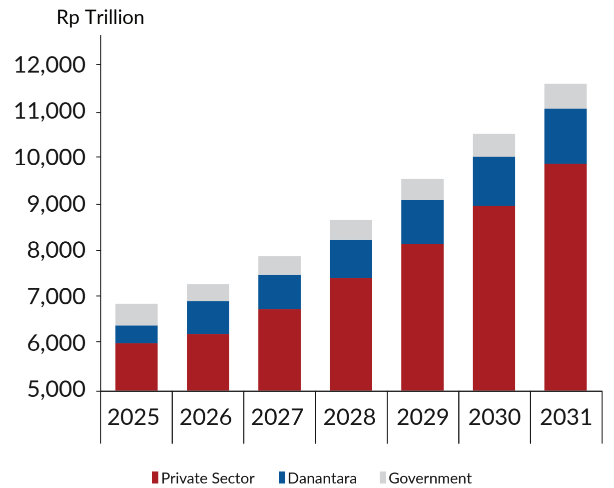
Structural reform policies are critically important to the success of industrial policies involving downstreaming and industrialization of primary natural resources and other national priority sectors. Well-designed industrial policies targeted at addressing market failures on the production side can improve performance both in prioritized sectors and at the aggregate level. The experience of South Korea illustrates that well-directed subsidies with clear objectives, implemented under sound institutional governance, can drive structural transformation in sectors such as electronics and automotive. Nevertheless, it must be acknowledged that the effectiveness of industrial policy depends heavily on technological adoption capacity, institutional capability and governance, as well as the structure of market competition in the respective country. This is why the success of industrial policy requires, and indeed depends upon, structural policies aimed at improving the investment climate, fostering healthy business competition, enhancing infrastructure connectivity (both physical and digital), and advancing trade and investment policies (domestic and international) pursued by the country concerned. Similar to industrial policy, structural policy is undertaken to overcome barriers to growth and productivity. The difference lies in the scope, where structural policy generates positive impacts across all economic sectors, whereas industrial policy is more narrowly directed at priority sectors. The challenge, however, is that structural policy is more difficult to implement due to reliance on government bureaucracy at both central and regional levels. Accordingly, a combination of structural reform policies and industrial policies can be an effective option. This approach can be pursued by implementing industrial policies to boost productivity, value-added, and competitiveness of priority sectors within special economic zones as growth centers, while simultaneously undertaking structural reforms to improve the investment climate, infrastructure connectivity, institutional governance and bureaucracy, as well as innovation and research development to accelerate technology adoption. In this context, the development of several Special Economic Zones (SEZs), such as Batang, Sei Mangke, and Weda Bay, as growth centers for downstreaming and industrialization of natural resources and other priority sectors, represents an appropriate policy step in combining industrial and structural policies.

Synergy to Enhance Economic Financing

Synergy in enhancing financing is critically important to support higher and more resilient economic growth. As previously highlighted, the capital and investment needed for real sector transformation programs, particularly downstreaming and industrialization of natural resources and other priority sectors, are substantial and cannot be met solely through the State Budget (APBN). Therefore, a clear national financing strategy is required. In this regard, total investment needs during 2025–2031 are estimated to reach Rp62.54 thousand trillion, rising from Rp6.88 thousand trillion in 2025 to Rp11.63 thousand trillion in 2031 (Graph 37.a). Of this amount, with budget allocations focused on social programs and the fiscal deficit capped at no more than 3% of GDP, investment financing from the APBN during 2025–2031 is estimated at Rp3.15 thousand trillion (around 5.0%). Meanwhile, investment financing from Danantara is estimated to reach Rp5.84 thousand trillion (around 9.3%) over the same period. The largest contribution to meeting the investment financing needs is expected to come from the private sector, amounting to Rp53.56 thousand trillion (around 85.6%) during 2025–2031 (Graph 37.b). This represents the greatest challenge to the successful implementation of real sector transformation policies aimed at fostering higher and more resilient economic growth. Addressing this challenge requires the formulation of clear business models, strong institutional governance, and robust technological adoption capacity within downstreaming and industrialization programs, thereby ensuring commercial viability to attract private investment from both domestic and foreign investors.

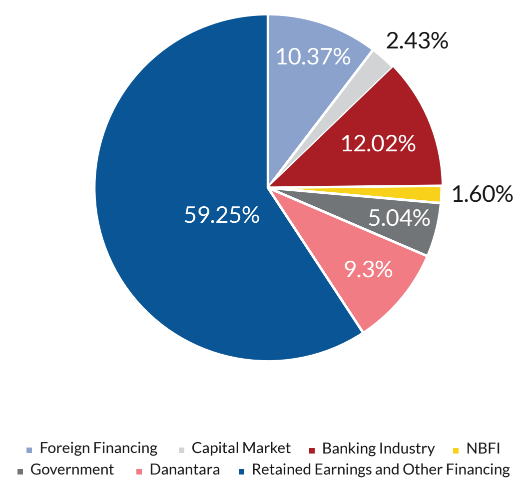
Policy synergy among the Government, Danantara, the Financial System Stability Committee (KSSK), and Bank Indonesia must be strenghtned to explore private financing sources in order to meet the substantial investment needs going forward. In this context, consistent with the established financing patterns for business investment,

Graph 37.a. Projected Total Investment and Sources of Finance: 2025-2031



Source: Bank Indonesia

Graph 37.b. Projected Composition of Sources of Investment Financing: 2025-2031



Source: Bank Indonesia

around 59.25% of total private investment needs (equivalent to approximately Rp37.1 thousand trillion during 2025–2031) generally originate from internal funds, including retained earnings and other financing sources (Graph 37.b). The next sources of financing are foreign financing, either in the form of foreign direct investment (FDI) or external loans, accounting for around 10.37% (Rp6.5 thousand trillion during 2025–2031), additional bank credit/financing at around 12.02% (Rp7.52 thousand trillion during 2025–2031), with the remainder sourced from capital markets and non-bank financial institutions. For new projects where internal financing contributions are more limited, the share of investment needs met through bank credit/financing and foreign financing will naturally be larger. Accordingly, policy synergy to mobilize financing from these four main sources, internal funds, banking, FDI, and Government budget, must be optimized to achieve high growth in the next five years. The focus of synergy should be directed at four key aspects, namely optimal project financing structures, appropriate financing sources, liquidity and hedging needs, and financial education and literacy. The feasibility of investment projects will determine the optimal financing structure. The greater a project's commercial viability, the more its financing structure can rely on private channels, such as bank credit/financing, bond or other securities issuance in the domestic capital market, or loans from foreign investors. Certain projects generate commercial returns, enabling private investment needs to be largely met by private sources, including internal funds, bank credit, and foreign loans and investment. However, other projects still require partial financing and fiscal incentives from the Government to strengthen their commercial viability. Such fiscal incentives and/or other Government policies include tax rates, interest subsidies, and policy certainty, particularly during the grace period from the construction phase to the initial operational stage. Once again, this underscores the critical importance of improving the investment climate, advancing bureaucratic reform, and conducting thorough feasibility studies (Figure 13).

Furthermore, synergy among the Ministry of Finance, the Financial Services Authority (OJK), the Deposit Insurance Corporation (LPS), and Bank Indonesia is essential for coordination in

Figure 13. Economic Financing Business Model

Source: Bank Indonesia

mobilizing financing sources from the financial sector. Financing may take the form of investment, credit, or issuance of bonds and other securities. Deepening the financial market is critically important to support financing of the national economy, including enhancing liquidity, ensuring competitive interest rates, and providing hedging instruments for interest rate and exchange rate risks.In this regard, Bank Indonesia will continue to implement the Money Market Deepening Blueprint (BPPU) 2025–2030, encompassing product development, pricing, market participants, and infrastructure. As explained in the previous chapter, during the implementation of BPPU 2020–2025, average daily transaction values in the money market reached more than Rp54 trillion, while in the foreign exchange market they exceeded USD10 billion per day. In addition, Bank Indonesia continues to strengthen synergy with the three institutions within the Financial System Stability Committee (KSSK) to formulate joint measures in meeting required financing sources. As previously highlighted, Bank Indonesia will continue to optimize liquidity incentives (KLM) to encourage bank credit/financing to priority sectors that support growth and job creation. Beyond macroprudential policy coordination with microprudential supervision to ensure credit optimization and safeguard banking system risks, Bank Indonesia's synergy with OJK also encompasses harmonization of regulations governing bond issuance and transactions as well as Commercial Papers, and harmonization of licensing for financial markets, including inter-market infrastructure and supporting professions in the financial sector. In addition to fiscal policy coordination with monetary and macroprudential policies as previously described, Bank Indonesia's synergy with the Ministry of Finance also extends to deepening the government bond market and harmonizing taxation of financial transactions in both the capital market and the money and foreign exchange market. Financial market development synergy within the KSSK and with ministries/government agencies, authorities, and market participants continues to be pursued to foster innovation in economic financing instruments and hedging, including debt instruments, interest rate and exchange rate swaps, and optimization of local currency transactions (LCT).

Synergy to Accelerate National Economic and Financial Digitalization

Indonesia's digital economy has enormous potential to serve as a key driver of high economic growth, both through investment and productivity gains. In line with the National Digital Economy Strategy 2030, Indonesia is focusing on developing digital infrastructure, transforming the trade sector (including MSMEs), adopting technologies such as artificial intelligence (AI), and providing efficient digital government services. The overarching objective is to significantly increase the value of Indonesia's digital economy by 2030 and strengthen national competitiveness through digital innovation and collaboration. *First*, the digital infrastructure strategy is being pursued through the development of physical infrastructure such as fiber optic networks, Base Transceiver Station (BTS) towers, and satellites, including Satria and low-earth-orbit satellites, to ensure coverage across all regions of Indonesia, including the 3T (the frontmost, the outermost, and the remote) areas. *Second*, digital transformation across sectors, particularly trade, is being promoted by supporting MSMEs to upgrade and integrate into a broader digital ecosystem. *Third*, the adoption of innovative technologies such as AI, cloud computing, and fintech is being accelerated to enhance efficiency and productivity. *Fourth*, the digital government strategy focuses on modernizing public services to make them more accessible and efficient, while leveraging data for improved decision-making. *Fifth*, the cybersecurity and regulatory strategy aims to build a regulatory framework that supports digital innovation while safeguarding consumers and national interests, and to strengthen cybersecurity to create a secure digital ecosystem. With the implementation of the national digital economy strategy, Indonesia's digital economy is projected to surge from USD90 billion in 2024 to as high as USD360 billion by 2030. Digital economy growth is expected to contribute significantly to Indonesia's GDP in 2030. The advanced implementation of AI is projected to further boost overall digital economy growth.

Bank Indonesia will continue to accelerate the digitalization of the payment system to support the national Digital Economy and Finance and promote high and inclusive economic growth. This will be achieved through the IPSB 2030 programs, including the development of payment infrastructure (retail, wholesale, and data), industry restructuring, innovation development, international cooperation, and the development of Digital Rupiah. Bank Indonesia continues to promote the payment system and financial sector digitalization as a leverage point to enhance the productivity of payment and financial services for the economy. The growing adoption of QRIS and BI-FAST in serving the payment needs of people across all segments demonstrates their significant contribution to inclusive economic growth. Likewise, digital banking services, through online and mobile banking, continue to expand rapidly. Bank Indonesia will also establish the Indonesia Digital Innovation Center (PIDI) to strengthen public digital literacy and acceptance. The digitalization of the social programs distribution and Government financial transactions will continue to expand. Bank Indonesia is also enhancing synergy in Anti–Money Laundering, Countering the Financing of Terrorism, and Countering the Financing of Proliferation of Weapons of Mass Destruction (APU PPT PPPSPM) with the PPATK, the OJK, relevant ministries/government agencies, the payment system and banking industries, as well as international forums, to ensure the integrity and resilience of the national payment ecosystem. Furthermore, bilateral and international cooperation in cross-border payment systems will continue to be expanded, not only with ASEAN-5 countries but also with Japan, China, South Korea, Saudi Arabia, and India.

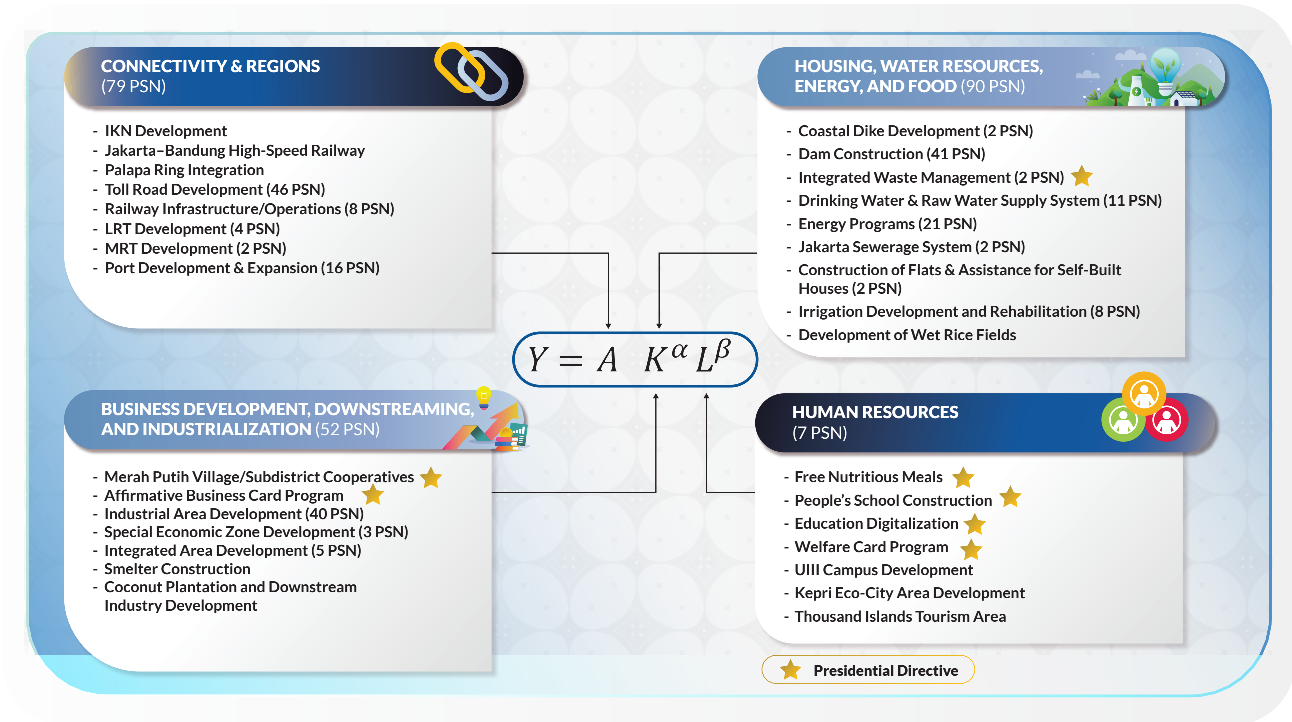
Synergy in International Trade and Investment Cooperation

Strengthening the effectiveness of trade and investment cooperation with major partner countries is essential to support the success of real-sector transformation policies. Indonesia has established economic cooperation at the bilateral, regional, and multilateral levels to enhance trade, investment, and economic growth. At the regional level, Indonesia actively participates in the ASEAN Free Trade Area (AFTA) to strengthen economic cooperation within the region. Bilaterally, Indonesia maintains free trade agreements with key trading partners. With China, Indonesia has signed a strategic memorandum of understanding for investment in manufacturing, renewable energy, and logistics. This cooperation aims to attract investment, create jobs, and integrate MSMEs into global supply chains. Cooperation with Japan includes investments in industrial sectors such as port development and vehicle manufacturing, as well as student exchanges in technology-related fields. With South Korea, Indonesia has established a special strategic partnership focused on defense and trade, as well as the Indonesia–Korea Comprehensive Economic Partnership Agreement (IK-CEPA). Indonesia also maintains cooperation with Australia in free trade agreements and business partnerships across various sectors such as infrastructure, agriculture, and natural resources. Cooperation with Switzerland covers trade, investment, tourism, and development, with Switzerland being one of Indonesia's significant investors. Indonesia's regional and multilateral cooperation also extends to the European Union, the International Monetary Fund (IMF), the G20, and the World Trade Organization (WTO). As discussed earlier, US protectionist policies and global economic polarization across countries are expected to persist. Therefore, Indonesia's trade and investment cooperation should focus on major bilateral and regional partners that offer the most significant strategic benefits, while continuing to advocate multilateral cooperation. Moreover, such bilateral and regional cooperation is essential to support Indonesia's interests in trade and investment related to natural resource downstreaming programs and their financing needs. This includes cooperation to expand the use of local currencies (Local Currency Transactions, LCT), advance financial market deepening, and strengthen cross-border digital payment cooperation to facilitate bilateral and regional trade and investment.

Indonesia's Medium-Term Economic Outlook

Overall, the five national economic policy mix strategies described above can foster higher and more resilient economic growth. The positive impact on economic growth may derive both from demand-side stimulus (aggregate demand) as well as from strengthening national supply capacity (aggregate supply). In particular, significant growth gains in terms of capital, labor, and productivity may result from the implementation of national strategic projects, including 79 projects on connectivity and regional development, 90 projects on housing, water resources, energy and food, 52 projetcs on business enhancement, downstreaming and industrialization, and 7 projects on human resource development (Figure 14). The extent of growth improvement that can be achieved will depend on the speed, accuracy, and effectiveness of implementation. In this regard, three scenarios can be simulated. First, the "Baseline" scenario, involving implementation of carry-over projects, ongoing projects, and those already groundbreaking. Second, the "Optimistic" scenario, which refers to the Baseline scenario plus the implementation of new projects that have not yet commenced or reached groundbreaking, characterized by relatively low costs and potential for faster financing, including funding from the State Budget (APBN). Third, the "Super Optimistic" scenario, which builds on the Optimistic scenario by adding projects that have not yet commenced or reached groundbreaking, but characterized by relatively higher costs and longer financing timelines, largely funded through private investment from both domestic and foreign sources. The scenario levels also reflect the intensity of structural reform policy implementation, which is stronger in each successive scenario. Structural policies are reflected in: (i) enhancing Productivity through accelerated infrastructure development, strengthened research and development capacity, technology adoption, and improved market efficiency; (ii) strengthening Capital through improvements in the investment climate, increased foreign direct investment (FDI) and domestic investment, and support for capital-intensive sectors; and (iii) improving Labor quality through better access to and quality of education, higher labor force participation, and creation of formal employment opportunities.

Figure 14. Impact of National Strategic Projects on the Enhancement of National Economic Capacity

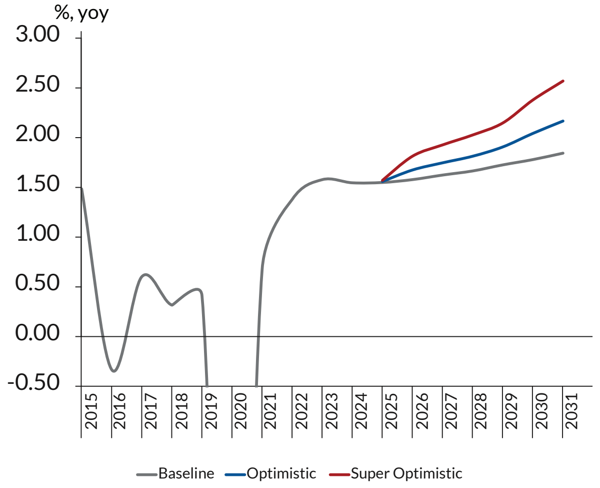


Source: Bank Indonesia, Government Work Plan, processed

The three scenarios described above can foster higher economic growth going forward, albeit with different levels of achievement. The key lies in the speed and effectiveness of implementing various Government and private sector's programs and projects that can promote growth from the demand side through consumption and investment, as well as from the improvement in national economic capacity. The five agendas of national economic transformation policies are interrelated and mutually reinforcing in terms of increasing investment and capital, absorbing labor and raising household income, as well as improving productivity and economic efficiency. This will be reflected in rising productivity growth (Total Factor Productivity/TFP), with the largest increase occurring under the Super Optimistic scenario compared with the other two scenarios (Graph 38.a). In other words, with the same level of capital investment and labor absorption, economic growth outcomes will be higher. To achieve high economic growth, a balance must be maintained between capital-intensive sectors, which enhance economic capacity (aggregate supply side), and labor-intensive sectors, which increase income and consumption (aggregate demand side). Likewise, the Incremental Capital-Output Ratio (ICOR) will decline, with the largest reduction under the Super Optimistic scenario compared with the other two scenarios (Graph 38.b). A lower ICOR indicates greater efficiency in the national economy, as achieving high growth requires a smaller amount of investment.

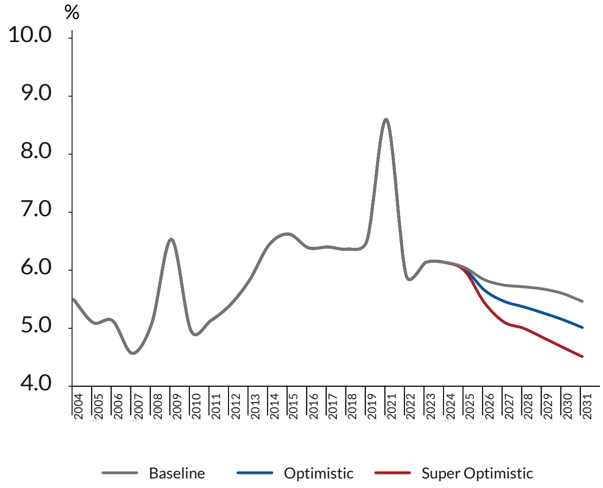
The increase in Total Factor Productivity (TFP) and the decline in the Incremental Capital-Output Ratio (ICOR) resulting from the implementation of the national economic transformation policy mix will jointly enhance the achievement of high and resilient growth while maintaining macroeconomic stability. The economic growth, which is projected at around 4.7–5.5%, in 2025, is expected to increase to 4.9–5.7% in 2026 and 5.1–5.9% in 2027 (Table 11). With the implementation of the national economic transformation policy mix, economic growth in 2031 under the "Baseline" scenario, estimated at 5.6–6.4%, is projected to rise to 6.1–6.9% under the "Optimistic" scenario and even higher to 6.9–7.7% under the "Super Optimistic" scenario. Price stability will be maintained, with inflation remaining under control within the range of 2.5±1%, while the current account balance will remain low, at around a deficit of 0.4% to a surplus of 0.4% of GDP in 2031. Indonesia's internal and external economic stability can be achieved through the strengthening of aggregate supply capacity, which will meet the rising demand under the national economic transformation policy mix. Bank credit/financing is expected to grow optimally at around 12–16% per year. Fiscal deficits will also

Graph 38.a. Projected Productivity Growth: 2025-2031



Source: Bank Indonesia

Graph 38.b. Projected ICOR Decline: 2025-2031



Source: Bank Indonesia

Table 11. Indonesia's Economic Projections 2025–2031

Indicator	Unit	2025	2026	2027	2031		
					Baseline	Optimistic	Super Optimistic
Economic Growth	**%, yoy**	**4.7–5.5**	**4.9–5.7**	**5.1–5.9**	**5.6–6.4**	**6.1–6.9**	**6.9–7.7**
CPI Inflation	%, yoy	2.5 ± 1	2.5 ± 1	2.5 ± 1	2.5 ± 1	2.5 ± 1	2.5 ± 1
Current Account	%PDB	0.1 to -0.7	-0.2 to -1.0	-0.4 to -1.2	0.2 to -0.6	0.3 to -0.5	0.4 to -0.4
Credit Growth	%, yoy	8–11	8–12	9–13	10–14	11–15	12–16

Source: Bank Indonesia's Projection

remain contained at below 3% of GDP, consistent with Indonesia's established credibility.

As a note, the simulation of economic performance outcomes resulting from the implementation of the national economic transformation policy mix must be continuously evaluated in line with evolving dynamics and the necessary policy mix responses. Several assumptions underpin this simulation. First, global economic growth is assumed to slow from 3.1% in 2025 to 3.0% in 2030, with the US monetary policy rate declining from 4.0% to 3.5%. This assumption may change with the continuation of tariff policies by the US Government under President Trump. The rapidly changing geopolitical and global economic dynamics could affect Indonesia's economic stability and growth outcomes. Second, in addition to the Government's strategic programs under Asta Cita, the role of the private sector, including large corporations, MSMEs, the creative economy, services, digital financial economy, and tourism, is critically important as drivers of economic growth and job creation. In this regard, improving the investment climate, developing infrastructure, and ensuring business certainty are key to fostering economic growth and employment. Equally important is the preservation of macroeconomic and financial system stability, which has established credibility for Indonesia's economic performance recognized internationally. In this context, close coordination among Government policies, Bank Indonesia policies, and Financial System Stability Committee (KSSK) policies in responding to rapidly changing geopolitical and global economic dynamics is a prerequisite and foundation for the success of the national economic transformation policy mix in achieving high and sustainable economic growth toward Golden Indonesia 2045 (*Indonesia Emas* 2045).

V. Direction of Bank Indonesia Policy Mix in 2026: Fostering Growth, Maintaining Stability

Bank Indonesia's policy mix in 2026 will remain directed toward supporting economic growth while maintaining stability. This policy stance is based on the assessment that Indonesia's economic and financial cycles are still below potential and expected to approach optimal levels around 2027–2028. From an economic cycle perspective, this is reflected in inflation projections that remain controlled within the 2.5±1% target range in 2026 and 2027, alongside economic growth that is still below national output capacity, estimated at 4.9–5.7% and 5.1–5.9% during the same period, as previously outlined. From a financial cycle perspective, this is indicated by strong financial system stability and credit growth that remains below optimal levels, projected at 8–12% in 2026 and 9–13% in 2027. Synergy between Bank Indonesia's policy mix, Government policies, and coordination within the Financial System Stability Committee (KSSK) will continue to be strengthened to drive higher and more resilient economic growth while safeguarding macroeconomic and financial system stability toward Golden Indonesia (*Indonesia Emas*).

This policy direction underpins Bank Indonesia's monetary, macroprudential, and payment system policies in 2026, in line with its mandate under the Bank Indonesia Act. With inflation projected to remain low in 2026 and 2027, monetary policy in 2026 will be directed on optimizing room to support economic growth (*pro-growth*) while maintaining Rupiah exchange rate stability (*pro-stability*), particularly amid the prolonged global uncertainty (Figure 15). Macroprudential and payment system policies will remain focused on fostering higher economic growth (*pro-growth*). Macroprudential policy will remain accommodative to encourage bank lending and financing, particularly to priority sectors that drive economic growth and job creation in line with the Government's Asta Cita program, including MSMEs, economic inclusion, and green finance. Payment system digitalization will continue to be accelerated in accordance with the Indonesia Payment System Blueprint (IPSB) 2030, focusing on strengthening infrastructure (retail, wholesale, and data), industry consolidation, innovation and acceptance, international cooperation, and development of the Digital Rupiah. The monetary, macroprudential, and payment system policy mix will be supported by accelerated money market and foreign exchange market deepening under the Money Market Development Blueprint (BPPU) 2030 to enhance monetary policy transmission, develop a modern secondary market aligned with international standards, and expand instruments for economic financing. Programs to promote inclusive economic and financial development, including MSMEs and the sharia economy and finance, will also be expanded. Bank Indonesia will continuously calibrate its monetary, macroprudential, and payment system policy mix in response to evolving global and domestic economic dynamics.

Direction of Monetary Policy

Bank Indonesia's monetary policy in 2026 will be directed toward achieving the inflation target and maintaining Rupiah exchange rate stability, while optimizing policy space to support higher economic growth. As explained above, with inflation projected to remain within the target and growth remaining below potential, there is still room for

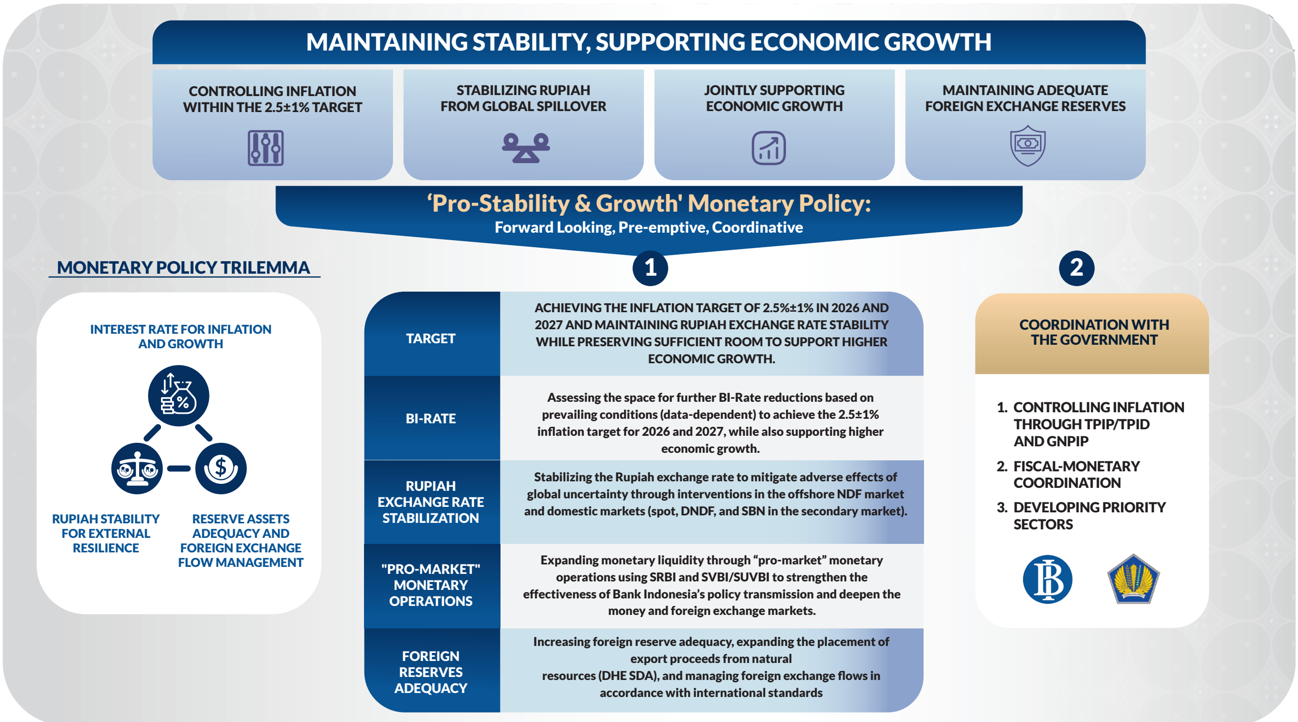
Figure 15. Direction of Bank Indonesia Policy Mix in 2026

Source: Bank Indonesia

further monetary policy easing beyond the measures implemented in 2025 to bolster economic growth. Nevertheless, as discussed in Chapter I, elevated global economic uncertainty is expected to persist in 2026. This will be driven by the impact of US tariff policies and global geopolitical developments, the slowing and broadening of global economic fragmentation, high debt and interest rates in advanced economies, heightened vulnerabilities and risks in global financial markets, as well as the increasing prevalence of private-sector issuance and trading of cryptocurrencies and digital financial assets. This high level of global uncertainty must continue to be closely monitored and addressed with appropriate policies to safeguard Indonesia's external resilience and mitigate its potential adverse impacts on domestic economic stability and growth. Volatility in foreign capital flows and pressures on the exchange rate are expected to continue in 2026, requiring Bank Indonesia to maintain its monetary policy focus on Rupiah exchange rate stabilization to mitigate their negative impact on national economic stability. To maintain Rupiah exchange rate stability, monetary policy in 2026 will continue to be implemented in a consistent, prudent, and well-calibrated manner, in line with evolving global and domestic economic dynamics, to achieve the inflation target while utilizing available space to support higher economic growth in 2026 and 2027.

The direction of Bank Indonesia's monetary policy in 2026 for stability and economic growth will be implemented through four core instruments (Figure 16). First, an interest rate policy that is forward-looking and pre-emptive to achieve the inflation target set by the Government, while optimizing policy space to support higher economic growth. Second, monetary liquidity expansion through a pro-market monetary operations strategy to strengthen the effectiveness of policy transmission from the BI-Rate reduction to bank lending rates and to accelerate the deepening of the money and foreign exchange markets. Third, Rupiah exchange rate stabilization to safeguard Indonesia's external stability from the spillover effects of global uncertainty. Fourth, maintaining adequate foreign exchange reserves to support Rupiah exchange rate stabilization and the Government's external debt

Figure 16. Direction of Bank Indonesia Monetary Policy in 2026



Source: Bank Indonesia

payments, supported by the management of foreign exchange flows in line with international standards. Bank Indonesia will continue to strengthen monetary and fiscal policy coordination with the Government to achieve the inflation target, maintain macroeconomic stability, and drive higher and more resilient growth.

First, Bank Indonesia's interest rate policy will continue to be directed in a forward-looking, preemptive manner to achieve the inflation target set by the Government, 2.5±1% in 2026 and 2027, while optimizing space for further monetary policy easing to support higher economic growth. As explained in Chapter III, in line with low inflation and the need to support stronger economic growth, Bank Indonesia reduced the BI-Rate six times by a total of 150 bps, from 6.25% in September 2024 to 4.75% in September 2025, the lowest level since 2022. In addition, during the Board of Governors Meeting (RDG) on 16–17 September 2025, Bank Indonesia also decided to lower the Deposit Facility rate by a larger magnitude, namely by 50 bps to 3.75%, to further encourage banks to utilize liquidity easing to support the real sector. Going forward, considering the continued low inflation projections for 2026 and 2027 within the 2.5±1% target range, and in line with the collective efforts to promote higher economic growth, Bank Indonesia views that there remains room for further BI-Rate reductions. The utilization of this additional room for BI-Rate reductions will be based on assessments of evolving data and conditions (data-dependent), particularly considering the need to maintain Rupiah exchange rate stability amid the prolonged global uncertainty. Bank Indonesia will also continue to take measures to strengthen the transmission effectiveness of BI-Rate reductions, particularly in lowering bank lending rates. As explained in Chapter III, the BI-Rate cuts have been followed by significant declines in INDONIA rates in the money market and yields on Government Securities (SBN) across all tenors, thereby increasing transactions, efficiency, and the depth of domestic financial markets. However, the decline in bank deposit rates remains slow due to the still-high large depositor special rates. Similarly, the decline in lending rates has been limited, partly due to elevated risk premia and overhead costs in bank lending. In addition to reducing the BI-Rate and continuing monetary liquidity expansion, Bank Indonesia is also maintaining close coordination with the Financial System Stability Committee (KSSK) to strengthen the transmission effectiveness of lower bank interest rates in order to promote higher credit growth and stronger economic growth.

Second, monetary liquidity expansion through a pro-market monetary operations strategy will be further strengthened to enhance the effectiveness of interest rate transmission and accelerate the deepening of the money and foreign exchange markets. Liquidity expansion through the monetary program is directed to ensure that liquidity conditions align with the optimal requirements of the money market and the broader economy. Its magnitude is determined based on projections of Reserve Money (M0) and broad money (M1 and M2), consistent with forecasts of relevant economic indicators, while taking into account influencing factors such as developments in foreign capital flows (Net Foreign Assets, NFA) and the Government's financial operations (Net Claims on Government, NCG). Based on this monetary program, Bank Indonesia conducts monetary liquidity expansion through monetary operations by optimizing the interest rate structure and volume of all available instruments, including SRBI, SUKBI, SVBI, and SUVBI. In 2025, for example, monetary liquidity expansion up to November 2025 was reflected in a decline in SRBI volume of Rp217.67 trillion, accompanied by a decrease in the SRBI interest rate for the 6-month tenor by 254 bps to 4.62%. Under the same monetary program, Bank Indonesia also expanded monetary liquidity through secondary market purchases of Government Securities (SBN). In 2025, as previously noted, Bank Indonesia purchased SBN amounting to Rp289.91 trillion up to 18 November 2025, with yields on 2-year and 10-year SBN declining by 226 bps and 113 bps to 4.70% and 6.13%, respectively, thereby helping reduce the Government's SBN interest burden in the State Budget (APBN). Going forward, Bank Indonesia will continue to expand monetary liquidity in line with the 2026 monetary program, both through all available monetary instruments and through secondary market purchases of SBN, supported by close policy coordination with the Government's fiscal authorities.

Bank Indonesia will also continue to optimize its pro-market monetary operations strategy to strengthen further the effectiveness of BI-Rate transmission to the financial sector, as well as to maintain overall market and financial system stability. The strengthening of the pro-market monetary operations strategy will be carried out through four key measures. First, optimizing repo and DNDF transactions by involving banks that utilize the Central Counterparty (CCP) to strengthen transaction risk mitigation and enhance market efficiency. Second, developing the Overnight Index Swap (OIS) market through the issuance of Floating Rate Notes (BI-FRN) and OIS matchmaking for tenors beyond overnight to establish an interest rate structure based on actual money market transactions. The development of the OIS market is necessary as the use of JIBOR as a reference rate will be discontinued in 2026. This forms part of efforts to improve domestic money market pricing. Third, expanding the underlying repo instruments in Bank Indonesia's monetary operations to include other high-quality securities issued by Government-established financial institutions to support Government programs for public welfare. Fourth, broadening the investor base for Bank Indonesia Sukuk (SUKBI) to allow ownership by banks and non-banks, including residents and non-residents, to strengthen the monetary instrument and attract capital inflows. These measures are intended to strengthen the effectiveness of monetary policy transmission and accelerate financial market deepening.

Third, the Rupiah exchange rate stabilization policy will continue to be implemented to safeguard Indonesia's external resilience from the impact of global volatility, thereby contributing positively to sustainable economic stability and growth. Fundamentally, the Rupiah should strengthen and move stably, consistent with low inflation, attractive yields on domestic financial assets, and relatively strong economic growth. Nevertheless, as explained in Chapter I, elevated uncertainty in the global economy and financial markets has increased the risk of portfolio outflows from EMEs and exerted pressure on various global currencies, including the Rupiah. Consequently, Rupiah exchange rate stability must continue to be maintained to protect Indonesia's external resilience from these global shocks. Rupiah stability is essential for maintaining controlled inflation, particularly imported inflation, and for ensuring business certainty to support economic growth. Rupiah stability is also crucial for preserving the Government's fiscal performance, particularly in maintaining the attractiveness of SBN yields for State Budget (APBN) financing needs. In addition, Rupiah stability is critical for safeguarding the financial system stability, particularly against exchange rate risks that affect the balance sheets of both banks and corporates, while also supporting confidence among businesses and the public. To this end, the Rupiah stabilization measures implemented by Bank Indonesia thus far will be continued in 2026. Exchange rate stabilization will be conducted through foreign exchange interventions in both offshore markets (offshore NDF) and the domestic market (spot, DNDF, and secondary market transactions in Government Securities/SBN).
The offshore NDF interventions conducted since early April 2025 to mitigate the negative impact of US tariff policies, executed continuously across Asian, European, and US markets through Bank Indonesia's overseas representative offices, have proven effective and will therefore continue to be implemented to stabilize the Rupiah exchange rate. In addition to the significant influence of offshore Rupiah movements on onshore markets, NDF interventions are more efficient because they require relatively minor volumes and do not involve actual fund transfers, thus exerting minimal impact on foreign exchange reserves.

Fourth, the adequacy of foreign exchange reserves will be maintained to support Rupiah exchange

rate stabilization and the Government's external debt payments, and strengthened through the management of foreign exchange flows in line with international standards. Foreign exchange reserve adequacy will continue to be enhanced through Balance of Payments surpluses, foreign exchange monetary operations, and optimization of reserve management. In this regard, the optimization of foreign exchange reserve management will continue to be reinforced through the implementation of Strategic Asset Allocation (SAA) to achieve optimal investment returns while meeting liquidity needs for the Government's external debt payments and Rupiah exchange rate stabilization policy. In addition to placing reserves in high-quality financial assets with low exchange rate risk, gold purchases will also be conducted in a safe, gradual, and well-calibrated manner. Bank Indonesia will also continue to optimize the expansion of foreign exchange placement instruments for Natural Resource (SDA) Export Proceeds (DHE) to support the implementation of Government Regulation No. 8 of 2025. Bilateral cooperation with several central banks, including Malaysia, India, and China, has been established to utilize swap arrangements and bilateral purchases of Government Securities (SBN) in reserve management. International cooperation is likewise being strengthened, including multilateral collaboration with the BIS for foreign reserve management, bilateral swap arrangements with several central banks including the United States, Japan, China, and ASEAN, as well as regional cooperation under ASEAN+3 (Japan and South Korea) within the Chiang Mai Initiative Multilateralism (CMIM) framework to enhance the Regional Financial Arrangement (RFA) in Asia. As a follow-up to the P2SK Act, Bank Indonesia has also issued a Bank Indonesia Regulation governing foreign exchange flow management to strengthen Indonesia's external resilience, consistent with the open foreign exchange system and international standards in line with IMF guidelines. The regulation covers the management of foreign exchange flows under normal conditions, under pressure, and in crisis conditions, as well as the coordination mechanism among Bank Indonesia, the Government, and the KSSK to safeguard macroeconomic and financial system stability.

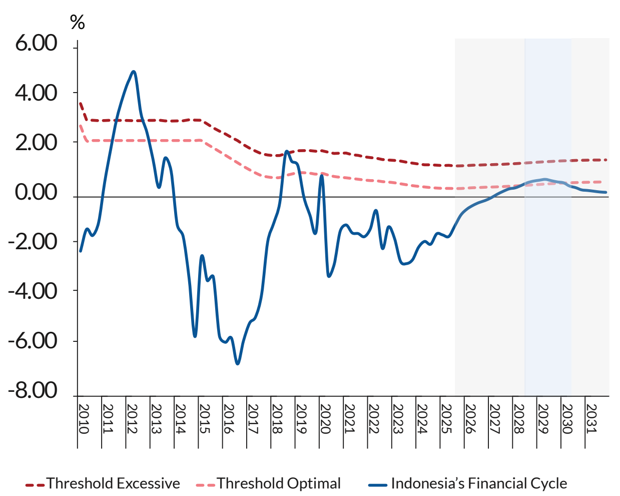
Policy coordination between Bank Indonesia's monetary policy and the Government's fiscal policy continues to be strengthened to reinforce external resilience against global shocks, control inflation, and promote sustainable economic growth. Coordination to safeguard external resilience against global spillovers is carried out by aligning Bank Indonesia's monetary operations for Rupiah exchange rate stabilization with the Government's issuance of Government Securities (SBN) for fiscal financing in both domestic and global markets, from the annual planning stage through ongoing implementation. Coordination for inflation control, particularly volatile food and administered prices, with the Central and Regional Governments is strengthened through the Central and Regional Inflation Control Teams (TPIP and TPID), supported by the National Food Security Front (*Gerakan Nasional Pengendalian Inflasi Pangan*, GNPIP), which mobilizes all 46 Bank Indonesia regional offices across the country. Meanwhile, coordination to support economic growth from the domestic demand side, particularly consumption and investment, is carried out by synchronizing Bank Indonesia's interest rate reductions and monetary liquidity expansion via the banking system with the Government's fiscal stimulus to boost the real sector at both the central and regional levels. In addition, Bank Indonesia provides recommendations on national economic policies, including those based on the Regional Economic and Financial Assessment (KEKDA) conducted by Bank Indonesia's representative offices throughout Indonesia.

Direction of Macroprudential Policy

Bank Indonesia will continue to strengthen accommodative macroprudential policies in 2026 to stimulate bank lending/financing in support of higher economic growth, while maintaining financial system stability. The direction of this accommodative macroprudential policy is based on three key considerations. *First*, Indonesia's financial cycle in 2026 and 2027 remains below optimal financing capacity and is expected to start increasing by the end of 2027, reaching its peak in 2029 (Graph 39.a). This aligns with the economic cycle, which remains below national output capacity, primarily due to sluggish consumption and investment amid slowing exports driven by global economic conditions. Therefore, accommodative macroprudential policies are needed to strengthen banking capacity in providing credit/financing, particularly for sectors that drive growth and job creation. *Second*, in line with the Asta Cita Vision, the Government has designed several National Priority Programs to stimulate growth and employment, requiring substantial financing support. As outlined in Chapter IV, these strategic programs include downstreaming of natural resources, strengthening the manufacturing industry, food security, supported by infrastructure and housing development, including public housing. Social and people-centered economic programs such as MBG, KDMP, MSMEs, and the creative economy will also continue. Therefore, synergy between Bank Indonesia's macroprudential policies and the Government's fiscal and industrial policies is crucial to address demand constraints that have kept bank credit/financing low (Graph 39.b). Such synergy is a key component in meeting the substantial financing needs of these national strategic programs. *Third*, the accommodative macroprudential policy is consistent with the soundness of financial system stability, reflected in high capital adequacy ratio, ample liquidity, and low non-performing loans. Nevertheless, several vulnerabilities may arise from both global and domestic economic dynamics, which could affect the sustainability of financial system stability going forward. Therefore, close synergy is required between accommodative macroprudential policies to stimulate credit/financing and strengthened banking system surveillance by Bank Indonesia, along with microprudential supervision by the Financial Services Authority (OJK). Coordination within the Financial System Stability Committee (KSSK) also needs to be reinforced, not only to safeguard financial system stability but also to promote lending/financing by banks and other financial institutions in meeting the substantial financing needs of the national economy, while simultaneously supporting the implementation of financial sector reforms mandated by the Financial Sector Development and Strengthening Act (P2SK Act).

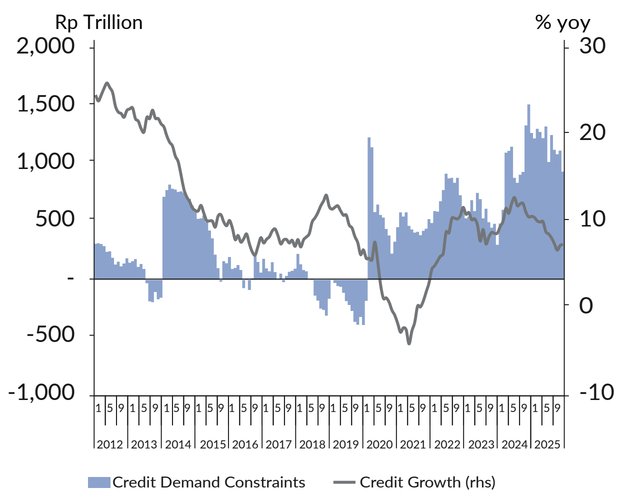
All macroprudential policy instruments will remain accommodative to achieve banking credit/financing growth of around 8–12% in 2026 while maintaining financial system stability. Discussions in Chapters II and III indicate that the low credit/financing growth is mainly due to the slow adjustment in bank

Graph 39.a. Indonesia's Financial Cycle



Source: Bank Indonesia

Graph 39.b. Credit Demand Constraints

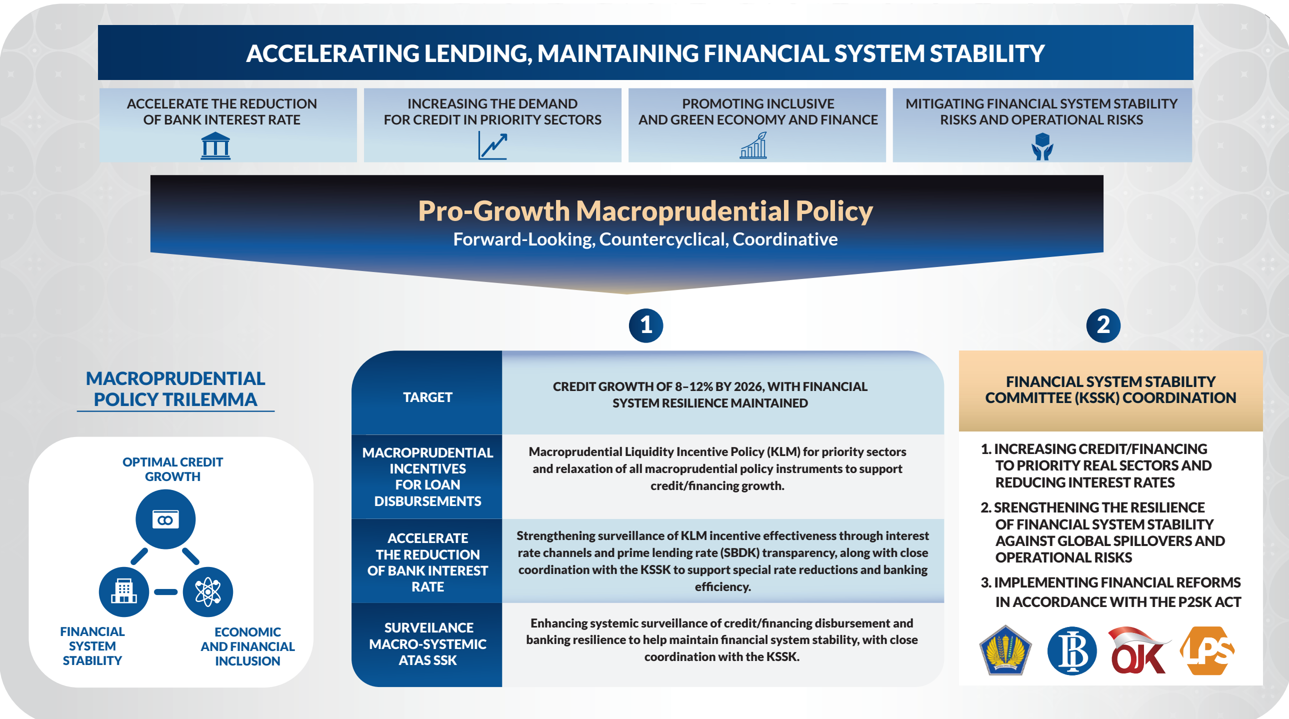


Source: Bank Indonesia

interest rates and weak credit demand from the real sector. Meanwhile, several risks to financial system stability must continue to be monitored, arising both from global market volatility and operational risks, particularly cybersecurity. Therefore, the direction of macroprudential policy in 2026 will be pursued through the following three steps (Figure 17). *First*, strengthening the effectiveness of the Macroprudential Liquidity Incentive Policy (KLM) forward-looking lending channel to encourage banks to increase credit/financing to priority sectors, including adjustments to sectors and the size of incentives provided, as well as synergy with the Government, KSSK, and related parties, including Danantara, to stimulate credit demand from the real sector. *Second*, accelerating the reduction of deposit and lending interest rates through the effectiveness of the KLM forward-looking interest channel and necessary responses, including KSSK coordination to lower special rates for large depositors and reduce lending interest margins. *Third*, strengthening systemic surveillance to maintain banking resilience against global shocks and operational risks, including through the enhancement of the Integrated Crisis Management Protoco. Policy coordination with the Government and KSSK will also continue to be strengthened to boost credit/financing to priority real sectors, enhance financial system stability resilience, and ensure the sustainability of financial sector reforms as mandated by the Financial Sector Development and Strengthening Act (P2SK Act).

First, the strengthening of the effectiveness of the KLM forward-looking lending channel incentive to increase bank credit/financing to priority sectors for growth and employment. As explained in Chapter III, as a strong commitment by Bank Indonesia to support economic growth, starting December 2025, KLM incentives will be performance-based and forward-looking through the lending channel and interest rate channel (Table 12). The total KLM incentive will be increased to 5.5% of third-party funds (DPK). Banks will receive incentives based on their commitment to channel credit/financing to specific sectors (lending channel) and reduce lending/financing interest rates in line with Bank Indonesia's policy rate direction (interest rate channel). Banks can receive KLM lending channel incentives through a reduction in the minimum reserve requirement (GWM) of up to 5% of DPK and

Figure 17. Direction of Macroprudential Policy in 2026



Source: Bank Indonesia

Table 12. KLM Incentive Allocation: Lending Channel and Interest Rate Channel

Lending Channel

Sectoral Scope	Credit/Financing Growth Tier (% yoy)	KLM (%) Credit/Financing Share (%)	
		Below of At Threshold	Above Threshold
Agriculture, Manufacturing, and Downstreaming Sectors		≤10%	>10%
	>0–3%	1.3%	1.4%
	>3–7%	1.4%	1.5%
	>7%	1.5%	1.5%+
Services Sectors, including Creative Economy		≤2%	>2%
	≤0%	-	0.4%
	>0-6%	0.4%	0.5%
	>6-12%	0.5%	0.6%
	>12%	0.6%	0.6%+
Housing Sectors		≤2%	>2%
	≤0%	-	1.2%
	>0-3%	1.2%	1.3%
	>3-7%	1.3%	1.4%
	>7%	1.4%	1.4%+
MSME, Cooperatives, Inclusion, and Sustainability Sectors		≤2%	>2%
	≤0%	-	1.4%
	>0-4%	1.4%	1.5%
	>4%	1.5%	1.5%+

Interest Rate Channel

Elasticity of New Loan Interest Rates to the BI-Rate	KLM Incentive (%) Conventional Commercial Banks / Islamic Commercial Banks / Islamic Business Units
<0.3	-
≥0.3 s.d <0.6	0.4%
≥0.6	0.5%

Source: Bank Indonesia

KLM interest rate channel incentives of up to 0.5% of DPK. The sectors eligible for KLM lending channel incentives include: (i) agriculture, manufacturing, and downstreaming sectors; (ii) services sectors, including creative economy; (iii) construction, real estate, and housing sectors; and/or (iv) MSMEs, cooperatives, inclusion, and sustainability sectors, which are also priority sectors for the Government in supporting economic growth. The size of the incentive given to banks under the lending channel also considers adjustments based on the realization of credit/financing growth compared to previous commitments. Meanwhile, the provision of KLM incentives through the interest rate channel is based on the speed at which banks adjust new lending/financing rates to Bank Indonesia's policy rate. Bank Indonesia will continuously assess the effectiveness of these KLM liquidity incentives to further encourage bank credit/financing to these priority sectors. In addition to policy measures, Bank Indonesia will actively strengthen synergy and coordination with the Government, KSSK, Danantara, banks, and businesses to stimulate credit demand. Synergy can be achieved through discussions, communication, and seminars to find joint solutions to overcome various obstacles in credit distribution, both in specific sectors and in aggregate, while reinforcing confidence and optimism about future economic growth prospects.

Second, the efforts to expedite faster reduction of interest rates to increase credit/financing for higher economic growth. As mentioned earlier, the slow decline in bank interest rates has become one of the main obstacles to the effectiveness of Bank Indonesia's policy transmission in boosting credit growth. The cause is the phenomenon of special deposit rates demanded by large depositors, which accounted for Rp2,656.79 trillion (27% of total third-party funds) in October 2025, with deposit rates reaching 5.21% (Table 13). In addition, government depositors (both SOEs and non-SOEs) amounted to Rp817.16 trillion with deposit rates around 5.10%. This phenomenon indicates a distortion in market mechanisms due to the stronger bargaining power of large depositors against banks, amid a weak banking industry structure caused by the excessive number of banks. As a result, inefficiencies occur in both the banking industry and the economy because of high funding costs. This is reflected in the large spread between special deposit rates and the maximum deposit insurance rate set by the Deposit Insurance Corporation (LPS), with a median of around 1.17% since 2012, rising to 1.71% in October 2025 (Graph 40). Inefficiency in the banking industry is also evident from the high spread between lending rates and deposit rates, due to both credit risk premiums and significant overhead costs, compared to other countries. This issue prompted Bank Indonesia to introduce KLM incentives, which are linked to the speed of lending rate reductions compared to BI Rate cuts, as explained earlier. In other words, banks that are slow to reduce their lending rates will be required to maintain higher reserve requirements at Bank Indonesia, while KLM incentives will be given to banks that reduce their rates more quickly. Bank Indonesia will continue to evaluate the effectiveness of this forward-looking interest channel KLM in accelerating the decline in bank interest rates and formulate necessary strengthening measures. Bank Indonesia will also maintain coordination within KSSK to take joint steps to accelerate the reduction of special deposit rates and lending rate margins.

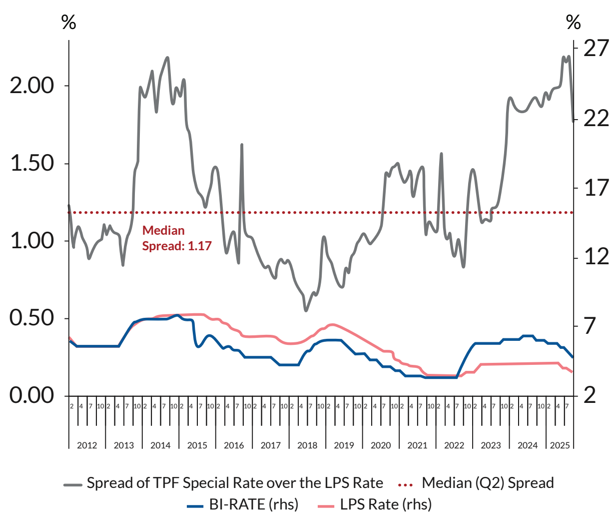
Third, strengthening systemic surveillance to maintain banking resilience against global shocks and operational risks, including through the enhancement of the Integrated Crisis Management Protocol. Bank Indonesia's systemic surveillance, as part of macroprudential supervision, focuses on large banks which due to their macroeconomic–financial sector linkages are considered to have a significant impact on credit/financing distribution and overall financial system stability. Key aspects of Bank Indonesia's systemic surveillance include credit/financing performance, resilience to liquidity risk, market risk (exchange rate and government bond yields), credit risk, operational risk, and interconnections in funding, money markets, and payment systems. In this context, as previously mentioned, global spillover effects can exert excessive pressure on the Rupiah exchange rate, cause sharp increases in government bond yields,

Table 13. Special Rate for Large Depositors

Category	Nominal (Rp Trillion)				Share of Total Third-Party Funds (%)	Special Rates (%) - IDR			
	2023	2024	Sep-25	Oct-25		2023	2024	Sep-25	Oct-25
Non-Residents	3.87	5.67	6.07	7.07	6.80	5.14	5.34	5.22	5.17
Goverment	447.02	468.56	705.10	817.16	52.88	6.77	6.66	5.53	5.10
Government - SOE	255.33	272.34	309.02	331.15	51.28	6.84	6.60	5.97	5.58
Government non-SOE	191.69	196.22	396.08	486.01	54.02	6.69	6.74	5.19	4.78
Individuals	462.42	402.29	417.66	415.68	10.47	5.87	5.97	5.73	5.50
Private NBFI	165.78	218.31	242.87	262.48	52.13	6.40	6.36	5.86	5.40
Private Non NBFI	761.01	975.31	1178.12	1154.40	31.78	5.85	6.02	5.39	5.13
Total	1840.10	2070.14	2549.83	2656.79	27.23	6.13	6.19	5.53	5.21

Source: Bank Indonesia

Graph 40. Special Rate - LPS Rate Spread



Source: Bank Indonesia

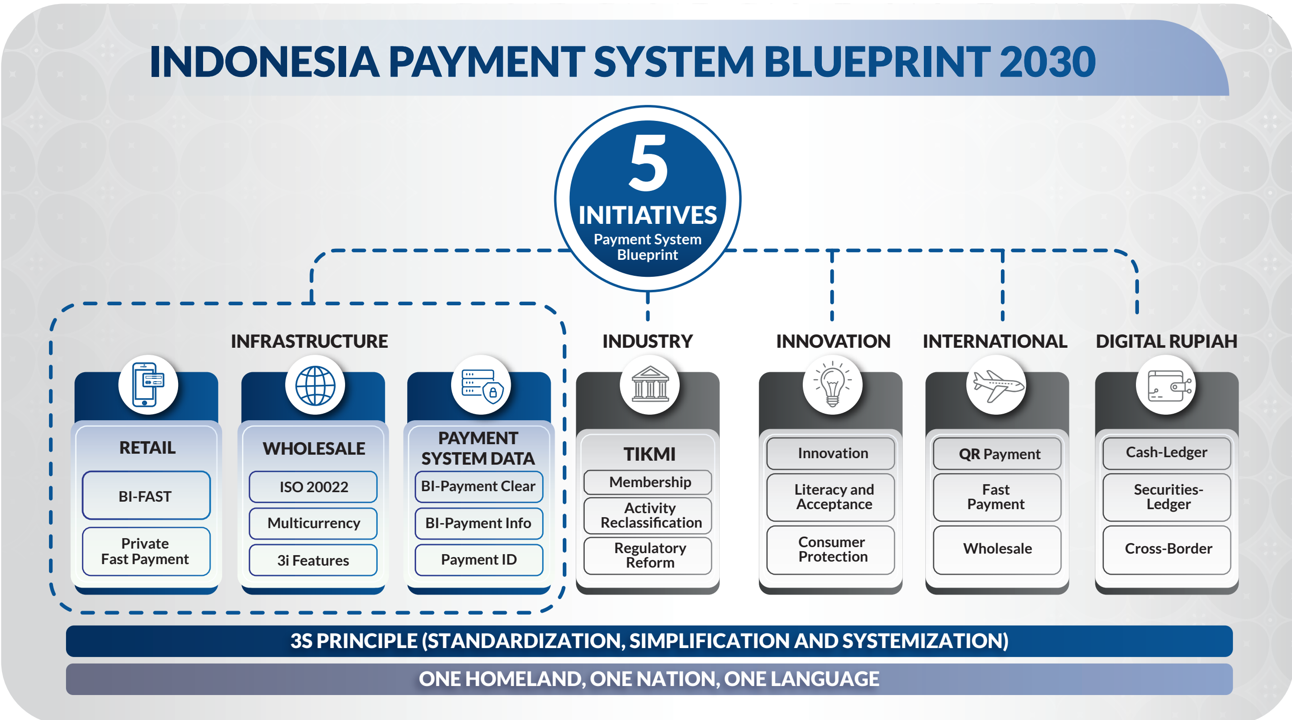
tighten liquidity due to capital outflows, and reduce business activity. Operational risk, including mitigation of cyberattacks, will also be a major concern. This is due to the rapid digitalization in banking and payment systems, which can create not only operational risks from technological disruptions but also cyberattacks on one bank that can quickly spread to others. These considerations drive Bank Indonesia to strengthen the Integrated Crisis Management Protocol, which integrates monitoring vulnerabilities and preventing risks to financial system stability, whether from liquidity, market, and credit risks, with institutional risks arising from operational risks, including cyberattacks. In its implementation, Bank Indonesia coordinates closely with KSSK to jointly maintain financial system stability and bilaterally with OJK for microprudential supervision. Therefore, Bank Indonesia will reinforce synergy between macroprudential surveillance of the banking system and OJK's microprudential supervision under the well-established coordination mechanism. This coordination is crucial to mitigate market risk (exchange rate and interest rate), liquidity risk, credit risk, and operational risk, thereby preserving financial system stability.

Close coordination within KSSK also needs to be strengthened to maintain financial system stability while supporting the implementation of financial sector reforms mandated by the Financial Sector Development and Strengthening Act (P2SK Act).

Direction of Payment System Policy

Through the roadmap of Indonesia Payment System Blueprint (IPSB) 2030, Bank Indonesia will continue accelerating the national digital economy and finance for the next generation. IPSB 2030 is designed to establish a payment system that supports the integration of the national digital economy and finance, thereby ensuring the effective role of central bank functions in currency circulation, monetary policy, and financial system stability. The vision of IPSB 2030 will be achieved through five key initiatives, namely Infrastructure, Industry, Innovation, International, and Digital Rupiah (4I–RD), which serve as the main strategic direction (Figure 18). *First*, strengthening and modernizing payment system infrastructure, covering retail, wholesale, and payment system data. *Second*, consolidating and restructuring the payment system industry.

Figure 18. Five Initiatives of Indonesia Payment System Blueprint (IPSB) 2025-2030



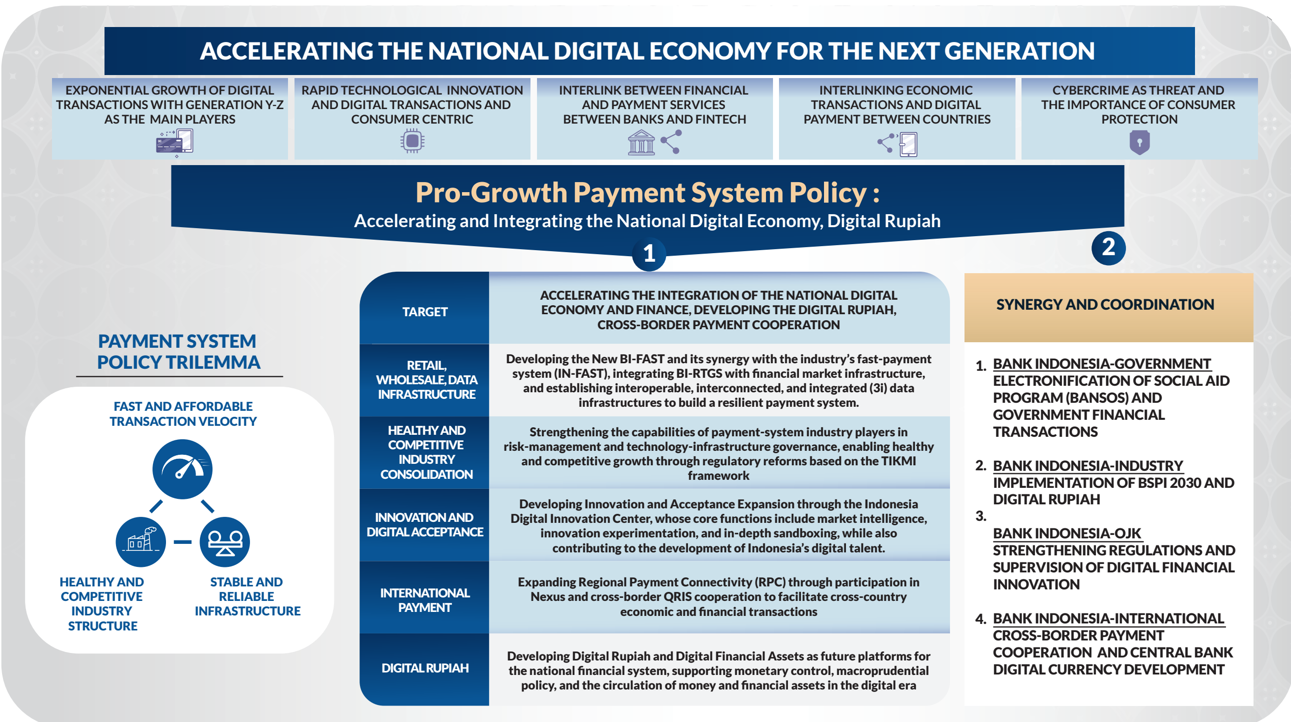
Source: Bank Indonesia

Third, expanding digital innovation and acceptance. *Fourth*, enhancing international interconnection and cooperation. *Fifth*, developing the Digital Rupiah. These five strategic pillars have been further elaborated into main programs with clear development stages and timelines for completion.

The direction of payment system policy in 2026 reflects Bank Indonesia's commitment to advancing the strategic programs under IPSB 2030, aimed at further accelerating digitalization to support sustainable economic growth. As shown in Table 8 from the previous section, the objective is to increase digital payment transactions from 49.2 billion transactions valued at Rp78,563.1 trillion in 2025 to 63 billion transactions (30.0%) valued at Rp88,310.7 trillion (12.4%) in 2026. QRIS transactions are projected to increase from 15.4 billion transactions in 2025 to 17.0 billion transactions (10.6%) in 2026, with the number of users expected to reach 60 million and merchants 45 million, the majority of which are MSMEs. BI-FAST transactions are expected to rise from 4.8 billion transactions in 2025 to 6.3 billion transactions (29.8%) in 2026, while BI-RTGS transactions will increase from 10.28 million transactions valued at Rp149,344.0 trillion in 2025 to 10.32 million transactions (0.3%) valued at Rp166,015.0 trillion (9.0%) in 2026.

The direction of payment system policy in 2026 will be implemented through five key measures. *First*, in terms of payment system infrastructure, Bank Indonesia will develop the New BI-FAST and support the industry fast-payment, modernize BI-RTGS, and strengthen interoperable, interconnected, and integrated (3i) payment data infrastructure to support policymaking, industry business development, and the public interest (Figure 19). *Second*, in terms of industry consolidation, Bank Indonesia will reinforce payment system digitalization within the banking sector as the primary institution, promote interlinkage between banks and fintech, and advance regulatory reform to consolidate the payment system industry and restructure the Nonbank Money Changer industry to further strengthen payment integrity. Third, in terms of innovation and digital acceptance, Bank Indonesia will collaborate with the Indonesia Payment System Association (ASPI) to promote innovation and balanced digital payment acceptance alongside

Figure 19. Direction of Bank Indonesia Payment System Policy in 2026



Source: Bank Indonesia

consumer protection through the Indonesia Digital Innovation Center/PIDI (including the development of Indonesia's digital talent), public campaigns, and education-literacy programs. *Fourth*, in terms of internationalization of payments, Bank Indonesia will expand bilateral and multilateral cooperation in retail payment systems, including through the development of NEXUS. *Fifth*, in terms of Digital Rupiah development, Bank Indonesia will proceed with the next phase of experimentation, focusing on the development of the Securities Ledger.

First, the development of retail and wholesale payment infrastucture, as well as data infrastructure will be oriented toward the interconnection, interoperability, and integration (3i) of payment transaction digitalization, industry consolidation, innovation and acceptance, as well as the internationalization of the national digital economy and finance. In terms of retail payment systems, Bank Indonesia will develop the New BI-FAST in synergy with the industry's fast-payment infrastructure to facilitate future digital transaction needs, both in terms of stability and scalability, through the development of modular system architecture within the application for payment enquiry, clearing, and settlement (Figure 20). This modular architecture is considered more capable of responding to the evolution of service features in line with public and business needs. For wholesale payment system infrastructure, the modernization of BI-RTGS will be designed to integrate with the development of money market and foreign exchange market infrastructure through the adoption of the ISO 20022 messaging standard, the development of multicurrency features, and other features that reinforce 3i principles across financial market infrastructure end-to-end. The multicurrency feature will enhance settlement efficiency for both domestic and cross-border transactions. The adoption of ISO 20022 aims to make Rupiah and foreign currency transactions more efficient through greater seamlessness and higher granularity. Risk management will also be strengthened through enhancements to the Liquidity Saving Mechanism (LSM) as well as strengthened fraud-management and end-point security features. Bank Indonesia will also initiate the development of data centers to ensure end-to-end payment system data flows, from consumers to merchants, banking and nonbank

Figure 20. Direction of Retail and Wholesale Payment System Infrastructure and Data Development in IPSB 2030

Source: Bank Indonesia

industries, through to final settlement within Bank Indonesia's payment system infrastructure. This is crucial to optimize the central bank functions in maintaining price stability, financial system stability, and payment system stability. Payment system data infrastructure will be developed to strengthen transaction integrity and policymaking through the development of Payment ID, BI-Payment Info, and BI-Payment Clear. Payment ID will function as a unique identifier for each payment service user, enabling the system to acquire and process granular digital data for policymaking purposes, industry business development, and public services. The processed data will be uploaded to the BI-Payment Info platform as public infrastructure provided by Bank Indonesia to distribute digital payment system data for the national benefit. In this context, BI-Payment Clear will be able to access suspicious-transaction data from BI-Payment Info Platform to safeguard payment transactions against fraud by strengthening industry capacity in risk management. With BI-Payment Clear linked to the fast-payment infrastructure, online retail transactions can undergo pre-transaction integrity checks, including validity and security screening. Industry players may flag and refuse suspicious or suspected fraudulent transactions.

***Second*, the payment system industry policy will be directed toward strengthening a healthy, competitive industry that ensures the central bank's currency circulation function.** Industry structuring focuses on reinforcing the role of the banking sector as the core of the money supply process within the monetary and financial system (Figure 21). Therefore, Bank Indonesia has formulated criteria to assess industry players' size and risk capability, comprising Transactions, Interconnection, Competency, Risk Management, and Information Technology (TIKMI). Assessment of a participant's TIKMI rating will be conducted periodically and will serve as a basis for licensing requirements, activity and product development, business partnerships, access to payment system infrastructure, and Bank Indonesia's supervisory tools. Bank Indonesia is also committed in supporting the development of human resources competency in the payment system sector through certification programs in collaboration with the Indonesia Payment System Association (ASPI). In addition, Bank Indonesia is also strengthening

Figure 21. Direction of Payment System Industry Consolidation in IPSB 2030

Source: Bank Indonesia

the regulatory framework for nonbank money changer to enhance the integrity of foreign exchange transactions. This effort is undertaken to prevent nonbank money changer from being used as a mean for money laundering or unreported transactions. The structuring aims to reinforce KYC practices, reporting, and supervision to ensure better monitoring of foreign exchange inflows and outflows.

***Third*, Bank Indonesia, in collaboration with the industry, will continue promoting innovation and digital payment acceptance that is balanced with consumer protection, integrity, stability, and fair business competition.** Payment service innovation will be encouraged within a healthy competitive environment that ensures the end-to-end integration of the national digital economy and finance. Standardization of payment methods, both on instruments and payment channels, will be directed toward innovations with strong potential for mass adoption, based on the principle of "one language." Beside preventing risks of unfair competition, this standardization is also intended to ensure the continuity of digital economy and finance end-to-end integration, which represents the ultimate objective of IPSB 2030. Effective collaboration processes with industry participants will be optimized through the strengthening of the Indonesia Digital Innovation Center (PIDI) (Figure 22). PIDI will be developed through three functional pillars: (1) In-depth sandboxing, providing an effective testing environment for innovation; (2) Market intelligence, enabling continuous monitoring of industry developments; and (3) Design thinking, an iterative process that includes joint research and assessments with industry and, where relevant, expert involvement. In addition, PIDI will support the development of globally competitive digital innovations as well as the strengthening of digital talent to enhance future employment rate. The execution of these functions will incorporate efforts to ensure consumer protection, stability, including risk management, integrity and compliance, as well as healthy competition. Meanwhile, digital payment acceptance, which has progressed effectively in recent years, will continue to be strengthened through education and public campaign programs to accelerate adoption in line with sound risk management and consumer protection, particularly on the user side. Similarly, consumer protection

Figure 22. Direction of Innovation and Digital Payment System Acceptance

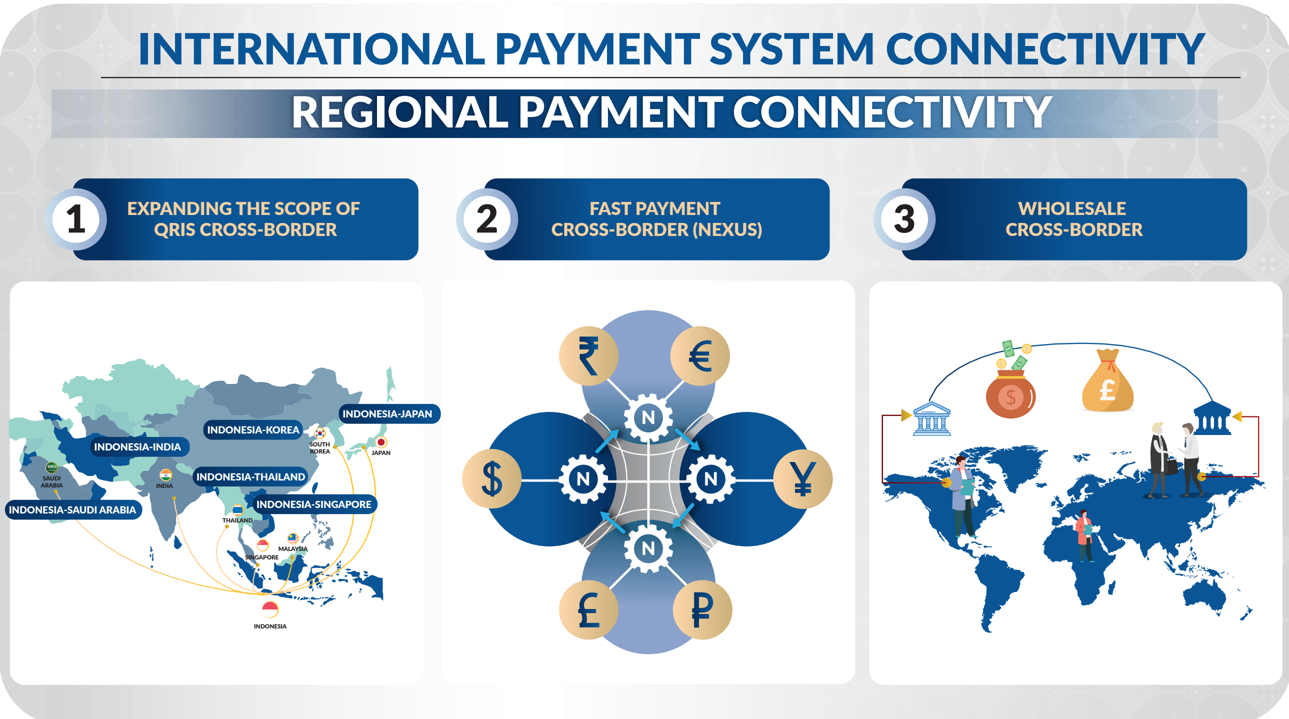
Source: Bank Indonesia

will be reinforced through enhancements of the regulatory framework and the mechanisms designed to facilitate the interest of all stakeholders (the public, businesses, and payment system industry players). Public awareness of rights and obligations as users of payment services will also be strengthened through these digital literacy programs.

***Fourth*, Bank Indonesia will expand international cooperation to strengthen cross-border payment connectivity in support of regional economic integration, particularly within ASEAN.** Cross-border payment connectivity is essential to facilitate seamless economic and financial transactions across countries, safeguard stability, and build a sustainable economy while prioritizing national interests (Figure 23). This initiative will be implemented through two key programs: (1) Expanding the coverage of cross-border QRIS cooperation, and (2) Preparing national payment system infrastructure for cross-border interoperability. Cross-border QRIS cooperation between Indonesia and Malaysia, Thailand, Singapore, and Japan will be extended to South Korea, Saudi Arabia, and India. Cross-border payment connectivity will also be strengthened through the interconnection of payment system infrastructures, both bilaterally and multilaterally. On the retail side, Bank Indonesia is advancing multilateral interconnection of fast payment through Project Nexus, together with Malaysia, Thailand, Singapore, Philippines, and India, in collaboration with the Bank for International Settlements (BIS). Bank Indonesia is actively involved in the development of Project Nexus Phase III, which produces a roadmap for multilateral interconnection among five ASEAN countries and India for the remittance use case. For wholesale payment system connectivity, the modernization of BI-RTGS, as previously outlined, will be prepared from the outset to anticipate and meet future cross-border interconnection demands. RTGS interconnection has also become a G20 agenda under the enhancing cross-border payments initiative, which must be anticipated early on given Indonesia's position as a G20 member.

***Fifth*, Bank Indonesia will continue advancing the development of the Digital Rupiah through the next phase of experimentation, focusing on replicating wholesale market functions and deepening the financial market.** The exploratory initiative for

Figure 23. Direction of International Payment System Connectivity in IPSB 2030



Source: Bank Indonesia

Indonesia's Central Bank Digital Currency (CBDC), or the "Digital Rupiah," is carried out under Project Garuda, with the objectives to: (i) safeguard the sovereignty of the Rupiah in accordance with the Currency Act and the P2SK Act; (ii) strengthen its role in the international arena; and (iii) accelerate the integration of the national digital economy and finance (Figure 24). The implementation of Project Garuda is structured into three phases. In the first phase (immediate), development began with the w-Digital Rupiah, covering the use cases of issuance, redemption, and inter-party fund transfers, which have been completed. In 2026, the experimentation phase will focus on testing the use of digital securities through tokenization, including use cases for monetary operations and other financial transactions. In the final phase (end state), the concept of an integrated end-to-end w-Digital Rupiah to r-Digital Rupiah framework will be piloted.

In addition to the five key programs outlined above, Bank Indonesia will continue strengthening synergy and coordination with both the Central and Regional Governments as well as with the payment system industry. Coordination with the Government (both central and regional) will primarily focus on expanding the electronification of regional government financial transactions by reinforcing the Regional Digitalization Acceleration and Expansion Task Force (TP2DD), promoting the disbursement of social assistance, and expanding the use of the Government segment of the Indonesia Credit Card (KKI). The digitalization of MSMEs and the tourism sector will also be further intensified through the National Movement Proud of Indonesian Products (BBI) and Proud to Travel in Indonesia (BBWI) across various regions. Synergy and coordination between Bank Indonesia and the Financial Services Authority (OJK) in regulating and supervising digital payment system development and financial institution digitalization will be strengthened in accordance with the mandate of the P2SK Act, including areas related to crypto assets and the Financial Technology Industry (ITSK), digital financial literacy and consumer protection, as well as cybersecurity. Synergy with the banking sector, the payment system association, fintech associations, and other industry associations will continue to be reinforced both in expanding existing

Figure 24. Direction of Digital Rupiah Development in IPSB 2030

Source: Bank Indonesia

digital payment programs, such as QRIS, SNAP, and BI-FAST, and in broadening public access to these services. It remains a guiding principle of Bank Indonesia that payment system policies, regulations, and supervision are formulated and implemented collaboratively with the industry (industry-friendly policy).

Money Market and Foreign Exchange Market Deepening Policy

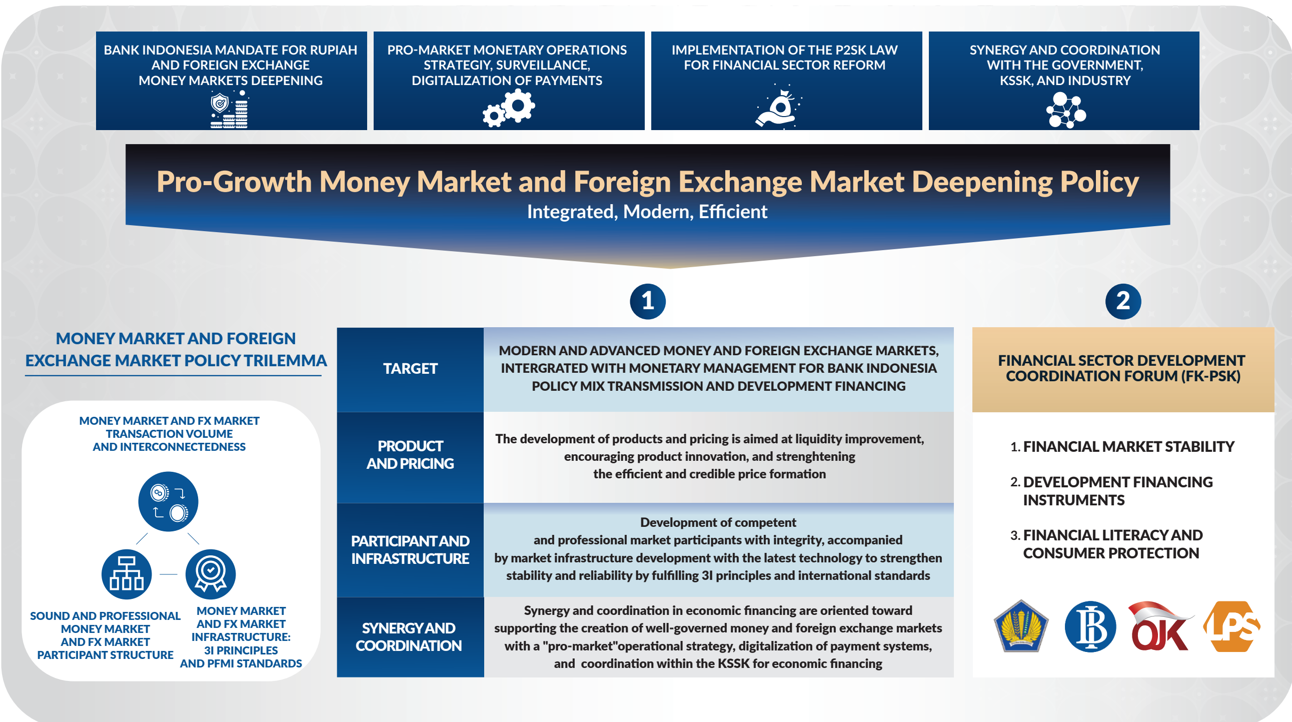
The deepening of the money market and foreign exchange market plays a vital role in supporting the effectiveness of Bank Indonesia's policy transmission, financial system stability, as well as fiscal and economic financing. Since its launched in 2024, the Money Market and Foreign Exchange Market Deepening Blueprint (BPPU) 2030, building on the Money Market Development Blueprint 2025 has consistently driven various strategic achievements in money market and foreign exchange market deepening across all aspects of product, pricing, participant, and infrastructure (3P+I). The comprehensive money market and foreign exchange market deepening in these 3P+I aspects serves as a fundamental basis for strengthening the effectiveness of Bank Indonesia's policy transmission, particularly in interest rate, exchange rate, and pro-market monetary operations aimed at ensuring financial system stability and supporting economic growth. Liquidity management and asset portfolio by banking industry and investors will, in turn, become more efficient and flexible, thereby reinforcing financial system stability. In line with this, the development of the government securities (SBN) market also plays an important role in facilitating fiscal financing for the Government. Accordingly, a deep and efficient money market and foreign exchange market enables smoother liquidity management and provides credible hedging instruments for mitigating interest rate and exchange rate risks, ultimately bolstering business resilience and supporting the national economic financing.

The Money Market and Foreign Exchange Market Deepening Blueprint (BPPU) 2030 has been formulated as a strategic roadmap toward modern and advanced money market and foreign exchange market deepening to enchance monetary policy transmission, financial system stability, and strengthen national economic financing, fully aligned with Bank Indonesia's mandate and authority under the Financial Sector Development and Strengthening Act (P2SK Act). The direction of money market and foreign exchange market transformation under BPPU 2030 strengthens the initiatives of BPPU 2025, particularly in terms of integration with the pro-market monetary operations strategy, the establishment of more measurable strategic targets across the 3P+I dimensions, the development of money market and foreign exchange market infrastructure based on the 3i principles and integrated with Payment System and money market and foreign exchange market data infrastructure, as well as reinforced regulation and supervision in accordance with international standards and best practices. Product development will prioritize increasing repo and DNDF transactions, with average daily targets of Rp30 trillion and USD1 billion, respectively, by 2030, supported by the expansion of Bank Indonesia repo underlying and the issuance of BI-FRN. These strategic initiatives will further catalyze the development of derivative instruments, particularly interest rate products such as Overnight Index Swaps (OIS) and foreign exchange products such as FX Swaps. Pricing initiatives is oriented on establishing an efficient term structure for money market and foreign exchange market products across tenors from two weeks to twelve months through the formation of a Money Market Curve and FX Forward Curve, interconnecting larger and more active transaction between money market and foreign exchange market Primary Dealers and other market participants, supported by CCP money market and foreign exchange market infrastructure built on the 3i principles and integrated with Electronic Trading Platforms (ETP) in the market, ETP and BI-SSSS in Bank Indonesia, as well as BI-FAST and BI-RTGS payment system infrastructure, in line with the initiative to integrate Payment System and money market and foreign exchange market data infrastructure.

Money market and foreign exchange market deepening policy for 2026 will remain pro-growth through the development of a modern money market and foreign exchange market based on international standards, while strengthening the effectiveness of Bank Indonesia's policy mix transmission and supporting financing for sustainable economic growth. In this regard, the 2026 Money Market and Foreign Exchange Market deepening policy will focus on five main programs (Figure 25). First, developing repo products in line with efforts to increase the transaction volume and liquidity in the secondary market for SRBI, SUKBI, and Bank Indonesia Foreign Exchange Securities (SVBI)/Bank Indonesia Foreign Exchange Sukuk (SUVBI), while supporting the formation of Overnight Index Swap (OIS) as well as Foreign Exchange Swap (FX Swap) markets to enhance monetary transmission effectiveness, Rupiah stability, hedging, and short-term liquidity management. Second, strengthening efficient market mechanisms for forming interest rate structures (INDONIA, OIS, and repo), exchange rates (DNDF), and hedging instruments (IRS and FX Swap). Third, reinforcing market participant consolidation through strengthening money market and foreign exchange market Primary Dealers and enhancing the role of the Indonesian Money Market and Foreign Exchange Market Association (APUVINDO) as Bank Indonesia's strategic partner in implementing monetary operations strategies and money market and foreign exchange market development, including enhancing participant quality and enforcing the Market Code of Conduct. Fourth, developing integrated (3i) infrastructure for the money market and foreign exchange market, monetary operations, and payment systems through the implementation of Payment System and money market and foreign exchange market data infrastructure, which will also serve as the foundation for supporting the issuance of Digital Rupiah, including digital assets. Fifth, strengthening synergy and coordination in economic financing to ensure the creation of well-governed money market and foreign exchange market.

First, product and pricing development will be directed toward accelerating liquidity deepening, fostering product innovation, and strengthening efficient and credible price formation. In the money market, product development will focus

Figure 25. Direction of Money Market and Foreign Exchange Market Deepening Policy in 2026

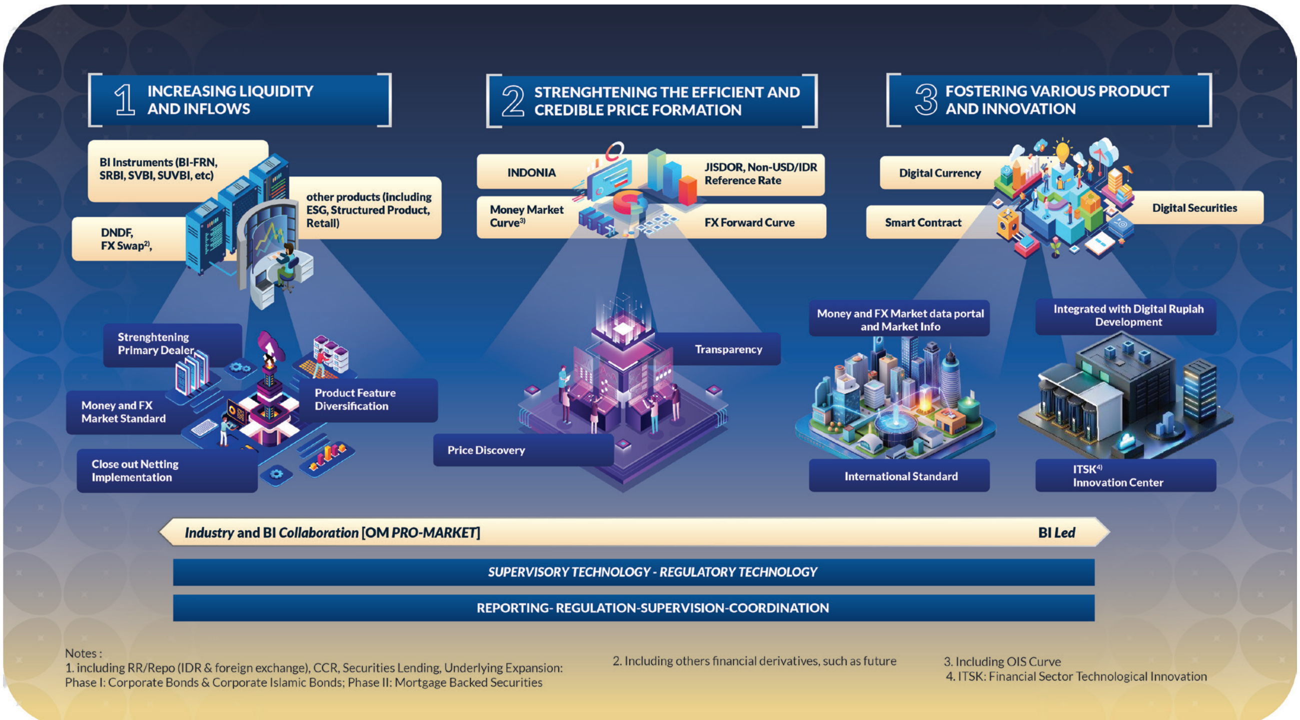


Source: Bank Indonesia

on increasing transaction volume and liquidity, particularly in repo transactions through initiatives such as expanding Bank Indonesia repo underlying to include corporate bonds and corporate sukuk, as well as issuing BI-FRN as a floating rate instrument to support the development of the Overnight Index Swap (OIS) market (Figure 26). These efforts are aligned with the development of efficient and credible pricing based on the INDONIA reference rate and the establishment of an interest rate term structure for tenors ranging from two weeks to twelve months. In the foreign exchange market, product development will focus on increasing transaction volume to enhance liquidity in DNDF and FX Swap, supported by efforts to expand standardized margin contracts. On the pricing aspect, strengthening JISDOR and non-USD/IDR reference rates as efficient and credible exchange rate benchmarks continues, supported by the formation of an exchange rate term structure for tenors from two weeks to twelve months. Product and pricing development in money market and foreign exchange market will be aligned with the pro-market monetary operations strategy to increase liquidity in floating instruments based on INDONIA, supporting the formation of the Money Market Curve, and FX Swap and FX Forward transactions to support the formation of the FX Forward Curve as a market pricing benchmark. Liquidity improvements in repo and DNDF within money market and foreign exchange market will also be driven by infrastructure development, including ETP, monetary operations, and CCP, as well as strengthening the role of Primary Dealers as market makers in the money and foreign exchange markets, diversifying features and standardizing products, and expanding the participant base in coordination with authorities and APUVINDO.

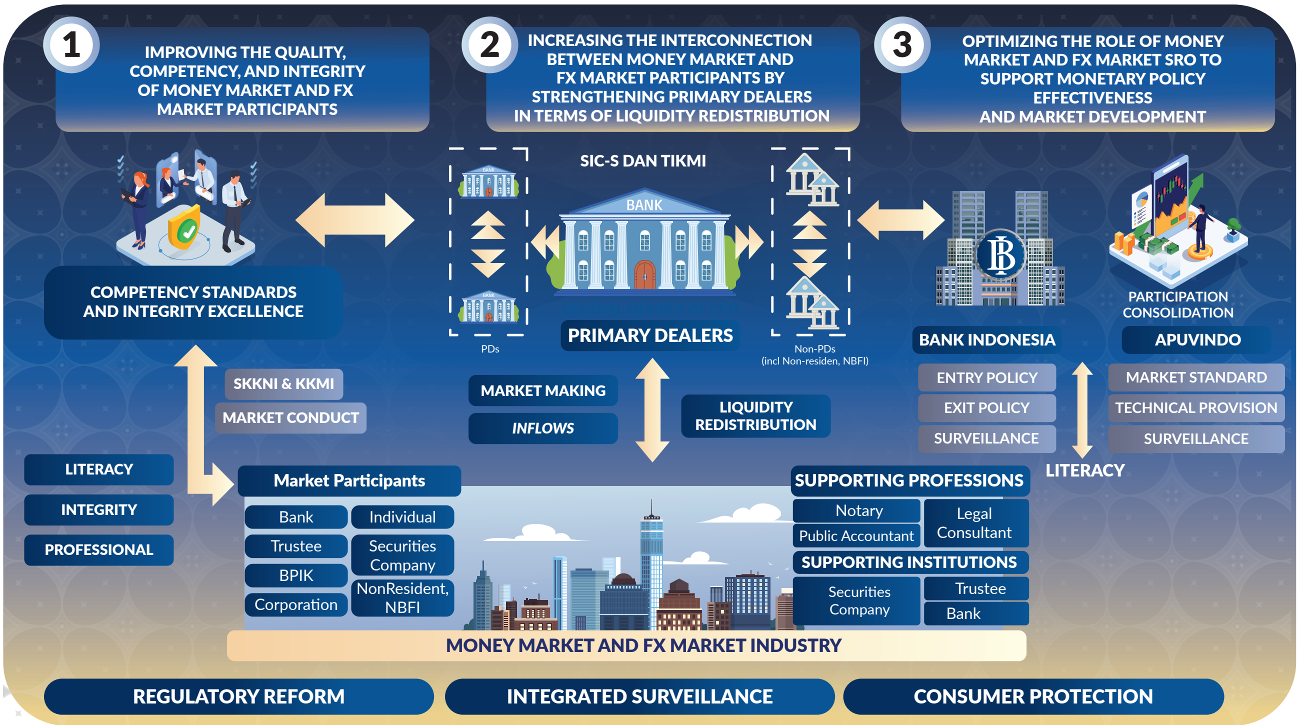
Second, the development of competent and professional money market and foreign exchange market participants with integrity, accompanied by strengthening financial market infrastructure integrated with Payment System and money market and foreign exchange market data infrastructure to ensure stability and reliability in compliance with the 3i principles and international standards. Through collaboration with APUVINDO, Bank Indonesia continues to advance money market and foreign exchange market development, including

Figure 26. Direction of Product and Pricing Development in BPPU 2030



Source: Bank Indonesia

Figure 27. Direction of Market Participant in BPPU 2030

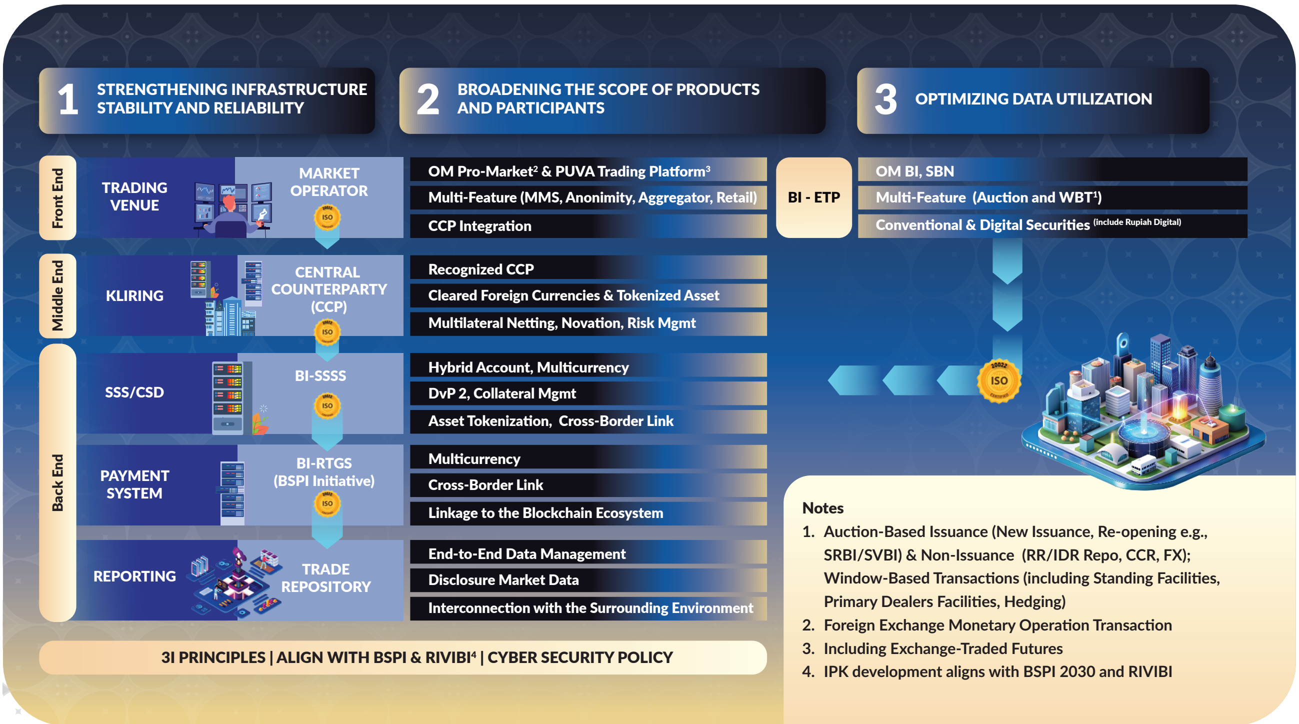


Source: Bank Indonesia

enhancing the quality of market participants (Figure 27). Competency enhancement is pursued through the refinement and standardization of treasury professional certification. The strengthening of market ethics has been initiated through the enhancement of the Market Code of Conduct (MCoC) and the Islamic Financial Market Code of Conduct (ICoC) as ethical guidelines for money market and foreign exchange market participants, mandated by Bank Indonesia in alignment with international best practices and current market developments.

Meanwhile, strengthening money market and foreign exchange market infrastructure encompasses three aspects: front-end, middle-end, and back-end (Figure 28). First, front-end will be strenghtened through enhancement of trading venues, consisting of BI-ETP and Market Operators (MO), particularly to support the pro-market monetary operations strategy and boost repo, DNDF, and OIS transactions. Second, middle-end enhancement will focus on strengthening and developing CCP money market and foreign exchange market, including (1) initiating the process to obtain recognized CCP status, (2) interconnecting CCP with other transaction facilities, and (3) developing CCP Repo. Third, back-end enhancements include strategies to strengthen SSS/CSD through BI-SSSS development to support pro-market monetary operations, the development of BI-SSSS Generation III, and integration with the payment system through BI-RTGS development as outlined in BSPI 2030. Money market and foreign exchange market infrastructure development will also adopt international messaging standards such as ISO 20022 for (1) BI-RTGS Generation III; (2) BI-SSSS Generation III; (3) Trade Repository; and (4) Central Counterparty to improve efficiency, transparency, and security in transactions, while preparing for money market and foreign exchange market digitalization in the future. Money market and foreign exchange market infrastructure strengthening will also be integrated with Payment System and money market and foreign exchange market data infrastructure, including the development of (1) BI-Payment Clear, (2) BI-Payment Info, (3) data capturing and data analytics infrastructure up to its utilization for various use cases, (4)

Figure 28. Direction of Infrastructure Development in BPPU 2030



Source: Bank Indonesia

integration of Payment ID with Investor ID, and (5) trade repository. These initiatives aim to create interconnected, interoperable, and integrated market infrastructure to establish a modern and advanced money market and foreign exchange market with high volume and liquidity, diverse participant segments, and a stable and efficient market.

Third, synergy and coordination in economic financing are directed toward supporting the creation of money market and foreign exchange market with good governance. Synergy with the pro-market monetary operations strategy and macroprudential surveillance is design to accelerate liquidity and transactions increases in the money market and foreign exchange market, ensure market and infrastructure stability, and foster efficient price formation in line with market conduct. The strategy encompasses product and pricing development, participant and infrastructure enhancement, as well as regulatory harmonization between monetary operations, money market and foreign exchange market deepening, and monetary-market surveillance with macroprudential measures to maintain financial system stability. Synergy in safeguarding financial system stability and economic financing is implemented through regulation and supervision in accordance with international standards under bilateral coordination between Bank Indonesia and OJK. Meanwhile, collaboration within the Financial Sector Development Coordination Forum (FK-PSK), as mandated by Article 11 of the P2SK Act, involves the Ministry of Finance in developing the government bond market for development financing, Bank Indonesia in money market and foreign exchange market deepening, OJK in capital market development, and LPS in deposit insurance. Synergy within the Sustainable Finance Committee (KKB), as mandated by Article 224 of the P2SK Act, is pursued to coordinate sustainable finance development for the green economy and the achievement of Sustainable Development Goals (SDGs). This includes the Ministry of Finance in financing government projects and programs, Bank Indonesia in formulating macroprudential policies and money market and foreign exchange market development, and OJK in financing through banking and capital markets. The formation of FK-PSK has strengthened and streamlined financial sector development synergy, enabling end-to-end coverage of financing needs across the economy.

Economic Inclusion, Financial Inclusion, and Sustainable Finance Policy, and Sharia Economic and Financial Policy

Bank Indonesia continues to expand and strengthen its role in accelerating Economic Inclusion, Financial Inclusion, and Sustainable Finance (IEKB) as part of efforts to support resilient and sustainable national economic growth. These efforts focus on developing an integrated and competitive inclusive and sustainable economic ecosystem. In addition, Bank Indonesia places emphasis on optimizing financing, literacy, and synergy in the field of inclusive and sustainable economic and financial development. First, to enhance competitiveness, Bank Indonesia will continue strengthening business models, guidelines, and various facilitation schemes, including the implementation of pilot projects that encompass capacity-building and expanded market access, including supply chain development. These initiatives are carried out end-to-end, targeting export-oriented MSMEs, tourism-supporting MSMEs, food clusters, subsistence groups, and primary commodities such as coffee, corn, and other regional flagship products. As a concrete manifestation of its commitment to sustainability, Bank Indonesia will also develop circular MSME guidelines, such as those based on the utilization of plastic waste, pineapple leaves, and organic waste, and implement sustainable MSME pilot projects. Competitiveness enhancement further includes the development of more comprehensive green MSME business models. This initiative is supported by the development of the Green Calculator version 2 to measure business sustainability performance. Second, to broaden MSME financing access, financing business matching will continue to be strengthened through synergy with various ministries/government agencies, financial institutions, and Bank Indonesia Regional Offices nationwide. These efforts not only focus on conventional financing but also aim to increase access to green financing, including the preparation of facilitation plans for green financing support infrastructure (including sustainability reporting). The expansion of financing access is supported by the BI-SAID platform (Database of Potentially Bankable MSME Profiles), which enables financial institutions to directly access data on eligible MSMEs. In addition, the Financial Information Recording Application System (SIAPIK) continues to be developed to support MSMEs in conducting digital financial bookkeeping. Third, literacy and synergy will continue to be expanded through the implementation of KLIK (Core Competencies for Financial Literacy and Inclusion), standardized educational modules, and ongoing education and mentoring programs across regions. Program synergy will continue to be strengthened, including through the flagship Karya Kreatif Indonesia (KKI) program as a platform for cross-stakeholder collaboration in enhancing MSME capacity and competitiveness. Synergy is further reinforced through strategic commitments between Bank Indonesia and various ministries/government agencies, formalized through Memoranda of Understanding that serve as a strong foundation for cooperation and as concrete steps to advance economic inclusion, financial inclusion, and sustainable finance. Beyond the domestic scope, Bank Indonesia will continue to actively strengthen Indonesia's position in various international cooperation forums, including the G20-SFWG, Blue Finance Advisory Committee, ASEAN WC-FINC, and APRACA, to broaden collaboration, strengthen national representation, and promote the adoption of green and inclusive economic practices aligned with the Sustainable Development Goals (SDGs).

Bank Indonesia continues to strengthen its role in accelerating the comprehensive development of the sharia economic and financial ecosystem as part of efforts to establish sharia economy as a new source of inclusive and sustainable growth. The development of the Halal Value Chain (HVC) ecosystem will remain focused on priority sectors, namely halal food, modest fashion, and Muslim-friendly tourism. In the short term (2027), strengthening the HVC ecosystem will be carried out through piloting sharia economic independence business models including pesantren, piloting halal trading houses, expanding halal centers, and facilitating market access for the hajj and umrah ecosystem. In the medium term (2028–2031), strengthening the HVC ecosystem will be pursued through a series of market access facilitation measures for priority sharia economy sectors and the expansion of halal certification. In addition, HVC ecosystem development will be extended to the pharmaceutical sector as one of the strategic sectors that plays an important role in strengthening the sharia economy ecosystem in Indonesia. These efforts are expected to foster economic independence of the community while expanding the reach and competitiveness of national halal products. From the perspective of commercial sharia finance, policies to deepen the sharia money market in support of sharia financing in the short term (2027) are implemented through the development of financing business models that support priority sharia economy sectors as well as the Values-Based Economy, the implementation of Sharia Financing Month, strengthening macroprudential policies that support priority sharia economy sectors, and policies related to sharia Primary Dealers. In the medium term (2028–2031), this will be pursued through innovations in Sharia Finance supporting the Values-Based Economy in line with industry developments (including blended finance), strengthening and expanding the implementation of Sharia Financing Month, and the implementation of sharia Primary Dealers. These adjustments are accompanied by strengthening the growth trajectory and projections of sharia banking financing to remain aligned with national economic dynamics and financing needs of priority sectors. Furthermore, the expansion of sharia economy literacy and inclusion will continue in synergy with stakeholders. In the short term (2027), the focus is directed at strengthening the foundation through the utilization of integrated ZISWAF data, the implementation of the National Strategy for Sharia Economic and Financial Literacy and Inclusion in Indonesia (SNLIEKSI) as the national policy umbrella, and encouraging innovation in the establishment of supporting institutions for inclusion to expand alternative sharia financing. At the same time, sharia economy literacy and inclusion surveys to measure achievements, as well as program synergies across ministries/government agencies and between central and regional governments, continue to be strengthened, including integrated national sharia economy campaigns. In the medium term (2028–2031), policies will focus on accelerating and expanding impact, among others through strengthening the implementation of SNLIEKSI, developing business models for the real sector and sharia finance, as well as utilizing digitalization and big data analytics to reinforce sustainable literacy and inclusion strategies that deliver tangible benefits for public welfare. At the global level, Bank Indonesia will also coordinate with various stakeholders to support the strengthening of Bank Indonesia's leadership in international sharia fora through active involvement in supporting the formulation of global sharia financial standards together with the Islamic Financial Services Board (IFSB) and the development of sharia financial liquidity together with the International Islamic Liquidity Management (IILM).

International Policy

Bank Indonesia will continue collaborating in close synergy with the Government to strengthen Indonesia's position in bilateral relations, within the Asian region, as well as globally. International policy aims to support the national interest by strengthening economic resilience against global impacts and expanding cooperation to supports sustainable economic growth. Bank Indonesia's international policy encompasses the central bank and national economic policy mix, Local Currency Transactions (LCT), and promoting trade and investment in close synergy with the Government and the KSSK. In 2026, international policy will focus on three main aspects. First, strengthening and expanding bilateral cooperation with key partner central banks in the areas of central banking, payment systems, LCT, and international financial cooperation, including Bilateral Swap Arrangements (BSA). Second, expanding regional cooperation, particularly ASEAN Financial Integration, ASEAN Payment Connectivity (APC), and strengthening the Chiang Mai Initiative Multilateralization (CMIM) as a form of regional financial cooperation among ASEAN+3 countries. Third, active participation in championing the national interests within economic, monetary, and international financial agendas. Bank

Indonesia plays an active role in various international cooperation forums, including the G20, IMF, Financial Stability Board (FSB), Bank for International Settlements (BIS), as well as Islamic finance forums such as IFSB and IILM. Furthermore, Bank Indonesia will continue improving to maintain positive perceptions among investors and rating agencies, while promoting trade and investment through the Bank Indonesia's Investor Relations Units, nationally (IRU), regionally (RIRU), and globally (GIRU), by empowering and leveraging the network of Bank Indonesia offices in various regions and abroad. Bank Indonesia will also strengthen institutional leadership by chairing international cooperation forums and gaining global recognition in areas such as policy mix, research, innovation, institutional development, leadership, and the digitalization of payment systems and currency circulation.

Bank Indonesia will continue strengthening cooperation with main partner central banks in formulating monetary and macroprudential policy, as well as payment systems, LCT, and international financial cooperation. Existing bilateral cooperation with central bank in Malaysia, Thailand, Singapore, Japan, China, South Korea, United States, United Kingdom, France, and India will be expanded to other countries. Payment system cooperation through QR interoperability and FAST Payments with Malaysia, Thailand, Singapore, and Japan will be expanded to South Korea, China, India, and Saudi Arabia. The bilateral use of local currencies through LCT with Malaysia, Thailand, Japan, South Korea, UAE, China, Singapore, and India will also continue to expand. The expansion will cover new partner countries and broader scope of transactions to cover trade and investment, portfolio investment and payment transactions, as well as increase the number of appointed participating banks. In order to support LCT implementation, Bank Indonesia is conducting bilateral swap arrangements in local currency with Bank Negara Malaysia (MYR24 billion or Rp82 trillion), Bank of Korea (KRW10.7 trillion or Rp115 trillion), People's Bank of China (CNY400 billion or Rp878 trillion), Monetary Authority of Singapore (SGD9.5 billion or Rp100 trillion), and Reserve Bank of Australia (AUD10 billion or Rp100 trillion). In addition, Bank Indonesia will maintain bilateral cooperation to strengthen foreign exchange reserve capacity against global shocks, including Bilateral Swap Arrangement (BSA) with the Bank of Japan (USD22.76 billion) and a Bilateral Repo Line (BRL) with the Monetary Authority of Singapore (USD3 billion).

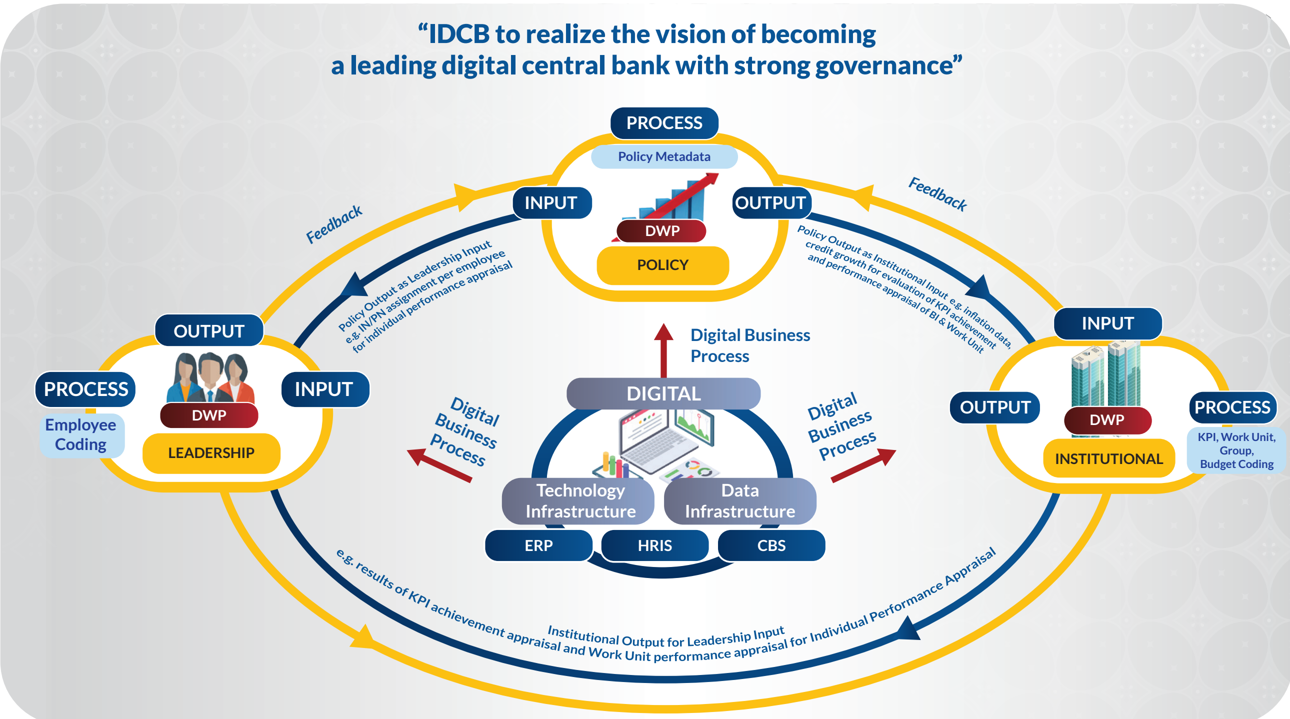
Institutional Transformation Policy

Bank Indonesia will continue to implement institutional transformation programs by consistently prioritizing good and professional governance principles. Institutional transformation will be further strengthened and refined, particularly in implementing the mandate of the Bank Indonesia Act, which has undergone several amendments, most recently through the P2SK Act. Going forward, institutional transformation will remain focused on three main areas. First, strengthening organizational functions and work processes that are integrated, aligned, and comprehensive. Second, enhancing the digitalization of policy and institutional work processes through the refinement of digital-based business process re-engineering that emphasizes collaborative work and is supported by the utilization of Artificial Intelligence. Third, strengthening human resources through leadership development, the cultivation of new capabilities, and reinforcement of the Employee Value Proposition. Furthermore, Bank Indonesia will consistently strengthen policy and institutional governance to build a credible, professional, well-governed, and transparent central bank.

First, Bank Indonesia continues to strengthen organizational functions to support the effective, efficient, and compliant implementation of its duties and the achievement of its objectives. Organizational strengthening and refinement are consistently strategy-driven, taking into account the framework in each area while ensuring continuity between organizational structures and business processes. These efforts also include the application of best practices and the adaptive use of infrastructure and technology according to needs. All organizational strengthening and refinement initiatives are underpinned by the 3S principles, which are Simplification, Standardization, and Systematization. Going forward, organizational strengthening will focus, among other things, on assessing the organizational functions of Bank Indonesia's Domestic Representative Offices, in line with the implementation of the refined framework for regional economic and financial policies. The refinement of organizational functions is expected to support the achievement of regional economic and financial policy objectives, namely low and stable regional inflation, expanded access to financing, as well as fast, easy, and affordable velocity supported by a sound payment system industry structure and the availability of high-quality and reliable Rupiah currency. This is consistent with Bank Indonesia's mandate to maintain Rupiah stability, safeguard payment system stability, and contribute to financial system stability in support of sustainable economic growth.

Second, Bank Indonesia will continue to pursue digital transformation to support the implementation of policy and institutional transformation in order to realize its vision of becoming a leading digital central bank. Bank Indonesia continues to develop integrated decision-making processes and business process re-engineering in policy formulation and implementation, institutional management, and human resource management within the Integrated Digital Central Bank (IDCB) framework (Figure 29). The development of IDCB has been supported by governance and effective decision-making processes through the development of the Digital Workplace (DWP) platform. The development of DWP applications is currently underway to cover policy formulation in the context of Monthly Board of Governors Meetings and policy implementation in the context of Weekly Board of Governors Meetings, and will be implemented gradually to strengthen Bank Indonesia's policy formulation processes. IDCB development also leverages data and Artificial Intelligence as catalysts in business process transformation. Going forward, Bank Indonesia will

Figure 29. Direction of Integrated Digital Central Bank (IDCB) Development



Source: Bank Indonesia

continue to expand AI/ML-based data innovations in the monetary, macroprudential, and payment system sectors. AI and ML development is conducted in accordance with the VITAL principles (Visualizing the outcomes, Theory understood, Algorithm fitted, and Learn the meaning) to ensure optimal integration into business processes. Building on the development of digitalized decision-making and work processes in policy area, Bank Indonesia will also continue to strengthen the digitalization of work processes, particularly in institutional areas. The strengthening of digitalization in the institutional area will focus on leveraging digitalization to support performance monitoring and evaluation processes, including the reinforcement of the DWP application to support decision-making within the institutional area. IDCB development will continue to be supported by readiness in process, people, and technology to realize "one input, one process, multi-purposes," along with strong governance and secure, end-to-end information systems in supporting the execution of Bank Indonesia's duties.

Third, Bank Indonesia remains committed to strengthening human resources to ensure professional leadership, high performance, and noble character. Human resource development at Bank Indonesia will continue to focus on enhancing visionary leadership characterized by "strategic spiritual leadership," combining high competence (book-smart), strong experience (street-smart), and noble character (spiritual-smart). In addition, Bank Indonesia continues to strengthen strategies for fulfilling and maintaining human resources through reinforcement of the Employee Value Proposition (EVP). This is one of the priorities of human resource policy transformation aimed at enhancing employee engagement at Bank Indonesia, encompassing competitive remuneration programs, health care focusing on physical wellness, and peaceful retirement focusing on the Pensiun Berkah program. In line with the vision of becoming a leading digital central bank, Bank Indonesia will also continue to strengthen human resource competencies to support the implementation of central bank duties, particularly in fostering digital mindsets and technical capabilities, such as the utilization of Artificial Intelligence. These human resource transformation efforts will continue to ensure the availability of human capital who are adaptive, strong in leadership, and able to work optimally in facing the challenges of digitalization.

VI. Moving Forward: Synergy Toward Golden Indonesia (*Indonesia Emas*)

Synergy is the key for Indonesia's economy to become STRONG and SELF-RELIANT in facing global turbulence, while achieving higher and resilient growth in 2026 and beyond. Bank Indonesia is committed to maintaining close synergy with the Government (central and regional) and the Financial System Stability Committee (KSSK) to safeguard stability and foster sustainable economic growth. Bank Indonesia also continues to strengthen well-established collaboration with the House of Representatives (DPR-RI), particularly Commission XI, the banking industry, the corporate sector, academia, media, and other stakeholders. Innovation in the policy mix, encompassing monetary, macroprudential, and payment system policies, supported by money market deepening, international policy, and inclusive and green economy programs, will continue to be developed.

In closing, let us continue to move forward in synergy toward Golden Indonesia (*Indonesia Emas*). May Allah SWT, God Almighty, always grant guidance, ease, perfection, and blessings to the nation and people of Indonesia, and to all of us.

Thank you,
Wassalamualaikum warahmatullahi wabarakatuh,
Jakarta, 28th November 2025

Perry Warjiyo
Governor of Bank Indonesia

BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA