



Domestic Macro Flash

BI Board of Governors Meeting | May 22nd, 2025

Previous Data (BI Rate)

Period	Actual	Change
Apr 2025	5.75%	-
Mar 2025	5.75%	-
Feb 2025	5.75%	-

Source : Bank Indonesia

Headline Inflation

Period	MoM	YoY
Apr 2025	1.17%	1.95%
Mar 2025	1.65%	1.03%
Feb 2025	-0.48%	-0.09%

Source : Badan Pusat Statistik (BPS)

Exchange Rate USD-IDR and Dollar Index (EoM)

Period	USD-IDR	Dollar Index
May 2025*	16,403	100.12
Apr 2025	16,600	99.47
Mar 2025	16,560	104.21

Source : Investing.com | * As of - 20 May 2025

Comparison by Country

AEs	Interest Rate*	EMDEs	Interest Rate*
Canada	2.75%	Brazil	14.75%
Euro Area	2.40%	China	3.1%
Japan	0.50%	India	6.00%
Singapore	2.18%	Malaysia	3.00%
Switzerland	0.25%	Mexico	8.50%
UK	4.25%	Russia	21.00%
US	4.50%	Thailand	1.75%

Source : Tradingeconomics | * As of - 21 May 2025

AEs-Negara Maju | EMDEs-Negara Berkembang

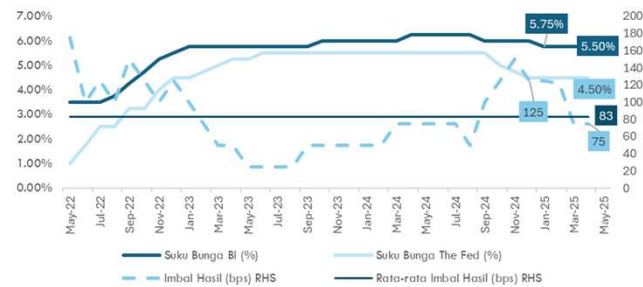
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Bank Indonesia Cuts Interest Rate to 5.5% Amid Controlled Inflation and Growth Focus

Period	BI Rate	Deposit Facility	Lending Facility
RDG BI (21/05/25)	5.50%	4.75%	6.25%

Figure 1. Spread between BI Rate and Fed Rate



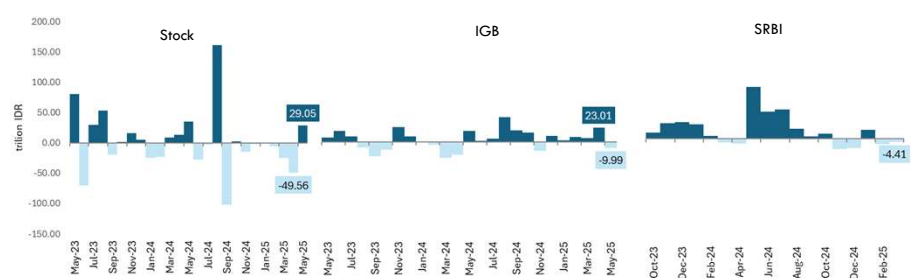
Source : Phintraco Sekuritas Research | BI, Bloomberg

Bank Indonesia's Board of Governors Meeting (BGM) has lowered interest rates by 25 bps to 5.5%, with a Deposit Facility Rate of 4.75% and a Lending Facility Rate of 6.25% on May 21, 2025. This decision aligns with controlled inflation targeting 2.5±1% for 2025 and 2026. Additionally, BI focuses on maintaining Rupiah exchange rate stability that is aligned with fundamental values and promoting sustainable economic growth amid global and domestic economic dynamics. Furthermore, BI strengthens the Macroprudential Liquidity Policy (KLM) to enhance credit growth financing in the MSME sector and promote flexibility in banking liquidity management. BI strategy to drive economic growth includes strengthening the rupiah exchange rate strategy through open market operations in Spot markets, Domestic Non-Deliverable Forward (DNDF) in domestic markets, and purchasing Government Bond Securities (SBN) in the secondary market to maintain financial market stability and adequate banking liquidity, strengthening pro-market monetary operations to reinforce interest rate reduction factors, accelerating money market and foreign exchange transactions, and maintaining attractive yields for foreign portfolio investments in domestic financial assets. BI also reduced the Macroprudential Liquidity Buffer (PLM) ratio by 100 bps to 4% from 5% for conventional commercial banks and the sharia PLM ratio by 100 bps to 2.5% from 3.5% for Islamic banks, effective on June 1st, 2025.

The interest rate differential between Bank Indonesia (BI) and the Federal Reserve currently stands at 75 bps, well below the average spread of 83 bps over the past three years (Figure 1). While the narrowing interest rate differential between BI and the Fed reduces the attractiveness of domestic assets to investors. However, the negative impact of Moody's downgrade of US government debt on Monday (05/19) has caused global investors to shift from US financial assets to Emerging Markets (EM), including Indonesia. It is supported by foreign fund flows in May 2025, showing net capital inflow in the stock market, while government bonds and Bank Indonesia Rupiah Securities (SRBI) experienced net capital outflow (Figure 2). It occurs as investors prefer assets offering higher yields due to declining central bank rates in several regions, creating interest-based assets less attractive.

We anticipate BI having room for further rate cuts by the end of 2025 despite increased uncertainty due to the expiration of the US 90-day import tariff pause. However, domestic economic factors supporting potential BI rate cuts include relatively low inflation, with BI projecting headline inflation to reach 2.6% YoY by the end of 2025, and the need to stimulate Indonesia's economic growth.

Figure 2. Foreign Flow in Indonesia Capital Market (May 23 - May 25)



Source : Phintraco Sekuritas Research | BI