Monthly Economic & Market Outlook

May 2025

Surabaya, 02 June 2025

Economic Update

May Highlights:

- **The Central Statistics Agency (BPS) announced that national economic growth in the first quarter of 2025 reached 4.87% *year on year* (yoy).**

- **The Central Statistics Agency or BPS announced that Indonesia experienced deflation in May 2025 of 0.37% on a monthly basis (month to month/MtM), down from the previous month's position, namely April 2025, which was still in an inflation position of 1.17% (MtM).**

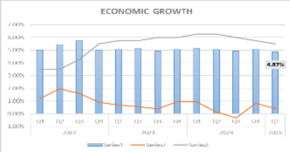
- **Based on data from the Central Statistics Agency or BPS, Indonesia's trade balance reached a surplus of US$160 million as of April 2025.**

- **The Bank Indonesia Board of Governors Meeting (RDG) on 20-21 May 2025 decided to lower the BI-Rate by 25 bps to 5.50%, *Deposit Facility* interest rate by 25 bps to 4.75%, and *Lending Facility interest rate* by 25 bps to 6.25%.**

Table 1. Economic Indicators		
Indicator	**Apr' 25**	**May' 25**
Inflation (yoy)	1.95%	1.60%
Inflation (mtm)	1.17%	-0.37%
Trade balance (USD Billion)	0.16	*
Foreign Exchange Reserves (USD Billion)	152.5	*

*Note: *not yet released*
Source: bi.go.id

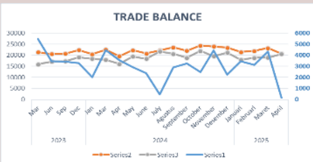
Economic growth



The Central Statistics Agency (BPS) announced that national economic growth in the first quarter of 2025 reached 4.87% *year on year* (yoy). Gross Domestic Product (GDP) at current prices (ADHB) in the first quarter of 2025 was recorded at IDR 5,665.9 trillion, while at constant prices (ADHK) it reached IDR 3,264.5 trillion. This economic growth was recorded lower than the fourth quarter of 2024 which grew 5.02% YoY, and also lower than the first quarter of 2024 which recorded growth of 5.11% YoY.[1]

The Central Statistics Agency or BPS announced that Indonesia experienced deflation in May 2025 of 0.37% on a monthly basis (month to month/MtM), down from the previous month's position, namely April 2025, which was still in an inflation position of 1.17% (MtM). Meanwhile, on an annual basis, Indonesia recorded inflation of 1.60% (year on year/YoY) in May 2025. The inflation rate fell from April 2025's position at 1.95% (YoY). The expenditure group that contributed the largest monthly deflation was the food, beverage, and tobacco group, which experienced deflation of 1.40% and contributed 0.41% to deflation.[2]

Indonesia 's Trade Balance



Based on data from the Central Statistics Agency or BPS, Indonesia's trade balance reached a surplus of US$160 million as of April 2025. This means that Indonesia has recorded a trade balance surplus for 60 consecutive months since May 2020. The surplus position has decreased quite significantly compared to April 2025, with a surplus of US$4.33 billion. In April 2025, Indonesia recorded exports worth US$20.74 billion or an increase of 5.76% (YoY). Meanwhile, the import value reached US$20.59 billion.[3]

Bank Indonesia (BI) noted that Indonesia's foreign exchange reserves at the end of April 2025 remained high at 152.5 billion US dollars, although it decreased compared to the position at the end of March 2025 of 157.1 billion US dollars. This development was influenced by, among others, the payment of government foreign debt and the rupiah exchange rate stabilization policy as Bank Indonesia's response to the increasingly high uncertainty of the global financial market. The foreign exchange reserves position at the end of April 2025 was equivalent to financing 6.4 months of imports or 6.2 months of imports and payment of government foreign debt, and was above the international adequacy standard of around 3 months of imports.[4]

[1] Bps.go.id
[2] Bps.go.id
[3] Bi.go.id
[4] Bi.go.id

Table 2. Economic Indicators		
Indicator	**Q4'24**	**Q1'25**
GDP	5.03%	4.87%
NPI (USD Million)	7,900	(504)
CAD (USD Million)	(1,100)	(177)

Source: bps.go.id

Table 3. Commodities		
Commodity	**Apr'25**	**May'25**
Brent Oil (USD/Barrels)	63.12	64.15
WTI (USD/Barrel)	58.21	60.79
CPO (MYR/Metrictons)	3,971.00	3,888.00
Batu bara (USD/Metrictons)	97.50	100.90
Emas (USD/troy oz)	3,288.71	3,289.25

Sumber : bloomberg

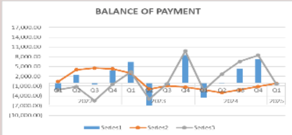
Tabel 4. Currencies			
Currencies	**Apr'25**	**May'25**	**% Change**
USD/IDR	16,603	16,296	1.85%
USD/HKD	7.7557	7.8387	-1.07%
USD/SGD	1.3063	1.2894	1.29%
USD/MYR	4.3158	4.2245	2.12%
USD/CNY	7.2713	7.1958	1.04%
JPY/USD	143.07	144.84	-1.24%
AUD/USD	1.5619	1.5561	0.37%
EUR/USD	0.8827	0.8856	-0.32%
GBP/USD	0.7502	0.7424	1.04%

Sumber : bloomberg

Table 5. Reference Interest Rates		
Indicator	**Apr'25**	**May'25**
BI 7DRR	5.75%	5.50%
Fed Funds Rate	4.25 - 4.50%	4.25 - 4.50%

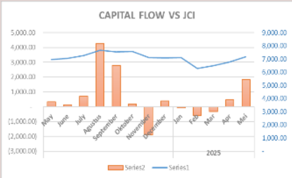
Source: bloomberg

Balance of Payments



Bank Indonesia (BI) noted that the NPI in the first quarter of 2025 experienced a deficit of US$ 0.8 billion compared to the previous year-end 2024 which was still a surplus of US$ 7.9 billion. This NPI deficit was caused by capital and financial transactions which recorded a controlled deficit amid increasing uncertainty in the global financial market. In addition, it was also driven by the performance of capital and financial transactions which also experienced a deficit.[5]

Capital Inflow

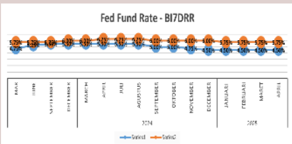


The Composite Stock Price Index (IHSG) weakened 0.32% to 7,175.82 at the close of trading on Wednesday (28/5/2025). The weakening of the index today is still related to the trade tensions between the United States (US) and the European Union (EU). Based on the IDX-IC Sectoral Index, four sectors strengthened today. The industrial sector led with an increase of 1.47%, followed by the health sector 0.98%, and the transportation and logistics sector 0.90%. Meanwhile, seven other stock sectors were corrected. The non-primary consumer goods sector fell the deepest by 1.28%, followed by the raw materials sector which weakened 1.07%, and the infrastructure sector which was corrected by 1%.[6]

Exchange Rate Movement

The rupiah exchange rate weakened in the last trading in May. On Wednesday (28/5), the spot rupiah rate closed at IDR 16,296 per US dollar (US). In line with this, the Bank Indonesia (BI) Jisdor rupiah rate today weakened 0.28% to IDR 16,300 per US dollar. Throughout May 2025, the Jisdor rupiah rate strengthened 2.27% from IDR 16,679 per US dollar. Throughout May 2025, the spot rupiah rate strengthened 1.85% compared to IDR 16,603 per US dollar at the end of April 2025. The strength of the dollar reflects improving risk sentiment driven by positive signals in US-EU trade negotiations and better-than-expected US consumer confidence data.[7]

Interest rate



Board of Governors Meeting (RDG) on 20-21 May 2025 decided to lower the BI-Rate by 25 bps to 5.50%, *Deposit Facility* interest rate by 25 bps to 4.75%, and *Lending Facility* interest rate by 25 bps to 6.25%. This decision is consistent with the low and controlled inflation forecast for 2025 and 2026 within the target of 2.5±1%, efforts to maintain the stability of the Rupiah exchange rate in accordance with its fundamentals, and to help drive economic growth.[8]

[5] Bi.go.id
[6] Katadata.co.id
[7] Kontan.co.id
[8] Bi.go.id

Our View

Macroeconomics Indicators and Forecast						
Indicator	**2020**	**2021**	**202 2**	**202 3**	**202 4**	**2025**
GDP	-2.19%	5.02%	5.31%	5.04%	5.03%	4. 70% - 5 .00 %
Inflation (yoy)	1.68%	1.87 %	5.51 %	3.61%	1.57%	2.00 % - 3.50%
Others						
FFR	0.25%	0.25%	4.50 %	5.50%	4.50%	4.25% - 4.50 %
BI7DRR	3.75%	3.50%	5.50 %	6.00%	6.00%	5.25 % - 5.50 %
USD/IDR	14,050	14,263	15,572.50	15,399.00	16,132.00	16,000 - 16,500

GDP achievement or economic growth. Indonesia's economic growth is expected to improve in the second half of 2025, driven by increased domestic demand, including increased government spending. Although Bank Indonesia (BI) revised its projection for Indonesia's economic growth for 2025 to 4.6-5.4 percent. Lower than the previous estimate in the range of 4.7-5.5 percent.

Inflation It is estimated that inflation of goods prices will decline in May 2025. This can be seen from the General Price Expectation Index (IEH) in May 2025 which was recorded at 148.3. This figure is lower than the previous period of 159.6.

***Fed Fund Rate* (FFR).** The Federal Reserve (The Fed) is expected to cut its benchmark interest rate twice in 2025. This projection is based on increasing global uncertainty and the potential for monetary easing to maintain US economic stability. In addition, concerns about economic uncertainty are also driving a shift in capital flows from safe assets to developing countries, including Indonesia.

Bank of Indonesia (BI). Bank Indonesia (BI) is expected to lower its benchmark interest rate in June 2025. This is due to the impact of US President Donald Trump's import tariffs which have triggered rising inflation and weakened economic growth.

Rupiah exchange rate. Along with the downgrade of the United States (US) government rating by Moody's, the rupiah exchange rate has the potential to strengthen, assuming there is no escalation of the trade war and interest rate cuts. Pressure on the US dollar is also expected to continue as the market focuses on the potential for interest rate cuts.