# Monthly Economic & Market Outlook

August 2025

Surabaya, 01 September 2025

## Economic Update

### August Highlights :

- **The Central Statistics Agency (BPS) today released Gross Domestic Product (GDP) data for the second quarter of 2025. Indonesia's Gross Domestic Product (GDP) grew by 5.12 percent *year-on-year*, exceeding the 5.05 percent recorded in the same period last year.**

- **The Central Statistics Agency (BPS) reported deflation of 0.08% on a monthly basis (mtm) in August 2025. Year-on-year inflation was 2.31%, and year-to-date inflation was 1.6%.**

- **The Central Statistics Agency (BPS) reported that Indonesia's trade balance surplus in July 2025 reached US$4.17 billion.**

- ***Deposit Facility* interest rate by 25 bps to 4.25%, and the *Lending Facility* interest rate by 25 bps to 5.75%.**

**Table 1. Economic Indicators**

| Indicator | July' 25 | Aug' 25 |
|---|---|---|
| Inflation (yoy) | 2.37% | 2.31% |
| Inflation (mtm) | 0.30% | -0.08% |
| Trade balance (USD Billion) | 4.17 | * |
| Foreign Exchange Reserves (USD Billion) | 152 | * |

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

### Economic growth

**The Central Statistics Agency (BPS) today released Gross Domestic Product (GDP) data for the second quarter of 2025. Indonesia's Gross Domestic Product (GDP) grew by 5.12 percent (*y-o-y*), higher than the same period the previous year, which was 5.05 percent.** Indonesia's economic growth during this period was driven by maintained public consumption. This was supported by fiscal stimulus, distribution and thickening of social assistance, the 13th salary for civil servants/military/police officers, including the long holiday that encouraged increased population mobility. In addition, several indicators such as the real retail sales index and the value of consumer goods imports were recorded to continue to grow, including *online transactions* from *e-retail* and *marketplaces*. Investment grew positively, capital goods spending carried out by the government also showed positive growth, followed by growth in capital goods imports.[1]

**The Central Statistics Agency (BPS) reported deflation of 0.08% month-to-month (mtm) in August 2025. Year-on-year inflation was 2.31%, and year-to-date inflation was 1.6%.** The Consumer Price Index (CPI) declined from 108.60 in July 2025 to 108.51 in August 2025. This slowdown primarily reflects the decline in food prices and education costs, which have returned to normal after seasonal increases last month.[2]

### Indonesia's Trade Balance

**The Central Statistics Agency (BPS) reported that Indonesia's trade balance surplus reached US$4.17 billion in July 2025.** This surplus increased compared to the US$4.10 billion recorded in June 2025. The surplus through July 2025 was supported by non-oil and gas commodities, which accounted for US$34.06% of the surplus, an increase of US$5.57 billion from the US$28.39 billion recorded in the same period last year. Meanwhile, non-oil and gas commodities recorded a deficit of US$10.41 billion, a widening deficit from the US$12.24 billion recorded in the same period last year.[3]

**Bank Indonesia (BI) noted that Indonesia's foreign exchange reserves remained high at US$152.0 billion at the end of July 2025, although slightly down from US$152.6 billion at the end of June 2025.** This development was influenced by, among other factors, government foreign debt payments and the Rupiah exchange rate stabilization policy, Bank Indonesia's response to persistently high global financial market uncertainty. The foreign exchange reserves at the end of July 2025 were equivalent to financing 6.3 months of imports or 6.2 months of imports and government foreign debt payments, and were above the international adequacy standard of approximately 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** | **Q1'25** | **Q2'25** |
| GDP | 4.87% | 5.12% |
| NPI (USD Million) | (504) | (8,174) |
| CAD (USD Million) | (177) | (3,014) |

*Source: bps.go.id*

| Table 3. Commodities | | |
|---|---|---|
| **Commodity** | **July '25** | **Aug'25** |
| Brent Oil (USD/Barrels) | 72.53 | 68.12 |
| WTI (USD/Barrels) | 69.26 | 64.01 |
| CPO (MYR/Metrictons) | 4,175.00 | 4,308.00 |
| Batu bara (USD/Metrictons) | 115.15 | 111.50 |
| Emas (USD/troy oz) | 3,289.93 | 3,447.95 |

*Sumber : bloomberg*

| *Tabel 4. Currencies* | | | |
|---|---|---|---|
| **Currencies** | **Juli'25** | **Agt'25** | **% Change** |
| USD/IDR | 16,456 | 16,500 | -0.27% |
| USD/HKD | 7.8498 | 7.7956 | 0.69% |
| USD/SGD | 1.2981 | 1.2840 | 1.09% |
| USD/MYR | 4.2690 | 4.2253 | 1.02% |
| USD/CNY | 7.2000 | 7.1307 | 0.96% |
| JPY/USD | 150.75 | 147.05 | 2.45% |
| AUD/USD | 1.5563 | 1.5291 | 1.75% |
| EUR/USD | 0.8760 | 0.8558 | 2.31% |
| GBP/USD | 0.7572 | 0.7405 | 2.20% |

*Sumber : bloomberg*

| Table 5. Reference Interest Rates | | |
|---|---|---|
| **Indicator** | **July '25** | **Aug'25** |
| BI 7DRR | 5.25% | 5.00% |
| Fed Funds Rate | 4.25 - 4.50% | 4.25 - 4.50% |

*Source: Bloomberg*

## Balance of Payments

**Bank Indonesia (BI) recorded a deficit of US$6.7 billion in the second quarter of 2025 in Indonesia's Balance of Payments (BOP).** This deficit increased compared to the US$600 million deficit recorded in the same period last year, and the US$800 million deficit recorded in the fourth quarter of 2024. This deficit occurred because the current account and capital and financial accounts recorded negative figures. The current account deficit was recorded low amid the global economic slowdown and commodity prices. Meanwhile, the capital and financial account recorded a controlled deficit amid still high global financial market uncertainty.[5]

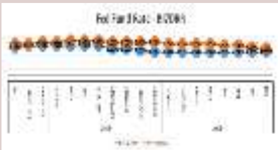
## Capital Inflow

**The Jakarta Composite Index (JCI) remained in the red until the close of trading on Friday (August 29, 2025)** amidst demonstrations . **Citing RTI data, the JCI closed today down 1.53% to 7,830.49.** The LQ45 index fell 1.78% to 797.11. All benchmark stock indices were under pressure. Citing Refinitiv, all sectors were in the red, with utilities, non-primary consumer goods, and financials falling the most, while energy and technology were the sectors with the smallest declines .[6]

## Exchange Rate Movement

**The rupiah exchange rate against the US dollar closed lower in today's trading, Friday (August 29, 2025).** The weakening of the Garuda currency against the dollar occurred amidst the heated socio-political situation in the country due to demonstrations that resulted in civilian casualties. **The spot rupiah closed at Rp 16,500 per US dollar** at the end of trading on Friday (August 29, 2025), weakening 0.89% from Rp 16,353 per US dollar the previous day. Over the week, the rupiah weakened 0.90% from Rp 16,351 per US dollar at the end of last week.[7]

## Interest rate



**The Bank Indonesia Board of Governors' Meeting (RDG) on August 19-20, 2025, decided to lower the BI Rate by 25 bps to 5.00%, the *Deposit Facility rate by 25 bps to 4.25%, and the Lending Facility* rate by 25 bps to 5.75%.** This decision is consistent with the projected low inflation for 2025 and 2026 within the target range of 2.5±1%, the maintained stability of the Rupiah exchange rate, and the need to stimulate economic growth in line with the economy's capacity.[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% |
| **Other** | | | | | | |
| 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 | 16,300 - 16,500 |

**GDP or economic growth achievement.** Indonesia's economic growth is projected to fall below 5% in the third quarter of 2025. This is in line with the expected downward trend in consumption. Economic growth during this period is only in the range of 4.7% to 4.9% *year-on-year* (yoy). Consumption growth in the third quarter of 2025 is expected to be more subdued due to the absence of seasonal factors, such as school holidays and spending related to religious holidays or collective holidays.

**Inflation** in school fees from kindergarten (TK), elementary school, junior high school, high school, and tutoring recorded inflation in July 2025. These school fees are expected to continue contributing to inflation in August-September 2025. This is in line with historical data, which shows that the education group still has the potential to contribute to inflation in the following two months.

***Fed Funds Rate* (FFR).** Federal Reserve Chairman Jerome Powell signaled the possibility of an interest rate cut at the FOMC meeting on September 16-17, 2025, although rising inflation risks could complicate such a move. Powell made this statement at the Jackson Hole symposium (August 22).

**Bank Indonesia (BI).** Bank Indonesia (BI) is opening up room for monetary policy easing amidst the weakening global and domestic economic trends. The monetary authority is still considering cutting the benchmark interest rate (BI Rate), monetary expansion, and purchasing government securities (SBN) on the secondary market to support national economic recovery.

**Rupiah exchange rate .** The rupiah exchange rate is expected to continue its limited strengthening trend, driven by expectations of a Fed interest rate cut in September 2025, by either 25 bps (basis points) or 50 bps.