

PRESS RELEASE

Media Briefing Third Quarter 2025

Synergy and Collaboration to Safeguard Stability and Accelerate Economic Growth Towards Establishing East Java as the New Gateway of the Archipelago

Surabaya, August 14, 2025. The Financial Services Authority (OJK) Regional Office for East Java, in collaboration with the Bank Indonesia (BI) Representative Office for East Java Province, the Indonesia Deposit Insurance Corporation (LPS) Surabaya II Representative Office, and the Ministry of Finance Regional Office for East Java Province, organized a Media Briefing in the form of a talk show under the theme “Synergy and Collaboration to Maintain Stability and Accelerate Economic Growth in Realizing East Java as the New Gateway of the Archipelago”, attended by 60 journalists.

East Java’s Economic Developments

Mr. M. Noor Nugroho stated that East Java’s economy in the Second Quarter of 2025 grew by 5.23 percent (year on year), an increase from 5.00 percent in the previous quarter, or 3.09 percent (quarter to quarter). This growth was driven by increased investment and exports, which had a positive impact on the manufacturing, construction, and trade sectors. Inflation in July 2025 was recorded at 2.21 percent (year on year), within the national target range, thanks to synergy and collaboration among all parties within the East Java Provincial TPID. The economic outlook for East Java in 2025 is projected to continue performing well with controlled inflation at 2.5 ± 1 percent, through efforts to encourage economic activity with Collaboration, Innovation, and Synergy (CIS), while still paying attention to future economic challenges.

On that occasion, he also conveyed that as the implementation of CIS, Bank Indonesia East Java, together with the East Java Provincial Government and the Surabaya City Government, will hold the Java Coffee and Cacao Festival (JCFF) 2025 on August 23–25, 2025, in the Old Town area of Surabaya. *With the theme “Crafting Futures Through Local Flavour,”* JCFF expands upon the Java Coffee Culture concept introduced the previous year, broadening its focus to include coffee, cocoa, and spices. The JCFF program features an MSME showcasing, workshops, business matching, coffee auctions, fashion shows, competitions, and other activities. The objective of JCFF is to promote coffee, cocoa, and spice products, as well as the Old Town area of Surabaya as a new tourist destination, to support tourism, and to encourage synergy in export development.

In addition, BI East Java will also hold the Sharia Economic Festival (FESyar) Java 2025 on September 12–14, 2025, in Surabaya as part of the series of events leading to the 12th Indonesia Sharia Economic Festival (ISEF) in Jakarta. With the theme

“Synergy of Sharia Economy and Finance to Strengthen Regional Stability and Economic Independence”, FESyar Java 2025 is aimed at strengthening the halal ecosystem, increasing the utilization of sharia finance, as well as improving literacy and awareness of the halal lifestyle. The series of activities at FESyar Java 2025 will include a sharia economic forum, MSME exhibition, business matching, and a mass religious gathering (tabligh akbar). FESyar is expected to become the driver of sharia economy and finance development while strengthening its role as a source of both regional and national economic growth.

Developments in East Java’s Financial Services Industry

Mrs. Yunita Linda Sari, as Head of OJK East Java Province, conveyed that the Financial Services Industry in East Java Province has shown a stable trend amid the still high geopolitical uncertainty and global trade tensions, supported by strong capitalization, adequate liquidity, manageable risk profiles, and the stable performance of the Financial Services Industry.

In the banking industry, as of June 2025, total banking assets in East Java reached IDR 1,975.6 trillion. Credit grew by 8.25 percent (year on year), supported by consumer loans and working capital loans, while Third-Party Funds (TPF) increased by 7.18 percent (year on year). The non-performing loan (NPL) ratio was maintained at 2.49 percent, well below the prudent threshold of 5 percent .

The growth of the capital market industry is demonstrated by the increase in issuers from East Java. Up to June 2025, the number of issuers from East Java was recorded at 55, with a total of IDR 14.7 trillion raised through IPOs. There are also 30 prospective issuers included in the IDX Incubator, where these prospective issuers are guided so they may list on the Indonesia Stock Exchange. Fundraising through Securities Crowdfunding also increased by 90.61 percent (year on year), reaching IDR 58.83 billion.

In the insurance industry, public confidence in using insurance products is steadily increasing. The number of insurance policyholders rose by 45.97 percent (year on year) to 5,171 policyholders in the First Quarter of 2025. Net pension fund assets as of June 2025 also grew by 4.51 percent (year on year) to IDR 4.47 trillion.

The financing industry also experienced growth, with total financing as of March 2025 increasing by 2.45 percent (year on year) to IDR 46.05 trillion, with gross Non-Performing Financing (NPF) still controlled at 3.14 percent. Outstanding peer-to-peer fintech financing that is legal and supervised by OJK as of April 2025 reached IDR 10.05 trillion, or grew by 22.56 percent (year on year). Likewise, financing by licensed and OJK supervised private pawnshops and Microfinance Institutions (MFIs) increased by 55.16 percent (year on year) to IDR 655.25 billion and by 6.42 percent (year on year) to IDR 161.76 billion, respectively.

OJK continuously strives to improve literacy and inclusion in East Java through the optimization of the Regional Financial Access Acceleration Team (TPAKD) to initiate various financial literacy and inclusion activities. OJK offices throughout East Java, from the period of 2024 until the Second Quarter of 2025, have carried out 863 financial socialization and education activities with a total of 291 thousand participants from various segments of society. Meanwhile, efforts to increase financial inclusion have been carried out through the optimization of various savings and financing products, including Branchless Financial Services for Financial Inclusion (LAKU PANDAI), Student Savings (SIMPEL), One Student One Account (KEJAR), and Credit/Financing Against Loan Sharks (K/PMR).

OJK also seeks to contribute to the regional economy through the Regional Economic Development (PED) program which is focused on the development of leading regional commodities through the establishment of a closed-loop ecosystem. In 2025, the PED program will focus on the development of Pisang Mas Kirana in Lumajang Regency, as well as the upscaling of the 2024 RED commodities, namely melon in Blitar Regency and Lamongan Regency.

The Role of the State Budget in Improving East Java's Economic Performance

Mr. Rabindhara Aldy, representing the Ministry of Finance Regional Office for East Java, conveyed that with regard to the performance of the regional state budget of East Java, State Revenue up to June 30, 2025, reached IDR 118.42 trillion, consisting of Tax Revenue amounting to IDR 48.02 trillion, Customs and Excise Revenue amounting to IDR 66.33 trillion, and Non-Tax State Revenue (PNBP) amounting to IDR 4.07 trillion. Meanwhile, State Expenditure realization amounted to IDR 60.09 trillion, consisting of Ministry/Institutional Expenditure of IDR 18.39 trillion and Transfer to Regions of IDR 41.71 trillion.

Gross tax revenues in various economic sectors experienced a slowdown due to the relaxation of Value Added Tax (VAT) payments and the policy of centralizing the administration of branch taxpayers. In the government administration sector, there was also a significant slowdown due to budget efficiency policies and the centralization of Personal Income Tax (PPh) Article 21 payments for teacher certification. *Nevertheless, state revenues were bolstered by Customs and Excise.* Export Duties reached IDR 311.73 billion or grew by 469.5 percent (year on year) due to higher reference prices of Crude Palm Oil (CPO) compared to the previous year, higher benchmark prices for cocoa bean exports, and significant growth in the export volume of CPO derivative products. In addition, Excise Revenue also grew, reaching IDR 63.15 trillion or increasing by 5.6 percent (year on year) due to increased production of Class II and III cigarette factories.

The realization of State Expenditure in nominal terms and percentage experienced a contraction, especially in Goods Expenditure, Capital Expenditure, and Physical Special Allocation Fund (DAK), which experienced a very deep contraction. Nevertheless, the State Expenditure was allocated to connectivity infrastructure by

land, sea, and air, and to support the implementation of national strategic programs. These strategic programs included the Free Nutritious Meals (MBG) program and the Free Health Check (PKG) program. Up to July 10, 2025, the Free Nutritious Meals program had been distributed by 133 Nutrition Fulfillment Service Units (SPPG) to 420,569 recipients, while the Free Health Check program had been delivered to 2,660,815 registrants across all regencies/municipalities in East Java through the Ministry of Health's budget.

Developments in Deposit Insurance in East Java

Mr. Bambang S. Hidayat, as Head of the Indonesia Deposit Insurance Corporation (LPS) Surabaya II Representative Office, observed that banking intermediation grew well with deposit index results in line with expectations. The Consumer Deposit Index (IMK) in June 2025 strengthened by 4.8 points to 83.8. The components of the Deposit Timing Index (IWM) and the Deposit Intensity Index (IIM) each rose to 95.3 (+2.4 points) and 72.4 (+7.2 points). Consumer deposit intensity and willingness improved in line with economic stimulus that helped household purchasing power in the short term.

From a regional perspective in East Java Province, East Java's contribution in the banking sector remains relatively high, ranking 3rd nationally in number of accounts and 2nd nationally in nominal value. The nominal condition of commercial bank deposits in East Java recorded faster growth in the Second Quarter of 2025, with the highest growth recorded in deposits above IDR 5 billion, which grew by 4.36 percent (year on year), while deposits below IDR 100 million grew by 3.37 percent. This faster growth momentum needs to be optimized.

LPS continues to maintain a high level of deposit insurance coverage as a foundation for public trust in the financial sector, while at the same time encouraging conducive stability for economic recovery. The number of customer accounts with deposits fully guaranteed up to IDR 2 billion by LPS until the end of June 2025 nationally reached 99.94 percent of total accounts or equivalent to 636,773,067 accounts for commercial bank customers, while in East Java it reached 99.95 percent of total accounts, or equivalent to 72,698,588 accounts. During the same period, nationally, the number of rural bank (BPR/BPRS) accounts guaranteed reached 99.97 percent of total accounts or equivalent to 15,536,549 accounts, while in East Java it reached 99.98 percent of total accounts or equivalent to 2,582,070 accounts.

Since LPS began operating in 2005 up to July 30, 2025, the total number of banks liquidated nationally was 144 banks, consisting of 1 commercial bank, 128 BPRs, and 15 BPRSs, with 19 of those located in East Java. In 2025 up to July, there were 1 BPRS and 1 BPR whose business licenses were revoked by OJK, with 1 BPR located in East Java, which then entered the process of liquidation and deposit claim payments by LPS.

Regarding customer claim payments, nationally, LPS has handled deposit insurance claims for 1 commercial bank and 143 BPR/BPRS whose licenses were revoked. LPS

paid IDR 2.91 trillion out of total eligible deposits of IDR 3.30 trillion after accounting for the LPS maximum insurance limit of IDR 2 billion as well as set-offs against loans and the handling of customer objections received by LPS. In East Java, LPS paid IDR 274.54 billion out of total eligible deposits of IDR 291.85 billion.

The average realization of the first payment for eligible deposits in 2025 was 4 working days after the bank's license was revoked, faster than in previous years and international standards. Most recently, the First Phase Payment for BPR DCN, whose license was revoked by OJK on July 24, 2025, was able to begin within 4 working days, demonstrating LPS's commitment to continually accelerate claim payments. In the First Phase Payment for BPR DCN customer claims, LPS paid IDR 13.9 billion to 1,021 accounts that had been declared eligible (fulfilling the 3T guarantee requirements).

The OJK Regional Office for East Java Province, the Bank Indonesia Representative Office for East Java Province, the LPS Surabaya II Representative Office, and the Ministry of Finance Regional Office for East Java Province are committed to continually synergize and collaborate with stakeholders to maintain stability and accelerate economic growth in realizing East Java as the new gateway of the archipelago.

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