INDONESIA FINANCIAL SERVICES AUTHORITY

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PRESS RELEASE

STRONG BANKING RESILIENCE SUPPORTS NATIONAL ECONOMIC GROWTH

Jakarta, August 24, 2025. Chief Executive of Banking Supervision of Indonesia Financial Services Authority (OJK) Dian Ediana Rae stated that the banking sector in Indonesia showed bullish resilience amid the global economy and political dynamics. Banking performance is projected to be stable, despite slowing credit growth in align with the economic cycle.

The banking industry in Indonesia remained resilient, with positive performance in the global currency. In July 2025, the banking credit grew by 7.03 percent yoy, supported by maintained high quality assets with NPL at 2.28 percent and Loan at Risk (LaR) decreasing to 9.68 percent.

Credit growth was also accompanied by investment credit growth at 12.42 percent yoy, driven by export-based sectors (mining and plantation), transportation, industry, and social services sectors. The credit growth was also in sync with the major supporting sectors of the growth in the second quarter of 2025.

Third-Party Funds (DPK) growth was recorded at 7 percent yoy, becoming one of the factors that drove banking liquidity strengthening. Banking liquidity was deemed adequate, with solid capital and maintained credit risks. The condition reflects the AL/NCD and AL/DPK ratio at 119.43 percent and 27.08 percent respectively, above the 50 percent and 10 percent thresholds respectively.

The improving liquidity state was due to the banking's maintained strong performance, supported by good governance and principles of prudence in carrying the intermediary functions, which are projected for continuous growth and positive outlook.

Based on the data from June 2025, the banking capital remained solid with relatively high CAR at 25.81 percent, proving banking's preparedness for risk absorbance in the future, especially in future volatile global conditions.

Declining Interest Rate

As the Bench Interest Rate (BI Rate) declined, the banking interest rate also experienced a decline. In July 2025, the weighted average of rupiah credit interest rate decreased 7 bps compared to the previous year, particularly in productive credit. Generally, declining BI Rate will be followed by credit interest decline in certain time gap. The slowdown is predicted to continue throughout 2025.

OJK deemed that there is still a room for continuous decline of credit interest rate, since the global interest rate in the second half of 2025 is expected to climb down and the BI Rate's decline to 5 percent as of August 20, 2025. However, interest rate decline depends on the Cost of Fund (CoF) of each bank due to time deposit in the DPK composition.

Therefore, banks are advised to create management strategy, especially by increasing low-cost fund portions for significant interest rate decrease.

OJK continues to advise banks to adjust their interest rate in accordance with the market condition, healthy financial ratio, and no unnecessary competitive interest rates. The national banking industry are required to remain transparent and to protect their consumers when informing banking products to the public.

The revision of Commercial Bank Business Plan on the first half of 2025 included a more conservative approach on target adjustments due to the macroeconomy and the global conditions.

However, OJK projected a stable outlook for the banking performance in the remaining 2025, with few moderations to the target. It is a necessary measure from the banks to carefully distribute credits, especially to high-risk segments, while preserving expansion to highly contributing sectors with good prospects to the economy.

The OJK Banking Business Orientation Survey (SPBO) in the third quarter of 2025 showed a positive outlook in conventional commercial banks. The outlook is supported by expectations on improving domestic macroeconomy, which consequently will affect positively on the banking performance as well as trust in banking risk management.

The banking performance in the third quarter of 2025 is expected to remain positive, resuming the previous trends from the previous quarters. The optimism is supported by Third Party Funds (DPK) growth projection and credit distribution that stimulates profit growth and banking capital. The trust aligns with the improvement of the domestic macroeconomy and the banks' credit expansion measures in accordance with their Banking Business Plans. Moreover, the BI Rate in May and July 2025 declined to 5.25 percent, lowering credit funds and potentially increasing demands from debtors.

In the fund gathering aspect, DPK is expected to grow in parallel with the banks' measure to strengthen financing sources in support of credit expansion and liquidity preservation. The growth is driven by increasing funds from corporate customers, increasing low cost funding measures, and central government funds distribution to regional banks in the third quarter of 2025.

Additionally, OJK inquired banks to implement adaptive and innovative strategies in overcoming changes in the macroeconomy to preserve financial system stability, as well as to drive the economic cycle and to become the pillar for healthy and continuous economic growth and recovery.

As a banking authority, OJK will continue to monitor and take necessary actions against potential risks in banking performance, banking system stability, and the public's trust to ensure ever-growing contribution of the banking sector to Indonesia economy, whilst coordinating with related ministries/institutions, particularly the Financial System Stability Committee (KSSK).

OJK also viewed that in the Semester I-2025, the global economy went into turmoil due to the trade wards and geopolitical tensions, namely the US tariffs and the Middle-Eastern conflicts. The condition pressured the global trade and slowed the economic growth of many countries including Indonesia. However, tensions seemed to have loosened in the second half of 2025 after the tariff agreement between US and partnering nations, resulting in 19 percent tariff for Indonesia, and improving geopolitical conditions.

The positive development encouraged the International Monetary Fund (IMF) to revise the global economic growth projection to 3 percent in 2025 and 3.1 percent in 2026, from 2.8 percent and 3 percent respectively. The domestic economic growth projection was also revised, from 4.7 percent to 4.8 percent in 2025—2026.

Amid the global occurrences, Indonesia economy remained solid. In the second quarter of 2025, the GDP grew by 5.12 percent yoy, higher than the 4.8 percent estimation. The manufacturing sector remained in the contraction zone with 49.20 PMI, improving from 46.90 in the previous month. The Consumer Trust Index remained positive at 118.1, with continuous surplus on the trade balance and maintained foreign exchange reserves.

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