

20 February 2026

Macroeconomics Indicator

	2024	2025F	2026F
GDP growth (%yoy)	5.0	5.1	5.2
Inflation (%yoy)	1.6	2.5	2.8
BI rate (% Year-end)	6.00	4.75	4.25
Rp/US\$ (Average)	15,848	16,454	16,800
CA deficit (% of GDP)	-0.6	-0.5	-0.8
Fiscal deficit (% of GDP)	-2.3	-2.9	-2.8

F: forecast, P: preliminary; all baseline scenario

BI holds rate in Feb26 amid recent pressure on currency

- Bank Indonesia kept the BI Rate at 4.75% in Feb26; despite the recent pressure on currency, BI thinks that Rupiah is undervalued.
- Lending rates declined further in Jan26 (existing loan: -40bps yoy; new loans: -75bps), supported by BI's lending rate incentives.
- We maintain a 50bps rate cut in FY26, but likely in 2H26, as bond outflow risks and seasonal FX demand limit room for cuts in 1H26.

BI holds rate, views Rupiah as undervalued

Bank Indonesia kept the BI Rate at 4.75% in Feb26. BI stated that the recent Rupiah depreciation was largely driven by technical factors, particularly higher global risk premiums, rather than domestic weakness. From fundamental perspective, BI considers the Rupiah to be undervalued, supported by stable inflation, resilient economic growth, and relatively attractive yield levels, which should create room for currency appreciation over time. BI also reaffirmed its commitment to stabilize the currency through intervention in the spot market, Domestic NDF, and offshore NDF markets.

Holiday-related activities to support consumption in 1Q26

BI expects economic activity to remain solid in 1Q26. Higher mobility during religious festivals, new fiscal stimulus measures, continued monetary accommodation, and the implementation of key government programs such as MBG and KDMP are expected to sustain household consumption. In addition, downstream investment projects under Danantara are projected to support investment growth. In line with these drivers, we forecast 1Q26 GDP growth at c.+5.25% yoy.

Monetary transmission is strengthening

The rate cut transmission mechanism is showing tangible progress. Lending rates on existing loan declined by -40bps yoy in Jan26, while rates on new loan fell more sharply by -75bps. The lending rate incentive program introduced in Dec25 appears to be fully utilized, with BI disbursing Rp69.6tr, equivalent to around 0.8% of total deposits. Meanwhile, the macroprudential incentive scheme has unlocked Rp427.5tr, or about 4.83% of total Rupiah deposits. Credit growth accelerated to +9.96% yoy in Jan26 (Dec25: +9.69% yoy), while total deposits expanded by +13.5% yoy, according to BI.

Limited room for rate cut in 1H26

We maintain our base case of a 50bps policy rate cut in FY26, though we now expect the easing cycle to take place in 2H26. We see limited room for rate cuts in 1H26, as bond market outflow pressure persists following Moody's outlook downgrade. The first SUN auction since the outlook downgrade saw demand fell to 1Y low with 1.6x bid-to-cover ratio. In addition, seasonal dividend repatriation in 2Q26 is likely to increase FX demand which may continue to weigh on the Rupiah in the near term. Key risk to our base case: another outlook downgrade, persistent fiscal deficit, and stronger US\$ due to a more hawkish Fed.

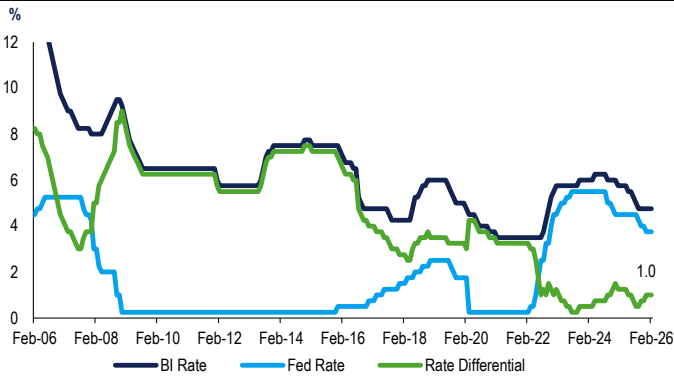
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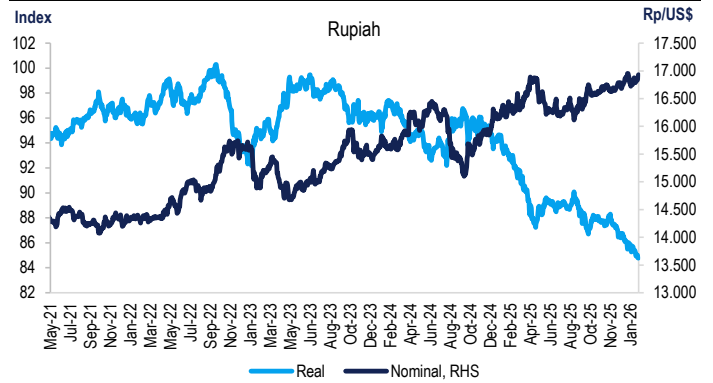
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Fig. 1: BI holds rate at 4.75% in Feb26



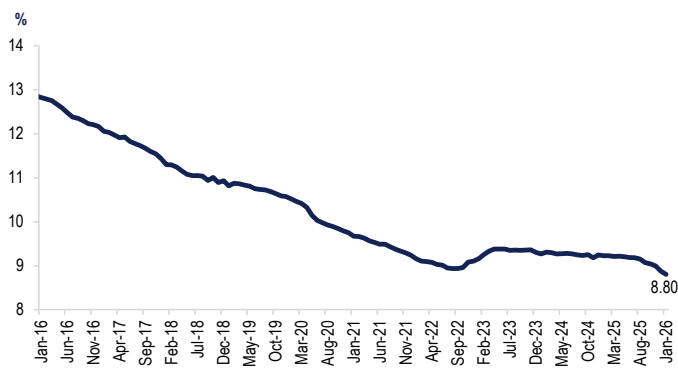
Source: Bloomberg, Indo Premier

Fig. 2: Rupiah Real Exchange Rate remain undervalued



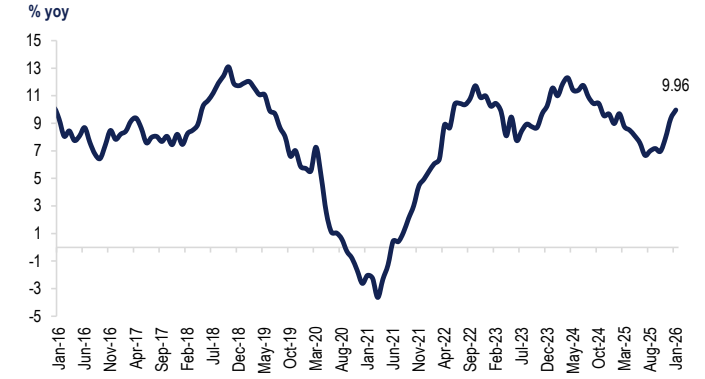
Source: Bloomberg, Indo Premier

Fig. 3: Lending rate decline is starting to pick up



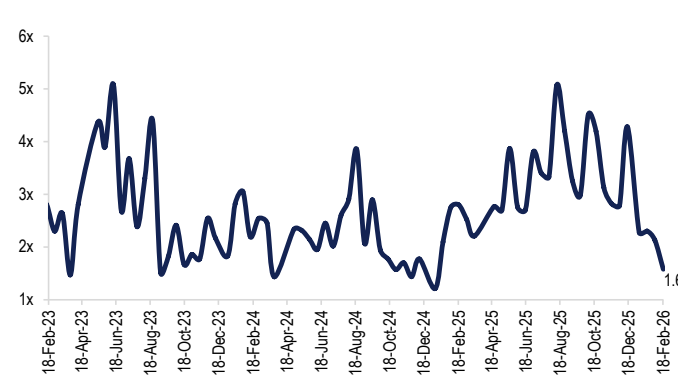
Source: Bank Indonesia, Indo Premier

Fig. 4: Loan growth accelerated to +9.96% yoy in Jan26



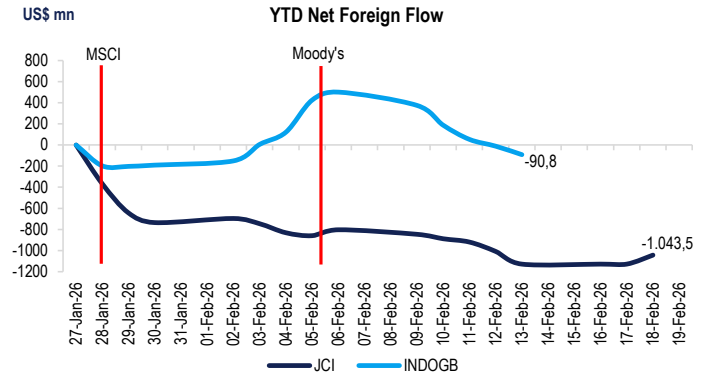
Source: Bank Indonesia, Indo Premier

Fig. 5: Demand for SUN fell to 1Y low



Source: CEIC, Indo Premier

Fig. 6: Foreign continues to de-risk from Indonesia bond market



Source: Bloomberg, Indo Premier

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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