

16 September 2026

Macroeconomics Indicator

	2024	2025F	2026F
GDP growth (%yoy)	5.0	5.1	5.2
Inflation (%yoy)	1.6	2.9	3.2
BI rate (% Year-end)	6.00	4.75	6.00
Rp/US\$ (Average)	15,848	16,475	17,700
CA deficit (% of GDP)	-0.6	-0.1	-2.5
Fiscal deficit (% of GDP)	-2.3	-2.9	-2.9

F: forecast, P: preliminary; all baseline scenario

Pivotal monetary week; BI to hold rate amid stable Rupiah

- We expect BI to hold policy rate at 5.75% on next week meeting as Rupiah remain stable. However, stronger US\$ and rate hikes are the risk.
- Amid constrained fiscal room, monetary policy is likely to get looser through lower SRBI net issuance and macroprudential incentive.
- Rupiah depreciation risk shall remain contained despite external pressure and expansionary monetary policy.

BI to hold rate next week despite Fed/BoJ hike

We expect stronger fiscal-monetary synergy following the appointment of Suahasil as new Minister of Finance — timely given the pivotal period for global central banks. The Fed and BoJ are expected to each hike rates by +25bps in the coming days. Historically, such moves would trigger a series of monetary tightening across EM including Indonesia, particularly on renewed inflationary pressure from higher oil prices. We expect BI to hold policy rate at next week meeting on three grounds: 1) Rupiah remains resilient MTD at +0.2% versus EM at -0.3%; 2) unchanged subsidized fuel (Pertalite) prices despite elevated oil, which shall offset food inflation in the near-term; and 3) BI has priced in one rate hike by the Fed during their 100bps of cumulative rate hikes in May-Jun26.

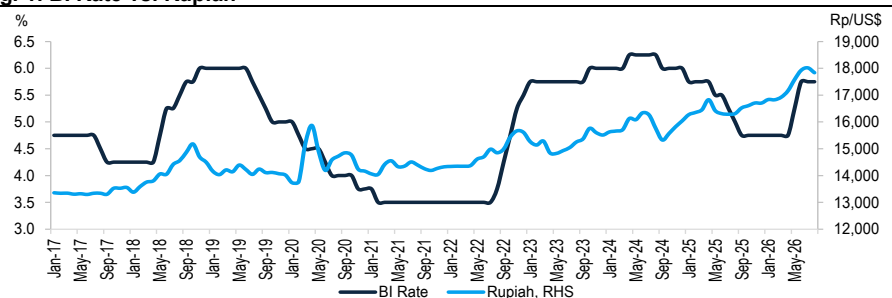
Monetary expansion to balance constrained fiscal space

Given constrained fiscal room to absorb higher oil prices, we think an expansionary monetary policy is now needed to support growth. Note that BI has shifted toward macroprudential incentives to offset the tightening effect of higher rate. The newly-introduced funding ratio incentive which offers a 2% RRR cut to banks that reduce their SRBI+SBN holdings to below 19% of third party funding, aimed at channelling liquidity into lending. Notably, banks have continued as net buyers of INDOGB in Sep26 (+Rp11tr MTD / +Rp84tr QTD). On that note, SRBI net issuance (on 3-months rolling basis) has turned negative for the first time since Nov25, implying ongoing reduction in SRBI outstanding. In service of fiscal-monetary synergy, we expect BI to continue loosening monetary operations while remaining a standby buyer for INDOGB should selling pressure arise from the banks

Rupiah depreciation risk should remain contained

As monetary conditions could ease further in the near term, several factors should limit Rupiah depreciation despite the challenging external backdrop: 1) Indonesia's short-term real yield sits at +140bps above the EM average (3.6% vs. 2.2%), providing attractive carry with lower fiscal risk (Suahasil has reaffirmed the -3% deficit commitment); 2) resilient coal and CPO exports partially offset the deficit pressure from higher oil prices; and 3) stabilizing FX reserves (+US\$1.5bn since the May26 trough).

Fig. 1: BI Rate vs. Rupiah



Source: Bloomberg, Indo Premier

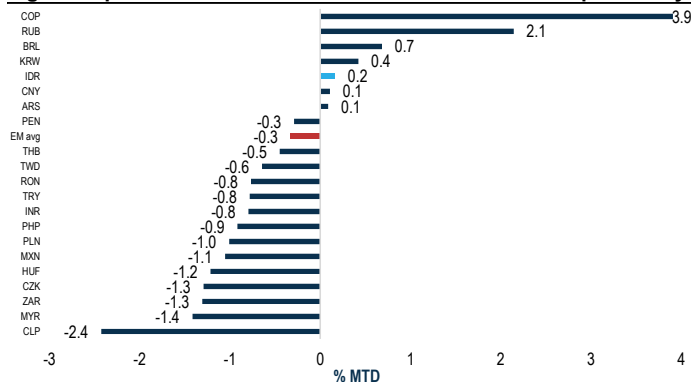
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Fig. 2: Rupiah remain resilient MTD amid Fed's rate hike possibility



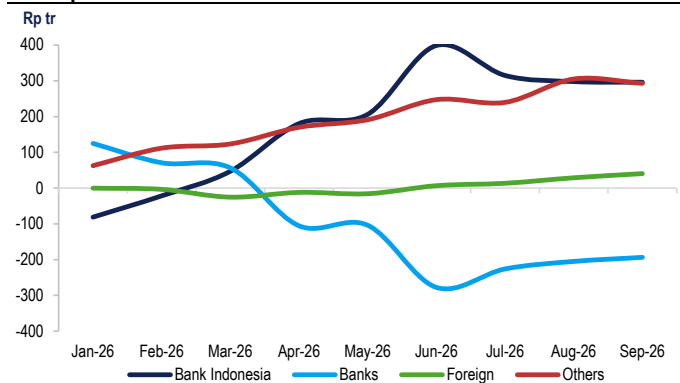
Source: MoF, Indo Premier

Fig. 3: Rupiah performance vs. oil price

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575
9/16/2026	5.5%	94.5%	0.0%	0.0%	0.0%	0.0%			
10/28/2026	2.9%	53.1%	43.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12/9/2026	1.0%	19.5%	50.1%	29.4%	0.0%	0.0%	0.0%	0.0%	0.0%
1/27/2027	0.6%	12.3%	38.2%	37.5%	11.5%	0.0%	0.0%	0.0%	0.0%
3/17/2027	0.3%	5.7%	23.6%	37.9%	26.1%	6.4%	0.0%	0.0%	0.0%
4/28/2027	0.2%	4.2%	18.6%	33.9%	29.4%	11.9%	1.8%	0.0%	0.0%
6/9/2027	0.1%	2.8%	13.6%	28.6%	30.9%	18.0%	5.3%	0.6%	0.0%
7/28/2027	0.1%	2.5%	12.4%	26.9%	30.7%	19.4%	6.7%	1.1%	0.1%
9/15/2027	0.1%	2.3%	11.4%	25.5%	30.3%	20.6%	8.0%	1.7%	0.2%
10/27/2027	0.1%	2.3%	11.4%	25.5%	30.3%	20.6%	8.0%	1.7%	0.2%
12/8/2027	0.5%	3.9%	13.9%	26.3%	28.6%	18.4%	6.9%	1.4%	0.1%

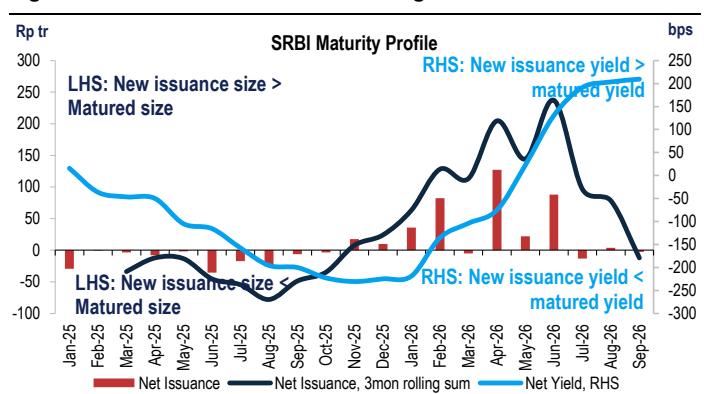
Source: CME FedWatch, Indo Premier

Fig. 4: YTD SBN Ownership change shows bank add SBN position in the past three months



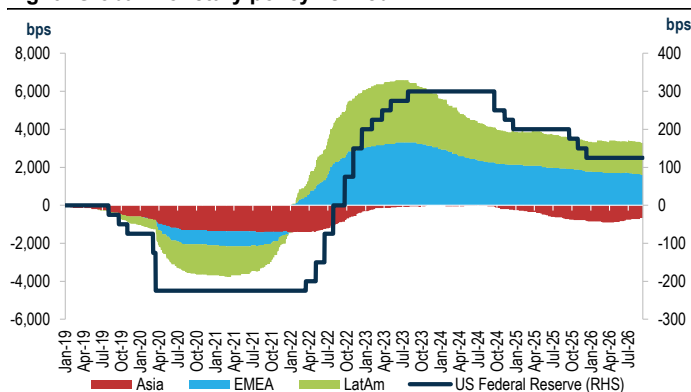
Source: Bloomberg, Indo Premier

Fig. 5: Net issuance SRBI has turned negative



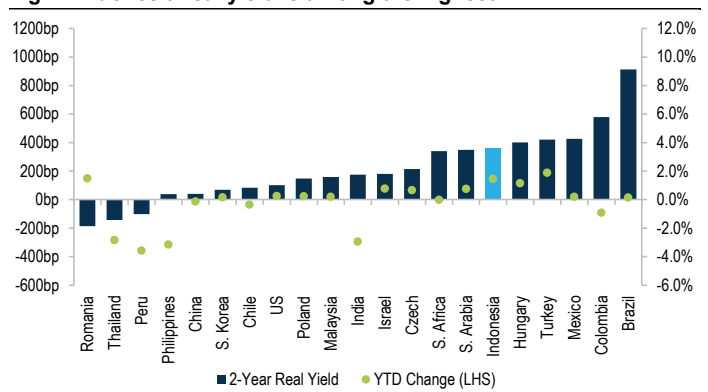
Source: Bloomberg, Indo Premier

Fig. 6: Global monetary policy vs. Fed



Source: Bloomberg, Indo Premier

Fig. 7: Indonesia real yield is among the highest in EM



Source: CME, Indo Premier

ANALYSTS CERTIFICATION

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