

FOMC:

No way down

17 September 2026

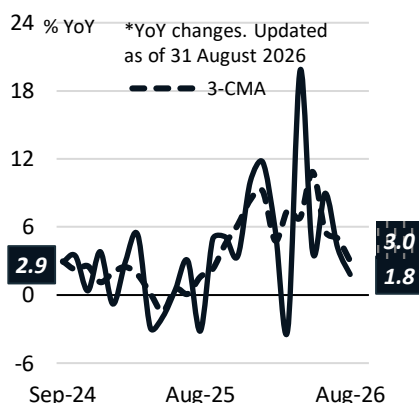
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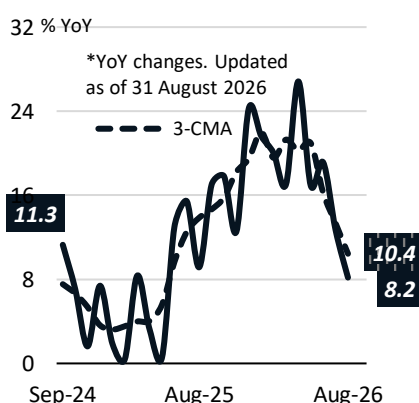
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- **The Fed hiked its policy rate by 25 bps to 3.75% - 4.00%** for the first time since 2023, as widely anticipated by the futures market. The statement highlighted an upbeat economy coupled with elevated inflation. The above \$100/bbl oil price, a stable labor market, and market pressure to hike rates (with over a 90% implied probability of a hike) made way for the decision. DXY rose by 0.6% following the hawkish statement, while the UST 10y yield remained stable.

- Warsh had hinted at this move in his Jackson Hole speech, stating that the Fed still had more work to do if inflation failed to move toward its objective. On the one hand, **the move reinforces Warsh's credibility and the Fed's independence**. On the other hand, POTUS is unhappy with the decision, as he wants interest rates to be lower than 1%.

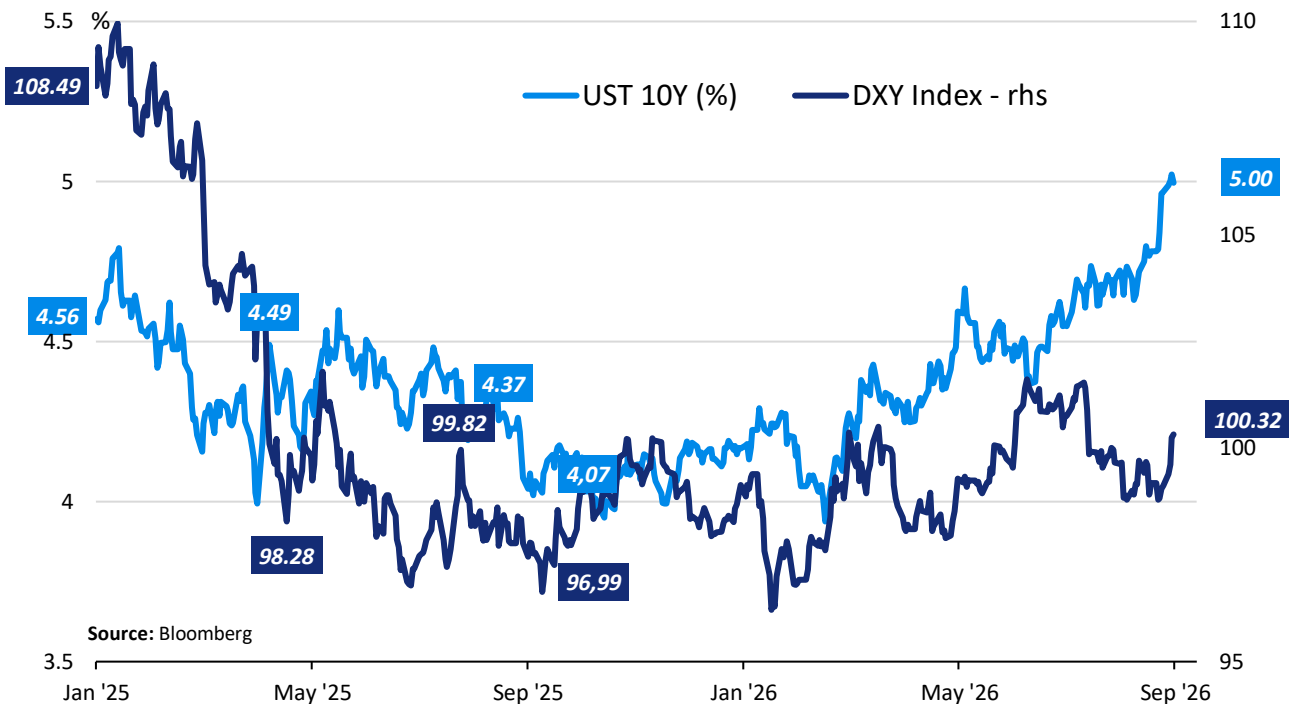
- **The hike is unlikely to be a one-time event**, as the Fed board projects at least one more hike this year. The board views the US economy as more resilient than previously projected, with higher GDP growth, lower unemployment, and faster core PCE inflation. Warsh continues to refrain from participating in the projections, and his Five Task Forces are expected to share their findings by the year-end.

- **The higher-for-longer outlook is supported by the current inflation trend**, with core PCE standing at 3.3% YoY. With the US-Iran war continuing and even spreading to Saudi Arabia and the Houthis, there is little chance of inflation declining smoothly without decisive intervention.

- Given the ongoing market momentum (NASDAQ only down 0.1%), **there is little chance for the Fed to ease its policy or even adopt a dovish tone**. As such, we can expect the higher-for-longer rate environment to persist, unless there is a market crash, meaning the Fed's rate has only one direction to go. One caveat is whether the Warsh-promised "regime change" could bring interest rates down by tightening liquidity through shrinking the Fed's balance sheet or through other policy tools.

- Even though the dollar strengthened, the effect on the Rupiah has been more muted, as it weakened by only around 0.3% after the market had been open for a few hours (cf. 0.6% on the dollar index). For now, the Rupiah continues to be defended through other means aside from a rate hike. However, global monetary tightening will of course put pressure on Bank Indonesia. The question is how long the Rupiah can keep up with tightening global liquidity. **Thus, we still expect BI to hike rates at least once more.**

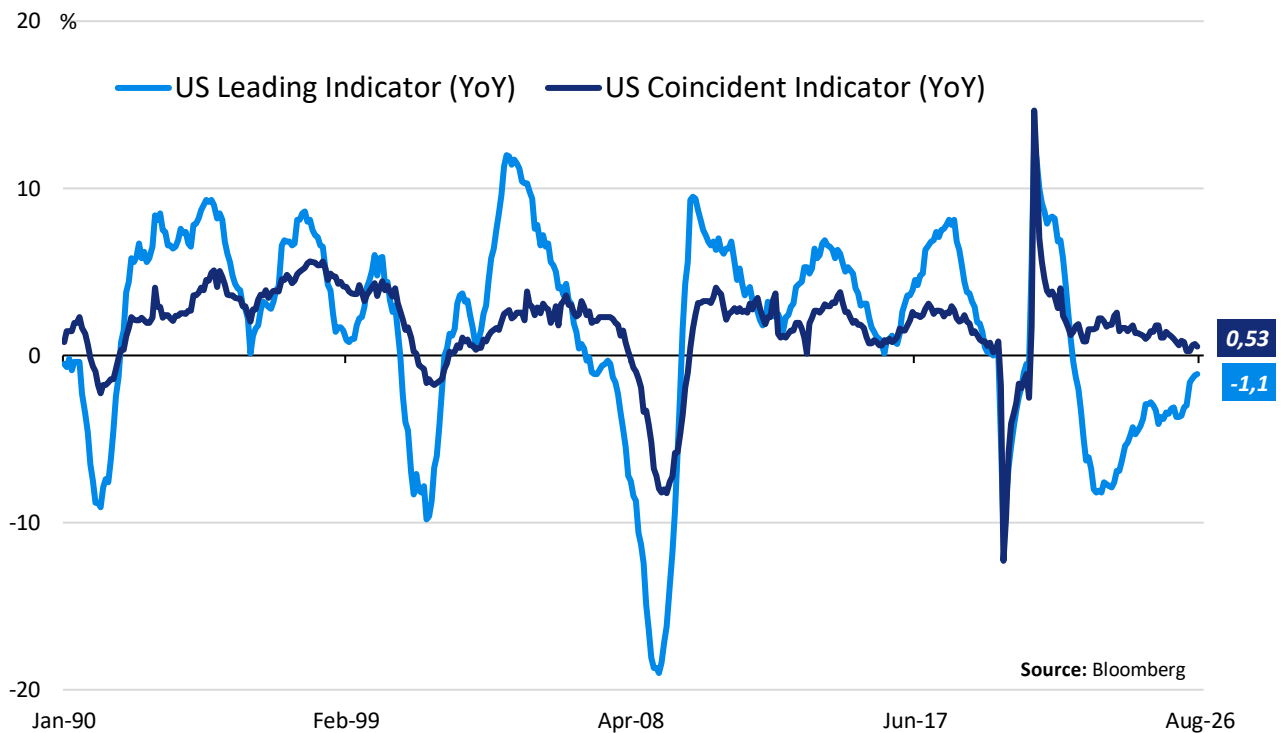
1 The dollar strengthened amid a hawkish tone, while the UST 10y yield moved sideways.



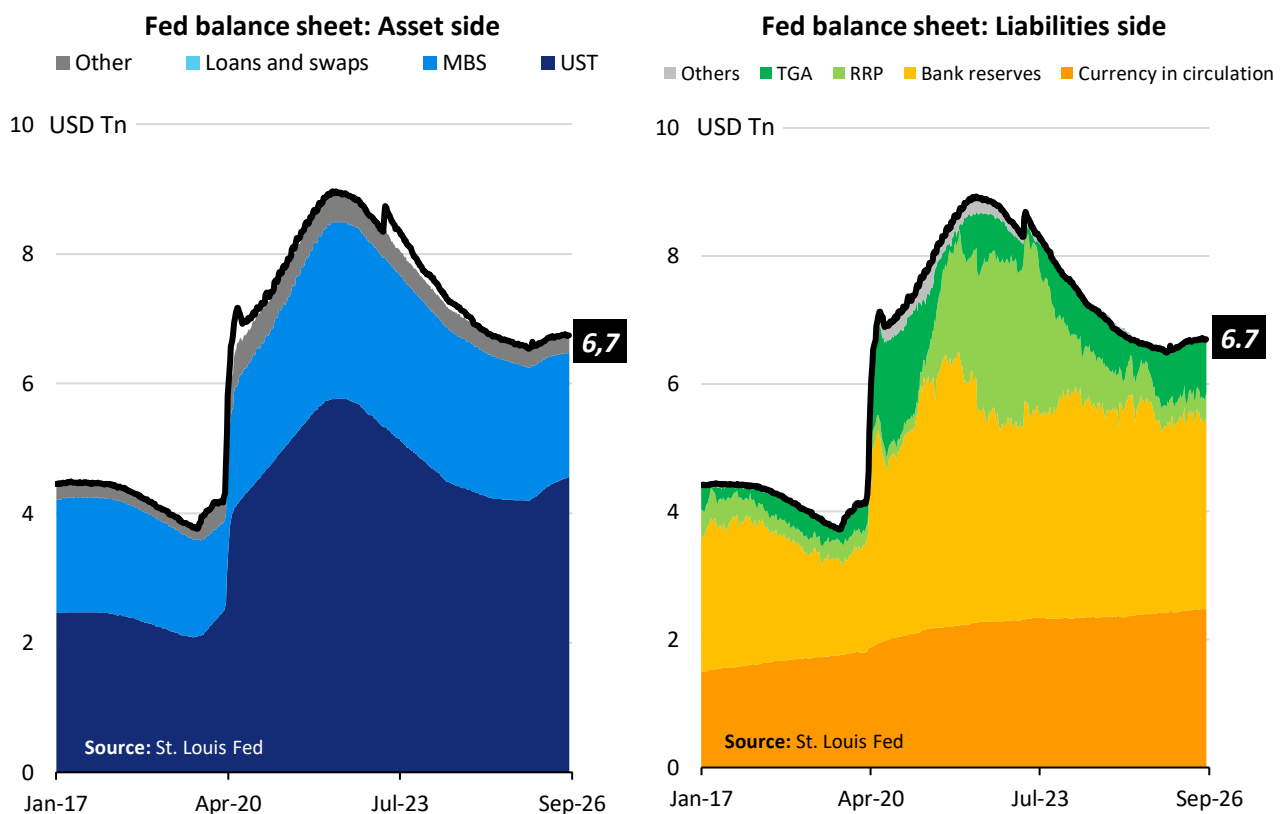
2 The market adopts a more hawkish stance, pricing in at least 2 more hikes in the next 12 months.



3 Stable coincident indicators and improving leading indicators justify the Fed's hike.

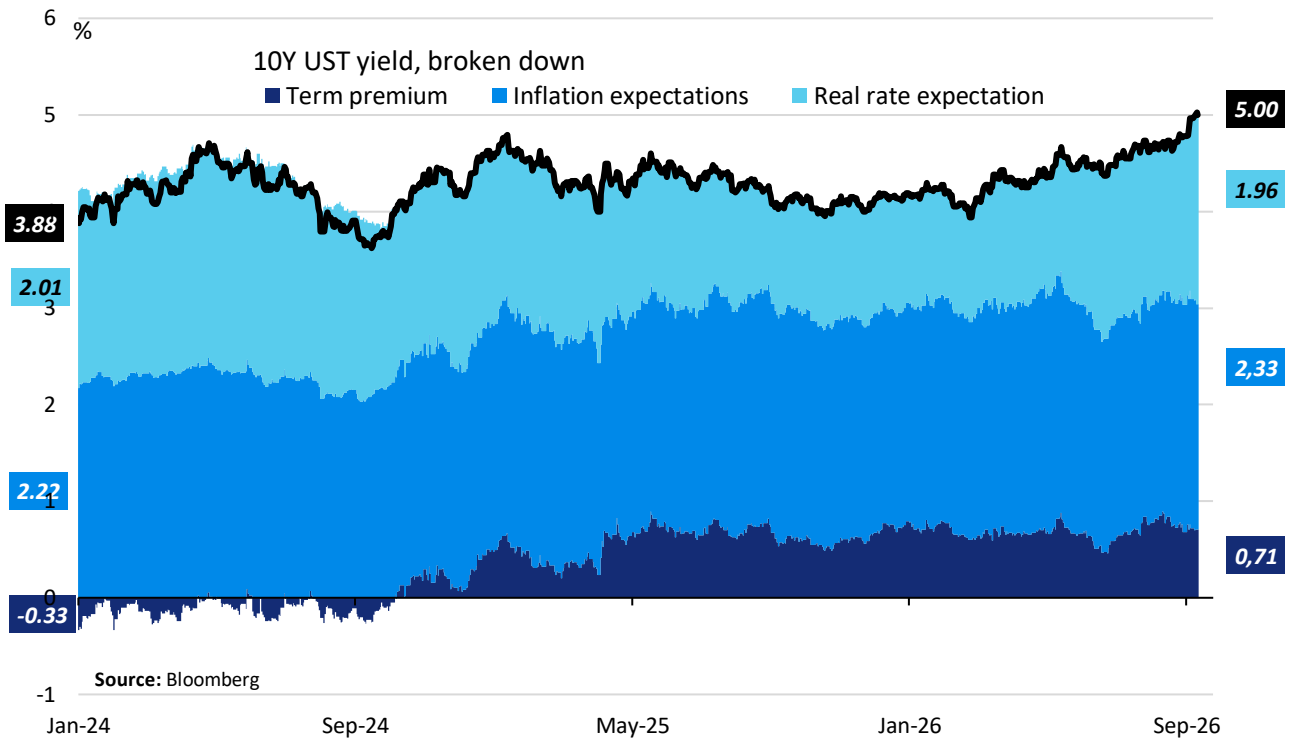


4 The balance sheet remains ample despite Warsh's stated intention to shrink it



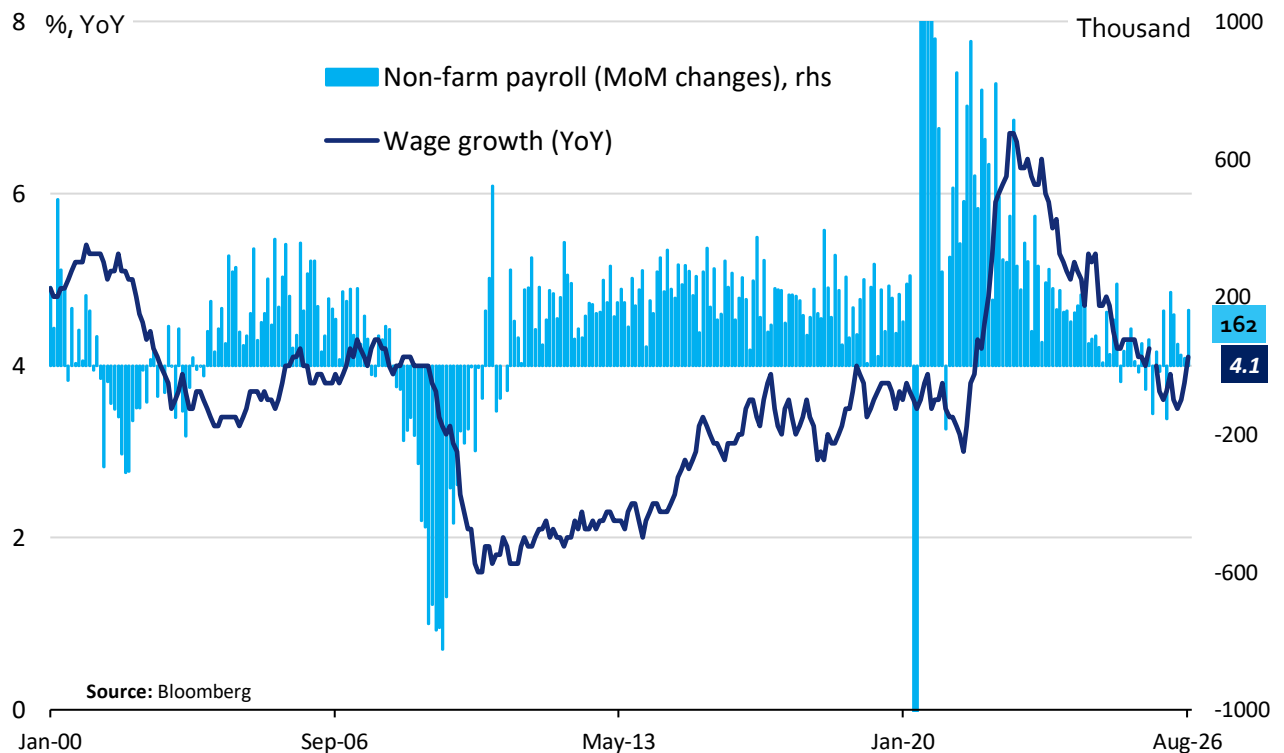
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Lower rate expectations may be the US government's only option to reduce its borrowing costs.



6

Stabilizing labor markets gave the Fed the chance to adopt a hawkish stance.



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	16-Sep	-1 mth	Chg (%)
US	4.00	Sep-26	0.60	Baltic Dry Index	3,327.0	2,863.0	16.2
UK	3.75	Dec-25	0.65	S&P GSCI Index	756.3	686.4	10.2
EU	2.65	Sep-26	-0.65	Oil (Brent, \$/bbl)	105.8	88.5	19.6
Japan	1.00	Jun-26	-0.90	Coal (\$/MT)	148.9	137.6	8.2
China (lending)	2.00	Sep-24	3.55	Gas (\$/MMBtu)	2.97	2.79	6.5
Korea	3.00	Aug-26	-0.10	Gold (\$/oz.)	4,263.7	4,376.4	-2.6
India	5.25	Dec-25	0.43	Copper (\$/MT)	14,201.2	14,576.3	-2.6
Indonesia	5.75	Jun-26	2.56	Nickel (\$/MT)	16,003.3	16,617.3	-3.7
Money Mkt Rates	16-Sep	-1 mth	Chg (bps)	CPO (\$/MT)	1,135.9	1,107.5	2.6
				Rubber (\$/kg)	2.37	2.22	6.8
SPN (1Y)	6.71	7.15	-43.2	External Sector	Jul	Jun	Chg (%)
SUN (10Y)	7.14	7.11	2.5				
INDONIA (O/N, Rp)	5.69	6.12	-43.8	Export (\$ bn)	26.22	25.46	2.98
JIBOR 1M (Rp)	5.03	5.03	0.0	Import (\$ bn)	26.09	25.91	0.72
Bank Rates (Rp)	Jun	May	Chg (bps)	Trade bal. (\$ bn)	0.12	-0.45	-127.06
				Central bank reserves (\$ bn)*	145.3	145.6	-0.17
Lending (WC)	8.07	7.95	12.00	Prompt Indicators	Aug	Jul	Jun
Deposit 1M	4.96	4.52	44.00				
Savings	0.68	0.68	0.00				
Currency/USD	16-Sep	-1 mth	Chg (%)	Consumer confidence index (CCI)	118.5	116.8	117.8
UK Pound	0.747	0.739	-1.16				
Euro	0.872	0.864	-0.91	Car sales (%YoY)	32.4	33.3	33.0
Japanese Yen	156.3	159.3	1.96				
Chinese RMB	6.709	6.743	0.50	Motorcycle sales (%YoY)	3.2	8.3	1.1
Indonesia Rupiah	17,693	17,825	0.75	Manufacturing PMI	Aug	Jul	Chg (bps)
Capital Mkt	16-Sep	-1 mth	Chg (%)				
JCI	6,436.9	6,401.9	0.55	USA	53.9	53.9	0
DJIA	51,461.9	53,732.4	-4.23	Eurozone	52.7	51.9	80
FTSE	10,688.5	10,750.1	-0.57	Japan	54.9	54.5	40
Nikkei 225	63,923.0	68,713.8	-6.97	China	51.5	50.9	60
Hang Seng	24,713.8	25,116.9	-1.60	Korea	52.3	53.1	-80
Foreign portfolio ownership (Rp Tn)	Aug	Jul	Chg (Rp Tn)	Indonesia	49.8	50.2	-40
Stock	2,949.5	2,805.0	144.49				
Govt. Bond	907.8	892.4	15.35				
Corp. Bond	4.8	5.6	-0.74				

Source: Bloomberg, BI, BPS

Notes:

*Data from earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, **>50** indicates economic expansion, **<50** otherwise



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Indonesia – Economic Indicators Projection

	2020	2021	2022	2023	2024	2025	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.1	5.3
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	9.1
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5126
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	3.2
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	6.00
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	7.31
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,621
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	18,238
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	19.2
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-1.3

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time

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