

FOMC:

In a holding pattern ahead of policy whirlwinds

29 January 2026

Lazuzrdin Thariq Hamzah

lazuardin_hamzah@bca.co.id

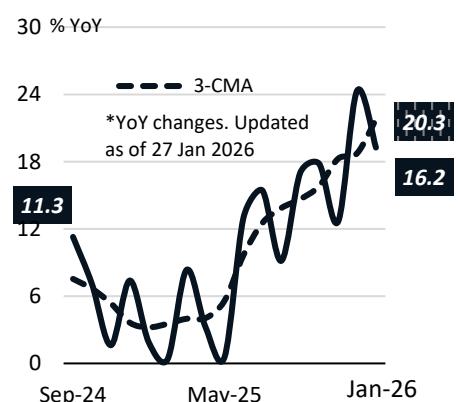
Victor George Petrus Matindas

victor_matindas@bca.co.id

BCA Consumer Spending Index*



BCA Business Transaction Index*



may continue to sway in line with the US government's evolving policy priorities.

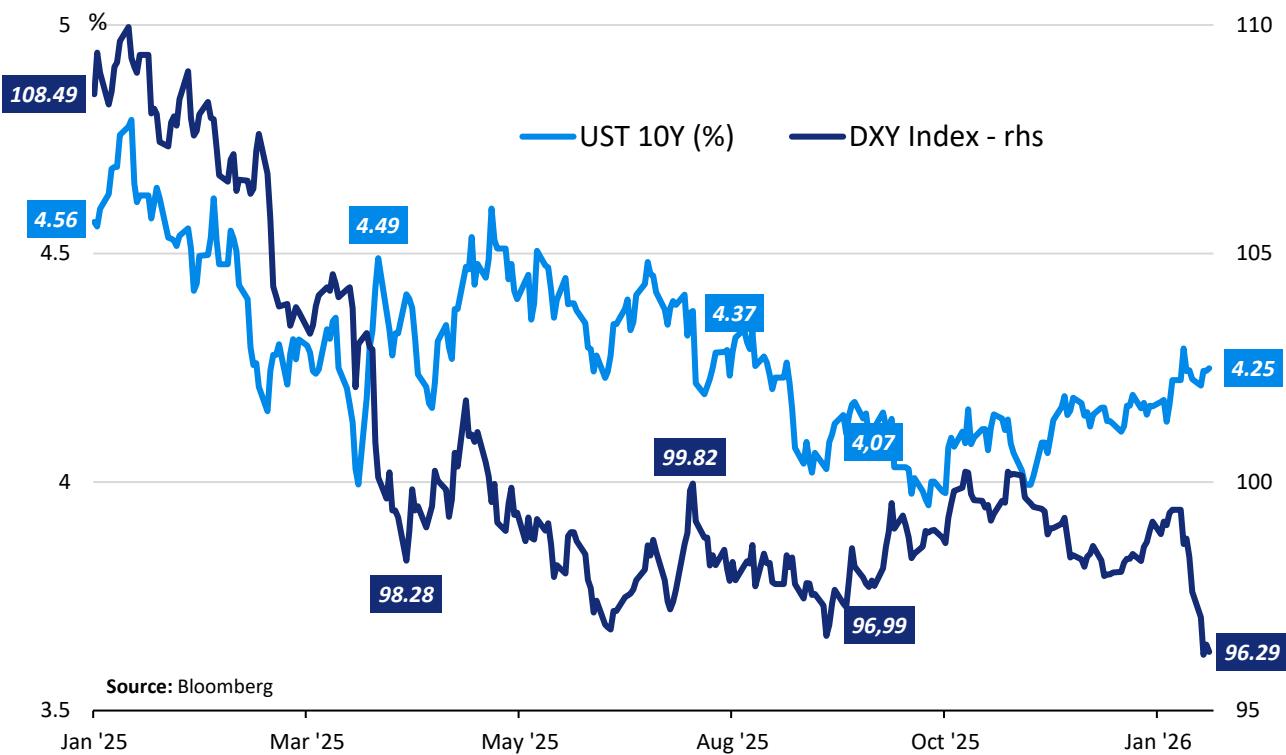
- **Thankfully, the ample FX reserves position means that Bank Indonesia can safely intervene amid episodic pressures on the Rupiah**, while other liquidity-absorption tools (such as SRBI issuance) may also be deployed. At the same time, the recent narrow-based acceleration in loan growth may compel BI to maintain its policy-loosening bias, although a more definitive signal will be needed before the central bank can safely lower its policy rate again.

- The Fed kept its policy rate at a 3.50-3.75% range in the first FOMC meeting of the year, in line with expectations. **No noticeable policy changes observed during the meeting**, as the post-meeting announcement reveals the central bank's more sanguine outlook on both the labour market and inflation conditions (**see Charts 3 & 6**).
- Rather than the short-term US macroeconomic outlook, the market appears to be more concerned with recent developments surrounding the USD (**see Chart 1**). The DXY index has lost 2.08% of its value so far in 2026, with further depreciation expected amidst the risk of another US government shutdown.
- While Fed Chairman Powell has refrained from commenting on the USD, this does not imply that the currency will be allowed to weaken considerably in the months ahead. **A weaker USD could feed into US inflation readings, which is a particularly sensitive issue ahead of the midterm elections**. On the other hand, however, a weaker USD is also a central part of President Trump's economic manifesto, meaning that political pressures aimed at bolstering the currency are unlikely.

- If anything, political pressure may continue to be directed at the Fed to lower the FFR. Robust domestic demand and a weaker USD have done little to ease inflation expectations, which, together with growing concerns over debt sustainability, may keep UST yields elevated (**see Chart 5**). **The only viable avenue for the US government to lower its borrowing costs, therefore, is to push down interest rate expectations** – something that the Fed, for now, comfortably maintains (**see Chart 2**).

- The **incompatibility in US policy direction may therefore continue to warrant heightened alertness in other markets**, particularly those currently exposed to idiosyncratic risks, such as Indonesia and other Asian economies. While the USD's recent weakness provides some breathing room for the Rupiah (and other currencies), volatility is likely to remain a defining theme, as the USD

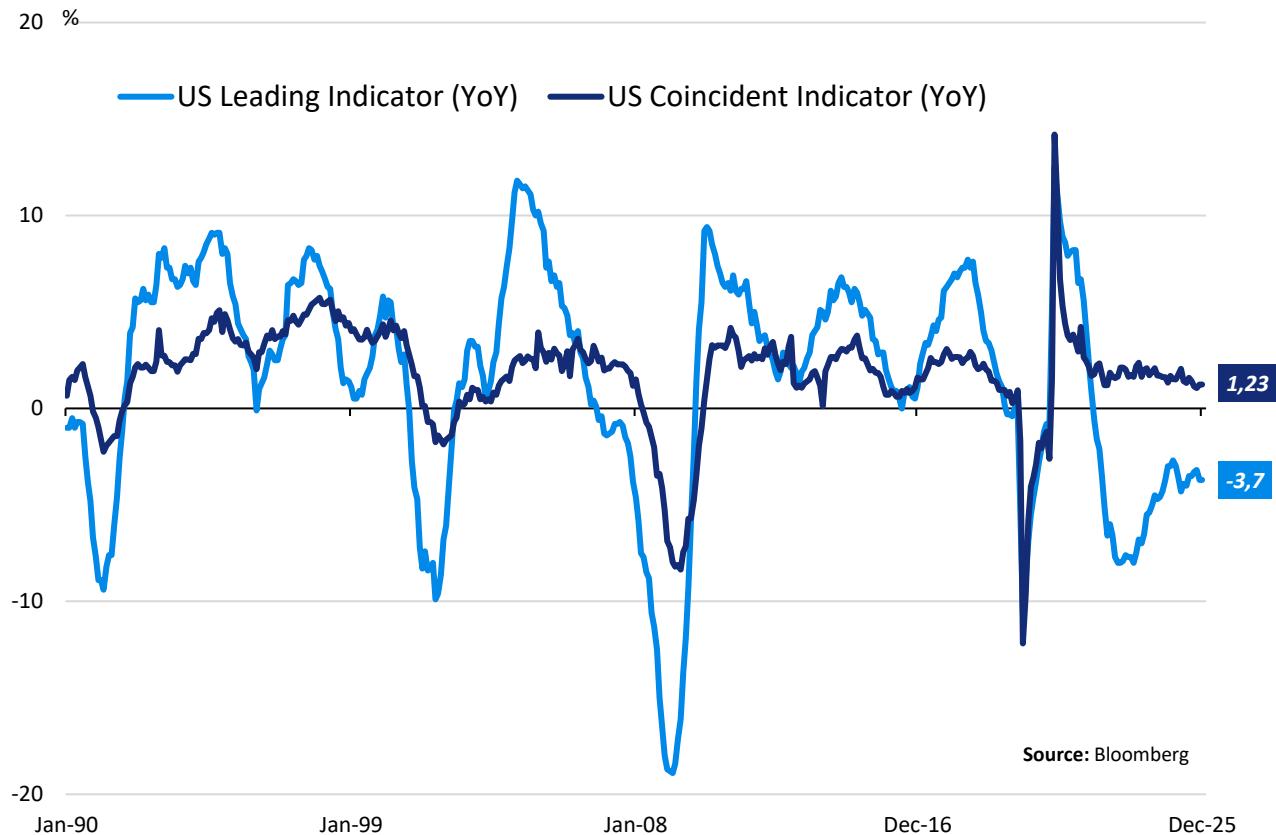
1 The USD tumbles recently, but the trend may reverse closer to the mid-term elections



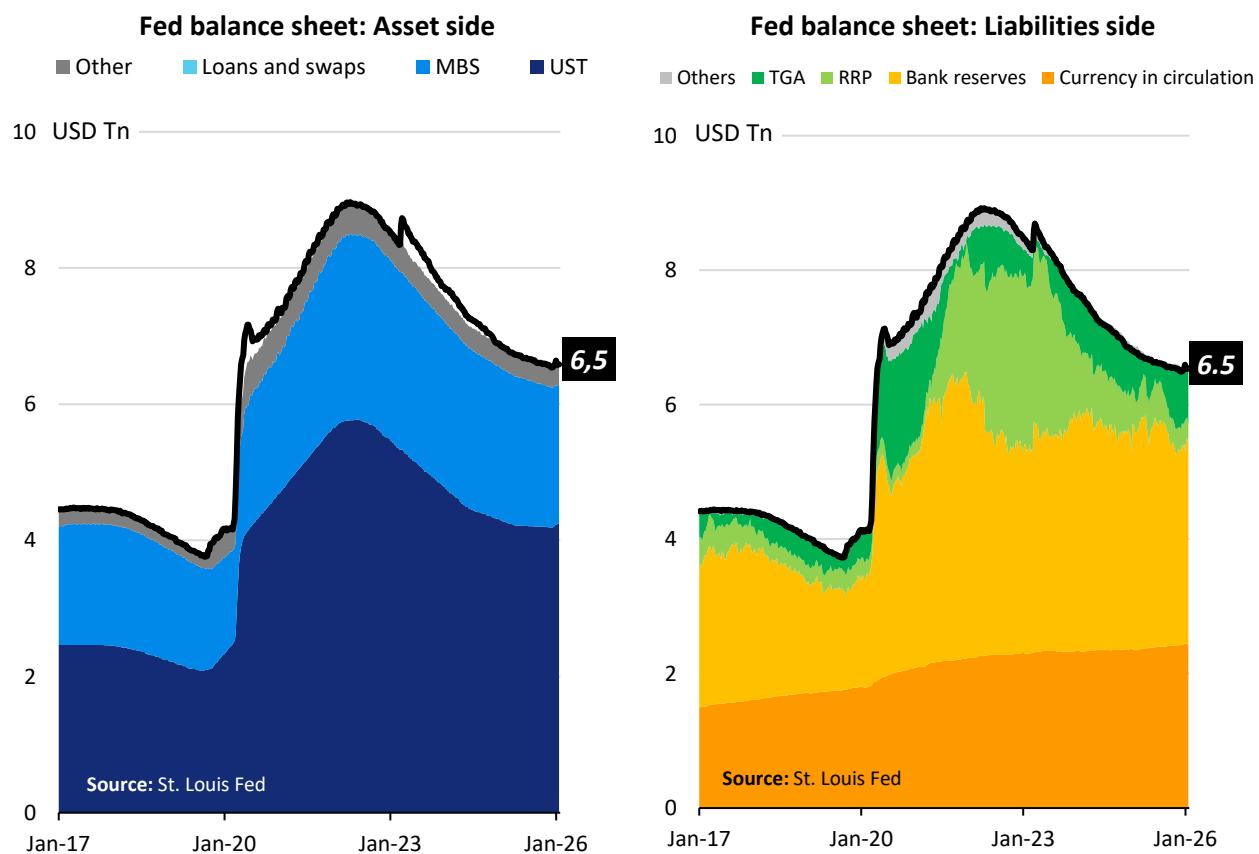
2 US credit spreads narrow as the Fed signals no urgency to lower the policy rate



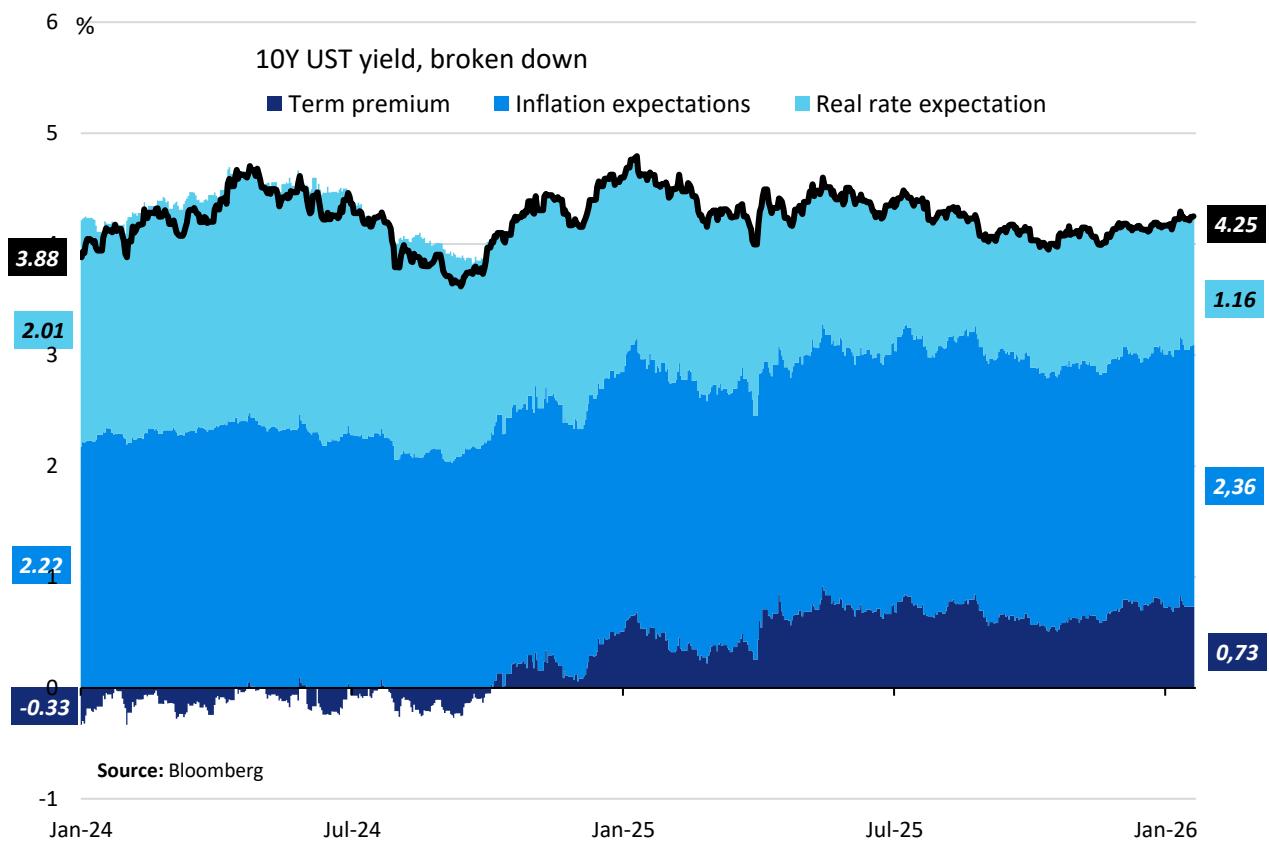
3 US economy remains robust despite a concerning signal from the leading indicator



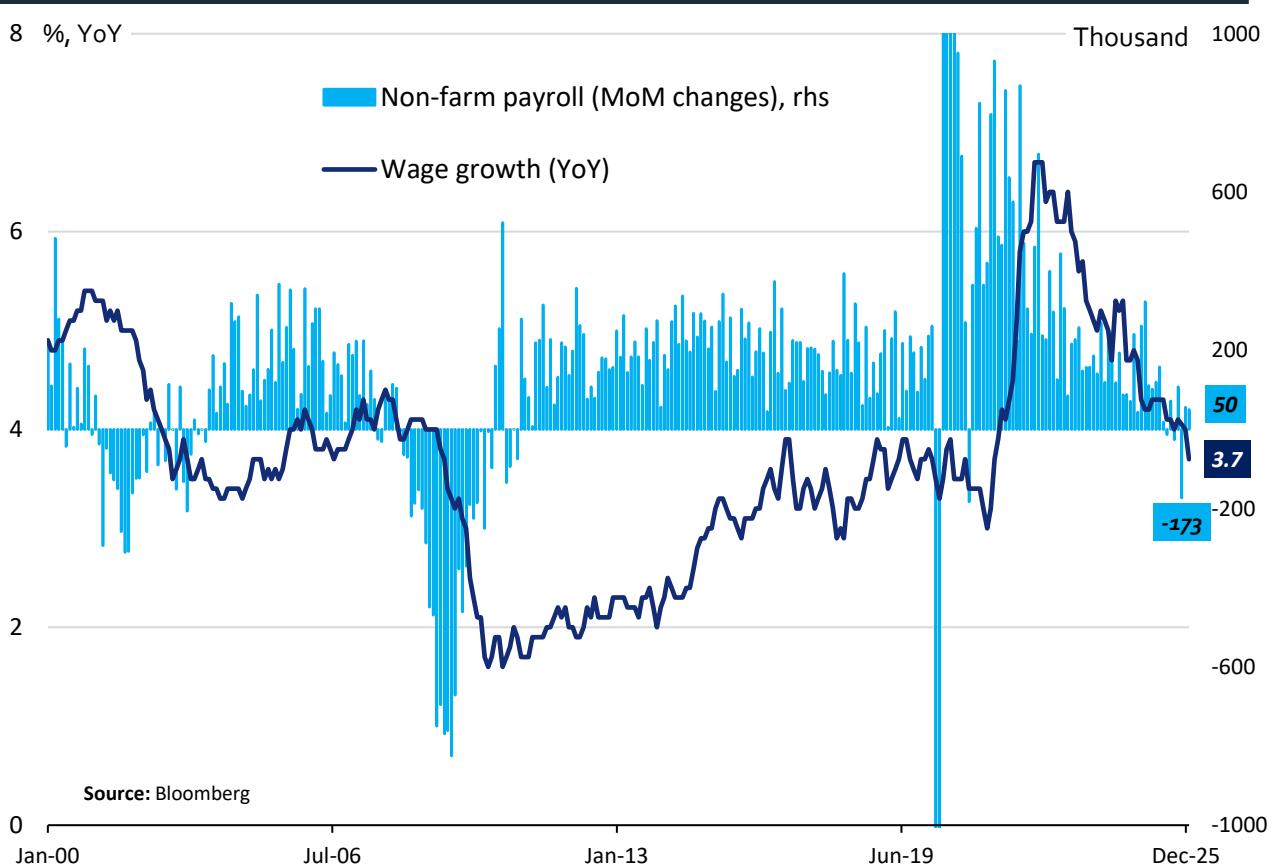
4 The end of QT and the start of the RMP will expand the Fed's balance sheet again



5 Lowering rate expectations may be the US government's only option to lower its lending rate



6 The Fed is yet to signal an end to policy loosening, given the still-weak labour market condition



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	28-Jan	-1 mth	Chg (%)
US	3.75	Sep-25	1.05	Baltic Dry Index	1,762.0	1,877.0	-6.1
UK	3.75	Aug-25	0.35	S&P GSCI Index	584.1	550.4	6.1
EU	2.15	Jun-25	0.25	Oil (Brent, \$/bbl)	65.8	60.6	8.5
Japan	0.75	Jan-25	-1.35	Coal (\$/MT)	111.5	108.5	2.8
China (lending)	2.00	Sep-24	3.55	Gas (\$/MMBtu)	30.72	3.31	828.1
Korea	2.50	May-25	0.20	Gold (\$/oz.)	5,064.3	4,533.2	11.7
India	5.25	Jun-25	3.92	Copper (\$/MT)	13,048.9	12,182.2	7.1
Indonesia	4.75	Sep-25	1.83	Nickel (\$/MT)	18,553.3	15,637.7	18.6
Money Mkt Rates	28-Jan	-1 mth	Chg (bps)	Rubber (\$/kg)	1,022.1	998.2	2.4
SPN (1Y)	4.13	4.78	-65.0	External Sector	Sep	Aug	Chg (%)
SUN (10Y)	6.39	6.13	26.9	Export (\$ bn)	24.68	24.96	-1.14
INDONIA (O/N, Rp)	3.68	4.25	-56.3	Import (\$ bn)	20.34	19.48	4.42
JIBOR 1M (Rp)	5.03	5.03	-0.1	Trade bal. (\$ bn)	4.34	5.49	-20.85
Bank Rates (Rp)	Jun	May	Chg (bps)	Central bank reserves (\$ bn)*	148.7	150.7	-1.31
Lending (WC)	8.62	8.64	-1.78	Prompt Indicators	Oct	Sep	Aug
Deposit 1M	4.89	4.86	2.28	Consumer confidence index (CCI)	121.2	115.0	117.2
Savings	0.71	0.70	0.82	Car sales (%YoY)	-4.4	-15.1	-19.0
Currency/USD	28-Jan	-1 mth	Chg (%)	Motorcycle sales (%YoY)	8.4	7.3	0.7
UK Pound	0.732	0.741	1.24	Manufacturing PMI	Dec	Nov	Chg (bps)
Euro	0.843	0.849	0.74	USA	51.8	52.2	-40
Japanese Yen	154.9	156.6	1.10	Eurozone	48.8	49.6	-80
Chinese RMB	6.963	7.005	0.61	Japan	50.0	48.7	130
Indonesia Rupiah	16,822	16,762	-0.36	China	50.1	49.9	20
Capital Mkt	28-Jan	-1 mth	Chg (%)	Korea	50.1	49.4	70
JCI	8,951.0	8,537.9	4.84	Indonesia	51.2	53.3	-210
DJIA	49,098.7	48,711.0	0.80				
FTSE	10,143.4	9,870.7	2.76				
Nikkei 225	53,076.6	50,750.4	4.58				
Hang Seng	26,844.0	25,818.9	3.97				
Foreign portfolio ownership (Rp Tn)	Dec	Nov	Chg (Rp Tn)				
Stock	4,186.7	4,017.6	169.11				
Govt. Bond	878.7	1,343.0	-464.38				
Corp. Bond	4.7	4.1	0.64				

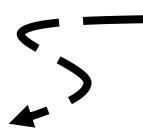
Source: Bloomberg, BI, BPS

Notes:

*Data from earlier period

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

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



Scan for the link to our report depository or click:

https://s.id/BCA_REI

Indonesia – Economic Indicators Projection

	2020	2021	2022	2023	2024	2025E	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.0	5.1
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.2	7.9
GDP per capita (USD)	3912	4350	4784	4920	4960	5014	5362
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9*	2.5
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75*	4.00
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05*	6.50
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468*	16,784
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690*	16,842
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	40.0	33.8

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time
- Numbers marked with (*) for 2025 are final; other numbers for 2025 are our projections

Economic, Banking & Industry Research Team

David E.Sumual

Chief Economist

david_sumual@bca.co.id

+6221 2358 8000 Ext:1051352

Gabriella Yolivia

Industry Analyst

gabriella_yolivia@bca.co.id

+6221 2358 8000 Ext: 1063933

Thierris Nora Kusuma

Economist / Analyst

thierris_kusuma@bca.co.id

+6221 2358 8000 Ext: 1071930

Jennifer Calysta Farrell

Economist / Analyst

jennifer_farrell@bca.co.id

+6221 2358 8000 Ext: 1082423

Agus Salim Hardjodinoto

Head of Industry and Regional Research

agus_lim@bca.co.id

+6221 2358 8000 Ext: 1005314

Lazuardin Thariq Hamzah

Economist / Analyst

lazuardin_hamzah@bca.co.id

+6221 2358 8000 Ext: 1071724

Nicholas Husni

Economist / Analyst

nicholas_husni@bca.co.id

+6221 2358 8000 Ext: 1079839

Arif Agung Wibowo

Economist / Analyst

arif_agung@bca.co.id

+6221 2358 8000 Ext: -

Victor George Petrus Matindas

Head of Banking Research and Analytics

victor_matindas@bca.co.id

+6221 2358 8000 Ext: 1058408

Elbert Timothy Lasiman

Economist / Analyst

Elbert_lasiman@bca.co.id

+6221 2358 8000 Ext: 1007431

Samuel Theophilus Artha

Economist / Analyst

samuel_artha@bca.co.id

+6221 2358 8000 Ext: 1080373

PT Bank Central Asia Tbk

Economic, Banking & Industry Research of BCA Group

20th Grand Indonesia, Menara BCA

Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia

Ph : (62-21) 2358-8000 Fax : (62-21) 2358-8343

DISCLAIMER

This report is for information only and is not intended as an offer or solicitation with respect to the purchase or sale of a security. We deem that the information contained in this report has been taken from sources which we deem reliable. However, we do not guarantee their accuracy, and any such information may be incomplete or condensed. None of PT. Bank Central Asia Tbk, and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. Opinion expressed is the analysts' current personal views as of the date appearing on this material only, and subject to change without notice. It is intended for the use by recipient only and may not be reproduced or copied/photocopied or duplicated or made available in any form, by any means, or redistributed to others without written permission of PT Bank Central Asia Tbk.

All opinions and estimates included in this report are based on certain assumptions. Actual results may differ materially. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice. For further information please contact: (62-21) 2358 8000, Ext: 1020451 or fax to: (62-21) 2358 8343 or email: eri_tristanto@bca.co.id