

## BI Policy:

# In no place nor shape for rate cuts

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**Lazuardin Thariq Hamzah**

[Lazuardin\\_hamzah@bca.co.id](mailto:Lazuardin_hamzah@bca.co.id)

**Victor George Petrus Matindas**

[Victor\\_matindas@bca.co.id](mailto:Victor_matindas@bca.co.id)

### BCA Consumer Spending Index\*



### BCA Business Transaction Index\*



- **Bank Indonesia kept the BI rate at 4.75% at today's policy meeting**, in line with market consensus. The decision marks six consecutive meetings in which BI has left its policy rate unchanged, an interesting development given the central bank's much-publicised readiness to be more accommodative to the government's growth agenda.

- Three arguments may explain the prolonged rate inertia. **First, the central bank is in no position to execute another rate cut**, as AI-driven CAPEX needs and global fiscal expansions have created a tug-of-war for liquidity. Indonesia and other Asia-Pacific markets could be uniquely impacted by this force, as higher JGB yields following Japan's election and the fiscal-driven revival in its domestic equities market may encourage Asia's biggest capital exporters to pull back and redeploy their capital back home.

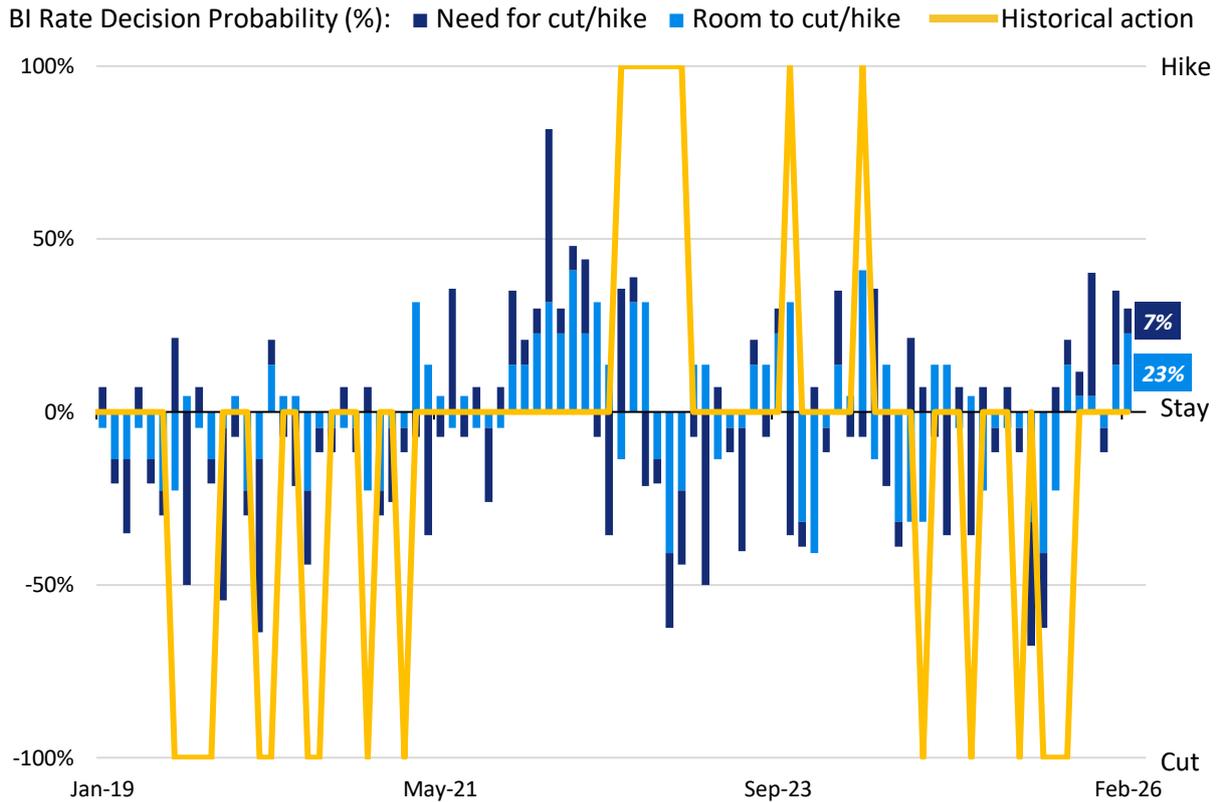
- The second argument, which also accentuates the first, is that **the Indonesian capital market is not in an ideal position to compete in this global tug-of-war**. Foreign sentiment toward Rupiah assets has soured, while rising inflation may continue to erode real interest rates (*see Chart 5*). The final 19% tariff on exports to the US also leaves little hope for a noticeable enhancement in Indonesia's CA outlook, underlining the Rupiah's shaky fundamentals at a time when global investors have become increasingly testy.

- The third – and probably BI's preferred – argument for its prolonged rate pause, however, is that **the central bank does not need a lower policy rate to accommodate the economy**. Loan growth (9.96% YoY) is already within BI's target range (*see Chart 4*), while the central bank has purchased IDR 39.9 Tn of SBN so far in 2026 (*see Chart 3*), helping to keep the benchmark lending rate stable. BI has also extended IDR 69.9 Tn in macroprudential liquidity incentives (KLM) through the interest rate channel, rewarding banks for lowering their lending rates. The onus of funding the growth agenda has shifted to commercial banks lately, allowing BI to focus

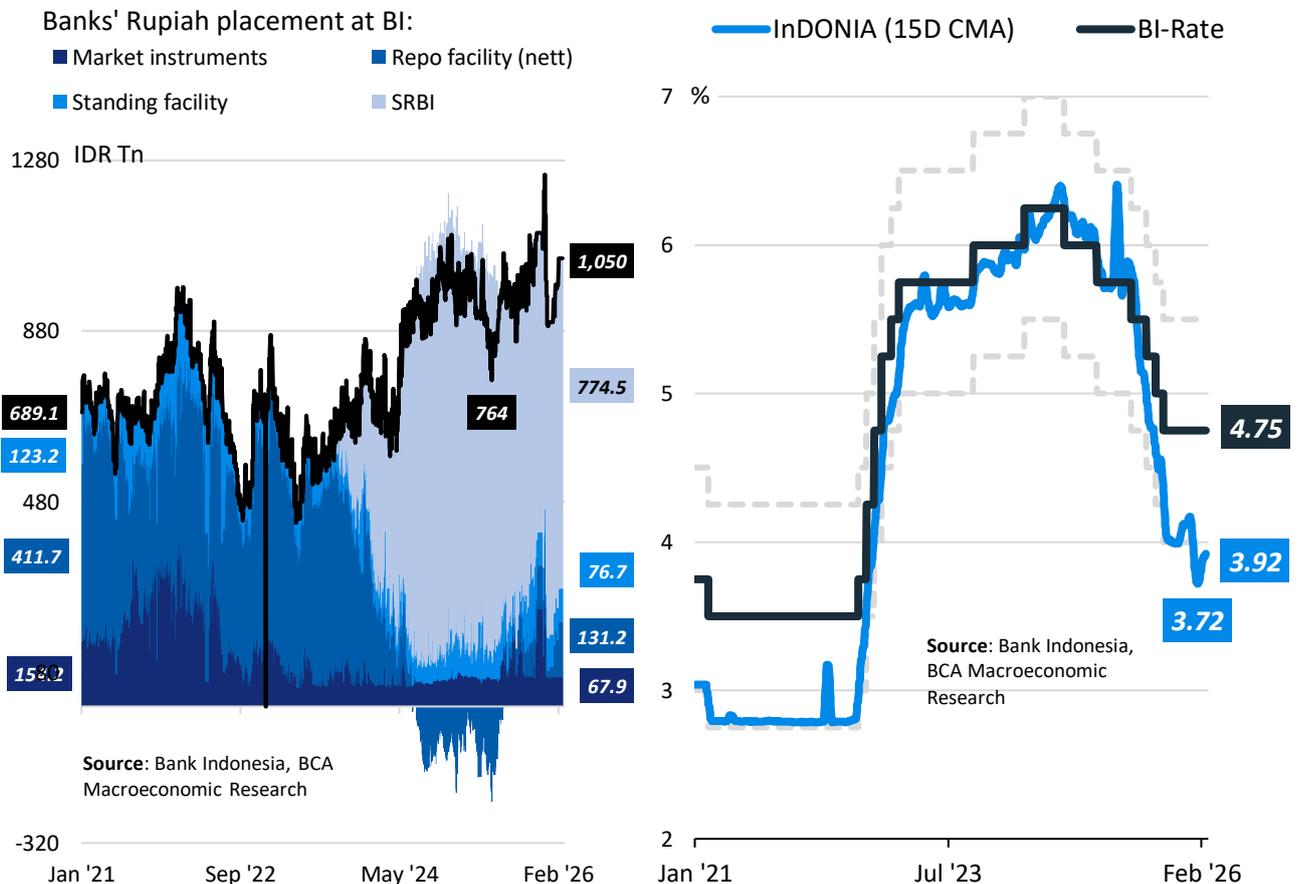
more squarely on the Rupiah.

- **BI may now be at more liberty to utilise its tools to stabilise the Rupiah**, especially as the currency repeatedly tries to breach the 17,000/USD psychological level. Further SRBI issuance (+ IDR 64.7 Tn since 1 February 2026) seems to be on the cards (*see Chart 2*), along with more active interventions in the currency market. A rate cut does not seem to be suitable in the current environment, although a rate hike (a la the Australia Reserve Bank) may still be too drastic an action.

# 1 Improving real indicators amidst falling Rupiah point our model to a no-cut scenario



# 2 Banks' liquidity may tighten as loan growth accelerates while SRBI issuance intensify

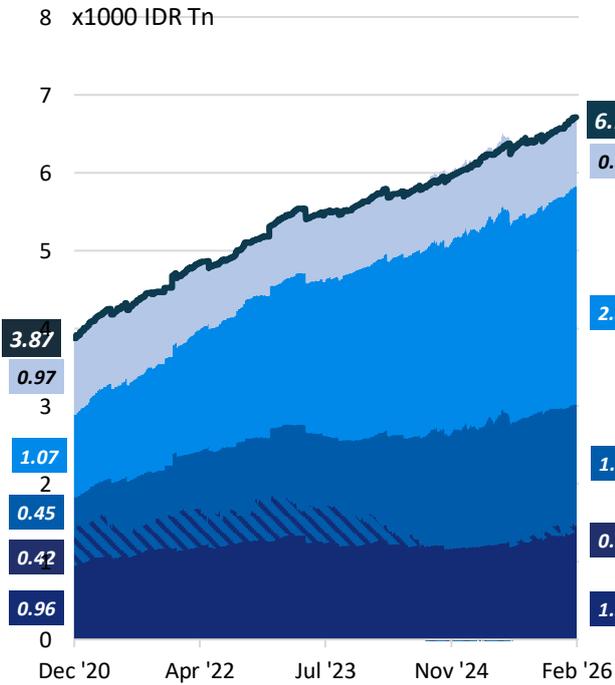


### 3 A more turbulent global environment leads to rising long term yield

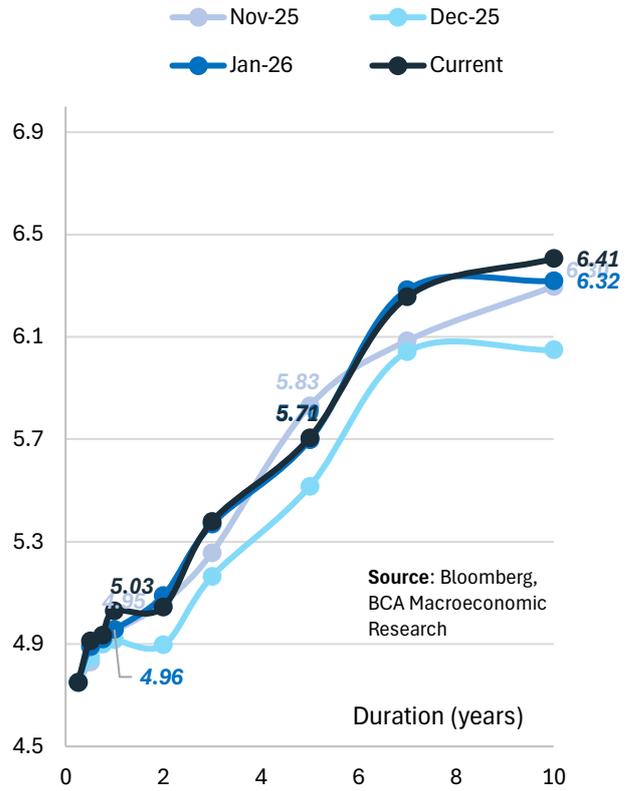
Ownership of marketable SBNs:

- Foreign
- Domestic non-banks
- BI
- SBN in monetary operations
- Banks

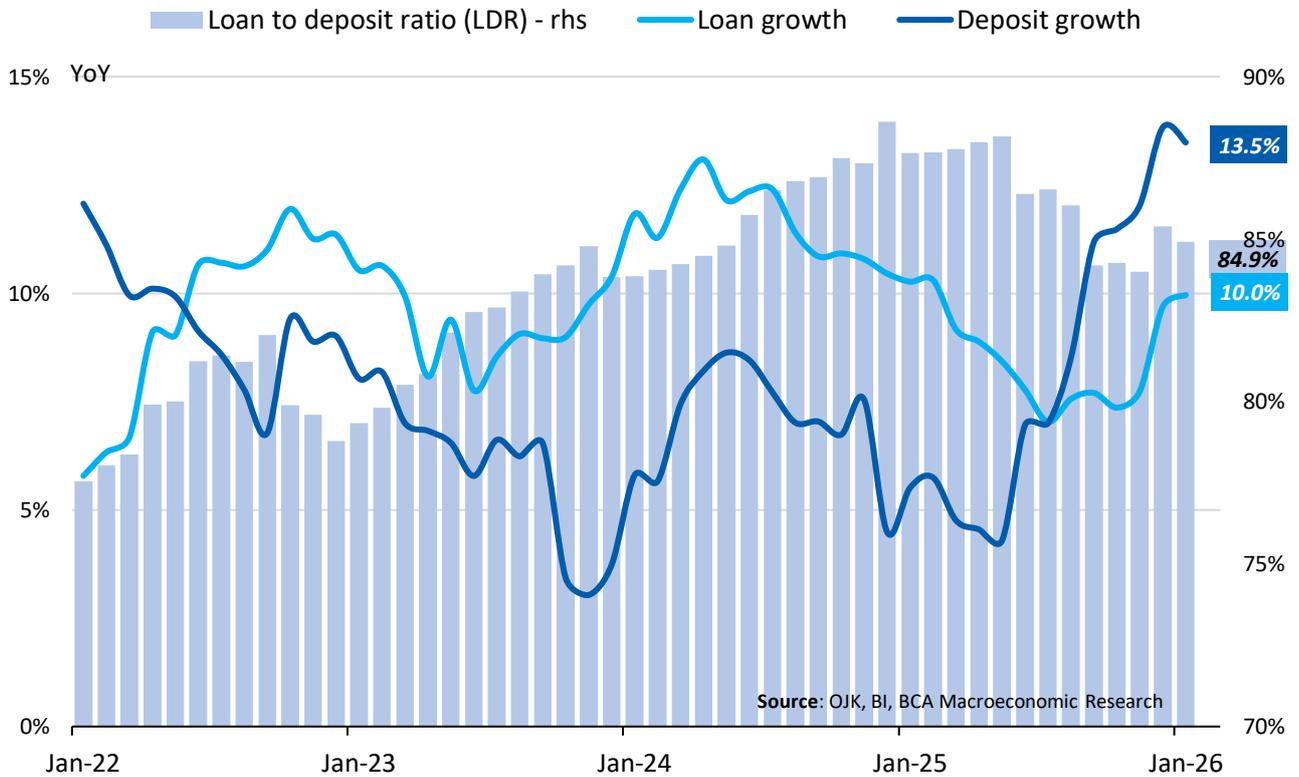
Source: DJPPR



Indonesia yield curve:

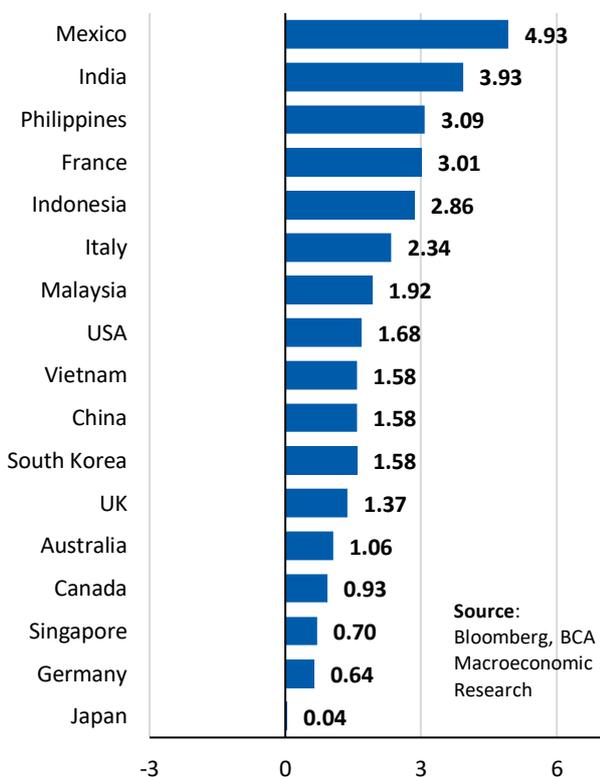


### 4 LDR rises as loan growth accelerates faster than deposit growth

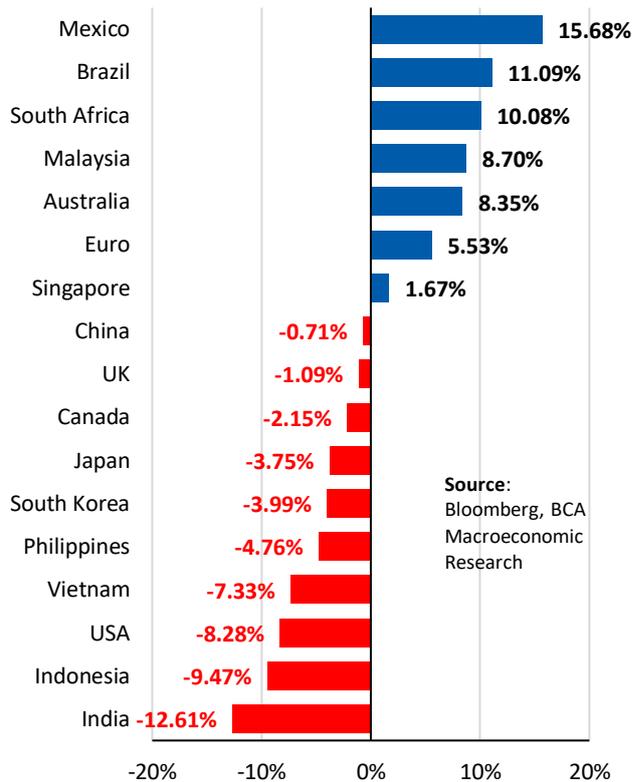


5 Lower real rates and CA outlook underline the gap in the Rupiah's fundamentals

**Real interest rates (10Y Sovereign bond yield - CPI inflation, %), per country:**



**Nominal effective exchange rate (NEER), YTD % changes per country:**



## Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	18-Feb	-1 mth	Chg (%)
US	3.75	Dec-25	1.35	Baltic Dry Index	2,063.0	1,567.0	31.7
UK	3.75	Aug-25	0.75	S&P GSCI Index	592.7	562.9	5.3
EU	2.15	Jun-25	0.45	Oil (Brent, \$/bbl)	70.4	64.1	9.7
Japan	0.75	Dec-25	-1.35	Coal (\$/MT)	122.2	111.6	9.5
China (lending)	2.00	Sep-24	4.15	Gas (\$/MMBtu)	2.97	3.09	-3.9
Korea	2.50	May-25	0.50	Gold (\$/oz.)	4,977.6	4,596.1	8.3
India	5.25	Dec-25	2.50	Copper (\$/MT)	12,816.8	12,864.5	-0.4
Indonesia	4.75	Sep-25	1.20	Nickel (\$/MT)	17,065.6	17,390.1	-1.9
<b>Money Mkt Rates</b>	<b>18-Feb</b>	<b>-1 mth</b>	<b>Chg (bps)</b>	CPO (\$/MT)	1,026.8	984.1	4.3
SPN (1Y)	4.63	4.22	40.3	Rubber (\$/kg)	1.94	1.84	5.4
SUN (10Y)	6.38	6.24	14.4	<b>External Sector</b>	<b>Dec</b>	<b>Nov</b>	<b>Chg (%)</b>
INDONIA (O/N, Rp)	3.92	3.74	17.8	Export (\$ bn)	26.35	22.52	16.99
JIBOR 1M (Rp)	5.03	5.03	0.0	Import (\$ bn)	23.83	19.86	20.02
<b>Bank Rates (Rp)</b>	<b>Oct</b>	<b>Sep</b>	<b>Chg (bps)</b>	Trade bal. (\$ bn)	2.51	2.66	-5.61
Lending (WC)	8.30	8.46	-16.00	Central bank reserves (\$ bn)*	156.5	150.1	4.27
Deposit 1M	4.75	4.96	-21.00	<b>Prompt Indicators</b>	<b>Jan</b>	<b>Dec</b>	<b>Nov</b>
Savings	0.68	0.70	-2.00	Consumer confidence index (CCI)	127.0	123.5	124.0
<b>Currency/USD</b>	<b>18-Feb</b>	<b>-1 mth</b>	<b>Chg (%)</b>	Car sales (%YoY)	7.0	17.9	-1.0
UK Pound	0.741	0.747	0.86	Motorcycle sales (%YoY)	3.1	14.5	2.1
Euro	0.849	0.862	1.60	<b>Manufacturing PMI</b>	<b>Jan</b>	<b>Dec</b>	<b>Chg (bps)</b>
Japanese Yen	154.8	158.1	2.14	USA	52.4	51.8	60
Chinese RMB	6.905	6.970	0.95	Eurozone	49.5	48.8	70
Indonesia Rupiah	16,884	16,885	0.01	Japan	51.5	50.0	150
<b>Capital Mkt</b>	<b>18-Feb</b>	<b>-1 mth</b>	<b>Chg (%)</b>	China	50.3	50.1	20
JCI	8,310.2	9,075.4	-8.43	Korea	51.2	50.1	110
DJIA	49,662.7	49,359.3	0.61	Indonesia	52.6	51.2	140
FTSE	10,686.2	10,235.3	4.41	<b>Foreign portfolio ownership (Rp Tn)</b>	<b>Jan</b>	<b>Dec</b>	<b>Chg (Rp Tn)</b>
Nikkei 225	57,143.8	53,936.2	5.95	Stock	4,021.0	4,186.7	-165.77
Hang Seng	26,705.9	26,845.0	-0.52	Govt. Bond	878.6	1,327.7	-449.17
				Corp. Bond	5.2	4.7	0.53

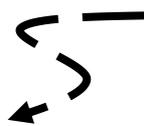
Source: Bloomberg, BI, BPS

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	2025E	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.1	5.1
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	7.9
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	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	4.50
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	41.1	33.8
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	0.0*	-0.4

**Notes:**

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

### BCA Economic & Industry Research

**David E. Sumual**  
Chief Economist  
david\_sumual@bca.co.id  
+6221 2358 8000 Ext: 1051352

**Agus Salim Hardjodinoto**  
Head of Industry and Regional  
Research  
agus\_lim@bca.co.id  
+6221 2358 8000 Ext: 1005314

**Victor George Petrus Matindas**  
Head of Banking Research and  
Analytics  
victor\_matindas@bca.co.id  
+6221 2358 8000 Ext: 1058408

**Gabriella Yolivia**  
Industry Analyst  
gabriella\_yolivia@bca.co.id  
+6221 2358 8000 Ext: 1063933

**Lazuardin Thariq Hamzah**  
Economist / Analyst  
lazuardin\_hamzah@bca.co.id  
+6221 2358 8000 Ext: 1071724

**Elbert Timothy Lasiman**  
Economist / Analyst  
Elbert\_lasiman@bca.co.id  
+6221 2358 8000 Ext: 1007431

**Thieris Nora Kusuma**  
Economist / Analyst  
thieris\_kusuma@bca.co.id  
+6221 2358 8000 Ext: 1071930

**Nicholas Husni**  
Economist / Analyst  
nicholas\_husni@bca.co.id  
+6221 2358 8000 Ext: 1079839

**Samuel Theophilus Artha**  
Economist / Analyst  
samuel\_artha@bca.co.id  
+6221 2358 8000 Ext: 1080373

**Jennifer Calysta Farrell**  
Economist / Analyst  
jennifer\_farrell@bca.co.id  
+6221 2358 8000 Ext: 1082423

**Arif Agung Wibowo**  
Economist / Analyst  
arif\_agung@bca.co.id  
+6221 2358 8000 Ext: -

### PT Bank Central Asia Tbk

#### BCA Economic & Industry Research

20<sup>th</sup> Grand Indonesia, Menara BCA  
Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia  
Ph : (62-21) 2358-8000 Fax : (62-21) 2358-8343

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