

BI Policy:

Standing by the floodgate

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Lazuardin Thariq Hamzah

Lazuardin_hamzah@bca.co.id

Victor George Petrus Matindas

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, which came as no surprise to the market. **Continuous downward pressure on the currency market highlights BI's limited policy options**, as the extent to which rising oil prices will translate into Indonesia's fiscal posture and domestic inflationary pressure hinges on the Rupiah's stability in the crucial weeks ahead.

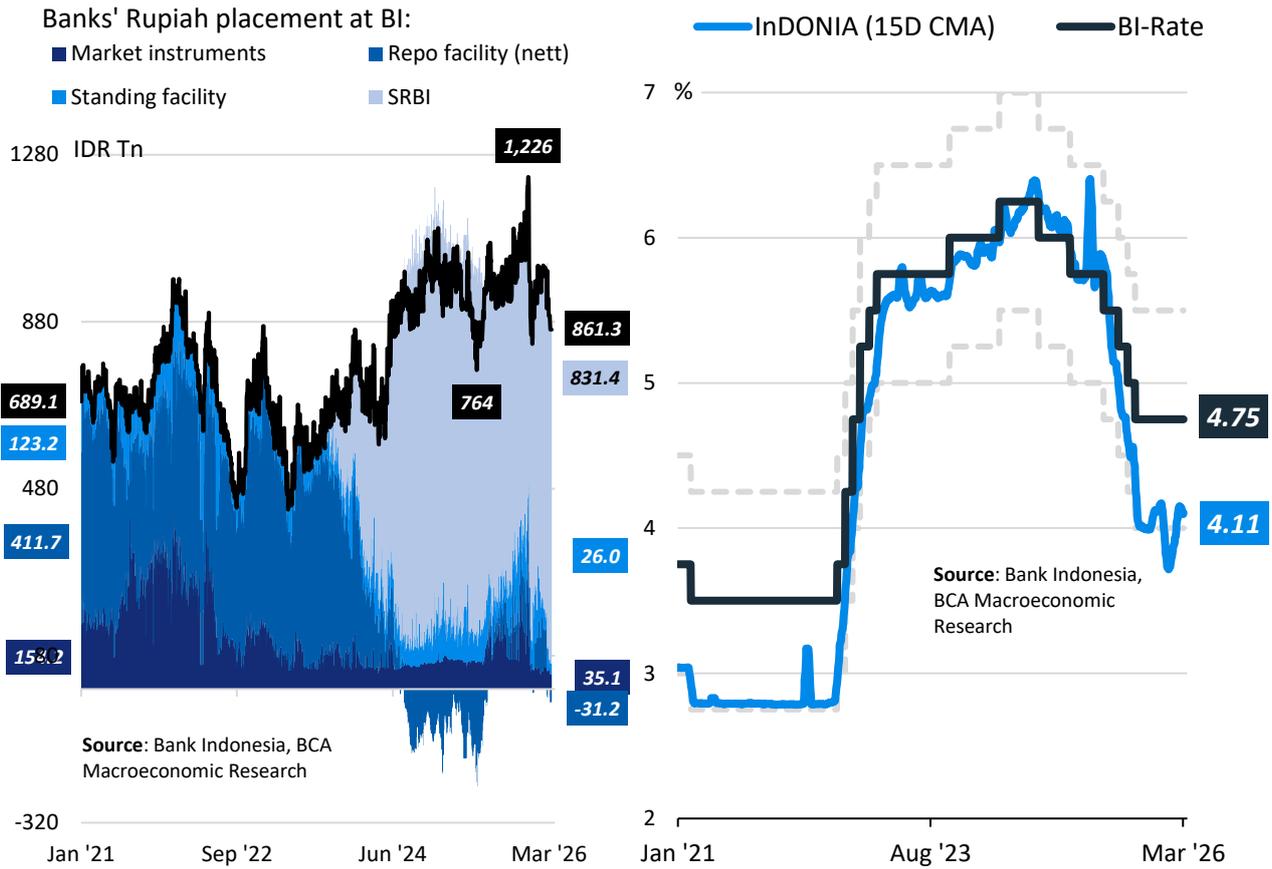
- However, BI does not seem to have a free rein in its efforts to stabilise the Rupiah either. **The central bank appears to continue relying on open-market interventions to stabilise the Rupiah**, which has so far helped to keep the currency below the 17,000/USD psychological level, albeit at the cost of a noticeable decline in FX reserves (-USD 4.6 Bn YTD). The declining FX cover (with FX reserves equivalent to 6.1 months of imports in Feb 2026, down from 6.6 months the year before) may not help to ward off speculators, which may explain the decision to tighten the hedging threshold in the FX spot market.

- **While it is true that tightening the hedging threshold will promote the derivatives market and (possibly) crowd out some speculative players, the decision may also inflict complications in the real sector.** For instance, businesses with recurring FX needs, such as importers and those servicing offshore debt, may face the risk of prolonged processes and rising compliance costs. Policy communication will be key, lest the decision be taken by some investors as a slide towards capital controls.

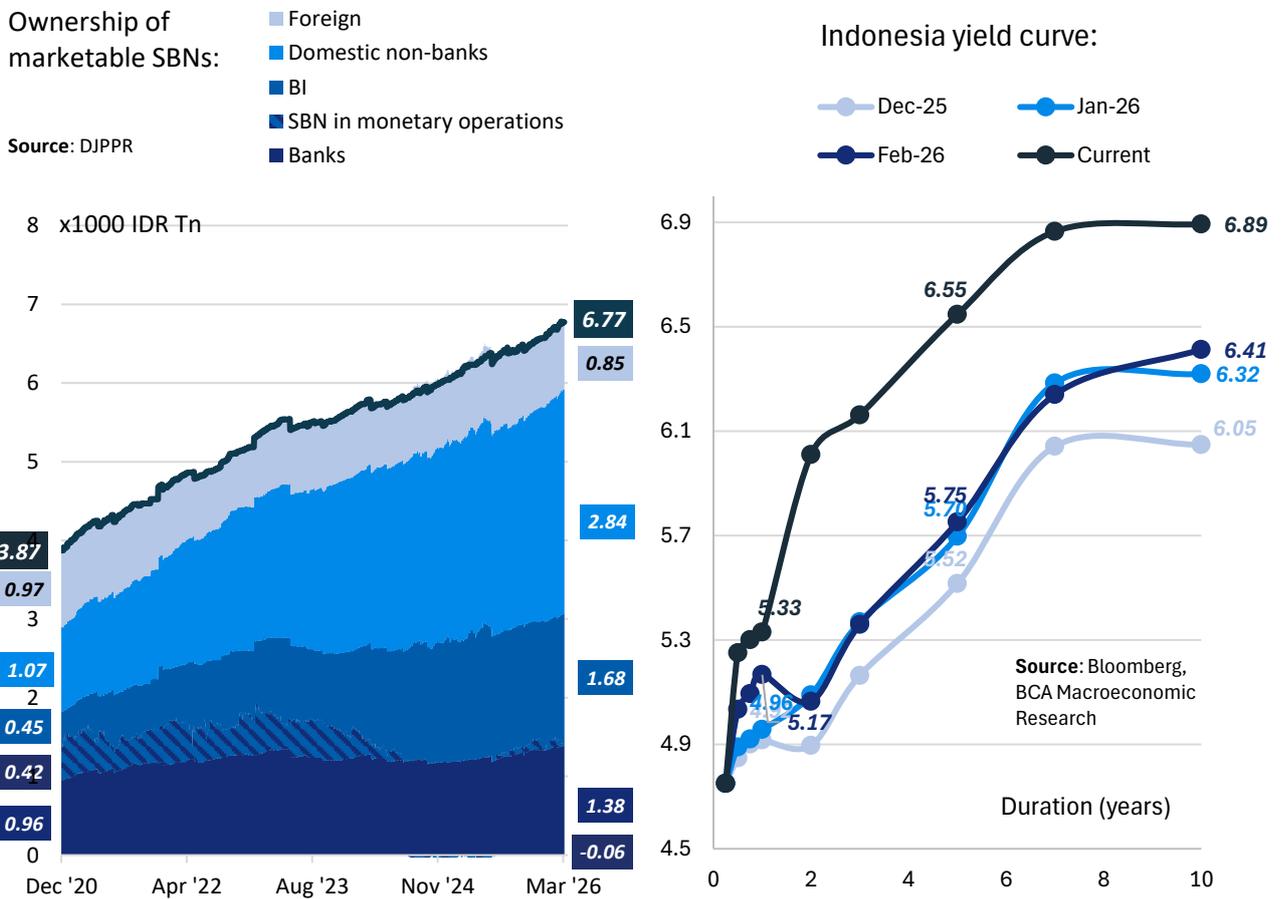
- At the same time, **BI appears to be restrained in using its liquidity absorption tools.** SRBI issuance has been drying up in the past couple of weeks, while the aggregate outstanding of other liquidity absorption instruments has also declined to its yearly low (**see Chart 1**). This trend may explain the recent decline in overnight interest rates, indicating BI's accommodative stance to support a further acceleration in loan growth (**see Chart 3**).

- BI's less active liquidity absorption may reflect the government's fiscal management strategy, as the government has put more focus on commercial banks to provide additional support for its growth agenda. Given this, then, **allowing the Rupiah to move in a controlled depreciation may be a more sensible option**, particularly considering that the Fed and other major central banks are expected to strike a more hawkish tone as the war continues to drive inflationary expectations upward.

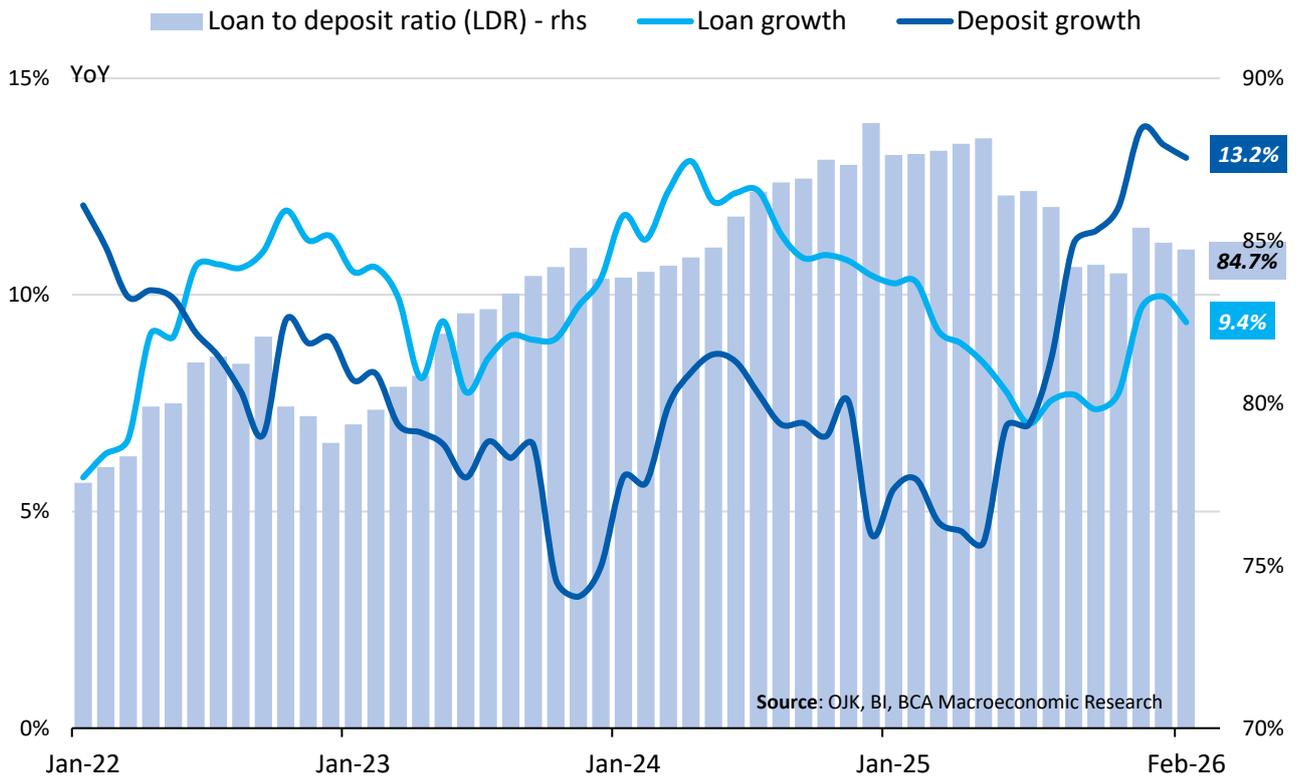
1 BI's liquidity absorption instruments appear to be less active recently



2 SBN yields spike higher due to global volatility, prompting BI to purchase more SBN

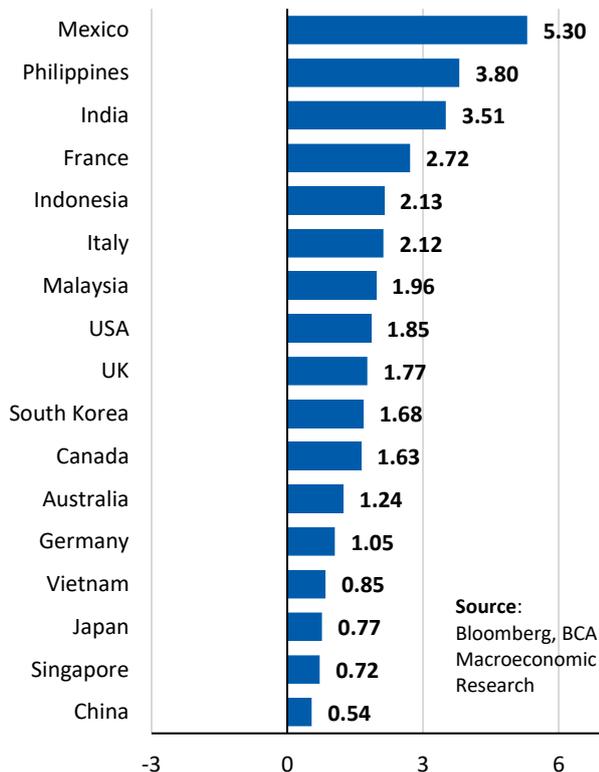


BI maintain its accommodative stance as **the uptrend in loan growth proves to be short-lived**

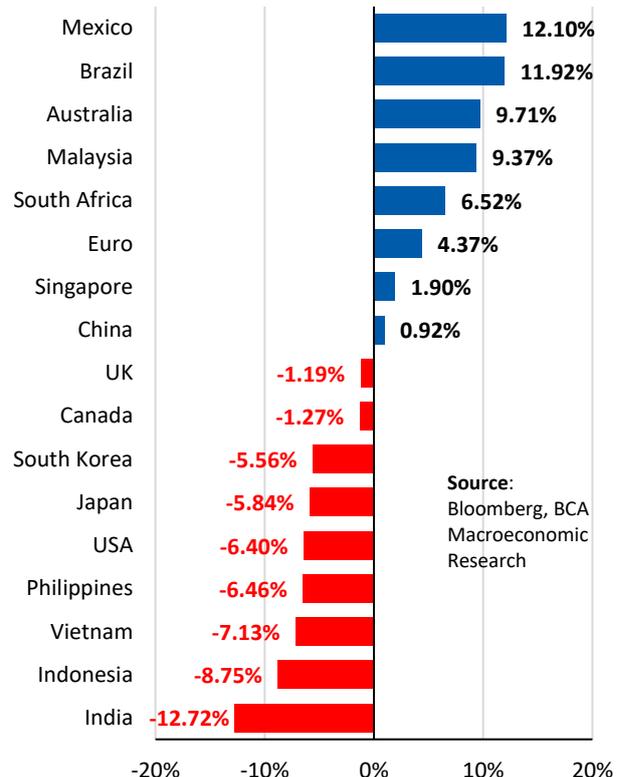


Lower real rates and due to rising inflation underline the gap in the Rupiah’s fundamentals

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	16-Mar	-1 mth	Chg (%)
US	3.75	Dec-25	1.35	Baltic Dry Index	2,038.0	2,083.0	-2.2
UK	3.75	Dec-25	0.75	S&P GSCI Index	708.8	583.9	21.4
EU	2.15	Jun-25	0.25	Oil (Brent, \$/brl)	100.2	67.8	47.9
Japan	0.75	Dec-25	-0.75	Coal (\$/MT)	135.0	120.1	12.5
China (lending)	2.00	Sep-24	3.05	Gas (\$/MMBtu)	3.03	3.24	-6.5
Korea	2.50	May-25	0.50	Gold (\$/oz.)	5,006.4	5,042.0	-0.7
India	5.25	Dec-25	2.04	Copper (\$/MT)	12,753.5	12,774.6	-0.2
Indonesia	4.75	Sep-25	-0.01	Nickel (\$/MT)	17,258.0	16,775.5	2.9
Money Mkt Rates	16-Mar	-1 mth	Chg (bps)	CPO (\$/MT)	1,154.8	1,026.8	12.5
				Rubber (\$/kg)	1.99	1.94	2.6
Bank Rates (Rp)	Dec	Nov	Chg (bps)	External Sector	Jan	Dec	Chg (%)
SPN (1Y)	4.90	4.68	22.2	Export (\$ bn)	22.16	26.35	-15.91
SUN (10Y)	6.89	6.39	50.3	Import (\$ bn)	21.20	23.83	-11.05
INDONIA (O/N, Rp)	4.16	3.95	21.2	Trade bal. (\$ bn)	0.95	2.51	-62.02
JIBOR 1M (Rp)	5.03	5.03	0.0	Central bank reserves (\$ bn)*	154.6	156.5	-1.21
Currency/USD	16-Mar	-1 mth	Chg (%)	Prompt Indicators	Feb	Jan	Dec
Lending (WC)	8.08	8.24	-16.00	Consumer confidence index (CCI)	125.2	127.0	123.5
Deposit 1M	4.54	4.60	-6.00	Car sales (%YoY)	12.2	7.1	17.9
Savings	0.70	0.67	3.00	Motorcycle sales (%YoY)	1.0	3.1	14.5
Capital Mkt	16-Mar	-1 mth	Chg (%)	Manufacturing PMI	Feb	Jan	Chg (bps)
UK Pound	0.751	0.733	-2.42	USA	51.6	52.4	-80
Euro	0.869	0.843	-3.06	Eurozone	50.8	49.5	130
Japanese Yen	159.1	152.7	-4.00	Japan	53.0	51.5	150
Chinese RMB	6.891	6.905	0.21	China	52.1	50.3	180
Indonesia Rupiah	16,990	16,839	-0.89	Korea	51.1	51.2	-10
				Indonesia	53.8	52.6	120
Foreign portfolio ownership (Rp Tn)	Feb	Jan	Chg (Rp Tn)				
Stock	3,864.0	4,021.0	-156.95				
Govt. Bond	875.4	1,327.7	-452.36				
Corp. Bond	5.1	5.2	-0.13				

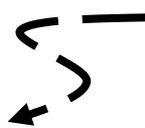
Source: Bloomberg, BI, BPS

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	5.1
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	-0.1	-0.4

Notes:

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

BCA Economic & Industry Research

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

Thieris Nora Kusuma

Economist / Analyst

thieris_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

BCA Economic & Industry Research

20th 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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