

FOMC:

## Carrying on pragmatically

25 March 2026

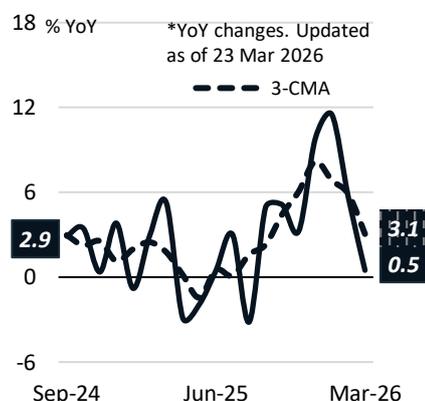
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### BCA Consumer Spending Index\*



### BCA Business Transaction Index\*



- **The Fed kept its policy rate at the 3.50-3.75% target range in the recent FOMC meeting**, which comes as no surprise to the market. The FOMC also updated its Summary of Economic Projections, revealing FOMC members' still-sanguine outlook on the US growth trajectory (*see Chart 3*), while **readings on inflation show a worsening sign** (PCE inflation projection revised to 2.7%, previously 2.4%).

- **The ongoing Iran war plays a significant role in shaping the Fed's inflation outlook**, as oil prices (Brent) have average USD 96.4/ bl (+58.5% YTD) since the outbreak of the war. Some analysts have warned against the risk of higher oil prices in the short-term, as rising transportation demand ahead of the Summer could provide further support for oil prices.

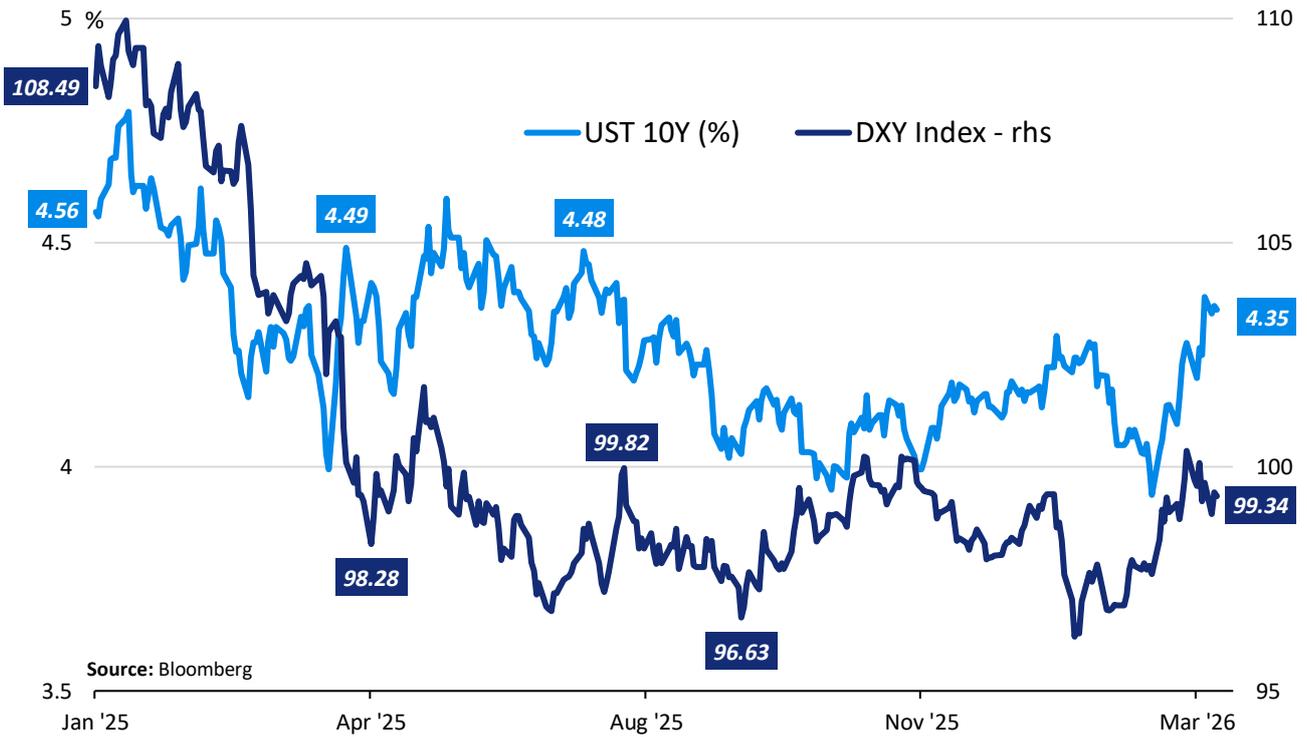
- **This impending energy-driven inflation shock has led the market pencilling no FFR cuts in 2026** (*see Chart 2*), although the median point in FOMC members' dot plot still signals a 25-bps rate cut. At the same time, reports of Jerome Powell remaining on the board beyond his term as chairman have also raised longer-term interest rate expectations (*see Chart 5*). The resulting uptrend in the DXY (USD) index and UST yields often prompts a response from the US government (*see Chart 1*), although it remains unclear how the Trump administration would react to the Fed's pragmatic pivot.

- Given the current focus on oil prices, the Trump administration may see opening the Strait of Hormuz as an integral part of its efforts to ease inflationary pressures, which may allow the Fed to unfurl its hawkish signal. However, bringing the global oil market to the *status quo ante bellum* may not be enough to bring inflation back to the Fed's preferred range, as **stubborn services inflation and rising durable goods prices (such as vehicles**

**and computers) have also led to the Fed revising its core PCE inflation projection northward.**

- The Fed's pragmatic pivot creates a maelstrom for other central banks, especially many Asian central banks, who are also facing twin fiscal and CA pressure due to rising oil prices. **The path towards lower real interest rates in 2026, then, appears to have been bombed by the war**, although the condition in the Indonesian market may appear relatively stable, as much of the risk has been priced in.

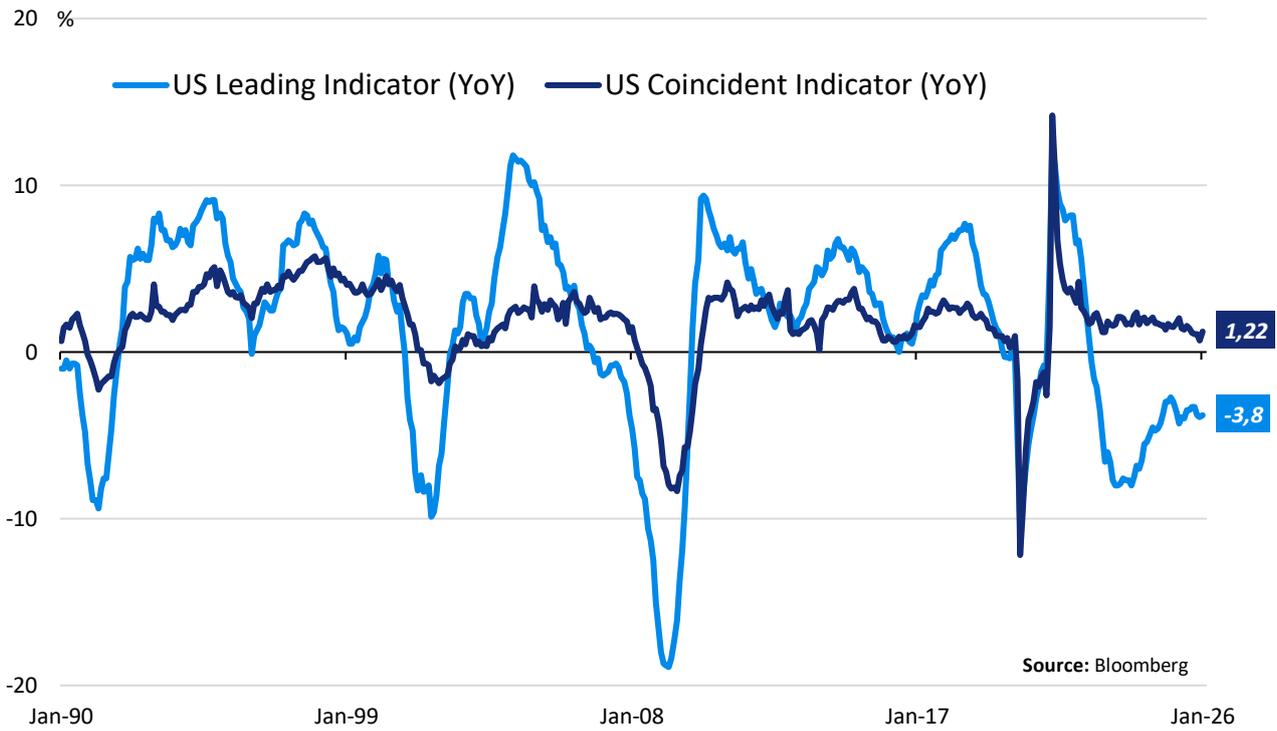
**1 The benchmark UST yield rises higher as the Fed signals higher rates in the longer term**



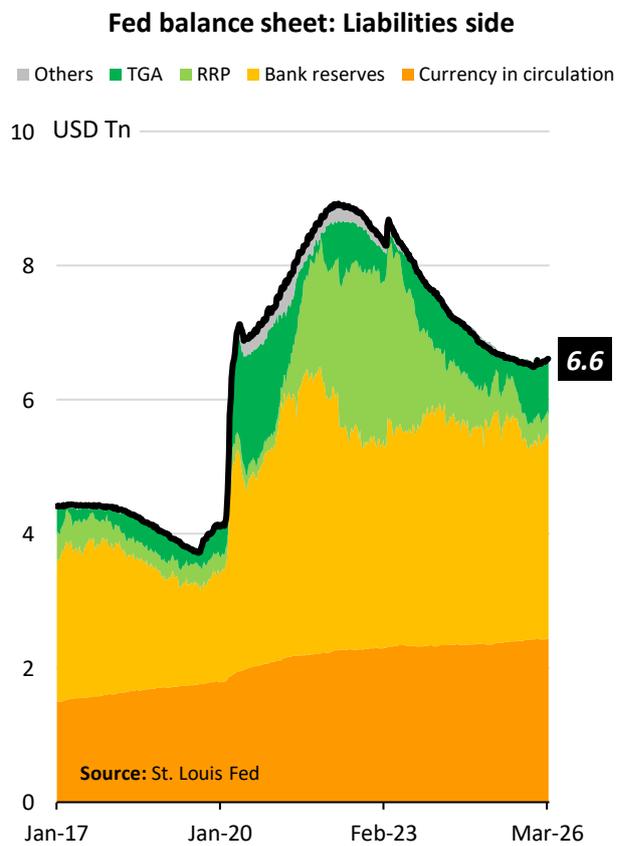
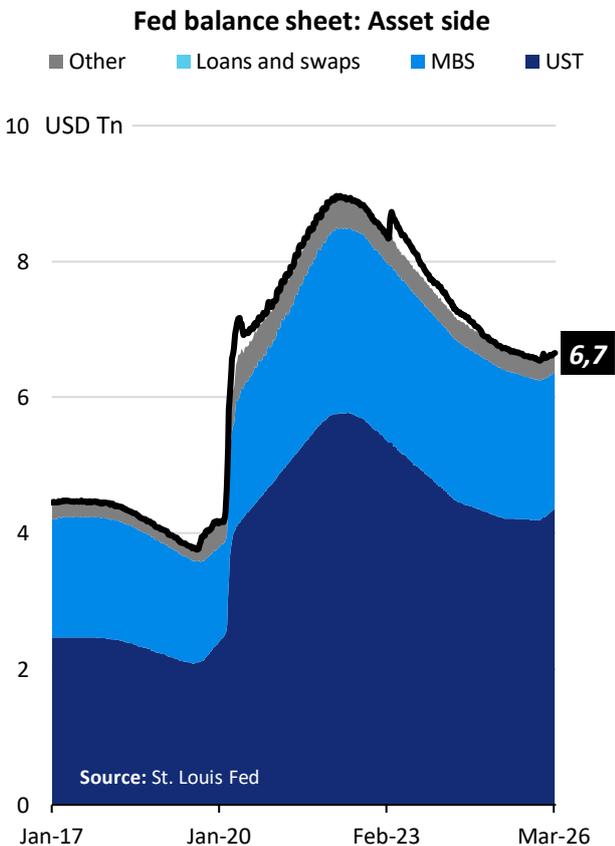
**2 The market no longer expects a rate cut in 2026**



**3** Stabilising leading indicators justify the Fed's wait-and-see approach

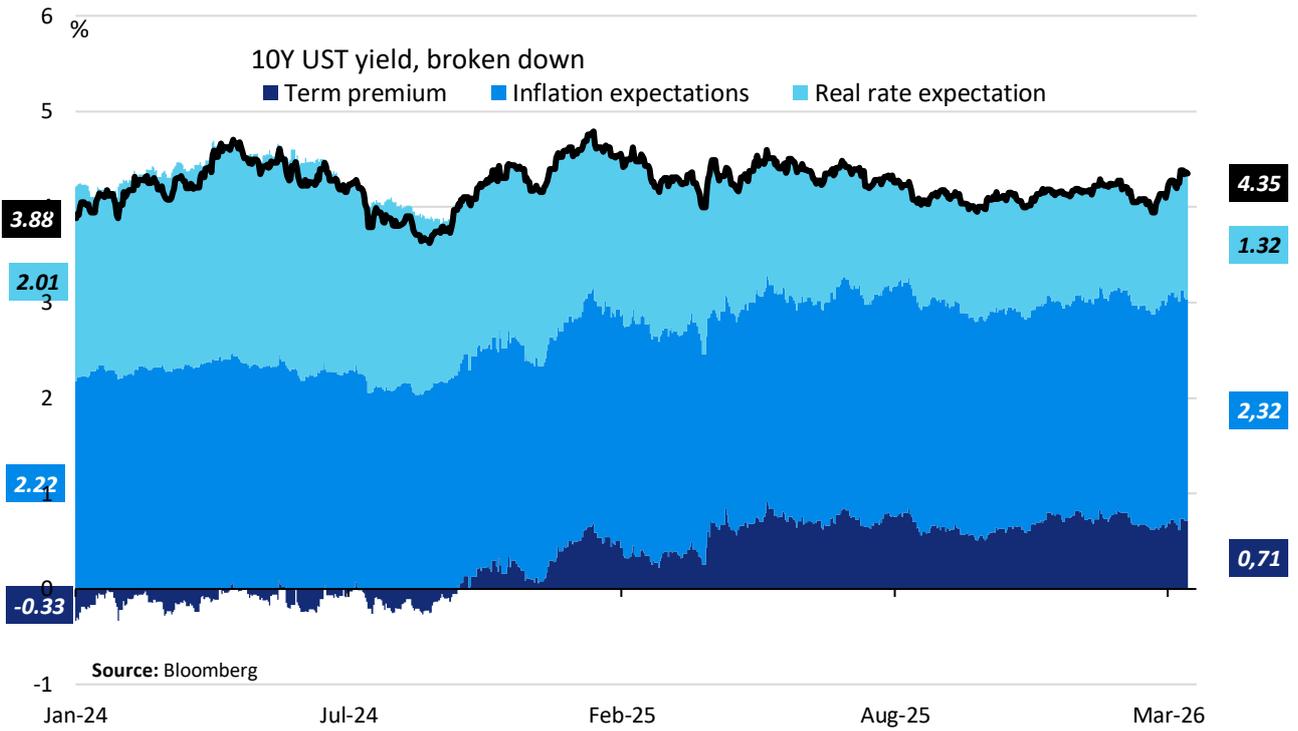


**4** The end of QT and the start of the RMP will expand the Fed's balance sheet again



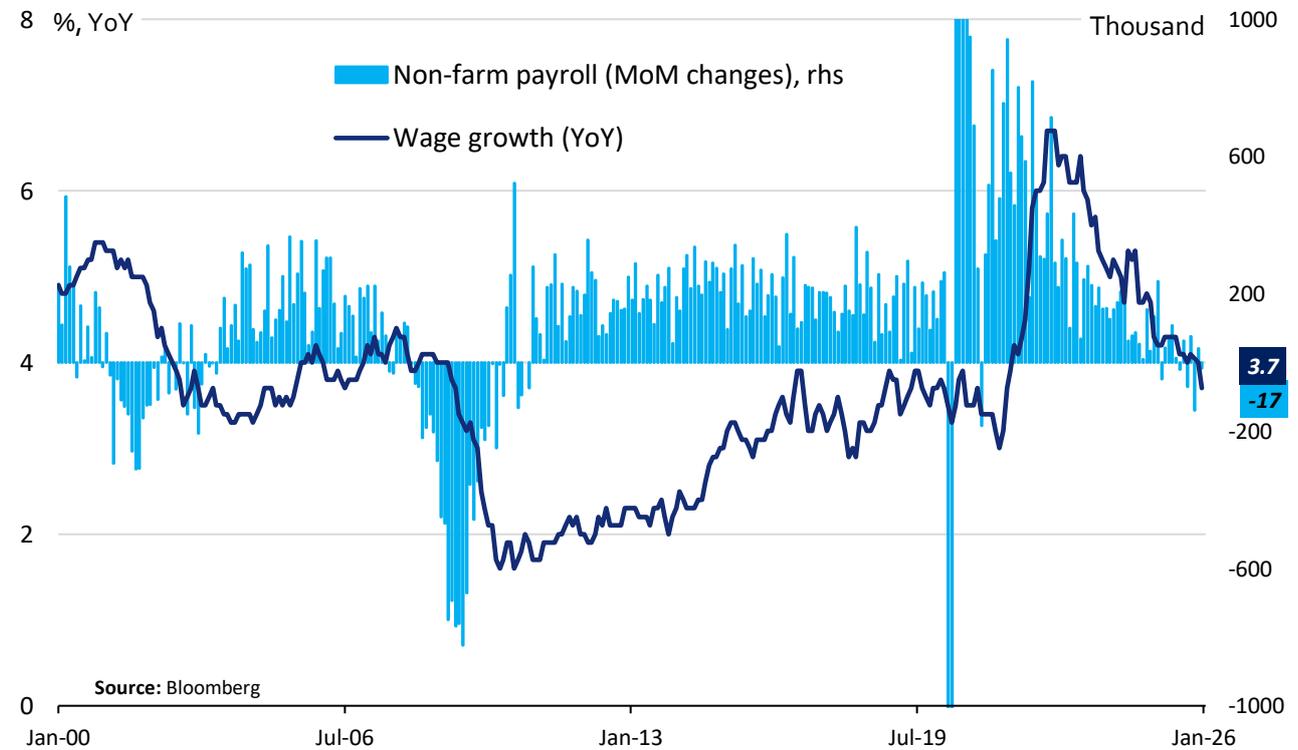
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Lowering rate expectations may be the **US government's only option to lower its lending rate**



6

The **weakening US labour market** may keep the rate cut question opens



## Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	24-Mar	-1 mth	Chg (%)
US	3.75	Dec-25	1.35	Baltic Dry Index	1,989.0	2,043.0	-2.6
UK	3.75	Dec-25	0.75	S&P GSCI Index	711.3	602.3	18.1
EU	2.15	Jun-25	0.25	Oil (Brent, \$/bbl)	104.5	71.8	45.6
Japan	0.75	Dec-25	-0.55	Coal (\$/MT)	139.8	120.6	15.9
China (lending)	2.00	Sep-24	3.05	Gas (\$/MMBtu)	2.94	3.15	-6.7
Korea	2.50	May-25	0.50	Gold (\$/oz.)	4,475.5	5,107.5	-12.4
India	5.25	Dec-25	2.04	Copper (\$/MT)	12,008.8	12,881.0	-6.8
Indonesia	4.75	Sep-25	-0.01	Nickel (\$/MT)	16,754.1	17,143.5	-2.3
Money Mkt Rates	24-Mar	-1 mth	Chg (bps)	CPO (\$/MT)	1,138.1	1,043.4	9.1
SPN (1Y)	4.61	4.64	-2.3	Rubber (\$/kg)	1.96	1.95	0.5
SUN (10Y)	6.84	6.45	38.6	External Sector	Jan	Dec	Chg (%)
INDONIA (O/N, Rp)	4.73	3.98	74.4	Export (\$ bn)	22.16	26.35	-15.91
JIBOR 1M (Rp)	5.03	5.03	0.0	Import (\$ bn)	21.20	23.83	-11.05
Bank Rates (Rp)	Dec	Nov	Chg (bps)	Trade bal. (\$ bn)	0.95	2.51	-62.02
Lending (WC)	8.08	8.24	-16.00	Central bank reserves (\$ bn)*	154.6	156.5	-1.21
Deposit 1M	4.54	4.60	-6.00	Prompt Indicators	Feb	Jan	Dec
Savings	0.70	0.67	3.00	Consumer confidence index (CCI)	125.2	127.0	123.5
Currency/USD	24-Mar	-1 mth	Chg (%)	Car sales (%YoY)	12.2	7.1	17.9
UK Pound	0.746	0.742	-0.51	Motorcycle sales (%YoY)	1.0	3.1	14.5
Euro	0.861	0.849	-1.49	Manufacturing PMI	Feb	Jan	Chg (bps)
Japanese Yen	158.7	155.1	-2.30	USA	51.6	52.4	-80
Chinese RMB	6.894	6.905	0.16	Eurozone	50.8	49.5	130
Indonesia Rupiah	16,985	16,873	-0.66	Japan	53.0	51.5	150
Capital Mkt	24-Mar	-1 mth	Chg (%)	China	52.1	50.3	180
JCI	7,106.8	8,271.8	-14.08	Korea	51.1	51.2	-10
DJIA	46,124.1	49,626.0	-7.06	Indonesia	53.8	52.6	120
FTSE	9,965.2	10,686.9	-6.75	Foreign portfolio ownership (Rp Tn)	Feb	Jan	Chg (Rp Tn)
Nikkei 225	52,252.3	56,825.7	-8.05	Stock	3,864.0	4,021.0	-156.95
Hang Seng	25,063.7	26,413.4	-5.11	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

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