

FOMC:

Waiting for the regime change

30 April 2026

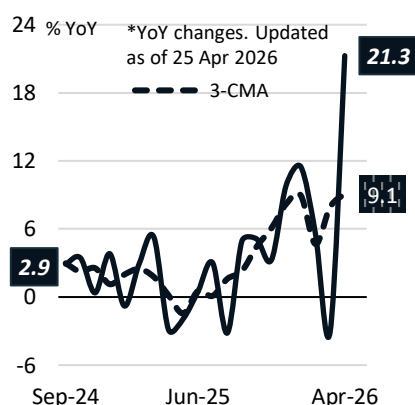
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- **The Fed kept its policy rate unchanged at 3.50% - 3.75%**, which comes as no surprise given the current conditions in the Middle East. The decision came with 4 dissents – 1 vote to cut, and 3 who support the no-cut decision but do not support the easing bias in the statement, referring to the word “additional” in “In considering the extent and timing of additional adjustments to the target range for the federal funds rate, ...” given that the latest adjustment was a rate cut. Still, the statement tone is more hawkish than before, as the Fed now acknowledges that “inflation is elevated” and that “developments in the Middle East are contributing to a high level of uncertainty.” In response, the 10-year treasury yield climbed around 7 bps (*Chart 5*).

- What comes as a bigger surprise is that Jerome Powell will stay as a Fed governor after his term as chair ends, as it is usual for the outgoing chair to step down from the governorship as well when a new chair is appointed. Kevin Warsh, the next Fed chair, will take up the voting seat of Stephen Miran, who always voted for a rate cut. **Thus, there should be no change in the dovish-hawkish balance among the Fed members.**

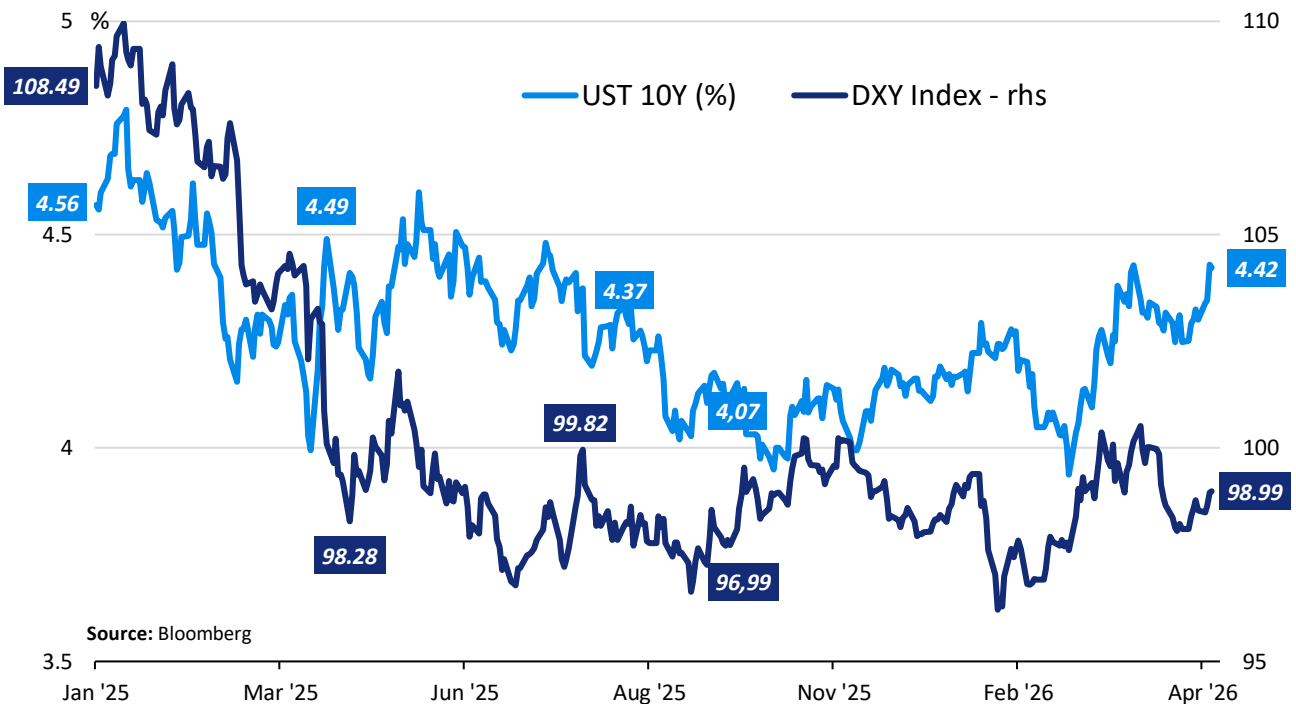
- However, Warsh did not specifically mention cutting rates, but mentioned a ‘regime change’, where he wants to reduce the Fed’s balance sheet (now at USD 6.7 Tn, *Chart 4*) through quantitative tightening (QT). That way, he aims to trade off the effect of QT with rate cuts, e.g. a 75-bps cut for every USD 1 Tn reduction in the balance sheet. **Still, the effectiveness of this policy remains uncertain, especially at a time when cost-push inflation is the key risk.**

- Reflecting on the current conditions, **it is highly unlikely that a rate cut will be delivered anytime soon**, even after the new Fed chair takes office. While the labor market has been on the soft side for some months, inflation might stay elevated for longer given the prolonged conflict in the Middle East. In addition, the still-elevated equity market warrants consideration, as a rate cut could further

inflate capital flows into AI and other tech sectors (and how this dynamic may exhibit a negative correlation with the labor market itself), given Wall Street’s heightened sensitivity to rate expectations in recent months.

- **As a result, the outflow pressure on Indonesia might not be over yet.** Bank Indonesia (BI) is therefore expected to keep its policy rate unchanged in the following months, at least until there is a change in the Fed’s stance.

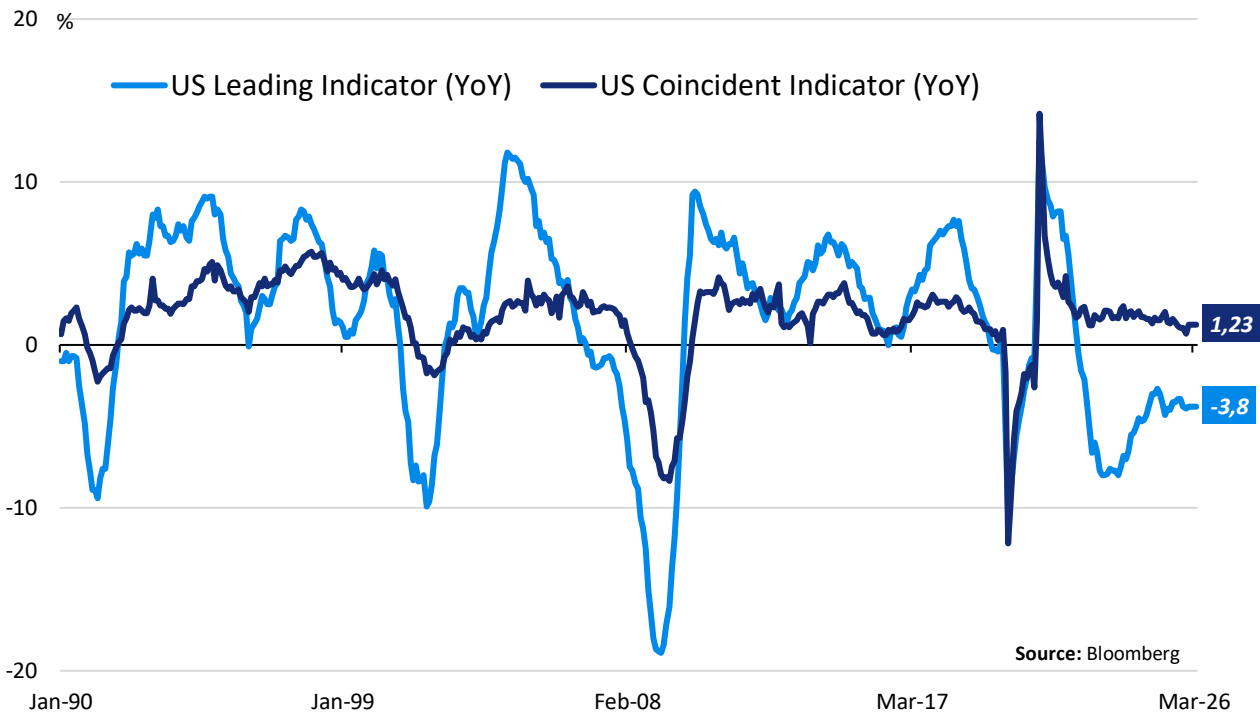
1 UST yield rises slightly as the Fed tone is more hawkish



2 The market no longer expects a rate cut in 2026



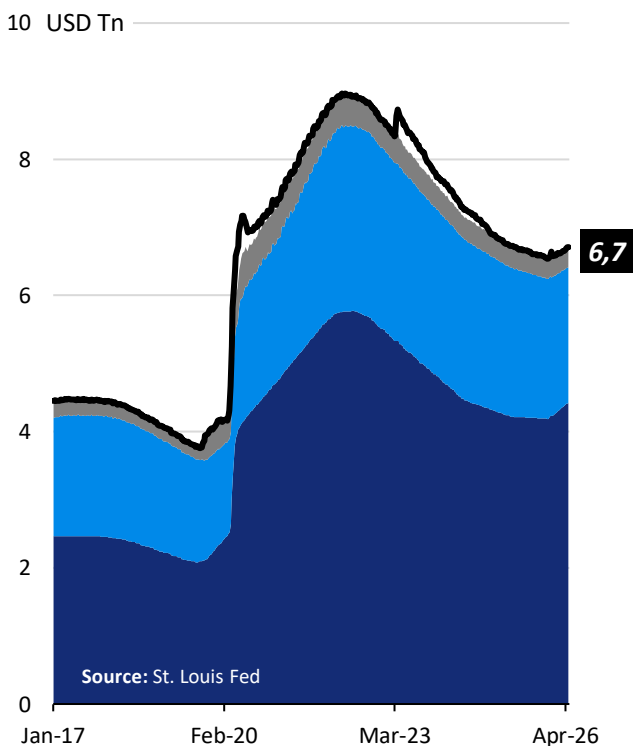
3 Stabilising leading indicators justify the Fed's wait-and-see approach



4 Balance sheet reduction risk rises as Kevin Warsh favors QT

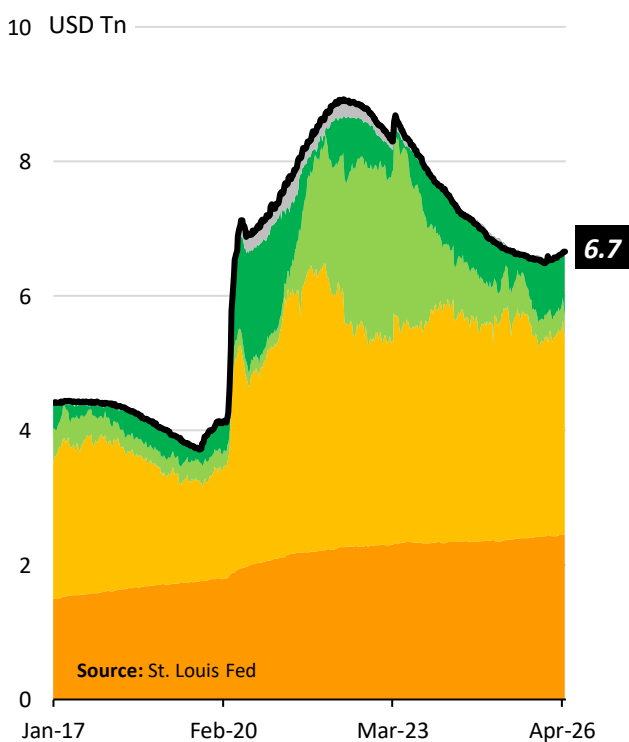
Fed balance sheet: Asset side

Other Loans and swaps MBS UST



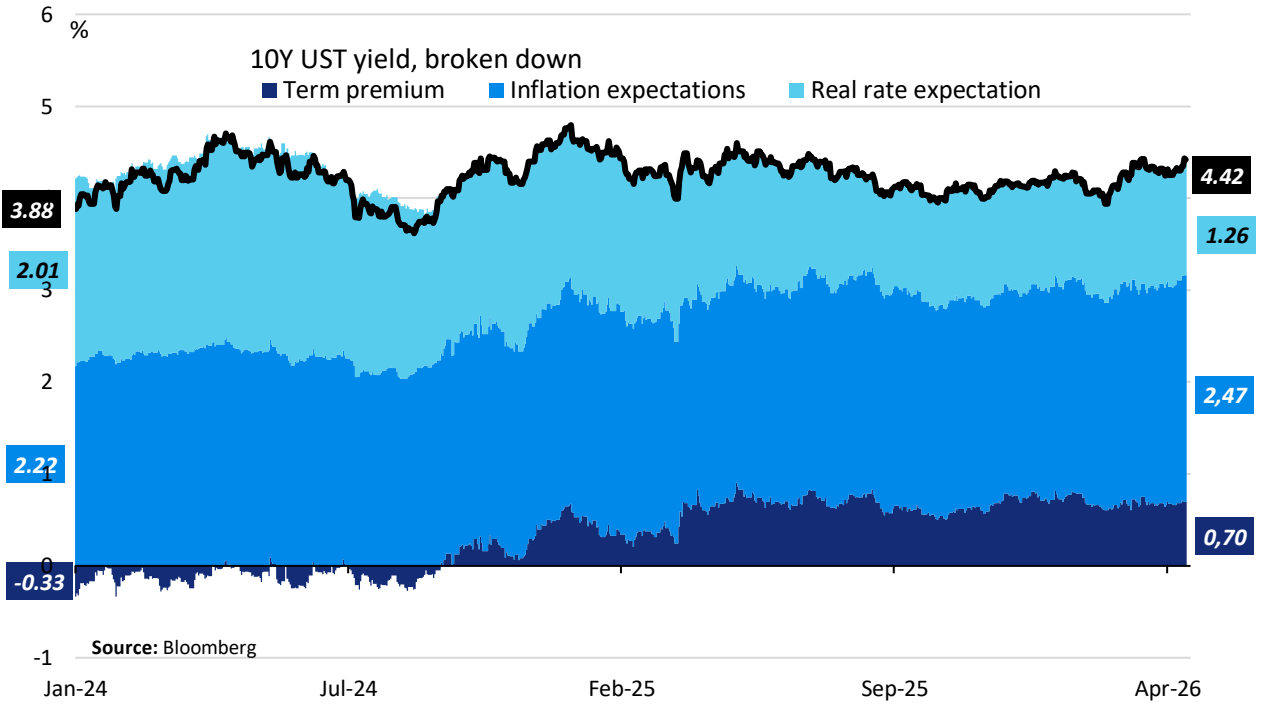
Fed balance sheet: Liabilities side

Others TGA RRP Bank reserves Currency in circulation



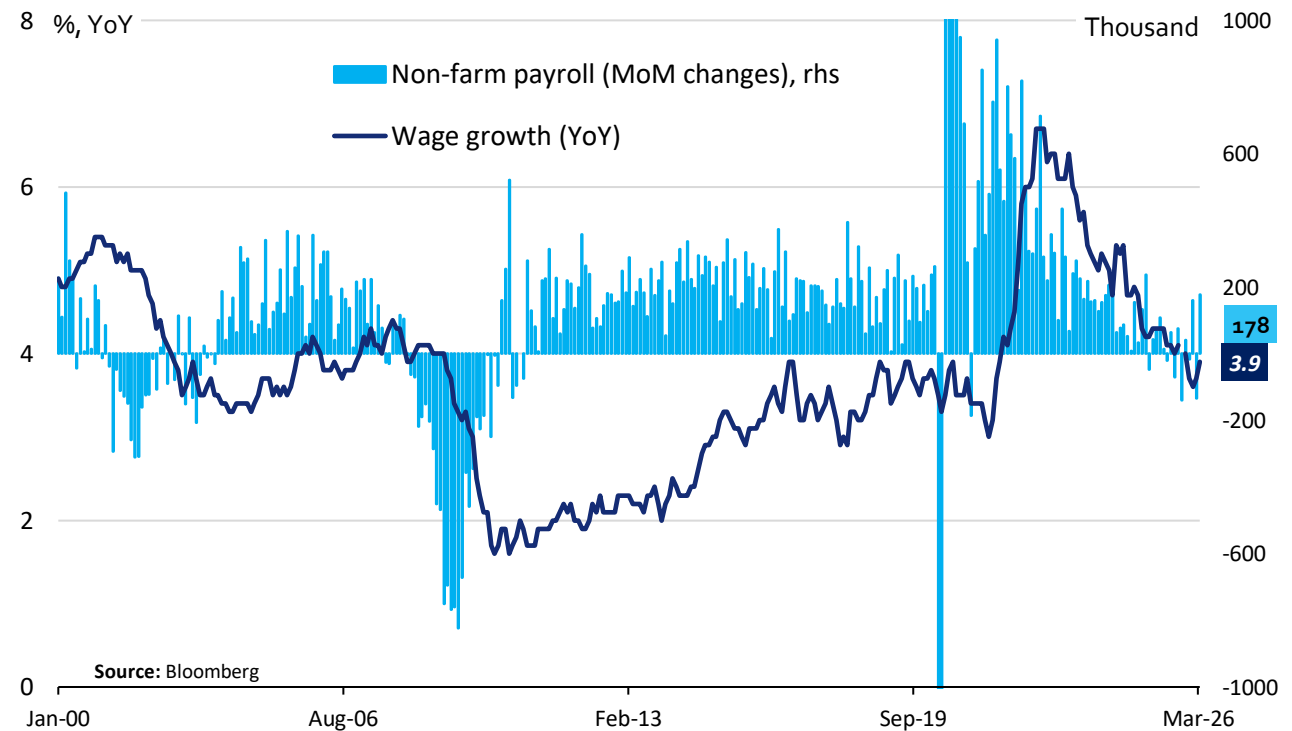
5

Lowering rate expectations may be the US government's only option to reduce its borrowing cost



6

Soft US labour market may keep the rate cut question open



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	29-Apr	-1 mth	Chg (%)
US	3.75	Dec-25	0.45	Baltic Dry Index	2,670.0	2,031.0	31.5
UK	3.75	Dec-25	0.45	S&P GSCI Index	770.7	739.2	4.3
EU	2.15	Jun-25	-0.45	Oil (Brent, \$/brl)	118.0	112.6	4.9
Japan	0.75	Dec-25	-0.75	Coal (\$/MT)	137.8	150.7	-8.6
China (lending)	2.00	Sep-24	3.35	Gas (\$/MMBtu)	2.61	2.99	-12.7
Korea	2.50	May-25	0.30	Gold (\$/oz.)	4,548.0	4,494.1	1.2
India	5.25	Dec-25	1.85	Copper (\$/MT)	12,924.4	12,124.1	6.6
Indonesia	4.75	Sep-25	1.27	Nickel (\$/MT)	19,077.2	16,994.8	12.3
Money Mkt Rates	29-Apr	-1 mth	Chg (bps)	CPO (\$/MT)	1,147.0	1,129.7	1.5
SPN (1Y)	4.13	4.54	-41.2	Rubber (\$/kg)	2.17	2.00	8.5
SUN (10Y)	6.88	6.84	3.9	External Sector	Feb	Jan	Chg (%)
INDONIA (O/N, Rp)	4.64	3.92	71.9	Export (\$ bn)	22.17	22.16	0.05
JIBOR 1M (Rp)	5.03	5.03	0.0	Import (\$ bn)	20.89	21.20	-1.45
Bank Rates (Rp)	Feb	Jan	Chg (bps)	Trade bal. (\$ bn)	1.27	0.95	33.43
Lending (WC)	8.05	8.06	-1.00	Central bank reserves (\$ bn)*	151.9	154.6	-1.73
Deposit 1M	4.47	4.46	1.00	Prompt Indicators	Mar	Feb	Jan
Savings	0.68	0.69	-1.00	Consumer confidence index (CCI)	122.9	125.2	127.0
Currency/USD	29-Apr	-1 mth	Chg (%)	Car sales (%YoY)	-13.8	12.3	7.1
UK Pound	0.742	0.754	1.63	Motorcycle sales (%YoY)	-17.1	1.0	3.1
Euro	0.856	0.869	1.46	Manufacturing PMI	Mar	Feb	Chg (bps)
Japanese Yen	160.4	160.3	-0.06	USA	52.3	51.6	70
Chinese RMB	6.840	6.911	1.04	Eurozone	51.6	50.8	80
Indonesia Rupiah	17,290	16,965	-1.88	Japan	51.6	53.0	-140
Capital Mkt	29-Apr	-1 mth	Chg (%)	China	50.8	52.1	-130
JCI	7,101.2	7,097.1	0.06	Korea	52.6	51.1	150
DJIA	48,861.8	45,166.6	8.18	Indonesia	50.1	53.8	-370
FTSE	10,213.1	9,967.4	2.47	Foreign portfolio ownership (Rp Tn)	Mar	Feb	Chg (Rp Tn)
Nikkei 225	59,917.5	53,373.1	12.26	Stock	3,208.6	3,864.0	-655.43
Hang Seng	26,111.8	24,951.9	4.65	Govt. Bond	848.9	875.4	-26.42
				Corp. Bond	6.2	5.1	1.08

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	5.0
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	5457
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	3.3
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	4.75
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	6.76
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,216
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	17,430
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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