

BI Policy: Shifting Gears

21 May 2026

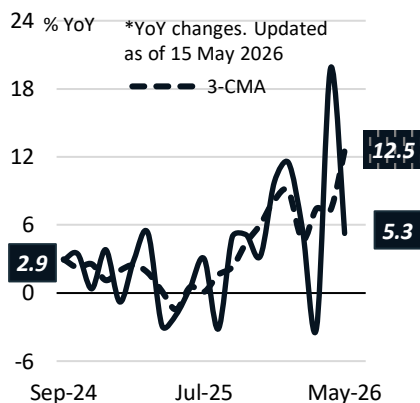
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- **Bank Indonesia (BI) raised the policy rate by 50bps to 5.25%** at the May-26 meeting, marking the first rate hike since April 2024. Additionally, BI once again lowered the threshold for foreign exchange purchases without underlying transactions from USD50,000 to USD25,000. In summary, it is all about the Rupiah.

- Even before BI's decision, the interest rate complex—SBN and SRBI rates—had already risen sharply (ytd), making this move read more like a behind-the-curve forward guidance signalling a shift toward restraining liquidity growth to defend the Rupiah. However, while lagging indicators such as credit growth (9.98% YoY in Apr-26) suggest ample room for this shift, leading indicators such as the PMI have begun to point to a **softening in economic momentum**.

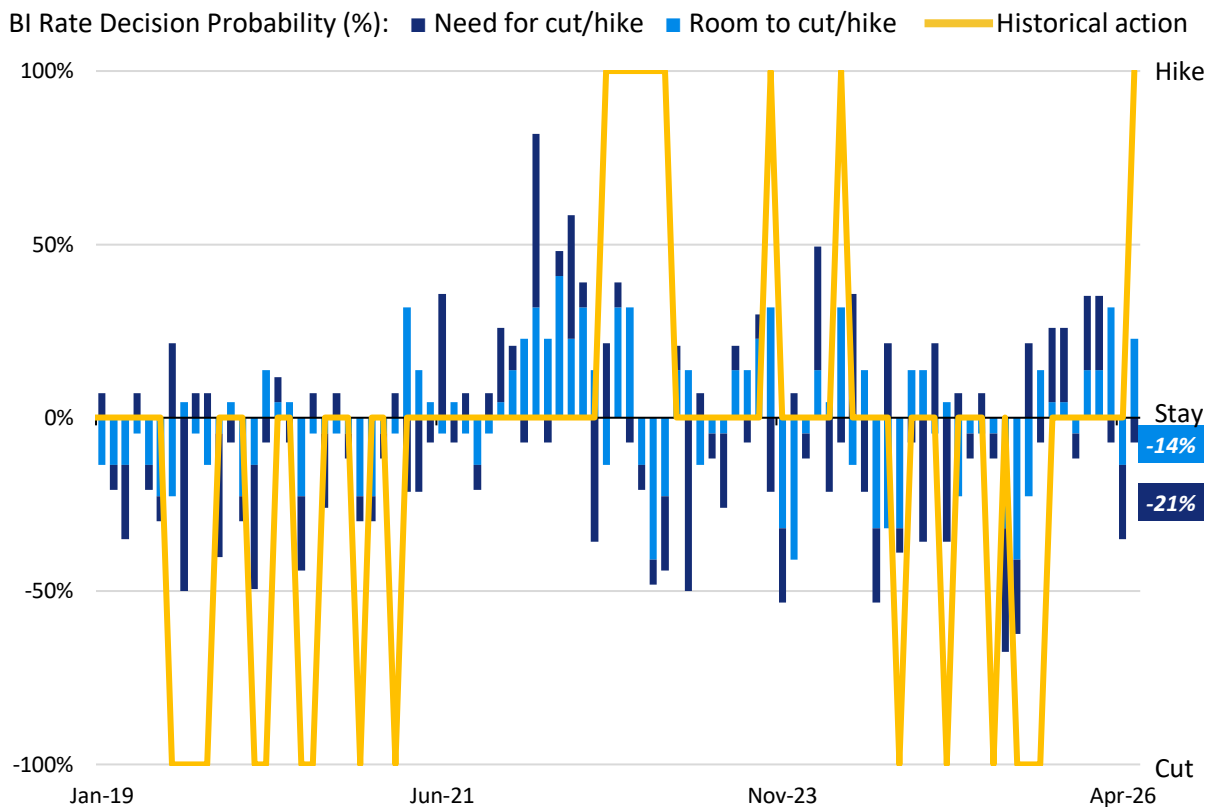
- And this was indeed a difficult call. This rate hike appears at odds with the President's remarks made only hours earlier, calling on state-owned banks to lower lending rates for lower-income households. That said, with **the Rupiah facing significant depreciation pressure (2.5%-3.1% weaker than at the previous meeting)**, BI was left with little room to manoeuvre.

- In this context, the Ministry of Finance's intervention to cap government bond yields via its bond stabilization fund seems to run counter to BI's direction. We believe a more coherent policy mix would see the government anchoring the pro-growth agenda while **maintaining the fiscal deficit at levels that do not risk accelerating capital outflows**.

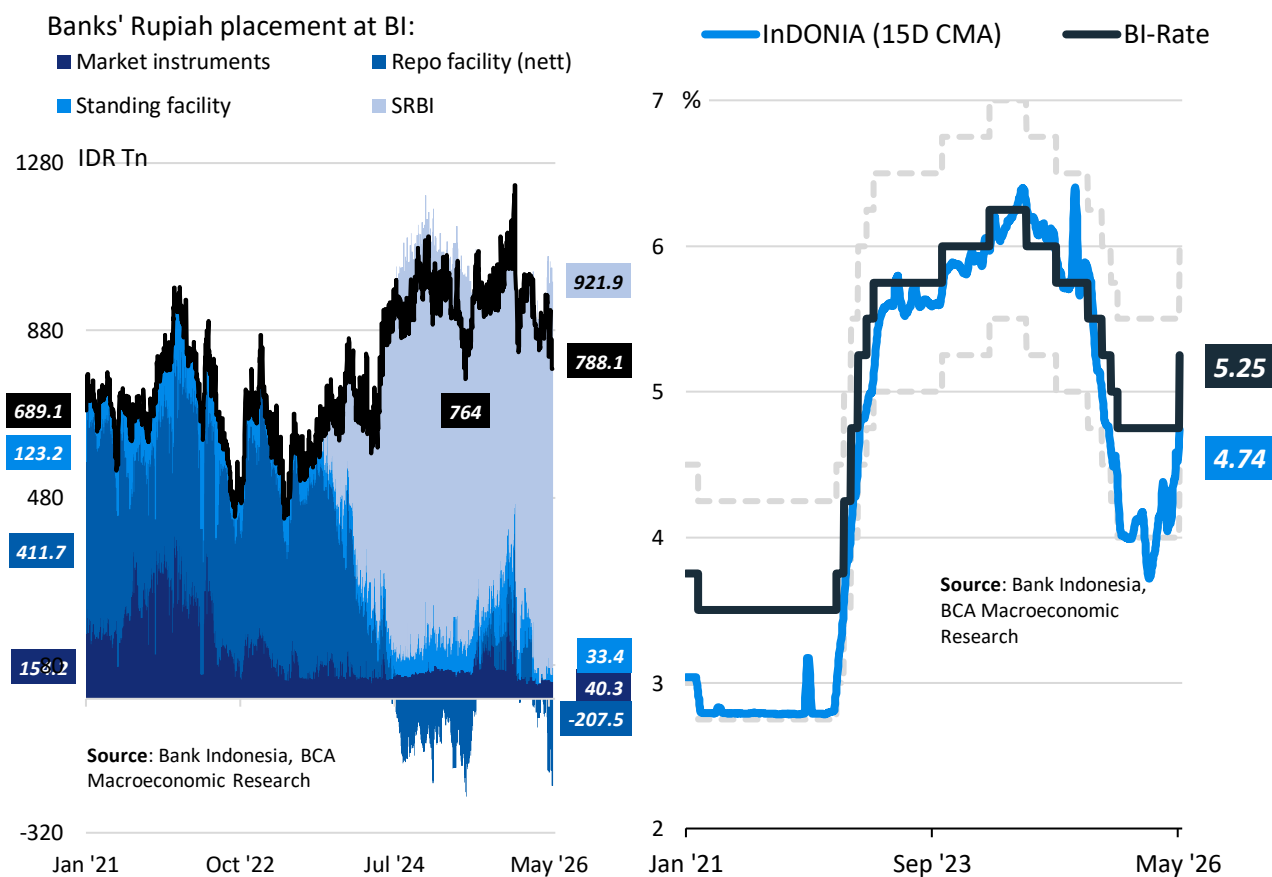
- The government is not leaving BI to shoulder the Rupiah burden alone. PT Danantara Sumber Daya Indonesia has been established as the single exporter of key commodities (palm oil and coal) to curb misinvoicing—thereby boosting FX liquidity—in support of growth and Rupiah stability. **Its impact on exporter performance and market equilibrium, however, remains an open question**

- In general, markets may also read this as an additional positive signal regarding BI's independence. Beyond being relatively behind the curve, the 50bps hike may also reflect BI's assessment that inflation and Rupiah risks remain elevated over the near-to-medium term. Upside risks—including potential fuel price adjustments, El Niño-related supply disruptions, and imported inflation pressures—suggest that BI's move is, to some extent, also ahead of the curve. With all these cards on the table, **we revise up our end-2026 BI Rate forecast by an additional 50bps from its current level**.

1 FX pressures amid global uncertainty reinforce our model's rate hike scenario.



2 SRBI issuance tightens liquidity, pushing IndONIA higher



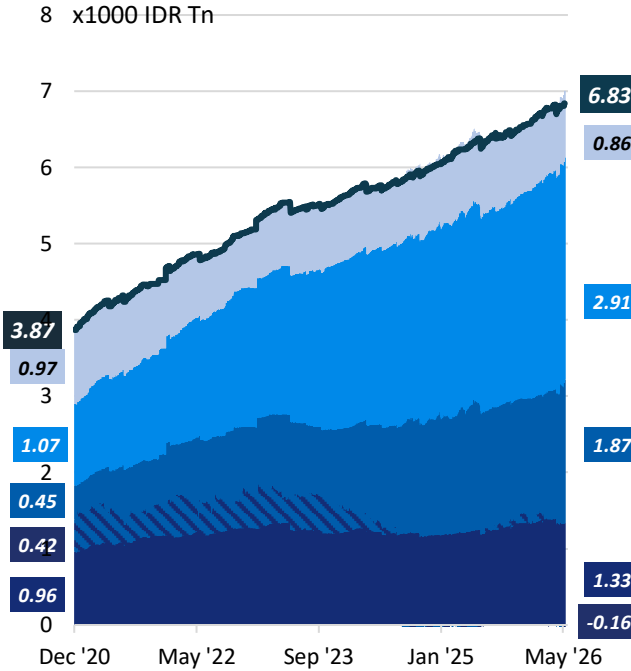
3 Bank selling of gov't bonds pushes yields higher across several tenors amid BI's secondary market bond intervention

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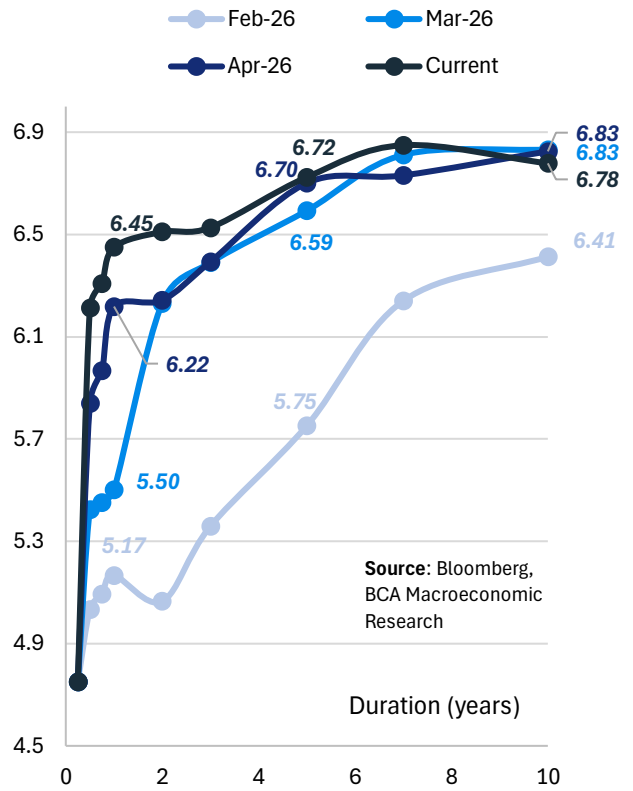
Ownership of marketable SBNs:

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

Source: DJPPR

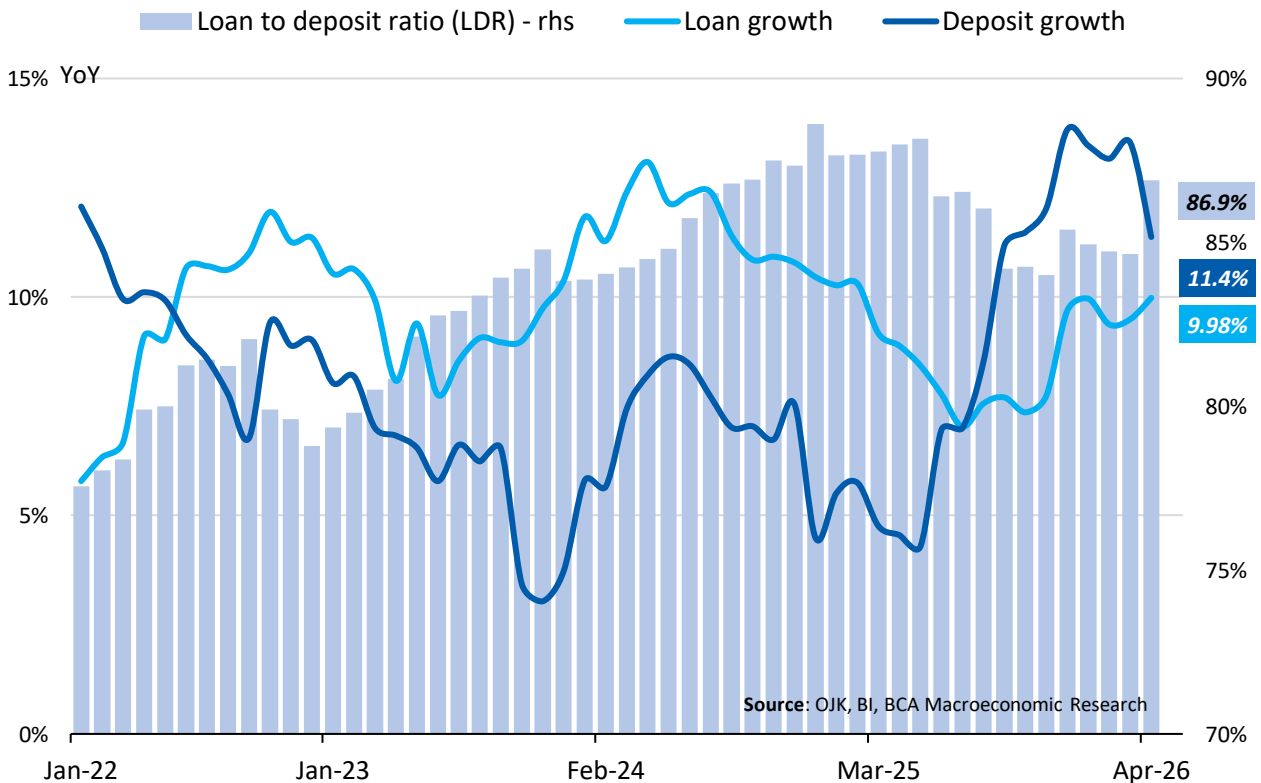


Indonesia yield curve:



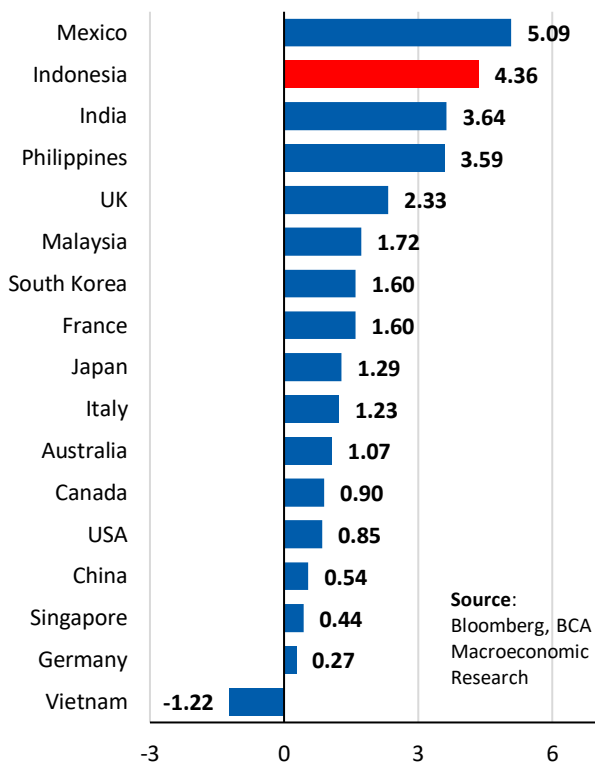
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4 Loan growth accelerated, while deposit growth slowed compared with the previous month.

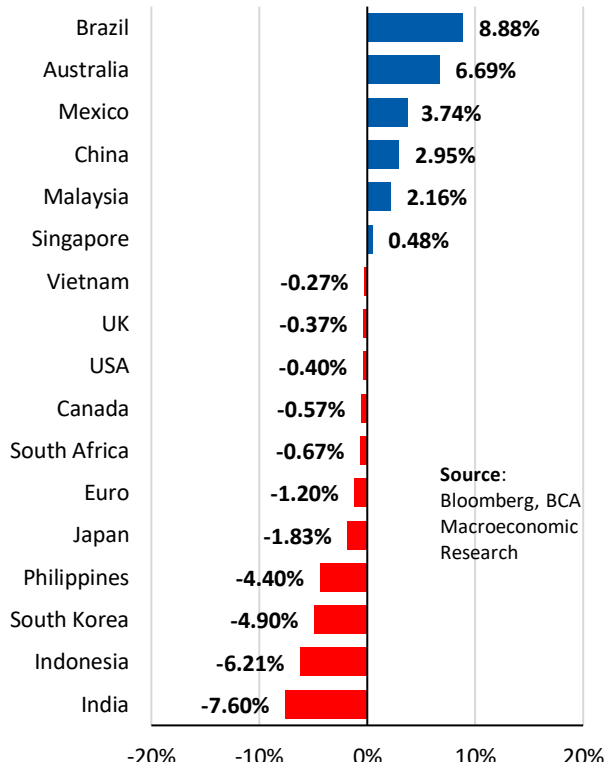


5 Lower inflation in Apr-26 supports real interest rate, but has yet to impact on NEER

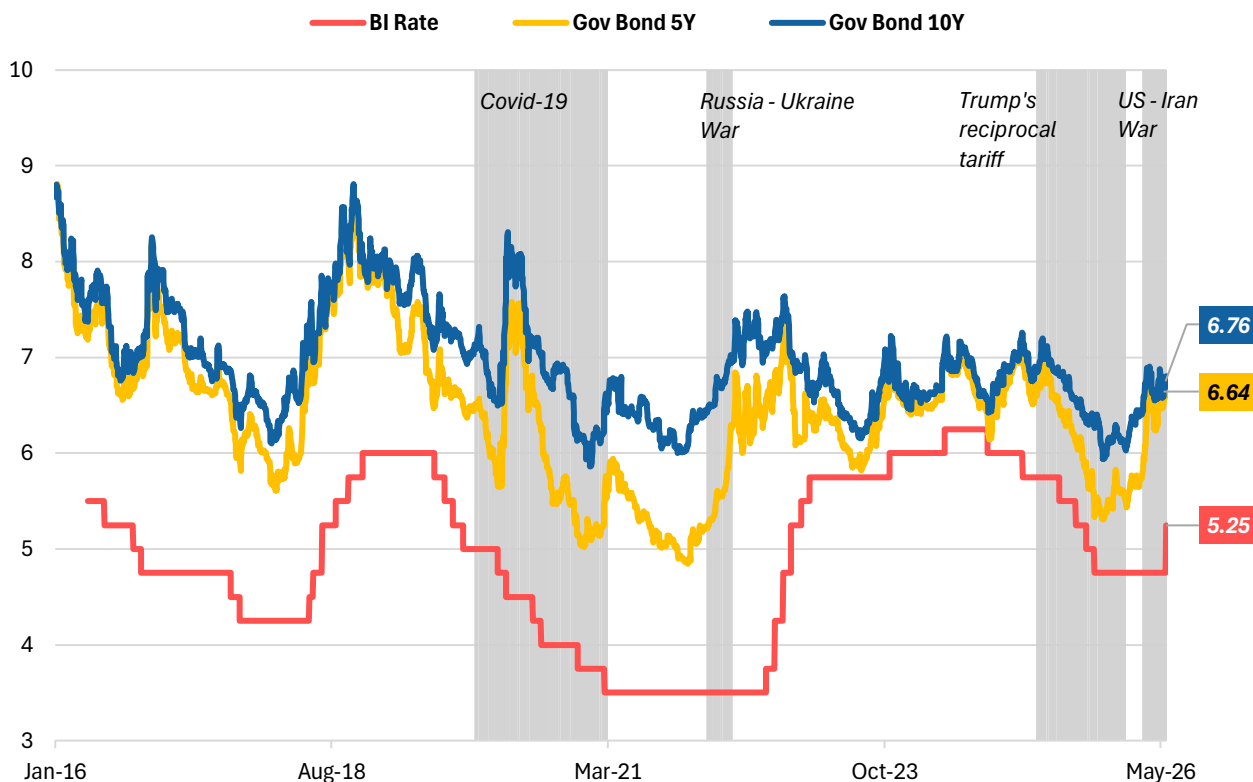
Real interest rates (10Y Sovereign bond yield - CPI inflation, %), per country:



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



6 Rising yields signal bond outflows, prompting rate tightening measures to contain market pressure



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	20-May	-1 mth	Chg (%)
US	3.75	Dec-25	-0.05	Baltic Dry Index	3,005.0	2,567.0	17.1
UK	3.75	Dec-25	0.95	S&P GSCI Index	741.2	679.1	9.1
EU	2.15	Jun-25	-0.85	Oil (Brent, \$/bbl)	105.0	90.4	16.2
Japan	0.75	Dec-25	-0.75	Coal (\$/MT)	140.2	123.4	13.6
China (lending)	2.00	Sep-24	3.15	Gas (\$/MMBtu)	3.18	2.71	17.3
Korea	2.50	May-25	-0.10	Gold (\$/oz.)	4,544.2	4,830.3	-5.9
India	5.25	Dec-25	1.77	Copper (\$/MT)	13,595.6	13,281.9	2.4
Indonesia	5.25	May-26	2.83	Nickel (\$/MT)	18,729.9	17,908.5	4.6
Money Mkt Rates	20-May	-1 mth	Chg (bps)	CPO (\$/MT)	1,147.6	1,123.7	2.1
				Rubber (\$/kg)	2.25	2.03	10.8
Bank Rates (Rp)	Feb	Jan	Chg (bps)	External Sector	Mar	Feb	Chg (%)
SPN (1Y)	5.81	5.32	49.2	Export (\$ bn)	22.53	22.17	1.62
SUN (10Y)	6.80	6.56	23.9	Import (\$ bn)	19.21	20.89	-8.08
INDONIA (O/N, Rp)	5.15	3.91	123.6	Trade bal. (\$ bn)	3.32	1.27	160.82
JIBOR 1M (Rp)	5.03	5.03	0.0	Central bank reserves (\$ bn)*	148.2	151.9	-2.47
Bank Rates (Rp)	Feb	Jan	Chg (bps)	Prompt Indicators	Apr	Mar	Feb
Lending (WC)	8.05	8.06	-1.00	Consumer confidence index (CCI)	123.0	122.9	125.2
Deposit 1M	4.47	4.46	1.00	Car sales (%YoY)	55.0	-13.8	12.3
Savings	0.68	0.69	-1.00	Motorcycle sales (%YoY)	28.1	-17.1	1.0
Currency/USD	20-May	-1 mth	Chg (%)	Manufacturing PMI	Apr	Mar	Chg (bps)
UK Pound	0.744	0.740	-0.60	USA	54.5	52.3	220
Euro	0.860	0.850	-1.20	Eurozone	52.2	51.6	60
Japanese Yen	158.9	158.6	-0.18	Japan	55.1	51.6	350
Chinese RMB	6.799	6.818	0.29	China	52.2	50.8	140
Indonesia Rupiah	17,605	17,190	-2.36	Korea	53.6	52.6	100
Capital Mkt	20-May	-1 mth	Chg (%)	Indonesia	49.1	50.1	-100
JCI	6,318.5	7,634.0	-17.23				
DJIA	50,009.4	49,447.4	1.14				
FTSE	10,432.3	10,667.6	-2.21				
Nikkei 225	59,804.4	58,475.9	2.27				
Hang Seng	25,651.1	26,160.3	-1.95				
Foreign portfolio ownership (Rp Tn)	Apr	Mar	Chg (Rp Tn)				
Stock	3,158.9	3,208.6	-49.72				
Govt. Bond	862.4	853.6	8.80				
Corp. Bond	5.8	6.2	-0.41				

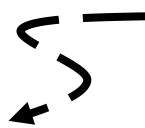
Source: Bloomberg, BI, BPS

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	8.0
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	5.75
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	17,392
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	17,607
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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