

Many shades of precautionary savers

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Summary

- Precautionary behaviour amid continued pressure on the Rupiah explains the lag in Rupiah deposits vis-à-vis FX deposits, especially among more affluent savers.
- Meanwhile, expectations of higher inflation have also forced less affluent savers to increase their Rupiah deposits.
- A higher saving rate due to differing versions of precautionary motives poses another threat to household consumption, meaning that public sector demand may remain crucial to drive growth.

- Amid a highly uncertain year, one pattern appears to be increasingly evident as we breeze into H2-2026: politicians announcing rising geopolitical tensions and military movements over the weekend. Questions are mounting over the fate of a permanent US-Iran deal (targeted to be finalised within 60 days), with Iranian delegates walking out of negotiations as US President Trump continues to send threats toward Iran amid the still-going conflict in Lebanon. The pause, fortunately, appears to have been brief, with mediators from Qatar and Pakistan reporting a “constructive” progress toward a deal.
- Most analysts are confident that a permanent US-Iran deal could be reached. For instance, the prediction market is pricing in a 87% chance that traffic in the Straits of Hormuz will return to normal by the end of the year, although the probability of Iran agreeing to crucial points of the deal (such as surrendering its enriched Uranium stockpile) remains unconvincing. An optimistic view on the US-Iran deal also appears

to be the norm in the financial and commodity markets, as indicated by the lower UST yield and oil prices now.

- The growing confidence in a US-Iran deal should be positive news, especially for fiscally constrained economies such as Indonesia. However, conditions in the domestic financial market tell a different story. Limited inflows into the sovereign bond market were insufficient to offset banks’ rotation to SRBI, pushing the 10Y benchmark SBN yield back above 7% (+18.9 bps from the mid-week low).
- Meanwhile, the equity market snapped its upward trend as foreign investors refused to join the domestic-driven rally, as highlighted by the USD 50.6 Mn net outflows recorded in the past week. As the recent MSCI announcement has made clear, transparency issues remain a concern for investors, while the domestic equity market’s low and declining P/E ratio (10.2 currently, down from ~13 in 2025) also signals investors’ feeble opinion on Indonesia’s growth outlook.

Saving for their own version of rainy days

- Foreign investors’ concerns over Indonesia’s macroeconomic outlook contrast with the government’s more bullish view, with many officials arguing that the expansive public sector spending and investments will ensure strong fundamentals. While the accelerated GDP growth in the past two quarters seems to vindicate this argument, recent developments may expose cracks in the assumption. First, the supernormal growth in government expenses in the past quarter is partly due to the low-base effect, considering the budget reallocation process in January-April 2025.
- Second, continuous market turmoil and rising voices against the fiscal agenda have moved the government to lay out its budget rationalisation plan (including the plan to reduce the budget for the Free Nutritious Meals programme to ~Rp 228.38 Tn), which is crucial to securing Indonesia's long-term fiscal space but might be detrimental to the short-term growth outlook.
- Despite this necessary step back in fiscal spending, the government remains confident of achieving its 5.4% YoY GDP growth target for FY 2026, implying that GDP growth will need to average around 5.33% YoY over Q2-Q4 2026. **Recent reports of the upcoming disbursement of social assistance suggest that public spending will play a supporting role to household consumption in sustaining the domestic aggregate demand condition and the growth outlook**, with the benefits primarily accruing to lower-income households.
- Optimism that aggregate demand from Indonesia’s less affluent population would be

“Threats to private demand means the government may not be able to sizably reduce its fiscal commitment or maintain growth”

able to sustain growth has been supported by the recent acceleration in bank deposit growth in the lower-balance segment (those with deposit balances below Rp100mn, **see Chart 1**), with the 0.98% YTD increase in deposits signalling a growing pool of liquidity that could be drawn upon to sustain consumption. However, it is important to apply a more nuanced interpretation of this development, as the contrasting decline in more-affluent savers’ Rupiah deposits (down as much as 2.47% for the uppermost segment) has given rise to more populist interpretations of this evolving deposit growth dynamics.

- Rather than the populist interpretation of wealth transfers, **the decline in Rupiah deposits among more affluent savers appears to be primarily driven by a preference shift away from Rupiah assets.** Indeed, the corresponding sharp acceleration in FX deposit growth among more-affluent households suggests an increasing tendency toward currency diversification, especially amid the recent episode of Rupiah weakness. Bank Indonesia’s recent move to tighten the limit on currency conversion to USD 10,000 underscores the significance of this preference shifts away from Rupiah deposits, while most savers in the lower-mass segment may have no option but to continue holding Rupiah deposits.
- The more limited preference shift among lower-segment savers only explains why their savings remain primarily concentrated in Rupiah deposits. Another factor must have supported the increase in their deposits. Alas, despite the emergence of more populist readings, **it is difficult to attribute this acceleration in Rupiah deposits among lower-segmented savers to**

improvements in household income, as suggested by volatile manufacturing PMI readings and BI's unpromising household surveys (*see Chart 2*).

- **Rather than an income-driven (or wealth distribution) story, asset reallocation appears to be the likelier factor behind lower-segmented households' accelerating Rupiah deposit growth.** Households' view of gold as a preferred investment has been souring lately, returning bank deposits as their top choice for investments (*see Chart 3*). Another cycle of global monetary policy tightening may reinforce this dynamic, as higher rates will make bank deposits increasingly attractive, while also thwarting the rally in gold and other asset prices.
- **The most likely factor explaining the recent acceleration in deposit growth among lower-income households appears to be inflation expectations,** meaning that the higher Rupiah deposit is primarily a result of precautionary savings (*see Chart 4*). Surveys indicate that the government's performance in controlling the price of necessities consistently ranks near the bottom of public assessments, with the favourability rating on this issue declining to 45.2% in May 2026 from 49.5% six months earlier. Public opposition to the recent non-subsidised fuel price hike has also been driven by expectations that increases in subsidised fuel prices (and eventually, higher inflation) may soon follow, despite the government's commitment that no such changes will occur in 2026.

- **Indonesia's deposit growth, then, appears to be driven by two different types of precautionary savers.** On the one hand, concerns over the Rupiah's exchange rate have led more affluent savers to shift into FX deposits, contributing to the decline in their Rupiah holdings. On the other hand, expectations of rising prices have prompted less affluent savers to increase their Rupiah deposits, which should help support consumption should inflation materialise as widely expected.
- **This higher need for savings across different segments of savers may put the government's strategy of relying on private consumption to the test,** especially if continued pressure on the Rupiah compels BI to continue its rate-tightening cycle. This interpretation reinforces our expectation of continued fiscal expansion, unless there is a paradigm shift away from short-term growth toward long-term stability.

“Less affluent savers are increasing their Rupiah deposits to guard against inflation, while concerns over the Rupiah lead more affluent savers to increase their FX deposits”

Chart 1

Jumping higher from the bottom

Deposits in the lower-mass segment grew the highest in 2026, while concerns on the Rupiah lead more affluent savers to draw down their Rupiah deposits

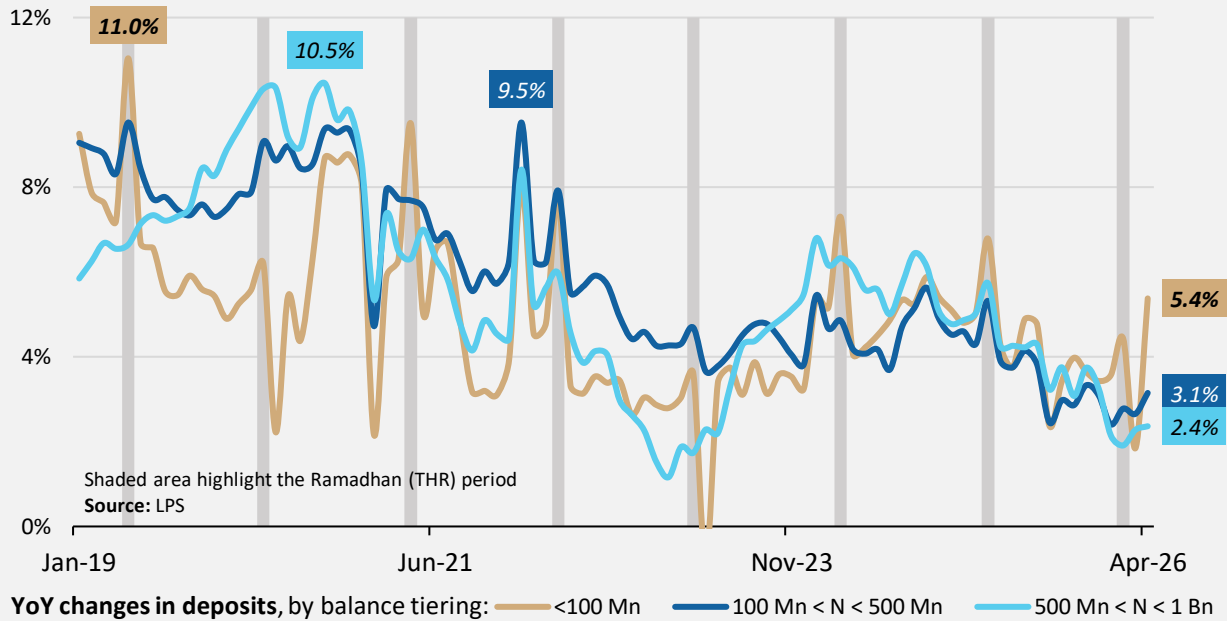


Chart 2

Not an income story

The higher deposit growth in the lower-mass segment is unlikely to be driven by a marked improvement in income, given the volatile manufacturing activity that depress employment

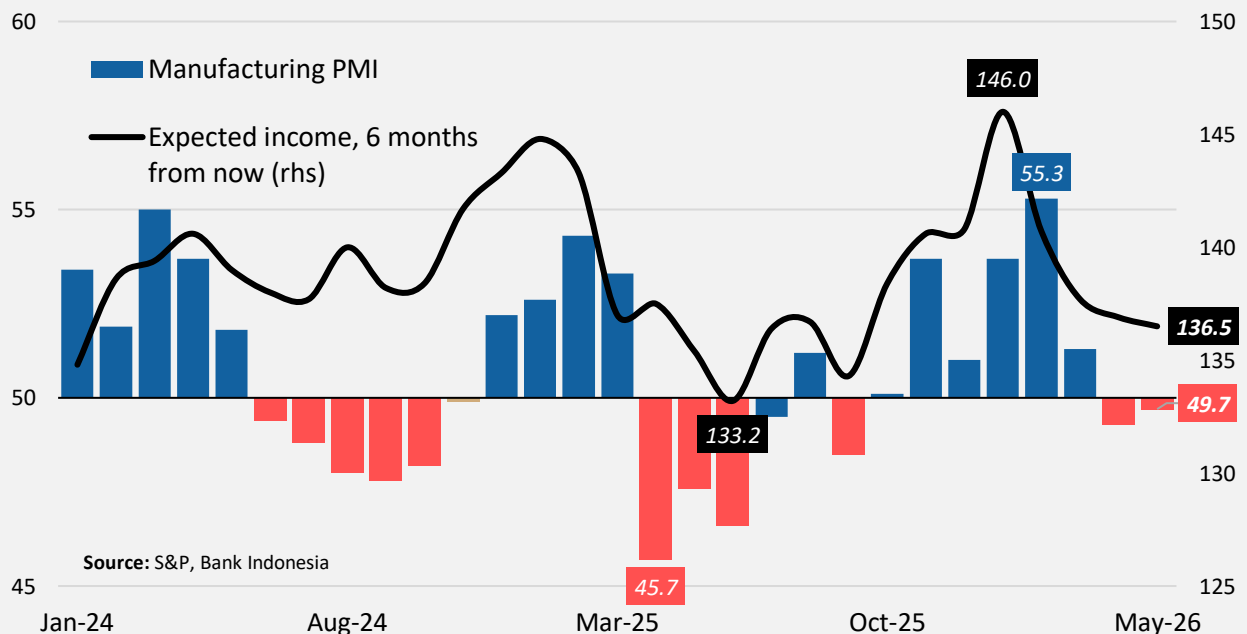


Chart 3

Rotated back

Some households may have rotated back into savings or other banking products, as the rally in gold prices has lost its pace, while other investments offer more volatility than returns

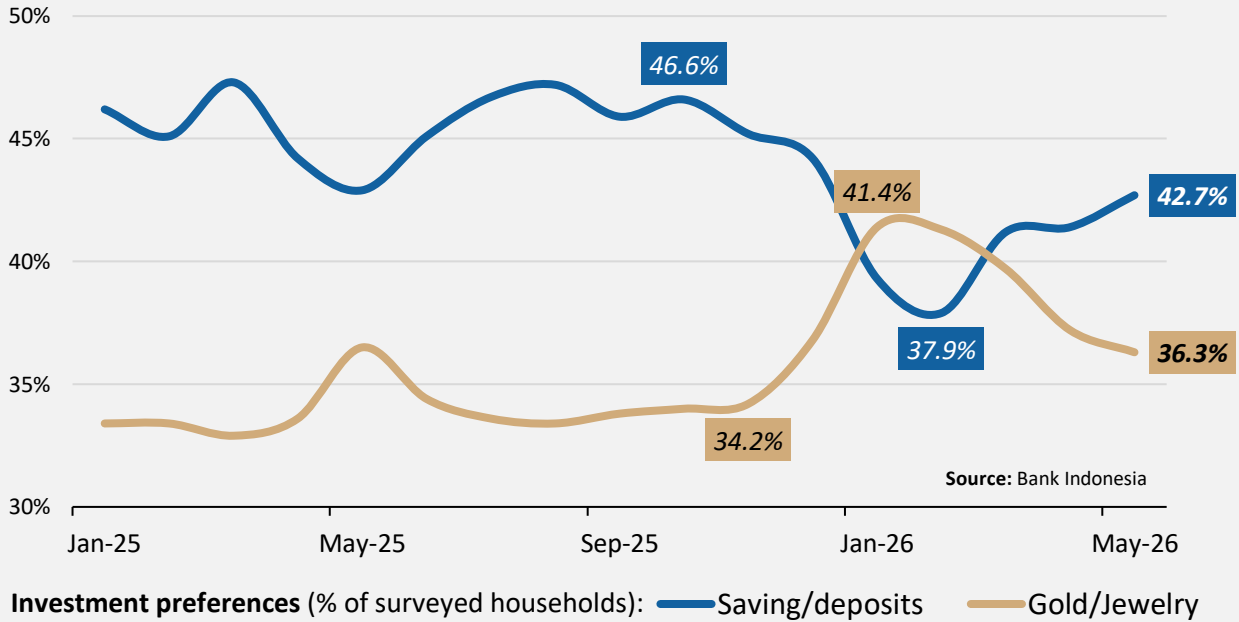
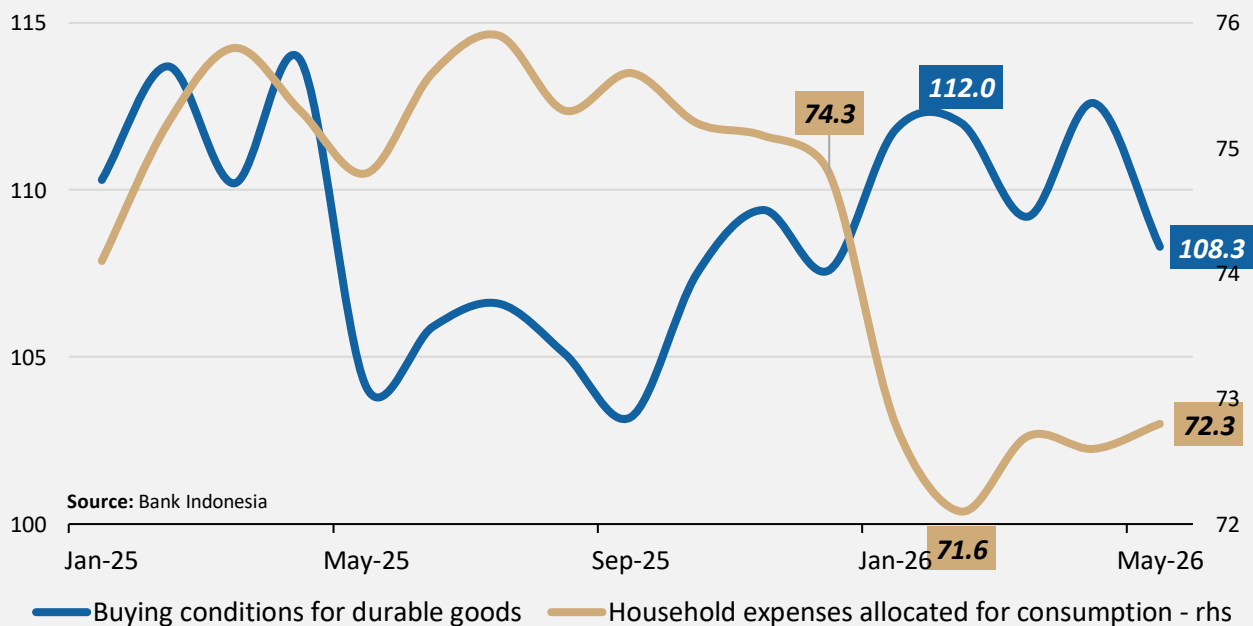


Chart 4

Saving for higher prices

The recent acceleration in lower-mass deposit growth is likely to be driven by more constrained consumption, although higher prices may eventually push consumption



Economic Calendar				
		Actual	Previous	Forecast*
02 June 2026				
ID	S&P Global Manufacturing PMI	50.0	49.1	49.5
ID	Trade balance (Apr-26), USD Bn	0.09	3.32	0.5
ID	Inflation Rate YoY, %	3.08	2.42	3.1
04 June 2026				
EA	Retail Sales YoY, %	1	2.1	0.7
05 June 2026				
US	Non Farm Payrolls, th	172	179	102.0
08 June 2026				
ID	Foreign Exchange Reserves, USD Bn	144.9	146.2	-
ID	Motorbike Sales YoY, %	-5.1	28.1	-
09 June 2026				
CN	Trade balance, USD Bn	105.43	84.8	89.0
ID	BI-Rate Decision, %	5.50	5.25	-
US	Trade balance (Apr-26), USD Bn	-55.9	-56.6	-57.9
10 June 2026				
CN	Inflation Rate YoY, %	1.2	1.2	1.4
ID	Consumer Confidence	120.9	123.0	124
ID	Car Sales YoY, %	14.0	55.0	-
US	Inflation Rate YoY, %	4.2	3.8	4.0
11 June 2026				
ID	Retail Sales YoY, %	-3.7	3.4	3.6
16 June 2026				
CN	Retail Sales YoY, %	-0.6	0.2	0.8
17 June 2026				
US	Retail Sales YoY, %	6.9	4.8	4.0
18 June 2026				
US	Fed Interest Rate Decision, %	3.75	3.75	3.75
ID	BI-Rate Decision, %	5.75	5.50	6
ID	Loan Growth YoY, %	11.51	9.98	-
23 June 2026				
ID	M2 Money Supply YoY, %		9.2	-
25 June 2026				
US	PCE Price Index YoY, %		3.8	-

*Forecasts of some indicators are simply based on market consensus
 Bold indicates indicators covered by the BCA Monthly Economic Briefing report

Selected Macroeconomic Indicator

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	19-Jun	-1 mth	Chg (%)
US	3.75	Dec-25	-0.45	Baltic Dry Index	2,722.0	3,054.0	-10.9
UK	3.75	Dec-25	0.95	S&P GSCI Index	642.2	763.1	-15.8
EU	2.40	Jun-26	-0.80	Oil (Brent, \$/brl)	80.6	111.3	-27.6
Japan	1.00	Jun-26	-0.50	Coal (\$/MT)	130.7	143.7	-9.1
China (lending)	2.00	Sep-24	3.15	Gas (\$/MMBtu)	3.08	3.23	-4.6
Korea	2.50	May-25	-0.60	Gold (\$/oz.)	4,155.7	4,482.6	-7.3
India	5.25	Dec-25	1.32	Copper (\$/MT)	13,526.6	13,333.9	1.4
Indonesia	5.75	Jun-26	2.67	Nickel (\$/MT)	17,395.0	18,609.0	-6.5
				CPO (\$/MT)	1,089.6	1,141.7	-4.6
				Rubber (\$/kg)	2.29	2.24	2.2
Money Mkt Rates	19-Jun	-1 mth	Chg (bps)	External Sector	Apr	Mar	Chg (%)
SPN (1Y)	7.06	5.83	123.1	Export (\$ bn)	25.30	22.53	12.32
SUN (10Y)	7.05	6.75	30.0	Import (\$ bn)	25.21	19.21	31.28
INDONIA (O/N, Rp)	6.17	4.60	156.2	Trade bal. (\$ bn)	0.09	3.32	-97.32
JIBOR 1M (Rp)	5.03	5.03	0.0	Central bank reserves (\$ bn)*	146.2	148.2	-1.32
Bank Rates (Rp)	Apr	Mar	Chg (bps)	Prompt Indicators	May	Apr	Mar
Lending (WC)	7.96	8.00	-4.00	Consumer confidence index (CCI)	120.9	123.0	122.9
Deposit 1M	4.48	4.47	1.00	Car sales (%YoY)	14.0	55.0	-13.8
Savings	0.68	0.67	1.00	Motorcycle sales (%YoY)	-5.1	28.1	-17.1
Currency/USD	19-Jun	-1 mth	Chg (%)	Manufacturing PMI	May	Apr	Chg (bps)
UK Pound	0.756	0.747	-1.22	USA	55.1	54.5	60
Euro	0.872	0.862	-1.15	Eurozone	51.6	52.2	-60
Japanese Yen	161.3	159.1	-1.38	Japan	54.5	55.1	-60
Chinese RMB	6.768	6.814	0.67	China	51.8	52.2	-40
Indonesia Rupiah	17,790	17,705	-0.48	Korea	54.8	53.6	120
Capital Mkt	19-Jun	-1 mth	Chg (%)	Indonesia	50.0	49.1	90
JCI	6,177.1	6,370.7	-3.04				
DJIA	51,564.7	49,363.9	4.46				
FTSE	10,363.3	10,330.6	0.32				
Nikkei 225	71,250.1	60,550.6	17.67				
Hang Seng	23,924.8	25,797.9	-7.26				
Foreign portfolio ownership (Rp Tn)	May	Apr	Chg (Rp Tn)				
Stock	2,820.6	3,158.9	-338.29				
Govt. Bond	865.2	866.9	-1.77				
Corp. Bond	5.8	5.8	-0.01				

Source: Bloomberg, BI, BPS

Notes:

*Data from an earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, **>50** indicates economic expansion, **<50** otherwise

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	9.0
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5128
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	4.5
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	6.25
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	8.01
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,600
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	18,171
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	19.2
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-1.3

Notes:

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

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