BI Policy:

Dig before thirsty

19 August 2026

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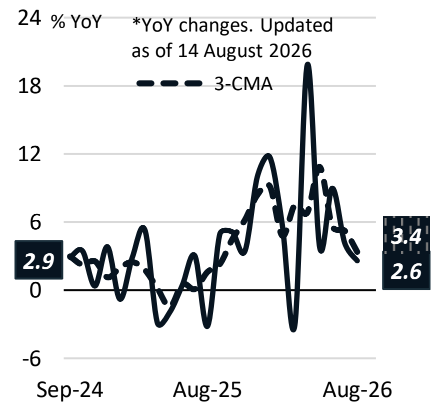
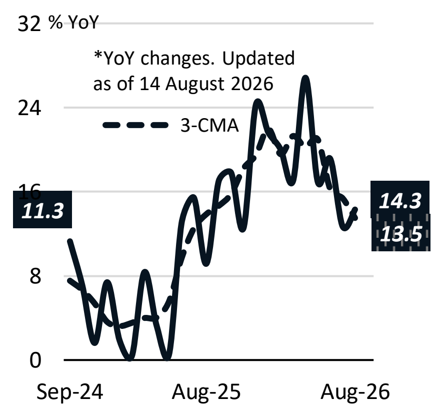
BCA Consumer Spending Index*



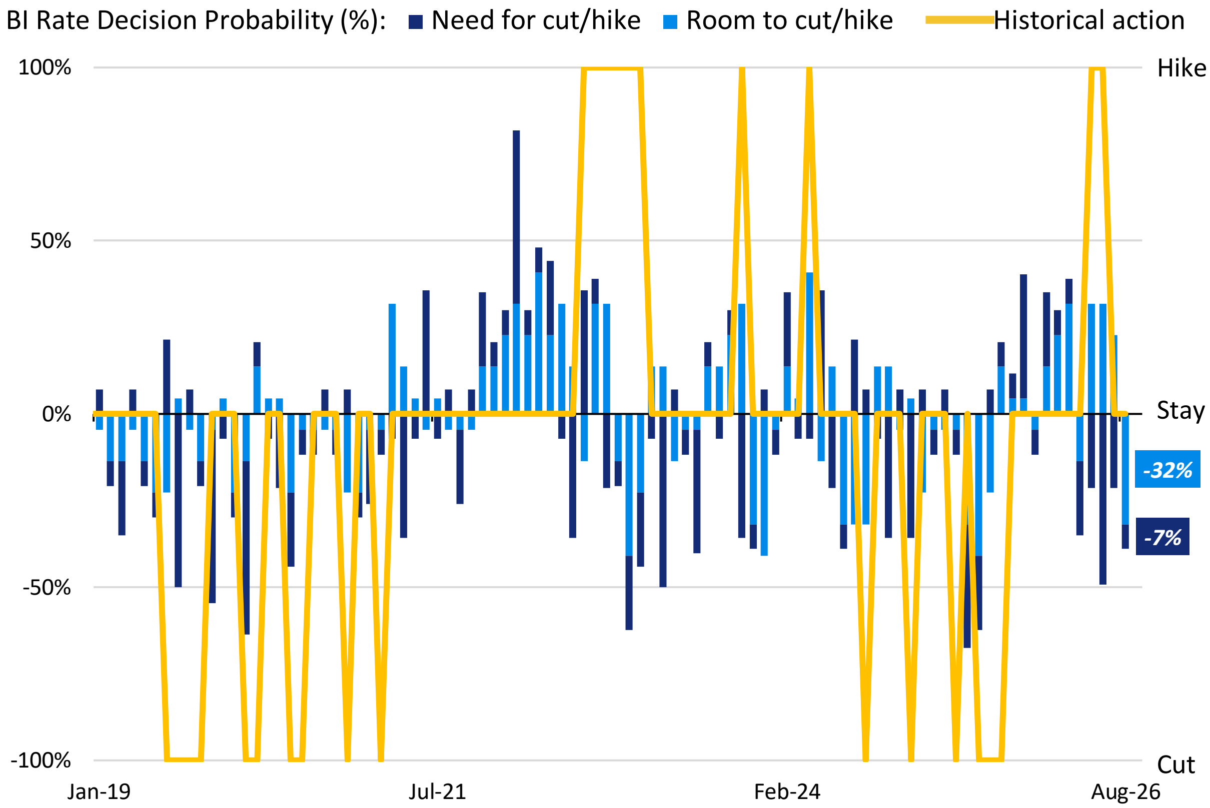
BCA Business Transaction Index*



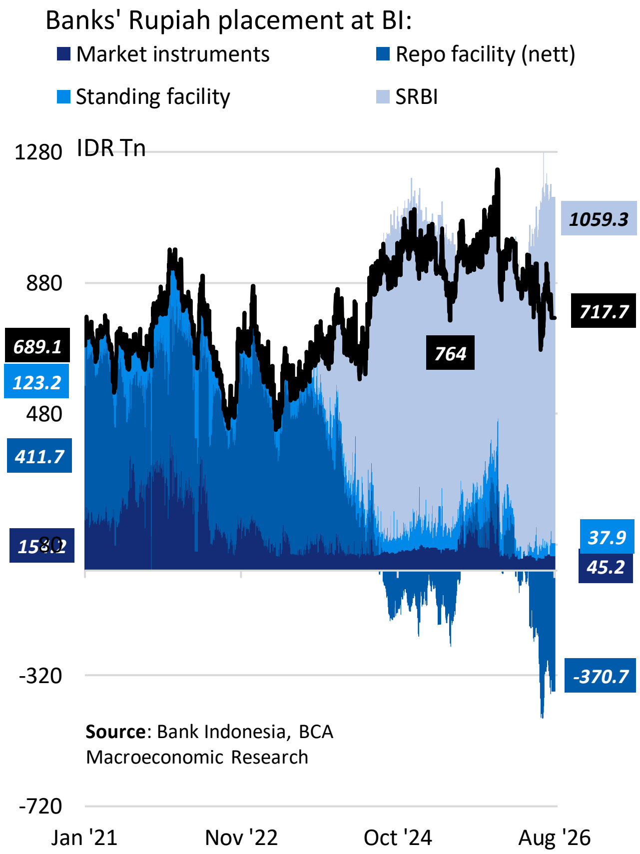
- **Bank Indonesia (BI) maintained the BI Rate at 5.75% during the August 2026 meeting**, marking the second consecutive hold. Very favorable conditions, including a strengthening Rupiah and declining SBN yields, prompted BI to forgo any upward rate adjustment.
- **The favorable conditions** are largely attributable to the **global environment**. Following the end-July Fed meeting, the Dollar Index has failed to recover to its pre-meeting level. Domestic conditions have also played a part: the absence of major news or sudden policy changes in recent weeks has provided relief to investors.
- BI announced several incentives to boost consumer spending, including a 0% merchant discount rate (MDR) for QRIS transactions up to IDR 100,000, effective October 1, for all segments including MSMEs and corporations. In addition, BI launched the national credit card "Kartu Kredit Indonesia." Both incentives, particularly the former, will have a net negative effect on banks' non-interest income**.**
- More important, however, is the adjustment to the hedging swap discount to include banks' offshore borrowing and FDI, not just portfolio inflow transactions. Notably, the inclusion of banks' offshore borrowing may encourage banks to source more foreign exchange from outside Indonesia. This may also help BI wind down SRBI issuance, which has been draining domestic liquidity. Furthermore, the broader credit impulse from government-driven lending programs could continue to lift import demand. **It is an effort to bolster the financial account surplus, in anticipation of a widening current account deficit.**
- Loan growth in July accelerated further to 13.6% YoY (from 12.7% YoY in June). There was no mention of deposit growth. However, LDR would rise to approximately 89.2% if deposit growth remained at last month's pace. **This points to tightening liquidity in the banking system**, as IndONIA briefly reached 6.30% in July. Even after the Ministry of Finance announced an additional IDR 70 tn SAL (possibly already inclusive of this year's SILPA) placement in SOE banks in early August, INDONIA quickly rose back to above 6%. Some additional relief may come from the KLM incentives taking effect on September 1, which are expected to inject approximately IDR 50 tn into the system.
- While BI can comfortably hold its rate for now, upward pressure on the BI Rate remains, particularly as the supportive global environment may not persist. Global long-term yields, notably JGBs and USTs, have been rising persistently amid expansionary fiscal policies, exerting upward pressure on

global rates broadly. **As a result, we project Bank Indonesia to deliver another rate hike this year, bringing the BI Rate to 6.00%.**

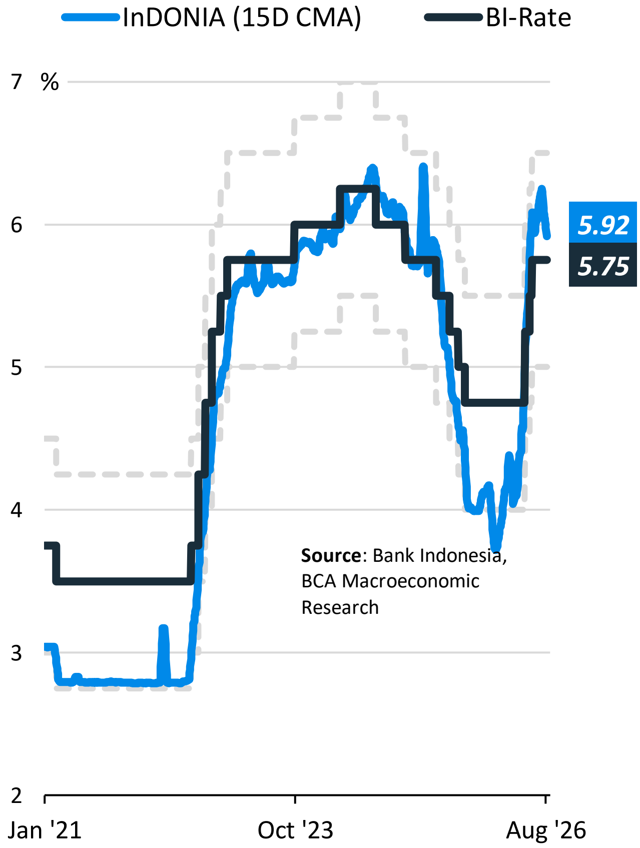
1 **BI maintains the policy rate** amid accommodative global conditions



2 IndONIA persistently above the BI Rate suggests **tightening liquidity in the banking system**



Source: Bank Indonesia, BCA Macroeconomic Research

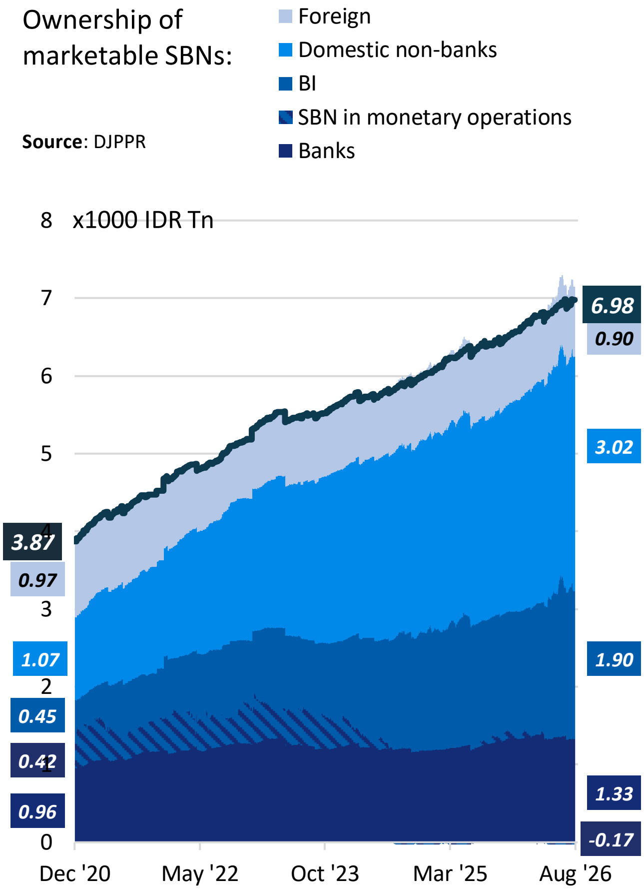


Source: Bank Indonesia, BCA Macroeconomic Research

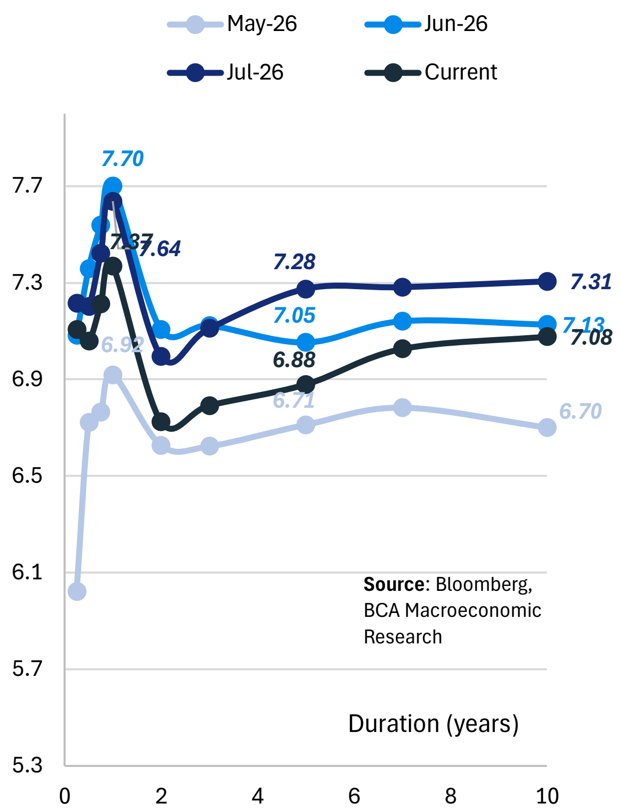
3 Better global conditions help tone down SBN yields

Ownership of marketable SBNs:

Source: DJPPR

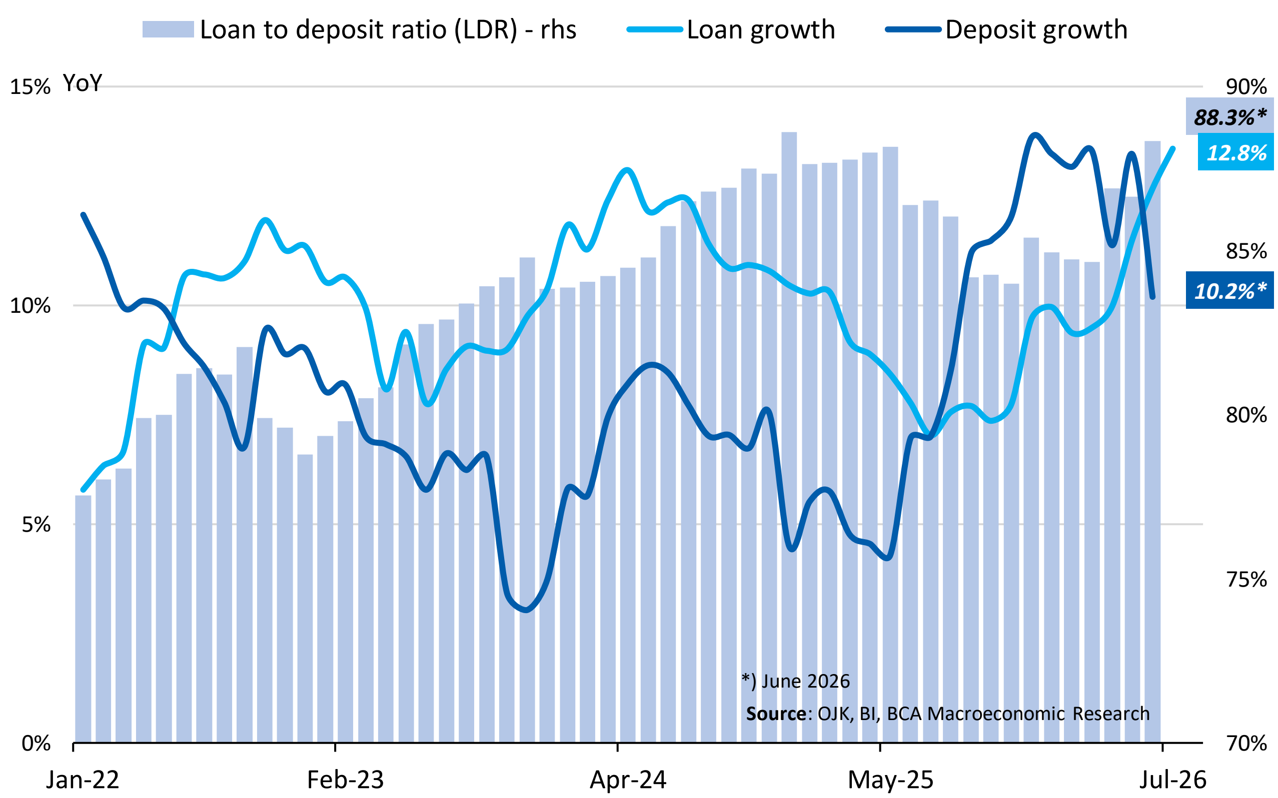


Indonesia yield curve:



Source: Bloomberg, BCA Macroeconomic Research

4 Loan growth continues its acceleration, potentially driving LDR even higher

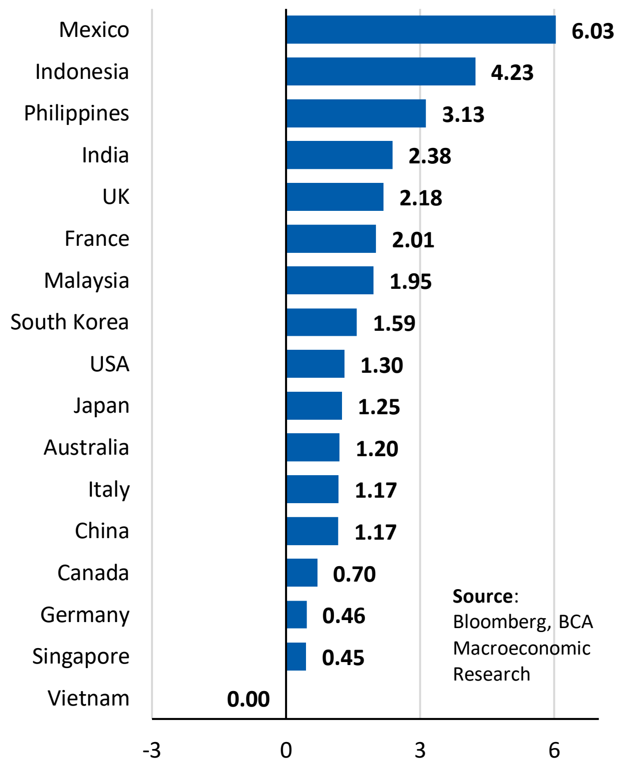


*) June 2026

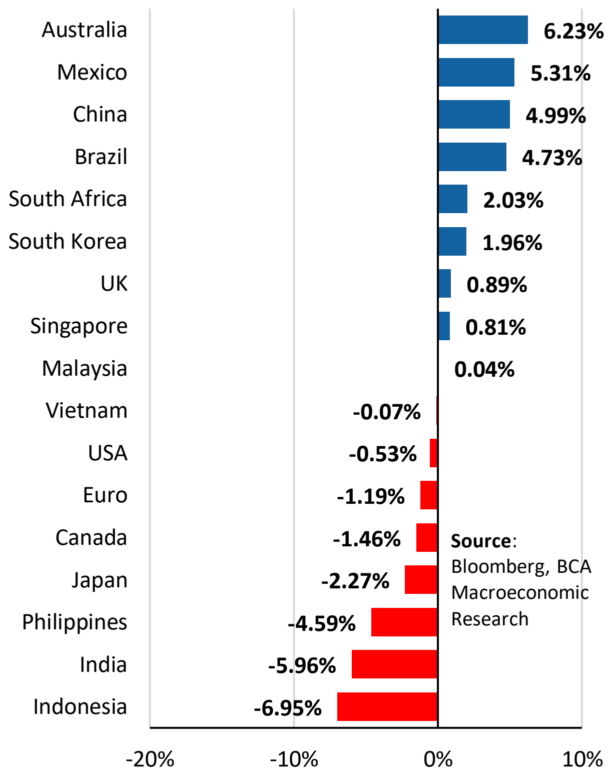
Source: OJK, BI, BCA Macroeconomic Research

5 Easing inflation pushes Indonesia's real interest rates higher

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 (%)
US	3.75	Dec-25	0.35
UK	3.75	Dec-25	0.85
EU	2.40	Jun-26	-0.50
Japan	1.00	Jun-26	-0.70
China (lending)	2.00	Sep-24	3.85
Korea	2.75	Jul-26	-0.05
India	5.25	Dec-25	0.80
Indonesia	5.75	Jun-26	2.87
Money Mkt Rates	**18-Aug**	**-1 mth**	**Chg (bps)**
SPN (1Y)	7.08	7.50	-41.7
SUN (10Y)	7.11	7.23	-11.6
INDONIA (O/N, Rp)	6.03	6.14	-11.1
JIBOR 1M (Rp)	5.03	5.03	0.0
Bank Rates (Rp)	**May**	**Apr**	**Chg (bps)**
Lending (WC)	7.95	7.96	-1.00
Deposit 1M	4.52	4.48	4.00
Savings	0.68	0.68	0.00
Currency/USD	**18-Aug**	**-1 mth**	**Chg (%)**
UK Pound	0.739	0.743	0.59
Euro	0.864	0.874	1.20
Japanese Yen	159.6	162.4	1.75
Chinese RMB	6.744	6.776	0.47
Indonesia Rupiah	17,857	17,895	0.21
Capital Mkt	**18-Aug**	**-1 mth**	**Chg (%)**
JCI	6,449.8	6,175.5	4.44
DJIA	53,343.4	52,146.4	2.30
FTSE	10,728.0	10,600.4	1.20
Nikkei 225	67,460.7	64,141.1	5.18
Hang Seng	25,471.2	24,562.2	3.70
Foreign portfolio ownership (Rp Tn)	**Jul**	**Jun**	**Chg (Rp Tn)**
Stock	2,805.0	2,573.5	231.50
Govt. Bond	892.0	885.7	6.39
Corp. Bond	5.6	5.7	-0.08

Trade & Commodities	18-Aug	-1 mth	Chg (%)
Baltic Dry Index	2,815.0	2,752.0	2.3
S&P GSCI Index	699.1	673.9	3.7
Oil (Brent, $/brl)	91.0	88.1	3.3
Coal ($/MT)	134.3	134.8	-0.4
Gas ($/MMBtu)	2.83	2.77	1.9
Gold ($/oz.)	4,334.5	4,017.4	7.9
Copper ($/MT)	14,234.5	13,500.9	5.4
Nickel ($/MT)	16,554.1	16,766.9	-1.3
CPO ($/MT)	1,120.2	1,097.3	2.1
Rubber ($/kg)	2.25	2.17	3.7
External Sector	**Jun**	**May**	**Chg (%)**
Export ($ bn)	25.46	23.20	9.72
Import ($ bn)	25.91	24.81	4.41
Trade bal. ($ bn)	-0.45	-1.61	-72.02
Central bank reserves ($ bn)*	145.6	144.9	0.48
Prompt Indicators	**Jul**	**Jun**	**May**
Consumer confidence index (CCI)	116.8	117.8	120.9
Car sales (%YoY)	33.3	33.0	14.0
Motorcycle sales (%YoY)	8.3	1.1	-5.1
Manufacturing PMI	**Jul**	**Jun**	**Chg (bps)**
USA	53.9	53.9	0
Eurozone	51.9	51.4	50
Japan	54.5	54.8	-30
China	50.9	51.7	-80
Korea	53.1	52.1	100
Indonesia	50.2	46.9	330

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	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	6.00
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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