

BI Policy:

Pushing to stay in goldilocks

22 October 2026

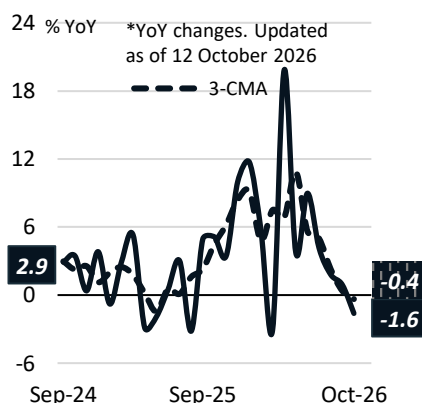
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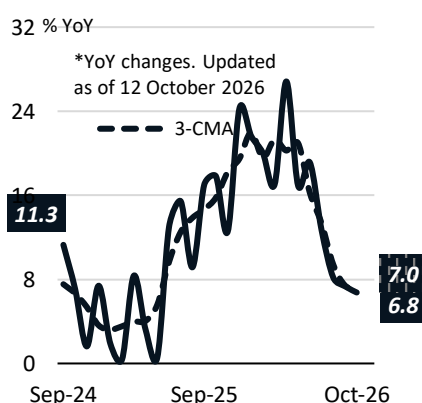
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BCA Consumer Spending Index*



BCA Business Transaction Index*



- **Bank Indonesia (BI) held the BI-rate at 5.75%** at their Oct-26 meeting, out of left field for the market majority. This marked the fourth consecutive month of interest rate holds, contrary to what other indicators suggest: global rates are higher, Rupiah continues to depreciate, and domestic credit growth is still solid (13.26% YoY in Sep'26).

- Perhaps **the first rationale is the MSCI shock earlier this week**. As interest rate hikes can negatively impact business and, by extension, stock index performance, BI decided to hold its rates, albeit at the expense of the IDR. The exchange rate briefly weakened by 20-30 points to 18,000 in yesterday's trading, in parallel with the BI rate announcement.

- Interestingly, BI continues to double down on its efforts to boost the real sector by **gradually reducing the reserve requirement (GWM) to 7% for conventional banks and 5.5% for sharia banks**, potentially adding IDR 190 Tn to liquidity according to BI itself. This accommodative policy is coupled with an adjustment of the Macroprudential Liquidity Incentive Policy (KLM) to 5%, comprising 3% for the financing channel and 2% for the money market.

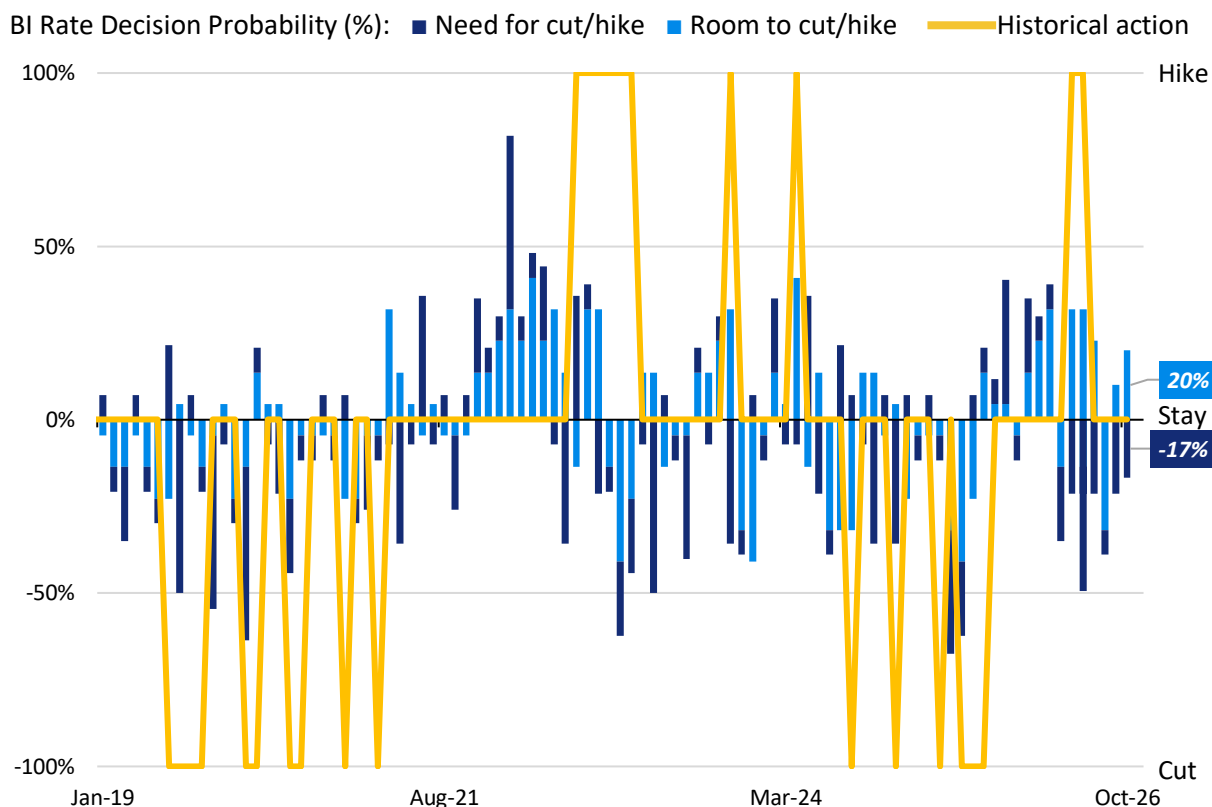
- Unleashing the big gun now carries the risk of depreciation and inflation, which are currently already on a relatively risky trend. This might be the reason why BI issued a third decision: **Increasing the Deposit Facility (DF) rate by 25 bps to 5%**. Because liquidity injection can push down IndONIA rates, which are currently at 4.99%, the increase in the DF rate seems to guarantee that the injected liquidity will not be left too loose and for too long. There will be liquidity absorption that keeps IndONIA rates in a higher corridor or at least not lower than the DF rate.

- So the question is, why the need for a roundabout policy first if we are going to end up at the same point? The answer might lie in momentum. **There is a need to maintain a pro-growth stance in the short term, while ensuring a pro-stability stance serves as**

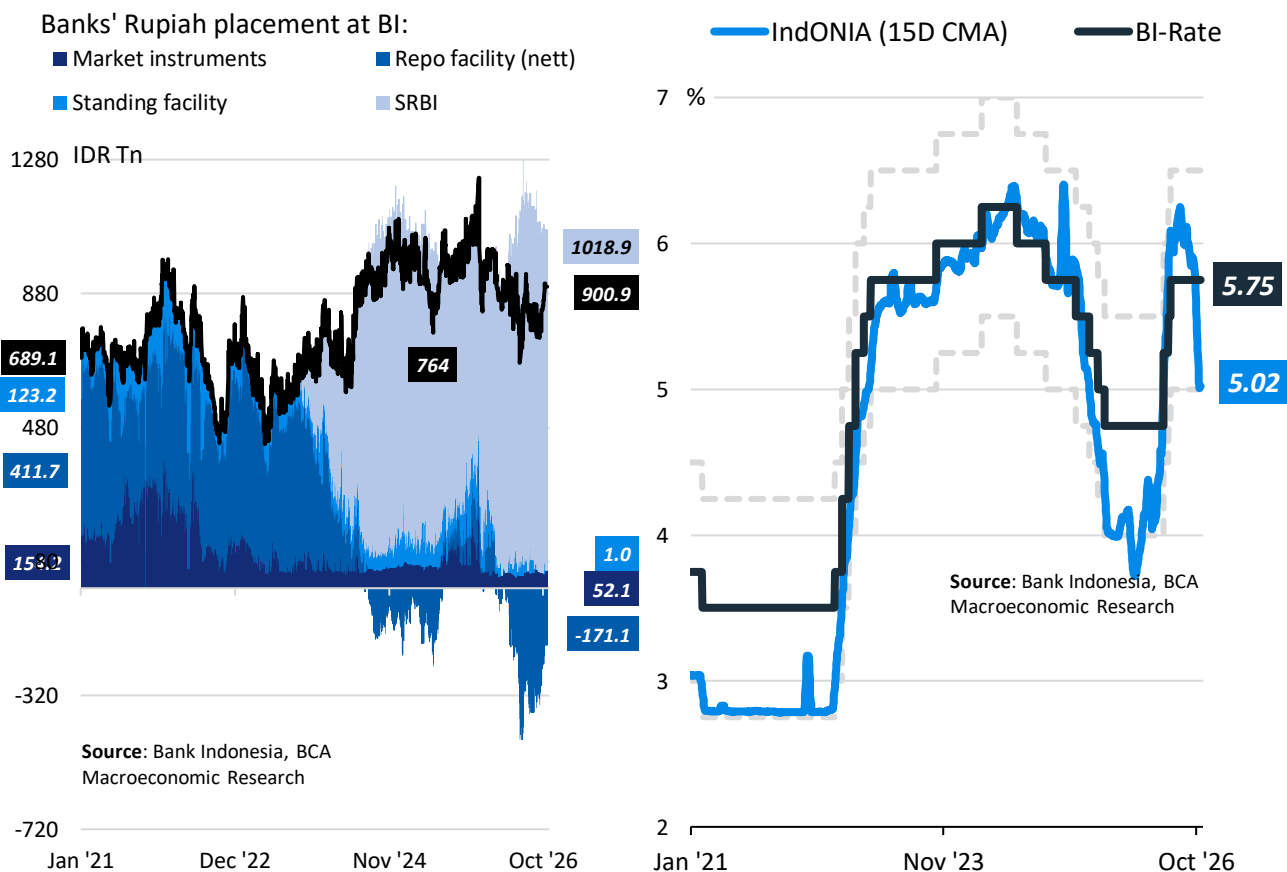
a guideline in the longer term.

- Of course, choosing to stay at the same point means relatively going against the global rate hike wave. To mitigate this outflow risk, BI also increased incentives for DNDF (Domestic Non-Deliverable Forward) transactions, specifically for 6 and 12-month tenors, to 40% and 45% respectively. However, if inflationary and exchange rate pressures intensify, **there is still a possibility that BI will have to raise interest rates one more time before the end of this year.**

1 The BI-rate was kept unchanged at 5.75% despite market expectations



2 Robust liquidity injections could push IndONIA lower, Deposit Facility rate raised by 25bps

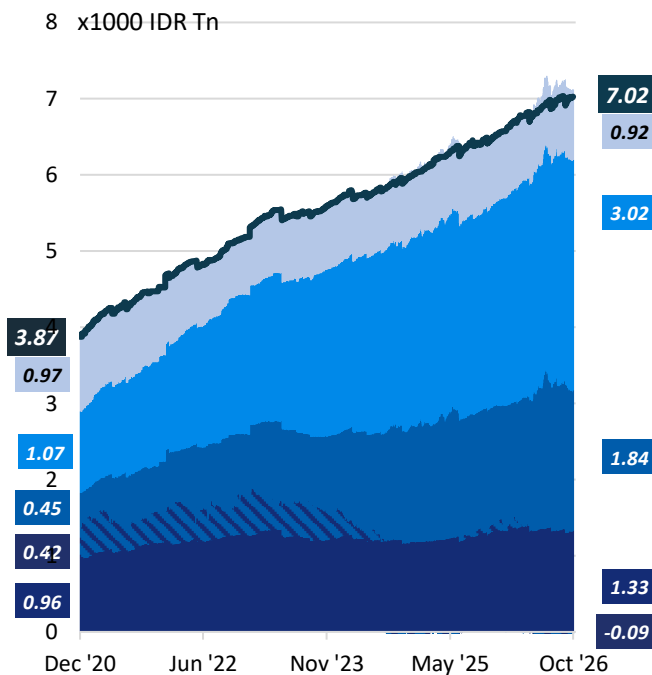


3 Indonesia's yield curve rises, reflecting domestic risks amidst uncertainty

Ownership of marketable SBNs:

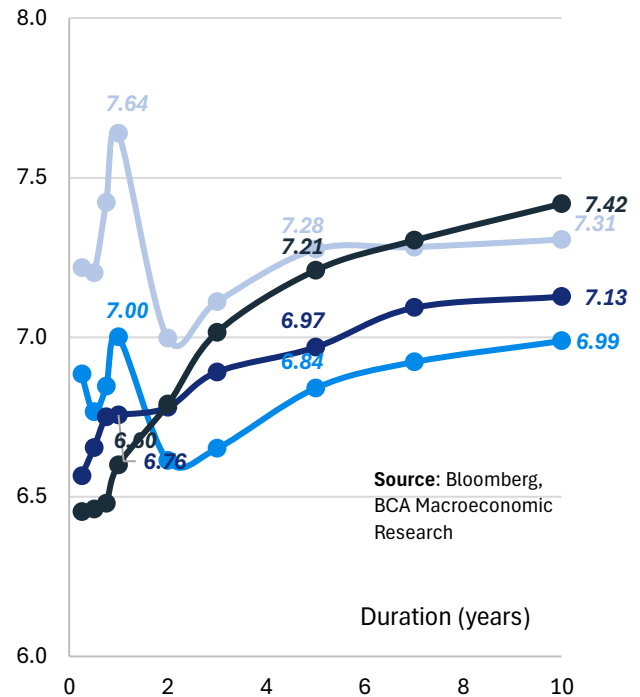
- Foreign
- Domestic non-banks
- BI
- SBN in monetary operations
- Banks

Source: DJPPR



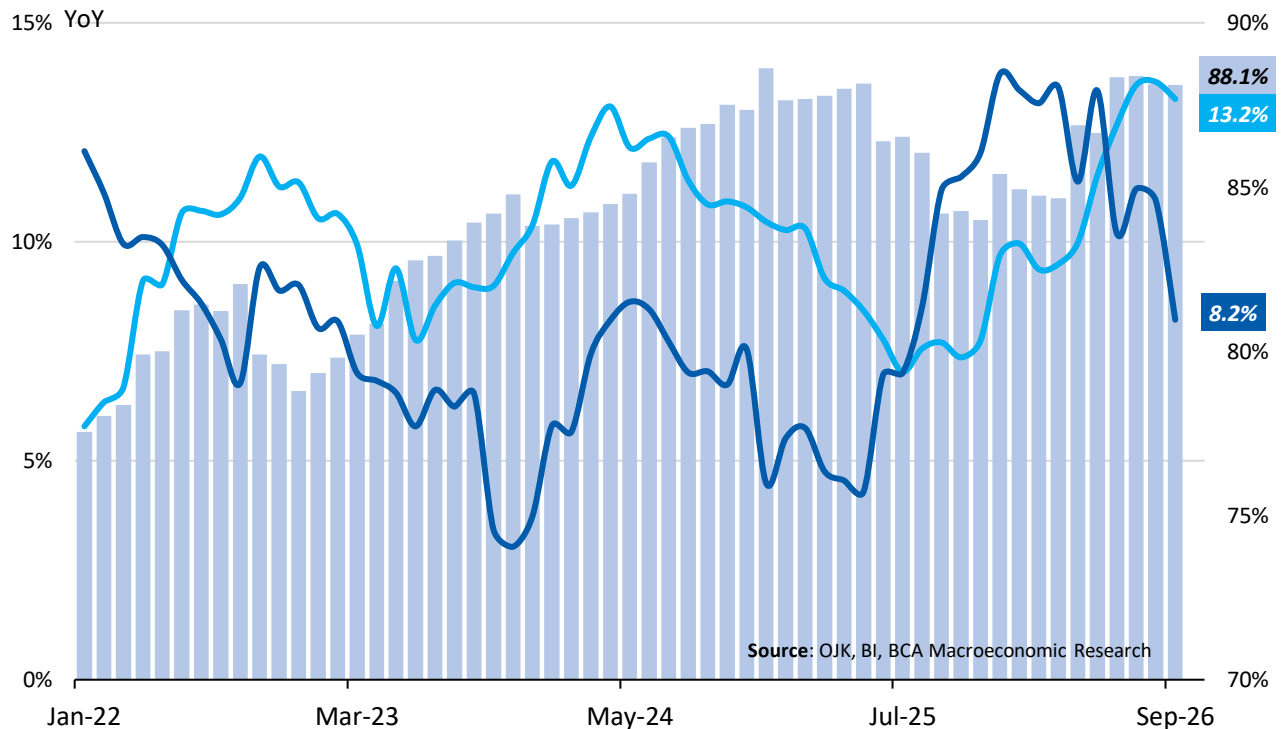
Indonesia yield curve:

- Jul-26
- Aug-26
- Sep-26
- Current

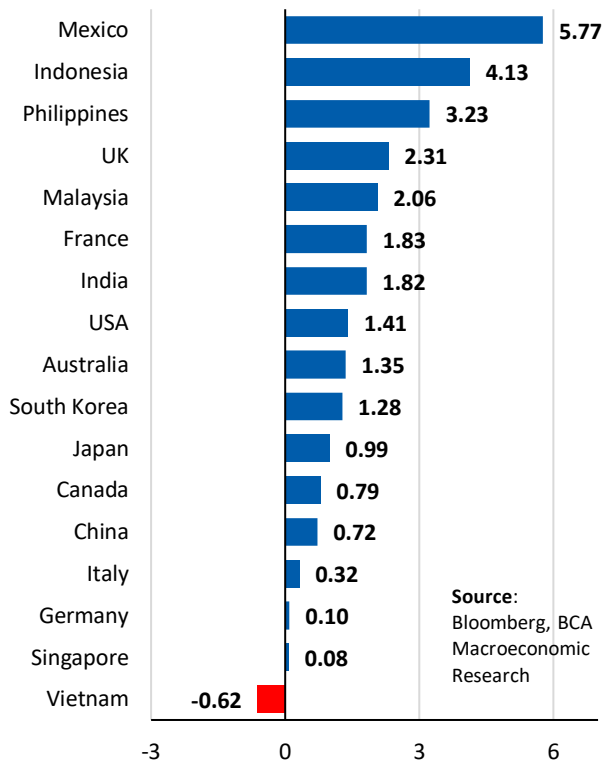


4 Credit growth remained robust, meanwhile deposit growth is slowing down

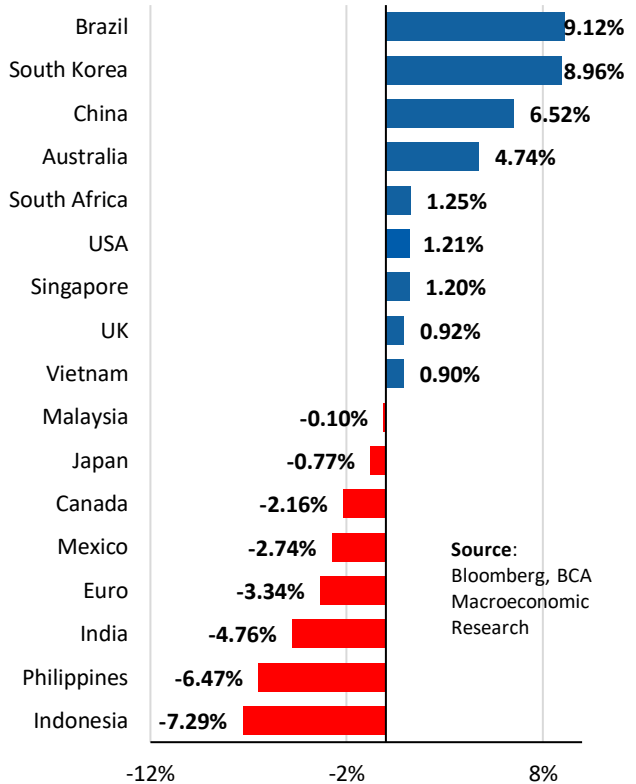
- Loan to deposit ratio (LDR) - rhs
- Loan growth
- Deposit growth



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 (%)	Trade & Commodities	21-Oct	-1 mth	Chg (%)
US	4.00	Sep-26	0.30	Baltic Dry Index	2,680.0	3,370.0	-20.5
UK	3.75	Dec-25	0.25	S&P GSCI Index	743.2	749.2	-0.8
EU	2.65	Sep-26	-1.15	Oil (Brent, \$/bbl)	108.8	103.9	4.8
Japan	1.25	Sep-26	-0.65	Coal (\$/MT)	152.5	146.1	4.4
China (lending)	2.00	Sep-24	3.45	Gas (\$/MMBtu)	3.03	2.99	1.5
Korea	3.00	Aug-26	0.10	Gold (\$/oz.)	4,140.7	4,378.6	-5.4
India	5.50	Oct-26	-0.04	Copper (\$/MT)	14,472.3	14,543.1	-0.5
Indonesia	5.75	Jun-26	2.47	Nickel (\$/MT)	16,036.6	16,024.5	0.1
Money Mkt Rates	21-Oct	-1 mth	Chg (bps)	CPO (\$/MT)	1,090.6	1,135.4	-3.9
SPN (1Y)	6.03	6.71	-68.0	Rubber (\$/kg)	2.54	2.39	6.3
SUN (10Y)	7.39	7.10	29.3	External Sector	Aug	Jul	Chg (%)
INDONIA (O/N, Rp)	5.09	5.73	-64.5	Export (\$ bn)	26.61	26.22	1.51
JIBOR 1M (Rp)	5.03	5.03	0.0	Import (\$ bn)	23.06	26.09	-11.63
Bank Rates (Rp)	Aug	Jul	Chg (bps)	Trade bal. (\$ bn)	3.55	0.12	2,814.03
Lending (WC)	8.17	8.14	3.00	Central bank reserves (\$ bn)*	146.5	145.3	0.80
Deposit 1M	5.45	5.35	10.00	Prompt Indicators	Sep	Aug	Jul
Savings	0.75	0.68	7.00	Consumer confidence index (CCI)	118.1	118.5	116.8
Currency/USD	21-Oct	-1 mth	Chg (%)	Car sales (%YoY)	28.1	32.4	33.3
UK Pound	0.747	0.747	-0.01	Motorcycle sales (%YoY)	15.4	3.2	8.3
Euro	0.890	0.871	-2.21	Manufacturing PMI	Sep	Aug	Chg (bps)
Japanese Yen	158.1	156.9	-0.80	USA	55.9	53.9	200
Chinese RMB	6.676	6.698	0.33	Eurozone	52.9	52.7	20
Indonesia Rupiah	18,005	17,742	-1.46	Japan	54.1	54.9	-80
Capital Mkt	21-Oct	-1 mth	Chg (%)	China	52.1	51.5	60
JCI	5,328.4	6,441.2	-17.28	Korea	53.9	52.3	160
DJIA	52,856.1	51,682.6	2.27	Indonesia	52.4	49.8	260
FTSE	10,752.9	10,659.1	0.88				
Nikkei 225	64,621.2	65,019.0	-0.61				
Hang Seng	23,651.9	24,750.8	-4.44				
Foreign portfolio ownership (Rp Tn)	Sep	Aug	Chg (Rp Tn)				
Stock	2,723.2	2,949.5	-226.26				
Govt. Bond	907.5	907.8	-0.34				
Corp. Bond	4.3	4.8	-0.53				

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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