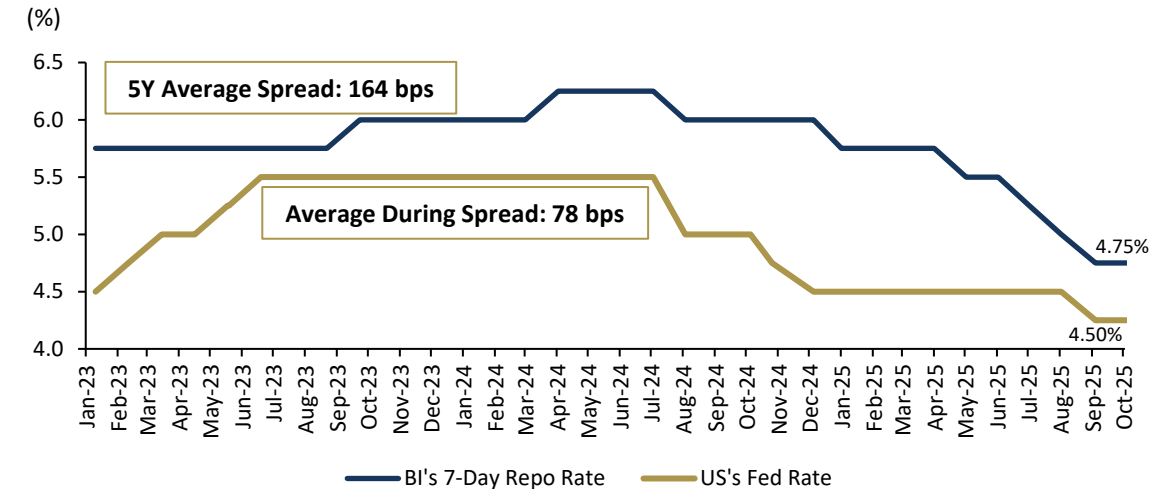


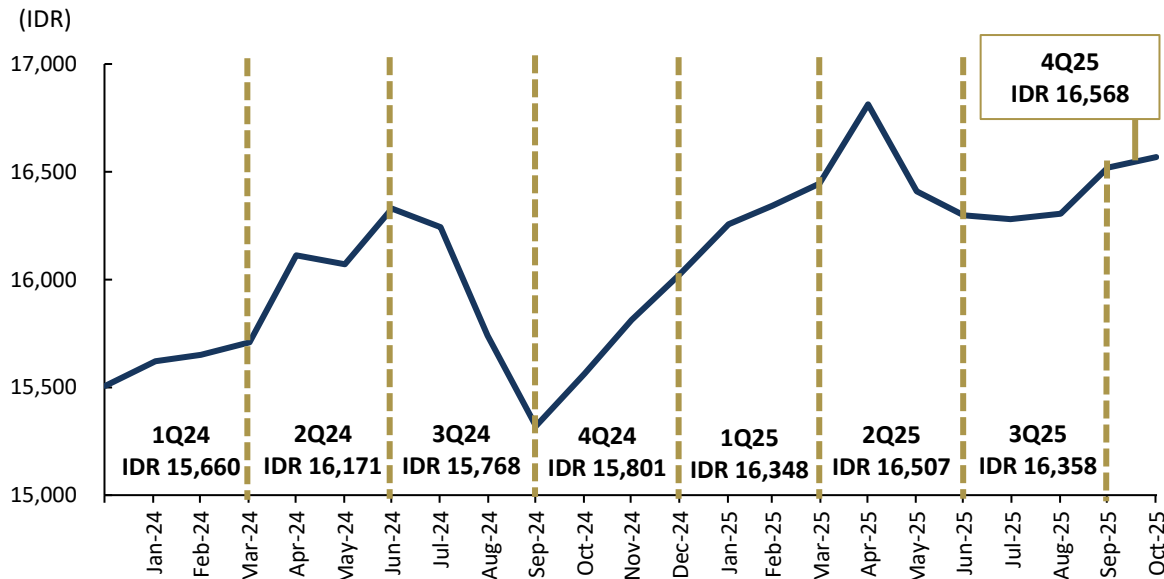
BI's 7-Day Repo Rate: 22 October 2025

- Bank Indonesia (BI) held its benchmark 7-Day Reverse Repo Rate unchanged at 4.75% in October 2025, defying market expectation of a 25 bps cut following September's reduction. The policy rate thus remains at its lowest level since October 2022, marking a cumulative 150 bps easing since September 2024. The decision underscores BI's preference for maintaining IDR strength, despite current challenges in economic growth, exacerbated by slowdown in other regions such as China. The outcome was in line with Samuel Sekuritas Indonesia's (SSI) expectation for a temporary pause to safeguard currency and price stability.
- The unexpected hold helped temper short-term depreciation pressure and eased the need for large-scale FX interventions, particularly through spot and DNDF markets. Portfolio flows into IDR-denominated bonds should stabilize as investors recalibrate expectations on future cuts. The bond curve, particularly in the belly tenors (5–10 years), will benefit from strong carry and roll-down potential, while long-end yields may find support from BI's inflation credibility and the government's prudent fiscal stance.
- For equities, the implications are mixed. The pause supports NIMs for banks, particularly those with strong CASAs, while delaying deeper funding cost relief for borrowers. Sectors tied to domestic consumption and infrastructure investment should benefit from stable rates and controlled inflation, though earnings upside will still hinge on real income growth and effective credit transmission. Defensive sectors: staples and utilities should maintain earnings stability under BI's inflation control narrative.
- In the near term, SSI expects BI to stay on hold, monitoring global yield trends, oil prices, and domestic inflation trajectory before resuming gradual easing cycle in 2026. If global financial conditions ease and inflation drifts toward the lower half of the target band, BI could deliver additional measured cuts without jeopardizing FX stability. In bonds, the rate outlook implies shallow and slower easing path, leading to potential bull-flattening of the yield curve as inflation remains benign. In FX markets, IDR should be range-bound, supported by modest real yield advantage and continued fiscal and monetary policy coordination.
- Overall, BI's October decision reinforces a narrative of measured prudence—one that aligns with SSI's base case of retaining stability first while preserving room to nurture growth. The balance between credibility and flexibility remains BI's key strength as Indonesia continues to navigate a fluid global landscape heading into 2026.

Fed Rate vs BI's Rate



Quarterly USD/IDR Rate 1Q24 – 4Q25 MTD



Monthly FX Reserves

