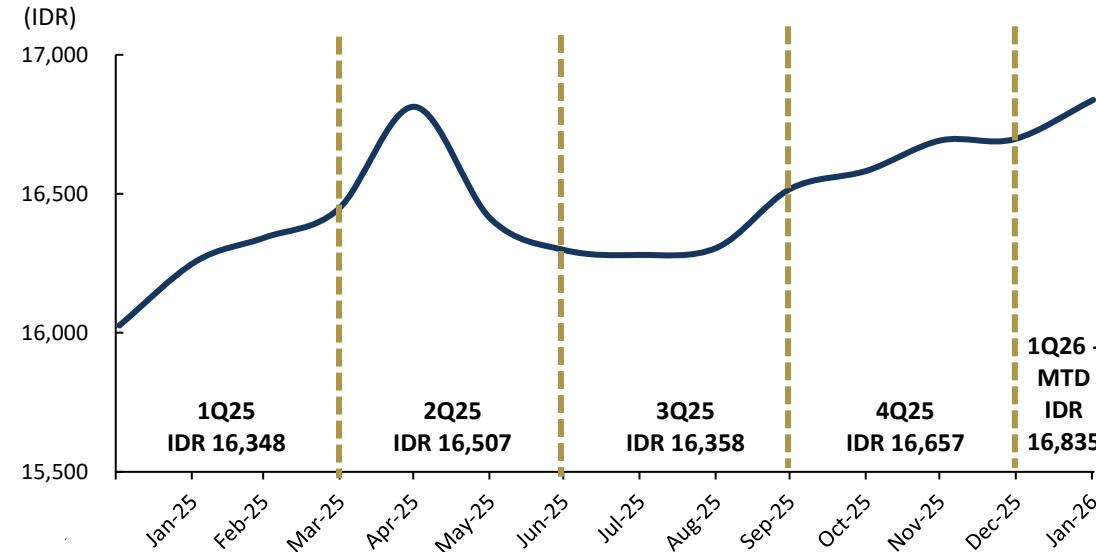


BI's 7-Day Repo Rate: 21 January 2026

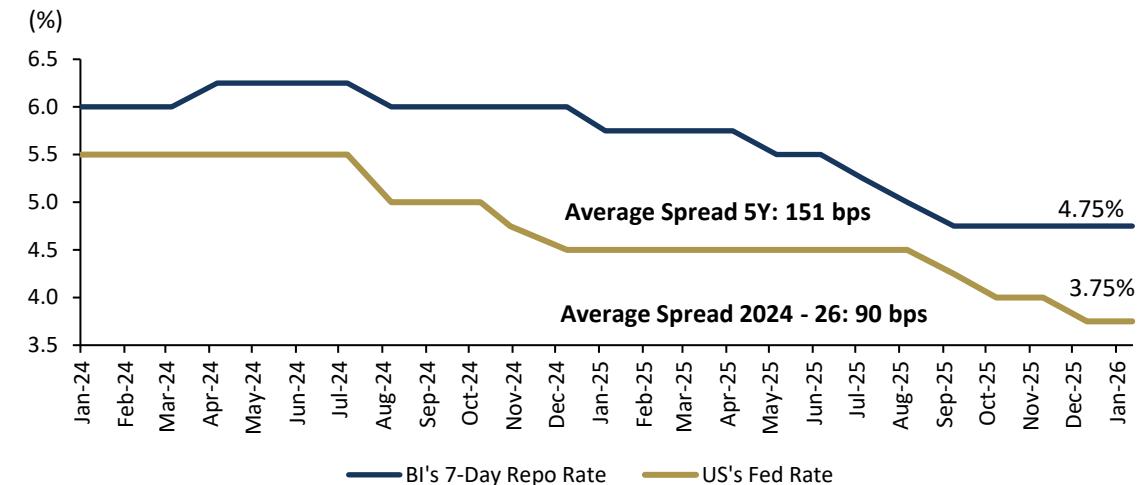
- Inline with SSI and consensus' estimate, Bank Indonesia (BI) kept its benchmark 7-day reverse repo rate unchanged at 4.75% at the Jan-26 policy meeting, marking a fourth consecutive hold (following cumulative cuts of 150 bps since Sep-24, lowest since Oct-22) despite emerging signs of softer growth momentum.
- The pause is best viewed through the lens of the IDR. Our local currency has depreciated 1.5% YTD, the worst in the region, pressuring BI's recent decision on rates. BI appears intent on preventing a feedback loop from FX weakness into imported inflation, portfolio outflows, and broader financial volatility. In short, preserving stability is the dominant objective, especially when local and global environments are highly sensitive to yield differentials and risk sentiment. That said, BI appears to acknowledge marginal benefit of further cuts may be limited unless financial conditions, especially FX stability, improve materially. This is consistent with BI's preference to also utilize macroprudential and liquidity tools rather than rely solely on rate cuts.
- From SSI's perspective, the January hold is a logical continuation of BI's current sequencing: defend stability first, then resume easing when conditions permit. The message is clear: BI does not want to force accommodation at the expense of IDR credibility.
- Looking ahead, BI may be forced to cut rates in 2026, particularly if our domestic economic growth requires additional support. However, this will be limited by the degree of imported inflation brought about by IDR depreciation. Thus, BI's easing path will likely be FX-dependent rather than purely driven by domestic data. Our baseline view is that BI will hold in the near term while intensifying stabilization efforts, and resume cuts, but only inline with lower rates in the US depending on who will lead the Fed and whether a more constructive external environment will materialize.

Quarterly USD/IDR Rate 1Q25 – 1Q26 MTD

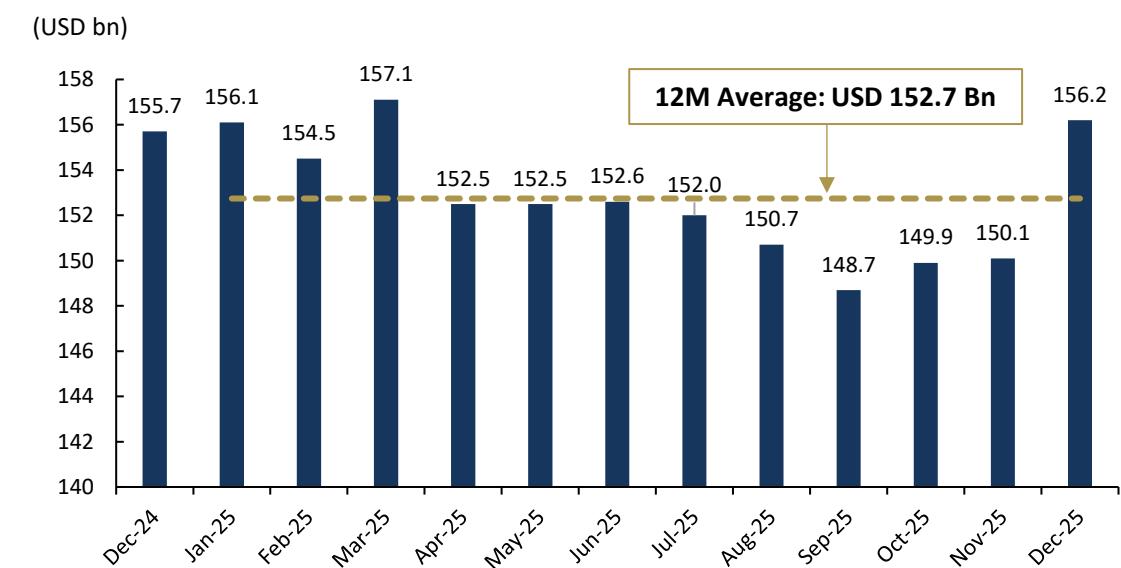


Sources: Bloomberg, Bank Indonesia, SSI Research

Fed Rate vs BI's Rate



Monthly FX Reserves



Macro Strategy Team