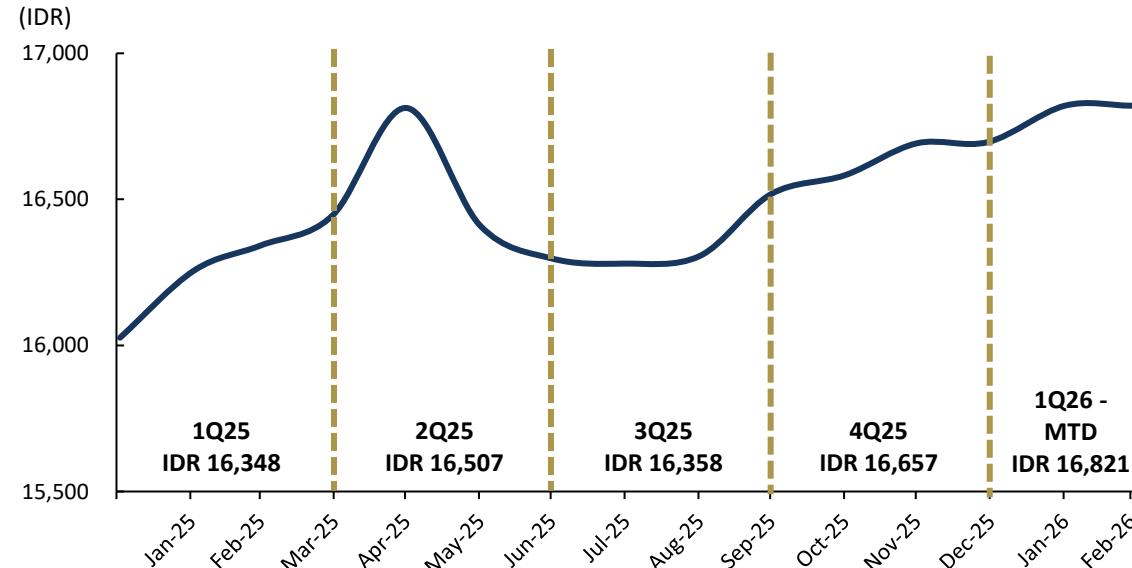


BI's 7-Day Repo Rate: 19 February 2026

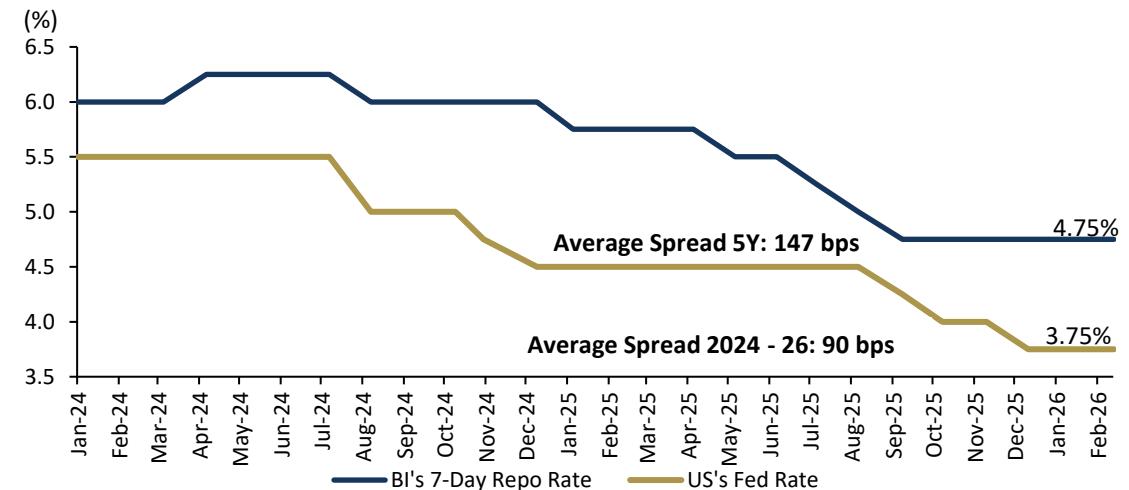
- Considering the recent IDR weakness coupled with rating downgrades, BI kept its benchmark 7-Day Reverse Repo Rate at 4.75% for the fifth consecutive meeting in Feb-26, in line with expectations. The overnight deposit facility remains at 3.75% with the lending facility at 5.50%. The decision reflects BI's prioritization of FX stability and inflation anchoring amid global financial volatility, affected by external sensitivity and capital-flow dynamics.
- The IDR remains near record lows testing the 17k level, pressured by elevated global yields and cautious sentiment. Markets are also watching potential review actions by MSCI and Moody's, raising classification and sovereign outlook concerns. That said, investors want stronger policy coherence and institutional credibility, and BI's hold signals a defensive but calibrated stance, limiting IDR volatility from spilling into financial instability.
- Inflation also supports caution. Headline CPI rose to 3.55% YoY in Jan-26, the highest since May-23 and slightly above BI's 2.5% ±1% band. The uptick looks driven by administered prices and base effects, but it still narrows near-term easing room, particularly given recent CNY festivities and Ramadan. However, BI maintains inflation will return within target in 2026-27, reflecting confidence in anchored expectations and manageable core pressures. Still, further IDR depreciation could revive imported inflation risks, especially via energy and tradables.
- On GDP growth, BI kept forecasts at 4.9%–5.7% in 2026, implying demand and investment remain supportive. However, the midpoint suggests modest growth rather than acceleration, reinforcing constrained easing environment. Instead of rate cuts, BI likely leans on liquidity operations, macroprudential tools, and targeted measures, while preserving rate differentials to protect currency stability.
- For Indonesia markets, BI's interest rate hold reinforces higher-for-longer domestic yield backdrop amid elevated global risk appetite, which requires more stable local currency, but a sustained rally needs clearer capital-flow visibility and reform narratives in the form of rating or index clarity.

Quarterly USD/IDR Rate 1Q25 – 1Q26 MTD

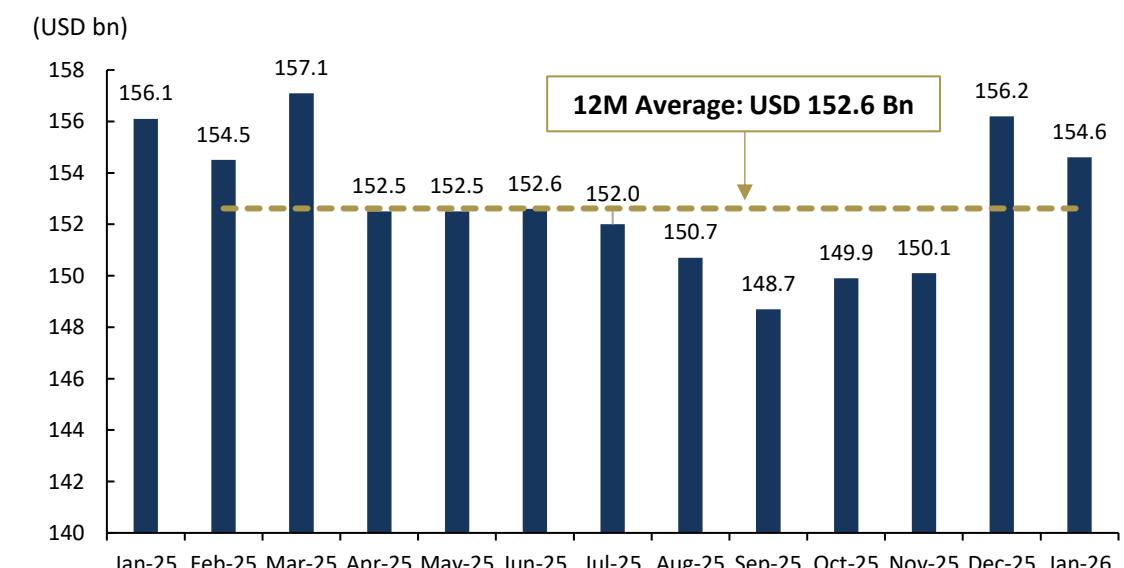


Sources: Bloomberg, Bank Indonesia, SSI Research

Fed Rate vs BI's Rate



Monthly FX Reserves



Macro Strategy Team