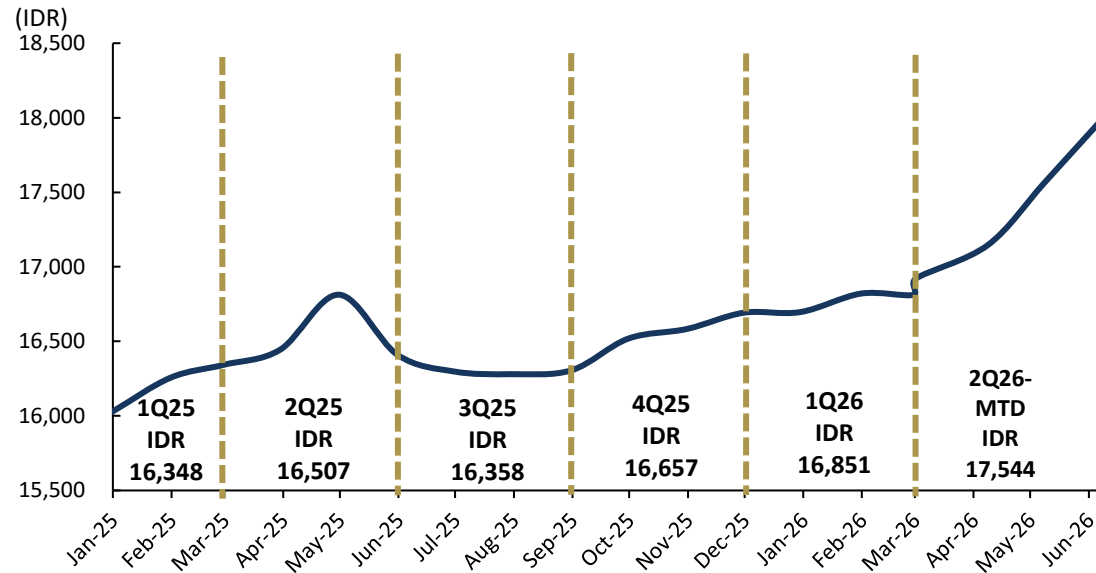


BI's 7-Day Repo Rate: 18 June 2026

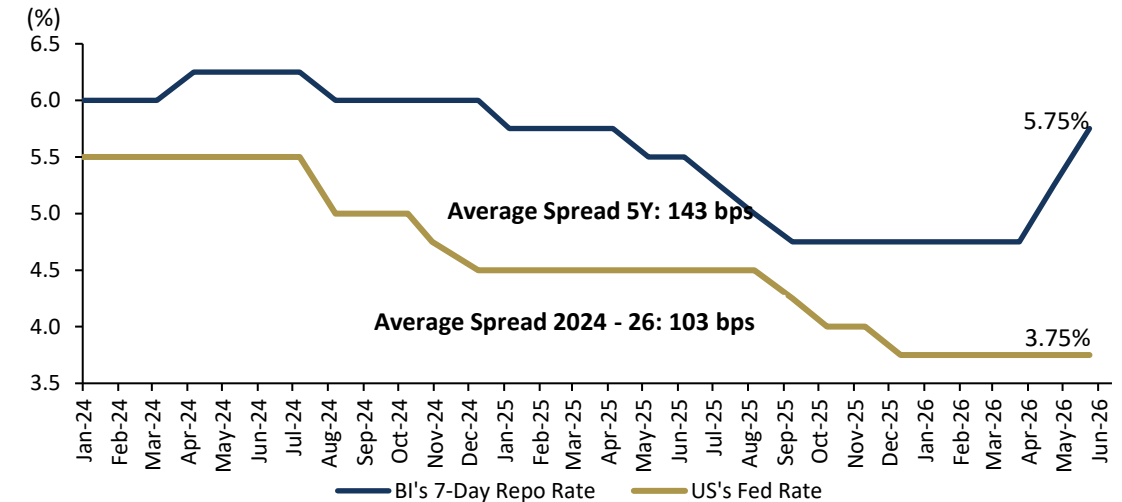
- With 18 Jun-26 BOG meeting's 25bps hike in its benchmark 7-Day Reverse Repo Rate to 5.75%, cumulative tightening, including the surprise 25bps off-cycle hike on 9 Jun-26, has reached 100bps (highest since Apr-25). The decision was in line with SSI's expectation and reflects BI's continued commitment to safeguard macroeconomic stability amid persistent uncertainties, elevated inflation pressures, and FX volatility.
- The policy move comes as inflation accelerated from 2.42% in April to 3.08% YoY in May, moving closer to the upper bound of BI's 1.5%-3.5% target range, particularly given recent increases in food prices, transportation costs, and imported inflation risks from weaker currency have warranted greater caution in monetary stance. At the same time, global uncertainties remain elevated amid geopolitical tensions and a more hawkish Federal Reserve outlook, increasing the importance of maintaining attractive real yields in Indonesia's financial markets.
- While BI maintains its 2026 economic growth forecast at 4.9%-5.7%, market consensus has further revised down to 5.1%, reflecting tighter monetary conditions and higher borrowing costs, adversely impacting credit growth and margins for interest-sensitive companies. However, policymakers appear to judge that the benefits of macroeconomic stability outweigh the near-term costs to growth.
- From a currency perspective, the tightening cycle appears to have provided the IDR with some support, as the local currency appreciated to Rp17,730 per USD on 17 Jun-26, strengthening by approximately 0.76% from end-May levels. Higher domestic yields should also support inflows into government bonds and other IDR-denominated assets, helping to reduce pressure on the external balance and FX reserves. However, we note that the IDR has remained as the weakest currency in the region YTD. Thus, on the back of minimal IDR appreciation, we believe more interest rate hikes from BI will occur, particularly on the upward trajectory of US monetary policy.

Quarterly USD/IDR Rate 1Q25 – 2Q26 MTD

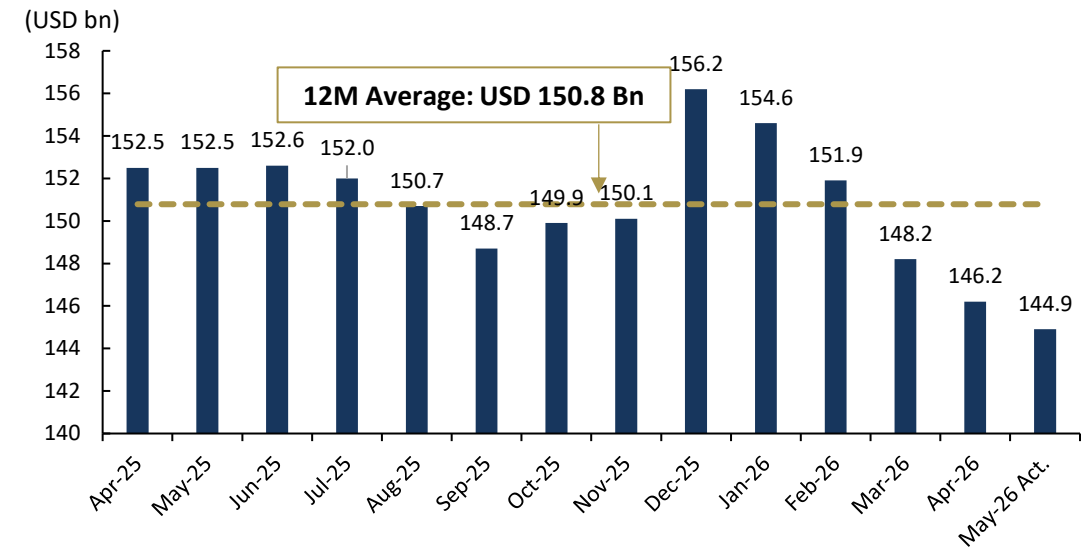


Sources: Bloomberg, Bank Indonesia, SSI Research

Fed Rate vs BI's Rate



Monthly FX Reserves



Macro Strategy Team