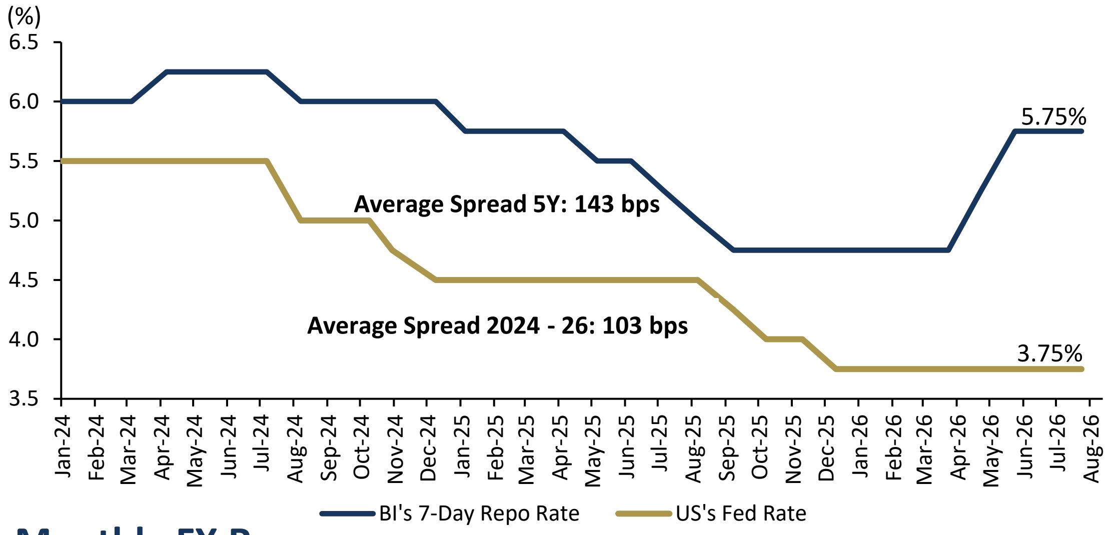
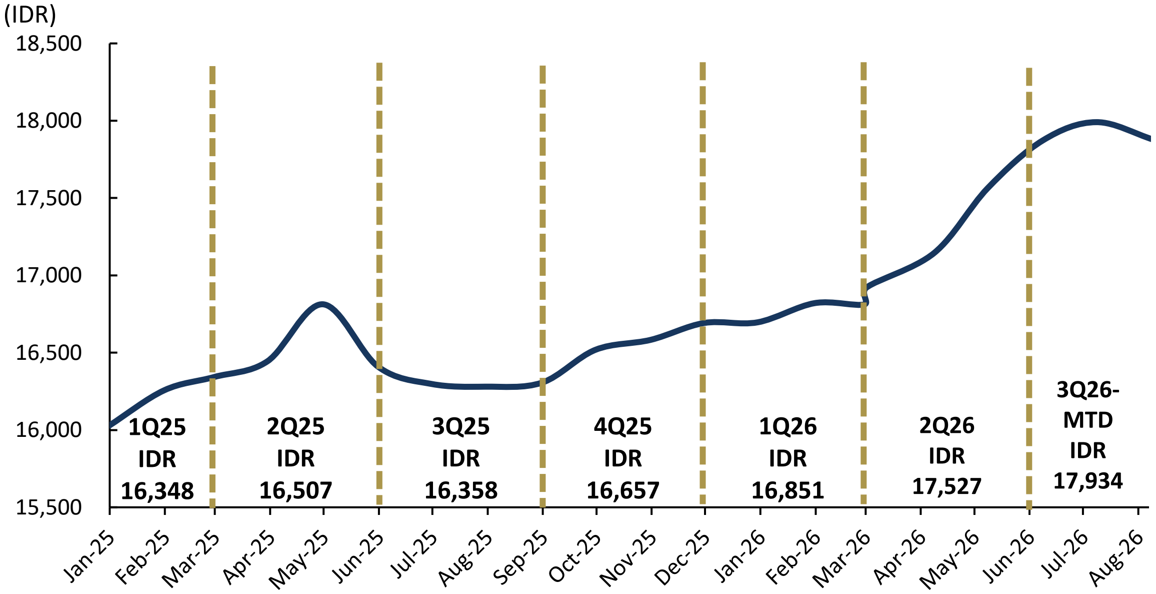
Bank Indonesia's 7-Day Reverse Repo Rate: 19 August 2026

- Relying on a cautious hold amid slower 2Q26 GDP growth of 5.29%, Bank Indonesia kept its BI-Rate at 5.75% in Aug-26, in line with SSI's forecast, marking the second consecutive monthly hold following the cumulative 100-bps tightening since May. Persistent external pressures and continued weak IDR near IDR17,900/USD left little room for near-term easing. Thus, risks from IDR volatility and tighter global financial conditions continue to outweigh the need for additional support to domestic growth.
- From a domestic perspective, CPI has cooled with headline inflation having eased to 2.88% YoY in July from 3.34% in June. Meanwhile, GDP growth moderated to 5.29% YoY in Q2 2026 from 5.61% in Q1. While activity remains relatively resilient, the slowdown suggests that further monetary tightening could increasingly weigh on consumption and investment.
- External and internal stability remains the main risks to outlook. Although the IDR strengthened by a slight 0.78% from end-July to around IDR 17,855/USD on August 18 and foreign portfolio investment recorded net inflow of USD1.8bn in Q3 through August 14, we believe these improvements remain fragile. Elevated geopolitical risks, higher commodity prices, and the possibility of tighter US monetary policy in Q4-26 could quickly reverse capital flows and renew IDR depreciation.
- The recent leadership transition at BI also introduces an additional layer of uncertainty. Following Perry Warjiyo's resignation and Destry Damayanti's appointment as acting governor, markets are likely to closely monitor policy continuity, BI independence, and communication credibility. While Destry's internal appointment should reduce near-term disruption, any perception of a shift toward a more growth-oriented policy stance could increase the risk premium on Indonesian assets.
- Looking ahead, we expect BI to remain flexible in determining policy rate in the near term, particularly with the central bank expecting a Fed rate hike in Q4 this year. That said, risks are still moderately tilted toward further tightening rather than an early rate cut. Softer inflation provides room to remain patient, but IDR stability, foreign portfolio flows, oil prices, and the Fed's policy trajectory will remain key determinants. Renewed deterioration in global risk sentiment or another sharp IDR depreciation could force BI to tighten further, while rate cuts are unlikely until there is clearer evidence of sustained currency stability and more supportive global monetary environment.

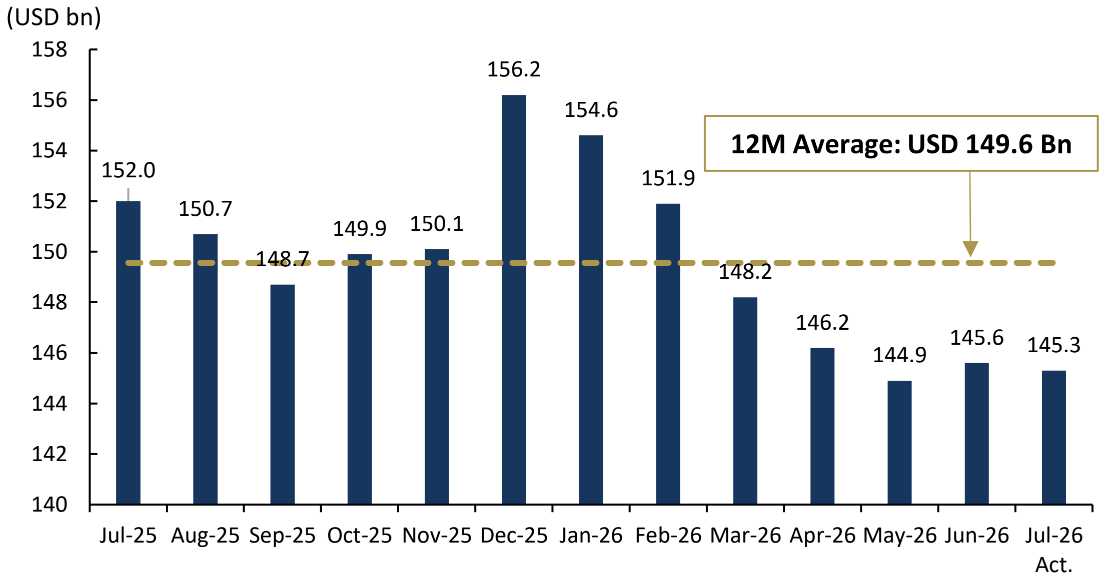
Fed Rate vs BI's Rate



Quarterly USD/IDR Rate 1Q25 – 3Q26 MTD



Monthly FX Reserves



Sources: Bloomberg, Bank Indonesia, SSI Research

Macro Strategy Team