Economic Update

10 June 2026 | BI-Rate

Economic data	Jun-25	Dec-25	Jun-26
Spot Rate	16.280	16.883	18.060
Foreign reserve (USD bn)	152,0	148,2	144,9
Inflation (% YoY)	1,87	4,76	3,08
Core inflation (%YoY)	2,37	2,63	2,59
Export growth (%YoY)	11,29	1,01	21,98
Import growth (%YoY)	4,28	10,85	22,49
Trade balance (USD mn)	4.104	1273	89
PMI Manufacturing	46,9	53,8	50
Consumer confidence	117,8	125,2	123
Car sales (unit)	57.800	81250	80.776

Rate information	Jun-25	Dec-25	Jun-26
BI-7 Day Repo Rate (%)	6,00	4,75	4,75
2Y Gov't yield (%)	6,17	5,12	6,96
5Y Gov't yield (%)	6,41	5,96	6,95
10Y Gov't yield (%)	6,76	6,61	6,88
30Y Gov't yield (%)	7,04	6,80	7,02
CDS	77,98	83,86	89,59
1M Deposit rate (%)	4,00	3,56	3,73

Source: Bloomberg

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Emergency Rate Hike

Rupiah pressure forces BI into front-loaded and reactive tightening

Bank Indonesia (BI) accelerated its tightening cycle with a further 25 bps hike to 5.50% at the 9 June 2026 RDG, coming shortly after the outsized 50 bps increase in May, effectively compressing what would typically be a gradual hiking cycle into a short, front-loaded adjustment phase. This sequencing highlights a reactive policy posture, driven less by domestic overheating and more by acute external pressures—namely rupiah depreciation toward ~18,000, persistent portfolio outflows from equities, and elevated global risk aversion linked to Middle East tensions and higher oil prices.

The decision to lift the Deposit Facility to 4.50% and Lending Facility to 6.25% reinforces BI's intent to tighten the entire rate corridor, re-establishing interest rates as the primary signaling tool after a period where FX intervention and liquidity tools dominated. **Importantly, the speed and timing of the move suggest BI is prioritising credibility and currency defense over growth smoothing**, especially as markets begin to question the adequacy of Indonesia's external buffers amid a narrowing trade surplus and rising imported inflation risks.

Policy mix shifts toward yield engineering and liquidity defense

What stands out is not just the rate hike itself, but the breadth of accompanying measures, indicating that BI is effectively engineering the yield structure of rupiah assets to attract foreign inflows. **The increase in SRBI yields across tenors, combined with reduced hedging costs (swap incentives), directly targets foreign investors' carry trade calculus,** making Indonesia more competitive relative to other EMs amid a high-rate global environment. At the same time, the reopening of repo windows and the commitment to keep primary liquidity (M0) growing at double digits reflect BI's attempt to avoid an unintended domestic liquidity squeeze, especially as funding costs rise.

This dual approach—tightening externally while cushioning domestically—suggests BI is walking a fine line between defending the rupiah and maintaining financial system stability. Market-wise, this has already translated into higher front-end rates, a steeper yield curve, and continued demand for short-dated instruments (SRBI & govies, while the long end remains under pressure due to elevated risk premia and uncertainty over fiscal and external dynamics.

Market signals point to rising external fragility and further tightening risk

The macro backdrop increasingly points to rising external fragility, with equity outflows (~USD1.3bn), a near-zero trade surplus, and re-accelerating inflation eroding Indonesia's external buffers, while FX reserves trend lower amid continued intervention. At the same time, inflows are becoming concentrated in short-term instruments like SRBI, signalling defensive, yield-seeking behaviour rather than long-term confidence, making flows more reversible.

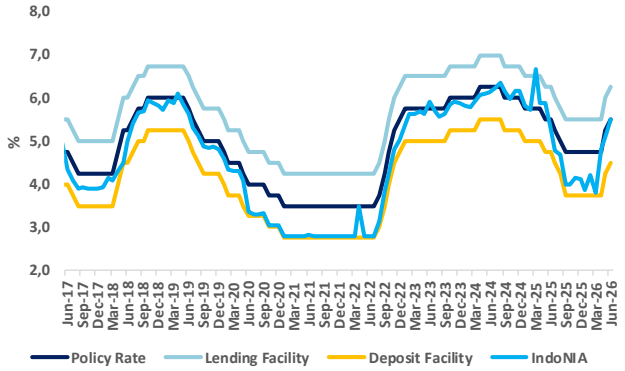
While BI has stabilised near-term FX through higher yields, the underlying vulnerability remains, reinforcing a clear tightening bias. As such, further rate hikes of 25-50 bps remain likely, implying continued pressure on yields, persistent FX volatility, and tighter financial conditions that could weigh on growth into 2H26.

A prolonged hold with tightening risks emerging

External conditions are increasingly driving Indonesia's macro outlook, with fragile capital flows, a near-zero trade surplus, and rising inflation weakening the country's external buffer and amplifying rupiah sensitivity to global shocks. Foreign flows have become more defensive and short-term, with equity outflows offset mainly by inflows into high-yield instruments like SRBI, suggesting weaker confidence and more reversible positioning.

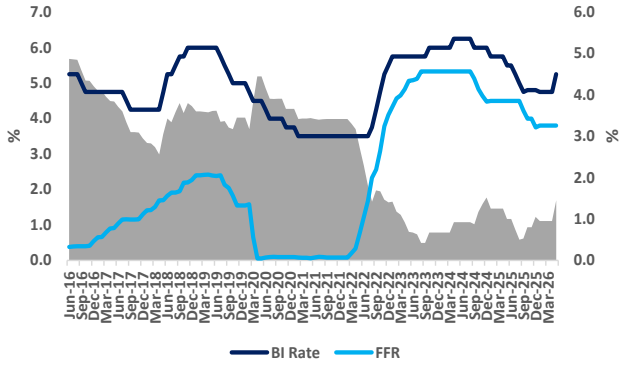
While BI has managed to stabilise near-term FX through higher yields, the underlying dynamics point to persistent external vulnerability, keeping policy firmly biased toward tightening. **As a result, further rate hikes of 25–50 bps remain likely in 2026, as BI prioritises rupiah stability, inflation control, and maintaining attractive yields for foreign investors**, implying continued pressure on rates, FX volatility, and tighter financial conditions ahead.

Exhibit 1. Bank Indonesia' policy rate



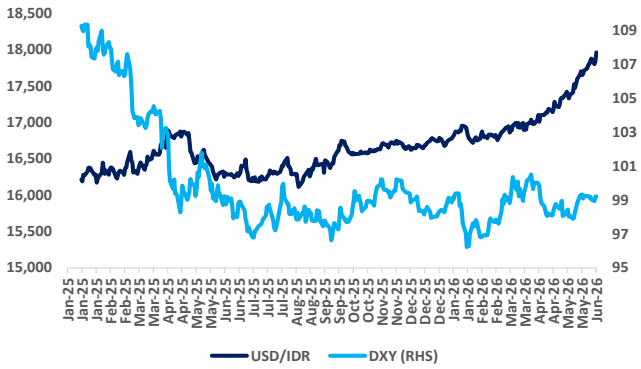
Sources: Bank Indonesia, BCA Sekuritas

Exhibit 2. BI-rate spread with Fed Fund Rate



Sources: Bloomberg, BCA Sekuritas

Exhibit 3. Weakening IDR relative to USD

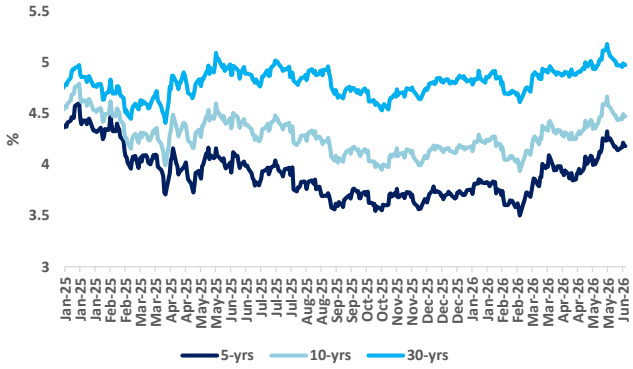


Sources: Bloomberg, BCA Sekuritas

Exhibit 4. Govies yield trend

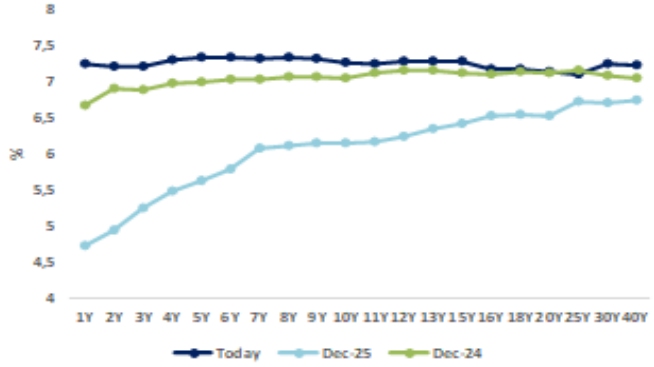
Sources: Bloomberg, BCA Sekuritas

Exhibit 5. UST Yield trend



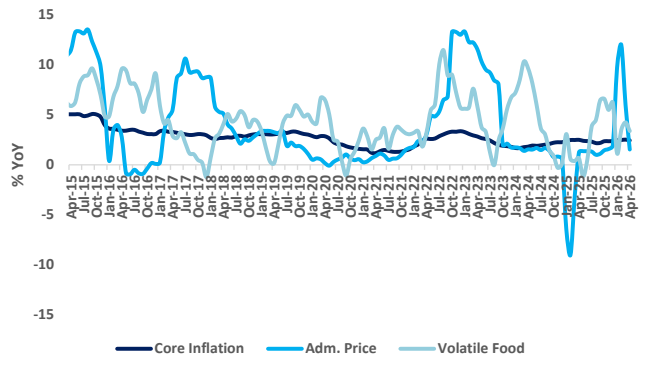
Sources: Bloomberg, BCA Sekuritas

Exhibit 6. Govies yield curve



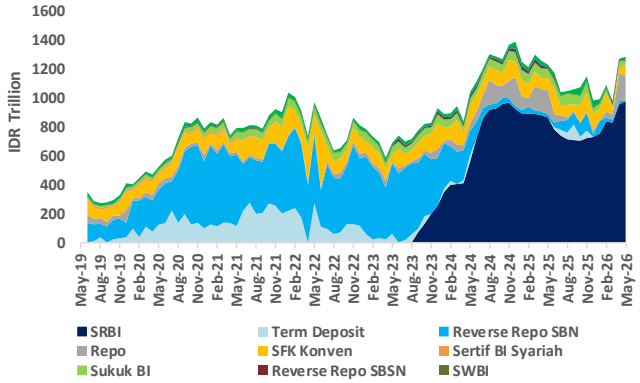
Sources: BPS, BCA Sekuritas

Exhibit 7. Inflation trend YoY



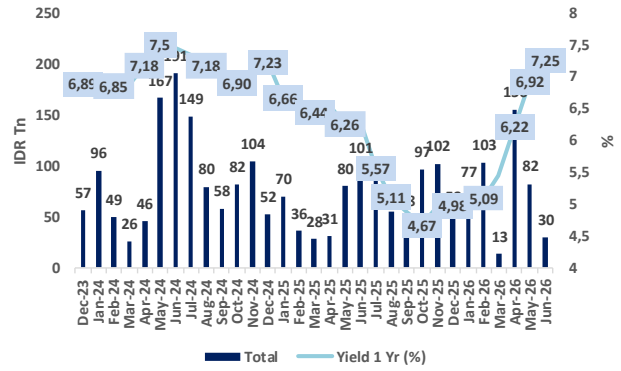
Sources: Bank Indonesia, BCA Sekuritas

Exhibit 8. Monetary Operation of BI



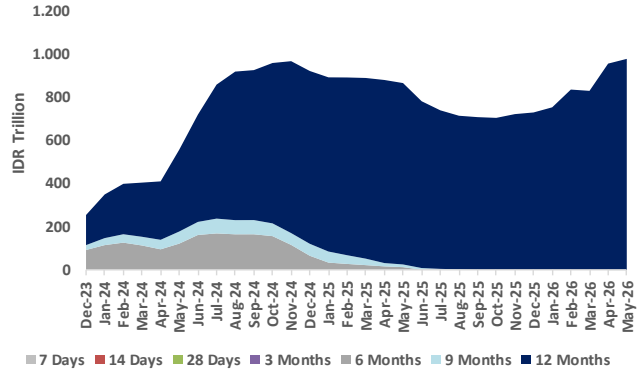
Sources: Bank Indonesia, BCA Sekuritas

Exhibit 7. Issuance of SRBI



Sources: Bank Indonesia, BCA Sekuritas

Exhibit 8. SRBI outstanding has been rising

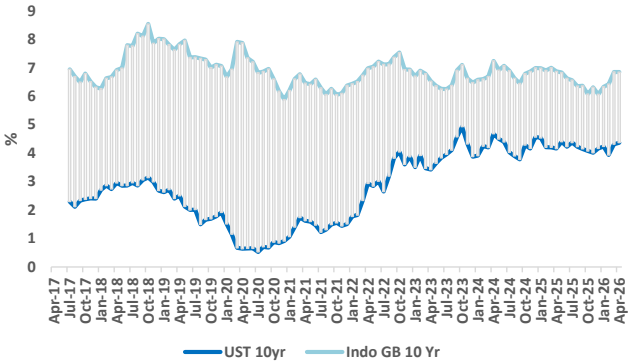


Sources: Bank Indonesia, BCA Sekuritas

Exhibit 11. Indonesia's CDS trend

Sources: Bank Indonesia, BCA Sekuritas

Exhibit 12. IndoGB 10 yrs – UST 10 yrs yield spread



Sources: Bloomberg, BCA Sekuritas

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