Economic Update

11 December 2025 | Fed Fund Rate

Economic data	Dec-24	Nov-25	Dec-25
Spot Rate	16.235	16.716	16.648
Foreign reserve (USD bn)	155,7	149,9	150,1
Inflation (% YoY)	1,57	2,86	2,72
Core inflation (%YoY)	3,3	1,91	2,36
Volatile inflation (%YoY)	2,26	2,36	2,36
Export growth (%YoY)	9,62	11,41	-2,31
Import growth (%YoY)	0,93	7,17	-1,15
Trade balance (USD mn)	4.344	4.344	2.393
PMI Manufacturing	51,2	51,2	53,3
Consumer confidence	127,7	121,2	124
Car sales (unit)	79.806	74.015	74.253

Rate information	Dec-24	Nov-25	Dec-25
BI-7 Day Repo Rate (%)	6,00	4,75	4,75
2Y Gov't yield (%)	6,98	4,83	5,18
5Y Gov't yield (%)	6,58	5,40	5,86
10Y Gov't yield (%)	6,87	6,32	6,32
30Y Gov't yield (%)	7,11	6,76	6,79
CDS	74,49	73,72	73,72
1M Deposit rate (%)	4,02	3,73	3,60

Source:
Bloomberg

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Gradual Easing

Another cut, as expected

The Federal Reserve opted for another 25 basis point reduction at its latest meeting, bringing the federal funds rate down to a new range of 3.50%–3.75%. This marks the third straight cut since September, reinforcing a gradual pivot toward looser policy as inflation continues to cool and labor market conditions show signs of strain. In its accompanying statement, the FOMC noted steady progress toward its 2% inflation objective but stressed that monetary policy remains restrictive and future moves will hinge on incoming data. The committee acknowledged rising risks to employment while maintaining vigilance on inflation dynamics.

FOMC split underscores fragile consensus

The decision was far from unanimous, exposing a widening rift within the FOMC. While most members backed a 25bps cut, Governor Stephen Miran pushed for a more aggressive 50bps move, whereas Kansas City Fed President Jeffrey Schmid and Chicago Fed President Austan Goolsbee argued for no change. This divergence underscores the Fed's delicate balancing act—cooling inflation on one side and mounting labor market risks on the other. Such policy uncertainty could amplify market sensitivity to upcoming data and Fed communication, as investors weigh whether the easing cycle will proceed smoothly or face renewed debate.

Liquidity Boost: Fed adds USD40 Bn in T-Bills

Alongside the rate cut, the Fed announced plans to purchase USD40 billion per month in Treasury bills, a move aimed at bolstering short-term liquidity and smoothing money market operations. By injecting cash into the system, this action helps stabilize front-end funding rates and reinforces the easing bias signaled by the policy shift. Increased demand for T-bills is likely to compress yields at the very short end, potentially flattening the curve and reducing pressure on repo markets. While this resembles balance sheet expansion, it differs from traditional QE—focused on short-term liquidity management rather than long-term yield suppression, echoing the Fed's 2019 bill purchases rather than crisis-era stimulus. Strategically, this step suggests the Fed is not only lowering rates but also actively managing liquidity to prevent dislocations, supporting risk sentiment while signaling caution amid an uncertain economic outlook.

Fed maintains cautious tone amid soft-landing outlook

Forward guidance from the Fed remained cautious, emphasizing that policy adjustments will stay data-dependent and that the current stance, despite recent cuts, is still restrictive. Chair Powell reiterated that "inflation is moving in the right direction but not yet at target," stressing that the committee needs "greater confidence" before accelerating easing. He also warned that while inflation risks have diminished, they have not disappeared, and the Fed will act if price pressures re-emerge. The updated economic projections show U.S. GDP growth moderating to around 1.8% in 2026, core inflation trending toward 2.3%, and unemployment edging higher to roughly 4.4%, signaling a soft landing rather than a sharp downturn. This measured tone aims to temper expectations for an aggressive easing cycle, keeping investors focused on incoming data as the primary driver of future policy moves.

Fed projects slow path to neutral through 2028

The Fed's latest dot plot signals a cautious outlook, projecting only one rate cut in 2026 to about 3.4%, unchanged from the prior forecast, underscoring a data-dependent approach as inflation moves closer to target but remains elevated. The decision revealed growing divisions within the FOMC: three dissenting votes and seven officials indicating no cuts next year, reflecting uncertainty over whether price stability or employment should take priority. Longer-term projections show the rate at 3.1% in 2027 and unchanged through 2028, reinforcing expectations for a slow, measured easing cycle rather than aggressive accommodation. Against this backdrop, we expect Bank Indonesia to maintain a supportive stance, with scope for a 25–50bps rate cut in 2026, supported by contained inflation and efforts to sustain domestic growth.

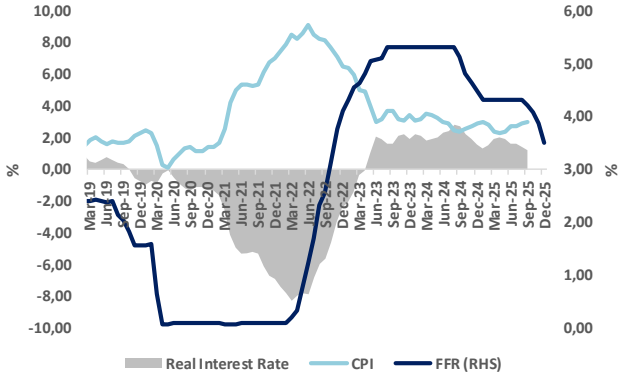
Exhibit 1. US economic projections

Percent

Variable	Median[1]				
	2025	2026	2027	2028	Longer run
Change in real GDP	1.7	2.3	2.0	1.9	1.8
September projection	1.6	1.8	1.9	1.8	1.8
Unemployment rate	4.5	4.4	4.2	4.2	4.2
September projection	4.5	4.4	4.3	4.2	4.2
PCE inflation	2.9	2.4	2.1	2.0	2.0
September projection	3.0	2.6	2.1	2.0	2.0
Core PCE inflation[4]	3.0	2.5	2.1	2.0	
September projection	3.1	2.6	2.1	2.0	
Memo: Projected appropriate policy path					
Federal funds rate	3.6	3.4	3.1	3.1	3.0
September projection	3.6	3.4	3.1	3.1	3.0

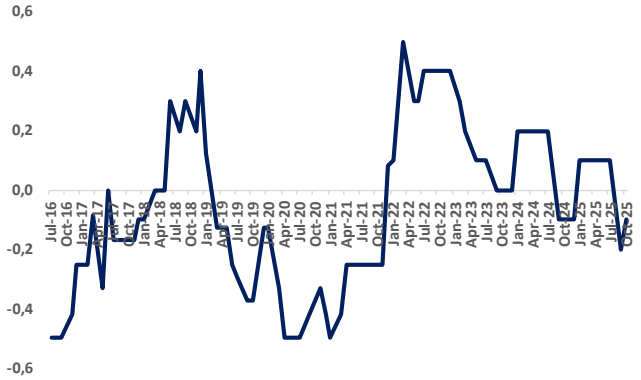
Sources: FED, BCA Sekuritas

Exhibit 2. Real interest rate in US has narrowed



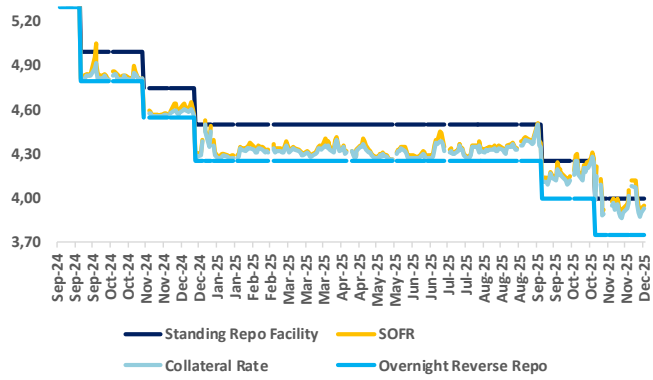
Sources: Bloomberg, BCA Sekuritas

Exhibit 3. Hawk-Dove ratio FED Statement



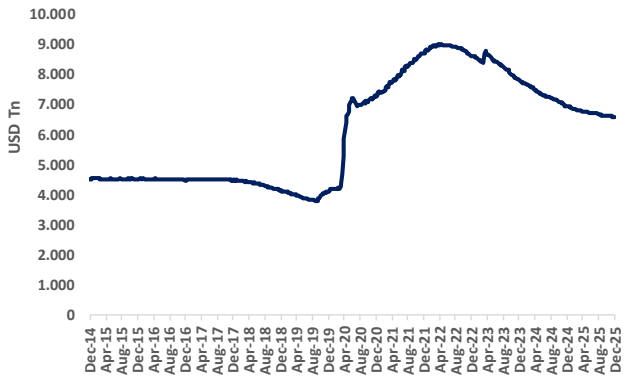
Sources: Bloomberg, BCA Sekuritas

Exhibit 4. SOFR rate touched Upper Limit



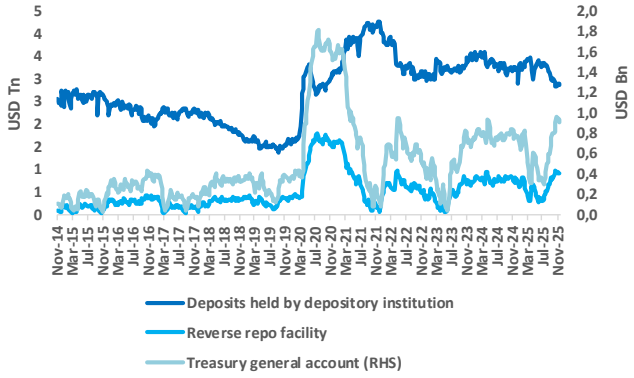
Sources: Bloomberg, BCA Sekuritas

Exhibit 5. Fed balance sheet



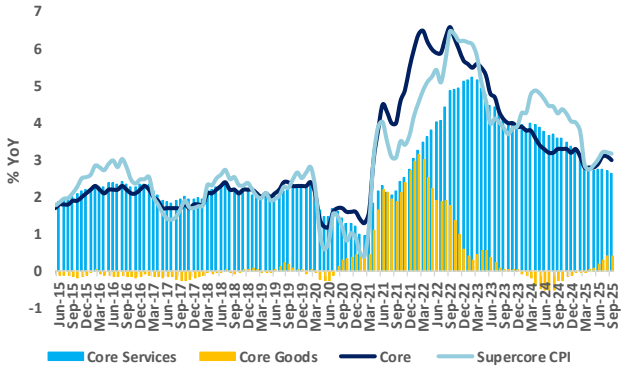
Sources: Bloomberg, BCA Sekuritas

Exhibit 6. Surge in Treasury General Account



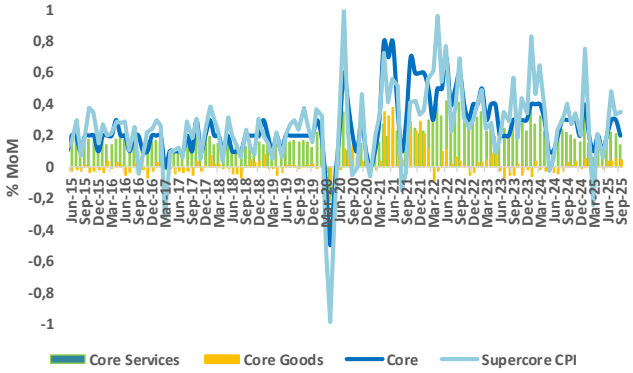
Sources: Bloomberg, BCA Sekuritas

Exhibit 7. Sticky inflation remains in sight



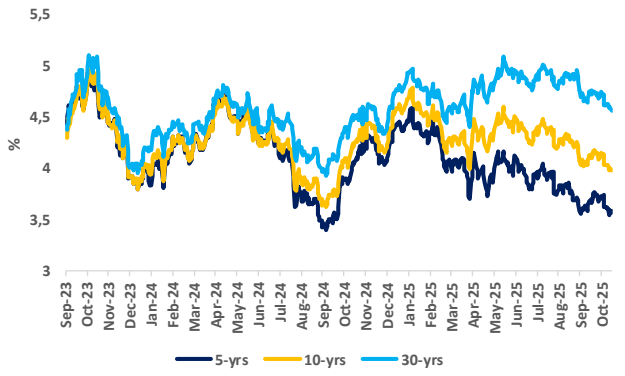
Sources: Bloomberg, BCA Sekuritas

Exhibit 8. No CPI data for



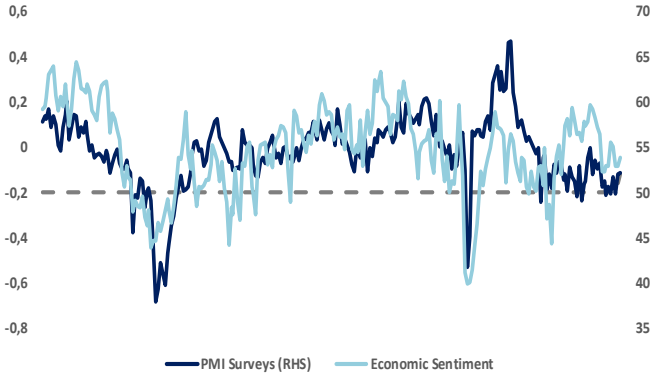
Sources: Bloomberg, BCA Sekuritas

Exhibit 9. UST yield has decreased



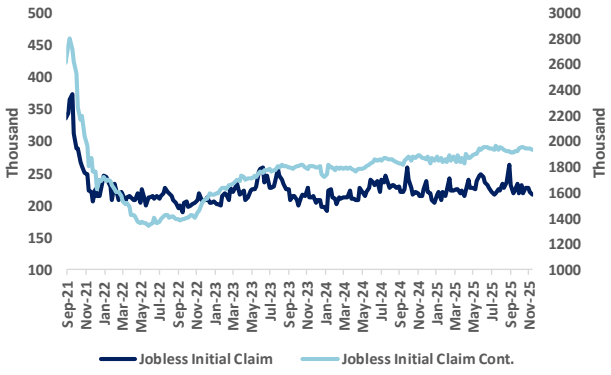
Sources: Bloomberg, BCA Sekuritas

Exhibit 10. Economic sentiment is deteriorating for manufacturers



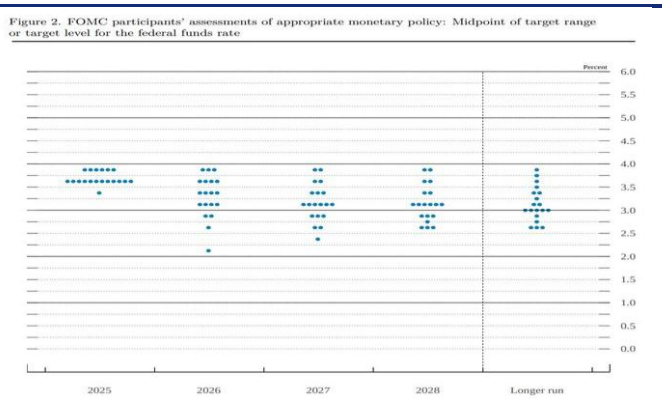
Sources: Bloomberg, BCA Sekuritas

Exhibit 11. Initial jobless claims have reached a record high since Sep-24



Sources: Bloomberg, BCA Sekuritas

Exhibit 12. Fed dot-plot



Sources: Bloomberg, BCA Sekuritas

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