

Bank Indonesia Rate Decision

Pause continues for fourth month as rupiah hits record low

- Bank Indonesia (BI) kept its policy rate unchanged at 4.75%** at its first Board of Governors meeting of 2026, in line with both house and market expectations. This marks the fourth straight month of policy pause amid continued rupiah weakness.
 - Deposit and Lending Facility Rates** were also maintained at 3.75% and 5.50%, respectively.
 - BI statement:** The decision remains aligned with the current policy focus on stabilising the rupiah amid rising global uncertainty, while supporting inflation target and promote economic growth. The board reiterated it will continue to assess the room for further rate cuts, with inflation staying within the 1.5% – 3.5% target band and contributing to higher economic growth.
- Growth and inflation forecasts remained unchanged**
 - GDP:** BI maintained its 2026 forecast at 4.9% – 5.7%, while projecting 2025 GDP to settle at 4.7% – 5.5%. Growth is expected to be supported by rising domestic demand, aided by government support and BI’s policy mix. BI also pledged to strengthen its policy mix to promote higher and more resilient growth.
 - Inflation:** Forecasts for 2026 and 2027 remain unchanged at 1.5% – 3.5%, consistent with 2025 inflation averaging 1.9%. Core inflation is projected to stay subdued, supported by anchored inflation expectations, ample economic capacity, controlled imported inflation, and the positive effects of digitalisation.
 - Rupiah:** As of 20 January, the rupiah had depreciated 1.6% YTD to 16,965 against the USD, a record low, amid policy concerns and broader global financial uncertainty. By comparison, the Thai Baht (+1.4%) and Malaysian Ringgit (+0.1%) strengthened, while the Philippines Peso (-0.8%) also weakened slightly. Looking ahead, BI expects the rupiah to stabilise, supported by attractive yields, low inflation, and favourable growth prospects.
- Near term policy stance likely skewed toward Rupiah stability, though room for easing remains**
 - Policy outlook:** We maintain our view of two rate cuts in 2026, potentially in 1H26, contingent on rupiah stabilisation. We believe BI still has room to adjust policy to support growth amid a fragile global backdrop. However, recent concerns over central bank independence following President Prabowo’s decision to nominate his nephew as BI governor have added pressure on the rupiah. These concerns, combined with questions surrounding fiscal credibility stemming from Prabowo’s ambitious 8.0% GDP growth target, could limit BI’s easing bias in the near term.
 - USDIDR year-end forecast (16,480; 2025: 16,694):** The rupiah ended 2025 at 16,694, slightly above our revised target of 16,650, amid persistent global financial uncertainty. By end-2026, we see a possibility of modest rupiah appreciation, supported by the US Fed’s easing bias, with our house pencilling in two 25 bps Fed cuts. Geopolitical risks, US tariff-related uncertainty and ongoing global financial volatility could cap further upside.

Table 1: Policy Rates in Selected Countries

| Rate (Last Change) | Country | Central Bank Interest Rate | Date |
|------------------------|-------------|----------------------------|--------|
| 0.75% (+0.25%) | Japan | Overnight Call Rate | Dec-25 |
| 3.75% (-0.25%) | UK | Base Rate | Dec-25 |
| 1.25% (-0.25%) | Thailand | Repo Rate | Dec-25 |
| 3.50% - 3.75% (-0.25%) | USA | Funds Rate Target | Dec-25 |
| 4.50% (-0.25%) | Philippines | Target Reverse Repurchase | Dec-25 |
| 2.25% (-0.25%) | New Zealand | Official Cash Rate | Nov-25 |
| 2.25% (-0.25%) | Canada | Overnight Rate | Oct-25 |
| 4.75% (-0.25%) | Indonesia | BI Rate | Sep-25 |
| 3.60% (-0.25%) | Australia | Cash Rate | Aug-25 |
| 2.75% (-0.25%) | Malaysia | Overnight Policy Rate | Jul-25 |
| 2.00% (-0.25%) | Euro Area | Key Deposit Facility Rate | Jun-25 |
| 2.50% (-0.25%) | South Korea | Base Rate | May-25 |
| 3.00% (-0.10%) | China | Loan Prime Rate (1Y) | May-25 |

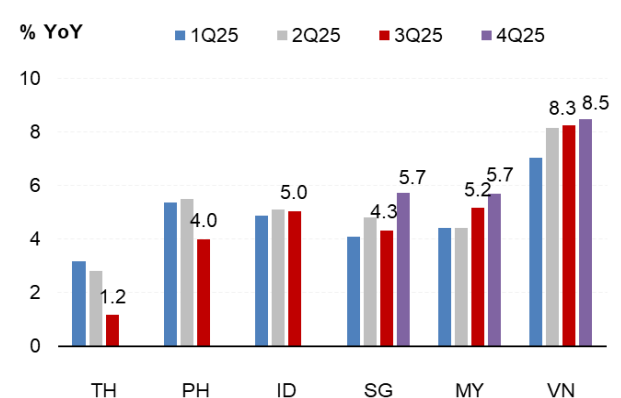
Source: Bloomberg, Kenanga Research

Graph 1: Inflation, Policy Rate and USDIDR trend



Source: Bank Indonesia, Macrobond, Kenanga Research

Graph 2: ASEAN-5 (+Vietnam) GDP Growth



Source: Macrobond, Kenanga Research

22 January 2026

Table 2: Board of Governor (BOG) Meeting Schedule for 2026/ KIBB Outlook

| No. | Date | | KIBB Research Outlook | BI Decision |
|------|-------------------------------|-------------------------------------|-----------------------|-------------|
| 1st | 20-21 January (Tue and Wed) | <input checked="" type="checkbox"/> | No change | No change |
| 2nd | 18-19 February (Wed and Thu) | <input type="checkbox"/> | No change | |
| 3rd | 16-17 March (Mon and Tue) | <input type="checkbox"/> | 25 bps cut | |
| 4th | 21-22 April (Tue and Wed) | <input type="checkbox"/> | No change | |
| 5th | 19-20 May (Tue and Wed) | <input type="checkbox"/> | No change | |
| 6th | 17-18 Jun (Wed and Thu) | <input type="checkbox"/> | 25 bps cut | |
| 7th | 21-22 July (Tue and Wed) | <input type="checkbox"/> | No change | |
| 8th | 18-19 August (Tue and Wed) | <input type="checkbox"/> | No change | |
| 9th | 22-23 September (Tue and Wed) | <input type="checkbox"/> | No change | |
| 10th | 20-21 October (Tue and Wed) | <input type="checkbox"/> | No change | |
| 11th | 17-18 November (Tue and Wed) | <input type="checkbox"/> | No change | |
| 12th | 15-16 December (Tue and Wed) | <input type="checkbox"/> | No change | |

Source: Bank Indonesia, Kenanga Research

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