

# Bank Indonesia Rate Decision

Pauses at 4.75% as FX stability dictates easing path

- Bank Indonesia (BI) kept its policy rate unchanged at 4.75%** at its second Board of Governors meeting of 2026, marking the fourth consecutive month of policy pause, in line with both house and market expectations
  - Deposit and Lending Facility Rates** were also maintained at 3.75% and 5.50%, respectively.
  - BI statement:** BI emphasized that its latest decision is “consistent with the current policy focus on efforts to strengthen Rupiah exchange rate stabilisation against a backdrop of persistently high global financial market uncertainty to achieve the inflation target in 2026-2027 and foster economic growth.” BI noted that it will “continue strengthening the effectiveness of accommodative monetary and macroprudential policies,” and signalled an easing bias, stating that it is considering “room for further BI-rate reductions in line with manageable inflation forecast in 2026-2027 within the 1.5% – 3.5% target corridor, thereby supporting higher economic growth.”
- Growth and inflation forecasts remained broadly unchanged**
  - GDP:** BI maintained its 2026 forecast at 4.9% – 5.7%, after growth expanded to 5.11% in 2025 (2024: 5.0%). It expects momentum to carry into early 2026, supported by “government stimulus programs, accommodative monetary policy, improving consumer expectations, and seasonal spending during national religious holidays.”
  - Inflation:** BI remains confident that inflation in 2026 and 2027 will stay within the 1.5% – 3.5% target band, supported by “anchored inflation expectations, low imported inflation, and synergy between BI and national-regional inflation control teams.”
  - Rupiah:** As of 18 February, the Rupiah weakened 1.3% YTD to 16,905 against the USD. In contrast, the Ringgit (+3.9%), Peso (+1.6%) and Baht (+1.4%) strengthened. BI expects the Rupiah to remain broadly stable with a strengthening bias, supported by ongoing FX stabilisation measures, attractive domestic yields, low inflation, and Indonesia’s positive macroeconomic fundamentals.
- Scope for easing remains open as BI aims to support growth, but decision hinge on Rupiah stability**
  - Policy outlook:** BI has signalled openness to rate cuts to support growth, but timing remains conditional on Rupiah stability. A temporary pickup in inflation early this year, due to the low base from 1Q25 amid policy changes, may limit room for immediate easing. We view this spike as transitory. We maintain our expectations of two rate cuts in 1H26, contingent on rupiah stabilisation.
  - USIDDR year-end forecast (16,480; 2025: 16,694):** We continue to expect modest Rupiah appreciation toward year-end, supported mainly by the US Fed’s easing bias. However, gains may be capped by geopolitical risks, US tariff uncertainty and ongoing global financial volatility.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
4.25% (-0.25%)	Philippines	Target Reverse Repurchase	Feb-26
3.85% (+0.25%)	Australia	Cash Rate	Feb-26
0.75% (+0.25%)	Japan	Overnight Call Rate	Dec-25
3.75% (-0.25%)	UK	Base Rate	De-25
1.25% (-0.25%)	Thailand	Repo Rate	Dec-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.50%)	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
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

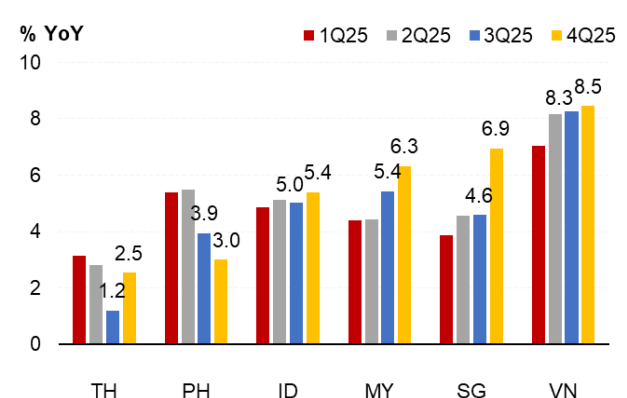
Source: Bloomberg, Kenanga Research

Graph 1: Inflation, Policy Rate and USIDDR trend



Source: Bank Indonesia, Macrobond, Kenanga Research

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



Source: Macrobond, Kenanga Research

20 February 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 checked="" type="checkbox"/>	No change	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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