

# Bank Indonesia Rate Decision (17-18 June)

Hike cements tightening bias, BI isn't done defending the Rupiah

- Bank Indonesia (BI) raised its policy rate by another 25 bps to 5.75%** at its June meeting following an off-cycle hike decision last week. This was BI's third hike this month, bringing the total increase to 100 bps.
  - BI also raised the deposit and Lending Facility Rates** to 4.75% and 6.50%, respectively.
  - Statement highlight:** BI reiterated that the hike is "a further step to strengthen Rupiah stabilisation" amid persistent global uncertainty. It is also a pre-emptive measure to keep inflation within the 1.5% – 3.5% target in 2026-2027. The latest decision marks a continued tightening stance, reinforcing BI's bias towards Rupiah's stability. While policy stance aims to defend the Rupiah, it also continues with macroprudential and payment system policies to support growth, while maintaining its FX stabilisation toolkit.
- Rupiah stability still dominates policy, despite improving trends**
  - GDP:** BI reaffirmed its 2026 growth forecast at 4.9% – 5.7%, driven by resilient domestic demand, including government spending, household consumption and investment. This will be further supported by macroprudential tools given that monetary policy now prioritises rupiah stability.
  - Inflation:** May inflation rose to 3.08% (Apr: 2.42%), driven by higher food and energy prices. While still manageable, BI is increasingly cautious about imported inflation risks from a weaker currency and elevated global energy prices. Its inflation target remains at 1.5% – 3.5% in 2026-2027.
  - Rupiah:** The currency has shown early signs of stabilisation, strengthening modestly to IDR17,730 against the USD as of 17 June after breaching the psychological 18,000 level recently. This reflects BI's intensified intervention and policy tightening, alongside easing geopolitical tensions following the latest development in the US-Iran deal. That said, the Rupiah is still down 6.2% YTD against the USD, underperforming regional peers, including Baht (-3.4%), the Peso (-2.6%), and Ringgit (-0.2%).
- External risks and capital flows keep BI on tightening bias**
  - Policy outlook:** The latest hike signals that BI has shifted into a sustained tightening phase, moving beyond its earlier off-cycle emergency response despite easing Middle East tensions. This reflects a cautious stance amid rising global uncertainty which could trigger fresh outflows and renewed pressure on the Rupiah. Likewise, if global turmoil resumes and stays elevated near term, we would not rule out further tightening next month, with the policy path dependent on Rupiah stability and June's inflation reading.

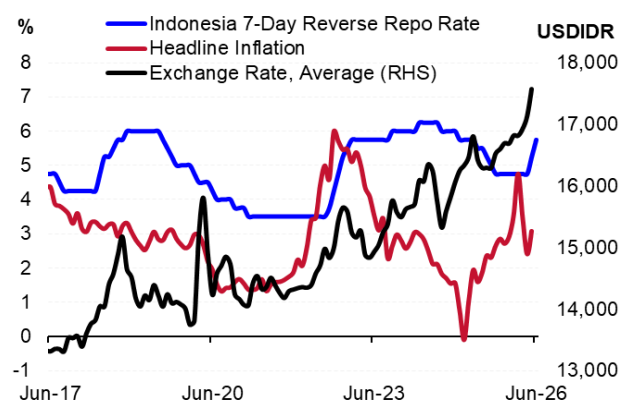
Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
5.75% (+0.25%)	Indonesia	BI Rate	Jun-26
4.75% (+0.25%)	Philippines	Target Reverse Repurchase	Jun-26
1.00% (+0.25%)	Japan	Overnight Call Rate	Jun-26
2.25% (+0.25%)	Euro Area	Key Deposit Facility Rate	Jun-26
4.35% (+0.25%)	Australia	Cash Rate	May-26
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
3.75% (-0.25%)	UK	Base Rate	Dec-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.25%)	New Zealand	Official Cash Rate	Nov-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-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

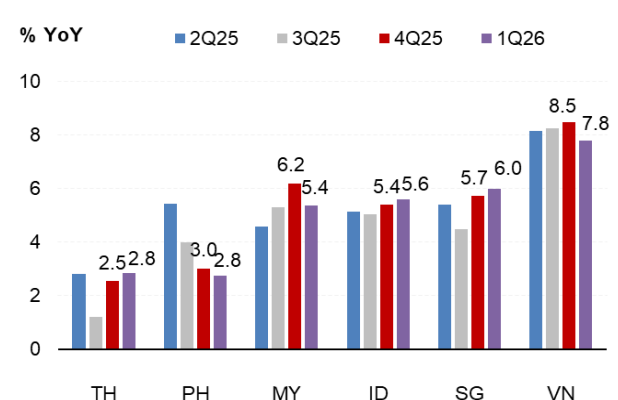
**USDIDR year-end forecast (17,200; 2025: 16,694):** We maintain our view of modest Rupiah recovery by year end, with slightly improved near-term dynamics from policy support and returning inflows. However, upside remains capped by persistent global risk aversion despite some easing in geopolitical tensions, high US yields, strong USD on the Fed hawkish bias, ongoing vulnerability to portfolio flow reversals, and lingering imported inflation risks from energy and food prices that could intensify in 2H26.

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

19 June 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 checked="" type="checkbox"/>	No change	No change
4th	21-22 April (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
5th	19-20 May (Tue and Wed)	<input checked="" type="checkbox"/>	25 bps hike	50 bps hike
6th	9 June (Tue) – Off schedule	<input checked="" type="checkbox"/>	N/A	25 bps hike
7th	17-18 Jun (Wed and Thu)	<input checked="" type="checkbox"/>	25 bps hike	25 bps hike
8th	21-22 July (Tue and Wed)	<input type="checkbox"/>	50% chance of 25 bps hike	
9th	18-19 August (Tue and Wed)	<input type="checkbox"/>	No change	
10th	22-23 September (Tue and Wed)	<input type="checkbox"/>	No change	
11th	20-21 October (Tue and Wed)	<input type="checkbox"/>	No change	
12th	17-18 November (Tue and Wed)	<input type="checkbox"/>	No change	
13th	15-16 December (Tue and Wed)	<input type="checkbox"/>	No change	

Source: Bank Indonesia, Kenanga Research

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