

## Indonesia

### BI hikes 25bp intermeeting

- Bank Indonesia (BI) hiked its policy rate by 25bp on 9 June in an intermeeting move. This follows BI's 50bp hike at its 20 May meeting, with the next meeting scheduled for 18 June. The rate hike immediately stemmed the decline in JCI with USDIDR lower and bond market sentiment supported.
- To sustainably backstop the recent slide in sentiment further follow through will be required from the government and BI. Government measures could include assurances to investors by either materially cutting back on flagship expenditures, providing longer timelines and constructive discussions on the recently announced export policies.
- From BI, we now expect a cumulative 100bp in rate hikes through to end 2026, taking the policy rate to 6.50%. This assumes 25bp in rate hikes almost every monthly meeting or larger magnitudes at some meetings.

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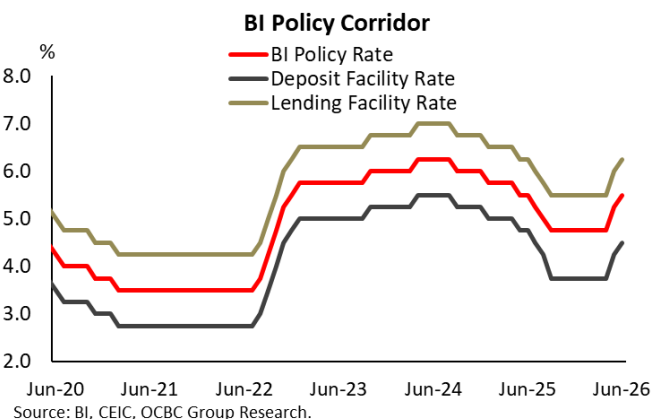
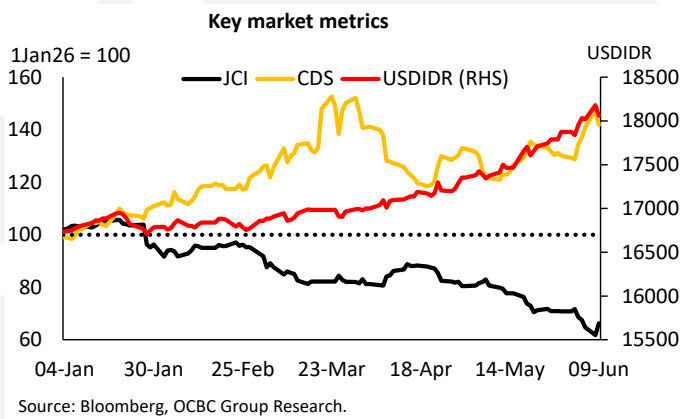
Bank Indonesia (BI) hiked its policy rate by 25bp on 9 June in an intermeeting move. This follows on the heels of BI's 50bp rate hike at its 20 May meeting. The next scheduled meeting is on 18 June. The short-term impact of the 25bp rate hike was positive. The stock market reversed its multi-day decline to rise 6% (at the time of writing), USD/IDR moved lower to 18,060 from an intra-day high of 18,186 and 10yr IndoGB was supported at 7.365% levels (at the time of writing).

BI noted in its statement that the increase in policy rate is a further step to strengthen the stability of the IDR against the impact of high global volatility stemming from the war in the Middle East. It also characterised the hike as a pre-emptive measure to maintain inflation in 2026 and 2027 within the target range of 2.5±1%.

BI also took additional measures aimed at bolstering capital inflows. These include increasing the interest rate structure of SRBI across all 6-, 9-, and 12-month tenors, introducing a 10% reduction in the hedging swap rate for foreign investors and reopening the repo instrument auction window for 3-, 6-, 9-, and 12-month tenors for banks to ensure adequate liquidity in the money and banking markets.

To sustainably backstop the recent slide in sentiment further follow through will be required from the government and BI. The recent policy shifts (see *Indonesia: Policy shifts*, 21 May 2026) including the setting up of PT Danantara Sumberdaya Indonesia have led to heightened perceived uncertainties. Policy backstops from the government could include materially cutting back on flagship expenditures, providing longer timelines and constructive discussions on the recently announced export policies.

BI will also need to do more and we now see motivation for a more aggressive hiking cycle. We expect a cumulative 100bp in rate hikes from BI through to end 2026, taking the policy rate to 6.50%. This assumes 25bp in rate hikes almost every meeting this month or larger magnitudes at some meetings. This will also take the policy rate to the highest since 2015, tightening financial conditions.



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