Maybank

FX

Global

FX Flash

BI Easing Cycle Continues, Supportive IDR

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BI Cuts by 25bps to 5.00% in Line with Our Expectations

In line with our forecast (but not with consensus), Bank Indonesia (BI) cut rates by 25bps to 5.00% as they look to provide support to the domestic economy. The relative stability of the IDR this time around also looks to have given the central bank the space to make the move too. BI's tone as a whole continued to remain dovish as they mentioned they will continue to monitor the space for further interest rate cuts in order to encourage higher growth amid low inflation. They see that 2025 global economic growth would also be lower than the expected at 3% whilst they kept their GDP growth forecast at 4.6% - 5.4% (which had already been lowered earlier in the year). They also actually see economic growth improving in 2H 2025 whilst they think the entire year GDP number would be above the midpoint of that range. Nonetheless, they also noted the need to boost credit growth more of which their forecast remains at 8% - 11% in addition to strengthening the transmission of their recent cuts. They continue to believe inflation is within 1.5% - 3.5%. Given this, our economist expects the central bank to cut by another 50bps in 2025 and another 50bps in 2026, which would bring the rate down to 4.00% by end 2026. BI has said they would continue to support the IDR via spot, DNDF and NDF.

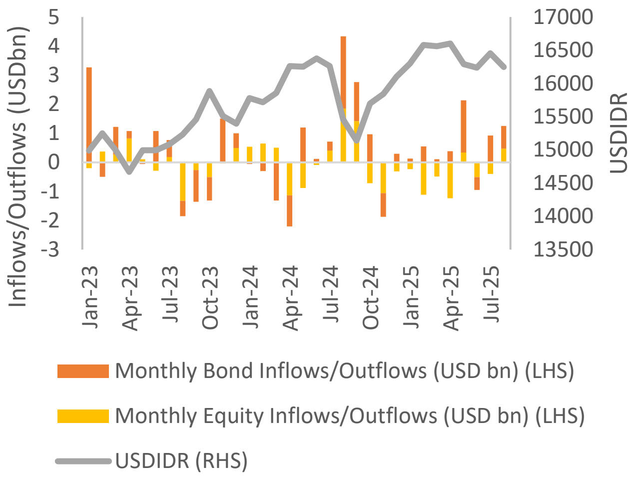
Keeping Bullish on the IDR

On the currency, there was only a mild reaction following the decision. Market's attention at this point looks to be focused on Powell's Jackson Hole speech on Friday and any comments the Fed Chair would provide about the pace and depth of Fed rate cuts. His speech could be quite the major cue for the dollar movements, which in turn can have its effect on the IDR's pace of strengthening this year. We expect the IDR to trade sideways building up to Friday.

In the medium term, we stick to our USDIDR forecast expecting the pair to gradually edge lower compared to current levels by end 2025. Our expectations are for both the Fed and BI to cut by another 50bps this year respectively and this should continue to back flows into Indo GBs. The former should guide the dollar softer whilst the latter should lead to lower yields, which combine support the attractiveness of Indo GBs. Take note too, foreign positioning in Indonesian bonds is light with foreign ownership only around 18% - much lower compared to pre-pandemic levels that had been closer to 40%. Therefore, there remains ample space for further climbs in ownership levels. BI does also appear still have quite a way to go in its easing cycle – possibly another 100bps before terminal at 4.00%. We are not ruling further downside to our USDIDR forecast if there are signs of more substantial declines in the dollar – which can arise among other things if the Fed cuts more aggressively than we expect.

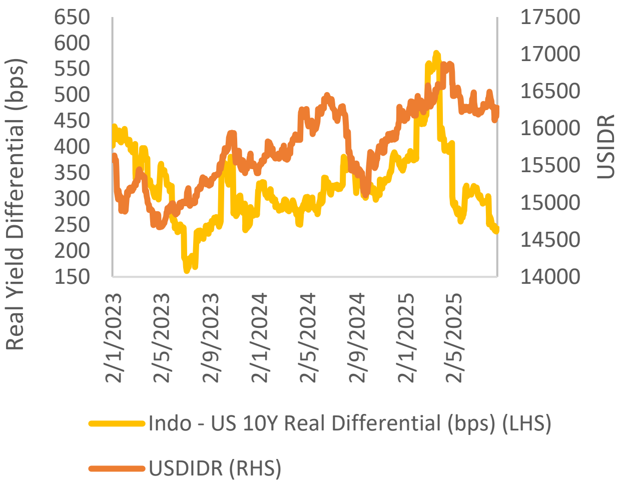
SEE PAGE 4 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Chart 1: Pick-Up in Portfolio Flows Provides Support to the Currency



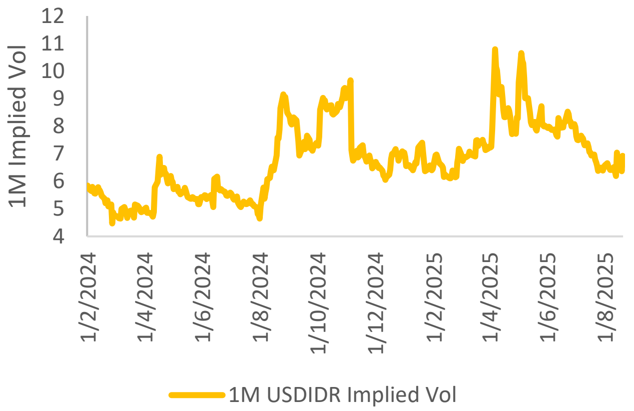
Source: Bloomberg, Maybank FX Research & Strategy
Note: Aug 25 bond flows is as of 14 Aug 2025 and equity flows is as of 19 Aug 2025 whilst USDIDR is as of 19 Aug 2025

Chart 2: USDIDR and Yield Differentials Have Deviated But Nonetheless, the Latter is Not in Favor of the IDR



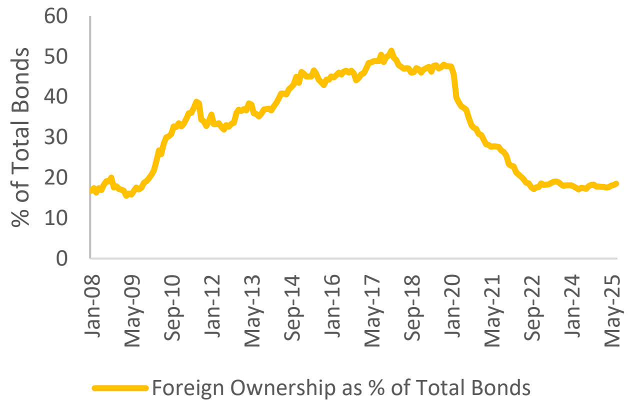
Source: Bloomberg, Maybank FX Research & Strategy

Chart 3: 1M Implied Vol Remains Rather Low



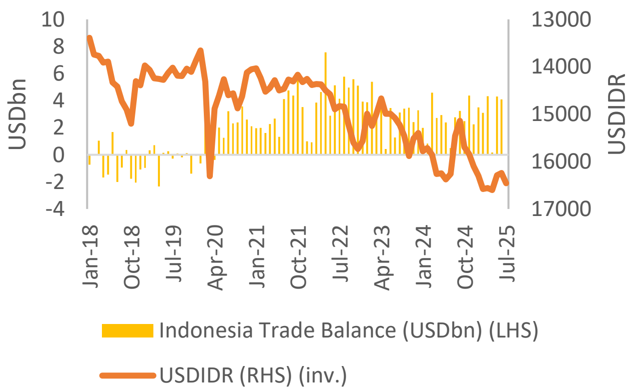
Source: Bloomberg, Maybank FX Research & Strategy

Chart 4: Foreign Ownership of Indonesian Bonds Remain Light Compared to Pre-Pandemic Levels



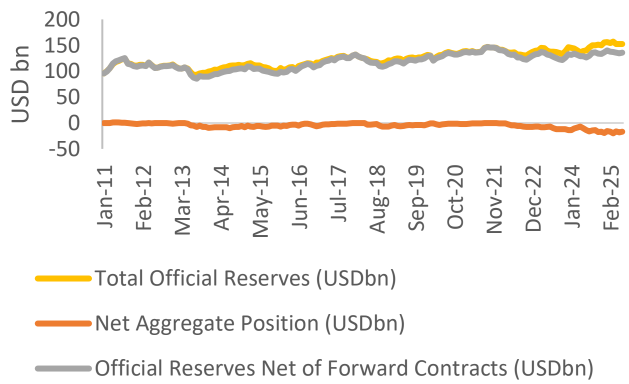
Source: Bloomberg, Maybank FX Research & Strategy

Chart 5: Country's Trade Surplus Provides Crucial Support to the Currency that has Been Under Pressure



Source: Bloomberg, Maybank FX Research & Strategy

Chart 6: Bank Indonesia's Official Reserves Levels Remains High



Source: Bloomberg, Maybank FX Research & Strategy

Table 1: USDIDR Forecasts

Forecast	3Q 2025	4Q 2025	1Q 2026	2Q 2026
USDIDR	16250	16150	16000	16000
SGDIDR	12695	12767	12698	12749
MYRIDR	3869	3939	3951	4000

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