

## IDR Under Pressure

- In conjunction with our recently published piece highlighting IDR risks ([See Mizuho Brief: Rupiah and Unintended Consequences](#)), we are revising our IDR forecast on a confluence of twin deficit, regulatory, and policy continuity risks.
- Admittedly, **Bank Indonesia has hiked** in Q2 by 50bps to emphasis the need for IDR stability and **will likely hike further** (our expectations for another 50 bps of hikes in Q3). These hikes though are **likely to prove insufficient** in reversing the course for the IDR amid mounting headwinds.
- The risk is that **intervention to support the IDR may well be at the cusp of backfiring**, flipping from acting as a firm deterrence to simmering doubts about the sufficiency of reserves given the persistent intervention.
- Despite being a net energy exporter (a marginal one in terms of coal), the **energy crisis from the US-Iran war leaves twin deficit vulnerabilities intact** and at risk of being amplified, as the conflict show little signs of being resolved and energy flows are unlikely to snap back even if an elusive and fragile deal is inked.
- Whilst efforts by the government and **the sovereign wealth fund to raise funds** can help bolster their buffer, it **may be perversely seen by markets as signs of strains if not stress**.
- Draconian and brutal measures to control FX and/or capital flows which has already seeped into commodity exports will exacerbate rupiah pressures as it inevitably drains investors' confidence and intensifies pressure for capital flight amid prolonged uncertainties over policy mechanics and longevity.
- Lastly, any central bank support in the bond market aimed at keeping yields contained and financial and fiscal burden suppressed, would only serve to amplify IDR pressures as it raises concerns about debt monetisation.

### Forecasts

	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027
<b>Policy Rate (%)</b>	4.75%	5.25%	5.75%	6.25%	6.25%	6.25%	6.25%	6.25%
<b>USD/IDR</b>	16690-17015	16950-18750	17900-19200	17800-19450	17700-19250	17600-19180	17500-19280	17500-19400
	16995	18400	18700	18900	18600	18400	18500	18450
<b>GDP (% YoY)</b>	5.6	4.6	4.4	4.6	5.1	5.1	4.9	5.1
<b>CPI (% YoY)</b>	3.9	2.8	3.2	3.3	2.8	3	2.4	2.2

## Annex – FX Forecasts

### FX Forecast

	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27
USD/CNH	6.84-6.994	6.68-6.92	6.57-6.89	6.45-6.90	6.40-6.90	6.38-6.90	6.30-6.85	6.20-6.85
	6.89	6.80	6.75	6.65	6.65	6.62	6.55	6.45
USD/HKD	7.7843-7.8415	7.77-7.84	7.76-7.83	7.75-7.82	7.76-7.83	7.76-7.83	7.76-7.83	7.76-7.83
	7.84	7.81	7.80	7.78	7.80	7.80	7.80	7.80
USD/INR	89.7-95.2	92.5-98.2	94.6-99.3	93.5-98.8	92.5-98.8	90.4-99.1	89.4-97.5	89.4-97.8
	94.5	96.8	97.4	94.8	95.6	95.8	95.2	94.1
USD/KRW	1419-1520	1360-1580	1360-1530	1350-1530	1340-1520	1340-1510	1340-1510	1340-1510
	1519	1515	1490	1470	1450	1440	1445	1450
USD/SGD	1.258-1.294	1.251-1.305	1.249-1.298	1.245-1.295	1.242-1.295	1.239-1.295	1.242-1.295	1.242-1.295
	1.287	1.268	1.264	1.258	1.261	1.262	1.261	1.264
USD/TWD	31.2-32.2	31.2-32.7	30.5-32.7	28.7-32.6	29.1-32.5	29.1-32.5	29.1-32.4	29.1-32.5
	32.0	31.9	31.7	31.4	31.3	31.1	30.8	30.9
USD/IDR	16690-17015	16950-18750	17900-19200	17800-19450	17700-19250	17600-19180	17500-19280	17500-19400
	16995	18400	18700	18900	18600	18400	18500	18450
USD/MYR	3.88-4.08	3.89-4.06	3.87-4.11	3.86-4.05	3.83-3.99	3.78-3.96	3.76-3.93	3.75-3.92
	4.05	3.99	3.95	3.92	3.88	3.86	3.85	3.86
USD/PHP	57.4-60.83	60.3-62.7	60.8-63.4	60.5-63.2	60.2-62.8	60-62.5	59.8-62.2	60.1-62.1
	60.7	61.9	62.5	62.1	61.6	61.1	61.0	61.2
USD/THB	30.8-33.06	30.9-33.5	30.5-33.8	30.6-33.5	30.2-33.5	30.2-33.5	30.2-33.5	30.2-33.5
	33.0	32.9	32.5	32.1	31.9	31.8	31.5	31.6
USD/VND	25870-26363	26000-27000	25700-27200	25500-27000	25500-27000	25500-27000	25500-27000	25500-27000
	26340	26550	26650	26550	26600	26600	26550	26600
AUD/USD	0.663-0.7187	0.681-0.735	0.686-0.738	0.68-0.745	0.685-0.748	0.705-0.762	0.71-0.764	0.705-0.76
	0.690	0.715	0.720	0.736	0.740	0.738	0.743	0.741

Note: For FX forecasts, level in parentheses pertains to period end forecasts; and the period's range precedes this.

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