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The Fed raised rates over oil, and Indonesia pays for it twice

Fed funds target, 16 September	United States energy prices	Rate after inflation, over US	Oil bill relief at Brent 90
3.75-4.00%	**+16.3%**	**110 bp**	**IDR 17 Tn**
first rise since 2023	year on year, August	from 204 bp in 2026	0.07pp of output

KEY TAKEAWAYS

- The Federal Open Market Committee raised the federal funds rate by 25 basis points to **3.75 to 4.00 percent** on 16 September, the first increase since 2023, on a **unanimous 12 to 0 vote**. Chairman Kevin Warsh said inflation is too high and has been for too long, and that the Committee had removed a dose of accommodation. The Committee's own projections put the rate at **4.1 percent at the end of 2026 and still 4.1 percent at the end of 2027**. So the guidance is one more increase this year and no cuts at all next year.
- The reason sits in one line of the August price data. Headline consumer prices in the United States rose **3.4 percent** over the year while core prices rose only **2.4 percent**. The entire gap is energy, which rose **16.3 percent**. Brent traded at **USD 104.6** in September. Core inflation at 2.4 percent would not on its own have forced a move. Warsh named commodity prices directly and said many key inputs had risen over the inter-meeting period. This was a decision about oil.
- Indonesia already pays for that oil once. The oil and gas trade deficit runs at **2.90 percent of gross domestic product**, and Pertamina was owed **IDR 166.8 Tn** at the end of August. The current account and the budget widen together when Brent rises. The Fed decision now adds a second bill through the dollar. Relief runs the other way only weakly. At our Brent call of USD 90 for 2027 the oil bill improves by **IDR 17 Tn**, or 0.07 percentage points of output.
- The cost shows up in the cushion. Indonesia's policy rate after inflation sits **204 basis points above the United States** in 2026 and falls to **110 basis points** in 2027, reaching **87 basis points** in the second half. Almost none of that is Bank Indonesia. The American real policy rate climbs from 0.51 percent to 1.43 percent as the Fed holds 4.1 percent into falling inflation, while ours barely moves. Foreign investors hold a record **27.7 percent** of SRBI going into that compression. ***Key watch: the Bank Indonesia Board of Governors meets on 22 and 23 September, and a cut there would spend a cushion that has already halved.***

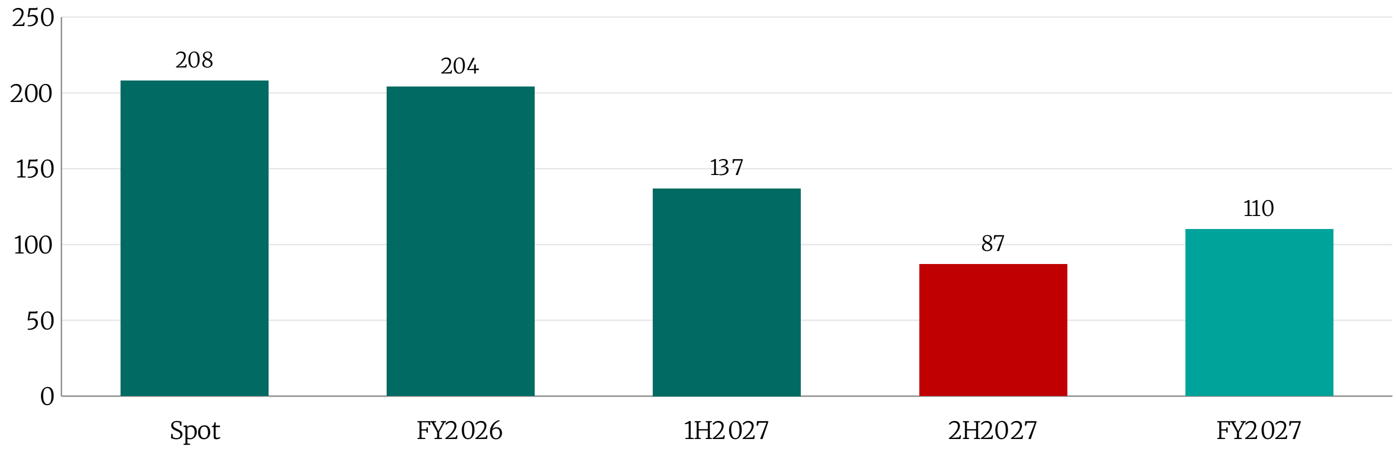
What the Committee decided, and what it projects

Committee median, %	2026	2027	2028	Longer run	Note
Federal funds rate	4.1	4.1	3.9	3.2	one more rise, then flat
PCE inflation	3.7	2.3	2.1	2.0	the goal is 2.0
Core PCE inflation	3.4	2.5	2.2	n.a.	3.2 in August
Real economic growth	2.3	2.4	2.2	2.0	activity is solid
Unemployment rate	4.1	4.1	4.1	4.2	full employment
Real policy rate	**0.4**	**1.8**	**1.8**	**1.2**	**the tightening is in the hold**

Source: Federal Open Market Committee statement and Summary of Economic Projections, 16 September 2026. The target range was raised to 3.75 to 4.00 percent on a 12 to 0 vote. The real policy rate is the median federal funds rate less median PCE inflation, computed by Aldiracita Fixed Income and Macro Research.

The cushion halves, and Bank Indonesia does not move

Rate after inflation, Indonesia over the United States, bp



The gap between the Indonesian and American policy rates after inflation falls from 204 basis points to 87 basis points in the second half of 2027. Source: Bank Indonesia, Statistics Indonesia, US Bureau of Labor Statistics, Federal Reserve; midpoints and real rates are Aldiracita Fixed Income and Macro Research.

Where the cushion goes

Channel	Direction	What it does
Indonesia, rate after inflation	**Flat**	The BI Rate midpoint holds near 6.00 percent in 2026 and 5.88 percent in 2027, against domestic inflation of 3.45 and 3.35 percent. Indonesia's real policy rate is 2.55 percent and then 2.53 percent. It does not move.
United States, rate after inflation	Rises	The federal funds midpoint rises from 4.01 to 4.13 percent while American headline inflation falls from 3.50 to 2.70 percent as the energy base fades. The American real rate climbs from 0.51 to 1.43 percent.
The difference	Halves	The gap narrows from 204 basis points to 110 basis points, and to 87 basis points in the second half of 2027. Every basis point of that compression comes from the American side, not from ours.
What it does to flows	Thinner	Foreign investors hold a record 27.7 percent of SRBI and banks hold 58.2 percent, down from 78.7 percent a year earlier. The carry that drew the foreign bid narrows just as the domestic bid has already left.

Source: Bank Indonesia, Statistics Indonesia, US Bureau of Labor Statistics, Federal Reserve; Bank Indonesia ownership of rupiah securities as at 31 August 2026. Midpoints, real rates and the differential are Aldiracita Fixed Income and Macro Research. For informational purposes only.

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