Macroeconomic Monitor October 2026

Heightened Pressures in Domestic Equity Market and Exchange Rates

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HIGHLIGHTS

October 2026

United States (US)

The US economy ended the third quarter of 2026 with strong business activity, although the composition of growth became more differentiated. September's manufacturing and services PMIs increased to 55.9 and 58.8, respectively, indicating faster expansion across the private sector. Industrial production also strengthened, rising 0.7% month-on-month and 2.2% YoY, although utilities contributed substantially to the headline increase while manufacturing output rose a more moderate 0.3%. These developments indicate continued resilience in production and business demand. However, the stronger survey readings should be assessed alongside slower hiring and differences in performance across industries, which temper the assessment of the expansion's underlying strength.

The combination of weaker employment growth and renewed inflation has made the outlook more challenging. Nonfarm payrolls increased by only 29,000 in September 2026, compared with a downwardly revised 133,000 in August 2026, while unemployment edged up to 4.2%. Headline consumer inflation accelerated to 3.7% YoY, core inflation increased to 2.6%, and producer inflation reached 6.3%, indicating stronger price pressures at both consumer and upstream levels. Retail sales increased 6.3% YoY, but sales excluding vehicles and gasoline rose only 0.2% over the month. Consequently, the strength of nominal expenditure provides a less convincing signal of household demand once higher fuel prices and spending composition are considered.

Monetary conditions remained restrictive following the Federal Reserve's September 2026 decision to increase the federal funds target range by 25 basis points (bps) to 3.75–4.00%. Updated projections placed the median policy rate at 4.1% at both end-2026 and end-2027, alongside projected 2026 growth of 2.3% and persistently elevated inflation. Subsequent releases have sharpened the policy trade-off: stronger prices favor continued restraint, whereas weaker hiring increases the potential cost of additional tightening. In our assessment, this balance sustains uncertainty over the future interest-rate path and leaves global markets sensitive to inflation and employment surprises, with implications for the dollar, bond yields and emerging-market financing conditions.

Euro Area

The Euro Area ended the third quarter of 2026 with improving business surveys, although the recovery remained incomplete across sectors. September's manufacturing PMI increased to 52.9, while the services PMI strengthened to 53.0, supported by improving orders and domestic business activity. Construction, however, remained deeply contractionary, with its PMI at 43.4 and residential activity recording its sharpest decline since February 2025. Actual industrial production also remained weak in the latest available release, declining 0.5%

month-on-month and 1.1% YoY in August 2026. Taken together, these indicators point to greater resilience in selected activities, but insufficient evidence of a sustained recovery across production and investment.

Renewed inflation and cautious household spending remain the principal constraints on domestic momentum. Headline inflation accelerated to 3.8% YoY in September 2026 from 3.2% in August 2026, driven primarily by energy inflation of 18.9%, while core inflation increased to 2.5%. Consumer confidence deteriorated to −16.5 after four months of improvement, and August 2026 retail sales volumes increased only 0.8% YoY. Although unemployment remained stable at 6.4%, employment resilience has yet to generate a convincing recovery in consumption. The external position also weakened, with an August 2026 goods-trade deficit of EUR16.1 billion, reflecting faster import growth and a larger energy deficit. Higher energy costs therefore continue to weigh on both purchasing power and external balances.

The European Central Bank projections envisaged growth of 0.9% in 2026 and 1.4% in 2027, while inflation was projected to average 3.0% and 2.5%, respectively. The subsequent inflation acceleration reinforces concerns about persistent cost pressures, but weak construction, industrial output and consumption underline the economy's vulnerability to tighter financing conditions. In our assessment, the outlook depends on whether stronger business demand can sustain activity while energy pressures moderate. Until then, the recovery remains exposed to the combined effects of weak real-income growth, cautious investment and restrictive borrowing costs.

China

China's economy gained some momentum toward the end of the third quarter of 2026, supported primarily by manufacturing and external demand. September 2026 industrial production increased 5.5% YoY, accelerating from 5.2% in August 2026, while exports surged 36.3% and widened the monthly trade surplus to approximately USD133.5 billion. The official manufacturing and non-manufacturing PMIs also returned to modest expansion at 50.1 and 50.2, respectively. These improvements accompanied third-quarter gross domestic product growth of 4.5% YoY, up from 4.3% in the second quarter. Nevertheless, stronger production and trade have yet to establish a comparably robust recovery in domestic spending, leaving growth concentrated in selected industries and external markets.

Domestic demand remains the main constraint on a more balanced expansion. Retail sales growth improved to 1.1% YoY in September 2026 from 0.4% in August 2026, while surveyed urban unemployment declined to 5.2%. However, fixed-asset investment contracted 7.2% over January–September 2026, with property-development investment falling 20.6%, indicating continued weakness in capital spending. Consumer inflation remained modest at 0.9% YoY, with core inflation at 1.0%, whereas producer inflation accelerated to 5.0%. The divergence between upstream prices and subdued consumer inflation points to stronger cost pressures without an equally strong recovery in final demand. Household caution and weak investment therefore continue to limit the transmission of industrial gains into broader domestic momentum.

Policy support continued through targeted measures, while September 2026 one-year and five-year loan prime rates remained at 3.00% and 3.50%, respectively. New yuan lending recovered to RMB1.08 trillion, but outstanding loan growth slowed to 4.8% YoY and household borrowing remained broadly flat, indicating limited evidence of a sustained recovery in private credit demand. Foreign exchange reserves declined to approximately USD3.400 trillion, partly reflecting valuation effects, while remaining a substantial external liquidity buffer. In our assessment, the central challenge is to strengthen household confidence, stabilize property activity and revive commercially viable investment. Continued export strength supports near-term growth, but persistent reliance on external demand also increases exposure to trade restrictions and changes in global technology spending.

Indonesia

Indonesia's economic recovery remains vulnerable to both external and domestic risks. Fiscal policy shows a widening deficit, although revenue growth remained strong. Higher commodity prices and a weaker rupiah supported tax and customs revenues, while Coretax and improvements in tax administration contributed to higher income-tax collections. Retail sales grew by 1.3% YoY in August 2026, although consumer confidence weakened, indicating continued caution in household spending. Manufacturing activity returned to expansionary territory as new orders and moderating input-price inflation eased cost pressures. Bank lending expanded, supported by investment loans, while the banking sector maintained strong capital and liquidity buffers. Taken together, these indicators suggest that economic activity continues to expand, although the recovery remains uneven across sectors and demand components.

Key risks include higher inflation and continued external pressure on the rupiah. Headline inflation increased, driven mainly by weather-related food-supply disruptions, while core inflation eased. Escalating tensions in the Middle East have kept oil and commodity prices elevated, while expectations of tighter US monetary policy and high US Treasury yields have weighed on emerging-market assets. Meanwhile, the latest MSCI announcement has raised concerns about potential foreign equity outflows, adding to existing pressure on the rupiah. These developments complicate Bank Indonesia's policy trade-offs: higher energy prices and a weaker currency could increase imported inflation at a time when monetary and liquidity conditions must also support domestic growth.

Against this backdrop, Bank Indonesia maintained the BI-Rate at 5.75% during its 20–21 October 2026 Board of Governors Meeting (RDG). Although the policy rate remained unchanged, BI adjusted other instruments to balance exchange-rate stability and domestic liquidity needs. It raised the Deposit Facility rate to 5.00% while maintaining the Lending Facility rate at 6.50%, narrowing the interest-rate corridor. BI also increased premium discounts on DNDF hedging for foreign-funding transactions to encourage capital inflows and support rupiah stability. Taken together, these measures indicate that BI is maintaining the policy rate as an anchor for stability while using other monetary and macroprudential instruments to manage liquidity and support economic activity.

RECENT ECONOMIC DEVELOPMENTS: GLOBAL MARKETS

Recent Economic Developments: Global Markets

United States

MANUFACTURING SECTOR

The US manufacturing sector gained momentum in September 2026, with the S&P Global Manufacturing Purchasing Managers' Index (PMI) increasing to 55.9 from 53.9 in August 2026, its strongest reading since May 2022. Although revised down from the preliminary estimate of 57.0, the final reading indicated faster growth in production and new orders. Government-related demand and technology industries supported sales, while stronger domestic business offset continued weakness in export orders associated with tariffs and elevated shipping costs.

Factories responded by expanding production and accelerating recruitment, with employment growth reaching its strongest pace in more than five years. However, longer supplier delivery times and intensifying price pressures indicate that stronger demand is also placing pressure on capacity and supply chains. Manufacturing therefore remains supportive of economic growth, although rising costs could constrain margins and reinforce inflationary pressures.

SERVICES SECTOR

US services activity accelerated further in September 2026, with the S&P Global Services PMI rising to 58.8 from 56.5 in August 2026, marginally above the preliminary reading of 58.7. The result marked the strongest expansion since July 2021. Technology remained the leading sector, while consumer businesses, industrial services and healthcare also recorded stronger activity. Domestic demand supported the fastest increase in new orders in more than four years, encouraging firms to expand employment and address rising workloads.

The improvement in activity was accompanied by greater capacity constraints and stronger cost pressures. Outstanding business continued to accumulate, while employment growth reached its fastest pace since June 2022. Input-cost inflation climbed to its highest level since November 2022, reflecting higher fuel and labor costs, and firms increased selling prices more rapidly. These developments point to sustained services-sector momentum but also indicate that strong demand continues to facilitate cost pass-through, complicating the Federal Reserve's efforts to restore price stability.

LABOR MARKET

The US labor market lost momentum in September 2026, with nonfarm payrolls increasing by just 29,000, compared with a downwardly revised gain of 133,000 in August 2026. Revisions also reduced July 2026 employment growth to a decline of 10,000,

leaving combined July–August 2026 employment gains 60,000 below previous estimates. The unemployment rate edged up to 4.2% from 4.1%, while labor-force participation increased to 61.8%. Although these changes do not indicate an abrupt deterioration, they weaken the earlier assessment of a sustained recovery in hiring.

Labor-demand indicators also point to a relatively subdued hiring environment. Job openings stood at approximately 7.1 million in August 2026, while hiring and layoffs remained broadly stable. Taken together, the figures are consistent with limited recruitment rather than widespread job destruction. The divergence between stronger business surveys and modest payroll growth warrants attention, particularly as persistent inflation limits the scope for monetary easing should employment conditions weaken further.

PRODUCER PRICE INDEX

US producer-price pressures intensified sharply in September 2026, with the Producer Price Index (PPI) for final demand increasing 1.3% month-on-month, following a revised 0.5% rise in August 2026. Annual producer inflation reached 6.3%, its highest rate since December 2022. Energy remained a major contributor, but the increase extended across goods and services. The measure excluding food, energy and trade services rose 0.5% over the month and 5.0% year-on-year (YoY).

The breadth of the increase indicates that upstream inflation is becoming more difficult to contain. Higher production, transportation and distribution costs could either compress corporate margins or feed into consumer prices, depending on demand conditions and firms' pricing power. This development strengthens the case for monetary-policy caution even as employment growth moderates.

INFLATION

US headline consumer inflation accelerated to 3.7% YoY in September 2026 from 3.4% in August 2026, while monthly inflation increased to 0.6% from 0.4%. Gasoline prices rose 9.1% over the month and accounted for more than half of the headline increase. Energy prices were 20.4% higher than a year earlier, while food inflation moderated to 2.5%. Shelter costs also strengthened, increasing 0.4% month-on-month and 3.2% YoY.

Underlying inflation became less favourable, with core inflation increasing to 2.6% YoY from 2.4%, alongside another 0.3% monthly rise. Although energy remained the principal driver of headline inflation, the pickup in core prices indicates that the deterioration was not confined to fuel. The combination of renewed energy pressures and firmer underlying inflation raises the risk of prolonged cost pass-through, reinforcing the Fed's concern about the durability of the disinflation process.

RETAIL SALES

US retail and food-services sales increased 0.8% month-on-month in September 2026, following an upwardly revised 1.3% rise in August 2026, while annual growth reached 6.3%. However, the composition of spending was less robust than the headline suggested. Gasoline-station sales increased 6.4% over the month, whereas sales excluding motor vehicles and gasoline rose only 0.2%, slowing from 1.1% in August 2026. Food services remained supportive, with sales increasing 1.1%.

Because the figures are measured in nominal terms, higher fuel prices account for part of the increase in household expenditure. The September release therefore provides a more qualified signal of consumption resilience than the headline annual growth rate alone would imply. Spending continues

to support economic activity, but the moderation outside vehicles and fuel suggests that higher living costs may be limiting discretionary demand. Subsequent inflation-adjusted consumption releases will be important for assessing the strength of real household spending.

BALANCE OF TRADE

The US goods-and-services trade deficit widened to USD105.6 billion in August 2026 from a revised USD92.8 billion in July 2026. Imports increased 4.3% month-on-month to USD420.8 billion, substantially outpacing the 1.4% increase in exports to USD315.2 billion. The import expansion was concentrated in industrial supplies and capital goods, including crude oil, nonmonetary gold and semiconductors. Exports also improved, supported by industrial supplies and selected technology products, but insufficiently to prevent a further widening of the deficit.

The composition points to continued demand for investment-related imports alongside a larger energy import bill. Importantly, the deterioration was not solely attributable to price movements: the inflation-adjusted goods deficit also widened by 8.2% over the month. This raises the possibility of a weaker contribution from net exports to quarterly growth, although the final impact will depend on the full quarter's trade volumes. Trade-policy uncertainty remains an additional source of volatility in shipment timing and sourcing decisions.

INDUSTRIAL PRODUCTION

US industrial production increased 0.7% month-on-month in September 2026, accelerating from a revised 0.1% increase in August 2026, while annual growth reached 2.2%. Manufacturing output recovered by 0.3% following a 0.2% decline in August 2026. Utilities production increased more substantially, rising 3.5%, while mining output advanced 0.2%. The composition indicates that the improvement extended beyond factories, with utilities providing an important contribution to the stronger headline performance.

Capacity utilization increased to 76.9%, although it remained 2.5 percentage points below its long-run average, indicating that considerable spare capacity persists across industry. The release provides confirmation of improving realized output, but the relatively modest manufacturing increase warrants a measured interpretation of the industrial recovery. Sustaining stronger production will require continued demand growth and a broader improvement across industries, particularly as higher operating costs and restrictive financing conditions remain potential constraints.

Slower hiring and renewed inflation risk eroding household purchasing power, prolonging restrictive financial conditions and increasing the economy's sensitivity to employment and energy-price developments.

Euro Area

MANUFACTURING SECTOR

Euro-area manufacturing conditions improved further in September 2026, with the S&P Global Manufacturing PMI increasing to 52.9 from 52.7 in August 2026, exceeding the preliminary estimate and reaching its highest level since May 2022. New-order growth accelerated to its fastest pace since March 2022, while export orders increased for a

second consecutive month. Stronger demand also generated the first accumulation of outstanding work since April, indicating that the recovery was beginning to place greater pressure on factory capacity.

Manufacturers increased employment and purchasing activity, while business confidence reached a seven-month high. Supply delays became less severe, providing some operational relief, although input and selling-price inflation accelerated. These developments indicate a firmer recovery in manufacturing demand, but its durability will depend on whether improving order books can offset renewed cost pressures and translate into sustained gains in actual production.

SERVICES SECTOR

Euro-area services activity strengthened in September 2026, with the Services PMI increasing to 53.0 from 51.6 in August 2026, its highest reading since November 2025. New business expanded for a third consecutive month, primarily supported by domestic demand, while export sales were broadly unchanged. Outstanding work increased for the first time since October 2025, suggesting that stronger demand was beginning to absorb spare capacity. Employment continued to rise, although recruitment slowed slightly from August 2026.

The recovery was accompanied by a less optimistic price environment. Input-cost inflation accelerated to a four-month high, while selling prices increased at their fastest pace since February 2024. Business expectations remained positive but relatively subdued compared with historical norms. Services therefore continue to provide an important source of growth, although the combination of strengthening demand and renewed cost pass-through could prolong inflation pressures and constrain the improvement in household purchasing power.

INDUSTRIAL PRODUCTION

Euro-area industrial production declined 0.5% month-on-month in August 2026, following a revised 0.3% contraction in July 2026, while annual output fell 1.1%. The monthly decline was concentrated in nondurable consumer goods and intermediate goods, whereas capital-goods production increased 0.4%. The release confirms that the industrial sector remained under pressure despite the improvement in business surveys.

The contrast with the stronger September 2026 manufacturing PMI may partly reflect the different reporting periods, with survey conditions improving after the August 2026 production decline. Nevertheless, stronger orders have yet to establish a sustained recovery in realized output. The resilience of capital goods provides some support, but continued weakness in other industrial categories indicates that the recovery remains vulnerable to subdued demand and elevated operating costs.

UNEMPLOYMENT

The euro-area unemployment rate remained at 6.4% in August 2026, unchanged from July 2026 but slightly above the 6.3% recorded a year earlier. The number of unemployed increased by 26,000 over the month to approximately 11.36 million. Youth unemployment edged down to 15.0% from 15.1%, although it remained substantially higher than the overall rate, indicating persistent difficulties for younger workers entering the labor market.

Employment conditions therefore continue to provide a degree of support for household income, but the stable headline rate should not obscure the gradual increase in unemployment levels. The labor market has so far absorbed weak industrial activity without a sharp deterioration. Its ability to remain

resilient will be important for sustaining consumption as renewed inflation places additional pressure on real purchasing power.

BALANCE OF TRADE

The euro area recorded an unadjusted goods-trade deficit of EUR16.1 billion in August 2026, compared with a EUR1.7 billion deficit a year earlier. Exports increased 9.9% YoY to EUR227.7 billion, but imports rose considerably faster, increasing 16.7% to EUR243.8 billion. The deterioration reflected a weaker machinery-and-vehicles balance and a larger energy deficit, which widened to EUR26.7 billion from EUR21.3 billion in August 2025.

The figures indicate that stronger export revenues were insufficient to offset the expansion in the import bill. Over January–August 2026, the euro area accumulated a EUR5.4 billion trade deficit, compared with a EUR90.9 billion surplus in the corresponding period of 2025. This reduces the external-sector cushion highlighted in the previous narrative. Although monthly unadjusted balances are affected by seasonality, the year-on-year deterioration underscores the region's exposure to energy costs and the importance of maintaining competitiveness in higher-value manufactured exports.

INFLATION RATE

Euro-area inflation accelerated to 3.8% YoY in September 2026 from 3.2% in August 2026, according to the final release. Energy inflation increased to 18.9%, while services inflation strengthened to 3.2% from 3.0%. Core inflation, excluding energy, food, alcohol and tobacco, also edged up to 2.5% from 2.4%. The deterioration therefore remained concentrated in energy but was accompanied by some firming in underlying price pressures.

This composition creates a difficult environment for the European Central Bank (ECB). Higher energy costs weaken household purchasing power and corporate margins, while persistent services inflation increases the risk that the initial shock becomes more entrenched. In our assessment, the latest release reinforces the need to monitor broader price transmission and inflation expectations, even as industrial production and household demand remain relatively subdued.

RETAIL SALES

Euro-area retail sales volumes increased only 0.1% month-on-month in August 2026, following a 0.6% decline in July 2026, while annual growth reached 0.8%. Non-food sales excluding automotive fuel provided the main monthly support, increasing 0.5%, whereas automotive-fuel volumes declined 1.9%. The modest rebound indicates that household goods consumption remained weak despite the recovery in selected business indicators.

Because these figures are adjusted for price changes, they provide a clearer indication of consumption volumes than nominal expenditure alone. The limited recovery suggests that stronger services activity has not yet translated into a convincing improvement in retail demand. Renewed inflation could further constrain spending by reducing real disposable income. A more durable consumption recovery would therefore require sustained income growth and greater confidence in households' future financial conditions.

CONSUMER CONFIDENCE

Euro-area consumer confidence deteriorated to −16.5 in September 2026 from −15.5 in August 2026, reversing four months of improvement and moving further below its long-term average. The broader Economic Sentiment Indicator also declined to 97.9, while employment expectations weakened. The

setback indicates that improving business activity has not been sufficient to establish a sustained recovery in household sentiment.

The renewed deterioration warrants caution when assessing the outlook for consumption. Households remain sensitive to living costs and uncertainty over their financial position, which may encourage precautionary saving and delay discretionary purchases. Moreover, September 2026 consumer-survey aggregates excluded Italy because of a structural break, requiring some care in interpretation. Taken together, the confidence indicators suggest that household demand remains a constraint on the recovery, despite stronger manufacturing and services surveys.

Manufacturing and services show greater resilience, but persistent weakness in construction and household demand, alongside renewed energy inflation, continues to restrain investment, erode purchasing power and limit the breadth and durability of the economic recovery.

China

MANUFACTURING PMI

China's official Manufacturing PMI increased to 50.1 in September 2026 from 49.8 in August 2026, returning above the expansion threshold after two months of contraction. The production index strengthened to 51.7, while new orders remained marginally expansionary at 50.5. Twelve of the 21 industries surveyed reported expansion, four more than in August, indicating that the improvement extended beyond a small number of sectors.

Nevertheless, conditions remained differentiated across industries and firm sizes. High-technology and equipment manufacturing continued to expand, while energy-intensive industries remained below the expansion threshold. Medium-sized and small enterprises improved but continued to report contraction. Input and factory-gate price indices also increased sharply, reflecting higher commodity costs. Manufacturing is therefore showing firmer activity, although the combination of cost pressures and incomplete participation across firms limits confidence in a sustained, broadly shared recovery.

NON-MANUFACTURING PMI

China's official Non-Manufacturing PMI recovered to 50.2 in September 2026 from 49.0 in August 2026, indicating a return to modest expansion. Both services and construction moved above the threshold, with their activity indices reaching 50.2 and 50.3, respectively. Telecommunications, financial services and insurance remained relatively strong, whereas real estate and capital-market services continued to report weak conditions.

The improvement in current activity was not matched by an equally strong recovery in forward demand. The new-orders index increased to 46.5 but remained contractionary, while the employment index stood at 45.9. Business expectations improved, although higher input prices created additional operating pressures. These figures indicate stabilization in services and construction, but continued weakness in orders and hiring suggests that domestic demand has yet to provide a sufficiently durable foundation for expansion.

INDUSTRIAL PRODUCTION

China's industrial production increased 5.5% YoY in September 2026, accelerating from 5.2% in August 2026, while seasonally adjusted output rose 0.61%

over the month. Manufacturing output expanded 6.0%, supported by strong growth in computers and communications equipment, specialized machinery and transportation equipment. High-technology manufacturing increased 15.3% YoY, confirming that advanced industries remained an important source of industrial momentum.

The improvement was less pronounced in traditional and construction-related activities. Nonmetallic mineral products contracted, while cement and steel-product output declined, indicating continued weakness in parts of the industrial supply chain. The latest release therefore reinforces the importance of technology-intensive production in sustaining growth but also highlights the limited spillover into industries more closely linked to construction and conventional domestic investment. A broader industrial recovery will require stronger demand beyond the leading advanced-manufacturing segments.

UNEMPLOYMENT RATE

China's surveyed urban unemployment rate declined to 5.2% in September 2026 from 5.3% in August 2026, returning to its average for the first three quarters. Unemployment across the 31 major cities also eased to 5.2%, while the rate for workers with non-local household registration stood at 5.1%. The decline indicates some improvement in aggregate employment conditions following an increase in August 2026.

The adjustment provides modest support for household-income expectations, but a single monthly improvement does not establish a sustained strengthening of labor demand. Moreover, the aggregate unemployment rate does not fully capture differences in employment conditions across regions, industries and worker groups. In our assessment, a more durable recovery in consumption will depend on continued employment stability and confidence in future earnings, particularly while households remain cautious about larger purchases and the broader investment environment remains subdued.

INFLATION RATE

China's consumer inflation increased modestly to 0.9% YoY in September 2026 from 0.8% in August 2026, while core inflation remained at 1.0%. Higher energy and industrial consumer goods prices provided upward pressure, whereas food prices continued to decline. Producer inflation accelerated more substantially, reaching 5.0% YoY from 3.8% in August 2026, supported by higher international commodity prices and demand from emerging industries.

The divergence between producer and consumer inflation is significant. Rising factory-gate prices indicate stronger upstream cost pressures, but subdued core consumer inflation suggests that demand is not generating comparable pricing strength across the wider economy. Businesses may therefore face a more difficult balance between passing through higher costs and protecting sales volumes. The latest price configuration is more consistent with a substantial cost shock alongside a modest recovery in consumer prices than with a decisive strengthening of household demand.

RETAIL SALES

China's retail sales increased 1.1% YoY in September 2026, improving from 0.4% in August 2026, although growth remained modest. Sales excluding automobiles rose 3.9%, indicating that vehicle-related weakness continued to weigh heavily on the headline figure. Goods sales increased 1.0%, while catering revenue expanded 2.1%, suggesting some

improvement across both merchandise and dining expenditure without a strong acceleration in overall consumption.

Over January–September 2026, retail sales increased just 1.1%, while online goods sales rose 3.8%. The difference between headline and automobile-excluded growth highlights the importance of examining spending composition before concluding that household demand has recovered. The September improvement is encouraging, but the relatively low overall growth rate indicates that consumption remains a weak component of the expansion. Sustaining the recovery will require stronger household confidence and a more consistent improvement in demand across major spending categories.

BALANCE OF TRADE

China's trade surplus widened to approximately USD133.5 billion in September 2026 from USD119.1 billion in August 2026. Exports increased 36.3% YoY to USD447.2 billion, while imports rose 31.0% to approximately USD313.7 billion. Global demand associated with artificial-intelligence infrastructure continued to support high-technology exports, reinforcing the external sector's contribution to economic activity.

The cumulative trade surplus reached approximately USD938.1 billion over January–September 2026, placing China on course for another exceptionally large annual surplus. Although stronger imports indicate continued demand for foreign products and production inputs, the persistent expansion in the surplus underscores the economy's reliance on external demand. This creates a source of vulnerability: stronger exports support near-term growth but can also intensify pressure from trading partners concerned about market access, industrial capacity and bilateral imbalances. A more balanced expansion would require domestic spending to contribute more consistently alongside manufacturing and trade.

MONETARY POLICY

China maintained its one-year and five-year loan prime rates (LPRs) at 3.00% and 3.50%, respectively, in September 2026, extending the period without a change to 16 consecutive months. These remained the latest published LPR settings as of 19 October 2026. The decision reflected a cautious policy approach amid weak domestic demand, pressure on banks' lending margins and tighter monetary conditions overseas. Monetary support therefore continued without a further reduction in these benchmark lending rates.

September 2026 credit figures provided a mixed signal. New yuan lending recovered to RMB1.08 trillion from RMB60 billion in August 2026, helped partly by quarter-end lending patterns and targeted support. However, outstanding loan growth slowed to 4.8% YoY, while household borrowing remained broadly flat. The rebound in monthly lending therefore offers limited evidence of a sustained recovery in private credit demand. In our assessment, improving policy transmission will depend on stronger borrowing appetite and confidence alongside supportive financing conditions.

FOREIGN EXCHANGE RESERVES

China's foreign exchange reserves declined to approximately USD3.400 trillion at the end of September 2026 from USD3.438 trillion in August 2026, a reduction of USD38.1 billion, or -1.11%. The decline reflected a stronger U.S. dollar and lower global asset prices, which affected the dollar valuation of reserve holdings. Separately, official gold holdings increased to 77.47 million fine troy

ounces, extending the central bank's gold-purchasing sequence to 23 consecutive months.

The monthly decline should therefore be interpreted partly through valuation effects rather than treated automatically as evidence of equivalent capital outflows. China retains a substantial foreign-currency liquidity buffer, while continued gold purchases indicate further diversification of official reserve assets. This position provides capacity to manage external financial volatility, although it does not remove the domestic challenges associated with weak credit demand and cautious household spending.

Strong exports and advanced manufacturing continue to support growth, but weak property investment, cautious household spending and subdued borrowing demand constrain domestic momentum, leaving the recovery dependent on external markets and vulnerable to renewed trade tensions.

RECENT ECONOMIC DEVELOPMENTS: DOMESTIC MARKETS

Recent Economic Developments: Domestic Markets

INFLATION

Indonesia's headline inflation accelerated to 3.28% YoY in September 2026, up from 3.19% in August 2026. It remained within Bank Indonesia's (BI) 1.5%-3.5% target range, although moving closer to the upper bound of 3.5%. While core inflation eased to 2.84% YoY in September 2026 from 2.92% YoY in August 2026, volatile food (VF) inflation drove up price growth, recording 5.03% YoY compared to 4.06% YoY in the previous month. Some commodities that largely contribute to September 2026 inflation were gold jewellery, gasoline, fresh fish, bird's eye chillies, rice, and cooking oil, reflecting the influence of weather disruptions on food prices. Meanwhile, administered price (AP) inflation moderated to 3.25% YoY from 3.32% YoY in August 2026.

Energy-related costs remain a potential source of pressure in driving higher input costs. Transportation prices increased by 4.84% YoY, plausibly driven by the increase in airfares and fuel prices compared to September 2025. Food, beverages, and tobacco rose to 4.37% YoY from 3.86% YoY the previous month. Only personal care and other services experienced lower annual inflation in September 2026 compared to August 2026, with 7.77% YoY vs 9.25% YoY price growth, although it remained elevated relative to other expenditure groups.

Overall, Indonesia's inflation remained within BI's target range in September 2026, but the acceleration in headline inflation highlights mounting upside risks, particularly from food prices. If prolonged, an increase in volatile food inflation, alongside elevated inflation in transportation and personal care, could put household purchasing power under pressure despite easing core inflation. Maintaining price stability will depend on effective food supply management and inflation control measures, while the evolution of global energy prices warrants close monitoring for potential pass-through to domestic prices.

RETAIL SALES

Retail sales grew by 1.3% YoY in August 2026. The increase was supported by stronger sales of food, beverages, and tobacco as well as improvements in motor vehicle parts and accessories. Meanwhile, clothing sales contracted by 12.40% YoY, in contrast to the positive annual growth in July 2026. Information and communication equipment and household equipment also continued to weaken. On a monthly basis, retail sales increased by 0.80% month-over-month (MoM), showing signs of a rebound from a 0.10% contraction in July 2026.

The monthly increase suggests improving household consumption during Indonesia's month of Independence. While improved, fluctuating growth implies that the recovery in household consumption remains fragile. The increase was concentrated in basic necessities, while other discretionary spending categories remained weak, pointing to cautious household spending.

CONSUMER CONFIDENCE INDEX (CCI)

The Consumer Confidence Index declined slightly to 118.10 in September 2026 from 118.50 in August 2026, suggesting fragile recovery from the previous month's rebound. The decline was driven by weaker confidence in present economic conditions, particularly regarding household income and job availability. Regardless, households show a more positive outlook for future conditions. Sentiment on buying durable goods continued to improve with a slight increase from the previous month. The gap between weakening current conditions and stronger expectations suggests that household optimism remains largely forward-looking, dependent on improvements in income and employment opportunities.

PURCHASING MANAGERS' INDEX (PMI)

Indonesia's S&P Global Manufacturing PMI strengthened to 52.4 in September 2026, the highest reading since February 2026 and returning to expansion zone after a contraction in August 2026. With new orders coming in from new projects and export demand rising at the fastest pace since May 2022, manufacturing production showed recovery, prompting firms to expand their workforce at the fastest pace since February 2025. Cost pressure also eased, with input price inflation slowing to a six-month low, although it remained above the long-run average.

Fluctuating manufacturing activity between contractionary and expansionary zones reflected signs of uneven momentum, as production remains sensitive to shifts in demand. Continued growth in new orders and sustained moderation in input prices will be key to keeping the manufacturing sector in expansion territory in the coming months.

BALANCE OF TRADE

In August 2026, Indonesia recorded a trade surplus of US$3.55 billion, surging from US$0.12 billion in July 2026. The non-oil and gas sector recorded a trade surplus of US$6.09 billion, while oil and gas experienced a trade deficit of US$2.54 billion. Export value increased by 6.72% YoY, amounting to US$26.61 billion. Manufacturing exports primarily drove non-oil and gas trade with export growth of 12.48% YoY. Meanwhile, agriculture, forestry, and fisheries, as well as mining declined by 11.64% and 19.47% YoY, respectively. On the other hand, imports increased by 19.09% YoY to US$23.06 billion, driven by both oil and gas imports, which rose by 30.73% YoY and non-oil and gas imports, which grew by 17.20% YoY.

LOAN GROWTH

Loan growth stayed firmly in double digits in September 2026, although momentum eased slightly. Bank lending expanded 13.26% YoY, down from 13.65% YoY in August 2026 but still well above Bank Indonesia's 2026 projection range of 8–12%. Investment loans remained the main driver at 23.20% YoY, though their pace moderated from 25.11% YoY in the previous month. Working capital loans picked up to 11.89% YoY, and consumer loans grew 4.86% YoY. Lending to corporates outside government-linked programs also increased, which indicates that credit demand is not relying solely on policy-driven financing.

Bank Indonesia continued to support lending to priority sectors through the Macroprudential Liquidity Incentive (KLM). Until the first week of October 2026, KLM incentives received by banks are recorded at IDR458.5 trillion, with allocation to KLM's financing channel at IDR336.4 trillion, and to the Money Market Deepening (PPU) amounting to IDR122.1 trillion. The room for further credit

expansion remains considerable. Undisbursed loan facilities stood at IDR2,562.57 trillion, or 21.70% of total available credit ceilings. However, the funding side is becoming a binding constraint. Third-party funds (DPK) grew only 8.22% YoY in September 2026, a notable slowdown from 10.94% YoY in August 2026, and the gap between loan and deposit growth widened to around 5 percentage points. Therefore, mobilizing deposits is a prerequisite for sustaining the current pace of lending.

The banking sector remained resilient, with a Capital Adequacy Ratio (CAR) of 24.10% in August 2026, while Non-Performing Loan (NPL) ratio of 2.11% gross and 0.81% net. Liquidity also improved, with the liquid assets-to-deposits ratio (AL/DPK) increasing from 23.04% in August 2026 to 24.08% in September 2026. These ratios edged up only marginally from the previous month. While buffers remain ample, they warrant monitoring given that loan is growing well above the projected range.

Banking intermediation remains robust, supported by a large pool of undrawn commitments and solid capital and liquidity positions. However, a key future risk may lie in funding sustainability, as slower deposit growth could constrain banks' lending capacity. With Bank Indonesia playing a growing role in supporting economic activity, maintaining an accommodative macroprudential stance alongside stronger deposit mobilization will be key to sustaining loan growth while preserving financial stability.

STATE BUDGET (APBN)

Indonesia entered the final quarter of 2026 with narrower fiscal space. The fiscal deficit widened to IDR319.0 trillion, or 1.24% of GDP, as of September 2026, up from 0.93% in August, while the primary surplus narrowed to IDR125.5 trillion. However, revenue still grew faster than spending, rising 25.5% YoY to IDR2,341.5 trillion compared to a 19.0% YoY increase in expenditure to IDR2,660.5 trillion.

Tax revenue increased by 24.1% YoY, reaching IDR1,607.6 trillion or equivalent to 68.2% of the target. Tax revenue was supported by strong oil and gas income tax growth at 128.2% YoY, recorded at IDR43.6 trillion. This jump reflected higher commodity prices and weaker rupiah, which raised the rupiah value of oil and gas revenues, as oil and gas income tax is calculated based on U.S. dollar-denominated prices. Coretax implementation and improvement in the administrative system also supported non-oil and gas tax revenue, which recorded a 17.6% YoY growth to IDR809.3 trillion. Value-added tax (VAT) and luxury-goods sales tax reached IDR683.3 trillion with a growth of 38.6% YoY, in which wholesale fuel trade sector was one of the main contributors to domestic VAT revenue. Excise and customs revenue grew by 8.5% YoY, amounting to IDR240.1 trillion. Excise revenue grew mildly 2.7% YoY, while export duty revenue increased by 44.5% YoY due to higher price and volume in CPO exports. Higher imports also supported import duty growth to 13.6% YoY. PNBP rose 41.7% YoY to IDR492.3 trillion, driven by higher natural resource revenue, both from oil and gas and from non-oil and gas, with the latter driven by higher coal and mineral prices as well as a revised mineral benchmark price (HPM) formula. Meanwhile, income from separated state assets (KND) jumped to IDR58.0 trillion from IDR11.8 trillion in the previous year.

Central government expenditure grew 29.6% YoY, amounting to IDR2,061.3 trillion or equivalent to 65.4% of the 2026 APBN. The spending was supported by ministry/agency spending directed to Free Nutritious Meals program (MBG), social

assistance, infrastructure, and education services. For non-ministry/agency, spending was mostly contributed by payment of pension benefits, subsidies, and compensation for gasoline and electricity. On the other hand, Transfer to Regions (TKD) reached IDR599.2 trillion, or about 82.4% of the total revised annual allocation of IDR727.2 trillion. TKD execution of 82.4% outpaced central government spending execution of 65.4%, indicating that transfers to regions have been disbursed at a faster pace relative to their allocation. However, TKD disbursement remained 7.1% lower than the IDR644.9 trillion recorded in the same period last year, suggesting that the decline reflects a smaller TKD allocation in the 2026 budget, with fiscal support increasingly concentrated at the central government level.

Debt financing has been kept on track, with net debt financing at IDR494.3 trillion as of September 2026, or 59.4% of the annual target, a slower pace than the 64.8% recorded a year earlier. SBN issuance accounted for IDR497.5 trillion, while net loans recorded a small repayment of IDR3.2 trillion. Market demand for government debt remained supportive, with six foreign-currency SBN issuances across four currencies recording an average bid-to-cover ratio of 2.4x. However, with the 10-year SBN yield at 7.17% at the last SUN auction on September 29, 2026, and the SBN–UST spread narrowing to 188 bps, financing costs remain exposed to global yield movements and the recent rise in domestic market uncertainty.

EXCHANGE RATE

The Indonesian rupiah weakened to IDR18,052 per U.S. dollar on October 16, 2026, the first time it breached IDR18,000 since August 4, 2026. The rupiah came under additional pressure following MSCI's announcement regarding consultation on a proposal to reclassify the MSCI Indonesia indexes from Emerging Market to Standalone Market status. The announcement triggered a sharp sell-off that sent the JCI down 8% at the open and prompted a 30-minute trading halt. The rupiah therefore were further pressured as foreign investors recorded a net sell of IDR3.34 trillion in the equity market on October 16, bringing year-to-date net foreign selling to IDR88.19 trillion (US$4.89 billion).

Combined with persistent external pressure from the Fed's hawkish stance and global geopolitical tensions, Bank Indonesia will need to sustain its stabilization measures, including intervention in the spot, DNDF and offshore NDF markets, as well as purchases of government bonds in the secondary market. Additionally, maintaining the attractiveness of domestic financial assets, particularly through competitive yields on SRBI and government bonds, will be crucial to sustaining portfolio inflows and limiting further pressure on the rupiah.

EQUITY MARKET

Indonesia's equity market was under renewed pressure following the MSCI announcement, intensifying selling pressure on the Jakarta Composite Index (JCI). As of 21 October 2026, the index weakened by 11.33% to 5,328 compared to the beginning of the month. The JCI even reached its lowest closing level since 2020, reaching 4,997 on 19 October 2026. The LQ45 Index, which represents companies with the highest market capitalization, followed a similar trend, with a drop of 9.56% over the same period. Following net foreign selling of IDR10.24 trillion in September 2026, the risk of continued foreign outflows remains a key concern. Meanwhile, compared with regional peers, such as Malaysia, Thailand, and Vietnam, Indonesia's equity market has experienced a sharper correction, reflecting heightened investor concerns over the

country's market classification and investment climate.

MONETARY POLICY

The Board of Governors Meeting (RDG) on 20–21 October 2026 reflected Bank Indonesia's cautious yet adaptive approach to monetary policy. BI maintained the BI-Rate at 5.75% and the Lending Facility rate at 6.50%, while raising the Deposit Facility rate to 5.00%.

On the external front, BI is strengthening its foreign exchange (FX) interventions and hedging incentives to ease pressure on the rupiah. As of 20 October, the rupiah stood at IDR17,985/USD, weakening by 0.61% point-to-point (ptp) from the end of September 2026. BI will continue to intervene through offshore Non-Deliverable Forward (NDF) transactions, as well as spot and Domestic NDF (DNDF) transactions in the domestic market. It has also increased the discount on DNDF hedging premiums for foreign funding transactions, including portfolio inflows, external bank borrowing, and foreign direct investment (FDI). The discount rose from 25% to 40% for six-month tenors and from 30% to 45% for 12-month tenors. BI also maintained its incentives for conventional buy-swap hedging and Local Currency Transactions with partner countries. Furthermore, the higher Deposit Facility rate may support rupiah's stability by keeping short-term rupiah instruments attractive. Meanwhile, FX reserves of US$146.3 billion or equivalent to 5.3 months of imports at the end of September 2026, provide a buffer for continued intervention.

On the domestic front, BI is prioritizing liquidity support to sustain credit growth while keeping the policy rate unchanged. The average reserve requirement (GWM) for conventional banks will be reduced from 9% to 7% in two stages: to 8% on 1 November 2026 and 7% on 1 December 2026. For Islamic banks and Islamic business units, the ratio will fall from 7.5% to 5.5% over the same period. BI will also remunerate eligible rupiah reserve holdings of up to 5% of the average rupiah GWM. These changes will accompany a reduction in the Macroprudential Liquidity Incentive (KLM) from 6% to 5%, effective 1 December 2026. Under the revised scheme, up to 3% of deposits will be allocated to financing eligible sectors that support job creation, while up to 2% will support money-market deepening. In addition, BI extended the 100% loan-to-value (LTV) ratio for property loans and the 0% minimum down payment for new vehicle loans through the end of 2027. These measures aim to ease banks' funding constraints and encourage lending, as credit growth of 13.26% YoY in September 2026 continues to outpace deposit growth of 8.22% YoY. By improving liquidity and supporting credit intermediation, BI seeks to sustain financing for the real sector and support its 2026 economic growth projection of 4.9–5.7%.

The October decision demonstrated BI's commitment to balancing rupiah's stability with domestic growth amid persistent external pressures, including limited investor appetite for emerging markets and expectations of tighter US monetary policy. With the policy rate unchanged, BI is relying on a combination of monetary and macroprudential measures to contain exchange rate pressures while maintaining liquidity and supporting credit expansion to the real sector.

FOREIGN EXCHANGE RESERVES

Indonesia's foreign exchange reserves decreased to US$146.3 billion in September 2026 from US$146.53 billion in the previous month. The decline was largely driven by the government external-loan withdrawals and revenue from tax and service,

amidst the repayment of maturing government foreign debt and Bank Indonesia's policy intervention to stabilize the Rupiah exchange rate. Regardless, Indonesia's foreign exchange reserves are still equivalent to 5.3 months of imports, well-above the international adequacy standard of around 3-months imports.

Indonesia's economy faced mounting external pressures amid its gradual recovery. Government spending and credit disbursement to productive sectors, supported by Bank Indonesia's accommodative macroprudential policies, helped sustain growth momentum. However, weather-related supply disruptions and volatile energy prices posed upside risks to price pressures, while rupiah depreciation heightened the risk of imported inflation, potentially further constraining household purchasing power.

ASSET ALLOCATION

GLOBAL MARKET

Global financial markets faced renewed volatility amid concerns over the substantial funding requirements of AI-related investments, triggering a correction in US technology stocks. However, the ust 10Y yield fell below 5%, reaching 4.97%, as investors shifted toward safe-haven assets amid heightened risk aversion. The decline also reflected reduced expectations of further Fed tightening as concerns over the sustainability of AI-driven growth intensified. Meanwhile, Brent crude prices climbed to around USD114/bbl amid escalating Middle East tensions, adding to global inflationary risks and keeping market sentiment cautious.

DOMESTIC EQUITY MARKET

The JCI experienced a sharp correction in October, falling from 6,071 at the end of September to 5,185 on October 16, before recovering to 5,387 on October 22. The sell-off was primarily driven by concerns over MSCI's potential reclassification of Indonesia from an emerging market to standalone market, raising the risk of further foreign capital outflows. Foreign selling was concentrated in major banking stocks, particularly BBCA, BBRI, and BMRI. Although the index rebounded following the steep correction, market sentiment remains fragile as investors await greater clarity on MSCI's assessment and the implementation of measures to improve market transparency.

DOMESTIC BOND MARKET

The domestic bond market faced renewed selling pressure in October, with the SBN 10Y yield rising to 7.45%. The correction was driven by Rupiah depreciation, with the currency weakening beyond 18,000 amid market concerns following MSCI's reclassification announcement. In addition, Indonesia 5Y Credit Default Swap (CDS) rose to 103.72, reflecting an increase in perceived sovereign risk and adding further pressure on domestic bond yields. These developments highlight continued sensitivity to currency movements and shifts in foreign investor sentiment, keeping the outlook for the domestic bond market cautious.

DOMESTIC MONEY MARKET

The domestic money market may benefit from improving liquidity conditions following BI's decision to gradually reduce the reserve requirement (GWM) from 9% to 8% and 7% by year-end 2026. Meanwhile, the SRBI 12M yield continued to decline to 6.60%, potentially reinforcing downward pressure on short-term funding costs and money market yields. However, Rupiah weakness beyond 18,000 remains key risk that could constrain further monetary easing.

ASSET ALLOCATION TAKEAWAY

We maintain a balanced but cautious stance as uncertainty over MSCI's potential reclassification continues to weigh on domestic markets. In fixed income, Rupiah weakness and rising sovereign risk may keep long tenors volatile in the near term, although current yield levels offer attractive entry points once the currency stabilizes. Meanwhile, the money market remains supported by improving liquidity following the GWM reduction. In equities, the recent correction has made valuations more attractive, supporting a selective approach toward fundamentally strong names, while greater clarity on MSCI's assessment could serve as a catalyst for recovery. Overall, we favor gradual portfolio positioning while monitoring MSCI developments, the Rupiah, and oil prices.

SECTORAL OUTLOOK

KEY COMMODITIES MARKET: QUOTA RELIEF TRICKLES IN

September 2026 showed that Indonesia's commodity backdrop is still shaped more by policy than by pure supply-demand dynamics. Domestically, the government adjusted the nickel ore benchmark (HPM) formula, continued to release revised RKAB quotas selectively, and asked license holders to resubmit work plans for 2026–27. Globally, the macro backdrop turned hawkish. The Fed raised rates on 16 September and US 10-year Treasury yields climbed above 5%. That hit precious metals hardest, while coal rose on renewed Middle East tensions.

NICKEL

For nickel, the key development was the revised HPM formula. The revision mainly lowers the correction factor and cobalt coefficient for low-grade limonite, cutting the 1.2% Ni benchmark by 45% to USD24.89/wmt. This eases cost pressure for HPAL processors but partly reverses the earlier uplift for ore sellers. On supply, mid-year quotas were released through 3Q26, bringing assets like Weda Bay back online. Since then, the revised 2026 ore quota has been approved at approximately 290 million tonnes, up from an initial 250–260 million tonnes, broadly in line with our expectation of a 10–15% increase. With more ore available and LME inventories rising, LME nickel fell to its lowest level of 2026 in the third week of September. We expect prices to stay range-bound near current levels until the 2027 RKAB allocation becomes clearer.

COAL

For coal, prices were supported by both global and domestic factors. Globally, the resumption of direct US-Iran fighting in early September revived disruption risk around the Strait of Hormuz and tightened LNG supply, which supported coal as a substitute fuel. Domestically, Indonesian supply discipline remains firm. ESDM estimates 2026 output at around 720mn tonnes, below 2025's ~817mn tonnes, and it has warned that miners failing domestic supply obligations may have their 2027 RKAB withheld. Quota friction is already affecting shipments: Bayan Resources declared force majeure on 11 September after its RKAB revision was not approved. With the seaborne market carrying little buffer, we see coal prices staying well supported into the 4Q26 restocking season. The key downside risk is a de-escalation in the Middle East that removes the energy-security premium.

TIN

For tin, we think prices remain supported but range-bound. Myanmar's supply recovery has been slower than expected. In September, the DRC accounted for nearly 40% of China's tin concentrate imports, while Myanmar's share fell to around 15%. Indonesia's position as a refined supplier has strengthened, making up about 70% of China's tin ingot imports. Even so, prices eased through the month as the hawkish macro backdrop weighed on speculative positioning. We keep our view that structural tightness limits downside, but upside from current levels looks limited.

COPPER

For copper, fundamentals remain constructive, though the month was mainly driven by US tariff policy. LME three-month copper peaked intraday at a record USD14,875/t on 10 September, as the prospect of US Section 232 tariffs on refined copper drew metal into the US. Momentum cooled after the

White House said no final decision had been made. Inventories also diverged: LME stocks rose to 251,500 t at end-September, while Shanghai cathode stocks fell to 43,900 t, the lowest since 2023. We think the tariff decision is the key swing factor in the near term. A confirmed tariff could reverse US-bound flows and loosen the ex-US market.

GOLD

For gold, September 2026 was a reminder that real yields matter more than headlines. Gold ended the month at USD4,176/oz, down 8.5% m-m, as the 10-year TIPS yield rose about 44bp, its fastest monthly increase in four years. Underlying demand still looks resilient: central banks bought a record 289 tonnes in 2Q26, and gold ETFs took in nearly USD2bn in September. We maintain our constructive medium-term view on gold as a portfolio hedge. Near term, however, prices will likely trade sideways, with direction depending on the Fed's path, starting with the 27–28 October FOMC meeting.

INDONESIA CEMENT SECTOR

We expect Indonesia's cement sector to grow by 1–3% in 2027, following a relatively strong base in 2026 and with fewer catalysts for further acceleration. Government projects, including KDKMP construction, Sekolah Rakyat, and food-security initiatives, are expected to remain important drivers of bagged-cement demand. In contrast, the outlook for bulk cement is softer, as several major infrastructure projects, including toll roads, have entered their final construction stages, while the pipeline of new projects remains limited. With revenue growth expected to be modest, cost management will be a key determinant of profitability. Energy accounts for approximately 40–50% of cost of goods sold, making oil-price movements and coal availability important drivers of margins. Although producers may pass some cost increases on to customers, higher selling prices could encourage further substitution toward lower-priced, tier-two cement brands, which typically cost 15–25% less.

KEY INDONESIA BANKING: LOAN GROWTH SLOWS, FUNDING COSTS STILL WEIGH ON MARGINS

Loan growth moderated to 13.3% YoY in September 2026 from 13.7% in August 2026, while deposit growth remained at 8.2%, resulting in a gap of approximately 5 percentage points. Liquidity conditions improved, with the liquid-assets-to-third-party-deposits ratio (AL/DPK) rising to 24.1% from 23.0%. However, the funding mix remains a concern. Corporate deposits continue to drive deposit growth, while individual deposits increased by only 3.6% YoY. Weak retail deposit growth limits banks' ability to reduce funding costs, particularly for BMRI, BBNI, and BBTN. BBCA and BRIS remain relatively better positioned, supported by stronger current-account and savings-account (CASA) franchises. Although lending continues to expand at a healthy pace, reliance on more expensive funding continues to weigh on net interest margins (NIM).

We expect margin pressure to persist into the fourth quarter of 2026 as loan growth moderates. Improving liquidity provides some relief, but banks still need to strengthen their deposit mix to reduce funding costs. BBTN remains particularly exposed to funding pressures, while the increase in Category 2 loans through August suggests potential upward pressure on credit costs, subject to confirmation of the underlying classification data. Key indicators to monitor include CASA growth, reliance on time deposits, asset quality, and the extent to which lending growth translates into earnings.

FORWARD OUTLOOK AND STRATEGIC RISKS

GLOBAL ECONOMIC OUTLOOK

The IMF's October 2026 World Economic Outlook describes a global economy that continues to expand despite geopolitical conflict, disrupted energy supplies and trade fragmentation. It projects global growth of 3.1% in 2026, down from 3.5% in 2025, followed by a recovery to 3.4% in 2027. That headline masks a substantial difference between country groups: advanced economies are projected to grow by 2.1% in 2026 and 1.8% in 2027, while emerging and developing economies are expected to grow by 3.7% and 4.4%, respectively. The United States is projected to grow by 2.3% in both years; the euro area, by 1.1% in 2026 and 1.2% in 2027. (IMF, October 2026)

Inflation remains a constraint on that expansion. The IMF projects global inflation to rise from 4.1% in 2025 to 4.7% in 2026 before easing to 4.1% in 2027, with the 2026 increase reflecting, in part, a sharp rise in oil prices. Inflation is projected to be higher in emerging and developing economies than in advanced economies. The IMF's assumptions also point to elevated government bond yields in the United States over the forecast period. These yield assumptions are technical inputs to the forecast, rather than projections of Federal Reserve policy rates. Taken together, the outlook suggests that growth will continue, but inflation and borrowing costs may limit the scope for rapid monetary easing. (IMF, October 2026)

The IMF's projections point to divergent regional conditions rather than a synchronized global recovery. Emerging and developing Asia is expected to remain a major source of growth, expanding by 5.1% in 2026 and 4.9% in 2027. Sub-Saharan Africa is projected to grow by 4.5% in both years. By comparison, growth in Latin America and the Caribbean is forecast at 2.3% in 2026 and 2.5% in 2027, while emerging and developing Europe is projected to grow by 1.7% and 2.1%. The Middle East and Central Asia face a more volatile path: output is projected to contract by 0.3% in 2026 before rebounding in 2027. (IMF, October 2026)

Inflation and interest-rate conditions are also likely to remain different across regions. For example, US inflation is projected at 3.6% in 2026, compared with 3.1% in the euro area and 2.0% in Japan. The IMF's government-yield assumptions likewise differ across economies. This variation reflects differences in exposure to energy prices, trade disruptions, investment and fiscal conditions. As a result, financing conditions are unlikely to move in lockstep and shifts in advanced-economy yields may continue to affect borrowing costs and capital flows in emerging markets. (IMF, October 2026)

REGIONAL OUTLOOK

Asia's growth outlook remains comparatively strong, although the pace is expected to moderate. The IMF's October Regional Economic Outlook: Asia and Pacific projects regional growth of 4.8% in 2026 and 4.4% in 2027, down from 5.0% in 2025. The 2026 projection was revised upward from the IMF's April forecast. Emerging Asia is projected to grow faster than advanced Asia, with India remaining a major contributor to regional growth on the IMF's fiscal-year basis. China's growth is expected to slow, while Korea's forecast has improved, supported by semiconductor exports and investment related to artificial intelligence. The ASEAN-5 economies are projected to grow by 4.4% in 2026 and 4.3% in 2027. (IMF, October 2026)

The regional average, however, conceals differences in both growth drivers and risks. Technology-related investment and exports are supporting activity in some economies, while higher energy, transport and fertilizer costs are adding to inflationary

pressure elsewhere. Monetary conditions are also diverging: some central banks have maintained more accommodative settings, while others have tightened in response to price pressures. The IMF also points to the possibility of higher regional bond yields as US financial conditions tighten and fiscal risks in advanced economies affect global markets. Asia's growth remains relatively resilient, but its economies face different combinations of inflation, external exposure and financing pressure. (IMF, October 2026)

The IMF's October 2026 World Economic Outlook projects Indonesia's real GDP to grow by 5.1% in 2026, keeping the country among the stronger performers in the region despite a more difficult global environment.

GLOBAL COMMODITY OUTLOOK: ENERGY AND AGRICULTURAL MARKETS MOVE DIFFERENTLY

The commodity outlook reflects distinct developments in energy and agriculture. The IMF's October 2026 forecast assumptions put average oil prices at approximately US$95.74 per barrel in 2026, easing to US$87.39 in 2027. These projections assume that some of the disruption to energy markets will recede, but prices remain exposed to geopolitical events and supply constraints. (IMF, October 2026)

Agricultural supply presents a different picture. The USDA's October Feed Outlook projects global coarse-grain production of about 1.65 billion metric tons in 2026/27, including global corn production of approximately 1.29 billion metric tons. US feed-grain supply is forecast to be the second-highest on record, and the USDA estimates US corn production at 16.0 billion bushels. At the same time, production conditions are uneven: EU corn output is forecast to fall, while France's production is expected to reach its lowest level in 50 years after severe heat and drought. The contrast between abundant supply in some major exporters and weather-related shortfalls elsewhere helps explain why commodity prices are not moving uniformly (USDA, October 2026).

The global mining industry enters the final quarter of 2026 with strong financial performance but increasingly divergent prospects across commodities. According to McKinsey & Company (October 2026), the metals and mining industry generated approximately US$3.1 trillion in revenue and more than US$800 billion in EBITDA in 2025, with average EBITDA margins reaching 27%, compared with 19% in 2015. However, revenue growth remained modest at approximately 1%, reflecting stagnant productivity and uneven commodity performance. Gold emerged as the industry's principal earnings driver, with prices increasing by 45% and its contribution to total EBITDA reaching 28%, while copper prices rose by 9%, supported by electrification, data-center investment, and supply constraints. Conversely, thermal coal prices declined by approximately 19% and steel prices by 9%, reflecting weakening Chinese construction demand and persistent overcapacity. These developments indicate a structural shift in profitability from traditional bulk commodities toward precious metals and critical minerals. China's share of global metals revenue declined from 48% in 2020 to 42% in 2025 and is projected to reach 38% by 2035, while India and emerging Asian economies gain importance. Despite strong earnings, mining capital expenditure remained approximately 45% below its 2012 peak in real terms, highlighting persistent underinvestment in future supply (McKinsey & Company, October 2026).

Looking ahead, the mining outlook is increasingly shaped by supply concentration, geopolitical fragmentation, and accelerating demand for critical

minerals. McKinsey & Company (October 2026) projects resilient demand growth across most minerals through 2030, except coal, steel, iron ore, and platinum-group metals. By 2035, projected supply deficits could reach approximately 10% for copper, 10–20% for nickel, and more than 20% for rare earths, requiring an estimated US$4.2 trillion in mining and processing investment over the coming decade. Data-center expansion alone could account for approximately 4.3% of global copper demand and 6.2% of gallium demand by 2030. Nevertheless, stronger demand does not necessarily translate into higher profitability, as processing overcapacity, trade restrictions, and rising operating costs increasingly constrain returns. For Indonesia, substantial nickel resources and downstream processing capacity provide opportunities to capture growing critical-mineral demand, but nickel price volatility, smelting overcapacity, and energy-intensive production pose significant risks. The strategic priority should therefore shift from expanding production capacity toward improving cost competitiveness, downstream value creation, export diversification, and technological productivity. Globally, operational, procurement, and capital improvements could unlock US$450–750 billion in annual productivity potential, emphasizing efficiency as a critical determinant of long-term mining competitiveness (McKinsey & Company, October 2026).

GLOBAL MARITIME FREIGHT: HIGHER RATES ON SOME ROUTES, MORE CAPACITY ON OTHERS

Container freight rates rose again in mid-October, although the movement varied by route. Drewry's World Container Index increased by 3% to US$4,485 per 40-foot container on 15 October, ending three weeks of declines. Shanghai–Los Angeles rates rose to US$7,884, while Shanghai–New York rates eased slightly to US$10,075. On Asia–Europe routes, Shanghai–Rotterdam and Shanghai–Genoa rates rose to US$3,522 and US$3,945, respectively. These route-level differences show why the headline index alone does not capture the full movement in shipping costs. (Drewry Supply Chain Advisors, World Container Index, 15 October 2026)

Capacity conditions may restrain further increases. Drewry reported that the resumption of Suez Canal transits and fewer cancelled sailings were adding to effective shipping capacity. Carriers were seeking to introduce higher freight-all-kinds rates on some Asia–Europe routes, but implementation remained uncertain. Freight rates therefore reflected a combination of demand, route-specific disruption and carriers' capacity decisions, rather than a uniform change across global trade lanes. (Drewry Supply Chain Advisors, World Container Index, 15 October 2026)

Intra-Asian freight rates fell in mid-October 2026, but remained markedly higher than a year earlier. Drewry's Intra-Asia Container Index declined by 3% to US$1,453 per 40-foot container on 15 October. Rates fell on several routes, including Shanghai–Singapore and Shanghai–Busan, as congestion eased and post-holiday demand weakened. Waiting times also shortened at Singapore and Jawaharlal Nehru Port. But the decline was not universal: rates on the Shanghai–Jebel Ali route remained high amid Middle East tensions and elevated bunker costs. The index was still 198% above its year-earlier level. (Drewry Supply Chain Advisors, Intra-Asia Container Index, 15 October 2026)

Airfreight costs moved in the other direction. Drewry's Airfreight Price Index reached US$4.00 per kilogram in September, up 2% from August, with rates on Asia–Europe routes increasing. Year-on-year increases were especially large on some Transatlantic and Transpacific routes. The air-to-

maritime freight price multiplier narrowed between April and September, indicating that the relative cost gap between air and sea freight had decreased. Together, the shipping and airfreight data show short-term easing on some maritime routes alongside persistent cost pressure in other parts of the logistics market. (Drewry Supply Chain Advisors, Airfreight Price Index, September 2026)

INDONESIA OUTLOOK: RESILIENT ACTIVITY, NARROWER EXTERNAL BUFFER

Indonesia entered the final months of 2026 with domestic activity still expanding, but with a less comfortable combination of price and external-sector conditions. GDP grew 5.29% year-on-year in the second quarter. Bank lending grew 13.65% year-on-year in August, and the manufacturing PMI rose from 49.8 in August to 52.4 in September. These figures point to continued activity in credit and manufacturing. Inflation, however, rose from 3.19% in August to 3.28% in September, while core inflation eased from 2.92% to 2.84%. The contrast suggests that the increase in headline inflation was not accompanied by a similar rise in core inflation. (LPEM FEB UI, October 2026)

The trade data show a weakening in the cumulative surplus. Indonesia recorded a US$3.55 billion surplus in August, but the January–August surplus fell to US$7.25 billion, 75.29% below the same period a year earlier. Imports increased faster than exports over those eight months. Thus, the monthly surplus remained substantial, but the year-to-date position was considerably smaller than a year earlier. (LPEM FEB UI, October 2026)

Financial-market developments added to the uncertainty in October. Following MSCI's 15 October proposal concerning Indonesia's market classification, the Jakarta Composite Index fell 11.57% on 16 October. The proposal cited concerns over ownership transparency, concentrated shareholdings, suspected coordinated trading and evidence of market enforcement. Foreign investors reportedly sold approximately US$180 million in Indonesian equities on 16 October. Over the period from mid-September to mid-October, equity outflows were partly offset by foreign purchases of government bonds. (LPEM FEB UI, October 2026)

The rupiah also weakened, reaching approximately Rp17,895 per US dollar on 14 October, while foreign-exchange reserves stood at US$146.3 billion at the end of September. LPEM FEB UI's October analysis identified a difficult balance for monetary policy: lowering the BI Rate could add pressure to the rupiah and imported prices, while raising it could weigh on credit, investment and consumption. Its 5.75% figure was a forecast for the October policy decision, not confirmation of the actual decision. The market episode also raised concerns that monetary measures alone would not address the governance issues identified in MSCI's proposal. (LPEM FEB UI, October 2026)

BUSINESS CONDITIONS: CAUTIOUS SENTIMENT AND WEAKER INVESTMENT INTENTIONS

The Kadin Business Pulse Q3-2026 survey, published on 22 October and based on responses from 330 businesses across 28 provinces, points to less pessimism but little improvement in business confidence. The share of respondents reporting deteriorating conditions declined from 47.1% in the second quarter to 40.6% in the third. However, the share reporting improvement rose only slightly, while more respondents described conditions as unchanged. The survey therefore records a shift toward a more cautious, wait-and-see position rather than a broad return to optimism. (Kadin Indonesia Institute, 22 October 2026)

Investment intentions weakened further. Only 32.4% of surveyed businesses planned to invest over the following six months, compared with 47.1% in the fourth quarter of 2025. This contrasts with the report's aggregate figures showing investment growth of 7.1% year-on-year in the second quarter and investment-credit growth of 25.11% in August. Credit growth also differed by firm size: lending to corporations grew much faster than lending to MSMEs. Respondents most often identified government policies and programs, access to financing and weak demand as business challenges. (Kadin Indonesia Institute, Kadin Business Pulse Q3-2026)

IMPLICATIONS FOR BUSINESS

For businesses, the IMF's 5.1% growth forecast signals continued expansion, but it does not imply uniform demand growth across sectors. Firms should avoid using headline GDP growth alone as a sales forecast. The Kadin Business Pulse Q3-2026 found that reported business conditions had become less negative, while investment intentions remained subdued. Planning should therefore be grounded in sector-level sales, orders, customer purchasing power and cash flow, alongside the national growth outlook. (IMF, October 2026; Kadin Indonesia Institute, October 2026)

The external environment makes cost and financing assumptions especially important. The IMF expects global growth to slow and inflation to rise in 2026, while its commodity outlook points to higher oil prices. For Indonesian firms, the effects will vary with exposure to imported inputs, foreign-currency costs, energy and shipping routes. Businesses should test budgets and cash-flow plans against plausible changes in those costs, exchange rates and borrowing conditions rather than rely on a single stable-cost assumption.

Investment decisions should be selective and tied to demonstrated demand and the firm's capacity to absorb shocks. The Kadin survey found that only 32.4% of respondents planned to invest over the following six months, despite stronger aggregate investment and investment-credit figures. That divergence suggests firms are not experiencing the expansion uniformly. For management, the practical test is whether a proposed investment can generate reliable revenue and cash flow under less favorable demand or cost conditions—not simply whether Indonesia's GDP is forecast to grow by more than 5%. (Kadin Indonesia Institute, Kadin Business Pulse Q3-2026).

IMPLICATIONS FOR FINANCIAL SECTOR AND INSURANCE

Indonesia's financial sector enters the final months of 2026 with resilient aggregate growth but increasingly uneven conditions beneath it. GDP grew 5.29% year-on-year in Q2, bank credit expanded 13.65% in August, and the IMF projects 5.1% growth for 2026. Yet investment credit grew much faster than consumer credit, while manufacturing activity, wage growth and some indicators of household purchasing power remained weaker. The insurance data reflect the same divergence: life premiums recovered, but growth was concentrated in new and single-premium business; general-insurance premiums contracted as claims rose; and guarantee claims absorbed almost all income from guaranteed fees. For insurers, banks and guarantee companies, the relevant question is therefore not only whether credit and GDP are growing, but whether that growth is generating durable premiums, stronger borrower cash flows and profitable risk exposure.

Credit Quality and Guarantee Risk

For banks, credit insurers and guarantee companies, the principal risk is not necessarily an economy-wide downturn. It is the possibility that borrower performance weakens unevenly beneath strong aggregate credit growth. Investment credit grew 25.11% in August, compared with 11.45% for working-capital credit and 5.07% for consumer credit. At the same time, the manufacturing PMI fell to 49.8 in August, and the recovery in discretionary consumption remained limited. These conditions matter particularly for smaller firms, which often have less capacity to absorb higher financing, energy, imported input and logistics costs. Stress may first appear in weaker sales and cash flow, greater use of working-capital facilities, restructuring or lower debt-service capacity, before becoming visible in NPLs. Guarantee companies should therefore supplement NPL monitoring with borrower cash flow, leverage, sector sales and regional concentration. The need is especially clear given the Q2 guarantee-claims ratio of 96.01%: despite improved gearing, ROA and operating efficiency, claims were already absorbing nearly all income from guaranteed fees.

Funding, Interest-Rate and ALM Risk

Domestic liquidity has improved, but strong credit demand and a loan-to-deposit ratio around 92% leave funding costs relevant for banks, particularly as funding shifts toward more expensive deposits. For insurers, higher interest rates create a different but related trade-off. New investments and maturing assets can be reinvested at higher yields, but rising yields can reduce the market value of existing bonds and increase earnings volatility. This exposure is material because bonds accounted for about half of general insurers' investment assets. In Q2, general-insurance investment income fell 5.6%, while life insurers recorded a negative investment result of Rp2.6 trillion. Those outcomes show why a higher-yield environment cannot be treated as an automatic earnings benefit: the impact depends on portfolio duration, liability duration, liquidity needs and the timing of reinvestment. Insurers need to manage duration mismatch and liquidity alongside yield, and stress-test how interest-rate and exchange-rate movements affect both assets and claims liabilities.

Rupiah Depreciation and Claims Inflation

Exchange-rate pressure is important for insurers because claims inflation can differ sharply from headline CPI. A weaker rupiah raises the rupiah cost of imported vehicle parts, pharmaceuticals, medical equipment, machinery and construction materials. Energy and freight costs can add to the cost of repairing or replacing insured assets. As a result, inflation within Bank Indonesia's target range does not necessarily mean that claims severity is stable. The Q2 report illustrates this exposure in health insurance: the individual-health loss ratio reached approximately 174.5%, compared with 49.3% for group policies. The difference is too large to assess through an aggregate health ratio alone; it calls for separate analysis of utilization, provider prices, product design and the adequacy of premiums in each segment. Insurers should incorporate foreign-exchange exposure and sector-specific replacement costs into pricing, reserving and reinsurance decisions, and test loss ratios under scenarios combining rupiah depreciation with higher medical, repair or construction costs.

Underwriting and Sectoral Exposure

Commodity and logistics pressures are becoming more sector- and route-specific, so underwriting based on broad industry averages can miss where losses are building. In Q2, general-insurance

premiums fell 2.5% while claims rose 23.3%. Premium contraction was concentrated in several lines, including Energy Onshore, Satellite and Property, while claims rose sharply in Aviation and Engineering. Yet the aggregate general-insurance combined ratio remained below 100%, at 74.53%, even as it increased from 63.3% a year earlier. That means the industry remained profitable on aggregate underwriting, but the margin narrowed and conditions varied substantially by line: the report records loss ratios of 99.6% for Credit Insurance, 72.6% for Aviation and 67.0% for Engineering. A large percentage change in a single line, such as Aviation claims, should be examined against exposure, claim frequency, severity and large-loss experience before being treated as a persistent trend. Property and engineering insurers need to account for higher replacement values and underinsurance; marine insurers need route-specific assessments of cargo accumulation and business interruption; and energy insurers need to distinguish premium volume from the risk and claims profile of the insured exposure.

Life and Health Insurance

Life insurers face a tension between acquiring new business and retaining a stable book of recurring premiums. Q2 life premiums grew 12.93%, supported by a 31.42% increase in new-business premiums. But renewal premiums fell 7.56%; single premiums rose 46%, while regular premiums declined 3.47%. This composition matters because rapid new-business growth does not by itself establish stronger persistency or future premium income. The combined ratio improved to 104.33% from 108.56%, but remained above 100%, indicating that claims and operating costs continued to exceed the relevant insurance revenue measure. Health insurers face a separate challenge: medical-cost inflation, higher utilization and imported medicines and equipment can raise claims faster than general prices. The wide gap between individual and group health loss ratios also shows that one pricing assumption cannot adequately represent both portfolios. Pricing, renewal and claims controls should therefore be assessed by product and customer segment, with medical inflation treated separately from headline CPI.

Capital and Strategic Implications

Capital ratios provide an important buffer, but they should not be confused with underwriting strength or stable earnings. Q2 RBC remained high at 466.5% for life insurers and 366.1% for general insurers, while the investment sufficiency ratios remained above 100%. Those figures support the industry's capacity to meet obligations, but coexist with a life combined ratio above 100%, a worsening general-insurance combined ratio, falling general-insurance profit and a high guarantee-claims ratio. The appropriate response is scenario-based risk management rather than an indiscriminate retreat from growth. Banks and guarantee companies should translate weaker sectoral sales or borrower cash flows into assessments of PD, expected claims and provisioning; general insurers should test claims severity, reserves and sums insured under rupiah, energy and freight shocks; and life and health insurers should examine persistency, medical claims and asset-liability exposure. The central measure of performance should be whether growth produces sustainable, risk-adjusted returns and adequate capital—not simply whether premiums, credit or guaranteed volume increase.

EXHIBITS

EXHIBIT 1 • INDONESIA MACROECONOMIC INDICATORS

Indicator	Unit	2025						2026								
		Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
GDP Growth	% YoY	-	-	5,04	-	-	5,39	-	-	5,61	-	-	5,29	-	-	-
CPI Inflation	% YoY	2,37	2,31	2,65	2,86	2,72	2,92	3,55	4,76	3,48	2,42	3,08	3,34	2,88	3,19	3,28
Core Inflation	% YoY	2,32	2,17	2,19	2,36	2,36	2,38	2,45	2,63	2,52	2,44	2,59	2,76	2,76	2,92	2,84
Manufacturing PMI	Level	49,2	51,5	50,4	51,2	53,3	51,2	52,6	53,8	50,1	49,1	50	46,9	50,2	49,8	52,4
Exports	% YoY	9,86	5,78	11,41	-2,31	-6,06	11,6	3,39	1,01	-3,1	21,98	-5,73	8,84	6,05	6,72	-
Imports	% YoY	-5,86	-6,56	7,17	-	0,46	10,8	18,21	10,85	1,51	22,49	22,16	34,27	27,02	19,09	-
Foreign Currency Reserves	USD bn	134	132	128	129	129	135	130	127	126	146	145	146	145	146	146
Money Supply (M2)	% YoY	6,6	7,6	8	7,7	8,3	9,6	10,00	8,70	9,7	9,2	10,8	8,7	8,3	8,2	8,3
Commercial Banking Total Deposits and Securities	% YoY	6,54	7,61	7,95	7,82	8,37	8,37	10,35	8,76	10,46	9,04	10,48	7,7	7,1	7,35	-
Commercial Banking Credit	% YoY	7,0	7,6	7,7	7,36	7,74	9,69	9,96	9,37	9,49	9,98	11,51	12,67	13,58	13,65	13,26
Fiscal Surplus/Deficit	% GDP	-	-	-2,73	-	-	-2,92	-2,68	-0,53	-0,93	-0,64	-0,7	-0,76	-0,91	-0,93	-1,24

EXHIBIT 2 • EXCHANGE RATE

Exhibit 2.1 Difference of Spot and Forward IDR

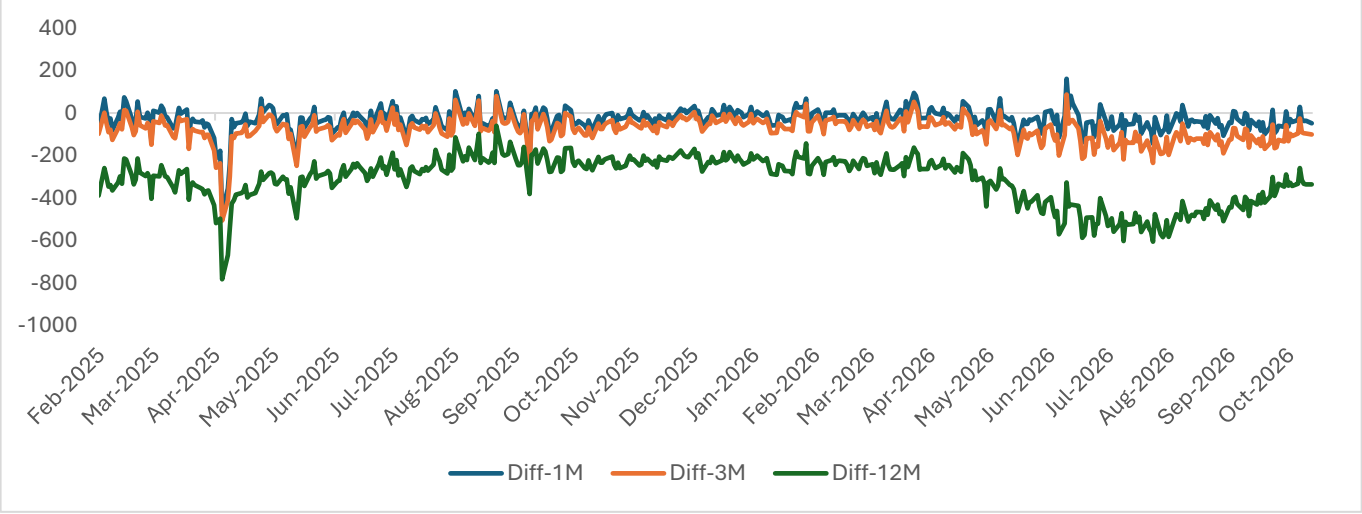


Exhibit 2.2 BI-Rate & Exchange Rate (IDR/USD)

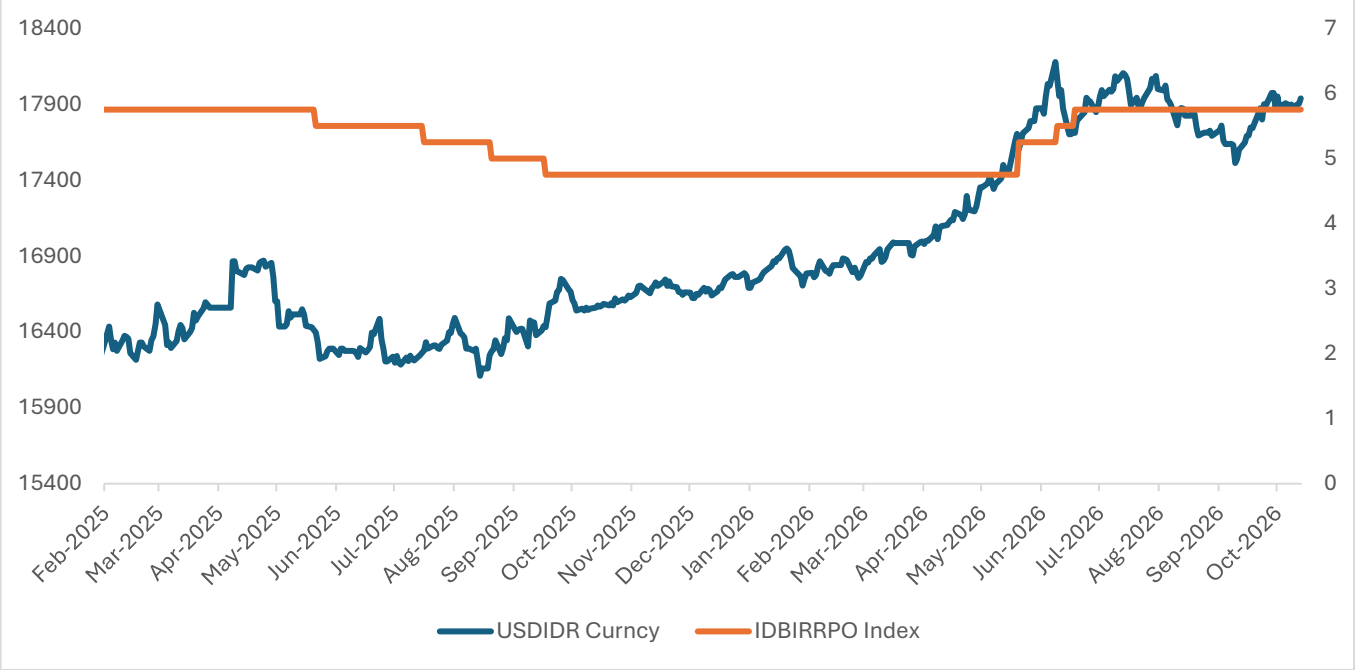


Exhibit 2.3 EM's Exchange Rate Against USD Index (01 / 01 / 2025 = 100)

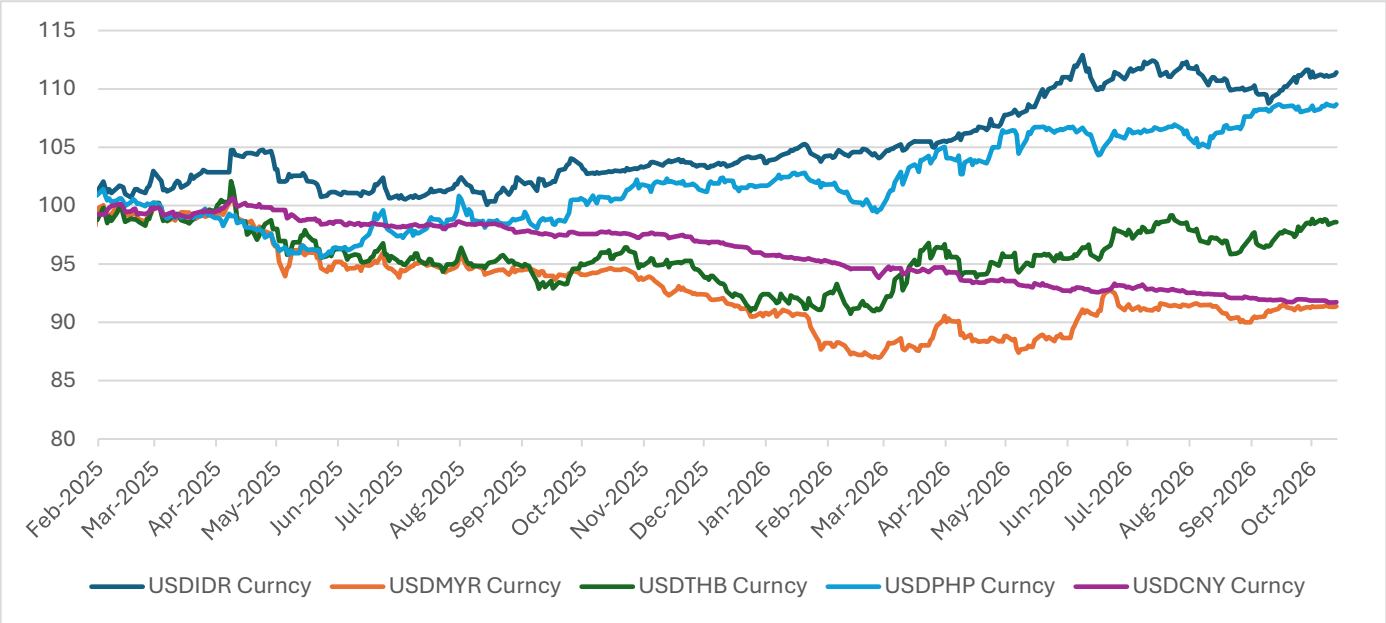
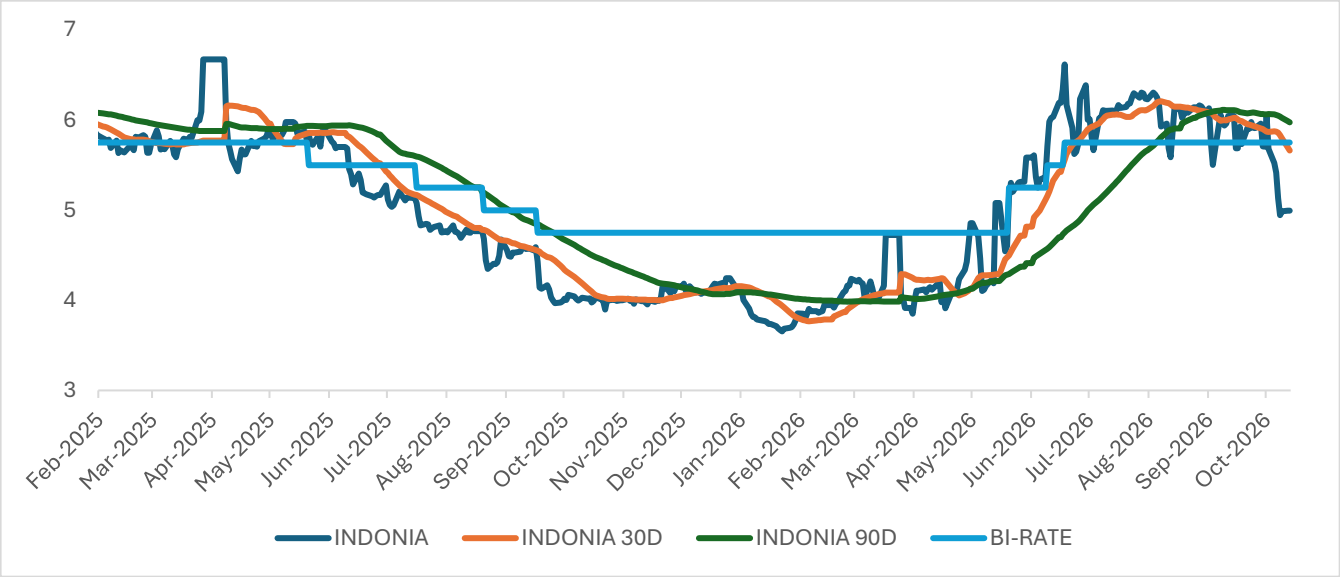


EXHIBIT 3 • DOMESTIC LIQUIDITY INDICATORS

Exhibit 3.1 INDONIA 30D & 90D and BI-Rate



Note: JIBOR has not been published since 1 January 2026. INDONIA is therefore used as the money market reference rate.

Exhibit 3.2 Monetary Operations of BI

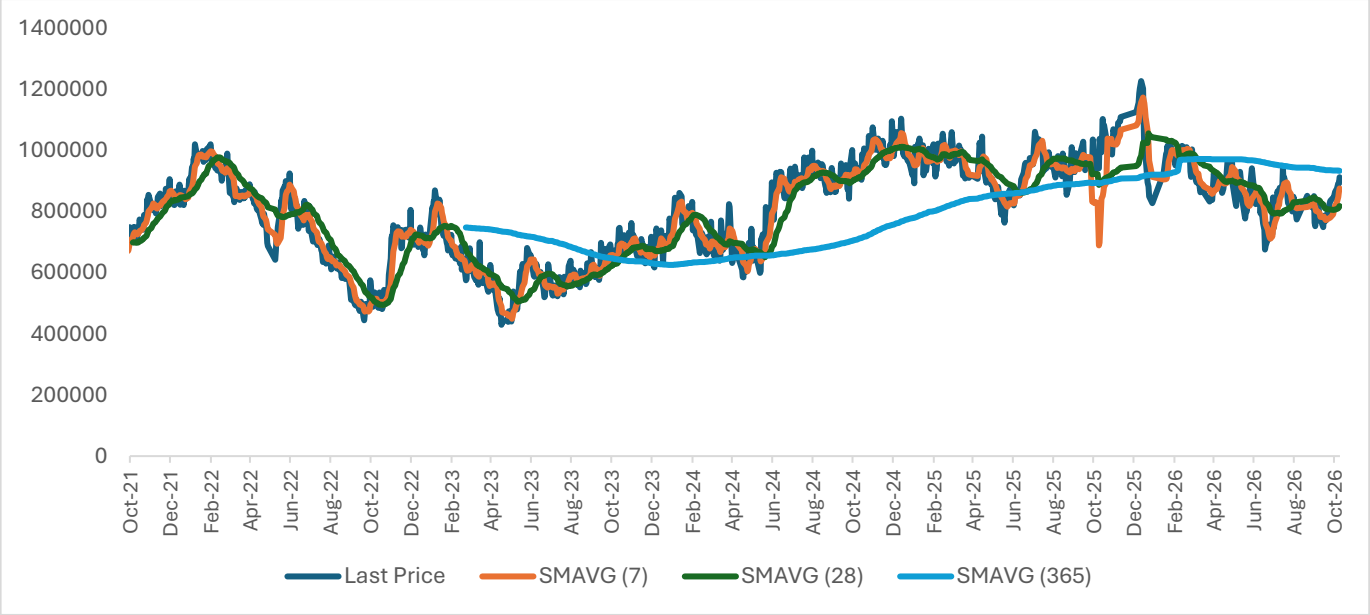


Exhibit 3.3 Indonesia's Foreign Exchange Reserves USD

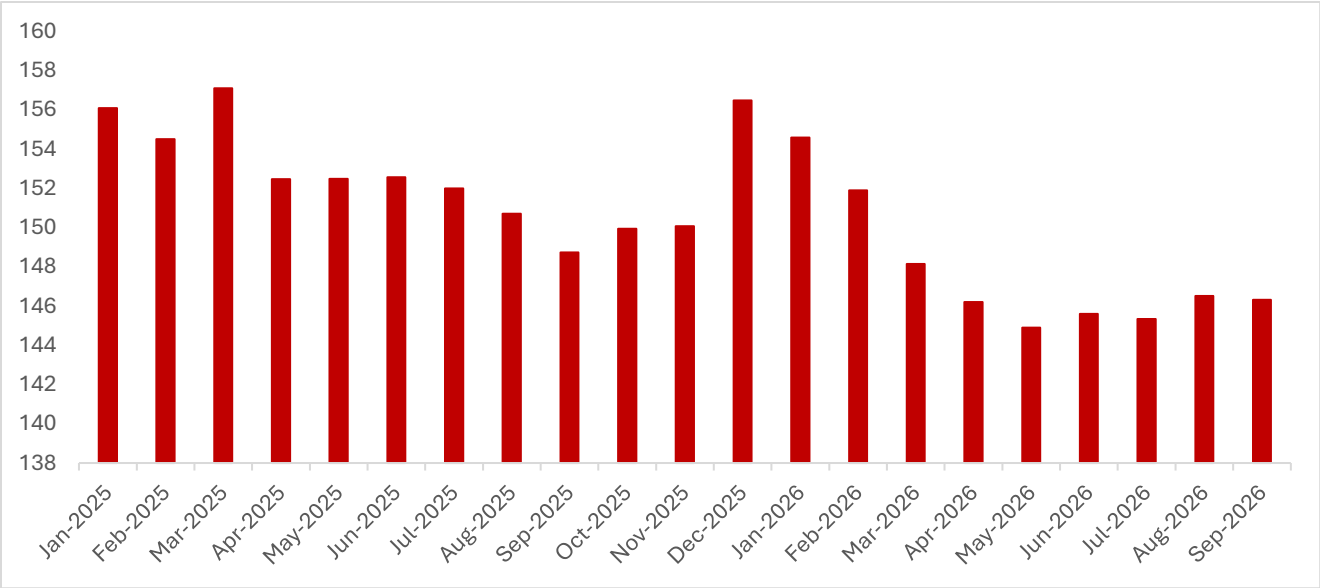


EXHIBIT 4 • FINANCIAL MARKETS

Exhibit 4.1 Stock Market Index (02/01/2025 = 100)

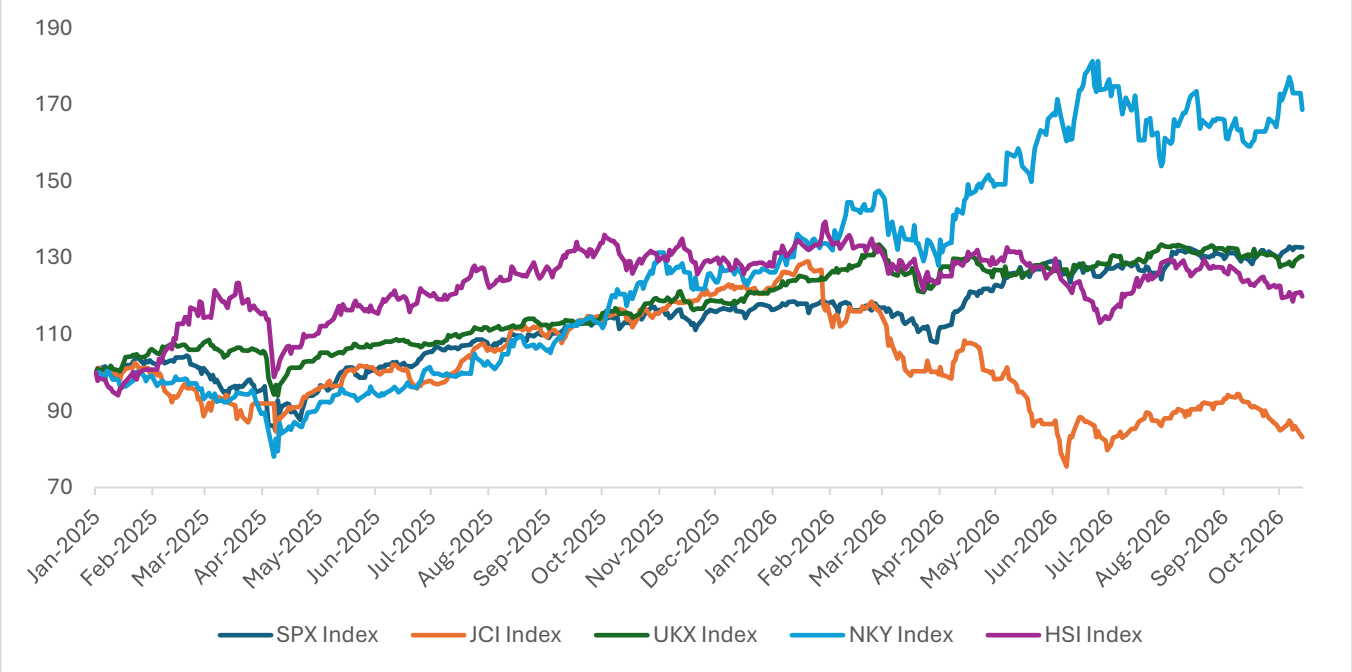


Exhibit 4.2 Indonesia Bond Yield Curve

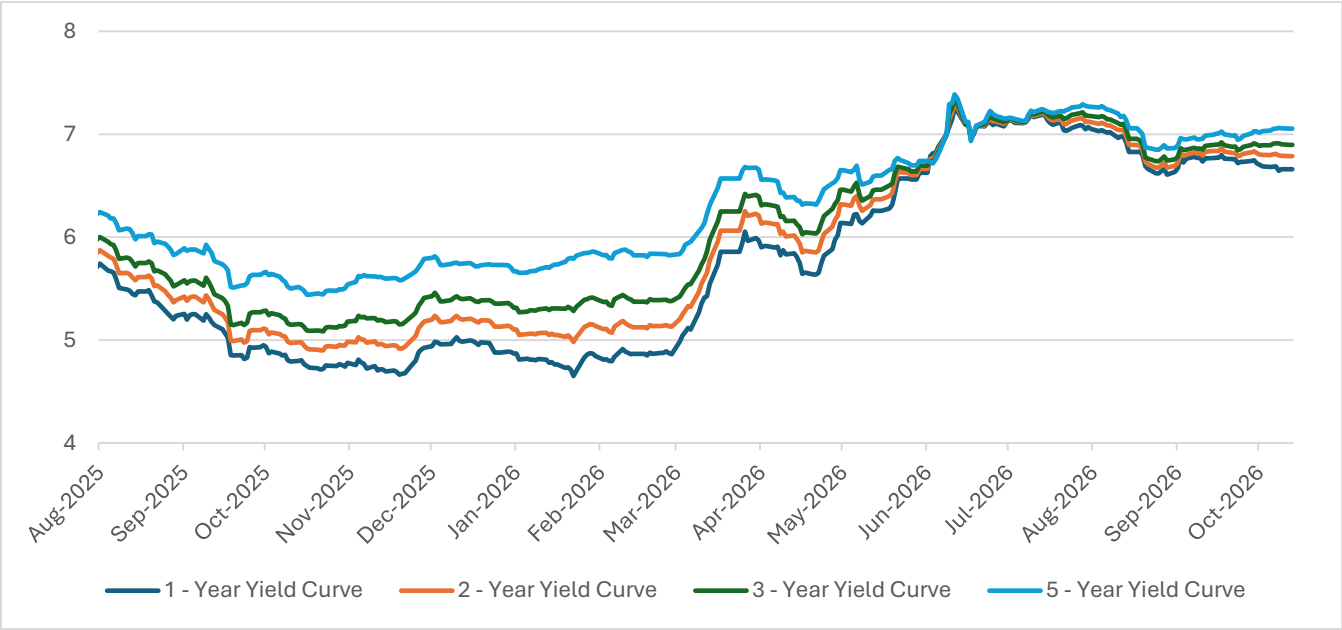


Exhibit 4.3 Indonesia Stock Market & Turnover

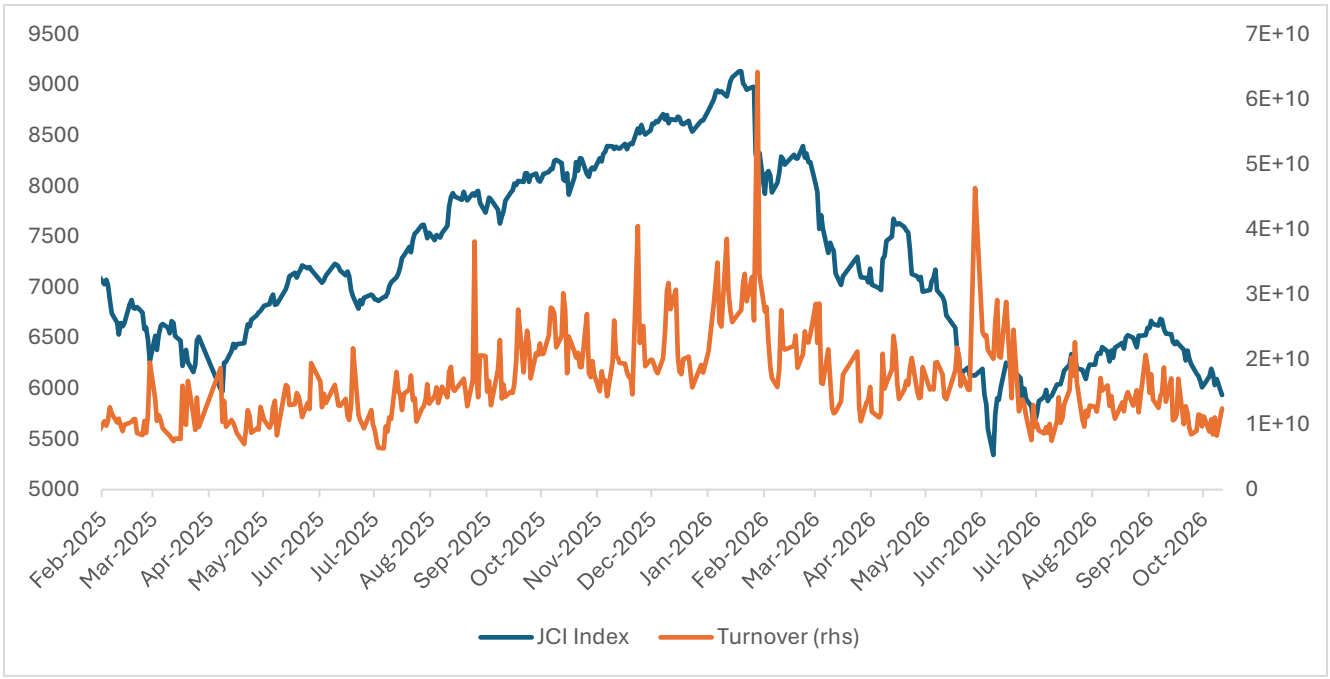


Exhibit 4.4 Indonesia CDS & Government Bond 10Y

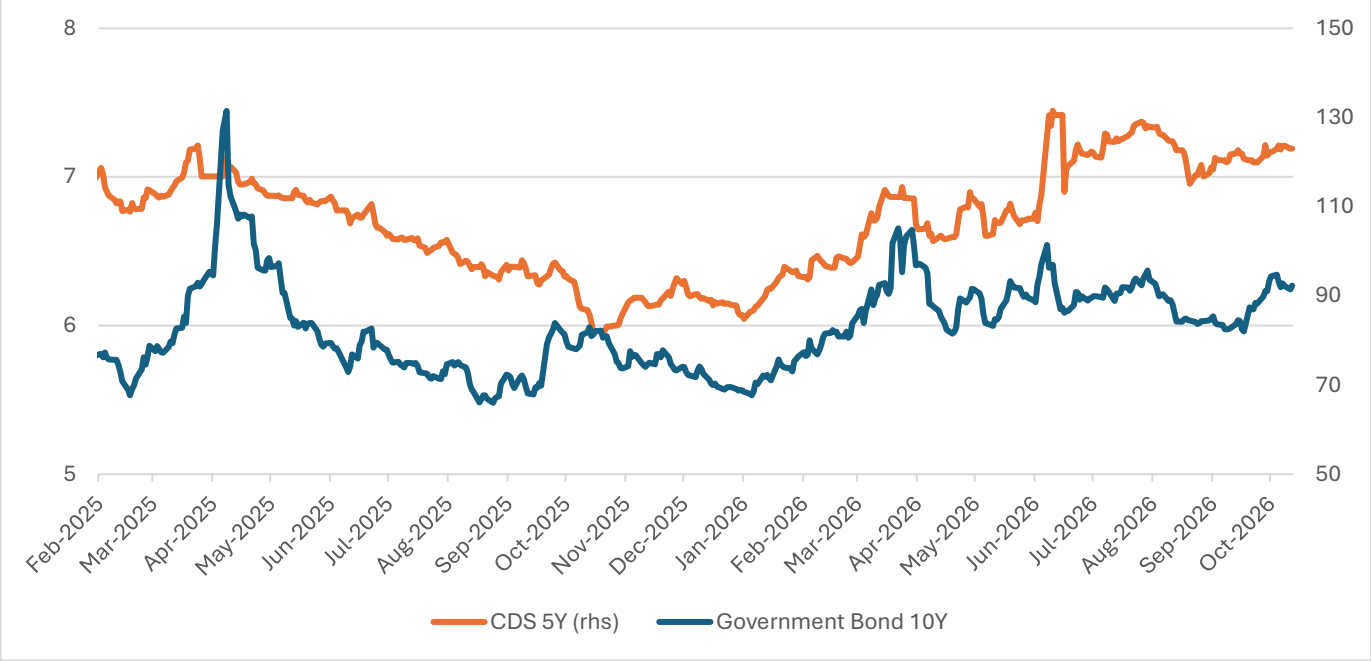


EXHIBIT 5 • REGIONAL STATISTICS

Exhibit 5.1 Monthly Inflation Rate

Provinsi	Inflasi Tahunan (Y-on-Y) 38 Provinsi (2022=100) (Persen)												
	2025	2026											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Mei	Jun	Jul	Aug	Sep
Aceh	4,45	4,66	3,58	6,71	6,69	6,94	5,31	3,88	5,12	5,84	5,38	4,86	5,03
Sumatera Utara	5,32	4,97	3,96	4,66	3,81	4,71	3,86	2,92	4,35	4,79	4,2	3,23	2,71
Sumatera Barat	4,22	4,52	3,98	5,15	3,92	4,39	3,37	1,97	3,91	4,7	4,12	3,76	3,50
Riau	5,08	4,95	4,27	4,88	4,43	5,3	3,65	2,37	3,95	4,55	3,82	3,27	2,79
Jambi	3,77	3,71	3,55	3,71	3,35	4,59	3,55	2,1	3,56	3,85	3,25	3,6	2,97
Sumatera Selatan	3,44	3,49	2,91	2,91	3,33	4,36	3,09	1,63	2,61	2,89	2,5	2,6	2,55
Bengkulu	2,57	2,85	2,68	2,77	2,61	3,88	2,85	1,87	3,01	3,96	3,78	3,99	3,38
Lampung	1,17	1,2	1,14	1,25	1,9	2,95	1,16	0,53	1,94	2,46	1,76	3,53	3,51
Kepulauan Bangka Belitung	1,82	2,51	2,87	2,77	3,95	3,31	1,87	1,49	2,46	2,92	2,62	3,94	4,30
Kepulauan Riau	2,7	3,01	3	3,47	2,94	3,54	3,23	3,06	3,92	4,67	4,24	3,87	3,49
Dki Jakarta	2,4	2,69	2,67	2,63	3,96	4,91	3,37	2,12	2,49	2,78	2,5	2,71	2,71
Jawa Barat	2,19	2,63	2,54	2,63	3,24	4,71	3,60	2,49	3,07	3,08	2,72	3,13	3,16
Jawa Tengah	2,65	2,86	2,79	2,72	2,83	4,43	3,54	2,11	2,85	2,92	2,6	3,08	3,18
Di Yogyakarta	2,56	2,9	2,92	3,11	3,3	4,91	4,08	2,46	2,77	2,91	2,54	3,07	3,18
Jawa Timur	2,53	2,69	2,63	2,93	3,29	4,88	3,79	2,85	3,49	3,36	2,87	3,32	3,33

Banten	2,31	2,75	2,56	2,74	3,48	5,14	3,55	2,14	2,7	2,93	2,49	2,95	3,14
Bali	2,51	2,61	2,51	2,91	2,58	3,89	2,81	2,08	2,99	3,27	2,42	3,45	3,79
Nusa Tenggara Barat	2,69	2,96	2,74	3,01	3,86	5,37	4,09	3,27	3,78	3,55	3,01	4,03	4,18
Nusa Tenggara Timur	2,3	2	2,4	2,39	3,34	3,42	2,40	2,62	2,76	3,56	2,43	2,59	2,67
Kalimantan Barat	1,94	2,07	2,04	1,85	3,33	3,9	2,89	2,5	3,29	3,28	3,18	3,65	4,35
Kalimantan Tengah	2,35	2,73	2,56	3,13	4,09	5,06	3,86	3,66	4,56	4,47	4,32	4,96	5,02
Kalimantan Selatan	2,91	3,11	3,35	3,66	4,66	5,97	4,83	3,67	4,22	4,47	4,28	4,69	4,86
Kalimantan Timur	1,77	1,94	2,28	2,68	3,76	4,64	3,31	2,5	3,04	3,2	3,31	3,83	3,98
Kalimantan Utara	2,32	2,23	2,47	2,57	4,08	4,75	3,12	2,68	2,9	3,3	2	2,17	2,56
Sulawesi Utara	1,57	1,48	0,65	1,23	3,04	4,64	2,20	2,14	2,33	3,83	2,53	3,99	7,59
Sulawesi Tengah	3,88	3,92	3,5	3,31	4,55	5,33	2,83	2,21	2,77	3,83	2,86	2,61	3,21
Sulawesi Selatan	3,03	2,98	2,73	2,84	4,11	6,13	4,50	2,68	3,12	3,56	2,75	2,86	3,75
Sulawesi Tenggara	3,68	3,26	2,94	2,86	5,1	5,41	3,37	2,98	4,07	4,68	3,43	3,35	4,17
Gorontalo	1,99	2,44	2,21	2,52	4,53	5,3	2,60	2,24	2,99	4,77	2,95	3,36	5,46
Sulawesi Barat	3,04	2,64	2,56	2,48	4,34	5,15	2,94	1,66	1,99	2,29	2	2,29	2,82
Maluku	3,01	2,3	2,33	3,58	4,7	5,97	3,40	3,13	3,27	3,8	2,75	3,68	3,91
Maluku Utara	-0,17	1,18	1,89	1,63	4,86	5,85	2,60	2,03	2,82	5,05	3,95	5,28	5,72
Papua Barat	1,02	1,42	1,33	2,59	5,02	5,83	3,51	5	5,94	6,99	5,47	5,27	5,20
Papua Barat Daya	1,3	1,36	1,38	2,15	3,75	4,16	4,09	3,85	3,8	5,14	4,29	3,5	4,61
Papua	0,99	0,53	0,8	2,54	3,33	3,94	3,50	3,8	2,79	3,72	2,71	2,75	3,00
Papua Selatan	3,42	3,43	3,39	2,95	4,83	5,5	3,60	3,34	2,17	2,95	1,46	2,56	3,84
Papua Tengah	2,28	2,11	2,53	3,28	4,85	4,93	2,54	1,53	2,05	3,65	2,79	3,74	5,41
Papua Pegunungan	3,55	3,32	4,05	3,22	2,93	0,63	3,14	4,89	4,44	7,84	4,64	3,77	5,42
Indonesia	2,65	2,86	2,72	2,92	3,55	4,76	3,48	2,42	3,08	3,34	2,88	3,19	3,28

FOOTNOTES AND REFERENCES

Data Sources: CEIC, Bloomberg, BI, BPS, Drewry, and various sources

The conversion rate from US dollars to the local currency unit is shown by the exchange rates that are used, which stated as USD/LCU

The stock market indexes being taken into account are the S&P 500 (US), Jakarta Composite Index (JCI), FTSE 100 (UKX), Nikkei 225 (NKKY), and Hang Seng Index (HSI) which serve as regional benchmarks.

Ten-year US Treasury bill yield differential and Indonesian Government Bond denominated in USD serve as a proxy for Indonesia's sovereign risk.

A higher turnover index in the stock market typically indicates a higher level of trading activity.

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Indonesia Financial Group (IFG) adalah BUMN Holding Perasuransian dan Penjaminan yang beranggotakan PT Asuransi Kerugian Jasa Raharja, PT Jaminan Kredit Indonesia (Jamkrindo), PT Asuransi Kredit Indonesia (Askrindo), PT Jasa Asuransi Indonesia (Jasindo), PT Bahana Sekuritas, PT Bahana TCW Investment Management, PT Bahana Artha Ventura, PT Bahana Kapital Investa, PT Graha Niaga Tata Utama, dan PT Asuransi Jiwa IFG. IFG merupakan holding yang dibentuk untuk berperan dalam pembangunan nasional melalui pengembangan industri keuangan lengkap dan inovatif melalui layanan investasi, perasuransian dan penjaminan. IFG berkomitmen menghadirkan perubahan di bidang keuangan khususnya asuransi, investasi, dan penjaminan yang akuntabel, prudent, dan transparan dengan tata kelola perusahaan yang baik dan penuh integritas. Semangat kolaboratif dengan tata kelola perusahaan yang transparan menjadi landasan IFG dalam bergerak untuk menjadi penyedia jasa asuransi, penjaminan, investasi yang terdepan, terpercaya, dan terintegrasi. IFG adalah masa depan industri keuangan di Indonesia. Saatnya maju bersama IFG sebagai motor penggerak ekosistem yang inklusif dan berkelanjutan.

Indonesia Financial Group (IFG) Progress

The Indonesia Financial Group (IFG) Progress adalah sebuah Think Tank terkemuka yang didirikan oleh Indonesia Financial Group sebagai sumber penghasil pemikiran-pemikiran progresif untuk pemangku kebijakan, akademisi, maupun pelaku industri dalam memajukan industri jasa keuangan.

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