

# Macroeconomic Monitor

## July 2025

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### AUTHORS

Ibrahim Kholilul Rohman – Senior Research Associate IFG Progress  
([ibrahim.kholilul@ifg.id](mailto:ibrahim.kholilul@ifg.id))

Erin Glory Pavayosa – Junior Research Associate IFG Progress  
([erin.glory@ifg.id](mailto:erin.glory@ifg.id))

Emil Muhamad – Senior Economist Bahana TCW Investment Management  
([emil.muhamad@bahana.co.id](mailto:emil.muhamad@bahana.co.id))

# Table of contents

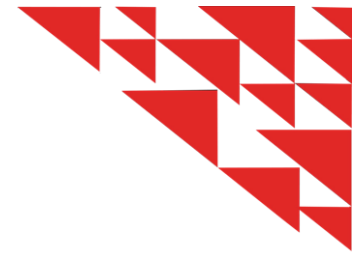
<b>HIGHLIGHTS.....</b>	<b>1</b>
<b>RECENT ECONOMIC DEVELOPMENT : GLOBAL MARKET .....</b>	<b>4</b>
UNITED STATES.....	4
EURO ZONE .....	5
CHINA .....	7
<b>RECENT ECONOMIC DEVELOPMENT : DOMESTIC MARKET .....</b>	<b>11</b>
<b>ASSET ALLOCATION .....</b>	<b>16</b>
<b>SECTORAL ANALYSIS .....</b>	<b>18</b>
<b>EXHIBITS.....</b>	<b>18</b>
EXHIBIT 1 • INDONESIA MACROECONOMICS INDICATORS .....	19
EXHIBIT 2 • EXCHANGE RATES .....	20
EXHIBIT 3 • INDONESIA'S LIQUIDITY .....	21
EXHIBIT 4 • FINANCIAL MARKETS .....	23
<b>FOOTNOTES AND REFERENCES.....</b>	<b>25</b>





# HIGHLIGHTS

## July 2025



### United States

The US manufacturing sector signaled a slight deterioration in July 2025, with the Manufacture Purchasing Manufacture Index (PMI) falling below threshold for the first time in seven months, indicating mild contraction. In contrast, the S&P Global Services PMI rose sharply to 55.2 from 52.9 in June 2025, well above market expectations highlighting a robust services sector and suggesting a shift in the sources of economic momentum. June data showed mixed evidence on the pricing impact of tariffs, but a surge in the cost of goods such as furnishings and apparel pushed annual consumer inflation to 3.5%. The labor market remained relatively stable, although job growth was uneven across sectors. Meanwhile, the trade deficit widened significantly in May, as exports declined 18.7% YoY to \$71.5 billion following the implementation of a 10% tariff by the Trump administration. Taken together, these indicators point to a diverging economic picture resilient domestic demand driven by services, but pressure from external trade and inflation suggesting that while the overall economy remains on a moderate growth path, risks are rising. As such, the Federal Reserve hold interest rates steady at level 4.25%–4.50% on this month.

### Eurozone

Overall, the Euro area economy in July 2025 shows underlying signs of stabilization. Consumer

confidence recorded a modest improvement, though still in negative territory, reflecting cautious optimism. While retail sales and services production declined suggesting some softness in the second quarter inflation has successfully returned to the ECB's 2% target, down significantly from its 10% post Russia-Ukraine war peak, driven by slower energy price declines and a slight rise in food and drink prices. The current account balance also improved, supported by a strong services trade surplus. As a result, the ECB left interest rates unchanged at 2% after eight consecutive cuts.

Looking ahead, stabilization is further supported by reduced market uncertainty following the trade agreement between the United States and European Union on 28<sup>th</sup> July 2025, which set a 15% tariff on all EU goods half the 30% initially threatened and granted zero-percent tariffs for select US products entering the EU. With ECB President Christine Lagarde stating the economy is in a “good place” and growth slightly exceeding expectations, markets are increasingly pricing in a potential end to the rate-cut cycle, supported by steady economic momentum and easing external risks.

### China

China's economic data for June 2025 presents a mix of signals, yet continues to reflect underlying resilience. The composite PMI stood at 50.7, indicating marginal expansion driven by the services sector, while manufacturing remained in

contraction despite a slight month-on-month improvement. Industrial output showed solid strength, with value-added output for large enterprises rising by 6.8% YoY, and manufacturing especially in technology-intensive and new energy-related industries emerging as a key growth contributor. However, inflationary pressures remain weak as headline inflation edged up to just 0.1% YoY, while producer prices declined further by 3.6% signaling continued deflationary risks, largely due to intense price competition and wage stagnation. Retail sales growth slowed to 4.8% YoY in June from 6.4% in May, marking the weakest performance since February, as consumer demand softened. Despite this, external performance provided some support, with the trade surplus widening to USD 114.77 billion and export growth accelerating to 5.8% YoY, buoyed by a temporary easing of tariff pressures ahead of the August deadline. Meanwhile, GDP growth came in at 5.2% in Q2 slightly above expectations but slower than the previous quarter's 5.4%. While domestic demand and pricing pressures remain fragile, China continues to avoid a sharp downturn, aided by a tentative trade truce with the United States and ongoing targeted policy support.

## **Indonesia**

As of July 2025, Indonesia's economy showed mixed conditions, with slight signs of weakening. This aligns with the Finance Minister's revised projection earlier in the month, lowering the expected annual economic growth for 2025 to around 4.7%–5.0%, down from the previous estimate of 5.2%. On the other hand, Indonesia's annual inflation accelerated to 1.87% in June 2025, up from 1.60% in May 2025, however it does not reflect the improvement in consumption activities as it's largely driven by the food ingredients that

hikes up significantly in this month, on yearly basis the volatile and food ingredients recorded 0.57% and 1.14% respectively. Moving up to sectoral analysis, Indonesia Manufacturing PMI marking the third straight month of contraction in factory activity, down from 47.4 in the previous month to 46.9, and second lowest for these past three years after April 2025. On the other hand in the retail sector, sales index show slightly growth that was primarily supported by seasonal factors such as the National Religious Holiday (HBKN) of Eid al-Adha, school holidays, and mid-year promotional programs (mid-season sales). It was following by slightly increasing in consumer confidence to 117.8 in June 2025, up from 117.5 in the previous month. Despite this modest increase, the index remained near its May level the lowest since September 2022. On government sector, the State Budget (APBN) recorded a fiscal deficit of IDR 197.1 trillion, or 0.81% of GDP in the first semester of 2025, as the tax revenues contracted by 6.2% YoY, up to this month. The Bank Indonesia decided to lower the BI Rate by 25 basis points (bps) to 5.25% on this month. This marks a total reduction of 75 bps in 2025. It implicates to the reduced the attractiveness of Bank Indonesia Rupiah Securities (SRBI). During the period of 14–17 July 2025, foreign investors posted a net outflow of IDR 10.49 trillion, of which IDR 8.95 trillion originated from the SRBI market. However, Indonesia's trade balance continued to post a surplus in the first five months of 2025 as, the country recorded a trade surplus of USD 15.38 billion, an increase of USD 2.32 billion compared to the same period last year.

**RECENT  
ECONOMIC  
DEVELOPMENT :  
GLOBAL MARKET**

# Recent economic development : global market

## United States

### MANUFACTURING SECTOR

The US Manufacturing sector shows a contraction as of July 2025, the seasonally adjusted Purchasing Manager Index (PMI) from S&P Global falling to 49.6 in July from 51.6 in June, below the threshold level (50.0) for the first time in seven months. Specifically, the manufacturing picture appears to be influenced by front-running activity ahead of the anticipated implementation of new “reciprocal” tariffs, initially scheduled for early July but later delayed to August 1. In May and June, many U.S. manufacturers accelerated inventory accumulation both of raw materials and finished goods in an effort to shield themselves from potential price hikes and supply chain disruptions. This precautionary stockpiling artificially boosted production and order activity during those months. However, as these tariffs have yet to take effect and stockpiles reached sufficient levels, the urgency to build inventory faded. The July PMI reflects this shift, showing a decline in inventories of both inputs and finished goods.

### SERVICES SECTOR

The U.S. Services PMI from S&P Global rose sharply to 55.2 in July 2025, up from 52.9 in June and well above market expectations of a modest increase to 53. This marks the strongest expansion in private services activity so far this year. New business for firms continued to increase in the period, despite the drop in demand from foreign customers. In the meantime, input costs rose at a sharper pace,

driving output charges to rise the most since April 2023. Likewise, the strong demand for business drove backlogs to rise the most in three years, and the added need for capacity drove firms to raise employment at the sharpest pace since January as uncompleted orders rose at a pace not witnessed since May 2022.

### CONSUMER PRICE INDEX (CPI)

The annual inflation rate in the US accelerated for the second consecutive month to 2.7% in June 2025, the highest level since February, up from 2.4% in May and in line with expectations. Before June, inflation had been on a generally downward slope for the year, with the headline CPI at a 3% annual rate back in January and progressing gradually slower in the subsequent months despite fears that Trump’s Reciprocal Tariff would drive prices higher. While the evidence in June was mixed on how much influence tariffs had over prices, there were signs that the duties are having an impact., a surge in prices of goods like furnishings and apparel helped drive overall consumer inflation to an annualized 3.5% pace in June. Household furnishings, which also are influenced by tariffs, increased 1% YoY for the month. Forward looking, there is indication the consumer price inflation will rise further above the Fed’s 2% target as consequence of rise in selling prices for goods and services in July from S&P Global survey, which was one of the largest seen over the past three years.

### UNEMPLOYMENT RATE

US unemployment rate ticked down to 4.1% from 4.2%, the economy added a stronger-than-expected 147,000 jobs in June. The vast majority of the month's gains were in health care (+58,600 jobs), leisure and hospitality (+20,000 jobs), and state and local government (+63,500 jobs), but US private sector businesses added smallest monthly gain since October 2024 to 74,000 jobs in June. Employment declined in the federal government, professional services and manufacturing. Yet there are also signs that it remains difficult for those who've been out of work to land a job. The number of long-term unemployed people increased by 190,000 to 1.6 million, largely offsetting a decrease in the prior month. Overall, labor market remained stable though job growth largely limited in some sectors.

### BALANCE OF TRADE

The U.S. trade deficit widened sharply in May 2025 as exports fell to 18.7% YoY to \$71.5 billion in May after Trump imposed a 10% duty on most trading partners before pausing steeper rates for dozens of these economies. The trade gap increased reflected an increase in the goods deficit to \$97.5 billion along with decrease in the services surplus of \$0.1 billion to \$26.0 billion. US imports were down 0.1% YoY to \$350.5 billion, as incoming shipments of goods ticked down. Imports of consumer goods dropped by \$4.0 billion, with those of certain apparel and toys both sliding, although imports of autos and parts climbed. US exports, meanwhile, dropped by 4.0 % to \$279.0 billion, with declines largely seen in industrial supplies and materials. US trade has been rocked by Trump's sweeping tariff announcements since the start of this year, as companies stocked up to get ahead of expected levies and halted shipments to wait for high duties to come down.

### FED INTEREST RATE DECISION

In its July 2025 meeting, the Federal Reserve decided to keep the federal funds rate unchanged within the target range of 4.25%–4.50%, marking the fifth consecutive meeting without a rate adjustment. This decision reflects the assessment that U.S. economic activity has moderated in the first half of the year. Labor market conditions remain strong, with the unemployment rate staying low, while inflation although easing from its 2022 peak continues to exceed the Fed's longer-run target of 2%. Looking ahead, the Federal Open Market Committee (FOMC) noted that two additional rounds of inflation and labor market data are expected before the next policy meeting in September. These data releases will be pivotal in evaluating the impact of reciprocal tariffs on consumer prices and determining the extent to which import costs are being passed through to end consumers. Federal Reserve Chair Jerome Powell emphasized that while incoming data will inform the Fed's outlook, no decision has been made regarding the timing or likelihood of future interest rate adjustments. He reiterated that the Fed does not pre-commit to policy actions. Financial markets responded to the July statement and Powell's remarks by reducing expectations for a rate cut in September.

Rising tariffs are starting to show an impact, with higher prices on goods like furnishings and apparel pushing overall consumer price rose 0.3% (YoY) in June 2025.

### TRUMP TARIFF UPDATE

In last week of July 2025, the Trump administration has announced trade deals with the UK, Vietnam, Indonesia, the Philippines and China, but the agreements still impose relatively high duties of 15% to 30%. Earlier this month, Trump announced plans to raise the tariff rate on many Canadian imports from 25% to 35% and impose a blanket 15% to 20% duty on most other countries, up from 10%. He also threatened 30% tariffs on all imports from Mexico and the European Union, though the U.S. is still negotiating with those countries. Trump also has announced a 50% tariff on imported copper and all imports from Brazil. Nonetheless tariff to China already in effect, a 50% levy on metals, 25% on cars and 30% on overall goods.

## Euro Zone

### CONSUMER CONFIDENCE INDEX

In July 2025, consumer confidence saw a modest improvement. The confidence index rose to -14.7 from -15.3, indicating a small but notable increase in consumer sentiment. The June report had shown consumer confidence stabilizing at -15.3, which prompted analysts to closely watch for any movement in the subsequent months. The slight improvement in July suggests that consumers in the Eurozone might be gaining a bit more optimism about economic conditions, though it remains within the negative territory. This increase could potentially signal that certain factors affecting consumer views, such as inflation or market stability, are beginning to see some positive changes. However, the index remains below zero, which continues to reflect an overall cautious and uncertain outlook among consumers in the region.

### RETAIL SALES

Euro area retail sales decreased for the first time in five months and services production declined in May, suggesting a slowdown in the second quarter. Retail sales growth eased to 1.8% YoY in May from 2.7% YoY in the prior month. The drop was driven by weaker demand in non-food product as such fuel, food, drinks, and tobacco by 0.7% and automotive fuel in specialised stores by 1.3%. Among member states, the largest monthly decreases in the total retail trade volume were recorded in Sweden, Belgium and Estonia. Meanwhile, the highest increases were observed in Portugal, Bulgaria and Cyprus.

### INFLATION

Eurozone inflation accelerated slightly to 2.0% YoY in June from 1.9% in previous month. The June rise in inflation was due to energy costs falling at a slower pace of 2.7% in June after a drop of 3.6% in May. Food and drink price increases slowed slightly to 3.1% in June, compared to 3.2% in May. The ECB's economist stated that the process of reducing inflation from its peak of 10% after Russia's invasion of Ukraine to 2% has been completed; however, she emphasizes the need to remain vigilant and prepared to respond to any potential deviations especially recent volatility in oil prices on the back of conflict in the Middle East and potential U.S. trade tariffs.

### CURRENT ACCOUNT

The current account of the euro area recorded a surplus of €32 billion in May 2025, an increase of €13 billion from the previous month. The rise was driven by a significant increase in the services trade surplus, which nearly doubled to €13 billion from €7 billion. The goods trade surplus rose slightly to €33 billion, while the primary income balance shifted from a €3 billion deficit in April to a €2 billion surplus. The secondary income balance remained in deficit at €16 billion.



## MACROECONOMIC MONITOR

### ECB INTEREST RATE DECISION

The ECB left interest rates unchanged on 2% after cutting eight times since June last year. With inflation now back at the ECB's 2% goal and expected to stay there, and as trade talks between the European Union and United States appeared to be in their final stretch as of this decision made (24<sup>th</sup> July). In a news conference following the decision, ECB President said that the euro zone economy had performed better than expected in the first quarter. That was partly because of front-loading of exports ahead of expected tariff hikes, but also due to stronger private consumption and investment, rising real incomes and easier financing conditions. Looking ahead, the stable momentum in euro area activity reflected in the July 2025 PMI uptick suggests the region may maintain a moderate growth path in the coming months. With ECB President Christine Lagarde noting that the economy is in a "good place" and growth slightly exceeding expectations, markets are increasingly pricing in a potential end to the current rate-cut cycle. Furthermore, easing trade tensions between the euro area and the United States are expected to reduce external uncertainties, potentially supporting investment and business confidence

### TRUMP TARIFF UPDATE ON EURO ZONE

As of 28<sup>th</sup> July 2025, United States and European Union have reached a trade deal on 15% tariff on all EU goods. That is half the 30% import tax rate Trump that initially had threatened to implement starting on 1<sup>st</sup> August 2025. Consequently, the 27-member bloc would open its markets to US exporters with zero per cent tariffs on certain products. Additionally, the EU would boost its investment in the US by \$600bn, including American military equipment, and spend \$750bn on energy. That investment over the next three years in American

liquefied natural gas, oil and nuclear fuels. Von der Leyen, President of the European Commission, stated that this movement somehow beneficial as it helps to reduce European reliance on Russian power sources. Some goods will not attract any tariffs, including aircraft and plane parts, certain chemicals and some agricultural products. A separate deal on semiconductors may be announced soon.

Looking ahead, the stable momentum in Euro area activity suggests that the ECB may be done with cutting rates altogether.

## China

### MANUFACTURING & SERVICE SECTOR

In June 2025, the composite PMI output index was 50.7 percent, an increase of 0.3 percentage points from the previous month, indicating that the expansion in overall production and operation of Chinese enterprises continuous accelerated after sharper drop in March 2025. However, the manufacturing industry still on the contraction stage but has a slightly increase 0.2 percentage points from the previous month to 49.7, indicating climate level of the manufacturing industry continued to improve. Meanwhile, the Services PMI increased marginally to 51.1, supported by stronger holiday-related spending ("Labour Day Holiday") in consumer-facing sectors like accommodation and catering.

### INDUSTRIAL PRODUCTION

China's industrial sector showed strong resilience in June 2025, with value-added industrial output for enterprises above the designated size rising by a

## MACROECONOMIC MONITOR

robust 6.8% YoY. This marks a notable acceleration from the 6.4% growth recorded in the first half of the year, signaling increasing momentum in industrial activity. By ownership type, joint-stock enterprises outperformed the national average with a 7.1% annual increase, while state-controlled enterprises grew at a slower pace of 5.7%. This gap underscores the efficiency gains often observed in mixed-ownership models that combine state support with market-driven operations. Performance across the industrial landscape varied, with manufacturing standing out as the main driver of growth. The sector recorded a strong 7.4% year-on-year increase, surpassing the overall industrial average. Within manufacturing, technology-intensive and new energy-related industries emerged as key growth engines. In particular, the electrical machinery and equipment segment surged by 11.4% year-on-year, fueled by rising demand for automation technologies and components for green energy infrastructure. Overall, these trends highlight the shifting dynamics of China's industrial sector, where innovation, efficiency, and sustainable technologies are increasingly shaping growth trajectories.

### UNEMPLOYMENT RATE

China's surveyed unemployment rate held steady at 5.0% in June 2025, this marks the lowest level since November of the previous year, indicating relative stability in the labor market. The data also imply that China's job market showed signs of gradual improvement and stability in the first half of 2025 as average surveyed urban unemployment rate declined from the first quarter (5.3%) to the first half of the year (5.2%).

### INFLATION

China's June consumer price index inflation returned to positive territory for the first time since

January, rising to 0.1% year on year from -0.1% YoY in May, beating market expectations. By subcategory, food remained in deflationary territory at -0.3% YoY, the fifth straight month of negative food prices. Non-food inflation fared better on the month with a 0.1% YoY rise, helping to offset the drag from food prices. Despite an uptick in CPI, the country's producer-price index fell 3.6% year-on-year, widening from May's 3.3% decline. That marks the 33rd straight month of falling prices and a 23-month low. Thus, deflation remains a concern in China, the main reasons is a contractionary cycle featuring heavy price competition as well as pay freezes and pay cuts. One of main reason for price competition is to entice consumers and clear excess inventory, as the U.S. tariff onslaught has threatened the viability of selling to the world's largest consumer market. Thus, some economist believe it is too early to call the end of deflation at this stage as the momentum in the property sector is still weakening and the price wars campaign is still at its early phase.

### RETAIL SALES

China's retail sales grew by 4.8% YoY in June 2025, slowing from a 6.4% surge in May and falling short of the 5.6% market forecast. This marks the weakest retail growth since February, as consumer spending lost momentum across several categories. Notably, growth in gold and silver jewelry sales dropped sharply to 6.1% from 21.8%, and similar slowdowns were seen in sports and entertainment, household appliances, communication equipment, and food items. Some sectors even saw outright declines, including beverages (-4.4%), tobacco and alcohol (-0.7%), cosmetics (-2.3%), and traditional medicines (-0.7%). The broad-based slowdown in consumer spending especially in discretionary categories suggests that underlying domestic demand remains fragile, potentially limiting China's ability to

## MACROECONOMIC MONITOR

rely on consumption as a key driver of economic growth in the near term.

### BALANCE OF TRADE

China's trade surplus widened to USD 114.77 billion in June 2025, up from USD 98.94 billion a year earlier, and exceeding market expectations of USD 109 billion, as exports continued to outpace imports. Exports rose by 5.8% YoY, up from 4.8% growth in May, amid a temporary easing of tariff pressures ahead of the August deadline. Meanwhile, imports increased by 1.1% YoY, rebounding from a 3.4% decline in May. This marked the first monthly increase in import supporting by the government effort to support domestic demand. In the first half of this year, Chinese overall exports jumped 5.9% from a year earlier, while imports slumped 3.9%, with a trade surplus of \$585.96 billion nearly 35% higher from a year earlier.

Despite overall growth, China's exports to the U.S. dropped for a third month, falling over 16.1% in June, but the decline eased from the prior month amid a tariff truce. Imports in June dropped 15.5%. That compares with a 34% drop in exports in May, and imports decline of 18%. However, the country's shipments to Southeast Asian and European Union as its two largest trading partners jumped 13% yoy and 6.6% yoy, respectively. Despite strong trade performance in the first half of the year, economists caution that export momentum may slow due to persistent U.S. tariff uncertainty and mounting constraints on Chinese manufacturers' ability to expand market share through price cuts.

### GROSS DOMESTIC PRODUCT

China's gross domestic product (GDP) expanded by 5.2% in the second quarter of 2025, slightly above

market expectations of 5.1%, though marking a modest slowdown from the 5.4% growth recorded in the previous quarter. Domestic consumption's contribution to GDP rose marginally to 52%, from 51.7% in Q1, signaling slightly stronger household spending. Conversely, the contribution of trade fell significantly to 23%, down from 39.5%, amid persistent trade tensions. Fixed-asset investment grew by 2.8%, falling short of the previous quarter's 3.7%, reflecting heightened economic uncertainty and ongoing weakness in the property sector. Real estate investment declined by 11.2% YoY in the first half of the year, as the property market continued to face prolonged headwinds. New home prices in China's 70 largest cities have also continued to decline. Despite these challenges, China has so far avoided a sharp economic downturn, supported by a fragile trade truce with the United States established in mid-May and targeted government policy measures. Nevertheless, analysts caution that the outlook for the second half of 2025 remains uncertain, with waning export momentum and subdued consumer confidence likely to weigh on growth, as exports lose steam and consumer confidence remains low.

China's inflation turned positive for the first time since January at 0.1% YoY, but deflation risks remain as the property sector stays weak and price wars are just beginning.



# **RECENT ECONOMIC DEVELOPMENT : DOMESTIC MARKET**



# Recent economic development : domestic market:

## ECONOMIC GROWTH

As of early July 2025, Finance Minister of Indonesia projected that in 2025 economic growth will lowered to around 4.7% - 5% down from earlier projection, 5.2%. This growth trimmed is simultaneously with projections from various international institutions which estimate Indonesia's economic growth at around 4.7%. This projection determining the global economic uncertainty along with challenges in domestic revenue generation. However, several governments priority program implemented in the second semester of this year are expected to generate multiplier in the economy, including free nutritious meals, red and white village cooperatives program and people's school.

## INFLATION

Indonesia's annual inflation rose to 1.87% year-on-year YoY in June 2025, up from 1.60% in May and slightly above market expectations of 1.83%. On a monthly basis, inflation turned positive at 0.19%, reversing the 0.37% deflation recorded in the previous month. Cumulatively, year-to-date (YTD) inflation reached 1.38%, higher than in the same period of 2021, 2023, and 2024 indicating a mild upward trend in prices during the first half of the year. The inflation acceleration in June was largely driven by a sharp increase in volatile food prices, which had previously been in deflation. On an annual basis, volatile food and raw food ingredients

contributed 0.57% and 1.14%, respectively, to headline inflation. Key commodities such as rice, bird's eye chili, red onions, tomatoes, and airfares were among the main contributors. As such, the current inflationary trend appears to be driven more by cost-push dynamics rather than demand-side overheating. Meanwhile, core inflation which better reflects underlying demand conditions eased slightly to 2.37% YoY in June from 2.40% in May, indicating that domestic demand remains relatively subdued. The combination of rising headline inflation, yet soft core inflation, implies that Bank Indonesia retains policy space to remain accommodative, particularly in the context of supporting growth amid a slowdown in household consumption.

As of early July 2025, Finance Minister of Indonesia projected that in 2025 economic growth will lowered to around 4.7% - 5% down from earlier projection, 5.2%.

### PURCHASING MANAGER INDEX (PMI)

Indonesia Manufacturing PMI marking the third straight month of contraction in factory activity, down from 47.4 in the previous month to 46.9, and second lowest for these past three years after April 2025. The primary driver of the downturn was a significant decline in demand for Indonesian manufactured goods. New orders fell for the third consecutive month, marking the sharpest rate of contraction since August 2021. The survey data noted subdued market activity, largely attributed to clients' reluctance to place new orders. The survey further suggests that the decline in sales was predominantly driven by the domestic market, as Indonesian manufacturers reported no change in new export business following two consecutive months of contraction. Looking ahead, the level of optimism regarding output expectations for the next 12 months declined compared to May and remained below the long-term average. In fact, business confidence fell to its lowest level since last October, as some firms expressed concerns about the global economic outlook.

### CONSUMER CONFIDENCE INDEX

Indonesia's consumer confidence rose slightly to 117.8 in June 2025, up from 117.5 in the previous month. Despite this modest increase, the index remained near its May level the lowest since September 2022. This indicating persistent concerns over weakening purchasing power and a contracting middle class. A closer examination of the sub-indices reveals a mixed trend. On the positive side, perceptions of current economic conditions edged up by 0.7. Consumers also expressed greater confidence in their current income up 2.1 points and marginally better sentiment regarding job availability up to 0.3 points.

On the other hand, forward-looking expectations remain under pressure. The index measuring income expectations for the next six months dropped 2.2 points, while the outlook on future job availability fell 1.6 points, the overall economic outlook also declined slightly by 0.1 points. Consequently, this suggesting some recovery in near-term confidence suggest that household remain cautious about future economic conditions, likely influenced by global uncertainties, fiscal policy realignment.

### RETAIL SALES INDEX

Retail sales posted growth for the second consecutive month in June 2024, broadly in line with Bank Indonesia's earlier projections. This improvement was primarily supported by seasonal factors such as the National Religious Holiday (HBKN) of Eid al-Adha, school holidays, and mid-year promotional programs (mid-season sales), which helped boost consumer activity. The annual increase in retail activity was driven by stronger performance in several key categories. Sales of food, beverages, and tobacco grew by 3.11% year-on-year, while automotive fuels saw a notable surge of 12.49%. Motor vehicle parts and accessories posted a moderate gain of 1.8%. The clothing segment also rebounded significantly, registering 3.73% growth compared to a contraction of 0.27% in the previous month. These trends reflect a modest but positive shift in household consumption, particularly in essential and semi-discretionary spending, suggesting that consumers are beginning to respond to improved purchasing power. On the other hand, certain discretionary and non-essential categories continued to face headwinds. The cultural and recreational goods segment remained weak, with sales declining by 3.91% year-on-year. This suggests that while overall consumer spending is

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recovering, it remains uneven and vulnerable to downside risks, especially amid concerns over economic uncertainty. Looking ahead, Bank Indonesia anticipates a pickup in retail sales ahead of August, supported by seasonal momentum related to Indonesia's Independence Day celebrations. This outlook is reflected in the increase of the Retail Sales Expectation Index, which rose by 9.28% month-on-month for August and by 4.02% for November 2025. The improvement in expectations suggests continued optimism among retailers regarding consumer demand in the coming months.

### FISCAL CONDITION (STATE BUDGET)

As of the first half of 2025, Indonesia's state revenue reached IDR 1,210.1 trillion, equivalent to 40.3% of the annual revenue target. The majority of this revenue was derived from tax receipts, which amounted to IDR 837.8 trillion or 38% of the full-year target. However, tax revenues contracted by 6.2% year-on-year, largely due to the declining trend in the Indonesian Crude Price (ICP), the reallocation of state-owned enterprise (SOE) dividends to the Sovereign Wealth Fund (BPI Danantara), and the limited application of Value Added Tax (VAT) on luxury goods. On the expenditure side, total state spending stood at IDR 1,407.1 trillion or 38.8% of the 2025 expenditure allocation marking a significant increase from 28.1% recorded in May. Compared to the same period last year, spending rose by 0.6% year-on-year. Of the total, IDR 1,006.5 trillion was allocated for central government spending, primarily to support economic growth acceleration and priority government programs such as the Free Nutritious Meals (MBC) initiative, the development of flagship schools, and people's school.

## MACROECONOMIC MONITOR

As a result, the State Budget (APBN) recorded a fiscal deficit of IDR 197.1 trillion, or 0.81% of GDP in the first semester of 2025, notably higher level than the 0.34% deficit recorded in the same period last year. This represents a shift from the typical fiscal trend in which the APBN records a surplus in the early part of the year followed by a deficit in subsequent months. The deviation is primarily attributed to the contraction in tax revenues earlier in the year. Nevertheless, the primary balance remained in surplus on this month amounting to IDR 50.2 trillion.

### TRADE BALANCE

Indonesia's trade balance continued to post a surplus in the first five months of 2025. According to Statistics Indonesia (BPS), the country recorded a trade surplus of USD 15.38 billion between January and May 2025, an increase of USD 2.32 billion compared to the same period last year. The strong performance was underpinned by a robust surge in exports, which grew 9.68% year-on-year to USD 24.61 bn highest monthly export value in nearly three years. Thus, it marks 61 consecutive monthly trade surplus since May 2020. The surplus was mainly supported by a non-oil and gas surplus of USD 23.10 billion that is mainly export to China and the United States. Forward looking, reciprocal U.S. tariff policy, scheduled to take effect on August 1, 2025, at a rate of 19%, is expected narrowing trade surplus. One of agreement allows duty-free U.S. goods to enter Indonesia, while Indonesian exports remain subject to tariffs. Despite the rate is lower than tariffs on other ASEAN countries, Indonesian products remain more expensive compared to those from countries with free trade agreements with the U.S. This structural asymmetry may narrowing trade surplus particularly for sectors such agriculture, energy, aviation which are expected to experience rise in U.S. imports.

## MACROECONOMIC MONITOR

### MONETARY POLICY

The Bank Indonesia decided to lower the BI Rate by 25 basis points (bps) to 5.25% on this month. This marks a total reduction of 75 bps in 2025. The decision is consistent with the continued decline in inflation forecasts for 2025 and 2026, which remain within the target range of  $2.5 \pm 1\%$ , as well as the maintained stability of the Rupiah exchange rate in line with its fundamentals. As of 30 June 2025, the Rupiah had appreciated by 0.34% (ptp) compared to the previous month's closing level. On the other hand, the rate cut also aims to support economic growth, particularly in light of the recent slowdown in household consumption. Looking ahead, Bank Indonesia signaled that there remains room for further rate cuts, especially once a trade agreement with the United States is reached, which is expected to reduce market uncertainty.

### INTERNATIONAL INVESTMENT POSITION

Foreign capital inflows into domestic portfolio instruments have continued, supported by Indonesia's favorable economic outlook, attractive yields on Indonesian financial assets, and a shift in capital flows toward emerging markets including Indonesia amid rising economic risks in the United States. In early Q3 2025 (as of 14 July), foreign inflows into government securities (SBN) recorded a net inflow of USD 0.9 billion, continuing the positive trend seen in Q2 2025, which saw net inflows of USD 1.6 billion. However, the recent interest rate cut has reduced the attractiveness of Bank Indonesia Rupiah Securities (SRBI). During the period of 14–17

July 2025, foreign investors posted a net outflow of IDR 10.49 trillion, of which IDR 8.95 trillion originated from the SRBI market. This represents the largest outflow since April 2025. From the beginning of the year to 17 July 2025, total foreign net selling in SRBI reached IDR 48.07 trillion.

### FOREIGN EXCHANGE RESERVES

Indonesia's foreign exchange reserves remained at a robust level of USD 152.6 billion as of end-June 2025, equivalent to 6.4 months of import financing or 6.2 months of imports and government external debt servicing. This level is well above the international adequacy threshold of approximately 3 months of imports, indicating strong external buffers. The stable reserve position was maintained despite increased intervention by Bank Indonesia in the foreign exchange and bond markets to manage Rupiah volatility, particularly amid a weakening U.S. Dollar Index (DXY). Inflows from government bond issuances and revenue collection also contributed to the reserves, alongside the continued resilience of Indonesia's external sector performance. This was achieved even as the manufacturing Purchasing Managers' Index (PMI) moderated and commodity prices began to show signs of softening. Nonetheless, risks to the external position remain. The anticipated implementation of higher tariffs by the U.S. administration is expected to pose headwinds to Indonesia's trade performance, which could place renewed pressure on the Rupiah and challenge the sustainability of current account surpluses in the coming quarters.





# ASSET ALLOCATION



### Global Market

Market sentiment in July was driven by the Federal Reserve's reinforced hawkish stance and the approval of the One Big Beautiful Bill (OB BB), which carries broad fiscal implications. In his testimony, Powell emphasized that any rate cuts would be contingent on clearer signs of inflation returning to target, prompting markets to reduce expectations to only one 25 bps cut by year end. Simultaneously, the passage of OB BB heightened concerns over the long term fiscal deficit and debt trajectory. These developments put upward pressure on US Treasury yields, with the 10 year yield rising to 4.39% and the 2 year to 3.88%, marking month-to-date increases of 16 bps each. US equity markets remained stable despite tighter conditions with the S&P 500 gained 2.48% MTD, while the Nasdaq rose 3.19% MTD.

### Domestic Equity Market

The JCI recovered moderately in late July, closing at 7,530 as of July 24 equivalent to a 8.7% MTD gain, The improvement was supported by a relatively stable Rupiah. Foreign investors recorded net outflows of Rp 6.5 trillion from equities, signaling continued caution toward EM risk. Sectorally, IDX Technology rose 36.37% MTD, IDX Infrastructure gained 31.65% MTD, and IDX Industry increase by 8.95% MTD. While valuation remains undemanding, equity momentum is constrained by weak earnings outlook and global liquidity headwinds. Risk remains as investors are bracing for Q2 results that is expected to be a weak one.

### Domestic Bond Market

Indonesia bond market continued to rally in July following BI decision to cut the BI-Rate by 25 bps to 5.25% at the July policy meeting, making it as the third rate cut in 2025. The move reinforced market

expectations of a dovish policy trajectory amid slowing inflation. The yield curve experienced a bull steepening, with the 5 year SBN yield falling 24 bps to 6.06% while the 10 year yield only declining 12 bps to 6.50% as of July 24. Foreign investors responded positively, bringing net inflows into SBN to Rp 12.99 trillion MTD. While the rate cut improved duration sentiment, investors remain mindful of fiscal risks in the second half of the year, particularly around potential widening of the budget deficit. The government intention to use *Saldo Anggaran Lebih* (SAL) as a financing source for 2H improved sentiment, especially on the longer tenor.

### Domestic Money Market

Liquidity conditions show some improvement, with the Loan-to-Deposit Ratio decreased from 90.29% to 88.49% in June. Bank Indonesia's reduction of the BI-Rate so far this year has begun to make an impact on market rate. The 3-month average deposit rate goes down from 4.45% to 4.20%, while the 12-month SRBI yield edged down from 6.19% to 5.69%, reflecting increasing conviction that BI may continue to deliver another rate cut in 2025. IndoNIA (overnight) rate declined the most, dropping 49 bps MTD, indicating much easier banking liquidity compared to the previous month.

### Asset Allocation Takeaway

Global financial conditions have tightened following hawkish Fed signals and expanded US fiscal spending through OB BB. This continues to cap risk appetite across emerging markets. For Indonesia, improving inflation, controlled currency volatility, and strong bond inflows offer a relative buffer. Fixed income particularly in low to mid duration tenors remains attractive, while equities should be approached selectively.



# SECTORAL ANALYSIS



### Performance Review

As of latest data in June 2025, the Indonesia Stock Exchange (IDX) Composite Index posted a slight average decline of 0.36%. The index's relatively flat trajectory throughout the month underscores mixed investor sentiment, with some sectors seeing upward momentum while others showed signs of consolidation or correction.

The Energy sector index (IDX ENERGY) recorded the most significant increase in June, rising on average by 21.61% in a month. This notable jump highlights sustained optimism surrounding global commodity prices and domestic energy production outlooks. The sharp climb suggests energy-related counters remained attractive amid geopolitical uncertainties and, positioning the sector as a potential hedge in a volatile macro environment.

The Technology sector index (IDXTECH) also gained solid ground, rising by 12.07% over the month. While this rise reflects continued interest in growth-oriented segments, it also came after a period of heightened volatility. In contrast, the Non-Cyclical Consumer sector index (IDXCYCLIC) experienced the steepest decline, falling 2.16% in June. This drop may indicate a rotation away from defensive plays, as investors shifted focus to more cyclical or higher-growth areas. Similarly, the Infrastructure sector index (DXINFRA) dropped 9.00%, potentially signaling slower-than-expected progress on key projects or waning confidence in public-private investment execution. Overall, June's market movement points to an ongoing sectoral rebalancing. While Energy and Technology sectors showed strength, investor selectiveness appears to

be increasing. As uncertainties linger both globally and domestically, future sector movements may increasingly reflect fundamentals, policy signals, and macroeconomic resilience.

### Trading Volume Insights

The Indonesia Stock Exchange (IDX) Composite Index closed at 6,927.68 on June 30, 2025, recording a 0.44% increase from the previous trading day. The modest gain came amid relatively calm market sentiment, with 1.15 million transactions executed and a total trading volume of 20.82 billion shares, valued at Rp 13.63 trillion. This end-of-month rebound suggests selective investor optimism despite a broader trend of consolidation in recent weeks. According to the IDX-IC Sectoral Index, nine sectors strengthened, with Basic Materials (IDXBASIC) leading at +3.33%, followed by Non-Cyclical Consumer Goods (IDXCYCLIC) (+2.16%) and Transportation & Logistics (+1.86%), likely reflecting defensive plays and demand-driven momentum.

In contrast, two sectors posted declines, notably the Technology sector (IDXTECH), which dropped 0.51%, and Financials (IDXFIN), down 0.48%. Despite the price correction, the Technology sector (IDXTECH) remained the most actively traded throughout June, with multiple visible volume spikes, indicating persistent investor interest, possibly in anticipation of a rebound. The Energy sector also drew significant participation, aligned with its strong June performance. Basic Materials and Financials showed moderate to high activity, underlining their role in macro-driven positioning.



## EXHIBITS

## EXHIBIT 1 • INDONESIA MACROECONOMICS INDICATOR

		2024							2025					
		Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	Jun
CPI Inflation**	% YoY	2.51	2.13	2.12	1.84	1.71	1.55	1.57	0.76	-0.09	1.03	1.95	1.60	1.87
Core Inflation**	% YoY	1.9	1.95	2.02	2.09	2.21	2.26	2.26	2.48	2.36	2.48	2.50	2.40	2.37
Manufacturing PMI**	Level	50.7	49.3	48.9	49.2	49.2	49.6	51.2	51.9	53.6	52.4	46.7	47.4	46.90
Exports*	% YoY	1.17	6.46	7.13	6.44	10.25	9.14	4.78	4.68	14.05	23.25	5.76	9.68	
Imports*	% YoY	7.58	11.07	9.46	8.55	17.49	0.01	11.07	-2.67	2.30	18.92	21.8	4.14	
Foreign Reserves**	USD bn	125	130	135	134	135	135.1	140	140	154.5	157	152	152	152
Money Supply (M2) *	% YoY	7.67	7.59	7.28	7.15	6.7	6.53	4.35	5.46	6.20	6.13	5.19	4.9	6.5
Deposit*	% YoY	6.95	6.41	5.66	5.73	5.02	4.74	3.04	3.82	4.60	4.03	3.77	3.32	
Commercial Banking Credit*	% YoY	11.38	11.74	10.94	10.42	10.44	9.55	9.67	8.97	9.69	8.74	8.50	8.09	7.62
Fiscal Surplus/Deficit*	% GDP	-2.6			-2.7			-2.3			-2.75			-0.81

Source: \*CEIC, \*\*Bloomberg

EXHIBIT 2 • EXCHANGE RATE

Exhibit 2.1 Difference of Spot and Forward IDR

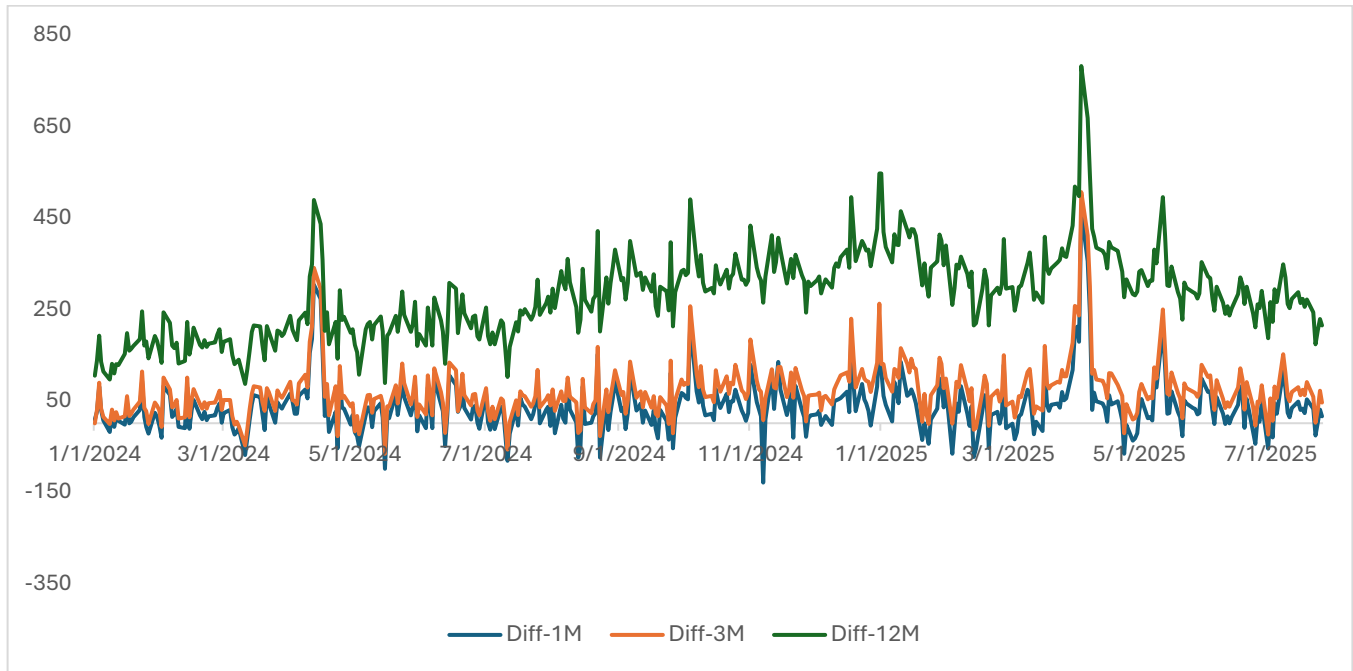


Exhibit 2.2 BI-Rate & Exchange Rate (IDR/USD)

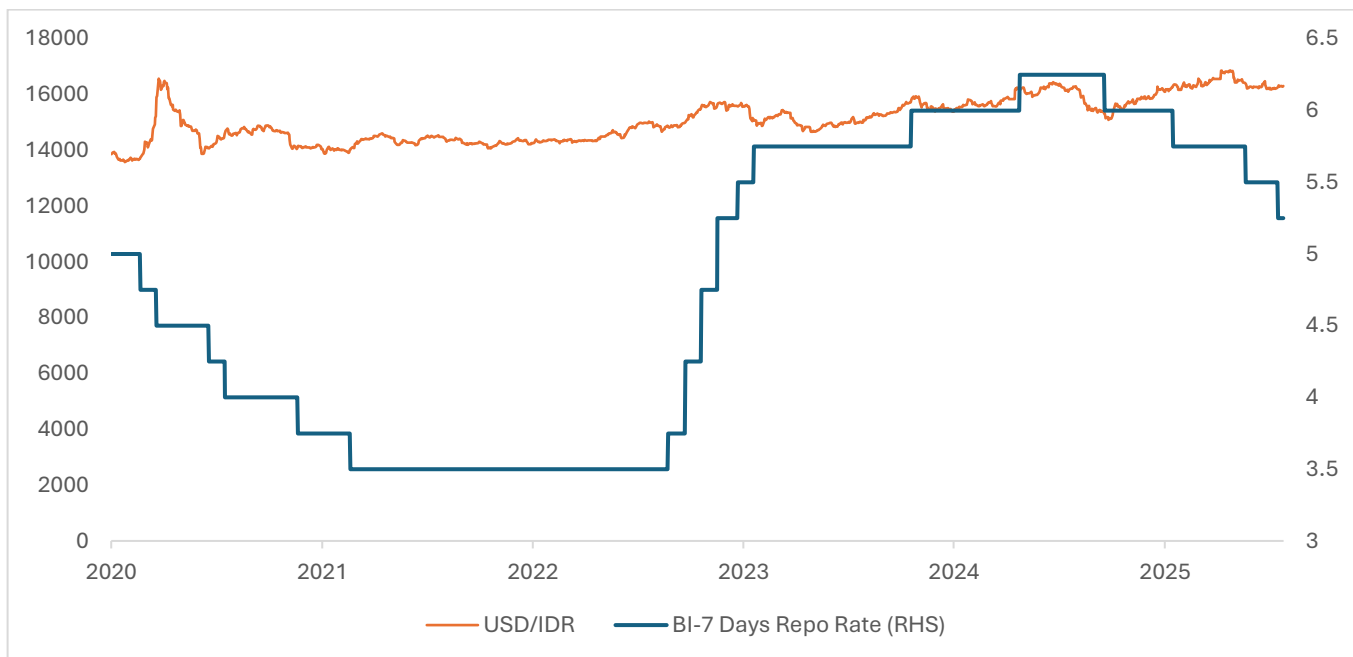
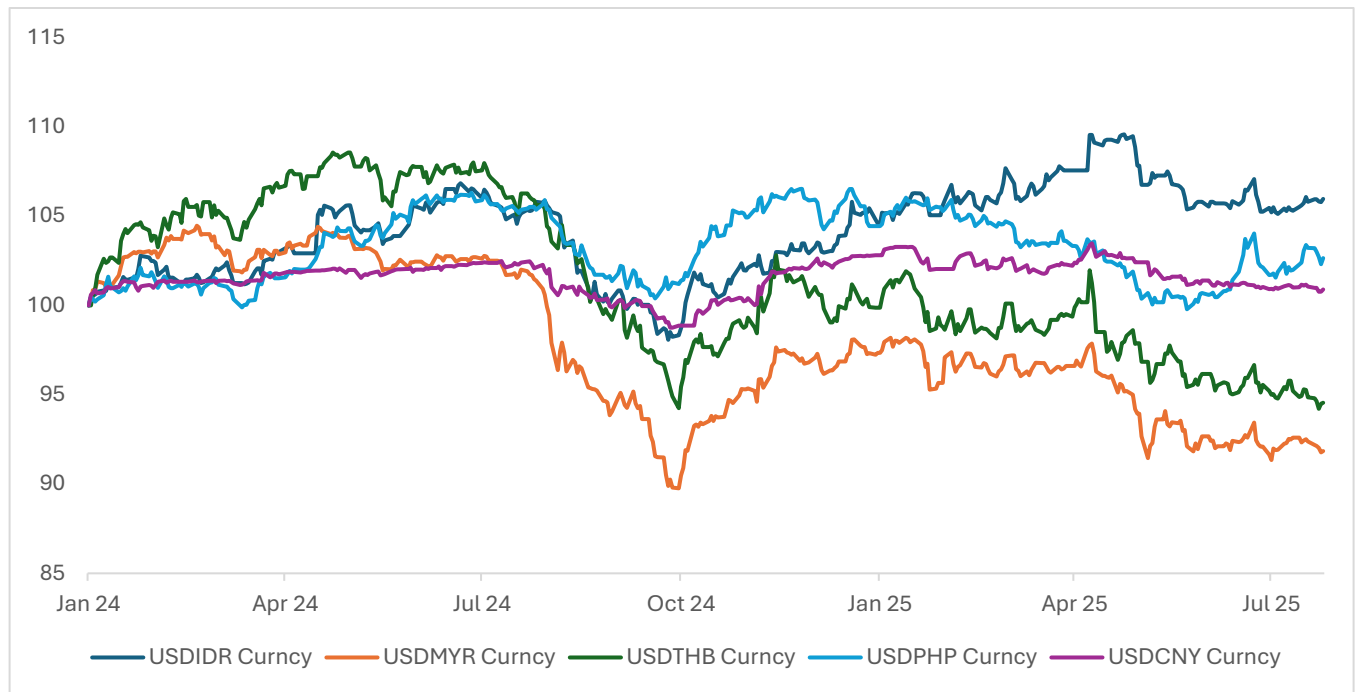


Exhibit 2.3 EM's Exchange Rate Against USD



### EXHIBIT 3 • INDONESIA'S LIQUIDITY

Exhibit 3.1 JIBOR 1 & 3 M and BI-Rate

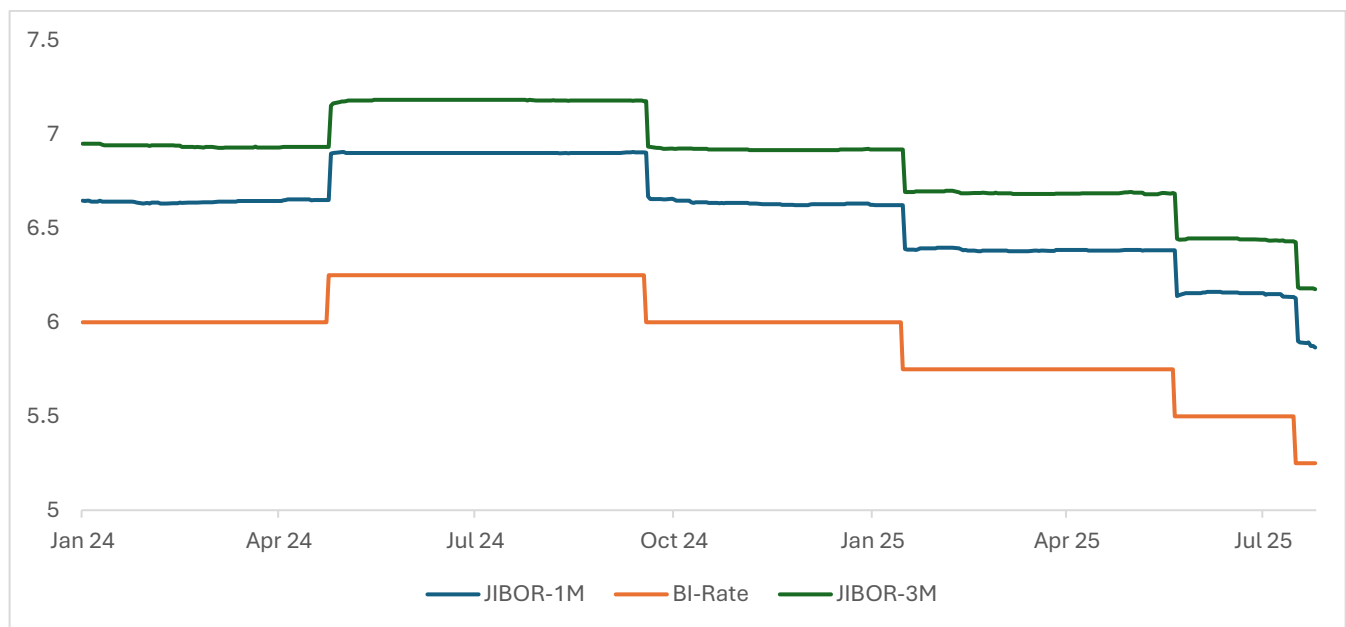


Exhibit 3.2 Monetary Operations of BI

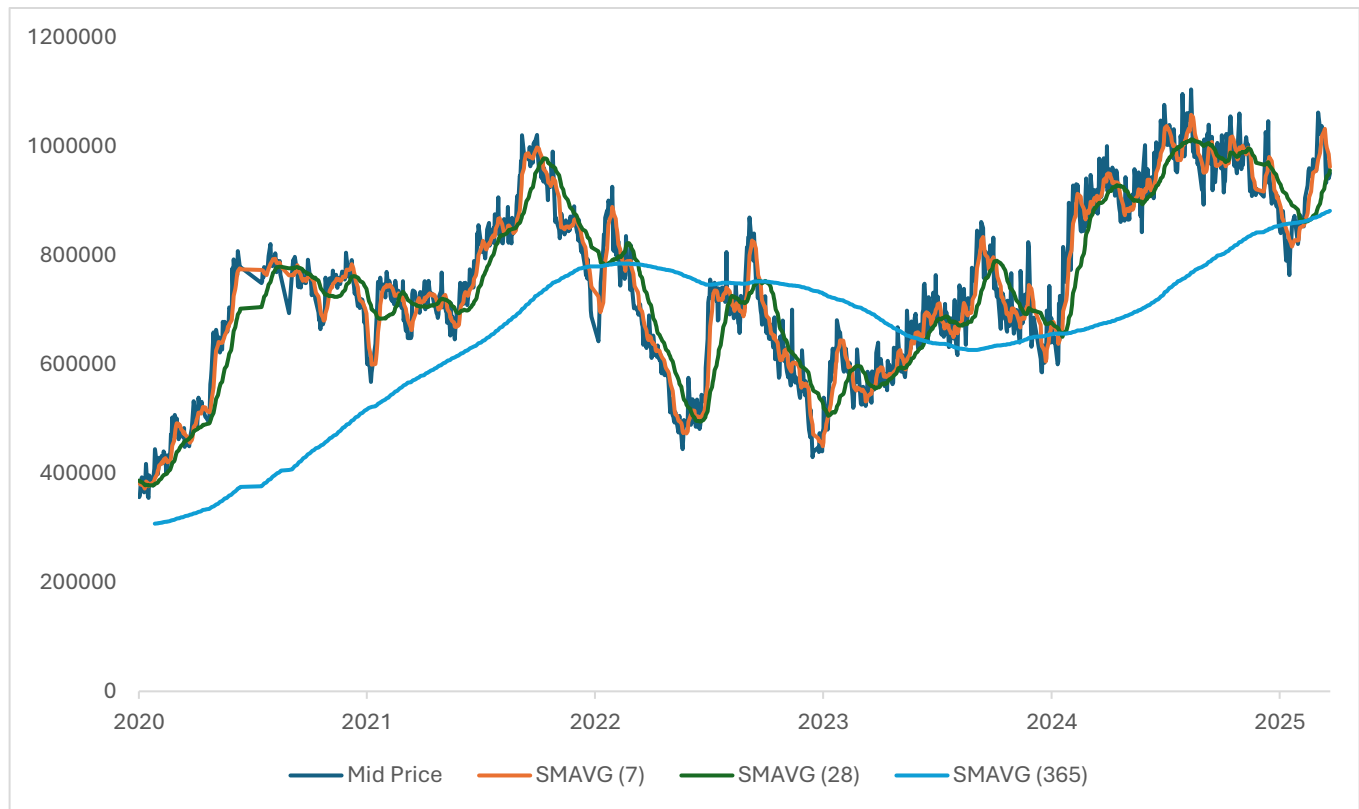


Exhibit 3.3 Indonesia's Net International Reserves USD

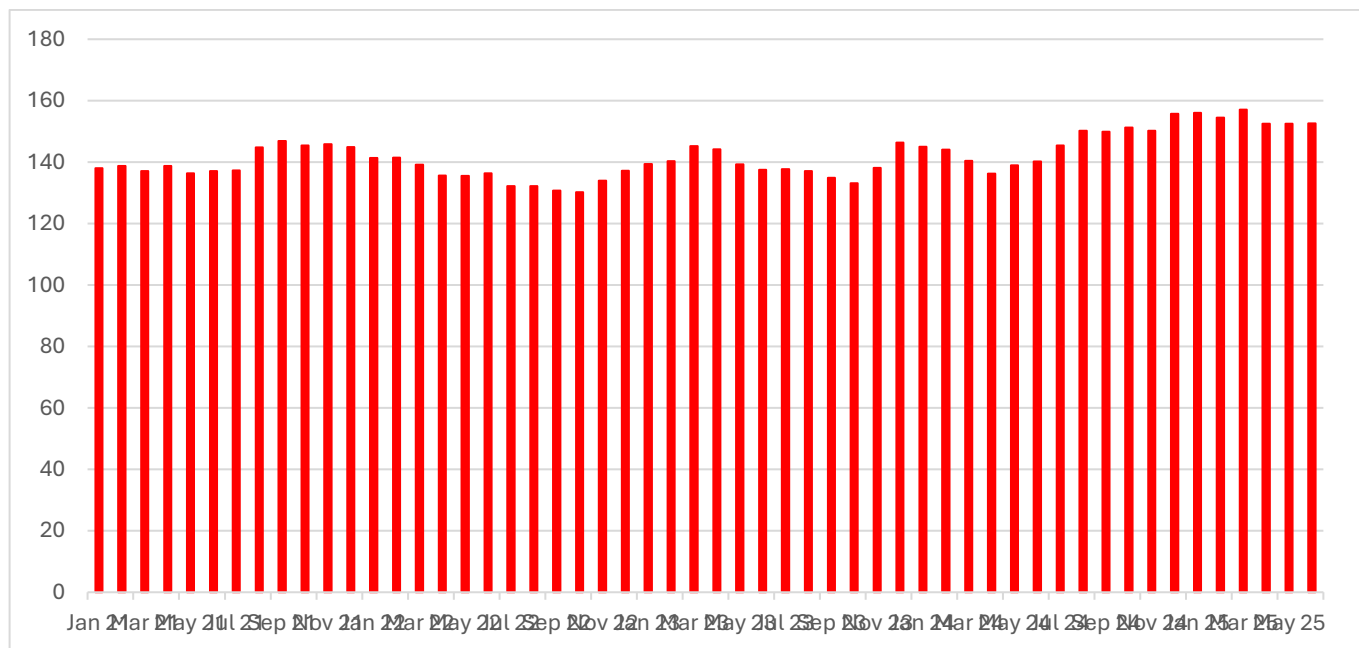




EXHIBIT 4 • FINANCIAL MARKET

Exhibit 4.1 Stock Market Index

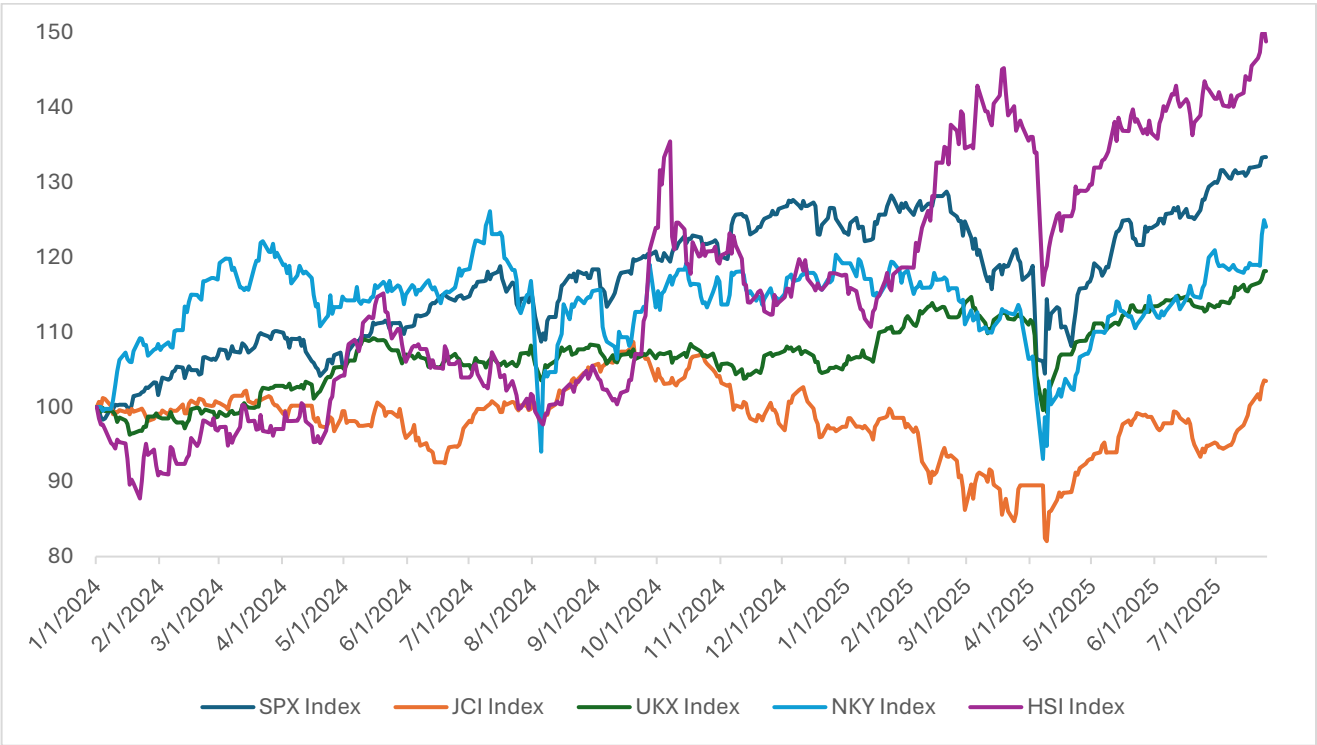


Exhibit 4.2 Indonesia Bond Yield Curve

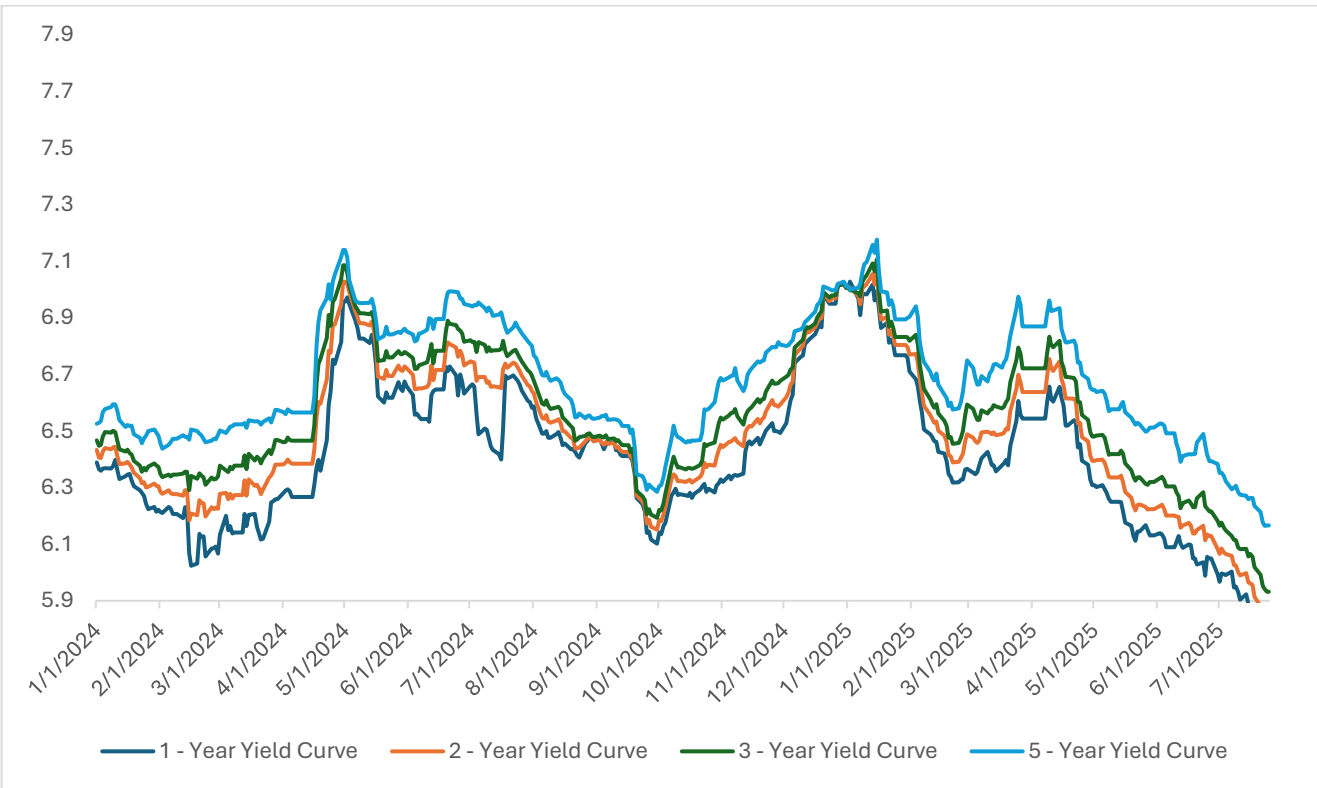


Exhibit 4.3 Indonesia Stock Market & Survivor

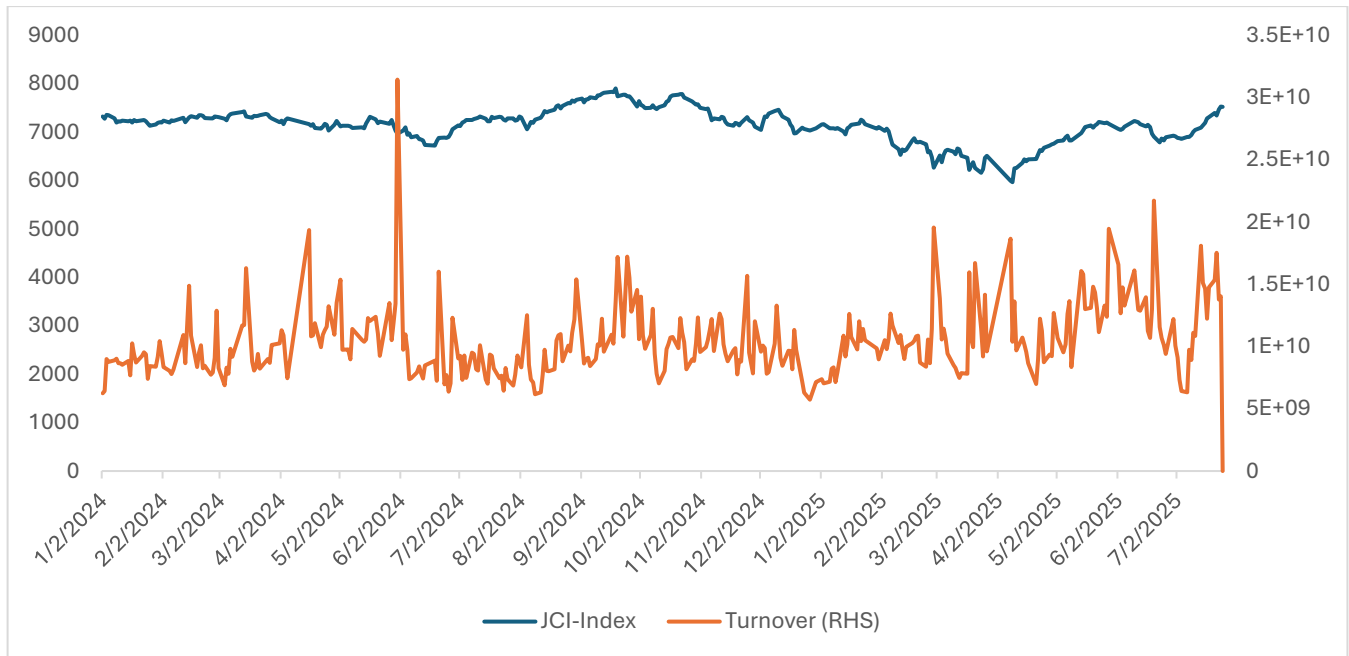
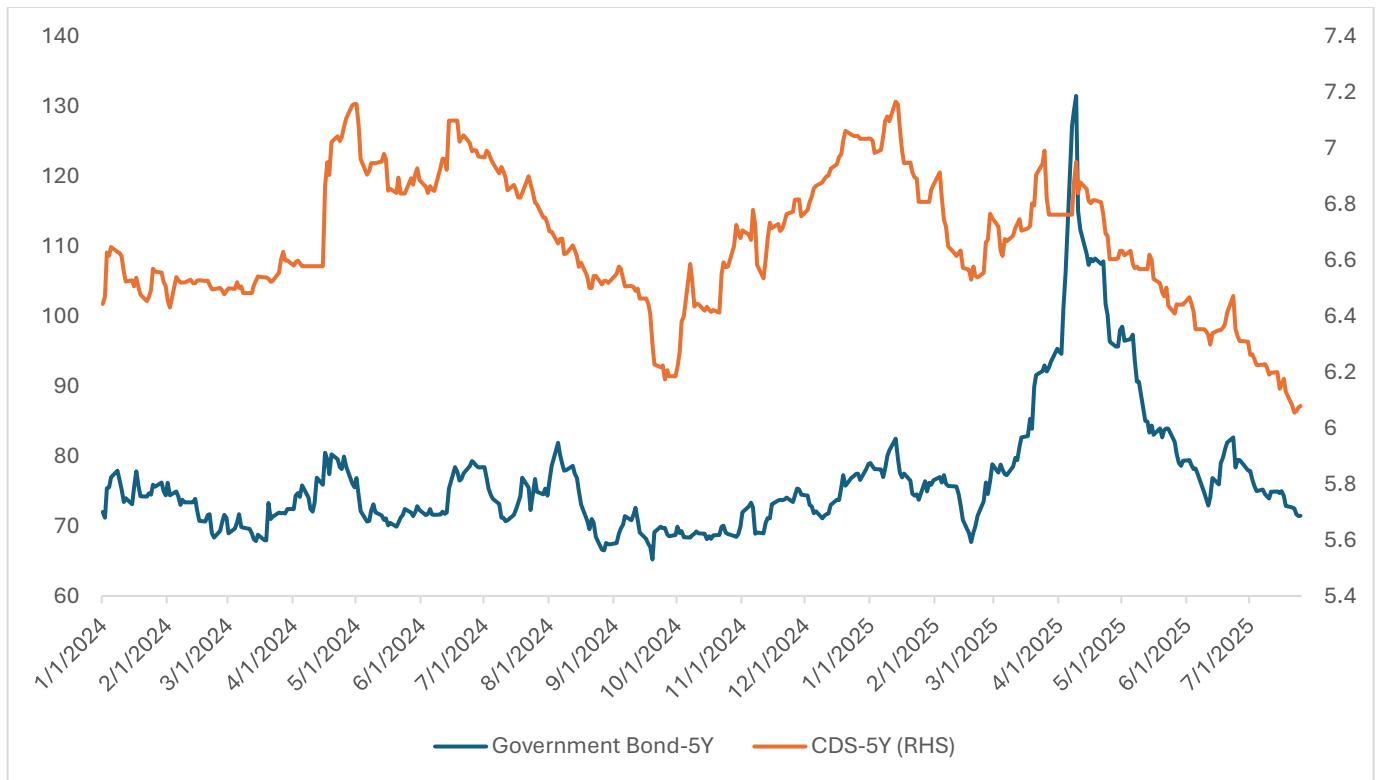


Exhibit 4.4 Indonesia CDS & Government Bond 5Y



# FOOTNOTES AND REFERENCES

*All of data sources: CEIC, Bloomberg, BI, and Various source*

The conversion rate from U.S. 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 (U.S.), Jakarta Composite Index (JCI), FTSE 100 (UKX), Nikkei 225 (NKKY), and Hang Seng Index (HIS) 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.

The oil prices listed are based on the NYMEX current month futures price.

The natural gas prices listed are based on the NYMEX current month futures price.

The coal prices listed are based on the ICE Newcastle current month futures price.

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

### Indonesia Financial Group (IFG)

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.