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Securities

Indonesia Economic Analysis
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Mirae Asset Sekuritas Indonesia

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Macro Outlook

Macro Outlook 2027 – Steady Economy, Tougher Markets: Stability Before Easing

Growth remains resilient across key demand components

Indonesia's economy remains resilient, supported by household consumption, investment and exports. Minimum wages rise about 10%, helping sustain purchasing power despite pressure on labour-intensive industries. Investment grows around 6% as downstream projects and data centres expand, while export growth improves to 4.3% from 3.7%. Inflation peaks near 3.7% in March on El Niño before easing to 2.50% by year-end.

The deficit narrows to 2.4% of GDP

The fiscal deficit falls from 2.85% as the 2026 surge in government spending fades, cheaper oil lowers the energy bill and a weaker Rupiah lifts revenue. The 3% ceiling holds, but part of the energy bill is deferred to Pertamina and PLN, and net Indo GB supply of about IDR815tr meets a thinner foreign buyer base.

The Fed is not done, and BI follows to 6.50%

Sticky US inflation takes the Fed up another 75bp, to 4.75% by mid-2027. BI, which raised its rate to 6.00% in November, follows to 6.50% to protect the Rupiah rather than to fight inflation, and we see little room for it to cut before 2028.

Financing, not trade, is the pressure point

The current account deficit widens only to 1.8% of GDP. The strain comes from foreign money leaving SRBI, a likely exit from the MSCI Emerging Markets index and a probable one-notch sovereign rating downgrade. Reserves absorb most of a USD49bn financing gap, falling to about USD114bn, or 4.7 months of imports. The Rupiah ends 2027 near IDR19,500, and the 10-year Indo GB yield peaks near 8.85% in 3Q27 and ends 2027 at 8.75%.

Carry now, re-rating in 2028

Returns come from carry rather than duration: short-to-medium Indo GB tenors, dividend payers and Dollar earners. Valuations are already historically low, with the JCI down about 40% this year. A sustained, broad-based re-rating is more likely as easing comes into view in 2028.

Table 1. Indonesia's macroeconomic projections

	2025	2026F	2027F	2028F
GDP growth (%)	**5.11**	**5.40**	**5.25**	**5.25**
Consumption (%)	4.98	5.15	5.10	5.35
Government (%)	2.50	11.75	2.90	4.50
Investment (%)	5.09	6.35	6.10	5.95
Exports (%)	7.03	3.70	4.30	4.50
Imports (%)	4.77	7.25	3.30	4.55
CA (% of GDP)	**-0.1**	**-1.4**	**-1.8**	**-2.0**
CPI, Dec (% YoY)	**2.92**	**3.45**	**2.50**	**2.15**
USD/IDR avg	**16,465**	**17,600**	**19,300**	**19,000**
USD/IDR end	**16,690**	**18,300**	**19,500**	**18,800**
Fed funds rate, year-end (upper)	**3.75**	**4.25**	**4.75**	**4.25**
BI Rate, year-end	**4.75**	**6.00**	**6.50**	**6.00**
Indo GB 10Y, year-end	**6.07**	**7.90**	**8.75**	**8.25**
Fiscal deficit (% of GDP)	**2.81**	**2.85**	**2.43**	**2.50***

Source: Statistics Indonesia, BI, MoF, Mirae Asset Sekuritas Indonesia Research. *2028 deficit indicative.

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Executive Summary

Indonesia's economy will stay steady in 2027; its markets will not find it easy. Growth holds at about 5.25%, inflation returns to 2.50% by December and the deficit stays below 3% of GDP. The pressure comes from financing rather than trade. The Fed has further to go, foreign money that came in through short-term BI paper starts to leave, MSCI is likely to move Indonesia out of its Emerging Markets index, and we expect at least one rating agency to cut Indonesia by one notch. All of these work through the same channel: the price investors put on Indonesia's policy predictability. 2027 is a year to earn carry and protect against volatility. Re-rating waits for 2028, when both the Fed and BI begin to cut.

The Fed is not done, and BI follows it to 6.50%. Sticky US core inflation and AI-driven investment take the Fed funds rate up another 75bp, to 4.75% by mid-2027. We put the chance of reaching 4.75% by June at about two-thirds, and three separate approaches point to the same level. BI raised rates to 6.00% in November and follows to 6.50% in 1H27 to keep the gap with the Fed near 175bp. The trigger is the Rupiah, not inflation: with core inflation near 2%, the real policy rate rises to about 4%, high enough to slow credit but needed to keep capital from leaving. We see little room for BI to cut before 2028.

The current account widens a little; financing is the problem. The current account deficit widens only to about 1.8% of GDP, from about 1.4% in 2026. Cheaper oil offsets weaker coal and palm-oil prices, the weaker Rupiah slows imports, and the new EU trade agreement makes almost no difference in 2027. Financing is a different story. Foreign holdings of SRBI, which brought in most of the 2026 inflows, are likely to run off as they mature from April to July. An exit from the MSCI Emerging Markets index, which we see as likely, would add passive equity outflows. A sovereign downgrade would weaken confidence further. Before official financing and reserves adjust, the balance of payments faces a gap of about USD49bn in our base case, which includes a sovereign downgrade; the cut itself accounts for about USD8bn of that, and the rest reflects the weaker confidence that comes with it.

The gap is closed mostly by reserves, and the Rupiah gives a little. Official borrowing covers about USD15bn. BI draws on reserves for about USD33bn, taking them to about USD114bn, or 4.7 months of imports: still above conventional import-cover thresholds, but a materially thinner buffer. The Rupiah averages about IDR19,300 and ends the year near IDR19,500. Pressure peaks in 2Q–3Q27, when SRBI maturities, the MSCI announcement (due by 30 June), the Fed's last hike and the likely rating decisions fall close together.

A one-notch sovereign rating downgrade is our base case; losing investment grade is not. Moody's and Fitch have had Indonesia on negative outlook since February and March 2026, citing policy predictability and governance rather than the deficit. We think at least one one-notch downgrade by end-2027 is more likely than not. The likeliest window is Fitch's annual review in March, then Moody's decision in the middle of the year. All three ratings are two notches above sub-investment grade. Losing investment grade is very unlikely. Most of a one-notch downgrade is already priced: we add only 10bp, net, to the risk premium.

The deficit stays below 3%, and the bond market pays the difference. The reported deficit comes in at about 2.4% of GDP, close to the budget, because part of the higher energy bill is deferred to Pertamina and PLN, as in 2026. On a full-cost basis fiscal pressure is about 2.6% of GDP. Net Indo GB supply is about IDR815tr while foreign investors are reducing exposure, so BI's rollover of its maturing bonds and the government's use of its cash buffer keep yields in check. The 10-year Indo GB yield rises to 8.60% in 2Q27, peaks near 8.85% in 3Q27 and ends 2027 at 8.75%. Without the debt switch it would be closer to 9.7%.

Growth holds at 5.25%, but domestic demand slows more than the headline. Inflation peaks at about 3.7% in March on El Niño and rice, then falls back to 2.50% by December; core inflation ends the year near 2.15%. Consumption slows to 5.10% as food prices squeeze lower-income households and credit stays expensive. Government consumption slows sharply after the 2026 surge, and investment grows a still solid 6.10%, much of it imported and funded at home. Domestic demand grows about 5.3%, down from about 6.1%; slower imports keep GDP close to its 2026 pace.

What it means for investors: carry now, re-rating in 2028. Carry and earnings resilience remain the main return drivers in 2027, while a sustained, broad-based re-rating is more likely as monetary easing comes into view in 2028. We favour short-to-medium Indo GB tenors, dividend payers and Dollar earners, sectors where output, credit and investment grow together, and banks with strong deposit franchises. State-driven sectors such as construction and power are cyclical rather than structural, and property and consumer finance get no help from rates. In 2028 the Fed eases to 4.25%, BI to 6.00%, the Rupiah recovers towards IDR18,800 and the 10-year falls to about 8.25%: the re-rating that lower rates bring belongs to 2028.

Our 2027 calls at a glance

- GDP 5.25% · CPI Dec-27 2.50%
- Fed 4.75% by mid-2027 · BI Rate 6.50% at end-2027
- CA −1.8% of GDP · financing gap before adjustment about USD49bn
- USD/IDR 19,300 average, 19,500 at year-end · reserves about USD114bn
- Fiscal deficit 2.4% of GDP · Indo GB 10Y 8.75% at end-2027 (peak about 8.85% in 3Q27)
- Rating: a one-notch sovereign rating downgrade by at least one major agency is more likely than not, while Indonesia is very likely to keep investment grade
- MSCI: an exit from Emerging Markets is likely by mid-2027

I. External Balance: Financing, Not Trade, Sets the Rupiah's Path in 2027

Our call

- **Current account:** deficit of 1.8% of GDP in 2027 (USD26bn), from 1.4% in 2026. Half of our simulations fall between 1.1% and 2.5%; the chance of a deficit above 2.5% is about one in four.
- **Financing:** the Dollar shortfall before any adjustment is about USD49bn in our base case, which includes a one-notch sovereign downgrade. In years without a downgrade it is about USD27bn; the downgrade itself accounts for about USD8bn of the difference, and the rest reflects the weaker confidence that usually comes with it.
- **Rupiah:** IDR19,300 per USD on average and IDR19,500 at end-2027.
- **Base rate:** the deficit has not exceeded 3.2% of GDP since 2013. Foreign private portfolio flows have been negative for four years in a row.
- **What drives it:** export commodity prices (about 70% of the uncertainty around the current account); investor confidence, which moves SRBI, Rupiah bonds and residents' deposits together; and MSCI.

Indonesia's external problem in 2027 is not that it buys too much from the world. It is that the money financing the gap has become shorter-term, more sensitive to confidence, and due to leave in the same quarter. The current account deficit widens only modestly. The financing behind it deteriorates sharply.

I.1 Trade: oil relief arrives, commodity prices hold, imports bend to the Rupiah

2026 is better than it looked in mid-year. The current account deficit reached USD18.3bn in 9M26, against a surplus of USD1.1bn a year earlier, as the oil bill and capital-goods imports surged in 2Q26. The fourth quarter is seasonally the strongest, and we expect the full-year deficit at about USD21bn, or 1.4% of GDP. That is narrower than the 2.1% we projected earlier, and it is the base from which 2027 starts.

Oil gives relief in 2027, mostly through price. We assume the Indonesian crude price (ICP) averages USD80/bbl in 2027, against about USD94 in 2026, in line with the World Bank's forecast of Brent easing to USD79/bbl. The full-year B50 mandate replaces part of imported diesel. Declining oil output takes some of that back: lifting is likely to come in below the budget's 612.5k b/d. Net, the oil and gas balance improves by about USD4.5bn.

Commodity prices hold, rather than fall. The World Bank expects palm oil to rise again in 2027 on El Niño, nickel to stay flat and coal and copper to ease slightly. Weighted by what Indonesia sells, export commodity prices rise 1.6% on the World Bank path, and are close to flat once we allow for Indonesian coal trading below the Australian benchmark. Volumes are the weaker side, and they are a policy choice: B50 keeps more palm oil at home and coal quotas cap output. We assume commodity export earnings fall by about USD4bn. The main risk is volume: if palm oil output falls about 15%, as the industry association warns, and coal about 5%, the current account deficit would widen to about 2.1% of GDP rather than 1.8%.

Manufactured exports follow partner demand, not partner GDP. Partner GDP does not explain Indonesian exports once the pandemic years are excluded; partner imports do, with an elasticity of 1.2–1.4. On the IMF's import projections for our main markets outside China, real exports grow about 4.9%, and our 4.3% forecast allows for the supply cuts. China matters through commodity prices, not volumes. Underneath a 1% fall in 9M26 non-commodity exports, core manufactured exports grew about 6%; the weakness was gold and copper concentrate, both policy-driven.

Imports slow because the Rupiah does part of the work. Investment and exports alone would lift real imports by about 5% in 2027. A Rupiah about 10% weaker on average takes roughly 1.7pp off that, which brings imports to 3.3%. The capex cycle has not ended: data-centre phases in Batam and Cikarang, the second alumina refinery and power projects keep equipment imports coming, and industrial inputs grow with output. The import path is the assumption we are least sure of; each extra percentage point of import growth widens the deficit by about USD2.3bn.

IEU-CEPA helps sectors, not the current account, in 2027. The agreement signed on 21 November removes EU tariffs on 90.4% of tariff lines once in force, but Indonesian tariffs on EU goods fall too, so imports respond as much as exports. Our estimate of the net effect on the 2027 goods balance is close to zero. The near-term risk is timing: EU GSP preferences end on 31 December 2026, and we put the chance of entry into force on 1 January 2027 at about 30%. Footwear, textiles and palm oil derivatives gain most; the EU deforestation regulation still limits palm oil.

The single export channel changes pricing, not volumes. From January 2027, coal, palm oil and ferroalloys, about a quarter of exports, must be sold through a state-owned exporter under PP 24/2026. We treat this as a change in pricing and in where export proceeds are held, not as a loss of volume, until the margin, exemptions and operating rules are published (Table 3).

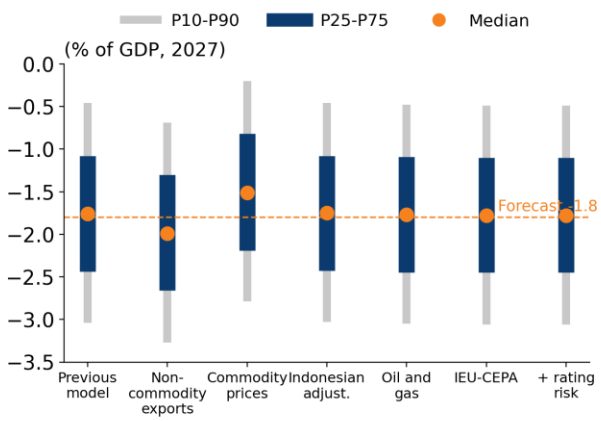
Net: the deficit widens by about USD5bn. A lower oil bill (+USD4.5bn) and growing manufactured exports (+USD4.5bn) offset most of the drag from imports (–USD9.7bn) and weaker commodity earnings (–USD3.7bn). Services and income deficits stay near USD52bn, mostly dividends and interest paid to foreign investors. The deficit reaches about USD26bn, or 1.8% of GDP: wider than in 2026, but within its 2013–2019 range (Table 2).

Table 2. Current account, balance of payments basis (USD bn)

	2025A	2026F	2027F
Goods, non-oil and gas	71.9	64.3	55.4
Goods, oil and gas	(19.5)	(30.1)	(25.5)
Other goods (incl. gold)	(2.5)	(2.8)	(2.9)
Services	(20.2)	(20.6)	(21.2)
Primary income	(37.6)	(37.6)	(38.1)
Secondary income	6.7	7.2	7.4
Statistical difference	(0.1)	(1.0)	(0.9)
Current account	(1.3)	(20.6)	(25.8)
% of GDP	(0.1)	(1.4)	(1.8)

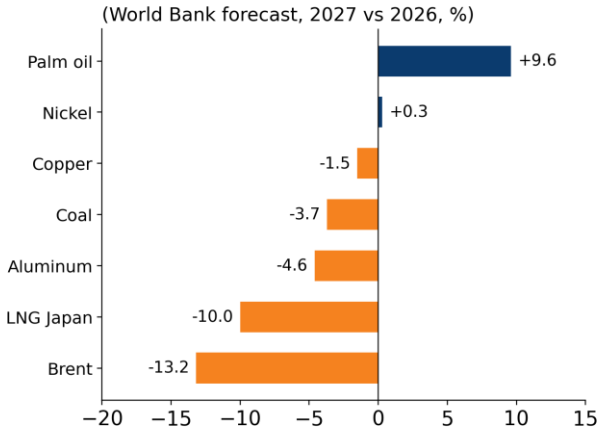
Source: BI, Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates. 2026F: 9M26 actual plus a seasonal 4Q. 2027F: median of the MASI Research simulation; components are means.

Figure 1. How each model block moved our 2027 current account forecast



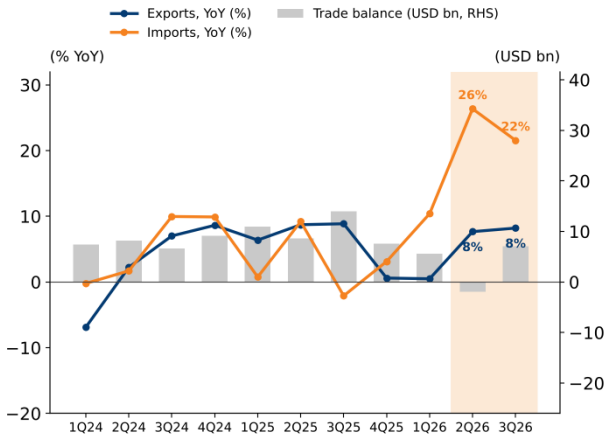
Source: Mirae Asset Sekuritas Indonesia Research estimates (Monte Carlo, 200,000 draws).

Figure 2. World Bank commodity forecasts: 2027 vs 2026



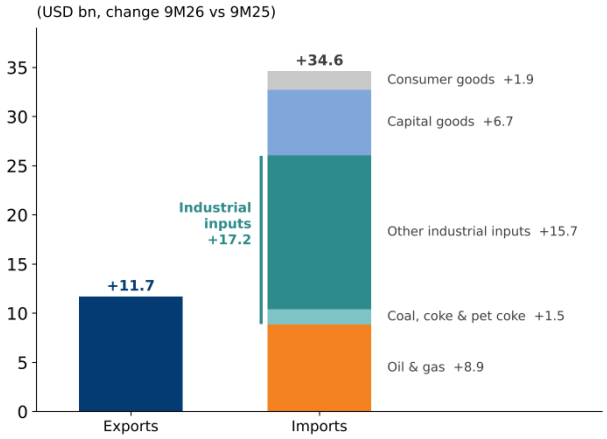
Source: World Bank (Commodity Markets Outlook, Oct-26), Mirae Asset Sekuritas Indonesia Research.

Figure 3. Imports pulled away from exports in 2Q26



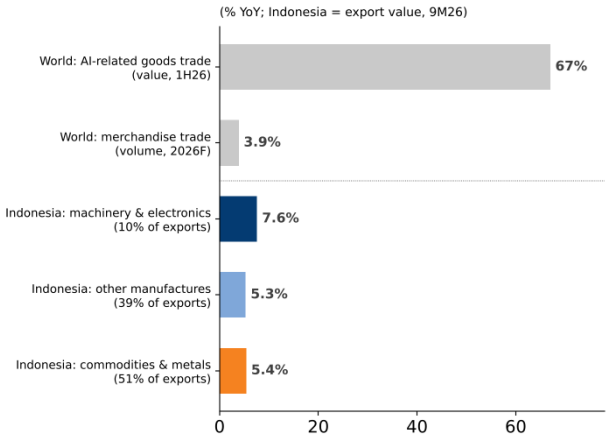
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research. Quarterly, Statistics Indonesia basis.

Figure 4. Every extra export Dollar met three import Dollars



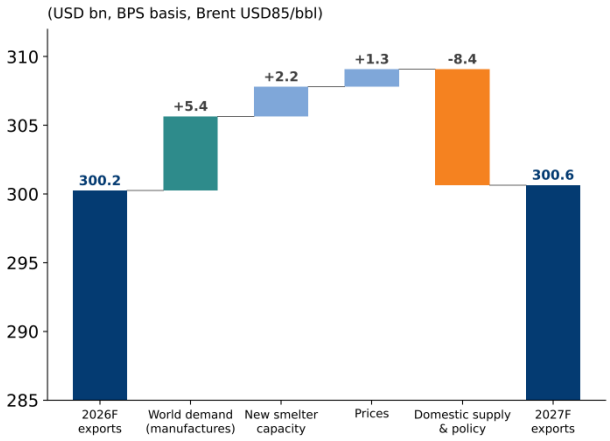
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research. Import groups built from HS chapters; mixed chapters split using Statistics Indonesia end-use weights. Coal, coke and petroleum coke (HS2701, 2704, 2713) are mostly smelter inputs.

Figure 5. World trade grows where Indonesia does not sell



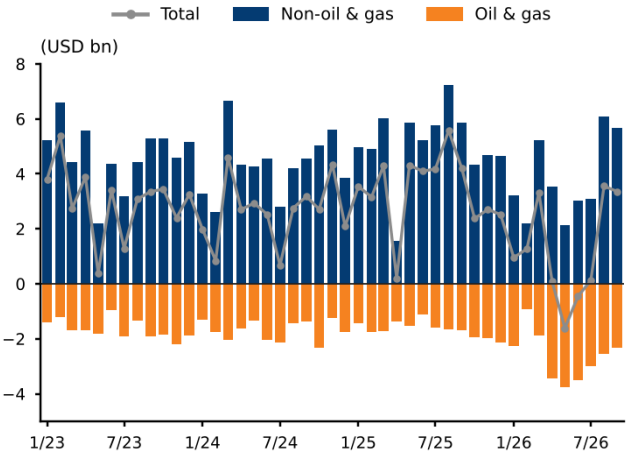
Source: WTO, Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research. AI-related goods include semiconductors and data-centre equipment.

Figure 6. 2027 exports: the world adds, domestic policy takes away



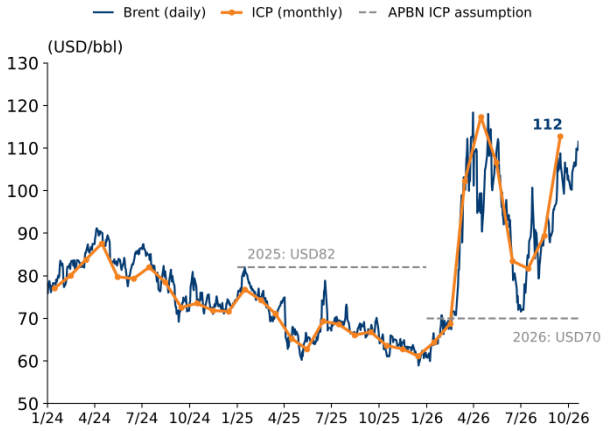
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates. World demand = volume growth of manufactured exports; domestic supply and policy = coal, palm oil and oil and gas volumes.

Figure 7. Trade balance: oil and gas vs. non-oil and gas



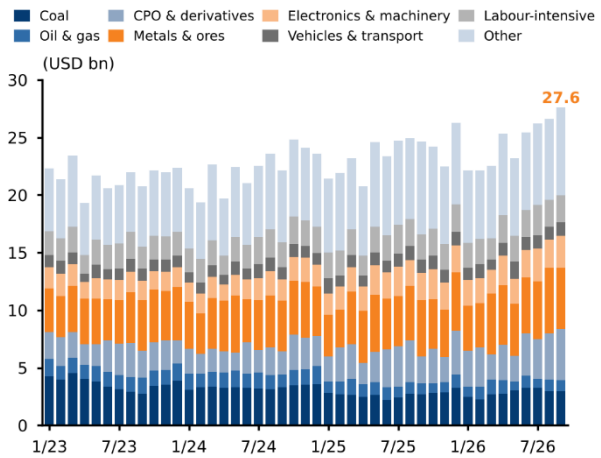
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 8. Brent and ICP vs. budget assumptions



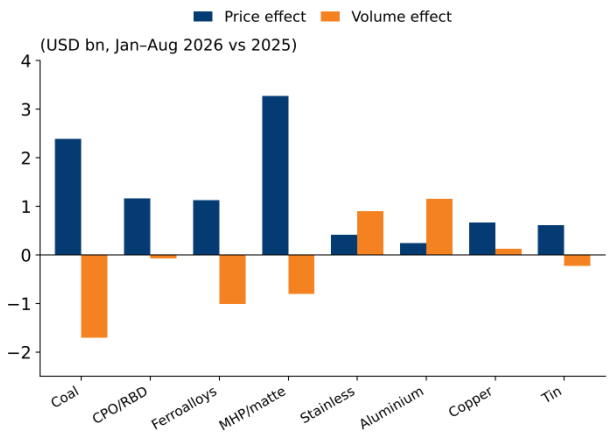
Source: MEMR, Mirae Asset Sekuritas Indonesia Research, data as of October 20, 2026

Figure 9. Monthly exports by sector



Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 10. Export price vs. volume effects, 8M26



Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research

Table 3. Indonesia's commodity export controls

Instrument	What the state controls	Examples	Main economic channel
Raw ore export bans	What can be exported	Nickel ore (Jan-20), bauxite (Jun-23), copper concentrate (2025)	Fewer raw exports; downstream investment
Production quotas (RKAB)	How much is produced	Coal 700mn t; nickel ore cut c.23% (2026)	Output, smelter utilization, prices
Export duties and levies	Cost of exporting	Gold duty 7.5–15% (Dec-25); CPO levy 12.5% (Mar-26); coal duty dropped (Jul-26)	Margins, fiscal revenue, domestic supply
Single export channel (DSI)	Who sells and at what price	Coal, palm oil, ferroalloys; transition from Jun-26, sole exporter from Jan-27	Realized prices, margins, working capital, FX settlement

Source: MEMR, Ministry of Trade, PP 24/2026, Mirae Asset Sekuritas Indonesia Research. Channels are potential effects, not measured impacts.

I.2 Financing: hot money, MSCI and a sovereign downgrade arrive in the same quarter

What financed 2026 is the part that can leave. In 9M26 foreign inflows into public-sector paper reached about USD18bn, but USD10.3bn of that was SRBI, against only USD1.6bn of Rupiah government bonds. SRBI held by non-residents mature mostly between April and July 2027. We expect them to shrink by about USD2bn over the year, a swing of about USD12bn from 2026, the largest single change in the financial account (Figures 16 and 17).

Residents keep moving money abroad. Indonesian residents, including foreign-owned firms operating here, moved about USD20bn a year abroad in 2024–2025 and kept the pace in 2026. About half is deposits, which respond to confidence and to the export-proceeds rules; the rest is trade credit and loans that grow with exports. We assume about USD22bn in 2027, with the loosening of the retention rule for some miners pointing to the upside (Figure 19).

FDI does not fill the gap. Realized investment is at a record, but the Dollar content has fallen: most new projects are funded by domestic banks, retained earnings and supplier credit, and foreign-owned firms pay out more in dividends than they bring in as new equity. Net FDI of about USD10bn covers well under half of the deficit (Figures 23 and 26).

MSCI is the trigger; confidence is the channel. We expect MSCI to announce Indonesia's exit from its Emerging Markets index by end-June 2027, whether to Standalone or, as a compromise, to Frontier, with implementation at a later index review (we assume November 2027) subject to MSCI's final decision. We expect USD8–11bn of foreign equity outflows in 2027, about USD3bn of it from passive funds. A move to Frontier would save at most about USD1bn of that (Figure 21). Government bonds and SRBI sit in separate indices and need not be sold. What a Standalone decision changes is Indonesia's risk premium and the cost of rolling over the short-term money that financed 2026.

A one-notch downgrade is now our base case. Moody's (since February) and Fitch (since March) have had Indonesia on negative outlook for eight to nine months, citing policy predictability and credibility, the same issues MSCI raises. Fitch has reviewed Indonesia each March since 2024, and Moody's usually acts 12–18 months after an outlook change, so the decision windows run from March to August 2027, close to the MSCI decision, the SRBI maturities and the Fed's last hikes (Chapter IV). We think at least one one-notch downgrade in 2027 is more likely than not, while losing investment grade is very unlikely. A cut within investment grade has had limited market impact in peers such as India in 2020, but it weakens the confidence-sensitive flows above. In our simulation, the Dollar shortfall is about USD27bn in years without a downgrade and about USD49bn with one. Of that USD22bn difference, about USD8bn is the downgrade itself and about USD13bn is weaker confidence more broadly: residents moving savings

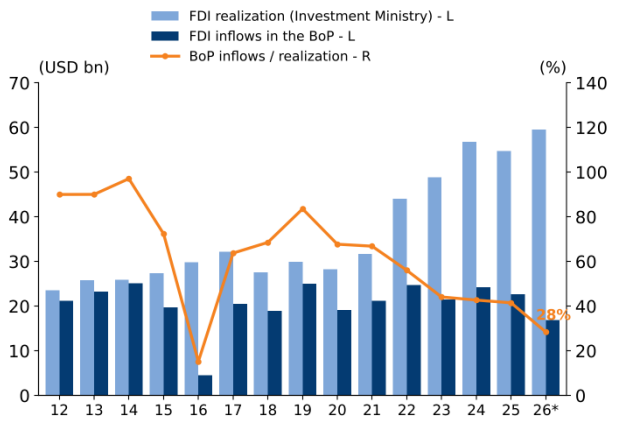
abroad and foreign selling of bonds in the same years. MSCI adds only about USD1bn to the difference, because we expect the exit in most years with or without a downgrade; its own outflow sits in the portfolio line in both cases, so it is not counted twice.

Table 4. Financing the current account, 2027F base case

	(USD bn)
Current account	(25.8)
Net direct investment	10.3
Public-sector inflows (Indo GB, global bonds, SRBI, official loans)	11.0
Private portfolio and debt (incl. MSCI)	(8.5)
Residents' assets abroad	(22.0)
Weaker confidence in downgrade years	(12.6)
of which the downgrade itself	(7.7)
Other (medians do not add)	(0.9)
Shortfall before adjustment	**(48.5)**
Closed by: extra official borrowing	15.5
Closed by: reserves	33.0

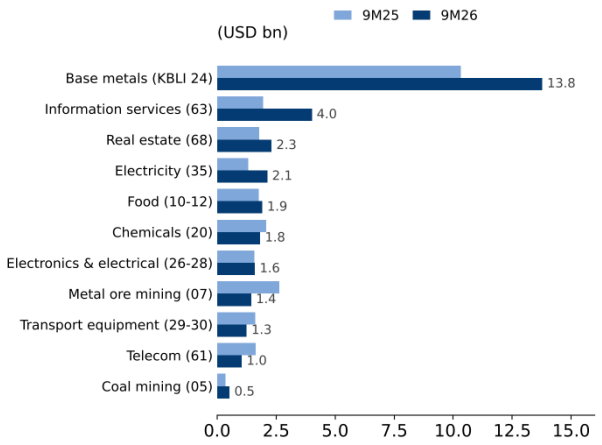
Source: BI, Mirae Asset Sekuritas Indonesia Research estimates (MASI Research simulation; medians and means, so lines may not add up exactly).

Figure 11. FDI realization vs. BoP inflows



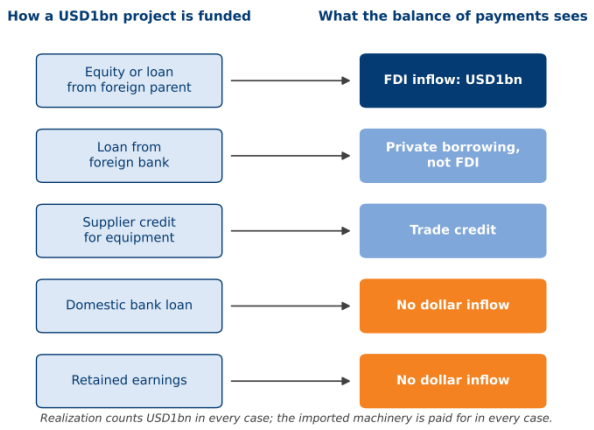
Source: Investment Ministry, BI, Mirae Asset Sekuritas Indonesia Research. 2026* annualized (realization 9M26, BoP 1H26); USD at average rates

Figure 12. Realized FDI by sector



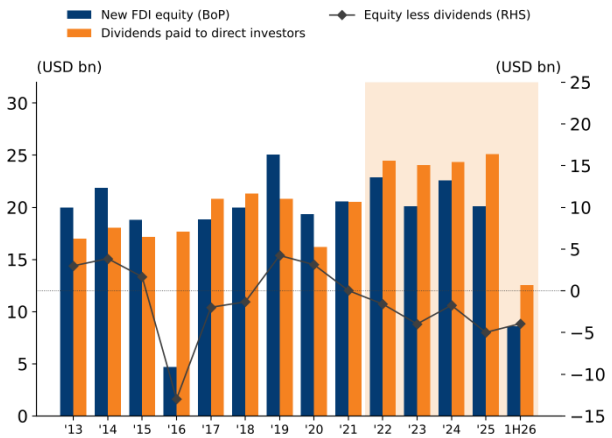
Source: Investment Ministry, Mirae Asset Sekuritas Indonesia Research. KBLI codes in brackets

Figure 13. Same project, different Dollar footprint



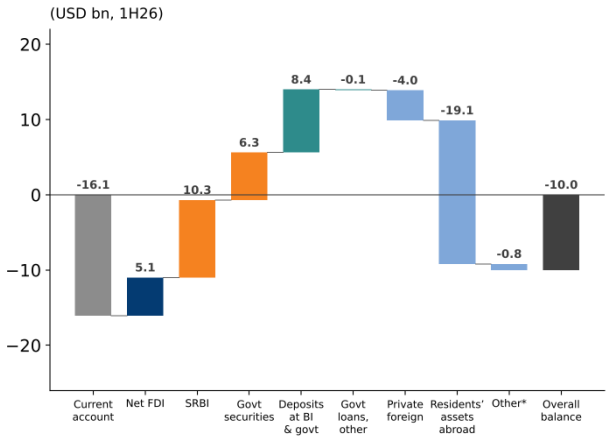
Source: Mirae Asset Sekuritas Indonesia Research. Illustrative.

Figure 14. Dividends now exceed new FDI equity



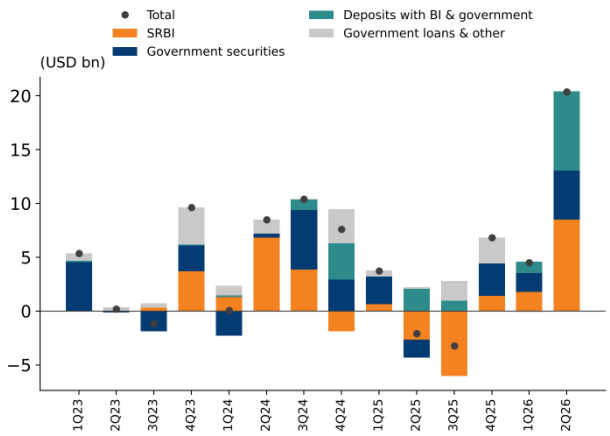
Source: BI, Mirae Asset Sekuritas Indonesia Research. Dividends = income on FDI equity paid abroad. 2016 distorted by tax amnesty reclassification.

Figure 15. 1H26: public paper and deposits filled the gap



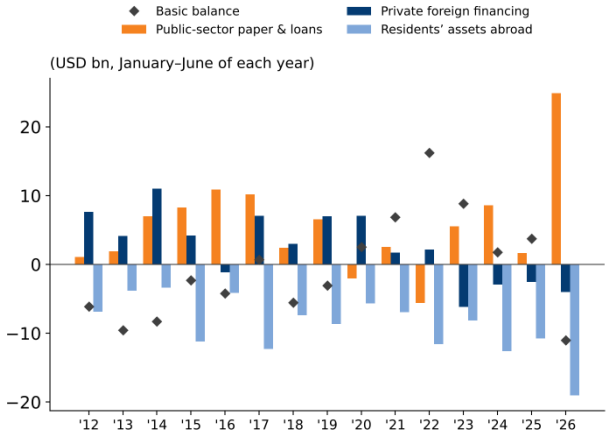
Source: BI, Mirae Asset Sekuritas Indonesia Research. Public-sector items are non-resident inflows. *Derivatives, capital account and errors & omissions.

Figure 16. Public-sector inflows by instrument



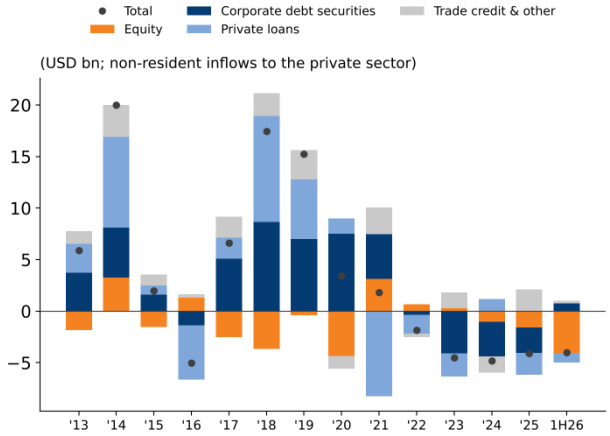
Source: BI, Mirae Asset Sekuritas Indonesia Research. Deposits = non-resident currency and deposits with BI and the government.

Figure 17. First halves: public in, private out



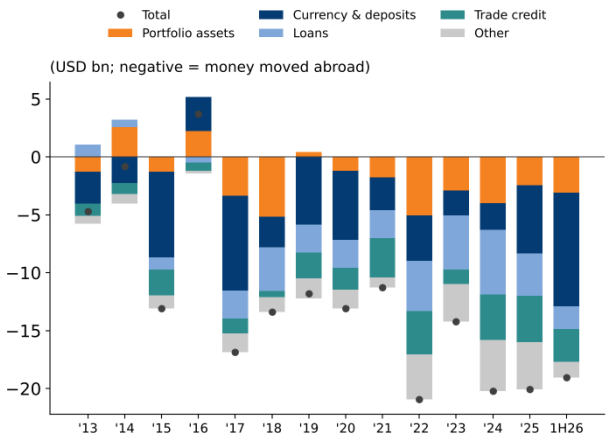
Source: BI, Mirae Asset Sekuritas Indonesia Research. January–June of each year, comparable across years.

Figure 18. Offshore corporate borrowing has dried up



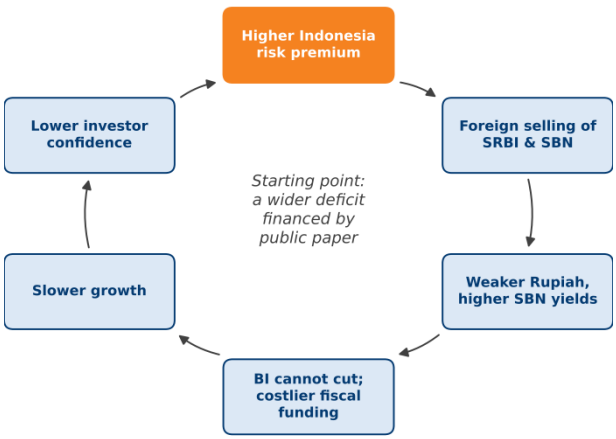
Source: BI, Mirae Asset Sekuritas Indonesia Research. Non-resident inflows to the private sector; 2026 = 1H.

Figure 19. Residents keep moving money abroad



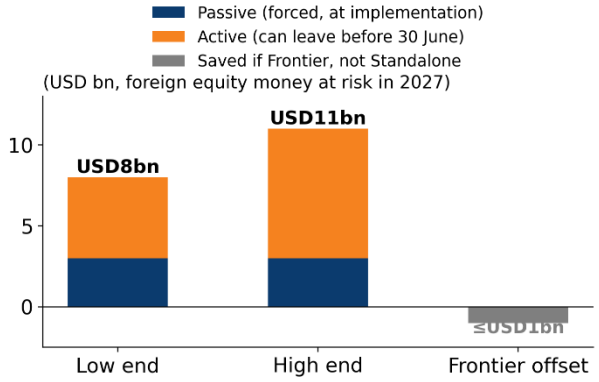
Source: BI, Mirae Asset Sekuritas Indonesia Research. Portfolio and other investment assets; 2026 = 1H.

Figure 20. How a financing shock feeds back into growth



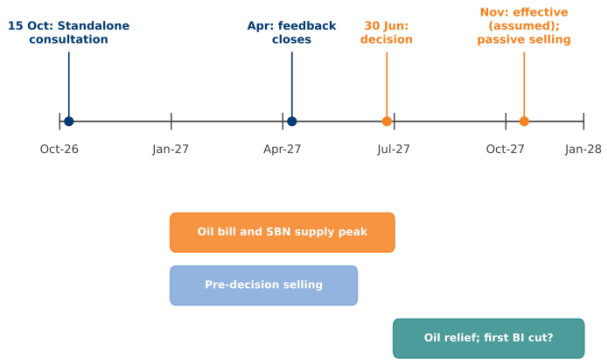
Source: Mirae Asset Sekuritas Indonesia Research. Illustrative transmission, not a forecast.

Figure 21. MSCI exit from Emerging Markets: USD8–11bn at risk in 2027



Source: MSCI, KSEI, IDX, Mirae Asset Sekuritas Indonesia Research estimates. Range from two methods: index weights × money benchmarked to MSCI, and actual holders.

Figure 22. MSCI selling lands on Indonesia's busiest year



Source: MSCI, Mirae Asset Sekuritas Indonesia Research. Effective date inferred from June-decision precedents; MSCI has not set it.

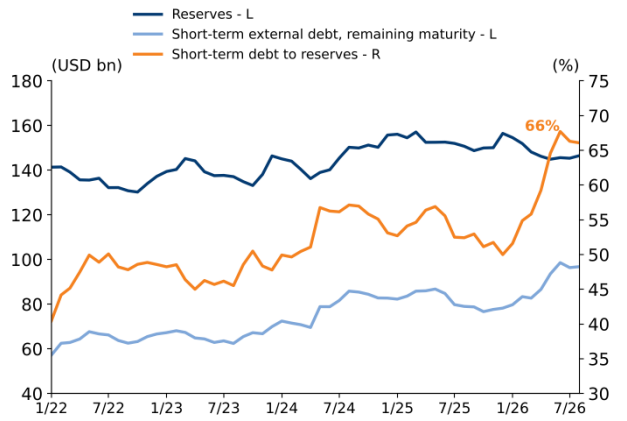
I.3 Buffers: official financing and reserves absorb the gap; the Rupiah gives a little

The shortfall is a measure of pressure, not a forecast of the balance of payments. It closes in two ways, and the Rupiah does part of the work inside our forecasts. The government front-loads foreign borrowing: global bonds and official loans add about USD15.5bn, on top of the regular issuance already counted in the public-sector line of Table 4. BI uses reserves to smooth the Rupiah, about USD33bn over the year. The Rupiah adds no financing of its own, but a weaker currency is already built into our current account forecast, where it slows imports: IDR19,300 on average and IDR19,500 at the end of 2027.

Reserves stay above import-cover thresholds, but the buffer weakens. Reserves were USD146.8bn in October. On our path they end 2027 at about USD114bn, roughly 4.7 months of imports. That remains above conventional import-coverage thresholds, but Indonesia's external liquidity buffers weaken materially: on our path reserves pass below USD140bn around mid-2027. Short-term external debt is already about two-thirds of reserves, and three-quarters of its recent rise is owed by BI and the government (Figure 23).

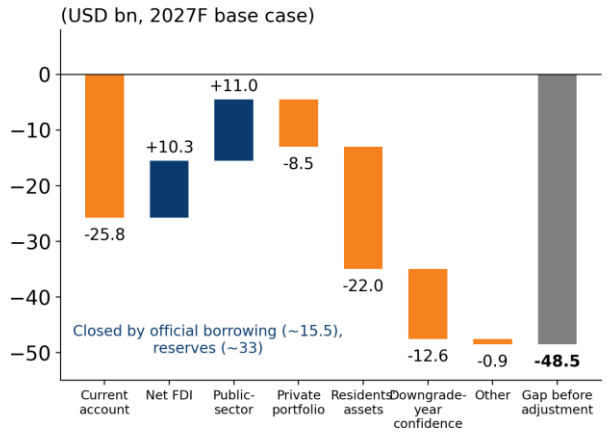
Why BI uses reserves rather than rates. The equity selling tied to MSCI does not respond to interest rates, and a rate hike would not stop it. The rest of the adjustment falls on the Rupiah and on BI's balance sheet, which is why the next chapter links BI's moves to the Fed and the Rupiah rather than to inflation.

Figure 23. Reserves and short-term external debt



Source: BI, Mirae Asset Sekuritas Indonesia Research

Figure 24. How the 2027 financing gap opens



Source: Mirae Asset Sekuritas Indonesia Research estimates. Simulation medians; 'Other' reflects non-additivity of medians.

What would change our view

- **Foreign SRBI holdings fall more than USD3bn by March 2027:** the 2Q27 outflow is arriving early.
- **Reserves below USD120bn by June 2027, against about USD125bn in our base case:** the Rupiah would carry more of the adjustment, and BI could move to 6.75%.
- **OJK's board is changed and the HSC examinations lead to enforcement beyond the largest names before MSCI's consultation closes in April 2027:** an exit from Emerging Markets becomes less likely.
- **Moody's and Fitch affirm and return the outlook to stable:** the shortfall falls to about USD27bn; upside for the Rupiah and bonds.
- **Two consecutive months of trade surplus below USD2bn (Statistics Indonesia basis):** imports are running above our path.
- **Commodity prices 10% below the World Bank path by mid-2027:** the deficit moves toward 2.5% of GDP.

II. Monetary Policy: BI Follows the Fed to 6.50% and Waits Until 2028 to Ease

Our call

- **Fed:** three more 25bp hikes, from 3.75–4.00% now to 4.25% in December, 4.50% in March and 4.75% by June 2027; hold through 2027; cuts to 4.25% in 2028.
- **How likely:** about two in three that the upper bound reaches 4.75% by June 2027, and three in four by end-2027. The risk is to the upside: about an even chance of 5.00%. A peak at 4.25% (December's hike as the last) is the least likely outcome, about one in eight.
- **BI:** follows each hike, to 6.25% in March and 6.50% in June 2027, keeping a 175bp gap to the upper end of the Fed funds range; holds through 2027; first cut in 3Q28, 6.00% by end-2028.
- **What drives it:** the Fed path, the Rupiah and reserves, not inflation.

II.1 The Fed is not done: 75bp more, to 4.75% by mid-2027

The Fed is hiking again because inflation has stopped falling, not because it is rising. After hiking in September, the Fed held the target range at 3.75–4.00% in October, with two members voting for another 25bp. Core PCE inflation rose to 3.1% in September, and core CPI has risen 0.3% a month for three months in a row, an annualized pace of almost 4%. The labour market gives no reason to stop: payrolls rose 165,000 in October and unemployment fell to 4.1%.

Three independent views point to 4.75% by mid-2027. We do not rely on a single argument (Table 5).

Table 5. Will the Fed reach 4.75%? Three views

	By Jun-27	By Dec-27	5.00% by Dec-27
Markets (OIS and futures, 21-Nov-26)	c.65%	c.70%	c.53%
Past Fed tightening cycles (1988–2023)	c.71%	c.86%	–
Policy-rule simulation (MASI Research)	65%	70%	48%
Combined	**c.67%**	**c.75%**	**c.50%**

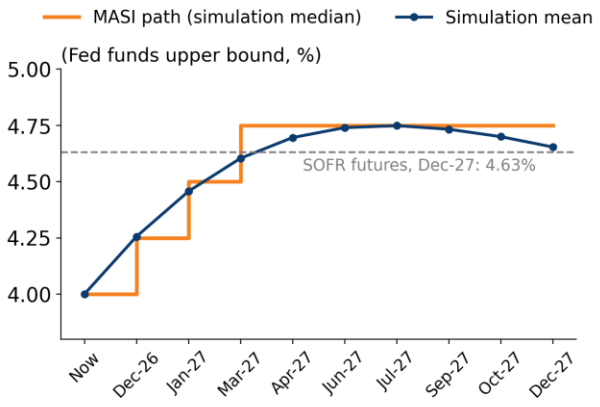
Source: Federal Reserve, BEA, BLS, CME, Mirae Asset Sekuritas Indonesia Research estimates. Market probabilities are our reading of OIS and futures pricing. The market figure for 5.00% is the probability of at least 100bp of hikes by September 2027 (CME FedWatch); the combined Dec-27 figure leans on the simulation.

- **Markets.** Futures price a December hike with about 93% probability and about 2.5 hikes over the next twelve months. They put a 53% chance on at least 100bp of further hikes, to an upper bound of 5.00%, by September 2027.
- **History.** In five of the last seven Fed tightening cycles, the Fed added at least 100bp within nine months of its first hike; six of the seven cycles totalled 100bp or more. The exception was 1997, a single hike. This cycle started in September 2026, so nine months runs to June 2027.
- **Policy rule.** We simulate the Fed's decisions meeting by meeting with a standard rule that weighs inflation against unemployment, and let inflation, unemployment and the neutral rate vary. Starting from core PCE at 3.1% and unemployment at 4.1%, the rule calls for 4.25% in December, 4.50% in January and 4.75% by March, then a hold. The Fed's September projections, made before the October inflation data, still showed 4.1% for end-2027; we expect them to move up in December.

What would stop the Fed at 4.25–4.50%. The rule is most sensitive to the labour market and to the neutral rate. Unemployment rising to 4.4% would cut the chance of 4.75% to about 30%; a lower neutral rate (0.8% real instead of 1.2%) or core PCE falling quickly to 2.8% would cut it to about 40–45%. Those are the signposts we watch, not the headline CPI.

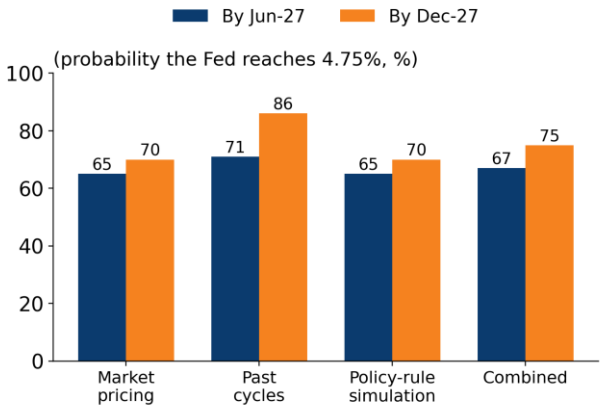
AI sits on both sides of the Fed's outlook. Data-centre investment keeps demand and prices for technology goods firm, and debt issuance for advanced computing, more than USD680bn by October, lets that investment run ahead of cash flow. That argues for higher rates. The same leverage makes a correction more damaging; our simulation gives about a one-in-five chance of a correction that turns the Fed to cuts before end-2027. For Indonesia, the order matters: risk-off and a stronger Dollar come first, lower US rates later.

Figure 25. Fed funds: our path and the simulation



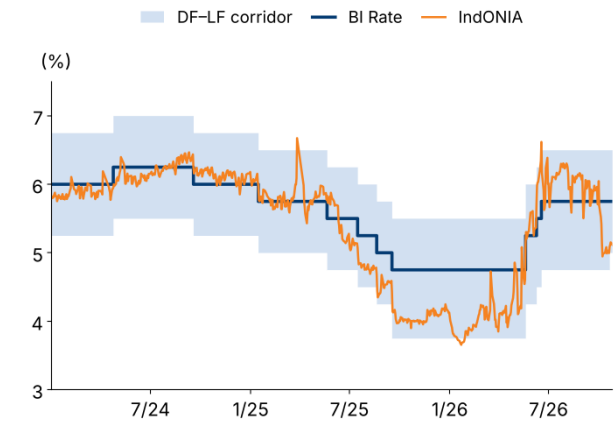
Source: Federal Reserve, CME, Mirae Asset Sekuritas Indonesia Research estimates.

Figure 26. Three views agree: 4.75% is more likely than not



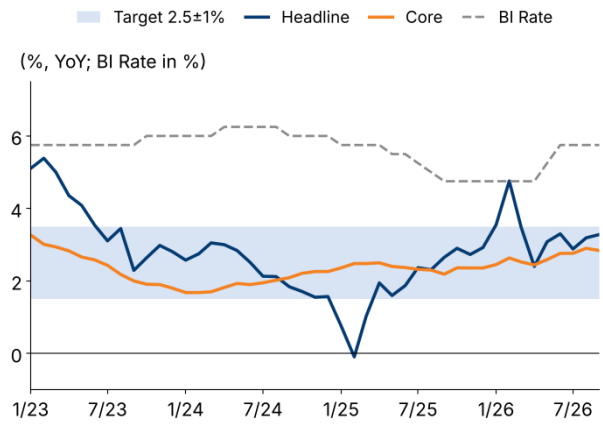
Source: CME, Federal Reserve, Mirae Asset Sekuritas Indonesia Research estimates.

Figure 27. BI Rate, policy corridor and IndONIA



Source: BI, Mirae Asset Sekuritas Indonesia Research. Daily, to 26-Oct-26

Figure 28. Inflation vs. BI target and BI Rate



Source: Statistics Indonesia, BI, Mirae Asset Sekuritas Indonesia Research

II.2 The Rupiah, not inflation, sets BI's pace

On inflation alone, BI could ease. Headline inflation was 3.23% in October and core 2.56%, both inside the 1.5–3.5% target; excluding gold, core was 2.21%. At 6.00%, the BI Rate is more than 2.5pp above headline inflation.

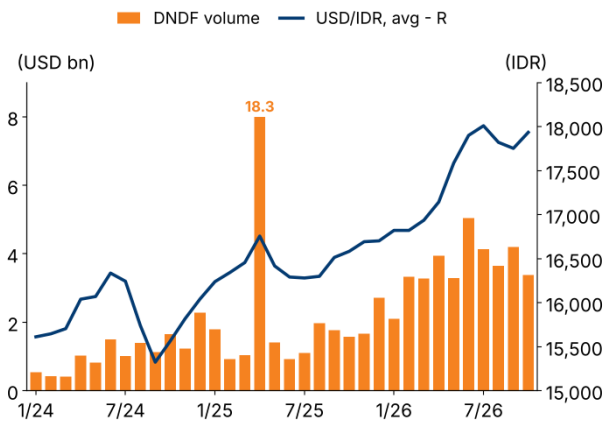
BI tightens anyway, and the order of its moves shows why. It raised the rate by 100bp in four weeks in May–June as the Rupiah weakened, then shifted to FX intervention, narrowed the corridor in October, and raised the rate again to 6.00% on 18 November, citing expectations of a higher Fed funds rate. Defend the Rupiah first, adjust liquidity second, use the policy rate last (Figures 27 and 29).

In 2027 BI follows each Fed hike. We expect 25bp in March and 25bp in June, which restores the 175bp gap once the Fed reaches 4.75%. We see little room for BI to cut in 2027. The current account deficit widens, SRBI held by non-residents matures between April and July, and the MSCI decision and a probable one-notch downgrade fall in the same quarter as the Fed's last hike. Cutting then would narrow the rate gap at the worst moment.

Rates support carry; reserves do the defending. Our models find no stable link between the rate gap and the Rupiah. Higher rates help mainly by keeping SRBI and Indo GB carry attractive. The outflows tied to MSCI and a downgrade do not respond to rate differentials at all, so BI meets them with reserves. In our base case BI uses about USD33bn in 2027, more than in 2026, and reserves end the year at about USD114bn, roughly 4.7 months of imports. The Rupiah averages IDR19,300 and ends the year at IDR19,500 (Figure 30).

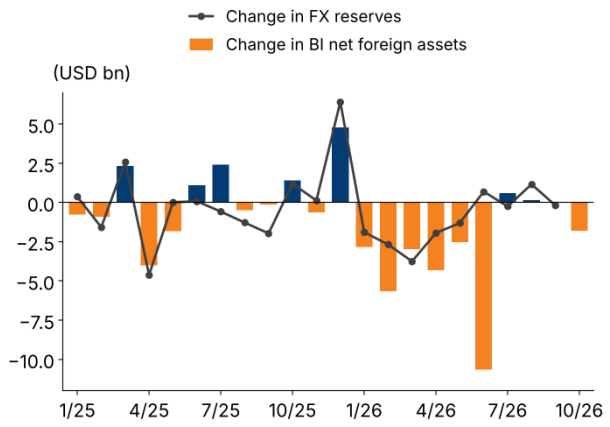
Selling Dollars drains Rupiah, and BI puts it back. That is liquidity management, not money printing. In the year to early October, BI's net foreign assets fell by IDR308tr while its net domestic assets rose by IDR466tr, through repo lending to banks, Indo GB purchases and smaller SRBI auctions. Base money grew 7.3% and M2 8.3% in September, roughly in line with nominal GDP. In 2027 the same mechanism has to work harder: intervention of about USD33bn drains close to IDR640tr. The distinction between liquidity management and deficit financing depends on investors believing it, which is why BI's purchases matter for the rating agencies as much as for bond yields (see Chapter IV) (Figure 31).

Figure 29. BI DNDF transactions and the Rupiah



Source: BI, Mirae Asset Sekuritas Indonesia Research. DNDF incl. rollover; Apr-25 bar capped; Oct-26 to 26-Oct

Figure 30. Intervention proxy vs. change in FX reserves



Source: BI, Mirae Asset Sekuritas Indonesia Research estimates. Proxy = monthly change in BI net foreign assets in USD; Oct-26 to 15-Oct

II.3 Liquidity tightens and real rates reach 4%

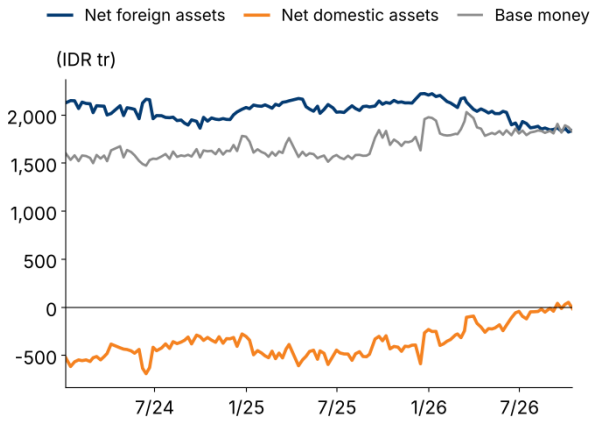
The real policy rate rises to its highest in our forecast. With the BI Rate at 6.50% and inflation at 2.50% in December 2027, the real rate is about 4.0%, up from about 2.5% at the end of 2026. That is the transmission behind slower credit and a flat consumption path in Chapter V.

Banks are already short of funding. Loans grew 13.3% in August, the fastest since 2014, while deposits grew 7.7%, and the loan-to-deposit ratio rose to 92.7%. The credit boom is corporate: investment loans grew 23.4%, state-owned borrowers about 30%, construction 46%, while consumer loans slowed to 5% (Figures 35 and 36).

In 2027 the price of money tightens, its quantity less so. We expect loan growth to slow to about 9%, within a range of 8–10%, as higher rates cap investment demand. BI is likely to soften the blow through liquidity rather than price: the reserve-requirement cuts of November and December stay, and macroprudential policy remains loose. Two things work against it in 2H27. The IDR200tr of government cash placed in state banks can be withdrawn from July 2027, and our base case uses about IDR27tr of the budget's cash buffer (SAL) to cut Indo GB issuance. Funding costs therefore stay high, which favours banks with strong current and savings account franchises.

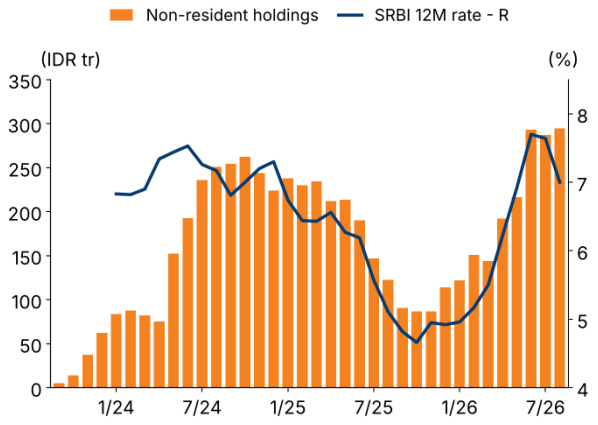
Easing starts in 3Q28. Once the Fed cuts and the MSCI and rating events are behind us, BI cuts to 6.25% in 3Q28 and 6.00% by end-2028. For markets, 2027 is about carry and earnings resilience; the re-rating from lower rates moves to 2028.

Figure 31. BI net foreign vs. net domestic assets



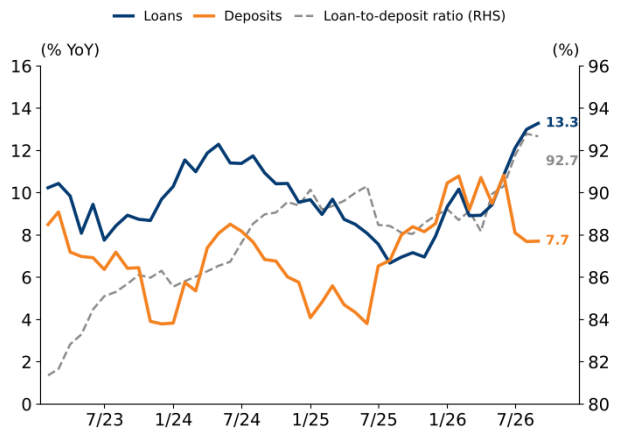
Source: BI, Mirae Asset Sekuritas Indonesia Research. Weekly, to 15-Oct-26

Figure 32. SRBI held by non-residents and 12M SRBI rate



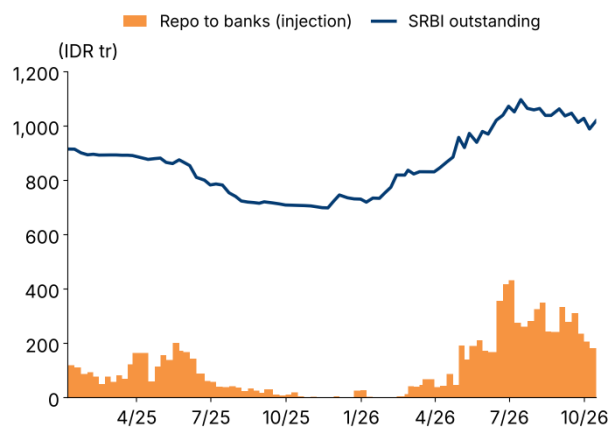
Source: BI, Mirae Asset Sekuritas Indonesia Research. Holdings to Aug-26; rate = last auction of the month

Figure 33. Loan and deposit growth vs. LDR



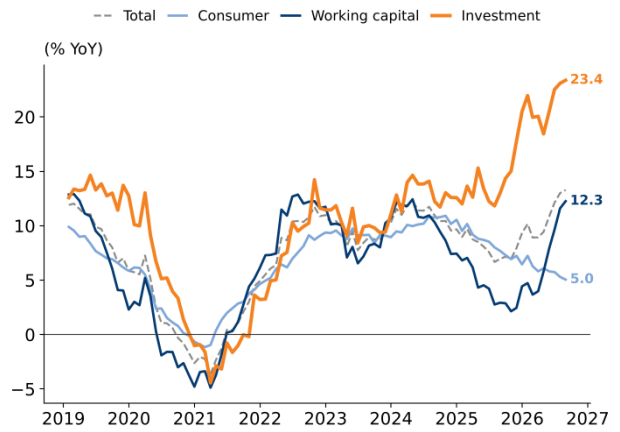
Source: BI, Mirae Asset Sekuritas Indonesia Research. Monthly, to Aug-26

Figure 34. BI liquidity operations: repo vs. SRBI



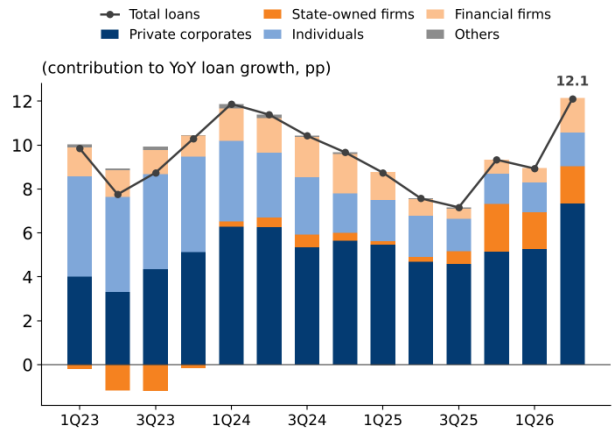
Source: BI, Mirae Asset Sekuritas Indonesia Research. Weekly, to 15-Oct-26

Figure 35. Loan growth by use



Source: BI, Mirae Asset Sekuritas Indonesia Research. Monthly, to Aug-26

Figure 36. Loan growth by borrower



Source: BI, Mirae Asset Sekuritas Indonesia Research. Rupiah and FX loans, to Jun-26

What would change our view

- **US unemployment rises to 4.4% or core PCE falls below 2.8% by March 2027:** the Fed stops at 4.25–4.50%, and BI at 6.00–6.25%.
- **The Fed reaches 5.00% (about an even chance):** BI follows to 6.75% unless reserves and the Rupiah allow it to hold.
- **Indonesia loses investment grade (very unlikely), or reserves fall below USD110bn:** BI moves to 6.75%, possibly 7.00% if the Fed reaches 5.00–5.25%.
- **An outright Pertalite increase of 15% or more:** headline inflation above 3.5% for several months, and a hike to 6.75% for inflation reasons.
- **Moody's and Fitch affirm with a stable outlook, and the Rupiah stays below IDR19,000 in 2Q27:** the March hike becomes the last.
- **An AI-led correction in US markets:** earlier Fed cuts, but a stronger Dollar first.

III. Inflation: A 1H27 Peak, Then Back to 2.5% by December

Our call

- **Headline inflation:** peaks at about 3.7% in March 2027, averages about 2.8% over the year and ends it at 2.50%; 2.15% at end-2028.
- **Core inflation:** about 2.15% in December 2027, including about 0.15pp from higher minimum wages.
- **How likely:** about a 70% chance that December inflation lands inside BI's 1.5–3.5% target, 15% that it is above and 15% that it is below.
- **Base rate:** December inflation has been inside BI's target in six of the last ten years (2016–2025), counting each year against the target then in force; it fell below the target in 2016, 2020 and 2021 and rose above it in 2022. Our 70% is slightly above that base rate: all three years since 2023 landed inside the target, and the misses came from the pandemic and the 2022 fuel price increase.
- **What drives it:** El Niño and rice in 1H27, the Pertalite price, and the Rupiah, in that order.

Headline inflation will break above BI's target early next year, but nothing in the overshoot calls for tighter policy. Food explains the rise, and it fades by mid-year. The part that responds to demand and to BI's policy rate stays close to 2%.

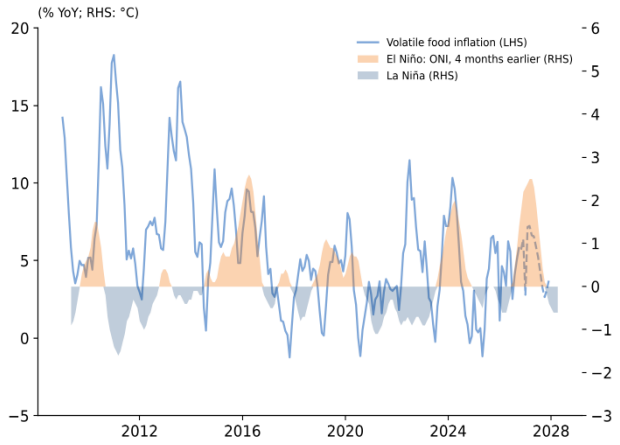
III.1 Food and El Niño lift prices in the first half

El Niño is already stronger than in 2023. NOAA's Oceanic Niño Index reached +2.2°C in July–September, above the 2023 peak and approaching 2015 (+2.6°C). Strong El Niño years delay the rainy season and cut rice and horticulture output, and Indonesian food prices follow with a lag of about four months. We estimate that each 1°C adds about 1.8pp to volatile food inflation four months later: with the index peaking near 2.5°C around the turn of the year, that is about 4pp on volatile food in 1H27 and about 0.35pp on headline inflation over the year (Figure 37).

Chili has moved; rice has not, yet. Bird's eye chili is up about 130% from a year ago and red chili about 50% since June, while rice, the largest food item at 3.4% of the basket, is up only about 4%. Rice is the risk to watch: its weight is ten times that of chili, and it responds later, after a failed planting season. Bulog's stocks and import decisions decide whether the shock stays in chili and shallots or reaches the staple. A repeat of 2023–24, when retail rice prices rose about 20%, would add up to 0.7pp to headline inflation; we put the chance of a rice shock of that kind at about one in four and allow for part of it in our December forecast (Figure 38).

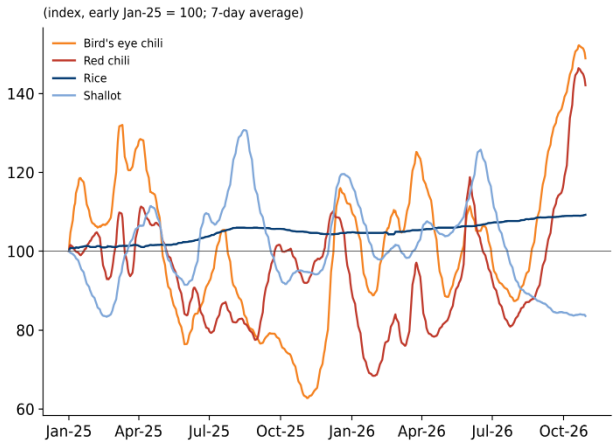
Lebaran shapes the months, not the year. Idulfitri falls around 10 March 2027, ten days earlier than in 2026, so the Ramadan run-up again lands in February and early March. Because it falls in almost the same weeks as this year, it adds little to year-on-year inflation; the March peak of about 3.7% comes from El Niño. Month-on-month prints in February and March will look alarming; we read the trend from core inflation, which the holiday moves by only about 0.1pp.

Figure 37. El Niño lifts food prices about four months later



Source: NOAA, Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates. ONI shifted forward four months; 2026–27 ONI is our assumption.

Figure 38. Chili prices have already jumped; rice has not yet



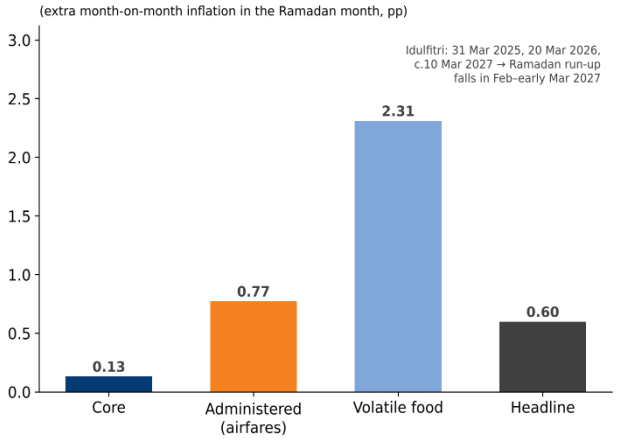
Source: Bank Indonesia (national strategic food prices), Mirae Asset Sekuritas Indonesia Research. Traditional markets, to 29 Oct 2026.

III.2 Fuel prices stay frozen as long as the subsidy budget holds

Pertalite is the largest single policy risk. The price has been unchanged at IDR10,000 a litre since September 2022, well below its economic price of about IDR15,000 at current oil prices and exchange rates. The 2027 budget cuts the subsidised fuel quota and restricts who can buy Pertalite, which pushes some drivers to Pertamax. That restriction barely registers in the CPI, which prices a fixed basket.

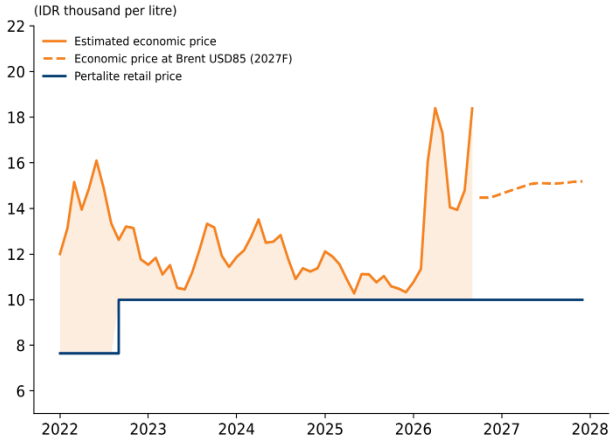
Our base case keeps Pertalite unchanged, which we see as likely. With ICP at USD80/bbl, the subsidy gap narrows from its 2026 peak, and an increase in a year of slower growth and tighter money would be a hard political call. If it happens, every 5% adds about 0.25pp to average headline inflation in 2027; a 15% increase takes December inflation above 3% and keeps headline above 3.5% for most of 1H27.

Figure 39. Ramadan lifts prices by about 0.6pp in the month



Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates. Coefficients from monthly regressions, 2009–2026.

Figure 40. Pertalite sells far below its economic price



Source: Pertamina, Ministry of Energy, Mirae Asset Sekuritas Indonesia Research estimates. Economic price = ICP-linked product cost, distribution and taxes.

III.3 The Rupiah, not demand, is what moves core inflation

Core inflation is anchored. It has spent most of the past six years inside or below BI's target, even as the target fell from 3.5% to 2.5%. Our monthly model finds core pulled back toward the target within about a year, and past inflation explains little of its level. Excluding gold jewellery, whose Rupiah price rose about 45% in the year to July, core inflation was about 2.2% in October against 2.56% including it (Figure 41).

The Rupiah passes through slowly. A 10% depreciation adds about 0.3pp to core inflation within a year and about 0.2pp to headline. A Rupiah about 6.6% weaker at end-2027 than at end-2026 therefore adds about 0.2pp to core, which ends the year at about 2.2%. A further 20% rise in gold prices in Rupiah would add about another 0.1pp. Demand barely registers: the output gap is not significant in our model.

Minimum wages add a second, smaller push to core inflation. Provinces have set 2027 minimum wages about 10% higher on average across provinces (not weighted by workers), above the 7.5–9.5% that unions had asked for and well above the 6.5% of 2025, with increases ranging from about 6% to 42%. Labour-intensive services such as food stalls, personal care and household help pass part of that on to prices. In our monthly model it adds about 0.15pp to core inflation and about 0.1pp to headline by December 2027, which tilts the risk to our 2.50% December forecast upwards but keeps it inside BI's target. District minimum wages, due on 25 November, set the floor in most industrial areas and will show how large the effect is.

What it means for BI: inflation is a second trigger, not the first. With the BI Rate at 6.50% and inflation at 2.50% in December, the real policy rate reaches about 4.0%, tight for an economy whose demand-driven inflation is near 2%. On inflation alone BI could ease in 2H27; it will not, because the Rupiah, reserves and the Fed set its pace (Chapter II). Inflation becomes a reason to hike only if Pertalite rises 15% or more, or if the Rupiah weakens beyond IDR20,000 alongside a renewed rise in gold.

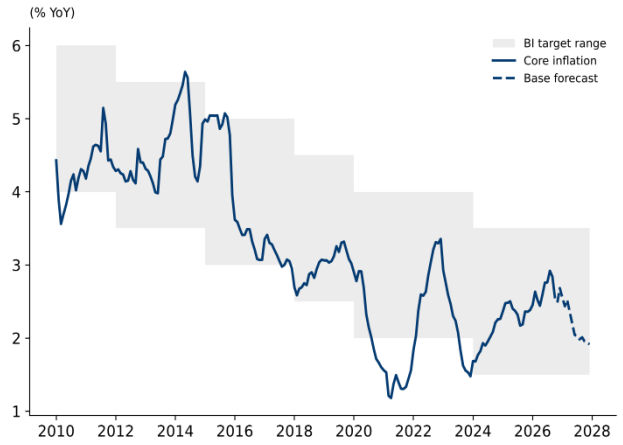
How sure are we? Our monthly model, tested from every month since 2016, beats a no-change forecast at six and twelve months, with a typical 12-month error of about 0.85pp since 2020, and it has tended to over-predict. Combining that error with a 20% chance of a Pertalite increase and a 25% chance of a rice shock gives a December 2027 range of roughly 1.5–3.5% around our 2.50%, with the tails roughly balanced.

Table 6. Inflation forecasts (%)

	Dec-26	2027 avg	Dec-27	Dec-28
Headline	3.45	2.8	2.50	2.15
Core	–	2.3	2.15	1.85
Administered	–	–	2.50	2.50
Volatile food	–	–	3.75	3.00
P (inside 1.5–3.5% target)	–	–	70%	–

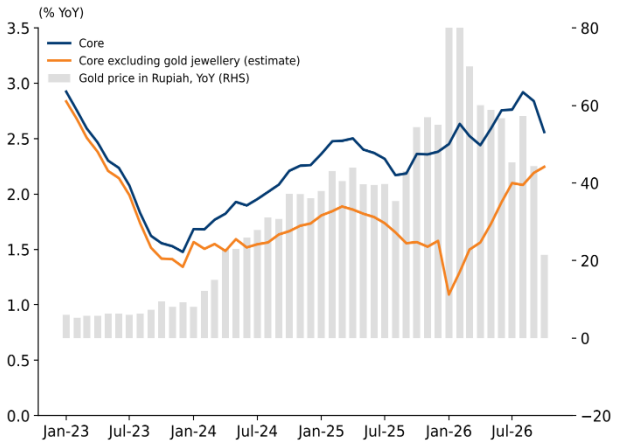
Source: Statistics Indonesia, BI, Mirae Asset Sekuritas Indonesia Research estimates. Base: USD/IDR 19,300 average and 19,500 end-2027; El Niño peaking near 2.5°C; Pertalite unchanged.

Figure 41. Core inflation stays inside a falling target



Source: Statistics Indonesia, Bank Indonesia, Mirae Asset Sekuritas Indonesia Research estimates.

Figure 42. Strip out gold and core inflation is near 2%



Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates. Gold weight in core from Statistics Indonesia 2022 weights.

What would change our view

- **Pertalite increases by 15% or more:** December inflation above 3%, months above 3.5%, and a possible hike to 6.75%.
- **Retail rice prices up more than 10% YoY by March:** the shock has reached the staple; add up to 0.7pp.
- **El Niño fades faster than expected (ONI below 1.5°C by February):** the March peak is lower; December nearer 2.25%.
- **USD/IDR above 20,000:** core inflation 0.1–0.2pp higher; BI under pressure on two fronts.
- **District minimum wages (due 25 November) average well above 10%:** core inflation about 0.2pp higher; another reason for BI to stay on hold.

IV. Fiscal and Bonds: The Deficit Stays Below 3%, the Bond Market Pays the Difference

Our call

- **Reported deficit:** 2.43% of GDP (IDR680tr), close to the 2.4% budget. On a full-cost basis the pressure is about 2.6%.
- **Indo GB 10-year yield:** 8.15% in 1Q27, 8.60% in 2Q27, a peak of 8.85% in 3Q27, and 8.75% at end-2027 (quarter-end levels). 8.25% at end-2028.
- **Financing:** BI rolls over all IDR154.5tr of its maturing Indo GB through a debt switch (likely) and buys about IDR175tr net in the market. The government uses about IDR27tr of its cash buffer (SAL) to trim issuance.
- **Rating:** a one-notch downgrade by at least one agency in 2027 is more likely than not and is in our base case. Fitch's March 2027 review is the most likely window. Losing investment grade is very unlikely.
- **How likely:** we see it as very likely that the reported deficit stays at or below 3% of GDP, and likely that the 10-year ends 2027 above 8.50%.
- **Base rate:** Indonesia has kept the deficit inside the 3% ceiling in every year it applied since 2003; the only breach was 2020–22, when the law suspended it. BI has done a debt switch in four of the last six years. About 63% of Fitch's sovereign negative outlooks have ended in a downgrade.

The 3% ceiling will hold in 2027, and the reported deficit will look disciplined. The cost shows up in two other places: energy bills that the budget pushes into 2028, and an Indo GB market that must clear about IDR815tr of net supply in a year when foreign investors are leaving Indonesian assets. The yield, not the deficit, is where the fiscal strain will be visible.

IV.1 The 2027 budget: reported deficit versus deferred pressure

The 2026 budget has held up better than feared. The deficit was IDR379.3tr, or 1.47% of GDP, in the ten months to October, narrower than 2.01% a year earlier, as revenue rose 23.9% and spending 15.6%. Part of that is timing. Revenue has reached 83% of the budget but spending only 78%, so the deficit widens in the last two months towards the government's 2.85% outlook, which is also our forecast.

The 2027 budget is disciplined on paper. It targets a deficit of IDR671tr, or 2.4% of GDP. Revenue rises to IDR3,435tr and spending to IDR4,106tr, and the primary deficit narrows to about IDR21tr, close to balance. The weak point is the assumptions: 6.0% growth, an ICP of USD75/bbl, IDR17,500 per Dollar and a 10-year yield of 6.9%. On our numbers all four miss, and they do not miss in the same direction for the deficit.

A weaker Rupiah helps revenue more than slower growth hurts it. Rebuilding the budget line by line on our assumptions (5.25% growth, IDR19,300 on average, ICP USD80, an average 10-year yield of about 8.6%), lower growth and lower import volumes cut revenue by about IDR33tr. The weaker Rupiah and higher oil prices add about IDR100tr through import taxes, oil and gas receipts and Dollar-linked commodity revenue. Net, revenue comes in about IDR67tr above budget, or about IDR87tr if the exchange rate passes fully into tax bases.

Spending is where the gap opens. Energy is the largest item. With the Pertalite price held at IDR10,000/litre, its economic cost rises to about IDR14,500 on our oil and Rupiah assumptions, against about IDR12,750 in the budget. Fuel and electricity compensation exceed the budget by about IDR91tr, and LPG and electricity subsidies by about IDR36tr. Interest adds about IDR21tr, taking interest payments to about IDR671tr, about 19% of revenue. Revenue sharing with the regions adds another IDR13tr. In total spending is about IDR161tr above budget. Table 7 shows how each assumption moves the deficit from the budget's 2.40% of GDP to our 2.43%.

Table 7. From the budget deficit to ours, 2027F

	IDR tr	% of GDP
Deficit in APBN 2027	671	2.40
Revenue: slower growth and lower import volumes	+33	+0.12
Revenue: weaker Rupiah and higher oil prices	(100)	(0.36)
Spending: fuel and electricity compensation	+91	+0.33
Spending: LPG and electricity subsidies	+36	+0.13
Spending: interest	+21	+0.08
Spending: revenue sharing with regions	+13	+0.05
Deficit on a full-cost basis	**765**	**2.74**
Usual underspending by ministries	(40)	(0.14)
Fiscal pressure	**725**	**2.60**
Compensation deferred to 2028	(45)	(0.16)
Reported deficit, MASI base	**680**	**2.43**

Source: MoF (UU APBN 2027), Mirae Asset Sekuritas Indonesia Research estimates. Positive numbers widen the deficit. Nominal GDP 2027 about IDR27,930tr.

Not all of the energy bill will be paid in 2027. The 2026 record shows how the government manages an overrun. Cumulative compensation payments rose from IDR78tr in April to IDR154tr in August and then stopped, even though oil averaged about USD94 and fuel volumes rose. The allocation was raised from IDR448tr to IDR500tr, but only part of the cost was covered; the rest stayed on Pertamina's and PLN's balance sheets. We assume the same split in 2027: half of the compensation overrun, about IDR45tr, is paid through a larger allocation and half is deferred to 2028. With about IDR40tr of the usual underspending by ministries, the reported deficit comes to about IDR680tr, or 2.43% of GDP (Table 8).

Table 8. Three measures of the 2027 deficit

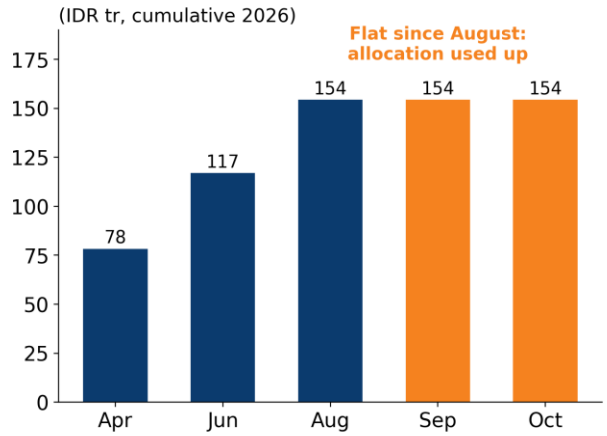
	APBN 2027	MASI base	MASI downside	MASI stress
Macro assumptions	Budget	House view	Weaker Rupiah, ICP 85, delayed tax refunds	ICP 90, IDR21,000, 5.0% growth
Deficit on a full-cost basis, macro only (IDR tr)	671	765	804	877
% of GDP	2.40	2.74	2.87	3.13
Fiscal pressure, after refunds and underspending (IDR tr)	671	725	839	967
% of GDP	2.40	2.60	3.00	3.45
Forced settlement of energy receivables (IDR tr)	–	–	–	150
Spending cuts to stay at 3% (IDR tr)	–	–	–	(222)
Reported deficit, after any cuts (IDR tr)	671	680	771	840
% of GDP	2.40	2.43	2.76	3.00
Compensation deferred to 2028 (IDR tr)	–	45	68	56
Headroom to the 3% ceiling, reported (IDR tr)	168	158	69	0

Source: MoF (UU APBN 2027), Mirae Asset Sekuritas Indonesia Research estimates. Nominal GDP 2027 about IDR27,930tr. Downside adds IDR65tr of 2026 tax refunds paid in 2027; stress adds IDR130tr. Reported deficit = fiscal pressure − compensation deferred to 2028 + forced settlement − spending cuts; in the stress case the 3.00% is after about IDR222tr of cuts.

The ceiling protects the headline, not the balance sheet. The deferred bills add to what the government already owes the energy companies: about IDR167tr to Pertamina (August) and about IDR111tr to PLN at end-2025, the latest audited figure, and more since; at least IDR280tr in total, about 1% of GDP. On our assumptions the stock rises above IDR320tr by end-2027. It sits outside both the deficit and the 41% debt ratio, and

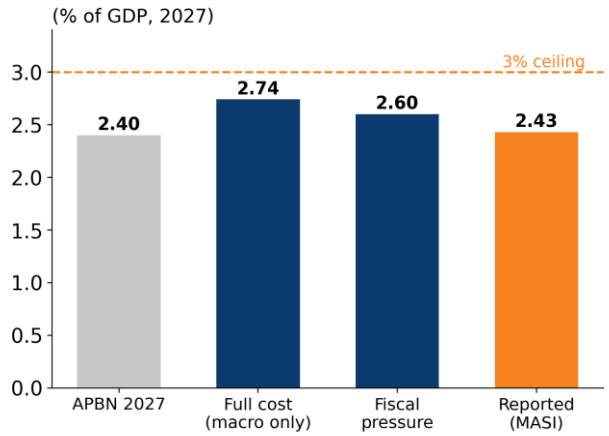
the companies fund it with bank and offshore borrowing. Indonesia does not have a debt problem; it has a revenue and financing-cost problem. Interest takes about a fifth of revenue, and new Indo GB now yields more than nominal GDP grows. In the stress case the 3% ceiling forces about IDR220tr of spending cuts, which would fall on capital spending and transfers, as in the 2025 efficiency drive. The ceiling would protect bond holders at the cost of growth.

Figure 43. Energy compensation stopped once the allocation ran out



Source: MoF (APBN KiTa), media reports, Mirae Asset Sekuritas Indonesia Research.

Figure 44. Three measures of the 2027 deficit



Source: MoF, Mirae Asset Sekuritas Indonesia Research estimates.

IV.2 Who buys Indo GB: BI's debt switch as the anchor, and how rating agencies may read it

Supply is larger than the deficit suggests. The budget plans IDR833.7tr of net Indo GB issuance, about 124% of the deficit, because Indo GB also funds investment financing. With a slightly wider deficit and IDR27tr of SAL used to trim issuance, net supply is about IDR815tr, of which about IDR740tr is in Rupiah after about USD4bn of global bonds.

The buyer base has changed. Foreign investors held about 13% of Indo GB in mid-November, down from 19% at end-2021, while BI held about 25% (DJPPR, 13-Nov-26). Insurers, pension funds and retail investors are now the most reliable domestic buyers, and we expect them to absorb about IDR360tr, close to their 2026 pace. Banks turn modest net sellers, of about IDR46tr. Loans growing about 9% against deposits at 8% would leave them roughly neutral, but BI's Dollar sales of about USD33bn drain close to IDR640tr of Rupiah liquidity. We assume BI puts back about half of the extra drain compared with 2026 through repo and smaller SRBI auctions, less than it did this year, because it wants liquidity to stay tight while it defends the Rupiah. With credit at 8% banks would be neutral; at 10% they would sell about IDR95tr.

That leaves BI and foreign investors. BI is the anchor in two ways. First, about IDR154.5tr of Indo GB held by BI matures in 2027. If it is rolled into new bonds through a bilateral debt switch, as in 2021, 2022, 2025 and 2026, the government does not need to raise that money from the market. Second, we assume BI buys about IDR175tr net in the secondary market, below its pace in 2025 and 2026. Even so, foreign investors would have to take about IDR249tr (about USD13bn), against an average of about IDR39tr a year in 2023–25. This is not a forecast of foreign inflows. It is the amount foreign investors would need to buy for the market to clear, and the yield rises until enough of them are willing to (Table 9).

Table 9. Indo GB supply and demand, 2027F (IDR tr)

	MASI base	MASI downside	MASI stress
Net Indo GB supply	815	933	803
of which SAL drawdown (reduces supply)	(27)	0	(200)
less: FX-denominated Indo GB	77	78	42
Net Rupiah Indo GB supply	738	855	761
Banks	(46)	(88)	(280)
Insurers, pension funds, retail and others	360	330	280
Bank Indonesia, net purchases	175	150	223
BI debt switch of 2027 maturities (share)	100%	100%	50%
Required from foreign investors (residual)	249	463	537
in USD bn	12.9	23.6	25.6
Implied Indo GB 10Y, end-2027 (%)	8.65	9.42	10.81
House view / scenario (%)	8.75	9.20	9.80

Source: MoF (DJPPR), BI, Mirae Asset Sekuritas Indonesia Research estimates. Base: UST 10Y 5.40%, loan growth about 9% (base), deposits 8.0%, BI FX intervention about USD33bn (Chapters I and II), about half of the extra liquidity drain put back by BI, normal foreign demand IDR39tr, supply-yield elasticity 3.75bp per IDR10tr (assumption), risk premium 60bp. Stress assumes the IDR200tr SAL placed in state banks is withdrawn.

Our forecast sits slightly above the model. Our supply-demand model puts the end-2027 yield at 8.4–8.9%, depending on credit growth (8–10%) and on how strongly yields respond to supply, with a central estimate of about 8.65%. We forecast 8.75%. The residual is not a forecast of inflows. Our balance of payments assumes only about USD2bn of net foreign buying of Rupiah Indo GB in 2027, close to the 2023–25 average; the rest of the residual is excess supply that the yield has to price. We add 10bp to the model as an allowance for the MSCI-related outflows we now expect (USD8–11bn) and for a year of reclassification and a sovereign downgrade.

The debt switch is the single largest swing factor. Each IDR10tr of BI maturities that is not switched must be raised from the market. If BI switches only half, the implied yield rises by about 45bp; with no switch, by about 90bp (Table 10). That is why we treat it as likely rather than treating it as given.

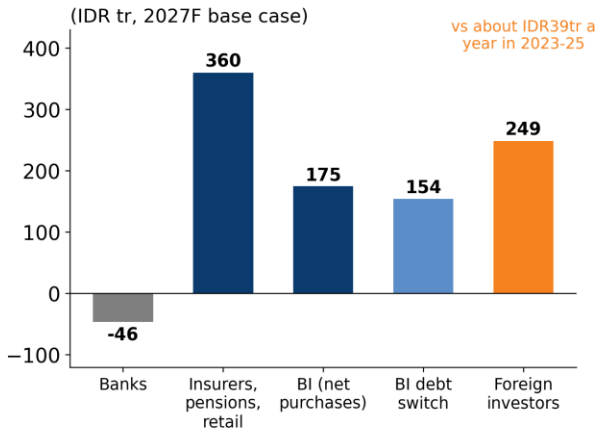
Table 10. Change in the implied Indo GB 10Y at end-2027 by the share of BI maturities switched

Share switched	100%	75%	50%	25%	0%
Raised from the market (IDR tr)	0	39	77	116	155
Change vs full switch (bp)	0	+25	+45	+70	+90

Source: Mirae Asset Sekuritas Indonesia Research estimates (fiscal and Indo GB model, base case). Each IDR10tr not switched adds about 3.75bp through supply (about 58bp for the full IDR155tr); the additional impact reflects tighter bank liquidity as the government refinances maturing BI-held securities through market issuance.

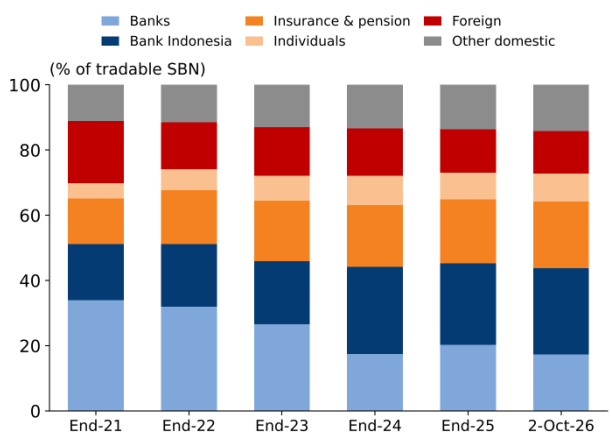
The anchor has a price. A debt switch holds yields down, but rating agencies read it alongside BI's wider mandate and the changes in economic leadership. Fitch cited a wider BI mandate in its March outlook cut. If BI's purchases are seen as financing the budget rather than managing liquidity, the gain in yield can be lost in the risk premium and the Rupiah. We therefore keep BI's market purchases at IDR175tr rather than raising them to hit a yield target. Holding the 10-year at 8.50% would need about IDR245tr, and the cost of that would be paid in credibility.

Figure 45. Who buys Indo GB in 2027



Source: MoF (DJPPR), BI, Mirae Asset Sekuritas Indonesia Research estimates. Gross financing: net Rupiah supply of IDR738tr plus IDR154.5tr of BI-held maturities rolled over through the debt switch, which is a rollover, not new demand.

Figure 46. Indo GB ownership by investor



Source: MoF (DJPPR), Mirae Asset Sekuritas Indonesia Research. Tradable Indo GB, to 2-Oct-26

IV.3 A sovereign downgrade is likely; losing investment grade is not

Two outlooks are negative, and neither was triggered by the deficit. Moody's moved Indonesia's Baa2 outlook to negative on 5 February 2026, citing less predictable policymaking and weaker governance, including questions over Danantara's funding, priorities and control of state-company dividends. Fitch affirmed BBB and moved its outlook to negative on 4 March, citing policy uncertainty and an erosion of consistency in the policy mix as decision-making becomes more centralised. S&P affirmed BBB with a Stable outlook on 13 July, judging the weaker fiscal and external numbers to be temporary. All three ratings are two notches above sub-investment grade, and a negative outlook is not a downgrade. The question for 2027 is whether Indonesia can keep the rating as its fiscal room narrows and external financing tightens. The answer depends less on whether the deficit stays below 3% than on policy predictability, the cost of servicing debt and access to financing. The 2027 minimum wage decisions, which ranged from about 6% to 42% across provinces, are a recent example of the policy variation investors price.

On fiscal numbers alone, the case for a downgrade is weak. Our reported deficit of 2.43% of GDP is inside the ceiling, and the 2026 deficit of about 2.85% is no worse than Fitch's own 2.9% forecast. Government debt is about 41% of GDP. The pressure sits in three places the agencies already name. Revenue is low, at about 12% of GDP. Interest takes about a fifth of central government revenue in our forecast, up from about 17% in Fitch's March estimate. And part of the energy bill is deferred to Pertamina and PLN, whose claims on the government rise above IDR320tr by end-2027 (IV.1). We count the deferred compensation once: it sits outside the reported deficit but inside our measure of fiscal pressure. A BI debt switch adds a fourth question, about BI's independence (IV.2).

The agencies do not weigh these risks the same way (Table 11). For Fitch, a further change in economic leadership or an ad hoc fiscal rule would matter more than a tenth of a point on the deficit. Moody's focuses on governance and institutions; in July it said conditions had moved further against Indonesia since February, pointing to higher energy subsidies and the new export agency, Danantara Sumberdaya Indonesia. S&P is the most patient: its stable outlook rests on the 3% ceiling and a recovery in revenue, and it would normally move to a negative outlook before it downgrades.

Why we think a downgrade is more likely than not. We start from the outside view. Fitch says that historically about 63% of its sovereign negative outlooks have ended in a downgrade, though not always within two years. S&P defines a negative outlook as at least a one-in-three chance of a downgrade over one to two years. Moody's usually acts within 12–18 months of an outlook change. We adjust Fitch down because the fiscal numbers have held, and Moody's up because of its July comments. Timing matters too. Since 2024 Fitch has reviewed Indonesia once a year, visiting in late February and deciding in March; an interim decision in December 2026 is possible but not scheduled. Moody's window runs from February to August 2027, and S&P reviews in July. Allowing for the fact that the agencies react to the same news, our rating model puts at least one one-notch downgrade by end-2027 above an even chance, within a wide range. Losing investment grade would need two cuts, or a two-notch cut, within a year, which we see as very unlikely (Table 12).

What could prove us wrong. Neither outlook was driven by the fiscal numbers, so steady policy could resolve both without a downgrade. If MSCI keeps Indonesia in Emerging Markets, the export proceeds and DSI rules settle, and 1H27 revenue holds up, a cut would become less likely than not, and Moody's or Fitch could return to Stable in 2H27. Of the two outcomes without a cut, outlooks staying negative is more likely than both returning to Stable.

Most of a one-notch downgrade is already priced. Indonesia's 5-year CDS, at about 102bp on 20 November, trades about 45bp above the median of eight EM peers, against 8bp in October 2024. The 10-year Indo GB spread over UST widened by about 95bp after MSCI's October announcement, to about 280bp, and the yield closed at 7.79% on 20 November, its highest this year. We therefore add only 10bp, net, to the risk premium. That costs the budget less than IDR1tr in 2027 interest. The surprise would be a loss of investment grade, which would add about 100bp, force index-driven selling and lift Dollar funding costs for banks and state companies, whose ratings are tied to the sovereign; Fitch's September affirmation of INA was explicitly aligned with the sovereign outlook. We do not add the downgrade, MSCI and Rupiah effects together: all three reflect the same policy premium, and our Monte Carlo treats them as correlated.

The path follows the calendar. The 10-year rises to 8.15% in 1Q27 from 7.90% at end-2026 as the Fed resumes hiking and BI follows to 6.50%. A Fitch downgrade, if it comes, is most likely in March. The yield reaches 8.60% in 2Q27, when MSCI-related selling, the Fed's last hike and the widest current account deficit of the year coincide, and peaks at about 8.85% in 3Q27, the window for a Moody's decision and the August budget speech. It ends 2027 at 8.75%: BI has little room to cut while the Fed holds at 4.75%. In 2028 both central banks begin to ease and the yield falls to about 8.25%. The Rupiah carries more of the strain than bonds: since 2024 a 100bp rise in the 10-year has come with about 2.4% of Rupiah weakness, a correlation that reflects the same risk premium rather than cause and effect.

Table 11. Sovereign ratings: where each agency stands

	Fitch	Moody's	S&P
Rating / outlook	BBB / Negative (4-Mar-26)	Baa2 / Negative (5-Feb-26)	BBB / Stable (13-Jul-26)
Notches above sub-IG	2	2	2
Main strengths	Record of macro stability; growth about twice the BBB median; low debt	Economic resilience; resource base	Growth; prudent macro policy; low net external and government debt
Main weaknesses	Low revenue; interest at about 17% of revenue; governance below peers	Narrow revenue base; governance; Danantara funding and priorities	Revenue; external financing needs
What drives the outlook	Policy uncertainty and centralised decision-making	Policy predictability and governance	3% ceiling and revenue recovery
Next likely window	Mar-27 (annual); interim Dec-26 possible, not scheduled	Feb–Aug 27 (12–18 months after the outlook change)	Jul-27 (annual)
Likelihood of a one-notch downgrade by end-2027	High	Moderate to high	Low

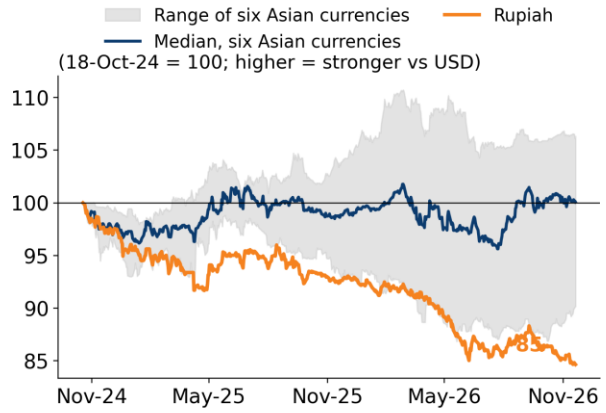
Source: Fitch, Moody's, S&P, BI, MoF, Mirae Asset Sekuritas Indonesia Research. Likelihood bands from our rating model. No agency publishes a review calendar for Indonesia.

Table 12. 2027 rating scenarios (to 31-Dec-27)

Scenario	What it takes	What we would watch	Likelihood
A. Ratings resilient	Policy settles; revenue holds; Indo GB financing smooth; outlooks back to Stable	MSCI keeps EM status; stable export proceeds and DSI rules; BI switch completed	Unlikely
B. Negative outlooks persist	Pressure builds but stops short of a cut	Agencies affirm with Negative; CDS stable relative to peers	Unlikely
C1. One-notch downgrade, still investment grade	Further policy surprises, weaker revenue or rising interest burden	Leadership changes; ad hoc fiscal rules; interest above a fifth of revenue	More likely than not
C2. Loss of investment grade	Two cuts, or a two-notch cut, within the year	Deficit forced above 3%; BI financing seen as monetisation	Very unlikely

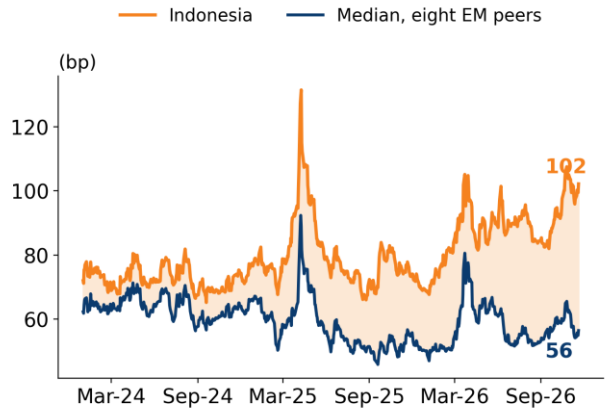
Source: Mirae Asset Sekuritas Indonesia Research (rating hazard model, base case).

Figure 47. Rupiah vs. Asian currencies since Oct-24



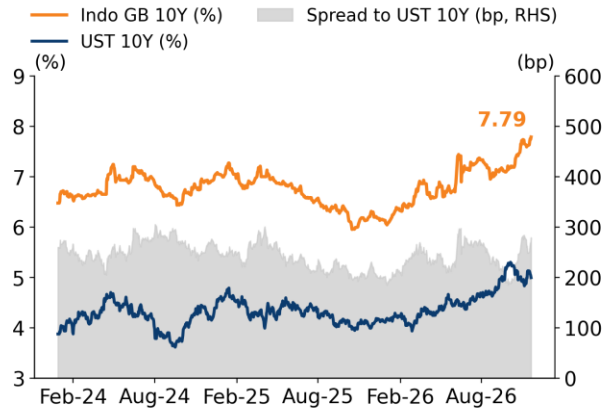
Source: Mirae Asset Sekuritas Indonesia Research. Daily, to 20-Nov-26. MYR, PHP, THB, CNY, KRW, INR.

Figure 48. 5Y CDS: Indonesia vs. EM peers



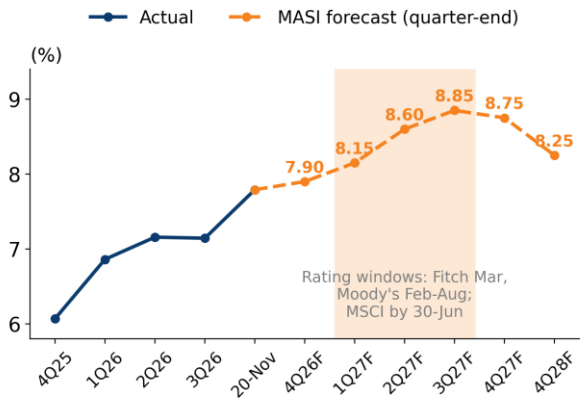
Source: Mirae Asset Sekuritas Indonesia Research. Daily, to 20-Nov-26. Peers: PH, TH, MY, CN, KR, MX, BR, ZA.

Figure 49. Indo GB 10Y and spread to UST 10Y



Source: Mirae Asset Sekuritas Indonesia Research. Daily, to 20-Nov-26.

Figure 50. Indo GB 10Y: actual and MASI path



Source: Mirae Asset Sekuritas Indonesia Research estimates.

What would change our view

- **BI switches less than 75% of its maturities**, or cuts its market purchases below IDR150tr: the 10-year moves towards 9.00–9.20%.
- **1H27 tax revenue falls short of the budget pace**, or 2026 tax refunds move into 2027: the reported deficit moves towards 2.8%, and the ceiling starts to bind.
- **Raise the downgrade probability** if there are further changes at the Ministry of Finance, an ad hoc change to fiscal rules, an unscheduled review by Fitch or Moody's, S&P moving to a negative outlook, or Indonesia's 5-year CDS widening against BBB peers.
- **Lower it** if MSCI keeps Indonesia in Emerging Markets, the export proceeds and DSI rules stay unchanged through 1H27, revenue meets the budget pace, or Fitch affirms in March with a Stable outlook.
- **The signal of more than one notch:** the deficit forced to 3% by spending cuts, or the debt switch read by agencies as monetary financing.

V. Growth and Sectors: Growth Holds at 5.25%, but Not Evenly

Our call

- **GDP growth:** 5.25% in 2027, after about 5.40% in 2026; 5.25% in 2028.
- **Domestic demand slows more than the headline:** consumption, investment and government spending together grow about 5.3%, down from about 6.1% in 2026. Slower imports keep GDP growth close to its 2026 pace.
- **By component:** household consumption 5.10%, government consumption 2.90% after 11.75%, investment 6.10%, exports 4.30%, imports 3.3%.
- **How likely:** we think 2027 growth is likely to land between 5.0% and 5.5%; the main risk is below 5.0%, not above 5.5%.
- **Base rate:** outside crisis years, Indonesia's growth has stayed between 4.9% and 5.3% every year since 2015 (2015–2019 and 2022–2025, between 4.88% and 5.31%). A forecast outside that band needs a reason; ours sits inside it.
- **What drives it:** the end of the 2026 government spending surge, food prices in 1H27 and the cost of credit, in that order.

Growth looks steady, but its sources are changing. In 2026 the state and bank credit carried demand. In 2027 government consumption slows sharply, credit becomes more expensive, and households face a food shock in the first half. GDP holds near 5.25% mainly because a weaker Rupiah and a slower capex cycle cut imports. For investors the headline matters less than the composition: who is still growing, and whether that growth is paid for by income or by borrowing.

Table 13. Contributions to GDP growth (pp)

	2026F	2027F	2028F
Household consumption	2.71	2.68	2.80
Government consumption	0.85	0.22	0.34
Investment (GFCF)	1.97	1.91	1.87
Exports	0.91	1.04	1.07
Imports	(1.45)	(0.66)	(0.89)
Stocks, NPISH and discrepancy	0.41	0.06	0.06
GDP growth (%)	5.40	5.25	5.25
Memo: domestic final demand growth (%)	6.1	5.3	5.5

Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates (macro framework).
Stocks, NPISH and discrepancy close the total to the published growth in Table 1.

V.1 Households: services hold up, lower-income spending tightens

The average hides a split. Household consumption is growing near 5%, but spending at restaurants and hotels grew about 7% in real terms in 3Q26, and transport and communication also about 7%, while food, 41% of the basket, grew only about 4.5%. Middle- and upper-income households are still spending on services; the rest of the basket is slowing.

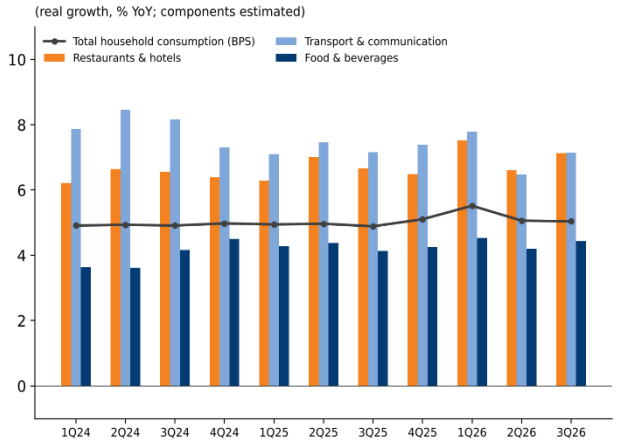
Lower-income households feel it first. Perceived current income has fallen across all groups since mid-2026, but most among households spending IDR1–2mn a month, where BI's index dropped to 98.5 in October from 113 a year earlier, below the line that separates optimism from pessimism. The same households have cut plans to buy durable goods, while those spending more than IDR5mn a month have raised theirs.

Households also spend from a thinner cushion: about 74% of income goes to consumption, against 68% in 2019, and about 16% to saving, down from about 20%. The headline confidence index, near 120, says little on its own; perceived current income tracks spending better.

Why we cut our consumption forecast to 5.10%. We expected 5.30% in our previous draft. Three things have changed. First, the El Niño food shock in 1H27 now looks stronger (Chapter III), and it falls hardest on lower-income households, for whom food is the largest expense. Second, BI holds at 6.50% through 2027, so credit-funded purchases stay expensive; car and motorcycle loans are already falling. Third, the 2026 boost from government programmes fades. Government consumption grew about 15% in 9M26 on the free-meals (MBG) and village cooperative (KDKMP) programmes and slows to about 2.9% in 2027, cutting its contribution to growth to about 0.2pp from about 0.85pp. Lower headline inflation from mid-2027 and a firmer job market for middle-income households limit the slowdown. Higher minimum wages, up about 10% on average, support spending by lower-paid formal workers. Most workers are informal, however, and job losses in labour-intensive industries would offset part of the gain, so we leave our forecast unchanged.

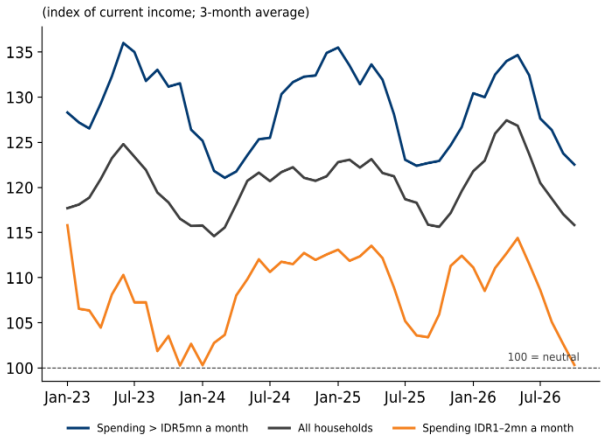
The risks are to the downside in 1H27. A Pertalite price increase, which we do not expect, would add to inflation and take roughly 0.1–0.2pp off consumption growth, on our rough estimate. Social spending decides how much of the food shock lower-income households absorb. For equities, this favours names exposed to middle- and upper-income services over mass-market retail.

Figure 51. Restaurants, hotels and transport lead household spending



Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates. Components = nominal growth deflated by the matching CPI group.

Figure 52. Lower-income households feel their income slipping



Source: Bank Indonesia (Consumer Survey), Mirae Asset Sekuritas Indonesia Research. 3-month average.

V.2 Investment: strong, but largely imported and borrowed

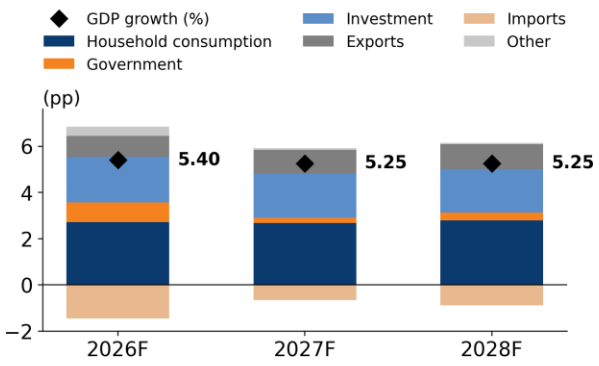
Investment grows 6.10%, but much of it leaks into imports. Since 2011, each 1pp of investment growth has lifted real imports by about 1.4pp, while household consumption has had a smaller effect. Because investment is about 31% of GDP and imports about 20%, an investment-led upswing adds almost as much to imports as to output. In 2027 the weaker Rupiah cuts import growth by about 1.7pp and the capex cycle cools, which is why imports slow to 3.3% and the drag on growth falls by about 0.8pp.

The projects are real, and they arrive in stages. Data-centre equipment drove the 2026 import surge: imports of computers and servers rose 85% to USD5.7bn in 8M26. More phases follow in 2027, including a 360MW campus in Batam in 1Q27 and the first 200MW of a 1GW AI facility. Aluminium shows both stages of downstreaming at once: exports more than doubled in 8M26 as the Mempawah refinery supplied the smelter, while a second smelter and refinery broke ground in February with power due only in 2028. Nickel has moved from building plants to running them, so its imports are now inputs such as sulphur. A deficit built on new capacity leaves plants that later export or replace imports. The catch is timing: the import bill comes first, the export payoff later.

The funding is domestic, which brings few Dollars. Realized foreign investment reached a record IDR778tr in 9M26, up 21%, while FDI inflows in the balance of payments fell to their lowest since 2016. Smelters and data centres are increasingly funded by domestic bank loans, retained earnings and supplier credit, so the machinery they import leaves as Dollars while the funding never arrived as Dollars (Chapter I).

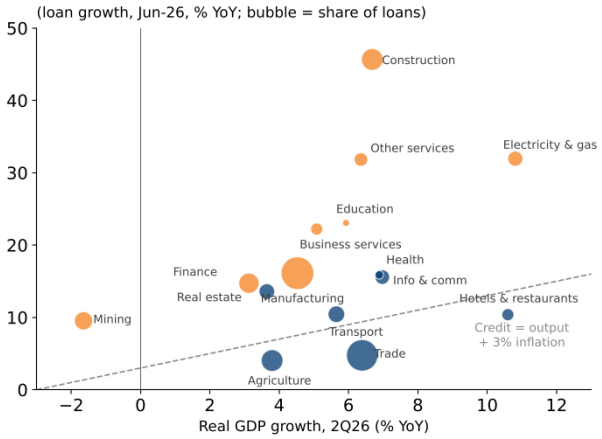
Credit is running well ahead of output in several state-driven sectors. Investment loans grew 23.4% in August, the fastest since 2014, and construction loans 46%, while construction output grew about 6.7% and realized investment in the sector fell 8%. State-owned firms are the fastest-growing borrowers, at about 30%. Where credit runs far ahead of output, either output follows as capacity comes on stream, or questions about capital efficiency turn into asset-quality problems. With BI at 6.50% and bank liquidity tighter, we expect loan growth to slow to about 9% in 2027, within a range of 8–10%. That trims investment growth to 6.10% from 6.35%, and puts state-led construction and power at the front of the slowdown. Slower credit does not stop investment: 9% growth on a larger base still adds about IDR740tr of new loans in 2027, and smelters and data centres also draw on retained earnings and supplier credit.

Figure 53. Imports, not demand, keep growth steady



Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates.

Figure 54. Loan growth vs. output growth by sector



Source: Statistics Indonesia, BI, Mirae Asset Sekuritas Indonesia Research. Loans Jun-26 YoY; real GDP 2Q26 YoY. Orange: loans grow 10pp+ faster than output

V.3 Where our macro view meets cheap valuations

The macro backdrop does not support a broad re-rating in 2027; valuations are already historically low. Our view leaves little room for a market-wide re-rating: BI holds at 6.50%, the 10-year Indo GB ends the year at 8.75% and the policy premium narrows only slowly. But valuations already reflect a good deal of it. The JCI has fallen about 40% this year, to 5,146 on 20 November, from a record 9,135 in January. At about 8.5x forward earnings, the market offers an earnings yield of about 11.8%, about 3pp

above our end-2027 10-year Indo GB yield, against a gap close to zero at its 20-year average multiple of about 14x. An earnings yield is not cash paid to investors, and forward earnings can still be cut, so we treat the gap as a cushion rather than a floor. MSCI-related selling between March and May 2027 could still push prices lower before any re-rating. In that setting, returns depend less on whether the macro story is good than on whether the bad parts of it are already in the price. Our macro view sets the direction and names the risks to watch; valuation decides where to take them. Table 14 compares what prices already show with what our base case adds.

Table 14. What prices already show, and what our base case adds

Risk	What prices show (20-Nov-26)	Our 2027 base case	Not yet in prices
One-notch sovereign downgrade	5-year CDS at 102bp, about 45bp above the median of eight peers	A downgrade by at least one agency is more likely than not	Little; we add only 10bp to the risk premium. Loss of investment grade is not priced, but very unlikely
MSCI exit from Emerging Markets	JCI down about 40% this year; about 8.5x forward earnings against a 20-year average of about 14x	Exit likely announced by end-June 2027; implemented later	The USD8–11bn of outflows themselves, mostly between March and May 2027
Financing gap and the Rupiah	IDR18,270 per Dollar, the weakest close of 2026	IDR19,500 at end-2027	A further depreciation of about 6–7%
Fed and BI	BI Rate 6.00%	Fed to 4.75%, BI to 6.50%, no cut until 2028	50bp more from BI
Indo GB supply	10-year yield 7.79%	8.75% at end-2027, peaking near 8.85% in 3Q27	About 95bp

Source: BI, Mirae Asset Sekuritas Indonesia Research estimates. Market data as of 20 November 2026.

Strong and sustainable, or strong but fragile. Our scorecard rates 26 sectors on six pillars: three for strength (output momentum against its 2019 level, credit support and realized investment) and three for durability (credit in line with output, independence from state programmes and quotas, and pressure from input costs and imports). Strong and sustainable growth is concentrated in information and communication, transport, hotels and restaurants, health, and metal products and electronics. Construction, electricity and basic metals are strong but fragile, because state programmes, state-owned companies or ore quotas set their volumes. Mining, textiles and cement score weak.

Five places where our macro view and current valuations can work together (Table 15):

- **Dollar earners and downstream metals.** A weaker Rupiah lifts revenue in Rupiah for companies that sell in Dollars and pay part of their costs at home. Downstreaming is moving from building plants to running them: aluminium exports more than doubled in 8M26, bauxite became the largest destination of downstream investment in 2Q26, and nickel smelters now import inputs rather than equipment. Gold has fallen about 17% this year, so a weaker metal is already in the price, while it still hedges the policy premium that weighs on the Rupiah. The risks are policy rather than demand: the DSI export regime, export proceeds rules, ore quotas and royalties. Where those risks have already cut valuations, the trade-off becomes attractive.
- **Food producers with export reach.** Food demand holds up even as lower-income households tighten, and producers that export or earn abroad offset part of the higher cost of imported wheat, dairy and packaging. Domestic-only producers face the squeeze without the offset. Price increases have only just reached shelves, so margins should recover through 2027 as input costs stabilise.

- **Upper-income discretionary spending.** The consumption slowdown is concentrated in lower-income households. Households spending more than IDR5mn a month have raised their plans to buy durable goods, and spending on restaurants, hotels, travel and leisure grows about 7%. Retailers and brands aimed at these households are exposed to the same headline slowdown in the data, which can make them cheap relative to their actual customers' spending.
- **Digital infrastructure.** Information and communication is among the strongest and most durable sectors on our scorecard. Data-centre investment rose 25% in 9M26, and new capacity in Batam and an AI facility come on stream in 2027. Large, cash-generative operators that pay dividends fit a year in which returns come from carry. The risk is capex intensity and imported equipment paid for with a weak Rupiah.
- **Energy activity rather than energy prices.** Our oil call is lower, with the ICP at about USD80/bbl in 2027, so the case for energy rests on activity, not price. The government's push to stop the decline in oil and gas lifting keeps upstream and offshore work going, and offshore service providers are paid for the vessels and work they supply, not for the oil they find. Volume is the variable to watch: if upstream spending slows with oil prices, the case weakens.

Where our macro view argues for patience. Labour-intensive exporters of garments and footwear face minimum wages up about 29% in West Java and 14% in Central Java, the provinces they moved to for lower costs. With labour about a quarter of their costs, total costs rise by roughly 3.5–7%, enough to cancel much of the tariff gain from IEU-CEPA. State-driven construction, cement and power depend on budgets and on state companies that must also fund deferred energy compensation (Chapter IV); we treat their growth as cyclical. Property, consumer finance and auto lending see no relief from rates until BI cuts in 2028. Mass-market retail faces the food shock in 1H27. Domestic producers that pay for imported inputs in Dollars carry the Rupiah risk without the revenue offset. Valuations can still make individual names attractive, but the macro view says the wait may be long.

Table 15. Our macro view by sector group, 2027

Sector group	What our forecasts support	Main macro risk	What we will watch
Dollar earners, downstream metals	Weaker Rupiah; downstream capacity coming on stream; gold as a hedge	DSI and export proceeds rules; ore quotas; royalties	Export proceeds rules after Nov-26; RKAB quotas; metal prices
Food with export reach	Steady volumes; export offset to input costs	Wheat and packaging costs; El Niño	Wheat prices in Rupiah; 1H27 food CPI
Upper-income discretionary	Services and lifestyle spending by higher-income households	Headline consumption at 5.10%; no rate cuts	BI consumer survey by income group; retail sales
Digital infrastructure	Strong, durable ICT growth; data-centre pipeline; dividends suit carry	Capex and imported equipment; regulation	Data-centre go-live dates; grid connections
Energy services	Upstream and offshore activity	Lower oil prices; upstream budgets	Lifting and upstream work plans for 2027
State-driven construction, cement, power	Projects already funded	3% ceiling; state-company balance sheets	Budget absorption; SOE funding
Labour-intensive exporters (garments, footwear)	IEU-CEPA tariff cuts; weaker Rupiah	Minimum wages up 14–29% in Central and West Java	District minimum wages (25-Nov); IEU-CEPA entry into force
Rate-sensitive (property, consumer finance)	–	BI at 6.50% through 2027	First BI cut (2028)

Source: Mirae Asset Sekuritas Indonesia Research. A macro view, not a stock recommendation; stock selection also depends on valuation.

IEU-CEPA: a long-term gain for a few sectors, almost nothing in 2027. The agreement was signed on 21 November 2026, and the government targets entry into force on 1 January 2027, the day the EU's GSP preferences for Indonesia end. We put the chance of that date at about 30%, since ratification is still pending. Our model puts the 2027 effect on the goods balance near zero, about USD0.27bn of extra exports against about USD0.35bn of extra imports. Export gains concentrate where EU tariffs are highest: footwear and leather, textiles and apparel, and palm oil and fisheries. By year five

exports gain about USD1.9bn and imports about USD3.0bn, mainly machinery, chemicals and, as Indonesia's car tariff is phased out, vehicles. Higher minimum wages in Java offset part of the gain for footwear and garments. For palm oil, the EU deforestation rule (EUDR) matters more than the tariff.

Table 16. Sector scorecard, selected sectors

	Real GDP growth, latest (%)	Loan growth, Jun-26 (%)	Investment growth, 9M26 (%)	Strength / sustainability	Verdict
Info & communication	7.1	15.6	25.2	4.5 / 3.3	Strong, sustainable
Transport & storage	8.0	10.5	5.6	3.7 / 3.7	Strong, sustainable
Hotels & restaurants	11.2	10.4	2.8	3.7 / 4.3	Strong, sustainable
Health	7.0	15.9	25.0	4.2 / 3.0	Strong, sustainable
Metal products & electronics*	8.0	–	20.3	4.0 / 3.5	Strong, sustainable
Food & beverages*	6.5	–	0.8	3.5 / 3.5	Volume strong, margins squeezed
Electricity & gas	8.0	32.0	(3.8)	3.7 / 2.7	Strong, fragile
Construction	6.4	45.7	(7.8)	3.5 / 1.7	Strong, fragile
Basic metals*	0.7	–	37.7	4.0 / 2.5	Strong, fragile
Trade	7.1	4.8	(17.4)	2.2 / 4.7	Steady
Agriculture	0.5	4.1	(0.8)	1.8 / 4.3	Steady
Cement & non-metallic*	8.8	–	(6.5)	2.8 / 2.5	Weak
Textiles & apparel*	6.4	–	8.9	2.8 / 2.5	Weak
Mining	0.9	9.5	(9.1)	2.2 / 2.7	Weak

Source: Statistics Indonesia, BI, Investment Ministry, Mirae Asset Sekuritas Indonesia Research estimates. Latest real growth is 3Q26 for sectors and 2Q26 for sub-sectors (*). BI does not split loans below sector level. Strength averages output, credit and investment scores; sustainability averages credit-output alignment, policy independence and cost pressure. Scores 1–5.

What would change our view

- **A weaker or stronger El Niño:** rice prices up more than 10% in 1H27 would take consumption growth towards 4.8%; a normal rainy season would lift it towards 5.3%.
- **Government spending:** faster budget absorption in 1H27, or a mid-year spending push, would lift government consumption above 2.9%; cuts to stay below 3% would lower it.
- **Credit:** loan growth below 8% (or investment loans below 15%) would point to investment growth nearer 5%.
- **A financing squeeze:** MSCI outflows or a downgrade that pushes the 10-year above 9.2% would delay private projects; we see this mainly as a 2H27 risk.
- **Commodities:** a 15% fall in palm-oil export volumes (the industry association's view) would cut export growth by about 1.7pp, since palm oil and its derivatives are about an eighth of goods exports.
- **Pertalite:** a price increase would add to inflation and take 0.1–0.2pp off consumption.

VI. Scenarios and Signposts: What Would Move Us Off the Base Case

Our call

- **Base case (more likely than not):** the financing squeeze plays out as described in Chapters I–V: the Fed reaches 4.75%, BI 6.50%, the Rupiah ends 2027 near IDR19,500 and the 10-year Indo GB near 8.75%.
- **Relief comes early (unlikely):** the Fed stops at 4.25–4.50%, MSCI keeps Indonesia in Emerging Markets and the negative outlooks are lifted; BI can cut in 4Q27.
- **The squeeze tightens (possible):** the Fed goes to 5.00% or more, MSCI reclassification and downgrades arrive together, and reserves fall below USD110bn; BI goes to 7.00%.
- **How we will know:** five dated signposts between December 2026 and August 2027 decide which path we are on.

A base case is only useful if it says what would prove it wrong. Our forecasts in Table 1 describe the most likely path, not the only one. The three scenarios below differ mainly in financing: how far the Fed goes, whether foreign money that came in through SRBI and equities leaves in one go or over time, and how the rating agencies and MSCI respond. Growth and inflation differ less across them than rates, the Rupiah and bond yields do.

VI.1 Three paths for 2027

Base case: a squeeze that is financed, not a crisis (more likely than not). The Fed raises rates three more times, to 4.75% by mid-2027, and holds. BI follows to 6.50% and waits until 2028 to cut. SRBI held by foreign investors runs off between April and July, MSCI moves Indonesia out of Emerging Markets and at least one agency cuts the rating by a notch, most likely Fitch in March. The balance of payments gap of about USD49bn is closed by official borrowing, about USD33bn of reserves and a slightly weaker Rupiah. Growth holds at 5.25%, inflation returns to 2.50% and the 10-year Indo GB peaks near 8.85% in 3Q27.

Relief comes early (unlikely). US unemployment rises faster than the Fed expects and core inflation cools, so the Fed stops at 4.25–4.50%. Indonesia's free-float reforms satisfy MSCI, and with steady policy Moody's and Fitch return their outlooks to Stable. Foreign investors roll over part of their SRBI. BI holds at 6.00–6.25% and cuts in 4Q27, the Rupiah ends the year near IDR18,600 and the 10-year Indo GB near 8.00%. Rate-sensitive sectors re-rate a year earlier than in our base case. In this scenario a sovereign downgrade becomes unlikely.

The squeeze tightens (possible). Sticky US inflation takes the Fed to 5.00% or above. MSCI reclassification, downgrades by two agencies and faster SRBI outflows arrive in the same quarter, and commodity prices fall about 10% below the World Bank path. Reserves fall below USD110bn, BI raises the rate to 7.00% and the Rupiah weakens to IDR20,500–21,000. The 10-year Indo GB rises to 9.5–9.8%, inflation ends 2027 near 3.2%, and growth slows to about 4.9%. The deficit reaches the 3% ceiling, and the government has to cut about IDR220tr of spending. Losing investment grade becomes a real, though still small, risk in this scenario.

Table 17. 2027 scenarios

	Relief comes early	Base case	The squeeze tightens
Likelihood	Unlikely	More likely than not	Possible
Fed funds, peak (upper bound)	4.25–4.50%	4.75%	5.00% or more
BI Rate, end-2027	6.00% (first cut 4Q27)	6.50%	7.00%
USD/IDR, end-2027	about 18,600	about 19,500	20,500–21,000
Indo GB 10Y, end-2027	about 8.00%	8.75% (peak 8.85%)	9.5–9.8%
FX reserves, end-2027	about USD130bn	about USD114bn	below USD110bn
Current account (% of GDP)	-1.6	-1.8	-2.3
CPI, December	2.3%	2.50%	about 3.2%
GDP growth	5.4%	5.25%	about 4.9%
Reported fiscal deficit (% of GDP)	2.3	2.4	3.0, with spending cuts
Likelihood of a one-notch sovereign downgrade	Unlikely	More likely than not	Very likely
What tends to work	Rate-sensitive sectors, duration	Carry, Dollar earners, dividend payers	Dollar earners, cash-rich companies, short tenors

Source: Mirae Asset Sekuritas Indonesia Research. Scenario likelihoods are our judgement.

VI.2 Five signposts that decide the path

We will judge which path we are on by five events with dates, not by sentiment. Each has a threshold we set now, so that we cannot reinterpret it later.

December 2026: the Fed's last meeting of the year and a possible interim review by Fitch. A hike to 4.25%, with a median dot that still shows hikes in 2027, keeps us on the base case. A pause would move us towards relief. A Fitch decision in December is possible but not scheduled; a cut then would bring the base-case timetable forward rather than change it. District minimum wages, due on 25 November, will show how much of the roughly 10% rise in provincial minimum wages reaches industrial areas.

March 2027: Fitch's annual review and the peak in inflation. Fitch has reviewed Indonesia each March since 2024. An affirmation with a Stable outlook would make a downgrade less likely than not. Headline inflation above 4% in March would suggest the food shock is stronger than we assume.

April–July 2027: SRBI maturities. Foreign holdings of SRBI falling more than USD3bn by the end of March would mean the outflow is arriving early. Reserves below USD120bn by June would put more of the adjustment on the Rupiah.

By 30 June 2027: the MSCI announcement. An exit from Emerging Markets, to Standalone or, as a compromise, to Frontier, announced by end-June and implemented at a later index review, is our base case, and we see it as likely. MSCI has signalled it could consider alternatives, but its asks are about governance and process. Before its consultation closes in April 2027 we will watch two things: whether OJK's board is changed, and whether the examinations of the 31 companies on the high shareholding concentration list lead to enforcement beyond the largest names. Keeping Emerging Markets status would be the clearest single signal for the relief scenario.

August 2027: the 2028 budget. A 2028 deficit target at or below 2.5% of GDP, with realistic oil and exchange-rate assumptions, would support the rating. Ad hoc changes to fiscal rules, or a budget that relies on BI financing, would move us towards the stress case.

Table 18. Signposts and thresholds, Dec-26 to Dec-27

When	Signpost	Base case if	Relief if	Stress if
Dec-26	Fed decision; possible Fitch interim review; district minimum wages (25-Nov)	Fed to 4.25%; Fitch affirms or does not act	Fed pauses	Fitch cuts in December
1Q27	Fitch annual review; CPI peak; foreign SRBI stock	One notch at most; CPI peak near 3.7%	Fitch Stable; SRBI stable	Two agencies move; CPI above 4%; SRBI down >USD3bn
2Q27	MSCI consultation closes (Apr) and decision (by 30-Jun); OJK board; HSC examinations; Fed; reserves	Exit from EM; Fed at 4.75%; reserves near USD125bn	MSCI keeps EM status	Fed above 4.75%; reserves below USD120bn
3Q27	Moody's window; S&P review (Jul); 2028 budget (Aug)	One cut in total; deficit target near 2.5%	Outlooks back to Stable	Second cut; S&P outlook Negative; deficit target near 3%
4Q27	Budget execution; Rupiah; BI	Deficit near 2.4%; IDR near 19,500; BI on hold	BI cuts	Spending cuts to hold 3%; IDR above 20,500

Source: Mirae Asset Sekuritas Indonesia Research. Months for central bank and agency decisions are indicative; no agency publishes a review calendar for Indonesia.

VI.3 How we will keep score

Every call in this report has a date by which it resolves and a data source that settles it (Table 19). We will publish the outcomes with our 2028 outlook and score them, so that readers can judge how well calibrated our forecasts are, not just whether the base case came true. Between now and then we will update the probabilities as the signposts arrive, and say why.

What would change our view

- **Move towards relief:** the Fed pauses in December or March; MSCI keeps Emerging Markets status; Fitch affirms with a Stable outlook in March.
- **Move towards stress:** the Fed signals 5.00% or more; foreign SRBI holdings fall more than USD3bn by March; reserves fall below USD120bn by June; a second agency downgrades within six months of the first.
- **Neither, but a different base case:** a Pertalite increase of 15% or more would raise inflation and BI's path without changing the financing story.

How Confident We Are: Our 2027 Calls

Table 19. How confident we are

Event	Our view	Basis	Resolves	Settled by
Balance of payments gap before adjustment is negative in 2027	94%	Model (Monte Carlo)	Feb-28	BI, balance of payments
Foreign private portfolio flows negative for a fifth year	89%	Model and base rate	Feb-28	BI, balance of payments
Reported fiscal deficit at or below 3% of GDP	Very likely	Judgement	Jan-28	MoF, APBN KiTa
MSCI moves Indonesia out of Emerging Markets by 30-Jun-27	Likely	Judgement	Jun-27	MSCI
BI rolls over its 2027 Indo GB maturities through a debt switch	Likely	Judgement	Dec-27	MoF (DJPPR), BI
Pertalite price unchanged through 2027	Likely	Judgement	Dec-27	Pertamina
BI Rate at or above 6.50% at end-2027	Likely	Judgement	Dec-27	BI
Fed upper bound reaches 4.75% by Jun-27	67%	Model, market pricing and history	Jun-27	Federal Reserve
Indo GB 10Y above 8.50% at end-2027	Likely	Judgement	Dec-27	Bloomberg (GIDN10YR)
CPI December 2027 inside BI's 1.5–3.5% target	70%	Model and base rate	Jan-28	Statistics Indonesia
GDP growth in 2027 between 5.0% and 5.5%	Likely	Judgement and base rate	Feb-28	Statistics Indonesia
Current account deficit wider in 2027 than in 2026	65%	Model (Monte Carlo)	Feb-28	BI
Foreign holdings of SRBI lower at end-2027 than end-2026	65%	Model (Monte Carlo)	Jan-28	BI
At least one agency downgrades Indonesia by one notch	More likely than not	Judgement and rating model	Dec-27	Fitch, Moody's, S&P
Fed upper bound reaches 5.00% by Dec-27	50%	Model and market pricing	Dec-27	Federal Reserve
IEU-CEPA in force on 1-Jan-27	Possible	Judgement	Jan-27	European Commission
Current account deficit above 2.5% of GDP	24%	Model (Monte Carlo)	Feb-28	BI
Current account deficit above 3.0% of GDP	11%	Model (Monte Carlo)	Feb-28	BI
Indonesia loses investment grade with any agency	Very unlikely	Judgement and rating model	Dec-27	Fitch, Moody's, S&P

Source: Mirae Asset Sekuritas Indonesia Research, as of 23-Nov-26. Numbers come from models; words are our judgement, on this scale: very likely, above 85%; likely, 65–85%; more likely than not, 50–65%; possible, 25–50%; unlikely, 10–25%; very unlikely, below 10%. We will score these calls in our 2028 outlook.

Annex. Methods and Additional Exhibits

How we estimate the current account and the financing gap

We simulate the 2027 current account and balance of payments 200,000 times. The drivers are export commodity prices, anchored to the World Bank's October 2026 forecasts; partner demand, estimated from Indonesia's main export markets; oil prices, lifting and biodiesel blending; imports, which respond to investment, exports and the Rupiah; and an investor-confidence factor that moves SRBI, Rupiah bonds and residents' deposits together. The drivers are correlated, so a commodity shock and a confidence shock can arrive together. A one-notch sovereign downgrade enters as a shock to the confidence factor, correlated with the MSCI decision. The financing gap is measured before reserves, official borrowing and the Rupiah adjust, which is why it is larger than the outflows we expect to see in the data.

How we estimate the Fed path

We combine three independent views of whether the Fed reaches 4.75%: market pricing from OIS and futures, the share of past Fed tightening cycles since 1988 that went at least this far, and a simulation of an inertial policy rule. The rule sets the policy rate from the real neutral rate, inflation and the unemployment gap, with uncertainty in each, and moves the actual rate gradually towards it. Each view gives a probability; we average them.

How we estimate the deficit and Indo GB yields

Our fiscal model rebuilds the 2027 budget line by line on our macro assumptions: revenue by tax base, energy subsidies and compensation from the economics of each litre of fuel, revenue sharing and interest. It reports three measures: the deficit on a full-cost basis, fiscal pressure after refunds and underspending, and the reported deficit after compensation deferred to 2028. Indo GB supply follows the budget's financing plan; demand comes from banks' liquidity, non-bank residents, BI and foreign investors. The yield is set by the spread needed to attract foreign demand above its normal level, plus a risk premium. The supply-yield elasticity is an assumption, so we show sensitivities rather than a single number.

How we estimate rating probabilities

Base rates come from the agencies: about 63% of Fitch's sovereign negative outlooks have historically ended in a downgrade, and S&P defines a negative outlook as at least a one-in-three chance over one to two years. Moody's usually acts 12–18 months after an outlook change; we assume a base rate of 45%. We adjust Fitch down because the 2026 deficit is no worse than it forecast, and Moody's up because of its July comments. For each agency, 80% of the probability is placed at its likely decision windows (Fitch's March review, a possible 2H27 review and a lower weight on an interim December review; Moody's February–August 2027; S&P July 2027) and 20% is spread evenly as off-cycle risk. Allowing for the fact that the agencies react to the same news, the model puts at least one cut by end-2027 above an even chance, within a wide range. These are published aggregates, not a transition matrix for BBB-rated emerging markets, and the timing weights are judgements.

How we estimate the effect of IEU-CEPA

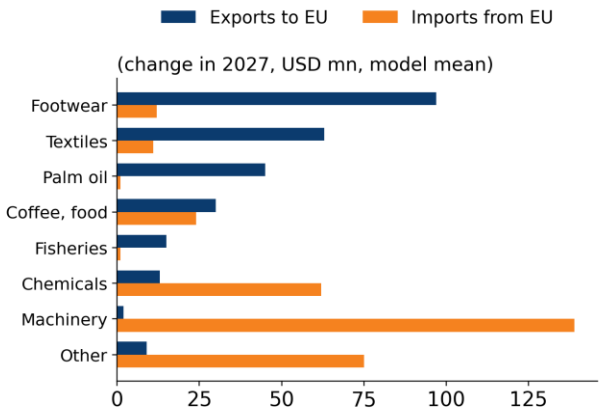
We split Indonesia's trade with the EU into 14 product groups and apply the change in tariffs on each side: the end of EU GSP preferences, EU MFN or agreement rates, and Indonesia's own tariff cuts, including the five-year phase-out of its car tariff. Trade responds to tariffs through elasticities, ramps up over five years and depends on how much exporters use the preferences. The date of entry into force is uncertain, so we simulate it too.

Table 20. Sovereign downgrades in other countries: how much was already priced

Case	Trigger	From outlook to action	Market reaction	What it means for Indonesia
India 2020 (Moody's to Baa3)	Weak policy effectiveness	About 7 months	Little; already expected	Closest analogue: one notch, still investment grade
Brazil 2015 (S&P to sub-IG)	Cabinet cohesion, fiscal slippage	About 6 weeks	Largely in CDS already	A downgrade can come faster than expected
South Africa 2017 (S&P, Fitch to sub-IG)	Finance Minister replaced	Unscheduled review	10Y yield up about 50bp in a day; exit from IG indices	The real damage comes when IG is lost
Colombia 2021 (S&P, Fitch to sub-IG)	Failed tax reform	Under a month after an affirmation	Peso down 0.8%, stocks down 2%; second cut calm	The first agency to move matters most

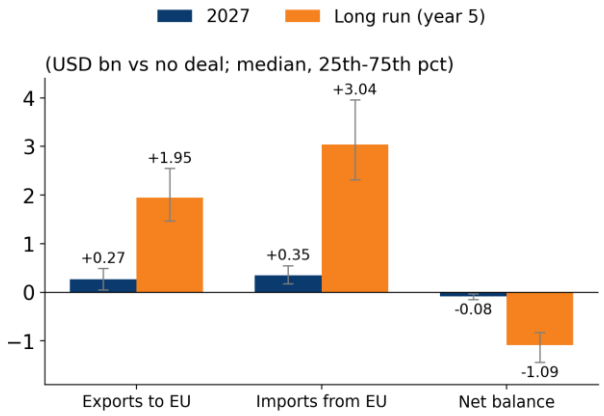
Source: Moody's, S&P, Fitch, Bloomberg, Mirae Asset Sekuritas Indonesia Research.

Figure 55. IEU-CEPA: 2027 trade effects by product group



Source: Statistics Indonesia, European Commission, Mirae Asset Sekuritas Indonesia Research estimates.

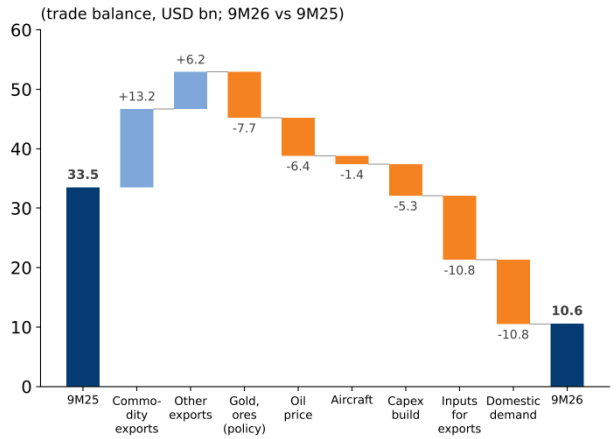
Figure 56. IEU-CEPA: 2027 versus the long run



Source: Mirae Asset Sekuritas Indonesia Research estimates (Monte Carlo, 50,000 draws). Long run = year 5 after entry into force.

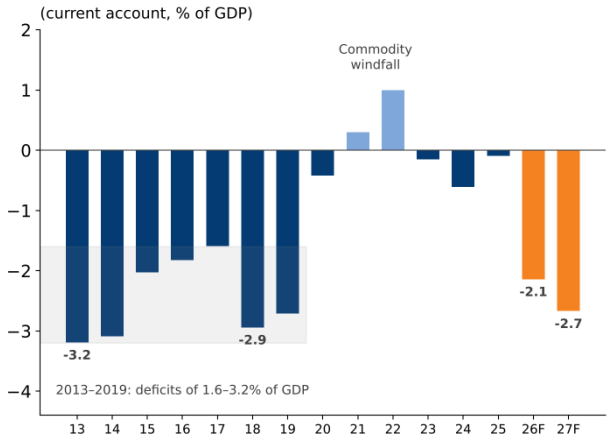
Additional exhibits: external balance

Figure 57. What cut the trade surplus in 9M26



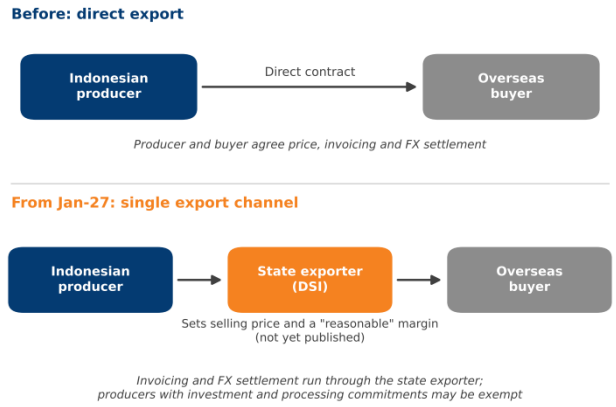
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates. Oil price effect and grouping by economic use are MASI estimates; components sum to the USD22.9bn decline

Figure 58. Current account since 2013



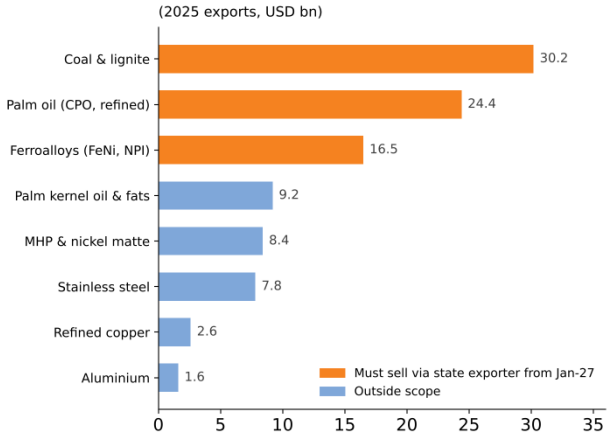
Source: Statistics Indonesia, BI, Mirae Asset Sekuritas Indonesia Research estimates. 2026F–2027F: MASI base case

Figure 59. How the single export channel changes the transaction



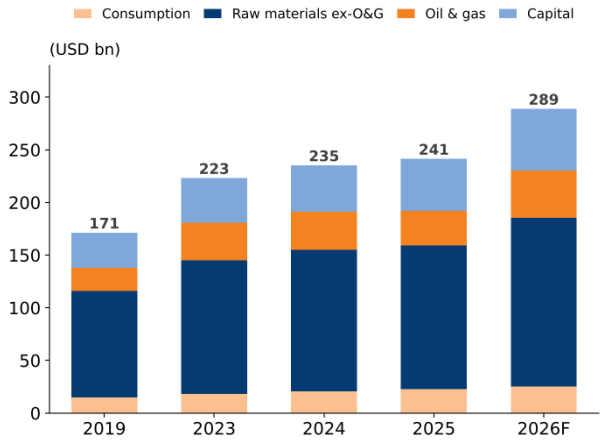
Source: PP 24/2026, Mirae Asset Sekuritas Indonesia Research. Conceptual illustration; subject to exemptions and implementing rules

Figure 60. Nearly a quarter of exports falls under the single export channel



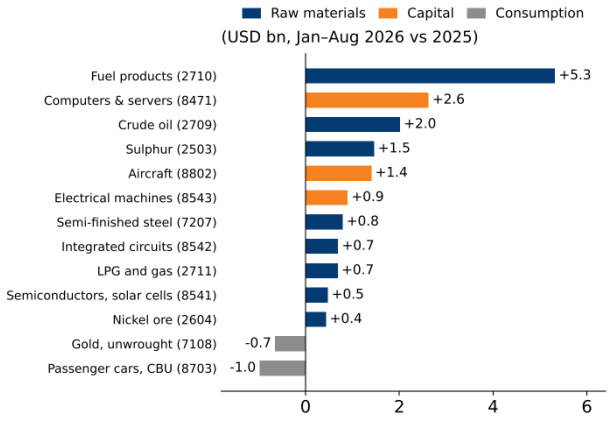
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research. 2025 exports by HS code, indicative: in-scope lines total USD71bn on Statistics Indonesia data vs. the government's USD66.1bn (23.4% of exports); coverage to be confirmed against implementing rules

Figure 61. Imports by use



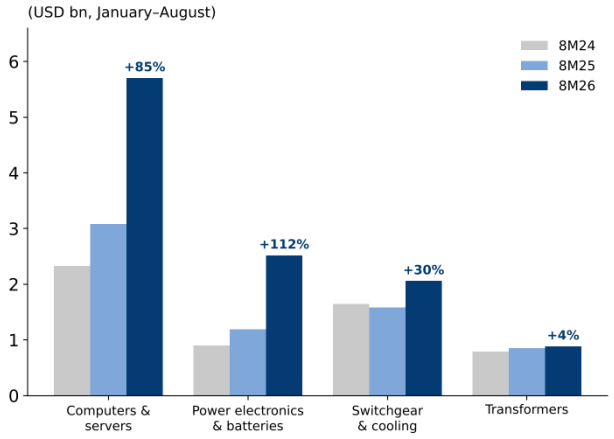
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research estimates (split by use before 2025)

Figure 62. Largest changes in imports by commodity, 8M26



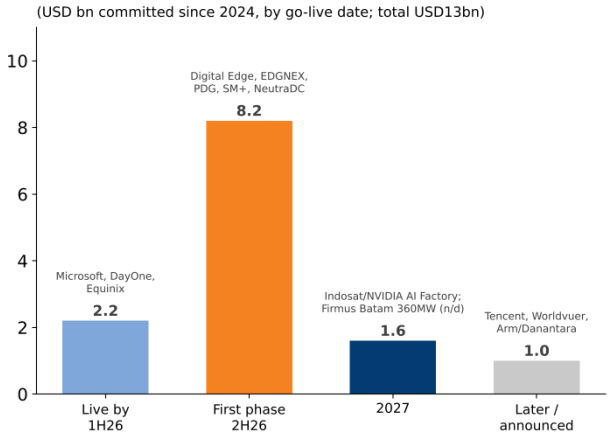
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research

Figure 63. Servers and power equipment surge; transformers do not



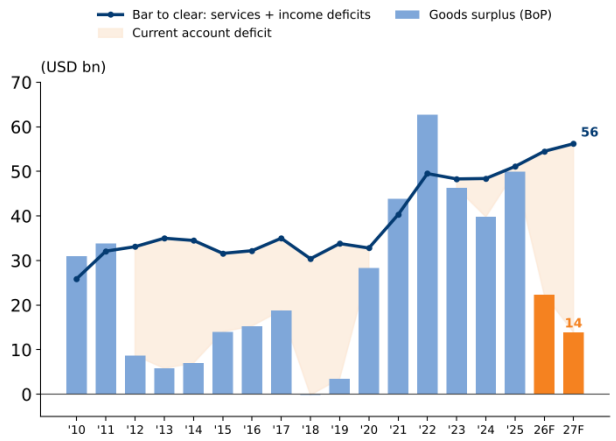
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research. HS8471; HS8543 and 8507; HS8536 and 8414; HS8504. Not all of these imports go to data centres.

Figure 64. Most data-centre investment goes live in 2H26



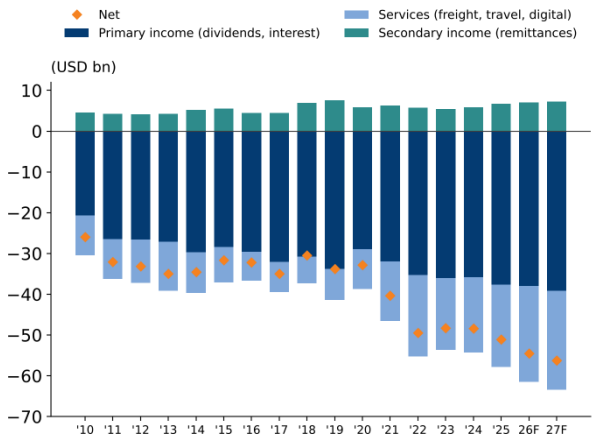
Source: Company data, Mirae Asset Sekuritas Indonesia Research (Data Centers & AI, 17 September 2026). First-phase timing; n/d = not disclosed.

Figure 65. The goods surplus no longer clears the bar



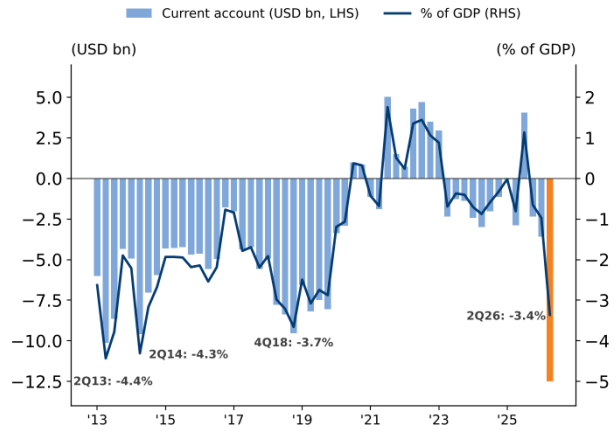
Source: BI, Mirae Asset Sekuritas Indonesia Research estimates. Bar = services, primary and secondary income deficits combined.

Figure 66. The bar keeps rising: dividends, interest and services



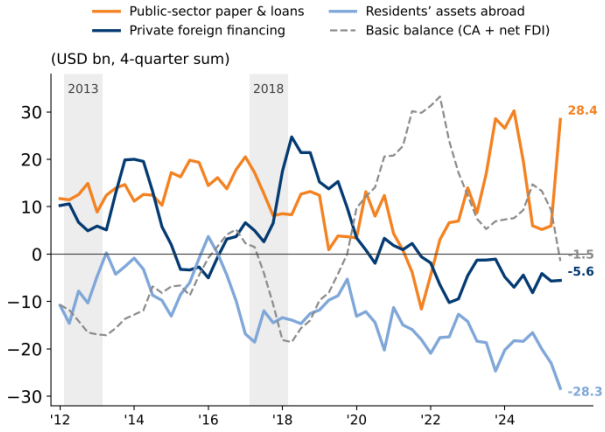
Source: BI, Mirae Asset Sekuritas Indonesia Research estimates.

Figure 67. Current account: a record in Dollars, not in % of GDP



Source: BI, Mirae Asset Sekuritas Indonesia Research. % of GDP uses four-quarter rolling GDP; 2013–2016 quarters use annual GDP

Figure 68. Public paper in, private money out (4-quarter sums)



Source: BI, Mirae Asset Sekuritas Indonesia Research. Shaded: 2013 and 2018. residents' assets abroad = portfolio and other investment assets.

Table 21. Where the main investment projects stand in 2027

Project	Stage in 2027	Main import channel	Net effect on the trade balance
Data centres (Cikarang, Batam)	First phases running; Batam 360MW and 200MW AI factory under way	Servers, power electronics, cooling	Adds to imports
Aluminium (Mempawah smelter, refinery II)	Construction; power plant due 2028	Machinery, electrical equipment	Adds to imports; phase 1 already cuts alumina imports
Nickel HPAL and battery materials	Operating and expanding	Sulphur, sulphuric acid, ore, coal	Adds recurring inputs; exports rise with it
Chlor-alkali (TPIA)	Start-up due 1Q27	Final equipment only	Cuts caustic soda and EDC imports
Power grid (PLN)	Lagging demand	Transformers, cable, switchgear	Small in 2027; larger from 2028

Source: Investment Ministry, Danantara, company data, Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research. Qualitative assessment; not added to the forecast.

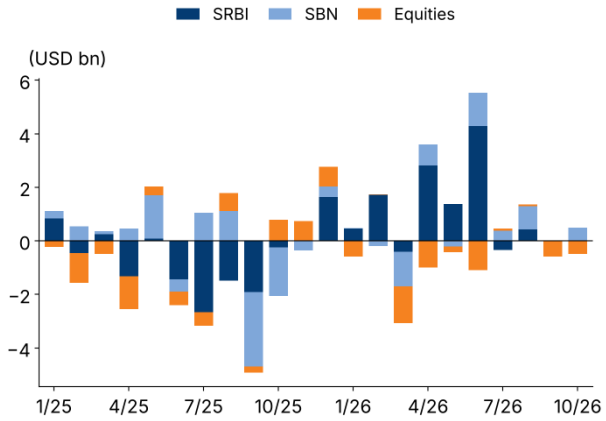
Table 22. Why years of trade surpluses still left a financing need (USD bn)

	2023	2024	2025
Trade balance (Statistics Indonesia)	36.4	31.3	41.1
Goods balance (BoP)	46.3	39.8	49.9
Services	(17.7)	(18.5)	(20.2)
Primary income (dividends, interest)	(36.0)	(35.8)	(37.6)
Secondary income (remittances)	5.4	5.9	6.7
Current account	(2.0)	(8.6)	(1.3)
Residents' assets abroad	(14.2)	(20.2)	(20.0)
Net inflows from non-residents and other items	22.5	36.0	13.5
Overall balance	6.3	7.2	(7.8)

Source: Statistics Indonesia, BI, Mirae Asset Sekuritas Indonesia Research. Residents' assets abroad = portfolio and other investment assets. Net inflows include FDI, portfolio and loan liabilities, derivatives, capital account and errors and omissions.

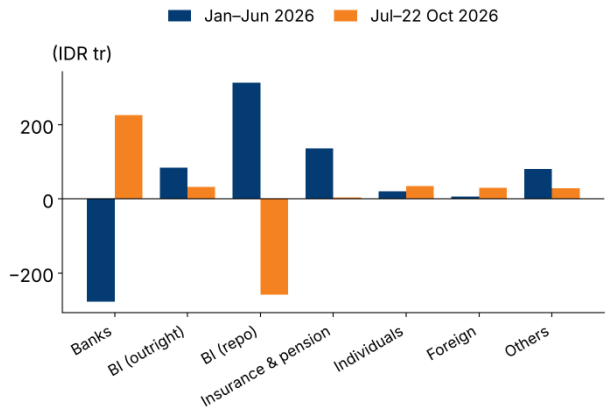
Additional exhibits: monetary policy, inflation, growth and policy

Figure 69. Foreign portfolio flows by asset



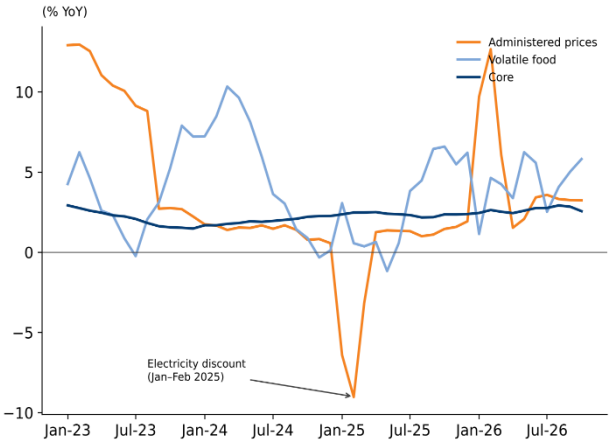
Source: BI, MoF (DJPPR), IDX, Mirae Asset Sekuritas Indonesia Research. SRBI to Aug-26; equities to 19-Oct-26; Indo GB to 22-Oct-26

Figure 70. Change in Indo GB holdings by investor, 2026



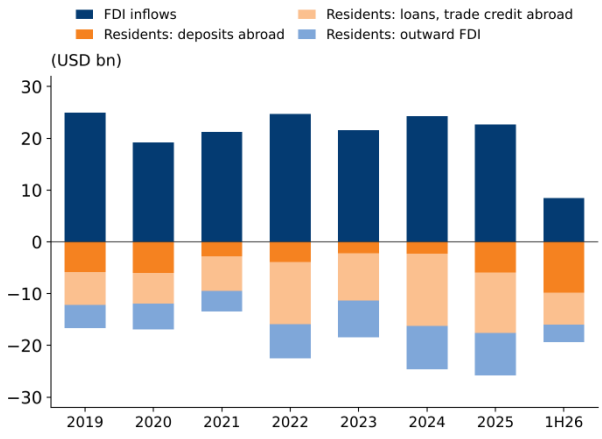
Source: MoF (DJPPR), Mirae Asset Sekuritas Indonesia Research. BI (repo) = Indo GB held by BI in monetary operations with banks

Figure 71. Administered and food prices drove 2026



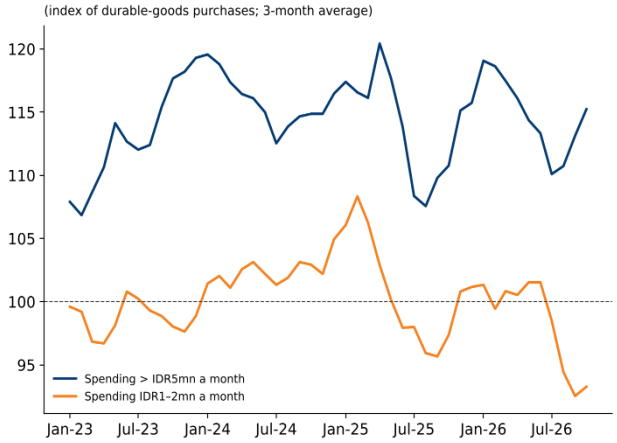
Source: Statistics Indonesia, Mirae Asset Sekuritas Indonesia Research.

Figure 72. FDI inflows and residents' assets abroad



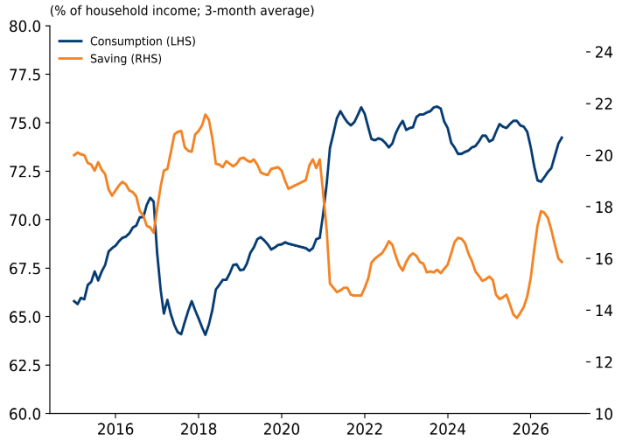
Source: BI, Mirae Asset Sekuritas Indonesia Research

Figure 73. Only higher-income households plan bigger purchases



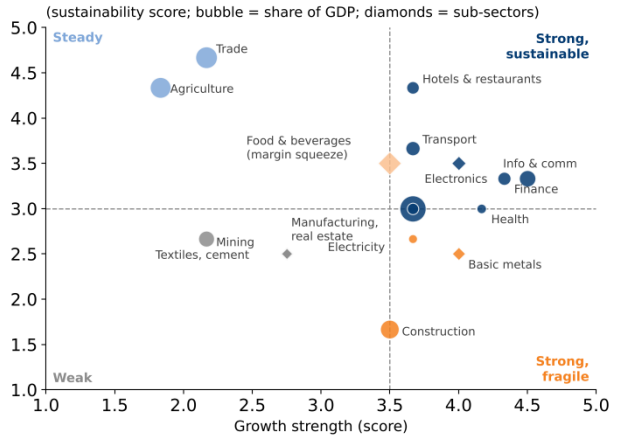
Source: Bank Indonesia (Consumer Survey), Mirae Asset Sekuritas Indonesia Research. 3-month average.

Figure 74. Households spend more of their income and save less than in 2019



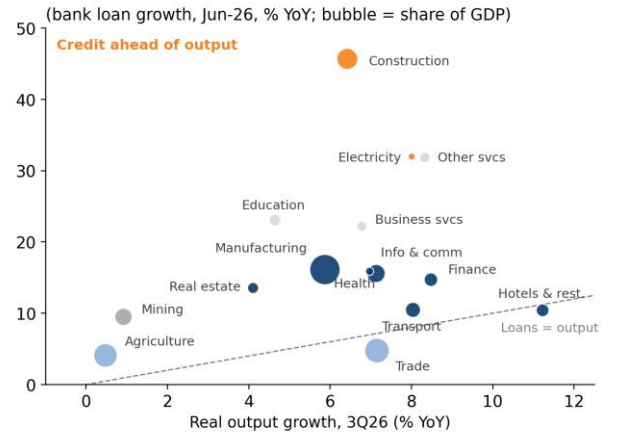
Source: Bank Indonesia (Consumer Survey), Mirae Asset Sekuritas Indonesia Research. 3-month average.

Figure 75. Sector scorecard: strength vs. sustainability



Source: Statistics Indonesia, BI, Investment Ministry, Mirae Asset Sekuritas Indonesia Research estimates. Scores 1–5; see Table 16

Figure 76. Credit runs ahead of output in the fragile sectors



Source: Statistics Indonesia, BI, Mirae Asset Sekuritas Indonesia Research. Loan growth is nominal (Jun-26); output growth is real (3Q26). Colours follow the scorecard.

Table 23. Policy uncertainty: four themes and their market channels

Theme	Recent development	Market channel	What would narrow the premium
Fiscal credibility	Moody's (Feb-26) and Fitch (Mar-26) outlooks negative; deficit near 3%	Indo GB yields, CDS	2027 deficit below 3% without ad hoc cuts
State intervention	Danantara (Feb-25); DSI export regime (transition Jun-26, full Jan-27); export proceeds rules changed four times in 2026	Export margins, FX proceeds, FDI	Clear and stable DSI and export proceeds rules
Capital market governance	MSCI freeze (Jan-26); decision due by Jun-27	Equity flows, risk premium, Rupiah	Free-float reforms that MSCI accepts
Institutional predictability	Finance Minister replaced twice (Sep-25, Sep-26); wider BI mandate	Rupiah, BI policy room	Stable fiscal and monetary rules

Source: Moody's, Fitch, MSCI, MoF, Mirae Asset Sekuritas Indonesia Research

Appendix 1

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