December 2024

Macro Outlook 2025

Embarking On A New Chapter

Country
INDONESIA

Country Rating	(LTFLC)
S & P	BBB/Stable
Moody's	Baa2/Stable
Fitch	BBB/Stable

In 2025, Indonesia faces a dynamic landscape shaped by Trump's return to the US presidency and China's economic struggles, both of which could disrupt global markets and emerging economies. Domestically, the government's focus on energy and food security, alongside proactive fiscal spending, will be critical in sustaining economic momentum, attracting capital inflows, and building resilience. Amid anticipated global monetary easing, Indonesia's ability to balance external pressures with targeted investments in key sectors will drive stability. INDOGB yields are projected at 6.1%–6.6%, supported by rate cuts and favorable policies, signaling cautious optimism despite global uncertainties.

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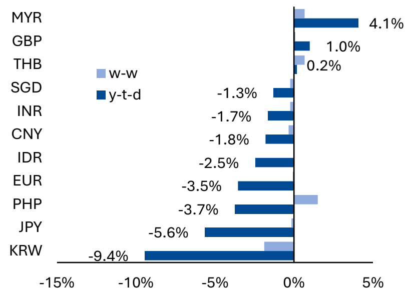
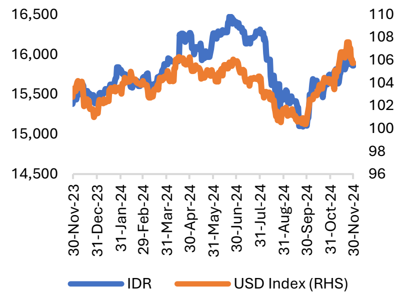
YTD Currency Performance (%)



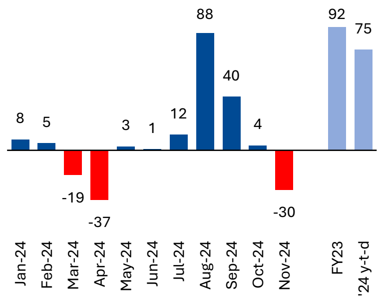
Source: Bloomberg

IDR vs DXY



Source: Bloomberg

Capital Inflow/Outflow EQY & FI (IDR tn)



Source: Bloomberg

2024: A Year Defined by Volatility. In 2024, Indonesia's capital flows were highly volatile, driven by global monetary policy shifts, geopolitical tensions, and domestic challenges. Inflows turned negative in 1Q24, mainly due to declining bond foreign inflows as rising global rate uncertainty and geopolitical risks dampened investor appetite. A strong rebound in 2Q24, peaking in May, was led by SRBI inflows supported by attractive yields and improved sentiment, with moderate bond inflows and marginal equity market contributions. From June to August, inflows moderated but stayed positive, with bond market providing stability amid clearer global monetary signals. However, 4Q24 saw inflows drop sharply, turning negative in October and November amid escalating geopolitical tensions, US election and higher uncertainty on US rate cuts outlook. Weak domestic growth and a stronger US dollar also eroded investor confidence. These trends highlight Indonesia's sensitivity to external risks and a lack of strong domestic drivers.

2025: Navigating Risks in an Easing Cycle As 2025 unfolds amidst shifting global dynamics, two major narratives are poised to dominate: Donald Trump's return to the US presidency (Trump 2.0) and China's persistent economic struggles. These developments are expected to have far-reaching effects, influencing global markets and creating ripple effects for emerging economies. For Indonesia, navigating these global headwinds will require robust and proactive fiscal policies. The government's ability to maintain economic momentum through targeted fiscal spending will be crucial in fostering investor confidence and attracting capital inflows. With global monetary policy likely to ease further, Indonesia's response in managing domestic growth drivers and leveraging external conditions will determine its resilience in 2025. These factors will play a pivotal role in shaping the nation's economic trajectory and its integration into a changing global landscape.

Fortifying Domestic Resilience as a Foundation for Future Growth. In an era of heightened global volatility and uncertainty, strengthening domestic resilience is crucial for long-term stability and progress. Acknowledging this, the new government has placed energy and food security at the forefront of its policy agenda. These initiatives aim to safeguard the economy against external shocks while establishing a solid foundation for sustainable growth. Fiscal policy is expected to play a pivotal role in driving Indonesia's economic performance in 2025, marking the beginning of the country's journey toward its ambitious target of 8% economic growth by 2029. Achieving this goal will require targeted investments and carefully crafted initiatives to enhance key sectors such as infrastructure, agriculture, and renewable energy. These efforts not only aim to fortify economic stability but also position Indonesia as a more self-reliant and competitive player in the global economy, laying the groundwork for a resilient and prosperous outlook.

Gradual Easing Cycle Fosters Lower Yields. In 2025, yield trends will be shaped by global and domestic factors. Trump's policy directions could push US Treasury yields higher, while China's stimulus efforts may draw capital away from INDOGB. Despite these headwinds, anticipated rate cuts by the Federal Reserve and Bank Indonesia, along with a pro-market stance by the Indonesian government, are expected to bolster the capital market and enhance INDOGB's appeal. We project INDOGB yields to range between 6.1% and 6.6%, with a baseline of 6.23%, below the government's 7.0% assumption. This outlook reflects stability driven by supportive monetary policies and resilient domestic market conditions, even amid global uncertainties.

2024: A Year Defined by Volatility

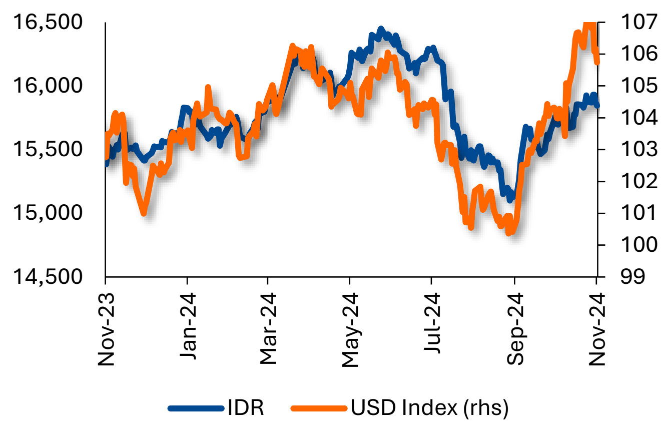
The year 2024 emerged as one of the most volatile periods in capital markets outside of a recession, fueled by heightened global expectations for monetary easing. Indonesia's market, particularly government bonds, was significantly influenced by global sentiment, even as foreign ownership hit a record low.

In the first half of the year, inflationary risks stemming from escalating geopolitical tensions reshaped rate cut expectations. This drove the 10-year US Treasury yield (UST) up by 30 basis points to 4.18%, while the yield on Indonesian government bonds (INDOGB) rose by 24 basis points to 6.72%.

Geopolitical tensions intensified further in the second quarter, pushing the 10-year UST and SBN yields higher to 4.69% and 7.25%, respectively. SBN yields remained elevated through the end of the second quarter as global central banks-initiated rate cuts more aggressively than the Federal Reserve, contributing to a stronger US dollar.

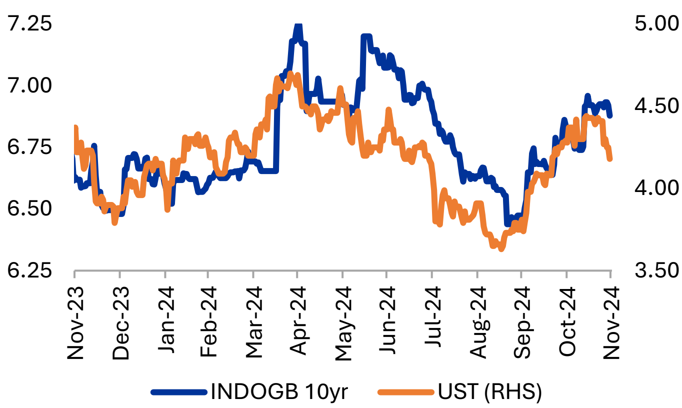
At the beginning of the 2H24, yields started to decline as the Federal Reserve provided clearer guidance on its rate-cut timeline. The 10-year UST yield and INDOGB yield dropped by 85 basis points and 69 basis points, respectively, reaching 3.63% and 6.44%. The market had just begun pricing in larger rate cuts when this trend reversed due to the return of reflation risk, mainly underpinned by renewed tensions in the Middle East. The situation was further exacerbated by Trump's election victory, which heightened inflationary concerns. As a result, yields have climbed back to around 4.4% for the UST and 6.9% for the SBN.

Exhibit 1. IDR vs DXY in 2024



Source: Bloomberg

Exhibit 2. UST vs. INDOGB in 2024



Source: Bloomberg

The Indonesian rupiah (IDR) experienced significant volatility throughout 2024, peaking near IDR16,500 in mid-year before strengthening to IDR15,100 by late September, only to weaken again to IDR15,900 by year-end. This movement closely aligns with our pessimistic scenario for 2024, driven by the prevailing BI rate and a lack of domestic catalysts to attract substantial foreign inflows.

In 2024, Bank Indonesia also actively intervened to maintain market stability, including significant purchases of Indonesian Government Bonds (INDOGB), which played a crucial role in mitigating excessive market fluctuations and stabilizing the currency.

Exhibit 3. Outstanding Ownership - IDR Tn

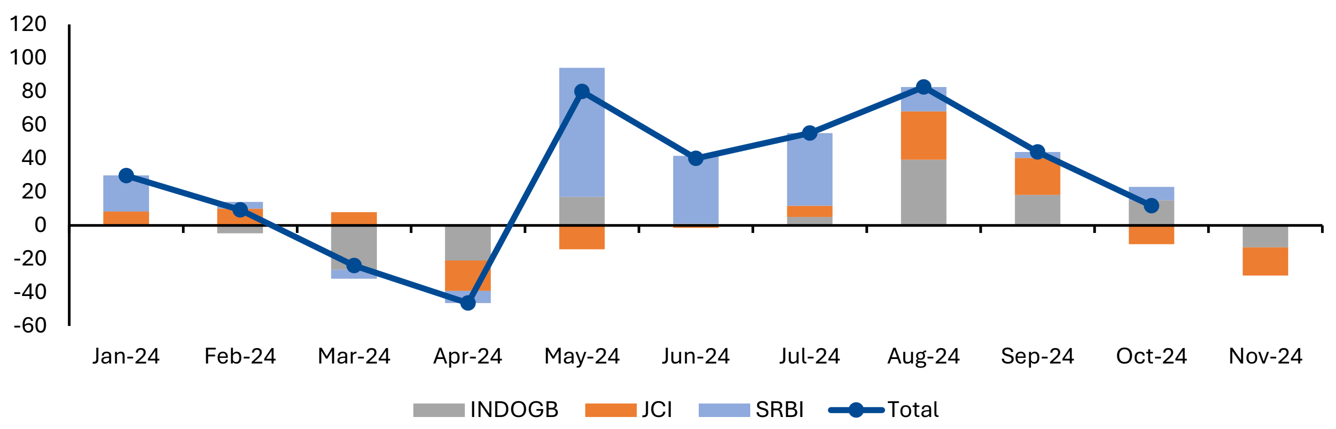
Investors Type	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	FY 2023	YTD 2024
Banking	1,513.6	1,562.9	1,478.3	1,413.9	1,407.1	1,318.6	1,280.6	1,190.9	1,129.1	1,156.2	1,154.7	1,135.3	(74.8)	(387.3)
Bank Indonesia	1,077.5	1,068.2	1,200.1	1,218.4	1,224.0	1,277.5	1,338.6	1,411.4	1,494.3	1,481.6	1,459.2	1,519.4	(44.3)	447.0
Foreign Investor	842.6	841.9	837.1	810.7	789.9	807.0	808.1	813.1	852.3	870.6	885.6	872.5	86.9	30.8
Insurance & Pension Fund	1,041.4	1,053.6	1,059.8	1,061.3	1,076.3	1,089.2	1,103.5	1,108.1	1,111.0	1,105.9	1,118.6	1,136.0	169.3	94.4
Mutual Fund	177.4	178.0	180.3	178.4	178.3	176.7	179.2	180.7	185.7	187.4	188.3	189.0	32.7	11.4
Individual	435.1	440.7	457.8	453.8	483.0	490.0	498.1	505.8	508.0	517.2	530.8	535.9	91.4	101.4
Others	551.9	559.5	570.9	573.3	578.2	583.1	594.0	598.5	601.2	603.3	611.5	614.9	86.0	62.5

Source: Ministry of Finance

During the 1Q24, total inflows experienced a significant decline, turning negative in March. This drop was primarily driven by a sharp reduction in INDOGB inflows, while outflow in JCI and SRBI made only minor contributions. In the 2Q24, total inflows rebounded sharply, peaking in May, largely due to a surge in SRBI inflows, supported by moderate contributions from INDOGB. During this period, inflow to JCI's remained marginal. Between June and August, inflows moderated but stayed positive, with INDOGB emerging as the dominant contributor, while SRBI and JCI provided smaller yet steady inflows. However, the trend shifted in the last quarter of the year, as total inflows sharply declined in September and turned negative in October and November. This reversal was driven by weakening INDOGB inflows, while SRBI inflows also turned minimal or negative. JCI inflows slightly dipped into negative territory toward the end of the period, exacerbating the overall outflows.

These fluctuations underscore the volatility in capital flows to Indonesia throughout 2024, shaped by external and domestic challenges. Foreign flow into INDOGB played a stabilizing role during certain periods, reflecting its attractiveness to investors amid uncertainty, although the broader trend points to the market's sensitivity to geopolitical risks and a lack of convincing domestic catalysts.

Exhibit 4. Foreign Flow (IDR tn)



Sources: Ministry of Finance, BI, Bloomberg, BRIDS Economic and Debt Research

Throughout 2024, our weekly thematic research focused on anticipating persistent market risk dynamics and achieved several significant milestones. These included the timely identification of the yen carry trade unwind, which triggered a major global market collapse in early August. We also accurately forecasted the start of Bank Indonesia's rate cut cycle in September and highlighted critical market risks tied to a potential Trump victory and a Republican sweep well ahead of the election.

2025: Navigating Risk in An Easing Cycle

As we enter 2025, a year defined by shifting global dynamics, our outlook report delves into the anticipated challenges and opportunities ahead. In our view, two dominant narratives are expected to shape the year: Donald Trump's return to the presidency (Trump 2.0) and China's ongoing economic struggles. These developments will likely have wide-ranging implications, not only globally but also for emerging markets like Indonesia. Proactive fiscal spending by the new government will be essential to sustaining Indonesia's economic growth, a critical factor in attracting greater capital inflows.

Trump's return to the White House is expected to mirror aspects of his previous term, with social media likely serving as a critical indicator of policy direction, especially regarding trade and tariffs. A key focus will be the extent to which tariffs are employed under current macroeconomic conditions. These measures could have far-reaching effects, particularly for China, whose already struggling economy faces weakening domestic consumption and slowing exports. The added pressure from a more aggressive US trade policy under Trump's administration could exacerbate China's economic challenges.

For Indonesia, these global developments pose significant risks. The potential for heightened IDR volatility and rising borrowing costs driven by increased debt issuance, which could complicate Bank Indonesia's rate decisions. As monetary policy grapples with these external pressures, fiscal policy is expected to take center stage in supporting domestic economic growth. A proactive approach to fiscal spending under the new government will likely be critical in mitigating the impact of external shocks and driving the country's economic momentum forward.

The outlook for the debt market remains positive. We project an increase in government debt issuance in 2025, with biweekly issuance targets set higher than in 2024. Corporate debt issuance is also expected to rise, though it will still be below the total maturing debt for the year. This will help absorb bond supply, even in the context of modest portfolio growth (around 1%), and contribute to a decline in bond yields. We forecast the 10-year INDOGB yield to fall within the range of 6.1% to 6.6%, with a baseline of 6.23%, which is 77bps lower than the government's assumption of 7.0%.

Exhibit 5. Forecast

Indicator	2022	2023	2024F	2025F
Real GDP Growth YoY (%)	5.31	5.05	5.0 – 5.1	5.0 – 5.2
Inflation YoY (%)	5.51	2.61	2.5 - 3.5	2.5 - 3.5
BI Rate(%)	5.5	6	5.75 – 6.00	5.00 – 5.50
USDIDR (avg)	14,848	15,231	15,683 – 15,989	15,449 – 16,100
US Treasury (%)	3.88	3.88	3.80 – 4.30	3.40 – 4.10
CDS 5 yrs (bps)	104	70	60 – 85	60 – 80
IDR SUN 10Y (%) [BTMM ID]	6.94	6.48	6.44 – 6.93	6.08 – 6.64

Sources: BPS, BI, Bloomberg, BRIDS Economic and Fixed Income Research

The Trump's Policy Agenda: Balancing Trade, Tariffs, and Global Economic Ramifications

Trump's second presidency is expected to focus on three key pillars: tax cuts, tariffs, and immigration reform. While these policies aim to stimulate economic growth and address trade imbalances, they are likely to come with significant fiscal implications. Without fiscal reforms, the fiscal deficit is projected to expand by at least USD3-4tn over the next decade.

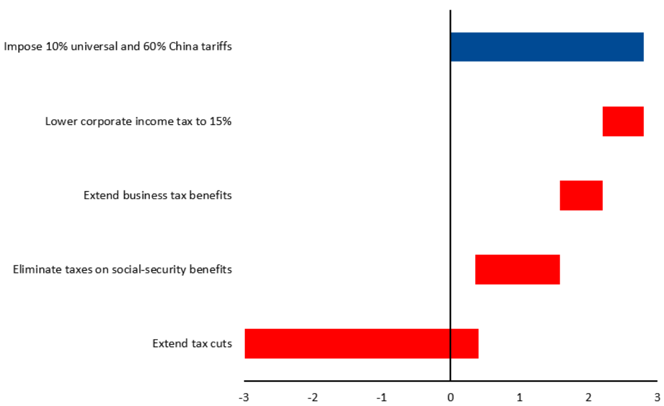
Extensive tax cuts, while boosting growth in the short term, are anticipated to result in substantial revenue losses that could outweigh the potential gains from tariffs. This imbalance would further strain the fiscal deficit, creating long-term challenges. The increased fiscal pressures, coupled with inflationary effects from tariffs and elevated growth expectations tied to tax cuts and deregulation, are likely to steepen the yield curve. Longer-term bonds could see sharper yield increases as markets adjust to these dynamics. As such, we anticipate potential balancing policies ahead to reduce negative implications, to promote more market stability.

Exhibit 6. Trump's policy focus

Policies	Description	What Research Says
Tax	Extending Income Tax Cut, Increase Tax Credit	2017 TCJA is estimated to cost fiscal revenue by USD1.9tn over ten years. It increased top executive salary, no earnings change for workers earning USD114k/year
Tariff	Universal Tariff + China	Increase cost by USD1,700/year for middle-income household
Immigrant	Mass deportation, stricter border policies	Net immigration increase US economy by USD7tn for the next decade compared to no immigration

Source: Various

Exhibit 7. Estimated deficit on Trump's policy

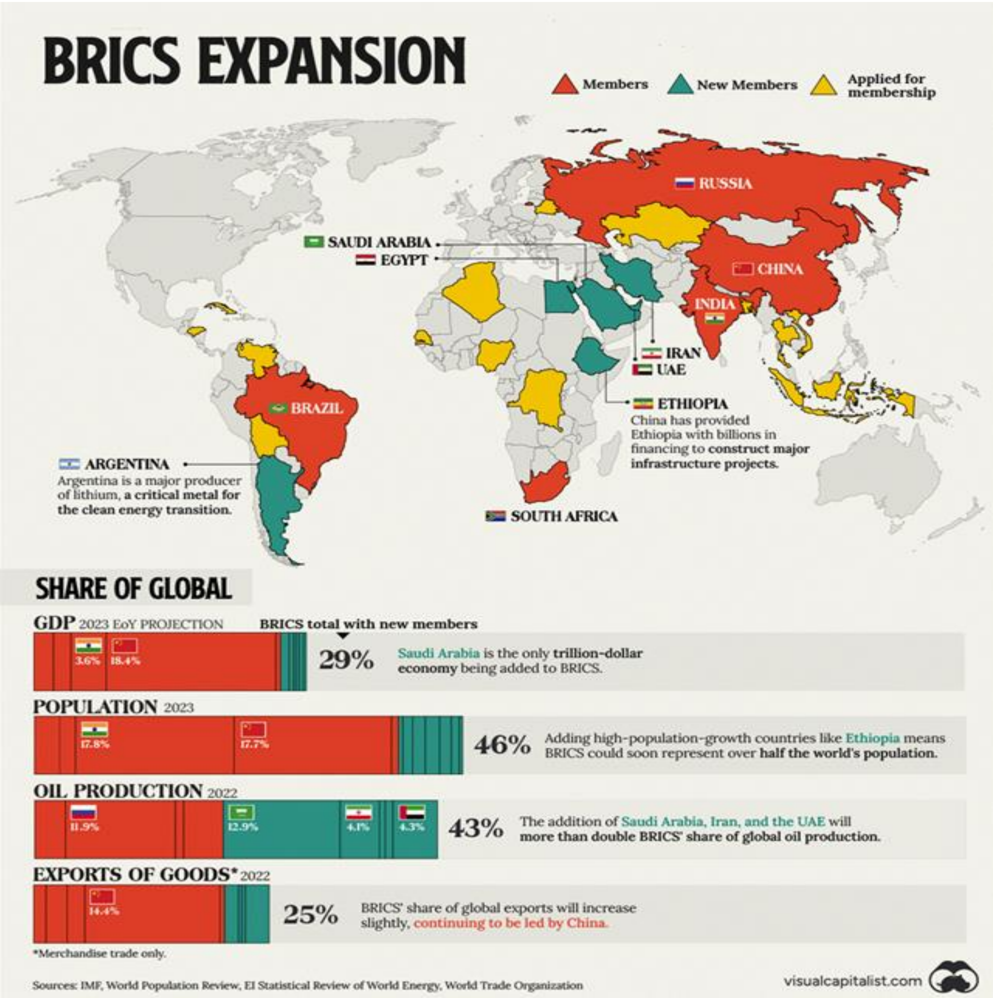


Source: Various

The timing of Trump's tariff measures will be critical in shaping his trade policy during his second term. During his first presidency, major tariffs were introduced in 2018 following a year-long study by the United States Trade Representative (USTR). These tariffs targeted various goods, including solar panels, washing machines, steel, and aluminum, which together made up 12.6% of US imports at the time.

In his second term, Trump's campaign promise of a blanket 10% tariff on all imports might be delayed until late 2025 or early 2026 to mitigate inflationary risks. However, he has signaled intentions to impose immediate tariffs on China, Mexico, and Canada, the top three sources of the US trade deficit, citing concerns such as fentanyl trafficking. Additionally, Trump has threatened BRICS nations with 100% tariffs if they pursue a single currency aimed at de-dollarizing global trade, a significant threat to global financial stability given BRICS growing presence.

Exhibit 8. BRICS Rising Presence



Sources: IMF, World Population Review, WTO

Trump's tariff strategy in his second term appears to prioritize leveraging tariffs as a negotiation tool rather than implementing broad, indiscriminate measures. However, the ultimate scope and impact of these policies will largely depend on the responses of targeted nations and the resilience of the US economy.

A historical parallel can be drawn from 2018 when China retaliated against revised US tariffs targeting USD46.3 bn of its exports. In response, China imposed tariffs on American agricultural products, prompting the US government to intervene with subsidies to support farmers. In the current context, potential retaliatory measures could be equally significant. For example, if Trump follows through on his threats against Canada and Mexico, Canada might impose tariffs on petroleum exports, which make up 52% of US petroleum imports. Meanwhile, Mexico has suggested it could target US automakers with production facilities in Mexico, affecting popular vehicles like pickup trucks, which has become a staple in Trump-supporting rural regions.

If such retaliatory actions materialize, Trump's tariff strategy risks backfiring. This could exacerbate inflationary pressures within the US and force challenging domestic economic adjustments, undermining the intended benefits of his trade policies.

Exhibit 9. US Tariff to China in 2018

Sector	2017 Trade (USDbn)	Tariff Coverage
Electronics And Electrical Machinery	146.3	58%
Machinery	109.6	63%
Textiles And Clothing	38.8	88%
Toys And Sports Equipment	25.5	18%
Metals	25.3	86%
Plastics And Rubber	19.6	79%
Footwear	17.9	54%
Transportation Equipment	15.7	94%
Chemicals	15.1	57%
Stone And Glass	10.1	75%
Wood Products	9.7	86%
Hide And Skins	7.4	100%
Prepared Foodstufs	3	99%
Animal Products	2.4	85%
Vegetable Products	1.6	98%
Mineral Prdoucts	0.5	40%
Fuel	0.4	100%
Other	54.8	75%

Source: Peterson Institute for International Economics

Exhibit 10. China Tariff Retaliation to US in 2018

	Sector	2017 Trade (USDbn)	Tariff Cov
Manufacturing	Aircraft, Engines, And Parts	17.3	1%
	Semiconductors And Equipment	13.7	7%
	Autos, Trucks, And Parts	13	0%
	Medical Products	4.9	40%
	Other Manufacturing	29.4	91%
Agriculture	Soybeans	13.9	100%
	Cotton	1	100%
	Sorghum	1	100%
	Wheat	0.4	100%
	Lobster	0.3	100%
	Pok	0.3	100%
	Corn	0.2	100%
	Other Agriculture	7.1	98%
Energy	Crude Oil	3.2	100%
	Refined Products	2.5	100%
	Liquefied Natural Gas	0.6	100%
	Coal	0.5	100%

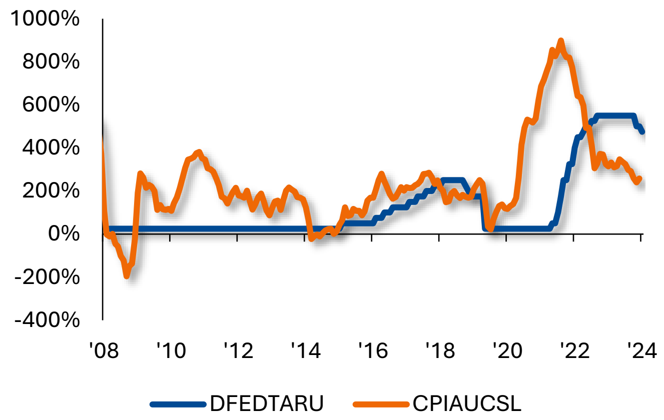
Source: Peterson Institute for International Economics

The Republican majority in the House of Representatives adds a layer of complexity to Trump's policymaking. While this majority could facilitate swift implementation of his agenda, it also holds the Republican Party accountable across most US regions for managing potential price increases on essential goods. This dynamic may create internal pressure to moderate the extension of tariffs to avoid economic fallout.

Several developments could help contribute to market stability amidst these challenges:

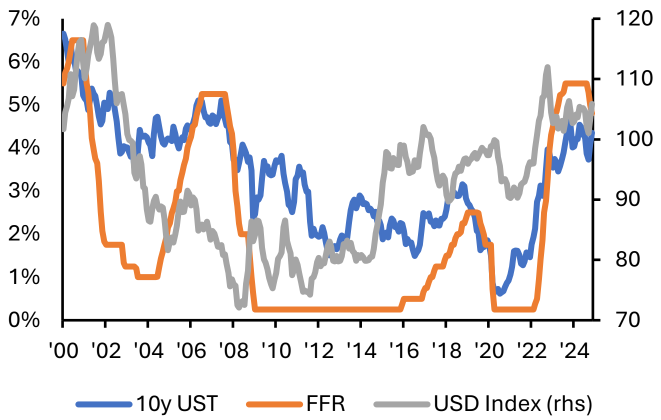
1. **Scott Bessent's Appointment.** As Treasury Secretary, Bessent's balanced approach, which includes supporting tax cuts paired with spending reductions and advocating for tariffs as strategic tools, has already reassured markets. This has been reflected in lower US Treasury (UST) yields and a weaker DXY. Trump has claimed early successes from his tariff threats, such as securing Mexico's agreement to curb migration and prompting South Africa to clarify that BRICS is not seeking to replace USD reserves.
2. **Department of Government Efficiency (DOGE) Initiative.** The DOGE initiative aims to streamline governance through deregulation and spending cuts, aligning with Trump's fiscal goals. While Trump may continue to use tariffs as leverage, he must also address the widening deficit caused by tax cuts. DOGE's success in identifying viable spending reductions will play a critical role in managing this issue.
3. **Weaker USD.** Trump's "inward-looking" economic agenda relies heavily on maintaining a weaker USD, which will require further Federal Reserve rate cuts. Successfully navigating disinflation will be essential to achieve these objectives and sustain market confidence.

Exhibit 11. US Fed Fund Rate and CPI



Source: Bloomberg

Exhibit 12. USD Index follows rate



Source: Bloomberg

What's potential risk and benefit to Indonesia?

While the prospect of a global trade war has escalated fears worldwide, we opine that Indonesia is relatively insulated from the most severe impacts of tariff imposition. This resilience stems from two primary factors: 1. Indonesia does not rank among the countries with the largest trade surpluses with the US, which reduces its exposure to targeted measures; and 2. Indonesia's key exports to the US, such as footwear, refined palm oil, and machinery components, do not directly compete with protected US industries like steel and aluminum, making them less likely to face specific tariffs.

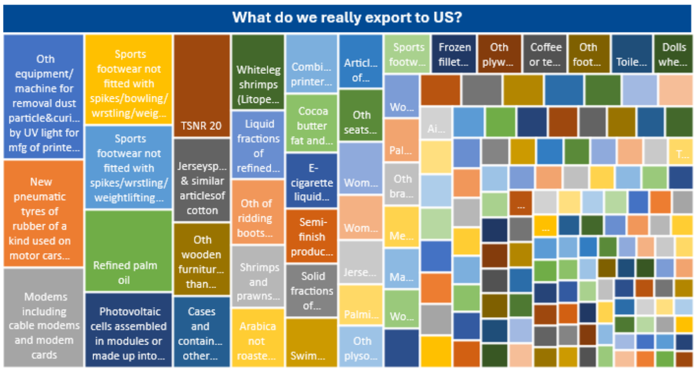
In the event of a universal 10% tariff on all imports, Indonesia would likely experience a level playing field with other countries, mitigating the relative impact of such measures. Moreover, Indonesia could seek exemptions to safeguard its exports. Beyond this, Indonesia may find opportunities to benefit from the ripple effects of trade disputes among larger economies. For example, during Trump's first term, tariffs on Chinese goods triggered substantial factory relocations to countries like Mexico and Vietnam. These countries, now at the top of the US trade surplus list, face heightened scrutiny, creating potential openings for Indonesia to enhance its market access.

As larger economies grapple with intensified trade conflicts, Indonesia is well-positioned to attract investment and expand its role in global supply chains. Proactive policies to support export-oriented industries and capitalize on shifts in global trade dynamics could further strengthen its competitive position in the evolving economic landscape.

Exhibit 13. Indonesia' Export List to US

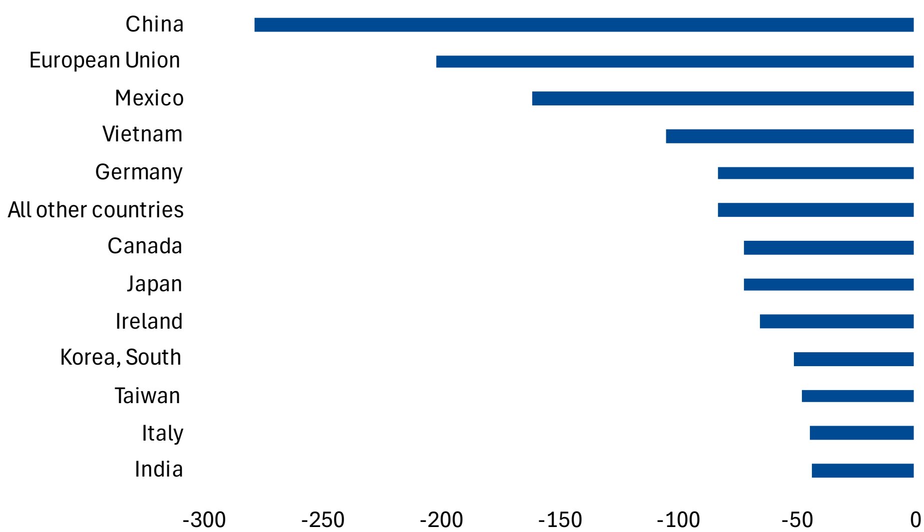
75% of Indonesia Export to US

HS Code	Products	Expor to US (USD mn)	US Share to Total Export	Total Export
85	Electrical machinery and equip	2,745	28%	9,709
61	**Articles of apparel and clothi**	1,599	61%	2,629
64	**Footwear**	1,454	33%	4,415
62	**Articles of apparel and clothi**	1,450	50%	2,876
40	Rubber and articles thereof	1,105	32%	3,482
15	Animal or vegetable fats and c	1,099	7%	16,449
94	Furniture lamps and lighting fi	886	58%	1,531
3	Fish crustaceans and mollusca	685	28%	2,472
84	Machinery and mechanical ap	680	16%	4,352
16	Preparations of meat fish crus	525	58%	906
42	**Articles of leather**	517	57%	908
44	Wood and articles of wood	440	17%	2,590
38	Miscellaneous chemical produ	306	8%	4,031
9	Coffee tea and spices	290	21%	1,402
48	Paper and paperboard; articles	272	9%	2,921
29	Organic chemicals	252	11%	2,214
95	Toys games and sports requisi	220	45%	486
24	Tobacco and cigarrete	188	13%	1,451
18	Cocoa and cocoa preparations	188	14%	1,328
72	Iron and steel	178	1%	16,587
87	Vehicles and accessories there	170	2%	7,148
71	Precious metals and jewellery,	168	3%	6,246
67	**Prepared feathers and down**	132	72%	182
73	Articles of iron or steel	124	5%	2,322
92	Musical instruments parts and	121	29%	410
76	Aluminium and articles thereo	104	12%	835
90	Optical photographic cinemato	89	16%	573
20	Preparations of vegetables frui	77	27%	283
55	Man-made staple fibres	72	6%	1,237
19	Preparations of cereals and flo	53	5%	1,016
23	Residues and waste from the f	53	4%	1,433
34	Soap and washing preparation	49	5%	955
17	Sugars and sugar confectioner	45	15%	303
88	Aircraft spacecraft and parts t	43	17%	256
68	Articles of stone cement asbes	34	27%	127
80	Tin and articles thereof	22	3%	771
65	**Headgear and parts thereof**	21	33%	64



Sources: BPS, BRIDS

Exhibit 14. The Highest Trade Deficit to US Ranks (2023 (USDbn)



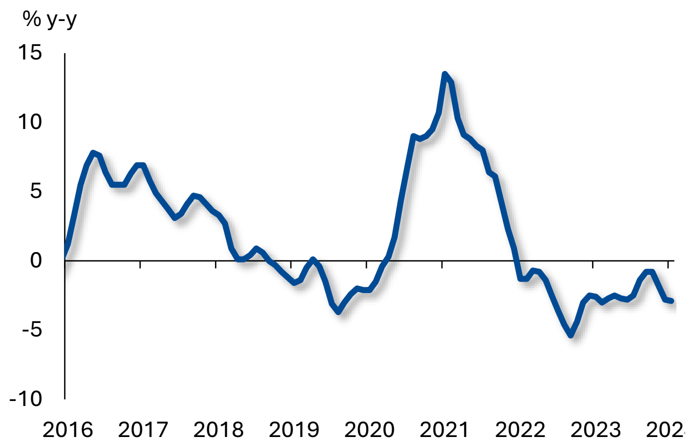
Sources: US BEA

China's Economic Challenges

China's economy continues to struggle with weak domestic consumption while remaining heavily reliant on export-driven growth. Government subsidies have predominantly focused on the supply side, leading to two consecutive years of annual producer price deflation (-2.7% year-over-year in 2023 and an average of -2.1% year-over-year from January to October 2024). This lack of robust consumer spending has pushed manufacturers to seek international markets to offload surplus production.

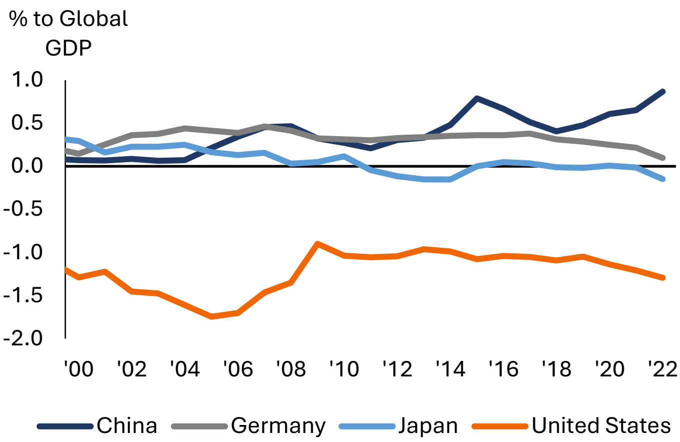
This trend is evident in the growth of China's trade surplus as a percentage of global GDP, which increased from nearly 0% in 2005 to 1% by 2022. This expansion has contributed to rising protectionist measures in other countries aimed at shielding their markets from Chinese products. These dynamics highlight the challenges China faces in balancing domestic and global economic pressures amid shifting trade relationships.

Exhibit 15. China Producer Price Index



Source: Bloomberg

Exhibit 16. China Trade Surplus



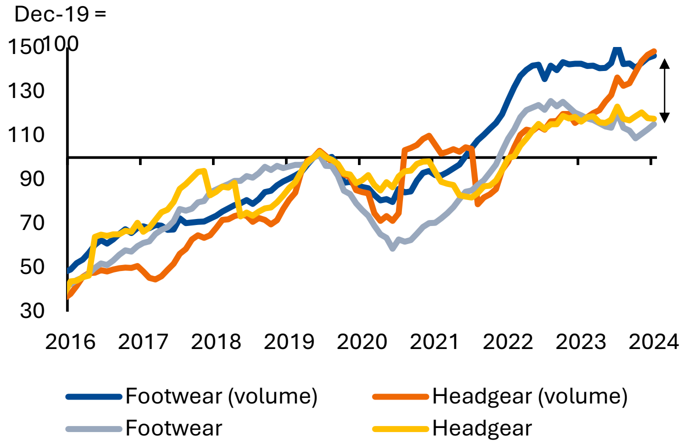
Sources: BEA

Indonesia has experienced noticeable effects from China's economic challenges, particularly in the textile sector. The price per unit of textile imports has declined relative to the total import value, reflecting an influx of cheaper imports. This trend highlights the competitive pressures Indonesia faces from China's surplus production, which has increasingly found its way into global markets, including Southeast Asia.

Despite significant fiscal and monetary stimulus measures implemented by the People's Bank of China (PBoC) since late September 2024, confidence among consumers and investors in China remains tenuous. The erosion of household wealth following the collapse of the 2022 property bubble has left a lasting impact, undermining spending power and dampening economic sentiment. This fragility in domestic demand has forced Chinese manufacturers to rely even more heavily on export markets, amplifying the competitive pressures faced by trading partners like Indonesia.

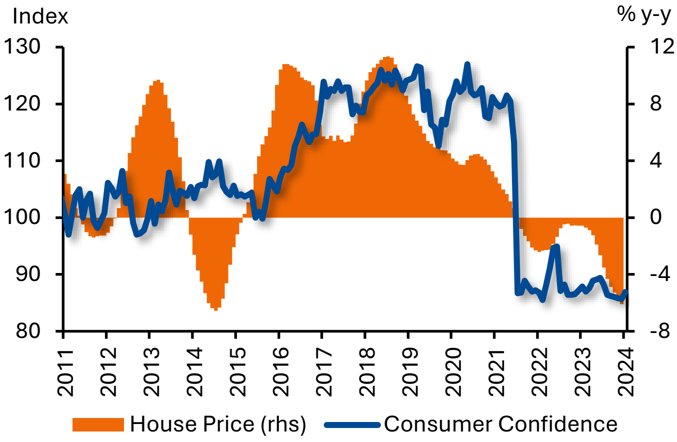
Indonesia's ability to navigate these situation will be crucial, especially through protectionism measure while strengthening local production competitiveness, diversifying export markets, and pursuing trade agreements that protect key sectors.

Exhibit 17. Declining price drove significant import volume



Source: Bloomberg

Exhibit 18. China Trade Surplus

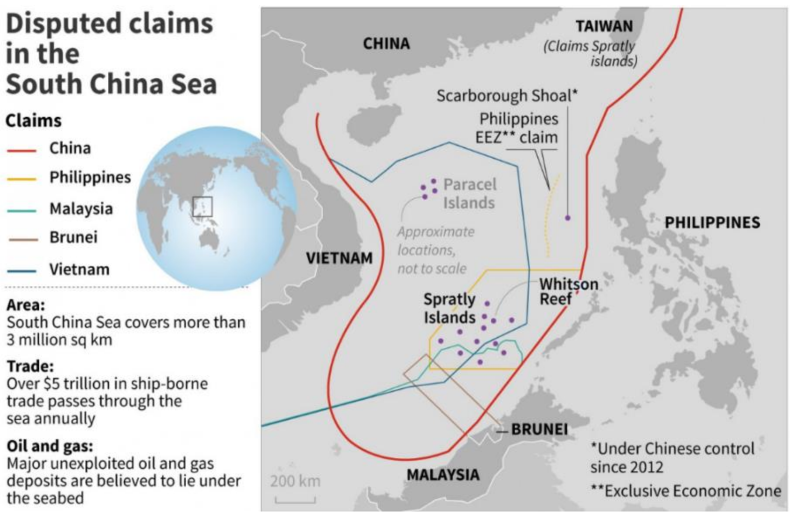


Source: Bloomberg

In 2025, Trump's tariffs are likely to place additional strain on Chinese exporters, potentially compelling the Chinese government to introduce direct stimulus measures aimed at boosting household consumption to mitigate the impact. If Trump implements an additional 60% tariff on Chinese goods, the scale of domestic stimulus needed to maintain economic growth would increase substantially. A pivot toward higher domestic demand could help absorb China's production surplus and create opportunities for countries that rely on Chinese imports, such as Indonesia, to benefit from a more balanced trade dynamic.

Trade tensions between the US and China risk escalating geopolitical instability in the South China Sea, particularly as Chinese presence grows in territories claimed by Taiwan and the Philippines, both US allies. China's "Nine-Dash Line" claims have sparked ongoing disputes in the region, heightening tensions. For Indonesia, stability in the South China Sea is vital for ensuring safe trade routes and protecting its economic interests. Escalation could disrupt shipping and trade flows, impacting Indonesia's economy. Diplomatic engagement through ASEAN will be key to maintaining regional stability and safeguarding trade.

Exhibit 19. The South China Sea



Sources: CSIS, AMTI, AFP, China Maritime Safety Administration, Harvard Asia Quarterly A

Fortifying Domestic Resilience For The Foundation Of Future Growth

In an era of heightened volatility and uncertainty, bolstering domestic resilience will be essential. Recognizing this, the new government has prioritized energy and food security as cornerstone policies. These efforts aim to shield the economy from external shocks and lay a foundation for sustainable growth. We expect fiscal policy to play a leading role in driving Indonesia's economy in 2025, setting the stage for the country's ambitious goal of achieving 8% economic growth by 2029. This first step will involve targeted investments and strategic initiatives designed to strengthen key sectors and enhance stability.

The fiscal strategy for Indonesia rests on four key pillars designed to accelerate growth, improve welfare, ensure equitable development, and maintain fiscal discipline. These pillars aim to create a balanced and sustainable framework for achieving ambitious economic goals:

1. Accelerating Economic Growth: Targeting an ambitious 8% growth rate, which, though challenging, is attainable with the right strategies.
2. Improving Welfare: Focusing on reducing poverty and elevating the overall quality of life for the population.
3. Promoting Convergence: Striving for equitable development across all regions to reduce disparities.
4. Maintaining Fiscal Discipline: Ensuring these objectives are met within a framework of sound fiscal management.

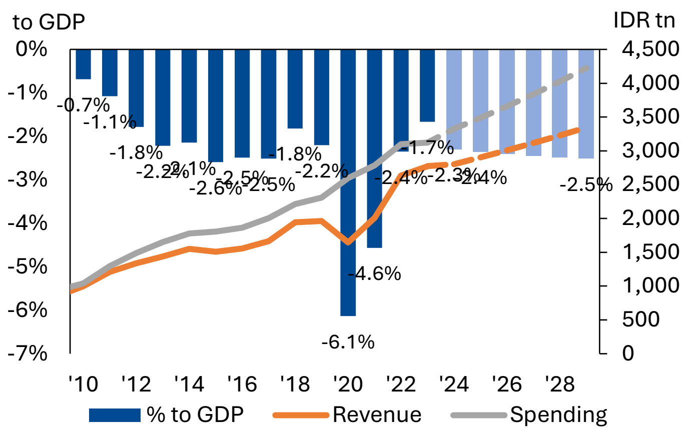
To achieve the ambitious 8% growth target, Indonesia's fiscal strategy must align with global megatrends that drive long-term sustainability and economic transformation. A focus on the green economy is essential, turning climate challenges into opportunities by fostering environmentally sustainable industries. The digital economy also plays a crucial role, leveraging digital transformation as a catalyst for innovation and economic growth. Addressing demographic shifts is another priority, particularly the challenges posed by an aging population, by preparing for potential productivity declines and encouraging growth in the services sector. Additionally, strengthening resilience through enhanced food and energy security, as well as fortifying key economic sectors, is critical to withstanding global uncertainties and ensuring economic stability.

With a baseline growth rate of 5.1%, Indonesia needs an additional 3% growth to achieve its ambitious target. Indonesia's economic strategy emphasizes attracting export-oriented, high-tech foreign direct investment (FDI) to drive innovation and create long-term value. This approach prioritizes investments in sectors with sustainable growth potential, steering away from short-term-focused industries like real estate. Another key focus is the expansion of downstream industries, which aims to broaden the processing of commodities to maximize value addition and reduce dependency on raw material exports. Additionally, the development of a green economy is a central pillar, promoting environmentally sustainable industries that align with global climate goals and support long-term economic resilience.

The government's key programs, including Free Nutritious Food, School Revitalization, and Free Health Check-Ups, are expected to directly benefit MSMEs and improve welfare. According to BRI, these initiatives could create two million jobs and strengthen MSME performance by the second half of the year. Additionally, the "3 million Houses" program is likely to accelerate investment growth.

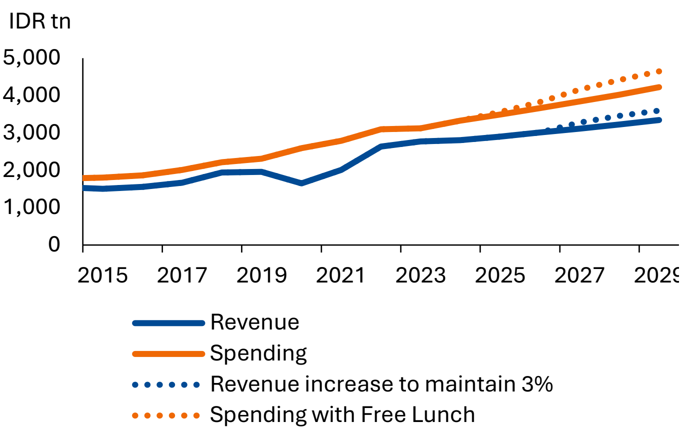
The government aims to maintain a healthy fiscal deficit starting in 2025 amid spending increase, with the APBN targeting a 2.5% fiscal deficit. Achieving this will require additional revenue streams. We expect the government to focus on increasing the tax ratio from 10% to 12% and the non-tax revenue ratio from 2% to 3%. Consequently, we anticipate the VAT rate to rise from 11% to 12% in 2025, despite the continued resistance. While this adjustment might lead to higher tax avoidance or dampen consumer spending, the planned increase in the UMP could offset some of these effects by boosting household purchasing power and generating higher personal income tax revenue.

Exhibit 20. Declining Price Drove Significant Import Volume



Source: Bloomberg

Exhibit 21. Revenue Growth Need to Pick Up above Baseline to Afford Free Nutritious Food Program



Source: Bloomberg

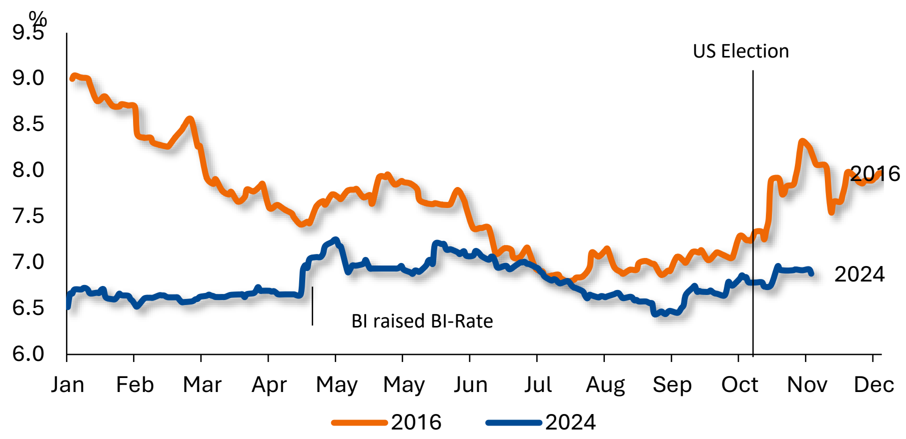
Household consumption is projected to regain momentum in 2025, with growth in non-restaurant food and beverage sectors taking the lead after years of lagging behind service-related consumption following post-pandemic shifts. This rebound is expected to be driven by government initiatives and a significant increase in the Minimum Provincial Wage (UMP), potentially pushing consumption growth beyond 5% for the year.

Exhibit 22. 4Q GDP Forecast – moved to Domestic GDP Section

	2023					2024F				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
GDP	**5.03**	**5.17**	**4.94**	**5.04**	**5.05**	**5.11**	**5.10**	**4.95**	**4.97**	**5.02**
Consumption										
Household	4.54	5.23	5.06	4.47	4.82	4.91	4.90	4.91	4.96	4.93
Non-Profit	6.17	8.62	6.21	18.11	9.83	24.29	10.00	11.69	6.89	12.84
Government	3.99	10.62	-3.76	2.81	2.95	19.90	1.40	4.62	5.48	6.81
Gross Fixed Capital Formation	2.11	4.63	5.77	5.02	4.40	3.79	4.40	5.15	6.55	5.02
Export of Goods & Services	11.68	-2.75	-4.26	1.64	1.32	0.20	8.30	11.47	5.80	6.10
Import of Goods & Services	2.77	-3.08	-6.18	-0.15	-1.65	1.77	8.60	4.95	6.32	6.76

Sources: BPS, BRIDS Economic and Fixed Income Research

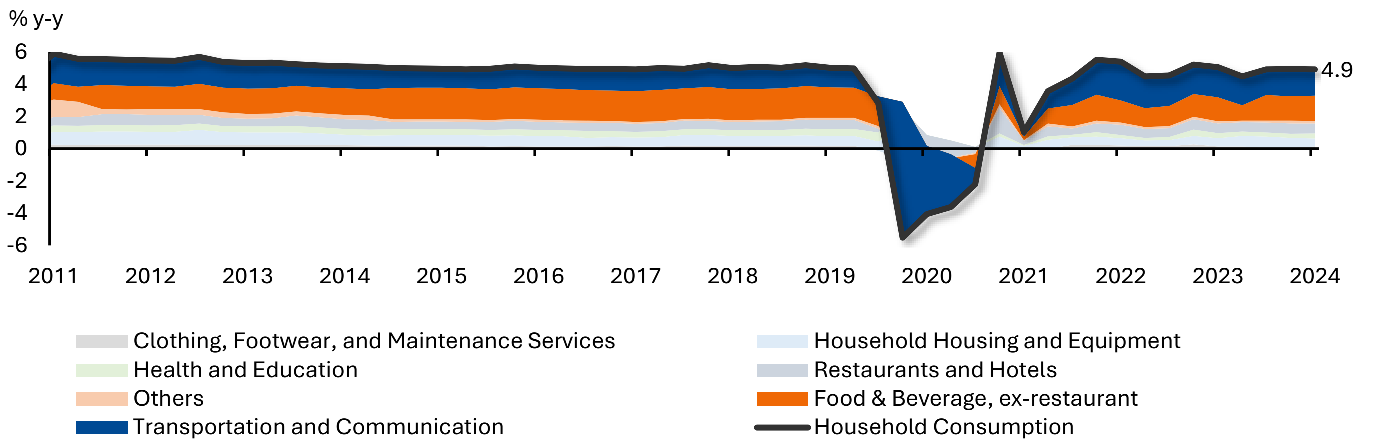
Exhibit 23. BI Intervention is Keeping Yield Stable Despite Trump's Win in 2024



Sources: Bloomberg, BRIDS Economic and Fixed Income Research

From a sectoral perspective, services such as transportation, warehousing, hospitality, and restaurants are set to maintain strong growth, benefiting significantly from rising household consumption trends. Manufacturing, particularly in food and beverages as well as metals, is also expected to see accelerated growth. Meanwhile, construction and healthcare are poised to gain from government-backed housing and public health initiatives, further bolstering sectoral performance.

Exhibit 24. Transportation and Communication Have Higher Contribution to Household Consumption Growth After Pandemic



Sources: BPS, BRIDS Economic and Debt Research

Exhibit 25. Sectors that highly benefitted from the Government's key programs in 2025

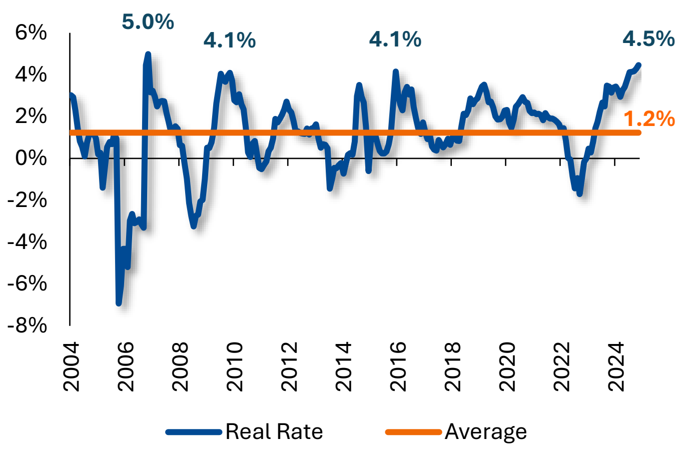
All Sectors	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Agriculture, Forestry and Fishing	0.6	1.4	2.3	1.2	1.7	2.0	4.5	0.4	2.0	1.5	1.1	-3.5	3.3	1.7
Mining	5.2	7.8	5.2	3.8	4.0	3.2	6.5	4.9	5.0	7.0	7.5	9.3	3.2	3.5
Manufacturing	6.6	3.7	4.9	5.1	4.0	4.8	5.6	4.4	4.9	5.2	4.1	4.1	4.0	4.7
Electricity & Gas	9.1	3.9	7.8	7.0	9.3	8.1	2.3	2.7	3.2	5.1	8.7	5.4	5.4	5.0
Water Supply	5.8	4.6	4.1	1.4	4.5	4.3	2.8	5.7	4.8	4.5	4.7	4.4	0.8	0.0
Consruction	4.4	3.8	3.9	4.8	1.0	0.6	1.6	0.3	5.2	6.4	7.7	7.6	7.3	7.5
Trade	9.5	5.1	5.5	5.7	4.4	5.4	6.6	4.9	5.3	5.1	4.1	4.6	4.9	4.8
Transport & Storage	25.1	-0.7	7.9	15.8	21.3	25.8	17.0	15.9	15.3	14.7	10.3	8.7	9.6	8.6
Accommodation and Food Service Activities	21.5	-0.1	5.0	6.6	9.8	17.8	13.8	11.5	9.9	10.9	7.9	9.4	10.2	8.3
Information and Communication	6.9	5.5	6.2	7.2	8.1	7.0	8.8	7.1	8.0	8.5	6.7	8.4	7.7	6.9
Financial and Insurance Activities	8.3	4.3	-2.6	1.6	1.5	0.9	3.8	4.5	2.9	5.2	6.6	3.9	7.9	5.5
Real Estate Activities	2.8	3.4	3.9	3.8	2.2	0.6	0.4	0.4	1.0	2.2	2.2	2.5	2.2	2.3
Business Activities	9.9	-0.6	0.9	6.0	7.9	10.8	10.4	6.4	9.6	9.4	7.6	9.6	8.0	7.9
Public Administration and Defence	9.9	-10.0	1.0	-1.3	-1.5	12.5	1.8	2.1	8.2	-6.2	1.6	18.9	2.8	3.5
Education	5.9	-4.4	0.7	-1.4	-1.1	4.5	0.4	1.0	5.4	-2.1	2.6	7.3	2.4	2.5
Health & Social Activities	11.7	14.0	12.2	4.5	6.5	-1.7	2.5	4.8	8.3	2.9	3.1	11.6	8.6	7.6
Other Service Sectors	12.0	-0.3	3.4	8.3	9.3	9.1	11.1	8.9	11.9	11.1	10.2	8.9	8.9	10.0

Sources: BPS, BRIDS Economic and Fixed Income Research

On the monetary side, Bank Indonesia is expected to continue easing by reducing the BI Rate by 50 basis points and slowing the pace of monetary tightening. These measures aim to ease liquidity constraints and stimulate loan growth. Real rates are projected to decline from over 4% in 2024 to approximately 3% in 2025, remaining above the historical average and slightly restrictive.

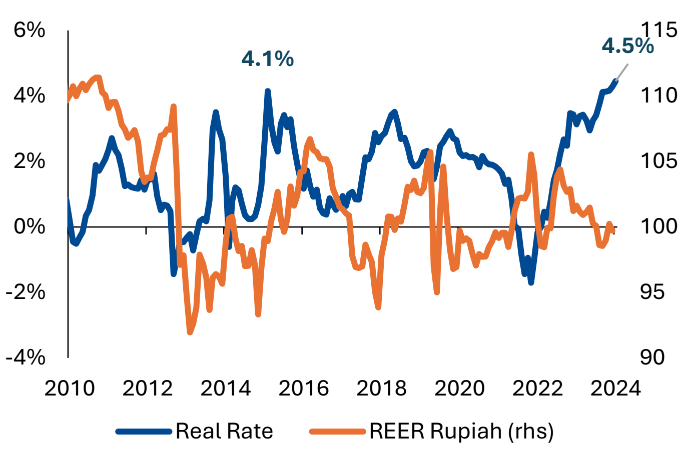
The timing of Bank Indonesia's rate adjustments will be influenced by US monetary policy under Trump's second term. Trump's agenda for a weaker USD to support domestic economic goals relies on further rate cuts by the Federal Reserve. Such actions would provide Bank Indonesia with greater flexibility in managing the rupiah's stability and navigating monetary policy in 2025.

Exhibit 26. Indonesia Real Rates is nearing 20-year high



Sources: BPS, BI, BRIDS

Exhibit 27. High Real Rate tends to suppress exchange rate



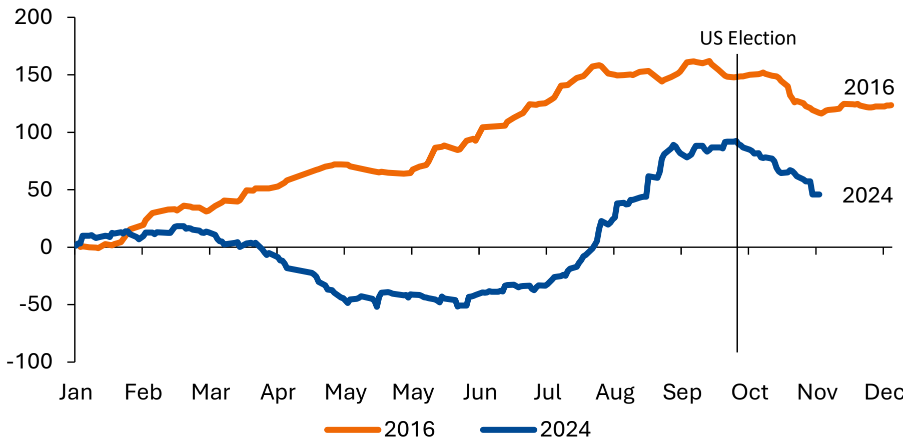
Sources: Bloomberg, BRIDS

Exhibit 28. Full Year GDP Forecast – moved to Domestic GDP section

	FULL YEAR GROWTH									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GDP	**5.03**	**5.07**	**5.17**	**5.02**	**-2.07**	**3.70**	**5.31**	**5.05**	**5.02**	**5.09**
Consumption										
Household	5.01	4.94	5.05	5.04	-2.63	2.02	4.94	4.82	4.93	5.08
Non-Profit	6.64	6.93	9.15	10.62	-4.21	1.62	5.64	9.83	12.84	-4.84
Government	-0.14	2.12	4.82	3.27	2.12	4.24	-4.46	2.95	6.81	5.89
Gross Fixed Capital Formation	4.47	6.15	6.68	4.45	-4.96	3.80	3.87	4.40	5.02	5.50
Export of Goods & Services	-1.66	8.90	6.51	-0.48	-8.42	17.95	16.27	1.32	6.10	5.26
Import of Goods & Services	-2.41	8.07	12.14	-7.13	-17.60	24.87	14.99	-1.65	6.76	4.20

Sources: BPS, BRIDS Economic and Fixed Income Research

Exhibit 29. Trump's Victory is causing same foreign outflow pattern



Sources: Bloomberg, BRIDS Economics and Fixed Income Research

We anticipate modest appreciation of the IDR in 2025, with early-year pressures from tariffs and seasonal dividend repatriation easing as domestic resilience strengthens in the latter half. Indonesia's improving economic fundamentals are expected to support the country in effectively managing potential global trade tensions.

Exhibit 30. Bank Indonesia Policy Rate and IDR Estimates

	3Q24	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F
BI Rate (eop)	6.00	5.75	5.75	5.50	5.25	5.25
IDR (eop)	15,140	15,781	15,805	15,837	15,774	15,680

Sources: BPS, BRIDS Economic and Fixed Income Research

Indonesia Debt Market

In 2025, yield trends will be shaped by Trump's policies, which could raise US Treasury yields, and China's stimulus, potentially attracting investors away from INDOGB. Despite these challenges, rate cuts by the Federal Reserve and Bank Indonesia, alongside a pro-market stance, are expected to provide positive support the capital market in 2025. We project INDOGB yields to range between 6.1% and 6.6%, with a baseline of 6.23%, below the government's 7.0% assumption.

What do we expect from the yield trend in 2025?
Several factors warrant attention in 2025. First, the re-election of Trump as US President could have significant implications, particularly through policies on taxes, trade wars, and other areas. These policies may worsen the US deficit and increase the supply of US Treasuries. Second, there is an expectation of fewer Federal Funds Rate (FFR) cuts than previously anticipated. Together, these factors could contribute to higher US Treasury (UST) yields. Additionally, China's stimulus measures may attract foreign investors currently holding Indonesian government bonds (INDOGB), prompting a shift in capital to China.

Despite the challenges, we are optimistic that the capital market will outperform its 2024 performance. There is still room for rate cuts by both the Federal Reserve and Bank Indonesia, which we expect to act as a positive catalyst for lowering INDOGB yields. Additionally, we trust that the government and Bank Indonesia will continue their commitment to a pro-market approach. Accordingly, we forecast INDOGB yields to range between 6.1% and 6.6%, with a baseline of 6.23%, which is 77 basis points lower than the government's assumption of 7.0%.

Exhibit 31. Forecast

	Scenario	CDS 5yr	UST 10yr (%)	USDIDR	BI Rate %	% Foreign	% BI	Forecast
2024	Optimistic	0.60	3.80	15,683	5.75	14.80	26.00	**6.44**
	Base	0.70	4.00	15,781	5.75	14.50	25.00	**6.65**
	Pesimistic	0.85	4.30	15,989	6.00	14.20	24.00	**6.93**
2025	Optimistic	0.60	3.40	15,449	5.00	15.50	27.00	**6.08**
	Base	0.70	3.70	15,680	5.25	14.90	26.00	**6.23**
	Pesimistic	0.80	4.10	16,100	5.50	14.50	25.00	**6.64**

Sources: DJPPR, BPS, BI, Bloomberg, BRIDS Economic and Fixed Income Research

Secondary Transaction was weaker in 2024
In 2024, we note two contrasting trends between the transaction of government vs corporate bond. The transaction volume of Government Bonds in 11M24 reached IDR4,081.6tn, reflecting a 16.3% decline compared to the same period in 2023. However, transaction frequency increased by 19.81% y-y, totaling 715,455 transactions. In contrast, Corporate Bonds saw a slight increase in transaction volume, rising by 0.51% y-y to IDR 396.4 tn, while transaction frequency declined by 15.5% y-y to 37,042. In our view, the relatively low secondary market activity in 2024, amid ongoing volatility, suggests that investors continue to adopt a cautious wait-and-see approach due to tight liquidity and the uncertain economic growth outlook throughout the year.

Exhibit 32. Government Bonds Secondary Transactions (Outright)

Outright Transaction	Transaction Vol (IDR bn)	Freq	Days	Avg per Transaction (IDR bn)	Avg per Day (IDR bn)
1Q23	1,504,364	136,773	62	11.00	24,264
2Q23	1,507,982	166,045	52	9.08	29,000
3Q23	1,154,856	162,406	62	7.11	18,627
4Q23	963,581	178,683	63	5.39	15,295
Total	**5,130,784**	**643,907**	**239**	**7.97**	**21,468**
1Q24	1,094,352	191,897	58	5.70	18,868
2Q24	855,702	187,088	52	4.57	16,456
3Q24	1,285,667	210,950	65	6.09	19,779
11M24	845,827	125,520	43	6.74	19,670
Total 11M24	**4,081,549**	**715,455**	**218**	**5.70**	**18,723**

Sources: IDX, BRIDS processed data

Exhibit 33. Corporate Bonds Secondary Transactions (Outright)

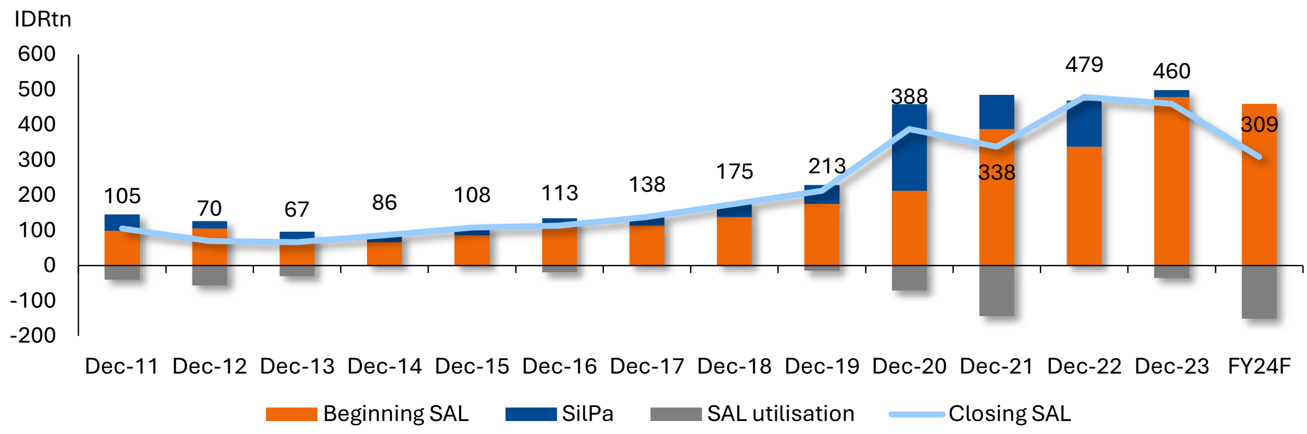
Outright Transaction	Transaction Vol (IDR bn)	Freq	Days	Avg per Transaction (IDR bn)	Avg per Day (IDR bn)
1Q23	118,202	18,601	62	6.35	1,906
2Q23	73,107	7,363	52	9.93	1,406
3Q23	91,269	10,052	62	9.08	1,472
4Q23	148,841	10,545	63	14.11	2,363
Total	**431,419**	**46,561**	**239**	**9.27**	**1,805**
1Q24	100,125	9,040	58	11.08	1,726
2Q24	104,785	9,860	52	10.63	2,015
3Q24	111,967	10,856	65	10.31	1,723
11M24	79,495	7,286	43	10.91	1,849
Total 11M24	**396,372**	**37,042**	**218**	**10.70**	**1,818**

Sources: IDX, BRIDS processed data

The utilization of SAL and an increase in the loan program reduced the issuance of government bonds.

The 2024 state budget (APBN) deficit is projected at 2.70% of GDP, exceeding the initial target of 2.29%. To address this, the government has utilized IDR 152 tn from Excess Budget (SAL) fund to reduce financing needs and shifted part of its debt financing to the loan program, increasing it to IDR 101.20 tn. These measures are expected to lower the issuance of government bonds, with the net issuance target reduced by IDR 214.50 tn to IDR 451.90 tn. Despite this expectation, the government continues its auction activity as part of its preparation for prefunding 2025 fiscal spending.

Exhibit 34. SAL Trend



Source: Ministry of Finance

In 2025, the deficit target is set at 2.53% of GDP, down from 2.70% in the 2024 outlook. However, the nominal financing requirement has surge considerably to IDR 616.20 tn. Assuming no use SAL in 2025, the debt financing requirement is projected to reach even higher at IDR 775.80 tn of which it comprises from the net issuance of government bonds is estimated at IDR 642.60 tn, while the net loan program is expected to total IDR 133.20 tn. With maturing government bonds in 2025 projected at IDR 784.28 tn, the gross government bond supply will amount to IDR 1,426.88 tn. Domestic issuance is expected to dominate, with 87% of issuance conducted through auctions, totaling IDR 998.82 tn. Consequently, the target for biweekly auctions will be set at IDR 41.62 tn, higher than the biweekly auction target for 2024. Such figures would be lower if there's SAL usage, which partially, came from prefunding activity from end 2024.

Exhibit 35. Government Debt Securities Supply in 2024

Government Budget	2022 Realization	2023 Realization	2024 Outlook	APBN 2025
% of GDP	-2.35	-1.65	-2.70	-2.53
Source of Financing	591.00	359.50	609.70	616.20
Debt Financing	696.00	407.00	553.10	775.80
Govt bonds - net	658.80	308.70	451.90	642.60
Loan program - net	37.20	98.20	101.20	133.20
Investment Financing	-106.70	-90.10	-92.00	-154.50
Loan Financing	2.10	4.00	-2.60	-5.40
Liability Financing	-1.10	-0.30	-0.80	0.00
Others	0.70	39.00	152.00	0.30
Gross Bond Supply	1,053.64	835.39	1,065.61	1,426.88
Domestic	941.18	745.02	934.24	1,241.38
Auction	585.44	579.06	777.89	998.82
Retail	107.42	147.56	149.18	214.03
Private Placement	24.32	18.40	7.16	28.54
Foreign	112.46	90.37	131.37	185.49
Total Auction (times)	47.00	48.00	48.00	48.00
Target per 2x auction FY (IDR tn)	24.91	24.13	32.41	41.62
Remaining auction this year (times)			5.00	
Target per 2x auction	24.91	24.13	14.77	41.62

Sources: Ministry of Finance, BRIDS estimates

Lower Corporate Debt Issuances in 2024

As of Nov 24, bond and sukuk issuance reached IDR 119 tn, exceeding the IDR 115 tn recorded during the same period in 2023. However, compared to maturity amounts, issuance in 2024 remains relatively smaller. In 2023, maturities totaled IDR 116 tn, with full-year issuance reaching IDR 124 tn. For 2024, maturities are recorded at IDR 131 tn, with issuance up to November covering only 90.84% of total maturities, compared to 92.74% in 2023, which indicates that corporate is reducing their funding from capital market. In our view, this is partly due to the Central Bank's 'higher for longer' stance through the 3Q24, prompting issuers to delay activity while awaiting clarity on potential interest rate cuts. Furthermore, lower lending rates have made bank financing more attractive, leading issuers to opt for bank funding over the capital market.

In 2024, financial institutions continue to dominate bond and sukuk issuance, recording IDR48.85tn by November. The pulp and paper sector emerged as the second-largest issuer, with issuance totaling IDR 19.04 tn. Meanwhile, the banking sector, previously in second place, slipped to third, issuing IDR 12.51 tn, which is IDR 10.18 tn lower than its maturity amount for 2024.

AAA-rated issuers maintain their dominance, recording a total issuance of IDR49.28tn by November 2024. However, this amount is IDR 10.65 tn below their maturity for the year. AA+ rated issuers, expected to rank third with a maturity amount of IDR16.65tn, have issued only IDR 7.93 tn so far. In contrast, AA and AA- rated issuances have surpassed their maturities, with increases of IDR 5.27 tn and IDR 4.89 tn, respectively.

Exhibit 36. Corporate Bond Issuance 2024 by Period

Month	2024 Mature	2024 Issued as of Nov 24	2024 Higher (Lower)
Jan	1,218	6,016	4,798
Feb	11,346	8,929	(2,417)
Mar	13,621	11,754	(1,867)
Apr	11,327	10,685	(642)
May	7,735	4,086	(3,648)
Jun	12,086	16,502	4,416
Jul	18,326	19,044	719
Aug	12,145	4,916	(7,229)
Sep	8,198	4,900	(3,298)
Oct	9,703	18,510	8,807
Nov	10,113	14,295	4,182
Dec	14,938	-	(14,938)

Month	2024 Mature	2024 Issued as of Nov 24	2024 Higher (Lower)
1Q24	26,185	26,699	514
2Q24	31,148	31,273	126
3Q24	38,669	28,861	(9,808)
4Q24	34,755	32,805	(1,950)
Total 4Q24	**130,756**	**119,638**	**(11,119)**
Total FY	**130,756**	**119,638**	**(11,119)**

Sources: KSEI, BRIDS processed data

Exhibit 37. Corporate Bond Issuance 2024 by Sector

Sectors	2024 Mature	2024 Issued as of Nov 24	2024 Higher (Lower)
Financial Institution	49,531	48,850	(681)
Bank	22,686	12,506	(10,180)
Telecommunication	9,069	787	(8,282)
Pulp & Paper	7,868	19,039	11,171
Metal And Mineral Mining	6,132	3,721	(2,411)
Non Building Construction	6,016	2,700	(3,316)
Energy	4,009	750	(3,259)
Building Construction	3,809	537	(3,272)
Chemicals	3,547	2,500	(1,047)
Cement	3,364	-	(3,364)
Investment Company	2,140	3,352	1,212
Others - Finance	591	4,444	3,853
Others	11,993	20,451	8,458
Total	**130,756**	**119,638**	(11,118)

Sources: IDX, BRIDS processed data

Exhibit 38. Corporate Bond Issuance 2024 by Rating

Rating	2024 Mature	2024 Issued as of Nov 24	2024 Higher (Lower)
AAA	59,926	49,277	(10,649)
AA+	16,651	7,932	(8,719)
AA	7,860	13,134	5,274
AA-	1,545	6,431	4,886
A+	24,605	22,318	(2,287)
A	9,783	15,686	5,903
A-	6,892	1,416	(5,476)
BBB+	1,660	3,444	1,785
BBB	1,421	-	(1,421)
BBB-	414	-	(414)
Total	**130,757**	**119,638**	(11,118)

Sources: IDX, BRIDS processed data

What do we expect from corporate debt issuances in 2025?
Corporate bond and sukuk issuance in 2025 is projected to reach IDR140tn, marking an increase from 2024 but remaining slightly below the maturity amount of IDR144tn. This gap reflects persistent challenges, including the availability of low bank lending rates for corporations and uncertainty surrounding the timing and scale of reference interest rate cuts. These factors are likely to encourage issuers to delay their bond and sukuk issuance until market conditions stabilize.

We expect the financial institution sector to continue dominating the issuance landscape in 2025, supported by strong demand and investor confidence in the sector. AAA-rated issuers are anticipated to maintain their leading position, reflecting their resilience and ability to attract funding in uncertain market conditions. This dominance underscores the preference for high-credit-quality instruments amid ongoing macroeconomic uncertainties.

Exhibit 39. Favorable Prospects for Bond and Sukuk Issuance in 2025 by Period

Month	Vol (IDR bn)	%
Jan	3,792	2.61
Feb	15,127	10.41
Mar	15,606	10.74
Apr	10,147	6.98
May	5,088	3.50
Jun	11,711	8.06
Jul	24,722	17.01
Aug	9,862	6.79
Sep	14,128	9.72
Oct	12,389	8.53
Nov	11,317	7.79
Dec	11,431	7.87

Month	Vol (IDR bn)	%
1Q25	34,524	23.76
2Q25	26,947	18.54
3Q25	48,712	33.52
4Q25	35,137	24.18
Total FY	**145,320**	**100.00**

Sources: KSEI, BRIDS processed data

Exhibit 40. Favorable Prospects for Bond and Sukuk Issuance in 2025 by Sector

Sectors	Vol (IDR bn)	%
Financial Institution	53,096	36.54
Bank	20,567	14.15
Pulp & Paper	19,785	13.61
Metal And Mineral Mining	8,181	5.63
Telecommunication	6,652	4.58
Others - Finance	3,966	2.73
Non Building Construction	3,921	2.70
Investment Company	3,715	2.56
Energy	3,497	2.41
Crude Petroleum & Natural Gas Production	3,069	2.11
Chemicals	2,750	1.89
Construction	2,506	1.72
Plantation	2,473	1.70
Toll Road, Airport, Harbor And Allied Products	2,265	1.56
Others	8,877	6.11
Total	**145,320**	**100.00**

Sources: IDX, BRIDS processed data

Exhibit 41. Favorable Prospects for Bond and Sukuk Issuance in 2025 by Rating

Rating	Vol (IDR bn)	%
AAA	63,757	43.87
AA+	10,103	6.95
AA	9,590	6.60
AA-	6,888	4.74
A+	27,330	18.81
A	17,498	12.04
A-	6,059	4.17
BBB+	2,529	1.74
BBB	1,303	0.90
BBB-	264	0.18
Total	**145,320**	**100.00**

Sources: IDX, BRIDS processed data

Supply Demand Situation – Assessment for 2025

We expect the supply-demand ratio to tighten further in 2025, driven by dynamics on both sides. On the supply side, an increase is anticipated due to a larger volume of bond maturities in 2025. For government bond issuance, assuming no use of SAL, the need for issuance through auctions is expected to surpass 2024 levels. The extent of SAL utilization remains a critical factor in determining the overall supply of government bonds.

Corporate bond issuance, however, is expected to see limited growth. Many corporate issuers are likely to still favor shorter-term bank funding, which offers more attractive coupons, while awaiting clearer signals of a reduction in the Bank Indonesia (BI) rate. This cautious approach reflects the broader market's uncertainty and the preference for flexibility in financing strategies.

On the demand side, the larger volume of maturities is expected to partially absorb the increased supply. However, we estimate that portfolio growth will remain modest, at approximately 1%, indicating that demand may not expand sufficiently to fully match the anticipated supply growth. These dynamic highlights the potential for increased competition in the market and the need for issuers to adapt to evolving investor preferences.

Exhibit 42. 2025 Supply Demand Situation

Potential Supply 2025

Period	Corporate %	Corporate in IDR bn	Government (Auction only) %	Government (Auction only) in IDR bn	Total (IDR
Q1	23.82	33,489	30.03	299,905	333,394
Q2	18.59	26,138	20.10	200,806	226,944
Q3	33.61	47,251	26.11	260,787	308,038
Q4	23.97	33,695	23.76	237,316	271,011
Total	**100.00**	**140,573**	**100.00**	**998,815**	**1,139,388**
		7.51% from 2024 ↑		**28.40% from 2024** ↑	**25.39% from 2024** ↑

Investor Portfolios

Investor Type	AUM/Total Investment Portfolio 30-Sep-19	AUM/Total Investment Portfolio 30-Sep-24	Portfolio growth assumption	Asset Growth Forecast	Expected Allocation to Debt	Potential Demand (IDR billion)
Banks	8,103,006	11,932,184	6.20	739,795	19%	138,893
Insurances	1,103,037	1,614,783	7.10	114,650	59%	67,733
Mutual Funds	540,912	503,490	0.80	4,028	61%	2,460
Pension Funds	274,615	368,633	4.80	17,694	55%	9,662
Foreign Investors	1,060,629	877,494	3.50	30,712	100%	30,712
Total	**26,378,782**	**15,296,600**		**906,880**		**249,460**

Potential Demands

Period	Potential Demand from Reinvestment Corporate	Potential Demand from Reinvestment Government	Potential Demand from Reinvestment Total	Potential Demand from Asset Growth %	Potential Demand from Asset Growth IDR billion	Total Potential Demand IDR billion	Total Potential Supply IDR billion	Ratio Demand : Supply
Q1	35,890	118,905	154,795	25	62,365	217,160	333,394	0.65
Q2	28,012	253,717	281,729	25	62,365	344,094	226,944	1.52
Q3	50,638	240,834	291,472	25	62,365	353,837	308,038	1.15
Q4	36,111	170,823	206,934	25	62,365	269,298	271,011	0.99
	150,651	**784,279**	**934,930**	**100**	**249,460**	**1,184,390**	**1,139,388**	**1.04**
**calculated only from securities between 2019 to 2024*			**24.73% from 2024** ↑		**1.39% from 2024** ↑	**18.96% from 2024** ↑	**25.39% from 2024** ↑	**0.06 from 2024** ↓

Sources: DJPPR, OJK, BRIDS processed data

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