Moody's Negative Outlook Feb-26

Rating is supported by economic resilience and steady growth

Rationale for the Change in Outlook to Negative

1. Reduced **predictability and coherence in the policy making process**, alongside less effective policy communication, coincide with a decline in Indonesia's scores in the Worldwide Governance Indicators
2. Greater **focus on public spending to drive growth**, exacerbated by expanding social programs, including the Free Nutritious Meals, poses **fiscal risks, particularly given Indonesia's weak revenue base.**
3. The **establishment of a new sovereign wealth fund, Danantara**, has also raised uncertainties regarding its financing, governance, and investment priorities.
4. **Broader policy uncertainty**—stemming from discussions on the fiscal deficit ceiling, potential changes to Bank Indonesia's mandate, and resource-sector policy shifts—could deter FDI and heighten macro-financial volatility.

Rationale for the Affirmation of Baa2 Ratings

1. The Baa2 rating affirmation reflects **expectations of continued economic resilience**, with growth projected around 5% and fiscal deficits remaining below 3% of GDP over the medium term.
2. **Prudent fiscal management is expected to keep government debt below the Baa median**, although the weak revenue base remains a key structural constraint.
3. **Monetary policy credibility is expected to support price stability**, though exchange-rate pressures could intensify if policy predictability deteriorates.

Factors that Could Lead to an Upgrade

An upgrade is unlikely given the negative outlook on the rating.

- Upward pressure could arise if indications are that fiscal policy measures can durably and significantly raise government revenue, also result from indications that Indonesia's growth potential was sustainably strengthening

Factors that Could Lead to an Upgrade

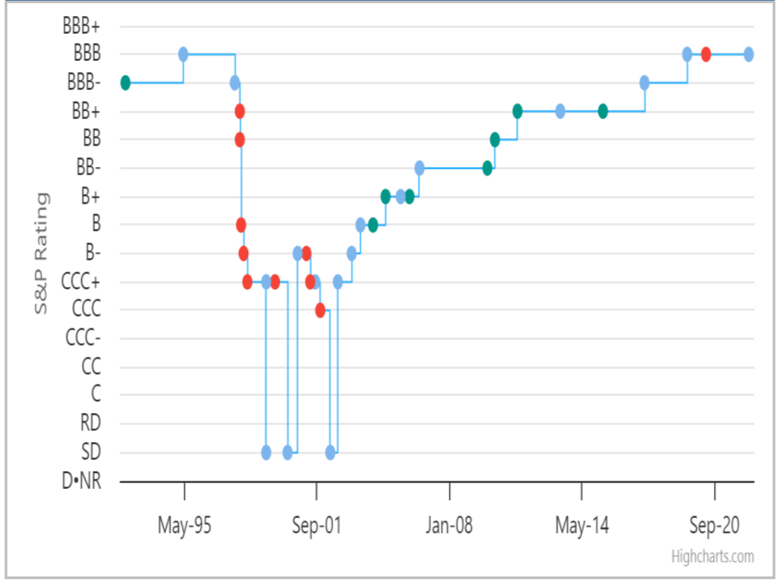
1. Sustained shift to a more expansionary fiscal policy without accompanying revenue reform,
2. Significant deterioration in the external position, ex: from prolonged currency depreciation or capital outflows
3. Material weakening in SOEs financial health and poor returns on SOE investments related to insufficiently strong governance of Danantara.

Source: Moody's

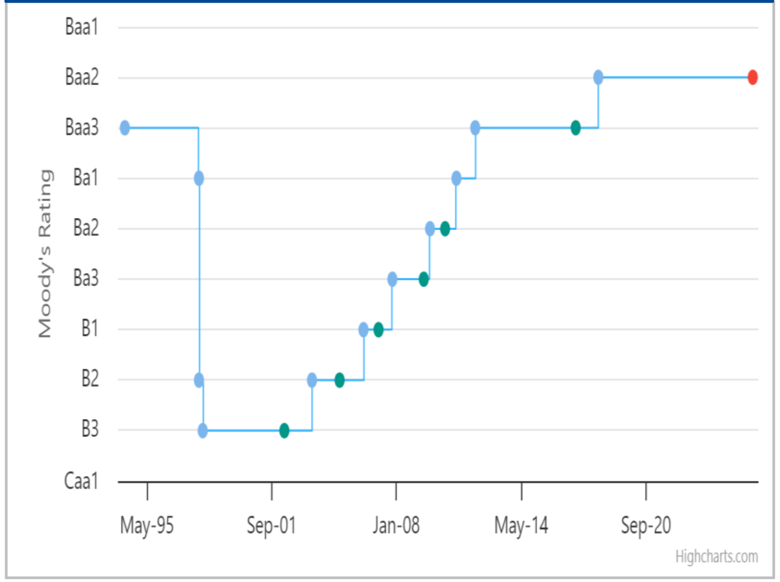
Indonesia Historical Ratings and Market Reaction

Rating actions on Indonesia remain rare, with mixed market reactions historically.

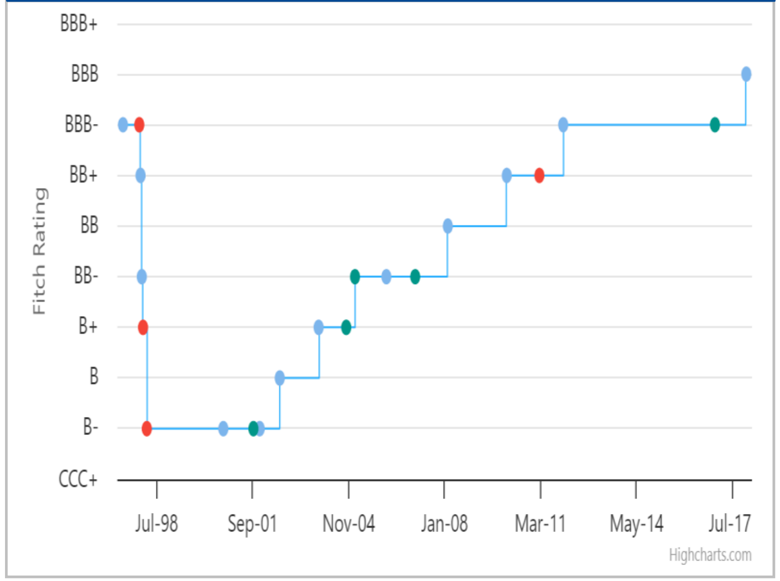
S&P



Moody's



Fitch



Historical Market Impact from Negative Outlook Rating (Indonesia and Peers)

Year	Country	Rating Agency	Rating	3-Months Chg			
				10y Yield	Foreign Ownership	USD/IDR	JCI
Apr-20	Indonesia	S&P	BBB	- 84 bps	+ IDR 16 tn	+ 4.9%	+1.78%
Feb-11	Indonesia	Fitch	BB+	- 118.5 bps	+ IDR 26 tn	+ 5.5%	+10.8%
Apr-25	Thailand	Moody's	Baa1	- 36 bps			
Sep-25	Thailand	Fitch	BBB+	+39 bps			
Nov-24	Mexico	Moody's	Baa2	- 10 bps			

Legend

- Positive Outlook
- Negative Outlook

Source: World Government Bonds, Bloomberg

The Best in Class

Indonesia Government Bonds are still attractive compared to peers

EM Country	S&P Rating	10-yr LCY Yield (%)	CPI yoy (%)	Central Bank Rate	Real Benchmark Rate	Changes in Yield (bps)			Changes in Central Bank Rate - Ytd (bps)	CDS 5-yr (bps)	GDP Annual Growth Rate (%)
						ytd	mtd	wow			
Japan	A+	2.27	2.10	0.8	(1.35)	20	20	5	85	26	1.1
Germany	AAA	2.84	2.10	2.15	0.05	0	0	(6)	(35)	8	0.4
United States	AA+	4.26	2.70	3.75	1.05	11	11	4	(175)	32	2.3
Singapore	AAA	2.08	1.20	1.46	0.26	(16)	(16)	(2)	(110)	21	5.7
Taiwan	AA+	1.42	1.31	2.00	0.69	2	2	0	0	72	12.7
Hong Kong	AA+	3.19	1.40	4.00	2.60	8	8	(4)	(75)	25	3.8
South Korea	AA	3.65	2.30	2.50	0.20	27	27	11	(100)	22	1.5
China	A+	1.80	0.80	3.00	2.20	(6)	(6)	(2)	(45)	44	4.5
Lithuania	A+	3.61	3.40	2.15	(1.25)	(7)	(7)	(2)	(235)	54	3.1
Malaysia	A-	3.51	1.60	2.75	1.15	(0)	(0)	(0)	0	39	5.7
Chile	A	5.34	3.50	4.50	4.75	(7)	(7)	0	(375)	40	1.6
Poland	A-	5.09	2.40	4.00	1.60	(8)	(8)	(3)	(175)	56	3.8
Thailand	BBB+	1.93	(0.28)	1.25	1.53	26	26	6	(125)	38	1.2
Croatia	BBB+	3.34	3.30	2.15	(1.15)	7	7	(1)	(235)	53	2.3
Italy	BBB+	3.46	1.20	2.15	0.95	(5)	(5)	(5)	(235)	25	0.8
Cyprus	BBB+	3.03	(0.50)	2.15	2.65	(7)	(7)	(7)	(100)	47	3.6
Philippines	BBB+	5.95	1.80	4.50	4.75	(9)	(9)	(8)	(200)	59	3.0
Indonesia	**BBB**	**6.34**	**2.92**	**4.75**	**4.75**	**27**	**27**	**(5)**	**(125)**	**76**	**5.0**
Greece	BBB	3.35	2.60	2.15	(0.45)	(12)	(12)	(4)	(100)	28	2.0
Mexico	BBB	8.92	3.69	7.00	7.25	(5)	(5)	(5)	(425)	89	1.6
Hungary	BBB-	6.60	3.30	6.50	6.50	(27)	(27)	(10)	(425)	98	0.2
Romania	BBB-	6.67	9.69	6.50	(3.19)	(14)	(14)	(7)	(50)	128	1.7
India	BBB-	6.70	1.33	5.25	5.50	13	13	5	(125)	38	8.2
South Africa	BB-	8.04	3.60	6.75	3.15	(25)	(25)	(11)	(150)	138	2.1
Colombia	BB+	12.38	5.10	10.25	5.15	(31)	(31)	18	(300)	205	3.6
Vietnam	BB+	4.19	3.48	4.50	1.02	1	1	1	0	79	8.5
Brazil	BB-	13.44	4.26	15.00	15.00	(43)	(43)	(32)	325	130	1.8
Turkey	B	27.78	30.89	37.00	39.50	61	61	41	(550)	220	3.7
Pakistan	B-	11.03	5.60	10.50	4.90	(37)	(37)	16	(250)	346	3.7
Average		**5.94**	**3.68**	**5.56**	**3.78**	**(2)**	**(2)**	**(0)**	**(149)**	**77**	**3.4**
Min		**1.42**	**(0.50)**	**0.75**	**(3.19)**	**(43)**	**(43)**	**(32)**	**(550)**	**8**	**0.20**
Max		**27.78**	**30.89**	**37.00**	**39.50**	**61**	**61**	**41**	**325**	**346**	**12.68**

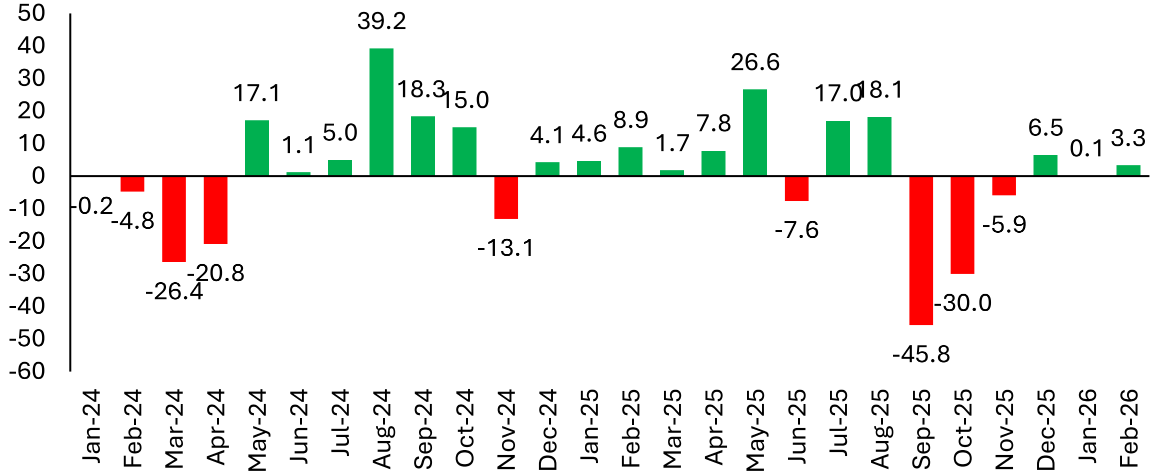
- INDOGB yield are still higher than its peers (BBB investment grade countries)
- INDOGB real yields are relative attractive compared to other BBB countries
- Indonesia CDS are competitive compare to BBB countries average

Source: DJPPR, PHEI, BRI Danareksa Sekuritas as of January 30, 2026.

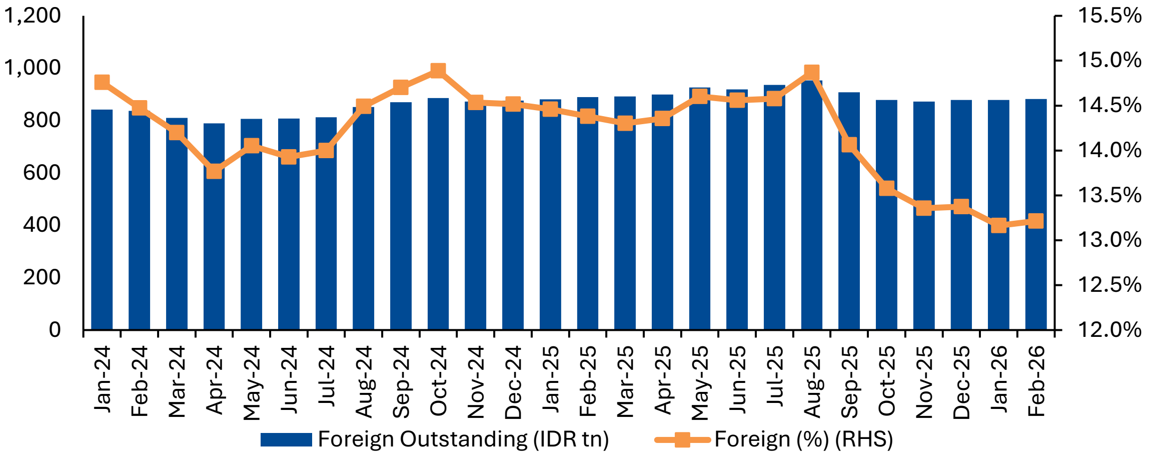
Foreign Investor in SBN Market

Foreign investors have initiated outflows MTD from the market.

Net Foreign Buy/Sell as of Feb 3rd, 2026 (IDR tn)



Foreign Outstanding as of Feb 3rd,, 2026 (IDR tn)



YTD Net Buy/Sell (IDR tn)

Investors Type	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025	Jan 2026	Feb 2027	FY 2025	YTD 2026	WoW 2026
Banking	77.5	78.2	(85.2)	10.2	3.3	64.6	93.9	42.7	37.8	34.1	50.0	(129.9)	125.2	(1.7)	277.2	123.5	(9.0)
Bank Indonesia	(63.3)	(35.1)	123.5	1.8	33.3	(85.6)	(23.1)	(26.1)	11.1	(15.4)	(27.5)	130.2	(81.2)	(0.9)	23.7	(82.1)	19.5
Foreign Investor	4.6	8.9	1.7	7.8	26.6	(7.6)	17.0	18.1	(45.8)	(30.0)	(5.9)	6.5	0.1	3.3	2.0	3.4	0.1
Insurance & Pension Fund	16.1	10.2	11.8	6.5	6.4	2.6	11.8	(23.9)	28.6	17.4	37.5	20.4	26.7	0.0	145.4	26.7	3.1
Mutual Fund	0.2	(0.9)	0.1	3.9	2.1	(9.8)	6.7	4.6	9.3	16.9	13.5	9.2	16.3	0.0	56.0	16.3	(1.5)
Individual	9.5	24.6	(9.0)	0.7	0.1	18.8	(3.8)	(13.0)	(10.7)	(11.1)	(8.3)	(2.9)	(2.5)	(0.7)	(5.2)	(3.1)	(1.1)
Others	11.2	9.1	1.9	0.7	5.6	(17.7)	7.5	(7.6)	13.9	(3.6)	3.6	5.6	22.2	(0.0)	30.2	22.1	0.9

Ownership Outstanding (IDR tn)

Investors Type	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025	Jan 2026	Feb 2027	FY 2025	YTD 2026
Banking	1,129	1,207	1,122	1,132	1,135	1,200	1,294	1,337	1,374	1,408	1,458	1,329	1,454	1,452	277.2	123.5
Bank Indonesia	1,555	1,520	1,643	1,645	1,678	1,592	1,569	1,543	1,554	1,539	1,511	1,642	1,560	1,560	23.7	(82.1)
Foreign Investor	881	890	892	900	926	919	936	954	908	878	872	879	879	882	2.0	3.4
Insurance & Pension Fund	1,161	1,172	1,183	1,190	1,196	1,199	1,211	1,187	1,215	1,233	1,270	1,291	1,317	1,317	145.4	26.7
Mutual Fund	187	186	186	190	193	183	189	194	203	220	234	243	259	259	56.0	16.3
Individual	552	577	568	568	568	587	583	570	560	549	540	537	535	534	(5.2)	(3.1)
Others	630	639	641	642	647	629	637	629	643	640	643	649	671	671	30.2	22.1

Source: DJPPR

Historical Ownership Trend

Rising Issuance During Covid Period Led To Surge in Domestic Ownership (BI+Banks)

Ownership Outstanding (IDR tn, %)

Investors Type	Dec-18		Dec-19		Dec-20		Dec-21		Dec-22		Dec-23		Dec-24		Dec-25		3-Feb-26	
Banking	481	20%	581	21%	1,376	36%	1,591	34%	1,697	32%	1,495	26%	1,051	17%	1,329	20%	1,452	22%
Bank Indonesia	253	10%	262	10%	454	12%	801	17%	1,020	19%	1,096	19%	1,618	27%	1,642	25%	1,560	23%
Foreign Investor	893	37%	1,062	39%	974	25%	891	19%	762	14%	842	15%	877	15%	879	13%	882	13%
Insurance & Pension Fund	414	17%	472	17%	543	14%	655	14%	873	16%	1,041	18%	1,145	19%	1,291	20%	1,317	20%
Mutual Fund	119	5%	131	5%	161	4%	158	3%	146	3%	178	3%	187	3%	243	4%	259	4%
Individual	73	3%	81	3%	131	3%	221	5%	344	6%	435	8%	543	9%	537	8%	534	8%
Others	207	8%	163	6%	232	6%	360	8%	467	9%	619	11%	619	10%	649	10%	671	10%
Total	**2,442**	**100%**	**2,753**	**100%**	**3,871**	**100%**	**4,679**	**100%**	**5,309**	**100%**	**5,706**	**100%**	**6,040**	**100%**	**6,569**	**100%**	**6,676**	**100%**

Ownership Outstanding (IDR tn, %)

Investors Type	Jan-25		Feb-25		Mar-25		Apr-25		May-25		Jun-25		Jul-25		Aug-25		Sep-25		Oct-25		Nov-25		Dec-25		Jan-26		3-Feb-26	
Banking	1,129	19%	1,207	19%	1,122	18%	1,132	18%	1,135	18%	1,200	19%	1,294	20%	1,337	21%	1,369	21%	1,408	22%	1,458	22%	1,329	20%	1,454	22%	1,452	22%
Bank Indonesia	1,555	26%	1,520	25%	1,643	26%	1,645	26%	1,678	26%	1,592	25%	1,569	24%	1,543	24%	1,554	24%	1,539	24%	1,511	23%	1,642	25%	1,560	23%	1,560	23%
Foreign Investor	881	14%	890	14%	892	14%	900	14%	926	15%	919	15%	936	15%	954	15%	913	14%	878	14%	872	13%	879	13%	879	13%	882	13%
Insurance & Pension Fund	1,161	19%	1,172	19%	1,183	19%	1,190	19%	1,196	19%	1,199	19%	1,211	19%	1,187	19%	1,215	19%	1,233	19%	1,270	19%	1,291	20%	1,317	20%	1,317	20%
Mutual Fund	187	3%	186	3%	186	3%	190	3%	193	3%	183	3%	189	3%	194	3%	205	3%	220	3%	234	4%	243	4%	259	4%	259	4%
Individual	552	9%	577	9%	568	9%	568	9%	568	9%	587	9%	583	9%	570	9%	560	9%	549	8%	540	8%	537	8%	535	8%	534	8%
Others	630	10%	639	10%	641	10%	642	10%	647	10%	629	10%	637	10%	629	10%	641	10%	640	10%	643	10%	649	10%	671	10%	671	10%
Total	**6,095**	**100%**	**6,190**	**100%**	**6,235**	**100%**	**6,267**	**100%**	**6,344**	**100%**	**6,309**	**100%**	**6,419**	**100%**	**6,414**	**100%**	**6,456**	**100%**	**6,467**	**100%**	**6,530**	**100%**	**6,569**	**100%**	**6,676**	**100%**	**6,676**	**100%**

Source: DJPPR

Key Macro Assumptions

Indicator	2021	2022	2023	2024	2025F	2026F
Real GDP Growth YoY (%)	3.70	5.31	5.05	5.03	4.9 – 5.2	5.0 – 5.2
Inflation YoY (%)	1.75	5.51	2.61	1.57	2.3 – 2.8	2.2 – 3.0
BI Rate(%)	3.5	5.50	6.00	6.00	4.50 – 4.75	4.00 – 4.50
USDIDR (avg)	14,296	14,848	15,231	15,843	16,300 – 16,750	16,250 – 16,850
US Treasury 10Y (%)	1.52	3.88	3.88	4.58	3.85 – 4.20	3.75 – 4.15
CDS 5Y (bps)	75	104	70	78	65 – 85	55 – 75
IDR SUN 10Y (%) [BTMM ID]	6.37	6.94	6.48	7.00	5.92 – 6.30	5.62 – 6.14

The 3 Scenarios

Year	Scenario	CDS 5 Yr	UST 10yr (%)	USDIDR	BI Rate %	% Foreign	% BI	Forecast
2025F	Optimistic	0.60	3.85	16,300	4.50	14.00	22.00	**5.92**
	Base	0.70	4.00	16,550	4.75	13.50	23.00	**6.09**
	Pesimistic	0.80	4.20	16,750	4.75	13.00	24.00	**6.30**
2026F	Optimistic	0.55	3.75	16,250	4.00	14.70	21.00	**5.62**
	Base	0.65	3.90	16,600	4.25	14.00	22.00	**5.88**
	Pesimistic	0.75	4.15	16,850	4.50	13.30	23.00	**6.14**

Year	APBN Assumption	Realization EoP	Realization avg
2021	7.29	6.38	6.34
2022	6.80	6.94	6.63
2023	7.90	6.48	7.02
2024	6.70	7.00	6.80
2025	7.00	6.30	6.63

*as of 2 Dec 25

Approximate Sensitivity*					
-10 bps CDS	:	-2bps Yield	-25bps BI Rate	:	-14bps Yield
-10bps UST 10Y	:	-5bps Yield	+1% Foreign	:	-1bps Yield
-100 USDIDR	:	-3bps Yield	+1% BI	:	+3bps Yield

*ceteris paribus

The 2026 outlook points to a less dovish global and domestic rate environment, limiting the potential for further yield declines despite some remaining room for rate cuts. Risks from Trump's trade policies remain manageable but still require monitoring. Domestically, better policy direction, stronger political communication, and an improved investment climate are needed to support growth, which will continue to be backed by fiscal and monetary stimulus. Market liquidity is expected to stay adequate, and Bank Indonesia is likely to maintain Rupiah stability. INDOGB yields are projected at 5.62%–6.14% with a baseline of 5.88%, below the government's 6.9% assumption.

Sources : BRIDS Economic Research, Debt Research