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FX & Interest Rate

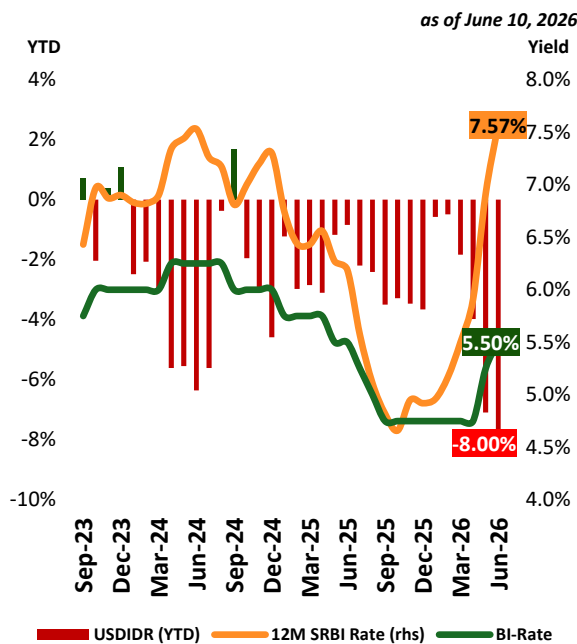
Bank Indonesia (BI) enters a hiking cycle. At the latest auction on June 10, 2026, BI raised SRBI rates to 7.57% as the Rupiah weakened -8% YTD and inflation expectations climbed, following the government’s fuel price hikes (Pertamax 92 and Pertamax Green 95). This action followed BI’s pre-emptive 25-bps hike on June 9, lifting the benchmark rate to 5.50%. With external imbalances widening and FX under pressure, another policy rate increase is anticipated. To attract foreign inflows, BI paired higher SRBI yields with incentives: a 10% reduction in hedging swap costs for foreign investors, enhancing appetite while offsetting obligations. Regular swap facilities remain available under market mechanisms, ensuring continuity of FX risk management.

Repo as lifeline. SRBI outstanding surged to IDR 980 tn by May-26, with the SRBI/OPT ratio reaching 124%, underscoring BI’s aggressive liquidity absorption to stabilize the Rupiah. The deposit facility plunged to IDR 5.8 tn in March before rebounding to IDR 33 tn in May, reflecting BI’s fine-tuning after heavy sterilization. Liquidity strains forced reliance on repo operations as the primary buffer to sustain transactions. BI reopened repo auctions across 3, 6, 9, and 12-month tenors to ensure adequate liquidity in money markets and banking, targeting double-digit growth in Base Money (M0). This expanded repo facility has become BI’s main liquidity management instrument, more central than secondary market SBN purchases as it pivoted to enhance Indonesia’s asset-level yield spread.

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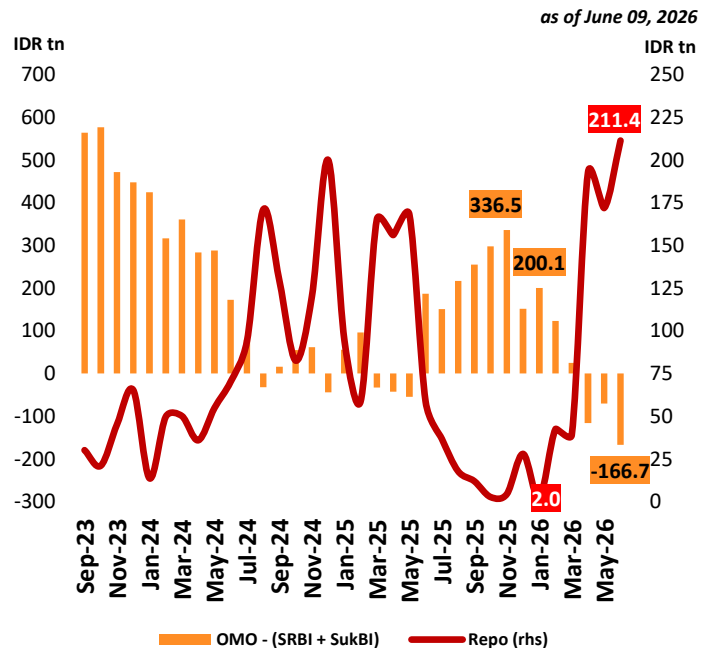
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Chart 1. Rates are Hiked to Defend the USDIDR



Source: Bloomberg, Bank Indonesia

Chart 2. Repo as Banks’ Liquidity Backstop



Source: Bank Indonesia

Automotive Industry

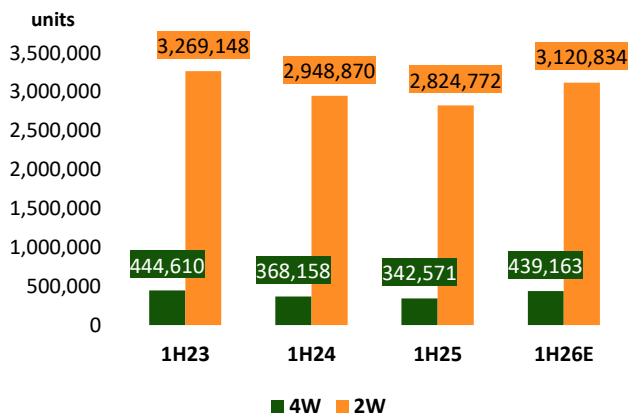
The 1H26 automotive wholesales are expected to remain strong. Our usual method of using the net change of vehicle population to determine wholesale direction shows a clear upward trend. Using the daily YTD data from January 1, 2026, we estimate that the 4W net population increased by 439,163 units (+28.2% YoY), whereas the 2W net population increased moderately by 3,120,834 units (+10.5% YoY). This growth reversed the consecutive trend seen in 1H24 and 1H25, when net changes declined from the previous year. Both signal a stronger appetite for new automotive products, with a rising trend of switching towards two categories: New Energy Vehicles (NEV), which remains the center of wholesale growth in 2026, and volume-maker price range of IDR 300-500 mn.

Consumers continued their switching to New Energy Vehicles (NEVs) as the Indonesian Crude Price (ICP) remains sticky. In Apr-26, Indonesia’s NEV wholesales reached 23,805 units (+135.0% YoY), whereas Internal Combustion Engine (ICE) wholesales grew at a slower pace to 56,971 units (+34.9% YoY). From that NEV number, 14,805 units (62.2% of wholesales) are battery-powered vehicles (BEV). This group of vehicles is propping up NEV market share from sub-20% in 1H25 to around 29.5% from Mar-26 onwards. That change in market share shows that dealers of BEV brands are facing higher demand as most Greater Jakarta consumers are switching to lower commuting costs and enhancing usage. Furthermore, continued tax incentives (albeit more limited for LFP vehicles) from Jul-26 onwards are nudging consumer demand further towards the volume-making pool of IDR 300-500 mn.

In response, producers are bracing for a volume-making launching spree. Since Apr-26, there has been an emerging pattern of BEV manufacturers launching volume-maker models. Specifically, they launched MPVs and SUVs at the entry-level (<IDR 300 mn) and medium-level (IDR 300-500 mn) price range. Entry-level launches are dominated by city cars, whereas 7-seater MPVs and SUVs make up for all medium-range launches. These models are desired by the Indonesian urban consumers, specifically as they seek to lower operational expenses and tax liabilities by trading in their existing ICE models, adding to the second-hand market supply. It also precedes the usual July spike in launches, which will intensify market competition in 2H26.

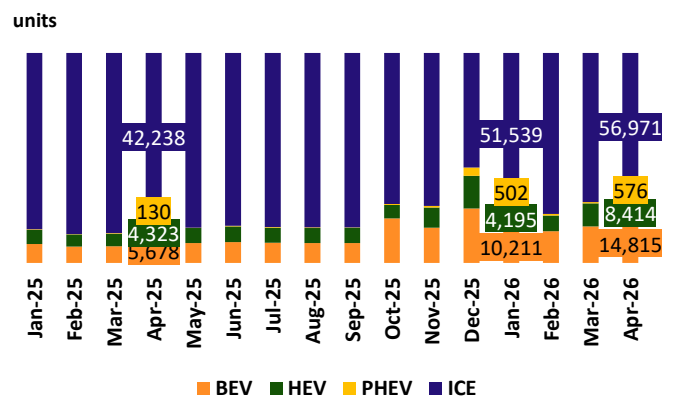
Nevertheless, the United States (U.S.)-Iran debacle is disrupting the automotive fluids market. Since March 16, Shell has shut down its Global-to-Liquid (GTL) production facility in Qatar’s Ras Laffan refinery. This GTL facility alone supplies 20% of the world’s API Group III and Group III+ base oils. Both are the main ingredients for modern low-viscosity or ultra-thin engine oil (0W8, 0W16, and 0W20), which are used in most modern petrol and hybrid engines. After two months, the tail-end of the engine oil’s value chain finally felt the crunch. In Indonesia itself, our engine oil purchasing and scanning at the online marketplace found a 40%-60% price increase for low-viscosity oils, with rising stock compression. If attrition continues, the probability of national shortages will increase.

Chart 3. Vehicle Population Change in 1H26



Source: Indonesian National Police; Bank Danamon Indonesia Calculation

Chart 4. NEVs will Continue to Drive Wholesale Growth



Source: GAIKINDO; Bank Danamon Indonesia Calculation

Indonesia's Selected Economic Indicators

	2023	2024	2025	2026E
National Accounts				
Real GDP (% y-o-y)	5.0	5.03	5.11	5.30
Domestic demand ex. inventory (% y-o-y)	4.6	4.94	4.99	5.20
Real Consumption: Private (% y-o-y)	4.9	4.9	4.98	5.31
Real Gross Fixed Capital Formation (% y-o-y)	4.4	4.61	5.09	5.24
GDP (USD bn) — nominal	1,371	1,440	1,445	1,699
GDP per capita (USD) — nominal	4,920	4,960	5,083	5,401
Open Unemployment Rate (%)	5.3	4.9	4.7	4.5
External Sector				
Exports (% y-o-y, BoP Basis)	-11.3	6.51	6.15	4.56
Imports (% y-o-y, BoP Basis)	-7.3	7.95	2.83	6.81
Trade balance (USD bn, BoP Basis)	46.4	31.04	41.05	29.87
Current account (% of GDP)*	-0.1	-0.3	-0.1	-1.2
Central government debt (% of GDP)	38.9	39.13	40.50	40.74
International Reserves –IRFCL (USD bn)	146.4	155.7	156.5	150.0
Reserve Cover (Months of imports & ext. debt)	6.5	6.5	6.3	6.2
Currency/USD (Year-end)	15,399	16,235	16,703	17,990
Currency/USD (Average)	15,244	15,920	16,482	17,651
USD/CNH (Year-end)	7.13	7.34	6.98	6.80
USD/CNH (Average)	7.09	7.21	7.19	6.83
Currency/CNH (Year-end)	2,161	2,199	2,391	2,646
Currency/CNH (Average)	2,150	2,199	2,292	2,584
Other				
BI 7-Day Reverse Repo rate (% year end)	6.0	6.0	4.75	6.25
Consumer prices (% year end)	2.61	1.57	2.92	3.50
Fiscal balance (% of GDP; FY)	-1.65	-2.3	-2.92	-2.89
S&P's Rating – FCY	BBB	BBB	BBB	BBB

Source: CEIC, E= Danamon Estimates

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