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FX & Interest Rate

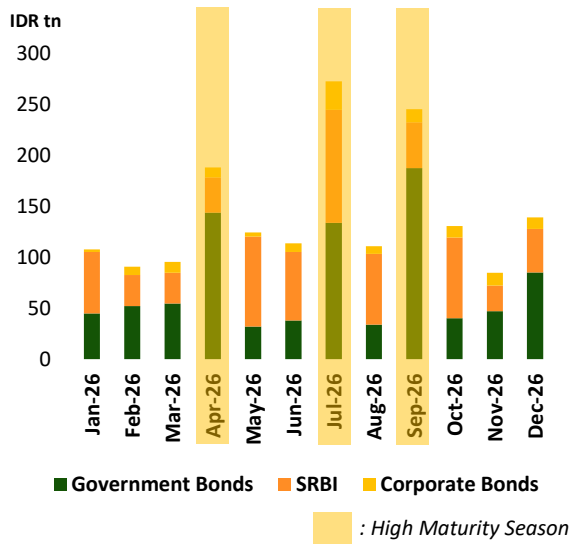
Rupiah liquidity is expected to remain ample, even as short-term pressures persist due to the government’s reliance on short-tenor issuance. The April 2026 bond maturity peak of IDR 144 tn will provide significant relief for banks and money markets, supporting smoother Reverse Repo normalization and easing temporary strains. Given the government’s commitment to keep subsidized fuel prices until year-end, the central bank has additional room to prioritize financial stability. This policy-mix suggests that BI will lean toward keeping interest rates steady, preserving confidence, and supporting domestic growth momentum in the aftermath of heightened global uncertainty.

On the external front, the US–Iran ceasefire announced on April 7, 2026, alongside oil price corrections, has eased inflationary pressures and pushed the dollar index below 99, opening space for foreign capital inflows into Emerging Markets such as Indonesia. The Indonesian government’s commitment to hold fuel prices steady, complemented by transport subsidies during Eid, has kept transportation inflation historically low despite global oil shocks. Businesses and households still face cost spillovers, but prudent fiscal management has contained broader inflation risks. If average oil prices remain below USD 100 per barrel, domestic inflation is projected to return to the target range of 2.5%±1% in April 2026. This combination of stable liquidity, positive investor sentiment, and disciplined fiscal policy strengthens Indonesia’s macro-outlook, reinforcing external resilience while supporting sustainable economic growth.

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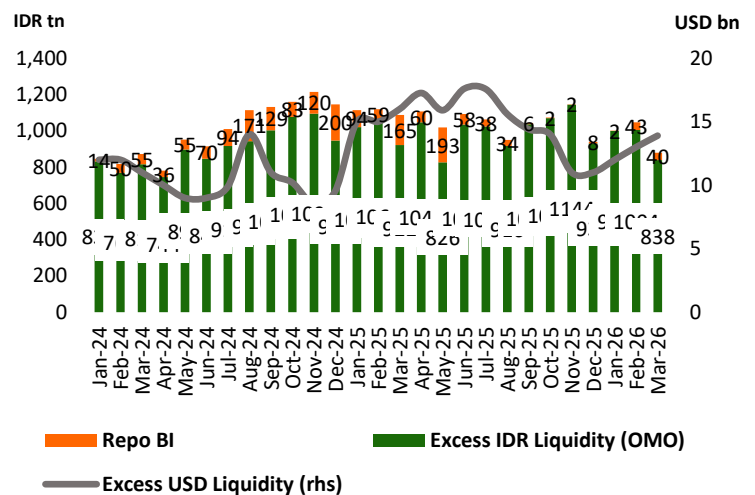
Please see the important disclaimer and information on the back of this report.

Chart 1. 2026 Market Instruments Maturity Profile



Source: Ministry of Finance, Bank Danamon Indonesia Calculation

Chart 2. Ample IDR Liquidity from a Normalized Reverse Repo



Source: Bank Indonesia, Bank Danamon Indonesia Calculation

Automotive Industry

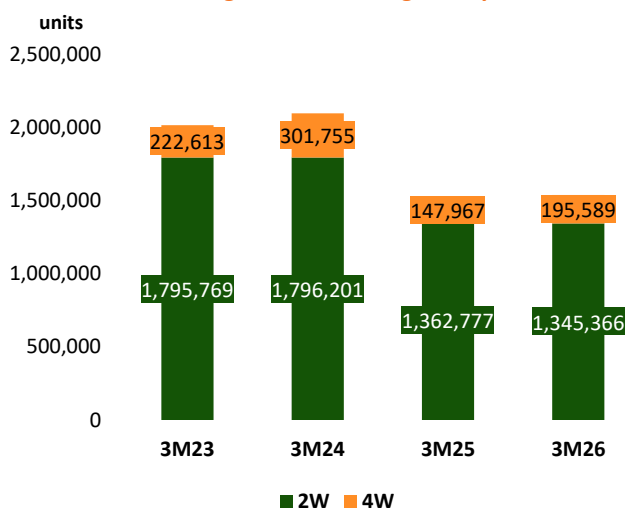
A strong wholesale recovery is expected to advance into 2Q26. The Indonesian Police’s 2W and 4W vehicle registration data changes are statistically used as a proxy to forecast wholesale movements ahead, specifically in the next three months. The numbers in 3M26, which would materialize into wholesales in 2Q26, suggest a continued turnaround. The 4W population increased by 195,589 units (+32.2% YoY), whereas the 2W population increased slightly to 1,345,366 units (-1.28% YoY). It shows that wholesales in 2Q26 are expected to remain strong, with gains more prominent in the 4W market, potentially driven by New Energy Vehicles (NEVs).

NEV wholesale gains could strengthen from fuel price woes. Since Operation Epic Fury began on February 28, average global fuel prices skyrocketed from USD 1.2/liter for both petrol and diesel to USD 1.35/liter for petrol and USD 1.46/liter for diesel by the end of March. Moreover, a severe fuel supply crunch hit many countries, triggering emergency measures in the Philippines, Australia, Vietnam, and other major energy importers. Despite a more moderate pressure in Indonesia, which produced 37.8% of its daily fuel needs domestically, images of fuel shortages in surrounding countries are expected to strengthen retail demand for NEVs, which depend less on combustible fuel. A phenomenon similar to the surge in fuel-saving economy cars flooding the United States (U.S.) automotive market after the 1973 oil crisis is one historical example. Nevertheless, this time adoption would be different as Indonesians are showing higher adaptability to pure electric propulsion, especially for long-distance journeys.

During the Eid Exodus, Battery Electric Vehicle (BEV) usage surged to 23,147 units (+60% YoY). The surge shows that Indonesian consumers are showing higher confidence in electric power’s long-haul capability. Range anxiety among users is moderate, as 1,681 charging stations (SPKLU) are ready across major exodus routes in Java and Sumatra. Economic cost advantage is also a major driver for using BEVs, as charging bills are on average only 20% of the ICE combustion fuel. However, accessibility and ease of use of SPKLU remain a challenge, with some users reporting malfunctions and long queues in smaller establishments.

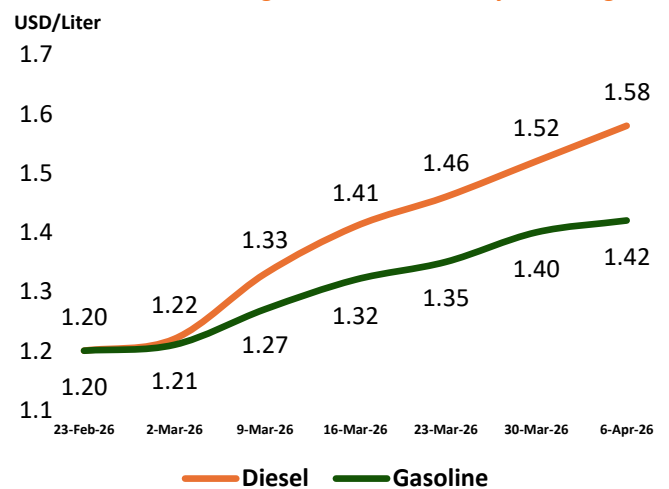
With both in effect, Chinese manufacturers’ rising dominance is expected to continue. Since 2025, the dominance of Chinese brands in the BEV segment has been cemented with price wars and competition in automotive servicing. In 2026, rising fuel prices and concerns over availability are expected to be a tailwind for demand for Chinese brands, as they focus more on electrification compared to their Japanese counterparts. The gap in the After-Sales Services (ASS) ecosystem is also being narrowed by the expansion of dealerships across Indonesia, specifically on the island of Java. We expect this trend to continue as long as the odd-even rule and Vehicle Tax (PKB) exemptions stay in place.

Chart 3. Vehicle Registration Change Jumped



Source: CEIC

Chart 4. Global Average Fuel Prices are Skyrocketing



Source: Compiled

Indonesia's Selected Economic Indicators

	2023	2024	2025	2026E
National Accounts				
Real GDP (% y-o-y)	5.0	5.03	5.11	5.17
Domestic demand ex. inventory (% y-o-y)	4.6	4.94	4.99	5.00
Real Consumption: Private (% y-o-y)	4.9	4.9	4.98	4.99
Real Gross Fixed Capital Formation (% y-o-y)	4.4	4.61	5.09	5.14
GDP (USD bn) — nominal	1,371	1,440	1,445	1,633
GDP per capita (USD) — nominal	4,920	4,960	5,083	5,320
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	-1.0	-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	16,885
Currency/USD (Average)	15,244	15,920	16,482	16,869
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	2,483
Currency/CNH (Average)	2,150	2,199	2,292	2,470
Other				
BI 7-Day Reverse Repo rate (% year end)	6.0	6.0	4.75	4.75
Consumer prices (% year end)	2.61	1.57	2.92	2.92
Fiscal balance (% of GDP; FY)	-1.65	-2.3	-2.92	-2.81
S&P's Rating – FCY	BBB	BBB	BBB	BBB

Source: CEIC, E= Danamon Estimates

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