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### FX & Interest Rate

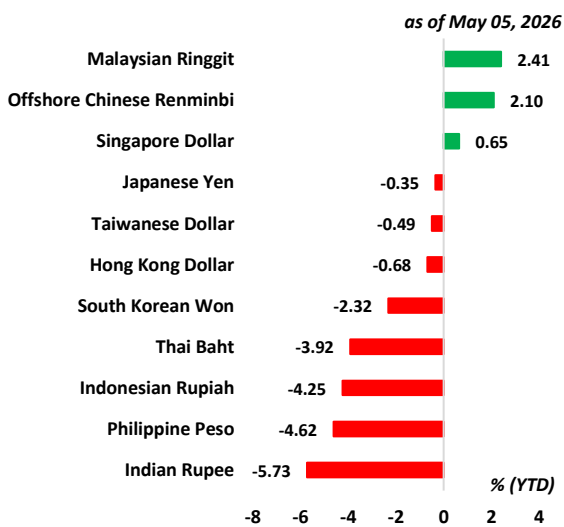
In early May-26, the rupiah's depreciation remained pronounced, weakening 4.25% year-to-date and ranking among Asia's weakest currencies after the Indian rupee and Philippine peso. Bank Indonesia's interventions have centered on making SRBI yields more competitive, raising them to 6.21% by end-April (up 152 bps from Sep-25, when BI last cut its policy rate), consistent with historical depreciation episodes of around 5% during periods of external stress. Foreign outflows peaked on Mar-26, especially in equities, but Apr-26 saw inflows into SRBI and government bonds as investors responded to higher yields. Outstanding SRBI reached IDR 885.4 tn, anchoring stability and containing USDIDR currently in the 17,200 – 17,400 range. Inflation dynamics offered some relief, with Apr-26 CPI easing to 2.42% YoY from 3.48% in Mar-26, driven by the subsidence of electricity discount's low-base effect and moderating food prices post-Eid. Yet, energy costs remain a risk, as Middle East tensions could sustain global oil and urea fertilizer prices at elevated levels, posing upside risks to domestic inflation in the coming months.

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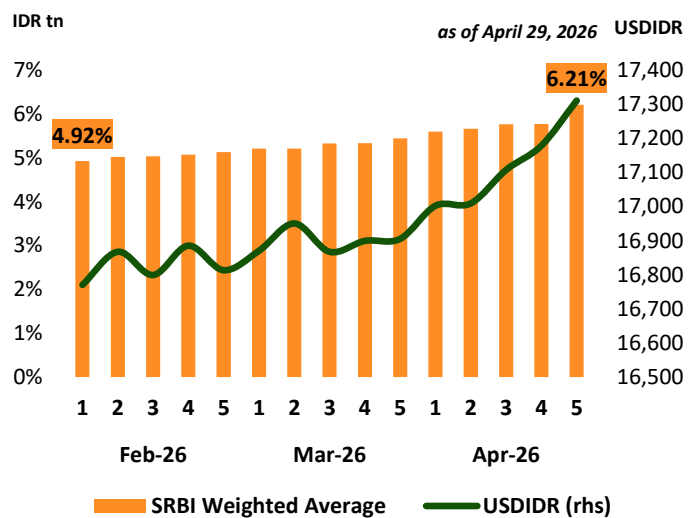
**Indonesia's GDP expanded 5.61% YoY in 1Q26, surpassing consensus and the prior quarter's 5.39% YoY.** The growth uptick was driven by a fiscal consumption boost (+21.81% YoY) that reinforced household demand during the Eid festive season, particularly among the IDR 1–3 million income group. Household consumption contributed 2.94% to growth, supported by IDR 815.0 tn in fiscal outlays and targeted food assistance programs. Government consumption (1.26%) and fixed capital formation (1.79%) also strengthened, underpinned by capital spending (+36.7% YoY) and resilient FDI inflows (+8.5% YoY). Based on sectors, manufacturing and construction showed recovery from an uptick in public capital expenditure, while tourism-driven regions like Bali and Java outperformed.

**Chart 1. Asian Currencies Weakens against USD**



Source: Bloomberg

**Chart 2. BI Tactically Hike the SRBI rate to Defend the USDIDR**



Source: Bank Indonesia

## Automotive Industry

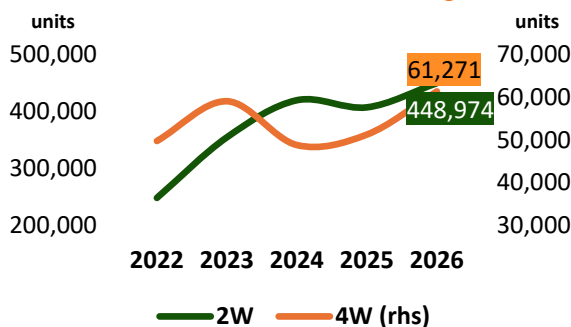
**Wholesale during Eid 2026 further confirms the automotive sector’s resilience.** In Mar-26, Indonesian automotive wholesale figures declined to 61,271 units (-13.8% YoY) for 4W and 448,974 (-17.1% YoY) for 2W. Both resulted from shorter working days during Eid, which reduced the number of vehicles distributed from the factory to dealers. However, when comparing Eid 2026 (Mar-26) with 2025 (Apr-25), wholesale figures show significant growth for both 4W (+19.7% YoY) and 2W (+10.4% YoY). The rise in purchasing power compared to last year, shown by the impressive 5.61% YoY GDP growth in 1Q26, propped up by fiscal capital and material spending during the quarter has reverberated in the automotive market. However, a headwind emerges from the adjustment in fuel prices.

**Finally, Indonesia adjusts some of its non-subsidized fuel prices.** On April 18 and May 4, 2026, Pertamina announced major adjustments for Pertamina Turbo (RON 98), Dexlite (CN 51), and Pertamina Dex (CN 53). These flagship fuels are increased from IDR 13,100, IDR 14,200, and IDR 14,500 to IDR 19,900, IDR 26,000, and IDR 27,900, respectively. Non-subsidized petrol fuels below RON 98 and subsidized items (Pertalite and Solar) prices remain unchanged. This step confirms our expectation that the government will gradually adjust non-subsidized fuel prices. We estimate that a full adjustment on non-subsidized fuel prices is expected to increase inflation by +1.27%.

**At the same time, a major change in the Battery Electric Vehicle (BEV) Tax is occurring.** The Ministry of Home Affairs issued Regulation 11/2026, which delegated the BEV tax regime to the provincial governments from April 1, 2026, onwards. With that change, BEV’s Vehicle Tax (PKB) will not be automatically exempted across the nation. Each province is given the authority to determine the taxation level and mechanism for BEVs. With that in mind, the Minister of Home Affairs also issued a Circular Letter (SE), instructing Governors to exempt or reduce Vehicle Tax for BEVs. At present, the government of Jakarta Special Region (DKJ) and Banten have stated its commitment to maintain BEV exemption, whereas West Java postponed any taxation until the recent global energy crunch subsided. With cuts in the General Transfers Fund (DAU) to IDR 400 tn (-7.0% YoY) in 2026, other provincial governments might be more incentivized to implement a limited reduction.

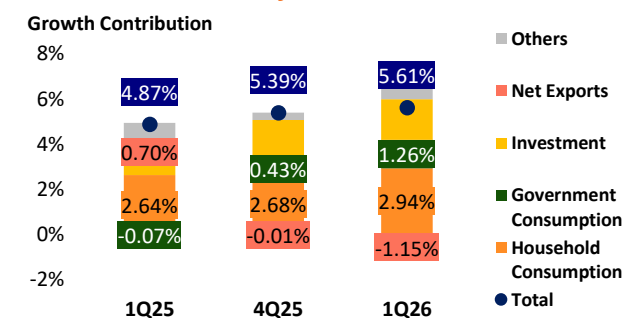
**However, we still expect a boom for New Energy Vehicles (NEVs) this year.** The recent prospective hike in Vehicle Tax (PKB) is not comparable to the gradual price hikes in non-subsidized fuel. Furthermore, fuel costs are a much higher recurring cost. The 2022 Cost of Living Survey, released by Statistics Indonesia (BPS), shows that fuel (petrol and diesel) is 4.58% of consumer expenses, much higher than annual administrative taxes at 0.15%. Consequently, the cost advantage of NEVs is not waning, nudging Indonesian consumers to shift, as 70% of 4W sales are in the Greater Jakarta area, where vehicles are usually bought for urban commuting. Running costs are the primary concern for city-dwellers, making NEVs stand out. In the medium term, continued fiscal incentives for BEV purchases until Oct-26, along with Toyota-CATL IDR 1.3 tn investment for domestic battery manufacturing facility in Indonesia will serve as major catalyst to uplift Indonesia’s domestic automotive wholesales and move up its supply chain to global markets.

**Chart 3. 2W and 4W Wholesales during Eid**



Source: CEIC; Bank Danamon Indonesia Calculation

**Chart 4. A Fiscal “Dash for Growth” in 1Q26**



Source: Bank Danamon Indonesia Calculation

## Indonesia's Selected Economic Indicators

	2023	2024	2025	2026E
<b>National Accounts</b>				
Real GDP (% y-o-y)	5.0	5.03	5.11	5.50
Domestic demand ex. inventory (% y-o-y)	4.6	4.94	4.99	5.40
Real Consumption: Private (% y-o-y)	4.9	4.9	4.98	5.51
Real Gross Fixed Capital Formation (% y-o-y)	4.4	4.61	5.09	5.34
GDP (USD bn) — nominal	1,371	1,440	1,445	1,705
GDP per capita (USD) — nominal	4,920	4,960	5,083	5,420
Open Unemployment Rate (%)	5.3	4.9	4.7	4.5
<b>External Sector</b>				
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	17,330
Currency/USD (Average)	15,244	15,920	16,482	17,200
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	2,548
Currency/CNH (Average)	2,150	2,199	2,292	2,518
<b>Other</b>				
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	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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