



FX & Interest Rate

Indonesia's FX dynamics in 2025 highlight the divergence between headline resilience and underlying fragility. In 2Q25, foreign outflows from Indonesian financial assets had already begun, with declining foreign holdings in government bonds (SBN) and SRBI signaling a shift toward safe-haven assets. This trend deepened in 3Q25, when the financial account recorded a portfolio investment deficit of –USD 8.11 bn, the sharpest since 1Q22. Paradoxically, the same quarter saw the current account swing into a USD 4.05 bn surplus (1.10% of GDP), driven by strong palm oil and steel exports.

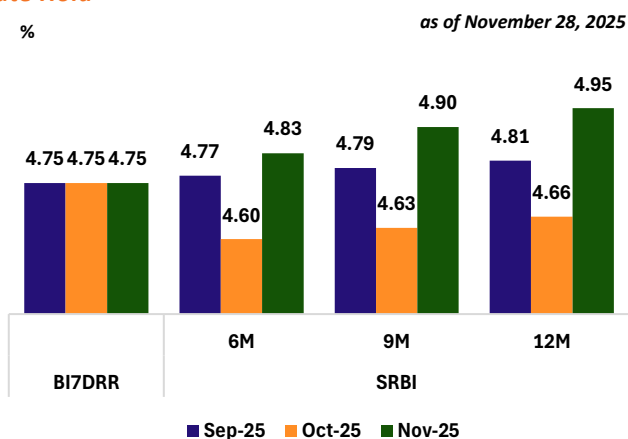
While the Rupiah briefly strengthened on quarterly net inflows of around USD 1.5 bn, structural pressures persisted. Foreign ownership of SRBI collapsed from IDR 270 tn to IDR 90 tn in 3Q25, reflecting both heavy maturities from the prior issuance cycle and waning global appetite for short-tenor Rupiah instruments. Year-to-date, SRBI has seen cumulative foreign outflows of USD 9.3 bn, alongside equity market outflows of USD 1.7 bn, leaving USD/IDR vulnerable in the 16,500–16,700 corridor as global rate divergence amplifies volatility.

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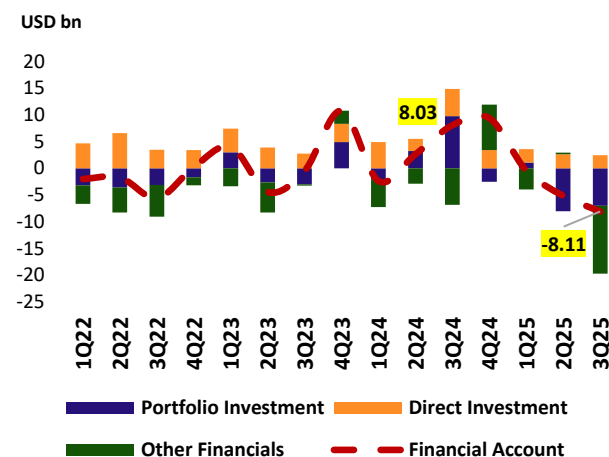
On the interest rate front, Bank Indonesia held its policy rate at 4.75% in November 2025, while tactically raising SRBI yields and introducing the new BI-FRN linked to IndONIA to deepen money markets and redirect liquidity toward domestic buyers. This strategy reflects BI's dual objective: defending the Rupiah while reducing reliance on foreign participation, which has been shrinking since 2Q25. Looking ahead, Indonesia's 2026 gross issuance needs of IDR 1,756 tn versus maturities of IDR 864.6 tn will require frontloading in 1Q26–2Q26 to secure favorable funding costs before seasonal volatility. Domestic banks have already stepped in, with SBN holdings rising from IDR 1,129 tn in January to 1,474 tn in November, cushioning the risk of sudden foreign exits but tightening the link between funding conditions and BI's operational corridor.

Chart 1. SRBI Yields Climb Above Sep-25 Levels Despite BI Rate Hold



Source: Bank Indonesia

Chart 2. There is a Record Portfolio Investment Outflow



Source: Bank Indonesia, CEIC

Automotive Industry

For FY25, we expect a total wholesale of 785,000 units for 4W and 6.4 mn units for 2W. From the dynamics in Nov-25, the recovery in purchasing power continues, with core inflation (excluding gold jewelry and housing costs) continuing its upward momentum at 1.63% YoY. After seven months of decline, Bank Indonesia's Consumer Confidence Index (CCI) also rebounded to 121.2 (+0.08% YoY) in Oct-25, on the back of improving present job prospects and the IDR 30 tn Social Cash Assistance (BLT-KS). With those two combined, consumers' current income, especially among the IDR 1-2 mn group, is boosted, bolstering the savings rate to 14.3%. With the expansive cycle in government spending in Nov-25 and Dec-25, we expect this trend to continue, boosting automotive wholesales.

Amid optimistic wholesales, doubt is cast over the continuity of 2026 fiscal incentives for Battery Electric Vehicles (BEVs). The Coordinating Minister of Economic Affairs, Airlangga Hartarto, announced that there will be no Sales Tax and Luxury Goods Tax incentives for BEVs into 2026, citing strong sales since Oct-25, brand competition, and rising Completely-Knocked-Down (CKD) model penetration as the main arguments. It negated earlier pronouncements from the Ministry of Industry that a 2026 stimulus for BEVs is being formulated. Alas, this renewed uncertainty among BEV producers, especially brands that built domestic production facilities under the assumption of a CKD tax incentive. If those two are not continued, CKD models will only receive gains by avoiding the 50% import tariffs for vehicles. Consequently, the BEV wholesale frontloading in Dec-25 could accelerate even further.

Nevertheless, the Vehicle Tax incentive is expected to remain, keeping the surge of New Energy Vehicles (NEVs) afloat. There are two regulatory frameworks for BEV incentives in Indonesia: The Ministry of Finance's Regulation on Incentives for Electric Vehicle Sales and Luxury Goods Tax (PMK 12/2025) and the Ministry of Home Affairs' Regulation on Vehicle Tax Object (Permendagri 07/2025). The incentive called into question is limited to the retail sales side. For the ownership-based Vehicles Tax, the exemption for BEVs and a lower coefficient (1-1.25%) for hybrid vehicles is largely settled. Hence, the cost competitiveness of NEV ownership is expected to remain secure, supporting the surge into 2026 as competition among manufacturers intensified.

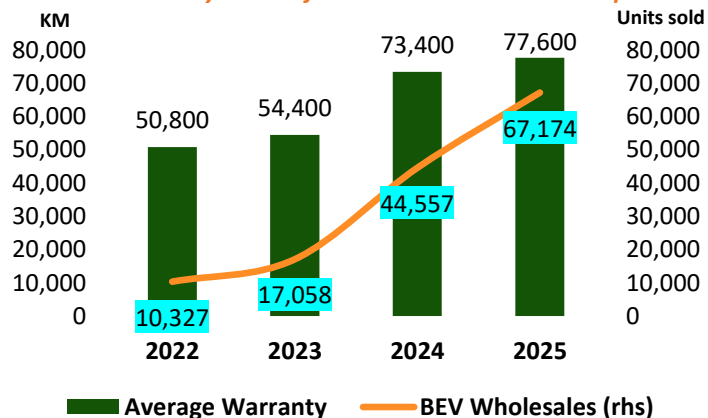
The surge in NEV wholesales expanded brand competition to after-sales services. Brand competition has grown beyond vehicle sales to include After-Sales Service (ASS), with increased competition in warranty and free service packages, particularly among new NEV brands entering the market. The average warranty period climbed from 50,800 km (4 years) to 77,600 km (6 years). It corresponds with a boom in BEV sales, driven by new entrants vying for market share and consumer traction. BEV manufacturers are driving this trend by providing longer warranties and extended free service advantages, which boost retail sales of parts and fuel.

Chart 3. Fiscal Charges for CBU and CKD BEVs

BEV Price	IDR 300,000,000			
	CBU		CKD	
PKB	0%	IDR 0	0%	IDR 0
Opsen PKB	Not Charged	IDR 0	Not Charged	IDR 0
BBNKB	0%	IDR 0	0%	IDR 0
Opsen BBNKB	Not Charged	IDR 0	Not Charged	IDR 0
PPnBM	15%	IDR 45,000,000	0%	IDR 0
PPN	12%	IDR 36,000,000	2%	IDR 6,000,000
Total Tax Liability		IDR 81,000,000		IDR 6,000,000

Source: Bank Danamon Indonesia Calculation

Chart 4. Warranty Period for 4W in Indonesia Shot Up



Source: GAIKINDO; Bank Danamon Indonesia Calculation

: Subject to 2026 Ministerial Regulatory Changes

Indonesia's Selected Economic Indicators

	2023	2024	2025E	2026E
National Accounts				
Real GDP (% y-o-y)	5.0	5.03	4.91	5.04
Domestic demand ex. inventory (% y-o-y)	4.6	4.94	4.90	4.95
Real Consumption: Private (% y-o-y)	4.9	4.9	4.80	4.98
Real Gross Fixed Capital Formation (% y-o-y)	4.4	4.61	4.60	5.14
GDP (USD bn) — nominal	1,371	1,440	1,510	1,599
GDP per capita (USD) — nominal	4,920	4,960	5,225	5,315
Open Unemployment Rate (%)	5.3	4.9	4.8	4.6
External Sector				
Exports (% y-o-y, BoP Basis)	-11.3	6.51	3.89	4.56
Imports (% y-o-y, BoP Basis)	-7.3	7.95	2.75	6.81
Trade balance (USD bn, BoP Basis)	46.4	31.04	30.31	29.87
Current account (% of GDP)*	-0.1	-0.3	-1.0	-1.2
Central government debt (% of GDP)	38.9	39.13	39.45	41.21
International Reserves –IRFCL (USD bn)	146.4	155.7	152.0	148.7
Reserve Cover (Months of imports & ext. debt)	6.5	6.5	6.3	6.2
Currency/USD (Year-end)	15,399	16,235	16,650	16,620
Currency/USD (Average)	15,244	15,920	16,475	16,593
USD/CNH (Year-end)	7.13	7.34	7.35	7.37
USD/CNH (Average)	7.09	7.21	7.26	7.31
Currency/CNH (Year-end)	2,161	2,199	2,265	2,255
Currency/CNH (Average)	2,150	2,199	2,269	2,270
Other				
BI 7-Day Reverse Repo rate (% year end)	6.0	6.0	4.75	4.25
Consumer prices (% year end)	2.61	1.57	2.51	2.22
Fiscal balance (% of GDP; FY)	-1.65	-2.3	-2.78	-2.81
S&P's Rating – FCY	BBB	BBB	BBB	BBB

Source: CEIC, E= Danamon Estimates

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