



[treasury.economist@danamon.co.id](mailto:treasury.economist@danamon.co.id)

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

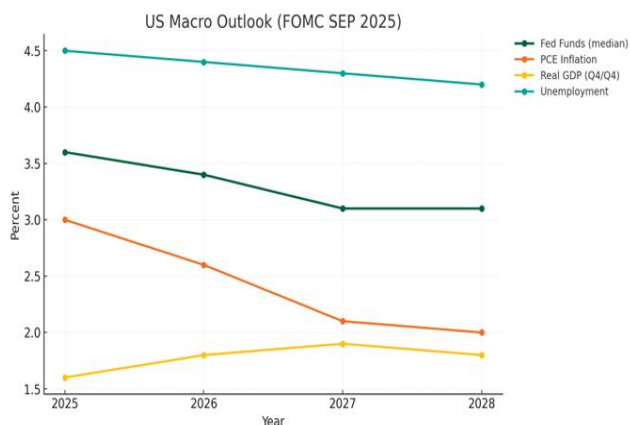
### FX & Interest Rate

**The Fed's latest dot plot reinforces expectations of a deeper easing cycle.** The median FFR projection of 3.5% in 2025 and 3.25% by 2027 reflects growing confidence in disinflation and resilient growth. This dovish stance, confirmed by the 25 bps cut in September and likely continuation in October, signals that the Fed sees room to ease without derailing the economy. The Fed's updated Sep-25 Dot Plot suggests room for multiple rate cuts. This outlook caps USD upside and reopens EM carry opportunities.

**Rupiah's underperformance amid a global FX rally reflects policy trade-offs.** As of October 6, 2025, IDR has depreciated against USD and other major currencies, though recent signs of IDR strengthening emerged as foreign investors returned to the equity market. Yet, BI's expected rate cuts risk narrowing the yield gap with USD assets, which could reignite FX pressure. The fiscal deficit and past capital outflows pushed USD/IDR above 16,600, and while we expect it to stay within 16,500–16,700. We also expect BI active intervention, as reflected in the drop in foreign reserves to USD 148.7 bn, the lowest since July 2024, where it's due to foreign debt payments and FX stabilization efforts.

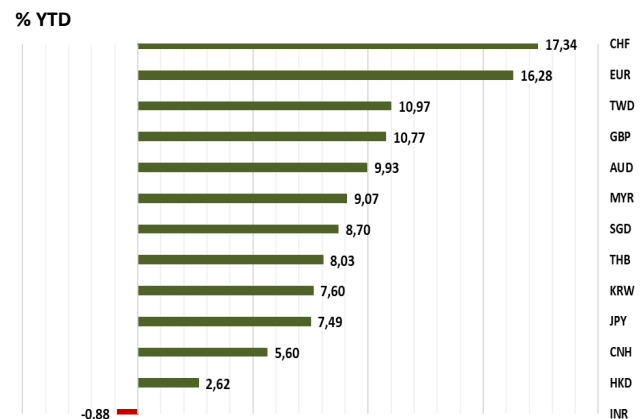
**Domestic liquidity conditions have become more accommodative,** supporting BI's easing bias. Liquidity injections from SRBI and SBN maturities, along with fiscal flows, have softened interbank rates. BI's 25bps cut to 4.75% in September was paired with targeted liquidity support to state banks. Latest SRBI auctions show rates between 4.755%–4.795%, and with IDR 209.3 tn in maturities due in October, liquidity is expected to remain ample.

**Chart 1. Fed Signals Multi-Cut Strategy – Sep 2025 Projections**



Source: The Fed Macro Projection per FOMC September 2025

**Chart 2. BI Cuts Deep: Foreign Currencies Rally Against IDR as Yield Gap Narrows**



Source: Bloomberg

## Automotive Industry

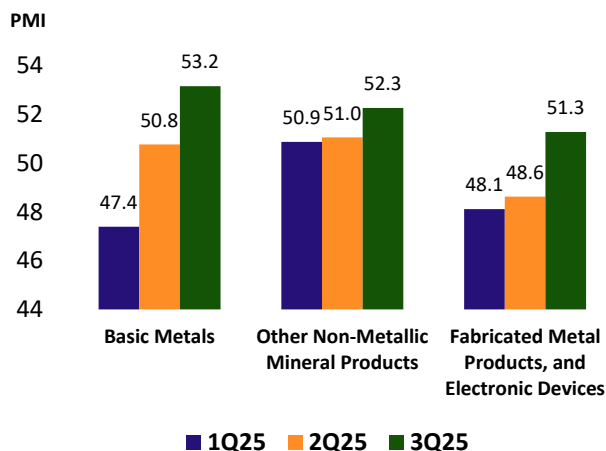
**Domestic automotive wholesales experience a divergence: car sales decline to 61,780 units (-19.0% YoY), while motorcycle sales show resilience at 578,041 units (+0.7% YoY).** This divergence may reflect uneven impacts of the Manufacturing PMI expansion (Aug-25: 51.5), primarily driven by rising foreign demand. Increased foreign demand is more pronounced in basic metals, metal fabrication, and non-metallic mineral product sectors, based on Bank Indonesia's Prompt Manufacturing Index. These sectors, linked to commodities and with significant activity outside Java, directly benefit motorcycle wholesales, as 2W demand is strong in these regions, while the impact is less pronounced for 4W vehicles.

**Furthermore, Indonesia's vehicle registration data suggests stronger wholesales for the 2W segment going forward.** The Indonesian National Police's daily data on vehicle registration provides a leading indicator for automotive wholesales, with a strong positive correlation with 2W wholesales in the next quarter (61% based on our calculation). Looking at the monthly change, there is a spike in new motorcycle registrations on Sep-25. Statistically, this would lead to stronger 2W wholesale numbers in Dec-25. However, the same correlation does not apply to 4W wholesales.

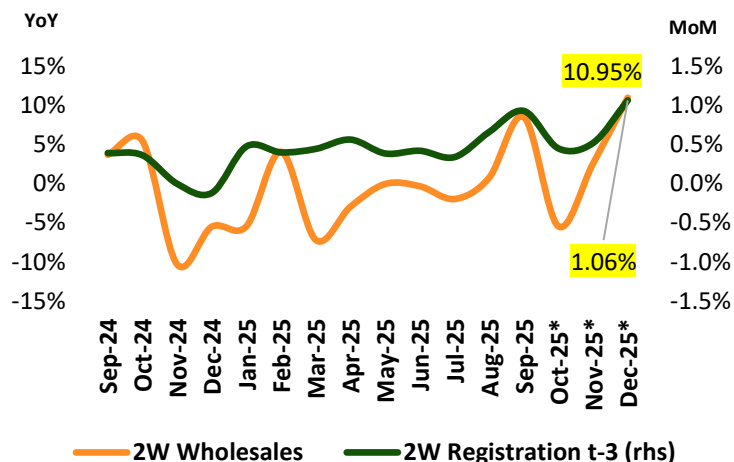
**Looking ahead, the end of the Completely Built-Up (CBU) Battery Electric Vehicle (BEV) incentives in Dec-25 might trigger wholesale frontloading.** After the incentive ends on January 1, 2026, the price of CBU BEVs might rise by 10-15%. Production from new Indonesian BEV factories of BYD and Vinfast is going to start operating by early 2026. Hence, within the three-month window, we expect BEV brands to build up CBU inventories to anticipate heightened consumer demand, especially as a perceived build quality difference with the Completely Knocked Down (CKD) version of the same model lingers. However, we expect no significant turnaround in wholesale from this effect, and market share within BEV brands is expected to remain unchanged.

**In relation to wholesales, the NVIDIA chip ban by China is expected to ripple through automotive innovation and pricing.** At the end of Sep-25, the Cyberspace Administration of China (CAC) banned the use of NVIDIA chips after the United States (U.S.) limited NVIDIA chip exports to China. The goal is to increase local chip usage in various manufacturing products, including cars. The automotive industry could experience short-term disruption. That disruption is expected from rising R&D and operational expenses, which will reduce manufacturers' financial capacity to engage in a price war. As a result, sticker prices are expected to bottom by 2026, then rise slowly in 2027 and 2028 as manufacturers adapt to maintain their profit margins.

**Chart 3. Top 3 Sectors in terms of PMI Expansion**



**Chart 4. 2W New Registration Precede its Wholesale Figures**



\*: Wholesale Forecast

Source: Bank Indonesia

Source: CEIC; Indonesian National Police; Bank Danamon Indonesia Calculation

## Indonesia's Selected Economic Indicators

	2022	2023	2024	2025E
<b>National Accounts</b>				
Real GDP (% y-o-y)	5.3	5.0	5.03	4.91
Domestic demand ex. inventory (% y-o-y)	3.8	4.6	4.94	4.90
Real Consumption: Private (% y-o-y)	4.9	4.9	4.9	4.91
Real Gross Fixed Capital Formation (% y-o-y)	3.9	4.4	4.61	4.60
GDP (USD bn) — nominal	1,319	1,371	1,440	1,510
GDP per capita (USD) — nominal	4,783	4,920	4,960	5,225
Open Unemployment Rate (%)	5.9	5.3	4.9	4.8
<b>External Sector</b>				
Exports (% y-o-y, BoP Basis)	25.6	-11.3	6.51	3.89
Imports (% y-o-y, BoP Basis)	21.6	-7.3	7.95	2.75
Trade balance (USD bn, BoP Basis)	62.7	46.4	31.04	30.31
Current account (% of GDP)*	1.0	-0.1	-0.6	-1.0
Central government debt (% of GDP)	39.6	38.9	39.13	39.45
International Reserves –IRFCL (USD bn)	137.2	146.4	155.7	152.0
Reserve Cover (Months of imports & ext. debt)	5.9	6.5	6.5	6.3
Currency/USD (Year-end)	15,573	15,399	16,235	16,575
Currency/USD (Average)	14,855	15,244	15,920	16,453
USD/CNH (Year-end)	6.92	7.13	7.34	7.35
USD/CNH (Average)	6.74	7.09	7.21	7.26
Currency/CNH (Year-end)	2,248	2,161	2,199	2,256
Currency/CNH (Average)	2,205	2,150	2,199	2,266
<b>Other</b>				
BI 7-Day Reverse Repo rate (% year end)	5.50	6.00	6.00	4.50
Consumer prices (% year end)	5.51	2.61	1.57	2.51
Fiscal balance (% of GDP; FY)	-2.38	-1.65	-2.29	-2.78
S&P's Rating – FCY	BBB	BBB	BBB	BBB

Source: CEIC, E= Danamon Estimates

## Treasury Economist



A member of  MUFG

**PT Bank Danamon Indonesia, Tbk.**

Menara Bank Danamon

Jl. H.R. Rasuna Said Kav. C-10, Kuningan

Jakarta 12940

Indonesia

Email: [treasury.economist@danamon.co.id](mailto:treasury.economist@danamon.co.id)

Fax: +62 21 80645263

### ANALYST CERTIFICATION

We hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views in this report.

### DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Bank Danamon Indonesia, Tbk. and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof. We expressly disclaim any responsibility or liability (express or implied) of P.T. Bank Danamon Indonesia, Tbk. its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Bank Danamon Indonesia, Tbk. its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission there from which might otherwise arise is hereby expressly disclaimed. The information contained in this report is not to be taken as any recommendation made by P.T. Bank Danamon Indonesia, Tbk. or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.