



A member of MUFG

FX & Interest Rate

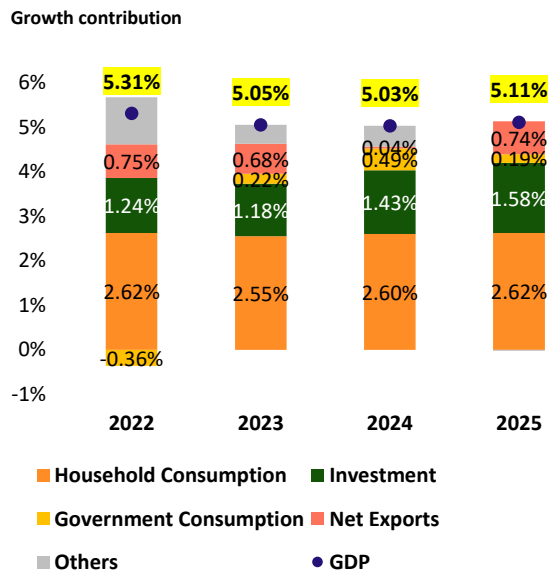
Liquidity conditions remain ample, supported by reverse repo normalization and easing repo volumes in January, which indicate readiness to meet higher cash demand ahead of the Eid festive season in March. Bank Indonesia maintained its policy rate at 4.75% in Jan-26, signaling caution amid elevated USDIDR levels and inflationary pressures. To safeguard the Rupiah, SRBI yields were raised, reinforcing exchange rate stability. BI's pro-liquidity stance has ensured smooth monetary transmission and market stability, while the upcoming bond maturity spike in April 2026 (IDR 144 tn) is expected to further enhance domestic liquidity. The liquidity expansion is evident in the 11.4% YoY growth of Unadjusted Base Money (M0) in December 2025, providing a supportive environment for consumption and investment.

Indonesia's growth reached +5.39% YoY in 4Q25, lifting full-year growth to +5.11% YoY, the strongest since 2022. In 4Q25, Household consumption remained the main driver (+5.11% YoY), bolstered by fiscal stimulus and stronger services activity, while investment accelerated (+6.12% YoY) on the back of FDI inflows and public capital spending. Net exports contributed positively, with exports (+5.90% YoY) outpacing imports (+3.96% YoY), sustaining a quarterly trade surplus of USD 9.21 bn. On the supply side, manufacturing (+5.30% YoY) continued to anchor growth, supported by food & beverages, basic metals, and pharmaceuticals, while ICT (+8.09% YoY) and transport & communication (+8.98% YoY) posted robust gains. Regionally, Sulawesi led with +6.23% YoY, while Java (+5.30% YoY) remained the core growth engine. Looking ahead, 1Q26 growth is expected to strengthen, driven by festive season demand and reinforced by accommodative financial conditions.

treasury.economist@danamon.co.id

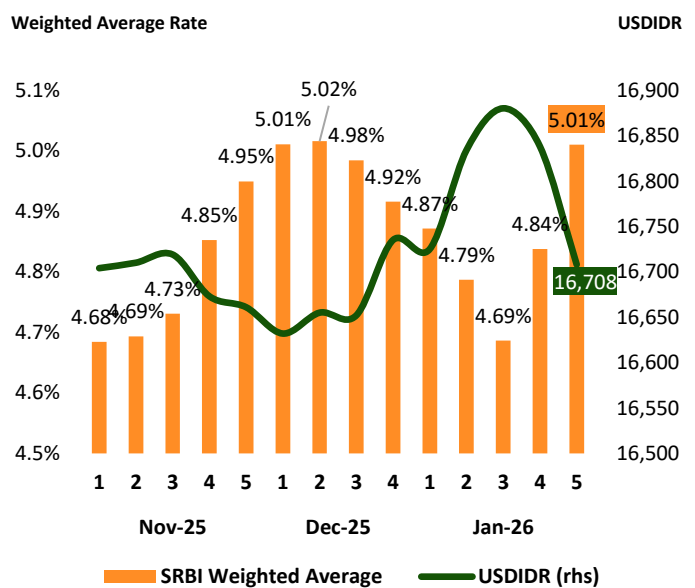
Please see the important disclaimer and information on the back of this report.

Chart 1. Drivers of Indonesia's Economic Growth



Source: Statistics Indonesia

Chart 2. SRBI Rates are Hiked in Late Jan-26



Source: Bank Indonesia

Automotive Industry

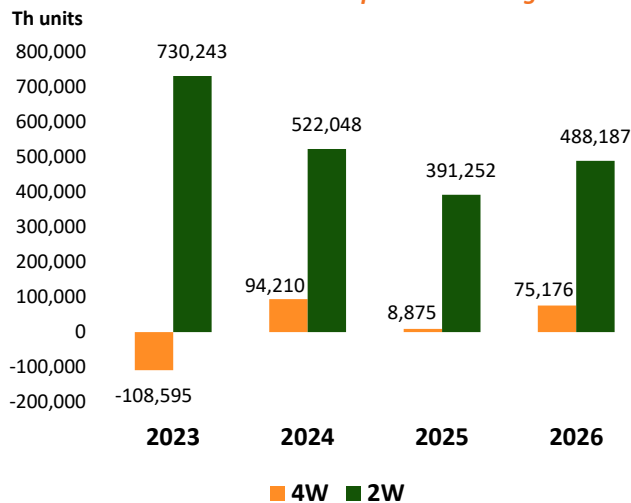
In Dec-25, Indonesia’s 4W wholesale spiked due to frontloading among manufacturers. As expected, 4W wholesales jumped to 94,100 units (+18.1% YoY), bringing the annual wholesales to 803,687 units (-7.2% YoY). The monthly spike was driven by New Energy Vehicles (NEVs) at 42,738 units, a fourfold increase from Dec-24. The driver of this boom is the sunset of CBU BEV incentives, triggering manufacturers to stockpile units into dealerships at 24,341 units (+476.5% YoY). However, the sunset was accompanied by overall manufacturer optimism in 2026 for hybrid (HEV) and plug-in hybrid (PHEV) demand, as reflected by their bounce in wholesales at 24,341 and 3,665 units, respectively.

Indonesia’s vehicle population registration data suggests a more auspicious prospect for automotive sales. In the first 30 days of 2026, there is a positive net change in vehicle registrations, at 563,363 units (+40.8% YoY), marking the first yearly increase since 2022. The jump was higher in the 4W population, which increased by 75,716 units (+747.1% YoY) during this period, while the 2W net population change decreased to 488,187 units (+24.8% YoY). Nevertheless, both suggest that more vehicles are purchased by retail and corporate customers, which suggests a more upbeat situation for the automotive sector from domestic demand.

Externally, various catalysts in the European markets are expected to moderate the automotive price war in Indonesia. On January 12, China reached a deal with the European Union (EU), which de-escalated the 35.3% import tariffs to a minimum price undertaking mechanism, tied with domestic plant investment guidance commitments. One week later, Germany introduced USD 3.5 bn worth of subsidies for PHEV and BEV vehicles from all brands. In the package, German consumers are eligible for a rebate of USD 1,700-7,000. Both policies are expected to accelerate Chinese exports of NEVs into Europe by 20% in 2026 but decline in the years after as Eastern European plants begin production to supply the EU market. Otherwise, the EU’s high-density car market and green personal mobility policies will diversify the volume growth base of Chinese NEV manufacturers, moderating export and competition pressure in Emerging Markets such as Brazil and Indonesia.

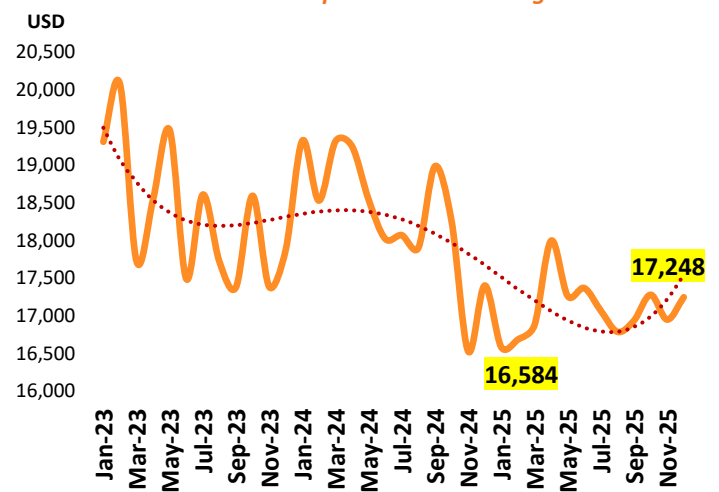
With price cuts moderating, the volume making shift in marketing strategy continued. In Jan-26, Honda and Toyota refreshed their volume maker models. Honda launched a new basic “S” type for the Brio Satya, equipped with the more popular Continuous Variable Transmission (CVT) at IDR 188 mn. On the other hand, Toyota launched the first facelift of its crossover Raize, with prices unchanged at IDR 244-317 mn. These moves indicate that established manufacturers are more confident in the consumption base of Indonesia’s IDR 140-375 mn market, which is the prospective recipient of the currently floated automotive stimulus.

Chart 3. Indonesia’s Vehicle Population Change



Source: CEIC; Bank Danamon Indonesia Calculation

Chart 4. Chinese Vehicle Exports Price is Rising in 2025



Source: CEIC; Bank Danamon Indonesia Calculation

Indonesia's Selected Economic Indicators

	2023	2024	2025E	2026E
National Accounts				
Real GDP (% y-o-y)	5.0	5.03	5.11	5.04
Domestic demand ex. inventory (% y-o-y)	4.6	4.94	4.99	4.95
Real Consumption: Private (% y-o-y)	4.9	4.9	4.98	4.98
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	1,599
GDP per capita (USD) — nominal	4,920	4,960	5,083	5,315
Open Unemployment Rate (%)	5.3	4.9	4.7	4.6
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	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	16,703	16,841
Currency/USD (Average)	15,244	15,920	16,482	16,814
USD/CNH (Year-end)	7.13	7.34	6.98	7.37
USD/CNH (Average)	7.09	7.21	7.19	7.31
Currency/CNH (Year-end)	2,161	2,199	2,391	2,255
Currency/CNH (Average)	2,150	2,199	2,292	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	2.92	2.22
Fiscal balance (% of GDP; FY)	-1.65	-2.3	-2.92	-2.68
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

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 regard 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.