

Indonesia

1 December 2025

Mixed activity data amid slightly lower CPI

- November headline CPI eased to 2.7%YoY from 2.9% in October, still well within Bank Indonesia's (BI) 1.5-3.5% target range.
- Economic activity was mixed to start 4Q25 – October trade data was weaker-than-expected while government spending picked up for the month.
- BI will likely thread a fine balance at its 17 December meeting. Our baseline is for a cumulative 50bp in rate cuts, but the timing is dependent on IDR moves.

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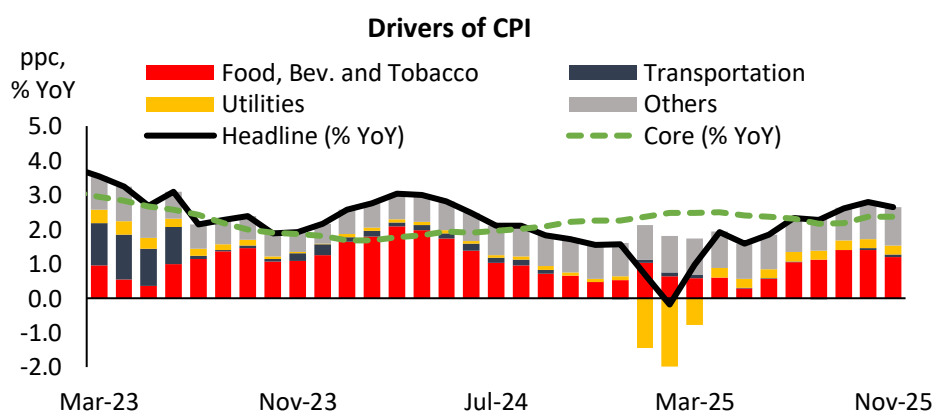
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Headline CPI eased in November

Headline CPI eased to 2.7% YoY in November from 2.9% in October while core inflation was unchanged at 2.4%YoY. Volatile inflation, including for volatile food, eased to 5.5% YoY from 6.6% in October. Notwithstanding, we still see price pressures particularly for food as sticky. Statistics Indonesia noted that shallot production in November was the lowest for the year and more fundamentally, the free nutritious meal scheme has added to price pressures on products such as eggs and chicken¹. Ahead of the Eid and Ramadan season in February and March 2026, food prices could come under further seasonal pressures.



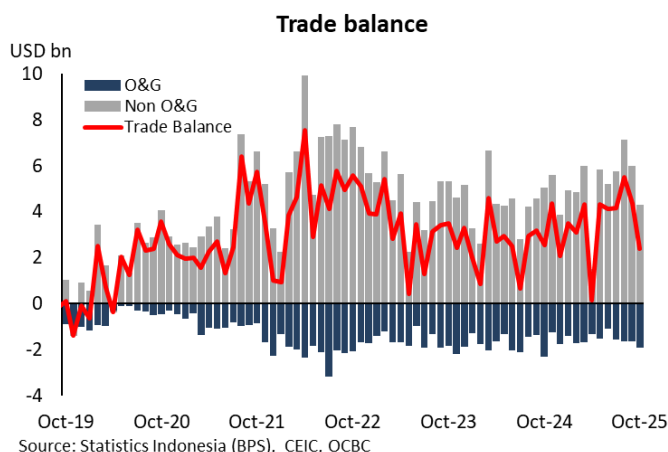
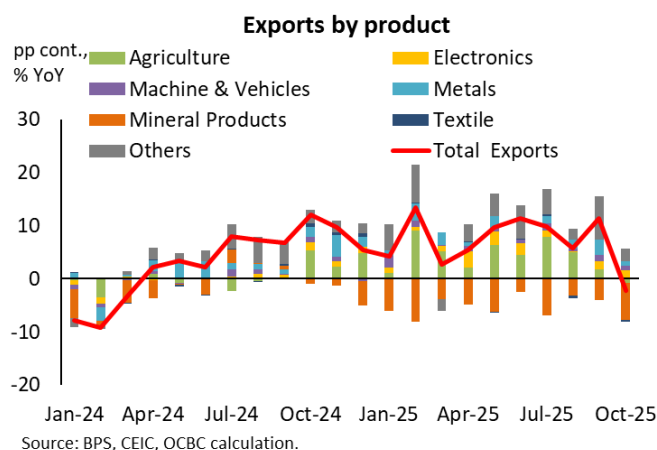
Source: BPS, CEIC, OCBC.

October trade data disappoints

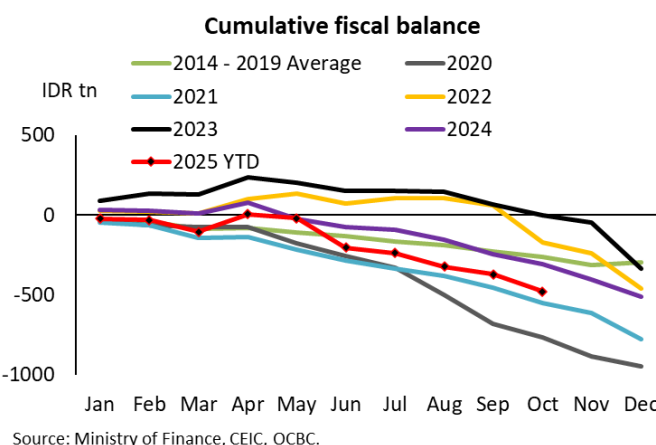
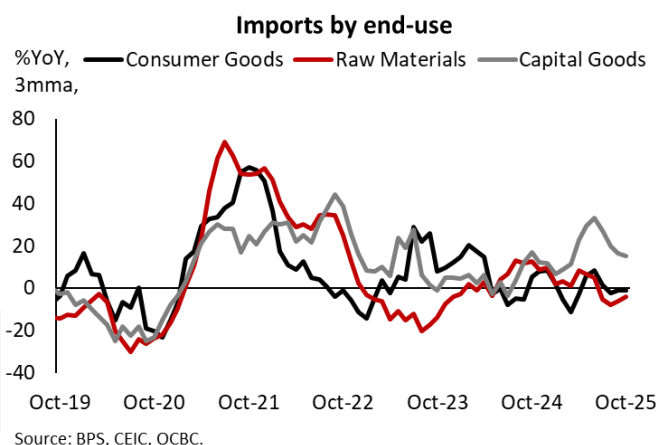
Meanwhile, the trade data for October was disappointing. Exports contracted by 2.3% YoY after rising by 11.4% in September (Consensus: 3.4%; OCBC: 6.1%) while import growth contracted by 1.2% YoY from 7.2% in September (Consensus: -1.6%; OCBC: 3.7%). The trade surplus narrowed to USD2.4bn from USD4.3bn in September.

¹ Indonesian government plans new poultry farms to tame surging egg, meat prices, Jakarta Post, 6 November 2025.

The weakness in exports was broad-based across non-oil and gas (-0.5% YoY from 12.8% in September) and oil and gas (-33.6% from -13.6%). Specifically, within non-oil and gas exports, exports of agriculture (-5.1% from 11.3%), manufacturing (6.1% from 20.3%) and mining (-30.9% from -18.8%) products were weaker in October versus September. We also suspect that some part of the frontloading activities to the US likely faded in October, resulting in the sharper than expected drop in exports.



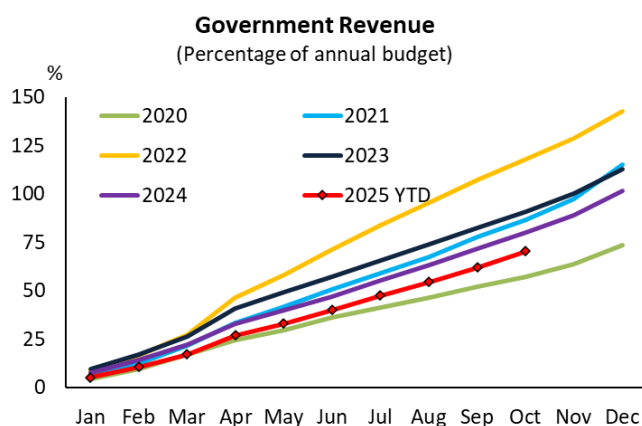
Similar to exports, the weakness in imports was broad-based. Non-oil and gas import growth slowed to 3.3% YoY in October from 7.6% in September while oil and gas imports dropped to -23.3% YoY from 4.3% in September. By end-use, imports of consumer goods (-1.0% from -1.2%) and raw material (-4.0% from -6.3%) was lacklustre while capital goods imports slowed to 15.2% YoY from 16.4% in September. The import drivers for October continue to paint a relatively mixed picture of domestic demand.



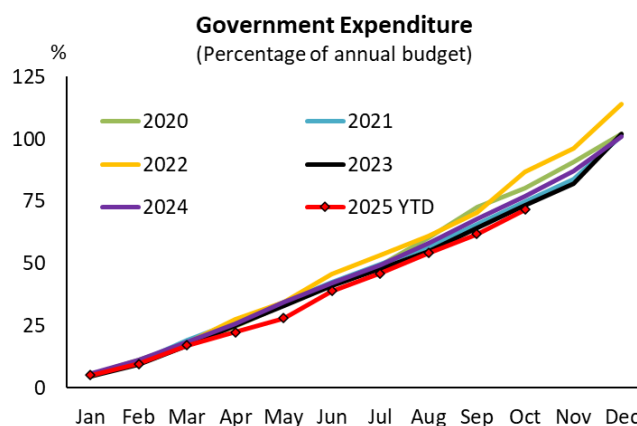
Fiscal outcomes remain underwhelming

In contrast to the external picture, the improvements on the fiscal side were more obvious in October. Revenue collections increased by 4.5% YoY in October from -2.8% in September, with non-tax revenues (21.1% from -17.1% in

September) leading the charge while tax revenue collections growth remained modest (2.1% from 2.4% in September). Even with the improvements in October revenue growth, revenue collections for the ten months to October declined by 6.0% YoY. The realisation, however, remains poor at 73.7% of the 2025 budget outlook, below the realisation of 80.2% for the same period in 2024.

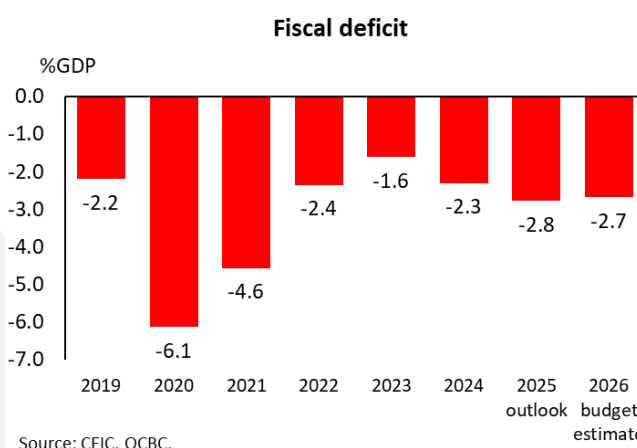
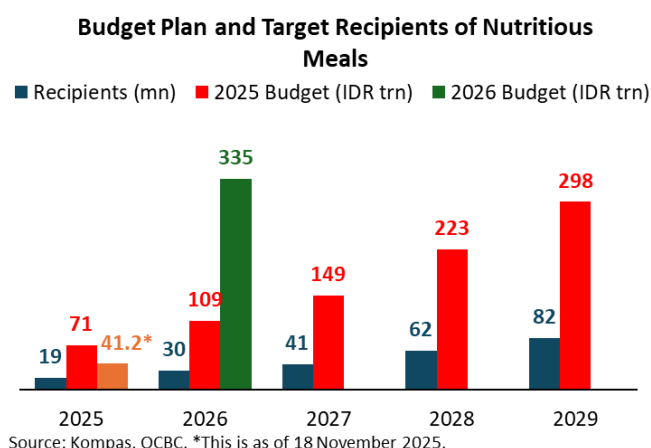


Source: Indonesia Directorate General of Budget, CEIC, OCBC.



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Government spending picked up to 17.4% YoY in October from -14.5% in September, led by social assistance spending and operational expenditures. Capital spending remained poor, dropping by 14.5%YoY in October from 71.2% in September. Notwithstanding, spending on the flagship schemes namely the free meal scheme (Makan Bergizi Gratis) continued to improve to IDR41.2trn as of 18 November, i.e. 58% of the budgeted IDR71trn, versus IDR31.2trn (29%) as of 3 October. We expect the absorption rate for the free meal scheme to improve into 2026; the budget for the scheme will more than double to IDR335trn in 2026.



The deficit for January–October widened to IDR480trn. On a 12-month rolling sum basis, we estimate that the fiscal deficit widened to 2.9% of GDP from 2.7% of GDP in September. For the remaining two months of the year, we expect some pick up in expenditure growth while revenues will likely remain constrained

considering the mixed growth picture. We still, however, expect the fiscal deficit to remain below the 3% of GDP target, with the baseline at -2.8% of GDP (similar to official forecasts of 2.78% of GDP). Deficit financing jumped 39.1% YoY to IDR533trn, driven mainly by domestic bond issuance.

Watching Danantara moves

As we have argued in our annual 2026 outlook for Indonesia (see *OCBC Global Outlook 1H26: Can 2026 pull off another hat-trick of surprising on the upside?*, page 66-77 published on 21 November 2025), with the on-budget fiscal expenditures reprioritised towards social objectives, physical infrastructure and broader development objectives will likely fall to Danantara.

To that end, we track the developments around Danantara closely. The sovereign wealth fund announced that it will issue another tranche of Patriot Bonds, with IDR12.6trn across two tranches maturing in 2030 and 2032. This follows the successful private placement of IDR50trn in October, bringing total Patriot Bond fundraising to ~USD3.7bn for 2025.

The proceeds are earmarked for priority projects in renewable energy and waste-to-energy. Danantara also confirmed preparations for its inaugural global bond issuance targeted for 2026, with options under consideration for both US-dollar and renminbi-denominated bonds². In parallel, Danantara continues its portfolio consolidation efforts, including operational restructuring across state-owned enterprises and early assessments of selected overseas investment opportunities³.

² The fund has begun engaging international rating agencies as part of its market-access preparations, which also marks an initial step toward diversifying its funding sources internationally. "Danantara beri kisi-kisi Patriot Bond II hingga rilis obligasi global." *Bisnis*, 28 November 2025. Accessed 1 December 2025.

³ "Danantara Siapkan 20 Persen Modal untuk Investasi ke Luar Negeri." *Kompas*, 13 June 2025. Accessed 1 Dec. 2025.

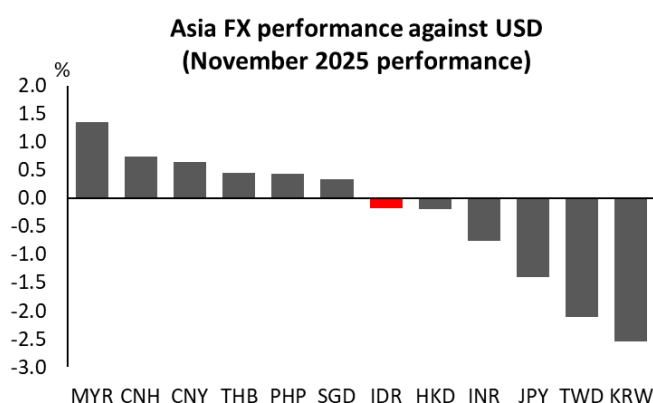
Danantara (notable) corporate action tracker		
Period	Action	Details
April	Signed a USD4bn investment fund with Qatar Investment Authority	Danantara and Qatar signed a USD4bn joint investment fund focused on industrial downstreaming, renewables, and healthcare.
May	Danantara, INA & Eramet MoU to explore the establishment of a strategic investment platform in the nickel sector	Danantara, INA & Eramet to explore a strategic nickel investment platform for EV battery raw materials.
	Danantara & Australia Future Fund cooperation	Australia pledged AUD100mn for health and AUD50mn for green infrastructure; Future Fund to host Danantara for an investment roadshow.
June	2025 investment in key projects	Danantara to invest USD5bn (IDR81.5trn) in eight sectors: minerals, renewables, digital infrastructure, healthcare, financial services, downstreaming, industrial zones, and food.
	Danantara, INA & Chandra Asri Pacific MoU to explore investment opportunities in the development of CA-EDC plan.	Danantara, INA & Chandra Asri Pacific signed an MOU to explore potential entry of Danantara and INA as new strategic investors, supporting the joint development of the Chlor Alkali - Ethylene Dichloride (CA-EDC Plant). The partnership is valued at ~USD800m and aims to reduce reliance on imports of caustic soda and EDC.
July	ACWA Power MoU	MoU to explore up to USD10bn in renewable energy, green hydrogen, and desalination projects.
	Plans to sign an ECP contract with US engineering firm KBR.	Plans for an USD8bn engineering, procurement, and construction contract with US firm KBR under a trade pact to lower reciprocal tariffs to 19%.
August	GEM Co. nickel plant agreement	Danantara signed a USD1.42bn deal with GEM Co. to develop an HPAL smelting facility (66,000-ton annual nickel capacity), supporting sustainable downstream mineral industrialization. The project may involve Vale Indonesia and global partners.
	Geothermal partnership	Danantara facilitated Pertamina–PLN partnership to accelerate 19 geothermal projects totaling 530 MW. Two quick-win projects (Ulubelu 30 MW, Lahendong 15 MW) support PGEO's 1 GW target by 2030.
Oct	Deployment target	Danantara CEO Rosan Roeslani expects up to USD10bn in annual dividends over five years, supported by SOE reforms. The fund plans to expand equity investments to USD40bn and boost total capacity to USD250bn through leverage.
	Patriot bonds fully subscribed	Danantara's IDR50trn (~USD3bn) patriot bond issuance was fully subscribed through a private placement. Funds will be directed toward renewable waste-to-energy projects, with tenders for partners expected by the end of October.
Nov	Whoosh debt restructuring	The Indonesian government plans subsidize part of the operating costs for the Whoosh high-speed rail, which remains burdened by heavy debt from China. The Jakarta–Bandung high speed rail, financed mainly through a USD7.3bn China Development Bank loan, is under Danantara's supervision as it seeks solutions to improve financial sustainability.
	Overseas investment reviews	Began early-stage evaluations of select foreign investment proposals, including exploratory talks related to Middle East opportunities and potential partnerships in pulp & paper and strategic industries.
	Global bond preparation	Initiated preparations for first international bond issuance (planned for 2026), considering USD and RMB denominations and engaging with international credit rating agencies.
	Patriot Bonds – second tranche	Follow-on issuance of approximately IDR12.6trn across two tranches maturing in 2030 and 2032, lifting cumulative Patriot Bond fundraising to over USD3.7bn equivalent.
Source: Various news sources.		

BI will also thread a fine line at its 17 December meeting

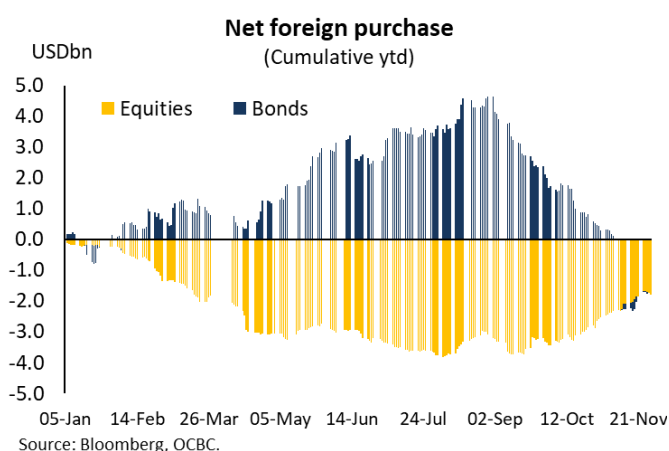
The currency, IDR, was under pressure versus USD in November, albeit with BI smoothing sharp spikes in the currency moves to maintain the exchange rate relatively unchanged for the month. Portfolio outflows, particularly on the bond

side, were seen in November while equity flows returned somewhat. The US Federal Reserve's rate decision on 10 December will be important input for BI in order to maintain more favourable interest rate differentials.

Against this backdrop, we believe BI will thread a fine line at its 17 December in deliberating whether to keep rates unchanged or lower it by 25bp. Notwithstanding, we continue to see room for BI to lower its policy rate by a cumulative 50bp by the end of the current easing cycle. The timing of the rate cuts will depend on IDR stability.



Source: Bloomberg, OCBC



Source: Bloomberg, OCBC.

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