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Volatility Without Growth: Structural Risks in a Fragmenting Global Economy

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HIGHLIGHTS

February 2026

United States (U.S.)

The U.S. economy started 2026 on a firm note. Manufacturing Purchasing Managers' Index (PMI) rose to 52.4 according to S&P Global and 52.6 based on the Institute for Supply Management (ISM), marking the first expansion in a year, while services PMI edged up to 52.7 from 52.5. However, survey responses highlighted that the rebound may be temporary amid tariff-related uncertainty, weakening international demand, and rising input costs. Amid this mixed momentum in activity, price pressures showed tentative signs of easing. Inflation declined to 2.4% (Year-on-Year / YoY) from 2.7%, its lowest level in eight months, with core CPI slowing to 2.5% (YoY). Nevertheless, monthly, core inflation accelerated to 0.3%, and core services inflation remained elevated at 0.4% (Month-on-Month/ MoM), indicating persistent underlying pressures.

Meanwhile, labor market dynamics continued to underscore economic resilience. Employers added 130,000 jobs in January 2026, the unemployment rate fell to 4.3% from 4.4% in December 2025, and labor force participation edged up to 62.5%. In response to moderating but still-sticky inflation and steady employment conditions, the Federal Reserve maintained its benchmark rate at 3.50%–3.75%, with Chair Jerome Powell signaling a cautious pause at least through mid-year. While headline indicators remain constructive, risks persist from the lagged effects of tariffs, and sticky services inflation.

Euro Zone

The euro area entered 2026 with signs of gradual stabilization. Consumer confidence improved to -12.2 in February, its highest since November 2024, while PMI rose to 51.9 from 51.3, marking the strongest private sector expansion since November, supported by firmer manufacturing and steady services activity. However, demand remained soft, with only marginal growth in new orders and a slight decline in employment. The cautious demand environment was also reflected in household spending trends. Retail trade volumes fell by 0.5% (MoM) in December, reversing November's increase, although annual retail sales still grew by 1.3% (YoY) and averaged 2.3% growth in 2025, reflecting resilient but prudent consumer behavior, based on data from the European Commission and Eurostat. At the same time, price pressures continued to moderate. Inflation eased to 1.7% (YoY) in January 2026 from 2.0%, driven by a sharper decline in energy prices (-4.1% YoY) and softer services inflation (3.2%), while core inflation slowed to 2.2%. Although inflation fell below target, expectations remain anchored near 2%. In response, the European Central Bank maintained its policy rate at 2%, citing economic resilience.

China

China's economy is projected to lose further momentum in 2026, with the World Bank forecasting growth to moderate to 4.4% in 2026, following an expansion of 4.9% in 2025. The slowdown reflects subdued consumer confidence and a prolonged property sector downturn. Inflation also remained low, with CPI slowing to 0.2% (YoY) in January 2026 from 0.8% (YoY) in December, while housing prices continued to decline, with new home prices across 70 cities falling by 3.1% (YoY), marking the 31st consecutive month of contraction.

Despite these headwinds, some pockets of resilience are visible. The Manufacturing PMI rose to 50.3 in January from 50.1, signaling modest expansion, while core CPI increased by 0.3% (MoM) and PPI posted a fourth consecutive monthly gain of 0.4% (MoM). On the policy front, the People's Bank of China kept the 1-year LPR at 3.0% and the 5-year LPR at 3.5% but reduced the one-year relending rate from 1.5% to 1.25% to support liquidity. Authorities have pledged a proactive fiscal stance and accommodative monetary policy, aiming to cushion the slowdown and maintain growth near the 5% target.

Indonesia

Indonesia's economy closed 2025 on a solid footing, with full-year growth reaching 5.11% (YoY) and projected to remain stable at 5.1%–5.2% in 2026. Growth has been supported by household consumption expanding 5.1% (YoY), investment growing 6.1% (YoY), and a strong rebound in retail sales in January 2026 which rose 7.92% (YoY). This strengthening domestic demand continues as it has been reflected in leading indicators, as manufacturing activity from Purchasing Manufacturing Index (PMI) returned to expansion in January 2026 and Consumer Confidence Index (CCI) improved about 2.80%(MoM) rising to 126.9 signaling sustained optimism in the near-term economic outlook. Externally, Indonesia maintained a 2025 trade surplus of USD 41.05 billion, although the monthly surplus narrowed to USD 2.51 billion as imports grew 20.02% (MoM), outpacing export growth of 16.99% (MoM). Meanwhile, foreign exchange reserves remained adequate at USD 154.6 billion, equivalent to 6.3 months of imports, providing a buffer against external volatility.

At the same time, macroeconomic stability remains the key policy focus amid global financial uncertainty. Inflation rose to 3.55% (YoY) in January 2026, partly reflecting base effects, while the rupiah depreciated 1.57% year-to-date to IDR 16,886 per USD. Bank Indonesia maintained its policy rate at 4.75% to safeguard currency and inflation stability. These monetary measures are complemented by fiscal developments that reflect continued policy support for growth. On the fiscal front, as of 31 January 2026, the State Budget recorded a deficit of IDR 54.6 trillion (0.21% of GDP), driven by strong expenditure growth despite solid tax revenue performance. However, declining non-tax revenues due to lower oil lifting and commodity price normalization pose downside.

RECENT ECONOMIC DEVELOPMENT: GLOBAL MARKET

Recent Economic Development: Global Market

United States

MANUFACTURING SECTOR

The U.S. manufacturing sector returned to expansionary territory in January 2026. The Purchasing Managers' Index (PMI) released by S&P Global rose to 52.4 from 51.8 in December 2025. Similarly, the PMI published by the Institute for Supply Management increased to 52.6, marking the first expansionary reading in the past year since January 2025 and the highest level recorded since January 2022. According to the ISM survey data, the rebound in manufacturing activity into expansion territory was primarily driven by an increase in output and new orders following the extended holiday period. However, there are concerns that this pickup in demand may prove temporary. Manufacturers continue to highlight persistent uncertainty stemming from fluid trade policies.

The impact of tariffs has been particularly evident among machinery manufacturers, who reported sales challenges amid geopolitical tensions that are fueling "anti-American" buyer sentiment. Meanwhile, producers of food, beverage, and tobacco products indicated that tariff uncertainty is contributing to supply chain volatility. Ongoing uncertainty has also weighed on labor market conditions. In 2025, manufacturing employment declined by 68,000 jobs. Overall, while current indicators point to expansion, survey responses suggest that the improvement may not be sustained, as respondents were markedly more downbeat than optimistic. Some participants noted the emergence of anti-American buyer sentiment, while others emphasized that policy uncertainty under the Trump administration has made forward planning increasingly difficult.

SERVICES SECTOR

The U.S. services sector remained in expansionary territory in January 2026, with the PMI edging up to 52.7 from 52.5 in December 2025. The modest improvement was primarily driven by stronger sales at the start of the year. However, overall growth remained constrained by a sharp decline in international demand, which fell to its lowest level since November 2022 amid tariff-related concerns and ongoing trade uncertainty.

Domestic demand expansion was also limited, reflecting subdued consumer confidence. At the same time, input prices increased due to the impact of tariffs, as well as higher payroll and supplier costs. This cost pressure led to a slight increase in output prices, partially passed through to consumers. On a more positive note, the expansion was accompanied by a marginal uptick in employment, although job creation remained below its long-term trend. Looking ahead, business confidence weakened and reached its lowest level since October 2025, primarily driven by heightened political uncertainty and persistent cost-push pressures on inputs.

INFLATION

U.S. inflation moderated at the start of 2026, easing to 2.4% (YoY) from 2.7% (YoY), where it had remained over the previous two months, marking the lowest level in eight months. Core CPI also slowed to 2.5% (YoY), down from 2.6% in the prior month and reaching its lowest rate since March 2021. The decline in headline inflation was primarily driven by softer price pressures across several components. Food and beverages inflation eased by 10 basis points (bps), housing-related costs continued their multi-year deceleration, declining by 20 bps. Meanwhile, transportation prices recorded a significant contraction of -1.0% (YoY), a 120 bps decline largely attributable to falling energy and gasoline prices.

On a monthly basis, headline CPI increased by 0.2%, moderating from 0.3% in December. The softer monthly reading was supported by declining prices for used cars and trucks, household furnishings and operations, and motor vehicle insurance. It is important to note that used car prices are not directly exposed to tariff pressures, in contrast to new vehicle prices, which rose modestly by 0.1% (MoM). However, core inflation dynamics monthly showed renewed pressure, with core CPI accelerating to 0.3% in January from 0.2% in December. Within the core goods basket, only two categories, cars and IT equipment, recorded price declines, while core services inflation remained elevated at 0.4% (MoM). Looking ahead, economists generally expect the January moderation in inflation to prove temporary. Inflation risks are tilted to the upside, reflecting the lagged effects of tariffs, and a tighter labor market, all of which could sustain underlying price pressures in the coming months.

LABOR MARKET

U.S. job growth in January 2026 exceeded expectations, with the unemployment rate declining to 4.3% from 4.4% in December and nonfarm payrolls increasing by 130,000 jobs. Employment gains were primarily driven by the health care sector, which added 82,000 positions during the month. Social assistance also recorded a notable increase of 42,000 jobs, with these two sectors accounting for nearly all net job creation. Construction employment rose by 33,000, marking a rebound after a year of relatively stagnant growth in the sector.

In contrast, federal government employment declined by 34,000, reflecting the impact of prior workforce reductions associated with Department of Government Efficiency measures, including deferred resignation programs that have now rolled off payroll counts. Financial activities also registered a decline of 22,000 jobs. Despite mixed sectoral performance, the overall January figures suggest a degree of resilience in the labor market. The household survey, which is used to calculate the unemployment rate, indicated a substantial increase of 528,000 employed individuals, while the labor force participation rate edged up to 62.5%. Overall, the stronger-than-expected labor market performance is expected to support the view that the Federal Reserve will maintain its current monetary policy stance, keeping interest rates unchanged at least through mid-year.

MONETARY POLICY

The Federal Reserve decided to maintain its benchmark interest rate within the 3.50%–3.75% range, citing signs of moderating inflation and a stabilizing labor market. The decision followed three consecutive rate cuts of 25 basis points each.

During the subsequent press conference, Federal Reserve Chair Jerome Powell stated that the Federal Open Market Committee (FOMC) is likely to keep rates unchanged in the near term, as inflation continues to trend downward and labor market conditions show signs of stabilization. He also noted that while upside risks to inflation and downside risks to employment have diminished, they have not been fully eliminated.

Inflation remains approximately one percentage point above the Fed's 2% target. In addition, policymakers anticipate more moderate job gains going forward, partly reflecting slower labor force growth amid stricter immigration policies under the Trump administration. Looking ahead, market participants broadly expect the Fed to hold interest rates steady at least until June, with limited expectations of a rate hike in the near term.

The U.S. economy showed solid headline performance at the start of the year, with PMIs in expansionary territory, easing inflation closer to the Fed's target, and a lower unemployment rate, although the lagged effects of tariffs warrant caution amid emerging signs of manufacturing weakness and anticipated consumer price pressures

Euro Zone

CONSUMER CONFIDENCE INDEX

Preliminary data from the European Commission show that Eurozone consumer confidence increased marginally by 0.2 points to -12.2 in February 2026, marking the highest level since November 2024 but slightly below market expectations of -11.8, according to flash estimates. The improvement suggests stabilization rather than a meaningful recovery, as sentiment remains subdued despite relatively healthy household balance sheets and real income gains. Confidence continues to sit well below its long-term average, indicating that households remain cautious. Across the broader European Union, consumer confidence stood at -11.7, unchanged from the previous month. Overall, sentiment indicators in both the euro area and the EU point to continued household caution, with confidence levels still below historical norms.

PURCHASING MANAGERS' INDEX

Eurozone PMI returned to expansionary territory in February 2026, rising to 51.9 from 51.3 in January. The reading marked the strongest expansion in private sector activity since November, supported by the sharpest increase in manufacturing output since August 2025 and continued growth in the services sector. However, demand conditions remained soft, with new orders rising only marginally as foreign demand continued to contract. Employment declined slightly for a second consecutive month, and backlogs of work extended their downward trend. On the cost side, input price inflation accelerated to its joint-fastest pace in 34 months, while output price growth moderated somewhat. Despite slower new order growth and easing output price pressures, service providers remained confident that activity would increase over the coming year, albeit with slightly lower optimism than in January. Overall, the latest data suggest that the manufacturing sector is stabilizing and may contribute positively to growth this year rather than weighing on the broader economy.

RETAIL SALES

Retail trade volumes in Europe closed 2025 on a weaker footing. According to preliminary estimates from Eurostat, seasonally adjusted retail trade volumes declined by 0.5% (MoM) in both the euro area and the European Union in December, reversing November's gains of 0.1% and 0.2%, respectively. Despite the monthly contraction, retail activity remained positive on an annual basis. Retail sales increased by 1.3% (YoY) in the euro area and 1.7% in the EU, while the annual average retail trade volume for 2025 rose by 2.3% (YoY), highlighting the relative resilience of consumer spending amid persistent inflationary pressures and elevated interest rates.

By category, EU retail volumes declined by 0.1% (MoM) for food, drinks, and tobacco and by 0.9% for non-food products, whereas automotive fuel sales edged up by 0.1%. The data suggests that households remained cautious regarding discretionary spending at year-end, while essential consumption was comparatively stable. On an annual basis, however, all major retail categories recorded growth across both regions. In the euro area, food, drinks, and tobacco rose by 1.2%, non-food products by 1.6%, and automotive fuel by 0.9%. In the EU, non-food products and automotive fuel posted stronger gains of 2.0% and 2.4%, respectively. Overall, the figures point to moderating momentum at the end of 2025, while confirming that consumer demand continues to provide a modest underpinning for economic growth heading into 2026

INFLATION

Preliminary estimates from Eurostat indicate that euro area inflation declined to 1.7% (YoY) in January 2026, down from 2.0% in December. The moderation was largely driven by lower energy prices and the appreciation of the euro, which contributed to disinflation by reducing the cost of imported goods, raw materials, and energy, thereby easing production and consumer prices. Energy prices fell by 4.1% (YoY) in January, a sharper decline compared to -1.9% in December.

Services inflation also eased to 3.2% (YoY) from 3.4%, signaling broader softness in the inflation environment, while core inflation slowed to 2.2%, its lowest level since October 2021. Although headline inflation has fallen below the European Central Bank 2% target, medium-term inflation expectations remain anchored around 2%. Expectations have held steady amid anticipated increases in public investment and improving business sentiment, which are projected to support economic activity over the course of the year.

MONETARY POLICY

The European Central Bank (ECB) kept its key interest rate unchanged at 2%, where it has remained since June last year, in line with market expectations. The decision followed the release of softer-than-expected January inflation data by Eurostat. Policymakers noted that the euro area economy continues to demonstrate resilience amid a challenging global backdrop, supported by low unemployment, solid private sector balance sheets, the gradual rollout of public spending on defense and infrastructure, and the lingering supportive effects of previous rate cuts.

However, the recent appreciation of the euro against the U.S. dollar raises the risk of inflation undershooting the 2% target this year. Should the euro continue to strengthen ahead of the ECB's 19 March meeting, when updated macroeconomic projections will be released, the central bank may need to revise down its inflation forecasts from the December projections of 1.9% for 2026 and 1.8% for 2027, both already below target. Such a revision would increase the likelihood of an additional rate cut. Nonetheless, in the near term, most analysts expect the ECB to maintain its key policy rate unchanged throughout the year.

The Eurozone began the year on a stable footing, with firmer consumer confidence and PMI readings, while below-target but contained inflation led the European Central Bank to keep its policy rate unchanged.

China

ECONOMIC GROWTH

The World Bank projects that China's economic growth will moderate to around 4.4% in 2026, following solid expansion of 4.9% in 2025. Growth in 2025 was supported by strong exports to non-U.S. markets and fiscal stimulus measures, including consumer subsidies aimed at boosting domestic consumption. Looking ahead to 2026, growth is expected to soften due to subdued consumer confidence, a prolonged downturn in the property sector, and a weaker labor market. Manufacturing investment is also projected to decelerate amid policy uncertainty related to efforts to address supply demand imbalances in certain industries, which has weighed on corporate profitability. Weak domestic demand is likely to sustain downward pressure on both consumer and producer prices.

Nevertheless, the World Bank notes that additional fiscal stimulus, resilient export performance, and improved investor sentiment supported by relatively more stable trade policies and partial tariff relief could help mitigate the slowdown. Chinese authorities have pledged to maintain a proactive fiscal stance to sustain growth, with analysts expecting an official growth target of around 5% for the year. In addition, the People's Bank of China has signaled its intention to lower policy rates in 2026 to ensure ample liquidity and continue implementing an appropriately accommodative monetary policy.

MANUFACTURING SECTOR

China's RatingDog General Manufacturing PMI rose to 50.3 in January 2026 from 50.1 in December, signaling a modest expansion in factory activity and the fastest growth since October. Output growth picked up slightly, supported by higher new orders and a renewed increase in export demand. In line with improved production trends, firms marginally expanded employment for the first time in three months. Purchasing activity also increased, while supplier delivery times remained broadly stable.

On the pricing front, input cost inflation accelerated to its highest level since September, driven mainly by rising metal prices, leading firms to raise selling prices for the first time since November 2024. Looking ahead, business sentiment remained positive, with companies expressing optimism that new product launches and expansion plans would support sales and output over the next 12 months. However, overall optimism eased to a nine month low amid concerns over the broader economic outlook and mounting cost pressures.

INFLATION

China's annual inflation slowed markedly to 0.2% (YoY) in January 2026 from 0.8% in December, the lowest level since October 2025. The moderation was largely driven by a high base effect, as prices had surged during last year's Lunar New Year holiday, as well as a sharper decline in energy prices amid state supported expansion of renewable energy such as solar and wind. Food prices fell by 0.7% (YoY), reversing December's 1.1% increase, while energy prices dropped by 5.0% (YoY). Non food inflation also eased to 0.4% (YoY) from 0.8% previously.

Despite the softer headline figure, underlying inflation showed signs of gradual improvement. On a monthly basis, core CPI rose by 0.3%, the fastest pace in nearly six months, indicating a moderate recovery in consumer demand. Meanwhile, the Producer Price Index (PPI) increased by 0.4% (MoM) in January, marking the fourth consecutive monthly gain, while the annual decline narrowed to -1.4% from -1.9% in December. Authorities attributed the improvement to progress in building a unified national market, stronger demand in selected sectors, and price transmission from international commodity markets. In addition, policymakers pledged to formulate a strategic implementation plan to expand domestic demand for the 2026 to 2030 period.

HOUSING PRICES

China's housing market showed further deterioration in January 2026, with new home prices across 70 cities falling by 3.1% (YoY), deepening from a 2.7% decline in December. This marked the 31st consecutive month of contraction and the sharpest drop since June, underscoring ongoing difficulties in stabilizing the property sector. According to data from the National Bureau of Statistics of China, 62 out of 70 surveyed cities recorded annual price declines, up from 58 in the previous month. Shanghai was the only tier one city to post annual growth, with new home prices rising by 4.2% (YoY).

The secondary market also remained under pressure. Although month on month declines moderate slightly, year on year price drops intensified, with resale prices down 7.6% in tier one cities and more than 6% in smaller cities. Continued declines in both primary and secondary home prices across tier one to tier three cities indicate that stability has yet to materialize. In response, authorities removed the so called "three red lines" policy in late January, which had imposed caps on developers' leverage ratios since 2020 and contributed to liquidity strains across the sector. Policymakers have also emphasized measures to revive consumer spending as part of broader efforts to address industrial overcapacity and buffer the economy against external trade risks.

MONETARY POLICY

The People's Bank of China left its benchmark lending rates unchanged in January 2026, marking the eighth consecutive month without adjustment and in line with market expectations. The one year Loan Prime Rate was maintained at 3.0%, while the five-year LPR, which serves as a reference for mortgage rates, was held at 3.5%. The decision followed signs of slowing economic momentum, with China's economy expanding by 4.5% (YoY) in the fourth quarter of 2025, the weakest pace since the post pandemic reopening in late 2022. Despite holding policy rates steady, authorities signaled continued policy support. China's state planner reiterated that policymakers will pursue more proactive fiscal measures and a moderately accommodative monetary stance to facilitate a recovery in prices. Instead of cutting benchmark rates, the central bank lowered borrowing costs for financial institutions by reducing interest rates on its relending and rediscount facilities. Effective January, the one year relending rate was reduced from 1.5% to 1.25%, with other maturities adjusted accordingly, aiming to encourage banks to extend credit to targeted sectors at more favorable terms.

China's economic outlook points to weakening momentum in 2026, driven by soft domestic demand and a prolonged property sector downturn, despite ongoing fiscal and monetary policy support.

RECENT ECONOMIC DEVELOPMENT: DOMESTIC MARKET

Recent Economic Development: Domestic Market

ECONOMIC GROWTH

The latest data released by Badan Pusat Statistik Indonesia (BPS) show strong economic growth in Indonesia in Q4 2025, reaching 5.39% (YoY), bringing full-year 2025 growth to 5.11% (YoY). The Q4 2025 figure marks the highest annual growth rate in the past three years and the second-highest in the post-pandemic era after the low base effect-driven surge in Q2 2021. Growth in Q4 2025 was supported by higher consumption and investment (Gross Fixed Capital Formation), which grew by 5.1% (YoY) and 6.1% (YoY), respectively. Investment growth was primarily driven by a significant increase in machinery and equipment investment, which surged by 22.16% (YoY). However, this rise appears to be more cyclical in nature due to front-loading activities rather than reflecting structural improvement. Meanwhile, investment in other components such as buildings and structures, intellectual property products, vehicles, and others remained relatively limited.

By sector, the strongest growth came from transportation and communication, which expanded by 8.98% (YoY), supported by higher mobility during the Christmas and New Year holidays as well as tariff discounts. Notable growth was also recorded in financial services and banking, which grew by 7.92% (YoY), marking the highest quarterly growth in the past three years, partly driven by stronger credit expansion. Looking ahead, Indonesia's economic growth in 2026 is projected to remain stable at around 5.1% to 5.2%, based on Bloomberg Consensus, although the government targets 5.4%. Nonetheless, several challenges remain, including potential weakening in net exports due to lower commodity prices, global trade uncertainty, and sluggish growth in key trading partner China, as well as domestic challenges such as stagnant household consumption, the largest contributor to GDP, which has hovered at around 4.9% (YoY) over the past three years.

INFLATION

In January 2026, Indonesia's inflation rose above the upper bound of Bank Indonesia's target range, reaching 3.55% (YoY), a significant increase from 2.92% (YoY) in December 2025. However, this acceleration does not fully reflect underlying price pressures, as it was largely driven by a low base effect. In January 2025, inflation stood at only 0.76% (YoY) due to electricity tariff discounts. On a monthly basis, Indonesia recorded deflation of -0.15% (MoM), mainly caused by a decline in volatile food prices of -1.96% (MoM), particularly red chili, bird's eye chili, shallots, chicken meat, and eggs. Administered prices also recorded deflation of -0.06% (MoM), reflecting lower gasoline prices and transportation fares following the end of the holiday season

On an annual basis, the personal care and other services category posted a sharp increase of 15.22% (YoY), largely driven by higher gold jewelry prices amid rising demand for safe haven assets during capital market pressures and global uncertainty. This trend was in line with the surge in global gold spot prices, which reached an all-time high of USD 5,419.1 per troy ounce in January 2026. Looking ahead, inflationary pressures stemming from the low base effect are expected to persist at least through Q1 2026. Additionally, demand-driven price increases ahead of the Eid al-Fitr holiday season may further contribute to upward inflationary pressures.

RETAIL SALES INDEX

Indonesia's Retail Sales Index (RSI) rebounded strongly, growing by 7.92% (YoY), up from 3.95% in the previous month. The improvement was driven by higher sales in Cultural and Recreational Goods (15.54%), Food, Beverages, and Tobacco (9.68%), and Clothing (8.01%). However, on a monthly basis, RSI contracted by -0.64% (MoM), mainly due to a decline in Food, Beverages, and Tobacco sales of -1.02% (MoM), reflecting normalization after the Christmas and New Year holiday season. Nevertheless, the contraction was milder than last year's post-holiday normalization of -4.7% (MoM), supported by continued growth in other categories. The strongest monthly gains were recorded in Cultural and Recreational Goods (2.76% MoM), Information and Communication Equipment (2.80% MoM), and Other Household Equipment (1.79% MoM), likely driven by post-year-end holiday spending momentum and the back-to-school season. Looking ahead, the upcoming Ramadan and Eid al-Fitr period is expected to further support retail activity. Retailers' expectations for sales over the next three months increased by 3.64% (MoM), based on the latest December 2025 survey, alongside an anticipated general price increase of 4.21% (MoM).

CONSUMER CONFIDENCE INDEX (CCI)

The Consumer Confidence Index (CCI) strengthened in January 2026 compared to the previous month, rising to 126.9. On a monthly basis, the index increased by 2.80% (MoM) relative to December 2025. This improvement was driven by gains in both the Present Situation Index and the Consumer Expectations Index, which rose by 3.69% and 2.39% (MoM), respectively. The rebound in consumer confidence provides a positive signal, particularly amid the upcoming Ramadan and Eid al-Fitr festive season, as well as the long holiday period, which are expected to support higher household consumption.

On an annual basis, the CCI began to show signs of improvement but remained in contraction territory, declining by 0.16% (YoY). This represents moderation compared to December 2025, when the index contracted by 3.29% (YoY). The annual contraction in January 2026 was primarily attributable to persistent negative consumer sentiment regarding expectations for the next six months, particularly in relation to employment absorption and overall business conditions. The respective indices for employment and business conditions contracted by 1.39% and 3.77% (YoY). Nevertheless, expectations regarding future income showed signs of recovery, with the index increasing by 0.82% (YoY), compared to a contraction of 1.80% in December 2025. By income group, nearly all segments recorded an improvement in confidence relative to the previous month. The exception was consumers earning between IDR 4.1 million and IDR 5.1 million per month, whose confidence index declined by 3.84% compared to December 2025.

PURCHASING MANAGER INDEX (PMI)

Indonesia's Manufacturing Purchasing Managers' Index (PMI) re-entered expansion territory in January 2026, rising by 1.40 points to 52.60 from 51.20 in December 2025. The improvement was primarily driven by higher output and new orders, particularly from domestic demand, supported by local holiday festivities, including Christmas and the upcoming Eid al-Fitr season. However, new export orders remained constrained amid the ongoing slowdown in global demand. In line with the rise in demand, output growth accelerated, marking the second fastest expansion in the past eleven months. Nevertheless, production performance continued to face challenges. Delivery times for production inputs lengthened further due to adverse weather conditions, creating supply side constraints amid rising demand. In addition, employment declined marginally for the first time since July 2025, which also limited production capacity at a time of increasing order volumes.

Cost pressures remained a key factor behind the reduction in workforce absorption. Input cost inflation stayed elevated, prompting producers to pass on higher costs to consumers. Looking ahead, demand is expected to remain resilient at least through the end of the year. This outlook is supported by the continued increase in backlogs of work, serving as a short-term indicator of sustained demand. Moreover, output expectations for the next twelve months reached their highest level since May 2025. That said, close monitoring is warranted regarding whether supply side constraints, particularly delivery delays and workforce reductions, can keep pace with growing new orders. Furthermore, the pass through of higher input costs to consumers should be carefully observed for its potential impact on broader price levels and inflationary pressures.

TRADE BALANCE

Indonesia's trade balance recorded a surplus of USD 2,512.70 million, although this marked a 5.62% (MoM) decline compared to November 2025. The narrower surplus was driven by a stronger increase in imports, which rose by 20.02% (MoM), outpacing export growth of 16.99% (MoM). For the full year 2025, Indonesia posted a total trade surplus of USD 41.05 billion, supported by a non-oil and gas surplus of USD 60.75 billion, while the oil and gas sector remained in deficit at USD 19.70 billion. The performance of the non-oil and gas balance was largely driven by manufacturing exports, which reached USD 227.10 billion and grew by 14.47% (YoY). Overall, for the full year 2025, exports increased by 6.15% (YoY) and imports rose by 2.83% (YoY). It is confirming that despite softer global growth earlier in the year, Indonesia's external sector remained resilient, supporting foreign exchange reserves, commodity-based fiscal revenues, and overall balance of payments stability. Looking ahead to 2026, trade dynamics are expected to remain constructive, although less driven by commodity windfalls compared to peak boom years. Export growth is likely to benefit from continued downstream industrialization in nickel, metals, and manufacturing, as well as steady demand from major trading partners, even as commodity price effects gradually normalize.

FISCAL POLICY

As of 31 January 2026, the State Budget (APBN) recorded a deficit of IDR 54.6 trillion, equivalent to 0.21% of GDP. The deficit was primarily driven by the accelerated realization of government expenditure aimed at sustaining economic growth momentum at the beginning of the year. Total state expenditure reached IDR 227.3 trillion, reflecting a significant increase of 25.7% (YoY). Within central government expenditure, 46.4% of ministry/agency (K/L) spending was allocated to goods expenditure, mainly to support the implementation of the Free Nutritious Meals (MBG) program. Meanwhile, social assistance spending accelerated sharply by 129.2% (YoY) to expedite the disbursement of the Family Hope Program (PKH) in the first quarter of 2026. Transfers to Regions (TKD) posted a modest growth of 0.6% (YoY), partly reflecting relaxation measures for disaster-affected regions in Sumatra.

On the revenue side, state revenues grew solidly by 9.5% (YoY), reaching IDR 172.7 trillion. The main driver was a strong increase in tax revenues, which rose by

30.7% (YoY) to IDR 116.2 trillion. Tax collection was primarily supported by net VAT and Luxury Goods Sales Tax (PPN & PPnBM) revenues, amounting to IDR 45.3 trillion, up by 83.9% (YoY), in line with resilient domestic consumption. In addition, tax refunds declined significantly by 23.0% (YoY) to IDR 54.1 trillion, reflecting improved tax administration. However, revenue pressures stemmed from Non-Tax State Revenues (PNBP), which contracted by 14% (YoY), mainly due to a 25.2% decline in oil and gas natural resource revenues amid lower oil lifting and a decline in the Indonesia Crude Oil Price (ICP). Going forward, further downside risks to PNBP should be anticipated amid the normalization of commodity prices following the windfall profit period over the past two to three years, particularly for key export commodities such as coal and crude palm oil (CPO), which may weigh on both oil and gas as well as mineral and coal-related natural resource revenues.

MONETARY POLICY

Bank Indonesia decided to maintain its policy rate at 4.75% in February 2026, marking six consecutive months at the same level since September 2025. The decision was taken against the backdrop of heightened volatility and uncertainty in global financial markets. The rate hold is aimed at safeguarding rupiah stability and keeping inflation within target, while continuing to support economic growth. As of 18 February 2026, prior to the policy decision, the rupiah had depreciated by 1.57% year-to-date to IDR 16,886 per USD, making it one of the weakest-performing currencies among major Asian and other emerging market peers.

With Indonesia's full-year 2025 economic growth recorded at 5.1% (YoY), as released on 5 February, the central bank is placing greater emphasis on maintaining macroeconomic stability. This stance also reflects negative sentiment from several international credit rating agencies, as well as ongoing considerations regarding Indonesia's equity market rebalancing in global indices by institutions such as MSCI, FTSE Russell, and S&P Global. Over the past month through the second week of February 2026, equity markets recorded capital outflows of IDR 26.5 trillion, driven by net foreign selling. Nevertheless, overall net capital flows remained positive at USD 1.6 billion, supported by substantial foreign inflows into Bank Indonesia Rupiah Securities (SRBI) and government bonds (SBN). Looking ahead, Bank Indonesia continues to signal room for further policy rate cuts, while remaining committed to achieving its inflation target and sustaining economic growth momentum.

> Indonesia's economy is projected to grow steadily at 5.1%–5.2% in 2026, supported by domestic demand and improving manufacturing activity, while facing pressures primarily from global financial uncertainty, rupiah depreciation, and moderating commodity revenues.

FOREIGN EXCHANGE RESERVES

Indonesia's foreign exchange reserves stood at a high level of USD 154.6 billion in January 2026, equivalent to 6.3 months of imports or 6.1 months of imports and government external debt payments. This level remains well above the international adequacy standard of approximately three months of imports. However, reserves declined slightly compared to December 2025, when they reached USD 156.47 billion, representing a decrease of 0.21% (MoM). The decline was primarily driven by a reduction in foreign currency reserves, which fell by 3.33% (MoM) from USD 135.14 billion to USD 130.64

billion. This decrease reflects the use of foreign exchange to safeguard external sector resilience and stabilize the rupiah amid heightened uncertainty in global financial markets.

In contrast, reserves in the form of gold and gold deposits rose significantly by 21.20% in January 2026, increasing from USD 11.59 billion to USD 14.46 billion. The rise in gold reserves occurred alongside escalating geopolitical tensions and persistent global conflict uncertainties, prompting many countries to diversify away from US dollar–denominated assets toward gold holdings. According to a survey by the World Gold Council, 95% of central banks worldwide plan to increase their gold reserves in 2026, with projected purchases of around 755 tonnes. This figure is well above the pre-2022 average annual purchases of 400 to 500 tonnes.

ASSET ALLOCATION

GLOBAL MARKET

Global markets in February 2026 remain shaped by elevated long-end yields following forward-looking expectations of fiscal expansion, geopolitical risk, and persistent policy uncertainty. Investors continue to reassess the timing and magnitude of the Fed's rate cuts amid resilient labor market conditions and stubbornly high inflation. UST 10Y yield remains elevated, reinforcing the higher for longer narrative and limiting the room for a global bond rally. Heightened tension between the US and Iran has further added to market volatility, pushing global oil prices higher amid concerns over potential supply disruptions, and has reintroduced upside risks to global inflation expectations.

DOMESTIC EQUITY MARKET

The Jakarta Composite Index turned more cautious in February following the late-January sell-off, which was largely driven by the MSCI announcement highlighting several structural concerns and the potential risk of a downgrade to frontier-market status. Although the announcement did not immediately alter Indonesia's classification, the perceived downgrade risk triggered portfolio rebalancing among global investors and underscored the market's reliance on passive and benchmark-driven flows. Since then, market conditions have stabilized, with domestic liquidity and institutional participation providing support. However, foreign participation remains measured. Equity performance is likely to remain sideways and increasingly dependent on fundamental earnings delivery, policy clarity, and progress in addressing structural market concerns.

DOMESTIC BOND MARKET

The SBN market is increasingly shaped by domestic risks, particularly concerns over a potentially wider fiscal deficit and rising inflation pressures. Expectations of higher government spending have raised bond supply concerns and term premium, while reflationary policies have gradually lifted inflation expectations and compressed real yield buffers compared to 2025. As a result, the yield curve has faced mild bear steepening pressure, especially at the long end. Although ample liquidity and stable policy rates provide near-term support, the scope for significant yield compression appears limited amid fiscal sustainability and inflation risks.

DOMESTIC MONEY MARKET

Money market conditions remain accommodative, with Bank Indonesia maintaining a supportive policy stance. System liquidity remains adequate, reflected in subdued short-term interbank rates. Improvements in liquidity metrics and prudent liquidity management continue to anchor the stability of short-end rates.

ASSET ALLOCATION TAKEAWAY

February 2026 presents a more complex investment landscape. Higher oil prices amid US–Iran tensions add upside risks to global and domestic inflation, while MSCI's communication regarding structural concerns and a downgrade risk has heightened sensitivity in equity flows. On the fixed-income side, widening fiscal deficit expectations and gradually rising inflation pressures limit the room for meaningful yield compression, suggesting a cautious stance with a preference for mid-duration positioning. In equities, while domestic growth momentum and liquidity remain supportive, performance is likely to be more selective and require a stronger emphasis on earnings resilience and policy clarity.

SECTORAL ANALYSIS

NICKEL (OVERWEIGHT)

We remain bullish on nickel players, particularly those with captive mines, as this provides flexibility to either supply ore internally as feedstock for smelters (lowering cash costs) or sell to third parties (capturing market premiums). Our top picks are MDKA and NCKL, given that their HPAL smelters are already operating, which strengthens their bargaining power in securing RKAB approvals. We also maintain our focus on supply enforcement. Recent RKAB cuts for certain companies have been broadly in line with earlier guidance, with some private players seeing mining quota reductions of up to 70%, while an SOE also experienced a 70% cut for external ore sales. From the demand side, we are still neutral given stainless steel demand is expected to remain soft given China slower than expected recovery in construction, property, and infrastructure sector. For battery, we still see demand at risk given nickel based battery dominance market share is consistently eroding due to the emergence of a cheaper technology from LFP.

COAL (NEUTRAL)

We downgrade the coal sector to NEUTRAL, as we believe the potential price uplift from Indonesia's proposed RKAB quota adjustment is likely to be more muted than in nickel and tin, given coal supply remains structurally concentrated in China and India. We forecast Newcastle coal prices to hover around USD120/ton in FY26–27E. Our strategy focuses on miners with lower exposure to quota cuts, maintaining AADI and PTBA as preferred picks, as IUPK holders and SOEs are structurally less prone to aggressive reductions. Under our base case of a 600mn-tonne RKAB ceiling with no cuts for IUPK holders and SOE IUPs, the remaining miners would face c.36% implied reductions versus FY25 levels. With domestic demand likely fixed at ~254mn tonnes, a 25% quota cut could mechanically raise the DMO burden for non-IUPK miners, thereby capping blended ASP upside due to the USD70/tonne DMO price ceiling, even if seaborne prices strengthen.

WHAT TO EXPECT AHEAD

FORWARD OUTLOOK AND STRATEGIC RISKS

Global uncertainty has evolved into a structural constraint on economic stability, affecting trade flows, commodity pricing, logistics networks, and financial conditions. Uneven tariff adjustments have eroded the competitiveness of developing and least developed countries in the United States market. UNCTAD's February assessment indicates that while developed economies improved their relative advantage by approximately two percentage points, the disadvantage faced by developing countries widened from about one to nearly three percentage points, and least developed economies shifted from neutrality to an estimated two percentage point deficit. Sectoral distortions are particularly pronounced: South African wine exports to the United States are now roughly seventeen percentage points less competitive relative to peers than in 2024, while cocoa producers such as Ghana, Côte d'Ivoire, and Indonesia face deteriorating tariff positions in processed chocolate, reinforcing their concentration in lower value-added segments. The emerging pattern suggests a structurally discriminatory trade environment that constrains industrial upgrading and entrenches commodity dependence.

Commodity markets reflect a similar divergence between prices and fundamentals. Recent gains have been driven more by geopolitical risk premia, inflation hedging, and supply distortions than by robust demand. Gold has risen nineteen percent since December and seventy three percent year on year, with projections reaching US$5,600 per ounce by end 2026, signalling precautionary positioning rather than expansionary confidence. The broader commodity index is up nearly eleven percent since December, yet underlying fundamentals point to surplus conditions. The IEA projects oil demand growth of only 850 thousand barrels per day in 2026 against supply growth of 2.4 million barrels per day, following inventory builds of 477 million barrels in 2025. Iron ore has declined to around US$98–100 per tonne with inventories at their highest relative to demand since early 2022, and LNG supply growth is expected to exceed demand expansion. This configuration heightens volatility risk: prices may remain elevated amid geopolitical tensions, but easing disruptions could trigger sharp corrections, with material implications for exporters, inflation trajectories, and financial stability.

The tariff regime itself has transitioned from tactical escalation to structural reconfiguration. The 2025 measures expanded from targeted bilateral actions to a universal ten percent baseline tariff, with duties on China peaking at 145 percent and later extending into strategic sectors including steel at fifty percent, timber, furniture, and advanced semiconductors. The February 2026 Supreme Court ruling curtailed the executive's use of emergency powers under the International Emergency Economic Powers Act, reaffirming congressional authority over taxation. The administration's pivot to Section 122 of the Trade Act introduced a temporary ten to fifteen percent universal tariff, preserving the effective burden while altering its legal basis. The result is sustained policy uncertainty rather than de escalation, as international partners reassess commitments and domestic legal challenges continue.

For Indonesia, the most consequential provision of the Agreement is Section 5 on Economic and National Security, under which Indonesia commits not only to reciprocal tariff adjustments but to substantive policy alignment with the United States: if the U.S. imposes tariffs, quotas, or other restrictions on third countries for economic or national security reasons, Indonesia is expected to adopt measures of equivalent restrictive effect; it must cooperate on U.S. export controls and sanctions, including restricting transactions with entities on U.S. control lists; establish an inbound investment screening mechanism for national security; prevent its firms from backfilling restricted trade; and risk termination of the Agreement if it concludes new arrangements that jeopardize essential U.S. interests. This effectively embeds Indonesia within a U.S.-anchored trade and security framework, extending the Agreement beyond market access into strategic economic alignment.

Equally significant is the breadth of Indonesia's structural reform commitments across non-tariff barriers and domestic regulation: exemptions from local content requirements, acceptance of U.S. standards and certifications across sectors from pharmaceuticals to motor vehicles, extensive intellectual property upgrades including treaty ratifications and extended data protection, liberalization of foreign investment in strategic sectors, removal of halal certification requirements for many manufactured goods, strengthened labor and environmental enforcement, and regulatory transparency obligations. Taken together, these provisions represent a deep recalibration of Indonesia's industrial, regulatory, and trade governance architecture in exchange for calibrated and conditional reciprocal tariff treatment by the United States.

The implication is clear: the current environment represents a structural transformation in global trade governance rather than a cyclical shock. Strategic positioning must therefore supersede reactive negotiation. Industrial upgrading, deeper downstream processing of critical minerals, expansion of electric vehicle and advanced manufacturing ecosystems, and productivity enhancement across export sectors are essential. Market diversification beyond major power dependence, stronger ASEAN and Global South integration, and reinforced supply chain resilience will mitigate exposure to unilateral policy shifts.

Domestic stability requires strengthened food and energy security, disciplined fiscal management, robust foreign exchange buffers, and reduced import dependence through industrial deepening. Fragmentation of global trade simultaneously presents opportunity: Indonesia can position itself as a neutral production platform amid intensifying United States–China rivalry and capture supply chain relocation flows. In a system defined by politicised trade instruments and legal contestation, competitiveness, diversification, institutional credibility, and macroeconomic prudence will matter more than marginal tariff adjustments.

At the firm level, trade policy risk must be embedded in core strategy. Exporters should anticipate softer demand, narrower margins, and heightened competition, particularly as freight rates soften amid excess shipping capacity and operational bottlenecks. Energy intensive industries must manage oil price volatility, given the divergence between surplus supply fundamentals and geopolitical risk premia. Commodity producers should adopt disciplined capital expenditure strategies in light of medium term surplus risks in LNG and iron ore. Across sectors, firms should prioritise market diversification, cost efficiency, hedging strategies, supply chain flexibility, and movement toward higher value added segments. In an environment shaped less by steady growth than by fragmentation and volatility, resilience and strategic agility will distinguish firms that merely absorb shocks from those that convert uncertainty into durable competitive advantage.

EXHIBITS

EXHIBIT 1 • INDONESIA MACROECONOMICS INDICATOR

Indicator	Unit	2025												2026
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan
GDP Growth	% YoY	-	-	4.87	-	-	5.12	-	-	5.04	-	-	5.39	5.02
CPI Inflation	% YoY	0.76	-0.09	1.03	1.95	1.60	1.87	2.37	2.31	2.65	2.86	2.72	2.92	3.55
Core Inflation	% YoY	2.48	2.36	2.48	2.50	2.40	2.37	2.32	2.17	2.19	2.36	2.36	2.38	2.45
Manufacturing PMI	Level	51.9	53.6	52.4	46.7	47.4	46.9	49.2	51.5	50.4	51.2	53.3	51.2	52.6
Exports	% YoY	4.68	14.05	23.25	5.76	9.68	11.29	9.86	5.78	11.41	-2.31	-6.06	11.6	-
Imports	% YoY	-2.67	2.30	18.92	21.80	4.14	4.28	-5.86	-6.56	7.17	-	0.46	10.8	-
Foreign Currency Reserves	USD bn	140	138	140	134	134	134	134	132	128	129	129	135	130
Money Supply (M2)	% YoY	5.46	6.20	6.13	5.19	4.9	6.4	6.6	7.6	8	7.7	8.3	9.6	-
Commercial Banking Total Deposits and Securities	% YoY	3.82	4.60	4.03	3.74	3.29	6.19	6.54	7.61	7.95	7.82	8.37	8.37	-
Commercial Banking Credit	% YoY	10.3	10.3	9.2	8.9	8.4	7.8	7.0	7.6	7.7	7.36	7.74	9.69	9.96
Fiscal Surplus/Deficit	% GDP	-	-	-2.76	-	-	-2.77	-	-	-2.73	-	-	-2.92	-0.21

EXHIBIT 2 • EXCHANGE RATE

Exhibit 2.1 Difference of Spot and Forward IDR

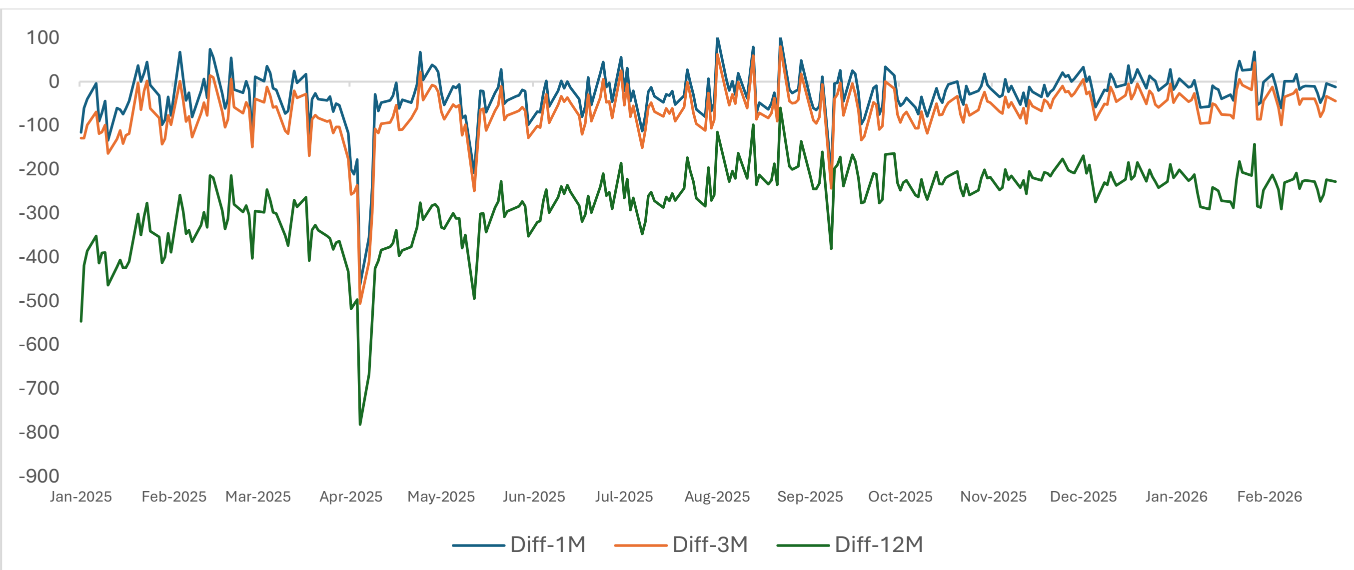


Exhibit 2.2 BI-Rate & Exchange Rate (IDR/USD)

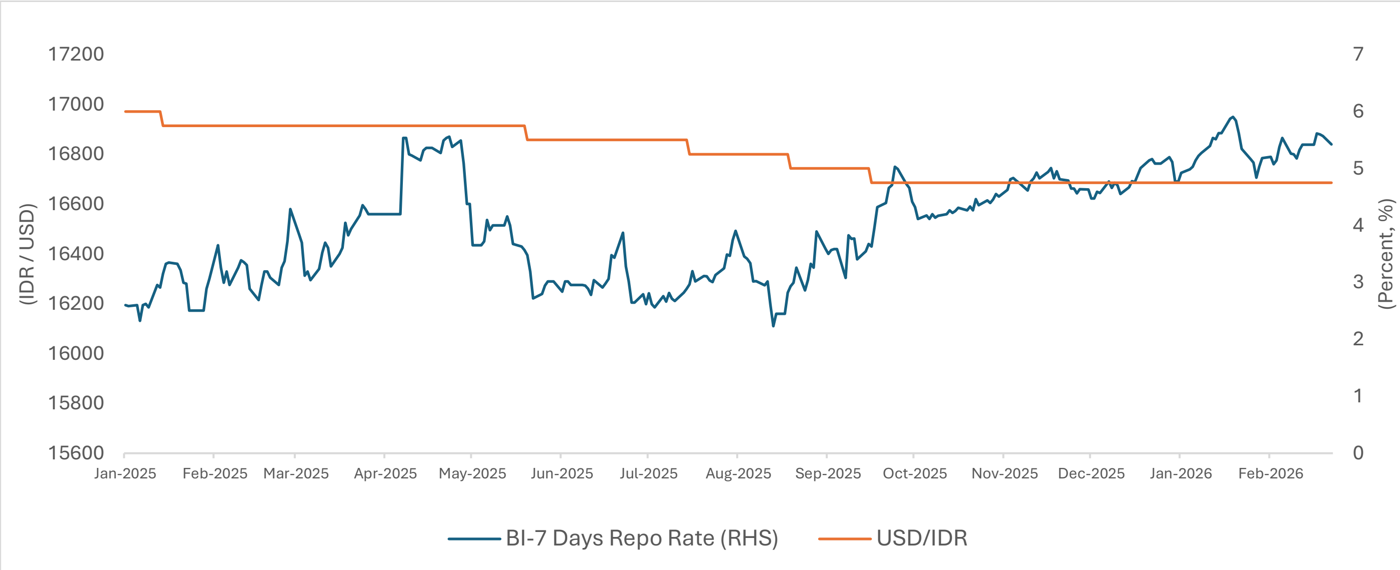


Exhibit 2.3 EM's Exchange Rate Against USD Index (01/01/2025 = 100)

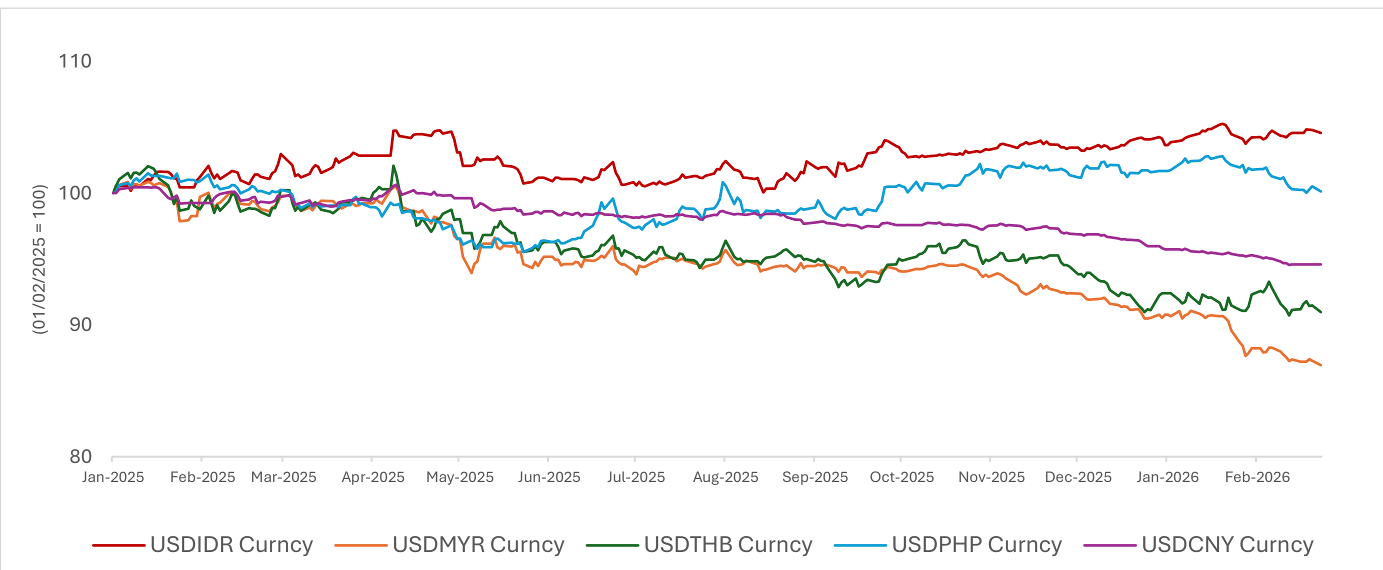


EXHIBIT 3 • INDONESIA'S LIQUIDITY

Exhibit 3.1 JIBOR 1 & 3 M and BI-Rate

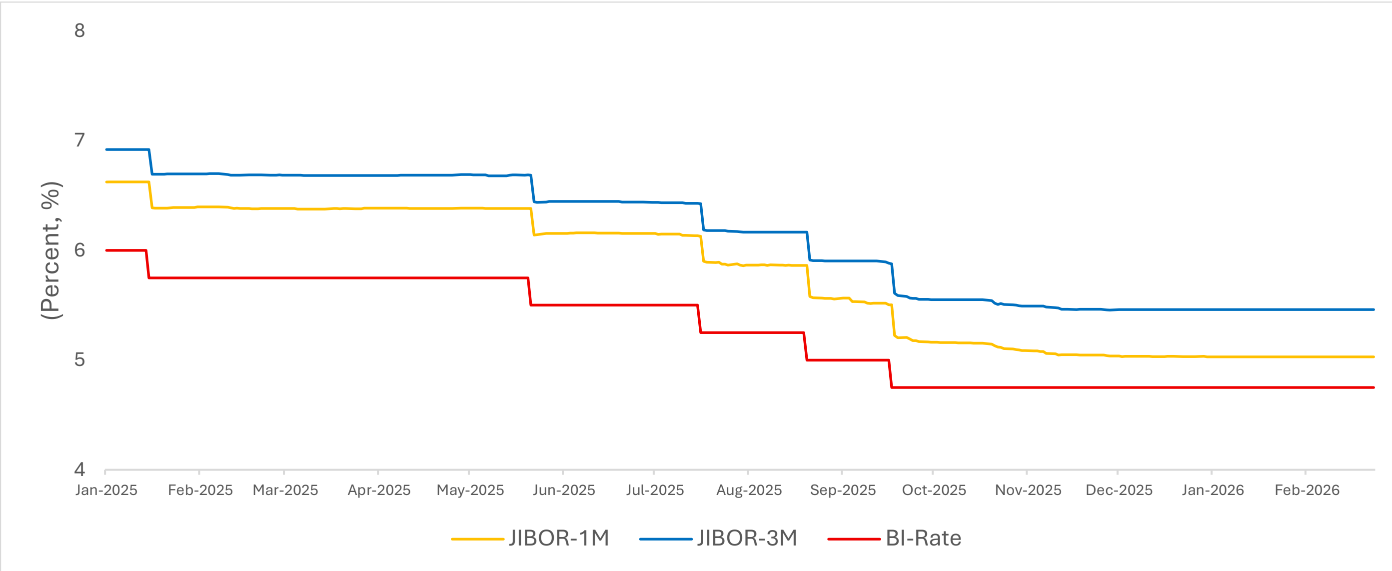
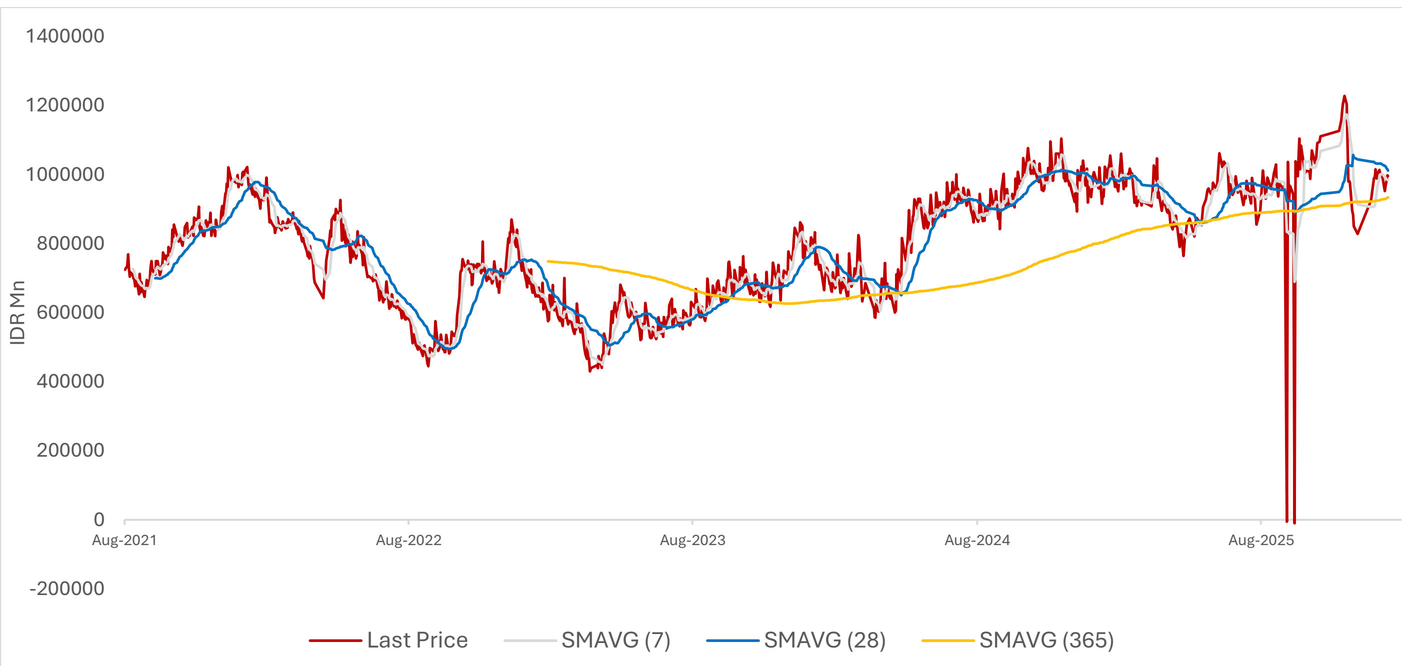


Exhibit 3.2 Monetary Operations of BI



SS

Exhibit 3.3 Indonesia's Foreign Exchange Reserves USD

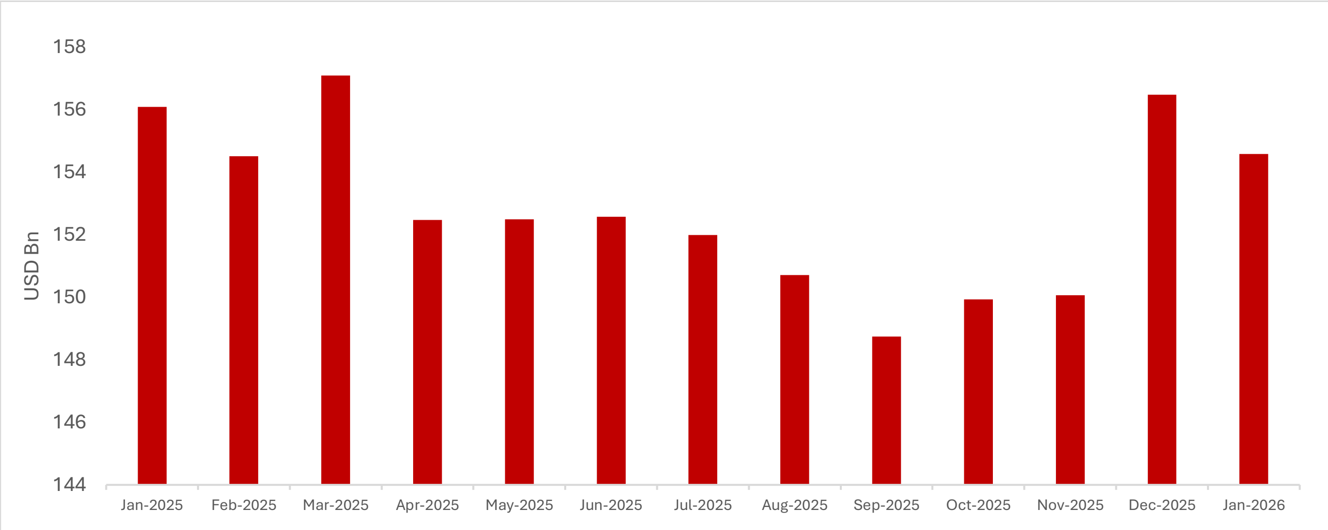


EXHIBIT 4 • FINANCIAL MARKET

Exhibit 4.1 Stock Market Index (02/01/2025 = 100)

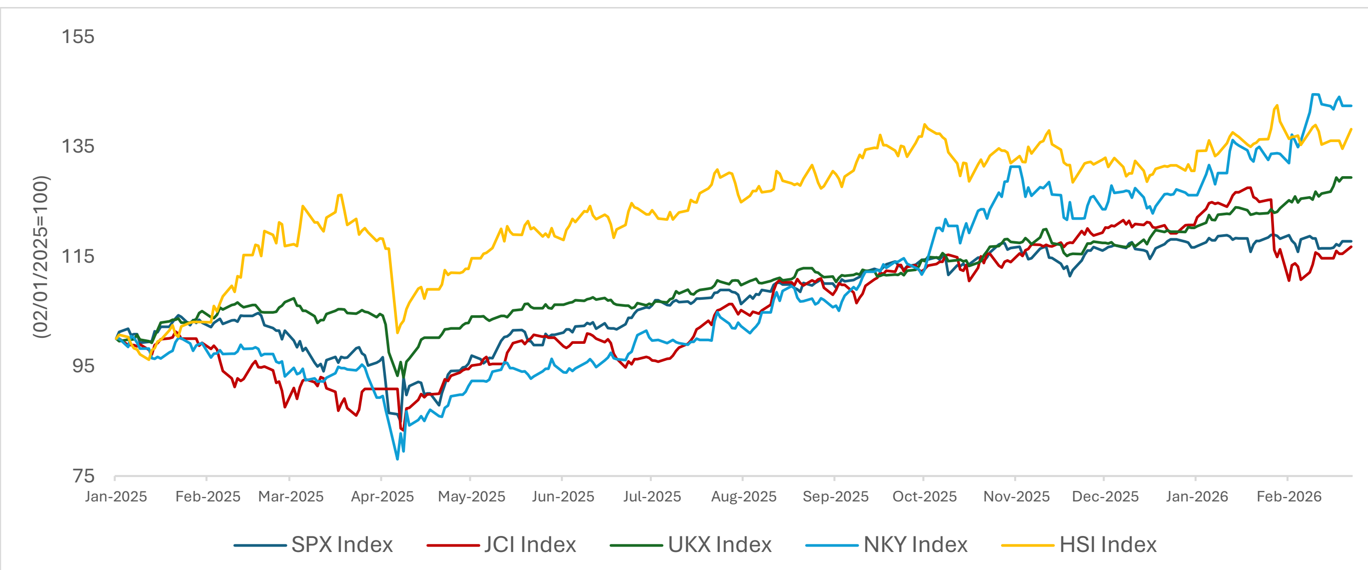


Exhibit 4.2 Indonesia Bond Yield Curve

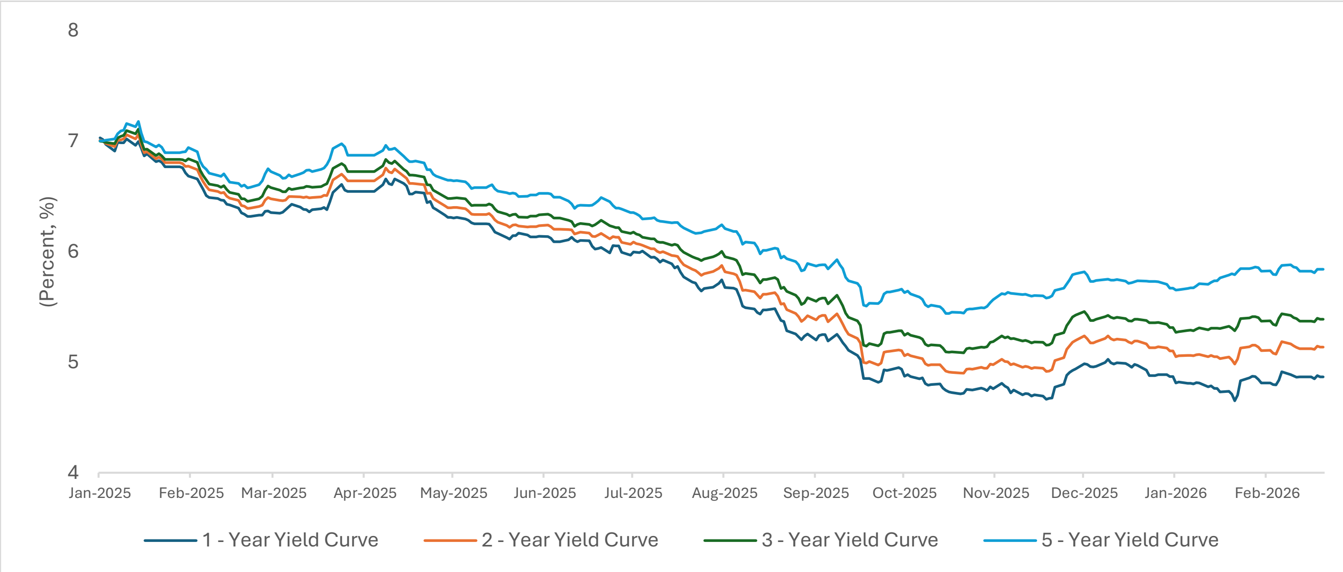


Exhibit 4.3 Indonesia Stock Market & Survivor

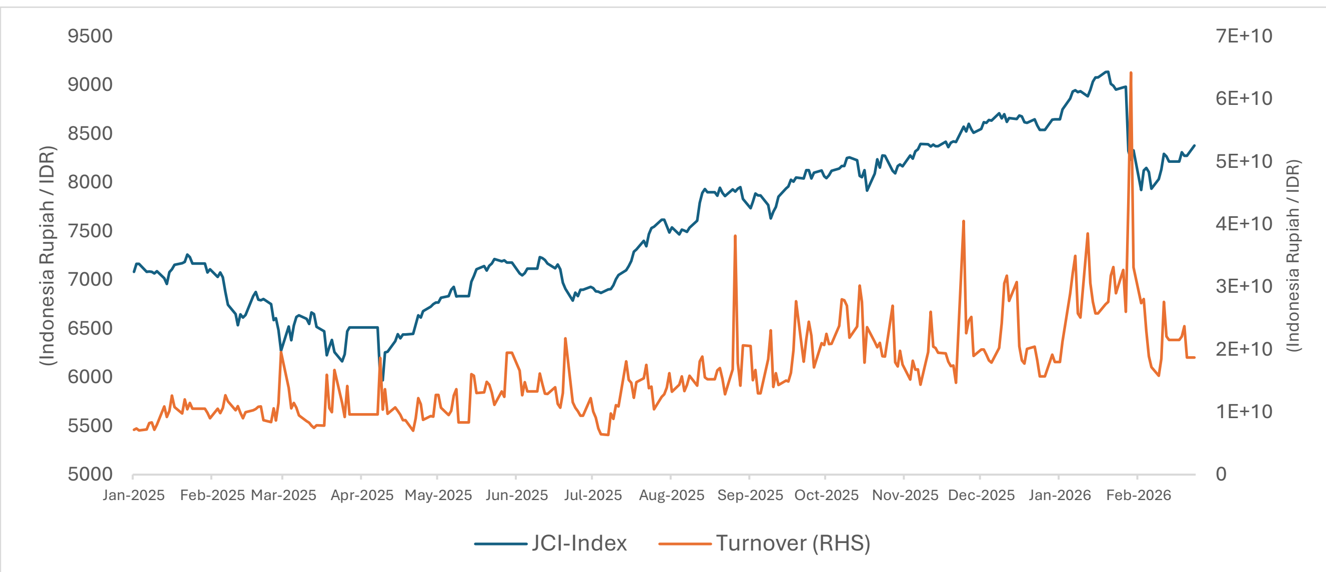


Exhibit 4.4 Indonesia CDS & Government Bond 5Y

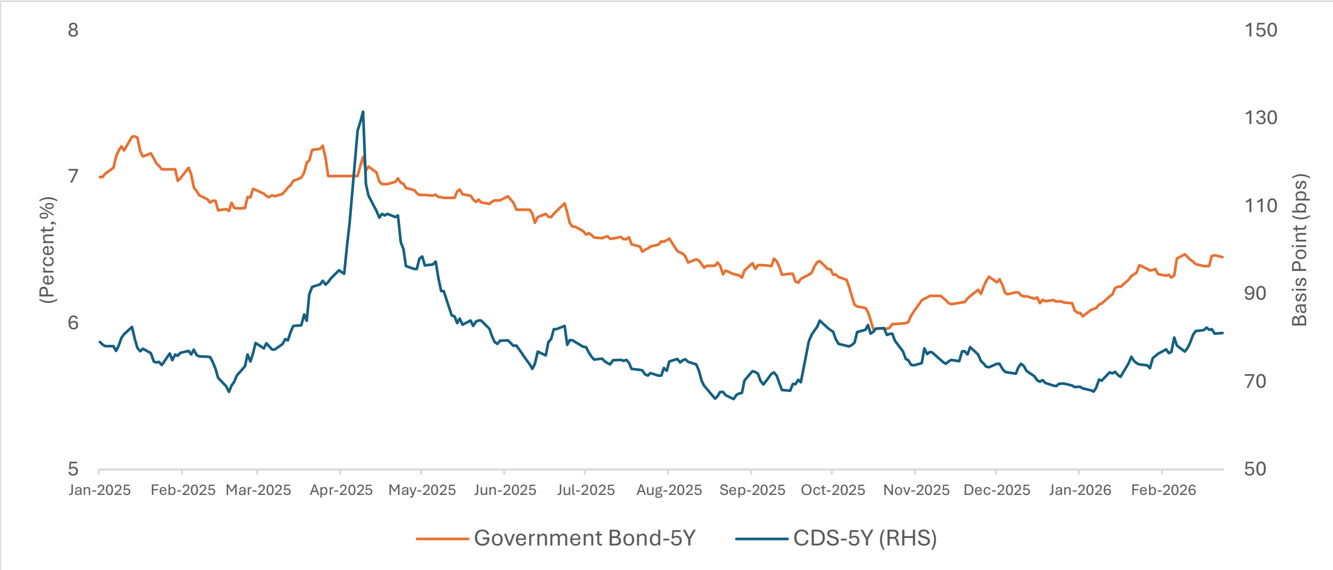


EXHIBIT 5 • REGIONAL STATISTICS

Exhibit 5.1 Monthly Inflation Rate

Provinsi	Inflasi Tahunan (Y-on-Y) 38 Provinsi (2022=100) (Persen)											
	2025											2026
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Aceh	1.61	0.41	1.53	3.11	2.35	2.19	3	3.7	4.45	4.66	3.58	6.71	6.69
Sumatera Utara	1.78	0.73	0.69	2.09	1.11	1.25	2.86	4.42	5.32	4.97	3.96	4.66	3.81
Sumatera Barat	1.24	-0.09	0.3	2.38	0.85	0.45	2.19	2.89	4.22	4.52	3.98	5.15	3.92
Riau	1.12	0.02	0.68	2.07	0.98	0.98	2.42	3.58	5.08	4.95	4.27	4.88	4.43
Jambi	0.46	-0.27	0.32	1.84	0.96	1.34	2.71	2.76	3.77	3.71	3.55	3.71	3.35
Sumatera Selatan	0.92	0.49	1.77	2.74	2.33	2.44	2.88	3.04	3.44	3.49	2.91	2.91	3.33
Bengkulu	0.09	-1.26	-0.22	0.96	0.39	-0.1	1.01	1.3	2.57	2.85	2.68	2.77	2.61
Lampung	1.04	-0.02	1.58	2.8	2.12	2.27	2.63	1.05	1.17	1.2	1.14	1.25	1.9
Kepulauan Bangka Belitung	-0.23	-0.64	1.13	1.37	0.79	0.99	2.05	1.34	1.82	2.51	2.87	2.77	3.95
Kepulauan Riau	2.01	2.09	2.01	2.56	1.73	1.32	1.97	2.19	2.7	3.01	3	3.47	2.94
Dki Jakarta	0.14	-0.59	1.02	2.21	2.07	2.07	2.25	2.16	2.4	2.69	2.67	2.63	3.96
Jawa Barat	0.79	-0.27	0.81	1.67	1.47	1.78	2.03	1.77	2.19	2.63	2.54	2.63	3.24
Jawa Tengah	1.28	-0.08	0.75	1.94	1.66	2.2	2.52	2.48	2.65	2.86	2.79	2.72	2.83
Di Yogyakarta	0.95	-0.3	0.52	2.1	2.04	2.52	2.6	2.3	2.56	2.9	2.92	3.11	3.3
Jawa Timur	1.06	-0.03	0.77	1.35	1.22	2.02	2.21	2.17	2.53	2.69	2.63	2.93	3.29
Banten	0.85	-0.33	0.7	1.59	1.57	1.83	2.29	1.95	2.31	2.75	2.56	2.74	3.48
Bali	2.41	1.21	1.89	2.3	1.92	2.94	3.16	2.65	2.51	2.61	2.51	2.91	2.58
Nusa Tenggara Barat	0.68	-0.01	1.15	1.8	1.63	2.51	3.05	2.56	2.69	2.96	2.74	3.01	3.86
Nusa Tenggara Timur	-0.06	0.47	1.86	1.77	1.6	1.72	3.03	2.71	2.3	2	2.4	2.39	3.34
Kalimantan Barat	0.15	0.04	0.94	1.2	0.59	1.2	2.14	2.13	1.94	2.07	2.04	1.85	3.33
Kalimantan Tengah	0.28	0.28	1.33	1.21	0.46	1.06	2.13	2.08	2.35	2.73	2.56	3.13	4.09
Kalimantan Selatan	0.62	0.25	1.2	1.57	1.25	1.81	2.48	2.68	2.91	3.11	3.35	3.66	4.66
Kalimantan Timur	0.21	-0.3	1.36	1.57	1.03	1.62	2.08	1.79	1.77	1.94	2.28	2.68	3.76
Kalimantan Utara	-0.12	-0.49	1.24	1.3	1.24	1.38	1.99	2.24	2.32	2.23	2.47	2.57	4.08
Sulawesi Utara	-0.25	-0.15	1.41	2.27	1.53	1.71	2.04	0.94	1.57	1.48	0.65	1.23	3.04
Sulawesi Tengah	0.02	-0.38	1.88	2.97	2.61	2.47	3.69	4.02	3.88	3.92	3.5	3.31	4.55
Sulawesi Selatan	0.1	-1.09	0.67	2.28	2.04	2.24	3.05	3.12	3.03	2.98	2.73	2.84	4.11
Sulawesi Tenggara	-0.39	-0.22	1.53	1.96	1.71	2.52	3.72	3.75	3.68	3.26	2.94	2.86	5.1
Gorontalo	-1.52	-0.29	1.76	2.3	0.28	0.8	3.12	2.51	1.99	2.44	2.21	2.52	4.53
Sulawesi Barat	0.32	-0.24	1.55	3.36	3.21	2.57	3.57	3.52	3.04	2.64	2.56	2.48	4.34
Maluku	0.76	1.33	3.54	3.34	2.24	1.88	2.99	3.25	3.01	2.3	2.33	3.58	4.7

Maluku Utara	-0.15	0.16	2.32	3.23	1.89	2.01	2.46	0.43	-0.17	1.18	1.89	1.63	4.86
Papua Barat	-0.44	-1.98	-0.23	0.15	-1.51	-0.67	0.43	-0.87	1.02	1.42	1.33	2.59	5.02
Papua Barat Daya	0.36	-0.49	0.24	0.41	0.36	0.5	0.96	1.88	1.3	1.36	1.38	2.15	3.75
Papua	0.6	0.81	2.15	1.64	1.33	1.07	1.4	0.54	0.99	0.53	0.8	2.54	3.33
Papua Selatan	0.45	0.31	2.68	3.57	2.19	3	5.45	3.78	3.42	3.43	3.39	2.95	4.83
Papua Tengah	0.99	2.09	3.7	3.71	2.26	2.33	2.89	1.86	2.28	2.11	2.53	3.28	4.85
Papua Pegunungan	4.55	7.99	8.05	5.96	5.75	2.01	4.15	3.71	3.55	3.32	4.05	3.22	2.93
Indonesia	0.76	-0.09	1.03	1.95	1.6	1.87	2.37	2.31	2.65	2.86	2.72	2.92	3.55

FOOTNOTES AND REFERENCES

Data Sources: CEIC, Bloomberg, BI, BPS, and various sources

The conversion rate from US dollars to the local currency unit is shown by the exchange rates that are used, which stated as USD/LCU

The stock market indexes being taken into account are the S&P 500 (US), Jakarta Composite Index (JCI), FTSE 100 (UKX), Nikkei 225 (NKKY), and Hang Seng Index (HSI) which serve as regional benchmarks.

Ten-year US Treasury bill yield differential and Indonesian Government Bond denominated in USD serve as a proxy for Indonesia's sovereign risk.

Ikhsan, M. (2026, February 22). *Tariffs are numbers. Positioning is strategy*. *The Jakarta Post*. Retrieved from https://www.thejakartapost.com/opinion/2026/02/23/tariffs-are-numbers-positioning-is-strategy.html

A higher turnover index in the stock market typically indicates a higher level of trading activity.

Office of the United States Trade Representative. (2026, February 19). *Ambassador Greer issues statement on President Trump announcing trade deal with Indonesia*. Retrieved from https://ustr.gov/about/policy-offices/press-office/press-releases/2026/february/ambassador-greer-issues-statement-president-trump-announcing-trade-deal-indonesia

INDONESIA FINANCIAL GROUP

Indonesia Financial Group (IFG)

Indonesia Financial Group (IFG) adalah BUMN Holding Perasuransian dan Penjaminan yang beranggotakan PT Asuransi Kerugian Jasa Raharja, PT Jaminan Kredit Indonesia (Jamkrindo), PT Asuransi Kredit Indonesia (Askrindo), PT Jasa Asuransi Indonesia (Jasindo), PT Bahana Sekuritas, PT Bahana TCW Investment Management, PT Bahana Artha Ventura, PT Bahana Kapital Investa, PT Graha Niaga Tata Utama, dan PT Asuransi Jiwa IFG. IFG merupakan holding yang dibentuk untuk berperan dalam pembangunan nasional melalui pengembangan industri keuangan lengkap dan inovatif melalui layanan investasi, perasuransian dan penjaminan. IFG berkomitmen menghadirkan perubahan di bidang keuangan khususnya asuransi, investasi, dan penjaminan yang akuntabel, prudent, dan transparan dengan tata kelola perusahaan yang baik dan penuh integritas. Semangat kolaboratif dengan tata kelola perusahaan yang transparan menjadi landasan IFG dalam bergerak untuk menjadi penyedia jasa asuransi, penjaminan, investasi yang terdepan, terpercaya, dan terintegrasi. IFG adalah masa depan industri keuangan di Indonesia. Saatnya maju bersama IFG sebagai motor penggerak ekosistem yang inklusif dan berkelanjutan.

Indonesia Financial Group (IFG) Progress

The Indonesia Financial Group (IFG) Progress adalah sebuah Think Tank terkemuka yang didirikan oleh Indonesia Financial Group sebagai sumber penghasil pemikiran-pemikiran progresif untuk pemangku kebijakan, akademisi, maupun pelaku industri dalam memajukan industri jasa Keuangan.

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