Macroeconomic Monitor May 2026

Growth Holds, but Policy Space Narrows Under External Pressures

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HIGHLIGHTS

May 2026

United States (US)

The U.S. economy continued to demonstrate resilience in April 2026 despite mounting external and inflationary pressures. The Federal Reserve maintained its policy rate at 3.5%–3.75% for a third consecutive meeting, emphasizing a cautious and data-dependent approach amid heightened uncertainty stemming from geopolitical tensions in the Middle East. Economic activity remained supported by improvements in both manufacturing and services sectors. Manufacturing activity expanded, driven by robust new orders, inventory accumulation, and stronger industrial production, while the services sector returned to expansion territory as domestic demand remained resilient. Consumer spending also remained a key growth driver, with retail sales recording their strongest annual growth, highlighting the continued strength of household demand despite elevated borrowing costs.

However, several indicators pointed to growing macroeconomic challenges. Inflation accelerated to 3.8% year-on-year (YoY), its highest level since May 2023, largely due to the energy price shock caused by the Iran conflict, while producer price inflation surged to 6.0% (YoY), signaling increasing cost pressures across supply chains. The widening trade deficit reflected stronger import demand relative to export growth, despite higher energy exports benefiting from elevated global oil prices. At the same time, labor market conditions showed signs of gradual softening, with slower payroll growth, declining job openings, lower labor force participation, and a reduction in overall employment levels.

Euro Area

The euro area increasingly exhibits characteristics of a supply-shock-driven slowdown, with energy inflation squeezing demand while manufacturing remains weak. Inflationary pressures intensified, with headline inflation rising to 3.0% (YoY) in April 2026, the highest level since September 2023 and well above the European Central Bank's target. However, core inflation eased to 2.2%, suggesting that underlying demand-driven price pressures remain relatively contained. At the same time, industrial production remained in contraction territory, highlighting continued challenges for the manufacturing sector amid subdued global demand and persistently high production costs.

Retail sales growth slowed to its weakest pace since mid-2024, reflecting growing pressure on household spending from rising fuel prices linked to geopolitical tensions in the Middle East.

Meanwhile, external sector performance deteriorated significantly as the trade surplus narrowed sharply due to falling exports and rising import costs. Overall, the latest indicators point to a challenging environment characterized by slowing growth, persistent energy-driven inflation, and weakening trade performance.

China

China's economy presented a mixed picture in April 2026, characterized by resilient external trade performance but weakening domestic demand. Inflation accelerated modestly to 1.2% YoY, driven primarily by higher transportation costs,energy cost pressures, and supply chain disruptions linked to ongoing geopolitical tensions in the Middle East. External demand remained a key source of support, with exports surging to a record high as manufacturers accelerated shipments and businesses continued to build inventories amid concerns over potential supply disruptions and rising production costs. The labor market also showed signs of stabilization, with the urban unemployment rate edging lower, suggesting that employment conditions have remained relatively resilient despite a more challenging economic environment.

However, underlying growth momentum continued to soften, reflecting persistent weakness in domestic demand. Retail sales growth slowed sharply to just 0.2% YoY, the weakest pace in more than three years, highlighting increasingly cautious consumer spending behavior. Household confidence remains subdued amid ongoing uncertainty surrounding the property sector, where prolonged weakness in housing prices continues to erode household wealth and dampen consumption through a negative wealth effect. Consumers have become more cautious toward discretionary spending, particularly on big-ticket items such as automobiles, furniture, home appliances, and construction-related products, reflecting weaker confidence in future income and economic prospects.

Industrial activity also lost momentum, with production growth slowing to its weakest pace since mid-2023. The moderation reflects a combination of softer manufacturing activity, elevated energy costs, and weaker domestic demand conditions. Despite strong export performance, businesses remain cautious regarding expansion plans and capital expenditure, reflecting concerns over uncertain global demand, geopolitical risks, and continued weakness in the domestic economy. As a result, the recovery remains increasingly reliant on external demand while domestic consumption and private sector investment remain subdued. Looking ahead, sustained weakness in consumer confidence, the lingering drag from the property sector, and cautious private sector sentiment are likely to continue weighing on economic activity, posing challenges to achieving a more balanced and broad-based growth recovery.

Indonesia

Indonesia remains supported by strong Q1 domestic demand, but forward indicators suggest resilience is becoming narrower as external cost shocks, weaker trade, and monetary tightening raise downside risks. GDP growth accelerated to 5.61% YoY in Q1 2026, driven by stronger household consumption, a sharp increase in government expenditure, and resilient investment activity. Inflation remained within Bank Indonesia's target range, although mounting global energy prices and geopolitical tensions have increased the risk of imported inflation. At the same time, domestic financing conditions remained supportive, with credit growth reaching its strongest pace in more than a year, reflecting continued demand from both businesses and households. Consumer confidence also remained broadly stable, suggesting that households continue to view current economic conditions positively despite heightened external uncertainty.

Nevertheless, forward-looking indicators suggest that economic resilience is becoming increasingly dependent on domestic demand as external and cyclical headwinds intensify. Manufacturing activity fell back into contraction territory for the first time in nine months, reflecting higher input costs, supply chain disruptions, and softer external demand. Retail sales growth also moderated significantly, indicating that household spending momentum may be easing after a strong first quarter.

Meanwhile, the external sector weakened as export growth slowed and the trade surplus narrowed amid global trade disruptions and geopolitical uncertainty. In response to persistent exchange-rate pressures and rising imported inflation risks, Bank Indonesia delivered its first rate hike since 2024, signaling a shift toward a more stability-oriented policy stance. Overall, while solid domestic demand continues to provide an important buffer for growth, weaker manufacturing activity, softer trade performance, and tighter monetary conditions point to a more challenging macroeconomic environment in the quarters ahead.

RECENT ECONOMIC DEVELOPMENTS: GLOBAL MARKETS

Recent Economic Developments: Global Markets

United States

MANUFACTURING SECTOR

The S&P Global US Manufacturing PMI was revised upward to 54.5 in April 2026, above March's 52.3, indicating the strongest expansion in the manufacturing sector since May 2022. The improvement was largely driven by a sharp increase in new orders, which expanded at the fastest pace in four years as firms accelerated purchasing and inventory stockpiling activities amid concerns over tariffs, supply disruptions, and geopolitical tensions in the Middle East. Part of the manufacturing strength may reflect precautionary inventory accumulation rather than sustained final demand.

Production activity also accelerated sharply, supported by efforts to build inventories and mitigate future price and supply pressures linked to the ongoing conflict. Purchasing activity increased at the strongest pace in four years, while employment declined for the first time in nine months, reflecting continued caution among manufacturers regarding labor expansion. On the inflation side, input costs and output charges rose significantly due to higher energy prices and supply chain disruptions.

SERVICES SECTOR

The S&P Global US Services PMI rose to 51 in April of 2026 from the three-year low of 49.8 in the previous month. Business activity and output continued to strengthen, reflecting sustained resilience in domestic demand even as geopolitical tensions and rising energy prices increased operating costs for businesses.

The latest data suggests that the broader economy remains relatively resilient against external shocks, supported by continued strength in service-oriented sectors. However, elevated energy costs are increasingly becoming a source of pressure for transportation, logistics, and other energy-intensive industries.

PRODUCER PRICE INDEX

Producer price inflation accelerated sharply to 6.0% (YoY) in April 2026, reaching its highest level since late 2022. The increase was mainly driven by rising margins for trade services, higher transportation and warehousing costs, and surging energy prices amid escalating geopolitical tensions in the Middle East. The sharp increase in producer prices highlights mounting upstream cost pressures that may eventually feed through to consumer inflation, potentially complicating efforts to stabilize prices in the coming quarters. Rising producer prices may compress margins if firms cannot fully pass higher costs to consumers.

INFLATION

Inflation accelerated significantly to 3.8% (YoY) in April 2026, compared to 3.3% (YoY) in March, and reaching its highest level since May 2023. The increase was primarily driven by a sharp rise in energy prices following the oil shock triggered by the conflict with Iran. Gasoline and fuel oil prices recorded substantial increases, contributing heavily to the broader rise in consumer prices.

Inflationary pressures also became more broad-based, with shelter and food prices accelerating further. Meanwhile, core inflation, which excludes food and energy, also increased to its highest level 2.8% (YoY) in April 2026, reflecting stronger price pressures across services categories such as transportation and housing. The data indicates that geopolitical tensions and elevated energy costs continue to complicate the inflation outlook despite restrictive monetary policy conditions.

RETAIL SALES

Retail sales in the United States increased 4.9% (YoY) in April 2026, the most since August last year, following an upwardly revised 4.2% gain in March. The strong performance underscores continued resilience in household spending despite persistent inflationary pressures and elevated borrowing costs.

Robust consumer demand continued to support overall economic activity, aided by relatively stable labor market conditions and sustained spending across both discretionary and essential categories. However, rising energy prices and persistent inflationary pressures may gradually weigh on household purchasing power going forward.

LABOR MARKET

The unemployment rate remained stable at 4.3% (YoY) in April 2026, broader indicators pointed to softer labor market conditions. The number of unemployed individuals increased, total employment declined, and labor force participation fell to its lowest level since October 2021. Employment weakness despite stronger output suggests firms remain cautious on labor expansion amid uncertainty.

In addition, job openings declined modestly by 56,000 to 6.86 million in March 2026, particularly within professional and business services, although gains were still recorded in finance and insurance sectors. Nonfarm payroll growth also slowed compared to the previous month, with employment gains remaining concentrated in health care, transportation and warehousing, and retail trade.

MONETARY POLICY

The Federal Reserve maintained the federal funds rate at the 3.5%–3.75% target range for a third consecutive meeting in April 2026, broadly in line with market expectations. Policymakers reiterated their commitment to a data-dependent approach, emphasizing that future policy adjustments would continue to be guided by incoming economic data, the evolving outlook, and the balance of risks. The central bank also acknowledged that escalating tensions in the Middle East have heightened uncertainty surrounding inflation, growth, and global energy markets. Overall, the policy stance signals a cautious approach as authorities seek to balance inflation management with sustaining economic momentum.

BALANCE OF TRADE

The trade deficit widened to USD60.3 billion in March of 2026 from the revised USD57.8 billion deficit in the previous month, as import growth continued to outpace export expansion.

Imports rose by USD8.7 billion, or 2.3% (YoY) to USD381 billion in the period, driven by higher purchases of automobiles, consumer goods, capital goods, and industrial supplies, reflecting resilient domestic demand and ongoing business activity.

Meanwhile, exports jumped by USD6.2 billion, or 2.0% (YoY), to USD320.9 billion, primarily supported by higher global energy prices following escalating tensions in the Middle East. Increased shipments of crude oil, fuel oil, and other petroleum-related products partially offset the widening trade gap. Nevertheless, the stronger pace of import growth continued to place pressure on the overall trade balance.

The U.S. economy continued to demonstrate resilience in April 2026 despite mounting external and inflationary pressures.

Euro Area

INFLATION RATE

The annual inflation rate was confirmed at 3.0% (YoY) in April 2026, marking the highest level since September 2023 and remaining significantly above the European Central Bank's 2.0% target. The acceleration was primarily driven by a sharp increase in energy prices, which rose 10.8% (YoY), the fastest pace since February 2023, reflecting the impact of supply disruptions and heightened geopolitical tensions in the Middle East. Elevated energy costs continued to exert upward pressure across the broader price basket, contributing to faster inflation in non-energy industrial goods and unprocessed food categories.

Despite the headline acceleration, underlying inflationary pressures showed signs of moderation. Inflation in the services sector eased to 3.0% (YoY) from 3.3% (YoY) in the previous month, while price growth for processed food, alcohol, and tobacco also softened slightly. As a result, core inflation declined to 2.2% (YoY), indicating that demand-driven price pressures remain relatively contained despite the energy-led inflation shock. Across major economies, inflation trends were generally upward, with notable increases recorded in Germany, France, Italy, and Spain, underscoring the broad-based nature of recent price pressures across the region.

RETAIL SALES

Retail sales volumes recorded modest growth by 1.2% (YoY) in March 2026, although the pace of expansion slowed to its weakest level since July 2024. The moderation was largely driven by a sharp decline in fuel sales as rising energy prices linked to geopolitical tensions in the Middle East continued to pressure household spending. The softer retail sales performance suggests that elevated fuel and energy costs are beginning to weigh on consumer demand, potentially limiting broader consumption growth in the coming months.

INDUSTRIAL PRODUCTION

Industrial production decreased 2.1% (YoY) in March of 2026 over the same month in the previous year, highlighting continued weakness in the manufacturing sector amid fragile external demand and elevated energy costs. The decline reflects persistent pressure on industrial activity despite some stabilization in broader economic conditions.

Meanwhile, producer prices continued to increase by 2.1% (YoY) in March 2026, signaling that cost pressures remain elevated across the production sector. The combination of weak industrial output and higher producer prices suggests that manufacturers continue to face a challenging operating environment characterized by high input costs and subdued demand.

BALANCE OF TRADE

The trade surplus narrowed sharply to EUR7.8 billion in March 2026 from a record EUR34.1 billion in the same period last year, reflecting a significant deterioration in external trade performance. Export values declined by 5.5% (YoY) to EUR265.3 billion, largely due to weaker demand from key trading partners and unfavorable base effects following exceptionally strong export activity recorded ahead of tariff measures implemented by the United States in April 2025.

The decline was particularly pronounced in chemicals, machinery and vehicles, and food and beverage products. Exports to the United States fell by nearly 39% (YoY), highlighting the substantial impact of trade policy changes on transatlantic commerce. Meanwhile, shipments to China and Turkey also weakened, reflecting softer global demand conditions. On the import side, purchases increased by 4.4% (YoY) to EUR257.4 billion, driven primarily by higher spending on fuels, lubricants, and crude materials amid elevated energy prices linked to the ongoing US–Israel–Iran conflict. The combination of weaker exports and rising import costs significantly compressed the trade surplus, underscoring mounting external sector challenges.

The euro area increasingly resembles a supply-shock slowdown environment, with energy inflation squeezing demand while manufacturing remains weak.

China

INFLATION RATE

Inflation accelerated further to 1.2% YoY in April 2026 from 1.0% YoY in the previous month, mainly driven by rising non-food prices amid higher energy costs and supply chain disruptions related to the prolonged Middle East conflict. Transportation costs increased sharply, reflecting the impact of elevated oil prices and logistical disruptions on domestic price dynamics. Price increases also persisted across healthcare, education, and clothing categories, indicating that inflationary pressures are becoming increasingly broad-based despite relatively moderate overall inflation levels.

RETAIL SALES

China's retail sales rose just 0.2% (YoY) in April 2026, slowing sharply from a 1.7% increase in March, recording the slowest pace since December 2022 as geopolitical uncertainty and inflationary pressures dampened household consumption. Consumer demand weakened considerably, particularly across discretionary and big-ticket purchases.

Automobile sales recorded steep declines alongside home appliances, building materials, and furniture, highlighting deteriorating consumer confidence and increasingly cautious spending behavior.

UNEMPLOYMENT RATE

The surveyed urban unemployment rate edged lower to 5.2% YoY in April 2026, marking the lowest level since January 2026. Both local and migrant labor force unemployment rates improved modestly, indicating some stabilization in labor market conditions despite slowing economic momentum.

BALANCE OF TRADE

China's trade surplus narrowed to USD84.82 billion in April 2026 from USD95.85 billion in the same period of 2025. Export growth accelerated sharply to 14.1% YoY, reaching a record high of USD359.44 billion, up from March's 2.5% rise, due to seasonal factors, as companies rushed to secure components and inventories amid concerns that geopolitical tensions and higher energy prices could further disrupt global supply chains and increase production costs.

China's imports surged 25.3% (YoY) to USD274.62 billion in April 2026, marking the second straight month of record-high purchases, supported by resilient domestic demand and inventory stockpiling activities. However, rising energy costs and stronger import growth contributed to the narrowing of the trade surplus despite robust export performance.

MONETARY POLICY

The People's Bank of China (PBoC) maintained its benchmark lending rates at historically low levels for the twelfth consecutive month in May 2026, in line with market expectations. The one-year Loan Prime Rate (LPR), which serves as the primary benchmark for corporate and household borrowing, remained unchanged at 3.0%, while the five-year LPR, the reference rate for mortgage lending, was held at 3.5%. The decision reflects policymakers' cautious approach amid an increasingly complex economic environment characterized by slowing domestic activity, elevated geopolitical uncertainty, and rising inflationary pressures stemming from higher energy prices and supply chain disruptions associated with the ongoing conflict in the Middle East.

At the same time, both consumer and producer price pressures have begun to accelerate, driven largely by rising energy costs and logistical disruptions, limiting the scope for additional monetary easing in the near term. Against this backdrop, policymakers opted to maintain an accommodative monetary stance while preserving flexibility to respond to evolving domestic and global economic conditions. The latest policy decision underscores the central bank's effort to balance the need to support economic growth with the importance of maintaining price stability and safeguarding financial market confidence amid heightened external uncertainties.

China's economy presented a mixed picture in April 2026, with external trade remaining resilient while domestic demand and industrial activity showed signs of weakening.

RECENT ECONOMIC DEVELOPMENTS: DOMESTIC MARKETS

Recent Economic Developments: Domestic Markets

GROSS DOMESTIC PRODUCT (GDP)

Indonesia’s GDP expanded 5.61% (YoY) in Q1 2026, accelerating from 5.39% (YoY) in Q4. It marked the strongest yearly growth since Q3 2022, boosted by an acceleration in private consumption (5.52% vs 5.11%), amid continued government support measures to boost spending. Government expenditure picked up (21.81% vs 4.55%), while fixed investment stayed robust (5.96% vs 6.12%). On the trade front, exports slowed sharply (0.90% vs 3.25%), reflecting growing supply chain disruptions linked to the geopolitical tensions, while imports surged (7.18% vs 3.96%) on solid domestic demand.

By sector, activity strengthened in wholesale and retail trade (6.26% vs 6.07%), construction (5.49% vs 3.89%), and accommodation and food services (13.14% vs 7.15%), but eased in manufacturing (5.04% vs 5.40%) and information and communication (7.14% vs 8.09%).

Indonesia’s economy grew 5.11% in 2025, below the government’s 5.2% target. Growth for 2026 is projected at 5.4%.

Q1 GDP growth remained robust and underscored the resilience of the domestic economy, but weakening manufacturing activity, slower retail spending, a narrowing trade surplus, and monetary tightening suggest that growth momentum may soften in the quarters ahead as external headwinds become more pronounced.

INFLATION

Annual inflation dropped noticeably to 2.42% (YoY) in April 2026 from 3.48% (YoY) in the prior month, marking the lowest level since August 2025 and remaining comfortably within the central bank's 2.5±1% target range. The easing was mainly driven by softer price growth in key categories such as food and housing, indicating that domestic inflationary pressures remain relatively manageable despite rising global energy prices. Core inflation also softened to 2.44% (YoY) in April 2026 over the same month in the previous year, reflecting moderating underlying demand pressures and relatively stable domestic consumption conditions.

EXCHANGE RATE

The Indonesian rupiah remained under pressure in late May 2026, trading around IDR 17,720 per U.S. dollar and extending its depreciation for a third consecutive session despite a modest weakening in the U.S. dollar index. Although improving prospects for a potential U.S.–Iran agreement helped ease concerns over further energy-driven inflation and reduced expectations of additional Federal Reserve policy tightening, risk sentiment toward emerging-market assets remained fragile. Investors continued to favor safer assets amid elevated U.S. Treasury yields, persistently high global crude oil prices, and ongoing capital outflows from emerging markets, limiting support for the rupiah despite a weaker support for the U.S. dollar.

Domestic factors also contributed to the currency’s weakness. Market participants remained concerned about Indonesia’s external position after the current account deficit widened in the first quarter of 2026 to its largest level in more than six years, highlighting growing vulnerabilities from higher import costs and external financing needs. While authorities introduced measures requiring natural resource exporters to retain export proceeds in domestic banks for a minimum of 12 months to strengthen foreign exchange liquidity, investors appeared cautious regarding the near-term effectiveness of the policy. As a result, the announcement had only a limited impact on market sentiment, with expectations of a significant appreciation in the rupiah remaining subdued.

Looking ahead, exchange rate movements are likely to remain sensitive to developments in global energy markets, U.S. monetary policy expectations, foreign capital flows, and the effectiveness of domestic policy measures aimed at strengthening external resilience and stabilizing investor confidence.

RETAIL SALES

Retail sales growth moderated significantly by 3.4% (YoY) in March 2026, easing from a 6.5% (YoY) rise in the prior month and marking the weakest expansion since June 2025. The moderation likely reflects post-Ramadan normalization rather than abrupt household weakness, though sustained softness would warrant caution. The slowdown also reflected post-festive normalization in spending patterns alongside persistent cost pressures that continued to weigh on household purchasing power.

Sales growth slowed considerably across food and beverage categories, while clothing, household appliances, and information and communication equipment recorded contractions. The softer retail performance suggests that consumer spending momentum may gradually be easing amid elevated living costs and weaker consumer sentiment.

CONSUMER CONFIDENCE INDEX (CCI)

Consumer confidence remained relatively stable at 123.0 in April 2026, barely above March's 122.9, although the index continued to hover near a five-month low. Perceptions regarding current economic conditions improved slightly, particularly in relation to employment availability and durable goods purchasing conditions.

However, forward-looking expectations weakened modestly, with softer sentiment regarding future income, employment prospects, and business activity. This suggests that while households remain relatively optimistic about present conditions, concerns regarding the future economic outlook are beginning to emerge amid rising global uncertainty and cost pressures.

PURCHASING MANAGER INDEX (PMI)

Despite strong Q1 GDP growth, manufacturing contracted for the first time in nine months, suggesting growth breadth may be narrowing. Manufacturing activity slipped back into contraction territory to 49.1 in April 2026 from 50.1 in the previous month, the weakest reading since June 2025. The deterioration reflected softer production activity amid rising input costs, supply disruptions, and weaker external demand linked to geopolitical tensions in the Middle East.

Employment declined at the fastest pace in ten months, while purchasing activity softened in line with weaker production needs. Despite this, new orders still recorded modest growth, largely driven by advance buying behavior as customers sought to hedge against further price increases and supply disruptions. Input cost inflation surged to a four-year high, prompting firms to raise selling prices at the fastest pace since October 2013.

BALANCE OF TRADE

Indonesia's trade surplus declined to USD3.32 billion in March 2026, from USD4.33 billion in the same month last year, as exports fell while imports rose. Imports grew 1.51% (YoY), slowing from 10.85% in February, with oil and gas imports rising 1.34% (YoY) to USD3.17 billion, rebounding from a 30.36% plunge in February, while non-oil and gas imports rose 1.54% (YoY) to USD16.04 billion. Meanwhile, exports fell 3.1% (YoY), marking the first decline since last November, amid disruptions linked to Middle East conflicts. Export performance weakened amid supply chain disruptions and softer global demand linked to geopolitical tensions in the Middle East. Non-oil and gas exports dropped 2.52% (YoY), while oil and gas exports plunged 11.84%, due to sharp falls in crude oil (-34.36%) and oil products (-17.59%). The narrowing trade surplus reduces Indonesia's external shock absorber precisely as global volatility intensifies.

LOAN GROWTH

Credit expansion accelerated to 9.98% (YoY) in April 2026 from 9.49% in the previous month, marking the strongest pace of growth since February 2025 and signaling continued resilience in domestic financing activity. Although credit growth remained robust, supported primarily by strong investment lending, the recent slowdown in manufacturing activity and retail sales suggests that working capital borrowing driven by higher operating costs may also be supporting credit growth.

Nevertheless, there appears to be room for further credit expansion, particularly if domestic demand remains resilient. Undisbursed loan facilities totaled IDR 2,551.42 trillion, representing approximately 22.57% of the total available credit ceiling, suggesting that liquidity and financing capacity within the banking sector remain ample. Looking ahead, credit growth is expected to remain within the central bank's projected range of 8–12% in 2026, supported by solid domestic demand, adequate banking sector liquidity, and continued policy measures aimed at fostering sustainable economic growth.

STATE BUDGET (APBN)

As of end-April 2026, Indonesia's state budget (APBN) performance remained solid supported by strong revenue collection despite increasing global economic uncertainty and geopolitical tensions. The Ministry of Finance reported that state revenue reached IDR918.4 trillion in April 2026, equivalent to 29.1% of the full-year budget target, representing a robust 13.3% (YoY) increase. Tax revenue was the main contributor, rising 16.1% (YoY) to IDR646.3 trillion and accounting for 27.4% of the annual target, reflecting resilient domestic economic activity and improving tax compliance. Non-tax state revenue (PNBP) also recorded healthy growth of 11.6% (YoY) to IDR171.3 trillion, supported by stable government service revenues and natural resource-related receipts. Customs and excise revenue grew modestly by 0.6% (YoY) to IDR100.6 trillion, indicating softer international trade activity amid a challenging external environment.

On the expenditure side, fiscal policy continued to play an active countercyclical role in supporting economic growth and maintaining social welfare. State expenditure accelerated sharply by 34.3% (YoY) to IDR1,082.8 trillion, equivalent to 28.2% of the annual budget allocation. Central government spending expanded by 51.1% (YoY) to IDR826.0 trillion, driven by both ministry/agency expenditure, which surged 57.9% (YoY) to IDR400.5 trillion, and non-ministry spending, which increased 45.2% (YoY) to IDR425.5 trillion. Meanwhile, transfers to regional governments reached IDR256.8 trillion, representing

37.1% of the annual allocation, supporting local government operations and regional development programs.

Despite the faster pace of expenditure realization, fiscal indicators remained manageable. The budget recorded a deficit of IDR164.4 trillion, equivalent to 0.64% of GDP, improving from 0.93% of GDP recorded at the end of March. Fiscal sustainability was further supported by a return to a primary surplus of IDR28.0 trillion, reversing the primary deficit of IDR95.8 trillion recorded in the previous month. Budget financing reached IDR298.5 trillion, or 43.3% of the annual financing target. Overall, the April fiscal outturn demonstrates a balanced fiscal position characterized by strong revenue performance, accelerated spending to support economic growth, and a still-contained deficit, providing flexibility for policymakers to navigate ongoing global volatility while maintaining macroeconomic stability.

> Indonesia's economy continued to demonstrate resilience in early 2026, supported by strong domestic demand and robust financing activity despite growing external headwinds.

MONETARY POLICY

The benchmark interest rate was increased by 50 basis points to 5.25% during the May 2026 policy meeting, exceeding market expectations of a 25 basis-point adjustment. The move marked the first policy rate increase since April 2024 and reflects a proactive effort to preserve macroeconomic stability amid heightened external pressures. Policymakers cited the need to strengthen the rupiah, mitigate imported inflation risks, and ensure inflation remains within the official target range of 2.5% ±1%.

The aggressive BI hike suggests policymakers prioritized currency stabilization and imported inflation containment, even at the cost of tighter domestic financial conditions. The policy decision came against the backdrop of renewed exchange-rate pressures, with the rupiah depreciating by 2.2% since the end of April to approximately IDR17,700 per U.S. dollar. Although headline inflation eased significantly to 2.42% in April, reaching its lowest level since August 2025 and remaining comfortably within the target range, the central bank emphasized the importance of safeguarding external stability amid persistent global uncertainty and elevated geopolitical risks. The tightening measure is consistent with the institution's "pro-stability" policy stance, while macroprudential and payment system policies continue to support domestic economic growth. Complementing the benchmark rate adjustment, the overnight deposit facility and lending facility rates were also raised to 4.75% and 6.00%, respectively.

ASSET ALLOCATION

GLOBAL MARKET

Global markets remained under pressure in May as the continued closure of the Strait of Hormuz kept oil prices elevated, intensifying concerns over renewed inflationary pressure. Higher energy prices have started to feed into inflation number, with risks still tilted to the upside if supply disruptions persist. This condition mainly impacting bond market as the global bond yields climb higher, particularly at the long tenors, as investors repriced the possibility of stickier inflation and a renewed possibility of monetary tightening. While equity markets still showed resilience, overall risk appetite remained cautious amid rising inflation risks and tighter global financial conditions.

DOMESTIC EQUITY MARKET

The JCI remained under pressure in May, weighed by external volatility and domestic catalysts. Sentiment weakened after MSCI May 2026 index review removed several Indonesian stocks from its indices, raising concerns over potential passive outflows. Pressure was further amplified by the government's proposed increase in mineral royalty rates, which weighed on mining-related stocks, particularly gold, copper, nickel, and tin names. Overall, equity sentiment remains cautious, with downside pressure concentrated in index exclusion-related and commodity-linked stocks, while recovery will depend on foreign flow stabilization and clearer guidance on the government policy.

DOMESTIC BOND MARKET

Indonesia's bond market remained cautious in May. Although the SBN 10Y yield briefly declined, it later moved higher again, pressured by the rise in global bond yields, Rupiah weakness, and negative sentiment surrounding the domestic fiscal policy outlook. At the same time, short-tenor yields stayed elevated, partly driven by higher SRBI yields, keeping pressure on the front end of the curve. Overall, while BI presence in the bond market helped provide stability on the long-end of the curve, but SBN sentiment remains vulnerable to external rate movements, currency volatility, and fiscal risk concerns.

DOMESTIC MONEY MARKET

Money market conditions remained relatively stable in May. Bank Indonesia maintained its policy rate at 4.75%, while liquidity conditions stayed adequate across the banking system. However, market has drastically shifted from rate cut to rate hike narrative. This shift was also endorsed by active BI tightening efforts to maintain Rupiah stability. Yields on SRBI and short-term money market instruments stayed relatively elevated, keeping short-term funding costs above levels seen earlier this year.

ASSET ALLOCATION TAKEAWAY

The latest market developments call for a more defensive and selective allocation stance. In equities, the JCI remains under pressure from MSCI index review-related outflow risks and uncertainty over the proposed mining royalty increase, particularly weighing on commodity-linked names. In fixed income, although the SBN 10Y yield had briefly declined, renewed upward pressure from higher global yields, Rupiah weakness, and concerns over the domestic fiscal outlook suggest that duration exposure should be managed cautiously. With oil prices still elevated due to the ongoing Strait of Hormuz disruption, inflation risks remain tilted to the upside, limiting room for aggressive risk-taking.

COMMODITIES OUTLOOK

Downgrading to NEUTRAL on export channeling risk. President Prabowo's 20 May framework routes strategic natural resource exports through a single SOE, PT Danantara Sumber Daya Indonesia (DSI), with under-invoicing the stated rationale. Implementation is two-phase: DSI as administrative pass-through for the first 3–6 months, then full commercial counterparty, with producers shifting to domestic suppliers of DSI. The principal overhang is Phase 2 execution risk — DSI's trading margin, contract grandfathering, and SOE vs. private treatment all remain undefined, with mechanics due over the next 3–6 months.

NICKEL

Downgrade Metal Mining to NEUTRAL (from OVERWEIGHT). Scope currently captures ferro-alloys under HS7202, making FeNi exporters the affected group; NCKL is the most exposed name. We prefer ANTM, insulated as an upstream ore producer, while INCO is protected by its matte export profile (HS7501, outside current scope). Whether matte is ultimately captured remains open.

COAL

Maintain NEUTRAL. Highest export exposure in our coverage, as all covered producers are export-revenue skewed. Preferred pick AADI on undemanding valuation and a potential special dividend post-Kestrel divestment.

CRUDE PALM OIL (CPO)

Downgrade Plantations to NEUTRAL (from OVERWEIGHT). Direct exposure limited — AALI the exception at c.30% export revenue — and whether CPO sits within the "strategic natural resources" scope is unconfirmed, given palm oil's separate existing export-levy and DMO architecture. Prefer TAPG on FY26E dividend yield.

OIL

The Strait of Hormuz remains closed, and with it c.20% of global oil supply, continuing to hold the global oil balance tight and the crude curve repriced. The pre-war oversupply of c.2.8–3.7 mmboepd remains compressed to c.0.9 mmboepd (-71–77%), with Gulf shut-ins of c.9.7 mmboepd (c.36% of OPEC production) still in effect. Production is likely to normalize only gradually to c.90–95% of pre-war levels by 4Q26, keeping supply structurally constrained through 2026. On the demand side, the impact remains limited as gasoline and gasoil (c.54% of global consumption) are relatively inelastic in the short term, reinforcing a supply-driven tightening that continues to support our Brent crude oil average of c.USD85/boe in 2026E (+25% y-y).

CONSUMER

We maintain our overweight stance on the consumer sector and prefer staples over discretionary into FY26, anchored by more durable earnings visibility amid a tougher discretionary backdrop. Within staples, our top pick is CMRY, as Indonesia's purest play on the MBG-driven dairy demand uplift, with the programme adding incremental demand equivalent to c.15% of the broader dairy market and c.30% of the liquid milk segment annually. We also maintain our BUY rating on AMRT and MIDI on resilient grocery demand, manageable ASP pass-through. For discretionary, we acknowledge near-term overhang from USD/IDR and RMB/IDR depreciation, price increase elasticity: Within the space, we prefer MAPI, anchored by its regional retail platform and MTO-supported valuation floor at IDR1,550/share from Pacific Universal Investments/CVC Capital Partners.

MACROECONOMIC SCENARIO ANALYSIS

Under a contained shock scenario, Indonesia faces a measurable but still manageable macroeconomic adjustment. Oil prices rising to around USD90–100 per barrel would likely shave 0.3–0.5 percentage points off GDP growth, while inflation increases by 0.3–0.6 percentage points due to higher imported energy and logistics costs. The rupiah would likely weaken moderately toward IDR16,500–17,000 per US dollar, while bond yields rise to around 6.5–7.0%, reflecting tighter but still orderly financial conditions. In this scenario, the economy absorbs the shock without systemic dislocation, as domestic demand slows but remains resilient, external financing conditions remain functional, and market confidence broadly holds.

Under the base case scenario, macroeconomic pressure becomes substantially more visible. With oil prices moving to USD100–120 per barrel, GDP growth could weaken by 0.5–1.0 percentage points, while inflation accelerates by 0.5–1.2 percentage points, eroding household purchasing power and increasing business operating costs. The rupiah could depreciate toward IDR17,000–18,000, while government bond yields move above 7%, implying tighter liquidity conditions and rising fiscal financing costs. This scenario remains manageable from a macro stability perspective, but the adjustment becomes increasingly painful, particularly through weaker consumption, reduced investment appetite, and higher imported inflation.

The worst-case scenario reflects a severe macro-financial stress event rather than a conventional cyclical slowdown. If oil spikes to USD120–150 per barrel, GDP growth could decline by 1.0–2.0 percentage points, while inflation surges by 1.2–2.5 percentage points, significantly compressing real incomes. The rupiah could weaken sharply toward IDR18,000–20,000, while bond yields rise to 7.5–9.0%, indicating aggressive repricing of sovereign and domestic financial risk. At this point, the dominant transmission mechanism becomes a confidence shock, where capital outflows, currency depreciation, tighter liquidity, and weaker growth reinforce one another, creating the risk of macro instability rather than temporary adjustment.

Impact on the Insurance Industry

Under the contained shock scenario, the insurance sector remains broadly resilient, with only limited deterioration in operating performance. Life insurance premiums are expected to remain broadly stable to slightly negative at around 0% to -3%, while life claims may improve marginally (-1% to 0%) as severe macro stress does not materialize. General insurance premiums would likely soften modestly (0% to -2%), with claims remaining relatively stable (0% to +2%). In essence, this environment creates earnings pressure but does not fundamentally alter underwriting conditions or balance sheet stability.

Under the base case scenario, insurance sector stress becomes materially more visible. Life insurance is particularly exposed because weaker consumer purchasing power, declining confidence, and tighter household budgets directly suppress demand for long-term protection and savings products. Life premiums could contract by 4–10%, while life claims decline modestly (-2% to -3%) largely due to weaker exposure growth rather than improved underlying conditions. General insurance premiums may fall by 3–7%, while claims become less predictable, ranging between -3% and +3%, as weaker economic activity reduces frequency but inflation increases claim severity through higher repair, replacement, and imported component costs.

Under the worst-case scenario, insurance sector stress becomes severe and potentially systemic, especially for weaker players with limited capital buffers or FX sensitivity. Life insurance premiums could contract sharply by 20–40%, reflecting collapsing consumer confidence, lower disposable income, and financial market weakness affecting investment-linked products. General insurance premiums may decline by 10–20%, as corporate activity slows, asset creation weakens, and insurable exposures contract. Claims become highly uncertain, potentially ranging from -5% to +15%, because reduced activity lowers claim frequency while inflation and currency depreciation sharply increase claim severity. In this environment, the challenge is no longer simply lower growth, but preserving underwriting profitability, liquidity discipline, and capital resilience amid broad macro-financial stress.

FORWARD OUTLOOK

FORWARD OUTLOOK AND STRATEGIC RISKS

The global macroeconomic environment is entering a significantly more demanding phase in 2026, where inflation persistence, tighter financial conditions, and geopolitical uncertainty are no longer isolated risks but increasingly interconnected forces shaping business and policy decisions. Deloitte (2026) illustrates how rapidly financial market expectations have shifted in response to renewed inflation concerns. In the United States, the implied probability of a Federal Reserve rate hike rose sharply from 14.3% to 49.8% within a single week, while expectations for rate cuts effectively disappeared, falling to just 0.4%. This repricing has translated directly into tighter global financial conditions, with the US 10-year Treasury yield rising to 4.59%, Germany's 10-year government bond yield exceeding 3.1%, its highest level since 2011, and Japan's 10-year yield reaching 2.7%, a near decade high. These are not merely technical financial market adjustments; they represent a structural reassessment that the low-rate environment businesses had increasingly hoped would return may remain elusive for longer. Inflation dynamics reinforce this concern. US headline inflation accelerated to 3.8% year-on-year, while core inflation remained at 2.8%, suggesting that inflationary pressures are proving more persistent than expected. Upstream cost pressures remain particularly concerning, with producer prices increasing 6.0%, diesel prices rising 60%, gasoline increasing 28.4%, airfares climbing 20.7%, and delivery-service costs rising 13.6% (Deloitte, 2026). These figures suggest inflation is no longer simply a monetary policy issue but a broad cost-structure challenge affecting production, transportation, and consumption simultaneously.

At the same time, the global growth outlook remains positive but clearly more constrained. Morgan Stanley (2026) projects global GDP growth of 3.2% in 2026, down modestly from 3.4% in 2025, before recovering to 3.4% in 2027. This suggests that recession is not currently the central scenario, but neither is a return to comfortable, broad-based expansion. The resilience in Morgan Stanley's outlook is supported by a relatively narrow set of drivers, particularly continued AI-related capital expenditure, energy-security investment, and spending by higher-income consumer segments, especially in advanced economies. While this provides an important counterbalance to more pessimistic forecasts, it also implies uneven growth distribution. Not all sectors, firms, or economies will benefit equally from these structural tailwinds. Meanwhile, broader global indicators remain less reassuring. Slower job creation, weakening sentiment, persistent inflation, and tighter financing conditions suggest that growth may continue, but with increasing fragility. In practical terms, the world economy appears to be moving into a phase where positive growth continues, but with reduced resilience to additional shocks and less room for policy accommodation.

Supply-side pressures remain a central feature of this environment. Commodity inflation is no longer confined to oil, but increasingly affects the full industrial production ecosystem. According to World Bank data, Brent crude rose from USD69.0 per barrel in 2025 to USD120.4 by April 2026, while WTI increased from USD64.9 to USD98.6. European natural gas prices rose from USD11.96/mmbtu to USD15.41, creating additional pressure on energy-intensive sectors. Agricultural and industrial inputs have also become significantly more expensive. Urea prices doubled from USD422.7/mt to USD856.9/mt, affecting fertilizer-intensive food systems, while copper rose from USD9,947/mt to USD12,951/mt, and aluminum increased from

USD2,632/mt to USD3,600/mt, affecting construction, manufacturing, infrastructure, and electronics. Reflecting these broader pressures, the World Bank's aggregate commodity price index rose from 98.4 to 139.8, while the energy sub-index increased from 90.0 to 146.4. These increases matter because they transmit through multiple layers of business operations, from procurement and inventory valuation to pricing strategy and capital expenditure assumptions. Inflation in this context is not simply about consumer prices, but about rising input intensity across the productive economy.

Logistics conditions reinforce the same message. Drewry's World Container Index rose to USD2,712 per 40-foot container, following back-to-back weekly increases of 12% and 6%, while key routes such as Shanghai–Rotterdam increased by 15% and Shanghai–Genoa by 10% (Drewry, 2026). Shipping volatility matters because it creates uncertainty beyond transportation expenses alone. Delivery timelines become less predictable, inventory buffers become more expensive, and procurement cycles require more flexibility. For firms operating in globally integrated supply chains, this increases the premium on resilience over pure efficiency. Morgan Stanley's base case assumes oil prices normalize toward USD90 per barrel, which would provide some relief, but its downside scenario remains severe, with oil above USD150 potentially triggering recessionary conditions through renewed inflation, weaker confidence, and supply disruptions. Businesses therefore face an environment where supply-chain normalization cannot yet be fully assumed.

Indonesia enters this global environment from a relatively stronger position, with official GDP growth of 5.61% in Q1 2026, a performance that compares favorably against many peer economies facing similar external pressures. Domestic demand remains an important source of resilience. According to LPEM FEB UI, household consumption contributed 2.94 percentage points to growth, gross fixed capital formation contributed 1.79 points, and government expenditure contributed 1.26 points. These figures suggest that internal economic activity continues to provide a meaningful buffer against weaker external conditions. However, net exports reduced growth by 1.15 percentage points, reflecting the pressure from softer global trade conditions, with imports growing 7.2% while exports increased only 0.9%. This composition suggests that while domestic activity remains relatively healthy, external competitiveness continues to face pressure from the global slowdown and elevated trade costs.

LPEM also notes that some quarterly components warrant cautious interpretation, particularly inventory movements and sectoral composition patterns, which may suggest that underlying momentum differs somewhat from the headline figure. Their estimated effective growth range of 4.4% to 5.2% does not contradict the official number but rather highlights the distinction between aggregate macro performance and the practical operating environment experienced by firms. This distinction is important. An economy can continue growing at a respectable macro level while businesses simultaneously experience tighter margins, more cautious consumers, and rising financing costs. Additional risks remain relevant. Climate-related disruptions such as El Niño may affect agricultural productivity and food prices, while higher oil prices could create fiscal pressures, with each USD1 increase above budget assumptions estimated to add approximately IDR10.3 trillion in fiscal burden. These risks do not imply immediate deterioration, but they do suggest that resilience should not be taken for granted.

For businesses, the implications are concrete and strategic rather than abstract. First, financing assumptions need recalibration. With global yields remaining elevated and monetary easing delayed, the cost of debt is likely to remain higher than many firms had anticipated. This particularly affects capital-intensive sectors such as infrastructure, manufacturing, logistics, real estate, and heavy industry, where financing structure materially influences project viability. Investment proposals that appeared attractive under lower discount rates may no longer meet hurdle rates. Second, margin management becomes more difficult. Persistent increases in fuel, transport, industrial inputs, and imported materials mean that businesses cannot rely on cost normalization in the near term. The ability to pass costs through to customers will vary by sector, making pricing power a critical competitive differentiator.

Third, demand conditions may become increasingly segmented. Not all consumers will respond equally to inflation and uncertainty. Morgan Stanley's observation that higher-income consumers remain relatively resilient is relevant, but broader middle-income purchasing power may face pressure as inflation erodes disposable income. Businesses serving discretionary consumer segments may therefore encounter softer and more volatile demand patterns, while firms positioned in essential consumption or premium segments may prove more resilient. Fourth, supply chain strategy becomes strategically central. The previous decade often rewarded optimization for efficiency and cost minimization. The current environment increasingly rewards diversification, supplier redundancy, regional flexibility, and stronger inventory intelligence. Firms overly dependent on single geographies, long procurement cycles, or just-in-time assumptions may find themselves disproportionately exposed.

Fifth, treasury management and liquidity resilience become far more important. Volatility in financing costs, exchange rates, input prices, and procurement timing means that working capital discipline becomes a strategic function rather than a back-office issue. Businesses with weak cash conversion cycles or excessive refinancing dependence may face disproportionate stress even if topline demand remains stable. Sixth, capital allocation discipline becomes more important than expansion ambition. Growth opportunities remain, particularly in sectors linked to digital infrastructure, energy resilience, domestic substitution, logistics modernization, essential goods, and technology-enabled efficiency solutions. However, broad-based optimism without disciplined scenario planning would be increasingly risky. The operating environment is not collapsing, but it is becoming less forgiving.

In practical terms, the strategic business question is shifting from "how fast can we grow?" toward "how resilient is our growth model under sustained volatility?" Companies that continue assuming stable financing, predictable supply chains, and broad-based demand recovery may find themselves exposed. Those that strengthen pricing agility, protect margins, diversify sourcing, manage balance sheets conservatively, and allocate capital selectively are likely to be materially better positioned. The current environment still offers growth opportunities, but they increasingly favor disciplined operators over aggressive expansionists.

EXHIBITS

EXHIBIT 1 • INDONESIA MACROECONOMICS INDICATORS

Indicator	Unit	2025															
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
GDP Growth	% YoY	-	-	4,87	-	-	5,12	-	-	5,04	-	-	5,39	-	-	5,61	
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	4,76	3,48	2,42
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	2,63	2,52	2,44
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	53,8	50,1	49,1
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	3,39	1,01	-3,1	
Imports	% YoY	-2,67	2,30	18,92	21,80	4,14	4,28	-5,86	-6,56	7,17	-	0,46	10,8	18,21	10,85	1,51	
Foreign Currency Reserves	USD bn	140	138	140	134	134	134	134	132	128	129	129	135	130	127	126	
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	10,00	8,70	9,7	9,2
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	10,35	8,76	10,46	
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	9,37	9,49	9,98
Fiscal Surplus/Deficit	% GDP	-	-	-2,76	-	-	-2,77	-	-	-2,73	-	-	-2,92	-2,68	-0,53	-0,93	-0,64

EXHIBIT 2 • EXCHANGE RATE

Exhibit 2.1 Difference of Spot and Forward IDR

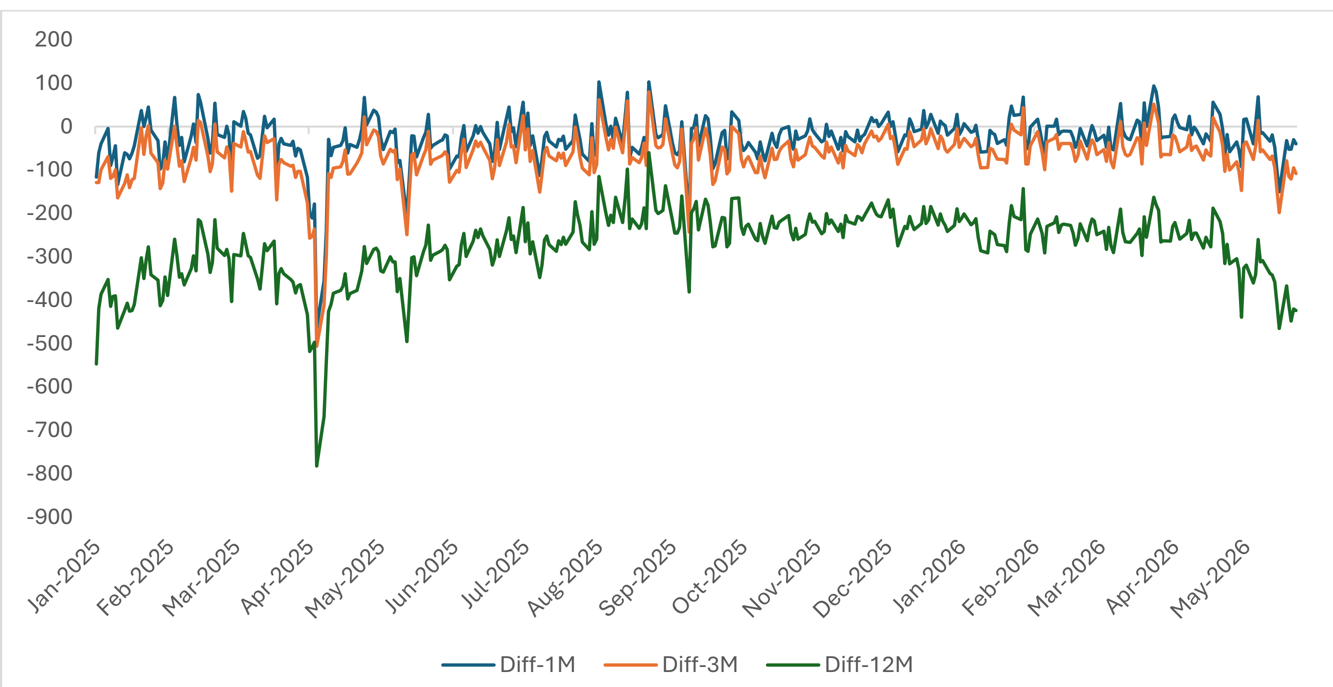

Exhibit 2.2 BI-Rate & Exchange Rate (IDR/USD)

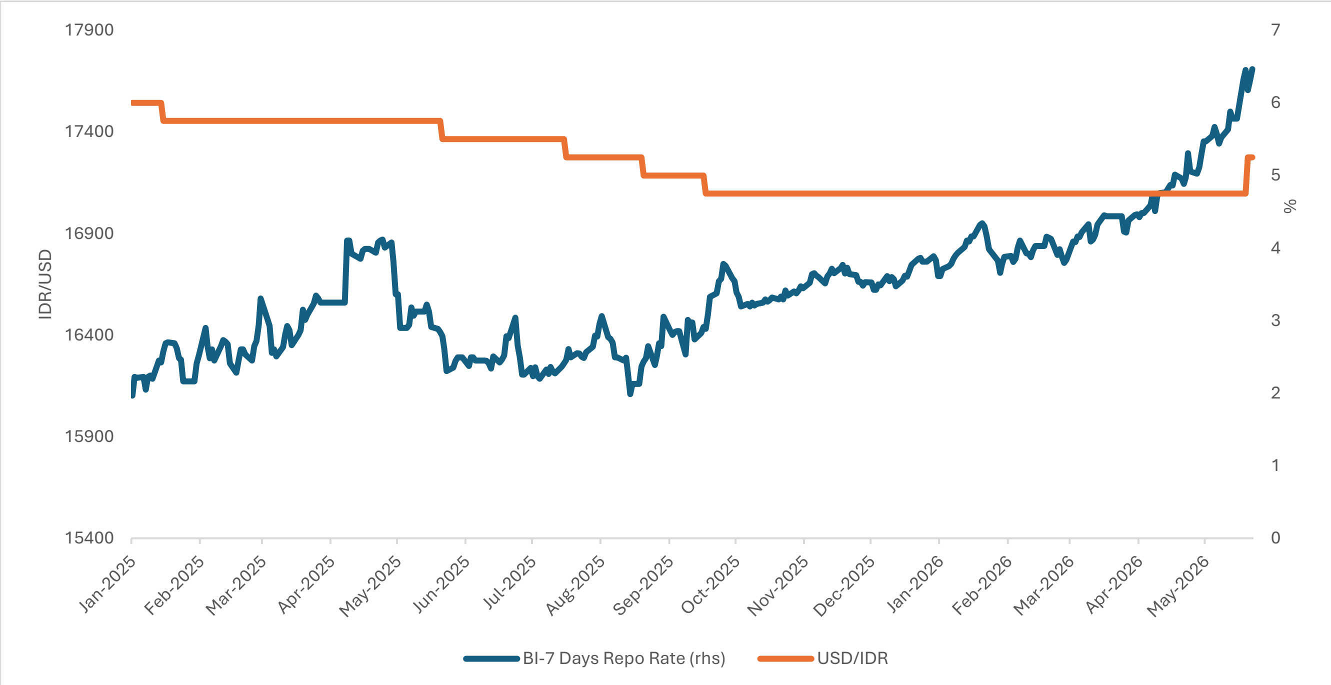

Exhibit 2.3 EM's Exchange Rate Against USD Index (01 / 01 / 2025 = 100)

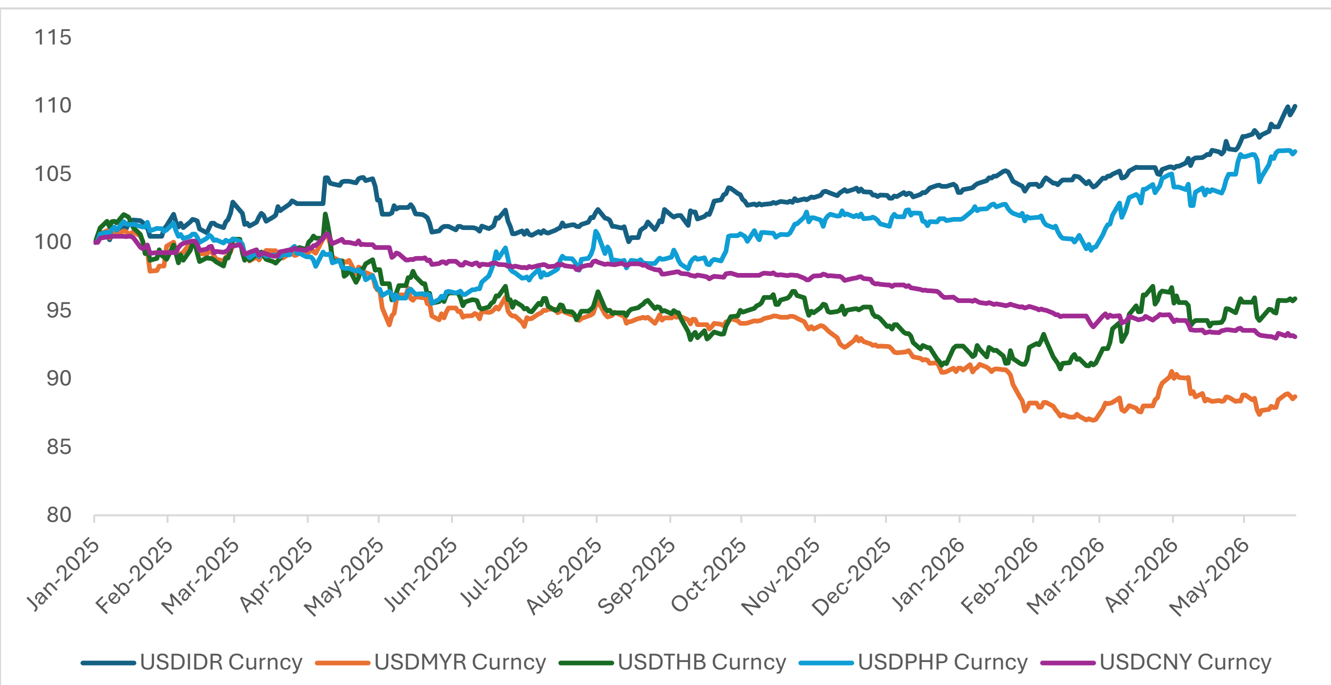

EXHIBIT 3 • DOMESTIC LIQUIDITY INDICATORS

Exhibit 3.1 JIBOR 1 & 3 M and BI-Rate

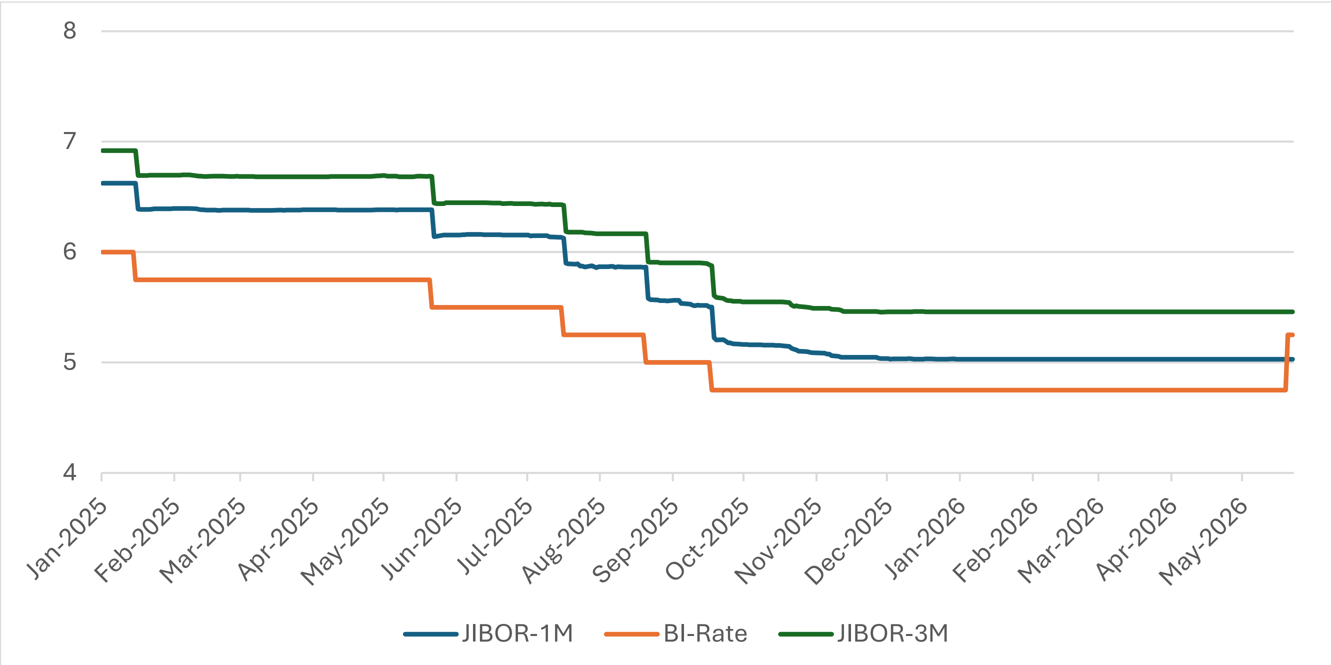

Exhibit 3.2 Monetary Operations of BI

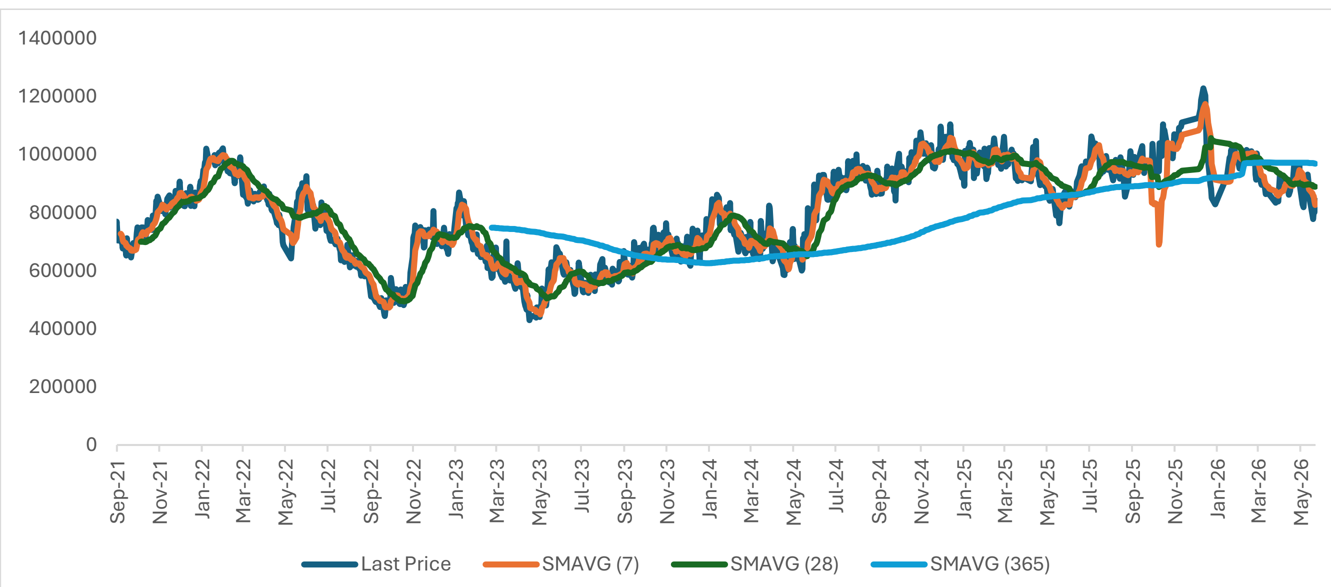

Exhibit 3.3 Indonesia's Foreign Exchange Reserves USD

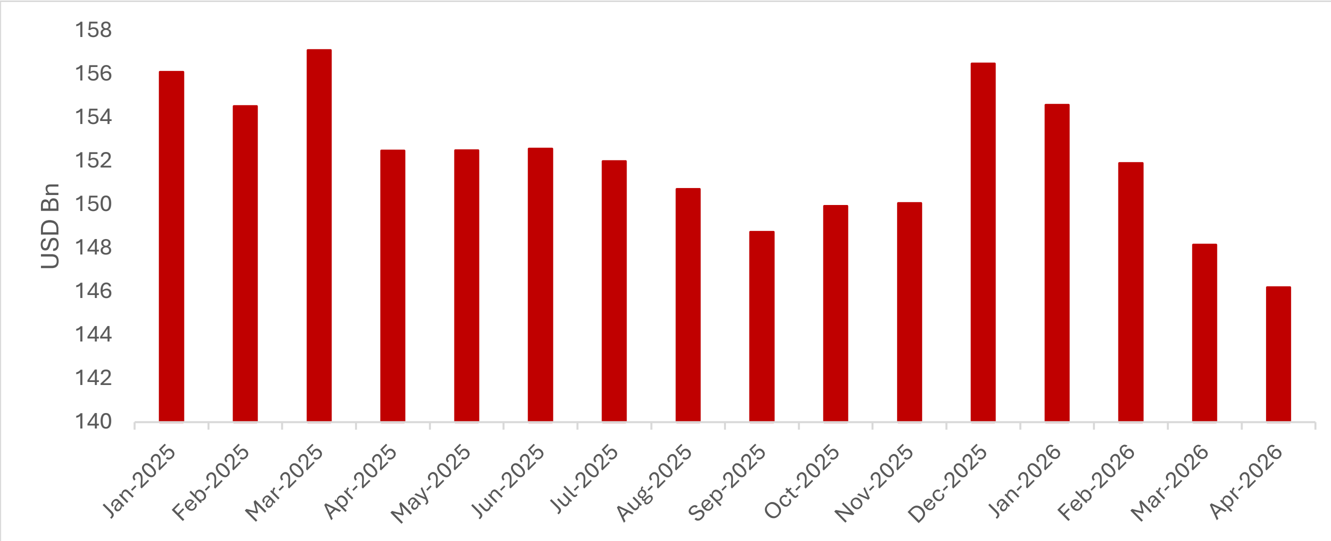

EXHIBIT 4 • FINANCIAL MARKETS

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

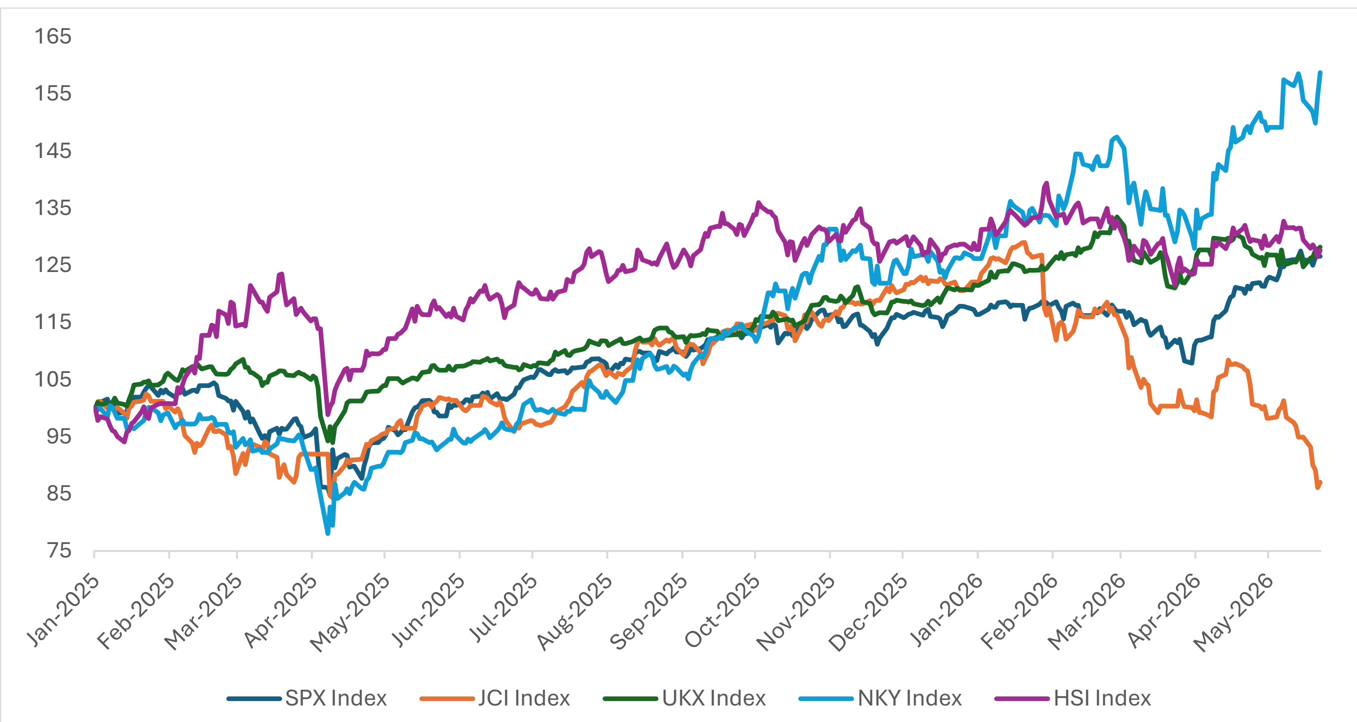

Exhibit 4.2 Indonesia Bond Yield Curve

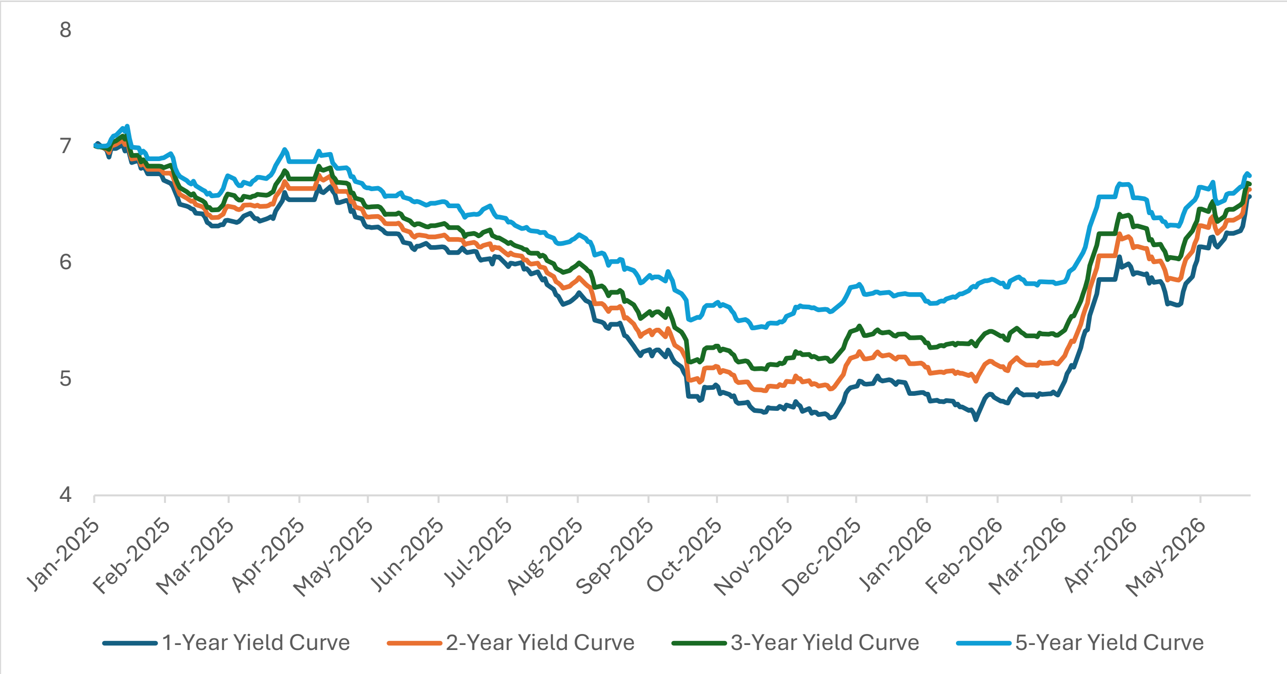

Exhibit 4.3 Indonesia Stock Market & Survivor

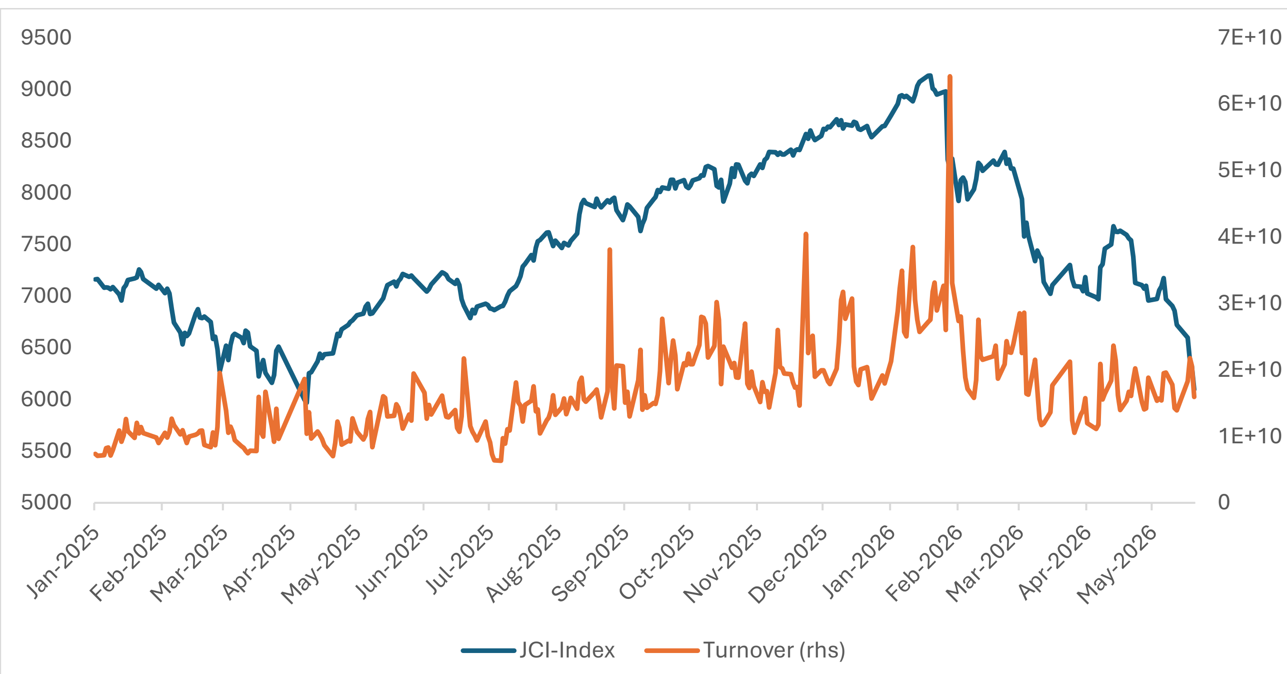

Exhibit 4.4 Indonesia CDS & Government Bond 5Y

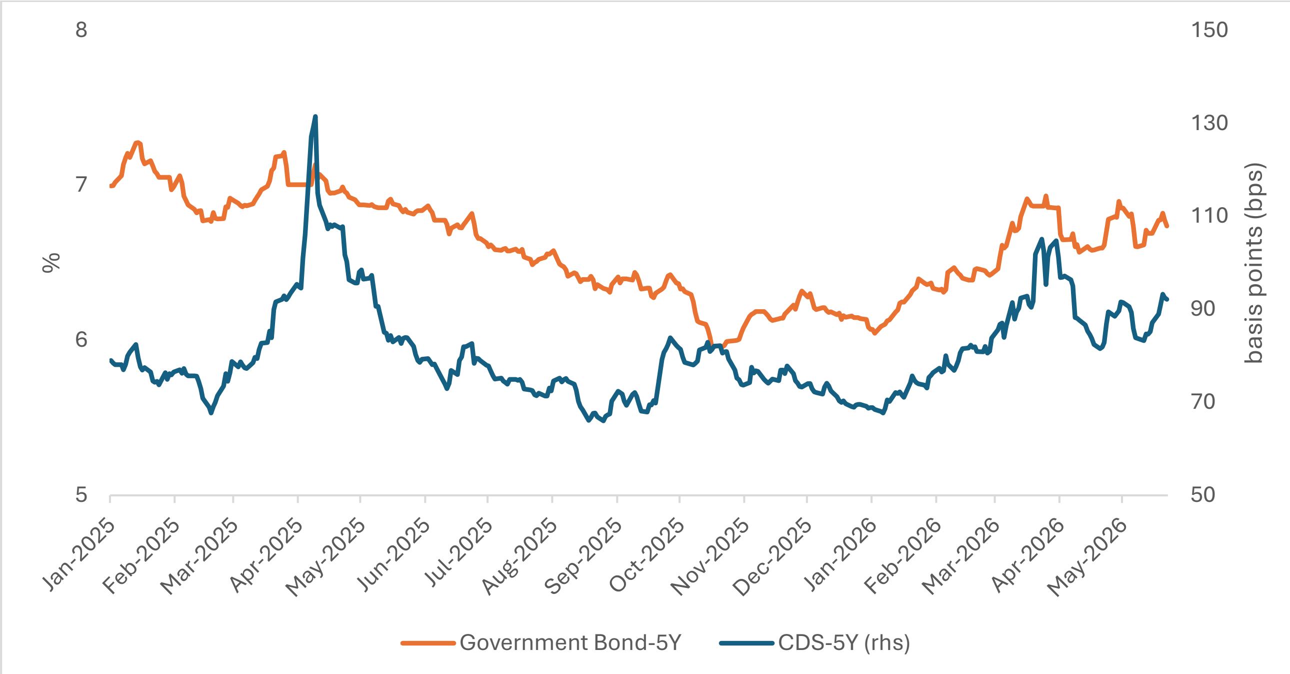

EXHIBIT 5 • REGIONAL STATISTICS

Exhibit 5.1 Monthly Inflation Rate

Provinsi	Inflasi Tahunan (Y-on-Y) 38 Provinsi (2022=100) (Persen)												
	2025									2026			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Aceh	3,11	2,35	2,19	3	3,7	4,45	4,66	3,58	6,71	6,69	6,94	5,31	3,88
Sumatera Utara	2,09	1,11	1,25	2,86	4,42	5,32	4,97	3,96	4,66	3,81	4,71	3,86	2,92
Sumatera Barat	2,38	0,85	0,45	2,19	2,89	4,22	4,52	3,98	5,15	3,92	4,39	3,37	1,97
Riau	2,07	0,98	0,98	2,42	3,58	5,08	4,95	4,27	4,88	4,43	5,3	3,65	2,37
Jambi	1,84	0,96	1,34	2,71	2,76	3,77	3,71	3,55	3,71	3,35	4,59	3,55	2,1
Sumatera Selatan	2,74	2,33	2,44	2,88	3,04	3,44	3,49	2,91	2,91	3,33	4,36	3,09	1,63
Bengkulu	0,96	0,39	-0,1	1,01	1,3	2,57	2,85	2,68	2,77	2,61	3,88	2,85	1,87
Lampung	2,8	2,12	2,27	2,63	1,05	1,17	1,2	1,14	1,25	1,9	2,95	1,16	0,53
Kepulauan Bangka Belitung	1,37	0,79	0,99	2,05	1,34	1,82	2,51	2,87	2,77	3,95	3,31	1,87	1,49
Kepulauan Riau	2,56	1,73	1,32	1,97	2,19	2,7	3,01	3	3,47	2,94	3,54	3,23	3,06
Dki Jakarta	2,21	2,07	2,07	2,25	2,16	2,4	2,69	2,67	2,63	3,96	4,91	3,37	2,12
Jawa Barat	1,67	1,47	1,78	2,03	1,77	2,19	2,63	2,54	2,63	3,24	4,71	3,6	2,49
Jawa Tengah	1,94	1,66	2,2	2,52	2,48	2,65	2,86	2,79	2,72	2,83	4,43	3,54	2,11
Di Yogyakarta	2,1	2,04	2,52	2,6	2,3	2,56	2,9	2,92	3,11	3,3	4,91	4,08	2,46
Jawa Timur	1,35	1,22	2,02	2,21	2,17	2,53	2,69	2,63	2,93	3,29	4,88	3,79	2,85
Banten	1,59	1,57	1,83	2,29	1,95	2,31	2,75	2,56	2,74	3,48	5,14	3,55	2,14
Bali	2,3	1,92	2,94	3,16	2,65	2,51	2,61	2,51	2,91	2,58	3,89	2,81	2,08
Nusa Tenggara Barat	1,8	1,63	2,51	3,05	2,56	2,69	2,96	2,74	3,01	3,86	5,37	4,09	3,27
Nusa Tenggara Timur	1,77	1,6	1,72	3,03	2,71	2,3	2	2,4	2,39	3,34	3,42	2,4	2,62
Kalimantan Barat	1,2	0,59	1,2	2,14	2,13	1,94	2,07	2,04	1,85	3,33	3,9	2,89	2,5
Kalimantan Tengah	1,21	0,46	1,06	2,13	2,08	2,35	2,73	2,56	3,13	4,09	5,06	3,86	3,66
Kalimantan Selatan	1,57	1,25	1,81	2,48	2,68	2,91	3,11	3,35	3,66	4,66	5,97	4,83	3,67
Kalimantan Timur	1,57	1,03	1,62	2,08	1,79	1,77	1,94	2,28	2,68	3,76	4,64	3,31	2,5
Kalimantan Utara	1,3	1,24	1,38	1,99	2,24	2,32	2,23	2,47	2,57	4,08	4,75	3,12	2,68
Sulawesi Utara	2,27	1,53	1,71	2,04	0,94	1,57	1,48	0,65	1,23	3,04	4,64	2,2	2,14
Sulawesi Tengah	2,97	2,61	2,47	3,69	4,02	3,88	3,92	3,5	3,31	4,55	5,33	2,83	2,21
Sulawesi Selatan	2,28	2,04	2,24	3,05	3,12	3,03	2,98	2,73	2,84	4,11	6,13	4,5	2,68
Sulawesi Tenggara	1,96	1,71	2,52	3,72	3,75	3,68	3,26	2,94	2,86	5,1	5,41	3,37	2,98
Gorontalo	2,3	0,28	0,8	3,12	2,51	1,99	2,44	2,21	2,52	4,53	5,3	2,6	2,24
Sulawesi Barat	3,36	3,21	2,57	3,57	3,52	3,04	2,64	2,56	2,48	4,34	5,15	2,94	1,66
Maluku	3,34	2,24	1,88	2,99	3,25	3,01	2,3	2,33	3,58	4,7	5,97	3,4	3,13
Maluku Utara	3,23	1,89	2,01	2,46	0,43	-0,17	1,18	1,89	1,63	4,86	5,85	2,6	2,03
Papua Barat	0,15	-1,51	-0,67	0,43	-0,87	1,02	1,42	1,33	2,59	5,02	5,83	3,51	5
Papua Barat Daya	0,41	0,36	0,5	0,96	1,88	1,3	1,36	1,38	2,15	3,75	4,16	4,09	3,85
Papua	1,64	1,33	1,07	1,4	0,54	0,99	0,53	0,8	2,54	3,33	3,94	3,5	3,8
Papua Selatan	3,57	2,19	3	5,45	3,78	3,42	3,43	3,39	2,95	4,83	5,5	3,6	3,34
Papua Tengah	3,71	2,26	2,33	2,89	1,86	2,28	2,11	2,53	3,28	4,85	4,93	2,54	1,53
Papua Pegunungan	5,96	5,75	2,01	4,15	3,71	3,55	3,32	4,05	3,22	2,93	0,63	3,14	4,89
Indonesia	1,95	1,6	1,87	2,37	2,31	2,65	2,86	2,72	2,92	3,55	4,76	3,48	2,42

FOOTNOTES AND REFERENCES

Data Sources: CEIC, Bloomberg, BI, BPS, Drewry, 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.

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

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