Macroeconomic Monitor July 2026

More Resilient Than Feared, More Fragile Than Priced

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HIGHLIGHTS

July 2026

United States (US)

The US economy remained resilient entering June 2026, although momentum became increasingly uneven. Business surveys remained expansionary in June 2026, although momentum softened: the ISM Manufacturing PMI eased to 53.3 in June 2026 from 54.0 in May 2026, while the ISM Services PMI moderated to 54.0 in June 2026 from 54.5 in May 2026. Retail sales also continued to grow, rising 0.2% MoM and 6.7% YoY in June 2026.

Inflation pressure eased in June 2026 but remained above target. Headline CPI slowed to 3.5% YoY in June 2026 from 4.2% YoY in May 2026, while core CPI eased to 2.6% YoY in June 2026. Labor-market conditions weakened more visibly, with nonfarm payrolls increasing by only 57,000 in June 2026, down from 129,000 in May 2026, although the unemployment rate declined to 4.2% in June 2026.

The external position deteriorated, with the trade deficit widening to USD77.6bn in May 2026 from USD54.6bn in April 2026 as exports fell and imports increased. Against this backdrop, the Federal Reserve kept the federal funds rate unchanged at 3.50%–3.75% in June 2026, maintaining a restrictive stance while awaiting clearer evidence that inflation is sustainably moderating.

Euro Area

The Euro Area economy entered July 2026 with fragile and uneven momentum. Growth conditions remained constrained by a shallow industrial cycle and cautious household spending, even as parts of domestic demand continued to provide some buffer.

High-frequency indicators reinforced the picture of subdued activity. Retail sales increased by only 0.2% MoM in May 2026 and 1.6% YoY in May 2026, indicating a modest recovery in household consumption after a weak April 2026. However, the improvement was narrow, with fuel-related spending still under pressure. Industrial production declined by 0.2% MoM in May 2026 and 1.2% YoY in May 2026, suggesting that manufacturing stabilization remained tentative rather than broad-based. The external sector also weakened, with the Euro Area recording a EUR7.8bn goods trade deficit in May 2026 as imports rose faster than exports.

Inflation eased but remained above target. Headline HICP inflation declined to 2.8% YoY in June 2026 from 3.2% YoY in May 2026, helped by softer energy and services inflation. Nevertheless, persistent cost pressures kept the ECB cautious. In June 2026, the ECB raised policy rates by 25 bps, lifting the deposit facility rate to 2.25%. Overall, the Euro Area faced a difficult policy mix: weak growth, still-elevated inflation, and limited room for monetary easing.

China

Moving toward the second half of 2026, China's economy is stabilizing, as production-side indicators improved while household demand remained subdued. The official manufacturing PMI rose to 50.3 in June 2026 from 50.0 in May 2026, returning to expansion territory, supported by firmer production and new orders. However, the recovery still lacked broad-based strength, with employment within the PMI survey remaining below the 50 threshold and raw material inventories still in contraction.

Consumption showed some improvement but remained modest. Retail sales increased 1.0% YoY in June 2026, reversing the 0.6% contraction recorded in May 2026, while also rising 0.38% on a month-on-month basis. Nevertheless, the improvement was not strong enough to indicate a decisive rebound in household confidence. Inflation also remained muted, with CPI easing to 1.0% YoY in June 2026 from 1.2% YoY in May 2026, while PPI rose 4.1% YoY in June 2026, highlighting a gap between soft consumer demand and stronger upstream cost pressure.

Labor-market conditions were broadly stable, with the surveyed urban unemployment rate declining to 5.0% in June 2026 from 5.1% in May 2026. Monetary policy remained accommodative but restrained, as the one-year LPR was held at 3.00% in July 2026 and the five-year LPR at 3.50%. Overall, China's recovery remains gradual, with policymakers likely to rely on targeted liquidity support and confidence-building measures rather than aggressive broad-based easing.

Indonesia

Indonesia's economy showed increasing signs of stress in June 2026, as the cumulative impact of rupiah depreciation, fuel price adjustments, and tightening monetary conditions began to weigh more visibly on both domestic demand and the external sector. Inflation accelerated to 3.34% (YoY), approaching the upper bound of Bank Indonesia's target range, driven primarily by two rounds of non-subsidized fuel price increases and continued exchange rate pass-through on imported goods prices. While headline inflation remained within the target range, the upward trend in core inflation to 2.76% (YoY) signals that price pressures are becoming more broad-based and entrenched.

Domestic demand indicators pointed to a broadening loss of momentum. Retail sales continued to contract at 3.9% (YoY) in May 2026, while consumer confidence fell to its lowest level since September 2025 at 117.8 in June 2026, marking the third consecutive monthly decline as households became increasingly cautious about income prospects, employment, and business conditions. Manufacturing activity deteriorated sharply, with the PMI falling to 46.9 in June 2026 from 50.0 in May 2026 one of the largest monthly declines in a year as new orders contracted at the fastest pace in a year amid softening purchasing power, while export orders fell at the steepest pace since August 2021.

External sector pressures intensified significantly. Indonesia recorded its first trade deficit in more than six years in May 2026, with a shortfall of USD1.61 billion ending a 72-month consecutive surplus streak, as a record oil and gas deficit of USD3.76 billion more than offset resilient non-oil and gas export performance. The rupiah remained under sustained depreciation pressure throughout June, weakening to a peak of IDR18,178 before partially recovering following Bank Indonesia's cumulative 50 basis points of tightening during the month. Against this backdrop, Bank Indonesia maintained the BI Rate at 5.75% at its July Board of Governors Meeting, signaling a strategic shift away from further rate increases toward an incentive-based approach to attract foreign portfolio inflows, with non-resident SRBI holdings rising to IDR288.65 trillion by 20 July 2026. Credit growth remained a bright spot, accelerating to 12.67% (YoY) in June, while the state budget recorded a manageable deficit of 0.76% of GDP with a primary surplus of IDR85.1 trillion, providing continued fiscal support amid growing external headwinds.

RECENT ECONOMIC DEVELOPMENTS: GLOBAL MARKETS

Recent Economic Developments: Global Markets

United States

MANUFACTURING SECTOR

US manufacturing activity remained in expansion territory in June 2026, although momentum softened from May 2026. The S&P Global US Manufacturing PMI declined to 53.9 in June 2026 from 55.1 in May 2026, marking the eleventh consecutive month above the 50 (expansion threshold), but the weakest reading in three months. Similarly, the ISM Manufacturing PMI eased to 53.3 in June 2026 from 54.0 in May 2026, still indicating a sixth straight month of manufacturing expansion.

The details suggest that demand and production remained positive but less vigorous. ISM new orders stayed expansionary at 56.0 in June 2026, down from 56.8 in May 2026, while production eased to 52.2 in June 2026 from 54.3 in May 2026. Employment remained in contraction at 49.7 in June 2026, despite improving from 48.6 in May 2026. Price pressures also moderated, with the prices index falling to 73.0 in June 2026 from 82.1 in May 2026, but input costs remained elevated.

SERVICES SECTOR

US services activity remained in expansion territory in June 2026, although the signal was mixed across surveys. The S&P Global US Services PMI rose to 51.2 in June 2026 from 50.7 in May 2026, indicating a modest improvement in business activity and the strongest expansion in four months. However, the pace remained relatively soft by historical standards, as firms continued to cite elevated prices, higher interest rates, and cautious business and consumer confidence.

The ISM Services PMI eased to 54.0 in June 2026 from 54.5 in May 2026 but still pointed to continued expansion in the broader services sector. Business activity declined to 55.4 in June 2026 from 57.7 in May 2026, while new orders moderated to 55.1 from 57.3. Encouragingly, employment returned to expansion at 51.2 in June 2026 after 47.9 in May 2026. Price pressures also eased, with the ISM prices index falling to 67.7 in June 2026 from 71.3 in May 2026, although input costs remained elevated.

INFLATION

US inflation eased meaningfully in June 2026, with headline CPI declining 0.4% MoM on a seasonally adjusted basis in June 2026 after rising 0.5% MoM in May 2026. On an annual basis, headline inflation slowed to 3.5% YoY in June 2026 from 4.2% YoY in May 2026, indicating some relief from the price spike recorded in the previous months.

The moderation was mainly driven by energy prices. The energy index fell 5.7% MoM in June 2026 after increasing 3.9% MoM in May 2026, led by a 9.7% MoM decline in gasoline prices in June 2026. Nevertheless, energy inflation remained elevated at 15.7% YoY in June 2026, with gasoline prices still up 26.7% YoY in June 2026.

Underlying inflation also softened. Core CPI, which excludes food and energy, was unchanged MoM in June 2026 after rising 0.2% MoM in May 2026, while core inflation eased to 2.6% YoY in June 2026 from 2.9% YoY in May 2026. Overall, June 2026 inflation data imply that improving near-term price momentum, although annual energy inflation remains a key upside risk.

RETAIL SALES

US retail sales moderated in June 2026, with advance retail and food services sales rising 0.2% MoM to USD768.6bn, following a revised 1.0% MoM increase in May 2026. On an annual basis, sales increased 6.7% YoY in June 2026, indicating that household spending remained resilient, although sequential momentum slowed from the prior month.

Furthermore, underlying demand was firmer than the headline figure. Sales excluding gasoline stations rose 0.7% MoM in June 2026, while sales excluding both motor vehicles and gasoline increased 0.4% MoM. The main drag came from gasoline stations, where sales fell 5.3% MoM in June 2026, reflecting lower fuel prices. By contrast, nonstore retailers rose 1.9% MoM and motor vehicle and parts dealers increased 1.9% MoM, supporting the broader consumption backdrop.

LABOR MARKET

The US labor market cooled in June 2026, with nonfarm payrolls increasing by only 57,000, down from a revised 129,000 in May 2026. The unemployment rate edged lower to 4.2% in June 2026 from 4.3% in May 2026, while the number of unemployed person declined to 7.1mn in June 2026. However, labor-force participation fell to 61.5% in June 2026, suggesting that the decline in unemployment partly reflected weaker labor-force engagement rather than a broad acceleration in hiring.

Job gains were increasingly concentrated. Professional and business services added 36,000 jobs in June 2026, social assistance added 25,000, and health care added 22,000, while leisure and hospitality shed 61,000 jobs. April 2026 and May 2026 payrolls were revised down by a combined 74,000, reinforcing the softer employment trend. Meanwhile, job openings remained elevated at 7.594mn in May 2026, but hiring fell to 5.170mn, pointing to a slower hiring cycle despite still-solid labor demand.

BALANCE OF TRADE

The US trade deficit widened sharply in May 2026, with the goods and services deficit increasing to USD77.6bn in May 2026 from a revised USD54.6bn in April 2026. The deterioration reflected weaker exports and stronger imports, as exports declined by USD10.5bn to USD317.7bn in May 2026, while imports increased by USD12.5bn to USD395.3bn in May 2026.

The widening was concentrated in goods trade, where the deficit rose to USD106.5bn in May 2026, while the services surplus increased modestly to USD28.9bn in May 2026. Goods exports fell by USD11.3bn in May 2026, led by lower industrial supplies and capital goods, while goods imports rose by USD12.3bn, driven by consumer goods, industrial supplies, and automotive products. Overall, the May 2026 data point to a renewed external drag, with resilient domestic import demand and softer export momentum widening the trade gap.

The US economy remained resilient entering June 2026, although momentum became increasingly uneven. retail sales still rose, while headline CPI eased. However, payroll growth slowed sharply to 57,000 in June 2026 and the trade deficit widened, pointing to a softer growth mix despite continued household spending resilience.

Euro Area

INFLATION RATE

Euro Area inflation moderated in June 2026, with annual HICP inflation declining to 2.8% YoY in June 2026 from 3.2% YoY in May 2026. On a monthly basis, prices fell by 0.1% MoM in June 2026, marking a clear easing from the inflation spike seen in the previous two months. The moderation was primarily driven by lower energy inflation and softer services price growth.

Energy inflation eased to 8.5% YoY in June 2026 from 10.8% YoY in May 2026, although it remained the second-largest contributor to headline inflation. Services inflation also slowed to 3.2% YoY in June 2026 from 3.5% YoY in May 2026, reducing concerns over persistent domestically driven price pressures. Food, alcohol, and tobacco inflation declined to 1.5% YoY in June 2026 from 1.9% YoY in May 2026, while non-energy industrial goods inflation eased to 0.7% YoY from 0.9%.

Overall, the June 2026 inflation print points to a more favorable near-term price backdrop, but inflation remains above the ECB's 2% target. Services and energy still accounted for most of the inflation contribution, limiting the scope for a rapid dovish policy pivot.

RETAIL SALES

Euro Area retail sales recovered modestly in May 2026, with seasonally adjusted retail trade volume rising 0.2% MoM after declining by 0.3% MoM in April 2026. On an annual basis, retail sales increased 1.6% YoY in May 2026, improving from 0.9% YoY in April 2026, indicating that household consumption regained some traction after a weak start to Q2 2026.

The monthly improvement was supported by food, drinks, and tobacco sales, which rose 0.6% MoM in May 2026, while non-food products excluding automotive fuel increased only 0.1% MoM. Automotive fuel sales declined 0.5% MoM in May 2026, pointing to continued weakness in fuel-related spending amid elevated energy prices and cautious mobility-related consumption.

On a year-on-year basis, spending was firmer across core categories, with food, drinks, and tobacco up 2.4% YoY in May 2026 and non-food products excluding automotive fuel rising 2.3% YoY. However, automotive fuel sales fell 4.6% YoY in May 2026, keeping the recovery uneven and concentrated outside fuel-related retail activity.

INDUSTRIAL PRODUCTION

Euro Area industrial production weakened in May 2026, with seasonally adjusted output falling 0.2% MoM after rising by an upwardly revised 0.3% MoM in April 2026. On an annual basis, industrial production declined 1.2% YoY in May 2026, reversing the 0.4% YoY increase recorded in April 2026. The latest print indicates that the region's industrial recovery remains fragile, with momentum still vulnerable to weak external demand, elevated energy costs, and cautious investment activity.

The monthly decline was mainly driven by durable consumer goods, which fell 1.1% MoM in May 2026, and intermediate goods, which declined 0.3% MoM in May 2026. These losses were partly offset by a 2.2% MoM increase in energy production, a 0.8% MoM rise in non-durable consumer goods, and a 0.3% MoM gain in capital goods. On a year-on-year basis, the weakness was concentrated in non-durable consumer goods, which contracted 10.7% YoY in May 2026, while capital goods still expanded 2.6% YoY. Overall, Euro Area industry remains in a shallow and uneven stabilization phase rather than a broad-based recovery.

BALANCE OF TRADE

The Euro Area trade balance deteriorated sharply in May 2026, shifting to a EUR7.8bn goods trade deficit from a EUR15.0bn surplus in May 2025. Exports were broadly flat, rising only 0.1% YoY to EUR243.6bn in May 2026, while imports increased 10.0% YoY to EUR251.4bn in May 2026. This points to a renewed external drag, driven more by import cost pressure than by a collapse in export volumes.

On a seasonally adjusted basis, the trade position also weakened, with the Euro Area recording a EUR5.0bn deficit in May 2026 compared with a EUR0.8bn surplus in April 2026. Seasonally adjusted exports increased 0.6% MoM in May 2026, but imports rose faster at 2.8% MoM in May 2026.

The deterioration was mainly driven by a wider energy deficit and smaller surpluses in machinery and vehicles, as well as chemicals and related products. For January–May 2026, the Euro Area still recorded a EUR3.3bn surplus, but this was sharply lower than the EUR78.7bn surplus recorded in January–May 2025.

MONETARY POLICY

The European Central Bank kept its three key policy rates unchanged in July 2026, pausing after the 25-bps rate hike delivered in June 2026. The deposit facility rate remained at 2.25% in July 2026, while the main refinancing operations rate and marginal lending facility rate were maintained at 2.40% and 2.65%, respectively. The decision indicates that the Governing Council preferred to assess the pass-through of earlier tightening before committing to additional policy action.

The policy stance remained restrictive and highly conditional on incoming data. The ECB continued to emphasize inflation risks, particularly from energy-price shocks and potential second-round effects, while also acknowledging that the growth backdrop remains fragile. This creates a difficult policy trade-off: inflation remains above target, but further tightening could amplify downside risks to household demand, investment, and industrial activity.

Overall, the July 2026 decision signals a cautious holding pattern rather than a dovish pivot. The ECB is likely to retain a meeting-by-meeting approach, keeping the option of further tightening open should inflation persistence re-intensify.

The Euro Area economy entered July 2026 with a fragile mix: inflation eased to 2.8% YoY in June 2026, but activity indicators remained soft, with retail sales rising only 0.2% MoM in May 2026 and industrial production contracting 0.2% MoM in May 2026. The external sector added to downside risk, as the goods trade balance shifted to a deficit in May 2026, reinforcing a macro backdrop of weak demand, lingering energy-cost pressure, and limited room for near-term monetary accommodation.

China

MANUFACTURING

China's manufacturing activity improved modestly in June 2026, with the official NBS Manufacturing PMI rising to 50.3 in June 2026 from 50.0 in May 2026, returning to expansion territory. The improvement was driven by stronger production and demand conditions, as the production index increased to 51.4 in June 2026 from 51.2 in May 2026, while the new orders index rose to 51.2 in June 2026 from 49.9 in May 2026.

External demand also showed some recovery, with the new export orders index improving to 50.1 in June 2026 from 48.6 in May 2026. However, the recovery remained uneven, as the employment index stayed in contraction at 48.5 in June 2026, while raw material inventories remained below the threshold at 48.4 in June 2026. Price pressures moderated but stayed elevated, with the main raw materials purchase price index declining to 54.2 in June 2026 from 60.5 in May 2026. Overall, China's manufacturing sector stabilized in June 2026, supported by firmer output and orders, but labor-market weakness and cost pressures continued to cap the strength of the recovery.

INFLATION RATE

China's consumer inflation softened in June 2026, with CPI rising 1.0% YoY in June 2026, down from 1.2% YoY in May 2026. On a monthly basis, CPI declined 0.3% MoM in June 2026, reflecting softer food and non-food prices. Food prices fell 1.6% YoY in June 2026, while non-food prices increased 1.5% YoY in June 2026. Core CPI, excluding food and energy, rose 1.0% YoY in June 2026, indicating still-contained underlying consumer price pressures.

The disinflationary impulse was mainly driven by food. Pork prices declined 15.9% YoY in June 2026, while meat prices fell 7.3% YoY in June 2026. By contrast, transportation and telecommunication prices increased 4.1% YoY in June 2026, partly reflecting still-elevated energy-related costs.

Producer-side pressures remained more pronounced. PPI increased 4.1% YoY in June 2026, while falling 0.3% MoM in June 2026. The gap between subdued CPI and elevated PPI highlights China's uneven price environment: weak household demand limits consumer inflation, while commodity and industrial input costs continue to pressure manufacturers' margins.

RETAIL SALES

China's retail sales recovered in June 2026, with total retail sales of consumer goods rising 1.0% YoY in June 2026 to RMB4.269tn, reversing the 0.6% YoY contraction recorded in May 2026. On a sequential basis, retail sales increased 0.38% MoM in June 2026 after declining 0.17% MoM in May 2026, indicating a modest improvement in household spending momentum.

The recovery was supported by both goods and services-related consumption. Retail sales of goods increased 0.9% YoY in June 2026, while catering income rose 1.2% YoY in June 2026. By area, rural retail sales expanded 2.1% YoY in June 2026, outperforming urban retail sales, which rose 0.8% YoY in June 2026.

However, the composition remained uneven. Consumer staples and selected discretionary categories performed well, with grain, oil and food sales up 7.9% YoY in June 2026, cosmetics up 12.6% YoY, and telecommunication equipment up 16.5% YoY. By contrast, motor vehicle sales contracted 16.1% YoY in June 2026, keeping the broader consumption recovery modest and still vulnerable to weak big-ticket spending.

UNEMPLOYMENT RATE

China's labor market improved modestly in June 2026, with the surveyed urban unemployment rate declining to 5.0% in June 2026 from 5.1% in May 2026. The first-half 2026 average stood at 5.2%, still below the government's 2026 target of around 5.5%, indicating that headline employment conditions remained broadly stable despite weaker household demand and continued pressure from the property sector.

The improvement was also visible in major cities, where the surveyed unemployment rate in 31 large cities declined to 5.0% in June 2026 from 5.1% in May 2026. By household registration, the unemployment rate for local residents stood at 5.0% in June 2026, while the rate for non-local residents was lower at 4.9%. Youth labor conditions also eased, with unemployment among 16–24-year-olds excluding students falling to 14.9% in June 2026 from 15.6% in May 2026. Overall, the labor market remains stable at the headline level, but softer private demand and cautious business sentiment continue to cap hiring momentum.

MONETARY POLICY

The People's Bank of China maintained a steady monetary policy stance in July 2026, keeping the one-year Loan Prime Rate unchanged at 3.00% in July 2026 and the five-year Loan Prime Rate unchanged at 3.50% in July 2026. This marked the fourteenth consecutive month without a change in benchmark lending rates, signaling that policymakers remained cautious despite uneven growth momentum and weak household demand.

Rather than broad-based easing, the PBoC continued to rely on liquidity management and targeted support to preserve stable funding conditions. The approach remains accommodative in direction but restrained in scale, with policymakers likely waiting for clearer evidence of weaker credit demand or sharper growth deceleration before deploying stronger monetary stimulus.

China's economy is showing tentative stabilization, but the recovery remains constrained by weak household confidence and limited private-sector momentum. Policy support is likely to remain measured, with authorities prioritizing targeted liquidity and confidence-building measures over aggressive broad-based easing.

RECENT ECONOMIC DEVELOPMENTS: DOMESTIC MARKETS

Recent Economic Developments: Domestic Markets

INFLATION

Annual inflation accelerated to 3.34% (YoY) in June 2026, rising from 3.08% (YoY) in May and approaching the upper bound of Bank Indonesia's 2.5%±1% target range, suggesting that the room for price stabilization is becoming increasingly narrow. The acceleration was primarily driven by a sharp surge in administered prices following upward adjustments to non-subsidized fuel prices alongside continued pass-through from rupiah depreciation on imported goods prices. As a result, the pattern of June 2026 inflation differed notably from the previous month, with price pressures shifting predominantly toward government-regulated categories, particularly within the transportation expenditure group.

This shift in the composition of inflation is reflected across its major components. While policy-driven and exchange rate related factors dominated the overall inflation trend, food prices continued to show mixed movements. Volatile food inflation rose to 5.58% (YoY) from the prior month, as price increases in shallots, garlic, and rice were partly offset by declines in chicken meat and eggs. The latter reflecting weaker demand following the temporary suspension of the Free Nutritious Food Programme during school holidays. Meanwhile, core inflation continued its upward trend, rising to 2.76% (YoY) from 2.59% (YoY) in May, reflecting continued rupiah depreciation pass-through on imported goods and a general increase in non-commodity consumer goods prices. The strongest acceleration, however, occurred in administered prices, which surged to 3.42% (YoY) from 2.07% (YoY) in May, driven primarily by the two rounds of non-subsidized fuel price hikes alongside higher airline ticket prices reflecting seasonal demand.

Taken together, the June data indicate that inflationary pressures are increasingly being shaped by policy driven and exchange rate related factors rather than demand-side dynamics, consistent with broader signs of moderating domestic demand. Looking ahead, the potential emergence of El Niño-related food price risks could add further upside pressure to inflation, contributing additional uncertainty to the inflation outlook in the months ahead.

EXCHANGE RATE

The Indonesian rupiah remained under severe depreciation pressure in June 2026, extending the weakness that had begun in late May as external headwinds and domestic vulnerabilities continued to weigh on the currency. The rupiah weakened from around IDR17,838 per US dollar at the start of June to a peak of approximately IDR18,178 on 8 June, before recovering sharply following Bank Indonesia's off-cycle 25 basis point rate hike to 5.50% on 9 June, which helped pull the exchange rate back to around IDR17,993. The recovery, however, proved short lived. The rupiah came under renewed pressure in the days that followed, fluctuating in the IDR17,700–IDR17,950 range through mid-June before the scheduled Board of Governors Meeting on 17–18 June delivered a further 25 basis point hike to 5.75%, providing additional support. By end-June, the rupiah had stabilized at around IDR17,882, still significantly weaker than its level at the start of the year but reflecting a partial recovery from its early

June lows. Into early July, the rupiah continued to oscillate in the IDR17,882–IDR18,105 range suggesting that depreciation pressures remained elevated despite the cumulative 100 basis points of tightening delivered throughout the quarter.

The persistent weakness of the rupiah reflected the continued interplay of external and domestic vulnerabilities. Externally, elevated US Treasury yields, ongoing global risk aversion, and safe-haven demand for the US dollar continued to weigh on emerging market currencies, while geopolitical tensions in the Middle East sustained upward pressure on global energy prices and import costs. Domestically, Indonesia's widening current account deficit, continued portfolio outflows, and declining foreign exchange reserves limited the extent to which monetary tightening alone could stabilize the exchange rate. Against this backdrop, Bank Indonesia complemented its rate hikes with higher SRBI yields, reduced hedging costs for foreign investors, and intensified intervention in spot and forward foreign exchange markets. Overall, these measures helped prevent a more disorderly depreciation, although the rupiah is likely to remain sensitive to global financial conditions and foreign investor sentiment in the months ahead.

RETAIL SALES

Retail sales moderated further in May 2026, with the Real Sales Index (IPR) declining 3.9% (YoY) to 223.4, broadly unchanged from the 3.7% (YoY) contraction recorded in April 2026. Several categories continued to provide support to the overall index, including Motor Vehicles Parts and Accessories (+11.2% YoY), Automotive Fuels (+0.3% YoY), and Cultural and Recreation Goods (+0.2% YoY). However, contractions persisted across several key spending segments, most notably Information and Communication Equipment (-18.4% YoY), Food, Beverages, and Tobacco (-4.1% YoY), and the Clothing sub-category (-12.0% YoY), reflecting continued weakness in household purchasing power amid elevated living costs and tighter financial conditions.

Looking ahead, retail sales in June 2026 are expected to remain broadly stable at an estimated IPR of 221.6 (-4.4% YoY), with Motor Vehicles Parts and Accessories (+11.0% YoY) and Other Household Equipment (+1.8% YoY) projected to remain the main positive contributors. However, both Automotive Fuels and Cultural and Recreation Goods are projected to slip into contraction territory at -7.8% and -8.5% (YoY) respectively after recording modest positive growth in May 2026.

CONSUMER CONFIDENCE INDEX (CCI)

Consumer confidence weakened further in June 2026, reinforcing signs that domestic demand is gradually softening. The Consumer Confidence Index (CCI) fell to 117.8 from 120.9 in May 2026, marking its lowest level since September 2025 and the third consecutive monthly decline. Despite the moderation, the index remained above the 100 thresholds, indicating that households continued to hold an overall optimistic view of economic conditions. The decline was primarily driven by a weakening in the Current Economic Conditions Index (CECI), which fell to 109.2 from 112.2 in May, reflecting softer assessments across key sub-components, including durable goods purchasing conditions, which declined 2.4 points to 105.9, and job availability perceptions, which eased 3.2 points to 101.8.

Households also became more cautious about the economic outlook. The Consumer Expectations Index (CEI) declined to 126.4 from 129.6 in May 2026, as expectations for income, employment opportunities, and business activity over the next six months weakened. Income expectations eased 2.9

points to 133.6, job availability expectations declined 3.7 points to 124.4, and business activity expectations fell 3.3 points to 121.2. Taken together, the broad-based deterioration in both current assessments and future expectations suggest that rising living costs, rupiah depreciation, and tighter monetary conditions are weighing on household sentiment. If sustained, this trend could further dampen consumption momentum in the quarters ahead.

PURCHASING MANAGER INDEX (PMI)

Indonesia's manufacturing sector deteriorated sharply in June 2026, suggesting that weakening household demand and rising cost pressures are increasingly spilling over into business activity. The S&P Global Manufacturing PMI fell to 46.9 from 50.0 in May 2026, marking one of the largest monthly declines in a year and signaling a solid deterioration in operating conditions at the end of the second quarter. The decline was primarily driven by a renewed contraction in new orders, which fell for the first time in three months and at the fastest pace in a year, as panel members attributed the weakness to softer purchasing power among clients amid intensifying price pressures. Export orders also continued to weaken, contracting at the steepest pace since August 2021 as rising prices weighed on foreign demand.

The weakening in demand was reflected across broader manufacturing activity. Output declined for a fourth consecutive month and at the fastest pace since April 2025, while lower production requirements constrained inventory building, with finished goods stocks declining for a second straight month at a faster pace than in May 2026. Employment fell at the sharpest rate since September 2021, and input purchasing contracted for a fourth consecutive month at the fastest pace since August 2021, as some firms cited rising raw material prices as an additional constraint on purchasing activity. Meanwhile, cost pressures remained historically elevated, with input price inflation reaching its second-highest level since the survey began in April 2011, prompting firms to raise output prices at the fastest pace in nearly 13 years. Despite the weaker operating environment, firms remained cautiously optimistic about the outlook. Business confidence improved relative to May and reached its highest level in three months, supported by expectations that easing price pressures would help strengthen sales and output growth in the months ahead.

BALANCE OF TRADE

Indonesia's trade balance swung into deficit for the first time in more than six years in May 2026, recording a shortfall of USD1.61 billion, reversing sharply from the narrow surplus of USD89 million in April 2026 and ending a 72-month consecutive trade surplus streak. The deficit was driven by a clear divergence between export performance, which contracted 5.73% (YoY) to USD23.20 billion, and imports, which continued to expand strongly by 22.16% (YoY) to USD24.81 billion, remaining near April's record high. The oil and gas deficit widened further to a record USD3.76 billion, surpassing the previous record of USD3.44 billion recorded in April 2026, highlighting Indonesia's increasing exposure to elevated global energy prices.

The weakness in exports was broad-based, spanning agriculture, mining, and manufacturing categories, with the steepest annual declines recorded in precious metals, jewelry, and gems (-59.35% YoY), machinery and mechanical appliances (-14.84% YoY), iron and steel (-14.68% YoY), and animal and vegetable fats and oils including CPO (-14.23% YoY). On the import side, oil and gas imports surged 70.78% (YoY) while non-oil and gas imports increased 14.89% (YoY), supported by higher imports of raw materials, capital goods, and consumer goods, which grew 25.17%, 12.70%, and 21.99% (YoY) respectively. The emergence of a trade deficit after more than six years reduces Indonesia's external buffer at a time when the rupiah remains under depreciation pressure, raising concerns over the sustainability of the external balance position in the quarters ahead.

LOAN GROWTH

Credit expansion accelerated further to 12.67% (YoY) in June 2026 from 11.51% (YoY) in May, exceeding Bank Indonesia's full-year target range of 8–12% and marking the strongest pace of growth in recent months. The resilience of credit growth contrasts with early signs of weakening domestic demand and manufacturing activity suggesting that financial intermediation has remained supportive despite intensifying macroeconomic pressures. The acceleration was broad-based across all major credit categories, led by investment credit, which expanded 24.90% (YoY), followed by working capital credit at 8.94% (YoY) and consumer credit at 5.75% (YoY). The strong performance of investment lending suggests that capital expenditure activity and long-term financing commitments remain resilient despite tighter monetary conditions and growing macroeconomic headwinds. Meanwhile, third-party funds grew 10.21% (YoY) in June 2026, providing a continued funding base to sustain credit intermediation across the banking system, while bank lending appetite remained accommodative, as reflected in the Lending Standard Index for the third quarter of 2026 easing to -2.25 indicating a tendency among banks to loosen credit policies.

Supporting the continued expansion, banking sector liquidity conditions remained favorable. Undisbursed loan facilities totaled IDR2,490 trillion, equivalent to 21.52% of the total available credit ceiling, indicating that banks retain significant capacity to extend further financing. Lending rates stood at 8.81% in June 2026, while one-month deposit rates reached 4.76%, reflecting the gradual pass-through of Bank Indonesia's cumulative rate increases to the banking system's interest rate structure. Looking ahead, Bank Indonesia maintained its full-year 2026 credit growth projection at 8–12%, supported by still-accommodative lending appetite and adequate liquidity. However, the weighted net balance for new credit disbursements is expected to moderate to 84.65% in the third quarter from 93.08% in the second quarter suggesting that while credit growth remains healthy, the pace of new lending may gradually slow as tighter financial conditions and more selective lending standards take effect.

STATE BUDGET (APBN)

Indonesia's state budget (APBN) recorded a deficit of IDR196.5 trillion, equivalent to 0.76% of GDP, as of end-June 2026, widening from IDR180.4 trillion (0.70% of GDP) in May 2026 but improving from the 0.84% of GDP deficit recorded in the same period of 2025. State expenditure accelerated 17.8% (YoY) to reach 43.1% of the full-year budget allocation, significantly ahead of the 38.8% realization recorded in the same period last year. State revenue performed strongly, growing 21.4% (YoY) and reversing the 9.0% (YoY) contraction recorded in the first half of 2025, supported by net tax revenue which expanded 24.6% (YoY) across all major categories including VAT (+42.2% YoY) and corporate income tax (+28.6% YoY). Non-tax state revenue also grew 21.6% (YoY), supported by higher Indonesian Crude Price, mineral commodity prices, and rupiah depreciation.

Despite the widening deficit, fiscal conditions remained broadly manageable. The primary surplus improved to IDR85.1 trillion from IDR52.8 trillion in the same period of 2025, reflecting stronger underlying fiscal performance compared with the previous year. The government revised its full-year 2026 deficit outlook to 2.85% of GDP from the original 2.68% target, primarily due to an additional IDR132 trillion in energy subsidy and compensation spending. Overall, while the wider deficit outlook warrants monitoring, the improvement in the primary surplus and strong revenue performance suggest that fiscal conditions remain relatively stable heading into the second half of 2026.

Indonesia's economy faced mounting headwinds as rupiah depreciation, fuel price adjustments, and tightening monetary conditions weighed on domestic demand and external stability, prompting Bank Indonesia to pivot toward an incentive-based stabilization approach.

MONETARY POLICY

Bank Indonesia maintained the BI Rate at 5.75% at its monthly Board of Governors Meeting on 21–22 July 2026, while keeping the Deposit Facility rate at 4.75% and the Lending Facility rate at 6.50%. The decision marked a notable shift following the aggressive monetary tightening implemented in June to stabilize the rupiah amid intensifying external pressures. Although more than half of economists had projected a further 25 basis point increase, maintaining the policy rate remained consistent with Bank Indonesia's stability-oriented stance, aimed at strengthening the rupiah and ensuring inflation remains within the 2.5%±1% target range for 2026–2027. The hold decision signals a shift in approach, with Bank Indonesia moving away from relying primarily on interest rate adjustments for exchange rate stabilization and placing greater emphasis on strengthening incentives for foreign portfolio investment inflows.

In line with this policy shift, Bank Indonesia announced a series of measures to enhance the attractiveness of domestic financial instruments to foreign investors and support rupiah stability. These included raising and expanding hedging swap incentives for foreign portfolio investors, with the sell hedge swap premium incentive increased from 10% to 12.5%, alongside the introduction of a 15% premium incentive for Domestic Non-Deliverable Forward (DNDF) sell hedge transactions. Bank Indonesia also introduced incentives to promote local currency transactions with partner countries, including an additional 10% premium for buy hedge swap transactions and a 10% reduction in DNDF sell hedge premiums. These measures were complemented by continued optimization of foreign exchange market intervention through offshore Non-Deliverable Forward markets as well as spot and DNDF transactions in the domestic market, alongside higher SRBI yields to attract foreign portfolio inflows.

Early market responses suggest that the strategy has begun to gain traction. Non-resident holdings of SRBI increased from IDR238.09 trillion on 15 June 2026 to IDR288.65 trillion on 20 July 2026, equivalent to 27.11% of total outstanding SRBI, indicating that the incentive-based approach has started to attract foreign capital inflows without requiring further increases in benchmark interest rates.

ASSET ALLOCATION

Global Market

Global markets initially improved in July 2026 as geopolitical tensions showed signs of easing, leading to a decline in oil prices and reducing near-term inflation concerns. Softer US inflation data also supported a rally in US Treasuries, with the UST 10Y yield falling to around 4.55% as investors priced in lower inflation pressures and a more supportive rate outlook. This backdrop helped lift global equities, particularly rate-sensitive and growth sectors, as lower yields improved risk appetite. However, the improvement was partly reversed as geopolitical tensions resurfaced, pushing oil prices higher again and renewing concerns over energy-driven inflation. As a result, equity gains became more selective, while bond yields remained sensitive to inflation data and geopolitical headlines.

Domestic Equity Market

The JCI recovered in July, returning to the 6,200 level after previously facing pressure from policy uncertainty and external volatility. The rebound was supported by a stronger Rupiah, improved clarity around policy, and more positive sentiment following MSCI's decision to maintain Indonesia's Emerging Market classification in its latest review. Sector-wise, the recovery was mainly driven by banking stocks, supported by improving risk appetite and valuation recovery. Going forward, the market may continue to regain confidence if domestic policy clarity improves further.

Domestic Bond Market

The SBN *yield* in July continued to increase, with the SBN 10Y yield rising from 7.16% to around 7.28%, in line with higher UST 10Y yields and the recent increase in domestic inflation. However, SBN-related risks have eased after S&P reaffirmed Indonesia's sovereign rating at BBB with a stable outlook, helping reduce concerns over credit risk. Going forward, a more stable Rupiah and improving fiscal risk may become positive catalysts for the SBN market. The key risk to monitor is inflation, particularly if El Niño intensifies and creates additional pressure on food prices.

Domestic Money Market

Money market rates stayed elevated in July, reflecting the impact of BI's tightening cycle and higher SRBI yields. The BI-Rate increase to 5.75% has begun to feed into short-term instruments, while deposit rates have also begun to rise as liquidity conditions tighten. Banks are likely to remain more aggressive in securing funding, particularly if credit growth continues while liquidity becomes less abundant. Overall, the money market environment has shifted away from the earlier low-rate period toward a tighter funding backdrop.

Asset Allocation Takeaway

The latest backdrop supports a constructive stance toward Indonesian assets. Equities have started to recover, supported by a stronger Rupiah, improving policy clarity, and MSCI's decision to maintain Indonesia's Emerging Market classification, though selective exposure remains preferred. In fixed income, the SBN market has turned more positive compared to previous periods, supported by S&P's affirmation of Indonesia's BBB rating with a stable outlook, a more stable Rupiah, and improving fiscal risk. However, this does not necessarily justify extending the duration beyond the benchmark index, as rising UST yields and domestic inflation risks remain key uncertainties.

Banking Sector Highlight

Indonesia's banking sector has pivoted from an easing narrative into a defensive rate environment, with Bank Indonesia hiking a cumulative 100bps since May to bring the policy rate to 5.75% in defense of the rupiah amid elevated global volatility stemming from the Middle East conflict.

Loan growth nonetheless remains a genuine bright spot, running at a double digit pace led by investment credit, supported by liquidity that remains adequate at the industry level. The Ministry of Finance has reinforced this by extending its sizeable placement of government funds (SAL) in SOE banks, while Bank Indonesia is offsetting its rate hikes with accommodative macroprudential measures, including a higher offshore funding cap and its intermediation acceleration program. The risk lies in sequencing, as funding costs reprice faster than loan yields. We therefore expect margin compression to bite hardest through the second half and into next year, concentrated in banks with weaker CASA franchises and heavier reliance on time deposits, while prime lending rate adjustments lag by several months.

Asset quality remains sound, with low nonperforming loans and strong capital buffers, although the regulator has flagged MSME and consumer segments as pressure points and industry bodies warn that tightening liquidity could slow disbursement into the second half. Encouragingly, the policy response is gaining traction externally, with foreign investors returning meaningfully to Indonesian bonds and the sovereign rating recently affirmed, easing pressure on the rupiah at the margin.

We see the sector entering a phase of margin differentiation rather than a broad upcycle. Strong CASA incumbents should defend margins and gain a larger share of sector profitability, while higher funding cost names and SOE banks face a squeeze from both deposit repricing and state moral suasion, compounded by elevated dividend expectations under Danantara. With bank valuations already washed out by persistent foreign equity outflows, we believe the setup favors selective accumulation in quality franchises, with the inflection point hinging on rupiah stabilization allowing Bank Indonesia to pause rather than on any near term cutting cycle.

FORWARD OUTLOOK AND STRATEGIC RISKS

FORWARD OUTLOOK AND STRATEGIC RISKS

By July 2026, the global economic outlook has shifted from concerns over recession to a more complex macroeconomic environment characterized by moderating growth, persistent inflation, elevated logistics costs, and heightened geopolitical uncertainty. According to the IMF July 2026 World Economic Outlook Update, global GDP growth is projected at 3.0% in 2026 before improving to 3.4% in 2027, while global inflation is expected to rise from 4.1% in 2025 to 4.7% in 2026 before easing to 3.9% in 2027. At the same time, the Asian Development Bank (ADB) revised its 2026 growth forecast for developing Asia from 5.1% to 4.9% and increased its regional inflation forecast from 3.0% to 4.3%, reflecting the impact of higher energy prices, transportation costs, and renewed geopolitical tensions.

Unlike earlier concerns over weakening global demand, the current outlook points to an economy that continues to expand but faces increasingly important supply-side constraints. The IMF identifies renewed geopolitical conflict as a negative supply shock that has increased energy prices, disrupted trade, and raised transportation costs, while rapid advances in artificial intelligence continue to support productivity, investment, and medium-term growth. Consequently, global economic performance is expected to become increasingly uneven across countries depending on their exposure to energy markets, global supply chains, and technology-intensive industries.

Commodity markets continue to reinforce this assessment. During 2026, Brent crude oil remained above USD100 per barrel, while prices of natural gas, LNG, gasoline, heating oil, fertilizers, wheat, rice, and crude palm oil all increased significantly. The broad-based rise across energy, food, and industrial commodities indicates that inflationary pressures remain predominantly supply-driven rather than demand-driven. These developments are expected to keep production costs elevated, delay monetary easing in many economies, and increase imported inflation pressures for commodity-importing countries.

Global logistics conditions have improved modestly following the sharp increase recorded during the second quarter of 2026. According to Drewry's World Container Index (23 July 2026), the benchmark freight rate declined 4% to USD4,374 per 40-foot container, marking the second consecutive weekly decline. Freight rates from Shanghai to Los Angeles fell 6%, Shanghai to New York 4%, Shanghai to Genoa 5%, and Shanghai to Rotterdam 1%. Nevertheless, freight costs remain substantially above historical averages because of higher bunker fuel prices, emergency fuel surcharges, insurance costs, and continued uncertainty surrounding key maritime routes. Ongoing front-loading of shipments ahead of potential tariff changes also suggests that logistics costs are likely to remain elevated through the remainder of 2026.

Overall, the global economy remains on a growth trajectory, but the balance of risks has shifted. Compared with the beginning of the year, the principal challenge is no longer avoiding recession but managing the interaction between geopolitical tensions, supply-driven inflation, elevated logistics costs, and tighter financial conditions. These factors are expected to shape global macroeconomic performance throughout the second half of 2026 and create a more volatile operating environment for businesses and policymakers alike.

REGIONAL ECONOMIC DYNAMICS: DIVERGING PERFORMANCE ACROSS THE US, EUROPE, AND ASIA

Regional economic performance is expected to remain increasingly uneven during the second half of 2026, reflecting differences in inflation dynamics, policy responses, energy dependence, and industrial competitiveness. While global growth remains positive, the pace and drivers of expansion vary considerably across major economies, creating a more fragmented external environment for international trade and investment.

The United States continues to demonstrate relatively resilient economic performance despite persistent inflationary pressures. Strong household consumption, a resilient labour market, and sustained investment in artificial intelligence, semiconductors, digital infrastructure, and defence-related industries continue to support economic activity. However, elevated inflation and renewed supply-side pressures associated with higher energy prices have reduced expectations of rapid monetary policy easing. As a result, financial conditions are expected to remain relatively tight, with higher interest rates continuing to influence global capital flows and financing costs.

In contrast Europe continues to exhibit the weakest economic momentum among the major regions. According to Eurostat, Euro Area real GDP contracted by 0.2% quarter-on-quarter in Q1 2026, while annual inflation moderated to 2.8% in June from 3.2% in May. At the same time, the unemployment rate remained historically low at 6.2%, indicating that labour market conditions have remained resilient despite slowing economic activity. The combination of weak output growth, moderating inflation, and a resilient labour market suggests that Europe continues to face structural headwinds rather than a cyclical downturn.

Meanwhile, Asia continues to outperform other regions despite moderating growth. According to the Asian Development Bank (ADB), developing Asia is projected to grow by 4.9% in 2026, supported by resilient domestic demand, continued manufacturing investment, and supply-chain diversification. The ongoing relocation of production facilities and sustained investment in technology-intensive industries continue to strengthen several Asian economies, although higher energy prices, logistics costs, and weaker external demand remain important downside risks.

INDONESIA'S MACROECONOMIC OUTLOOK AND KEY RISKS

Indonesia's economy is expected to remain relatively resilient during the second half of 2026, supported by domestic demand despite a more challenging external environment. According to the LPEM FEB UI July 2026 RDG Report, first-quarter GDP expanded by 5.61% (y.o.y.), while Bank Indonesia is expected to maintain the BI Rate at 5.75% as policymakers continue to balance exchange-rate stability with domestic economic activity. Nevertheless, growing external uncertainties, tighter global financial conditions, and higher commodity prices are expected to increase downside risks to the domestic outlook.

Inflationary pressures have become more pronounced but remain largely supply-driven rather than reflecting broad-based demand pressures. Headline inflation accelerated to 3.34% (y.o.y.) in June 2026 from 3.08% in May, primarily due to higher prices for non-subsidized fuel and air transportation following domestic fuel price adjustments. Core inflation increased only gradually to 2.76% (y.o.y.), indicating that underlying demand-side inflation remains relatively contained. Looking ahead, LPEM expects inflationary pressures to remain elevated as higher transportation and energy costs continue to pass through to consumer prices, while below-normal rainfall may place additional pressure on rice and horticultural prices.

Indonesia's external sector has weakened noticeably after several years of exceptional performance. The trade balance recorded a USD1.61 billion deficit in May 2026, ending 72 consecutive months of trade surpluses. Exchange-rate stability remains the principal macroeconomic challenge. Between mid-June and mid-July, Indonesia recorded USD0.70 billion in net portfolio inflows, largely driven by demand for government bonds following Bank Indonesia's cumulative policy rate increases.

Overall, Indonesia continues to demonstrate relatively strong macroeconomic fundamentals compared with many emerging economies. However, the interaction between supply-driven inflation, exchange-rate depreciation, weaker external balances, and persistent global uncertainty is expected to become the principal source of macroeconomic risk during the remainder of 2026. Maintaining policy credibility through coordinated monetary, fiscal, and structural measures will therefore remain essential to preserving macroeconomic stability while supporting sustainable economic growth.

The government's structural reform agenda, including the proposed International Financial Center (PFII), which aims to deepen financial markets, attract investment, and strengthen Indonesia's global competitiveness, should continue to support medium-term business confidence. Consequently, firms with strong operational efficiency, prudent financial management, and the flexibility to adapt to changing market conditions are expected to be better positioned to navigate the evolving macroeconomic landscape.

IMPLICATIONS FOR INDONESIAN BUSINESSES

The evolving macroeconomic environment suggests that Indonesian businesses will continue operating under relatively resilient domestic demand but increasingly challenging external conditions. While Indonesia's economy remains promising, persistent geopolitical uncertainty, elevated commodity prices, exchange-rate depreciation, and tighter global financial conditions are expected to increase operating costs and business uncertainty. As a result, business performance will increasingly depend on firms' ability to manage cost pressures while maintaining operational efficiency.

Consumer-oriented businesses are expected to continue benefiting from resilient household demand, although rising transportation and energy costs may gradually reduce consumers' discretionary spending power. Businesses serving essential consumption are therefore likely to remain relatively resilient, whereas discretionary sectors may experience more cautious spending behaviour as inflationary pressures persist. Companies with stronger pricing power and efficient distribution networks will be better positioned to preserve margins amid higher operating costs.

Manufacturing firms are expected to face a more complex operating environment. Higher imported input costs arising from Rupiah depreciation, elevated logistics expenses, and continued volatility in global commodity markets are likely to increase production costs, particularly for industries relying heavily on imported raw materials and intermediate goods. At the same time, continued investment and resilient domestic demand should provide support for manufacturers serving the domestic market, partially offsetting weaker external demand.

Businesses engaged in international trade and logistics are expected to remain exposed to elevated transportation costs and supply-chain uncertainty despite recent moderation in global freight rates. Continued geopolitical tensions, higher insurance costs, and potential disruptions to major shipping routes suggest that logistics costs are likely to remain above historical averages. Export-oriented firms may also face additional challenges from weaker demand in several advanced economies and a less favourable external trade environment.

Financial conditions are also expected to remain relatively tight. Higher domestic interest rates, exchange-rate volatility, and continued uncertainty in global financial markets may increase financing costs while encouraging more prudent investment decisions. Businesses with stronger balance sheets, lower foreign-currency exposure, and greater financial flexibility are therefore expected to be better positioned to navigate the more volatile macroeconomic environment. Overall, the second half of 2026 is likely to reward firms that emphasize operational resilience, disciplined financial management, and productivity improvements rather than aggressive expansion.

EXHIBITS

EXHIBIT 1 • INDONESIA MACROECONOMICS INDICATORS

Indicator	Unit	2025							2026					
		Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
GDP Growth	% YoY	5,12	-	-	5,04	-	-	5,39	-	-	5,61	-	-	
CPI Inflation	% YoY	1,87	2,37	2,31	2,65	2,86	2,72	2,92	3,55	4,76	3,48	2,42	3,08	3,34
Core Inflation	% YoY	2,37	2,32	2,17	2,19	2,36	2,36	2,38	2,45	2,63	2,52	2,44	2,59	2,76
Manufacturing PMI	Level	46,9	49,2	51,5	50,4	51,2	53,3	51,2	52,6	53,8	50,1	49,1	50,0	46,9
Exports	% YoY	11,29	9,86	5,78	11,41	-2,31	-6,06	11,6	3,39	1,01	-3,1	21,98	-5,73	
Imports	% YoY	4,28	-5,86	-6,56	7,17	-	0,46	10,8	18,21	10,85	1,51	22,49	22,16	
Foreign Currency Reserves	USD bn	135	135	133	130	130	130	135	131	128	126	124	123	125
Money Supply (M2)	% YoY	6,4	6,6	7,6	8	7,7	8,3	9,6	10,00	8,70	9,7	9,2	10,8	8,7
Commercial Banking Total Deposits and Securities	% YoY	6,19	6,54	7,61	8,01	7,82	8,37	8,37	10,35	8,76	10,47	9,04	10,48	
Commercial Banking Credit	% YoY	7,8	7,0	7,6	7,7	7,36	7,74	9,69	9,96	9,37	9,49	9,98	11,51	12,67
Fiscal Surplus/Deficit	% GDP	-2,77	-	-	-2,73	-	-	-2,92	-2,68	-0,53	-0,93	-0,64	-0,70	-0,76

EXHIBIT 2 • EXCHANGE RATE

Exhibit 2.1 Difference of Spot and Forward IDR

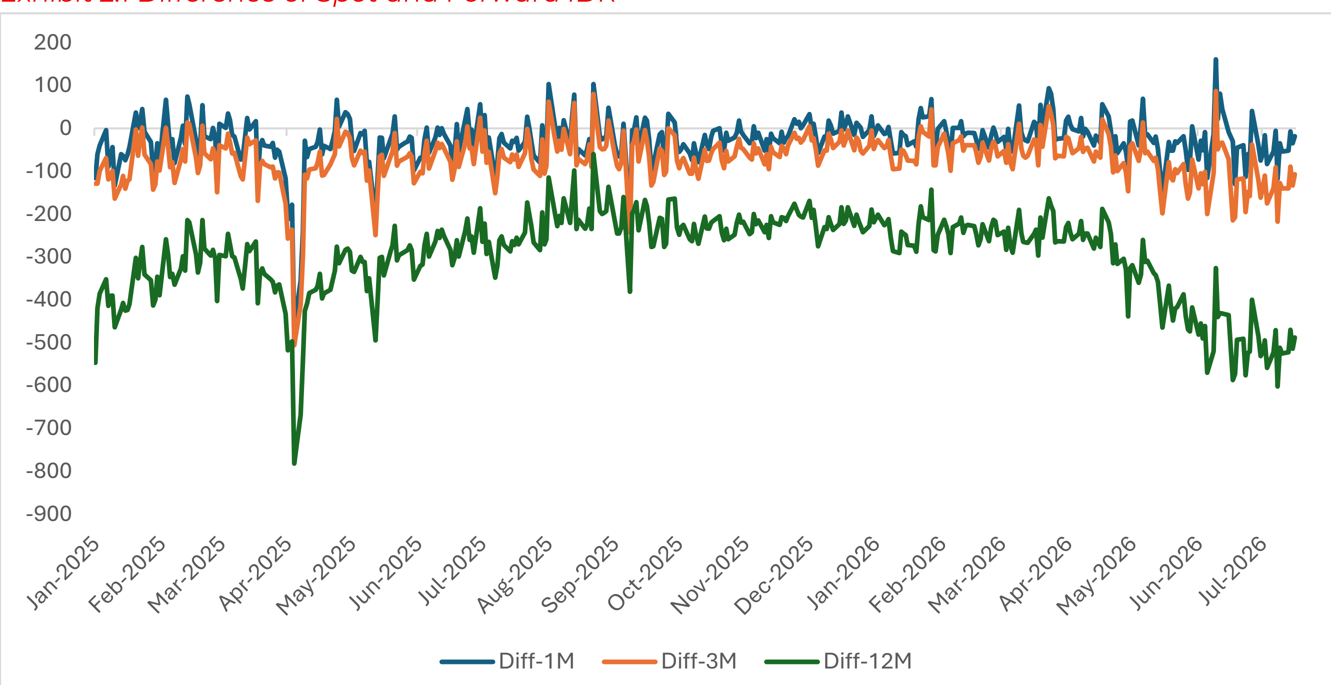

Exhibit 2.2 BI-Rate & Exchange Rate (IDR/USD)

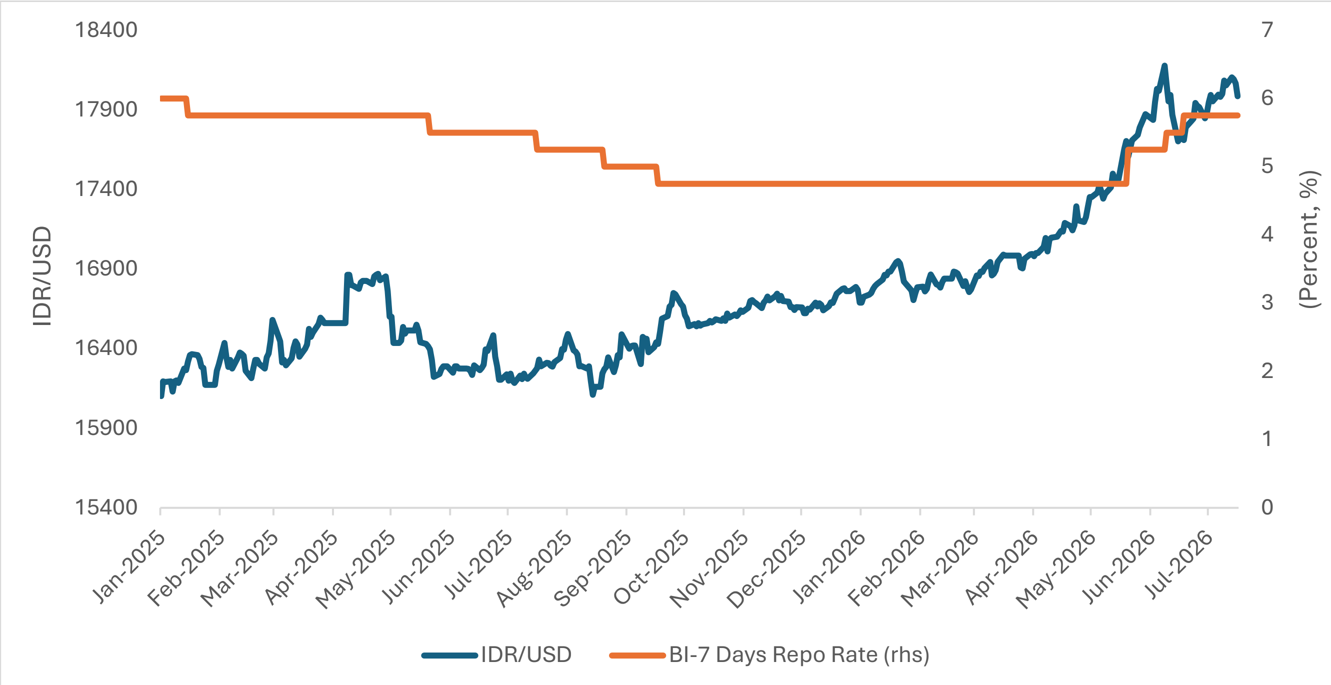

Exhibit 2.3 EM's Exchange Rate Against USD Index (01 / 01 / 2025 = 100)

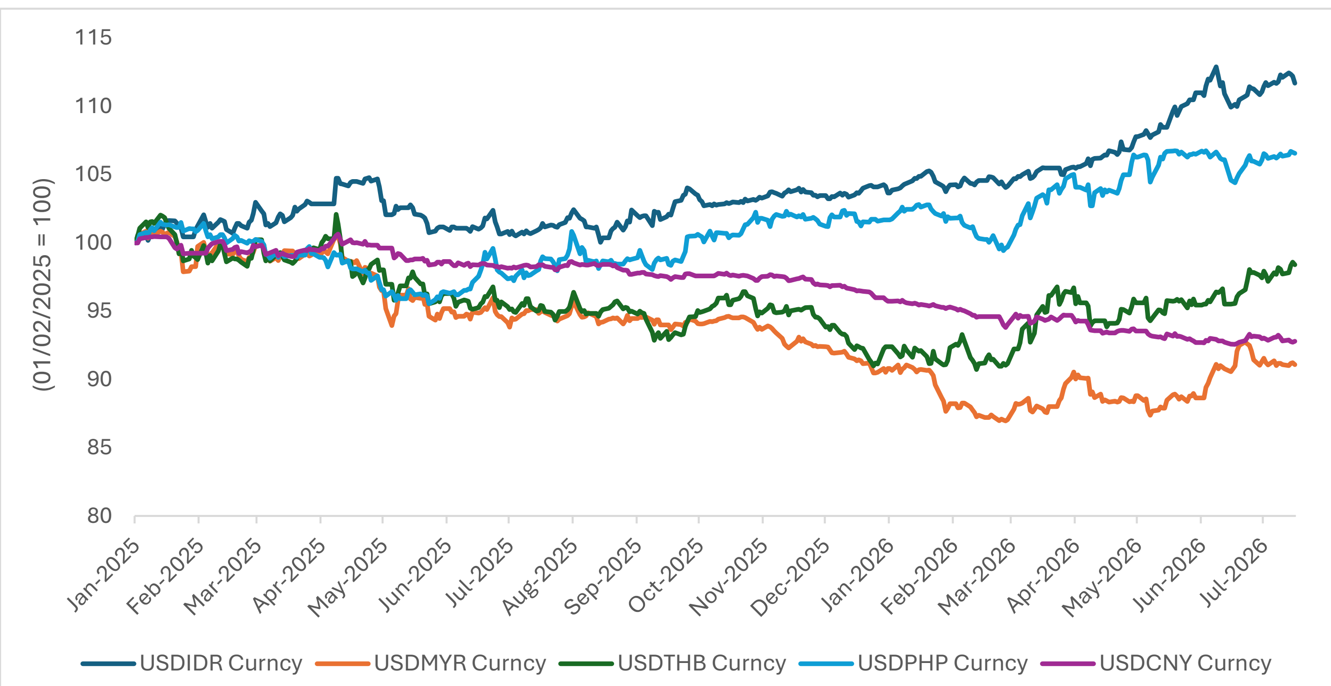

EXHIBIT 3 • DOMESTIC LIQUIDITY INDICATORS

Exhibit 3.1 INDONIA 30D & 90D and BI-Rate

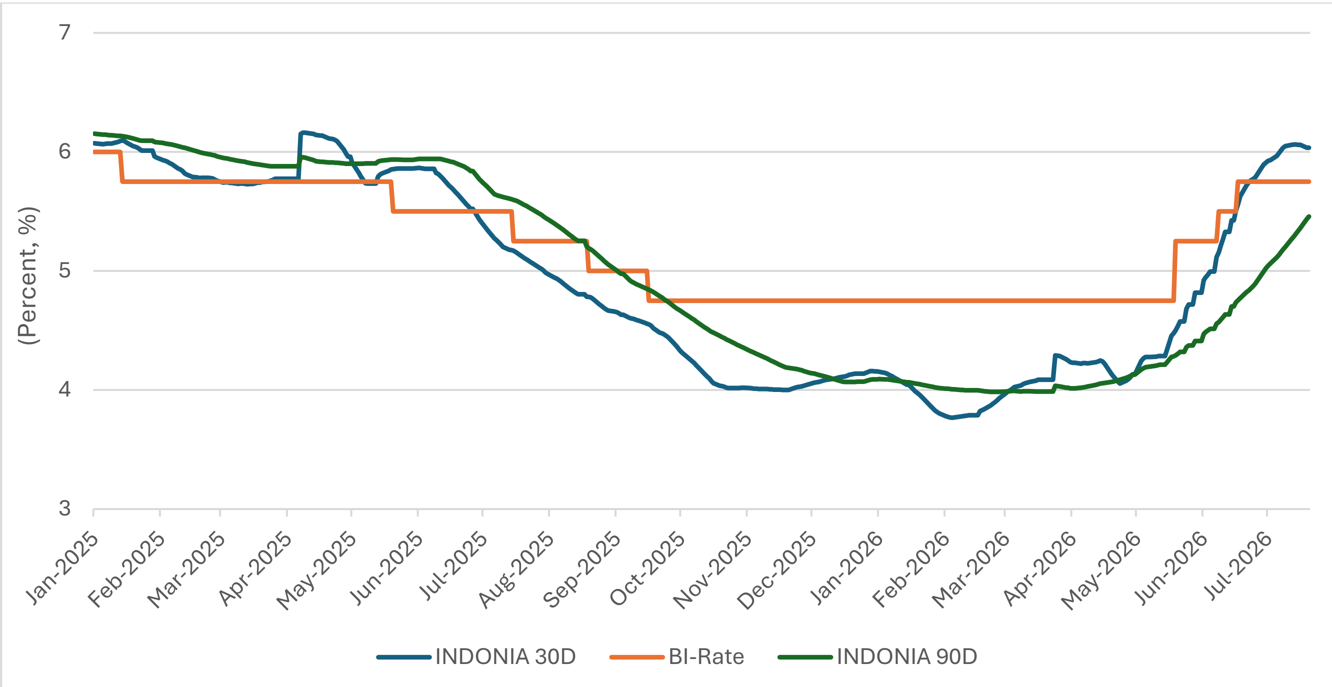

Exhibit 3.2 Monetary Operations of BI

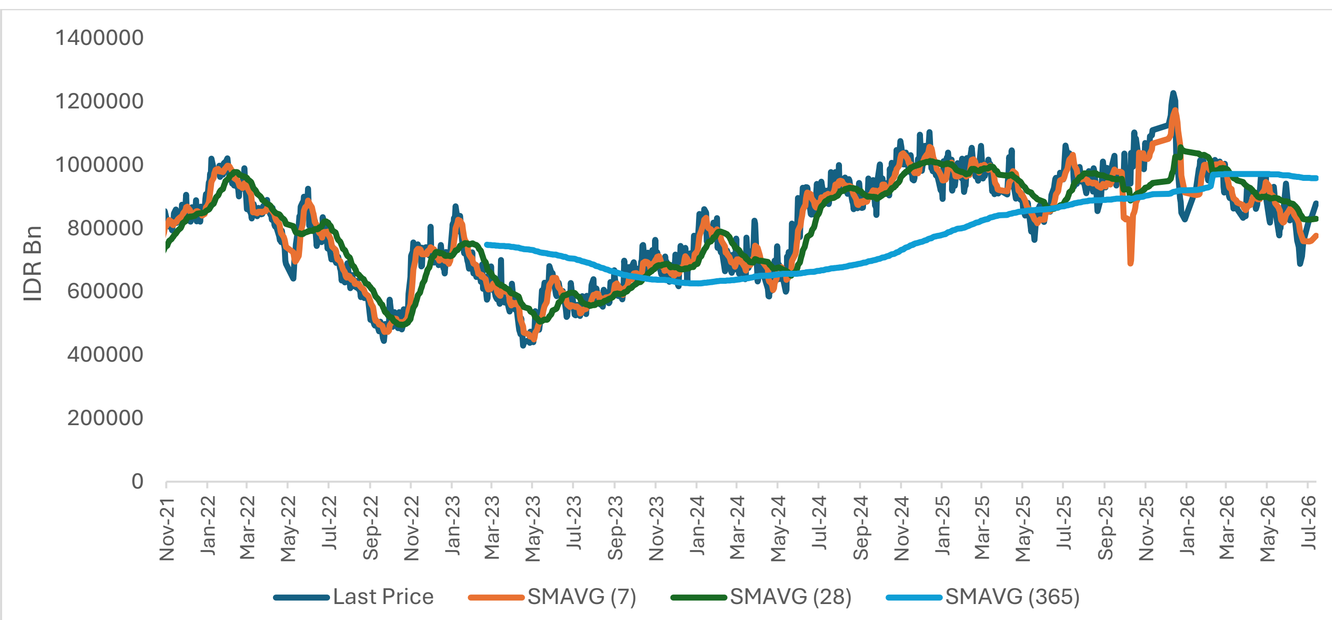

Exhibit 3.3 Indonesia's Foreign Exchange Reserves USD

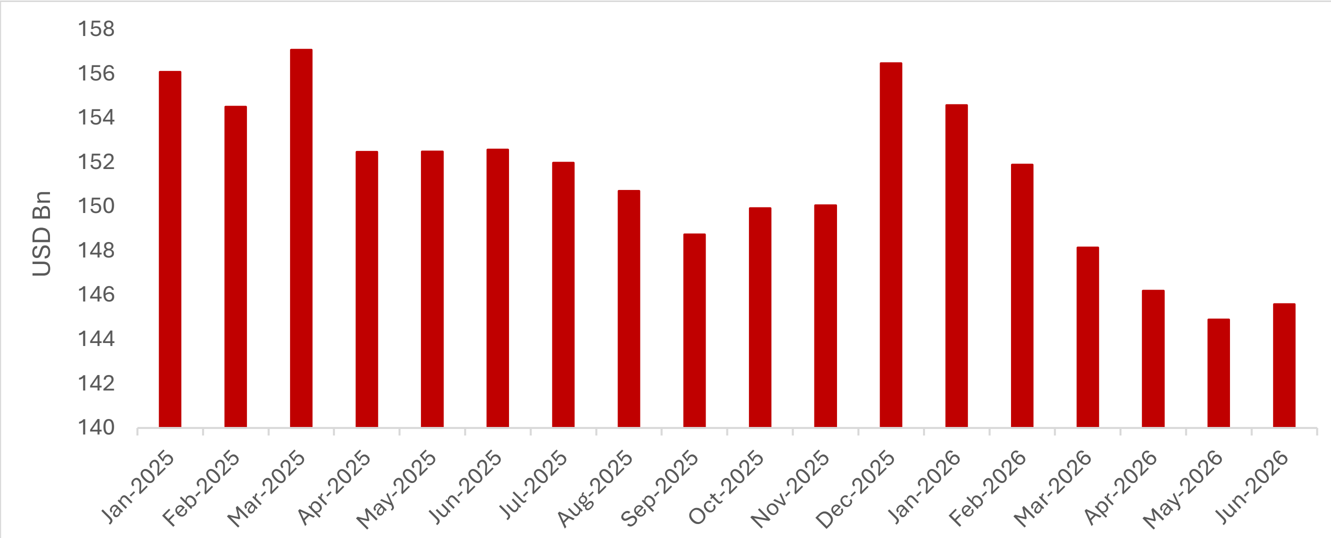

EXHIBIT 4 • FINANCIAL MARKETS

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

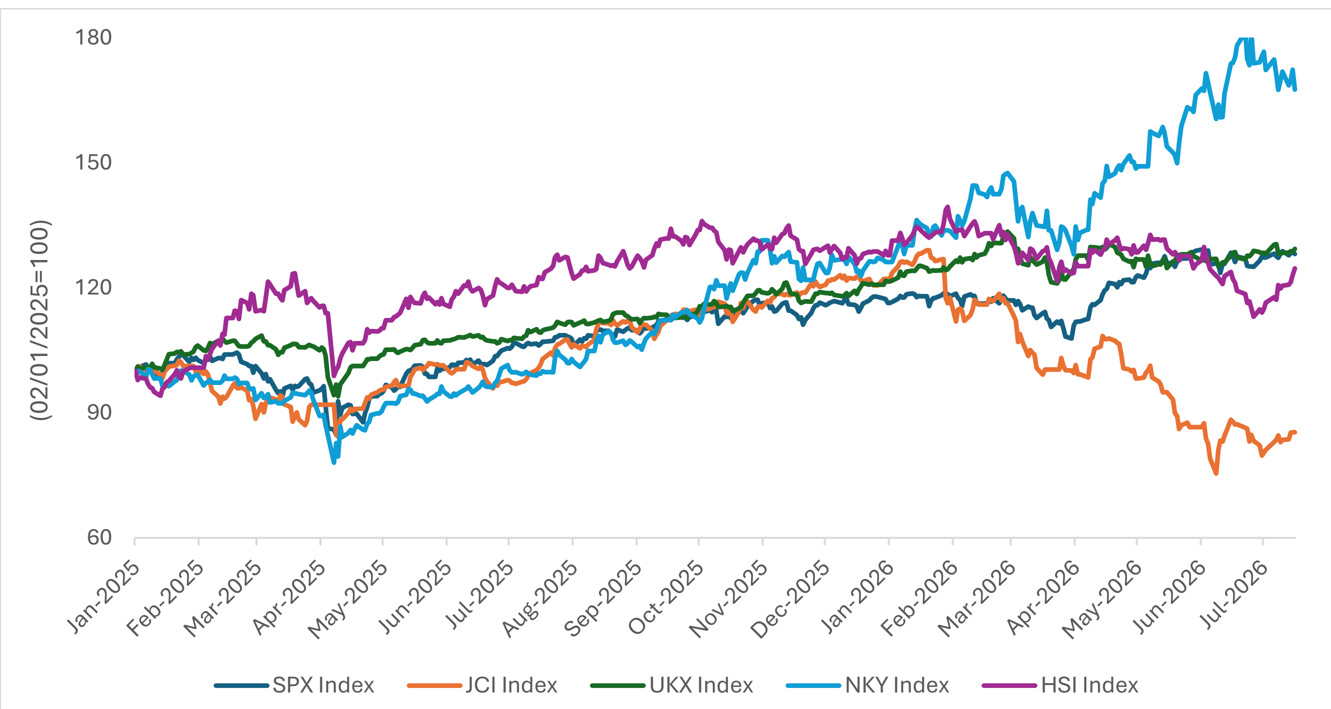

Exhibit 4.2 Indonesia Bond Yield Curve

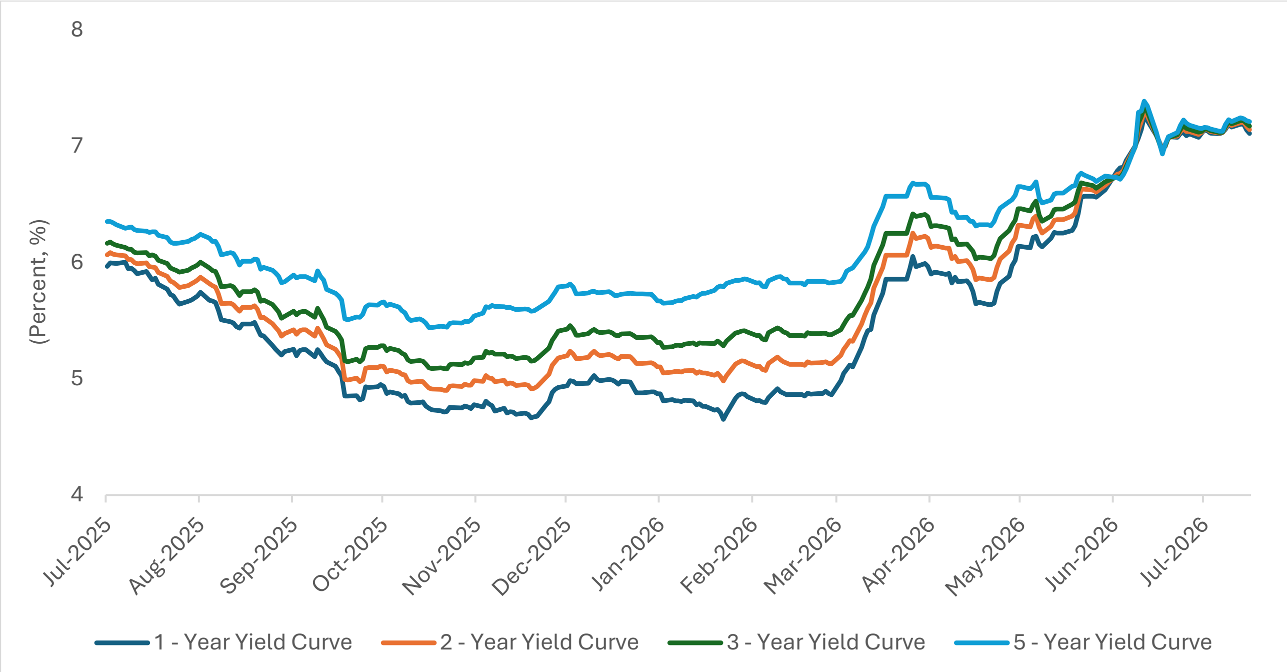

Exhibit 4.3 Indonesia Stock Market & Turnover

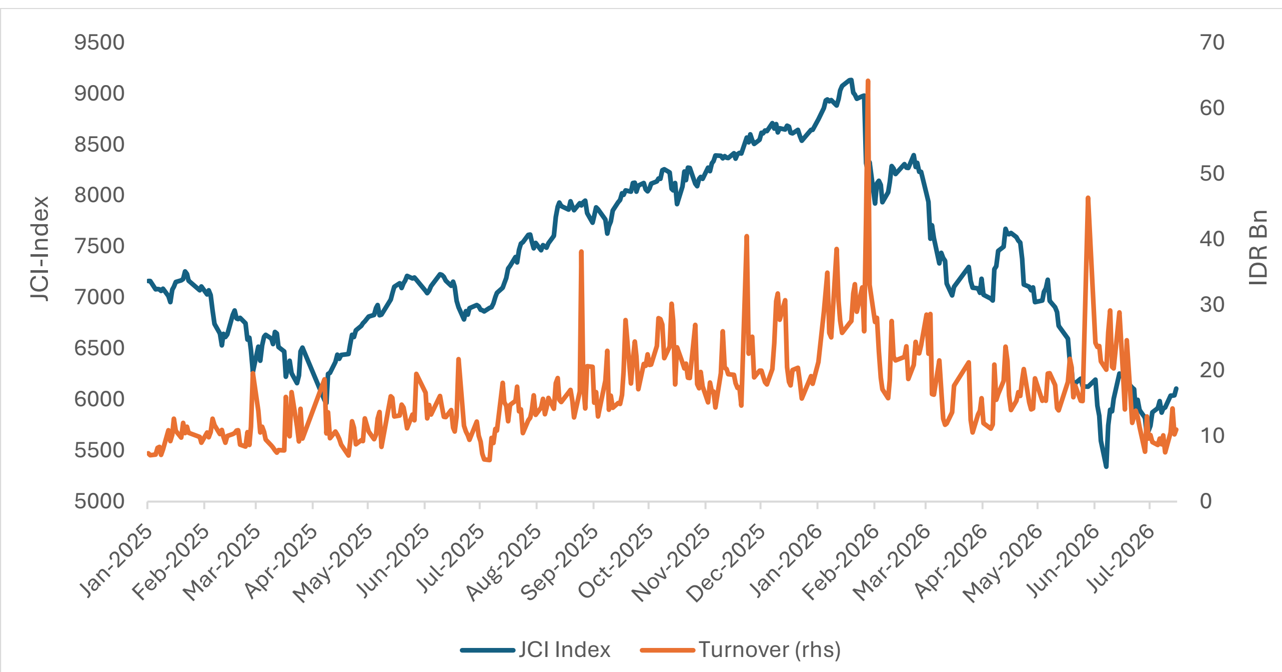

Exhibit 4.4 Indonesia CDS & Government Bond 10Y

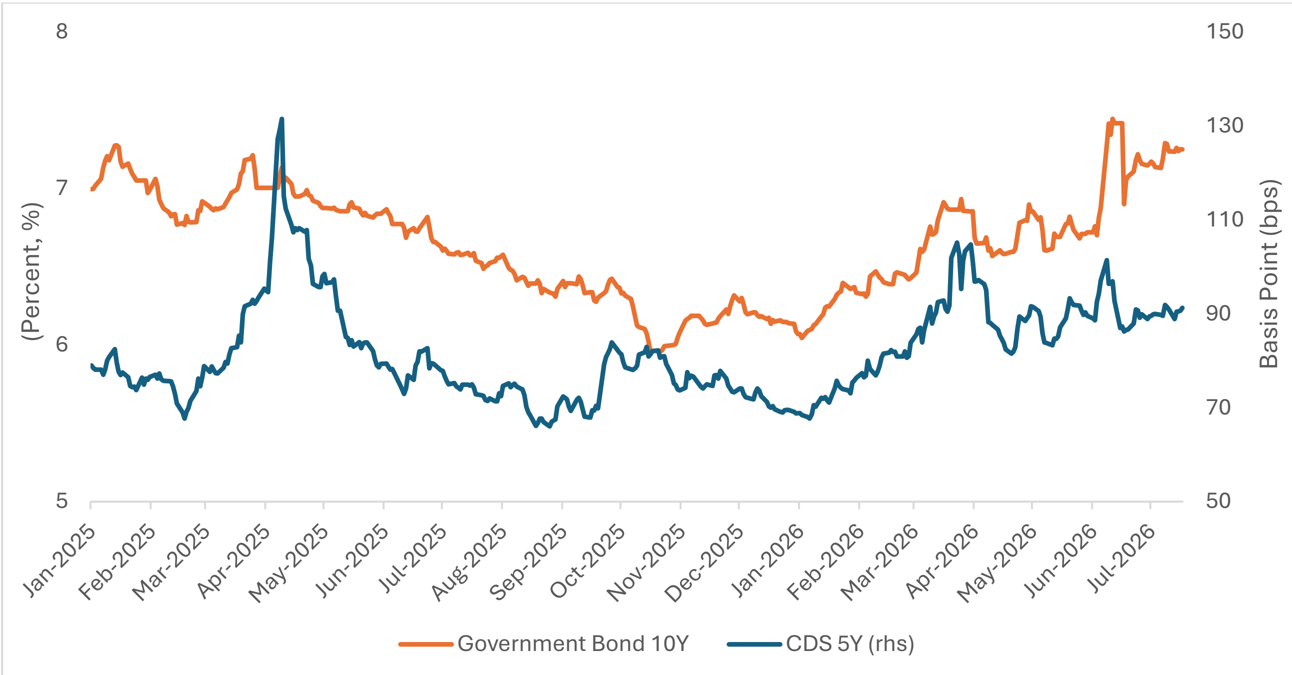

EXHIBIT 5 • REGIONAL STATISTICS

Exhibit 5.1 Monthly Inflation Rate

Provinsi	Inflasi Tahunan (Y-on-Y) 38 Provinsi (2022=100) (Persen)												
	2025							2026					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Aceh	2,19	3,00	3,70	4,45	4,66	3,58	6,71	6,69	6,94	5,31	3,88	5,12	5,84
Sumatera Utara	1,25	2,86	4,42	5,32	4,97	3,96	4,66	3,81	4,71	3,86	2,92	4,35	4,79
Sumatera Barat	0,45	2,19	2,89	4,22	4,52	3,98	5,15	3,92	4,39	3,37	1,97	3,91	4,70
Riau	0,98	2,42	3,58	5,08	4,95	4,27	4,88	4,43	5,30	3,65	2,37	3,95	4,55
Jambi	1,34	2,71	2,76	3,77	3,71	3,55	3,71	3,35	4,59	3,55	2,10	3,56	3,85
Sumatera Selatan	2,44	2,88	3,04	3,44	3,49	2,91	2,91	3,33	4,36	3,09	1,63	2,61	2,89
Bengkulu	-0,10	1,01	1,30	2,57	2,85	2,68	2,77	2,61	3,88	2,85	1,87	3,01	3,96
Lampung	2,27	2,63	1,05	1,17	1,20	1,14	1,25	1,90	2,95	1,16	0,53	1,94	2,46
Kep. Bangka Belitung	0,99	2,05	1,34	1,82	2,51	2,87	2,77	3,95	3,31	1,87	1,49	2,46	2,92
Kepulauan Riau	1,32	1,97	2,19	2,70	3,01	3,00	3,47	2,94	3,54	3,23	3,06	3,92	4,67
DKI Jakarta	2,07	2,25	2,16	2,40	2,69	2,67	2,63	3,96	4,91	3,37	2,12	2,49	2,78
Jawa Barat	1,78	2,03	1,77	2,19	2,63	2,54	2,63	3,24	4,71	3,60	2,49	3,07	3,08
Jawa Tengah	2,20	2,52	2,48	2,65	2,86	2,79	2,72	2,83	4,43	3,54	2,11	2,85	2,92
DI Yogyakarta	2,52	2,60	2,30	2,56	2,90	2,92	3,11	3,30	4,91	4,08	2,46	2,77	2,91
Jawa Timur	2,02	2,21	2,17	2,53	2,69	2,63	2,93	3,29	4,88	3,79	2,85	3,49	3,36

Provinsi	Inflasi Tahunan (Y-on-Y) 38 Provinsi (2022=100) (Persen)												
	2025							2026					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Banten	1,83	2,29	1,95	2,31	2,75	2,56	2,74	3,48	5,14	3,55	2,14	2,70	2,93
Bali	2,94	3,16	2,65	2,51	2,61	2,51	2,91	2,58	3,89	2,81	2,08	2,99	3,27
Nusa Tenggara Barat	2,51	3,05	2,56	2,69	2,96	2,74	3,01	3,86	5,37	4,09	3,27	3,78	3,55
Nusa Tenggara Timur	1,72	3,03	2,71	2,30	2,00	2,40	2,39	3,34	3,42	2,40	2,62	2,76	3,56
Kalimantan Barat	1,20	2,14	2,13	1,94	2,07	2,04	1,85	3,33	3,90	2,89	2,50	3,29	3,28
Kalimantan Tengah	1,06	2,13	2,08	2,35	2,73	2,56	3,13	4,09	5,06	3,86	3,66	4,56	4,47
Kalimantan Selatan	1,81	2,48	2,68	2,91	3,11	3,35	3,66	4,66	5,97	4,83	3,67	4,22	4,47
Kalimantan Timur	1,62	2,08	1,79	1,77	1,94	2,28	2,68	3,76	4,64	3,31	2,50	3,04	3,20
Kalimantan Utara	1,38	1,99	2,24	2,32	2,23	2,47	2,57	4,08	4,75	3,12	2,68	2,90	3,30
Sulawesi Utara	1,71	2,04	0,94	1,57	1,48	0,65	1,23	3,04	4,64	2,20	2,14	2,33	3,83
Sulawesi Tengah	2,47	3,69	4,02	3,88	3,92	3,50	3,31	4,55	5,33	2,83	2,21	2,77	3,83
Sulawesi Selatan	2,24	3,05	3,12	3,03	2,98	2,73	2,84	4,11	6,13	4,50	2,68	3,12	3,56
Sulawesi Tenggara	2,52	3,72	3,75	3,68	3,26	2,94	2,86	5,10	5,41	3,37	2,98	4,07	4,68
Gorontalo	0,80	3,12	2,51	1,99	2,44	2,21	2,52	4,53	5,30	2,60	2,24	2,99	4,77
Sulawesi Barat	2,57	3,57	3,52	3,04	2,64	2,56	2,48	4,34	5,15	2,94	1,66	1,99	2,29
Maluku	1,88	2,99	3,25	3,01	2,30	2,33	3,58	4,70	5,97	3,40	3,13	3,27	3,80
Maluku Utara	2,01	2,46	0,43	-0,17	1,18	1,89	1,63	4,86	5,85	2,60	2,03	2,82	5,05
Papua Barat	-0,67	0,43	-0,87	1,02	1,42	1,33	2,59	5,02	5,83	3,51	5,00	5,94	6,99
Papua Barat Daya	0,50	0,96	1,88	1,30	1,36	1,38	2,15	3,75	4,16	4,09	3,85	3,80	5,14
Papua	1,07	1,40	0,54	0,99	0,53	0,80	2,54	3,33	3,94	3,50	3,80	2,79	3,72
Papua Selatan	3,00	5,45	3,78	3,42	3,43	3,39	2,95	4,83	5,50	3,60	3,34	2,17	2,95
Papua Tengah	2,33	2,89	1,86	2,28	2,11	2,53	3,28	4,85	4,93	2,54	1,53	2,05	3,65
Papua Pegunungan	2,01	4,15	3,71	3,55	3,32	4,05	3,22	2,93	0,63	3,14	4,89	4,44	7,84
Indonesia	1,87	2,37	2,31	2,65	2,86	2,72	2,92	3,55	4,76	3,48	2,42	3,08	3,34

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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