

Macroeconomic Monitor September 2026

Resilient Growth, Uneven Transmission

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HIGHLIGHTS

September 2026

United States (U.S.)

The U.S. economy entered September 2026 with domestic activity remaining resilient despite increasingly restrictive financial conditions. August indicators showed continued strength across the private sector, with services activity accelerating to its strongest pace since December 2020, manufacturing remaining firmly in expansion, and retail sales maintaining robust growth. The labour market also remained supportive, with employment gains strengthening and unemployment holding at 4.1%. This combination of resilient consumption, services demand and employment indicates that higher interest rates have yet to generate a broad-based slowdown in domestic activity, while continued capital investment and productivity growth are providing additional support to the growth outlook.

However, the persistence of demand and supply-side cost pressures have complicated the disinflation process. Headline inflation remained elevated at 3.4% year-on-year (YoY) in August, while producer-price inflation accelerated to 5.4% YoY, reflecting higher energy costs and continued tariff-related pressures. Although core consumer inflation eased to 2.4% YoY, sustained services demand and firms' ability to pass higher input costs through to selling prices indicate that underlying inflationary pressures have not fully dissipated. The widening trade deficit also points to strong domestic demand for technology-related imports, although it may

weigh on net exports. Consequently, the U.S. economy continues to face a trade-off between maintaining growth momentum and containing persistent inflation.

Against this backdrop, the Federal Reserve raised the federal funds rate by 25 basis points (bps) to 3.75–4.00% at its September 15–16 meeting, marking the first-rate hike since July 2023. The decision was accompanied by a more resilient economic outlook, with the Fed upgrading its 2026 GDP growth projection to 2.3% YoY and lowering its unemployment projection to 4.1%, while raising its inflation forecast. The median year-end policy-rate projection was also revised higher to 4.1%, suggesting that restrictive monetary conditions could persist for longer than previously anticipated. The September policy shift therefore reinforces the prospect of tighter global financial conditions, with implications for the dollar, global yields and funding conditions, particularly across emerging markets.

Euro Area

The Euro Area entered September with signs that economic activity was gradually broadening, although the recovery remained relatively modest. August manufacturing conditions strengthened further, with the Manufacturing PMI rising to 52.7, supported by stronger new orders, export activity and improving production, while employment stabilized after an extended period of contraction. Services activity also remained in expansion at 51.6,

with new business continuing to increase and employment recording its strongest improvement in eight months. Together with a widening trade surplus, these developments suggest that both domestic services and external demand provide some support for the recovery, despite industrial output remaining broadly stagnant.

The main constraint, however, is the renewed inflation shock stemming from higher energy prices. Euro-area inflation accelerated to 3.2% YoY in August, driven primarily by a sharp increase in energy inflation, while core inflation remained at 2.4% YoY. At the same time, retail sales growth slowed to 0.6% YoY, indicating that stronger consumer sentiment has yet to translate into a meaningful recovery in household spending. Stable labour-market conditions provide some support to household income, but elevated energy costs and borrowing costs continue to limit purchasing power. This creates a difficult recovery dynamic in which improving production and services activity coexist with subdued consumption and renewed cost pressures.

The European Central Bank (ECB) responded by raising its key policy rates by 25 bps in September, with the deposit rate increasing to 2.50% and the main refinancing rate to 2.65%. While the ECB maintained its 2026 inflation projection at 3.0% YoY, it revised its 2027 and 2028 inflation forecasts higher, indicating that inflation could remain above target for longer. At the same time, the ECB upgraded its growth projections to 0.9% YoY for 2026 and 1.4% YoY for 2027, reflecting greater-than-expected economic resilience. The September decision therefore reflects a policy environment in which downside risks to growth coexist with persistent upside risks to inflation, limiting the scope for

monetary easing even as household demand remains relatively weak.

China

China's August data continued to highlight the uneven nature of its economic recovery, with stronger industrial and external activity contrasting with persistent weakness in domestic demand. Industrial production growth accelerated to 5.2% YoY, led by technology-intensive manufacturing, electrical machinery and sectors linked to AI infrastructure, while exports surged 25% YoY and widened the trade surplus to USD119.1 billion. The strength of high-tech exports and regional supply chains indicates that China continues to benefit from structural demand for technology products. However, the manufacturing PMI remained below 50, and the non-manufacturing PMI stayed in contraction, suggesting that the improvement in industrial production has yet to translate into a broad-based expansion across the wider economy.

Domestic demand remains the principal constraint on a more balanced recovery. Retail sales growth slowed to just 0.4% YoY in August, with automobiles and housing-related goods remaining particularly weak, while unemployment increased to 5.3%. Although selected technology and online-consumption segments continued to expand, weakness in big-ticket purchases points to continued household caution amid subdued property-market conditions. Inflation rose only modestly to 0.8% YoY, with core inflation at 1.0% YoY, indicating that pricing pressures remain relatively weak despite stronger industrial activity. The combination of soft consumption, property-sector weakness and subdued price pressures suggests that stronger exports and manufacturing investment are not yet generating sufficient

domestic demand to create a self-sustaining recovery.

The policy environment therefore remains focused on supporting domestic activity while preserving financial stability. The People's Bank of China (PBoC) maintained the one-year and five-year LPRs at 3.0% and 3.5% in September, respectively, while continuing an accommodative stance through liquidity and targeted measures. However, below-expectation credit demand and continued weakness in housing prices indicate that monetary support faces limited transmission through household and corporate borrowing. Meanwhile, foreign exchange reserves increased to USD3.438 trillion, providing a substantial external liquidity buffer. Overall, China's growth momentum remains supported by exports and high-tech manufacturing, but the persistence of weak domestic demand means that the effectiveness of policy support will increasingly depend on restoring household confidence, property-market stability and credit demand.

Indonesia

Indonesia entered September with domestic economic activity showing signs of gradual strengthening, supported by financial intermediation and fiscal policy. August loan growth accelerated to 13.65% YoY, driven particularly by investment lending, while consumer confidence improved and retail sales returned to growth. Fiscal policy also remained supportive, with strong headline revenue growth providing additional fiscal space for higher government spending, although the sustainability of this fiscal capacity will depend on the composition and durability of revenue growth. Together with high banking capital and liquidity buffers and foreign-exchange reserves of

USD146.5 billion, these conditions provide meaningful domestic and external cushions against global volatility. Nevertheless, manufacturing activity slipped back into contraction in August, indicating that the recovery remains uneven across sectors.

The principal near-term challenge is the combination of higher domestic inflation and renewed external financial pressure. Inflation accelerated to 3.19% YoY in August, while core inflation reached 2.92% YoY, reducing the room for aggressive monetary easing. At the same time, the Rupiah weakened in September amid a firmer U.S. dollar, higher global yields and the Federal Reserve's renewed tightening. These developments create an important feedback channel: exchange-rate depreciation can increase imported inflation, while higher global interest rates can reduce the relative attractiveness of rupiah-denominated assets and increase pressure on domestic financial conditions. Against this backdrop, maintaining currency stability has become increasingly important for both external resilience and domestic price stability.

Bank Indonesia therefore maintained the BI-Rate at 5.75% at its September 22–23 meeting, while relying more heavily on foreign-exchange intervention, liquidity management and macroprudential instruments to preserve domestic monetary support. This approach allows credit conditions to remain supportive without adding further pressure to the rupiah through additional rate cuts. The strong banking system provides room for this strategy, with investment credit continuing to expand and capital and asset-quality buffers remaining robust. Overall, Indonesia's macroeconomic position remains supported by domestic credit, fiscal measures and adequate external buffers, but the September policy stance

signals a narrower monetary-policy space as global rates remain restrictive. The near-term outlook will therefore depend on whether stronger domestic financing and fiscal support can sustain demand while inflation and exchange-rate pressures remain contained.

**RECENT
ECONOMIC
DEVELOPMENTS:
GLOBAL
MARKETS**

Recent Economic Developments: Global Markets

United States

MANUFACTURING SECTOR

The U.S. manufacturing sector remained in expansion territory in August 2026, with the S&P Global Manufacturing PMI unchanged at 53.9 for the third consecutive month, although the underlying composition pointed to some moderation in momentum. Both output and new order growth eased, suggesting that production remained relatively resilient but was increasingly confronted with softer demand conditions. Input-cost inflation also remained well above historical levels, reflecting continued uncertainty surrounding tariffs and higher energy costs associated with the conflict in the Middle East. These pressures encouraged manufacturers to raise selling prices, while subdued client appetite contributed to slower growth in new business.

Despite the moderation in demand, manufacturers continued to increase purchasing activity for the eighth consecutive month, indicating that firms remained relatively confident about maintaining production levels. Business expectations also stayed positive and supported another period of employment growth.

SERVICES SECTOR

The U.S. services sector strengthened significantly in August, with the S&P Global Services PMI rising to 56.5 from 54.6 in July, marking the strongest expansion in private-sector activity since December 2020. The acceleration was primarily driven by

stronger new business, which reached its highest level in more than 20 months as firms reported new customer wins and higher export orders. The improvement in demand generated greater capacity pressures, with backlogs accumulating at the fastest pace in three years and employment increasing at its strongest rate in 18 months.

Nevertheless, the strength of services activity was accompanied by persistent cost pressures. Input-cost inflation remained above its historical trend, prompting businesses to increase selling prices to preserve margins. This dynamic is particularly relevant for the monetary-policy outlook because sustained services demand and pricing power could slow the broader disinflation process. The August data therefore suggest that the U.S. economy remains resilient despite tighter financial conditions, while demand-side inflationary pressures have yet to fully dissipate.

LABOR MARKET

The U.S. labor market showed renewed resilience in August 2026, with the economy adding 162,000 jobs, the strongest monthly gain in five months, following an upwardly revised increase of 23,000 in July. Employment gains were supported by food services and drinking places, local government education, manufacturing and healthcare, while information employment declined. Job openings also increased by 89,000 to 7.27 million in July, with stronger labor demand in durable goods manufacturing,

INFLATION

U.S. headline inflation remained elevated at 3.4% YoY in August 2026, unchanged from July, indicating that the disinflation process has lost some momentum. Energy remained the main source of upward pressure, with gasoline prices increasing 27.4% YoY and fuel oil prices rising 52% YoY. By contrast, shelter inflation moderated to 3.0% YoY from 3.2% YoY, while food inflation eased to 2.7% YoY, suggesting that price pressures outside energy were comparatively more contained.

Core inflation provided a more favourable signal, easing to 2.4% YoY from 2.5% YoY, its lowest level since March 2021. Shelter and medical-care services continued to record relatively elevated inflation. The combination of moderating core inflation and persistent headline pressures creates a challenging policy environment, particularly because energy shocks can affect business costs and inflation expectations. The persistence of overall inflation therefore remains an important factor behind the Fed's renewed tightening stance.

RETAIL SALES

U.S. retail sales increased 6.0% YoY in August 2026 from 5.0% YoY in July, indicating that household consumption remained relatively resilient despite elevated interest rates and persistent price pressures. The strength of retail activity is consistent with broader evidence of solid domestic demand, particularly the strong performance of the services sector and continued labor-market resilience. Robust household spending provides an important source of support for overall economic growth and helps offset weakness in more interest-sensitive segments of the economy.

However, sustained consumption growth may also slow the pace of disinflation if strong demand allows businesses to maintain pricing power. This creates

healthcare and social assistance, wholesale trade and construction.

The unemployment rate nevertheless remained unchanged at 4.1%, while the number of unemployed increased as the labor force expanded. Labor-force participation improved to 61.6% from 61.4% in July, and the broader U-6 unemployment rate declined to 7.7% from 7.9%, indicating some improvement in broader labor-market conditions. Overall, the data suggest that the earlier signs of labor-market weakening have not yet developed into sustained deterioration. For the Fed, continued employment resilience provides room to focus on inflation control, although a material slowdown in hiring would become increasingly important in assessing the effects of tighter monetary conditions.

PRODUCER PRICE INDEX

U.S. Producer Price Index (PPI) accelerated further in August, rising 5.4% YoY, up from 4.8% YoY in July, while core PPI increased 4.6% YoY, indicating that upstream cost pressures remain relatively strong. The acceleration is consistent with the elevated input-cost pressures reported by manufacturers and service providers, particularly amid higher energy costs and continued tariff-related uncertainty.

The persistence of producer inflation increases the potential for cost pressures to be passed through to consumer prices, particularly where firms retain sufficient pricing power. This risk is amplified by the continued strength of services demand and relatively resilient labour-market conditions. Consequently, the PPI data reinforces the challenge facing the Fed in bringing inflation sustainably toward its 2% target without generating a more pronounced slowdown in economic activity.

an important trade-off for monetary policy: resilient consumption reduces near-term downside risks to growth but could also delay the return of inflation to target. The trajectory of household spending will therefore remain an important indicator of how tighter monetary conditions are being transmitted to the broader economy.

BALANCE OF TRADE

The U.S. trade deficit widened substantially to USD88.6 billion in July 2026 from USD71.1 billion in June, marking the largest monthly gap since March 2025. The deterioration was primarily driven by a 2.8% YoY increase in imports to USD399.3 billion, particularly for computers, computer accessories and semiconductors, while exports declined 2.1% YoY to USD310.7 billion. The stronger import demand indicates continued domestic requirements for technology-related goods, whereas the decline in exports was largely attributable to lower shipments of crude oil and non-monetary gold, despite stronger exports of capital goods and pharmaceutical preparations.

The widening deficit also highlights the uneven adjustment in U.S. trade flows amid continued trade-policy uncertainty. The largest bilateral gaps were recorded with Mexico, Vietnam and Taiwan, while the deficit with China stood at USD15.2 billion. Although stronger imports of technology-related products may reflect continued domestic investment and consumption, a wider trade deficit could weigh on net exports and therefore act as a drag on headline GDP growth. At the same time, persistent bilateral imbalances are likely to remain relevant for U.S. trade policy and supply-chain diversification efforts.

MONETARY POLICY

The Federal Reserve raised the federal funds rate by 25 bps to 3.75% - 4.00% at its September 15–16

meeting, marking the first-rate hike since July 2023. The decision was unanimous, with the FOMC voting 12–0 and represented a notable shift after the Fed lowered the upper bound of its policy rate from 5.50% throughout the 2024–2025 easing cycle. The renewed tightening reflects policymakers' concern that inflation remains elevated and is not returning to the Fed's 2% target rapidly enough, while economic activity and domestic spending continue to demonstrate resilience. The Fed also noted that productivity growth and capital investment remain strong and that job gains have broadly kept pace with the labour force, reducing the immediate need to prioritize growth support.

The September decision was accompanied by a more cautious inflation outlook. The Fed's updated projections raised the median 2026 PCE inflation forecast to 3.7% YoY from 3.6% YoY previously, while the core PCE inflation forecast increased to 3.4% YoY from 3.3% YoY. At the same time, the median GDP growth projection was upgraded to 2.3% YoY from 2.2% YoY, while the unemployment-rate projection was lowered to 4.1% from 4.3%, indicating that policymakers see the U.S. economy as more resilient than previously anticipated. The combination of stronger growth and persistent inflation provides greater scope for maintaining restrictive monetary conditions.

The updated policy-rate projections also suggest that monetary conditions could remain restrictive for longer. The median federal funds rate is projected at 4.1% at end-2026, compared with 3.8% in the June projection, before gradually declining to 3.6% by 2029. This suggests that the September hike should be viewed within a broader reassessment of the policy path rather than as an isolated move. For global financial markets, a higher-for-longer U.S. rate environment could continue to support the dollar and maintain pressure on global funding

conditions, particularly for emerging markets. Going forward, the Fed's policy stance will remain closely tied to the persistence of inflation, labour-market resilience and the extent to which higher interest rates begin to moderate domestic demand.

Resilient domestic demand and labor-market conditions continue to support growth, but persistent inflationary pressures have prompted the Fed to resume tightening, reinforcing a more restrictive global financial environment.

Euro Area

MANUFACTURING SECTOR

The Euro Area manufacturing sector strengthened further in August, with the S&P Global Manufacturing PMI rising to 52.7 from 51.9 in July, its strongest reading since May 2022. The improvement was led by Germany, which recorded its strongest manufacturing expansion in more than four years, while France also contributed positively. Manufacturing output expanded for the third consecutive month and accelerated to its fastest pace in four and a half years, supported by stronger new orders and a renewed increase in export business.

The recovery nevertheless remains exposed to supply-side disruptions, with delivery times lengthening sharply. Employment was broadly stable, ending more than three years of declines, while input-cost pressures continued to ease and

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business confidence improved for a fourth consecutive month. Overall, the manufacturing sector is showing increasingly broad-based signs of stabilization, although the sustainability of the recovery will depend on whether stronger orders translate into durable improvements in production and employment.

SERVICES SECTOR

Euro Area services activity remained in expansion territory in August, although the Services PMI edged down slightly to 51.6 from 51.7 in July. The result nevertheless confirms a continued recovery after the sharp energy-price shock associated with the Middle East conflict caused services activity to contract during the three months through June. New orders continued to increase, supported primarily by stronger domestic demand, while employment recorded its fastest increase in eight months.

However, firms continued to reduce their backlogs, indicating that the improvement in new business has not yet fully translated into excess capacity or sustained output growth. At the same time, input costs rose to a three-month high as wholesale energy prices regained momentum. The services sector therefore remains a key source of resilience for the euro-area economy, although renewed energy-cost pressures could limit the strength of the recovery.

INDUSTRIAL PRODUCTION

Euro Area industrial production was unchanged at 0% YoY in July 2026, indicating that the industrial sector remained broadly stagnant despite signs of improvement in manufacturing surveys. The subdued production performance reflects the lingering effects of elevated energy costs, weak external demand in some markets and continued

uncertainty affecting industrial investment and production decisions.

The flat annual growth rate contrasts with the improvement in the August manufacturing PMI, which suggests that business conditions may be gradually improving at the survey level. However, the recovery has yet to translate into a stronger increase in actual industrial output. The divergence highlights the still-fragile nature of the euro-area industrial recovery and the importance of sustained new-order growth in supporting a broader pickup in production.

UNEMPLOYMENT

The Euro Area unemployment rate remained stable at 6.4% in July 2026, with the number of unemployed unchanged at 11.26 million. Youth unemployment edged down to 14.9% from 15.0%, indicating a modest improvement among younger workers. Labor-market conditions nevertheless remain uneven across member states, with unemployment highest in Spain, France and Italy, while Germany and the Netherlands continued to record considerably lower rates.

The relatively stable labour market provides some support to household income and consumer demand despite the region's weak growth environment. However, persistent differences across member states indicate that the recovery remains uneven and that labour-market resilience has not translated uniformly into stronger consumption. The stability of employment therefore remains an important buffer against a sharper slowdown, particularly as monetary conditions tighten further.

BALANCE OF TRADE

The Euro Area recorded a EUR14.2 billion trade surplus in July 2026, up from EUR10.7 billion a year earlier and representing the largest surplus in nine months. The improvement was primarily driven by a

9.0% YoY increase in goods exports to EUR276 billion, while imports increased at a slower 7.9% YoY to EUR261.8 billion. Stronger exports of chemicals, manufactured goods and food and beverages more than offset a smaller surplus in machinery and vehicles, while the energy trade deficit also narrowed.

Export performance was particularly strong toward the United States, the United Kingdom and Switzerland, while shipments to China declined. On the import side, purchases from the U.S. and U.K. increased significantly, while imports from China fell sharply. The improvement in the trade balance provides an important external-sector buffer for the euro area, although the sustainability of the surplus will depend on global demand and the region's ability to maintain export competitiveness amid geopolitical and energy-related uncertainty.

INFLATION RATE

Euro Area inflation accelerated to 3.2% YoY in August 2026, matching the highest level in two and a half years and remaining well above the ECB's 2% target. The acceleration was driven primarily by energy prices, with energy inflation rising to 14.3% YoY, its highest level since January 2023. Inflation for unprocessed food and non-energy industrial goods also increased, while services inflation moderated to 3.0% YoY and core inflation eased marginally to 2.4% YoY.

The composition of inflation is particularly important for the ECB because the renewed acceleration is heavily influenced by an external energy shock rather than solely by domestic demand. Nevertheless, persistent headline inflation can still affect wage-setting behaviour, inflation expectations and household purchasing power. The combination of elevated energy inflation and relatively resilient domestic activity therefore

creates a difficult policy environment, explaining the ECB's emphasis on a data-dependent and meeting-by-meeting approach.

RETAIL SALES

Euro Area retail sales growth slowed to 0.6% YoY in July 2026 from 1.4% YoY in June, marking the weakest increase since July 2024. The moderation indicates that household consumption remains constrained despite gradual improvements in consumer sentiment. Higher energy prices and elevated borrowing costs continue to weigh on households' disposable income and spending capacity, while uncertainty surrounding the broader economic outlook limits willingness to make discretionary purchases.

The weakness in retail activity contrasts with improving manufacturing conditions and therefore suggests that the recovery remains uneven across sectors. A sustained recovery in consumption will likely depend on whether inflationary pressures moderate sufficiently to support real household purchasing power. Until then, domestic demand is likely to remain a constraint on the pace of the euro-area recovery.

CONSUMER CONFIDENCE

Euro Area consumer confidence improved for the fourth consecutive month to -15.5 in August from -15.9 in July, reaching its highest level since February. The improvement was supported by somewhat stronger perceptions of households' past and future financial conditions, suggesting that consumers have become less pessimistic about their immediate economic circumstances. Nevertheless, the recovery in sentiment has yet to translate into stronger spending intentions.

Consumers remained less inclined to make major purchases over the following 12 months, while expectations for the broader economic outlook

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deteriorated. This divergence suggests that improving sentiment remains fragile and that households continue to exercise caution in their spending decisions. Consequently, consumer confidence provides some support for the recovery but does not yet indicate a broad-based acceleration in household demand.

MONETARY POLICY

The European Central Bank (ECB) raised its key policy rates by 25 bps in September 2026, marking the second-rate hike since the escalation of the Middle East conflict. The main refinancing rate increased to 2.65%, while the deposit rate rose to 2.50%, as the ECB responded to renewed inflationary pressures stemming primarily from higher energy prices. The ECB maintained its 2026 inflation forecast at 3.0% YoY but revised the projections for 2027 and 2028 upward to 2.5% YoY and 2.1% YoY, respectively, indicating that inflation is expected to remain above the 2% target for an extended period.

At the same time, the ECB upgraded its growth projections to 0.9% YoY for 2026 and 1.4% YoY for 2027, reflecting greater-than-expected resilience in the euro-area economy. However, the policy outlook remains highly uncertain because higher energy prices create a difficult combination of weaker purchasing power and stronger inflation. ECB President Christine Lagarde therefore emphasized a meeting-by-meeting approach, with growth risks tilted to the downside while inflation risks remain tilted to the upside.

The recovery is gradually broadening through stronger manufacturing, services and trade, although renewed energy-driven inflation has constrained monetary-policy flexibility and prompted further ECB tightening.

China

MANUFACTURING

China's official Manufacturing PMI increased to 49.8 in August from 49.2 in July, marking a second consecutive month of contraction but indicating a slower pace of deterioration. Output and new orders returned to expansionary territory, suggesting that demand conditions improved during the month. Supplier delivery times also shortened for the first time in seven months, while inventories continued to decline.

However, employment remained in contraction and business confidence weakened to a five-month low. At the same time, input costs increased at their fastest pace in three months, and output prices returned to growth, indicating that cost pressures are beginning to build despite weak overall manufacturing conditions. The combination of improving orders and persistent employment weakness suggests that manufacturing activity is stabilizing, but the recovery remains insufficiently broad-based to indicate a sustained expansion.

NON-MANUFACTURING

China's official Non-Manufacturing PMI remained at 49.0 in August, unchanged from July, indicating that activity continued to contract. Construction activity weakened marginally, while the new-orders index declined further to 44.1, pointing to continued

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softness in market demand. Within services, technology-related segments such as telecommunications, broadcasting and internet software remained relatively strong, contrasting with weakness in wholesale, retail and capital-market services.

The persistence of contraction in non-manufacturing activity highlights the uneven nature of China's recovery. Although business expectations remained positive, employment remained weak and new orders continued to decline, suggesting that firms remain cautious about expanding capacity. The data indicate that stronger industrial and export performance has yet to translate into a broad-based improvement in domestic services and construction demand.

INDUSTRIAL PRODUCTION

China's industrial production growth accelerated to 5.2% YoY in August from 4.5% YoY in July, supported by stronger manufacturing output. Manufacturing growth accelerated to 6.1% YoY, with particularly strong performance in computers and communications equipment, railway and shipbuilding, specialized equipment and electrical machinery. The strength of these technology- and investment-related industries indicates that industrial activity continues to benefit from structural demand associated with high-tech manufacturing and infrastructure development.

However, the recovery was not uniform across sectors, as mining output contracted 1.4% YoY and several construction-related industries remained weak. The divergence between advanced manufacturing and traditional industries highlights the increasingly uneven composition of China's industrial growth. Overall, manufacturing remains an important pillar of economic activity, but weaker

domestic demand and property-sector conditions continue to constrain the broader industrial recovery.

UNEMPLOYMENT RATE

China's surveyed urban unemployment rate increased to 5.3% in August 2026 from 5.2% in July, marking the highest level since March. The increase was broad-based, affecting both locally registered workers and migrant workers, while unemployment across the 31 major cities also rose to 5.3%. Although the average unemployment rate for January–August remained at 5.2%, the monthly increase indicates that labor-market conditions have softened somewhat alongside weaker domestic demand.

The labor-market development is particularly relevant for consumption because weaker employment conditions can constrain household income expectations and spending intentions. At the same time, employment remains relatively stable in aggregate, suggesting that the deterioration is gradual rather than abrupt. Continued monitoring of employment will therefore be important in assessing whether weak domestic demand remains a temporary constraint or becomes a more persistent drag on growth.

INFLATION RATE

China's annual inflation accelerated to 0.8% YoY in August 2026 from 0.5% YoY in July, marking a modest improvement in domestic price pressures. The increase was primarily driven by non-food prices, particularly transportation costs, which rose amid higher fuel prices and stronger travel-related demand. Core inflation also increased to 1.0% YoY from 0.9% YoY in July, indicating some improvement

in underlying price dynamics, although it remains relatively subdued.

Food prices, however, continued to decline for the fifth consecutive month, largely reflecting abundant supply and weak demand, particularly for pork. Housing prices also remained under pressure, highlighting that domestic demand has not yet fully recovered. The combination of low overall inflation and persistent weakness in food and housing prices suggests that deflationary pressures have eased but remain an important constraint on the broader economic recovery.

RETAIL SALES

China's retail sales growth slowed to 0.4% YoY in August from 0.6% YoY in July, highlighting continued weakness in household consumption. Automobile sales declined 18.5% YoY, while furniture, building materials and gold and silver jewelry also recorded significant declines. Excluding automobiles, however, retail sales increased 2.5% YoY, suggesting that underlying consumer demand was somewhat stronger than the headline figure indicates.

Consumption remained stronger in selected technology- and service-related categories, including communication equipment, while online retail sales of goods increased 4.3% YoY during the first eight months of the year. Nevertheless, the weakness in big-ticket purchases and housing-related goods indicates that households remain cautious amid subdued property-market conditions. The consumption data therefore continues to point to an uneven recovery in domestic demand, reinforcing the importance of policy support to strengthen household confidence and spending.

BALANCE OF TRADE

China's trade surplus widened to USD119.1 billion in August 2026 from USD101.0 billion a year earlier, supported by another strong increase in exports. Exports rose 25% YoY to USD401.4 billion, driven particularly by high-tech products and continued global demand related to AI infrastructure. Integrated-circuit exports increased nearly 130% YoY, while high-tech exports rose almost 57% YoY, highlighting the growing importance of technology-related products in China's external sector.

Imports also increased strongly by 28.2% YoY, supported by higher commodity demand and the broader AI infrastructure buildout. Imports from major Asian trading partners, including South Korea, Taiwan, Japan and ASEAN, increased substantially, suggesting that regional supply chains remain an important source of trade momentum. Nevertheless, the continued expansion of China's trade surplus, particularly with the United States, could reinforce external pressure for China to stimulate domestic demand and reduce its reliance on exports as a primary growth engine.

MONETARY POLICY

The People's Bank of China (PBoC) kept its key lending rates unchanged in September, with the one-year LPR maintained at 3.0% and the five-year LPR at 3.5% for the 16th consecutive month. The decision reflects a cautious approach despite continued weakness in domestic demand, as policymakers balance the need to support growth against uncertainty arising from the Middle East conflict and external financial conditions. At the same time, strong export performance, particularly from AI-related demand, has provided an important source of support for economic activity.

The decision to maintain record-low lending rates also reflects persistent weakness in credit demand from households and businesses. Although new yuan loans returned to growth in August, they remained below expectations, while housing prices continued to decline despite government support measures. The combination of weak domestic demand, subdued property activity and continued export strength suggests that monetary policy remains accommodative, but the effectiveness of further rate reductions may depend increasingly on the willingness of households and businesses to borrow and spend.

FOREIGN EXCHANGE RESERVES

China's foreign exchange reserves increased to USD3.44 trillion in August 2026 from USD3.42 trillion in July, exceeding market expectations. The increase was supported by a 0.5% appreciation of the yuan against the U.S. dollar and a 0.4% weakening of the dollar against a basket of major currencies. The reserve position was further supported by continued accumulation of gold, with the People's Bank of China extending its gold-buying streak to 22 consecutive months.

The increase in both foreign-exchange and gold reserves strengthens China's external liquidity buffer and provides additional support for financial stability amid global market uncertainty. Continued gold accumulation also indicates an ongoing diversification of reserve assets. The relatively strong reserve position gives policymakers additional room to manage exchange-rate volatility and external financial pressures while maintaining accommodative domestic monetary conditions.

Strong exports and technology-intensive manufacturing continue to offset weak domestic demand, property-sector pressures and subdued credit transmission, leaving the recovery uneven and increasingly reliant on external demand.

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RECENT ECONOMIC DEVELOPMENTS: DOMESTIC MARKETS

Recent Economic Developments:

Domestic Markets

INFLATION

Indonesia's headline inflation accelerated to 3.19% YoY in August 2026, up from 2.88% YoY in July, although it remained within Bank Indonesia's (BI) 1.5%–3.5% target range. The increase was primarily driven by volatile food (VF) inflation, which rose to 4.06% YoY, mainly reflecting higher prices for chicken meat, cayenne pepper, and rice. Meanwhile, administered price (AP) inflation moderated to 3.32% YoY, supported by lower aviation fuel prices and adjustments in non-subsidized fuel prices. On a monthly basis, CPI inflation rose 0.21% MoM, reversing the 0.14% MoM decline recorded in July.

More importantly, core inflation also increased to 2.92% YoY in August from 2.76% YoY in July, reaching its highest level since March 2023. This suggests that the August inflation acceleration was not solely attributable to volatile food prices, with underlying price pressures also showing signs of strengthening. Nevertheless, core inflation remains within BI's target range, indicating that broader inflationary pressures are still manageable, although the upward trend warrants closer monitoring given its implications for domestic demand, input costs, and inflation expectations.

The August data therefore point to renewed but contained inflationary pressures, reinforcing the importance of food-price and exchange-rate stability in BI's policy mix. Persistent food-price increases or renewed rupiah depreciation could push headline inflation closer to the upper end of the target range, particularly amid elevated global

commodity prices. While inflation remains conducive to supporting economic activity, the simultaneous rise in headline and core inflation could limit the room for aggressive monetary easing, strengthening the need to balance growth support with price stability.

RETAIL SALES

Indonesia's retail sales increased 1.1% YoY in July 2026, ending three consecutive months of contraction and suggesting an initial recovery in household consumption. The rebound was supported by stronger sales of food, beverages and tobacco as well as clothing, partly reflecting government measures aimed at cushioning households against persistent cost pressures. However, the improvement remained uneven, with automotive-related sales growth slowing significantly and several discretionary categories continuing to contract.

Fuel sales declined 7.7% YoY, while information and communication equipment and recreational goods also remained weak. On a monthly basis, retail sales fell 0.1% month-over-month (MoM) following a 0.7% MoM increase in June, indicating that the recovery remains relatively fragile. Continued government support could provide further assistance to consumption, but higher inflation and weaker purchasing power may limit the pace of recovery in discretionary spending.

CONSUMER CONFIDENCE INDEX (CCI)

Indonesia's consumer confidence index increased to 118.5 in August 2026 from 116.8 in July, marking the first improvement in four months and bringing confidence to its highest level since May. The recovery was supported by stronger assessments of current economic conditions, perceptions of job availability and expectations for household income. Sentiment toward durable goods purchases also improved, indicating that households became somewhat more comfortable with their current financial position.

The improvement provides a positive signal for domestic consumption following several months of weaker sentiment. Nevertheless, the increase occurred alongside a renewed acceleration in inflation, particularly core inflation, which could constrain the conversion of stronger sentiment into actual spending. Consumer confidence therefore points to an improving demand outlook, but the durability of the recovery will depend on household purchasing power and labor-market conditions.

PURCHASING MANAGER INDEX (PMI)

Indonesia's S&P Global Manufacturing PMI slipped to 49.8 in August 2026 from 50.2 in July, indicating a mild deterioration in manufacturing conditions after the sector briefly returned to expansion in the previous month. The decline suggests that improvements in production and demand have yet to become sufficiently broad-based to generate sustained manufacturing momentum. The sub-50 reading also indicates that external and domestic demand conditions remain challenging for manufacturers.

Moderation is relevant for the broader growth outlook because manufacturing activity is closely

linked to investment, trade and employment. Continued weakness in manufacturing could limit the pace of industrial recovery, particularly if external demand remains uncertain and domestic purchasing power remains constrained by higher prices.

BALANCE OF TRADE

Indonesia unexpectedly recorded a USD0.13 billion trade surplus in July 2026, reversing the USD0.3 billion deficit expected by the market and ending two consecutive months of trade deficits. Exports increased 6.05% YoY, supported by stronger non-oil and gas shipments to major trading partners including China, the United States, Japan and ASEAN. However, oil and gas exports fell sharply, reflecting significant declines in crude oil and natural gas shipments.

At the same time, imports increased 27.02% YoY, driven by stronger purchases of oil and gas as well as machinery, electrical equipment and plastics. The strong increase in imports suggests that domestic investment and production-related demand remain relatively active, but it also reflects the impact of higher energy prices on the import bill. Consequently, the narrow trade surplus provides some external-sector support, although the sharp rise in imports could limit the contribution of net exports to overall growth if it persists.

LOAN GROWTH

Banking intermediation strengthened further in August 2026, while financial system resilience remained well preserved. Loan growth accelerated to 13.65% YoY in August, slightly up from 13.58% YoY in July, maintaining a pace well above Bank Indonesia's full-year target range of 8–12%. Loan expansion remained broad-based, led by

investment loans, which grew 25.11% YoY, followed by working capital loans at 11.45% YoY and consumer loans at 5.07% YoY. The stronger performance of investment lending suggests that credit growth continues to be supported by business expansion and productive investment, while the growth in working capital and consumer lending indicates that financing demand remains relatively resilient across both corporate and household segments.

The continued expansion in lending was supported by Bank Indonesia's accommodative macroprudential stance, particularly through the optimization of the Macroprudential Liquidity Incentive (KLM). As of the first week of September, total KLM incentives received by banks reached IDR461.2 trillion, comprising IDR338.2 trillion through the financing channel and IDR123.0 trillion through the Money Market Deepening (PPU) channel. The transmission of these incentives has been reinforced by relatively accommodative lending appetite, while third-party funds (DPK) grew 10.94% YoY, providing a stronger funding base for further credit expansion. This combination of stronger funding, bank lending appetite and policy support suggests that financial intermediation is increasingly contributing to domestic economic activity, particularly through investment financing.

At the same time, banking resilience remained strong, providing sufficient balance-sheet capacity to accommodate faster loan growth without a material deterioration in asset quality or liquidity. The banking system's Capital Adequacy Ratio (CAR) stood at a robust 23.84% in July, while aggregate NPLs remained contained at 2.10% gross and 0.81% net. Liquidity conditions also remained relatively stable, with the liquid assets-to-deposits ratio (AL/DPK) at 23.04% in August. The combination of high capital buffers, low non-performing loans and

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adequate liquidity provides an important cushion as banks expand lending, although continued monitoring of asset quality and liquidity will remain relevant as credit growth remains above the central bank's annual target range.

Overall, the August data point to a strengthening credit transmission mechanism amid a supportive macroprudential policy environment, with banking sector resilience remaining intact. The acceleration in investment, working capital and consumer lending suggests that financing is increasingly supporting both productive activity and domestic demand. Going forward, Bank Indonesia's continued optimization of accommodative macroprudential policies should help sustain credit and financing growth, while the sector's strong capital, liquidity and asset-quality buffers provide a basis for maintaining financial stability as intermediation continues to expand.

STATE BUDGET (APBN)

Indonesia's fiscal performance remained resilient through August 2026, supported by strong revenue growth that outpaced the expansion in government expenditure. State revenue reached IDR2,055.6 trillion, equivalent to 65.2% of the 2026 APBN target, and grew 25.4% YoY, reversing the contraction recorded over the same period last year. The acceleration was broad-based, with tax revenue increasing 24.1% YoY to IDR1,409.0 trillion, customs and excise revenue rising 7.8% YoY to IDR210.2 trillion, and PNBPN surging 41.7% YoY to IDR435.1 trillion. Stronger tax collection was supported by mining, trade and manufacturing, while improvements in tax administration and Coretax implementation also contributed. Nevertheless, part of the revenue acceleration reflected higher commodity prices, rupiah depreciation, lower tax

refunds and exceptional state-asset income, including the IDR55 trillion surplus transfer from Bank Indonesia, suggesting that not all the improvement represents a structural expansion of the tax base.

Government expenditure, meanwhile, reached IDR2,295.7 trillion, or 59.7% of the annual allocation, increasing 17.1% YoY. Central government expenditure was the main driver, rising 29.0% YoY to IDR1,791.5 trillion, supported by higher ministry/agency and non-ministry spending. Spending was increasingly directed toward programs with direct economic transmission, including the Free Nutritious Meals (MBG) program, social assistance, infrastructure and food-security projects, while subsidies and compensation reached IDR331.4 trillion, equivalent to 74.2% of the annual budget. These measures provide near-term support to household purchasing power and domestic demand while infrastructure and food-security spending may strengthen productive capacity over the longer term. In contrast, Transfer to Regions (TKD) reached IDR504.3 trillion, or 72.8% of its allocation, remaining 11.8% below the previous year's level despite a higher execution rate, indicating that the fiscal impulse has been more concentrated at the central-government level.

Strong headline revenue growth provided additional fiscal space for higher government spending, although the sustainability of this fiscal capacity remains subject to the composition of revenue growth. As of August, the APBN recorded a IDR240.1 trillion deficit, equivalent to 0.93% of GDP, while the primary balance remained in surplus at IDR154.0 trillion, marking a significant improvement from the primary deficit recorded in the same period of 2025. The stronger primary balance provides a buffer against financing pressures, although net

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debt financing has already reached IDR506.0 trillion, or 60.8% of the annual target. Financing conditions therefore remain relevant, particularly amid elevated global yields and financial-market uncertainty, with the 10-year SBN yield standing at around 7.17% as of 15 September 2026. Maintaining investor confidence and fiscal credibility will remain important for containing borrowing costs as expenditure continues to accelerate.

Overall, the August 2026 fiscal data indicate that fiscal policy is providing meaningful support to domestic demand while maintaining a relatively controlled fiscal position. The combination of revenue growth above expenditure growth, a primary surplus and contained deficit provides fiscal space to sustain government programs without a proportionate increase in deficit financing. However, the sustainability of this position will depend on the quality and durability of revenue growth, given the significant contribution from commodity prices, exchange-rate effects, tax-administration improvements and non-recurring state-asset income. At the same time, the growing role of subsidies and large-scale government programs increases expenditure sensitivity to energy prices and policy execution. The fiscal outlook therefore remains supportive of economic activity, but maintaining a broad-based tax base and disciplined spending execution will be important to preserve fiscal space and manage financing costs over the medium term.

EXCHANGE RATE

The Indonesian rupiah strengthened marginally to around IDR17,855 per U.S. dollar on September 22, ending an eight-session losing streak after Bank Indonesia reiterated its commitment to stabilize the currency. The central bank indicated that stabilization measures could include offshore and

domestic NDF transactions, spot-market intervention and purchases of government bonds in the secondary market. The intervention comes amid persistent external pressure from a firmer U.S. dollar and expectations of higher-for-longer U.S. interest rates following the Fed's September tightening.

Bank Indonesia had maintained borrowing costs for two consecutive months after delivering 100 bps of rate increases since May, suggesting that exchange-rate stabilization has become an increasingly important consideration in the policy mix. The rupiah therefore remains sensitive to the global interest-rate environment, capital flows and the relative attractiveness of domestic assets. Maintaining orderly currency conditions will be important for containing imported inflation while preserving financial-market stability.

MONETARY POLICY

Bank Indonesia (BI) maintained the BI-Rate at 5.75% at its 22–23 September 2026 meeting, with the Deposit Facility and Lending Facility rates unchanged at 4.75% and 6.50%, respectively. The decision reflects a more cautious monetary policy stance amid elevated external pressures, particularly following the Federal Reserve's rate hike to 3.75–4.00% in September and higher US Treasury yields. With global growth remaining relatively weak and inflationary pressures rising, BI is prioritizing rupiah stability and external resilience while preserving monetary support for domestic growth, rather than relying on further rate cuts. BI continues to target inflation at 2.5% $\pm$ 1% in 2026–2027, while maintaining its 2026 growth projection at 4.9–5.7%.

The current policy stance places greater emphasis on exchange-rate management as a key transmission channel of monetary policy. BI is

optimizing FX interventions through offshore NDF as well as domestic spot and DNDF transactions, while strengthening pro-market monetary operations to maintain adequate rupiah liquidity. The approach has become increasingly relevant as global investor preference for emerging-market assets remains constrained and the US dollar stays firm. The rupiah, after strengthening through August and mid-September, weakened to IDR17,855/USD on 22 September, down 0.78% from end-August. BI has therefore expanded hedging incentives for foreign funding transactions, including portfolio inflows, bank external borrowing and FDI, while continuing to promote Local Currency Transactions with partner countries.

Domestic inflation remains manageable but provides less room for aggressive easing. The composition of inflation suggests that underlying price pressures remain broadly manageable, but food and energy prices, combined with potential exchange-rate pass-through, remain important upside risks. Against this backdrop, rupiah stabilization is increasingly important not only for external stability but also for containing imported inflation and keeping headline inflation within BI's target range. At the same time, monetary accommodation is increasingly being delivered through liquidity and macroprudential channels rather than the policy rate.

Overall, BI's September decision signals a shift toward a more active multi-instrument policy mix, in which the BI-Rate serves as an anchor for inflation and financial stability while FX intervention, liquidity management and macroprudential incentives provide greater support for growth. The unchanged policy rate limits additional pressure on the rupiah and domestic funding conditions at a time when global monetary conditions are becoming less

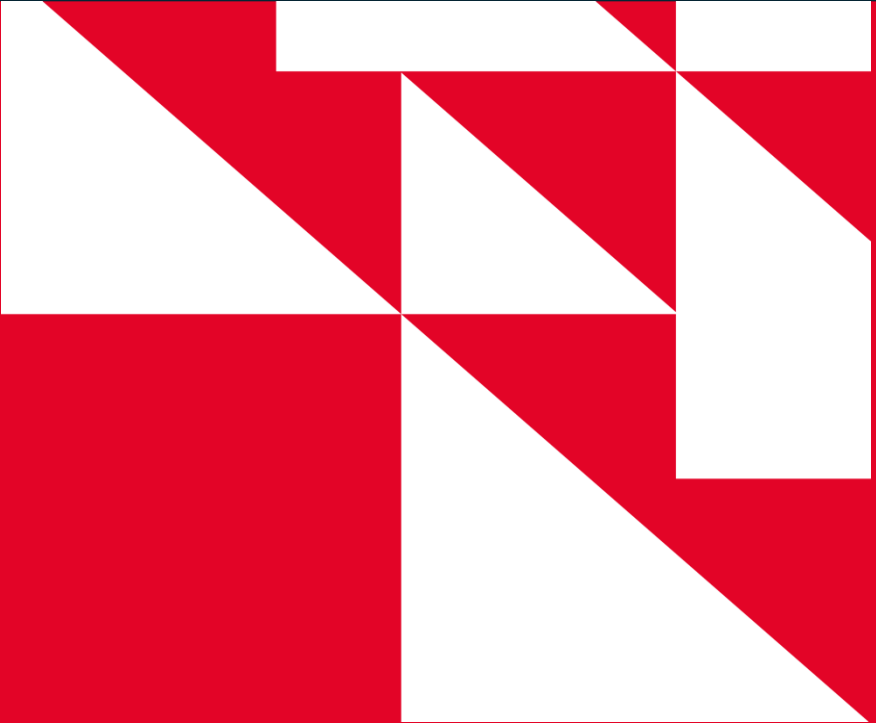
supportive, while stronger credit intermediation provides an alternative channel for sustaining domestic demand. The key constraint remains the external environment: renewed dollar strength, higher global yields or further increases in energy prices could limit BI's room for conventional easing and increase the importance of FX and liquidity management in maintaining macro-financial stability.

FOREIGN EXCHANGE RESERVES

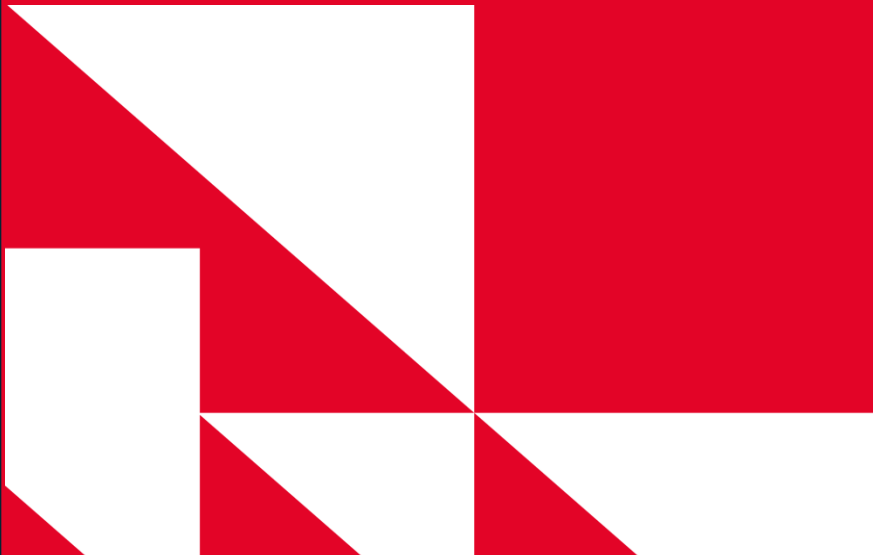
Indonesia's foreign exchange reserves increased to USD146.5 billion in August 2026 from USD145.3 billion in July, reaching their highest level since March. The increase was primarily supported by higher tax and services receipts and government external-loan withdrawals, which more than offset external debt repayments and Bank Indonesia's currency-stabilization operations. The reserve position remained equivalent to 5.4 months of imports, or 5.3 months of imports and government external debt servicing, comfortably above the international adequacy benchmark of around three months.

The strong reserve buffer provides Indonesia with additional capacity to manage external shocks and stabilize the rupiah amid elevated global financial-market uncertainty. This is particularly relevant as the Fed has shifted toward tighter monetary policy and the U.S. dollar remains relatively firm. While continued intervention may draw on reserves, the current level provides a meaningful external-sector cushion and supports confidence in Indonesia's ability to manage currency and balance-of-payments pressures.

Domestic activity remains supported by stronger credit, fiscal stimulus and improving confidence, but higher inflation and rupiah pressures have narrowed monetary-policy space and shifted the policy focus toward exchange-rate stability and liquidity support.



ASSET ALLOCATION



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Global Market

Following the Fed's 25 bps rate hike to 3.75–4.00%, the UST yield curve experienced a bear flattening, as the UST 2Y yield increased by around 5 bps to 4.72%, while the UST 10Y yield increase by around 1 bp to 5.01%, reflecting higher near-term rate expectations. Meanwhile, oil prices have started to decline toward USD100/bbl as expectations of a potential deal between the US and Iran improved, easing concerns over prolonged supply disruptions and inflation. The decline in oil prices subsequently supported US equities, with the Nasdaq reaching a new record high, driven primarily by renewed strength in technology and AI-related stocks.

Domestic Equity Market

JCI was under pressure in September, closing at 6,277, -3.81% MTD. Foreign investors recorded around IDR -4.2tn of net outflows MTD. The decline was also accompanied by continued weakness in large-cap stocks, particularly banks, with BBRI, BBCA, and BMRI among the largest foreign net-sold names on September. Meanwhile, the Rupiah weakened toward IDR17,900, elevated UST yields, and uncertainty surrounding global interest rates continued to weigh on investor sentiment. Although selected stocks remained resilient, persistent foreign outflows and Rupiah weakness kept the broader market under pressure.

Domestic Bond Market

The SBN market faced renewed pressure in September as higher global yields and Rupiah weakness pushed domestic yields higher. The SBN 10Y yield reached 7.23% on early September before easing to around 7.12% on 22 September, while the SBN 5Y yield stood at around 6.87% on 22 September. The recent stabilization in long-end

yields provides some relief, but the market remains sensitive to global rate movements, inflation, and currency developments. With the Fed turning more hawkish and domestic inflation rising to 3.19% YoY in August, the room for a sustained decline in SBN yields remains limited.

Domestic Money Market

Money market rates continued to ease in September, with the IndONIA rate declining from 6.13% to 5.98%, reflecting improving liquidity conditions and expectations of a more stable interest-rate environment. However, rates remain relatively high as Bank Indonesia continues to hold the BI-Rate at 5.75%. In addition, the expansive credit condition, with the Loan-to-Deposit Ratio (LDR) at around 92% as of July 2026 continues to limit the scope for a more significant decline in funding costs. This is also consistent with strong credit growth, which reached 13.0% YoY in July, indicating that demand for bank loan remains robust.

Asset Allocation Takeaway

We maintain a balanced but cautious stance across asset classes. In fixed income, rising SBN 10Y yields, elevated global yields, and Rupiah weakness suggest continued pressure on the long tenors. We therefore prefer to wait before taking significant duration risk until global yields and the Rupiah show clearer stabilization. In equities, the decline in JCI and foreign outflow warrant a selective approach. Overall, we prefer to maintain a cautious allocation while monitoring global rates, oil prices, and domestic liquidity.



COMMODITIES OUTLOOK

Key Commodities Market (August 2026): physical supply constraints back in focus

August was busier than July, but the headlines shifted from policy to physical supply. Coal logistics along the Barito River deteriorated sharply, Indonesia's largest copper smelter went offline, and nickel prices swung on reports of selective quota top-ups. The policy overhang has also eased further. DSI has emphasized that its role is limited to acting as a sole intermediary, preserving cargo ownership, contracts and buyer-seller relationships, with market benchmarks used only to verify transaction fairness. We therefore see the earlier worst case, DSI becoming a full state trading counterparty, as materially less likely, leaving supply-demand dynamics as the main price driver.

NICKEL

Indonesia's RKAB policy remains the key price driver. In early August, nickel fell to its lowest level since mid-July, dropping as much as 3.2% to USD16,565/t in LME, on reports that one of Indonesia's largest mines would receive an additional ore quota of "tens of millions" of tonnes for the second half. The nickel miners' association (APNI) has since indicated that top-ups will be granted selectively, tied to new smelting capacity coming online in 2026, noting that Indonesia's roughly 80 smelters would consume around 315mn tonnes of ore a year at full capacity. We maintain our view that upside to the current 260–270mn-tonne ore production plan is limited, with a 10–15% top-up to around 300mn tonnes the more likely outcome. Until the revision process becomes more transparent, however, we expect headline-driven price volatility to persist.

COAL

For coal, we upgraded the sector to OVERWEIGHT as domestic logistics constraints coincide with a more supportive regional backdrop. Water levels along the mid-to-upper Barito River have fallen to low-single-digit percentages of their YTD peaks, leaving much of the upstream section unnavigable. Central Kalimantan accounts for only around 5.7% of Indonesia's thermal coal exports, but we think the price impact could exceed that headline share. The affected volumes are concentrated in mid- to high-CV coal, where the seaborne market is much thinner, exportable supply is already constrained by this year's RKAB cuts, and several producers have declared force majeure. Even on navigable rivers such as the Mahakam, lower water levels are reducing barge loads and could delay the ramp-up of newly approved RKAB volumes. With BMKG expecting El Niño to persist into at least early Q1-2027, the disruption could extend into the Northern Hemisphere winter peak. Regional fundamentals are also turning supportive: Chinese coal output fell around 10% YoY in July, Indian power-plant inventories remain well below normative levels, and European gas storage stood at 66.6% in early September versus an 82% five-year seasonal average. We therefore raised our FY26E/27E coal price assumptions to USD135/130 per tonne from USD120/120.

TIN

For tin, the supply-demand picture remains relatively balanced. The structural story is still supportive given constrained and concentrated global supply, while demand continues to benefit from electronics, semiconductors and longer-term AI and data-center adoption. That said, prices have already been volatile this year: LME tin rallied from

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about USD42,000/t at the start of the year to a record USD59,000/t, pulled back to USD40,500/t in March, surged again to near USD58,000/t in April–May, and retreated below USD50,000/t by end-June. With Myanmar's Man Maw mine gradually returning and global mine production expected to recover this year, we see tin prices remaining supported, but with more limited upside from here.

COPPER

For copper, fundamentals remain constructive. LME copper hit USD14,437/t on 26 August, its highest since late January, and closed the month at USD14,285/t, up 3.49% MoM, supported by continued withdrawals from LME warehouses. Supply disruptions remain a key theme, including domestically: PT Smelting's Gresik plant, 66% owned by Freeport Indonesia, has been shut since 8 August after furnace damage, taking around 342,000 tonnes of annual cathode capacity offline. The market is also watching US tariff policy, with the Commerce Department proposing duties of 15% from January 2027 and 30% from 2028, pending a presidential decision. However, the global refined market still ran a 131,000-tonne surplus in H1-2026 according to the ICSG, suggesting part of the current tightness reflects stock relocation rather than outright shortage. With prices near record levels, further upside will depend on whether physical demand, particularly from China, can absorb the higher price environment.

GOLD

For gold, the outlook remains driven more by macro conditions than by traditional supply-demand dynamics. After peaking near USD5,600/oz in January, gold fell more than 20% in Q2 before rebounding sharply in August. The rebound was

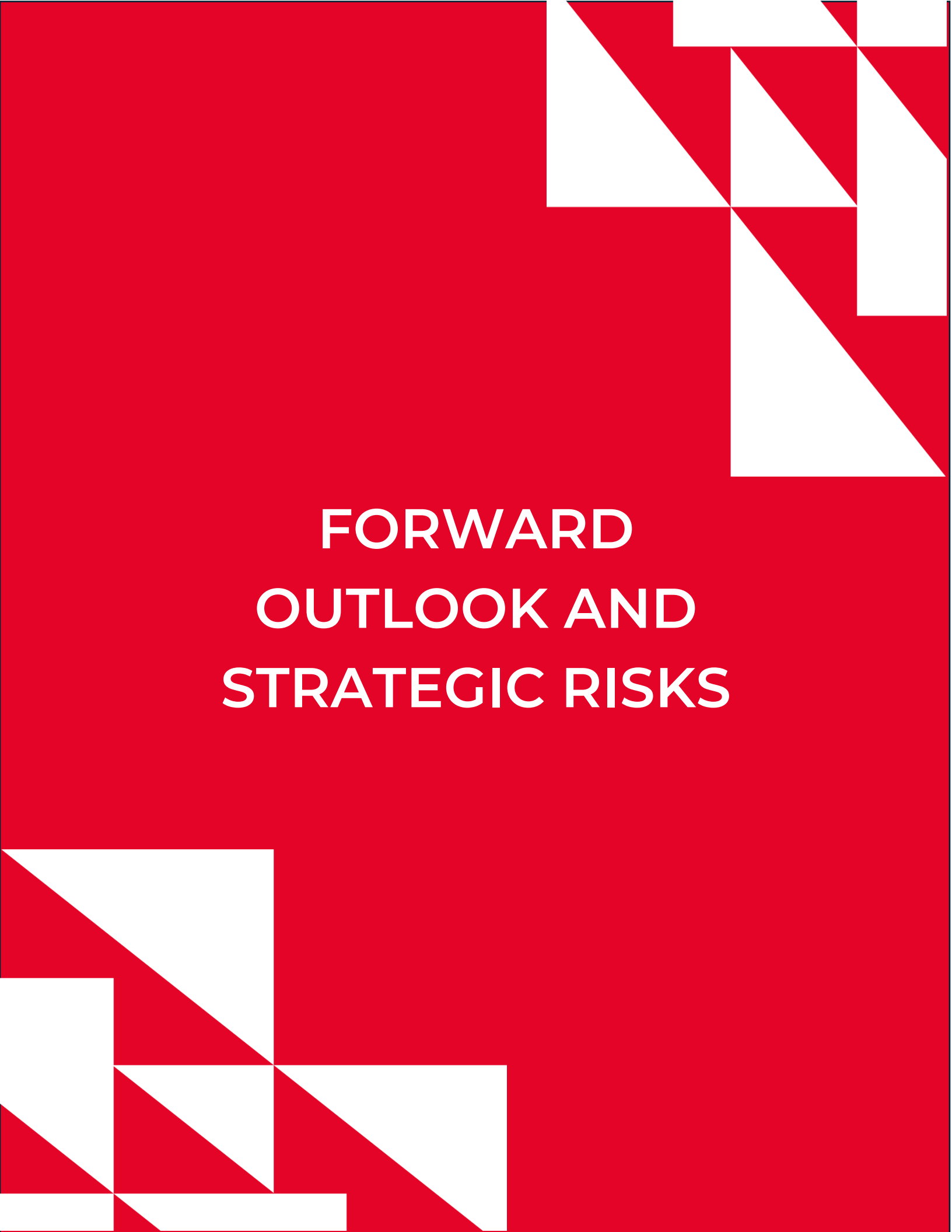
triggered by softer US data: July inflation prints cut the priced-in odds of a September Fed hike from about 55% to 35%, lifting spot gold from around USD4,050/oz on 3 August to USD4,400–4,420/oz by mid-month. Central-bank demand also remains a firm floor, with the World Gold Council recording 288.9 tonnes of net purchases in Q2-2026, up 62% YoY and a record for any second quarter. We remain constructive, but real rates remain the key swing factor, and a renewed hawkish shift from the Fed would cap further upside. We therefore continue to see gold primarily as a portfolio hedge rather than expecting a return to a straight-line rally.

Key Indonesia Banking: Funding pressure remains the key constraint into September

August performance points to continued funding pressure into September. Loan growth remains ahead of deposits, while CASA is losing share to time deposits, suggesting banks will need to pay up to sustain loan momentum. We therefore expect funding costs to remain elevated, particularly for BMRI, BBNI and BBTN, while BBKA and BRIS should remain relatively better positioned given their stronger CASA franchises. The implication is that loan growth can remain healthy, but the incremental growth comes at a higher funding cost, keeping NIM under pressure.

Into September, we expect earnings momentum to remain mixed as margin compression increasingly becomes the main constraint rather than credit growth. BBTN's 96.4% LDR leaves the least funding flexibility, while the sector's rising Col.2 loans to IDR329.2 trillion also point to potential credit-cost pressure into year-end. The key question is therefore whether deposit growth can catch up with loans and whether banks can rebuild CASA without sacrificing pricing. Until that happens, we expect

September to remain a volume-led but margin-constrained environment, with funding mix and asset quality becoming increasingly important to earnings.



FORWARD OUTLOOK AND STRATEGIC RISKS

Forward Looking

The global economic outlook has stabilized markedly by September 2026, but this should not be mistaken for a return to normality. Only 45% of chief economists expect global conditions to weaken over the next 12 months, down sharply from 89% in May, while concerns about rising inflation have also moderated. Nevertheless, resilience remains fragile: only 25% expect the global economy to become more resilient, while 97% identify geopolitical conflict as a major source of uncertainty and 58% point to the risk of asset-price corrections. Fiscal space is also becoming more constrained after governments relied heavily on public support to absorb successive shocks since 2020. The global economy therefore appears more stable than earlier in the year, but its capacity to absorb another major shock remains limited (World Economic Forum [WEF], 2026).

At the same time, the sources of global growth are changing. Almost all surveyed chief economists (97%) expect AI adoption to accelerate, 69% anticipate meaningful productivity gains within the next year, and 78% expect data-centre investment to contribute significantly to global growth. Yet 61% do not expect such investment to generate a comparable share of employment, pointing to a widening distinction between productivity-driven growth and labour-market outcomes. This matters for consumption because households continue to face substantial cost pressures: 88% expect food costs to rise, 83% electricity costs and 77% transport costs. Growth can therefore remain resilient even without a proportionate improvement in employment, household purchasing power or consumer demand (WEF, 2026).

Globalization itself is also being reconfigured rather than reversed. Although 77% expect geoeconomic

fragmentation to intensify, two-thirds still anticipate global trade volumes to increase and 56% expect FDI to rise. Investment is increasingly concentrated around AI infrastructure, semiconductors, critical minerals and energy, while growth is shifting geographically. India and South-East Asia stand out, with 74% and 73% of respondents respectively expecting strong or very strong growth. The global outlook is therefore best characterized as resilience through adaptation: economic activity continues, but increasingly through new technologies, changing supply chains and shifting regional centres of growth rather than a restoration of the pre-shock economic order (WEF, 2026).

Regional Outlook

Against this global backdrop, developing Asia and the Pacific remains comparatively resilient, although growth is becoming increasingly uneven. The Asian Development Bank (ADB, 2026) projects regional growth of 5.0% in 2026, below the 5.5% recorded in 2025, before a modest recovery to 5.1% in 2027. South Asia is expected to expand by 6.4%, led by India at 7.0%, while developing East Asia is projected at 4.6%. Southeast Asia is forecast to grow by 4.7%, supported by technology-related exports and investment, while Indonesia remains relatively stable at 5.2%. By contrast, weaker forecasts for Central and West Asia and the Pacific highlight the growing divergence between economies benefiting from technology and investment flows and those more exposed to geopolitical, energy and weather-related disruptions.

The composition of regional growth reinforces this divergence. Higher energy, logistics and trade costs weakened domestic demand in Q2-2026 as household purchasing power and corporate investment came under pressure, while stronger net exports provided a partial offset. At the same time,

the AI-related technology cycle has supported exports and investment in several Asian economies. Viet Nam's 2026 growth forecast was raised from 7.2% to 7.8%, Malaysia from 4.6% to 4.9%, and Thailand from 1.8% to 2.0%. The region is therefore not experiencing a uniform expansion: economies positioned within technology, investment and export supply chains are gaining momentum, while those more dependent on domestic demand or imported energy face greater pressure (ADB, 2026).

These differences are likely to become more pronounced as supply-side pressures persist. Regional inflation is projected at 4.2% in 2026, up from 3.0% in 2025, while inflation excluding the PRC is considerably higher at 7.7%. ADB assumes Brent crude will average USD90 per barrel in 2026, while a very strong El Niño is expected to intensify through late 2026 and exert its largest economic effects in 2027. Energy and climate shocks can reinforce one another through higher transport, production and fertilizer costs, weaker agricultural output and pressure on hydropower generation. Consequently, Asia's relative growth resilience coexists with a more difficult growth-inflation trade-off and substantially different risk profiles across economies (ADB, 2026).

Commodity and Logistic Outlook

These regional supply-side risks are already visible in commodity markets. The World Bank's overall commodity price index increased from 114.4 in July to 121.8 in August 2026, led by an increase in the energy index from 108.8 to 118.4. Brent crude rose from USD83.4 to USD90.9 per barrel, European natural gas from USD18.06 to USD21.11 per MMBtu, while the grains index also strengthened. Metals exhibited similar momentum: copper increased from USD13,543 to USD14,326 per metric ton, tin from USD52,971 to USD55,385, and zinc from USD3,599 to USD3,875. However, declines in

commodities such as iron ore and coconut oil indicate that this is not a uniform commodity boom, but a more selective concentration of price pressures in energy, grains and metals (World Bank, 2026).

A similarly differentiated pattern is evident in global shipping. Drewry's World Container Index increased only 1% to USD4,500 per 40-foot container as of 17 September, but the aggregate masks substantial route-level variation. Shanghai–Los Angeles rates increased 5% to USD7,712, and Shanghai–New York rose 7% to USD10,394, supported by seasonal demand and capacity management. In contrast, Shanghai–Genoa fell 5% to USD4,016 and Shanghai–Rotterdam dropped 9% to USD3,626, despite increased blank sailings and longer waiting times in Shanghai. Commodity and logistics developments therefore point to the same conclusion as the broader global outlook: businesses face increasingly specific rather than uniform external shocks, with exposure determined by commodities, currencies, suppliers and individual trade routes (Drewry, 2026).

Indonesia Outlook, September 2026

Within this more fragmented external environment, Indonesia enters the final months of 2026 with resilient growth but a less comfortable macroeconomic balance. GDP expanded by 5.29% year-on-year in Q2-2026, while household consumption remains resilient, although consumer confidence softened from 117.8 in June to 116.8 in July. Inflation increased from 2.88% in July to 3.19% in August but remains within Bank Indonesia's 1.5–3.5% target range, with core inflation comparatively contained at 2.92%. The immediate issue is therefore not generalized overheating, but the interaction between still-solid domestic activity and increasingly visible supply-side pressures from food, energy and climate conditions (LPEM FEB UI, 2026).

The greater vulnerability lies in Indonesia's external position. The trade balance returned to a modest USD121.9 million surplus in July, but the cumulative January–July surplus fell to only USD3.70 billion, 84.4% below the USD23.77 billion recorded a year earlier. Oil and gas imports increased 40.24% year-on-year, while total imports surged 27.02% in July compared with export growth of only 6.05%. This matters particularly when global energy prices are rising. The rupiah remained about 6.8% weaker year-to-date in mid-September, although foreign reserves of USD146.5 billion, equivalent to approximately 5.4 months of imports, continue to provide an important buffer. Indonesia therefore retains external resilience, but the margin of safety provided by trade and currency conditions has narrowed (LPEM FEB UI, 2026).

Consequently, the policy challenge is shifting from supporting growth toward balancing growth, inflation, currency stability and external resilience. Higher global interest rates, elevated oil prices and renewed portfolio outflows have reduced the room for monetary easing, while fiscal policy must accommodate higher energy costs and spending priorities within a 2.68% deficit target and statutory 3% ceiling. Indonesia is therefore not confronting weak fundamentals: growth remains above 5%, inflation is within target and reserves remain adequate. Rather, the concern is shrinking policy space, which leaves the economy less able to absorb additional external shocks without consequences for interest rates, the exchange rate, fiscal spending or domestic demand (LPEM FEB UI, 2026).

Yet for businesses, the more important question is not only whether Indonesia can sustain growth above 5%, but how broadly that growth is being transmitted across the economy. Evidence since around Q2-2025 suggests that this transmission has become increasingly uneven. Before Q2-2025, the

average deviation between actual GDP growth and Bloomberg consensus forecasts was statistically indistinguishable from zero at -0.024 percentage points; subsequently it increased to around $+0.20$ percentage points. More importantly, the historically positive relationship between GDP and manufacturing activity has progressively weakened, suggesting that stable aggregate growth has become less closely aligned with developments in an important part of the real economy (Rohman & Abimanyu, 2026).

The divergence extends to household income and government revenue. During 2021–2023, the rolling coefficient between nominal wage growth and nominal GDP growth generally ranged between 0.3 and 0.5, but from 2024 onward it declined and eventually approached zero across different rolling-window specifications. Tax revenue displays a similar deterioration in its historical relationship with nominal GDP. In contrast, monetary and financial indicators remain comparatively well aligned with economic growth: the relationship between money supply and nominal GDP has strengthened to around 0.4–0.5, while commercial bank credit-maintained coefficients of approximately 0.4–0.45 around Q2-2025 and strengthened thereafter in shorter windows. Indonesia therefore increasingly exhibits a two-speed pattern, in which financial and monetary aggregates remain synchronized with GDP while manufacturing, wages and tax receipts increasingly do not. This does not demonstrate GDP mismeasurement, but it does suggest that the composition and transmission of growth have become more heterogeneous (Rohman & Abimanyu, 2026).

Implications for Business

This two-speed pattern fundamentally changes how businesses should interpret Indonesia's otherwise

resilient macroeconomic outlook. Stable GDP growth should not automatically be translated into equally strong market demand. Growth of 5.29% coexists with weaker relationships between GDP, manufacturing and wages, while consumer confidence has softened and households face higher food and energy costs (LPEM FEB UI, 2026; Rohman & Abimanyu, 2026). Aggregate economic activity can therefore remain above 5% while sectors, firms and consumer segments experience considerably weaker conditions. For business planning, headline GDP should increasingly be complemented by indicators closer to actual revenue generation, including sectoral sales, purchasing power, manufacturing activity, employment conditions and customer cash flows.

The second implication concerns margins, cash flow and balance-sheet management. Higher energy and commodity prices, a weaker rupiah and route-specific freight volatility mean that cost pressures will differ substantially across firms according to their energy intensity, imported-input dependence, currency exposure, suppliers and logistics routes (Drewry, 2026; World Bank, 2026). Oil and gas imports were already 40.24% higher year-on-year in January–July, while the rupiah remained 6.8% weaker year-to-date (LPEM FEB UI, 2026). Meanwhile, bank credit growth remains closely aligned with nominal GDP even as several real-sector indicators diverge (Rohman & Abimanyu, 2026). This creates an important caution: continued credit expansion should not itself be interpreted as evidence of equally strong underlying demand. Firms with access to financing therefore still need to test whether expected revenues and cash flows justify additional leverage.

The strategic implication is to shift from GDP-based growth planning toward resilience-based planning. Firms should stress-test their 2027 plans against

combinations of weaker household demand, higher energy and imported-input costs, rupiah depreciation and supply-chain disruptions rather than relying on a single base-case GDP forecast. Yet the environment is not uniformly defensive: South-East Asia remains one of the stronger global growth centres (ADB, 2026), while technology-related investment and AI adoption offer potential productivity gains (WEF, 2026). The opportunity therefore lies in combining resilience with selective expansion: improving productivity, diversifying suppliers and export markets, automating appropriate processes and directing investment toward faster-growing regional and technology-linked activities. The critical question for management is no longer simply whether Indonesia continues to grow at around 5%, but whether the firm's own revenues, margins and cash flows participate in that growth.

Implications for Financial Sector and Insurance

Indonesia's financial sector enters the final months of 2026 from a position of relative resilience, but the underlying risk environment is becoming more heterogeneous. Credit growth remains strong, reaching 13.65% YoY in August, while financial and monetary aggregates continue to move broadly with nominal GDP. Yet manufacturing, wages and tax receipts have become less synchronized with headline growth. This two-speed pattern implies that strong GDP and credit growth should not automatically be interpreted as equally strong borrower fundamentals. Financial institutions increasingly need to assess whether sectoral and borrower-level revenues, margins and cash flows are participating in the expansion.

Credit Quality and Guarantee Risk

For banks, credit insurers and guarantee companies, the main risk is not necessarily a broad downturn

but divergence in borrower performance beneath stable aggregate growth. Manufacturing PMI fell to 49.8 in August and discretionary consumption remains uneven even as credit continues to expand. Stress may therefore emerge first through slower repayments, greater working-capital utilization, restructuring and deterioration in debt-service capacity before becoming visible in headline NPLs. This is particularly relevant for SMEs, which have less capacity to absorb higher energy, imported-input, logistics and financing costs. Banks and guarantee companies should therefore complement NPLs with forward-looking indicators such as cash flow, debt-service capacity, sectoral sales and leverage, while incorporating these differences into PD, expected claims, provisioning and concentration-risk assessments.

Funding, Interest-Rate and ALM Risk

Domestic liquidity has improved, but funding remains relatively tight: the LDR is around 92%, credit growth remains strong and funding is shifting toward more expensive deposits. Meanwhile, elevated global yields, rupiah weakness and higher inflation constrain the room for a sustained decline in domestic yields. For banks, this can compress margins as deposit costs reprice and increase refinancing risks for leveraged borrowers. For insurers, higher yields improve reinvestment income but can generate mark-to-market volatility on existing bond portfolios. The appropriate response is therefore not simply to maximize yield, but to manage duration mismatch, liquidity and reinvestment risk through stronger asset-liability management.

Rupiah Depreciation and Claims Inflation

Exchange-rate pressure creates a particularly important transmission channel for insurers because insurance claims inflation can differ

substantially from headline CPI. Rupiah depreciation can raise the cost of imported motor parts, pharmaceuticals and medical equipment, machinery, construction materials and other replacement assets. Consequently, manageable CPI inflation does not necessarily imply manageable claims severity. Insurers should incorporate FX and sector-specific cost inflation into pricing, reserving and reinsurance decisions and stress-test loss ratios against combinations of rupiah depreciation and higher repair or replacement costs.

Underwriting and Sectoral Exposure

September's commodity and logistics analysis also shows that external shocks are increasingly sector- and route-specific rather than uniform. Energy and several metals have strengthened, while freight rates differ substantially across trade routes. This calls for more granular underwriting. Property and engineering insurers face higher replacement values and underinsurance risk; marine insurers face route-specific cargo, accumulation and business-interruption exposures; while energy and mining insurers may benefit from stronger activity but face larger insured values and potential loss severity. Risk-based pricing and updated sums insured are therefore more important than pursuing premium growth without adequate repricing.

Life and Health Insurance

For life insurers, uneven wage growth and higher living costs can constrain new business and policy persistency, although higher bond yields can improve investment returns on long-duration assets. Health insurers face a different challenge: medical claims inflation reflects pharmaceuticals, imported equipment, provider pricing and utilization and can therefore exceed general inflation, particularly under rupiah depreciation. Product pricing and loss-ratio assumptions should

consequently distinguish medical inflation from headline CPI.

Capital and Strategic Implications

The appropriate response is stronger scenario-based risk management rather than a uniformly defensive stance. Financial institutions should stress-test combinations such as rupiah depreciation, elevated interest rates, higher energy costs and weaker household demand. For banks and guarantee companies, this should feed into PD migration, NPLs, restructuring, expected claims and provisioning; for general insurers, into claims severity, loss ratios and reserves; and for life and health insurers, into persistency, medical claims and ALM. Ultimately, these shocks should be translated into their effects on liquidity, solvency and capital adequacy.

The central message is that resilient GDP remains an important macroeconomic buffer but is becoming a less sufficient standalone indicator of financial risk. In a two-speed economy, risk assessment needs to move closer to borrower cash flow, household purchasing power, sectoral margins, FX exposure and claims inflation. For 2027, the key differentiator will therefore be not simply balance-sheet growth, but the ability of financial institutions to identify where Indonesia's growth is translating into stronger repayment capacity and insurable fundamentals.

EXHIBITS

EXHIBIT 1 • INDONESIA MACROECONOMICS INDICATORS

Indicator	Unit	2025								2026							
		Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
GDP Growth	% YoY	5,12	-	-	5,04	-	-	5,39	-	-	5,61	-	-	5,29	-	-	
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	2,88	3,19	
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	2,76	2,92	
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	50,2	49,8	
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	8,84	6,05	-	
Imports	% YoY	4,28	-5,86	-6,56	7,17	-	0,46	10,8	18,21	10,85	1,51	22,49	22,16	34,27	27,02	-	
Foreign Currency Reserves	USD bn			151	149	150	150	156	155	152	148	146	145	146	145	146	
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	8,3	8,2	
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	7,7	7,1	-	
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	13,58	13,36	
Fiscal Surplus/Deficit	% GDP	-2,77	-	-	-2,73	-	-	-2,92	-2,68	-0,53	-0,93	-0,64	-0,70	-0,76	-0,91	-0,93	

EXHIBIT 2 • EXCHANGE RATE

Exhibit 2.1 Difference of Spot and Forward IDR

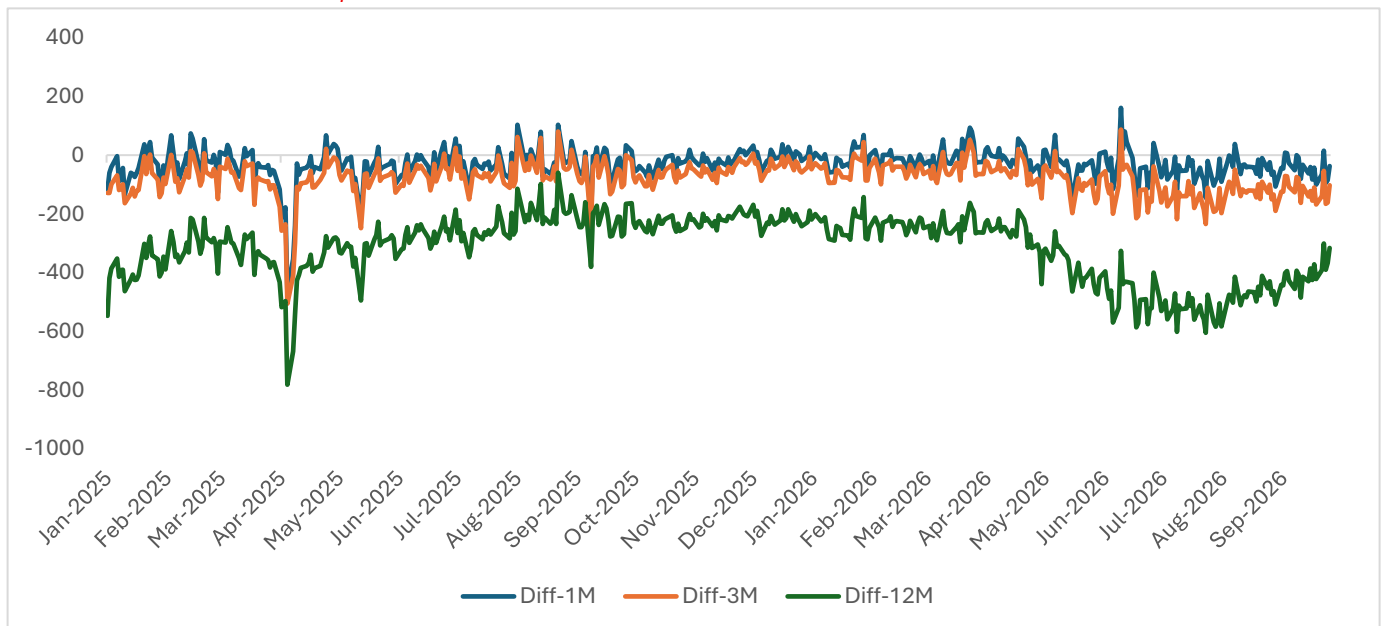


Exhibit 2.2 BI-Rate & Exchange Rate (IDR/USD)

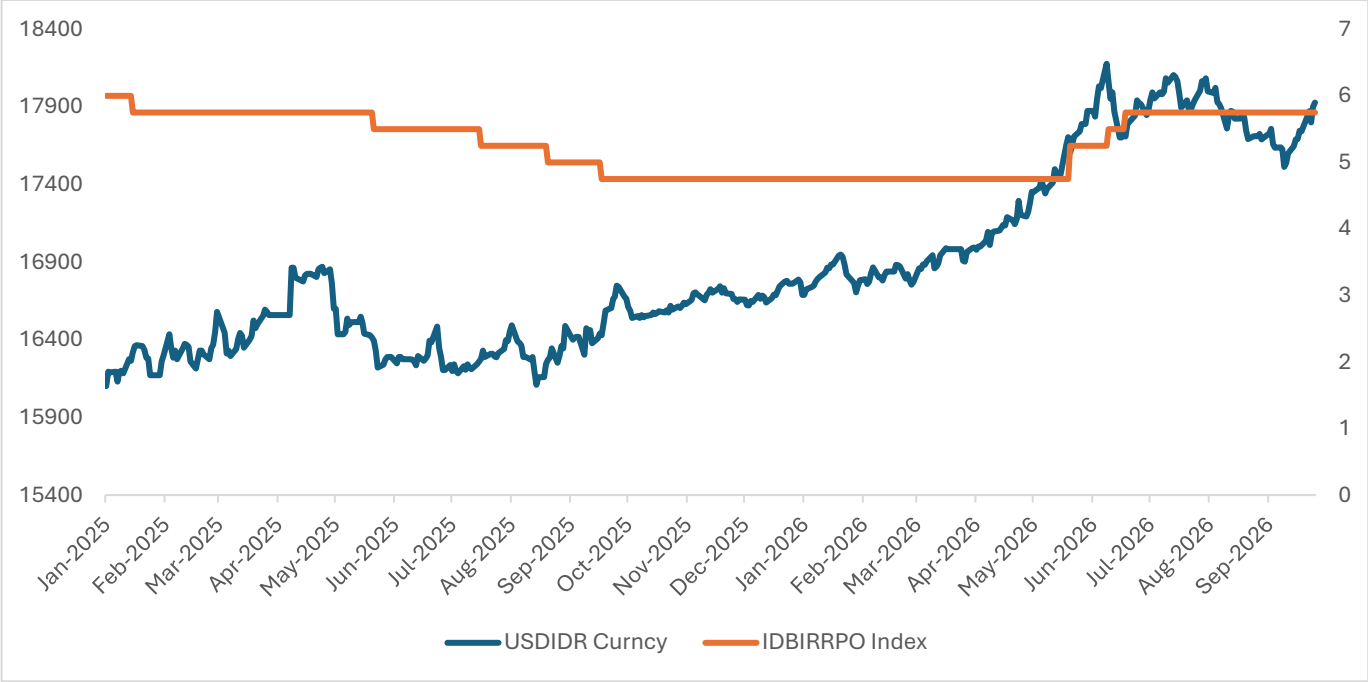


Exhibit 2.3 EM's Exchange Rate Against USD Index (01 / 01 / 2025 = 100)

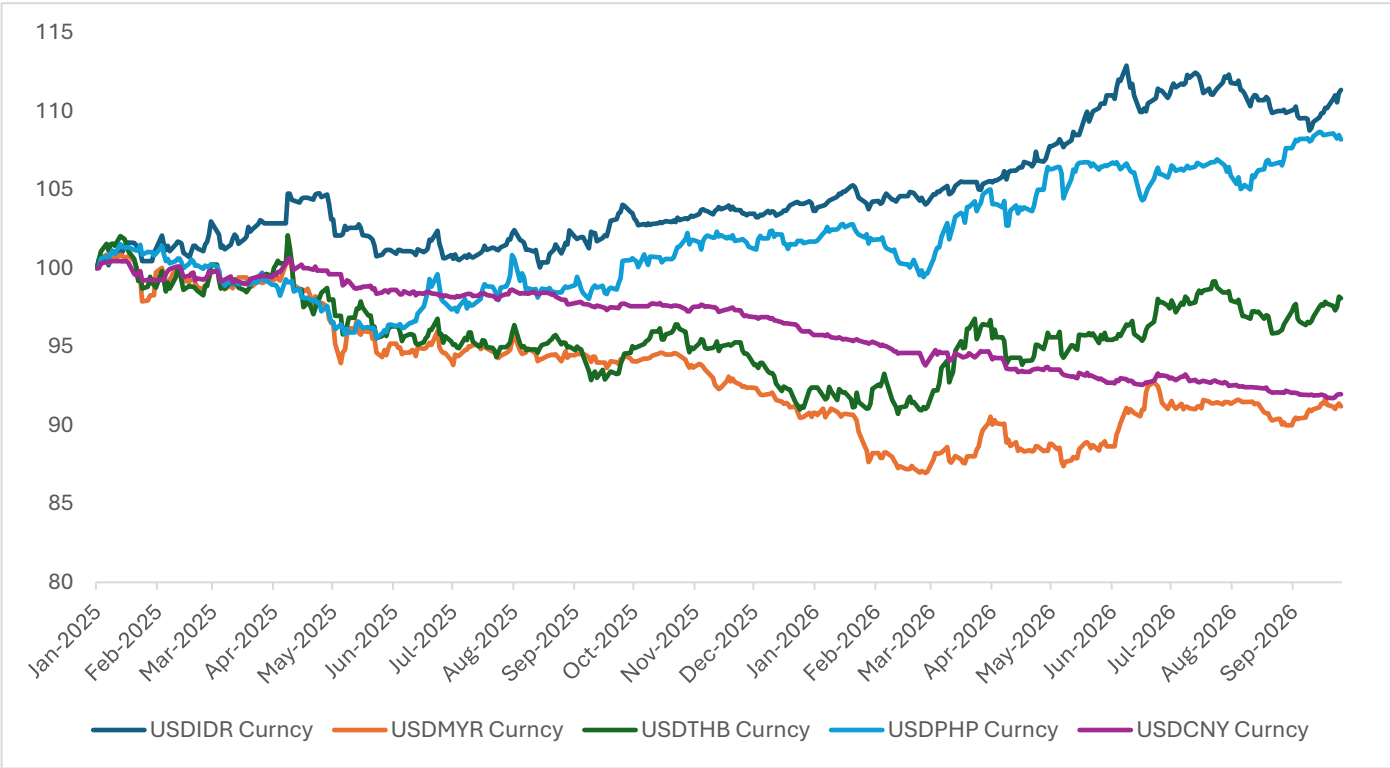


EXHIBIT 3 • DOMESTIC LIQUIDITY INDICATORS

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

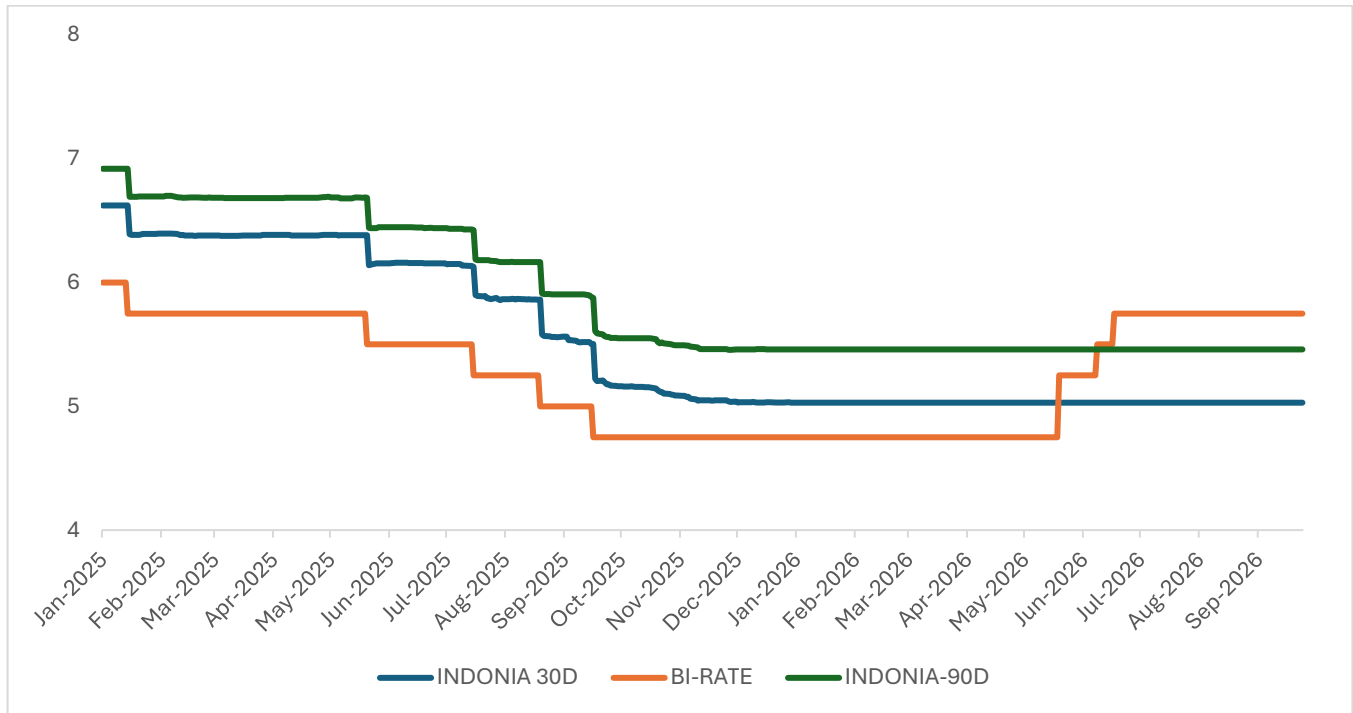


Exhibit 3.2 Monetary Operations of BI

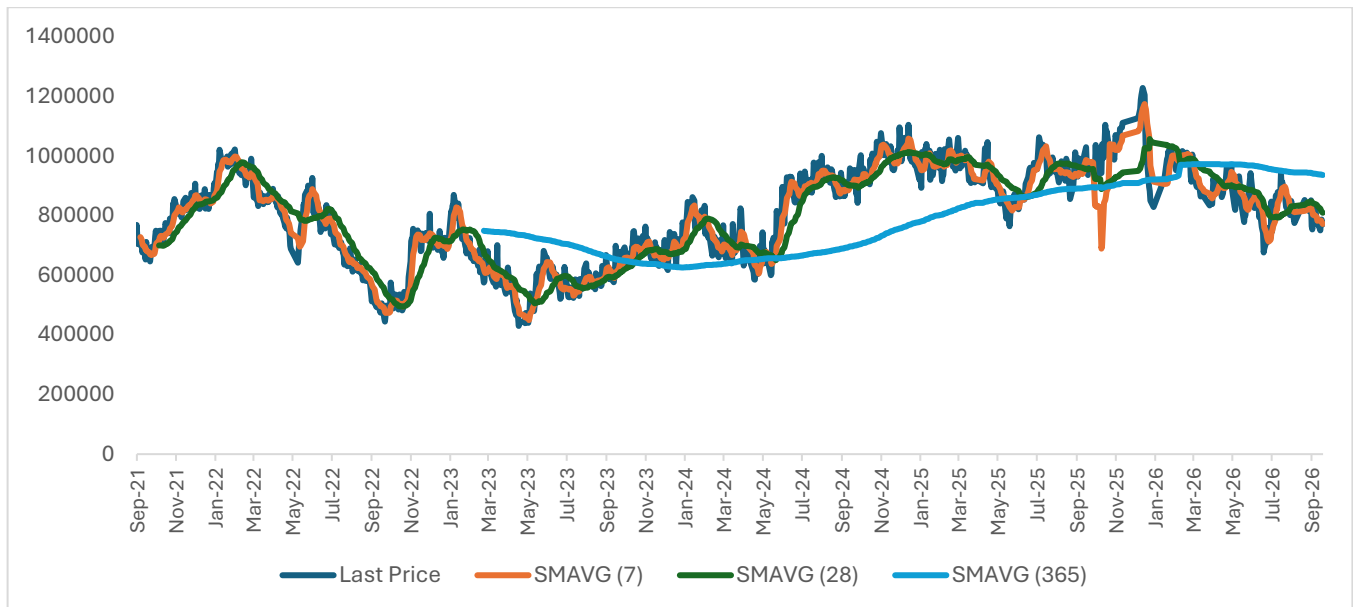


Exhibit 3.3 Indonesia's Foreign Exchange Reserves USD

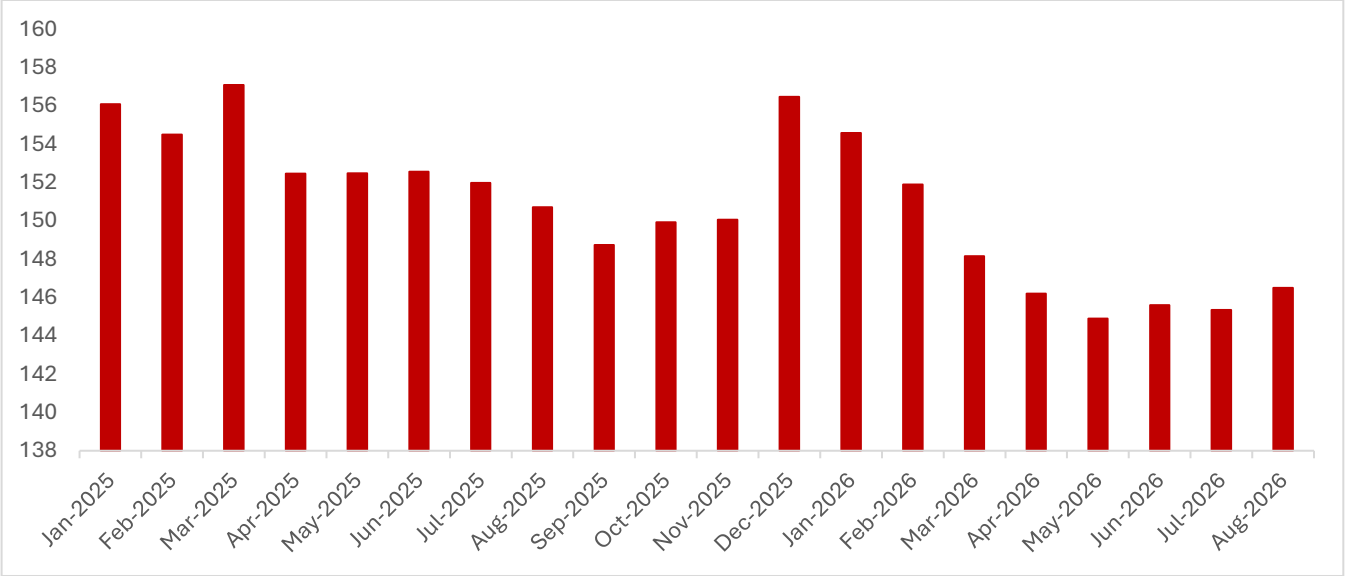


EXHIBIT 4 • FINANCIAL MARKETS

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

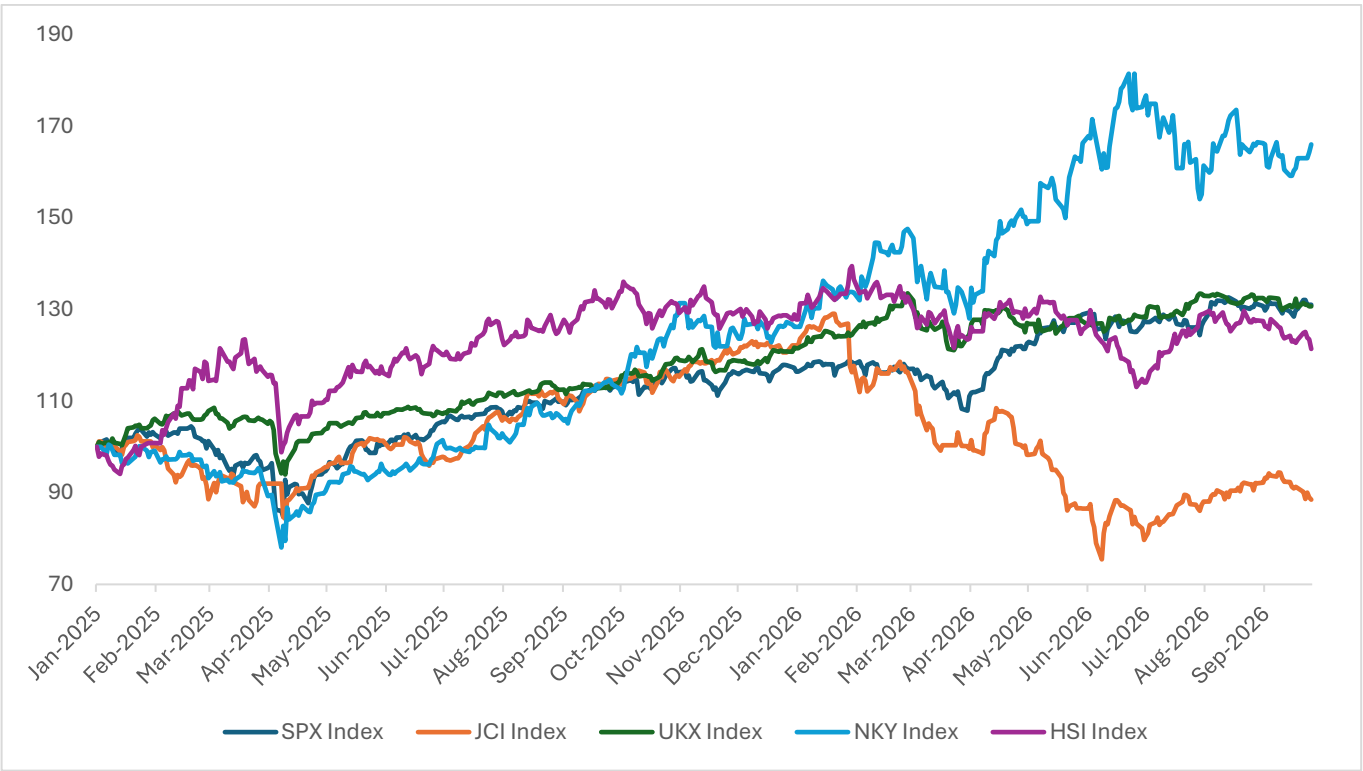


Exhibit 4.2 Indonesia Bond Yield Curve



Exhibit 4.3 Indonesia Stock Market & Turnover

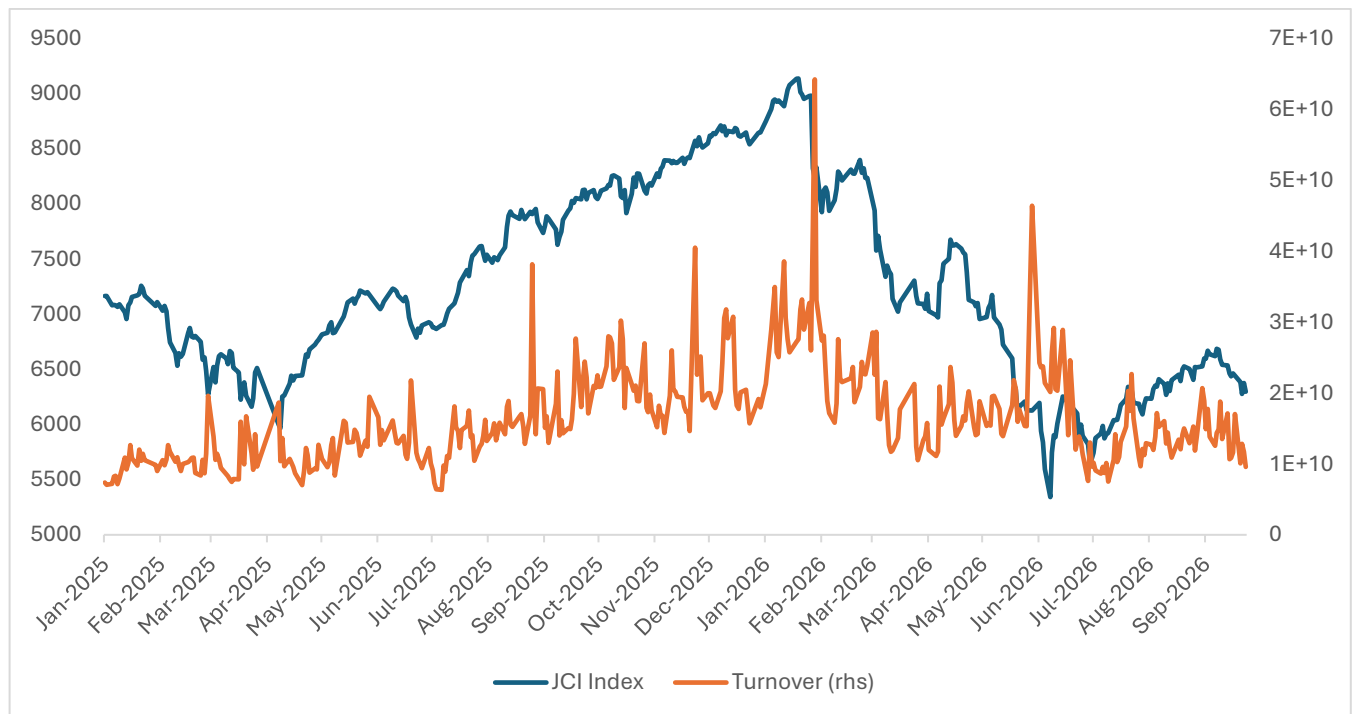


Exhibit 4.4 Indonesia CDS & Government Bond 10Y

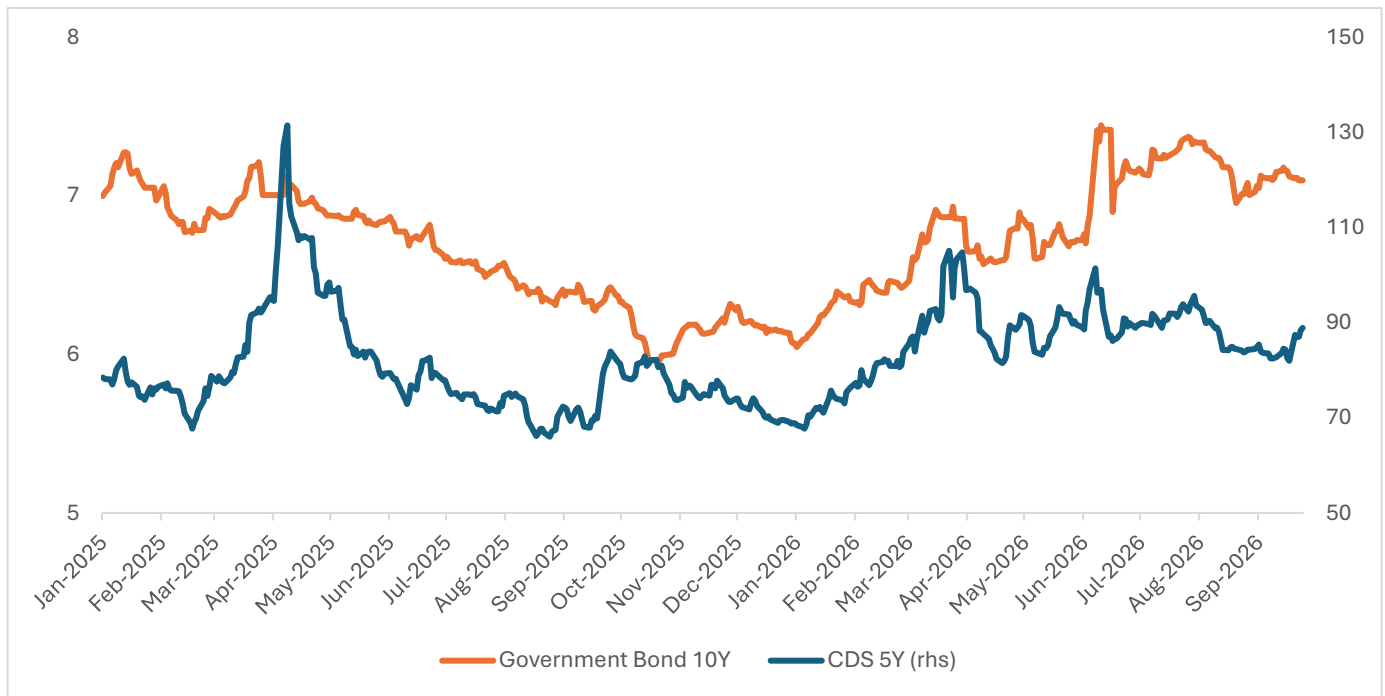


EXHIBIT 5 • REGIONAL STATISTICS

Exhibit 5.1 Monthly Inflation Rate

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

MACROECONOMIC MONITOR

Jawa Timur	2,17	2,53	2,69	2,63	2,93	3,29	4,88	3,79	2,85	3,49	3,36	2,87	3,32
Banten	1,95	2,31	2,75	2,56	2,74	3,48	5,14	3,55	2,14	2,7	2,93	2,49	2,95
Bali	2,65	2,51	2,61	2,51	2,91	2,58	3,89	2,81	2,08	2,99	3,27	2,42	3,45
Nusa Tenggara Barat	2,56	2,69	2,96	2,74	3,01	3,86	5,37	4,09	3,27	3,78	3,55	3,01	4,03
Nusa Tenggara Timur	2,71	2,3	2	2,4	2,39	3,34	3,42	2,4	2,62	2,76	3,56	2,43	2,59
Kalimantan Barat	2,13	1,94	2,07	2,04	1,85	3,33	3,9	2,89	2,5	3,29	3,28	3,18	3,65
Kalimantan Tengah	2,08	2,35	2,73	2,56	3,13	4,09	5,06	3,86	3,66	4,56	4,47	4,32	4,96
Kalimantan Selatan	2,68	2,91	3,11	3,35	3,66	4,66	5,97	4,83	3,67	4,22	4,47	4,28	4,69
Kalimantan Timur	1,79	1,77	1,94	2,28	2,68	3,76	4,64	3,31	2,5	3,04	3,2	3,31	3,83
Kalimantan Utara	2,24	2,32	2,23	2,47	2,57	4,08	4,75	3,12	2,68	2,9	3,3	2	2,17
Sulawesi Utara	0,94	1,57	1,48	0,65	1,23	3,04	4,64	2,2	2,14	2,33	3,83	2,53	3,99
Sulawesi Tengah	4,02	3,88	3,92	3,5	3,31	4,55	5,33	2,83	2,21	2,77	3,83	2,86	2,61
Sulawesi Selatan	3,12	3,03	2,98	2,73	2,84	4,11	6,13	4,5	2,68	3,12	3,56	2,75	2,86
Sulawesi Tenggara	3,75	3,68	3,26	2,94	2,86	5,1	5,41	3,37	2,98	4,07	4,68	3,43	3,35
Gorontalo	2,51	1,99	2,44	2,21	2,52	4,53	5,3	2,6	2,24	2,99	4,77	2,95	3,36
Sulawesi Barat	3,52	3,04	2,64	2,56	2,48	4,34	5,15	2,94	1,66	1,99	2,29	2	2,29
Maluku	3,25	3,01	2,3	2,33	3,58	4,7	5,97	3,4	3,13	3,27	3,8	2,75	3,68
Maluku Utara	0,43	-0,17	1,18	1,89	1,63	4,86	5,85	2,6	2,03	2,82	5,05	3,95	5,28
Papua Barat	-0,87	1,02	1,42	1,33	2,59	5,02	5,83	3,51	5	5,94	6,99	5,47	5,27
Papua Barat Daya	1,88	1,3	1,36	1,38	2,15	3,75	4,16	4,09	3,85	3,8	5,14	4,29	3,5
Papua	0,54	0,99	0,53	0,8	2,54	3,33	3,94	3,5	3,8	2,79	3,72	2,71	2,75
Papua Selatan	3,78	3,42	3,43	3,39	2,95	4,83	5,5	3,6	3,34	2,17	2,95	1,46	2,56
Papua Tengah	1,86	2,28	2,11	2,53	3,28	4,85	4,93	2,54	1,53	2,05	3,65	2,79	3,74
Papua Pegunungan	3,71	3,55	3,32	4,05	3,22	2,93	0,63	3,14	4,89	4,44	7,84	4,64	3,77
Indonesia	2,31	2,65	2,86	2,72	2,92	3,55	4,76	3,48	2,42	3,08	3,34	2,88	3,19

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 (NKY), 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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