

The Fed's Cautious Stance, and Indonesia's Pro-Growth Policy Path

21 August 2025

Economist / Fikri C Permana

EXECUTIVE SUMMARY

- Through its recent FOMC meeting, the Federal Reserve reaffirmed that inflationary risks remain its primary concern in determining the trajectory of the Fed Funds Rate.
- While this cautious stance underscores the Fed's commitment to price stability, the policy debate has begun to shift.
- The support from Michelle Bowman and Christopher Waller for a 25-basis-point rate cut during the July FOMC meeting has opened the door to the possibility of deeper rate reductions in the coming months, should economic conditions allow.
- On the domestic front, Bank Indonesia's highly accommodative monetary stance is expected to play a pivotal role in stimulating credit growth and reviving momentum in the real sector.
- Yet monetary easing alone may not suffice. Additional support is anticipated from the fiscal side, particularly through the 2026 State Budget (APBN) , which has been designed with higher government spending.
- President Prabowo, in his recent address to the House of Representatives' Plenary Session, outlined eight priority programs aimed at accelerating economic transformation, strengthening social protection, and fostering inclusive growth.
- Together, the synchronization of accommodative monetary policy and expansionary fiscal measures is expected to provide a more comprehensive boost to Indonesia's economic resilience, ensuring that both financial markets and the real economy gain stronger footing in navigating global uncertainties.



Source: kledo.com (2025), link: <https://kledo.com/blog/growth-strategy/>



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US ECONOMIC DATA

| US ECONOMIC INDICATORS | Unit | Latest Period | Data | |
|------------------------|--------|---------------|--------|----------|
| | | | Latest | Previous |
| Fed Rate | % | Jul '25 | 4.50 | 4.50 |
| Economic Growth | %, yoy | 2Q25 | 2.0 | 2.1 |
| Inflation Rate | %, yoy | Jul '25 | 2.7 | 2.7 |
| Unemployment Rate | % | Jul '25 | 4.2 | 4.1 |

Sources : various sources, KBVS Research (2025)

The data releases that influenced yield movements in the week of 14-20 Aug '25 are as follows:

- The number of people claiming unemployment benefits on the period ending August 8th, '25 in the US decreased by 3K to 224K (Cons: 225K, Prev: 227K).
- PPI in Jul '25 increased to 0.90% MoM (Cons: 0.20% MoM, Prev: 0.00% MoM).
- Core Retail Sales in Jul '25 decreased to 0.30% MoM (Cons: 0.30% MoM, Prev: 0.80% MoM).
- Retail Sales in Jul '25 increased to 0.50% MoM (Cons: 0.60% MoM, Prev: 0.90% MoM).

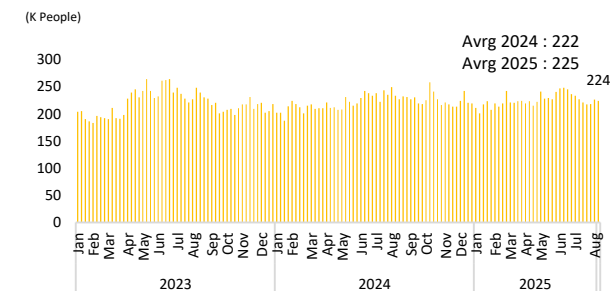
ECONOMIC CALENDAR

(14-20 AUG '25)

| Event | Actual | Forecast | Previous |
|---|---------|----------|----------|
| Thursday, 14 Aug '25 | | | |
| US FOMC Member Bostic Speaks | | | |
| US Continuing Jobless Claims | 1,953K | 1,960K | 1,968K |
| US Initial Jobless Claims | 224K | 225K | 227K |
| US Core PPI (MoM) (Jul) | 0.90% | 0.20% | 0.00% |
| US PPI (MoM) (Jul) | 0.90% | 0.20% | 0.00% |
| Friday, 15 Aug '25 | | | |
| US President Trump Speaks | | | |
| US Fed's Balance Sheet | 6,644B | | 6,641B |
| US Core Retail Sales (MoM) (Jul) | 0.30% | 0.30% | 0.80% |
| US Export Price Index (MoM) (Jul) | 0.10% | 0.10% | 0.50% |
| US Import Price Index (MoM) (Jul) | 0.40% | 0.10% | -0.10% |
| US NY Empire State Manufacturing Index (Aug) | 11.90 | -1.20 | 5.50 |
| US Retail Control (MoM) (Jul) | 0.50% | 0.40% | 0.80% |
| US Retail Sales (MoM) (Jul) | 0.50% | 0.60% | 0.90% |
| US Industrial Production (YoY) (Jul) | 1.43% | | 0.83% |
| US Industrial Production (MoM) (Jul) | -0.10% | 0.00% | 0.40% |
| US Business Inventories (MoM) (Jun) | 0.20% | 0.20% | 0.00% |
| US Michigan 1-Year Inflation Expectations (Aug) | 4.90% | 4.40% | 4.50% |
| US Michigan 5-Year Inflation Expectations (Aug) | 3.90% | 3.40% | 3.40% |
| US Michigan Consumer Expectations (Aug) | 57.2 | 56.50 | 57.70 |
| US Michigan Consumer Sentiment (Aug) | 58.6 | 61.90 | 61.70 |
| US Retail Inventories Ex Auto (Jun) | -0.10% | 0.00% | 0.10% |
| Monday, 18 Aug '25 | | | |
| Tuesday, 19 Aug '25 | | | |
| US Building Permits (Jul) | 1.354M | 1.390M | 1.393M |
| US Housing Starts (Jul) | 1.428M | 1.290M | 1.358M |
| US Housing Starts (MoM) (Jul) | 5.20% | | 5.90% |
| US Atlanta Fed GDP Now (Q3) | 2.30% | 2.50% | 2.50% |
| Wednesday, 20 Aug '25 | | | |
| US FOMC Member Bowman Speaks | | | |
| US API Weekly Crude Oil Stock | -2.400M | -1.200M | 1.500M |
| US Crude Oil Inventories | | | 3.036M |
| US Cushing Crude Oil Inventories | | | 0.045M |
| US Fed Waller Speaks | | | |

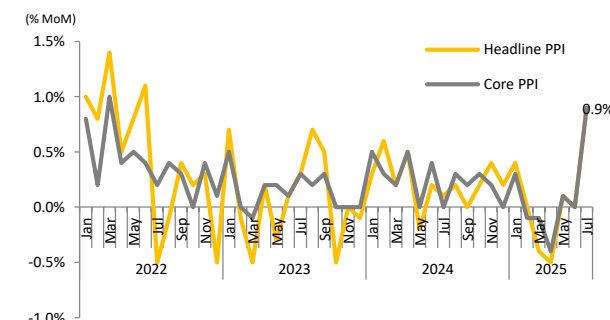
Sources : investing, KBVS Research (2025)

WEEKLY INITIAL JOBLESS CLAIMS



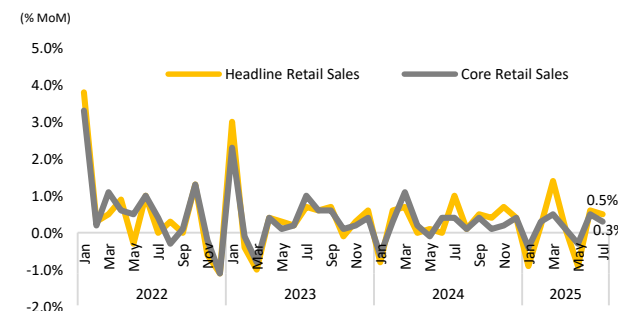
Sources : US DoL, KBVS Research (2025)

PPI



Sources : US Bureau Labor of Statistics, KBVS Research (2025)

RETAIL SALES



Sources : US Census Bureau, KBVS Research (2025)

FOMC MINUTES of MEETING

FEDERAL RESERVE press release



For release at 2:00 p.m. EDT

July 30, 2025

Although swings in net exports continue to affect the data, recent indicators suggest that growth of economic activity moderated in the first half of the year. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Sources : Fed reserve (2025)

- The minutes from the Federal Reserve's July meeting underscored broad agreement among policymakers to hold interest rates steady at 4.25%–4.50%.
- The consensus was nearly unanimous, with the only pushback coming from Michelle Bowman and Christopher Waller, who argued for a 25 bps cut as a safeguard against mounting signs of labor market weakness.
- Their caution gained more resonance when the Labor Department released disappointing July data: hiring slowed noticeably, the jobless rate ticked higher, and previous employment figures were revised sharply lower.
- The data turmoil even led President Trump to dismiss the head of the Bureau of Labor Statistics.
- Yet, while labor dynamics have tilted more dovish, inflation pressures complicate the Fed's policy calculus.
- Both consumer price inflation (CPI) and producer price inflation (PPI) came in hotter than expected, signaling that price dynamics remain sticky.
- Its widely attribute this persistence to tariff-driven cost pressures under the Trump administration's trade policy, which has amplified supply-side frictions and passed through to consumer and wholesale prices.
- For the Fed, this creates a difficult balancing act: premature easing could reignite inflationary momentum, but prolonged restraint risks exacerbating labor market softness.
- This policy dilemma reflects the broader challenge of navigating between cyclical risks and structural headwinds.
- On one hand, weakening job market indicators highlight potential demand-side fragility, which historically justifies accommodative policy adjustments.
- On the other, tariff-induced inflation represents a supply-side shock, where traditional rate cuts may prove less effective in anchoring expectations.
- Ultimately, the July minutes emphasize not only the divergence of views within the Fed but also the heightened uncertainty in calibrating policy amid competing risks to growth and stability.

FED PROBABILITIES

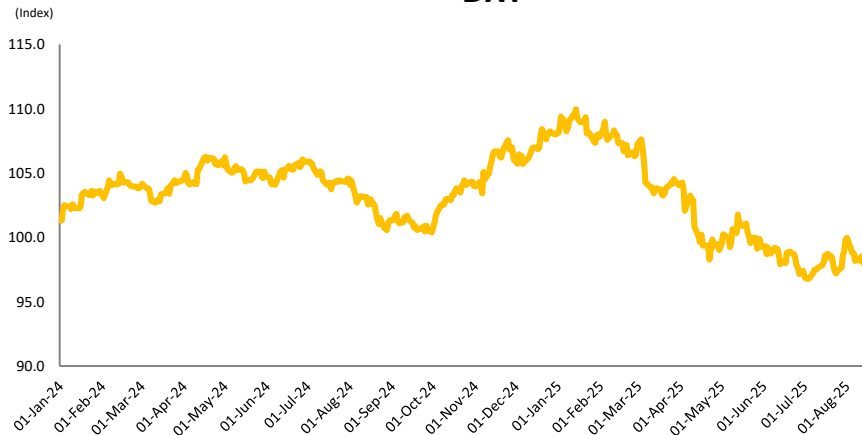
FED PROBABILITIES, as of 20 Aug '25

| MEETING DATE | 225-250 | 250-275 | 275-300 | 300-325 | 325-350 | 350-375 | 375-400 | 400-425 | 425-450 |
|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 17-Sep-25 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 84.9% | 15.1% |
| 29-Oct-25 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 47.2% | 46.1% | 6.7% |
| 10-Dec-25 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 36.7% | 46.3% | 15.5% | 1.5% |
| 28-Jan-26 | 0.0% | 0.0% | 0.0% | 0.0% | 16.2% | 41.0% | 32.7% | 9.3% | 0.8% |
| 18-Mar-26 | 0.0% | 0.0% | 0.0% | 8.0% | 28.4% | 36.9% | 21.2% | 5.1% | 0.4% |
| 29-Apr-26 | 0.0% | 0.0% | 2.4% | 14.1% | 30.9% | 32.2% | 16.4% | 3.7% | 0.3% |
| 17-Jun-26 | 0.0% | 1.3% | 8.7% | 23.2% | 31.6% | 23.7% | 9.6% | 1.9% | 0.1% |
| 29-Jul-26 | 0.4% | 3.6% | 13.2% | 25.8% | 29.1% | 19.3% | 7.2% | 1.3% | 0.1% |

Sources : CME Group, and KBVS Research (2025)

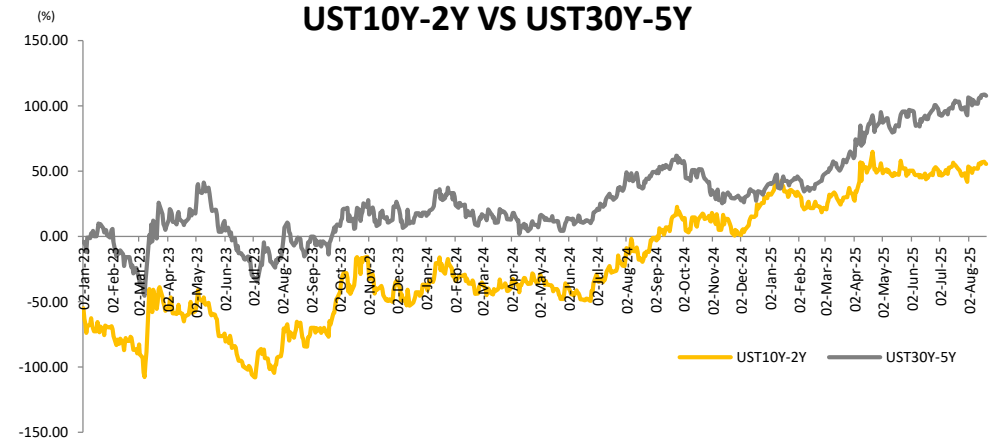
- The recent signals from Michelle Bowman and Christopher Waller advocating for a Fed rate cut have opened the door to the possibility of further rate reductions in the coming year.
- This is particularly significant given that both are strong contenders to succeed Jerome Powell when his term concludes in March 2026.
- At the same time, expectations of lower Fed rates have weighed on the U.S. Dollar Index (DXY) and pushed down U.S. 10-year Treasury yields, which had been climbing since 13 Aug '25.

DXY



Sources : Bloomberg, and KBVS Research (2025)

YIELD SPREAD
UST10Y-2Y VS UST30Y-5Y



Sources : Bloomberg, and KBVS Research (2025)

THE MOVEMENT OF UST YIELDS

| US FISCAL INDICATORS | Unit | Latest Period | Data | |
|----------------------|--------|---------------|---------|----------|
| | | | Latest | Previous |
| Govt Debt | USD Tn | Nov' 24 | 36.08 | 35.95 |
| Govt Debt to GDP | % | 4Q24 | 124.35 | 122.3 |
| Govt Budget | USD Bn | Nov '24 | -367.30 | -257.00 |
| S&P Credit Rating | Rating | 27-Mar-24 | AA+ | AA+ |

Sources : US Treasury, KBVS Research (2025)

Over the past week, UST yields moved tends to increase:

- Yield UST6M
 - +1.06 bps (WoW)
 - 21.39 bps (YtD, as of Aug 20,'25)
- Yield UST1Y
 - +5.41 bps (WoW)
 - 24.17 bps (YtD, as of Aug 20,'25)
- Yield UST2Y
 - +8.17 bps (WoW)
 - 48.54 bps (YtD, as of Aug 20,'25)
- Yield UST5Y
 - +6.40 bps (WoW)
 - 55.64 bps (YtD, as of Aug 20,'25)
- Yield UST10Y
 - +7.17 bps (WoW)
 - 26.47 bps (YtD, as of Aug 20,'25)
- Yield UST30Y
 - +7.36 bps (WoW)
 - +11.77 bps (YtD, as of Aug 20,'25)

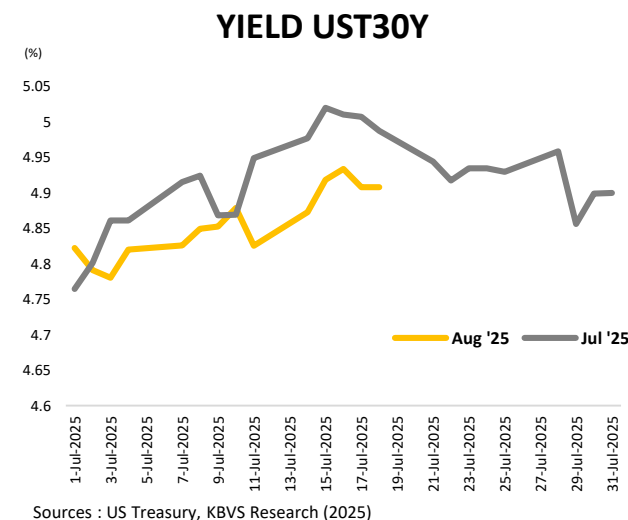
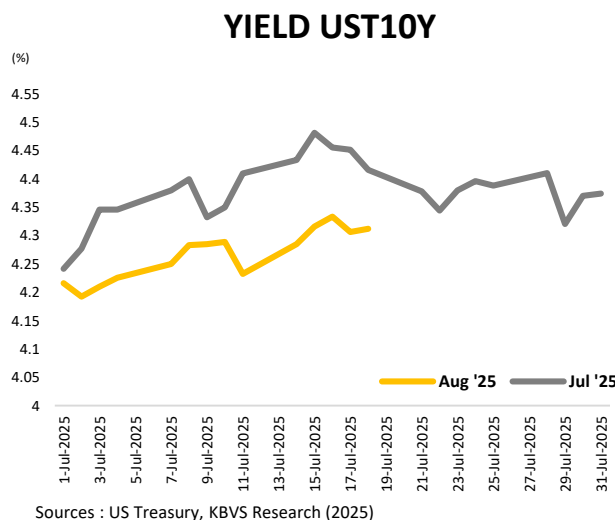
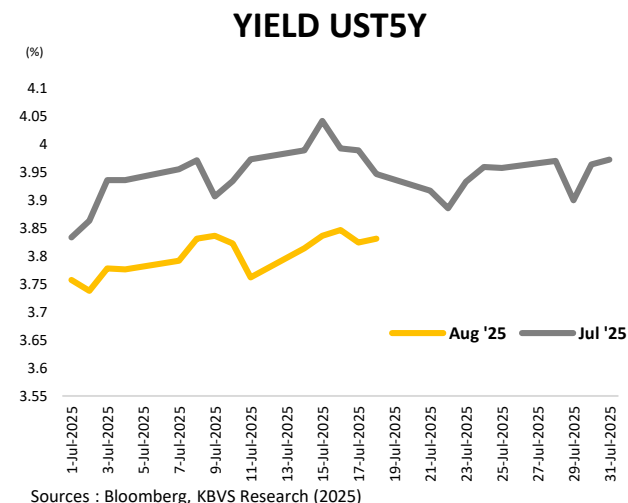
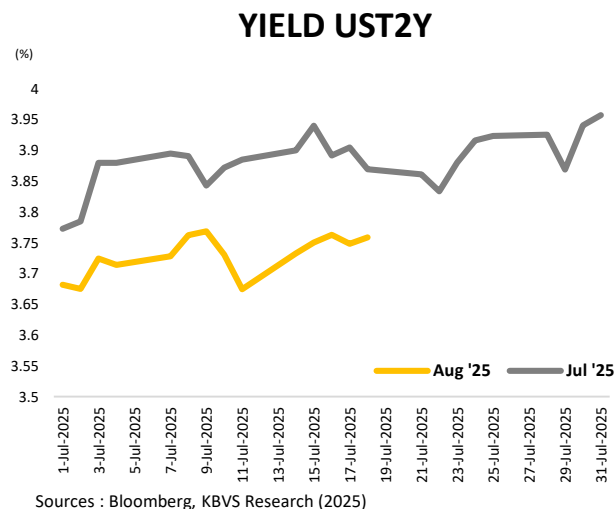




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INDONESIA ECONOMIC DATA

INDICATORS OVERVIEW

| Economic Indicators | Unit | Latest Period | Data | |
|----------------------|--------|---------------|--------|----------|
| | | | Latest | Previous |
| Policy Interest Rate | % | 20 Aug '25 | 5.00 | 5.25 |
| Economic Growth | %, yoy | 2Q25 | 5.12 | 4.87 |
| Inflation Rate | %, yoy | Jul '25 | 2.37 | 1.87 |
| Unemployment Rate | % | Feb '25 | 4.76 | 4.91 |
| S&P Credit Rating | Rating | 17 July '24 | BBB | BBB |

Sources : various sources, KBVS Research (2025)

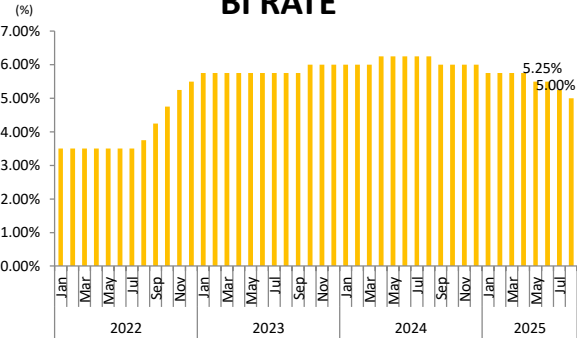
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(14-20 AUG '25)

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| | | | |
| Friday, 15 Aug '25 | | | |
| | | | |
| Monday, 18 Aug '25 | | | |
| | | | |
| Tuesday, 19 Aug '25 | | | |
| | | | |
| Wednesday, 20 Aug '25 | | | |
| ID Deposit Facility Rate (Aug) | 4.25% | 4.50% | 4.50% |
| ID Lending Facility Rate (Aug) | 5.75% | 6.00% | 6.00% |
| ID Loans (YoY) (Jul) | 7.03% | | 7.77% |
| ID Interest Rate Decision (Aug) | 5.00% | 5.25% | 5.25% |

Sources : Investing, KBVS Research (2025)

BI RATE

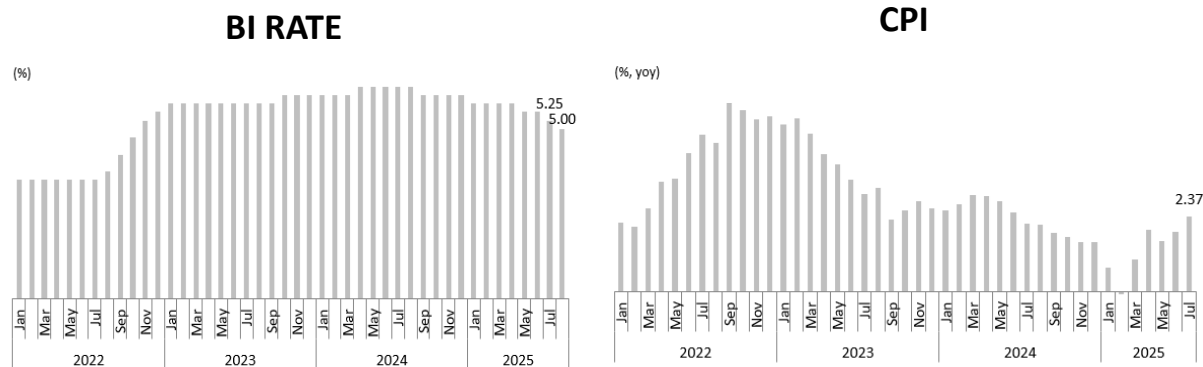


Sources : BI, KBVS Research (2025)

The data release that influenced yield movements in the week of 14-20 Aug '25 are as follows:

- Bank Indonesia (BI) decided to cut the BI Rate by another 25 bps to 5.00%.** Accordingly, the Deposit Facility rate was lowered to 4.25% and the Lending Facility rate to 5.75%. BI explained that the decision was driven by stable inflation and inflation expectations, the continuation of capital inflows, and its commitment to strengthening policy transmission to both the banking and real sectors. Despite these efforts, bank credit growth remained restrained, expanding only 7.03% YoY at the end of Jul '25 (Prev: 7.77% YoY), while lending rates continued to adjust slowly, standing at 9.18% at the end of Jul '25. BI also emphasized that its triple intervention policy will remain in place to support market stability. **Looking ahead, the cumulative 100 bps rate cuts implemented this year are expected to encourage a further decline in interbank money market rates, deposit rates, and, more effectively, lending rates. These measures are anticipated to support stronger credit transmission to the real sector while maintaining Rupiah stability, underpinned by a favorable net export performance.**

BI RATE



| Indicators | 20-Aug-25 | | Monthly Changes (in bps) | Ytd Changes (in bps) |
|---------------------|--|------|-----------------------------|-------------------------|
| | Latest | M-1 | | |
| | Policy Rate (in %) | | | |
| United States | 4.50 | 4.50 | 0.0 | (100.0) |
| European Union | 2.15 | 2.15 | 0.0 | (235.0) |
| United Kingdom | 4.00 | 4.25 | (25.0) | (125.0) |
| Japan | 0.50 | 0.50 | 0.0 | 60.0 |
| China | 3.00 | 3.00 | 0.0 | (45.0) |
| India | 5.50 | 5.50 | 0.0 | (100.0) |
| Thailand | 1.50 | 1.75 | (25.0) | (100.0) |
| Philippines | 5.25 | 5.25 | 0.0 | (125.0) |
| Indonesia | 5.00 | 5.25 | (25.0) | (100.0) |
| | Global Monetary Policy Change (in number of countries) | | | |
| Easing | 0 | 0 | | |
| Unchanged | 6 | 9 | | |
| Tightening | 3 | 7 | | |
| | Average International Interest Rate (in %) | | | |
| USD LIBOR -1 Month | 4.96 | 4.96 | 0.0 | (45.0) |
| USD LIBOR -3 Months | 4.85 | 4.85 | 0.0 | (75.6) |
| USD LIBOR -6 Months | 4.68 | 4.68 | 0.0 | (117.8) |
| | Domestic Interbank Money Market (in %) | | | |
| INDONIA | 4.97 | 5.38 | (40.9) | (102.9) |
| JIBOR - 1 Month | 6.02 | 6.16 | (14.4) | (37.4) |
| JIBOR - 3 Months | 6.31 | 6.44 | (13.0) | (44.0) |
| JIBOR - 6 Months | 6.41 | 6.54 | (13.3) | (46.3) |
| JIBOR - 12 Months | 6.60 | 6.74 | (14.2) | (45.2) |

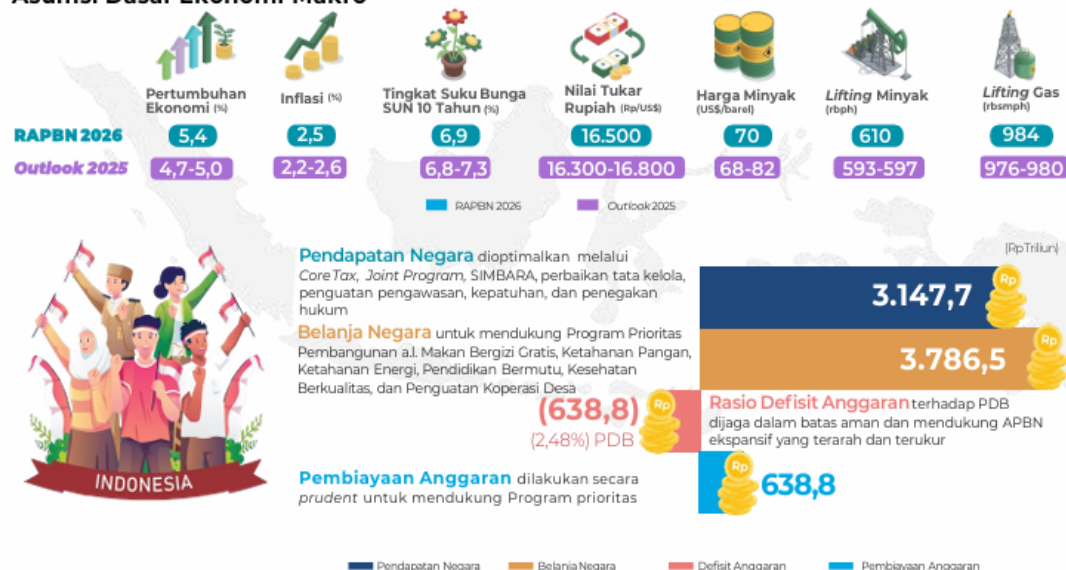
Sources : Various sources, KBVS Research (2025)

- Bank Indonesia (BI) has once again moved to ease its monetary stance, lowering the benchmark BI Rate by 25 bps to 5.00% (Cons: 5.25%; KBVS; 5.25%; Prev: 5.25%).
- The central bank positioned this decision as part of its broader strategy to maintain stability, ensure sufficient liquidity, and accelerate monetary transmission into both the banking sector and the real economy—ultimately supporting economic growth in line with its Asta Cita’s mandate.
- As of Jul ‘25, bank lending grew by only 7.03% YoY, down from 7.77% in the previous month.
- Governor Perry Warjiyo emphasized that inflation remains firmly within the central bank’s target range, with headline inflation expected to remain stable over the next two years.
- Looking ahead, the cumulative 100 bps of rate cuts delivered this year is expected to gradually filter through the financial system. A more dynamic flow of credit to the real sector would provide the much-needed boost for Indonesia’s economic growth trajectory, which has been facing headwinds from softer household spending and external demand pressures.
- Thus, we view that the coming months will test BI’s capacity not only to sustain price and currency stability but also to unlock credit growth that can effectively translate policy easing into real sector dynamism. This becomes even more critical as BI’s Board of Governors Meeting is scheduled for 17 Sep, just one day before the upcoming FOMC meeting on 18 Sep ‘25.

RAPBN 2026

Kedaulatan Pangan, Energi, dan Ekonomi

Asumsi Dasar Ekonomi Makro



Sensitivity of the 2026 APBN Draft to Changes in Macroeconomic Assumptions (IDR tn)

| URAIAN | Sensitivitas Proyeksi APBN 2026 | | | | | | |
|--------------------------------------|---------------------------------|------------------|-----------------------|----------------------------|---------------------|-------------------------------|---------------------------------|
| | Pertumbuhan Ekonomi (↑ 0,1%) | Inflasi (↑ 0,1%) | SBN 10 tahun (↑ 0,1%) | Nilai tukar (↑ Rp100/US\$) | ICP (↑ 1US\$/barel) | Lifting minyak (↑ 10rb boepd) | Lifting Gas Bumi (↑ 10rb boepd) |
| A. Pendapatan Negara | 2,1 | 1,9 | 0,0 | 5,3 | 3,5 | 1,8 | 1,3 |
| I. Penerimaan Dalam Negeri | 2,1 | 1,9 | 0,0 | 5,3 | 3,5 | 1,8 | 1,3 |
| 1. Penerimaan Perpajakan | 2,1 | 1,9 | 0,0 | 3,5 | 1,9 | 0,3 | 0,4 |
| 2. PNB | 0,0 | 0,0 | 0,0 | 1,8 | 1,6 | 1,5 | 0,9 |
| II. Penerimaan Hibah | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| B. Belanja Negara | 0,0 | 0,0 | 1,9 | 6,1 | 10,3 | 0,0 | 0,0 |
| I. Belanja Pemerintah Pusat * | 0,0 | 0,0 | 1,9 | 6,1 | 10,3 | 0,0 | 0,0 |
| II. Transfer ke Daerah | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| C. Surplus/(Defisit) Anggaran | 2,1 | 1,9 | (1,9) | (0,8) | (6,8) | 1,8 | 1,3 |
| D. Pembiayaan Anggaran | 0,0 | 0,0 | 0,0 | 0,1 | 0,0 | 0,0 | 0,0 |

Catatan:

1. Perubahan indikator asumsi dasar ekonomi makro dengan asumsi indikator lain tetap (ceteris paribus)

2. Dampak perubahan asumsi dasar ekonomi makro terhadap APBN yang tercermin dalam analisis sensitivitas belum memperhitungkan diskresi kebijakan Pemerintah

* Sensitivitas Belanja Pemerintah termasuk di dalamnya potensi Kompensasi Energi

Fiscal Deficit and Budget Financing 2021 – 2026 (IDR tn)

| Uraian | 2021 | 2022 | 2023 | 2024 | Outlook 2025 | RAPBN 2026 |
|--|---------|---------|---------|---------|--------------|------------|
| A. PENDAPATAN NEGARA | 2.011,3 | 2.635,8 | 2.783,9 | 2.850,6 | 2.865,5 | 3.147,7 |
| B. BELANJA NEGARA | 2.786,4 | 3.096,3 | 3.121,2 | 3.359,8 | 3.527,5 | 3.786,5 |
| C. KESEIMBANGAN PRIMER | (431,6) | (74,1) | 102,6 | (20,7) | (109,9) | (39,4) |
| D. SURPLUS/(DEFISIT) ANGGARAN (A - B) | (775,1) | (460,4) | (337,3) | (509,2) | (662,0) | (638,8) |
| % Defisit terhadap PDB | (4,57) | (2,35) | (1,61) | (2,30) | (2,78) | (2,48) |
| E. PEMBIAYAAN ANGGARAN | 871,7 | 591,0 | 356,7 | 554,9 | 662,0 | 638,8 |
| I. Pembiayaan Utang | 870,5 | 696,0 | 404,0 | 558,1 | 715,5 | 781,9 |
| II. Pembiayaan Investasi | (142,5) | (106,7) | (89,9) | (59,3) | (139,7) | (203,1) |
| III. Pemberian Pinjaman | 1,9 | 2,1 | 4,5 | (0,2) | (0,4) | (0,4) |
| IV. Kewajiban Penjaminan | (2,7) | (1,1) | (0,3) | (1,5) | - | - |
| V. Pembiayaan Lainnya | 144,4 | 0,7 | 38,5 | 57,8 | 86,6 | 60,4 |
| Kelahiran/(Kekurangan) Pembiayaan | 96,7 | 130,6 | 19,4 | 45,7 | - | - |

Sumber: Kementerian Keuangan

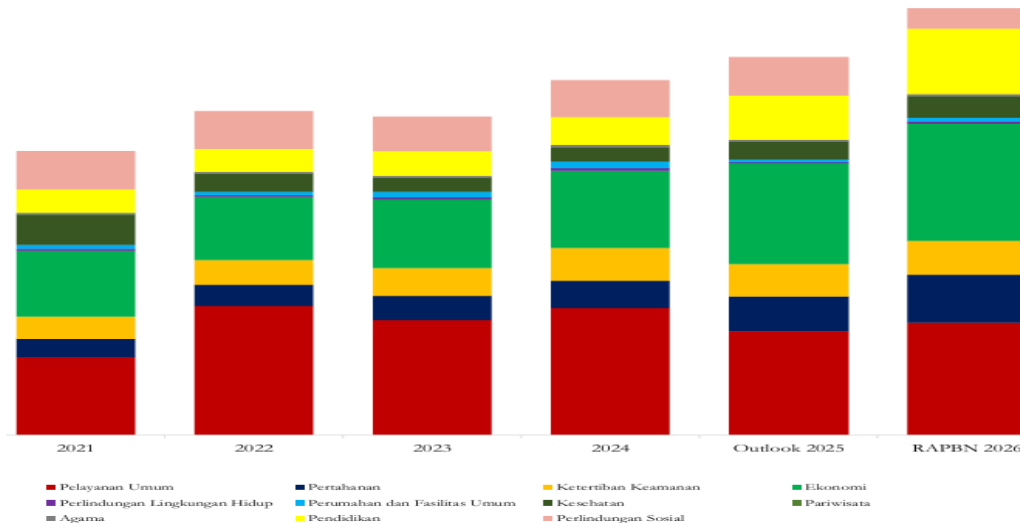
Debt Financing 2021 – 2026 (IDR tn)

| Uraian | 2021 | 2022 | 2023 | 2024 | Outlook 2025 | RAPBN 2026 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| I. Surat Berharga Negara (Neto) | 877,5 | 658,8 | 308,2 | 450,7 | 585,1 | 749,2 |
| II. Pinjaman (Neto) | (7,0) | 37,2 | 95,8 | 107,3 | 130,4 | 32,7 |
| 1. Pinjaman Dalam Negeri (Neto) | 0,9 | 8,2 | 14,6 | 15,0 | 9,5 | (6,5) |
| a. Penarikan Pinjaman Dalam Negeri (Bruto) | 2,5 | 10,1 | 17,5 | 20,1 | 16,7 | 7,3 |
| b. Pembayaran Cicilan Pokok Pinjaman Dalam Negeri | (1,5) | (1,9) | (2,9) | (5,1) | (7,2) | (13,9) |
| 2. Pinjaman Luar Negeri (Neto) | (7,9) | 29,0 | 81,2 | 92,3 | 120,9 | 39,2 |
| a. Penarikan Pinjaman Luar Negeri (Bruto) | 74,2 | 108,3 | 162,7 | 179,8 | 215,9 | 144,5 |
| i. Pinjaman Tunai | 41,6 | 65,6 | 83,0 | 60,0 | 69,0 | 41,9 |
| ii. Pinjaman Kegiatan | 32,6 | 42,7 | 79,7 | 119,7 | 147,0 | 102,6 |
| (1) Pinjaman Kegiatan Pemerintah Pusat | 30,6 | 40,9 | 81,6 | 115,5 | 142,3 | 98,0 |
| (2) Pinjaman Kegiatan kepada BUMN/Permuda | 2,0 | 1,8 | (1,9) | 4,2 | 4,7 | 4,7 |
| b. Pembayaran Cicilan Pokok Pinjaman Luar Negeri | (82,1) | (79,3) | (81,5) | (87,5) | (95,1) | (105,3) |
| Jumlah | 870,5 | 696,0 | 404,0 | 558,1 | 715,5 | 781,9 |

Sumber: Kementerian Keuangan

RAPBN 2026

Central Government Expenditure by Function 2021 – 2026 (IDR tn)



| KODE | FUNGSI | LKPP 2023 | LKPP 2024 | Outlook 2025 | RAPBN 2026 |
|--------|-------------------------------|-------------|-------------|--------------|-------------|
| 1 | PELAYANAN UMUM | 809.701,5 | 895.534,5 | 730.316,7 | 792.836,2 |
| 2 | PERTAHANAN | 171.480,9 | 190.271,1 | 245.236,5 | 335.256,8 |
| 3 | KETERTIBAN DAN KEAMANAN | 193.328,7 | 230.128,0 | 229.716,0 | 239.778,3 |
| 4 | EKONOMI | 485.426,3 | 546.197,7 | 707.465,0 | 820.371,4 |
| 5 | PERLINDUNGAN LINGKUNGAN HIDUP | 13.512,9 | 14.536,1 | 8.383,4 | 13.358,6 |
| 6 | PERUMAHAN DAN FASILITAS UMUM | 38.073,6 | 48.104,1 | 19.234,8 | 28.616,5 |
| 7 | KESEHATAN | 98.406,4 | 99.345,8 | 124.682,2 | 152.797,1 |
| 8 | PARIWISATA | 4.539,6 | 3.899,9 | 2.769,0 | 2.965,1 |
| 9 | AGAMA | 11.012,9 | 12.738,5 | 13.219,1 | 14.281,4 |
| 10 | PENDIDIKAN | 171.955,0 | 197.180,5 | 309.542,4 | 456.692,6 |
| 11 | PERLINDUNGAN SOSIAL | 242.348,8 | 258.287,6 | 272.879,5 | 279.541,6 |
| Jumlah | | 2.239.786,7 | 2.496.223,9 | 2.663.444,6 | 3.136.495,7 |

Source : MOF-RI (2025)

8 Prioritas Prabowo di 2026 yang Sedot APBN Rp3.768,5 T

Presiden Prabowo Subianto mengumumkan delapan agenda prioritas yang tertuang dalam APBN 2026.

Berikut rinciannya;



Ketahanan Pangan: Rp164,4 T

- Membangun lumbung pangan
- Menyiapkan cadangan pangan
- Subsidi pupuk
- Dukungan untuk Bulog



Pendidikan: Rp757,8 T

- Program Indonesia Pintar 21,1 juta siswa
- KIP Kuliah 1,2 juta mahasiswa
- Beasiswa LPDP 4.000 mahasiswa
- Gaji dan kompetensi guru



Ketahanan Energi: Rp402,4 T

- Subsidi BBM, listrik, LPG 3 kg
- Pengembangan energi baru terbarukan (EBT)
- Listrik desa



Kesehatan: Rp244 T



Makanan Bergizi Gratis (MBG): Rp335 T



Pertahanan Semesta

- Modernisasi alutsista
- Penguatan komponen cadangan
- Penguasaan teknologi
- Pengembangan industri strategis dalam negeri



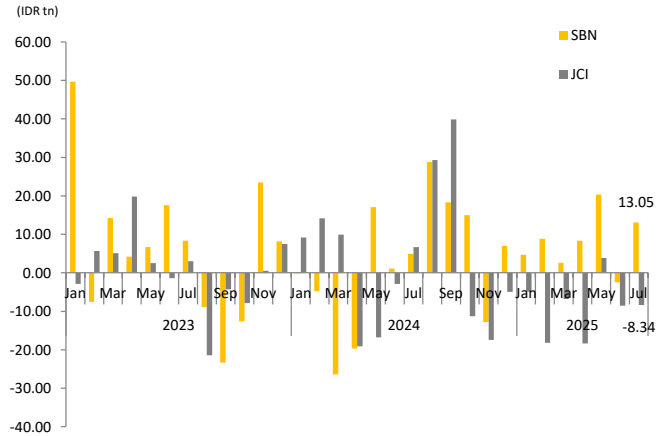
Akselerasi Investasi, Perdagangan, dan Perumahan



Program Desa, Koperasi, dan UMKM

DEVELOPMENT OF TRADABLE SBN

CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2025)

Between 14-20 August '25, non-residents conducted:

- A net buy of tradeable SBN, amounting IDR7.82 tn.
- A net buy of JCI, amounting IDR5.17 tn.

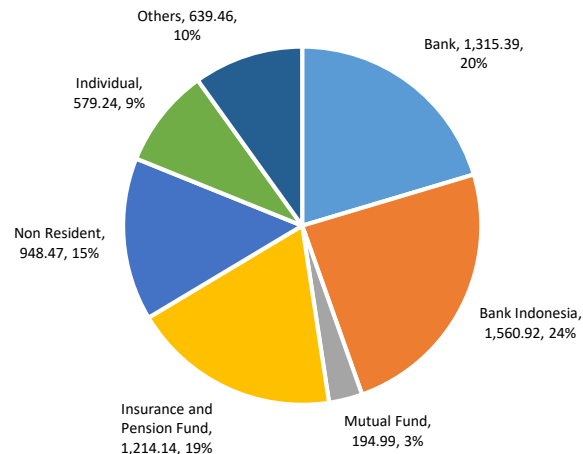
SUN LATEST AUCTION

| 12 Aug '25 | | | | | | | | | |
|---------------------------------|-------------|-------------|--------|--------|--------|--------|--------|--------|--------|
| Instruments | SPN03251112 | SPN12260813 | FR0109 | FR0108 | FR0106 | FR0107 | FR0102 | FR0105 | Total |
| Incoming Bids (IDR tn) | 1.52 | 6.94 | 88.06 | 34.04 | 13.31 | 7.80 | 5.08 | 5.57 | 162.32 |
| Bid to Cover Ratio | 3.03 | 3.47 | 8.90 | 3.85 | 3.55 | 2.17 | 2.61 | 3.84 | 5.07 |
| Weighted Average Yields Awarded | 5.350% | 5.400% | 5.948% | 6.470% | 6.800% | 6.850% | 6.900% | 6.940% | |
| 29 Jul '25 | | | | | | | | | |
| Instruments | SPN12251030 | SPN12260730 | FR0104 | FR0108 | FR0106 | FR0107 | FR0102 | FR0105 | Total |
| Incoming Bids (IDR tn) | 0.50 | 5.18 | 28.45 | 46.47 | 8.99 | 6.89 | 4.75 | 5.30 | 106.53 |
| Bid to Cover Ratio | - | 2.59 | 4.38 | 4.34 | 1.42 | 3.83 | 6.33 | 1.36 | 3.33 |
| Weighted Average Yields Awarded | - | 5.548% | 6.096% | 6.547% | 6.830% | 6.920% | 6.960% | 7.000% | |

Sources : DJPPR, KBVS Research (2025)

OWNERSHIP of IDR TRADABLE SBN

(IDR tn,
% of total tradable SBN)



Sources : DJPPR, and KBVS Research (2025)

As of 14 August '25, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,560.92 tn (+IDR17.61 tn, WoW),
- Banks : IDR1,315.39 tn (+IDR0.16 tn, WoW), and
- Insurance & Pension Funds: IDR1,214.14 tn (+IDR1.20 tn, WoW)

SBSN LATEST AUCTION

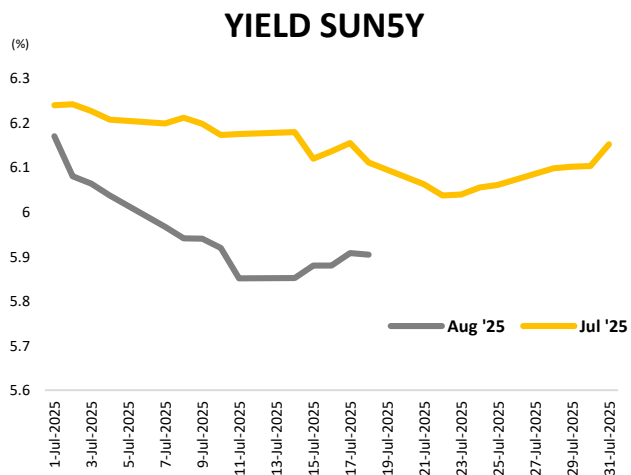
| 19 Aug '25 | | | | | | | | |
|---------------------------------|--------------|--------------|--------|--------|---------|--------|--------|-------|
| Instruments | SPNS10022026 | SPNS04052026 | PBS003 | PBS030 | PBS034 | PBS039 | PBS038 | Total |
| Incoming Bids (IDR tn) | 1.10 | 5.34 | 3.17 | 10.24 | 3.57 | 3.60 | 6.11 | 33.12 |
| Bid to Cover Ratio | 2.20 | 10.68 | 3.73 | 3.94 | 7.93 | 1.20 | 5.55 | 3.68 |
| Weighted Average Yields Awarded | 5.280% | 5.320% | 5.472% | 5.680% | 6.679% | 6.789% | 6.879% | |
| 5 Aug '25 | | | | | | | | |
| Instruments | SPNS10022026 | SPNS04052026 | PBS003 | PBS030 | PBSG001 | PBS034 | PBS038 | Total |
| Incoming Bids (IDR tn) | 1.04 | 4.89 | 7.78 | 8.48 | 5.66 | 7.70 | 7.48 | 43.02 |
| Bid to Cover Ratio | - | 4.89 | 5.99 | 4.47 | 3.33 | 1.56 | 6.50 | 3.58 |
| Weighted Average Yields Awarded | - | 5.520% | 5.671% | 5.832% | 6.051% | 6.736% | 6.940% | |

Sources : DJPPR, KBVS Research (2025)

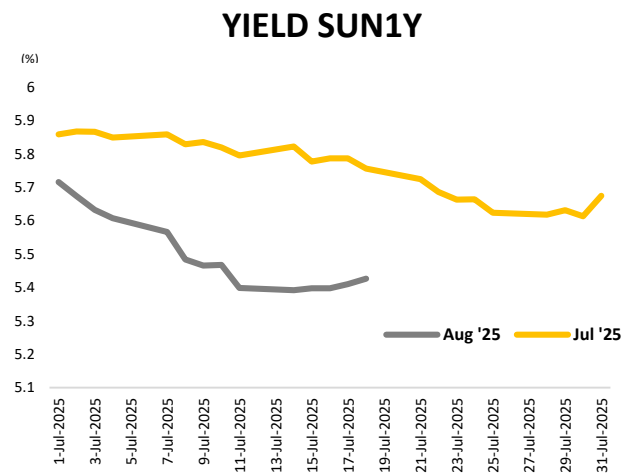
THE MOVEMENT OF SUN YIELDS

Over the past week, SUN yields moved tends to decrease:

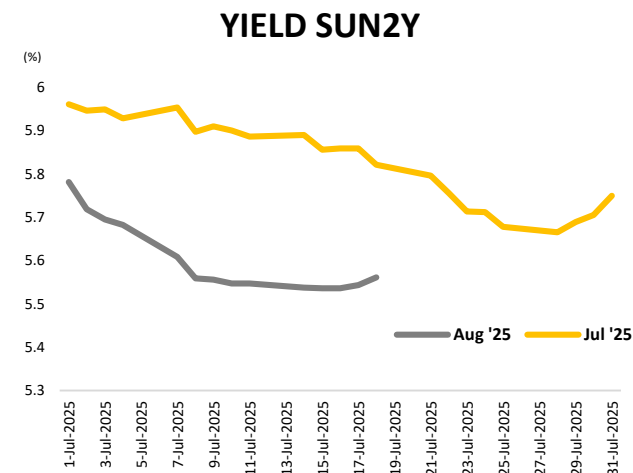
- Yield SUN1Y
 - -2.10 bps (WoW)
 - -131.10 bps (YtD, as of Aug 20, '25)
- Yield SUN2Y
 - -2.30 bps (WoW)
 - -138.00 bps (YtD, as of Aug 20, '25)
- Yield SUN5Y
 - -1.10 bps (WoW)
 - -114.80 bps (YtD, as of Aug 20, '25)
- Yield SUN10Y
 - -0.30 bps (WoW)
 - -58.40 bps (YtD, as of Aug 20, '25)
- Yield SUN30Y
 - +1.00 bps (WoW)
 - -19.00 bps (YtD, as of Aug 20, '25)



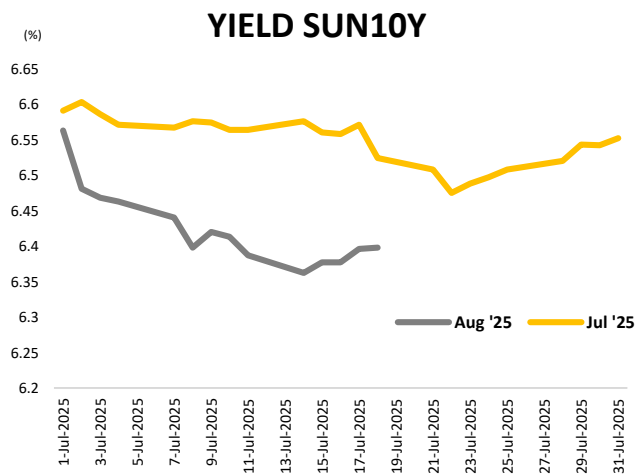
Sources : Bloomberg, KBVS Research (2025)



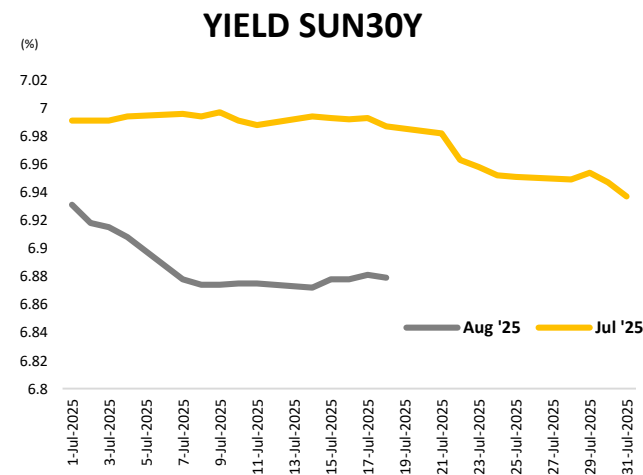
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)



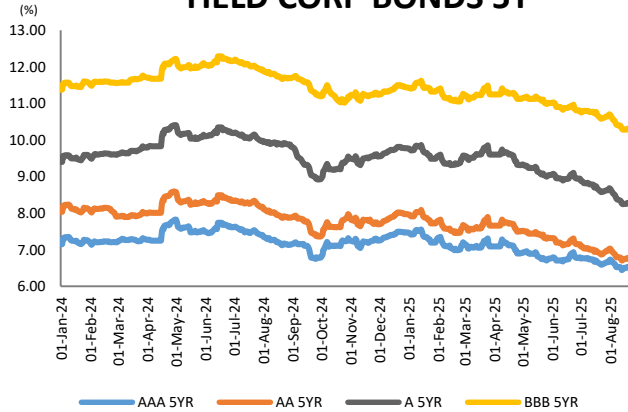
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)

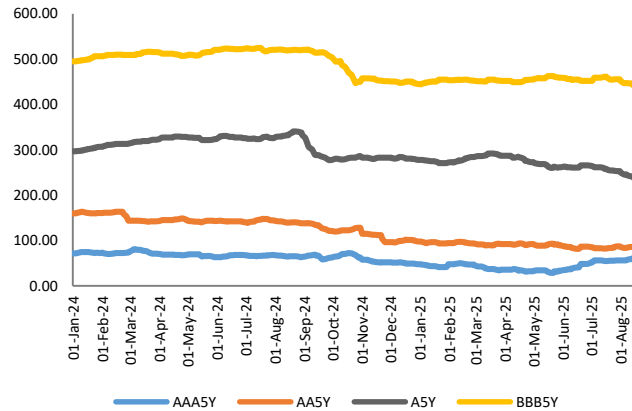
THE MOVEMENT OF CORPORATE BOND YIELD

YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2025)

YIELD SPREAD 5Y TENOR

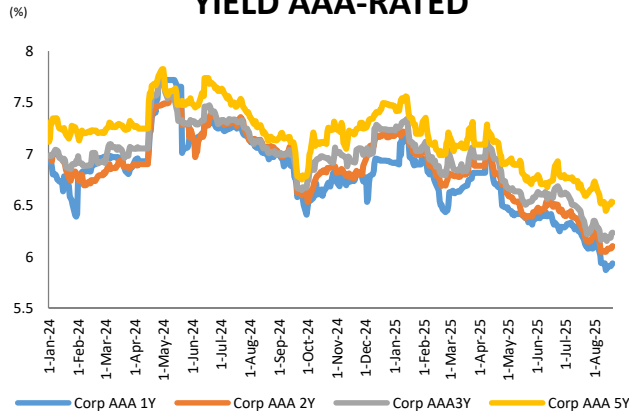


Sources : Bloomberg, KBVS Research (2025)

Corporate bond yields showed a decline movement on most of the tenors last week, as follows:

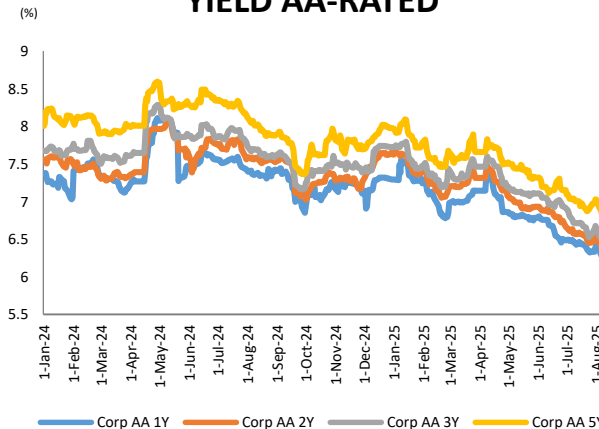
- AAA-rated
 - Tenor 1Y : +1.84 bps (WoW)
 - Tenor 2Y : +1.92 bps (WoW)
 - Tenor 5Y : +1.98 bps (WoW)
- AA-rated
 - Tenor 1Y : +1.25 bps (WoW)
 - Tenor 2Y : +2.83 bps (WoW)
 - Tenor 5Y : -0.28 bps (WoW)
- A-rated
 - Tenor 1Y : -1.24 bps (WoW)
 - Tenor 2Y : -4.37 bps (WoW), and
 - Tenor 5Y : -5.34 bps (WoW)

YIELD AAA-RATED



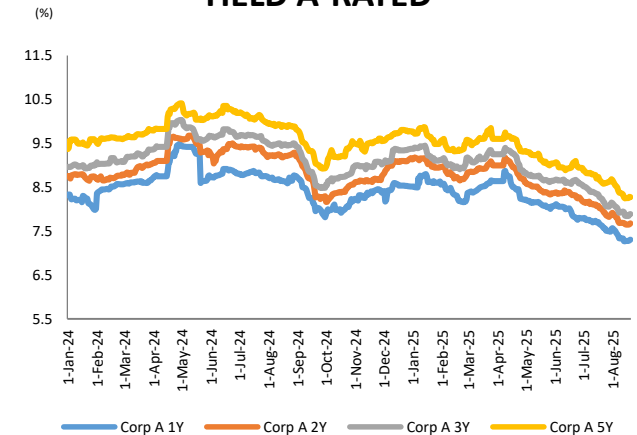
Sources : Bloomberg, KBVS Research (2025)

YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2025)

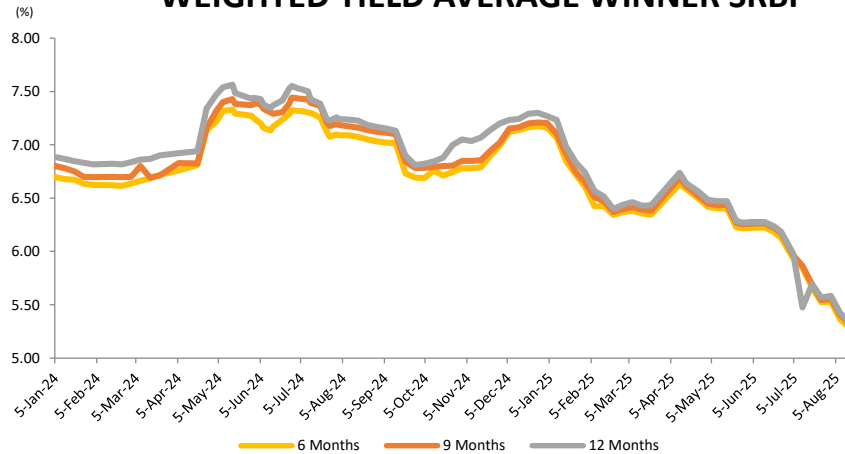
YIELD A-RATED



Sources : Bloomberg, KBVS Research (2025)

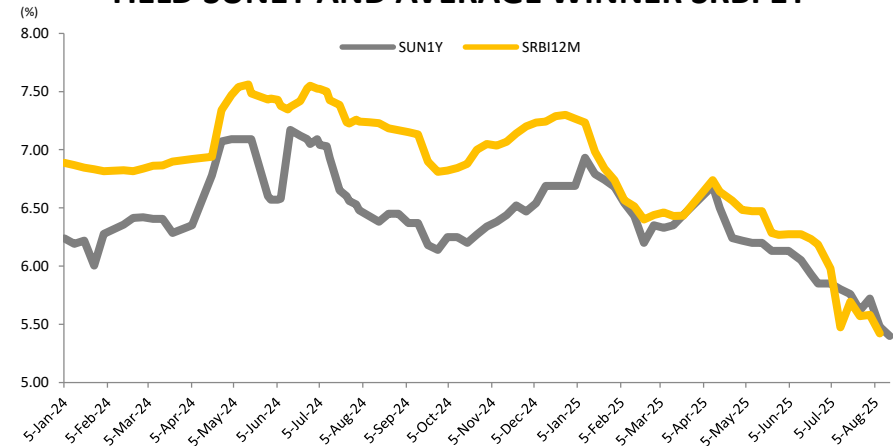
BI'S MONETARY OPERATION

WEIGHTED YIELD AVERAGE WINNER SRBI



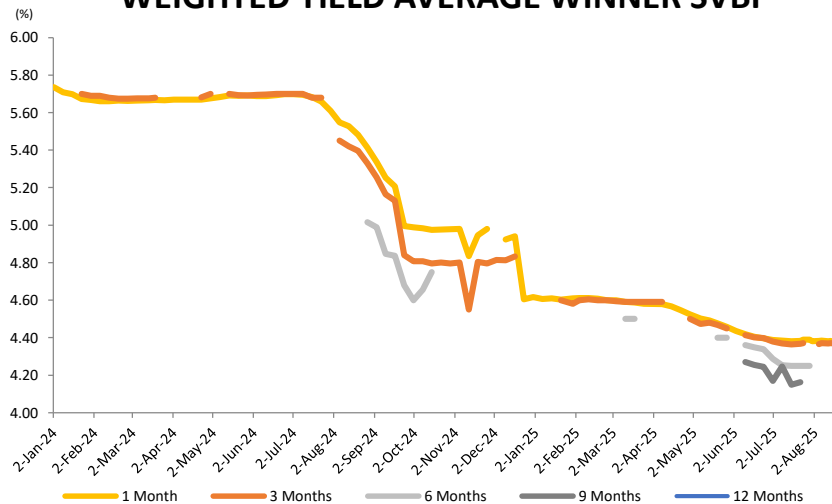
Sources : BI, KBVS Research (2025)

YIELD SUN1Y AND AVERAGE WINNER SRBI 1Y



Sources : BI, KBVS Research (2025)

WEIGHTED YIELD AVERAGE WINNER SVBI



Sources : BI, KBVS Research (2025)

- The SRBI auction once again recorded a decline in yields, with the Weighted Average Yield of Winning Bids standing at:
 - 6 month : 5,27947% (Prev: 5,36167%)
 - 9 month : 5,31556% (Prev: 5,40292%)
 - 12 month : 5,33782% (Prev: 5,42010%)
- Alongside the decline in SRBI yields, a similar trend was also observed in the winning yields of SVBI, with:
 - 1 month: 4,367203% (Prev: 4,38336%)
 - 3 month: 4,36714% (Prev: 4,37000%)



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3 Global Economy

8 Domestic Economy

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NEXT WEEK ECONOMIC CALENDAR

ECONOMIC CALENDAR

(21-27 AUG 2025)

| Country | Event | Forecast | Previous | Country | Event | Forecast | Previous | Country | Event | Forecast | Previous |
|------------------------|--------------------------------------|----------|----------|----------------------|-------------------------------|----------|----------|-------------------------|--|----------|----------|
| Thursday, Aug 21, 2025 | | | | Friday, Aug 22, 2025 | | | | Monday, Aug 25, 2025 | | | |
| US | 20-Year Bond Auction | | 4.94% | US | 30-Year TIPS Auction | | 2.40% | GE | Business Expectations (Aug) | | 90.70 |
| US | FOMC Meeting Minutes | | | US | Fed's Balance Sheet | 6,644B | | GE | Current Assessment (Aug) | | 86.50 |
| US | FOMC Member Bostic Speaks | | | JP | National Core CPI (YoY) (Jul) | 3.00% | 3.30% | GE | Ifo Business Climate Index (Aug) | | 88.60 |
| US | Jackson Hole Symposium | | | JP | National CPI (MoM) (Jul) | | 0.10% | US | New Home Sales (Jul) | | 627K |
| JP | Au Jibun Bank Services PMI (Aug) | | 53.60 | US | Jackson Hole Symposium | | | US | New Home Sales (MoM) (Jul) | | 0.60% |
| GE | HCOB Manufacturing PMI (Aug) | 48.80 | 49.10 | ID | Current Account % of GDP | | -0.10% | Tuesday, Aug 26, 2025 | | | |
| GE | HCOB Services PMI (Aug) | 50.50 | 50.60 | ID | M2 Money Supply (YoY) (Jul) | | 6.50% | US | Core Durable Goods Orders (MoM) (Jul) | | 0.20% |
| EU | HCOB Manufacturing PMI (Aug) | 49.60 | 49.80 | GB | Core Retail Sales (YoY) (Jul) | | 1.80% | US | Durable Goods Orders (MoM) (Jul) | | -9.40% |
| EU | HCOB Composite PMI (Aug) | | 50.90 | GB | Core Retail Sales (MoM) (Jul) | | 0.60% | US | S&P/CS HPI Composite - 20 n.s.a. (MoM) (Jun) | | 0.40% |
| EU | HCOB Services PMI (Aug) | 50.80 | 51.00 | GB | Retail Sales (MoM) (Jul) | 0.50% | 0.90% | US | S&P/CS HPI Composite - 20 n.s.a. (YoY) (Jun) | | 2.80% |
| GB | S&P Global Composite PMI (Aug) | | 51.50 | GB | Retail Sales (YoY) (Jul) | | 1.70% | US | CB Consumer Confidence (Aug) | | 97.20 |
| GB | S&P Global Manufacturing PMI (Aug) | 48.20 | 48.00 | GE | GDP (YoY) (Q2) | 0.40% | 0.40% | Wednesday, Aug 27, 2025 | | | |
| GB | S&P Global Services PMI (Aug) | 51.90 | 51.80 | GE | GDP (QoQ) (Q2) | -0.10% | -0.10% | GE | GfK Consumer Climate (Sep) | | -21.50 |
| US | Continuing Jobless Claims | | 1,953K | US | Fed Chair Powell Speaks | | | | | | |
| US | Initial Jobless Claims | 227K | 224K | | | | | | | | |
| US | Philly Fed Manufacturing Index (Aug) | 5.90 | 15.90 | | | | | | | | |
| US | Philly Fed Employment (Aug) | | 10.30 | | | | | | | | |
| US | S&P Global Manufacturing PMI (Aug) | 49.90 | 49.80 | | | | | | | | |
| US | S&P Global Composite PMI (Aug) | | 55.10 | | | | | | | | |
| US | S&P Global Services PMI (Aug) | 53.30 | 55.70 | | | | | | | | |
| US | Existing Home Sales (Jul) | 3.92M | 3.93M | | | | | | | | |
| US | Existing Home Sales (MoM) (Jul) | | -2.70% | | | | | | | | |
| US | Leading Index (MoM) (Jul) | -0.10% | -0.30% | | | | | | | | |



KBVS's 2H25 ECONOMIC ASSUMPTIONS

| Year | | Fed Rate (%) | | | Yield US10Y (%) | | | BI Rate (%) | | | GDP Growth (% yoy) | | | Inflation (% YoY) | | | Rupiah ER (Rp per USD) | | | Yield SUN10Y (%) | | |
|------|-------------|--------------|------|------|-----------------|------|------|-------------|------|------|--------------------|------|------|-------------------|------|------|------------------------|--------|--------|------------------|------|------|
| | | Worst | Base | Best | Worst | Base | Best | Worst | Base | Best | Worst | Base | Best | Worst | Base | Best | Worst | Base | Best | Worst | Base | Best |
| 2024 | End of Year | 4.50 | | | 4.53 | | | 6.00 | | | 5.02 | | | 1.57 | | | 16,143 | | | 6.97 | | |
| | Average | 5.27 | | | 4.20 | | | 6.10 | | | 5.03 | | | 2.29 | | | 15,847 | | | 6.78 | | |
| 2025 | End of Year | 4.25 | 4.00 | 3.75 | 4.08 | 3.78 | 3.48 | 5.25 | 5.00 | 4.50 | 4.42 | 4.72 | 5.02 | 1.85 | 1.55 | 1.25 | 17,355 | 16,295 | 15,236 | 6.55 | 6.25 | 5.85 |
| | Average | 4.31 | 4.06 | 3.81 | 4.38 | 4.08 | 3.78 | 5.63 | 5.38 | 4.98 | 4.50 | 4.80 | 5.10 | 1.83 | 1.53 | 1.23 | 17,169 | 16,121 | 15,073 | 6.78 | 6.38 | 5.98 |
| 2026 | End of Year | 3.50 | 3.00 | 2.50 | 3.69 | 3.19 | 2.69 | 4.50 | 4.25 | 4.00 | 4.78 | 5.03 | 5.28 | 2.08 | 1.83 | 1.58 | 17,617 | 16,357 | 15,098 | 5.91 | 5.51 | 5.11 |
| | Average | 3.88 | 3.38 | 2.88 | 3.99 | 3.49 | 2.99 | 4.88 | 4.63 | 4.38 | 4.69 | 4.94 | 5.19 | 1.98 | 1.74 | 1.50 | 17,607 | 16,348 | 15,090 | 6.22 | 5.72 | 5.22 |

Source: KBVS Research – Juli (2025)

- Overall, not much has changed from our assumptions back in Mar '25.
- The Fed Rate remains largely unchanged; however, with the introduction of the Trump Tariff and its implications on U.S. inflation and growth, we have slightly raised our 2025 US10Y yield assumption by +24.0 bps.
- Conversely, we have trimmed our BI Rate assumption by -25 bps to -50 bps for end-2025, reflecting Bank Indonesia's increasingly pro-growth stance amid weak domestic demand and global monetary easing.
- We've also lowered our 2025–2026 inflation outlook by -0.01% to -0.75%, supported by improving domestic supply-demand dynamics and subdued consumption under persistent risk-off sentiment.
- Accordingly, we now expect the SUN10Y yield to end 2025 lower by -9 bps and decline a further -59 bps by end-2026, in line with dovish signals from global and domestic central banks.
- Looking forward, structural shifts—particularly the Trump Tariff, geopolitical tensions, and Indonesia's fiscal realignments—will shape the economic trajectory into 2026.
- **Despite the potential for strong momentum (like coasting downhill), lingering “speed bumps” remain key hurdles to a faster recovery.**