Economic Research

Economic Review 1H25 and Outlook 2H25

Navigating the Potential Shifting of the Global Economic Landscape

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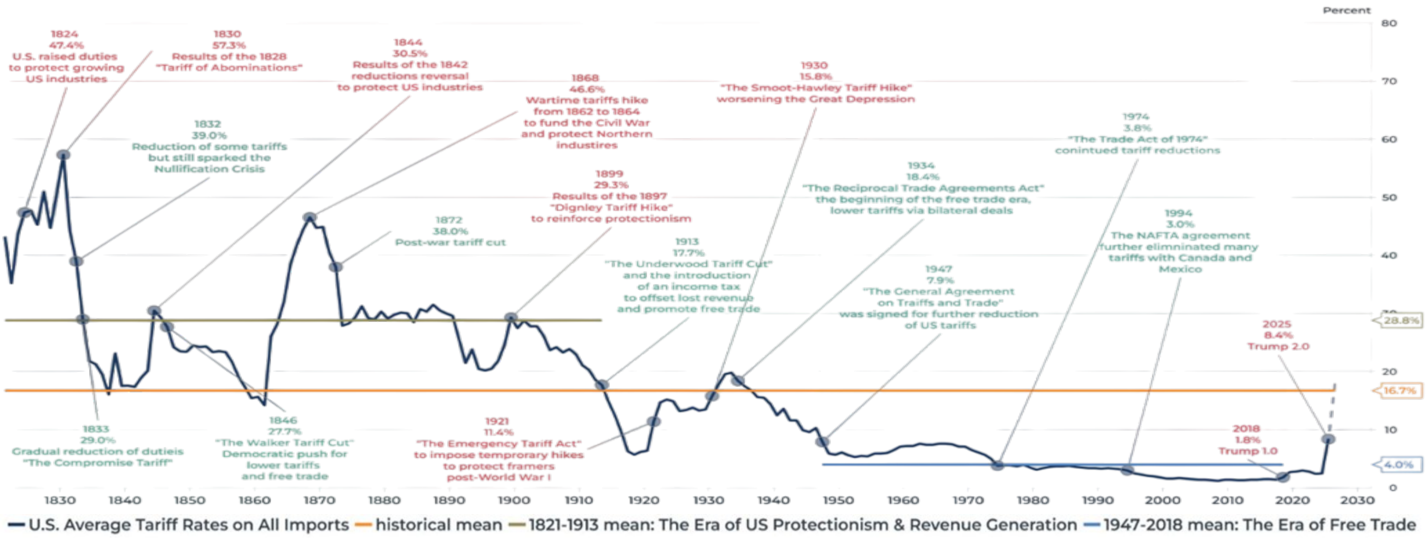
Key Takeaways

- **At the start of Donald Trump's second presidency, trade wars re-emerged as a key global issue.** The U.S. International trade policy once again took center stage as President Trump re-elected for a second term, disrupted the global trade system through the implementation of new tariffs under the "America First" campaign agenda.
- **President Trump's reciprocal tariff policy took effect on February 1, 2025,** introducing a 25% tariff on imports from Mexico and Canada, and an additional 10% tariff on Chinese imports. On April 2, 2024, referred to as "Liberation Day", Trump announced a baseline 10% tariff on all imports into the U.S., effective April 5, 2025, along with reciprocal tariffs targeting approximately 60 countries, which will take effect on April 9, 2025.
- **The swift in the global trade policies has increased the economic uncertainty.** The imposition of import tariffs by President Trump has heightened uncertainty in the global economy. Key economic indicators from both the U.S. and its trading partners have begun to show signs of weakness.
- **The Fed still sees the potential for two rate cuts this year**, although it will continue to monitor the impact of tariffs. The Fed has signaled concerns about slowing economic growth and faster inflation.
- **Geopolitical tensions have escalated in several regions.** Ongoing conflicts in the Middle East, particularly involving Israel, Palestine, Iran, and Yemen, remain unresolved. The outbreak of war between Israel and Iran has further intensified geopolitical risks, which could negatively affect the global economy through rising crude oil prices if the conflict persists or expands.
- **Commodity prices have become increasingly sensitive to global developments.** Commodity price movements have shown divergence, with gold experiencing the highest gains, while coal prices have seen the sharpest declines.
- **Exchange rates are expected to stabilize.** After a period of volatility driven by the tariff war, exchange rate movements are projected to become more stable as trade tensions ease and potential monetary policy loosening comes into play.
- **The 2025 target for the JCI is set at 7,692**. EPS growth for the JCI is expected to continue in the second half of 2025. Based on the 10 -year average EPS growth of 12.45%, this assumption underpins the JCI projection for 2H25.

Figure 1. Historical of U.S. Tariff (1821-2025)

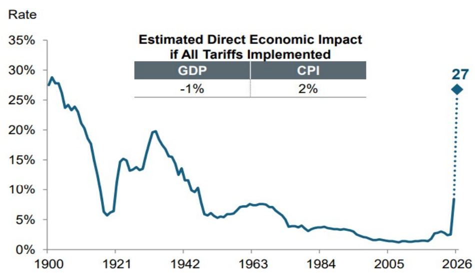


Source : *Bloomberg, MacroBond*

At the beginning of Donald Trump's second presidency, trade wars became a major global issue. The U.S. international trade policy once again came under global scrutiny after President Trump, serving his second term, shook the global trade system with new tariffs under the "America First" campaign spirit. President Trump implemented broad global tariffs, with plans to use the tariff revenues to finance the U.S. budget deficit. In addition, Trump pushed for the reshoring of industries to the U.S. through incentives and high tariffs on companies producing overseas. Tariff implementation in the U.S. has actually existed since 1821 **(Figure 1)**.

President Trump's reciprocal tariff policy began on February 1, 2025, with the imposition of a 25% tariff on Mexico and Canada, as well as an additional 10% tariff on China. This was followed by a 25% tariff on steel and aluminum on February 10, 2025. On April 2, 2024, known as Liberation Day, Trump announced a baseline tariff of 10% on all imports entering the U.S., effective April 5, 2025, and reciprocal tariffs for around 60 countries, effective April 9, 2025. These reciprocal tariffs were applied to countries deemed to impose tariffs or trade barriers on U.S. products. As a result, the U.S. imposed equivalent import tariffs, although in reality the tariffs were often higher than those imposed by other countries. The reciprocal tariffs targeted, among others, China, the European Union, Japan, Vietnam, Indonesia, and others. In addition, the U.S. also announced it would end tariff exemptions for small, duty-free package shipments to the U.S. (de minimis).

Figure 2. Trump 2.0 Tariff



Source : *Bloomberg*

The implementation of reciprocal tariffs was used by the U.S. as a tool to negotiate trade deals with its trading partners for the benefit of the U.S. On April 9, 2025, the U.S. announced a 90-day delay in the enforcement of reciprocal tariffs to allow time for affected countries to negotiate. During the 90-day pause, the baseline tariff of 10% remained in effect, except for China, whose tariff rate was increased. The U.S. tariff hike on China prompted China to retaliate by imposing tariffs on U.S. products entering China, along with several non-tariff barriers such as restrictions on rare earth mineral exports, sanctions on U.S. companies, anti-dumping investigations, and import restrictions on U.S. goods. Following the tit-for-tat measures, U.S. imposed a 145% tariff on China, while China imposed a 125% tariff on the U.S.

A temporary trade agreement between the U.S. and China was reached on May 12, 2025. After a series of tariff escalations, a temporary trade deal was reached between the U.S. and China during negotiations in Geneva. The agreement included a 90-day tariff reduction period, during which the U.S. reduced tariffs on China from 145% to 30%, including an additional 20% tariff related to fentanyl. The U.S. also reduced the de minimis tariff from 120% to 54%. In return, China reduced its tariffs on the U.S. from 125% to 10%. China also agreed to suspend all non-tariff barriers against the U.S. This tariff reduction agreement took effect on May 14, 2025.

Tariff policy triggered increased economic uncertainty. The imposition of import tariffs by President Trump created economic uncertainty, particularly due to the rapidly changing and dynamic nature of the tariff policy. In addition, on May 28, 2025, the U.S. trade court ruled to annul most of the tariff policies imposed by Trump, arguing that Trump had exceeded his authority by imposing import tariffs under the justification of addressing extraordinary threats during a national emergency without Congressional approval. The lawsuit was filed by the Liberty Justice Center on behalf of VOS Selections and four small business owners who claimed to be harmed by the high import tariffs. However, the Trump administration immediately filed an appeal, and the next day (May 29), the federal appeals court overturned the trade court's decision, thereby reinstating Trump’s tariff policies.

President Trump also raised import tariffs on steel and aluminum from 25% to 50%, effective June 4, 2025. The countries most affected by this tariff increase include Canada and Mexico, which are the largest exporters to the U.S. In addition, European countries significantly impacted by this increase are Germany, Italy, Sweden, and the Netherlands. Meanwhile, the United Kingdom avoided the full impact of the tariffs due to having reached a trade agreement with the U.S.

Potential negative impacts of the trade war on the U.S. economy. The American public has expressed concern about the effects of the tariffs on economic slowdown and rising inflation. This is reflected in the decline of the Michigan Consumer Sentiment Index, which fell due to increased inflation expectations. The U.S. Michigan Consumer Sentiment Index has been on a downward trend from January 2025 through April 2025 **(Figure 3)**. This was driven by growing consumer concern about rising prices resulting from import tariffs. Consumers have become more pessimistic about the future of the economy and their personal financial outlook.

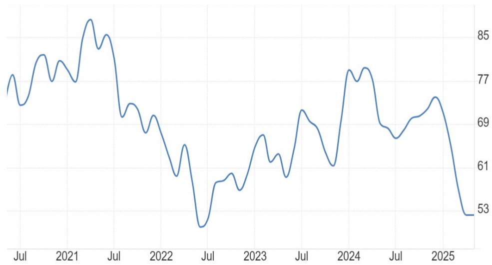
The imposition of import tariffs will burden the U.S. manufacturing sector itself, as most raw materials for the manufacturing industry are imported from U.S. trading partners. Pressure on the manufacturing sector is evident in the ISM Manufacturing Index, which has declined since February 2025 and has remained in contraction territory since March 2025. In addition to weakening demand, industry players are also facing rising input costs. **(Figure 4).**

The U.S. services sector is also under pressure. The ISM Services Index showed contraction in May 2025 **(Figure 5)**, marking the first contractionary reading since June 2024. Production, new orders, and inventories declined. Price pressures rose to their highest level since November 2022, amid increasing uncertainty related to tariffs.

The U.S. labor market is beginning to weaken. Nonfarm payroll data has shown signs of deceleration since January 2025, although it remains relatively strong **(Figure 6).** The unemployment rate has remained stable at around 4.2% for the past three months through May 2025. Private sector employment data from the ADP Employment Change report showed a sharp drop in May 2025, hitting its lowest level since March 2023.

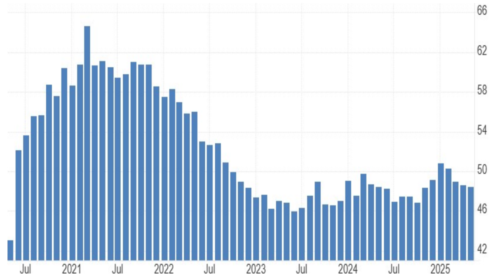
U.S. inflation is beginning to ease. The U.S. Core PCE Price Index for April recorded a 2.5% YoY increase, down from 2.7% YoY in March 2025, and approaching the Federal Reserve's 2% target range **(Figure 7).** CPI inflation in May 2025 stood at 2.4% YoY, up from 2.3% YoY in April 2025. Core CPI inflation remained stable for three consecutive months at 2.8% YoY.

Figure 3 . U.S. Michigan Consumer Sentiment



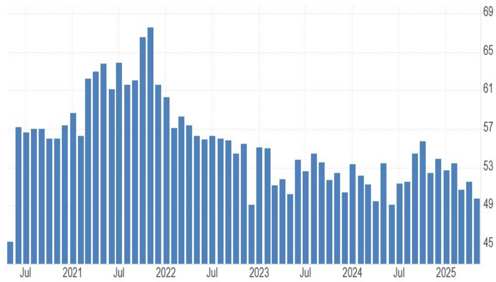
Source : *Trading Economics*

Figure 4 . U.S. ISM Manufacturing Index



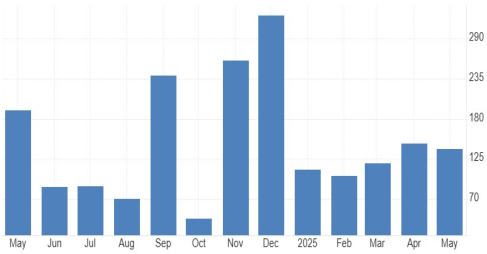
Source : *Trading Economics*

Figure 5 . U.S. ISM Service Index



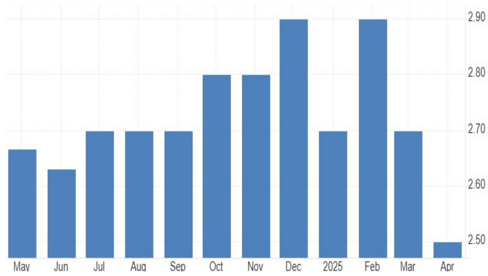
Source : *Trading Economics*

Figure 6 . U.S. Non Farm Payrolls



Source : *Trading Economics*

Figure 7 . U.S. Core PCE Price Index



Source : *Trading Economics*

The U.S. Economic Policy Uncertainty Index, which measures the perceived uncertainty related to economic policy in the U.S., experienced a sharp increase after President Trump announced the reciprocal tariffs. However, it gradually eased and fluctuated in line with the progress of trade negotiations between the U.S. and its trading partners, especially with China **(Figure 8).**

Similarly, the U.S. Trade Policy Uncertainty Index, which measures the level of uncertainty related to U.S. trade policy, also surged in April 2025 **(Figure 9)**, following President Trump's announcement of reciprocal tariff policies. However, the index gradually declined as the trade war between the U.S. and several of its trading partners began to ease.

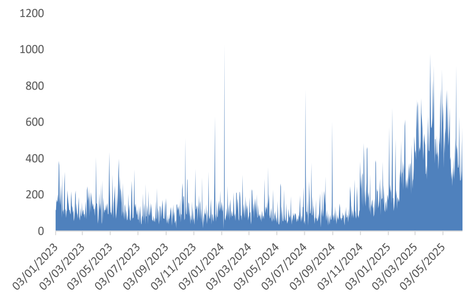
Potential rate cut by the Fed. Amid controlled inflation, contracting manufacturing and services sectors, and a weakening labor market, the likelihood of a Fed rate cut is expected to increase. However, the impact of import tariffs is not yet reflected in inflation figures as of May 2025, since the reciprocal tariffs are still postponed until July 9, 2025. In addition, the increase in steel and aluminum import tariffs to 50% only began on June 4, 2025. As a result, market consensus anticipates that the Fed may lower interest rates at its September 16–17, 2025 meeting.

At the June 17–18, 2025 meeting, the Fed decided to keep the benchmark interest rate unchanged at the range of 4.25%–4.5%. The Fed will still observe the impact of the import tariff policy on US inflation, before deciding on the direction of the next benchmark interest rate. The Fed has signaled concerns about slowing economic growth and faster inflation rates.

However, the Fed still predicts that there will be two interest rate cuts this year, to 3.9%. For 2026, the Fed predicts a smaller interest rate cut than previously anticipated, with the interest rate projected to be 3.6%, up from the previous projection of 3.4%. Meanwhile, for 2027, the interest rate is predicted to fall to 3.4%, up from the previous projection of 3.1%.

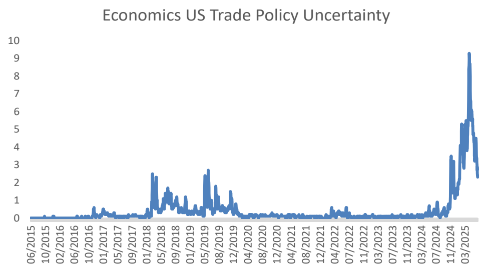
The Fed also expects the Core PCE prices index in 2025 to be 3.1%, up from the previous projection of 2.8%. For 2026, inflation is estimated to be 2.4% from the prior projection of 2.2%. Economic growth this year is estimated to fall to 1.4% from the previous projection of 1.7%. While the economy is estimated to grow 1.6% in 2026, down from the previous projection of 1.8%.

Figure 8. U.S. Economic Policy Uncertainty Index



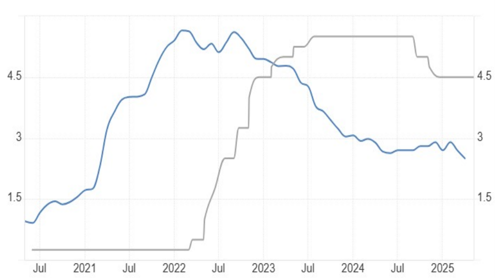
Source : Bloomberg

Figure 9. U.S. Trade Policy Uncertainty Index



Source : Bloomberg

Figure 10 . Fed vs Core PCE Prices YoY



Source : Trading Economics

Figure 11 . Fed vs USD Index

Source : Trading Economics

China's economy is potentially the most significantly affected by the implementation of U.S. import tariffs but responded swiftly by announcing retaliatory tariffs, import substitution, and new alliances. China's inflation data recorded deflation for four consecutive months, from February 2025 to May 2025. This was partly due to sluggish domestic demand and concerns over job stability amid rising trade challenges caused by tariffs **(Figure 12)**.

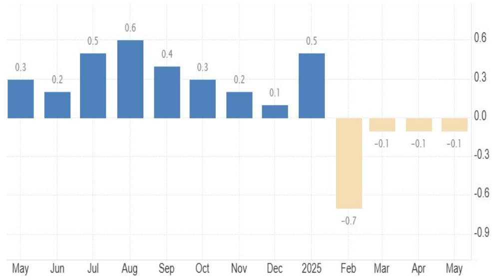
China's exports weakened for three consecutive months in March, April, and May 2025, after significant growth in February 2025, prior to the implementation of import tariffs **(Figure 13)**. China's exports in May 2025 grew by 4.8% YoY, down from 8.1% YoY in April 2025, marking the lowest growth in the past three months. Exports to the U.S. fell 34.5% YoY in May 2025 due to the trade war, the sharpest decline in the last five years.

China's economic growth in 1Q25 remained at 5.4% YoY from 4Q24 **(Figure 14)**. This level is still the strongest growth in the past 1.5 years amid ongoing stimulus from Chinese authorities. The PBoC lowered its benchmark lending rate to a record low in May 2025, in line with market expectations, marking the first rate cut since October 2024 **(Figure 15)**. This move represents a major monetary easing effort to boost economic growth and cushion the impact of the trade war.

The Euro Area economy posted positive growth in 1Q25. The Euro Area recorded economic growth of 0.6% YoY in 1Q25, up from 0.3% in 4Q24, the highest expansion since 3Q22. Additionally, Euro Area inflation has been trending downward since January 2025. Inflation in May 2025 stood at 1.9% YoY, down from 2.2% in April 2025, and for the first time fell below the ECB's 2% target since September 2024. As a result, the ECB continued lowering its benchmark interest rate to 2.15% in June 2025 **(Figure 16).**

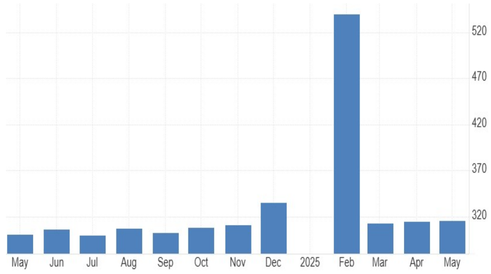
Reciprocal tariffs are relatively high for Southeast Asian countries. This is based on the relatively large U.S. trade deficit with its Southeast Asian trading partners, driven by higher imports from the region compared to U.S. exports. Additionally, products from Southeast Asia are more competitively priced than local U.S. goods. Southeast Asian countries are subject to varying tariff rates, with the highest imposed on Vietnam (46%) and the lowest on Singapore (10%) **(Figure 17)**. Countries impacted by high reciprocal tariffs may experience export declines, weaker consumer purchasing power, and slower economic growth.

Figure 12 . China Inflation



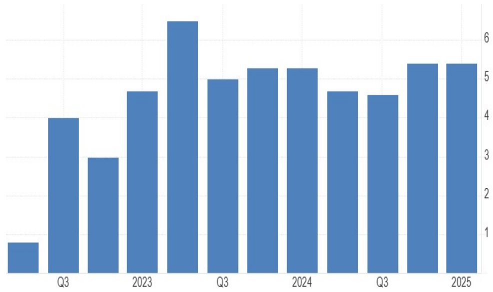
Source : *Trading Economics*

Figure 13 . China Exports (US$ Bn)



Source : *Trading Economics*

Figure 14 . China GDP Annual Growth Rate (%)



Source : *Trading Economics*

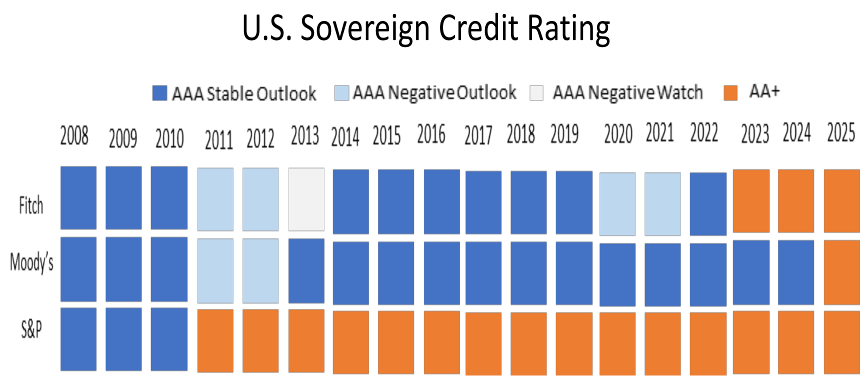
Figure 15 . China Loan Prime Rate (%)

Source : *Trading Economics*

The U.S. credit rating downgrade by Moody's from Aaa to Aa1 (May 19), due to rising debt, high interest burdens, and long-term fiscal pressures. This caused the U.S. to lose its last AAA (Aaa) credit rating after S&P (2021) and Fitch Ratings (2023) had previously downgraded the U.S. credit rating due to fiscal deficits and concerns over the U.S. government's financial governance **(Figure 18)**. Moody's projects the U.S. fiscal deficit could reach 9% of GDP, up from 6.4% of GDP in 2024.

New U.S. tax and budget bill. The credit rating downgrade by Moody's has driven U.S. government bond yields to their highest level since October 2023 for the 30-year tenor **(Figure 19)**. However, this has not deterred the Trump administration from pushing forward a new U.S. spending budget bill, which includes corporate tax cuts and increased military spending. The tax and budget bill is expected to add around US$3 trillion to US$4 trillion to the U.S. federal budget deficit over the next 10 years, which has already surpassed the US$36.1 trillion threshold. The bill is scheduled to be submitted for Senate approval by no later than August 2025. The bill also includes a US$4 trillion increase to the U.S. debt ceiling, which the U.S. Treasury Department says could prevent a potential default in August or September 2025.

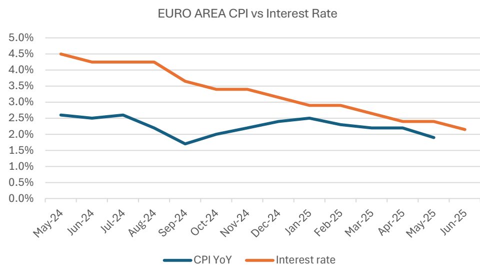
Figure 18 . US Sovereign Credit Rating



Source : *Trading Economics, Reuters, Bloomberg*

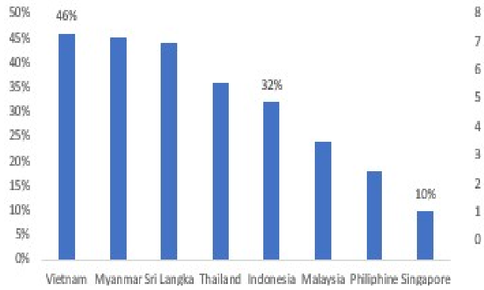
The World Bank has lowered its global economic growth projection for 2025 to 2.3% YoY from the previous projection of 2.7% YoY. This growth would be the weakest in the past 17 years, excluding the recessions in 2009 and 2020. For the 2026 economic projection, growth is expected to be 2.4% YoY, down from the previous projection of 2.7% YoY. The World Bank also predicts global trade in 2025 will grow by 1.8% YoY, down from 3.4% in 2024, due to the trade war. The projection for U.S. economic growth in 2025 has been lowered to 1.4% YoY from the previous projection of 2.3% YoY. Meanwhile, China's economic growth forecast remains at 4.5% YoY **(Figure 20).**

Figure 16. Euro Area Inflation & Interest Rate



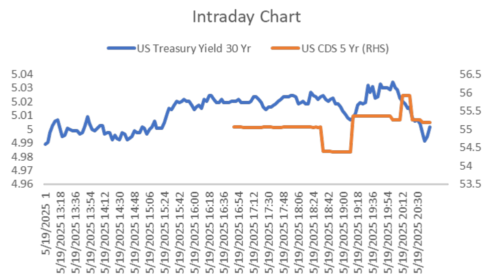
Source : *Trading Economics*

Figure 17. Resiprocal Tariff



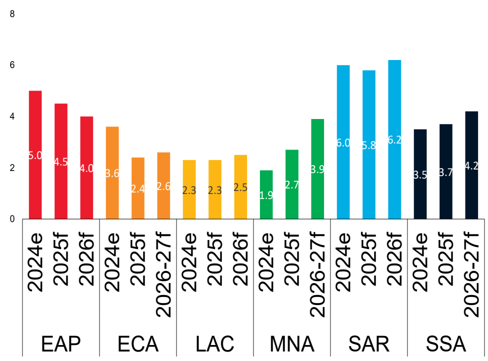
Source : *Bloomberg*

Figure 19 . US Treasury vs CDS



Source : *Trading Economics*

Figure 20. Economic Projection By World Bank



Source : *World Bank*

Note: EAP = East Asia and Pasific; ECA = European and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.

Table 1. World Economics Summary as of Juli 2025

Country	GDP Rate				Inflation Rate				Interest Rate				Unemployment Rate				Debt to GDP		
	FY24	1Q25	FY25F	FY26F	FY24	1Q25	FY25F	FY26F	FY24	1Q25	FY25F	FY26F	FY24	1Q25	FY25F	FY26F	FY24	FY25F	FY26F
US	2.50	2.10	1.83	1.74	2.40	2.90	2.88	2.27	4.50	4.50	4.04	3.47	4.20	4.10	4.16	4.15	124.30	122.46	123.69
Brazil	3.61	2.85	2.01	1.98	0.52	0.56	5.27	3.90	12.25	14.25	14.75	12.38	7.00	6.20	7.15	7.29	76.50	65.80	70.35
Australia	1.30	1.30	1.63	2.08	2.40	2.40	3.34	3.24	4.35	4.10	3.37	3.28	4.00	4.10	4.33	4.54	43.80	31.82	31.52
China	5.40	5.40	3.95	3.96	0.10	-0.10	0.41	0.93	3.10	3.10	2.74	2.55	5.10	5.20	5.10	5.10	88.30	96.31	102.31
India	6.40	7.38	6.20	6.27	5.22	3.34	4.13	4.09	6.50	6.25	5.45	5.39	8.30	7.90	4.94	4.94	69.40	80.39	79.61
Japan	1.30	1.70	0.55	0.58	3.60	3.60	1.81	1.89	0.25	0.50	3.20	3.05	2.50	2.50	2.57	2.57	237.00	234.86	233.73
South Korea	1.30	0.00	1.03	1.45	1.90	2.10	1.82	1.80	3.00	2.75	2.12	1.94	3.70	2.90	3.00	3.00	46.80	54.45	55.73
Indonesia	5.02	4.87	4.65	4.67	1.57	1.03	2.17	2.26	6.00	5.75	5.16	4.90	4.91	4.76	5.00	5.10	38.80	38.63	38.78
Malaysia	4.90	4.40	4.10	3.80	1.70	1.40	2.43	2.22	3.00	3.00	2.74	2.67	3.10	3.10	3.20	3.20	81.30	70.08	69.84
Singapore	5.00	3.90	2.01	1.88	1.50	0.90	1.50	1.50	2.56	2.36	2.12	2.02	1.90	2.10	1.97	1.93	173.00	174.94	175.62
Euro Area	1.20	1.50	0.81	1.19	2.20	2.40	2.06	1.92	3.15	2.65	1.90	2.15	6.20	6.30	6.45	6.31	87.40	88.71	89.73
England	1.50	1.30	1.08	1.41	2.60	2.50	2.80	2.00	4.75	4.50	3.71	3.30	4.40	4.50	4.50	4.40	95.90	95.05	96.43
Russia	4.50	1.40	1.46	0.87	9.52	10.34	8.24	4.37	21.00	21.00	17.03	11.27	2.30	2.30	2.78	3.54	16.40	21.38	22.55

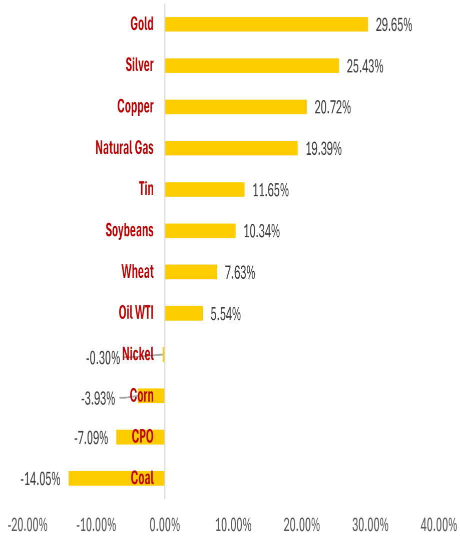
Source : *Bloomberg | Trading Economics | IMF*

The OECD has lowered its global economic growth projection for 2025 to 2.9% YoY from the previous projection of 3.1% YoY. In addition, the OECD also lowered the global economic growth projection for 2026 to 2.9% YoY from the previous projection of 3% YoY. This downgrade is due to the trade war, which is likely to slow economic growth. The OECD cut the U.S. economic growth projection to 1.6% YoY from 2.8% in 2024. For 2025, the U.S. economy is expected to grow by 1.5% YoY. Economic growth in Europe is projected to increase to 1% in 2025 from 0.8% YoY in 2024. For 2026, the European economy is expected to grow by 1.2% YoY. Additionally, the OECD warned that trade fragmentation and tariff barriers will persist. Therefore, the OECD urges countries to make trade agreements to lower tariffs. The OECD also recommends that countries stabilize interest rates, reduce debt, implement tax reforms, and increase domestic investment.

Geopolitical tensions have escalated in several regions. Turmoil in the Middle East, between Israel, Palestine, Iran, and Yemen, continues. The conflict between Iran and the U.S. over Iran's nuclear program has also not reached an agreement. The U.S.-brokered ceasefire between Russia-Ukraine has not brought peace to the two countries. Russia demands the withdrawal of NATO troops from the Baltic region as a condition to end the war. The India-Pakistan conflict on May 7–10, 2025, became the most serious military crisis in decades between the two long-time adversaries. These prolonged conflicts have the potential to disrupt global crude oil production and distribution, international trade, create uncertainty in global financial markets, lead to missed investment opportunities, and cause geopolitical instability.

The outbreak of war between Israel and Iran on June 13, 2025, has further escalated geopolitical tensions in the Middle East. Israel launched an attack targeting Iran's nuclear facilities, which was then retaliated by Iran. This attack came after the International Atomic Energy Agency (IAEA) declared that Iran had violated the non-proliferation agreement that limits the possession and use of nuclear weapons, along with the collapse of U.S.-Iran nuclear negotiations. This is the largest conflict since Russia's full-scale invasion of Ukraine on February 24, 2022. Previously, global attention had been focused on the trade war, which tended to overshadow ongoing geopolitical tensions. The Israel-Iran conflict has reminded markets that geopolitical risks are more real and urgent than previously imagined, as it is feared that the conflict could spread and impact various areas, including the global economy. Amid the continuing threat of a trade war, a new risk has emerged that the world must face. The intensifying conflict in the Middle East has driven crude oil prices higher, which may lead to increased energy costs and potentially trigger inflation if oil price hikes persist.

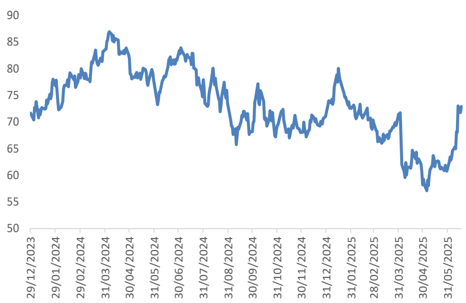
Figure 21 . Commodity Price as of 18 Jun 25



***Source :** Trading Economics*

Crude prices rise to US$80–US$100/barrel if the Israel-Iran war continues and escalates. Iran is the world's third-largest oil producer and could potentially close the Strait of Hormuz, a vital route for global oil exports. Nuclear negotiations between the U.S. and Iran that were scheduled for June 15, 2025, were canceled due to the outbreak of war. Prior to this conflict, crude oil prices were forecast to decline by 3% in 2025F and by 6% in 2026F. The increase in OPEC+ oil production and the global economic slowdown were expected to push oil prices downward. OPEC+ had gradually raised oil production from April to June 2025, reaching a total increase of 960 thousand barrels per day. This production hike was intended to regain lost market share, especially from U.S. shale oil producers. **(Figure 22)**

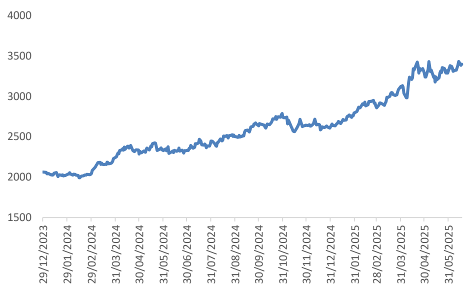
Figure 22 . Oil Price



***Source :** Bloomberg*

Gold prices strengthened and reached record highs this year, driven by increased demand for safe haven assets amid rising economic and geopolitical uncertainty **(Figure 23)**. The correction in the U.S. dollar has also supported gold prices. Commodities traded in U.S. dollars appear cheaper when the dollar weakens. Gold is also considered safer than other safe haven assets such as U.S. government bonds. The potential continuation of the Fed's interest rate cuts this year is also a positive catalyst for gold price strengthening. Concerns about the widening conflict in the Middle East have pushed gold prices close to their all-time high of US$3,500 per troy ounce.

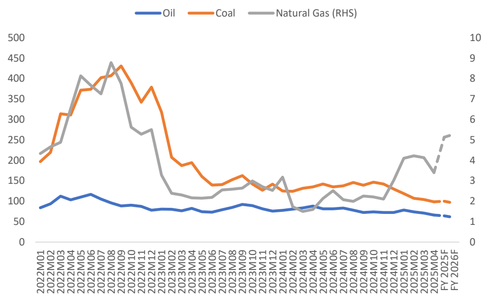
Figure 23 . Gold Price



***Source :** Bloomberg*

Coal prices are expected to remain stable in the range of US$100–US$110/ton. Global coal production in 2025 is projected to reach 8,394 million tons after peaking at 8,741 million tons in 2023. China remains the largest producer, accounting for more than 50% of total global production. India and Indonesia are showing increases in production. Global consumption is estimated to reach 8,928 million tons, with China expected to absorb approximately 4,589 million tons. India ranks second with consumption of around 1,042 million tons. Thermal coal prices are projected to decline by around 12% in 2025, following a drop of more than 20% in 2024. Despite the decline, coal prices are expected to remain above pre-pandemic levels, supported by stable demand from developing countries and limited supply.

Figure 24 . Oil, coal, natural gas



Source : *Bloomberg, World Bank*

Global natural gas prices are expected to rise significantly in FY2025, with U.S. natural gas prices increasing by 51% and projected to rise a further 3% in FY2026 **(Figure 24)**. Meanwhile, natural gas prices in Europe are forecast to rise 6% in FY2025 and decline by 9% in FY2026. This divergence reflects the growing interconnectedness of global natural gas markets, especially due to increased LNG exports from the U.S. The closure of the Russia–Ukraine gas transit route in January 2025 has tightened gas supply to Europe, which in turn has driven prices upward. U.S. LNG exports reached a record high of 15.6 Bcf/d in February 2025.

The metals price index is forecast to decline by 10% in FY2025 and by 3% in FY2026, mainly due to a slowdown in global economic growth and increased supply of several metals **(Figure 25)**. Other base metals are expected to experience significant price declines, reflecting weakness in the global manufacturing sector and broader industrial activity. Nickel prices fell 2% in 1Q25, reaching their lowest level since 2020, due to increased production and a significant rise in stockpiles at the London Metal Exchange. Indonesia, now accounting for about 60% of global nickel production, has increased its output. However, mining quotas have had a stabilizing effect on prices. Nickel prices are projected to fall 6% in FY2025 before recovering slightly with a 1% increase in FY2026, in line with a gradual rebalancing of global demand.

Several factors supporting nickel price increases include demand from the electric vehicle industry, recovery in the stainless steel sector, export restrictions on nickel ore, and increased investment in downstream industries. On the other hand, global oversupply, unstable demand, and export policies from Indonesia and the Philippines are factors that could contribute to further nickel price weakness.

Tin prices rose 5% in 1Q25, driven by supply concerns due to production disruptions in Myanmar and the Democratic Republic of Congo, although prices later declined in April amid rising global trade tensions. Tin demand remains stable, supported by the semiconductor, photovoltaic panel, and renewable energy technology sectors. As a result, tin prices are projected to rise 3% in FY2025 and grow 2% in FY2026.

Copper prices rose 2% in 1Q25 before dropping sharply in early April 2025, reflecting global growth headwinds amid escalating trade tensions. Copper prices are expected to decline 10% in FY2025 and fall another 2% in FY2026 due to weak demand growth and rising supply.

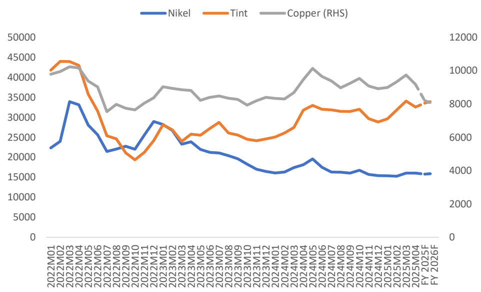
Agricultural commodity prices are projected to soften by 1% in FY2025 and by 3% in FY2026. Ample soybean supply is expected to pressure grain and oilseed prices in 2025, although tighter corn and wheat markets may limit the overall decline in food prices **(Figure 26)**.

Crude palm oil (CPO) prices fell 7% in 1Q25 due to weakening demand, primarily as consumers shifted to more attractively priced vegetable oils such as soybean oil. However, CPO prices are expected to rise by around 6% in FY2025 as moderate production growth is insufficient to replenish low global stocks. In addition, Indonesia's plan to raise its biodiesel blend from 35% in 2024 to 40% in 2025 and 50% in 2026 will support CPO price increases.

Corn and wheat prices declined in March 2025 and early April 2025 due to deteriorating international trade relations and improved weather conditions in Argentina and Brazil. However, hotter and drier-than-usual weather in parts of South America earlier this year, driven by a mild La Niña, pushed corn prices up by an average of 8% in 1Q25 and 11% higher than in 2024. Corn and wheat prices are forecast to fall by around 2% in FY2025 and FY2026, affected by falling crude oil prices that reduce ethanol demand—thereby suppressing corn demand—and higher trade tariffs between the U.S. and China.

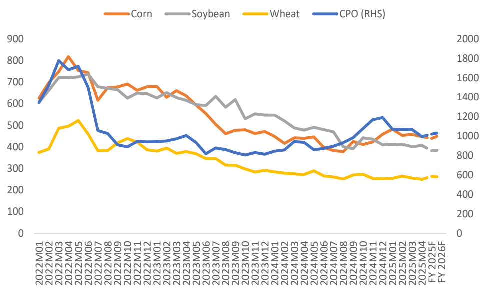
Soybean prices dropped 5% in 1Q25, reaching levels 21% lower than the previous year. This decline reflects a 7% increase in global supply for the 2024–2025 season and the impact of tariffs imposed by China. Soybean prices are projected to fall sharply by 17% in FY2025, in line with a 6% increase in global production.

Figure 25 . Nickel, Tin & Copper



Source : *Bloomberg, World Bank*

Figure 26 . Corn, Soybean, Wheat, CPO



Source : *Bloomberg, World Bank*

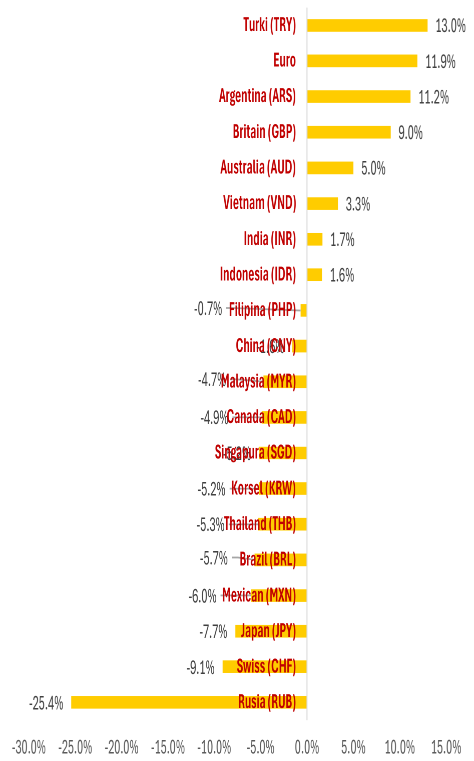
Safe haven currencies such as the Swiss Franc (CHF) and Japanese Yen (JPY) strengthened against the USD following the announcement of reciprocal tariffs by U.S. President Donald Trump **(Figure 27).** The announcement triggered market concerns over the potential for a trade war, a global economic slowdown, and increased market volatility, prompting investors to shift their portfolios toward safer assets. The Swiss National Bank and the Bank of Japan tend to adopt conservative stances, leading markets to view CHF and JPY as low-volatility assets.

The U.S. Dollar Index weakened to its lowest level in three years, driven by several factors:

1. The trade war, which is feared to negatively impact the U.S. economy itself, led many global investors to move their funds out of the U.S. and into safer assets, weakening demand for the dollar.
2. Potential interest rate cuts by the Fed, reducing the appeal of dollar-based assets and prompting investors to switch to currencies offering higher yields.
3. Rising U.S. government debt and fiscal deficit. U.S. national debt reached US$35 trillion in 2025, largely due to increased spending on defense, infrastructure, and healthcare. This has raised concerns over the government's ability to manage its debt, prompting investors to reduce their holdings of dollar-based assets, thereby weakening the dollar.
4. The growing trend of global de-dollarization. Countries such as China, Russia, and other BRICS members have started reducing their reliance on the U.S. dollar in international transactions. The use of local currencies or alternatives such as digital currencies is increasing.
5. Global investors have begun diversifying their portfolios by reducing exposure to the U.S. dollar and allocating more funds to non-dollar assets, such as the euro, yen, and gold.

The Indonesian Rupiah weakened to around IDR 17,100/USD in April 2025, following President Trump's announcement of a 32% reciprocal tariff against Indonesia. Prior to that, the rupiah had already depreciated from around IDR 16,234/USD at the beginning of 2025 to approximately IDR 16,600/USD by the end of March 2025. This depreciation was driven by capital outflows to dollar-based assets, a widening current account deficit, inflation, economic and geopolitical uncertainty, as well as market risk perception and sentiment. However, as trade tensions eased and the USD Index weakened, the rupiah gradually appreciated to around IDR 16,285/USD.

Figure 27 . Currencies (ytd) as of 18 Jun25



***Source :** Trading Economics*

Figure 28 . USD Index vs US 10Y Note

***Source :** Trading Economics*

Figure 29 . USD Index vs Gold

***Source :** Trading Economics*

Policy Focus of the New Administration. The policy priorities of President Prabowo's administration are focused on the health, education, and food security sectors. President Prabowo has also directed efficiency measures in the spending of Ministries/ Agencies and local governments, reallocating a total of IDR 306 trillion to fund key government programs, including the Free Nutritious Meal Program (Makan Bergizi Gratis/MBG) initiative. Under the Quick Win program in the 2025 State Budget (APBN), a total of IDR 121 trillion has been allocated to support seven programs: MBG (IDR 71 trillion), Free Health Check-Ups (IDR 3.2 trillion), Development of Quality Comprehensive Regional Hospitals (IDR 1.8 trillion), Tuberculosis Eradication (IDR 8 trillion), School Renovations (IDR 20 trillion), Integrated Model Schools (IDR 2 trillion), and Regional and Village-Level National Food Reserves (IDR 15 trillion).

Figure 30 . Food Estate

Source : *Kemernterian Pangan*

National Food Security Program (Food Estate). Under President Prabowo's leadership, the Ministry of Agriculture is accelerating the Food Estate program, aiming to develop 3 million hectares of rice fields in Merauke (Papua), Kalimantan, and Sumatra, with the goal of achieving food self-sufficiency within the next 3–4 years. However, the program faces several challenges, including land readiness, which is largely comprised of peatlands and swamps, environmental degradation risks, limited infrastructure, and a lack of local farmer involvement.

Free Health Check-Up Program. This program utilizes individuals' birthdays as an opportunity to conduct early detection of health conditions that may develop into serious illnesses. The free health check-ups follow a life cycle approach, covering newborns, preschool-age children, school-age children and adolescents, adults, and the elderly.

Koperasi Merah Putih (KMP). Koperasi Merah Putih (KMP) is a community-based cooperative initiative at the village and subdistrict levels, introduced by the government to strengthen rural economies and improve community welfare. The program promotes the principles of mutual cooperation, kinship, and collective participation. KMP is scheduled for official launch on National Cooperative Day, July 12, 2025. The government aims to establish 80,000 KMP units across Indonesia. These cooperatives are expected to synergize with other initiatives, such as the MBG and Sekolah Rakyat (People's School) programs, to enhance economic and social well-being. Funding sources for KMP include the national and regional budgets (APBN/APBD), village funds, state-owned banks (Himbara), initial cooperative capital, grants, and corporate social responsibility (CSR) programs.

Three Million Homes Program. The government plans to build three million homes annually starting in 2025. This initiative aims to reduce the housing backlog—the gap between existing housing stock and public needs—which was recorded at 9.9 million units in 2023. The funding scheme will utilize special State Securities (Surat Berharga Negara/SBN) designated for the housing sector. This instrument is intended to finance housing construction for Low-Income Communities (Masyarakat Berpenghasilan Rendah/MBR) through a modified Housing Financing Liquidity Facility (Fasilitas Likuiditas Pembiayaan Perumahan/FLPP) scheme. This program has been in place under the previous administration, under the authority of the Ministry of Public Works, with a cumulative realization of 4.11 million housing units from 2021 to August 2024. The state-owned enterprises appointed for this three-million-homes program include PT Semen Indonesia, Perumnas, and Bank BTN. The program is expected to benefit low-income communities, property developers, financial services, and construction and building materials industries. On the other hand, key challenges include land availability, funding, regulations, and inter-agency coordination.

Downstreaming and Industrialization Program to Increase Domestic Value-Added. This program is a key initiative of the government to achieve 8% economic growth over the next five years. Through the Ministry of National Development Planning (Bappenas), the government has set an investment realization target of IDR 13,528 trillion for the 2024–2029 period. To support this, the government has prepared various policies, including streamlined licensing processes, regulatory simplification, and fiscal incentives. The Ministry of Investment/BKPM has also developed a downstreaming roadmap for 28 priority commodities with significant economic potential. This downstreaming initiative is expected to create new jobs, increase the domestic value-added of products, and reduce reliance on raw material exports. The targeted job creation from this initiative is 3.4 million people.

The 28 prioritized downstream commodities include:

1. Mineral and Coal Commodities:
   Coal, nickel, tin, copper, bauxite, iron and steel, gold and silver, buton asphalt, silica sand, manganese, cobalt, and rare earth metals.
2. Oil and Gas Commodities:
   Crude oil and natural gas.
3. Plantation Commodities:
   Palm oil, coconut, rubber, biofuel, cocoa, and nutmeg.
4. Fisheries and Marine Commodities:
   Shrimp, fish (including tuna, skipjack, mackerel), crab/swimming crab, seaweed, and salt.
5. Forestry Commodities:
   Log wood and pine resin.

The Establishment of the Danantara Investment Management Agency. The government established the Daya Anagata Nusantara Investment Management Agency (Danantara) in October 2024, with its official launch taking place in February 2025. The primary objective of Danantara is to improve the efficiency of state-owned enterprise (SOE) management, optimize dividend returns, and support national economic growth. Danantara is designed to operate similarly to a sovereign wealth fund (SWF), not only managing assets but also channeling investments into priority sectors such as energy, digital transformation, and industrial downstreaming. Danantara primarily operates through two holding companies: *Biro Klasifikasi Indonesia* (BKI) as the operational holding, and the *Indonesia Investment Authority* as the investment holding. In March 2025, the government transferred a majority stake in BKI to Danantara, following the prior transfer of majority shares of 49 SOEs to BKI. As of April 2025, Danantara oversees approximately 844 SOEs, including subsidiaries and sub-subsidiaries.

Danantara plans to invest US$5 billion (IDR81.4 trillion) across eight economic sectors. The investment capital is sourced from SOE dividends, which Danantara expects to receive totaling IDR 120 billion this year. The eight priority sectors include: minerals and their downstream industries, renewable energy, digital infrastructure, healthcare services, financial services, physical infrastructure, industrial zones, and food security. Danantara prioritizes profitability and investment returns for every project it finances, with reinvested returns expected to generate added value and drive national economic growth.

In June 2025, Danantara, together with the Indonesia Investment Authority (INA) and PT Chandra Asri Pacific Tbk (TPIA), signed a MoU to build a Chlor-Alkali–Ethylene Dichloride (CA-EDC) chemical plant. The project aims to boost production capacity for caustic soda and ethylene dichloride, two key materials used in downstream industries, including nickel processing. The total investment from the three institutions amounts to US$800 million. This collaboration is part of a National Strategic Project (Proyek Strategis Nasional/PSN), intended to lay the foundation for a long-term national chemical industry and reduce imports. The CA-EDC plant will be constructed and operated by PT Chandra Asri Alkali, a subsidiary of the Chandra Asri Group. The first phase includes the construction of production facilities with a capacity of 400,000 tons of solid caustic soda and 500,000 tons of ethylene dichloride per year.

Danantara has also allocated IDR 130 trillion in funding for a housing project under the Ministry of Housing and Settlements (PKP). BMRI), BBRI, BBNI, BBTN, and BRIS have expressed readiness to support the program. This housing project aligns with one of the government's key focus areas.

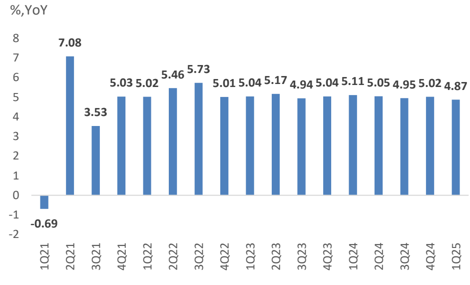
Indonesia's economic growth slowed to 4.87% YoY in 1Q25 from 5.02% YoY 4Q24 (Figure 31). This was due to high global uncertainty factors such as geopolitical tensions in the Middle East, financial market volatility, and falling prices of Indonesian commodities. In addition, the Fed's interest rates, which are likely to stay higher for longer, pulled foreign capital outflows from Indonesia. BI interest rates that remain relatively high amid low inflation, a depreciating rupiah, and weakening household purchasing power were also contributing factors to the slowing economic growth. Indonesia's GDP is still mainly driven by household spending, accounting for 55.9%, followed by capital investment which contributed 28% of total 1Q25 GDP **(Figure 33)**. Export and import performance declined due to falling prices of Indonesia's main export commodities such as coal, CPO, and rubber.

Indonesia's foreign exchange reserves remained stable at the level of US$152.5 billion as of May 2025. This was supported by tax revenues, service receipts, and foreign exchange earnings from oil and gas, which offset foreign debt payments. The weakening trend of the US dollar against most major currencies also supported rupiah appreciation. The reserve level in May 2025 was sufficient to finance 6.4 months of imports or 6.2 months of imports and government external debt payments, well above the international adequacy standard of around three months of imports.

The Consumer Confidence Index fell to 117.5 in May 2025 from 121.7 in April 2025. This was the first decline in the past four months **(Figure 34).** It also marked the lowest level since September 2022, reflecting weaker purchasing power and the shrinking middle class amid widespread layoff issues and rising economic uncertainty. The index decline was driven by six sub-indexes: perceptions of current economic conditions, income expectations over the next six months, current income levels, job availability compared to six months ago, and economic prospects. Meanwhile, the sub-index for overall job availability increased.

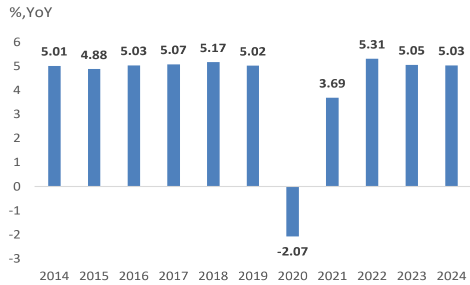
In May 2025, BI's Board of Governors Meeting lowered the BI Rate by 25 bps to 5.5%. This was the first rate cut since January 2025. It was in line with inflation remaining within BI's target range of 2.5±1% and the rupiah remaining relatively stable. As of May 2025, inflation stood at 1.6% YoY, and core inflation was 2.4% YoY. Going forward, BI plans to direct monetary policy toward keeping inflation within BI's target, stabilizing the rupiah in line with its fundamentals, and helping support economic growth amid global and domestic dynamics. BI also lowered its projection for Indonesia's 2025 economic growth to a range of 4.6%–5.4% from the previous forecast of 4.7%–5.5%.

Figure 31. Indonesia Quartely GDP (YoY)



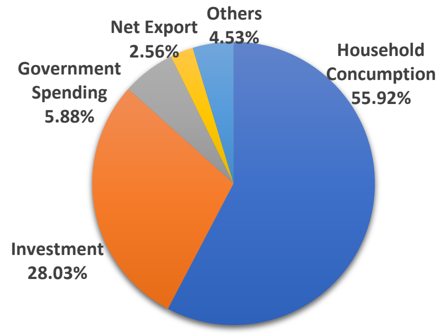
Source : Bloomberg, BPS

Figure 32. Indonesia Yearly GDP (YoY)



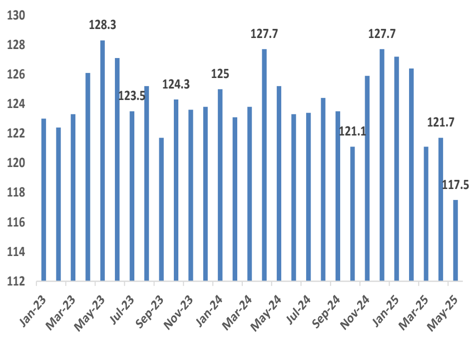
Source : Bloomberg | BPS

Figure 33. 1Q25 GDP Contribution By Expense



Source : Bloomberg | BPS

Figure 34 . Indonesia Consumer Confidence



Source : Trading Economics

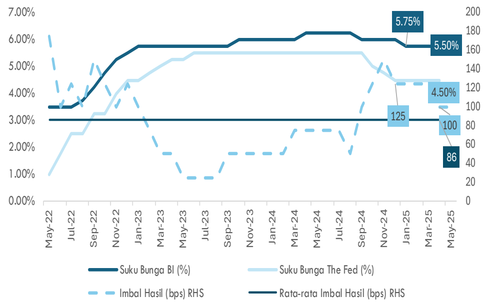
At Bank Indonesia's Board of Governors Meeting in June 2025, BI again maintained the BI Rate at the level of 5.5% **(Figure 35).** BI optimized the Macroprudential Liquidity Policy (KLM) to boost credit growth in the MSME sector and encourage flexibility in bank liquidity management. Meanwhile, BI's strategy to support economic growth includes strengthening the rupiah in line with its fundamentals through open market operations in the Domestic Non-Deliverable Forward (DNDF) market abroad and spot purchases in the domestic market, as well as purchasing Government Securities (SBN) in the secondary market to maintain financial market stability and sufficient bank liquidity.

Figure 35. BI Rate vs USDIDR

Source : *Trading Economics*

The spread between the BI Rate and the Fed Funds Rate currently stands at 100 bps, above the average spread over the past three years of 86 bps **(Figure 36).** With the widening BI-Fed rate differential, domestic assets have become more attractive to foreign investors, supported by the negative impact of expected U.S. tax cut policies which may increase the U.S. fiscal deficit. This has caused global investors to shift from U.S. financial assets to Emerging Markets (EM), including Indonesia. This is supported by foreign capital inflows in June 2025, resulting in a net capital inflow into the bond market. Meanwhile, Bank Indonesia's Rupiah Securities (SRBI) and the stock market experienced net capital outflows in June 2025, after the stock market saw a significant net inflow in May 2025 **(Figure 37).** This was due to investors preferring low-risk assets such as bonds amid rising geopolitical tensions in the Middle East and uncertainties around U.S. reciprocal tariffs.

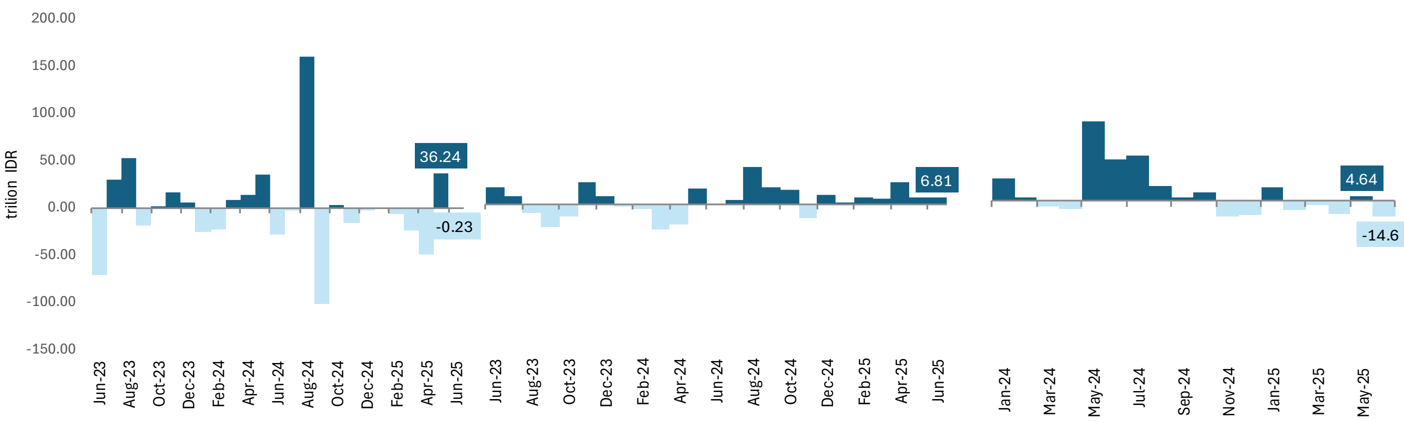
Figure 36 . Spread between BI Rate & The Fed



Source : *BI | Phintraco Sekuritas Research*

There is still potential for a future BI Rate cut, in line with inflation remaining within BI's target range and efforts to improve purchasing power and stimulate economic growth. However, BI is expected to continue monitoring the impact of rising geopolitical risks and uncertainties related to U.S. import tariffs.

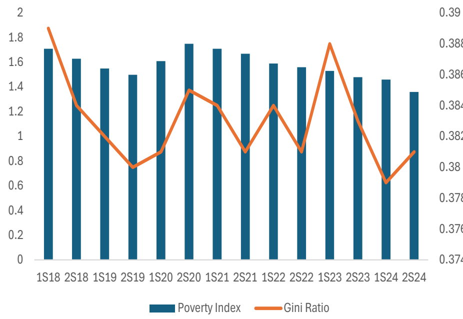
Figure 37 . Foreign Flow in Indonesia Capital Market (Jun 2023 - Jun 2025)



Source : *BI | Phintraco Sekuritas Research*

As of 1Q25, the unemployment rate declined to 4.76% from 4.82% in 1Q24 and 4.91% in 3Q24. However, the number of unemployed increased by 1.11% YoY to 7.28 million people. The total number of employed individuals grew by 2.52% to 145.77 million people, with most employed in wholesale and retail trade, repair, and maintenance of cars and motorcycles. Full-time employment decreased by 1.88% to 66.19% in 1Q25 from 68.07% in 3Q24 due to a wave of layoffs in the manufacturing sector at the beginning of 2025, leading to a higher proportion of part-time workers. The Gini Ratio as of September 2024 stood at 0.381, slightly up from 0.379 in March 2024, indicating a marginal worsening in income inequality. Meanwhile, the poverty rate in 2H24 fell to 1.36% from 1.46% in 1H24 **(Figure 38).**

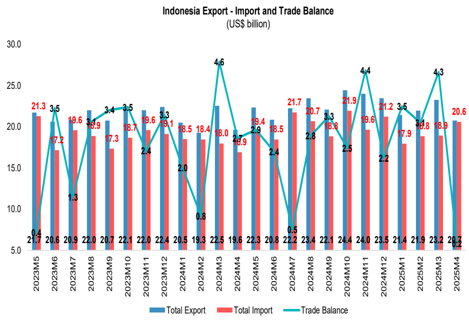
Figure 38. Poverty Index vs Gini Ratio



Source : BPS

The trade balance surplus dropped sharply to US$0.15 billion in April 2025 from US$2.72 billion in April 2024 **(Figure 39).** This marks the smallest surplus since April 2020. The decline was driven by export growth being lower than import growth. Exports grew 5.76% YoY, supported by higher shipments to ASEAN countries (+25.81% YoY) and the U.S. (+18.43% YoY), as markets rushed shipments during the 90-day delay on reciprocal tariffs. However, imports surged 21.84% YoY to the highest level in the past four months. The main non-oil and gas export destinations in April 2025 were China, the U.S., India, and Japan, while non-oil and gas imports mainly came from China, Japan, Singapore, and Thailand.

Figure 39. Indonesia Trade Balance



Source : BPS

The 2026 Draft State Budget (RAPBN) deficit is projected to range between 2.48% and 2.53% of GDP. State revenue is expected to be between 11.71% and 12.22% of GDP, while state spending is projected to reach between 14.19% and 14.75% of GDP. The macroeconomic indicators set in this draft budget are detailed in **Table 2**. The policy focus of the 2026 RAPBN is to realize food, energy, and economic sovereignty and to strengthen national resilience.

Table 2 . Macroeconomic Assumption of Indonesia Budget

ASUMSI DASAR EKONOMI MAKRO						
	APBN 2021	APBN 2022	APBN 2023	APBN 2024	APBN 2025	RAPBN 2026
Pertumbuhan Ekonomi (%)	5.00%	5.20%	5.30%	5.20%	5.10 - 5.50%	4.70%
Inflasi (%)	3.00%	3.00%	3.60%	2.80%	1.50% - 3.50%	1.50% - 3.50%
Nilai Tukar (Rupiah/US$)	14,600	14,350	14,800	15,000	15,300 - 16,000	16,500 - 16,900
Tingkat Bunga SUN 10 Tahun (%)	7.29%	6.80%	7.90%	6.70%	6.90% - 7.30%	6.60% - 7.20%
Harga Minyak (US$/barel)	45	63	90	80	75-85	60-80
Lifting Minyak (rbph)	705	703	660	625	580-601	600-605
Lifting Gas (rbsmph)	1,007	1,036	1,100	1,033	1,033-1,1047	953-1,017
Tingkat Pengangguran	7.7%-9.1%	5.5%-6.3%	5.3%-6.0%	5.0%-5.7%	4.50%-5.00%	4.44% - 4.96%
Tingkat Kemiskinan	9.2%-9.7%	8.5%-9.0%	7.5%-8.5%	6.5%-7.5%	7.0%-8.0%	6.5% - 7.5%
Gini Ratio	0.377-0.379	0.376-0.378	0.375-0.378	0.374-0.377	0.379-0.382	0.377 - 0.380

Source : *Kementerian Keuangan*

Table 3 . IHSG 2025 Outlook Based on Projected EPS

Year	IHSG Average PER Average	Highest	Lowest	Avg. IHSG	Avg. EPS	Avg. EPS Growth
2003	8.95	12.58	5.83	508.15	56.78	
2004	12.49	14.01	10.48	794.93	63.65	12.10%
2005	15.19	17.61	13.07	1089.60	71.73	12.70%
2006	16.68	19.22	14.88	1421.18	85.20	18.78%
2007	19.70	24.60	15.74	2167.26	110.01	29.12%
2008	13.61	19.59	6.48	2104.09	154.60	40.53%
2009	27.90	36.24	15.45	1982.12	71.04	-54.05%
2010	18.19	21.21	14.95	3057.05	168.06	136.56%
2011	17.42	19.33	14.62	3727.25	213.96	27.31%
2012	18.81	20.19	17.23	4101.40	218.04	1.91%
2013	19.76	21.99	16.82	4593.14	232.45	6.61%
2014	21.93	23.32	19.41	4908.73	223.84	-3.70%
2015	24.65	28.05	21.73	4908.18	199.11	-11.04%
2016	26.43	29.21	23.68	5030.28	190.32	-4.41%
2017	23.69	25.16	22.48	5739.62	242.28	27.30%
2018	20.77	22.65	19.38	6086.74	293.05	20.96%
2019	20.20	22.77	16.93	6296.09	311.69	6.36%
2020	25.32	39.10	12.60	5248.97	207.35	-33.48%
2021	12.27	14.57	9.97	6222.13	507.10	
2022^	15.40	17.60	13.20	6963.25	452.16	-10.83%
2023	13.40	15.04	11.76	6937.83	517.75	14.51%
2024	12.63	13.59	11.44	7303.83	578.29	11.69%
2025*	12.52	13.53	11.31	6711.71	536.08	-7.30%
Average	**13.24**	**14.87**	**11.54**			**12.45%**

^Capped Adjusted Free Float Market Capitalization Weighted Average Implemented | *as of Apr 30th, 2025

The 2025 JCI (IHSG) target is set at 7,692. Earnings Per Share (EPS) growth for JCI is expected to continue in 2H25. Using the 10-year average EPS growth assumption of 12.45%, we adjusted the JCI projection for 2H25 accordingly **(Table 3)**. We revised our JCI target for 2025 to 7,692 (previously: 8,689), based on JCI and listed company performance in 1Q25. This JCI target reflects an estimated PER of 12.89x in 2025. The JCI target for 2026 is set at 8,653, which reflects an estimated PER of 12.90x.

Figure 40. Average EPS of IHSG

AVERAGE IHSG EPS (2004-2024)

StDev -2	5.10%
StDev -1	8.26%
Average	13.37%
StDev +1	18.48%
StDev +2	25.55%
StDev +3	35.32%

Source : IDX | Phintraco Sekuritas Research Team

Table 4 . IHSG WA PER Projection

	Lowest	Average	Highest
2025F	12.37	12.89	12.89
2026F	12.41	12.90	13.05
2027F	12.41	12.90	13.04
2028F	12.41	12.90	13.04
2029F	12.41	12.90	13.04

Source : IDX | Phintraco Sekuritas Research Team

Financial Sector: Banking

Bank Performance Resilience Amidst Liquidity Challenges

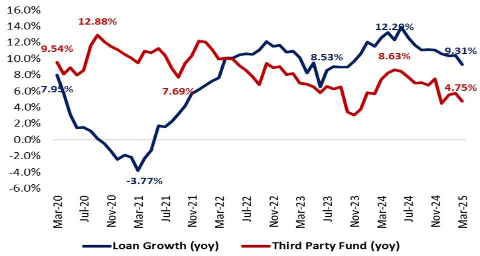
Key Takeaways

- **Loan growth fell 450 bps to 8.43% in May 2025.** However, the BI Rate was maintained at 5.5% in June after being cut by 25 bps in May, potentially increasing the bank's Net Interest Margin (NIM).
- **Asset quality improvement continues in early 2025.** SPI Non Performing loans (NPL) as of March are still in a downward trend. March NPL fell 60 bps MoM or 29 bps YoY to 2.12 in February March, 2025.
- **BI's Macroprudential Liquidity Policy (KLM) has the potential to increase banking liquidity in 2025.** BI is expanding KLM incentives by reducing bank Minimum Reserve Requirements, which will boost bank liquidity.
- **The Rupiah exchange rate remained stable and tended to strengthen in May.** The Rupiah exchange rate strengthened 3% from its highest level on June 13, 2025.
- **Optimizing Net Interest Margin (NIM) along with the opportunity for BI rate cuts in 2025.** BBTN and BBRI have the potential to benefit the most, given the high increase in term deposit rates for these two banks in 2024, driven by high interest rates.
- **Return On Equity (ROE) of banking in coverage tended to be stable in 3M25 and remained above pre-Covid levels.**
- **Increasing non-interest income contributions in 2025, along with the development of mobile banking.** Ease of transactions through complete in-app features has the potential to increase bank customer transactions.
- **Our top picks in the banking sector are BRIS, BBCA and BMRI.**
- [Banking Sector Full Report]

Stock	Fair Value	Potential Upside
BBCA	11,400	+31.03%
BBNI	5,325	+21.56%
BBRI	5,325	+40.50%
BBTN	1,250	+12.61%
BDMN	2,810	+13.31%
BMRI	6,325	+28.30%
BNGA	2,040	+21.79%
BRIS	3,580	+44.35%
BTPS	Under Review	-

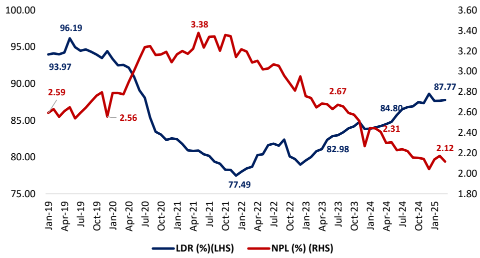
as of June 20th, 2025

Figure 1. SPI Loan & Third Party Fund



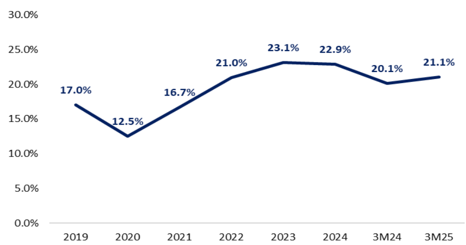
Source : *OJK | Phintraco Sekuritas Research*

Figure 2. SPI LDR & NPL (%)



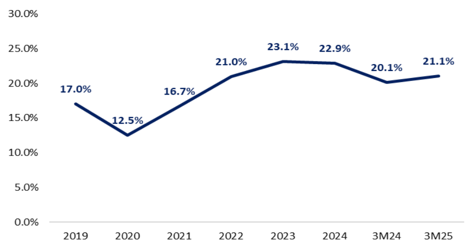
Source : *OJK | Phintraco Sekuritas Research*

Figure 4. Weighted Average ROE By Market Cap.



Source : *Company | Phintraco Sekuritas Research*

Figure 3. Weighted Average NIM By Market Cap.



Source : *Company | Phintraco Sekuritas Research*

Basic Materials : Cement

Softens in 1Q25, Recovery Likely Constrained

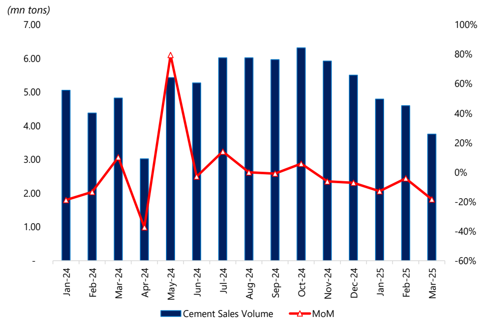
Key Takeaways

- **National cement sales volume stood at 13.16 million tons in 1Q25,** down -7.80% YoY and -25.87% QoQ, falling short of our projection (Phintas: 20.6%) and the five-year historical average (Avg-5Y: 23.1%).
- **The decline was primarily driven by the rainy season and a limited number of effective working days,** stemming from a concentration of national holidays and the shift of the Ramadan–Eid festive season into the first quarter.
- **Bulk cement was the weakest segment, with volumes reaching 3.72 million tons (-15.3% YoY; -31.5% QoQ),** reflecting slower infrastructure activity.
- **SMGR booked sales volume of 8.57 million tons (-6.59% YoY; -16.6% QoQ),** pressured by declines in both bulk and bagged cement segments.
- **INTP delivered relatively more resilient performance**, recording 3.96 million tons in sales (-5.95% YoY; -24.38% QoQ), supported by more stable retail demand.
- **We expect a demand recovery in 2Q25–3Q25,** in line with the end of the rainy season and a seasonal uptick in construction activity.
- **However, potential government budget cuts may limit growth prospects,** with industry volume growth projected at only around 1–2% in FY25F.
- **We forecast a modest volume increase of ~0.5%–1% in FY25F,** driven by ongoing softness in the retail segment and a slowdown in public infrastructure projects.
- **We maintain our Neutral rating on the cement sector,** reflecting limited near-term catalysts, stagnation in the retail segment, and potential fiscal headwinds.
- **Top Pick:** We favor **INTP (TP: IDR6,500)** as our top pick, given room for performance recovery following two consecutive quarters of seasonal pressure (4Q24–1Q25). Cost-efficiency strategies, particularly through greater use of alternative fuels, are expected to support margin improvement going forward.
- **Downside Risk** : 1) deeper-than-expected infrastructure budget cuts, 2) volatility in energy and raw material prices, and 3) heightened price competition, which could weigh on profitability.
- ***Cement Sector Full Report***

Stock	Fair Value	Potential Upside
INTP	6,500	18.18%

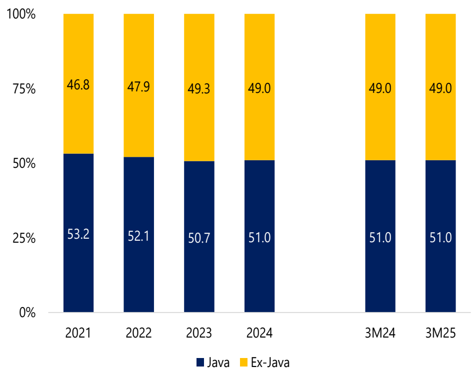
as of June 20th, 2025

Figure 1. Monthly Cement Sales Volume



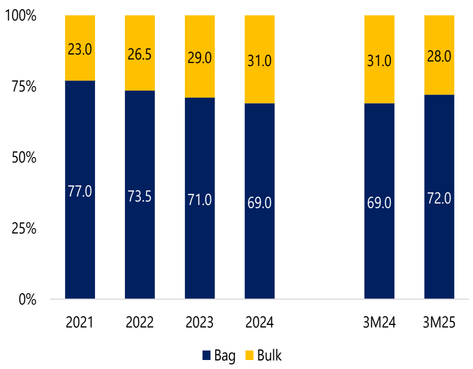
Source : Asosiasi Semen Indonesia | Phintraco Sekuritas Research

Figure 2. Regional Cement Demand Java vs. Non-Java



Source : Asosiasi Semen Indonesia | Phintraco Sekuritas Research

Figure 3. Sales Breakdown by Product Segment



Source : Asosiasi Semen Indonesia | Phintraco Sekuritas Research

Infrastructures : Construction

Mild Momentum, Selective Opportunities Ahead

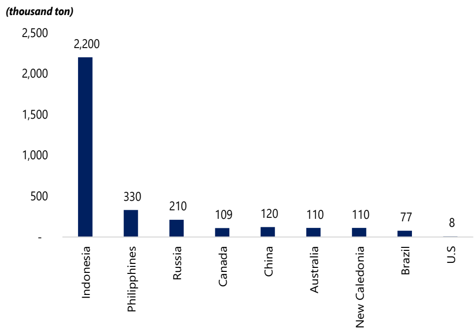
Key Takeaways

- **The government's focus on industrial downstreaming serves as a positive catalyst,** as it is expected to increase the demand for processing facilities and supporting infrastructure such as access roads, utilities, and industrial zone connectivity.
- **EPC project demand is projected to grow significantly,** creating sustainable growth opportunities for construction companies with a solid track record in this segment.
- **The food security budget has been raised to IDR144.6 trillion (+26.6% YoY),** potentially boosting the order book especially from dam, irrigation, and agricultural distribution projects.
- **Infrastructure needs arising from downstreaming and food security initiatives open further room for order book expansion**, particularly for EPC-focused contractors.
- **The 2025 Physical Special Allocation Fund (DAK Fisik) targets** road and bridge construction across 35 provinces, 3,400 hectares of new irrigation development, and rehabilitation of 62,850 hectares of existing irrigation networks.
- **An additional catalyst comes from the government's plan to build 3 million houses,** as part of efforts to address the housing backlog, which reached 9.9 million units as of FY24.
- **We assign a Neutral rating for the construction sector,** given the limited realization of new contracts and continued reliance on actual project progress in the field.
- **Overall, the construction sector presents attractive potential,** but selectivity remains key—focusing on companies with strong fundamentals and visible project pipelines.
- **Financial health is a critical performance driver,** given the sector's high working capital requirements and cash flow risks associated with long-duration projects.
- **Top Pick :** We favor ***PTPP (TP: IDR600)*** as our top pick, supported by a solid track record in strategic projects and a favorable position to capture new contract opportunities aligned with the government's downstreaming and food security focus.
- **Upside risk :** 1) faster-than-expected realization of strategic projects, and 2) increased capital spending from SOEs and private sector players, which could further drive order book growth.

Stock	Fair Value	Potential Upside
PTPP	600	43.54%

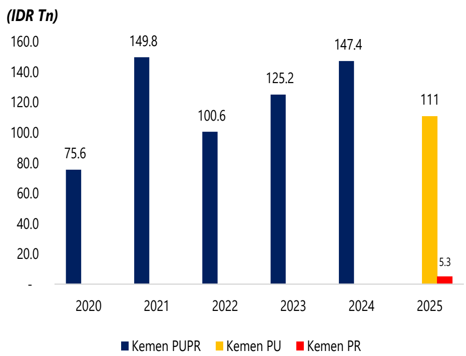
as of June 20th, 2025

Figure 1. Largest Nickel Producing Country In The World



Source : USGS

Figure 2. Trend Budget Allocation for Ministry of Public Works



Source : Ministry of Finance | Phintraco Sekuritas Research

Consumer Sector: F&B and Poultry

Maintained Consumption Supports Positive Performance in The Consumer Sector

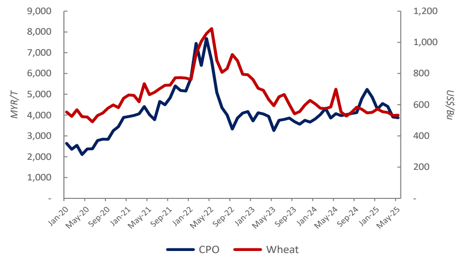
Key Takeaways

- **Public consumption remained solid in May 2025.** Although inflation in May 2025 decreased compared to April 2025, the inflation in May 2025 is still relatively stable.
- **The government gave various economic stimulus packages in June-July 2025.** The stimulus package given by the government has the potential to maintain public purchasing power.
- **Chicken meat consumption in Indonesia continues to increase.** This increase in chicken meat consumption has contributed positively to the decrease in stunting prevalence in Indonesia.
- **The average price of raw materials was mixed, with a tendency to stabilize during 5M25.** This condition has the potential to maintain the profitability in the consumer sector.
- **Corn and Soybean Meal (SBM) prices softened in 5M25.** Over the past five months, corn and SBM price have remained stable, which could potentially boost the performance of animal feed segments in the poultry sector.
- **Live bird and Day-Old Chick (DOC) prices increase in May 2025.** We expect this increase to potentially continue in the future as several celebrations potentially boost demand, therefore restoring the performance of the live bird and DOC segments.
- **The revenue performance of consumer issuers in our coverage showed a positive trend.** This condition indicates that the consumer sector still has attractive prospects in the long term.
- **Our top picks in the consumer sector are INDF, ICBP, and CPIN.**
- ***Consumer Sector Full Report***

Stock	Fair Value	Potential Upside
INDF	9000	+11.80%
ICBP	13275	+27.34%
MYOR	2850	+42.86%
JPFA	2400	+60.00%
CPIN	5400	+16.13%

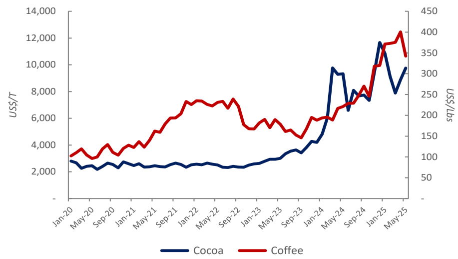
as of June 20th, 2025

Figure 1. Monthly CPO & Wheat Price



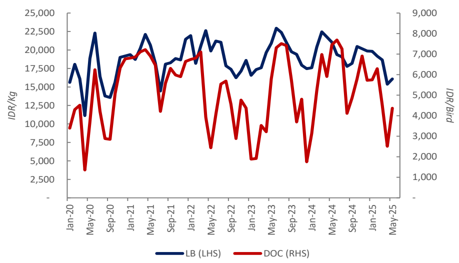
Source : *Investing.com | Phintraco Sekuritas Research*

Figure 2. Monthly Cocoa & Coffee Price



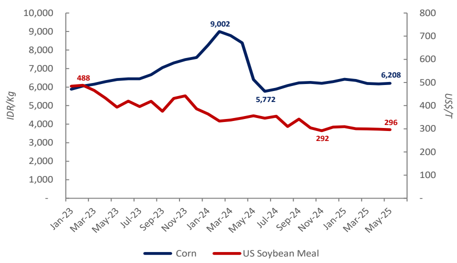
Source : *Investing.com | Phintraco Sekuritas Research*

Figure 4. Monthly Live Bird & DOC Price



Source : *JPFA | Phintraco Sekuritas Research*

Figure 3. Monthly Corn & SBM Price



Source : *BAPANAS, Investing.com | Phintraco Sekuritas Research*

Consumer Sector: Retailers

Continued Expansion Drives Retailers Sector Growth

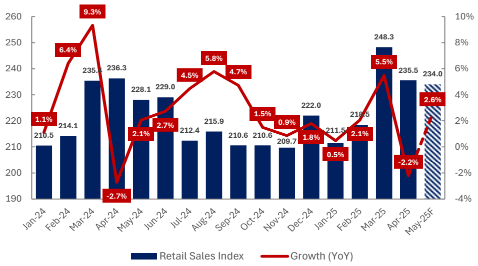
Key Takeaways

- **The Retail Sales Index (RSI) remained relatively strong in 4M25.** Although it contracted by 0.3% YoY to 235.5 in April 2025, the RSI remained relatively strong in 4M25. We assess tha the contaction is reasonable due to the normalization of consumption after Ramadan and Eid al-Fitr.
- **Technological advances drive the digital transformation of retailers.** The strategy implemented by retail companies in adapting to technological advances is to provide e-commerce platforms to make it easier for modern consumers to access the company's products.
- **Retailer store expansion still continues.** Since 2018, retailers have continued to expand their outlets. This expansion has the potential to reach more consumers, which will positively impact the company's growth in the long term.
- **Product innovation and business portfolio expansion drive growth.** Product innovations developed by retailers, especially in the household appliances category, have the potential to add appeal to consumers. In addition, the expansion of business portfolios carried out by retailers such as ERAA is a strategic step to capitalize on the lifestyle trends of modern society.
- **The revenue of retailers in our coverage tends to be solid.** Until 1Q25, the revenue performance of retail issuers had increased relatively compared to 1Q24, except for ERAA, which booked a revenue decreased of 4.6% YoY to IDR15.88 trillion in 1Q25.
- **The net profit margin of retailers tends to mixed in the last 5 years.** The net profit margin (NPM) trend of retailers in the food and beverage category, such as AMRT and MIDI, tends to stabilize. Meanwhile, other retailers such as ACES and ERAA tend to have fluctuating NPM trends.
- **Our top picks in the retailers sector are ERAA, AMRT, MIDI, and ACES.**
- ***Retailers Sector Full Report***

Stock	Fair Value	Potential Upside
ERAA	555	+5.71%
AMRT	2570	+12.72%
MIDI	428	+4.39%
ACES	685	+33.01%

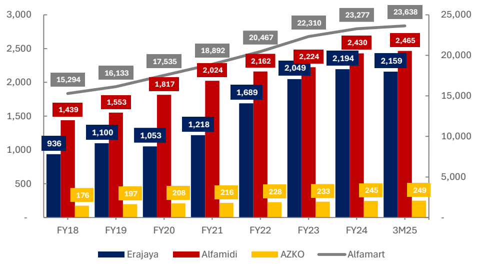
as of June 20th, 2025

Figure 1. Retail Sales Index



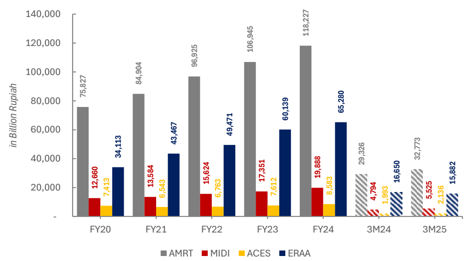
Source : *BI | Phintraco Sekuritas Research*

Figure 2. Store Expansion of Retailers



Source : *Company | Phintraco Sekuritas Research*

Figure 3. Revenue Performance



Source : *Company | Phintraco Sekuritas Research*

Plantations : CPO

CPO Outlook Brightens Amid Structural Strength

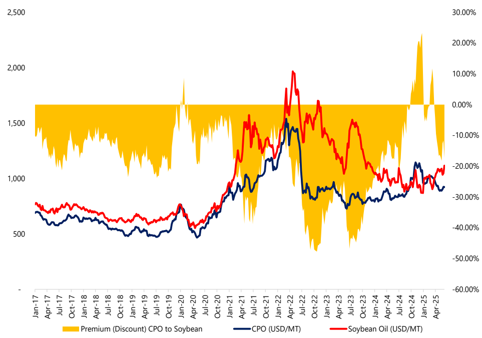
Stock	Fair Value	Potential Upside
AALI	7,000	20.69%
SSMS	2,375	83.40%

as of June 20th, 2025

Key Takeaways

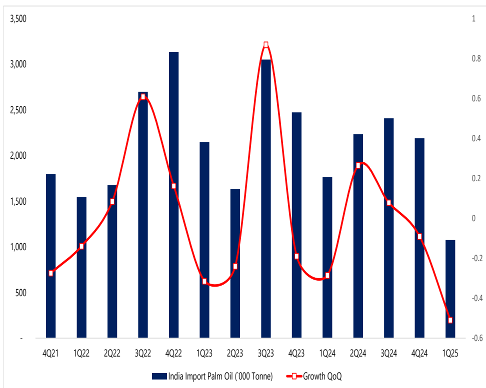
- **Indonesia's CPO production began to recover in March 2025,** reaching 4.81 million tons (+16.1% MoM). However, on a cumulative basis, 1Q25 output was still down -1.82% YoY due to the lingering effects of El Niño.
- **Domestic demand remained strong, with total consumption in 3M25 reaching 6.05 million tons (+6.0% YoY),** driven by +8.5% YoY growth in biodiesel usage and continued absorption for B40.
- **Exports rose +2.7% MoM and +12.4% YoY to 2.88 million tons,** supported by a weaker rupiah and stronger shipments of PKO, oleochemicals, and refined palm oil products.
- **We expect CPO prices to average ~RM4,100–4,500/ton in 2H25F,** driven by limited supply from Malaysia due to declining planted area and persistently low FFB yields (Figure 3).
- **Supply from Indonesia is expected to remain relatively solid,** underpinned by a forecast for a mild La Niña in 2H25F. However, we believe its impact on export availability will be limited, as more output will be absorbed domestically, particularly for biodiesel.
- **China's demand remained relatively stable in May,** amid high ending stocks of soybean and rapeseed oil. That said, potential restocking and an improvement in import margins could serve as catalysts in 2H25.
- **India's ending stock of CPO rose +9% MoM in May 2025,** signaling the beginning of restocking ahead of the 2H25 festive season. Looking forward, demand prospects remain solid, supported by seasonal consumption and recent cuts to import tariffs.
- **CPO's price discount to soybean oil is expected to remain in place,** preserving its competitiveness and supporting demand stability.
- **We maintain our Overweight rating on the plantation sector,** backed by potential supply-side disruptions and the prospect of stronger global demand in the near term.
- **Producers with younger estate profiles and strong cost efficiency** are likely to be more resilient in defending margins and maintaining productivity.
- **Downside Risk :** 1) volatility in global vegetable oil prices, 2) changes in domestic or export policies, and 3) medium-term climate uncertainties.
- ***Plantations Sector Full Report***

Figure 1. CPO Soybean Oil Prices, and CPO-SBO Spread



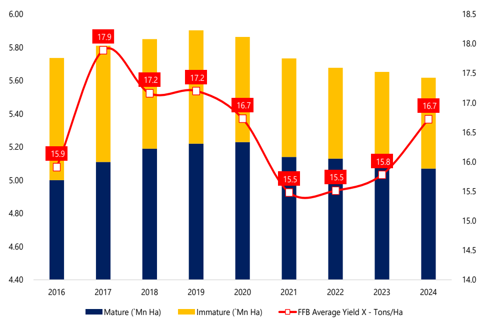
Source : Bloomberg | Phintraco Sekuritas Research

Figure 2. India Palm Oil Import Trend



Source : Bloomberg | Phintraco Sekuritas Research

Figure 3. Planted Area & Average FFB Yield in Malaysia



Source : Bloomberg | Phintraco Sekuritas Research

Basic Materials Sector: Metal and Mining

Rising Global Demand and Gold Rally Support Bullish Metals Outlook

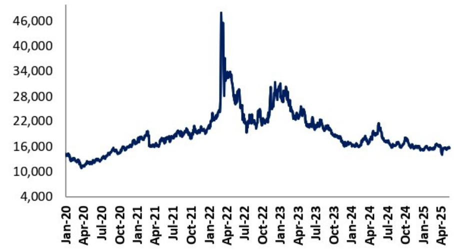
Key Takeaways

- **Excess nickel supply has driven down global prices.** Global nickel supply has reached a record high, driven by increased production from Indonesia.
- **Nickel prices may rebound as demand from the electric vehicle (EV) sector grows.** The recovery is supported by increasing nickel consumption in key markets such as China, the United States, and Europe.
- **Copper has shown stable price movement.** Future demand will be supported by growth in construction and clean energy investment.
- **Gold prices are expected to continue upward in the 2H25.** Geopolitical tensions, significant gold accumulation by central banks, and reciprocal tariff policies drive this trend.
- **Gold-related revenue has mitigated earnings fluctuations in the nickel segment.** As a result, portfolio diversification has enhanced the financial resilience of ANTM and MDKA during 1Q25.
- **Operational efficiency in the nickel segment is reflected in the nickel matte cash cost decline at INCO (-9.28% YoY) and nickel pig iron at MBMA (-0.53% YoY) in 1Q25.** Lower energy consumption was the key driver of this decline, enabling potential margin improvements.
- ***Our top picks in the basic materials sector are ANTM, MDKA, MBMA, and INCO.***
- ***Previous Report : ANTM, MDKA, MBMA, dan INCO.***

Stock	Fair Value	Potential Upside
ANTM	Under Review	-
INCO	Under Review	-
MBMA	525	+27.43%
MDKA	2,510	+24.26%

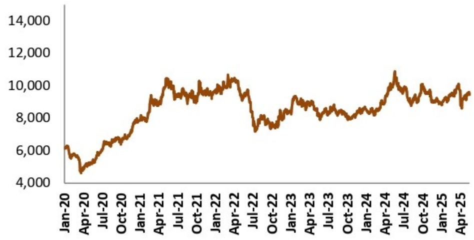
as of June 20th, 2025

Figure 1. Nickel Prices (US$/t)



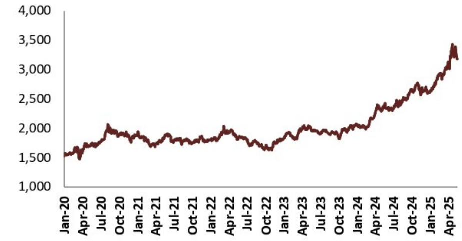
Source : Bloomberg | Phintraco Sekuritas Research

Figure 2. Copper Prices (US$/t)



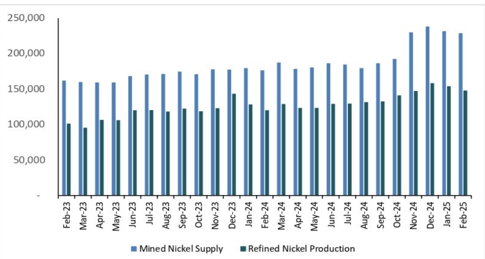
Source : Bloomberg | Phintraco Sekuritas Research

Figure 3. Gold Prices (US$/oz)



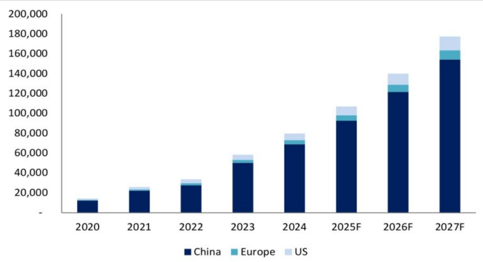
Source : Bloomberg | Phintraco Sekuritas Research

Figure 5. Indonesia's monthly output of nickle (mt)



Source : Bloomberg | Phintraco Sekuritas Research

Figure 4. Electric Vehicle Demand by Region



Source : BloombergNEF| Phintraco Sekuritas Research

Properties & Real Estate: Properties & Real Estate

Government Stimulus Becomes Property Sector Booster in 2025F

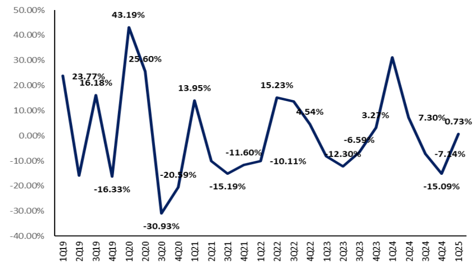
Key Takeaways

- **The decrease in the BI rate has the potential to increase the distribution of Home Ownership Credit (KPR) in 2H25F.** Lower interest rates can increase public interest in taking KPR.
- **Several stimuli from the Government.** The Government will continue the Incentive Value Added Tax program until the end of 2025. In addition, the Government will also continue the loan to value discount policy of 100% until the end of 2025, making it possible to purchase a house with a 0% down payment.
- **Residential property sales grew 0.73% YoY or 33.92% QoQ in 1Q25 vs. -15.09% YoY in 4Q24.** The growth of small-type houses drove this increase, small-type houses grew 21.75% YoY in 1Q25. So, property company whose portfolios mostly consist of small-type houses such as CTRA booked more resilient performance.
- **Recurring Income Growth Trend.** The large number of major holidays and national holidays in Indonesia throughout 3M25 increased the recurring income of property company in our coverage. PWON, with the most significant portion of recurring income compared to its peers, ranked second-highest in growth in 3M25. PWON's recurring income increased 10.07% YoY to IDR 1.32 trillion in 3M25.
- **The majority of property issuers booked marketing sales growth in line with the FY25F target.** BSDE booked marketing sales growth of 9% YoY to IDR2.43 trillion in 3M25, equivalent to 24% of the FY25F target. CTRA booked marketing sales of IDR3.16 trillion (-5% YoY) in 3M25, equivalent to 29% of the FY25F marketing sales target). Meanwhile, SMRA booked marketing sales of IDR877 billion (+8% YoY) in 3M25.
- **Our top picks in the property sector properties and real estate are CTRA, BSDE and PWON.**
- ***[Property Sector Full Report]***

Stock	Fair Value	Potential Upside
BSDE	1,185	+43.64%
CTRA	1,320	+37.50%
PANI	15,200	+31.89%
PWON	535	+42.29%
SMRA	600	+57.89%

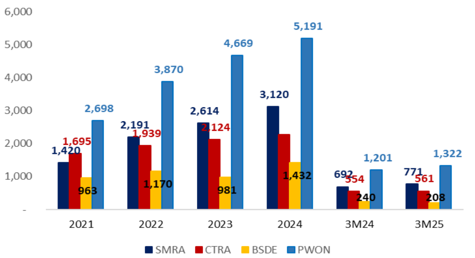
as of June 20th, 2025

Figure 1. Property Sales Growth



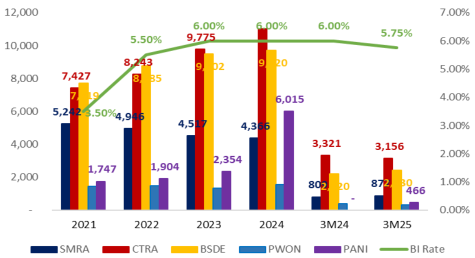
Source : BI | Phintraco Sekuritas Research

Figure 2. Recurring Income (In Trillion Rp)



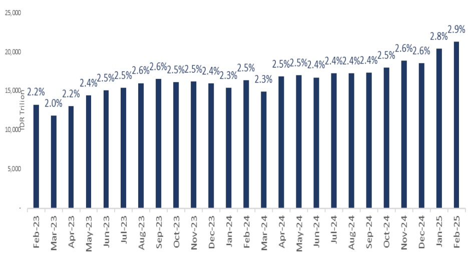
Source : Company | Phintraco Sekuritas Research

Figure 3. Marketing Sales Vs. BI Rate



Source : BI | Company | Phintraco Sekuritas Research

Figure 4. NPL to Total Mortgage Loan



Source : OJK | Phintraco Sekuritas Research

Infrastructures : Telecommunication

Navigating Pricing Gains and Spectrum Bids in 2H25F

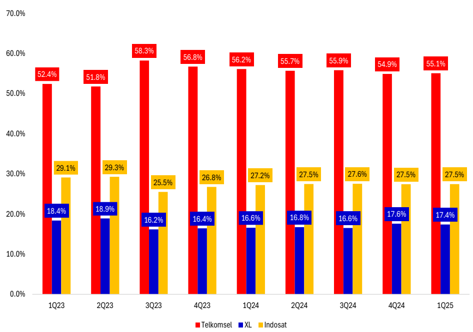
Key Takeaways

- **Telecommunication companies under our coverage posted topline contraction in 1Q25,** with ISAT down -3.53% QoQ to IDR13.58 trillion due to softer data revenue, EXCL down -4.75% QoQ to IDR8.60 trillion amid ARPU pressure, and TLKM declining -2.94% QoQ to IDR36.64 trillion despite higher data consumption.
- **ARPU across all operators declined QoQ,** EXCL -2.44%, TLKM -3.64%, while ISAT remained relatively flat.
- **We expect a gradual recovery to take shape in 2H25F,** supported by starter-pack price hikes that may lift ARPU and data yield, although customer churn risk remains elevated in price-sensitive segments.
- **Industry average data yield stood at IDR8.2k/GB in 1Q25**, with XL posting the highest yield at IDR2.77k/GB and the highest data revenue per subscriber at IDR134.13k/subs versus peers.
- **We project industry data yield to increase 3–5% to IDR8.4–8.6k/GB,** with data revenue per subscriber potentially reaching IDR354–IDR361k/subs.
- **The government is preparing a 1.4 GHz spectrum auction this year,** with 80 MHz allocated for high-speed wireless broadband services that could support Fixed Broadband (FBB) rollout.
- **TLKM's relatively dense spectrum (0.98 MHz/subs)**, remains a key driver for its ongoing spectrum expansion strategy to maintain competitiveness against peers.
- **We maintain our Overweight rating on the telecom sector,** underpinned by potential ARPU upside from starter-pack repricing and a sustained focus on long-term profitability.
- **Top Picks: ISAT (TP: IDR2,200)** is our top pick, supported by strong cost efficiency and the strength of Tri's brand in the data user segment, according to OpenSignal's survey. **TLKM (TP: IDR2,950)** is also attractive, backed by a solid balance sheet and undemanding valuation. **EXCL (TP: IDR2,900)** ranks third, currently focused on post-merger integration with FREN.
- **Downside Risk :** 1) prolonged ARPU pressure due to price sensitivity, 2) potential churn following tariff adjustments, and 3) uncertainty over spectrum auction timing that could delay network expansion.
- ***Telco Sector Full Report***

Stock	Fair Value	Potential Upside
ISAT	2,200	4.76%
TLKM	2,950	11.74%
EXCL	2,900	29.46%

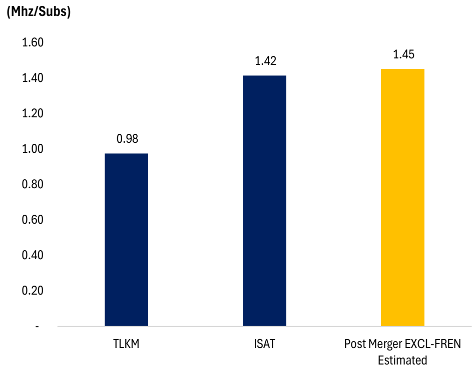
as of June 20th, 2025

Figure 1. Revenue Market Share Telco`s Company



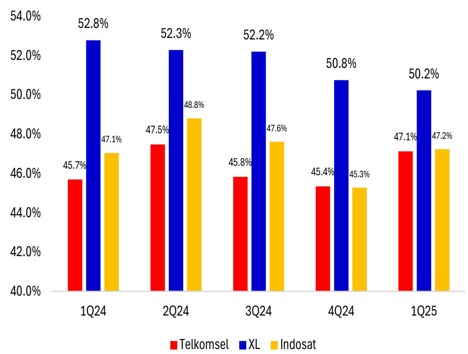
Source : Company | Phintraco Sekuritas Research

Figure 2. Spectrum Allocation per Subscriber



Source : Company | Phintraco Sekuritas Research

Figure 3. EBITDA Margin Telco Companies



Source : Company | Phintraco Sekuritas Research

Infrastructures : Tower

Navigating Post-Merger Network Rationalization and Fiber Growth in 2H25F

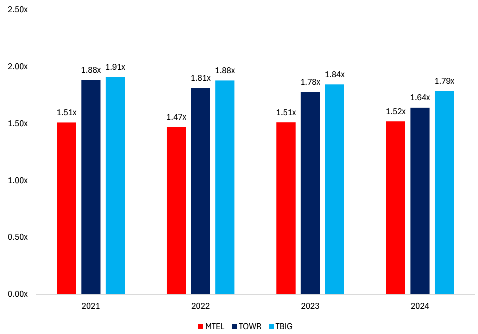
Stock	Fair Value	Potential Upside
MTEL	700	33.33%
TOWR	650	33.74%
TBIG	2,200	5.26%

as of June 20th, 2025

Key Takeaways

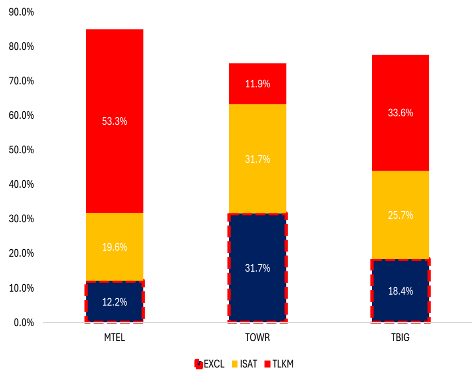
- **Tower companies under our coverage posted mixed performance in 1Q25**, with TBIG flat at IDR1.73 trillion (-0.5% QoQ), MTEL down -9.15% QoQ due to weaker tower and fiber lease revenues, and TOWR declining -2.38% QoQ to IDR3.21 trillion, pressured by the connectivity segment.
- **Telco operator mergers pose headwinds for tower leasing growth,** as operators focus on site rationalization and decommissioning overlapping infrastructure.
- **TOWR and TBIG have higher revenue exposure from EXCL and FREN, at ~30% and ~18%,** respectively, making them more vulnerable to post-merger consolidation.
- **MTEL is relatively more resilient, with exposure from EXCL -FREN at ~10–12%,** and a more geographically diversified tower portfolio (with >50% of assets outside Java).
- **MTEL's geographic diversification allows greater flexibility in site relocation,** minimizing tower deactivation and maintaining asset utilization.
- **Ongoing pressure in the tower segment is prompting a pivot toward fiber optic expansion** as a new revenue stream amid industry consolidation.
- **The fiber market is projected to grow at a CAGR of 11.78% over 2025–2029F,** driven by rising demand for backbone infrastructure and low-latency data center connectivity.
- **The main challenge to fiber expansion remains high capex requirements,** with construction costs estimated at IDR80–100 million per kilometer.
- **We maintain a Neutral rating on the tower sector,** factoring in operator merger risks and limited near-term contribution from the fiber segment.
- **Top Picks: MTEL (TP: IDR700)** is our top pick, supported by a solid balance sheet, diversified asset portfolio, and low exposure to operator consolidation risks. **TOWR (TP: IDR650)** follows, with potential upside from fiber monetization. **TBIG (TP: IDR2,200)** remains compelling from an efficiency perspective, despite higher exposure to post-merger risks.
- **Upside Risks:** 1) Fewer-than-expected tower deactivations, 2) Effective monetization of other segments to sustain earnings.
- ***Tower Sector Full Report***

Figure 1. Tenancy Ratio Trends of Tower Companies



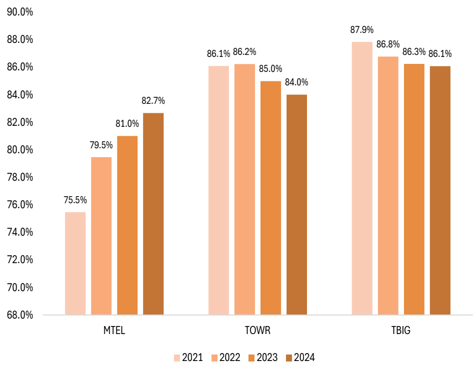
Source : Company | Phintraco Sekuritas Research

Figure 2. EXCL's Contribution to Revenue



Source : Company | Phintraco Sekuritas Research

Figure 3. EBITDA Margin Trends of Tower Companies



Source : Company | Phintraco Sekuritas Research