

Indonesia Economic Research

Economic Review 2025 and Outlook 2026

Wave of Change: Embracing the Economic Dynamics of 2026

Key Takeaways

- **Indonesia's economy is projected to grow 5.0%-5.2% YoY in 2026.** Indonesia's economic growth is expected to accelerate in 2026, in line with expectations of improving global conditions and increased domestic investment activity. Bank Indonesia estimates that the economy will grow 5.1% YoY in 2026, which is the midpoint of Bank Indonesia's target range of 4.7%-5.5% YoY. The 2026 APBN (State Budget) projects that the economy will grow 5.4% YoY in 2026.
- **Consumer confidence index and retail sales are expected to remain positive in 2026.** Supported by the government's stimulus program, assuming controlled inflation and consumption incentives (social protection) that maintain people's purchasing power, consumer confidence is expected to be more optimistic and stable in 2026.
- **Inflation in 2026 is expected to remain within BI's target range of 2.5% $\pm$ 1%.** This projection is based on relatively stable inflation expectations at low levels, the stability of the Rupiah exchange rate, and synergistic efforts by Bank Indonesia and the Government to control inflation, particularly fluctuating food prices.
- **The opportunity for further cuts by Bank Indonesia (BI) Rate remains possible in 2026.** Due to the depreciation of the Rupiah, BI is expected to cut the BI Rate again in 2026 by 25-75 bps to 4.0%-4.5%.
- **The allocation of government funds in banks has positively influenced national liquidity.** This is reflected in the growth of the money supply, or base money. By September 2025, the adjusted base money rose to Rp2,152.4 trillion, up from Rp1,961.34 trillion in August 2025.
- **The 2026 APBN deficit is targeted at 2.68% of GDP.** The 2026 APBN targets state revenue at IDR 3,153.6 trillion, comprising IDR 2,357.7 trillion in tax revenue and IDR 336 trillion in customs and excise revenue.
- **We estimate IHSG conservative level for 2026 at 9,255 and aggressive level at 9,883.** IHSG target reflects an estimated PER of 13.65x. Meanwhile, the IHSG conservative level is 8,269 and its aggressive level is 8,831 for the end of 2025.

11th November 2025

Compiled by
Research Team
+62 21 2555 6138 Ext. 8304
research@phintracosekuritas.com

Valdy Kurniawan
Division Head of Research & Education
valdy@phintracosekuritas.com

Ratna Lim
Head of Research
ratna.lim@phintracosekuritas.com

Nur Ryshalti Pratama
Macro & Fixed Income
nur.ryshalti@phintracosekuritas.com

Nurwachidah
Financial & Properties
nurwachidah@phintracosekuritas.com

Aditya Prayoga
Cement, Construction, CPO, Telco, & Towers
adit@phintracosekuritas.com

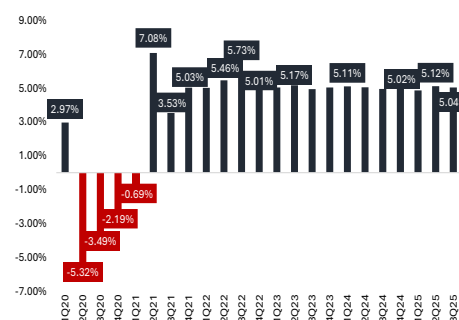
Muhamad Heru Mustofa
Consumers, Pharmaceuticals, Poultry & Retailers
heru.mustofa@phintracosekuritas.com

The Indonesia's economy posted its fastest growth since 2Q23 in 2Q25. The Indonesia's economy grew 5.12% YoY in 2Q25, improving from 4.87% YoY in 1Q25 (**Figure 1**). The expenditure components with the most significant contributions were household consumption and Gross Fixed Capital Formation (PMTB), at 54.25% and 27.83%, respectively (Figure 2). The consumption component posted a 4.97% YoY increase (vs. 4.95% YoY in 1Q25), while GFCF also grew 6.99% YoY (vs. 2.12% YoY in 1Q25). The highest growth occurred in exports (10.67% YoY vs. 6.46% YoY) and imports (11.65% YoY vs. 4.17% YoY). This is in line with the acceleration of exports before the implementation of US import tariffs, which took effect on August 7, 2025. Government spending is still experiencing a decline but has improved compared to 1Q25 (-0.33% YoY vs -1.37% YoY).

The Indonesia's economy grew 4.04% QoQ in 2Q25, improving from a decline of 0.98% QoQ in 1Q25. This was the fastest quarterly growth since 3Q20, driven by the rise in religious activities and tourism, which was supported by the numerous holidays in 2Q25. This increase was driven, among other things, by increased public consumption (3.14% QoQ vs. 0.62% QoQ), which was supported by the Government's stimulus package worth IDR 24 trillion, which included cash assistance and transportation subsidies. Although still experiencing a decline YoY, Government spending in 2Q25, compared to 1Q25 on a quarterly basis, experienced a significant increase (21.05% QoQ vs. -39.88% QoQ). Investment also recorded an increase (4.10% QoQ vs. -7.40% QoQ). Exports and imports also contributed positively to GDP, with growth of 4.85% QoQ and 9.89% QoQ respectively from -6.4% QoQ and -10.01% QoQ.

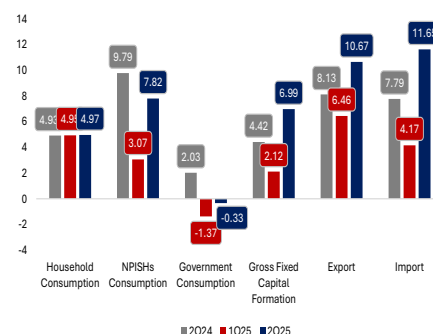
On an annual basis, all business sectors grew positively in 2Q25 compared to the same period last year. The five industries with the most significant contributions to the economy, namely manufacturing, agriculture, trade, construction, and mining, posted positive growth (**Figure 3**). The sector with the highest growth was other services, driven by an increase in the number of tourists due to National Religious Holidays (HBKN), collective leave, and school holidays, as well as an increase in domestic tourist trips and international tourist visits. This is supported by data on the rise in domestic tourist trips of 22.32% YoY as well as an increase in the number of passengers on rail transportation modes (9.17% YoY), sea transportation (16.79% YoY), and growth in the retail sales index of motor vehicle fuel (8.66% YoY).

Figure 1. Indonesia GDP Growth (% YoY)



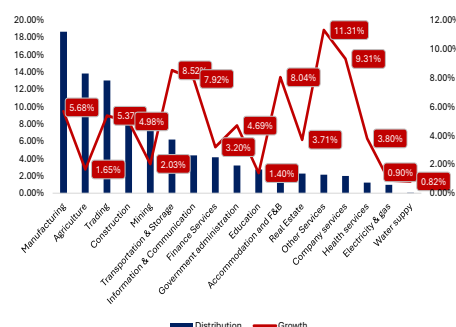
Source: BPS | Phintraco Sekuritas Research

Figure 2. GDP by Expenditure in 2Q25 (YoY)



Source: BPS | Phintraco Sekuritas Research

Figure 3. GDP by business sector in 2Q25 (YoY)



Source: BPS | Phintraco Sekuritas Research

Indonesia's economic growth slowed to 5.04% YoY in 3Q25.

Based on production, the education services sector recorded the highest growth, at 10.59% YoY (**Figure 4**). This was driven by the start of the new academic year and increased spending on education functions. Growth occurred in almost all business sectors, except for mining and quarrying, which experienced a decline of 1.98% YoY. The manufacturing industry, which plays a dominant role in the Indonesian economy, experienced growth of 5.54% YoY. Meanwhile, in terms of expenditure, all components recorded growth, with exports of goods and services recording the highest growth at 9.91% YoY (**Figure 5**). Conversely, the components of imports and services recorded the lowest growth at 1.18% YoY.

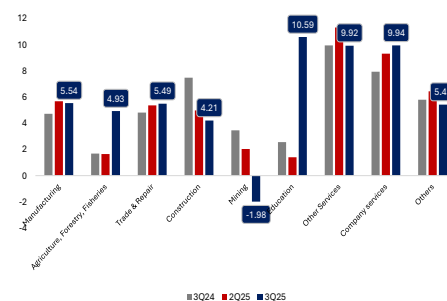
On a quarterly basis, the Indonesia's economy grew 1.43% QoQ in 3Q25.

The electricity and gas supply sector recorded the highest increase (5.42% QoQ), based on production. Meanwhile, in terms of expenditure, the export of goods and services component recorded the highest quarterly increase (6.77%). Geographically, economic growth in 3Q25 occurred across all regions, with the highest growth in Sulawesi (5.84% YoY). Although overall, economic growth in 3Q25 slowed compared to 2Q25, it was still slightly higher than expected and had been anticipated.

The Organization for Economic Co-operation and Development (OECD), World Bank, and International Monetary Fund (IMF) have raised their projections for Indonesia's economic growth.

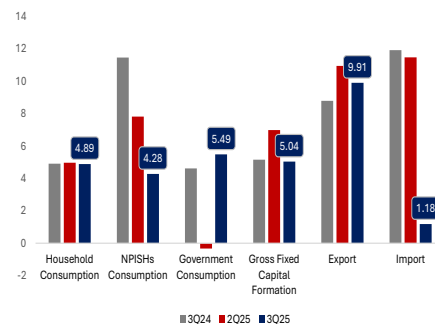
The OECD revised up its growth projections in its September 2025 OECD Economic Outlook interim report to 4.9% YoY for 2025 and 2026, from the previous projections of 4.7% YoY for 2025 and 4.8% for 2026. This projection is based on a decrease in interest rates that could potentially boost domestic investment flows. Meanwhile, the World Bank, in its October 2025 East Asia and the Pacific Economic Update report, projected Indonesia's economic growth to reach 4.8% YoY in 2025 and 2026. This projection is higher than the previous projection of 4.7% YoY, while there is no change for 2026. The World Bank emphasized the importance of improving Indonesia's economy by focusing on efficiency and prioritizing government spending, rather than simply reducing the deficit. In the October 2025 edition of the World Economic Outlook, the IMF revised its projection for Indonesia's economic growth to 4.9% from the previous projection of 4.8% for 2025. Additionally, the IMF has raised its projection for Indonesia's economic growth in 2026 to 4.9% from the prior projection of 4.8%.

Figure 4. GDP by business sector in 3Q25 (YoY)



Source: BPS | Phintraco Sekuritas Research

Figure 5. GDP by Expenditure in 3Q25



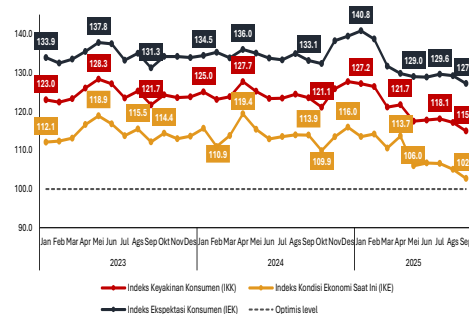
Source: BPS | Phintraco Sekuritas Research

The Indonesia's economy is projected to grow 4.87%-5.1% YoY in 2025 (Table 1). Bank Indonesia projects that the Indonesia's economy will grow 5% in 2025, which is the midpoint of the 4.6%-5.4% range. Amidst weak household consumption, investment needs to be strengthened to create jobs. Exports are expected to improve, supported by increased exports of agricultural and manufactured products. Bank Indonesia is also strengthening synergies with fiscal stimulus policies and the real sector. Government spending in the second half of 2025 is expected to increase, in line with the implementation of priority government projects and the 2025 Government Economic Stimulus Package. Bank Indonesia is also strengthening the mix of monetary, macroprudential, and payment system policies to encourage economic growth through interest rate cuts, liquidity easing, macroprudential improvements, and accelerated digitalization of the economy and finance. Meanwhile, the Government, through the Minister of Finance, also projects economic growth in 2025 at around 5% YoY.

Indonesia's economy is projected to grow 5.0%-5.2% YoY in 2026 (Table 2). Indonesia's economic growth is expected to accelerate in 2026, in line with expectations of improving global conditions and increased domestic investment activity. Bank Indonesia (BI) estimates that the economy will grow 5.1% YoY in 2026, which is the midpoint of the 4.7%-5.5% YoY range. The Indonesian government, through the 2026 APBN, projects that the economy will grow 5.4% YoY in 2026, in line with the medium-term development plan and continued fiscal expansion. However, risks are expected to remain from global uncertainty, a slowdown in world trade due to protectionism, and inflationary pressures. The trend of low interest rates is expected to continue to support economic growth in 2026.

The Consumer Confidence Index (CCI) showed a downward trend from January to September 2025. The CCI fell to 115 in September 2025, its lowest level since April 2022 (Figure 6). The downward trend in the CCI during this period was driven, among other factors, by weakening perceptions of Current Economic Conditions (CECI), which were influenced by declining job availability, a lack of increase in household income, and people's tendency to delay purchases of durable goods due to economic uncertainty.

Figure 6. Indonesia Consumer Confidence



Source: Bank Indonesia | Phintraco Sekuritas Research

Global economic uncertainty, fluctuating commodity prices, and the domestic political situation also impact consumer expectations. Although the Consumer Expectations Index (CEI) is relatively stronger than the CEI, there are still declines in expectations regarding job availability in the next six months, projected increases in household income, and expectations for national economic conditions. Nevertheless, consumers remain optimistic, as each index remains above 100.

Retail sales fluctuated and slowed in several months in 2025.

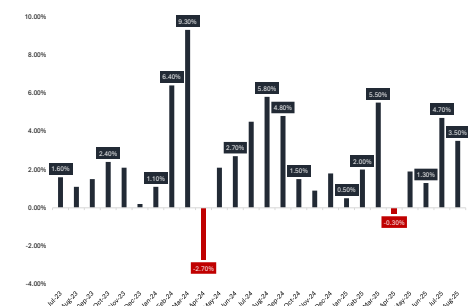
Seasonal shopping, such as during Ramadan, school holidays, or religious activities, drove significant increases in retail sales, as occurred in March 2025 (+5.5% YoY) and July 2025 (+4.7% YoY). After the peak shopping period, demand normalized, causing a decline in retail sales, which occurred in April 2025 (-0.3% YoY). On average, retail sales growth in the January-September 2025 period was 2.4% YoY, lower than the same period in 2024, which was 3.8% YoY (Figure 7).

Consumers facing rising food prices have tended to restrain spending on non-essential goods. Higher living costs and the difficulty of obtaining additional income have also contributed to weaker demand for durable goods. The downward trend in the Consumer Confidence Index (CCI) throughout 2025 had a significant impact on retail activity. Nevertheless, retail sales recorded YoY growth during May-August 2025, although with fluctuations. This performance was supported by government stimulus measures designed to strengthen consumer purchasing power.

The CCI and retail sales are expected to remain positive in 2026.

Supported by the government's stimulus program, assuming controlled inflation and consumption incentives (social protection) that maintain purchasing power, the CCI in 2026 is expected to be more optimistic and stable. Retail sales in 2026 are expected to grow moderately, supported by stable inflation and the potential for increased purchasing power, as well as the ongoing economic recovery. However, several pressures remain, such as pressure on purchasing power, government budget efficiency, and uneven retail growth across sectors. Furthermore, the development of the digital economy and competition from e-commerce continue to pose challenges for traditional retailers. Retail sales growth is expected to improve compared to 2025, but at a moderate rate. The increase in retail sales is also driven by the holiday season and religious holidays.

Figure 7. Indonesia Retail Sales YoY



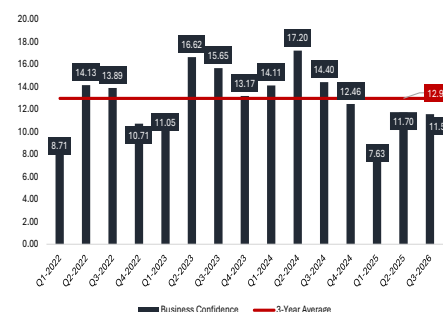
Source: Trading Economics | Phintraco Sekuritas Research

The Business Confidence Index (BCI/IKB) is below its three-year average in 2025. The business confidence index stood at 11.56 in 3Q25, down from 11.7 in 2Q25, but significantly better than the 7.63 in 1Q25 (**Figure 8**). However, the BCI in 2025 is lower than the three-year average of 12.96. This decline is attributed to weakening public purchasing power and businesses' tendency to wait for a more favorable situation before expanding their operations. Several business sectors have seen improvements, including construction, mining and quarrying, manufacturing, financial services, government administration, defense, and mandatory social security. The business confidence index is also expected to grow positively in 4Q25 and 2026.

Investment realization grew 13.9% YoY to reach IDR 491.4 trillion in 3Q25. This achievement is equivalent to 25.8% of the national investment target for 2025. The downstreaming policy became the largest contributor to investment, with total downstreaming investment realization reaching IDR 150.6 trillion (approximately 30.6% of total investment) in 3Q25, representing a 64.6% increase compared to the same period last year. The mineral sector was the largest contributor to investment, reaching IDR 97.8 trillion, followed by the plantation and forestry sector at IDR 35.9 trillion, the oil and gas sector at IDR 15.4 trillion, and the fisheries and maritime sector at IDR 1.5 trillion. Based on geography, Central Sulawesi province led the achievement of downstreaming investment at IDR 28.7 trillion, followed by West Java at IDR 15.0 trillion and North Maluku at IDR 14.3 trillion. Investment realization outside Java reached IDR 265.8 trillion (54.1%), while investment in Java reached IDR 225.6 trillion (45.9%).

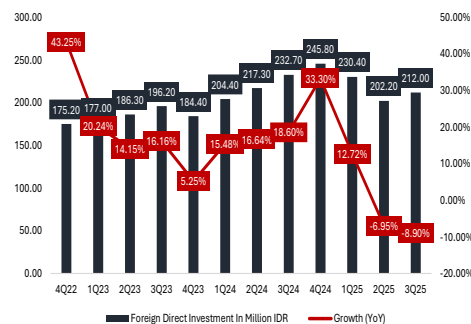
Domestic Direct Investment (PMDN) reached IDR 279.4 trillion, or 56.9% of total investment. Meanwhile, Foreign Direct Investment (PMA) reached IDR 212.0 trillion, or 43.1% of total investment realization. The FDI figure in 3Q25 increased 4.9% from IDR 202.2 trillion in 2Q25 (**Figure 9**). Singapore consistently became the largest country of origin for investors with investments reaching USD 3.8 billion, followed by Hong Kong (USD 2.7 billion), China (USD 1.9 billion), Malaysia (USD 1.0 billion), and the US (USD 0.8 billion). Meanwhile, the sector that absorbed the most foreign investment was the basic metals industry, valued at USD 3.5 billion. Meanwhile, with cumulative investment achievement for the January-September 2025 period of IDR 1,434.3 trillion (75.3% of the annual target), the Government is optimistic that the 2025 investment target of IDR 1,905.6 trillion will be achieved.

Figure 8. Indonesia Business Confidence



Source: Trading Economics | Phintraco Sekuritas Research

Figure 9. Indonesia Foreign Direct Investment



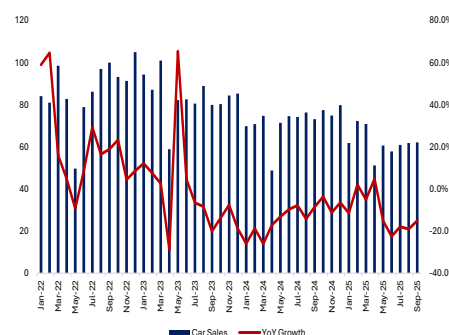
Source: BKPM | Phintraco Sekuritas Research

Domestic car sales fell 11.7% YoY to 559,400 units in January–September 2025 from 633,700 units in the same period in 2024 (**Figure 10**). This decline was caused by the weakening purchasing power of middle-class consumers amid rising living costs and real incomes that did not grow in proportion to rising car prices, rising production costs that pushed up car selling prices, increasing vehicle taxes, and economic uncertainty. By September 2025, domestic car sales had reached only around 62.16% of the Association of Indonesian Automotive Industries' (GAIKINDO) annual target of 900,000 unit.

Motorcycle sales fell 0.8% YoY to 4.84 million units in the January–September 2025 period from 4.87 million units in the same period in 2024 (**Figure 11**). This decline was also caused by a tendency to weaken public purchasing power, more selective credit provision, tax increases, as well as economic uncertainty and lower consumer expectations. However, the decline in motorcycle sales was slower than the decline in car sales. This was due, in part, to relatively lower motorcycle prices, the use of motorcycles by informal workers for work, and greater credit support and financing flexibility, resulting in more resilient motorcycle demand. By September 2025, domestic motorcycle sales reached 72.24% of the Indonesian Motorcycle Industry Association' (AIS) motorcycle sales target of 6.7 million units in 2025.

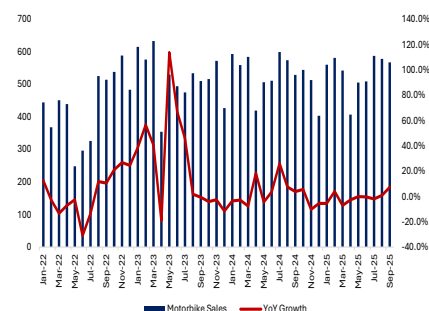
Car sales are expected to improve in 2026. This is supported by lower credit interest rates, controlled inflation, expanded government incentives, attractive programs from manufacturers, and the introduction of non-premium hybrid cars. These factors are expected to drive car sales growth, amidst expected improvements in public purchasing power. Electric car prices are expected to begin rising in 2026 due to the absence of government incentives, which are expected to reach 40% of current prices. Furthermore, as the Domestic Component Level (TKDN) regulation for electric cars is scheduled to take effect in January 2026, foreign manufacturers importing Completely Built-Up (CBU) electric cars will likely increase local production, which could trigger further local production and accelerate the growth of domestic electric cars. The Association of Indonesian Automotive Industries (GAIKINDO) predicts that exports of Indonesian-made cars could reach 1 million units in 2026, up from the 2025 target of 500,000 units. From January to September 2025, total CBU exports reached 382,374 units.

Figure 10. Indonesia Car Sales



Source: Trading Economic | Phintraco Sekuritas Research

Figure 11. Indonesia Motorbike Sales



Source: Trading Economic | Phintraco Sekuritas Research

Motorcycle sales are projected to grow stronger in 2026, supported by sales outside Java. Factors driving this growth include stable commodity prices, which can increase purchasing power, markets outside Java are expected to grow more rapidly, government incentive policies for electric motorcycles are anticipated to stimulate purchasing interest, and the downward trend in interest rates is expected to reduce the interest burden on consumers. However, several factors could hinder sales growth, including the weakening rupiah and the economic conditions that have not yet fully recovered, which could impact purchasing power.

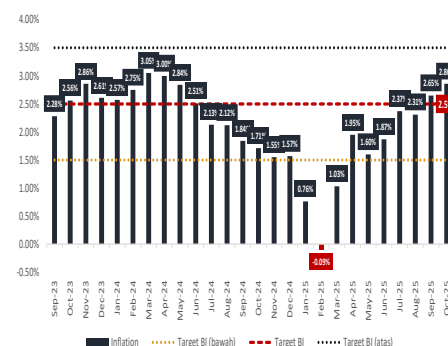
Inflation was recorded at 2.10% YTD through October 2025.

Inflation was recorded at 0.28% MoM in October 2025, up from 0.21% MoM in September 2025. This was the second consecutive MoM inflation after deflation in August 2025, and the fastest increase since July 2025. The primary contributor to October 2025 inflation on a MoM basis was the personal care and other services group with a share of 0.21%. The primary contributor to inflation in this group was gold jewelry. Gold jewelry has experienced inflation for 26 consecutive months. Annual inflation was recorded at 2.86% YoY in October 2025, which was the highest inflation since April 2024 (**Figure 12**). However, this inflation rate is still within BI's target range of 1.5%-3.5%. The primary contributor to October 2025 YoY inflation was the food, beverage, and tobacco group, which contributed 1.43% to inflation. The primary commodities contributing to inflation in this group were red chilies, rice, shallots, and broiler chicken. Geographically, the highest inflation occurred in North Sumatra Province (4.97% YoY) and the lowest in Papua Province (0.53% YoY). Core inflation in October 2025 was recorded at 0.18% MoM and 2.36% YoY (**Figure 13**).

Inflation in 2026 is expected to remain within BI's target range of 2.5%±1%.

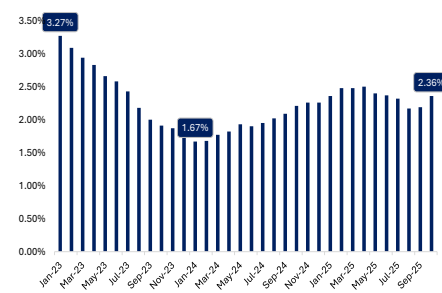
This projection is based on expectations of stable inflation at a low level, the stability of the Rupiah exchange rate, and synergy between BI and the Government to control inflation, particularly in the volatile food group. Rupiah exchange rate stability is a key factor in keeping inflation under control, amidst the threat of inflation from imported goods. The production and supply of goods and services are also expected to remain capable of meeting market demand, thus maintaining control over inflation. Various government stimuli to increase purchasing power have the potential to increase inflation along with increased consumption.

Figure 12. Indonesia Inflation (YoY)



Source: BPS | Phintraco Sekuritas Research

Figure 13. Indonesia Core Inflation (YoY)



Source: BPS | Bloomberg | Phintraco Sekuritas Research

The increasing YoY inflation indicates that people's purchasing power and consumption are starting to improve, along with lower interest rates and stimulus packages from the Government

By October 2025, BI had lowered the BI Rate by 125 bps to 4.75%.

This policy was an effort to stimulate economic growth amidst controlled inflation within BI's target range of $2.5\% \pm 1\%$ and to maintain the stability of the Rupiah exchange rate. The BI Rate at 4.75% was the lowest level since 2022, however, it remained above the inflation rate until September 2025 (Figure 14). Furthermore, with the Fed's 25 bps interest rate cut in October 2025, the spread between the BI Rate and the Fed Rate widened slightly to 0.75% from 0.5% in September 2025, although it remains below the five-year average of around 1.77% (Figure 15). The Rupiah exchange rate stabilization policy continues to be strengthened through intervention in the domestic market through the spot market, DNDF (Non-Deferred Foreign Exchange), and the purchase of Government Securities (SBN) in the secondary market. In line with the downward trend in the BI Rate and the expansion of BI's monetary liquidity, INDONESIA's interest rate fell by 204 bps from 6.03% in early 2025 to 3.99% on October 21, 2025.

BI is targeting loan growth of 9-12% in 2026. Compared to the BI Rate cut, the decline in bank interest rates is still slow. The one-month deposit rate only fell 29 bps from 4.81% in early 2025 to 4.52% in September 2025, primarily due to a special rate offered to large depositors, who account for 26% of total bank deposits. The decline in bank lending rates is slower, at 15 bps, from 9.2% in early 2025 to 9.05% in September 2025. Bank loan growth was 7.7% YoY in September 2025, a slight improvement from 7.56% in August 2025, but still below the 10.85% recorded in September 2024 (Figure 16). This slowing loan growth is partly due to high lending rates and businesses tending to wait for a more conducive environment. Undisbursed loans reached Rp2,374.8 trillion in September 2025, or 22.54% of the available loan ceiling. BI estimates loan growth in 2025 will be at the lower end of the 8%-11% range and will increase to 9-12% in 2026.

The opportunity for further cuts in the Bank Indonesia (BI) Rate remains possible in 2026.

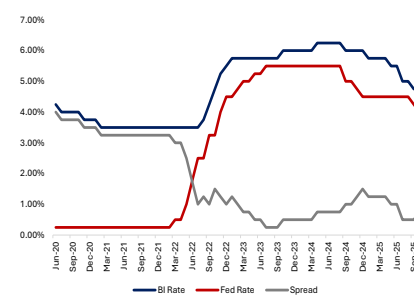
Due to the depreciation of the Rupiah, it is estimated that BI has the potential to hold off on lowering the BI Rate throughout the remainder of 2025 and will only reduce the BI Rate again in 2026 by 25-75 bps to 4.0%-4.50%. However, if the Fed's interest rate is lowered again in December 2025, it is estimated that BI still has the potential to cut the BI Rate by 25 bps in December 2025 and continue to cut the BI Rate in 2026 by 25-50 bps to 4.0%-4.50%.

Figure 14. BI Rate vs Inflation YoY



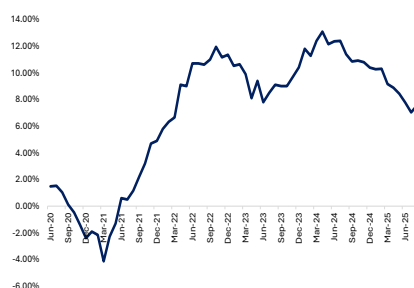
Source: BI | BPS | Phintraco Sekuritas Research

Figure 15. BI Rate vs Fed Rate vs Spread



Source: BI | Bloomberg | Phintraco Sekuritas Research

Figure 16. Indonesia Loan Growth YoY



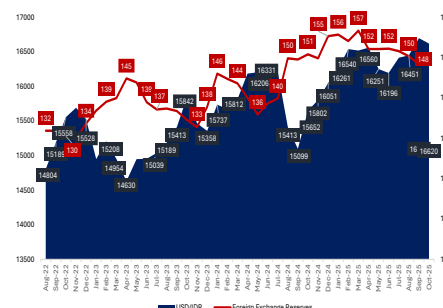
Source: BI | Phintraco Sekuritas Research

The Rupiah depreciated 3.32% YTD to IDR 16,620/USD as of October 2025. This Rupiah depreciation was caused by the Fed's tight monetary policy from early 2025 to the end of 3Q25, which led to capital outflows from emerging markets, including Indonesia. Geopolitical uncertainty, conflicts between several countries, tariff wars, and relatively high global inflation expectations have led global investors to avoid investing in high-risk countries. The attractiveness of the US Dollar as an asset considered relatively safe compared to emerging market currencies also contributed to the Rupiah's weakening. Indonesia's relatively unrecoverable economy in 2025 and increasing domestic political risks also led to foreign capital outflows from investments in Indonesia to other, safer investment instruments abroad, further weakening the Rupiah (**Figure 17**).

The Rupiah's movement prediction for 2026 assumes controlled inflation and the Fed continues to lower interest rates, widening the spread between the BI Rate and the Fed Rate, which will positively impact the re-inflow of foreign investment capital into Indonesia, making it more attractive. **The Rupiah is expected to move moderately in the range of IDR 16,000-IDR 16,500 against the US Dollar in 2026.** For a more optimistic scenario, if there is a rapid increase in exports, the Fed's interest rate is lowered more quickly, economic and political stability is supported, and it attracts rapid foreign investment inflows. The Rupiah is expected to move in the range of IDR 15,700-IDR 16,000 against the US Dollar. However, if the Fed's policy remains tight, the current account deficit widens, and global sentiment worsens, the Rupiah is expected to potentially move in the range of IDR 16,500-IDR 16,900 against the US Dollar.

Foreign exchange reserves stood at USD 148.7 billion as of September 2025. This figure is down from USD 150.7 billion in August 2025 and is the lowest level since July 2024. This decline was due to government foreign debt payments and BI's intervention to maintain the stability of the depreciating rupiah. Nevertheless, foreign exchange reserves as of September 2025 remained above the international adequacy standard of approximately 3 months of imports, equivalent to 6.2 months of import financing or 6.0 months of imports and government foreign debt payments.

Figure 17. IDR vs Foreign Exchange Reserve



Source: BI | Phintraco Sekuritas Research

Factors influencing the foreign exchange reserve position in 2026.

The foreign exchange reserve position in 2026 has the potential to be stable or improve if Indonesia's trade balance continues to record a surplus, capital inflows into Indonesia remain adequate so that significant capital outflows do not force Bank Indonesia to intervene, foreign debt payments stay under control, and there is no global financial crisis that could force Bank Indonesia to use foreign exchange reserves aggressively. Furthermore, if the Fed is more aggressive in cutting interest rates, the spread between the BI Rate and the Fed Rate will widen. This will make investment in Indonesia more attractive, attracting more foreign investment, which will strengthen the Rupiah and increase foreign exchange reserves.

Table 1. Projection of Indonesia Economic Indicators for FY25E

Indicators	FY25E				
	IMF	World Bank	Conservative	Base	Optimistic
PDB Growth (% YoY)	4.80%	4.7%-4.8%	4.87%	4.98%	5.10%
Inflation	1.7%-2.1%	1.7%-2.1%	2.67%	2.83%	3.00%
BI Rate	5%-5.25%	5%-5.25%	5.25%	5.00%	4.75%
Indonesia Rupiah	16,500	-	16,500	16,200	15,900
10Y Bond Yield	-	-	6.80%	6.44%	6.37%

Source: IMF | World Bank | Bloomberg | Phintraco Sekuritas Research

Table 2. Projection of Indonesia Economic Indicators for FY26E

Indicators	FY26E			
	APBN 2026	Conservative	Base	Optimistic
PDB Growth (% YoY)	5.40%	5.00%	5.10%	5.20%
Inflation (YoY)	2.50%	2.00%	2.50%	3.00%
BI Rate	-	4.50%	4.25%	4.00%
Indonesia Rupiah	16,500	16,500	16,250	16,000
10Y Bond Yield	6.90%	6.4%-6.2%	6.1%-5.9%	5.8%-5.6%

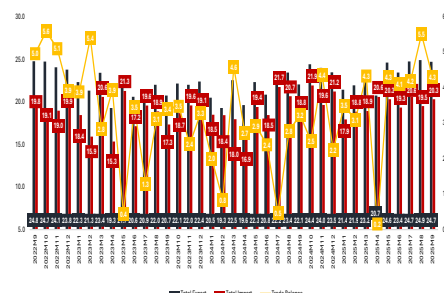
Source: IMF | World Bank | Bloomberg | Ministry of Finance | Phintraco Sekuritas Research

Factors influencing the foreign exchange reserve position in 2026. The foreign exchange reserve position in 2026 has the potential to be stable or improve if Indonesia's trade balance continues to record a surplus, capital inflows into Indonesia remain adequate so that significant capital outflows do not force Bank Indonesia to intervene, foreign debt payments stay under control, and there is no global financial crisis that could force Bank Indonesia to use foreign exchange reserves aggressively. Furthermore, if the Fed is more aggressive in cutting interest rates, the spread between the BI Rate and the Fed Rate will widen. This will make investment in Indonesia more attractive, attracting more foreign investment, which will strengthen the Rupiah and increase foreign exchange reserves.

Export value grew 8.14% YoY in 9M25, primarily contributed by the manufacturing sector, with exports rising 17.02% to USD167.85 billion in 9M25 (**Figure 19**). The agriculture, forestry, and fisheries sector posted a 34.33% YoY increase, but the mining sector recorded 23.7% YoY decline in 9M25, in line with the decline in coal prices. The development of non-oil and gas export value by destination country/region showed that the majority recorded growth in 9M25, except for exports to India. Indonesia's top three export destinations are China, the U.S., and India, with these three countries contributing 41.81% of Indonesia's total non-oil and gas exports in 9M25 (Figure 20). China remains Indonesia's primary export market for non-oil and gas commodities, valued at USD 46.47 billion (23.26%), followed by the U.S. at USD 23.03 billion (11.53%), and India at USD 14.02 billion (7.02%). Iron and steel, mineral fuels, and nickel products are the primary exports to China. Exports to the US primarily consist of machinery and electrical equipment, clothing and accessories, and footwear.

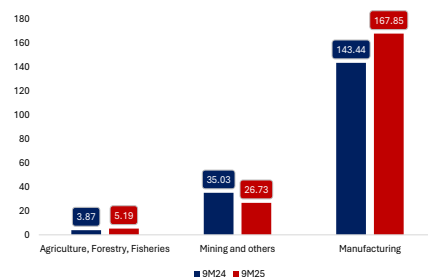
Import value grew 2.62% YoY to USD 176.32 billion in 9M25. The main contribution came from the non-oil and gas sector, with import value reaching USD 152.58 billion, or growing 5.17% YoY. Conversely, oil and gas exports fell 11.21% YoY to USD 23.75 billion. Based on usage, imports of capital goods increased to USD 35.9 billion (+19.13% YoY) in 9M25. China remains the main country of origin for Indonesia's non-oil and gas imports (**Figure 21**), valued at USD 62.07 billion (40.68%) in 9M25, followed by Japan at USD 11.01 billion (7.22%) and the U.S. at USD 7.33 billion (4.81%). Imports from China primarily consist of machinery and mechanical equipment, electrical machinery and equipment, and vehicles and their parts.

Figure 18. Indonesia Trade Balance



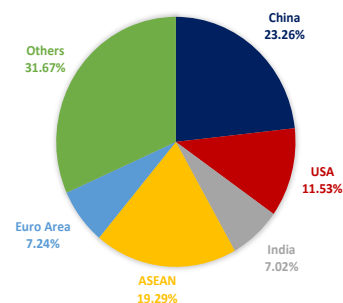
Source: BPS | Phintraco Sekuritas Research

Figure 19. Export based on sector in 9M25 vs 9M24



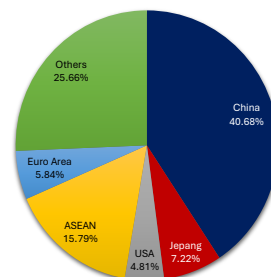
Source: BPS | Phintraco Sekuritas Research

Figure 20. Main Export Destination in 9M25



Source: BPS | Phintraco Sekuritas Research

Figure 21. Main Countries of Import Origin in 9M25



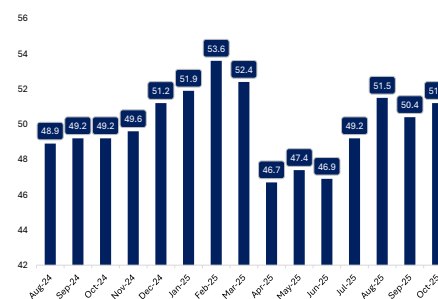
Source: BPS | Phintraco Sekuritas Research

The Manufacturing Purchasing Managers' Index (PMI) rose into an expansionary phase in 3Q25. During the August-October 2025 period, the S&P Global Indonesia Manufacturing PMI index strengthened above 50, indicating expansion, after being in contractionary phase from April to July 2025 (**Figure 22**). The manufacturing PMI index reached 51.2 in October 2025, marking three consecutive months of increased manufacturing activity. This growth was supported by, among other things, an increase in new orders, increased sales, and employment growth at the fastest pace since May 2025.

Government disbursed funds from the Surplus Budget Balance (SAL) worth Rp200 trillion to 5 state-owned banks, with details for PT Bank Rakyat Indonesia (Persero) Tbk (BBRI), PT Bank Negara Indonesia (Persero) Tbk (BBNI), and PT Bank Mandiri (Persero) Tbk (BMRI) each amounting to Rp55 trillion, PT Bank Tabungan Negara (Persero) Tbk (BBTN) Rp25 trillion, and PT Bank Syariah Indonesia Tbk (BRIS) Rp10 trillion. Until October 2025, the absorption rates of these funds are as follows: BMRI at 74%, BBRI at 62%, BBNI at 50%, BRIS at 55%, and BBTN at 19%. The placement of these funds is expected to have a positive impact on the disbursement of loan to state-owned banks. As of October, the loan growth of state-owned banks was 8.63%, surpassing the industry average of 7.7%. The placement of SAL funds is expected to accelerate the distribution of bank credit in productive sectors, thereby encouraging company expansion, creating jobs, and strengthening people's purchasing power, thereby accelerating economic growth.

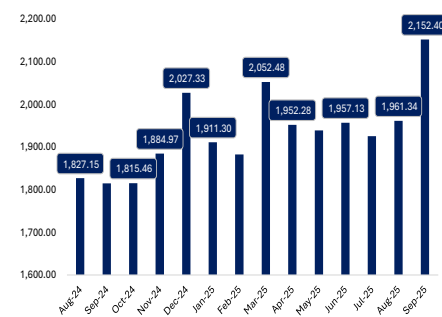
The placement of government funds in banks has a positive impact on increasing national liquidity. This is reflected in the growth of money supply or base money. By September 2025, adjusted base money had risen to IDR 2,152.4 trillion, up from IDR 1,961.34 trillion in August 2025 (**Figure 23**). Base money growth accelerated to 18.6% YoY from 7.3% YoY in August 2025. This increase was driven by 37% YoY growth in adjusted commercial bank demand deposits at BI and 13.5% YoY growth in currency in circulation. The rise in economic liquidity is also evident in the growth of broad money supply (M2), which grew 8% YoY to IDR 9,771.3 trillion in September 2025 from 7.6% YoY growth in August 2025 (**Figure 24**). This growth was supported by the 10.7% YoY expansion in narrow money supply (M1) and 6.2% YoY growth in quasi-money. The development of M2 is influenced, among other factors, by credit distribution, as well as net foreign assets and net receivables from the central government.

Figure 22. Indonesia Manufacturing PMI



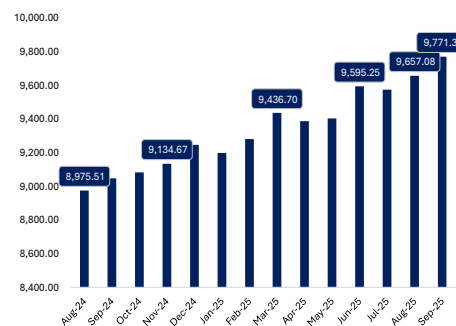
Source: Trading Economics | Phintraco Sekuritas Research

Figure 23. Indonesia Base Money (IDR Trillion)



Source: BI | Phintraco Sekuritas Research

Figure 24. Money Supply M2 (IDR Trillion)



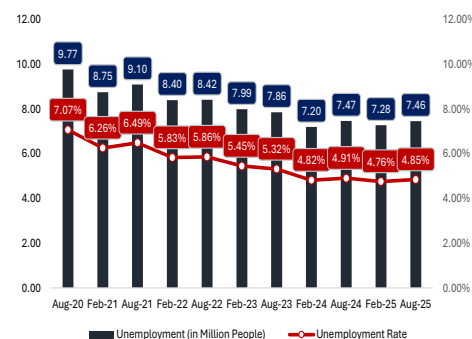
Source: BI | Phintraco Sekuritas Research

The unemployment rate as of August 2025 is 4.85%, down from 4.91% in August 2024, but higher than the 4.76% recorded in February 2025. (Figure 25). Of the 218.17 million working-age population in August 2025, 154.00 million people are in the labor force. Therefore, the labor force participation rate (TPAK) reaches 70.59%, down from 70.63% in August 2024. A total of 7.46 million people, or 4.85% of the total labor force, were unemployed in August 2025. However, this number decreased by 4,092 people compared to the position in August 2025. The business sectors with the largest labor absorption are agriculture, trade, and the manufacturing industry. The agriculture, accommodation and food and beverage, and manufacturing sectors recorded the highest increase in employment between August 2024 and August 2025. Meanwhile, between February 2025 and August 2025, the construction, processing, and accommodation and food and beverage sectors absorbed the most significant number of workers.

The poverty rate percentage as of March 2025 was recorded at 8.47%, down 10 bps in September 2025 and down 56 bps in March 2024 (Figure 26). The number of poor people in March 2025 was 23.85 million, down 0.21 million from September 2024 and 1.37 million from March 2024. The urban poor population in March 2025 was recorded at 6.73%, up from 6.66% in September 2024. Meanwhile, the percentage of rural poor people in March 2025 was 11.03% from 11.34% in September 2024. The government targets the poverty rate of 7%-8% in 2025, based on the 2025 APBN. Meanwhile, according to the 2026 APBN, the government aims to reduce the poverty rate in 2026 to approximately 6.5% to 7.5% (Table 3).

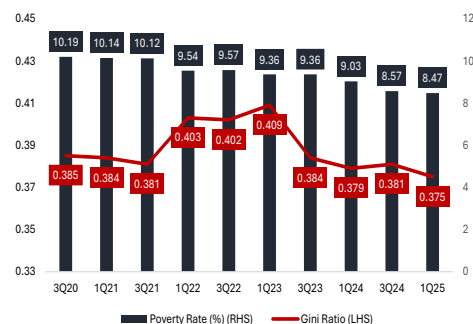
The Gini ratio in March 2025 was recorded at 0.375, down from 0.381 in September 2024 and 0.379 in March 2024 (Figure 26). This decrease was partly due to more significant reduction in expenditure inequality nationwide, as well as in rural areas, compared to urban areas. Inequality in urban areas is higher than in rural areas. The Gini ratio in urban areas was recorded at 0.395 in March 2025, down from 0.402 in September 2024 and 0.399 in March 2024. Meanwhile, the Gini ratio in rural areas was recorded at 0.299 in March 2025, down from 0.308 in September 2024 and 0.306 in March 2024. The Government is targeting a Gini ratio of 0.379-0.382 for 2025 based on the 2025 APBN. Meanwhile, based on the 2026 APBN, the Government is targeting a Gini ratio of 0.377-0.380 in 2026.

Figure 25. Indonesia Unemployment Rate



Source: BPS | Phintraco Sekuritas Research

Figure 26. Poverty Rate vs Gini Ratio

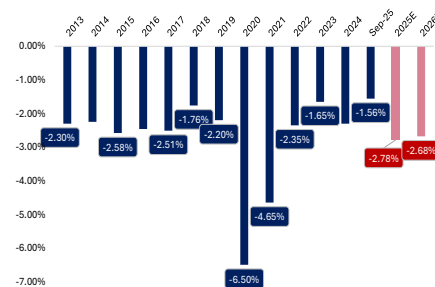


Source: BPS | Bloomberg | Phintraco Sekuritas Research

The 2025 APBN deficit was 1.56% of GDP in September 2025, below the full-year target of 2.78% of GDP (**Figure 27**). The deficit was equivalent to IDR 371.5 trillion, but the primary balance recorded a surplus of IDR 18 trillion. State revenues were recorded at IDR 1,863.3 trillion as of the end of September 2025, or 65% of the target, but down 7.23% YoY from IDR 2,008.6 trillion in the same period in 2024. Tax and customs revenues totaled IDR 1,516.6 trillion, representing 2.9% YoY decrease. The primary pressure on revenue stemmed from the decline in global commodity prices, which affected tax revenues in the oil, gas, and mining sectors. State spending reached IDR 2,234.8 trillion, or 63.4% of the target. Transfers to regions reached IDR 648.4 trillion, or 74.6% of the budget.

The 2026 APBN deficit is targeted at 2.68% of GDP. State revenue in the 2026 State Budget is targeted at IDR 3,153.6 trillion, comprising tax revenues of IDR 2,357.7 trillion, customs and excise revenues of IDR 336 trillion, Non-Tax State Revenue (PNBP) of IDR 459.2 trillion and grants of IDR 0.66 trillion. Meanwhile, state expenditure is budgeted at IDR 3,842.7 trillion, consisting of central government spending of IDR 3,149.7 trillion and transfers to regions of IDR 693 trillion. Therefore, the deficit is targeted at IDR 689.14 trillion or 2.68% of GDP. The primary balance of the 2026 APBN is projected at IDR 89.71 trillion, which represents the result of state revenue minus state spending, excluding debt interest payments. This primary balance projection indicates that state revenue exceeds state spending (excluding debt interest) by IDR 89.71 trillion, although the total 2026 APBN still records deficit.

Figure 27. Deficit Budget to GDP



Source: Trading Economics | Ministry of Finance

Table 3 . Macroeconomic Assumption of Indonesia Budget

ASUMSI DASAR EKONOMI MAKRO						
	APBN 2021	APBN 2022	APBN 2023	APBN 2024	APBN 2025	APBN 2026
Pertumbuhan Ekonomi (%)	5.00%	5.20%	5.30%	5.20%	5.20%	5.40%
Inflasi (%)	3.00%	3.00%	3.60%	2.80%	2.50%	2.50%
Nilai Tukar (Rupiah/US\$)	14,600	14,350	14,800	15,000	16,000	16,500
Tingkat Bunga SUN 10 Tahun (%)	7.29%	6.80%	7.90%	6.70%	7.00%	6.90%
Harga Minyak (US\$/barell)	45	63	90	80	82	70
Lifting Minyak (rbph)	705	703	660	625	605	610
Lifting Gas (rbsmph)	1,007	1,036	1,100	1,033	1,005	984
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

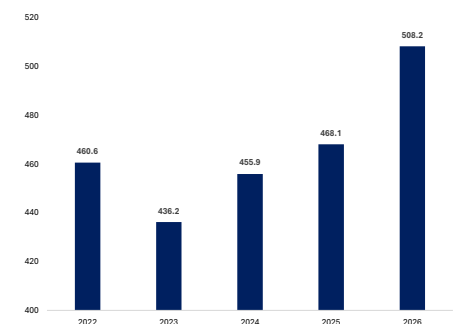
Source: Ministry of Finance Republic of Indonesia

The Eight Development Agendas (Asta Cita) are the focus of the 2026 APBN. With the theme of “Food, Energy, and Economic Sovereignty”, the policy strategy in the 2026 APBN is pursued through various priority development areas, namely the budget priority for food security with a budget of IDR 164.4 trillion, energy security for national sovereignty with a budget of IDR 402.4 trillion, Free Nutritious Meals (MBG) for superior generations with budget of IDR 335 trillion, quality education for globally competitive human resources with a budget of IDR 757.8 trillion, fair and equitable quality health with a budget of IDR 244 trillion, strengthening the people's economy through the Merah Putih Village Cooperatives, universal defense to maintain national sovereignty, and acceleration of investment and global trade.

The 8+4+5 Economic Stimulus Package aims to boost economic growth. This Rp16.23 trillion package consists of eight accelerated programs in 2025, four programs continuing until 2026, and five labor absorption programs. The eight accelerated programs in 2025 include a college graduate internship program, expansion of Government-Paid Income Tax (PPh 21 DTP) for workers in the tourism industry, food aid (October-November 2025), six-month work accident insurance and life insurance (JKK/JKM) contribution assistance for non-wage earners, simplification of Government Regulation No.28 of 2025 to ease investment and labor-intensive program. The four programs continuing until 2026 include an extension of the 0.5% Final Income Tax (PPh final) for MSMEs until 2029, an extension of PPh 21 DTP for workers in the tourism sector, PPh 21 DTP for workers in labor-intensive industrial sectors, and an expansion of the JKK and JKM contribution discount program. Furthermore, the 5 workforce absorption programs consist of the operation of village cooperatives, the Merah Putih fisherman's villages, the revitalization of 20,000 hectares of coastal fish ponds, the provision of food in 5,000 sub-districts/villages, as well as development projects for areas surrounding mining and energy.

The 2026 social protection (perlinsos) budget will increase to IDR 508.2 trillion. This increase compares to the 2025 budget target of IDR 468.1 trillion and the 2024 realization of IDR 455.9 trillion (**Figure 28**). The majority of the budget is allocated to energy subsidies, reaching IDR 210 trillion, consisting of IDR 25.1 trillion for certain types of fuel, IDR 80.3 trillion for 3-kg LPG cylinders, and IDR 104.6 trillion for electricity. These funds will be allocated to various programs, including IDR 315.5 trillion for basic needs (including energy subsidies), IDR 37.5 trillion for education services, IDR 69 trillion for health services, and IDR 86.2 trillion for community empowerment.

Figure 28 . Social Protection Fund



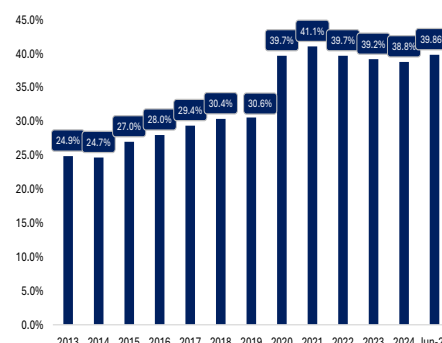
Source: Ministry of Finance Republic of Indonesia

The Government debt reached 39.86% of GDP as of June 2025. In nominal terms, the Government debt reached IDR 9,138.05 trillion, down from IDR 9,177.48 trillion in May 2025. Although this debt level is approaching 40% of GDP, it remains relatively safe compared to countries of similar economic size, such as Malaysia (61.9%), the Philippines (62%), Thailand (62.8%), and India (84.3%). Over the past five years, Indonesia's debt-to-GDP ratio has averaged above 38% of GDP since 2020 (**Figure 29**). As of June 2025, debt originating from SBN issuance still dominates, accounting for 87% of total debt, or IDR 7,980.87 trillion. The remainder comes from foreign loans of IDR 1,108.17 trillion (12%) and domestic loans of IDR 49 trillion (1%).

The government's stimulus measures will not widen the budget deficit. Several additional government stimulus measures do not require new financing that would widen the budget deficit, instead they utilize unused budget surpluses. This is a step taken by the Government, specifically the Ministry of Finance, to demonstrate its efforts to maintain fiscal discipline while still supporting economic growth. The public and businesses also expect budget funds to be allocated to productive projects that directly impact income growth, rather than simply pursuing populist policies. This is expected to encourage investors to be more optimistic about Indonesia's economic recovery.

The Government also plans to launch third stimulus package in 4Q25, complementing previous stimulus packages. Therefore, the Government is optimistic that economic growth can reach above 5.5% in 4Q25. Furthermore, steps taken to accelerate the realization of state spending include shifting budgets that are expected to be unabsorbed and ensuring the stimulus program is running effectively. In addition to not increasing the cigarette excise in 2026, the Government is also considering reducing VAT to below 11% in 2026. Several of these Government steps have driven an increase in the Consumer Confidence Index (IKKP) to 130.6 in October 2025, from 117.3 in September 2025.

Figure 29 . Government Debt to GDP



Source: Trading Economics

Table 4 . IHSG 2026 Outlook Based on Projected EPS

Year	IHSG Average PER			Avg. IHSG	Avg. EPS	Avg. EPS Growth
	Average	Highest	Lowest			
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*	13.40	14.28	13.03	7830.49	584.37	1.05%
Average	13.42	15.02	11.88			11.90%

^ Capped Adjusted Free Float Market Capitalization Weighted Average Implemented | *as of Sep 2025

Source : IDX, Phintraco Sekuritas Research Team | ^Capped Adjusted Free Float Market Capitalization Weighted Average Implemented. *as of Sep 31st, 2024

We are targeting the IHSG to reach 9,255 in 2026. We estimate that IHSG's EPS growth will remain limited in 4Q25, but will improve in 2026. We use the assumption of a 10-year average EPS of -2 Standard Deviation of 4.79% to calculate the adjusted IHSG projection for 2025E and an assumed 10-year average EPS of 11.9% in 2026 (**Table 5**). Based on these assumptions, we estimate the IHSG's conservative level to be **8,269** and its aggressive level to be **8,831** at the end of 2025. Meanwhile, the IHSG's conservative level for 2026 is estimated at **9,255** and its aggressive level at **9,883**. These IHSG targets reflect an estimated PER of 13.65x.

Table 6 . JCI WA PER Projection

	Highest	Average	Lowest
2025F	13.78	13.65	13.56
2026F	13.97	13.65	13.64

Source: Phintraco Sekuritas Research

Table 5 . Average EPS of IHSG

AVERAGE IHSG EPS (2004-2024)

StDev -3	3.04%
StDev -2	4.79%
StDev -1	7.55%
Average	11.90%
StDev +1	16.25%
StDev +2	22.19%
StDev +3	30.31%

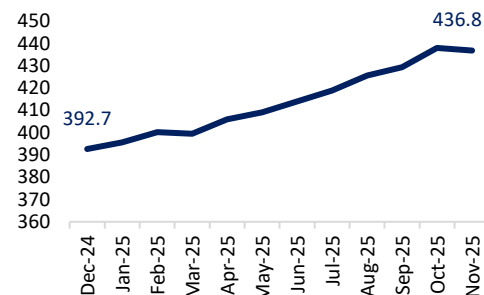
Source : IDX, Phintraco Sekuritas Research Team

The Indonesian bond market is expected to remain on a positive trend in 2025. This is supported by the BI interest rate cut to 4.75% at the BI Board of Governors Meeting (RDG) in September 2025. BI has so far cut its benchmark interest rate by 100 bps since the beginning of 2025. This indicates a tendency to ease monetary policy and investor interest in the bond asset class. The yield on 10-year Government Securities (SUN) continues to decline to its lowest level in four years, in line with Indonesia's still quite good macroeconomic stability. Furthermore, the Indonesia Composite Bond Index (ICBI) recorded a significant rally with a return of 11.24% YtD (**Figure 1**) in 2025. Although the bond market experienced a correction in early September 2025 due to domestic political factors, the positive trend continued, driven by room for additional BI interest rate cuts for the remainder of 2025.

The average 10-year Indonesian bond yield has been at 6.7% for the past five years, since 2021. This aligns with the 2026 State Budget assumption, which estimates a 10-year bond yield of 6.9%, taking into account prudential factors due to global uncertainty. However, the yield has shown a downward trend since early 2Q25, reaching 6.18% in November 2025. This position is below -1 standard deviation of 6.31% (**Figure 2**). This indicates significant downward pressure on yields, due to abundant liquidity in the domestic banking system, which has driven increased demand for interest-based instruments such as Government Securities (SBN) and expectations of future BI interest rate cuts.

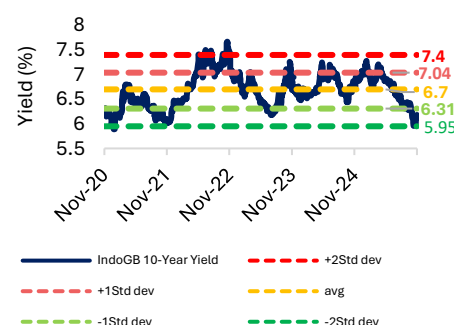
The spread between the 2-year bond yield and the 10-year bond yield has tended to widen. As of October 2025, the spread was 131 bps, above the average spread over the past five years of 102 bps, although still below the +1 standard deviation of 183 bps (**Figure 3**). This widening spread indicates a bullish steepening curve caused by a faster decline in short-term bond yields than long-term ones. This is due to monetary policy easing, relatively controlled inflation, and the transmission of interest rate cuts to the money market. Long-term bond yields have also declined, but not as rapidly as those on short-term bonds. The still-high duration and risk premiums offset longer-term risks such as fiscal and exchange rate risks. Furthermore, the risk premium in the 5-year Indo Credit Default Swap (CDS) exhibited a downward trend from its peak of 131 at the time of the US reciprocal rate announcement. However, it fluctuated again in September 2025 due to domestic political and security conditions (**Figure 4**).

Figure 1. Indonesia Composite Bond Index (ICBI)



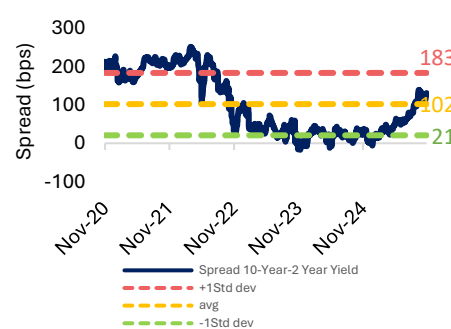
Source: Bloomberg | Phintraco Sekuritas Research

Figure 2. 10Yr- Indonesia Government Bond



Source: Bloomberg | Phintraco Sekuritas Research

Figure 3. Spread IndoGB 10Yr-2Yr



Source: Bloomberg | Phintraco Sekuritas Research

The spread between the 10-Year US Treasury (UST) and the 10-Year Government Securities (SUN) narrowed further by 210 bps in November 2025, although it was already below the previous one-year average of 240 bps. The spread peaked above 301 bps on April 4, 2025, but continued to decline, approaching its historical low of 195 bps by mid-October 17, 2025 (**Figure 5**). This was due to a combination of declining UST yields, expectations of a 50 bps Fed rate cut through the end of 2025, and the easing of geopolitical tensions in the Middle East, including the ceasefire agreement between Israel and Palestine.

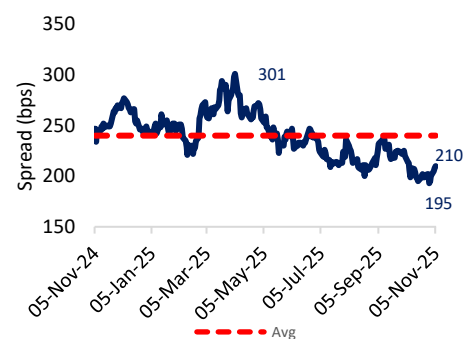
We estimate that the 10-year government bond yield will remain positive at the end of 2025 and continue its downward trend, potentially reaching a base level of 6.10%-5.90% in FY26. This is due to several global and domestic factors, including the potential for continued Fed interest rate cuts due to weak US employment data, despite rising but controlled inflation; the risk of rising fiscal deficits in several developed countries, such as the US and parts of Europe, such as the US, the UK, and France; and the OBBBA Act, which has caused a decline in US government revenue, forcing the US federal government to borrow to finance its programs. Rising debt-to-GDP ratios increase the US sovereign risk premium, and the impact of the recent downgrade of the country's sovereign rating from AAA to AA has caused US Treasury yields to rise, weakening the US bond market. Investors are seeking countries with more attractive yields, leading to capital inflows into developing countries. Furthermore, the potential 50 bps cut in the Fed interest rate in 2026 is also a positive catalyst for the continued downward trend in Treasury yields. Domestic factors, such as Bank Indonesia's gradual interest rate easing, maintained inflation within the target range, and fiscal discipline, are expected to provide investor confidence in the stability of bond supply in the short to medium term. However, the risks associated with this yield increase also require vigilance, as they could indicate a changing market risk sentiment, a weakening exchange rate, and an increased risk of volatility if bond supply increases or global monetary policy changes due to the effects of US tariffs.

Figure 4. 5Yr Indo CDS



Source: Bloomberg | Phintraco Sekuritas Research

Figure 5. Spread 10Yr UST-10Yr IndoGB



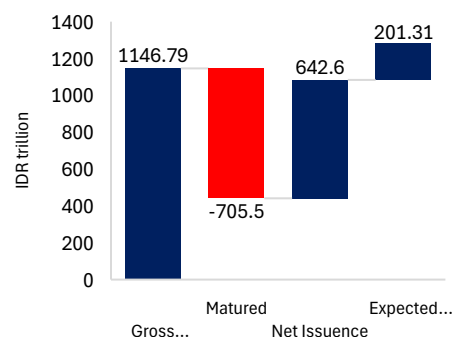
Source: Bloomberg | Phintraco Sekuritas Research

The trend of Government Securities (SBN) issuance has the potential to decline for the remainder of 2025. Based on the 2025 State Budget, the net issuance target for SBN is IDR 642.6 trillion. Gross issuance of SBN is IDR 1,146.8 trillion, or an average of IDR 117.6 trillion per month, from January 1, 2025, to October 21, 2025, according to data from the Ministry of Finance. Meanwhile, maturing SBN amounts to IDR 705.5 trillion in 2025, so the remaining gross issuance is estimated to remain at IDR 201.3 trillion by the end of 2025 (**Figure 6**), or an average of IDR 89.5 trillion per month. This is reinforced by a statement by the Indonesian Minister of Finance, Purbaya Yudhi Sadewa, who indicated a reduction in state debt withdrawals in the 2025 State Budget amid efficiency efforts.

Government Securities (SBN) issuance in 2026 is projected to increase compared to 2025. Based on the 2026 State Budget, the government budget deficit increased to 2.68% of Indonesia's GDP, or IDR 689.15 trillion, from 2.48% of GDP, or IDR 638.81 trillion. Consequently, net SBN issuance rose to IDR 749.2 trillion in 2026 from IDR 642.6 trillion in 2025. This increase aligns with the funding needs for priority government programs such as free nutritious meals, social protection, healthcare, and others. Meanwhile, the value of maturing SBN reached IDR 703 trillion in 2026, resulting in an estimated increase in gross issuance of IDR 104.1 trillion to IDR 1,452.2 trillion in 2026 (**Figure 7**).

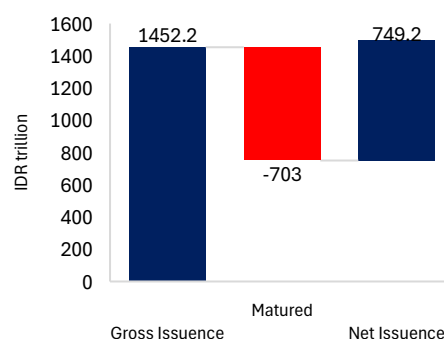
This increase in issuance reflects the government's strategy to strengthen state budget funding and support social programs while responding to rising fiscal needs amidst global economic pressures. The SBN market is expected to remain attractive with a wide range of available series. Domestic investors, particularly institutions such as Bank Indonesia and Indonesian banks, represent the largest source of demand. The government securities (SBN) market becomes increasingly attractive if supported by domestic macroeconomic stability, such as controlled inflation and a stable exchange rate. Thus, SBN can be a measurable source of financing and support sustainable economic development.

Figure 6. Estimation IndoGB structured in 2025



Source: MoF | Bloomberg | Phintraco Sekuritas Research

Figure 7. Estimation IndoGB structured in 2026



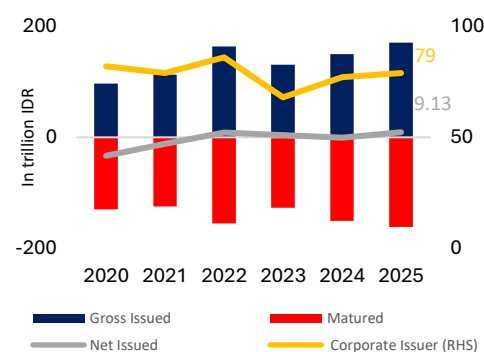
Source: MoF | Bloomberg | Phintraco Sekuritas Research

Corporate bond issuance is expected to remain significant for the remainder of 2025 and 2026. One driving factor is the tendency for monetary policy easing (continued cuts in the benchmark interest rate) by Bank Indonesia (BI), which is expected to encourage companies to increase fundraising due to lower Cost of Funds (CoF). The corporate debt market is expected to be more attractive due to the more significant decline in government bond yields compared to corporate bonds, the upward trend in net government bond issuance, and the relatively limited number of companies issuing debt securities (**Figure 8**). Factors limiting corporate bond issuance are related to the persistently high risk of global uncertainty and speculation about the Fed's monetary policy.

Corporate bond yields are declining in line with falling interest rates. Based on bond ratings from Pefindo, the largest annual yield decline was experienced by BBB-rated bonds, with an average yield decline of 98.8 bps YoY, while the smallest drop was experienced by AAA-rated bonds, with an average yield decline of 18.9 bps YoY in 2025 (**Figure 9**). This is quite reasonable considering that lower-rated bonds offer higher coupons.

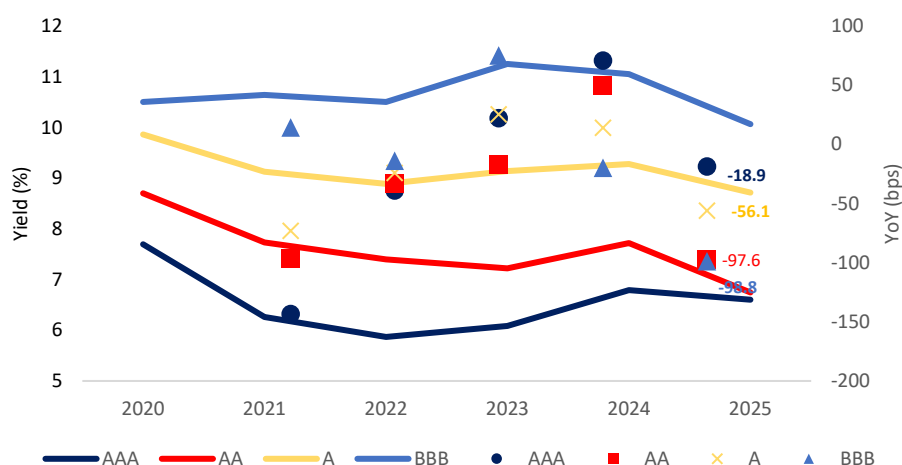
In general, the decline in bond yields is due to greater investor interest in older bond issues compared to new bond issues, which offer lower coupons, in line with the downward trend in bank interest rates.

Figure 8. Indonesia Corporate Bond Structured



Source: Pefindo | Bloomberg | Phintraco Sekuritas Research

Figure 9. Average Yield Corporate Bond by Rating



Source: Bloomberg | Phintraco Sekuritas Research

Banks

Accelerate through Incentives and Monetary Easing

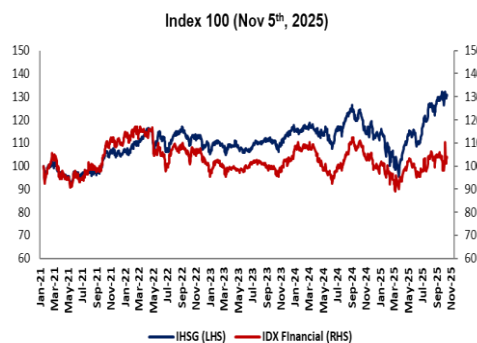
Point of Interest

- The increase in deposits and CASA funds drove improvements in banking liquidity in 9M25.
- Five cuts in the BI rate will boost loan growth.
- Asset quality improvements have the potential to continue in 2H25 and 2026.
- The Macroprudential Liquidity Policy, along with the transfer of IDR 200 trillion from the state budget to Himbara, has the potential to increase banking liquidity.
- The trend in Islamic financing distribution in Indonesia shows positive growth.
- In line with these developments, conventional banks are currently starting to spin off Sharia Business Units.
- Top picks : [BRIS](#) and [BBCA](#).

The increase in deposits and CASA improved banking liquidity in 9M25, with the sector's LDR at 86.40% (-176 bps MoM; +65 bps YoY) as of June 2025. Most banks in our coverage booked lower LDR, reflecting higher funding. Despite this, high interest rates made banks more cautious in lending, raising funding costs. Loan growth (SPI) stood at 7.7% YoY in August 2025 below the 10% average but improving from 7.56% previously. BBNI saw the sharpest LDR drop to 86.20% (-8.4% YoY) amid strong TPF and CASA growth of 13.3% and 40.4% YoY, respectively. BI responded to the lending slowdown by extending macroprudential incentives (KLM), while the Ministry of Finance injected IDR 200 trillion from state cash reserves to support liquidity and loan growth.

Five cuts in the BI rate will boost loan growth. Bank Indonesia (BI) lowered the interest rate by another 25 bps to 4.75% in September 2025, marking the fifth such reduction in 2025. This policy was taken to improve financial stability and strengthen domestic demand, particularly in household consumption and investment financing. Interest rate reduction can provide momentum for the real sector's recovery, improving asset quality and profitability in the banking sector, which are key drivers of economic growth. Furthermore, the more accommodative interest rate trend is expected to increase public interest in bank loan products.

Figure 1. IDX vs. IDX Financial



Source: IDX | Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
BBCA	11,400	+31.03%
BBNI	5,325	+19.39%
BBRI	4,710	+18.34%
BBTN	1,250	+2.46%
BDMN	2,810	+11.07%
BMRI	5,600	+17.40%
BNGA	2,040	+16.91%
BRIS	3,580	+43.20%
BTPS	1,490	+8.76%

Phintraco Sekuritas Research | as of November 5th, 2025

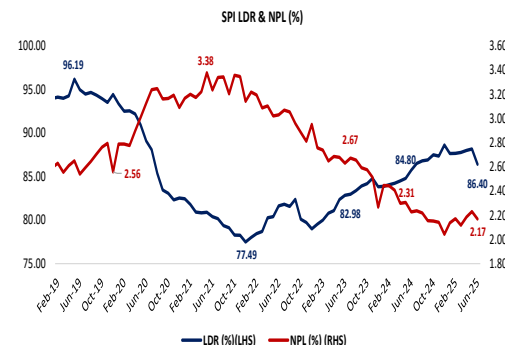
Asset quality improvements have the potential to continue in the 2H25 and 206. NPL remained stable at 2.17%, down 60 bps YoY and 60 bps MoM in June 2025. This achievement occurred despite the implementation of tight monetary policy in 1H25. Furthermore, Indonesian banking NPL have remained on a downward trend since their peak of 3.38% in May 2021. Similar to the SPI, the majority of banks' NPLs under our coverage also improved in 6M25 (**Figure 3**). This improvement demonstrates the effectiveness of credit risk management within the banking industry. With healthier asset quality, banks have greater room for sustainable loan expansion.

The Macroprudential Liquidity Policy, along with the transfer of IDR 200 trillion has the potential to increase banking liquidity. As of early September 2025, Bank Indonesia (BI) booked IDR 384 trillion in Macroprudential Liquidity (KLM) incentives, up from IDR 372 trillion in June and IDR 376 trillion in July. The largest allocations went to state-owned banks (IDR 170 trillion), followed by regional development banks (IDR 38.5 trillion) and foreign bank branches (IDR 5.7 trillion). In addition, the Ministry of Finance strengthened liquidity by transferring IDR 200 trillion in state cash from BI to state-owned banks. These aim to expand liquidity capacity, support loan distribution and enhance banking performance going forward.

The trend in Islamic financing distribution in Indonesia shows positive growth. Total assets reaching nearly IDR 967 trillion in June 2025 and financing expanding 8.38% YoY outpacing conventional banks (+7.77% YoY). Growth remains driven by the housing and MSME sectors, and government initiatives promoting digitalization, innovation, and clearer regulations. In line with POJK No. 12/2023, conventional banks are beginning to spin off their Sharia Business Units into independent Sharia Commercial Banks; for instance, BTN Syariah has started its spin-off process, while BNGA targets 2026. These spin-offs are expected to enhance capital flexibility, product focus, and competitiveness, though they also require additional capital and operational adjustments. Overall, this development is projected to strengthen the Islamic banking ecosystem and support sustainable industry growth in Indonesia.

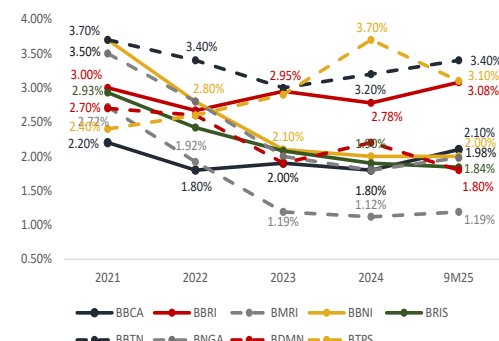
The banks under our coverage booked mixed performances. BBTN managed to book the best performance with growth in loans (+7% YoY), net profit (+18.8% YoY), and ROE (+67 bps) in 9M25. This was followed by BRIS, which booked loan growth (+12.65% YoY), ROE (+40 bps), and net profit (+9.04% YoY) in 9M25. BBKA also booked loan growth (+7.6% YoY), and net profit (+5.7% YoY) in 9M25. Meanwhile, BBRI, BMRI, and BBNI booked 9M25 performance slowdown. BBRI booked a net profit decline of 9.5% YoY, BMRI posting a 10.2% YoY decline, and BBNI 7.3% YoY decline in 9M25.

Figure 2. SPI LDR & NPL



Source: Company | Phintraco Sekuritas Research

Figure 3. Banks Under Our Coverage NPL



Source: Company | Phintraco Sekuritas Research

Properties & Real Estate

Synergy of Fiscal and Monetary Policy Drives Positive Momentum in the Property Sector

Point of Interest

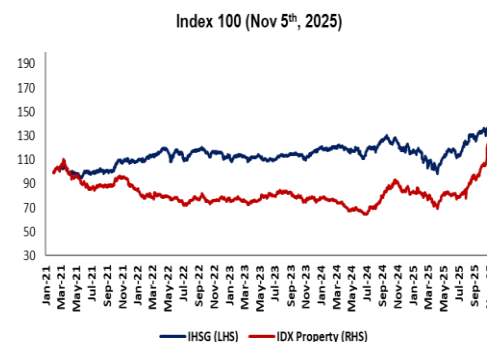
- The opportunity to cut the BI rate remains open for the remainder of 2025.
- Residential property sales declined 3.80% YoY or 16.72% QoQ in 2Q25.
- However, sales of small houses grew by 6.70% YoY.
- Property prices and marketing sales are trending upward.
- Several government incentives, such as VAT incentives and LTV discounts, have the potential to drive growth.
- The 2025 Marketing Sales target has potential to be achieved, and the positive trend is expected to continue in 2026.
- The majority of property companies booked recurring income growth, with PWON and SMRA leading this achievement.
- The land bank of most property companies is likely to be stable.
- Top picks : [CTRA](#) and [PWON](#).

The opportunity to cut the BI rate remains open for the remainder of 2025. The BI rate was cut by 25 bps to 4.75%, the Deposit Facility Rate by 50 bps to 3.75%, and the Lending Facility Rate by 25 bps to 5.50% in the BI RDG-BI on September 17, 2025. This decision is in line with the stability of the Rupiah exchange rate and aims to encourage economic growth. In the future, there is still room for BI rate cuts in the remainder of 2025. Given Indonesia's relatively solid macroeconomic conditions, where the inflation rate is in line with BI's assumptions (1.5%-3.5%) in 2025.

Residential property sales declined by 3.80% YoY and 16.72% QoQ in 2Q25. Residential property sales were pressured by three main factors: rising building material prices (19.97%), licensing/bureaucratic issues (15.13%), and mortgage interest rates (15.00%) in 6M25. Consequently, sales of small-scale homes grew by 6.70% YoY, lower than the +23.75% YoY growth in 1Q25. Furthermore, sales of large-scale homes declined by 14.95% YoY, better than the 11.69% YoY growth in 1Q25.

The rising trend in property prices and marketing sales. The Residential Property Price Index (IHPR) has continued to show growth over the past six years. According to data released by Bank Indonesia in 2Q25, the IHPR grew 0.90% YoY to 110.13. Furthermore, the acceleration in government spending in 2H25 has the potential to drive demand in the residential segment, which will boost marketing sales for property companies.

Figure 1. IDX vs. IDX Property



Source: IDX | Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
BSDE	1,140	+19.37%
CTRA	1,320	+46.67%
SMRA	600	+43.82%
PWON	535	+52.28%

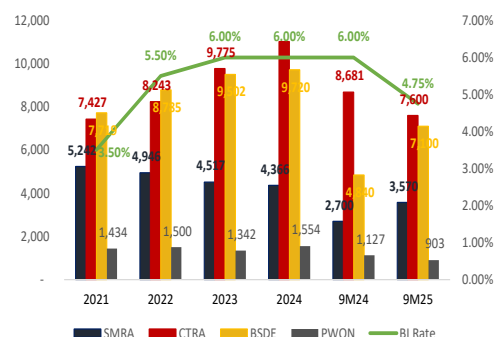
Phintraco Sekuritas Research | as of November 5th, 2025

Several incentives from the government. The government will continue the Value Added Tax Incentive (VAT Incentive) program until 2026. The VAT Incentive applies to houses priced between IDR 2 billion and IDR 5 billion, thus providing greater benefits to property companies with larger portfolios priced between IDR 2 billion and IDR 5 billion and ready for handover in 2025. Furthermore, the government is also preparing a 2026 VAT incentive ceiling of IDR 3.4 trillion, targeting 40,000 new housing units.

The 2025 Marketing Sales target has the potential to be achieved, and the positive trend is expected to continue in 2026. SMRA led the 9M25 marketing sales achievement. SMRA's marketing sales grew 31% YoY to IDR 3.57 trillion in 9M25. BSDE followed, with Marketing sales growing 4% YoY to IDR 6.84 trillion in 9M25 (71% of BSDE's FY25F target). Meanwhile, CTRA and PWON booked a decline in 9M25 marketing sales. CTRA's marketing sales decreased 12% YoY to IDR 7.6 trillion in 9M25, equivalent to 76% of CTRA's new FY25 target. PWON booked an 18.9% decline in marketing sales to IDR 903 billion in 9M25. However, along with the economic recovery in Indonesia, as well as BI rate cut and government stimulus, there is the potential to optimize marketing sales achievements in the future.

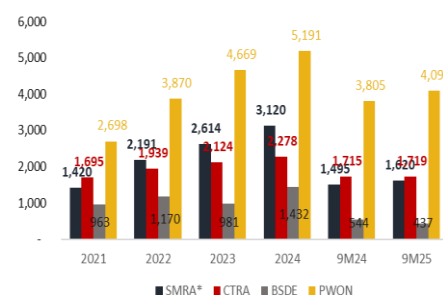
The majority of property companies booked recurring income growth. Shopping centers became the revenue driver in the recurring income growth of companies in our coverage, such as PWON and SMRA, which booked growth of 9.98% YoY and 7.69% YoY, respectively. PWON with the opening of Pakuwon Mall Bekasi with a net leasable area of 45,000 sqm with an occupancy rate of 94% in 4Q24, PWON successfully booked an 11.99% YoY increase in mall segment revenue. SMRA with Summarecon Mall Kelapa Gading booked an increase in the mall segment of 9.19% YoY in 6M25.

Figure 2. Marketing sales vs Interest Rate



Source: Company | Phintraco Sekuritas Research

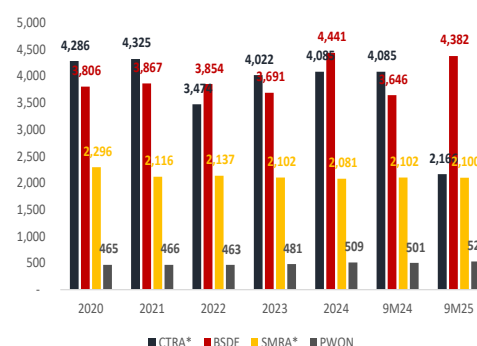
Figure 3. Recurring Income Under Our Coverage



*) Based on 6M25 Financial Statement

Source: Company | Phintraco Sekuritas Research

Figure 4. Land Bank Under Our Coverage



*) Based on 6M25 Financial Statement

Source: Company | Phintraco Sekuritas Research

F&B and Poultry [Overweight]

Government Stimulus Potentially Maintains People's Purchasing Power

Point of Interest

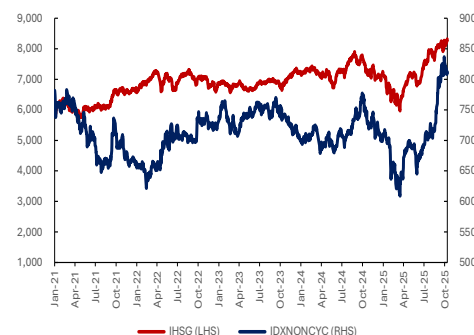
- Domestic inflation increased to 2.86% YoY in October 2025, but remain controlled.
- The Government has implemented various initiatives to maintain and boost peoples's purchasing power.
- The average monthly wages are experiencing a moderate increase trend, lower than inflation rate.
- The raw material price movements of F&B issuers tend to be increased, potentially reduce profitability.
- Domestic corn and Soy Bean Meal (SBM) price movements tend to be mixed.
- Live bird and Day Old Chick (DOC) prices recovery continues, potentially increased profitability of poultry issuers.
- Top picks : [INDF](#) and [JPFA](#).

Domestic inflation increased to 2.86% YoY in October 2025. This condition indicates that prices of goods and services tend to increase, but remain controlled. The food, beverage, and tobacco expenditure group experienced an inflation increase of 5.01% YoY, indicating price pressures on this group that can potentially hold back people's consumption in non-food goods and services, especially for the lower-middle income people as the increase in the cost of living.

The Government has implemented various initiatives such as food assistance, internship programs with allowances, expansion of income tax 21 DTP, and plans to reduce VAT. We assess that these various initiatives can potentially maintain and boost people's purchasing power.

The average monthly wages are experiencing a moderate increase trend. The average monthly wages of workers in Indonesia has experienced a moderate and consistent increase with a CAGR of 3.56% in the last decade. As of February 2025, the average wages of workers in Indonesia stood at IDR3.09 million/month, a limited growth of 1.8% YoY compared to February 2024, which stood at IDR3.04 million/month. If compared to the inflation rate, the increase in wages is still lower than the inflation rate, which stood at 2.86% YoY in October 2025. This condition has the potential to make the recovery of people's purchasing power tend to be limited, so that the government's role in maintaining people's purchasing power is needed.

Figure 1. IDX vs. IDX Non-Cyclicals

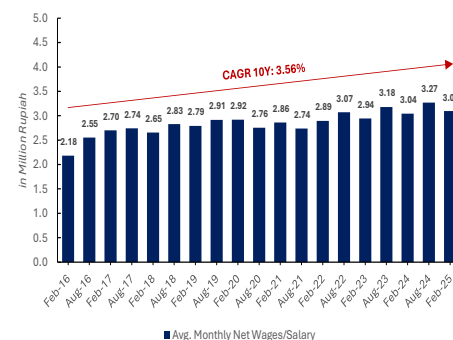


Source: IDX | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
INDF	9,650	+35.44%
ICBP	13,450	+54.60%
MYOR	2,850	+34.43%
JPFA	2,720	+11.48%
CPIN	5,700	+18.50%

Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. Average Monthly Wages



Source: BPS | Phintraco Sekuritas Research

The raw material price movements of F&B issuers tend to be increased.

The average price of Crude Palm Oil (CPO) increased by 6.5% YoY to MYR4,294/ton in 9M25 due to strong demand from major importers such as India and China. The average price of cocoa increased by 7.3% YoY to US\$8,793/ton in 9M25 due to improved weather in the world's major cocoa-producing areas, easing global supply concerns. The average price of coffee increased by 63.3% YoY to US\$363/lb due to prolonged dry weather in the world's largest coffee-producing areas, triggering global supply concerns. Meanwhile, the average price of wheat decreased by 8.2% YoY to US\$530/Bu in 9M25, aligned with abundant global wheat supply amid relatively stable demand. The increase in the average prices of several raw materials can potentially pressure the profitability of F&B issuers. However, on a quarterly basis, several raw materials, such as cocoa and wheat, showed a decreasing trend, and coffee prices were relatively stable in 3Q25. If the decrease in raw material prices can continue and is relatively stable going forward, the profitability of F&B issuers has the potential to recover in the future.

Domestic corn and SBM price movements tend to be mixed. The average domestic corn price decreased by 12.3% YoY to IDR6,320/kg in 9M25 due to higher production compared to the previous year. On a monthly basis, corn prices increased by 3% MoM to IDR6,649/kg in September 2025, aligned with corn production that has continued to decrease since June 2025 due to unpredictable weather in major corn-producing areas, such as East Java, Central Java, and South Sulawesi. Meanwhile, the average price of SBM decreased by 18.2% YoY to US\$284/ton due to an abundant global soybean supply. On a monthly basis, the price of SBM decreased by 6.8% MoM to US\$264/ton in September 2025. We assess that if the prices of these two raw materials tend to stabilize going forward, the profitability of the animal feed segment of poultry issuers can potentially be maintained or even increased.

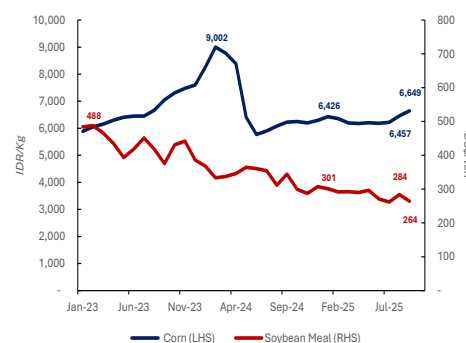
Live bird and DOC prices recovery continues. In an effort to stabilize the prices of live birds and DOC, which had been depressed in April 2025, the government, through the Ministry of Agriculture, implemented a culling program for 55-week-old broilers, hatching eggs, and DOC from late April to July 2025. With this program, the prices of live birds and DOC have recovered. As of September 2025, live birds prices increased by 22% MoM to IDR22,835/kg, marking a continued recovery since June 2025. Meanwhile, DOC prices increased by 11.8% MoM to IDR6,639/bird. If the recovery in live bird and DOC prices continues, the profitability of poultry issuers in both segments can potentially increase.

Figure 3. Monthly Cocoa & Coffee Prices



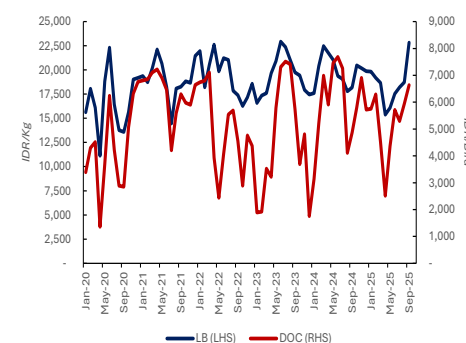
Source: Bloomberg | Phintraco Sekuritas Research

Figure 4. Monthly Corn & SBM Prices



Source: BAPANAS | Bloomberg | Phintraco Sekuritas Research

Figure 5. Monthly Live Bird & DOC Prices



Source: JPFA | Phintraco Sekuritas Research

Retailers [Overweight]

Online Sales Increase Amid Strong Expansion

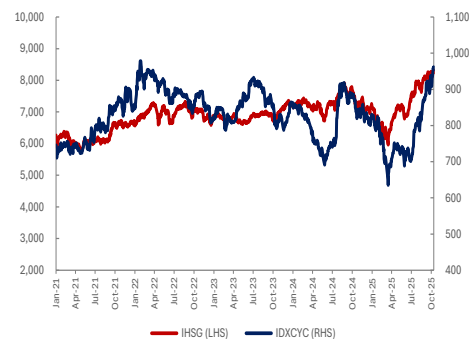
Point of Interest

- **Consumer confidence trend weakened in the past year, indicating that consumer confidence in economic conditions has weakened.**
- **Inflation in several expenditure groups showed mixed trends.**
- **Retail sales grew 3.5% YoY in August 2025.**
- **Purchasing of durable goods tends to decrease in all income classes.**
- **Online sales of retail issuers showed a positive trend, indicating that the presence of e-commerce platforms is quite effective.**
- **Store expansion continues and focuses on outside the Island of Java, potentially a driver of retail issuers' performance in 2026.**
- **Top picks : [MIDI](#) and [ERAA](#).**

Consumer confidence trend weakened in the past year. From January 2023 to April 2025, the Consumer Confidence Index (CCI) tended to stay above the 120 level, indicating that people's optimism about economic conditions was relatively maintained. However, since May 2025, the CCI has decreased and is below the 120 level, indicating that consumer confidence in economic conditions has weakened. As of September 2025, the CCI was recorded at level 115.0, became the lowest level since April 2022. Despite still being in the optimistic zone, the downtrend in CCI that continued in September 2025 indicates that consumers are starting to be more cautious in their consumption. We assess that the cautious attitude of consumers is aligned with the high global uncertainty and the change in domestic leadership, which requires short-term adjustments.

Inflation in several expenditure groups showed mixed trends. The food, beverage, and tobacco group experienced the most volatile movement compared to other groups. As of October 2025, inflation in this group reached 4.99% YoY, indicating that the prices of goods and services in this group have increased relatively, therefore potentially reducing people's purchasing power in non-basic expenditure groups. Meanwhile, the apparel and footwear group, and the household equipment group, showed a decreasing inflation trend, and the information and communication group consistently experienced deflation during the 2024-2025 period.

Figure 1. IDX vs. IDX Cyclical

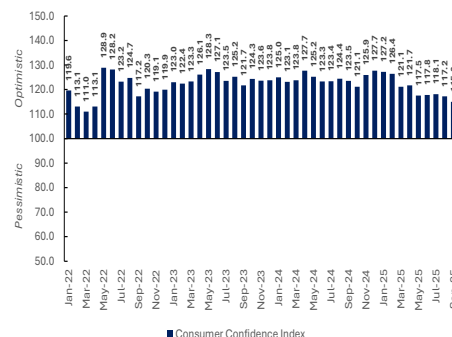


Source: IDX | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
AMRT	2,570	+32.82%
MIDI	530	+31.19%
ACES	645	+46.59%
ERAA	555	+32.14%

Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. Consumer Confidence Index



Source: BI | Phintraco Sekuritas Research

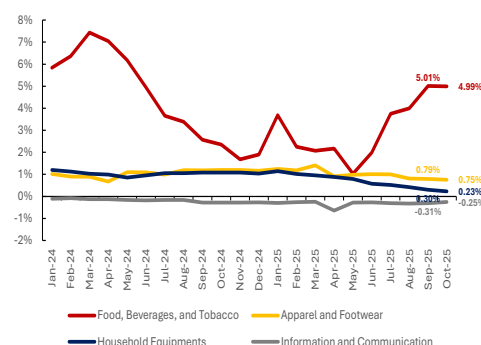
Retail sales grew 3.5% YoY to 223.6 in August 2025. On a monthly basis, the realization grew 0.6% MoM, indicating a recovery towards the end of the year. Going forward, Bank Indonesia estimated that retail sales grew 5.8% YoY to 222.9 in September 2025, with the estimated increase in growth coming from the food, beverage, and tobacco group. We assess that if the retail sales tend to be better and stable going forward, it can potentially boost the performance of Retailers issuers.

Purchasing of durable goods tends to decrease in all income classes. As of August 2025, the high-income group still recorded a confidence index of 106.6, but this was lower than the average for the past year of 114.2. This condition also occurs in the middle-income group, which also recorded a confidence index lower than the average for the past year, indicating that the upper-middle class has begun to hold back on purchasing durable goods. Meanwhile, low-income groups recorded a pessimistic index of 94.5 in August 2025. This condition validates that the inflation pressure on basic needs has suppressed this group's ability to purchase durable goods.

Online sales of retail issuers showed a positive trend. As of 6M25, the online sales of retail issuers showed a positive trend. This condition indicates that the e-commerce platforms provided by retail issuers are quite effective in fulfilling the needs of modern consumers. Going forward, strengthening online sales could be an effective strategy to optimize the performance of retail issuers in 2026.

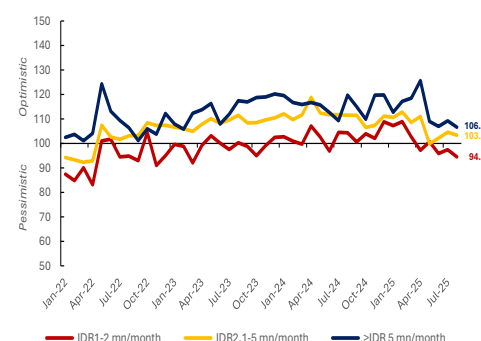
Store expansion continues and focuses on outside the Island of Java. Retail store expansion has continued to experience an increasing trend from year to year, indicating that retail issuers continue to expand their markets quite aggressively. Continued expansion of retail stores indicates that the retail sector still has big potential in the long term. With the continued expansion of stores, the companies' products will be more accessible, which could potentially drive revenue growth. In addition, the majority of retail issuers are focusing on expanding their stores to areas outside the Island of Java. This is reflected in the increasing percentage of stores outside the Island of Java. The focus on retail store expansion outside the Island of Java could be a driver of retail issuers' performance in 2026, aligned with the high consumption potential in this area.

Figure 3. Inflation by Expenditure (YoY)



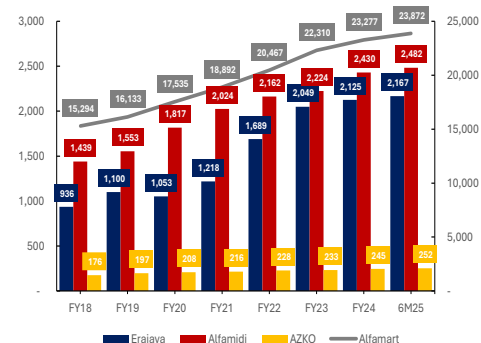
Source: BPS | Bloomberg | Phintraco Sekuritas Research

Figure 4. Durable Goods Purchasing Index



Source: BPS | Bloomberg | Phintraco Sekuritas Research

Figure 5. Store Expansion of Retailers



Source: BPS | Bloomberg | Phintraco Sekuritas Research

Telecommunication [*Overweight*] Pricing Reform Lays the Foundation for Margin Recovery

Point of Interest

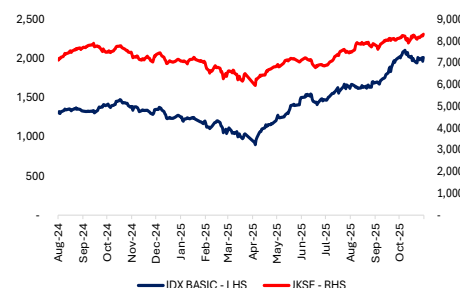
- The price alignment of starter packs has contributed to an overall improvement in mobile revenue quality.
- Average Revenue per User (ARPU) has started to stabilize as the price war eases, signaling healthier market dynamics.
- Operators are now prioritizing long-term profitability by focusing on revenue quality enhancement rather than aggressive subscriber acquisition.
- Improved revenue mix and pricing discipline have strengthened earnings visibility across the sector.
- The 1.4 GHz Fixed Wireless Access (FWA) spectrum could emerge as a potential disruptor to existing Fixed Broadband (FBB) businesses.
- *Top picks* : [TLKM](#), [ISAT](#), and [EXCL](#).

The price alignment of starter packs to IDR 35,000 for 3GB of data marks a strategic shift in the competitive landscape of Indonesia's mobile industry. This initiative represents an early signal of industry normalization, reflecting a collective move toward profitability-oriented competition. The initial impact has already surfaced in TSEL and ISAT's 3Q25 performance, where both operators saw a modest contraction in subscriber bases (−0.52% QoQ and −0.42% QoQ, respectively) due to low-ARPU customer rationalization, while ARPU improved by +7.86% QoQ and +4.46% QoQ, respectively.

Looking ahead, we view price discipline consistency as a key driver of margin recovery in the mobile sector. Assuming no aggressive price undercutting going forward, we see room for : 1) ARPU stabilization at higher levels, 2) healthier subscriber composition, and 3) gradual profitability improvement, supported by stronger yield per user.

The utilization of the 1.4 GHz spectrum for Fixed Wireless Access (FWA) could emerge as a disruptive force against traditional Fixed Broadband (FBB) services. FWA offers wireless home internet connectivity with a simpler setup, eliminating the need for complex fiber installations. This convenience could make FWA highly attractive for households in areas with limited fiber access, thereby reshaping the competitive dynamics of the broadband market.

Figure 1. IHSG vs IDX Infrastructures

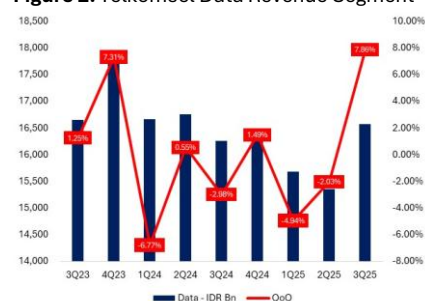


Source: Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
TLKM	3,700	4.52%
ISAT	2,200	13.11%
EXCL	3,100	14.81%

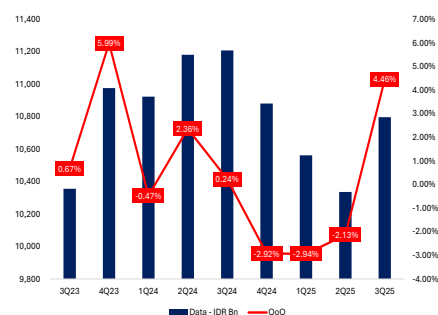
Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. Telkomsel Data Revenue Segment



Source: Company | Phintraco Sekuritas Research

Figure 3. Indosat Data Revenue Segment



Source: Company | Phintraco Sekuritas Research

The Fixed Broadband (FBB) market in Indonesia typically offers basic household packages in the range of IDR 250,000–350,000 per month, providing speeds of around 30–50 Mbps, resulting in a relatively uniform pricing structure at the entry level. However, the emergence of Fixed Wireless Access (FWA) leveraging the 1.4 GHz spectrum could represent a new disruptive force within the existing broadband ecosystem.

The winner of the 1.4 GHz spectrum auction has entered the market with a high-speed offering of ±200 Mbps at only IDR 100,000 per month, significantly undercutting conventional FBB pricing. With lower subscription costs and faster installation, this could trigger a demand shift, particularly among price-sensitive segments and in regions with limited fiber penetration. Going forward, the ability of FBB providers to defend market share will largely depend on maintaining service quality and enhancing customer experience, including network stability improvements.

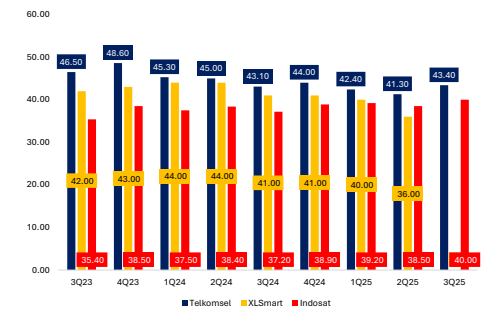
We maintain our OVERWEIGHT rating on the telecommunication sector, supported by visible fundamental improvement in core mobile operations. The starter pack price alignment has begun to reflect positively in 3Q25 performance, leading to healthier ARPU stabilization and improved revenue quality, laying the foundation for more sustainable growth. Looking ahead, we expect the recovery momentum to persist, as operators shift focus from volume-driven expansion toward yield and revenue per user growth, which in turn should support margin recovery and profitability improvement.

Nevertheless, the emergence of FWA warrants close monitoring, as it may cannibalize existing FBB businesses. Hence, customer retention strategies—through service quality upgrades and FMC (Fixed-Mobile Convergence) bundling—will be crucial to fortify customer loyalty, as the ecosystem-based approach creates service stickiness that reduces customer churn risk.

In terms of stock preference, our pecking order is as follows : **TLKM (TP: IDR3,700)** as our top pick, followed by **ISAT (TP: IDR2,200)** and **EXCL (TP: IDR3,100)**.

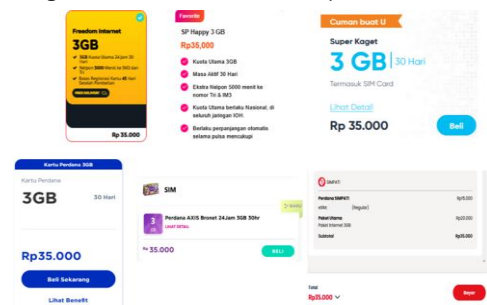
Downside risks to our view include: 1) a return of irrational price competition, 2) ineffective FMC implementation that fails to enhance retention or sustain ecosystem stickiness, and 3) weaker consumer purchasing power, which may limit willingness-to-pay for premium packages or bundled services.

Figure 4. ARPU Blended Trend



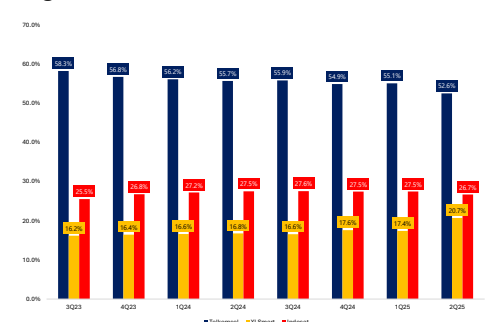
Source: Company | Phintraco Sekuritas Research

Figure 5. Starter Pack Price Comparison



Source: Company | Phintraco Sekuritas Research

Figure 6. Revenue Market Share Trend



Source: Company | Phintraco Sekuritas Research

Tower [*Neutral*] Stable Fundamentals Amid Network Consolidation

Point of Interest

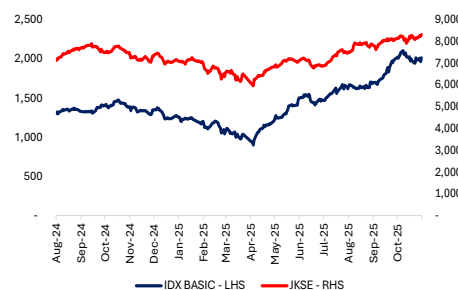
- The XL-Smart network consolidation is driving tenant rationalization, which temporarily weighs on tower companies' tenancy ratios.
- The integration impact is expected to be transitory, with room for site demand recovery once the rationalization phase concludes.
- The potential rollout of the 1.4 GHz frequency band could serve as a structural catalyst for the tower sector.
- The ongoing interest rate downtrend is anticipated to support margin expansion and profitability recovery.
- A solid balance sheet and diversified revenue base will underpin sector performance going forward.
- **Top picks** : [MTEL](#) and [TOWR](#).

The establishment of the new entity “XL Smart” marks the beginning of a network rationalization phase. Based on management estimates, approximately 14–20 thousand overlapping sites are expected to undergo relocation or deactivation, which in turn could weigh on tower companies' tenancy ratios over the medium term. Given that over 60% of sector revenue still stems from the tower leasing segment (TOWR: 67%; MTEL: 83%), this consolidation is likely to cap topline growth until the network integration process concludes.

Drawing parallels to the XL-Axis consolidation in 2014, the integration phase typically results in a multi-year tenancy stagnation before normalizing (Figure 3). A similar pattern may reoccur in 2026–2027, limiting sector growth momentum in the interim—except for operators capable of strengthening performance through revenue diversification or inorganic expansion.

Meanwhile, the introduction of the 1.4 GHz frequency band is expected to emerge as a new structural catalyst for the tower sector, primarily through the expansion of Fixed Wireless Access (FWA) services that enable high-speed internet with efficient rollout economics. In practice, FWA equipment is mounted on tower structures to transmit signals directly to Customer Premises Equipment (CPE), thereby creating incremental revenue opportunities for tower companies

Figure 1. IHSG vs IDX Infrastructures

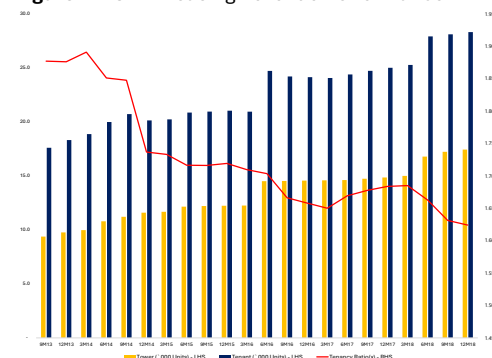


Source: Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
MTEL	700	25.00%
TOWR	650	20.37%

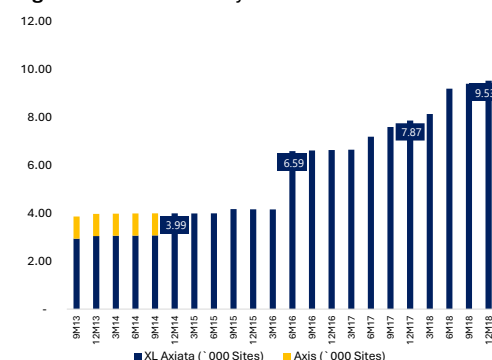
Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. TOWR Leasing Revenue Performance



Source: Company | Phintraco Sekuritas Research

Figure 3. Leased Sites by XL and Axis on TOWR



Source: Company | Phintraco Sekuritas Research

However, we believe the implementation of Fixed Wireless Access (FWA) will not materially drive new tower construction, particularly across Java, where tower density is already high and new-build costs remain elevated at USD 35–50 thousand per unit. As such, collaboration with existing tower operators appears to be a more economically rational strategy for FWA service providers.

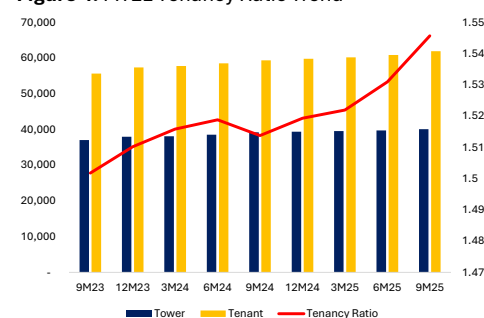
The Bank Indonesia's monetary policy shift throughout 2025 signals a more accommodative stance, providing an additional tailwind for the sector. We view the interest rate cuts as a secondary catalyst — a lower-rate environment not only reduces interest expenses but also supports margin expansion and profitability recovery. This becomes increasingly relevant considering the leverage profiles of the two tower companies under our coverage. Accordingly, every incremental rate cut should deliver tangible benefits to financing costs and cash flow positions, thereby reinforcing the sector's fundamental outlook.

We maintain our NEUTRAL view on the tower sector, given the short-term disruption from the XL Smart integration, which may cap tenant growth. Meanwhile, the potential FWA rollout impact remains to be seen, as the technology is still relatively nascent in Indonesia.

We believe the combination of a healthy balance sheet, diversified income streams, and potential fiber monetization will serve as key performance pillars. Within our coverage universe, we favor **MTEL (TP: IDR700)** as our top pick, supported by its broad tower portfolio, solid capital structure, and limited exposure to operator consolidation. Meanwhile, **TOWR (TP: IDR650)** remains compelling due to its growing non-tower business segments. Backed by a strong infrastructure base, we believe these new initiatives are gaining positive traction and could become the next growth engine for the company.

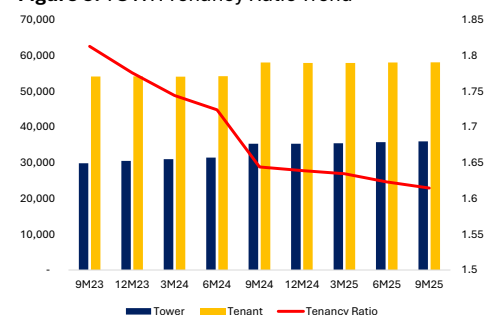
Upside risks to our view include : 1) site rationalization that proves less severe than expected, resulting in lower tenancy churn, 2) faster-than-expected and broader fiber monetization, and 3) stronger-than-anticipated FWA adoption.

Figure 4. MTEL Tenancy Ratio Trend



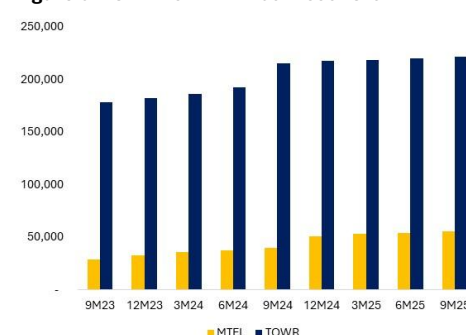
Source: Company | Phintraco Sekuritas Research

Figure 5. TOWR Tenancy Ratio Trend



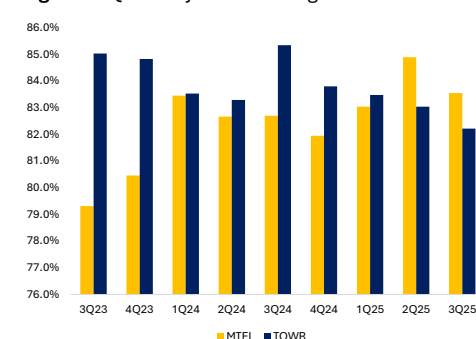
Source: Company | Phintraco Sekuritas Research

Figure 6. TOWR vs MTEL Fiber Asset Growth



Source: Company | Phintraco Sekuritas Research

Figure 7. Quarterly EBITDA Margin Trend



Source: Company | Phintraco Sekuritas Research

Coal Minings

Demand Remains Strong Amid Renewable Energy Transition

Point of Interest

- Global coal consumption is expected to remain stable until the end of 2025.
- China's coal imports are projected to decline in 2025 due to an expected surplus of domestic supply.
- Global coal prices remain stable at US\$100–106 per ton
- Indonesia's domestic coal production target for 2025 has been increased in response to strong demand.
- Indonesia's electricity consumption is projected to reach 1,464 kWh, in line with the national target.
- The development of renewable energy sources poses an ongoing challenge for the coal industry.
- Top picks : [AADI](#), and [ADMR](#).

Global coal consumption is expected to remain stable until the end of 2025. The International Energy Agency (IEA) estimates that coal consumption in 2025 will range between 8.7 and 8.8 billion tons, equivalent to approximately 165.1 exajoules (EJ). Global demand is primarily driven by China's coal consumption, which is expected to remain stable at 91.7 EJ, contributing 55.5% to total global consumption. Meanwhile, U.S. coal consumption is projected to decline by 7% YoY to 7.35 EJ, while India's coal consumption is expected to increase by 3% YoY to 23.7 EJ.

China's coal imports are projected to decline in 2025 due to an expected surplus of domestic supply. The available supply is sufficient to meet most of China's domestic energy needs. In addition, China has imposed restrictions on lignite (brown coal) imports due to declining domestic coal prices. China's total coal imports reached 542.8 million tons in 2024. As of the first nine months of 2025, coal imports stood at 346.1 million tons and are projected to reach between 470 and 500 million tons by the end of 2025, lower than the 2024 level.

Global coal prices remain stable at US\$100–106 per ton. Although demand from China and India remains relatively strong in supporting electricity and industrial needs, downward pressure on prices persists due to increased supply from major producing countries and reduced consumption in developed economies. In addition, global uncertainties and the normalization of gas prices have also put pressure on coal prices to remain within their fair range. Current coal prices reflect a balance between sustained demand and the long-term pressures of the energy transition.

Figure 1. IDX Vs. IDX Energy

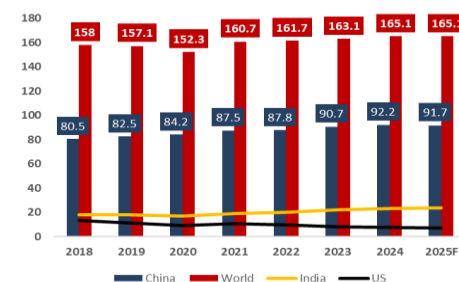


Source: Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
AADI	10,200	+24.01%
ADMR	1,490	+8.76%

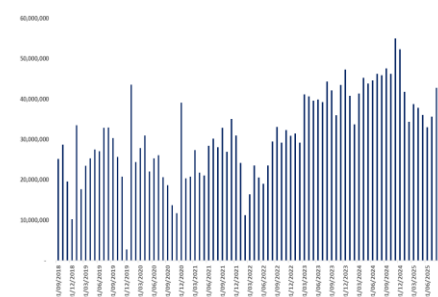
Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. Global Coal Consumption



Source: BPS | Bloomberg | Phintraco Sekuritas Research

Figure 3. China's Coal Import



Source: Bloomberg | Phintraco Sekuritas Research

Indonesia's coal production target has been revised downward amid weakening exports.

The government has set the 2025 coal production target at 739.7 million tons, lower than the 836.1 million tons produced in 2024. This decrease is driven by a decline in coal exports, in line with weaker import demand resulting from higher domestic coal production in China and India. Indonesia's coal exports are projected to decrease by 18.05% YoY to 470 million tons in 2025.

Indonesia's domestic coal production target for 2025 has been increased in response to strong demand.

Domestic coal production has increased in line with the government's Domestic Market Obligation (DMO) policy. Domestic demand under the DMO scheme is targeted to grow by 3.05% YoY to 239.7 million tons in 2025. As of the first half of 2025, DMO realization reached 104 million tons, or 43.39% of the annual target. Through the DMO policy, the government ensures the smooth transmission of energy in the transition toward Net Zero Emissions by 2060.

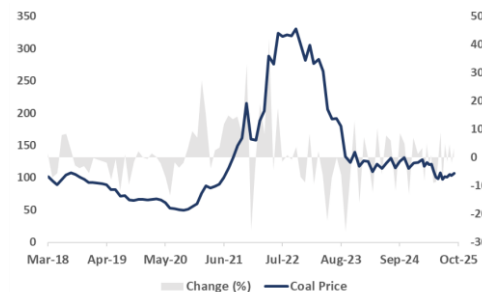
Indonesia's electricity consumption is projected to reach 1,464 kWh, in line with the national target.

Domestic electricity consumption has increased, driven by economic growth, ongoing national electrification, industrial zone expansion, and the adoption of technology and electric vehicles. Electricity consumption grew to 1,448 kWh per capita in the first half of 2025, reaching 98.9% of the 2025 target. This growth was also supported by an increase in installed power generation capacity, which grew by 4.4 GW to 105.0 GW in the first half of 2025.

The development of renewable energy sources poses an ongoing challenge for the coal industry.

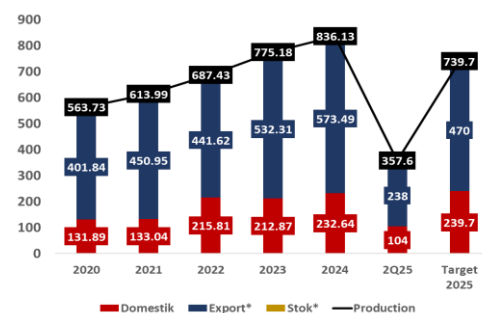
Indonesia continues to focus on developing sustainable renewable energy, with consistent growth of installed renewable energy capacity, which grew by 15.0% to 876.5 MW in the first half of 2025, up from 761.9 MW in 2024. As a result, total installed renewable energy capacity reached 15.2 GW, equivalent to 14.5% of the nation's total power generation capacity. In addition, the government continues to utilize biodiesel to enhance the added value of crude palm oil (CPO). Biodiesel consumption reached 6.8 million kiloliters (kL) in the first half of 2025 and is targeted to reach 13.5 million kL by the end of 2025, growing by 2.3% YoY from 13.2 million kL in 2024. This biodiesel utilization saved around US\$3.68 billion in foreign exchange reserves.

Figure 4. Indonesia Reference Coal Price (USD/ton)



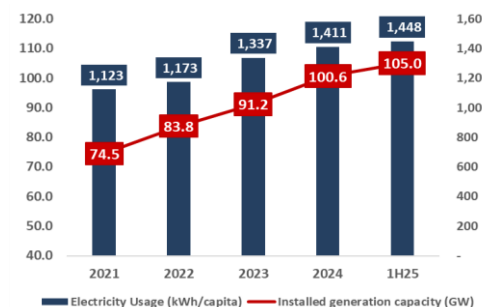
Source: Bloomberg | Phintraco Sekuritas Research

Figure 5. Indonesia's Coal Production



Source: Ministry of ESDM | Phintraco Sekuritas Research

Figure 6. Electricity Usage & Installed Generation



Source: Ministry of ESDM | Phintraco Sekuritas Research

Pharmaceuticals [Overweight]

Towards National Health Independence and Resilience

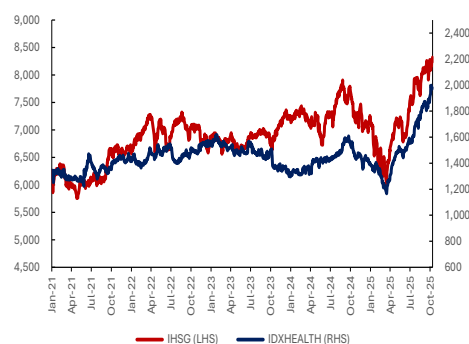
Point of Interest

- GDP of the chemical, pharmaceutical, and traditional medicine industries continues a positive trend in 2Q25, indicating a recovery after the Covid-19 pandemic.
- The Prompt Manufacturing Index (PMI) for the chemical, pharmaceutical, and traditional medicine industries remained in the expansive zone in 2Q25.
- The pharmaceutical industry is dependent on imported raw materials to fulfill domestic production needs.
- Good Manufacturing Practice (GMP)-certified medicine production facilities are still limited and centered in the Island of Java, indicating a disparity in the production of high-quality medicines.
- Issuers in the pharmaceutical sector are trying to reduce dependence on imports through various initiatives.
- Top picks : [KLBF](#) and [SIDO](#).

GDP of the chemical, pharmaceutical, and traditional medicine industries continues a positive trend in 2Q25. From early 2024 to 2Q25, the growth of this industry fluctuated, with a tendency to increase, indicating a recovery in demand along with a shift in people's lifestyles that care more about health. Until 2Q25, GDP growth in this industry reached 11.60% YoY, marking a continued recovery after experiencing pressure after the Covid-19 pandemic in the 2022-2023 period. This condition showed that this industry still has quite a stable growth potential in the long term.

The PMI for the chemical, pharmaceutical, and traditional medicine industries remained in the expansive zone in 2Q25. From 2024 to 2Q25, manufacturing activity in the chemical, pharmaceutical, and traditional medicine industries has remained stable in the expansion zone, indicating that the industry has entered a normalization phase after the Covid-19 pandemic, with a more controlled growth rate. Until 2Q25, the PMI for the chemical, pharmaceutical, and traditional medicine industries stood at 50.31. Despite being lower than 1Q25 and 2Q24, the PMI for this industry remained in the expansion zone, indicating that manufacturing activity in this industry is still quite strong. Looking forward, we assess that this industry still has room to continue growing, with raw material independence, production efficiency, and export market expansion as drivers of long-term growth.

Figure 1. IDX vs. IDX Healthcare

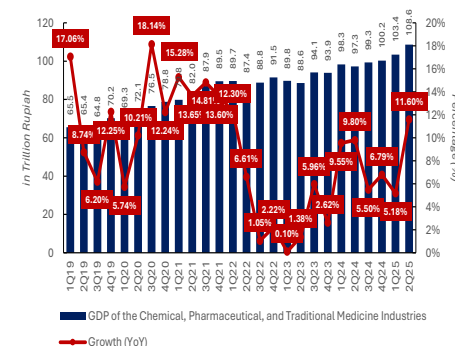


Source: IDX | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
KLBF	1,640	+24.24%
SIDO	635	+9.48%

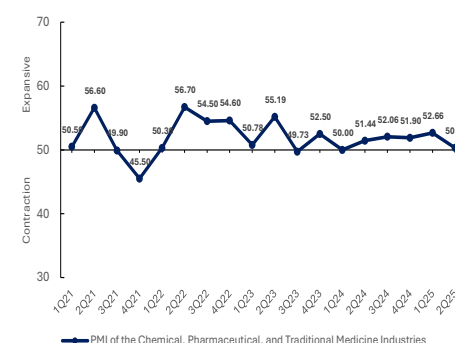
Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. GDP of the Industry



Source: BPS | Phintraco Sekuritas Research

Figure 3. PMI of the Industry



Source: BI | Phintraco Sekuritas Research

The pharmaceutical industry is dependent on imported raw materials.

The import value of the pharmaceutical, chemical medicine, and traditional medicine industries had reached US\$246.35 million in July 2025. Meanwhile, the export value was only US\$90.50 million, this means that there was a deficit of US\$155.85 million. The deficit value in July 2025 was the highest since early 2023. This condition indicates that the pharmaceutical, chemical medicine, and traditional medicine industries still have a high dependence on global raw material supplies to fulfill domestic production needs. To reduce this dependence, the Government, through the Ministry of Health, has implemented various programs, such as providing incentives to business players, conducting research and development on medicinal raw materials, and the Local Content Requirements (TKDN) policy.

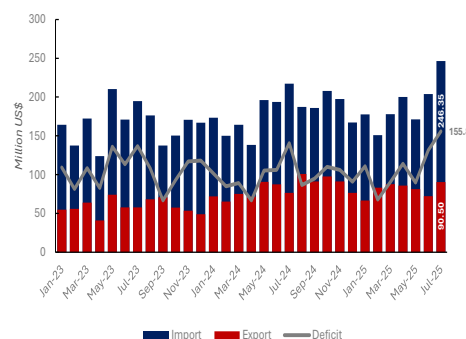
GMP-certified medicine production facilities are still limited and centered in the Island of Java.

Based on data the National Agency of Drug and Food Control (BPOM), only 267 medicine production facilities have GMP certification. In addition, approximately 95% of these production facilities are still located in the Island of Java, indicating a disparity in the production of high-quality medicines. This disparity has the potential to create difficulties for areas outside the Island of Java in providing high-quality medicines, therefore, depending on the distribution of medicines from the Island of Java. This condition poses a challenge for the industry in providing quality and safe medicines, so that the equitable distribution of certified production facilities outside the Island of Java is urgently needed in the future to provide equal access to quality medicines.

Issuers in the pharmaceutical sector are trying to reduce dependence on imports.

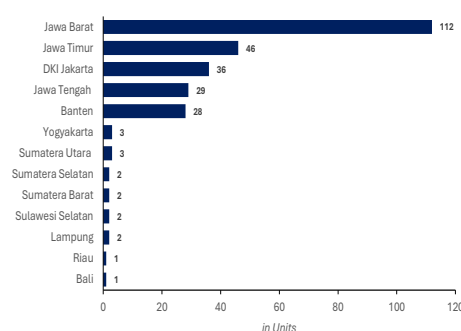
In an effort to reduce dependence on imports, pharmaceutical companies, such as KLBF are undertaking various initiatives to support the government in boosting health resilience and the independence of the national health industry. Some of the initiatives undertaken by KLBF include building a radiopharmaceutical production plant, partnering with GE HealthCare to establish a CT-SCAN production facility in Indonesia, and established a joint venture to build an active pharmaceutical ingredients (API) plant. Meanwhile, SIDO is committed to maximizing the use of local raw materials, especially herbal plants, through collaboration with domestic farmers and supplier partners.

Figure 4. Import – Export of the Industry



Source: Kemenperin | Phintraco Sekuritas Research

Figure 5. CPOB-Cerified Production Facilities



Source: BPOM | Phintraco Sekuritas Research

Plantations [*Overweight*] CPO Stays Firm on Supply Tightness

Point of Interest

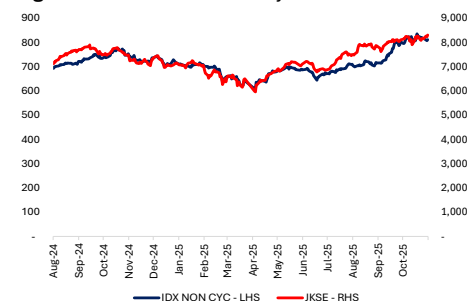
- Global CPO production is expected to remain flat in 2026, reflecting stagnant productivity among the two major producers.
- CPO prices are projected to stay elevated within the MYR 4,200–4,800/MT range in 2026.
- Fertilizer prices are likely to remain relatively high through FY26F, driven by geopolitical tensions and persistent supply chain constraints.
- The implementation of B50 by 2026 is anticipated to support resilient domestic demand.
- The Indonesia–European Union Comprehensive Economic Partnership Agreement (IEU–CEPA) could unlock export diversification opportunities to the European market..
- Top Picks: [STAA](#) and [TAPG](#)

We expect global CPO production to remain subdued in 2026, as productivity stagnates in the two major producing countries, both of which continue to face challenges from an aging plantation profile. The government has introduced the Smallholder Palm Oil Replanting Program (PSR), targeting 500,000 hectares of replanting over three years since its launch in 2018. However, progress has been slower than expected (**Figure 3**), meaning that replanting efforts have yet to translate into meaningful output growth in the near term.

On the demand side, domestic consumption is on an upward trajectory, supported by the implementation of the B50 biodiesel mandate in 2026, which is expected to raise CPO demand to 17 million tons, equivalent to around 35% of national output. Given the tight supply conditions and resilient domestic demand, we project CPO prices to hover between MYR 4,200–4,800/MT in 2026, with upside risks should production be further disrupted by adverse weather conditions.

Meanwhile, global fertilizer component prices remain elevated through 9M25, underpinned by a combination of geopolitical tensions, export restrictions, and sanctions on major suppliers. Pressure persists across all three key N-P-K components: Nitrogen (N) costs remain high due to elevated natural gas prices stemming from Russian supply disruptions; Phosphate (P) markets are tightening amid China's export controls; and Potash (K) continues to face constraints from sanctions on Russia and Belarus

Figure 1. IHSG vs IDX Non-Cyclical

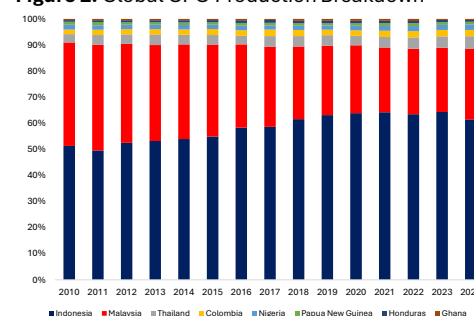


Source: Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
TAPG	1,700	-
STAA	1,400	-
AALI	7,000	-
SSMS	2,350	45.96%

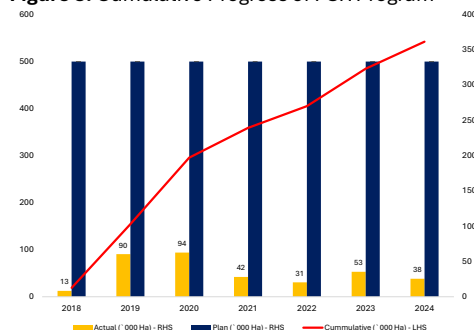
Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. Global CPO Production Breakdown



Source: CPOPC | Phintraco Sekuritas Research

Figure 3. Cumulative Progress of PSR Program



Source: BDPKPS | Phintraco Sekuritas Research

We expect global fertilizer prices to remain above the historical average, with potential YoY increases exceeding 10% in 2026, driven by persistent geopolitical tensions and uncertainty in trade policies. These dynamics suggest limited room for cost normalization, implying that fertilizer-related cost pressures will likely continue to weigh on plantation cost structures and should be closely monitored.

On the export front, Indonesia's CPO trade outlook is becoming increasingly diversified, supported by the Indonesia–European Union Comprehensive Economic Partnership Agreement (IEU–CEPA), which opens broader market access to the EU. Historically, Indonesia's CPO exports have been highly concentrated, with India and China each accounting for over 30% of total exports. The EU remains the third-largest importer, with annual demand of 6–7 million tons (Figure 4). Accordingly, IEU–CEPA is expected to serve as a positive structural catalyst, enhancing market diversification and export competitiveness. Simultaneously, India's recent import tariff reduction on palm oil—from 20% to 10%—further strengthens Indonesia's pricing advantage in key markets and expands global market share potential.

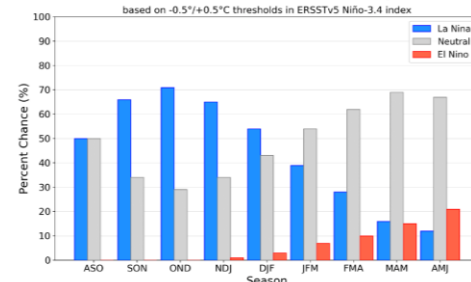
We reiterate our OVERWEIGHT rating on the Plantation sector, underpinned by a combination of structurally tight global supply from the two major producing countries and resilient demand prospects. These are supported by the implementation of B50 and improved access to the EU market, which we believe will act as positive catalysts and help keep CPO prices elevated throughout FY26F.

In selecting plantation stocks, several key criteria should be considered. We prefer companies with relatively young estate profiles, as they offer better yield sustainability over the long term. Cost efficiency also remains crucial in preserving margins amid ongoing fertilizer-price volatility. Furthermore, downstream exposure is an added advantage, providing flexibility to monetize both CPO and derivative products. Based on these criteria, **TAPG (TP: IDR1,700)** and **STAA (TP: IDR1,400)** stand out as the most compelling picks within the sector, given their favourable estate age profiles, efficient cost structures, and integrated business exposure.

Downside risks to the sector include : 1) heightened volatility in CPO and other vegetable oil prices, 2) unfavorable shifts in export or biodiesel policies, and 3) further fertilizer cost escalation due to geopolitical tensions.

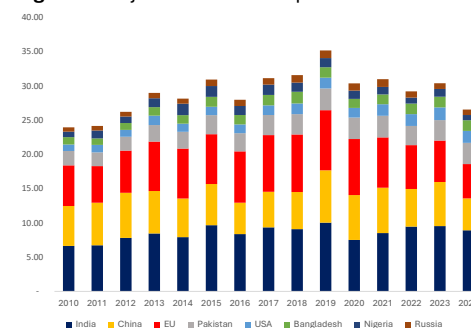
Figure 4. ENSO Forecast

Official NOAA CPC ENSO Probabilities (issued September 2025)
based on -0.5/+0.5°C thresholds in ERSSTv5 Niño-3.4 index



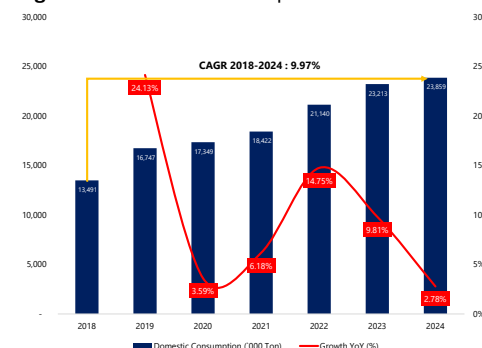
Source: NOAA

Figure 4. Major Global CPO Importers



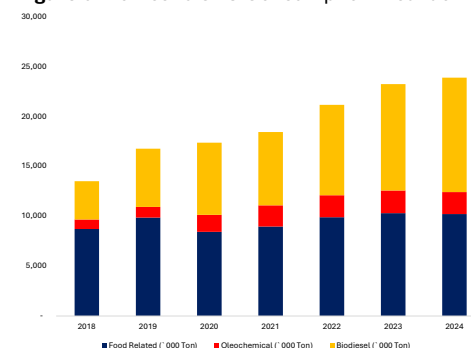
Source: CPOPC | Phintraco Sekuritas Research

Figure 5. Domestic Consumption Trend



Source: GAPKI | Phintraco Sekuritas Research

Figure 6. Domestic CPO Consumption Breakdown



Source: GAPKI | Phintraco Sekuritas Research

Construction [*Neutral*] Constructing Under Constraints

Point of Interest

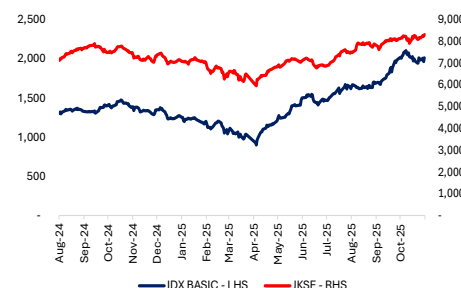
- The government's spending shift has reduced the pipeline of new infrastructure projects.
- Ongoing review of BUMN Karya restructuring aims to strengthen capital structure and establish business clusters.
- Rising private-sector investment is expected to serve as a new catalyst for the sector.
- Elevated leverage continues to weigh on profitability across construction companies.
- Net profits of state-owned contractors remain under pressure.
- Top Pick: [PTPP](#).

The construction sector is currently navigating a challenging phase, in line with the government's shift in strategic focus.

Cross-ministry budget efficiency measures and the reorientation of priorities under the new administration have resulted in a more subdued pipeline of new infrastructure projects, thereby moderating sector growth prospects. Our channel checks with several contractors echo this trend, indicating that government-driven project volumes will not be as sizeable as in the previous administration, as human capital development has now been placed at the forefront of policy. Consequently, new government-sponsored projects are expected to remain limited, exerting pressure on order books. Most construction companies are also looking to increase their exposure to private-sector projects to reduce reliance on government contracts. Given these dynamics, we believe upside to order book growth will remain limited in the near term.

A structural issue that continues to weigh on the sector is the elevated leverage profile across most contractors, with limited signs of meaningful improvement. Based on the latest financials, the DER of state-owned contractors (WSKT, WIKA, ADHI, and PTPP) generally remains in the 3.0–4.0x range, constraining financial flexibility. The high debt burden translates into sizable interest expenses, with annual finance costs ranging from IDR500bn to IDR4tn (Figure 4). These elevated interest charges continue to pressure financial performance and ultimately dilute net earnings

Figure 1. IHSG vs. IDX Infrastructures

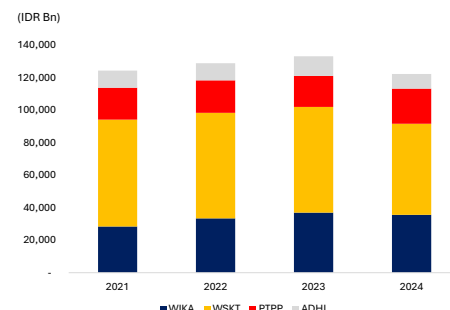


Source: Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
PTPP	600	58.73%

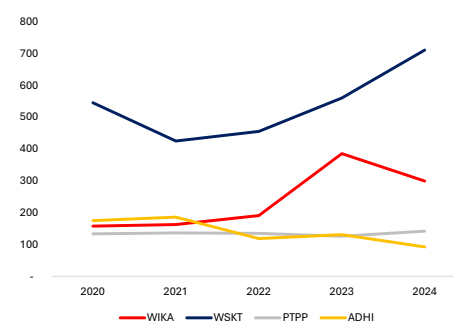
Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. Total Debt of Construction Companies (IDR Bn)



Source: Bloomberg | Phintraco Sekuritas Research

Figure 3. Total Debt to Equity Ratio



Source: Bloomberg | Phintraco Sekuritas Research

The elevated interest burden continues to weigh on bottom-line performance. Several SOE contractors, including WSKT and WIKA reported negative net income, while peers such as ADHI and PTPP remained in the black, albeit with a declining profitability trend on a YoY basis (**Figure 5**). This reflects limited room for financial performance recovery amid persistent interest expense pressures.

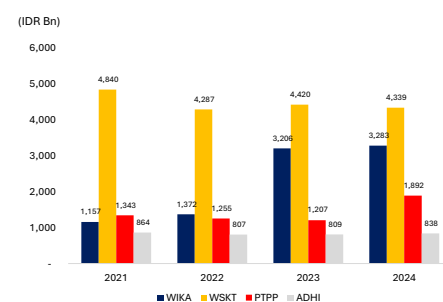
The restructuring of SOE contractors (BUMN Karya) has emerged as a key strategic initiative under government review to revitalise state-owned construction companies, particularly in light of their elevated leverage profiles. Potential options include the consolidation of several entities — such as PTPP, WIKA, ADHI, WSKT, and other state-owned construction firms — in an effort to strengthen capital structures and create more defined business clusters with specialization aligned to each entity's core competencies.

We reiterate our NEUTRAL stance on the construction sector, given the lack of new catalysts and still-muted project demand outlook. At the same time, contractors remain burdened by high gearing levels and sizable interest costs, while operational performance has yet to show a convincing recovery. These conditions limit the ability of companies to restore profitability or materially strengthen their balance sheets.

With a more balanced risk profile, PTPP (TP: IDR600) stands as our preferred defensive pick. The company's relatively healthier financial structure, marked by more controlled leverage levels compared to peers, positions it more favorably. In addition, PTPP's strong track record in Engineering, Procurement, and Construction (EPC) projects remains a potential game changer, as exposure to strategic national projects could support new contract wins and sustain profitability over the medium term.

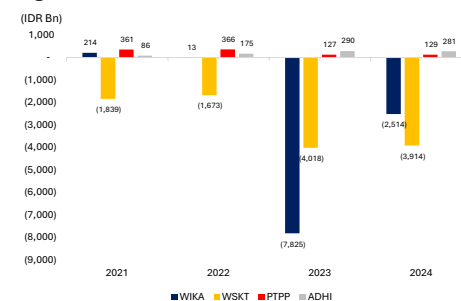
Upside risks to our view include: 1) faster-than-expected realization of government capital expenditure, particularly for basic infrastructure, which could lift order books, 2) accelerated progress billing and payment cycles that improve cash flow and reduce working capital needs and 3) lower construction material prices or fiscal incentives that could enhance contractor margins beyond our current projections.

Figure 4. Interest Expense Trend



Source: Company | Phintraco Sekuritas Research

Figure 5. Net Profit Trend



Source: Company | Phintraco Sekuritas Research

Metal Minings

Gold Rises, Aluminum Demand Strong, Nickel Outlook Promising

Point of Interest

- Global nickel prices remain weak amid an oversupply in the market.
- Indonesia is accelerating nickel downstream development to strengthen its position in the global supply chain.
- Gold prices booked an all-time high of US\$4,326.58/oz on October 16, 2025.
- Global gold demand has shown a solid growth trend throughout 2025.
- The global benchmark aluminum price on the London Metal Exchange (LME) grew 10.01% YtD in 2025.
- Indonesia's bauxite reserves can meet domestic aluminum needs, which still rely on imports.
- Top picks : **ANTM** and **MDKA**.

Global nickel prices remain weak amid an oversupply in the market. This decline has persisted over the past three years, following significant price growth in March 2022 due to the Russia–Ukraine geopolitical tensions and expectations of strong demand for electric vehicle (EV) batteries. Nickel prices have stabilized in the range of US\$15,000–18,000 per ton in 2024 and 2025, driven by global oversupply, particularly from Indonesia, which contributes 57.8% of total production. Additionally, EV adoption has not yet fully materialized, and global EV sales have slowed slightly, particularly in Europe and China. Nevertheless, nickel consumption is expected to continue increasing amid the ongoing EV transition, rising stainless steel production, and an improving global economy.

Indonesia is accelerating nickel downstream development to strengthen its position in the global supply chain. This commitment is reflected in a 10.33% YoY increase in Indonesia's iron and steel exports to 15.05 million tons in January–August 2025, despite the ongoing nickel ore export ban. Additionally, the number of RKEF smelters increased to 49 units by the end of 2024, enabling the stainless steel industry to meet its demand. Currently, Indonesia is focusing on developing HPAL facilities to produce Mixed Hydroxide Precipitate (MHP), which is further processed into nickel sulfate, a key material for EV battery production. As of now, six HPAL projects are operating in Indonesia, and this number is expected to grow in line with the government's target to expand metal downstream.

Figure 1. IDX Vs. IDX Basic Materials

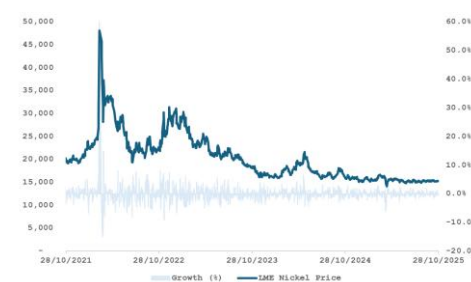


Source: Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
ANTM	3,700	+24.16%
INCO	3,560	-
MDKA	2,510	+3.29%
MBMA	525	-

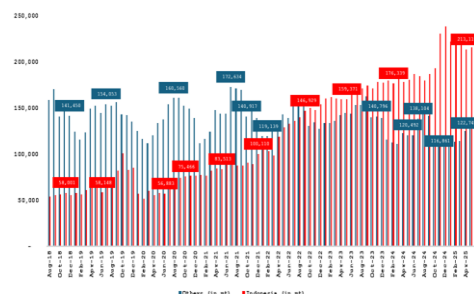
Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. LME Nickel Price (US\$/ton)



Source: Bloomberg | Phintraco Sekuritas Research

Figure 3. Nickel Production (mt)



Source: Bloomberg | Phintraco Sekuritas Research

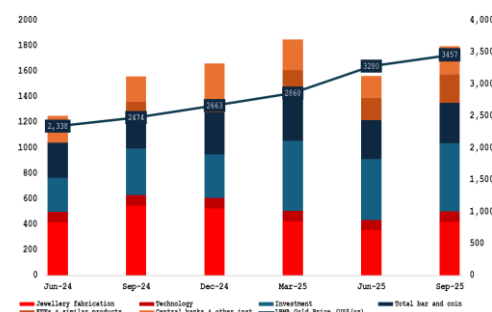
Gold prices booked an all-time high of US\$4,326.58/oz on October 16, 2025. The increase was driven by expectations of a U.S. Federal Reserve rate cut, with interest rates expected to decline to 3.75%–4.00% by the end of October 2025. Geopolitical uncertainties, particularly the conflict in the Middle East and U.S.–China trade tensions, also boosted gold demand. However, gold prices later decreased to US\$4,002.92/oz at the end of October 2025, following the resolution of the trade dispute and easing expectations for further Fed rate cuts.

Global gold demand has shown a solid growth trend throughout 2025. The demand was driven by strong investment activity and central bank purchases. Investment demand for gold grew significantly by 47.26% YoY to 537.2 tons in the third quarter of 2025. In addition, gold ETF inflows increased sharply to 221.7 tons in 3Q25, reflecting stronger demand for safe-haven assets amid global economic uncertainty.

The global benchmark aluminum price on the London Metal Exchange (LME) grew 10.01% year-to-date (YTD) in 2025. The increase was supported by the expansion of renewable energy and electricity sectors, where aluminum is a key component for electric vehicles (EVs), solar panels, and power transmission. Additionally, supply disruptions in China and Europe led to reduced global aluminum production due to high energy costs and carbon emission limits. China remains the world's largest aluminum exporter, reaching 33.06 million tons in the first nine months of 2025. Production is estimated at 44.09 million tons, up 2.03% YoY from 2024. The Chinese government limits annual aluminum production to 45 million tons, keeping global supply tight. With this restriction, Indonesia has an opportunity to increase its aluminum exports.

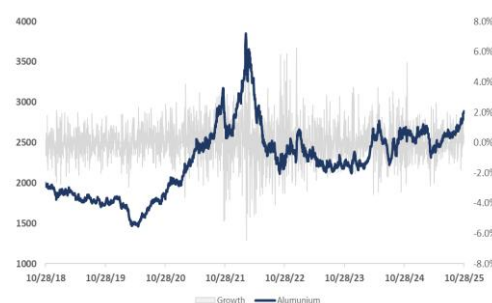
Indonesia's bauxite reserves can meet domestic aluminum needs, which still rely on imports. Indonesia's aluminum imports are estimated at 819,000 tons, driven by rising domestic demand from the manufacturing, automotive, construction, and power industries. Most of Indonesia's aluminum imports come from China, accounting for 46% of total imports, valued at US\$763 million, from January to August 2025. Meanwhile, Indonesia's bauxite reserves reached 2.87 billion tons in 2024, sufficient to meet supply needs for more than 300 years. This opens room for Indonesia to boost domestic aluminum production, in line with downstream industrialization and rising aluminum demand.

Figure 4. Gold Price & Gold Demand



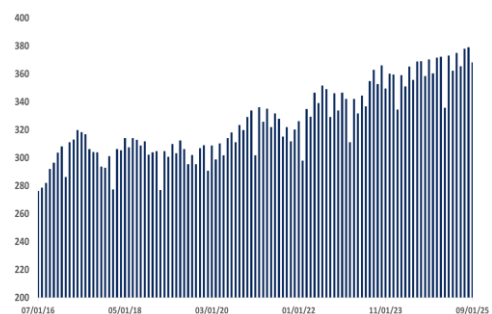
Source: World Gold Council | Phintraco Sekuritas Research

Figure 5. LME Aluminium Price (US\$/ton)



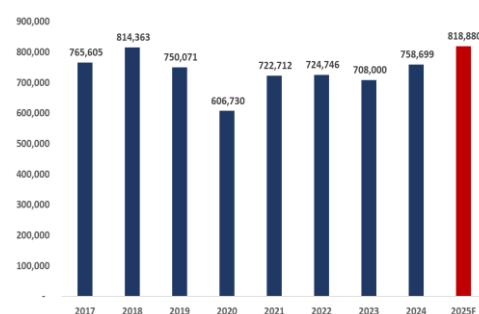
Source: Bloomberg | Phintraco Sekuritas Research

Figure 6. China's Aluminium Production (10K ton)



Source: Bloomberg | Phintraco Sekuritas Research

Figure 7. Indonesia's Aluminium Import (ton)



Source: BPS | Phintraco Sekuritas Research

Industrial *[Neutral]*

Economic Stimulus and Mineral Downstreaming are Positive Catalysts

Point of Interest

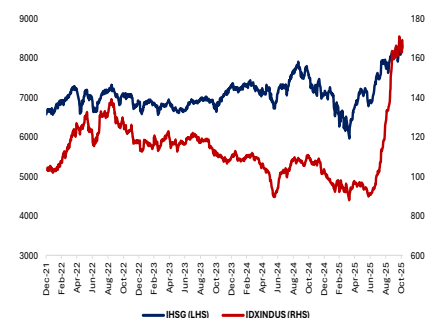
- Government stimulus and the downward trend in interest rates are positive catalysts.
- BI is targeting loan growth of 9-12% YoY in 2026.
- Demand for heavy equipment is expected to be more prospective in 2026.
- Opportunities for mineral downstreaming amidst the challenges of fluctuating commodity prices.
- The healthcare sector holds prospective.
- Top picks : [ASII](#)

Government stimulus and the downward trend in interest rates are positive catalysts for economic growth.

As purchasing power weakens in 2025, domestic car sales are expected to decline compared to 2024 (**Figure 2**). In 3Q25, domestic car sales reached 184.8 thousand units, down 17.4% YoY compared to 3Q24. Consequently, car sales for the January-September 2025 period reached 559.4 thousand units, down 11.7% YoY. Meanwhile, motorcycle sales reached 1.73 million units in 3Q25, growing 1.8% YoY from 3Q24 (**Figure 3**). In 9M25, motorcycle sales continued to decline by 0.8% YoY to 4.84 million units.

Government stimulus to boost purchasing power is expected to improve automotive sales in 2026. The downward trend in benchmark interest rates is expected to drive lower lending rates, thereby increasing demand for automotive financing. Furthermore, plans for local mass production of hybrid cars will make hybrid vehicles more affordable, expanding the domestic market and accelerating the adoption of environmentally friendly vehicles in Indonesia. Exports and production, particularly of EVs and their components, will strengthen domestic production as a regional automotive production base. However, caution is needed regarding ongoing global pressures, currency fluctuations, imported components, and changing regulations.

Figure 1. IDX Vs. IDX Industrial



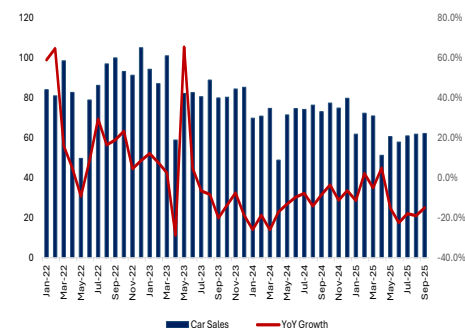
Source: Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
-------	------------	------------------

ASII	6,100	-
------	-------	---

Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. Domestic Car Sales



Source: Trading Economics | Phintraco Sekuritas Research

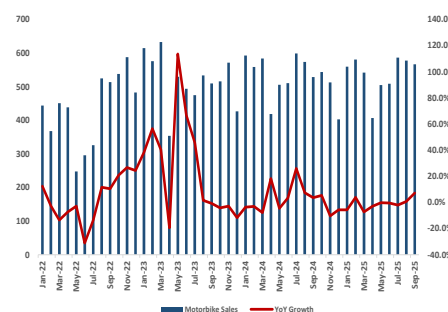
Bank Indonesia is targeting loan growth in the range of 9-12% YoY for 2026. This target is higher than the estimated 8-11% YoY target for 2025. Current loan growth is primarily driven by export-oriented sectors, transportation, services, and agriculture. Loan growth in 2025 is expected to remain in the single digits, at 7.7% YoY through October 2025 (**Figure 4**). However, loan demand is likely to increase in 4Q25 to the 1Q26, in line with the downward trend in interest rates, increased liquidity, and various incentives aimed at boosting purchasing power.

Demand for heavy equipment is projected to remain promising in 2026. The increase in demand for heavy equipment is predicted to be supported by the mining, agribusiness, and construction sectors, as well as the need for heavy equipment refurbishment (**Figure 5**). Strong business potential in the mineral mining sector is expected to maintain high demand for heavy equipment. The average refurbishment cycle of heavy equipment, which typically requires approximately 3-4 years, also has the potential to support demand for heavy equipment. This increase in demand will also drive growth in heavy equipment financing.

Opportunities for mineral downstreaming amidst the challenges of fluctuating commodity prices. The mineral downstreaming policy has the potential to increase the added value of domestic commodities, such as the dimethyl ether (DME) project, which processes coal into synthesis gas to create an alternative fuel with characteristics similar to LPG, suitable for cooking. If the global economy recovers, it is expected to increase demand for coking coal, a crucial resource for the steel industry. Global demand for critical minerals, including copper, nickel, and gold, is expected to remain strong, driven by the worldwide energy transition and the expansion of the electric vehicle industry. However, caution must be exercised regarding the impact of the annual RKAB (work plan and budget) regulations and export duties on gold and coal, as well as fluctuations in commodity prices.

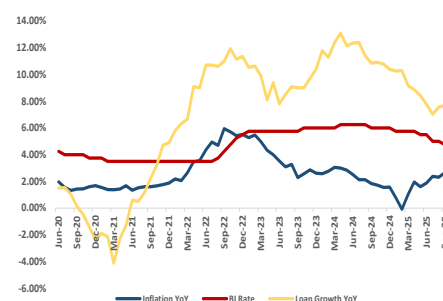
A Promising Healthcare Sector. The healthcare sector remains promising, supported by the growing demand for medical services amid the rising prevalence of non-communicable diseases such as hypertension, diabetes, and heart disease. An increasing portion of the population is becoming more aware of the importance of health, leading to higher expectations for better-quality healthcare services. Additionally, digital transformation and innovation are gaining prominence in the healthcare sector, as evident in the development of telemedicine and technology-based health solutions.

Figure 3. Domestic Motorbike Sales



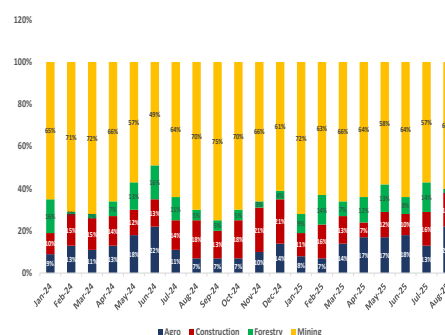
Source: Trading Economics | Phintraco Sekuritas Research

Figure 4. Inflation, BI Rate, Loan Growth



Source: BI | BPS | Phintraco Sekuritas Research

Figure 5. Komatsu Sales Volume



Source: Company | Phintraco Sekuritas Research

Cement [*Neutral*]

Weak Demand and High Capacity Keep Pressure on Margins

Point of Interest

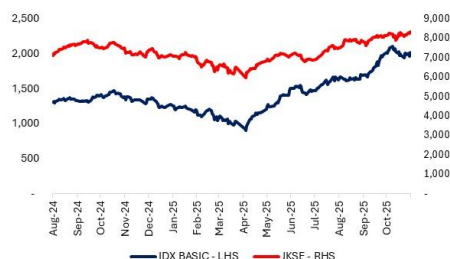
- Domestic cement demand remains soft, with volume reaching 44.61mn tons (-3.1% YoY) in 9M25.
- Delaying physical infrastructure rollout; demand recovery in 2026 is expected to remain muted.
- Structural oversupply persists as a key industry headwind, with capacity of ~120mn tons versus demand of only 62–64mn tons.
- Utilization rates are expected to stay low at 55–58% in 2026–2029, given a lack of meaningful volume growth catalysts.
- SMGR continues to lose market share, while INTIP remains relatively resilient, supported by growth outside Java.
- Top Pick: [INTIP](#)

Domestic cement demand has yet to show meaningful signs of recovery as of 9M25, with national sales volume reaching 44.61mn tons (-3.1% YoY), equivalent to only 69.7% of our full-year estimate and below the 5-year average. The weakness reflects subdued demand amid a lack of large-scale construction activity and persistent pressure on household purchasing power. Regionally, Jakarta and Kalimantan recorded the steepest contractions at -17.6% YoY and -16.8% YoY, respectively, indicating a slowdown in construction activity in areas that historically served as key demand contributors.

Muted demand also aligns with the Government's fiscal realignment, which has shifted spending priorities away from physical infrastructure development toward human capital enhancement. This shift is expected to constrain the pace of national construction activity, and as such, FY26F cement demand is likely to remain broadly flat (Phintas est.: 0–1%). A meaningful recovery ahead will largely hinge on improvements in purchasing power and the materialization of Government programs that support physical development.

The domestic cement industry continues to grapple with structural oversupply, with annual production capacity standing at ~120mn tons versus consumption of only 62–64mn tons, keeping utilization suppressed at 52–55% throughout 2020–2025—well below the ideal 70–75% threshold. This imbalance has eroded industry pricing power and placed pressure on margins, as excess capacity remains difficult to absorb amid stagnant demand.

Figure 1. IHSG vs IDX Basic Material



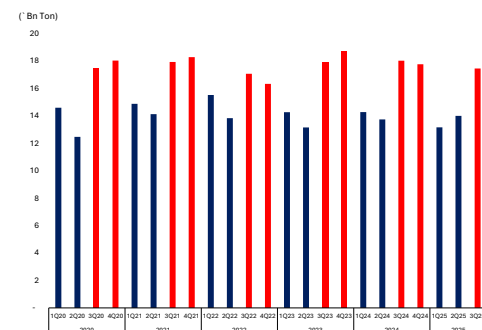
Source: Bloomberg | Phintraco Sekuritas Research

Stock	Fair Value	Potential Upside
-------	------------	------------------

INTIP	6,000	-
-------	-------	---

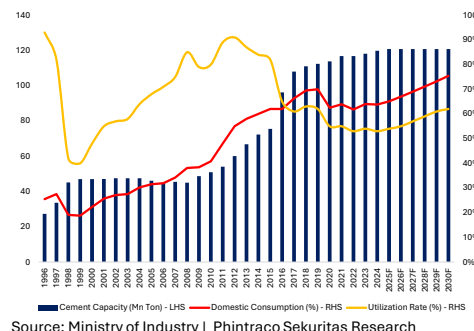
Phintraco Sekuritas Research | as of November 5th, 2025

Figure 2. Quarterly Cement Sales Volume



Source: ASI | Phintraco Sekuritas Research

Figure 3. Indonesia Cement Overview



Source: Ministry of Industry | Phintraco Sekuritas Research

Over the next few years, oversupply risk is expected to remain elevated as the government's fiscal spending shift is likely to limit the creation of new construction projects. Sales volume growth is projected to remain modest, keeping utilization rates at a low 55–58% in FY26F–FY29F. This underscores a slow demand recovery that remains insufficient to absorb capacity, absent a meaningful acceleration in the execution of large-scale public or private sector projects.

SMGR delivered sales volume of 8.44mn tons in 3Q25 (+1.65% QoQ; -3.83% YoY), bringing 9M25 cumulative volume to 21.37mn tons (-6.24% YoY), with domestic volume contracting -6.24% YoY to 21.38mn tons. Softer demand and intensifying competition in the domestic market led to a decline in SMGR's market share to 47.87% in 9M25 (vs 49.46% in 9M24).

INTP booked 5.07mn tons in 3Q25 (+25.57% QoQ; -6.99% YoY), lifting 9M25 cumulative volume to 13.07mn tons (-4.50% YoY), supported by strong growth outside Java (+29.37% QoQ) despite continued contraction in Java. This helped INTP maintain a relatively stable market share of 29.32% (vs 29.74% in 9M24), although the improvement ex-Java Island was insufficient to fully offset weakness in Java Island.

We reiterate our NEUTRAL rating on the Cement sector, in line with our stance that oversupply conditions are likely to persist. Installed capacity of ~120mn tons remains significantly above domestic demand of 62–65mn tons, keeping utilization at marginal levels.

With limited room for volume-driven growth, operational efficiency will be key to performance going forward. We recommend **INTP (TP: IDR6,000)** as our preferred pick. Amid a still-soft demand backdrop, INTP stands out given its strong balance sheet and alternative fuel initiatives, which should help lower cash costs and support profitability margins ahead.

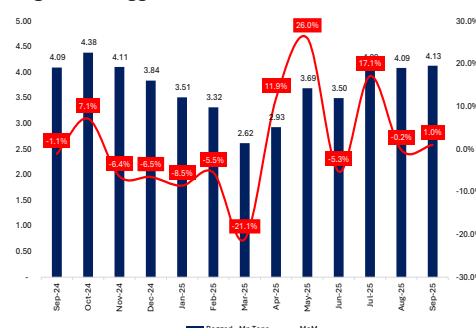
Upside risks to our view include : 1) faster-than-expected government spending execution, 2) a rebound in bulk cement demand from infrastructure projects, and 3) lower energy costs that could uplift margins.

Figure 4. Cement Sales Volume



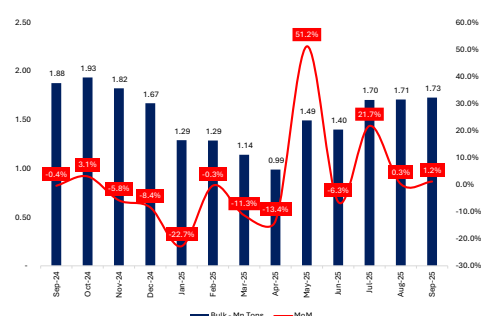
Source: ASI | Phintraco Sekuritas Research

Figure 5. Bagged Cement Sales Volume



Source: ASI | Phintraco Sekuritas Research

Figure 6. Bulk Cement Sales Volume



Source: ASI | Phintraco Sekuritas Research

CONTACT US

**PHINTRACO SEKURITAS**

The EAST Tower 16th Floor
Jl. Dr. Ide Anak Agung Gde Agung Kav. E3.2 No. 1
Mega Kuningan, Jakarta 12950
CALL CENTER : +62 21 2555 6111
P. +62 21 2555 6138
F. +62 21 2555 6139
www.phintracosekuritas.com

Compiled by
Research Team

+62 21 2555 6138 Ext. 8304
research@phintracosekuritas.com

**DISCLAIMER**

This report is provided for information purposes only. It is not a complete analysis of every material fact respecting any company, industry, security or investment. Opinions expressed are subject to change without notice. Statements of fact have been obtained from sources considered reliable but no representation is made by Phintraco Sekuritas or any of its affiliates as to their completeness or accuracy. Phintraco Sekuritas in this report, which position may change from time to time, buy or sell such securities or investments. Phintraco Sekuritas or its affiliates may from time to time perform investment banking or other services for, or solicit in investment banking or other business from, any company mentioned in this report. An employee of Phintraco Sekuritas or its affiliates may be director of a company mentioned in this report. Neither this report, nor any opinion expressed herein, should be construed as an offer to sell or a solicitation of an offer to acquire any securities or other investments mentioned herein. The company accepts no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose.