

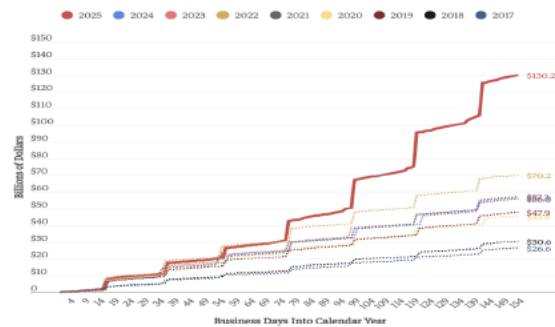
## Market Update – Aug 2025

### Global Macroeconomics

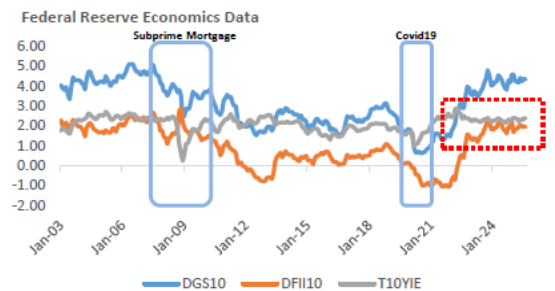
#### Liberation Day Tariff Update

COUNTRY	APRIL 2 RATE	NEW RATE		U.S. IMPORTS (\$BIL)	TRADE BALANCE (\$BIL)
Indonesia	21%	6%	Deal announced July 15 but details are limited.	\$29.1B	-\$17.5B
Vietnam	14%	5%	Deal announced July 2 but not finalized.	\$16.0B	-\$13.5B
United Kingdom	10%	5%	Deal signed June 17. Applies to most goods.	\$16.1B	\$1.1B
European Union	10%	5%	Letter on July 10	\$65.0B	-\$35.0B
Mexico	N/A	5%	Letter on July 10 <sup>2</sup>	\$55.0B	-\$17.1B
Canada	N/A	5%	Letter on July 10 <sup>2</sup>	\$41.7B	-\$11.1B
South Korea	25%	5%	Letter on July 7	\$13.6B	-\$5.0B
Japan	24%	5%	Letter on July 7	\$14.1B	-\$8.0B
Malaysia	24%	5%	Letter on July 7	\$12.1B	-\$14.0B
Thailand	24%	5%	Letter on July 7	\$12.1B	-\$14.0B

#### US Tariff and Excise Tax Revenue 2017-2025



Source : NPR, CBO, Setiabudi Investment Management



Source : Fed, Setiabudi Investment Management

#### Fed Watch Meeting Probabilities

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES										
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
9/17/2025						0.0%	0.0%	0.0%	0.0%	92.6%	7.4%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	55.5%	41.6%	3.0%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	43.0%	44.7%	11.6%	0.7%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.5%	43.8%	29.7%	6.6%	0.4%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.0%	10.4%	32.4%	36.3%	17.4%	3.3%	0.2%
4/29/2026	0.0%	0.0%	0.0%	0.0%	2.9%	16.5%	33.5%	31.0%	13.5%	2.4%	0.1%
6/17/2026	0.0%	0.0%	0.0%	1.7%	10.8%	26.4%	32.1%	20.9%	7.1%	1.1%	0.1%
7/29/2026	0.0%	0.0%	0.5%	4.4%	15.5%	28.1%	28.7%	16.7%	5.3%	0.8%	0.0%
9/16/2026	0.0%	0.2%	2.0%	8.5%	20.2%	28.3%	24.3%	12.5%	3.6%	0.5%	0.0%
10/28/2026	0.0%	0.5%	3.2%	10.7%	21.7%	27.6%	22.0%	10.8%	3.0%	0.4%	0.0%
12/9/2026	0.2%	1.3%	5.3%	13.8%	23.3%	26.0%	18.9%	6.6%	2.3%	0.3%	0.0%

Source : Reuters, CME, Setiabudi Investment Management

#### US Trade Tariff Update (Liberation Day Tariffs)

Trump's trade policy continues with informing foreign leaders of the tariff rates he intends to impose on their countries' goods on Aug. 1. The letters represent a radical approach to trade policy, with the president setting sizable tariff rates on a growing list of countries.

New tariffs bring in significant revenue, they could reduce federal deficits and debt. Tariff policies will influence short and long-run business decisions about investment and hiring, which may impact other tax collections and spending. Congress Budget Officer currently projects tariff revenue will equal USD 942 billion from FY2026-2035, though that projection does not incorporate any of the Trump administration's recent tariff actions. As 8 August 2025, US has brought in USD 130 Billion in revenue from gross tariff and certain other excise taxes in 2025.

We anticipate the effect of expanding US tariff regime from metals and autos to broad based reciprocal duties hits China, EU, North America, and Asia. While providing short-term revenue gains for US, these measures are combining to drive up costs, disrupt supply chains, and strain global trade relations, prompting accelerated diversification and potential long-term fragmentation of the global economy.

#### Fed Economics Data

- 10-year treasury yield stood at 4.33%, US 10-Year Breakeven Inflation rate at around 1.95%, Treasury Inflation-Indexes Securities (TIPS) 2.38% as of 15 August, 2025.
- We see the 10-Year Breakeven Inflation rate has been relatively sticky and slower to go down.

#### Fed Watch Meeting Probability

- Fed held its benchmark rate steady at 4.25–4.50% on 30 Jul 2025 meeting. The decision reflects a measured stance as the Fed continues to evaluate the economic ramifications of President Trump's evolving policy agenda, particularly in the areas of tariffs, immigration, and taxation.
- For their next meeting in 17 Sep 2025, 92.6% of correspondents believe that rate will stay, while 7.4% expect it to go down by 25 bps in Sep 2025 meeting.

*The median FOMC has projected rate cuts by 50 bps in 2025. Fed may settle around 4.0% - 4.25% by the end of 2025.*

#### Global Economics Growth Projection

	2024	2025F			2026F
		Jan Projection	Apr Projection	Jul Projection	
World	3.3	3.3	2.8	3.0	3.1
US	2.8	2.7	1.8	1.9	2.0
Europe	0.9	1.0	0.8	1.0	1.2
China	5.0	4.6	4.0	4.8	4.2
India	6.5	6.5	6.2	6.4	6.4
Indonesia	5.0	5.1	4.7	4.8	4.8
Developed Countries	1.8	1.9	1.9	1.5	1.6
Emerging Countries	4.3	4.2	4.2	4.1	4.0

#### World Trade Volume Projection

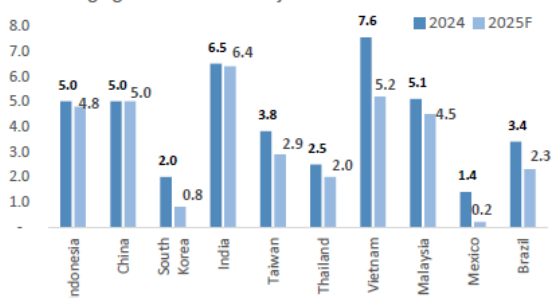
	2024	2025F		2026F
		Apr Projection	Jul Projection	
World Trade Volume	3.5	3.2	2.6	1.9
Developed Countries	2.2	2.1	1.8	1.2
Emerging Countries	5.4	5.0	3.8	3.2

Source : IMF (Jul 2025 Forecast), Setiabudi Investment Management

#### EM Actual GDP Growth and Forecast

	Q1 2025 QoQ	Q1 2025 YoY	Q2 2025 QoQ	Q2 2025 YoY	Q2 2025 YoY Forecast	Last Data
Indonesia	-0.98%	4.87%	4.04%	5.12%	4.80%	Jun-25
China	1.20%	5.40%	1.10%	5.20%	5.30%	Jun-25
South Korea	-0.20%	0.00%	0.60%	0.50%	0.50%	Jun-25
India	2.00%	7.40%			7.80%	Mar-25
Taiwan	9.67%	5.48%		7.96%	5.90%	Jun-25
Vietnam		6.93%		7.96%	7.00%	Jun-25
Thailand	0.70%	3.10%			2.80%	Mar-25
Malaysia		4.40%		4.50%	4.50%	Jun-25
Mexico	0.20%	0.80%	0.70%	0.10%	0.30%	Jun-25
Brazil	1.40%	2.90%			2.10%	Mar-25

#### IMF Emerging Countries GDP Projection



Source : Tradingeconomics, IMF, Setiabudi Investment Management

#### GDP Growth and World Trade Volume Forecast

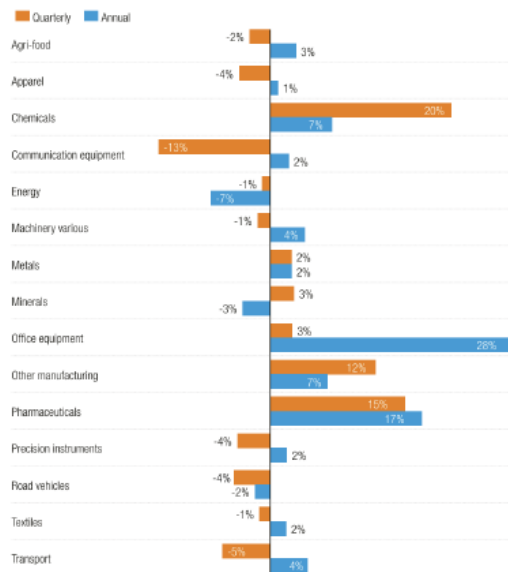
- In July 2025, IMF update global growth better than April projection. The projection is expected to decelerate, with apparent resilience due to trade-related distortions waning. World economics projection at 3.0% in 2025 and 3.1% in 2026. The upward revision for 2025 is quite broad based, because it owes in large part to strong front-loading in international trade as well as to a lower worldwide effective tariff rate than assumed in April reference forecast and to an improvement in global financial conditions.
- IMF underscores several downside threats for emerging and developed countries growth. Further trade tensions and tighter global financial conditions could derail growth. Emerging economies, especially with high debt levels, are vulnerable to capital flow reversals and sudden economic shocks. IMF warns of a ~0.4 percentage point drag from tariff shocks.
- IMF revised weaker growth for world trade volume by +2.6% in July 2025 forecast from +3.2% in April 2025 forecast. Over the medium term, expansionary fiscal packages in economies with current account surpluses are expected to contribute to declining global imbalances. A weaker dollar amplifies the tariff shock instead of absorbing it, leading to a positive impact of tariffs on the US current account balance, which the expansionary fiscal stance more than offsets.

#### EM Actual GDP Growth and Forecast

- Most EM economies posted solid YoY growth in Q1 2025, led by India (+7.40%), Vietnam (+6.93%), China (+5.40%), and Taiwan (+5.48%). This shows resilience despite global headwinds (sluggish developed markets, high interest rates), supported by domestic consumption and targeted stimulus.
- We see that Q2 2025 Growth Momentum is in Key Economies. India, Vietnam, and Taiwan maintain strong momentum, with forecast YoY growth above 5.8%. This suggests robust export demand in tech and manufacturing, plus healthy domestic activity. Indonesia shows recovery potential with Q2 QoQ growth at 4.04%, bouncing back from the -0.98% contraction in Q1. This implies domestic investment and consumption are picking up post-election.
- Global risk factors remain high from persistent geopolitical risks (U.S.–China trade tensions, Russia–Ukraine war, Middle East instability) and potential rate cuts being slower than expected could cap investment flows into EM. Commodity exporters like Indonesia and Brazil remain exposed to price volatility (coal, palm oil, soybeans, oil).

We think global trade flows, Fed policy direction, and commodity price trends will be decisive for H2 2025 performance.

### Global Trade Trends at The Sectoral Level

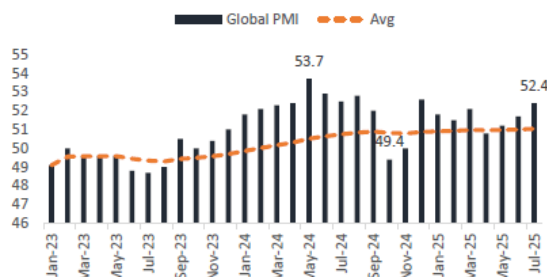


Source : UNCTAD, Setiabudi Investment Management

### Global trade trends at the sectoral level

- Trade growth varied significantly across sectors in Q1 2025. General manufacturing, particularly chemicals and pharmaceuticals recorded growth rates well above the global average, while trade in communication equipment saw a sharp decline. Over a 12-month period, however, the strongest gains were in office equipment and pharmaceuticals. Trade in energy products and road vehicles remained relatively weak both quarterly and annually.

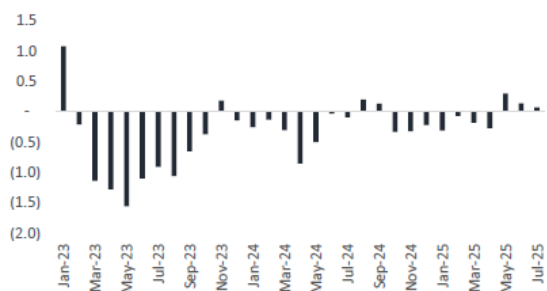
### Global PMI Manufacturing



### Global PMI and Supply Chain Pressure Index

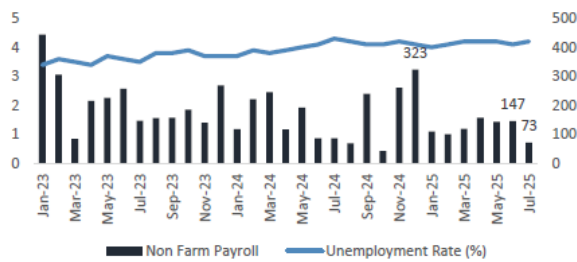
- Global PMI increase to 52.4 in July 2025 vs 51.7 in June 2025, above monthly average of 51.0.
- Global economic expansion regained some momentum in March amid improvements in the service sector, business optimism fell and cost pressures intensified ahead of additional tariff announcements in April.
- Global Supply Chain Pressure Index fell to +0.07 in July 2025 vs +0.14 in June 2025. The drop in July 2025 that recent stressors from trade policy to geopolitical hotspots had limited disruption, offering reassurance to policymakers and markets alike.

### Global Supply Chain Pressure



Source : Tradingeconomics, Setiabudi Investment Management

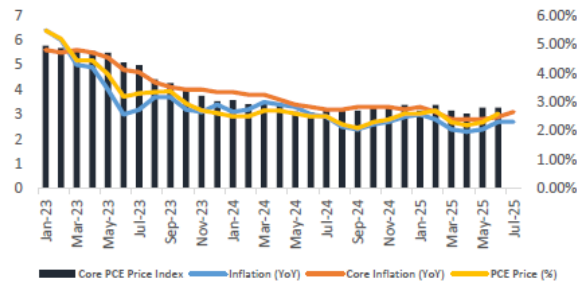
#### US Labour Data



#### US Labour Data

- US Official Nonfarm Payroll added 73k in July 2025 vs 147k in June 2025.
- Employment continued to trend up in health care (55K), led by ambulatory health care services (34K) and hospitals (16K).
- US Unemployment Rate rose slightly to +4.2% in July 2025 vs +4.1% in June 2025.

#### US Inflation vs PCE



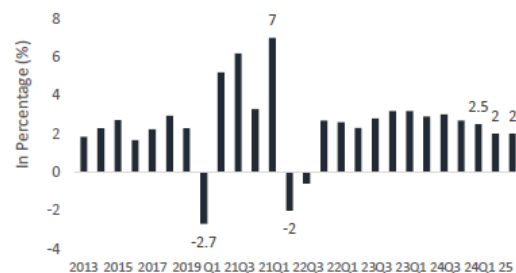
#### US Inflation and PCE

- US inflation flat at +2.7% YoY in July 2025 and June 2025.
- Core inflation which excludes volatile items such as food and energy grew by +3.1% YoY in July 2025 vs +2.9% YoY in June 2025.

**We think Fed will consider rate cuts. Markets are pricing in a potential cut in September 2025. This view is in line with the Fed dot plot which projects that Fed will nly lower interest rates on the September meeting.**

Source : Tradingeconomics, Setiabudi Investment Management

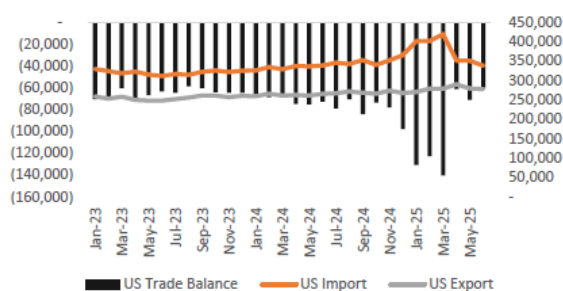
#### US GDP Annual Growth



#### US GDP

- US economy grew by +2.0% YoY in Q2 2025 vs +2.0% YoY in Q1 2025.
- Q2 2025 strong reading is mechanically boosted by import reversals, not by a fundamental demand-led rebound.

#### US Trade Balance

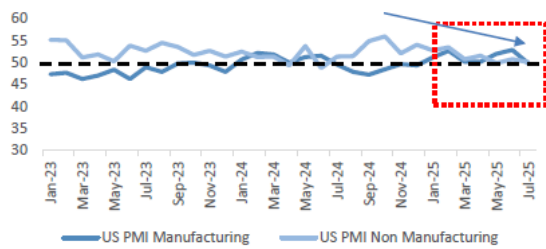


#### US Trade Balance

- US Trade deficit narrowed to USD 60 billion in June 2025 vs USD 71 billion in May 2025.
- In monthly basis, export declining by -0.6% MoM in June 2025 vs -3.6% MoM in May 2025. Import declining by -3.7% YoY in June 2025 vs -0.1% MoM in May 2025. In annual basis, export grew +4.5% YoY and import decline -0.2% YoY.
- Trade deficit with Mexico narrowed slightly to USD 16.3 billion from USD 17.1 billion. The deficit with China declined to USD 9.4 billion, the EU shrank significantly to USD 9.5 billion from USD 22.5 billion. On the other hand, trade deficits widened with Vietnam (USD 16.2 billion vs. USD 15 billion), Taiwan (USD 12.9 billion vs. USD 11.5 billion), and India (USD 5.3 billion vs. USD 5.1 billion).

Source : Tradingeconomics, Setiabudi Investment Management

US PMI Manufacturing



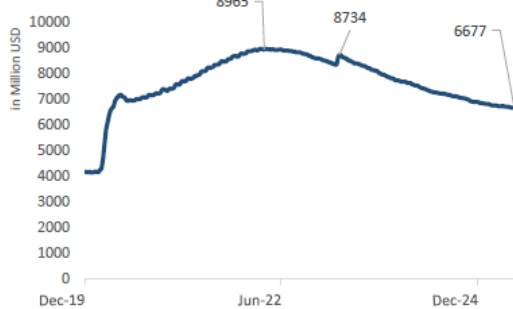
Source : Tradingeconomics, Setiabudi Investment Management

#### US PMI Manufacturing & Non Manufacturing

- US PMI Manufacturing declining to 49.8 in July 2025 vs 52.9 in June 2025.
- Negative contributions came from declines in supplier deliveries (45.7 vs. 46.7) and employment (43.4 vs. 45.0).
- US PMI Non Manufacturing declining to 50.1 in July 2025 vs 50.8 in June 2025.

The slow down in PMI manufacturing and PMI non manufacturing in 1<sup>st</sup> half of 2025 could be negative signal for US economic growth. We see US Tariff adjustment are a part of uncertainty for business, sticky inflation and high interest rates are obstacle on manufacturing productivity.

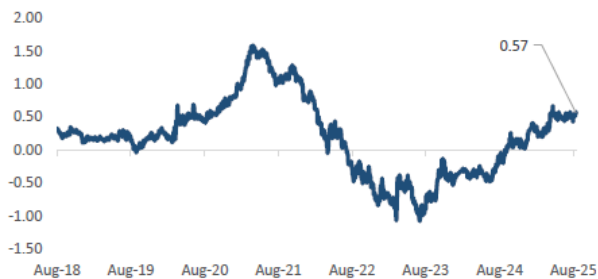
Fed Balance Sheet



#### FED's Balance Sheet

- FED's balance sheet went down to USD 6.64 tn as of 13 August 2025 from its peak at USD 8.96 tn as of 13 April 2022.
- Fed forecasted the balance sheet to decline to USD 5.9 trillion in 2025 as reserves fall to about 8% of nominal GDP and reverse repos are eliminated.
- Based on our estimate, since the last uptick in April 2023, FED's Balance Sheet has been going down by an average of 0.4% in monthly basis (or USD 30-40 billion per month), which we project it will reach its target of USD 5.9tn by Apr 2026 with the current speed.
- Nonetheless, the FED is planning to slow its QT efforts starting from July, reducing the monthly sale of US treasuries to USD 30 billion per month. In turn, the QT will still push yield up, but not as aggressively as before.

Yield Curve Between 2 Y vs 10 Y



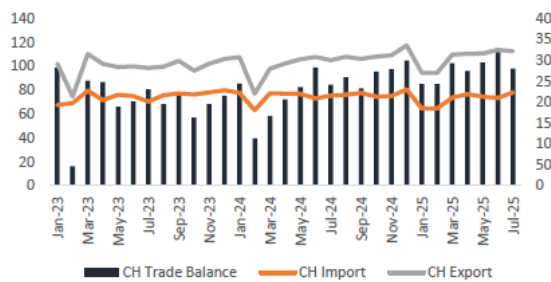
Source : Federal Reserve, Setiabudi Investment Management

#### Yield curve between 2-year and 10-year

- The spread between 10-year and 2-year treasury was back in positive territory after an inversion over the past two years.
- 10-Year U.S Treasury yield is at 4.33% on 13 June 2025 while 2-Year Treasury yield was at 3.76%, resulting in a +0.57% spread.



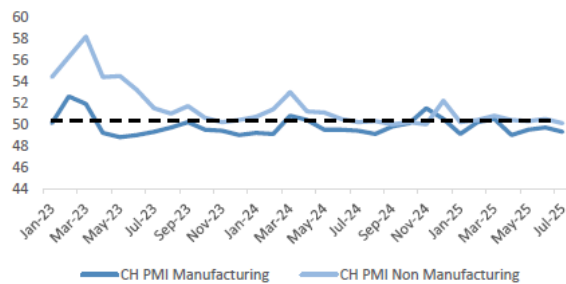
CH Trade Balance



China Trade Balance

- China's trade surplus increase to USD 98.24 billion in July 2025 vs USD 114 billion in June 2025.
- Import increase to USD 223 billion in July 2025 vs USD 210 billion in June 2025.
- Export increase to USD 321 billion in July 2025 vs USD 325 billion in June 2025.
- **China's trade surplus with US declined to USD 23.74 billion in July, down from USD 26.57 billion in June, as both exports and imports with the US declined, falling 21.7% and 18.9%, respectively.**

CH PMI Manufacturing

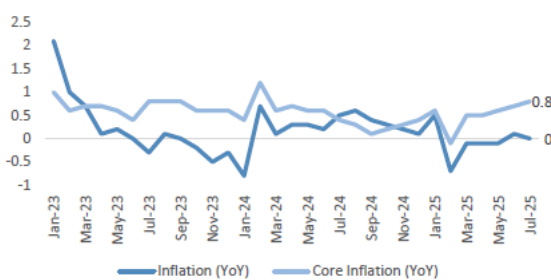


China PMI Manufacturing & Non Manufacturing

- PMI manufacturing decline to 49.3 in July 2025 vs 49.7 in June 2025.
- PMI non-manufacturing decline to 50.1 in July 2025 vs 50.5 in June 2025.
- We see the 90 day tariff pause eased costs and sentiment. Large exporters and energy related industries saw some recovery that helped sustaining production.

Source : NBS of China, Setiabudi Investment Management

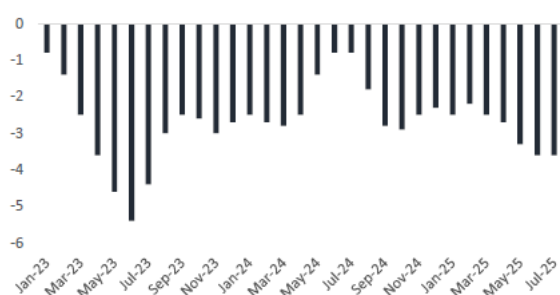
CH Inflation



China Inflation

- China's inflation were flat +0% YoY in July 2025 vs +0.1% YoY in June 2025.
- Core consumer price grew by +0.8% YoY in July 2025 vs +0.7% YoY in June 2025.
- Non-food prices picked up (0.3% in July vs 0.1% in June), supported by Beijing's consumer goods subsidies. At the same time, transport cost fell at a slower pace (-3.1% in July vs -3.7% in June).

CH PPI Change (%)



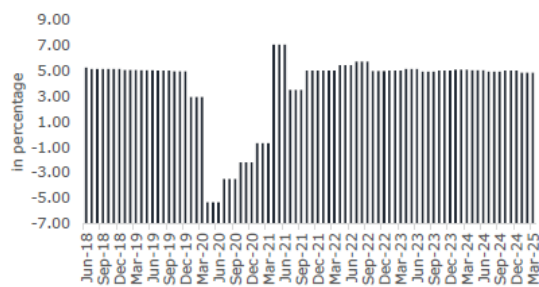
China PPI

- China's producer prices fell -3.6% YoY in July 2025 vs -3.6% YoY in June 2025. Persistent PPI deflation signals ongoing industrial oversupply and global demand weakness.
- US Production material costs continued to slide (-4.3% July vs -4.4% in June), with deeper contractions in mining (-14.0% July vs -13.2% June), raw materials (-5.4% July vs -5.5% June), and processing (-3.1% July vs -3.2% June).

Source : Tradingeconomics, Setiabudi Investment Management

## Indonesia Macroeconomics

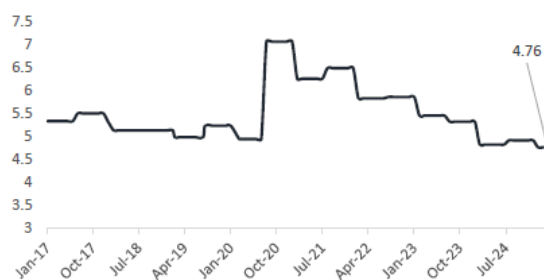
GDP YoY Growth



### Indonesia GDP

- Indonesia's economy grew at slow pace by 4.87% YoY in Q1 2025 vs +5.02% YoY in Q4 2024.
- The decline was driven by slower government spending -1.38% YoY vs +4.17% YoY in Q4 due to a tighter budget, alongside softer rises in private consumption +4.89% YoY vs +4.98% YoY and fixed investment +2.12% YoY vs +5.03% YoY.
- For 2025, the GDP growth target remains at 5.2%. However, the central bank recently cut its growth forecast for this year to 4.7%-5.5% from 4.8%-5.6%, citing US tariff disruptions.

Unemployment Rate (%)



### Indonesia Unemployment Rate

- Indonesia's unemployment rate declined to 4.76% in Q1 2025 vs 4.91% in Q4 2024.
- The number of unemployed persons edged up by 1.11% from a year earlier to 7.28 million. At the same time, the number of employed increased by 2.52% to 145.77 million, mostly in wholesale & retail trade, repair and maintenance of cars and motorcycles. Meanwhile, the labor force participation rate increased to 70.60% from 69.80% in the prior year.

Source: BPS, Setiabudi Investment Management

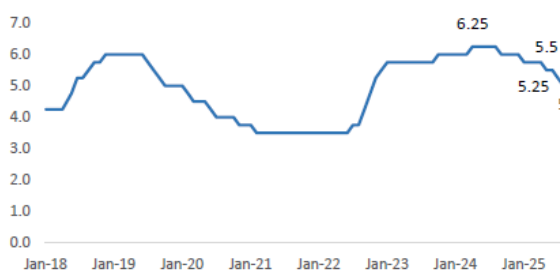
ID Inflation Rate YoY



### Indonesia Inflation

- Indonesia's recorded annual inflation +2.37% YoY in July 2025 vs +1.87% YoY in June 2025.
- Core Inflation grew at slow pace by +2.32% YoY in July 2025 vs +2.37% YoY in June 2025.

ID Interest Rate

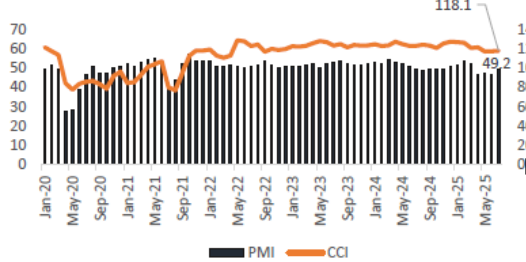


### Indonesia Interest Rate

- BI decided to cut its benchmark rate by 25 bps to 5.0% in August 2025 vs 5.25% in July 2025 meeting. The decision reflects projections that inflation for 2025–2026 will remain within the central bank's target range of 2.5%±1%, a stable Rupiah exchange rate, and ongoing efforts to support economic growth. Recent data showed GDP grew by +5.12% YoY in Q2, its highest pace in two years.
- BI will continue to monitor the scope for interest rate cut to encourage economic growth, while maintaining the stability of Rupiah and inflation target.

Source: BPS, Bank Indonesia, Setiabudi Investment Management

ID PMI and CCI

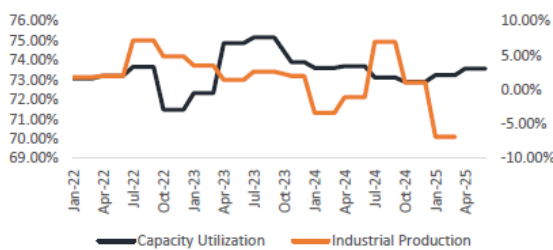


#### Indonesia PMI and CCI

- Indonesia PMI increase to 49.2 in July 2025 vs 46.9 in June 2025.
- Indonesia's consumer confidence increase to 118.1 in July 2025 vs 117.8 in June 2025.

*We see the declining in manufacturing was inline with slowing pace of growth of consumer confidence globally, weaker demand, delivery times lengthened to a nine month high due to poor weather and delays.*

ID Industry Productivity

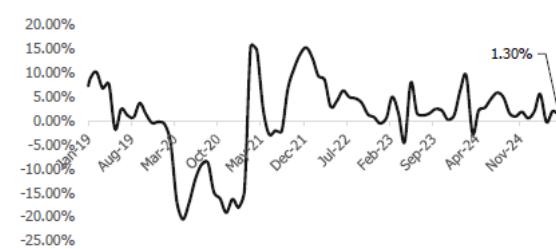


#### Indonesia Factory Capacity Utilization and Industrial Production

- Indonesia factory capacity utilization at 73.58% in Q2 2025 vs 73.25% in Q1 2025. We see the declining factory capacity utilization from peak at 75.17% in Q3 2023 in line with global economic downturns.
- Indonesia industrial production drop by -6.85% in Q1 2025 vs +1.06% in Q4 2024.

Source: Bank Indonesia, Setiabudi Investment Management

ID Retail Sales YoY



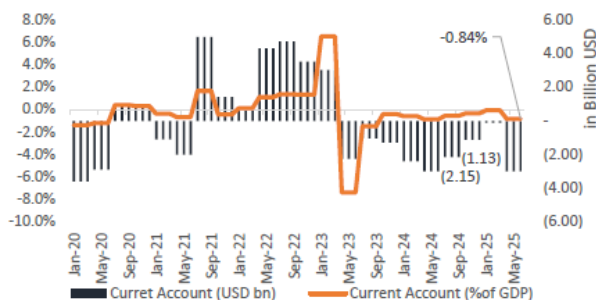
Source: Bank Indonesia, Setiabudi Investment Management

#### Indonesia Retail Sales

- Retail sales growth by +1.30% YoY in June 2025 vs +1.90% YoY in May 2025.
- Retail sales was driven by food, beverages, and tobacco (2.4% vs 4.0% in May) and cultural and recreational goods (1.5% vs 4.7%).
- On a monthly basis, retail sales edged down -0.2% MoM supported by holiday-related spending and cash handouts from the government ahead of the new school year.

*We see growth at slower pace of retail sales in 1<sup>st</sup> half 2025 and weaker than expected consumer demand. We think growth slows influenced by slower middle-class expansion, cautious spending habits, and economic uncertainties. While government cash transfer programs helped sustain retail activity throughout the year, they were not enough to drive a stronger rebound.*

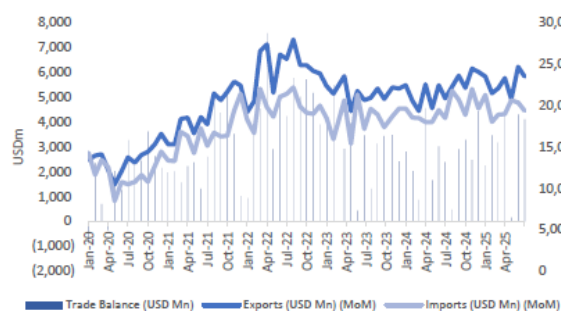
ID Current Account



#### Indonesia Current Account

- Indonesia's CA deficit USD 3 billion in Q2 2025 or -0.8% of GDP.
- Primary income deficit increased slightly to USD 9.83 billion from USD 9.45 billion a year earlier, while the services account deficit narrowed to USD 5.51 billion from USD 5.99 billion. Meanwhile, the trade surplus rose to USD 10.58 billion, up from USD 9.99 billion, and the secondary income surplus increased to USD 1.74 billion from USD 1.43 billion.
- Indonesia current account deficit widened significantly to USD 8.68 billion, up from USD 2.04 billion in 2023, driven by a decline in the trade surplus amid subdued foreign demand. For this year, the central bank expects the current account deficit to remain within 0.5%–1.3% of GDP.

ID Trade Balance



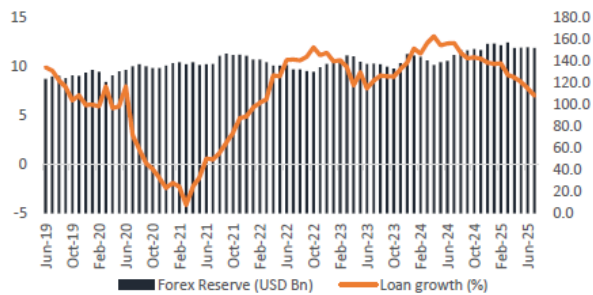
#### Indonesia Trade Balance

- Indonesia's trade surplus widened to USD 4.1 billion in June 2025 vs USD 4.3 billion in May 2025.
- Exports grew by +11.29% YoY in June 2025 vs +9.68% YoY in May 2025. Export growth driven by factories rushed to ship goods during a 90-day pause on new US tariffs announced by the Trump administration. Export was driven by non-oil and gas (+12.61% YoY in June vs +11.8% YoY in May).
- Imports grew by +4.28% YoY in June 2025 vs +4.14% YoY in May 2025. Imports was driven by non-oil and gas (+12.07% in June vs +5.44% in May).

Source: BPS, Bank Indonesia, Setiabudi Investment Management



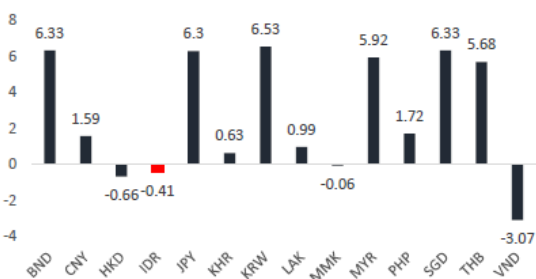
ID Loan Growth YoY and Forex Reserve



#### Indonesia Loan and Foreign Reserves

- Lending grew at slower pace by +7.03% YoY in July 2025 vs +7.77% YoY in June 2025.
- Nonetheless, we see 2025 will be challenging for lending growth due to; (1) high base impact (2) global economic slowdown which lead to softer commodity prices thus reducing the demand for loan and (3) Potential reinstatement of loan restructuring policies (4) new regulation for export earnings retention aims to bolster foreign exchange reserves but may influence banks' foreign currency liquidity management.
- Foreign exchange reserves in Indonesia declining to USD 152 billion in July 2025 vs USD 152.6 billion in June 2025.

USD vs Asian Currency 2025 YTD



#### Indonesia Rupiah Against USD

- Rupiah depreciate -0.41% in YTD inline with rising geopolitical tensions and investor response to Indonesia weak macro data in early 2025.
- Bank Indonesia expects Rupiah to remain stable in line with attractive yields and low inflation. Bank Indonesia will continue to optimize, including strengthening the pro-market monetary operations strategy through optimization of SRBI, SVBI, and SUVBI instruments to strengthen the effectiveness of policies in attracting foreign capital inflows and supporting the strengthening of Rupiah.

Source: Bank Indonesia, Asian Bond Online (as of 15 Aug 2025), Setiabudi Investment Management

#### Government Stimulus Package in Q2



Government Policy	Stimulus Target
Transportation Discounts	30 % off train tickets for ~2.8 million passengers VAT offset (6 %) for ~6 million economy-class airline travelers 50 % discounts on sea transport for ~500 000 passengers
Toll Discount	20 % off toll rates, benefiting ~110 million users via toll-road company initiatives
Social Assistance Expansion	Extra Rp 200 000/month + 10 kg rice for 18.3 million low-income households
Wage Subsidy	300 000/month to 17.3 million low-income workers and ~565 000 honorarium teachers
Occupational Accident Insurance Premium Relief	50 % discount for 2.7 million workers in labor-intensive sectors

Source: SetKab, Setiabudi Investment Management

#### Indonesia Government Stimulus Package in June and July 2025

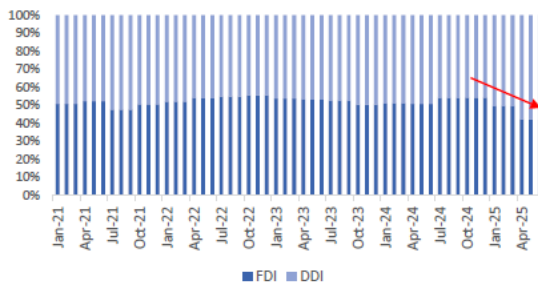
Indonesia launched Rp 24.44 trillion stimulus package to boost domestic consumption and support Q2 economic growth, following a weak Q1 result.

While stimulus provides essential short-term support, it comes at a time when tax revenue growth is slowing and dividend income from SOEs is delayed. This will widen the budget deficit if not offset by stronger Q3 tax realization or spending efficiency.

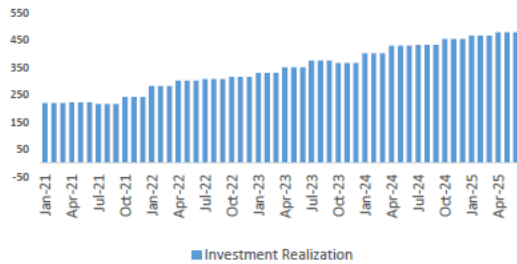
The Q2 2025 stimulus is well-targeted to defend domestic demand, especially through Eid momentum. It plays a counter-cyclical role amid export weakness and tax delays. However, for sustainable impact, it must be matched by stronger tax revenue in Q3, continued support for formalization, and improved capital spending execution.

We see Indonesia's mid-year stimulus is well-tailored for a seasonal boost, supporting consumption, travel, and low-income households. If implemented swiftly and effectively, it can help bridge the gap in economic momentum from Q1. However, its limited duration and narrow fiscal scope mean additional longer-term structural reforms will be needed to sustain growth beyond the holiday period.

Investment Realization Portion



Indonesia Investment Realization



Source: Mol, Setiabudi Investment Management

#### Indonesia Investment Realization in 1H 2025

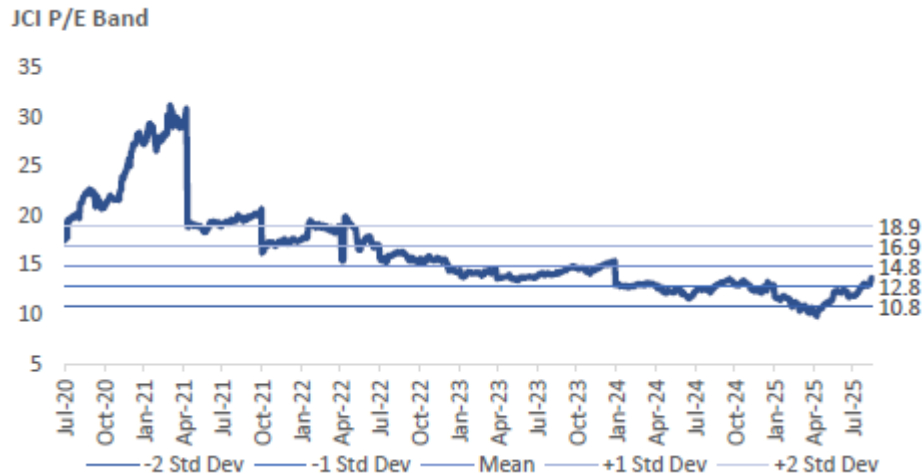
Based on Indonesia Ministry of Investment data, total realized investment as 1H 2025 reached Rp 942.9 trillion (approx. US\$57.4 billion), marking an +11.5% YoY increase compared to H1 2024. This achievement represents 49.5% of the full-year target set at Rp 1,905.6 trillion. Investment outside Java slightly exceeded Java's, with Rp 476 trillion directed to outside Java vs Rp 466.9 trillion within Java

- Domestic Direct Investment (DDI) dominated in H1 2025, totaling Rp 510.3 trillion (54.1%).
- Foreign Direct Investment (FDI) in H1 2025 amounted to Rp 432.6 trillion (45.9%).

Investment momentum remained strong in H1 2025, driven by both domestic and foreign capital despite global headwinds. Downstream and mining sectors continue to be key FDI magnets, reflecting structural shifts toward higher value-added processing. Mining and smelting sectors together accounted for ~23% of total investment driven by the government's downstreaming policy such as the nickel ore export ban. Spread of investment outside Java indicates broader regional development.

We see the declining from FDI in 2<sup>nd</sup> half 2024 continue till 1<sup>st</sup> half 2025. The transition period after the 2024 election and anticipation of new policy directions under the incoming administration made investors adopt a "wait-and-see" approach. Regulatory adjustments in mining export rules and energy policies also added short-term uncertainty. We see FDI slowdown may pressure capital inflows and weaken rupiah support, potentially widening the current account deficit.

## Indonesia Equity Market



### **Investment Thesis**

#### **Positive Factors**

- BI monetary policy remains supportive of economic and investment growth. As inflation pressures moderate, BI may maintain accommodative or neutral policies, which could lower borrowing costs and boost business investments.
- Indonesia equity market has been discounted significantly and offers a very attractive valuation for investor.

#### **Negative Factors**

- Uncertainty surrounding new policies of the newly elected government could affect investor sentiment in the 1<sup>st</sup> term.
- Rupiah is sensitive to global capital flows. Any significant capital outflows due to external shocks or domestic uncertainties could lead to currency depreciation.
- Government debt is rising, partly due to infrastructure financing and social programs.
- Fluctuating commodity prices

--- End of report ---

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