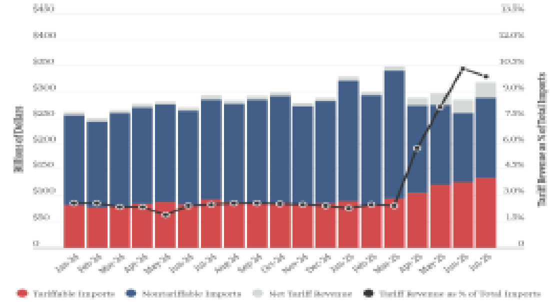
SETIABUDI
Investment Management

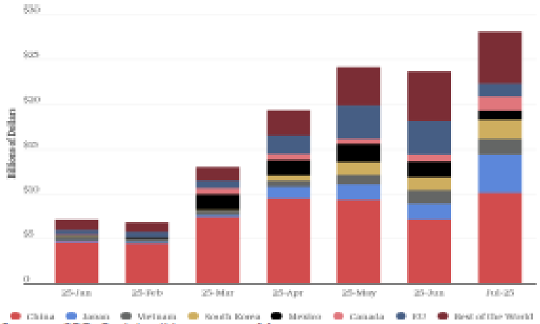
Market Update – Sep 2025

Global Macroeconomics

Monthly Import and Tariff Revenue



Country Composition of Tariff Revenues



Source : CBO, Setiabudi Investment Management

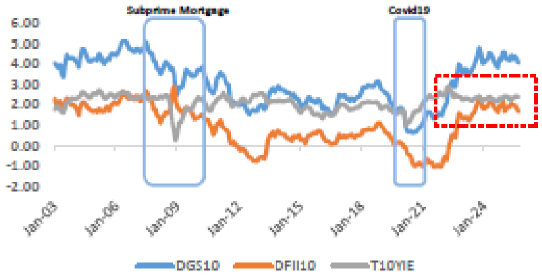
US Tariff Revenue Effect

US imports have remained relatively steady most of 2024, but starting early 2025, there was a noticeable rise in tariff-able imports (red bars) and a corresponding increase in net tariff revenue (grey line). By May–July 2025, tariff revenues surged, reaching a peak of around 10–10.5% of total imports, This indicates that recent tariff hikes and expanded coverage on goods.

China remains the largest contributor to US tariff revenues. However, there is a noticeable increase in contributions from Vietnam, the EU, Mexico, and Canada starting in April 2025, aligning with new tariff measures or enforcement letters issued in mid-2025. By July 2025, the total monthly tariff revenue surpassed US$27 billion, with China still dominant but other countries making up a growing share, indicating a diversification of tariff sources. This reflects a strategic broadening of US trade measures beyond just China and may impact global supply chains as more countries face higher trade costs.

In the short term, US tariff hikes boost government revenue and create leverage in trade negotiations, but they risk raising inflationary pressure, dampening consumer demand, and triggering retaliation. For the global economy, tariffs may redirect supply chains. If prolonged, these measures could weigh on global trade momentum and moderate overall economic growth.

Federal Reserve Economics Data



Source : Fed, Setiabudi Investment Management

Fed Economics Data

- 10-year treasury yield stood at 4.04%, US 10-Year Breakeven Inflation rate at around 1.67%, Treasury Inflation-Indexes Securities (TIPS) 2.37% as of 15 September, 2025.
- We see the 10-Year Breakeven Inflation rate has been relatively sticky and slower to go down.

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
9/17/2025						0.0%	0.0%	0.0%	5.0%	95.0%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%	75.3%	20.9%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	69.4%	25.4%	1.7%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	39.3%	45.5%	12.5%	0.8%
3/18/2026	0.0%	0.0%	0.0%	0.0%	1.1%	23.9%	42.9%	26.1%	5.6%	0.3%
4/29/2026	0.0%	0.0%	0.0%	0.4%	8.4%	30.0%	37.5%	19.5%	3.9%	0.2%
6/17/2026	0.0%	0.0%	0.2%	5.7%	22.7%	35.0%	25.7%	9.2%	1.5%	0.1%
7/29/2026	0.0%	0.1%	2.0%	11.3%	26.7%	31.9%	20.2%	6.7%	1.0%	0.1%
9/16/2026	0.0%	0.9%	5.7%	17.4%	28.8%	27.3%	14.9%	4.4%	0.6%	0.0%
10/28/2026	0.2%	1.7%	7.8%	19.3%	28.5%	25.2%	13.1%	3.8%	0.5%	0.0%
12/9/2026	0.4%	2.4%	9.1%	20.4%	28.1%	23.7%	12.0%	3.4%	0.5%	0.0%

Source : Reuters, CME, Setiabudi Investment Management

Fed Watch Meeting Probability

- Fed cut its benchmark rates 25 bps 2025 in September 2025 meeting. Its first cut since Nov 2024. Fed signaled two more reductions this year but only one in 2026, countering market bets on two to three cuts next year.
- For their next meeting in 29 Oct 2025, 75.3% of correspondents believe that rate will down to 75.3%, while 7.4% expect it to go down by 25 bps in Sep 2025 meeting.

The median FOMC has projected additional cuts by 50 bps in the remaining of 2025 to 3.50 – 3.75%. But, we think Fed may settle at around 3.75% - 4.00% 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

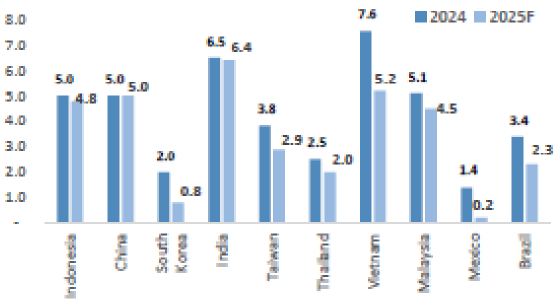
GDP Growth and World Trade Volume Forecast

- 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

	Q1 2025 QoQ	Q1 2025 YoY	Q2 2025 QoQ	Q2 2025 YoY	Q3 2025 YoY Forecast	Last Data
Indonesia	-0.98%	4.87%	4.04%	5.12%	5.20%	Jun-25
China	1.20%	5.40%	1.10%	5.20%	5.40%	Jun-25
South Korea	-0.20%	0.00%	0.70%	0.60%	1.80%	Jun-25
India	2.00%	7.40%		7.80%	7.20%	Jun-25
Taiwan	1.51%	5.45%	3.05%	8.01%	3.00%	Jun-25
Thailand	0.70%	3.10%	0.60%	2.80%		Jun-25
Vietnam		6.93%		7.96%	6.50%	Jun-25
Malaysia	0.70%	4.40%	2.10%	4.40%		Jun-25
Mexico	0.20%	0.80%	0.70%	0.10%	-2.20%	Jun-25
Brazil	1.40%	2.90%	0.40%	2.20%	1.50%	Jun-25

IMF Emerging Countries GDP Projection



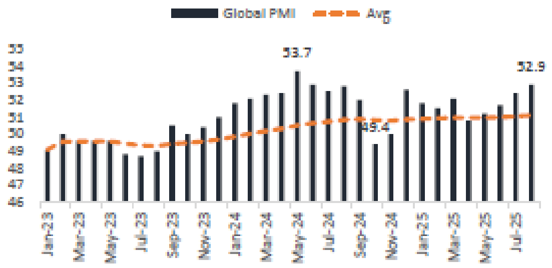
Source : Tradingeconomics, IMF, Setiabudi Investment Management

EM Actual GDP Growth and Forecast

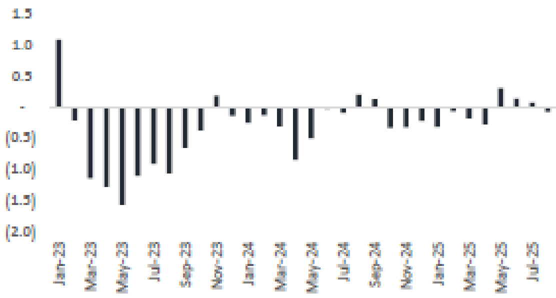
- Most EM economies posted solid YoY growth in Q2 2025, led by India (+7.40%), Vietnam (+6.93%), China (+5.40%), and Taiwan (+5.48%). This shows resilience despite global headwinds (sluggish developed markets, high interest rates), supported by domestic consumption and targeted stimulus.
- We see that Q3 2025 growth momentum is in key economies. China, India, Vietnam maintain strong momentum, with forecasted YoY growth above 5%. This suggests robust export demand in tech and manufacturing, plus healthy domestic activity. Indonesia shows recovery potential in Q2 and projected to continue in Q3 with a IDR 10.8 trillion fiscal stimulus package covering transport fare cuts, wage subsidies, toll relief, and social aid, bolsters Q3 consumption and economic activity
- Global risk factors remain high from persistent geopolitical risks (US–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 PMI Manufacturing



Global Supply Chain Pressure



Source : Tradingeconomics, Setiabudi Investment Management

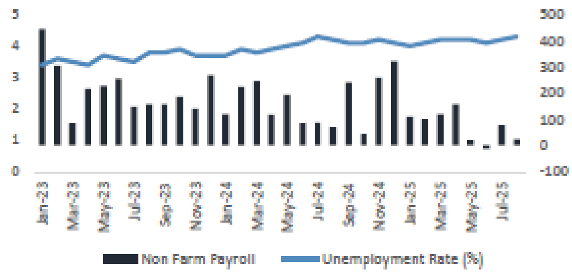
Global PMI and Supply Chain Pressure Index

- Global PMI increase to 52.9 in August 2025 vs 52.4 in July 2025, above monthly average of 51.1.

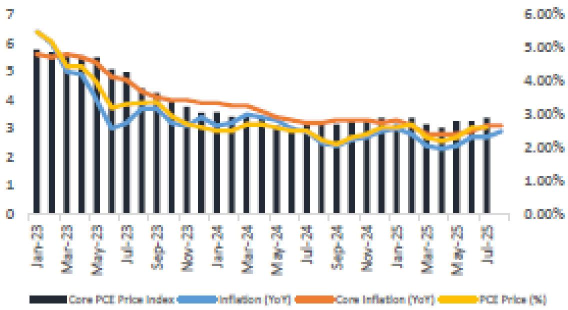
- Global economic expansion regained some momentum in March amid improvements in the service sector, business optimism fell and cost pressures intensified ahead of additional tariff announcements in April.

- Global Supply Chain Pressure Index fell to -0.09 in August 2025 vs +0.09 in July 2025. The drop in August 2025 signaling from weak demand. Supply chains may still be vulnerable to renewed shocks like tariffs, geopolitical conflicts, or weather disturbances.

US Labour Data



US Inflation vs PCE



Source : Tradingeconomics, Setiabudi Investment Management

US Labour Data

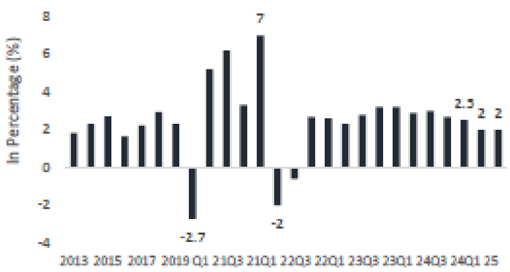
- US Official Nonfarm Payroll added 22k in August 2025 vs 73k in July 2025.
- All sectors added fewer jobs than initially estimated, with the steepest downward revisions in leisure and hospitality (-176K), professional and business services (-158K), retail trade (-126.2K), and wholesale trade (-110.3K). The revision captures the gap between two independently compiled employment measures, each subject to distinct sources of error.
- US Unemployment Rate rose slightly to +4.3% YoY in August 2025 vs +4.2% YoY in July 2025.

US Inflation and PCE

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

We think Fed will consider a minimum of 25 bps rate cuts till the end of 2025. This view is in line with lower US labour data and sticky US inflation.

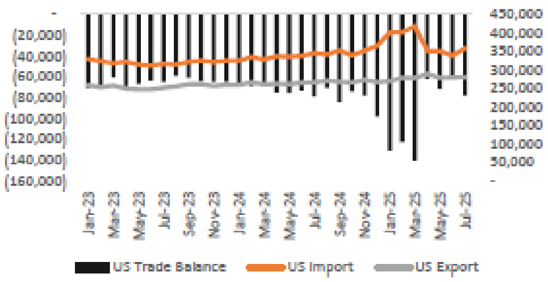
US GDP Annual Growth



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

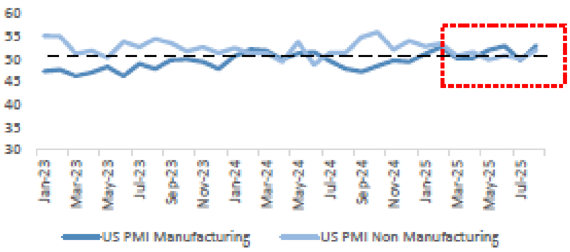


Source : Tradingeconomics, Setiabudi Investment Management

US Trade Balance

- US Trade deficit widened to USD 78.3 billion in July 2025 vs USD 60 billion in June 2025.
- In monthly basis, export grew by +0.3% MoM in August, while import grew by +5.9% MoM in August 2025. In annual basis, export grew +5.3% YoY in August 2025 and import grew +3.9% YoY in August 2025.
- The largest trade deficits were recorded with Mexico (USD 16.6 billion), Vietnam (USD 16.1 billion), China (USD 14.7 billion), and Taiwan (USD 13.5 billion). The US also ran deficits of USD 8.6 billion with the EU, USD 5.5 billion with India, and USD 5.4 billion with Canada.

US PMI Manufacturing



Source : Tradingeconomics, Setiabudi Investment Management

US PMI Manufacturing & Non Manufacturing

- US PMI Manufacturing increase to 53 in August 2025 vs 49.8 in July 2025.
- Production rose at the fastest pace in more than three years, while new orders increased for an eight straight month. Firms expanded hiring to ease capacity constraints, and inventories of finished goods grew at the quickest rate in over a year. On the cost side, input price inflation accelerated, marking the second-sharpest rise in three years, driven in part by tariffs.
- US PMI Non Manufacturing increase to 52 in August 2025 vs 50.1 in July 2025.

We see a gradual improvement in Manufacturing PMI is likely to shift from contraction to modest expansion broadly, but progress will be uneven across subsectors. Sectors tied to durable goods, AI or tech investment, vehicles, and infrastructure may lead. On the other hand, Non PMI likely to remain in expansion territory. Growth might moderate from peaks but still provide steady support for overall GDP. Key drivers will be business and consumer services (finance, health, transport, software) rather than goods-oriented services.

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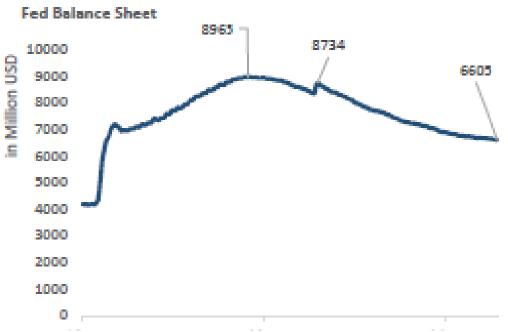
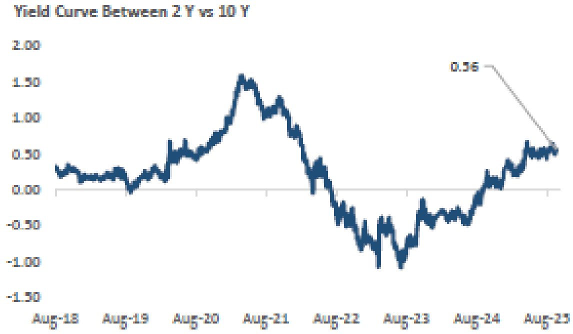


FED's Balance Sheet

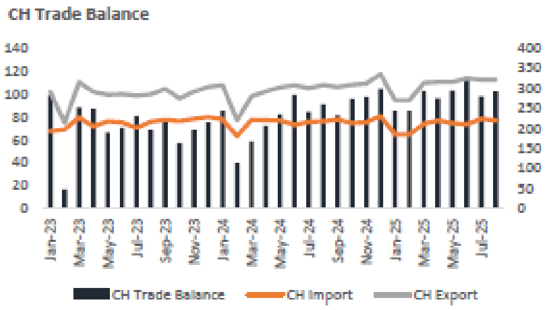
- FED's balance sheet went down to USD 6.6 tn as of 15 September 2025 from its peak at USD 8.96 tn as of 13 April 2022.
- Fed forecasted the balance sheet to decline to USD 5.9 trillion in 2025 as reserves fall to about 8% of nominal GDP and reverse repos are eliminated.
- Based on our estimate, since the last uptick in April 2023, FED's Balance Sheet has been going down by an average of 1.1% in last 3 month basis (or USD 20-30 billion per month), which we project it will reach its target of USD 5.9tn by May 2026 with the current speed.



Source : Federal Reserve, Setiabudi Investment Management

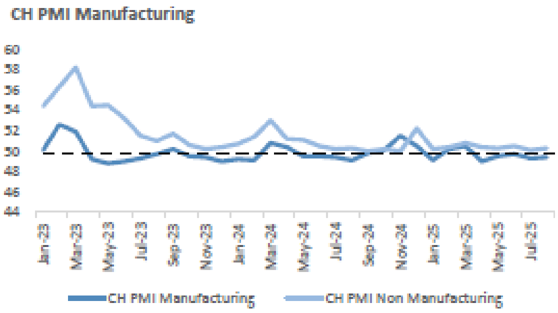
Yield curve between 2-year and 10-year

- The spread between 10-year and 2-year treasury yield was back in positive territory after an inversion over the past two years.
- 10-Year U.S Treasury yield was at 4.13% on 19 Sept 2025 while 2-Year Treasury yield was at 3.58%, resulting in a +0.56% spread.



China Trade Balance

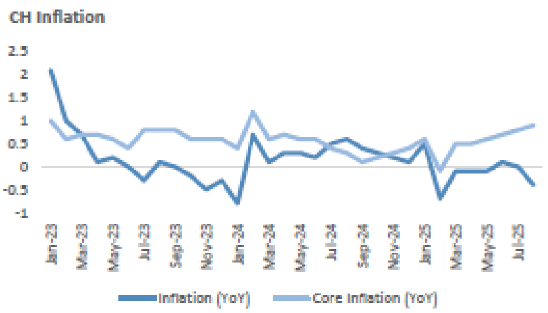
- China's trade surplus increase to USD 102.33 billion in August 2025 vs USD 98.24 billion in July 2025.
- Import declining to USD 219.48 billion in August 2025 vs USD 223.54 billion in July 2025.
- Export slightly increase to USD 321.81 billion in August 2025 vs USD 321.78 billion in July 2025.
- **China's trade surplus with US declined to USD 20.32 billion in August, down from USD 23.74 billion in July, as both exports and imports with the US declined, falling 33.1% and 16.0%, respectively.**



Source : NBS of China, Setiabudi Investment Management

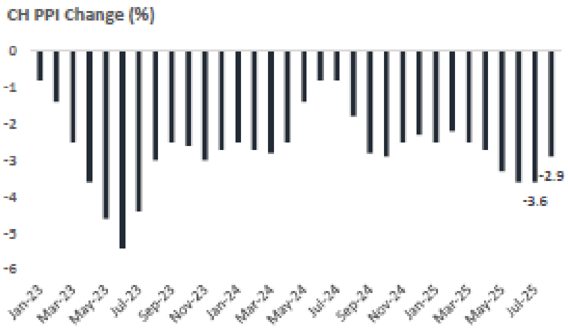
China PMI Manufacturing & Non Manufacturing

- PMI manufacturing increase to 49.4 in August 2025 vs 49.3 in July 2025.
- PMI non-manufacturing increase to 50.3 in August 2025 vs 50.1 in July 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.



China Inflation

- Consumer price were fell to -0.4% YoY in August 2025 vs +0% YoY in July 2025.
- Core consumer price grew by +0.9% YoY in August 2025 vs +0.8% YoY in July 2025.
- Food prices slumped (-4.3% in August vs -1.6% in July). In contrast, non-food inflation quickened (+0.5% in August vs +0.3% in July), supported by Beijing's ongoing consumer goods subsidies, with increases in healthcare (+0.9% in August vs +0.5% in July), and education (+1.0% in August vs +0.9% in July).



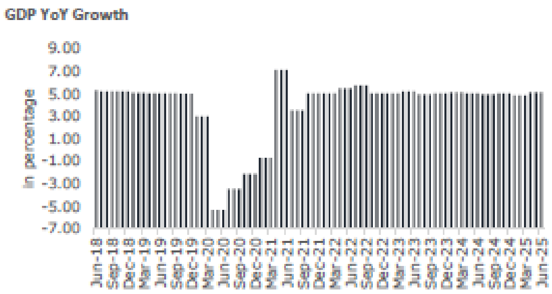
China PPI

- China's producer prices fell -2.9% YoY in August 2025 vs -3.6% YoY in July 2025. Persistent PPI deflation signals ongoing industrial oversupply and global demand weakness.

- Production material cost shrank at a softer pace (-3.2% in August vs -4.3% in July), with easing falls in mining (-11.5% in August vs -14.0% in July), raw materials (-4.1% in August vs -5.4% in July), and processing (-2.2% in August vs -3.1% in July).

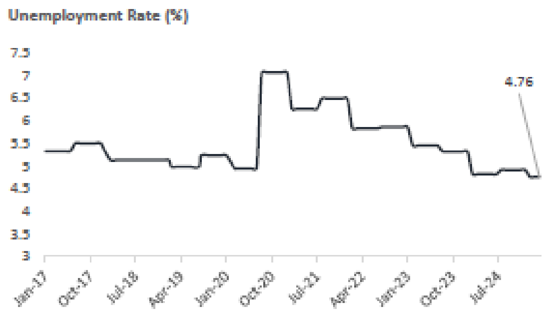
Source : Tradingeconomics, Setiabudi Investment Management

Indonesia Macroeconomics



Indonesia GDP

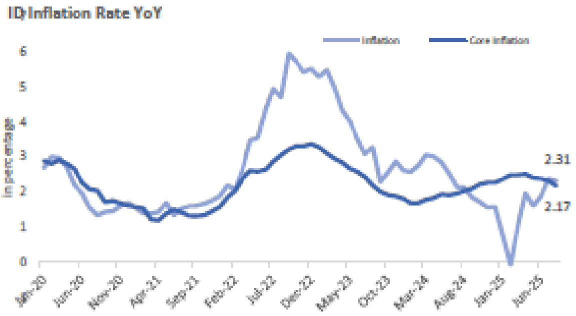
- Indonesia's economy grew by 5.12% YoY in Q2 2025 vs 4.87% YoY in Q1 2025.
- Growth in Q2 2025 driven by stronger growth in fixed investment (6.99% in Q2 vs 2.12% in Q1) and private consumption (4.97% in Q2 vs 4.95% in Q1).
- For 2025, the government has maintained its GDP growth target at 5.2%, despite headwinds from new US tariffs of 19%, which is lower than the 32% tariff threatened in April but higher than prior average rates of less than 10%.



Indonesia Unemployment Rate

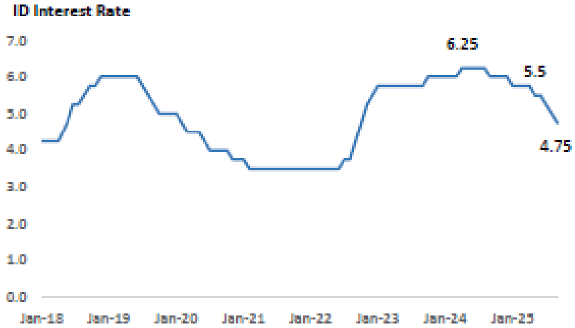
- Indonesia's unemployment rate declined to 4.76% in Q1 2025 vs 4.91% in Q4 2024.
- The number of unemployed persons edged up by 1.11% from a year earlier to 7.28 million. At the same time, the number of employed increased by 2.52% to 145.77 million, mostly in wholesale & retail trade, repair and maintenance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



Indonesia Inflation

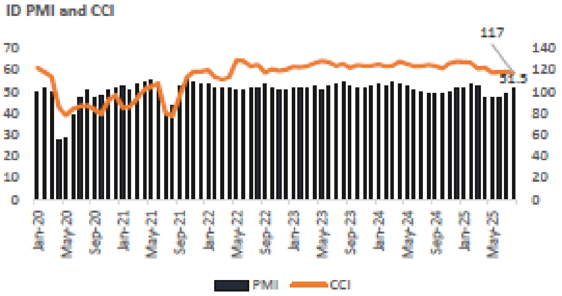
- Annual inflation grew at slower pace by +2.31% YoY in August 2025 vs +2.37% YoY in July 2025.
- Core Inflation grew at slower pace by +2.17% YoY in August 2025 vs +2.32% YoY in July 2025.



Indonesia Interest Rate

- BI decided to cut its benchmark rate by 25 bps to 4.75% in September 2025 vs 5.0% in August 2025 meeting. This brings the total rate cut in 2025 to 100bps. The decision reflects projections that inflation for 2025–2026 will remain within the central bank's target range of 2.5%±1%. 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.

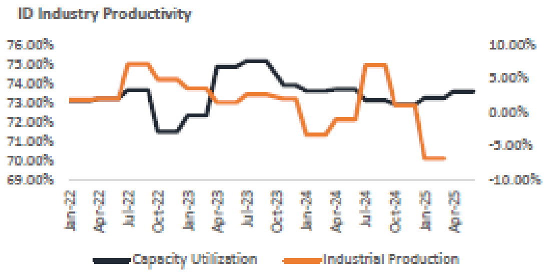
Source: BPS, Bank Indonesia, Setiabudi Investment Management



Indonesia PMI and CCI

- Indonesia PMI increase to 51.5 in August 2025 vs 49.2 in July 2025.
- Indonesia's consumer confidence decrease to 117 in August 2025 vs 118.1 in July 2025.

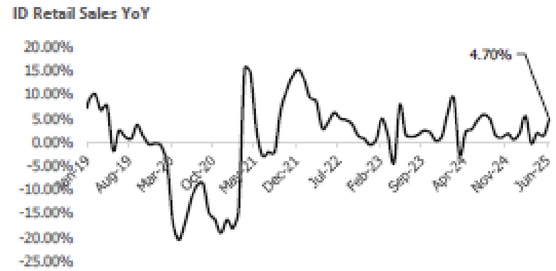
We see the decline in manufacturing was inline with slowing pace of growth of consumer confidence globally, weaker demand, delivery times lengthened to a nine month high due to poor weather and delays.



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



Source: Bank Indonesia, Setiabudi Investment Management

Indonesia Retail Sales

- Retail sales growth by +4.7% YoY in July 2025 vs +1.30% YoY in June 2025.
- Retail sales was driven by stronger demand for food, beverages, and tobacco (+5.1% in July vs +2.4% in June), fuel (+14.4% in July vs +12.1% in June), and cultural and recreational goods (+5.2% in July vs +1.5% in June).
- On a monthly basis, retail sales edged down -4.1% MoM, the steepest drop in three months, reflecting the end of the recent holiday period and normalization after Eid-related spending.

We see growth at slower pace of retail sales in 1st 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.

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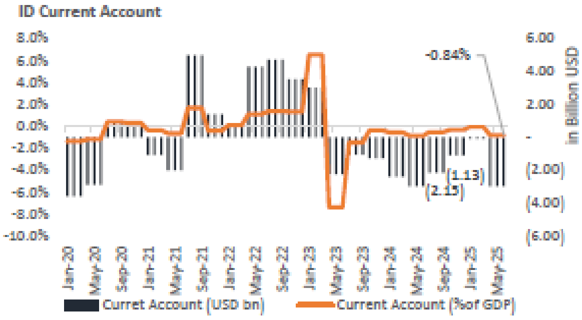
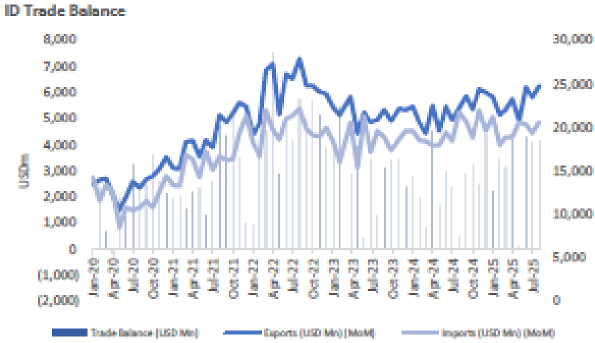


Indonesia Current Account

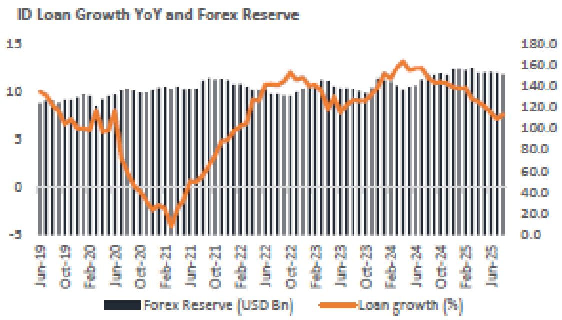
- Indonesia's CA deficit USD 3 billion in Q2 2025 or -0.8% of GDP.
- Primary income deficit increased slightly to USD 9.83 billion from USD 9.45 billion a year earlier, while the services account deficit narrowed to USD 5.51 billion from USD 5.99 billion. Meanwhile, the trade surplus rose to USD 10.58 billion, up from USD 9.99 billion, and the secondary income surplus increased to USD 1.74 billion from USD 1.43 billion.



Indonesia Trade Balance

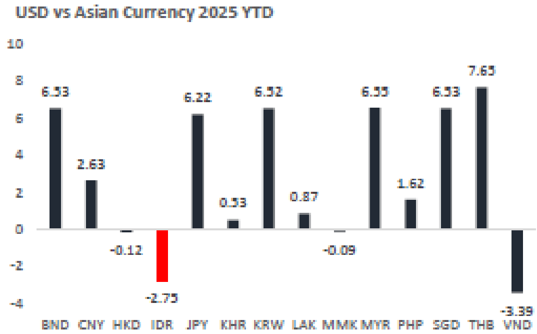
- Indonesia's trade surplus widened to USD 4.17 billion in July 2025 vs USD 4.1 billion in June 2025.
- Exports grew by +9.86% YoY in July 2025 vs +11.29% YoY in June 2025. Non-oil and gas exports increased by +12.83% YoY with notable sales growth to the US by 38.88% and China by 6.54%. Among major commodities, exports rose mainly for animal/vegetable fats and oils +82.72% YoY and iron & steel +13.34% YoY.
- Imports drop by -5.86% YoY in July 2025 vs +4.28% YoY in June 2025. Non-oil and gas imports fell -1.3% YoY in July vs +12.1% YoY surge in June.

Source: BPS, Bank Indonesia, Setiabudi Investment Management



Indonesia Loan and Foreign Reserves

- Lending grew at slightly stronger pace by +7.56% YoY in August 2025 vs +7.03% YoY in July 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 150.7 billion in August 2025 vs USD 152 billion in July 2025.



Indonesia Rupiah Against USD

- Rupiah depreciate -2.75% 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 continues to strengthen its stabilization policy response, including measured intervention in the offshore Non-Deliverable Foreign Exchange (NDF) market and a triple intervention strategy for spot, Non-Deliverable Foreign Exchange (DNDF) and Government Securities (SBN) transactions in the secondary market. All monetary instruments are also being optimized, including strengthening the pro-market monetary operations strategy to support rupiah exchange rate stability.

Source: Bank Indonesia, Asian Bond Online (as of 19 Sep 2025), Setiabudi Investment Management

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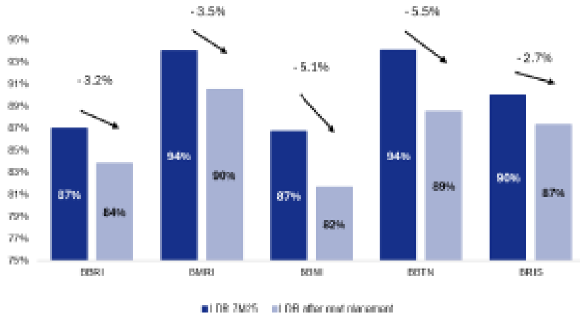
Percentage of MoF Policy to SOE Banks Deposits and Loans

In Trillion IDR	Govt. Placement	Deposits	% of Total Deposits	Loans	% of Total Loans
BBRI	55	1,457	3.8%	1,267	4.3%
BMRI	55	1,421	3.9%	1,336	4.1%
BBNI	55	881	6.2%	764	7.2%
BBTN	25	401	6.2%	377	6.6%
BRIS	10	328	3.0%	295	3.4%

MoF Policy Effect on SOE Banks LDR



Source: CGS, Setiabudi Investment Management

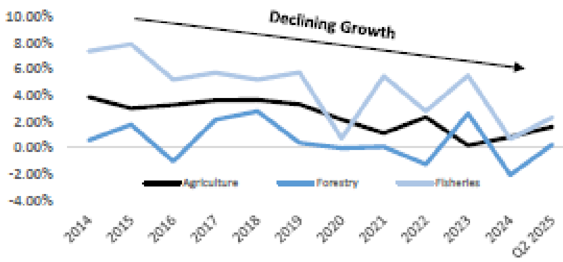
How can 200 Trillion IDR Effect on Indonesia Economy?
Indonesia new Ministry of Finance has launch its fiscal policy to distributed 200 trillion IDR to SoE bank. Based on information, the money has been transferred to each bank as of 12 Sept 2025.

The placement of the SAL funds are considered deposits on call, with a 6-month tenor of placement that can be extended. The cost of funds paid by the SOE banks use BI's 7 day reverse repo rate formula of 80.4%. Using the current benchmark rate (4.75%), cost of funds stood at 3.8%. This is lower than the bank's special deposit rate which ranges from 5-6%. The SAL funds cannot be used to purchase government bond instruments and must be used for loan disbursements.

Considering the SAL placement has already been transferred, we see banks that have stretched LDRs and the ability to channel faster loan disbursements benefitting more (typically, banks fund raise ahead of loan disbursements).

We believe SOE banks may start to let go of some expensive time deposits, but the impact may lag by 1-3 months. Overall, we see this development to be positive as it could help to speed up an improvement in cost of funds in the banking system and if done properly can boost public spending and further boost economic activity that has been weak.

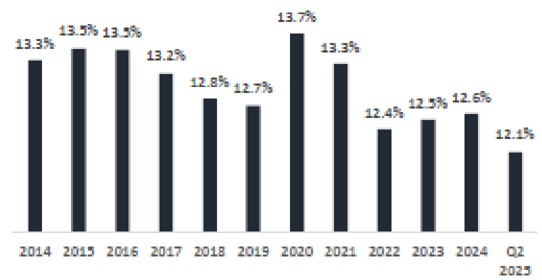
Agriculture, Forestry & Fisheries Growth (%)



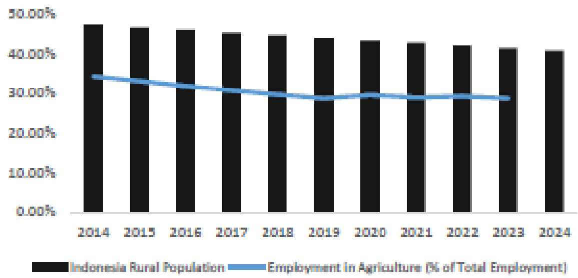
Agriculture Sector Development Effect on Indonesia Economy
President Prabowo Subianto has increased the food security budget to IDR 164.4 trillion in the 2026 +5.9% YoY from 2025. This allocation aims to boost food productivity, maintain price stability, and improve the welfare of farmers and fishers through a range of programs and infrastructure development.

Agriculture currently contributes 12-13% of Indonesia's GDP. Expanding food estates and improving productivity can raise this share gradually. Estimates suggest that 1,000 hectares of new food estate land can absorb 500–700 workers directly. If Indonesia expands food estates by 100k–200k hectares, that could create 50k–140k new direct jobs, not counting downstream processing employment.

Agriculture, Forestry & Fisheries Value Added of ID GDP

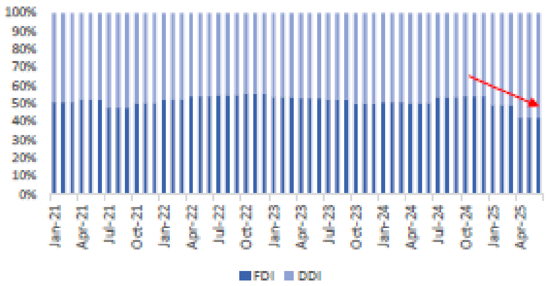


Rural Population vs Employment in Agri

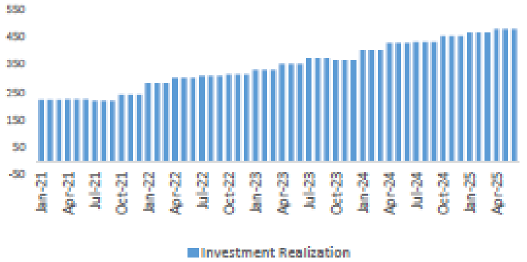


Source: World Bank, BPS, Setiabudi Investment Management

Investment Realization Portion



Indonesia Investment Realization



Source: MoI, Setiabudi Investment Management

Indonesia Investment Realization in 1H 2025

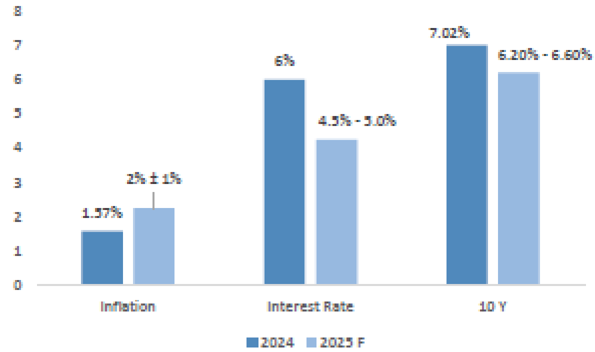
Based on Indonesia Ministry of Investment data, total realized investment as 1H 2025 reached Rp 942.9 trillion (approx. US$57.4 billion), marking an +11.5% YoY increase compared to H1 2024. This achievement represents 49.5% of the full-year target set at Rp 1,905.6 trillion. Investment outside Java slightly 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 2nd half 2024 continue till 1st 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.**

Bonds Market Forecast



Bonds Market Sentiment in 2025

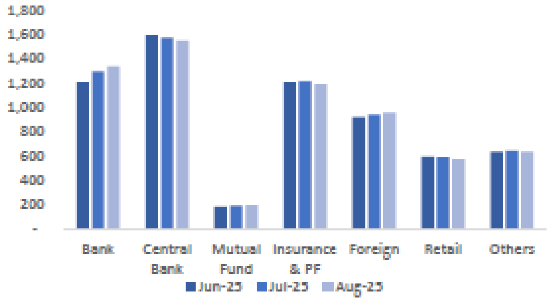
Positive Factors

- BI proactive measures, such as ensuring liquidity and maintaining an accommodative stance, can stabilize bond markets and attract investors.
- Strong demand from local institutions like pension funds and insurance companies could support bond prices, especially if liquidity remains robust.

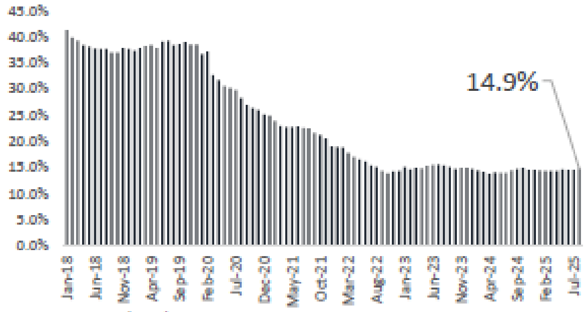
Negative Factors

- Rupiah is sensitive to global capital flows. Any significant capital outflows due to external shocks or domestic uncertainties could lead to currency depreciation.
- A narrowing spread between Indonesian 10-year bonds and US Treasuries could reduce the appeal of Indonesian bonds due to perceived risk-adjusted return disadvantages.
- An increasing budget deficit and higher debt issuance could lead to oversupply in bonds, pushing yields higher and prices lower.
- Tensions in global markets or trade disruptions could lead to risk aversion, prompting investors to exit emerging markets like Indonesia.

Government bonds ownership by Investors



Government bonds ownership by foreign investors



Source: DJPPR, Setiabudi Investment Management

Government Bonds Ownership

- As of 29 August 2025, Bank recorded 20.8%, central bank 24.1% and others (mutual fund, insurance, pension fund, foreign and others) hold 55.1% of total government bonds ownership.

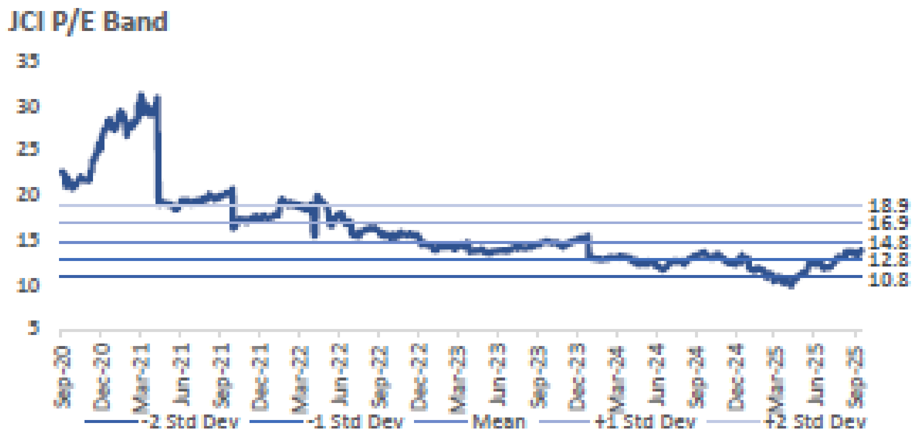
- We see the central bank slowly reducing its bond holdings, while banks, insurance & pension fund, and foreign investors have gradually increased their bond holdings. This indicates improvement and increased market confidence in government bonds amidst uncertainty of global geopolitical tensions.

Foreign Investor Ownership

- The portion of Government bond held by foreign investors as of 29 August 2025 was at IDR 954 trillion, grew by +1.94% from the previous month.

- Foreign ownership stood at around 14.9% as of 29 August 2025 vs 14.5% as of 30 December 2024.

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.

Negative Factors

- Uncertainty surrounding new policies of the new government could affect investor sentiment in the 1st term.
- Rupiah is sensitive to global capital flows. Any significant capital outflows due to external shocks or domestic uncertainties could lead to currency depreciation.
- Fluctuating commodity prices.

--- End of report ---