

Macroeconomics Indicator

	2023	2024	2025F
GDP growth (%YoY)	5.05	5.03	5.02
Inflation (%YoY)	2.61	1.57	1.97
BI rate (% Year-end)	6.00	6.00	5.00
Rp/US\$ (Average)	15,244	15,853	16,571
CA deficit (% of GDP)	-0.1	-0.6	-1.5
Fiscal deficit (% of GDP)	1.65	2.3	2.8

Rebound in M2 growth from pick-up in government spending

- M2 rebounded to +6.5% yoy in Jun25 (+4.9% yoy in May25) from improving net claims on the gov't at -8.2% yoy (-25.7% yoy in May25).
- Currency-in-circulation (CIC) trended lower to +8.4% yoy (+10.6% yoy in May25), suggesting slower economic activity during Eid Al-Adha.
- We see a softer GDP at c.+4.8% in 2Q25 (+4.9% in 1Q25) from lower external trade contribution amid flat household consumption.

A pick-up in M2 growth from higher government spending

Broad money (M2) growth rebounded to +6.5% yoy in Jun25 (+4.9% yoy in May25). This was supported by higher net domestic assets (NDA) at +7.1% yoy (+5.1% yoy in May25), while net foreign assets (NFA) remained flat at +3.9% in Jun/May25. Within NDA, net claims on the government improved to -8.2% yoy (-25.7% yoy in May25), reflecting higher state spending of +0.6% yoy (-11.3% in May25). The acceleration in government expenditure stemmed from the budget reallocation which has reached 44% of total, along with Rp24.4tr stimulus package in 2Q25. We believe this trend will continue in 2H25, supported by the completion of the reallocation and commencement of key programs, e.g. Merah-Putih Cooperative.

Lower currency-in-circulation despite Eid Al-Adha festivity

Currency-in-circulation (CIC) inched down to +8.4% yoy in Jun25 (+10.6% yoy in May25). This occurred despite the seasonality of Eid Al-Adha (average CIC growth in the last 10Y Eid Al-Adha was at +9.5% yoy) and the school holiday, indicating slower-than-expected economic activity during the month. Meanwhile, private loan growth declined to +7.6% yoy in Jun25 (+8.1% yoy in May25), marking its fourth month of consecutive slowdown since the peak of +9.7% yoy in Feb25. All three loan categories decelerated, led mainly by investment/working capital loans at +12.2%/+4.3% yoy (+13.4%/+4.5% in May25). In terms of sector, trade & restaurant/construction posted the most drop in investment loan at +2.7%/+8.9% yoy (+7.0%/+11.6 yoy in May25).

Declining NFA but capital outflow shall be temporary

In the NFA, the slower growth was largely due to foreign outflow in both bond and equity at -US\$0.4bn/-US\$0.5bn in Jun25 (+US\$1.6bn/+US\$0.3bn in May25). We view this outflow to be temporary as it only indicates a cautious stance following the earlier geopolitical conflict between Iran-Israel. In Jul25 MTD, bonds have already recorded capital inflows of +US\$0.5bn, supported by the government's front-loading strategy. On the other hand, US\$ third-party funds has increased to +2.3% yoy (-0.7% yoy in May25), although US\$ term deposits continued to contract at -4.3% yoy (+3.0% yoy in May25). At the same time, foreign ownership in SRBI dropped to 24.3% in Jun25 (24.6% in May25), indicating an outflow of -Rp23.3tr.

We maintained the GDP growth expectation at c.+4.8% in 2Q25

We project 2Q25 GDP growth to soften at c.+4.8% yoy (vs. +4.9% yoy in 1Q25), mainly due to a lower contribution from external trade at c.0.4% (0.8% in 1Q25). Meanwhile, we expect household spending to be relatively stable at c.+4.9% (flat vs. 1Q25). We see limited upside to higher household spending, given the slower-than-expected consumption activity from Eid Al-Adha and school holiday season (decelerating core CPI of +2.37% in Jun25 vs 2.4/2.5% in May/Apr25, see our inflation report [here](#)).

Luthfi Ridho

PT Indo Premier Sekuritas
luthfi.ridho@ipc.co.id
 +62 21 5088 7168 ext. 721

Axel Azriel

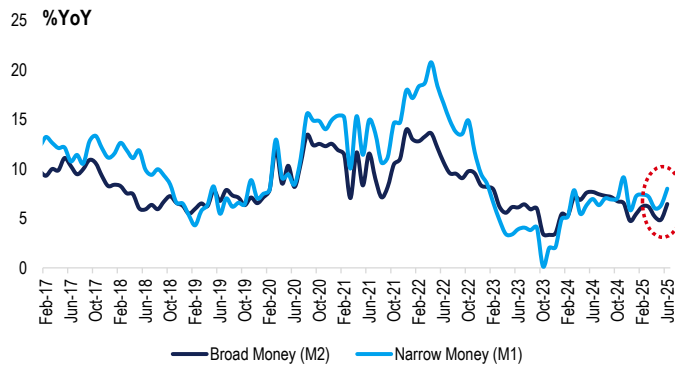
PT Indo Premier Sekuritas
axel.azriel@ipc.co.id
 +62 21 5088 7168 ext. 717

Fig. 1: Money supply summary: M2 growth increased from a pick-up in net domestic asset (NDA)

	2019	2020	2021	2022	2023	2024	2025	Apr-25 May-25 Jun-25			Apr-25 May-25 Jun-25		
	%YoY							%YoY			%MoM		
Broad Money (M2)	6.5	12.5	14.0	8.4	3.5	4.4	6.5	5.2	4.9	6.5	-0.5	0.2	2.0
Net Foreign Asset	4.4	13.6	5.8	4.9	3.6	0.8	3.9	3.6	3.9	3.9	-3.2	-1.2	0.5
Net Domestic Asset	7.2	12.2	16.7	9.4	3.4	5.4	7.1	5.6	5.1	7.1	0.2	0.6	2.4
Narrow Money (M1)	7.4	14.9	17.9	9.5	2.1	5.8	8.0	6.0	6.3	8.0	-0.9	0.0	3.5
Deposit	6.4	11.4	12.2	9.4	3.8	3.7	6.6	4.4	3.9	6.6	0.2	0.2	2.7
Private Loan	5.9	-2.6	4.9	11.0	10.3	9.1	7.6	8.5	8.1	7.6	0.6	0.5	0.7
L/D Ratio (%)	97.0	84.9	79.4	80.5	85.6	90.1	88.5	90.0	90.3	88.5			

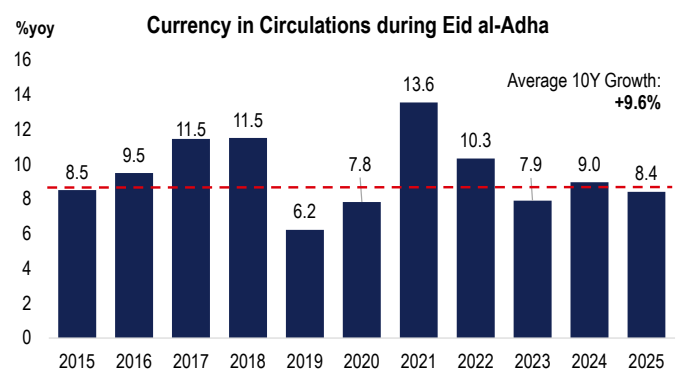
Source: BI, Indo Premier

Fig. 2: Both broad (M2) and narrow money (M1) improved



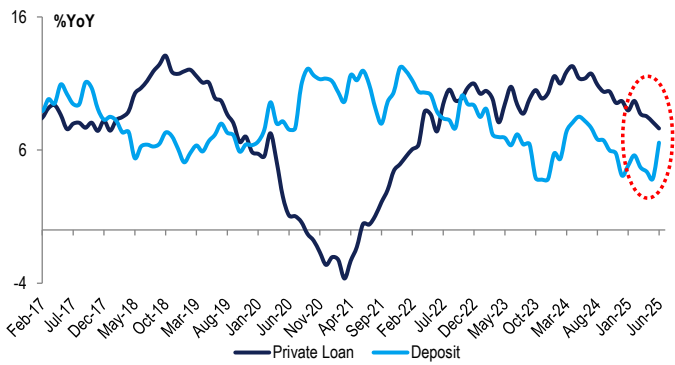
Source: BI, Indo Premier

Fig. 3: But the currency in circulation is lower despite Eid al-Adha



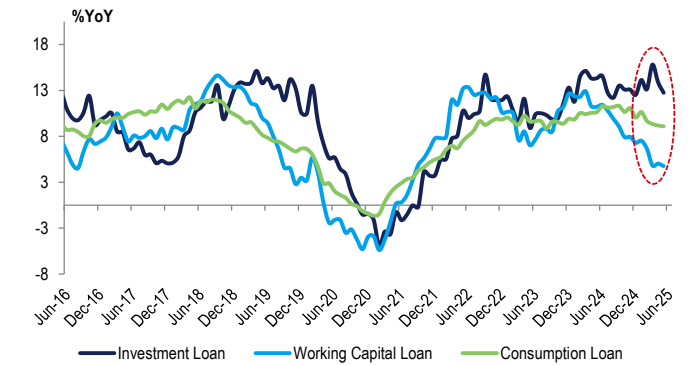
Source: BI, Indo Premier

Fig. 4: Increased deposit but private loan decelerated further



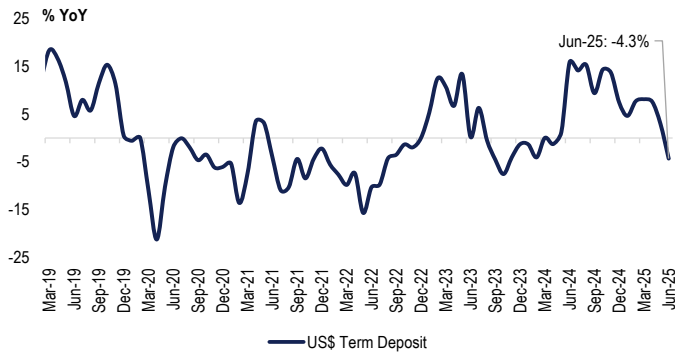
Source: BI, Indo Premier

Fig. 5: All three categories of private loan decreased



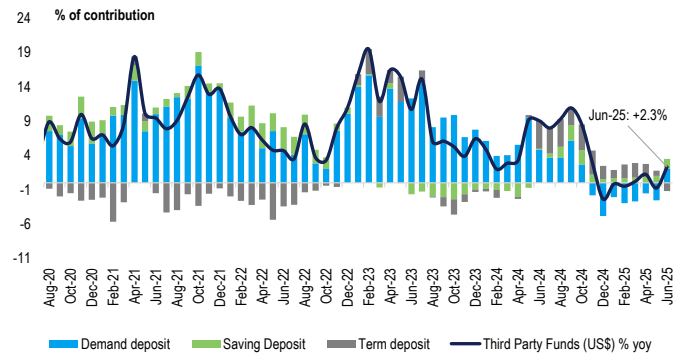
Source: BI, Indo Premier

Fig. 6: On-shore US\$ term deposit declined



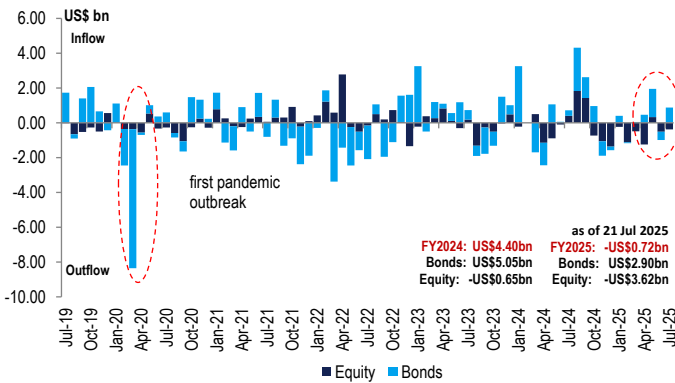
Source: BI, Indo Premier

Fig. 7: But overall US\$ third party deposit rebounded



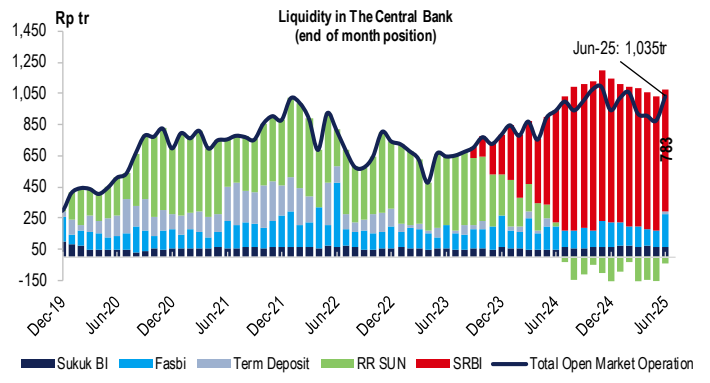
Source: BI, Indo Premier

Fig. 8: Both bonds and equity recorded outflows in Jun25



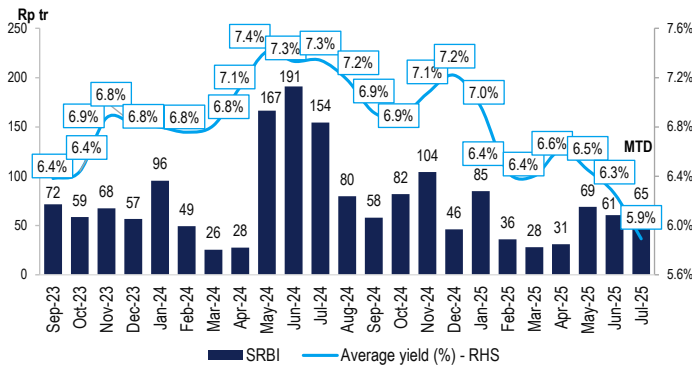
Source: Bloomberg, Indo Premier

Fig. 9: OMO declined from SRBI, but increased from repo



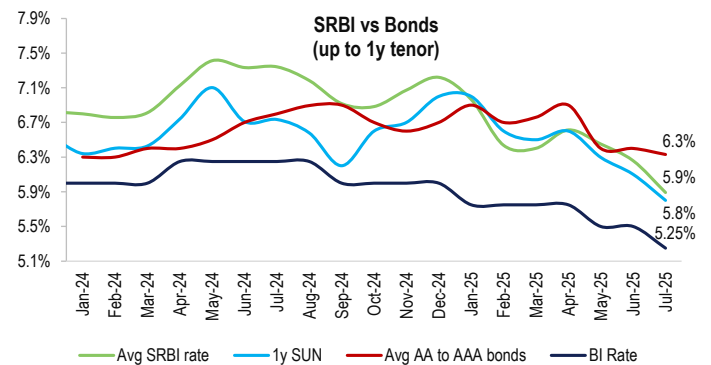
Source: BI, Indo Premier

Fig. 10: SRBI yield keeps trending down



Source: BI, Indo Premier

Fig. 11: Followed by other securities



Source: BI, Indo Premier

Fig. 12: SRBI position recorded further outflow

SRBI ownership (Rp tr)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Bank	461.3	537.7	534.8	552.1	586.3	601.7	560.8	562.3	560.5	526.2	549.1	538.1	523.5
Non bank	233.9	299.8	327.9	334.1	345.8	328.6	315.2	321.2	312.0	315.9	292.1	290.6	233.6
Resident	41.4	63.8	77.3	79.9	83.6	84.9	91.1	83.5	81.9	81.7	79.9	77.3	43.5
Non-resident	192.5	236.0	250.6	254.2	262.2	243.7	224.2	237.7	230.1	234.2	212.1	213.4	190.1
Others	25.9	22.8	58.1	41.4	28.6	38.9	47.5	10.5	20.9	49.0	40.7	38.6	25.9
Total	721.1	860.3	920.8	927.6	960.7	969.2	923.5	894.0	893.4	891.1	881.8	867.4	783.0
monthly increase	162.8	139.2	60.5	6.9	33.0	8.5	-45.6	-29.6	-0.6	-2.3	-9.3	-14.4	-84.4

SRBI ownership (% of total)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Bank	64.0	62.5	58.1	59.5	61.0	62.1	60.7	62.9	62.7	59.0	62.3	62.0	66.9
Non bank	32.4	34.9	35.6	36.0	36.0	33.9	34.1	35.9	34.9	35.5	33.1	33.5	29.8
Resident	5.7	7.4	8.4	8.6	8.7	8.8	9.9	9.3	9.2	9.2	9.1	8.9	5.6
Non-resident	26.7	27.4	27.2	27.4	27.3	25.1	24.3	26.6	25.8	26.3	24.1	24.6	24.3
Others	3.6	2.7	6.3	4.5	3.0	4.0	5.1	1.2	2.3	5.5	4.6	4.5	3.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BI, Indo Premier

ANALYSTS CERTIFICATION

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