

Macroeconomics Indicator

	2024	2025	2026F
GDP growth (%yoy)	5.0	5.1	5.2
Inflation (%yoy)	1.6	2.9	2.8
BI rate (% Year-end)	6.00	4.75	4.25
Rp/US\$ (Average)	15,848	16,475	16,800
CA deficit (% of GDP)	-0.6	-0.1	-0.8
Fiscal deficit (% of GDP)	-2.3	-2.9	-2.9

F: forecast, P: preliminary; all baseline scenario

## Assessing the impact of oil price shock

- Oil prices at c.US\$75-80/bbl or slightly above for a short period of time is likely to be manageable under current fiscal capacity.
- Prolonged oil price spike (3-5 months) could push Rupiah above Rp17k/US\$ and fiscal deficit above 3% if there's no spending adjustment.
- Policy responses: 1) lower FX reserve, 2) higher purchase of gov't bonds by BI, and 3) non-subsidized fuel price adjustment.

### Establishing the baseline assumption

We assess the potential impact of higher sustained oil prices on Indonesia's economy. Under our baseline, oil prices at c.US\$75–80/bbl or modestly above for a short period of time is likely to be manageable, as past experience suggest that the adjustments were only limited to non-subsidized fuel prices. When gov't raised Pertalite to Rp10,000/liter in Sep22, Brent has stayed above US\$100/bbl for several months, significantly above 2022 ICP assumption of US\$45/bbl. Indonesia's 2026 state budget assumes ICP of c.US\$70/bbl, and at current levels we still see our Rupiah base case of Rp16,800/US\$ average holding.

### Rupiah depreciation intensified during geopolitical driven oil shocks

We run several scenarios where oil price spikes are more sustained: starting at US\$90/bbl, then rising in US\$10 increments up to US\$120/bbl, we draw on historical episodes of geopolitical oil shocks (e.g., Arab Spring, Iran sanctions, Russia-Ukraine) where the Rupiah tended to depreciate by roughly 2.5 times the strength of the DXY as oil risk premium rose and safe-haven demand for US dollars increased. The transmission from oil to Rupiah often works first through sentiment (war leads to higher US\$ demand), and then through fiscal channels as subsidy costs mount. Under these scenarios, we estimate Rupiah depreciations of c.-2.4% to Rp17,200 on US\$90/bbl, -4.2% to Rp17,500 on US\$100/bbl, and as much as to Rp18,500 on US\$120/bbl.

### Fiscal deficit could exceed the threshold if gov't doesn't adjust spending

Without any adjustment to subsidized fuel prices like Pertalite, higher oil prices would significantly increase subsidy burdens. At US\$90/bbl, we estimate additional subsidy costs of around Rp140tr (about 0.53% of FY26F nominal GDP), rising to c.Rp212tr (0.83% of GDP) at US\$100/bbl, and c.Rp356tr (1.39% of GDP) at US\$120/bbl. For context, our baseline forecast assumes a FY26 fiscal deficit of around -2.9% of GDP—based on +7.2% nominal GDP growth and a 9.5% tax ratio, without any adjustment in fuel pricing. Even a relatively mild oil shock to US\$90/bbl could push the fiscal deficit above the -3.0% threshold unless the government either adjusts other spending, raises Pertalite prices, or gaining a meaningful revenue increase.

### Potential drop in FX reserve, higher bond purchase, or fuel price adjustment as the likely policy response

If the scenarios materialize, we anticipate several likely policy responses: 1) Substantial use of FX reserves to defend the Rupiah (Jan26: US\$154.6bn/-US\$1.9bn mom), 2) higher purchase of gov't bonds by BI to contain upward pressure on yields - a trend that already visible as BI became a net buyer YTD (+Rp5.6tr/+US\$331.9mn) by the end of Feb26 despite being a net seller of Rp125tr as of early Feb26, 3) adjustment of non-subsidized fuel prices (Pertamax in Feb26: Rp11,800/liter/-Rp550 mom/-Rp1,100 mom), and 4) potential pertalite price hike, although this is less likely in the near term given the gov't policy focus is economic growth.

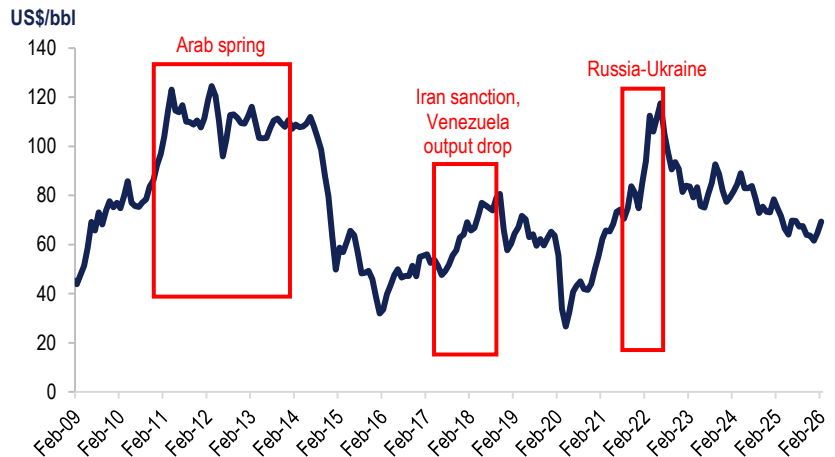
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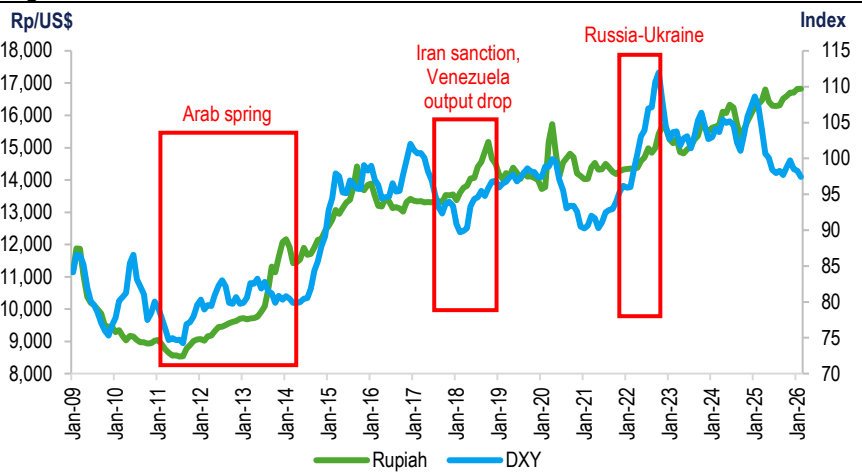
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**Fig. 1: Cumulative net foreign flow since MSIC announcement**



Source: Bloomberg, Indo Premier

**Fig. 2: Foreign Ownership in INDOGB rise significantly when S&P upgraded Indonesia rating to BBB**



Source: Bloomberg, Indo Premier

**Fig. 3: Baseline APBN outlook in FY26**

	FY25	% Realization to APBN 2025	2026 APBN	% yoy	IPOT 2026 APBN Outlook	% yoy
Spending	3,451	95	3,843	11.3	3,651	5.8
<i>Organization type</i>						
Central Gov't	2,602	96	3,150	21.0		
Regional Transfer	849	92	693	-18.4		
Revenue	2,756	92	3,154	14.4	2,902	5.3
Tax	1,918	88	2,358	23.0		
Custom & Excise	300	100	336	11.9		
Non-Tax	534	104	459	-14.0		
Grant	4		1	-84.6		
Balance	-695.1	112.8	-689		-749	
% to GDP	-2.92		-2.68		-2.91	
Nominal GDP Assumptio	23,805		25,714	8.0	25,521	7.2

Source: Bloomberg, Indo Premier

**Fig. 4: Summary of oil price shock scenario**

	Baseline Normal	Stress 1 Mild Risk-Off	Stress 2 Moderate Risk-Off	Stress 3 Severe Risk-Off	Stress 4 Extreme Risk-Off
ICP Oil Price (US\$/bbl)	73	90	100	110	120
US\$/Rupiah (FY average)	16,800	17,200	17,506	17,993	18,497
Rupiah depreciation vs baseline (%)	0.0%	2.4%	4.2%	7.1%	10.1%
Additional subsidy cost (Rp tr)	17.0	136.0	212.0	272.0	356.0
Fiscal deficit — stressed	-2.98%	-3.44%	-3.74%	-3.98%	-4.30%

Source: MoF, Indo Premier

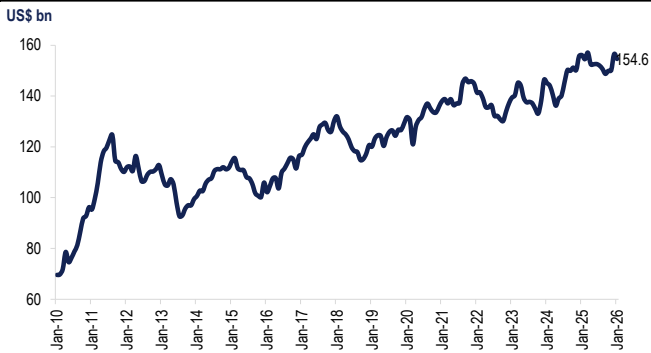
**Fig. 5: Added fiscal deficit (Rp tr) based on Rupiah and ICP movement**

ICP (USD/bbl)\ IDR →	Rp16,000	Rp16,500	Rp17,000	Rp17,500	Rp18,000	Rp18,500	Rp19,000
\$70/bbl	4.0	0.0	-4.0	-8.0	-12.0	-16.0	-20.0
\$75/bbl	-30.0	-34.0	-38.0	-42.0	-46.0	-50.0	-54.0
\$80/bbl	-64.0	-68.0	-72.0	-76.0	-80.0	-84.0	-88.0
\$85/bbl	-98.0	-102.0	-106.0	-110.0	-114.0	-118.0	-122.0
\$90/bbl	-132.0	-136.0	-140.0	-144.0	-148.0	-152.0	-156.0
\$95/bbl	-166.0	-170.0	-174.0	-178.0	-182.0	-186.0	-190.0
\$100/bbl	-200.0	-204.0	-208.0	-212.0	-216.0	-220.0	-224.0
\$105/bbl	-234.0	-238.0	-242.0	-246.0	-250.0	-254.0	-258.0
\$110/bbl	-268.0	-272.0	-276.0	-280.0	-284.0	-288.0	-292.0
\$115/bbl	-302.0	-306.0	-310.0	-314.0	-318.0	-322.0	-326.0
\$120/bbl	-336.0	-340.0	-344.0	-348.0	-352.0	-356.0	-360.0

No additional cost (ICP ≤ US\$70/bbl)    Mild stress (ICP US\$71–\$90/bbl)    Moderate stress (ICP US\$91–\$110/bbl)    Severe stress (ICP > US\$110/bbl)

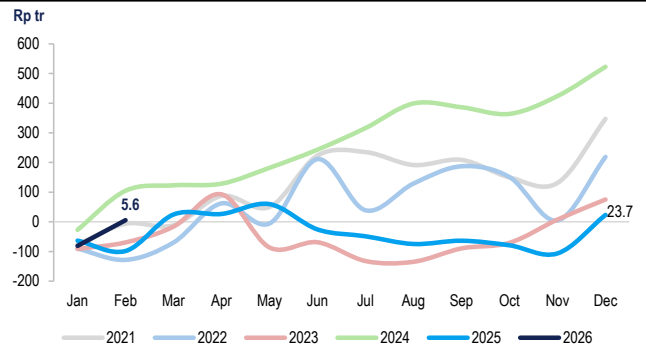
Source: MoF, Indo Premier

**Fig. 6: FX Reserve remains ample for Rupiah intervention**



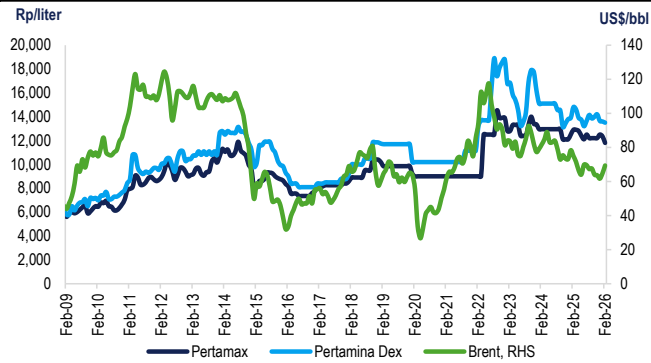
Source: Bloomberg, Indo Premier

**Fig. 7: BI has become a net buyer of INDOGB as of Feb26**



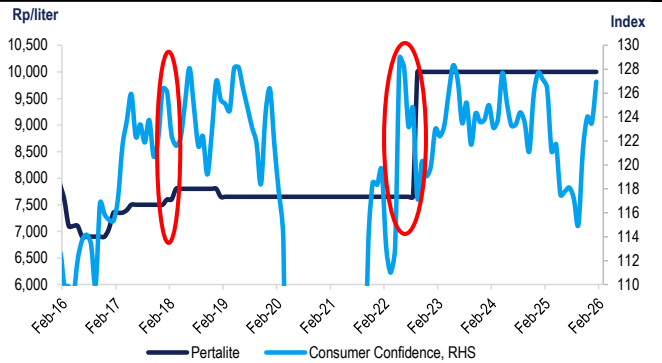
Source: Bloomberg, Indo Premier

**Fig. 8: Non-subsidized fuels are more align with the international crude oil price**



Source: Bloomberg, Indo Premier

**Fig. 9: Changes in Peralite price could cause a sharp reversal in consumer confidence**



Source: Bloomberg, Indo Premier

## **ANALYSTS CERTIFICATION**

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