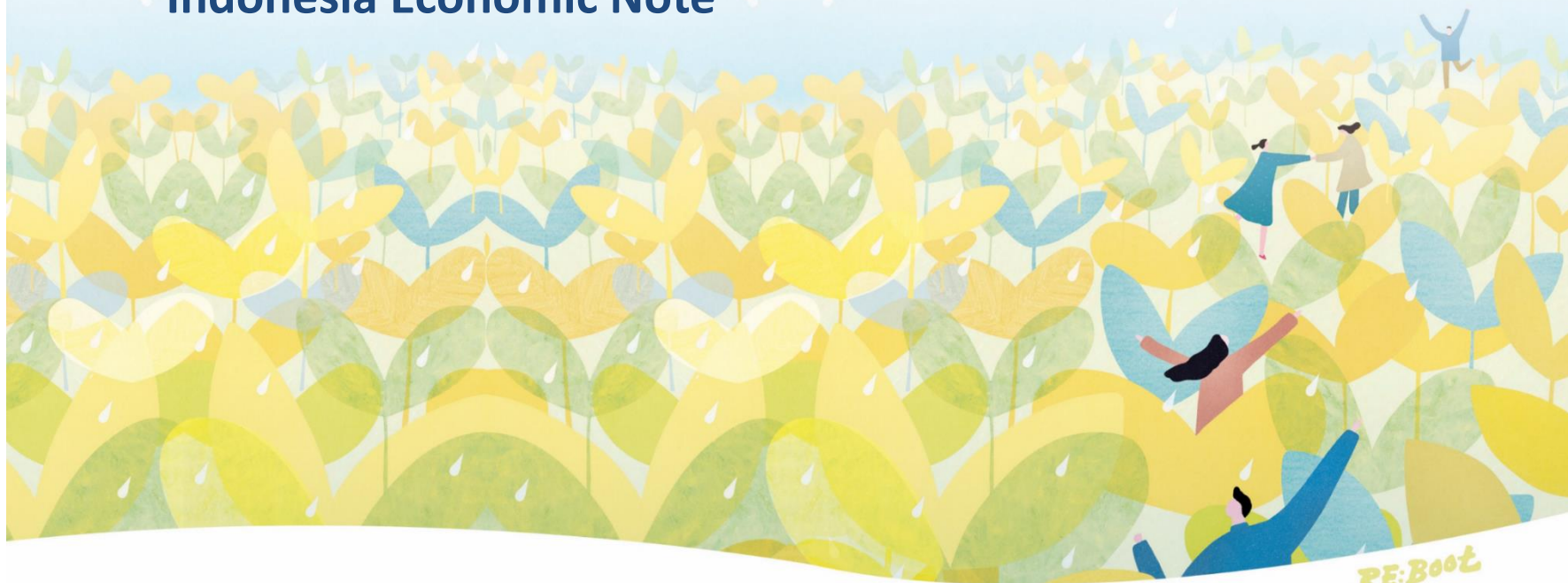




SHINHAN
SEKURITAS INDONESIA

Indonesia Economic Note

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RE:Boot

Nov 4, 2025

Indonesia economic note

External Tailwinds Lift Indonesia's Manufacturing Amid Domestic Demand Slowdown



- Indonesia's manufacturing activity maintained its expansionary path, rising to 51.2 in October from 50.4 in the previous month. We believe this was largely driven by external demand, as reflected in the continued expansion of manufacturing sectors in India and the United States, despite contractionary trends in China and weaker domestic demand. The increase in manufacturing activity also reflects efforts to fulfill previous export orders. Key export products to the United States include palm oil, electrical machinery and electronics (including other electrical machinery), furniture, rubber, and textiles.
- Indonesia's export landscape has become increasingly diversified. While China still accounts for around a quarter of total exports, shipments to the United States, Japan, India, and Singapore have gradually expanded to approximately 9%, 8%, 8%, and 5%, respectively (UN Comtrade, 2024). These shifts signal Indonesia's transformation from a predominantly China-oriented commodity supplier into a more balanced, dual-linked economy—one that remains integrated with Chinese production networks but is increasingly connected to Western-led value chains in clean energy, digital infrastructure, and advanced manufacturing. This structural rebalancing strengthens Indonesia's position as a strategic bridge in the post-pandemic global economy, benefiting from both China's industrial base and the U.S.-driven wave of reindustrialization and energy transition.
- Meanwhile, Indonesia's consumer confidence dropped to 115.0 in September 2025, down from 117.2 in August, marking the lowest level since April 2022. Most components of the consumer confidence index weakened, with declines in perceptions of the overall economic outlook, job availability, current economic conditions, and both current and expected income levels. The willingness to purchase durable goods also softened compared to the previous period. The only area showing improvement was expectations for future job availability, which recorded a slight uptick—indicating that while households remain cautious about current conditions, optimism persists for the near-term labor market.
- On the production side, Indonesia's capacity utilization rate rose above its historical average, reaching 73.8% in Q3, compared to the long-term average of 73.12%. This suggests higher production activity in the industrial sector, likely driven by external rather than domestic demand. Exports increased alongside a stronger manufacturing index, even as retail sales and consumer confidence weakened. According to Bank Indonesia, the country's capacity utilization reached an all-time high of 79.78% in Q4 2014 and a record low of 62.43% in Q1 2003.
- The rupiah came under slight pressure, weakening to above IDR 16,600 per USD. This movement was consistent with the strengthening of the US Dollar Index against major currencies, reflecting growing expectations that the Federal Reserve may pause its dovish stance in December, amid renewed concerns over US–China trade tensions. Domestically, Bank Indonesia continues to signal a dovish tone and may consider further policy rate cuts, supported by stable inflation that remains within the target range of 3% ±1%. The Bank's accommodative stance appears underpinned by steady export performance, which continues to show positive momentum. Overall, this policy direction should provide support to the economy amid heightened global financial uncertainty.

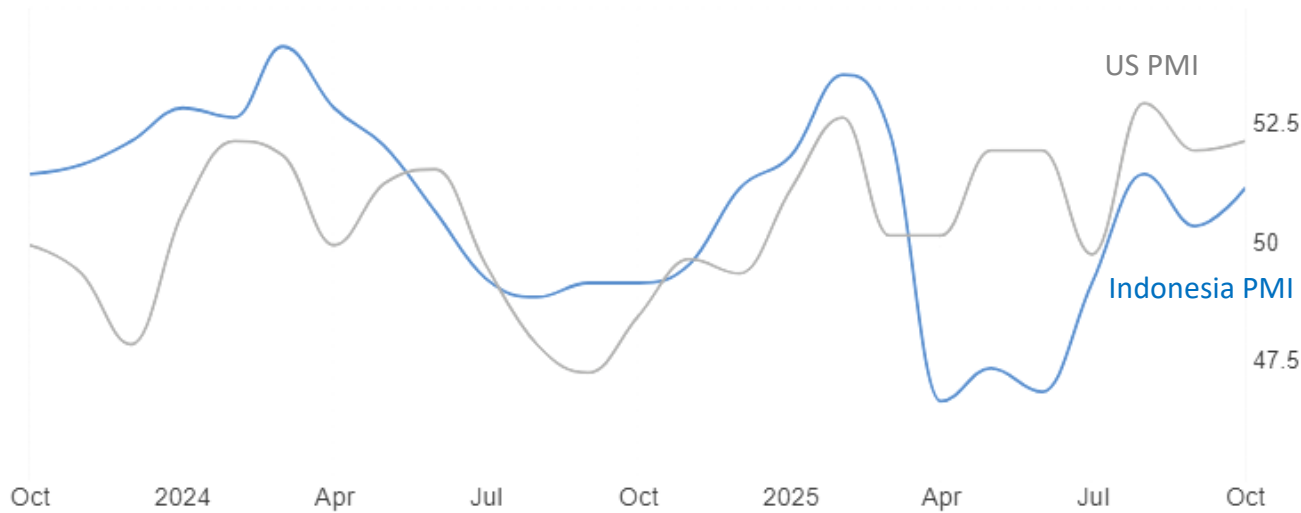
Helmi Therik, FRM

Indonesia's PMI improved is stimulated by the external demand rather than domestic demand

The Indonesia manufacture activity keeps its expansion activity path that increased to 51.2 in Oct from the previous level at 50.4. **We think this was due to the external demand as shown in the India and US manufacture that also keeps its expansion path amid the contraction activity in China and slower domestic demand.** The higher manufacture activity is still increased as part of its liability to fulfill the previous export order. Palm oil, electrical machinery / electronics (including “other electrical machinery”), furniture, rubber, textiles are the main product that export to US from Indonesia.

Indonesia's export landscape has become increasingly diversified, with China still accounting for around a quarter of total exports, while shipments to the United States, Japan, India, and Singapore have gradually expanded to roughly 9%, 8%, 8%, and 5% respectively (UN Comtrade, 2024). These trends together point to Indonesia's transformation from a predominantly China-oriented commodity supplier into a more balanced, **(dual-linked economy)**. One that remains integrated with Chinese production networks but is increasingly connected to Western-led value chains in clean energy, digital infrastructure, and advanced manufacturing. This structural rebalancing reinforces Indonesia's role as a strategic bridge in the post-pandemic global economy, drawing benefits from both China's industrial base and the U.S.-driven wave of reindustrialization and energy transition.

Indonesia's PMI vs US Manufacturing PMI

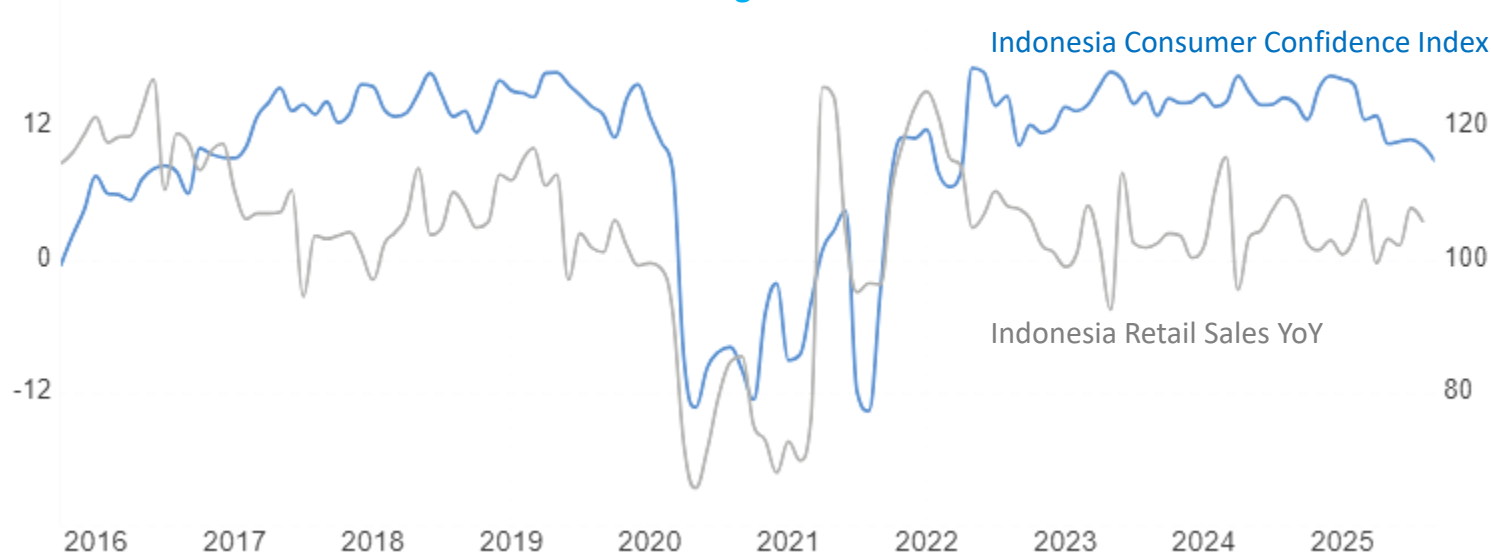


Source: Tradeeconomic.com

On the demand side we see the retail sales is slower, while the consumer confidence level keeps its downward trend.

Indonesia's consumer confidence dropped to 115.0 in September 2025, down from 117.2 in August, marking the lowest reading since April 2022. **Most components of the consumer confidence survey showed a weakening trend, with declines recorded in perceptions of the overall economic outlook, job availability, current economic conditions, and both current and expected income levels.** The willingness to purchase durable goods also softened compared to the previous period. **The only improvement came from expectations for future job availability, which showed a slight uptick, suggesting that while households remain cautious about present conditions, optimism about the near-term labor market persists.**

Indonesia's consumer confidence and retail sales growth



Source: Tradeeconomic.com

The higher manufacture index was also confirmed by the utilization rate that reaching reach beyond its normal average activity

Indonesia's Utilization rate increase to the level that above its normal average level. The average level was at 73.12 while on Q3 the utilization has increased to 73.8. This means that the production level has increased in the business side and **we suspect that this was due to the external demand rather than from the domestic demand. The export increased, the manufacture index also improve but on the other side the retail sales and consumer confidence level was down.** According to BI survey, Capacity Utilization in Indonesia reaching an all time high of 79.78 percent in the fourth quarter of 2014 and a record low of 62.43 percent in the first quarter of 2003.

Indonesia's Utilization rate

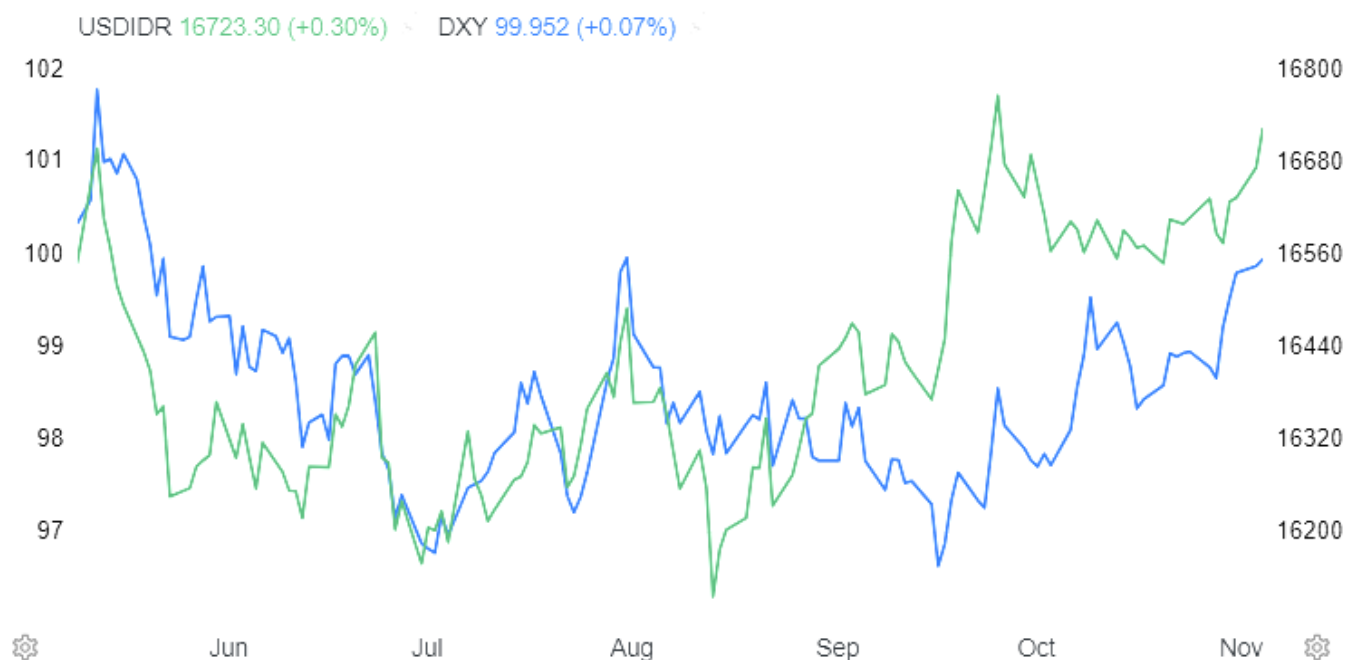


Source: Tradeeconomic.com

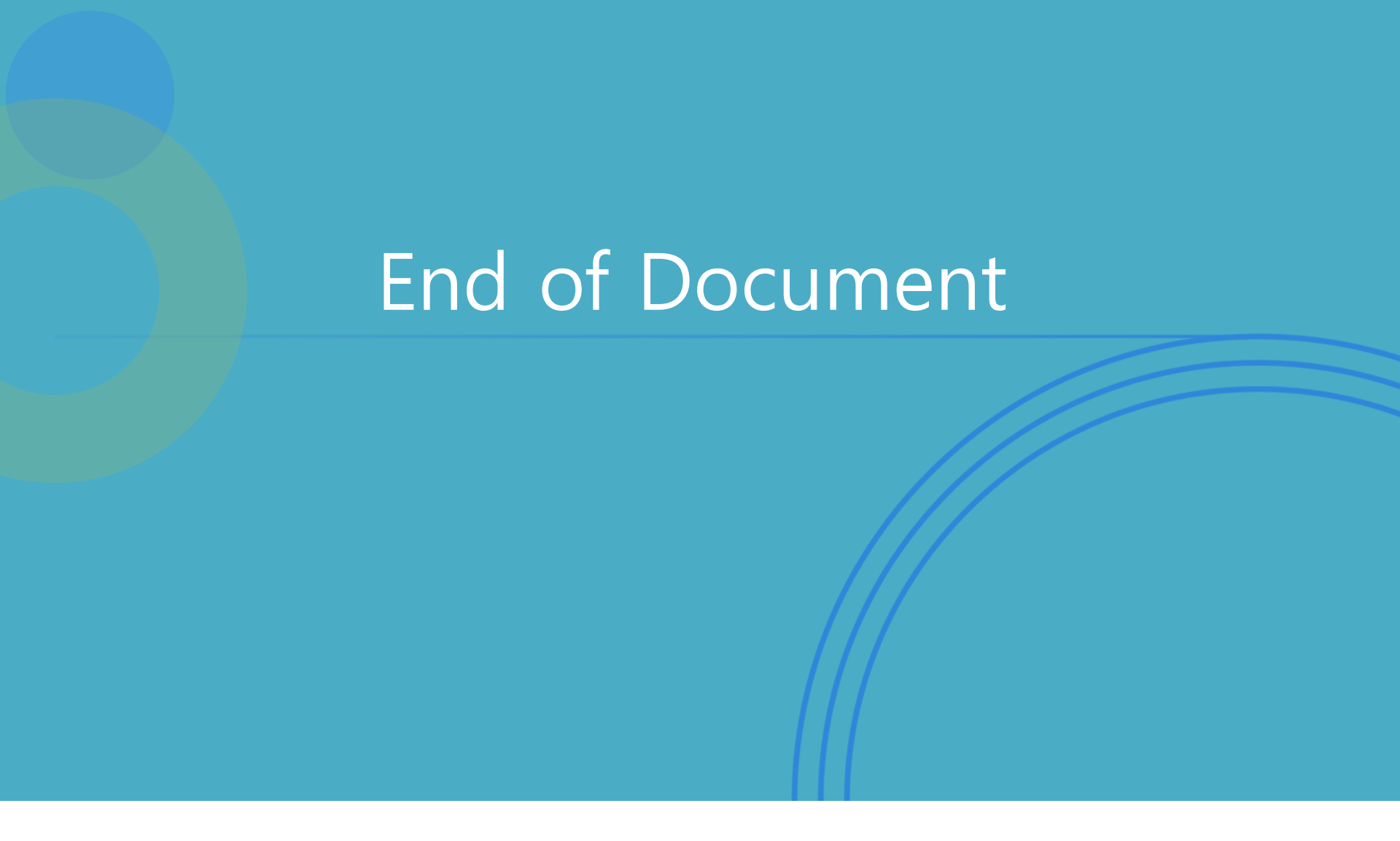
Rupiah Under Mild Pressure Amid Fed Uncertainty

The rupiah came under slight pressure, weakening to above IDR 16,600 per USD. This movement was in line with the strengthening of the US Dollar Index against major currencies, driven by growing expectations that the Federal Reserve may pause its dovish stance in December and renewed concerns over trade tensions between the United States and China. Domestically, the Central Bank of Indonesia continues to signal a dovish tone and may consider further policy rate cuts, supported by stable inflation that remains within the target range of 3% $\pm$ 1%. The Bank's accommodative stance appears to be underpinned by steady export performance, which continues to show positive momentum. Overall, this policy direction should provide a degree of support to the economy amid heightened global financial uncertainty.

Rupiah and Dollar Index



Source: Tradeeconomic.com



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