

## External debt:

## Frontloaded and locked-in

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### Executive Summary

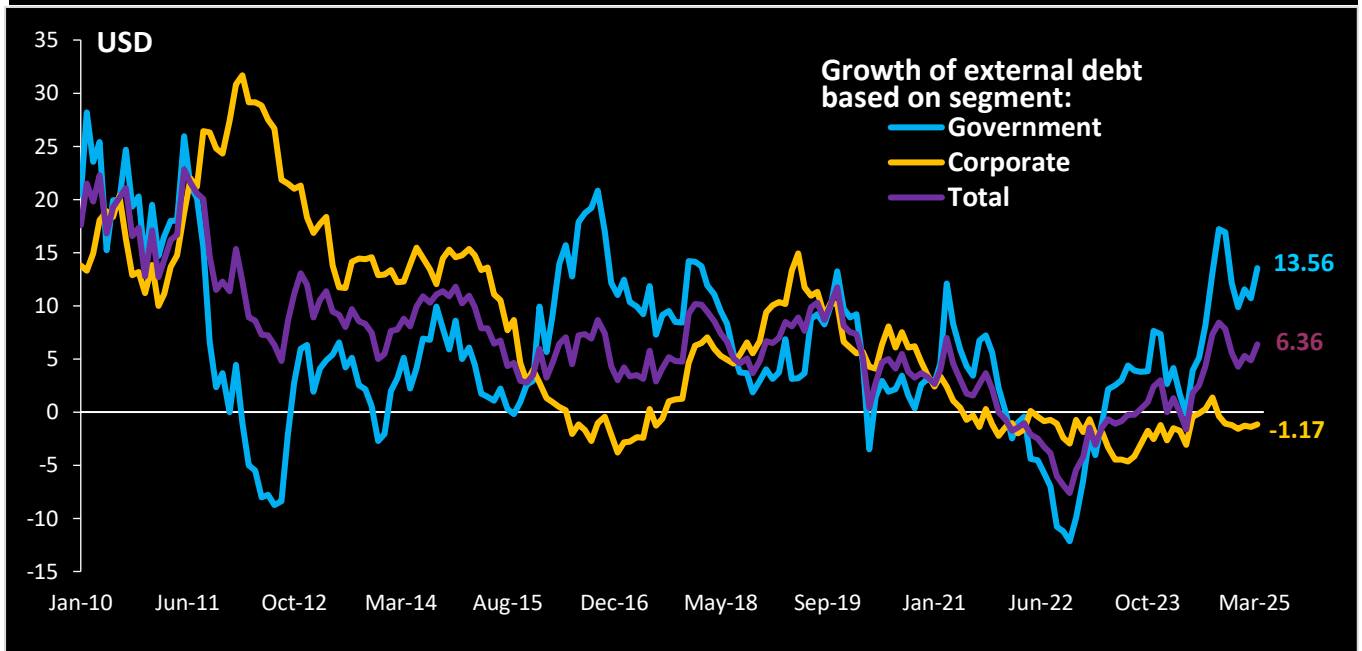
- Indonesia's external debt reached USD 430.4 Bn in Q1-25 (6.4% YoY), driven by public sector debt (13.6% YoY) while private sector contracted (-1.2% YoY).
- Increased government debt allocated to agriculture, logistics, and healthcare services was mitigated by decline in construction, reflecting the shifting priorities of the new administration.
- Acute liquidity pressure led to external borrowing by SOE banks, while the domestic private sector remains cautious.
- Despite large refinancing needs (both government bonds and SRBI) in Q2-25, risk from external debt continues to be limited.

- Indonesia's external debt reached USD 430.4 Bn in Q1-25, with growth accelerating to 6.4% YoY (1.01% QoQ) from 4.3% YoY in Q4-24. Public sector debt growth picked up (13.6% YoY vs 9.8% YoY), while private sector debt contracted more slowly (-1.2% YoY vs -1.6% YoY).
- While SRBI were the main growth driver of public debt over 2024, it has minimal contribution in 2025 so far, as BI seeks to gradually unwind it. Increased foreign ownership in Mar-25 (26.3%) compared to Dec-24 (24.3%) was mitigated by a smaller outstanding amount as well as Rupiah's depreciation.
- In contrast, government debt continued to grow (7.6% YoY / 1.9% QoQ), with global bond issuance and commercial loans being the main drivers—the latter likely due to procurement of Rafale jets from France. IDR bonds were a minor factor, as a slim net inflow was offset by IDR depreciation.
- Looking at the sectoral usage of government debt, there has been a heavy increase in agriculture (USD 1.3 Bn), logistics (USD 2.4 Bn), and healthcare services (USD 4.1 Bn) while construction contracted (USD -2.5 Bn). This seems to reflect the shifting priorities of the new administration away from large infrastructure projects to agriculture and welfare programs. Still, we need to remember that much bond issuance is agnostic with respect to usage and project, so the true numbers can only come from the government's budget realization data.
- While the overall private sector remains in contraction, SOE banks have accelerated their external borrowing, from 7.0% YoY to 21.9% YoY. This is clearly the side-effect of tightening domestic liquidity, as loan growth has vastly outpaced deposit for almost three years now.
- Given the increasingly acute sign of liquidity pressure—high usage of BI repo facilities and high interbank (Indonesia) rates—this kind of borrowing will probably increase going forward, thus resulting in a higher share of non-core liabilities in banks' balance sheet. This could pose

long-term risk to financial stability, as banks become more exposed towards currency and interest rate risks.

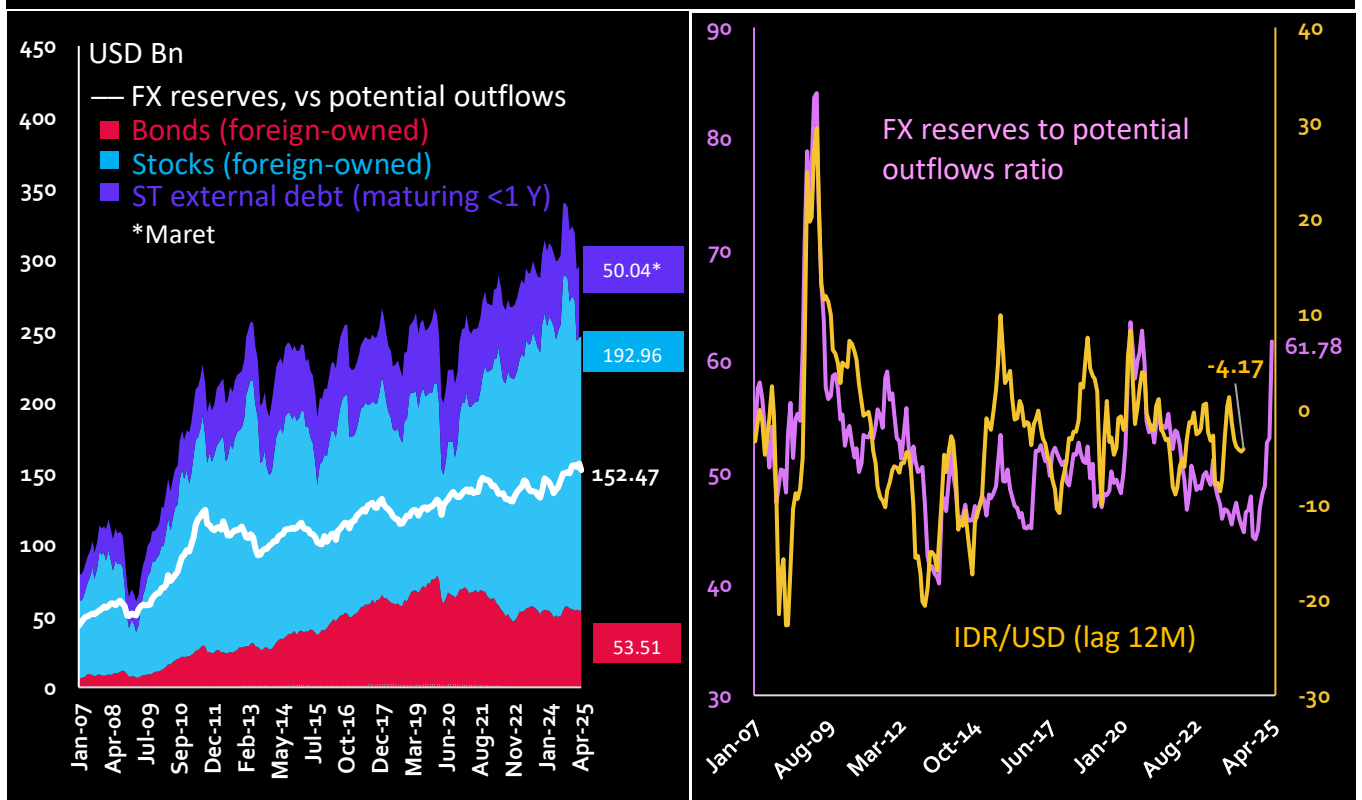
- For non-bank corporates, external debt growth accelerated for foreign companies (24.7% YoY vs. 18.1% YoY), while domestic companies still sat in contraction (-9.1% YoY), in line with public companies' financial data which showed limited appetite for expansion/CAPEX. As was the case last year, most of the companies that showed strong borrowing likely come from China, considering the high amount of debt growth from either Mainland China or Hong Kong.
- Q2-25 promises to be a relatively busy year for public sector debt, with large amount of maturing FX debt (USD 4.35 Bn) and SRBI (USD 17.5 Bn) set against the backdrop of still-sluggish government revenue growth and fluctuation in global bond yields. One possible strategy, of course, is for the government to take more multilateral loans in lieu of bonds, or to use their ample cash buffer (SAL) at BI.
- Private sector external debt, meanwhile, should remain muted given the limited appetite to invest, especially with US tariff threat still hanging like a proverbial "sword of Damocles". As such, the risk from external debt (banks' non-core liabilities aside) will still be limited for the time being.
- Indeed, Indonesia's debt service ratio has declined sharply in Q1-25 (to 15.2%), implying that—despite possible export disruptions from Trump tariffs—the risk from non-repayment of external debt remains minimal. Interestingly, too, the share of Rupiah-denominated debt has increased in the past year (from 16.7% to 19.5%), in line with the share of short-term debt (from 12.5% to 15.3%). This is clearly the effect of massive SRBI issuance which has altered the composition of external debt, with BI effectively swapping exchange rate risk with (short-term) interest rate risk—but still insulating (long-term) government bonds.

**Panel 1. Public sector led the rebound in external debt growth**



Source: BI, calculation by BCA Economic Research

**Panel 2. Increase in FX adequacy ratio suggests a bottoming out for Rupiah**



Source: BI, KSEI, MoE, calculation by BCA Economic Research

**Table 1. External Debt Position of Indonesia (USD Million)**

		2020	2021	2022	2023	2024	Q1-2025
Short Term Debt ≤ 1 year	<i>Government and Central Bank</i>	136	130	969	5,172	19,450	19,685
	1.1 <i>Government</i>	118	107	336	372	246	228
	1.2 <i>Central Bank</i>	18	23	633	4,800	19,204	19,457
	<i>Private</i>	43,209	47,199	47,047	47,167	45,323	46,045
	<b>Total</b>	<b>43,345</b>	<b>47,329</b>	<b>48,016</b>	<b>52,339</b>	<b>64,773</b>	<b>65,730</b>
Long Term Debt > 1 year	<i>Government and Central Bank</i>	209,109	209,075	194,703	204,898	211,291	215,218
	1.1 <i>Government</i>	206,257	200,067	186,138	196,264	202,898	206,681
	1.2 <i>Central Bank</i>	2,852	9,007	8,565	8,635	8,393	8,537
	<i>Private</i>	164,481	157,569	153,810	151,655	148,785	149,410
	<b>Total</b>	<b>373,590</b>	<b>366,643</b>	<b>348,513</b>	<b>356,553</b>	<b>360,076</b>	<b>364,628</b>
<b>TOTAL (1 + 2)</b>	<i>Government and Central Bank</i>	209,246	209,205	195,673	210,070	230,741	234,903
	1.1 <i>Government</i>	206,375	200,175	186,474	196,636	203,144	206,909
	1.2 <i>Central Bank</i>	2,871	9,030	9,198	13,434	27,597	27,994
	<i>Private</i>	207,689	204,767	200,857	198,821	194,108	195,455
	<b>TOTAL</b>	<b>416,935</b>	<b>413,972</b>	<b>396,529</b>	<b>408,892</b>	<b>424,849</b>	<b>430,358</b>
<b>Foreign Exchange Reserves</b>		<b>135,897</b>	<b>144,905</b>	<b>137,233</b>	<b>146,384</b>	<b>146,384</b>	<b>157,090</b>
<b>Vulnerability Indicators</b>		<b>3.1</b>	<b>3.1</b>	<b>2.9</b>	<b>2.8</b>	<b>2.3</b>	<b>2.4</b>

Source: Bank Indonesia. Vulnerability indicators: FX reserves divided by total short term debt position.

## Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	4.8
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	5.7
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	4996
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.1
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	5.50
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	7.68
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,943
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.0
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	-1.0

### Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time

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