

Resource Management Game

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Summary

- Indonesia's labor market recorded positive growth in the beginning of H2-25, but with a slower pace compared to previous periods.
- Agriculture and FnB experienced the highest wage and jobs growth, due to the expanding operations of the Free Lunch Program.
- Increasing formal sector employment is crucial to sustain further fiscal momentum, due to its contribution to Indonesia's tax base.

- The US market continued its roller-coaster week, with market expectations leaning once again towards a December rate cut. Several factors contributed to this sentiment shift, such as the recent flurry of dovish comments from several Fed officials, as well as weaker-than-expected retail sales and core PPI. However, it's important to highlight the delayed nature of official data releases so far (with most of these still reflecting September's figures). This delay prompts the market to pay heightened attention to private, but more timely data for the time being, while waiting for official statistical agencies to catch up.
- Another turn in the roller-coaster was the ongoing question regarding The Fed's future leadership, particularly with the Chairman position opening on May 26. Some news outlets have reported Kevin Hassett as a

frontrunner, given his current position within the White House and fervent defense of President Trump's policy agenda.

- Still, it's unclear if Trump's pick for Fed Chairman would immediately result in a dovish shift at the Fed, given the increasingly divided narratives among FOMC members during the second Trump term. While the FOMC has historically confined its disagreements to individual member speeches, a recent spike in dissents indicate more public disagreements to come, especially if members were to have sharply divergent views compared to the 'Chairman consensus'.
- Further complicating this situation was the divided signal over September's Non-Farm Payroll. The private sector added 97k jobs, a relatively strong number, but is coupled with an increase in the unemployment rate to 4.4%.

How to get more

- In contrast to the deteriorating state of the U.S. labour market, Indonesia's headline unemployment rate continues its yearly

decline (4.85% in Aug-25 vs. 4.91% in Aug-24), partially negating the narrative of persistent layoffs this year.

- However, in terms of growth figures, yearly net job creation fell below 2 million in H2-25, marking the slowest growth recorded since the pandemic. Interestingly, this slowdown was mainly driven by the informal sector, while formal sector employment growth had already declined in H1-25 (*see Chart 1*).
- It's too early to interpret based on a single data point, but this trend is clearly quite concerning. Post-pandemic, the slowdown in the formal sector and the rise of the informal sector alone were already a frequent concern. Even more so now, as the growth of both sectors is decelerating. This implies that **the demand slowdown is no longer merely about shifting some segments to lower-tier jobs, but rather an overall decline across all segments, leaving job seekers with increasingly limited options.**
- In detail, there are still pockets of growth. Sectoral data reveals a sharp acceleration in job and wage growth for the agriculture, accommodation, and food and beverage (F&B) sectors (*see Chart 2*). Part of this boost was

likely caused by the acceleration of the Free Lunch Program in August to fulfil the president's pledge of 20 million recipients by Independence Day, combined with still-robust CPO prices.

- Unfortunately, other major sectors like manufacturing and trade have exhibited slower growth in both wages and job creation, suggesting either a shift towards more capital-intensive industries (a 'jobless growth' scenario) or a shift towards lower value-added, and therefore, lower wage activities. Other service sectors also exhibited the same overall trend, with the exception of education services.
- The question, therefore, is whether the government's spending allocation in 2026 will foster more equitable growth across all sectors. Otherwise, while an increase in lower-class purchasing power could boost consumption, it might be largely confined to basic needs. This, in turn, would primarily benefit workers within that specific sector.

How to get both

- The next parallel trend is the divergence in wage growth when compared across education levels. This divergence was particularly sharp in 2025, with university graduates experiencing a nominal wage decline while those with primary school education or lower still saw relatively robust wage growth (*see Chart 3*).
- In a circular economy, the government's efforts to boost the purchasing power of the lower class can act as a multiplier that also stimulates the middle class. **Chart 3** could signal that this effect has not yet materialized, at least for 2025. University graduates can also

act as a proxy for the middle class, which has seen its deepest wage decline this year since the pandemic.

- It is the government's task, then, to work towards closing this gap before the resources to do so continue to dwindle. We already see some of the negative effects of this slowdown, with personal income tax collected throughout the year declining by 12.8% YoY, though some of this can be attributed to tax cut stimulus.
- **For now, the Q4 data update is showing early indicators of improving spending.** Early data indicates the 'C' component of GDP

(Consumption) has accelerated, potentially leading to a robust GDP figure in Q4. The question is how to sustain this momentum, ensuring that this 'C', aided by 'G-force' (government spending), effectively translates into greater 'I' (investment, especially from the private sector) and 'T' (tax revenue).

- Boosting middle class income offers a tried-and-true solution to this question for three reasons: their consumption of value-added products (more than lower-income groups), their substantial purchasing volumes (surpassing the smaller upper class), and their crucial role in the government's tax base.

Chart 1

Slowdown in both engines

Job growth in H1-25 has been dominated by the informal sector, reversing the 2024 trend. However, informal job growth also declined in H2-25, resulting in a weaker labor market.

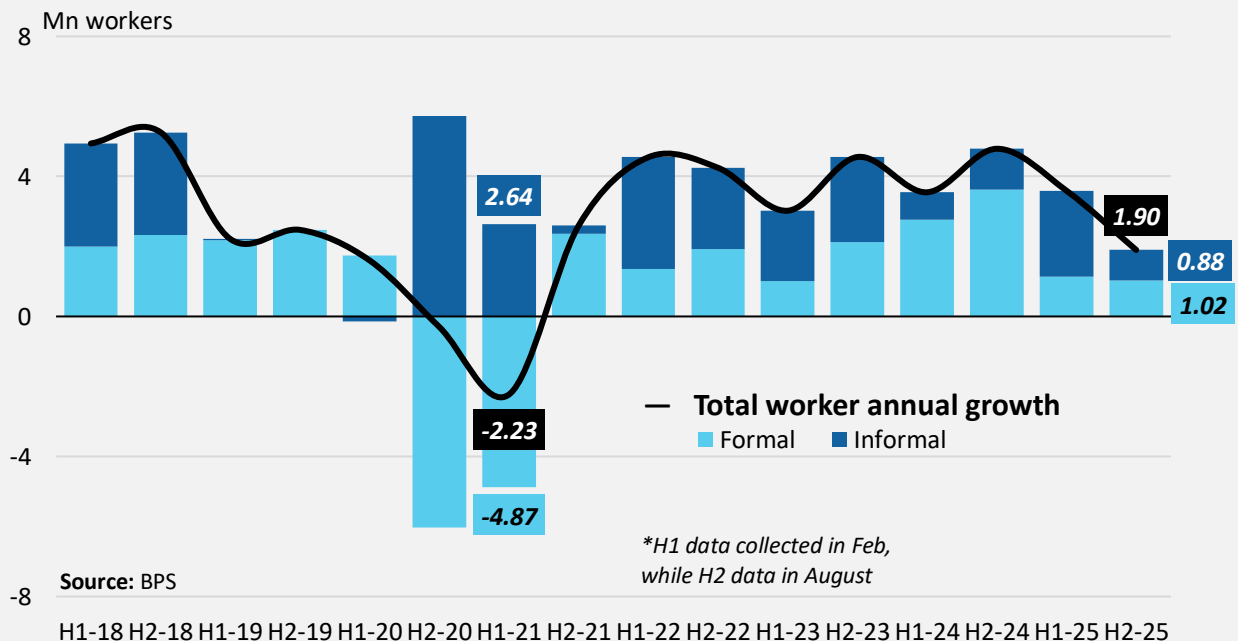


Chart 2

Stilted recovery

Agriculture becomes the sole major sector with above-average wage growth, underscoring the administration's focus on farmer welfare.

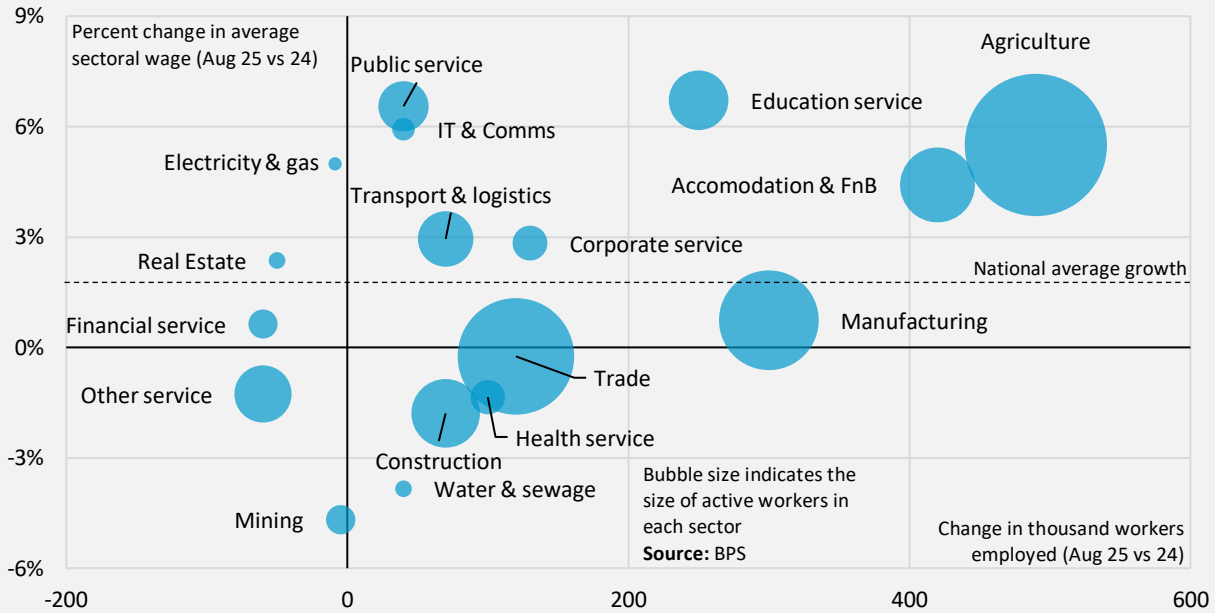
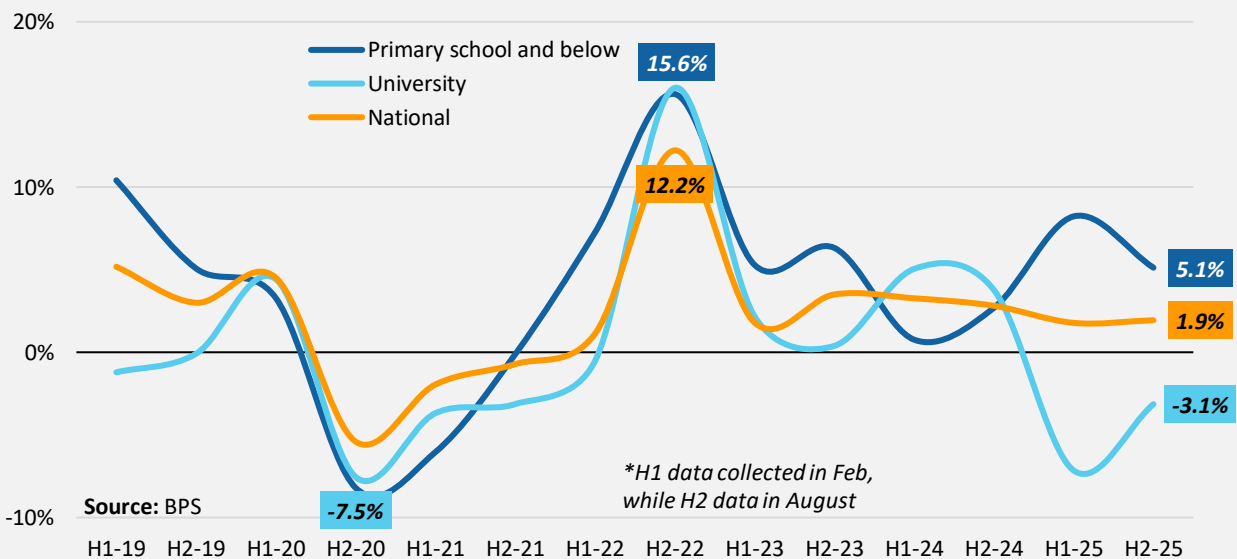


Chart 3

Different directions

The sharp deceleration in formal employment growth likely forced some university graduates into lower-paying informal jobs, dragging down overall wage growth for the group.

Yearly wage growth based on education level



Economic Calendar

		Actual	Previous	Forecast*
01 December 2025				
ID	S&P Global Manufacturing PMI	53.3	51.2	51.5
ID	Trade balance (Oct-25), USD Bn	2.4	4.34	3.8
ID	Inflation Rate YoY, %	2.72	2.86	2.8
US	S&P Global Manufacturing PMI	52.2	52.5	51.9
04 December 2025				
EA	Retail Sales YoY, %		1	1.1
US	Trade balance (Sep), USD Bn		-59.6	-57.0
05 December 2025				
ID	Foreign Exchange Reserves, USD Bn		149.9	-
US	PCE Price Index YoY, %		2.7	2.8
08 December 2025				
CN	Trade balance, USD Bn		90.07	92.0
ID	Motorbike Sales YoY, %		8.4	-
09 December 2025				
ID	Consumer Confidence		121.2	122
10 December 2025				
CN	Inflation Rate YoY, %		0.2	0.5
ID	Retail Sales YoY, %		3.7	4.0
11 December 2025				
US	Fed Interest Rate Decision, %		4.0	3.75
15 December 2025				
CN	Retail Sales YoY, %		2.9	3.3
16 December 2025				
US	Non Farm Payrolls, th		119	-
17 December 2025				
ID	BI-Rate Decision, %		4.75	4.75
US	Retail Sales YoY, %		4.3	2.7
18 December 2025				
ID	Loan Growth YoY, %		7.36	7.3
19 December 2025				
ID	Car Sales YoY, %		-4.4	-
19 December 2025				
ID	M2 Money Supply YoY, %		7.7	-

*Forecasts of some indicators are simply based on market consensus

Bold indicates indicators covered by the BCA Monthly Economic Briefing report

Selected Macroeconomic Indicator

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	01-Dec	-1 mth	Chg (%)
US	4.00	Oct-25	1.00	Baltic Dry Index	2,583.0	1,966.0	31.4
UK	4.00	Aug-25	0.40	S&P GSCI Index	558.5	557.0	0.3
EU	2.15	Jun-25	-0.05	Oil (Brent, \$/bbl)	63.2	65.1	-2.9
Japan	0.50	Jan-25	-2.50	Coal (\$/MT)	109.5	112.7	-2.8
China (lending)	2.00	Sep-24	4.15	Gas (\$/MMBtu)	5.05	3.57	41.5
Korea	2.50	May-25	0.10	Gold (\$/oz.)	4,232.2	4,002.9	5.7
India	5.50	Jun-25	5.25	Copper (\$/MT)	11,321.1	10,873.1	4.1
Indonesia	4.75	Sep-25	2.03	Nickel (\$/MT)	14,726.1	15,021.2	-2.0
Money Mkt Rates	01-Dec	-1 mth	Chg (bps)	CPO (\$/MT)	991.9	1,006.5	-1.4
SPN (1Y)	4.58	4.69	-11.1	Rubber (\$/kg)	1.74	1.75	-0.6
SUN (10Y)	6.26	6.06	19.8	External Sector	Oct	Sep	Chg (%)
INDONIA (O/N, Rp)	4.15	4.00	15.3	Export (\$ bn)	24.24	24.68	-1.79
JIBOR 1M (Rp)	5.04	5.09	-5.0	Import (\$ bn)	21.84	20.34	7.41
Bank Rates (Rp)	Aug	Jul	Chg (bps)	Trade bal. (\$ bn)	2.39	4.34	-44.91
Lending (WC)	8.55	8.61	-6.00	Central bank reserves (\$ bn)*	149.9	148.7	0.80
Deposit 1M	5.24	5.36	-12.00	Prompt Indicators	Oct	Sep	Aug
Savings	0.70	0.68	2.00	Consumer confidence index (CCI)	121.2	115.0	117.2
Currency/USD	01-Dec	-1 mth	Chg (%)	Car sales (%YoY)	-4.4	-15.1	-19.0
UK Pound	0.757	0.760	0.46	Motorcycle sales (%YoY)	8.4	7.3	0.7
Euro	0.861	0.867	0.63	Manufacturing PMI	Nov	Oct	Chg (bps)
Japanese Yen	155.5	154.0	-0.95	USA	52.2	52.5	-30
Chinese RMB	7.072	7.119	0.67	Eurozone	49.6	50.0	-40
Indonesia Rupiah	16,659	16,630	-0.17	Japan	48.7	48.2	50
Capital Mkt	01-Dec	-1 mth	Chg (%)	China	49.9	50.6	-70
JCI	8,548.8	8,163.9	4.71	Korea	49.4	49.4	0
DJIA	47,289.3	47,562.9	-0.58	Indonesia	53.3	51.2	210
FTSE	9,702.5	9,717.3	-0.15				
Nikkei 225	49,303.3	52,411.3	-5.93				
Hang Seng	26,033.3	25,906.7	0.49				
Foreign portfolio ownership (Rp Tn)	Nov	Oct	Chg (Rp Tn)				
Stock	4,017.6	3,823.5	194.16				
Govt. Bond	872.2	1,343.0	-470.87				
Corp. Bond	4.1	4.1	-0.04				

Source: Bloomberg, BI, BPS

Notes:

*Data from an earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, >50 indicates economic expansion, <50 otherwise

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	5.0
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	7.2
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	5100
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.8
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	4.75
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	6.32
USD/IDR exchange rate (average)	14,141	14,529	14,297	14,874	15,248	15,841	16,461
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,625
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	-0.75

Notes:

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

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