The battle to sustain growth

28 October 2026

Nicholas Husni
nicholas_husni@bca.co.id

Victor George Petrus Matindas
victor_matindas@bca.co.id

Scan for the link to our report depository

Summary

- Global risk aversion intensified amid renewed Middle East tensions, rising oil prices, concerns over AI profitability, and unrest across Europe.
- We expect real GDP growth to ease to 5.15% YoY in Q3, from 5.29% in Q2, as indicators point to a slowdown in consumption and investment.
- We maintain our 2026 growth forecast at 5.3%, expecting a Q4 rebound supported by China's manufacturing recovery and BI's planned liquidity injection.

- Global financial markets shifted into risk-off territory over the past week. Renewed tensions in the Middle East drove Brent crude prices above $115/bbl once again. Despite the hotter inflation print, markets continue to price in a Fed rate hold on the upcoming October meeting, reserving for a potential hike at the final meeting of the year.
- Meanwhile the US treasury market slipped below the 5.0% threshold to a one-month low as investors rushed into haven assets. Cracks in AI stocks added pressure in equities selling, as concerns over future profitability weigh the overall sector. These concerns extend beyond the US, with China's Star50 index now down more than 40% from its July 2026 peak, suggesting the country's AI investment boom may have run its course.
- AI stocks are not the only fault on rattling investor confidence. Europe widespread protests over rising living costs, a domino effect from soaring energy prices, originated in France before spreading across multiple European countries. The resulting uncertainty has weighed on the Euro, which weakened 1.94% against the USD over the past month, as investors continued their rush toward safe-haven assets.

Waning confidence

- Indonesia itself appears to be rattled by waning confidence (see Chart 1), with several demonstrations taking place throughout the year—an occurrence that often coincides with, or can lead to, softer economic momentum. While nominal growth may still appear firmer amid higher inflation, we expect Q3-26 real GDP growth to ease to 5.15% YoY, from 5.29% YoY in the previous quarter.
- Household consumption indicators are pointing to a notable slowdown in Q3. Most notably, our BCA Consumer Spending Index grew by only 2.31% YoY, in line with several other softening indicators (electronic transactions, car sales, consumer confidence, etc). This suggests that weaker business activity, particularly the slowdown in exports from the previous quarter, is beginning to weigh on consumer spending

through softer payroll growth. Consumer confidence also points to a more defensive household sector, with greater preference to save and less willingness to spend.

- The investment side also appears to be losing momentum, as our Business Spending Index also slowed to 9.46%. Recent trends suggest that investment has become increasingly dependent on imports, which may explain why the investment GDP deflator has become more closely correlated with imported inflation (see Chart 2). As such, slower import growth may also point to softer investment activity. That said, while nominal investment may slow more deeply, real investment growth could hold up better, as weaker imports also imply a smaller share of investment exposed to the higher inflation embedded in imported goods.

"We expect a softer growth in Q3-26 to 5.15%, though maintain our full-year 2026 growth at 5.30%"

- Government spending may also record slower growth in Q3, despite higher central government spending compared to Q2. The key reason lies in the base effect, as Q3-25 set a higher comparison base, while Q2-25 had been relatively lower.
- The support for Q3 may come from the improving trade balance, which has started to recover after posting a deficit in the previous quarter. Even so, the improvement may prove limited in YoY terms, as it is facing a particularly high base from the large surplus recorded in the same period last year.

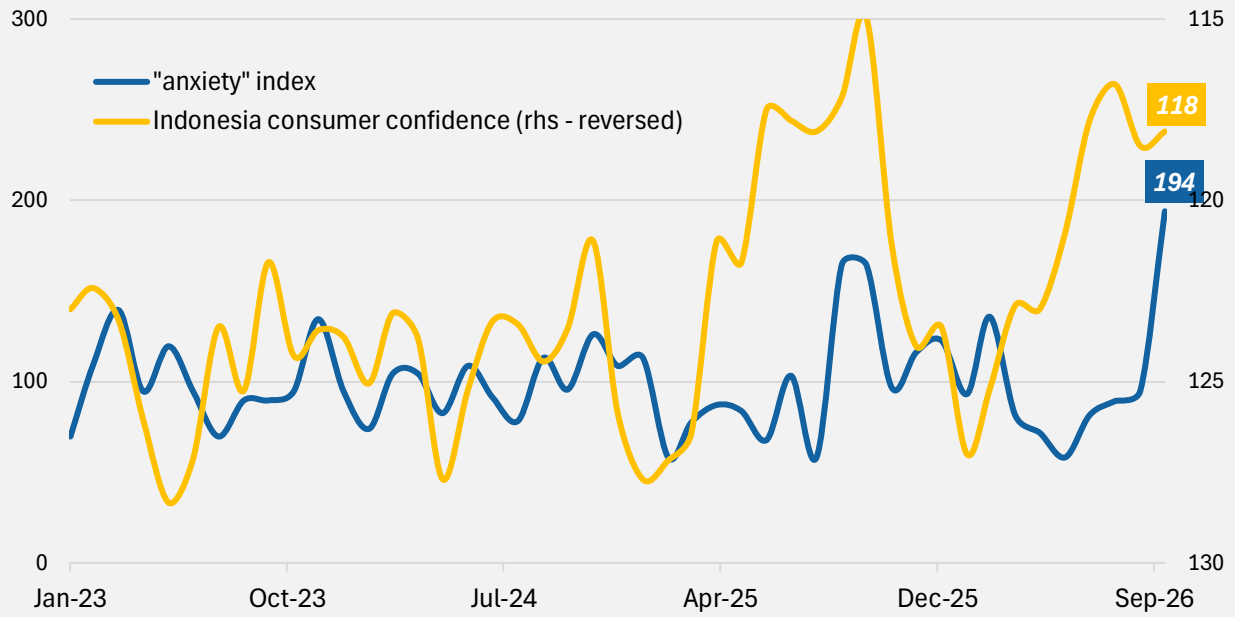
Government support for rebound

- Looking ahead to the remainder of the year, we maintain our full-year 2026 growth forecast at 5.30%. Despite the anticipated softening in Q3-26, we expect a rebound in the final quarter as recent global and domestic developments provide a more supportive backdrop for the real sector. While the current environment presents several challenges, it has also brought significant catalysts for a year-end recovery.
- The stimulus measures in China have already begun to re-energise its manufacturing sector, with the manufacturing PMI reaching 52.1 in September. This recovery is providing much-needed tailwinds for Indonesia, as export demand begins to rebound alongside improving industrial activity. We expect this external demand to remain a key pillar of support for the Indonesian economy through the end of 2026.
- On the domestic front, Bank Indonesia has opted for a proactive stance to stimulate growth. While the benchmark rate was kept steady, BI plans to lower the reserve requirement ratio threshold from 9% to 7%, which could inject Rp 190 trillion in additional liquidity into the banking system, equivalent to roughly 1.9% in additional loan growth. Based on our estimates, this injection could contribute approximately 0.8% to real GDP growth.
- However, this liquidity injection involves a trade-off with the Rupiah, which could in turn put pressure on purchasing power. Ultimately, the remaining question is which forces will prevail in Q4-26: outflow pressures stemming from the MSCI shock and Fed tightening, or the potential for a continued improvement in the trade balance, thanks to China. We still see a possibility that BI will adjust its policy rate before year-end if pressure on the Rupiah proves too strong.

Chart 1

Risk of a self-fulfilling prophecy

A period of deteriorating confidence could lead to lower spending in the coming quarters.

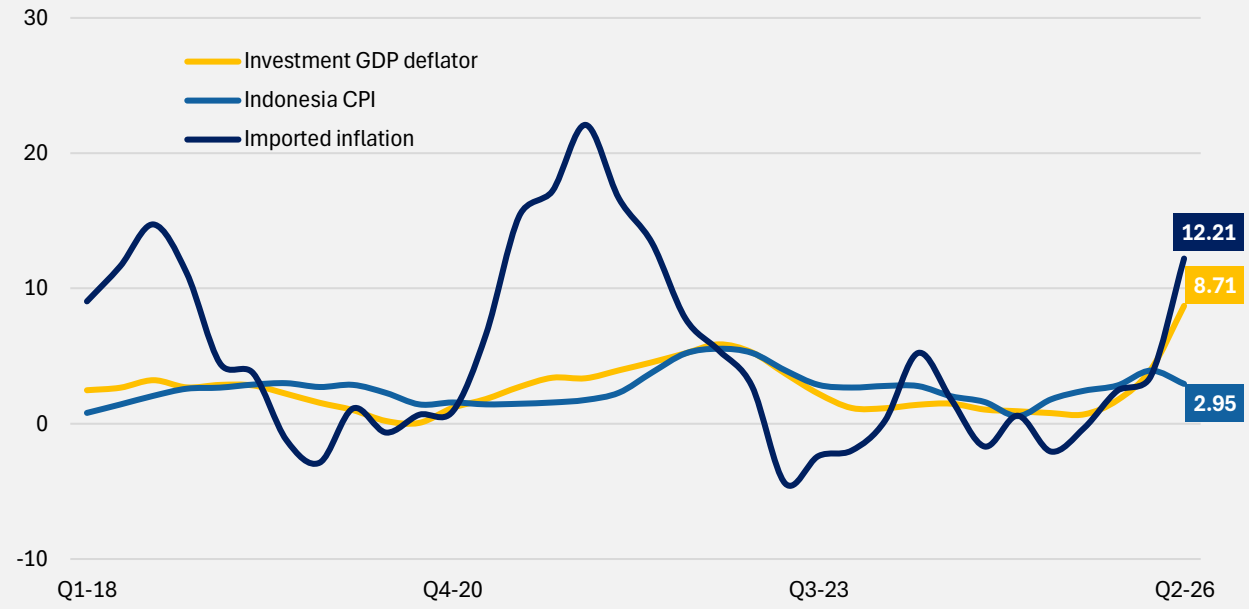


Source: Google trend, BI, BCA Economic Research

Chart 2

Import investment driven

Investment inflation is rising far quicker than domestic inflation in the past few quarter as investment has been largely driven by imported capital goods.

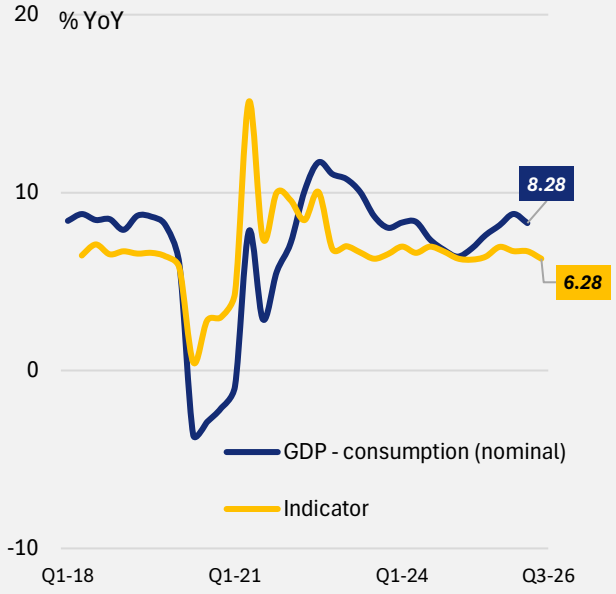


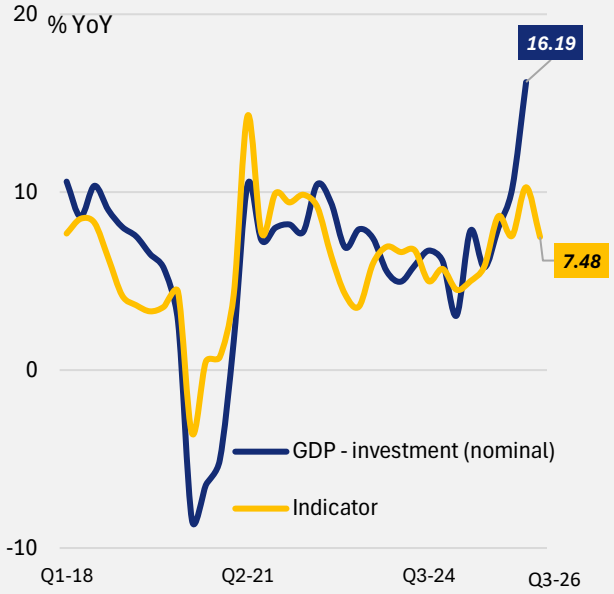
Source: BPS, Bloomberg, BCA Economic Research

Chart 3

Slowing in consumption and investment front

Both the BCA consumer and business indices slowed significantly in the third quarter in line with several other indicators.



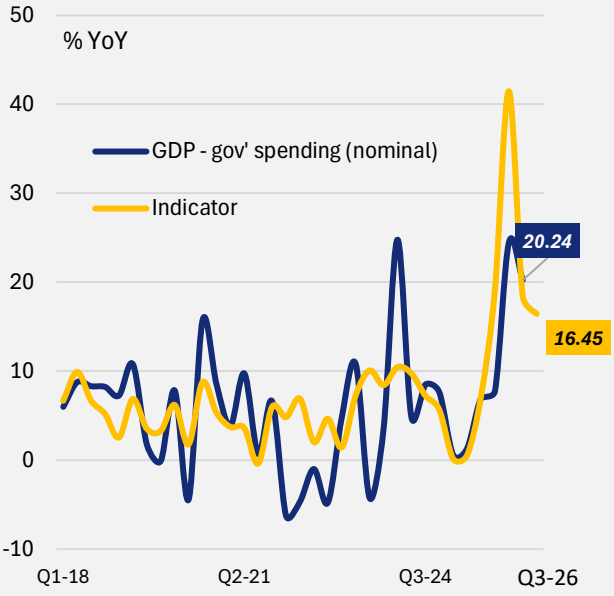


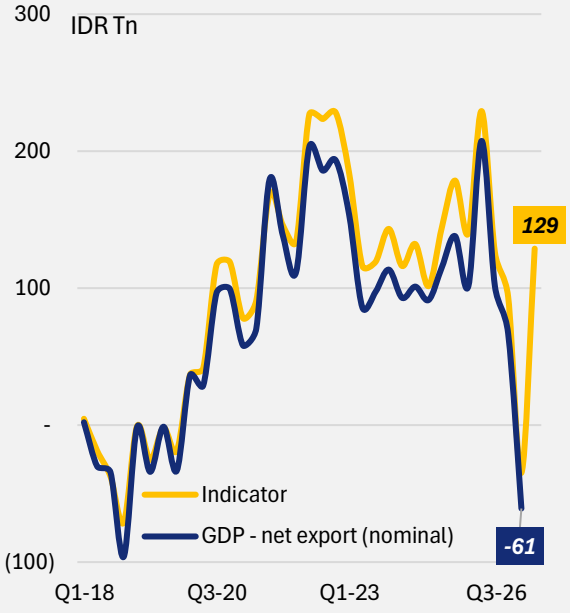
Source: BPS, BCA Economic Research

Chart 4

Trade surplus provide support

A higher base is likely to slow growth on yearly terms, though an improving trade balance may cushion growth in the third quarter.





Source: BPS, BCA Economic Research

Economic Calendar

		Actual	Previous	Forecast*
01 October 2026				
ID	S&P Global Manufacturing PMI	52.4	49.8	50.3
ID	**Trade balance (Aug-26), USD Bn**	**3.55**	**0.13**	**1.3**
ID	**Inflation Rate YoY, %**	**3.28**	**3.19**	**3.4**
US	S&P Global Manufacturing PMI	55.9	53.9	57
02 October 2026				
US	Non Farm Payrolls, th	29	133	90.0
06 October 2026				
EA	Retail Sales YoY, %	0.8	0.4	0.5
US	Trade balance (Jul-26), USD Bn	-105.6	-92.8	-102.2
07 October 2026				
ID	**Foreign Exchange Reserves, USD Bn**	**146.3**	**146.5**	**144**
08 October 2026				
ID	Consumer Confidence	118.1	118.5	118
ID	Car Sales YoY, %	28.1	32.4	-
ID	Motorbike Sales YoY, %	15.37	3.18	-
09 October 2026				
ID	Retail Sales YoY, %	1.3	1.1	1.3
14 October 2026				
CN	Inflation Rate YoY, %	0.9	0.8	1.0
CN	Trade balance, USD Bn	133.53	119.09	110.0
US	Inflation Rate YoY, %	3.7	3.4	3.6
15 October 2026				
US	Retail Sales YoY, %	6.3	5.6	5.2
19 October 2026				
CN	Retail Sales YoY, %	1.1	0.4	1
ID	**Foreign Direct Investment YoY, %**	**27.5**	**27.4**	**-**
21 October 2026				
ID	**BI-Rate Decision, %**	**5.75**	**5.75**	**5.75**
ID	Loan Growth YoY, %	13.26	13.65	12.5
23 October 2026				
ID	M2 Money Supply YoY, %	8.3	8.2	-
29 October 2026				
US	**Fed Interest Rate Decision, %**		**4**	**-**
US	PCE Price Index YoY, %		3.4	3.2

*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 (%)
US	4.00	Sep-26	0.30
UK	3.75	Dec-25	0.25
EU	2.65	Sep-26	-1.15
Japan	1.25	Sep-26	-0.85
China (lending)	2.00	Sep-24	3.45
Korea	3.00	Aug-26	0.10
India	5.50	Oct-26	-0.04
Indonesia	5.75	Jun-26	2.47

Money Mkt Rates	27-Oct	-1 mth	Chg (bps)
SPN (1Y)	6.05	6.61	-56.0
SUN (10Y)	7.47	7.08	38.7
INDONIA (O/N, Rp)	5.12	5.91	-79.4
JIBOR 1M (Rp)	5.03	5.03	0.0

Bank Rates (Rp)	Aug	Jul	Chg (bps)
Lending (WC)	8.17	8.14	3.00
Deposit 1M	5.45	5.35	10.00
Savings	0.75	0.68	7.00

Currency/USD	27-Oct	-1 mth	Chg (%)
UK Pound	0.750	0.755	0.71
Euro	0.895	0.878	-1.93
Japanese Yen	157.7	157.3	-0.27
Chinese RMB	6.668	6.713	0.67
Indonesia Rupiah	18,125	17,893	-1.28

Capital Mkt	27-Oct	-1 mth	Chg (%)
JCI	5,401.4	6,241.9	-13.46
DJIA	52,361.6	51,828.6	1.03
FTSE	10,767.3	10,695.3	0.67
Nikkei 225	63,381.3	66,364.2	-4.49
Hang Seng	23,205.4	24,510.1	-5.32

Foreign portfolio ownership (Rp Tn)	Sep	Aug	Chg (Rp Tn)
Stock	2,723.2	2,949.5	-226.26
Govt. Bond	907.5	907.8	-0.34
Corp. Bond	4.3	4.8	-0.53

Trade & Commodities	27-Oct	-1 mth	Chg (%)
Baltic Dry Index	2,628.0	3,426.0	-23.3
S&P GSCI Index	757.6	737.7	2.7
Oil (Brent, $/brl)	114.7	104.3	9.9
Coal ($/MT)	155.9	148.2	5.2
Gas ($/MMBtu)	2.72	3.24	-16.1
Gold ($/oz.)	4,010.5	4,284.8	-6.4
Copper ($/MT)	14,514.7	14,728.4	-1.5
Nickel ($/MT)	15,372.6	16,150.1	-4.8
CPO ($/MT)	1,090.2	1,097.7	-0.7
Rubber ($/kg)	2.54	2.55	-0.4

External Sector	Aug	Jul	Chg (%)
Export ($ bn)	26.61	26.22	1.51
Import ($ bn)	23.06	26.09	-11.63
Trade bal. ($ bn)	3.55	0.12	2,814.03
Central bank reserves ($ bn)*	146.5	145.3	0.80

Prompt Indicators	Sep	Aug	Jul
Consumer confidence index (CCI)	118.1	118.5	116.8
Car sales (%YoY)	28.1	32.4	33.3
Motorcycle sales (%YoY)	15.4	3.2	8.3

Manufacturing PMI	Sep	Aug	Chg (bps)
USA	55.9	53.9	200
Eurozone	52.9	52.7	20
Japan	54.1	54.9	-80
China	52.1	51.5	60
Korea	53.9	52.3	160
Indonesia	52.4	49.8	260

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

	2020	2021	2022	2023	2024	2025	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.1	5.3
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	9.1
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5126
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	3.2
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	6.00
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	7.31
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,621
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	18,238
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	19.2

Notes:

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

BCA Economic & Industry Research

David E.Sumual
Chief Economist
david_sumual@bca.co.id
+6221 2358 8000 Ext:1051352

Agus Salim Hardjodinoto
Head of Industry and Regional Research
agus_lim@bca.co.id
+6221 2358 8000 Ext: 1005314

Victor George Petrus Matindas
Head of Banking Research and Analytics
victor_matindas@bca.co.id
+6221 2358 8000 Ext: 1058408

Thierris Nora Kusuma
Economist / Analyst
thierris_kusuma@bca.co.id
+6221 2358 8000 Ext: 1071930

Gabriella Yolivia
Industry Analyst
gabriella_yolivia@bca.co.id
+6221 2358 8000 Ext: 1063933

Lazuardin Thariq Hamzah
Economist / Analyst
lazuardin_hamzah@bca.co.id
+6221 2358 8000 Ext: 1071724

Arif Agung Wibowo
Economist / Analyst
arif_agung@bca.co.id
+6221 2358 8000 Ext: 1080926

Elbert Timothy Lasiman
Economist / Analyst
Elbert_lasiman@bca.co.id
+6221 2358 8000 Ext: 1007431

Nicholas Husni
Economist / Analyst
nicholas_husni@bca.co.id
+6221 2358 8000 Ext: 1079839

Samuel Theophilus Artha
Economist / Analyst
samuel_artha@bca.co.id
+6221 2358 8000 Ext: 1080373

Jennifer Calysta Farrell
Economist / Analyst
jennifer_farrell@bca.co.id
+6221 2358 8000 Ext: 1082423

PT Bank Central Asia Tbk

BCA Economic & Industry Research

20th Grand Indonesia, Menara BCA
Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia
Ph : (62-21) 2358-8000 Fax : (62-21) 2358-8343

DISCLAIMER

This report is for information only, and is not intended as an offer or solicitation with respect to the purchase or sale of a security. We deem that the information contained in this report has been taken from sources which we deem reliable. However, we do not guarantee their accuracy, and any such information may be incomplete or condensed. None of PT. Bank Central Asia Tbk, and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. Opinion expressed is the analysts' current personal views as of the date appearing on this material only, and subject to change without notice. It is intended for the use by recipient only and may not be reproduced or copied/photocopied or duplicated or made available in any form, by any means, or redist ted to others without written permission of PT Bank Central Asia Tbk.

All opinions and estimates included in this report are based on certain assumptions. Actual results may differ materially. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice. For further information please contact: (62-21) 2358 8000, Ext: 20364 or fax to: (62-21) 2358 8343 or email: eri_tristanto@bca.co.id