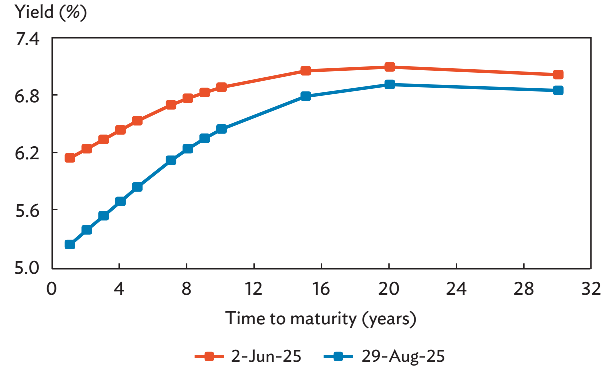
# Indonesia

## Yield Movements

**The local currency (LCY) government bond yield curve in Indonesia shifted downward from 2 June to 29 August, largely influenced by monetary policy easing to boost economic growth amid low inflation expectations.** During the review period, government bond yields declined across the curve, shedding an average of 55 basis points (**Figure 1**). The overall decline in yields was largely driven by the continued monetary easing stance of Bank Indonesia, which reduced its policy rate at both its 15–16 July and 19–20 August meetings by 25 basis points each to 5.00%. Bank Indonesia also hinted that there was further scope for rate cuts given the need to strengthen the economy amid a weakening global growth outlook. The domestic economy, however, remained resilient, expanding 5.1% year-on-year (y-o-y) in the second quarter (Q2) of 2025, up from 4.9% y-o-y in the prior quarter, with all major expenditure categories posting growth except for government spending. Consumer price inflation has ticked down to 2.3% y-o-y in August from 2.4% y-o-y in July and remained well within the target range of 1.5%–3.5%.

**Figure 1: Indonesia's Benchmark Yield Curve—Local Currency Government Bonds**

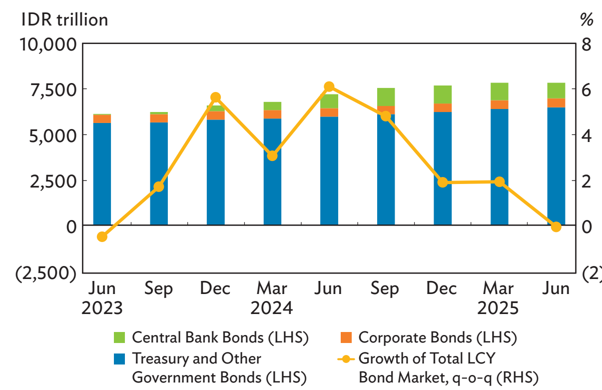



Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

**Outstanding LCY bonds in Indonesia recorded only a marginal decline in Q2 2025, dragged down by a contraction in the stock of central bank securities.** Total LCY bonds outstanding size tallied IDR7,830.4 trillion at the end of June, posting a 0.1% quarter-on-quarter (q-o-q) contraction (**Figure 2**). Nonetheless, government bonds gained 1.3% q-o-q, albeit moderating from the previous quarter's 2.7% q-o-q expansion due to a large volume of maturities. Despite a slowdown in issuance, corporate bonds expanded 3.4% q-o-q in Q2 2025 over a reduced volume of maturities. Central bank securities extended their contraction, falling 11.3% q-o-q in Q2 2025, following a 3.4% q-o-q decline in the prior quarter, as maturities outpaced issuance as the central bank sought to expand the monetary base.

**Figure 2: Composition of Local Currency Bonds Outstanding in Indonesia**



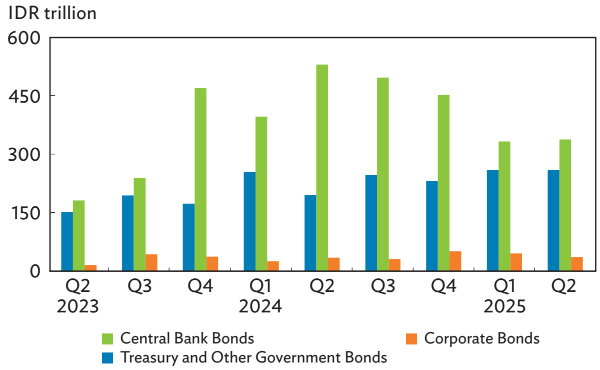

( ) = negative, IDR = Indonesian rupiah, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

**LCY bond issuance totaled IDR633.9 trillion in Q2 2025, down by a marginal 0.7% q-o-q, on reduced issuance in both the government and corporate bond segments.** The government raised IDR259.2 trillion via Treasury instruments in Q2 2025, reflecting a slight dip in issuance growth of 0.4% q-o-q, due to a high base as the government continued its front-loading strategy (**Figure 3**). While the government is expected to post a wider budget deficit in 2025, excess savings from the 2024 budget will be utilized so that it will not be solely financed through debt issuance. Corporate bond issuance slipped 9.1% q-o-q in Q2 2025 amid caution over tariff uncertainties. The largest corporate bond issuances in Q2 2025 were from state-owned firms Perum Pegadaian,

This market summary was written by Roselyn Regalado, consultant, Economic Research and Development Impact Department, Asian Development Bank, Manila.

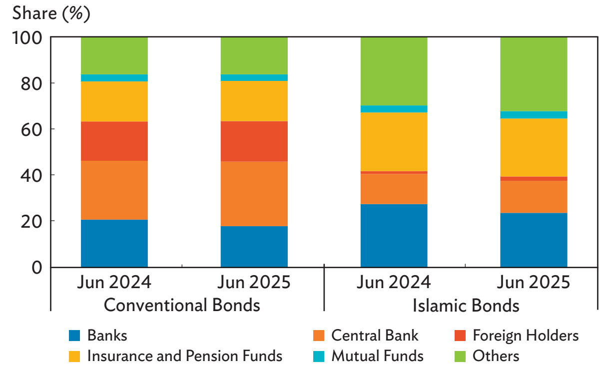
**Figure 3: Composition of Local Currency Bond Issuance in Indonesia**




IDR = Indonesian rupiah, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

**Figure 4: Investor Profile of Tradable Government Bonds**




Source: Directorate General of Budget Financing and Risk Management, Ministry of Finance.

Bank Rakyat Indonesia, and Syariah Bank Indonesia, which together accounted for nearly half of the issuance total for the quarter.

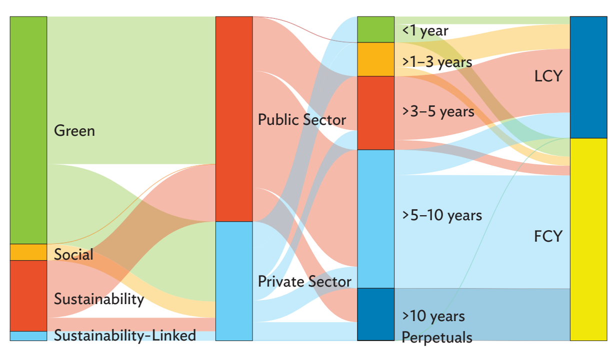
## Investor Profile

**The central bank continued to account for the largest holdings of Treasury bonds at the end of June, equivalent to about a quarter of the total.** Bank Indonesia's holdings of tradable government bonds ticked up from 23.1% a year earlier to 25.2% at the end of June as it continued to purchase Treasury bills and Treasury bonds to support its monetary operations.[22] Central bank holdings accounted for about 28.0% of conventional bonds and 14.0% of *sukuk* (Islamic bonds) (**Figure 4**). Banking institutions and insurance and pension funds were the next largest holders of Treasury bonds, with each accounting for a 19.0% share. Meanwhile, foreign investor holdings inched up to a 14.6% share of the total from 13.9% a year earlier, buoyed by investor bets on further policy rate cuts.

## Sustainable Bond Market

**At the end of June, Indonesia's sustainable bond market largely comprised green bonds and public sector issuance, with most bonds denominated in a foreign currency.** Outstanding sustainable bonds totaled USD14.1 billion at the end of June, posting a contraction of 3.7% q-o-q in Q2 2025 following 2.7% q-o-q growth in the previous quarter. Green bonds continued to be the predominant bond type, accounting for 70.2% of the sustainable bond stock (**Figure 5**). Public sector entities were active issuers of green bonds (64.9% of the green bond stock) and sustainability bonds (80.8%), while the private sector dominated social bonds (98.7%) and sustainability-linked bonds (100.0%). Bonds with remaining tenors of over 5 years accounted for 58.9% of total sustainable bonds outstanding, largely driven by a higher share of longer-tenor maturities in government bonds (73.5%). This resulted in a size-weighted average tenor of 7.9 years. Foreign currency sustainable bonds outstanding comprised 62.5% of the entire bond stock at the end of June, with bonds denominated in United States dollars accounting for about half of the total.

**Figure 5: Market Profile of Outstanding Sustainable Bonds in Indonesia at the End of June 2025**




FCY = foreign currency, LCY = local currency.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

22 From 1 January to 19 August 2025, Bank Indonesia purchased IDR137.8 trillion of Treasury bonds from the secondary market and IDR48.3 trillion of Treasury bills from the primary market.