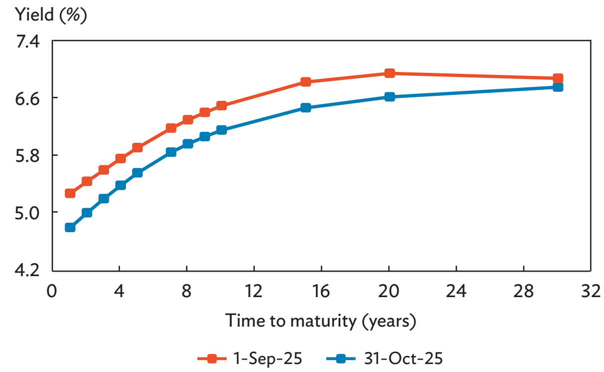
Indonesia

Yield Movements

Bank Indonesia's accommodative monetary stance has driven bond yields down. Between 1 September and 31 October, local currency (LCY) government bond yields in Indonesia declined by an average of 35 basis points (bps) across the curve (**Figure 1**), the largest overall decline in emerging East Asia during the review period.[18] In September, Bank Indonesia reduced its policy rate by 25 bps for a third consecutive month, lowering the rate to 4.75%. In its October meeting, Bank Indonesia, however, decided to keep rates steady as it shifted focus toward strengthening the effectiveness of monetary policy transmission. Despite a 150 bps reduction in the policy rate since September 2024, the central bank noted that banks' lending rates had declined by only 15 bps and loan growth remained below target. Nonetheless, Bank Indonesia maintained its dovish stance, acknowledging that there remains scope for cutting rates amid low inflation expectations.

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

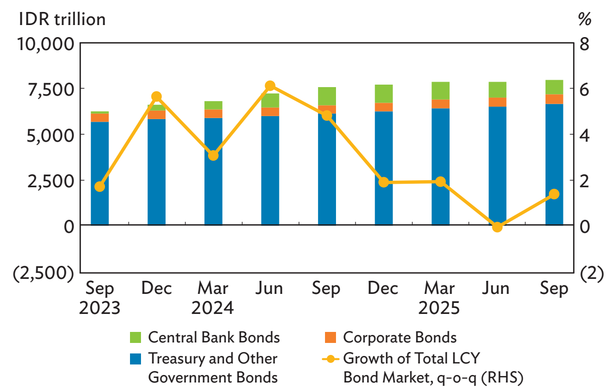


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Supported by monetary easing, LCY bond market expansion in Indonesia rebounded in the third quarter (Q3) of 2025. LCY bonds outstanding climbed to IDR7,938.0 trillion at the end of September, rising 1.4% quarter-on-quarter (q-o-q) in Q3 2025 after contracting 0.1% q-o-q in the previous quarter (**Figure 2**). Both the government (2.4% q-o-q) and corporate (3.7% q-o-q) bond segments contributed to the overall gain, as reduced borrowing costs buoyed robust issuance during Q3 2025. In contrast, the stock of central bank securities contracted 7.9% q-o-q as maturities outpaced issuance during the quarter. The contraction was in line with efforts by Bank Indonesia to reduce the amount of central bank securities and to increase funding availability in the financial system.

Figure 2: Composition of Local Currency Bonds Outstanding in Indonesia



( ) = negative, IDR = Indonesian rupiah, LCY = local currency, 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.

Lower interest rates boosted LCY bond sales in Q3 2025, with growth recorded across all bond types. Aggregate issuance tallied IDR922.6 trillion in Q3 2025, gaining 45.6% q-o-q and reversing the 0.7% q-o-q contraction recorded in the previous quarter (**Figure 3**). Government bond issuance rose 21.1% q-o-q in Q3 2025, raising IDR314.0 trillion from the sale of Treasury instruments including retail *sukuk* (Islamic bonds) and retail savings bonds. Corporate bond issuance was also robust, recording an expansion of 86.2% q-o-q following a contraction of 19.9% q-o-q in the prior quarter. Bank Negara Indonesia was the largest corporate bond issuer in Q3 2025, accounting for 7.4% of Indonesia's quarterly total with issuances totaling IDR5.0 trillion in July.

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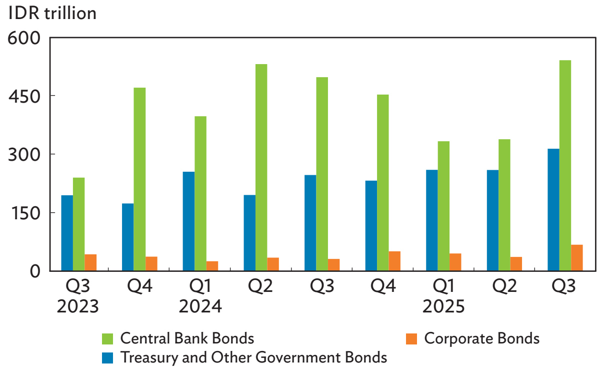
[18] Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.

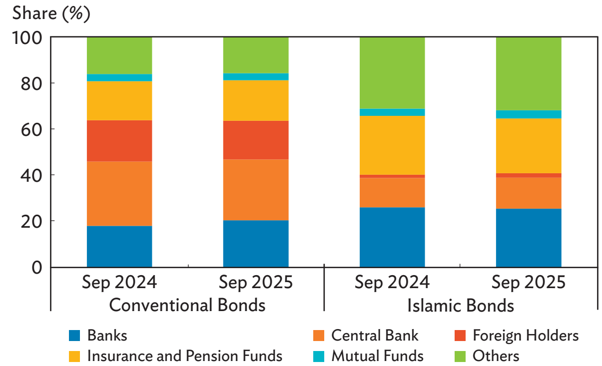
Figure 3: Composition of Local Currency Bond Issuance in Indonesia



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.

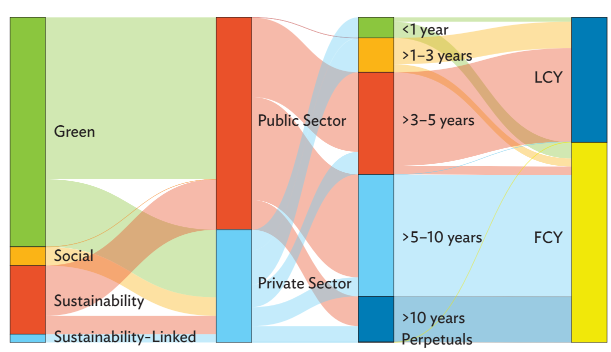
Investor Profile

At the end of September, the central bank remained the largest investor group in Indonesia's Treasury bond market. As part of its policy mix to support economic growth, the central bank continued to purchase Treasury bonds from the secondary market.[19] Bank Indonesia held 24.1% of total tradable government bonds at the end of September, the highest share among all investor types, but this was slightly down from 25.0% a year earlier. By type of bond, the central bank's holdings share was much higher for conventional bonds (26.5%) than for *sukuk* (13.5%) (**Figure 4**). Foreign investors also saw a slight decline in their share of holdings of Treasury bonds during the review period—from 14.7% to 14.1%—following anti-government protests in September 2025. On the other hand, long-term institutional investors provided support to the market, with banks as the largest buyers of Treasury bonds in September, leading to an increase in their holdings share from 19.5% to 21.3%.

Sustainable Bond Market

The sustainable bond market in Indonesia expanded 12.4% q-o-q in Q3 2025, with bonds outstanding reaching USD16.1 billion at the end of September. Amid continued monetary easing, sustainable bond issuance more than doubled to USD1.9 billion during the quarter. In Q3 2025, the largest issuance was the government's USD1.1 billion green bond issued in July, followed by Bank Negara Indonesia's LCY sustainability bonds (USD0.3 billion equivalent). About 65.3% of sustainable bonds outstanding at the end of September were from the public sector as the government regularly issues sustainable bonds (**Figure 5**). The active participation of the public sector contributes to the lengthened maturity profile in Indonesia's sustainable bond market. About 62.5% of public sector sustainable bonds outstanding carried tenors of over 5 years at the end of September, leading to a longer size-weighted average tenor of 9.1 years. On the other hand, private sector sustainable bonds carried more shorter-dated tenors (68.7% of bonds with tenors of less than 5 years), resulting in a shorter average of 4.7 years.

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



FCY = foreign currency, LCY = local currency.

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

19 From 1 January to 21 October 2025, Treasury bond purchases by Bank Indonesia reached IDR268.4 trillion.