

Indonesia

Yield Movements

Indonesia's local currency (LCY) government bond yields collectively rose between 3 November and 6 February, rising an average of 19 basis points across the curve (Figure 1). Yields gained as investor sentiment was dampened over an equities market rout that occurred in January in response to MSCI warnings about a potential reduction in Indonesia's stock weighting in the MSCI Emerging Market Index or even a possible downgrade of Indonesia's stock market classification to the Frontier Market Index. In addition, concerns over the government's fiscal policy contributed to the negative sentiment as 2025's budget deficit (2.9% of gross domestic product) nearly breached the 3.0% statutory debt limit. Yields rose further after Moody's downgraded Indonesia's sovereign credit rating outlook from Stable to Negative on 5 February. Meanwhile, Bank Indonesia continued to maintain an accommodative monetary stance, having left the policy rate unchanged at 4.75% since September.

Local Currency Bond Market Size and Issuance

The expansion of Indonesia's LCY bond market accelerated slightly in the fourth quarter (Q4) of 2025, buoyed by both the government and corporate bond segments. By the end of 2025, the outstanding size of Indonesia's LCY bond market reached IDR8,067.1 trillion, with the expansion inching up to 1.6% quarter-on-quarter (q-o-q) in Q4 2025 from 1.4% q-o-q in the third quarter (Figure 2). Despite a slowdown in issuance, corporate bonds outstanding gained 3.9% q-o-q in Q4 2025, up from 3.7% q-o-q in the previous quarter, due to a reduced volume of maturities. Meanwhile, the government bond market's expansion moderated to 1.7% q-o-q from 2.4% q-o-q due to the front-loading of issuance in prior quarters.

LCY bond issuance marginally contracted in Q4 2025 over reduced government and corporate bond issuance. Total LCY bond issuance fell to IDR921.7 trillion in Q4 2025 on a marginal decline of 0.1% q-o-q (Figure 3). Government bond issuance contracted 24.3% q-o-q as the

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

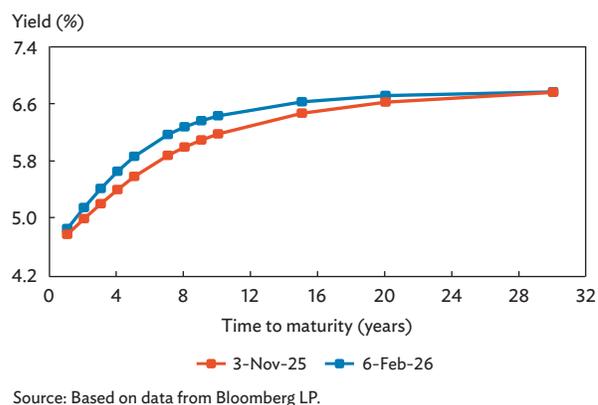
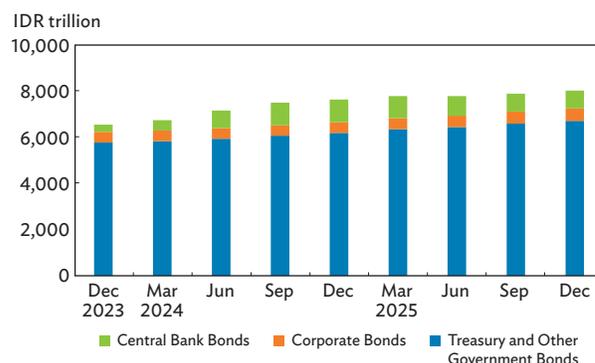


Figure 2: Composition of Local Currency Bonds Outstanding in Indonesia

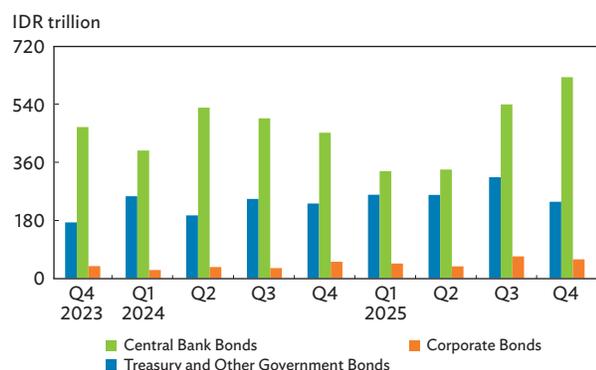


IDR = Indonesian rupiah.

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

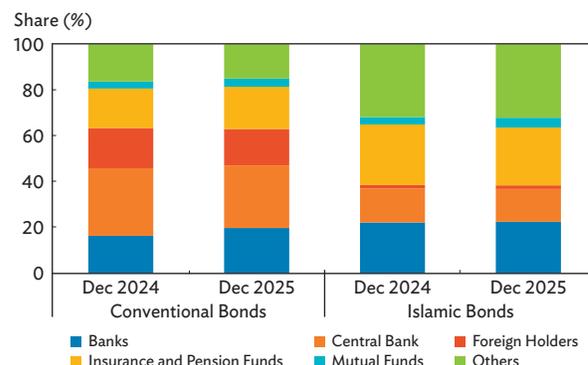
government had mostly fulfilled its annual borrowing in the prior quarters. Corporate bond issuance fell 13.9% q-o-q due to a high base effect resulting from increased third quarter issuance driven by lower borrowing costs following policy rate cuts by Bank Indonesia. The largest corporate bond issuance in Q4 2025 was from state-owned Sarana Multi Infrastruktur, which sold multitranches amounting to IDR6.5 trillion, comprising 11.1% of Indonesia's corporate bond issuance total during the quarter.

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

The central bank remained the largest holder of Treasury bonds in Indonesia at the end of 2025.

However, the central bank’s holdings share slightly dipped to 25.0% at the end of 2025 from 26.8% a year earlier. By instrument type, Bank Indonesia held 27.3% of conventional bonds and 14.3% of outstanding *sukuk* (Islamic bonds) at the end of 2025 (Figure 4). Foreign investors reduced their holdings of Treasury bonds to 13.4% in 2025 from 14.5% in 2024 as investor sentiment soured over concerns about the government’s fiscal policy. Meanwhile, domestic financial institutions continued to buy Treasury bonds, with banks increasing their holdings share to 20.2% from 17.4%.

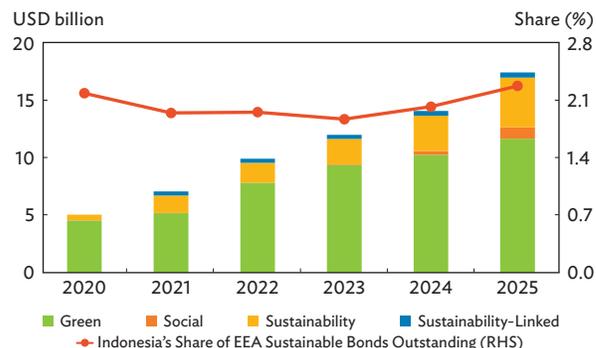
Sustainable Bond Market

Sustainable bonds outstanding in Indonesia expanded 23.7% year-on-year (y-o-y) in 2025, up from a 17.4% y-o-y gain in 2024, to reach USD17.5 billion at the end of December. The expansion lifted Indonesia’s share of emerging East Asia’s sustainable bond total to 2.3% in 2025 from 2.0% a year earlier (Figure 5).²²

Favorable financial conditions bolstered issuance during the year, with issuance rising 34.5% y-o-y to USD4.5 billion. Of this amount, 67.1% came from the Government of Indonesia, the largest of which was the USD1.1 billion green *sukuk* issued in July and the

EURO.6 billion sovereign sustainability bond issued in October. The active participation of the public sector in the sustainable bond market contributed to the lengthening of the maturity structure. Public sector sustainable bonds carried longer tenors than their private sector counterparts, with 62.9% having tenors of over 5 years, which resulted in an average size-weighted tenor of 8.6 years at the end of 2025. For private sector sustainable bonds, tenors of 5 years or less comprised 70.3% of the total, generating a size-weighted average tenor of 4.4 years.

Figure 5: Sustainable Bonds Outstanding in Indonesia



EEA = emerging East Asia, RHS = right-hand side, USD = United States dollar.
Notes:
1. Emerging East Asia is defined to include the member states of ASEAN plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.
2. Data include both local currency and foreign currency sustainable bonds.
3. Sustainability-linked bonds include transition-linked bonds.
Source: AsianBondsOnline calculations based on Bloomberg LP data.

²² 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.