

Indonesia

Yield Movements

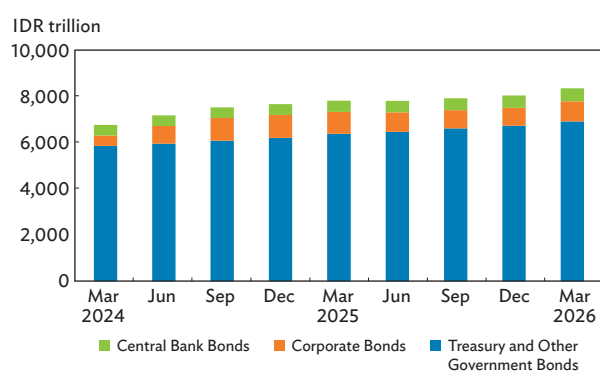
Local currency (LCY) government bond yields in Indonesia rose across all tenors between 2 February and 29 May, driven by rising inflationary pressures due to the conflict in the Middle East and Bank Indonesia's policy rate hike (**Figures 1A, 1B**). The central bank raised its policy rate by 50 basis points at its 19–20 May monetary policy meeting to preserve rupiah stability and contain inflation. Investor sentiment was further weighed by a range of domestic factors, including concerns over fiscal sustainability, outlook downgrades by rating agencies, and MSCI-related uncertainty surrounding issues of market transparency and investor holding structures in the equity market. Bank Indonesia again raised its policy rate by 25 basis points at an off-cycle meeting on 9 June.

Local Currency Bond Market Size and Issuance

Indonesia's LCY bond market reached a size of IDR8,370.7 trillion at the end of March, with its expansion accelerating to 3.8% quarter-on-quarter (q-o-q) in the first quarter (Q1) of 2026 from 1.6% q-o-q in the previous

quarter. Treasury bonds, which comprised 82.9% of total bonds outstanding, rose by 2.8% q-o-q, supported by the government's front-loading strategy (**Figure 2**). Outstanding corporate and central bank bonds also rose due to fewer maturities despite a decline in issuance. Total issuance in Q1 2026 contracted 24.6% q-o-q on scaled back issuance by the central bank to support credit growth and economic expansion (**Figure 3**).

Figure 2: Local Currency Bonds Outstanding in Indonesia

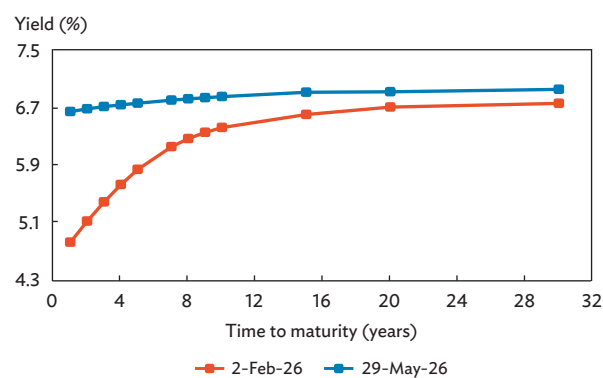


IDR = Indonesian rupiah.

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

Figure 1: Local Currency Government Bond Yields in Indonesia

A. Local Currency Government Bond Yield Curve



Note: Data coverage is from 2 February 2026 to 29 May 2026.

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

B. Changes in Local Currency Government Bond Yields

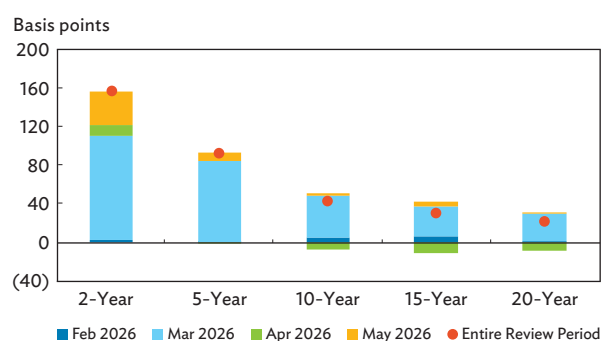
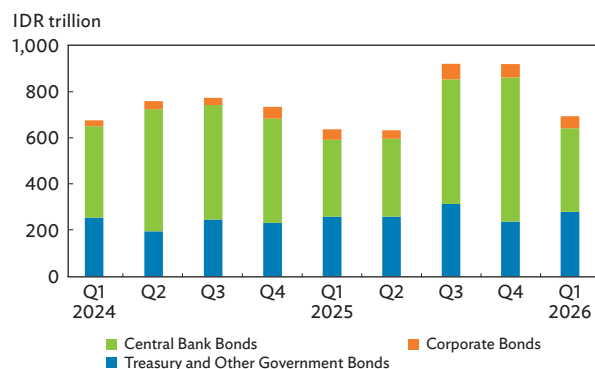


Figure 3: Local Currency Quarterly Bond Issuance in Indonesia



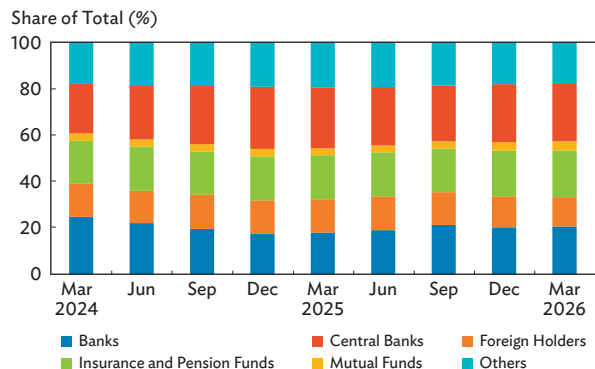
IDR = Indonesian rupiah, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
 Sources: Bank Indonesia; Directorate General of Budget Financing and Risk Management, Ministry of Finance; and Indonesia Stock Exchange.

Investor Profile

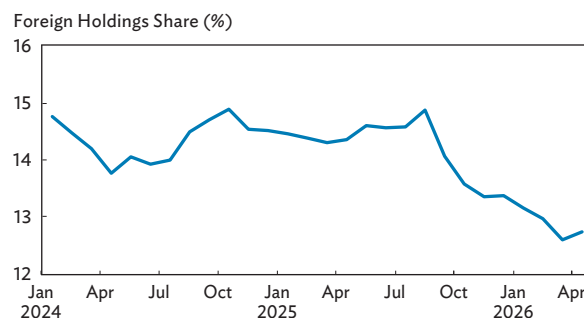
At the end of March, the central bank continued to account for the largest holdings of Treasury bonds in Indonesia, with its holdings share inching up to 25.1% from 25.0% at the end of December 2025 (**Figure 4A**). Bank Indonesia’s bond purchases form part of its policy measures meant to maintain financial market stability and support economic growth. In contrast, the share of foreign ownership continued to decline to 12.7% from 13.4% over risk aversion due to geopolitical and domestic factors—including outlook downgrades by Moody’s Ratings and Fitch Ratings, and concerns over fiscal sustainability (**Figure 4B**).

Figure 4: Investor Profile in Indonesia’s Local Currency Bond Market

A. Investor Holdings



B. Foreign Holdings



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

Sustainable Bond Market

Heightened global uncertainty weighed on Indonesia’s sustainable bond market, with bonds outstanding contracting 0.6% q-o-q to USD17.7 billion at the end of March (Figure 5A). Sustainable bond issuance fell 68.9% q-o-q to USD0.4 billion in Q1 2026, driven by reduced public sector issuance. Compared to bonds in the private sector, public sector bonds were more concentrated in maturities exceeding 5 years, contributing to their longer maturity profile, with a size-weighted average tenor of 8.4 years (Figure 5B).

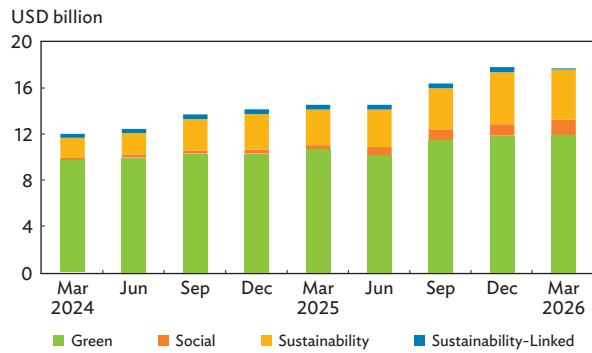
Policy and Regulatory Developments

Government to Raise IDR324 Trillion in Second Quarter from Treasury Auctions

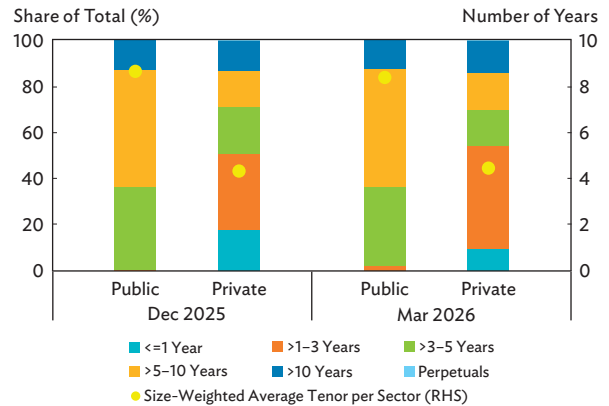
The Government of Indonesia plans to issue IDR324 trillion through Treasury bond auctions in the second quarter of 2026, up from IDR220 trillion in Q1 2026. The planned issuance will comprise both conventional bonds and *sukuk* (Islamic bonds), with alternate auctions scheduled every week.

Figure 5: Sustainable Bond Market in Indonesia

A. Sustainable Bonds Outstanding



B. Maturity Profile and Average Tenor of Sustainable Bonds Outstanding by Sector



RHS = right-hand side, USD = United States dollar.
Source: AsianBondsOnline calculations based on Bloomberg LP data.