

Indonesia

Yield Movements

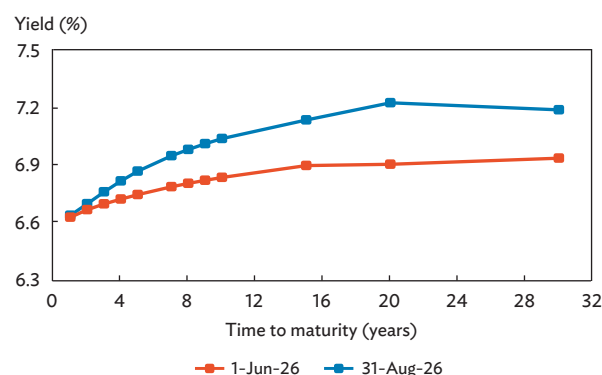
Between 1 June and 31 August, yields on local currency (LCY) debt securities climbed by an average of 16 basis points (bps) across all maturities, driven by Bank Indonesia's monetary tightening and inflationary pressures stemming from the ongoing conflict in the Middle East (**Figure 1A**). Yields rose sharply in June following Bank Indonesia's 50 bps policy rate hike to support rupiah stability and keep inflation within its target range (**Figure 1B**). Additional upward pressure stemmed from concerns over fiscal policy and central bank independence. In August, however, yields fell as investor sentiment improved after Bank Indonesia kept its policy rate unchanged for a second consecutive month and further enhanced hedging incentives to encourage capital inflows and support the domestic currency.

Local Currency Bonds Outstanding and Issuance

LCY debt securities in Indonesia rose by 5.1% quarter-on-quarter (q-o-q) in the second quarter (Q2) of 2026, faster than the 3.8% expansion in the first quarter, to reach a size of IDR8,798.1 trillion at the end of June (**Figure 2**). Excluding maturities of 1 year or less, bonds outstanding totaled IDR7,525.8 trillion, expanding by a slower pace of 2.1% q-o-q in Q2 versus 2.6% in the prior quarter. The expansion continued to be driven by government bonds (2.2% q-o-q) on the front-loading of issuance in the first half of the year, while corporate bonds rose marginally (0.7%). Total bond issuance in Q2 tallied IDR328.6 trillion on accelerated growth of 17.1% q-o-q, up from 12.4% in the previous quarter (**Figure 3**).

Figure 1: Yields for Local Currency Government Debt Securities in Indonesia

A. Local Currency Government Debt Securities Yield Curve



() = negative.

Notes:

1. Data coverage is from 1 June 2026 to 31 August 2026.

2. Bonds are defined as debt securities with maturities longer than 1 year.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

B. Changes in Local Currency Government Bond Yields

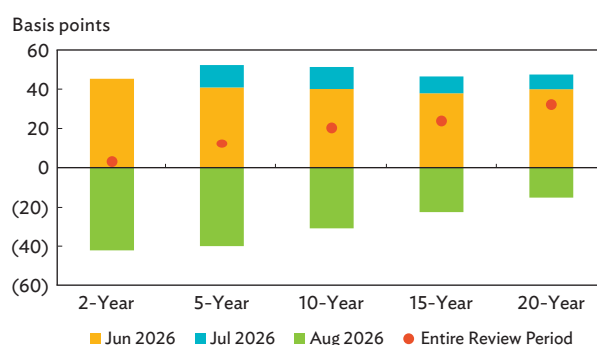
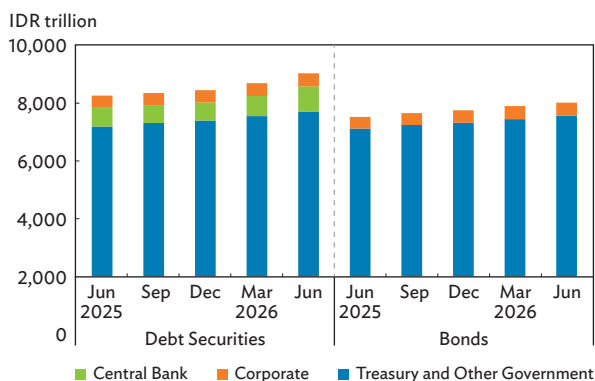
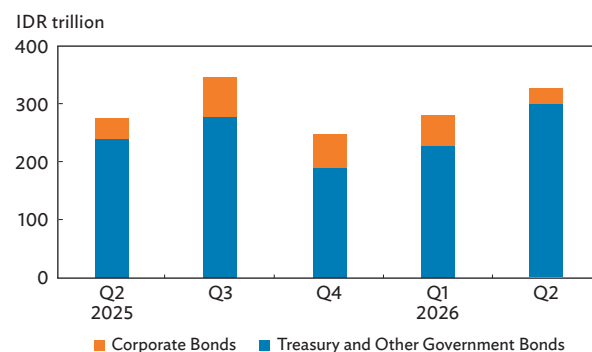


Figure 2: Local Currency Debt Securities Outstanding in Indonesia

IDR = Indonesian rupiah.

Note: Bonds are defined as debt securities with maturities longer than 1 year.

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

Figure 3: Local Currency Quarterly Bond Issuance in Indonesia

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

Note: Bonds are defined as debt securities with maturities longer than 1 year.

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

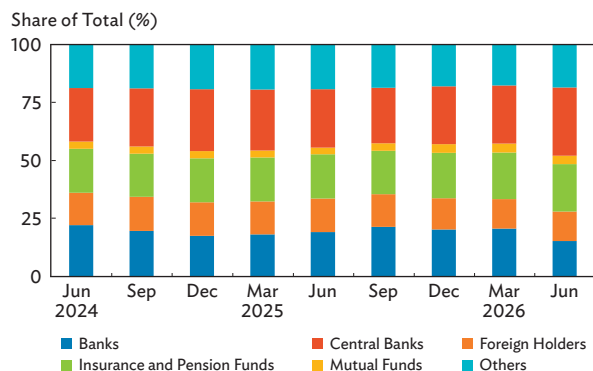
Investor Profile

The central bank remained the largest holder of government debt securities in Indonesia at the end of June, with its holdings share rising to 29.4% from 25.1% at end of March due to bond purchases aimed at supporting financial market stability (**Figure 4A**).

In contrast, banks' holdings share declined sharply to 15.1% from 20.6% during the same period. Meanwhile, foreign investors' holdings share inched up to 12.8% at the end of June from 12.7% at the end of March, as improving investor sentiment and Bank Indonesia's cumulative 100 bps policy rate hikes in May and June enhanced the attractiveness of IDR-denominated assets (**Figure 4B**).

Figure 4: Investor Profile of the Local Currency Government Debt Securities Market in Indonesia

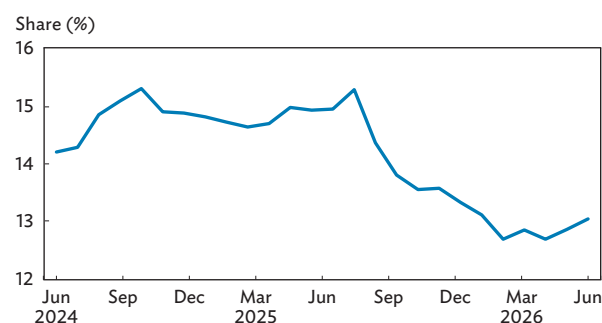
A. Investor Holdings



Note: Government debt securities include Treasury bills and Treasury bonds.

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

B. Foreign Holdings



Sustainable Bond Market

Indonesia's sustainable bond market expanded 4.8% q-o-q in Q2 to USD18.5 billion, reversing the 0.6% contraction in the first quarter (**Figure 5A**). Sustainable bond issuance more than doubled to USD1.2 billion in Q2, driven largely by sovereign issuance. Sovereign bonds accounted for 69.8% of Indonesia's sustainable bond market at the end of June and were concentrated in bonds with remaining tenors of over 5 years (66.7%), contributing to a lengthening of the market's maturity profile (**Figure 5B**). As a result, the size-weighted average tenor of sovereign sustainable bonds stood at 8.0 years, significantly longer than the 4.4-year average tenor of corporate sustainable bonds.

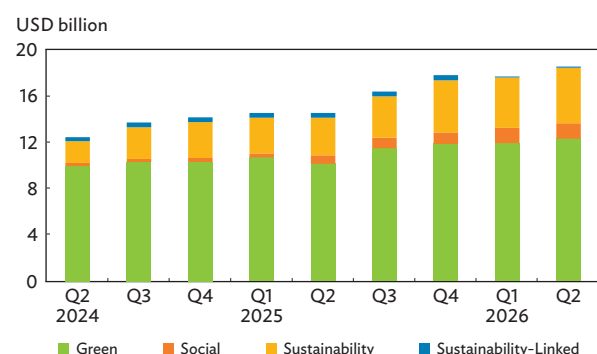
Policy and Regulatory Developments

Bank Indonesia Expands Hedging Incentives

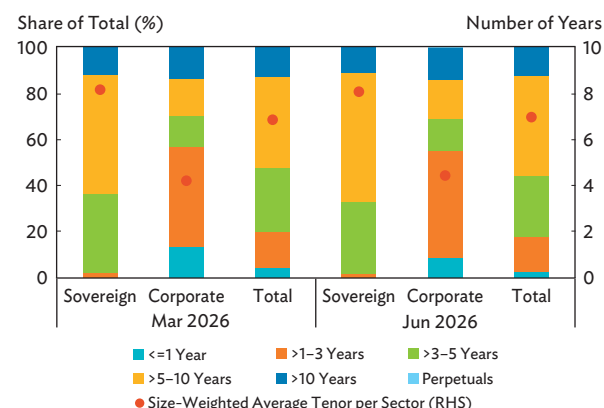
On 22 July, Bank Indonesia announced a series of policy measures targeted to help boost debt portfolio inflows as well as further develop its money market. The measures announced included adjusting the hedging costs for foreign investors and expanding the bonds that can be used for repo transactions to include corporate bonds and *sukuk* (Islamic bonds) issued by selected institutions. On 19 August, Bank Indonesia further expanded the list of allowable transactions that qualified for the incentive to include loans and foreign direct investment.

Figure 5: Sustainable Bond Market in Indonesia

A. Sustainable Bonds Outstanding



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



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, RHS = right-hand side, USD = United States dollar.

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