

Time to Refocus on Fiscal Fundamental

3 July 2025

Economist / Fikri C Permana

EXECUTIVE SUMMARY

- Following the ceasefire agreement between Iran and Israel reached on June 24, accompanied by a 60-day truce in Gaza, risk-off sentiment in the capital markets has begun to ease.
- However, as we enter early Jul '25, several developments—particularly concerning future fiscal fundamentals—warrant close attention, notably:
 - From the U.S., the so-called “Big Beautiful Bill,” which involves an increase in the debt ceiling by USD3.0tn to USD5.0 tn over the next ten years, has become a focal point for global bond market investors. This development raises questions about the long-term sustainability of U.S. fiscal policy, economic outlook, and the future role of the U.S. Dollar.
 - On the domestic front, Finance Minister Sri Mulyani stated that Indonesia’s 2025 budget deficit is projected to widen to 2.78% of GDP, alongside a downward revision to the economic growth forecast to a range of 4.7%–5.0%.
- This fiscal outlook should also be closely monitored by local bond market participants.
- In addition, market sentiment remains somewhat at odds with the Federal Reserve's policy stance, which continues to be a key consideration.
- Attention is also turning toward the expiration of the Trump Tariff Pause, scheduled for July 9.
- Finally, upcoming releases of real sector data—especially the S&P Manufacturing PMI from various countries—along with other key global, regional, and domestic economic indicators, will play a significant role in shaping market expectations moving forward.



Source: Barrons.com(2025)

Link: <https://www.barrons.com/articles/iran-war-3-scenarios-oil-stocks-3eaf40ee>



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US ECONOMIC DATA

US ECONOMIC INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Fed Rate	%	Jun '25	4.50	4.50
Economic Growth	%, yoy	1Q25	2.0	2.5
Inflation Rate	%, yoy	May '25	2.4	2.3
Unemployment Rate	%	May '25	4.2	4.2

Sources : various sources, KBVS Research (2025)

The data releases that influenced yield movements in the week of 26 Jun-2 Jul '25 are as follows:

- The number of people claiming unemployment benefits on the period ending June 16th, '25 in the US decreased by 10K to 236K (Cons: 244K, Prev: 246K).
- Durable Goods Orders in May '25 increased to 16.40% MoM (Cons: 8.60% MoM, Prev: -6.60% MoM).
- GDP in 1Q25 decreased to -0.50% QoQ (Cons: -0.20% QoQ, Prev: 2.40% QoQ).
- Core PCE Price Index in May '25 increased to 0.20% MoM (Cons: 0.10% MoM, Prev: 0.10% MoM).
- Chicago PMI in Jun '25 decreased to 40.40 (Cons: 42.70, Prev: 40.50).
- S&P Global Manufacturing PMI in Jun '25 increased to 52.90 (Cons: 52.00, Prev: 52.00).
- ISM Manufacturing PMI in Jun '25 increased to 49.00 (Cons: 48.80, Prev: 48.50).
- ISM Manufacturing Prices in Jun '25 increased to 69.70 (Cons: 69.60, Prev: 69.40).
- JOLTs Job Openings in May '25 increased to 7.769M (Cons: 7.320M, Prev: 7.395M).

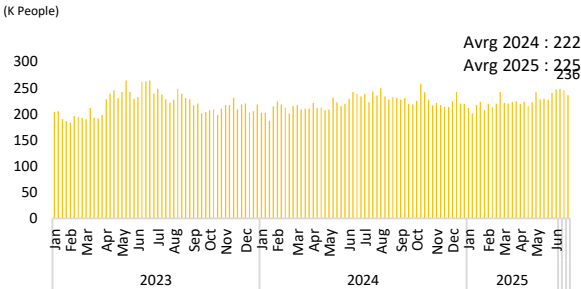
ECONOMIC CALENDAR

(26 JUN-2 JUL '25)

Event	Actual	Forecast	Previous
Thursday, 26 Jun '25			
US 5-Year Note Auction	3.88%		4.07%
US Continuing Jobless Claims	1,974K	1,950K	1,937K
US Initial Jobless Claims	236K	244K	246K
US Core Durable Goods Orders (MoM) (May)	0.50%	0.10%	0.00%
US Core PCE Prices (Q1)	3.50%	3.40%	2.60%
US Durable Goods Orders (MoM) (May)	16.40%	8.60%	-6.60%
US GDP (QoQ) (Q1)	-0.50%	-0.20%	2.40%
US GDP Prices Index (QoQ) (Q1)	3.80%	3.70%	2.30%
US Goods Trade Balance (May)	-96.59B	-86.30B	-86.97B
US Retail Inventories Ex Auto (May)	0.20%		0.30%
US FOMC Member Daly Speaks			
US Pending Home Sales (MoM) (May)	1.80%	0.20%	-6.30%
Friday, 27 Jun '25			
US 7-Year Note Auction	4.02%		4.19%
US Fed Vice Chair for Supervision Barr Speaks			
US Fed's Balance Sheet	6,622B		6,681B
US FOMC Member Kashkari Speaks			
US FOMC Member Williams Speaks			
US Core PCE Price Index (MoM) (May)	0.20%	0.10%	0.10%
US Core PCE Price Index (YoY) (May)	2.70%	2.60%	2.60%
US PCE Price Index (YoY) (May)	2.30%	2.30%	2.20%
US PCE Price Index (MoM) (May)	0.10%	0.10%	0.10%
US Personal Spending (MoM) (May)	-0.10%	0.10%	0.20%
US Michigan 1-Year Inflation Expectations (Jun)	5.00%	5.10%	6.60%
US Michigan 5-Year Inflation Expectations (Jun)	4.00%	4.10%	4.20%
US Michigan Consumer Expectations (Jun)	58.10	58.40	47.90
US Michigan Consumer Sentiment (Jun)	60.70	60.50	52.20
Monday, 30 Jun '25			
US Chicago PMI (Jun)	40.40	42.70	40.50
US FOMC Member Bostic Speaks			
Tuesday, 1 Jul '25			
US Fed Chair Powell Speaks			
US S&P Global Manufacturing PMI (Jun)	52.90	52.00	52.00
US Construction Spending (MoM) (May)	-0.30%	-0.20%	-0.20%
US ISM Manufacturing Employment (Jun)	45.00		46.80
US ISM Manufacturing PMI (Jun)	49.00	48.80	48.50
US ISM Manufacturing Prices (Jun)	69.70	69.60	69.40
US JOLTs Job Openings (May)	7.769M	7.320M	7.395M
US Atlanta Fed GDP Now (Q2)	2.50%	2.90%	2.90%
Wednesday, 2 Jul '25			
US API Weekly Crude Oil Stock	0.680M	-2.260M	-4.277M
US ADP Nonfarm Employment Change (Jun)		105K	37K
US Crude Oil Inventories		-2.260M	-5.836M
US Cushing Crude Oil Inventories			-0.464M

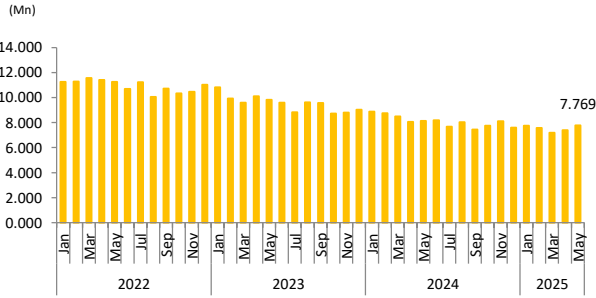
Sources : investing, KBVS Research (2025)

WEEKLY INITIAL JOBLESS CLAIMS



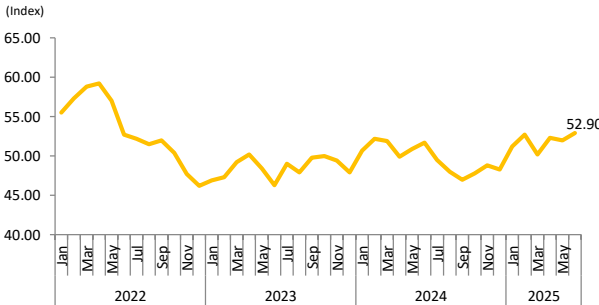
Sources : US DoL, KBVS Research (2025)

JOLTS JOB OPENINGS



Sources : US Bureau of Labor Statistics, KBVS Research (2025)

S&P GLOBAL MANUFACTURING PMI



Sources : US S&P Global, KBVS Research (2025)

Big Beautiful Bill (1)

Committee for a Responsible Federal Budget		OUR WORK	INTERACTIVES
Provision	Deficit Increase (-) / Decrease (FY2025-FY2034)		
Ways and Means Committee			
Extend & Expand Rate Cuts	-\$2,177 billion		
Extend AMT Repeal for Taxpayers with Income Below \$1 Million	-\$1,304 billion		
Extend & Expand Standard Deduction Hike	-\$1,308 billion		
Repeal Personal/Dependent Exemption	\$1,870 billion		
Extend & Expand Child Tax Credit Increase	-\$797 billion		
Extend & Expand 199A Pass-Through Deduction	-\$820 billion		
Extend \$10k SALT Cap, Increased to \$40k for Income Below \$500k, with Limits on Workarounds and High-Income Taxpayers	\$787 billion		
Extend Other Deduction Changes and Pease Repeal	\$47 billion		
Limit Value of Itemized Deductions to 35% Rates	\$41 billion		
Extend & Expand Estate Tax Cut	-\$212 billion		
Subtotal, Extend & Expand TC-JA Individual Provisions	-\$3,873 billion		
Revive Bonus Depreciation through 2029	-\$37 billion		
Revive Domestic R&E Expensing through 2029	-\$23 billion		
Revive Looser Interest Limit through 2029	-\$40 billion		
Extend Lower International Rates with Modifications	-\$165 billion		
Extend & Expand Opportunity Zones through 2033	-\$5 billion		
Subtotal, Revive TC-JA Business Provisions	-\$270 billion		
No Tax on Tips Through 2028	-\$40 billion		
No Tax on Overtime Through 2028	-\$124 billion		
Higher Senior Standard Deduction through 2028	-\$66 billion		
No Tax on Car Loans through 2028	-\$58 billion		
Health Savings Account Expansions	-\$44 billion		
Establish "Trump Accounts" and Fund Through 2028	-\$17 billion		
Scholarship Tax Credit	-\$20 billion		
Non-Itemizer Charitable Deduction	-\$7 billion		
Other Individual Tax Cuts	-\$20 billion		
Allow Expensing of Factories through 2028	-\$148 billion		
Extend Clean Fuel Tax Credit through 2031	-\$45 billion		
Other Business and Related Tax Cuts	-\$74 billion		
Subtotal, New Tax Cuts and Spending	-\$663 billion		
Repeal EV Tax Credits	\$191 billion		
Phase Out Energy Investment, Production, and Manufacturing Credits	\$249 billion		
Repeal or Reform other IRA Credits	\$131 billion		
Foreign Corporate Retaliation Tax	\$116 billion		
Reduce ACA Overpayments and Payments to Immigrants	\$193 billion		
Modify "De Minimis" Entry Privilege for Commercial Shipments	\$39 billion		
Expand Executive Compensation Deduction Limit	\$20 billion		
Increase College Endowment Tax	\$23 billion		
Impose Remittance Excise Tax	\$26 billion		
Other Offsetting Provisions	\$66 billion		
Subtotal, Offsets	\$1,054 billion		
Subtotal, Ways and Means Committee			
-\$3,754 billion (-\$5,204 billion if permanent)			

Armed Services Committee	
Shipbuilding	-\$32 billion
Air Superiority and Missile Defense	-\$30 billion
Munitions and Supply Chain	-\$19 billion
Scaling Development and Production of New, Low-Cost Weapons Systems	-\$13 billion
Nuclear Deterrence	-\$13 billion
Enhance Military Readiness	-\$11 billion
Deterrence and Readiness in the Pacific Theater	-\$11 billion
Military Personnel	-\$8 billion
Border Security and Narcotics	-\$5 billion
Military Intelligence, Cyber Security, and Oversight	-\$2 billion
Subtotal, Armed Services Committee	-\$144 billion (-\$410 billion if permanent)
Homeland Security Committee	
Border Wall Construction and Border Security Facilities Improvements	-\$50 billion
State Border Security Reimbursement	-\$12 billion
U.S. Customs and Border Protection Personnel and Vehicles	-\$8 billion
U.S. Customs and Border Protection Technology, National Vetting Center, and Other Border Security Enhancements	-\$6 billion
Security, Planning, and Other Costs Related to 2026 FIFA World Cup and 2028 Olympics	-\$2 billion
Homeland Security Grants and Reimbursements to State and Local Jurisdictions	-\$1 billion
Subtotal, Homeland Security Committee	-\$79 billion (-\$120 billion if permanent)
Judiciary Committee	
Visa Integrity Fee	\$29 billion
Fee Relating to Termination, Renewal, and Extension of Employment Authorization for Asylum Applicants	\$14 billion
Form I-94 Fee	\$11 billion
Diversity Immigrant Visa Fees	\$6 billion
Fee Relating to Renewal and Extension of Employment Authorization for Aliens Granted Temporary Protected Status	\$4 billion
Other Immigration Fees	\$11 billion
Adult Alien Detention Capacity and Family Residential Centers	-\$45 billion
Transportation and Removal Operations	-\$14 billion
Hiring of Additional U.S. Immigration and Customs Enforcement Personnel	-\$8 billion
Unaccompanied Alien Children Capacity	-\$3 billion
Other Provisions and Changes	-\$13 billion*
Subtotal, Judiciary Committee	-\$9 billion (-\$90 billion if permanent)
Education and Workforce Committee	
Replace SAVE and Other Income Contingent Repayment Plans with New Simplified Repayment Plan and Other Reforms	\$295 billion
Reform Loan Limits by Repealing Grad PLUS Loans, Boosting Undergraduate Lending, and Limiting Graduate and Parent PLUS Borrowing, Among Other Reforms	\$51 billion
Prevent Presidents from Unilaterally Enacting Debt Cancellation	\$32 billion
Repeal Loan Discharge Authority and Certain Accountability Rules for For-Profit and Underperforming Schools	\$9 billion
Establish "Risk Sharing" and Performance Grants to Encourage Schools to Lower Costs and Improve Quality	\$6 billion
Tighten Pell Grant Eligibility and Create Workforce Pell	\$8 billion^
Use Mandatory Pell Savings to Reduce Discretionary Pell Shortfall	-\$11 billion
Modify Eligibility for Non-Citizens and Exempt Certain Assets from Financial Aid Calculation	\$1 billion
Interactions	-\$41 billion
Subtotal, Education and Workforce Committee	\$349 billion

Sources : Committee for Responsible Federal Budget (2025), link:
<https://www.crfb.org/blogs/breaking-down-one-big-beautiful-bill>

Big Beautiful Bill (2)

Energy and Commerce Committee	
Require States to Establish Medicaid Work Requirements	\$336 billion
Change Eligibility and Enrollment Rules	\$163 billion
Address Waste, Fraud, and Abuse in ACA Exchanges	\$105 billion
Freeze New or Increased Provider Taxes	\$87 billion
Revise the Payment Limit for Certain State Directed Payments	\$72 billion
Increase Frequency of Medicaid Eligibility Redeterminations	\$60 billion
Require Uniform Tax for Medicaid Provider Taxes	\$34 billion
Fund Cost Sharing Reduction (CSR) Payments	\$34 billion
Expansion State FMAP Changes	\$24 billion
Repeal and Freeze Nursing Home Staffing Standards Rule	\$23 billion
Ensure Appropriate Address Verification Under the Medicaid and CHIP Programs	\$17 billion
Modify Cost-Sharing Requirements in Medicaid Program	\$8 billion
Other Health Related Offsets	\$21 billion
Modify Update to Conversion Factor Under the PFS	-\$9 billion
Expand Drug Price Negotiation to Include Orphan Drugs	-\$5 billion
Other Health Related Spending and Tax Breaks	-\$1 billion
Interactions	-\$78 billion
Subtotal, Health Care	\$890 billion
Repeal Biden Administration "Tailpipe" Vehicle Emissions Rule and CAFE Standards	\$105 billion
Extend and Expand Spectrum Auctions	\$88 billion
Repeal and Rescind Funding from Various Energy and Environment Projects	\$5 billion
Other Energy Related Offsets	\$1 billion
Replenish Strategic Petroleum Reserve	-\$2 billion
Fund Artificial Intelligence Development, IT Modernization Efforts, and Other Energy Related Spending	-\$1 billion
Subtotal, Energy, Environment, and Communications	\$196 billion
Subtotal, Energy and Commerce Committee	\$1,086 billion
Agriculture Committee	
Establish SNAP Matching Funds Requirement for States	\$128 billion
Strengthen SNAP Work Requirements and Restrict Eligibility for Undocumented Individuals	\$92 billion
Limit Executive Power to Increase Agricultural Subsidies	\$37 billion
Reduce Federal Share of Administrative Costs for SNAP Program	\$27 billion
Exclude Internet Expenses from SNAP Benefit Calculations	\$11 billion
Use SNAP Database to Prevent Undue Issuances of Other Federal Benefits	\$7 billion
Restrict SNAP Eligibility for Undocumented Individuals	\$4 billion
Other Savings Provisions	\$13 billion
Increase Farm Subsidies and Other Agricultural Safety Net Programs	-\$52 billion
Fund Agricultural Trade Promotion	-\$2 billion
Other Spending Provisions	-\$4 billion
Interactions	-\$24 billion
Subtotal, Agriculture Committee	\$238 billion
Transportation and Infrastructure Committee	
Highway Trust Fund Fees for Electric Vehicles	\$64 billion
Inflation Reduction Act Rescissions and Vessel Tonnage Duties	\$4 billion
U.S. Coast Guard Assets for Border Security and Counter Narcotics	-\$20 billion
Air Traffic Control Improvements and Kennedy Center Funding	-\$12 billion
Subtotal, Transportation and Infrastructure Committee	\$37 billion
Natural Resources Committee	
Onshore Oil and Gas Leasing	\$13 billion
Offshore Oil and Gas Leasing	\$6 billion
Alaskan Oil and Gas Leasing	\$1 billion
Environmental Review Fees	\$1 billion
Other Spending Cuts	\$1 billion
Funding for Water Storage and Conveyance, as well as America's 250th Anniversary	-\$3 billion
Limitation on Distribution of Outer Continental Shelf Program Revenues	-\$1 billion
Subtotal, Natural Resources Committee	\$18 billion

Oversight Committee	
Eliminate FERS Annuity Supplement for Certain Employees	\$7 billion
"At-Will" Employment and Lower FERS Contributions for New Federal Employees and Filing Fee for MSPB Claims and Appeals	\$4 billion
Enact "Comprehensive Audit" of FEHB Dependents	\$1 billion
Subtotal, Oversight Committee	\$12 billion
Financial Services Committee	
Cap CFPB Authority to Draw Funds from Federal Reserve and Return Civil Penalty Funds to Treasury	\$4 billion
Redirect PCAOB Support Fees to Treasury, Cap Assessments Collected by the Office of Financial Research, and Rescind Funding from Green and Resilient Retrofit Program	\$1 billion
Subtotal, Financial Services Committee	\$5 billion
Interactions	-\$175 billion
PRIMARY DEFICIT IMPACT	-\$2.4 trillion (-\$4.3 trillion if permanent)
Interest	-\$551 billion (-\$736 billion if permanent)
TOTAL DEBT IMPACT WITH INTEREST	-\$3.0 trillion (-\$5.0 trillion if permanent)

- The so-called "Big Beautiful Bill" refers to a sweeping tax reform package aligned with Donald Trump's agenda, aiming to extend and expand several core provisions of the 2017 Tax Cuts and Jobs Act (TCJA).
- Between 2025 and 2034, the proposed tax changes are projected to add USD2.4 tn to the U.S. primary deficit, with the total cost rising to USD3.0 tn when interest payments are included.
- Then, if the tax cuts become permanent, the impact on the national debt could reach USD5.0 tn.
- The single largest cost—over USD2.1 tn—comes from the continuation of lower income tax rates.
- Other high-cost measures include the retention of larger standard deductions and the removal of the Alternative Minimum Tax (AMT).
- Although some revenue-raising measures are included, such as ending personal exemptions, they fall far short of offsetting the spending.
- The bill also proposes about USD1.0 tn in savings, primarily by rolling back clean energy incentives, eliminating electric vehicle credits, and reducing certain healthcare payments.
- Despite these offsets, the bill significantly enlarges the fiscal deficit, raising concerns about its long-term economic impact.
- In the long run, the expansion of the fiscal deficit is likely to place upward pressure on interest rates, potentially crowding out private investment and slowing U.S. economic growth.
- Combined with structural deficits, this may raise inflation expectations and complicate future monetary policy decisions by the Federal Reserve.

FED PROBABILITIES

FED PROBABILITIES, as of 2 Jul '25

MEETING DATE	FED PROBABILITIES (in bps)								
	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
30-Jul-25	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	21.7%	78.3%
17-Sep-25	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.2%	71.8%	8.9%
29-Oct-25	0.0%	0.0%	0.0%	0.0%	0.0%	13.2%	55.2%	28.8%	2.8%
10-Dec-25	0.0%	0.0%	0.0%	0.0%	10.2%	45.9%	34.6%	8.6%	0.6%
28-Jan-26	0.0%	0.0%	0.0%	4.3%	25.3%	41.2%	23.7%	5.2%	0.4%
18-Mar-26	0.0%	0.0%	2.4%	16.1%	34.2%	31.4%	13.3%	2.5%	0.2%
29-Apr-26	0.0%	0.7%	6.2%	21.1%	33.4%	26.3%	10.3%	1.8%	0.1%
17-Jun-26	0.3%	3.5%	13.8%	27.4%	29.8%	18.2%	6.0%	1.0%	0.1%

Sources : CME Group, and KBVS Research (2025)

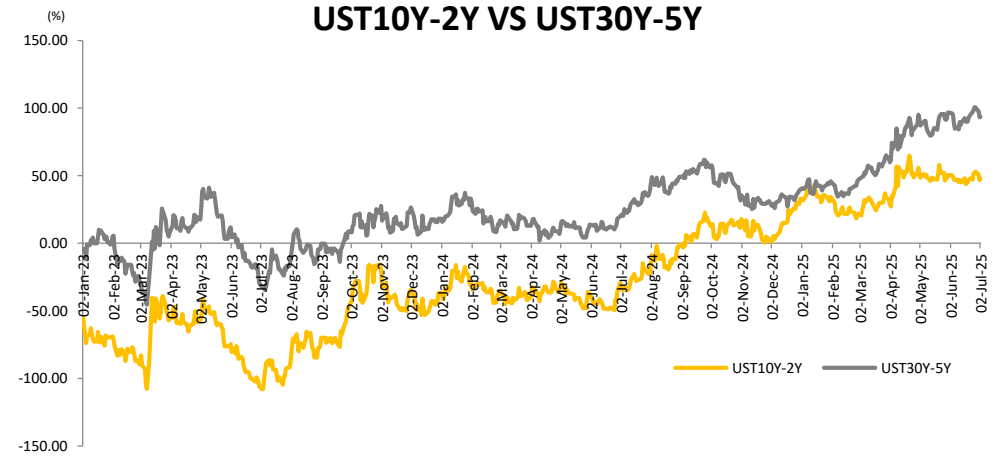
- Markets remain predict in 25 bps cuts on September, October, and December.
- Federal Reserve Chair Jerome Powell told Congress the central bank remains firmly in wait-and-see mode for adjusting monetary policy.
- However, Federal Reserve Board, Cristopher Waller, told that there is probability that interest rate may be cut at the earliest in July, following the announcement of unemployment data.

DXY



Sources : Bloomberg, and KBVS Research (2025)

YIELD SPREAD UST10Y-2Y VS UST30Y-5Y



Sources : Bloomberg, and KBVS Research (2025)

THE MOVEMENT OF UST YIELDS

US FISCAL INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Govt Debt	USD Tn	Nov' 24	36.08	35.95
Govt Debt to GDP	%	4Q24	124.35	122.3
Govt Budget	USD Bn	Nov '24	-367.30	-257.00
S&P Credit Rating	Rating	27-Mar-24	AA+	AA+

Sources : US Treasury, KBVS Research (2025)

Over the past week, UST yields moved tends to decrease:

- Yield UST6M
 - 0.26 bps (WoW)
 - 3.41 bps (YtD, as of Jul 2,'25)
- Yield UST1Y
 - 1.30 bps (WoW)
 - 17.42 bps (YtD, as of Jul 2,'25)
- Yield UST2Y
 - +0.82 bps (WoW)
 - 45.27 bps (YtD, as of Jul 2,'25)
- Yield UST5Y
 - +1.42 bps (WoW)
 - 51.75 bps (YtD, as of Jul 2,'25)
- Yield UST10Y
 - 0.79 bps (WoW)
 - 28.63 bps (YtD, as of Jul 2,'25)
- Yield UST30Y
 - 1.80 bps (WoW)
 - +3.19 bps (YtD, as of Jul 2,'25)

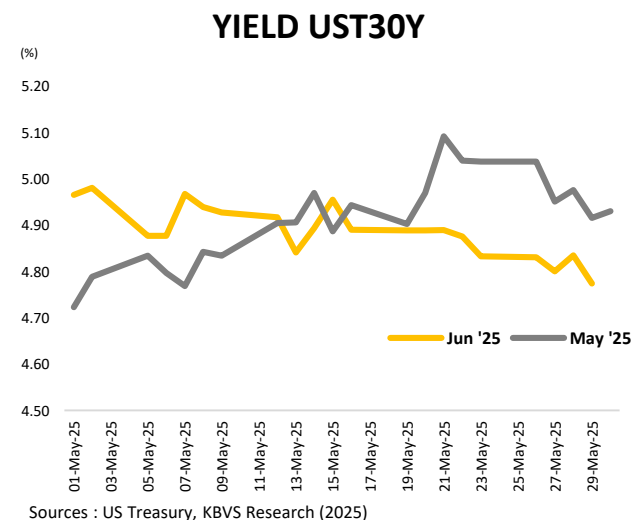
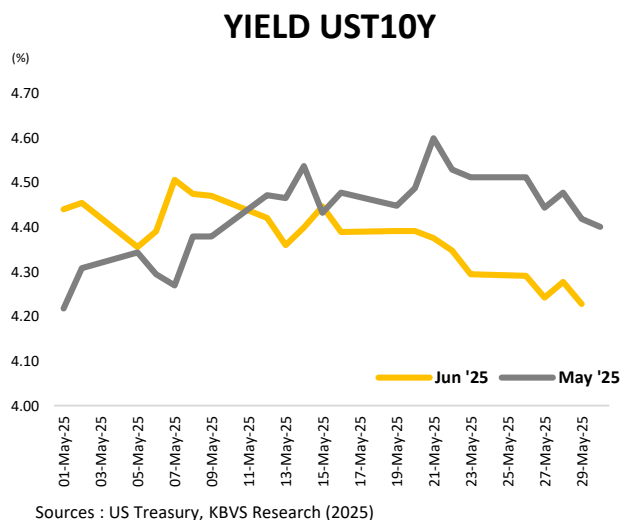
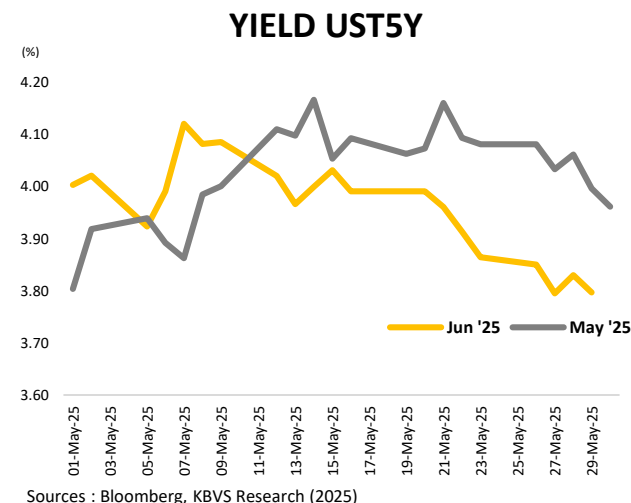
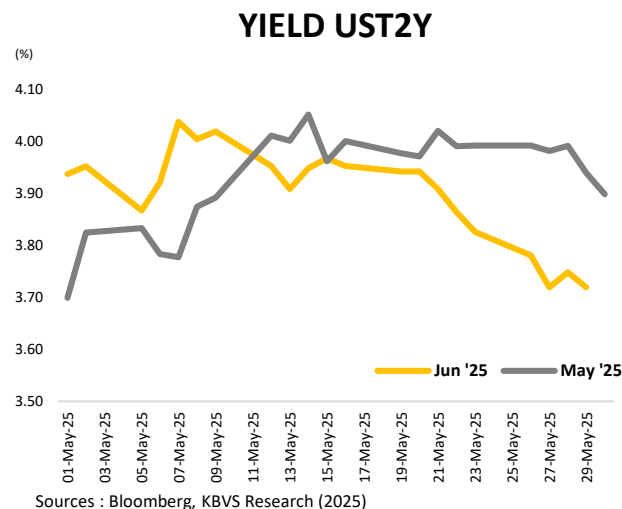




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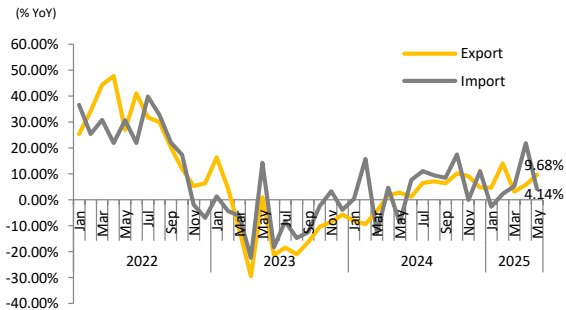
INDONESIA ECONOMIC DATA

INDICATORS OVERVIEW

Economic Indicators	Unit	Latest Period	Data	
			Latest	Previous
Policy Interest Rate	%	18 Jun '25	5.50	5.50
Economic Growth	%, yoy	1Q25	4.87	5.02
Inflation Rate	%, yoy	Jun '25	1.87	1.60
Unemployment Rate	%	Feb '25	4.76	4.91
S&P Credit Rating	Rating	17 July '24	BBB	BBB

Sources : various sources, KBVS Research (2025)

EXPORT-IMPORT



Sources : BPS, KBVS Research (2025)

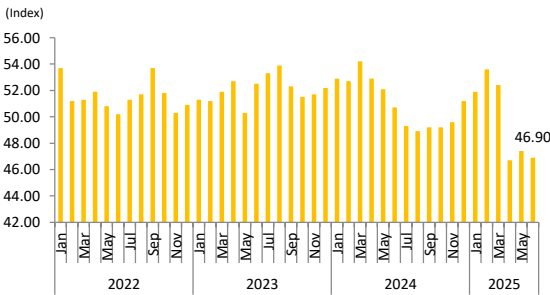
ECONOMIC CALENDAR

(26 JUN-2 JUL '25)

Event	Actual	Forecast	Previous
Thursday, 26 Jun '25			
ID S&P Global Manufacturing PMI (Jun)	46.90		47.40
ID Core Inflation (YoY) (Jun)	2.37%	2.44%	2.40%
ID Inflation (YoY) (Jun)	1.87%	1.83%	1.60%
ID Inflation (MoM) (Jun)	0.19%	0.15%	-0.37%
ID Export Growth (YoY) (May)	9.68%	1.00%	5.76%
ID Import Growth (YoY) (May)	4.14%	-0.10%	21.84%
ID Trade Balance (May)	4.30B	2.40B	0.15B
Tuesday, 1 Jul '25			
Wednesday, 2 Jul '25			

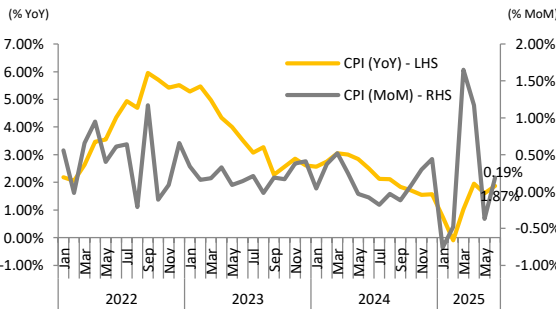
Sources : Investing, KBVS Research (2025)

S&P GLOBAL MANUFACTURING PMI



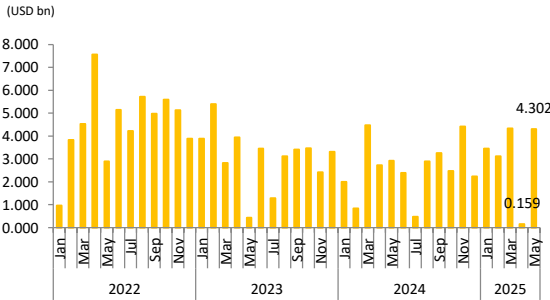
Sources : S&P Global, KBVS Research (2025)

INFLATION



Sources : BPS, KBVS Research (2025)

TRADE BALANCE

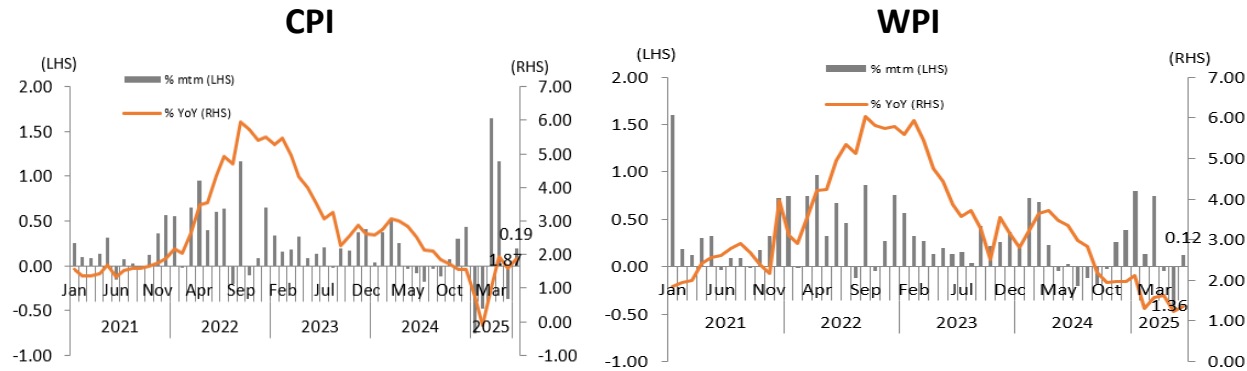


Sources : BPS, KBVS Research (2025)

The data release that influenced yield movements in the week of 26 Jun-2 Jul '25 are as follows:

- S&P Global Manufacturing PMI in Jun '25 decreased to 46.90 (Prev: 47.40).
- The trade surplus exceeded our expectations due to improved exports in line with the depreciation of the rupiah, which made Indonesian products more competitive, despite a downward trend in export commodity prices. This is reflected in the increase in non-oil & gas exports by 11.8% yoy to USD23.5 bn, helping to offset a sharp decline in oil and gas exports, which fell 21.71% yoy to USD1.11 bn. At the commodity level, the surplus benefited from strong performance in iron and steel exports, which increased 11.02% yoy over the January–May 2025 period. On the import side, imports rose moderately by 4.14% yoy to USD20.31 bn, led by a 5.44% yoy increase in non-oil and gas imports to USD17.67 bn. In contrast, oil and gas imports declined 3.80% yoy to USD2.64 bn. However, by the end of the month, the rupiah strengthened compared to early June levels. Despite ongoing geopolitical risks in the Middle East that continue to affect Indonesia's oil import outlook, the trade balance is expected to remain resilient in the near term.
- The seasonal effects of Eid al-Adha and school holidays were key drivers of inflation in Jun '25. This is reflected in the main inflation-contributing components during the month, particularly the increase in air transportation fares, alongside rising prices of rice, bird's eye chili, shallots, and tomatoes. From a component perspective, volatile food prices rose by 0.77% MoM. Looking ahead, the appreciation of the Rupiah and continued declines in global commodity prices — including energy and agricultural commodities — are expected to ease imported inflation in the coming months. However, we remain concerned about the weakening of the manufacturing sector, as indicated by the PMI remaining in contraction territory for the past three consecutive months. This trend could potentially transmit to household income and spending, resulting in softer demand for goods.

INFLATION



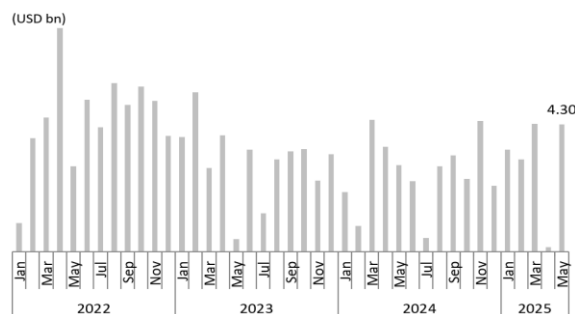
Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	108.27	108.07	0.19%	1.87%
Food, Beverages, and Tobacco	112.50	111.98	0.46%	1.99%
Clothing and Footwear	104.00	103.95	0.05%	1.01%
Housing, Water, Electricity, and Household Fuels	103.98	103.89	0.09%	1.59%
Equipment, Tools, and Routine Household Maintenance	104.06	104.07	-0.01%	0.57%
Health	105.68	105.58	0.09%	1.84%
Transport	109.97	109.89	0.07%	0.15%
Info, Comm. and Financial Services	99.29	99.30	-0.01%	-0.27%
Recreation, Sport and Culture	104.96	104.87	0.09%	1.23%
Education Services	105.03	105.08	-0.05%	1.82%
Food and Beverages Services/Restaurants	107.65	107.57	0.07%	1.95%
Personal Care and Other Services	120.01	119.62	0.33%	9.30%
Core inflation	106.66	106.59	0.07%	2.37%
Administered Price	110.03	109.93	0.09%	1.34%
Volatile Food	112.76	111.90	0.77%	0.57%
Wholesale Price Index (WPI)	104.73	104.60	0.12%	1.36%
Agriculture	106.60	106.08	0.49%	0.94%
Mining and Quarrying	100.00	101.26	-1.24%	-1.03%
Manufacturing	107.04	106.81	0.22%	1.38%
Farmer Exchange Rate	121.72	121.15	0.47%	2.48%
Farmers Price Received Index	150.88	149.84	0.69%	4.65%
Farmers Price Paid Index	123.96	123.68	0.23%	2.13%

Source: BPS - KBVS (2025)

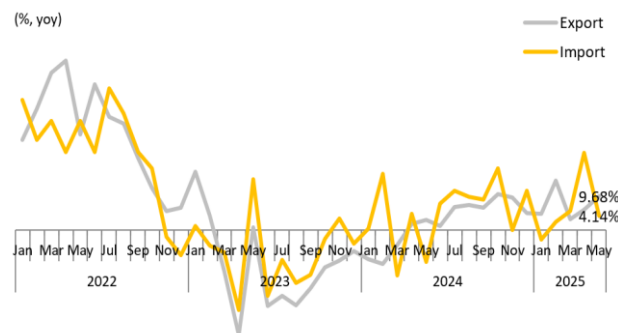
- **The Inflation in June 2025 was largely driven by seasonal factors, particularly Eid al-Adha and school holidays.** This is evident in the primary inflation-contributing components during the month, most notably the increase in air transportation fares, which contributed 0.04 percentage points to overall inflation.
- As a result, headline inflation in Jun '25 stood at 0.19% MoM or 1.87% YoY (Cons: 0.12% MoM or 1.80% YoY; KBVS: -0.35% MoM or 1.33% YoY; Prev: -0.37% MoM or 1.60% YoY).
- From a component perspective, the largest contributor to monthly inflation was the Volatile Food Component, which rose by 0.77% MoM or 0.57% YoY. Meanwhile, Core Inflation came in at 0.07% MoM or 2.37% YoY (Cons: 0.12% MoM or 2.42% YoY; KBVS: -0.34% MoM or 1.95% YoY; Prev: 0.07% MoM or 2.40% YoY).
- In parallel, the Wholesale Price Index (WPI) in Jun '25 registered inflation of 0.12% MoM or 1.36% YoY. The largest increases were seen in the Agriculture, Forestry, and Fishery sector, which posted inflation of 0.49% MoM or 0.94% YoY; followed by the Food, Beverage, and Tobacco Products; and the Textiles, Apparel, and Leather Goods sector, which recorded 0.22% MoM or 1.38% YoY.
- Looking ahead, **the appreciation of the Rupiah and the continued decline in global commodity prices — including energy and agricultural goods — are expected to alleviate imported inflationary pressures in the coming months.** However, at the same time, the start of the new academic year may lead to rising education costs, which could contribute to inflation through the Education component. On the downside, there is continued concern about the weakening performance of the manufacturing sector, with the Manufacturing PMI remaining in contraction for three consecutive months.

TRADE BALANCE

TRADE BALANCE



EXPORT – IMPORT GROWTH



Indicators	Value (USD bn)		Growth (%)	
	Latest	M-1	MoM	YoY
Total Export (FOB)	24.61	20.74	18.66	9.68
Oil and Gas	1.11	1.17	-4.99	-21.71
- Crude Oil	0.09	0.10	-11.75	-58.24
- Processed Oil	0.39	0.45	-12.89	4.70
- Gas	0.63	0.62	1.95	-24.29
Non-Oil and Gas	23.50	19.57	20.07	11.80
- Agriculture, Forestry, and Fisheries	0.63	0.48	32.17	59.46
- Manufacturing	19.76	15.95	23.89	20.40
- Mining & Others	3.11	3.15	-1.14	-26.20
Total Import (CIF)	20.31	20.59	-1.32	4.14
Oil and Gas	2.64	2.52	4.93	-3.80
- Crude Oil	0.73	0.65	12.49	-12.34
- Processing Oil	1.91	1.87	2.29	-0.07
- Gas	0.00	0.00	0.00	0.00
Non-Oil and Gas	17.67	18.07	-2.20	5.44
Import Based on the Goods Usage Classification				
Consumption Goods	1.83	1.70	7.27	5.28
Raw/Auxiliary Materials	14.05	14.97	-6.19	-1.18
Capital Goods	4.44	3.91	13.54	24.85
Trade Balance	4.30	0.16	2608.75%	46.81%
Oil and Gas Trade Balance	-1.53	-1.35	13.52%	15.24%
Non-Oil and Gas Trade Balance	5.83	1.51	286.63%	36.95%

Source: BPS - KBVS (2025)

- Indonesia's trade balance continued its surplus streak for the 61st consecutive month, with the surplus in May '25 significantly exceeding expectations and reaching USD4.30 bn (Cons: USD2.66 bn; KBVS: USD0.50 bn; Prev: USD0.15 bn).
- The surge in palm oil exports was also bolstered by India's palm oil imports rising 87% MoM.
- At the same time, the Rupiah's limited elasticity against the USD appeared to encourage opportunistic behaviour among importers of Indonesian products.
- Meanwhile, on the import side, growth remained relatively modest at 4.14% YoY (Cons: 1.10% YoY; KBVS: 2.68% YoY; Prev: 21.84% YoY).
- Looking ahead, we expect the trade surplus to persist**, supported by
 - The gradual easing of tensions in the Middle East,
 - China's improving manufacturing PMI,
 - Strong demand for animal and vegetable oils in India,
 - The Rupiah's relatively stable movement amid the ongoing decline in the U.S. Dollar Index.
- However, on the import side, we anticipate a moderate rise in imports of oil and gas components** due to lower global energy prices, particularly crude oil.

DOMESTIC FISCAL RISKS HAVE ALSO INCREASED

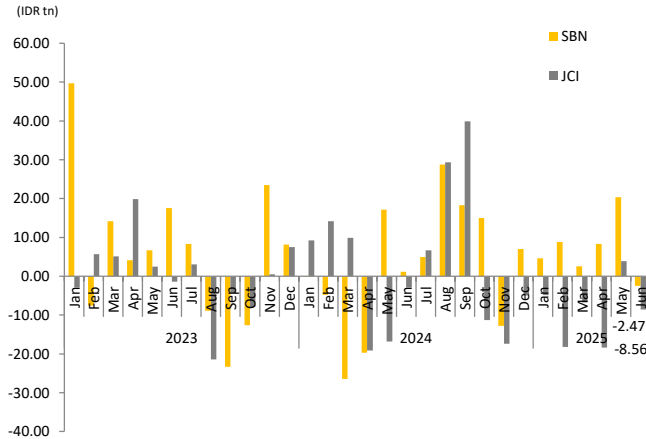


Sources : Kemenkeu (2025), link: <https://www.kemenkeu.go.id/informasi-publik/publikasi/berita-utama/Menkeu-Lapsem-APBN-Raker-Banggar>

- During a joint working meeting with the Budget Committee of the House of Representatives (DPR RI) on Tuesday, 1 July 2025, the Minister of Finance presented the following updates on the performance of the state budget (APBN):
 - State revenue reached IDR1,210.19 tn, reflecting a 10.9% YoY increase.
 - Government spending amounted to IDR1,407.1 tn, including IDR33.0 trillion in fiscal stimulus packages disbursed in 1Q25 and IDR24.4 trillion in 2Q25.
- At the same time, the Minister expressed concerns that Indonesia's **fiscal deficit may exceed the 2025 target of 2.53% of GDP, potentially reaching 2.78%**, as the government's debt financing needs continue to rise.
- As of Jun '25, the Ministry of Finance (MoF) had raised IDR315 tn in new debt, accounting for 40.7% of this year's financing target. This represents a 46.9% YoY increase from the IDR214.7 tn raised during the same period last year.
- The MoF highlighted that the majority of financing came from the issuance of government securities (SBN), totaling IDR308.6 tn or 48% of the 2025 annual target of IDR624.6 tn—up 49.7% YoY.
- Amid this rising trend in debt financing, **the government revised its 2025 economic growth forecast to a range of 4.7%–5.0%**, down from the original budget assumption of 5.2%.
- This adjustment aligns with recent projections from international institutions such as the OECD, World Bank, and IMF, which have downgraded Indonesia's growth outlook to 4.7% due to persistent global uncertainties.
- Nonetheless, Finance Minister Sri Mulyani remains optimistic that economic growth in the first half of 2025 could still hover around 5%.

DEVELOPMENT OF TRADABLE SBN

CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2025)

Between 26 June-2 July '25, non-residents conducted:

- A net sell of tradeable SBN, amounting IDR1.87 tn.
- A net buy of JCI, amounting IDR2.29 tn.

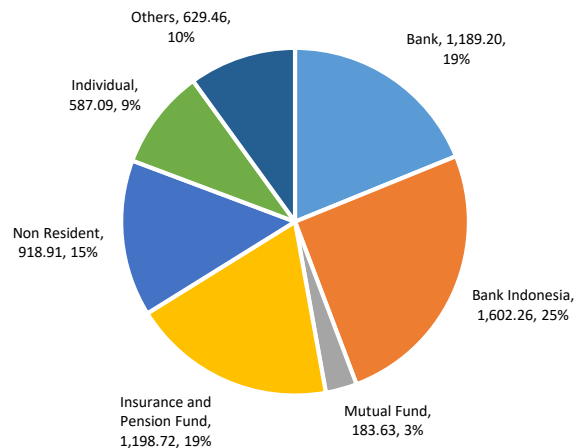
SUN LATEST AUCTION

1 Jul '25									
Instruments	SPN12251002	SPN12260702	FR0104	FR0103	FR0106	FR0107	FR0102	FR0105	Total
Incoming Bids (IDR tn)	1.00	6.27	43.16	39.12	18.03	10.83	1.53	1.75	121.68
Bid to Cover Ratio	-	3.14	5.91	4.30	3.00	2.04	1.05	2.06	3.80
Weighted Average Yields Awarded	-	5.850%	6.254%	6.595%	6.947%	7.010%	7.010%	7.059%	
17 Jun '25									
Instruments	SPN03250915	SPN12260604	FR0104	FR0103	FR0106	FR0107	FR0102	FR0105	Total
Incoming Bids (IDR tn)	1.00	4.84	20.23	32.07	13.64	6.32	1.36	1.57	81.03
Bid to Cover Ratio	-	2.42	3.32	3.67	1.79	1.71	2.10	1.31	2.70
Weighted Average Yields Awarded	-	5.940%	6.334%	6.724%	6.990%	7.036%	7.019%	7.099%	

Sources : DJPPR, KBVS Research (2025)

OWNERSHIP of IDR TRADABLE SBN

(IDR tn,
% of total tradable SBN)



Sources : DJPPR, and KBVS Research (2025)

As of 26 June '25, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,602.26 tn (+IDR3.64 tn, WoW),
- Banks : IDR1,189.20 tn (+IDR6.76 tn, WoW), and
- Insurance & Pension Funds: IDR1,198.72 tn (+IDR3.29 tn, WoW)

SBSN LATEST AUCTION

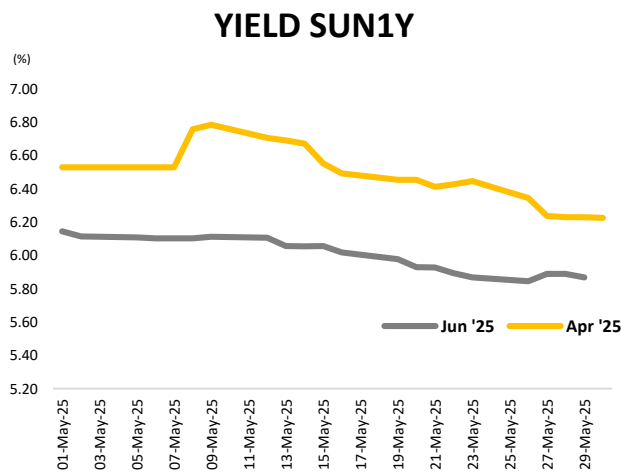
24 Jun '25								
Instruments	SPNS08122025	SPNS09032026	PBS003	PBS030	PBS034	PBS039	PBS038	Total
Incoming Bids (IDR tn)	1,15	5,08	9,84	14,44	0,57	2,66	5,98	39,73
Bid to Cover Ratio	-	5,08	7,29	3,61	1,44	1,84	1,57	3,31
Weighted Average Yields Awarded	-	6,000%	6,207%	6,296%	6,845%	7,000%	7,010%	
10 Jun '25								
Instruments	SPNS08122025	SPNS09032026	PBS003	PBS030	PBSG001	PBS034	PBS038	Total
Incoming Bids (IDR tn)	1,11	4,47	8,68	13,72	2,43	3,20	3,29	36,89
Bid to Cover Ratio	2,78	3,19	5,26	4,50	1,03	5,34	5,98	3,69
Weighted Average Yields Awarded	5,800%	5,953%	6,287%	6,360%	6,462%	6,898%	6,998%	

Sources : DJPPR, KBVS Research (2025)

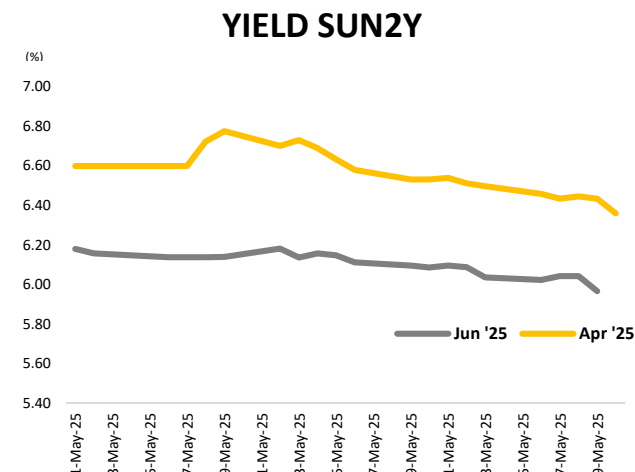
THE MOVEMENT OF SUN YIELDS

Over the past week, SUN yields moved tends to decrease:

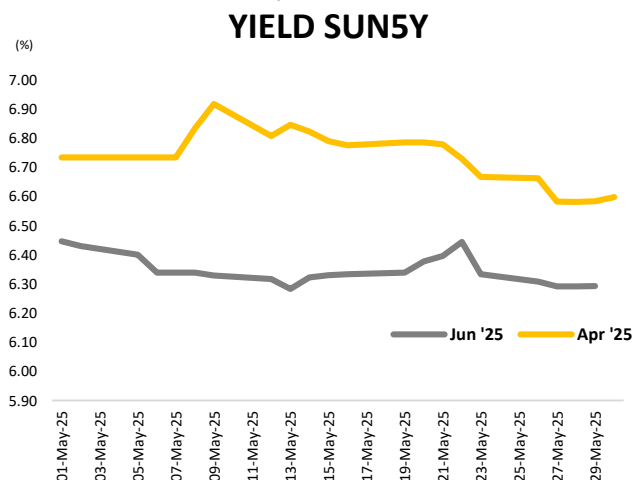
- Yield SUN1Y
 - +1.70 bps (WoW)
 - -82.60 bps (YtD, as of Jul 2,'25)
- Yield SUN2Y
 - -7.80 bps (WoW)
 - -96.00 bps (YtD, as of Jul 2,'25)
- Yield SUN5Y
 - -6.40 bps (WoW)
 - -74.40 bps (YtD, as of Jul 2,'25)
- Yield SUN10Y
 - -6.70 bps (WoW)
 - -36.50 bps (YtD, as of Jul 2,'25)
- Yield SUN30Y
 - -1.50 bps (WoW)
 - -8.40 bps (YtD, as of Jul 2,'25)



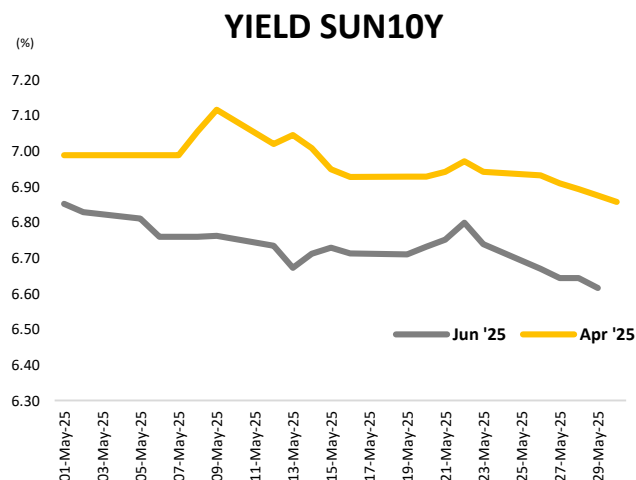
Sources : Bloomberg, KBVS Research (2025)



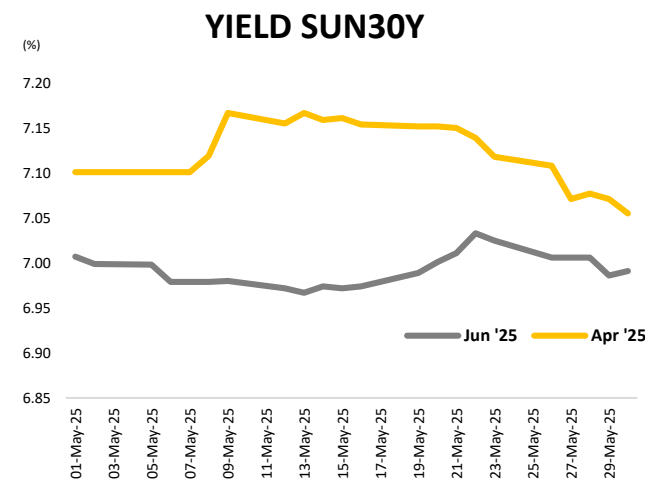
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)



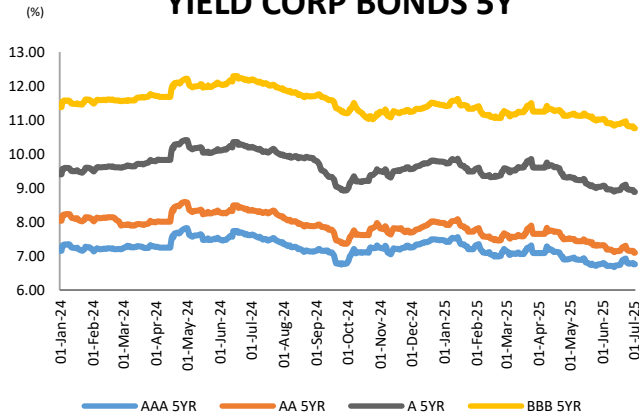
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)

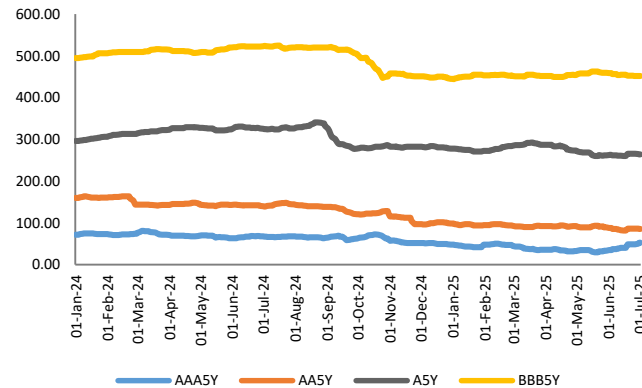
THE MOVEMENT OF CORPORATE BOND YIELD

YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2025)

YIELD SPREAD 5Y TENOR

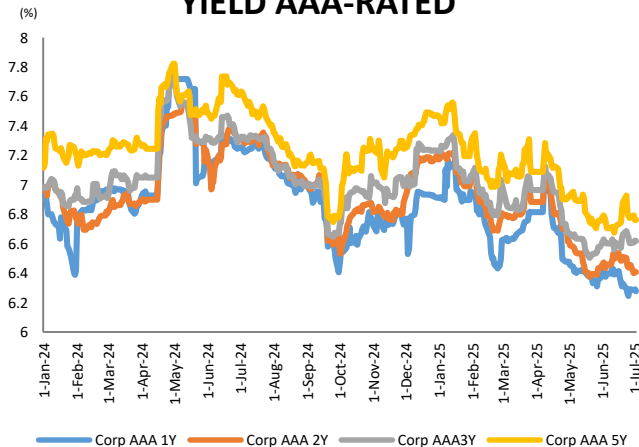


Sources : Bloomberg, KBVS Research (2025)

Corporate bond yields showed a decreasing movement last week, as follows:

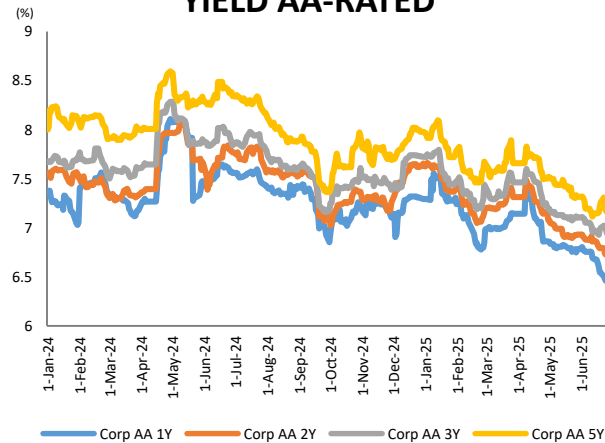
- AAA-rated
 - Tenor 1Y : +4.87 bps (WoW)
 - Tenor 2Y : -4.40 bps (WoW)
 - Tenor 5Y : -2.68 bps (WoW)
- AA-rated
 - Tenor 1Y : +3.14 bps (WoW)
 - Tenor 2Y : -8.79 bps (WoW)
 - Tenor 5Y : -7.34 bps (WoW)
- A-rated
 - Tenor 1Y : +3.77 bps (WoW)
 - Tenor 2Y : -10.26 bps (WoW), and
 - Tenor 5Y : -8.06 bps (WoW)

YIELD AAA-RATED



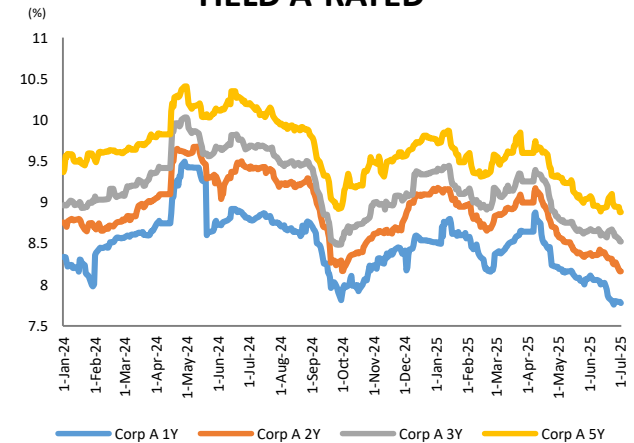
Sources : Bloomberg, KBVS Research (2025)

YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2025)

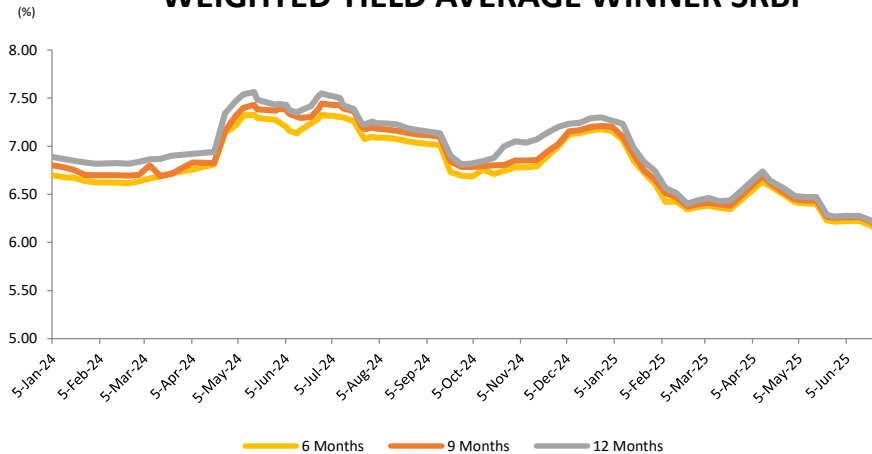
YIELD A-RATED



Sources : Bloomberg, KBVS Research (2025)

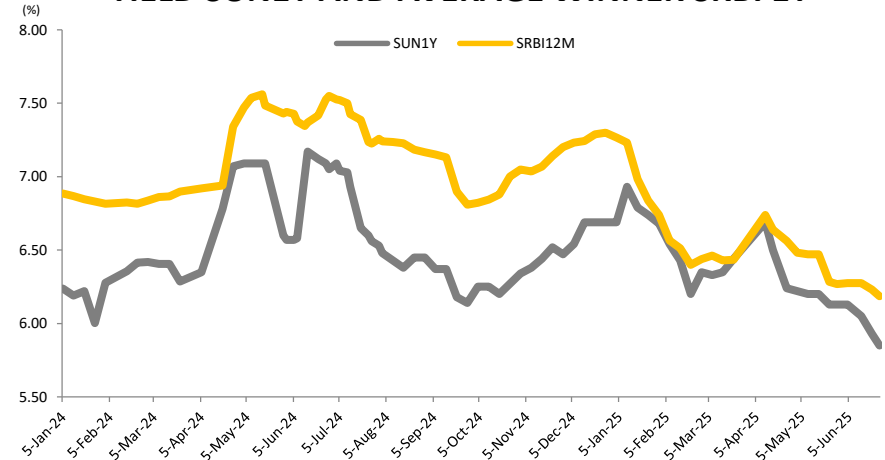
BI'S MONETARY OPERATION

WEIGHTED YIELD AVERAGE WINNER SRBI



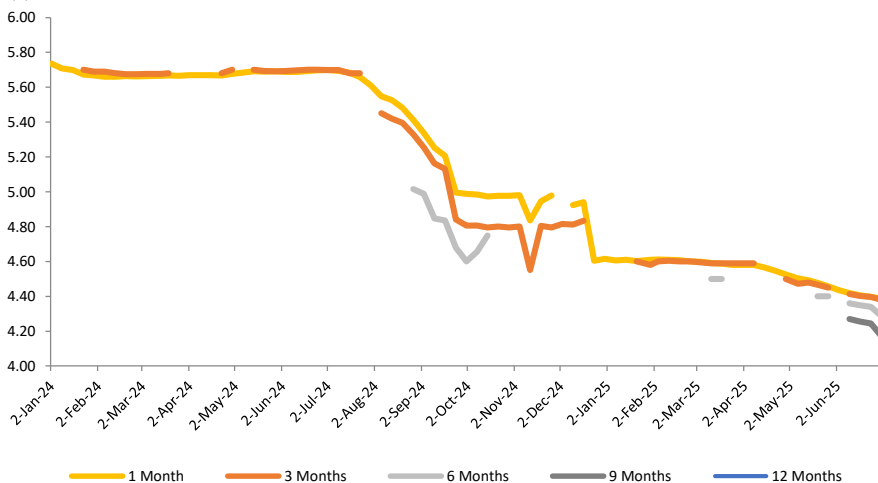
Sources : BI, KBVS Research (2025)

YIELD SUN1Y AND AVERAGE WINNER SRBI 1Y



Sources : BI, KBVS Research (2025)

WEIGHTED YIELD AVERAGE WINNER SVBI



Sources : BI, KBVS Research (2025)

- Incoming bids in the SRBI auction on June 25, 25, recorded a slight decline, falling from IDR55.73 tn to IDR54.63 tn.
- This was also accompanied by a mixed movement in the weighted average yield across the respective tenors as follows:
 - 6 month : +3.398 bps
 - 9 month - 3.957 bps
 - 12 month: -5.160 bps
- On the other hand, Incoming bids in the SVBI auction on July 1, 25, increased to USD464.56 mn (Prev: USD968.50 mn).
- Yields declined across tenors, with the following results::
 - 1 month: -0.972 bps
 - 3 month: -1.735 bps
 - 6 month: -5.223 bps
 - 12 month: -7.500 bps



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NEXT WEEK ECONOMIC CALENDAR

ECONOMIC CALENDAR

(3-9 JUL 2025)

Country	Event	Forecast	Previous
Thursday, Jul 3, 2025			
JP Au Jibun Bank Services PMI (Jun)		51.50	51.50
CN Caixin Services PMI (Jun)		51.00	51.10
GE Buba Balz Speaks			
GE HCOB Services PMI (Jun)		49.40	49.40
EU HCOB Composite PMI (Jun)		50.20	50.20
EU HCOB Services PMI (Jun)		50.00	50.00
GB BoE Credit Conditions Survey			
GB S&P Global Composite PMI (Jun)		50.70	50.70
GB S&P Global Services PMI (Jun)		51.30	51.30
EU ECB Publishes Account of Monetary Policy Meeting			
US Average Hourly Earnings (MoM) (Jun)		0.30%	0.40%
US Average Hourly Earnings (YoY) (Jun)			3.90%
US Continuing Jobless Claims			1,974K
US Initial Jobless Claims		239K	236K
US Exports (May)			289.40B
US Imports (May)			351.00B
US Nonfarm Payrolls (Jun)		120K	139K
US Participation Rate (Jun)			62.40%
US Private Nonfarm Payrolls (Jun)			140K
US Trade Balance (May)		-69.60B	-61.60B
US U6 Unemployment Rate (Jun)			7.80%
US Unemployment Rate (Jun)		4.30%	4.20%
US S&P Global Composite PMI (Jun)		52.80	52.80
US S&P Global Services PMI (Jun)		53.10	53.10
US Factory Orders (MoM) (May)		7.90%	-3.70%
US ISM Non-Manufacturing Employment (Jun)			50.70
US ISM Non-Manufacturing PMI (Jun)		50.80	49.90
US ISM Non-Manufacturing Prices (Jun)			68.70
US FOMC Member Bostic Speaks			

Country	Event	Forecast	Previous
Friday, Jul 4, 2025			
US Baker Hughes Oil Rig Count			432
US Baker Hughes Total Rig Count			547
JP Household Spending (YoY) (May)		1.30%	-0.10%
JP Household Spending (MoM) (May)		0.40%	-1.80%
GE Factory Orders (MoM) (May)		-0.20%	0.60%
EU ECB President Lagarde Speaks			
EU ECB's Elderson Speaks			
GB S&P Global Construction PMI (Jun)		48.60	47.90
Monday, Jul 7, 2025			
ID Fx Reserves (USD) (Jun)			152.50B
GB Halifax House Price Index (YoY) (Jun)			2.50%
GB Halifax House Price Index (MoM) (Jun)			-0.40%
GE Industrial Production (MoM) (May)			-1.40%
GB Mortgage Rate (GBP) (Jun)			7.09%
Tuesday, Jul 8, 2025			
JP Adjusted Current Account (May)			230.68T
JP Current Account n.s.a. (May)			2.258T
ID Consumer Confidence (Jun)			117.50
GE Trade Balance (May)			14.60B
Wednesday, Jul 9, 2025			
US Consumer Credit (May)			17.87M
CN CPI (MoM) (Jun)			-0.20%
CN CPI (YoY) (Jun)			-0.10%
CN PPI (YoY) (Jun)			-3.30%
ID Retail Sales (YoY) (May)			-0.30%

