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Market Pulse | Question of the Week

Protests in Indonesia

MARKET PULSE | QUESTION OF THE WEEK

Protests in Indonesia – At a Crossroad

Indonesia has faced nationwide protests since late August, driven by rising living costs and frustration over parliamentary perks. The unrest escalated in early September when the residences of several lawmakers were attacked, including that of Finance Minister Sri Mulyani Indrawati.

On 8 September 2025, President Prabowo reshuffled his cabinet, replacing Sri Mulyani with Purbaya Yudhi Sadewa, previously Chairman of the Indonesia Deposit Insurance Corporation (LPS).

Market Implications

The abrupt removal of Indonesia's influential Finance Minister Sri Mulyani Indrawati has unnerved investors, given her fiscal and policy credibility. Markets fear that her departure could pave the way for more populist spending under President Prabowo Subianto, raising concerns over the sustainability of Indonesia's fiscal position.

The incoming finance minister, Purbaya Yudhi Sadewa, is viewed as pro-growth, and investors will be watching closely to see how his policy stance balances growth ambitions with fiscal prudence.

While the optics of the change have dented sentiment, the rupiah has so far shown resilience, supported by expectations of US Federal Reserve easing, which has provided a stabilising backdrop.

However, Indonesian equities turned volatile, reflecting near-term uncertainty and the risk of renewed foreign outflows. Historically, foreign investor flows have amplified swings in Indonesian markets.

From a fixed income perspective, market reaction was contained rather than disorderly. Price action in U.S. dollar-denominated Indonesian sovereign bonds was limited overall, with moves moderated by U.S. Treasury moves.

Local-currency Indonesian government bond yields inched higher, with the 10-year benchmark up by 4 bps, while the 5-year Indonesian credit default swap (CDS) widened by about 3 bps.

Portfolio Positioning

We remain underweight Indonesia relative to the benchmark for our Asian equity portfolios. Current exposure is focused on banks and telecommunications, where we see greater resilience.

Within banks, PT Bank Central Asia Tbk (BCA) remains a preferred holding given its strong defensive profile. We remain mindful that episodes of foreign outflow can amplify volatility, but we are comfortable with our core positions through near-term noise.

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